

# Dallas Area Rapid Transit

Financial Statements  
Years Ended September 30, 2009 and 2008  
and Independent Auditors' Report



**DALLAS AREA RAPID TRANSIT**  
**Financial Statements as of and for the Years Ended**  
**September 30, 2009 and 2008**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of net assets, the statements of revenues, expenses and changes in net assets, and statements of cash flows of Dallas Area Rapid Transit ("DART"), as of and for the years ended September 30, 2009 and 2008. These financial statements are the responsibility of DART's management. Our responsibility is to express opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DART's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DART, as of September 30, 2009 and 2008, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis and the schedule of funding progress, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of DART's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Deloitte & Touche LLP*

January 26, 2010

**DALLAS AREA RAPID TRANSIT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
SEPTEMBER 30, 2009 and 2008 (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, 2009 and 2008. 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, 2009 and 2008, total assets of DART exceeded total liabilities by \$2,418,464 and \$2,225,832 respectively. The amount of unrestricted net assets as of September 30, 2009 was \$372,462 compared to \$433,770 in 2008.

The net assets of DART increased by \$192,632 during the current fiscal year compared to an increase of \$132,157 last year. The increase in fiscal year 2009 is due to increases in capital contributions and grants, net of the increases in operating expenses and non-operating expenses. The increase in fiscal year 2008 is due to increases in sales tax, operating revenues, capital contributions, and grants, net of the increases in operating expenses and non-operating expenses.

DART's total debt increased by \$1,045,820 (51%) during the current fiscal year compared to an increase of \$530,042 (35%) in 2008. The increase in 2009 is due to additional borrowing in the form of sales tax revenue bonds and commercial paper notes. The increase in 2008 was due to additional borrowing in the form of sales tax revenue bonds.

Capital contributions from federal and local governments were \$244,924 in 2009 and \$132,888 in 2008. Such contributions were used to finance DART's transit system expansion projects and acquisition of light rail vehicles and equipment.

Other federal grants were \$57,759 in 2009 compared to \$42,490 in 2008.

For fiscal year 2009, total expenses exceeded total revenues resulting in a loss before capital contributions and grants of \$110,051 compared to \$43,221 for 2008. The loss in 2009 is more than that of 2008 primarily because of the increase in expenses and decrease in sales 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 assets; statements of revenues, expenses, and changes in net assets; statements of cash flows; and notes to the financial statements.

The statements of net assets present information on all of DART's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of DART is improving or deteriorating. The statements of net assets are shown on page 12.

The statements of revenues, expenses, and changes in net assets present information on revenues, expenses, capital contributions, and how DART's net assets changed during the two most recent fiscal years. All changes in net assets are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of related cash flows. Thus, revenues, expenses, and capital contributions are reported in the statements for some items that result only in cash flows in future fiscal periods. The increase or decrease in net assets may serve as an indicator of the effect of DART's current year operation on its financial position. The statements of revenues, expenses, and changes in net assets are shown on page 13 of this report.

The statements of cash flows summarize all of DART's cash flows into four categories: cash flows from operating activities; cash flows from non-capital financing activities; cash flows from capital and related financing activities; and cash flows from investing activities. The statements of cash flows, along with related notes and information in other financial statements, can be used to assess the following: DART's ability to generate positive future cash flows and pay its debt as the debt matures; the reasons for differences between DART's operating cash flows and operating income (loss); and the effect of cash and non-cash investing, capital, and financing activities on DART's financial position. The statements of cash flows are shown on pages 14-15 of this report.

**DALLAS AREA RAPID TRANSIT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
SEPTEMBER 30, 2009 and 2008 (Dollars in Thousands)**

Notes to the financial statements provide additional information that is essential to fully understand the data provided in the statements of net assets, statements of revenues, expenses, and changes in net assets, and statements of cash flows. The notes to the financial statements are shown on pages 16-35.

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 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 a blended component unit, Regional Rail Right-of-Way Corporation.

**FINANCIAL ANALYSIS**

Statements of Net Assets – Total assets of DART exceeded total liabilities by \$2,418,464 and \$2,225,832 as of September 30, 2009 and 2008, respectively. The largest portion of this excess (84% in 2009 and 80% in 2008) was invested in capital assets, net of related outstanding debt. DART uses these capital assets to provide public transportation services to customers and member jurisdictions; consequently, these assets are not available for future spending. Although DART's investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be obtained from other sources such as sales tax, since the capital assets themselves cannot be used to liquidate these liabilities.

**Condensed Summary of Assets, Liabilities, and Net Assets  
(Amounts in thousands)**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current assets	\$670,077	\$714,381	\$690,216
Other non-current assets	1,309,595	721,586	450,167
Capital assets (net of accumulated depreciation)	<u>3,934,142</u>	<u>3,183,950</u>	<u>2,722,545</u>
Total assets	<u>5,913,814</u>	<u>4,619,917</u>	<u>3,862,928</u>
Current liabilities	492,159	333,031	443,210
Long-term liabilities	<u>3,003,191</u>	<u>2,061,054</u>	<u>1,326,043</u>
Total liabilities	<u>3,495,350</u>	<u>2,394,085</u>	<u>1,769,253</u>
Net assets			
Invested in capital assets, net of related debt	2,030,937	1,779,450	1,627,343
Restricted for:			
Debt service	15,065	12,612	11,827
Unrestricted	<u>372,462</u>	<u>433,770</u>	<u>454,505</u>
Total net assets	<u>\$2,418,464</u>	<u>\$2,225,832</u>	<u>\$2,093,675</u>

Other non-current assets increased by \$588,009 in 2009 and by \$271,419 in 2008 due to the investment of the 2009 and 2008 bond proceeds. These proceeds will be used to pay for the costs of acquisition and construction of capital assets.

In 2009, \$15,065 of DART's net assets represented resources that were restricted for debt service compared to \$12,612 in 2008. The remaining balance of net assets other than amounts invested in capital assets, net of related debt, \$372,462 in 2009 and \$433,770 in 2008, was unrestricted and available to meet DART's ongoing obligations. The DART Board designated \$36,255 and \$67,476 of the unrestricted net assets for self-insurance and financial reserves in 2009 and 2008, respectively. The decreases in unrestricted net assets of \$61,308 (14%) in 2009 and \$20,735 (5%) in 2008 were due to increase in capital expenditures.

**DALLAS AREA RAPID TRANSIT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
SEPTEMBER 30, 2009 and 2008 (Dollars in Thousands)**

Statements of Revenues, Expenses, and Changes in Net Assets – During fiscal year 2009, DART's activities resulted in an increase in net assets of \$192,632 compared to an increase of \$132,157 in 2008. The increase in net assets during fiscal year 2009 is due to increases in capital contributions and grants, net of the increases in operating expenses and non-operating expenses. The increase in net assets during 2008 is due to increases in sales tax, operating revenues, and grants net of the increases in operating expenses. The key elements of the changes in net assets for the fiscal years ended September 30, 2009 and 2008 with comparative information for 2007 are shown in the following table.

Summary of Revenues, Expenses, and Changes in Net Assets  
(Amounts in thousands)

	2009	2008	2007
Operating revenues			
Passenger revenues	\$ 46,712	\$ 48,957	\$ 41,114
Advertising, rent and other	10,640	10,846	9,430
Total operating revenues	<u>57,352</u>	<u>59,803</u>	<u>50,544</u>
Operating expenses			
Labor	180,834	171,804	160,209
Benefits	69,157	66,422	54,512
Services	31,894	32,156	27,919
Materials and supplies	51,279	57,040	45,996
Purchased transportation	47,291	46,749	42,411
Depreciation	121,765	118,905	112,965
Utilities	12,362	10,765	10,371
Taxes, leases, and other	5,685	5,305	4,773
Casualty and liability	3,320	3,020	1,778
Total operating expenses	<u>523,587</u>	<u>512,166</u>	<u>460,934</u>
Operating loss	<u>(466,235)</u>	<u>(452,363)</u>	<u>(410,390)</u>
Non-operating revenues (expenses)			
Sales tax	378,421	413,341	389,953
Investment income	48,985	44,947	47,506
Other non-operating revenues	16,727	17,446	9,784
Interest expense	(78,873)	(58,273)	(52,688)
Street improvements for member cities	(645)	(683)	(684)
Other non-operating expenses	<u>(8,431)</u>	<u>(7,636)</u>	<u>(4,439)</u>
Total net non-operating revenues	<u>356,184</u>	<u>409,142</u>	<u>389,432</u>
Loss before capital contributions and grants	<u>(110,051)</u>	<u>(43,221)</u>	<u>(20,958)</u>
Capital contributions	244,924	132,888	96,980
Other federal grants	<u>57,759</u>	<u>42,490</u>	<u>40,931</u>
Total capital contributions and grants	<u>302,683</u>	<u>175,378</u>	<u>137,911</u>
Increase in net assets	192,632	132,157	116,953
Net assets, beginning of the year	<u>2,225,832</u>	<u>2,093,675</u>	<u>1,976,722</u>
Net assets, end of the year	<u>\$2,418,464</u>	<u>\$2,225,832</u>	<u>\$2,093,675</u>

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

**DALLAS AREA RAPID TRANSIT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
SEPTEMBER 30, 2009 and 2008 (Dollars in Thousands)**

**REVENUES**

**Passenger Revenues** – Farebox receipts, monthly and annual pass revenues, paratransit revenue, and special event fares are included in passenger revenues. Passenger revenues decreased by 5% (\$2,245) in 2009 compared to a 19% (\$7,843) increase in 2008. The decrease in 2009 is due to the decrease in bus and light rail ridership during fiscal year 2009. The increase in 2008 was due to the increase in ridership and fare increase effective October 1, 2007.

**Advertising and Rental Income** – 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 rail corridor and other properties. Advertising and rental income decreased by 2% (\$206) in 2009 compared to an increase of 15% (\$1,416) in 2008. The decrease during 2009 is due to termination of some property leases during the year. The increase in 2008 was due to annual increases in advertising revenue rates.

**Sales Tax** – Sales tax is a dedicated 1% tax imposed on certain items within DART's member jurisdictions or service area. Sales and use tax decreased by 8% (\$34,920) in 2009 compared to an increase of 6% (\$23,388) in 2008. The decrease in 2009 was due to the negative impact of the economic recession on retail sales. The increase in 2008 was due to an improvement in the local economy. The sales tax revenue for 2008 is shown net of a \$3.6 million refund payable to the State Comptroller. Sales tax revenues are subject to audits by the State Comptroller, which sometimes result in refunds to the State. Sales and use tax revenue constituted approximately 48% and 58% of DART's total revenues in 2009 and 2008, respectively.

**Federal Grants** – Other federal grant revenues increased by 36% (\$15,269) in 2009 compared to an increase of 4% (\$1,559) in 2008. The increases in both 2009 and 2008 were due to more funds made available by the Federal Transit Administration (FTA) for preventive maintenance. DART received \$239 in 2009 and \$94 in 2008 from the U S Department of Justice for hiring law enforcement (transit police) officers under the Community Oriented Policing Services (COPS) Universal Hiring Award program. DART also received \$1,243 in 2009 and \$1,305 in 2008 from the FTA for vanpool and ozone programs.

**Capital Contributions** – Capital Contributions include federal and local grants and contributions. Capital Contributions increased by 84% (\$112,036) in 2009 compared to an increase of 37% (\$35,908) in 2008. The increases in 2009 and 2008 were due to the northwest and southeast light rail system expansion work that generated more activity during both fiscal years. Some of the cost of the rail expansion projects is funded with federal grants. The increase during 2009 is higher due to the passage of the American Recovery and Reinvestment Act (ARRA) which provided funding for the Green and Orange lines of the light rail expansion projects. During 2009, the City of Irving contributed \$1.9 million toward the Belt Line Grade separation project compared to \$1.8 million during 2008 for the same project.

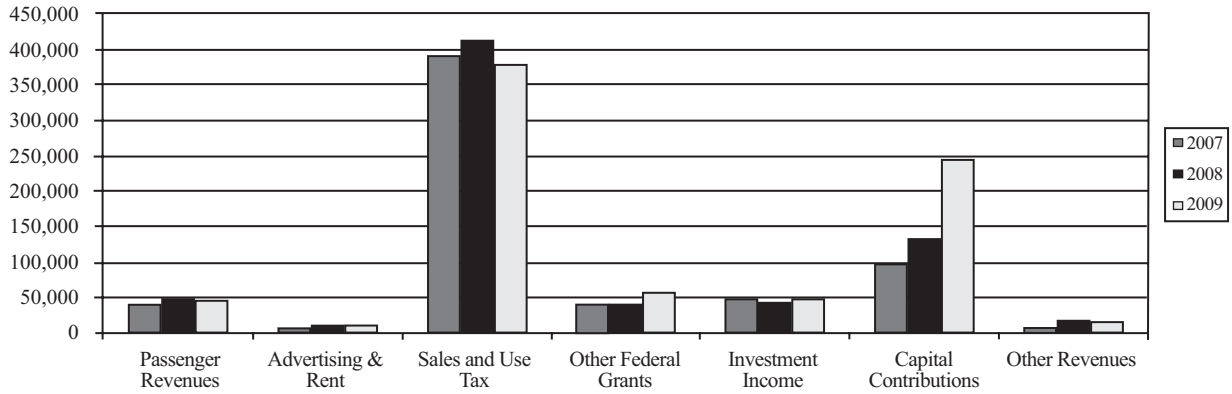
**Investment Income** – Investment income increased by 9% (\$4,038) in 2009 compared to a 5% (\$2,559) decrease in 2008. The increase in 2009 was due to adjustments made to investments held to pay capital leases as a result of changes in estimates. The decrease in 2008 was due to the decrease in interest rate.

**Other Revenues** – Other revenues decreased by 4% (\$719) in 2009 compared to a 78% (\$7,662) increase in 2008. Other Revenues includes receipts 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, alternative fuel tax credit, and Build America Bonds (BABs) interest subsidy credit. The decrease in 2009 was due to lower amounts of toll credits and alternative fuel tax credits during 2009 compared to 2008. Alternative fuel tax credit receipts during 2008 were for two fiscal years compared to one fiscal year during 2009. The increase in 2008 was due to the alternative fuel tax credit received from the federal government, increase in amounts received from the T, and a gain on disposal of capital assets.

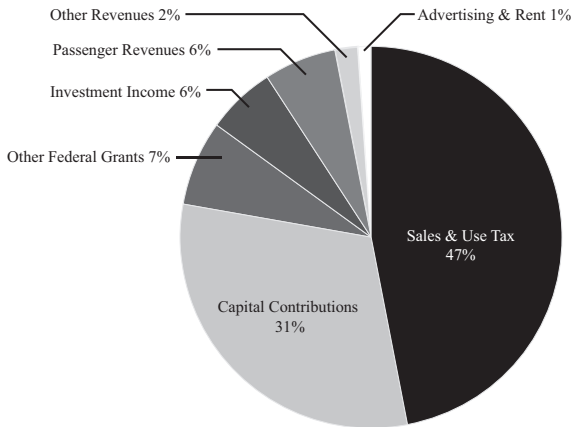
**DALLAS AREA RAPID TRANSIT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
SEPTEMBER 30, 2009 and 2008 (Dollars in Thousands)**

**REVENUES (Amounts in thousands)**

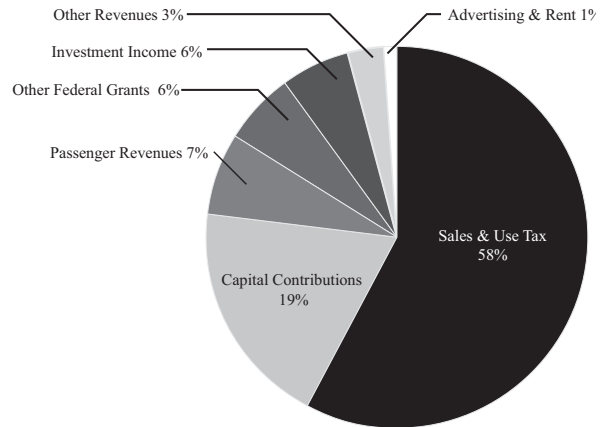
<b>Revenues</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Passenger Revenues	\$ 46,712	\$ 48,957	\$ 41,114
Advertising and Rent	10,640	10,846	9,430
Sales and Use Tax	378,421	413,341	389,953
Other federal Grants	57,759	42,490	40,931
Investment Income	48,985	44,947	47,506
Capital Contributions	244,924	132,888	96,980
Other Revenues	16,727	17,446	9,784
<b>Total</b>	<b>\$804,168</b>	<b>\$710,915</b>	<b>\$635,698</b>



**2009**



**2008**



**DALLAS AREA RAPID TRANSIT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
SEPTEMBER 30, 2009 and 2008 (Dollars in Thousands)**

**EXPENSES**

**Labor** – Labor costs increased by 5% (\$9,030) in 2009 compared to by 7% (\$11,595) in 2008. Increases in both years were due to a merit raise given to employees, vacant positions filled and new positions added during 2009 and 2008.

**Benefits** – Fringe benefits increased by 4% (\$2,735) in 2009 compared to a 22% (\$11,910) increase in 2008. The increase in 2009 is a result of an increase in labor costs. The increase in 2008 was due to the following: an increase in payroll taxes as result of increase in labor costs, an increase in workers compensation claims, increases in healthcare claim payments because of an increased number of large claims and funding of the other post employment benefits (OPEB) Plan.

**Services** – Services include contracted services such as security; vehicle, equipment and right-of-way maintenance; advertising and marketing; computer and communication; and legal, governmental, and environmental services. Services decreased by 1% (\$262) in 2009 compared to an increase of 15% (\$4,237) in 2008. The decrease in 2009 is due to lower commuter rail right of way maintenance costs and legal service fees. The increase in 2008 was due to an increase in facility maintenance costs.

**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 10% (\$5,761) in 2009 compared to an increase of 24% (\$11,044) in 2008. The decrease in 2009 is mainly due to the lower market prices of fuel. The increase in 2008 was due to higher market prices of fuel during the year.

**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 1% (\$542) in 2009 compared to a 10% (\$4,338) in 2008. The increase in 2009 is due to increases in vanpool, HOV and DART On-call services provided during 2009 compared to 2008. The increase in 2008 was due to an increase in fuel prices.

**Depreciation** – Depreciation expenses increased by 2% (\$2,860) in 2009 compared to an 5% (\$5,940) increase in 2008. The increases in both 2009 and 2008 were due to new assets placed in service during the current year.

**Utilities** – Utilities represent the cost of electricity, telecommunications, water and sewer, and natural gas. Utilities increased by 15% (\$1,597) in 2009 compared to an increase of 4% (\$394) in 2008. The increase in 2009 was due to a rate increase in the electricity supply contract. The increase in 2008 was due to an increase in the consumption of electricity, water and an increase in the use of communication services.

**Taxes, Leases, and Other** – Taxes, leases, and other represent fuel and lube taxes, rental of equipment, lease of operating and passenger facilities, training, travel, business meetings, membership dues and subscriptions, and employee programs. Taxes, leases, and other expenses increased by 7% (\$380) in 2009 compared to an increase of 11% (\$532) in 2008. The increase in 2009 was due to the increase in the allowance for uncollectible receivables. The increase in 2008 was due to fuel tax, training costs and wellness program costs.

**Casualty and Liability** – Casualty and liability expenses increased by 10% (\$300) in 2009 compared to an increase of 70% (\$1,242) in 2008. The increase in both 2009 and 2008 was due to higher than anticipated claim losses.

**Street Improvements for Member Cities** – 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 6% (\$38) in 2009 compared to 0.15% (\$1) in 2008.

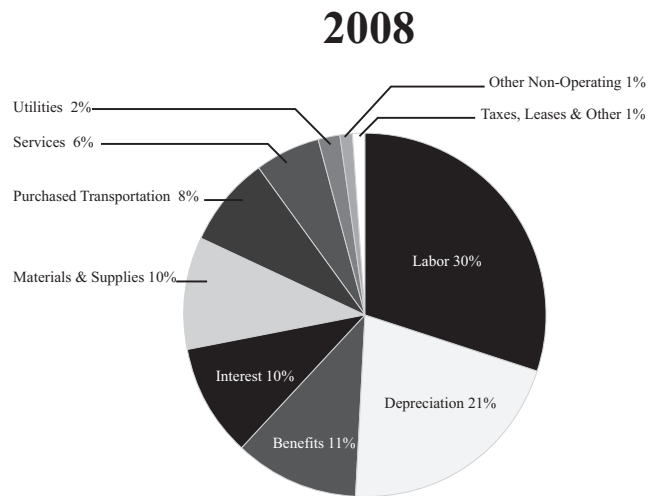
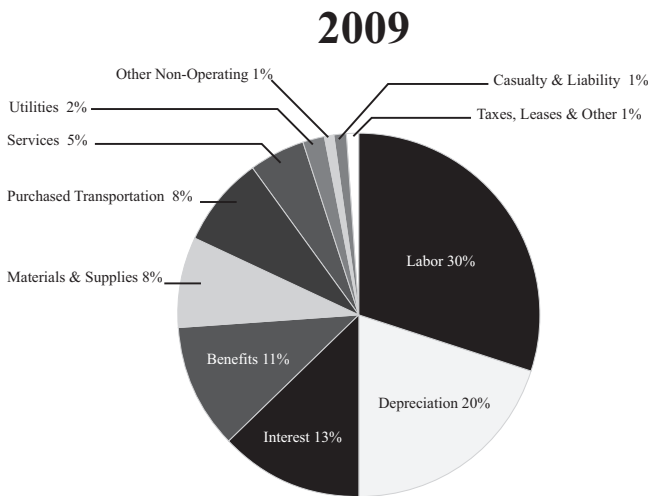
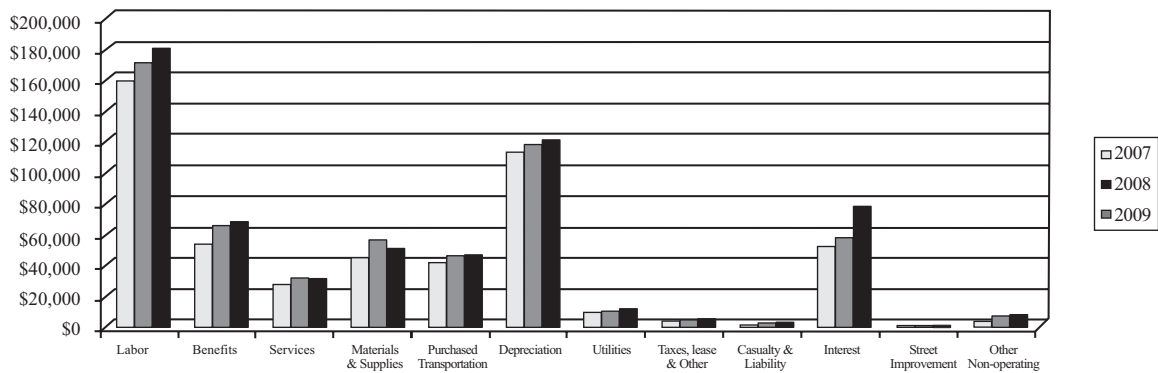
**Interest** – Interest expenses increased by 35% (\$20,600) in 2009 compared to an increase of 11% (\$5,585) in 2008. In both 2009 and 2008, interest expense increased due to additional borrowings in the form of sales tax revenue bonds and adjustments made to lease/lease back liabilities.

**Other non-operating expenses** – Other non-operating expenses increased by 10% (\$795) in 2009 compared to an increase of 72% (\$3,197) in 2008. The increase in 2009 was due to expenses related to modifications of streets adjacent to a new light rail line segment. The streets belong to the City of Dallas and Texas Department of Transportation. The increase in 2008 was due to contribution to the North Central Texas Council of Governments, a write-down of the value of an asset that was taken out of service and a write-down of the value of another asset that was damaged in an accident.

**DALLAS AREA RAPID TRANSIT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
SEPTEMBER 30, 2009 and 2008 (Dollars in Thousands)**

**EXPENSES BY OBJECT CLASS (Amounts in thousands)**

<u>Expenses</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Labor	\$180,834	\$ 171,804	\$ 160,209
Benefits	69,157	66,422	54,512
Services	31,894	32,156	27,919
Materials and Supplies	51,279	57,040	45,996
Purchased Transportation	47,291	46,749	42,411
Depreciation	121,765	118,905	112,965
Utilities	12,362	10,765	10,371
Taxes, Leases and Other	5,685	5,305	4,773
Casualty and Liability	3,320	3,020	1,778
Street improvements for member cities	645	683	684
Interest and financing expenses	78,873	58,273	52,688
Other non-operating expense	8,431	7,636	4,439
<b>Total</b>	<b>\$ 611,536</b>	<b>\$ 578,758</b>	<b>\$ 518,745</b>

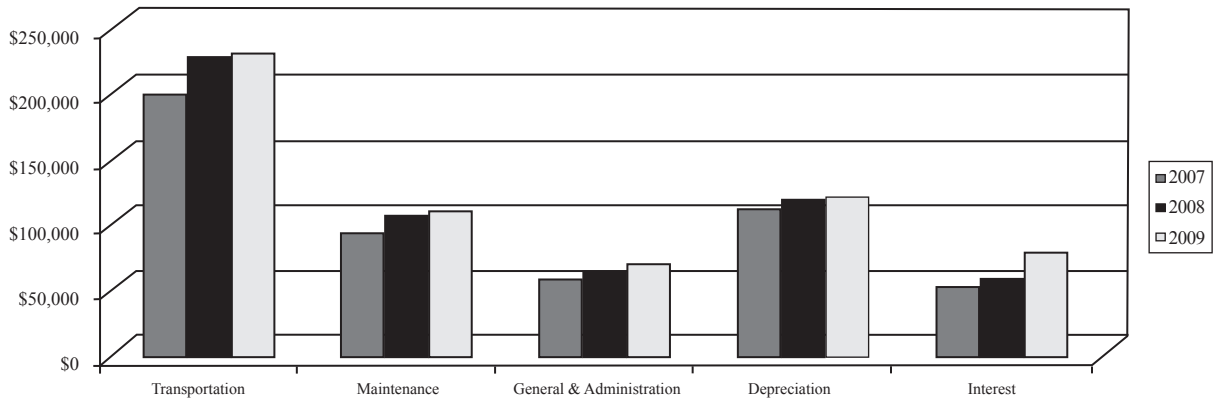


**DALLAS AREA RAPID TRANSIT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
SEPTEMBER 30, 2009 and 2008 (Dollars in Thousands)**

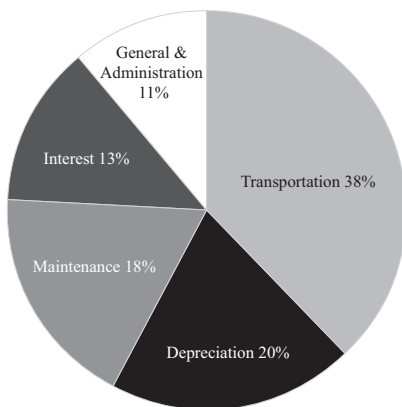
**Expenses by function – Transportation** – includes expenses that are directly related to the operation of bus, light rail, commuter rail, vanpool, paratransit, high occupancy vehicle (HOV) lanes, DART on-call and shuttle services. Such expenses include wages and benefits for operators, transit center service employees, transportation supervisors and managers, transit 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, parts and inventory, utilities, and all other costs incurred for maintenance purposes. **General and Administration** – includes administrative personnel costs, fringe benefits, accident, general liability and contract claims; local assistance to member jurisdictions in the form of 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** (Amounts in thousands)

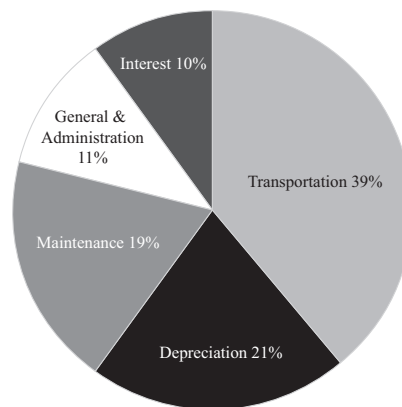
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Transportation	\$ 230,331	\$ 228,431	\$ 199,858
Maintenance	110,691	107,144	94,040
General and Administration	69,876	66,005	59,194
Depreciation	121,765	118,905	112,965
Interest	78,873	58,273	52,688
<b>Total</b>	<b><u>\$ 611,536</u></b>	<b><u>\$ 578,758</u></b>	<b><u>\$ 518,745</u></b>



**2009**



**2008**



**DALLAS AREA RAPID TRANSIT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
SEPTEMBER 30, 2009 and 2008 (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; equipment; and furniture, fixtures, and leasehold improvements. DART's investment in capital assets as of September 30, 2009, is \$3,934,142 compared to \$3,183,950 in 2008. The net increase in capital assets during the current year is \$750,192 (24%) compared to an increase of \$461,405 (17%) in 2008.

The increases during 2009 and 2008 are due to the cost of planning, designing and building the Light Rail Transit (LRT) Phase II expansion. The Phase II build-out consists of approximately 47 miles of light rail transit lines. These new lines will 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 following table summarizes capital assets net of depreciation as of September 30, 2009 and 2008 with comparative information for 2007.

	Capital Assets (Net of Depreciation) (In Thousands)		
	2009	2008	2007
Land and rights-of-way	\$ 398,914	\$ 387,934	\$ 388,000
Transitways	1,154,839	1,004,556	1,011,864
Buildings and improvements	209,198	212,959	193,981
Revenue and non-revenue vehicles and equipment	409,131	361,988	381,690
Furniture, fixtures, and leasehold improvements	6,321	6,156	1,839
Projects in progress	1,755,739	1,210,357	745,171
<b>Total</b>	<b>\$3,934,142</b>	<b>\$3,183,950</b>	<b>\$2,722,545</b>

Additional information on DART's capital assets is shown in note 6 on pages 23-25.

Outstanding debt – Outstanding debt includes sales tax revenue commercial paper notes, sales tax revenue bonds, and capital lease/leaseback liabilities. As of September 30, 2009, DART had total outstanding debt of \$3,099,364 compared to \$2,053,644 as of September 30, 2008. Outstanding debt increased by 51% (\$1,045,820) in 2009 compared to a 35% (\$530,042) increase in 2008.

The sales tax revenue commercial paper notes were \$150,000 and \$20,000 as of September 30, 2009 and 2008, respectively. The increase of 650% (\$130,000) in 2009 was due to additional borrowing during the year to finance transit system expansion projects. The decrease of 89% (\$160,000) in 2008 was due to payoff at maturity date of outstanding commercial paper notes with the proceeds from sales tax revenue bonds issued in June 2008. The commercial paper notes were issued as a senior subordinate lien to sales tax revenues and are payable from the 1% sales and use tax receipts.

Sales tax revenue bonds outstanding were \$2,613,305 as of September 30, 2009 and \$1,627,600 as of September 30, 2008. These are senior lien bonds secured by and payable from the 1% sales and use tax receipts. The increase of \$985,705 in 2009 was due to the new sales tax revenue bonds issued in June 2009. The increase of \$717,735 in 2008 was also due to the new sales tax revenue bonds issued in June 2008. The 2009 bonds were issued to finance capital projects. The 2008 bonds were issued to pay off outstanding commercial paper notes and to finance capital projects.

Capital lease/leaseback liabilities were \$336,159 and \$406,044 as of September 30, 2009 and 2008, respectively. The decrease in capital lease/leaseback liabilities in 2009 is due to lease payments and terminations of lease/lease back obligations during the year. The decrease in capital lease/leaseback liabilities in 2008 is due to lease payments made during the year. Funds held in long-term investments are adequate to pay the capital lease/leaseback liability amounts as they become due.

**DALLAS AREA RAPID TRANSIT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
SEPTEMBER 30, 2009 and 2008 (Dollars in Thousands)**

The following table summarizes DART's total outstanding debt.

	Outstanding Debt (In Thousands)		
	2009	2008	2007
Sales tax revenue commercial paper notes	\$ 150,000	\$ 20,000	\$ 180,000
Sales tax revenue bonds	2,613,305	1,627,600	909,865
Capital lease/leaseback liabilities	336,159	406,044	433,737
Total debt	<u>\$3,099,464</u>	<u>\$2,053,644</u>	<u>\$1,523,602</u>

The above sales tax revenue bonds are shown net of original issuance premium, discount and refunding gain (loss) of \$67,370 and \$56,078 as of September 30, 2009 and 2008, respectively, on the statement of net assets.

DART maintains a AAA credit rating from Fitch and Standard & Poors, and a Aaa from Moody's for its insured bonds; and a AAA credit rating from Standard & Poors, and a Aa3 from Moody's for its uninsured bonds. Additional information on DART's outstanding debt is shown in footnotes 10-14.

**ECONOMIC OUTLOOK**

Sales tax is the largest source of revenue for DART, representing 47% and 58% of total revenues in 2009 and 2008, respectively. Sales tax revenues are affected by changes in the local economy. During fiscal year 2009, DART's sales tax revenues showed an 8% decline compared to the previous year. Actual sales tax revenues in 2009 were \$378.4 million compared to \$413.3 million in 2008. The sales tax budget for 2010 is \$387.8 million compared to \$431.2 million for 2009. This represents a 10% decrease from the 2009 budget.

Increases in capital expenditures are expected in future years due to expansion of DART's light rail system. DART will be issuing additional debt as necessary to support the expansion efforts.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our member jurisdictions, customers, investors, and creditors with a general overview of DART's finances. If you have questions concerning any of the information provided in this report or need additional financial information, contact the Chief Financial Officer at Dallas Area Rapid Transit, 1401 Pacific Avenue, P.O. Box 660163, Dallas, TX 75266-7220.

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

**September 30, 2009 and 2008 (Dollars in Thousands)**

	2009	2008
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 69,563	\$ 120,883
Investments	398,124	403,309
Sales tax receivable	61,138	68,853
Transit revenue receivable, net	2,125	1,455
Due from federal and other governments	14,288	6,422
Materials and supplies inventory, net	27,036	26,026
Prepaid transit expense and other	3,160	5,181
Restricted investments held by trustee for debt service	58,027	37,646
Restricted investments held to pay capital lease/leaseback liabilities	36,616	44,606
TOTAL CURRENT ASSETS	<u>670,077</u>	<u>714,381</u>
<b>NONCURRENT ASSETS</b>		
Note receivable	3,251	3,305
Investments restricted for system expansion and acquisition	963,402	321,346
Restricted Investments held as a collateral for capital lease/leaseback liabilities	200	
Investment in joint venture	16,768	17,658
Capital assets		
Land and rights-of-way	398,914	387,934
Depreciable capital assets, net of depreciation	1,779,489	1,585,659
Projects in progress	1,755,739	1,210,357
Restricted long-term investments held to pay capital lease/leaseback liabilities	299,543	361,438
Net pension asset	4,810	4,371
Net other post employment benefit asset	605	605
Unamortized bond issue costs and other	21,016	12,863
TOTAL NONCURRENT ASSETS	<u>5,243,737</u>	<u>3,905,536</u>
<b>TOTAL ASSETS</b>	<u>5,913,814</u>	<u>4,619,917</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	161,100	163,901
Commercial paper notes payable	150,000	20,000
Current portion of capital lease/leaseback liabilities	36,616	44,606
Current portion of repayment due to State Comptroller	824	824
Local Assistance Program payable	14,824	19,213
Retainage payable	57,351	34,995
Other liabilities	10,546	10,164
Accrued interest payable from restricted assets	42,963	25,033
Current portion of senior lien sales tax revenue bonds payable	17,935	14,295
TOTAL CURRENT LIABILITIES	<u>492,159</u>	<u>333,031</u>
<b>NONCURRENT LIABILITIES</b>		
Accrued liabilities	27,389	15,890
Repayment due to State Comptroller	13,519	14,343
Senior lien sales tax revenue bonds payable	2,662,740	1,669,383
Capital lease/leaseback liabilities	299,543	361,438
TOTAL NONCURRENT LIABILITIES	<u>3,003,191</u>	<u>2,061,054</u>
<b>TOTAL LIABILITIES</b>	<u>3,495,350</u>	<u>2,394,085</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	2,030,937	1,779,450
Restricted for:		
Debt service	15,065	12,612
Unrestricted	372,462	433,770
<b>TOTAL NET ASSETS</b>	<u>\$2,418,464</u>	<u>\$2,225,832</u>

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

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

**For the Years Ended September 30, 2009 and 2008 (Dollars in Thousands)**

	2009	2008
OPERATING REVENUES		
Passenger revenues	\$ 46,712	\$ 48,957
Advertising, rent, and other	10,640	10,846
TOTAL OPERATING REVENUES	<u>57,352</u>	<u>59,803</u>
OPERATING EXPENSES		
Labor	180,834	171,804
Benefits	69,157	66,422
Services	31,894	32,156
Materials and supplies	51,279	57,040
Purchased transportation	47,291	46,749
Depreciation and amortization	121,765	118,905
Utilities	12,362	10,765
Taxes, leases, and other	5,685	5,305
Casualty and liability	3,320	3,020
TOTAL OPERATING EXPENSES	<u>523,587</u>	<u>512,166</u>
NET OPERATING LOSS	<u>(466,235)</u>	<u>(452,363)</u>
NON-OPERATING REVENUES (EXPENSES)		
Sales tax revenue	378,421	416,972
Less: Repayment due to the State Comptroller		(3,631)
Net sales tax revenue	<u>378,421</u>	<u>413,341</u>
Investment income	17,475	23,229
Interest income from investments held to pay capital lease/leaseback	31,510	21,718
Interest expense on capital lease/leaseback	(31,510)	(21,718)
Street improvements for member cities	(645)	(683)
Interest and financing expenses	(47,363)	(36,555)
Other non-operating revenues	16,727	17,446
Other non-operating expenses	(8,431)	(7,636)
NET NON-OPERATING REVENUES	<u>356,184</u>	<u>409,142</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	<u>(110,051)</u>	<u>(43,221)</u>
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	242,343	131,090
State capital contributions	77	
Local capital contributions	<u>2,504</u>	<u>1,798</u>
Total capital contributions	<u>244,924</u>	<u>132,888</u>
Other federal grants	<u>57,759</u>	<u>42,490</u>
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	<u>302,683</u>	<u>175,378</u>
CHANGE IN NET ASSETS	192,632	132,157
TOTAL NET ASSETS – BEGINNING OF YEAR	<u>2,225,832</u>	<u>2,093,675</u>
TOTAL NET ASSETS – END OF YEAR	<u>\$2,418,464</u>	<u>\$2,225,832</u>

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, 2009 and 2008 (Dollars in Thousands)**

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 56,682	\$ 60,714
Payments to suppliers of goods and services	(108,190)	(123,835)
Payments to purchased transportation service providers	(47,716)	(45,833)
Payments to employees	(178,949)	(167,173)
Benefit payments on behalf of employees	(69,958)	(68,305)
NET CASH USED BY OPERATING ACTIVITIES	<u>(348,131)</u>	<u>(344,432)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Sales tax proceeds	385,312	414,315
Other federal grants	57,883	41,968
Other non-operating receipts	10,590	14,120
Other non-operating payments	(8,395)	(2,384)
Local Assistance Program and street improvements	(5,033)	(683)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>440,357</u>	<u>467,336</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	13,641	21,947
Proceeds from sales and maturity of investments	790,421	1,240,597
Purchase of investments	(779,837)	(1,256,281)
Increase in restricted assets	(662,638)	(289,868)
NET CASH USED BY INVESTING ACTIVITIES	<u>(638,413)</u>	<u>(283,605)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(836,451)	(520,671)
Proceeds from the issuance of commercial paper notes	1,030,000	190,000
Payment on commercial paper notes	(900,000)	(350,000)
Proceeds from the issuance of sales tax revenue bonds	1,014,152	755,343
Principal payment on sales tax revenue bonds	(14,295)	(13,680)
Interest and financing expenses	(31,468)	(29,110)
Payment for debt issuance costs	(9,418)	(5,215)
Federal capital contributions	241,509	131,163
State capital contributions	77	
Local capital contributions	620	
Proceeds from the sale of capital assets	141	896
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>494,867</u>	<u>158,726</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(51,320)	(1,975)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>120,883</u>	<u>122,858</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 69,563</u>	<u>\$ 120,883</u>

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

(Continued)

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

**For the Years Ended September 30, 2009 and 2008 (Dollars in Thousands)**

	<u>2009</u>	<u>2008</u>
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$(466,235)	\$(452,363)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation	121,765	118,905
Changes in assets and liabilities		
(Increase) decrease in transit receivable	(670)	912
Increase in materials and supplies inventory	(1,010)	(2,464)
(Increase) decrease in prepaid expenses and other current assets	798	(1,005)
Decrease in pension assets	(439)	(308)
Increase in other post employment benefits assets		(605)
Decrease in accounts payable and accrued liabilities	(2,783)	(8,265)
Increase in other current liabilities	443	761
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$(348,131)</u></u>	<u><u>\$(344,432)</u></u>
 NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	\$31,510	\$21,718
Interest expense on capital lease/leaseback	(31,510)	(21,718)
Decrease in capital lease/leaseback obligations	(69,885)	(27,693)
Decrease in investments held to pay capital lease/leaseback	69,885	27,693
Increase (decrease) in fair value of investments	3,286	(1,336)
Amortization of premium, discount and debt issuance costs	(2,034)	(1,271)

(Concluded)

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

**DALLAS AREA RAPID TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009 and 2008 (Dollars in Thousands)**

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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 limited the term of debt issued by DART without voter approval, allowed the issuance of lease/leaseback transactions (see note 10), and changed the collection period of sales taxes from quarterly to monthly. 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 2011.

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 payable from and secured by the DART sales and use tax, 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 \$731,415 as authorized by the Master Debt Resolution. This issuance included \$340,985 to refund commercial paper notes. In April 2009, the Board approved the fifth issuance of Bonds (Series 2009A and Series 2009B), for \$1 billion as authorized by the Master Debt Resolution (see notes 12 and 13). These bonds are Senior Lien Sales Tax Revenue Bonds that are secured by, and payable solely from, a senior lien on revenue that DART receives from the 1% sales and use tax.

DART received approximately \$378,421 in 2009 from a 1% sales tax imposed on certain items within its member jurisdictions compared to \$416,972 in 2008. These revenues constituted approximately 48% and 58% of DART's total revenues for fiscal years 2009 and 2008, respectively. In 2009, approximately 52%, 14%, and 12% of these sales tax revenues were collected from sales in the cities of Dallas, Plano, and Irving compared to approximately 52%, 14%, and 11% from Dallas, Plano, and Irving for 2008.

Basis of Accounting – The activities of DART are accounted for as proprietary funds of other local governments and therefore are reported as an enterprise fund in accordance with governmental accounting and financial reporting principles issued by the Governmental Accounting Standards Board (GASB). Accordingly, transactions are accounted for using the accrual basis of accounting. Under Alternative 1 of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, DART has elected to apply all standards issued on or before November 30, 1989, by the Financial Accounting Standards Board (FASB), except when they contradict GASB standards.

Presentation – All dollar amounts, unless otherwise noted, are in thousands. Years 2009 and 2008 are fiscal years unless otherwise noted.

Reporting Entity – DART has a blended component unit, Regional Rail Right-of-Way Corporation (RRRC). RRRC is a legally separate corporation, which was formed to facilitate the acquisition of certain properties and right-of-way for DART. Because RRRC directly benefits DART, GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14*, requires that DART use the blending method to incorporate the financial information of RRRC into DART's financial statements. The accompanying financial statements include the accounts and operations of RRRC. All significant intercompany balances have been eliminated. Internally prepared financial statements for Regional Rail Right-of-Way Corporation 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.

**DALLAS AREA RAPID TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009 and 2008 (Dollars in Thousands)**

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New Accounting Pronouncements – During 2009, DART has implemented the Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations.

During the implementation of this Statement, DART has made an assessment of sites to determine whether any would meet the requirements of GASB 49 and would require recording of a liability in the financial statements. In a number of properties DART discovered some contamination requiring pollution remediation activities. DART has obligated itself to commence remediation activities in these cases. In other instances, DART has been named a responsible or potentially responsible party and is negotiating a remediation plan with the Texas Commission on Environmental Quality. DART recorded an estimated liability in the amount of \$725 in the Statement of Net Assets.

Governmental Accounting Standards Board Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments* also became effective for DART during 2009. This Statement establishes accounting and financial reporting requirements for land and other real estate held as investments and it did not have any financial impact on DART during 2009.

Cash and Cash Equivalents – DART considers investments in unrestricted funds with original maturities of less than 90 days to be cash equivalents. Cash and cash equivalents were \$69,563 and \$120,883 as of September 30, 2009 and 2008, respectively.

Investments – The investment balances at September 30, 2009 and 2008 are stated at fair value. Fair value is the amount at which an investment may be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. DART considers quoted market prices at September 30, 2009 and 2008, as the equivalent of the fair value of investments.

Material and Supplies Inventory – Inventory of supplies and parts is maintained at different DART warehouses for use in the operation and is recorded as an expense when consumed or placed in service. Inventory is stated at average cost.

Capital Assets – Capital assets are assets with an initial, individual cost of more than five thousand dollars (\$5,000) and an estimated useful life in excess of one year. Such assets are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets as indicated in note 6. Major improvements to buildings and equipment are capitalized. Maintenance and repairs are charged to expense as incurred. Improvements and betterments that extend the useful lives of capital assets or add new functionality are capitalized. Transit system development costs for services such as project-related design, construction, construction management, and project management costs are capitalized when incurred. Interest expense incurred during the construction phase of a capital asset is capitalized. In 2009, total interest expense of \$98,188 was incurred, and \$50,824 of this total was capitalized. In 2008, total interest expense of \$60,256 was incurred, and \$23,701 of this total was capitalized. Donated assets are capitalized at estimated fair value on 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 \$244,924 in federal, state and local capital contributions during 2009 compared to \$132,888 during 2008. Of the total amount received during 2009, \$104,044 was based on capital expenditures made during the previous years. This amount is included in Federal Capital Contributions on the Statements of Revenues, Expenses and Changes in Net Assets for the fiscal year ended September 30, 2009.

In addition to capital contributions, DART also received \$57,759 in 2009 compared to \$42,490 in 2008 in the form of other federal grants. Included in these amounts are grants that are substantially related to system maintenance grants from the federal government. Although these amounts are not capitalizable, they are capital related.

Paid Time Off, Vacation and Sick Leave – Salaried exempt and non-exempt employees are eligible for a "Paid Time Off" (PTO) benefits program. Accumulated PTO hours have no cash value unless the employee has five or more years of service. Upon termination of employment, a percentage of unused PTO hours will be paid in a lump sum based on number of years or length of continued service with DART. Hourly employees earn vacation and sick leave, which may be taken or accumulated up to certain levels, until paid upon retirement or termination. This liability has been calculated in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, and is included in the accounts payable and accrued liabilities line item in the accompanying statements of net assets.

**DALLAS AREA RAPID TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009 and 2008 (Dollars in Thousands)**

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 rental income. Non-operating revenues are revenues not directly related to the operations of DART’s transit service. Sales tax revenues 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 and the local assistance provided to eligible member jurisdictions.

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

Sales Tax Revenues – Sales tax revenues are recorded on an accrual basis. Sales tax revenues are subject to audits by the State Comptroller, which sometimes results in refunds to the State. The sales tax revenue of \$413,341 million for 2008 reported in the statement of revenues, expenses, and changes in net assets is shown net of a \$3.6 million refund due to the State Comptroller.

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.

The estimate includes incurred but not reported (IBNR) claims. Changes in the liabilities in 2009 and 2008 for all of DART’s self-insured programs are as follows (dollars in thousands):

Description	2009	2008
Beginning balance	\$16,434	\$15,079
Current year claims and changes in estimates	4,842	6,603
Payments	(5,375)	(5,248)
Ending balance	<u>\$15,901</u>	<u>\$16,434</u>
Amounts due in one year	<u>\$5,547</u>	<u>\$5,375</u>

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.

Senior Lien Sales Tax Revenue Bonds - Premiums and discounts on Senior Lien Sales Tax Revenue Bonds are amortized using the effective interest method. Costs of issuance and gains/losses on refunding are also amortized using the effective interest method over the life of the bonds.

**2. SERVICE AGREEMENTS**

DART has entered into several long-term agreements with contractors to provide paratransit, commuter rail, HOV lane, DART on-call and shuttle services. Payments to service providers are recorded as purchased transportation in the accompanying statements of revenues, expenses, and changes in net assets. A summary of the major amounts for services rendered in 2009 and 2008 and the current contract terms, including option periods, is as follows:

Contractor’s Name	Service Type	Annual Payments		Contract Terms	
		2009	2008	Began	Expires
Herzog Transit Services, Inc.	Commuter Rail	\$16,723	\$17,114	10/2005	09/2010
Veolia Transportation Services, Inc.	Paratransit and DART on-call	25,674	25,467	01/2007	12/2012
Other	Various	4,894	4,168	Various	Various
Total		<u>\$47,291</u>	<u>\$46,749</u>		

**DALLAS AREA RAPID TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009 and 2008 (Dollars in Thousands)**

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and investments as of September 30, 2009 and 2008 are classified in the statements of net assets as follows:

	<u>9/30/2009</u>	<u>9/30/2008</u>
Cash and cash equivalents	\$69,563	\$120,883
Investments	398,124	403,309
Restricted investments held by trustee for debt service	58,027	37,646
Investments restricted for system expansion and acquisition	963,402	321,346
Restricted investments held as a collateral for capital lease/leaseback liabilities	200	
Total cash and investments	<u>\$1,489,316</u>	<u>\$883,184</u>

Cash and investments as of September 30, 2009 and 2008 consist of the following:

	<u>9/30/2009</u>	<u>9/30/2008</u>
Cash on hand	\$617	\$1,189
Investments	1,488,699	881,995
Total cash and investments	<u>\$1,489,316</u>	<u>\$883,184</u>

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, 2009, the carrying amount of DART's deposits was \$617 compared to \$1,189 at September 30, 2008. Bank balances at September 30, 2009 and 2008 were entirely covered either by Federal Depository Insurance or by collateral held by DART's agent in DART's name. Cash deficits are included in the Accounts payable and accrued liabilities line item in the accompanying statements of net assets.

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

Investments authorized by the Texas Public Funds Investment Act and DART's Investment Policy

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. All DART investments are subject to the Texas Public Funds Investment Act.

**DALLAS AREA RAPID TRANSIT  
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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
U.S. Government Securities	10 years	None	None
Federal Agency Securities	10 years	None	25%
Municipal Securities	10 years	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

Investments held by bond trustee are invested in a constant \$1 money market fund that invests in treasury-only securities.

**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, 2009 and 2008 is provided in the tables below, which show the distribution of DART investments by maturity.

Authorized Investment Type	Total Amount	Remaining Maturity (in months) as of September 30, 2009		
		12 months or Less	13 to 24 Months	25 to 60 Months
Federal Agency Securities	\$ 525,475	\$ 280,597	\$ 211,535	\$ 33,343
Bankers Acceptance	109,681	109,681		
Commercial Deposits	50,090	50,090		
Commercial Paper	578,663	578,663		
Money Market Funds	224,790	224,790		
Total	\$ 1,488,699	\$ 1,243,821	\$ 211,535	\$ 33,343

Authorized Investment Type	Total Amount	Remaining Maturity (in months) as of September 30, 2008		
		12 months or Less	13 to 24 Months	25 to 60 Months
Federal Agency Securities	\$ 484,754	\$ 172,863	\$ 180,682	\$ 131,209
Commercial Paper	294,082	294,082		
Money Market Funds	103,159	103,159		
Total	\$ 881,995	\$ 570,104	\$ 180,682	\$ 131,209

**DALLAS AREA RAPID TRANSIT  
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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, 2009 and September 30, 2008 for each investment type. Money market funds listed are SEC regulated 2a.7 funds.

Authorized Investment Type	Total Amount	Rating as of September 30, 2009			
		AAA	A1/P1	AAA m	Not rated
Federal Agency Securities					
Federal Agricultural Mortgage Corp	\$ 5,005	\$ 5,005			
Federal Farm Credit Banks	50,631	50,631			
Federal Home Loan Bank	343,077	343,077			
Federal Home Loan Mortgage Corp	93,354	93,354			
Federal National Mortgage Association	33,408	33,408			
Bankers Acceptance	109,681				\$109,681
Commercial Deposits	50,090				50,090
Commercial Paper	578,663		\$578,663		
Money Market Funds	224,790			\$224,790	
<b>Total</b>	<b>\$1,488,699</b>	<b>\$525,475</b>	<b>\$578,663</b>	<b>\$224,790</b>	<b>\$159,771</b>

Authorized Investment Type	Total Amount	Rating as of September 30, 2008		
		AAA	A1/P1	AAAm
Federal Agency Securities				
Federal Farm Credit Banks	\$ 26,046	\$ 26,046		
Federal Home Loan Bank	186,203	186,203		
Federal Home Loan Mortgage Corp	184,696	184,696		
Federal National Mortgage Association	87,809	87,809		
Commercial Paper	294,082		\$294,082	
Money Market Funds	103,159			\$103,159
<b>Total</b>	<b>\$881,995</b>	<b>\$484,754</b>	<b>\$294,082</b>	<b>\$103,159</b>

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 20. Investments in any one issuer that represent 5% or more of total investment portfolio of DART as of September 30, 2009 and 2008 are as shown below:

September 30, 2009			
Investment Type	Issuer	Reported Amount	Percentage of total Portfolio
Federal Agency Securities	Federal Home Loan Bank	\$343,077	23%
	Federal Home Loan Mortgage Corp	93,354	6%
Bankers Acceptance	Bank of America	101,681	7%
Commercial Paper	Hongkong and Shanghai Banking Corp (HSBC)	74,786	5%
	ING	74,818	5%
	Met Life	74,928	5%
	Prudential	74,835	5%
	UBS	74,791	5%
Money Market Fund	Bank of America	100,066	7%

**DALLAS AREA RAPID TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009 and 2008 (Dollars in Thousands)**

September 30, 2008			
Investment Type	Issuer	Reported Amount	Percentage of total Portfolio
Federal Agency Securities	Federal Home Loan Bank	\$186,203	21%
	Federal Home Loan Mortgage Corp	184,696	21%
	Federal National Mortgage Association	87,809	10%
Commercial Paper	Societe Generale NA	54,859	6%
	Hongkong and Shanghai Banking Corp (HSBC)	44,733	5%
	Bank of America	39,833	5%

**Custodial Credit Risk**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, DART will not be able to recover the value of its investment or collateral securities that are in the possession of another party. All of DART's investments including investments, held for debt service by trustee, are registered in DART's name as of September 30, 2009 and 2008 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.

Investments held by trustee to pay lease/leaseback obligation – Investments held by trustee to pay lease/leaseback lease payments are high-grade investments in the U.S. Treasury and U.S. Agency obligations. The investments are held by the trustee in the name of DART and therefore are not subject to custodial credit risk. These investments include a combination of investments with short-term and long-term maturities. This minimizes the exposure to interest rate risk. Investments held to pay capital lease/leaseback debt liabilities are invested in guaranteed investment contracts and are not rated. They are reported at cost in the statement of net assets. All other investments are reported at fair value.

Board designated assets – The DART Board has designated that certain cash and investment balances be maintained for self-insurance and financial reserve. These amounts are shown as investments in the accompanying financial statements. The assets for self-insurance include amounts designated by the Board to fund future claims and workers' compensation liabilities. The Board established the financial reserve to accumulate sales taxes in years when receipts exceed the budgeted amount. Sales tax receipts were \$53,573 less than budget for fiscal year 2009 compared to \$7,522 more than budget for fiscal year 2008. In addition, the Board of Directors authorized the establishment of a Capital Reserve Account. Should the Financial Reserve exceed \$50 million, excess funds are placed in the Capital Project Reserve Account.

An affirmative vote of two-thirds of the Board is required to draw upon the Financial and Capital Project Reserves, and the funds may be used for any purpose approved by the Board. In August 2008, the Board of Directors authorized a \$5.6 million payment out of the Financial Reserve for the settlement of an administrative construction claim. Also, the DART Board of Directors authorized the reduction of the Financial Reserve to \$20 million.

As of September 30, 2009 and 2008, assets designated by the DART Board for specific purposes, including investments and accrued interest, consisted of the following (dollars in thousands):

Designated for	2009	2008
Self-Insurance	\$13,827	\$13,061
Financial Reserve	22,428	49,886
Capital Reserve		4,529
Total	<u>\$36,255</u>	<u>\$67,476</u>

**DALLAS AREA RAPID TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009 and 2008 (Dollars in Thousands)**

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**4. RESTRICTED ASSETS**

As security for the Senior Lien Obligations (Bonds) and Senior Subordinate Lien Obligations (Commercial Paper notes), DART is required to maintain a certain amount of money in trust accounts created for this purpose. The money maintained in the trust accounts is reported as *Investments held by trustee for debt service* in the statements of net assets. The trustee uses all the monies and investments in the account for payment of principal, interest, and administrative expenses with respect to bonds and commercial paper notes.

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

Restricted assets shown in the Statements of Net Assets also includes bond proceed investments which will be used to fund capital expenditures.

**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 assumed name of *Trinity Railway Express* ("TRE") to provide this service. The operation and maintenance of commuter rail service is contracted to Herzog Transit Services, Inc. Cost of operating TRE, net of operating revenues, is shared between DART and the T based on revenue seat miles operated in Dallas County and Tarrant County, respectively. The transit authorities separately contributed the capital for the passenger stations and track storage areas in their respective counties, including fixtures and fare collection equipment at those stations. DART has separately contributed the capital for thirteen rail diesel cars (RDCs) purchased for the initial TRE commuter rail service. DART and the T have jointly contributed the capital for four rehabilitated locomotives, two new locomotives, ten rehabilitated bi-level coaches, two rehabilitated bi-level cab cars, and two new bi-level cab cars. The book value of DART's share of these capital assets jointly owned with the T is recorded as Investment in Joint Venture in the statement of net assets in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No.39, *Determining Whether Certain Organizations Are Component Units*. There are no separate financial statements for the TRE. Each authority includes its share of revenues, operating costs and capital assets in its own financial statements.

**6. CAPITAL ASSETS**

Changes in capital assets for the years ended September 30, 2009 and 2008 are shown in the following tables (dollars in thousands). The Net Transfers/Adjustment column for those asset balances as of September 30, 2008 includes a write-down of the book value of a light rail vehicle owned by DART due to impairment per GASB Statement No. 42. The net book value of the vehicle was \$2,083 and impairment loss was \$581.

**DALLAS AREA RAPID TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009 and 2008 (Dollars in Thousands)**

	Beginning Oct. 1, 2008	Additions	Disposals	Net Transfers/ Adjustments	Ending Sept. 30, 2009
<b>Non-Depreciable Assets</b>					
Land and right-of-way	\$387,934		\$ (3)	\$10,983	\$398,914
Capital projects in progress	1,210,357	\$871,335		(325,953)	1,755,739
Total non-depreciable assets	1,598,291	871,335	(3)	(314,970)	2,154,653
<b>Depreciable Assets</b>					
Transitways	1,408,118			199,246	1,607,364
Buildings and improvements	404,477			11,995	416,472
Revenue and non-revenue vehicles and equipment	719,346		(15,185)	100,153	804,314
Furniture, fixtures, and Leasehold improvements	35,370		(757)	3,576	38,189
Total depreciable assets	2,567,311		(15,942)	314,970	2,866,339
<b>Less accumulated depreciation</b>					
Transitways	403,562	48,962			452,524
Buildings and improvements	191,518	15,757			207,275
Revenue and non-revenue vehicles and equipment	357,358	52,744	(14,919)		395,183
Furniture, fixtures, and Leasehold improvements	29,214	3,411	(757)		31,868
Total accumulated depreciation	981,652	120,874	(15,676)		1,086,850
Depreciable assets, net	1,585,659	(120,874)	(266)	314,970	1,779,489
Total capital assets	\$3,183,950	\$750,461	\$(269)		\$3,934,142

	Beginning Oct. 1, 2007	Additions	Disposals	Net Transfers/ Adjustments	Ending Sept. 30, 2008
<b>Non-Depreciable Assets</b>					
Land and right-of-way	\$388,000		\$ (318)	\$ 252	\$387,934
Capital projects in progress	745,171	\$582,546		(117,360)	1,210,357
Total non-depreciable assets	1,133,171	582,546	(318)	(117,108)	1,598,291
<b>Depreciable Assets</b>					
Transitways	1,369,288		(3,081)	41,911	1,408,118
Buildings and improvements	369,411		(188)	35,254	404,477
Revenue and non-revenue vehicles and equipment	703,230		(16,457)	32,573	719,346
Furniture, fixtures, and Leasehold improvements	33,083		(4,502)	6,789	35,370
Total depreciable assets	2,475,012		(24,228)	116,527	2,567,311
<b>Less accumulated depreciation</b>					
Transitways	357,424	47,309	(1,171)		403,562
Buildings and improvements	175,430	16,276	(188)		191,518
Revenue and non-revenue vehicles and equipment	321,540	52,098	(16,280)		357,358
Furniture, fixtures, and Leasehold improvements	31,244	2,472	(4,502)		29,214
Total accumulated depreciation	885,638	118,155	(22,141)		981,652
Depreciable assets, net	1,589,374	(118,155)	(2,087)	116,527	1,585,659
Total capital assets	\$2,722,545	\$464,391	\$(2,405)	\$(581)	\$3,183,950

**DALLAS AREA RAPID TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009 and 2008 (Dollars in Thousands)**

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

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

Certain right-of-way assets contain provisions restricting their use to rail and/or transit operations. Violation of these restrictions could result in impairment of DART's use and/or claim to these rights-of-way.

Impairment of capital assets - A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. DART has evaluated events or changes in circumstances that may have affected DART assets and has determined that impairment of a capital asset did occur in one circumstance. In 2008, one of DART's light rail vehicles was damaged in an accident and it is currently not in use. The net book value of this vehicle was \$2,083 and the impairment loss was \$581. The loss from impairment has been reported in the 2008 statement of revenues, expenses, and changes in net assets as a non-operating expense included in other non-operating expenses. There were no such asset impairments in fiscal year 2009.

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities at September 30, 2009 and 2008 were as follows:

Description	2009	2008
Accounts Payable and Accrued Liabilities		
Payroll	\$8,955	\$7,980
Accrued paid time off (PTO), vacation and sick leave	17,837	16,997
Self Insurance Liabilities	15,901	16,434
Other operating	19,548	23,614
Total operating expense related	<u>62,241</u>	<u>65,025</u>
Non-operating and capital related expenses	<u>126,248</u>	<u>114,766</u>
Total Accounts Payable and Accrued Liabilities	<u>\$188,489</u>	<u>\$179,791</u>

Of the \$188,489 in Accounts Payable and Accrued Liabilities, \$27,389 is shown as non-current in the Statements of Net Assets.

**8. ACCRUED PAID TIME OFF (PTO) VACATION AND SICK LEAVE**

Changes in accrued PTO, vacation, and sick leave for the years ended September 30, 2009 and 2008 are shown in the following table.

Description	2009	2008
Beginning balance	\$16,997	\$16,761
Additions	1,567	1,343
Payments	<u>(727)</u>	<u>(1,107)</u>
Ending balance	<u>\$17,837</u>	<u>\$16,997</u>
Amounts due in one year	<u>\$802</u>	<u>\$1,107</u>

**DALLAS AREA RAPID TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009 and 2008 (Dollars in Thousands)**

9. LOCAL ASSISTANCE PROGRAM

In 1989, DART created a Local Assistance Program (LAP) to provide technical and financial assistance to cities for the implementation of projects to reduce traffic congestion and complement bus and public transit operations. Eligible member jurisdictions are responsible for developing and submitting projects to DART for approval in order to receive distribution of these funds. According to the terms of interlocal agreements, DART allocated a percentage of its annual sales tax collections for the LAP program. Eligible member jurisdictions received 15% of the estimated sales taxes collected within that jurisdiction, except Irving, which received 7.5%. Dallas, University Park, and Highland Park were not eligible. The LAP program ended in 2004. Accrued but unpaid funds were carried over to succeeding years and were recorded as a liability on the accompanying statements of net assets.

Changes in Local Assistance Program Payable for the years ended September 30, 2009 and 2008 are as follows (dollars in thousands):

Description	2009	2008
Beginning balance	\$19,213	\$19,213
Payments	(4,389)	
Ending balance	\$14,824	\$19,213

10. FINANCE OBLIGATIONS UNDER CAPITAL LEASE/LEASEBACK

DART has entered into lease transactions in which 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 (dollars in thousands).

Lease Date	Property	Fair Market Value At Closing Date	Prepayment Received On Head Lease	Amount Invested to Satisfy Sublease Obligation	Cash Benefit	Repurchase Option Date	Sublease Termination Date
7/25/97	22 Light rail cars	\$57,992	\$51,886	\$47,096	\$4,790	01/01/13	03/01/25
7/25/97	18 Light rail cars	47,448	41,452	38,534	3,918		02/25/09
7/25/97	12 Rail diesel cars	20,742	17,562	16,964	598	01/01/08	01/01/08
5/26/98	Headquarters facility	30,000	26,402	23,061	3,341		09/17/09
5/26/98	Northwest facility	13,200	11,018	10,261	757		09/17/09
5/26/98	East Dallas facility	18,870	16,192	14,544	1,648		09/17/09
5/26/98	Service & Inspection facility	66,037	59,624	54,296	5,328		01/29/09
9/28/00	28 Light rail cars	91,000	91,000	84,000	7,000	01/02/23	01/02/23
10/26/00	25 Light rail cars	81,000	81,000	74,700	6,300	01/02/25	01/02/25
7/10/02	Buses – Lot 1	46,505	46,505	44,903	1,602	01/01/12	01/01/12
7/10/02	Buses – Lot 2	36,828	36,828	35,559	1,269	01/01/13	01/01/13
7/10/02	Buses – Lot 3	15,367	15,367	14,838	529	01/01/14	01/01/14

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. During 2008, DART exercised the option to repurchase 12 rail diesel cars associated with the 1997 lease. 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 net present value of the future sublease payments has been recorded as both a short-term and long-term liability in the accompanying statements of net assets. Since the investments have been structured to meet all future obligations under the subleases at all times when due, the investment balances have been recorded to equal the sublease liabilities on the accompanying statements of net assets. The benefits from these transactions, net of transaction costs, were recorded as non-operating revenues

**DALLAS AREA RAPID TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009 and 2008 (Dollars in Thousands)**

in the statements of revenues, expenses, and changes in net assets in the fiscal year each transaction occurred. The capital lease/leaseback liabilities are reported as follows on the statements of net assets (dollars in thousands):

	<u>2009</u>	<u>2008</u>
Amounts due within one year	\$36,616	\$44,606
Amounts due in more than one year	299,543	361,438
Total	<u>\$336,159</u>	<u>\$406,044</u>

Lease/leaseback terminations – Each of the lease/lease back transactions has specific performance requirements for DART when the financial rating of the Payment Undertaker insurer falls below a specified level. 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 set up collateral of \$200 for one of its lease/leaseback transactions. Also, during fiscal year 2009, DART negotiated early terminations of five of its lease/leaseback transactions. These early terminations resulted in liquidations of \$128,672 of DART’s capital lease obligations and the corresponding investments held to pay capital lease liabilities. For two of the lease/leaseback obligations, DART is currently in discussions with the equity participants in these transactions and believes that ultimate exposure will be eliminated or significantly reduced through mutual termination of these agreements or surety replacement.

Changes in the capital lease/lease back obligations for the years ended September 30, 2009 and 2008 are shown below:

<u>Description</u>	<u>2009</u>	<u>2008</u>
Beginning balance	\$406,044	\$433,737
Accrued interest	31,510	21,718
Retirements/terminations/adjustments	<u>(101,395)</u>	<u>(49,411)</u>
Ending Balance	<u>\$336,159</u>	<u>\$406,044</u>

The following schedule shows future minimum sublease payments as of September 30, 2009 for the outstanding lease capital lease/leaseback transactions.

<u>Year Ending September 30</u>	<u>Minimum Sublease Payments</u>
2010	\$36,616
2011	20,806
2012	55,762
2013	86,884
2014	36,209
2015 – 2019	62,936
2020 – 2024	171,417
2025 – 2026	120,206
Total minimum sublease payments due under capital lease/leaseback	<u>590,836</u>
Less: amount representing interest	<u>(254,677)</u>
Present value of minimum sublease payments	<u>\$336,159</u>

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

In January 2001, the Board approved the issuance of up to \$650 million of Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes under the provisions of the Master Debt Resolution. The proceeds from the initial \$500 million sale (Series 2001) were used to refund previously-issued commercial paper (\$330 million), to pay interest and principal on North Central Light Rail Project Notes (\$152 million), and to pay for construction of improvements and extensions to the public transportation system. In 2006, a new Revolving Credit Agreement was executed with four lenders (Westdeutsche Landesbank Girozentrale, Bayerische Landesbank Girozentrale, State Street Bank and Trust Company, and Landesbank Baden-Wurtemberg) to provide a liquidity facility to support the Commercial Paper Program. The Revolving Credit Facility expires on June 30, 2010.

**DALLAS AREA RAPID TRANSIT  
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The authorized amount of Commercial Paper Notes and Revolving Credit Agreement was increased from \$500 million to \$600 million and the agreement was changed from a three-year term to a four-year term. The Revolving Credit Agreement contains certain covenants as follows: Gross sales tax revenues must exceed debt service requirements by 150% for each of the three following years and 200% of four consecutive quarters of the last six quarters. DART complied with these covenants for the years ended September 30, 2009 and 2008.

Commercial paper is issued in blocks for terms from 1 to 270 days. The commercial paper notes are recorded as current liabilities on the statements of net assets. The Revolving Credit Agreement is secured by and payable from a pledge (senior subordinate lien) of DART's sales tax revenue. The average interest rate on outstanding commercial paper at September 30, 2009 was 0.65% compared to 1.98% at September 30, 2008. Changes in the Commercial Paper Notes for the years ended September 30, 2009 and 2008 are shown below:

Description	2009	2008
Beginning balance	\$20,000	\$180,000
Additions	1,030,000	190,000
Retirement	(900,000)	(350,000)
Ending Balance	<u>\$150,000</u>	<u>\$20,000</u>

The maximum outstanding Commercial Paper Notes did not exceed the \$650 million limit during either year.

**12. SENIOR LIEN SALES TAX REVENUE BONDS**

In August 2000, the voters in DART's service area approved the issuance of up to \$2.9 billion in sales tax revenue bonds to accelerate the completion of extensions to the existing light rail system and other improvements to the public transportation system. The DART Board has approved several issuances in accordance with the Master Debt Resolution. These bonds are Senior Lien Sales Tax Revenue Bonds that are secured by, and payable solely from, a senior lien on revenue that DART receives from the 1% sales and use tax. Pertinent information related to each bond is shown below.

Description (Bond Series)	Board Approval Date	Amount	Date issued	Interest rates (Yields) range		Maturity date range		Optional Redemption	
				From	To	From	To	Bonds maturing after	Earliest call date
2001	Jul. 2001	\$400,000	8/09/01	2.8%	5.2%	12/1/02	12/1/31	12/1/12	12/1/11
2002	Jul. 2002	98,735	9/10/02	3.0%	5.4%	12/1/05	12/1/32	12/1/13	12/1/12
2007*	Jan. 2007	770,270	3/08/07	4.0%	5.3%	12/1/07	12/1/36	12/1/17	12/1/16
2008	Apr. 2008	731,415	6/23/08	4.5%	5.3%	12/1/09	12/1/48	12/1/18**	12/1/17
2009A	Apr. 2009	170,385	6/25/09	2.8%	4.3%	12/1/14	12/1/22	12/1/19	6/1/19
2009B	Apr. 2009	829,615	6/25/09	6.0%	6.3%	12/1/23	12/1/44	See below	

\* 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 Senior Lien Sales Tax Revenue Bonds (Series 2009A Bonds), and \$829,615 in 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 is entitled to receive a tax credit from the United States Treasury in amounts equal to 35% of the interest payable amount on the Series 2009B Bonds. In 2009, DART included accrued tax credits of \$4,730 in Other Non-operating Revenues in the Statements of Revenues, Expenses and Changes in Net Assets. Any Series 2009B Bonds maturing after December 1, 2034 are subject to optional redemption on any day after May 31, 2019.

**DALLAS AREA RAPID TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009 and 2008 (Dollars in Thousands)**

Additional bonds may not be issued unless gross sales tax revenues exceed maximum debt service by at least 200% for 12 of the last 18 months. Changes in sales tax revenue bonds (shown at par) for the years ended September 30, 2009 and 2008 are shown below.

	Series 2001	Series 2002	Series 2007	Series 2008	Series 2009	Total
Balance, 9/30/2007	\$106,665	\$32,930	\$770,270			\$909,865
Addition				\$731,415		731,415
Retirement	(7,740)	(1,500)	(4,440)			(13,680)
Balance, 9/30/2008	98,925	31,430	765,830	731,415		1,627,600
Addition					\$1,000,000	1,000,000
Retirement	(8,120)	(1,475)	(4,700)			(14,295)
Balance, 9/30/2009	\$90,805	\$29,955	\$761,130	\$731,415	1,000,000	2,613,305
Amounts due within one year	\$8,490	\$1,545	\$4,920	\$2,980	-	\$17,935

The sales tax revenue bonds are shown including the original issuance premium, discount and refunding gain (loss) of \$67,370 and \$56,078 as of September 30, 2009 and 2008, respectively, on the statement of net assets.

Below is a summary of debt service requirements of the Senior Lien Sales Tax Revenue Bonds as of September 30, 2009.

Year Ended September 30	Principal	Interest	Total
2010	\$17,935	\$135,819	\$153,754
2011	18,790	138,901	157,691
2012	19,730	137,962	157,692
2013	20,760	136,931	157,691
2014	21,830	135,857	157,687
2015 – 2019	234,155	648,653	882,808
2020 – 2024	300,050	582,504	882,554
2025 – 2029	378,290	494,732	873,022
2030 – 2034	476,430	380,170	856,600
2035 – 2039	479,975	240,266	720,241
2040 – 2044	395,790	126,119	521,909
2045 – 2049	249,570	28,225	277,795
TOTAL	\$2,613,305	\$3,186,139	\$5,799,444

**13. PLEDGED REVENUES**

DART has pledged sales tax revenue as security for bonds and commercial paper debts. The amount of the pledge is equal to the remaining debt service requirements for these obligations. These obligations were issued to pay for DART system expansion and acquisition costs. The pledge continues for the remaining life of these obligations, which is currently through fiscal year 2049. Total principal and interest remaining on the bonds as of September 30, 2009 is \$5.8 billion. The annual debt service requirements for these bonds range from \$176,564 in fiscal year 2022 to \$44,165 in fiscal year 2049. For the current fiscal year, debt service on the bonds (including principal and interest) was \$93,471. Bonds have a senior lien on the sales tax revenues.

Total principal and interest remaining on commercial paper as of September 30, 2009 is \$150,174. Interest payments on commercial paper notes during the current fiscal year totaled \$505. Commercial Paper notes have a subordinate senior lien on the sales tax revenues.

**DALLAS AREA RAPID TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009 and 2008 (Dollars in Thousands)**

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**14. DEBT REFUNDINGS**

In prior years, DART issued \$770,270 in Senior Lien Sales Tax Revenue Bonds (Series 2007 bonds) to refund the Series 2001 and 2002 Bonds and the Series 2001 Commercial Paper Notes. As a result, the Series 2001 Commercial Paper Notes, and a portion of the Series 2001 and 2002 bonds are considered defeased and the liability for those notes, bonds, and the corresponding Assets in the trust account have been removed from DART's Statements of Net Assets. As of September 30, 2009 and 2008, \$328,235 of the refunded DART bonds remains outstanding and is solely payable from and secured by the assets in the irrevocable trust accounts.

**15. PENSION, RETIREMENT, AND DEFERRED COMPENSATION PLANS**

DART operates several employee benefit plans. The plans include DART Employees' Defined Benefit Plan (formerly the Dallas Transit System [DTS] pension plan), DART Retirement Plan, and DART Capital Accumulation Plan and Trust. DART is the administrator of these retirement plans and has the authority to establish and amend the plans.

Defined Benefit Plan – The DART Employees Defined Benefit Retirement Plan and Trust (the DB Plan) is a single-employer defined benefit pension plan that was designed to provide retirement, death, and disability benefits to certain employees of DART. On October 1, 1995, the DTS Employees Retirement Plan (Plan A) was amended to become the DB Plan. Participants of the DB Plan are those employees who were members of the former plan on September 30, 1995. Those employees who elected to be covered under Plan A have eligibility, vesting, and benefit provisions different from those who elected the DB Plan. DART's covered payroll for the DB Plan as of October 1, 2008 (actuarial valuation date), was approximately \$24.7 million.

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 \$4,810 and \$4,371 is shown in the accompanying statements of net assets of DART at September 30, 2009 and 2008, 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 2009 and 2008 were computed as part of an actuarial valuation performed and dated as of the first day of the fiscal periods, October 1, 2008 and 2007. The significant actuarial assumptions are shown on the next page.

**DALLAS AREA RAPID TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009 and 2008 (Dollars in Thousands)**

The significant actuarial assumptions as of October 1, 2008 and 2007 are as follows:

	<u>October 1, 2008</u>
Investment Return	8% compounded annually, net of expenses
Project Salary Increases	3.5% per annum
Mortality	RP 2000 mortality tables for males and females
Disability Mortality	RP 2000 mortality tables for males and females
Retirement Age	Ranges from 55 to 60
Cost-of-Living Adjustments	2.5% per annum
Actuarial Cost Method	Projected Unit Credit Cost Method

	<u>October 1, 2007</u>
Investment Return	8% compounded annually, net of expenses
Project Salary Increases	3.5% per annum
Mortality	RP 2000 mortality tables for males and females
Disability Mortality	RP 2000 mortality tables for males and females
Retirement Age	Age 60
Cost-of-Living Adjustments	2.5% per annum
Inflation	2.5% per annum
Actuarial Cost Method	Projected Unit Credit Cost Method

For plan years 2009, 2008, and 2007, the net pension asset was as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual Required Contribution	\$4,559	\$4,311	\$4,670
Interest on net pension asset	(350)	(325)	(297)
Adjustment to annual required contribution	388	361	330
Annual Pension Cost	4,597	4,347	4,703
Employer Contributions	5,036	4,655	5,050
Increase in net pension asset	439	308	347
Net Pension asset, beginning of year	4,371	4,063	3,716
Net Pension asset, end of year	<u>\$4,810</u>	<u>\$4,371</u>	<u>\$4,063</u>
Percentage of annual pension cost contributed	<u>110%</u>	<u>107%</u>	<u>107%</u>

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

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

	<u>Actuarial Valuation Date</u>	
	<u>10/1/08</u>	<u>10/1/07</u>
Actuarial Value of Assets	\$145,269	\$141,720
Actuarial Accrued Liability (AAL)	166,876	160,960
Projected Unit Credit		
Unfunded AAL (UAAL)	21,607	19,240
Funded Ratio	87.1%	88.0%
Covered Payroll	24,721	24,832
UAAL as a % of Covered Payroll	87.4%	77.5%

**DALLAS AREA RAPID TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009 and 2008 (Dollars in Thousands)**

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The recent downturn in market conditions will have a negative impact on the funded ratio. 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 \$11,127 and \$10,607 for the years ended September 30, 2009 and 2008, 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 \$3,949 and \$3,414 for the years ended September 30, 2009 and 2008, respectively.

**16. POSTEMPLOYEMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description.* DART administers a single-employer defined benefit other post employment benefits (OPEB) Plan. The plan provides healthcare and life insurance for eligible retirees and their spouses through DART's group health plan and group life plan, which covers both active employees and retired members. Eligibility criteria for the post employment health care and life insurance benefits are as follows: Participants of the defined pension plan will be eligible at age 55 with a minimum of ten years of service to DART. Participants of the defined contribution pension plan will be eligible at age 60 with a minimum of ten years of service to DART.

*Funding Policy.* DART's contribution to the retiree healthcare and life insurance is an annual required contribution (ARC) determined actuarially based on the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortization of any unfunded actuarial liabilities (funding excess) over a period not to exceed thirty years. The current ARC is 2.5% of annual covered payroll. 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, 2009 and 2008, DART's contribution to other post employment benefits (OPEB) trust was \$3,745 and \$3,733. 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 these financial statements. DART has 296 retirees eligible to receive these benefits in 2009 compared to 323 retirees in 2008.

*Actuarial Assumptions.* Actuarial evaluations were performed for the OPEB Plan as of September 30, 2009 and 2008. The following tables show the actuarial assumptions:

Valuation Date	September 30, 2009
Investment Return	7.00%
Future Participation	For future eligible retirees, 56% are assumed to elect medical coverage, while 100% are assumed to elect life coverage
Health Care Trend	Year 1 trend is 10%, and the trend for 6 or more years is 5%
Mortality – Pre-retirement	RP 2000 Employees Pre-Retirement Mortality
Mortality – Post-retirement	RP 2000 Healthy Mortality
Aging Factor	3% per annum for Pre-65 and 2% for Post-65
Retirement Age	From 55 to 65 for Defined Benefit Pension Plan participants and from 60 to 70 for Defined Contribution Pension Plan participants
Spouse coverage	40% of future retirees are assumed to have spouses
Age of Dependent Spouse	Females are assumed to be 4 years younger than males
Per Capita Claims Costs	Is based on recent claim experience
Actuarial Cost Method	Projected Unit Credit

**DALLAS AREA RAPID TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009 and 2008 (Dollars in Thousands)**

Valuation Date	September 30, 2008
Investment Return	6.25%
Future Participation	For future eligible retirees, 56% are assumed to elect medical coverage, while 100% are assumed to elect life coverage
Health Care Trend	Initial trend, 11%, ultimate trend, 5%
Mortality	RP 2000 mortality, gender distinct
Aging Factor	3% per year
Retirement Age	From 55 to 65 for Defined Benefit Pension Plan participants and from 60 to 70 for Defined Contribution Pension Plan participants
Spouse coverage	40% of future retirees are assumed to have spouses
Age of Dependent Spouse	Females are assumed to be 4 years younger than males
Per Capita Claims Costs	Is based on recent claim experience
Actuarial Cost Method	Unit Credit

*Annual OPEB Cost and Net OPEB Asset.*

For plan years 2009 and 2008, annual OPEB cost and the net OPEB asset were as follows:

	2009	2008
Annual Required Contribution	\$3,745	\$3,733
Interest on net OPEB asset	42	-
Amortization of net OPEB asset	(42)	-
Annual OPEB Cost	<u>3,745</u>	<u>3,733</u>
Total Employer Contributions and benefits paid	<u>3,745</u>	<u>4,338</u>
Increase in net OPEB asset	-	605
Net OPEB asset, beginning of year	<u>605</u>	-
Net OPEB asset, end of year	<u>\$605</u>	<u>\$605</u>
Percentage of annual OPEB cost contributed	<u>100%</u>	<u>116%</u>

*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:

	Actuarial Valuation Date	
	9/30/09	9/30/08
Actuarial Value of Assets	\$7,362	\$3,064
Actuarial Accrued Liability (AAL)	\$34,151	\$31,860
Unit Credit		
Unfunded AAL (UAAL)	\$26,789	\$28,797
Funded Ratio	21.6%	9.6%
Covered Payroll	\$150,406	150,187
UAAL as a % of Covered Payroll	17.8%	19.2%

**17. CLAIMS AND LITIGATION**

In the ordinary course of business, a number of claims and lawsuits arise from individuals seeking compensation for personal injury, death, and/or property damage resulting from accidents occurring in the operation of the system. In addition, DART has been named as a defendant in a number of lawsuits relating to personnel and contractual matters. Management does not believe that the outcome of these claims will have a material adverse effect on DART's financial position. Management has accrued an estimate of losses on such claims and has included this accrual in accounts payable and accrued liabilities in the accompanying statements of net assets.

**DALLAS AREA RAPID TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009 and 2008 (Dollars in Thousands)**

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18. COMMITMENTS AND CONTINGENCIES

The Board has approved a Transit System Plan, which includes the design and construction of a 47-mile light rail transit (LRT) extension from Downtown Dallas to Buckner Blvd. (the Southeast Corridor) and from Downtown Dallas to Farmers Branch, Carrollton, and Irving (the Northwest Corridor) and from downtown Garland to Rowlett (Rowlett extension). The timing and completion of the Transit System Plan is based on economic assumptions made in DART's 20-year financial plan and is subject to change based on changing economic conditions. The Transit System Plan is forecasted at \$3.3 billion as of September 30, 2009. DART has entered into contract commitments for the LRT build out and other capital developments in the amount of \$3.1 billion and spent approximately \$1.9 billion of the committed amount as of September 30, 2009 on these projects.

DART participates in several federal and state grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. In the opinion of management, no significant contingent liabilities exist relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

DART has entered into certain operating lease agreements. Operating lease expenses are approximately \$964 and \$921 in 2009 and 2008, respectively. Future minimum lease payments for all non-cancelable operating leases are as follows (dollars in thousands):

Fiscal Year	2010	2011	2012	2013	2014
Minimum Lease Payments	<u>\$679</u>	<u>\$354</u>	<u>\$160</u>	<u>\$51</u>	<u>\$0</u>

DART uses a significant amount of diesel fuel for its operations. As a result, DART is exposed to market price fluctuations on its purchase of diesel fuel. In order to protect itself from increases in fuel market prices, DART uses fuel hedges.

On October 6, 2008, DART entered into a fuel hedge of ultra low sulfur diesel fuel on a total notional amount of 6,957 million gallons. The hedge is effective October 1, 2009 and terminates July 30, 2010. The hedge is settled each month and is based on an average fixed price of \$2.73 and a floating price based on the Platts US Gulf Coast ultra low sulphur diesel fuel.

On June 8, DART entered into four additional hedges of ultra low sulfur diesel fuel. The hedges begin October 1 of each fiscal year and end September 30 of that same fiscal year. The notional amount is 701,100 gallons per month. Hedges are settled every month. The fixed price for fiscal year 2011 is \$2.19. The average fixed price is \$2.31 for fiscal year 2012 and is \$2.39 for fiscal year 2013. The floating price is based on the Platts US Gulf Coast ultra low sulphur diesel fuel.

For all hedges, payment between the parties is based on the variance between the fixed fuel price and the floating price. There is no provision for physical delivery of the commodity.

**DALLAS AREA RAPID TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009 and 2008 (Dollars in Thousands)**

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19. NEW ACCOUNTING PRONOUNCEMENTS

In June 2007, the Governmental Accounting Standards Board issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement establishes accounting and financial reporting requirements for intangible assets. It becomes effective for DART in fiscal year 2010.

In June 2008, the Governmental Accounting Standards Board issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It becomes effective for DART in fiscal year 2010.

In March 2009, the Governmental Accounting Standards Board issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement becomes effective for DART in fiscal year 2011.

In December 2009, the Governmental Accounting Standards Board issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. This Statement address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans and clarifies when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers. This Statement is effective for DART in fiscal year 2012.

In December 2009, the Governmental Accounting Standards Board issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. This Statement provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. This Statement is effective for DART in fiscal year 2010.

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

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

September 30, 2009 (Dollars in Thousands)

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

	Actuarial Valuation Date		
	10/1/08	10/1/07	10/1/06
Actuarial Value of Assets	\$145,269	\$141,720	\$130,492
Actuarial Accrued Liability (AAL)	166,876	160,960	154,873
Projected Unit Credit			
Unfunded AAL (UAAL)	21,607	19,240	24,381
Funded Ratio	87.1%	88.0%	84.3%
Covered Payroll	24,721	24,832	24,527
UAAL as a % of Covered Payroll	87.4%	77.5%	99.4%

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

	Actuarial Valuation Date		
	9/30/09	9/30/08	9/30/07
Actuarial Value of Assets	\$7,362	\$3,064	N/A
Actuarial Accrued Liability (AAL)	34,151	31,860	N/A
Unit Credit			
Unfunded AAL (UAAL)	26,789	28,797	N/A
Funded Ratio	21.6%	9.6%	N/A
Covered Payroll	150,406	150,187	N/A
UAAL as a % of Covered Payroll	17.8%	19.2%	N/A

N/A= information is not available for 2007 since fiscal year 2008 is DART's first year of implementation of the Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting for Post Employment Benefits Other Than Pension Plans*.

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