



DENTON COUNTY  
TRANSPORTATION AUTHORITY

1955 Lakeway Dr., # 260, Lewisville, Texas 75057  
972.221.4600 | RideDCTA.net

## **Board of Directors Regular Meeting**

**February 14, 2017 | 2:30 p.m.\***

*\*or immediately following Executive Committee Meeting  
scheduled at 2:00 p.m. on February 14, 2017*

CALL TO ORDER

PLEDGE OF ALLEGIANCE TO US AND TEXAS FLAGS

INVOCATION

WELCOME AND INTRODUCTION OF VISITORS

AGENCY AWARDS AND RECOGNITIONS

### **1. CONSENT AGENDA**

- a. Approval of Minutes for the Board Work Session and Regular Meeting on January 26, 2017
- b. Approval of Award of Transit Map and Timetable Creation Contract with Smartmaps, Inc. (RFP 17-10)
- c. Approval of Task Order with Jacobs Engineering for Design of a Bus Fueling and Parking Facility at Rail O&M.
- d. Approval of Capital Project Budget Amendment – Denton Transit Enhancements

### **2. REGULAR AGENDA**

- a. Presentation of Audit Report for Fiscal Year End 9/30/2016 by Weaver & Tidwell, LLP
- b. Discussion and Approval of the FY2016 Financial Statements and Supplementary Information
- c. Authorize the President to Execute a Renewal of the Lease for the 1955 Lakeway Drive Property

### **3. Convene Executive Session. The Board may convene the Regular Board Meeting into Closed Executive Session for the following:**

- a. As Authorized by Section 551.071(2) of the Texas Government Code, the Work Session or the Regular Board 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.
- b. As Authorized by Texas Government Code Section 551.072 Deliberation regarding Real Property: Discuss acquisition, sale or lease of real

property related to long-range service plan within the cities of Denton, Lewisville, or Highland Village.

4. Reconvene Open Session

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

5. CHAIR REPORT

- a. Discussion of Regional Transportation Issues
- b. Discussion Legislative Issues
  - i. Regional
  - ii. State
  - iii. Federal

6. PRESIDENT'S REPORT

- a. Budget Transfers
- b. Regional Transportation Issues

7. 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.

8. ADJOURN

**Chair – Charles Emery**  
**Vice Chair – Paul Pomeroy**

**Secretary – Richard Huckaby**  
**Treasurer – Dave Kovatch**

**Members – Skip Kalb, Doug Peach, Jim Robertson, Tom Winterburn, Don Hartman,  
George A. Campbell, Allen Harris, Carter Wilson, Connie White, Eric Jensen**  
**President – Jim Cline**

The Denton County Transportation Authority meeting rooms are wheelchair accessible. Access to the building and special parking are available at the main entrance. Requests for sign interpreters or special services must be received forty-eight (48) hours prior to the meeting time by emailing [rcomer@dcta.net](mailto:rcomer@dcta.net) or calling Rusty Comer at 972-221-4600.

This notice was posted on 2/10/2017 at 10:48 AM.

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Rusty Comer, Senior Public Information Specialist



## Board of Directors

### Work Session Minutes

The Board of Directors of the Denton County Transportation Authority convened the work session of the Board of Directors with Charles Emery, Chairman presiding at 1:31 p.m. on January 26, 2017 at 1955 Lakeway Drive, Suite 260, Lewisville, Texas 75057. A quorum was present.

### Attendance

#### Small Cities

Connie White

Skip Kalb

Eric Jensen (arrived at 2:22)

#### Large Cities

Charles Emery, Lewisville, Chairman

Paul Pomeroy, Highland Village,

Vice-Chair

Richard Huckaby, Denton, Secretary

Carter Wilson, Frisco (arrived at 1:34)

#### Denton County Unincorporated

Don Hartman

George A. Campbell

#### Board Members Absent

Allen Harris, The Colony

Tom Winterburn, Corinth

Doug Peach, Little Elm

Jim Robertson, Flower Mound

Dave Kovatch, Treasurer

#### Legal Counsel

Pete Smith, General Counsel

#### DCTA Staff

Raymond Suarez, Chief Operating Officer

Kristina Brevard, Vice President  
Planning and Development

Anna Mosqueda, Chief Financial Officer

Nicole Recker, Vice President,  
Marketing and Communications

Marisa Perry, Controller

#### Other Attendees

Athena Forrester, Senior Procurement Manager

Chrissy Nguyen, Senior Accountant

Amanda Riddle, Budget Manager

David Smith, Citizen

Chairman Charles Emery called the meeting to order and announced the presence of a quorum.

## 1. Routine Briefing Items

- a. Staff Briefing on Monthly Financial Reports – Marisa Perry, Controller and Anna Mosqueda, Chief Financial Officer reported on the following
    - i. Financial Statements for November and December 2016
    - ii. Capital Projects Budget Report for November and December 2016
    - iii. Monthly Sales Tax Receipts
    - iv. Quarterly Investment Report Q1 FY2017
    - v. Current Procurement Activities
    - vi. Quarterly Grant Update
  - b. Marketing and Communications – Nicole Recker, Vice President Marketing & Communications, reported on the following
    - i. Collateral Material Overview
    - ii. FY '16 Community Survey Results
    - iii. Riding the A-train vs Driving on I35E Campaign Update
  - c. Strategic Planning and Development – Kristina Brevard, Vice President Planning & Development, reported briefly on the following
    - i. Development Projects Update
    - ii. Regional Planning Initiatives Update
  - d. Capital Projects – Raymond Suarez, Chief Operating Officer, gave an update on the following projects
    - i. Flood Damage Repairs Update
    - ii. Positive Train Control & Signal System Enhancements
  - e. Staff Briefing on Transit Operations Reports – Raymond Suarez, Chief Operating Officer, gave an update on ridership
    - i. Bus and Rail Operations
2. Items for Discussion – There was no discussion on this item
    - a. Board Officer Elections
  3. Committee Chair Report – Connie White gave an update of the Finance Committee activities from the January 16, 2017 meeting
    - a. Finance Committee (01/16/2017) Dave Kovatch, chair
  4. Discussion of Regular Board Meeting Agenda Items (January 2017) – There was no discussion on this item
  5. Convene Executive Session – Convened at 2:50 p.m.
    - a. Texas Government Code Section 551.072 Deliberation regarding Real Property: Discuss acquisition, sale or lease of real property related to long-range service plan within the cities of Denton, Lewisville, or Highland Village.

6. Reconvene Open Session – Reconvened at 3:23 p.m. no action was taken
  - a. Reconvene and Take Necessary Action on Items Discussed during Executive Session.
7. Discussion of Future Agenda Items – There was no discussion on this item
  - a. Board Member Requests
8. ADJOURN at 3:23 p.m.

The minutes of the January 26, 2017 regular meeting of the Board of Directors were passed, and approved by a vote on this 14<sup>th</sup> day of February, 2017.

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Charles Emery, Chairman

ATTEST

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Richard Huckaby, Secretary



## Board of Directors

### Board Meeting Minutes

The regular meeting of the Board of Directors of the Denton County Transportation at 3:31 p.m., January 26, 2017 at 1955 Lakeway Drive, Suite 260, Lewisville, Texas 75057. A quorum was present.

### Attendance

#### Small Cities

Connie White  
Skip Kalb  
Eric Jensen

#### Large Cities

Charles Emery, Lewisville, Chairman  
Paul Pomeroy, Highland Village,  
Vice-Chair  
Richard Huckaby, Denton, Secretary  
Carter Wilson, Frisco

#### Denton County Unincorporated

Don Hartman  
George A. Campbell

#### Board Members Absent

Allen Harris, The Colony  
Tom Winterburn, Corinth  
Doug Peach, Little Elm  
Jim Robertson, Flower Mound  
Dave Kovatch, Treasurer

#### Legal Counsel

Pete Smith, General Counsel

#### DCTA Staff

Raymond Suarez, Chief Operating  
Officer  
Kristina Brevard, Vice President  
Planning and Development  
Anna Mosqueda, Chief Financial Officer  
Nicole Recker, Vice President,  
Marketing and Communications  
Marisa Perry, Controller

#### Other Attendees

Athena Forrester, Senior Procurement  
Manager  
David Smith, Citizen

CALL TO ORDER –Chairman Charles Emery called the meeting to order and announced the presence of a quorum.

PLEDGE OF ALLEGIANCE TO US AND TEXAS FLAGS – led by Paul Pomeroy

INVOCATION – led by Charles Emery

## WELCOME AND INTRODUCTION OF VISITORS

## AGENCY AWARDS AND RECOGNITIONS

### 1. CONSENT AGENDA

- a. Approval of Minutes for the Board Work Session and Regular Meeting on December 15, 2016
- b. Acceptance of Financial Statements – November and December 2016
- c. Acceptance of Quarterly Investment Report – Q1 FY2017
- d. Approval of Award and Contract for Bus Shelter, Sign Installation and Removal, and Miscellaneous Construction Services.
- e. Approval of Award and Contract for Concrete Construction Services
- f. Approval of agreement with Route Match for Software Upgrade
  - Motion to approve Consent Agenda Items a-f was made by Richard Huckaby. 2<sup>nd</sup> by Connie White. Motion passed unanimously.

### 2. REGULAR AGENDA

- a. Board Officer Elections
  - Motion to retain the same board officers with Charles Emery as Chairman, Paul Pomeroy as Vice Chair, Richard Huckaby as Secretary, and Dave Kovatch as Treasurer was made by Richard Huckaby. 2<sup>nd</sup> by Skip Kalb. Motion passed unanimously.

### 3. Convene Executive Session – The board did not meet in Executive Session

### 4. CHAIR REPORT – Charles Emery gave an update on these items:

- a. Discussion of Regional Transportation Issues
- b. Discussion Legislative Issues
  - Regional
  - State
  - Federal

### 5. PRESIDENT'S REPORT – Anna Mosqueda provided information on the following items

- a. Budget Transfers
- b. Regional Transportation Issues

### 6. REPORT ON ITEMS OF COMMUNITY INTEREST – there was none

- 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.

7. ADJOURN – Adjourned at 3:51 PM  
- Motion to adjourn was made by Skip Kalb. 2nd by George Campbell. Motion carried unanimously.

The minutes of the January 26, 2017 regular meeting of the Board of Directors were passed, and approved by a vote on this 14<sup>th</sup> day of February, 2017.

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Charles Emery, Chairman

ATTEST

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Richard Huckaby, Secretary





## Board of Directors Memo

February 14, 2017

### **Subject: RM 1(b) Approval of Award of Transit Map and Timetable Creation Contract**

#### **Background**

On December 22, 2016 DCTA released a request for proposals from firms for transit map and timetable creation.

On January 26, 2017, DCTA received 2 proposals in response to the RFP.

1. Smartmaps, Inc.
2. Badali Design Communications

An evaluation review committee reviewed and rated the proposals based on criteria which included experience and qualifications, project approach, design samples, and pricing. Staff recommends the award to Smartmaps, Inc.

#### **Identified Need**

This agreement is for the design of bus and train schedules, individual route maps, system maps and additional transit passenger information for DCTA's transit system. This new contract will enable DCTA to have professionally designed maps and timetables utilizing existing data sets thus decreasing the chances of human error. Since the vendor specializes in transit map and timetable creation, DCTA will have passenger information that meets industry best practice standards and increases user comprehension.

#### **Financial Impact**

The agreement is for a three (3) year term with an option to renew for two (2) additional one (1) year terms. Costs are not-to-exceed \$45,000 for the three (3) year term and \$10,000 for each option year. Funds are available in the current budget to cover these expenses.

#### **Recommendation**

Staff recommends the Board authorize the President to negotiate and execute a contract with Smartmaps, Inc., the best qualified firm who provides the best value to the agency.

Submitted by:   
Athena Forrester, CPPO, CPPB  
Senior Procurement Manager

Final Review:   
Nicole Recker, Vice President  
Marketing and Communications

Approval:   
James C. Cline, Jr., President



## Board of Directors Memo

February 14, 2017

**Subject: 1(c) Authorize the President to Execute a Task Order with Jacob's Engineering for the Design of a Bus Fueling Station at the Rail O&M.**

### Background

Beginning with the implementation of service in Highland Village, DCTA has been operating several buses from the Rail Operations and Maintenance facility at 640 State Highway 121, Lewisville, Texas 75057. The buses that remain in Lewisville overnight are being fueled at a commercial facility in the area and the others are being returned to Denton each night. This project will include design, engineering and permitting of a stand-alone unleaded fueling facility and additional parking to serve the Lewisville, Highland Village and Frisco bus fleet.

### Identified Need

A scope of services and fees have been negotiated with Jacob's to provide an engineered site plan package for City of Lewisville approval, construction drawings and specifications, bidding assistance and construction support for the bus fueling facility. DCTA will realize significant cost savings by reducing deadheading to Denton. This will reduce mileage, fuel and driver costs, as well as a cost savings over the retail cost of fuel for those buses currently parked at the Rail O&M facility. Funds for construction of the facility are included in the FY 2017 and FY 2018 capital plans.

### Financial Impact

The task order amount is not-to-exceed \$57,000, and will be paid from the capital budget.

### Recommendation

Staff recommends that the Board authorize the president to execute Task Order number 8 with Jacob's Engineering for the Design of the DCTA Bus Fueling and Parking Facility at the Rail O&M in the amount of \$57,000.

Submitted by:

  
Athena Forrester, CPPO, CPPB  
Senior Procurement Manager

Final Review:

  
Raymond Suarez, COO

Approval:

  
James C. Cline, Jr., President

**Board of Directors Memo****February 14, 2017****Subject: 1(a) Capital Budget Revision – Denton Comprehensive Operational Analysis  
Transit Enhancements****Identified Need**

In the summer of 2016, DCTA received the Denton Comprehensive Operational Analysis recommending service enhancements to ensure all Denton transit markets are well served. DCTA staff met with the City of Denton and held several public meetings to discuss the recommended changes and potential community impacts. This project will provide funds to install more than forty new bus stops, decommission approximately 37 stops, replace approximately 60 blades and install new route numbers on more than ninety stops. The budget is estimated at \$58,500 and includes the necessary material and labor along with permit costs.

**Financial Impact**

DCTA will utilize project funds currently identified for the capital project Trail Safety Improvements (61715), reducing that project budget to \$81,157. There will be no bottom line impact to the FY17 budget.

**Recommendation**

Staff recommends the Board of Directors approve capital budget revision 2017-04 to add project 50205 for the Denton Comprehensive Operational Analysis Transit Enhancements.

Submitted by:

A handwritten signature in cursive script, appearing to read "Ann Boulden", written over a horizontal line.

Ann Boulden  
Senior Project Manager

Approval:

A handwritten signature in cursive script, appearing to read "Raymond Suarez", written over a horizontal line.

Raymond Suarez, COO

**DENTON COUNTY TRANSPORTATION AUTHORITY (DCTA)  
BUDGET TRANSFER / REVISION REQUEST**

Number: **2017-04**

Type:                      Transfer                                ✓            
                                 Revision                                                

	Current Budget Amount	Budget Revision Amount	Adjusted Budget Amount
<b>FROM:</b>			
61715 - Trail Safety Improvements	139,657	(58,500)	81,157
<b>TO:</b>			
50205 - Denton COA Transit Enhancements	-	58,500	58,500
Total	139,657	-	139,657

**Explanation:**

In the summer of 2016, DCTA received the Denton Comprehensive Operational Analysis recommending service enhancements to ensure all Denton transit markets are well served. DCTA staff met with the City of Denton and held several public meetings to discuss the recommended changes and potential community impacts. This project will provide funds to install more than forty new bus stops, decommission approximately 37 stops, replace approximately 60 blades and install new route numbers on more than ninety stops. The budget is estimated at \$58,500 and includes the necessary material and labor along with permit costs.

Date: 2/8/2017

Requested By Ann Boulden

Date: 2/8/2017

Reviewed By Amanda Riddle

Date                           

President

## Letter of Transmittal

February 14, 2017

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of Denton County Transportation Authority (DCTA) for the fiscal year ended September 30, 2016.

This report provides the DCTA Board of Directors, citizens of DCTA's service area, our bondholders and other interested parties with detailed information concerning the financial condition and activities of DCTA. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the DCTA. Management is responsible for establishing and maintaining effective internal control over financial reporting. Because the cost of internal controls should not outweigh their benefits, DCTA's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

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 unmodified ("clean") opinion on the DCTA's financial statements for the year ended September 30, 2016. The independent auditor's 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 the two should be read in conjunction with each other.

## **DCTA PROFILE**

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. DCTA provides fixed route, demand response bus service, university shuttle, vanpools and commuter rail service in Denton County.

## Location

Denton County is located in the northern part of the Dallas-Fort Worth Metroplex adjacent to both Dallas and Tarrant counties. The county is 953 square miles and is approximately 35 miles south of the border between Texas and Oklahoma. The county, founded in 1846, is one of the fastest growing counties in the U.S. with an estimated population of 758,370 in 2016.

## Governance

DCTA is governed by a 14-member Board representing the county of Denton and are appointed by respective City Councils or the County Commissioners Court as follows: one member from each municipality with population of 17,000 or more (8 total); three members appointed by the Denton County Commissioners Court; and three members designated by the remaining municipalities with a population of greater than 500 and less than 17,000. Each member serves a term of two years and may be reappointed. There are no term limits for service on the Board. Board officers are elected from the Board membership and serve a one-year term with no term limits.

## Agency Background

In 2002, legislation authorizing DCTA was passed. On September 13, 2003 the voters of Denton County created DCTA. The primary revenue source for DCTA is a ½ cent local sales tax from its three (3) member cities - Denton, Highland Village, and Lewisville. Collection of the sales and use tax dedicated to DCTA from these three (3) cities began January 1, 2004. This revenue helps fund DCTA's Long Range Service Plan, which includes a commuter rail component, a bus service component with local fixed route bus service, university shuttle service, commuter express, demand response and vanpool service. The Long Range Service Plan also outlines the plan for a network of Park-and-Rides and Rail and Bus operations facilities to serve Denton County residents. These elements provide services to help mitigate congestion, improve mobility, provide regional connectivity and help improve air quality. DCTA's A-train rail service connects Denton County with Dallas Area Rapid Transit (DART) light rail transit facilities via a convenient cross platform transfer at Trinity Mills Station in Carrollton and provides access to the greater Dallas-Fort Worth area.

Construction of DCTA's A-train rail corridor was accomplished with funding from a Regional Toll Road Funding Initiative (RTRFI) grant received in March of 2009. DCTA began construction, completed the rail corridor project, and began rail revenue service in just under two and one-half years after receipt of the RTRFI funding. A contract for construction of the 21-mile rail corridor was awarded in May of 2009. Construction of the rail corridor and rail stations linking riders from Denton County to the DART light rail was completed, and passenger service began in June of 2011. This rail corridor provides access to regional rail service to over half of the Denton county population. A major milestone of DCTA's initial Long Range Service Plan was achieved with the start of A-train commuter rail service in 2011.

In February 2012, the DCTA Board of Directors updated its Long Range Service Plan. This update provides the framework for DCTA service planning for the next 25 years. DCTA's Long Range Service Plan also provides input for North Central Texas Council of Government's (NCTCOG) Mobility 2040 Plan goals. NCTCOG serves as regional Metropolitan Planning Organization (MPO) and is the organization charged with coordinating regional transportation planning efforts for a 12-county region, which includes Denton County. The Mobility 2040 Plan, which was updated and adopted in March 2016 by NCTCOG's governing body, serves as a blueprint for the region's transportation system planning. DCTA provided input regarding key service components of its Long Range Service Plan for incorporation into the NCTCOG 2040 Mobility Plan.

The goals defined in the Mobility 2040 Plan guide efforts to accommodate the multimodal mobility needs and improve the air quality of the region. DCTA and other regional transit agencies, as well as local governments, use the Mobility 2040 Plan as a reference for their own planning efforts.

Revenue from the ½ cent sales and use tax from the cities of Denton, Highland Village, and Lewisville, federal and state grants, service contracts, operating fares, investment income, long-term financing, and fare-box revenues fund the operations and implementation of DCTA's Long Range Service Plan.

#### 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 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.

On an annual basis, DCTA develops and adopts an operating and capital budget as well as the long range financial plan. As part of the budget process, a long range financial forecast and cash flow model is presented to the Board. This document forecasts the operating component, debt service costs and Capital Improvement Plan requirements and serves as the foundation for the development of the annual operating and capital budget. The cash flow model helps provide a long-term look at the impact of annual budgetary decisions. As part of the annual budget process, the Board also adopts a Budget Contingency Plan which positions DCTA to be able to respond quickly to economic or market fluctuations or downturns.

The Finance Committee, comprised of members of the Board, reviews the budget and makes recommendations to the Board. The Board conducts a public hearing in August to receive citizen input and provides final review with formal adoption in September of each year. The fiscal year for DCTA is October 1 – September 30. The President is authorized to transfer budgeted amounts between line items and departments; however, any revisions that alter the total expenditures of the fund or increase a capital project budget must be approved by the Board. As a matter of practice, budget transfers are reported monthly to the Board at its regularly scheduled meeting.

Budget control has been established at the department level. Financial reports showing budget to actual expenditures by line item are distributed monthly for review by management. Financial reports are presented to the Board monthly for their review and acceptance. Quarterly budget reviews of both the operating budgets and capital project budgets are conducted by Finance staff with the DCTA Executive Team comprised of the President and Vice-Presidents. Individual line items are reviewed and analyzed for budgetary compliance. Revenue budgets are reviewed monthly.

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.

## **SERVICES PROVIDED**

DCTA is the primary public transportation operator in Denton County. It operates a range of services including regional commuter rail (A-train); fixed route bus services (Connect); community-on-demand service; commuter express; paratransit and demand response services (Access) in the cities of Denton, Lewisville, and Highland Village; student shuttle transportation operated under contract with the University of North Texas (UNT) and North Central Texas College (NCTC); and, contract demand response service in Frisco and vanpools. New services in 2016 included the community-on-demand and shuttle service in Highland Village, demand response service in Frisco and the implementation of a pilot commuter express service on Interstate 35W.

### Regional Commuter Rail (A-train)

The A-train is a 21-mile regional rail system connecting Denton and Dallas counties. The 21-mile rail corridor follows the east side of I-35 E and connects Denton to Carrollton. DCTA has five A-train stations: two in Denton and three in the greater Highland Village-Lewisville area, with a transfer station at the Trinity Mills Station in Carrollton. The Trinity Mills transfer station connects riders with the DART Green Line and DART bus service. DCTA's five rail stations are served by fixed route bus service, the UNT & NCTC student shuttle, and the Highland Village Community-on-Demand service.

DCTA operates 11 low-floor diesel-electric articulated GTW passenger rail vehicles designed to comfortably accommodate wheelchairs and bikes with room for 104 seated and 96 standing passengers in each vehicle. In FY16 rail ridership totaled just over 545,000 slightly down from 555,000 in 2015.

### Connect

Connect offers local fixed-route bus service in the cities of Denton and Lewisville, with nine bus routes in Denton and two in Lewisville. In fiscal year 2016, the combined Denton and Lewisville routes totaled 550,000 boarding's. Denton routes run on average headways of 40 minutes during peak hours and midday. In 2016 DCTA completed a comprehensive operations analysis (COA) for bus services. The City of Denton COA, scheduled for implementation in mid-FY2017, will add additional routes as well as reduce average headways to 30 minutes during peak and midday, down from the current 40 minutes. Key trip generators in Denton include UNT and Texas Women's University (TWU), major medical centers, retail centers, and social service providers.

In Lewisville, the COA was implemented in 2016 and improved headways from the previous 35 minutes during peak and 70 minutes during midday to 30 minutes and 60 minutes respectively. A re-configuration of the Lewisville routes also helped reduce the need for transfers and extended service to areas not previously served.

### Community-on-Demand/Connect Shuttle

In April of 2016 the Connect RSVP service which provided peak-hour service on demand in Highland Village and north Lewisville was replaced with the Community-on-Demand service and Connect shuttle service. The new Connect shuttle service provides peak-period service with connections to other DCTA services including the A-train, Lewisville Connect, and NCTC shuttle service.



The Community-on-Demand on-call service operates in Highland Village and provides service for passengers traveling within a designated community-on-demand zone. The service is offered Monday through Friday from 5:30 a.m. to 7 p.m.

Ridership for this new service totaled 1,807 for the six (6) months of service in 2016 compared to ridership of 2,158 in all of 2015.

#### University Shuttle Service

UNT 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 service has the highest ridership of any bus operation in the DCTA system. Total passengers for FY16 were just under 1.8 million, compared to 1.8 million in FY15.

NCTC services provided by DCTA operate between Denton and Corinth as well as Lewisville and Flower Mound. Ridership for the NCTC service experienced an increase in FY16. Ridership increased from 17,489 in FY15 to 20,250 in FY16.

#### Demand Response Service

Access, DCTA's demand response 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. DCTA carried 31,000 Access passengers in its member city service area in FY16.

In December of 2015 the City of Frisco entered into a contract for Demand Response Service with DCTA. The service carried just over 3,500 passengers.

#### Vanpools

The Vanpool service provides a low cost commuting alternative for residents to get to work. Vanpools are ideal for groups of six (6) to fifteen (15) people. Individuals who live or work in Denton County can start a vanpool through their employer or create one with others who have similar commute origins and destinations. As of September 2016 there were 39 vanpools in operation compared to 31 in FY15.

### **DCTA PROGRESS**

The focus in 2016 continued to be on safety, improved service delivery, and maintaining the agency's investments in equipment and infrastructure. Capital projects included the completion of the Hebron Station to Old Town Station portion of the A-train Hike and Bike Trail and securing funding for construction of the remaining phase of the trail – from Old Town Station to the Highland Village/Lewisville Lake Station. Work was completed on improvements to convert station landscaping vegetation to native plants with lower watering requirements and preliminary design was begun on a future multi-modal/administrative facility in Lewisville.

Another major milestone was achieved with the completion of the Comprehensive Operations Analysis (COA) for bus service in Denton, Highland Village and Lewisville. The Lewisville phase was implemented in 2016 with improved headways for peak and midday service and improved connections to the A-train.

The Denton phase is scheduled for implementation in mid-2017. The next major milestone for the agency is the implementation of federally mandated Positive Train Control (PTC). DCTA awarded a contract for the implementation of this project, and is on track for completion in early 2018. DCTA continues to communicate with the Federal Railroad Administration (FRA) on the progress towards meeting the legislatively mandated deadline of December 2018 for the final implementation of PTC.

In FY16 DCTA carried 2.9 million passengers system-wide. This included just over 545,000 rail passengers and 2.4 million on the bus system. This was a slight decrease compared to the total 3.0 million carried in FY15.

In 2016, the fifth full year of operation, the A-train carried just over 545,000 passengers, a slight decrease from FY15.

The bus system as a whole has experienced ridership growth since DCTA assumed existing bus service in 2005. The number of total annual UNT passengers has increased from 1.3 million in 2005 to just under 1.8 million in 2016. DCTA continues to work with UNT and NCTC to evaluate options and route schedules to help address ridership.

## **FUTURE ECONOMIC OUTLOOK**

DCTA's major revenue source, sales tax, continues to trend upward. Sales tax revenues were \$24.7 million in FY16 compared to \$23.3 million in FY15. Total revenues were \$40.6 million in FY16 compared to \$35.5 million in FY15. Despite strong sales tax growth, DCTA faces challenges in healthcare costs, low interest rates impacting investment earnings, and funding for the increased demand for the expansion of services and growing ridership. In addition, the changing landscape with consumers migrating to on-line purchases from the traditional brick and mortar retail stores could impact local sales tax.

Population and job growth continue to drive the demand for a transit system that can provide residents with access to jobs, medical care, education and recreation activities, and DCTA must be positioned to address this demand.

### **Regional Economy**

The Dallas–Fort Worth economy continues to expand. Dallas and Fort Worth growth remained positive and ended the year on a strong note. The Federal Reserve Bank of Dallas reported in their January 2017 Economic Indicators Update:

*DFW employment growth was broad based in 2016 and accelerated in the second half of the year. At an annualized 3.9 percent, job growth in the second half was more than double the 1.5 percent pace set in the first half. An increase in professional and business payrolls (8.1 percent) led gains in the second half, and the construction and mining sector added jobs at a rapid clip, likely due to the ongoing construction boom in the metroplex. DFW job growth outperformed the state in most supersectors in 2016. While manufacturing and construction and mining payrolls contracted at the state level, the metroplex posted net gains in both categories. Gains were particularly strong in construction and mining and professional and business services. Last year, DFW added 92,300 jobs, accounting for nearly half of the jobs created in the state (188,000).*

*Over-all Texas economic growth has accelerated somewhat. Employment strengthened in the state and in most major metros in the second half of 2016. Improvement was broad based, with stronger manufacturing output and higher service sector revenue as well as solid real estate activity. The energy sector continued to show signs of improvement. There is also evidence that this pickup in growth is set to continue. However, risks to the positive outlook remain, including a strong dollar and the potential for another drop in oil prices.*

### Population Forecast

The North Central Texas region has experienced rapid growth in recent decades, resulting in a metropolitan area with a current population of approximately seven million people. The Dallas-Fort Worth Metroplex is now the fourth-largest metropolitan area in the country. According to the NCTCOG 2040 Mobility Plan, in 2016 the 12-county Dallas-Fort Worth Metropolitan Area had a population of approximately 7 million and population projections show that by 2040 the region will be home to 10.7 million people. This expected growth represents a significant increase in population for North Texas. The counties of Collin, Dallas, Denton and Tarrant accounted for 88% of the 12-county population in 2010 and the individual population share for Collin and Denton County have increased while Dallas and Tarrant counties have decreased. With the addition of almost four million new residents there will be a greater demand to move people and goods.

Population growth in Denton County is projected to be significant as well. According to the NCTCOG 2040 Mobility Plan the population within Denton County is projected to increase from 804,396 people in 2017 to 1,241,681 people in 2040, a 54% growth.

The 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 highlights the importance of providing transportation links from Denton County to major employment destinations, not only in Dallas County but in Tarrant County as well. 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 (southwest Denton County) are also expected to see large increases in travel demand.

### Long Range Plan

For the past several years, DCTA focused on implementing the first phase of regional rail service as well as improving local bus routes in Denton and Lewisville and Highland Village. Having attained the milestone of delivering the first phase of regional commuter rail service, DCTA is now looking beyond the A-train implementation and preparing for the future needs of a growing Denton County and North Central Texas region. The Long Range Service Plan updated by the Board in February 2012 provides a roadmap for decision making about transit investments in Denton County over the next 25 years. In February of 2017 the DCTA Board will convene a strategic planning retreat to frame the top agency priorities for the next five-year planning window.

The comprehensive service analysis completed in FY16 focused on improvements to address “last mile” connection for commuter rail passengers, improved headways and routes for bus service, high intensity bus corridors to provide connections to central nodes of activity, and on-demand type bus service to serve those areas not particularly suited for fixed route bus service.

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 ensure that transit services mature and develop to better meet the needs of Denton County.

## **OTHER INFORMATION**

### **Independent Audit**

Chapter 460, Section 460.402 of the Texas Transportation Code requires an annual audit of the books of account, financial records and transactions of the DCTA by independent certified accountants selected by the Board of Directors. This requirement has been complied with and the independent auditor's report has been included.

DCTA is also required to undergo an audit of federally and state funded programs administered by DCTA. The standards governing the Single Audit engagement require the independent auditor to report on the audited government's internal controls and compliance with laws, regulations, contracts and grants applicable to each major federal and state program. The reports related specifically to the Single Audit are issued under separate cover.

In addition, the DCTA has a Finance Committee as a sub-committee of the Board of Directors which functions as an audit committee which hears and reviews recommendations made by the independent auditors. The Finance Committee also guides the annual budget process to develop final recommendations to the Board of Directors.

### **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the DCTA for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2015. 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 sixth consecutive year for the DCTA to receive the Certificate of Achievement.

To be awarded the 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 and the Finance 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,

A handwritten signature in blue ink that reads "James C. Cline, Jr." in a cursive style.

James C. Cline, Jr.  
President

A handwritten signature in blue ink that reads "Anna M. Mosqueda" in a cursive style.

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

A handwritten signature in blue ink that reads "Marisa Perry" in a cursive style.

Marisa Perry, CPA  
Controller

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
Denton County Transportation Authority

### **Report on the Financial Statements**

We have audited the accompanying statement of net position of Denton County Transportation Authority (the Authority) as of and for the year ended September 30, 2016 and 2015, the related statement of revenues, expenses, and changes in net position and the cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of September 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages 4-11) and Texas County District Retirement System pension schedules (on pages 37-38) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries. The basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, the schedule of revenue and expenses – budget and actual, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of revenues and expenses - budget and actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2017, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
February 13, 2017



**Denton County Transportation Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2016  
(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, 2016. This discussion and analysis is designed to provide an objective and easily readable analysis of DCTA's financial activities based on currently known facts, decisions, or conditions.

We encourage the readers to consider the information presented here in conjunction with accompanying financial statements, notes thereto and additional information that is furnished in our letter of transmittal and the statistical section of this report. In addition, readers are encouraged to review information on the annual budget and other agency information found on the DCTA website at [www.dcta.net](http://www.dcta.net). It should be noted that the Independent 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, 2016 and 2015, total assets and deferred outflows of resources of DCTA exceeded total liabilities and deferred inflows of resources by \$325,428,122 and \$321,918,784 respectively. The amount of unrestricted net position as of September 30, 2016 was \$19,741,632 compared to \$20,897,688 in 2015. Unrestricted net position is the amount which may be used to meet DCTA's ongoing obligations in accordance with the fiscal policies.
- Net position increased \$3.5 million during the current fiscal year compared to a decrease of \$320,182 in the prior year. The change compared to the prior year is attributable to an increase in capital improvement grants and sales tax revenue. Reimbursements for the federally mandated Positive Train Control project were \$3.8 million more in FY16 compared to FY15.
- Net capital assets were \$334.6 million as of September 30, 2016 compared to \$334.2 million as of September 30, 2015. The increase of \$404,330 is caused by \$10.3 million of asset additions offset by \$9.9 million of depreciation expense.

**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) statements of net position, 2) statements of revenues, expenses, and changes in net position, 3) statements 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  
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(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 Position** – The statement of net position reports all of the financial and capital resources of DCTA. The statement is presented in the format where total assets plus deferred outflows of resources equal total liabilities, deferred inflows of resources, and net position. 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 position is to show a picture of the liquidity and health of the organization as of the end of the reporting period. Changes in net position may serve as an indication of whether the financial position of DCTA is improving or deteriorating.

**Statement of Revenues, Expenses, and Changes in Net Position** – The statement of revenues, expenses, and changes in net position 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 position is to present the change in net position during the two most recent fiscal years. The increase or decrease in net position 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  
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(Unaudited)**

**Financial Analysis**

**Statement of Net Position** – As noted earlier, net position, and especially net position by category, may serve over time as a useful indicator of DCTA's financial position. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$325,428,122 and \$321,918,784 as of September 30, 2016 and 2015 respectively. The largest portion, 94% in 2016 and 2015, is net investment in capital assets primarily as a result of the rail line construction and acquisition of rail vehicles. The remaining 6% is in unrestricted net position which represents assets with no external restriction as to the use or purpose. The unrestricted net position can be employed for any lawful purpose designated by the governing board.

Net position of DCTA increased 1.1% or \$3.5 million during the current fiscal year compared to a decrease of 0.1% or \$320,182 in the prior year. The increase in net position in the current fiscal year is related to a \$1.9 million decrease in construction contracts payable, a \$1.6 million decrease in bonds payable, a \$1.2 million decrease in retainage payable, and \$0.4 million increase in capital assets, offset by a \$1.2 million decrease in cash and a \$0.7 million increase in accounts payable.

**Condensed Statements of Net Position**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Assets</b>			
Current and other assets	\$ 26,490,083	\$ 27,569,833	\$ 25,071,385
Capital assets	334,590,360	334,186,030	339,712,926
Total Assets	361,080,443	361,755,863	364,784,311
<b>Deferred Outflows of Resources</b>			
Related to TCDRS pension	245,475	166,628	-
<b>Liabilities</b>			
Current liabilities	5,825,926	8,193,959	9,229,366
Non-current liabilities	29,988,425	31,809,748	33,365,000
Total Liabilities	35,814,351	40,003,707	42,594,366
<b>Deferred Inflows of Resources</b>			
Related to TCDRS pension	83,445	-	-
<b>Net Position</b>			
Net investment in capital assets	305,686,490	301,021,096	304,221,470
Unrestricted	19,741,632	20,897,688	17,968,475
Total Net Position	<u>\$ 325,428,122</u>	<u>\$ 321,918,784</u>	<u>\$ 322,189,945</u>

**Denton County Transportation Authority  
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**Assets** – During fiscal year 2016, DCTA's total assets decreased 0.2% or \$675,420 from fiscal year 2015. The net decrease is attributable to the \$1.2 million decrease in cash, offset by a \$404,330 increase in capital assets and a \$126,498 increase in receivables.

Capital Assets, net of depreciation, increased \$404,330 due to \$10.3 million of additions to construction work in progress for the Positive Train Control project as well as improvements to the rail system and rail vehicles, offset by \$9.9 million of depreciation and amortization. The capital assets activity for the year is captured in Note 6 (page 25).

**Liabilities** – Current liabilities decreased \$2.4 million primarily due to payments made for construction contracts and retainage that were outstanding at the prior year-end.

DCTA's current ratio, current assets of \$26,490,083 and current liabilities of \$5,825,926, was 4.5:1 as of September 30, 2016 compared to 3.4:1 as of September 30, 2015.

There was a \$1.8 million decrease in non-current liabilities in 2016 due primarily to payments made for DCTA's outstanding bonds and the rail operating easement agreement with DART. The bond payable activity for the year and rail operating easement obligation are captured in Note 8 and Note 9 (pages 31 and 32).

**Statement of Revenues, Expenses, and Changes in Net Position** – During the 2016 fiscal year DCTA's activities resulted in an increase in net position of \$3.5 million compared to a decrease of \$320,182 in 2015. The increase in the current fiscal year net position is attributable to a \$3.1 million increase in grants for capital improvements and a \$1.4 million increase in sales tax revenue, which offset a \$1.3 million increase in operating expenses. The changes in net position for the fiscal years ended September 30, 2016 and 2015 are shown in the following table.

**Denton County Transportation Authority  
Management's Discussion and Analysis  
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**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>OPERATING REVENUES</b>			
Passenger revenue	\$ 1,406,471	\$ 1,478,840	\$ 1,454,750
Contract services	3,383,656	2,935,371	3,061,389
Other	170,742	199,176	58,694
<b>Total operating revenues</b>	<b>4,960,869</b>	<b>4,613,387</b>	<b>4,574,833</b>
<b>OPERATING EXPENSES</b>			
Salaries, wages and fringe benefits	9,144,246	8,346,152	7,658,566
Services	2,598,749	2,722,176	1,937,441
Materials and supplies	2,036,382	2,528,741	2,891,739
Purchased transportation services	10,666,292	10,080,919	9,632,780
Utilities	404,896	472,391	416,818
Casualty and liability insurance	849,981	780,112	775,986
Facility and equipment rents	158,251	124,645	352,479
Other - miscellaneous	184,509	186,598	123,609
Depreciation	9,854,907	9,337,505	8,875,337
<b>Total operating expenses</b>	<b>35,898,213</b>	<b>34,579,239</b>	<b>32,664,755</b>
<b>Operating loss</b>	<b>(30,937,344)</b>	<b>(29,965,852)</b>	<b>(28,089,922)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Sales tax revenue	24,658,546	23,261,748	21,367,086
Transit system operating assistance grants	5,130,046	4,985,908	3,410,607
Investment income	59,364	24,772	21,100
Interest expense	(1,156,229)	(1,211,899)	(1,247,357)
Gain (loss) on disposal of assets	(14,675)	(51,815)	22,825
<b>Total non-operating revenue (expenses)</b>	<b>28,677,052</b>	<b>27,008,714</b>	<b>23,574,261</b>
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS</b>	<b>(2,260,292)</b>	<b>(2,957,138)</b>	<b>(4,515,661)</b>
<b>GRANTS FOR CAPITAL IMPROVEMENTS</b>	<b>5,769,630</b>	<b>2,636,956</b>	<b>4,263,522</b>
<b>Change in net position</b>	<b>3,509,338</b>	<b>(320,182)</b>	<b>(252,139)</b>
<b>NET POSITION, beginning of year</b>	<b>321,918,784</b>	<b>322,189,945</b>	<b>322,442,084</b>
<b>Cumulative Effect of Change in Accounting Principle</b>	<b>-</b>	<b>49,021</b>	<b>-</b>
<b>NET POSITION, end of year</b>	<b>\$ 325,428,122</b>	<b>\$ 321,918,784</b>	<b>\$ 322,189,945</b>

**Operating Revenues**

Passenger Revenue – The 2016 passenger revenues decreased 5% or \$72,369 from the prior year. The decrease is related to a 2% decrease in ridership. Total bus and rail ridership in fiscal year 2016 was 2,941,293 compared to prior year ridership of 2,995,114.

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**Contract Service** – The 2016 contract service revenues increased 15% or \$448,285 over the prior year. DCTA provides bus service for students and faculty of University of North Texas (UNT) and North Central Texas College (NCTC). Revenue hours for UNT and NCTC increased 5% over the prior year. This increase was partially offset by a 22% decrease in fuel prices from 2015. Fuel prices are a pass-through on the contract; fuel prices for this service in FY16 averaged \$1.75/gallon compared to \$2.24/gallon in FY15. In addition, DCTA began operating demand-response service in December 2015 through a contract with the City of Frisco. The new service in Frisco generated contract service revenue of \$226,472.

**Operating Expenses**

**Operating Expense** – The 2016 operating expenses increased 4% or \$1.3 million over the prior year. Salaries and benefits increased \$798,094 primarily related to a 12% increase in bus personnel hours from 271,713 hours to 304,923 hours. In addition, there was a \$585,373 increase in rail purchased transportation due to unanticipated costs for repairs related to a derailment and right of way flooding/washouts.

The 2016 depreciation expense increased 6% or \$517,402 over the prior year. This increase is mainly associated with the additional railway track project costs that were settled with the vendor and capitalized in March 2016.

**Non-operating Revenues and Expenses**

**Sales Tax Revenue** – The 2016 sales tax revenue increased 6% or \$1.4 million over 2015. DCTA collects one-half percent sales and use tax in the member cities of Denton, Highland Village, and Lewisville. 2016 is the seventh consecutive year of growth in sales tax revenue for DCTA.

**Capital Grants** – Capital grants revenue more the doubled with an increase of \$3.1 million over the 2015 revenue amount of \$2.6 million. This increase is primarily as a result of increased reimbursable expenses related to the Positive Train Control project.

**Transit System Operating Assistance Grants** – The 2016 federal and state grant revenue increased 3% or \$144,138 over 2015. The increase is attributable to additional funding for bus Access/ADA service that became available in FY 2016.

**Investment Income** – The 2016 investment income more the doubled with an increase of \$34,592 over the 2015 revenue amount of \$24,772 due to an increase in cash available for investments as DCTA continues to build up reserve funds in accordance with the Board's reserve policy.

**Debt Administration**

In June 2008, DCTA completed its first debt issuance by issuing \$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, which provides 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.

**Denton County Transportation Authority  
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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 of \$885,000 was paid in September 2013 and annual installments continue through September 2029.

In September 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 scheduled to be complete in 2018. These Obligations were issued through a private placement to be repaid over 20 years at an interest rate of 3.13%. The first principal payment of \$140,000 was paid in September 2015 and annual installments continue through September 2031.

**DCTA Fiscal Year 2016 Budget**

The 2015-2016 budget was adopted September 24, 2015. Amendments to the original budget included a net increase in capital projects to complete the existing Lewisville Hike & Bike Trail and account for new projects needed as a result of the summer 2015 flooding, a decrease in fuel and purchased transportation costs, and increases in FEMA grant revenue based on the newly identified flooding-related projects.

**Statement of Revenues, Expenses, and Changes in Net Position, Budget Year Ending  
September 30, 2017 and Financial Year Ending 2016 and 2015**

	2017 Budget	2016 Actual	2015 Actual	Increase (Decrease) from 2016	Percent Increase (Decrease) from 2016
Operating revenues	\$ 5,095,995	\$ 4,960,869	\$ 4,613,387	\$ 135,126	3%
Operating expenses	38,831,900	35,898,213	34,579,239	2,933,687	8%
Operating loss	(33,735,905)	(30,937,344)	(29,965,852)	(2,798,561)	9%
Non-operating revenues	29,832,116	28,677,052	27,008,714	1,155,064	4%
Income before capital grants	(3,903,789)	(2,260,292)	(2,957,138)	(1,643,497)	73%
Grants for capital improvements	11,940,392	5,769,630	2,636,956	6,170,762	107%
Change in net position	8,036,603	3,509,338	(320,182)	4,527,265	129%
Net position, beginning of year	325,428,122	321,918,784	322,189,945	3,509,338	1%
Cumulative Effect of Change in Accounting Principle	-	-	49,021	-	0%
Net position, end of year	<u>\$ 333,464,725</u>	<u>\$ 325,428,122</u>	<u>\$ 321,918,784</u>	<u>\$ 8,036,603</u>	<u>2%</u>

**Denton County Transportation Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2016  
(Unaudited)**

**DCTA Fiscal Year 2017 Budget**

Operating revenues in 2017 show an increase of 3% or \$135,126 over 2016 actual results. Operating revenue includes passenger fare revenue and contract service revenue. Passenger farebox revenue is projected to increase slightly from 2016 actual results. Contract service revenue is expected to increase based on current contract rates for each service.

The fiscal year 2017 operating expenses are projected to increase \$2.9 million over 2016 actual results. Major changes include an increase of \$1.9 million for merit plan adjustments, 3.5 additional FTEs, increased health care benefits, and bus operator salary increases based on the negotiated union contract. The fiscal year 2017 budget also anticipates a \$1.4 million increase in fuel costs. Bus fuel is budgeted at \$3.00 per gallon in fiscal year 2017, compared to an average \$1.69 per gallon paid in fiscal year 2016. Rail fuel is budgeted at \$2.75 per gallon in fiscal year 2017, compared to an average \$1.40 per gallon paid in fiscal year 2016.

Non-operating revenue, net of expenses, is projected to increase 4% or \$1.2 million over 2016 actual results. The increase in non-operating revenue is primarily attributable to one-time FEMA reimbursements in FY17 for flooding-related projects.

**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 1955 Lakeway Drive, Suite 260, Lewisville, Texas 75057, by phone at (972) 221-4600, or by electronic mail at [info@dcta.net](mailto:info@dcta.net).



## **BASIC FINANCIAL STATEMENTS**

**DENTON COUNTY TRANSPORTATION AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**SEPTEMBER 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 16,471,108	\$ 17,127,538
Restricted cash and cash equivalents	3,100,323	3,650,196
Receivables	6,513,915	6,387,417
Prepaid expenses	394,348	398,745
Inventories	10,389	5,937
Total current assets	<u>26,490,083</u>	<u>27,569,833</u>
Noncurrent assets:		
Land and construction in progress	30,013,393	26,094,561
Other capital assets, net of accumulated depreciation/amortization	<u>304,576,967</u>	<u>308,091,469</u>
Total noncurrent assets	<u>334,590,360</u>	<u>334,186,030</u>
<b>TOTAL ASSETS</b>	<u>361,080,443</u>	<u>361,755,863</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to TCDRS pension	<u>245,475</u>	<u>166,628</u>
<b>Total deferred outflows of resources</b>	<u>245,475</u>	<u>166,628</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	3,682,870	2,976,141
Construction contracts payable	-	1,888,711
Retainage payable	319,171	1,560,124
Unearned revenue	78,885	88,983
Easement obligation- current portion	100,000	100,000
Bonds payable-current portion	<u>1,645,000</u>	<u>1,580,000</u>
Total current liabilities	<u>5,825,926</u>	<u>8,193,959</u>
Noncurrent liabilities:		
Easement obligation	1,200,000	1,300,000
Net pension liability	48,425	124,748
Bonds payable	<u>28,740,000</u>	<u>30,385,000</u>
Total noncurrent liabilities	<u>29,988,425</u>	<u>31,809,748</u>
<b>Total liabilities</b>	<u>35,814,351</u>	<u>40,003,707</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to TCDRS pension	<u>83,445</u>	<u>-</u>
<b>Total deferred inflows of resources</b>	<u>83,445</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	305,686,490	301,021,096
Unrestricted	<u>19,741,632</u>	<u>20,897,688</u>
<b>Total net position</b>	<u><u>\$ 325,428,122</u></u>	<u><u>\$ 321,918,784</u></u>

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

**DENTON COUNTY TRANSPORTATION AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUES</b>		
Passenger revenue	\$ 1,406,471	\$ 1,478,840
Contract services	3,383,656	2,935,371
Other	170,742	199,176
<b>Total operating revenues</b>	<u>4,960,869</u>	<u>4,613,387</u>
<b>OPERATING EXPENSES</b>		
Salaries, wages and fringe benefits	9,144,246	8,346,152
Services	2,598,749	2,722,176
Materials and supplies	2,036,382	2,528,741
Purchased transportation services	10,666,292	10,080,919
Utilities	404,896	472,391
Insurance	849,981	780,112
Facility and equipment rents	158,251	124,645
Other - miscellaneous	184,509	186,598
	<u>26,043,306</u>	<u>25,241,734</u>
Depreciation and amortization	9,854,907	9,337,505
<b>Total operating expenses</b>	<u>35,898,213</u>	<u>34,579,239</u>
<b>NET OPERATING LOSS</b>	<u>(30,937,344)</u>	<u>(29,965,852)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Sales tax revenue	24,658,546	23,261,748
Transit system operating assistance grants	5,130,046	4,985,908
Investment income	59,364	24,772
Interest expense	(1,156,229)	(1,211,899)
Gain (Loss) on disposal of assets	(14,675)	(51,815)
<b>Total non-operating revenue (expenses)</b>	<u>28,677,052</u>	<u>27,008,714</u>
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS</b>	<u>(2,260,292)</u>	<u>(2,957,138)</u>
<b>GRANTS FOR CAPITAL IMPROVEMENTS</b>	<u>5,769,630</u>	<u>2,636,956</u>
<b>Change in net position</b>	3,509,338	(320,182)
<b>NET POSITION, beginning of year, as restated</b>	<u>321,918,784</u>	<u>322,238,966</u>
<b>NET POSITION, end of year</b>	<u><u>\$ 325,428,122</u></u>	<u><u>\$ 321,918,784</u></u>

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

**DENTON COUNTY TRANSPORTATION AUTHORITY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 5,004,500	\$ 4,689,182
Payments to suppliers	(16,034,338)	(17,576,224)
Payments to employees	(9,374,019)	(8,296,550)
<b>Net cash used by operating activities</b>	<u>(20,403,857)</u>	<u>(21,183,592)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Sales tax received	24,489,979	22,916,596
Operating grant reimbursements	5,309,772	5,412,865
<b>Net cash provided by non-capital financing activities</b>	<u>29,799,751</u>	<u>28,329,461</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Contributions and grants for capital improvements	5,578,244	1,717,261
Principal paid on bonds	(1,580,000)	(1,510,000)
Acquisition and construction of capital assets	(13,531,766)	(4,399,777)
Proceeds from sale of capital improvements	28,190	28,185
Interest paid on bonds	(1,156,229)	(1,211,899)
<b>Net cash used by capital and related financing activities</b>	<u>(10,661,561)</u>	<u>(5,376,230)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	59,364	24,772
<b>Net cash provided by investing activities</b>	<u>59,364</u>	<u>24,772</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(1,206,303)	1,794,411
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>20,777,734</u>	<u>18,983,323</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 19,571,431</u></u>	<u><u>\$ 20,777,734</u></u>

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

**DENTON COUNTY TRANSPORTATION AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2016 AND 2015**  
**(CONTINUED)**

	<u>2016</u>	<u>2015</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (30,937,344)	\$ (29,965,852)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation and amortization expense	9,854,907	9,337,505
Change in operating assets and liabilities		
Operating accounts receivable	53,729	66,625
Prepaid expenses	4,397	(59,873)
Fuel inventory	(4,452)	10,918
Deferred outflows of resources related to TCDRS pension	(78,847)	(112,646)
Operating accounts payable	864,777	(631,687)
Accrued payroll and payroll related taxes	(158,048)	42,461
Unearned revenue	(10,098)	9,170
Deferred inflows of resources related to TCDRS pension	83,445	-
Net pension liability	(76,323)	119,787
<b>Net cash used by operating activities</b>	<u><u>\$ (20,403,857)</u></u>	<u><u>\$ (21,183,592)</u></u>
<b>NONCASH CAPITAL AND RELATED FINANCING</b>		
Gain (loss) on sale of non-capital assets	\$ (14,675)	\$ (51,815)
Grants for capital improvements	-	116,183
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET ASSETS</b>		
Cash and cash equivalents	\$ 16,471,108	\$ 17,127,538
Restricted cash	<u>3,100,323</u>	<u>3,650,196</u>
	<u><u>\$ 19,571,431</u></u>	<u><u>\$ 20,777,734</u></u>

The Notes to Basic 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 year ended September 30, 2016, 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 2016 and 2015 are for the fiscal years ended September 30, 2016 and 2015.

When both restricted and unrestricted resources are available and permissible 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.

**Inventory**

The Authority purchases and maintains its own fuel inventory, which is valued by volume on a monthly basis using a first-in, first-out inventory costing method.

**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 bonds 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. Investments are stated at fair value. Realized and unrealized gains and losses are reflected in the statement of revenues, expenses, and changes in net position.

**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 is 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	5-12 years
Paratransit	4-5 years
Rail	50 years
Transportation equipment	3-7 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 unrestricted cash.

**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.

**Unearned Revenue**

The University of North Texas (UNT) and North Central Texas College (NCTC) 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, in addition, the Authority sells semester and annual passes. The Authority recognizes the revenue through straight-line amortization over the respective period. At September 30, 2016 and 2015, the Authority has received \$78,885 and \$88,983 in advance payments respectively.

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

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

**Net Position**

Equity is displayed in two components as follows:

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

Unrestricted – This consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

**Operating Revenues**

Passenger revenue consists of farebox collections, the sale of passes, and amortization of unearned revenue. Farebox revenue is recorded at the time service is performed. Revenue from the sale of passes is recorded at the time of the sale. Unearned 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 service revenue is recorded in the period earned. The Authority provides contract services for UNT, NCTC, and the City of Frisco.

**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 and interest expense.

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

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

**Pensions**

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, Authority specific information about its Fiduciary Net Position in the Texas County and District Retirement System (TCDRS) and additions to/deductions from the Authority's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the Authority's Total Pension Liability is obtained from TCERS through a report prepared for the Authority by TCERS consulting actuary, Milliman, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

**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.

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

**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, reviewed by the Finance Committee, 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 approval by the Board of Directors. 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.

**NOTE 3. SERVICE AGREEMENTS**

On October 1, 2014, 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 Assistant 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.

DCTA entered into a contract with Herzog Transit Services for rail operations and maintenance in FY16. This contract includes management fees, maintenance of way, vehicle maintenance, train hours and car miles. The contract is accounted for under Purchased Transportation. Additionally, DCTA and DART entered into an interlocal operating agreement for ticket vending machine services and train platform maintenance.

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

**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 reserve to address unanticipated emergencies, a sales tax stabilization fund, fuel stabilization, and a capital/infrastructure reserve. These reserves may be allocated by the approval of the Board. At September 30, 2016, the reserves are as follows:

- Operating reserve: \$6,701,309
- Sales tax stabilization: \$692,022
- Fuel stabilization: \$72,582
- Capital/infrastructure: \$3,961,050

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

	September 30, 2016	September 30, 2015
Cash and cash equivalents		
Demand deposits	\$ 37,969	\$ 44,815
Sweep repurchase agreements	2,307,040	237,133
Money market account	14,338,566	12,894,564
TexSTAR	2,887,856	7,601,222
	<u>\$ 19,571,431</u>	<u>\$ 20,777,734</u>
Reconciliation		
Cash and cash equivalents	\$ 16,471,108	\$ 17,127,538
Restricted cash and cash equivalents	3,100,323	3,650,196
	<u>\$ 19,571,431</u>	<u>\$ 20,777,734</u>

**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 eighteen months.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority does not contain in its investment policy a formal policy regarding credit risk.

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

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

**Investments – Continued**

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.

The TexSTAR investment pool is an external investment pool measured at NAV. TexSTAR's strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The Authority has no unfunded commitments related to the investment pools. TexSTAR has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national or state emergency that affects the pool's liquidity.

**NOTE 5. RECEIVABLES**

Receivables at September 30, 2016 and 2015 consisted of the following:

	2016	2015
Operating		
Ticket, token and other receivables	\$ 590,983	\$ 644,712
Sales tax	4,410,690	4,242,123
Grants receivable	1,512,242	1,500,582
Total	<u>\$ 6,513,915</u>	<u>\$ 6,387,417</u>

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

**NOTE 6. CAPITAL ASSETS**

Changes in capital assets for the fiscal years ended September 30, 2016 and 2015 are:

	Balance September 30, 2015	Increases	Decreases	Transfers	Balance September 30, 2016
Capital assets, not being depreciated:					
Land	\$ 16,228,337	\$ -	\$ -	\$ -	\$ 16,228,337
Construction in progress	9,866,224	12,119,482	(388,711)	(7,811,939)	13,785,056
Total capital assets not being depreciated	26,094,561	12,119,482	(388,711)	(7,811,939)	30,013,393
Capital assets, being depreciated/amortized					
Rail system	278,300,390	-	(1,466,744)	5,385,079	282,218,725
Land improvements	6,458,821	-	-	-	6,458,821
Vehicles and operating equipment	8,370,679	38,073	(113,784)	1,702,352	9,997,320
Leasehold improvements	55,506	-	-	-	55,506
Office furniture and equipment	3,211,034	-	-	724,508	3,935,542
Facilities	32,843,448	-	-	-	32,843,448
Easement	16,997,155	-	-	-	16,997,155
Total capital assets being depreciated/amortized	346,237,033	38,073	(1,580,528)	7,811,939	352,506,517
Less accumulated depreciation/amortization for					
Rail system	24,381,744	6,502,126	-	-	30,883,870
Land improvements	1,088,981	288,519	-	-	1,377,500
Vehicles and operating equipment	4,964,966	881,035	(70,921)	-	5,775,080
Leasehold improvements	55,506	-	-	-	55,506
Office furniture and equipment	1,000,296	603,985	-	-	1,604,281
Facilities	2,121,496	729,385	-	-	2,850,881
Easement	4,532,575	849,857	-	-	5,382,432
Total accumulated depreciation	38,145,564	9,854,907	(70,921)	-	47,929,550
Total capital assets, being depreciated, net	308,091,469	(9,816,834)	(1,509,607)	7,811,939	304,576,967
Total capital assets, net	\$ 334,186,030	\$ 2,302,648	\$ (1,898,318)	\$ -	\$ 334,590,360

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

**NOTE 6. CAPITAL ASSETS-- CONTINUED**

	Balance September 30, 2014	Increases	Decreases	Transfers	Balance September 30, 2015
Capital assets, not being depreciated:					
Land	\$ 16,228,337	\$ -	\$ -	\$ -	\$ 16,228,337
Construction in progress	10,900,642	3,890,610	-	(4,925,028)	9,866,224
Total capital assets not being depreciated	27,128,979	3,890,610	-	(4,925,028)	26,094,561
Capital assets, being depreciated/amortized					
Rail system	276,138,293	-	-	2,162,097	278,300,390
Land improvements	5,386,734	-	-	1,072,087	6,458,821
Vehicles and operating equipment	8,940,025	-	(977,143)	407,797	8,370,679
Leasehold improvements	55,506	-	-	-	55,506
Office furniture and equipment	1,958,428	-	(30,441)	1,283,047	3,211,034
Facilities	32,843,448	-	-	-	32,843,448
Easement	16,997,155	-	-	-	16,997,155
Total capital assets being depreciated/amortized	342,319,589	-	(1,007,584)	4,925,028	346,237,033
Less accumulated depreciation/amortization for					
Rail system	18,028,395	6,353,349	-	-	24,381,744
Land improvements	944,428	144,553	-	-	1,088,981
Vehicles and operating equipment	4,941,135	920,974	(897,143)	-	4,964,966
Leasehold improvements	55,506	-	-	-	55,506
Office furniture and equipment	713,240	317,496	(30,440)	-	1,000,296
Facilities	1,370,221	751,275	-	-	2,121,496
Easement	3,682,717	849,858	-	-	4,532,575
Total accumulated depreciation	29,735,642	9,337,505	(927,583)	-	38,145,564
Total capital assets, being depreciated, net	312,583,947	(9,337,505)	(80,001)	4,925,028	308,091,469
Total capital assets, net	\$ 339,712,926	\$ (5,446,895)	\$ (80,001)	\$ -	\$ 334,186,030

Primary capital asset expenditures in 2016 and 2015 relate to the Lewisville Hike and Bike Trail, the purchase of additional vehicles, and improvements to the rail line, including implementation of Enhanced Automatic Train Control technology, which will move the agency towards compliance with Positive Train Control. See related commitment disclosure in Note 10.

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, 2016, \$15,650,000 had been paid to the Dallas Area Rapid Transit (DART). The remaining payments of \$1,300,000 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 \$847,500 for each of the years ended September 30, 2016 and 2015.

**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.



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

**NOTE 7. PENSION, RETIREMENT, AND DEFERRED COMPENSATION PLANS –  
CONTINUED**

As of January 2012, the Authority became a member of Texas County and District Retirement System (TCDRS) and no longer contributes to the qualified deferred compensation defined contribution plan.

Plan Description: The Authority provides retirement, disability and death benefits for all of its fulltime employees through a nontraditional defined benefit pension plan in the TCDRS. The Board of Directors is responsible for the administration of the statewide agent multi-employer public employee defined benefit pension retirement system consisting of 677 public employee defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the board of trustees at P. O. Box 2034, Austin, Texas 78768-2034 or can be viewed at [www.tcdrs.org](http://www.tcdrs.org).

Contributions: The deposit rate for employees is 4%, 5%, 6% or 7% of compensation, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees. Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis. Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience. In addition, employers annually review their plans and may adjust benefits and costs based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs. Monthly contributions by the Authority are based on the covered payroll and the employer contribution rate in effect. For calendar year 2016, the Authority made contributions of 6.05%.

Actuarial Assumptions: The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Real rate of return	5.00%
Inflation	3.00%
Investment Rate of Return	8.10% per year

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.

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

**NOTE 7. PENSION, RETIREMENT, AND DEFERRED COMPENSATION PLANS –  
CONTINUED**

The actuarial assumptions that determined the total pension liability as of December 31, 2015 were based on the results of an actuarial experience study for the period January 1, 2009 - December 31, 2012, except where required to be different by GASB 68. Mortality for depositing members is based on the RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA; for service retirees, beneficiaries and non-depositing members is based on the RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females; and for disabled members is based on the RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information were provided by TCDRS' investment consultant, Cliffwater LLC, and were based on January 2015 information for a 7-10 year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	14.5%	5.45%
Private Equity	14.0%	8.45%
Global Equities	1.5%	5.75%
International Equities-Developed	10.0%	5.45%
International Equities-Emerging	8.0%	6.45%
Investment-Grade Bonds	3.0%	1.00%
High-Yield Bonds	3.0%	5.10%
Opportunistic Credit	2.0%	5.09%
Direct Lending	5.0%	6.40%
Distressed Debt	3.0%	8.10%
REIT Equities	3.0%	4.00%
Master Limited Partnerships	3.0%	6.80%
Private Real Estate Partnerships	5.0%	6.90%
Hedge Funds	25.0%	5.25%
Total	100.0%	

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

**NOTE 7. PENSION, RETIREMENT, AND DEFERRED COMPENSATION PLANS –  
CONTINUED**

Discount Rate: The discount rate used to measure the Total Pension Liability was 8.10%. The projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years; the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. The discount rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2014	\$ 673,603	\$ 548,855	\$ 124,748
Changes for the year:			
Service cost	159,650	-	159,650
Interest on total pension liability	60,290	-	60,290
Effect of plan changes	(26,820)	-	(26,820)
Effect of economic/demographic gains or losses	(95,366)	-	(95,366)
Effect of assumptions changes or inputs	13,055.00	-	13,055
Refund of contributions	(1,640)	(1,640)	-
Benefit payments	-	-	-
Administrative expenses	-	(472)	472
Member contributions	-	92,022	(92,022)
Net investment income	-	(13,315)	13,315
Employer contributions	-	108,954	(108,954)
Other	-	(57)	57
Balance at 12/31/2015	\$ 782,772	\$ 734,347	\$ 48,425

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the Authority, calculated using the discount rate of 8.10%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.10%) or 1-percentage-point higher (9.10%) than the current rate:

	1% Decrease in Discount Rate (7.10%)	Discount Rate (8.10%)	1% Increase in Discount Rate (9.10%)
Total pension liability	\$ 944,208	\$ 782,772	\$ 656,264
Fiduciary net pension	734,347	734,347	734,347
Net pension liability	\$ 209,861	\$ 48,425	\$ (78,083)

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

**NOTE 7. PENSION, RETIREMENT, AND DEFERRED COMPENSATION PLANS –  
CONTINUED**

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to Pensions:

For the year ended September 30, 2016, the Authority recognized pension contribution of \$71,725.

At September 30, 2016, the Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 83,445	\$ 65,410
Changes in actuarial assumptions	-	11,423
Difference between projected and actual investment earnings	-	59,688
Contributions subsequent to the measurement date	-	108,954
Total	<u>\$ 83,445</u>	<u>\$ 245,475</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$108,954 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2016 (i.e. recognized in the Authority's financial statements September 30, 2017). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2016	\$ 16,100
2017	16,100
2018	16,100
2019	13,841
2020	613
Thereafter	(9,678)
Total	<u>\$ 53,076</u>

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

**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 was being amortized over the remaining life of the 2008 issuance and was paid in full as of September 30, 2013. This amount was financed through the refunding bonds. The Authority has pledged the sales tax revenues towards the repayment of the bonds. The first principal payment was made in September 2013 and annual installments continue through September 2029.

In September 2011, the Authority issued Sales Tax Contractual Obligations for \$14,390,000. This issuance funds the acquisition of rail vehicles and the first phase of the new federal mandate for Positive Train Control. The first principal payment was made in September 2015 and annual installments continue through September 2031.

The annual debt service requirements are:

Fiscal Year Ending September 30,	Principal	Interest	Total
2017	\$ 1,645,000	\$ 1,098,412	\$ 2,743,412
2018	1,720,000	1,038,065	2,758,065
2019	1,790,000	974,984	2,764,984
2020	1,870,000	909,368	2,779,368
2021-2025	10,655,000	3,458,012	14,113,012
2026-2030	11,490,000	1,333,551	12,823,551
2031	1,215,000	38,030	1,253,030
Total requirements	<u>\$ 30,385,000</u>	<u>\$ 8,850,422</u>	<u>\$ 39,235,422</u>

The following is a summary of changes in bonds payable of the Authority for the year ended September 30, 2016:

Balance at October 1, 2015	\$ 31,965,000
Additions	-
Reductions	<u>(1,580,000)</u>
Balance at September 30, 2016	<u>\$ 30,385,000</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%.

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

**NOTE 8. BONDS PAYABLE – CONTINUED**

No interest was capitalized during the years ended September 30, 2016 and 2015.

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, 2016 and 2015, 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:

Fiscal Year Ending September 30,	Principal
2017	\$ 100,000
2018	100,000
2019	100,000
2020	100,000
2021-2025	500,000
2026-2029	400,000
Total requirements	<u>\$ 1,300,000</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-IRP) to provide insurance for errors and omission, general liability, workers' compensation, automobile liability, and physical damage coverage. TML-IRP was self-sustaining in 2016 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. Cyber Liability and Data Breach Response Coverage is also provided by TML-IRP for the following:

- Information Security, Privacy Liability, Website Media Content Liability - \$1,000,000 Aggregate limit, \$0 deductible
- Privacy Breach Response Services - \$25,000 per incident and in the Aggregate, \$1,250 deductible per incident
- Regulatory Defense & Penalties/Payment Card Industry Fines and Expenses/Cyber Extortion/First Party Data Protection and Network Business Interruption - \$50,000 Aggregate limit; \$2,500 deductible per claim, \$5,000 Loss of Income Deductible.

The Authority has a government crime policy with TML-IRP insuring against employee theft up to \$1,000,000 per loss. For the year ended September 30, 2016, the Authority has not incurred any losses under this plan.

In addition to the coverages provided by TML-IRP, DCTA also carries Pollution Liability Coverage for its 16,000 gallon Underground Fuel Storage Tank (UST) permitted by the Texas Commission on Environmental Quality (TCEQ) and located at the Rail Operations & Maintenance Facility. The UST provides fleet re-fueling for DCTA's passenger rail vehicles. Great American Alliance Insurance Company is the insurance provider with the following coverages: \$1,000,000 each Pollution Incident, \$2,000,000 Annual Aggregate, \$0 deductible.

DCTA's Excess Railroad Liability Insurance is provided through a multi-layer program with Steadfast Insurance Company, a member of Zurich Insurance Group, as the primary carrier with a policy limit of \$125,000,000 and \$2,000,000 deductible. Prior to securing its own rail liability insurance coverage, this coverage was provided via shared policy with DART and the Fort Worth "T" which carried DCTA as an additional insured with DCTA sharing in the cost of the annual premium.

**Litigation**

The Authority has no pending lawsuits as of September 30, 2016.

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

**NOTE 10. COMMITMENTS AND CONTINGENCIES – CONTINUED**

**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, 2016, the Authority has the following outstanding commitments:

Rail purchased transportation services	\$ 120,147,940
Positive train control system implementation	9,561,405
35 foot transit buses	3,146,400
Management agreement for bus transit operations	1,357,233
Consulting services	364,242
Landscaping and maintenance	194,689
Rail FEMA projects	183,483
Engineering and design	94,418
Discount pass program	20,000
Shared services agreement	6,165
	<hr/>
	<u><u>\$ 135,075,975</u></u>

**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 in fiscal year 2017. The total lease expense was \$258,251 for 2016 and \$224,645 for 2015. The lease payments by year are as follows:

	<u>2017</u>
Lease commitments	
Administration offices	<u>\$ 108,780</u>
Total lease commitments	<u><u>\$ 108,780</u></u>



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

**NOTE 10. COMMITMENTS AND CONTINGENCIES – CONTINUED**

**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.

**NOTE 11. NEW ACCOUNTING PRONOUNCEMENTS**

The GASB issued Statement No. 72, Fair Value Measurement, and was effective for periods beginning after June 15, 2015. The objective of this Statement is to improve accounting and financial reporting related to fair value measurements. This Statement applies to all state and governmental entities. The implementation of this statement did not impact the Authority's financial statements.

The GASB issued Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68, which will be effective for periods beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement applies to all state and governmental entities. The Authority will evaluate the impact of the standard on its financial statements and will take the necessary steps to implement it.

The GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans other than Pension Plans, which will be effective for periods beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local OPEB plans for making decisions and assessing accountability. This Statement applies to all state and governmental entities. The Authority will evaluate the impact of the standard on its financial statements and will take the necessary steps to implement it.

The GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which will be effective for periods beginning after December 15, 2015. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). This Statement applies to all state and governmental entities. The Authority will evaluate the impact of the standard on its Financial Statements and will take the necessary steps to implement it.

The GASB issued Statement No. 77, Tax Abatement Disclosures, which will be effective for periods beginning after December 15, 2015. The objective of this Statement is to require governments that enter into tax abatement agreements to provide certain disclosures regarding the commitments. This Statement applies to all state and governmental entities. The Authority will evaluate the impact of the standard on its Financial Statements and will take the necessary steps to implement it.

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

**NOTE 11. NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED**

The GASB issued Statement No. 78, Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans, which will be effective for periods beginning after December 15, 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement applies to all state and governmental entities. The Authority will evaluate the impact of the standard on its Financial Statements and will take the necessary steps to implement it.

The GASB issued Statement No. 79, Certain External Investment Pools and Pool Participants, which will be effective for periods beginning after December 15, 2015. The objective of this Statement addresses accounting and financial reporting for certain external investment pools and pool participants. This Statement applies to all state and governmental entities. The Authority will evaluate the impact of the standard on its Financial Statements and will take the necessary steps to implement it.

**NOTE 12. SUBSEQUENT EVENTS**

The Authority has evaluated all events and transactions that occurred after September 30, 2016 through February 13, 2017, the date the financial statements were issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**DENTON COUNTY TRANSPORTATION AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
TEXAS COUNTY DISTRICT RETIREMENT SYSTEM  
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED  
RATIOS  
(UNAUDITED)**

	<b>2014</b>	<b>2015</b>
<b>Total Pension Liability</b>		
Service cost	\$ 130,849	\$ 159,650
Interest (on the total pension liability)	37,882	60,290
Effect of plan changes	40,628	(26,820)
Effect of assumption changes or inputs	-	13,055
Effect of economic/demographic (gains) or losses	87,214	(95,366)
Benefit payments/refunds of contributions	(12,905)	(1,640)
<b>Net Change in Total Pension Liability</b>	283,668	109,169
<b>Total Pension Liability - Beginning</b>	389,935	673,603
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 673,603</u>	<u>\$ 782,772</u>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 72,565	\$ 108,954
Contributions - Employee	78,874	92,022
Investment income net of investment expenses	25,740	(13,315)
Benefit payments/refunds of contributions	(12,905)	(1,640)
Administrative expense	(366)	(472)
Other	(27)	(57)
<b>Net Change in Plan Fiduciary Net Position</b>	163,881	185,492
<b>Plan Fiduciary Net Position - Beginning</b>	384,974	548,855
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 548,855</u>	<u>\$ 734,347</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	\$ 124,748	\$ 48,425
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	81.48%	93.81%
<b>Covered Employee Payroll</b>	\$ 1,577,470	\$ 1,840,437
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	7.91%	2.63%

**Notes to Schedule:**

As of December 31 - Measurement date

*Benefit changes.* There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

*Changes of assumptions.* There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Only one year of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**DENTON COUNTY TRANSPORTATION AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
TEXAS COUNTY DISTRICT RETIREMENT SYSTEM  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
(UNAUDITED)**

	Year Ended December 31			
	2012	2013	2014	2015
Actuarially determined contribution	\$ 70,124	\$ 73,246	\$ 72,565	\$ 108,954
Contributions in relation to the actuarially determined contribution	70,124	153,247	72,565	108,954
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (80,001)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,328,117	\$ 1,387,238	\$ 1,577,470	\$ 1,577,470
Contributions as a percentage of covered-employee payroll	5.28%	11.05%	4.60%	6.91%

**Notes to Schedule:**

Valuation date:

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial Cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.

Investment rate of return	8.10%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits.
Mortality	

Based on the RP-2000 Active Employee Mortality Table for depositing members; RP-2000 Combined Mortality Table for the service retirees, beneficiaries and non-depositing members; and RP-2000 Disabled Mortality Table for disabled retirees.

Only three years of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

## **SUPPLEMENTARY INFORMATION**

**DENTON COUNTY TRANSPORTATION AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES – BUDGET TO ACTUAL**  
**YEAR ENDED SEPTEMBER 30, 2016 WITH COMPARATIVE ACTUAL FOR 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)	2015 Actual
<b>OPERATING REVENUES</b>					
Passenger revenue	\$ 1,542,909	\$ 1,542,909	\$ 1,406,471	\$ (136,438)	\$ 1,478,840
Contract services	3,263,687	3,534,517	3,383,656	(150,861)	2,935,371
Other	1,500	1,500	170,742	169,242	199,176
	<u>4,808,096</u>	<u>5,078,926</u>	<u>4,960,869</u>	<u>(118,057)</u>	<u>4,613,387</u>
<b>OPERATING EXPENSES</b>					
Salaries, wages and fringe benefits	9,394,250	9,418,015	9,144,246	273,769	8,346,152
Services	2,436,784	2,624,383	2,598,749	25,634	2,722,176
Materials and supplies	3,783,284	2,413,022	2,036,382	376,640	2,528,741
Purchased transportation services	11,633,624	10,633,624	10,666,292	(32,668)	10,080,919
Utilities	511,361	511,361	404,896	106,465	472,391
Insurance	800,215	800,215	849,981	(49,766)	780,112
Facility and equipment rents	216,183	144,183	158,251	(14,068)	124,645
Other - miscellaneous	281,345	260,430	184,509	75,921	186,598
Depreciation and amortization	9,981,205	10,017,196	9,854,907	162,289	9,337,505
<b>Total operating expenses</b>	<u>39,038,251</u>	<u>36,822,429</u>	<u>35,898,213</u>	<u>924,216</u>	<u>34,579,239</u>
<b>Operating loss</b>	<u>(34,230,155)</u>	<u>(31,743,503)</u>	<u>(30,937,344)</u>	<u>806,159</u>	<u>(29,965,852)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Sales tax revenue	23,067,403	23,067,403	24,658,546	1,591,143	23,261,748
Transit system operating assistance grants	4,643,442	6,502,465	5,130,046	(1,372,419)	4,985,908
Investment income	20,000	20,000	59,364	39,364	24,772
Interest expense	(1,156,422)	(1,156,422)	(1,156,229)	193	(1,211,899)
Gain (loss) on disposal of assets	-	-	(14,675)	(14,675)	(51,815)
<b>Total non-operating revenue (expenses)</b>	<u>26,574,423</u>	<u>28,433,446</u>	<u>28,677,052</u>	<u>243,606</u>	<u>27,008,714</u>
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS</b>	<u>(7,655,732)</u>	<u>(3,310,057)</u>	<u>(2,260,292)</u>	<u>1,049,765</u>	<u>(2,957,138)</u>
<b>GRANTS FOR CAPITAL IMPROVEMENTS</b>	<u>6,109,914</u>	<u>6,350,215</u>	<u>5,769,630</u>	<u>(580,585)</u>	<u>2,636,956</u>
<b>Change in net position</b>	<u>\$ (1,545,818)</u>	<u>\$ 3,040,158</u>	<u>\$ 3,509,338</u>	<u>\$ 469,180</u>	<u>\$ (320,182)</u>



**Board of Directors Memo**

**February 14, 2017**

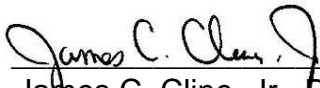
**Subject: 2(c) c. Authorize the President to Execute a Renewal of the Lease for the 1955 Lakeway Drive Property**

**Background**

The initial lease term for the administrative office space located at 1955 Lakeway Drive was for thirty seven months with two (2) one (1) year renewals. The initial term will expire on September 30, 2017. Staff is currently negotiating the lease renewal term for an additional period of two (2) years. The additional term will allow time for the construction of the permanent facility in Lewisville. More details will be provided at the meeting.

**Recommendation**

Staff recommends that the board authorize the president to renew the lease agreement.

Approval:   
James C. Cline, Jr., President