

**DENTON COUNTY TRANSPORTATION AUTHORITY**

**BASIC FINANCIAL STATEMENTS**

**AND**

**SUPPLEMENTARY INFORMATION**

**Fiscal Years Ended September 30, 2009 and 2008**



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**DENTON COUNTY TRANSPORTATION AUTHORITY**

**Introductory**

Fiscal Year Ended September 30, 2009





Denton County Transportation Authority  
1660 S. Stemmons, Suite 250 • Lewisville, TX 75067  
972-221-4600 • fax 972-221-4601 • www.dcta.net

Letter of Transmittal

February 16, 2010

Chairman and Members of the Board  
Denton County Transportation Authority (DCTA)  
Lewisville, Texas

It is my pleasure to submit, for your acceptance, the Denton County Transportation Authority ("DCTA") Annual Report for the fiscal year ended September 30, 2009.

This document, prepared by the Finance Department, has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with the generally accepted auditing standards by a firm of licensed certified public accountants. This document is published to provide the Board of Directors, DCTA staff, our citizens, our bondholders and other interested parties with information concerning the financial condition and activities of the Denton County Transportation Authority.

This report consists of management's representations concerning the finances of DCTA. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, management of DCTA has established internal controls that are designed to protect the assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. DCTA's administrative policies and accounting procedures are continually reviewed, evaluated, and modified to meet the current needs of the entity. Management asserts, to the best of our knowledge and belief, that this financial report is complete and reliable in all material respects.

The fiscal year 2009 and 2008 financial statements were audited by Rylander, Clay & Opitz, LLP, a firm of licensed Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of DCTA for the fiscal years ended September 30, 2009 and 2008 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the DCTA financial statements

for the fiscal year ended September 30, 2009 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of this report. DCTA received an unqualified opinion (page 1), the highest obtainable.

The financial statements are presented in three sections:

1. The introductory section contains a title page, this letter of transmittal, a listing of the Members of the Board of Directors, and general information related to the organization.
2. The financial section consists of the independent auditor's report (page 1) on the financial statements followed by management's discussion and analysis (pages 2 to 9), which serves as an executive summary of the financial statements, the Financial Statements (pages 10 to 13), and the Notes to the Financial Statements (pages 14 to 25), which provide various disclosures to ensure that a complete picture is presented in the financial statements.
3. The Supplemental Information (pages 26 to 35) provides the fiscal year 2009 original budget, final budget and actual, and 2008 and 2007 actual financial data, Schedule of FTA Expenditures, related notes and auditors reports.

## **DCTA PROFILE**

The DCTA is a Coordinated County Transportation Authority as defined in Chapter 460 of the Texas Transportation Code. DCTA is granted power under this Texas law to plan, develop, acquire, construct, own, operate, and maintain a public transportation system in Denton County. The powers and duties exercised by DCTA and the Board of Directors are impacted by numerous federal and state laws and regulations.

The legislation authorizing DCTA's creation required that a Service Plan be developed by the Authority. The Service Plan was submitted to the voters of eight cities in Denton County on September 13, 2003, for consideration and approval of a one-half percent sales and use tax. The election was successful in the cities of Denton, Highland Village, and Lewisville. These three cities accounted for approximately 80% of the sales tax revenue in the county. Imposition of the sales and use tax, dedicated to the Authority for implementation of the Service Plan, began January 1, 2004.

This Service Plan includes a rail component and three layers of bus service, including interim regional commuter bus service, local fixed route bus service, and demand response service. In addition, a network of Park-and-Rides, Regional Rail, and Bus Facilities will be established to serve Denton County residents. These elements will provide services to help mitigate and improve mobility issues in the near term, as well as connect the County's larger cities to rail when that service is implemented in late 2010.

Regional rail is a central element of DCTA's Service Plan. A major concept of the Service Plan is to implement initial rail service connecting Denton County with Dallas Area Rapid Transit (DART) light rail transit (LRT) facilities. Planning for this began in 2004 with the development of the alternatives analysis. In 2005, the Board of Directors selected the Locally Preferred Alternative, the Missouri-Kansas-Texas corridor and in 2006, DCTA began the environmental review of the LPA. This culminated in the Draft Environmental Impact Statement which was submitted to the FTA in the summer of 2007. The Board of Directors formally adopted the final environmental impact document in March 2008. Once the corridor is complete, over half the county's population will have access to regional rail service.

In 2004, DCTA began work on delivering services to meet the Service Plan by funding the existing bus operations which led to the acquisition of those operations in 2005 from the cities of Denton and Lewisville. Also in 2005, DCTA launched a Bus and Paratransit Study which served as a tool in determining the level of bus and paratransit service needed in our service areas. In 2006, DCTA launched a new logo, service names, vehicle designs and website. DCTA also began new services – Commuter Express in May and Connect in Lewisville in November. These actions fulfilled the bus components of the Authority's Service Plan.

The Enhanced Local Assistance Program was another element of the Service Plan DCTA began in 2004. Under this program, DCTA provided financial assistance for mobility projects for participating member cities equal to twenty five percent of sales and use tax collections from the respective city. Over the 4-year life of the program, DCTA has committed \$13.9 million for mobility improvements in our member cities. DCTA has also established policies and procedures in accordance with state and federal requirements to ensure that DCTA is a fiscally-sound authority operating an efficient and effective transportation system.

In 2006, a fleet modernization effort included the addition of 17 low-floor Gilligs, 12 cutaways and several support vehicles. The DCTA restructured the Denton and Lewisville routes, consolidated Access service and launched a pilot program in Highland Village. The agency has also created a robust University system that carries up to 15,000 passengers a day. In 2008, we achieved record ridership reaching almost two million passengers and surpassed the two million mark in 2009.

DCTA has also begun to establish a physical presence in our communities. In 2006, an agreement with Cinemark established park and rides in Lewisville and Denton. In 2008, an additional park and ride was added to serve Highland Village and North Lewisville residents. In 2009, work began on the Downtown Denton Transit Center, the Bus Operations & Maintenance Facility, and the Hebron Park and Ride. DCTA will also begin installing transit shelters and benches along the Connect routes in 2010.

## **SERVICES**

### **REGIONAL RAIL SERVICE**

#### **A-train**

Regional rail is the central element of DCTA's Service Plan. The Service Plan's concept is to implement initial rail service connecting Denton County with DART light rail transit facilities. DCTA intends to partner with DART to develop a seamless service for DCTA and DART riders.

In 2004-2005, DCTA conducted an Alternatives Analysis Study that considered many alternatives. This included extensive community and citizen involvement and identified the proposed rail line as the best and most cost-effective mobility solution for the county and region. It cited the impacts of projected population and employment growth, growing safety, traffic congestion, air quality concerns, and the need to improve access to Denton County's vital health care facilities and three major college and university campuses.

In 2005, the DCTA Board of Directors named the former Missouri-Kansas-Texas Railroad (MKT) line, which runs parallel to I-35E, the Locally Preferred Alternative (LPA) for transportation improvements for the 21-mile Denton-Highland Village-Lewisville-Carrollton corridor. In addition to supporting riders from the Lewisville and Highland Village area, the system will also support riders from downtown Denton, Texas Woman's University (TWU) and the University of North Texas (UNT). DCTA's regional rail will be phased in with Phase 1 (Carrollton to Highland Village/Lewisville Lake Station) operational in late 2010 and to Downtown Denton Transfer Center by mid-2011.

On August 3, 2007, DCTA submitted a Regional Toll Revenue Funding Initiative request for funding to the North Central Texas Council of Governments (NCTCOG). The funding request was for 80% funding for a \$313 million rail project. The project includes a 21-mile regional rail line with five stations, a bicycle and pedestrian trail within the rail corridor, enhanced crossings to improve traffic flow, 11 Diesel Multiple Unit (DMU) rail vehicles, and a rail vehicle maintenance facility. In 2008, the Regional Transportation Commission (RTC) approved RTRFI funding of \$57.2 million for the Light Rail Vehicles and \$193.0 million for line and facilities construction.

DCTA made significant progress in 2009 to advance the A-train project. In April 2009, DCTA entered into a construction service agreement with North Texas Rail Group (NTRG) for the construction of the A-train infrastructure and was able to issue a Notice to Proceed for the construction in May 2009. DCTA also entered into a rail vehicle

procurement contract with Stadler as Swiss company to provide Diesel Multiple Unit (DMU) rail vehicles for the A-train in May 2009.

Another major accomplishment for the agency was to finalize all property acquisitions for the rail stations. These include Hebron, Old Town Lewisville, Highland Village / Lewisville Lake and Med Park. DCTA has also finalized the site selection for the future Rail Operations and Maintenance Facility and is currently in the process of acquiring the property.

### **REGIONAL FIXED - ROUTE BUS SERVICE COMMUTER EXPRESS**

DCTA's Commuter Express started May 2006 and provides a comfortable express coach service from Denton and Lewisville to the Dallas Central Business District (CBD), as well as reverse trips from Dallas, Carrollton and Lewisville to the University of North Texas (UNT), Texas Woman's University (TWU) and downtown Denton. DCTA purchased seven coaches to provide a reliable and cost effective commute for our customers. Commuter Express is an interim service operating in the I-35E corridor until rail service is implemented in late 2010.

Commuter Express coaches operate five days a week and travel on the HOV lanes, providing a time savings for passengers. In Dallas, Commuter Express circulates through the Central Business District, serving ten bus stops and providing connection opportunities to DART bus and rail lines. The reverse commute, beginning in downtown Dallas, stops at DART's North Carrollton Transit Center, Lewisville park and ride, UNT, TWU and downtown Denton. This has been a popular service and provides approximately 89,000 rides per year between Denton and Dallas, Texas.

### **LOCAL FIXED - ROUTE BUS SERVICES CONNECT, UNT, & NCTC SHUTTLE**

DCTA Connect offers local fixed-route bus service in the cities of Denton and Lewisville, and an on-demand service called Connect RSVP in the city of Highland Village.

DCTA Connect in Denton consists of eight routes operating Monday through Saturday. Destinations include Denton City Hall, Courthouse, and Libraries; Denton Community and Regional Hospitals; several retail and grocery shops; several parks and recreation centers, including the senior center; various social service agencies; and educational institutes, including UNT and TWU, and a variety of elementary, middle and high schools. Passengers may transfer from Connect to Commuter Express in downtown Denton.

DCTA Connect service in Lewisville consists of three routes operating Monday through Saturday. Destinations include Lewisville City Hall, Vista Ridge Mall, Lewisville



Medical Center, Senior Center, Library, Lewisville High School, several retail and grocery shops, and social service agencies. Passengers may also transfer from Lewisville Connect to Commuter Express.

DCTA Connect RSVP service provides peak-hour on-demand service in Highland Village and north Lewisville. Destinations include Wal-Mart, The Shops of Highland Village, and the Kroger at FM 407. Passengers can make transfers between Connect RSVP and all of the Lewisville Connect routes near the Main Street Wal-Mart in Lewisville and can connect and transfer to Commuter Express at the 407 Park and Ride.

In addition, DCTA operates an eight route shuttle service for UNT through a contractual agreement. The UNT Shuttle service provides transportation from nearby apartment complexes to the campus, as well as circulation throughout the campus. The service is open to the general public and passengers can also transfer from the UNT routes to Connect and Commuter Express routes.

In August 2009, DCTA launched a shuttle service connecting North Central Texas College (NCTC) in Corinth to Denton and Lewisville. This service is provided through a contractual agreement between NCTC and DCTA. Passengers may transfer to and from other DCTA services in Denton and Lewisville.

### **DEMAND RESPONSE BUS SERVICE ACCESS**

The DCTA Access service offers curb to curb ADA Paratransit service in Denton and Lewisville and elderly and disabled demand-response (Non-ADA) service for the residents of Denton, Lewisville, Highland Village, and by contract to Corinth. Access passengers can schedule trips to begin and end anywhere in the participating cities listed above. ADA paratransit service is provided by DCTA for residents traveling within  $\frac{3}{4}$ -mile from the Connect local fixed routes and is available to residents with Americans with Disabilities Act eligibility. Reservations are accepted on a first come, first served basis, up to seven days in advance.

Since its creation in 2002, DCTA has been a goal driven agency. Each year has seen the completion of major initiatives and FY2009 was no exception.

## Acknowledgements

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire DCTA Finance Department staff. We also express our appreciation to all the staff members who assisted and contributed to the successful completion of this report.

We would like to thank the members of the DCTA Board of Directors and Finance Committee for their interest and support in planning and conducting the financial operation of the Denton County Transportation Authority in a responsible and progressive manner as well as for their support for maintaining the highest standards of professionalism.

Sincerely,



Jim Witt  
President



Anna M. Mosqueda  
Vice-President Finance/ Chief Financial Officer

## Board of Directors

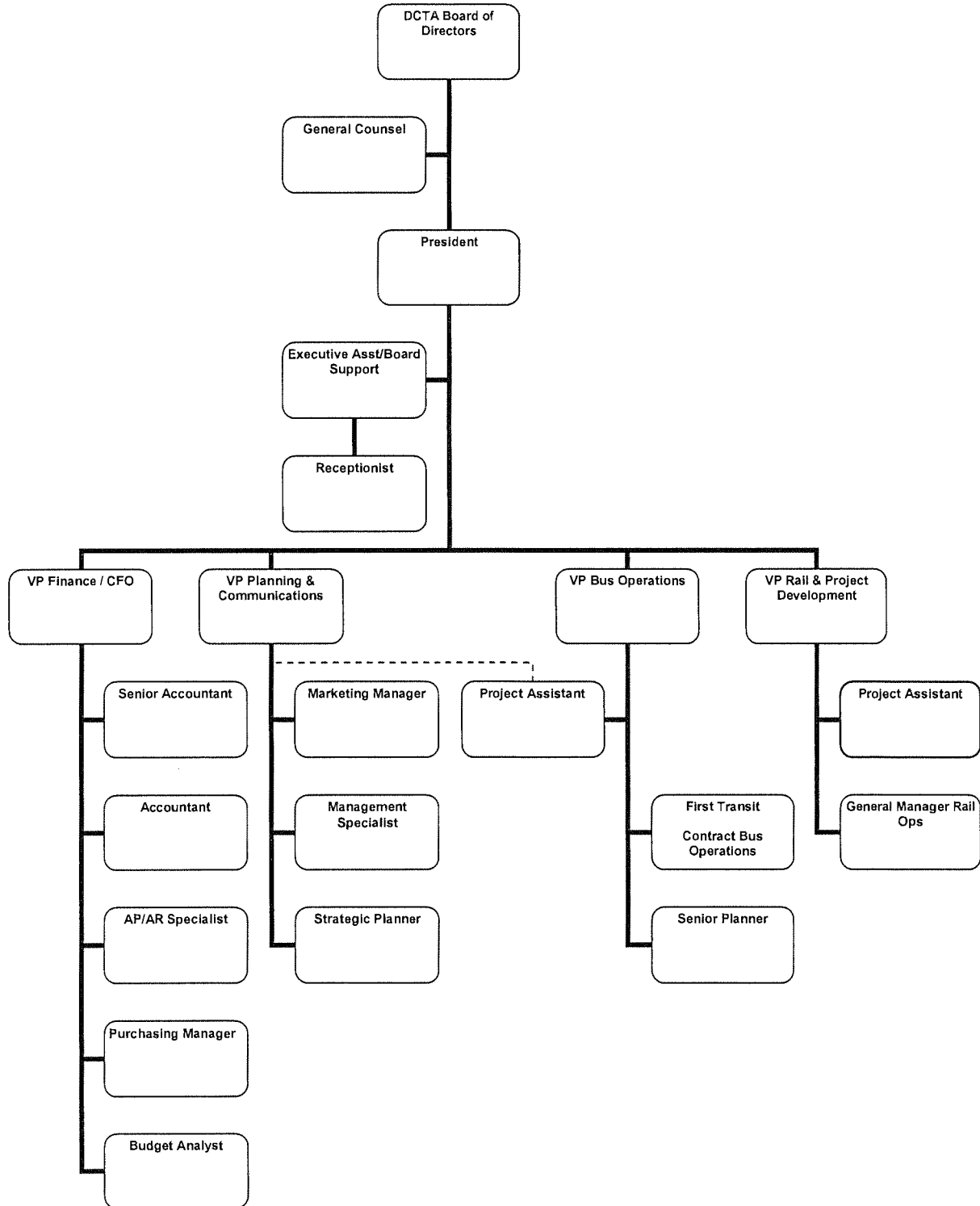
DCTA is governed by a Board of Directors currently composed of 14 members:

- one member from each municipality with a population of 17,000 or more (8);
- three members from the unincorporated area of Denton County;
- three members designated by the remaining municipalities with a population of more than 500 and less than 17,000.

Each Board member serves a term of two years. The Board is responsible for the general policy governance of the DCTA with the President and staff responsible for day-to-day management and implementation of the DCTA's goals and objectives.

Board Member	Position	Appointed by
Charles Emery	Chairman	Lewisville
Charles Correll	Vice – Chairman	Denton County Unincorporated
Dorothy Palumbo	Secretary	Highland Village
Jeff Snowden	Treasurer	Frisco
Pat Howell	Member	Corinth
Skip Kalb	Member	Small Cities
Dave Kovatch	Member	The Colony
Larry L'Heureux	Member	Denton County Unincorporated
Guy L. McElory	Member	Denton
Doug Peach	Member	Little Elm
Jim Robertson	Member	Flower Mound
Thomas Smith	Member	Denton County At-Large
Tom Spencer	Member	Small Cities
Bill Walker	Member	Small Cities

## Denton County Transportation Authority Organizational Chart



September 30, 2009

**FINANCIAL SECTION**





R | C | O RYLANDER, CLAY & OPITZ, LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
Smart Solutions. Real Results.

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
Denton County Transportation Authority

We have audited the accompanying basic financial statements of the Denton County Transportation Authority (the "Authority") as of and for the years ended September 30, 2009 and 2008. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2010, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis and the schedule of revenues and expenses, budget and actual for the year ended September 30, 2009, are not a required part of the basic financial statements, but are supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Rylander, Clay & Opitz, LLP

February 16, 2010

**Denton County Transportation Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2009  
(Unaudited)**

The management of the Denton County Transportation Authority ("DCTA") offers readers of the DCTA's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2009. This discussion and analysis is designed to provide an objective and easily readable analysis of DCTA financial activities based on currently known facts, decisions, or conditions.

We encourage the readers to consider the information presented here in conjunction with accompanying financial statements, notes thereto and additional information that is furnished in our letter of transmittal and the statistical section of this report. In addition readers are encouraged to review information on the annual budget and other agency information found on the DCTA website at [www.dcta.net](http://www.dcta.net). It should be noted that the Independent Auditors' Report describes the auditors' association with the various sections of the report and that all the additional information from the website and other DCTA sources is unaudited and has not been updated for events that may have occurred subsequent to the issuance of the respective report.

**In Brief**

- As of September 30, 2009 and 2008, total assets of DCTA exceeded total liabilities by \$117,230,995 and \$44,035,027 respectively. The amount of unrestricted net assets as of September 30, 2009 was \$37,531,816 compared to \$40,757,625 in 2008. Unrestricted net assets are the amount which may be used to meet DCTA's ongoing obligations in accordance with the fiscal policies.
- Net assets increased \$73,195,968 during the current fiscal year compared to an increase of \$11,432,406 in the prior year. The increase in the current fiscal year net assets is primarily a result of increase of \$63.5 million in capital grants related to the construction of the rail project and a reduction in expenses as a result of the completion of the Enhanced Local Assistance program which benefited the three member cities of Denton, Lewisville and Highland Village. Funding was received and construction started in FY2009 for DCTA's first major passenger rail project.
- Net capital assets were \$99.7 million as of September 30, 2009 compared to \$13.4 as of September 30, 2008. The increase was due to land acquisition and construction work in progress related to the rail project.

**Overview of the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to DCTA's accompanying financial statements and notes. The basic financial statements consist of four components: 1) statement of net assets, 2) statement of revenues, expenses, and changes in net assets, 3) statement of cash flows, and 4) notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.



**Denton County Transportation Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2009  
(Unaudited)**

DCTA activities are accounted for in a single entity enterprise fund; therefore, government-wide financial statements are not presented. Enterprise funds are generally used to report business-type activities of governmental entities. The financial statements are prepared on the accrual basis of accounting meaning that all expenses are recorded when incurred and all revenues are recognized when earned in accordance with accounting principles generally accepted in the United States of

America. Certain statements in the report are, or will be, forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements.

**Statement of Net Assets** - The statement of net assets reports all of the financial and capital resources of DCTA. The statement is presented in the format where total assets equal total liabilities plus net assets. Assets and liabilities are presented in order of liquidity and are classified as current (convertible into cash within one year) and non-current. The focus of the statement of net assets is to show a picture of the liquidity and health of the organization as of the end of the reporting period. Changes in net assets may serve as an indication of whether the financial position of DCTA is improving or deteriorating.

**Statement of Revenues, Expenses, and Changes in Net Assets** - The statement of revenues, expenses, and changes in net assets is similar to an income statement. This statement includes operating revenues, such as bus passenger fares and contracts to provide transit related service to third parties; operating expenses, such as costs of operating the transit system, administrative expenses, and depreciation on capital assets; and non-operating revenue and expenses, such as sales tax revenue, grant revenue, and interest income. The focus of the statement of revenues, expenses, and changes in net assets is to present the change in net assets during the two most recent fiscal years. The increase or decrease in net assets will show the effect of DCTA's current year operations on its financial position.

**Statement of Cash Flows** - The statement of cash flows discloses net cash provided by or used for operating activities, non-capital financing activities, capital and related financing activities, and from investing activities. The statement of cash flows, related notes, and other financial statements can be used to assess DCTA's ability to provide adequate cash flow to support current operations and plans for future expansion.

The activities of DCTA are supported by a one-half percent sales and use tax collected in its 3 member cities; Lewisville, Denton and Highland Village, passenger fares, contract services, and state/federal grants.

**Notes to Financial Statements** - The notes to the financial statements are an integral part of the basic financial statements that describe the significant accounting policies and provide additional information that is essential to understanding the data provided in the financial statements.





**Denton County Transportation Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2009  
(Unaudited)**

**Financial Analysis**

**Statement of Net Assets** - As noted earlier, net assets and especially net assets by category may serve over time as a useful indicator of DCTA's financial position. Total assets exceeded total liabilities by \$117,230,995 and \$44,035,027 as of September 30, 2009 and 2008 respectively. The largest portion, 68% in 2009 is invested in capital assets (net of related debt) primarily as a result of the rail line construction and related acquisitions. The remaining 32% is in unrestricted net assets which represent assets with no external restriction as to the use or purpose. The unrestricted net assets can be employed for any purpose designated by the governing board. In 2008, 93% of the excess was in unrestricted net assets. Net assets of DCTA increased 166 % or \$73,195,968 during the current fiscal year compared to an increase of 35% or \$11,432,406 in the prior year. The increase in the current fiscal year net assets is primarily a result of cash and cash equivalents restricted for the construction of the rail line and rail vehicles related to the A-train

passenger rail project funded from the Regional Toll Revenue Funding Initiative (RTRFI) and the increase in capital assets also related to the rail project.

**Condensed Statement of Net Assets**

	#	2009	2008	2007
<b>Assets</b>				
Current Assets		\$ 240,384,789	\$ 53,029,472	\$ 35,861,841
Capital Assets		99,782,412	13,538,767	7,249,758
<b>Total Assets</b>		<u>\$ 340,167,201</u>	<u>\$ 66,568,239</u>	<u>\$ 43,111,599</u>
<b>Liabilities and Net Assets</b>				
Current Liabilities		\$ 202,936,206	\$ 2,533,212	\$ 10,508,978
Non-current Liabilities		20,000,000	20,000,000	-
<b>Total Liabilities</b>		<u>222,936,206</u>	<u>22,533,212</u>	<u>10,508,978</u>
<b>Net Assets</b>				
Invested in Capital Assets		79,699,179	3,277,402	7,249,758
Unrestricted		37,531,816	40,757,626	25,352,863
<b>Total Net Assets</b>		<u>117,230,995</u>	<u>44,035,027</u>	<u>32,602,621</u>
<b>Total Liabilities and Net Assets</b>		<u>\$ 340,167,201</u>	<u>\$ 66,568,239</u>	<u>\$ 43,111,599</u>

**Assets** - During fiscal year 2009, DCTA total assets increased 411% or \$273,598,962 over 2008. The net increase is primarily due to a \$177,504,296 increase in the DCTA current assets due to an increase in restricted cash & cash equivalents related to the funding of the A-train project and increase of \$86,243,645 in capital assets.

Capital Assets, net of depreciation, increased \$86.2 million due to the capitalization of final design and construction costs for construction work in progress; land acquisition; bond issuance costs; less depreciation amortization and asset retirements.



**Denton County Transportation Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2009  
(Unaudited)**

**Liabilities** - Current liabilities increased \$200,402,994 primarily due to balance plus interest of \$187.3 million in RTRFI funding received in March of 2009 for the A-train project recognized as deferred revenue. The funds are drawn down as rail line related construction and rail vehicle expenditures are spent. Increase in liabilities also reflects retainage held on contracts. The DCTA current ratio, current assets of \$240,384,789 over current liabilities of \$202,936,206, was 1.19:1 as of September 30, 2009 compared to 20.9:1 as of September 30, 2008 and 3.4:1 as of September 30, 2007. DCTA has restricted current assets - cash and cash equivalents and recognized deferred revenue as a current liability related to the A-train project.

There was no change in non-current liabilities in FY09. **Statement of Revenues, Expenses, and Changes in Net Assets** – During the 2009 fiscal year DCTA's activities resulted in an increase in net assets of \$73,195,968 compared to an increase of \$11,432,406 in 2008. The increase in the current fiscal year net assets is the result of the A-train capital project and related reimbursement of expenditures in addition to the completion of the ELAP program. The changes in net assets for the fiscal years ended September 30, 2009 and 2008 are shown in the following table.



**Denton County Transportation Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2009  
(Unaudited)**

**Statements of Revenues, Expenses and Changes in Net Assets**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Operating revenues</b>			
Passenger revenue	514,944	492,282	382,141
Contract services	2,086,401	2,238,605	2,035,271
Other	112,834		
<b>Total operating revenue</b>	<u>2,714,179</u>	<u>2,730,887</u>	<u>2,417,412</u>
<b>Operating expenses</b>			
Salaries, wages, and fringe benefits	5,377,646	4,885,173	4,357,164
Services	1,113,057	918,070	3,489,499
Materials and supplies	1,383,676	1,821,531	1,404,956
Utilities	72,712	68,103	76,864
Casualty and liability insurance	403,328	445,320	388,924
Purchased transportation	0	0	(38,904)
Facility and equipment rents	323,369	330,926	319,076
Other	145,078	198,723	143,363
Depreciation	1,039,436	1,402,035	1,379,928
<b>Total operating expenses</b>	<u>9,858,302</u>	<u>10,069,881</u>	<u>11,520,870</u>
<b>Operating loss</b>	<u>(7,144,123)</u>	<u>(7,338,994)</u>	<u>(9,103,458)</u>
<b>Non-operating revenues (expenses)</b>			
Sales tax	15,666,457	16,208,354	15,530,585
Capital grants	63,543,494	0	5,932,486
Transit system operating assistance grants	1,756,241	2,916,207	
Enhanced local assistance program	0	(1,067,837)	(3,882,646)
Investment income	335,979	1,188,514	1,320,149
Interest Expense	0	(156,267)	
Amortization of Bond Issuance Costs	(22,700)	(7,567)	
Un reimbursed prior year grant expenses	(504,959)	0	
Design Costs and construction	(439,011)	(300,000)	
Gain(Loss) on disposal of assets	4,590	(10,004)	(200)
<b>Total non-operating revenue</b>	<u>80,340,091</u>	<u>18,771,400</u>	<u>18,900,374</u>
<b>Change in net assets before capital contributions</b>	<u>73,195,968</u>	<u>11,432,406</u>	<u>9,796,916</u>
<b>Change in net assets</b>	<u>73,195,968</u>	<u>11,432,406</u>	<u>9,796,916</u>
Net assets, beginning of year	<u>44,035,027</u>	<u>32,602,621</u>	<u>22,805,705</u>
<b>Net assets, end of year</b>	<u>\$ 117,230,995</u>	<u>\$ 44,035,027</u>	<u>\$ 32,602,621</u>

**Denton County Transportation Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2009  
(Unaudited)**

**Operating Revenues**

**Passenger Revenue** - The 2009 passenger revenues increased 3.5% or \$17,750 over the prior year. The increase is due to increases in ACCESS and Fixed route ridership. The decrease in fuel costs in 2009 compared to that experienced in 2007-2008 by consumer's impacted ridership—primarily on Commuter Express. Commuter Express Services connects Denton Highland Village and Lewisville to Dallas. In FY2007-08 DCTA experienced a 29% increase in passenger revenues over the prior year.

**Contract Service** - The 2009 contract service revenues decreased 6.4% or \$142,832 over the prior year. The decrease is due to the impact of the decrease in fuel revenue associated with the University of North Texas ("UNT") contract services which provides bus service for students and faculty.

**Operating Expenses**

**Operating Expense** – The 2009 operating expenses decreased 2% or \$211,579 over the prior year. The decreased operating expense is primarily due to the net impact of reduction in fuel costs partially offset by the increased salaries/wages and related benefits and professional services. The increase in personnel costs was for merit pay for employees as well as severance pay for 4 employees.

The 2009 depreciation expense decreased 26% or \$362,599 over the prior year. This decrease is primarily due to the sale of several revenue service vehicles that had reached the end of their useful life. A number of the current fleet has become fully depreciated with no additional purchases of revenue service vehicles. .

**Non-operating Revenue and Expenses**

**Sales Tax Revenue** - The 2009 sales tax revenue decreased \$541,897 over 2008. DCTA collects one-half percent sales and use tax in the member cities of Denton, Highland Village, and Lewisville. The Dallas-Fort Worth Metroplex (DFW) has been impacted by the recession and the credit crisis. Although Texas has fared better than the rest of the country, it has nonetheless felt the impact.

**Capital Grants** – Capital grants revenue increased primarily as a result of revenue recognition of rail capital project expenditures reimbursed from RTRFI funds.

**Transit System Operating Assistance Grants** - The 2009 federal and state grant revenue decreased 40% or \$1,159,966 over 2008. In 2008, DCTA became an Urbanized Area with 200,000 in population which it had not reached in 2007. As a result under the existing FTA guidelines, DCTA was no longer eligible for 5307 operating assistance grants. DCTA is eligible for 5307 capital and planning grants which help fund bus operation. In addition, DCTA experienced some delays in start-up of grant funded projects due to program revisions.

**Enhanced Local Assistance Program Expense** - 2008 was the final year of the ELAP program.



**Denton County Transportation Authority  
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**Investment Income** – The 2009 investment income decreased 72% or \$852,535 over 2008 due to a decrease in the interest rate as a result of market conditions.

**Debt Administration**

In June of 2008 DCTA completed its first debt issuance. DCTA issued \$20,000,000 in tax-exempt Sales Tax Revenue Bonds. The bonds were issued through a private placement with a maximum 5 year term to fund the DCTA A-train regional passenger rail project. This rail project will provide passenger rail service connecting Denton and Dallas counties. The principal payment was due in one lump sum in June, 2013 with interest due semi-annually. No new debt was issued in FY2009. The Series 2008 Sales Tax Revenue bonds were refunded through a private placement to long-term 20 year debt on December 17, 2009.

**DCTA Fiscal Year 2009 Budget**

The FY2008-2009 budget was adopted September 25, 2008. Amendments to the original budget included an increase in capital grants revenue to recognize anticipated progress on the A-train project, a reduction in anticipated investment income. A new debt issuance which would have resulted in additional interest income did not occur and market conditions resulted in an even greater drop in interest income. An Interlocal Agreement was finalized with DART and the expenditure for Trinity Mills Station rail construction which will accommodate DCTA's rail vehicle movements into the Trinity Mills Station on the DART Green line was reduced to reflect final agreement.

Significant amendments made during fiscal year 2009 included;

**Revenues:**

- Decrease of \$372,517 due to lower fuel expenses which are passed to the contractor.
- Increase of \$657,198 due to adjustments made to FTA grants that were not reflected in the original budget.
- Increase of \$91,907,251 which reflected the state funding for the A-train project; more accurate information regarding construction schedule became available as the project progressed.
- Decrease of \$1,586,252 in investment income due to lower interest and a new money debt issuance of \$60 million that did not occur which would have resulted in additional interest income.

**Expenses:**

- Increase of \$515,134 due to not capitalizing administrative expenses associated with the rail development.
- Decrease of \$987,290 due to lower fuel expenses
- Decrease of \$1,030,000 for contribution to Trinity Mills platform construction costs based on new agreement.

The operating budget for 2009 recognizes the importance of providing quality public transportation services for Denton County residents and other customers. DCTA will continue providing cost effective transportation alternatives to our customers, reducing congestion, improving air quality and the quality of life in Denton County.



**Denton County Transportation Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2009  
(Unaudited)**

**Comparative Condensed Statements of Revenues, Expenses and Changes in Net Assets  
Budget Year Ending September 30, 2009 and Financial Year Ended 2008 and 2007**

	<u>2009 Budget</u>	<u>2009 Actual</u>	<u>2008 Actual</u>	<u>2007 Actual</u>	Increase (Decrease) from 2008
Operating Revenues	\$ 2,489,389	\$ 2,714,179	\$ 2,730,887	\$ 2,417,412	\$ (16,708)
Operating Expenses	<u>10,604,646</u>	<u>9,858,302</u>	<u>10,069,881</u>	<u>11,520,870</u>	\$ (211,579)
Operating Loss	(8,115,257)	(7,144,123)	(7,338,994)	(9,103,458)	\$ 194,871
					\$ -
Non-Operating Revenues	<u>146,559,738</u>	<u>80,340,091</u>	<u>18,771,400</u>	<u>18,900,374</u>	\$ 61,568,691
					\$ -
Change in Net Assets	138,444,481	73,195,968	11,432,406	9,796,916	\$ 61,763,562
					\$ -
Net Assets, Beginning of Year	<u>44,035,027</u>	<u>44,035,027</u>	<u>32,602,621</u>	<u>22,805,705</u>	\$ 11,432,406
					\$ -
Net Assets, End of Year	<u>\$ 182,479,508</u>	<u>\$ 117,230,995</u>	<u>\$ 44,035,027</u>	<u>\$ 32,602,621</u>	\$ 73,195,968

**DCTA Fiscal Year 2010 Budget**

The DCTA adopted fiscal year 2010 budget for operating revenues shows an increase of 9% or \$224,790 over 2009 actual results. This increase is due to an anticipated increase in ridership and services from additional revenue hours, the new RSVP Connect service, a new contract with North Central Texas College ("NCTC") for shuttle service, scheduled increase under the UNT contract along with increase in budgeted fuel revenue. The UNT contract, as well as the NCTC contract, provide bus service for students, staff, and faculty.

The fiscal year 2010 operating expenses are projected to increase \$5,724,990 over 2009 actual results. Approximately 60% or \$3.4 million of the increase is due to the start up of new passenger rail service: \$1.8 million for start-up operating and maintenance costs, \$200,000 for marketing of the new service and \$1.4 million for the lease of rail diesel vehicles for the initial start-up. The FY2010 budget anticipates an additional \$1 million for increased fuel cost budgeted at \$3.50 per gallon over the actual FY09 which averaged \$2.50 per gallon, as well as increase in the number of gallons to accommodate additional service hours planned. The FY2010 budget also anticipates 4 management positions vacant for part of FY2009 to be filled.

Non-operating revenue, net of expenses, is projected to increase 110% or \$88,566,922 over 2009 actual results. The increase in non-operating revenue is due to a budgeted increase of \$74 million in draw down from RTRFI funds related to the rail project. RTRFI funding was received by DCTA to fund 80% of the DCTA A-train regional rail project. The project is estimated at a total \$312,950,000. \$10.2 million in additional Federal and State grants is anticipated in the FY2010 budget of which \$4.2 is ARRA stimulus funding.

**Requests for Information**

The financial report is designed to provide the citizens of our member cities, customers and other interested parties with a general overview of DCTA finances. If you have any questions regarding this report or need any additional information, contact DCTA at 1660 S. Stemmons Freeway, Suite 250, Lewisville, Texas 75067, by phone at (972) 221-4600, or by electronic mail at [info@dcta.net](mailto:info@dcta.net).



# DENTON COUNTY TRANSPORTATION AUTHORITY

## STATEMENTS OF NET ASSETS

September 30, 2009 and 2008

	2009	2008
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 47,081,371	\$ 37,900,494
Receivables	5,657,704	4,943,154
Prepaid expenses	296,851	341,257
Restricted assets - cash and cash equivalents	187,348,863	9,844,567
<b>Total current assets</b>	240,384,789	53,029,472
Bond issuance costs, net of accumulated amortization	83,233	105,933
Capital assets		
Land and other non-depreciable assets	94,780,403	7,582,617
Other capital assets, net of accumulated depreciation	4,918,776	5,850,217
<b>Total assets</b>	\$ 340,167,201	\$ 66,568,239
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 3,370,276	\$ 1,192,966
Accrued payroll and related payroll taxes	306,438	305,631
Other accrued liabilities	11,888,962	1,012,948
Deferred revenue	187,370,530	21,667
<b>Total current liabilities</b>	202,936,206	2,533,212
Non-current Liabilities		
Bonds Payable	20,000,000	20,000,000
<b>Total non-current liabilities</b>	20,000,000	20,000,000
Commitments and Contingencies - Note 8		
Net Assets		
Invested in capital assets, net of related debt	79,699,179	3,277,402
Unrestricted	37,531,816	40,757,625
<b>Total net assets</b>	117,230,995	44,035,027
<b>Total liabilities and net assets</b>	\$ 340,167,201	\$ 66,568,239

See notes to financial statements.



## DENTON COUNTY TRANSPORTATION AUTHORITY

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years Ended September 30, 2009 and 2008

	2009	2008
Operating Revenues		
Passenger revenue	\$ 514,944	\$ 497,194
Contract services	2,086,401	2,229,233
Other	112,834	4,460
<b>Total operating revenues</b>	<b>2,714,179</b>	<b>2,730,887</b>
Operating Expenses		
Salaries, wages, and fringe benefits	5,377,646	4,884,853
Services	1,113,057	924,227
Materials and supplies	1,383,676	1,844,446
Utilities	72,712	68,103
Insurance	403,328	445,320
Facility and equipment rents	323,369	330,926
Other - miscellaneous	145,078	169,971
	8,818,866	8,667,846
Depreciation	1,039,436	1,402,035
<b>Total operating expenses</b>	<b>9,858,302</b>	<b>10,069,881</b>
<b>Operating loss</b>	<b>(7,144,123)</b>	<b>(7,338,994)</b>
Non-Operating Revenues (Expenses)		
Sales tax revenue	15,666,457	16,208,354
Capital grants	63,543,494	-
Transit system operating assistance grants	1,756,241	2,916,207
Enhanced local assistance	-	(1,067,837)
Investment income	335,979	1,188,514
Interest expense	-	(156,267)
Amortization of bond issuance costs	(22,700)	(7,567)
Unreimbursed prior year grant expenses	(504,959)	-
Trinity Mills design and construction	(439,011)	(300,000)
Gain (Loss) on disposal of assets	4,590	(10,004)
<b>Total non-operating revenue</b>	<b>80,340,091</b>	<b>18,771,400</b>
<b>Change in net assets</b>	<b>73,195,968</b>	<b>11,432,406</b>
Net assets, beginning of year	44,035,027	32,602,621
<b>Net assets, end of year</b>	<b>\$ 117,230,995</b>	<b>\$ 44,035,027</b>

See notes to financial statements.





# DENTON COUNTY TRANSPORTATION AUTHORITY

## STATEMENTS OF CASH FLOWS

Years Ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 2,633,848	\$ 2,699,327
Payment to suppliers	(4,287,407)	(2,750,077)
Payments to employees	(5,376,839)	(4,820,555)
<b>Net cash used by operating activities</b>	<u>(7,030,398)</u>	<u>(4,871,305)</u>
Cash Flows from Non-capital Financing Activities		
Sales tax received	15,953,036	16,128,081
Enhanced Local Assistance	-	(10,409,702)
Operating grant reimbursements	330,484	1,541,008
<b>Net cash provided by non-capital financing activities</b>	<u>16,283,520</u>	<u>7,259,387</u>
Cash Flows from Capital and Related Financing Activities		
Contributions and grants for capital improvements	250,914,024	-
Acquisition and construction of capital assets	(73,261,180)	(7,595,115)
Proceeds from sale of fixed assets	14,578	-
Proceeds from issuance of bonds	-	19,896,000
Interest paid on bonds	(571,350)	-
Bond fees	-	(9,500)
<b>Net cash provided by capital and related financing activities</b>	<u>177,096,072</u>	<u>12,291,385</u>
Cash Flows from Investing Activities		
Interest received on investments	335,979	1,188,514
Trinity Mills design and construction	-	(300,000)
Proceeds from the sale of investments	-	8,099,289
<b>Net cash provided by investing activities</b>	<u>335,979</u>	<u>8,987,803</u>
<b>Net increase in cash and cash equivalents</b>	186,685,173	23,667,270
Cash and cash equivalents, beginning of year	<u>47,745,061</u>	<u>24,077,791</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 234,430,234</u></u>	<u><u>\$ 47,745,061</u></u>

See notes to financial statements.



## DENTON COUNTY TRANSPORTATION AUTHORITY

### STATEMENTS OF CASH FLOWS (Continued)

Years Ended September 30, 2009 and 2008

	2009	2008
Operating loss	\$ (7,144,123)	\$ (7,338,994)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	1,039,436	1,402,035
Change in operating assets and liabilities		
Operating accounts receivable	(80,331)	(41,560)
Prepaid expenses	44,406	(102,618)
Operating accounts payable	(1,001,144)	864,888
Accrued payroll and payroll related taxes	807	64,298
Other accrued operating liabilities	110,551	270,646
Deferred revenue for operations	-	10,000
Total adjustments	113,725	2,467,689
<b>Net cash used by operating activities</b>	<b>\$ (7,030,398)</b>	<b>\$ (4,871,305)</b>
Non cash financing activity:		
Bond issuance costs	\$ -	\$ 110,000
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	\$ 47,081,371	\$ 37,900,494
Restricted assets - cash and cash equivalents	187,348,863	9,844,567
	\$ 234,430,234	\$ 47,745,061

See notes to financial statements.



# DENTON COUNTY TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Denton County Transportation Authority (“DCTA”) as reflected in the accompanying financial statements for the fiscal years ended September 30, 2009 and 2008, conform to accounting principles generally accepted in the United States of America (“GAAP”) for local governmental units, as prescribed by the Governmental Accounting Standards Board, and include applicable standards of the Financial Accounting Standards Board.

#### **Financial Reporting Entity**

The financial statements of DCTA include all governmental activities, organizations, and functions as required by accounting principles generally accepted in the United States of America. DCTA does not have any component units and does not meet the requirements to be included as a component unit in other governmental entities. Accordingly, DCTA does not have any related parties or related party transactions in the accompanying financial statements.

DCTA is a coordinated county transportation authority of the State of Texas, created pursuant to Chapter 460 of the Texas Transportation Code. This legislation requires that a Service Plan, an outline of the services that could be provided by an authority confirmed by the voters, be developed by the transit authority. A Service Plan was developed and the authority was confirmed by a public referendum held November 5, 2002. A second election was held in eight municipalities on September 13, 2003, for consideration and approval of a one-half percent sales and use tax. The sales and use tax and associated Service Plan passed in three cities, Denton, Highland Village, and Lewisville. Collection of the sales tax began on January 1, 2004.

The Board of Directors which governs DCTA currently consists of 14 authorized positions. The Board is composed of:

1. One member appointed by the governing body of each municipality with a population of 17,000 or more located in Denton County;
2. Three members appointed by the Commissioner’s Court, two of whom must reside in the unincorporated area of Denton County;
3. Three members to be designated by the remaining municipalities with a population of more than 500 but less than 17,000 located in Denton County.

#### **Basis of Accounting**

The activities of the DCTA are similar to those of proprietary funds of local jurisdictions and are therefore reported as an enterprise fund. The activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with operations are included in a single accounting; revenues are recognized in the accounting period in which they are earned, and expenses are recorded at the time liabilities are incurred. Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund’s principal ongoing operations. The DCTA principal operating revenues are derived from charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.



# DENTON COUNTY TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Basis of Accounting (continued)**

All dollar amounts, unless otherwise noted, are in whole dollars. References to years 2009 and 2008 are for fiscal years ending September 30, 2009 and 2008.

DCTA has elected not to apply all Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

When both restricted and unrestricted resources are available for use, it is DCTA's policy to use restricted resources fund. The unrestricted resources as they are needed.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consists of cash on hand, amounts invested in repurchase agreements, demand deposits, and short-term investments with maturities of three months or less when purchased. Cash and cash equivalents are valued at cost which is substantially the fair value.

#### **Receivables**

Receivables consist primarily of amounts due to DCTA from sales tax collections, federal grants, and customer billings. Management does not believe any credit risk exists related to these receivables. Management evaluates the receivables to determine if an allowance for doubtful accounts should be established, and considers the collection history, the aging of the accounts, and other specific information known to management that may affect collectability. Based upon this assessment, management has determined that an allowance is not necessary.

#### **Investments**

The investment policies of DCTA are governed by the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. DCTA funds are managed and invested based on safety, liquidity, diversification, and yield. The investments are stated at fair value.

#### **Prepaid Expenses**

Prepaid expenses consist primarily of insurance payments which are amortized over the policy period and prepaid rents.

#### **Restricted Assets**

Restricted assets consist of unspent bond proceeds and are held as cash and cash equivalents.

#### **Capital Assets**

All capital assets are stated at historical cost. Capital assets are defined as assets which:

1. Have a useful life of more than one year and a unit cost greater than \$5,000;
2. Have a unit cost of \$5,000 or less, but are part of a network or combined unit of property; or
3. Were purchased with grant money.



# DENTON COUNTY TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Capital Assets (continued)

Maintenance and repair expenditures which substantially improve or extend the useful life of property are capitalized. The cost of routine maintenance and repairs is expensed as incurred. Interest incurred as a result of construction in progress and contracts with durations over one year are capitalized.

The provision for depreciation of transportation property and equipment is calculated under the straight-line method using the respective estimated useful lives of major asset classifications, as follows:

	<u>Years</u>
Transportation vehicles:	
Bus	7-12
Paratransit	4-5
Transportation equipment	3-5
Office equipment	3

A mid-month convention is used to determine the first month in which depreciation will be charged. Therefore, a full month of depreciation expense is recorded in the first month for assets placed in service prior to the fifteenth day of the month; otherwise, depreciation is charged in the subsequent month. When property and equipment are disposed, depreciation is removed from the respective accounts and the resulting gain or loss is recorded.

Except for sales of assets in which the unit fair value is less than \$5,000, proceeds from the sale of property, facilities, and equipment purchased with funds provided by federal grants for capital expenditures are remitted to the Federal Transit Administration (“FTA”) on the same percentage basis that such funds were provided by grant contracts with the FTA.

The transit system operated by DCTA includes certain facilities owned by others. DCTA has contractual rights to operate these facilities under the terms of the authorizing legislation and other agreements.

#### Current Liabilities

DCTA has not formally restricted cash funds to pay current liabilities, but has adequate cash and investments to satisfy these obligations.

#### Compensated Absences

Employees receive compensation for vacations, holidays, illness, personal days, and certain other qualifying absences. The number of days compensated for the various categories of absence is based on length of service. Sick days and vacation days that have been earned, but not paid, have been accrued in the accompanying financial statements. Compensation for holidays and other qualifying absences are not accrued in the accompanying financial statements as rights to such compensation do not accumulate or vest.



# DENTON COUNTY TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Enhanced Local Assistance Program

The Enhanced Local Assistance Program (“ELAP”) is a mobility improvement program for participating member cities. ELAP provides financial assistance for mobility projects approved by DCTA for a maximum period of four years. Funding is available to participating cities at an amount equal to twenty-five percent of the DCTA sales and use tax collections from the respective city. During 2008, the four year period expired and DCTA fulfilled its commitment by expensing \$1,067,837. Payments to participating cities in 2008 were \$10,409,702.

#### Deferred Revenue

The University of North Texas (UNT) and Texas Woman’s University (TWU) have contracted with DCTA to provide transportation for faculty, staff, and students in Denton, Texas, through the Connect service. The universities have paid for this service in advance, and DCTA recognizes the revenue through straight-line amortization over the respective period. At September 30, 2009 and 2008, DCTA has received \$21,667 in advance payments for each year.

In addition, during 2009, DCTA received a grant and advanced funding in the amount of \$250,360,000 from the Texas Department of Transportation for the development of the passenger rail system and to purchase rail vehicles. DCTA recognizes revenue as the funds are spent. At September 30, 2009, unspent grant funds plus interest amounted to \$187,348,863 and are reflected as restricted assets – cash and cash equivalents in the statement of net assets.

#### Net Assets

Equity is displayed in two components as follows:

**Invested in Capital Assets, net of related debt** – This consists of capital assets, net of accumulated depreciation and related debt.

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

#### Operating Revenues

Passenger revenue consists of fare box collections, the sale of passes, and amortization of deferred revenue. Fare box revenue is recorded at the time service is performed. Revenue from the sale of passes is recorded at the time of the sale. Deferred revenue from advance payments on contracts is amortized straight-line over the respective period.

Contract service revenue is related to providing transit services to third parties on a contractual basis. Contract revenue is recorded in the period earned. DCTA provides contract services for UNT, TWU, Corinth, and Hickory Creek.



# DENTON COUNTY TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Classification of Revenues and Expenses**

DCTA classifies its revenues as either operating or non-operating. Operating revenues include activities from the sale of transit services. Non-operating revenue is revenue not associated with the operations of the DCTA transit service and includes grant income, investment income, and income from sales and use tax collections.

Operating expenses will be incurred for activities related to providing public transportation services. Such activities include transportation, maintenance, depreciation on capital assets, and general and administrative functions. Non-operating expenses include the Enhanced Local Assistance Program provided to member cities, interest expense on debt, design costs related to the Trinity Mills project, bad debt expense, and amortization of bond fees.

#### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

#### **Financial Instruments and Credit Risk**

In accordance with the Texas Public Funds Investment Act and the DCTA investment policy, DCTA invests in obligations of the United States or its agencies and instrumentalities. These financial instruments subject DCTA to limited credit risk.

Credit risk with respect to trade and other receivables is limited as they are primarily due from the State of Texas for sales tax collections and other city and state governmental units in the State of Texas.

#### **Subsequent events**

Management evaluates subsequent events through the date of the report, which is the date the financial statements were available to be issued.

### NOTE 2. BUDGETARY DATA

Section 460 of the Texas Transportation Code requires DCTA to create an annual budget. DCTA maintains control over operating expenditures by the establishment of the annual operating budget. Budgets are prepared on the accrual basis consistent with accounting principles generally accepted in the United States of America. Annual proposed operating and capital budgets are prepared by management, presented to Denton County residents at public meetings and reviewed by the Board of Directors prior to adoption of the final budget in September. The operating and capital budgets follow the same preparation and review cycle.



# DENTON COUNTY TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. BUDGETARY DATA (CONTINUED)

Operating budget appropriations terminate at the end of the fiscal year. Capital budget amounts are not included in the accompanying financial statements. Capital budget amounts are budgeted over the life of the respective project, not on an annual basis.

During the course of the annual budget cycle, it may be necessary to modify the budget by a process of amendment or transfer. For example, modifications may be required because of changes in the purpose, description, terms and conditions, or changes in the cost of an approved service or item. All budget amendments require Board of Directors' approval. Budget transfers within a department may be authorized by the DCTA President and reported to the Board. The Board of Directors monitors, reviews, and accepts the monthly and year to date financial statements with budget comparisons and explanations of material variances.

### NOTE 3. SERVICE AGREEMENT

On October 1, 2006, DCTA entered into a management contract with First Transit, Inc. as an independent contractor to manage the operation of the DCTA public transit system in the Denton County urban area. Under the direction of DCTA staff and guidance of DCTA policy, First Transit, Inc. provides a qualified and experienced General Manager and home office support personnel to perform all services and functions necessary to ensure effective and efficient management and administration of the transit system including new and expanded services. In addition, DCTA combined the Lewisville and Denton operations at the Denton facility. DCTA provides the accounting services for operations and began reporting the fiscal year 2007 bus operation expenses in the related expense categories.

### NOTE 4. CASH, CASH EQUIVALENTS, AND INVESTMENTS

#### Cash and Cash Equivalents

DCTA adopted the Governmental Accounting Standards Board Statement No. 40, "Deposit and Investment Risk Disclosures" in fiscal year 2006. The standard requires that entities disclose essential risk information about deposit and investment requirements addressing common risks of investments.

DCTA cash and cash equivalents are deposited in various accounts as allowed by the Texas Public Funds Investment Act and the DCTA Investment Policy. The custodial credit risk for deposits is the risk that in the event of a bank failure, the DCTA deposits may not be recovered. Balances for these accounts are insured by the Federal Depository Insurance Corporation, and the deposits in excess of the insured amount are collateralized by pledged book entry securities held in a securities account at a Federal Reserve Bank in DCTA's name by a third party or were invested in U.S. Government Securities as allowed by the Texas Public Funds Investment Act.





**DENTON COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

At year-end, cash and cash equivalents consist of the following:

	September 30, 2009	September 30, 2008
Demand Deposits	\$ (187,624)	\$ 9,751,199
Sweep Repurchase Agreements	5,648,838	128,648
Money Market Account	2,500,579	2,203,492
TexSTAR	226,468,441	35,661,722
<b>Total Cash and Cash Equivalents</b>	<b>\$ 234,430,234</b>	<b>\$ 47,745,061</b>

Reconciliation:

Cash and cash equivalents	\$ 47,081,371	\$ 37,900,494
Restricted cash and cash equivalents	187,348,863	9,844,567
	<b>\$ 234,430,234</b>	<b>\$ 47,745,061</b>

**Cash Equivalents and Investments**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The DCTA investment policy limits investment maturities to two years as a means of managing its exposure to fair value losses arising from increasing interest rates. In addition, the policy limits weighted average maturity of the overall portfolio to twelve months.

As authorized by the DCTA Investment Policy and in accordance with the Texas Public Funds Investment Act, cash equivalents and investments during the year were invested in U.S. Government Agency Securities, U.S. Treasury Notes and TexSTAR. TexSTAR is administered by First Southwest Asset Management, Inc. and JP Morgan Fleming Asset Management. TexSTAR is a local government investment pool created under the Inter-local Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity, and competitive yield. The fund is rated AAAM by Standard and Poor's and maintains a weighted average maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all of the requirements of the Texas Public Funds Investment Act for local government investment pools. Furthermore, State statutes authorize DCTA to invest funds in other cash equivalents such as money market mutual funds. All DCTA investments are subject to the Texas Public Funds Investment Act. DCTA investments are reported at fair value, and all investments are insured or registered, or the securities are held by the DCTA agent in DCTA's name.



**DENTON COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5. CAPITAL ASSETS**

Changes in capital assets for the fiscal year ended September 30, 2009 and 2008 follow:

	Balance September 30, 2008	Increases	Decreases	Balance September 30, 2009
Capital assets, not being depreciated:				
Land	\$ 24,357	\$ 14,432,693	\$ -	\$ 14,457,050
Construction in progress	7,558,260	72,765,093	-	80,323,353
	<u>7,582,617</u>	<u>87,197,786</u>	<u>-</u>	<u>94,780,403</u>
Vehicles and operating equipment	9,993,781	93,122	(88,317)	9,998,586
Leasehold improvements	39,720	15,786	-	55,506
Office furniture and equipment	133,360	9,074	-	142,434
	<u>10,166,861</u>	<u>117,982</u>	<u>(88,317)</u>	<u>10,196,526</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Vehicles and operating equipment	4,168,141	1,009,598	(78,329)	5,099,410
Leasehold improvements	39,720	3,157	-	42,877
Office furniture and equipment	108,783	26,680	-	135,463
Accumulated depreciation	<u>4,316,644</u>	<u>1,039,435</u>	<u>(78,329)</u>	<u>5,277,750</u>
Capital assets, being depreciated, net	<u>5,850,217</u>	<u>(921,453)</u>	<u>(9,988)</u>	<u>4,918,776</u>
<b>Total capital assets, net</b>	<u>\$ 13,432,834</u>	<u>\$ 86,276,333</u>	<u>\$ (9,988)</u>	<u>\$ 99,699,179</u>



# DENTON COUNTY TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. CAPITAL ASSETS (CONTINUED)

	Balance September 30, 2007	Increases	Decreases	Balance September 30, 2008
Capital assets, not being depreciated:				
Land	\$ -	\$ 24,357	-	\$ 24,357
Construction in progress	-	7,558,260	-	7,558,260
	-	7,582,617	-	7,582,617
Vehicles and operating equipment	10,006,819	-	(13,038)	9,993,781
Leasehold improvements	39,720	-	-	39,720
Office furniture and equipment	120,860	12,500	-	133,360
Total capital assets, being depreciated	10,167,399	12,500	(13,038)	10,166,861
Less accumulated depreciation for:				
Vehicles and operating equipment	2,822,601	1,348,573	(3,033)	4,168,141
Leasehold improvements	17,023	22,697	-	39,720
Office furniture and equipment	78,018	30,765	-	108,783
Accumulated depreciation	2,917,642	1,402,035	(3,033)	4,316,644
Capital assets, being depreciated, net	7,249,757	(1,389,535)	(10,005)	5,850,217
<b>Total capital assets, net</b>	<b>\$ 7,249,757</b>	<b>\$ 6,193,082</b>	<b>\$ (10,005)</b>	<b>\$ 13,432,834</b>

Primary capital asset expenditures in 2008 and 2009 relate to the design of the 21-mile rail corridor. See related commitment disclosure in Note 8.

### NOTE 6. PENSION, RETIREMENT, AND DEFERRED COMPENSATION PLANS

DCTA has a qualified deferred compensation defined contribution plan under the Internal Revenue Code Section 457 for full-time employees. AIG Valic is the administrator of the plan. Employees can make voluntary contributions in the plan through pretax payroll deductions up to the limits allowed by the Internal Revenue Code Section 457. DCTA presently matches up to a maximum of five percent of the participating employee's salary in a 401(A) plan, with 20% of the DCTA contribution vesting to the employee each year.

During fiscal years 2009 and 2008, employee contributions were \$47,559, or 4% of the total payroll, and \$62,519, or 7% of the total payroll, respectively. DCTA contributions were \$14,803 in 2009 and \$33,577 in 2008, or 2% and 3.5% of the total payroll for each year, respectively.



# DENTON COUNTY TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7. LONG-TERM LIABILITIES

In June of 2008, DCTA issued privately held revenue bonds for \$20,000,000. The proceeds from the bonds are being used for the construction of the railway that is connecting Denton and Dallas counties. As of September 30, 2009, DCTA has drawn down \$20,000,000 for construction. DCTA has pledged the sales tax revenues towards the repayment of the bonds. The bond principle is due in one lump sum on June 15, 2013. The annual debt service requirements follow:

Fiscal Year ending September 30	Principal	Interest
2010	\$ -	\$ 586,000
2011	-	586,000
2012	-	586,000
2013	20,000,000	586,000
Total requirements	<u>\$ 20,000,000</u>	<u>\$ 2,344,000</u>

Interest is due semi-annually in June and December with the first payment paid on December 15, 2008. The interest rate is fixed for the first three years and then changes to a variable rate based upon the following:

Years 1 – 3:	2.93%
Years 4 – 5:	LIBOR x 62.075% + .70%

The bond agreement states that the interest rate during years 4 - 5 cannot exceed 15%. The variable interest rate cannot be calculated with certainty during these last two years. In accordance with generally accepted accounting principles, the interest rate of 2.93% (the rate in effect at September 30, 2009) was used to calculate the estimated debt service requirement listed above. Total interest paid during the fiscal year ended September 20, 2009 was \$571,350. Total interest expensed during the year ended September 30, 2008 was \$156,267. Total interest capitalized during the year ended September 30, 2009 was \$586,000.

The bond agreement requires DCTA to establish and maintain a pledged revenue account and a bond fund account at a depository institution and segregate these accounts in the general ledger for the purpose of accumulating principal and interest when it becomes due and payable. At September 30, 2009, DCTA was in compliance with this requirement.

### NOTE 8. COMMITMENTS AND CONTINGENCIES

#### Risk Management

DCTA is exposed to various types of risk of loss including torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; natural disasters; and environmental occurrences.

DCTA is a participant in the Texas Municipal League Intergovernmental Risk Pool (“TML”) to provide insurance for errors and omission, general liability, workers’ compensation, automobile liability, and physical damage coverage. TML was self-sustaining in 2009 based on premiums charged so that total contributions plus earnings on the contributions will be sufficient to satisfy claims and liabilities.



**DENTON COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 8. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Premiums are assessed based on the rates set by the Texas State Board of Insurance for each participating political subdivision’s experience. DCTA has a \$1,000 deductible for errors and omissions liability with limits of \$1,000,000 per wrongful act and an annual aggregate of \$2,000,000. General liability coverage has no deductible with limits of \$1,000,000 per occurrence and an annual aggregate of \$2,000,000. Worker’s compensation coverage has no deductible. Automobile liability has a limit of \$5,000,000 per occurrence. DCTA vehicles are insured for physical damage for collision and comprehensive coverage after a \$10,000 deductible.

DCTA has a government crime policy with Fidelity and Deposit Company of Maryland insuring against employee theft up to \$1,000,000 per loss. DCTA has not incurred any losses under these plans.

**Litigation**

DCTA has no known claims or lawsuits pending.

**State and Federal Grants**

DCTA participates in several State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Cost charged to these grant programs are subject to audit, approval, and adjustment by the grantor agencies, which could result in refunds to the grantor. It is management’s opinion that DCTA has complied with substantially all of the requirements under the respective grants, and therefore no provision has been recorded in the accompanying financial statements for such liabilities.

**Commitments**

At September 30, 2009, DCTA has the following outstanding commitments:

Engineering and design of bus operating and maintenance facility	\$ 682,000
Design and construction of rail line and rail facilities	165,954,000
Purchase of rail cars	55,323,000
Purchase of transit buses	1,688,500
Engineering and construction of support services for rail and bus	4,701,000
	\$ 228,348,500



# DENTON COUNTY TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### Operating Lease Agreements

DCTA has entered into certain operating lease agreements. All operating leases to which DCTA is currently a party will expire within the next two years. The total lease expense for 2009 was \$313,283, and \$322,991 for 2008. The lease payments by year follow:

Lease Commitments	2010	2011	Total
Connect Central	\$ 5,670	\$ -	\$ 5,670
Service Bay Building	91,896	18,280	110,176
Denton operating facility	93,013	-	93,013
Denton Park and Ride	22,100	-	22,100
Highland Village Park and Ride	7,438	-	7,438
Lewisville Park and Ride	11,050	-	11,050
Vehicle	30,840	25,700	56,540
<b>Total lease commitments</b>	<b>\$ 262,007</b>	<b>\$ 43,980</b>	<b>\$ 305,987</b>

#### Funding

These current expenditures, current contract commitments, and any future commitments will be funded by DCTA out of available cash and investments, future sales tax collections, federal grants, and debt financing.

### NOTE 9. SUBSEQUENT EVENTS

After September 30, 2009, DCTA issued Series 2009, Sales Tax Revenue Refunding bonds for \$20,893,256. Beginning September 15, 2013, principal payments are due in annual installments ranging from \$885,000 to \$1,650,000 and continue through September 2029. The bonds bear interest of 3.99% paid semiannually beginning March 15, 2010.

This bond issuance refunds the \$20 million privately held bonds that were issued in 2008, and will allow DCTA to repay the bonds over 20 years versus a five-year repayment under the original issuance. Because of the early repayment, a \$727,000 interest penalty was incurred. This amount was financed through the refunding bonds.

### NOTE 10. IMPLEMENTATION OF GASB STATEMENTS

In July 2007, GASB issued *Accounting and Financial Reporting for Intangible Asset*. It will be effective for the Authority beginning with its year ending September 30, 2010. This Statement provides guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. The provisions of GASB 51 generally are required to be applied retroactively.



**DENTON COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 10. IMPLEMENTATION OF GASB STATEMENTS (CONTINUED)**

GASB issued *Accounting and Financial Reporting for Derivative Instruments*, in June 2008 and will be effective for the Authority beginning with its year ending September 30, 2010. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts.



**SUPPLEMENTARY INFORMATION**





# DENTON COUNTY TRANSPORTATION AUTHORITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2009

Federal Grantor/Pass-Through Grantor Program Title	Grantor ID Number	Catalog of Federal Domestic Assistance ID Number	Federal Expenditures
U.S. Department of Transportation:			
<u>Federal Transit Cluster:</u>			
FTA/Formula (and flex funds)	TX-90-X724-01	20.507	\$ 53,794
FTA/Formula (and flex funds)	TX-90-X878-00	20.507	1,207,786
FTA Capital Investment	TX-03-0302-00	20.500	98,154
Total Federal Transit Cluster			1,359,734
<u>Transit Services Programs Cluster:</u>			
Job Access-Reverse Commute (JARC)	TX-37-X063-00	20.516	171,109
Job Access-Reverse Commute (passed through the North Central Texas Council of Governments)	n/a	20.516	101,297
New Freedom Program	TX-57-X008-01	20.521	88,501
Total Transit Services Programs Cluster			360,907
North Central Texas Council of Governments/ Ozone grant	n/a	20.219	35,600
Total U.S. Department of Transportation			1,756,241
<b>Total Federal Expenditures</b>			<b>\$ 1,756,241</b>

See notes to schedule of expenditures of Federal Awards.



# DENTON COUNTY TRANSPORTATION AUTHORITY

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2009

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### NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Denton County Transportation Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements on OMB A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

### NOTE 2. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Denton County Transportation Authority provided no federal awards to subrecipients.

### NOTE 3. NON-CASH ASSISTANCE

The Denton County Transportation Authority did not receive any non-cash assistance from federal awards for the year ended September 30, 2009.

### NOTE 4. LOANS

At year-end, the Denton County Transportation Authority had no loans or loan guarantees outstanding with federal awarding agencies.





**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Denton County Transportation Authority

We have audited the basic financial statements of Denton County Transportation Authority (the "Authority") as of and for the year ended September 30, 2009, and have issued our report thereon dated February 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Directors, management and others within the organization and the U.S. Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

*Roglander, Clay & Opitz, LLP*

February 16, 2010





**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

To the Board of Directors  
Denton County Transportation Authority

**Compliance**

We have audited the compliance of Denton County Transportation Authority (the "Authority") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal programs for the year ended September 30, 2009. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs are the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2009.

**Internal Control Over Compliance**

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization, and the U.S. Department of Transportation and is not intended to be and should not be used by anyone other than those specified parties.

*Rylander, Clay & Opitz, LLP*

February 16, 2010



**DENTON COUNTY TRANSPORTATION AUTHORITY**

**SUMMARY SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2009**

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:	<u>Unqualified</u>		
Internal control over financial reporting:			
• Material weakness(es) identified?	<u>          </u> yes	<u>      </u> X	no
• Significant deficiencies identified that are not considered to be material weaknesses?	<u>          </u> yes	<u>      </u> X	none reported
Noncompliance material to financial statements noted?	<u>          </u> yes	<u>      </u> X	no

Federal Awards

Internal control over major programs:			
• Material weakness(es) identified?	<u>          </u> yes	<u>      </u> X	no
• Significant deficiencies identified that are not considered to be material weaknesses?	<u>          </u> yes	<u>      </u> X	none reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be Reported in accordance with section 510(a) of Circular A-133?

           yes             X      no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.500 and 20.507	Federal Transit Cluster
20.516 and 20.521	Transit Services Programs Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

       X    yes                 no



**DENTON COUNTY TRANSPORTATION AUTHORITY**

**SUMMARY SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**For the Year Ended September 30, 2009**

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**Section II - Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None





# DENTON COUNTY TRANSPORTATION AUTHORITY

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended September 30, 2009

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### Financial Statement Findings

#### Compliance Finding

**Condition:** The bond agreement requires DCTA to establish and maintain a pledged revenue account and a bond fund account at a depository institution and as an account in the general ledger for the purpose of accumulating principal and interest when it becomes due and payable. At September 30, 2008, these accounts had not been established.

**Current Status:** During 2009, these general ledger and bank accounts were established.

