

**DENTON COUNTY TRANSPORTATION AUTHORITY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

**AS PREPARED BY:  
DCTA FINANCE DEPARTMENT  
LEWISVILLE, TEXAS**

**DENTON COUNTY TRANSPORTATION AUTHORITY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014 and 2013**

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## Letter of Transmittal

February 26, 2015

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of Denton County Transportation Authority (DCTA) for the fiscal year ended September 30, 2014.

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

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

Weaver and Tidwell, LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the DCTA's financial statements for the year ended September 30, 2014. The independent auditor's report is located at the front of the financial section of this report.

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

## **DCTA PROFILE**

DCTA is a Coordinated County Transportation Authority as defined in Chapter 460 of the Texas Transportation Code. It is granted power under this Texas law to plan, develop, acquire, construct, own, operate, and maintain a public transportation system in Denton County. DCTA provides bus and commuter rail service in Denton County. Denton County is located in the northern part of the Dallas-Fort Worth Metroplex adjacent to both Dallas and Tarrant counties. The county is 953 square miles and is approximately 35 miles south of the border between Texas and Oklahoma. The county, founded in 1846, is one of the fastest growing counties in the U.S. with an estimated population of 713,200 in 2014.

In 2002, legislation authorizing DCTA was passed. On September 13, 2003 the voters of Denton County created DCTA. It is funded primarily by ½ cent local sales tax from the three (3) member cities of Denton, Highland Village, and Lewisville. These three cities account for approximately 80% of the sales tax revenue in the county. Collection of the sales and use tax, dedicated to DCTA for implementation of its 2003 Long Range Service Plan, began January 1, 2004. The 2003 Long Range Service Plan included a rail component and a bus service component with interim regional commuter bus service, local fixed route bus service, university shuttle service and demand response service. In addition, it outlined the plan for a network of Park-and-Rides and Rail and Bus operations facilities to be established to serve Denton County residents. These elements would provide services to help mitigate congestion, improve mobility, and connect Denton County's larger cities to commuter rail.

A major component of the 2003 Long Range Service Plan was to implement rail service connecting Denton County with Dallas Area Rapid Transit (DART) light rail transit facilities. Planning for this began in 2004. A Regional Toll Road Funding Initiative (RTRFI) grant was received in March of 2009, and a contract for construction of the 21-mile rail corridor was awarded in May of 2009. Construction of the rail corridor and rail stations linking riders from Denton County to the DART light rail was completed, and passenger service began in June of 2011. Completion of the rail corridor provided access to regional rail service to over half of the county population. A major milestone of DCTA's 2003 Long Range Service Plan was achieved with the start of A-train commuter rail service in 2011. After the RTRFI funding was received, DCTA completed construction of the rail corridor and began rail revenue service in just over two and one-half years.

In February 2012, the DCTA Board of Directors adopted the Long Range Service Plan-Update 2012. This update provides the framework for DCTA service planning for the next 25 years. The DCTA Long Range Service Plan supports the North Central Texas Council of Government's (NCTCOG) Mobility 2035 updated in 2012. NCTCOG is the organization charged with coordinating regional transportation planning efforts, and Mobility 2035 serves as a blueprint for the region's transportation system planning. The goals defined in Mobility 2035 guide efforts to accommodate the multimodal mobility needs of the region. DCTA and other regional transit agencies, as well as local governments, use Mobility 2035 as a reference for their own planning efforts, which in turn provide feedback to update the NCTCOG Mobility 2035 Plan.

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

## **GOVERNANCE**

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

## SERVICES PROVIDED

DCTA is the primary public transportation operator in Denton County. It operates a range of services including regional commuter rail; fixed route bus services in the cities of Denton, Lewisville, and Highland Village; student shuttle transportation operated under contract with the University of North Texas (UNT) and North Central Texas College (NCTC); paratransit services; and vanpools.

### **Rail Operations:**

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

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

DCTA operates 11 low-floor diesel-electric articulated GTW passenger rail vehicles designed to comfortably accommodate wheelchairs and bikes with room for 104 seated and 96 standing passengers in each vehicle. In FY14 rail ridership totaled just over 568,000.

### **Bus Operations:**

#### Connect and Connect RSVP

Connect offers local fixed-route bus service in the cities of Denton and Lewisville, with nine bus routes in Denton and three in Lewisville. In fiscal year 2014, the combined Denton and Lewisville routes totaled just over 600,000 boardings. Denton routes run on average headways of about 40 minutes during peak hours and midday, while Lewisville services operate approximately every 35 minutes during the peak and 70 minutes midday. Key trip generators in Denton include UNT and TWU.

Connect RSVP provides peak-hour service on demand in Highland Village and north Lewisville. Ridership on Connect RSVP totaled just under 3,000, down slightly from FY2013.

#### University Shuttle Service

UNT services are operated by DCTA in Denton, which include an eight-route weekday shuttle service and one weekend-only route for UNT through a contractual agreement. The UNT Shuttle service provides transportation from nearby apartment complexes to the campus as well as circulation throughout the campus. The UNT services experience the highest ridership of any bus operations in the DCTA system. After several years of increases in ridership, the UNT service experienced about a 16% drop in ridership compared to FY13. Total passengers for FY14 were just over 1.6 million compared to 1.9 million in 2013.

NCTC services provided by DCTA operate between Denton and Corinth as well as Lewisville and Flower Mound. Ridership for the NCTC service experienced its first decrease in FY14. Ridership in FY14 was 14,000, down from 18,000 in FY13.

### Demand Response Service

Access, DCTA's demand response service, offers curb-to-curb ADA paratransit service in Denton and Lewisville. It also provides service for senior and disabled (non-ADA) residents of Denton, Lewisville, and Highland Village. Any person who wishes to use Access must complete an application, and non-seniors or non-Medicare-eligible individuals must submit a physician's affidavit of eligibility. DCTA carried 30,000 Access passengers in FY14.

### Vanpools

The Vanpool service provides a low cost commuting alternative for residents to get to work. Vanpools are ideal for groups of six (6) to fifteen (15) people. Individuals who live or work in Denton County can start a vanpool through their employer or create one with others who have similar commute origins and destinations. In 2014 there were 25 active Vanpools in operation, the same as in FY13 due to budget limitations.

### Accounting System and Budgetary Control

DCTA is accounted for as a single entity enterprise fund and reports financial results in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) guidance. The accrual basis of accounting is used for the audited financial statements, external reporting, and internally for budgeting, with revenues recorded in the period that they are earned and expenses recorded in the period in which the liability or benefit is expected.

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

The Finance Committee, comprised of members of the Board, reviews the budget and makes recommendations to the Board. The Board conducts a public hearing to receive citizen input and provides final review with formal adoption in September of each year. The fiscal year for DCTA is October 1 – September 30. The President is authorized to transfer budgeted amounts between lines items and departments. The Board must approve any revision that increases the overall amount of the operating adopted budget and to increases to capital project budgets.

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

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

## DCTA PROGRESS

The focus in 2014 continued to be on safety, improved service delivery and ridership, improving the customer experience, and maintaining the agency's investments in equipment and infrastructure. In FY2014 DCTA carried just under 3 million passengers system-wide. This included just over 568,000 rail passengers and 2.3 million on the bus system. This was a slight decrease in system-wide ridership from FY2013.

The next major rail related milestone for the agency is the implementation of federally mandated Positive Train Control (PTC) by late 2015. DCTA partnered with DART/Trinity Rail Express (TRE) and the Fort Worth "T" to form the North Texas Commuter Rail Alliance (NTCRA) to implement PTC and other joint initiatives. Procurement documents for a regional PTC system were released in January 2014, however proposals reflected significant increases over engineering estimates. The procurement will be re-released in mid-2015. DCTA continues to communicate with the Federal Railroad Administration (FRA) on the DCTA efforts to meet PTC requirements and continues to explore other alternatives to address this issue.

In 2014, the third full year of operation, the A-train carried just over 568,000 passengers, an increase over 2013. Ridership during the first quarter of FY 2015 was comparable to first quarter of 2014 at just under 150,000 riders. With the expansion currently underway of Interstate 35E between Denton and Dallas County, we anticipate an increase in A-train ridership. DCTA will continue to focus on education, customer service, and passenger amenities to promote ridership of the DCTA system.

The bus system as a whole has experienced continued ridership growth since DCTA assumed existing bus service in 2005. The number of total annual passenger bus-system trips increased from 1.3 million in 2005 to over 2.5 million in 2013. However, 2014 reflected a decline overall to slightly over 2.3 million due to a drop in UNT ridership. Connect fixed-route service in Denton and Lewisville saw a decrease in the first quarter of 2015 with ridership of 150,904 compared to 195,730 for the same period last year. Meanwhile, UNT service experienced a significant increase in ridership, 727,347 in the first quarter of 2015 compared to 641,034 in the same period last year. We anticipate the trend will continue as a result of DCTA working with UNT to evaluate options and route schedules to help address ridership decline. The changes implemented for 2015 have resulted in increased ridership for the first quarter of FY2015.

In November of 2012, DCTA awarded a contract for construction of a new full-service bus operations and maintenance facility in Denton. Construction was completed in January of 2014. The facility provides four (4) maintenance bays, a fueling island, wash facilities, and bus operations administrative offices. This facility was a significant addition which helped DCTA provide more efficient maintenance operations.

In 2014, DCTA implemented a number of initiatives to improve the passenger experience. These initiatives included additional funding to expand hours for rail midday service by adding two (2) additional trains per weekday and expanded Connect bus service for routes in Denton and Lewisville. Three and a half (3.5) full-time equivalents were added for IT support, customer service, bus operations supervision, and administrative assistance. Improvements to passenger information systems included implementation of a real-time passenger information system – "Where's My Ride". This system, which went live in December of 2014, provides predictive arrival information by stop for both bus and train via mobile phone app, SMS text alerts,

telephone Interactive Phone Response, or through the DCTA website. It also transmits data from GPS devices on the vehicles to provide CAD/AVL capabilities to dispatch and the customer call center. GoPass, a regional project with DART, the Fort Worth “T” and DCTA, was implemented in August 2013 and continues to grow in popularity as an alternative method for purchasing fares. This regional mobile ticketing application allows customers to utilize the application from a smart phone to purchase tickets and download to their phones. The design and plan for implementation of Positive Train Control is also a key project which has proven challenging to all rail systems nation-wide which are required to implement by the current deadline of 2015.

## **FUTURE OUTLOOK**

DCTA's major revenue source, sales tax, continues to trend upward. Sales tax revenues were \$21.4 million in FY14 compared to \$20.2 million in FY13. Total revenues were \$29.4 million in FY14. Despite strong sales tax growth and an improving economy, DCTA faces challenges in anticipated changes and increases in healthcare costs, low interest rates impacting investment earnings, and demand for increase and expansion of services.

The local economy in the Dallas-Fort Worth Metroplex continued to show improvement in 2014 but moderated somewhat in late 2014 as oil prices fell to five-year lows. According to the Federal Reserve Bank of Dallas, the outlook for 2015 is for moderate growth. Oil well permits and the Texas rig count have seen significant declines as oil prices continued to fall. However, conditions outside of the energy section were generally upbeat in December of 2014. The employment forecast for 2015 of about 2.2% growth in Texas is a little slower than the 3.6% growth seen in 2014. However, the Dallas-Fort Worth area continued to expand at a rapid clip and grew at an annual rate of 6.5% in December. The North Texas area continues to be one of the fastest-growing areas in the nation.

Population growth is projected to be significant. The Dallas-Fort Worth Metroplex is now the fourth-largest metropolitan area in the country. The City of Denton's population is expected to increase in size by nearly 150% by 2040. Significant growth is anticipated in other cities as well, notably Frisco, with high population growth projected in the smaller cities of Sanger and Pilot Point.

The North Central Texas Council of Governments (NCTCOG) Travel Demand Model estimates that most individuals who live in Denton County work outside of the county, with only 37% of Denton County residents working in the county. This highlights the importance of providing transportation links from Denton County to major employment destinations, not only in Dallas County but in Tarrant County as well.

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

For the past several years, DCTA has focused on implementing the first phase of regional rail service as well as improving local bus routes in Denton and Lewisville and RSVP service in Highland Village. Having attained the milestone of delivering the first phase of regional rail service, DCTA is now looking beyond the A-train implementation and preparing for the future needs of Denton County. The Long Range Service Plan update, adopted by the Board in



February 2012, provides a roadmap for decision making about transit investments in Denton County over the next 25 years. Included in the FY15 Budget is funding for a comprehensive service analysis to focus on improvements to address “last mile” connection for commuter rail passengers and improved headways and routes for bus service.

The Long Range Service Plan reaffirms DCTA's goals and performance standards that will be used to help officials make decisions about future investments and the implementation of new services. It will help ensure that transit services mature and develop to better meet the needs of Denton County. The DCTA Plan supports the Mobility 2035 plan developed by the NCTCOG.

## **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 auditors report has been included.

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

In addition, the DCTA has a Finance Committee as a sub-committee of the Board of Directors which functions as an audit committee and hears and reviews recommendations made by the independent auditors.

### 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, 2013. 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 fourth year for the DCTA to receive the Certificate of Achievement.

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

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

Acknowledgements

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

We would like to thank the members of the DCTA Board of Directors and the Finance Committee and for their interest and support in planning and conducting the financial operations of the Denton County Transportation Authority in a responsible and progressive manner.

Sincerely,



James C. Cline, Jr.  
President



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



Marisa Perry, CPA  
Accounting Manager



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

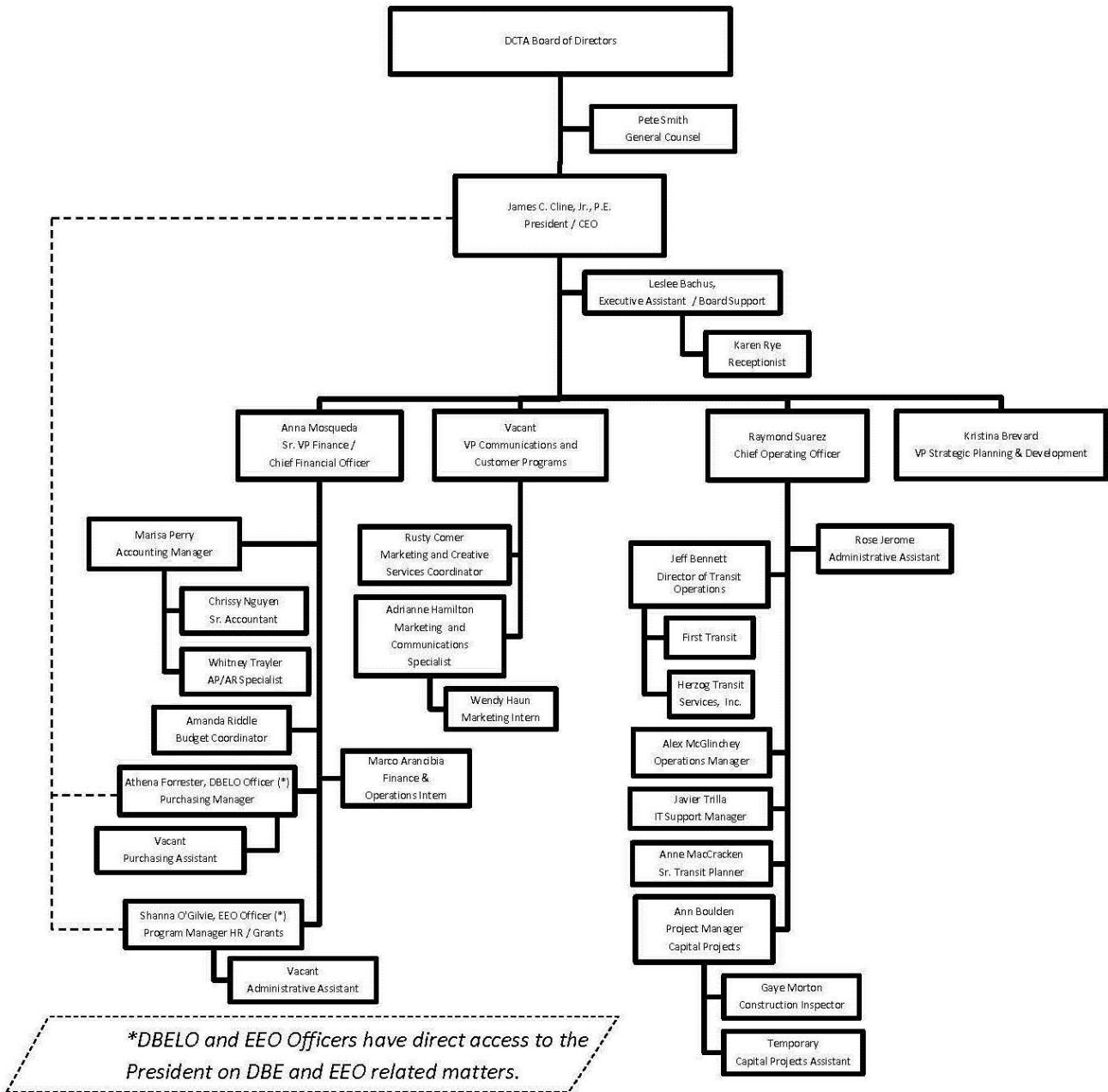
**Denton County  
Transportation Authority  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2013**

Executive Director/CEO

**DENTON COUNTY TRANSPORTATION AUTHORITY  
ORGANIZATIONAL CHART  
SEPTEMBER 30, 2014**



### List of Principal Officials

A Board of Directors currently composed of 14 members representing the county of Denton governs DCTA:

- one member from each municipality with a population of 17,000 or more (8 total);
- three members appointed by the Denton County Commissioner's Court;
- three members designated by the remaining municipalities with a population of more than 500 and less than 17,000 (Small Cities).

Each Board member serves a term of two years 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 and DCTA staff responsible for day-to-day management, operations, and implementation of the agency's goals and objectives.

Board Member	Position	Appointed by
Charles Emery	Chairman	City of Lewisville
Paul Pomeroy	Vice-Chairman	City of Highland Village
Richard Huckaby	Secretary	City of Denton
Dave Kovatch	Treasurer	Denton County At-Large
George Campbell	Member	Denton County Unincorporated
Allen Harris	Member	City of The Colony
Don Hartman	Member	Denton County Unincorporated
Skip Kalb	Member	Small Cities
Doug Peach	Member	City of Little Elm
Daniel Peugh	Member	City of Corinth
Jim Robertson	Member	City of Flower Mound
Carter Wilson	Member	City of Frisco
Vacant	Member	Small Cities
Vacant	Member	Small Cities



## 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 statements of net position of Denton County Transportation Authority (the Authority) as of and for the year ended September 30, 2014 and 2013, the related statements of revenues, expenses, and changes in net position and the cash flows for the years then ended, and the related notes to the financial statements.

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

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

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of September 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As described in Note 11 to the financial statements, in 2014, the Authority adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages 4-11) and the schedule of funding progress for the Texas County District Retirement System (on page 33) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries. The basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

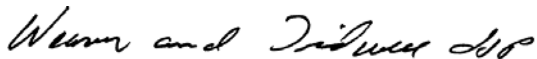
*Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
February 24, 2015



**Denton County Transportation Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2014  
(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, 2014. 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, 2014 and 2013, total assets of DCTA exceeded total liabilities by \$322,189,945 and \$322,442,084 respectively. The amount of unrestricted net position as of September 30, 2014 was \$17,968,475 compared to \$17,135,538 in 2013. Unrestricted net position is the amount which may be used to meet DCTA's ongoing obligations in accordance with the fiscal policies.
- Net position decreased \$252,139 during the current fiscal year compared to an increase of \$1,474,352 in the prior year. The change compared to the prior year is attributable to a decrease in capital improvement grants as well as increased expenses for the rail operations contract. Reimbursements for construction of the bus operations and maintenance facility were \$1.5 million less in FY14 compared to FY13.
- Net capital assets were \$339.7 million as of September 30, 2014 compared to \$343.7 million as of September 30, 2013. The decrease of \$4.0 million is caused by \$8.9 million of depreciation expense offset by \$4.9 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, 2014  
(Unaudited)**

DCTA activities are accounted for in a single entity enterprise fund; therefore, government-wide financial statements are not presented. Enterprise funds are generally used to report business-type activities of governmental entities. The financial statements are prepared on the accrual basis of accounting meaning that all expenses are recorded when incurred and all revenues are recognized when earned in accordance with accounting principles generally accepted in the United States of America. Certain statements in the report are, or will be, forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements.

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

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

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

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

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

**Denton County Transportation Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2014  
(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 exceeded total liabilities by \$322,189,945 and \$322,442,084 as of September 30, 2014, and 2013 respectively. The largest portion, 94% in 2014, is net investment in capital assets primarily as a result of the rail line construction and acquisition of rail vehicles. The remaining 6% is in unrestricted net position which represents assets with no external restriction as to the use or purpose. The unrestricted net position can be employed for any lawful purpose designated by the governing board. In 2013, 5% of the excess was in unrestricted net position.

Net position of DCTA decreased 0.08% or \$252,139 during the current fiscal year compared to an increase of 0.46% or \$1,474,352 in the prior year. The decrease in net position in the current fiscal year is related to a \$4.0 million decrease in capital assets, offset by a \$2.7 million decrease in accrued liabilities for construction contracts and a \$1.0 million decrease in bonds payable.

**Comparative Condensed Statement of Net Position**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Assets</b>			
Current and other assets	\$ 25,071,385	\$ 25,079,706	\$ 24,484,588
Capital assets	339,712,926	343,710,308	341,528,188
Total Assets	<u>\$ 364,784,311</u>	<u>\$ 368,790,014</u>	<u>\$ 366,012,776</u>
<b>Liabilities and Net Position</b>			
Current liabilities	\$ 9,229,366	\$ 11,372,930	\$ 9,000,044
Non-current liabilities	33,365,000	34,975,000	36,045,000
Total Liabilities	42,594,366	46,347,930	45,045,044
Net Position			
Net investment in capital assets	304,221,470	305,306,546	302,097,014
Unrestricted	17,968,475	17,135,538	18,870,718
Total Net Position	<u>322,189,945</u>	<u>322,442,084</u>	<u>320,967,732</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 364,784,311</u>	<u>\$ 368,790,014</u>	<u>\$ 366,012,776</u>

**Denton County Transportation Authority  
Management's Discussion and Analysis  
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(Unaudited)**

**Assets** – During fiscal year 2014, DCTA's total assets decreased 1% or \$4,005,703 from fiscal year 2013. The net decrease is attributable to the \$4.0 million decrease in capital assets.

Capital Assets, net of depreciation, decreased \$4.0 million due to \$8.9 million of depreciation and amortization, offset by \$4.9 million additions to construction work in progress for the bus operations and maintenance facility, fleet replacement, and land improvements. The capital assets activity for the year is captured in Note 6 (pages 24 and 25).

**Liabilities** – Current liabilities decreased \$2,143,564 primarily due to payments made for land acquisition for the Medpark station and the construction of the bus operations and maintenance facility that were outstanding at the prior year-end.

DCTA's current ratio, current assets of \$25,071,385 and current liabilities of \$9,229,366, was 2.7:1 as of September 30, 2014 compared to 2.1:1 as of September 30, 2013. DCTA has restricted current assets (cash and cash equivalents) and recognized unearned revenue as a current liability related to the implementation of positive train control.

There was a \$1,610,000 decrease in non-current liabilities in 2014 due primarily to bonds payable and the remaining principal amount payable for the rail operating easement agreement with DART. The bond payable activity for the year and rail operating easement obligation are captured in Note 8 and Note 9 (pages 27 through 29).

**Statement of Revenues, Expenses, and Changes in Net Position** – During the 2014 fiscal year DCTA's activities resulted in a decrease in net position of \$252,139 compared to an increase of \$1,474,352 in 2013. The decrease in the current fiscal year net position is attributable to a \$1.7 million decrease in grants for capital improvements and a \$2.2 million increase in operating expenses, which offset increases in sales tax revenue. The changes in net position for the fiscal years ended September 30, 2014 and 2013 are shown in the following table.

**Denton County Transportation Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2014  
(Unaudited)**

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES</b>			
Passenger revenue	\$ 1,454,750	\$ 1,265,685	\$ 1,015,813
Contract services	3,061,389	2,980,804	2,927,341
Other	58,694	44,072	38,032
<b>Total operating revenues</b>	<u>4,574,833</u>	<u>4,290,561</u>	<u>3,981,186</u>
<b>OPERATING EXPENSES</b>			
Salaries, wages and fringe benefits	7,658,566	6,702,365	6,293,238
Services	1,937,441	1,628,119	1,431,693
Materials and supplies	2,891,739	3,071,662	3,010,582
Purchased transportation services	9,632,780	8,874,900	7,605,436
Utilities	416,818	415,341	396,248
Casualty and liability insurance	775,986	625,788	362,960
Facility and equipment rents	352,479	349,592	943,160
Other - miscellaneous	123,609	144,743	126,190
Depreciation	8,875,337	8,613,310	6,901,760
<b>Total operating expenses</b>	<u>32,664,755</u>	<u>30,425,820</u>	<u>27,071,267</u>
<b>Operating loss</b>	<u>(28,089,922)</u>	<u>(26,135,259)</u>	<u>(23,090,081)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Sales tax revenue	21,367,086	20,209,051	19,009,135
Transit system operating assistance grants	3,410,607	3,100,729	3,183,057
Investment income	21,100	32,137	53,927
Interest expense	(1,247,357)	(1,449,718)	(1,486,881)
Bond issuance costs and fees	-	(213,096)	(12,219)
Gain (loss) on disposal of assets	22,825	8,150	52,269
<b>Total non-operating revenue (expenses)</b>	<u>23,574,261</u>	<u>21,687,253</u>	<u>20,799,288</u>
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS</b>	<u>(4,515,661)</u>	<u>(4,448,006)</u>	<u>(2,290,793)</u>
<b>GRANTS FOR CAPITAL IMPROVEMENTS</b>	<u>4,263,522</u>	<u>5,922,358</u>	<u>7,127,088</u>
<b>Change in net position</b>	<u>(252,139)</u>	<u>1,474,352</u>	<u>4,836,295</u>
<b>NET POSITION, beginning of year</b>	<u>322,442,084</u>	<u>320,967,732</u>	<u>316,131,437</u>
<b>NET POSITION, end of year</b>	<u>\$ 322,189,945</u>	<u>\$ 322,442,084</u>	<u>\$ 320,967,732</u>

**Operating Revenues**

Passenger Revenue - The 2014 passenger revenues increased 15% or \$189,065 over the prior year. The increase is related to an 11% increase in A-train ridership. Rail ridership in fiscal year 2014 was 568,338 compared to prior year ridership of 510,738.

Contract Service - The 2014 contract service revenues increased 3% or \$80,585 over the prior year. The increase is due to an increase in service hours for the contracts with University of North Texas (UNT) and North Central Texas College (NCTC).

Fuel prices are a pass-through on the contract; a 13% decrease in fuel prices from 2013 as well as a 7% decrease in gallons used partially offset the increase in service hour revenues. The contract provides bus service for students and faculty of UNT and North Central Texas College.

**Denton County Transportation Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2014  
(Unaudited)**

**Operating Expenses**

Operating Expense - The 2014 operating expenses increased 7% or \$2,238,935 over the prior year. Salaries and benefits increased \$956,000 primarily related to merit pay and an 8% increase in bus personnel hours. In addition, there was a \$758,000 increase in purchased transportation for the operating costs of the commuter rail service.

The 2014 depreciation expense increased 3% or \$262,027 over the prior year. This increase is primarily due to the depreciation of the bus operations and maintenance facility that was capitalized in January 2014.

**Non-operating Revenue and Expenses**

Sales Tax Revenue - The 2014 sales tax revenue increased 6% or \$1,158,035 over 2013. DCTA collects one-half percent sales and use tax in the member cities of Denton, Highland Village, and Lewisville. 2014 represents the fifth consecutive year of growth in sales tax revenue for DCTA.

Capital Grants - Capital grants revenue decreased 28% or \$1,658,836 primarily as a result of decreased reimbursable expenses related to the construction of the bus operations and maintenance facility.

Transit System Operating Assistance Grants - The 2014 federal and state grant revenue increased 10% or \$309,878 over 2013. The increase is attributable to reimbursements for FY2013 rail preventative maintenance that were requested in FY2014. Execution of a grant application was delayed as a result of the 2013 federal government shutdown thereby impacting the ability of funds for reimbursement.

Investment Income - The 2014 investment income decreased 34% or \$11,037 from 2013 due to lower interest rates and a decrease in cash available for investments due to construction of the bus operations and maintenance facility.

**Debt Administration**

In June of 2008, DCTA completed its first debt issuance. DCTA issued \$20,000,000 in tax-exempt Sales Tax Revenue Bonds. The bonds were issued through a private placement with a maximum 5 year term to fund the DCTA A-train regional passenger rail project. This rail project 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.

**Denton County Transportation Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2014  
(Unaudited)**

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

**DCTA Fiscal Year 2014 Budget**

The 2013-2014 budget was adopted September 26, 2013. Amendments to the original budget included an increase in capital projects to recognize delayed projects that were carried over from the previous year and additions to operating expenses for additional legal services and vanpool costs.

**Condensed Statements of Revenues, Expenses, and Changes in Net Position, Budget Year Ending September 30, 2015 and Financial Year Ending 2014 and 2013**

	2015 Budget	2014 Actual	2013 Actual	Increase (Decrease) from 2014	Percent Increase (Decrease) from 2014
Operating revenues	\$ 4,775,012	\$ 4,574,833	\$ 4,290,561	\$ 200,179	4%
Operating expenses	36,563,243	32,664,755	30,425,820	3,898,488	12%
Operating loss	(31,788,231)	(28,089,922)	(26,135,259)	(3,698,309)	13%
Non-operating revenues	28,639,161	23,574,261	21,687,253	5,064,900	21%
Income before capital grants	(3,149,070)	(4,515,661)	(4,448,006)	1,366,591	-30%
Grants for capital improvements	14,501,120	4,263,522	5,922,358	10,237,598	240%
Change in net position	11,352,050	(252,139)	1,474,352	11,604,189	-4602%
Net position, beginning of year	322,189,945	322,442,084	320,967,732	(252,139)	0%
Net position, end of year	<u>\$ 333,541,995</u>	<u>\$ 322,189,945</u>	<u>\$ 322,442,084</u>	<u>\$ 11,352,050</u>	<u>4%</u>

**DCTA Fiscal Year 2015 Budget**

Operating revenues in 2015 show an increase of 4% or \$200,179 over 2014 actual results. Operating revenue includes passenger fare revenue and contract service revenue. Passenger farebox revenue is expected to increase due to additional revenue hours of Connect bus service for Denton as well as increased midday rail service. Contract service revenue is also expected to increase due to an increase in the rate per service hour for the UNT and NCTC contracts. The UNT and NCTC contracts provide bus service for students, staff, and faculty.

The fiscal year 2015 operating expenses are projected to increase \$3,898,488 over 2014 actual results. Major changes include an increase of \$1.5 million as a result of merit plan adjustments and increased health care benefits and a \$628,103 increase in depreciation due to the completion of the bus operations and maintenance facility and the anticipated completion of the predictive arrival software. The fiscal year 2015 budget also anticipates increases in fuel costs.

**Denton County Transportation Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2014  
(Unaudited)**

Fuel is budgeted at \$4.00 per gallon in fiscal year 2015, compared to an average \$3.15 per gallon paid in fiscal year 2014.

Non-operating revenue, net of expenses, is projected to increase 21% or \$5,064,900 over 2014 actual results. The increase in non-operating revenue is due to the planned issuance of \$5.5 million in debt for the federally mandated Positive Train Control project.

**Requests for Information**

The financial report is designed to provide the citizens of our member cities, customers and other interested parties with a general overview of DCTA finances. If you have any questions regarding this report or need any additional information, contact DCTA at 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, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 15,513,164	\$ 12,721,952
Restricted cash and cash equivalents	3,470,159	5,326,810
Receivables	5,732,335	6,679,353
Prepaid expenses	338,872	351,591
Inventories	16,855	-
Total current assets	25,071,385	25,079,706
Noncurrent assets:		
Land and construction in progress	27,128,979	36,941,693
Other capital assets, net of accumulated depreciation/amortization	312,583,947	306,768,615
Total noncurrent assets	339,712,926	343,710,308
<b>TOTAL ASSETS</b>	<b>\$ 364,784,311</b>	<b>\$ 368,790,014</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,565,367	\$ 4,273,684
Construction contracts payable	1,888,711	3,853,105
Retainage payable	1,969,292	1,839,745
Unearned revenue	195,996	336,396
Easement obligation- current portion	100,000	150,000
Bonds payable-current portion	1,510,000	920,000
Total current liabilities	9,229,366	11,372,930
Noncurrent liabilities:		
Easement obligation	1,400,000	1,500,000
Bonds payable	31,965,000	33,475,000
Total noncurrent liabilities	33,365,000	34,975,000
<b>Total liabilities</b>	<b>42,594,366</b>	<b>46,347,930</b>
<b>NET POSITION</b>		
Net investment in capital assets	304,221,470	305,306,546
Unrestricted	17,968,475	17,135,538
<b>Total net position</b>	<b>\$ 322,189,945</b>	<b>\$ 322,442,084</b>

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

**DENTON COUNTY TRANSPORTATION AUTHORITY  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b>OPERATING REVENUES</b>		
Passenger revenue	\$ 1,454,750	\$ 1,265,685
Contract services	3,061,389	2,980,804
Other	58,694	44,072
<b>Total operating revenues</b>	<b>4,574,833</b>	<b>4,290,561</b>
<b>OPERATING EXPENSES</b>		
Salaries, wages and fringe benefits	7,658,566	6,702,365
Services	1,937,441	1,628,119
Materials and supplies	2,891,739	3,071,662
Purchased transportation services	9,632,780	8,874,900
Utilities	416,818	415,341
Insurance	775,986	625,788
Facility and equipment rents	352,479	349,592
Other - miscellaneous	123,609	144,743
	23,789,418	21,812,510
Depreciation and amortization	8,875,337	8,613,310
<b>Total operating expenses</b>	<b>32,664,755</b>	<b>30,425,820</b>
<b>NET OPERATING LOSS</b>	<b>(28,089,922)</b>	<b>(26,135,259)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Sales tax revenue	21,367,086	20,209,051
Transit system operating assistance grants	3,410,607	3,100,729
Investment income	21,100	32,137
Interest expense	(1,247,357)	(1,449,718)
Bond issuance costs and fees	-	(213,096)
Gain on disposal of assets	22,825	8,150
<b>Total non-operating revenue (expenses)</b>	<b>23,574,261</b>	<b>21,687,253</b>
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS</b>	<b>(4,515,661)</b>	<b>(4,448,006)</b>
<b>GRANTS FOR CAPITAL IMPROVEMENTS</b>	<b>4,263,522</b>	<b>5,922,358</b>
<b>Change in net position</b>	<b>(252,139)</b>	<b>1,474,352</b>
<b>NET POSITION, beginning of year, as restated</b>	<b>322,442,084</b>	<b>320,967,732</b>
<b>NET POSITION, end of year</b>	<b>\$ 322,189,945</b>	<b>\$ 322,442,084</b>

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

**DENTON COUNTY TRANSPORTATION AUTHORITY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 4,496,145	\$ 4,635,369
Payments to suppliers	(16,877,962)	(12,910,192)
Payments to employees	(7,623,909)	(6,651,293)
<b>Net cash used by operating activities</b>	<b>(20,005,726)</b>	<b>(14,926,116)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Sales tax received	21,047,716	19,872,791
Operating grant reimbursements	2,804,665	3,180,404
<b>Net cash provided by non-capital financing activities</b>	<b>23,852,381</b>	<b>23,053,195</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Contributions and grants for capital improvements	6,074,139	3,636,626
Principal paid on bonds	(920,000)	(885,000)
Acquisition and construction of capital assets	(6,839,977)	(10,921,021)
Interest paid on bonds	(1,247,356)	(1,282,666)
<b>Net cash used by capital and related financing activities</b>	<b>(2,933,194)</b>	<b>(9,452,061)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	21,100	32,137
<b>Net cash provided by investing activities</b>	<b>21,100</b>	<b>32,137</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>934,561</b>	<b>(1,292,845)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>18,048,762</b>	<b>19,341,607</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 18,983,323</b>	<b>\$ 18,048,762</b>

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

**DENTON COUNTY TRANSPORTATION AUTHORITY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2014 AND 2013  
(CONTINUED)**

	<b>2014</b>	<b>2013</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (28,089,922)	\$ (26,135,259)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation and amortization expense	8,875,337	8,613,310
Change in operating assets and liabilities		
Operating accounts receivable	(80,913)	351,808
Prepaid expenses	12,719	(57,722)
Fuel inventory	(16,855)	-
Operating accounts payable	(742,974)	2,257,675
Accrued payroll and payroll related taxes	34,657	51,072
Unearned revenue	2,225	(7,000)
	<b>\$ (20,005,726)</b>	<b>\$ (14,926,116)</b>
<b>NONCASH CAPITAL AND RELATED FINANCING</b>		
Gain on sale of non-capital assets	\$ 22,825	\$ 8,150
Grants for capital improvements	142,625	-
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET ASSETS</b>		
Cash and cash equivalents	\$ 15,513,164	\$ 12,721,952
Restricted cash	3,470,159	5,326,810
	<b>\$ 18,983,323</b>	<b>\$ 18,048,762</b>

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

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

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

The accounting policies of Denton County Transportation Authority (the Authority), as reflected in the accompanying financial statements for the fiscal years ended September 30, 2014 and 2013, conform to accounting principles generally accepted in the United States of America (GAAP) for local governmental units, as prescribed by the Governmental Accounting Standards Board, and include applicable standards of the Financial Accounting Standards Board.

**Financial Reporting Entity**

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

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

The Board of Directors, which governs the Authority, currently consists of 14 authorized positions. The Board is composed of:

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

**Basis of Accounting**

The activities of the Authority are similar to those of proprietary funds of local jurisdictions and are therefore reported as an enterprise fund. The activities are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting.

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

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

**Basis of Accounting – Continued**

Revenues are recognized in the accounting period in which they are earned, and expenses are recorded at the time liabilities are incurred. Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The Authority's principal operating revenues are derived from charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

All dollar amounts, unless otherwise noted, are in whole dollars. References to years 2014 and 2013 are for fiscal years ended September 30, 2014 and 2013.

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**

In 2014, the Authority began purchasing and maintaining its own fuel inventory, which is valued by volume on a monthly basis using a first-in, first-out inventory costing method.

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

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

**Restricted Assets**

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

**Investments**

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

**Capital Assets**

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

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

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

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

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



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

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

**Capital Assets – Continued**

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

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

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

**Current Liabilities**

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

**Compensated Absences**

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

**Unearned Revenue**

The University of North Texas (UNT) and North Central Texas College (NCTC) have contracted with the Authority to provide transportation for faculty, staff, and students in Denton, Texas through the Connect service. The universities have paid for this service in advance and, in addition, the Authority sells semester and annual passes. The Authority recognizes the revenue through straight-line amortization over the respective period. At September 30, 2014 and 2013, the Authority has received \$79,813 and \$77,588 in advance payments respectively.

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

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

**Unearned Revenue – Continued**

In addition, during 2010, the Authority received an advanced funding in the amount of \$250,360,000 from the Texas Department of Transportation for the development of the passenger rail system and to purchase rail vehicles. The Authority recognizes revenue as the funds are spent. At September 30, 2014 and 2013, unspent grant funds plus interest amounted to \$116,183 and \$258,808, respectively, and are reflected as part of unearned revenue and restricted cash and cash equivalents in the statement of net position.

**Net Position**

Equity is displayed in two components as follows:

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

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

**Operating Revenues**

Passenger revenue consists of farebox collections, the sale of passes, and amortization of unearned revenue. Farebox revenue is recorded at the time service is performed. Revenue from the sale of passes is recorded at the time of the sale. Unearned revenue from advance payments on contracts is amortized straight-line over the respective period.

Contract service revenue is related to providing transit services to third parties on a contractual basis. Contract revenue is recorded in the period earned. The Authority provides contract services for UNT and NCTC.

**Classification of Revenues and Expenses**

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

Operating expenses will be incurred for activities related to providing public transportation services. Such activities include transportation, maintenance, depreciation on capital assets, and general and administrative functions. Non-operating expenses include bad debt expense, interest expense, and amortization of bond fees.

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

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

**Estimates**

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

**Financial Instruments and Credit Risk**

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

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

**NOTE 2. BUDGETARY DATA**

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

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

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

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

**NOTE 3. SERVICE AGREEMENTS**

On October 1, 2006, the Authority entered into a management contract with First Transit, Inc. as an independent contractor to manage the operation of the Authority's public transit system in the Denton County urban area. Under the direction of the Authority's staff and guidance of its policy, First Transit, Inc. provides a qualified and experienced General Manager and home office support personnel to perform all services and functions necessary to ensure effective and efficient management and administration of the transit system including new and expanded services.

DCTA entered into a joint rail operations contract with DART and the "T" of Fort Worth. The contract provides passenger rail service coordination and allows DCTA to participate in services provided by HTSI under the TRE/DART operating contract. The contract supports the train operations and is accounted for under Purchased Transportation. The contract provides for maintenance services for stations, corridor, track signal and communication systems, engineers and conductors to operate the DCTA service, dispatching, management support, ticket vending machine service, and DART funded insurance for Commercial General Liability for rail operating liability that provides DCTA with a minimum of \$125 million worth of primary and non-contributory commercial liability that is a combination of insurance and self-insurance.

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

**Cash and Cash Equivalents**

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

The Board adopted a policy to designate three months' operating expenses as a reserve to address unanticipated emergencies which may be allocated by the approval of the Board. At September 30, 2014, the reserve is \$6,267,294.

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

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

**Cash and Cash Equivalents – Continued**

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

	September 30, 2014	September 30, 2013
Cash and cash equivalents		
Demand deposits	\$ 46,689	\$ 22,062
Sweep repurchase agreements	207,364	170,099
Money market account	12,873,499	12,891,376
TexSTAR	5,855,771	4,965,225
	<u>\$ 18,983,323</u>	<u>\$ 18,048,762</u>
Reconciliation		
Cash and cash equivalents	\$ 15,513,164	\$ 12,721,952
Restricted cash and cash equivalents	3,470,159	5,326,810
	<u>\$ 18,983,323</u>	<u>\$ 18,048,762</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 twelve 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 First Southwest Asset Management, Inc. and JP Morgan Fleming Asset Management. TexSTAR is a local government investment pool created under the Inter-local Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity, and competitive yield. The fund is rated AAAM by Standard and Poor's and maintains a weighted average maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all of the requirements of the Texas Public Funds Investment Act for local government investment pools.

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

**NOTE 5. RECEIVABLES**

Receivables at September 30, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Operating		
Ticket, token and other receivables	\$ 1,463,597	\$ 776,742
Sales tax	3,896,970	3,577,600
Grants receivable	371,768	2,325,011
Total	<u>\$ 5,732,335</u>	<u>\$ 6,679,353</u>

**NOTE 6. CAPITAL ASSETS**

Changes in capital assets for the fiscal years ended September 30, 2014 and 2013 are:

	Balance September 30, 2013	Increases	Transfers/ Decreases	Balance September 30, 2014
Capital assets, not being depreciated:				
Land	\$ 16,228,337	\$ -	\$ -	\$ 16,228,337
Construction in progress	20,713,356	4,877,955	(14,690,669)	10,900,642
Total capital assets not being depreciated	36,941,693	4,877,955	(14,690,669)	27,128,979
Capital assets, being depreciated/amortized				
Rail system	295,548,514	-	(19,410,221)	276,138,293
Land improvements	5,386,734	-	-	5,386,734
Vehicles and operating equipment	8,261,725	-	678,300	8,940,025
Leasehold improvements	55,506	-	-	55,506
Office furniture and equipment	1,379,286	-	579,142	1,958,428
Facilities	-	-	32,843,448	32,843,448
Easement	16,997,155	-	-	16,997,155
Total capital assets being depreciated/amortized	327,628,920	-	14,690,669	342,319,589
Less accumulated depreciation/amortization for				
Rail system	12,681,356	4,416,941	930,098	18,028,395
Land improvements	665,279	279,149	-	944,428
Vehicles and operating equipment	4,170,403	2,489,707	(1,718,975)	4,941,135
Leasehold improvements	55,506	-	-	55,506
Office furniture and equipment	454,902	258,338	-	713,240
Facilities	-	581,344	788,877	1,370,221
Easement	2,832,859	849,858	-	3,682,717
Total accumulated depreciation	20,860,305	8,875,337	-	29,735,642
Total capital assets, being depreciated, net	306,768,615	(8,875,337)	14,690,669	312,583,947
Total capital assets, net	<u>\$ 343,710,308</u>	<u>\$ (3,997,382)</u>	<u>\$ -</u>	<u>\$ 339,712,926</u>

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

**NOTE 6. CAPITAL ASSETS – CONTINUED**

	Balance September 30, 2012	Increases	Transfers/ Decreases	Balance September 30, 2013
Capital assets, not being depreciated:				
Land	\$ 16,228,337	\$ -	\$ -	\$ 16,228,337
Construction in progress	19,504,570	10,821,554	(9,612,768)	20,713,356
Total capital assets not being depreciated	35,732,907	10,821,554	(9,612,768)	36,941,693
Capital assets, being depreciated/amortized				
Rail system	286,261,767	-	9,286,747	295,548,514
Land improvements	5,386,734	-	-	5,386,734
Vehicles and operating equipment	8,261,725	-	-	8,261,725
Leasehold improvements	55,506	-	-	55,506
Office furniture and equipment	1,077,612	-	301,674	1,379,286
Easement	16,997,155	-	-	16,997,155
Total capital assets being depreciated/amortized	318,040,499	-	9,588,421	327,628,920
Less accumulated depreciation/amortization for				
Rail system	4,840,193	6,375,562	1,465,601	12,681,356
Land improvements	284,202	381,077	-	665,279
Vehicles and operating equipment	4,738,045	744,235	(1,311,877)	4,170,403
Leasehold improvements	55,506	-	-	55,506
Office furniture and equipment	349,772	103,966	1,164	454,902
Easement	1,977,500	1,120,541	(265,182)	2,832,859
Total accumulated depreciation	12,245,218	8,725,381	(110,294)	20,860,305
Total capital assets, being depreciated, net	305,795,281	(8,725,381)	9,698,715	306,768,615
Total capital assets, net	\$ 341,528,188	\$ 2,096,173	\$ 85,947	\$ 343,710,308

Primary capital asset expenditures in 2014 and 2013 relate to the bus operations & maintenance facility and the design of the 21-mile rail corridor and the purchase of rail vehicles, respectively. 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, 2014, \$15,450,000 had been paid to the Dallas Area Rapid Transit (DART). The remaining payments of \$1,500,000 will be paid in annual payments until the contract expires (See Note 9). The Authority's right under the contract will expire in June 2030, which is 20 years after the execution of the contract. Amortization of this asset is being recognized over the 20 year useful life on a straight-line basis and was \$847,500 for each of the years ended September 30, 2014 and 2013.

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

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

The Authority has a qualified deferred compensation defined contribution plan under the Internal Revenue Code Section 457 for full-time employees. AIG Valic is the administrator of the plan. Employees can make voluntary contributions in the plan through pretax payroll deductions up to the limits allowed by the Internal Revenue Code Section 457.

As of January 2012, the Authority became a member of Texas County 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 624 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).

The Authority adopted an annually determined contribution rate plan, for which the employer contribution rate is actuarially determined. The rate, applicable for two calendar years, consists of the normal cost contribution rate plus the rate required to amortize the unfunded actuarial liability over the remainder of the plan's 20-year amortization period which began January 1, 2012 using the entry age actuarial cost method. Monthly contributions by the Authority are based on the covered payroll and the employer contribution rate in effect. The contribution rate for calendar year 2014 is 4.60%.

During fiscal year 2014, employee contributions for all retirement plans totaled \$134,632. The Authority's contributions were \$90,826 for all retirement plans.

Annual pension cost and related information for the first and second year of TCDRS is as follows:

	<u>FY 2013-14</u>	<u>FY 2012-13</u>	<u>FY 2011-12</u>
Actuarial valuation date	12/31/2013	1/1/2012	1/1/2012
Actuarial Assumptions			
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
	Level Percent of	Level Percent of	Level Percent of
	Payroll	Payroll	Payroll
Amortization Method	20 Yrs-Closed	20 Yrs-Closed	20 Yrs-Closed
Remaining Amortization Period	10-Yr Smoothed	10-Yr Smoothed	10-Yr Smoothed
Asset Valuation Method	Value	Value	Value
Investment Rate of Return	8.0%	8.0%	8.0%
Inflation	3.0%	3.5%	3.5%
Projected Salary Increases	1.9%	1.9%	1.9%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%



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

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

The Authority's net pension obligation (NPO) at September 30, 2014 and 2013 is calculated as follows:

	Fiscal Year Ending September 30,		
	2014	2013	2012
Annual Pension Cost	\$ 73,356	\$ 69,429	\$ 52,280
Contributions Made	(73,356)	(69,429)	(52,280)
Net Pension Obligation (NPO) at Year End	\$ -	\$ -	\$ -
Contributions as a % of Annual Pension Cost	100%	100%	100%

As of December 31, 2013, the most recent actuarial valuation date, the plan was 95.7% funded. The actuarial accrued liability for benefits was \$385,737, and the actuarial value of assets was \$368,960, resulting in an unfunded actuarial accrued liability (UAAL) of \$16,777. The covered payroll (annual payroll of active employees covered by the plan as of the valuation date) was \$1,387,238, and the ratio of the UAAL to the covered payroll was 1.21%.

**NOTE 8. BONDS PAYABLE**

In December 2009, the Authority issued Sales Tax Revenue Refunding Bonds for \$20,890,000. This bond issuance refunds the \$20 million privately held bonds that were issued in 2008 and will allow the Authority to repay the bonds over 20 years versus a five-year repayment under the original issuance. Because of the early repayment, a \$727,000 interest penalty was incurred. The penalty was being amortized over the remaining life of the 2008 issuance and was paid in full as of September 30, 2013. This amount was financed through the refunding bonds. The Authority has pledged the sales tax revenues towards the repayment of the bonds. The first principal payment was made in September 2013 and annual installments continue through September 2029.

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

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

**NOTE 8. BONDS PAYABLE – CONTINUED**

The annual debt service requirements are:

Fiscal Year Ending September 30,	Principal	Interest	Total
2015	\$ 1,510,000	\$ 1,211,899	\$ 2,721,899
2016	1,580,000	1,156,423	2,736,423
2017	1,645,000	1,098,412	2,743,412
2018	1,720,000	1,038,065	2,758,065
2019	1,790,000	974,984	2,764,984
2020 - 2024	10,205,000	3,831,436	14,036,436
2025 - 2029	12,655,000	1,795,313	14,450,313
2030 - 2031	2,370,000	112,211	2,482,211
Total requirements	<u>\$ 33,475,000</u>	<u>\$ 11,218,743</u>	<u>\$ 44,693,743</u>

The following is a summary of changes in bonds payable of the Authority for the year ended September 30, 2014:

Balance at October 1, 2013	\$ 34,395,000
Additions	-
Reductions	<u>(920,000)</u>
Balance at September 30, 2014	<u>\$ 33,475,000</u>

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

No interest was capitalized during the years ended September 30, 2014 and 2013.

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, 2014 and 2013, the Authority was in compliance with this requirement.

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

**NOTE 9. EASEMENT OBLIGATION**

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

Fiscal Year Ending September 30,	Principal
2015	\$ 100,000
2016	100,000
2017	100,000
2018	100,000
2019	100,000
2020 - 2024	500,000
2025 - 2029	500,000
Total requirements	\$ 1,500,000

**NOTE 10. COMMITMENTS AND CONTINGENCIES**

**Risk Management**

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

The Authority is a participant in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide insurance for errors and omission, general liability, workers' compensation, automobile liability, and physical damage coverage. TML was self-sustaining in 2014 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.

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

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

**Risk Management – Continued**

The Authority has a government crime policy with TML insuring against employee theft up to \$1,000,000 per loss. For the year ended September 30, 2014, the Authority has not incurred any losses under these plans.

**Litigation**

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

**State and Federal Grants**

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

**Commitments**

At September 30, 2014, the Authority has the following outstanding commitments:

Right of Way agreement with DART	\$ 1,500,000
Predictive Arrival Software	346,630
Operations and Maintenance Agreement with DART	9,853,076
Management agreement for bus transit operations	<u>1,850,649</u>
	<u>\$ 13,550,355</u>

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

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

**Operating Lease Agreements**

The Authority has entered into certain operating lease agreements. All operating leases to which the Authority is currently a party will expire in fiscal year 2016. The total lease expense was \$502,479 for 2014 and \$499,592 for 2013. The lease payments by year are as follows:

	<u>2015</u>	<u>2016</u>	<u>Total</u>
Lease commitments			
Administration offices	<u>\$ 104,977</u>	<u>\$ 213,757</u>	<u>\$ 318,734</u>
Total lease commitments	<u>\$ 104,977</u>	<u>\$ 213,757</u>	<u>\$ 318,734</u>

**Funding**

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

**NOTE 11. NEW ACCOUNTING PRONOUNCEMENTS**

The GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities, to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

GASB concluded that debt issuance costs should be recognized as an outflow of resources in the reporting period in which they are incurred. The effect of the change on beginning net position was a decrease of \$204,008.

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

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

The comparative financial statements have been adjusted to apply the change in accounting principle to the fiscal year 2013 balances. The following financial statement line items for fiscal year 2013 were affected by the change in accounting principle:

Statement of Net Position:

	<u>As adjusted</u>	<u>As originally reported</u>	<u>Effect of change</u>
Deferred Charges	\$ -	\$ 204,008	\$ (204,008)

Statement of Revenues, Expenses, and Changes in Net Position:

	<u>As adjusted</u>	<u>As originally reported</u>	<u>Effect of change</u>
Bond issuance costs and fees	\$ 213,096	\$ 9,088	\$ 204,008

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which will be effective for the year ending September 30, 2015. The objective of this Statement is to improve accounting and financial reporting of state and local governmental pension plans. This Statement applies to all state and governmental entities and replaces Statements 27 and 50. The Authority will evaluate the impact of the standard on its financial statements and will take the necessary steps to implement it.

The GASB issued Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date- an Amendment to GASB 68*, which will be effective for the year ending September 30, 2015. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB 68. The statement requires that when transitioning to the new pension standards, the entity recognize a beginning deferred outflow of resources for the pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. The Authority will evaluate the impact of the standard on its financial statements and will take the necessary steps to implement it.

**REQUIRED SUPPLEMENTARY INFORMATION**

**DENTON COUNTY TRANSPORTATION AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
TEXAS COUNTY DISTRICT RETIREMENT SYSTEM  
ANALYSIS OF FUNDING PROGRESS  
(UNAUDITED)**

Fiscal Year	Actuarial Valuation Date	A Actuarial Value of Assets	B Actuarial Accrued Liability (AAL)	C = A/B Percentage Funded	D = B-A Unfunded Actuarial Accrued Liability (UAAL)	E Covered Payroll	F = D/E UAAL as a Percentage of Covered Payroll	Annual Required Contributions	Actual Contributions
2012	01/01/2012	\$ -	\$ 170,028	0%	\$ 170,028	\$ 1,177,573	14.44%	\$ 52,280	\$ 52,280
2013	01/01/2012	-	170,028	0%	170,028	1,177,573	14.44%	69,429	69,429
2014	12/31/2013	368,960	385,737	96%	16,777	1,387,238	1.21%	73,356	73,356

Note: The Authority became a member of Texas County District Retirement System (TCDRS) in January 2012.



## **SUPPLEMENTARY INFORMATION**

**DENTON COUNTY TRANSPORTATION AUTHORITY  
SCHEDULE OF REVENUES AND EXPENSES – BUDGET TO ACTUAL  
YEAR ENDED SEPTEMBER 30, 2014 WITH COMPARATIVE ACTUAL FOR 2013**

	2014				2013
	Original Budget	Final Budget	Actual	Variance	Actual
<b>OPERATING REVENUES</b>					
Passenger revenue	\$ 1,375,663	\$ 1,375,663	\$ 1,454,750	\$ 79,087	\$ 1,265,685
Contract services	3,298,781	3,298,781	3,061,389	(237,392)	2,980,804
Other	7,125	7,125	58,694	51,569	44,072
	<u>4,681,569</u>	<u>4,681,569</u>	<u>4,574,833</u>	<u>(106,736)</u>	<u>4,290,561</u>
<b>OPERATING EXPENSES</b>					
Salaries, wages and fringe benefits	8,279,130	8,329,943	7,658,566	671,377	6,702,365
Services	1,865,784	2,731,636	1,937,441	794,195	1,628,119
Materials and supplies	3,829,224	3,701,224	2,891,739	809,485	3,071,662
Purchased transportation services	9,331,365	9,300,701	9,632,780	(332,079)	8,874,900
Utilities	447,815	472,015	416,818	55,197	415,341
Insurance	798,162	798,162	775,986	22,176	625,788
Facility and equipment rents	284,615	427,615	352,479	75,136	349,592
Other - miscellaneous	233,085	236,085	123,609	112,476	144,743
Depreciation and amortization	8,997,293	8,668,090	8,875,337	(207,247)	8,613,310
<b>Total operating expenses</b>	<u>34,066,473</u>	<u>34,665,471</u>	<u>32,664,755</u>	<u>2,000,716</u>	<u>30,425,820</u>
<b>Operating loss</b>	<u>(29,384,904)</u>	<u>(29,983,902)</u>	<u>(28,089,922)</u>	<u>1,893,980</u>	<u>(26,135,259)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Sales tax revenue	20,725,320	20,725,320	21,367,086	641,766	20,209,051
Transit system operating assistance grants	3,680,022	3,680,022	3,410,607	(269,415)	3,100,729
Investment income	33,000	33,000	21,100	(11,900)	32,137
Interest expense	(2,423,840)	(2,627,850)	(1,247,357)	1,380,493	(1,449,718)
Bond issuance costs and fees	-	-	-	-	(213,096)
Gain (loss) on disposal of assets	-	-	22,825	22,825	8,150
<b>Total non-operating revenue (expenses)</b>	<u>22,014,502</u>	<u>21,810,492</u>	<u>23,574,261</u>	<u>1,763,769</u>	<u>21,687,253</u>
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS</b>	<u>(7,370,402)</u>	<u>(8,173,410)</u>	<u>(4,515,661)</u>	<u>3,657,749</u>	<u>(4,448,006)</u>
<b>GRANTS FOR CAPITAL IMPROVEMENTS</b>	<u>3,399,336</u>	<u>3,399,336</u>	<u>4,263,522</u>	<u>864,186</u>	<u>5,922,358</u>
<b>Change in net position</b>	<u>\$ (3,971,066)</u>	<u>\$ (4,774,074)</u>	<u>\$ (252,139)</u>	<u>\$ 4,521,935</u>	<u>\$ 1,474,352</u>

## **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><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> <i>These schedules contain trend information for the past six years to help the reader understand how the Authority’s financial performance and progress have changed over time.</i>	<b>36</b>
<b>Revenue Capacity</b> <i>These schedules contain information to help the reader assess the Authority’s most significant local revenue sources.</i>	<b>39</b>
<b>Debt Capacity</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>42</b>
<b>Demographic and Economic Information</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>43</b>
<b>Operating Information</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>	<b>46</b>

**DENTON COUNTY TRANSPORTATION AUTHORITY  
NET POSITION BY COMPONENT  
LAST TEN YEARS  
(accrual basis of accounting)**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Net position</b>										
Net investment in capital assets	\$ 2,264,339	\$ 6,183,506	\$ 7,249,758	\$ 3,277,402	\$ 79,699,179	\$ 192,287,389	\$ 281,258,854	\$ 302,097,014	\$ 305,306,546	\$ 304,221,470
Unrestricted	12,640,228	16,622,199	25,352,863	40,757,625	37,531,816	39,507,585	34,872,583	18,870,718	17,135,538	17,968,475
Total net position	<u>\$ 14,904,567</u>	<u>\$ 22,805,705</u>	<u>\$ 32,602,621</u>	<u>\$ 44,035,027</u>	<u>\$ 117,230,995</u>	<u>\$ 231,794,974</u>	<u>\$ 316,131,437</u>	<u>\$ 320,967,732</u>	<u>\$ 322,442,084</u>	<u>\$ 322,189,945</u>

**DENTON COUNTY TRANSPORTATION AUTHORITY**  
**CHANGE IN NET POSITION**  
**LAST TEN YEARS**  
**(accrual basis of accounting)**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Operating revenues</b>										
Passenger revenue	\$ 198,391	\$ 199,627	\$ 382,141	\$ 492,282	\$ 514,944	\$ 539,938	\$ 706,497	\$ 1,015,813	\$ 1,265,685	\$ 1,454,750
Contract services	1,408,917	1,644,794	2,033,900	2,234,145	2,085,401	2,368,908	2,520,036	2,927,341	2,980,804	3,061,389
Other	5,297	1,925	1,371	4,460	112,834	129,311	183,575	38,032	44,072	58,694
Total operating revenues	<u>1,612,605</u>	<u>1,846,346</u>	<u>2,417,412</u>	<u>2,730,887</u>	<u>2,713,179</u>	<u>3,038,157</u>	<u>3,410,108</u>	<u>3,981,186</u>	<u>4,290,561</u>	<u>4,574,833</u>
<b>Operating expenses</b>										
Salaries,wages and fringe benefits	296,949	755,780	4,356,664	4,884,853	5,377,646	5,890,580	5,737,446	6,293,238	6,702,365	7,658,566
Services	1,160,717	2,361,773	3,451,095	924,227	1,113,057	1,547,574	1,676,866	1,431,693	1,628,119	1,937,441
Materials and supplies	22,585	73,340	1,404,956	1,844,446	1,383,676	1,674,511	2,308,815	3,010,582	3,071,662	2,891,739
Utilities	6,865	10,471	76,864	68,103	72,712	74,165	180,953	396,248	415,341	416,818
Insurance	2,552	135,434	388,924	445,320	403,328	328,109	297,994	362,960	625,788	775,986
Purchased transportation services	3,707,829	4,075,845	-	-	-	-	5,537,663	7,605,436	8,874,900	9,632,780
Facility and equipment rents	74,717	194,116	319,076	330,926	323,369	322,041	596,236	943,160	349,592	352,479
Other - Miscellaneous	53,733	81,851	143,363	169,971	145,078	143,697	168,023	126,190	144,743	123,609
Depreciation	619,970	914,830	1,379,928	1,402,035	1,039,436	1,093,469	3,141,330	6,901,760	8,613,310	8,875,337
Total operating expenses	<u>5,945,917</u>	<u>8,603,440</u>	<u>11,520,870</u>	<u>10,069,881</u>	<u>9,858,302</u>	<u>11,074,146</u>	<u>19,645,326</u>	<u>27,071,267</u>	<u>30,425,820</u>	<u>32,664,755</u>
<b>Operating loss</b>	(4,333,312)	(6,757,094)	(9,103,458)	(7,338,994)	(7,145,123)	(8,035,989)	(16,235,218)	(23,090,081)	(26,135,259)	(28,089,922)
<b>Non-operating revenues (expenses)</b>										
Sales tax revenue	13,685,028	14,796,379	15,530,585	16,208,354	15,666,457	16,188,072	17,135,359	19,009,135	20,209,051	21,367,086
Enhanced local assistance	(3,421,257)	(3,699,095)	(3,882,646)	(1,067,837)	-	-	-	-	-	-
Capital grants	-	-	-	-	63,543,494	102,970,259	77,661,499	7,127,088	5,922,358	4,263,522
Transit system operating assistance grants	2,339,832	2,808,151	5,932,486	2,916,207	1,756,241	3,432,290	5,511,543	3,183,057	3,100,729	3,410,607
Investment Income	303,992	752,797	1,320,149	1,188,514	335,979	105,503	287,615	53,927	32,137	21,100
Interest expense	-	-	-	(156,267)	-	(162,284)	(200,461)	(1,486,881)	(1,449,718)	(1,247,357)
Bond issuance costs and fees	-	-	-	(7,567)	(22,700)	(89,696)	(7,969)	(12,219)	(213,096)	-
Unreimbursed prior year grant expenses	-	-	-	-	(504,959)	-	-	-	-	-
Trinity mills Design and Construction cost	-	-	-	(300,000)	(439,011)	194,099	184,095	-	-	-
Gain(loss) on disposal of assets	(2,456)	-	(200)	(10,004)	4,590	(38,275)	-	52,269	8,150	22,825
Total Non-operating revenue	<u>12,905,139</u>	<u>14,658,232</u>	<u>18,900,374</u>	<u>18,771,400</u>	<u>80,340,091</u>	<u>122,599,968</u>	<u>100,571,681</u>	<u>27,926,376</u>	<u>27,609,611</u>	<u>27,837,783</u>
<b>Change in net position</b>	<u>\$ 8,571,827</u>	<u>\$ 7,901,138</u>	<u>\$ 9,796,916</u>	<u>\$ 11,432,406</u>	<u>\$ 73,194,968</u>	<u>\$ 114,563,979</u>	<u>\$ 84,336,463</u>	<u>\$ 4,836,295</u>	<u>\$ 1,474,352</u>	<u>\$ (252,139)</u>

**DENTON COUNTY TRANSPORTATION AUTHORITY  
CAPITAL ASSETS  
LAST TEN YEARS**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Capital assets not being depreciated:										
Land and Improvement	\$ -	\$ -	\$ -	\$ 24,357	\$ 14,457,050	\$ 16,578,318	\$ 17,831,105	\$ 16,228,337	\$ 16,228,337	\$ 16,228,337
Construction in process	-	-	-	7,558,260	80,323,353	184,984,177	83,131,319	19,504,570	20,713,356	10,900,642
Total capital assets not being depreciated	-	-	-	7,582,617	94,780,403	201,562,495	100,962,424	35,732,907	36,941,693	27,128,979
Other Capital Assets being depreciated:										
Rail Assets	-	-	-	-	-	-	198,027,776	286,261,767	295,548,514	276,138,293
Land Improvements	-	-	-	-	-	-	2,035,505	5,386,734	5,386,734	5,386,734
Vehicles and operating equipment	-	-	10,006,819	9,993,781	9,998,586	9,198,216	11,217,776	8,261,725	8,261,725	8,940,025
Leasehold improvements	-	-	39,720	39,720	55,506	55,506	55,506	55,506	55,506	55,506
Office furniture and equipment	-	-	120,860	133,360	142,434	147,761	236,446	1,077,612	1,379,286	1,958,428
Facilities	-	-	-	-	-	-	-	-	-	32,843,448
Unallocated and Easement	3,179,169	6,803,476	-	-	-	7,500,000	16,950,000	16,997,155	16,997,155	16,997,155
Total other capital assets	3,179,169	6,803,476	10,167,399	10,166,861	10,196,526	16,901,483	228,523,009	318,040,499	327,628,920	342,319,589
Less accumulated depreciation:										
Rail Assets	-	-	-	-	-	-	1,179,481	4,840,193	12,681,356	18,028,395
Land Improvements	-	-	-	-	-	-	65,092	284,202	665,279	944,428
Vehicles and operating equipment	-	-	2,822,601	4,168,141	5,099,410	4,967,532	5,843,729	4,738,045	4,170,403	4,941,135
Leasehold improvements	-	-	17,203	39,720	42,877	55,506	55,506	55,506	55,506	55,506
Office furniture and equipment	-	-	78,018	108,783	135,463	138,551	154,112	349,772	454,902	713,240
Facilities	-	-	-	-	-	-	-	-	-	1,370,221
Unallocated and Easement	914,830	619,970	-	-	-	125,000	1,130,000	1,977,500	2,832,859	3,682,717
Total accumulated depreciation	914,830	619,970	2,917,822	4,316,644	5,277,750	5,286,589	8,427,920	12,245,218	20,860,305	29,735,642
Total capital assets, net	\$ 2,264,339	\$ 6,183,506	\$ 7,249,577	\$ 13,432,834	\$ 99,699,179	\$ 213,177,389	\$ 321,057,513	\$ 341,528,188	\$ 343,710,308	\$ 339,712,926

**DENTON COUNTY TRANSPORTATION AUTHORITY  
REVENUE BY SOURCE  
LAST TEN YEARS**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Revenue</b>										
Sales tax	\$ 13,685,028	\$ 14,796,379	\$ 15,530,585	\$ 16,208,354	\$ 15,666,457	\$ 16,188,072	\$ 17,135,359	\$ 19,009,135	\$ 20,209,051	\$ 21,367,086
Passenger revenues	198,391	199,627	382,141	492,282	514,944	539,938	706,497	1,015,813	1,265,685	1,454,750
Contract service revenues	1,408,917	1,644,794	2,035,271	2,238,605	2,199,235	2,498,219	2,703,611	2,965,373	3,024,876	3,120,083
Investment income	303,992	752,797	1,320,149	1,188,514	335,979	105,503	287,615	53,927	32,137	21,100
Grant revenues	2,339,832	2,808,151	5,932,486	2,916,207	64,794,776	106,402,549	83,173,042	10,310,145	9,023,087	7,674,129
Other revenues	5,297	1,925	-	(10,004)	4,590	194,099	184,095	52,269	8,150	22,825
Total revenue	<u>\$ 17,941,457</u>	<u>\$ 20,203,673</u>	<u>\$ 25,200,632</u>	<u>\$ 23,033,958</u>	<u>\$ 83,515,981</u>	<u>\$ 125,928,380</u>	<u>\$ 104,190,219</u>	<u>\$ 33,406,662</u>	<u>\$ 33,562,986</u>	<u>\$ 33,659,973</u>



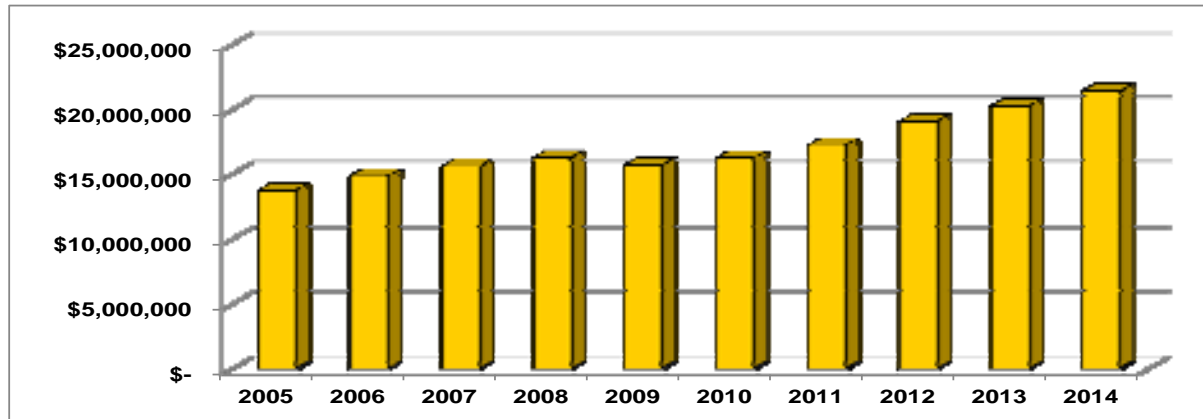
**DENTON COUNTY TRANSPORTATION AUTHORITY  
SALES TAX REVENUE  
LAST TEN YEARS**

Fiscal Year	Sales Tax Revenue	Compounded Percent Change from Base Year <sup>(1)</sup>	Percent Change from Prior Year
2005	\$ 13,685,028		
2006	14,796,379	8.1%	8.1%
2007	15,530,585	13.5%	5.0%
2008	16,208,354	18.4%	4.4%
2009	15,666,457	14.5%	-3.3%
2010	16,188,072	18.3%	3.3%
2011	17,135,359	25.2%	5.9%
2012	19,009,135	38.9%	10.9%
2013	20,209,051	47.7%	6.3%
2014	21,367,086	56.1%	5.7%
Average Growth			5.8%

Notes:

<sup>(1)</sup> Base year for 2006 through 2014 is 2005.

**SALES TAX REVENUE**

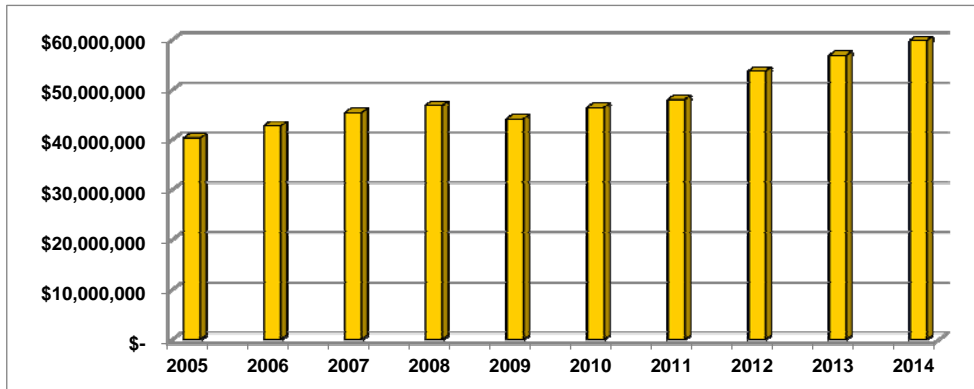


**DENTON COUNTY TRANSPORTATION AUTHORITY  
SALES TAX ALLOCATION RECEIVED BY MEMBER CITIES  
LAST TEN YEARS**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
City of Denton	\$ 18,173,139	\$ 19,147,941	\$ 19,814,214	\$ 20,546,338	\$ 19,247,400	\$ 19,946,997	\$ 21,369,439	\$ 24,367,672	\$ 24,954,131	\$ 26,062,974
City of Lewisville	21,460,076	22,713,653	24,026,981	23,516,032	22,104,391	23,685,668	23,616,008	26,061,918	28,564,305	30,175,350
City of Highland Village	627,206	846,604	1,467,009	2,719,056	2,705,699	2,718,127	2,941,989	3,196,265	3,244,944	3,514,486
<b>Total</b>	<u>\$ 40,260,421</u>	<u>\$ 42,708,198</u>	<u>\$ 45,308,204</u>	<u>\$ 46,781,426</u>	<u>\$ 44,057,490</u>	<u>\$ 46,350,792</u>	<u>\$ 47,927,436</u>	<u>\$ 53,625,855</u>	<u>\$ 56,763,380</u>	<u>\$ 59,752,810</u>

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

**SALES TAX REVENUE**



**DENTON COUNTY TRANSPORTATION AUTHORITY  
LONG – TERM DEBT  
LAST TEN YEARS**

Fiscal Year	Sales Tax Revenue Bonds, Series 2008	Sales Tax Revenue Refunding Bonds, Series 2009	Contractual Obligations, Series 2011	Total	Percentage of Personal Income	Per Capita
2005	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
2006	-	-	-	-	0.00%	-
2007	-	-	-	-	0.00%	-
2008	20,000,000	-	-	20,000,000	0.10%	32.54
2009	20,000,000	-	-	20,000,000	0.10%	31.83
2010	-	20,890,000	-	20,890,000	0.10%	31.53
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	(A)	46.94

N/A: Certain aspects 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**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income (in Thousands) (2)</b>	<b>Per Capita Personal Income (2)</b>	<b>Median Age (2)</b>	<b>Education Level in Years of Formal Schooling (2)</b>	<b>School Enrollment (2)</b>	<b>Unemployment Rate (3)</b>
<b>2005</b>	552,600	\$ 16,260,808	\$ 29,426	32.2	14.0	164,982	4.5%
<b>2006</b>	578,500	\$ 17,256,655	\$ 29,830	32.2	13.9	178,444	4.1%
<b>2007</b>	559,350	\$ 17,367,258	\$ 31,049	31.9	13.9	187,564	4.0%
<b>2008</b>	614,650	\$ 19,794,189	\$ 32,204	32.1	13.9	193,381	4.7%
<b>2009</b>	628,300	\$ 19,437,717	\$ 30,937	32.8	14.0	199,920	7.4%
<b>2010</b>	662,614	\$ 20,587,417	\$ 31,070	32.9	14.1	212,297	7.1%
<b>2011</b>	669,930	\$ 22,276,512	\$ 33,252	32.8	14.0	202,879	6.9%
<b>2012</b>	683,010	\$ 22,938,891	\$ 33,585	33.0	14.0	209,157	5.6%
<b>2013</b>	694,050	\$ 23,497,063	\$ 33,855	33.4	14.1	215,359	5.4%
<b>2014</b>	713,200	(A)	(A)	(A)	(A)	(A)	4.5%

Sources:

(1) North Central Texas Council of Governments (NCTCOG) estimates and 2010 census

(2) U.S.Census Bureau

(3) Texas Workforce Commission

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, 2014 AND NINE YEARS AGO**

<u>10 Largest Employers</u>	<u>Industry</u>	<u>2014</u>			<u>2005</u>	
		<u>Rank</u>	<u>Estimated Number of Employees</u>	<u>Percentage of Total Employment</u>	<u>Estimated Number of Employees</u>	<u>Percentage of Total Employment</u>
University of North Texas	Education	1	8,887	2.28%	5,900	1.96%
Lewisville Independent School District	Education	2	6,312	1.62%	4,500	1.49%
Wal-Mart (Distribution Center & Stores)	Retail	3	3,900	1.00%	(A)	(A)
Denton Independent School District	Education	4	3,067	0.79%	2,000	0.66%
Nationstar Mortgage	Real Estate Loans	5	2,810	0.72%	(A)	(A)
Peterbilt Motors	Manufacturing	6	2,100	0.54%	1,200	0.40%
Texas Woman's University	Education	7	1,787	0.46%	(A)	(A)
Northwest Independent School District	Education	8	1,638	0.42%	(A)	(A)
Denton State School	State Government	9	1,500	0.39%	1,350	0.45%
Denton County	County Government	10	1,490	0.38%	1,365	0.45%

Sources: Denton County Budget Department, Denton County Auditor's Office, 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 / CONTRACT OPERATIONS  
LAST TEN YEARS**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Employee Count</b>										
DCTA - Administration	9	19	24	28	24	23	23	18	22	24
Transit Management of Denton County (First Transit)- Contract bus operations	78	100	110	130	135	140	130	119	126	130
Total head count	87	119	134	158	159	163	153	137	148	154

Sources: Denton County Transportation Authority HR Department.  
Note 1: Figures represent total head count as of fiscal year end.

**DENTON COUNTY TRANSPORTATION AUTHORITY  
OPERATING STATISTICS  
LAST TEN YEARS**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Actual Vehicle Revenue Miles</b>										
Demand Response Directly Operated Transportation	(A)	296,300	250,796	343,414	334,897	335,812	311,987	212,539	237,817	236,203
Fixed Route Bus Directly Operated Transportation	(A)	852,454	1,196,500	1,324,913	1,310,666	1,311,258	1,498,295	1,358,151	1,213,224	1,223,749
Total Actual Vehicle Revenue Miles	(A)	1,148,754	1,447,296	1,668,327	1,645,563	1,647,070	1,810,282	1,570,690	1,451,040	1,459,951
<b>Actual Vehicle Revenue Hours</b>										
Demand Response Directly Operated Transportation	(A)	(A)	(A)	22,844	26,204	20,204	18,263	15,399	17,408	17,607
Fixed Route Bus Directly Operated Transportation	(A)	(A)	(A)	90,454	94,922	92,955	96,786	98,481	99,468	104,937
Total Actual Vehicle Revenue Hours	(A)	(A)	(A)	113,298	121,126	113,159	115,049	113,880	116,876	122,544
<b>Total Annual Unlinked Trips</b>	(A)	(A)	(A)	1,957,864	2,063,265	2,337,255	2,420,155	2,586,036	2,502,586	2,259,168
<b>Annual Passenger Miles</b>										
Demand Response Directly Operated Transportation	(A)	245,025	228,566	343,416	366,696	355,812	227,587	221,474	237,922	236,238
Fixed Route Bus Directly Operated Transportation	(A)	3,253,169	5,390,395	5,936,304	6,256,876	7,087,754	7,276,977	7,818,249	7,415,162	6,092,976
Total Annual Passenger Miles	(A)	3,498,194	5,618,961	6,279,720	6,623,572	7,443,566	7,504,564	8,039,723	7,653,085	6,329,214
<b>Operating Expenses</b>										
Demand Response Directly Operated Transportation	\$ 1,112,349	\$ 1,727,696	\$ 754,548	\$ 691,233	\$ 773,936	\$ 962,197	\$ 977,383	\$ 1,027,239	\$ 1,089,671	\$ 1,268,162
Fixed Route Bus Directly Operated Transportation	2,595,480	5,766,798	6,416,111	7,139,863	6,301,682	6,784,260	6,891,337	6,087,149	6,241,741	6,674,183
Total Operating Expenses	\$ 3,707,829	\$ 7,494,494	\$ 7,170,659	\$ 7,831,096	\$ 7,075,618	\$ 7,746,457	\$ 7,868,720	\$ 7,114,388	\$ 7,331,412	\$ 7,942,345

**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.

**Actual Vehicle Revenue Hours:** The hours 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.

**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.

**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.

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  
FAREBOX RECOVERY PERCENTAGE  
LAST TEN YEARS**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Farebox recovery	30.18%	31.84%	41.50%	42.27%	42.91%	42.74%	53.68%	47.65%	46.30%	46.07%

**Fare Structure at 9/30/2014**

**Connect Fare Structure (Bus Only)**

	Current	<u>Regional (Bus &amp; Rail)</u>	Current
Connect One-Way	\$ 1.50	Regional 2 Hour	\$ 5.00
Connect One-Way Reduced*	\$ 0.75	Regional 2 Hour Reduced*	\$ 1.25
Connect 10-Ride Book	\$ 13.00	Regional Day Pass	\$ 10.00
Connect Monthly/31-Day	\$ 45.00	Regional Day Pass Reduced*	\$ 2.50
Connect Monthly/31-Day Reduced*	\$ 25.00	Regional 7-Day Pass	\$ 50.00
Connect Annual Pass	\$ 450.00	Regional 10 Pack of Day Passes	\$ 70.00
		Regional Monthly/31-Day Pass	\$ 160.00
		Regional Monthly/31-Day Pass Reduced*	\$ 40.00
		Regional Annual Pass	\$ 1,600.00
		Regional Annual Pass Reduced*	\$ 480.00

**Local System (Bus & Rail)**

Local System 2 Hour	\$ 3.00	Regional University Student Full Semester Pass**	\$ 175.00
Local System 2 Hour Reduced*	\$ 1.25	Regional University Student Summer Semester Pass**	\$ 150.00
Local System Day Pass	\$ 6.00	Regional University Student Annual Pass**	\$ 400.00
Local System Day Pass Reduced*	\$ 2.50	Regional University Faculty/Staff Full Semester Pass**	\$ 340.00
Local System 7-Day	\$ 25.00	Regional University Faculty/Staff Annual Pass**	\$ 840.00
Local System 10 Pack of Day Passes	\$ 40.00		
Local System Monthly/31-Day Pass	\$ 90.00	<b><u>NCTC Shuttle</u></b>	
Local System Monthly/31-Day Pass Reduced*	\$ 40.00	NCTC Shuttle One-Way	\$ 3.00
Local System Annual Pass	\$ 650.00	NCTC Shuttle One-Way Reduced*	\$ 1.50
Local System Annual Pass Reduced*	\$ 480.00		
Local System Summer Youth Pass	\$ 30.00	<b><u>Access</u></b>	
Local System University Student Full Semester Pass**	\$ 125.00	Access One-Way	\$ 3.00
Local System University Student Summer Semester Pass**	\$ 80.00	Access 10-Ride Book	\$ 30.00
Local System University Student Annual Pass**	\$ 300.00		
Local System University Faculty/Staff Full Semester Pass**	\$ 170.00		
Local System University Faculty/Staff Annual Pass**	\$ 420.00		

\* 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 and staff of 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.

Note 1: The farebox recovery only includes bus operations. It does not include rail operations.