

A stack of papers is visible on the left side of the cover, with some papers showing red and blue edges. The background is a solid blue color.

DENTON COUNTY TRANSPORTATION AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2015

DCTA

A yellow graphic element consisting of a curved line that tapers to a point on the right side, positioned below the 'DCTA' text.

AS PREPARED by
DCTA FINANCE DEPARTMENT
LEWISVILLE, TX

DENTON COUNTY TRANSPORTATION AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

AS PREPARED BY:
DCTA FINANCE DEPARTMENT
LEWISVILLE, TEXAS

**DENTON COUNTY TRANSPORTATION AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

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INTRODUCTORY SECTION

Letter of Transmittal

February 16, 2016

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of Denton County Transportation Authority (DCTA) for the fiscal year ended September 30, 2015.

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

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

Weaver and Tidwell, LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the DCTA's financial statements for the year ended September 30, 2015. The independent auditor's report is located at the front of the financial section of this report.

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

DCTA PROFILE

DCTA is a Coordinated County Transportation Authority as defined in Chapter 460 of the Texas Transportation Code. It is granted power under this Texas law to plan, develop, acquire, construct, own, operate, and maintain a public transportation system in Denton County. DCTA provides fixed route, demand response bus service, university shuttle, vanpools and commuter rail service in Denton County.

Location

Denton County is located in the northern part of the Dallas-Fort Worth Metroplex adjacent to both Dallas and Tarrant counties. The county is 953 square miles and is approximately 35 miles south of the border between Texas and Oklahoma. The county, founded in 1846, is one of the fastest growing counties in the U.S. with an estimated population of 734,940 in 2015.

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 for service on the Board. Board officers are elected from the Board membership and serve a one-year term with no term limits, except for the Board Chair who may not serve for than four (4) consecutive terms.

Agency Background

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

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

In February 2012, the DCTA Board of Directors updated its Long Range Service Plan. This update provides the framework for DCTA service planning for the next 25 years. DCTA's Long Range Service Plan supports the goals of North Central Texas Council of Government's (NCTCOG) Mobility 2035 Plan. NCTCOG is the regional Metropolitan Planning Organization (MPO), 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. NCTCOG is currently in the process of completing the new update of the regional Mobility Plan—the 2040 Mobility Plan. DCTA is providing input regarding key service components of DCTA Long Range Service Plan for incorporation into the NCTCOG 2040 Mobility 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 implementation of DCTA's Long Range Service Plan.

Accounting System and Budgetary Control

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

On an annual basis, DCTA develops and adopts an operating and capital budget as well as the long range financial plan. As part of the budget process, a long range financial forecast and cash flow model is presented to the Board. This document forecasts the operating component, debt service costs and Capital Improvement Plan requirements and serves as the foundation for the development of the annual operating and capital budget. The cash flow model helps provide a long-term look at the impact of annual budgetary decisions. As part of the annual budget process, the Board also adopts a Budget Contingency Plan which 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; however, any revisions that alter the total expenditures of the fund or increase a capital project budget must be approved by the Board. As a matter of practice, budget transfers are reported monthly to the Board at its regularly scheduled meeting.

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

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

SERVICES PROVIDED

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

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 FY15 rail ridership totaled just over 555,000.

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 2015, 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 Texas Women's University (TWU).

Connect RSVP provides peak-hour service on demand in Highland Village and north Lewisville. Ridership on Connect RSVP totaled 2,158, down from 2,872 in 2014, due in part to major construction along the I-35 E corridor.

University Shuttle Service

UNT services are operated by DCTA in Denton, which include an eight-route weekday shuttle service and one weekend-only route for UNT through a contractual agreement. The UNT Shuttle service provides transportation from nearby apartment complexes to the campus as well as circulation throughout the campus. The UNT service has the highest ridership of any bus operation in the DCTA system. Total passengers for FY15 were just under 1.8 million compared to 1.6 million in FY14.

NCTC services provided by DCTA operate between Denton and Corinth as well as Lewisville and Flower Mound. Ridership for the NCTC service experienced an increase in FY15. Ridership increased from approximately 14,000 in FY14 to 17,489 in FY15.

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 FY15.

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 FY15 there were 31 vanpools in operation compared to 25 in FY14.

DCTA PROGRESS

The focus in 2015 continued to be on safety, improved service delivery, improving the customer experience, and maintaining the agency's investments in equipment and infrastructure. Capital projects including completion of a portion of the A-train Hike and Bike Trail along with Community Enhancements along the A-train Rail Trail in Denton. Capital maintenance for wheel work on the rail vehicles was funded in 2015 as well as improvements to convert station landscaping vegetation to native plants with lower watering requirements.

In late 2015, a major milestone was achieved with the transfer of the Downtown Denton Transit Center. The city of Denton conveyed ownership of the facility to DCTA. The next major milestone for the agency is the implementation of federally mandated Positive Train Control (PTC) by late 2017. DCTA awarded a contract for the implementation of this project, and it is on track for completion. DCTA continues to communicate with the Federal Railroad Administration (FRA) on the progress towards meeting the 2018 legislative deadline for final implementation.

In FY15 DCTA carried 3 million passengers system-wide. This included just over 555,000 rail passengers and 2.5 million on the bus system. This was an increase of approximately 7.0% in system-wide ridership from FY14.

In 2015, the fourth full year of operation, the A-train carried just over 555,000 passengers, a 2.3% decrease from FY14. Ridership was impacted by significant flooding events during mid-2015. The major floods resulted in Denton County being declared a federal disaster area. Southern portions of the rail line had to be closed, and bus bridges were implemented to transport passengers from the Denton stations to the Trinity Mills Station in Carrollton.

The bus system as a whole has experienced ridership growth since DCTA assumed existing bus service in 2005. The number of total annual UNT passengers has increased from 1.3 million in 2005 to 1.8 million in 2015. DCTA continues to work with UNT to evaluate options and route schedules to help address ridership.

DCTA has implemented a number of initiatives to improve the passenger experience. These initiatives included additional funding to expand hours of Connect bus service for routes in Denton and Lewisville. Two (2) additional full-time equivalents were added to provide procurement assistance and administrative support.

Improvements to passenger information systems included completion 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 a 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. In FY15 9 percent of all tickets sold were sold via GoPass, up from 6 percent in FY14.

FUTURE ECONOMIC OUTLOOK

DCTA's major revenue source, sales tax, continues to trend upward. Sales tax revenues were \$23.3 million in FY15 compared to \$21.4 million in FY14. Total revenues were \$35.5 million in FY15 compared to \$33.7 million in FY14. Despite strong sales tax growth, DCTA faces challenges in anticipated changes and increases in healthcare costs, low interest rates impacting investment earnings, and funding for the increased demand for the expansion of services and growing ridership.

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

Regional Economy

The Dallas-Fort Worth (DFW) economy continues to expand with an unemployment rate below both the state average and the U.S. rate. At year-end 2015, the Dallas unemployment rate was 3.8 percent and 4 percent for Fort Worth. Both were below the Texas and U.S. rate of 4.7 percent and 5 percent respectively. The Federal Reserve Bank of Dallas reported in their January 2016 Economic Indicators Update:

“The Dallas-Fort Worth economy continued to expand at a rapid clip in December. For all of 2015, DFW employment grew 3.3 percent, outpacing both the state at 1.5 percent and the nation at 1.9 percent. Home sales rose in December and apartment demand remained strong in the fourth quarter. Unemployment in December edged down in both Dallas and Fort Worth. Dallas Fed business-cycle indexes point to continued growth for the metroplex.”

According to the Federal Reserve Bank of Dallas, oil prices have declined significantly since December 2015, dropping 21 percent from early December through the end of January 2016. However the impact of this decline has not been uniform across the state. While manufacturing sector employment dropped, employment gains in professional and business services -- which makes up the second-largest share of DFW employment – were strong. The North Texas area continues to be one of the fastest-growing areas in the nation.

Population Forecast

Population growth is projected to be significant. The Dallas-Fort Worth Metroplex is now the fourth-largest metropolitan area in the country. According to the NCTCOG 2040 draft plan, in 2010 the 12-county Dallas-Fort Worth Metropolitan Area (MPA) had a population of approximately 6.5 million. By the year 2040, these counties are forecast to grow to 10.7 million

residents. This expected growth represents a 65% increase in population for North Texas over the next 30 years. The counties of Collin, Dallas, Denton and Tarrant accounted for 88% of the 12-county population in 2010 and the individual population share for Collin and Denton County have increased while Dallas and Tarrant counties have decreased. The city of Denton's population is expected to increase in size by nearly 154% by 2040. Significant growth is anticipated in other cities as well, notably Frisco and Flower Mound, with high population growth projected in some of the smaller cities as well.

The NCTCOG Travel Demand Model estimates that most individuals who live in Denton County work outside of the county, with only 37% of Denton County residents working in the county. This highlights the importance of providing transportation links from Denton County to major employment destinations, not only in Dallas County but in Tarrant County as well. Based on the travel demand data, the highest growth in trip generation is expected to come from the area in southeast Denton County. Areas in and around the Alliance development (southwest Denton County) are also expected to see large increases in travel demand.

Long Range Plan

For the past several years, DCTA 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 commuter rail service, DCTA is now looking beyond the A-train implementation and preparing for the future needs of a growing Denton County and North Central Texas region. The Long Range Service Plan updated by the Board in February 2012 provides a roadmap for decision making about transit investments in Denton County over the next 25 years.

Included in the FY16 budget is funding for a comprehensive service analysis to focus on improvements to address "last mile" connection for commuter rail passengers, improved headways and routes for bus service, high intensity bus corridors to provide connections to central nodes of activity, and on-demand type bus service to serve those areas not particularly suited for fixed route bus service.

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

OTHER INFORMATION

Independent Audit

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

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

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the DCTA for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2014. 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 fifth consecutive year for the DCTA to receive the Certificate of Achievement.

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

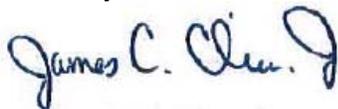
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgements

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

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

Sincerely,



James C. Cline, Jr.
President



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



Marisa Perry, CPA
Controller



Government Finance Officers Association

Certificate of
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for Excellence
in Financial
Reporting

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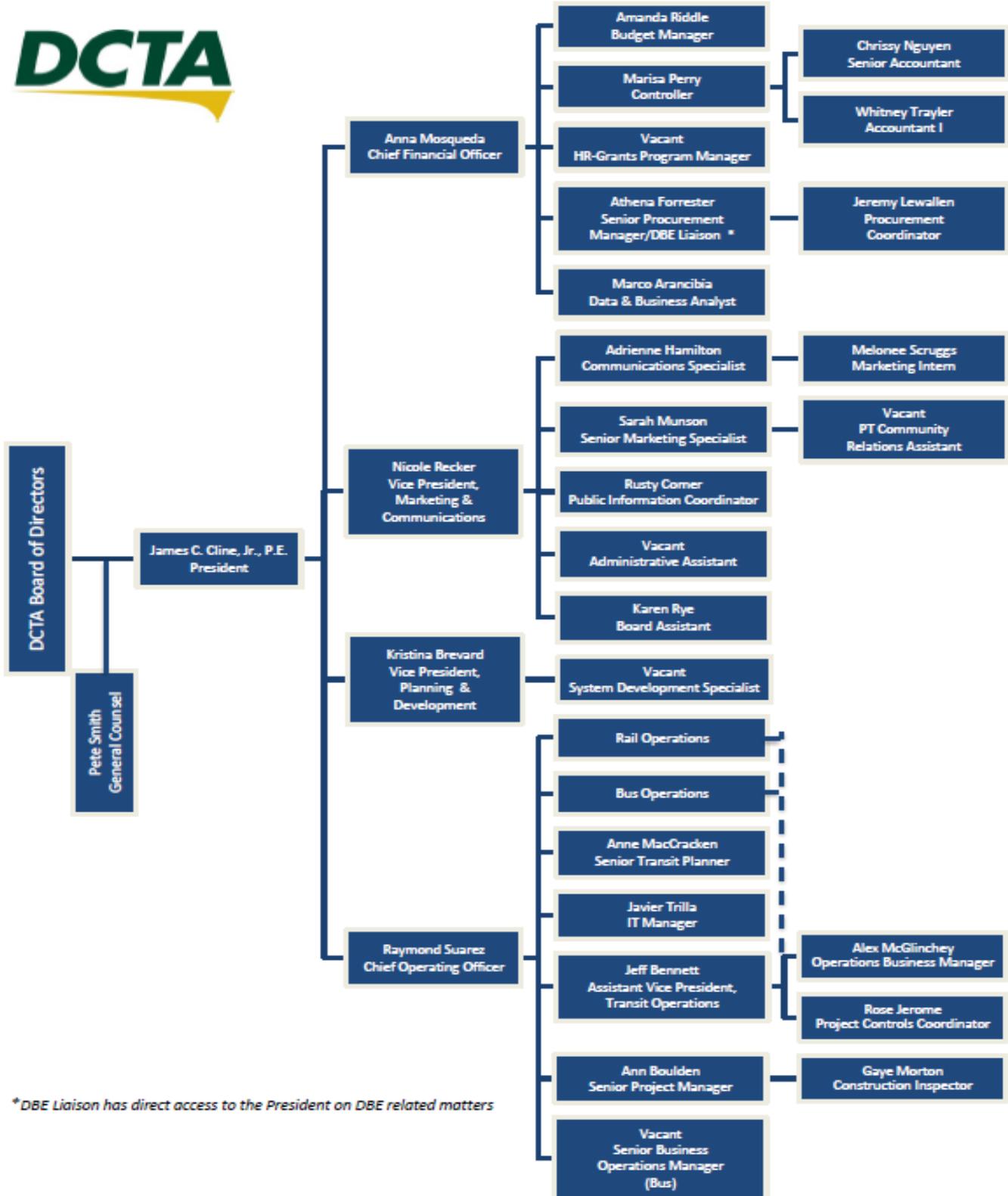
**Denton County Transportation
Authority, Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO

**DENTON COUNTY TRANSPORTATION AUTHORITY
ORGANIZATIONAL CHART
SEPTEMBER 30, 2015**



*DBE Liaison has direct access to the President on DBE related matters

List of Principal Officials

A Board of Directors 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
Tom Winterburn	Member	City of Corinth
Jim Robertson	Member	City of Flower Mound
Carter Wilson	Member	City of Frisco
Connie White	Member	Small Cities
Vacant	Member	Small Cities

FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Denton County Transportation Authority

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As described in Note 11 to the financial statements, in 2014, the Authority adopted new accounting guidance, GASB Statement No. 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". 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 Texas County District Retirement System pension schedules (on pages 34-35) 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

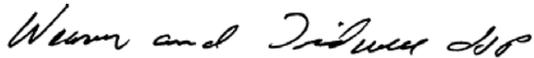
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, the schedule of revenue and expenses – budget and actual, and statistical section are presented for purposes of additional 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 15, 2016, 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 15, 2016

**Denton County Transportation Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2015
(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, 2015. 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. 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, 2015 and 2014, total assets and deferred outflows of resources of DCTA exceeded total liabilities by \$321,918,784 and \$322,189,945 respectively. The amount of unrestricted net position as of September 30, 2015 was \$20,897,688 compared to \$17,968,475 in 2014. 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 \$320,182 during the current fiscal year compared to a decrease of \$252,139 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 \$2.5 million less in FY15 compared to FY14.
- Net capital assets were \$334.2 million as of September 30, 2015 compared to \$339.7 million as of September 30, 2014. The decrease of \$5.5 million is caused by \$9.3 million of depreciation expense offset by \$3.9 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, 2015
(Unaudited)**

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

Statement of Net Position – The statement of net position reports all of the financial and capital resources of DCTA. The statement is presented in the format where total assets plus deferred outflows or resources 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, 2015
(Unaudited)**

Financial Analysis

Statement of Net Position – As noted earlier, net position and especially net position by category, may serve over time as a useful indicator of DCTA's financial position. Total assets and deferred outflows of resources exceeded total liabilities by \$321,918,784 and \$322,189,945 as of September 30, 2015, and 2014 respectively. The largest portion, 94% in 2015, is net investment in capital assets primarily as a result of the rail line construction and acquisition of rail vehicles. The remaining 6% is in unrestricted net position which represents assets with no external restriction as to the use or purpose. The unrestricted net position can be employed for any lawful purpose designated by the governing board. In 2014, 6% of the excess was in unrestricted net position.

Net position of DCTA decreased 0.1% or \$320,182 during the current fiscal year compared to a decrease of 0.08% or \$252,139 in the prior year. The decrease in net position in the current fiscal year is related to a \$5.5 million decrease in capital assets, offset by a \$1.8 million increase in cash, \$0.7 million increase in accounts receivable, \$0.6 million decrease in accounts payable and a \$1.5 million decrease in bonds payable.

Condensed Statements of Net Position

	<u>2015</u>	<u>2014</u>
Assets		
Current and other assets	\$ 27,569,833	\$ 25,071,385
Capital assets	<u>334,186,030</u>	<u>339,712,926</u>
Total Assets	361,755,863	364,784,311
Deferred Outflows of Resources		
Related to TCDRS pension	166,628	-
Liabilities		
Current liabilities	8,193,959	9,229,366
Non-current liabilities	<u>31,809,748</u>	<u>33,365,000</u>
Total Liabilities	40,003,707	42,594,366
Net Position		
Net investment in capital assets	301,021,096	304,221,470
Unrestricted	<u>20,897,688</u>	<u>17,968,475</u>
Total Net Position	<u>\$ 321,918,784</u>	<u>\$ 322,189,945</u>

**Denton County Transportation Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2015
(Unaudited)**

Assets – During fiscal year 2015, DCTA's total assets decreased 1% or \$3,028,448 from fiscal year 2014. The net decrease is attributable to the \$5.5 million decrease in capital assets, offset by a \$2.5 million increase in cash and receivables.

Capital Assets, net of depreciation, decreased \$5.5 million due to \$9.3 million of depreciation and amortization, offset by \$3.9 million additions to construction work in progress for the Lewisville Hike & Bike Trail as well as improvements to the rail system and rail vehicles. The capital assets activity for the year is captured in Note 6 (page 25).

Liabilities – Current liabilities decreased \$1,035,407 primarily due to payments made for rail purchased transportation 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 \$27,569,833 and current liabilities of \$8,193,959, was 3.4:1 as of September 30, 2015 compared to 2.7:1 as of September 30, 2014.

There was a \$1,555,252 decrease in non-current liabilities in 2015 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 30 and 31).

Statement of Revenues, Expenses, and Changes in Net Position – During the 2015 fiscal year DCTA's activities resulted in a decrease in net position of \$320,182 compared to a decrease of \$252,139 in 2014. The decrease in the current fiscal year net position is attributable to a \$1.6 million decrease in grants for capital improvements and a \$1.9 million increase in operating expenses, which offset increases in sales tax revenue and operating grants. During the 2015 fiscal year the Authority implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". The pronouncements required the Authority to recognize, for the first time, the Authority's net pension liability of \$124,748 as determined by the Texas County and District retirement System (TCDRS). The cumulative effect of the change in accounting principle of \$49,021 is reflected in the 2015 Statement of Revenues, Expenses, and Changes in Net Position. The changes in net position for the fiscal years ended September 30, 2015 and 2014 are shown in the following table.

**Denton County Transportation Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2015
(Unaudited)**

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Passenger revenue	\$ 1,478,840	\$ 1,454,750
Contract services	2,935,371	3,061,389
Other	199,176	58,694
Total operating revenues	<u>4,613,387</u>	<u>4,574,833</u>
OPERATING EXPENSES		
Salaries, wages and fringe benefits	8,346,152	7,658,566
Services	2,722,176	1,937,441
Materials and supplies	2,528,741	2,891,739
Purchased transportation services	10,080,919	9,632,780
Utilities	472,391	416,818
Casualty and liability insurance	780,112	775,986
Facility and equipment rents	124,645	352,479
Other - miscellaneous	186,598	123,609
Depreciation	9,337,505	8,875,337
Total operating expenses	<u>34,579,239</u>	<u>32,664,755</u>
Operating loss	<u>(29,965,852)</u>	<u>(28,089,922)</u>
NON-OPERATING REVENUES (EXPENSES)		
Sales tax revenue	23,261,748	21,367,086
Transit system operating assistance grants	4,985,908	3,410,607
Investment income	24,772	21,100
Interest expense	(1,211,899)	(1,247,357)
Gain (loss) on disposal of assets	(51,815)	22,825
Total non-operating revenue (expenses)	<u>27,008,714</u>	<u>23,574,261</u>
INCOME (LOSS) BEFORE CAPITAL GRANTS	<u>(2,957,138)</u>	<u>(4,515,661)</u>
GRANTS FOR CAPITAL IMPROVEMENTS	<u>2,636,956</u>	<u>4,263,522</u>
Change in net position	<u>(320,182)</u>	<u>(252,139)</u>
NET POSITION, beginning of year	322,189,945	322,442,084
Cummulative Effect of Change in Accounting Principle	<u>49,021</u>	<u>-</u>
NET POSITION, end of year	<u><u>\$ 321,918,784</u></u>	<u><u>\$ 322,189,945</u></u>

Operating Revenues

Passenger Revenue - The 2015 passenger revenues increased 2% or \$24,090 over the prior year. The increase is related to a 9% increase in bus ridership. Bus ridership in fiscal year 2015 was 2,439,691 compared to prior year ridership of 2,230,117.

Contract Service - The 2015 contract service revenues decreased 4% or \$126,018 over the prior year. The contracts provide bus service for students and faculty of University of North Texas (UNT) and North Central Texas College (NCTC). Fuel prices are a pass-through on the contract; a 33% decrease in fuel prices from 2014 was the primary cause of the reduction in contract service revenue. This decrease was partially offset by a 10% increase in gallons used. Fuel prices for this service in FY15 averaged \$2.24/gallon compared to \$3.32/gallon in FY14.

**Denton County Transportation Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2015
(Unaudited)**

Operating Expenses

Operating Expense - The 2015 operating expenses increased 6% or \$1,914,484 over the prior year. Salaries and benefits increased \$687,586 primarily related to merit pay and a 10% increase in bus personnel hours. In addition, there was a \$448,139 increase in purchased transportation for rail service.

The 2015 depreciation expense increased 5% or \$462,168 over the prior year. This increase is mainly due to the depreciation of new bus support service vehicles put into service in FY 2015.

Non-operating Revenue and Expenses

Sales Tax Revenue - The 2015 sales tax revenue increased 9% or \$1,894,662 over 2014. DCTA collects one-half percent sales and use tax in the member cities of Denton, Highland Village, and Lewisville. 2015 represents the sixth consecutive year of growth in sales tax revenue for DCTA.

Capital Grants - Capital grants revenue decreased 38% or \$1,626,566 primarily as a result of decreased reimbursable expenses related to the construction of the bus operations and maintenance facility, as the project was substantially completed in FY2014.

Transit System Operating Assistance Grants - The 2015 federal and state grant revenue increased 46% or \$1,575,301 over 2014. The increase is attributable to additional funding for bus Access/ADA service that became available in FY 2015.

Investment Income - The 2015 investment income increased 17% or \$3,672 from 2014 due to an increase in cash available for investments as DCTA continues to build up reserve funds in accordance with the Board's reserve policy.

Debt Administration

In June 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, 2015
(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 2015 Budget

The 2014-2015 budget was adopted September 25, 2014. Amendments to the original budget included a net decrease in capital projects to reflect the revised project schedule for positive train control (PTC), an increase in sales tax revenue, and reductions in federal grant revenue and debt issuance based on the revised PTC project schedule.

Statement of Revenues, Expenses, and Changes in Net Position, Budget Year Ending September 30, 2016 and Financial Year Ending 2015 and 2014

	2016 Budget	2015 Actual	2014 Actual	Increase (Decrease) from 2015	Percent Increase (Decrease) from 2015
Operating revenues	\$ 4,806,596	\$ 4,613,387	\$ 4,574,833	\$ 193,209	4%
Operating expenses	39,026,253	34,579,239	32,664,755	4,447,014	13%
Operating loss	(34,219,657)	(29,965,852)	(28,089,922)	(4,253,805)	14%
Non-operating revenues	26,575,924	27,008,714	23,574,261	(432,790)	-2%
Income before capital grants	(7,643,733)	(2,957,138)	(4,515,661)	(4,686,595)	158%
Grants for capital improvements	6,109,915	2,636,956	4,263,522	3,472,959	132%
Change in net position	(1,533,818)	(320,182)	(252,139)	(1,213,636)	379%
Net position, beginning of year	321,918,784	322,189,945	322,442,084	(271,161)	0%
Cumulative Effect of Change in Accounting Principle	-	49,021	-	(49,021)	-100%
Net position, end of year	<u>\$ 320,384,966</u>	<u>\$ 321,918,784</u>	<u>\$ 322,189,945</u>	<u>\$ (1,484,797)</u>	<u>0%</u>

DCTA Fiscal Year 2016 Budget

Operating revenues in 2016 show an increase of 4% or \$193,209 over 2015 actual results. Operating revenue includes passenger fare revenue and contract service revenue. Passenger farebox revenue is expected to increase due to increased ridership trends for rail and the Connect bus service for Denton. Contract service revenue is also expected to increase due to increased fuel costs and an increase in the rate per service hour for the NCTC contract.

The fiscal year 2016 operating expenses are projected to increase \$4,447,014 over 2015 actual results. Major changes include an increase of \$1.0 million as a result of merit plan adjustments and increased health care benefits and a \$1.5 million increase in purchased transportation for rail service. The fiscal year 2016 budget also anticipates a \$1.1 million increase in fuel costs.

**Denton County Transportation Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2015
(Unaudited)**

Bus fuel is budgeted at \$3.50 per gallon in fiscal year 2016, compared to an average \$2.19 per gallon paid in fiscal year 2015. Rail fuel is budgeted at \$3.25 per gallon in fiscal year 2016, compared to an average \$1.97 per gallon paid in fiscal year 2015.

Non-operating revenue, net of expenses, is projected to decrease 2% or \$432,790 from 2015 actual results. The decrease in non-operating revenue is primarily attributable to one-time operating assistance funding that became available in FY15 and will not be realized again in FY16.

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.

BASIC FINANCIAL STATEMENTS

**DENTON COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

ASSETS

Current assets:

Cash and cash equivalents	\$ 17,127,538
Restricted cash and cash equivalents	3,650,196
Receivables	6,387,417
Prepaid expenses	398,745
Inventories	5,937
	<u>27,569,833</u>
Total current assets	<u>27,569,833</u>

Noncurrent assets:

Land and construction in progress	26,094,561
Other capital assets, net of accumulated depreciation/amortization	308,091,469
	<u>334,186,030</u>
Total noncurrent assets	<u>334,186,030</u>

TOTAL ASSETS

\$ 361,755,863

DEFERRED OUTFLOWS OF RESOURCES

Related to TCDRS pension	\$ 166,628
	<u>166,628</u>
Total deferred outflows of resources	<u>166,628</u>

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	\$ 2,976,141
Construction contracts payable	1,888,711
Retainage payable	1,560,124
Unearned revenue	88,983
Easement obligation- current portion	100,000
Bonds payable-current portion	1,580,000
	<u>8,193,959</u>
Total current liabilities	<u>8,193,959</u>

Noncurrent liabilities:

Easement obligation	1,300,000
Net pension liability	124,748
Bonds payable	30,385,000
	<u>31,809,748</u>
Total noncurrent liabilities	<u>31,809,748</u>
Total liabilities	<u>40,003,707</u>

NET POSITION

Net investment in capital assets	301,021,096
Unrestricted	20,897,688
	<u>321,918,784</u>
Total net position	<u>\$ 321,918,784</u>

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

**DENTON COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2015**

OPERATING REVENUES	
Passenger revenue	\$ 1,478,840
Contract services	2,935,371
Other	199,176
	<hr/>
Total operating revenues	4,613,387
OPERATING EXPENSES	
Salaries, wages and fringe benefits	8,346,152
Services	2,722,176
Materials and supplies	2,528,741
Purchased transportation services	10,080,919
Utilities	472,391
Insurance	780,112
Facility and equipment rents	124,645
Other - miscellaneous	186,598
	<hr/>
	25,241,734
Depreciation and amortization	9,337,505
	<hr/>
Total operating expenses	34,579,239
NET OPERATING LOSS	(29,965,852)
NON-OPERATING REVENUES (EXPENSES)	
Sales tax revenue	23,261,748
Transit system operating assistance grants	4,985,908
Investment income	24,772
Interest expense	(1,211,899)
Gain (Loss) on disposal of assets	(51,815)
	<hr/>
Total non-operating revenue (expenses)	27,008,714
INCOME (LOSS) BEFORE CAPITAL GRANTS	(2,957,138)
GRANTS FOR CAPITAL IMPROVEMENTS	2,636,956
	<hr/>
Change in net position	(320,182)
NET POSITION, beginning of year, as restated	322,238,966
	<hr/>
NET POSITION, end of year	\$ 321,918,784
	<hr/> <hr/>

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

**DENTON COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 4,689,182
Payments to suppliers	(17,576,224)
Payments to employees	(8,296,550)
	<u>(21,183,592)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Sales tax received	22,916,596
Operating grant reimbursements	5,412,865
	<u>28,329,461</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Contributions and grants for capital improvements	1,717,261
Principal paid on bonds	(1,510,000)
Acquisition and construction of capital assets	(4,399,777)
Proceeds from sale of capital improvements	28,185
Interest paid on bonds	(1,211,899)
	<u>(5,376,230)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	<u>24,772</u>
	<u>24,772</u>
Net increase (decrease) in cash and cash equivalents	1,794,411
CASH AND CASH EQUIVALENTS, beginning of year	<u>18,983,323</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 20,777,734</u></u>

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

**DENTON COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2015
(CONTINUED)**

RECONCILIATION OF OPERATING LOSS TO NET

CASH USED BY OPERATING ACTIVITIES

Operating loss	\$ (29,965,852)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation and amortization expense	9,337,505
Change in operating assets and liabilities	
Operating accounts receivable	66,625
Prepaid expenses	(59,873)
Fuel inventory	10,918
Deferred outflows of resources related to TCDRS pension	(112,646)
Operating accounts payable	(631,687)
Accrued payroll and payroll related taxes	42,461
Unearned revenue	9,170
Net pension liability	119,787
	<u>119,787</u>
Net cash used by operating activities	\$ (21,183,592)

NONCASH CAPITAL AND RELATED FINANCING

Gain (loss) on sale of non-capital assets	\$ (51,815)
Grants for capital improvements	116,183

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET ASSETS

Cash and cash equivalents	\$ 17,127,538
Restricted cash	3,650,196
	<u>3,650,196</u>
	\$ 20,777,734

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

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Denton County Transportation Authority (the Authority), as reflected in the accompanying financial statements for the fiscal year ended September 30, 2015, 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 year 2015 are for the fiscal year ended September 30, 2015.

When both restricted and unrestricted resources are available and permissible for use, it is the Authority's policy to use restricted resources first. The unrestricted resources are used as they are needed.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with maturities of three months or less when purchased. Cash and cash equivalents are valued at cost which is substantially equal to the fair value.

Receivables

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

Prepaid Expenses

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

Inventory

In fiscal year 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	5-12 years
Paratransit	4-5 years
Rail	50 years
Transportation equipment	3-7 years
Office equipment	3 years

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

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

Capital Assets – Continued

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

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

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

Current Liabilities

The Authority has not formally restricted cash funds to pay current operating liabilities, but has adequate cash and investments to satisfy these obligations. Construction contracts payable will be satisfied with unrestricted cash.

Compensated Absences

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

Unearned Revenue

The University of North Texas (UNT) and North Central Texas College (NCTC) have contracted with the Authority to provide transportation for faculty, staff, and students in Denton, Texas through the Connect service. The universities have paid for this service in advance and, in addition, the Authority sells semester and annual passes. The Authority recognizes the revenue through straight-line amortization over the respective period. At September 30, 2015, the Authority has received \$88,983 in advance payments.

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

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

Net Position

Equity is displayed in two components as follows:

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

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

Operating Revenues

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

Contract service revenue is related to providing transit services to third parties on a contractual basis. Contract 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 and interest expense.

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

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

Pensions

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

Estimates

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

Financial Instruments and Credit Risk

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

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

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

NOTE 2. BUDGETARY DATA

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

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

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

NOTE 3. SERVICE AGREEMENTS

On October 1, 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.

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

NOTE 4. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

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

The Board adopted a policy to designate three months' operating expenses as a reserve to address unanticipated emergencies which may be allocated by the approval of the Board. At September 30, 2015, the reserve is \$6,713,371.

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

	September 30, 2015
Cash and cash equivalents	
Demand deposits	\$ 44,815
Sweep repurchase agreements	237,133
Money market account	12,894,564
TexSTAR	7,601,222
	\$ 20,777,734
Reconciliation	
Cash and cash equivalents	\$ 17,127,538
Restricted cash and cash equivalents	3,650,196
	\$ 20,777,734

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.

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

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

Investments – Continued

As authorized by the Authority’s investment policy and in accordance with the Texas Public Funds Investment Act, cash equivalents and investments were invested in U.S. Government Agency Securities, U.S. Treasury Notes and TexSTAR. TexSTAR is administered by First Southwest Asset Management, Inc. and JP Morgan Fleming Asset Management. TexSTAR is a local government investment pool created under the Inter-local Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity, and competitive yield. The fund is rated AAAM by Standard and Poor’s and maintains a weighted average maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all of the requirements of the Texas Public Funds Investment Act for local government investment pools.

NOTE 5. RECEIVABLES

Receivables at September 30, 2015 consisted of the following:

Operating	
Ticket, token and other receivables	\$ 644,712
Sales tax	4,242,123
Grants receivable	<u>1,500,582</u>
Total	<u><u>\$ 6,387,417</u></u>

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

NOTE 6. CAPITAL ASSETS

Changes in capital assets for the fiscal year ended September 30, 2015 are:

	Balance September 30, 2014	Increases	Transfers/ Decreases	Balance September 30, 2015
Capital assets, not being depreciated:				
Land	\$ 16,228,337	\$ -	\$ -	\$ 16,228,337
Construction in progress	10,900,642	3,890,610	(4,925,028)	9,866,224
Total capital assets not being depreciated	27,128,979	3,890,610	(4,925,028)	26,094,561
Capital assets, being depreciated/amortized				
Rail system	276,138,293	-	2,162,097	278,300,390
Land improvements	5,386,734	-	1,072,087	6,458,821
Vehicles and operating equipment	8,940,025	-	(569,346)	8,370,679
Leasehold improvements	55,506	-	-	55,506
Office furniture and equipment	1,958,428	-	1,252,606	3,211,034
Facilities	32,843,448	-	-	32,843,448
Easement	16,997,155	-	-	16,997,155
Total capital assets being depreciated/amortized	342,319,589	-	3,917,444	346,237,033
Less accumulated depreciation/amortization for				
Rail system	18,028,395	6,353,349	-	24,381,744
Land improvements	944,428	144,553	-	1,088,981
Vehicles and operating equipment	4,941,135	920,974	(897,143)	4,964,966
Leasehold improvements	55,506	-	-	55,506
Office furniture and equipment	713,240	317,496	(30,440)	1,000,296
Facilities	1,370,221	751,275	-	2,121,496
Easement	3,682,717	849,858	-	4,532,575
Total accumulated depreciation	29,735,642	9,337,505	(927,583)	38,145,564
Total capital assets, being depreciated, net	312,583,947	(9,337,505)	4,845,027	308,091,469
Total capital assets, net	<u>\$ 339,712,926</u>	<u>\$ (5,446,895)</u>	<u>\$ (80,001)</u>	<u>\$ 334,186,030</u>

Primary capital asset expenditures in 2015 relate to the Lewisville Hike and Bike Trail and improvements to the rail line and rail vehicles. 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, 2015, \$15,550,000 had been paid to the Dallas Area Rapid Transit (DART). The remaining payments of \$1,400,000 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 the year ended September 30, 2015.

NOTE 7. PENSION, RETIREMENT, AND DEFERRED COMPENSATION PLANS

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

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

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

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

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

Contributions: The deposit rate for employees is 4%, 5%, 6% or 7% of compensation, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees. Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis. Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience. In addition, employers annually review their plans and may adjust benefits and costs based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs. Monthly contributions by the Authority are based on the covered payroll and the employer contribution rate in effect. For fiscal year 2015, the Authority made contributions of 5.92%.

Actuarial Assumptions: The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

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

The actuarial assumptions that determined the total pension liability as of December 31, 2014 were based on the results of an actuarial experience study for the period January 1, 2009 - December 31, 2012, except where required to be different by GASB 68. Mortality for depositing members is based on the RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA; for service retirees, beneficiaries and non-depositing members is based on the RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females; and for disabled members is based on the RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.

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

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

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	16.5%	5.35%
Private Equity	12.0%	8.35%
Global Equities	1.5%	5.65%
International Equities-Developed	11.0%	5.35%
International Equities-Emerging	9.0%	6.35%
Investment-Grade Bonds	3.0%	0.55%
High-Yield Bonds	3.0%	3.75%
Opportunistic Credit	5.0%	5.54%
Direct Lending	2.0%	5.80%
Distressed Debt	3.0%	6.75%
REIT Equities	2.0%	4.00%
Commodities	2.0%	-0.20%
Master Limited Partnerships	2.0%	5.30%
Private Real Estate Partnerships	3.0%	7.20%
Hedge Funds	25.0%	5.15%
Total	100.0%	

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

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

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

Changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2013	\$ 389,935	\$ 384,974	\$ 4,961
Changes for the year:			
Service cost	130,849	-	130,849
Interest on total pension liability	37,882	-	37,882
Effect of plan changes	40,628	-	40,628
Effect of economic/demographic gains or losses	87,214	-	87,214
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(12,905)	(12,905)	-
Benefit payments	-	-	-
Administrative expenses	-	(366)	366
Member contributions	-	78,874	(78,874)
Net investment income	-	25,740	(25,740)
Employer contributions	-	72,565	(72,565)
Other	-	(27)	27
Balance at 12/31/2014	<u>\$ 673,603</u>	<u>\$ 548,855</u>	<u>\$ 124,748</u>

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

	1% Decrease in Discount Rate (7.10%)	Discount Rate (8.10%)	1% Increase in Discount Rate (9.10%)
Total pension liability	\$ 779,435	\$ 673,603	\$ 584,660
Fiduciary net pension	548,855	548,855	548,855
Net pension liability	<u>\$ 230,580</u>	<u>\$ 124,748</u>	<u>\$ 35,805</u>

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

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

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

For the year ended September 30, 2015, the Authority recognized pension expense of \$7,121.

At September 30, 2015, the Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 76,312
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	-	9,035
Contributions subsequent to the measurement date	-	81,281
Total	<u>\$ -</u>	<u>\$ 166,628</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$81,281 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2015 (i.e. recognized in the Authority's financial statements September 30, 2016). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2015	\$ 13,161
2016	13,161
2017	13,161
2018	13,161
2019	10,902
Thereafter	21,801
Total	<u>\$ 85,347</u>

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

NOTE 8. BONDS PAYABLE

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

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

The annual debt service requirements are:

Fiscal Year Ending September 30,	Principal	Interest	Total
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>\$ 31,965,000</u>	<u>\$ 10,006,844</u>	<u>\$ 41,971,844</u>

The following is a summary of changes in bonds payable of the Authority for the year ended September 30, 2015:

Balance at October 1, 2014	\$ 33,475,000
Additions	-
Reductions	<u>(1,510,000)</u>
Balance at September 30, 2015	<u>\$ 31,965,000</u>

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

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

NOTE 8. BONDS PAYABLE – CONTINUED

No interest was capitalized during the year ended September 30, 2015.

The bond agreements require the Authority to establish and maintain a pledged revenue account and a bond fund account at a depository institution and segregate these accounts in the general ledger for the purpose of accumulating principal and interest when it becomes due and payable. At September 30, 2015, the Authority was in compliance with this requirement.

NOTE 9. EASEMENT OBLIGATION

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

Fiscal Year Ending September 30,	Principal
2016	\$ 100,000
2017	100,000
2018	100,000
2019	100,000
2020 - 2024	500,000
2025 - 2029	500,000
Total requirements	<u><u>\$ 1,400,000</u></u>

NOTE 10. COMMITMENTS AND CONTINGENCIES

Risk Management

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

The Authority is a participant in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide insurance for errors and omission, general liability, workers' compensation, automobile liability, and physical damage coverage. TML was self-sustaining in 2015 based on premiums charged so that total contributions plus earnings on the contributions will be sufficient to satisfy claims and liabilities.

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

NOTE 10. COMMITMENTS AND CONTINGENCIES – CONTINUED

Risk Management – Continued

Premiums are assessed based on the rates set by the Texas State Board of Insurance for each participating political subdivision's experience. The Authority has a \$10,000 deductible for errors and omissions liability with limits of \$3,000,000 per wrongful act and an annual aggregate of \$6,000,000. General liability coverage has no deductible with limits of \$1,000,000 per occurrence, \$1,000,000 per occurrence for sudden events involving pollution, and an annual aggregate of \$2,000,000. Worker's compensation coverage has no deductible. Automobile liability has a limit of \$5,000,000 per occurrence. The Authority's vehicles are insured for physical damage for collision and comprehensive coverage after a \$10,000 deductible.

The Authority has a government crime policy with TML insuring against employee theft up to \$1,000,000 per loss. For the year ended September 30, 2015, 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, 2015, the Authority has the following outstanding commitments:

Shared services agreement with DART	\$ 359,622
Rail purchased transportation services	10,959,649
35 foot transit buses	2,738,977
Consulting services	91,736
Landscaping and maintenance	537,382
Management agreement for bus transit operations	<u>1,607,292</u>
	<u>\$ 16,294,658</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 2017. The total lease expense was \$224,645 for 2015. The lease payments by year are as follows:

Lease commitments			
Administration offices	<u>\$ 104,977</u>	<u>\$ 108,780</u>	<u>\$ 213,757</u>
Total lease commitments	<u><u>\$ 104,977</u></u>	<u><u>\$ 108,780</u></u>	<u><u>\$ 213,757</u></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

As a result of the implementation of GASB Statement No. 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date”, an adjustment has been made to record the Authority’s net pension liability as of October 1, 2014. As a result, beginning net position has been increased by \$49,021.

The GASB issued Statement No. 72, Fair Value Measurement, which will be effective for periods beginning after June 15, 2015. The objective of this Statement is to improve accounting and financial reporting related to fair value measurements. This Statement applies to all state and governmental entities. The Authority will evaluate the impact of the standard on its Financial Statements and will take the necessary steps to implement it.

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



SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

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

	2014
Total Pension Liability	
Service cost	\$ 130,849
Interest (on the total pension liability)	37,882
Effect of plan changes	40,628
Effect of assumption changes or inputs	-
Effect of economic/demographic (gains) or losses	87,214
Benefit payments/refunds of contributions	(12,905)
Net Change in Total Pension Liability	283,668
Total Pension Liability - Beginning	389,935
Total Pension Liability - Ending (a)	\$ 673,603
Plan Fiduciary Net Position	
Contributions - Employer	\$ 72,565
Contributions - Employee	78,874
Investment income net of investment expenses	25,740
Benefit payments/refunds of contributions	(12,905)
Administrative expense	(366)
Other	(27)
Net Change in Plan Fiduciary Net Position	163,881
Plan Fiduciary Net Position - Beginning	384,974
Plan Fiduciary Net Position - Ending (b)	\$ 548,855
Net Pension Liability - Ending (a) - (b)	\$ 124,748
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	81.48%
Covered Employee Payroll	\$ 1,577,470
Net Pension Liability as a Percentage of Covered Employee Payroll	7.91%

Notes to Schedule:

As of December 31 - Measurement date

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

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

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

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

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

Notes to Schedule:

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.
Investment rate of return	8.10%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits.
Mortality	Based on the RP-2000 Active Employee Mortality Table for depositing members; RP-2000 Combined Mortality Table for the service retirees, beneficiaries and non-depositing members; and RP-2000 Disabled Mortality Table for disabled retirees.

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

SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
OPERATING REVENUES				
Passenger revenue	\$ 1,515,377	\$ 1,515,377	\$ 1,478,840	\$ (36,537)
Contract services	3,259,635	3,259,635	2,935,371	(324,264)
Other	6,300	6,300	199,176	192,876
	<u>4,781,312</u>	<u>4,781,312</u>	<u>4,613,387</u>	<u>(167,925)</u>
OPERATING EXPENSES				
Salaries, wages and fringe benefits	9,173,856	9,119,994	8,346,152	773,842
Services	2,189,250	2,188,534	2,722,176	(533,642)
Materials and supplies	4,160,775	3,888,524	2,528,741	1,359,783
Purchased transportation services	9,853,077	9,963,588	10,080,919	(117,331)
Utilities	452,149	452,149	472,391	(20,242)
Insurance	778,013	778,013	780,112	(2,099)
Facility and equipment rents	207,205	207,205	124,645	82,560
Other - miscellaneous	245,476	255,476	186,598	68,878
Depreciation and amortization	9,503,440	9,503,440	9,337,505	165,935
Total operating expenses	36,563,241	36,356,923	34,579,239	1,777,684
Operating loss	(31,781,929)	(31,575,611)	(29,965,852)	1,609,759
NON-OPERATING REVENUES (EXPENSES)				
Sales tax revenue	21,347,080	22,180,196	23,261,748	1,081,552
Transit system operating assistance grants	4,474,680	4,653,518	4,985,908	332,390
Investment income	33,000	33,000	24,772	(8,228)
Interest expense	(2,721,899)	(2,721,899)	(1,211,899)	1,510,000
Bond issuance costs and fees	-	-	-	-
Gain (loss) on disposal of assets	-	-	(51,815)	(51,815)
Total non-operating revenue (expenses)	<u>23,132,861</u>	<u>24,144,815</u>	<u>27,008,714</u>	<u>2,863,899</u>
INCOME (LOSS) BEFORE CAPITAL GRANTS	(8,649,068)	(7,430,796)	(2,957,138)	4,473,658
GRANTS FOR CAPITAL IMPROVEMENTS	<u>14,501,121</u>	<u>5,355,112</u>	<u>2,636,956</u>	<u>(2,718,156)</u>
Change in net position	<u>\$ 5,852,053</u>	<u>\$ (2,075,684)</u>	<u>\$ (320,182)</u>	<u>\$ 1,755,502</u>



STATISTICAL SECTION

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.

<u>Contents</u>	<u>Page</u>
Financial Trends <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>	38
Revenue Capacity <i>These schedules contain information to help the reader assess the Authority’s most significant local revenue sources.</i>	41
Debt Capacity <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>	44
Demographic and Economic Information <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>	45
Operating Information <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>	46

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

	<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>	<u>2015</u>
Net position										
Net investment in capital assets	\$ 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	\$ 301,021,096
Unrestricted	<u>16,622,199</u>	<u>25,352,863</u>	<u>40,757,625</u>	<u>37,531,816</u>	<u>39,507,585</u>	<u>34,872,583</u>	<u>18,870,718</u>	<u>17,135,538</u>	<u>17,968,475</u>	<u>20,897,688</u>
Total net position	<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>	<u>\$ 321,918,784</u>

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

	<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>	<u>2015</u>
Operating revenues										
Passenger revenue	\$ 199,627	\$ 382,141	\$ 492,282	\$ 514,944	\$ 539,938	\$ 706,497	\$ 1,015,813	\$ 1,265,685	\$ 1,454,750	\$ 1,478,840
Contract services	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	2,935,371
Other	1,925	1,371	4,460	112,834	129,311	183,575	38,032	44,072	58,694	199,176
Total operating revenues	<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>	<u>4,613,387</u>
Operating expenses										
Salaries, wages and fringe benefits	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	8,346,152
Services	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	2,722,176
Materials and supplies	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	2,528,741
Utilities	10,471	76,864	68,103	72,712	74,165	180,953	396,248	415,341	416,818	472,391
Insurance	135,434	388,924	445,320	403,328	328,109	297,994	362,960	625,788	775,986	780,112
Purchased transportation services	4,075,845	-	-	-	-	5,537,663	7,605,436	8,874,900	9,632,780	10,080,919
Facility and equipment rents	194,116	319,076	330,926	323,369	322,041	596,236	943,160	349,592	352,479	124,645
Other - Miscellaneous	81,851	143,363	169,971	145,078	143,697	168,023	126,190	144,743	123,609	186,598
Depreciation	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	9,337,505
Total operating expenses	<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>	<u>34,579,239</u>
Operating loss	(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)	(29,965,852)
Non-operating revenues (expenses)										
Sales tax revenue	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	23,261,748
Enhanced local assistance	(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	2,636,956
Transit system operating assistance grants	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	4,985,908
Investment Income	752,797	1,320,149	1,188,514	335,979	105,503	287,615	53,927	32,137	21,100	24,772
Interest expense	-	-	(156,267)	-	(162,284)	(200,461)	(1,486,881)	(1,449,718)	(1,247,357)	(1,211,899)
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	-	(200)	(10,004)	4,590	(38,275)	-	52,269	8,150	22,825	(51,815)
Total Non-operating revenue	<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>	<u>29,645,670</u>
Change in net position	<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>	<u>\$ (320,182)</u>

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
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	\$ 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	9,866,224
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	26,094,561
Other Capital Assets being depreciated:										
Rail Assets	-	-	-	-	-	198,027,776	286,261,767	295,548,514	276,138,293	278,300,390
Land Improvements	-	-	-	-	-	2,035,505	5,386,734	5,386,734	5,386,734	6,458,821
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	8,370,679
Leasehold improvements	-	39,720	39,720	55,506	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	3,211,034
Facilities	-	-	-	-	-	-	-	-	32,843,448	32,843,448
Unallocated and Easement	6,803,476	-	-	-	7,500,000	16,950,000	16,997,155	16,997,155	16,997,155	16,997,155
Total other capital assets	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	346,237,033
Less accumulated depreciation:										
Rail Assets	-	-	-	-	-	1,179,481	4,840,193	12,681,356	18,028,395	24,381,744
Land Improvements	-	-	-	-	-	65,092	284,202	665,279	944,428	1,088,981
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	4,964,966
Leasehold improvements	-	17,203	39,720	42,877	55,506	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	1,000,296
Facilities	-	-	-	-	-	-	-	-	1,370,221	2,121,496
Unallocated and Easement	619,970	-	-	-	125,000	1,130,000	1,977,500	2,832,859	3,682,717	4,532,575
Total accumulated depreciation	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	38,145,564
Total capital assets, net	\$ 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	\$ 334,186,030

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

	<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>	<u>2015</u>
Revenue										
Sales tax	\$ 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	\$ 23,261,748
Passenger revenues	199,627	382,141	492,282	514,944	539,938	706,497	1,015,813	1,265,685	1,454,750	1,478,840
Contract service revenues	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	3,134,547
Investment income	752,797	1,320,149	1,188,514	335,979	105,503	287,615	53,927	32,137	21,100	24,772
Grant revenues	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	7,622,864
Other revenues	1,925	-	(10,004)	4,590	194,099	184,095	52,269	8,150	22,825	(51,815)
Total revenue	<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>	<u>\$ 35,470,956</u>

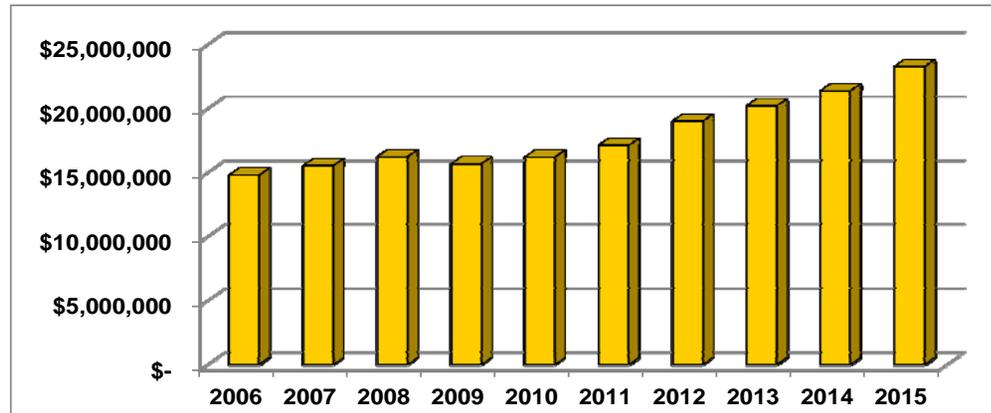
**DENTON COUNTY TRANSPORTATION AUTHORITY
SALES TAX REVENUE
LAST TEN YEARS**

Fiscal Year	Sales Tax Revenue	Compounded Percent Change from Base Year ⁽¹⁾	Percent Change from Prior Year
2006	14,796,379		
2007	15,530,585	5.0%	5.0%
2008	16,208,354	9.5%	4.4%
2009	15,666,457	5.9%	-3.3%
2010	16,188,072	9.4%	3.3%
2011	17,135,359	15.8%	5.9%
2012	19,009,135	28.5%	10.9%
2013	20,209,051	36.6%	6.3%
2014	21,367,086	44.4%	5.7%
2015	23,261,748	57.2%	8.9%
Average Growth			5.2%

Notes:

⁽¹⁾ Base year for 2007 through 2015 is 2006.

SALES TAX REVENUE

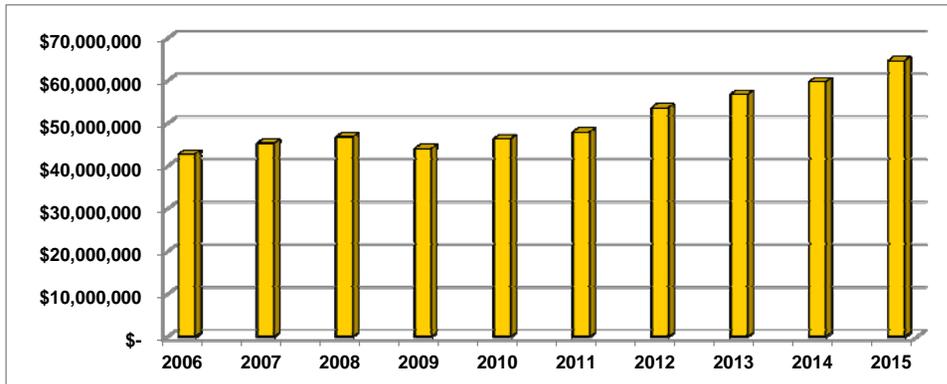


**DENTON COUNTY TRANSPORTATION AUTHORITY
SALES TAX ALLOCATION RECEIVED BY MEMBER CITIES
LAST TEN YEARS**

	<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>	<u>2015</u>
City of Denton	\$ 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	\$ 28,717,159
City of Lewisville	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	32,359,597
City of Highland Village	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	3,591,789
Total	<u><u>\$ 42,708,198</u></u>	<u><u>\$ 45,308,204</u></u>	<u><u>\$ 46,781,426</u></u>	<u><u>\$ 44,057,490</u></u>	<u><u>\$ 46,350,792</u></u>	<u><u>\$ 47,927,436</u></u>	<u><u>\$ 53,625,855</u></u>	<u><u>\$ 56,763,380</u></u>	<u><u>\$ 59,752,810</u></u>	<u><u>\$ 64,668,545</u></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
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	0.14%	46.94
2015	-	18,130,000	13,835,000	31,965,000	(A)	43.49

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**

Fiscal Year	Population (1)	Personal Income (in Thousands) (2)	Per Capita Personal Income (2)	Median Age (2)	Education Level in Years of Formal Schooling (2)	School Enrollment (2)	Unemployment Rate (3)
2006	578,500	\$ 17,256,655	\$ 29,830	32.2	13.9	178,444	4.1%
2007	559,350	\$ 17,367,258	\$ 31,049	31.9	13.9	187,564	4.0%
2008	614,650	\$ 19,794,189	\$ 32,204	32.1	13.9	193,381	4.7%
2009	628,300	\$ 19,437,717	\$ 30,937	32.8	14.0	199,920	7.4%
2010	662,614	\$ 20,587,417	\$ 31,070	32.9	14.1	212,297	7.1%
2011	669,930	\$ 22,276,512	\$ 33,252	32.8	14.0	202,879	6.9%
2012	683,010	\$ 22,938,891	\$ 33,585	33.0	14.0	209,157	5.6%
2013	694,050	\$ 23,497,063	\$ 33,855	33.4	14.1	215,359	5.4%
2014	713,200	\$ 24,625,370	\$ 34,528	33.8	14.1	219,368	4.5%
2015	734,940	(A)	(A)	(A)	(A)	(A)	3.4%

Sources:

(1) Regional Data Center, North Central Texas Council of Governments (NCTCOG) estimates and 2010 census

(2) U.S.Census Bureau

(3) Texas Workforce Commission, data for September of respective year

Note:

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

**DENTON COUNTY TRANSPORTATION AUTHORITY
PRINCIPAL EMPLOYERS IN DENTON COUNTY
SEPTEMBER 30, 2015 AND NINE YEARS AGO**

10 Largest Employers	Industry	2015			2006		
		Rank	Estimated Number of Employees	Percentage of Total Employment	Rank	Estimated Number of Employees	Percentage of Total Employment
University of North Texas	Education	1	8,887	2.21%	1	5,900	1.88%
JP Morgan Chase	Financial Services	2	4,350	1.08%		(A)	(A)
Wal-Mart (Distribution Center & Stores)	Retail	3	3,900	0.97%		(A)	(A)
Denton Independent School District	Education	4	3,300	0.82%	5	2,000	0.64%
Peterbilt Motors	Manufacturing	5	2,100	0.52%	9	1,200	0.38%
Lewisville Independent School District	Education	6	2,061	0.51%	2	4,500	1.43%
Northwest Independent School District	Education	7	1,895	0.47%		(A)	(A)
Texas Woman's University	Education	8	1,787	0.45%		(A)	(A)
Denton County	County Government	9	1,614	0.40%	7	1,379	0.44%
Denton State School	State Government	10	1,500	0.37%	8	1,350	0.43%
Frito Lay	Manufacturing/Distributing				3	2,436	0.78%
American Airlines	Air Transportation				4	2,350	0.75%
Horizon Health	Hospital Health Services				6	1,500	0.48%
City of Denton	Local Government				10	1,200	0.38%
			31,394	7.80%		23,815	7.59%

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 AND CONTRACT OPERATIONS
LAST TEN YEARS**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Employee Count										
DCTA - Administration	19	24	28	24	23	23	18	22	24	25
Transit Management of Denton County (First Transit)- Contract bus operations	100	110	130	135	140	130	119	126	130	133
Total head count	119	134	158	159	163	153	137	148	154	158

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**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Actual Vehicle Revenue Miles										
Demand Response Directly Operated Transportation	296,300	250,796	343,414	334,897	335,812	311,987	212,539	237,817	236,203	226,065
Fixed Route Bus Directly Operated Transportation	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	1,398,383
A-train Rail Purchased Transportation	(B)	(B)	(B)	(B)	(B)	69,706	250,758	299,037	313,062	326,217
Total Actual Vehicle Revenue Miles	1,148,754	1,447,296	1,668,327	1,645,563	1,647,070	1,879,988	1,821,448	1,750,078	1,773,014	1,950,665
Actual Vehicle Revenue Hours										
Demand Response Directly Operated Transportation	(A)	(A)	22,844	26,204	20,204	18,263	15,399	17,408	17,607	17,614
Fixed Route Bus Directly Operated Transportation	(A)	(A)	90,454	94,922	92,955	96,786	98,481	99,468	104,937	119,346
A-train Rail Purchased Transportation	(B)	(B)	(B)	(B)	(B)	2,854	10,121	11,125	12,215	13,149
Total Actual Vehicle Revenue Hours	(A)	(A)	113,298	121,126	113,159	117,903	124,001	128,001	134,759	150,109
Total Annual Unlinked Trips	(A)	(A)	1,957,864	2,063,265	2,337,255	2,420,155	2,586,036	2,502,586	2,259,168	2,407,225
Annual Passenger Miles										
Demand Response Directly Operated Transportation	245,025	228,566	343,416	366,696	355,812	227,587	221,474	237,922	236,238	226,214
Fixed Route Bus Directly Operated Transportation	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	7,132,608
A-train Rail Purchased Transportation	(B)	(B)	(B)	(B)	(B)	1,851,047	5,724,715	7,637,399	8,339,421	8,175,102
Total Annual Passenger Miles	3,498,194	5,618,961	6,279,720	6,623,572	7,443,566	9,355,611	13,764,438	15,290,483	14,668,635	15,533,924
Operating Expenses										
Demand Response Directly Operated Transportation	\$ 1,727,696	\$ 754,548	\$ 691,233	\$ 773,936	\$ 962,197	\$ 977,383	\$ 1,027,239	\$ 1,089,671	\$ 1,268,162	\$ 1,127,285
Fixed Route Bus Directly Operated Transportation	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	7,219,452
A-train Rail Purchased Transportation	(B)	(B)	(B)	(B)	(B)	6,910,500	10,249,835	11,173,809	12,097,436	13,113,557
Total Operating Expenses	\$ 7,494,494	\$ 7,170,659	\$ 7,831,096	\$ 7,075,618	\$ 7,746,457	\$ 14,779,220	\$ 17,364,223	\$ 18,505,221	\$ 20,039,781	\$ 21,460,294

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

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. FY 2015 includes special service. For A-train, this is defined as revenue train hours.

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

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

Notes:

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

(B) A-train began service in June 2011.

**DENTON COUNTY TRANSPORTATION AUTHORITY
FAREBOX RECOVERY PERCENTAGE
LAST TEN YEARS**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Farebox Recovery - Bus	31.84%	41.50%	42.27%	42.91%	42.74%	53.68%	47.65%	46.30%	46.07%	42.73%
Farebox Recovery - Rail	0.00%	0.00%	0.00%	0.00%	0.00%	2.82%	5.51%	6.53%	6.87%	6.15%

Fare Structure at 9/30/2015

<u>Connect Fare Structure (Bus Only)</u>	Current	<u>Regional (Bus & 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
		Regional University Student Full Semester Pass**	\$ 175.00
		Regional University Student Summer Semester Pass**	\$ 150.00
		Regional University Student Annual Pass**	\$ 400.00
		Regional University Faculty/Staff Full Semester Pass**	\$ 340.00
		Regional University Faculty/Staff Annual Pass**	\$ 840.00
		<u>NCTC Shuttle</u>	
		NCTC Shuttle One-Way	\$ 3.00
		NCTC Shuttle One-Way Reduced*	\$ 1.50
		<u>Access</u>	
		Access One-Way	\$ 3.00
		Access 10-Ride Book	\$ 30.00
<u>Local System (Bus & Rail)</u>			
Local System 2 Hour	\$ 3.00		
Local System 2 Hour Reduced*	\$ 1.25		
Local System Day Pass	\$ 6.00		
Local System Day Pass Reduced*	\$ 2.50		
Local System 7-Day	\$ 25.00		
Local System 10 Pack of Day Passes	\$ 40.00		
Local System Monthly/31-Day Pass	\$ 90.00		
Local System Monthly/31-Day Pass Reduced*	\$ 40.00		
Local System Annual Pass	\$ 650.00		
Local System Annual Pass Reduced*	\$ 480.00		
Local System Summer Youth Pass	\$ 30.00		
Local System University Student Full Semester Pass**	\$ 125.00		
Local System University Student Summer Semester Pass**	\$ 80.00		
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.

