



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED SEPTEMBER 30, 2020 & 2019

DENTON COUNTY TRANSPORTATION AUTHORITY  
LEWISVILLE, TEXAS

# **Denton County Transportation Authority**

Comprehensive Annual Financial Report

For the Fiscal Years Ended September 30, 2020 and 2019

Prepared By:

DCTA Finance Department

Lewisville, Texas

**Denton County Transportation Authority**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended September 30, 2020**  
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# INTRODUCTORY SECTION





## Letter of Transmittal

March 10, 2021

The Honorable Chair 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, 2020.

This report provides the DCTA Board of Directors, stakeholders, 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 anticipated 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, 2020. 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 the Coordinated County Transportation Authority for Denton County, created by House Bill 3323, under Chapter 460 of the Texas Transportation Code, approved by the 77th Texas Legislature and signed into law by the Governor in 2001. Voters in Denton County approved the confirmation of DCTA on November 5, 2002 to advance public transportation and transportation-related services. Collection of the sales and use tax dedicated to DCTA from its three member cities began January 1, 2004. DCTA is granted power under Texas law to plan, develop, acquire, construct, own, operate, and maintain a public transportation system.

## Location

Denton County is located in the northern part of the Dallas-Fort Worth Metroplex adjacent to Collin, Dallas, and Tarrant counties. The county is 953 square miles and is approximately 35 miles south of the Texas/Oklahoma border. The county, founded in 1846, is one of the fastest growing counties in the U.S. with an estimated population of 901,120 in 2020 according to North Central Texas Council of Governments (NCTCOG) population estimates, an increase of 36% since 2010.

## Governance

DCTA is governed by a five voting-member Board of Directors appointed by respective entities from Denton County and the cities of Denton, Highland Village, and Lewisville serving two-year terms. Large cities, small cities and other Denton County cities make up the remaining six non-voting members. Board officers are elected from the Board membership and serve a one-year term.

## Agency Background

The primary revenue source for DCTA is a dedicated ½ cent local sales tax from its three member cities - Denton, Highland Village, and Lewisville. These revenues, along with federal and state grants, service contracts, operating fares, and investment income, fund the operations and implementation of DCTA's Long Range Service Plan, which includes a commuter rail component, a bus service component with local fixed route bus service, paratransit demand response, general demand response, commuter vanpools, and university shuttle services as well as a network of park and ride locations and rail and bus facilities to serve area residents. These elements provide services to help improve mobility and air quality, spur economic development, and enhance livability in the areas served. DCTA's A-train connects Denton and Dallas counties. At the Trinity Mills station, riders can transfer to Dallas Area Rapid Transit's (DART) Red, Orange, Green and Blue Lines and the Trinity Railway Express (TRE). DCTA's partnership with Trinity Metro connects Denton and Fort Worth via the North Texas Xpress commuter bus.

Construction of DCTA's A-train rail corridor was accomplished with funding from a Regional Toll Road Funding Initiative (RTRFI) grant received in March 2009. A contract for construction of the 21-mile rail corridor was awarded in May 2009. Construction of the rail corridor and rail stations was completed, and the A-train officially opened for service in June 2011. In addition to the already existing bus service, the central element of DCTA's initial Long Range Service Plan was achieved with the start of A-train commuter rail service in 2011.

In December 2011, the Board of Directors updated DCTA's Long Range Service Plan to include system-wide improvements to the existing system and opportunities for expansion of the existing system to meet the public transit needs. The plan serves as a road map guiding DCTA's service planning, capital improvement program, and financial planning, and also provides input for NCTCOG's Mobility 2045 Plan. NCTCOG serves as the Metropolitan Planning Organization (MPO) for the North Texas region and is the organization charged with coordinating regional transportation planning efforts for a 12-county region which includes Denton County. The Mobility 2045 Plan serves as a blueprint for the region's transportation system planning and guides expenditures of state and federal transportation funds over the next 20-plus years. DCTA provided input regarding key service components of its Long Range Service Plan for incorporation into the Mobility 2045 Plan. The goals defined in the Mobility 2045 Plan guide efforts to accommodate the region's multimodal mobility needs and improve air quality. DCTA and other regional transit agencies, as well as local governments, use NCTCOG's Mobility 2045 Plan as a basis for their own planning efforts.

### Accounting System and Budgetary Control

DCTA activities are accounted for in two enterprise funds, and financial results are reported 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 presents for the Board's approval an operating and capital budget within the context of a Long Range Financial Plan. The Long Range Financial Plan outlines the operating components, debt service costs, and Capital Improvement Plan requirements over the next fifteen years and serves as the foundation for the development of the annual operating and capital budget. This document helps provide a financially sustainable perspective of the impact of current year decisions on future years. As part of the annual budget process, the Board also adopts a Budget Contingency Plan which positions DCTA to respond quickly to economic or market fluctuations or downturns.

The Board conducts a public hearing in August to receive citizen input and provides final review of the budget with formal adoption in September of each year. The fiscal year for DCTA is October 1 – September 30. The President/CEO is authorized to transfer budgeted amounts between line items and departments; however, any revisions that alter the total adopted fiscal year budget (operating + capital) must be approved by the Board. As a matter of practice, budget transfers are reported to the Board at its regularly scheduled meeting.

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

North Texas Mobility Corporation (NTMC) was incorporated on April 1, 2019 and is accounted for as a blended component unit included in DCTA's financial statements. NTMC operations began June 2, 2019. As a fully functional Limited Government Corporation (LGC), the NTMC now operates with a Board of Directors, appointed by the DCTA Board of Directors, and Board officers.

### **SERVICES PROVIDED**

DCTA provides service in Denton County and Collin County including regional commuter rail service (A-train); fixed route bus service; paratransit and general demand response service; vanpool service; campus shuttle service operated under contract with the University of North Texas (UNT); and contract demand response service in Frisco and Collin County. In January 2019, DCTA replaced a portion of fixed-route service with an on-demand, microtransit service to provide travel options for access to the Lakeway Business Park area in Lewisville and surrounding businesses in the designated Lewisville Lakeway Zone. In August 2020, DCTA made its Downtown Denton Transit Center (DDTC) Evening On-Demand Zone service permanent, which provides service from the DDTC to existing stops along four Denton Connect routes.

As reported in the National Transit Database, DCTA carried roughly 1.6 million passengers system-wide in FY20, a 44% decrease from almost 2.8 million passengers in FY19. Ridership decreased drastically in the second half of FY20 as a result of the COVID-19 pandemic, stay-at-home orders, mandatory closures of non-essential businesses, and the implementation of telecommuting arrangements for employers.

#### Regional Commuter Rail (A-train)

The A-train is a 21-mile regional rail system connecting Denton and Dallas counties. The rail corridor follows the east side of I-35E and connects the cities of Denton and 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 DART rail and bus service. DCTA's five rail stations are served by fixed route bus service and the UNT campus shuttle. The system also includes a hike & bike trail that parallels the A-train rail line.

DCTA operates 11 low-floor diesel-electric articulated GTW passenger rail vehicles designed to comfortably accommodate wheelchairs, strollers, and bikes with room for 104 seated and 96 standing passengers per vehicle. In FY20, rail ridership totaled roughly 221,000 passengers, a decrease of 44% from almost 394,000 in FY19. Rail service changes were implemented in March 2020 to reduce service hours in response to decreased ridership in light of the COVID-19 pandemic. In September 2020, DCTA increased A-train service levels per Board direction to modify peak period service frequency from 60 minutes to 30 minutes.

#### Connect

Connect offers local fixed-route bus service in the cities of Denton, Highland Village, and Lewisville. In fiscal year 2020, these routes totaled roughly 345,000 boardings. In 2016, DCTA completed a comprehensive operations analysis (COA) for bus services. The City of Denton COA was implemented in FY17 and reduced average headways from 40 minutes to 30 minutes during peak periods for 7 of 8 routes. In 2018 and 2019, service changes and schedule updates were implemented to improve on-time performance, enhance route connections and transfers between Denton Connect routes and the A-train, and to provide more direct access to services along North Texas Xpress and UNT routes.

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

Denton and Lewisville Connect service changes were implemented in March and May 2020 to reduce service hours in response to decreased ridership in light of the COVID-19 pandemic. In August 2020, Connect service was restored to pre-COVID levels for Connect Routes 4 and 7 in Denton and Routes 21 and 22 in Lewisville.

#### Highland Village Lyft

The Highland Village Connect Shuttle was replaced with an enhanced Lyft program in March 2020. Enhancements to the Lyft program included an increase in subsidy from \$10 to \$13 per trip and the addition of Saturday service. The Highland Village Lyft Zone provides more efficient mobility services for passengers traveling within a designated area of Highland Village and north Lewisville. The service is offered weekdays from 5 a.m. to 9 p.m. and Saturday 7:30 a.m. to 8 p.m.

### University Shuttle Service

The UNT Campus Shuttle consists of twelve routes including weekday, late night, and weekend-only service through a contractual agreement. The UNT Shuttle service provides transportation from off-campus housing to the campus as well as circulation throughout the campus. Total passengers for FY20 totaled roughly 946,000, a 47% decrease from FY19 ridership of 1.8 million. Service was reduced significantly in the second half of FY20 as the university moved to virtual learning in response to COVID-19 and some students moved away from the campus area.

The NCTC Shuttle, which provided direct shuttle service to the Corinth and Flower Mound campuses as well as connectivity between Denton and Lewisville, was suspended in March 2020 in response to COVID-19. Ridership for the NCTC service totaled roughly 6,000 in FY20 prior to suspension compared to roughly 13,000 in FY19. NCTC's contract for service expired July 31, 2020.

### Demand Response Service

Access, DCTA's demand response service, offers shared ride, curb-to-curb ADA paratransit service for residents and visitors in Denton, Highland Village, and Lewisville and also provides service for senior and disabled (non-ADA) passengers in these cities. 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 roughly 20,000 Access passengers in its member city service area in FY20.

In December 2015, the City of Frisco contracted with DCTA for curb-to-curb demand response transit service to eligible Frisco residents for trips within Frisco and designated portions of Plano. Taxi vehicles are used in this service to supplement demand-response service as capacity dictates. The service carried roughly 6,000 passengers in FY20. On June 1, 2017, DCTA launched a demand-response service in coordination with the City of McKinney and the McKinney Urban Transit District (MUTD). This service consists of a subsidized taxi voucher program that provides efficient transit options for participating MUTD cities including Celina, Lowry Crossing, McKinney, Melissa, Princeton and Prosper. In FY20, the service provided transportation to almost 11,000 passengers.

### Vanpools

The Vanpool service provides a low-cost commuting alternative for residents to get to work. Vanpools are ideal for groups of six to fifteen 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 2020, there were 58 vanpools in operation.

## **DCTA PROGRESS**

DCTA is assessing innovative mobility solutions to meet our customer and stakeholder needs and to provide enhanced regional mobility to our passengers. In April 2019, the Board approved a suite of on-call Mobility as a Service (MaaS) contracts that allow DCTA to offer a variety of flexible, efficient, and effective mobility services by initiating task orders. These services would enhance or supplement DCTA's existing transit offerings and provide service to areas where traditional transportation options are less effective. MaaS is a trending business model in the transit industry that utilizes on-demand, real-time platform-based services that can include any combination of mobility options such as car and bike sharing, taxis, or driverless vehicles, while providing a seamless experience for the customer, from integrated travel planning to fare payment.

2020 represented a year of affirmative change at DCTA which included meaningful changes in governance, leadership, culture, organization and service delivery – changes necessary for DCTA to effectively respond to the ongoing COVID-19 crisis and changing markets. In FY21, DCTA will

be engaging with consultant teams with expertise in strategic planning, information technology, process improvement, and organizational management best practices. The selected consultant teams will work closely with operational and long range transit planners to expand the use of non-traditional transit services and products to allow for a more tailored response to the demands of multiple markets and develop a robust, equitable, consumer-centric transportation system which leverages existing infrastructure.

DCTA is committed to rail safety and worked diligently to implement Positive Train Control (PTC) by the Federal Railroad Administration (FRA) deadline of December 31, 2020. PTC was designed to prevent collisions and other incidents by automatically detecting and controlling the movement of trains. DCTA started Revenue Service Demonstration (RSD) on limited trains with identified service modifications during the testing phase in January 2019. DCTA completed RSD in September 2019 and submitted its PTC Safety Plan for FRA review in April 2020. On December 8, 2020, DCTA received PTC certification from the FRA. The agency is the first commuter railroad in Texas to have PTC implemented and certified on its entire rail alignment.

## **FUTURE OUTLOOK**

DCTA's major revenue source, sales tax, continues to grow. Sales tax revenues were \$29.8 million in FY20 compared to \$28.7 million in FY19. Total revenues were \$55.0 million in FY20 compared to \$46.0 million in FY19. Despite sales tax growth, DCTA faces challenges with rising healthcare costs, low interest rates impacting investment earnings, and funding for the increased demand of service expansion. In addition, the changing landscape with consumers migrating to online purchases from the traditional brick and mortar retail stores could impact local sales tax.

In FY20, DCTA advanced several strategic discussions regarding service delivery strategies, innovative services, and the advancement of Mobility as a Service options. In FY21, DCTA will complete Phase One of the Transformation Initiative providing study recommendations to be incorporated into an action plan to implement new mobility options and enhance the passenger experience within stakeholder communities in coordination with the Board of Directors.

### Regional Economy

The Dallas–Fort Worth economic recovery gained momentum at the end of the calendar year. Job growth and decreases in unemployment resulted in strengthened business-cycle indexes. The Federal Reserve Bank of Dallas reported in its February 2021 Economic Indicators Update:

*DFW employment strengthened to an annualized 8.6 percent (25,200 jobs nonannualized) in December, marking the eighth straight month of job gains since the slump in spring 2020... The unemployment rate fell to 6.5 percent in Dallas and 7.1 percent in Fort Worth in December, remaining below Texas' jobless rate of 7.2 percent... When the pandemic hit and shelter-in place orders compelled many businesses to temporarily close their doors in early spring, payrolls plunged broadly; however, workers in high person-to-person contact sectors such as leisure and hospitality and other services bore the brunt of the decline... The recovery has been uneven across sectors as well. At year-end 2020, DFW payrolls in financial services, professional and business services, and trade, transportation and utilities were nearly on par with or slightly above their pre-pandemic February levels. These sectors have benefited from higher demand resulting from the pandemic or have been less impacted because of higher remote-work compatibility. In contrast, head counts in leisure and hospitality and other services remained depressed, down 21.8 percent and 13.7 percent, respectively, from pre-pandemic levels.*

### Population Forecast

North Central Texas is a rapidly growing region whose residents increasingly require a variety of transportation options to serve diverse travel needs. According to the NCTCOG's Mobility 2045 Plan, population for the Dallas-Fort Worth Metropolitan Area is projected to grow from approximately 7.2 million to an estimated 11.2 million by the year 2045. This significant increase in population for North Texas will require a maturing system of roads, public transportation, and bicycle and pedestrian facilities, complemented by local policies and programs to enhance infrastructure investment.

The counties of Collin, Dallas, Denton and Tarrant accounted for 86% of the 16-county population in 2020. The individual population share for Collin and Denton counties within the region has increased since 2010 while the population share for Dallas and Tarrant counties has decreased. Population growth in Denton County is projected to be significant. According to the NCTCOG 2045 Demographic Forecast, the population within Denton County is projected to increase from 901,120 in 2020 to 1,346,314 in 2045, a 49% growth. As Collin and Denton counties continue to grow, DCTA will focus efforts on east/west corridor planning and investments in these areas. The US Census Bureau 2019 American Community Survey estimates that roughly half of individuals who live in Denton County work outside of the county, which highlights the importance of providing transportation links from Denton County to major employment destinations in neighboring counties.

### Long Range Service 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, Highland Village, and Lewisville. 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 provides a roadmap for decision making about transit investments in Denton County over the next 25 years and 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. In FY21, DCTA will continue its transformation initiative which will include Board visioning that will result in a new Long Range Service Plan for the agency.

## **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. The Board of Directors hears and reviews recommendations made by the independent auditors and also guides the annual budget process.

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.

### 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, 2019. 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 tenth 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 as well as the guidance provided by our external auditors.

We would like to thank the members of the DCTA Board of Directors 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,



Raymond Suarez  
President/CEO



Marisa Perry, CPA  
Chief Financial Officer/VP of Finance



Amber Karkauskas, CGFO  
Controller





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Denton County Transportation Authority  
Texas**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

September 30, 2019

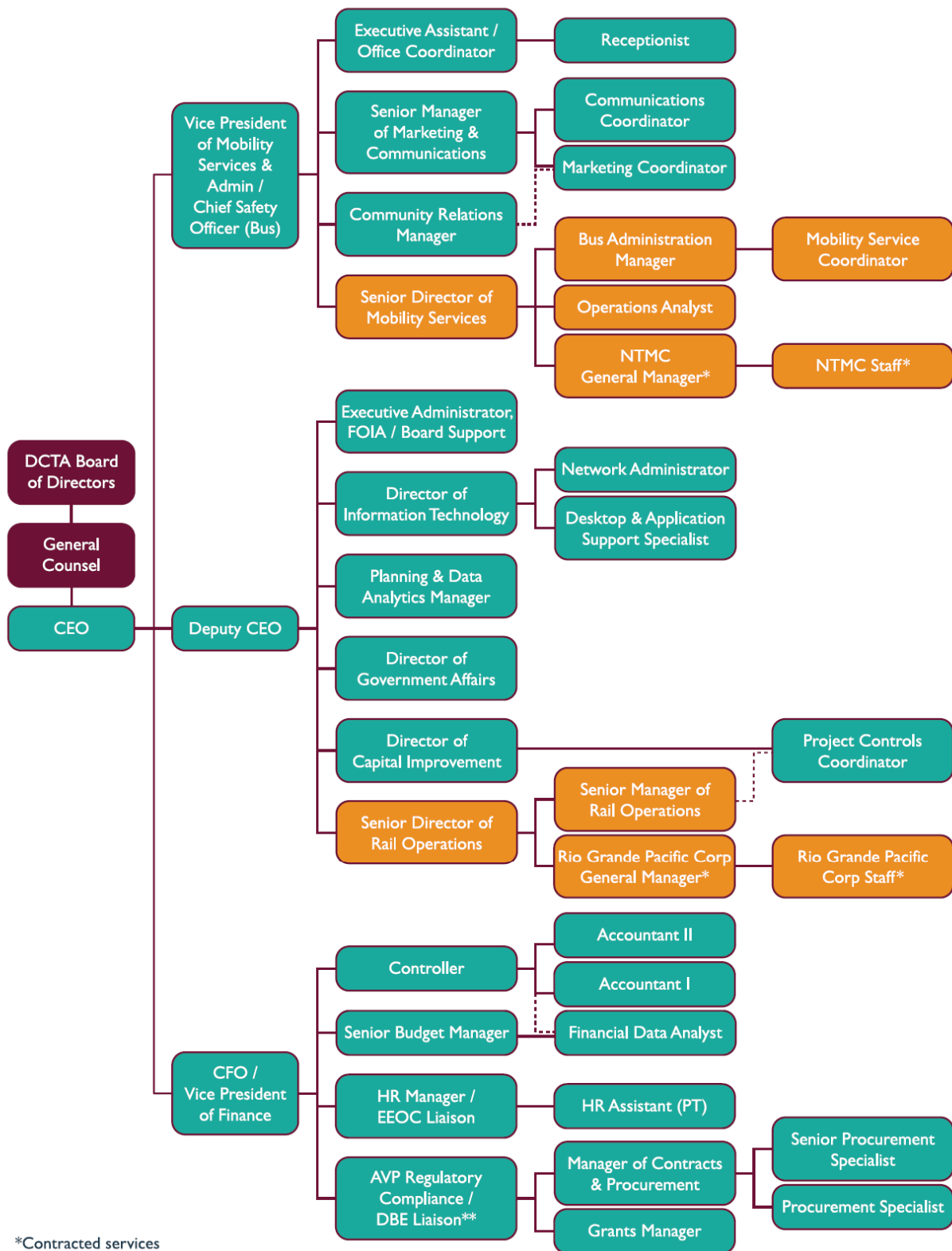
*Christopher P. Morill*

Executive Director/CEO

# Denton County Transportation Authority

## Organizational Chart

September 30, 2020



\*Contracted services

\*\*DBE Liaison has direct access to the CEO on DBE-related matters.  
Reflects changes effective October 31, 2020.

## Denton County Transportation Authority

### List of Principal Officials

September 30, 2020

A Board of Directors composed of 5 voting members representing the county of Denton governs DCTA:

- two members appointed by the Denton County Commissioner's Court;
- three members designated by the municipalities (Cities).

Each Board member serves a term of two years and may be re-appointed. There are no term limits. The Board is responsible for the general policy governance of the DCTA with the President/CEO and DCTA staff responsible for day-to-day management, operations, and implementation of the agency's goals and objectives.

<b>Board Member</b>	<b>Position</b>	<b>Appointed by</b>
Dianne Costa	Chair	City of Highland Village
TJ Gilmore	Vice Chair	City of Lewisville
Sam Burke	Secretary	Denton County Seat 2
Cesar Molina	Member	Denton County Seat 1
Chris Watts	Member	City of Denton

<b>Non – Voting Board Members</b>	<b>Position</b>	<b>Appointed by</b>
Joe Perez	Member	City of The Colony
Mark Miller	Member	Town of Flower Mound
Ron Trees	Member	Town of Little Elm
Connie White	Member	Small Cities
Carter Wilson	Member	City of Frisco
Tom Winterburn	Member	City of Corinth



# FINANCIAL SECTION



## **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 financial statements of financial position of each major fund of Denton County Transportation Authority (the Authority) as of and for the years ended September 30, 2020 and 2019 and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our 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 each major fund of the Authority as of September 30, 2020 and 2019, and the respective changes in financial position and 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 4-10) and Texas County District & Retirement System pension schedules (on pages 41-42) 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 schedules of revenues 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.

The Board of Directors of the  
Denton County Transportation Authority

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2021, 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.*

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
March 2, 2021

## **Denton County Transportation Authority**

### **Management's Discussion And Analysis**

**For the Year Ended September 30, 2020**

**(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, 2020. 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, 2020 and 2019, total assets and deferred outflows of resources of DCTA exceeded total liabilities and deferred inflows of resources by \$341,283,144 and \$327,800,795, respectively. The amount of unrestricted net position as of September 30, 2020 was \$51,304,563 compared to \$34,112,754 in 2019. 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 \$13,482,349 during the current fiscal year compared to an increase of \$1,768,692 in the prior year. The change compared to the prior year is attributable to a \$2.5 million decrease in operating expenses as well as a \$10.2 million increase in operating grants, mainly related to one-time operating assistance reimbursements of funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and rail preventive maintenance reimbursements.
- Net capital assets were \$314.0 million as of September 30, 2020 compared to \$319.6 million as of September 30, 2019. The decrease of \$5.6 million is caused by \$9.6 million of depreciation expense, offset by \$4.0 million of asset additions.

#### **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

For the Year Ended September 30, 2020

(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.

**Statements of Net Position** – The Statements 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.

**Statements of Revenues, Expenses, and Changes in Net Position** – The Statements of Revenues, Expenses, and Changes in Net Position is similar to an income statement. This statement includes operating revenues, such as 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.

**Statements of Cash Flows** – The Statements 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.

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

## Denton County Transportation Authority

### Management's Discussion And Analysis

For the Year Ended September 30, 2020

(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 \$341,283,144 and \$327,800,795 as of September 30, 2020 and 2019, respectively. The largest portion, 85% and 90% in 2020 and 2019, respectively, is net investment in capital assets primarily as a result of the rail line construction and acquisition of rail vehicles. The remaining 15% and 10%, respectively, 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 4.1% or \$13,482,349 during the current fiscal year compared to an increase of 0.54% or \$1,768,692 in the prior year. The increase in net position in the current fiscal year is attributable to a \$16.9 million increase in current assets and a \$2.2 million decrease in liabilities, partially offset by a \$5.5 million decrease in capital assets.

### Condensed Statements of Net Position

	2020	2019	2018
<b>Assets</b>			
Current and other assets	\$ 55,116,935	\$ 38,234,115	\$ 32,631,168
Capital assets	314,045,750	319,554,318	323,437,237
Total Assets	369,162,685	357,788,433	356,068,405
<b>Deferred Outflows of Resources</b>			
Related to TCDRS pension	290,447	369,652	264,899
<b>Liabilities</b>			
Current liabilities	5,894,892	5,940,322	3,999,181
Non-current liabilities	22,205,000	24,369,285	26,231,240
Total Liabilities	28,099,892	30,309,607	30,230,421
<b>Deferred Inflows of Resources</b>			
Related to TCDRS pension	70,096	47,683	70,780
<b>Net Position</b>			
Net investment in capital assets	289,978,581	293,688,041	295,951,495
Unrestricted	51,304,563	34,112,754	30,080,608
Total Net Position	\$ 341,283,144	\$ 327,800,795	\$ 326,032,103

## Denton County Transportation Authority

### Management's Discussion And Analysis

For the Year Ended September 30, 2020

(Unaudited)

**Assets** – During fiscal year 2020, DCTA's total assets increased 3.18% or \$11.4 million from fiscal year 2019. The net increase is attributable to a \$14.5 million increase in cash and investments and a \$2.4 million increase in receivables, offset by a \$5.6 million decrease in capital assets.

Capital Assets, net of depreciation, decreased due to a net \$4.0 million of asset additions for infrastructure acquisition, and the Positive Train Control and A-train Rail Trail projects, offset by \$9.6 million of depreciation and amortization. The capital assets activity for the year is captured in Note 6 (pages 29-30).

**Liabilities** – Current liabilities remained level at \$5.9 million, with minor fluctuations in accounts payable and bonds payable.

DCTA's current ratio, current assets of \$55,116,935 and current liabilities of \$5,894,892, was 9:1 as of September 30, 2020, compared to a ratio of 6:1 as of September 30, 2019.

There was a \$2.2 million decrease in non-current liabilities in 2020 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 9 and Note 10 (pages 34-36).

**Statements of Revenues, Expenses, and Changes in Net Position** – During fiscal year 2020, DCTA's activities resulted in an increase in net position of \$13,482,349 compared to an increase of \$1,768,692 in 2019. The increase in the current fiscal year net position is mainly attributable to a \$2.5 million decrease in operating expenses as well as a \$10.2 million increase in operating grants. The changes in net position for the fiscal years ended September 30, 2020, 2019, and 2018 are shown in the table on the next page.

**Denton County Transportation Authority**  
Management's Discussion And Analysis  
For the Year Ended September 30, 2020  
(Unaudited)

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>OPERATING REVENUES</b>			
Passenger revenue	\$ 833,637	\$ 1,357,691	\$ 1,114,734
Contract services	3,378,826	4,201,278	3,416,001
Other	427,460	210,198	858,648
Total operating revenues	<u>4,639,923</u>	<u>5,769,167</u>	<u>5,389,383</u>
<b>OPERATING EXPENSES</b>			
Salaries, wages and benefits	11,609,934	12,367,693	11,137,613
Outsourced services and charges	4,884,281	6,202,321	4,348,623
Materials and supplies	1,922,266	2,445,770	2,508,020
Purchased transportation services	10,091,453	9,755,585	8,980,451
Utilities	431,838	445,809	439,476
Insurance	1,783,994	1,697,189	1,707,909
Leases and rentals	226,632	221,903	213,497
Employee development	185,783	281,968	274,072
Depreciation	9,558,814	9,813,483	10,202,356
Total operating expenses	<u>40,694,995</u>	<u>43,231,721</u>	<u>39,812,017</u>
Operating loss	<u>(36,055,072)</u>	<u>(37,462,554)</u>	<u>(34,422,634)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Sales tax revenue	29,817,365	28,735,383	27,937,707
Transit system operating assistance grants	16,843,203	6,664,660	5,484,450
Investment income	320,793	597,793	350,924
Interest expense	(909,134)	(972,668)	(1,040,263)
Gain (loss) on disposal of assets	(7,482)	18,301	2,340
Total non-operating revenue (expenses)	<u>46,064,745</u>	<u>35,043,469</u>	<u>32,735,158</u>
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS/TRANSFERS</b>	<u>10,009,673</u>	<u>(2,419,085)</u>	<u>(1,687,476)</u>
<b>GRANTS FOR CAPITAL IMPROVEMENTS</b>	<u>3,472,676</u>	<u>4,187,777</u>	<u>1,631,747</u>
<b>TRANSFERS</b>			
Transfers in	7,555,427	2,760,302	-
Transfers out	<u>(7,555,427)</u>	<u>(2,760,302)</u>	<u>-</u>
Change in net position	13,482,349	1,768,692	(55,729)
<b>NET POSITION, beginning of year</b>	<u>327,800,795</u>	<u>326,032,103</u>	<u>326,087,832</u>
<b>NET POSITION, end of year</b>	<u>\$ 341,283,144</u>	<u>\$ 327,800,795</u>	<u>\$ 326,032,103</u>

## **Denton County Transportation Authority**

### **Management's Discussion And Analysis**

For the Year Ended September 30, 2020

(Unaudited)

#### **Operating Revenues**

**Passenger Revenue** – The 2020 passenger revenues decreased 39% or \$524k from 2019 due primarily to a 45% decrease in system ridership in light of the COVID-19 pandemic, stay-at-home orders, and mandatory closures of non-essential businesses. This impact was common for all public transportation as officials encouraged people to stay home and encouraged employers to allow telecommuting.

**Contract Service** – The 2020 contract service revenues decreased 20% or \$822k from the prior year. DCTA provides service for University of North Texas (UNT) and North Central Texas College (NCTC) as well as the City of Frisco and the McKinney Urban Transit District (MUTD). These contracts include a combination of DCTA-provided service as well as Lyft and taxi services which are billed as pass-through costs with an associated administrative fee. Contract service revenue decreased due to reductions in service hours and decreased usage of Lyft and taxi services because of the COVID-19 pandemic.

#### **Operating Expenses**

**Operating Expenses** – The 2020 operating expenses decreased 6% or \$2.5 million from 2019. Salaries and benefits decreased \$758k due to an administrative staff reduction in force and bus service reductions implemented in response to reduced ridership. Expenses for outsourced services decreased \$1.3 million mainly due to a \$982k rail service impact fee incurred in FY19 and rail maintenance projects completed during FY19 that did not recur in FY20. Expenses for materials and supplies decreased \$524k due to reductions in the price and usage of fuel. FY20 fuel prices averaged \$1.73 for rail and \$1.81 for bus compared to an average \$2.18 for rail and \$2.28 for bus in FY19. Fuel usage in FY20 was roughly 20% less than in FY19 due to reduced service levels implemented system-wide.

The 2020 depreciation expense decreased 3% or \$255k from the prior year. This decrease is mainly associated with vehicles and rail equipment that became fully depreciated during the year, partially offset by increased depreciation on the A-Train Rail Trail project completed in FY20.

#### **Non-operating Revenues and Expenses**

**Sales Tax Revenue** – The 2020 sales tax revenue increased 4% or \$1.1 million over 2019. DCTA collects one-half percent sales and use tax in the member cities of Denton, Highland Village, and Lewisville. DCTA's member cities continued to experience growth in sales tax revenues and this growth has been mirrored with DCTA's sales tax revenues as well, despite concerns about the economic impact of COVID-19.

**Capital Grants** – Grants for capital improvements decreased \$715k from the prior year. This decrease is primarily a result of decreased reimbursable expenses related to the A-train Rail Trail project, bus fleet replacement, and Positive Train Control, offset by increased reimbursable expenses related to infrastructure acquisition in Old Town Lewisville.

**Transit System Operating Assistance Grants** – The 2020 federal and state grant revenue increased \$10.2 million over 2019 revenue mainly due to one-time operating assistance reimbursements of funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and larger reimbursements received for rail preventive maintenance.

**Investment Income** – The 2020 investment income was \$321k which is a 46% decrease from the 2019 revenue amount. The average yield to maturity decreased during the fiscal year from 2.06% in FY19 to 0.27% in FY20, as interest rates plummeted in response to the COVID-19 pandemic. DCTA continues to build up reserve funds in accordance with the Board's reserve policy and is focused on diversifying and laddering its investment portfolio to improve yield on investments.

## **Denton County Transportation Authority**

Management's Discussion And Analysis

For the Year Ended September 30, 2020

(Unaudited)

### **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.

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 the federally-mandated PTC project. 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.

The 2009 bonds were refunded in November 2020 to reduce annual debt service requirements and create additional debt service capacity, offering flexibility for future capital projects or expansion goals.

### **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, 2020**

	<b>DCTA</b>	<b>NTMC</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 38,506,232	\$ 407,390	\$ 38,913,622
Restricted cash and cash equivalents	849,787	-	849,787
Investments	5,064,346	-	5,064,346
Receivables	10,064,071	863	10,064,934
Prepaid expenses	194,441	-	194,441
Inventories	29,805	-	29,805
Total current assets	54,708,682	408,253	55,116,935
Noncurrent assets:			
Land and construction in progress	37,408,478	-	37,408,478
Other capital assets, net of accumulated depreciation/amortization	276,611,283	-	276,611,283
Net pension asset	25,989	-	25,989
Total noncurrent assets	314,045,750	-	314,045,750
<b>TOTAL ASSETS</b>	<b>368,754,432</b>	<b>408,253</b>	<b>369,162,685</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to TCDRS pension	290,447	-	290,447
Total deferred outflows of resources	290,447	-	290,447
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	2,754,145	408,253	3,162,398
Retainage payable	621,036	-	621,036
Unearned revenue	56,458	-	56,458
Easement obligation- current portion	100,000	-	100,000
Bonds payable-current portion	1,955,000	-	1,955,000
Total current liabilities	5,486,639	408,253	5,894,892
Noncurrent liabilities:			
Easement obligation	800,000	-	800,000
Bonds payable	21,405,000	-	21,405,000
Total noncurrent liabilities	22,205,000	-	22,205,000
Total liabilities	27,691,639	408,253	28,099,892
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to TCDRS pension	70,096	-	70,096
Total deferred inflows of resources	70,096	-	70,096
<b>NET POSITION</b>			
Net investment in capital assets	289,978,581	-	289,978,581
Unrestricted	51,304,563	-	51,304,563
<b>TOTAL NET POSITION</b>	<b>\$ 341,283,144</b>	<b>\$ -</b>	<b>\$ 341,283,144</b>

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



**Denton County Transportation Authority**  
**Statements of Net Position**  
**September 30, 2019**

	<b>DCTA</b>	<b>NTMC</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 23,923,017	\$ 363,449	\$ 24,286,466
Restricted cash and cash equivalents	991,248	-	991,248
Investments	5,010,601	-	5,010,601
Receivables	7,628,122	-	7,628,122
Prepaid expenses	269,399	-	269,399
Inventories	48,279	-	48,279
Total current assets	37,870,666	363,449	38,234,115
Noncurrent assets:			
Land and construction in progress	37,930,796	-	37,930,796
Other capital assets, net of accumulated depreciation/amortization	281,623,522	-	281,623,522
Total noncurrent assets	319,554,318	-	319,554,318
<b>TOTAL ASSETS</b>	357,424,984	363,449	357,788,433
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to TCDRS pension	369,652	-	369,652
Total deferred outflows of resources	369,652	-	369,652
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	2,906,785	363,449	3,270,234
Retainage payable	605,405	-	605,405
Unearned revenue	94,683	-	94,683
Easement obligation- current portion	100,000	-	100,000
Bonds payable-current portion	1,870,000	-	1,870,000
Total current liabilities	5,576,873	363,449	5,940,322
Noncurrent liabilities:			
Easement obligation	900,000	-	900,000
Net pension liability	109,285	-	109,285
Bonds payable	23,360,000	-	23,360,000
Total noncurrent liabilities	24,369,285	-	24,369,285
Total liabilities	29,946,158	363,449	30,309,607
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to TCDRS pension	47,683	-	47,683
Total deferred inflows of resources	47,683	-	47,683
<b>NET POSITION</b>			
Net investment in capital assets	293,688,041	-	293,688,041
Unrestricted	34,112,754	-	34,112,754
<b>TOTAL NET POSITION</b>	\$ 327,800,795	\$ -	\$ 327,800,795

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

Year Ended September 30, 2020

	DCTA	NTMC	Total
<b>OPERATING REVENUES</b>			
Passenger revenue	\$ 833,637	\$ -	\$ 833,637
Contract services	3,378,826	-	3,378,826
Other	427,460	-	427,460
Total operating revenues	4,639,923	-	4,639,923
<b>OPERATING EXPENSES</b>			
Salaries, wages and benefits	4,398,509	7,211,425	11,609,934
Outsourced services and charges	4,683,164	201,117	4,884,281
Materials and supplies	1,922,266	-	1,922,266
Purchased transportation services	10,091,453	-	10,091,453
Utilities	431,838	-	431,838
Insurance	1,656,122	127,872	1,783,994
Leases & rentals	226,632	-	226,632
Employee development	170,770	15,013	185,783
	23,580,754	7,555,427	31,136,181
Depreciation and amortization	9,558,814	-	9,558,814
Total operating expenses	33,139,568	7,555,427	40,694,995
<b>NET OPERATING LOSS</b>	(28,499,645)	(7,555,427)	(36,055,072)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Sales tax revenue	29,817,365	-	29,817,365
Transit system operating assistance grants	16,843,203	-	16,843,203
Investment income	320,793	-	320,793
Interest expense	(909,134)	-	(909,134)
Gain (loss) on disposal of assets	(7,482)	-	(7,482)
Total non-operating revenue (expenses)	46,064,745	-	46,064,745
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS/TRANSFERS</b>	17,565,100	(7,555,427)	10,009,673
<b>GRANTS FOR CAPITAL IMPROVEMENTS</b>	3,472,676	-	3,472,676
<b>TRANSFERS</b>			
Transfers in	-	7,555,427	7,555,427
Transfers out	(7,555,427)	-	(7,555,427)
Change in net position	13,482,349	-	13,482,349
<b>NET POSITION, beginning of year</b>	327,800,795	-	327,800,795
<b>NET POSITION, end of year</b>	\$ 341,283,144	\$ -	\$ 341,283,144

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

Year Ended September 30, 2019

	DCTA	NTMC	Total
<b>OPERATING REVENUES</b>			
Passenger revenue	\$ 1,357,691	\$ -	\$ 1,357,691
Contract services	4,201,278	-	4,201,278
Other	210,198	-	210,198
Total operating revenues	5,769,167	-	5,769,167
<b>OPERATING EXPENSES</b>			
Salaries, wages and benefits	9,681,725	2,685,968	12,367,693
Outsourced services and charges	6,173,872	28,449	6,202,321
Materials and supplies	2,445,770	-	2,445,770
Purchased transportation services	9,755,585	-	9,755,585
Utilities	445,809	-	445,809
Insurance	1,655,084	42,105	1,697,189
Leases & rentals	221,903	-	221,903
Employee development	278,188	3,780	281,968
	30,657,936	2,760,302	33,418,238
Depreciation and amortization	9,813,483	-	9,813,483
Total operating expenses	40,471,419	2,760,302	43,231,721
<b>NET OPERATING LOSS</b>	(34,702,252)	(2,760,302)	(37,462,554)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Sales tax revenue	28,735,383	-	28,735,383
Transit system operating assistance grants	6,664,660	-	6,664,660
Investment income	597,793	-	597,793
Interest expense	(972,668)	-	(972,668)
Gain (loss) on disposal of assets	18,301	-	18,301
Total non-operating revenue (expenses)	35,043,469	-	35,043,469
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS</b>	341,217	(2,760,302)	(2,419,085)
<b>GRANTS FOR CAPITAL IMPROVEMENTS</b>	4,187,777	-	4,187,777
<b>TRANSFERS</b>			
Transfers in	-	2,760,302	2,760,302
Transfers out	(2,760,302)	-	(2,760,302)
Change in net position	1,768,692	-	1,768,692
<b>NET POSITION, beginning of year, as restated</b>	326,032,103	-	326,032,103
<b>NET POSITION, end of year</b>	\$ 327,800,795	\$ -	\$ 327,800,795

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

**Denton County Transportation Authority**  
**Statements of Cash Flows**  
**Year Ended September 30, 2020**

	<b>DCTA</b>	<b>NTMC</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 5,345,808	\$ (863)	\$ 5,344,945
Payments to suppliers	(19,316,800)	(310,383)	(19,627,183)
Payments to employees	(4,356,818)	(7,200,240)	(11,557,058)
Net cash used by operating activities	(18,327,810)	(7,511,486)	(25,839,296)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Sales tax received	29,259,386	-	29,259,386
Operating grant reimbursements	14,212,860	-	14,212,860
Transfers in	-	7,555,427	7,555,427
Transfers out	(7,555,427)	-	(7,555,427)
Net cash provided by non-capital financing activities	35,916,819	7,555,427	43,472,246
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Contributions and grants for capital improvements	3,480,939	-	3,480,939
Principal paid on bonds	(1,870,000)	-	(1,870,000)
Acquisition and construction of capital assets	(4,184,232)	-	(4,184,232)
Proceeds from sale of capital improvements	68,124	-	68,124
Interest paid on bonds	(909,134)	-	(909,134)
Net cash used by capital and related financing activities	(3,414,303)	-	(3,414,303)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investment securities	(5,053,745)	-	(5,053,745)
Interest received on investments	320,793	-	320,793
Proceeds from sale of investments	5,000,000	-	5,000,000
Net cash provided by investing activities	267,048	-	267,048
Net increase in cash and cash equivalents	14,441,754	43,941	14,485,695
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>24,914,265</b>	<b>363,449</b>	<b>25,277,714</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 39,356,019</b>	<b>\$ 407,390</b>	<b>\$ 39,763,409</b>

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

**Denton County Transportation Authority**  
**Statements of Cash Flows – Continued**  
**Year Ended September 30, 2020**

	<u>DCTA</u>	<u>NTMC</u>	<u>Total</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET</b>			
<b>CASH USED BY OPERATING ACTIVITIES</b>			
Operating loss	\$ (28,499,645)	\$ (7,555,427)	\$ (36,055,072)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation and amortization expense	9,558,814	-	9,558,814
Change in operating assets and liabilities:			
Operating accounts receivable	744,110	(863)	743,247
Prepaid expenses	74,958	-	74,958
Fuel inventory	18,474	-	18,474
Deferred outflows of resources related to TCDRS pension	79,205	-	79,205
Operating accounts payable	(227,987)	33,619	(194,368)
Accrued payroll and payroll related items	75,347	11,185	86,532
Unearned revenue	(38,225)	-	(38,225)
Deferred inflows of resources related to TCDRS pension	22,413	-	22,413
Net pension liability (asset)	(135,274)	-	(135,274)
Net cash used by operating activities	<u>\$ (18,327,810)</u>	<u>\$ (7,511,486)</u>	<u>\$ (25,839,296)</u>
<b>RECONCILIATION OF CASH AND CASH</b>			
<b>EQUIVALENTS TO STATEMENTS OF NET POSITION</b>			
Cash and cash equivalents	\$ 38,506,232	\$ 407,390	\$ 38,913,622
Restricted cash	849,787	-	849,787
	<u>\$ 39,356,019</u>	<u>\$ 407,390</u>	<u>\$ 39,763,409</u>

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

**Denton County Transportation Authority**  
**Statements of Cash Flows**  
**Year Ended September 30, 2019**

	<b>DCTA</b>	<b>NTMC</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 5,075,250	\$ -	\$ 5,075,250
Payments to suppliers	(19,383,743)	(69,686)	(19,453,429)
Payments to employees	(10,027,697)	(2,327,167)	(12,354,864)
Net cash used by operating activities	(24,336,190)	(2,396,853)	(26,733,043)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Sales tax received	28,685,878	-	28,685,878
Operating grant reimbursements	7,236,213	-	7,236,213
Transfers in	-	2,760,302	2,760,302
Transfers out	(2,760,302)	-	(2,760,302)
Net cash provided by non-capital financing activities	33,161,789	2,760,302	35,922,091
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Contributions and grants for capital improvements	3,375,829	-	3,375,829
Principal paid on bonds	(1,790,000)	-	(1,790,000)
Acquisition and construction of capital assets	(6,013,949)	-	(6,013,949)
Proceeds from sale of capital improvements	18,301	-	18,301
Interest paid on bonds	(972,668)	-	(972,668)
Net cash used by capital and related financing activities	(5,382,487)	-	(5,382,487)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investment securities	(5,549,476)	-	(5,549,476)
Interest received on investments	597,793	-	597,793
Proceeds from sale of investments	4,500,000	-	4,500,000
Net cash used by investing activities	(451,683)	-	(451,683)
Net increase in cash and cash equivalents	2,991,429	363,449	3,354,878
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>21,922,836</b>	<b>-</b>	<b>21,922,836</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 24,914,265</b>	<b>\$ 363,449</b>	<b>\$ 25,277,714</b>

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

**Denton County Transportation Authority**  
**Statements of Cash Flows – Continued**  
**Year Ended September 30, 2019**

	<u>DCTA</u>	<u>NTMC</u>	<u>Total</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET</b>			
<b>CASH USED BY OPERATING ACTIVITIES</b>			
Operating loss	\$ (34,702,252)	\$ (2,760,302)	\$ (37,462,554)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation and amortization expense	9,813,483	-	9,813,483
Change in operating assets and liabilities:			
Operating accounts receivable	(730,400)	-	(730,400)
Prepaid expenses	(166,441)	-	(166,441)
Fuel inventory	(11,852)	-	(11,852)
Deferred outflows of resources related to TCDRS pension	(104,753)	-	(104,753)
Operating accounts payable	1,770,761	4,648	1,775,409
Accrued payroll and payroll related items	(326,167)	358,801	32,634
Unearned revenue	36,483	-	36,483
Deferred inflows of resources related to TCDRS pension	(23,097)	-	(23,097)
Net pension liability	108,045	-	108,045
Net cash used by operating activities	<u>\$ (24,336,190)</u>	<u>\$ (2,396,853)</u>	<u>\$ (26,733,043)</u>
<b>RECONCILIATION OF CASH AND CASH</b>			
<b>EQUIVALENTS TO STATEMENTS OF NET POSITION</b>			
Cash and cash equivalents	\$ 23,923,017	\$ 363,449	\$ 24,286,466
Restricted cash	<u>991,248</u>	<u>-</u>	<u>991,248</u>
	<u>\$ 24,914,265</u>	<u>\$ 363,449</u>	<u>\$ 25,277,714</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, 2020, 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 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, consists of voting and non-voting members. As of September 30, 2020, the Board was composed of:

1. One voting member appointed by the governing body of each of the following cities; Denton, Highland Village, and Lewisville;
2. Two voting members appointed by the Denton County Commissioner's Court;
3. Six non-voting members to be designated by the remaining Denton County cities.

The following blended component unit is included in the accompanying financial statements. Blended component units, although legally separate entities, are in substance, part of the Authority's operations.

North Texas Mobility Corporation (NTMC) was incorporated on April 1, 2019, and is governed by a five-member board appointed by the Authority's Board of Directors. Although it is a legally separate entity, NTMC is reported as if it were part of the Authority because its sole purpose is to manage and operate transit services for the Authority. Separate financial statements are not available.

#### **Fund Accounting**

The fund financial statements provide reports on the financial condition and results of operations for the two funds of the Authority. The Authority considers both funds major and reports their financial condition and results of operations in a separate column.

The Authority reports the following major proprietary funds:

- DCTA is the primary operating fund of the Authority. This fund is used to account for all financial resources of the government, except those required to be accounted for in NTMC. All tax revenues and other receipts are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs not paid through NTMC are paid from DCTA.
- NTMC is a blended component unit. This fund is used to account for all employee-related operations associated with bus services.



## **Denton County Transportation Authority**

### **Notes to Financial Statements**

#### **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.

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 2020 and 2019 are for the fiscal years ended September 30, 2020 and 2019.

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.

#### **Restricted Assets**

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

**Denton County Transportation Authority**  
Notes to Financial Statements

**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. Facilities or equipment with a useful life of at least one year, which are eligible for capital assistance, and paid for with grant funding.

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

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.

## Denton County Transportation Authority

### Notes to Financial Statements

#### 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 during fiscal years 2020 and 2019 to provide transportation for faculty, staff, and students 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, 2020 and 2019, the Authority has received \$56,458 and \$94,683 in advance payments respectively.

#### Net Position

Net Position 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, the City of Frisco, the McKinney Urban Transit District, the City of Coppell, and partners with Trinity Metro on the North Texas Xpress. The contract with NCTC expired July 31, 2020.

#### 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**

#### **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 TCDRS. 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 TCDRS through a report prepared for the Authority by TCDRS 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.

#### **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 for DCTA and NTMC consistent with accounting principles generally accepted in the United States of America. Annual proposed operating and capital budgets are prepared by management, presented to Denton County residents at public meetings, and reviewed by the Board of Directors prior to adoption of the final budget in September. The operating and capital budgets follow the same preparation and review cycle.

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

## Denton County Transportation Authority

### Notes to Financial Statements

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 may be authorized by the Authority President/CEO and reported to the Board. The Board of Directors monitors, reviews, and accepts the monthly and year to date unaudited financial statements with budget comparisons and explanations of material variances.

#### Note 3. Service Agreements

From October 1, 2014 to June 2, 2019, the Authority maintained a management contract with First Transit, Inc. as an independent contractor to manage the operation of the Authority's bus operations and maintenance in the Denton County urban area. Under the direction of the Authority's staff and guidance of its policy, First Transit, Inc. provided 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. The management contract was terminated on June 2, 2019.

On October 1, 2016, DCTA entered into a contract with First Transit Inc. for rail operations and maintenance. 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.

#### 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 Depositary 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, 2020 and 2019, the reserves are as follows:

	2020	2019
Operating reserve	\$ 8,069,817	\$ 8,487,437
Sales tax stabilization	804,161	853,505
Fuel stabilization	450,000	450,000
Capital/infrastructure	4,000,000	4,000,000

## Denton County Transportation Authority

### Notes to Financial Statements

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

	September 30, 2020	September 30, 2019
Cash and cash equivalents		
Demand deposits	\$ 73,632	\$ 47,703
Sweep repurchase agreements	244,916	69,571
Money market account	839,856	969,128
TexSTAR	38,605,005	24,191,312
	<u>39,763,409</u>	<u>25,277,714</u>
Investments		
U.S. Treasury Notes	1,012,070	-
FHLB	4,052,276	2,510,221
FHLMC	-	2,500,380
	<u>\$ 44,827,755</u>	<u>\$ 30,288,315</u>
Reconciliation		
Cash and cash equivalents	\$ 38,913,622	\$ 24,286,466
Restricted cash and cash equivalents	849,787	991,248
Investments	5,064,346	5,010,601
	<u>\$ 44,827,755</u>	<u>\$ 30,288,315</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.

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 HilltopSecurities and J.P. Investment Management, Inc. TexSTAR is a local government investment pool created under the Interlocal 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.

# Denton County Transportation Authority

## Notes to Financial Statements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted for identical assets or liabilities in active markets that a government can access at the measurement date)
- Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for an asset or liability

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The Authority has recurring fair value measurements as presented in the table below. The Authority's investment balances and weighted average maturity of such investments are as follows:

	September 30, 2020	Quoted Prices of Investments in Active Markets Level 1	Quoted Prices of Similar Investments in Active Markets/Quoted Prices of Identical Investments in Inactive Markets Level 2	Unobservable Inputs Level 3	Weighted Average Maturity Days	Standard & Poor's Credit Rating
Cash and Cash Equivalents:						
Bank Deposits	\$ 1,158,404	\$ -	\$ -	\$ -	N/A	N/A
Investments not subject to Fair Value						
Investment Pools:						
TexStar	38,605,005	-	-	-	1 day	AAAm
Investments by Fair Value Level:						
U.S. Government Agency Securities:						
FHLB	4,052,276	-	4,052,276	-	254 days	AA+
U.S. Treasury Notes	1,012,070	-	1,012,070	-	197 days	AAA
<b>Total</b>	<b>\$ 44,827,755</b>	<b>\$ -</b>	<b>\$ 5,064,346</b>	<b>\$ -</b>		

	September 30, 2019	Quoted Prices of Investments in Active Markets Level 1	Quoted Prices of Similar Investments in Active Markets/Quoted Prices of Identical Investments in Inactive Markets Level 2	Unobservable Inputs Level 3	Weighted Average Maturity Days	Standard & Poor's Credit Rating
Cash and Cash Equivalents:						
Bank Deposits	\$ 1,086,402	\$ -	\$ -	\$ -	N/A	N/A
Investments not subject to Fair Value						
Investment Pools:						
TexStar	24,191,312	-	-	-	1 day	AAAm
Investments by Fair Value Level:						
U.S. Government Agency Securities:						
FHLB	2,510,221	-	2,510,221	-	344 days	AA+
FHLMC	2,500,380	-	2,500,380	-	263 days	AA+
<b>Total</b>	<b>\$ 30,288,315</b>	<b>\$ -</b>	<b>\$ 5,010,601</b>	<b>\$ -</b>		

## Denton County Transportation Authority

### Notes to Financial Statements

Investment Pools are measured at amortized cost or net asset value and are exempt from fair value reporting. The Authority has no unfunded commitments related to the investment pools.

TexSTAR is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by Hilltop Securities, Inc. and J.P. Morgan Investment Management, Inc. (JPMIM), and managed by JPMIM, who provides custody and investment management. The primary objectives of TexSTAR are, in order of priority, preservation and protection of principal, maintenance of sufficient liquidity to meet Participants' needs, and yield. The portfolio will maintain a dollar-weighted average maturity that does not exceed 60 days and seeks to maintain a net asset value of \$1.00 per share. TexSTAR may invest in securities including: obligations of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; other obligations which are unconditionally guaranteed or insured by the U.S.; fully collateralized repurchase agreements with a defined termination date and unconditionally guaranteed or insured by the U.S. or its agencies and instrumentalities; and SEC-registered no-load money-market fund which meet the requirements of the Public Funds Investment Act. The investment pool has a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

As of September 30, 2020, the Authority utilized the recurring fair value measurements for U.S. Government Agency Securities of \$4,052,276 and U.S. Treasury Notes of \$1,012,070, and U.S. Government Agency Securities of \$5,010,601, as of September 30, 2019, valued using quoted prices for similar assets in active markets (Level 2).

#### Note 5. Receivables

Receivables at September 30, 2020 and 2019 consisted of the following:

	2020	2019
Operating:		
Ticket, token and other receivables	\$ 755,056	\$ 1,498,303
Sales tax	5,422,458	4,864,479
Grants receivable	3,887,420	1,265,340
<b>Total</b>	<b>\$ 10,064,934</b>	<b>\$ 7,628,122</b>



# Denton County Transportation Authority

## Notes to Financial Statements

### Note 6. Capital Assets

Changes in capital assets for the fiscal years ended September 30, 2020 and 2019 are:

	Balance, September 30, 2019	Increases	Decreases	Transfers	Balance, September 30, 2020
Capital assets, not being depreciated:					
Land	\$ 17,394,147	\$ -	\$ -	\$ -	\$ 17,394,147
Construction in progress	20,536,649	4,064,163	-	(4,586,481)	20,014,331
Total capital assets not being depreciated	37,930,796	4,064,163	-	(4,586,481)	37,408,478
Capital assets, being depreciated/amortized:					
Rail system	283,178,861	-	-	-	283,178,861
Land improvements	9,017,865	-	-	3,148,918	12,166,783
Vehicles and operating equipment	12,698,163	-	(113,411)	-	12,584,752
Office furniture and equipment	5,567,482	35,700	(5,328)	1,437,563	7,035,417
Facilities	31,760,649	-	-	-	31,760,649
Easement	16,997,155	-	-	-	16,997,155
Total capital assets being depreciated/amortized	359,220,175	35,700	(118,739)	4,586,481	363,723,617
Less accumulated depreciation/amortization for:					
Rail system	49,779,910	6,330,776	-	-	56,110,686
Land improvements	2,327,927	460,377	-	-	2,788,304
Vehicles and operating equipment	8,513,300	714,535	(37,804)	-	9,190,031
Office furniture and equipment	4,148,347	497,779	(5,329)	-	4,640,797
Facilities	4,895,163	705,490	-	-	5,600,653
Easement	7,932,006	849,857	-	-	8,781,863
Total accumulated depreciation	77,596,653	9,558,814	(43,133)	-	87,112,334
Total capital assets, being depreciated, net	281,623,522	(9,523,114)	-	4,586,481	276,611,283
<b>Total capital assets, net</b>	<b>\$ 319,554,318</b>	<b>\$ (5,458,951)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 314,019,761</b>
	Balance September 30, 2018	Increases	Decreases	Transfers	Balance September 30, 2019
Capital assets, not being depreciated:					
Land	\$ 17,394,147	\$ -	\$ -	\$ -	\$ 17,394,147
Construction in progress	18,251,850	5,856,784	-	(3,571,985)	20,536,649
Total capital assets not being depreciated	35,645,997	5,856,784	-	(3,571,985)	37,930,796
Capital assets, being depreciated/amortized					
Rail system	283,178,861	-	-	-	283,178,861
Land improvements	6,874,492	-	-	2,143,373	9,017,865
Vehicles and operating equipment	11,444,904	-	(107,675)	1,360,934	12,698,163
Office furniture and equipment	5,426,024	73,780	-	67,678	5,567,482
Facilities	31,760,649	-	-	-	31,760,649
Easement	16,997,155	-	-	-	16,997,155
Total capital assets being depreciated/amortized	355,682,085	73,780	(107,675)	3,571,985	359,220,175
Less accumulated depreciation/amortization for					
Rail system	43,449,134	6,330,776	-	-	49,779,910
Land improvements	1,965,624	362,303	-	-	2,327,927
Vehicles and operating equipment	7,779,318	841,657	(107,675)	-	8,513,300
Office furniture and equipment	3,424,947	723,400	-	-	4,148,347
Facilities	4,189,674	705,489	-	-	4,895,163
Easement	7,082,148	849,858	-	-	7,932,006
Total accumulated depreciation	67,890,845	9,813,483	(107,675)	-	77,596,653
Total capital assets, being depreciated, net	287,791,240	(9,739,703)	-	3,571,985	281,623,522
<b>Total capital assets, net</b>	<b>\$ 323,437,237</b>	<b>\$ (3,882,919)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 319,554,318</b>

## Denton County Transportation Authority

### Notes to Financial Statements

Primary capital asset expenditures in 2020 and 2019 relate to the construction of the A-train Rail Trail project, 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, 2020, \$16,050,000 had been paid to the Dallas Area Rapid Transit (DART). The remaining payments of \$900,000 will be paid in annual payments until the contract expires (See Note 10). 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, 2020 and 2019.

#### **Note 7. Interfund Transfers**

Interfund transfers are payments between funds that are designed to cover various operating and overhead expenses and to allocate charges for services performed by one fund on behalf of another fund. The transfers from DCTA to NTMC were \$7,555,427 and \$2,760,302 for the years ended September 30, 2020 and 2019, respectively.

#### **Note 8. 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.

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 nearly 800 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 years 2020 and 2019, the Authority made contributions of 6.31% and 6.27%, respectively.

## Denton County Transportation Authority

### Notes to Financial Statements

#### Employees covered by Benefit terms:

At December 31, 2019 valuation and investment date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	24
Active employees	42
<b>Total</b>	<b>67</b>

Actuarial Assumptions: The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Real rate of return	5.25%
Inflation	2.75%
Investment Rate of Return	8.00% per year

The assumed long-term investment return of 8% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

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 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

The actuarial assumptions that determined the total pension liability as of December 31, 2019 were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 68. Mortality for depositing members is based on 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014; for service retirees, beneficiaries and non-depositing members is based on the 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014; and for disabled members is based on the 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

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 shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on April 2020 information for a 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 2017.

## Denton County Transportation Authority

### Notes to Financial Statements

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%	5.20%
Private Equity	20.0%	8.20%
Global Equities	2.5%	5.50%
International Equities-Developed	7.0%	5.20%
International Equities-Emerging	7.0%	5.70%
Investment-Grade Bonds	3.0%	-0.20%
Strategic Credit	12.0%	3.14%
Direct Lending	11.0%	7.16%
Distressed Debt	4.0%	6.90%
REIT Equities	3.0%	4.50%
Master Limited Partnerships	2.0%	8.40%
Private Real Estate Partnerships	6.0%	5.50%
Hedge Funds	8.0%	2.30%
<b>Total</b>	<b>100.0%</b>	

**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.

# Denton County Transportation Authority

## Notes to Financial Statements

### Changes in Net Pension Liability (Asset):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at December 31, 2018	\$ 1,861,885	\$ 1,752,600	\$ 109,285
Changes for the year:			
Service cost	296,238	-	296,238
Interest on total pension liability	174,468	-	174,468
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	51,919	-	51,919
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(5,920)	(5,920)	-
Benefit payments	(2,630)	(2,630)	-
Administrative expenses	-	(1,830)	1,830
Member contributions	-	159,880	(159,880)
Net investment income	-	287,455	(287,455)
Employer contributions	-	200,030	(200,030)
Other	-	12,364	(12,364)
<b>Balance at December 31, 2019</b>	<b>\$ 2,375,960</b>	<b>\$ 2,401,949</b>	<b>\$ (25,989)</b>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate: The following presents the net pension liability (asset) of the Authority, calculated using the discount rate of 8.10%, as well as what the Authority's net pension liability (asset) 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	\$ 2,784,560	\$ 2,375,960	\$ 2,041,578
Fiduciary net pension	2,401,949	2,401,949	2,401,949
<b>Net pension liability (asset)</b>	<b>\$ 382,611</b>	<b>\$ (25,989)</b>	<b>\$ (360,371)</b>

## Denton County Transportation Authority

### Notes to Financial Statements

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

For the years ended September 30, 2020 and 2019, the Authority recognized pension expense of \$172,966 and \$168,678, respectively.

At September 30, 2020, 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	\$ 35,762	\$ 127,473
Changes in actuarial assumptions	-	8,061
Difference between projected and actual investment earnings	34,334	-
Contributions subsequent to the measurement date	-	154,913
<b>Total</b>	<b>\$ 70,096</b>	<b>\$ 290,447</b>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$154,913 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2020 (i.e. recognized in the Authority's financial statements September 30, 2021). 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
2020	\$ 15,777
2021	13,204
2022	14,207
2023	(6,986)
2024	19,236
Thereafter	10,000
<b>Total</b>	<b>\$ 65,438</b>

#### Note 9. 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.

## Denton County Transportation Authority

### Notes to Financial Statements

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
2021	\$ 1,955,000	\$ 840,861	\$ 2,795,861
2022	2,035,000	769,307	2,804,307
2023	2,125,000	694,818	2,819,818
2024	2,220,000	617,083	2,837,083
2025	2,320,000	535,944	2,855,944
2026-2030	11,490,000	1,333,551	12,823,551
2031	1,215,000	38,030	1,253,030
<b>Total requirements</b>	<b>\$ 23,360,000</b>	<b>\$ 4,829,593</b>	<b>\$ 28,189,593</b>

The following is a summary of changes in bonds payable of the Authority for the year ended September 30, 2020:

Balance at October 1, 2019	\$ 25,230,000
Additions	-
Reductions	(1,870,000)
<b>Balance at September 30, 2020</b>	<b>\$ 23,360,000</b>

The current portion of bonds payable is \$1,955,000 as of September 30, 2020. 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% and 3.99%.

No interest was capitalized during the years ended September 30, 2020 and 2019.

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, 2020 and 2019, the Authority was in compliance with this requirement.

## Denton County Transportation Authority

### Notes to Financial Statements

#### Note 10. 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
2021	\$ 100,000
2022	100,000
2023	100,000
2024	100,000
2025	100,000
2026-2029	400,000
<b>Total requirements</b>	<b>\$ 900,000</b>

The current portion of the easement obligation is \$100,000 as of September 30, 2020 and 2019.

#### Note 11. 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 2020 and 2019 based on premiums charged so that total contributions plus earnings on the contributions will be sufficient to satisfy claims and liabilities.

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. Real and personal property coverage has 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; and
- 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.



## Denton County Transportation Authority

### Notes to Financial Statements

The Authority has a government crime policy with TML-IRP insuring against forgery and computer fraud up to \$1,000,000 in the aggregate. For the years ended September 30, 2020 and 2019, the Authority has not incurred any losses under this plan.

In addition to the coverages provided by TML-IRP, the Authority 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 the Authority's passenger rail vehicles. Mid-Continent Casualty Company is the insurance provider with the following coverages: \$1,000,000 each Pollution Incident for bodily injury, property damage and claim handling, \$2,000,000 Annual Aggregate, \$5,000 deductible.

The Authority'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 self-insured retention and claims handling including defense costs. Prior to securing its own rail liability insurance coverage in October 2016, this coverage was provided via shared policy with DART and Trinity Metro which carried the Authority as an additional insured with the Authority sharing in the cost of the annual premium.

### Litigation

The Authority has no pending lawsuits as of September 30, 2020.

### 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, 2020, the Authority has the following outstanding commitments for large scale projects:

Rail purchased transportation services	\$	74,417,327
"Spirit of Independence" shuttle buses		1,060,137
Positive train control system implementation		621,036
		<hr/>
	\$	76,098,500
		<hr/>

## Denton County Transportation Authority

### Notes to Financial Statements

#### 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 2022. The total lease expense was \$321,903 for 2020 and \$321,903 for 2019. The lease payments by year are as follows:

	2021	2022	Total
Lease commitments			
Administration offices	\$ 117,846	\$ 119,747	\$ 237,593
Total lease commitments	\$ 117,846	\$ 119,747	\$ 237,593

#### 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 12. New Accounting Pronouncements

The GASB pronouncements effective in fiscal year 2020 and 2021 are listed as follows:

The GASB issued Statement No. 84: Fiduciary Activities, which will be effective for periods beginning after December 15, 2019. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This standard becomes effective for the Authority in fiscal year 2021. The Authority has not yet determined the impact of this statement.

The GASB issued Statement No. 90: Majority Equity Interests – an Amendment to GASB Statements No. 14 and No. 61. Statement 90 which will be effective for periods beginning after December 15, 2019. The primary objectives of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statements information for certain component units. The Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. This standard will become effective for the Authority in fiscal year 2021. 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 13. Subsequent Events**

The Authority has evaluated all events and transactions that occurred after September 30, 2020 through March 2, 2021, the date the financial statements were issued.

#### **COVID-19**

The extent of the operational and financial impact the COVID-19 pandemic may have on the Authority has yet to be determined and is dependent on its duration and spread, any related operational restrictions, and the overall economy. The Authority is unable to accurately predict how COVID-19 will affect the results of its operations in the 2020-2021 fiscal year because the virus' severity and the duration of the pandemic are uncertain.

#### **Rail Operations and Maintenance**

On October 31, 2020, Rio Grande Pacific Corporation assumed the contract in place of First Transit Inc. for rail operations and maintenance that is accounted for under Purchased Transportation.

#### **Debt Refunding**

On November 16, 2020, the Authority issued \$12,930,000 in 2020 series bonds for refunding of the 2009 series bonds.

## **Required Supplementary Information**

# Denton County Transportation Authority

## Required Supplementary Information

### Texas County and District Retirement System

#### Schedule of Changes in the Employer's Net Pension Liability and Related Ratios (Unaudited)

	2014	2015	2016	2017	2018	2019
<b>TOTAL PENSION LIABILITY</b>						
Service cost	\$ 130,849	\$ 159,650	\$ 202,663	\$ 232,727	\$ 268,708	\$ 296,238
Interest (on the total pension liability)	37,882	60,290	70,330	102,436	138,144	174,468
Effect of plan changes	40,628	(26,820)	-	-	-	-
Effect of assumption changes or inputs	-	13,055	-	5,065	-	-
Effect of economic/demographic (gains) or losses	87,214	(95,366)	6,193	68,812	20,678	51,919
Benefit payments/refunds of contributions	(12,905)	(1,640)	(28,266)	(3,633)	(4,744)	(8,550)
Net Change in Total Pension Liability	283,668	109,169	250,920	405,407	422,786	514,075
Total Pension Liability - Beginning	389,935	673,603	782,772	1,033,692	1,439,099	1,861,885
<b>TOTAL PENSION LIABILITY, ending (a)</b>	<b>\$ 673,603</b>	<b>\$ 782,772</b>	<b>\$ 1,033,692</b>	<b>\$ 1,439,099</b>	<b>\$ 1,861,885</b>	<b>\$ 2,375,960</b>
<b>PLAN FIDUCIARY NET POSITION</b>						
Contributions - Employer	\$ 72,565	\$ 108,954	\$ 126,805	\$ 148,998	\$ 184,229	\$ 200,030
Contributions - Employee	78,874	92,022	104,798	122,330	149,818	159,880
Investment income net of investment expenses	25,740	(13,315)	55,555	152,471	(23,109)	287,455
Benefit payments/refunds of contributions	(12,905)	(1,640)	(28,266)	(3,633)	(4,744)	(8,550)
Administrative expense	(366)	(472)	(604)	(956)	(1,408)	(1,830)
Other	(27)	(57)	22,435	3,579	9,955	12,364
Net change in plan fiduciary net position	163,881	185,492	280,723	422,789	314,741	649,349
Plan fiduciary net position - beginning	384,974	548,855	734,347	1,015,070	1,437,859	1,752,600
<b>PLAN FIDUCIARY NET POSITION, ending (b)</b>	<b>\$ 548,855</b>	<b>\$ 734,347</b>	<b>\$ 1,015,070</b>	<b>\$ 1,437,859</b>	<b>\$ 1,752,600</b>	<b>\$ 2,401,949</b>
<b>NET PENSION LIABILITY (ASSET), ending (a) - (b)</b>	<b>\$ 124,748</b>	<b>\$ 48,425</b>	<b>\$ 18,622</b>	<b>\$ 1,240</b>	<b>\$ 109,285</b>	<b>\$ (25,989)</b>
Plan Fiduciary Net Position as a Percentage of						
Total Pension Liability	81.48%	93.81%	98.20%	99.91%	94.13%	101.09%
Covered payroll	\$ 1,577,470	\$ 1,840,437	\$ 2,095,950	\$ 2,446,606	\$ 2,996,341	\$ 3,197,604
Net pension liability as a percentage of covered employee payroll	7.91%	2.63%	0.89%	0.05%	3.65%	-0.81%

#### 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:* No change in assumptions for 2019.

Only six 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."

**Denton County Transportation Authority**  
**Required Supplementary Information**  
**Texas County and District Retirement System**  
**Schedule of Employer Contributions**  
**(Unaudited)**

	2015	2016	2017	2018	2019	2020
Actuarially determined contribution by calendar year	\$ 72,565	\$ 108,954	\$ 126,805	\$ 148,998	\$ 184,229	\$ 200,030
Contributions in relation to the actuarially determined contribution by fiscal year	99,864	120,475	143,780	184,273	188,483	206,622
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<b>\$ (27,299)</b>	<b>\$ (11,521)</b>	<b>\$ (16,975)</b>	<b>\$ (35,275)</b>	<b>\$ (4,254)</b>	<b>\$ (6,592)</b>
Covered payroll by fiscal year	\$ 1,776,972	\$ 2,001,375	\$ 2,364,645	\$ 3,002,632	\$ 3,025,716	\$ 3,300,495
Contributions as a percentage of covered-employee payroll	5.62%	6.02%	6.08%	6.14%	6.23%	6.26%

**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	15.0 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by age and service, 4.9% average over career including inflation.
Investment rate of return	8.00% net of administrative and investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Only six 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



# SUPPLEMENTARY INFORMATION

# Denton County Transportation Authority

## Schedule of Revenues and Expenses – DCTA – Budget to Actual

Year Ended September 30, 2020 with Comparative Actual for 2019

	2020				2019
	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)	Actual
<b>OPERATING REVENUES</b>					
Passenger revenue	\$ 1,212,321	\$ 792,169	\$ 833,637	\$ 41,468	\$ 1,357,691
Contract services	4,416,160	3,398,779	3,378,826	(19,953)	4,201,278
Other	52,000	52,000	427,460	375,460	210,198
Total operating revenues	5,680,481	4,242,948	4,639,923	396,975	5,769,167
<b>OPERATING EXPENSES</b>					
Salaries, wages and benefits	4,996,191	4,670,896	4,398,509	272,387	9,681,725
Outsourced services and charges	3,393,656	5,792,466	4,683,164	1,109,302	6,173,872
Materials and supplies	3,307,659	2,452,919	1,922,266	530,653	2,445,770
Purchased transportation services	10,700,706	10,185,808	10,091,453	94,355	9,755,585
Utilities	527,988	490,988	431,838	59,150	445,809
Insurance	1,752,329	1,752,329	1,656,122	96,207	1,655,084
Leases & rentals	229,633	229,633	226,632	3,001	221,903
Employee development	387,237	245,515	170,770	74,745	278,188
Depreciation and amortization	10,612,052	10,612,052	9,558,814	1,053,238	9,813,483
Total operating expenses	35,907,451	36,432,606	33,139,568	3,293,038	40,471,419
Operating loss	(30,226,970)	(32,189,658)	(28,499,645)	3,690,013	(34,702,252)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Sales tax revenue	29,019,184	26,805,374	29,817,365	3,011,991	28,735,383
Transit system operating assistance grants	5,253,753	12,400,872	16,843,203	4,442,331	6,664,660
Investment income	400,000	325,000	320,793	(4,207)	597,793
Interest expense	(909,480)	(909,480)	(909,134)	346	(972,668)
Gain (loss) on disposal of assets	-	-	(7,482)	(7,482)	18,301
Total nonoperating revenue (expenses)	33,763,457	38,621,766	46,064,745	7,442,979	35,043,469
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS/TRANSFERS</b>	3,536,487	6,432,108	17,565,100	11,132,992	341,217
<b>GRANTS FOR CAPITAL IMPROVEMENTS</b>	5,753,410	3,788,325	3,472,676	(315,649)	4,187,777
<b>TRANSFERS</b>					
Transfers Out	(8,781,700)	(8,119,303)	(7,555,427)	563,876	(2,760,302)
<b>CHANGE IN NET POSITION</b>	\$ 508,197	\$ 2,101,130	\$ 13,482,349	\$ 11,381,219	\$ 1,768,692



## Denton County Transportation Authority

Schedule of Revenues and Expenses – NTMC – Budget to Actual  
Year Ended September 30, 2020 with Comparative Actual for 2019

	2020				2019
	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)	Actual
<b>OPERATING EXPENSES</b>					
Salaries, wages and benefits	\$ 8,460,824	\$ 7,652,445	\$ 7,211,425	\$ 441,020	\$ 2,685,968
Outsourced services and charges	95,040	261,629	201,117	60,512	28,449
Insurance	132,636	130,529	127,872	2,657	42,105
Employee development	93,200	74,700	15,013	59,687	3,780
Total operating expenses	8,781,700	8,119,303	7,555,427	563,876	2,760,302
Operating loss	(8,781,700)	(8,119,303)	(7,555,427)	563,876	(2,760,302)
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	(8,781,700)	(8,119,303)	(7,555,427)	563,876	(2,760,302)
<b>TRANSFERS</b>					
Transfers In	8,781,700	8,119,303	7,555,427	(563,876)	2,760,302
<b>CHANGE IN NET POSITION</b>	\$ -	\$ -	\$ -	\$ -	\$ -

# STATISTICAL SECTION



*This section of the Authority's comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall conditions.*

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b> .....	<b>48</b>
<i>These schedules contain trend information for the past ten years to help the reader understand how the Authority's financial performance and progress have changed over time.</i>	
<b>Revenue Capacity</b> .....	<b>51</b>
<i>These schedules contain information to help the reader assess the Authority's most significant revenue sources.</i>	
<b>Debt Capacity</b> .....	<b>54</b>
<i>This schedule presents information to help the reader assess the affordability of the Authority's current level of outstanding debt and the ability to issue additional debt in the future.</i>	
<b>Demographic and Economic Information</b> .....	<b>55</b>
<i>These schedules offer demographic and economic indicators to help the reader understand the environment in which the Authority's financial activities take place.</i>	
<b>Operating Information</b> .....	<b>57</b>
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.</i>	

**Denton County Transportation Authority**  
Net Position by Component  
Last Ten Years  
(Accrual Basis of Accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Net position</b>										
Net investment in capital assets	\$ 281,258,854	\$ 302,097,014	\$ 305,306,546	\$ 304,221,470	\$ 301,021,096	\$ 305,686,490	\$ 301,758,329	\$ 295,951,495	\$ 293,688,041	\$ 289,978,581
Unrestricted	34,872,583	18,870,718	17,135,538	17,968,475	20,897,688	19,741,632	24,329,503	30,080,608	34,112,754	51,304,563
<b>Total net position</b>	<u>\$ 316,131,437</u>	<u>\$ 320,967,732</u>	<u>\$ 322,442,084</u>	<u>\$ 322,189,945</u>	<u>\$ 321,918,784</u>	<u>\$ 325,428,122</u>	<u>\$ 326,087,832</u>	<u>\$ 326,032,103</u>	<u>\$ 327,800,795</u>	<u>\$ 341,283,144</u>

# Denton County Transportation Authority

## Change in Net Position

### Last Ten Years

#### (Accrual Basis of Accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Operating revenues</b>										
Passenger revenue	\$ 706,497	\$ 1,015,813	\$ 1,265,685	\$ 1,454,750	\$ 1,478,840	\$ 1,406,471	\$ 1,292,725	\$1,114,734	\$ 1,357,691	\$ 833,637
Contract services	2,520,036	2,927,341	2,980,804	3,061,389	2,935,371	3,383,656	3,716,481	3,416,001	4,201,278	3,378,826
Other	183,575	38,032	44,072	58,694	199,176	170,742	396,450	858,648	210,198	427,460
Total operating revenues	3,410,108	3,981,186	4,290,561	4,574,833	4,613,387	4,960,869	5,405,656	5,389,383	5,769,167	4,639,923
<b>Operating expenses</b>										
Salaries, wages and benefits	5,737,446	6,293,238	6,702,365	7,658,566	8,346,152	9,144,246	10,425,981	11,137,613	12,367,693	11,609,934
Services	1,676,866	1,431,693	1,628,119	1,937,441	2,722,176	2,598,749	6,209,389	4,348,623	6,202,321	4,884,281
Materials and supplies	2,308,815	3,010,582	3,071,662	2,891,739	2,528,741	2,036,382	2,317,170	2,508,020	2,445,770	1,922,266
Utilities	180,953	396,248	415,341	416,818	472,391	404,896	427,013	439,476	445,809	431,838
Insurance	297,994	362,960	625,788	775,986	780,112	849,981	1,600,932	1,707,909	1,697,189	1,783,994
Purchased transportation services	5,537,663	7,605,436	8,874,900	9,632,780	10,080,919	10,666,292	10,587,125	8,980,451	9,755,585	10,091,453
Facility and equipment rents	596,236	943,160	349,592	352,479	124,645	158,251	248,128	213,497	221,903	226,632
Other - Miscellaneous	168,023	126,190	144,743	123,609	186,598	184,509	203,467	274,072	281,968	185,783
Depreciation	3,141,330	6,901,760	8,613,310	8,875,337	9,337,505	9,854,907	9,986,476	10,202,356	9,813,483	9,558,814
Total operating expenses	19,645,326	27,071,267	30,425,820	32,664,755	34,579,239	35,898,213	42,005,681	39,812,017	43,231,721	40,694,995
Operating loss	(16,235,218)	(23,090,081)	(26,135,259)	(28,089,922)	(29,965,852)	(30,937,344)	(36,600,025)	(34,422,634)	(37,462,554)	(36,055,072)
<b>Non-operating revenues (expenses)</b>										
Sales tax revenue	17,135,359	19,009,135	20,209,051	21,367,086	23,261,748	24,658,546	26,790,098	27,937,707	28,735,383	29,817,365
Capital grants	77,661,499	7,127,088	5,922,358	4,263,522	2,636,956	5,769,630	6,532,885	1,631,747	4,187,777	3,472,676
Transit system operating assistance grants	5,511,543	3,183,057	3,100,729	3,410,607	4,985,908	5,130,046	4,900,401	5,484,450	6,664,660	16,843,203
Investment Income	287,615	53,927	32,137	21,100	24,772	59,364	122,250	350,924	597,793	320,793
Interest expense	(200,461)	(1,486,881)	(1,449,718)	(1,247,357)	(1,211,899)	(1,156,229)	(1,098,107)	(1,040,263)	(972,668)	(909,134)
Bond issuance costs and fees	(7,969)	(12,219)	(213,096)	-	-	-	-	-	-	-
Trinity mills Design and Construction cost	184,095	-	-	-	-	-	-	-	-	-
Gain(loss) on disposal of assets	-	52,269	8,150	22,825	(51,815)	(14,675)	12,208	2,340	18,301	(7,482)
Total Non-operating revenue	100,571,681	27,926,376	27,609,611	27,837,783	29,645,670	34,446,682	37,259,735	34,366,905	39,231,246	49,537,421
<b>Change in net position</b>	<b>\$ 84,336,463</b>	<b>\$ 4,836,295</b>	<b>\$ 1,474,352</b>	<b>\$ (252,139)</b>	<b>\$ (320,182)</b>	<b>\$ 3,509,338</b>	<b>\$ 659,710</b>	<b>\$ (55,729)</b>	<b>\$ 1,768,692</b>	<b>\$ 13,482,349</b>

# Denton County Transportation Authority

## Capital Assets

### Last Ten Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Capital assets not being depreciated:										
Land and Improvement	\$ 17,831,105	\$ 16,228,337	\$ 16,228,337	\$ 16,228,337	\$ 16,228,337	\$ 16,228,337	\$ 17,394,147	\$ 17,394,147	\$ 17,394,147	\$ 17,394,147
Construction in process	83,131,319	19,504,570	20,713,356	10,900,642	9,866,224	13,785,056	18,124,446	18,251,850	20,536,649	20,014,331
Total capital assets not being depreciated	100,962,424	35,732,907	36,941,693	27,128,979	26,094,561	30,013,393	35,518,593	35,645,997	37,930,796	37,408,478
Other Capital Assets being depreciated:										
Rail Assets	198,027,776	286,261,767	295,548,514	276,138,293	278,300,390	282,218,725	282,218,725	283,178,861	283,178,861	283,178,861
Land Improvements	2,035,505	5,386,734	5,386,734	5,386,734	6,458,821	6,458,821	6,458,821	6,874,492	9,017,865	12,166,783
Vehicles and operating equipment	11,217,776	8,261,725	8,261,725	8,940,025	8,370,679	9,997,320	10,228,999	11,444,904	12,698,163	12,584,752
Leasehold improvements	55,506	55,506	55,506	55,506	55,506	55,506	-	-	-	-
Office furniture and equipment	236,446	1,077,612	1,379,286	1,958,428	3,211,034	3,935,542	5,272,885	5,426,024	5,567,482	7,035,417
Facilities	-	-	-	32,843,448	32,843,448	32,843,448	31,760,649	31,760,649	31,760,649	31,760,649
Easement	16,950,000	16,997,155	16,997,155	16,997,155	16,997,155	16,997,155	16,997,155	16,997,155	16,997,155	16,997,155
Total other capital assets	28,459,728	318,040,499	327,628,920	342,319,589	346,237,033	352,506,517	352,937,234	355,682,085	359,220,175	363,723,617
Less accumulated depreciation:										
Rail Assets	1,179,481	4,840,193	12,681,356	18,028,395	24,381,744	30,883,870	37,160,734	43,449,134	49,779,910	56,110,686
Land Improvements	65,092	284,202	665,279	944,428	1,088,981	1,377,500	1,666,020	1,965,624	2,327,927	2,788,304
Vehicles and operating equipment	5,843,729	4,738,045	4,170,403	4,941,135	4,964,966	5,775,080	6,756,251	7,779,318	8,513,300	9,190,031
Leasehold improvements	55,506	55,506	55,506	55,506	55,506	55,506	-	-	-	-
Office furniture and equipment	154,112	349,772	454,902	713,240	1,000,296	1,604,281	2,389,010	3,424,947	4,148,347	4,640,797
Facilities	-	-	-	1,370,221	2,121,496	2,850,881	3,484,184	4,189,674	4,895,163	5,600,653
Easement	1,130,000	1,977,500	2,832,859	3,682,717	4,532,575	5,382,432	6,232,290	7,082,148	7,932,006	8,781,863
Total accumulated depreciation	7,183,347	12,245,218	20,860,305	29,735,642	38,145,564	47,929,550	57,688,489	67,890,845	77,596,653	87,112,334
<b>Total capital assets, net</b>	<b>\$ 122,238,805</b>	<b>\$ 341,528,188</b>	<b>\$ 343,710,308</b>	<b>\$ 339,712,926</b>	<b>\$ 334,186,030</b>	<b>\$ 334,590,360</b>	<b>\$ 330,767,338</b>	<b>\$ 323,437,237</b>	<b>\$ 319,554,318</b>	<b>\$ 314,019,761</b>

## Denton County Transportation Authority

### Revenue by Source

#### Last Ten Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue:										
Sales tax	\$ 17,135,359	\$ 19,009,135	\$ 20,209,051	\$ 21,367,086	\$ 23,261,748	\$ 24,658,546	\$ 26,790,098	\$ 27,937,707	\$ 28,735,383	\$ 29,817,365
Passenger revenues	706,497	1,015,813	1,265,685	1,454,750	1,478,840	1,406,471	1,292,725	1,114,734	1,357,691	833,637
Contract service revenues	2,703,611	2,965,373	3,024,876	3,120,083	3,134,547	3,554,398	4,112,931	4,274,649	4,411,476	3,806,286
Investment income	287,615	53,927	32,137	21,100	24,772	59,364	122,250	350,924	597,793	320,793
Grant revenues	83,173,042	10,310,145	9,023,087	7,674,129	7,622,864	10,899,676	11,433,286	7,116,197	10,852,437	20,315,879
Other revenues	184,095	52,269	8,150	22,825	(51,815)	(14,675)	12,208	2,340	18,301	(7,482)
<b>Total revenue</b>	<b>\$ 104,190,219</b>	<b>\$ 33,406,662</b>	<b>\$ 33,562,986</b>	<b>\$ 33,659,973</b>	<b>\$ 35,470,956</b>	<b>\$ 40,563,780</b>	<b>\$ 43,763,498</b>	<b>\$ 40,796,551</b>	<b>\$ 45,973,081</b>	<b>\$ 55,086,478</b>

## Denton County Transportation Authority

### Sales Tax Revenue

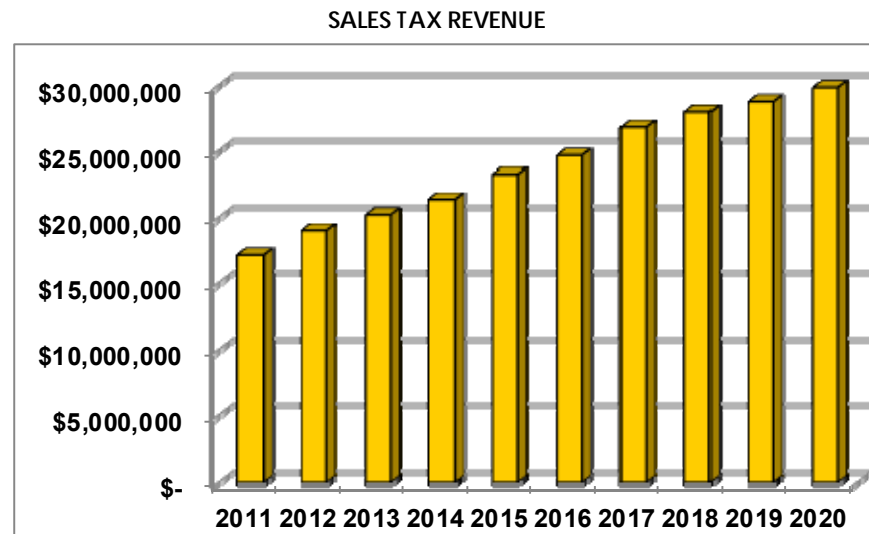
Last Ten Years

Fiscal Year	Sales Tax Revenue	Compounded Percent Change from Base Year <sup>(1)</sup>	Percent Change from Prior Year
2011	\$ 17,135,359		
2012	19,009,135	10.9%	10.9%
2013	20,209,051	17.9%	6.3%
2014	21,367,086	24.7%	5.7%
2015	23,261,748	35.8%	8.9%
2016	24,658,546	43.9%	6.0%
2017	26,790,098	56.3%	8.6%
2018	27,937,707	63.0%	4.3%
2019	28,735,383	67.7%	2.9%
2020	29,817,365	74.0%	3.8%
Average Growth			6.4%

Sources: Texas Comptroller of Public Accounts and DCTA Finance Department

Notes:

<sup>(1)</sup> Base year for 2012 through 2020 is 2011.





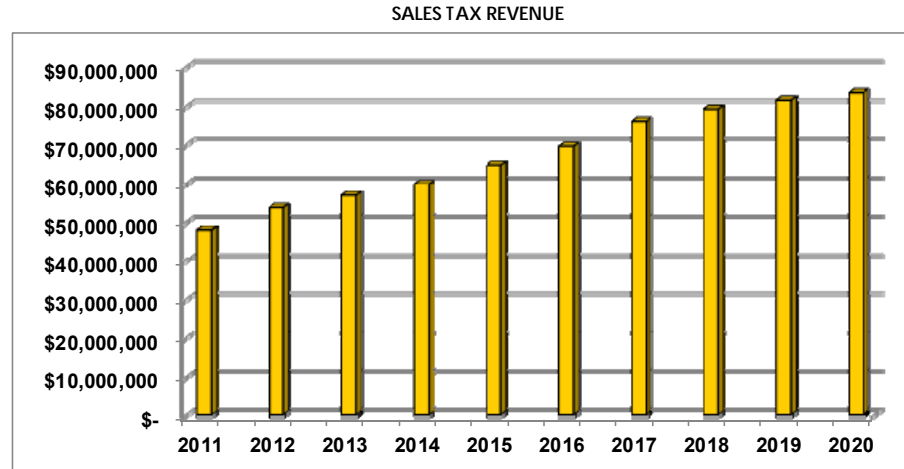
## Denton County Transportation Authority

### Sales Tax Allocation Received by Member Cities

### Last Ten Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
City of Denton	\$ 21,369,439	\$ 24,367,672	\$ 24,954,131	\$ 26,062,974	\$ 28,717,159	\$ 30,745,434	\$ 34,956,511	\$ 36,276,094	\$ 36,402,338	\$ 37,398,228
City of Lewisville	23,616,008	26,061,918	28,564,305	30,175,350	32,359,597	35,063,635	37,100,766	39,118,841	40,976,630	41,904,104
City of Highland Village	2,941,989	3,196,265	3,244,944	3,514,486	3,591,789	3,695,262	3,727,797	3,804,755	4,154,270	4,144,890
<b>Total</b>	<b>\$ 47,927,436</b>	<b>\$ 53,625,855</b>	<b>\$ 56,763,380</b>	<b>\$ 59,752,810</b>	<b>\$ 64,668,545</b>	<b>\$ 69,504,331</b>	<b>\$ 75,785,074</b>	<b>\$ 79,199,690</b>	<b>\$ 81,533,238</b>	<b>\$ 83,447,222</b>

Source: The Comptroller of Public Accounts allocation of sales tax receipts by city.



## Denton County Transportation Authority

Long – Term Debt

Last Ten Years

Fiscal Year	Sales Tax Revenue Refunding Bonds, Series 2009 <sup>(1)</sup>	Contractual Obligations, Series 2011 <sup>(1)</sup>	Total	Percentage of Personal Income <sup>(2)</sup>	Per Capita <sup>(3)</sup>
2011	\$ 20,890,000	\$ 14,390,000	\$ 35,280,000	0.16%	\$ 52.66
2012	20,890,000	14,390,000	35,280,000	0.15%	51.65
2013	20,005,000	14,390,000	34,395,000	0.15%	49.56
2014	19,085,000	14,390,000	33,475,000	0.14%	46.94
2015	18,130,000	13,835,000	31,965,000	0.12%	43.49
2016	17,135,000	13,250,000	30,385,000	0.11%	38.71
2017	16,105,000	12,635,000	28,740,000	0.09%	35.28
2018	15,030,000	11,990,000	27,020,000	0.08%	32.00
2019	13,915,000	11,315,000	25,230,000	0.07%	28.86
2020	12,755,000	10,605,000	23,360,000	(A)	25.92

Sources:

<sup>(1)</sup> DCTA Finance Department

<sup>(2)</sup> Personal income from U.S. Census Bureau, American Community Survey

<sup>(3)</sup> Population from Regional Data Center, North Central Texas Council of Governments (NCTCOG) estimates

Notes:

(A): Certain portions of the above data have been omitted as the information is not available to DCTA at this time.

**Denton County Transportation Authority**  
Demographic and Economic Statistics for Denton County  
Last Ten Years

Fiscal Year	Population <sup>(1)</sup>	Personal Income (in Thousands) <sup>(2)</sup>	Per Capita Personal Income <sup>(2)</sup>	Median Age <sup>(2)</sup>	Education Level in Years of Formal Schooling <sup>(2)</sup>	School Enrollment <sup>(2)</sup>	Unemployment Rate <sup>(3)</sup>
2011	669,930	\$ 22,276,512	\$ 33,252	32.8	14.0	202,879	6.9%
2012	683,010	22,938,891	33,585	33.0	14.0	209,157	5.6%
2013	694,050	23,497,063	33,855	33.4	14.1	215,359	5.4%
2014	713,200	24,625,370	34,528	33.8	14.1	219,368	4.5%
2015	734,970	25,660,743	34,914	34.2	14.1	223,446	3.4%
2016	784,840	28,441,032	36,238	34.5	14.1	224,226	3.6%
2017	814,560	30,894,632	37,928	34.9	14.2	228,173	3.1%
2018	844,260	34,587,644	40,968	35.8	14.4	242,860	3.1%
2019	874,240	37,742,689	43,172	36.0	14.3	249,086	2.8%
2020	901,120	(A)	(A)	(A)	(A)	(A)	6.6%

Sources:

<sup>(1)</sup> Regional Data Center, North Central Texas Council of Governments (NCTCOG) estimates

<sup>(2)</sup> U.S. Census Bureau, American Community Survey

<sup>(3)</sup> Texas Workforce Commission, data for September of respective year

Note:

(A) Certain portions of the above data have been omitted as the information is not available to DCTA at this time.

## Denton County Transportation Authority

Principal Employers in Denton County

September 30, 2020 and Nine Years Ago

		2020			2011		
10 Largest Employers	Industry	Rank	Estimated Number of Employees	Percentage of Total Employment	Rank	Estimated Number of Employees	Percentage of Total Employment
University of North Texas	Education	1	10,894	2.31%	1	7,762	1.13%
Lewisville Independent School District	Education	2	6,500	1.38%	2	5,896	0.72%
Denton Independent School District	Education	3	4,417	0.94%	3	2,948	0.39%
Wal-Mart	Department Store	4	3,722	0.79%	9	1,500	0.23%
Peterbilt Motors Co.	Manufacturing	5	3,075	0.65%	8	1,500	0.23%
Frito Lay	Food Distribution	6	2,500	0.53%	5	2,000	0.37%
Northwest Independent School District	Education	7	2,246	0.48%	-	(A)	(A)
Nebraska Furniture Mart	Retail	8	2,000	0.42%	-	(A)	(A)
Texas Woman's University	Education	9	1,875	0.40%	6	1,586	0.35%
Denton County	County Government	10	1,823	0.39%	10	1,478	0.20%
American Airlines Alliance	Transportation				4	2,105	0.38%
Denton State School	Health Care/Social Assistance				7	1,500	0.23%
			39,052	8.29%		28,275	4.23%

Sources: Denton County Budget Department, Texas Workforce Commission

Notes:

(A) Certain portions of the above data have been omitted as the information is not available to DCTA at this time.

**Denton County Transportation Authority**  
Total Employees and Contract Operations  
Last Ten Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Employee Count</b>										
DCTA - Administration	23.00	18.00	22.00	24.00	25.00	27.25	30.00	33.25	42.50	35.50
Third Party Contract Operations										
Bus Services	130.00	119.00	126.00	130.00	133.00	152.00	141.00	134.00	142.50	182.00
<b>Total head count</b>	<b>153.00</b>	<b>137.00</b>	<b>148.00</b>	<b>154.00</b>	<b>158.00</b>	<b>179.25</b>	<b>171.00</b>	<b>167.25</b>	<b>185.00</b>	<b>217.50</b>

Sources: DCTA Finance Department

Notes:

Note 1: Figures represent total head count as of fiscal year end.

Note 2: Third party contract bus operations include TMDC employees in previous years and NTMC employees starting with FY19.

# Denton County Transportation Authority

## Operating Statistics

### Last Ten Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Actual Vehicle Revenue Miles										
Demand Response Directly Operated Transportation	234,287	244,606	237,817	236,203	226,065	276,159	260,833	264,591	284,103	204,413
Fixed Route Bus Directly Operated Transportation	1,343,447	1,269,081	1,213,224	1,223,746	1,403,748	1,482,110	1,626,952	1,625,327	1,643,943	1,307,863
A-train Rail Purchased Transportation	139,126	250,758	299,037	313,062	326,217	334,468	338,751	328,658	335,611	579,625
Total Actual Vehicle Revenue Miles	1,716,860	1,764,445	1,750,078	1,773,011	1,956,030	2,092,737	2,226,536	2,218,576	2,263,657	2,091,901
Actual Vehicle Revenue Hours										
Demand Response Directly Operated Transportation	18,214	16,975	17,408	17,655	17,614	24,452	24,659	21,031	21,741	15,993
Fixed Route Bus Directly Operated Transportation	96,826	96,479	99,468	104,932	116,874	126,214	135,091	137,411	138,881	105,124
A-train Rail Purchased Transportation	5,707	10,121	11,125	12,215	13,149	13,580	13,511	13,208	13,765	26,354
Total Actual Vehicle Revenue Hours	120,747	123,575	128,001	134,802	147,637	164,246	173,261	171,650	174,387	147,471
Total Annual Unlinked Trips - Bus	2,427,908	2,588,802	2,502,586	2,259,168	2,400,699	2,396,220	2,458,623	2,426,039	2,403,728	1,339,577
Total Annual Unlinked Trips - Rail	121,061	387,126	510,738	568,338	555,423	545,250	504,958	419,335	393,700	221,316
Annual Passenger Miles										
Demand Response Directly Operated Transportation	227,587	221,474	237,922	236,238	226,214	258,644	202,774	204,529	260,791	195,020
Fixed Route Bus Directly Operated Transportation	7,276,977	7,818,249	7,415,162	6,092,976	7,132,608	6,322,593	5,918,759	5,828,301	5,748,291	3,182,297
A-train Rail Purchased Transportation	1,851,047	5,724,715	7,637,399	8,339,421	8,175,102	8,000,309	7,298,558	5,901,029	5,493,329	3,039,904
Total Annual Passenger Miles	9,355,611	13,764,438	15,290,483	14,668,635	15,533,924	14,581,546	13,420,091	11,933,859	11,502,411	6,417,221
Operating Expenses										
Demand Response Directly Operated Transportation	\$ 977,383	\$ 1,383,900	\$ 1,478,366	\$ 1,569,707	\$ 1,429,741	\$ 1,703,434	\$ 2,225,894	\$ 2,421,592	\$ 3,027,013	\$ 2,557,881
Fixed Route Bus Directly Operated Transportation	6,891,337	7,994,301	8,456,825	9,179,521	9,934,604	10,956,771	11,877,132	12,657,498	13,838,874	13,165,615
A-train Rail Purchased Transportation	6,910,500	9,787,380	11,319,050	12,402,812	13,429,333	12,757,014	13,528,182	13,680,466	14,464,826	14,086,602
Total Operating Expenses	\$ 14,779,220	\$ 19,165,581	\$ 21,254,241	\$ 23,152,040	\$ 24,793,678	\$ 25,417,219	\$ 27,631,208	\$ 28,759,556	\$ 31,330,713	\$ 29,810,098

**Actual Vehicle Revenue Miles:** The miles a vehicle travels while in revenue service. This definition includes layover and recovery, but excludes travel to and from storage facilities, the training of operators prior to revenue service, road tests, deadhead travel, and school bus and charter service. FY 2015 includes special service. For A-train, this is defined as revenue train miles.

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**Unlinked Passenger Trips:** The number of passengers who board public transportation vehicles. A passenger is counted each time the passenger boards a vehicle even though the passenger might be on the same journey from origin to destination. FY 2015 includes special service.

**Annual Passenger Miles:** The sum of miles traveled by passengers, calculated by multiplying the average miles traveled per passenger by the total number of boardings.

Source: National Transit Database

## Denton County Transportation Authority

### Farebox Recovery Percentage

Last Ten Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Farebox Recovery - Bus	53.68%	47.65%	46.30%	46.07%	42.73%	44.14%	41.25%	36.35%	39.51%	32.88%
Farebox Recovery - Rail	2.82%	5.51%	6.53%	6.87%	6.15%	6.17%	5.36%	5.33%	5.25%	3.29%

#### Fare Structure at 9/30/2020

##### Local System (Bus & Rail)

Local System AM/PM Pass	\$ 1.50
Local System AM/PM Reduced*	0.75
Local System Day Pass	3.00
Local System Day Pass Reduced*	1.50
Local System 7-Day Pass	15.00
Local System 10 Pack of Day Passes	20.00
Local System Monthly/31-Day Pass	48.00
Local System Monthly/31-Day Pass Reduced*	24.00
Local System Annual Pass	480.00
Local System Annual Pass Reduced*	240.00
Local System University Full Semester Pass**	120.00
Local System University Summer Semester Pass**	72.00
Local System University Annual Pass**	240.00

##### Frisco Demand Response

One-Way Local Trip	3.00
One-Way Regional Trip	5.00

##### Highland Village Lyft Zone

Fare Discount \$13.00

##### Regional (Bus & Rail)

Regional Day Pass	\$ 12.00
Regional Day Pass Reduced*	3.00
Regional 10 Pack of Day Passes	84.00
Regional Monthly/31-Day Pass	192.00
Regional Monthly/31-Day Pass Reduced*	48.00
Regional Annual Pass	1,920.00
Regional Annual Pass Reduced*	576.00
Regional University Full Semester Pass**	240.00
Regional University Summer Semester Pass**	144.00
Regional University Annual Pass**	576.00

##### Access

Access One-Way Trip	3.00
Access 10-Ride Book	30.00

##### Collin County Transit Demand Response

Boarding fare	2.25
Plus fare per mile	1.80

\* Reduced = Seniors (65+), disabled (with DCTA issued ID), Medicare cardholders, and students (Ages 5-18, students over the age of 14 require a valid high school or DCTA issued ID)

\*\* Students, faculty or staff attending colleges with physical campuses within Denton County are eligible to participate in the University Pass Program. Proof of enrollment/employment is required.

Farebox recovery ratio is a proportion of the amount of revenue generated through fares by its paying customers including contract services as a fraction of the cost of its total operating expenses without depreciation expense.

Source: DCTA Finance Department



DENTON COUNTY  
TRANSPORTATION AUTHORITY

1955 LAKEWAY DRIVE, SUITE 260  
LEWISVILLE, TEXAS 75057