OFFICIAL STATEMENT DATED FEBRUARY 4, 2016

Ratings:
S&P: AA+
Moody's: Aa2

SEE "RATINGS OF BONDS" HEREIN

NEW ISSUE – BOOK-ENTRY-ONLY

In the opinions of Co-Bond Counsel, under existing law interest on the Series 2016A Bonds is excludable from gross income for federal income tax purposes, and the Series 2016A Bonds are not "private activity bonds." See "TAX MATTERS" herein for a discussion of the opinions of Co-Bond Counsel regarding the Series 2016A Bonds, including a description of alternative minimum tax consequences for corporations.

$482,530,000
Dallas Area Rapid Transit
Senior Lien Sales Tax
Revenue Refunding Bonds,
Series 2016A

Dated: Date of Delivery **Due: December 1, as shown on inside cover**

This Supplemental Official Statement supplements our Annual Disclosure Statement for the Period Ended September 30, 2014 (the "2014 Annual Disclosure Statement"), dated February 24, 2015 (attached as Appendix B). Collectively, these documents constitute the Official Statement for the Senior Lien Sales Tax Revenue Refunding Bonds, Series 2016A offered hereby and are referred to herein collectively as the or this "Official Statement." The 2014 Annual Disclosure Statement and this Supplemental Official Statement have been filed as public records with the Municipal Securities Rulemaking Board and are posted on our website at http://www.dart.org.

You should carefully consider the Investment Considerations beginning on page S-15 of this Supplemental Official Statement and on page 19 of the 2014 Annual Disclosure Statement.

The Bonds – Dallas Area Rapid Transit ("*DART*" or the "*Issuer*") is issuing $482,530,000 in principal amount of our Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Refunding Bonds, Series 2016A (the "*2016A Bonds*" or the "*Bonds*"). Proceeds of the Bonds, together with other funds of DART, will be used to refund all or a portion of the Issuer's Senior Lien Sales Tax Revenue Bonds described in Schedule I (the "*Refunded Bonds*") and to pay some or all of the costs of issuance of the Bonds.

Security for the Bonds - Lien Ranking – As authorized under the provisions of our Master Debt Resolution, adopted January 23, 2001 (as amended and supplemented from time to time, the "*Master Debt Resolution*"), we have previously issued various series of our Senior Lien Obligations of which $3,374,250,000 are currently outstanding. The Bonds are being issued, subject to certain conditions described in the Master Debt Resolution, as Additional Senior Lien Obligations under the Master Debt Resolution on a parity with the outstanding Senior Lien Obligations and any other Additional Senior Lien Obligations that are subsequently issued. See "THE BONDS-Compliance with Financial Tests for the Issuance of Additional Senior Lien Obligations." The Bonds are payable from and are secured by a first lien on the (i) Gross Sales Tax Revenues, (ii) Pledged Farebox Revenues, (iii) Federal Interest Subsidy payments that are deposited to the Senior Lien Debt Service Fund and (iv) investment earnings credited to the Gross Sales Tax Revenue Fund. See the 2014 Annual Disclosure Statement, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Security for the Obligations—Flow of Funds."

Delivery, Legality – The Bonds are offered, when, as and if issued by DART and accepted by the Underwriters, subject, among other things, to the approving opinion of the Attorney General of the State of Texas as to legality and the approving opinions of Bracewell LLP, Dallas, Texas and West & Associates L.L.P., Dallas, Texas ("*Co-Bond Counsel*"). Certain legal matters will be passed on for the Underwriters by their co-counsel, Andrews Kurth, LLP, Dallas, Texas and Escamilla & Poneck LLP, Dallas, Texas ("*Co-Underwriters' Counsel*"). Delivery of the Bonds is expected through the facilities of The Depository Trust Company ("*DTC*") on or about February 18, 2016.

MORGAN STANLEY

CITIGROUP	**LOOP CAPITAL MARKETS**	**PIPER JAFFRAY & CO.**
DREXEL HAMILTON, LLC	**JEFFERIES**	**RAMIREZ & CO., INC.**
RICE FINANCIAL PRODUCTS COMPANY	**SAMCO CAPITAL MARKETS, INC.**	**SIEBERT BRANDFORD SHANK & CO., L.L.C.**
STERN BROTHERS & CO.	**STIFEL NICOLAUS & COMPANY, INCORPORATED**	**THE WILLIAMS CAPITAL GROUP, L.P.**

Interest Rates, Maturities and Redemption - The Bonds will be dated the date of initial delivery to the Underwriters (the "*Closing Date*"), and will bear interest from the later of the Closing Date or the most recent Interest Payment Date for which interest has been paid or provided for, payable on each June 1 and December 1, commencing on June 1, 2016 (each an "*Interest Payment Date*"), at the rates set forth below. The Bonds mature on December 1 of each year (the "*Stated Maturity Dates*") in the principal amounts and bear interest at the per annum rates shown below:

$482,530,000
Dallas Area Rapid Transit
Senior Lien Sales Tax Revenue Refunding Bonds
Series 2016A

CUSIP Prefix: 235241[1]

Maturity	Amount	Rate	Yield	CUSIP Suffix[1]
2026	$13,200,000	5.000%	1.920%[2]	RH1
2027	13,880,000	5.000%	2.040%[2]	RJ7
2028	14,590,000	5.000%	2.130%[2]	RK4
2029	15,335,000	5.000%	2.230%[2]	RL2
2030	16,125,000	5.000%	2.280%[2]	RM0
2031	16,950,000	5.000%	2.370%[2]	RN8
2032	17,820,000	5.000%	2.460%[2]	RP3
2033	18,735,000	5.000%	2.510%[2]	RQ1
2034	19,700,000	5.000%	2.560%[2]	RR9
2035	20,705,000	5.000%	2.610%[2]	RS7
2036	21,770,000	5.000%	2.660%[2]	RT5

$63,610,000 5.000% Term Bonds due December 1, 2041 Priced to Yield 2.940%[2] CUSIP No. 235241RU2

$151,775,000 5.000% Term Bonds due December 1, 2046 Priced to Yield 3.000%[2] CUSIP No. 235241RW8

$78,335,000 5.000% Term Bonds due December 1, 2048 Priced to Yield 3.060%[2] CUSIP No. 235241RV0

The Series 2016A Bonds are subject to optional redemption as described herein. See "THE BONDS—Redemption Provisions—*Optional Redemption of Series 2016A Bonds.*"

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(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ division of McGraw Hill Financial on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of DART, the financial advisor, or the underwriters shall be responsible for the selection or the correctness of the CUSIP numbers set forth herein.

(2) Yield to optional call date, December 1, 2025.

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IMPORTANT NOTICES

In this Supplemental Official Statement, "we," "our," "us," and "DART" refer to Dallas Area Rapid Transit. If we use a capitalized term in this Supplemental Official Statement and do not define the term in this document, its definition is given or summarized in Appendix B to the 2014 Annual Disclosure Statement or in the Thirteenth Supplemental Debt Resolution (defined below).

We are providing information to you about the Bonds in two separate documents: (1) the 2014 Annual Disclosure Statement dated February 24, 2015 (attached hereto as Appendix B), and (2) this Supplemental Official Statement, which describes the specific terms of the Bonds and includes certain audited financial information for our fiscal year ended September 30, 2015. **All references herein to the "Disclosure Statement" mean the 2014 Annual Disclosure Statement, as updated by the financial and other information contained in this Supplemental Official Statement.**

Our Disclosure Statement includes a detailed discussion of the Sales Tax and the Gross Sales Tax Revenues and the Pledged Farebox Revenues that we have pledged as security for the Bonds, the previously issued Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Refunding Bonds, Series 2007 (the "*2007 Bonds*"), Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Bonds, Series 2008 (the "*2008 Bonds*"), Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Bonds, Series 2009A (the "*2009A Bonds*"), Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Bonds, Taxable Series 2009B (Build America Bonds – Direct Payment to Issuer) (the "*2009B Bonds*"), Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Refunding Bonds, Series 2010A (the "*2010A Bonds*"), the Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Bonds, Taxable Series 2010B (Build America Bonds – Direct Payment to Issuer) (the "*2010B Bonds*"), Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Bonds, Series 2012 (the "*2012 Bonds*"), Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Bond, Taxable Series 2012A issued to evidence a Transportation Infrastructure Finance and Innovation Act Loan (the "*2012A TIFIA Bonds*"), Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Refunding Bonds, Series 2014A (the "*2014A Bonds*"), Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Refunding Bonds, Series 2014B (the "*2014B Bonds*") and Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Refunding Bonds, Series 2015 (the "*2015 Bonds*") (the 2007 Bonds, the 2008 Bonds, the 2009A Bonds, the 2009B Bonds, the 2010A Bonds, the 2010B Bonds, the 2012 Bonds, the 2012A TIFIA Bonds, the 2014A Bonds, the 2014B Bonds and the 2015 Bonds, collectively, the "*Prior Bonds*") and other Obligations that we may issue or enter into in the future; of our rights to issue additional Bond Obligations and related Credit Agreement Obligations; of the financial tests that are imposed as preconditions to their issuance and of other matters relating to our organization; and our public transportation system. We refer you to specific captions within the Disclosure Statement where additional information may be found regarding specific subjects.

DART is presently authorized to issue and sell up to $200,000,000, from time to time, in Senior Subordinate Lien Commercial Paper Notes under our Commercial Paper Self-Liquidity ("*CPSL*") program established in Fiscal Year 2013, of which $200,000,000 is currently Outstanding.

In making an investment decision regarding the Bonds, you should rely only on the information contained or incorporated by reference in this Supplemental Official Statement and the 2014 Annual Disclosure Statement. We have not authorized anyone to provide you with other information. If information varies between this Supplemental Official Statement and the 2014 Annual Disclosure Statement, you should rely on the information in this Supplemental Official Statement.

After the Bonds are initially issued and delivered on the Closing Date, we do not claim that the information contained in the 2014 Annual Disclosure Statement or this Supplemental Official Statement is accurate as of any date other than their respective dated dates. The audited financial statements contained in Appendix C hereof provide information only as of fiscal years ending on September 30, 2015, and September 30, 2014, respectively. Our independent auditors have not compiled, examined, or performed any procedures with respect to the unaudited financial information, nor have they expressed any opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with, the unaudited information. The unaudited information is preliminary and is subject to change as a result of the audit and may materially differ from the audited financial statements when they are released.

You may obtain a copy of the Master Debt Resolution adopted on January 23, 2001, as supplemented from time to time; the Fourth Supplemental Debt Resolution that authorized our Outstanding 2007 Bonds (the "*Fourth Supplemental Debt Resolution*"); the Fifth Supplemental Debt Resolution that authorized our Outstanding 2008 Bonds (the "*Fifth Supplemental Debt Resolution*"); the Amended and Restated Sixth Supplemental Debt Resolution that authorized our Outstanding 2009A Bonds and 2009B Bonds (the "*Sixth Supplemental Debt Resolution*"); the Seventh Supplemental Debt Resolution that authorized our Outstanding 2010A Bonds and 2010B Bonds (the "*Seventh Supplemental Debt Resolution*"); the Eighth Supplemental Debt Resolution that authorized our Outstanding 2012 Bonds (the "*Eighth Supplemental Debt Resolution*"); the Ninth Supplemental Debt Resolution that authorized our Outstanding 2012A TIFIA Bonds (the "*Ninth Supplemental Debt Resolution*"); the Tenth Supplemental Debt Resolution that authorized our CPSL Program, as amended (the "*Tenth Supplemental Debt Resolution*"); the Eleventh Supplemental Debt Resolution that authorized our 2014A Bonds (the "*Eleventh Supplemental Debt Resolution*"); the Twelfth Supplemental Debt Resolution that authorized our 2014B Bonds (the "*Twelfth Supplemental Debt Resolution*"); and the Thirteenth Supplemental Debt Resolution that authorized our 2015 Bonds and 2016A Bonds (the "*Thirteenth Supplemental Debt Resolution*") from the Municipal Securities Rulemaking Board, or on our website, www.dart.org, or by contacting us at the following address or phone number to request a free copy: Executive Vice President/Chief Financial Officer, DART, 1401 Pacific Avenue, Dallas, Texas 75202, (214) 749-3148. Descriptions and summaries of such documents contained herein are qualified in their entirety by reference to this Supplemental Official Statement in its entirety and to each such document.

We have not authorized any person to give any information or to make any representation other than as contained in this Supplemental Official Statement, and, if given or made, such other information or representation may not be relied upon. This Supplemental Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds. No person may sell the Bonds in any jurisdiction in which such offer, solicitation, or sale is unlawful. The information and expressions of opinion herein are subject to change without notice. This Supplemental Official Statement is submitted in connection with the sale of the Bonds and may not be reproduced or used for any other purpose. In no instance may this Supplemental Official Statement be reproduced or used in part.

Certain information set forth in this Supplemental Official Statement and the 2014 Annual Disclosure Statement has been furnished by DART and other sources which are believed to be reliable, but such information is not to be construed as a representation by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Supplemental Official Statement. The Underwriters have reviewed the information in this Supplemental Official Statement and the Disclosure Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF DART AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder. The Bonds have not been registered or qualified under the securities laws of any state or other jurisdiction.

This Supplemental Official Statement and the 2014 Annual Disclosure Statement are intended to reflect facts and circumstances on the date of such statements or on such other date or at such other time as identified herein or therein. No assurance can be given that such information may not be misleading at a later date; consequently, reliance on this Supplemental Official Statement and the 2014 Annual Disclosure Statement, at times subsequent to the issuance of the Bonds described herein or therein should not be made on the assumption that any such facts or circumstances are unchanged.

FORWARD-LOOKING STATEMENTS

We make "forward-looking statements" in this document 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 which may be 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.

GENERAL INFORMATION ABOUT DART

Summary

The following general information about DART is a summary only and is not intended to be comprehensive. This information should be read together with the information in the 2014 Annual Disclosure Statement under the heading "INFORMATION ABOUT DART."

DART is a subregional transportation authority of the State of Texas. We were created and confirmed by passage of a referendum on August 13, 1983, pursuant to Article 1118y of Vernon's Annotated Civil Statutes, as amended and recodified as Chapter 452, Texas Transportation Code. Our current boundaries include the territory lying within the corporate limits of the following Participating Municipalities: the Cities of Carrollton, Cockrell Hill, Dallas, Farmers Branch, Garland, Glenn Heights, Irving, Plano, Richardson, Rowlett and University Park and the Towns of Addison and Highland Park. We are governed by a 15 member Subregional Board of Directors.

Our administrative office is located in Dallas County, Texas, and our boundaries include approximately 700 square miles and a population of approximately 2.4 million persons, as of January, 2015, according to information obtained from the North Central Texas Council of Governments.

The Participating Municipalities have certain limited rights to withdraw from DART, subject to the continuing collection of the Sales Tax within the withdrawing municipality until its share of all obligations of DART are collected and paid to DART. As set forth in the 2014 Annual Disclosure Statement, Participating Municipalities have the right to call a withdrawal election or accept a petition for withdrawal. See the 2014 Annual Disclosure Statement, "INFORMATION ABOUT DART—DART's Boundaries, Additions, Withdrawal Rights."

Sources of Revenue

Our sources of revenue generally include the proceeds of a 1% sales and use tax levied on taxable items sold within the boundaries of our service area (the "*Sales Tax*"); the revenues from the operation of our public transportation system, including collection of farebox revenues; Federal grant monies; deposits of the Federal Interest Subsidy payments; and investment earnings. See the 2014 Annual Disclosure Statement, "DART'S FINANCIAL PRACTICES AND RESOURCES" and "THE BONDS – Security for Bonds" herein from time to time.

Previously Issued Debt

On the date hereof, our currently Outstanding Bond Obligations consist of: (i) our 2007 Bonds that are Outstanding in the principal amount of $256,955,000, (ii) our 2008 Bonds that are Outstanding in the principal amount of $588,360,000, (iii) our 2009A Bonds that are Outstanding in the principal amount of $138,690,000, (iv) our 2009B Bonds that are Outstanding in the principal amount of $829,615,000, (v) our 2010A Bonds that are Outstanding in the principal amount of $61,500,000, (vi) our 2010B Bonds that are Outstanding in the principal amount of $729,390,000, (vii) our 2012 Bonds that are Outstanding in the principal amount of $121,235,000, (viii) our 2012A

TIFIA Bonds outstanding in the aggregate principal amount of $105,000,000, (ix) our 2014A Bonds that are Outstanding in the principal amount of $379,480,000, (x) our 2014B Bonds that are Outstanding in the principal amount of $46,555,000 and (xi) our 2015 Bonds that are outstanding in the principal amount of $117,470,000. Our Series 1 Commercial Paper Notes may be Outstanding from time to time in the aggregate principal amount of not to exceed $200,000,000, of which $200,000,000 is currently Outstanding.

PLAN OF FINANCE

Purpose

The Bonds are being issued for the purpose of refunding a portion of DART's outstanding bonds as more particularly described in "SCHEDULE I – Schedule of Bonds to be Refunded by 2016A Bonds" attached hereto (collectively, the "*Refunded Bonds*") in order to lower the overall annual debt service requirements of DART and to pay the costs of issuance of the Bonds.

Refunded Bonds and Escrow Fund

The principal of and interest due on the Refunded Bonds are to be paid on the scheduled interest payment dates and the respective redemption dates of such Refunded Bonds, from funds to be deposited pursuant to a certain escrow agreement (the "*Escrow Agreement*") between DART and Amegy Bank, a division of ZB National Association, as escrow agent (the "*Escrow Agent*"). Concurrently with the initial delivery of the Bonds against payment therefor, we will deposit a portion of the proceeds of the Bonds, together with certain other funds of DART, if any, into a special escrow fund (the "*Escrow Fund*") to be held by the Escrow Agent pursuant to the terms and provisions of the Escrow Agreement in the amount necessary to pay interest on the respective interest payment dates and to accomplish the discharge and final payment of the Refunded Bonds on their respective redemption dates. Amounts on deposit in the Escrow Fund will be used to purchase direct obligations of the United States of America and other securities authorized by State law and the Master Debt Resolution (the "*Federal Securities*"). The amount deposited to the Escrow Fund, together with investment earnings thereon, is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds and is not available to pay debt service on the Bonds or on any other obligations of DART.

Grant Thornton LLP, a firm of certified public accountants (the "*Verification Agent*"), will verify at the time of delivery of the Bonds to the Underwriters that the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds and with respect to the 2016A Bonds the computations of yield used to support the opinion of Co-Bond Counsel that interest on the 2016A Bonds will be excluded from gross income for federal income tax purposes and will issue a report to this effect (the "*Verification Report*"). The Verification Report will be relied upon by Co-Bond Counsel in rendering their opinions with respect to the tax-exemption of interest on the 2016A Bonds and with respect to the defeasance of the Refunded Bonds. See "VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS" herein.

By the deposit of the Federal Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, DART will have effected the defeasance of all of the Refunded Bonds in accordance with the law. It is the opinion of Co-Bond Counsel that as a result of such defeasance and in reliance upon the Verification Report, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Federal Securities and any cash held by the Escrow Agent and such Refunded Bonds will not be deemed as being outstanding obligations of DART and will not be payable from any other revenues of DART nor for the purpose of applying any limitation on the issuance of debt.

THE BONDS

The following description of the Bonds is a summary only and is not intended to be comprehensive. The description should be read together with the description of the terms and provisions of the Master Debt Resolution provided in Appendix B to the 2014 Annual Disclosure Statement, "SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION."

General Description

The 2016A Bonds are Additional Senior Lien Obligations that we are authorized to issue by the laws of the State of Texas, particularly Chapter 1207, Texas Government Code, as amended, and Chapter 452, Texas Transportation Code, as amended, and Section 3.2 of the Master Debt Resolution, as supplemented by the Thirteenth Supplemental Debt Resolution.

The Bonds will be issued in fully registered form in authorized denominations of $5,000 principal amount and any integral multiple thereof. On the Closing Date we will deliver to the Paying Agent/Registrar one initial Bond (the "*Initial Bond*") for each series representing the aggregate principal amount of the 2016A Bonds, payable in installments to the Representative of the Underwriters, approved by the Attorney General of Texas, and registered in the name of the representative of the Underwriters. Upon delivery of the Initial Bond to the Representative of the Underwriters against payment therefor, we will execute and deliver to the Paying Agent/Registrar a definitive Bond certificate for each maturity and interest rate thereof registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("*DTC*") pursuant to the Book-Entry System described herein and the Initial Bonds will be cancelled. No physical delivery of the Bond will be made to the beneficial owners thereof.

The principal and interest on the 2016A Bonds at maturity or upon prior redemption will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY SYSTEM" herein.

Designation of 2009B and 2010B Bonds as Build America Bonds; Receipt of Federal Interest Subsidy and Reduction in Federal Interest Subsidy Payments Due to Sequestration

The 2009B Bonds and the 2010B Bonds were designated as "Build America Bonds" (collectively, the "*Build America Bonds*") pursuant to the provisions of the American Recovery and Reinvestment Act of 2009 (the "*Recovery Act*") and we are eligible under the Recovery Act to receive from the United States Treasury interest subsidy payments ("*Federal Interest Subsidy*") equal to approximately 35% of the interest payable on the Build America Bonds. We have covenanted and agreed in the Sixth and Seventh Supplemental Debt Resolutions to deposit the Federal Interest Subsidy payments, promptly upon receipt, to the Senior Lien Debt Service Fund, and further, to take all actions required by law and applicable regulations as necessary to provide for the collection of the Federal Interest Subsidy.

Due to Congressionally-mandated reductions to the federal budget for Fiscal Year 2013, approximately $1.1 trillion across-the-board budget cuts were made to the federal budget for Fiscal Year 2013 and such cuts currently remain in effect. Prior to sequestration, DART received approximately $30.5 million in Federal Interest Subsidy payments with respect to the Build America Bonds. As a result of the sequestration, DART received Federal Interest Subsidy payments of $28.3 million for Fiscal Year 2015, representing a reduction of 7.3% for Fiscal Year 2015. We expect to receive for Fiscal Year 2016 $28.3 million, representing a reduction of 6.8%. While not desirable, DART believes that the reduction has not had and, if continued at the same reduced rate, will not have, a significant impact on DART's ability to meet its debt service requirements.

Compliance with Financial Tests for the Issuance of Additional Senior Lien Obligations

The financial tests for the issuance of Additional Senior Lien Obligations described in this section, in the 2014 Annual Disclosure Statement, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Preconditions to Issuance of Bond Obligations—Financial Coverage Tests," and in Appendix B to the 2014 Annual Disclosure Statement, "SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION—PERMITTED DART INDEBTEDNESS—Additional Senior Lien Obligations" have been changed as described below under "Amendment to Master Debt Resolution."

In accordance with the requirements of Section 3.2 of the Master Debt Resolution, on the date of delivery of the Bonds, we will provide the Trustee with a certificate executed by our Chief Financial Officer certifying and demonstrating that: (i)(a) estimated Gross Sales Tax Revenues for each of the three consecutive Fiscal Years beginning with the first Fiscal Year in which Debt Service with respect to the Bonds is due, are equal to at least 200% of the Debt Service that will be due on Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) during each of such three consecutive Fiscal Years after taking into consideration any additional Debt Service to be paid during such period with respect to the Bonds (exclusive of amounts payable on Credit Agreement Obligations) or (b) for either the most recent complete Fiscal Year, or for any consecutive 12 of the most recent 18 months, the Gross Sales Tax Revenues were equal to at least 200% of the maximum Debt Service on or with respect to all Outstanding Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) scheduled to be paid during the current or any future Fiscal Year, including maximum Debt Service during any future Fiscal Year on the Bonds; and (ii) our estimated Gross Sales Tax Revenues, during each of three consecutive Fiscal Years beginning with the Fiscal Year in which Debt Service is due on the Bonds, will be sufficient to pay all Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) and all Subordinate Lien Obligations during such three Fiscal Years (exclusive of amounts payable on Credit Agreement Obligations).

Amendment to Master Debt Resolution

In the Sixth Supplemental Debt Resolution, the Board approved a certain amendment (the "*Amendment*") to the Master Debt Resolution described in this section. DART obtained the consents necessary for the Amendment to become effective, and the Amendment became effective on February 11, 2011.

The following is a summary of the Amendment:

- The Debt Service required to be calculated for a particular series of Obligations pursuant to the financial tests set forth in subsections (b)(iii) and (b)(iv) of Section 3.2 of the Master Debt Resolution will be calculated net of amounts payable to DART from or by the State or the United States for, on account of, or in reimbursement for, the payment of principal and interest on such Obligations, if such amounts are, at the time of calculation, required to be deposited to the debt service fund for such Obligations. The effect of this Amendment is to permit DART to take into account Federal Interest Subsidy payments in calculating DART's Debt Service for purposes of meeting its financial coverage tests for the issuance of additional Obligations. For a description of the financial tests set forth in the Master Debt Resolution, see "THE BONDS-Compliance with Financial Tests for the Issuance of Additional Senior Lien Obligations" and the 2014 Annual Disclosure Statement, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Preconditions to Issuance of Bond Obligations—Financial Coverage Tests."

Principal Amounts, Interest Rates

The 2016A Bonds will mature on the dates, in the principal amounts and will bear interest at the rates per annum stated on the inside cover page of this Supplemental Official Statement. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve thirty-day months, paid semiannually on June 1 and December 1 of each year (or on the next succeeding Business Day if such date is not a Business Day), commencing June 1, 2016. Interest will accrue and be paid on each Bond respectively until its maturity or prior redemption, from the later of the Closing Date or the most recent Interest Payment Date to which interest has been paid or provided for.

Security for Bonds

The Bonds are payable from and are secured by a first lien on the (i) Gross Sales Tax Revenues, (ii) Pledged Farebox Revenues, (iii) the Federal Interest Subsidy payments that are deposited to the Senior Lien Debt Service Fund, and (iv) investment earnings credited to the Gross Sales Tax Revenue Fund. See the 2014 Annual Disclosure Statement, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Security for the Obligations—Flow of Funds." This lien is senior to the lien on Pledged Revenues that is created in the Master Debt Resolution in favor of all Subordinate Lien Obligations. To secure our obligations to pay compensation to, to reimburse the expenses and costs of, and to indemnify the Trustee, the Trustee has a lien on Pledged Revenues prior to the Senior Lien Obligations. During the continuance of an Event of Default, the Trustee will apply all money, investments and the income therefrom that are on deposit in the Senior Lien Debt Service Fund first to the payment of Administrative Expenses owed on or with respect to the Senior Lien Obligations. For additional information regarding the Sales

Tax and Gross Sales Tax Revenues, see the 2014 Annual Disclosure Statement, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Security for the Obligations—Flow of Funds."

THE BONDS AND OUR OUTSTANDING BOND OBLIGATIONS ARE PAYABLE SOLELY FROM THE PLEDGED REVENUES AND THE PLEDGED FUNDS CREATED UNDER THE MASTER DEBT RESOLUTION AND THE THIRTEENTH SUPPLEMENTAL DEBT RESOLUTION, AND NEITHER THE STATE, THE CITY OF DALLAS (THE "*CITY*"), A PARTICIPATING MUNICIPALITY, NOR ANY POLITICAL CORPORATION, SUBDIVISION OR AGENCY OF THE STATE WILL BE OBLIGATED TO PAY THE SAME OR THE INTEREST THEREON AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE CITY, A PARTICIPATING MUNICIPALITY, OR ANY OTHER POLITICAL CORPORATION, SUBDIVISION OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS OR OUR OUTSTANDING BOND OBLIGATIONS. NEITHER THE BONDS, OUR OUTSTANDING BOND OBLIGATIONS, NOR ANY INSTRUMENT RELATED TO SUCH BONDS MAY GIVE A BONDHOLDER A RIGHT TO DEMAND PAYMENT FROM TAX PROCEEDS IN EXCESS OF THOSE COLLECTED FROM THE SALES TAX IMPOSED BY DART PURSUANT TO THE ACT. THE OWNERS OF THE BONDS DO NOT HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS OUT OF ANY FUNDS RAISED OR TO BE RAISED BY AD VALOREM TAXATION.

Pledge of Pledged Farebox Revenues to Obligations Pursuant to Seventh Supplemental Debt Resolution

The Master Debt Resolution provides that DART may, pursuant to a supplemental resolution, subject additional revenues to the lien and pledge of the Master Debt Resolution. Pursuant to the provisions of the Seventh Supplemental Debt Resolution, DART pledged the Pledged Farebox Revenues as security for all of the Obligations, including the Prior Bonds, the Bonds and any Additional Senior Lien Obligations. Pledged Farebox Revenues are limited, with respect to each Debt Service Accrual Period, to the fares collected by DART for its bus, rail and paratransit services in an amount equal to the Accrued Aggregate Debt Service applicable to the 2010B Bonds after deducting the Federal Interest Subsidy payments accrued during such Debt Service Accrual Period. The Pledged Farebox Revenues are subject to the lien and pledge of the Master Debt Resolution for the benefit of holders of all outstanding Obligations, and are additional funds constituting Pledged Revenues. DART has covenanted and agreed that on each day on which the Trustee receives Gross Sales Tax Revenues as provided in the Master Debt Resolution, to the extent such Gross Sales Tax Revenues are insufficient to fully fund all of the transfers and deposits required to be made pursuant to Section 5.3(a) of the Master Debt Resolution, to transfer to the Trustee an amount of Pledged Farebox Revenues sufficient to fund such deficiency or, if Pledged Farebox Revenues are not sufficient to fund such deficiency, continue to transfer Pledged Farebox Revenues to the Trustee immediately upon receipt thereof, until any deficiencies are fully funded. The Trustee shall deposit and transfer such Pledged Farebox Revenues to the funds and accounts and in the order of priority set forth in the Master Debt Resolution for deposit and credit of amounts on deposit in the Gross Sales Tax Revenue Fund. See the 2014 Annual Disclosure Statement, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Security for the Obligations—Flow of Funds."

Payments of Principal and Interest

- Deposits to and Payments from Senior Lien Debt Service Fund

The Trustee is required (1) to accumulate money in the Senior Lien Debt Service Fund in amounts sufficient to pay the principal of and the interest on the Bonds that are due and payable on each Interest Payment Date and on each Stated Maturity Date by depositing Gross Sales Tax Revenues to the Gross Sales Tax Revenue Fund as such revenues are received from the Comptroller, and then transferring such revenues, together with any other funds required to be transferred to the Trustee by DART, to the Senior Lien Debt Service Fund, in amounts equal to the Accrued Aggregate Debt Service on the Outstanding Bonds during each Debt Service Accrual Period, and (2) to transfer funds to the Paying Agent/Registrar sufficient in amount to pay the principal of and the interest on the Outstanding Bonds on their respective Interest Payment Dates, Mandatory Redemption Dates and Stated Maturity Dates. See the 2014 Annual Disclosure Statement, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Security for the Obligations—Flow of Funds."

If amounts on deposit in the Senior Lien Debt Service Fund are not sufficient on any Interest Payment Date, Mandatory Redemption Date or Stated Maturity Date to make such payment then due, such an occurrence constitutes an Event of Default under the Master Debt Resolution. In such an event, the Trustee is required to deposit all Gross Sales Tax Revenues, the other Pledged Revenues and other funds required to be transferred to the Trustee by DART to the Senior Lien Debt Service Fund when and as received from the Comptroller or DART, respectively, until the Senior Lien Debt Service Fund has on deposit therein all current and past due amounts required to pay the Senior Lien Bonds. See "THE BONDS—Events of Default and Remedies," Appendix B to the 2014 Annual Disclosure Statement, "SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION—DEFAULTS AND REMEDIES—Remedies for Default" and "SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION—SPECIAL FUNDS, USES OF MONEYS—Gross Sales Tax Revenue Fund."

- Medium, Method and Place of Payment

Interest on the Bonds will be payable to the Holders whose names appear in the Obligation Register at the close of business on the 15th day of the month next preceding each Interest Payment Date (the "*Record Date*"); provided, however, that in the event of nonpayment of interest on a scheduled Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a "*Special Record Date*") will be established by the Paying Agent/Registrar if and when funds for the payment of such interest have been received from DART. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "*Special Payment Date*," which will be at least 15 days after the Special Record Date) will be sent at least five Business Days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the Obligation Register at the close of business on the last Business Day next preceding the date of mailing of such notice. Interest on the Bonds will be paid by check (dated as of the Interest Payment Date) and sent by the Paying Agent/Registrar to the Holder entitled to such payment, United States mail, first class postage prepaid, to the address of the Holder as it appears in the Obligation Register or by such other customary banking arrangements acceptable to the Paying Agent/Registrar and the person to whom interest is to be paid; provided, however, that such person will bear all risk and expenses of such other customary banking arrangements.

The principal of each Bond will be paid to the Holder on the due date thereof (whether at the Stated Maturity Date or the date of prior redemption thereof) upon presentation and surrender of such Bond at the Designated Payment/Transfer Office of the Paying Agent, initially in Houston, Texas. If a date for the payment of the principal of or interest on the Bonds is not a Business Day, then the date for such payment will be the next succeeding Business Day, and payment on such date will have the same force and effect as if made on the original date payment was due.

Subject to any applicable escheat, unclaimed property, or similar and Applicable Law, unclaimed payments remaining unclaimed by the Holders entitled thereto for three years after the applicable payment or redemption date will be paid to DART and thereafter neither DART, the Paying Agent/Registrar, nor any other person will be liable or responsible to any Holders of such Bonds for any further payment of such unclaimed moneys or on account of any such Bonds. Notwithstanding any other provision of this Supplemental Official Statement, during any period in which the Bonds are held in book-entry-only form by DTC, payment of the principal, together with any premium, and interest on the Bonds, will be paid to DTC in immediately available or next day funds on each interest or principal payment date.

Redemption Provisions

- Optional Redemption

The Bonds maturing on and after December 1, 2026 are subject to redemption, in whole or in part, at our option on any day on and after December 1, 2025, at the redemption price equal to the principal amount of Bonds to be redeemed plus accrued and unpaid interest to the redemption date, without premium.

-Partial Redemption of Bonds

We may select, in our sole discretion, the maturity or maturities and amounts of any Bonds to be redeemed at our option. So long as the Book-Entry system is used for the Bonds, the Paying Agent/Registrar will give notice of any such redemption only to DTC, as registered owner, and the selection and redemption of the Bonds will be completed pursuant to the applicable procedures of DTC. If DART selects part of a maturity for redemption, the selection of Bonds to be redeemed within such maturity will be determined by DTC. A portion of a single Bond of a denomination greater than $5,000 may be redeemed, but only in a principal amount equal to $5,000 or any integral multiple thereof. If such a Bond is to be partially redeemed, DTC will treat each $5,000 portion of the Bond as though it were a single Bond for purposes of selection for redemption. If Bonds are redeemed in part, the principal amount of such Bonds held by DTC will be reduced and DTC will redeem Bonds held for the accounts of DTC participants in accordance with its rules and operational arrangements and DTC participants and indirect participants will implement a redemption of such Bonds from the beneficial owners thereof.

The selection of Bonds to be redeemed will be conducted by DTC and will not be governed by the Master Debt Resolution or the Thirteenth Supplemental Debt Resolution and will not be conducted by DART or the Paying Agent/Registrar. Neither DART nor the Paying Agent/Registrar will have any responsibility to DTC participants or other persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption.

- Mandatory Redemption of Term Bonds

The Bonds maturing on December 1, in each of the years 2041, 2046 and 2048 (the "*Term Bonds*") are subject to mandatory sinking fund redemption on December 1 in each of the years set forth below (the "*Mandatory Redemption Dates*"), at the redemption price equal to the principal amount of the Term Bonds to be redeemed, plus accrued and unpaid interest to the redemption date, without premium. Such required sinking fund installments as to each maturity are as follows:

Term Bonds Maturing in 2041

Mandatory Redemption Date	Principal Amount
2039	$20,155,000
2040	21,185,000
2041 (maturity)	22,270,000

Term Bonds Maturing in 2046

Mandatory Redemption Date	Principal Amount
2042	$23,415,000
2043	24,610,000
2044	32,870,000
2045	34,555,000
2046 (maturity)	36,325,000

Term Bonds Maturing in 2048

Mandatory Redemption Date	Principal Amount
2047	$38,190,000
2048 (maturity)	40,145,000

We may reduce the principal amount of Term Bonds required to be redeemed on any redemption date under the mandatory sinking fund redemption provisions described above, at our option, by the principal amount of any Term Bonds having the same maturity which, at least 45 days prior to the mandatory sinking fund redemption date, (i) have been acquired by us at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of such purchase, and delivered to the Paying Agent/Registrar for cancellation, or (ii) have been redeemed under the optional redemption provisions described above for Bonds and not previously credited to a mandatory sinking fund redemption. The Paying Agent/Registrar will call by lot any Term Bonds (or portions thereof within a maturity) being redeemed by mandatory redemption.

- Notice of Redemption

The Paying Agent/Registrar is required to give notice of any redemption to the Holder of each Bond (or part thereof) to be redeemed by first class United States mail not less than 30 days before the date fixed for redemption. The notice of redemption must state the redemption date, the redemption price, the place at which the Bonds are to be surrendered, and, if less than all the Bonds are to be redeemed, an identification of the Bonds or portions of the Bonds to be redeemed. Any notice so given is conclusively presumed to have been duly given, whether or not the Holder actually receives notice. Failure to give notice of redemption to any Holder of Bonds, or any defect therein, will not affect the validity of any proceedings for redemption of any Bonds for which notice was properly given.

The Paying Agent/Registrar and DART, so long as the Book-Entry system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Master Debt Resolution or Supplemental Debt Resolution or other notices only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice.

Registration, Transfer, Exchange and Replacement of Bonds

The Bonds may be registered, transferred, exchanged or replaced by the Paying Agent/Registrar who at all times is obligated to maintain an Obligation Register. Neither DART nor the Paying Agent/Registrar is required to issue, transfer, or exchange any Bond called for redemption, in whole or in part, where such redemption is scheduled to occur within 45 calendar days after the transfer or exchange date; provided, however, such limitation is not applicable to an exchange by the Holder of the uncalled principal balance of a Bond.

Events of Default and Remedies

Each of the following occurrences or events constitutes an “Event of Default” under the Master Debt Resolution:

(i) failure to timely pay any Debt Service on Bond Obligations;

(ii) failure to timely pay any Credit Agreement Obligations;

(iii) default in the performance of any of the covenants, conditions, agreements and provisions contained in the Obligations or in any of the Outstanding Resolutions, the failure of which materially and adversely affects the rights of the Holders, and the continuation thereof for a period of 30 days after written notice of such default;

(iv) issuing of an order by the Bankruptcy Court or a United States District Court or other court having jurisdiction, granting DART, in an involuntary proceeding, any relief under any applicable law relating to bankruptcy or providing for the appointment of a receiver or other similar official for DART or any substantial part of its property, affairs or assets, and the continuance of any such order unstayed and in effect for a period of 90 consecutive days; or

(v) DART institutes or consents to the institution of insolvency or bankruptcy proceedings against it under any federal or state insolvency laws, or files or consents to the filing of any petition, application or complaint seeking the appointment of a receiver or other similar official for DART or of any substantial part of its property, affairs or assets.

Upon the happening and continuance of any of the Events of Default the Trustee is required to transfer future Gross Sales Tax Revenues and any other Pledged Revenues in the same order as if no Event of Default had occurred with the exception that Administrative Expenses owed with respect to the Senior Lien Obligations will be paid prior to the payment of interest and principal installments from the Senior Lien Debt Service Fund. Subject to certain restrictions on Holder's actions set forth in the Master Debt Resolution, a Credit Provider, a Bondholder Representative and/or a trustee representing not less than 25% in principal amount of Outstanding Bond Obligations, may proceed against DART to protect and enforce the rights of the Holders. No Holder has the right to seek appointment of a receiver or administrator of the affairs and assets of DART. There is no right to accelerate the maturity of any Obligation under the Master Debt Resolution.

Thirty days after a default is cured, DART will be restored to its former position under the Master Debt Resolution and any proceedings are required to be abandoned or dismissed.

During the continuance of an Event of Default, the Trustee will apply all amounts on deposit in the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Subordinate Lien Debt Service Fund at the time of the default or deposited to such funds after the default, respectively, as follows: (i) to the payment of Administrative Expenses with respect to the Senior Lien Obligations, the Senior Subordinate Lien Obligations, or the Junior Subordinate Lien Obligations, respectively, and as applicable; and (ii) to the payment of Debt Service due on the Obligations that are payable from the money on deposit in the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund, or the Junior Subordinate Lien Debt Service Fund, respectively, and as applicable, in the following order:

(i) Unless the principal of all applicable Outstanding Obligations is due, first, to the payment of interest then due in the order of maturity of such interest installments, and, if the amount available is not sufficient to pay all interest amounts then due, then to the payment of interest ratably, according to the amounts due on such installment, without any discrimination or preference; and second, to the payment of principal or redemption price then due, whether at maturity or by call for redemption, in the order of their due dates and, if the amount available is not sufficient to pay all of the applicable Obligations due on any date, then to the payment of principal or redemption price ratably, according to the amounts of principal due, without any discrimination or preference.

(ii) If the principal of all of the applicable Outstanding Obligations that are payable from a specific debt service fund is due, to the payment of the principal and interest then due and unpaid upon such Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the 2016A Bonds and Issuer contribution, if any, will be applied approximately as follows:

SOURCES	
Par Amount of the Bonds	$482,530,000.00
Net Original Issue Premium	92,425,547.50
Issuer Contribution	5,634,162.19
Total Sources	$580,589,709.69

USES	
Deposit to Escrow Fund	$578,379,731.51
Underwriters' Discount	1,347,946.81
Cost of Issuance	862,031.37
Total Uses	$580,589,709.69

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ANNUAL BOND DEBT SERVICE REQUIREMENTS

The following table sets forth the amounts required for the payment of principal, mandatory sinking fund redemptions, and interest on the outstanding Senior Lien Obligations and annual debt service requirements on the Bonds.

FYE 9/30	Existing Senior Lien Net Debt Service(1)(2)(3)	2016A Bonds Principal	2016A Bonds Interest	2016A Bonds Total	Total Net Debt Service Requirements(1)(2)(3)
2016	$181,728,983	$ -	$ 6,902,860	$ 6,902,860	$188,631,843
2017	170,435,917	-	24,126,500	24,126,500	194,562,417
2018	169,873,849	-	24,126,500	24,126,500	194,000,349
2019	169,832,092	-	24,126,500	24,126,500	193,958,592
2020	169,839,148	-	24,126,500	24,126,500	193,965,648
2021	169,833,541	-	24,126,500	24,126,500	193,960,041
2022	169,836,087	-	24,126,500	24,126,500	193,962,587
2023	169,830,163	-	24,126,500	24,126,500	193,956,663
2024	169,820,331	-	24,126,500	24,126,500	193,946,831
2025	165,720,267	-	24,126,500	24,126,500	189,846,767
2026	165,722,115	-	24,126,500	24,126,500	189,848,615
2027	152,044,293	13,200,000	23,796,500	36,996,500	189,040,793
2028	152,046,002	13,880,000	23,119,500	36,999,500	189,045,502
2029	153,375,417	14,590,000	22,407,750	36,997,750	190,373,167
2030	153,372,883	15,335,000	21,659,625	36,994,625	190,367,508
2031	153,374,526	16,125,000	20,873,125	36,998,125	190,372,651
2032	153,375,842	16,950,000	20,046,250	36,996,250	190,372,092
2033	153,366,913	17,820,000	19,177,000	36,997,000	190,363,913
2034	152,997,523	18,735,000	18,263,125	36,998,125	189,995,648
2035	152,984,544	19,700,000	17,302,250	37,002,250	189,986,794
2036	152,987,359	20,705,000	16,292,125	36,997,125	189,984,484
2037	152,986,252	21,770,000	15,230,250	37,000,250	189,986,502
2038	170,531,658	-	14,686,000	14,686,000	185,217,658
2039	170,070,282	-	14,686,000	14,686,000	184,756,282
2040	149,350,346	20,155,000	14,182,125	34,337,125	183,687,471
2041	149,340,649	21,185,000	13,148,625	34,333,625	183,674,274
2042	149,328,833	22,270,000	12,062,250	34,332,250	183,661,083
2043	149,328,051	23,415,000	10,920,125	34,335,125	183,663,176
2044	141,239,572	24,610,000	9,719,500	34,329,500	175,569,072
2045	134,800,713	32,870,000	8,282,500	41,152,500	175,953,213
2046	78,408,179	34,555,000	6,596,875	41,151,875	119,560,054
2047	78,398,572	36,325,000	4,824,875	41,149,875	119,548,447
2048	78,387,092	38,190,000	2,962,000	41,152,000	119,539,092
2049	73,363,167	40,145,000	1,003,625	41,148,625	114,511,792
Total	$5,077,931,160	$482,530,000	$579,409,860	$1,061,939,860	$6,139,871,020

(1) Net of expected federal subsidies on the Series 2009B and 2010B Bonds. Does not include outstanding senior subordinate lien commercial paper.
(2) Excludes the Refunded Bonds.
(3) Includes debt service for the $105 million TIFIA Loan (Series 2012A Taxable Bonds).

THE PAYING AGENT/REGISTRAR

Amegy Bank, a division of ZB National Association, Houston, Texas, is the Paying Agent/Registrar for the Bonds. We retain the right to replace the Paying Agent/Registrar, but we are obligated to maintain and provide for a Paying Agent/Registrar for the Bonds at all times, and any successor must be a commercial bank or trust company or other entity that is duly and legally authorized to perform the duties of Paying Agent/Registrar under the Master Debt Resolution and the Thirteenth Supplemental Debt Resolution. The Paying Agent/Registrar is responsible for paying the principal of and interest on the Bonds from amounts received from the Trustee, for maintaining the Obligation Register with respect to the Bonds and, subject to the conditions described under "BOOK-ENTRY SYSTEM" below, administering the transfer and exchange of Bonds.

BOOK-ENTRY SYSTEM

AS LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES HEREIN TO THE "HOLDERS," THE "BONDHOLDERS," OR THE "OWNERS OF THE BONDS" MEANS CEDE & CO. AND DOES NOT MEAN THE BENEFICIAL OWNER OF THE BONDS. WHEN REFERENCE IS MADE TO ANY ACTION WHICH IS REQUIRED OR PERMITTED TO BE TAKEN BY SUCH BENEFICIAL OWNER, SUCH REFERENCE ONLY RELATES TO ACTION BY SUCH BENEFICIAL OWNER OR THOSE PERMITTED TO ACT (BY STATUTE, REGULATION, OR OTHERWISE) ON BEHALF OF SUCH BENEFICIAL OWNER FOR SUCH PURPOSES.

DART, the Paying Agent/Registrar, the Co-Financial Advisors and the Underwriters cannot and do not give any assurances that DTC will distribute to its Participants or that Direct Participants or Indirect Participants (as each of such capitalized terms are defined below) will distribute to Beneficial Owners of the Bonds (i) payments of the principal of or interest or premium, if any, on the Bonds, (ii) confirmation of ownership interests in the Bonds or (iii) redemption or other notices, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Supplemental Official Statement. The current "rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "procedures" of DTC to be followed in dealing with its Participants are on file with DTC.

DART, THE PAYING AGENT/REGISTRAR, THE CO-FINANCIAL ADVISORS AND THE UNDERWRITERS WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (B) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE BONDS; (C) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE MASTER DEBT RESOLUTION, THE THIRTEENTH SUPPLEMENTAL DEBT RESOLUTION OR ANY OTHER SUPPLEMENTAL RESOLUTION UNDER AND PURSUANT TO WHICH ANY OUTSTANDING OBLIGATIONS HAVE BEEN ISSUED OR EXECUTED, OR PRIOR RESOLUTIONS AMENDED; (D) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT.

The information in this section concerning DTC and DTC's Book-Entry system has been obtained from sources that DART believes to be reliable, but neither DART nor the Board take any responsibility for the accuracy thereof.

General Provisions

The following information concerning DTC and its book-entry system has been furnished for use in this Supplemental Official Statement by DTC. DART, the Paying Agent/Registrar, the Co-Financial Advisors and the Underwriters take no responsibility for the accuracy or completeness of such information.

DTC acts as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity and bearing the same interest rate, will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). Standard & Poor's has rated DTC "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com** and **www.dtc.org**.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "*Beneficial Owner*") is in turn recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the Book-Entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, the Bonds to be redeemed within such maturity will be selected by DTC in accordance with the Operational Arrangements of DTC.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to DART as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from DART or the Paying Agent/Registrar on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, DART or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of DART, the Board or the Paying Agent/Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to DART, the Board or the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered as described in the Eleventh Supplemental Debt Resolution.

DART and the Board may decide to discontinue use of the system of Book-Entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered as described in the Eleventh Supplemental Debt Resolution.

INVESTMENT CONSIDERATIONS

The following information, which you should carefully consider, identifies certain investment considerations associated with the purchase of Bonds. You should also carefully consider the information set forth under "Investment Considerations" beginning on page 19 of the 2014 Annual Disclosure Statement.

Issuance of Additional Senior Lien Obligations

The Master Debt Resolution permits us to issue Additional Senior Lien Obligations without notice to you and without your consent, if we can satisfy the financial tests and limitations contained in the Master Debt Resolution. We must also satisfy any limitations contained in Supplemental Resolutions and in Credit Agreements in order to issue any Senior Lien Obligations. The financial tests that apply to future issues of Additional Senior Lien Obligations require us to demonstrate an ability to pay the Bonds and such future Obligations based on economic forecasts of future economic conditions. Those forecasts do not and cannot guarantee that we will receive Gross Sales Tax Revenues and other Pledged Revenue, at the times and in the amounts required to pay all of our Obligations, including the Bonds, when and as due and payable.

Ratings of the Bonds Do Not Assure Their Payment

The Bonds are currently rated by nationally recognized rating agencies, as shown on the cover page hereof. A rating reflects the rating agency's assessment of the likelihood that holders of a class of securities will receive the payments to which they are entitled. A rating may not remain in effect for any given period of time, and a rating agency may lower or withdraw a rating entirely. A rating is not a recommendation to purchase, hold, or sell securities because it does not address the market price, liquidity or the suitability of the securities for any particular investor.

The Master Debt Resolution Provides for Cross-Defaults

The Master Debt Resolution provides that an "Event of Default" occurs thereunder if, under certain circumstances, we default in the due and punctual performance of any covenant, condition, agreement or provision contained in any Obligation (including any Credit Agreement) or any Outstanding Resolution. See Appendix B to the 2014 Annual Disclosure Statement, "SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION—DEFAULTS AND REMEDIES."

Nonpayment Events of Default

If we default in the performance of any nonpayment related covenants, conditions, agreements, and provisions contained in the Obligations or in any of the Outstanding Resolutions, notice of default may be initiated by the Holders of not less than 10% in aggregate principal amount of Outstanding Bond Obligations, a Credit Provider, or a Bondholder Representative. It may be difficult for the Holders of the Bonds to initiate a nonpayment event of default, unless such Holders are successful in obtaining the cooperation of (i) a significant number of other Holders of the Bonds or (ii) the Holders of other Outstanding Bond Obligations. Although the Master Debt Resolution permits a Supplemental Resolution authorizing a series of Bond Obligations to designate a Bondholder Representative to represent the Holders of a series of Bond Obligations at a time when there is no Credit Agreement in effect, such designation has not been made in the Eleventh Supplemental Debt Resolution.

Limitation and Enforceability of Remedies

The remedies available to the Holders of the Bonds upon an Event of Default under the Master Debt Resolution are limited to the seeking of specific performance or a writ of mandamus or other suit, action, or proceeding compelling and requiring us and our officers to observe and perform any covenant, condition, or obligation prescribed in the Master Debt Resolution. NO ACCELERATION REMEDY IS AVAILABLE TO HOLDERS OF THE BONDS. A Credit Provider, a Bondholder Representative, or a trustee selected by and representing not less than 25% in principal amount of the Outstanding Bond Obligations may initiate an action against us, but only if the Holders of at least 25% in principal amount of the Outstanding Senior Lien Obligations have joined in or consented to such action or each Holder of a Senior Lien Obligation has been provided prior notice of such action. It may be difficult for the Holders of the Bonds to cause a trustee, a Credit Provider, or a Bondholder Representative to take action in the Event of Default without the cooperation of a significant number of Holders of the Outstanding Senior Lien Obligations.

After an Event of Default, the Trustee will transfer funds in the same order as if no Event of Default had occurred with the exception that Administrative Expenses will be paid prior to the payment of interest and principal installments from the Senior Lien Debt Service Fund and the funds securing any Subordinate Lien Obligations.

The remedies available under the Master Debt Resolution are in many respects dependent upon regulatory and judicial actions that are often subject to discretion and delay. Under existing law, such remedies may not be readily available. In addition, enforcement of such remedies (i) may be subject to general principles of equity which may permit the exercise of judicial discretion and (ii) are subject, in part, to the provisions of the United States Bankruptcy Act and other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Further, under current State law, we are prohibited from waiving sovereign immunity from suit or liability with respect to our obligations relating to the Bonds and, therefore, Holders of the Bonds are prevented from bringing a suit against us to adjudicate a claim to enforce our obligations under the Master Debt Resolution or for damages for breach of our obligations under the Master Debt Resolution. However, State courts have held that mandamus proceedings against a governmental unit, such as DART, are not prohibited by sovereign immunity.

CONTINUING DISCLOSURE AND ACCESS TO INFORMATION

We have agreed voluntarily to replace the Disclosure Statement annually, to update it after the first, second and third quarters of our fiscal year with unaudited financial information, and to prepare a Supplemental Official Statement or Supplemental Disclosure Statement and Offering Memorandum in connection with each issue of Bond Obligations. These disclosure documents and each Supplemental Debt Resolution will be filed with the Municipal Securities Rulemaking Board (the "*MSRB*"). All of these documents will also be posted on the Internet at our website, www.dart.org. We reserve the right to stop postings on the Internet of annual and quarterly updates at any time.

In the Master Debt Resolution and the Thirteenth Supplemental Resolution, DART has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. Pursuant to the requirements of Rule 15c2-12 (the "*Rule*") promulgated by the United States Securities and Exchange Commission (the "*SEC*"), DART is obligated to provide certain updated financial information and operating data annually, and notice of specified events (listed below) to the MSRB. This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("*EMMA*") system at *www.emma.mrsb.org*. The updated information to be provided by DART includes information contained in the charts set forth under "DART'S FINANCIAL PRACTICES AND RESOURCES" in the 2014 Annual Disclosure Statement. The updated information also includes audited financial statements, if DART commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, DART will provide unaudited financial statements by the required time and audited financial statements when and if they become available. Any such financial statements will be prepared in accordance with the accounting principles described in the 2014 Annual Disclosure Statement or such other accounting principles DART may be required to employ.

DART's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless DART changes its fiscal year. If DART changes its fiscal year, it will notify the MSRB of the change.

DART is required to notify the MSRB, in a timely manner and in not more than ten (10) business days after the occurrence of any one of the following events with respect to the Bonds: (i) principal and interest payment delinquencies; (ii) nonpayment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TED) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to the rights of Owners, if material; (viii) bond calls, if material and tender offers; (ix) defeasance; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership, or similar event of DART, which shall occur as described below; (xiii) the consummation of a merger, consolidation, or acquisition involving DART or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material.

For these purposes, any event described in the immediately preceding clause (xii) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for DART in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of DART, or if such jurisdiction has been assumed by leaving the existing governing body, and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of DART.

DART will notify the MSRB, in a timely manner, of any failure by DART to provide financial statements and other financial information or operating data in accordance with its agreement by the required time.

Compliance with Prior Undertakings

For the last five years, DART has complied in all material respects with its continuing disclosure agreements made in accordance with the Rule, except that on March 21, 2012, DART timely electronically filed with EMMA its 2012 Annual Disclosure Statement for the year ended September 30, 2011; however, DART's Audited Financial Statements for the year ended September 30, 2011 that are part of the Annual Disclosure Statement as Appendix A were inadvertently omitted from the electronically filed 2012 Annual Disclosure Statement as a result of an error that occurred during the electronic submission process. As a result, the Audited Financial Statements were not filed with the Annual Disclosure Statement. DART Financial staff corrected the submission by filing the Audited Financial Statements for the period ended September 30, 2011 on October 10, 2012. DART has modified its procedures for future submissions to EMMA. Under its modified procedures, DART electronically transmits to EMMA the Annual Disclosure Statement and the Audited Financial Statements to EMMA as separate documents.

RATINGS OF BONDS

The respective ratings that have been assigned to the Bonds by S&P and Moody's are stated on the cover page of this Supplemental Official Statement. We furnished S&P and Moody's with certain information not included in this Supplemental Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies.

An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations. We make no representation as to the appropriateness of the ratings. We can provide no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by any or all rating companies, if in the judgment of any or all companies, circumstances so warrant. Any downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price or marketability of the Bonds.

TAX MATTERS

The following discussion describes certain U.S. federal income tax considerations of United States persons that are beneficial owners ("*Owners*") of the Bonds.

Tax-Exemption

In the opinion of our Co-Bond Counsel, under existing law (i) interest on the 2016A Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) the 2016A Bonds are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "*Code*"), and, as such, interest on the 2016A Bonds is not subject to the alternative minimum tax on individuals and corporations except as described below in the discussion regarding the current earnings adjustment for corporations

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the 2016A Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of the 2016A Bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States, and a requirement that the issuer file an information report with the Internal Revenue Service. DART has covenanted in the Master Debt Resolution and in the Thirteenth Supplemental Debt Resolution that it will comply with these requirements.

The opinions of Co-Bond Counsel will assume continuing compliance with the covenants of the Master Debt Resolution and in the Thirteenth Supplemental Debt Resolution and all other Supplemental Resolutions pertaining to those sections of the Code that affect the exclusion from gross income of interest on the 2016A Bonds for federal income tax purposes and, in addition, will rely on representations by us, by our Co-Financial Advisors and the Underwriters with respect to matters solely within our knowledge, the knowledge of our Co-Financial Advisors and the Underwriters, respectively, which Co-Bond Counsel has not independently verified. Co-Bond Counsel will further rely on the report (the "*Report*") of Grant Thornton LLC, certified public accountants, regarding the mathematical accuracy of certain computations. If DART should fail to comply with the covenants in the Master Debt Resolution and the Supplemental Resolutions or if the foregoing representations or Report should be determined to be inaccurate or incomplete, interest on the 2016A Bonds could become includable in gross income from the date of delivery of the 2016A Bonds, regardless of the date on which the event causing such includability occurs.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally the alternative minimum taxable income of corporation (other than any S corporation, regulated investment company, REIT, or REMIC), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax-exempt obligations, such as the 2016A Bonds, is included in a corporation's "adjusted current earnings," ownership of the 2016A Bonds could subject a corporation to alternative minimum tax consequences.

Except as stated above, Co-Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the 2016A Bonds.

The opinions of Co-Bond Counsel are based on existing law, which is subject to change. Such opinions are further based on Co-Bond Counsel's knowledge of facts as of the date thereof. Co-Bond Counsel assume no duty to update or supplement their opinions to reflect any facts or circumstances that may thereafter come to Co-Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, the opinions of Co-Bond Counsel are not a guarantee of result and are not binding on the Internal Revenue Service (the "*Service*"); rather, such opinions represent the legal judgment of Co-Bond Counsel based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the 2016A Bonds. If an audit is commenced in accordance with its current published procedures, the Service is likely to treat DART as the taxpayer and the Owners of 2016A Bonds may not have a right to participate in such audit. Public awareness of any future audit of the 2016A Bonds could adversely affect the value and liquidity of the 2016A Bonds regardless of the ultimate outcome of the audit.

Additional Federal Income Tax Considerations

- Collateral Tax Consequences

Prospective purchasers of the consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for health insurance premium assistance credit and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax-exempt interest such as interest on the 2016A Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the 2016A Bonds, received or accrued during the year.

- Tax Accounting Treatment of Original Issue Discount

The issue price of all or a portion of the 2016A Bonds (the "*Original Issue Discount 2016A Bonds*") may be less than the stated redemption price payable at maturity of such 2016A Bonds. In such event, the difference between (i) the amount payable at the maturity of each Original Issue Discount 2016 Bond, and (ii) the initial offering price to the public of such Original Issue Discount 2016 Bond constitutes original issue discount with respect to such Original Issue Discount 2016A Bonds in the hands of any Owner who has purchased such Original Issue Discount 2016A Bonds in the initial public offering of the 2016A Bonds. Generally, such initial Owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount 2016A Bonds equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount 2016A Bonds continues to be owned by such Owner. Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the 2016A Bonds under the captions "Tax Exemption of 2016A Bonds" and "Collateral Tax Consequences" above generally applies, and should be considered in connection with the discussion of, this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount 2016 Bond prior to stated maturity, however, the amount realized by such Owner in excess of the basis of such Original Issue Discount 2016 Bond in the hands of such Owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount 2016 Bond was held by such initial Owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriters have purchased the 2016A Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount 2016A Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transaction for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither DART nor Co-Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount 2016A Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount 2016 Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the 2016A Bonds and ratably within each such six-month period) and the accrued amount is added to an initial Owner's basis for such Original Issue Discount 2016 Bond for purposes of determining the amount of gain or loss recognized by such Owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Original Issue Discount 2016 Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount 2016A Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All Owners of Original Issue Discount 2016A Bonds should consult their own tax advisors with respect to the determination of federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount 2016A Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount 2016A Bonds.

- Tax Accounting Treatment of Original Issue Premium

The issue price of all or a portion of the 2016A Bonds may exceed the stated redemption price payable at maturity of such 2016A Bonds. Such 2016A Bonds (the "*Premium 2016A Bonds*") will be considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium 2016 Bond in the hands of an initial Owner is reduced by the amount of such excess that is amortized during the period such initial Owner holds such Premium 2016 Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium 2016 Bond by the initial Owner. No corresponding deduction is allowed for federal income tax purposes, however, for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium 2016 Bond which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium 2016 Bond) is determined using the yield to maturity on the Premium 2016 Bond based on the initial offering price of such 2016 Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium 2016A Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All Owners of Premium 2016A Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium 2016 Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium 2016A Bonds.

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the 2016A Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the 2016A Bonds. Prospective purchasers of the 2016A Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

LITIGATION

See "LITIGATION" in our 2014 Annual Disclosure Statement for a discussion of pending litigation or claims affecting DART.

No significant changes have occurred in the status of pending litigation involving DART since the date of the 2014 Annual Disclosure Statement. We continue to accrue and estimate losses on claims that are asserted in pending litigation and have included this accrual in accounts payable and accrued liabilities in the unaudited statement of our principal accounts attached as Appendix C hereto.

APPROVALS AND LEGAL OPINIONS

We will not issue any of the Bonds unless and until we have received an opinion of the Attorney General of the State of Texas approving the issuance of the Bonds pursuant to the Master Debt Resolution and the Thirteenth Supplemental Debt Resolution.

All legal matters incident to the legality and enforceability of the Bonds, including their authorization, issuance and sale, are subject to the approval of Bracewell LLP, Dallas, Texas, and West & Associates L.L.P., Dallas, Texas, our Co-Bond Counsel.

The initial delivery of the Bonds to the Underwriters is subject to our receipt of the opinions of Co-Bond Counsel substantially to the effect set forth in the form and substance attached hereto as Appendix A.

Our Co-Bond Counsel have reviewed the information describing the Obligations in the Disclosure Statement, and the information describing the Bonds contained in this Official Statement to verify that such information conforms to the provisions of the Master Debt Resolution, the Fourth Supplemental Debt Resolution, the Fifth Supplemental Debt Resolution, the Sixth Supplemental Debt Resolution, the Seventh Supplemental Debt Resolution, the Eighth Supplemental Debt Resolution, the Ninth Supplemental Debt Resolution, the Tenth Supplemental Debt Resolution, the Eleventh Supplemental Debt Resolution, the Twelfth Supplemental Debt Resolution and the Thirteenth Supplemental Debt Resolution.

Portions of the fees paid by us to Co-Bond Counsel for services rendered in connection with the issuance of the Bonds under the Master Debt Resolution and the Thirteenth Supplemental Debt Resolution are contingent on the issuance and sale of the 2016A Bonds.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

Grant Thornton LLP, a firm of independent public accountants, will deliver to us, on or before the delivery date of the Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Federal Securities, to pay, when due, the maturing principal of and interest on the Refunded Bonds and (b) the mathematical computations of yield used by Co-Bond Counsel to support its opinion that interest on the 2016A Bonds will be excluded from gross income for federal income tax purposes.

The verification performed by Grant Thornton LLP will be solely based upon data, information and documents provided to Grant Thornton LLP by the Co-Financial Advisors on our behalf. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by Co-Financial Advisors on our behalf and has not evaluated or examined the assumptions or information used in the computations.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. We assume no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

CO-FINANCIAL ADVISORS

We have retained Estrada Hinojosa & Company, Inc., Dallas, Texas, and FirstSouthwest, a Division of Hilltop Securities Inc., Dallas, Texas, as our Co-Financial Advisors to assist us in the issuance of the Bonds. FirstSouthwest merged with its common control affiliate, Hilltop Securities Inc. ("*HilltopSecurities*"). The merger was completed at the close of business on January 22, 2016, at which time HilltopSecurities, as the surviving entity, automatically assumed all rights and obligations of FirstSouthwest.

The Co-Financial Advisors have not independently verified any of the data contained in the Official Statement or conducted a detailed investigation of the affairs of DART to determine the accuracy or completeness of those documents. In the normal course of business, the Co-Financial Advisors may also from time to time, for fees to be paid by DART or by others, sell to DART or arrange for the purchase by DART of investment securities for the investment of debt proceeds or other funds of DART upon our request.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the 2016A Bonds at a purchase price of $573,607,600.69 (representing the principal amount of the 2016A Bonds plus a reoffering premium of $92,425,547.50 and less an underwriters' discount of $1,347,946.81). The Underwriters are obligated to purchase all of the 2016A Bonds if any Bonds of such series are purchased.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and nonfinancial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the Issuer and to persons and entities with relationships with the Issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Issuer. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Citigroup Global Markets Inc., an underwriter of the 2016A Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("*TMC*") and UBS Financial Services Inc. ("*UBSFS*"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Bonds.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Jefferies LLC ("*Jefferies*"), an Underwriter of the Bonds, has entered into an agreement (the "*Agreement*") with E*TRADE Securities LLC ("*E*TRADE*") for the retail distribution of municipal securities. Pursuant to the Agreement, Jefferies will sell Bonds to E*TRADE and will share a portion of its selling concession compensation with E*TRADE.

This Supplemental Official Statement was approved and adopted by the Board of Directors of DART as the Supplemental Official Statement relating to the Bonds in accordance with the requirements of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.

/s/ Faye Moses Wilkins
Faye Moses Wilkins
Chair, Board of Directors

ATTEST:

/s/ Gary Slagel
Gary Slagel
Secretary, Board of Directors

/s/ Gary Thomas
Gary Thomas
President/Executive Director

SCHEDULE I

SCHEDULE OF BONDS TO BE REFUNDED BY THE 2016A BONDS

Senior Lien Sales Tax Revenue Bonds, Series 2008

Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
12/1/2026	4.50%	$ 13,985,000	12/1/2018	100%
12/1/2027	4.50%	14,630,000	12/1/2018	100%
12/1/2028	5.00%	15,340,000	12/1/2018	100%
12/1/2030 (Term)	4.75%	32,995,000	12/1/2018	100%
12/1/2033 (Term	5.00%	55,980,000	12/1/2018	100%
12/1/2038 (Term)	5.25%	65,765,000[1]	12/1/2018	100%
12/1/2043 (Term)	5.25%	119,410,000[2]	12/1/2018	100%
12/1/2048 (Term)	5.25%	194,265,000	12/1/2018	100%

[1] Partial Amount
[2] Remaining principal amount outstanding

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APPENDIX A

FORM OF OPINIONS OF CO-BOND COUNSEL

DALLAS AREA RAPID TRANSIT
SENIOR LIEN SALES TAX REVENUE REFUNDING BONDS
SERIES 2016A

We have represented Dallas Area Rapid Transit ("DART") as its Co-Bond Counsel in connection with the authorization and issuance of its Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Refunding Bonds, Series 2016A (the "Series 2016A Bonds") in the principal amount of $482,530,000. The Series 2016A Bonds are being issued pursuant to the Master Debt Resolution adopted January 23, 2001, as such Master Debt Resolution has been amended and supplemented from time to time (as amended and supplemented, the "Master Debt Resolution"), and the Amended and Restated Thirteenth Supplemental Debt Resolution (the "Thirteenth Supplemental Debt Resolution"), adopted November 15, 2015. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Master Debt Resolution and the Thirteenth Supplemental Debt Resolution.

We have represented DART as its Co-Bond Counsel, for the sole purpose of rendering an opinion with respect to the legality and validity of the Series 2016A Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Series 2016A Bonds from gross income for federal income tax purposes.

We have examined the relevant provisions of the Constitution and laws of the State of Texas as we have deemed necessary, including Chapter 452, Texas Transportation Code (the "Act"), pursuant to which DART was created and functions as a subregional transportation authority and public body corporate and politic of the State of Texas, and Chapter 1207, Texas Government Code, as amended. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of DART or the disclosure thereof in connection with the offering and sale of the Series 2016A Bonds.

In our capacity as Co-Bond Counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Series 2016A Bonds on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of DART: (i) the Master Debt Resolution and the Thirteenth Supplemental Debt Resolution; (ii) customary certificates of officers, agents and representatives of DART, and other public officials, and other certified showings relating to the authorization and issuance of the Series 2016A Bonds; and (iii) an escrow agreement (the "Escrow Agreement"), between DART and Amegy Bank, a division of ZB National Association, as escrow agent (the "Escrow Agent"; (iv) a report (the "Report") of Grant Thornton LLP, Certified Public Accountants (the "Verification Agent") regarding the mathematical accuracy of certain computations and verifying the sufficiency of the deposits made with the Escrow Agent for defeasance of the bonds being refunded (the "Refunded Bonds"). We have also examined executed Bond No. 1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Series 2016A Bonds;

(B) The Series 2016A Bonds constitute valid and binding special obligations of DART, secured by and payable from a first and senior lien on and pledge of the Pledged Revenues; and

(C) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and therefore, the Refunded Bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from funds provided therefor in such Escrow Agreement.

The rights of the owners of the Series 2016A Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally and may be limited by general principles of equity which permit the exercise of judicial discretion. Owners of the Series 2016A Bonds shall never have the right to demand payment of principal or interest out of any funds raised or to be raised by taxation other than the Gross Sales Tax Revenues.

DART has reserved the right to issue additional debt, subject to the restrictions contained in the Master Debt Resolution, that is secured by liens on the Pledged Revenues that are on a parity with or that are junior and subordinate to the lien on Pledged Revenues securing the Series 2016A Bonds.

IT IS OUR FURTHER OPINION THAT, under existing law:

1. Interest on the Series 2016A Bonds is excludable from gross income of the owners for federal income tax purposes; and

2. The Series 2016A Bonds are not "private activity bonds" within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"), and, as such, interest on the Series 2016A Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Series 2016A Bonds will be included in the "adjusted current earnings" of a corporation (other than any S corporation, regulated investment company, REIT or REMIC) for purposes of computing its alternative minimum tax liability.

In rendering such opinions, we have relied on representations of DART, the Co-Financial Advisors and the Underwriters, respectively, with respect to matters solely within the knowledge of DART, the Co-Financial Advisors and the Underwriters which we have not independently verified, and we have assumed continuing compliance with the covenants in the Master Debt Resolution and the Thirteenth Supplemental Debt Resolution and the representations in the Federal Tax Certificate pertaining to those sections of the Code that affect the exclusion of interest on the Series 2016A Bonds from the gross income of the owners for federal income tax purposes. We have further relied on the Report of the Verification Agent regarding the mathematical accuracy of certain computations and verifying the sufficiency of the deposit made with the Escrow Agent for the defeasance of the Refunded Bonds. If such representations or the Report are determined to be inaccurate or incomplete or DART fails to comply with the foregoing covenants of the Master Debt Resolution and the Thirteenth Supplemental Debt Resolution, interest on the Series 2016A Bonds could become includable in the gross income of the owners from the date of their original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Series 2016A Bonds.

Owners of the Series 2016A Bonds should be aware that the ownership of tax-exempt obligations, such as the Series 2016A Bonds, may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Series 2016A Bonds).

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Series 2016A

Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat DART as the taxpayer. We observe that DART has covenanted in the Thirteenth Supplemental Debt Resolution not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Series 2016A Bonds as includable in gross income for federal income tax purposes.

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APPENDIX B

2014 ANNUAL DISCLOSURE STATEMENT

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DALLAS AREA RAPID TRANSIT
Annual Disclosure Statement (for the period ended September 30, 2014)

This Annual Disclosure Statement for the period ended September 30, 2014 replaces our 2014 Annual Disclosure Statement, dated February 25, 2014. This Annual Disclosure Statement has been posted on the Internet at our website, ***www.dart.org****, and has been filed with the Municipal Securities Rulemaking Board and is available at www.emma.msrb.org. We intend to update this Annual Disclosure Statement after the first, second, and third quarters of our fiscal year and to replace it annually. We reserve the right to suspend or stop postings on the Internet and quarterly updates at any time. However, we will always provide the annual and periodic information called for under our undertaking in compliance with SEC Rule 15c2-12.*

This Annual Disclosure Statement relates to the following securities that we have issued and intend to issue from time to time: Senior Lien Obligations, Senior Subordinate Lien Obligations, and other Bond Obligations (defined below), but does not replace the Supplemental Official Statement or Supplemental Disclosure Statement and Offering Memorandum prepared for a particular series of debt securities.

You should carefully consider the information under the caption "INVESTMENT CONSIDERATIONS" herein.

DART is a subregional transportation authority created pursuant to Chapter 452 of the Texas Transportation Code (the "Act"). Our boundaries include the corporate limits of 13 North Texas cities and towns, and our headquarters are located in Dallas, Texas. Under the Act, we are authorized to provide public transportation and complementary services within such cities and towns.

Our Board of Directors has adopted a "Master Debt Resolution" that authorizes the issuance and execution of various types of debt instruments (the "Obligations"). Obligations that are issued in the form of bonds, notes, or other securities (the "Bond Obligations") will be issued in multiple series, and each series will be classified as either "Senior Lien Obligations," "Senior Subordinate Lien Obligations," or "Junior Subordinate Lien Obligations." The Senior Lien Obligations are secured by a first lien on Pledged Revenues; the Senior Subordinate Lien Obligations are secured by a second lien on Pledged Revenues; and the Junior Subordinate Lien Obligations are secured by a third lien on Pledged Revenues. These liens are senior to any other claim against the Pledged Revenues. Pursuant to the Master Debt Resolution, we have issued and have outstanding both Senior Lien Obligations and Senior Subordinate Lien Obligations. See, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS."

Under the Master Debt Resolution, Pledged Revenues consist of (i) the gross revenues that we receive from a 1% sales and use tax (the "Sales Tax"), and the investment earnings thereon while held by the Trustee in the Gross Sales Tax Revenue Fund, (ii) Pledged Farebox Revenues (as defined herein), (iii) with respect to Senior Lien Obligations, Federal Interest Subsidy payments that are deposited to the Senior Lien Debt Service Fund, and (iv) any additional revenues of DART which by a Supplemental Resolution are expressly and specifically pledged to the payment of Obligations. However, the Federal Interest Subsidy is not used to pay or secure the TIFIA bond debt service. The Sales Tax is imposed on items and services that are sold, rented, or purchased, or acquired for use within our boundaries, and that are subject generally to the Texas sales and use tax. See, "DART'S FINANCIAL PRACTICES AND RESOURCES—Principal Source of Revenue—The Sales Tax." Bond Obligations will be issued for any one or more of the following purposes: refunding outstanding indebtedness, obtaining capital funds for the expansion of our public transportation system, creating reserves, paying interest during limited periods, paying our costs of issuance, or for other purposes if permitted by applicable law.

Unless otherwise indicated, capitalized terms used herein have the meanings assigned to them in the Master Debt Resolution.

This Annual Disclosure Statement may be used to offer and sell a series of Senior Lien Obligations, Senior Subordinate Lien Obligations, or other Bond Obligations only if it is accompanied by the Supplemental Official Statement or Supplemental Disclosure Statement and Offering Memorandum for that series.

Dated Date: February 24, 2015

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Appendix B - Summary of Certain Terms of the Master Debt Resolution

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IMPORTANT NOTICES

We have included cross-references to captions in the Table of Contents where you can find further discussions of summarized information.

We do not claim that the information in this Annual Disclosure Statement is accurate as of any date other than the Dated Date stated on the front cover, except for financial information which is accurate as of its stated date. We will update this Annual Disclosure Statement as described on the cover page. In addition, the summary of the Master Debt Resolution presented in Appendix B is not intended to be comprehensive. You may obtain copies of the Master Debt Resolution, or any updates to this Annual Disclosure Statement, from the Municipal Securities Rulemaking Board's ("MSRB's") website at www.emma.msrb.org, from our website on the internet at ***www.dart.org***, or by contacting our Executive Vice President/Chief Financial Officer or Senior Vice President, Finance, at our corporate address or telephone number to request a free copy: Chief Financial Officer, DART, 1401 Pacific Avenue, Dallas, Texas 75202, 214-749-3148.

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

FORWARD-LOOKING STATEMENTS

We make "forward-looking statements" in this Annual Disclosure Statement 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, receipt of federal grants, and various other factors which 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.

OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS

We have ten series of Senior Lien Obligations outstanding – our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2007 (the "Series 2007 Bonds"), outstanding in the aggregate principal amount of $386,790,000; our Senior Lien Sales Tax Revenue Bonds, Series 2008 (the "Series 2008 Bonds"), outstanding in the aggregate principal amount of $596,450,000; our Senior Lien Sales Tax Revenue Bonds, Series 2009A (the "Series 2009A Bonds") outstanding in the aggregate principal amount of $154,920,000; our Senior Lien Sales Tax Revenue Bonds, Taxable Series 2009B (Build America Bonds – Direct Payment to Issuer) (the "Series 2009B Bonds"), outstanding in the aggregate principal amount of $829,615,000; our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2010A (the "Series 2010A Bonds"), outstanding in the aggregate principal amount of $65,935,000; our Senior Lien Sales Tax Revenue Bonds, Taxable Series 2010B (Build America Bonds – Direct Payment to Issuer) (the "Series 2010B Bonds"), outstanding in the aggregate principal amount of $729,390,000; our Senior Lien Sales Tax Revenue Bonds, Series 2012 (the "Series 2012 Bonds"), outstanding in the aggregate principal amount of $123,480,000; our Senior Lien Sales Tax Revenue Bond, Taxable Series 2012A issued to evidence a Transportation Infrastructure Finance and Innovation Act Loan (the "TIFIA Bond"), when fully drawn in Fiscal Year 2015 will be outstanding in the aggregate principal amount of up to $105,000,000; our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2014A (the "Series 2014A Bonds"), outstanding in the aggregate principal amount of $379,480,000; and our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2014B (the "Series 2014B Bonds"), outstanding in the aggregate principal amount of $46,555,000.

Bond Obligations We Expect to Issue in 2015

We do not plan to issue debt in Fiscal Year 2015, but we plan to draw the final $5 million under our TIFIA Loan agreement.

Preconditions to Issuance of Bond Obligations—Financial Coverage Tests

– Conditions to Issuance of Senior Lien Obligations

There are ten series of Senior Lien Obligations outstanding comprised of the Series 2007 Bonds, the Series 2008 Bonds, the Series 2009A and 2009B Bonds, the Series 2010A and 2010B Bonds, the Series 2012 Bonds, the 2012A TIFIA Bond, and the Series 2014A and 2014B Bonds. Under the Master Debt Resolution, we cannot issue additional Senior Lien Obligations unless:

> (1) An independent economist broadly experienced in economic forecasting in the North Texas region, or an independent certified public accountant or accounting firm, reports to us projections of Gross Sales Tax Revenues and the projections show that the estimated Gross Sales Tax Revenues for each of three consecutive Fiscal Years, beginning with the first Fiscal Year in which Debt Service will be due on the proposed Additional Senior Lien Obligations, are equal at least to 200% of the Debt Service that will be due on all Senior Lien Obligations that will be outstanding after the proposed new issue during each of such three Fiscal Years; or
>
> (2) During either our most recent Fiscal Year or during 12 out of the most recent 18 months, our Gross Sales Tax Revenues were equal to at least 200% of the maximum Debt Service that will be due on any outstanding Obligations and the proposed Additional Senior Lien Obligations during any of the current or any future Fiscal Year; and
>
> (3) Our Executive Vice President/Chief Financial Officer, or Senior Vice President, Finance, certifies that we will receive Gross Sales Tax Revenues, during each of three consecutive Fiscal Years beginning with the Fiscal Year in which Debt Service is due on the proposed Additional Senior Lien Obligations, which will be sufficient to pay all Senior Lien Obligations and all Subordinate Lien Obligations during such three Fiscal Years; and
>
> (4) We satisfy any additional financial tests that may be contained in a Supplemental Resolution or Credit Agreement.

– Conditions to Issuance of Subordinate Lien Obligations

The Master Debt Resolution does not itself impose financial tests as preconditions to the issuance of additional Senior Subordinate Lien Obligations or Junior Subordinate Lien Obligations beyond the requirement that we demonstrate the ability to pay them when due.

We cannot issue additional Senior Lien Obligations or Senior Subordinate Lien Obligations unless:

> (1) We satisfy the financial tests contained in the Master Debt Resolution summarized above; and
>
> (2) An independent economist broadly experienced in economic forecasting in the North Texas region, or an independent certified public accountant or accounting firm, reports to us projections of Gross Sales Tax Revenues and the projections show that the estimated Gross Sales Tax Revenues for each of the three following and consecutive Fiscal Years, beginning with the first Fiscal Year in which Debt Service will be due on the proposed Bond Obligations, are equal at least to 150% of the Debt Service that will be due on all Bond Obligations that are issued as Senior Lien Obligations and Senior Subordinate Lien Obligations that will be outstanding after the proposed new issue during each of such three Fiscal Years; and
>
> (3) During any 4 of the most recent 6 calendar quarters immediately preceding the issuance date of the proposed Bond Obligations, our Gross Sales Tax Revenues must have been equal at least to 200% of the Debt Service on our Bond Obligations that were outstanding during such 4 calendar quarters plus Debt Service on the proposed Bond Obligations, assuming that they were outstanding during such period and after taking into account any reduction in Debt Service that may result from the issuance of the proposed Bond Obligations; and

(4) If the proposed Bond Obligations are Senior Subordinate Lien Obligations, our Chief Financial Officer certifies that estimated Gross Sales Tax Revenues during each of the three consecutive Fiscal Years beginning with the Fiscal Year in which Debt Service is due on the proposed Additional Senior Subordinate Lien Obligations will be sufficient to pay 200% of the Debt Service due on all Senior Lien Obligations, Senior Subordinate Lien Obligations, and Junior Lien Obligations during such three Fiscal Years.

We expect that future Credit Providers and general market requirements will, from time to time, impose different or additional financial tests as preconditions to the issuance of additional Bond Obligations. Any such additional requirements will be contained in a Supplemental Resolution or in a Credit Agreement. See, Appendix B, SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION—Permitted DART Indebtedness.

Method of Issuing Bond Obligations

To issue any series of Bond Obligations, the Master Debt Resolution requires our Board to adopt a Supplemental Resolution establishing the specific terms of the series to be issued. When we issue Bond Obligations, you should purchase them on the basis of this Annual Disclosure Statement only if you have also obtained a "Supplemental Official Statement" or a "Supplemental Annual Disclosure Statement and Offering Memorandum" relating to the series of Bond Obligations you are considering.

Security for the Obligations—Flow of Funds

Our Gross Sales Tax Revenues consist of the money we are entitled to receive under the Act and other state law from the levy and collection of the voter-approved Sales Tax that is levied on taxable items and services that are sold or used within our boundaries. That revenue and the investments thereof, if any, while held by the Trustee in the Gross Sales Tax Revenue Fund are Pledged Revenues that secure all of the Obligations. Additionally, pursuant to the provisions of the Seventh Supplemental Debt Resolution authorizing the issuance of our Series 2010A and 2010B Bonds, we pledged the "Pledged Farebox Revenues" as security for all of the Obligations. The Pledged Farebox Revenues include all fares collected by or on behalf of DART for its bus, rail, and paratransit services in an amount equal to 97.3% of the debt service accruing on the Series 2010 Bonds after deducting the Federal Interest Subsidy applicable to such Bonds. The annual amount of the Pledged Farebox Revenues varies each year based on the actual debt service on the Series 2010B Bonds. The amount constituting Pledged Farebox Revenues ranges from $22.9 million in 2012 to $71.4 million in 2049. In addition, Federal Interest Subsidy Payments that are deposited to the Senior Lien Debt Service Fund are pledged to the payment of Senior Lien Obligations. We reserved the rights (1) to pledge the other farebox revenues as security for the payment of Obligations or any other obligations of DART and (2) to exclude any specified portion of farebox revenues from Pledged Farebox Revenues (including Special Revenues) by Supplemental Resolution, provided that the aggregate amount of Pledged Farebox Revenues then expected to be collected in all future Debt Service Accrual Periods shall not be reduced as a result.

State law requires the sellers and suppliers of taxable items and services to collect the Sales Tax from consumers and to pay collected taxes to the Texas Comptroller of Public Accounts. The Comptroller receives and collects all such taxes that are imposed throughout the state and pays them over to the agencies, such as DART, that levy them, net of a 2% collection fee and reserves for possible refunds.

The Master Debt Resolution establishes (1) the procedure for handling the Gross Sales Tax Revenues from the point of release of the revenues by the Comptroller to the Trustee to the point they are released by the Trustee to us; (2) the priorities of the liens that are created for the benefit of the Senior Lien Obligations, the Senior Subordinate Lien Obligations, and the Junior Subordinate Lien Obligations; and (3) the permissible investments thereof at our direction.

The law requires the Comptroller to deliver the net amount of the collected taxes to us or for our benefit not less frequently than quarterly. Under current practice, the Comptroller delivers net tax collections monthly directly to the Trustee for the benefit of the Holders of Obligations under the Master Debt Resolution.

The Trustee is required to deposit money received from the Comptroller to the Gross Sales Tax Revenue Fund. On the day of receipt, the Trustee is required to withdraw that money and to make deposits to three debt service funds in amounts equal to the Accrued Aggregate Debt Service on the Obligations of each lien ranking, beginning first with the Senior Lien Debt Service Fund, then the Senior Subordinate Lien Debt Service Fund, and finally the Junior Subordinate Lien Debt Service Fund, before any monies are released to us for other uses.

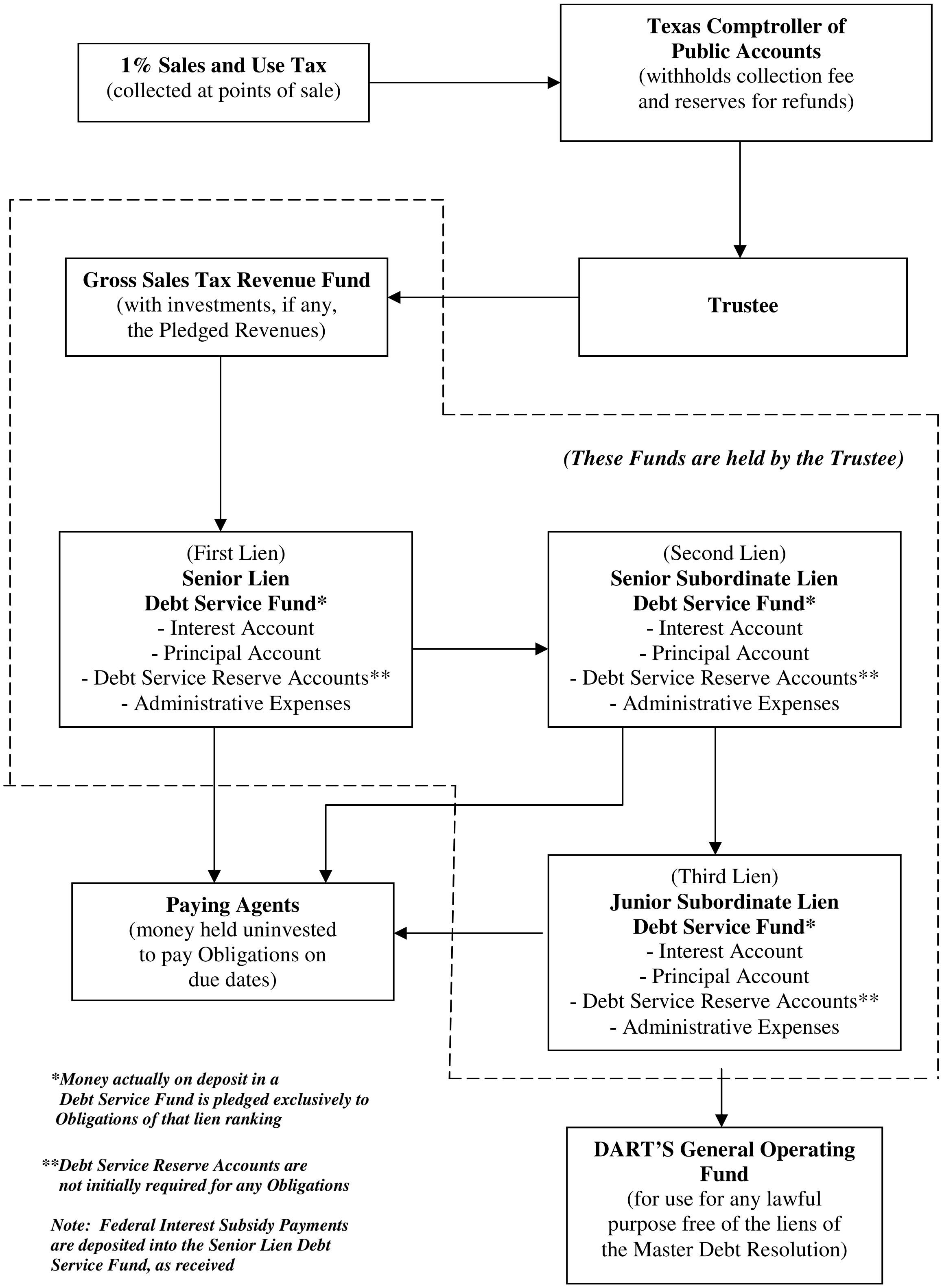
Money actually on deposit in a Debt Service Fund is pledged exclusively and irrevocably to the Obligations of the applicable lien ranking.

If the monies received from the Comptroller are not sufficient to fill all three of the Debt Service Funds to the level of current requirements, they are filled in the order of lien ranking and any deficiencies are restored with the next available Gross Sales Tax Revenues. If amounts on deposit in any Debt Service Fund are not sufficient on any Interest Payment Date, Mandatory Redemption Date or Stated Maturity Date, the Trustee is also required to deposit all the Pledged Farebox Revenues to the Debt Service Funds in the same order of priority as Gross Sales Tax Revenues.

If there is an excess of money over the amounts needed to make the required deposits to all three Debt Service Funds, and after restoring deficiencies, if any, the Trustee is required to deliver the excess revenue to DART, free and clear of the liens of the Master Debt Resolution.

When payments are due on Bond Obligations, the Trustee sends the required amounts from the applicable Debt Service Fund to the Paying Agent(s) for the maturing Obligations, as shown in the following chart of the flow of funds:

Flow of Funds (cont'd)



****Money actually on deposit in a Debt Service Fund is pledged exclusively to Obligations of that lien ranking***

***Debt Service Reserve Accounts are not initially required for any Obligations*

Note: Federal Interest Subsidy Payments are deposited into the Senior Lien Debt Service Fund, as received

Note: Pledged Farebox Revenues are held in the General Operating Fund and are only required to be transferred to the Senior Lien Debt Service Fund if the amounts therein are insufficient to pay debt service on the Bond Obligations.

INFORMATION ABOUT DART

DART is a subregional transportation authority and governmental agency of the State of Texas, created and confirmed by a referendum passed on August 13, 1983, pursuant to Article 1118y of Vernon's Annotated Texas Civil Statutes, as amended and recodified into the Act. The Act authorizes us to provide public transportation and complementary services within the corporate limits of those cities and towns in which the voters have confirmed the creation of or joinder with DART and approved the imposition of the Sales Tax under the Act.

DART's Boundaries, Additions, Withdrawal Rights

Our current boundaries include the following Participating Municipalities: the Cities of Carrollton, Cockrell Hill, Dallas, Farmers Branch, Garland, Glenn Heights, Irving, Plano, Richardson, Rowlett, and University Park and the Towns of Addison and Highland Park, Texas. Our boundaries encompass approximately 700 square miles and contain an estimated population of 2.3 million persons as of January 2014, according to information obtained from the North Central Texas Council of Governments.

If a municipality that we do not currently serve is located at least in part in a county that we serve, the municipality may become a Participating Municipality by holding an election in accordance with the Act at which its joinder with DART and the imposition of the Sales Tax is approved by its voters.

Under the Act, a Participating Municipality has the right to call an election at which its voters may vote to withdraw as a Participating Municipality every sixth calendar year. This process can be initiated by either official action of the Participating Municipality's governing body or by citizen petition. The next year in which withdrawal elections may be held is 2020.

If a withdrawal election is held and voters approve withdrawal from DART, all of our public transportation services to and within the withdrawing municipality must cease on the day following the canvass of the election returns. The Comptroller must continue to collect the Sales Tax within that municipality, however, until we have collected an amount equal to the withdrawing municipality's pro-rata share of our financial obligations that existed at the time of withdrawal. Accordingly, the Act limits the impact a municipality's withdrawal might have on our ability to repay our indebtedness, including any Obligations.

Under the Act, our Board must calculate a withdrawing municipality's financial obligation to us as of the date of withdrawal. This financial obligation shall equal such municipality's portion of the total amount of the following:

- Our outstanding obligations under contract and authorized in our current budget;
- Our outstanding contractual obligations for capital and other expenditures payable from sources other than proceeds of notes, bonds, or other obligations;
- Payments due or to become due in all subsequent years on notes, bonds, or other securities or obligations for debt issued by us;
- Our required reserves for all years to comply with financial covenants made with lenders, note or bond holders, or other creditors or contractors; and
- The amount necessary for the full and timely payment of our existing obligations, to avoid a default or impairment of those obligations, including contingent liabilities.

Any of our financial obligations that specifically relate to such withdrawing municipality will be allocated completely to it.

DART's General Powers and Purposes

We exercise public and essential governmental functions under the Act, and the Act grants us certain powers to carry out these functions. The Act authorizes us to acquire, construct, develop, plan, own, operate, and maintain all real and personal property needed by us for public transportation or complementary transportation purposes. Complementary transportation services include the following services:

- Special transportation services for elderly or disabled persons;
- Medical transportation services;
- Assistance in street modifications to accommodate our public transportation system;
- The purchase, construction, or renovation of general aviation facilities that are not served by certificated air carriers in order to relieve air traffic congestion at existing facilities; and
- Any other service that complements our public transportation system, such as parking garages.

The Act grants to us the right to acquire property by eminent domain for our public transportation system, so long as the governing body (in a city or town) or the commissioners court of the county (in unincorporated areas) having jurisdiction over the property approves the acquisition. The Act also authorizes us to lease to or contract with a private operator to operate a public transportation system or any part thereof, and to contract with any non-participating city, county, or other political subdivision to provide public transportation services to any area outside our boundaries.

The Board of Directors

We are governed by a 15-member Subregional Board of Directors. The governing bodies of the Participating Municipalities appoint members to our Board according to the ratio of the population of each Participating Municipality to the total population within our boundaries. A Participating Municipality having a population which entitles it to make a fraction of an appointment may combine that fraction with one or more other Participating Municipalities to make one appointment, but no Participating Municipality may appoint more than 65% of the members of the Board. The Board is restructured whenever there is a change in the member municipalities or every fifth year after the date census data or population estimates become available.

Each Board member serves at the pleasure of the governing municipal unit that appoints the member. Board members serve staggered two-year terms. Eight of the member terms begin on July 1 of odd-numbered years and seven of the member terms begin July 1 of even-numbered years. Each member is entitled to receive $50 for each Board meeting attended and is reimbursed for necessary and reasonable expenses incurred in the discharge of the member's duties.

The following table sets forth information regarding our current Board of Directors. The Board appoints from its members a chair, vice chair, secretary, and assistant secretary as shown in the table.

CURRENT MEMBERS AND OFFICERS OF THE BOARD OF DIRECTORS			
NAME	REPRESENTS	YEAR OF APPOINTMENT TO BOARD	OCCUPATION
Robert W. Strauss, ***Chair***	Dallas	2006	Attorney
Faye Moses Wilkins, ***Vice Chair***	Farmers Branch and Plano	1999	Telecommunications & Systems Integration Consultant
Richard Carrizales, ***Secretary***	Dallas	2010	Attorney
Gary Slagel, ***Assistant Secretary***	Addison, Highland Park, Richardson, and University Park	2011	Technology Executive
Jim Adams	Dallas	2012	Financial Executive
Michael Cheney	Garland	2011	Retired Financial Executive/ Consultant
Jerry Christian	Dallas	2007	Minister
Amanda Moreno Cross	Dallas	2013	Entrepreneur
Mark C. Enoch	Garland, Rowlett, and Glenn Heights	1997	Attorney
Pamela Dunlop Gates	Dallas	2006	Attorney
Timothy Hayden	Carrollton and Irving	2015	Risk Control Consultant
Michele Wong Krause	Dallas	2014	Attorney
Richard H. Stopfer	Irving	2013	Retired Automotive Consultant
William M. Velasco, II	Dallas and Cockrell Hill	2001	Tax and Insurance Business Owner
Paul N. Wageman	Plano	2012	Attorney

Significant Board Policies and Planning Documents

Our Board has adopted a mission statement, strategic priorities, goals, financial and business planning policies, and general policies that provide management a framework within which the agency must operate. The Board has also adopted Bylaws and Rules of Procedure to ensure that it acts in a consistent and orderly manner. Each year, for planning purposes, DART issues an annual business plan (the “Business Plan”) which includes components of the following:

— The Strategic Plan – The Strategic Plan provides a foundation for all other management actions. Beginning with DART’s mission statement and vision, the Strategic Plan includes priorities, goals, objectives, and performance measures that guide decision-making throughout the agency. The other plans and documents described in this section are also considered to be part of DART’s Strategic Plan because they provide significant guidance for agency activities and require alignment of processes and activities to achieve their full functionality and value. Elements of the Strategic Plan are periodically reviewed and updated to reflect the current environment. The mission statement and vision are the most constant elements of the Strategic Plan while individual project plans and employee performance plans are reviewed and revised at least once each year.

— Service Plan and Transit System Plan – The Service Plan, required by DART's enabling legislation, specifically describes the service provided including the locations of major transit facilities and fixed guideways. The Transit System Plan, which is not required by law, is the financially constrained long-range planning tool that is updated to incorporate changes in the service area. It provides the vision and direction for DART's future capital projects and operating programs that will be needed to improve regional mobility. The Transit System Plan is closely coordinated with development of the North Central Texas Council of Governments' Regional Mobility Plan and is revised periodically. The last revision was completed in Fiscal Year 2007 and focuses on transit needs and opportunities within the context of a 2030 horizon. The DART Board has initiated a revision to the existing 2030 Transit System Plan and is in the early stages of identifying the goals and objectives for this effort. The 2040 Plan is expected to be completed in Fiscal Year 2016.

— Annual Budget – DART's enabling legislation requires the Board to develop, recommend, and approve an annual budget. The Board must make its proposed annual budget available to the governing bodies of the cities in the service area for review and comment at least 30 days prior to its final adoption. The annual budget, which corresponds to the first year of the Twenty-Year Financial Plan, enumerates the amounts authorized for operating expenses, capital and non-operating costs, and debt service.

— Twenty-Year Financial Plan – The Twenty-Year Financial Plan addresses the affordability of the Transit System Plan and the timing of service and capital expansion projects. The Twenty-Year Financial Plan details projected sources and uses of cash for twenty years. The approved Annual Budget is used as the first year of the plan, and the Business Plan is reflected in the first five years of the plan. The final 15 years of the plan validate the affordability of our long-range Transit System Plan, and include our commitments for future system expansion and the issuance and repayment of debt.

— Business Plan – DART's Business Plan provides a comprehensive summary of the Agency's plans and commitments and outlines how DART will employ projected resources to achieve its goals and strategic priorities.

— Financial Standards – The Board's Financial Standards establish limits for capital expansion, the issuance of debt, and the maintenance of cash reserves. These standards are the basis for our Financial Plan projections. The Board has also approved Business Planning Parameters that establish operating service levels, management performance objectives, and policy limitations for projecting major sources and uses of cash.

— Key Performance Indicators – The Business Plan provides a detailed outline of our performance projections and commitments for each mode of service and DART as a whole. The Plan includes "scorecards" addressing key operating, financial, and quality measures (called "Key Performance Indicators") and identifying initiatives necessary to improve performance. The Business Plan defines how management will achieve the key initiatives presented in the Strategic Plan.

— Five-Year Action Plan – The Five-Year Action Plan provides detailed discussions of our plans to increase bus and rail ridership through service improvements for a five-year period.

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DART's Management

The Board appoints our President/Executive Director, who also serves as our Chief Executive Officer. The Chief Executive Officer's duties include:

- Administering our daily operations, including the hiring, compensation, and removal of employees;
- Awarding contracts for services, supplies, capital acquisitions, real estate, and construction without Board approval if the amount of any such contract does not exceed $100,000; and
- Awarding contracts of up to $250,000 without Board approval for standard off-the-shelf commercial products.

Additional staff positions that report directly to the Board include the General Counsel, a Director of Internal Audit, and a Director of the Office of Board Support.

A summary of our executive management team is shown in the following table:

DART'S EXECUTIVE MANAGEMENT		
NAME	POSITION	JOINED DART
Gary C. Thomas	President/Executive Director	1998
Jesse Oliver	Deputy Executive Director	2012
Carol Wise	Executive Vice President, Chief Operations Officer	2012
David Leininger	Executive Vice President, Chief Financial Officer	2008
Timothy H. McKay	Executive Vice President, Growth/Regional Development	2001
John Adler	Vice President, Procurement	2006
Albert Bazis	Director of Internal Audit	2001
Scott Carlson	General Counsel	2012
Joseph G. Costello	Senior Vice President, Finance	2014
Doug Douglas	Vice President, Mobility Management Services	1990
Nicole Fontayne-Bardowell	Vice President, Chief Information Officer	2014
Nevin Grinnell	Vice President, Chief Marketing Officer	2011
Michael C. Hubbell	Vice President, Maintenance	1995
Nancy Johnson	Director of the Office of Board Support	1999
Maureen McCole	Vice President, Commuter Rail	2014
Michael Miles	Vice President, Government Relations	1982
Michael Muhammad	Vice President, Diversity/Innovative Services	2004
Timothy Newby	Vice President, Transportation	1997
Todd Plesko	Vice President, Planning & Development	2009
Stephen Salin	Vice President, Rail Planning	2000
David Schulze	Vice President, Policy & Strategy	1994
James Spiller	Vice President, DART Chief of Police	2001
Vacant	Vice President, Chief People Officer	n/a
Vacant	Vice President, Chief Safety Officer	n/a

Employees and Employee Relations

DART currently has 3,682 budgeted salaried and hourly employees. Bus operators, mechanics, and call center personnel are represented by The Amalgamated Transit Union, Local 1338. As a Texas governmental agency, we do not collectively bargain or sign labor contracts with these employee representatives. We do, however, meet and confer with these representatives on hourly employee issues, compensation, and benefits.

Pension, Retirement, Deferred Compensation Plans, and Other Post-Employment Benefits

We operate three employee benefit plans. Information about the plans is contained in Note 18 to the Audited Financial Statements attached hereto as Appendix A. In addition to pension benefits, we provide post-retirement health care and life insurance benefits in accordance with DART policy to certain employees. Information about such benefits is contained in Note 19 to the Audited Financial Statements attached hereto as Appendix A. We have implemented GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions."

Significant Contract Services

We use contracted services extensively, including the following:

- MV Transportation, Inc., for Mobility Management Services (ADA Paratransit operations and On-Call Services);
- Herzog Transit Services, Inc. for our Commuter Rail services;
- Blue Alliance Partners, a Joint Venture (HNTB Corporation/Dikita Enterprises, Inc.) for SOC-3 Design;
- South Oak Cliff Transit Partners, a Joint Venture (Stacey & Witbeck, Jerry Hanes Electric Company, Mas-Tek Engineering & Associates, Kiewit Infrastructure, South Legacy Resource Group) for SOC-3 CMGC;
- URS Corporation, under an Architect/Engineering contract for General Planning Consultant services; and
- Stacy and Witbeck, Inc. / Carcon Industries (a Joint Venture) under a Design Build contract for the Union Station to Oak Cliff Streetcar Line.

We also utilize contracts for a major portion of the planning, design, and construction of major capital programs.

Insurance

We maintain a comprehensive insurance program, including the following:

- We self-insure for auto liability, general liability, and workers' compensation claims arising out of transit operations. Segregated cash reserves are maintained for these programs.
- We carry all-risk property insurance for full repair or replacement in the event of loss with a $500 million limit for any one loss or any one location.
- We carry $125 million liability coverage for the Trinity Railway Express commuter rail service with a $3 million self-insured retention. This policy covers all entities associated with providing commuter rail service.
- We purchase $10 million of liability coverage for leased premises to comply with the terms of our lease agreements with third parties. We also purchase insurance to cover non-owned automobile liability, directors and officers liability, and employee dishonesty.
- For the second phase of the light rail build-out, we provide a $50 million project-specific professional liability insurance policy that covers all consultants providing professional services, including environmental consulting services and construction management. In addition, civil contractors are covered for pollution liability arising out of construction activities. The policy has extended reporting periods that will allow DART to report potential claims through 2017.
- An Owner Controlled Insurance Program (OCIP) provides all eligible enrolled contractors involved with constructing Phase II of the light rail build-out with statutory workers' compensation coverage, $100 million of general and excess liability insurance, railroad protective liability and builders' risk insurance. The OCIP went into effect on July 25, 2006, and will provide coverage through July 25, 2015. An additional ten years of products and completed operations coverage will commence upon acceptance of the work and commencement of revenue service. Products and completed operations coverage for any work covered by the OCIP will not extend beyond July 25, 2025.

  An Owner Controlled Insurance Program (OCIP) was also implemented on the SOC-3 section of the build-out. It provides all eligible enrolled contractors involved with constructing with statutory workers' compensation coverage, $50 million of general and excess liability insurance, railroad protective liability and builders' risk insurance. The SOC-3 OCIP went into effect on July 1, 2013 and will provide coverage through July 1, 2017. We provide a $10 million project-specific professional liability insurance policy that covers all consultants providing professional services.

As a public entity, we are protected in many instances by governmental immunity. In cases where our governmental immunity does not apply, our liability is often limited by the Texas Tort Claims Act to $100,000 per person or $300,000 per occurrence for bodily injury and $100,000 per occurrence for property damage. Workers' compensation payments are statutory and regulated by the Department of Labor and the Texas Department of Workers' Compensation.

DART'S FINANCIAL PRACTICES AND RESOURCES

Audits of Financial Information

DART's Fiscal Year is from October 1 through September 30. We maintain our records of accounts in accordance with generally accepted accounting principles. Our financial accounts and records are audited at the close of each Fiscal Year by an independent, outside auditing and accounting firm approved by the Board. The audits are usually presented to us not later than 120 days after the close of each Fiscal Year. The Independent Auditors' Report, with our audited annual financial statements for the Fiscal Years ended September 30, 2014 and 2013, is presented as a part of this Annual Disclosure Statement as Appendix A. Each subsequent annual revision of this Annual Disclosure Statement will include our most recent audited annual financial statements and our analysis of the financial results for the year.

Principal Source of Revenue—The Sales Tax

Our principal revenue source is the Sales Tax that is levied on taxable items that are sold, rented, or purchased, or acquired for use, within the boundaries of our Participating Municipalities. The Act and the Limited Sales, Use, and Excise Tax Act, Chapter 151, Texas Tax Code, as amended, contain a full description of the items and services subject to and exempted from the sales and use tax.

The Texas Legislature has modified the sales and use tax base from time to time to add or subtract certain items to or from our taxable base, and even to exempt from taxes certain items purchased during a defined time window. In 1999, the Legislature created an annual three-day "sales tax holiday" just prior to the opening of each new school year which exempts from State and local sales taxes the purchase of certain clothing, school supplies, and footwear. The sales tax holiday exempts these purchases from the Sales Tax as well. While the law establishing the sales tax holiday currently permits us to repeal the temporary exemption from our Sales Tax, we do not intend to repeal this exemption unless it will adversely impact our ability to repay any outstanding Obligations.

The following table shows our Gross Sales Tax Revenues for each of the most recent 10 Fiscal Years. The Gross Sales Tax Revenues show actual receipts in a given Fiscal Year, and may differ from the sales tax revenues shown on our financial statements. When DART is notified of an overpayment of sales tax, an accounting adjustment is made to reflect the reduction in sales tax revenues in that same fiscal year. In two cases where sizeable overpayments were determined to have been made, DART entered into a repayment plan. The table below shows sales tax receipts less any repayment installments. Since the financial statements reflect a reduction in sales tax revenues for the Fiscal Year in which an overpayment is determined to have been made, rather than in the Fiscal Years over which an overpayment is repaid, the sales tax revenues shown on the financial statements may differ from the Gross Sales Tax Revenues shown below.

Gross Sales Tax Revenues* (in millions)	
Fiscal Year ended 9/30	**Receipts**
2005	$341.8
2006	$370.5*
2007	$389.1
2008	$416.1*
2009	$377.6
2010	$375.5
2011	$402.4
2012	$432.5
2013	$455.7
2014	$485.7

*The amounts shown for 2006 and 2008 include $13.2 million and $3.6 million, respectively, that the State Comptroller has determined to be overpayments. Such amounts are being repaid by DART in quarterly payments through March 2027. See "DART's Operations and Performance Results – Sales Tax Revenues and the Net Operating Subsidy."

Secondary Revenues—Farebox Collections

We collect fares from our bus, rail, and paratransit users. The Act permits us to set fares based upon a zone system or by another classification that we determine to be reasonable and nondiscriminatory.

We receive other miscellaneous revenues, primarily from advertising and leases. We refer to these and the farebox revenues as "Operating Revenues." The following table lists our operating revenues and expenses for the past 10 fiscal years.

Operating Revenues & Expenses (in millions)		
Fiscal Year ended 9/30	**Operating Revenues**	**Operating Expenses**
2005	$46.2	$427.5
2006	$49.9	$447.1
2007	$50.5	$460.9
2008	$59.8	$512.2
2009	$57.4	$523.6
2010	$63.2	$572.5
2011	$69.4	$629.0
2012	$80.1	$645.8
2013	$83.7	$701.7
2014	$84.5	$704.5

Federal Grant Funds

We receive federal grant funds primarily from the Federal Transit Administration ("FTA"). We utilize these proceeds to fund a portion of our eligible capitalized maintenance expenses and capital programs. Congress allocates transit funds on both a formula basis and a discretionary basis. We are eligible to receive both types of funds.

In July 2006, FTA awarded a landmark $700 million Full Funding Grant Agreement (FFGA) to DART for the Northwest Southeast Light Rail Transit (NWSE LRT) extension project. Congress appropriates the funds for such Agreements annually. We received our final appropriation of $8.7 million in Fiscal Year 2014.

Federal grants are on a reimbursement basis, so receipts will not match annual appropriation. The following table reflects actual federal and state cash receipts of DART by Fiscal Year for the past ten years.

Federal/State Receipts (in millions)		
Fiscal Year	**Federal Receipts**	**State Receipts**
2005	$ 91.7	$ 0.3
2006	$ 69.5	$ 0.0
2007	$137.9	$ 0.0
2008	$173.4	$ 0.0
2009	$300.5	$ 0.1
2010	$197.9	$13.6
2011	$165.5	$ 0.3
2012	$174.8	$15.0
2013	$139.7	$ 0.1
2014	$117.9	$4.0

Lease/Leaseback Transactions

As authorized by the Act, we entered into ten separate economically defeased lease transactions which, in general, involved our lease and leaseback of specified, depreciable property to various trustee entities, acting on behalf of private investors. As of the date hereof, two of such transactions are still outstanding. The two outstanding transactions involve the lease and leaseback of light rail cars used as a part of our transit system. Although we retain legal title to the leased property, these transactions were structured so as to result in a sale of the leased property to the private investors for federal income tax purposes. The rent due for the full term of the leases was prepaid to us, and the trustees have no further obligation to pay us any rent under the leases. The respective trustee subleased the property back to us for a sublease term that is shorter than the term of the respective lease. At a specified date on or before the end of the sublease term, we have the right to purchase the respective trustee's interest in the respective lease.

We paid a portion of the advance rental payments received by us from the trustees to purchase contractual undertakings from certain financial institutions, rated "AA" or better at that time by recognized rating agencies, pursuant to which such financial institutions assumed and agreed to pay to the respective trustee the sublease rental payments due and owing by us through our purchase option date, together with the purchase option price owed by us if we determine to exercise our purchase option rights. In other leases, we deposited a portion of such advance rental payments with a custodian, whom we instructed to purchase direct obligations of the United States Government and other securities that will mature on the dates and in the amounts required to pay sublease rental payments and the respective purchase option price.

The excess amounts of the advance rental payments received by us over the costs of the contractual undertakings and the amounts of the custodial deposits, after paying for certain other costs incurred in connection with the transactions, was retained and utilized by us. After closing the transactions, we continue to have the right to uninterrupted use and possession of the leased property so long as we are not otherwise in default under the contractual terms of the lease documents. Notwithstanding such contractual undertakings and custodial deposits, we remain obligated to pay all amounts owed by us under the subleases, including sublease rent and the respective purchase option price should we exercise it, in the event of the insolvency of or other failure to pay by the respective financial institution or a failure of the respective custodial deposits.

We have successfully terminated or repaired all lease/leaseback transactions that were non-compliant with their respective operative documents. As of September 30, 2014, three lease/leaseback transactions were active and all are in full compliance with the respective operative documents, as amended. See Note 11 to the Audited Financial Statements attached hereto as Appendix A.

DART OPERATIONS AND PERFORMANCE RESULTS

The Independent Auditors' Report on DART's financial statements for the fiscal year ended September 30, 2014, is attached as Appendix A. The information contained under this heading presents the comments, observations, and interpretations of financial and other facts and practices by our management and its opinions as to those facts, practices, and circumstances affecting DART. We do not warrant or guarantee that the conclusions we have drawn therefrom are accurate or complete or provide any assurances as to future financial and/or operating results of DART. The financial information discussed in this section is derived from the financial statements attached as Appendix A and other identified sources.

Sales Tax Revenues and the Net Operating Subsidy

Sales tax revenues contributed 64% and 61% of total revenues (which includes capital contributions and grants) in Fiscal Year 2014 and Fiscal Year 2013, respectively (excluding debt issuances). Sales tax revenues in Fiscal Year 2014 were $486.6 million, a $30.0 million (6.6%) increase over Fiscal Year 2013. Net receipts were $485.7 million versus a Sales Tax Budget of $478.5 million. Our sales taxes highly correlate with personal income and retail sales in the region. Our principal revenue source is the sales tax. Sales tax revenues received by us from the State Comptroller reflect sales transactions that occur approximately two months prior to receipt by us. The sales tax revenues discussed in this section are derived from our annual financials which reflect accounting adjustments made as a result of overpayments of sales taxes to DART. As a result of these accounting adjustments, sales tax revenues shown on our financial statements may differ from the Gross Sales Tax Revenues (which represent actual receipts in a Fiscal Year) shown in the table on page 15. As a result of overpayments to DART of $13.2 million in Fiscal Year 2006 and $3.6 million in Fiscal Year 2008, DART entered into a repayment plan with the State Comptroller which commenced in December 2006, and currently extends to March 2027. Pursuant to the repayment plan, the State Comptroller deducts quarterly repayments from sales tax revenues that would otherwise be owed to DART.

The Fiscal Year 2015 Budget projects Net Sales Tax Revenues of $503.0 million compared to $478.5 million for 2014. This represents a 5.1% increase from the 2014 budget which represents a 3.6% increase over the 2014 Actual Sales Tax Receipts. For the first two months of Fiscal Year 2015, sales tax receipts are 6.7% over the first two months of Fiscal Year 2014 and 5.49% above our Fiscal Year 2015 sales tax budget.

We maintain various cash reserves including a Financial Reserve Account that is funded with sales tax collections, if any, that exceed budget during a given year. In addition, a Capital Project Reserve Account was established. If the Financial Reserve Account exceeds $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. As of September 30, 2014, the balance in the Financial Reserve Account was $46.2 million and the balance in the Capital Reserve Account was $0. For Fiscal Year 2014, our sales tax receipts exceeded our sales tax budget by $7.2 million. These funds were moved in December 2014. The balance in the Financial Reserve Account was $50.0 million, and the balance in the Capital Reserve Project Reserve was $3.4 million as of December 31, 2014. DART has entered into an Equity Security Agreement on one of our lease/leaseback obligations that requires us to set aside certain investments as security. As of September 30, 2014, DART has $9.8 million set aside in the Financial Reserve for this purpose. In addition, we are required by our Financial Standards to maintain a working cash balance in the general operating fund equal to at least one month of expenses that are projected to be paid from sales tax collections. As of September 30, 2014, the balance in the general operating fund was $740.8 million which equals approximately 9 months of expenses.

Results for Fiscal Year 2014 reflect a loss before capital contribution and grants of $256.2 million compared to $289.6 million for 2013. This loss in 2014 is less than that of 2013 due to an increase in non-operating revenues.

Net operating subsidy measures the amount of sales tax dollars required to subsidize the operating costs of our public transit system. We calculate "net operating subsidy" in the following manner: operating expenses minus extraordinary items and depreciation minus operating revenues. Our goal is for the sales tax revenues to increase by a higher percentage than net operating subsidy. In Fiscal Year 2014, net operating subsidy increased as compared to 2013 due to increases in operating expenses.

Sales Tax Revenues for Operating Expenses

Sales tax revenues for operating expenses measures the percentage of sales tax revenues required to subsidize net operating costs. Conversely, this ratio also measures the amount of funding available for debt service and future capital expenditures. The sales taxes for operations calculation is as follows: net operating subsidy (see above) less interest income divided by sales taxes. This ratio moves lower if sales taxes grow by a higher percentage than net subsidy. The ratio decreased from 78.7% in Fiscal Year 2013 to 74.4% in Fiscal Year 2014 due primarily to increased sales tax revenues.

Subsidy Per Passenger

Subsidy per passenger measures the efficiency of our services. Specifically, it measures the amount of tax subsidy required each time a passenger uses our services. It is calculated as follows: operating expenses minus depreciation minus extraordinary items minus operating revenues divided by passenger boardings. Our goal is to minimize subsidy per passenger each year. For this to happen, ridership must grow at a higher percentage than net subsidy. Total system subsidy per passenger in Fiscal Year 2014 was $3.99, a $0.63 increase from Fiscal Year 2013. Fixed-route subsidy per passenger in Fiscal Year 2014 was $4.87, a $0.20 (4.3%) increase from Fiscal Year 2013. Subsidy per passenger for Fiscal Year 2014 ranged from a high of $39.59 for paratransit service to a low of $0.11 for HOV service.

INFORMATION ABOUT DART'S TRANSPORTATION SYSTEM

The Current System

Our current mass transit services include:

- Regular route bus service;
- Special events service;
- DART Mobility Management services including Paratransit, DART On-Call, and Flexible services;
- Light rail transit service;
- Commuter rail service;
- High Occupancy Vehicle Lanes transferred to TxDOT (see page 17); and
- RideShare matching services for carpools and vanpools.

During Fiscal Year 2014, we moved 92.1 million passengers. Average weekday ridership decreased 12.5% to 311,300 in Fiscal Year 2014 as compared to Fiscal Year 2013. The majority of this decrease was due to the transfer of HOV operations to TxDOT. The following table highlights total system ridership by mode for the last ten years.

Ridership by Mode (in millions)

Fiscal Year	Bus	LRT*	Commuter Rail	HOV	Paratransit	Vanpool	Total
2005	40.1	17.5	2.1	37.4	0.6	0.4	98.1
2006	44.4	18.6	2.4	36.1	0.7	0.4	102.6
2007	44.5	17.9	2.5	37.6	0.7	0.5	103.7
2008	45.0	19.4	2.7	48.1	0.7	0.7	116.9
2009	43.1	18.9	2.8	51.0	0.8	0.9	117.5
2010	38.0	17.8	2.5	50.1	0.8	0.9	110.1
2011	37.2	22.3	2.4	48.0	0.8	1.0	111.8
2012	38.7	27.7	2.3	34.4	0.8	1.0	104.9
2013	38.0	29.5	2.1	36.3	0.7	0.9	107.5
2014	37.4	29.4	2.3	21.4	0.7	0.9	92.1

*Automatic Passenger Counter (APC) data used beginning in 2012. These counters have proven to be considerably more accurate than our current manual ridership counting methodology. The APCs show that we have been underreporting ridership by approximately 15.5%.

The system ridership and fixed-route ridership numbers are highlighted in the analysis given above. Fixed-route service includes bus, light rail, and commuter rail operations. Total system ridership includes fixed-route, paratransit, HOV transitways, and vanpools. Ridership figures are based on the number of unlinked passenger boardings (each passenger boarding is counted as one trip). Total system ridership in Fiscal Year 2014 was 92.1 million, a decrease of 15 million (14.3%) from Fiscal Year 2013. The majority of this decrease was due to the transfer of HOV operations to TxDOT.

We contract for all of our paratransit and commuter rail services. While we remain responsible for these programs, our contracts establish operating performance standards which the contractors are expected to meet. We maintain an aggressive program to monitor and audit contractor compliance.

— Bus Transit (40.6% of total system ridership in Fiscal Year 2014)

Our bus system provides local, express, crosstown, on-call, flex, feeder bus routes and site specific shuttles. Local routes are focused on the Dallas Central Business District and serve the largest and most dense concentration of employment in the service area. The routes are characterized by stops at one to two block intervals along their stop segments. Service is provided six to seven days a week.

— Light Rail Transit (32% of total system ridership in Fiscal Year 2014)

Light Rail Transit is an electrically powered rail system that generally operates at street level A 20-mile "Starter System," opened in phases from June 1996 through May 1997, connects South and West Oak Cliff, downtown Dallas, and the North Central Expressway corridor as far north as Park Lane in Dallas. In 2002, DART's light rail was extended to North Dallas, Garland, Richardson, and Plano. In 2009, the first phase of the Green Line opened southeast of downtown Dallas with the remainder opening in 2010. In July 2012, the first segment of the Orange Line to Irving opened for service. In December 2012, Irving-2 and the Rowlett extension of the Blue Line opened for service. In August 2014, rail service opened at the Dallas-Fort Worth International Airport. We currently operate a 90-mile light rail system.

— Commuter Rail (2.5% of total system ridership in Fiscal Year 2014)

Our commuter rail system, commonly referred to as the Trinity Railway Express (the "TRE"), provides diesel powered passenger railroad services on the TRE Corridor between Dallas and Fort Worth, in mixed traffic with freight railroad operations. The 34-mile corridor is jointly owned by DART and the Fort Worth Transportation Authority (the "T"). TRE service is provided pursuant to an interlocal agreement between DART and the T. This agreement was originally entered into in 1994 and was restated and adopted by both Boards in 2003.

Pursuant to Trackage Rights Agreements, the Burlington Northern Santa Fe, the Dallas Garland and Northeastern, and the Union Pacific railroads pay a fee for the right to operate freight services on the TRE corridor. TRE, through its contractor, Herzog Transit Services, Inc., dispatches and maintains the corridor as well as operates the service and maintains the rolling stock used in the service.

— Paratransit (0.8% of total system ridership in Fiscal Year 2014)

We are responsible for providing complementary paratransit service in accordance with the Americans with Disabilities Act of 1990 (the "ADA"). In Fiscal Year 2013, we transitioned to a new service delivery model and a new contractor, MV Transportation, Inc. (MV), for providing Paratransit service. MV provides, operates, and maintains a fleet of 8 MV-1s and 92 Starcraft vehicles, along with 11 DART-provided On-Call vans. During the first pilot year of the contract (FY 2013), the vehicle mix was adjusted to better suit the needs of DART Paratransit riders. This translated to MV altering the plans to operate 92 Starcraft vehicles through dedicated service in the second year of the contact. MV also oversees and manages a fleet of approximately 200 taxi vehicles provided by Yellow Cab.

— High Occupancy Vehicle ("HOV") Lanes (23.2% of total system ridership in Fiscal Year 2014)

Interim HOV lanes are constructed within the right-of-way of existing freeways to provide access for multi-passenger vehicles and to relieve congestion levels. Buses, vanpools, motorcycles, and carpools with two or more occupants may use the HOV lanes. DART was responsible for operations, enforcement, and maintenance of the lanes until September 30, 2013. Beginning October 1, 2013 until the end of Fiscal Year 2014, DART's only financial responsibility was the operation of the barrier transfer machine on the I-30 HOV lane. On October 1, 2014, TxDOT assumed all operating responsibilities for the HOV lanes.

— Transportation Demand Management (Vanpool is 0.97% of total system ridership in Fiscal Year 2014)

We work with area employers to develop strategies for reducing employee trips, such as carpools, vanpools, and flexible work schedules. We provide 206 vans for our vanpool program through a third party contractor. We also assist customers in forming carpools. Prospective carpoolers can call in and provide us with information for our RideShare database. We then work to link-up customers with common trip origins and destinations.

— Special Events Service

In FY 2014, we operated special event services (bus, light rail, and TRE) to the Texas State Fair, New Year's Eve celebration in downtown Dallas, concerts, basketball, and hockey games. FTA charter regulations restrict the use of buses for charter activity. Consequently, most special event services are provided on the light rail and commuter rail systems. Bus involvement is restricted to supplementing the capacity of the rail system during periods of very high usage.

Financial Plan

On September 16, 2014, the Board of Directors formally adopted the FY 2015 Annual Budget and Twenty-Year Financial Plan. The FY 2015 Twenty-Year Financial Plan remains largely unchanged from the FY 2014 Plan except for the Core Capacity improvements in downtown Dallas (commonly referred to as D2). Highlights of the FY 2015 Budget and Financial Plan are:

- The FY 2015 Annual Budget totals $983.9 million; $475.9 million in operating, $316.9 million in capital, and $191.1 million in net debt service. This represents a reduction from the last few years as Light Rail construction projects are completed;

- DART's primary focus for the next several years will be on improving the efficiency, effectiveness, and quality of the services it delivers;

- Capital expenditures will be primarily directed toward the construction of SOC-3, asset maintenance and replacement rather than system expansion until 2018, when the D2 design and construction of core capacity improvements will become the next major system expansion; and

  Design and construction will continue on the final light rail line section in the current system build-out. Opening in late 2016 (two years ahead of schedule) will be the South Oak Cliff-3 (SOC-3) line section. This 2.6-mile extension of the Blue Line south extends from Ledbetter Station to the University of North Texas-Dallas campus.

DART continues work on two separate streetcar projects. The first is a City of Dallas Union Station to Oak Cliff Streetcar Project that consists of an approximately 1.6-mile streetcar line running from Union Station to the intersection of Colorado Blvd. and Beckley Ave. The City of Dallas is also pursuing extensions of this project on the west to the Bishop Arts District and further into downtown Dallas on the east to reach the Omni Convention Center Hotel. DART is providing technical assistance for these projects under agreement with the City of Dallas. The first phase of this project is scheduled to open in mid-FY 2015.

A second streetcar project is a 0.65-mile (3,432-ft) urban streetcar trackway connecting the Dallas Olive Street extension of the McKinney Avenue Transit Authority (MATA) M-Line to the existing MATA alignment on St. Paul Street. DART is the project sponsor. This project will provide direct pedestrian access from the McKinney Trolley to the existing DART Rail St. Paul Station. The project is expected to be completed by FY 2015.

The FY 2015 Plan includes $983 million in core capacity (D2) projects plus $91 million in other new capital projects; $482 million (45%) of these projects are to be funded by grants and external contributions. Another $31 million will come from existing capital reserves. The remaining amount will be funded from savings and deferral of other existing capital projects. The Plan reflects the use of a debt issue of $400 million as a financing tool. The significant new capital costs include:

- A tunnel for the Orange Line connecting Victory Station to Union Station;
- Platform extensions on the Red and Blue lines to enable the use of three car trains;
- Replacement of rail in the Dallas Central Business District;
- An electric bus demonstration project; and
- An extension of the Oak Cliff Streetcar line.

The FY 2015 Business Plan (including the FY 2015 Annual Budget and Twenty-Year Financial Plan) is posted on our website at www.dart.org.

Future Expansions

The Board periodically updates our Transit System Plan. The most recent update, the 2030 Transit System Plan, was adopted in October 2006. The 2.6-mile Blue Line extension to the UNT Dallas Campus (South Oak Cliff-3) is funded and under construction. The Federal Transit Administration (FTA) has recently approved Project Development for the Red and Blue Line Platform Extensions under their Core Capacity program

The DART Board has initiated a revision to the existing 2030 Transit System Plan and is in the early stages of identifying the goals and objectives for this effort. Projects in the 2030 Transit System Plan that were deferred or underfunded over the past several years will be reviewed and evaluated for potential inclusion in the 2040 Plan along with any new projects that may be identified. It is anticipated that the new plan will also focus on sustainability including low-cost initiatives to grow ridership, maintaining the system in a state of good repair, and regional connectivity. The 2040 Plan is expected to be completed in Fiscal Year 2016 and will also be financially constrained.

LITIGATION

In Ordinary Course of Business

Typically, a number of claims, administrative appeals, and/or lawsuits arise from individuals and businesses in the ordinary course of our business that seek compensation for additional construction costs, labor, and employment claims, personal injuries, death, and/or property damage resulting from routine operation and development of our public transportation system. We do not believe that the outcome of these claims, administrative appeals, and/or lawsuits will have a material adverse effect on our financial condition. We have accrued an estimate of losses on such matters and have included this accrual in accounts payable and accrued liabilities in our consolidated balance sheets.

INVESTMENT CONSIDERATIONS

Source of Payment is Limited

The Obligations will be special obligations of DART and will be secured by a lien on the Pledged Revenues.

The Obligations are not debts or obligations of the State of Texas; nor are they the debt or obligation of any Participating Municipality. The holders of Obligations will never have the right to demand payment out of any of our funds other than the Pledged Revenues, unless we, in the case of Subordinate Lien Obligations, expressly and specifically pledge Special Revenues to such payment. We do have the right, however, but are not obligated, to enter into Credit Agreements with respect to any issue of Bond Obligations having any lien ranking as to Pledged Revenues. If we do so, the Holders of the issue of Bond Obligations to which a Credit Agreement relates will have such additional security as the Credit Agreement may provide, such as municipal bond insurance policies, bank-issued letters of credit, or other forms of credit enhancement.

Our Ability to Make Payments on Obligations is Dependent Upon the Amount of Gross Sales Tax Revenues Actually Generated

Except for Bond Obligations that may be supported by a Credit Agreement, as discussed above, the only sources of security for the Obligations will be the Gross Sales Tax Revenues collected by the Comptroller and remitted to the Trustee and the investments thereof, Federal Interest Subsidy, and the Pledged Farebox Revenues**.** Sales Tax receipts are impacted by changes in the economic activity and conditions of a municipality or geographic area, and the amount of Gross Sales Tax Revenues generated in any future year is not certain.

The Collection of the Sales Tax is Beyond Our Control

Generally, the seller of taxable items and services collects the Sales Tax from the consumer at the point of a taxable transaction and remits these taxes to the Comptroller. We do not control the Comptroller's collection efforts, and the Comptroller's collection efforts against a private seller of goods and services are subject to applicable State law and to federal bankruptcy code provisions with respect to the protection of debtors.

The Comptroller May Reduce Future Payments of our Gross Sales Tax Revenues or Require Us to Make Repayments to Provide for the Repayment of Overpayments of Gross Sales Tax Revenues that Occurred in Prior Periods

The Comptroller periodically identifies underpayments and overpayments of Gross Sales Tax Revenues and responds to claims by taxpayers. In the event that the Comptroller determines that we received an overpayment, our Gross Sales Tax Revenues for future periods are subject to reduction or we may be required to make a repayment in order to reimburse the overpayment. Under State law, DART has no legal standing or ability to intervene or appeal the Comptroller's determination. We have previously entered into two repayment agreements with the Comptroller regarding overpayments, including an agreement whereby overpayments of approximately $16.8 million will result in a reduction of our Gross Sales Tax Revenues in equal amounts quarterly through March 2027.

We May Receive Payment of Gross Sales Tax Revenues Less Frequently

State law requires the Comptroller to remit Gross Sales Tax Revenues to us only on a quarterly basis. As a matter of convenience and accommodation to local taxing entities, the Comptroller remits Gross Sales Tax Revenues to us and other taxing entities on a monthly basis. While we have no reason to believe that the Comptroller's current practice will be discontinued, there is no assurance that the Comptroller will continue to remit Gross Sales Tax Revenues to us on a monthly basis. Thus, temporary cash flow irregularities could occur.

We May Experience Variations in our Gross Sales Tax Revenues

Variations in the amount of receipts can be adversely affected by a number of variables, including (1) changes in State laws and administrative practices governing the remittance and allocation of Sales Tax receipts, (2) changes in the tax base against which the Sales Tax is assessed, (3) changes in the economic activity and conditions of a municipality or geographic area, and (4) the withdrawal from DART of one or more of the Participating Municipalities. See, "DART'S FINANCIAL PRACTICES AND RESOURCES."

Ratings of the Obligations Do Not Assure Their Payment

The Bond Obligations may be rated by one or more nationally recognized rating agencies. Each Supplemental Disclosure Statement and Offering Memorandum and each Supplemental Official Statement will describe any rating(s) that may be applicable to a series of Bond Obligations. A rating reflects the rating agency's assessment of how likely it is that holders of a class of securities will receive the payments to which they are entitled. A rating may not remain in effect for any given period of time, and a rating agency may lower or withdraw a rating entirely. A rating is not a recommendation to purchase, hold, or sell securities because it does not address the market price of the securities or the suitability of the securities for any particular investor.

CONTINUING DISCLOSURE OF INFORMATION

We have agreed voluntarily to replace this Annual Disclosure Statement on an annual basis and to update it after the first, second and third quarters of our fiscal year. These disclosure documents will be filed with the Municipal Securities Rulemaking Board ("MSRB") identified below, and will be posted on the Internet at our website, ***www.dart.org.*** We reserve the right to suspend or stop postings on the Internet and the annual and quarterly updates at any time.

However, we intend to comply fully with the terms of our agreement in the Master Debt Resolution undertaken pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") for the benefit of the Holders and beneficial owners of Bond Obligations that are subject to the Rule. Under this agreement, so long as any covered Bond Obligations remain outstanding we will provide certain updated financial information and operating data annually, and timely notice of specified material events, to the MSRB.

Annual Reports Required by the Rule

We will provide certain updated financial information and operating data with respect to us and the System to the MSRB annually. This information includes all quantitative financial information and operating data with respect to us and our transportation system of the general type included in this Annual Disclosure Statement and in each Supplemental Disclosure Statement, if any, that is approved by a Supplemental Resolution with respect to Bond Obligations subject to the Rule.

We will update and provide this information within six months after the end of each fiscal year. We will provide the updated information to the MSRB in electronic format, which will be available to the public free of charge via the Electronic Municipal Access ("EMMA") system at www.emma.msrb.org.

The updated information will include audited financial statements if they are completed by the required time. If audited financial statements are not available by the required time, we will provide unaudited financial statements by the required time, and will provide audited financial statements when and if an audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as we may be required to employ from time to time pursuant to state law or regulation.

Our fiscal year ends on September 30. Accordingly, we must provide updated information by the last day of March in each year, unless we change our fiscal year. If we change our fiscal year, we will notify the MSRB of the change.

Over the last five years, we have complied in all material respects with all Continuing Disclosure Agreements made by us in accordance with the Rule except that DART timely electronically filed with EMMA its 2012 Annual Disclosure Statement for the year ended September 30, 2011. However, DART's Audited Financial Statements for the year ended September 30, 2011 that are part of the Annual Disclosure Statement as Appendix A were inadvertently omitted from the electronically filed 2012 Annual Disclosure Statement as a result of an error that occurred during the electronic submission process. As a result, the Audited Financial Statements were not filed with the Annual Disclosure Statement. DART Financial staff corrected the submission by filing the Audited Financial Statements for the period ended September 30, 2011 on October 10, 2012. DART has modified its procedures for future submissions to EMMA. Under its new procedures, DART will electronically transmit to EMMA the Annual Disclosure Statement and the Audited Financial Statements as separate documents.

Material Event Notices Required by the Rule

We will also provide timely notices of any material events to the MSRB, in not more than ten Business Days after the occurrence, thereof, of any of the following events:

- (i) Principal and interest payment delinquencies;
- (ii) Nonpayment related default, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability. Notices of Proposed Issue (IRS Form 5701-TED) or other material notices or determinations with respect to the tax status of Obligations, or other material events affecting the tax status of Obligations;

- (vii) Modifications to rights of Holders of Bond Obligations;
- (viii) Bond Obligation call, if material and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of Bond Obligations; or
- (xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership, or similar event of DART, which shall occur as described below;

(xiii) The consummation of a merger, consolidation, or acquisition involving DART or the sale of all of substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) Appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material.

For these purposes, any event described in the immediately preceding clause (xii) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for DART in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of DART, or if such jurisdiction has been assumed by leaving the existing governing body, and officials or officers in possession bus subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court of governmental authority having supervision or jurisdiction over substantially all of the assets or business of DART.

In addition, we will provide timely notice of any failure by us to provide information, data, or financial statements in accordance with our agreement under the Rule.

Availability of Information From MSRB

The information will be available to Holders of Bond Obligations free of charge through the MSRB's EMMA system at www.emma.msrb.org.

BOND RATINGS

The current underlying ratings for all the outstanding Senior Lien Obligations are "Aa2" by Moody's Investors Service, Inc. and "AA+" by Standard & Poor's Ratings Services, a Standard and Poor's Financial Service LLC business. The Series 2007 Bonds and the Series 2008 Bonds are rated "AA by Fitch Ratings.

OBLIGATIONS AS LEGAL INVESTMENTS

Under the Act, the Bond Obligations are authorized investments for banks, savings banks, trust companies, savings and loan associations, and insurance companies, and are eligible to secure the deposit of public funds of the State, a political subdivision of the State and any other political corporation of the State. For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, a rating of "A" or better as to investment quality of the Bond Obligations by a national rating agency may be required before such obligations are eligible for investments for sinking funds and other public funds. We have not reviewed the laws in other states to determine whether our obligations are legal investments for various institutions in those states.

TRUSTEE AND PAYING AGENTS

The Trustee under the Master Debt Resolution is Amegy Bank N.A. and its successors. A Paying Agent for each series of Bond Obligations issued under the Master Debt Resolution will be specified in the Supplemental Resolution creating such series.

LEGAL COUNSEL

The law firms of Bracewell & Giuliani LLP, 1445 Ross Avenue, Suite 3800, Dallas, Texas 75202, and West & Associates L.L.P., 320 S. R.L. Thornton Freeway, Suite 300, Dallas, Texas 75203, serve as our Co-Finance Counsel and as our Co-Bond Counsel with respect to the Obligations and other financial matters.

This Annual Disclosure Statement, in substantially the form and content presented above, was approved by the Board of Directors of DART on February 24, 2015.

/s/ Robert W. Strauss
Chair, Board of Directors

ATTEST:

/s/ Richard Carrizales
Secretary, Board of Directors

/s/ Gary C. Thomas
President/Executive Director,
Dallas Area Rapid Transit

APPENDIX A

**Independent Auditors' Report with Audited Financial Statements
for the Fiscal Years ended September 30, 2014 and 2013**

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Dallas Area Rapid Transit
Dallas, Texas

Financial Statements
Years Ended September 30, 2014 and 2013 and
Independent Auditors' Report

DALLAS AREA RAPID TRANSIT
DALLAS, TEXAS
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED
SEPTEMBER 30, 2014 AND 2013

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Dallas Area Rapid Transit ("DART"), as of and for the years ended September 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise DART's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DART, as of September 30, 2014 and 2013, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in March 2012, the GASB issued GASB Statement 65, "Items Previously Reported as Assets and Liabilities." The provisions of this Statement are effective for DART's fiscal year ended September 30, 2014. DART has implemented this Statement retroactively for the year ended September 30, 2013 resulting in restated net position. 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 and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress on pages 3-13 and 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated February 3, 2015 on our consideration of DART's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DART's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Dallas, Texas
February 3, 2015

DALLAS AREA RAPID TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013 (Dollars in Thousands)

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, 2014 and 2013. 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, 2014 and 2013, total assets and deferred outflows of resources of DART exceeded total liabilities by $2,039,587 and $2,185,147 respectively. The amount of unrestricted net position as of September 30, 2014 was $920,666 compared to $827,165 in 2013.

The net position of DART decreased by $145,560 during the current fiscal year compared to a decrease of $137,985 last year. The decrease during 2014 is mainly due to a loss recognized on the transfer of high occupancy vehicle (HOV) lane operation to Texas Department of Transportation, as well as increases in benefits, labor, interest, purchased transportation and decreases in federal grant revenues. The decrease in 2013 was due to increases in interest and depreciation expenses and decreases in federal grants.

DART's total debt increased by $81,126 (2%) during the current fiscal year compared to an increase of $127,180 (3%) in 2013. The increase in 2014 is due to additional borrowings in the form of commercial paper notes and Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds. The increase in 2013 was due to additional borrowings in the form of bonds, commercial paper notes and TIFIA bonds. The proceeds from these additional borrowings were used to pay for capital project costs. Debt information is summarized on page 12 of this management discussion and analysis.

Sales and use tax revenue was $486,564 in 2014 compared to $456,524 in 2013. It increased by 7% ($30,040) in 2014 compared to an increase of 5% ($23,222) in 2013.

Capital contributions from federal, state and local governments were $38,864 in 2014 and $134,148 in 2013. 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 $92,211 in 2014 compared to $17,418 in 2013.

For fiscal year 2014, total expenses exceeded total revenues resulting in a loss before capital contributions and grants of $164,032 compared to $272,133 for 2013. The loss in 2014 is lower than that of 2013 due primarily to an increase in sales and use tax revenue.

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 Position; Statements of Revenues, Expenses, and Changes in Net Position; Statements of Cash Flows; and Notes to the Financial Statements.

The Statements of Net Position presents information on all of DART's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources equals net position. Over time, increases or decreases in net position may serve as a useful indicator of changes in the financial position of DART. The Statements of Net Position is shown on page 14 of this report.

The Statements of Revenues, Expenses, and Changes in Net Position present information on revenues, expenses, capital contributions, and how DART's net position changed during the two most recent fiscal years. All changes in net position 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 position 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 Position are shown on page 15 of this report.

FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013 (Dollars in Thousands)

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 investing activities; and cash flows from capital and related financing 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 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 16-17 of this report.

Notes to the Financial Statements provide additional information that is essential to fully understand the data provided in the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. The Notes to the Financial Statements are shown on pages 18-39 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 Bus Service, LGC.

FINANCIAL ANALYSIS

Statements of Net Position – Total assets and deferred outflows of resources of DART exceeded total liabilities by $2,039,587 and $2,185,147 as of September 30, 2014 and 2013, respectively. The largest portion of this excess (53% in 2014 and 60% in 2013) was net investment in capital assets (capital assets less 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, Deferred Inflows of Resources, and Net Position

	2014	2013	2012
Current assets	$1,064,407	$999,342	$1,000,872
Other non-current assets	335,358	401,700	438,479
Capital assets (net of accumulated depreciation)	4,810,004	4,877,612	4,877,773
Total assets	6,209,769	6,278,654	6,317,124
Deferred outflows of resources	13,965	15,664	17,505
Total assets and deferred outflows of resources	6,223,734	6,294,318	6,334,629
Current liabilities	427,982	358,554	389,506
Non-current liabilities	3,756,165	3,750,617	3,617,126
Total liabilities	4,184,147	4,109,171	4,006,632
Deferred inflows of resources			
Accumulated increase in fair value of fuel hedging Derivative	-	-	4,865
Total liabilities and deferred inflows of resources	4,184,147	4,109,171	4,011,497
Net position			
Net investment in capital assets	1,071,576	1,320,349	1,512,832
Restricted for:			
Debt service	37,560	27,415	10,760
Security for lease/leaseback liabilities	9,785	10,218	10,543
Unrestricted	920,666	827,165	788,997
Total net position	$2,039,587	$2,185,147	$2,323,132

FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013 (Dollars in Thousands)

Other non-current assets decreased by $66,342 in 2014 compared to a decrease of $36,779 in 2013. The decrease in 2014 is due to a decrease in restricted investments held for system expansion and acquisition as a result of spending on capital projects. The decrease in 2013 was mainly due to decreases in restricted investments held for system expansion and acquisition as a result of spending on capital projects and payments made on capital lease/leaseback liabilities.

As of September 30, 2014, $9,785 of DART's net position is restricted to satisfy the requirements of an amended lease/leaseback agreement compared to $10,218 as of September 30, 2013. The unrestricted portion of net position, $920,666 in 2014 and 827,165 in 2013 represent resources available to meet DART's ongoing obligations. The DART Board committed $49,028 and $44,746 of the unrestricted net position for self-insurance and financial reserves in 2014 and 2013, respectively. The increase in unrestricted net position of $93,501 (11%) in 2014 is due to an increase in sales tax revenue. The increase in unrestricted net position of $38,168 (5%) in 2013 was due to an increase in sales tax revenue.

Statements of Revenues, Expenses, and Changes in Net Position – During fiscal year 2014, DART's activities resulted in a decrease in net position of $145,560 compared to a decrease of $137,985 in 2013. The decrease during 2014 is due to a loss on the transfer of HOV operations as well as increases in benefits, labor, interest, purchased transportation and decreases in federal capital contributions. The decrease during 2013 was due to increases in interest and depreciation expense and decreases in federal grants. The key elements of the changes in net position for the fiscal years ended September 30 with comparative information for 2012 are shown in the following table.

Summary of Revenues, Expenses, and Changes in Net Position

	2014	2013	2012
Operating revenues			
Passenger revenues	$ 70,902	$ 67,569	$ 59,809
Advertising, rent and other	13,573	16,146	20,306
Total operating revenues	84,475	83,715	80,115
Operating expenses			
Labor	216,188	211,801	202,009
Benefits	99,851	87,302	86,734
Services	33,869	34,775	30,153
Materials and supplies	44,327	53,224	49,120
Purchased transportation	46,900	43,716	55,640
Depreciation	236,406	238,710	192,875
Utilities	17,151	20,946	18,499
Taxes, leases, and other	5,245	5,604	5,732
Casualty and liability	4,582	5,329	5,048
Total operating expenses	704,519	701,407	645,810
Operating loss	(620,044)	(617,692)	(565,695)
Non-operating revenues (expenses)			
Sales and use tax revenue	486,564	456,524	433,302
Investment income	19,547	20,301	27,315
Build America Bonds tax credit	28,259	28,406	30,462
Other federal grants	92,211	17,418	56,161
Other non-operating revenues	15,760	12,226	11,392
Interest expense	(182,581)	(178,853)	(154,258)
Street improvements for member cities	(2,127)	(6,615)	(5,615)
Other non-operating expenses	(1,621)	(3,848)	(3,445)
Total net non-operating revenues	456,012	345,559	395,314
Loss before capital contributions and grants	(164,032)	(272,133)	(170,381)
Capital contributions	38,864	134,148	141,669
Loss before special item	(125,168)	(137,985)	(28,712)
Special Item:			
Loss on transfer of HOV operations to TXDOT	(20,392)	-	-
Decrease in net position	(145,560)	(137,985)	(28,712)
Net position, beginning of the year (as restated)	2,185,147	2,323,132	2,351,844
Net position, end of the year	$2,039,587	$2,185,147	$2,323,132

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

FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013 (Dollars in Thousands)

REVENUES

The following table summarizes revenues for fiscal year 2014 and 2013 with comparative information for 2012:

REVENUES AND CAPITAL CONTRIBUTIONS

Revenues	**2014**	**2013**	**2012**
Passenger revenues	$ 70,902	$ 67,569	$ 59,809
Advertising, rent and other	13,573	16,146	20,306
Sales and use tax revenue	486,564	456,524	433,302
Other federal grants	92,211	17,418	56,161
Investment income	19,547	20,301	27,315
Capital contributions	38,864	134,148	141,669
Build America Bonds tax credit	28,259	28,406	30,462
Other revenues	15,760	12,226	11,392
Total	**$765,680**	**$752,738**	**$780,416**

Passenger revenues – include farebox receipts, monthly and annual pass revenues, paratransit revenue, and special event fares. Passenger revenues increased by 5% ($3,333) in 2014 compared to a 13% ($7,760) increase in 2013. The increase in 2014 is due to increases in commuter rail ridership and additional receipts related to the DLink and Arlington MAX services. The increase in 2013 was due to an increase in light rail ridership and a fare increase that became effective December 2012.

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 decreased by 16% ($2,573) in 2014 compared to a decrease of 20% ($4,160) in 2013. The decreases in both 2014 and 2013 were due to lower amount of reimbursement of HOV operating costs for service provided outside of the DART service area compared to the previous years. In 2014 advertising also decreased due to the decrease in the size of DART bus fleet.

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% ($30,040) in 2014 compared to an increase of 5% ($23,222) in 2013. The increases in both 2014 and 2013 are due to a relative improvement in the local economy resulting in better than previous year's retail sales. Sales and use tax revenue constituted approximately 64% of DART's total revenues in 2014 compared to 61% in 2013.

Other federal grants – Other federal grant revenues increased by 429% ($74,793) in 2014 compared to a decrease of 69% ($38,743) in 2013. The decrease in 2013 was due to a delay by the metropolitan planning organization in calculating sub-allocation of formula funds. This resulted in higher revenues for 2014. DART received $1,528 in 2014 and $1,545 in 2013 from the Federal Transit Administration (FTA) for vanpool and ozone programs and $777 in 2014 compared to $706 in 2013 in the form of grants from the United States Department of Homeland Security.

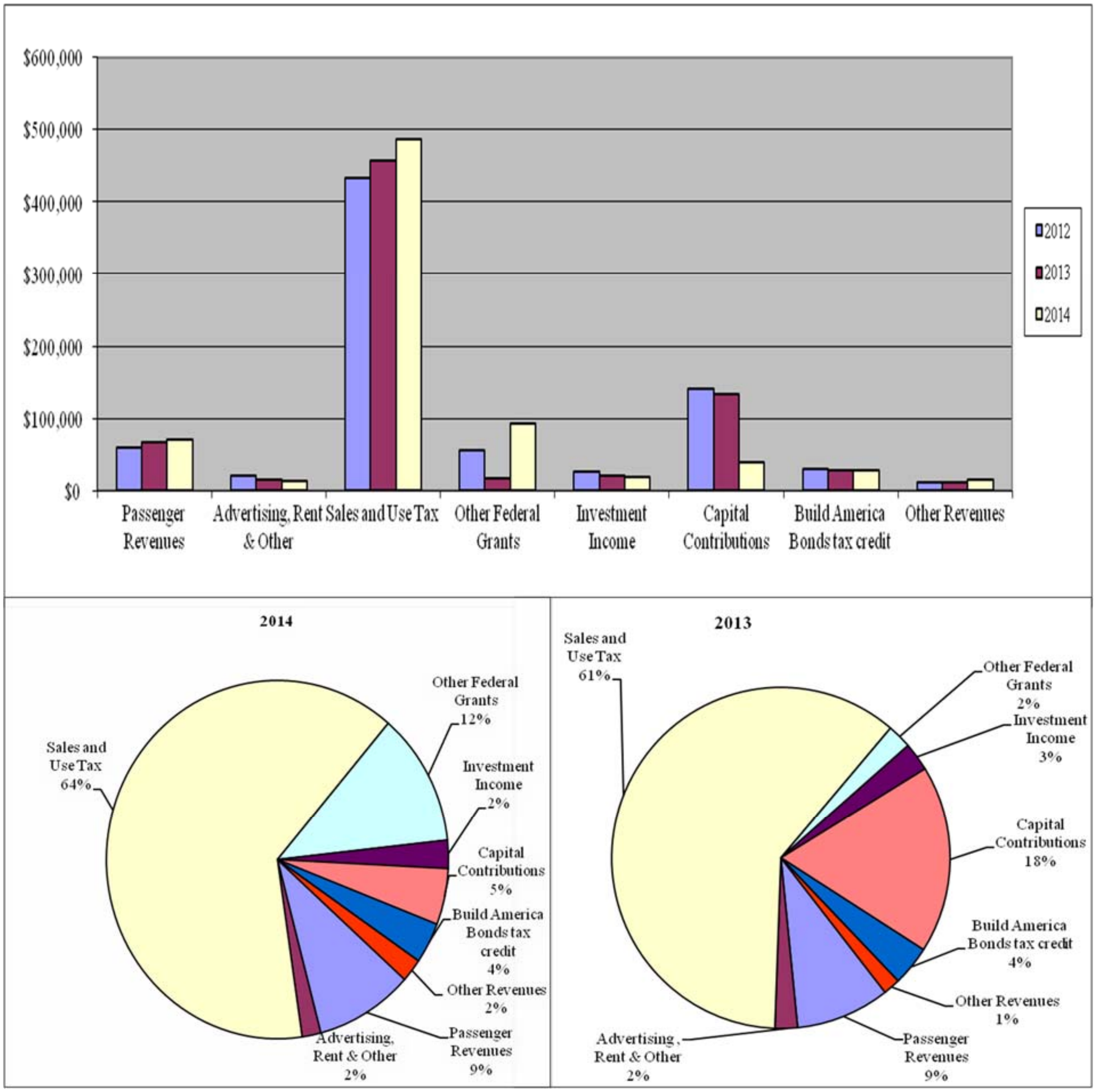
Capital contributions – Capital contributions include federal, state and local grants and contributions. Capital contributions decreased by 71% ($95,284) in 2014 compared to a decrease of 5% ($7,521) in 2013. The decreases in both 2014 and 2013 were mainly due to lower federal and state capital contributions as a result of completion of projects funded with such grants.

Investment income – Investment income decreased by 4% ($754) in 2014 compared to 26% ($7,014) decrease in 2013. The decrease in 2014 is due to a decrease in investments held to pay lease/leaseback obligations The decrease in 2013 wes due to changes in the market value of investments, a decrease in investments held to pay lease/leaseback obligations and a slightly lower interest rate during 2013.

Build America Bonds tax credit – The Build America Bonds (BABs) tax credit decreased by 0.5% ($147) in 2014 compared to a 7% ($2,056) decrease in 2013. The decreases in both 2014 and 2013 were due to budget cuts by the Federal government, or "sequestration".

Other revenues – Other revenues increased by 29% ($3,534) in 2014 compared to a 7% ($834) increase in 2013. 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. Factors contributing to the increases in both 2014 and 2013 include a gain on disposal of assets and an increase in alternative fuel tax credits received due to conversion of diesel fuel operated buses to compressed natural gas (CNG) operated new bus fleet and paratransit vehicles.

The following charts summarize revenues for fiscal years 2012 through 2014



FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013 (Dollars in Thousands)

EXPENSES

The following table summarizes expenses for fiscal year 2014 and 2013 with comparative information for 2012:

EXPENSES BY OBJECT CLASS

Expenses	2014	2013	2012
Labor	$216,188	$211,801	$202,009
Benefits	99,851	87,302	86,734
Services	33,869	34,775	30,153
Materials and supplies	44,327	53,224	49,120
Purchased transportation	46,900	43,716	55,640
Depreciation and amortization	236,406	238,710	192,875
Utilities	17,151	20,946	18,499
Taxes, leases and other	5,245	5,604	5,732
Casualty and liability	4,582	5,329	5,048
Street improvements for member cities	2,127	6,615	5,615
Interest and financing expenses	182,581	178,853	154,258
Other non-operating expense	1,621	3,848	3,445
Loss on transfer of HOV operations	20,392	-	-
Total	**$ 911,240**	**$ 890,723**	**$ 809,128**

Labor – Labor costs increased by 2% ($4,387) in 2014 compared to an increase of 5% ($9,792) in 2013. The increase in 2014 is due to merit increases. The increase in 2013 was due to positions filled in Maintenance, DART Police, Technology, and Revenue Operations. Termination payment to some HOV employees and merit increase also contributed to the increase.

Benefits – Benefits increased by 14% ($12,549) in 2014 compared to a 0.7% ($568) increase in 2013. The increase in 2014 is mainly due to a significant (32%) increase in healthcare costs as a result of the increase in the number of large medical and pharmacy claims. The smaller increase in 2013 was due to increases in healthcare costs, payroll taxes, and contributions to retirement plans net of a decrease in workers compensation claim costs as a result of improved claim experience. Increases in payroll taxes and contributions to retirement plans in 2013 were as a result of an increase in labor cost.

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 3% ($906) in 2014 compared to an increase of 15% ($4,622) in 2013. The decrease in 2014 is due to less marketing and advertising costs in 2014 compared to the year before because there was only one light rail station opening in 2014 compared to two stations opened in 2013. The increase in 2013 was due to increased work on the commuter rail right-of-way maintenance, spending on the 511 traffic information system that became operational during 2013, advertising costs associated with the Irving II and Rowlett light rail openings in December 2012, and an increase in software licenses needed for the new radio communications program.

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 17% (8,897) in 2014 compared to an increase of 8% (4,104) in 2013. The decrease in 2014 is due to less spending on bus parts and savings in fuel costs as a result of replacing the older bus fleet with new compressed natural gas (CNG) buses, and a decrease in allowance for obsolete parts. The increase in 2013 is mainly due to obsolete/surplus parts expense as a result of replacing the older bus fleet with new compressed natural gas (CNG) buses. Some of the spare parts maintained for the old buses could not be used on the new buses.

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 7% ($3,184) in 2014 compared to a 21% ($11,924) decrease in 2013. The increase in 2014 is mainly due to modifications to the paratransit service contract that resulted in additional charges during 2014. The decrease in 2013 is due to changes in the paratransit service delivery program and service provider which resulted in cost savings during 2013.

Depreciation – Depreciation expenses decreased by 1% ($2,304) in 2014 compared to a 24% ($45,835) increase in 2013. Depreciation was lower in 2014 than 2013 because 2013 numbers included an accelerated depreciation for an impairment loss of $8,318 due to the unexpected wear of the Central Business (CBD) light rail line segment rail. The increase in 2013 was also due to new assets placed in service and $834 for a light rail vehicle that was derailed and damaged during 2013.

Utilities – Utilities represent the cost of electricity, telecommunications, water, sewer, and natural gas. Utilities decreased by 18% ($3,795) in 2014 compared to an increase of 13% ($2,447) in 2013. The decrease in 2014 is due to a new electricity contract with a lower rate compared to the previous year. The increase in 2013 was due to an increase in electricity usage as a result of opening new light rail segments and operating facilities.

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 6% ($359) in 2014 compared to a decrease of 2% ($128) in 2013. The decrease in 2014 is due to less bad debt expense compared to last year. The decrease in 2013 was due to leases terminated during the year.

Casualty and liability – Casualty and liability expenses decreased by 14% ($747) in 2014 compared to an increase of 6% ($281) in 2013. The decrease in 2014 is due to favorable claims experience. The increase in 2013 was 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 decreased by 68% ($4,488) in 2014 compared to an increase of 18% ($1,000) in 2013. The decrease in 2014 is due to less work on intelligent transportation systems as a result of projects getting close to completion. The increase in 2013 was due to increased work on intelligent transportation systems and street improvement projects that are expected to improve the flow of vehicle traffic.

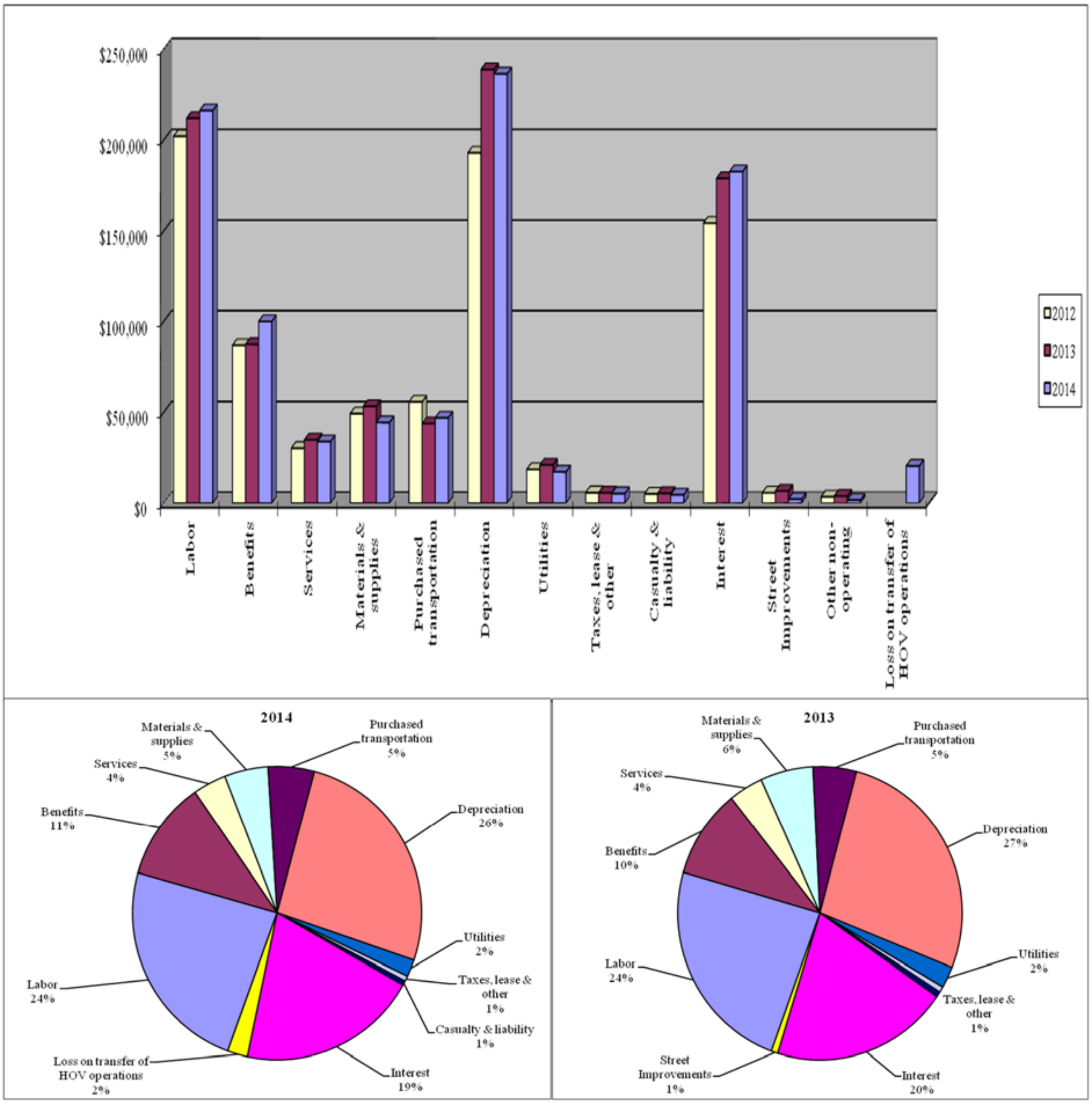
Interest **–** Interest expense increased by 2% ($3,728) in 2014 compared to an increase of 16% ($24,595) in 2013. In both 2014 and 2013, interest expense increased due to additional borrowings and less interest capitalized as a result of the completion of Rowlett extension, Irving I, Irving II and Irving III light rail service expansion projects.

Other non-operating expenses – Other non-operating expenses decreased by 58% ($2,227) in 2014 compared to an increase of 12% ($403) in 2013. The decrease in 2014 is due to less spending related to the regional commuter rail project during 2014. The increase in 2013 was due to general planning and consulting service costs.

Loss on transfer of HOV operations: DART and the Texas Department of Transportation (TXDOT) entered into an agreement effective July 9, 2014 to transfer the responsibilities for operations and maintenance of high occupancy vehicle (HOV) lanes from DART to TXDOT. As of the effective date, DART had $20,392 worth of HOV- related assets on its books. As part of the transfer of HOV operations and assets, no consideration was paid to DART by TXDOT. As a result, DART recorded a loss of $20,392 which is the book value of HOV assets as of July 9, 2014 in accordance with Government Accounting Standards Statement No. 69, *Government Combinations and Disposal of Government Operations.*

The charts on the following page summarize expenses for fiscal years 2012 through 2014.

The following charts summarize expenses for fiscal years 2012 through 2014:

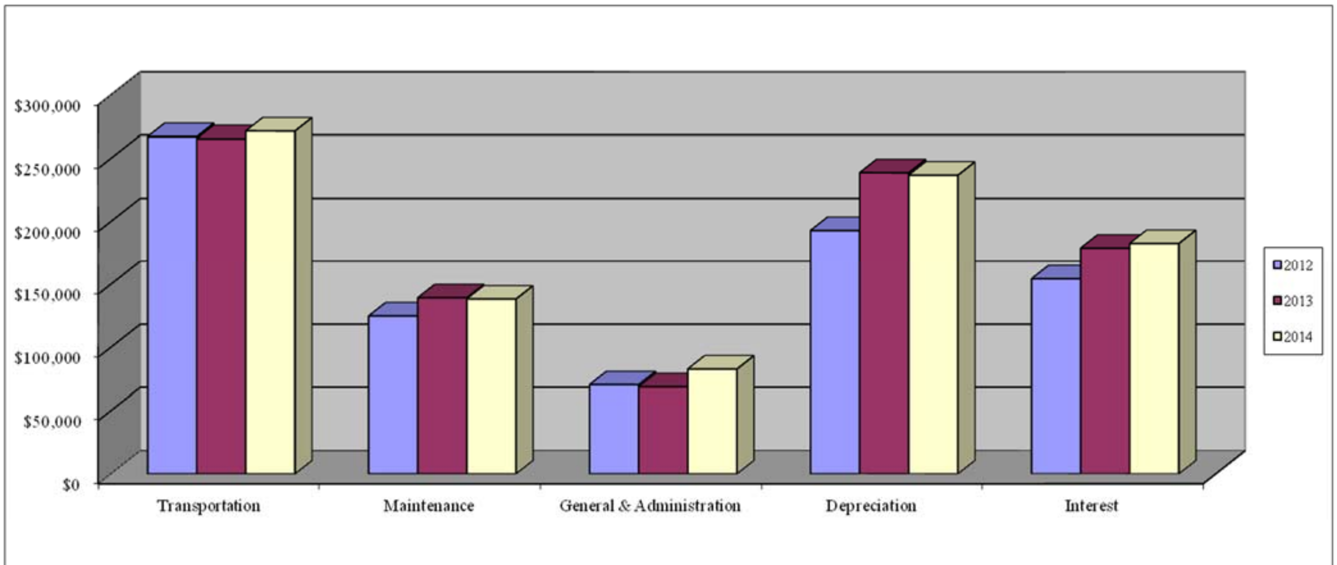


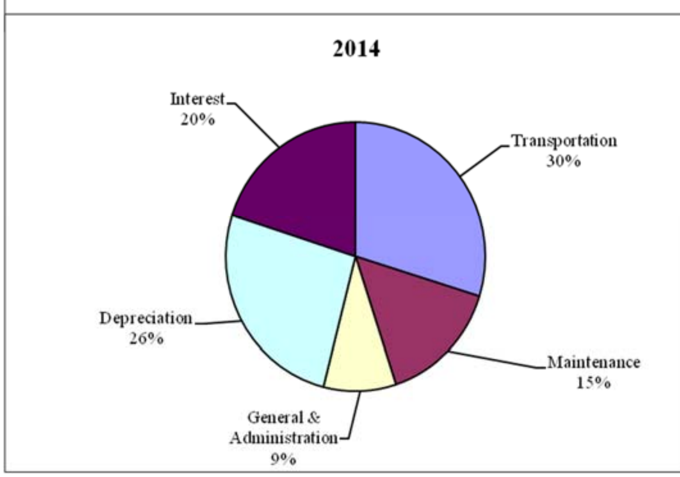
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013 (Dollars in Thousands)

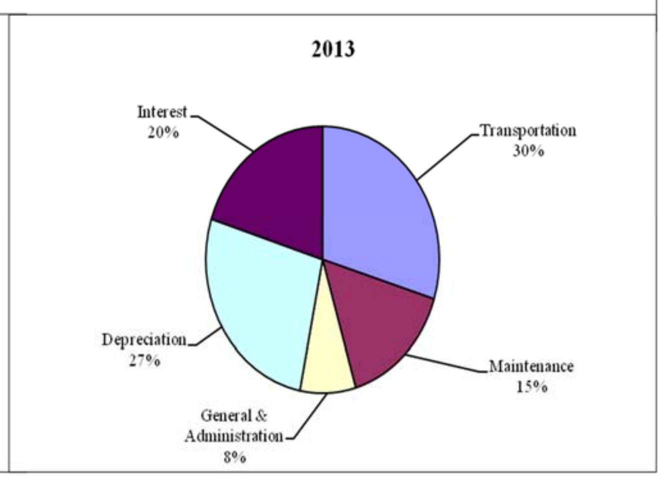
Expenses by function – *Transportation* – includes expenses that are directly related to the operation of bus, light rail, commuter rail, vanpool, paratransit, high occupancy vehicle (HOV) lanes, DART on-call and shuttle services. These expenses include such items as wages and benefits for operators, 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; loss on transfer on HOV operations during 2014, 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

	2014	2013	2012
Transportation	$ 271,425	$ 265,378	$ 267,001
Maintenance	138,154	139,146	124,708
General and administration	82,674	68,636	70,286
Depreciation and amortization	236,406	238,710	192,875
Interest	182,581	178,853	154,258
Total	**$ 911,240**	**$ 890,723**	**$ 809,128**







FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013 (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, 2014, is $4,810,004 compared to $4,877,612 in 2013. The net decrease in capital assets during 2014 is $67,608 (1%) compared to a slight decrease of $161 in 2013.

The following table summarizes capital assets net of depreciation as of September 30 with comparative information for 2012.

Capital Assets (Net of Depreciation)

	2014	2013	2012
Land and rights-of-way	$ 609,498	$ 578,169	$ 554,714
Projects in progress	70,845	205,542	662,567
Transitways	2,914,631	2,875,423	2,497,655
Buildings and improvements	429,783	453,259	436,298
Revenue and non-revenue vehicles and equipment	776,348	750,485	715,931
Furniture, fixtures, and leasehold improvements	8,899	14,734	10,608
Total	$4,810,004	$4,877,612	$4,877,773

The net decreases in both 2014 and 2013 are due to depreciation. However, there were increases before depreciation in both fiscal years due to the cost of planning, designing and building the Light Rail Transit (LRT) Phase II and Phase III expansions. 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 fiscal year 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) opened for service in December 2012 and the third Irving line segment opened for service in August 2014. The Phase III light rail build-out consists of approximately three miles extension of the Blue Line from Ledbetter Station toward the University of North Texas (UNT) Dallas Campus located at the southeast corner of Camp Wisdom Road and University Hills Blvd.

Additional information on DART's capital assets is shown in note 7 on pages 26-27.

Outstanding debt – Outstanding debt includes sales tax revenue commercial paper notes, senior lien revenue bonds, TIFIA bonds payable, and capital lease/leaseback liabilities. As of September 30, 2014, DART had total outstanding debt of $3,857,925 compared to $3,776,799 as of September 30, 2013. Outstanding debt increased by 2% ($81,126) in 2014 compared to a 3% ($127,180) increase in 2013.

The following table summarizes DART's total outstanding debt.

		Outstanding Debt	
	2014	2013	2012
Sales tax revenue commercial paper notes	$ 180,000	$ 100,000	$ 70,000
Senior lien revenue bonds payable	3,377,920	3,411,095	3,290,060
TIFIA bonds payable	100,000	45,000	
Capital lease/leaseback liabilities	200,005	220,704	289,559
Total debt	$3,857,925	$3,776,799	$3,649,619

The sales tax revenue commercial paper notes outstanding balance was $180,000 as of September 30, 2014 compared to $100,000 as of September 30, 2013. 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. The increases during both 2014 and 2013 are due to additional borrowings to pay for capital project costs.

Senior lien revenue bonds outstanding are $3,377,920 as of September 30, 2014 and $3,411,095 as of September 30, 2013. 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 $33,175 in 2014 is due to $25,480 principal payment made on December 1, 2013 and $7,695 early payment of bond (extinguishment of debt) made in May 2014. The increase of $121,035 in 2013 was due to an additional borrowing during fiscal year 2013 net of principal payments. All DART bonds are issued to finance capital projects. The senior lien revenue bonds are shown net of original issuance premium (discount) of $86,579 and $94,155 as of September 30, 2014 and 2013 in the Statements of Net Position.

During 2014, DART maintained a AA+ credit rating from Standard & Poor's, and a Aa2 from Moody's for its bonds.

TIFIA bonds payable are $100,000 as of September 30, 2014 compared to $45,000 as of September 30, 2013. On December 13, 2012 DART entered into a Transportation Infrastructure Finance and Innovation Act (TIFIA) financing agreement with the U.S Department of Transportation (DOT). Under this loan agreement, DART issued a Senior Lien Obligation bond to borrow up to $105,000 from the DOT. The proceeds from the bond are used to pay for the cost of the third phase of DART's light rail Orange Line extension project, which extends DART's light rail service from Irving to the Dallas Fort Worth International Airport. The TIFIA financing agreement is reimbursement-based and DART requested the money after paying for the capital project costs. The TIFIA bond is a Senior Lien Obligation and is secured by and payable from Pledged Revenues on parity with other Senior Lien Obligations.

Capital lease/leaseback liabilities are $200,005 and $220,704 as of September 30, 2014 and 2013, respectively. The decreases in capital lease/leaseback liabilities in both 2014 and 2013 are due to lease payments.

Additional information on DART's outstanding debt is shown in footnotes 11-17.

ECONOMIC OUTLOOK

Sales and use tax is the largest source of revenue for DART, representing 64% of total revenues in 2014 compared to 61% in 2013. Sales and use tax revenues are affected by changes in the local economy. During fiscal year 2014, DART's sales and use tax revenues showed a 7% increase compared to the previous year. Actual sales and use tax revenues in 2014 are $486,564 compared to $456,524 in 2013. The sales and use tax budget for 2015 is $502,986 compared to $486,564 actual for 2014. The budget for 2015 represents a 3.4% increase from the 2014 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 ARE RAPID TRANSIT
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2014 and 2013 (Dollars in Thousands)

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 27,217	$ 75,826
Investments	760,593	656,424
Sales and use tax receivable	85,319	77,752
Transit revenue receivable, net	2,553	2,759
Due from federal and other governments	33,275	24,575
Materials and supplies inventory, net	28,693	24,252
Prepaid transit expense and other	2,840	2,455
Restricted investments held by trustee for debt service	97,808	87,353
Restricted investments held for advance funding agreements	12,013	11,737
Restricted investments held to pay capital lease/leaseback liabilities	14,096	36,209
TOTAL CURRENT ASSETS	1,064,407	999,342
NONCURRENT ASSETS		
Restricted investments for system expansion and acquisition	39,252	121,743
Restricted investments held as security for capital lease/leaseback liabilities	9,785	10,218
Investment in joint venture	20,722	22,058
Investment in managed HOV lane agreements	66,706	51,972
Capital assets		
Land and rights-of-way	609,498	578,169
Projects in progress	70,845	205,542
Depreciable capital assets, net of depreciation	4,129,661	4,093,901
Restricted investments held to pay capital lease/leaseback liabilities	185,909	184,495
Net pension asset	11,346	9,457
Unamortized bond insurance premium and other	1,638	1,757
TOTAL NONCURRENT ASSETS	5,145,362	5,279,312
TOTAL ASSETS	6,209,769	6,278,654
DEFERRED OUTFLOWS OF RESOURCES		
Loss on debt refunding	13,965	15,664
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	6,223,734	6,294,318
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	72,345	76,563
Commercial paper notes payable	180,000	100,000
Current portion of capital lease/leaseback liabilities	14,096	36,209
Current portion of repayment due to State Comptroller	824	824
Local Assistance Program payable	1,497	1,997
Retainage payable	27,860	23,514
Unearned revenue and other liabilities	32,898	34,029
Accrued interest payable from restricted assets	60,247	59,938
Current portion of senior lien revenue bonds payable	38,215	25,480
TOTAL CURRENT LIABILITIES	427,982	358,554
NONCURRENT LIABILITIES		
Accrued liabilities	34,573	31,129
Repayment due to State Comptroller	9,399	10,223
Senior lien revenue bonds payable	3,426,284	3,479,770
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable	100,000	45,000
Capital lease/leaseback liabilities	185,909	184,495
TOTAL NONCURRENT LIABILITIES	3,756,165	3,750,617
TOTAL LIABILITIES	4,184,147	4,109,171
NET POSITION		
Net investment in capital assets	1,071,576	1,320,349
Restricted for debt service	37,560	27,415
Restricted as security for capital lease/leaseback liabilities	9,785	10,218
Unrestricted	920,666	827,165
TOTAL NET POSITION	$2,039,587	$2,185,147

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

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

FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013 (Dollars in Thousands)

	2014	2013
OPERATING REVENUES		
Passenger revenues	$ 70,902	$ 67,569
Advertising, rent, and other	13,573	16,146
TOTAL OPERATING REVENUES	84,475	83,715
OPERATING EXPENSES		
Labor	216,188	211,801
Benefits	99,851	87,302
Services	33,869	34,775
Materials and supplies	44,327	53,224
Purchased transportation	46,900	43,716
Depreciation and amortization	236,406	238,710
Utilities	17,151	20,946
Taxes, leases, and other	5,245	5,604
Casualty and liability	4,582	5,329
TOTAL OPERATING EXPENSES	704,519	701,407
NET OPERATING LOSS	(620,044)	(617,692)
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	486,564	456,524
Investment income	4,037	2,272
Interest income from investments held to pay capital lease/leaseback	15,510	18,029
Interest expense on capital lease/leaseback	(15,510)	(18,029)
Street improvements	(2,127)	(6,615)
Interest and financing expenses	(167,071)	(160,824)
Build America Bonds tax credit	28,259	28,406
Other federal grants	92,211	17,418
Other non-operating revenues	15,760	12,226
Other non-operating expenses	(1,621)	(3,848)
NET NON-OPERATING REVENUES	456,012	345,559
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	(164,032)	(272,133)
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	36,023	123,877
State capital contributions	1,596	2,676
Local capital contributions	1,245	7,595
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	38,864	134,148
LOSS BEFORE SPECIAL ITEM	(125,618)	(137,985)
SPECIAL ITEM		
Loss on transfer of HOV Lane operations (see note 24)	(20,392)	-
CHANGE IN NET POSITION	(145,560)	(137,985)
TOTAL NET POSITION – BEGINNING OF YEAR (as restated)	2,185,147	2,323,132
TOTAL NET POSITION – END OF YEAR	$2,039,587	$2,185,147

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, 2014 and 2013 (Dollars in Thousands)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 85,171	$ 88,088
Cash flows from other sources	11,045	13,552
Payments to suppliers of goods and services	(116,161)	(114,620)
Payments to purchased transportation service providers	(46,710)	(46,639)
Payments to employees	(212,978)	(209,293)
Benefit payments on behalf of employees	(99,732)	(91,036)
NET CASH USED BY OPERATING ACTIVITIES	(379,365)	(359,948)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales and use tax receipts	478,174	451,874
Other federal grants	92,247	18,804
Other non-capital financing receipts	67	150
Build America Bonds tax credit	28,269	29,137
Other non-capital financing payments	(67)	(152)
Local Assistance Program and street improvements	(2,627)	(10,846)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	596,063	488,967
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	4,356	2,529
Proceeds from sales and maturity of investments	972,162	779,030
Purchase of investments	(1,076,767)	(836,775)
Decrease (increase) in restricted assets	71,761	(1,389)
Investment in managed HOV lane agreements	(14,734)	(13,187)
NET CASH USED BY INVESTING ACTIVITIES	(43,222)	(69,792)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(186,069)	(270,349)
Proceeds from the issuance of commercial paper notes	550,000	440,000
Payment on commercial paper notes	(470,000)	(410,000)
Proceeds from the issuance of revenue bonds		151,097
Proceeds from TIFIA Bonds	55,000	45,000
Payment of debt issuance costs		(2,454)
Principal payment on revenue bonds	(25,480)	(6,740)
Payment for early extinguishment of revenue bonds	(7,887)	-
Interest and financing expenses	(172,323)	(162,486)
Federal capital contributions	29,727	121,426
State capital contributions	1,591	204
Local capital contributions	1,246	3,675
Proceeds from the sale of capital assets	2,110	694
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(222,085)	(89,933)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(48,609)	(30,706)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	75,826	106,532
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 27,217	$ 75,826

(Continued)

DALLAS AREA RAPID TRANSIT
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013 (Dollars in Thousands)

	2014	2013
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	$(620,044)	$(617,692)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	236,406	238,710
Miscellaneous non-operating income	13,582	11,352
Miscellaneous non-operating expenses	(1,553)	(3,665)
Changes in assets and liabilities		
Decrease in transit receivable	206	5,776
(Increase) Decrease in due from federal & other governments	(1,166)	483
(Increase) Decrease in materials and supplies inventory	(4,441)	4,662
(Increase) Decrease in prepaid expenses and other current assets	192	(503)
(Increase) in pension assets	(1,889)	(1,682)
Increase in accounts payable and accrued liabilities	723	3,377
(Decrease) in unearned revenue and other liabilities	(1,381)	(766)
NET CASH USED BY OPERATING ACTIVITIES	$(379,365)	$(359,948)

	2014	2013
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	$15,510	$18,029
Interest expense on capital lease/leaseback	(15,510)	(18,029)
Decrease in capital lease/leaseback obligations	(20,699)	(68,855)
Decrease in investments held to pay capital lease/leaseback	20,699	68,855
Decrease in fair value of investments	(1,592)	(1,291)
Amortization of premium, discount, bond insurance premium costs, and loss on debt refunding	(9,325)	(4,645)
Mass transit easements granted to DART	-	7,287
Loss on transfer of HOV Lane operations	(20,392)	-
Purchases of capital assets in accounts payable at year-end	19,376	20,905

(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 11), 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 2015.

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 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 13). 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. On December 13, 2012 DART entered into a Transportation Infrastructure Finance and Innovation Act (TIFIA) financing agreement with the U.S Department of Transportation (see note 14). Under this agreement, DART borrowed $100,000 from the U.S Department of Transportation and plans to borrow an additional $5,000 during fiscal year 2015. The proceeds from the bond were used to pay for the cost of the third phase of DART's light rail Orange Line extension project, which extended DART's light rail service from Irving to the Dallas Fort Worth International Airport. These bonds are Senior Lien Revenue Bonds that are secured by, and payable from, a senior lien on Pledged Revenues.

DART received approximately $486,564 in 2014 from a 1% sales and use tax imposed on certain items within its member jurisdictions compared to $456,524 in 2013. These revenues constituted approximately 64% of DART's total revenues during fiscal year 2014 compared to 61% during 2013. Approximately 50%, 15%, and 11% of these sales and use tax revenues were collected from sales in the cities of Dallas, Plano, and Irving during fiscal years 2014 compared to 51%, 15%, and 11% for fiscal year 2013.

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.

Reporting Entity – DART has two blended component units, Regional Rail Right-Of-Way Corporation (RRRC) and Dallas Area Rapid Transit Bus Service, LGC (LGC). RRRC is a legally separate corporation, which was formed to facilitate the acquisition of certain properties and right-of-way for DART. The RRC Board consists of three board members that are appointed by the DART Board. LGC is a Corporation created under the LGC Act on behalf of DART to provide public transportation service (solely by bus) outside the DART service area. Currently the LGC provides bus service to the cities of Arlington and Mesquite. The LGC Board consists of five Board members who are appointed by the DART Board of Directors.

Since DART appoints the governing board of the RRRC and LGC; has operational responsibility for them; and since the RRRC and LGC activities directly benefit DART; the financial information of the RRRC and LGC, are included in the accompanying financial statements of DART as blended component units in accordance with GASB Statement No. 61.

Internally prepared financial statements for either RRRC or 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 – In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement specifies items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. This Statement became effective for DART during 2014. As a result of implementing GASB Statement No. 65, DART has written off $22,157 in prepaid debt issuance costs. In order to present comparative numbers in accordance with GASB Statement No. 65, prior years' amounts have been restated. The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position shown on pages 14 and 15 reflect such restatements.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62.* This Statement became effective for DART during 2014 and had no material impact on DART during 2014..

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations.* This Statement specifies accounting, financial reporting and disclosure requirements related to government combinations and disposals of government operations. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2013 which is fiscal year 2015 for DART. However, DART chose to implement this statement early in order to account for and report the transfer of HOV operations to Texas Department of Transportation (TXDOT) in accordance with GASB Statement No. 69 (see note 24 on page 39).

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement (1) requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee; (2) requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities, and (3) specifies the information required to be disclosed by governments that extend nonexchange financial guarantees, and (4) requires new information to be disclosed by governments that receive non-exchange financial guarantees. As of September 30, 2013, DART did not extend a non-exchange financial guarantee to another organization or individual. This Statement became effective for DART during 2014 and had no material impact on DART during 2014.

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 $27,217 and $75,826 as of September 30, 2014 and 2013, respectively.

Investments – The investment balances, other than investments held to pay lease/leaseback obligations (see Note 3), on September 30, 2014 and 2013 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 utilizes quoted market prices on September 30, 2014 and 2013, 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 7. 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 2014, total interest and financing expense of $175,629 was incurred, and $8,558 of this total was capitalized. In 2013, total interest and financing expense of $175,618 was incurred, and $14,794 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 $38,864 in federal, state and local capital contributions during 2014 compared to $134,148 during 2013. Of the total capital contributions amount received during 2014, $18,933 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 Position for the fiscal year ended September 30, 2014. In addition to capital contributions, DART also received $92,211 in 2014 compared to $17,418 in 2013 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.

FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013 (Dollars in Thousands)

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 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 Position.

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.

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 unearned transit revenue and is included in the unearned revenue and other liabilities line item in the accompanying Statements of Net Position.

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 Position.

The estimate includes incurred but not reported (IBNR) claims. Changes in the liabilities in 2014 and 2013 for DART's self-insured programs are as follows:

Description	2014	2013	2012
Beginning balance	$15,024	$17,014	$17,816
Current year claims and changes in estimates	6,275	2,438	3,868
Payments	(4,435)	(4,428)	(4,670)
Ending balance	$16,864	$15,024	$17,014
Amounts due in one year	$4,509	$4,867	$5,633

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. Bond insurance premiums and gains/losses on refunding are also amortized using the effective interest method over the life of the bonds.

Net position – *Net Investment in Capital Assets*, includes 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 consists of net position that is 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 DART's policy to use restricted resources first, and then unrestricted resources when they are needed. Unrestricted consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013 (Dollars in Thousands)

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 Position.
The following table summarizes major amounts for services rendered in 2014 and 2013 and the current contract terms, including option periods:

Summary of major services rendered in 2014 and 2013 and the current contract terms, including option periods is shown as follows:

		Annual Payments		Contract Terms	
Contractor's Name	Service Type	2014	2013	Began	Expires
Herzog Transit Services, Inc.	Commuter Rail	$18,782	$18,494	10/1/2010	9/30/2015
MV Contract Transportation, Inc	Paratransit , and DART On-call Services	21,330	19,778	10/1/2012	9/30/2019
Others	Various	6,788	5,444	Various	Various
Total		$46,900	$43,716		

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 Position as follows:

	9/30/2014	9/30/2013
Cash and cash equivalents	$27,217	$75,826
Investments	760,593	656,424
Restricted investments held by trustee for debt service	97,808	87,353
Restricted investments held for advance funding agreements	12,013	11,737
Restricted investments for system expansion and acquisition	39,252	121,743
Restricted investments held as security for capital lease/leaseback liabilities	9,785	10,218
Total cash and investments	$946,668	$963,301

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

	9/30/2014	9/30/2013
Cash on hand	$2,080	$988
Cash equivalents	25,137	74,838
Investments	919,451	887,475
Total cash and investments	$946,668	$963,301

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, 2014, the carrying amount of DART's deposits was $2,080 compared to $988 at September 30, 2013. Bank balances at September 30, 2014 and 2013 were entirely covered either by Federal Depository Insurance or by collateral held by DART's agent in DART's name.

FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013 (Dollars in Thousands)

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. 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 following tables, which show the distribution of DART investments by maturity.

		Remaining Maturity (in months) as of September 30, 2014		
Investment Type	Total Amount	12 months or Less	12 to 24 Months	24 to 60 Months
Federal Farm Credit Banks	$ 227,150	$ 9,992	$ 140,678	$ 76,480
Federal Home Loan Bank	207,922	74,265	39,997	93,660
Federal Home Loan Mortgage Corporation	201,196	15,491	70,746	114,959
Federal National Mortgage Association	124,159	4,005	35,544	84,610
Commercial Paper	133,656	133,656	-	-
Money Market Funds	46,506	46,506	-	-
US Treasury Note	3,999	3,999	-	-
Total	$ 944,588	$ 287,914	$ 286,965	$ 369,709

FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013 (Dollars in Thousands)

Investment Type	Total Amount	Remaining Maturity (in months) as of September 30, 2013		
		12 months or Less	12 to 24 Months	24 to 60 Months
Federal Farm Credit Banks	$ 193,354	$ 15,004	$ 124,161	$ 54,189
Federal National Mortgage Association	190,344	12,139	16,996	161,209
Federal Home Loan Bank	113,237	50,468	19,995	42,774
Federal Home Loan Mortgage Corporation	74,715	14,615	28,574	31,526
Federal Agricultural Mortgage Corporation	19,997	10,003	9,994	-
Commercial Paper	256,762	256,762	-	-
Money Market Funds	78,095	78,095	-	-
US Treasury Note	35,809	35,809	-	-
Total	$ 962,313	$ 472,895	$ 199,720	$ 289,698

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.

Investment Type	Total Amount	Rating as of September 30, 2014		
		AA+/ Aaa	A1/P1	AAAm
Federal Farm Credit Banks	$ 227,150	$ 227,150	$ -	$ -
Federal Home Loan Bank	207,922	207,922	-	-
Federal Home Loan Mortgage Corporation	201,196	201,196	-	-
Federal National Mortgage Association	124,159	124,159	-	-
Commercial Paper	133,656	-	133,656	-
Money Market Funds	46,506	36,342	-	10,164
US Treasury Note	3,999	3,999	-	-
Total	$ 944,588	$ 800,768	$133,656	$ 10,164

Investment Type	Total Amount	Rating as of September 30, 2013		
		AA+/ Aaa	A1/P1	AAAm
Federal Farm Credit Banks	$ 193,354	$ 193,354	$ -	$ -
Federal National Mortgage Association	190,344	190,344	-	-
Federal Home Loan Bank	113,237	113,237	-	-
Federal Home Loan Mortgage Corporation	74,715	74,715	-	-
Federal Agricultural Mortgage Corporation	19,997	19,997	-	-
Commercial Paper	256,762	-	256,762	-
Money Market Funds	78,095	-	-	78,095
US Treasury Note	35,809	35,809	-	-
Total	$ 962,313	$ 627,456	$256,762	$ 78,095

On August 5, 2011, Standard and Poor's, 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, 2014 is $764,426 compared to $627,456 as of September 30, 2013 that was downgraded from AAA to AA+ by Standard and Poor's.

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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 22. 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, 2014		
Investment type/Issuer	Reported Amount	Percentage of Total Portfolio
Federal Farm Credit Banks	$227,150	24%
Federal Home Loan Bank	207,922	22%
Federal Home Loan Mortgage Corporation	201,196	21%
Federal National Mortgage Association	124,159	13%

September 30, 2013		
Investment type/Issuer	Reported Amount	Percentage of Total Portfolio
Federal Farm Credit Banks	$193,354	20%
Federal National Mortgage Association	190,344	20%
Federal Home Loan Bank	113,237	12%
Federal Home Loan Mortgage Corporation	74,715	8%

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, 2014 and 2013 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 – As of September 30, 2014, DART had three outstanding lease/leaseback obligations. One of these three lease/leaseback obligations is anticipated to be closed out during the first quarter of fiscal year 2015. 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 Statements of Net Position.

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 $7,255 more than budget for fiscal year 2014 compared to $3,977 for fiscal year 2013. In addition, the Board of Directors authorized the establishment of a Capital Project 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 $9,785 as of September 30, 2014 compared to $10,218 as of September 30, 2013. These amounts are shown as restricted investments held as security for capital lease/lease back liabilities in the Statements of Net Position and are excluded from the financial reserve amount of September 30, 2014 and 2013 shown on the next page:

FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013 (Dollars in Thousands)

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

Assigned for	2014	2013
Self-Insurance	$ 12,576	$ 13,022
Financial Reserve	36,452	31,723
Total	$ 49,028	$ 44,745

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 Position. 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 Position 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 Position as of September 30, 2014 and 2013.

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, 2014, DART has set aside $9,785 compared to $10,218 as of September 30, 2013 for this purpose. These amounts are shown as investments restricted as security for lease/lease back liabilities in the Statements of Net Position.

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. The 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 Statements of Net Position in accordance with GASB Statement No. 61. 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.

6. INVESTMENT IN MANAGED HOV LANE AGREEMENTS

In September 2008 and October 2010, DART entered into agreements with TXDOT to invest in managed HOV lane projects that fall under the Regional Transportation Council's (RTC) policy for Excess Toll Revenue Sharing. RTC's policy allows local governments and transportation authorities to invest in Comprehensive Development Agreement (CDA) projects. Any excess revenue will be returned to the funding partner in proportion to their shares and be used to fund future transportation projects. Since DART's investment and related CDA projects are on-going, information needed to estimate fair market value based on current revenue projections are not available. These investments are shown at cost at year end and will be reviewed annually for impairment or decline in value. As of September 30, 2014, the Statements of Net Position reflects these Investments in Managed HOV Lane Projects totaling $66,706 compared to $51,972 as of September 30, 2013.

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7. CAPITAL ASSETS

Changes in capital assets for the years ended September 30, 2014 and 2013 are shown as follows:

	Beginning Oct. 1, 2013	Additions	Disposals	Net Transfers/ Adjustments	Ending Sept. 30, 2014
Non-Depreciable Assets					
Land and right-of-way	$ 578,169	$ -	$ (951)	$ 32,280	$ 609,498
Capital projects in progress	205,542	189,189	-	(323,886)	70,845
Total non-depreciable assets	783,711	189,189	(951)	(291,606)	680,343
Depreciable Assets					
Transitways	3,696,268	-	(34,751)	184,319	3,845,836
Buildings and improvements	745,314	-	(833)	2,104	746,585
Revenue and non-revenue vehicles and equipment	1,319,261	-	(119,603)	103,827	1,303,485
Furniture, fixtures, and Leasehold improvements	61,184	-	(2,668)	1,356	59,872
Total depreciable assets	5,822,027	-	(157,855)	291,606	5,955,778
Less accumulated depreciation					
Transitways	820,845	124,719	(14,359)	-	931,205
Buildings and improvements	292,055	25,565	(818)	-	316,802
Revenue and non-revenue vehicles and equipment	568,776	77,597	(119,236)	-	527,137
Furniture, fixtures, and Leasehold improvements	46,450	7,189	(2,666)	-	50,973
Total accumulated depreciation	1,728,126	235,070	(137,079)	-	1,826,117
Depreciable assets, net	4,093,901	(235,070)	(20,776)	291,606	4,129,661
Total capital assets	$ 4,877,612	$ (45,881)	$ (21,727)	$ -	$ 4,810,004

	Beginning Oct. 1, 2012	Additions	Disposals	Net Transfers/ Adjustments	Ending Sept. 30, 2013
Non-Depreciable Assets					
Land and right-of-way	$ 554,714	$ -	$ (206)	$ 23,661	$ 578,169
Capital projects in progress	662,567	237,870	-	(694,895)	205,542
Total non-depreciable assets	1,217,281	237,870	(206)	(671,234)	783,711
Depreciable Assets					
Transitways	3,188,305	-	-	507,963	3,696,268
Buildings and improvements	702,179	-	-	43,135	745,314
Revenue and non-revenue vehicles and equipment	1,275,561	-	(64,789)	108,489	1,319,261
Furniture, fixtures, and Leasehold improvements	49,537	-	-	11,647	61,184
Total depreciable assets	5,215,582	-	(64,789)	671,234	5,822,027
Less accumulated depreciation					
Transitways	690,650	130,195	-	-	820,845
Buildings and improvements	265,881	26,174	-	-	292,055
Revenue and non-revenue vehicles and equipment	559,630	73,582	(64,436)	-	568,776
Furniture, fixtures, and leasehold improvements	38,929	7,521	-	-	46,450
Total accumulated depreciation	1,555,090	237,472	(64,436)	-	1,728,126
Depreciable assets, net	3,660,492	(237,472)	(353)	671,234	4,093,901
Total capital assets	$ 4,877,773	$ 398	$ (559)	$ -	$ 4,877,612

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Depreciation included $2,503 of impairment loss for two light rail vehicles and two buses damaged in accidents in 2014. In 2013 impairment losses included in depreciation consisted of $8,318 due to unexpected wear and obsolescence of the Dallas Central Business (CBD) light rail line segment rail and $834 for a light rail vehicle that derailed and was damaged during 2013.

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

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

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

Description	2014	2013
Accounts payable and accrued liabilities		
Payroll	$ 15,462	$ 13,327
Accrued paid time off, vacation and sick leave	23,211	22,495
Self insurance liabilities	16,864	15,024
Other operating liabilities	31,959	35,867
Total operating expense related	87,496	86,713
Non-operating expense and capital related	19,422	20,979
Total accounts payable and accrued liabilities	106,918	107,692
Non-current	34,573	31,129
Current	$ 72,345	$ 76,563

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	2014	2013
Beginning balance	$ 11,047	$ 11,871
Payments	(824)	(824)
Ending balance	10,223	11,047
Non-current	9,399	10,223
Current	$ 824	$ 824

9. 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	2014	2013
Beginning balance	$ 22,495	$ 20,979
Additions	1,788	2,402
Payments	(1,072)	(886)
Ending balance	$ 23,211	$ 22,495
Amounts due in one year	$ 993	$ 919

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10. 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 Position.

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

Description	2014	2013
Beginning balance	$ 1,997	$ 5,370
Payments	(500)	(3,373)
Ending balance	$ 1,497	$ 1,997

11. 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
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 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, 2014 and 2013.

Lease Date	Property	Book value as of 9/30/2014	Book value as of 9/30/2013
9/28/00	28 Light rail cars	$31,168	$34,218
10/26/00	25 Light rail cars	31,620	34,502
7/10/02	Buses – Lot 3	13	977

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 Position. 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 Position. 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 Position in the fiscal year each transaction occurred.

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The capital lease/leaseback liabilities are reported as follows on the Statements of Net Position:

	2014	2013
Amounts due within one year	$ 14,096	$ 36,209
Amounts due in more than one year	185,909	184,495
Total	$ 200,005	$ 220,704

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, 2014, DART has set aside $9,785 compared to $10,218 as of September 30, 2013 for this purpose. These amounts are shown as investments restricted as security for lease/lease back liabilities in the Statements of Net Position.

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

Description	2014	2013
Beginning balance	$ 220,704	$ 289,559
Accrued interest	15,510	18,029
Retirements	(36,209)	(86,884)
Ending Balance	$ 200,005	$ 220,704

The following schedule shows future minimum sublease payments as of September 30, 2014 for the outstanding lease capital lease/leaseback transactions.

Year Ending September 30	Minimum Sublease Payments
2015	$ 14,096
2016	12,210
2017	12,210
2018	12,210
2019	12,210
2020 – 2024	171,417
2025 – 2026	120,206
Total minimum sublease payments due under capital lease/leaseback	354,559
Less: amount representing interest	(154,554)
Present value of minimum sublease payments	$ 200,005

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

In January 2001, the DART 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.

Commercial Paper Self-liquidity Program- after the Revolving Credit Agreement was terminated, the DART Board approved a new Commercial Paper Self-liquidity Program that allows DART to issue up to $200 million in commercial paper notes backed by self-liquidity. Under this program, DART provides self-liquidity in an aggregate principal amount of $200 million and 90 days interest calculated at an interest rate 12% of the outstanding commercial paper debt. DART also maintains at least 2.0 times the debt service coverage amount for the self-liquidity commercial paper notes and ensures that no more than $35 million of the commercial paper notes mature within five days. During fiscal year 2014, DART has complied with these requirements of the self-liquidity program. As of September 30, 2014, DART has $180 million in outstanding commercial paper notes issued under the self-liquidity program.

Commercial paper notes are issued in blocks for terms from 1 to 270 days and recorded as current liabilities on the Statements of Net Position. The average interest rate on outstanding commercial paper was 0.24% at September 30, 2014 and 0.13% at September 30, 2013.

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Changes in the Commercial Paper Notes for the years ended September 30 are shown below:

Description	2014	2013
Beginning balance	$ 100,000	$ 70,000
Additions	550,000	440,000
Retirement	(470,000)	(410,000)
Ending Balance	$ 180,000	$ 100,000

The maximum principal of outstanding Commercial Paper Notes did not exceed the $200 million limit during either year.

13. SENIOR LIEN REVENUE BONDS

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 outstanding 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
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	
2012	April 2012	127,775	11/15/12	1.0%	5.0%	12/1/13	12/1/42	12/1/22	12/1/22

* 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. However, during fiscal years 2014 and 2013, this tax credit was reduced by 7.3% and 7.2% due to budget cuts or "sequestration" by the federal government.

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. However, during fiscal years 2014 and 2013, this tax credit was reduced by 7.3% and 7.2% due to budget cuts or "sequestration" by the federal government.

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.

During 2014, DART recorded tax credits of $28,259 compared to $28,406 for 2013 as Build America Bonds tax credit in the Statements of Revenues, Expenses and Changes in Net Position.

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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, 2014 and 2013 are as shown below:

Changes in revenue bonds (shown at par) for the years ended September 30, 2014 and 2013 are as follows:

Bond Series	Balance, 9/30/2012	Addition	Retirement	Balance, 9/30/2013	Retirement	Balance, 9/30/2014	Amounts due in one year
2002	$ 1,000	$ -	$ (1,000)	$ -	$ -	$ -	$ -
2007	745,895	-	(5,740)	740,155	(5,350)	734,805	5,645
2008	718,540	-	-	718,540	(11,335)	707,205	
2009A	170,385	-	-	170,385	-	170,385	15,465
2009B	829,615	-	-	829,615	-	829,615	-
2010A	95,235	-	-	95,235	(14,365)	80,870	14,935
2010B	729,390	-	-	729,390	-	729,390	-
2012	-	127,775	-	127,775	(2,125)	125,650	2,170
Total	$3,290,060	$127,775	$(6,740)	$3,411,095	$(33,175)	$3,377,920	$38,215

The revenue bonds shown above are at face value. They are shown in the Statements of Net Position includes the original issuance premium of $86,579 and $94,155 as of September 30, 2014 and 2013, respectively. Below is a summary of debt service requirements of the Senior Lien Revenue Bonds outstanding as of September 30, 2014:

Year Ended September 30	Principal	Interest	Total Debt Service	Build America Bonds tax credit	Net Debt Service
2015	$ 38,215	$ 176,933	$ 215,148	$ (28,239)	$ 186,909
2016	48,115	174,920	223,035	(28,239)	194,796
2017	50,490	172,543	223,033	(28,239)	194,794
2018	53,010	170,065	223,075	(28,239)	194,836
2019	55,610	167,422	223,032	(28,239)	194,793
2020 – 2024	323,310	791,603	1,114,913	(145,378)	969,535
2025 – 2029	396,390	698,808	1,095,198	(142,531)	952,667
2030 – 2034	499,520	579,255	1,078,775	(126,111)	952,664
2035 – 2039	612,125	428,165	1,040,290	(104,532)	935,758
2040 – 2044	713,010	250,973	963,983	(61,784)	902,199
2045 – 2049	588,125	71,837	659,962	(15,844)	644,118
TOTAL	$ 3,377,920	$ 3,682,524	$ 7,060,444	$ (737,375)	$ 6,323,069

14. TRANSPORTATION INFRASTRUCTURE FINANCE AND INNOVATION ACT (TIFIA) BONDS

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 agreement, DART issued a Senior Lien Obligation bond to borrow up to $105,000 from the U.S Department of Transportation at an interest rate of 2.91% . The proceeds from the bond were used to pay for the cost of the third phase of DART's light rail Orange Line extension project, which extended DART's light rail service from Irving to the Dallas Fort Worth International Airport. According to the TIFIA financing agreement, the U.S. Department of Transportation (DOT) reimburses DART for eligible capital project costs. DART received $45,000 during fiscal year 2013 and $55,000 during fiscal year 2014 and plans to request a drawdown of an additional $5,000 during fiscal year 2015. Since the project cost is lower than budget, DART will borrow only $105,000 instead of the maximum amount of $119,972 allowed in the agreement. 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 an additional $5,000 during fiscal year 2015. The amounts and timing of the debt service for the TIFIA bond are subject to change depending on the amount and timing of the draw down. A summary of estimated debt service requirements of TIFIA bonds as of September 30, 2014 is shown on the next page.

FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013 (Dollars in Thousands)

Summary of estimated debt service requirements of TIFIA bonds as of September 30, 2014 is as follows:

Year Ended September 30	Principal	Interest	Total TIFIA Bond Debt Service
2015	$ -	$ 2,953	$ 2,953
2016	-	3,059	3,059
2017	2,032	3,018	5,050
2018	2,091	2,961	5,052
2019	2,151	2,899	5,050
2020 – 2024	11,734	13,506	25,240
2025 – 2029	13,543	11,660	25,203
2030 – 2034	15,632	9,539	25,171
2035 – 2039	18,043	7,088	25,131
2040 – 2044	20,825	4,259	25,084
2045 – 2048	18,949	1,077	20,026
TOTAL	$ 105,000	$ 62,019	$ 167,019

The annual debt service requirements for the TIFIA bond range from $2,953 in fiscal year 2015 to $5,053 in fiscal year 2020.

15. PLEDGED REVENUES

DART has pledged sales and use tax and farebox revenues as security for revenue bonds, TIFIA 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 revenue bonds as of September 30, 2014 is $7.1 billion before Build America Bonds tax credits of $737.4 million (see the second table on page 31). The annual debt service requirements for these bonds, before Build America Bonds tax credits, range from $223,075 in fiscal year 2018 to $118,162 in fiscal year 2049. For the current fiscal year, debt service on the bonds (including principal and interest) is $213,755. Bonds have a senior lien on pledged revenues.

Total estimated principal and interest remaining on the revenue bonds as of September 30, 2014 is $167 million. The annual debt service requirements for the TIFIA bonds range from $2,953 in fiscal year 2015 to $5,053 in fiscal year 2020. For the current fiscal year, debt service on the TIFIA bonds is $1,709 for payments of interest. TIFIA bonds have a senior lien on pledged revenues.

Total principal and interest remaining on commercial paper as of September 30, 2014 is $180,020 compared to $100,021 as of September 30, 2013. Interest payments on commercial paper notes during the current fiscal year totaled $131. Commercial Paper notes have a subordinate senior lien on pledged revenues.

16. DEBT REFUNDINGS

In fiscal year 2007, 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 Position. As a result of the 2007 refunding, DART recognized a book loss (a difference between the reacquisition price and the carrying amount of the old debt) of $16,534, a reduction in debt service of $21,413 and an economic gain of $9,294. 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 Position. As a result of the 2011 refunding, DART recognized a book loss of $7,883, a reduction in debt service of $3,945 and an economic gain of $8,786.

As of September 30, 2014 and 2013, the unamortized portion of the book loss of $13,965 and $15,664 respectively have been shown in the Statements of Net Position as loss on debt refunding under the deferred outflows of resources section.

As of September 30, 2014 and 2013, none of these refunded DART bonds remains outstanding.

FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013 (Dollars in Thousands)

17. EARLY EXTINGUISHMENT OF DEBT

In May 2014, DART used its own financial resources and paid $7,887 to defease a bond with a face value of $7,695 and an interest of $192. The maturity date for this bond is December 1, 2014. The difference between the reacquisition price and the carrying amount of this debt is not material.

18. 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, 2013 (actuarial valuation date), was approximately $19.4 million compared to $19.5 as of October 1, 2012.

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 $11,346 and $9,457 is shown in the accompanying Statements of Net Position of DART at September 30, 2014 and 2013, 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 2014 and 2013 were computed as part of an actuarial valuation performed and dated as of the first day of the fiscal periods, October 1, 2013 and 2012. Significant actuarial assumptions for the DB Plan are shown below:

Valuation Date	October 1, 2013 and 2012
Investment Return	7% compounded annually, net of expenses
Salary Increases	3.25% per annum
Mortality	RP 2000 combined mortality tables for males and females with rates increased by 8.59% and with generational projection from 2000 by Scale AA
Disability Mortality	RP 2000 mortality tables for males and females
Early Retirement Age	55
Normal Retirement Age	60
Cost-of-Living Adjustments	2.5% per annum
Actuarial Cost Method	Projected Unit Credit Cost Method

FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013 (Dollars in Thousands)

For plan years 2014, 2013, and 2012, the net pension asset was as follows:

	2014	2013	2012
Annual required contribution	$7,133	$7,310	$6,686
Interest on net pension asset	(662)	(544)	(454)
Adjustment to annual required contribution	762	626	523
Annual pension cost	7,233	7,392	6,755
Employer contributions	9,122	9,074	8,045
Increase in net pension asset	1,889	1,682	1,290
Net pension asset, beginning of year	9,457	7,775	6,485
Net pension asset, end of year	$11,346	$9,457	$7,775
Percentage of annual pension cost contributed	126%	123%	120%

The actuarial value of plan net position 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	
	10/1/13	10/1/12
Actuarial value of assets	$142,664	$137,946
Actuarial accrued liability (AAL) projected unit credit	201,706	199,447
Unfunded AAL (UAAL)	59,042	61,501
Funded ratio	70.7%	69.2%
Covered payroll	19,438	19,467
UAAL as a % of covered payroll	303.7%	315.9%

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 $14,451 and $13,853 for the years ended September 30, 2014 and 2013, 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 $4,920 and $4,669 for the years ended September 30, 2014 and 2013, 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, 2014 and 2013 (Dollars in Thousands)

19. 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. The plan does not issue separate stand-alone financial reports.

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 is 3.0% of annual covered payroll for both fiscal years 2014 and 2013. 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, 2014 and 2013, DART's annual required contributions to other post employment benefits (OPEB) trust were $5,141 and $4,996. These contribution amounts are the same as annual OPEB costs for both years. The OPEB trust was set up during the fiscal year 2008 for the first time and is not included in those financial statements. DART has 269 retirees and surviving spouses that participate in the medical plan and 287 that participate in the life insurance plan as of September 30, 2014 compared to 252 participants in the medical plan and 320 in the life insurance plan as of September 30, 2013.

Actuarial Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

Valuation Date	September 30, 2014
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 rate (Health care inflation rate)	Year 2014 trend is 8% for Aetna dropping to 5% in 2016. Year 2014 trend is 10.5% for Secure Horizons Medicare Advantage Plan, trending down to 8.5% in 1% increments where they stay level for five years before dropping to 5% in 2022.
Mortality	RP 2000 combined mortality tables for males and females with rates increased by 8.59% and with generational projection from 2000 by Scale AA.
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
Dependent coverage	For active employees, 40% are assumed to be married at retirement with the spouse electing coverage. Female spouses are assumed to be four (4) years younger than their husbands. Any potential costs for children have not been considered for valuation purposes.
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, 2014 and 2013 (Dollars in Thousands)

Valuation Date	September 30, 2013
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 rate (Health care inflation rate	Year 2013 trend is 8% for Aetna dropping to 5% in 2016. Year 2013 trend is 10.5% for Secure Horizons Medicare Advantage Plan, trending down to 8.5% in 1% increments where they stay level for five years before dropping to 5% in 2022.
Mortality	RP 2000 combined mortality tables for males and females with rates increased by 8.59% and with generational projection from 2000 by Scale AA.
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 2014 and 2013, annual OPEB cost and the net OPEB asset were as follows:

	2014	,2013	2012
Annual required contribution	$ 5,141	$4,996	$5,024
Annual OPEB cost	5,141	4,996	5,024
Total employer contributions	5,141	4,996	9,975
Increase in net OPEB obligation (decrease in net OPEB asset)	-	-	4,951
Net OPEB asset (obligation), beginning of year	-	-	(4,951)
Net OPEB asset (obligation), end of year	$ -	$ -	$ -
Percentage of annual OPEB cost contributed	100%	100%	199%

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 is based on payroll information as of September 30, 2013. The data for the two most recent valuations are as follows:

	Fiscal Year Ended	
	9/30/14	9/30/13
Actuarial value of assets	$ 30,529	$ 24,162
Actuarial accrued liability (AAL)	$ 58,315	$ 52,676
Unfunded AAL (UAAL)	$ 27,786	$ 28,514
Funded ratio	52.4%	45.9%
Covered payroll	$ 174,557	$ 174,557
UAAL as a % of covered payroll	15.9%	16.3%

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013 (Dollars in Thousands)

20. 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.

21. 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) and the three miles extension of the Blue Line from Ledbetter Station toward the University of North Texas (UNT) Dallas Campus located at the southeast corner of Camp Wisdom Road and University Hills Blvd. 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 $4.1 billion as of September 30, 2014. 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 opened for revenue service in December 2012. The third section of the Irving line (Irving-3) opened for service in August 2014. DART has entered into contract commitments for the LRT build out and other capital developments in the amount of $3.4 billion and has spent approximately $3.3 billion of the committed amount as of September 30, 2014.

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 $817 and $782 in 2014 and 2013, respectively.

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

Fiscal Year	2015	2016	2017	2018	2019
Minimum Lease Payments	$439	$439	$439	$439	$439

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 Position.

22. 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. The diesel fuel hedge contract expired on September 30, 2013 and no fuel hedge contract is in place after this date. The fair values of the derivative instrument associated with this hedge contract were $0 as of 9/30/2014 and 9/30/2013.

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 sulfur diesel (ULSD) for each month.

Risks

Credit risk – The derivative instrument for fiscal year 2013 was held by the same counterparty. During fiscal year 2013, DART's position in the derivative instrument was a potential inflow of resources. DART could have been exposed to credit risk if the counterparty to the transaction becomes insolvent but that did happen. The credit rating for the counterparty was A+/Aa3 during 2013.

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 purchased for its operations. No termination event has occurred during fiscal year 2013 and the contract expired on 9/30/2013.

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, 2013 is AA+ as issued by Standards & Poor's 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 also buys 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 Position as of September 30, 2014 and 2013.

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 purchased for its operations. No termination event occurred during fiscal years 2014 and 2013.

23. NEW ACCOUNTING PRONOUNCEMENTS

In June 2012, the 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,* related to pensions that are administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013 which is fiscal year 2014 for the DART Employees Defined Benefit Retirement Plan and Trust (the DB Plan).

FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013 (Dollars in Thousands)

In June 2012, the 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,* related to pensions that are administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2014 which is fiscal year 2015 for DART.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The requirements of this statement should be applied simultaneously with the provisions of Statement 68.

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

24. SPECIAL ITEM

Loss on transfer of HOV Lane operations

DART has been responsible for the operations, enforcement, and maintenance of the HOV lanes within the DART service area. During fiscal year 2014, DART and TXDOT entered into an agreement to transfer responsibilities for the operation and maintenance of HOV Lanes effective July 9, 2014. HOV related operating expenses during fiscal year 2014 were $3,386 compared to $13,099 during 2013. In anticipation of the upcoming transfer, a number of HOV employees were terminated in fiscal years 2013 and 2014. Termination benefit payments made to employees affected by the transfer have been accrued and included in the Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position as of September 30, 2014 and 2013 in accordance with GASB Statement No. 47, *Accounting for Termination Benefits*. There were no direct operating revenues generated by the HOV operations except for reimbursements of costs from NCTCOG for any HOV related service provided by DART outside the DART service area. As of the effective date of the agreement, DART HOV related capital assets had a carrying value of $20,392. This amount has been recorded as a loss on transfer of HOV operations in the Statements of Revenues, Expenses and Changes in Net Position in accordance with GASB Statement No. 69, *Government Combinations and Disposals of Government***.** No financial consideration has been received by DART from TXDOT for these assets. However, DART will save future operating costs that it would have spent to provide HOV lane services.

25. SUBSEQUENT EVENT

In December 2014, DART issued and sold $426,035 in Senior Lien Sales Tax Revenue Refunding Bonds ($379,480 as Series 2014A Bonds and $46,555 as Series 2014B Bonds). These refunding bonds are issued to partially refund existing Series 2007 and Series 2008 bonds and are secured by and payable from pledged revenues. Pledged revenues include sales and use tax and farebox revenues. The following table summarizes debt service requirements of the Senior Lien Sales Tax Revenue Bonds and TIFIA Loan including the bonds issued on December 11, 2014

Year Ended September 30	Total Bond Debt Service
2015	$189,180
2016	196,270
2017	198,262
2018	197,700
2019	197,657
2020 – 2024	988,278
2025 – 2029	966,952
2030 – 2034	966,541
2035 – 2039	953,037
2040 – 2044	925,321
2045 – 2048	664,190
TOTAL	$6,443,388

The debt service amounts shown above are net of expected federal subsidies payments on the Series 2009B and 2010B Bonds, with a 7.3% sequestration reduction projected until fiscal year 2024. It also includes debt service associated with full drawdown of $105 million TIFIA loan but does not include debt service for outstanding senior subordinate lien commercial paper notes.

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

September 30, 2014 (Dollars in Thousands)

The schedule of funding progress for the DART Defined Benefit Pension Plan calculated by the actuaries is as follows:

	Actuarial Valuation Date		
	10/1/13	10/1/12	10/1/11
Actuarial Value of Assets	$142,664	$137,946	$141,480
Actuarial Accrued Liability (AAL)	201,706	199,447	195,504
Projected Unit Credit			
Unfunded AAL (UAAL)	59,042	61,501	54,024
Funded Ratio	70.7%	69.2%	72.4%
Covered Payroll	19,438	19,467	19,306
UAAL as a % of Covered Payroll	303.7%	315.9%	279.8%

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: The data for the two most recent valuations is based on payroll information as of September 30, 2013

	Actuarial Valuation Date		
	10/1/14	10/1/13	10/1/12
Actuarial Value of Assets	$30,529	$24,162	$17,892
Actuarial Accrued Liability (AAL)	$58,315	$52,676	$49,384
Unfunded AAL (UAAL)	$27,786	$28,514	$31,493
Funded Ratio	52.4%	45.9%	36.2%
Covered Payroll	$174,557	$174,557	$169,196
UAAL as a % of Covered Payroll	15.9%	16.3%	18.6%

* * * * * * * *

APPENDIX B

A Table of Contents and brief descriptions of certain provisions of the Master Debt Resolution, as amended, are included on the following pages of this Appendix B. The descriptions are not intended to be comprehensive or complete but are to be used as a guide to the full provisions of the Master Debt Resolution. The full and complete text of the Master Debt Resolution may be obtained directly from us without cost at the address given in the text of this document, and it may be viewed on the Internet at our website, ***www.dart.org***. See, "IMPORTANT NOTICES." Specific Article and Section numbers are identified in "*italics*" throughout this Summary.

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SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION

DEFINITIONS
{*Article I*}

The following are definitions of certain terms used in this Summary.

Accrued Aggregate Debt Service - means, for any specified Debt Service Accrual Period, and with respect to a specified series of Obligations, an amount equal to the sum of the Debt Service accruing during that Debt Service Accrual Period with respect to all of such Obligations that are Outstanding at the beginning of such Debt Service Accrual Period.

Accrued Aggregate Interest - means, for any Debt Service Accrual Period, that portion of the Accrued Aggregate Debt Service that is attributable to interest on Obligations for the Debt Service Accrual Period.

Act - means Chapter 452, Transportation Code, as amended.

Additional Senior Lien Obligations - means bonds, notes, commercial paper, or other evidences of indebtedness issued by DART on a parity as to the Pledged Revenues with the Initial Senior Lien Obligations pursuant to Section 3.2 of the Master Debt Resolution.

Administrative Expenses - means amounts owed to the Trustee under Section 8.4 of the Master Debt Resolution and, to the extent specified in a Supplemental Resolution, the fees, expenses, and indemnification liabilities payable to the Paying Agent, the Credit Providers, any Bondholder Representative, and others. Said term does not include Credit Agreement Obligations.

Applicable Law - means the Act and all other laws or statutes, rules or regulations, and any amendments thereto, of the State or of the United States by which DART and its powers, securities, bonds, notes, and other obligations, and its operations and procedures are, or may be, governed or from which such powers may be derived.

Authorized Officer - means the President and Executive Director, the Chief Financial Officer, the Senior Vice President, Finance, the Treasurer, the Assistant Treasurer, and such other officers or employees of DART as may be authorized to perform duties under the Master Debt Resolution.

Available Remaining Revenues - means the amount of the Gross Sales Tax Revenues, plus the Special Revenues that are available to DART for spending for lawful purposes and the uses of which are not restricted by Applicable Law, grant condition, or contract (i) after complying with the requirements of Article V of the Master Debt Resolution, and (ii) after applying all of the revenues received from the operation of the System to the purpose of operating and maintaining the System, as required by Section 452.357 of the Act.

Board - means the governing subregional board of directors of DART as authorized and required by, and selected in the manner provided in, Section 452.571 of the Act.

Bondholder Representative - means each Person appointed pursuant to Section 11.8 of the Master Debt Resolution.

Bond Obligation - means any Obligation that is issued in the form of bonds, notes, or other securities or other forms of indebtedness other than a Credit Agreement Obligation.

Business Day - means, unless another definition is provided in a Supplemental Resolution with respect to a series of Obligations, any day other than a Saturday, Sunday or legal holiday or other day on which banking institutions in the city where the designated payment/transfer office of the Paying Agent and/or Registrar is located, or where the principal office of the Trustee is located, are generally authorized or obligated by law or executive order to close.

Code - means the Internal Revenue Code of 1986, as amended, the regulations and published rulings promulgated or published pursuant thereto, and the provisions of any applicable section of a successor federal income tax law.

Comptroller - means the Constitutional Officer of the State of Texas known as the "Comptroller of Public Accounts" and any successor official or officer that may be charged by law with the duty of collecting the Sales Tax for the account of, and remitting Gross Sales Tax Revenues to, DART.

Costs of Acquisition and Construction - means all costs and expenses of planning, designing, acquiring, constructing, installing, extending, equipping, improving, repairing, replacing and financing any part or all of the System, placing the System in operation, and obtaining governmental approvals, certificates, permits and licenses with respect thereto, including acquisition of land and interests in land, working capital and reserves during construction periods, capitalized interest, and financing costs.

Credit Agreement - means any agreement between DART and a Credit Provider permitted by Applicable Law that is entered into for the purpose of providing credit enhancement or liquidity support for all or a part of a series of Bond Obligations.

Credit Agreement Obligations - means any liability of DART to pay principal, interest, or other payment on any debt or liability created under a Credit Agreement in favor of a Credit Provider that is declared by the terms of the Master Debt Resolution or a Supplemental Resolution to be a Senior Lien Obligation or a Subordinate Lien Obligation.

Credit Provider - means each party named in the Master Debt Resolution or a Supplemental Resolution that provides credit or liquidity support for a series of Bond Obligations, or other financial undertakings in a Credit Agreement.

Debt Service - means, for any specified Debt Service Accrual Period or other period with respect to a specified series of Obligations, an amount equal to:

(i) the sum of (A) all interest that is due and payable (but unpaid) on the commencement of such Debt Service Accrual Period or other period, plus (B) interest accruing on such Obligations, including as to Interim Obligations, and as to Variable Interest Rate Obligations, if any, the amount estimated to accrue during such Debt Service Accrual Period or other period, but excluding interest that will be paid from the proceeds of Obligations or from Credit Agreements; and

(ii) the sum of (A) all Principal Installments that are due and payable (but unpaid) on the commencement of such Debt Service Accrual Period or other period, plus (B) that portion of next maturing Principal Installment on such Obligations which will accrue during such Debt Service Accrual Period or other period, other than a Principal Installment with respect to Interim Obligations and Credit Agreement Obligations that are to be paid either with the proceeds of Bond Obligations or with funds provided by a Credit Provider, and other than amounts scheduled to be paid by a counter party to a Swap

Agreement that is not in default, all as determined as provided in the Master Debt Resolution.

Debt Service Accrual Period - means the period commencing on, as applicable, the date of issuance or execution of any Obligation under the Master Debt Resolution, or the most recent date on which the Trustee has transferred Gross Sales Tax Revenues from the Gross Sales Tax Revenue Fund in accordance with Section 5.3(a) the Master Debt Resolution, whichever is later, and ending on, but excluding, the next date on which the Trustee is expected to transfer Gross Sales Tax Revenues to the Gross Sales Tax Revenue Fund, as such period is specified by the Trustee in its request to each Paying Agent as required by Section 5.3(i) of the Master Debt Resolution.

Event of Default - means the occurrence of any of the events or circumstances described as such in Section 7.1 of the Master Debt Resolution.

Federal Interest Subsidy – means the interest subsidy payment received by DART from the United States Treasury relating to the interest payable on the Series 2009B Bonds and the 2010B Bonds under Section 54AA of the Code.

First Supplemental Debt Resolution - means the Supplemental Resolution approved by the Board authorizing the issuance and setting forth the terms of the Senior Subordinate Lien Obligations authorized by Section 3.3(a) of the Master Debt Resolution.

Fiscal Year - means the twelve consecutive month period established from time to time by the Board as DART's fiscal year. Until changed by resolution of the Board, the fiscal year shall be the period commencing October 1 and ending on the following September 30.

Force Majeure - means any act of God or the public enemy; strike, lockout, work slowdown or stoppage or other labor dispute; insurrection, riot or other civil disturbance; order of the government of the United States or of any state thereof or order of any other civil or military authority; failure of a public utility; or other condition or event beyond the reasonable control of DART, other than a financial condition, business condition or condition or event constituting frustration of purpose.

General Operating Fund - means the fund by that name reestablished and confirmed in Section 5.1 of the Master Debt Resolution.

Gross Sales Tax Revenue Fund - means the special trust fund by that name reestablished and confirmed in Section 5.1 of the Master Debt Resolution.

Gross Sales Tax Revenues - means all of the revenues due or owing to, or collected or received by or on behalf of, DART, or by the Trustee pursuant to the Master Debt Resolution, from or by reason of the levy of the Sales Tax, less any amounts due or owing to the Comptroller as charges for collection or retention by the Comptroller for refunds and to redeem dishonored checks and drafts, to the extent such charges and retentions are authorized or required by law. Such term expressly does not include any Special Revenues.

Holder - means, with respect to Bond Obligations, the registered owner of a Bond Obligation according to the Obligation Register relating to such Bond Obligation, and, with respect to each Credit Agreement Obligation, the related Credit Provider.

Initial Senior Lien Obligations - mean the Senior Lien Obligations that are authorized in Section 3.1(a) of the Master Debt Resolution.

Interest Payment Date(s) - means the date or dates on which interest on Obligations is payable (including a prepayment or redemption date), as said date or dates are specified in a Supplemental Resolution or in Credit Agreements, as appropriate.

Interim Obligations - mean Obligations, including commercial paper, notes, and similar Obligations (i) for or with respect to which no Principal Installments are required to be made other than on the Stated Maturity Date thereof, which date shall be no later than five (5) years from the date of their delivery to their initial purchasers, and (ii) which are authorized by a Supplemental Resolution in which they are designated as "Interim Obligations" that DART intends to refund, reissue, or refinance in whole or in part prior to or on such Stated Maturity Date.

Investment Securities - mean any and all of the investments permitted by Applicable Law for the investment of the public funds of DART, provided that such investments are at the time made included in and authorized by the official investment policy of DART as approved by the Board from time to time and are not prohibited by a Supplemental Resolution.

Junior Subordinate Lien Debt Service Fund - means the special trust fund so designated and established in Section 5.1 of the Master Debt Resolution.

Junior Subordinate Lien Obligations - means (i) bonds, notes, or other forms of indebtedness and obligations of DART that are by their terms made payable from the Junior Subordinate Lien Debt Service Fund and are secured by a lien on and pledge of Pledged Revenues that is junior and subordinate to the liens on and pledges of Pledged Revenues created in the Master Debt Resolution for the benefit of the Senior Lien Obligations and the Senior Subordinate Lien Obligations, and (ii) each Credit Agreement Obligation that is declared in a Supplemental Resolution to be a "Junior Subordinate Lien Obligation."

Market Value - means the fair market value of Investment Securities calculated as set forth in the Master Debt Resolution.

Maximum Interest Rate - means, with respect to particular Variable Interest Rate Obligations, a numerical or other statement of the rate of interest, which shall be set forth in a Supplemental Resolution or in a Credit Agreement, authorizing such Obligations as appropriate, in each case as being the maximum rate of interest such Obligations may bear at a single time or over the period during which they are Outstanding or unpaid, but in no event exceeding the maximum amount or rate of interest permitted by Applicable Law.

Minimum Interest Rate - means, with respect to any particular Variable Interest Rate Obligations, a numerical rate of interest which may (but need not) be set forth in the Supplemental Resolution, or Credit Agreement, as appropriate, authorizing such Obligations that shall be the minimum rate of interest such Obligations will at any time bear.

Obligation Register - means, as to each series of Bond Obligations, the register or registers maintained pursuant to Section 4.5 of the Master Debt Resolution.

Obligations - mean the Senior Lien Obligations and the Subordinate Lien Obligations.

Outstanding - when used with reference to Bond Obligations, means, as of any date, Bond Obligations theretofore or thereupon being authenticated and delivered under the Master Debt Resolution or a Supplemental Resolution, except:

(i) Bond Obligations which have been fully paid at or prior to their maturity or on or prior to a redemption date;

(ii) Bond Obligations (or portions thereof) for the payment of which moneys equal to the principal amount or redemption price thereof, as the case may be, with interest to the date of maturity or redemption, shall be held by a paying agent or a trustee in cash in trust and set aside for payment at maturity or redemption on a redemption date and for which notice of redemption has been given or provision has been made therefor;

(iii) Bond Obligations in lieu of or in substitution for which other Obligations have been authenticated and delivered pursuant to the Master Debt Resolution or a Supplemental Resolution; and

(iv) Bond Obligations for which payment has been provided by defeasance in accordance with Section 10.2 of the Master Debt Resolution.

When used with reference to Credit Agreement Obligations, the term "Outstanding" shall mean all principal amounts due and payable by DART under the applicable Credit Agreement until the later of the due or maturity date thereof, and the payment thereof in full, but only to the extent, and solely to the extent, that moneys (A) have been actually advanced or loaned to or for the account of DART (and have not been repaid) for the purpose of providing funds for the payment of the interest on or principal or Redemption Price of any Obligations on their maturity, due, or redemption date, or (B) have been paid (and have not been repaid) to or for the account of the Holder of an Obligation in order to honor such Holder's right to tender Obligations for purchase prior to maturity in accordance with the terms and provisions of the applicable Supplemental Resolution or Credit Agreement.

Outstanding Obligations - means any Obligations while, when, after, to the extent, and for so long as any of the same are Outstanding.

Outstanding Resolutions - means the Master Debt Resolution, the First Supplemental Debt Resolution and all other Supplemental Resolutions when and as adopted by the Board.

Paying Agent - means any paying agent for a series or issue of Obligations appointed pursuant to a Supplemental Resolution as described in Section 4.6 of the Master Debt Resolution and its successor or successors.

Person - means any individual, corporation, partnership, (including a limited partnership) limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof, or any other legal entity.

Pledged Farebox Revenues - means with respect to any Debt Service Accrual Period, all fares collected by or on behalf of DART for its bus, rail and paratransit services in an amount equal to the Pledged Farebox Revenues Ratio multiplied by the Accrued Aggregate Debt Service applicable to the Series 2010B Bonds during such Debt Service Accrual Period after deducting the Federal Interest Subsidy accrued during such Debt Service Accrual Period.

Pledged Farebox Revenues Ratio – means the ratio derived by dividing the aggregate principal amount of the Series 2010B Bonds, less the amount of the Series 2010B Bonds set forth in the Pricing Certificate (for such Bonds) to be deducted from the amount of Bond Obligations DART may issue within the Voted Tax and Debt Limits, by the aggregate principal amount of the Series 2010B Bonds.

Pledged Revenues - means collectively (a) the Gross Sales Tax Revenues at the point where they are required to be first collected in accordance with the Act and other Applicable Law, and for so long as they are owed, but unpaid, to, or on behalf of DART, (b) the Gross Sales Tax Revenues upon and after receipt by DART or by the Trustee under the Master Debt Resolution and while they are required to be or are on deposit in the Gross Sales Tax Revenue Fund, (c) Investment Securities or other investments or earnings, if any, credited to the Gross Sales Tax Revenue Fund that are not required by the Code to be rebated to the United States of America, (d) Pledged Farebox Revenues, € Federal Interest Subsidy payments that are deposited to the Senior Lien Debt Service Fund, and (f) any additional revenues or money of DART which may be, by a Supplemental Resolution, expressly and specifically pledged to the payment of any and or all of the Obligations. (Pursuant to the Seventh Supplemental Debt Resolution, DART irrevocably pledged the Pledged Farebox Revenues as additional security for the Obligations, and such Pledged Farebox Revenues were made expressly and specifically subject to the pledge and lien of the Master Debt Resolution as Pledged Revenues.)

Principal Installment - means any amounts, other than interest payments, including any Sinking Fund Installments, which are stated to be due or required to be made on or with respect to an Obligation which, when made, would reduce the amount of such Obligation that remains Outstanding or would retire and pay the same in full.

Rebate Fund - means any fund established by a Supplemental Resolution in connection with the issuance of any Bond Obligation that is a Tax-Exempt Obligation, to ensure compliance with the provisions of Section 148 of the Code.

Required Percentage of Holders of Bond Obligations - means the Holders of: (i) 51% of the principal amount of Outstanding Bond Obligations that are Senior Lien Obligations; (ii) 51% of the principal amount of Outstanding Bond Obligations that are Senior Subordinate Lien Obligations; and (iii) 51% of the principal amount of Outstanding Bond Obligations that are Junior Subordinate Lien Obligations.

Resolution - means Master Debt Resolution as it may from time to time be amended, modified or supplemented by Supplemental Resolutions or by amendment in accordance with Article IX of the Master Debt Resolution.

Sales Tax - means the one-percent (1%) local sales and use tax authorized by the Act and other Applicable Law and heretofore approved at an election and then levied on taxable items and transactions, and confirmed and levied in the Master Debt Resolution, by DART within its boundaries, and hereafter required to be levied within any expanded areas included within DART pursuant to the Act, together with any increases in the rate thereof if provided and authorized by amendment to the Act, but subject to the requirements of the Voted Tax and Debt Limits.

Senior Lien Debt Service Fund - means the special trust fund so designated and established in Section 5.1 of the Master Debt Resolution.

Senior Lien Obligations - means (i) the Initial Senior Lien Obligations, (ii) any Additional Senior Lien Obligations, and (iii) each Credit Agreement Obligation that is declared in the Master Debt Resolution or a Supplemental Resolution to be a "Senior Lien Obligation."

Senior Subordinate Lien Debt Service Fund - means the special fund so designated and established in Section 5.1 of the Master Debt Resolution.

Senior Subordinate Lien Obligations - means (i) the Senior Subordinate Lien Obligations authorized and named in Section 3.3(a) of the Master Debt Resolution, (ii) any other bonds, notes, or other forms of indebtedness and obligations of DART that are, by their terms, made payable from the Senior Subordinate Lien Debt Service Fund and that are secured by a lien on and pledge of Pledged Revenues that are junior and subordinate to the lien on and pledge of Pledged Revenues created in the Master Debt Resolution for the benefit of Senior Lien Obligations, but that are senior in right to the lien on and pledge of Pledged Revenues and Pledged Funds created in the Master Debt Resolution for the benefit of Junior Subordinate Lien

Obligations, and (iii) each Credit Agreement Obligation that is declared in the Master Debt Resolution, or in a Supplemental Resolution to be a "Senior Subordinate Lien Obligation."

Sinking Fund Installment - means, with respect to any Bond Obligations, the portion of the Accrued Aggregate Debt Service required by a Supplemental Resolution to be deposited to the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund, or the Senior Subordinate Lien Debt Service Fund in all events on a future date to be held on deposit or applied, in either case, for the mandatory redemption or retirement, in whole or in part, of any of such Bond Obligations having a stated maturity after said future date. Said future date is deemed to be the date when such Sinking Fund Installment is due and payable.

Special Revenue Bonds - mean bonds, notes or other obligations issued for lawful purposes that (i) are made payable from Special Revenues pursuant to the right to issue the same reserved in Section 3.6 of the Master Debt Resolution, and (ii) are not payable from or secured by any part or portion of the Pledged Revenues.

Special Revenues - mean any and all revenues of DART, other than the Sales Tax, including, but not limited to, all of (i) any taxes or special charges, other than the Sales Tax, that DART is authorized by Applicable Law to impose and collect for its public purposes, (ii) fare-box revenues, rents, tolls, rates and charges imposed by DART for the use of any part or all of the System, as it exists from time to time, and (iii) the proceeds from grants for the purposes of the System made to DART by the State or by the United States of America.

Standard Assumptions - means the assumptions that are applicable to Interim Obligations and to Variable Interest Rate Obligations, as set forth and described in subsections (e) and (f), respectively, of Section 1.4 of the Master Debt Resolution.

State - means the State of Texas.

Stated Maturity Date - means the date on which an Obligation matures and the full amount owed thereon is in all events due and payable, as specified in a Supplemental Resolution or in a Credit Agreement, as appropriate.

Subordinate Lien Obligations - mean any and all Senior Subordinate Lien Obligations and any and all Junior Subordinate Lien Obligations.

Supplemental Resolution - means any resolution of the Board adopted concurrently with or subsequent to the adoption of this Resolution that supplements this Resolution for (i) the purpose of authorizing and providing the terms and provisions of Obligations, or (ii) any of the other purposes permitted by Article IX of the Master Debt Resolution.

Swap Agreement - means a Credit Agreement with respect to a series of Bond Obligations pursuant to which DART agrees to pay to a qualified counterparty an amount of money in exchange for the counterparty's promise to pay an amount equal to all or a portion of the actual amount of interest due and payable on such series according to its terms as it becomes due. For the purposes of this definition, a counterparty is not qualified unless it holds a current rating for claims-paying ability by at least two nationally recognized rating agencies at least equal to the rating of each such rating agency assigned to the Initial Senior Lien Obligations without reference to any Credit Agreement.

System - means the public transportation system of DART, including complementary transportation services, and all of the properties and assets of DART that are defined in and permitted by the Act, whether owned or operated by DART directly or provided for or on behalf of DART by others pursuant to contracts executed for such purposes as provided in the Act.

System Expansion and Acquisition Fund - means the fund so designated and established in Section 5.1 of the Master Debt Resolution.

Tax-Exempt Obligation - means any Bond Obligation the interest on which is excludable from the gross income of the Holder for federal income tax purposes under Section 103 of the Code.

Trustee - means Bank One, Texas, N.A., as the trustee under the Master Debt Resolution, and any successor to or replacement of such trustee appointed in accordance with the Master Debt Resolution.

Variable Interest Rate - means a variable or adjustable interest rate that varies from time to time based on a formula or reference to specified financial indicators, or by negotiation, auction, or revisions through another method from time to time and to be borne by all or a part of any Obligations, all as specified in a Supplemental Resolution or Credit Agreement, as applicable.

Variable Interest Rate Obligations - mean Obligations which bear a Variable Interest Rate.

Voted Tax and Debt Limits - means the limitations on (i) the maximum rate of the Sales Tax that DART may levy and collect, and (ii) the maximum amount of indebtedness that DART may incur that has a maturity longer than five (5) years, in either case without further elections in conformity with the Election Order as summarized in the preambles to the Master Debt Resolution.

Interpretations - Standard Assumptions *{Sections 1.4(e) and (f)}*

Wherever a calculation of Debt Service with respect to Interim Obligations is required by application of the Standard Assumptions, the Debt Service shall be computed by assuming (A) that the Outstanding principal amount of the series of Interim Obligations are bonds secured by a lien on Pledged Revenues on a parity with the Interim Obligations which will amortize over a period of not to exceed 25 years following the date of initial issuance of such Interim Obligations in such manner as will cause the maximum Debt Service for such series in any 12 month period not exceeding 110% of the minimum Debt Service for such series for any other 12 month period, and (B) such series will bear interest at a fixed interest rate reasonably estimated to be the interest rate such series would bear if issued on the date of such estimate.

Wherever a calculation of Debt Service with respect to Variable Interest Rate Obligations that are not Interim Obligations is required by application of the Standard Assumptions, the Debt Service shall be computed by assuming that such Obligations will bear interest at the highest of (i) the actual rate on the date of calculation, or, if such Obligations are not yet Outstanding, the initial rate, if established and binding, (ii) if the Obligations have been Outstanding for at least 12 months, the average rate over the 12 months immediately preceding the date of calculation, or (iii) (A) if the Obligations are Tax Exempt Obligations, the most recently published "Revenue Bond Index," published by the financial news publication presently known as The Bond Buyer, or by a comparable index if no longer published, plus fifty basis points, or (B) if the Obligations are not Tax Exempt Obligations, the interest rate on direct obligations of the United States with comparable maturities, plus fifty basis points or (C) if the Obligations are Credit Agreement Obligations, such rate as is specified in the Supplemental Resolution creating such Credit Agreement Obligations.

PURPOSES, PLEDGE AND SECURITY
{*Article II*}

Purposes of Resolution, Contract with Holders *{Section 2.1}*

The Master Debt Resolution establishes a lien and the security for, and prescribes minimum standards for issuing, Obligations; authorizes the issuance of the Initial Senior Lien Obligations, an initial series of Senior

Subordinate Lien Obligations and permits the issuance of Additional Senior Lien Obligations and other Subordinate Lien Obligations; reserves the right to issue Special Revenue Bonds; and prescribes other matters and the general rights of the Holders, DART, Credit Providers, any Bondholder Representative and the Trustee in relation to such Obligations. The provisions of the Master Debt Resolution constitute a contract of DART to and with the Holders and the Trustee.

Confirmation and Levy of Sales Tax *{Section 2.2}*

The levy and collection of the Sales Tax, at the rate voted at the election at which DART was created, is confirmed, and DART covenants that, as long as any Obligations are Outstanding, or any Administrative Expenses unpaid, it will levy and collect the Sales Tax to the extent it may legally do so at the highest rate permitted by Applicable Law, subject to requirements for an election under the Voted Tax and Debt Limits, and to take all action permitted to cause the Sales Tax to be collected and remitted to DART at the earliest permissible date.

Pledge and Security for Obligations *{Section 2.3}*

The Pledged Revenues are irrevocably pledged: (i) first, with respect to Outstanding Senior Lien Obligations, to the payment of Debt Service, to the maintenance of any reserve funds or accounts, and to the payment of Administrative Expenses; (ii) second, subject to the rights of the Holders of Senior Lien Obligations and the payment of related Administrative Expenses, with respect to Outstanding Senior Subordinate Lien Obligations, to the payment of Debt Service, to the maintenance of any reserve funds or accounts, and to the payment of Administrative Expenses; and (iii) third, subject to the rights of the Holders of Senior Lien Obligations and the Holders of Senior Subordinate Lien Obligations and the payment of related Administrative Expenses, with respect to Outstanding Junior Subordinate Lien Obligations, to the payment of Debt Service, to the maintenance of any reserve funds or accounts and to the payment of Administrative Expenses. Notwithstanding the pledge of Pledged Revenues to the payment of Bond Obligations, Federal Interest Subsidy payments are not security for nor may such amounts be used to pay principal of or interest on the TIFIA Bond.

All moneys and investments on deposit in the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Subordinate Lien Debt Service Fund are irrevocably pledged to the payment of Debt Service on and Administrative Expenses with respect to the Senior Lien Obligations, the Senior Subordinate Lien Obligations and the Junior Subordinate Lien Obligations, respectively.

The Obligations and Administrative Expenses are special obligations of DART, and, unless otherwise provided in a Supplemental Resolution, are secured solely by a pledge of and a lien on the Pledged Revenues and the money on deposit, respectively, in the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Subordinate Lien Debt Service Fund, that is exclusive, senior and superior to the rights of all other creditors of DART. Neither the Obligations nor the Administrative Expenses shall constitute a debt or obligation of the State, or of any city, town or county having appointment or other powers with respect to DART or the Board. The Holders of Obligations and payees of Administrative Expenses shall never have the right to demand payment out of any funds raised or to be raised by any system of ad valorem taxation or, unless otherwise provided in a Supplemental Resolution, from any other funds or revenues of DART.

Collection of Pledged Revenues, Assignment to Trustee *{Section 2.4}*

DART assigns to the Trustee all of the Pledged Revenues, in trust, for the benefit and security of Holders and the Credit Providers. DART appoints the Trustee as its agent and attorney-in-fact for the purpose of performing those duties of its treasurer which consist of collecting and receiving the Gross Sales Tax Revenues from the Comptroller and taking such steps as may be necessary to perfect and maintain the liens granted under the Master Debt Resolution. DART is required to cause the Comptroller to pay all Gross Sales Tax Revenues directly to the Trustee for deposit to the Gross Sales Tax Revenue Fund. If the Comptroller refuses or is not legally obligated to make transfers as directed by DART, the DART is required to cause the Gross Sales Tax Revenues to be transferred to the Trustee as received. All Gross Sales Tax Revenues received by the Trustee are required to be deposited to the Gross Sales Tax Revenue Fund and applied in accordance with the Master Debt Resolution. A specific series of Bond Obligations may be additionally payable from or secured by Credit Agreements and any Supplemental Resolution may provide that the security provided thereby not extend to other series of Obligations.

Security Agreement *{Section 2.5}*

The Master Debt Resolution constitutes a security agreement with the Trustee as the secured party. The grants, assignments, liens, pledges and security interests of the Trustee created in the Master Debt Resolution shall become effective upon the delivery of Obligations under the Master Debt Resolution, and shall be continuously effective for so long as any Obligations or Administrative Expenses are Outstanding.

PERMITTED DART INDEBTEDNESS
{*Article III*}

Initial Senior Lien Obligations *{Section 3.1}*

The Master Debt Resolution authorizes DART to issue up to $500 Million of Initial Senior Lien Obligations, which amount may be increased, pursuant to the terms of one or more Supplemental Resolutions. DART may issue Additional Senior Lien Obligations upon compliance with the requirements set forth in the Master Debt Resolution. No obligations having a first lien on the Pledged Revenues, other than Senior Lien Obligations, may be issued by DART.

Additional Senior Lien Obligations *{Section 3.2}*

Subject to the Voted Tax and Debt Limits, DART reserves the right to issue Additional Senior Lien Obligations on a parity with Outstanding Senior Lien Obligations, pursuant to one or more Supplemental Resolutions. Prior to the issuance of Additional Senior Lien Obligations, either (A) Gross Sales Tax Revenues must be estimated to be, for each of the three consecutive Fiscal Years beginning with the First Fiscal Year in which Debt Service with respect to the proposed Additional Senior Lien Obligations is due, equal to at least 200% of the Debt Service that will be due on Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) during each of such 3 consecutive Fiscal Years after taking into consideration any additional Debt Service to be paid during such period with respect to the Additional Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) then proposed to be issued and any reduction in Debt Service that may result from the issuance thereof, determined in accordance with the requirements of the Master Debt Resolution; or (B) for either the most recent complete Fiscal Year, or for any consecutive 12 of the most recent 18 months, the Gross Sales Tax Revenues must have been equal to at least 200% of the maximum Debt Service with respect to all Outstanding Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) including maximum Debt Service on the proposed Additional Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) then proposed to be issued, determined in accordance with the requirements of the Master Debt Resolution, provided however, this requirement does not apply to the issuance of Interim Obligations. In addition, estimated Gross Sales Tax Revenues for each of the 3 consecutive Fiscal Years beginning with the first Fiscal Year in which Debt Service on the proposed Additional Senior Lien Obligations is due must equal at least (A) 100% (or such higher percentage required by a Supplemental Resolution) of the Debt Service on Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) plus (B) 100% (or such higher percentage required by a Supplemental Resolution) of the Debt Service on Outstanding Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) during each of such 3 consecutive Fiscal Years, determined in accordance with the requirements of the Master Debt Resolution. The Debt Service required to be calculated for a particular series of Obligations shall be calculated net of amounts payable to DART from or by the State or the United States for, on account of, or in reimbursement for the payment of principal and interest on such Obligations, if such amounts are, at the time of calculation, required to be deposited to the debt service fund for such Obligations.

The Debt Service required to be calculated for a particular series of Obligations under subsections (iii) and (iv) of Section 3.2(b) of the Master Debt Resolution shall be calculated net of amounts payable to DART from or by the State or the United States for, on account of, or in reimbursement for the payment of principal and interest on such Obligations (the “Federal Interest Subsidiary” payments).

Senior Subordinate Lien Obligations *{Section 3.3}*

The Master Debt Resolution authorizes DART to issue up to $650 Million of commercial paper notes as Senior Subordinate Lien Obligations pursuant to the terms of one or more Supplemental Resolutions for the purposes of refunding all outstanding indebtedness of DART, paying Costs of Acquisition and Construction, and other purposes permitted by Applicable Law.

Additional Senior Subordinate Lien Obligations. Subject to the limitations and requirements set forth in the Master Debt Resolution, DART reserves the right to issue additional Senior Subordinate Lien Obligations pursuant to one or more Supplemental Resolutions for any purpose permitted by Applicable Law secured by and payable from a senior subordinate pledge of the Pledged Revenues and, at the option of DART, a pledge of Special Revenues. Additional Senior Subordinate Lien Obligations may only be issued if estimated Gross Sales Tax Revenues for each of the three consecutive Fiscal Years beginning with the first Fiscal Year in which Debt Service is due on the proposed Senior Subordinate Lien Obligations, plus the amount of the Special Revenues, if any, that are projected to be available and pledged to the Senior Subordinate Lien Obligations, are equal to at least (A) 100% (or such higher percentage required by a Supplemental Resolution) of the Debt Service on Senior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), plus (B) 100% of the Debt Service on all Outstanding Senior Lien Obligations and Junior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), in each case during each of such three consecutive Fiscal Years, computed as required under the Master Debt Resolution.

Junior Subordinate Lien Obligations *{Section 3.4}*

Subject to the limitations and requirements set forth in the Master Debt Resolution, DART reserves the right to issue Junior Subordinate Lien Obligations pursuant to one or more Supplemental Resolutions for any purpose permitted by Applicable Law, payable from and secured by a junior subordinate pledge of the Pledged Revenues and, at the option of DART, a pledge of Special Revenues. Junior Subordinate Lien Obligations may only be issued if estimated Gross Sales Tax Revenues for each of 3 consecutive Fiscal Years beginning with the first Fiscal Year in which Debt Service is due on the proposed Junior Subordinate Lien Obligations, plus the amount of the Special Revenues, if any, that are projected to be available and pledged to the Junior Subordinate Lien Obligations, are equal to at least (A) 100% (or such higher percentage required by a Supplemental Resolution) of the Debt Service on Junior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), plus (B) 100% of the Debt Service on all Outstanding Senior Lien Obligations and Senior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), in each case during each of such three consecutive Fiscal Years, computed as required under the Master Debt Resolution.

Credit Agreement Obligations *{Section 3.5}*

DART is authorized to enter into Credit Agreements, pursuant to Supplemental Resolutions, that create Credit Agreement Obligations that are secured and payable on a parity with other Outstanding Obligations. Credit Agreements may include rights and remedies which are in addition to the rights and remedies contained in the Master Debt Resolution and which may be enforced apart from the Master Debt Resolution.

Special Revenue Bonds *{Section 3.6}*

DART reserves the right to issue Special Revenue Obligations and to enter into related credit agreements without complying with the requirements of the Master Debt Resolution regarding the issuance of Obligations.

Other Encumbrances Prohibited *{Section 3.8}*

Except for the Pledge of the Pledged Revenues as security for the Obligations and Administrative Expenses in the order of priority established in Article II of the Master Debt Resolution, the Pledged Revenues may not be pledged or encumbered to or for the payment of any other obligation or liability of DART.

TERMS, PROVISIONS AND AUTHENTICATION OF BOND OBLIGATIONS

{*Article IV*}

Bond Obligations may be issued in any form and manner permitted by Applicable Law, subject to the provisions of the Master Debt Resolution and any applicable Supplemental Resolution. Bond Obligations are to be issued pursuant to a Supplemental Resolution setting forth all of the terms, provisions and conditions pertaining to such Bond Obligations.

SPECIAL FUNDS, USES OF MONEYS

{*Article V*}

Creation of Funds and Accounts *{Section 5.1}*

The Master Debt Resolution establishes the System Expansion and Acquisition Fund, the Senior Lien Debt Service Fund, consisting of an Interest Account and a Principal Installment Account; the Senior Subordinate Lien Debt Service Fund, consisting of an Interest Account and a Principal Installment Account; and the Junior Subordinate Lien Debt Service Fund, consisting of an Interest Account and a Principal Installment Account. The Master Debt Resolution reestablishes and reconfirms the Gross Sales Tax Revenue Fund and the General Operating Fund.

The Gross Sales Tax Revenue Fund is a special trust fund held by the Trustee for the benefit of the Holders of the Obligations and the payees of Administrative Expenses. The Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Lien Debt Service Fund are special trust funds held by the Trustee for the benefit of the Holders of the Senior Lien Obligations, the Senior Subordinate Lien Obligations and the Junior Subordinate Lien Obligations, respectively, and the payees of Administrative Expenses.

The System Expansion and Acquisition Fund, the General Operating Fund and all other funds or accounts of DART not expressly required by the Master Debt Resolution or by a Supplemental Resolution to be held by the Trustee, may be held in any bank or lawful depository and said funds and accounts and all moneys on deposit therein, including the Available Remaining Revenues, shall be free of any lien, pledge or trust created by the Master Debt Resolution.

System Expansion and Acquisition Fund *{Section 5.2}*

Money on deposit in the System Expansion and Acquisition Fund is to be used to pay Costs of Acquisition and Construction and will be funded as directed in Supplemental Resolutions. In the event of a default in the payment of Obligations the Board may, but is not required to, use moneys on deposit in the System Expansion and Acquisition Fund to cure such default. Amounts remaining after payment of Costs of Acquisition and Construction for which a series of Obligations was issued may, at the discretion of DART, be used to redeem such Obligations in advance of maturity or used to pay other Costs of Acquisition and Construction.

Gross Sales Tax Revenue Fund *{Section 5.3}*

The Trustee is required to deposit to the Gross Sales Tax Revenue Fund all Gross Sales Tax Revenues (and no other moneys) as received and, on the day received, to transfer all amounts deposited to the Gross Sales Tax Revenue Fund, first, to the Senior Lien Debt Service Fund (for the Debt Service Accrual Period that begins on the date of such deposit) and any reserve fund pertaining to Senior Lien Obligations, the amounts required to be deposited therein, and to pay Administrative Expenses pertaining to Senior Lien Obligations; second, to the Senior Subordinate Lien Debt Service Fund (for the Debt Service Accrual Period that begins on the date of such deposit) and any reserve fund pertaining to Senior Subordinate Lien Obligations, the amounts required to be deposited therein, and to pay Administrative Expenses pertaining to Senior Subordinate Lien Obligations; and, third, to the Junior Subordinate Lien Debt Service Fund (for the Debt Service Accrual Period that begins on the date of such deposit) and any reserve fund pertaining to Junior Subordinate Lien Obligations, the amounts required to be deposited therein, and to pay Administrative Expenses pertaining to Junior Subordinate Lien Obligations. The amounts required to be deposited to each of the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt

Service Fund and the Junior Subordinate Lien Debt Service Fund, respectively, is equal to the Accrued Aggregate Debt Service for the current Debt Service Accrual Period less any amounts required to be credited against the amounts transferred pursuant to Section 5.3(d) of the Master Debt Resolution, and are required to be allocated first to the respective Interest Account and then to the respective Principal Installment Account. If the amounts on deposit in the Gross Sales Tax Revenue Fund are not sufficient to make the full amount of a transfer or payment required to be made, the Trustee is required to transfer the amount to the fund or account where the deficiency occurs with the highest priority and is prohibited from making transfers to any fund or account with a lower priority. Any balance remaining in the Gross Sales Tax Revenue Fund after making the foregoing transfers and payments is to be deposited to the General Operating Fund.

The Trustee is required to notify each Paying Agent of the anticipated date of commencement of each Debt Service Accrual Period not less than 2 Business Days prior to the date the Trustee expects such Debt Service Accrual Period to begin. Each Paying Agent is required to certify to the Trustee the amount of Accrued Aggregate Debt Service for Obligations for the Debt Service Accrual Period specified by the Trustee which has not been paid from other sources.

Senior Lien Debt Service Fund, Senior Subordinate Lien Debt Service Fund and Junior Subordinate Lien Debt Service Fund *{Sections 5.4, 5.5 and 5.6}*

The Trustee is required to pay from the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Subordinate Lien Debt Service Fund, respectively, to the respective Paying Agents and Credit Providers for Outstanding Senior Lien Obligations, Outstanding Senior Subordinate Lien Obligations and Outstanding Junior Subordinate Lien Obligations, respectively, the amounts required to pay Debt Service on such Obligations when due, whether at the stated maturity or prior redemption; provided, however, that if less than the total amount required to pay such Obligations is on deposit in the Senior Subordinate Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund or the Junior Subordinate Lien Debt Service Fund, respectively, Trustee is required to allocate to each Paying Agent and each Credit Provider, in order of priority, pro rata in proportion to the respective unpaid amounts.

If an Event of Default has occurred and is continuing, moneys in such funds are required to be applied as provided in Section 7.4 of the Master Debt Resolution.

General Provisions Applicable to Payments on Obligations *{Section 5.7}*

If a payment date is not a Business Day, then such payment date will be deemed to be the next succeeding Business Day of the Trustee or Paying Agent, as the case may be, and no interest will accrue between the stated day and the applicable succeeding Business Day.

Uses of General Operating Fund and of Available Remaining Revenues *{Section 5.8}*

Gross Sales Tax Revenues deposited in the General Operating Fund may be transferred to other funds and accounts of DART, free and clear of the lien of the Master Debt Resolution, and may be used for any purpose permitted or required by Applicable Law. In addition to contractual and other obligations incurred in the ordinary course of its business, DART may incur obligations payable from or secured by the Available Remaining Revenues.

Investment of Trust Funds and Accounts *{Section 5.9}*

Amounts in funds and accounts held by the Trustee may, to the extent permitted by Applicable Law, be invested in Investment Securities upon written instructions of DART. Investment Securities must mature in such amounts and at such times as is necessary to provide for timely payment from such fund or account. Investment Securities may be exchanged among funds and accounts, if required to meet payment obligations, and the Trustee may cause the liquidation prior to their maturities of Investment Securities; the Trustee is not to be liable for any resulting loss or penalty. Generally, Investment Securities and the earnings or losses thereon are part of the fund or account from which they were purchased except that transfers of earnings may be made in order to avoid investment in any manner that would cause any of the Obligations intended to be tax-exempt to be or become "arbitrage bonds" within the meaning of the Code. Investments are required to be valued at least annually at the lower of original cost or the then market value thereof.

Effect of Deposits With Paying Agents *{Section 5.10}*

Upon the deposit with the applicable Paying Agent of moneys sufficient to pay the amounts due on Obligations, DART is released from further obligation with respect to the payment of such amounts or interest thereon and such Obligations will no longer be Outstanding. Moneys deposited with Paying Agents are held uninvested in trust for the benefit of the Holders or payees of such Obligations. Unclaimed moneys are required to be distributed in accordance with any applicable escheat laws.

Arbitrage *{Section 5.11}*

DART covenants that it will take no action or fail to take any action which would cause any Tax-Exempt Obligations to be "arbitrage bonds" within the meaning of the Code.

Deposits of Special Revenues *{Section 5.12}*

Special Revenues may be deposited to such funds and accounts of DART as may be required by Applicable Law, grant condition or contract, or as directed in the documents relating to the issuance of Special Revenue Bonds or to Subordinate Lien Obligations if Special Revenues are pledged to the payment thereof.

GENERAL COVENANTS AND REPRESENTATIONS
{*Article VI*}

Representations as to Pledged Revenues *{Section 6.1}*

DART represents and warrants that it is authorized to issue the Obligations, to adopt the Master Debt Resolution and to pledge the Pledged Revenues as provided in the Master Debt Resolution, and that the Pledged Revenues are and will remain free and clear of any pledge, lien, charge or encumbrance except as expressly permitted by Article II of the Master Debt Resolution. The Obligations and provisions of the Master Debt Resolution are valid and legally enforceable obligations of DART in accordance with their terms, subject only to any applicable bankruptcy or insolvency laws or to any Applicable Law affecting creditors' rights generally. DART and the Trustee will defend, preserve and protect the pledge of the Pledged Revenues and all of the rights of the Holders against all claims and will take appropriate steps for the collection of delinquencies in the collection of the Sales Tax.

Accounts, Periodic Reports and Certificates *{Section 6.2}*

DART covenants to keep proper books of record and account relating to the System and the funds and accounts established by the Master Debt Resolution which will be subject to inspection by Holders of not less than 5% in principal amount of Bond Obligations, each Bondholder Representative and each Credit Provider. DART will provide annually, within 180 days after the close of each fiscal year, to any requesting Holder of at least 25% of a single series of Outstanding Obligations, a copy of an annual report containing certain financial information for the fiscal year just ended and the preceding fiscal year.

DART will notify the Trustee and each Credit Provider immediately if it becomes aware of the occurrence of any Event of Default or of any fact, condition or event that, with the giving of notice or passage of time or both, could become an Event of Default, or of the failure of DART to observe any of its undertakings under the Master Debt Resolution or under any Supplemental Resolution or Credit Agreement.

Withdrawals of Units of Election *{Section 6.4}*

If any "unit of election," as defined in the Act, having once become a part of DART, withdraws from DART, the Board will take all lawful steps necessary to assure that all amounts due and owing on all Obligations allocated to such unit of election will continue to be collected from within the withdrawing unit of election until such amounts are paid in full. Gross Sales Tax Revenues collected from within a withdrawn unit of election is required to be set aside by the Trustee in a special trust account and to be expended in such a manner as will permit the continued, timely payment when due of all amounts payable on Outstanding Obligations.

DEFAULTS AND REMEDIES
{*Article VII*}

Events of Default *{Section 7.1}*

Each of the following occurrences or events constitutes an "Event of Default" under the Master Debt Resolution:

(i) failure to timely pay any Debt Service on Bond Obligations;

(ii) failure to timely pay any Credit Agreement Obligations;

(iii) default by DART in the performance of any of the covenants, conditions, agreements and provisions contained in the Obligations or in any of the Outstanding Resolutions, the failure of which materially and adversely affects the rights of the Holders, and the continuation thereof for a period of 30 days after written notice of such default;

(iv) issuing of an order by the Bankruptcy Court or a United States District Court or other court having jurisdiction, granting DART, in an involuntary proceeding, any relief under any applicable law relating to bankruptcy or providing for the appointment of a receiver or other similar official for DART or any substantial part of its property, affairs or assets, and the continuance of any such order unstayed and in effect for a period of 90 consecutive days; or

(v) DART institutes or consents to the institution of insolvency or bankruptcy proceedings against it under any federal or state insolvency laws, or files or consents to the filing of any petition, application or complaint seeking the appointment of a receiver or other similar official for DART or of any substantial part of its property, affairs or assets.

Remedies for Default *{Section 7.2}*

Upon the happening and continuance of any of the Events of Default the Trustee is required to transfer future Gross Sales Tax Revenues in the order and priority set forth in Section 5.3(a) of the Master Debt Resolution as described above under *"SPECIAL FUNDS, USES OF MONEY—Gross Sales Tax Revenue Fund."* Subject to certain restrictions on Holder's actions set forth in Section 7.3 of the Master Debt Resolution, a Credit Provider, a Bondholder Representative and/or a trustee representing not less than 25% in principal amount of Outstanding Bond Obligations, may proceed against DART to protect and enforce the rights of the Holders. No Holder has the right to seek appointment of a receiver or administrator of the affairs and assets of DART. There is no right to accelerate the maturity of any Obligation under the Master Debt Resolution.

Thirty days after a default is cured DART will be restored to its former position under the Master Debt Resolution and any proceedings are required to be abandoned or dismissed.

Application of Revenues and Other Moneys After Default *{Section 7.4}*

During the continuance of an Event of Default, the Trustee shall apply all amounts on deposit in the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund, and the Junior Subordinate Lien Debt Service Fund at the time of the default or deposited to such funds after the default, respectively, as follows: (i) to the payment of Administrative Expenses with respect to the Senior Lien Obligations, the Senior Subordinate Lien Obligations, or the Junior Subordinate Lien Obligations, respectively, as applicable; and (ii) to the payment of Debt Service due on the Obligations, based on the foregoing priority and in the following order:

- Unless the principal of all applicable Outstanding Obligations is due, <u>first,</u> to the payment to the payment of interest then due in the order of maturity of such interest installments, and, if the amount available is not sufficient to pay all interest amounts then due, then to the payment of interest ratably, according to the amounts due on such installment, without any discrimination or preference; and <u>second</u>, to the payment of principal or redemption price then due, whether at maturity or by call for redemption, in the order of their due dates and, if the amount available is not sufficient to pay all of the applicable Obligations due on any date, then to the payment of principal or redemption price ratably, according to the amounts of principal due, without any discrimination or preference.

- If the principal of all of the applicable Outstanding Obligations is due, to the payment of the principal and interest then due and unpaid upon such Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference.

Notice of Event of Default *{Section 7.6}*

The Trustee shall promptly give each Holder, by first class mail, notice of each Event of Default of which it has knowledge, unless such Event of Default has been remedied or cured before the giving of such notice, except in the case of an Event of Default specified in paragraph (i) or (ii) of "Events of Default" above, the Trustee may withhold such notice if it determines that the withholding of such notice is in the best interests of the Holders.

THE TRUSTEE

{*Article VIII*}

Amegy Bank N.A. is appointed as the Trustee under the Master Debt Resolution. The duties, rights and responsibilities of the Trustee, appointment of successor and co-trustees, and matters pertaining to the administration of the trust created in the Master Debt Resolution, are set forth in Article VIII.

AMENDMENTS TO RESOLUTION

{*Article IX*}

Supplemental Resolution Without Holders' Consent *{Section 9.2}*

Subject to any limitations contained in a Supplemental Resolution or a Credit Agreement, DART may adopt Supplemental Resolutions without the consent of Holders of Obligations for the following purposes: (i) to cure any formal defect, omission or ambiguity in the Master Debt Resolution; (ii) to grant to the Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security; (iii) to add covenants and agreements of DART; (iv) to add limitations and restrictions to be observed by DART; (v) to confirm any pledge or lien of the Pledged Revenues or to subject to the lien or pledge of the Master Debt Resolution additional revenues, properties or collateral; (vi) to authorize the issuance and prescribe the terms of the Initial Senior Lien Obligations, Additional Senior Lien Obligations, Subordinate Lien Obligations, and Special Revenue Bonds, and to create such additional funds and accounts as may be necessary in connection with the issuance of such Obligations; (vii) to make modifications in the Master Debt Resolution or in a Supplemental Resolution that are necessary to comply with the requirements of federal tax or securities law or other Applicable Law and that do not materially adversely affect the rights and security of the Holders to be paid in full when due; or (viii) to make any other change to the Master Debt Resolution or any Supplemental Resolution that does not materially adversely affect the right of the Holders to be paid the full amounts due and payable on the Obligations when due.

Powers of Amendment *{Section 9.3}*

The Master Debt Resolution or any Supplemental Resolution and the rights and obligations of DART and of the Holders may be amended pursuant to a Supplemental Resolution with the written consent (i) of the Holders of a Required Percentage of Bond Obligations, or (ii) if less than all of the series of Obligations then Outstanding are affected by such amendment, of the Holders of a Required Percentage of the Bond Obligations so affected; provided, however, no amendment shall permit a change in the terms of payment of principal or redemption price of or interest of any Outstanding Bond Obligation without the consent of the Holder of such Obligation; and provided further that no such amendment may be made without the consent of such Credit Providers having the right of such consent.

Consent of Holders, Credit Providers or Bondholder Representatives *{Section 9.4}*

A Supplemental Resolution making amendments permitted by the Master Debt Resolution may take effect upon receipt of the required consents of the applicable Holders in accordance with the terms and provisions of the Master Debt Resolution. Any consent will be binding upon the Holder giving such consent and upon any subsequent Holder thereof unless such consent is revoked. DART will give notice of the effective date of any such Supplemental Resolution to the affected Holders. Unless such right is limited by a Supplemental Resolution, DART reserves the right to amend the Master Debt Resolution without the consent of or notice to the Holders of Bond Obligations if such amendment is approved by each Credit Provider and Bondholder Representative which is granted the right to give such consent by a Supplemental Resolution.

DISCHARGE OF RESOLUTION

{*Article X*}

Discharge by Payment *{Section 10.1}*

The pledge and lien of the Outstanding Resolutions will be released when all Bond Obligations, Credit Agreement Obligations, and Administrative Expenses have been paid or provided for.

Discharge by Defeasance *{Section 10.2}*

DART may discharge its obligations to pay Debt Service on all or any portion of the Obligations and related Administrative Expenses, and thereby obtain a release of the pledge and lien of the Master Debt Resolution and any applicable Supplemental Resolution as to such Obligations, by depositing irrevocably with a trustee or escrow agent moneys which, together with earnings thereon from investment in "Government Securities," as verified by a nationally recognized firm of independent certified public accountants or accounting firm, will be sufficient to pay such amounts on such Obligations to maturity or prior redemption, in all cases in accordance with the terms and provisions set forth in the Master Debt Resolution.

MISCELLANEOUS PROVISIONS

{*Article XI*}

Secondary Market Disclosure, Annual Reports *{Section 11.1}*

DART will provide such financial information and operating data necessary to comply with SEC Rule 15c2-12 relating to secondary market reporting requirements.

Meeting of Holders of Bond Obligations *{Section 11.4}*

Meetings of Holders of Bond Obligations may be called in the manner provided in the Master Debt Resolution to give any notice to DART or to the Trustee, to waive or consent to the waiving of any Event of Default, to remove or appoint a successor Trustee, to consent to the execution of a Supplemental Resolution or to take any other action authorized to be taken by or on behalf of the Holders of Bond Obligations.

Appointment of Bondholder Representative *{Section 11.8}*

Each Supplemental Resolution my designate a Bondholder Representative or establish for the means by which Holders of a series of Bond Obligations may appoint a Bondholder Representative.

APPENDIX C

FINANCIAL STATEMENTS
FOR YEARS ENDED SEPTEMBER 30, 2015 AND SEPTEMBER 30, 2014
AND INDEPENDENT AUDITOR'S REPORT

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Dallas Area Rapid Transit
Dallas, Texas

Financial Statements
Years Ended September 30, 2015 and 2014 and
Independent Auditor's Report

DALLAS AREA RAPID TRANSIT
DALLAS, TEXAS
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Dallas Area Rapid Transit ("DART"), as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise DART's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to DART's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DART, as of September 30, 2015 and 2014, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in June 2012 the GASB issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." Also, in November 2013 the GASB issued GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." Statements 68 and 71 are effective for DART's fiscal year ending September 30, 2015. These Statements replace the requirements of Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and Statement No. 50, "Pension Disclosures." Statements 68 and 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identified the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosures and required supplementary information requirements about pensions are also addressed. As a result, net position was restated as of October 1, 2014, for the cumulative effect of the application of this pronouncement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated January 26, 2016 on our consideration of DART's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DART's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Dallas, Texas
January 26, 2016

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, 2015 and 2014. 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, 2015 and 2014, total assets and deferred outflows of resources of DART exceeded total liabilities by $1,759,506 and $2,039,587 respectively. The amount of unrestricted net position as of September 30, 2015 was $761,771 compared to $920,666 in 2014.

The net position of DART decreased by $209,436 during the current fiscal year compared to a decrease of $145,560 last year. The decrease in 2015 is higher than that of 2014 due to loss on HOV lane investments, transfer of assets to the City of Dallas and decreases in federal grants. The decrease during 2014 is mainly due to transfer of (HOV) lane operations and assets to Texas Department of Transportation, as well as increases in benefits, labor, interest, purchased transportation and decreases in federal grant revenues.

DART's total debt decreased by $39,212 (1%) during the current fiscal year compared to an increase of $81,126 (2%) in 2014. The decrease in 2015 was due to principal payments and advance refunding made during 2015. The increase in 2014 is due to additional borrowings in the form of commercial paper notes and Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds. Debt information is summarized on page 12 of this management discussion and analysis.

Sales and use tax revenue was $519,448 in 2015 compared to $486,564 in 2014. It increased by 7% ($32,884) in 2015 compared to 7% ($30,040) in 2014.

Capital contributions from federal, state and local governments were $18,400 in 2015 and $38,864 in 2014. 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 $82,112 in 2015 compared to $92,211 in 2014.

For fiscal year 2015, total expenses exceeded total revenues resulting in a loss before capital contributions of $227,836 compared to $184,424 for 2014. The loss in 2015 is higher than that of 2014 due primarily to a loss on investments in managed HOV lanes (see page 9 for further discussion).

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 Position; Statements of Revenues, Expenses, and Changes in Net Position; Statements of Cash Flows; and Notes to the Financial Statements.

The Statements of Net Position presents information on all of DART's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources equals net position. Over time, increases or decreases in net position may serve as a useful indicator of changes in the financial position of DART. The Statements of Net Position is shown on page 14 of this report.

The Statements of Revenues, Expenses, and Changes in Net Position present information on revenues, expenses, capital contributions, and how DART's net position changed during the two most recent fiscal years. All changes in net position 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 position 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 Position are shown on page 15 of this report.

FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014 (Dollars in Thousands)

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 investing activities; and cash flows from capital and related financing 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 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 16-17 of this report.

Notes to the Financial Statements provide additional information that is essential to fully understand the data provided in the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. The Notes to the Financial Statements are shown on pages 18-42 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 Bus Service, LGC.

FINANCIAL ANALYSIS

Statements of Net Position – Total assets and deferred outflows of resources of DART exceeded total liabilities by $1,759,506 and $2,039,587 as of September 30, 2015 and 2014, respectively. The largest portion of this excess (53% in both 2015 and 2014) was net investment in capital assets (capital assets less 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, Deferred Inflows of Resources, and Net Position

	2015	2014	2013
Current assets	$1,123,204	$1,064,407	$999,342
Other non-current assets	232,349	335,358	401,700
Capital assets (net of accumulated depreciation)	4,681,920	4,810,004	4,877,612
Total assets	6,037,473	6,209,769	6,278,654
Deferred outflows of resources	45,682	13,965	15,664
Total assets and deferred outflows of resources	6,083,155	6,223,734	6,294,318
Current liabilities	527,781	427,982	358,554
Non-current liabilities	3,793,857	3,756,165	3,750,617
Total liabilities	4,321,638	4,184,147	4,109,171
Deferred inflows of resources	2,011	-	-
Total liabilities and deferred inflows of resources	4,323,649	4,184,147	4,109,171
Net position			
Net investment in capital assets	938,644	1,071,576	1,320,349
Restricted for:			
Debt service	49,757	37,560	27,415
Security for lease/leaseback liabilities	9,334	9,785	10,218
Unrestricted	761,771	920,666	827,165
Total net position	$1,759,506	$2,039,587	$2,185,147

FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014 (Dollars in Thousands)

Other non-current assets decreased by $103,009 in 2015 compared to a decrease of $66,342 in 2014. The decrease in 2015 is mainly due to the decrease in investment in managed HOV lane agreements as a result of a decline in value and spending investments held for system expansion and acquisition on capital projects. The decrease in 2014 is due to a decrease in restricted investments held for system expansion and acquisition as a result of spending on capital projects.

As of September 30, 2015, $9,334 of DART's net position is restricted to satisfy the requirements of an amended lease/leaseback agreement compared to $9,785 as of September 30, 2014. The unrestricted portion of net position, $761,771 in 2015 and $920,666 in 2014 represent resources available to meet DART's ongoing obligations. The DART Board committed $55,985 and $49,028 of the unrestricted net position for self-insurance, financial, and capital reserves in 2015 and 2014, respectively. The decrease in unrestricted net position of $158,895 (17%) in 2015 was due to a recognition of net pension liability as a result of new pension accounting requirements and a decline in the value of investment in managed HOV lanes. The increase in unrestricted net position of $93,501 (11%) in 2014 is due to an increase in sales tax revenue.

<u>Statements of Revenues, Expenses, and Changes in Net Position</u> – During fiscal year 2015, DART's activities resulted in a decrease in net position of $209,436 compared to a decrease of $145,560 in 2014. The decrease during 2015 was due to expenses being higher than revenues, loss on HOV lane investments, and lower federal capital contributions. The decrease during 2014 is due to a loss on the transfer of HOV operations as well as increases in benefits, labor, interest, purchased transportation and decreases in federal capital contributions. The key elements of the changes in net position for the fiscal years ended September 30 with comparative information for 2013 are shown in the following table.

Summary of Revenues, Expenses, and Changes in Net Position

	2015	2014	2013
Operating revenues			
Passenger revenues	$71,012	$70,902	$67,569
Advertising, rent and other	14,412	13,573	16,146
Total operating revenues	85,424	84,475	83,715
Operating expenses			
Labor	220,723	216,188	211,801
Benefits	96,432	99,851	87,302
Services	35,785	33,869	34,775
Materials and supplies	38,487	44,327	53,224
Purchased transportation	45,608	46,900	43,716
Depreciation	239,439	236,406	238,710
Utilities	17,983	17,151	20,946
Taxes, leases, and other	4,829	5,245	5,604
Casualty and liability	5,983	4,582	5,329
Total operating expenses	705,269	704,519	701,407
Operating loss	(619,845)	(620,044)	(617,692)
Non-operating revenues (expenses)			
Sales and use tax revenue	519,448	486,564	456,524
Investment income	23,479	19,547	20,301
Build America Bonds tax credit	28,289	28,259	28,406
Other federal grants	82,112	92,211	17,418
Other non-operating revenues	24,371	15,760	12,226
Interest expense	(185,933)	(182,581)	(178,853)
Loss on HOV lane investments	(66,465)	-	-
Street improvements for member cities	(560)	(2,127)	(6,615)
Other non-operating expenses	(13,691)	(1,621)	(3,848)
Loss on transfer of HOV operations	-	(20,392)	-
Transfer of assets to the City of Dallas	(19,041)	-	-
Total net non-operating revenues	392,009	435,620	345,559
Loss before capital contributions and grants	(227,836)	(184,424)	(272,133)
Capital contributions	18,400	38,864	134,148
Decrease in net position	(209,436)	(145,560)	(137,985)
Net position, beginning of the year (as restated)	2,039,587	2,185,147	2,323,132
Cumulative effect of change in accounting principle	(70,645)	-	-
Net position, end of the year	$1,759,506	$2,039,587	$2,185,147

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

FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014 (Dollars in Thousands)

REVENUES

The following table summarizes revenues for fiscal year 2015 and 2014 with comparative information for 2013:

REVENUES AND CAPITAL CONTRIBUTIONS

Revenues	**2015**	**2014**	**2013**
Passenger revenues	$71,012	$70,902	$67,569
Advertising, rent and other	14,412	13,573	16,146
Sales and use tax revenue	519,448	486,564	456,524
Other federal grants	82,112	92,211	17,418
Investment income	23,479	19,547	20,301
Capital contributions	18,400	38,864	134,148
Build America Bonds tax credit	28,289	28,259	28,406
Other revenues	24,371	15,760	12,226
Total	**$781,523**	**$765,680**	**$752,738**

Passenger revenues – include farebox receipts, monthly and annual pass revenues, paratransit revenue, and special event fares. Passenger revenues increased slightly, by $110, in 2015 compared to a 5% ($3,333) increase in 2014. The increase in 2015 was due to an increase in light rail ridership. The increase in 2014 is due to increases in commuter rail ridership and additional receipts related to the DLink and Arlington MAX services.

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 6% ($839) in 2015 compared to a decrease of 16% ($2,573) in 2014. The increase in 2015 is due to more media partnership advertising revenue (barter advertising) recognized during FY15. Rental revenue also increased due to a lease of the Cotton Belt rail right-of-way to the T. The decrease in 2014 was due to lower amount of reimbursement of HOV operating costs for service provided outside of the DART service area compared to the previous years. In 2014 advertising also decreased due to the decrease in the size of the DART bus fleet.

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% ($32,884) in 2015 compared to an increase of 7% ($30,040) in 2014. The increases in both 2015 and 2014 are due to a relative improvement in the local economy resulting in better than previous year's retail sales. Sales and use tax revenue constituted approximately 67% of DART's total revenues in 2015 compared to 64% in 2014.

Other federal grants – Other federal grant revenues decreased by 11% ($10,099) in 2015 compared to an increase of 429% ($74,793) in 2014. The decrease in 2015 and increase in 2014 were affected by timing. The increase in 2014 was due to a delay in 2013 by the metropolitan planning organization in calculating sub-allocation of formula funds that resulted in higher revenues for 2014. DART received less federal grant money for vanpool and ozone programs from the Federal Transit Administration (FTA), $1,100 in 2015 compared to $1,528 in 2014 and more from the United States Department of Homeland Security, $448 in 2015 compared to $341 in 2014.

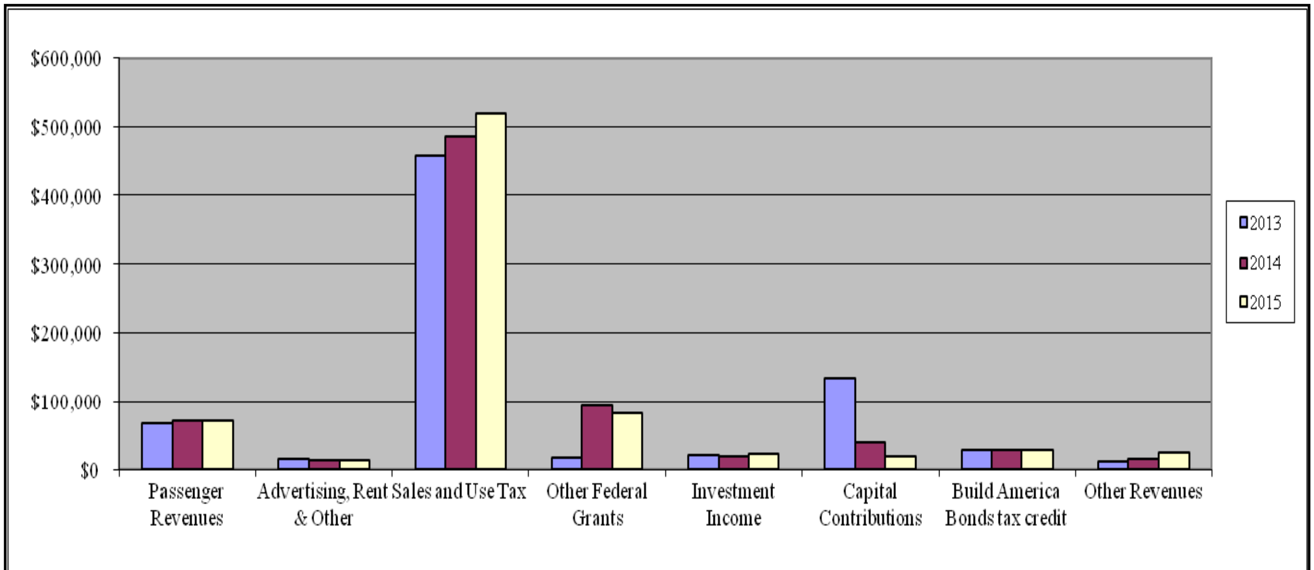
Capital contributions – Capital contributions include federal, state and local grants and contributions. Capital contributions decreased by 53% ($20,464) in 2015 compared to a decrease of 71% ($95,284) in 2014. The decreases in both 2015 and 2014 were mainly due to lower federal and state capital contributions as a result of completion of projects funded with such grants.

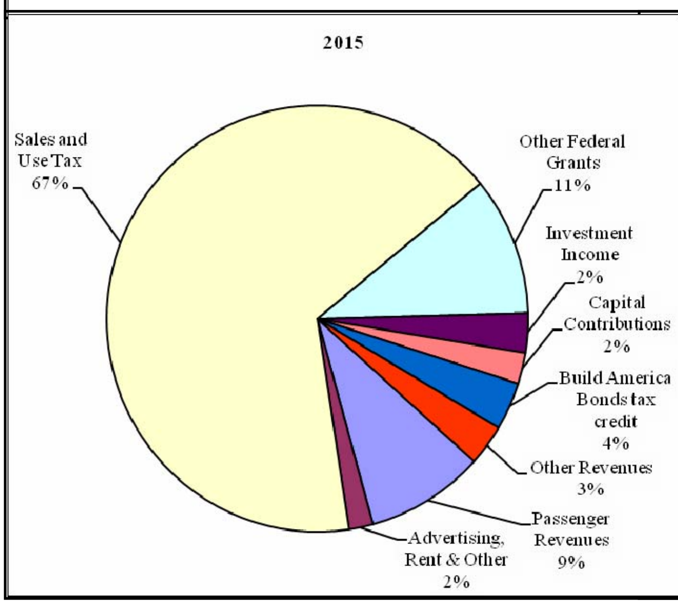
Investment income – Investment income increased by 20% ($3,932) in 2015 compared to 4% ($754) decrease in 2014. The increase in 2015 is due to appreciation of the market value of the DART investment portfolio. The decrease in 2014 is due to a decrease in investments held to pay lease/leaseback obligations.

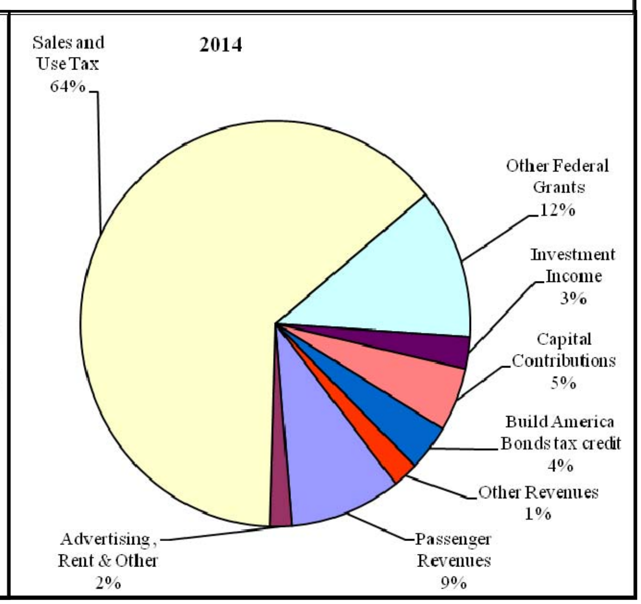
Build America Bonds tax credit – The Build America Bonds (BABs) tax credit increased slightly by $30 in 2015 compared to a 0.5% ($147) decrease in 2014. The increase in 2015 was due to a smaller budget cut by the federal government compared to 2014. The decrease in 2014 was due to budget cuts by the Federal government.

<u>Other revenues</u> – Other revenues increased by 55% ($8,611) in 2015 compared to a 29% ($3,534) increase in 2014. 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; recognition of Toll Credits received from the State of Texas. Factors contributing to the increase in 2014 include a gain on disposal of assets and an increase in alternative fuel tax credits received due to conversion of diesel fuel operated buses to compressed natural gas (CNG) operated new bus fleet and paratransit vehicles.

The following charts summarize revenues for fiscal years 2013 through 2015







FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014 (Dollars in Thousands)

EXPENSES

The following table summarizes expenses for fiscal year 2015 and 2014 with comparative information for 2013:

EXPENSES BY OBJECT CLASS

Expenses	**2015**	**2014**	**2013**
Labor	$220,723	$216,188	$211,801
Benefits	96,432	99,851	87,302
Services	35,785	33,869	34,775
Materials and supplies	38,487	44,327	53,224
Purchased transportation	45,608	46,900	43,716
Depreciation and amortization	239,439	236,406	238,710
Utilities	17,983	17,151	20,946
Taxes, leases and other	4,829	5,245	5,604
Casualty and liability	5,983	4,582	5,329
Street improvements for member cities	560	2,127	6,615
Interest and financing expenses	185,933	182,581	178,853
Other non-operating expense	13,691	1,621	3,848
Loss on HOV lane investments	66,465	-	-
Loss on transfer of HOV operations	-	20,392	-
Transfer of assets to the City of Dallas	19,041	-	-
Total	**$990,959**	**$911,240**	**$890,723**

Labor – Labor costs increased by 2% ($4,535) in 2015 compared to an increase of 2% ($4,387) in 2014. The increase in both 2015 and 2014 were due to merit increases.

Benefits – Benefits decreased by 3% ($3,419) in 2015 compared to a 14% ($12,549) in 2014. The decrease in 2015 was due to lower defined benefit pension expense and lower medical claim costs compared to last year. The decrease in the defined benefit pension plan expense is due to implementation of GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. Savings in medical claims costs during 2015 were due to several initiatives taken which included ensuring that only eligible individuals are insured. The increase in 2014 is mainly due to a significant (32%) increase in healthcare costs as a result of the increase in the number of large medical and pharmacy claims.

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 increased by 6% ($1,916) in 2015 compared to a decrease of 3% ($906) in 2014. The increase in 2015 is due to more media partnership advertising expense (barter advertising) recognized during FY15 and an increase in technology related consulting services. The decrease in 2014 is due to less marketing and advertising costs in 2014 compared to the year before because there was only one light rail station opening in 2014 compared to two stations opened in 2013.

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 13% (5,840) in 2015 compared to a decrease of 17% ($8,897) in 2014. The decrease in both 2015 and 2014 were due to less spending on bus parts and savings in fuel costs as a result of replacing the older bus fleet with new compressed natural gas (CNG) buses, and a decrease in allowance for obsolete parts. A decrease in the price per gallon of diesel fuel also contributed to the decrease during 2015.

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 decreased by 3% ($1,292) in 2015 compared to a 7% ($3,184) increase in 2014. The decrease in 2015 is mainly due to a decrease in the price per gallon of diesel fuel for TRE service. The increase in 2014 is mainly due to modifications to the paratransit service contract that resulted in additional charges during 2014.

Depreciation – Depreciation expenses increased by 1% ($3,033) in 2015 compared to a 1% ($2,304) decrease in 2014. The increase in 2015 is due to new assets, such as the Orange Line light rail extension to the DFW International Airport and new CNG buses, placed in service. Depreciation was lower in 2014 than 2013 because 2013 numbers included an accelerated depreciation for an impairment loss of $8,318 due to the unexpected wear of the Central Business (CBD) light rail line segment rail.

Utilities – Utilities represent the cost of electricity, telecommunications, water, sewer, and natural gas. Utilities increased by 5% ($832) in 2015 compared to a decrease of 18% ($3,795) in 2014. The increase in 2015 is due to an increase in electricity usage as a result of opening the DFW light rail segment in August 2014. The decrease in 2014 was due to a new electricity contract with a lower rate compared to the previous year.

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 8% ($416) in 2015 compared to a decrease of 6% ($359) in 2014. The decrease in 2015 is due to lower fuel taxes as a result of replacing diesel fuel operated buses with new compressed natural gas (CNG) buses. The decrease in 2014 was due to less bad debt expense compared to 2013.

Casualty and liability – Casualty and liability expenses increased by 31% ($1,401) in 2015 compared to a decrease of 14% ($747) in 2014. The increase in 2015 was due to higher claim losses. The decrease in 2014 was due to favorable claims experience.

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 decreased by 74% ($1,567) in 2015 compared to a 68% ($4,488) decrease in 2014. The decrease in both 2015 and 2014 were due to less work on intelligent transportation systems as a result of projects getting close to completion.

Interest **–** Interest expense increased by 2% ($3,352) in 2015 compared to an increase of 2% ($3,728) in 2014. In both 2015 and 2014, interest expense increased due to additional borrowings and less interest capitalized as a result of the completion of Rowlett extension, Irving I, Irving II and Irving III light rail service expansion projects. The 2015 increases are partially offset by savings in interest expenses as a result of the December 2014 debt refunding (advance refunding).

Other non-operating expenses – Other non-operating expenses increased by 745% ($12,070) in 2015 compared to a decrease of 58% ($2,227) in 2014. The increase in 2015 is due to recognition of Toll Credits. The decrease in 2014 is due to less spending related to the regional commuter rail project during 2014.

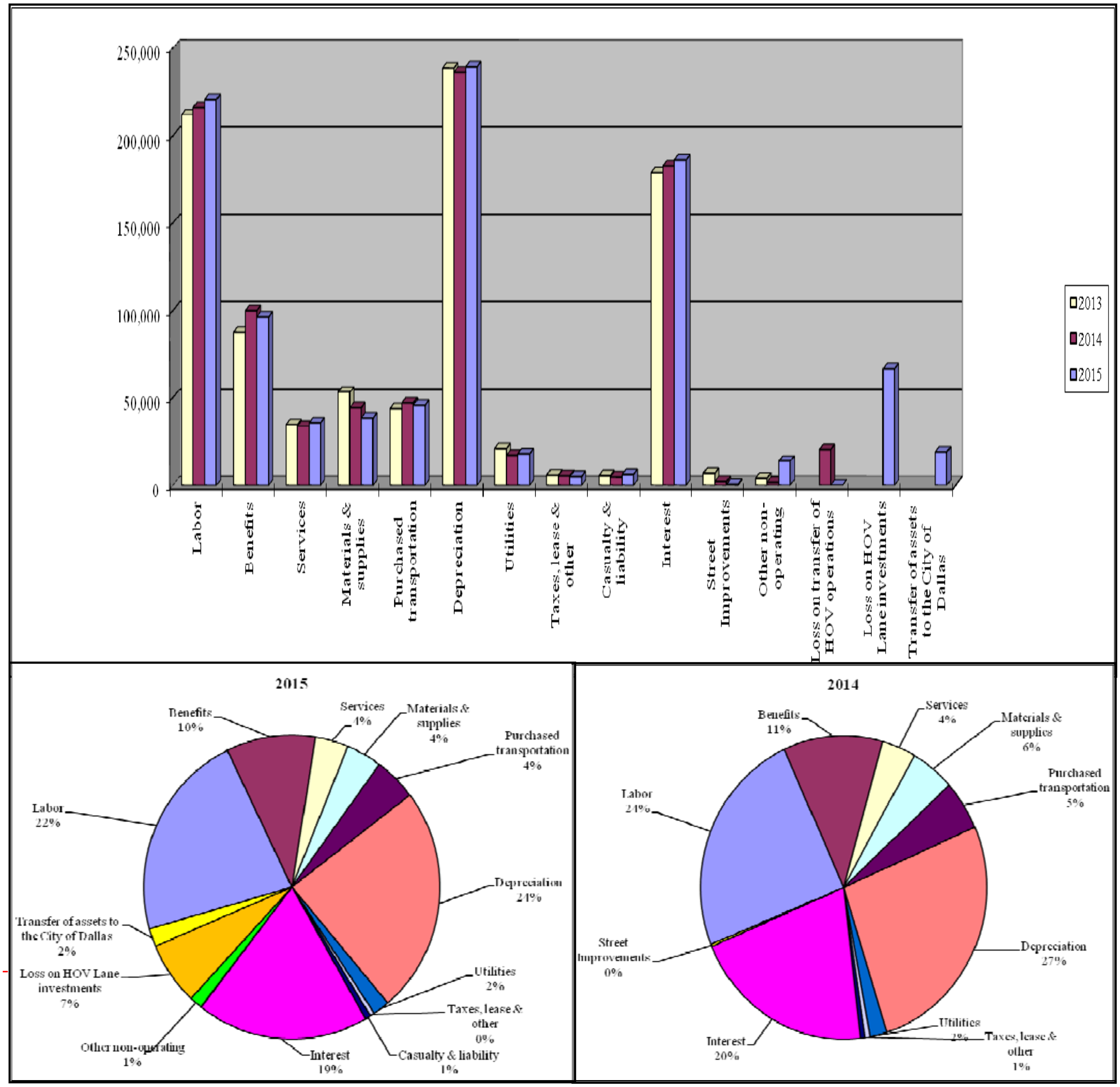
Loss on transfer of HOV operations: DART and the Texas Department of Transportation (TXDOT) entered into an agreement effective July 9, 2014 to transfer the responsibilities for operations and maintenance of high occupancy vehicle (HOV) lanes from DART to TXDOT. As of the effective date, DART had $20,392 worth of HOV- related assets on its books. As part of the transfer of HOV operations and assets, no consideration was paid to DART by TXDOT. As a result, DART recorded a loss of $20,392 which is the book value of HOV assets as of July 9, 2014 in accordance with Government Accounting Standards Statement No. 69, *Government Combinations and Disposal of Government Operations.*

Loss on HOV lane investments: DART and the Texas Department of Transportation (TXDOT) entered into agreements related to two managed HOV lane projects. In anticipation that DART would participate in a toll revenue stream, DART provided a portion of the funding for the two projects. DART's portion of the funding is recorded as Investment in Managed HOV Lane Agreements on the Statements of Net Assets. As of September 30, 2015, a financial analysis of the value of DART investment in managed HOV lane projects was performed and determined to be $13.6 million. As a result, a decline in value in the amount of $66.5 million is recorded as a Loss on HOV lane investments.

Transfer of assets to the City of Dallas: DART and the City of Dallas entered into various agreements related to the Dallas Streetcar programs and one transit related development project. Under these agreements, DART plays the role of project manager for the City of Dallas to build/acquire assets and the City owns, maintains and uses the assets. With respect to one of such projects, DART bought the initial two streetcar vehicles by paying up to $9 million of the cost with its own money, and transferred the ownership of the vehicles to the City of Dallas. In the remaining two other projects, DART is the grant recipient of the funding obtained from the Federal Transit Administration for the projects. As a result, DART kept the assets on its books and transferred them to the City of Dallas when the assets were placed in service. The transfer of assets worth $19 million took place during 2015 and this is shown in the Statements of Changes in Net Position as Transfer of assets to the City of Dallas.

The charts on the following page summarize expenses for fiscal years 2013 through 2015.

The following charts summarize expenses for fiscal years 2013 through 2015:

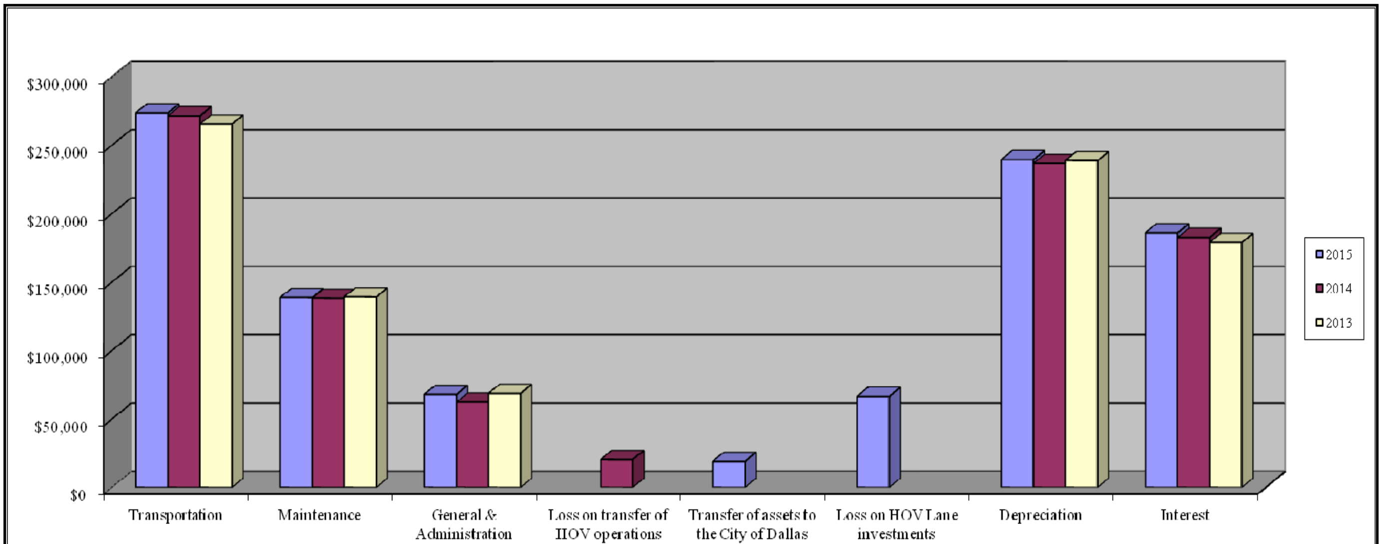


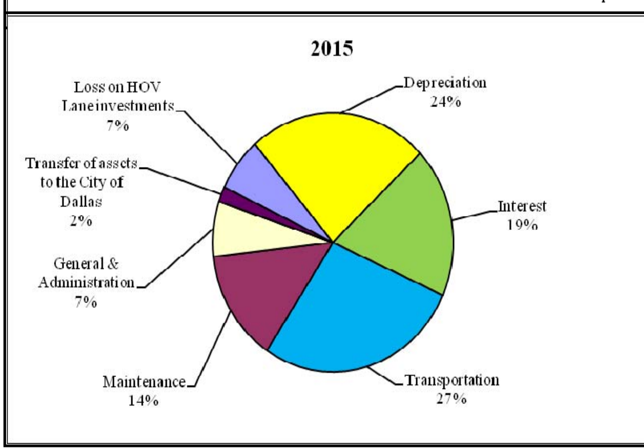
FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014 (Dollars in Thousands)

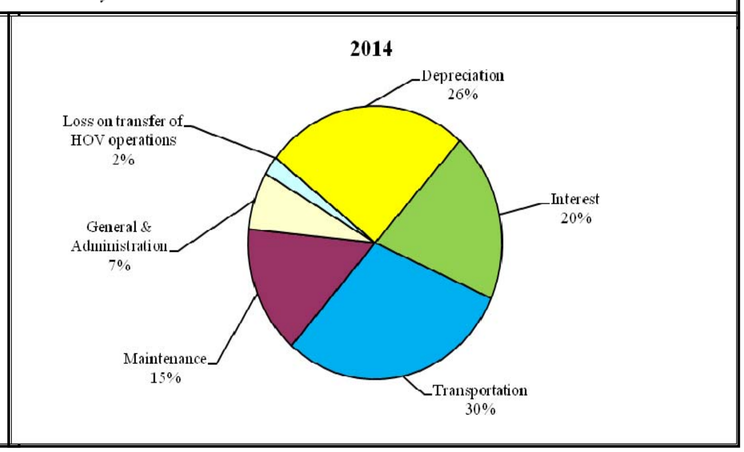
Expenses by function – *Transportation* – includes expenses that are directly related to the operation of bus, light rail, commuter rail, vanpool, paratransit, and DART on-call and shuttle services. These expenses include such items as wages and benefits for operators, transit center service employees, 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, toll credits, 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

	2015	2014	2013
Transportation	$273,552	$271,425	$265,378
Maintenance	138,662	138,154	139,146
General and administration	67,867	62,282	68,636
Loss on HOV lane investments	66,465	-	-
Loss on transfer of HOV operations	-	20,392	-
Transfer of assets to the City of Dallas	19,041	-	-
Depreciation and amortization	239,439	236,406	238,710
Interest	185,933	182,581	178,853
Total	**$990,959**	**$911,240**	**$890,723**







FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014 (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, 2015, is $4,681,920 compared to $4,810,004 in 2014. The net decrease in capital assets during 2015 is $128,084 (3%) compared to a slight decrease of $67,608 (1%) in 2014.

The following table summarizes capital assets net of depreciation as of September 30 with comparative information for 2013.

Capital Assets (Net of Depreciation)

	2015	2014	2013
Land and rights-of-way	$616,728	$609,498	$578,169
Projects in progress	101,124	70,845	205,542
Transitways	2,800,198	2,914,631	2,875,423
Buildings and improvements	406,635	429,783	453,259
Revenue and non-revenue vehicles and equipment	750,296	776,348	750,485
Furniture, fixtures, and leasehold improvements	6,939	8,899	14,734
Total	$4,681,920	$4,810,004	$4,877,612

The net decreases in both 2015 and 2014 are due to depreciation. However, there were increases before depreciation in both fiscal years due to the cost of planning, designing and building the Light Rail Transit (LRT) Phase II and Phase III expansions. 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 fiscal year 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) opened for service in December 2012 and the third Irving line segment to the DFW International Airport opened for service in August 2014. The Phase III light rail build-out consists of approximately three miles extension of the Blue Line from Ledbetter Station toward the University of North Texas (UNT) Dallas Campus located at the southeast corner of Camp Wisdom Road and University Hills Blvd.

Additional information on DART's capital assets is shown in note 7 on pages 26-27.

Outstanding debt – Outstanding debt includes sales tax revenue commercial paper notes, senior lien revenue bonds, TIFIA bonds payable, and capital lease/leaseback liabilities. As of September 30, 2015, DART had total outstanding debt of $3,818,713 compared to $3,857,925 as of September 30, 2014. Outstanding debt decreased by 1% ($39,212) in 2015 compared to a 2% ($81,126) increase in 2014.

The following table summarizes DART's total outstanding debt.

Outstanding Debt

	2015	2014	2013
Sales tax revenue commercial paper notes	$200,000	$180,000	$100,000
Senior lien revenue bonds payable	3,312,615	3,377,920	3,411,095
TIFIA bonds payable	105,000	100,000	45,000
Capital lease/leaseback liabilities	201,098	200,005	220,704
Total debt	$3,818,713	$3,857,925	$3,776,799

The sales tax revenue commercial paper notes outstanding balance was $200,000 as of September 30, 2015 compared to $180,000 as of September 30, 2014. 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. The increases during both 2015 and 2014 are due to additional borrowings to pay for capital project costs.

Senior lien revenue bonds outstanding are $3,312,615 as of September 30, 2015 and $3,377,920 as of September 30, 2014. 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 $65,305 during 2015 is due to principal payment and advance refunding made in December 2014. The decrease of $33,175 in 2014 is due to $25,480 principal payment made on December 1, 2013 and $7,695 early payment of bond (extinguishment of debt) made in May 2014. All DART bonds are issued to finance capital projects. The senior lien revenue bonds are shown net of original issuance premium (discount) of $130,068 and $86,579 as of September 30, 2015 and 2014 in the Statements of Net Position.

During 2015, DART maintained a AA+ credit rating from Standard & Poor's, and a Aa2 from Moody's for its bonds.

TIFIA bonds payable are $105,000 as of September 30, 2015 compared to $100,000 as of September 30, 2014. On December 13, 2012 DART entered into a Transportation Infrastructure Finance and Innovation Act (TIFIA) financing agreement with the U.S Department of Transportation (DOT). Under this loan agreement, DART issued a Senior Lien Obligation bond to borrow up to $105,000 from the DOT. The proceeds from the bond are used to pay for the cost of the third phase of DART's light rail Orange Line extension project, which extends DART's light rail service from Irving to the Dallas Fort Worth International Airport. The TIFIA financing agreement is reimbursement-based and DART requested the money after paying for the capital project costs. The TIFIA bond is a Senior Lien Obligation and is secured by and payable from Pledged Revenues on parity with other Senior Lien Obligations.

Capital lease/leaseback liabilities are $201,098 and $200,005 as of September 30, 2015 and 2014, respectively. The increase in capital lease/leaseback liabilities in 2015, $1,093 (1%), is due to accrued interest. The decrease in capital lease/leaseback liabilities in 2014, $20,699 (9%), was due to lease payments.

Additional information on DART's outstanding debt is shown in footnotes 11-17.

ECONOMIC OUTLOOK

Sales and use tax is the largest source of revenue for DART, representing 67% of total revenues in 2015 compared to 64% in 2014. Sales and use tax revenues are affected by changes in the local economy. During fiscal year 2015, DART's sales and use tax revenues showed a 67% increase compared to the previous year. Actual sales and use tax revenues in 2015 are $519,448 compared to $486,564 in 2014. The sales and use tax budget for 2016 is $542,378 compared to $519,448 actual for 2015. The budget for 2015 represents a 4.4% increase from the 2015 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 POSITION

SEPTEMBER 30, 2015 and 2014 (Dollars in Thousands)

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$66,985	$27,217
Investments	714,640	760,593
Sales and use tax receivable	87,687	85,319
Transit revenue receivable, net	4,540	2,553
Due from federal and other governments	21,965	33,275
Materials and supplies inventory, net	35,674	28,693
Prepaid transit expense and other	2,975	2,840
Restricted investments held by trustee for debt service	108,952	97,808
Restricted investments held for advance funding agreements	67,576	12,013
Restricted investments held to pay capital lease/leaseback liabilities	12,210	14,096
TOTAL CURRENT ASSETS	1,123,204	1,064,407
NONCURRENT ASSETS		
Restricted investments for system expansion and acquisition		39,252
Restricted investments held as security for capital lease/leaseback liabilities	9,334	9,785
Investment in joint venture	19,458	20,722
Investment in managed HOV lane agreements	13,600	66,706
Capital assets		
Land and rights-of-way	616,728	609,498
Projects in progress	101,124	70,845
Depreciable capital assets, net of depreciation	3,964,068	4,129,661
Restricted investments held to pay capital lease/leaseback liabilities	188,888	185,909
Net pension asset	-	11,346
Unamortized bond insurance premium and other	1,069	1,638
TOTAL NONCURRENT ASSETS	4,914,269	5,145,362
TOTAL ASSETS	6,037,473	6,209,769
DEFERRED OUTFLOWS OF RESOURCES (Note 1, page 19)	45,682	13,965
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	6,083,155	6,223,734
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	69,793	72,345
Commercial paper notes payable	200,000	180,000
Current portion of capital lease/leaseback liabilities	12,210	14,096
Current portion of repayment due to State Comptroller	824	824
Local Assistance Program payable	1,336	1,497
Retainage payable	22,241	27,860
Unearned revenue and other liabilities	114,067	32,898
Accrued interest payable from restricted assets	59,195	60,247
Current portion of senior lien revenue bonds payable	48,115	38,215
TOTAL CURRENT LIABILITIES	527,781	427,982
NONCURRENT LIABILITIES		
Accrued liabilities	34,636	34,573
Net pension liability	62,190	-
Repayment due to State Comptroller	8,575	9,399
Senior lien revenue bonds payable	3,394,568	3,426,284
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable	105,000	100,000
Capital lease/leaseback liabilities	188,888	185,909
TOTAL NONCURRENT LIABILITIES	3,793,857	3,756,165
TOTAL LIABILITIES	4,321,638	4,184,147
DEFERRED INFLOWS OF RESOURCES (Note 1, page 19)	2,011	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	4,323,649	4,184,147
NET POSITION		
Net investment in capital assets	938,644	1,071,576
Restricted for debt service	49,757	37,560
Restricted as security for capital lease/leaseback liabilities	9,334	9,785
Unrestricted	761,771	920,666
TOTAL NET POSITION	$1,759,506	$2,039,587

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

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

FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014 (Dollars in Thousands)

	2015	2014
OPERATING REVENUES		
Passenger revenues	$71,012	$70,902
Advertising, rent, and other	14,412	13,573
TOTAL OPERATING REVENUES	85,424	84,475
OPERATING EXPENSES		
Labor	220,723	216,188
Benefits	96,432	99,851
Services	35,785	33,869
Materials and supplies	38,487	44,327
Purchased transportation	45,608	46,900
Depreciation and amortization	239,439	236,406
Utilities	17,983	17,151
Taxes, leases, and other	4,829	5,245
Casualty and liability	5,983	4,582
TOTAL OPERATING EXPENSES	705,269	704,519
NET OPERATING LOSS	(619,845)	(620,044)
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	519,448	486,564
Investment income	8,290	4,037
Interest income from investments held to pay capital lease/leaseback	15,189	15,510
Interest expense on capital lease/leaseback	(15,189)	(15,510)
Loss on HOV lane investments	(66,465)	-
Street improvements	(560)	(2,127)
Interest and financing expenses	(170,744)	(167,071)
Build America Bonds tax credit	28,289	28,259
Other federal grants	82,112	92,211
Other non-operating revenues	24,371	15,760
Other non-operating expenses	(13,691)	(1,621)
Loss on transfer of HOV operations	-	(20,392)
Transfer of assets to the City of Dallas	(19,041)	-
NET NON-OPERATING REVENUES	392,009	435,620
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	(227,836)	(184,424)
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	17,738	36,023
State capital contributions	333	1,596
Local capital contributions	329	1,245
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	18,400	38,864
CHANGE IN NET POSITION	(209,436)	(145,560)
TOTAL NET POSITION – BEGINNING OF YEAR	2,039,587	2,185,147
Cumulative effect of a change in accounting principle	(70,645)	-
TOTAL NET POSITION – END OF YEAR	$1,759,506	$2,039,587

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, 2015 and 2014 (Dollars in Thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$83,732	$85,171
Cash flows from other sources	39,565	11,045
Payments to suppliers of goods and services	(103,133)	(116,161)
Payments to purchased transportation service providers	(48,623)	(46,710)
Payments to employees	(218,592)	(212,978)
Benefit payments on behalf of employees	(103,767)	(99,732)
NET CASH USED BY OPERATING ACTIVITIES	(350,818)	(379,365)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales and use tax receipts	516,256	478,174
Other federal grants	82,045	92,247
Other non-capital financing receipts	25	67
Build America Bonds tax credit	28,239	28,269
Other non-capital financing payments	-	(67)
Local Assistance Program and street improvements	(721)	(2,627)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	625,844	596,063
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	9,485	4,356
Proceeds from sales and maturity of investments	1,170,961	972,162
Purchase of investments	(1,126,102)	(1,076,767)
Decrease (increase) in restricted assets	(27,456)	71,761
Investment in managed HOV lane agreements	(13,360)	(14,734)
NET CASH USED BY INVESTING ACTIVITIES	13,528	(43,222)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(146,147)	(186,069)
Proceeds from the issuance of commercial paper notes	530,000	550,000
Payment on commercial paper notes	(510,000)	(470,000)
Proceeds from TIFIA Bonds	5,000	55,000
Payment of debt issuance costs	(604)	-
Principal payment on revenue bonds	(38,215)	(25,480)
Payment for early extinguishment of revenue bonds	-	(7,887)
Interest and financing expenses	(174,937)	(172,323)
Federal capital contributions	25,788	29,727
State capital contributions	60,000	1,591
Local capital contributions	329	1,246
Proceeds from the sale of capital assets	-	2,110
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(248,786)	(222,085)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39,768	(48,609)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	27,217	75,826
CASH AND CASH EQUIVALENTS, END OF YEAR	$66,985	$27,217

(Continued)

DALLAS AREA RAPID TRANSIT
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014 (Dollars in Thousands)

	2015	2014
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	$(619,845)	$(620,044)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	239,439	236,406
Miscellaneous non-operating income	13,799	13,582
Miscellaneous non-operating expenses	(3,146)	(1,553)
Changes in assets and liabilities		
(Increase) Decrease in transit receivable	(1,958)	206
(Increase) Decrease in due from federal & other governments	895	(1,166)
Increase in materials and supplies inventory	(6,980)	(4,441)
Decrease in prepaid expenses and other current assets	333	192
Increase in pension assets	-	(1,889)
Decrease in net pension liability	(6,230)	-
Increase in accounts payable and accrued liabilities	7,489	723
Increase (Decrease) in unearned revenue and other liabilities	25,386	(1,381)
NET CASH USED BY OPERATING ACTIVITIES	$(350,818)	$(379,365)

	2015	2014
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	$15,189	$15,510
Interest expense on capital lease/leaseback	(15,189)	(15,510)
Increase (Decrease) in capital lease/leaseback obligations	1,093	(20,699)
(Increase) Decrease in investments held to pay capital lease/leaseback	(1,093)	20,699
Increase (Decrease) in fair value of investments	2,581	(1,592)
Amortization of premium, discount, bond insurance premium costs, and loss on debt refunding	(5,400)	(9,325)
Loss on transfer of HOV Lane operations		(20,392)
Purchases of capital assets in accounts payable at year-end	9,392	19,376
Transfer of assets to the City of Dallas	(19,041)	-
Loss on HOV lane investments	(66,465)	-
Toll Credits	10,546	-
Increase in deferred outflows of resources – derivative instrument	(937)	-
Proceeds from the issuance of revenue bonds paid into escrow	497,876	
Payment for advance refunding of revenue bonds	(496,226)	

(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 11), 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 2017.

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 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 13). 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. On December 13, 2012 DART entered into a Transportation Infrastructure Finance and Innovation Act (TIFIA) financing agreement with the U.S Department of Transportation (see note 14). Under this agreement, DART borrowed $105,000 from the U.S Department of Transportation. The proceeds from the bond were used to pay for the cost of the third phase of DART's light rail Orange Line extension project, which extended DART's light rail service from Irving to the Dallas Fort Worth International Airport. These bonds are Senior Lien Revenue Bonds that are secured by, and payable from, a senior lien on Pledged Revenues. On December 11, 2014, DART issued and sold $426,035 in Senior Lien Sales Tax Revenue Bonds ($379,480 in Series 2014A Bonds and $46,555 in Series 2014B Bonds). The Series 2014A and 2014B bonds were issued to refund part of the 2007 and 2008 bonds.

DART received approximately $519,448 in 2015 from a 1% sales and use tax imposed on certain items within its member jurisdictions compared to $486,564 in 2014. These revenues constituted approximately 67% of DART's total revenues during fiscal year 2015 compared to 64% during 2014. Approximately 50%, 14%, and 12% of these sales and use tax revenues were collected from sales in the cities of Dallas, Plano, and Irving during fiscal years 2015 compared to 50%, 15%, and 11% for fiscal year 2014.

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, DART uses the accrual basis of accounting.

Reporting Entity – DART has two blended component units, Regional Rail Right-Of-Way Corporation (RRRC) and Dallas Area Rapid Transit Bus Service, LGC (LGC). RRRC is a legally separate corporation, which was formed to facilitate the acquisition of certain properties and right-of-way for DART. The RRRC Board consists of three board members that are appointed by the DART Board. LGC is a Corporation created under the LGC Act on behalf of DART to provide public transportation service (solely by bus) outside the DART service area. Currently the LGC provides bus service to the cities of Arlington and Mesquite. The LGC Board consists of five Board members who are appointed by the DART Board of Directors.

Since DART appoints the governing board of the RRRC and LGC; has operational responsibility for them; and since the RRRC and LGC activities directly benefit DART; the financial information of the RRRC and LGC, is included in the accompanying financial statements of DART as blended component units in accordance with GASB Statement No. 61.

Internally prepared financial statements for either RRRC or 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.

FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014 (Dollars in Thousands)

New Accounting Pronouncements – In January 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This Statement specifies accounting, financial reporting and disclosure requirements for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. The requirements of this Statement became effective for DART during fiscal year 2015 and implemented as of October 1, 2014. Fiscal year 2014 GASB 68 disclosures are not presented as they are not deemed practical. The implementation of GASB Statement No. 68 resulted in a reduction of DART's net position by $70,645, which included deferred outflows of resources of $9,123, and a recognition of $62,190 net pension liability on DART's Statement of Net Position as of September 30, 2015 (see note 18).

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The requirements of this statement became effective for DART during fiscal year 2015 simultaneously with the provisions of Statement 68.

Reclassifications: Certain reclassifications have been made to present prior year's financial statements on a basis comparable to the current year's financial statements. These reclassifications had no effect on the change in net position or total net position.

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 $66,985 and $27,217 as of September 30, 2015 and 2014, respectively.

Investments – The investment balances, other than investments held to pay lease/leaseback obligations (see Note 3), on September 30, 2015 and 2014 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 utilizes quoted market prices on September 30, 2015 and 2014, 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 7. 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 2015, total interest and financing expense of $173,442 was incurred, and $2,698 of this total was capitalized. In 2014, total interest and financing expense of $175,629 was incurred, and $8,558 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 $18,400 in federal, state and local capital contributions during 2015 compared to $38,864 during 2014. None of the total capital contributions received during 2015 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 Position for the fiscal year ended September 30, 2015. In addition to capital contributions, DART also received $82,112 in 2015 compared to $92,211 in 2014 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.

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. The deferred outflow of resources shown on the Statements of Net Position includes the following items:

Description	2015	2014
*Loss on bond refunding (Note 16, page 32)	$36,039	$13,965
Contribution to the Defined Benefit Pension Plan after measurement date (Note 18, page 35)	8,706	
Derivative instrument – fuel hedge (Note 22, page 39)	937	
	$45,682	$13,965

*Loss on bond refunding is the difference between the reacquisition price and the net carrying amount of the old debt.

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Deferred Inflows of Resources A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period.

	2015
Differences between projected and actual earnings on pension plan investments (see note 18, page 35)	$2,011

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 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 Position.

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.

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 unearned transit revenue and is included in the unearned revenue and other liabilities line item in the accompanying Statements of Net Position.

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 Position.

The estimate includes incurred but not reported (IBNR) claims. Changes in the liabilities in 2015 and 2014 for DART's self-insured programs are as follows:

Description	2015	2014	2013
Beginning balance	$16,864	$15,024	$17,014
Current year claims and changes in estimates	4,153	6,275	2,438
Payments	(5,000)	(4,435)	(4,428)
Ending balance	$16,017	$16,864	$15,024
Amounts due in one year	$4,621	$4,509	$4,867

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. Bond insurance premiums and gains/losses on refunding are also amortized using the effective interest method over the life of the bonds.

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Net position – *Net Investment in Capital Assets*, includes 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 consists of net position that is 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 DART's policy to use restricted resources first, and then unrestricted resources when they are needed. Unrestricted consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the DART Employees Defined Benefit Retirement Plan and Trust (the DB Plan) and additions to/deductions from the DB Plan's fiduciary net position have been determined on the same basis as they are reported by the DB Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. SERVICE AGREEMENTS

DART has entered into several long-term agreements with contractors to provide paratransit, commuter rail, 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 Position.

Summary of major services rendered in 2015 and 2014 and the current contract terms, including option periods is shown as follows:

		Annual Payments		Contract Terms	
Contractor's Name	Service Type	2015	2014	Began	Expires
Herzog Transit Services, Inc.	Commuter Rail	$17,907	$18,782	10/1/2010	9/30/2015*
MV Contract Transportation, Inc	Paratransit , and DART On-call Services	24,182	21,330	10/1/2012	9/30/2019
Others	Various	3,519	6,788	Various	Various
Total		$45,608	$46,900		

*A new contract has been awarded to Herzog Transit Service, Inc for commuter rail service. It begins on 10/01/2015 and expires on 9/30/2025.

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 Position as follows:

	9/30/2015	9/30/2014
Cash and cash equivalents	$66,985	$27,217
Investments	714,640	760,593
Restricted investments held by trustee for debt service	108,952	97,808
Restricted investments held for advance funding agreements	67,576	12,013
Restricted investments for system expansion and acquisition	-	39,252
Restricted investments held as security for capital lease/leaseback liabilities	9,334	9,785
Total cash and investments	$967,487	$946,668

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

	9/30/2015	9/30/2014
Cash on hand	$7,802	$2,080
Cash equivalents	59,183	25,137
Investments	900,502	919,451
Total cash and investments	$967,487	$946,668

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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, 2015, the carrying amount of DART's deposits was $7,802 compared to $2,080 at September 30, 2014. Bank balances at September 30, 2015 were covered either by Federal Depository Insurance or by collateral held by DART's agent in DART's name except for an $8.8 million that was not covered due to a failed trade on September 30, 2015. This was cured by the next business day (October 1, 2015) and DART did not incur any loss as a result of this incident. Bank balances at September 30, 2014 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. 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.

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Information about the sensitivity of the fair values of DART investments to market interest rate fluctuations as of September 30 is provided in the following tables, which show the distribution of DART investments by maturity.

		Remaining Maturity (in months) as of September 30, 2015		
Investment Type	Total Amount	12 Months or Less	12 to 24 Months	24 to 60 Months
Federal Home Loan Bank	$225,947	$104,919	$51,032	$69,996
Federal Farm Credit Banks	179,781	45,493	92,554	41,734
Federal Home Loan Mortgage Corporation	147,918	17,619	44,575	85,724
Federal National Mortgage Association	64,472	11,458	27,032	25,982
Commercial Paper	206,567	206,567	-	-
Money Market Funds	126,992	126,992	-	-
US Treasury Note	8,008	8,008	-	-
Total	$959,685	$521,056	$215,193	$223,436

		Remaining Maturity (in months) as of September 30, 2014		
Investment Type	Total Amount	12 months or Less	12 to 24 Months	24 to 60 Months
Federal Farm Credit Banks	$227,150	$9,992	$140,678	$76,480
Federal Home Loan Bank	207,922	74,265	39,997	93,660
Federal Home Loan Mortgage Corporation	201,196	15,491	70,746	114,959
Federal National Mortgage Association	124,159	4,005	35,544	84,610
Commercial Paper	133,656	133,656	-	-
Money Market Funds	46,506	46,506	-	-
US Treasury Note	3,999	3,999	-	-
Total	$944,588	$287,914	$286,965	$369,709

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, 2015		
Investment Type	Total Amount	AA+/ Aaa	A1/P1	AAAm
Federal Home Loan Bank	$225,947	$225,947	$ -	$ -
Federal Home Loan Bank	179,781	179,781	-	-
Federal Home Loan Mortgage Corporation	147,918	147,918	-	-
Federal National Mortgage Association	64,472	64,472	-	-
Commercial Paper	206,567	-	206,567	-
Money Market Funds	126,992	126,992	-	-
US Treasury Note	8,008	8,008	-	-
Total	$959,685	$753,118	$206,567	$ -

		Rating as of September 30, 2014		
Investment Type	Total Amount	AA+/ Aaa	A1/P1	AAAm
Federal Farm Credit Banks	$227,150	$227,150	$ -	$ -
Federal Home Loan Bank	207,922	207,922	-	-
Federal Home Loan Mortgage Corporation	201,196	201,196	-	-
Federal National Mortgage Association	124,159	124,159	-	-
Commercial Paper	133,656	-	133,656	-
Money Market Funds	46,506	36,342	-	10,164
US Treasury Note	3,999	3,999	-	-
Total	$944,588	$800,768	$133,656	$10,164

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On August 5, 2011, Standard and Poor's, 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, 2015 is $626,126 compared to $764,426 as of September 30, 2014 that was downgraded from AAA to AA+ by Standard and Poor's.

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 22. 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, 2015

Investment type/Issuer	Reported Amount	Percentage of Total Portfolio
Federal Home Loan Bank	$225,947	24%
Federal Farm Credit Banks	179,781	19%
Federal Home Loan Mortgage Corporation	147,918	15%
Wells Fargo	67,748	7%
Federal National Mortgage Association	64,472	7%

September 30, 2014

Investment type/Issuer	Reported Amount	Percentage of Total Portfolio
Federal Farm Credit Banks	$227,150	24%
Federal Home Loan Bank	207,922	22%
Federal Home Loan Mortgage Corporation	201,196	21%
Federal National Mortgage Association	124,159	13%

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, 2015 and 2014 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 – As of September 30, 2015, DART had two outstanding lease/leaseback obligations. One of these two lease/leaseback obligations was terminated on November 24, 2015. 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 Statements of Net Position.

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 $15,638 more than budget for fiscal year 2015 compared to $7,255 for fiscal year 2014. In addition, the Board of Directors authorized the establishment of a Capital Project Reserve Account. Should the Financial Reserve exceed $50 million, excess funds are placed in the Capital Project Reserve Account.

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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 $9,334 as of September 30, 2015 compared to $9,785 as of September 30, 2014. These amounts are shown as restricted investments held as security for capital lease/lease back liabilities in the Statements of Net Position and are excluded from the financial reserve amount of September 30, 2015 and 2014 shown on the next page:

As of September 30, assets (investments) assigned by the DART Board for specific purposes consisted of the following:

Assigned for	2015	2014
Self-Insurance	$ 11,292	$ 12,576
Financial Reserve*	40,729	36,452
Capital Reserve	3,964	-
Total	$ 55,985	$ 49,028

*The financial reserve amount shown here are net of $9,334 as of September 30, 2015 and $9,785 as of September 30, 2014 set aside as security for a certain lease/leaseback obligation.

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 Position. 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.

Restricted assets shown in the Statements of Net Position 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 and light rail stations platform extension projects. 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 Position as of September 30, 2015 and 2014.

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, 2015, DART has set aside $9,334 compared to $9,785 as of September 30, 2014 for this purpose. These amounts are shown as investments restricted as security for lease/lease back liabilities in the Statements of Net Position.

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. The 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 Statements of Net Position in accordance with GASB Statement No. 61. 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.

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6. INVESTMENT IN MANAGED HOV LANE AGREEMENTS

In October 2010, DART entered into agreements with TXDOT to invest in managed HOV lane projects that fall under the Regional Transportation Council's (RTC) policy for Excess Toll Revenue Sharing. RTC's policy allows local governments and transportation authorities to invest in Comprehensive Development Agreement (CDA) projects. Any excess revenue will be returned to the funding partners in proportion to their shares and be used to fund future transportation projects. Since DART's investment and related CDA projects are on-going, information needed to estimate fair market value based on current revenue projections were not available as of September 30, 2014. As of September 30, 2015, a financial analysis of the value of DART investment managed HOV lane projects is determined to be $13.6 million. As a result a decline in value of $66.5 million is recorded as a loss on HOV lane investment in the Statements of Changes in Net Position as of September 30, 2015. These investments are shown on the Statement of Net Position at fair value as of September 30, 2015 and will be reviewed annually for a change in value. As of September 30, 2015, the Statements of Net Position reflects these Investments in Managed HOV Lane Agreements totaling $13,600 compared to $65,704 as of September 30, 2014.

7. CAPITAL ASSETS

Changes in capital assets for the years ended September 30, 2015 and 2014 are shown as follows:

	Beginning Oct. 1, 2014	Additions	Disposals	Net Transfers/ Adjustments	Ending Sept. 30, 2015
Non-Depreciable Assets					
Land and right-of-way	$609,498	$ -	$(139)	$7,369	$616,728
Capital projects in progress	70,845	110,251	-	(79,972)	101,124
Total non-depreciable assets	680,343	110,251	(139)	(72,603)	717,852
Depreciable Assets					
Transitways	3,845,836	-	-	15,000	3,860,836
Buildings and improvements	746,585	-	-	1,860	748,445
Revenue and non-revenue vehicles and equipment	1,303,485	-	(67,530)	51,084	1,287,039
Furniture, fixtures, and Leasehold improvements	59,872	-	(8)	4,659	64,523
Total depreciable assets	5,955,778	-	(67,538)	72,603	5,960,843
Less accumulated depreciation					
Transitways	931,205	129,433	-	-	1,060,638
Buildings and improvements	316,802	25,008	-	-	341,810
Revenue and non-revenue vehicles and equipment	527,137	76,992	(68,386)	-	535,743
Furniture, fixtures, and Leasehold improvements	50,973	6,619	(8)	-	57,584
Total accumulated depreciation	1,826,117	238,052	(68,394)	-	1,995,775
Depreciable assets, net	4,129,661	(238,052)	856	72,603	3,964,068
Total capital assets	$4,810,004	$(127,801)	$717	$ -	$4,681,920

FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014 (Dollars in Thousands)

	Beginning Oct. 1, 2013	Additions	Disposals	Net Transfers/ Adjustments	Ending Sept. 30, 2014
Non-Depreciable Assets					
Land and right-of-way	$578,169	$ -	$(951)	$32,280	$609,498
Capital projects in progress	205,542	189,189	-	(323,886)	70,845
Total non-depreciable assets	783,711	189,189	(951)	(291,606)	680,343
Depreciable Assets					
Transitways	3,696,268	-	(34,751)	184,319	3,845,836
Buildings and improvements	745,314	-	(833)	2,104	746,585
Revenue and non-revenue vehicles and equipment	1,319,261	-	(119,603)	103,827	1,303,485
Furniture, fixtures, and Leasehold improvements	61,184	-	(2,668)	1,356	59,872
Total depreciable assets	5,822,027	-	(157,855)	291,606	5,955,778
Less accumulated depreciation					
Transitways	820,845	124,719	(14,359)	-	931,205
Buildings and improvements	292,055	25,565	(818)	-	316,802
Revenue and non-revenue vehicles and equipment	568,776	77,597	(119,236)	-	527,137
Furniture, fixtures, and leasehold improvements	46,450	7,189	(2,666)	-	50,973
Total accumulated depreciation	1,728,126	235,070	(137,079)	-	1,826,117
Depreciable assets, net	4,093,901	(235,070)	(20,776)	291,606	4,129,661
Total capital assets	$4,877,612	$(45,881)	$(21,727)	$ -	$4,810,004

Depreciation included $2,503 of impairment loss for two light rail vehicles and two buses damaged in accidents in 2014.

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

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

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

Description	2015	2014
Accounts payable and accrued liabilities		
Payroll	$16,808	$15,462
Accrued paid time off, vacation and sick leave	24,313	23,211
Self insurance liabilities	16,017	16,864
Other operating liabilities	37,846	31,959
Total operating expense related	94,984	87,496
Non-operating expense and capital related	9,445	19,422
Total accounts payable and accrued liabilities	104,429	106,918
Non-current	34,636	34,573
Current	$69,793	$72,345

FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014 (Dollars in Thousands)

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	2015	2014
Beginning balance	$10,223	$11,047
Payments	(824)	(824)
Ending balance	9,399	10,223
Non-current	8,575	9,399
Current	$824	$824

9. 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	2015	2014
Beginning balance	$23,211	$22,495
Additions	2,361	1,788
Payments	(1,259)	(1,072)
Ending balance	$24,313	$23,211
Amounts due in one year	$1,072	$993

10. 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 Position.

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

Description	2015	2014
Beginning balance	$1,497	$1,997
Payments	(161)	(500)
Ending balance	$1,336	$1,497

11. 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
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 3	15,367	15,367	14,838	529	01/01/14	12/15/14

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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, 2015 and 2014.

Lease Date	Property	Book value as of 9/30/2015	Book value as of 9/30/2014
9/28/00	28 Light rail cars	$28,117	$31,168
10/26/00	25 Light rail cars	28,737	31,620
7/10/02	Buses – Lot 3	-	13

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 Position. 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 Position. 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 Position in the fiscal year each transaction occurred.

The capital lease/leaseback liabilities are reported as follows on the Statements of Net Position:

	2015	2014
Amounts due within one year	$12,210	$14,096
Amounts due in more than one year	188,888	185,909
Total	$201,098	$200,005

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, 2015, DART has set aside $9,334 compared to $9,785 as of September 30, 2014 for this purpose. These amounts are shown as investments restricted as security for lease/lease back liabilities in the Statements of Net Position.

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

Description	2015	2014
Beginning balance	$200,005	$220,704
Accrued interest	15,189	15,510
Retirements	(14,096)	(36,209)
Ending Balance	$201,098	$200,005

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The following schedule shows future minimum sublease payments as of September 30, 2015 for the outstanding lease capital lease/leaseback transactions.

Year Ending September 30	Minimum Sublease Payments
2016	$12,210
2017	12,210
2018	12,210
2019	12,210
2020	12,210
2021 – 2025	271,613
2026	7,801
Total minimum sublease payments due under capital lease/leaseback	340,464
Less: amount representing interest	(139,366)
Present value of minimum sublease payments	$201,098

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

In January 2001, the DART 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.

Commercial Paper Self-liquidity Program- after the Revolving Credit Agreement was terminated, the DART Board approved a new Commercial Paper Self-liquidity Program that allows DART to issue up to $200 million in commercial paper notes backed by self-liquidity. Under this program, DART provides self-liquidity in an aggregate principal amount of $200 million and 90 days interest calculated at an interest rate 12% of the outstanding commercial paper debt. DART also maintains at least 2.0 times the debt service coverage amount for the self-liquidity commercial paper notes and ensures that no more than $35 million of the commercial paper notes mature within five days. During fiscal year 2015 and 2014, DART has complied with these requirements of the self-liquidity program. As of September 30, 2015, DART has $200 million in outstanding commercial paper notes issued under the self-liquidity program.

Commercial paper notes are issued in blocks for terms from 1 to 270 days and recorded as current liabilities on the Statements of Net Position. The average interest rate on outstanding commercial paper was 0.08% at September 30, 2015 and 0.24% at September 30, 2014.

Changes in the Commercial Paper Notes for the years ended September 30 are shown below:

Description	2015	2014
Beginning balance	$ 180,000	$ 100,000
Additions	530,000	550,000
Retirement	(510,000)	(470,000)
Ending Balance	$ 200,000	$ 180,000

The maximum principal of outstanding Commercial Paper Notes did not exceed the $200 million limit during either year.

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13. SENIOR LIEN REVENUE BONDS

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 outstanding 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
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	
2012	April 2012	127,775	11/15/12	1.0%	5.0%	12/1/13	12/1/42	12/1/22	12/1/22
2014A***	Oct. 2014	379,480	12/11/14	2.0%	5.0%	12/1/14	12/1/36	12/1/25	12/1/24
2014B***	Nov. 2014	46,555	12/11/14	5.0%	5.3%	12/1/33	12/1/43	12/1/36 & 12/1/43	12/1/33 & 12/1/39

* 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.
***The series 2014A and 2014B were issued to refund series 2007 and 2008 bonds totaling $453,125.

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. However, during fiscal years 2015 and 2014, this tax credit was reduced by 7.3% and 7.2% due to budget cuts or "sequestration" by the federal government.

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. However, during fiscal years 2015 and 2014, this tax credit was reduced by 7.3% and 7.2% respectively, due to budget cuts or "sequestration" by the federal government.

During 2015, DART recorded tax credits of $28,289 compared to $28,259 for 2014 as Build America Bonds tax credit in the Statements of Revenues, Expenses and Changes in Net Position.

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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, 2015 and 2014 are as shown below:

Changes in revenue bonds (shown at par) for the years ended September 30, 2015 and 2014 are as follows:

Bond Series	Balance, 9/30/2013	Retirement	Balance, 9/30/2014	Additions	Retirement	Balance, 9/30/2015	Amounts due in one year
2007	$740,155	$(5,350)	$734,805	$	$(348,015)	$386,790	$17,115
2008	718,540	(11,335)	707,205	-	(110,755)	596,450	8,090
2009A	170,385	-	170,385	-	(15,465)	154,920	16,230
2009B	829,615	-	829,615	-	-	829,615	-
2010A	95,235	(14,365)	80,870	-	(14,935)	65,935	4,435
2010B	729,390	-	729,390	-	-	729,390	-
2012	127,775	(2,125)	125,650	-	(2,170)	123,480	2,245
2014A	-	-	-	379,480	-	379,480	-
2014B	-	-	-	46,555	-	46,555	-
Total	$3,411,095	$(33,175)	$3,377,920	$426,035	$(491,340)	$3,312,615	$48,115

The revenue bonds shown above are at face value. They are shown in the Statements of Net Position includes the original issuance premium of $130,068 and $86,579 as of September 30, 2015 and 2014, respectively. Below is a summary of debt service requirements of the Senior Lien Revenue Bonds outstanding as of September 30, 2015:

Year Ended September 30	Principal	Interest	Total Debt Service	Build America Bonds tax credit	Net Debt Service
2016	$48,115	$172,557	$220,672	$(28,391)	$192,281
2017	50,490	170,150	220,640	(28,391)	192,249
2018	52,365	167,698	220,063	(28,391)	191,672
2019	54,905	165,031	219,936	(28,391)	191,545
2020	57,650	162,265	219,915	(28,391)	191,524
2021 – 2025	332,195	763,311	1,095,506	(144,683)	950,823
2026 – 2030	408,955	664,961	1,073,916	(138,480)	935,436
2031 – 2035	515,760	538,289	1,054,049	(121,147)	932,902
2036 – 2040	625,580	382,799	1,008,379	(95,562)	912,817
2041 – 2045	732,045	198,668	930,713	(47,891)	882,822
2046 – 2049	434,555	38,088	472,643	(8,258)	464,385
TOTAL	$3,312,615	$3,423,817	$6,736,432	$(697,976)	$6,038,456

14. TRANSPORTATION INFRASTRUCTURE FINANCE AND INNOVATION ACT (TIFIA) BONDS

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 agreement, DART issued a Senior Lien Obligation bond to borrow up to $119,972 from the U.S Department of Transportation at an interest rate of 2.91% . The proceeds from the bond were used to pay for the cost of the third phase of DART's light rail Orange Line extension project, which extended DART's light rail service from Irving to the Dallas Fort Worth International Airport. According to the TIFIA financing agreement, the U.S. Department of Transportation (DOT) reimburses DART for eligible capital project costs. DART received $45,000 during fiscal year 2013, $55,000 during fiscal year 2014 and $5,000 during fiscal year 2015. Since the project cost is lower than budget, DART borrowed only $105,000 instead of the maximum amount of $119,972 allowed in the agreement. 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 table on the next page summarizes estimated debt service requirements of the TIFIA financing agreement executed on December 13, 2012.

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Summary of estimated debt service requirements of TIFIA bonds as of September 30, 2015 is as follows:

Year Ended September 30	Principal	Interest	Total TIFIA Bond Debt Service
2016	$ -	$3,059	$3,059
2017	2,032	3,018	5,050
2018	2,091	2,961	5,052
2019	2,151	2,899	5,050
2020	2,214	2,839	5,053
2021 – 2025	12,075	13,153	25,228
2026 – 2030	13,937	11,262	25,199
2031 – 2035	16,087	9,076	25,163
2036 – 2040	18,568	6,555	25,123
2041 – 2045	21,431	3,641	25,072
2046 – 2049	14,414	603	15,017
TOTAL	$105,000	$59,066	$164,066

The annual debt service requirements for the TIFIA bond range from $3,059 in fiscal year 2016 to $5,053 in fiscal year 2020.

15. PLEDGED REVENUES

DART has pledged sales and use tax and farebox revenues as security for revenue bonds, TIFIA 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 revenue bonds as of September 30, 2015 is $6.7 billion before Build America Bonds tax credits of $698 million (see the second table on page 31). The annual debt service requirements for these bonds, before Build America Bonds tax credits, range from $220,672 in fiscal year 2016 to $116,201 in fiscal year 2049. For the current fiscal year, debt service on the bonds (including principal and interest) is $226,564. Bonds have a senior lien on pledged revenues.

Total estimated principal and interest remaining on the revenue bonds as of September 30, 2015 is $164 million. The annual debt service requirements for the TIFIA bonds range from $3,059 in fiscal year 2016 to $5,053 in fiscal year 2020. For the current fiscal year, debt service on the TIFIA bonds is $2,953 for payments of interest. TIFIA bonds have a senior lien on pledged revenues.

Total principal and interest remaining on commercial paper as of September 30, 2015 is $200,025 compared to $180,020 as of September 30, 2014. Interest payments on commercial paper notes during the current fiscal year totaled $162. Commercial Paper notes have a subordinate senior lien on pledged revenues.

16. DEBT REFUNDINGS

In fiscal year 2007, 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 Position. As a result of the 2007 refunding, DART recognized a book loss (a difference between the reacquisition price and the carrying amount of the old debt) of $16,534, a reduction in debt service of $21,413 and an economic gain of $9,294. 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 Position. As a result of the 2011 refunding, DART recognized a book loss of $7,883, a reduction in debt service of $3,945 and an economic gain of $8,786.

In December 2014, DART issued the Series 2014A and 2014B bonds to refund a portion of Series 2007 and 2008 bonds. As a result, the Series 2007 and 2008 bonds in the total amount of $453,125 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 Position. As a result of the 2014 refunding, DART recognized a book loss of $29,477, a reduction in debt service of $51,446 and an economic gain of $35,555.

As of September 30, 2015 and 2014, the unamortized portion of the book loss of $36,039 and $13,965 respectively have been included in the Statements of Net Position under the deferred outflows of resources section.

As of September 30, 2015, $403,125 of these refunded DART bonds remains outstanding compared to none as of September 30, 2014.

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17. EARLY EXTINGUISHMENT OF DEBT

In May 2014, DART used its own financial resources and paid $7,887 to defease a bond with a face value of $7,695 and an interest of $192. The maturity date for this bond was December 1, 2014. The difference between the reacquisition price and the carrying amount of this debt is not material.

18. 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

GASB Statements No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and No.71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

Plan description. 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.

Contributions. 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. An actuary determines the contribution amount that DART pays to the plan each year. 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.

Actual contributions made to the DB Plan during the years ended September 30, 2015 and 2014 are as follows:

	2015	2014
Employer contributions	$8,706	$9,122
Employee contributions	2	2
	$8,708	$9,124

Benefit terms. 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.

Cost of living adjustments. Annually each monthly retirement payment made to or on behalf of a retired participant, or a beneficiary, shall be subject to a cost of living adjustment. But such adjustment in any year shall only be made with respect to the benefits of persons whose immediate entitlement to benefits commenced prior to such year. The adjustment, up or down, shall be applied to each benefit so payable, except that in the case of commuted amounts and/or lump sum settlements no account shall be taken of future changes in cost of living adjustment occurring after the date as of which such settlement is made. The adjustment, up or down, shall for any year result in a percentage change in the base benefit.

Employees covered by the benefit terms. The following participants were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	751
Inactive employee entitled to but not yet receiving benefits	187
Active employees	326
	1,264

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Actuarial Assumptions - The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to the periods included in the measurement:

Valuation Date	September 30, 2014
Inflation	2.5% per annum
Salary Increases	3.25% per annum
Investment Return	7% compounded annually, net of expenses
Measurement date	Census data was collected as of October 1, 2013. Liabilities measured as of the census date were projected to September 30, 2014 assuming no demographic gains or losses.
Mortality	RP-2000 combined mortality table for males and females increased by 8.59% and projected generationally from 2000 by Scale AA.
Disability Mortality	RP-2000 disabled mortality tables for males and females.
Early Retirement Age	55
Normal Retirement Age	60
Actuarial Cost Method	Entry Age Normal (level percent of pay)

Best estimates of arithmetic real rates of return for each major asset class included in the Plan’s target asset allocation as of October 1, 2014 are summarized in the following table (note that the rates shown below include the inflation components):

	Target Allocation	Estimate of expected long-term rate of return
U.S. Market Equities	44%	12.92%
U.S. Market Fixed Income	40%	10.70%
International Equities	8%	4.84%
Opportunity Fund (hedge funds and other alternative investments)	8%	8.16%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount rate .The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that DART contributions will continue to follow the current funding policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Had there been a point where assets were projected to be depleted, a municipal bond rate of 3.51% would have been used in the development of the blended GASB discount rate after that point. The 3.51% rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 9/30/2014	$215,207	$146,787	$68,420
Change for the year:			
Service cost	502	-	502
Interest	14,674	-	14,674
Benefit payments	(11,364)	(11,364)	-
Contributions-employer	-	9,122	(9,122)
Contributions-employee	-	2	(2)
Net investment income, net of expenses	-	12,532	(12,532)
Administrative expenses	-	(250)	250
Net Changes	3,812	10,042	(6,230)
Balance at 9/30/2015	$219,019	$156,829	$62,190

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Sensitivity of the net pension liability to changes in discount rate. The following presents the net pension liability of DART, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
DART's net pension liability	$88,366	$62,190	$40,258

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued DART Employees Defined Benefit Retirement Plan and Trust financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, DART recognized pension expense of $4,903. At September 30, 2015, DART reported deferred inflows of resources related to pensions from the following source:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on pension plan investments	$ -	$2,011
Employer contribution made after measurement date	8,706	-
Total	$8,706	$2,011

DART reported $8,706 as a deferred outflows of resources related to pensions resulting from contributions paid subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the pension expense as follows:

Year ended September 30:	
2016	$(503)
2017	(503)
2018	(503)
2019	(502)

GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*

Actuarial Assumptions for fiscal year 2014 - The net pension assets for fiscal years 2014 were computed as part of an actuarial valuation performed and dated as of the first day of the fiscal periods, October 1, 2013. Significant actuarial assumptions for the DB Plan are shown below:

Valuation Date	October 1, 2013
Investment Return	7% compounded annually, net of expenses
Salary Increases	3.25% per annum
Mortality	RP 2000 combined mortality tables for males and females with rates increased by 8.59% and with generational projection from 2000 by Scale AA
Disability Mortality	RP 2000 mortality tables for males and females
Early Retirement Age	55
Normal Retirement Age	60
Cost-of-Living Adjustments	2.5% per annum
Actuarial Cost Method	Projected Unit Credit Cost Method

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For plan years 2014 and 2013, the net pension asset was as follows:

	2014	2013
Annual required contribution	$7,133	$7,310
Interest on net pension asset	(662)	(544)
Adjustment to annual required contribution	762	626
Annual pension cost	7,233	7,392
Employer contributions	9,122	9,074
Increase in net pension asset	1,889	1,682
Net pension asset, beginning of year	9,457	7,775
Net pension asset, end of year	$11,346	$9,457
Percentage of annual pension cost contributed	126%	123%

The actuarial value of plan net position 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 most recent valuation is as follows:

	Actuarial Valuation Date 10/1/13
Actuarial value of assets	$142,664
Actuarial accrued liability (AAL) projected unit credit	201,706
Unfunded AAL (UAAL)	59,042
Funded ratio	70.7%
Covered payroll	19,438
UAAL as a % of covered payroll	303.7%

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 $14,879 and $14,451 for the years ended September 30, 2015 and 2014, 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 $4,890 and $4,920 for the years ended September 30, 2015 and 2014, 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, 2015 and 2014 (Dollars in Thousands)

19. POSTEMPLOYEMENT BENEFITS OTHER THAN PENSIONS

Plan Description - DART administers a single-employer defined benefit of 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. The plan does not issue separate stand-alone financial reports.

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 is 2.3% and 3.0% of annual covered payroll for fiscal years 2015 and 2014. 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, 2015 and 2014, DART's annual required contributions to other post employment benefits (OPEB) trust were $4,313 and $5,141. These contribution amounts are the same as annual OPEB costs for both years. The OPEB trust was set up during the fiscal year 2008 for the first time and is not included in those financial statements. DART has 299 retirees and surviving spouses that participate in the medical plan and 286 that participate in the life insurance plan as of September 30, 2015 compared to 269 participants in the medical plan and 287 in the life insurance plan as of September 30, 2014.

Actuarial Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

Valuation Date	September 30, 2015
Investment Return	7.00%
CPI increase	2.5%
Future Participation	For future eligible retirees, 56% are assumed to elect medical coverage, while 100% are assumed to elect life coverage
Health Care Trend rate (Health care inflation rate)	Initial (year 2015) 8%, ultimate 5%. Ultimate year 2024.
Mortality	For active employees and healthy retirees and dependents, the SOA RP-2014 Blue Collar Headcount-weighted mortality projected with the MP-2014 improvement scale on a fully generational basis. For disabled retirees, the SOA RP-2014 Disabled Headcount-weighted mortality projected with the MP-2014 improvement scale on a fully generational basis.
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
Dependent coverage	For active employees, 40% are assumed to be married at retirement with the spouse electing coverage. Female spouses are assumed to be four (4) years younger than their husbands. Any potential costs for children have not been considered for valuation purposes.
Actuarial Cost Method	Projected Unit Credit
Salary Increases	3.25% per annum
Amortization	30 Years Level Dollar Amortization Method, Open period
Measurement Date	September 30, 2014

FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014 (Dollars in Thousands)

Valuation Date	September 30, 2014
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 rate (Health care inflation rate)	Year 2014 trend is 8% for Aetna dropping to 5% in 2016. Year 2014 trend is 10.5% for Secure Horizons Medicare Advantage Plan, trending down to 8.5% in 1% increments where they stay level for five years before dropping to 5% in 2022.
Mortality	RP 2000 combined mortality tables for males and females with rates increased by 8.59% and with generational projection from 2000 by Scale AA.
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
Dependent coverage	For active employees, 40% are assumed to be married at retirement with the spouse electing coverage. Female spouses are assumed to be four (4) years younger than their husbands. Any potential costs for children have not been considered for valuation purposes.
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 2015 and 2014, annual OPEB cost and the net OPEB asset were as follows:

	2015	2014	2013
Annual required contribution	$4,313	$5,141	$4,996
Annual OPEB cost	4,313	5,141	4,996
Total employer contributions	4,313	5,141	4,996
Increase in net OPEB obligation (decrease in net OPEB asset)	-	-	-
Net OPEB asset (obligation), beginning of year	-	-	-
Net OPEB asset (obligation), end of year	$ -	$ -	$ -
Percentage of annual OPEB cost contributed	100%	100%	100%

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	
	9/30/15	9/30/14
Actuarial value of assets	$36,235	$30,243
Actuarial accrued liability (AAL)	$52,034	$58,315
Unfunded AAL (UAAL)	$15,799	$28,072
Funded ratio	69.6%	51.9%
Covered payroll	$185,181	$174,557
UAAL as a % of covered payroll	8.5%	16.1%

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014 (Dollars in Thousands)

20. 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.

21. 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) and the three miles extension of the Blue Line from Ledbetter Station toward the University of North Texas (UNT) Dallas Campus located at the southeast corner of Camp Wisdom Road and University Hills Blvd. 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 $4.1 billion as of September 30, 2015. 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 opened for revenue service in December 2012. The third section of the Irving line (Irving-3) opened for service in August 2014. DART has entered into contract commitments for the LRT build out and other capital developments in the amount of $3.5 billion and has spent approximately $3.3 billion of the committed amount as of September 30, 2015.

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 $735 and $817 in 2015 and 2014, respectively.

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

Fiscal Year	2016	2017	2018	2019	2020
Minimum Lease Payments	$647	$482	$482	$455	$443

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 Position.

22. DERIVATIVE INSTRUMENTS

Diesel Fuel Hedge

DART has diesel fuel delivery contracts with suppliers for commuter rail vehicles and some DART buses and a gasoline contract for service vehicles. 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 fuel hedge contracts that run from May 1, 2015 to September 30, 2017. The fair values of the derivative instrument associated with this hedge contract were $937 as of September 30, 2015 and no value as of September 30, 2014. The $937 fair value of the fuel hedge contract as of September 30, 2015 is included in the Deferred Outflows of Resources on the Statements of Net Position.

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 service vehicles. 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 sulfur diesel (ULSD) for each month.

Risks

Credit risk – The derivative instrument for fiscal year 2015 to 2017 is held by the same counterparty. As of the end of fiscal year 2015, DART's position in the derivative instrument was a potential outflow of resources. DART could have been exposed to credit risk if the counterparty to the transaction becomes insolvent but that did not happen. The credit rating for the counterparty was A2 during 2015.

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 purchased for its operations. No termination event has occurred during fiscal year 2015 and the contract will expire on 9/30/2017.

Contingencies

The 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, 2013 is AA+ as issued by Standards & Poor's 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 also buys 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 Position as of September 30, 2015 and 2014.

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 purchased for its operations. No termination event occurred during fiscal years 2015 and 2014.

23. NEW ACCOUNTING PRONOUNCEMENTS

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements and provide guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for DART's fiscal year ended September 30, 2016.

In June 2015, GASB issued Statement No. 73**,** *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The provisions in

Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016.

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In June 2015, GASB issued statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

In June 2015, GASB issued Statement No. 76**,** *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

In August 2015, GASB issued Statement No. 77**,** *Tax Abatement Disclosures*. This Statement requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

In December 2015 GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.* This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015 but are not applicable to DART.

In December 2015 GASB issued Statement No. 79 *Certain External Investment Pools and Pool Participants.* This statement addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for provisions on portfolio quality, custodial credit risk, and shadow pricing which are effective for reporting periods beginning after December 15, 2015.

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

FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014 (Dollars in Thousands)

24. SUBSEQUENT EVENTS

In December 2015, DART issued and sold $117,470 in Senior Lien Sales Tax Revenue Refunding Bonds (Series 2015 Bonds). These refunding bonds are issued to partially refund existing Series 2007 bonds and are secured by and payable from pledged revenues. Pledged revenues include sales and use tax and farebox revenues. The following table summarizes debt service requirements of the Senior Lien Sales Tax Revenue Bonds including the Series 2015 bonds issued on December 15, 2015 and excluding and TIFIA Loan.

Year Ended September 30	Principal	Interest	Total Debt Service	Build America Bonds tax credit	Net Debt Service
2016	$48,115	$169,346	$217,461	$(28,391)	$189,070
2017	51,930	167,240	219,170	(28,391)	190,779
2018	53,845	164,933	218,778	(28,391)	190,387
2019	56,140	162,524	218,664	(28,391)	190,273
2020	58,700	159,891	218,591	(28,391)	190,200
2021 – 2025	334,055	755,119	1,089,174	(144,683)	944,491
2026 – 2030	406,640	663,629	1,070,269	(138,480)	931,789
2031 – 2035	515,760	538,289	1,054,049	(121,147)	932,902
2036 – 2040	625,580	382,799	1,008,379	(95,562)	912,817
2041 – 2045	732,045	198,668	930,713	(47,891)	882,822
2046 – 2049	434,555	38,088	472,643	(8,258)	464,385
TOTAL	$3,317,365	$3,400,526	$6,717,891	$(697,976)	$6,019,915

The debt service amounts shown above are net of expected federal subsidies payments on the Series 2009B and 2010B Bonds, with a 6.8% sequestration reduction projected until fiscal year 2024.

Lease/lease back termination- On November 23, 2015, DART entered into a lease termination agreement and terminated the October 26, 2000 lease/lease back transaction. The following amounts related to this terminated lease transaction were included in the Statements of Net Position as September 30, 2015 and 2014.

	9/30/2015	9/30/2014
Restricted investments held to pay capital lease/leaseback liabilities - current	$5,836	$5,836
Restricted investments held to pay capital lease/leaseback liabilities – non-current	87,402	86,153
	$93,238	$91,989
Current portion of Capital lease/leaseback liabilities	$5,836	$5,836
Capital lease/leaseback liabilities (non-current)	87,402	86,153
	$93,238	$91,989

The following schedule shows future minimum sublease payments for the remaining outstanding lease capital lease/leaseback transaction after the November 23, 2015 termination of one of the two leases that were outstanding as of September 30, 2015.

Year Ending September 30	Minimum Sublease Payments
2016	$6,374
2017	6,374
2018	6,374
2019	6,374
2020	6,374
2021 – 2025	141,684
Total minimum sublease payments due under capital lease/leaseback	173,554
Less: amount representing interest	(65,694)
Present value of minimum sublease payments	$107,860

DALLAS AREA RAPID TRANSIT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF NET PENSION LIABILITY

September 30, 2015 (Dollars in Thousands)

The schedule of changes in the DART's Net Pension Liability and Related Ratios (Dollar amounts in thousands)

	2015
Total pension liability	
Service cost	$502
Interest	14,674
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	-
Benefit payments	(11,364)
Net change in total pension liability	3,812
Total pension liability – beginning	215,207
Total pension liability – ending (a)	$219,019
Plan fiduciary net position	
Contributions – employer	$9,122
Contributions – employee	2
Net investment income, net of expenses	12,532
Benefit payments	(11,364)
Administrative expenses	(250)
Net change in plan fiduciary net position	10,042
Plan fiduciary net position - beginning	146,787
Plan fiduciary net position - ending (b)	$156,829
DART's net pension liability (a) – (b)	$62,190
Plan fiduciary net position as a percentage of total pension liability	71.61%
Covered employer payroll	$19,438
DART's net pension liability as a percentage of covered employer payroll	319.94%

Notes to Schedule

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

DALLAS AREA RAPID TRANSIT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS

September 30, 2015 (Dollars in Thousands)

The schedule of DART Contribution to DB Pension Plan (Dollar amounts in thousands)

	9/30/2015	9/30/2014
Actuarially determined contribution	$8,706	$9,122
Contribution in relation to the actuarially determined contribution	8,706	9,122
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll*		$19,438
Contribution as a percentage of covered employer payroll*		46.93%

*Covered employee payroll information as of September 30, 2015 is not available.

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of October 1, in the fiscal year in which contributions are reported. That is, the contribution calculated as of October 1, 2014 will be made during the fiscal year ended September 30, 2015.

Actuarial Cost Method	Projected Unit Credit
Amortization method	Level dollar
Amortization period	Gains and losses are amortized over 15 years, assumption changes are amortized over 30 years, and plan changes are amortized over 30 years.
Asset valuation method	Based on 5-year phase-in of investment gains and losses.
Inflation	2.5%
Investment Return	7.00%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.50%.
Salary Increases	3.25%
Mortality	Healthy mortality rates were based on the RP-2000 combined mortality table for males and females increased by 8.59% and projected generationally from 2000 by Scale AA. Disabled mortality rates were based on the RP-2000 disabled mortality tables for males and females.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

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

September 30, 2015 (Dollars in Thousands)

The schedule of funding progress for the DART Defined Benefit Pension Plan calculated by the actuaries is as follows:

	Actuarial Valuation Date		
	10/1/13	10/1/12	10/1/11
Actuarial Value of Assets	$142,664	$137,946	$141,480
Actuarial Accrued Liability (AAL) Projected Unit Credit	201,706	199,447	195,504
Unfunded AAL (UAAL)	59,042	61,501	54,024
Funded Ratio	70.7%	69.2%	72.4%
Covered Payroll	19,438	19,467	19,306
UAAL as a % of Covered Payroll	303.7%	315.9%	279.8%

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: The data for the two most recent valuations is based on payroll information as of September 30, 2014

	Actuarial Valuation Date		
	9/30/2015	9/30/2014	9/30/2013
Actuarial Value of Assets	$36,235	$30,243	$24,162
Actuarial Accrued Liability (AAL)	$52,034	$58,315	$52,676
Unfunded AAL (UAAL)	$15,799	$28,072	$28,514
Funded Ratio	69.6%	51.9%	45.9%
Covered Payroll	$185,181	$174,557	$174,557
UAAL as a % of Covered Payroll	8.5%	16.1%	16.3%

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DART®