

**DENTON COUNTY TRANSPORTATION AUTHORITY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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Denton County Transportation Authority  
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972-221-4600 • fax 972-221-4601 • www.dcta.net

Letter of Transmittal

February 25, 2013

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

We are pleased to submit the Comprehensive Annual Financial Report for the Denton County Transportation Authority (DCTA) for the fiscal year ended September 30, 2012.

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

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

Weaver and Tidwell, LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the DCTA's financial statements for the year ended September 30, 2012. 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 should be read in conjunction with it.

## **DCTA PROFILE**

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

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

The legislation authorizing DCTA's creation required that the Authority develop a Service Plan. The Service Plan was submitted to the voters of eight cities in Denton County on September 13, 2003, for consideration and approval of a one-half percent sales and use tax. The election was successful in the cities of Denton, Highland Village, and Lewisville. These three cities accounted for approximately 80% of the sales tax revenue in the county. Imposition of the sales and use tax, dedicated to the Authority for implementation of the Long Range Service Plan, began January 1, 2004.

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

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

### Services Provided

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

#### Regional Commuter Rail Service:

The A-train is a 21-mile regional rail system connecting Denton and Dallas Counties. DCTA has five A-train stations: two in Denton and three in the greater Highland Village-Lewisville area, and it connects with the DART Green Line at the DART Trinity Mills Station in Carrollton.

#### Bus Operations:

Local Fixed Route Bus Services: Connect in Denton, Lewisville, Highland Village 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 2012, the combined Denton routes averaged 954 weekday boardings, while Lewisville services carried 239 passengers on an average weekday. Denton routes run on average headways of about

40 minutes during peak hours and midday, while Lewisville services operate approximately every 35 minutes during the peak and 70 minutes midday. Key trip generators in Denton include UNT and TWU.

- Connect RSVP provides peak-hour service on demand in Highland Village and north Lewisville.

#### University Shuttle Service: UNT, NCTC

- UNT services are operated by DCTA in Denton, which include an eight-route weekday shuttle service and one weekend-only route for UNT through a contractual agreement. The UNT Shuttle service provides transportation from nearby apartment complexes to the campus as well as circulation throughout the campus. The UNT services experience the highest ridership of any bus operations in the DCTA system. Routes average about 7,600 boarding passengers per day during the school year.
- NCTC services provided by DCTA operate between Denton and Corinth as well as Lewisville and Flower Mound.

#### Demand Response Service: Access

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

#### 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.

#### Accounting System and Budgetary Control

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

Chapter 460 of the Texas Transportation Code requires the preparation of an annual budget. This budget is reviewed by the Budget Committee comprised of members of the Board and Board of Directors and formally adopted by passage of a budget resolution. The President is authorized to transfer budgeted amounts between lines items and departments. The Board, via

adoption of a resolution, must approve any revision that increases the overall amount of the adopted budget.

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

Annually, as part of the budget process, a rolling five-year financial forecast and cash flow model is presented to the Board. This document forecasts the operating and debt service costs and Capital Improvement Plan for the next five years 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 budgetary decisions.

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

## **DCTA PROGRESS**

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

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

The final component of the A-train project was the completion of the Rail Operations and Maintenance Facility in Lewisville in December 2012. The next major rail related project is the implementation of federally mandated Positive Train Control by 2015.

In 2012, the first full year of operation, the A-train carried just under 400,000 passengers. Ridership during the first quarter of FY 2013 was 129,565. As residents become more familiar with the system and with the planned construction of Interstate 35E between Denton and Dallas County, we anticipate continued growth in ridership. DCTA will continue to focus on education and customer service to promote ridership of the DCTA system.

The Bus system as a whole has experienced continued ridership growth since DCTA assumed existing bus service in 2005. The number of total annual passenger trips has increased from 1.3 million in 2005 to 2.6 million in 2012. The Connect fixed-route service, in particular, has seen marked increases since 2005.

In 2011, construction was completed on the Downtown Denton Transit Center, a joint DCTA and City of Denton project. The transit facility creatively reuses an existing City of Denton building near downtown. Half of the center provides a public waiting area for bus and rail transit passengers, a ticket office and kiosk, restrooms, retail space, and an outdoor performance venue for local musicians and artists. The remainder of the 9,150 square foot facility includes office space for DCTA bus operations as well as rooms for staff training and public meetings. An adjacent A-train rail platform, bus boarding areas and its proximity and bus route connections to the downtown Denton area and the universities make this a major transit hub.

In 2013, DCTA will continue adding amenities to improve the passenger experience and expanding transit alternatives by planning for future service opportunities. It will be the second full year of A-train operations, and the focus will be on service delivery and operating and maintaining the agency's investments in equipment and infrastructure. Construction of the new bus operations and maintenance facility, implementation of passenger information systems, a regional mobile ticketing project, marketing focus on passenger information, and the design and implementation of Positive Train Control will be key projects.

## **THE FUTURE**

### **Population Growth and Travel Demand**

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

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

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

## Service Plan

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

Having attained the milestone of delivering the first phase of regional rail service, DCTA is now looking beyond the A-train implementation and preparing for the future needs of Denton County. A Long Range Service Plan was adopted by the Board in 2012 and will provide a roadmap for decision making about transit investments in Denton County over the next 25 years, in support of the Mobility 2035 plan developed by the North Central Texas Council of Governments (NCTCOG). An outside consulting firm developed the Plan with input from the DCTA Board, staff, and users of DCTA services, the general public and other stakeholders. The Long Range Service Plan provides recommendations regarding how transit can help to support Denton County's health, economy, environment and established performance measures.

The plan provides the framework for future decisions, but more detailed planning by the DCTA Board and staff will still be required to carry out the recommendations of the plan.

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

## **OTHER INFORMATION**

### Independent Audit

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

- “(a) The authority shall have an annual audit of the affairs of the Authority by an independent certified public accountant.
- (b) The audit is a public record as defined by Chapter 552, Government Code.
- (c) On receipt of the audit as prescribed by Subsection (a), the board of directors shall address on the record any deficiencies noted in the report at a regular meeting of the board of directors.”

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

## Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the DCTA for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2011. 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 second year for the DCTA to receive the Certificate of Achievement.

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

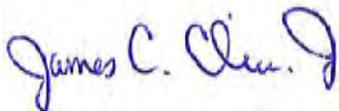
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

## Acknowledgements

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

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

Sincerely,



James C. Cline, Jr.  
President



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

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

Denton County  
Transportation Authority  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2011

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



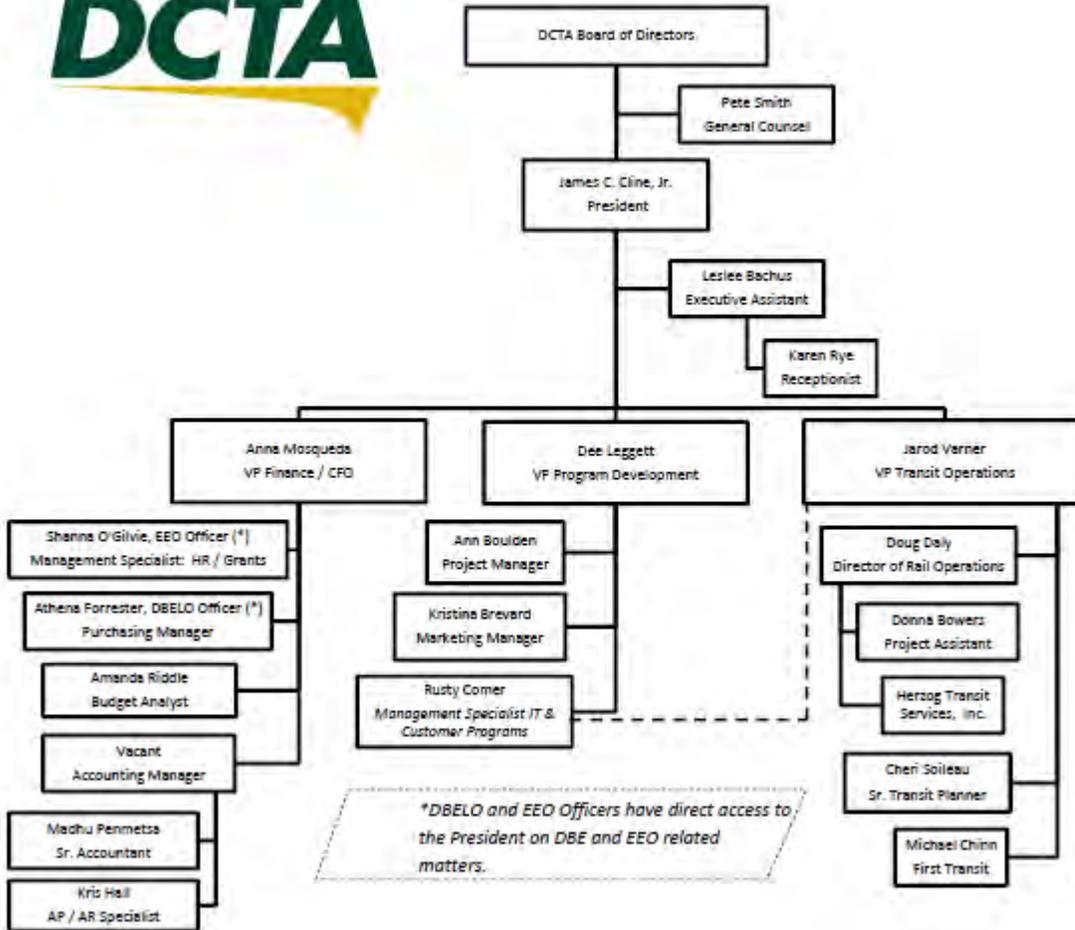
*Christopher P. Moynell*

President

*Jeffrey R. Enos*

Executive Director

**Denton County Transportation Authority  
Organizational Chart  
September 30, 2012**



### List of Principal Officials

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

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

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

<b>Board Member</b>	<b>Position</b>	<b>Appointed by</b>
Charles Emery	Chairman	City of Lewisville
Charles Correll	Vice – Chairman	Denton County Unincorporated
Dave Kovatch	Secretary	City of The Colony
Paul Pomeroy	Treasurer	City of Highland Village
Don Hartman	Member	Denton County Unincorporated
Richard Huckaby	Member	City of Denton
Skip Kalb	Member	Small Cities
Doug Peach	Member	City of Little Elm
Daniel Peugh	Member	City of Corinth
Jim Robertson	Member	City of Flower Mound
Thomas Smith	Member	Denton County At-Large
Tom Spencer	Member	Small Cities
Bill Walker	Member	Small Cities
Vacant	Member	City of Frisco



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
Denton County Transportation Authority

We have audited the accompanying statements of net assets of the Denton County Transportation Authority (the Authority) as of September 30, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2013, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 certain 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of revenues and expenses - budget and actual is presented for purposes of additional analysis and is also not a required part of the 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare 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 financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
February 25, 2013

**Denton County Transportation Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012  
(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, 2012. This discussion and analysis is designed to provide an objective and easily readable analysis of DCTA financial activities based on currently known facts, decisions, or conditions.

We encourage the readers to consider the information presented here in conjunction with accompanying financial statements, notes thereto and additional information that is furnished in our letter of transmittal and the statistical section of this report. In addition, readers are encouraged to review information on the annual budget and other agency information found on the DCTA website at [www.dcta.net](http://www.dcta.net). It should be noted that the Independent Auditor's Report describes the auditor's association with the various sections of the report and that all of the additional information from the website and other DCTA sources is unaudited and has not been updated for events that may have occurred subsequent to the issuance of the respective report.

**In Brief**

- As of September 30, 2012 and 2011, total assets of DCTA exceeded total liabilities by \$320,967,732 and \$316,131,437 respectively. The amount of unrestricted net assets as of September 30, 2012 was \$18,870,718 compared to \$34,872,583 in 2011. Unrestricted net assets are the amount which may be used to meet DCTA's ongoing obligations in accordance with the fiscal policies.
- Net assets increased \$4,836,295 during the current fiscal year compared to an increase of \$84,336,463 in the prior year. The change compared to the prior year was the result of the agency's shift from major capital project construction to the first full year of operations for the newly completed rail project. Funding of \$250.6 million from the Regional Toll Revenue Funding Initiative (RTRFI) was received in March 2009, and construction started for DCTA's first major passenger rail project. Rail revenue service began June 2011. In 2012 the rail vehicle acquisition was completed along with the final phase of a rail operations and maintenance facility.
- Net capital assets were \$341.5 million as of September 30, 2012 compared to \$321.1 million as of September 30, 2011. The increase of \$20.4 million was due to the completion of the rail operations and maintenance facility construction and final vehicle acquisitions related to the rail capital project.

**Overview of the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to DCTA's accompanying financial statements and notes. The basic financial statements consist of four components:

1) statements of net assets, 2) statements of revenues, expenses, and changes in net assets, 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, 2012  
(Unaudited)**

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

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

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

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

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

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

**Denton County Transportation Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012  
(Unaudited)**

**Financial Analysis**

**Statement of Net Assets** - As noted earlier, net assets and especially net assets by category, may serve over time as a useful indicator of DCTA's financial position. Total assets exceeded total liabilities by \$320,967,732 and \$316,131,437 as of September 30, 2012 and 2011 respectively. The largest portion, 94% in 2012 is invested in capital assets (net of related debt) primarily as a result of the rail line construction and related acquisitions. The remaining 6% is in unrestricted net assets which represents assets with no external restriction as to the use or purpose. The unrestricted net assets can be employed for any lawful purpose designated by the governing board. In 2011, 11% of the excess was in unrestricted net assets.

Net assets of DCTA increased 2% or \$4,836,295 during the current fiscal year compared to an increase of 36% or \$84,336,463 in the prior year. The increase in net assets in the current fiscal year is related to the completion of the rail project, which resulted in capitalizing the rail assets put into service, a corresponding reduction of construction work in progress, and a reduction of \$16 million in unrestricted net assets. Fiscal year 2012 saw the agency transition from major rail project construction to the first full year of rail operations. The final phase of the project was completed – construction of a \$20 million rail maintenance facility and the acquisition of the remaining rail vehicles.

**Comparative Condensed Statement of Net Assets**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Assets</b>			
Current and other assets	\$ 24,484,588	\$ 59,503,879	\$ 163,777,074
Capital assets	<u>341,528,188</u>	<u>321,057,513</u>	<u>205,802,389</u>
Total Assets	<u>\$ 366,012,776</u>	<u>\$ 380,561,392</u>	<u>\$ 369,579,463</u>
<b>Liabilities and Net Assets</b>			
Current liabilities	\$ 9,000,044	\$ 27,349,955	\$ 116,894,489
Non-current liabilities	<u>36,045,000</u>	<u>37,080,000</u>	<u>20,890,000</u>
Total Liabilities	45,045,044	64,429,955	137,784,489
Net Assets			
Invested in capital assets	302,097,014	281,258,854	192,287,389
Unrestricted	<u>18,870,718</u>	<u>34,872,583</u>	<u>39,507,585</u>
Total Net Assets	<u>320,967,732</u>	<u>316,131,437</u>	<u>231,794,974</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 366,012,776</u>	<u>\$ 380,561,392</u>	<u>\$ 369,579,463</u>

**Denton County Transportation Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012  
(Unaudited)**

**Assets** – During fiscal year 2012, DCTA's total assets decreased 4% or \$14,548,616 over fiscal year 2011. The net decrease is primarily due to a \$33.3 million decrease in the DCTA current assets of restricted cash and cash equivalents related to the funding of the A-train project offset by the net increase of \$20.5 million in capital assets with the completion of the rail project.

Capital Assets, net of depreciation, increased \$20.5 million due to the capitalization of construction costs for construction work in progress, vehicles and operating equipment; less depreciation, amortization, and asset retirements. The capital assets activity for the year is captured in Note 6 (pages 23 and 24).

**Liabilities** – Current liabilities decreased \$18,349,911 primarily due to the decrease of \$7.2 million in deferred revenue related to the RTRFI funding for the rail line construction and rail vehicles. Revenues are recognized as grant funds were drawn down for expenditures related to the rail project. A decrease of \$4.6 million in retainage held on contracts for the rail line construction along with a decrease of \$6.6 million in construction contracts payable resulted in the net decrease in current liabilities.

DCTA's current ratio, current assets of \$24,484,588 and current liabilities of \$9,000,044, was 2:7:1 as of September 30, 2012 compared to 2:15:1 as of September 30, 2011. DCTA has restricted current assets (cash and cash equivalents) and recognized deferred revenue as a current liability related to the A-train project. With the completion of the rail project there was a reduction of \$7.1 million in deferred revenue and \$33.3 million reduction in restricted cash and cash equivalents.

There was a \$1,035,000 decrease in non-current liabilities in 2012 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 25 and 26).

**Statement of Revenues, Expenses, and Changes in Net Assets** – During the 2012 fiscal year DCTA's activities resulted in an increase in net assets of \$4,836,295 compared to an increase of \$84,336,463 in 2011. The increase in the current fiscal year net assets is attributable to \$7.1 million in grants for capital improvements, which offset increases in operating expenses. The changes in net assets for the fiscal years ended September 30, 2012 and 2011 are shown in the following table.

**Denton County Transportation Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012  
(Unaudited)**

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>OPERATING REVENUES</b>			
Passenger revenue	\$ 1,015,813	\$ 706,497	\$ 539,938
Contract services	2,927,341	2,520,036	2,368,908
Other	38,032	183,575	129,311
<b>Total operating revenues</b>	<u>3,981,186</u>	<u>3,410,108</u>	<u>3,038,157</u>
<b>OPERATING EXPENSES</b>			
Salaries, wages and fringe benefits	6,293,238	5,737,446	5,890,580
Services	1,431,693	1,676,866	1,547,342
Materials and supplies	3,010,582	2,308,815	1,674,511
Purchased transportation services	7,605,436	5,537,663	-
Utilities	396,248	180,953	74,397
Casualty and liability insurance	362,960	297,994	328,109
Facility and equipment rents	943,160	596,236	322,041
Other - miscellaneous	126,190	168,023	143,697
Depreciation	6,901,760	3,141,330	1,093,469
<b>Total operating expenses</b>	<u>27,071,267</u>	<u>19,645,326</u>	<u>11,074,146</u>
<b>Operating loss</b>	<u>(23,090,081)</u>	<u>(16,235,218)</u>	<u>(8,035,989)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Sales tax revenue	19,009,135	17,135,359	16,188,072
Transit system operating assistance grants	3,183,057	5,511,543	3,432,290
Investment income	53,927	287,615	105,503
Interest expense	(1,486,881)	(200,461)	-
Amortization of bond issuance costs	(12,219)	(7,969)	(251,980)
Design costs and construction	-	184,095	194,099
Gain (loss) on disposal of assets	52,269	-	(38,275)
<b>Total non-operating revenue (expenses)</b>	<u>20,799,288</u>	<u>22,910,182</u>	<u>19,629,709</u>
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS</b>	<u>(2,290,793)</u>	<u>6,674,964</u>	<u>11,593,720</u>
<b>GRANTS FOR CAPITAL IMPROVEMENTS</b>	<u>7,127,088</u>	<u>77,661,499</u>	<u>102,970,259</u>
<b>Change in net assets</b>	<u>4,836,295</u>	<u>84,336,463</u>	<u>114,563,979</u>
<b>NET ASSETS, beginning of year</b>	<u>316,131,437</u>	<u>231,794,974</u>	<u>117,230,995</u>
<b>NET ASSETS, end of year</b>	<u>\$ 320,967,732</u>	<u>\$ 316,131,437</u>	<u>\$ 231,794,974</u>

**Operating Revenues**

Passenger Revenue - The 2012 passenger revenues increased 44% or \$309,316 over the prior year. The increase is due to the first full year of rail operations.

Contract Service - The 2012 contract service revenues increased 16% or \$407,305 over the prior year. The increase is due to a new contract with University of North Texas (UNT) for services which includes an increase in the rate per service hour. Fuel prices are a pass-through on the contract; the increase in fuel prices over 2011 also impacted the increase in contract revenues. The contract provides bus service for students and faculty.

**Denton County Transportation Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012  
(Unaudited)**

**Operating Expenses**

Operating Expense - The 2012 operating expenses increased 38% or \$7,425,941 over the prior year. The increased operating expense is primarily due to an additional \$3.8 million in depreciation expense and the \$2.1 million increase in purchased transportation for the operating costs for the commuter rail service.

The 2012 depreciation expense increased 120% or \$3,760,430 over the prior year. This increase is primarily due to the rail asset project completing during 2011 and being depreciated.

**Non-operating Revenue and Expenses**

Sales Tax Revenue - The 2012 sales tax revenue increased \$1,873,776 over 2011. DCTA collects one-half percent sales and use tax in the member cities of Denton, Highland Village, and Lewisville. The Dallas-Fort Worth Metroplex (DFW) has been impacted by the recession and the credit crisis in 2009. However, Texas has fared better than the rest of the country and the North Texas areas saw continued improvement in 2012 as reflected by the increase in sales tax revenue.

Capital Grants - Capital grants revenue decreased \$70,534,411 primarily as a result of revenue recognition of rail capital project expenditures reimbursed from RTRFI funds.

Transit System Operating Assistance Grants - The 2012 federal and state grant revenue decreased 42% or \$2,328,486 over 2011. In 2012, ARRA funding was no longer available; this comprised the major portion of the decrease.

Investment Income - The 2012 investment income decreased 81% or \$233,688 over 2011 due to lower interest rates and a decrease in cash available for investments due to the completion of the rail project.

**Debt Administration**

In June of 2008, DCTA completed its first debt issuance. DCTA issued \$20,000,000 in tax-exempt Sales Tax Revenue Bonds. The bonds were issued through a private placement with a maximum 5 year term to fund the DCTA A-train regional passenger rail project. This rail project will provide passenger rail service connecting Denton and Dallas counties. The principal payment was due in one lump sum in June 2013 with interest due semi-annually. The Series 2008 Sales Tax Revenue bonds were refunded through a private placement to long-term debt on December 17, 2009. These bonds will be repaid over 20 years at an interest rate of 3.99%. The first principal payment will be due in 2013.

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

**Denton County Transportation Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012  
(Unaudited)**

**DCTA Fiscal Year 2012 Budget**

The 2011-2012 budget was adopted September 22, 2011. Amendments to the original budget included an increase in capital projects for the new Bus Operations and Maintenance facility to be constructed in Denton and additions to operating expenses for additional legal services and purchased transportations costs for rail operations.

**Condensed Statements of Revenues, Expenses, and Changes in Net Assets, Budget Year Ending September 30, 2013 and Financial Year Ending 2012 and 2011**

	2013 Budget	2012 Actual	2011 Actual	Increase (Decrease) from 2012	Percent Increase (Decrease) from 2012
Operating revenues	\$ 4,031,980	\$ 3,981,186	\$ 3,410,108	\$ 50,794	1%
Operating expenses	31,338,939	27,071,267	19,645,326	4,267,672	16%
Operating loss	(27,306,959)	(23,090,081)	(16,235,218)	(4,216,878)	18%
Non-operating revenues	39,598,645	20,799,288	22,910,182	18,799,357	90%
Income before capital grants	12,291,686	(2,290,793)	6,674,964	14,582,479	-637%
Grants for capital improvements	691,926	7,127,088	77,661,499	(6,435,162)	-90%
Change in net assets	12,983,612	4,836,295	84,336,463	8,147,317	168%
Net assets, beginning of year	320,967,732	316,131,437	231,794,974	4,836,295	2%
Net assets, end of year	\$ 333,951,344	\$ 320,967,732	\$ 316,131,437	\$ 12,983,612	4%

**DCTA Fiscal Year 2013 Budget**

Operating revenues in 2013 show an increase of 1% or \$50,794 over 2012 actual results. Operating revenue includes passenger fare revenue and contract service revenue. Passenger farebox revenue is expected to increase due to the addition of mid-day rail service as well as additional hours of Connect bus service. However this is offset by the decrease in contract revenue due to UNT eliminating a route in their service area. The UNT contract, as well as the NCTC contract, provides bus service for students, staff, and faculty.

The fiscal year 2013 operating expenses are projected to increase \$4,267,672 over 2012 actual results. The major increases are due to an increase of \$832,289 in Purchased Transportation for the second full year of A-train operations and a \$3.6 increase in depreciation as a result of the completion of the rail project construction. In addition, salaries/wages/benefits increased by \$534,000 as a result of merit plan adjustments and increased in medical benefits. The fiscal year 2013 budget anticipates increases in fuel costs. Diesel fuel is budgeted at \$4.00 per gallon in fiscal year 2013. In fiscal year 2012 fuel was budgeted at \$3.75 per gallon. Fiscal year 2013 will be the second full year of operation for all of the new rail assets.

**Denton County Transportation Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012  
(Unaudited)**

Non-operating revenue, net of expenses, is projected to increase 90% or \$18,799,357 over 2012 actual results. The increase in non-operating revenue is due to the planned issuance of \$13.4 million in debt for the federally mandated Positive Train Control project. In addition, Transit System grants to fund the new Bus Operations and Maintenance facility also reflect an increase of \$3.8 million.

The passenger rail capital project represented a significant investment by DCTA and its stakeholders. DCTA completed this project in mid-2012 with the final acquisition of the new rail cars and the completion of the Rail Operations and Maintenance Facility. In fiscal year 2013, DCTA activity will be focused on improving service and operations as it begins its second full year of rail operations.

**Requests for Information**

The financial report is designed to provide the citizens of our member cities, customers and other interested parties with a general overview of DCTA finances. If you have any questions regarding this report or need any additional information, contact DCTA at 1660 S. Stemmons Freeway, Suite 250, Lewisville, Texas 75067, by phone at (972) 221-4600, or by electronic mail at [info@dcta.net](mailto:info@dcta.net).

## **BASIC FINANCIAL STATEMENTS**

**DENTON COUNTY TRANSPORTATION AUTHORITY  
STATEMENTS OF NET ASSETS  
SEPTEMBER 30, 2012 AND 2011**

<b>ASSETS</b>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 15,688,516	\$ 16,757,848
Restricted cash and cash equivalents	3,653,091	36,996,801
Receivables	4,468,964	4,904,981
Prepaid expenses	293,869	248,290
Total current assets	<u>24,104,440</u>	<u>58,907,920</u>
Noncurrent assets:		
Deferred charges	380,148	595,959
Land and construction in progress	35,732,907	100,962,424
Other capital assets, net of accumulated depreciation/amortization	305,795,281	220,095,089
Total noncurrent assets	<u>341,908,336</u>	<u>321,653,472</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 366,012,776</u></u>	<u><u>\$ 380,561,392</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,964,936	\$ 2,788,125
Construction contracts payable	4,026,504	10,666,924
Retainage payable	1,650,088	6,291,735
Deferred revenue	323,516	7,453,171
Easement obligation- current portion	150,000	150,000
Bonds payable-current portion	885,000	-
Total current liabilities	<u>9,000,044</u>	<u>27,349,955</u>
Noncurrent liabilities:		
Easement obligation	1,650,000	1,800,000
Bonds payable	34,395,000	35,280,000
Total noncurrent liabilities	<u>36,045,000</u>	<u>37,080,000</u>
<b>Total liabilities</b>	<u>45,045,044</u>	<u>64,429,955</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	302,097,014	281,258,854
Unrestricted	18,870,718	34,872,583
Total net assets	<u>320,967,732</u>	<u>316,131,437</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 366,012,776</u></u>	<u><u>\$ 380,561,392</u></u>

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

**DENTON COUNTY TRANSPORTATION AUTHORITY  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>OPERATING REVENUES</b>		
Passenger revenue	\$ 1,015,813	\$ 706,497
Contract services	2,927,341	2,520,036
Other	38,032	183,575
<b>Total operating revenues</b>	<b>3,981,186</b>	<b>3,410,108</b>
<b>OPERATING EXPENSES</b>		
Salaries, wages and fringe benefits	6,293,238	5,737,446
Services	1,431,693	1,676,866
Materials and supplies	3,010,582	2,308,815
Purchased transportation services	7,605,436	5,537,663
Utilities	396,248	180,953
Insurance	362,960	297,994
Facility and equipment rents	943,160	596,236
Other - miscellaneous	126,190	168,023
	20,169,507	16,503,996
Depreciation and amortization	6,901,760	3,141,330
<b>Total operating expenses</b>	<b>27,071,267</b>	<b>19,645,326</b>
<b>NET OPERATING LOSS</b>	<b>(23,090,081)</b>	<b>(16,235,218)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Sales tax revenue	19,009,135	17,135,359
Transit system operating assistance grants	3,183,057	5,511,543
Investment income	53,927	287,615
Interest expense	(1,486,881)	(200,461)
Amortization of bond issuance costs	(12,219)	(7,969)
Trinity Mills design and construction	-	184,095
Gain on disposal of assets	52,269	-
<b>Total non-operating revenue (expenses)</b>	<b>20,799,288</b>	<b>22,910,182</b>
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS</b>	<b>(2,290,793)</b>	<b>6,674,964</b>
<b>GRANTS FOR CAPITAL IMPROVEMENTS</b>	<b>7,127,088</b>	<b>77,661,499</b>
<b>Change in net assets</b>	<b>4,836,295</b>	<b>84,336,463</b>
<b>NET ASSETS, beginning of year</b>	<b>316,131,437</b>	<b>231,794,974</b>
<b>NET ASSETS, end of year</b>	<b>\$ 320,967,732</b>	<b>\$ 316,131,437</b>

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

**DENTON COUNTY TRANSPORTATION AUTHORITY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 3,525,462	\$ 3,476,477
Payments to suppliers	(14,882,601)	(8,606,119)
Payments to employees	(6,502,702)	(5,747,244)
	<b>Net cash used by operating activities</b>	<b>(10,876,886)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Sales tax received	18,886,839	17,051,100
Operating grant reimbursements	4,185,406	4,736,321
	<b>Net cash provided by non-capital financing activities</b>	<b>21,787,421</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Contributions and grants for capital improvements	9,129	174,685
Proceeds from debt issuance	-	14,390,000
Acquisition and construction of capital assets	(38,702,964)	(122,606,360)
Proceeds from sale of capital improvements	332,005	-
Trinity Mills design and construction	-	184,095
Interest paid on bonds	(1,317,543)	(888,889)
	<b>Net cash used by capital and related financing activities</b>	<b>(108,746,469)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	53,927	287,615
Proceeds from sale of investments	-	4,999,306
	<b>Net cash provided by investing activities</b>	<b>5,286,921</b>
	<b>Net decrease in cash and cash equivalents</b>	<b>(92,549,013)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>53,754,649</b>	<b>146,303,662</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 19,341,607</b>	<b>\$ 53,754,649</b>

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

**DENTON COUNTY TRANSPORTATION AUTHORITY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2012 AND 2011  
(CONTINUED)**

	<b>2012</b>	<b>2011</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (23,090,081)	\$ (16,235,218)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation and amortization expense	6,901,760	3,141,330
Change in operating assets and liabilities		
Operating accounts receivable	(444,036)	79,882
Prepaid expenses	(45,579)	6,046
Operating accounts payable	(960,753)	2,180,308
Accrued payroll and payroll related taxes	(209,464)	(9,798)
Other accrued liabilities	-	(25,923)
Deferred revenue	(11,688)	(13,513)
	<b>\$ (17,859,841)</b>	<b>\$ (10,876,886)</b>
<b>NONCASH INVESTING ACTIVITY</b>		
Bond issuance costs	\$ -	\$ 85,000
<b>NONCASH CAPITAL AND RELATED FINANCING</b>		
Grants for capital improvements	\$ 7,127,088	\$ 77,661,499
Gain on sale of capital assets	\$ (52,269)	\$ -
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET ASSETS</b>		
Cash and cash equivalents	\$ 15,688,516	\$ 16,757,848
Restricted cash	3,653,091	36,996,801
	<b>\$ 19,341,607</b>	<b>\$ 53,754,649</b>

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

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

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

The accounting policies of Denton County Transportation Authority (the Authority), as reflected in the accompanying financial statements for the fiscal years ended September 30, 2012 and 2011, conform to accounting principles generally accepted in the United States of America (GAAP) for local governmental units, as prescribed by the Governmental Accounting Standards Board, and include applicable standards of the Financial Accounting Standards Board.

**Financial Reporting Entity**

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

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

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

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

**Basis of Accounting**

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

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

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

**Basis of Accounting – Continued**

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

All dollar amounts, unless otherwise noted, are in whole dollars. References to years 2012 and 2011 are for fiscal years ended September 30, 2012 and 2011.

The Authority has elected not to apply all Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

When both restricted and unrestricted resources are available 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.

**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 assets.

**Capital Assets**

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

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

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

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

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

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

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

**Capital Assets – Continued**

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

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

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

**Current Liabilities**

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

**Compensated Absences**

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

**Deferred Revenue**

The University of North Texas (UNT), North Central Texas College (NCTC), and Texas Woman's University (TWU) have contracted with the Authority to provide transportation for faculty, staff, and students in Denton, Texas through the Connect service. The universities have paid for this service in advance and, 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, 2012 and 2011, the Authority has received \$64,912 and \$66,538 in advance payments respectively.

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

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

**Deferred Revenue – Continued**

In addition, during 2010, the Authority received a grant and advanced funding in the amount of \$250,360,000 from the Texas Department of Transportation for the development of the passenger rail system and to purchase rail vehicles. The Authority recognizes revenue as the funds are spent. At September 30, 2012 and 2011, unspent grant funds plus interest amounted to \$258,604 and \$7,386,625, respectively, and are reflected as part of restricted cash and cash equivalents in the statement of net assets.

**Net Assets**

Equity is displayed in two components as follows:

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

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets."

**Operating Revenues**

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

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

**Classification of Revenues and Expenses**

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

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

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

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

**Estimates**

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

**Financial Instruments and Credit Risk**

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

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

**NOTE 2. BUDGETARY DATA**

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

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

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

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

**NOTE 3. SERVICE AGREEMENTS**

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

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

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

**Cash and Cash Equivalents**

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

The Board adopted a policy to designate three months' operating expenses as a reserve to address unanticipated emergencies which may be allocated by the approval of the Board. At September 30, 2012, the reserve is \$5,504,624.

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

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

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

	September 30, 2012	September 30, 2011
Cash and cash equivalents		
Demand deposits	\$ 57,855	\$ 47,159
Sweep repurchase agreements	1,019,455	8,008,738
Money market account	12,459,341	35,544,272
Certificates of deposit	-	5,025,759
TexSTAR	5,804,956	5,128,721
	\$ 19,341,607	\$ 53,754,649
Reconciliation		
Cash and cash equivalents	\$ 15,688,516	\$ 16,757,848
Restricted cash and cash equivalents	3,653,091	36,996,801
	\$ 19,341,607	\$ 53,754,649

**Investments**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Authority's investment policy limits investment maturities to two years as a means of managing its exposure to fair value losses arising from increasing interest rates. In addition, the policy limits weighted average maturity of the overall portfolio to twelve months.

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

**NOTE 5. RECEIVABLES**

Receivables at September 30, 2012 and 2011 consisted of the following:

	2012	2011
Operating		
Ticket, token and other receivables	\$ 982,232	\$ 538,196
Sales tax	3,241,340	3,119,044
Grants receivable	245,392	1,247,741
Total	\$ 4,468,964	\$ 4,904,981

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

**NOTE 6. CAPITAL ASSETS**

Changes in capital assets for the fiscal years ended September 30, 2012 and 2011 are:

	Balance September 30, 2011	Increases	Transfers/ Decreases	Balance September 30, 2012
Capital assets, not being depreciated:				
Land	\$ 17,831,105	\$ -	\$ (1,602,768)	\$ 16,228,337
Construction in progress	83,131,319	27,373,737	(91,000,486)	19,504,570
Total capital assets not being depreciated	100,962,424	27,373,737	(92,603,254)	35,732,907
Capital assets, being depreciated/amortized				
Rail system	198,027,776	-	88,233,991	286,261,767
Land improvements	2,035,505	-	3,351,229	5,386,734
Vehicles and operating equipment	11,217,776	284,460	(3,240,511)	8,261,725
Leasehold improvements	55,506	-	-	55,506
Office furniture and equipment	236,446	-	841,166	1,077,612
Easement	16,950,000	-	47,155	16,997,155
Total capital assets being depreciated/amortized	228,523,009	284,460	89,233,030	318,040,499
Less accumulated depreciation/amortization for				
Rail system	1,179,481	4,946,565	(1,285,853)	4,840,193
Land improvements	65,092	219,110	-	284,202
Vehicles and operating equipment	5,843,729	683,757	(1,789,441)	4,738,045
Leasehold improvements	55,506	-	-	55,506
Office furniture and equipment	154,112	204,828	(9,168)	349,772
Easement	1,130,000	847,500	-	1,977,500
Total accumulated depreciation	8,427,920	6,901,760	(3,084,462)	12,245,218
Total capital assets, being depreciated, net	220,095,089	(6,617,300)	92,317,492	305,795,281
Total capital assets, net	<u>\$ 321,057,513</u>	<u>\$ 20,756,437</u>	<u>\$ (285,762)</u>	<u>\$ 341,528,188</u>
	Balance September 30, 2010	Increases	Decreases	Balance September 30, 2011
Capital assets, not being depreciated:				
Land	\$ 16,578,318	\$ 1,252,787	\$ -	\$ 17,831,105
Construction in progress	184,984,177	98,210,423	(200,063,281)	83,131,319
Total capital assets not being depreciated	201,562,495	99,463,210	(200,063,281)	100,962,424
Capital assets, being depreciated/amortized				
Rail system	-	-	198,027,776	198,027,776
Land improvements	-	-	2,035,505	2,035,505
Vehicles and operating equipment	9,198,216	2,019,560	-	11,217,776
Leasehold improvements	55,506	-	-	55,506
Office furniture and equipment	147,761	88,685	-	236,446
Easement	7,500,000	9,450,000	-	16,950,000
Total capital assets being depreciated/amortized	16,901,483	11,558,245	200,063,281	228,523,009
Less accumulated depreciation/amortization for				
Rail system	-	1,179,481	-	1,179,481
Land improvements	-	65,092	-	65,092
Vehicles and operating equipment	4,967,532	876,197	-	5,843,729
Leasehold improvements	55,506	-	-	55,506
Office furniture and equipment	138,551	15,561	-	154,112
Easement	125,000	1,005,000	-	1,130,000
Total accumulated depreciation	5,286,589	3,141,331	-	8,427,920
Total capital assets, being depreciated, net	11,614,894	8,416,914	200,063,281	220,095,089
Total capital assets, net	<u>\$ 213,177,389</u>	<u>\$ 107,880,124</u>	<u>\$ -</u>	<u>\$ 321,057,513</u>

Primary capital asset expenditures in 2012 and 2011 relate to the design of the 21-mile rail corridor and the purchase of rail vehicles. See related commitment disclosure in Note 10.

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

**NOTE 6. CAPITAL ASSETS – CONTINUED**

As of October 1, 2009, the Authority adopted GASB Statement 51 *Accounting and Financial Reporting for Intangible Assets*. This Statement provides guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period.

In June 2010, the Authority acquired a rail operating easement for the purpose of constructing, installing, maintaining, and operating a modern passenger rail system for payments totaling \$16,950,000. As of September 30, 2012, \$15,150,000 had been paid to the Dallas Area Rapid Transit (DART). The remaining payments of \$1,800,000 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 and \$1,005,000 for the years ended September 30, 2012 and 2011, respectively.

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

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

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

Plan Description: The Authority provides retirement, disability and death benefits for all of its fulltime employees through a nontraditional defined benefit pension plan in the TCDRS. The Board of Directors is responsible for the administration of the statewide agent multi-employer public employee defined benefit pension retirement system consisting of 624 public employee defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the board of trustees at P. O. Box 2034, Austin, Texas 78768-2034 or can be viewed at [www.tcdrs.org](http://www.tcdrs.org).

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

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

The Authority adopted an annually determined contribution rate plan, for which the employer contribution rate is actuarially determined. The rate, applicable for two calendar years, consists of the normal cost contribution rate plus the rate required to amortize the unfunded actuarial liability over the remainder of the plan's 20-year amortization period which began January 1, 2012 using the entry age actuarial cost method. Monthly contributions by the Authority are based on the covered payroll and the employer contribution rate in effect. The contribution rate for calendar year 2012 is 5.28%.

During fiscal year 2012, employee contributions were \$49,508. The Authority's contributions were \$52,280.

**NOTE 8. BONDS PAYABLE**

In December 2009, the Authority issued Sales Tax Revenue Refunding Bonds for \$20,890,000. This bond issuance refunds the \$20 million privately held bonds that were issued in 2008 and will allow the Authority to repay the bonds over 20 years versus a five-year repayment under the original issuance. Because of the early repayment, a \$727,000 interest penalty was incurred. The penalty is being amortized over the remaining life of the 2008 issuance. This amount was financed through the refunding bonds. The Authority has pledged the sales tax revenues towards the repayment of the bonds. Beginning September 15, 2013, principal payments are due in annual installments and continue through September 2029.

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

Fiscal Year Ending September 30,	Principal	Interest	Total
2013	\$ 885,000	\$ 1,283,918	\$ 2,168,918
2014	920,000	1,248,607	2,168,607
2015	1,510,000	1,211,898	2,721,898
2016	1,580,000	1,156,423	2,736,423
2017	1,645,000	1,098,412	2,743,412
2018 - 2022	9,370,000	4,532,585	13,902,585
2023 - 2027	11,610,000	2,661,902	14,271,902
2028 - 2031	7,760,000	557,522	8,317,522
Total requirements	<u>\$ 35,280,000</u>	<u>\$ 13,751,267</u>	<u>\$ 49,031,267</u>

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

**NOTE 8. BONDS PAYABLE – CONTINUED**

The following is a summary of changes in bonds payable of the Authority for the year ended September 30, 2012:

Balance at October 1, 2011	\$ 35,280,000
Additions	-
Reductions	-
	<hr/>
Balance at September 30, 2012	<u><u>\$ 35,280,000</u></u>

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

Total interest capitalized during the years ended September 30, 2012 and 2011 was \$0 and \$833,511, respectively.

Amortization of bond issuance costs in the amount of \$12,219 and \$7,969 was recognized for the years ended September 30, 2012 and 2011, respectively. Amortization expense relating to the early repayment penalty was \$200,461 and \$200,460 for the years ended September 30, 2012 and 2011, respectively.

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, 2012 and 2011, the Authority was in compliance with this requirement.

**NOTE 9. EASEMENT OBLIGATION**

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

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>
2013	\$ 150,000
2014	150,000
2015	100,000
2016	100,000
2017	100,000
2018 - 2022	500,000
2023 - 2027	500,000
2028 - 2029	200,000
Total requirements	<u><u>\$ 1,800,000</u></u>

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

**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 2012 based on premiums charged so that total contributions plus earnings on the contributions will be sufficient to satisfy claims and liabilities.

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

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, 2012, 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.

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

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

**Commitments**

At September 30, 2012, the Authority has the following outstanding commitments:

Purchase of rail cars and escalator	\$ 641,788
Consulting services for implementation of PTC and rail car support	2,762,376
Operations and Maintenance Agreement with DART	3,479,242
Final design of rail project	1,466,743
Design and construction of Medpark extension	1,000,000
Management agreement for bus transit operations	141,500
Engineering and construction of support services for rail and bus	<u>366,956</u>
	<u><u>\$ 9,858,605</u></u>

**Operating Lease Agreements**

The Authority has entered into certain operating lease agreements. All operating leases to which the Authority is currently a party will expire in fiscal year 2014. The total lease expense was \$1,093,160 for 2012 and \$596,236 for 2011. The lease payments by year are as follows:

	<u>2013</u>	<u>2014</u>	<u>Total</u>
Lease commitments			
Transit Management of Denton County operations	\$ 67,641	\$ 26,374	\$ 94,015
Denton bus operating facility	152,229	152,229	304,458
DART Rail Diesel Cars Lease	<u>64,500</u>	<u>-</u>	<u>64,500</u>
Total lease commitments	<u>\$ 284,370</u>	<u>\$ 178,603</u>	<u>\$ 462,973</u>

**Funding**

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

## **SUPPLEMENTARY INFORMATION**

**DENTON COUNTY TRANSPORTATION AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES – BUDGET TO ACTUAL**  
**YEAR ENDED SEPTEMBER 30, 2012 WITH COMPARATIVE ACTUAL FOR 2011**

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
<b>OPERATING REVENUES</b>					
Passenger revenue	\$ 1,566,317	\$ 873,272	\$ 1,015,813	\$ 142,541	\$ 706,497
Contract services	3,013,356	3,013,356	2,927,341	(86,015)	2,520,036
Other	-	-	38,032	38,032	183,575
	<u>4,579,673</u>	<u>3,886,628</u>	<u>3,981,186</u>	<u>94,558</u>	<u>3,410,108</u>
<b>OPERATING EXPENSES</b>					
Salaries, wages and fringe benefits	6,818,238	6,677,179	6,293,238	383,941	5,737,446
Services	1,395,574	1,682,609	1,431,693	250,916	1,676,866
Materials and supplies	3,436,999	3,369,999	3,010,582	359,417	2,308,815
Purchased transportation services	7,544,845	7,597,897	7,605,436	(7,539)	5,537,663
Utilities	301,173	422,915	396,248	26,667	180,953
Insurance	471,740	471,740	362,960	108,780	297,994
Facility and equipment rents	1,036,930	1,048,980	943,160	105,820	596,236
Other - miscellaneous	138,398	139,523	126,190	13,333	168,023
Depreciation and amortization	4,632,371	6,682,989	6,901,760	(218,771)	3,141,330
<b>Total operating expenses</b>	<u>25,776,268</u>	<u>28,093,831</u>	<u>27,071,267</u>	<u>1,022,564</u>	<u>19,645,326</u>
<b>Operating loss</b>	<u>(21,196,595)</u>	<u>(24,207,203)</u>	<u>(23,090,081)</u>	<u>1,117,122</u>	<u>(16,235,218)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Sales tax revenue	16,909,740	17,579,537	19,009,135	1,429,598	17,135,359
Transit system operating assistance grants	4,346,347	5,720,140	3,183,057	(2,537,083)	5,511,543
Investment income	48,000	48,000	53,927	5,927	287,615
Interest expense	(1,283,919)	(1,484,380)	(1,486,881)	(2,501)	(200,461)
Amortization of bond issuance costs	-	-	(12,219)	(12,219)	(7,969)
Trinity Mills design and construction	-	-	-	-	184,095
Gain (loss) on disposal of assets	62,000	62,000	52,269	(9,731)	-
<b>Total non-operating revenue (expenses)</b>	<u>20,082,168</u>	<u>21,925,297</u>	<u>20,799,288</u>	<u>(1,126,009)</u>	<u>22,910,182</u>
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS</b>	<u>(1,114,427)</u>	<u>(2,281,906)</u>	<u>(2,290,793)</u>	<u>(8,887)</u>	<u>6,674,964</u>
<b>GRANTS FOR CAPITAL IMPROVEMENTS</b>	<u>5,665,471</u>	<u>6,877,112</u>	<u>7,127,088</u>	<u>249,976</u>	<u>77,661,499</u>
<b>Change in net assets</b>	<u>\$ 4,551,044</u>	<u>\$ 4,595,206</u>	<u>\$ 4,836,295</u>	<u>\$ 241,089</u>	<u>\$ 84,336,463</u>

## **STATISTICAL SECTION**

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

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> <i>These schedules contain trend information for the past six years to help the reader understand how the Authority’s financial performance and progress have changed over time.</i>	<b>31</b>
<b>Revenue Capacity</b> <i>These schedules contain information to help the reader assess the Authority’s most significant local revenue sources.</i>	<b>34</b>
<b>Debt Capacity</b> <i>This schedule presents information to help the reader assess the affordability of the Authority’s current level of outstanding debt and the ability to issue additional debt in the future.</i>	<b>37</b>
<b>Demographic and Economic Information</b> <i>These schedules offer demographic and economic indicators to help the reader understand the environment in which the Authority’s financial activities take place.</i>	<b>38</b>
<b>Operating Information</b> <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Authority’s financial report relates to the services the Authority provides and the activities it performs.</i>	<b>40</b>

**DENTON COUNTY TRANSPORTATION AUTHORITY  
CONDENSED STATEMENT OF NET ASSETS  
LAST EIGHT YEARS  
(accrual basis of accounting)**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Net assets</b>								
Invested in capital assets, net of related debt	\$ 2,264,339	\$ 6,183,506	\$ 7,249,758	\$ 3,277,402	\$ 79,699,179	\$ 192,287,389	\$ 281,258,854	\$ 302,097,014
Unrestricted	12,640,228	16,622,199	25,352,863	40,757,625	37,531,816	39,507,585	34,872,583	18,870,718
Total net assets	<u>\$ 14,904,567</u>	<u>\$ 22,805,705</u>	<u>\$ 32,602,621</u>	<u>\$ 44,035,027</u>	<u>\$ 117,230,995</u>	<u>\$ 231,794,974</u>	<u>\$ 316,131,437</u>	<u>\$ 320,967,732</u>

Note: Fiscal year 2005 was the first year of operations therefore only eight years of data is available.

**DENTON COUNTY TRANSPORTATION AUTHORITY  
CONDENSED STATEMENT OF CHANGE IN NET ASSETS  
LAST EIGHT YEARS  
(accrual basis of accounting)**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Operating revenues</b>								
Passenger revenue	\$ 198,391	\$ 199,627	\$ 382,141	\$ 492,282	\$ 514,944	\$ 539,938	\$ 706,497	\$ 1,015,813
Contract services	1,408,917	1,644,794	2,033,900	2,234,145	2,086,401	2,368,908	2,520,036	2,927,341
Other	5,297	1,925	1,371	4,460	112,834	129,311	183,575	38,032
Total operating revenues	<u>1,612,605</u>	<u>1,846,346</u>	<u>2,417,412</u>	<u>2,730,887</u>	<u>2,714,179</u>	<u>3,038,157</u>	<u>3,410,108</u>	<u>3,981,186</u>
<b>Operating expenses</b>								
Salaries, wages and fringe benefits	296,949	755,780	4,356,664	4,884,853	5,377,646	5,890,580	5,737,446	6,293,238
Services	1,160,717	2,361,773	3,451,095	924,227	1,113,057	1,547,574	1,676,866	1,431,693
Materials and supplies	22,585	73,340	1,404,956	1,844,446	1,383,676	1,674,511	2,308,815	3,010,582
Utilities	6,865	10,471	76,864	68,103	72,712	74,165	180,953	396,248
Insurance	2,552	135,434	388,924	445,320	403,328	328,109	297,994	362,960
Purchased transportation services	3,707,829	4,075,845	-	-	-	-	5,537,663	7,605,436
Facility and equipment rents	74,717	194,116	319,076	330,926	323,369	322,041	596,236	943,160
Other - Miscellaneous	53,733	81,851	143,363	169,971	145,078	143,697	168,023	126,190
Depreciation	619,970	914,830	1,379,928	1,402,035	1,039,436	1,093,469	3,141,330	6,901,760
Total operating expenses	<u>5,945,917</u>	<u>8,603,440</u>	<u>11,520,870</u>	<u>10,069,881</u>	<u>9,858,302</u>	<u>11,074,146</u>	<u>19,645,326</u>	<u>27,071,267</u>
<b>Operating loss</b>	(4,333,312)	(6,757,094)	(9,103,458)	(7,338,994)	(7,144,123)	(8,035,989)	(16,235,218)	(23,090,081)
<b>Non-operating revenues (expenses)</b>								
Sales tax revenue	13,685,028	14,796,379	15,530,585	16,208,354	15,666,457	16,188,072	17,135,359	19,009,135
Enhanced local assistance	(3,421,257)	(3,699,095)	(3,882,646)	(1,067,837)	-	-	-	-
Capital grants	-	-	-	-	63,543,494	102,970,259	77,661,499	7,127,088
Transit system operating assistance grants	2,339,832	2,808,151	5,932,486	2,916,207	1,756,241	3,432,290	5,511,543	3,183,057
Investment Income	303,992	752,797	1,320,149	1,188,514	335,979	105,503	287,615	53,927
Interest expense	-	-	-	(156,267)	-	(162,284)	(200,461)	(1,486,881)
Amortization of bond issuance costs	-	-	-	(7,567)	(22,700)	(89,696)	(7,969)	(12,219)
Unreimbursed prior year grant expenses	-	-	-	-	(504,959)	-	-	-
Trinity mills Design and Construction cost	-	-	-	(300,000)	(439,011)	194,099	184,095	-
Gain(loss) on disposal of assets	(2,456)	-	(200)	(10,004)	4,590	(38,275)	-	52,269
Total Non-operating revenue	<u>12,905,139</u>	<u>14,658,232</u>	<u>18,900,374</u>	<u>18,771,400</u>	<u>80,340,091</u>	<u>122,599,968</u>	<u>100,571,681</u>	<u>27,926,376</u>
<b>Change in net assets</b>	<u>\$ 8,571,827</u>	<u>\$ 7,901,138</u>	<u>\$ 9,796,916</u>	<u>\$ 11,432,406</u>	<u>\$ 73,195,968</u>	<u>\$ 114,563,979</u>	<u>\$ 84,336,463</u>	<u>\$ 4,836,295</u>

Note: Fiscal year 2005 was the first year of operations therefore only eight years of data is available.

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

	2005	2006	2007	2008	2009	2010	2011	2012
Capital assets not being depreciated:								
Land and Improvement	\$ -	\$ -	\$ -	\$ 24,357	\$ 14,457,050	\$ 16,578,318	\$ 17,831,105	\$ 16,228,337
Construction in process	-	-	-	7,558,260	80,323,353	184,984,177	83,131,319	19,504,570
Total capital assets not being depreciated	-	-	-	7,582,617	94,780,403	201,562,495	100,962,424	35,732,907
Other Capital Assets being depreciated:								
Rail Assets	-	-	-	-	-	-	198,027,776	286,261,767
Land Improvements	-	-	-	-	-	-	2,035,505	5,386,734
Vehicles and operating equipment	-	-	10,006,819	9,993,781	9,998,586	9,198,216	11,217,776	8,261,725
Leasehold improvements	-	-	39,720	39,720	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
Unallocated and Easement	3,179,169	6,803,476	-	-	-	7,500,000	16,950,000	16,997,155
Total other capital assets	3,179,169	6,803,476	10,167,399	10,166,861	10,196,526	16,901,483	228,523,009	318,040,499
Less accumulated depreciation:								
Rail Assets	-	-	-	-	-	-	1,179,481	4,840,193
Land Improvements	-	-	-	-	-	-	65,092	284,202
Vehicles and operating equipment	-	-	2,822,601	4,168,141	5,099,410	4,967,532	5,843,729	4,738,045
Leasehold improvements	-	-	17,203	39,720	42,877	55,506	55,506	55,506
Office furniture and equipment	-	-	78,018	108,783	135,463	138,551	154,112	349,772
Unallocated and Easement	914,830	619,970	-	-	-	125,000	1,130,000	1,977,500
Total accumulated depreciation	914,830	619,970	2,917,822	4,316,644	5,277,750	5,286,589	8,427,920	12,245,218
Total capital assets, net	\$ 2,264,339	\$ 6,183,506	\$ 7,249,577	\$ 13,432,834	\$ 99,699,179	\$ 213,177,389	\$ 321,057,513	\$ 341,528,188

Note: Fiscal year 2005 was the first year of operations therefore only eight years of data is available.

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

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

Note: Fiscal year 2005 was the first year of operations therefore only eight years of data is available.

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

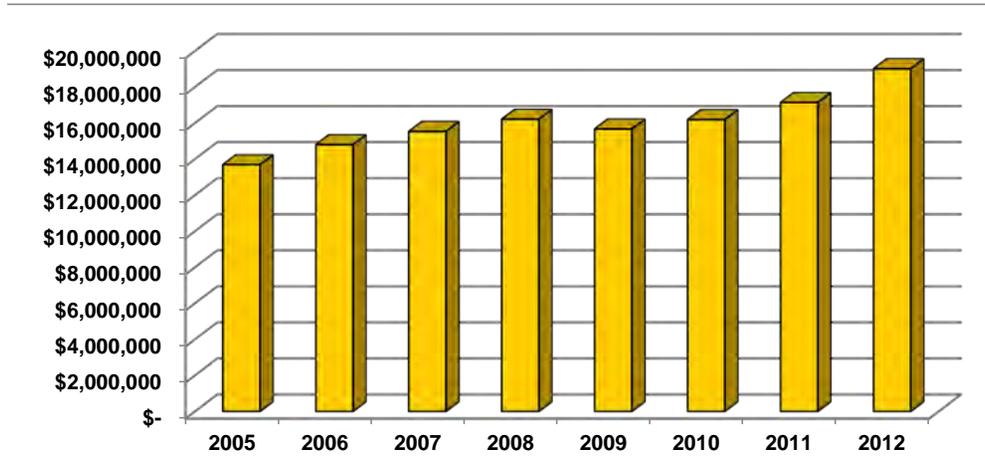
Fiscal Year	Sales Tax Revenue	Compounded Percent Change from Base Year (1)	Percent Change from Prior Year
2005	\$ 13,685,028		
2006	14,796,379	8.1%	8.1%
2007	15,530,585	13.5%	5.0%
2008	16,208,354	18.4%	4.4%
2009	15,666,457	14.5%	-3.3%
2010	16,188,072	18.3%	3.3%
2011	17,135,359	25.2%	5.9%
2012	19,009,135	38.9%	10.9%
Average Growth			4.9%

Notes:

(1) Base year for 2006 through 2012 is 2005.

Fiscal year 2005 was the first year of operations therefore only eight years of data is available.

**SALES TAX REVENUE**

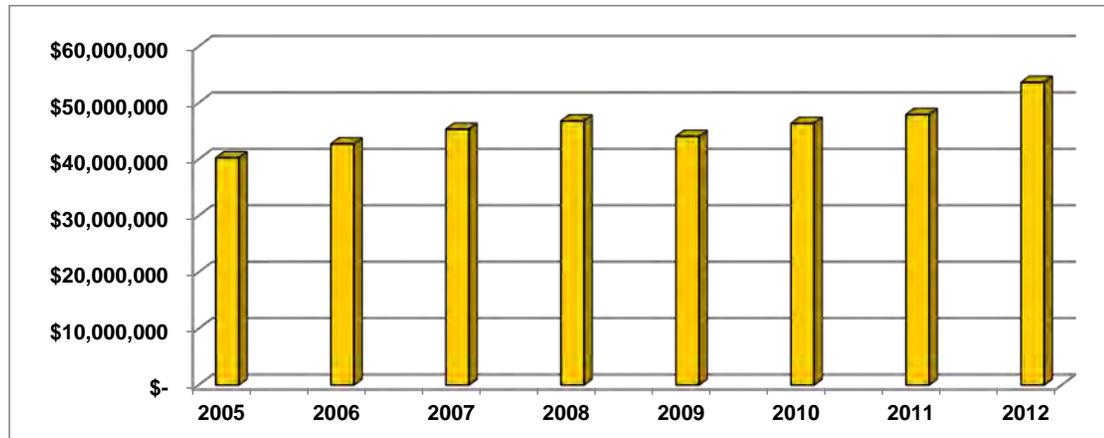


**DENTON COUNTY TRANSPORTATION AUTHORITY  
SALES TAX ALLOCATION RECEIVED BY MEMBER CITIES  
LAST EIGHT YEARS**

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

Source: The Comptroller of Public Accounts allocation of sales tax receipts by city.  
Note: Fiscal year 2005 was the first year of operations therefore only eight years of data is available.

**SALES TAX REVENUE**



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

Fiscal Year	Sales Tax Revenue Bonds, Series 2008	Sales Tax Revenue Refunding Bonds, Series 2009	Contractual Obligations, Series 2011	Total	Percentage of Personal Income	Per Capita
2005	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
2006	-	-	-	-	0.00%	-
2007	-	-	-	-	0.00%	-
2008	20,000,000	-	-	20,000,000	0.10%	32.54
2009	20,000,000	-	-	20,000,000	0.10%	31.83
2010	-	20,890,000	-	20,890,000	0.10%	31.53
2011	-	20,890,000	14,390,000	35,280,000	0.16%	52.66
2012	-	20,890,000	14,390,000	35,280,000	N/A	51.65

N/A: Certain aspects of the above data have been omitted as the information is not available to DCTA at this time.

Fiscal year 2005 was the first year of operations therefore only eight years of data is available.

**DENTON COUNTY TRANSPORTATION AUTHORITY  
DEMOGRAPHIC AND ECONOMIC STATISTICS FOR DENTON COUNTY  
LAST EIGHT YEARS**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income (in Thousands) (2)</b>	<b>Per Capita Personal Income (2)</b>	<b>Median Age (2)</b>	<b>Education Level in Years of Formal Schooling (2)</b>	<b>School Enrollment (2)</b>	<b>Unemployment Rate (3)</b>
<b>2005</b>	552,600	\$ 16,260,808	\$ 29,426	32	14	164,982	4.5%
<b>2006</b>	578,500	\$ 17,256,655	\$ 29,830	32	14	178,444	4.1%
<b>2007</b>	559,350	\$ 17,367,258	\$ 31,049	32	14	187,564	4.0%
<b>2008</b>	614,650	\$ 19,794,189	\$ 32,204	32	14	193,381	4.7%
<b>2009</b>	628,300	\$ 19,437,717	\$ 30,937	33	14	199,920	7.4%
<b>2010</b>	662,614	\$ 20,587,417	\$ 31,070	33	14	212,297	7.1%
<b>2011</b>	669,930	\$ 22,276,512	\$ 33,252	33	14	202,879	6.9%
<b>2012</b>	683,010	(A)	(A)	(A)	(A)	(A)	5.6%

Sources:

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

(2) U.S.Census Bureau

(3) Texas Workforce Commission

Notes:

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

Fiscal year 2005 was the first year of operations therefore only eight years of data is available.

**DENTON COUNTY TRANSPORTATION AUTHORITY  
PRINCIPAL EMPLOYERS  
SEPTEMBER 30, 2012 AND NINE YEARS AGO**

<u>10 Largest Employers</u>	<u>Industry</u>	<u>2012</u>			<u>2003</u>	
		<u>Rank</u>	<u>Estimated Number of Employees</u>	<u>Percentage of Total Employment</u>	<u>Estimated Number of Employees</u>	<u>Percentage of Total Employment</u>
University of North Texas	Education	1	7,762	2.04%	6,995	1.13%
Lewisville Independent School District	Education	2	6,508	1.71%	4,897	0.72%
Wal-Mart	Retail	3	3,900	1.02%	n/a	0.39%
Denton Independent School District	Education System	4	3,266	0.86%	2,000	0.38%
Centex Home Equity	Finance/Insurance	5	2,600	0.68%	n/a	0.37%
Frito-Lay Inc.	Manufacturing	6	2,500	0.66%	n/a	0.35%
American Airlines Alliance	Transportation/Warehousing	7	2,154	0.57%	n/a	0.23%
Peterbilt Motors	Manufacturing	8	2,100	0.55%	1,700	0.23%
Northwest ISD	Education System	9	1,636	0.43%	752	0.23%
Denton State School	Health Care/Social Assistance	10	1,500	0.39%	1,380	0.20%

Sources: North Central Texas Council of Governments (NCTCOG), various cities and chambers of commerce.

**DENTON COUNTY TRANSPORTATION AUTHORITY  
TOTAL EMPLOYEES / CONTRACT OPERATIONS  
LAST EIGHT YEARS**

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

Sources: Denton County Transportation Authority and TMDC operations.

Note 1: Figures represent total head count as of fiscal year end 2012.

Note 2: Fiscal year 2005 was the first year of operations therefore only eight years of data is available.

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

	2005	2006	2007	2008	2009	2010	2011	2012
<b>Actual vehicle revenue miles</b>								
Demand Response directly operated transportation	-	296,300	250,796	343,414	334,897	335,812	311,987	212,539
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
Total actual vehicle revenue miles	-	1,148,754	1,447,296	1,668,327	1,645,563	1,647,070	1,810,282	1,570,690
<b>Actual vehicle revenue hours</b>								
Demand Response directly operated transportation	-	-	-	22,844	26,204	20,204	18,263	15,399
Fixed Route Bus directly operated transportation	-	-	-	90,454	94,922	92,955	96,786	98,481
Total actual vehicle revenue hours	-	-	-	113,298	121,126	113,159	115,049	113,880
<b>Total Annual Unlinked Trips</b>	-	-	-	1,957,864	2,105,994	2,105,994	2,427,902	2,588,793
<b>Annual Passenger Miles</b>								
Demand Response directly operated transportation	-	245,025	228,566	343,416	366,784	386,545	278,984	196,465
Fixed Route Bus directly operated transportation	-	3,253,169	5,390,395	5,936,304	6,386,452	6,386,452	7,179,087	7,730,514
Total Annual Passenger Miles	-	3,498,194	5,618,961	6,279,720	6,753,236	6,772,997	7,458,071	7,926,979
<b>Operating expenses</b>								
Demand Response directly operated transportation	\$ 1,112,349	\$ 1,727,696	\$ 754,548	\$ 691,233	\$ 773,936	\$ 962,197	\$ 977,383	\$ 1,027,239
Fixed Route Bus directly operated transportation	2,595,480	5,766,798	6,416,111	7,139,863	6,301,682	6,784,260	6,891,337	6,087,149
Total operating expenses	\$ 3,707,829	\$ 7,494,494	\$ 7,170,659	\$ 7,831,096	\$ 7,075,618	\$ 7,746,457	\$ 7,868,720	\$ 7,114,388

**Actual Vehicle Revenue Miles:** The miles a vehicle travels while in revenue service. This definition includes layover and recovery; but excludes travel to and from storage facilities, the training of operators prior to revenue service, road tests, deadhead travel, and school bus and charter service.

**Actual Vehicle Revenue Hours:** The hours a vehicle travels while in revenue service. This definition includes layover and recovery; but excludes travel to and from storage facilities, the training of operators prior to revenue service, road tests, deadhead travel, and school bus and charter service.

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

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

Note: Fiscal year 2005 was the first year of operations therefore only eight years of data is available.

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

	2005	2006	2007	2008	2009	2010	2011	2012
Farebox recovery	-	-	41.50%	42.27%	42.91%	42.74%	53.68%	47.65%

**FARE STRUCTURE at 09-30-2012**

<u>Connect Fare Structure (Bus Only)</u>	<u>Current</u>	<u>Regional (Bus &amp; Rail)</u>	<u>Current</u>
Adult One-Way	\$ 1.50	Regional One-Way	\$ 5.00
Connect RSVP One-Way	\$ 3.00	Regional One-Way Reduced*	\$ 0.85
Reduced*	\$ 0.75	Regional Day Pass	\$ 10.00
10-ride book	\$ 13.00	Regional Day Pass Reduced*	\$ 2.00
Monthly	\$ 45.00	Rgional 10 Pack of Day Passes	\$ 70.00
Reduced Monthly	\$ 25.00	Regional 7-Day Pass	\$ 50.00
Annual Connect Pass	\$ 450.00	Regional Monthly/31-Day Pass	\$ 120.00
		Regional Monthly/31-Day Pass Reduced*	\$ 32.00
		Regional Annual Pass	\$ 1,200.00
		Regional University Student Full Semester	\$ 250.00
		Regional University Student Summer	\$ 160.00
		Regional University Student Annual Pass**	\$ 600.00
		Regional University Faculty/Staff Full	\$ 340.00
		Regional University Faculty/Staff Annual	\$ 840.00
		<u>NCTC Shuttle</u>	
		NCTC Shuttle One-Way	\$ 3.00
		NCTC Shuttle One-Way Reduced*	\$ 1.50
		<u>Access** FareStructure</u>	
		10-ride book	\$ 30.00
		Access One-Way	\$ 3.00

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

Note 1: Fiscal year 2005 was the first year of operations therefore only eight years of data is available.

Note 2: The farebox recovery only includes bus operations. It does not include rail operations.