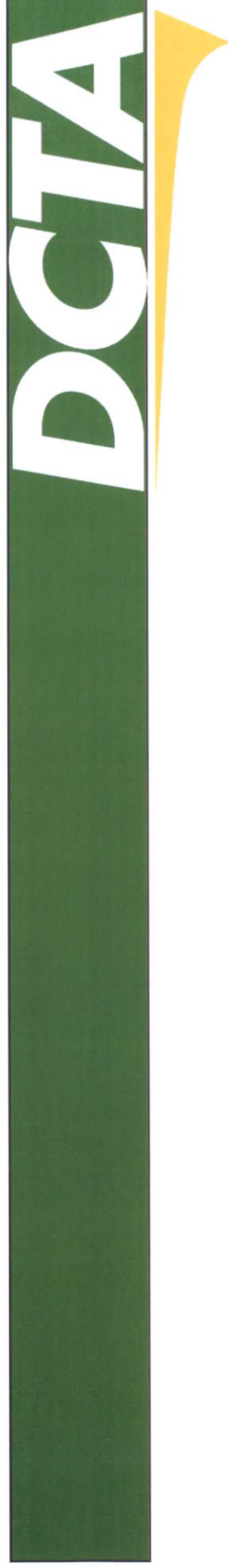


1J

Communication Strategy

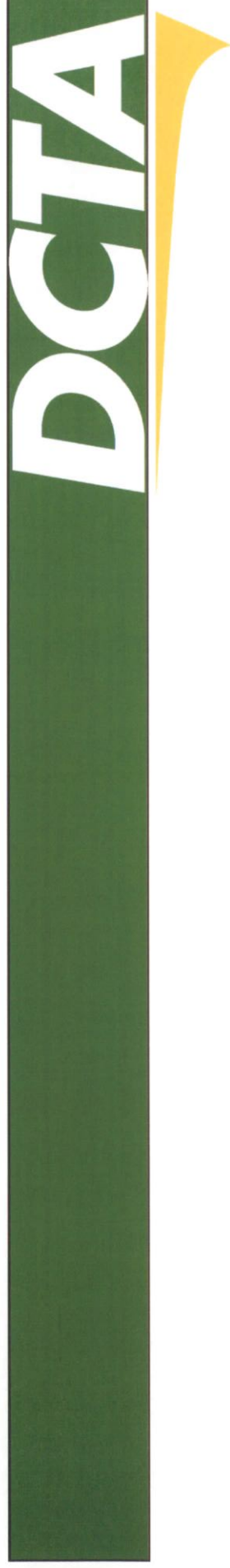
Local/State Legislative Priorities

- Access to additional sales tax sources.
- Exemption from motor fuels tax.
- Limit risk for Class I railroads that allow passenger service to operate on system.
- Long-term Debt Obligation
- Transportation Development Credits
- Eliminate diversions
- Increase transportation funding
- Funding for PTC
- Monitor House's Interim Charges on Public Transportation



Federal Legislative Priorities

- Optimize the timing of the implementation for Positive Train Control to ensure manufacturing capacity is adequate.
- Provide discretionary grant opportunities or other funding mechanism to offset the capital requirements associated with Positive Train Control.
- Allow for investments on 100% locally funded projects to be used as local match on federally funded transportation projects within the service area.
- Provide agencies in an urbanized area over 200,000 with less than 100 vehicles in its fleet the flexibility to utilize 5307 Formula Funds to pay for system operating costs during crises.
- Allow transit agencies to capitalize a portion of fuel costs for reimbursement through the 5307 formula funding program.
- Maintain funding of public transportation at current levels while a long-term funding solution can be identified.
- Finalize a long-term authorization bill.
- Congress should enact permanent parity between the transit benefit and the parking benefit.



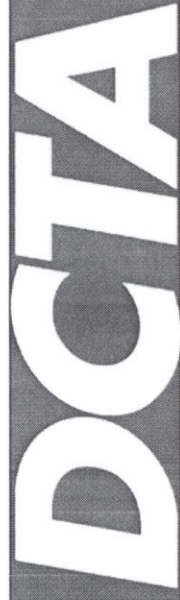
Service Improvement Marketing & Communications Strategy (Feb – Aug)

February - April:

- Promote public meetings and survey results
- Hold Public Meetings (3/5, 3/6 & 3/8, 4/30, 5/1, & 5/3)
- Arts and Jazz Festival
- Earth Day

May - June

- Passenger Information Development
- Stadler Roll-Out Events
- University Orientations
- Launch Ambassador Program
- National Train Day
- Dump the Pump

The logo for DCTA (Dulles Corridor Transit Authority) is displayed in a large, bold, white font against a dark grey background. The letters are slightly shadowed, giving it a three-dimensional appearance.

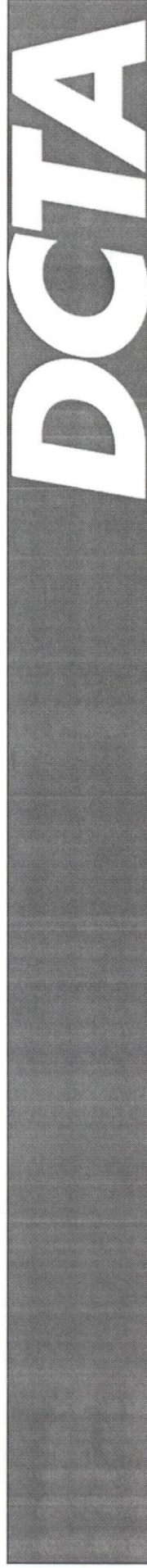
Service Improvement Marketing & Communications Strategy (Feb – Aug)

July:

- University Orientation
- A-train Magazine – Insertion & Direct Mail
- Social Media/Website/Media Release of changes

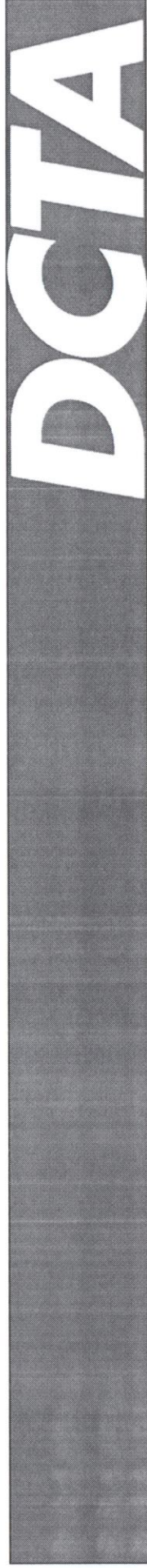
August (implementation 8/20):

- Traditional and Outdoor Media
- A-train Magazine – UNT and TWU publication
- Customer Appreciation Event
- University Pass Program Marketing
- Train the Trainer Event
- Passenger Information Production, Installation & Distribution
- Pursue Partnership Opportunities with AAC, State Fair



Other Communications and Marketing Initiatives

- Rail Safety – Consider the Impact
- Ozone Education – Stop Talking Out of Your Tailpipe
- APTA Rail Conference
- Strategic Partnerships/Special Event – AAC, Member Cities, State Fair, Apartments, etc.
- Passenger Information - Mobile Website, Improved Signage, Text Alerts, Distribution of Rider Information



Subject: WS2ai) Monthly Financial Reports**Background**

The financial statements are presented to the Board on a monthly basis for acceptance. The reports presented for the period ending January 31, 2012 include the Statement of Change in Net Assets, Statement of Net Assets and Capital Projects Fund. These reports provide a comparison of budget vs. actual for the current month basis.

The following are major variances which are annotated on the Statement of Change in Net Assets and Statement of Net Assets and Capital Projects Fund:

Statement of Changes in Net Assets:

- **Note A:** Passenger Revenues Unfavorable by (\$34K) mainly due to Rail revenues not performing as anticipated in FY12 budget. January Rail revenues were budgeted at \$92k and actual revenues received was \$48k resulting in a (\$44k) unfavorable variance.
- **Note B:** Sales Tax Revenue Favorable by \$777k. This reflects 4 months budget (October – January) compared to actual receipts for 3 months (October – December) of the fiscal year due to the lag time of sales tax allocations. See the Sales Tax Report included in this agenda packet for a more detailed Budget to Actual comparison.
- **Note C:** Federal Grants and Reimbursements Revenue Favorable by \$2,884k due to the RTRFI draw downs. RTRFI drawdowns were budgeted in the month of October and actual RTRFI revenue is recognized when the invoice paid. This is a timing variance. As of January 2012, the draw downs are complete and total RTRFI Funds are recognized as revenue. The only remaining draw down is RTRFI Interest for the design portion of the PTC Implementation
- **Note D:** Salary, Wages and Benefits Favorable by \$36k. This is primarily due to TMDC -- favorable by \$48k. TMDC Wages are less due to UNT Holiday break. Health care benefits have not increased as anticipated in the budget.
- **Note E:** Services were Favorable by \$50k. DCTA Favorable \$41k mainly due to Finance, President and HR Dept for expenditures for audit and legal services. Expenses were not expended as anticipated in the budget. This is a timing variance will be offset by next month. TMDC Favorable by \$9k.
- **Note F:** Purchased Transportation Services favorable by \$65k mainly due to the reclassification of Stadler Mobilization costs of \$38k for October and November. In the FY12 Budget Stadler Mobilization is budgeted in Capital Projects.
- **Note G:** Depreciation was Favorable by 85k due to the budgeting of amortization of DART ROW payment of \$15 million for Fiscal Year 2012 on a monthly basis. Amortization is done at year end. Effective with the February close, the depreciation entry will be booked monthly.

Statement of Net Assets

- **Note A:** Cash increased \$1,438K due to the transfer of cash from investments at month end to cover operating and capital expenditures.
- **Note B:** Investments decreased \$15,956K. This decrease results from the net impact of:
 - Receipt of Sales Tax of \$1,424,754
 - Texstar pool interest earned \$680.54

o \$15.8 million transferred to Wells Fargo for operating and capital expenditures which includes NTRG \$3.8 million, DART \$1.7 million, Stadler \$9.6 million, Ontrack \$248k, LTK Engineering \$143k.

- **Note C:** Texstar – Bond Fund Account increased by \$648k due to the transfer of upcoming bond interest payments next month.
- **Note D:** Construction Work in Process increased by \$232k which includes capital expenditures of Ontrack \$201k, and Stadler Mobilizations cost Capitalized for \$37k
- **Note E:** Accounts Payable Decreased by \$14,629k due to the Stadler, NTRG, DART, and LTK invoices were paid out as of month end.
- **Note F:** Deferred RTRFI Revenue decreased by \$2.2 million. This amount was recognized as revenue for the month of January for payment of project expenses for Rail Cars. Life-to-date, a total of \$250,360,000 in RTRFI Funds has been recognized as revenues.
- **Note G:** Deferred RTRFI Interest decreased by \$678k. This amount was recognized as revenue for the month of January for payment of project expenses related to PTC.
- **Note H:** Net Income for the month of January was \$ 3,582,724

Capital Projects Fund

- The Capital Projects Fund schedule provides budget to actual comparisons for DCTA bus and rail capital projects. It provides information on a life-to-date basis for approved projects.

Need

Provides the Board a monthly review of DCTA's financial position and performance to budget


Recommendation

Staff recommends forwarding to the Board for acceptance.

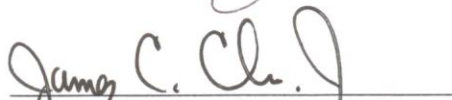
Submitted by:


Staff

Final Review:


Anna Mosqueda, CFO

Approval:


James C. Cline, Jr., President

Denton County Transportation Authority
Change in Net Assets
Month and Year to Date January 31, 2012
(Unaudited)

Description	Month Ended January 31, 2012			Year to Date January 31, 2012			Annual Budget	
	Actual	Budget	Variance	Actual	Budget	Variance		
Revenue and Other Income								
Passenger Revenues	87,015	121,011	(33,996)	349,993	468,397	(118,404)	1,566,317	Note A
Contract Service Revenue	179,342	175,452	3,890	1,041,091	1,064,742	(23,651)	3,013,356	
Sales Tax Revenue	2,046,560	1,269,493	777,067	4,816,709	5,833,195	(1,016,486)	16,909,740	Note B
Federal/State Grants and Reimbursements	3,092,959	208,846	2,884,113	7,873,165	7,006,678	866,487	10,011,818	Note C
Total Revenue and Other Income	5,405,876	1,774,802	3,631,074	14,080,958	14,373,012	(292,054)	31,501,231	
Operating Expenses								
Salary, Wages and Benefits	500,704	537,445	36,741	2,219,279	2,312,283	93,004	6,788,698	Note D
Services	111,722	161,842	50,120	422,888	534,318	111,430	1,389,646	Note E
Materials and Supplies	257,138	278,604	21,466	894,778	1,193,443	298,665	3,436,999	
Utilities	18,070	25,305	7,235	102,036	104,971	2,935	307,413	
Insurance, Casualties and Losses	25,131	39,312	14,181	100,525	157,244	56,719	471,740	
Purchased Transportation Services	619,347	684,586	65,239	1,930,108	2,192,629	262,521	7,544,845	Note F
Miscellaneous	7,798	11,447	3,649	44,746	57,989	13,243	167,626	
Leases and Rentals	84,422	83,765	(657)	307,182	339,790	32,608	1,036,930	
Depreciation	79,757	165,188	85,431	346,868	679,468	332,600	4,632,371	Note G
Total Operating Expenses	1,704,089	1,987,494	283,405	6,368,410	7,572,135	1,203,725	25,776,268	
Income Before Non-operating Revenue and Expense	3,701,787	(212,692)	3,914,479	7,712,548	6,800,877	911,671	5,724,963	
Non-Operating Revenues / (Expense)								
Investment Income	5,413	4,000	1,413	25,706	16,000	9,706	48,000	
Gain (Loss) Disposal of Assets	-	-	-	(69,972)	-	(69,972)	-	
Other Income - Miscellaneous	240	5,167	(4,927)	22,490	20,664	1,826	62,000	
Long Term Debt Interest/Expense	(124,716)	(106,993)	(17,723)	(498,866)	(427,973)	(70,893)	(1,283,919)	
Total Non-Operating Revenue / (Expense)	(119,063)	(97,826)	(21,237)	(520,642)	(391,309)	(129,333)	(1,173,919)	
Change in Net Assets	3,582,724	(310,518)	3,893,242	7,191,906	6,409,568	782,338	4,551,044	

Denton County Transportation Authority
Statement of Net Assets
As of January 31, 2012
(Unaudited)

	January 31, 2012	December 31, 2011	Change	
Current Assets				
Cash - Wells Operating Account	1,628,028	189,079	1,438,949	Note A
Investments	27,148,282	43,104,366	(15,956,084)	Note B
TexStar - RTRFI	12	331,793	(331,781)	
TexStar - RTRFI Interest	373,274	688,953	(315,679)	
Bank of America 2008 Series Bond	-	-	-	
TexStar - Bond Fund Account	648,118	34	648,084	Note C
Accounts Receivable	3,212,290	2,599,033	613,257	
Prepaid Expenses	55,744	84,229	(28,485)	
Total Current Assets	33,065,747	46,997,487	(13,931,739)	
Property, Plant and Equipment				
Land & Land Improvements	19,419,089	19,419,089	-	
Rail Assets	198,027,776	198,027,776	-	
Intangible Assets (ROW)	16,950,000	16,950,000	-	
Machinery & Equipment	10,277,615	10,277,615	-	
Office Furniture & Equipment	147,762	147,762	-	
Construction Work In Process	95,966,463	95,734,169	232,294	Note D
Total Property, Plant and Equipment	340,788,705	340,556,411	232,294	
Accumulated Depreciation	(7,488,935)	(7,409,178)	(79,757)	
Property Plant and Equipment Net	333,299,770	333,147,233	152,537	
Other Non Current Assets				
2008 Series Bond Prepayment Penalty	300,691	317,396	(16,705)	
2009 Series Bond Debt Fees	140,790	141,455	(665)	
2011 Series Cont. Obligations Fees	80,453	80,807	(354)	
Total Other Non Current Assets	521,934	539,658	(17,724)	
Total Assets	366,887,452	380,684,377	(13,796,926)	
Current Liabilities				
Accounts Payable	124,045	14,753,402	(14,629,357)	Note E
Salary, Wages, and Benefits Payable	335,332	314,775	20,557	
Accrued Expenses Payable	1,982,337	1,982,337	-	
2008 Series Bond Interest Payable	-	-	-	
2009 Series Bond Interest Payable	277,837	208,378	69,459	
2011 Series Cont. Oblig. Interest Payable	150,136	112,602	37,534	
* Retainage Payable	2,876,608	2,872,994	3,614	
Deferred RTRFI Revenue	-	2,228,817	(2,228,817)	Note F
Deferred RTRFI Interest	525,724	1,203,801	(678,078)	Note G
Deferred Revenue	62,090	36,651	25,439	
Total Current Liabilities	6,334,109	23,713,757	(17,379,648)	
Long Term Liabilities				
Rail Easement Payable	1,950,000	1,950,000	-	
2011 Series Cont. Obligations	14,390,000	14,390,000	-	
2009 Series Bond Payable	20,890,000	20,890,000	-	
Total Long Term Liabilities	37,230,000	37,230,000	-	
Total Liabilities	43,564,109	60,943,757	(17,379,648)	
Net Assets				
Unrestricted Retained Earnings	236,432,256	236,432,256	-	
Restricted for Capital Projects	-	-	-	
Restricted for RTRFI Interest	-	-	-	
Capital Assets	79,699,179	79,699,179	-	
Net Income	7,191,908	3,609,184	3,582,724	Note H
Total Equity	323,323,343	319,740,619	3,582,724	
Total Liabilities and Equity	366,887,452	380,684,376	(13,796,925)	

* Retainage Payable: URS \$1,466,743, North Texas Rail Group \$1,000,000, Stadler \$402,349, LTK Eng. \$7,516

Budget vs. Actual

As of January 31, 2012

(Cash Basis)

	Original Budget	Revised Budget	January 2012 Expenses Booked	LTD	\$ Under/(Over) Budget	% of Budget (As of January 2012 Close)	* Project % of Completion as of 1/31/12
ASSETS							
Fixed Assets							
1660 · Construction Work in Progress							
5 · Bus Capital Projects							
Total 50202 · Passenger Amenities (Phase 2)	174,011	229,326	-	134,531	94,795	59%	35%
Total 50301 · Bus O&M Facility	8,142,667	11,632,717	-	1,967,610	9,665,107	28%	29%
Total 50302 · Bus Maintenance Equipment	500,000	500,000	-	51,435	448,565	10%	10%
Total 50303 · DDTC	373,282	373,282	-	-	373,282	0%	0%
Total 50401 · Security System Video Units	129,837	129,837	-	129,779	58	100%	100%
Total 50403 · Paratransit Scheduling Systems	180,000	180,000	445	166,342	13,658	92%	90%
Total 50405 · Electronic Fareboxes	445,000	445,000	-	-	445,000	0%	0%
Total 50502 · Fleet Replacement 2010	1,968,500	3,136,993	-	2,587,132	549,861	82%	82%
Total 5 · Bus Capital Projects	11,913,297	16,627,155	445	5,036,829	11,590,326	30%	
6 · Rail Construction (RTRFI Funded)							
Total 61101 · Line Construction	143,300,000	136,982,790	-	135,054,672	1,928,118	99%	100%
Total 61201 · Medpark Station	8,683,334	8,397,814	-	8,415,370	(17,556)	100%	100%
Total 61202 · Downtown Denton Station	-	2,644,361	-	2,588,104	56,257	98%	100%
Total 61203 · HV/LV Lake Station	6,405,333	6,621,081	-	6,478,446	142,635	98%	100%
Total 61204 · Old Town Lewisville Station	7,783,333	7,351,051	-	7,208,699	142,352	98%	100%
Total 61205 · Hebron Station	-	2,195,959	-	2,170,589	25,370	99%	100%
61206 · MedPark Extension	1,000,000	1,000,000	-	-	1,000,000	0%	0%
Total 61207 · Trinity Mills Platform (DART)	740,000	450,659	-	329,819	120,840	73%	100%
Total 61301 · Rail O&M Facility	21,628,000	24,027,741	-	26,597,816	(2,570,075)	111%	99%
Total 61401 · Fare Collection Systems	569,000	733,104	-	633,129	99,975	86%	100%
Total 61402 · Communication System	1,000,000	4,043,280	-	3,765,084	278,196	93%	100%
Total 61403 · Traffic Signals	2,480,000	3,046,178	-	2,769,252	276,926	91%	100%
Total 61404 · Railroad Signal System/Crossing	9,920,000	11,989,000	-	11,633,468	355,532	97%	100%
Total 61405 · Positive Train Control Study	-	179,619	-	179,619	-	100%	100%
Total 61406 · Positive Train Control	-	16,997,441	72,297	389,500	16,607,941	2%	13%
Total 61601 · Professional Services	26,200,000	24,267,165	58,453	24,319,555	(52,390)	100%	N/A
Total 61602 · CM/GC Pre-Construction	-	522,315	-	522,315	-	100%	100%
Total 61603 · Stadler Implementation	-	895,803	37,535	37,535	858,268	4%	25%
Total 61701 · Trail Relocation - North Region	2,800,000	1,992,748	-	1,992,750	(2)	100%	100%
Total 61702 · Project Management - DCTA Internal	-	319,080	-	319,382	(302)	100%	N/A
Total 61703 · Rail Corridor - DART	10,000,000	15,047,155	-	15,047,155	-	100%	100%
Total 61706 · Neighborhood Sound Mitigation	-	270,000	-	227,170	42,830	84%	100%
Total 61707 · Community Enhancements	-	752,708	-	13,091	739,617	2%	9%
Total 61708 · Lewisville Bike Trail	-	3,489,396	-	60,685	3,428,711	2%	8%
Total Rail Construction Projects	242,509,000	274,216,448	168,285	250,753,202	23,463,246	91%	
Total 61501 · Rail Cars	71,500,000	79,795,524	70,586	65,242,333	14,553,191	82%	83%
TOTAL RAIL CONSTRUCTION & CARS	314,009,000	354,011,972	238,871	315,995,535	38,016,437	89%	
Total 1660 · Construction Work in Progress	325,922,297	370,639,127	239,316	321,032,364	49,606,763	87%	

Board of Directors Memo
Item 2(a)ii Sales Tax Report

February 23, 2012

Background

Sales Tax Report

Sales tax represents the single largest source of revenue for DCTA, at 53.5% for the current FY12 budget. Annual Sales Tax budget is \$16,909,740. Because of its importance in funding of DCTA's ongoing operations, the Board adopted a Budget Contingency Plan that outlines the Agency's response when declines in sales tax hit a specific target. This month receipts were favorable compared to budget. Sales tax collections when compared to same period last year are 8.71% more.

- December sales tax received in February were \$2,046,560.
- An increase of 5.68% or \$109,982 compared to budget for the month.
- Favorable 5.54% year-to-date compared to budget.
- Compared to the same month last year, sales tax receipts were \$166,387 or 8.85% more.
- Member city collections for the month compared to prior year are as follows:
 - City of Lewisville up 7.88%
 - City of Denton up 5.33%
 - Highland Village up 4.89%

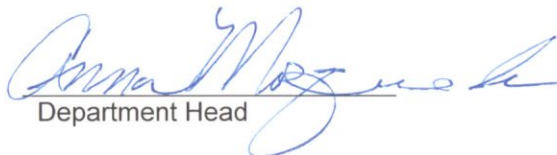
Need

Provides the Board of Directors a monthly status on Sales Tax collections.

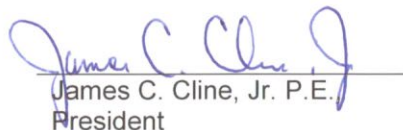
Recommendation

For information only. No action required.

Final Review:


Department Head

Approval:


James C. Cline, Jr. P.E.
President

Denton County Transportation Authority (DCTA)									
Sales Tax Report									
Budget to Actual and Prev. Yr. Comparison									
Budget Month: Financials	Allocation Received from Comptroller	2011-2012 Year Budget	2011-2012 Year Actual	Variance Actual to Budget	CY Actual to CY Budget % Variance	2010-2011 Year Actual	Variance Actual to Prior Year	CY Actual to PY Actual Variance	
October		\$ 1,298,844.00	\$ 1,345,394.47	\$ 46,550.47	3.58%	\$ 1,261,013.90	\$ 84,380.57	6.69%	
November		\$ 1,328,280.00	\$ 1,424,754.55	\$ 96,474.55	7.26%	\$ 1,289,591.88	\$ 135,162.67	10.48%	
December		\$ 1,936,578.00	\$ 2,046,560.44	\$ 109,982.44	5.68%	\$ 1,880,172.72	\$ 166,387.72	8.85%	
January		\$ 1,269,493.00				\$ 1,232,517.48			
February		\$ 1,217,564.00				\$ 1,182,101.16			
March		\$ 1,610,191.00				\$ 1,650,410.06			
April		\$ 1,328,641.00				\$ 1,290,268.01			
May		\$ 1,325,091.00				\$ 1,361,535.35			
June		\$ 1,590,710.00				\$ 1,639,147.71			
July		\$ 1,271,887.00				\$ 1,229,556.49			
August		\$ 1,272,964.00				\$ 1,419,245.41			
September		\$ 1,459,497.00				\$ 1,699,798.76			
Y.T.D Total		\$ 16,909,740.00	\$ 4,816,709.46	\$ 253,007.46	5.54%	\$ 17,135,358.93	\$ 385,930.96	8.71%	

Sources: Texas Comptroller of Public Accounts and DCTA Finance Department
 Prepared By: Denton County Transportation Authority Finance Department
 February 9, 2012

Denton County Transportation Authority (DCTA)
Member Cities Sales Tax Report
Month Allocation is Received from Comptroller
Prev. Yr. Comparison

City of Lewisville					City of Highland Village				
Month	2010-2011 Year Actual	2011-2012 Year Actual	Variance Actual to Prior Year	CY Actual to PY Actual Variance	Month	2010-2011 Year Actual	2011-2012 Year Actual	Variance Actual to Prior Year	CY Actual to PY Actual Variance
December	\$ 1,734,488.96	\$ 1,732,551.04	\$ (1,937.92)	-0.11%	December	\$ 204,079.40	\$ 243,619.10	\$ 39,539.70	19.37%
January	\$ 1,804,653.79	\$ 1,984,090.82	\$ 179,437.03	9.94%	January	\$ 232,136.90	\$ 243,165.41	\$ 11,028.51	4.75%
February	\$ 2,664,170.34	\$ 2,874,196.38	\$ 210,026.04	7.88%	February	\$ 377,127.03	\$ 395,580.52	\$ 18,453.49	4.89%
March	\$ 1,695,276.75				March	\$ 199,650.45			
April	\$ 1,562,081.70				April	\$ 185,890.33			
May	\$ 2,185,878.93				May	\$ 273,658.81			
June	\$ 1,752,909.11				June	\$ 220,960.62			
July	\$ 1,936,503.22				July	\$ 230,200.23			
August	\$ 2,326,422.23				August	\$ 282,276.49			
September	\$ 1,914,427.72				September	\$ 242,698.30			
October	\$ 1,997,116.32				October	\$ 216,980.51			
November	\$ 2,312,125.96				November	\$ 276,329.67			
Y.T.D Total	\$ 23,906,055.03	\$ 6,590,838.24	\$ 387,525.15	6.25%	Y.T.D Total	\$ 2,941,988.74	\$ 882,365.03	\$ 69,021.70	8.49%

City of Denton				
Month	2010-2011 Year Actual	2011-2012 Year Actual	Variance Actual to Prior Year	CY Actual to PY Actual Variance
December	\$ 1,607,241.13	\$ 1,847,567.14	\$ 240,326.01	14.95%
January	\$ 1,582,833.44	\$ 1,765,223.00	\$ 182,389.56	11.52%
February	\$ 2,433,313.87	\$ 2,562,967.74	\$ 129,653.87	5.33%
March	\$ 1,547,033.41			
April	\$ 1,561,082.16			
May	\$ 2,164,539.72			
June	\$ 1,626,348.85			
July	\$ 1,571,084.72			
August	\$ 2,086,375.03			
September	\$ 1,258,063.86			
October	\$ 1,755,761.74			
November	\$ 2,225,760.90			
Y.T.D Total	\$ 21,369,438.83	\$ 6,175,757.88	\$ 552,369.44	9.82%

Sources: Texas Comptroller of Public Accounts and DCTA Finance Department
Prepared By: DCTA Finance Department
February 10, 2012

All Transit Agencies as of January 2012
Monthly Sales and Use Tax Comparison Summary

2aiii

Transit	Current Rate	Net Payment This Period	Comparable Payment Prior Year	% Change	2012 Payments To Date	2011 Payments To Date	% Change
Houston MTA	1.00%	43,705,157.93	40,955,462.25	6.71%	43,705,157.93	40,955,462.25	6.71%
Dallas MTA	1.00%	31,652,743.08	30,219,690.92	4.74%	31,652,743.08	30,219,690.92	4.74%
Austin MTA	1.00%	12,350,630.74	11,508,311.05	7.31%	12,350,630.74	11,508,311.05	7.31%
San Antonio MTA	0.50%	7,726,687.28	7,114,877.48	8.59%	7,726,687.28	7,114,877.48	8.59%
San Antonio ATD	0.25%	3,610,587.73	3,310,695.91	9.05%	3,610,587.73	3,310,695.91	9.05%
Fort Worth MTA	0.50%	4,157,050.61	3,621,818.35	14.77%	4,157,050.61	3,621,818.35	14.77%
El Paso CTD	0.50%	2,850,126.56	2,746,929.51	3.75%	2,850,126.56	2,746,929.51	3.75%
Corpus Christi MTA	0.50%	2,192,806.99	1,865,505.20	17.54%	2,192,806.99	1,865,505.20	17.54%
Denton CTA	0.50%	1,424,754.55	1,289,591.88	10.48%	1,424,754.55	1,289,591.88	10.48%
Laredo CTD	0.25%	562,519.14	506,819.50	10.99%	562,519.14	506,819.50	10.99%
TOTALS	-----	110,233,064.61	103,139,702.05	6.87%	110,233,064.61	103,139,702.05	6.87%

Sources: Texas Comptroller of Public Accounts
Prepared By: Denton County Transportation Authority Finance Department
February 9, 2012



COMMUNICATIONS AND PLANNING REPORT

February 23, 2012

Service Schedule Revision

DCTA staff is developing the next series of service modifications based on the guidance provided by the Board of Directors and input from the Community Survey. A series of public meetings will be held in March to discuss the Community Survey and discuss proposed future service concepts.

Triennial Review

DCTA will undergo a Triennial Review this spring. Staff is currently collecting the appropriate documentation for submittal to FTA and in preparation for the onsite visit.

Community Outreach

- January 9: UNT International Student Orientation (100 attendees)
- January 10: UNT New Student Orientation (350 attendees)
- January 10: Highland Village City Council Briefing
- January 11: UNT New Student Orientation (350 attendees)
- January 11: Citizen's Advisory Team, Lewisville (5 attendees)
- January 12: Leadership Lewisville (25 attendees)
- January 13: Vehicle Acceptance Ceremony (150 attendees)
- January 17 - 21: University Pass Program Promo "Experience the Commute" (71 attendees)
- January 19: Citizen's Advisory Team, Denton (5 attendees)
- January 26: UNT Employee Commuter Vanpool Presentation (22 attendees)
- February 10: NE Tarrant County Transportation Summit

Upcoming Events

- March 3: Public Meeting: Community Survey Results (6:30PM, DDTC)
- March 4: Public Meeting: Community Survey Results (6:30PM, HV Council Chambers)
- March 8: Public Meeting: Community Survey Results (6:30PM, Lewisville Location TBD)
- March 8-11: 35-Denton Music Festival
- March 14: TWU Off-Campus Apartment Fair
- March 27: Rail Ready, DCTA Bus Operators
- March 28: Rail Ready, DCTA Bus Operators
- April 12: Citizen's Advisory Team, Lewisville (6:00PM, DCTA Board Room)
- April 19: Citizen's Advisory Team, Denton (6:00PM, DDTC)
- April 21: Leadership Lewisville Amazing Race
- April 27-29: City of Denton Arts & Jazz Festival
- April 30: Public Meeting Proposed August Service Changes (6:30PM, DDTC)
- May 1: Public Meeting: Proposed August Service Changes (6:30PM, HV Council Chambers)
- May 3: Public Meeting: Proposed August Service Changes (6:30PM, Lewisville Location TBD)
- May 10: City of Denton Community-Wide Travel Training (6:00PM, Denton Civic Center)



COMMUNICATIONS AND PLANNING REPORT

February 23, 2012

February-March Marketing & Communication Initiatives

- August Service Changes Communications
- Rail Ready Presentations
- Commuter Vanpool Program
- Passenger Information Improvement and Reporting
- Service Improvement Data Collection
- Call Center/Customer Service Improvements
- Severe Weather Alert/Ridership Communications

Media

Title	Source	Ad Value
DCTA unveils new rail cars	Denton Record Chronicle	\$1,150
DCTA Will Soon Launch New Trains	WBAP-AM [820 AM]	N/A
Holiday closings	Denton Record Chronicle	\$1,260
Snake bit and a little tone deaf	Denton Record Chronicle	\$1,150
DCTA releases new schedules	North Texas Daily	\$197
DCTA showcases new rail facility and vehicles	Star Community News Papers	\$567
DCTA showcases new rail facility and vehicles	The Lewisville Leader	\$567
DCTA showcases new rail facility and vehicles	flowermoundleader	\$693
Denton County unveils new railcars	Metro Magazine	N/A
DCTA showcases new rail facility and vehicles	southlaketimes	\$693
A-train's Friday night service at a crossroads	Denton Record Chronicle	\$1,260
Denton transportation officials extend Friday night service	Pegasus News	\$252
Dentons new A-train cars may help expand regional rail	Dallas Morning News	\$7,088
DCTA Shows-Off New Rail Cars	KXAS-TV [NBC 5]	\$400
Giving the A-train a sporting chance	Denton Record Chronicle	\$1,355
Denton County files alt vehicle tech waiver	Metro Magazine	N/A
DCTA showcases new rail facility and vehicles	Passenger Transport	N/A
Denton County agency seeks FRA waiver for	progressiverailroading	N/A
DCTA puts brakes on deal	Denton Record Chronicle	\$1,150
DCTA submits waiver to FRA for new rail vehicles	Star Community News Papers	\$567
DCTA submits waiver to FRA for new rail vehicles	The Lewisville Leader	\$567
Denton County, Tex., seeks FRA waiver	railwayage	N/A
DCTA showcases new rail facility and vehicles	Pegasus News	\$252
Denton County files alt vehicle tech waiver	Metro Magazine	N/A

Month Total Ad Value **\$19,167**
YTD Total Ad Value *\$92,035*



COMMUNICATIONS AND PLANNING REPORT

February 23, 2012

Incident Related Media

Title	Source
Two men jailed after A-train strikes pickup	Denton Record Chronicle
DCTA: Accidents can, will happen	Denton Record Chronicle

Non-DCTA Social Media (Blogs, Twitter, Facebook, Etc.)

Title	Source
Anyone using DCTA...	Facebook
DCTA Opens Doors on New Facility	The Lewisville Texan Journal
DCTA unveils new rail cars	DFW Post
DCTA unveils new rail cars says Texas cannot meet needs by	dfwreimagined
Denton County Transit Authority unveils new shop dispatch center	trn.trains
DCTA unveils new rail cars says Texas cannot meet needs by	youplusdallas
DCTA showcases new rail facility and vehicles	DFW Post
DCTA casts an eye toward Flower Mound for expansion of rail	FloMoTX
Railway Preservation News View	rypn
Denton County Transportation Authority	FloMoTX
Getting From Here to There, Part 1	Who's Playin
DCTA Celebrates the Final Stages of the A	Urban Engineers, Inc.
DCTA showcases new rail facility and vehicles	dallasmobility
DCTA Accidents can will happen	TownVox
Getting From Here to There, Part 2	Who's Playin
DCTA 2009 Denton County Transit Authority	RailPicture
RDC cars on DCTA	YouTube
Denton County Transit Authority RDC at	RailPicture
DGNO 140 switching on the DCTA in Lewisville Tx	YouTube
DCTA Submits Alternative Vehicle Compliance Waiver	Focus Daily News South Suburban Dallas
DCTA submits waiver to FRA for new rail vehicles	legalnews.findlaw
DCTA submits waiver to FRA for new rail vehicles	DFW Post
DCTA train Denton	YouTube
Denton Co., TX seeks waiver to mix light, heavy rail	trainorders

Dee Leggett
VP of Communications & Planning



BUS OPERATIONS REPORT

Thursday, February 23, 2012

❖ OPERATIONS

- **Ridership:** 199,943 customers chose to ride DCTA buses in the month of January. This represents a 19% increase over last year.
- **On Time Performance:** January OTP was 96%.

❖ SAFETY/SECURITY

- Bus Operations experienced an accident free month in January.

❖ FLEET

- **UNT Vehicle Purchase:** We will begin receiving new UNT Champion buses in March with final delivery of the last vehicle to occur in July.
- **ROAD CALLS:** Bus maintenance experienced 11,911 miles between road calls in January. Fleet reliability continues to show improvement.

BUS OPERATIONS PERFORMANCE INDICATORS

Ridership

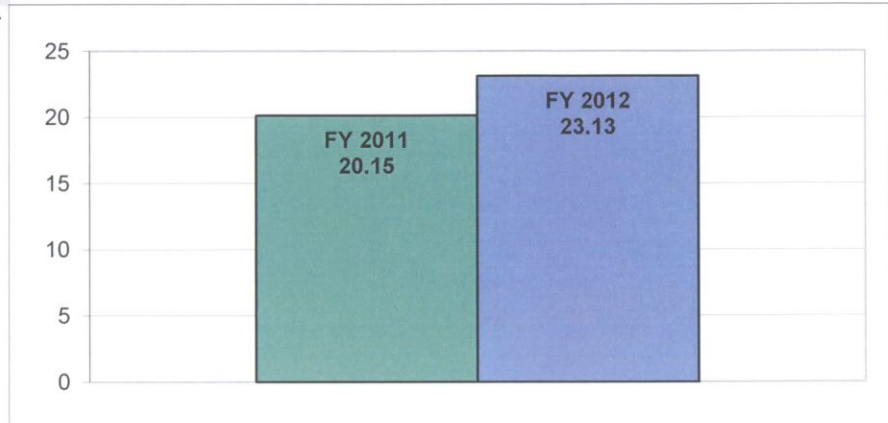
Ridership

January 2011 & January 2012

Performance Measures

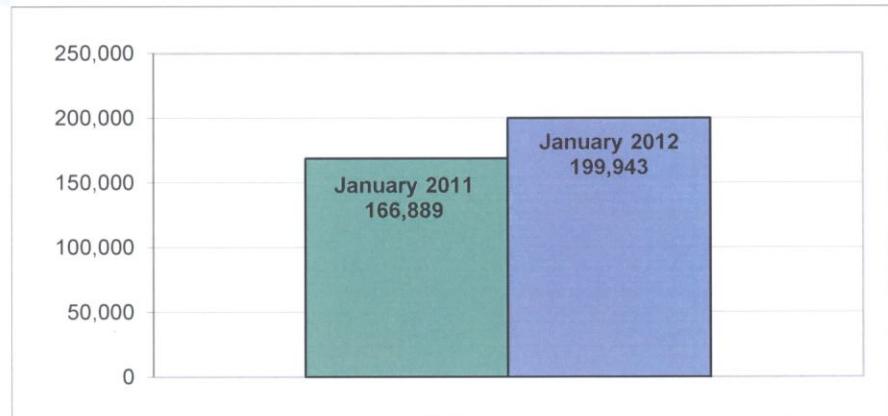
Systemwide Ridership per Revenue Hour

Systemwide ridership per revenue hour has increased by 14%.



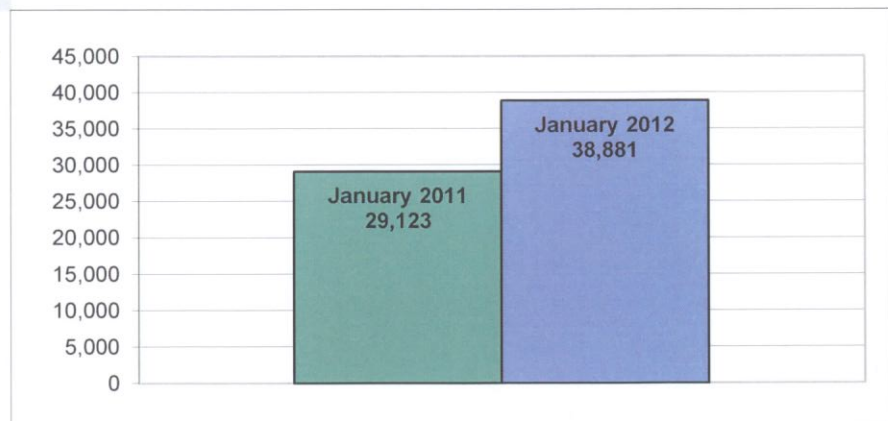
Systemwide Ridership

Systemwide ridership increased 19% as compared to this time last year.



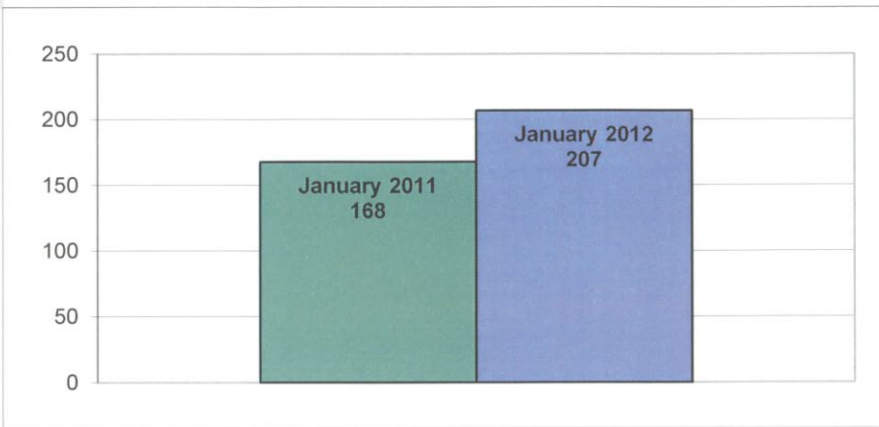
Connect Ridership

Connect carried 38,881 passengers in January, which is a 33% increase over January 2011.



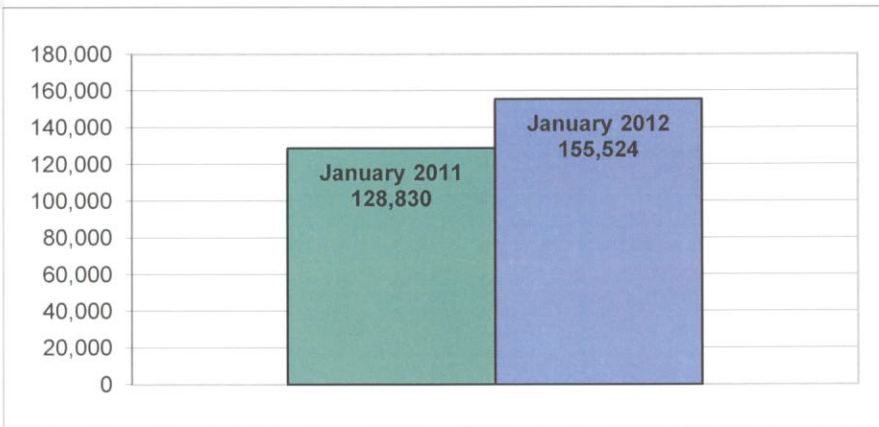
Connect RSVP Ridership

Connect RSVP carried a total of 207 passengers in January, which is a 23% increase over January 2011.



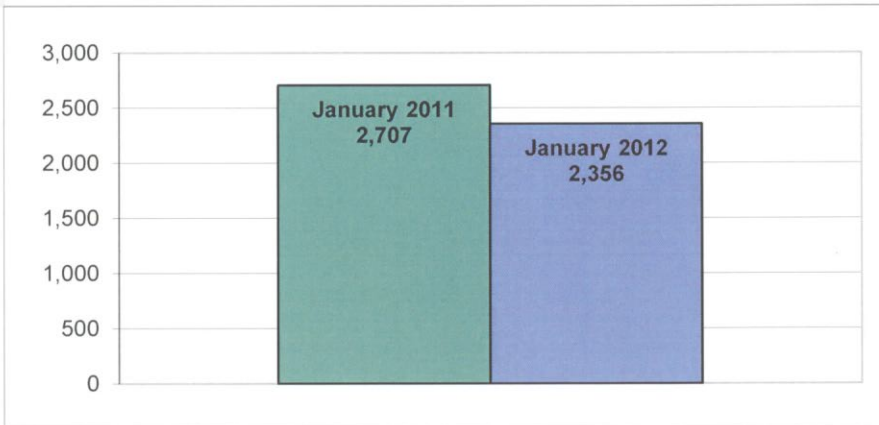
UNT Ridership

UNT Shuttle carried a total of 155,524 passengers in January which is a 20% increase from last January.



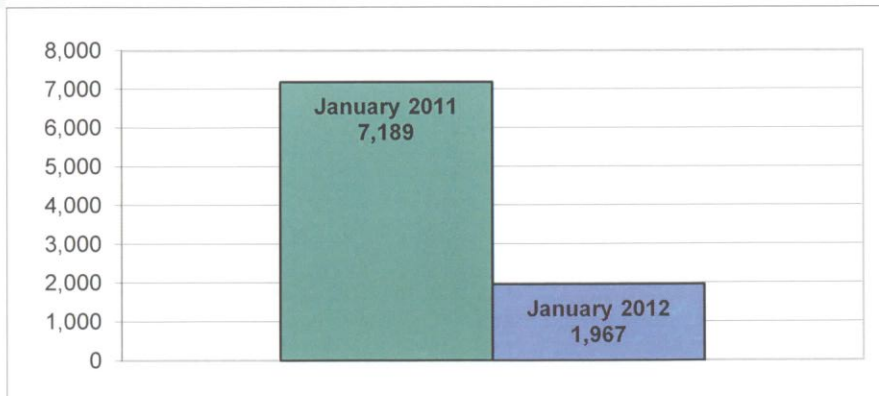
Access Ridership

Access carried a total of 2,012 passengers in January, which is a 12% decrease from last year. In January, Access made up 1% of total ridership.



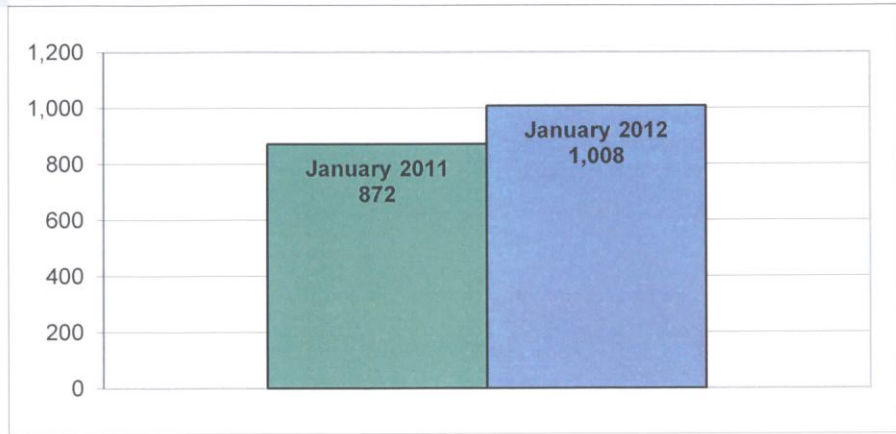
Station Shuttle Ridership

The midday Station Shuttle service carried a total of 1,967 passengers in January, which is a decrease of 73% compared to Commuter Express last year.



NCTC Ridership

NCTC Shuttle carried a total of 1,008 passengers in January which is an increase of 15% over last year.



Customer Satisfaction

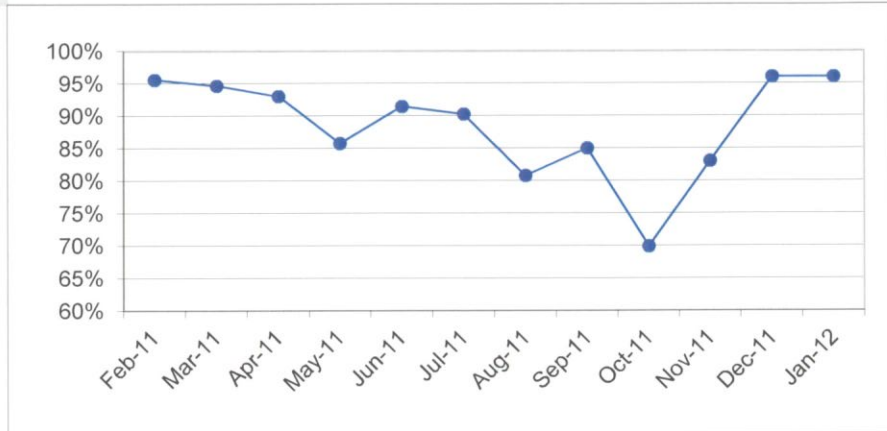
Systemwide Performance

February 2011-January 2012

Systemwide On-Time Performance

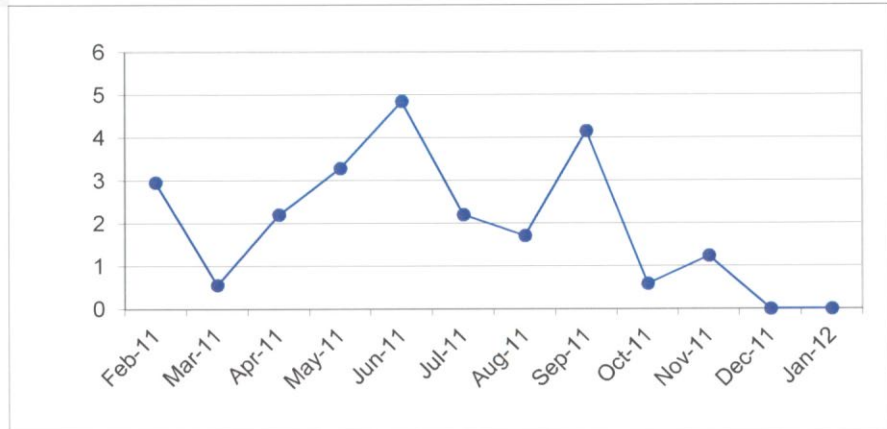
Systemwide on-time performance in January was 96%. 886 performance audits were conducted.

Performance Measures



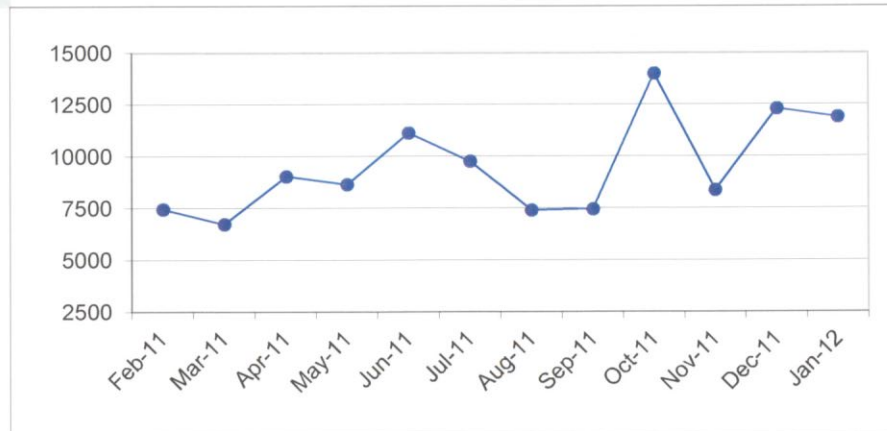
Systemwide Accidents per 100k Miles

Bus Operations experienced an accident free month in January.



Miles Between Road Calls

DCTA operated 11,911 miles between road calls in January.

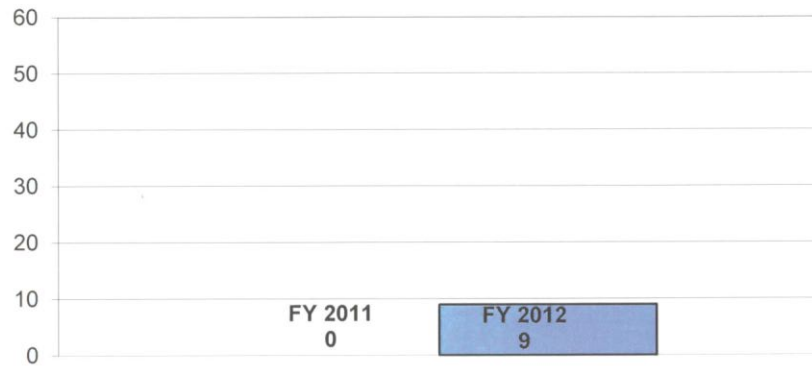


Access
FY 2011 & FY 2012

Performance Measures

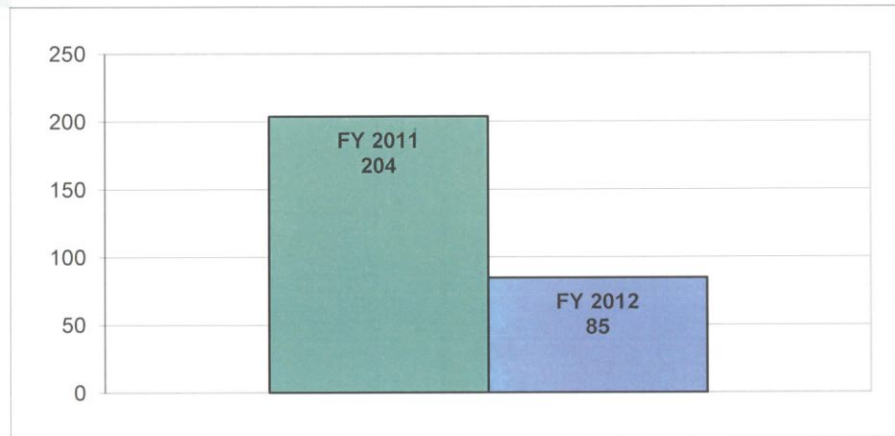
Trip Denials

9 non-ADA Access trips were denied in January. This amounts to 1% of total trips provided.



No-Shows

No-shows for the month of January decreased by 49%





RAIL OPERATIONS REPORT

Thursday, February 23, 2012

❖ OPERATIONS

- January "On Time Performance" (OTP) was 99.30%.
- The seventh and eighth DCTA Stadler GTW vehicles arrived at the Operations and Maintenance Facility (OMF) in Lewisville on January 19, 2012 and are currently being readied for commissioning.
- Testing and commission of the Stadler GTW's is ongoing. No major problems to report.
- Disaster Recovery (DR) was tested for the Dispatcher center on January 22, 2012 and worked as attended.

❖ SAFETY/SECURITY

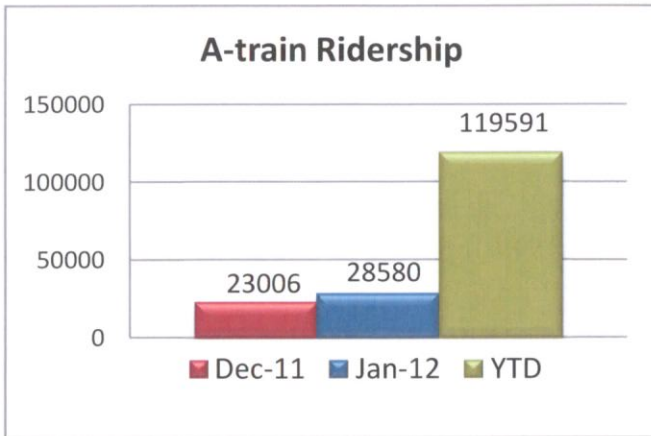
- DCTA Rail Operations Injury Free Workdays: 230 days

❖ MAINTENANCE

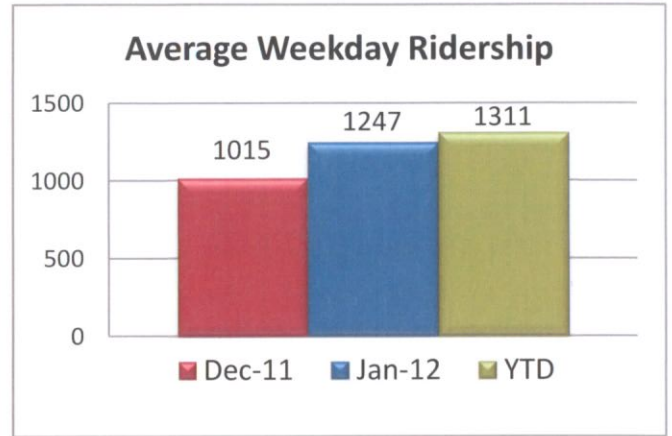
- **Right of Way:** Routine daily inspections are being performed by the contractor. No exceptions were reported for the month of January.
- **Signal/Communications:** No issues to report.
- **Stations:** DCTA contract operations (HTSI) continues to perform weekly safety inspections, which have not identified any major issues and any minor aesthetic issues have been quickly resolved (i.e. landscape maintenance, etc.).
- **Mechanical:** DCTA contract operations (HTSI) reported zero (0) RDC mechanical issues in the month of January affecting on-time performance.

❖ RIDERSHIP

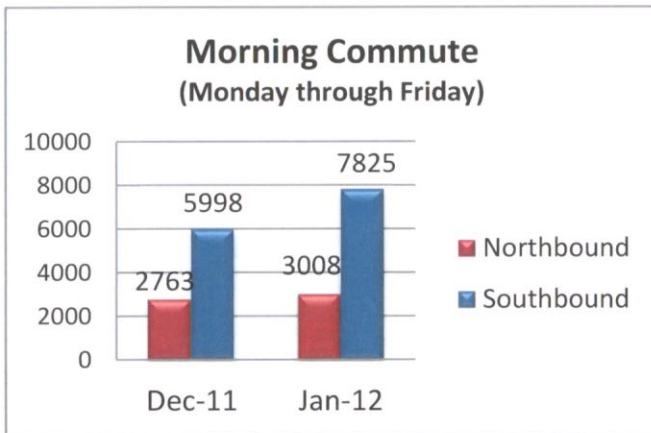
- The A-train has experienced an overall increase in ridership of approximately 24% for the month of January 2012 compared to December 2011.
- Refer to attached ridership charts.



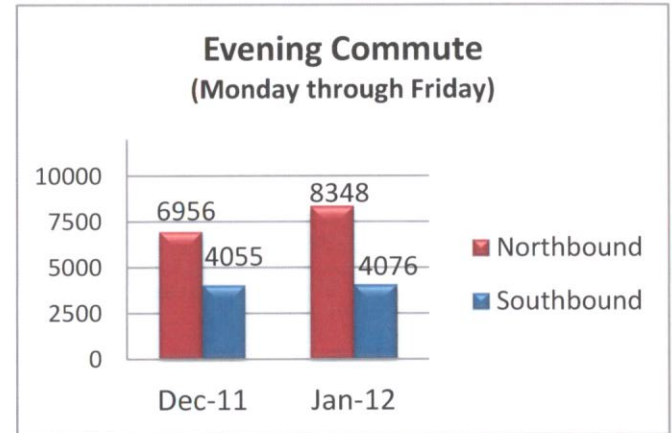
The A-train moved 28,580 passengers for the month of January which is a 24% increase over the month of December.



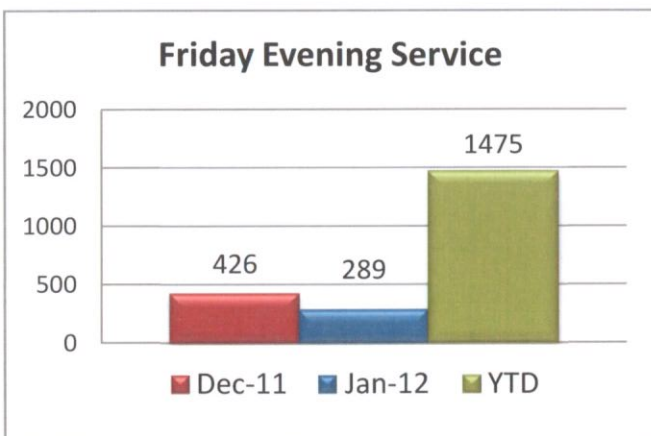
The average daily A-train ridership for the month of January was 1,247 passengers per day. This is a 23% increase over the month of December.



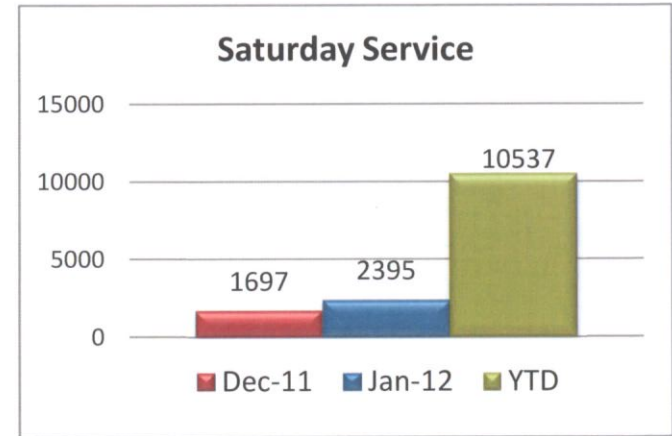
The A-train experienced increases on both the northbound (9%) and southbound (30%) morning commutes during the month of January over the previous month.



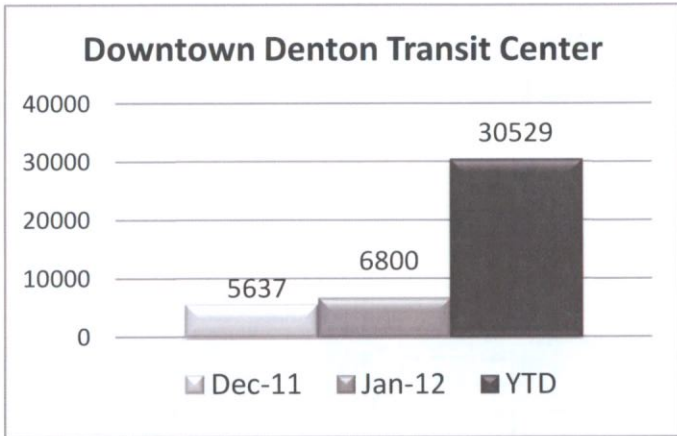
The A-train experienced increases on both the northbound (20%) and southbound (1%) evening commutes during the month of January.



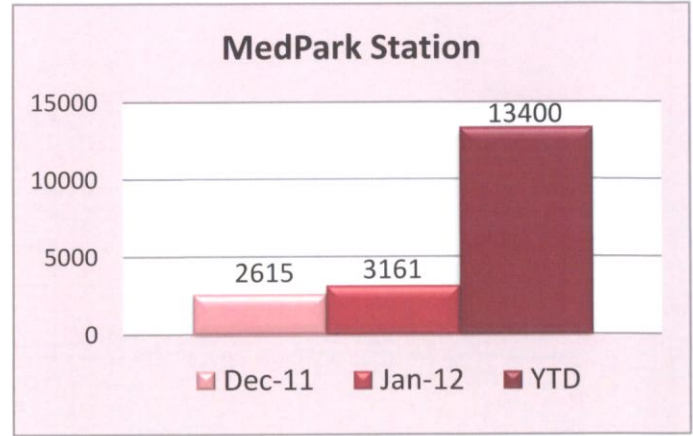
A-train Friday evening service experienced a decrease of 32% in total ridership for the month of January compared to the previous month.



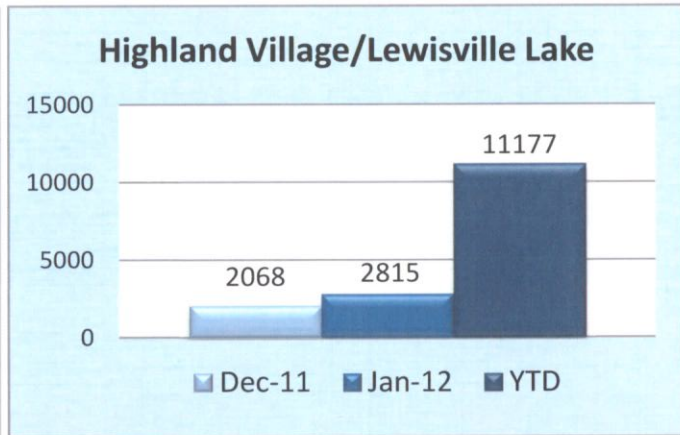
A-train Saturday service experienced an increase of 41% in total ridership for the month of January compared to the previous month.



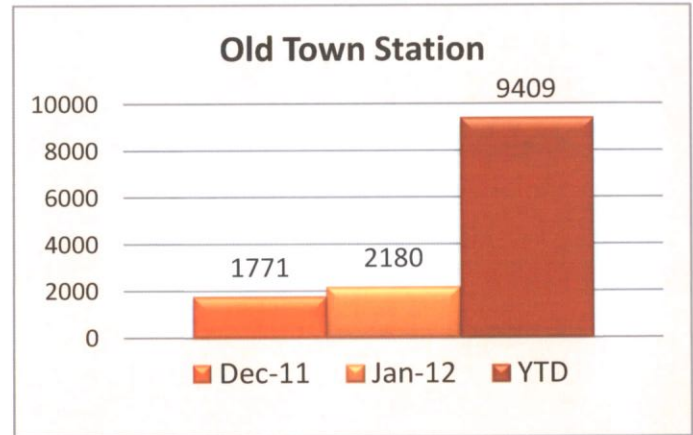
The DDTC A-train ridership increased by 21% month over month for January.



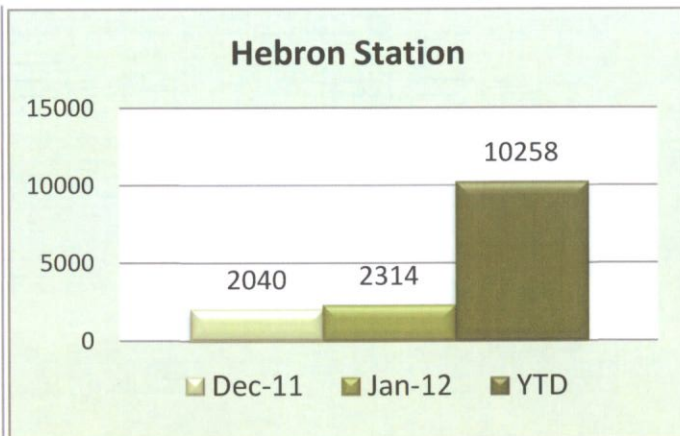
The MedPark A-train ridership increased by 21% month over month for January.



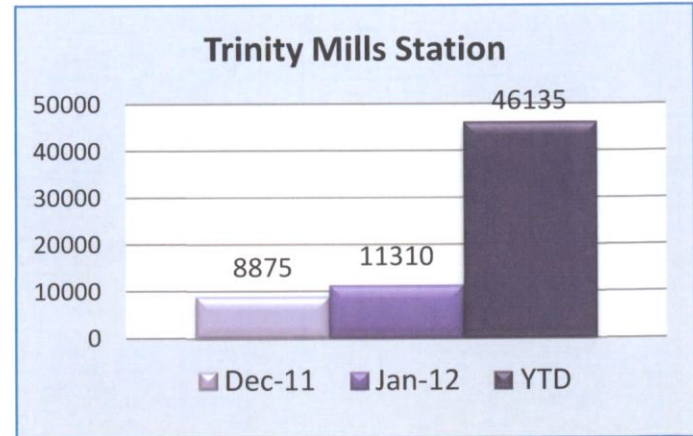
The HV/LL A-train ridership increased by 36% month over month for January.



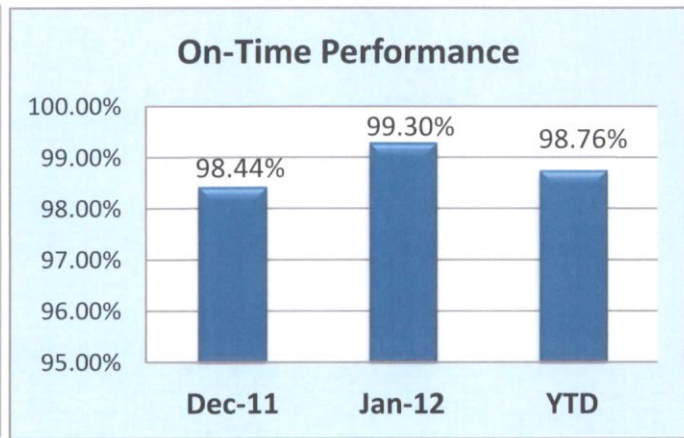
The Old Town A-train ridership increased by 23% month over month for January.



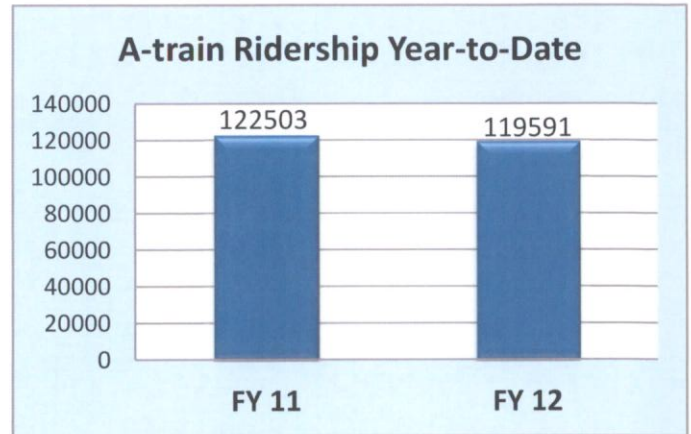
The Hebron A-train ridership increased by 13% month over month for January.



The Trinity Mills A-train ridership increased by 27% month over month for January.



The A-train On-Time Performance (OTP) is a direct reflection of service and equipment reliability.



A-train ridership year-to-date is trending favorably for an increase in ridership for fiscal year 2012 over fiscal year 2011.



1660 S. Stemmons., Suite 250
Lewisville, Texas 75067

Denton County Transportation Authority
Board of Directors
Work Session and Board Meeting Minutes

Work Session Minutes

The Board of Directors of the Denton County Transportation Authority convened with Chairman Charles Emery presiding at 1:34 p.m. January 26, 2012 at 1660 S. Stemmons, Suite 250, Lewisville, TX 75067. A quorum was present.

Attendance

Small Cities

Tom Spencer
Bill Walker

Large Cities

Richard Huckaby, Denton
Paul Pomeroy, Highland Village, *Treasurer*
Charles Emery, Lewisville, *Chairman*
Doug Peach, Little Elm
Dave Kovatch, The Colony, *Secretary*

Denton County Unincorporated

Charles Correll, *Vice-Chairman*

Denton County at Large

Thomas Smith

Board Members Absent

Skip Kalb
Daniel Peugh, Corinth
Jim Robertson, Flower Mound
Jeff Snowden, Frisco

DCTA Staff

James C. Cline, Jr., P.E.
Anna Mosqueda, CFO / VP Finance
Dee Leggett, VP Communications and Planning
Jarod Varner, VP Bus Operations
Cheri Soileau, Sr. Transit Planner
Madhu Penmetsa, Sr. Accountant
Athena Forrester, Purchasing Manager
Shanna O'Gilvie, Management Specialist

Legal Counsel

Pete Smith

Others in Attendance

1. Routine Briefing Items

- a. Financial Reports – Presented by Anna Mosqueda
 - i. Financial Statement
 - ii. Capital Projects Fund
 - iii. Sales Tax Report
 - iv. Quarterly Investment Report
- b. Capital Projects Update – Presented by Jim Cline
 - i. GTW Procurement
 - ii. Bus Operations and Maintenance Facility (OMF)

- iii. Positive Train Control (PTC)
 - iv. A-train Close-out Status
 - c. Communications and Planning – Presented by Dee Leggett
 - i. Service Schedule Revision
 - ii. 13 January Event
 - iii. A-train Magazine
 - iv. Triennial Review
 - d. Transit Operations – Presented by Jarod Varner
 - i. Bus Operation
 - ii. Rail Operations
- 2. Discussion – Board Officer Elections - General Counsel Pete Smith explained the election process to new Board Members.
- 3. Discussion – Modification of Friday Night Service
- 4. Review Draft Board Retreat Agenda (February 23, 2012 9:00 a.m.)
- 5. Discussion of Regular Board Meeting Agenda Items (January 26, 2012)
- 6. Executive Session – No Executive Session
 - a. As Authorized by Section 551.071(2) of the Texas Government Code, the Meeting may be Convened into Closed Executive Session for the Purpose of Seeking Confidential Legal Advice from the General Counsel on any Agenda Item Listed Herein.
- 7. Reconvene Open Session
 - a. Reconvene and Take Necessary Action on Items Discussed during Executive Session.
- 8. Discussion of Future Agenda Items
 - a. Architectural and Engineering Services
 - b. Results of FY11 Year End Audit and Audited Financial Statements
 - c. Board Member Requests
- 9. Adjourn Work Session 3:23 pm



1660 S. Stemmons., Suite 250
Lewisville, Texas 75067

Denton County Transportation Authority
Board of Directors
Work Session and Board Meeting Minutes

Board Meeting Minutes

The Board of Directors of the Denton County Transportation Authority convened with Chairman Charles Emery presiding at 3:33 p.m. January 26, 2012 at 1660 S. Stemmons, Suite 250, Lewisville, TX 75067. A quorum was present.

Attendance

Small Cities

Tom Spencer
Bill Walker

Large Cities

Richard Huckaby, Denton
Paul Pomeroy, Highland Village, *Treasurer*
Charles Emery, Lewisville, *Chairman*
Jim Robertson, Flower Mound
Jeff Snowden, Frisco
Doug Peach, Little Elm
Dave Kovatch, The Colony, *Secretary*

Denton County Unincorporated

Charles Correll, *Vice-Chairman*

Denton County at Large

Thomas Smith

Board Members Absent

Skip Kalb
Daniel Peugh, Corinth

DCTA Staff

James C. Cline, Jr., P.E.
Anna Mosqueda, CFO / VP Finance
Dee Leggett, VP Communications and Planning
Jarod Varner, VP Bus Operations
Cheri Soileau, Sr. Transit Planner
Madhu Penmetsa, Sr. Accountant
Athena Forrester, Purchasing Manager
Shanna O'Gilvie, Management Specialist

Legal Counsel

Pete Smith

Others in Attendance

John Myers, TMDC
Michael Leavitt, Highland Village
Joe Richmond, UNT

CALL TO ORDER – Chairman Charles Emery 3:33 pm

PLEDGE OF ALLEGIANCE TO US AND TEXAS FLAGS – Doug Peach

INVOCATION – Charles Correll

WELCOME AND INTRODUCTION OF VISITORS –

- Introduction of new staff member Cheri Soileau, Senior Planner
- Introduction of new General Manager of Transit Management of Denton County, John Myers

- Acknowledgement of Athena Forrester, Purchasing Manager for identifying and implementing a cost savings that will benefit the Agency.
- Presentation to Michael Leavitt for his service on the Board of Directors
- Announcement that Joe Richmond will be leaving his position as Director of Parking & Transportation Services at University of North Texas and recognizing his contributions to DCTA.
- Chairman Emery recognized DCTA staff for their work on the January 13, 2012 Stadler vehicle acceptance event.

1. CONSENT AGENDA

- Approval of Minutes – December 2011
 - Approval of Corrected Minutes – March 2011
 - Acceptance of Financial Reports
 - Acceptance of Quarterly Investment Reports
 - Approval of Bus Purchase
 - Extension of Rail Operations and Maintenance Facility Security Services Agreement
- Motion by Jim Robertson to accept items 1a-f, 2nd by Dave Kovatch. Motion carried unanimously.

2. REGULAR AGENDA

- Board Officer Elections
 - Chair
 - Vice-Chair
 - Secretary
 - Treasurer
- Motion by Tom Spencer nominating a slate of officers as follows:
 Chair – Charles Emery
 Vice-Chair – Charles Correll
 Secretary – Dave Kovatch
 Treasurer – Paul Pomeroy

2nd by Doug Peach. Motion carried unanimously.

- Discussion / Possible Action regarding Modification of Friday Night A-train Service.

-Motion by Dave Kovatch, who voted in favor of the original item in the November 2010 Board Meeting, to consider the modification of Friday Night A-train Service, 2nd by Tom Spencer. Motion carried. Vote: Yes: 11 / No: 1 (Emery)

-Following discussion, Dave Kovatch made a motion to table the item for 30 days to allow the President Jim Cline to work through the issue with the City of Denton, 2nd by Paul Pomeroy. Motion failed. Vote: Yes: 3 (Kovatch, Pomeroy, Spencer) / No: 8 (Robertson, Huckaby, Snowden, Correll, Emery, Walker, Peach, Smith)

-Motion by Tom Smith to send a formal communication to City of Denton requesting financial participation in providing Friday Night Service, continue Friday Night A-train Service through June 2012. Motion amended by Jeff Snowden to further instruct President Jim Cline to work with the City of Denton to develop a payment agreement with the City of Denton to bring to the next Board Meeting. The amendment to original motion was approved by Tom Smith. 2nd by Jeff Snowden. Motion carried. Vote: Yes: 7 (Kovatch, Huckaby, Snowden, Emery, Smith, Pomeroy, Peach) / No: 2 (Robertson, Spencer) / Abstain = No Vote: 2 (Walker, Correll)

Board Member Jim Robertson requested a note to the minutes that his no vote was due to the belief that DCTA Board should live up to commitments made without regard to payment.

3. CHAIR REPORT

- a. Appointment of Ad Hoc Budget Committee
Committee Chair – Paul Pomeroy
Committee members: Dave Kovatch, Charles Correll, Richard Huckaby, Tom Spencer, Jim Robertson
- b. Discussion of Regional Transportation Issues
- c. Discussion Legislative Issues: Local, Regional, Federal

4. REPORT ON ITEMS OF COMMUNITY INTEREST

- a. Pursuant to Texas Government Section 551.0415 the Board of Directors may report on following items: (1) expression of thanks, congratulations, or condolences; (2) information about holiday schedules; (3) recognition of individuals; (4) reminders about upcoming DCTA and Member City events; (5) information about community events; and (6) announcements involving imminent threat to public health and safety.

5. CONVENE EXECUTIVE SESSION – No Executive Session

- a. As Authorized by Section 551.071(2) of the Texas Government Code, the Meeting may be Convened into Closed Executive Session for the Purpose of Seeking Confidential Legal Advice from the General Counsel on any Agenda Item Listed Herein.

6. RECONVENE OPEN SESSION

- a. Reconvene and Take Necessary Action on Items Discussed during Executive Session.

7. ADJOURN REGULAR MEETING – 4:35 p.m.

The minutes of the January 26, 2012 meeting of the Board of Directors were passed, and approved by a vote on this 23rd day of February, 2011.

Charles Emery, Chairman

ATTEST

Dave Kovatch, Secretary



Board of Directors Memo -Regular Agenda

February 23, 2011

Subject: 2 a) Presentation of Audit Report for FYE 9/30/2011 by Weaver & Tidwell, LLP
 2 b) Discussion / Action to accept the FY2011 Financial Statements and
 Supplementary Information

Background

Chapter 460 of the Texas Transportation Code requires DCTA to have an annual audit of the affairs of the authority prepared by an independent certified public accountant. Weaver & Tidwell LLP completed the DCTA audit for fiscal year 2011 and has issued its audit report. Weaver & Tidwell, LLP submitted the successful proposal in response to DCTA's RFP for Audit Services in mid-2011. This will be the first year of the engagement. Field work on the audit began in mid-November.

Jerry Gaither, Audit Partner and Sara Dempsey, Audit Manager with Weaver & Tidwell LLP will present the results of the audit and FY11 audited financials.

Provided for you in this agenda packet is a copy of the key sections of the Comprehensive Annual Financial Report (CAFR) -- the Introductory Section, Financial Section which includes the Independent Auditor's Report and Basic Financial Statements, and Supplementary Information Section. At the Board meeting the complete printed FY11 CAFR, which includes the dated Auditor Reports and Statistical Section, will be distributed.

Identified Need

DCTA has a legal obligation to complete an annual audit.

Financial Impact

No financial impact in the acceptance of the 2011 Financial Statements and Supplementary Information.

Committee Review

The Audit Committee reviewed and discussed this item at its February 2, 2011 meeting. Recommendation of the Audit Committee to include reference to the Board Policy regarding 90 day Fund Balance Reserve has been incorporated in Note 8 - Notes to the Financial Statements.

Members of the Audit Committee:

Chair - Jeff Snowden

Members – Doug Peach, Skip Kalb, Tom Smith

Ex-Officio – Charles Emery

Recommendation

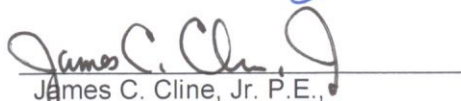
The Audit Committee recommended this item be forwarded to the Board for approval.

Staff recommends the DCTA Board of Directors accept the audited FY2011 Financial Statements and Supplementary Information as presented.

Final Review:


 Department Head

Approval:


 James C. Cline, Jr. P.E.,
 President

DENTON COUNTY TRANSPORTATION AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2011

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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 23, 2012

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

We are pleased to submit the Comprehensive Annual Financial Report for the Denton County Transportation Authority (DCTA) for the fiscal year ended September 30, 2011.

This report is published to provide the DCTA Board of Directors and staff, our citizens, our bondholders and other interested parties with information concerning the financial condition and activities of the Denton County Transportation Authority. The responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the DCTA.

To the best of our knowledge and belief the enclosed data is accurate in all material respects, and is organized in a manner designed to fairly present the financial position and results of operations of the DCTA as measured by the financial activity of the fund. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the DCTA's financial affairs have been included.

Weaver and Tidwell, LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the DCTA's financial statements for the year ended September 30, 2011. The independent auditors report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

DCTA PROFILE

In 2002 Legislation authorizing the authority was passed, with a vision of building an integrated transportation system for Denton County, one that would provide transportation alternatives to its citizens.

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

The legislation authorizing DCTA's creation required that the Authority develop a Service Plan. 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 Long Range Service Plan, began January 1, 2004.

The 2003 Long Range Service Plan included a rail component and a bus service component with interim regional commuter bus service, local fixed route bus service, university shuttle service and demand response service. In addition it outlined the plan for a network of Park-and-Rides, Rail and Bus Operations Facilities to be established to serve Denton County residents. These elements would provide services to help mitigate congestion and improve mobility as well as connect the Denton County's larger cities to commuter rail.

A major component of the 2003 Long Range Service Plan was to implement rail service connecting Denton County with Dallas Area Rapid Transit (DART) light rail transit facilities. Planning for this began in 2004 with the development of the Alternatives Analysis. A Regional Toll Road Funding Initiative (RTRFI) grant was received in March of 2009 and a contract for construction of the 21- mile rail corridor was awarded in May of 2009. Construction of the rail corridor and rail stations lining riders from Denton County to Dallas Area Rapid Transit (DART) light rail was completed and passenger service was begun late June of 2011. With the completion of the rail corridor, over half the county's population will now have access to regional rail service. The remaining portion of the A-train project is the completion of the rail operations and maintenance facility. This facility is planned for completion by December 2011. A major milestone of the 2003 Long Range Service Plan was achieved with the start of A-train commuter rail service in 2011. With completion of the rail operations and maintenance facility, DCTA will have attained a major goal by completing all construction and starting rail revenue service in just over two and one- half years.

Services Provided

DCTA is the primary public transportation operator in Denton County. It operates a range of services including local bus services in the cities of Denton, Lewisville, and Highland Village, A-train (and midday bus services), student transportation operated under contract with UNT and NCTC, and Access paratransit services. DCTA's transportation services include the following:

- A-train is a 21-mile regional rail system connecting Denton and Dallas Counties. DCTA has five A-train stations: two in Denton, three in the greater Highland Village-Lewisville area, and connects with the DART Green Line at the DART Trinity Mills Station in Carrollton.
- DCTA Connect offers local fixed-route bus service in the cities of Denton and Lewisville, with nine bus routes in Denton and three in Lewisville. In January 2010, the combined

- Denton routes averaged 875 weekday boarding's, while Lewisville services carried 219 passengers on an average weekday. Denton routes run on average headways of about 40 minutes during peak hours and midday, while Lewisville services operate approximately every 35 minutes during the peak and 70 minutes midday. Key trip generators in Denton include UNT and TWU.
- DCTA Connect RSVP provides peak-hour service on demand in Highland Village and north Lewisville.
- University of North Texas services are operated by DCTA in Denton, which include an eight-route weekday shuttle service and one weekend-only route 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 UNT services experience the highest ridership of any bus operations in the DCTA system. Routes average about 5,500 boarding passengers per day during the school year.
- North Central Texas College purchases service from DCTA to operate between Denton and Corinth, as well as to Lewisville and Flower Mound.
- DCTA Access service offers curb-to-curb ADA paratransit service in Denton and Lewisville. It also provides service for senior and disabled (non-ADA) residents of Denton, Lewisville, and Highland Village. Any person who wishes to use Access must complete an application, and non-seniors or non-Medicare-eligible individuals must submit a physician's affidavit of eligibility.

Accounting System and Budgetary Control

DCTA is accounted for as a single entity enterprise fund and reports financial results in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) guidance. The intent of DCTA is that the costs (expenses, including depreciation) of providing transit services to the general public will be funded through a combination of farebox revenue, sales tax, and other grants. The accrual basis of accounting is used for the audited financial statements, external reporting, and internally for budgeting, with revenues recorded in the period that they are earned and expenses recorded in the period in which the liability or benefit is expected.

Chapter 460 of the Texas Transportation Code requires the preparation of an annual budget. This budget is reviewed by the Finance Committee and Board of Directors and formally adopted by passage of a budget resolution. The President is authorized to transfer budgeted amounts between lines items and departments. The Board, via adoption of a resolution, must approve any revision that increases the overall amount of the adopted budget.

Budget control has been established at the department level. Financial reports are produced showing budget to actual expenditures by line item, and are distributed monthly for review by management. Financial reports are presented to the Board monthly for their review and

acceptance. In addition, quarterly budget reviews are conducted with the Executive Team-the President and Vice Presidents. Individual line items are reviewed and analyzed for budgetary compliance. Revenue budgets are reviewed monthly.

acceptance. In addition, quarterly budget reviews are conducted with the Executive Team-the President and Vice Presidents. Individual line items are reviewed and analyzed for budgetary compliance. Revenue budgets are reviewed monthly.

and serves as the foundation for the development of the annual operating and capital budget. The cash flow model helps provide a longer term look at the impact of budgetary decisions.

The Board has also adopted a series of financial standards and policies for the operating and debt management of the Agency. In addition, operating procedures have been established in accordance with state and federal requirements to ensure that DCTA is a fiscally sound and superiorly operating efficient and effective transportation system.

The Board has also adopted a series of financial standards and policies for the operating and debt management of the Agency. In addition, operating procedures have been established in accordance with state and federal requirements to ensure that DCTA is a fiscally sound authority operating an efficient and effective transportation system.

DCTA has made great progress in the past year, accomplishing many goals of the Service Plan while looking ahead to substantial achievements in the future.

A YEAR OF PROGRESS

The Bus system as a whole has experienced continued ridership growth since DCTA assumed DCTA has made great progress in the past year, accomplishing many goals of the Service Plan while looking ahead to substantial achievements in the future.

The Bus system as a whole has experienced continued ridership growth since DCTA assumed existing bus service in 2005. The number of total annual passenger trips has increased more than 91 percent from 1.27 million in 2005 to 2.43 million in 2011. The Connect fixed-route

service, in particular, has seen marked increases since its implementation in 2008. The Federal Transit Administration's "Success in Enhancing Ridership" Award of 2008 recognized the agency's ridership gains in 2008.

Half of the center provides a public waiting area for transit passengers, a ticket office and kiosk, restrooms, retail space, and an outdoor performance venue for local musicians and artists. The remainder of the 9,150 square foot facility includes office space for DCTA bus operations as well as rooms for staff training and public meetings.

Half of the center provides a public waiting area for transit passengers, a ticket office and kiosk, restrooms, retail space, and an outdoor performance venue for local musicians and artists. The remainder of the 9,150 square foot facility includes office space for DCTA bus operations as well as rooms for staff training and public meetings.

A regional rail system has been the overarching goal of DCTA since its inception. DCTA and Denton County leaders and residents recognized the need for such a system based upon projected population and employment growth; growing traffic congestion, air quality concerns and the need to improve access to Denton County's health care facilities, employment centers, retail and entertainment opportunities and higher education campuses.

A major milestone was reached in 2011 with the completion of construction and the official opening of the A-train regional rail project. The system carried 8,300 passengers on its first day of service. The A-train runs along the former Missouri-Kansas-Texas Railroad (MKT) line parallel to Interstate 35E. This regional rail line includes an adjacent bicycle and pedestrian path to provide further transportation options for the people of Denton County.

A major milestone was reached in 2011 with the completion of construction and the official opening of the A-train regional rail project. The agency carried 8,300 passengers on its first day of service. The A-train runs along the former Missouri-Kansas-Texas Railroad (MKT) line parallel to Interstate 35E. This regional rail line includes an adjacent bicycle and pedestrian path to provide further transportation options for the people of Denton County.

A major milestone was reached in 2011 with the completion of construction and the official opening of the A-train regional rail project. The agency carried 8,300 passengers on its first day of service. The A-train runs along the former Missouri-Kansas-Texas Railroad (MKT) line parallel to Interstate 35E. This regional rail line includes an adjacent bicycle and pedestrian path to provide further transportation options for the people of Denton County.

In May 2009, DCTA entered into a construction service agreement with North Texas Rail Group for the construction of the A-train infrastructure. In the same month, the Authority signed an agreement with Stadler to provide 11 Diesel Multiple Unit (DMU) rail vehicles for the A-train system. Upon completion In June 2011, the construction work included replacement of 21 miles of track, construction of 9,000 linear feet of sound walls and 26 passenger and freight rail bridge structures, quiet zone improvements at 43 railroad crossings, installation of a state-of-the-art roadside signal and communication system, as well as completion of the five rail stations.

To initiate service in a timely fashion, DCTA opted to commence revenue operations utilizing leased BUDD Rail Diesel Car (RDC) vehicles previously operated by the Trinity Railway Express (TRE). The agency received the first of 11 new Stadler GTW 2/6 Diesel Multiple Units (DMUs) in late 2011 and will transition these into service by September 2012.

The final component of the A-train project is the completion of the Rail Operations and Maintenance Facility in Lewisville. Construction has begun on the facility and is anticipated to be complete in October 2011, with final closeout of the construction element to be completed by January 2012. The next major rail related project is the implementation of federally mandated Positive Train Control by 2015.

In 2012, DCTA will continue adding amenities to improve the passenger experience and expanding transit alternatives by planning for future service opportunities. DCTA has incorporated bus feeder routes that connect the Authority's five stations with important destinations throughout its service area and expand regional travel opportunities for the Authority's bus and rail passengers.

THE FUTURE

Population Growth and Travel Demand

Population growth is projected to be significant. The City of Denton's population is expected to increase in size by nearly 150% by 2040, while significant growth is anticipated in other cities as well, notably Frisco, with high population growth projected in the smaller cities of Sanger and Pilot Point.

North Central Texas Council of Governments (NCTCOG) Travel Demand Model estimates that most individuals who live in Denton County work outside of the county, with only 37% of Denton County residents working in the county. This points to the importance of providing transportation links from Denton County to major employment destinations, primarily in Dallas County, but also in Tarrant County.

About 2.8 million trips are made each day in Denton County. Of these, about one-quarter are home-based work trips. By 2030, NCTCOG estimates that total trips will increase to more than 4.7 million. Based on the travel demand data, the highest growth in trip generation is expected to come from the area in southeast Denton County. Areas in and around the Alliance development are also expected to see large increases in travel demand.

Service Plan

For the past few years, the Denton County Transportation Authority (DCTA) has focused on implementing the first phase of regional rail service, as well as improving local bus routes in Denton and Lewisville and demand-response service in Highland Village.

Having attained the milestone of delivering the first phase of regional rail service, DCTA is now looking beyond the A-train implementation and preparing for the future needs of Denton County. It began the process of updating its 2003 Service Plan with the development of a Long Range Service Plan. This plan will provide a roadmap for decision making about transit investments in Denton County over the next 25 years, in support of the Mobility 2035 plan developed by the North Central Texas Council of Governments (NCTCOG). The Long Range Service Plan will provide recommendations regarding how transit can help to support Denton County's health, economy and environment.

It will recommend specific services in specific corridors, with associated recommended service spans, frequencies, capital investments and suggested timelines for implementation. The plan will help provide the framework for future decisions, but more detailed planning by the DCTA Board and staff will still be required to carry out the recommendations of the plan.

As with any long-range plan, it includes assumptions about, but cannot predict changes in the environment, funding, community support and local priorities for investment. The Long Range Service Plan reaffirms DCTA's goals and performance standards that will be used to help officials make decisions about future investments and the implementation of new services. It will help insure that transit services mature and develop to better meet the needs of Denton County.

The draft Plan was developed by an outside consulting firm with input from the DCTA Board, staff, and users of DCTA services, the general public and other stakeholders. It is currently under review by the Board, with adoption anticipated in the next fiscal year.

OTHER INFORMATION

Independent Audit

Section 460.402 of the Texas Transportation Code requires a financial audit:

“(a) the authority shall have an annual audit of the affairs of the Authority by an independent certified public accountant.

(b) the audit is a public record as defined by Chapter 552, Government Code.

(c) on receipt of the audit as prescribed by Subsection (a), the board of directors shall address on the record any deficiencies noted in the report at a regular meeting of the board of directors.”

This requirement has been complied with, and the independent auditor's report is included in this report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellent in Financial Reporting to the DCTA for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2010. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports. This was the first year for the DCTA to receive the Certificate of Achievement.

In order to be a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

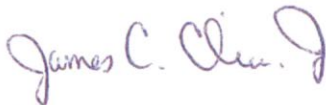
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgements

The preparation of this report on a timely basis 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 DCTA 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, the Finance Committee and the Audit Committee for their interest and support in planning and conducting the financial operations of the Denton County Transportation Authority in a responsible and progressive manner.

Sincerely,



James C. Cline, Jr.
President



Anna M. Mosqueda
V-P Finance/Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Denton County
Transportation Authority
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



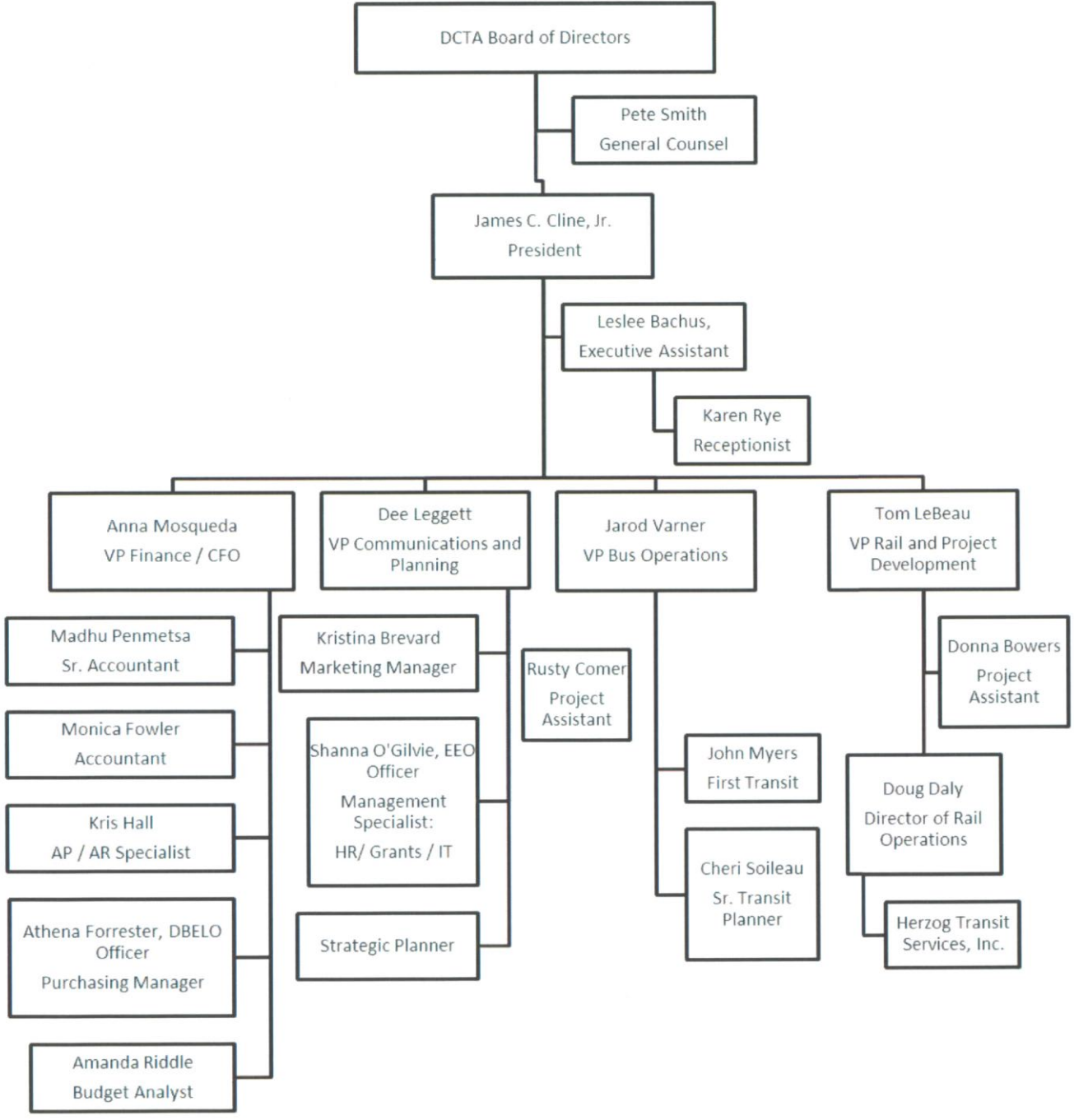
Linda C. Danison

President

Jeffrey R. Emer

Executive Director

**Denton County Transportation Authority
Organizational Chart
September 30, 2011**



List of Principle Officials

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 (small cities).

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, operations, 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
Dave Kovatch	Secretary	The Colony
Paul Pomeroy	Treasurer	Highland Village
Richard Huckaby	Member	Denton
Skip Kalb	Member	Small Cities
Doug Peach	Member	Little Elm
Daniel Peugh	Member	Cornith
Jim Robertson	Member	Flower Mound
Thomas Smith	Member	Denton County At-Large
Jeff Snowden	Member	Frisco
Tom Spencer	Member	Small Cities
Bill Walker	Member	Small Cities
Vacant	Member	Denton County Unincorporated



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Denton County Transportation Authority

We have audited the accompanying statement of net assets of the Denton County Transportation Authority (the Authority) as of September 30, 2011 and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority as of and for the year ended September 30, 2010, were audited by other auditors whose report dated January 18, 2011 expressed an unqualified opinion on those statements.

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. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2011, and the results of its operations and its cash flows for the year 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 X, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis for the year ended September 30, 2011, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Denton County Transportation Authority

Page 2

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of revenues and expenses - budget and actual is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February X, 2012

**Denton County Transportation Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2011
(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, 2011. 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. It should be noted that the Independent Auditor's Report describes the auditor's association with the various sections of the report and that all of 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, 2011 and 2010, total assets of DCTA exceeded total liabilities by \$316,131,437 and \$231,794,974 respectively. The amount of unrestricted net assets as of September 30, 2011 was \$15,963,924 compared to \$39,507,585 in 2010. 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 \$84,336,463 during the current fiscal year compared to an increase of \$114,563,979 in the prior year. The change compared to the prior year was the result of substantial completion of the A-train rail project construction and vehicle acquisition. Funding of \$250.6 million from the Regional Toll Revenue Funding Initiative (RTRFI) was received in March 2009 and construction started for DCTA's first major passenger rail project. Rail revenue service began June, 2011.
- Net capital assets were \$321.1 million as of September 30, 2011 compared to \$213.2 million as of September 30, 2010. The increase of \$107.9 million was due to the additional construction and easement and vehicle acquisitions related to the rail capital 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 as well as a statistical section (unaudited) to provide the reader additional information relative to DCTA.

**Denton County Transportation Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2011
(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 noncurrent. 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 three member cities: Denton, Highland-Village and Lewisville; 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, 2011
(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 \$316,131,437 and \$231,794,974 as of September 30, 2011 and 2010 respectively. The largest portion, 95% in 2011 is invested in capital assets (net of related debt) primarily as a result of the rail line construction and related acquisitions. The remaining 5% 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 lawful purpose designated by the governing board. In 2010, 17% of the excess was in unrestricted net assets. Net assets of DCTA increased 36% or \$84,336,463 during the current fiscal year compared to an increase of 98% or \$114,563,979 in the prior year. The increase in the current fiscal year in net assets is the result of capitalizing of the rail assets put into service and corresponding reduction of construction work in progress totaling \$107.9 million net of related debt and reduction of \$23.5 million in unrestricted net assets. In late Fiscal Year 2011, the rail project was substantially complete with only the construction of a \$20 million rail maintenance facility and acquisition of rail vehicles remaining.

Comparative Condensed Statement of Net Assets

	2011	2010	2009
Assets			
Current and other assets	\$ 59,503,879	\$ 156,402,074	240,468,022
Capital assets	321,057,513	213,177,389	99,699,179
Total Assets	<u>\$ 380,561,392</u>	<u>\$ 369,579,463</u>	<u>\$ 340,167,201</u>
Liabilities and Net Assets			
Current liabilities	\$ 27,349,955	\$ 116,894,489	\$ 202,936,206
Non-current liabilities	37,080,000	20,890,000	20,000,000
Total Liabilities	64,429,955	137,784,489	222,936,206
Net Assets			
Invested in capital assets	300,167,513	192,287,389	79,699,180
Unrestricted	15,963,924	39,507,585	37,531,815
Total Net Assets	<u>316,131,437</u>	<u>231,794,974</u>	<u>117,230,995</u>
Total Liabilities and Net Assets	<u>\$ 380,561,392</u>	<u>\$ 369,579,463</u>	<u>\$ 340,167,201</u>

Assets – During - During fiscal year 2011, DCTA total assets increased 3% or \$10,981,929 over fiscal year 2010. The net increase is primarily due to a \$91.9 decrease in the DCTA current assets of restricted cash and cash equivalents related to the funding of the A-train project offset by the net increase of \$102.8 in capital assets as the rail project moved toward completion.

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Capital Assets, net of depreciation, increased \$107.9 million due to the capitalization of construction costs for construction work in progress; ROW easement land acquisition; less depreciation, bond issuance costs; amortization, and asset retirements. The capital assets activity for the year is captured in Note 6 (pg 23 and 24).

Liabilities – Current liabilities decreased \$89,544,534 primarily due to the decrease of \$77.5 million in deferred revenue related to the RTRFI funding for the rail line construction and rail vehicles. Revenues are recognized as grant funds were drawn down for expenditures related to the rail project.

A decrease in retainage held on contracts for the rail line construction along with a decrease in construction contracts payable resulted in the net decrease in current liabilities.

DCTA's current ratio, current assets of \$59,503,879 and current liabilities of \$27,349,955, was 2:15:1 as of September 30, 2011 compared to 1.29:1 as of September 30, 2010. DCTA has restricted current assets – cash and cash equivalents and recognized deferred revenue as a current liability related to the A-train project. With the completion of the rail project there was a reduction of \$77.5 million in deferred revenue.

There was \$16,190,000 change in non-current liabilities in FY2011 due primarily to the issuance of \$14,390,000 of contractual obligations. This was to fund DCTA's match for the purchase of rail vehicles and for first phase of a Positive Train Control system which will need to be implemented by 2015 to meet new Federal requirements. The bond payable activity for the year is captured in Note 8 (pg 24 and 25).

Statement of Revenues, Expenses, and Changes in Net Assets – During the 2011 fiscal year DCTA's activities resulted in an increase in net assets of \$84,336,463 compared to an increase of \$114,563,979 in 2010. 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 Transit System grants. This also reflects the mobilization and start-up of revenue service for the new A-train commuter service. The changes in net assets for the fiscal years ended September 30, 2010 and 2009 are shown in the following table.

**Denton County Transportation Authority
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Comparative Condensed Statements of Revenues, Expenses and Changes in Net Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
OPERATING REVENUES			
Passenger revenue	\$ 706,497	\$ 539,938	\$ 514,944
Contract services	2,520,036	2,368,908	2,086,401
Other	183,575	129,311	112,834
Total operating revenues	<u>3,410,108</u>	<u>3,038,157</u>	<u>2,714,179</u>
OPERATING EXPENSES			
Salaries, wages and fringe benefits	5,737,446	5,890,580	5,377,646
Services	1,676,866	1,547,342	1,113,057
Materials and supplies	2,308,815	1,674,511	1,383,676
Purchased transportation services	5,537,663	-	-
Utilities	180,953	74,397	72,712
Casualty and liability insurance	297,994	328,109	403,328
Facility and equipment rents	596,236	322,041	323,369
Other - miscellaneous	168,023	143,697	145,078
Depreciation	3,141,330	1,093,469	1,039,436
Total operating expenses	<u>19,645,326</u>	<u>11,074,146</u>	<u>9,858,302</u>
Operating loss	<u>(16,235,218)</u>	<u>(8,035,989)</u>	<u>(7,144,123)</u>
NON-OPERATING REVENUES (EXPENSES)			
Sales tax revenue	17,135,359	16,188,072	15,666,457
Transit system operating assistance grants	5,511,543	3,432,290	1,756,241
Investment income	287,615	105,503	335,979
Interest expense	(200,461)	(162,284)	-
Amortization of bond issuance costs	(7,969)	(89,696)	(22,700)
Unreimbursed prior year grant expenses	-	-	(504,959)
Design costs and construction	184,095	194,099	(439,011)
Gain (loss) on disposal of assets	-	(38,275)	4,590
Total non-operating revenue (expenses)	<u>22,910,182</u>	<u>19,629,709</u>	<u>16,796,597</u>
INCOME BEFORE CAPITAL GRANTS	<u>6,674,964</u>	<u>11,593,720</u>	<u>9,652,474</u>
GRANTS FOR CAPITAL IMPROVEMENTS	<u>77,661,499</u>	<u>102,970,259</u>	<u>63,543,494</u>
Change in net assets	<u>84,336,463</u>	<u>114,563,979</u>	<u>73,195,968</u>
NET ASSETS, beginning of year	<u>231,794,974</u>	<u>117,230,995</u>	<u>44,035,027</u>
NET ASSETS, end of year	<u>\$ 316,131,437</u>	<u>\$ 231,794,974</u>	<u>\$ 117,230,995</u>

Operating Revenues

Passenger Revenue - The 2011 passenger revenues increased 31% or \$166,559 over the prior year. The increase is due to increases in fixed route ridership and enhancements to fixed route schedules. This also includes three (3) months of rail system ridership.

Contract Service - The 2011 contract service revenues increased 6% or \$151,128 over the prior year. The increase is due to the University of North Texas (UNT) contract services which includes a 3% escalation increase. Fuel prices are a pass-through on the contract, the increase in fuel prices over 2010 also impacted the increase in contract revenues. The contract provides bus service for students and faculty.

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Operating Expenses

Operating Expense - The 2011 operating expenses increased 77% or \$8,571,180 over the prior year. The increased operating expense is primarily due to \$5.5 million in purchased transportation for the mobilization costs and operating costs for the start-up of the new commuter rail service. Increase in Materials and Supplies is a result of increase in fuel costs as well as consumption with the addition of the rail vehicles.

The 2011 depreciation expense increased 187% or \$2,047,861 over the prior year. This increase is primarily due to the rail asset project completing during 2011 and being depreciated.

Non-operating Revenue and Expenses

Sales Tax Revenue - The 2011 sales tax revenue increased \$947,287 over 2010. 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 in 2009. However, Texas has fared better than the rest of the country. We saw slow but continued improvement in 2011 as reflected by the increase in sales tax revenue.

Capital Grants - Capital grants revenue decreased \$25,308,760 primarily as a result of revenue recognition of rail capital project expenditures reimbursed from RTRFI funds.

Transit System Operating Assistance Grants - The 2011 federal and state grant revenue increased 61% or \$2,079,253 over 2010. ARRA, the Hebron Park and Ride construction, and purchase of additional buses comprised the major portion of the increase.

Investment Income - The 2011 investment income increased 173% or \$182,112 over 2010 due to a more active investment approach and some improvements in 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. The Series 2008 Sales Tax Revenue bonds were refunded through a private placement to long-term debt on December 17, 2009. These bonds will be repaid over 20 years at an interest rate of 3.99%. The first principal payment will be due in 2013.

In September of 2011, DCTA issued \$14,390,000 in Contractual Obligations for a portion of its share of the cost for new rail vehicles and for the first phase of a new Federal requirement - Positive Train Control – a system which is currently mandated to be implemented by 2015. These Obligations were issued through a private placement to be repaid over 20 years at an interest rate of 3.13% with the first principal payment due in 2015.

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DCTA Fiscal Year 2011 Budget

The FY2010-2011 budget was adopted September 23, 2010. Amendments to the original budget included an increase in capital projects to recognize the additional requirements of the Positive Train Control System implementation and Ticket Vending Machines for the rail project. Operating revenues were reduced to reflect the delay in start of revenue service for the A-train computer rail project. A new debt issuance for a portion of DCTA's share of the new rail vehicles and for the first phase of the Positive Train Control System closed in September, 2011.

Condensed Statements of Revenues, Expenses, and Changes in Net Assets, Budget Year Ending September 30, 2012 and Financial Year Ending 2011 and 2010

	2012 Budget	2011 Actual	2010 Actual	Increase (Decrease) from 2011	Percent Increase (Decrease) from 2011
Operating revenues	\$ 4,579,674	\$ 3,410,108	\$ 3,038,157	\$ 1,169,566	34%
Operating expenses	25,776,266	19,645,326	11,074,146	6,130,940	31%
Operating loss	(21,196,592)	(16,235,218)	(8,035,989)	(4,961,374)	31%
Non-operating revenues	18,265,613	22,910,182	19,629,709	(4,644,569)	-20%
Income before capital grants	(2,930,979)	6,674,964	11,593,720	(9,605,943)	-144%
Grants for capital improvements	7,482,026	77,661,499	102,970,259	(95,488,233)	-123%
Change in net assets	4,551,047	84,336,463	114,563,979	(105,094,176)	-125%
Net assets, beginning of year	316,131,437	231,794,974	117,230,995	84,336,463	36%
Net assets, end of year	<u>\$ 320,682,484</u>	<u>\$ 316,131,437</u>	<u>\$ 231,794,974</u>	<u>\$ (20,757,713)</u>	<u>-7%</u>

DCTA Fiscal Year 2012 Budget

Operating revenues show an increase of 34% or \$1,169,566 over 2011 actual results. This reflects an increase in bus fare which was effective October, 2011; service hour rate increase under a new contract negotiated with UNT along with increase in budgeted fuel revenue. The UNT contract, as well as the NCTC contract, provides bus service for students, staff, and faculty. This increase also reflects ridership for the first full year of operations for rail revenue service.

The fiscal year 2012 operating expenses (excluding depreciation) are projected to increase \$4,639,902 over 2011 actual results. Approximately 43% or \$2 million of the increase is due to the start up of new passenger rail service for operating and maintenance costs. The fiscal year 2012 budget anticipates increases in fuel costs. Diesel fuel is budgeted at \$3.75 per gallon in fiscal year 2012. In fiscal year 2011 fuel was budgeted at \$3.25 per gallon. This accounts for the majority of the increase in Materials & Supplies. The most recent price for diesel fuel was \$3.56 per gallon. The fiscal year 2012 budget also anticipates a 10% increase in employee medical benefits over the prior fiscal year.

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Operating expenses also reflect an increase in utilities of \$106,556 due to the addition of the 8,800 square foot Downtown Denton Transit Center as well as the additional utilities required to operate the A-train maintenance facility, rail stations and crossings. Fiscal year 2012 will be the first full year of operation for all of these new assets.

Non-operating revenue, net of expenses, is projected to decrease 74% or \$74,824,066 over 2011 actual results. The decrease in non-operating revenue is due to the planned completion of the rail line construction project. A decrease in revenue of \$71,936,716 reflects the completion of rail project construction. The only portion of RTRFI funds remaining to be drawn down are for the balance of the new rail car purchase. RTRFI funding was received by DCTA to fund 80% of the DCTA A-train regional rail project. Transit System Operating grants to fund various bus operating and capital needs also reflect a decrease of \$1.2 million due to the completion of ARRA funded projects.

The passenger rail capital project represents a significant investment by DCTA and its stakeholders. DCTA will complete this project in mid-2012 with the final acquisition of the new rail cars and the completion of the Rail Operations and Maintenance Facility. In fiscal year 2012, DCTA is projecting to spend \$30.3 million for completion of the A-train project.

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.

BASIC FINANCIAL STATEMENTS

**DENTON COUNTY TRANSPORTATION AUTHORITY
STATEMENTS OF NET ASSETS
SEPTEMBER 30, 2011 AND 2010**

ASSETS	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	\$ 16,757,848	\$ 61,382,373
Restricted cash and cash equivalents	36,996,801	84,921,289
Receivables	4,904,981	4,125,382
Prepaid expenses	248,290	254,336
Total current assets	<u>58,907,920</u>	<u>150,683,380</u>
Noncurrent assets:		
Investments	-	4,999,306
Deferred charges	595,959	719,388
Land and construction in progress	100,962,424	201,562,495
Other capital assets, net of accumulated depreciation/amortization	220,095,089	11,614,894
Total noncurrent assets	<u>321,653,472</u>	<u>218,896,083</u>
TOTAL ASSETS	<u><u>\$ 380,561,392</u></u>	<u><u>\$ 369,579,463</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,788,125	\$ 1,204,440
Construction contracts payable	10,666,924	19,471,879
Retainage payable	6,291,743	11,264,680
Deferred revenue	7,453,163	84,953,490
Easement obligation- current portion	150,000	-
Total current liabilities	<u>27,349,955</u>	<u>116,894,489</u>
Noncurrent liabilities:		
Easement obligation	1,800,000	-
Bonds payable	35,280,000	20,890,000
Total noncurrent liabilities	<u>37,080,000</u>	<u>20,890,000</u>
Total liabilities	<u>64,429,955</u>	<u>137,784,489</u>
NET ASSETS		
Invested in capital assets, net of related debt	300,167,513	192,287,389
Unrestricted	15,963,924	39,507,585
Total net assets	<u>316,131,437</u>	<u>231,794,974</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 380,561,392</u></u>	<u><u>\$ 369,579,463</u></u>

The Notes to Financial Statements are
an integral part of these statements.

**DENTON COUNTY TRANSPORTATION AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Passenger revenue	\$ 706,497	\$ 539,938
Contract services	2,520,036	2,368,908
Other	183,575	129,311
Total operating revenues	<u>3,410,108</u>	<u>3,038,157</u>
OPERATING EXPENSES		
Salaries, wages and fringe benefits	5,737,446	5,890,580
Services	1,676,866	1,547,342
Materials and supplies	2,308,815	1,674,511
Purchased transportation services	5,537,663	-
Utilities	180,953	74,397
Insurance	297,994	328,109
Facility and equipment rents	596,236	322,041
Other - miscellaneous	168,023	143,697
	<u>16,503,996</u>	<u>9,980,677</u>
Depreciation and amortization	3,141,330	1,093,469
Total operating expenses	<u>19,645,326</u>	<u>11,074,146</u>
NET OPERATING LOSS	<u>(16,235,218)</u>	<u>(8,035,989)</u>
NON-OPERATING REVENUES (EXPENSES)		
Sales tax revenue	17,135,359	16,188,072
Transit system operating assistance grants	5,511,543	3,432,290
Investment income	287,615	105,503
Interest expense	(200,461)	(162,284)
Amortization of bond issuance costs	(7,969)	(89,696)
Trinity Mills design and construction	184,095	194,099
Loss on disposal of assets	-	(38,275)
Total non-operating revenue (expenses)	<u>22,910,182</u>	<u>19,629,709</u>
INCOME BEFORE CAPITAL GRANTS	6,674,964	11,593,720
GRANTS FOR CAPITAL IMPROVEMENTS	<u>77,661,499</u>	<u>102,970,259</u>
Change in net assets	84,336,463	114,563,979
NET ASSETS, beginning of year	<u>231,794,974</u>	<u>117,230,995</u>
NET ASSETS, end of year	<u><u>\$ 316,131,437</u></u>	<u><u>\$ 231,794,974</u></u>

The Notes to Financial Statements are an integral part of these statements.

**DENTON COUNTY TRANSPORTATION AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 3,476,477	\$ 2,934,205
Payments to suppliers	(8,606,119)	(4,484,751)
Payments to employees	(5,747,244)	(5,841,725)
	(10,876,886)	(7,392,271)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales tax received	17,051,100	15,693,726
Operating grant reimbursements	4,736,321	5,573,444
	21,787,421	21,267,170
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions and grants for capital improvements	174,685	542,677
Proceeds from debt issuance	14,390,000	-
Acquisition and construction of capital assets	(122,606,360)	(96,491,236)
Trinity Mills design and construction	184,095	(244,912)
Interest paid on bonds	(888,889)	(913,503)
	(108,746,469)	(97,106,974)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(5,000,000)
Interest received on investments	287,615	105,503
Proceeds from sale of investments	4,999,306	-
	5,286,921	(4,894,497)
Net cash provided (used) by investing activities		
	5,286,921	(4,894,497)
Net decrease in cash and cash equivalents	(92,549,013)	(88,126,572)
CASH AND CASH EQUIVALENTS, beginning of year	146,303,662	234,430,234
CASH AND CASH EQUIVALENTS, end of year	\$ 53,754,649	\$ 146,303,662

The Notes to Financial Statements are
an integral part of these statements.

**DENTON COUNTY TRANSPORTATION AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(CONTINUED)**

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (16,235,218)	\$ (8,035,989)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation and amortization expense	3,141,330	1,093,469
Change in operating assets and liabilities		
Operating accounts receivable	79,882	(114,486)
Prepaid expenses	6,046	42,515
Operating accounts payable	2,180,308	60,703
Accrued payroll and payroll related taxes	(9,798)	48,854
Other accrued liabilities	(25,923)	(497,871)
Deferred revenue	(13,513)	10,534
Net cash used by operating activities	<u><u>\$ (10,876,886)</u></u>	<u><u>\$ (7,392,271)</u></u>
NONCASH INVESTING ACTIVITY		
Bond issuance costs	<u><u>\$ 85,000</u></u>	<u><u>\$ 163,000</u></u>
Prepayment penalty on bond repurchase	<u><u>\$ -</u></u>	<u><u>\$ 727,000</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET ASSETS		
Cash and cash equivalents	\$ 16,757,848	\$ 61,382,373
Restricted cash	<u>36,996,801</u>	<u>84,921,289</u>
	<u><u>\$ 53,754,649</u></u>	<u><u>\$ 146,303,662</u></u>

The Notes to Financial Statements are
an integral part of these statements.

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

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Denton County Transportation Authority (the Authority), as reflected in the accompanying financial statements for the fiscal years ended September 30, 2011 and 2010, 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 the Authority include all governmental activities, organizations, and functions as required by accounting principles generally accepted in the United States of America. The Authority does not have any component units and does not meet the requirements to be included as a component unit in other governmental entities. Accordingly, the Authority does not have any related parties or related party transactions in the accompanying financial statements.

The Authority 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 the Authority, 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 Authority 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 and the accrual basis of accounting.

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

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED**

Basis of Accounting – Continued

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 Authority's 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 revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

All dollar amounts, unless otherwise noted, are in whole dollars. References to years 2011 and 2010 are for fiscal years ended September 30, 2011 and 2010.

The Authority 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 the Authority's policy to use restricted resources first. The unrestricted resources are used as they are needed.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, 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 equal to the fair value.

Receivables

Receivables consist primarily of amounts due to the Authority 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.

Prepaid Expenses

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

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

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED**

Restricted Assets

Restricted assets consist of unspent proceeds from capital grants and are held as cash and cash equivalents.

Investments

The investment policies of the Authority are governed by the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Authority's funds are managed and invested based on safety, liquidity, diversification, and yield. In 2010, the investments consisted of bonds and were stated at fair value. Realized and unrealized gains and losses are reflected in the statement of revenues, expenses, and changes in net assets.

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.

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:

Rail system	20-50 years
Land improvements	25 years
Transportation vehicles:	
Bus	7-12 years
Paratransit	4-5 years
Transportation equipment	3-5 years
Office equipment	3 years

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

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED**

Capital Assets – Continued

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

Intangible assets are stated at historical cost net of accumulated amortization. The intangible asset consists of a rail operating easement for the purpose of constructing, installing, maintaining, and operating a modern rail passenger system.

Current Liabilities

The Authority has not formally restricted cash funds to pay current operating liabilities, but has adequate cash and investments to satisfy these obligations. Construction contracts payable will be satisfied with restricted assets received from the Texas Department of Transportation for the use of the passenger rail system and to purchase rail vehicles.

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.

Deferred Revenue

The University of North Texas (UNT) and Texas Woman's University (TWU) have contracted with the Authority 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 the Authority recognizes the revenue through straight-line amortization over the respective period. At September 30, 2011 and 2010, the Authority has received \$66,538 and \$32,201 in advance payments respectively.

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

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED**

Deferred Revenue – Continued

In addition, during 2010, the Authority 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. The Authority recognizes revenue as the funds are spent. At September 30, 2011 and 2010, unspent grant funds plus interest amounted to \$7,386,625 and \$84,921,289, respectively, and are reflected as part of restricted 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. The Authority provides contract services for UNT, TWU, and the City of Corinth.

Classification of Revenues and Expenses

The Authority 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 Authority 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 bad debt expense, interest expense, and amortization of bond fees.

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

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED**

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 Authority's investment policy, the Authority invests in obligations of the United States or its agencies and instrumentalities. These financial instruments subject the Authority 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.

Reclassification

Certain 2010 amounts have been reclassified to conform to the 2011 presentation.

NOTE 2. BUDGETARY DATA

Section 460 of the Texas Transportation Code requires the Authority to create an annual budget. The Authority 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.

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 Authority 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.

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

NOTE 3. SERVICE AGREEMENT

On October 1, 2006, the Authority entered into a management contract with First Transit, Inc. as an independent contractor to manage the operation of the Authority's public transit system in the Denton County urban area. Under the direction of the Authority's staff and guidance of its 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.

NOTE 4. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

The Authority's cash and cash equivalents are deposited in various accounts as allowed by the Texas Public Funds Investment Act and the Authority's Investment Policy. The custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority 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 the Authority's name by a third party or were invested in U.S. Government Securities as allowed by the Texas Public Funds Investment Act.

The Board adopted a policy to designate three months operating expenses as a Fund Balance Reserve to address unanticipated emergencies which may be allocated by the approval of the Board. At September 30, 2011, the Fund Balance Reserve is \$4,079,980.

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

	September 30, 2011	September 30, 2010
Cash and cash equivalents		
Demand deposits	\$ 47,159	\$ 85,696
Sweep repurchase agreements	8,008,738	501,891
Money market account	35,544,272	2,506,527
Certificates of deposit	5,025,759	46,339,126
TexSTAR	5,128,721	96,870,422
Investments		
FNMA Bonds	-	4,999,306
	<u>\$ 53,754,649</u>	<u>\$ 151,302,968</u>
Reconciliation		
Cash and cash equivalents	\$ 16,757,848	\$ 61,382,373
Restricted cash and cash equivalents	36,996,801	84,921,289
Investments	-	4,999,306
	<u>\$ 53,754,649</u>	<u>\$ 151,302,968</u>

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

NOTE 4. CASH, CASH EQUIVALENTS, AND INVESTMENTS – CONTINUED

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 Authority's 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 Authority's Investment Policy and in accordance with the Texas Public Funds Investment Act, cash equivalents and investments 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.

Bonds held by the Authority in 2010 were invested in the Federal National Mortgage Association. The Authority's investments are reported at fair value, and all investments are insured or registered, or the securities are held by the Authority's agent in its name.

NOTE 5. RECEIVABLES

Receivables at September 30, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Operating		
Ticket, token and other receivables	\$ 538,196	\$ 618,184
Sales tax	3,119,044	3,034,785
Grants receivable	<u>1,247,741</u>	<u>472,413</u>
Total	<u>\$ 4,904,981</u>	<u>\$ 4,125,382</u>

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

NOTE 6. CAPITAL ASSETS

Changes in capital assets for the fiscal years ended September 30, 2011 and 2010 follow:

	Balance September 30, 2010	Increases	Transfers/ Decreases	Balance September 30, 2011
Capital assets, not being depreciated:				
Land	\$ 16,578,318	\$ 1,252,787	\$ -	17,831,105
Construction in progress	184,984,177	98,210,423	(200,063,281)	83,131,319
Total capital assets not being depreciated	201,562,495	99,463,210	(200,063,281)	100,962,424
Capital assets, being depreciated/amortized				
Rail system	-	-	198,027,776	198,027,776
Land improvements	-	-	2,035,505	2,035,505
Vehicles and operating equipment	9,198,216	2,019,560	-	11,217,776
Leasehold improvements	55,506	-	-	55,506
Office furniture and equipment	147,761	88,685	-	236,446
Easement	7,500,000	9,450,000	-	16,950,000
Total capital assets being depreciated/amortized	16,901,483	11,558,245	200,063,281	228,523,009
Less accumulated depreciation/amortization for				
Rail system	-	1,179,481	-	1,179,481
Land improvements	-	65,092	-	65,092
Vehicles and operating equipment	4,967,532	876,197	-	5,843,729
Leasehold improvements	55,506	-	-	55,506
Office furniture and equipment	138,551	15,561	-	154,112
Easement	125,000	1,005,000	-	1,130,000
Total accumulated depreciation	5,286,589	3,141,331	-	8,427,920
Total capital assets, being depreciated, net	11,614,894	8,416,914	200,063,281	220,095,089
Total capital assets, net	<u>\$ 213,177,389</u>	<u>\$ 107,880,124</u>	<u>\$ -</u>	<u>\$ 321,057,513</u>
	Balance September 30, 2009	Increases	Decreases	Balance September 30, 2010
Capital assets, not being depreciated:				
Land	\$ 14,457,050	\$ 2,121,268	\$ -	\$ 16,578,318
Construction in progress	80,323,353	104,660,824	-	184,984,177
Total capital assets not being depreciated	94,780,403	106,782,092	-	201,562,495
Capital assets, being depreciated/amortized				
Vehicles and operating equipment	9,998,586	339,257	(1,139,627)	9,198,216
Leasehold improvements	55,506	-	-	55,506
Office furniture and equipment	142,434	7,105	(1,778)	147,761
Easement	-	7,500,000	-	7,500,000
Total capital assets being depreciated/amortized	10,196,526	7,846,362	(1,141,405)	16,901,483
Less accumulated depreciation/amortization for				
Vehicles and operating equipment	5,106,277	945,882	(1,084,627)	4,967,532
Leasehold improvements	42,877	12,629	-	55,506
Office furniture and equipment	128,596	9,955	-	138,551
Easement	-	125,000	-	125,000
Total accumulated depreciation	5,277,750	1,093,466	(1,084,627)	5,286,589
Total capital assets, being depreciated, net	4,918,776	6,752,896	(56,778)	11,614,894
Total capital assets, net	<u>\$ 99,699,179</u>	<u>\$ 113,534,988</u>	<u>\$ (56,778)</u>	<u>\$ 213,177,389</u>

Primary capital asset expenditures in 2011 and 2010 relate to the design of the 21-mile rail corridor. See related commitment disclosure in Note 9.

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

NOTE 6. CAPITAL ASSETS – CONTINUED

As of October 1, 2009, the Authority adopted GASB Statement 51 *Accounting and Financial Reporting for Intangible Assets*. 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.

In June 2010, the Authority acquired a rail operating easement for the purpose of constructing, installing, maintaining, and operating a modern passenger rail system for payments totaling \$16,950,000. As of September 30, 2011, \$15,000,000 had been paid to the Dallas Area Rapid Transit (DART). The remaining payments of \$1,950,000 will be paid in annual payments until the contract expires (See Note 9). The Authority's right under the contract will expire in June 2030, which is 20 years after the execution of the contract. Amortization of this asset is being recognized over the 20 year useful life on a straight-line basis and was \$1,005,000 and \$125,000 for the years ended September 30, 2011 and 2010, respectively.

NOTE 7. PENSION, RETIREMENT, AND DEFERRED COMPENSATION PLANS

The Authority 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. The Authority presently matches up to a maximum of five percent of the participating employee's salary in a 401(A) plan, with 20% of the Authority's contribution vesting to the employee each year.

During fiscal years 2011 and 2010, employee contributions were \$31,023, or 2.8% of the total payroll, and \$35,122, or 3% of the total payroll, respectively. The Authority's contributions were \$29,080 in 2011 and \$32,106 in 2010, or 3% and 2% of the total payroll for each year, respectively.

NOTE 8. BONDS PAYABLE

In December 2009, the Authority issued Sales Tax Revenue Refunding Bonds for \$20,890,000. This bond issuance refunds the \$20 million privately held bonds that were issued in 2008 and will allow the Authority 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. The penalty is being amortized over the remaining life of the 2008 issuance. This amount was financed through the refunding bonds. The Authority has pledged the sales tax revenues towards the repayment of the bonds. Beginning September 15, 2013, principal payments are due in annual installments and continue through September 2029.

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

NOTE 8. BONDS PAYABLE – CONTINUED

In September 2011, the Authority issued Sales Tax Contractual Obligations for \$14,390,000. This issuance funds the acquisition of personal property related to the rail project, rail vehicles, and the first phase of the new federal mandate for Positive Train Control. Beginning September 15, 2015, principal payments are due in annual installments and continue through September 2031.

The annual debt service requirements follow:

Fiscal Year Ending September 30,	Principle	Interest	Total
2012	\$ -	\$ 1,283,918	\$ 1,283,918
2013	885,000	1,283,918	2,168,918
2014	920,000	1,248,607	2,168,607
2015	1,510,000	1,211,898	2,721,898
2016	1,580,000	1,156,423	2,736,423
2017 - 2021	8,980,000	4,861,690	13,841,690
2022 - 2026	11,120,000	3,068,352	14,188,352
2027 - 2031	10,285,000	920,379	11,205,379
Total requirements	<u>\$ 35,280,000</u>	<u>\$ 15,035,185</u>	<u>\$ 50,315,185</u>

The following is a summary of changes in bonds payable of the Authority for the year ended September 30, 2011:

Balance at October 1, 2010	\$ 20,890,000
Additions	14,390,000
Reductions	-
Balance at September 30, 2011	<u>\$ 35,280,000</u>

Interest is due semi-annually in March and September with the first payment paid on March 15, 2010. The bonds bear interest of 3.14%.

Total interest capitalized during the years ended September 30, 2011 and 2010 was \$833,511 and \$742,586, respectively.

Amortization of bond issuance costs in the amount of \$7,969 and \$89,696 were recognized for the years ended September 30, 2011 and 2010, respectively. Amortization expense relating to the early repayment penalty was \$200,460 and \$162,284 for the years ended September 30, 2011 and 2010, respectively.

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

NOTE 8. BONDS PAYABLE – CONTINUED

The bond agreements require the Authority 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, 2011 and 2010, the Authority was in compliance with this requirement.

NOTE 9. EASEMENT OBLIGATION

In June 2010, the Authority entered into a rail operating easement agreement with DART. The easement obligation represents the remaining principal amounts payable under the agreement. Remaining requirements are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Principle</u>
2012	\$ 150,000
2013	150,000
2014	150,000
2015	100,000
2016	100,000
2017 - 2021	500,000
2022 - 2026	500,000
2027 - 2029	300,000
Total requirements	<u>\$ 1,950,000</u>

NOTE 10. COMMITMENTS AND CONTINGENCIES

Risk Management

The Authority 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.

The Authority 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 2010 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**

NOTE 10. COMMITMENTS AND CONTINGENCIES – CONTINUED

Risk Management – Continued

Premiums are assessed based on the rates set by the Texas State Board of Insurance for each participating political subdivision's experience. The Authority has a \$10,000 deductible for errors and omissions liability with limits of \$3,000,000 per wrongful act and an annual aggregate of \$6,000,000. General liability coverage has no deductible with limits of \$1,000,000 per occurrence, \$1,000,000 per occurrence for sudden events involving pollution, 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. The Authority's vehicles are insured for physical damage for collision and comprehensive coverage after a \$10,000 deductible.

The Authority has a government crime policy with TML insuring against employee theft up to \$1,000,000 per loss. For the year ended September 30, 2011, the Authority has not incurred any losses under these plans.

Litigation

The Authority has two pending lawsuits. In the opinion of management, after consultation with legal counsel, potential losses will not materially affect financial position, operations or cash flows.

State and Federal Grants

The Authority participates in several State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs 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 the Authority 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, 2011, the Authority has the following outstanding commitments:

Design and construction of Mid-Park extension	\$ 1,000,000
Design and construction of rail line and rail facilities	5,467,277
Purchase of rail cars	23,300,304
Consulting services for implementation of PTC	2,849,111
Operations and Maintenance Agreement with DART	11,718,055
Final design of rail project	1,466,743
Management agreement for bus transit operations	144,358
Engineering and construction of support services for rail and bus	698,853
	<u>\$ 46,644,701</u>

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

NOTE 10. COMMITMENTS AND CONTINGENCIES – CONTINUED

Operating Lease Agreements

The Authority has entered into certain operating lease agreements. All operating leases to which the Authority is currently a party will expire next year. The total lease expense was \$614,515 for 2011 and \$312,888 for 2010. The lease payments by year are as follows:

	<u>2012</u>	<u>Total</u>
Lease commitments		
Transit Management of Denton County operations	\$ 91,614	\$ 91,614
Denton operating facility	103,510	103,510
DART Rail Diesel Cars Lease	<u>737,880</u>	<u>737,880</u>
Total lease commitments	<u>\$ 933,004</u>	<u>\$ 933,004</u>

Funding

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

SUPPLEMENTARY INFORMATION

DENTON COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2011
WITH COMPARATIVE ACTUALS FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2011				2010
	Original Budget	Final Budget	Actual	Variance	Actual
OPERATING REVENUES					
Passenger revenue	\$ 978,266	\$ 683,257	\$ 706,497	\$ 23,240	\$ 539,938
Contract services	2,577,439	2,577,439	2,520,036	(57,403)	2,368,908
Other	-	-	183,575	183,575	129,311
	<u>3,555,705</u>	<u>3,260,696</u>	<u>3,410,108</u>	<u>149,412</u>	<u>3,038,157</u>
OPERATING EXPENSES					
Salaries, wages and fringe benefits	6,394,089	6,399,859	5,737,446	662,413	5,890,580
Services	8,966,776	2,158,175	1,676,866	481,309	1,547,342
Materials and supplies	2,018,237	2,469,754	2,308,815	160,939	1,674,511
Purchased transportation services	-	5,215,522	5,537,663	(322,141)	-
Utilities	112,416	183,906	180,953	2,953	74,397
Insurance	361,248	507,915	297,994	209,921	328,109
Facility and equipment rents	892,265	434,118	596,236	(162,118)	322,041
Other - miscellaneous	181,003	178,653	168,023	10,630	143,697
Depreciation and amortization	6,566,380	981,370	3,141,330	(2,159,960)	1,093,469
Total operating expenses	<u>25,492,414</u>	<u>18,529,272</u>	<u>19,645,326</u>	<u>(1,116,054)</u>	<u>11,074,146</u>
Operating loss	<u>(21,936,709)</u>	<u>(15,268,576)</u>	<u>(16,235,218)</u>	<u>(966,642)</u>	<u>(8,035,989)</u>
NON-OPERATING REVENUES (EXPENSES)					
Sales tax revenue	16,050,509	16,417,223	17,135,359	718,136	16,188,072
Transit system operating assistance grants	5,215,334	5,128,604	5,511,543	382,939	3,432,290
Investment income	414,890	192,313	287,615	95,302	105,503
Interest expense	(833,511)	(833,511)	(200,461)	633,050	(162,284)
Amortization of bond issuance costs	-	-	(7,969)	(7,969)	(89,696)
Trinity Mills design and construction	75,661	137,970	184,095	46,125	194,099
Gain (loss) on disposal of assets	-	-	-	-	(38,275)
Total non-operating revenue (expenses)	<u>20,922,883</u>	<u>21,042,599</u>	<u>22,910,182</u>	<u>1,867,583</u>	<u>19,629,709</u>
INCOME BEFORE CAPITAL GRANTS	<u>(1,013,826)</u>	<u>5,774,023</u>	<u>6,674,964</u>	<u>900,941</u>	<u>11,593,720</u>
GRANTS FOR CAPITAL IMPROVEMENTS	<u>60,706,246</u>	<u>77,170,643</u>	<u>77,661,499</u>	<u>490,856</u>	<u>102,970,259</u>
Change in net assets	<u>\$ 59,692,420</u>	<u>\$ 82,944,666</u>	<u>\$ 84,336,463</u>	<u>\$ 1,391,797</u>	<u>\$ 114,563,979</u>

**DENTON COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2011**

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Grantor ID Number</u>	<u>Catalog of Federal Domestic Assistance ID Number</u>	<u>Federal Expenditures</u>
U. S. Department of Transportation			
<u>Federal Transit Cluster:</u>			
FTA/Formula (and flex funds)	TX-90-X884-00	20.507	\$ 29,571
FTA/Formula (and flex funds)	TX-90-X912-00	20.507	740,139
FTA/Formula (and flex funds)	TX-90-X941-00	20.507	817,845
FTA/Formula (and flex funds)	TX-90-X932-00	20.507	490,613
FTA/Formula (and flex funds)	TX-95-X022-00	20.507	809,703
ARRA- FTA/Formula (and flex funds)	TX-96-X033-00	20.507	2,251,118
FTA Capital Investment	TX-04-0051-00	20.500	<u>223,100</u>
Total Federal Transit Cluster			<u>5,362,089</u>
<u>Transit Services Programs Cluster:</u>			
Job Access-Reverse Commute (JARC)	TX-37-X020-00	20.516	29,840
Job Access-Reverse Commute (JARC)	TX-37-X073-01	20.516	1,311
New Freedom Program	TX-57-X008-01	20.521	<u>13,071</u>
Total Transit Services Programs Cluster			<u>44,222</u>
North Central Texas Council of Governments/ Ozone grant	n/a	20.219	<u>105,232</u>
Total U.S. Department of Transportation			<u>5,511,543</u>
Total Federal Expenditures			<u><u>\$ 5,511,543</u></u>

See notes to Schedule of Expenditures of Federal Awards.

**DENTON COUNTY TRANSPORTATION AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Denton County Transportation Authority (the Authority) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 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. Specifically, when the Authority is awarded funds which include certain "pre-award" costs reimbursing the Authority for amounts expended prior to the approval of the award, the schedule of expenditures of federal awards will include expenses that were recorded on the statement of revenue, expenses and changes in net assets in a previous year.

NOTE 2. SUBRECIPIENTS

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

NOTE 3. NON-CASH ASSISTANCE

The Authority did not receive any non-cash assistance from federal awards for the year ended September 30, 2011.

NOTE 4. LOANS

At year-end, the 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 financial statements of Denton County Transportation Authority (the Authority) as of and for the year ended September 30, 2011, and have issued our report thereon dated February X, 2012. 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 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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. However, we identified certain deficiencies in internal control over financial reporting, item 2011-01, in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's 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.

Denton County Transportation Authority

Page 2

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 and use of the Board of Directors, management, others within the entity and the U.S. Department of Transportation and Texas Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February X, 2012



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON 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 could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

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.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Denton County Transportation Authority

Page 2

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 entity and the U.S. Department of Transportation and Texas Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February X, 2012

**DENTON COUNTY TRANSPORTATION AUTHORITY
SUMMARY SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2011**

I. Summary of the Auditor's Results:

Financial Statements

- a. An unqualified opinion was issued on the financial statements.
- b. Internal control over financial reporting:
 - Material weakness(es) identified? _____ Yes X No
 - Significant deficiency(s) identified that are not considered a material weakness _____ X Yes _____ None reported
- c. Noncompliance material to financial statements noted _____ Yes X No

Federal Awards

- d. Internal control over major programs
 - Material weakness(es) identified? _____ Yes X No
 - Significant deficiency(s) identified that are not considered a material weakness _____ Yes X None reported
- e. An unqualified opinion was issued on compliance for major programs
- f. Any audit findings disclosed that were required to be reported under Section 510(a) or OMB Circular A-133 _____ Yes X No
- g. Identification of major programs:

20.500 and 20.507	Federal Transit Cluster
-------------------	-------------------------
- h. The dollar threshold used to distinguish between Type A and Type B programs \$ 300,000
- i. Auditee qualified as a low-risk auditee. _____ X Yes _____ No

**DENTON COUNTY TRANSPORTATION AUTHORITY
SUMMARY SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2011**

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*:

Finding 2011-1

Criteria

Capital projects that are substantially complete should be transferred out of construction in progress, transferred into a depreciable asset, and depreciated.

Condition

The accounting adjustments to record the completed capital project as a depreciable asset and depreciate the asset were not made at year end.

Context

Accumulated depreciation and depreciation expense were understated by approximately \$1,200,000.

Effect

An audit adjustment for capital assets, accumulated depreciation, and depreciation expense was made to transfer the construction-in-progress to a depreciable asset and record depreciation expense.

Cause

The journal entries are nonrecurring in nature and were not made at year end.

Recommendation

With the growth of the size and complexity of the Authority's operations, we recommend that the accounting department update their year-end closing procedures checklist. A more detailed checklist on closing procedures would limit the possibility of significant entries being omitted from the year end close. We also recommend that when unusual transactions occur, the Authority should research the issue to determine proper recognition or consult with the appropriate individuals.

Management Response

Management agrees with the recommendation. Procedure has been established for Quarterly review and close of capital projects. Accounting Department will update year-end close checklist to provide for more detailed procedures.

**DENTON COUNTY TRANSPORTATION AUTHORITY
SUMMARY SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2011**

III. Findings and Questioned Costs for Federal Awards:

None

Audit Findings: None

Corrective Action: N/A

III – Federal Award Findings and Questioned Costs

None

**DENTON COUNTY TRANSPORTATION AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2011**

IV – Summary Schedule of Prior Year Findings

Finding 2010-1

Criteria

Generally accepted accounting principles require that expenses be reported in the period in which they were incurred.

Condition

Accruals used to estimate the dollar value of construction expenditures for two major vendors incurred prior to year end was inadequate and resulted in accrued liabilities and expenditures being significantly understated for the period.

Context

The instance affected the accruals for two major vendors of the Authority.

Effect

Accrued liabilities and expenses associated with these vendors were understated during the year by approximately \$2.7 million.

Cause

The estimate provided by the vendors was not compared to what was billed subsequent to year end and adjusted accordingly.

Status

This was corrected in the current year.

Finding 2010-2

Criteria

Generally accepted accounting principles require that interest costs incurred on related debt during the construction phase should be capitalized as part of the cost of the asset.

Condition

Incurred interest during the period that related to the debt associated with construction was not capitalized.

DENTON COUNTY TRANSPORTATION AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2011

Finding 2010-2 - Continued

Context

Construction-in-progress was understated by approximately \$740,000, and expenses were overstated by this same amount.

Effect

The interest expense was overstated by approximately \$740,000 and assets were understated by this same amount.

Cause

The amount was overlooked at year end.

Status

This was corrected in the current year.

Finding 2010-3

Criteria

Generally accepted accounting principles require that only the transactions that represent the rights and obligations of an organization be reported as assets or liabilities at year end.

Condition

An existing construction was expanded at the request of another organization with the agreement that the organization would offset the additional cost incurred by DCTA. The portion of the asset constructed on behalf of the outside organization, as well as the proceeds derived by their payment, was recorded as an asset and revenue of DCTA, respectively.

Context

The portion of the asset that was not the property of DCTA should not have been capitalized. The reimbursement of expenses incurred by DCTA for that asset should not have been recognized as revenue.

Effect

Construction-in-progress and revenue were overstated by approximately \$750,000.

**DENTON COUNTY TRANSPORTATION AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2011**

Finding 2010-3 - Continued

Cause

The rarity and unusual nature of the transaction caused it to be recorded incorrectly.

Status

A similar finding was noted in the current year, 2011-1.



Board of Directors Memo

February 23, 2012

Item: 2(c) Discussion/Approval of New Member Policy

Background

The Denton County Transportation Authority (DCTA) was created in 2001 by the Denton County Commissioners Court pursuant to House Bill 3323 (Acts 2001, 77th Leg., ch. 1186, §1, eff. Sept. 1, 2001), codified as Chapter 460, Tex. Transportation Code. The formation of DCTA was confirmed by a countywide election in 2002 with a favorable vote of greater than 73%. A subsequent transit sales tax authorization election was held on September 13, 2003 and the municipalities of Denton, Highland Village, and Lewisville authorized the collection of a 1/2-cent transit sales and use tax for the benefit of DCTA and formed the initial service delivery area. No other municipalities have joined since 2003.

Since the initial service area was formed the Authority has established numerous transit services operating within and between the member cities and has completed the construction of a commuter rail line and has initiated A-train service to connect the member cities along the rail right of way to the Trinity Mills station on the DART Green Line.

Identified Need

DCTA recognizes that as Denton County and its cities continue to experience rapid population and employment growth, the transportation contingencies and mobility needs of our citizens will evolve. Because of the changing mobility needs, other cities in Denton County may wish to participate in the transportation services of DCTA in a fashion that meets their individual needs and the long-term regional transportation needs outlined in the Authority's Service Plan. As a result, DCTA needs New Member Cities Admission Policy in an effort to accommodate various levels of participation and funding.

Financial Impact

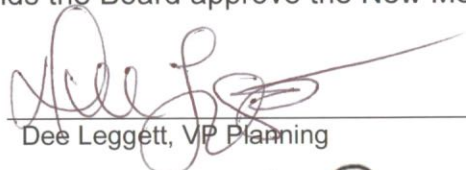
None. Any financial implications of membership will be outlined in an Interlocal Agreement and will require separate action by the DCTA Board of Directors.

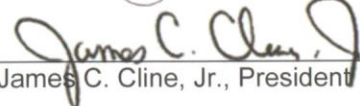
Committee Review

This item was reviewed by the New Member Policy Committee on February 9, 2012.

Recommendation

Staff recommends the Board approve the New Member Cities Admission Policy.

Submitted by: 
Dee Leggett, VP Planning

Approval: 
James C. Cline, Jr., President

New Member Cities Admission Policy

A. Introduction

The statutory charge and the desire of DCTA is to encourage the development and provision of transit services in and for Denton County. To achieve that goal, DCTA welcomes inquiries from all Denton County areas that may be interested in receiving DCTA transit services.

B. Background

The Denton County Transportation Authority (DCTA) was created in 2001 by the Denton County Commissioners Court pursuant to House Bill 3323 (Acts 2001, 77th Leg., ch. 1186, §1, eff. Sept. 1, 2001), codified as Chapter 460, Tex. Transportation Code.

The formation of DCTA was confirmed by a countywide election on November 5, 2002 with a favorable vote of greater than 73%. A subsequent transit sales tax authorization election was held on September 13, 2003 and the municipalities of Denton, Highland Village, and Lewisville authorized the collection of a 1/2-cent transit sales and use tax for the benefit of DCTA and formed the initial service delivery area.

Since the initial service area was formed the Authority has established numerous transit services operating within and between the member cities and has ~~completed~~~~initiated~~ the construction of a commuter rail line ~~and has initiated (A-train service)~~ to connect the member cities along the rail right of way to the Trinity Mills station on the DART Green Line.

DCTA recognizes that as Denton County and its cities continue to experience rapid population and employment growth, the transportation contingencies and mobility needs of our citizens will evolve. Because of the changing mobility needs, other cities in Denton County may wish to participate in the transportation services of DCTA in a fashion that meets their individual needs and the long-term regional transportation needs outlined in the Authority's Service Plan. As a result, DCTA has updated its New Member Cities Admission Policy in an effort to accommodate various levels of participation and funding.

C. Application for Full Membership

This policy applies to the addition of any municipality that desires to become a full participating member of the DCTA through the adoption of the DCTA transit sales and use tax or a comparable dedicated, continuous funding source.

1. Application for Full Membership Adjacent to Existing or Near-Term Fixed Guideway Corridor

A municipality with municipal boundaries located within an appropriate proximity to a near-term fixed guideway prioritized in the Authority's Service Plan and programmed in the Authority's five year capital plan may become a DCTA member by:

- (1) The voter approval of the DCTA transit sales and use tax at an election called by the governing body of the municipality and the execution of an Interlocal Cooperation Agreement or dedication of a comparable dedicated, continuous funding source by the governing body comparable to the DCTA transit sales and use tax and the execution of an Interlocal Cooperation Agreement, and
- (2) Submission of Capital Payment Fees as established by the DCTA Board of Directors, pursuant to an Interlocal Cooperation agreement and, prior to the amendment of the DCTA Service Plan.

This payment, which is determined by the sole discretion of the DCTA Board of Directors, recognizes initial capital investments and contributions made by existing municipalities with full membership along the existing or near-term fixed guideway corridor and covers the full cost of any capital improvements related to the addition of the new member (i.e. new station, vehicle acquisition, etc). The estimated amount of the Capital Payment Fees shall be determined by DCTA and shall be provided to the municipality prior to such municipality calling the election to authorize the DCTA transit sales and use tax.

The Capital Payment Fees shall be calculated in accordance with the following:

- i. A pro-rata share of "Fixed Guideway Project Development Costs" incurred by DCTA members cities over the life of the project and may require full-payment of any additional capital investments required to accommodate service to the municipality.

2. Application for Full Membership Near a Future Fixed Guideway Corridor

A municipality with municipal boundaries located within an appropriate proximity of a potential fixed guideway identified in the Authority's Service Plan for future, long-term investment but not currently programmed in the Authority's five year capital plan may become a DCTA member by:

- (1) The voter approval of the DCTA transit sales and use tax at an election called by the governing body of the municipality and the execution of an Interlocal Cooperation Agreement or dedication of a comparable dedicated continuous funding source by the governing body comparable to the DCTA transit sales and use tax and the execution of an Interlocal Cooperation Agreement, and
- (2) Submission of proportional Capital Payment Fees to Authority's fund balance reserves as determined by the DCTA Board of Director's based on a percentage of the municipality's previous year's annual revenues. ~~Calculation of the one-time payment to DCTA by a new member shall be equivalent to 25% of the ½-cent sales and use tax collections for the most recently completed fiscal year.~~

D. Preliminary Assessment of Transit Services and Funding Requirements

Upon receiving an official "Expression of Interest" for full-membership consisting of a Resolution adopted by the governing body of a municipality (the "Applicant") indicating the desire to become a full-member of the DCTA, the DCTA shall perform a preliminary needs assessments to determine the scope and feasibility of providing transit service to the interested municipality and the applicant shall bear the full cost of said assessment.

The initial phase of planning shall be summarized in a Preliminary Assessment of transit services and funding requirements (Preliminary Assessment). The Preliminary Assessment shall include a determination of the scope and type of transit services that are feasible in the short term and an evaluation of longer term service needs in accordance with the DCTA Service Plan and DCTA's Capital Financial Plan. The Preliminary Assessment shall be based on input from the proposed service area, including its residents, and shall consider growth and development patterns, and projected transportation needs.

The results of this assessment will assist with the determination of the Fixed Guideway Development Costs to ensure capital and operational impacts of the new service area will be covered through the Capital Payment Fees plus any anticipated revenues. If a more detailed analysis or assessment is warranted, the applicant must ~~bear participate in the~~ full cost of the additional analysis.

E. Proposed Amendment to Service Plan and Interlocal Cooperation Agreement

If the results of the Preliminary Assessment are approved by the DCTA Board; all requirements are met by the governing body of the Applicant; and, an amendment to the Service Plan is required; DCTA shall prepare a proposed Interlocal Cooperation Agreement and a proposed amendment to the DCTA Service Plan. The proposed amendment to the Service Plan shall: (i) describe the type, amount and forecasted timing of services that may be provided; and (ii) describe the short term services and facilities for the new territory to be served. An Interlocal Cooperation Agreement between the DCTA and the Applicant shall provide for the payment of any Capital Payment Fees or other charges to be paid by the Applicant; and shall describe the agreed amendment to the DCTA Service Plan. Any amendment to the DCTA Service Plan shall be subject to the following:

1. Any programmed capital projects for the proposed service area shall not impair or materially delay the schedule for capital projects planned in accordance with the DCTA Service Plan or Capital Improvement Plan.
2. All transit services planned for the proposed service area shall be qualified by the same system-wide planning processes and criteria governing transit services in the existing DCTA service delivery areas.
3. Any requested transit service necessitating material or significant capital investment or connecting to an existing material or significant capital investment shall require a Capital Payment Fee fully covering the cost of the material change and may require a pro-rata share in the capital costs of the existing infrastructure.

4. In addition~~al~~, to any Capital Payment Fee, the municipalities contributing a comparable dedicated multi-year continuous funding source that is not originated from sales tax revenue must at its own cost develop and provide to DCTA a 10-year revenue model that projects the anticipated revenue that will be directed to DCTA for capital, operational and maintenance needs. This 10-year revenue model may be subject to a third-party review and must illustrate that revenue generated from the comparable source is equivalent to sales-tax revenue for same period. Additionally, any financial risk or appropriation associated from this funding method will not be borne by DCTA, but will be the sole responsibility of the municipality.
5. ~~Municipalities adopting a DCTA transit sales and use tax or comparable dedicated funding source after January 1, 2004 shall continue to fund all previously existing or funded transit services until the first day of the tenth (10th) calendar month after the imposition of the DCTA transit sales and use tax or comparable fee or assessment.~~ An agreement between DCTA and the interested entity outlining payment of capital, payment and operational fee and costs must be finalized prior to service implementation as outlined in the Interlocal Cooperation Agreement.

F. Election Requirement

To become a member of the DCTA through the adoption of the DCTA transit sales and use tax, the governing body of a municipality shall call an election to authorize the levy of the DCTA transit sales and use tax of one-half cent and submit the following proposition to the voters: *"Shall the Denton County Transportation Authority levy of a proposed tax, not to exceed one-half of one percent, be authorized."*

If a municipality chooses to become a member through a comparable, dedicated multi-year continuous funding source and that funding source requires the governing body of the municipality to call an election, the DCTA Board of Directors shall have the right to approve the election ballot proposition language.

The municipality shall, within 60 days after execution of the Interlocal Cooperation Agreement, call the election to be held on the next uniform election date allowed by law.

Subsequent to the last of the following to occur: (i) the voter authorization of the dedicated funding source; and (ii) the payment of the Capital Payment Fees pursuant to the Interlocal Cooperation Agreement, the DCTA shall amend the Service Plan consistent with the Interlocal Cooperation Agreement.

The Interlocal Cooperation Agreement shall be negotiated on a case-by-case basis. The Interlocal Cooperation Agreement shall be executed by the parties prior to the call for the election and shall provide for the payment of Capital Payment Fee to be paid by the municipality to the DCTA and shall describe the agreed amendment to the DCTA Service Plan, subject to voter approval of the authorization of the DCTA transit sales and use tax or other dedicated funding source.

G. Application for Associate Membership

This policy applies to the addition of any municipality or public or private entity that desires to become an associate member of the DCTA for long-range planning and limited transit service through an annual payment to DCTA. The annual provision of services by DCTA and the terms and conditions of the annual payment will be detailed through an Interlocal Cooperation Agreement between DCTA and the municipality or entity. This agreement will include terms and conditions for use of DCTA's existing capital assets and the purchase of future capital assets.

Additionally, the agreement will include considerations of the value of access to DCTA including its resources and expertise, the stability of the funding source for the provision of services, and the recovery by DCTA of the fully burdened cost of providing the service. The provision of these services shall not materially impact the provision of services in cities with full-membership, nor will it negatively impact any major capital projects underway or planned in the Authority's Service Plan. Associate members must become full-members before fixed capital investments will be made by DCTA within or near the municipality.

Associate members, may, at the discretion of the DCTA Board of Directors, participate on DCTA committees and subcommittees.

H. Contracting for Limited Transit Services

A municipality or other public or private entity may contract with the DCTA for a specific type of transit services through an Interlocal Cooperation Agreement which shall provide for: (1) the payment of Capital Payment Fees, if any; and (2) the agreed transit services and/or the amendment of the DCTA Service Plan, as appropriate. Additionally, the agreement will include considerations of the value of access to DCTA including its resources and expertise, the stability of the funding source for the contracted service, and the recovery by DCTA of the fully burdened cost of providing the service. The provision of these services shall not materially impact the provision of services in cities with full-membership, nor will it materially impact any major capital projects underway or planned in the Authority's Service Plan. Municipalities or entities receiving DCTA transit services under a contract shall not be eligible for enhanced voting privileges.

I. Programming of Transit Services

While DCTA may choose to study and identify transit needs outside of its participating cities for the purposes of long-range planning efforts and to support regional mobility, DCTA shall commence detailed programming of transit services upon the later: of (a) the canvas of the results of an election authorizing the DCTA transit sales tax for the use and benefit of DCTA or the dedication of comparable funding source; and (b) the effective date of an Interlocal Cooperation Agreement between DCTA and the municipality for payment of the Capital Payment Fees.

The programming of transit services will be detailed in the Authority's Service Plan which will be reviewed and updated a minimum of every five years.

J. Municipality participation through tax increment payments

1. DCTA may pursuant to the authority of Subchapter I, Chapter 460 Transportation Code enter into an agreement with a municipality to provide service in an area designated by the municipality (the “public transportation financing area”) in exchange for the municipality payment of all or a portion of the tax increment (property and/or sales tax revenue from the designated area). This process is governed by Subchapter I of Chapter 460 and is limited to a municipality that has not adopted the DCTA sales and use tax and provided the adoption of the DCTA sales and use tax levy, when combined with the rates of all sales and use taxes imposed by other political subdivisions in the municipality would exceed two (2) percent.
2. The designated area: (1) must have one or more transit facilities that include a structure provided for or on behalf of DCTA for embarkation on and disembarkation from public transportation services provided by DCTA, which may include a transit stop, transit shelter, transit garage, or transit terminal; (2) may include any territory located in the municipality's jurisdiction; and (3) must include an area one-half mile on either side of the proposed service route served by a structure under (1) above, to the extent that that area is included in the municipality's boundaries.
3. The tax increment from property and/or sales and use taxes from the designated area is used to pay to DCTA: (1) maintenance and operating expenses of providing services to the public transportation financing area, including compensation for expansion, improvement, rehabilitation, or enhancement amounts owed for previous years' maintenance and operating expenses for the public transportation financing area; (2) any capital cost incurred for the benefit of the public transportation financing area; (3) satisfy claims of holders of tax increment bonds, notes, or other obligations issued or incurred for projects or services that directly or indirectly benefit the public transportation financing area through the expansion, improvement, rehabilitation, or enhancement of transportation service by DCTA under the service plan; and (4) any capital recovery fee required by the DCTA.

K. Voting Privileges:

A new member contributing 1/2 cent sales and use tax or comparable dedicated continuous funding source shall assume enhanced Board of Director voting privileges as set forth in the then current DCTA bylaws (if eligible to appoint a director to the board pursuant to Chapter 460, Transportation Code) following effective date of the Interlocal Cooperation Agreement. Municipalities receiving DCTA transit services under a contract or through an Associate Membership shall not be eligible for enhanced voting privileges.

L. Update to New Member Policy

This New Member Cities Admission Policy may be reviewed and updated at any time by the DCTA Board of Directors.

M. Definitions:

- a. Capital Payment Fees shall mean the municipality or public or private entity's share of the capital costs of the additional services and/or a proportion of the capital costs associated with the existing transit investments from which the municipality is directly benefitting.
- b. Fixed Guideway Project Development Costs shall mean the sum of DCTA operating expenses plus capital expenditures for the fixed guideway project. Any pro-rata payments associated with the development costs shall be calculated based on the date when the fixed guideway was adopted into the Authority's five-year Capital Plan.
- c. Fiscal year shall mean a 12-month period at the end of which all accounts are completed in order to furnish a statement of the DCTA's financial condition or for tax purposes from October 1 through September 30,
- d. Near-term will be any fixed guideway project to be completed within five-years of the membership request and included in DCTA's five-year Capital Plan.
- e. Long-term will be any fixed guideway project included in the Authority's Service Plan but not programmed in the DCTA's five-year Capital Plan.
- f. Comparable funding source must be a ~~dedicated continuous~~ ~~multi-year~~ commitment allowable under state law that can be used for capital, operations and maintenance costs. This source cannot be subject to annual renewal and/or annual appropriation.

N. Conflicts

To the extent of any conflict between this Policy and Chapter 460 of the Texas Transportation Code, as amended, Chapter 460 of the Texas Transportation Code shall control.

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New Member Cities Admission Policy

A. Introduction

The statutory charge and the desire of DCTA is to encourage the development and provision of transit services in and for Denton County. To achieve that goal, DCTA welcomes inquiries from all Denton County areas that may be interested in receiving DCTA transit services.

B. Background

The Denton County Transportation Authority (DCTA) was created in 2001 by the Denton County Commissioners Court pursuant to House Bill 3323 (Acts 2001, 77th Leg., ch. 1186, §1, eff. Sept. 1, 2001), codified as Chapter 460, Tex. Transportation Code.

The formation of DCTA was confirmed by a countywide election on November 5, 2002 with a favorable vote of greater than 73%. A subsequent transit sales tax authorization election was held on September 13, 2003 and the municipalities of Denton, Highland Village, and Lewisville authorized the collection of a 1/2-cent transit sales and use tax for the benefit of DCTA and formed the initial service delivery area.

Since the initial service area was formed the Authority has established numerous transit services operating within and between the member cities and has completed the construction of a commuter rail line and has initiated A-train service to connect the member cities along the rail right of way to the Trinity Mills station on the DART Green Line.

DCTA recognizes that as Denton County and its cities continue to experience rapid population and employment growth, the transportation contingencies and mobility needs of our citizens will evolve. Because of the changing mobility needs, other cities in Denton County may wish to participate in the transportation services of DCTA in a fashion that meets their individual needs and the long-term regional transportation needs outlined in the Authority's Service Plan. As a result, DCTA has updated its New Member Cities Admission Policy in an effort to accommodate various levels of participation and funding.

C. Application for Full Membership

This policy applies to the addition of any municipality that desires to become a full participating member of the DCTA through the adoption of the DCTA transit sales and use tax or a comparable dedicated, continuous funding source.

1. Application for Full Membership Adjacent to Existing or Near-Term Fixed Guideway Corridor

A municipality with municipal boundaries located within an appropriate proximity to a near-term fixed guideway prioritized in the Authority's Service Plan and programmed in the Authority's five year capital plan may become a DCTA member by:

- (1) The voter approval of the DCTA transit sales and use tax at an election called by the governing body of the municipality and the execution of an Interlocal Cooperation Agreement or dedication of a comparable dedicated, continuous funding source by the governing body comparable to the DCTA transit sales and use tax and the execution of an Interlocal Cooperation Agreement, and
- (2) Submission of Capital Payment Fees as established by the DCTA Board of Directors, pursuant to an Interlocal Cooperation agreement and, prior to the amendment of the DCTA Service Plan.

This payment, which is determined by the sole discretion of the DCTA Board of Directors, recognizes initial capital investments and contributions made by existing municipalities with full membership along the existing or near-term fixed guideway corridor and covers the full cost of any capital improvements related to the addition of the new member (i.e. new station, vehicle acquisition, etc). The estimated amount of the Capital Payment Fees shall be determined by DCTA and shall be provided to the municipality prior to such municipality calling the election to authorize the DCTA transit sales and use tax.

The Capital Payment Fees shall be calculated in accordance with the following:

- i. A pro-rata share of "Fixed Guideway Project Development Costs" incurred by DCTA members cities over the life of the project and may require full-payment of any additional capital investments required to accommodate service to the municipality.
2. Application for Full Membership Near a Future Fixed Guideway Corridor

A municipality with municipal boundaries located within an appropriate proximity of a potential fixed guideway identified in the Authority's Service Plan for future, long-term investment but not currently programmed in the Authority's five year capital plan may become a DCTA member by:

- (1) The voter approval of the DCTA transit sales and use tax at an election called by the governing body of the municipality and the execution of an Interlocal Cooperation Agreement or dedication of a comparable dedicated continuous funding source by the governing body comparable to the DCTA transit sales and use tax and the execution of an Interlocal Cooperation Agreement, and
- (2) Submission of proportional Capital Payment Fees to Authority's fund balance reserves as determined by the DCTA Board of Director's based on a percentage of the municipality's previous year's annual revenues.

D. Preliminary Assessment of Transit Services and Funding Requirements

Upon receiving an official "Expression of Interest" for full-membership consisting of a Resolution adopted by the governing body of a municipality (the "Applicant") indicating the

desire to become a full-member of the DCTA, the DCTA shall perform a preliminary needs assessments to determine the scope and feasibility of providing transit service to the interested municipality and the applicant shall bear the full cost of said assessment.

The initial phase of planning shall be summarized in a Preliminary Assessment of transit services and funding requirements (Preliminary Assessment). The Preliminary Assessment shall include a determination of the scope and type of transit services that are feasible in the short term and an evaluation of longer term service needs in accordance with the DCTA Service Plan and DCTA's Capital Financial Plan. The Preliminary Assessment shall be based on input from the proposed service area, including its residents, and shall consider growth and development patterns, and projected transportation needs.

The results of this assessment will assist with the determination of the Fixed Guideway Development Costs to ensure capital and operational impacts of the new service area will be covered through the Capital Payment Fees plus any anticipated revenues. If a more detailed analysis or assessment is warranted, the applicant must bear the full cost of the additional analysis.

E. Proposed Amendment to Service Plan and Interlocal Cooperation Agreement

If the results of the Preliminary Assessment are approved by the DCTA Board; all requirements are met by the governing body of the Applicant; and, an amendment to the Service Plan is required; DCTA shall prepare a proposed Interlocal Cooperation Agreement and a proposed amendment to the DCTA Service Plan. The proposed amendment to the Service Plan shall: (i) describe the type, amount and forecasted timing of services that may be provided; and (ii) describe the short term services and facilities for the new territory to be served. An Interlocal Cooperation Agreement between the DCTA and the Applicant shall provide for the payment of any Capital Payment Fees or other charges to be paid by the Applicant; and shall describe the agreed amendment to the DCTA Service Plan. Any amendment to the DCTA Service Plan shall be subject to the following:

1. Any programmed capital projects for the proposed service area shall not impair or materially delay the schedule for capital projects planned in accordance with the DCTA Service Plan or Capital Improvement Plan.
2. All transit services planned for the proposed service area shall be qualified by the same system-wide planning processes and criteria governing transit services in the existing DCTA service delivery areas.
3. Any requested transit service necessitating material or significant capital investment or connecting to an existing material or significant capital investment shall require a Capital Payment Fee fully covering the cost of the material change and may require a pro-rata share in the capital costs of the existing infrastructure.
4. In addition, to any Capital Payment Fee, the municipalities contributing a comparable dedicated continuous funding source that is not originated from sales tax revenue must at its own cost develop and provide to DCTA a 10-year revenue model that projects the

anticipated revenue that will be directed to DCTA for capital, operational and maintenance needs. This 10-year revenue model may be subject to a third-party review and must illustrate that revenue generated from the comparable source is equivalent to sales-tax revenue for same period. Additionally, any financial risk or appropriation associated from this funding method will not be borne by DCTA, but will be the sole responsibility of the municipality.

5. . An agreement between DCTA and the interested entity outlining payment of capital, payment and operational fee and costs must be finalized prior to service implementation as outlined in the Interlocal Cooperation Agreement.

F. Election Requirement

To become a member of the DCTA through the adoption of the DCTA transit sales and use tax, the governing body of a municipality shall call an election to authorize the levy of the DCTA transit sales and use tax of one-half cent and submit the following proposition to the voters: *"Shall the Denton County Transportation Authority levy of a proposed tax, not to exceed one-half of one percent, be authorized."*

If a municipality chooses to become a member through a comparable, dedicated continuous funding source and that funding source requires the governing body of the municipality to call an election, the DCTA Board of Directors shall have the right to approve the election ballot proposition language.

The municipality shall, within 60 days after execution of the Interlocal Cooperation Agreement, call the election to be held on the next uniform election date allowed by law.

Subsequent to the last of the following to occur: (i) the voter authorization of the dedicated funding source; and (ii) the payment of the Capital Payment Fees pursuant to the Interlocal Cooperation Agreement, the DCTA shall amend the Service Plan consistent with the Interlocal Cooperation Agreement.

The Interlocal Cooperation Agreement shall be negotiated on a case-by-case basis. The Interlocal Cooperation Agreement shall be executed by the parties prior to the call for the election and shall provide for the payment of Capital Payment Fee to be paid by the municipality to the DCTA and shall describe the agreed amendment to the DCTA Service Plan, subject to voter approval of the authorization of the DCTA transit sales and use tax or other dedicated funding source.

G. Application for Associate Membership

This policy applies to the addition of any municipality or public or private entity that desires to become an associate member of the DCTA for long-range planning and limited transit service through an annual payment to DCTA. The annual provision of services by DCTA and the terms and conditions of the annual payment will be detailed through an Interlocal Cooperation Agreement between DCTA and the municipality or entity. This agreement will include terms and conditions for use of DCTA's existing capital assets and the purchase of future capital assets.

Additionally, the agreement will include considerations of the value of access to DCTA including its resources and expertise, the stability of the funding source for the provision of services, and the recovery by DCTA of the fully burdened cost of providing the service. The provision of these services shall not materially impact the provision of services in cities with full-membership, nor will it negatively impact any major capital projects underway or planned in the Authority's Service Plan. Associate members must become full-members before fixed capital investments will be made by DCTA within or near the municipality.

Associate members, may, at the discretion of the DCTA Board of Directors, participate on DCTA committees and subcommittees.

H. Contracting for Limited Transit Services

A municipality or other public or private entity may contract with the DCTA for a specific type of transit services through an Interlocal Cooperation Agreement which shall provide for: (1) the payment of Capital Payment Fees, if any; and (2) the agreed transit services and/or the amendment of the DCTA Service Plan, as appropriate. Additionally, the agreement will include considerations of the value of access to DCTA including its resources and expertise, the stability of the funding source for the contracted service, and the recovery by DCTA of the fully burdened cost of providing the service. The provision of these services shall not materially impact the provision of services in cities with full-membership, nor will it materially impact any major capital projects underway or planned in the Authority's Service Plan. Municipalities or entities receiving DCTA transit services under a contract shall not be eligible for enhanced voting privileges.

I. Programming of Transit Services

While DCTA may choose to study and identify transit needs outside of its participating cities for the purposes of long-range planning efforts and to support regional mobility, DCTA shall commence detailed programming of transit services upon the later: of (a) the canvas of the results of an election authorizing the DCTA transit sales tax for the use and benefit of DCTA or the dedication of comparable funding source; and (b) the effective date of an Interlocal Cooperation Agreement between DCTA and the municipality for payment of the Capital Payment Fees.

The programming of transit services will be detailed in the Authority's Service Plan which will be reviewed and updated a minimum of every five years.

J. Municipality participation through tax increment payments

1. DCTA may pursuant to the authority of Subchapter I, Chapter 460 Transportation Code enter into an agreement with a municipality to provide service in an area designated by the municipality (the "public transportation financing area") in exchange for the municipality payment of all or a portion of the tax increment (property and/or sales tax revenue from the designated area). This process is governed by Subchapter I of Chapter 460 and is limited to a municipality that has not adopted the DCTA sales and use tax and provided the adoption of the DCTA sales and use tax levy, when combined with the rates of all sales and use

- taxes imposed by other political subdivisions in the municipality would exceed two (2) percent.
2. The designated area: (1) must have one or more transit facilities that include a structure provided for or on behalf of DCTA for embarkation on and disembarkation from public transportation services provided by DCTA, which may include a transit stop, transit shelter, transit garage, or transit terminal; (2) may include any territory located in the municipality's jurisdiction; and (3) must include an area one-half mile on either side of the proposed service route served by a structure under (1) above, to the extent that that area is included in the municipality's boundaries.
 3. The tax increment from property and/or sales and use taxes from the designated area is used to pay to DCTA: (1) maintenance and operating expenses of providing services to the public transportation financing area, including compensation for expansion, improvement, rehabilitation, or enhancement amounts owed for previous years' maintenance and operating expenses for the public transportation financing area; (2) any capital cost incurred for the benefit of the public transportation financing area; (3) satisfy claims of holders of tax increment bonds, notes, or other obligations issued or incurred for projects or services that directly or indirectly benefit the public transportation financing area through the expansion, improvement, rehabilitation, or enhancement of transportation service by DCTA under the service plan; and (4) any capital recovery fee required by the DCTA.

K. Voting Privileges:

A new member contributing 1/2 cent sales and use tax or comparable dedicated continuous funding source shall assume enhanced Board of Director voting privileges as set forth in the then current DCTA bylaws (if eligible to appoint a director to the board pursuant to Chapter 460, Transportation Code) following effective date of the Interlocal Cooperation Agreement. Municipalities receiving DCTA transit services under a contract or through an Associate Membership shall not be eligible for enhanced voting privileges.

L. Update to New Member Policy

This New Member Cities Admission Policy may be reviewed and updated at any time by the DCTA Board of Directors.

M. Definitions:

- a. Capital Payment Fees shall mean the municipality or public or private entity's share of the capital costs of the additional services and/or a proportion of the capital costs associated with the existing transit investments from which the municipality is directly benefitting.
- b. Fixed Guideway Project Development Costs shall mean the sum of DCTA operating expenses plus capital expenditures for the fixed guideway project. Any pro-rata payments associated with the development costs shall be calculated based on the date when the fixed guideway was adopted into the Authority's five-year Capital Plan.
- c. Fiscal year shall mean a 12-month period at the end of which all accounts are completed in order to furnish a statement of the DCTA's financial condition or for tax purposes from October 1 through September 30,

- d. Near-term will be any fixed guideway project to be completed within five-years of the membership request and included in DCTA's five-year Capital Plan.
- e. Long-term will be any fixed guideway project included in the Authority's Service Plan but not programmed in the DCTA's five-year Capital Plan.
- f. Comparable funding source must be a dedicated continuous commitment allowable under state law that can be used for capital, operations and maintenance costs. This source cannot be subject to annual renewal and/or annual appropriation.

N. Conflicts

To the extent of any conflict between this Policy and Chapter 460 of the Texas Transportation Code, as amended, Chapter 460 of the Texas Transportation Code shall control.

DENTON COUNTY TRANSPORTATION AUTHORITY (DCTA)

CAPITAL BUDGET REVISION

Regular Agenda 2(d)

Number: 2012-01

Capital Project Description	Approved Capital Budget	Proposed Budget Adjustment	Adjustment Amount
Bus			
50301 - Bus O & M Facility			
50301.13 -Design	1,206,280	88,000	1,294,280
50301.14 - Land Acquisition	1,164,310	-	1,164,310
50301.16 - Construction	8,920,436	-	8,920,436
50301.26 - Furniture , Fixtures & Equipment	-	-	-
50301.29 - Project Management	341,331	-	341,331
50301.33 - Legal Fees	360	-	360
Total 50301 - Bus O & M Facility	11,632,717	88,000	11,720,717

Explanation:

The project was placed on hold in the Spring of 2010 due to the reallocation of funding. Additional funds are required to cover expenses associated with the re-start of design (construction document development) and escalation of professional services for unbilled fees. The restart effort will include a confirmation of construction cost estimates as well as changes in municipal development codes.


 Submitted By: _____


 Reviewed By: _____


 Approved By: _____



Board of Directors Memo

February 23, 2009

Subject: 2(e) Authorize President to Execute Huitt-Zollars Contract Agreement Amendment

Background

The development of a permanent Bus Operations and Maintenance facility was placed on hold in the spring of 2010 due to the reallocation of funds. DCTA recently received a grant that will allow the acceleration of the project into FY12 and FY13.

Identified Need

An amendment to the Huitt-Zollars contract to provide funds necessary to cover costs associated with the effort required to bring the project current, confirm construction cost estimates, and the escalation of professional services for unbilled fees.

Financial Impact

Negotiations are ongoing, but staff anticipates the restart of the project to cost an additional \$88,000.

Recommendation

DCTA staff recommends the Board of Directors authorize the President to amend the Huitt-Zollars contract by an amount not to exceed \$88,000.

Final Review:



Jarod Varner,
Vice President

Approval:



James C. Cline, Jr., P.E.
President