





January 28, 2005

Honorable Mayor and City Council  
City of Dallas, Texas

## **Introduction**

We are pleased to present the City of Dallas Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2004. This report was prepared by the City's financial staff and audited by the firm of KPMG LLP. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

The City Charter requires an annual audit of the books of account, records, and transactions of all administrative departments of the City by independent certified public accountants selected by the City Council. The Comprehensive Annual Financial Report is the summary of these activities for the past fiscal year. We believe this data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the City's organizational chart, and a list of principal officials. The financial section includes the MD&A (Management's Discussion and Analysis), Government-wide and Major Fund presentations, Required Supplementary Information, Combining Individual Fund Statements, as well as the independent auditors report on the financial statements and schedules. This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors. The statistical section includes selected financial and demographic information generally presented on a multi-year basis.

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## General Information

Dallas is the ninth largest city in the nation and has a Council-Manager form of government. There are fourteen single-district council members and a mayor elected at large.

The Mayor and Council appoint the City Manager, City Attorney, City Auditor, City Secretary, and the Municipal Court Judges. The Director of the Civil Service Department is appointed by the Civil Service Board and the Director of Park and Recreation is appointed by the Park and Recreation Board. All other department directors are appointed by the City Manager.

The financial statements of the City of Dallas include all activities, organizations, and functions for which the City is financially accountable. The criteria considered in determining the activities to be reported within the City's financial statements include: 1) whether an organization is part of the City's legal entity; or 2) whether the City appoints the voting majority of the organization's governing body, and either the City is able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. In addition, an organization may be fiscally dependent on the City and also included in its reporting entity. These criteria are based upon, and are consistent with, those set forth in the Codification of Governmental Accounting Standards, Section 2100, "Defining the Financial Reporting Entity".

*The City provides the full range of municipal services contemplated by statute or charter.*

The City provides the full range of municipal services contemplated by statute or charter. These include public safety (police and fire), streets, sanitation, health and human services, culture and recreation, public improvements, planning and zoning, and general administrative services. In addition to general government activities, the Dallas Water Utilities, Dallas Aviation Department, Convention Center, Municipal Radio and several other enterprise and internal service fund activities are a part of the City's legal entity. Seven tax increment-financing districts and four public improvement districts (none of which are legally separate entities) are included in the City's reporting entity because the City sets their assessment rates and approves their budgets. Although the pension trust funds are separate legal entities, they exist to exclusively serve or benefit the City's employees, retirees, and their beneficiaries and are included in the City's reporting entity.

Other legally separate entities are also included in the City's reporting entity based on the criteria discussed above:

- Housing Finance Corporation - issues tax-exempt mortgage revenue bonds to assist low-to-moderate income citizens in purchasing homes

- Housing Acquisition and Development Corporation - provides safe, affordable housing for low and moderate income persons

Related organizations not included as part of the reporting entity are the Dallas/Fort Worth International Airport, the Dallas Housing Authority, and Dallas Area Rapid Transit. The reason for not including these entities is because the City's accountability does not extend beyond appointing members to the Boards.

### **Economic Condition And Outlook**

The commitment of Dallas city government, local business leaders and voters to improving the quality of life in our city will continue to strengthen the economic vitality of the entire city. The overall well being of any City's neighborhoods, businesses, schools and community is closely tied to investment in economic development. There are a number of initiatives currently underway which will transform our city and improve the quality of life for every Dallas citizen. From the expansion of parks throughout Dallas, to the Trinity River Corridor Project, to the renovation and completion of the Arts District and continued investment in making downtown a 24/7 destination, these projects will significantly alter the landscape of our city and attract visitors for years to come.

In 2004, the City of Dallas hired renowned urban planner John Fregonese to spearhead Dallas' comprehensive land-use plan. The plan will define goals and policy statements for issues such as future land use, infrastructure, governmental facilities, economic development, urban design, historic preservation, air quality, water quality and other environmental resources. Public participation will be an integral part of the process.

The Trinity River Corridor Project is the largest public works project in Dallas history and is a glowing testament to community mobilization. The Trinity River and the Great Trinity Forest will become the centerpieces for establishing an improved quality of life for Dallas' citizens and for encouraging economic development. Besides providing improved flood protection for thousands of homes and businesses, this corridor will be transformed into a gathering place for people to enjoy nature and engage in recreational activities. Trails, wetlands, lakes, forests and prairies, currently being planned for the corridor, will attract both residents and tourists to this 9,000 acre area, the largest urban park in the country. The Santiago Calatrava designed Woodall Rogers Signature Bridge will provide more direct connections between the Central Business District and West Dallas. Plans are nearing completion for determining where

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best to place a Trinity Interpretive/Equestrian Center adjacent to the Great Trinity Forest. One of the major components, the Trinity Parkway, will become a major asset in improving regional transportation.

Dallas already boasts the fourth largest park system in the United States. The Dallas Park and Recreation Department maintains more than 21,000 park acres including 17 lakes, 18,000 acres of greenbelt / park land, and 62 miles of jogging and bike trails at 24 locations. Designated as a National Historic Landmark, Fair Park has the largest collection of 1930's Art Deco architecture in the United States and is the only unaltered pre-1950's World's Fair site in the nation. The Fair Park Comprehensive Development Plan will provide a blueprint for the future economic and structural development of Fair Park. The goal is to establish Fair Park as a thriving asset for Dallas that works in harmony with its adjacent communities.

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Creating a downtown with large open spaces remains a commitment of City officials and the Park Department is currently studying the creation of a Downtown Parks Master Plan. The goal of this study will be to identify future green space and park needs in downtown, including the feasibility of a 4.7-acre park between the Mercantile block on Main and the Police and Municipal Courts Building on Harwood. This \$365,000 study, the cost of which is being split between the Park and Recreation Department and the Inside the Loop Committee will focus on potential sites for large downtown open areas, green spaces, urban parks, plazas and off-leash parks. The study will also address the potential for development under and over freeways and potential for underground parking areas in conjunction with these green spaces.

*Today, Dallas draws both national and worldwide acclaim as a city with unparalleled opportunities for business.*

Today, Dallas draws both national and worldwide acclaim as a city with unparalleled opportunities for business. After designating economic development as a critical priority in 2004, the Dallas City Council increased the operating budget in the Economic Development Department and moved to double staffing. Goals are being redefined and new initiatives are being undertaken in order to increase economic development opportunities.

The City remains committed to transforming the City Center into a dynamic urban area, with a variety of business, cultural, entertainment and living choices. In our efforts to revitalize downtown and create a 24-hour, 7-day a week mixed-use neighborhood, we have targeted a minimum of 200,000 square feet of retail in the Main Street Retail Initiative Area. Entrepreneurs are successfully opening restaurants and nightclubs downtown as a result of these efforts. A retail recruitment initiative was created to stimulate a high performance retail district in the Main Street core area of downtown. Recent projects have had an enormous impact on rehabilitation of historic buildings into retail,

residential and hospitality space. These include Stone Street Gardens (29,000 sq. ft. retail space), the Kirby Building (156 residential units), the Wilson Building (133 residential units) and the Magnolia Hotel (330 hotel units). Statistics from the Central Dallas Association show the in-town housing market, which added 1,823 units from 1990 to 1996, has since exploded. At the end of 2002 there were 10,516 units, with an additional 3,451 planned or under construction. Merchants and property owners have helped develop revitalization strategies and have aided in the management of downtown on a day-to-day basis.

Building downtown Dallas into a vibrant, thriving cultural center remains a priority for the City of Dallas. The public and private sectors continue to collaborate to make the Arts District a reality. Situated in downtown Dallas at the base of the City's skyline, the Nasher Sculpture Center represents Ray Nasher's vision to create an outdoor "roof-less" museum that will serve as a peaceful retreat for reflection of art and nature and a public home for his collection of 20th-century sculpture. The goal was to produce a structure of lasting significance that will sustain the legacy of the collection. The Nasher Sculpture Collection, comprised of more than 300 pieces, is one of the foremost collections, private or public, of 20th century sculpture in the world. The collection has been presented at major museums across the United States and around the world, including the Reina Sofia in Madrid, Spain, Palace of the Legion of Honor in San Francisco, the Solomon R. Guggenheim Museum in New York City and the National Gallery of Art in Washington, D.C. In addition to the Nasher Sculpture Center, the Latino Cultural Center is a visually stunning building containing a world-class cultural, performance and education complex that is uniquely focused on Latino culture and contributions. The mission of the Center is to foster the preservation, development and promotion of Latino and Hispanic arts and culture in Dallas.

Whereas, the City had historically depended primarily on the northern portion of the City for economic expansion, all neighborhoods surrounding downtown today have either redeveloped or are currently redeveloping. The southern sector neighborhoods are coming back at a historic pace. Approximately \$500 million in private investment has been made since 1998 as a result of alliances to promote under-developed areas of the city. Priority projects in the southern sector include Pinnacle Park, Mountain Creek, Southport, University of North Texas, South Dallas/Fair Park, EcoPark, and the redevelopment of Hensley Field. Cumulatively, these projects will create over 15,000 new jobs in Dallas.

Transportation is another area where Dallas has several major advantages. As Dallas Area Rapid Transit (DART) continues to expand, it provides greater express transportation between suburban communities and

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downtown Dallas. A \$2.8 billion DART Transit System Plan is designed to provide a balanced combination of transit services and facilities to meet the range of mobility needs associated with the projected population growth of the Dallas region. By 2010, more than 185,000 daily passengers are expected to ride DART, linking neighborhoods and cultural institutions and providing a valuable resource to Dallas citizens.

Dallas has three airports: Dallas/ Fort Worth International; Dallas Love Field; and Dallas Executive. These constitute the best combination of airports operated by a single city in the United States. D/FW International is the third busiest airport in the world, moving over 63 million passengers and almost one million tons of cargo in 2000. The airport is easily accessible from anywhere in North and South America and 4 hours or less to other commercial centers including New York, Los Angeles, Chicago, Toronto and Mexico City. City owned and operated Dallas Love Field provides scheduled air and general aviation services and Dallas Executive is a general aviation reliever airport with foreign trade zone status.

The City of Dallas is committed to working with stakeholders to develop new investment options throughout the city. The success of these partnerships is not measured by the number of new businesses and new jobs but in the improvements to families' lives.

### **Financial Information**

Discussion of Controls. The City's management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse, and to ensure adequate accounting data are compiled to allow for preparation of financial statements in conformity with generally accepted accounting principles.

Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: 1) the safeguarding of assets against loss from unauthorized use or disposition; 2) the reliability of financial records for preparing financial statements; and 3) accountability for assets. The concept of reasonable assurance recognizes the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

The City Council is required by Charter to appoint a City Auditor who is independent of City management and reports directly to the City Council. The City Auditor supports the internal control structure within the City by performing independent evaluations of existing accounting and administrative controls and by ascertaining compliance with existing plans, policies and procedures.



Annually, each department is required to conduct a self-assessment of internal controls. The results of this assessment are reported to the City Manager with an action plan to correct any identified deficiencies.

The City Auditor reviews, on a sample basis, one or more departments' internal control evaluations each year to ensure the integrity of the program and provide constructive comments for improvement.

Furthermore, as a recipient of federal and state assistance, the City is also responsible for ensuring adequate internal controls are in place to comply with applicable laws, regulations, contracts, and grants related to those programs. Internal controls are subject to periodic evaluation by management and the City Auditor. As part of the City's single audit, tests are made to determine the adequacy of the internal control, including that portion relative to federal and state financial awards, as well as to determine that the City's single audit for the fiscal year provided no instances of material weakness in internal control or significant violations of applicable laws, regulations, contracts, and grants.

All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

In addition to financial controls, the City of Dallas maintains budgetary controls. The City Charter provides that the City Council shall annually appropriate adequate funds in an amount to execute the policies and service delivery plans of the City. City management annually prepares the plan of services for the upcoming fiscal year and their estimated costs. The plan is reviewed by the City Council and is formally adopted by the passage of a budget ordinance. The ordinance provides for budgetary control at the department level and these budgets cannot be exceeded without Council approval. Budgetary control is enforced at the department level by reserving appropriations and by encumbering purchase orders and contracts. Open encumbrances are reported, where applicable, as reservations of fund balance. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

### **General Government Functions**

Cash Management. The objectives of the City's Investment Policy, in order of priority, are: safety of principal, liquidity, diversification, maturity and yield. Deposits are fully collateralized by government securities held in third party safekeeping. Cash not needed for day-to-day operations is invested pursuant to the Investment Policy. These monies were invested

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*The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2003.*

in U.S. Government and U.S. Government Agency securities, repurchase agreements, and overnight investments.

### **Other information**

*Awards.* The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2003. This was the 22nd consecutive year the City has achieved this award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, which conforms to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is applicable to a CAFR presenting the financial position and operations of one particular year. We believe this year's CAFR continues to conform to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

*Acknowledgments.* We wish to take this opportunity to thank each member of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner. In closing, the preparation of this report is not accomplished without the efficient and dedicated services of key staff in the Office of Financial Services (City Controller's Office and Budget and Management Services Division); Dallas Water Utilities; Department of Aviation; Department of Communication and Information Services; and the Department of Development Services, Economic Development Division. Thanks to each individual involved.

Respectfully submitted,



Mary K. Suhm  
Acting City Manager



David Cook  
Chief Financial Officer



Richard Summerlin, CPA  
Acting City Controller

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**ELECTED OFFICIALS**

<b>Laura Miller</b>	<b>Mayor District 15(At large)</b>
<b>John Loza</b>	<b>Mayor Pro Tem District 2</b>
<b>Donald W. Hill</b>	<b>Deputy Mayor Pro Tem District 5</b>
<b>D. Elba Garcia</b>	<b>Councilwoman District 1</b>
<b>Ed Oakley</b>	<b>Councilman District 3</b>
<b>Dr. Maxine Thornton-Reese</b>	<b>Councilwoman District 4</b>
<b>Steve Salazar</b>	<b>Councilman District 6</b>
<b>Leo V. Chaney, Jr.</b>	<b>Councilman District 7</b>
<b>James L. Fantroy</b>	<b>Councilman District 8</b>
<b>Gary Griffith</b>	<b>Councilman District 9</b>
<b>Bill Blaydes</b>	<b>Councilman District 10</b>
<b>Lois Finkelman</b>	<b>Councilwoman District 11</b>
<b>Sandy Greyson</b>	<b>Councilwoman District 12</b>
<b>Mitchell Rasansky</b>	<b>Councilman District 13</b>
<b>Veletta Foresythe Lill</b>	<b>Councilwoman District 14</b>

**APPOINTED OFFICIALS**

**Mary K. Suhm  
Acting City Manager**

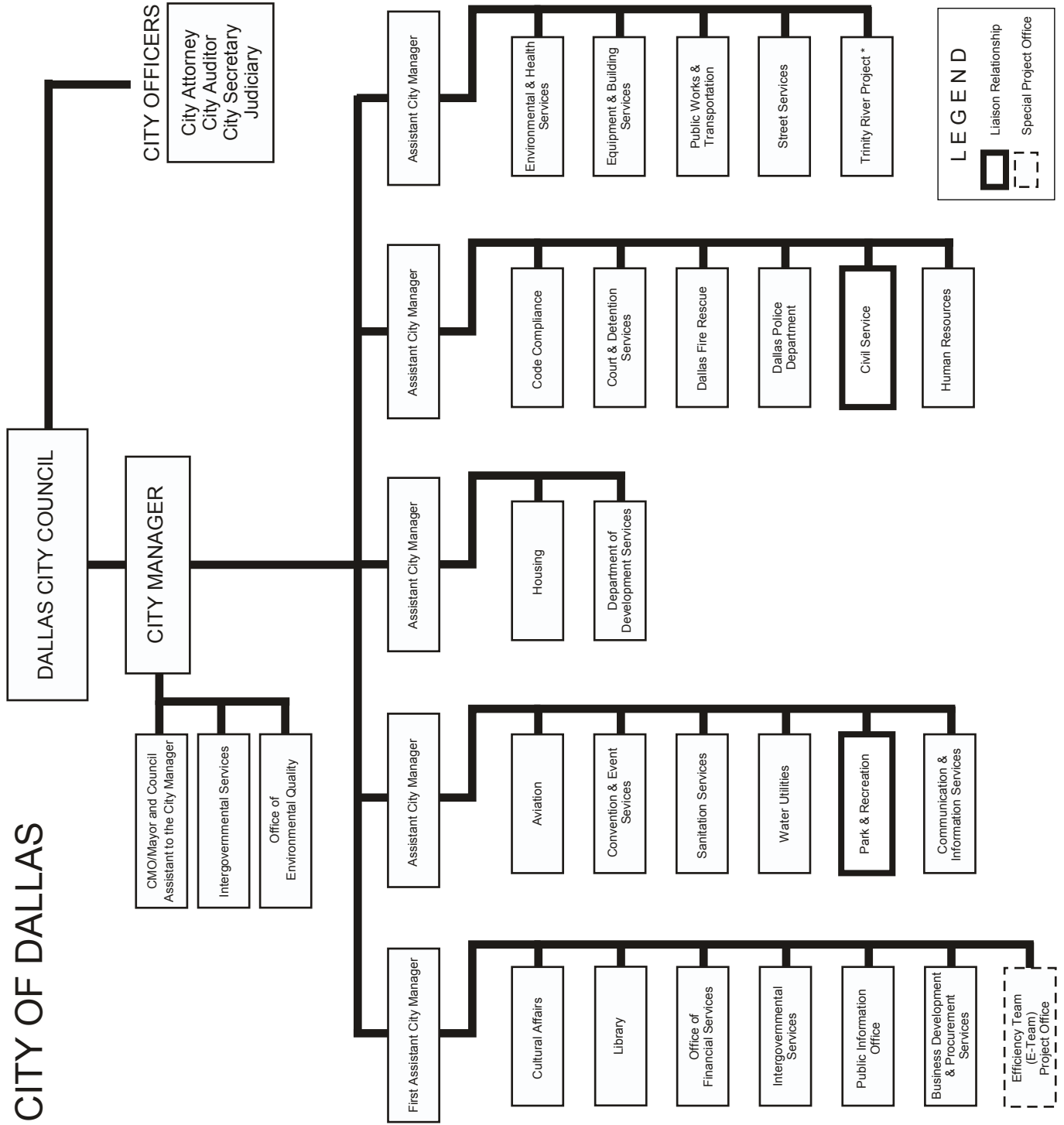
**Madeleine B. Johnson  
City Attorney**

**Shirley Acy  
City Secretary**

**Thomas M. Taylor  
City Auditor**

**John a. Wright  
City Treasurer**

# CITY OF DALLAS



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Dallas,  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2003

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.



*Nancy L. Zielle*

President

*Jeffrey R. Emmer*

Executive Director