

CITY OF DALLAS, TEXAS

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2003**

**Issued by
City Controller's Office
Regina H. Givens, City Controller
David K. Cook, Chief Financial Officer**

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Lisa Ellison
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**Egbert Hood
Richard Summerlin
Lawrence Williams**



**CITY OF DALLAS, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR YEAR ENDED SEPTEMBER 30, 2003**

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January 30, 2004

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, 2003. 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 Management's Discussion and Analysis (MD&A), 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.

*The City Charter requires
an annual audit of the
books of account, records,
and transactions ...*

General Information

Dallas is the eighth 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, Airport, 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
- Multi-Family Housing Acquisition Corporation - provides safe, affordable housing for low and moderate income persons

- Industrial Development Corporation - develops enterprises to promote and encourage employment and public welfare
- Health Facilities Development Corporation - acquires, constructs, provides, and refinances health facilities

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 some members to the Boards.

Economic Condition And Outlook

There are a number of initiatives currently underway which will transform our city and improve the quality of life for every Dallas citizen. These include the expansion of parks throughout Dallas, the creation of a master plan for Trinity River development, and the renovation and completion of the Arts District. These projects will significantly alter the landscape of our city and attract visitors for years to come.

Dallas currently 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. In April 2003, the City of Dallas completed "A Renaissance Plan for Dallas Parks and Recreation in the 21st century". This \$1.5 million study took 18 months to develop and represents the most comprehensive urban park system study ever undertaken in the United States. The result of this study is a long-range development plan based upon community needs, which addresses park and open space planning, recreation program development, operations and funding.

On October 1, 2003 the Park and Recreation Department briefed the City Council on the Fair Park Comprehensive Development Plan. 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.

Creating a downtown with large open spaces remains a commitment of City officials. Toward this end, 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 down-

Creating a downtown with large open spaces remains a commitment of City officials.

The Trinity River Corridor Project continues to be the vehicle by which Dallas' greatest natural resources ...

town 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.

The Trinity River Corridor Project continues to be the vehicle by which Dallas' greatest natural resources, the Trinity River and the Great Trinity Forest, will become the centerpiece 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! Gateway parks, an interpretive center and an equestrian center will provide interactive and educational opportunities for young and old. And the Trinity Parkway tollroad, providing drivers with both ease of travel and a reduction in air pollution, will relieve our traffic congestion that has been rated in the top 10 in the nation. Already, construction has begun on boat launches for canoeing the Trinity River and designs are underway for many other aspects of the project.

As Dallas Area Rapid Transit (DART) continues to expand, it provides greater express transportation between suburban communities and downtown Dallas. During 2003, \$1.3 billion in private funds was invested in developments along DART's 44-mile light rail system. 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.

The City remains committed to transforming the central business district 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. This goal is already being met as entrepreneurs are successfully opening restaurants and nightclubs downtown. A retail recruitment initiative created to stimulate a high performance retail district in the Main Street core area of downtown was approved by the City Council on October 22, 2003. A retail incubator for "up and coming" clothing designers is in the works for Main Street. Many notable residential developments have also occurred along-side retail renovations. 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.

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. The Nasher Sculpture Center, designed by the famous Italian architect Renzo Piano, opened in October 2003. 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.

"We are creating a place to learn about sculpture that will also be an oasis within the city," Mr. Nasher said. "This project is infusing new life into the Dallas Arts District, continuing a downtown rejuvenation that was begun nearly 20 years ago."

The Nasher Sculpture Center is expected to attract national and international visitors, enhancing Dallas' reputation as a cultural destination. A study commissioned by the Central Dallas Association estimates that the center could bring up to 200,000 visitors to Dallas each year.

In September 2003 the long-awaited Latino Cultural Center opened in downtown Dallas. World-renowned American Institute of Architects (AIA) gold medal winner, Mexican-architect Ricardo Legorreta, designed this state-of-the art facility. Besides being a visually stunning building from the exterior, the center houses 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.

City staff has begun the initial background work for developing a comprehensive plan for the City of Dallas. This comprehensive plan will set a 2025 planning horizon but will be updated every 4 to 5 years in conjunction with the capital budget and council direction. 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. The comprehensive plan will strive to integrate existing policies and plans previously adopted by City Council that remain viable and appropriate. A strategy for public participation will be presented to the Council and implemented during FY 2004.

In September 2003 the long-awaited Latino Cultural Center opened in downtown Dallas.

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 reporting 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 its own 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 insure 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 control is in place to comply with applicable laws, regulations, contracts, and grants related to those programs. Internal control is 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.

Furthermore, as a recipient of federal and state assistance, the City is also responsible for ensuring adequate internal control is in place to comply with applicable laws

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 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 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, 2002. This was the 21st 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.

... the City continues to meet its responsibility for sound financial management.

We wish to take this opportunity to thank each member of the City Council for their interest ...

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,

Teodoro J. Benavides
City Manager

David Cook
Chief Financial Officer

Regina H. Givens, CPA
City Controller



ELECTED OFFICIALS

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

APPOINTED OFFICIALS

Teodoro J. Benavides
City Manager

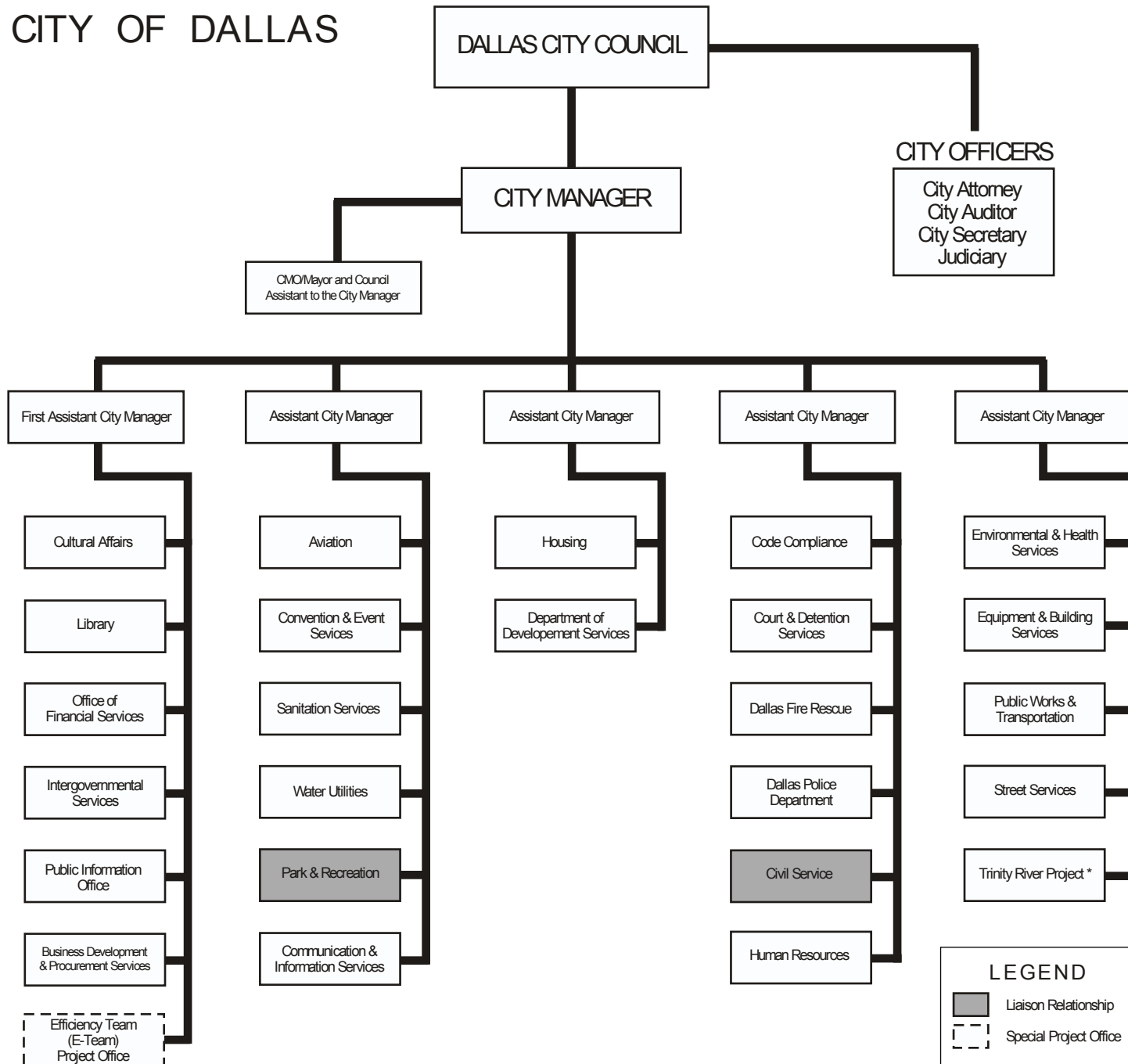
Madeleine B. Johnson
City Attorney

Shirley Acy
City Secretary

Thomas M. Taylor
City Auditor

John A. Wright
City Treasurer

CITY OF DALLAS



AX

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, 2002

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.



President

Executive Director

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KPMG LLP
Suite 3100
717 North Harwood Street
Dallas, TX 75201-6585

Independent Auditors' Report

The Honorable Mayor and Members of the City Council
City of Dallas, Texas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dallas, Texas (the City), as of and for the year ended September 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dallas, Texas, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year 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 a report dated January 30, 2004 on our consideration of the City of Dallas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and schedules of funding progress on pages 5 through 12, and page 77 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information and express no opinion on it.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

January 30, 2004

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CITY OF DALLAS, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2003

As management of the City of Dallas (the City), we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2003. The City's discussion and analysis is designed to (1) assist the reader in focusing on significant issues, (2) provide an overview of the city's financial activity, (3) identify changes in the city's financial position (its ability to address the next and subsequent year challenges), (4) identify any material deviations from the financial plan (the approved budget), and (5) identify individual major fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter which can be found on pages v-xii of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal by \$3.5 billion (net assets). The negative unrestricted net assets in the governmental activities of \$193 million are primarily related to unfunded obligations related to compensated absences, net pension obligations, and risk related unfunded claims.
- The City's governmental activities net assets decreased by \$4 million while the business-type activities net assets increased by \$61 million resulting in a \$57 million increase in total net assets for the current fiscal year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$415 million, a decrease of \$61 million in comparison to the prior year. At the City's discretion, \$265 million of these fund balances (unreserved) are available for spending.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$70 million, or 8.9% of the total general fund expenditures.
- The City's bonded debt had a net increase of \$53 million from the prior year's balance of \$2.3 billion. During the current fiscal year the City issued \$86 million of general obligation refunding bonds, \$37 million in certificates of obligation bonds and \$11 million in equipment notes. The City also issued \$510 million in revenue refunding bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business and are made up of the following two statements: the Statement of Net Assets and the Statement of Activities. Both of these statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of net assets combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.), to assess the overall health or financial condition of the City.

The statement of activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets, environmental and health services, public works and transportation, equipment and building services, cultural and recreation, housing and human services.

**CITY OF DALLAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2003**

The business-type activities of the City include water utilities, convention center, airport revenue, municipal radio and building inspection operations.

The government-wide financial statements reflect not only the activities of the City itself (known as the primary government), but also those of the four separate legal entities in its report – Industrial Development Corporation, Health Facilities Development Corporation, Housing Finance Corporation and the Housing and Development Corporation for which the City is financially accountable. Financial information for these “component units” is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-15 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twenty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and debt service funds, both of which are considered to be major funds. Data from the other eighteen funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with budget.

The basic governmental fund financial statements can be found on pages 16-18 of this report.

Proprietary Funds. Proprietary funds are generally used to account for services for which the City charges customers – either outside customer, or to other units within the City. The proprietary funds financial statements provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains two types of proprietary funds:

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the airport, convention center, municipal radio, building inspection and the water utilities operations. All of the City's enterprise funds, except the municipal radio and building inspection are considered major funds.
- Internal Service funds accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its equipment services, communication equipment, office supplies, information services, and risk management programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the governmental-wide financial statements. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 22-24 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City's pension trust and agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 30-31 of this report.

**CITY OF DALLAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2003**

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found immediately following the basic financial statements. The notes to the financial statements can be found on pages 33-74 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to City employees and budgetary information for the general fund. Required supplementary information can be found on page 77 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 79-112 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net assets were \$3.5 billion as of September 30, 2003. Analyzing the net assets and net expenses of governmental and business-type activities separately, the business type activities net assets are \$2.3 billion and the governmental type activities are \$1.2 billion. This analysis focuses on the net assets (table 1) and changes in general revenues (table 2) and significant expenses of the City's governmental and business-type activities.

The largest portion of the City's net assets reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Table 1
Net Assets
(in thousands)**

	Governmental Activities		Business Type Activities		Total Primary Government	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$594,359	\$637,044	\$641,007	\$639,401	\$1,235,366	\$1,276,445
Capital assets	1,931,316	1,923,250	3,466,749	3,321,930	5,398,065	5,247,513
Total assets	2,525,675	2,560,294	4,107,756	3,961,331	6,633,431	6,521,462
Long-term debt outstanding	1,163,505	1,103,345	1,618,610	1,486,232	2,782,115	2,589,577
Other liabilities	102,034	191,933	208,037	255,515	310,071	447,448
Total liabilities	1,265,539	1,295,278	1,826,647	1,741,845	3,092,186	3,037,123
Net assets:						
Invested in capital assets, net of related debt	1,328,590	1,314,665	1,938,648	1,865,949	3,267,238	3,180,614
Restricted	124,645	191,139	140,991	53,361	265,636	244,500
Unrestricted	(193,099)	(240,788)	201,470	300,176	8,371	59,388
Total net assets	\$1,260,136	\$1,265,016	\$2,281,109	\$2,219,486	\$3,541,245	\$3,484,502

An additional portion of the City's net assets (7%) represents resources that are subject to external restrictions on how they may be used. The negative net assets in the governmental activities are primarily related to unfunded obligations related to compensated absences, net pension obligations, and risk related unfunded claims.

**CITY OF DALLAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2003**

Analysis of the City's Operations

The following table provides a summary of the City's operations for the year ended September 30, 2003. Business-type activities increased the City's net assets by \$36 million, thereby accounting for the total growth in net assets of the City. Key elements of this increase are as follows:

**Table 2
Changes in Net Assets
(in thousands)**

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program revenues:						
Charges for services	\$193,064	\$182,104	\$384,849	\$384,637	\$577,913	\$566,741
Operating grants and contributions	56,641	88,524	0	0	56,641	88,524
Capital grants and contributions	67,428	13,779	58,574	13,614	126,002	27,393
General revenues:						
Ad valorem tax	477,596	452,413	0	0	477,596	452,413
Sales tax	183,229	194,133	0	0	183,229	194,133
Franchise taxes	115,751	122,029	46,076	48,348	161,827	170,377
Investment income	15,824	10,063	12,784	12,121	28,608	22,184
Miscellaneous	3,855	4,913	5,743	0	9,598	4,913
Total revenues	1,113,388	1,067,958	508,026	458,720	1,621,414	1,526,678
Expenses:						
General government	148,380	138,324	0	0	148,380	138,324
Public safety	533,689	482,106	0	0	533,689	482,106
Streets, street lighting, sanitation	129,552	153,659	0	0	129,552	153,659
Environmental and health services	26,012	24,807	0	0	26,012	24,807
Public works and transportation	12,362	37,868	0	0	12,362	37,868
Equipment and building services	29,054	42,237	0	0	29,054	42,237
Culture and recreation	109,886	118,904	0	0	109,886	118,904
Housing	1,308	3,382	0	0	1,308	3,382
Human services	31,781	19,160	0	0	31,781	19,160
Interest on long-term debt	34,862	52,779	0	0	34,862	52,779
Water utilities	0	0	290,327	294,685	290,327	294,685
Convention center	0	0	69,641	68,672	69,641	68,672
Airport	0	0	33,991	32,089	33,991	32,089
Municipal radio	0	0	2,914	3,095	2,914	3,095
Building inspection	0	0	14,105	11,389	14,105	11,389
Total expenses	1,056,886	1,073,226	410,978	409,930	1,467,864	1,483,156
Increase (decrease) in net assets before transfers	56,502	(5,268)	97,048	48,790	153,550	66,156
Transfers	11,470	12,673	(11,470)	(12,673)	0	0
Increase in net assets	67,972	7,405	85,578	36,117	153,550	43,522
Loss on disposal of capital assets	(72,852)	0	(23,955)	0	(96,807)	0
Net assets – October 1, 2002	1,265,016	1,257,611	2,219,486	2,183,369	3,484,502	3,440,980
Net assets – September 30, 2003	\$1,260,136	\$1,265,016	\$2,281,109	\$2,219,486	\$3,541,245	\$3,484,502

The most significant governmental expense for the City was in providing public safety, which incurred expenses of \$534 million. These expenses were offset by revenues collected from a variety of sources, with the largest being from fines and forfeitures, which are \$32 million for the fiscal year ended September 30, 2003. The most significant portion of police activity is the cost of personnel, which is approximately at \$280 million. Other significant governmental expenses for the City include fire, which incurred approximately \$161 million in expenses (including reimbursement of \$17 million), of which \$164.3 million represented personnel charges. The streets, street lighting, sanitation, and code enforcement activities of the City incurred \$129.5 million in expenses, of which \$66.6 million represented personnel expenses.

**CITY OF DALLAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2003**

Business-type Activities

Revenues of the City's business-type activities were \$508 million for the fiscal year ending September 30, 2003. Expenses for the City's business-type activities were \$410.9 million for the year, resulting in net revenues of \$97.1 million. Key elements of this increase was from Dallas Water Utilities as follows:

- While Net Income decreased \$1,274 as compared to Fiscal Year 2002, revenues from Customer Services were sufficient to provide income before transfers and contributions of \$32,898. Much of this excess was reinvested in long-lived assets or restricted for the future construction thereof.
- Contributions of infrastructure from outside sources was \$14,652.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$415,311, a decrease of \$60,579 in comparison with the prior year. Approximately \$265,009 constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$128,244), 2) to pay debt service (\$9,837), or 3) the remainder for a variety of other restricted purposes.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$26,718, while total fund balance reached \$80,804. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 3.5 percent of total general fund expenditures, while total fund balance represents 10.2 percent of that same amount.

The fund balance of the City's general fund increased by a moderate \$2,208 during the current fiscal year. Due to the uncertain economic conditions, expenditures were closely monitored and correlated to revenues received.

The debt service fund has a total fund balance of \$9,837 all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund \$2,090 was due to a decrease in interest expenditures during the current period (\$16,283). This decrease was as the result of a refunding that occurred during the year.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Dallas Water Utilities at the end of the year amounted to \$61,978, Convention Center was \$71,860 and Airport Revenue was \$60,995. The total growth (decline) in net assets \$41,964, \$19,248 and (\$546) respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor (\$600). All midyear budget adjustments were funded from the contingency reserve.

Primarily due to declining sales taxes, revenues were \$8.7 million below budgeted revenues. As a result of this, expenses were curtailed, therefore, causing actual expenses to be below budget by 11 million.

**CITY OF DALLAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2003**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

During the fiscal year, the City had \$5.4 billion invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. (See Table 3 below.) This amount represents a net increase (including additions and deductions) of \$150 million or 1.0 percent, over the prior fiscal year.

**Table 3
Capital Assets
(Net of Depreciation, in Thousands)**

	Governmental Activities		Business-type Activities		Totals	
	2003	2002	2003	2002	2003	2002
Land	\$299,998	\$298,094	\$213,822	\$218,460	\$513,820	\$516,554
Water rights	0	0	283,813	287,492	283,813	287,492
Buildings	345,675	376,847	727,706	736,129	1,073,381	1,112,976
Improvements other than buildings	76,517	75,570	117,935	15,354	194,452	90,924
Infrastructure	774,932	826,034	278,573	362,055	1,053,505	1,188,089
Equipment	113,641	136,343	198,608	213,479	312,249	349,822
Artwork	48,677	12,158	0	0	48,677	12,158
Utility property	0	0	1,113,214	1,081,179	1,113,214	1,081,179
Construction in progress	271,876	198,205	533,078	410,114	804,954	608,319
Totals	\$1,931,316	\$1,923,251	\$3,466,749	\$3,324,262	\$5,398,065	\$5,247,513

This year's major additions included (in millions):

Utility Property Improvements:	
Eastridge Drive	\$2.8
Frankford Road Improvements	1.5
8 th Street DART ROW	1.6
Trinity River Corridor Project	4.5
Airport lighting upgrade	6.2
Lake Fork Raw Water Transmission	27.1
CWWTP Force Main to SSWWTP	5.7
Heavy equipment purchases	<u>1.5</u>
Total	<u>\$50.9</u>

In addition to the itemized list above, major fixed asset additions for FY03 included approximately \$28.8 million in water and wastewater improvements, \$20.7 million in street and alley paving, \$2.5 million in storm drainage improvements, \$2.3 million in library books, and \$1.7 million in economic development projects.

The City's fiscal year 2004 capital budget calls for it to spend another \$459.4 million for capital projects, principally for two major categories: \$235.2 million for General Purpose Capital Improvements and \$224.2 million for Enterprise Fund Capital Improvements.

The General Purpose Capital Improvement Program provides for improvements to and/or construction of the City's street system; parks and recreational facilities; libraries; police and fire protection facilities; cultural art facilities; and the flood protection and storm drainage system. General Obligation Bonds are the primary financing mechanism for these capital improvements.

The Capital Improvement Program for the enterprise departments consists of improvements to and/or construction of water and wastewater systems; venues for convention activities, and air transportation facilities. These projects are funded primarily by the transfer of enterprise revenues and the issuance of debt such as commercial paper and/or revenue bonds.

More detailed information about the City's capital assets is presented in Note 7 to the financial statements.

**CITY OF DALLAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2003**

Debt

At year-end, the City had \$2,339 million in bonds outstanding as compared to \$2,277 million at the end of the prior fiscal year, an increase of 2.45 percent – as shown in Table 4.

Table 4
Outstanding Debt at Year End
(in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2003	2002	2003	2002	2003	2002
General obligation bonds	\$626,856	\$695,393	\$84	\$165	\$626,940	\$695,558
Equipment Acquisition Contractual	43,171	55,430	0	0	43,171	55,430
Certificates of obligation	60,321	30,300	0	0	60,321	30,300
Tax increment bonds	9,195	10,090	0	0	9,195	10,090
Revenue bonds	0	0	1,581,102	1,455,816	1,581,102	1,455,816
Contractual obligation	0	0	18,745	30,251	18,745	30,251
Totals	\$739,543	\$791,213	\$1,599,931	\$1,486,232	\$2,339,474	\$2,277,445

During the fiscal year, the City issued \$85.6 million in general obligation bonds. Bond proceeds will be used to pay costs of various equipment purchases, replenishment of emergency reserve, improvement of street and thoroughfare, playground, recreation facilities, library facilities, and other City facilities.

The City also issued \$510 million of Waterworks and Sewer System Revenue Refunding and Improvement Bonds (\$183 of Series 2002-A and \$326 of Series 2003).

The City's General Obligation, Tax Increment Financing Reinvestment Zone No. 2, Waterworks and Sewer System, Civic Center Convention Complex, and Sports Arena Project Special Tax Revenue Bond ratings are listed below.

	Moody's Investors Service	Standard & Poor's
General Obligation Bonds	Aa1	AAA
Tax Increment Financing Reinvestment Zone No.2 (*)		AA
Revenue Bonds:		
WaterWorks and Sewer System	Aa2	AA+
Civic Center Convention Complex (*)	Aaa	AAA
Sports Arena Project Special Tax (*)	Aaa	AAA
Airport System (*)	Aaa	AAA

(*) These bonds are insured and the ratings are those of the bond insurer.

More detailed information about the City's long-term liabilities is presented in Note 10 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the 2003-04 Budget, revenue is expected to continue to decline so during the current fiscal year management recognized the challenges ahead by reducing expenditures in the current year to position the city until the economy stabilized. Sales tax revenue was lowered by \$5.8 million from the 2003 budget. Fee increases were made in the water and wastewater, sanitation; stormwater, development processes, and other areas which will continue to move the City toward full cost recovery. Other action was a sharing of health benefits cost increases with employees and retirees and no merit increases for civilian employees.

As a result of the potential impact in revenue, the City has made a concerted effort to limit appropriations to only those items considered necessary.

**CITY OF DALLAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2003**

In fiscal year 2003-04, work will continue on the Trinity River Corridor Project, the Fair Park Master plan, downtown redevelopment, business parks development, and Runyon Springs. These significant investments will help assure future fiscal stability for the city and its citizens.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the City Controller's Office, at City of Dallas, 1500 Marilla, Room 4BN, Dallas, Texas 75201.

CITY OF DALLAS, TEXAS
STATEMENT OF NET ASSETS
As of September 30, 2003
(in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Cash and cash equivalents	\$461,269	\$47,842	\$509,111	\$733
Other investments, at fair value	26,789	0	26,789	0
Receivables	88,783	48,373	137,156	1
Interfund balances	2,114	(2,114)	0	0
Inventories, at cost	5,908	4,993	10,901	0
Other assets	1,525	10,565	12,090	0
Special assessments	7,971	0	7,971	
Restricted assets:				0
Cash and cash equivalents	0	453,668	453,668	0
Other investments	0	77,680	77,680	0
Capital assets:				0
Land and water rights	299,998	567,732	867,730	0
Artwork	48,677	0	48,677	0
Construction in progress	271,876	533,078	804,954	0
Infrastructure assets	1,273,489	412,847	1,686,336	0
Buildings	599,646	1,020,209	1,619,855	0
Improvements	123,353	168,274	291,627	0
Equipment	365,182	383,267	748,449	0
Utility property	0	1,587,029	1,587,029	0
Less accumulated depreciation	(1,050,905)	(1,205,687)	(2,256,592)	0
Total assets	<u>2,525,675</u>	<u>4,107,756</u>	<u>6,633,431</u>	<u>734</u>
Liabilities:				
Accrued payroll	7,600	0	7,600	0
Accounts payable	23,982	14,564	38,546	1
Due to other governments	348	3	351	0
Other	57,396	3,189	60,585	0
Construction accounts payable	0	22,678	22,678	0
Accrued bond interest payable	12,188	34,268	46,456	0
Commercial notes payable	0	121,593	121,593	0
Deferred revenue	511	1,401	1,912	0
Customer deposits	9	5,989	5,998	0
Customer construction advances	0	4,352	4,352	0
Noncurrent liabilities:				
Due within one year	174,095	85,231	259,326	0
Due in more than one year	989,410	1,533,379	2,522,789	0
Total liabilities	<u>1,265,539</u>	<u>1,826,647</u>	<u>3,092,186</u>	<u>1</u>
Net assets (liabilities):				
Invested in capital assets, net of related debt	1,328,590	1,938,648	3,267,238	0
Restricted for:				
Capital projects	76,379	0	76,379	0
Debt service	3,127	140,991	144,118	0
Permanent funds - nonexpendable	7,717	0	7,717	0
Other external restrictions	37,422	0	37,422	0
Unrestricted	(193,099)	201,470	8,371	733
Total net assets	<u>\$1,260,136</u>	<u>\$2,281,109</u>	<u>\$3,541,245</u>	<u>\$733</u>

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2003
(in thousands)

Function/Program Activities	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$148,380	\$73,204	\$13,521	\$10,901
Public Safety	533,689	28,199	6,483	0
Streets, street lighting, sanitation	112,408	61,928	151	0
Environmental & Health Services	26,012	4,880	19,058	0
Public Works & Transportation	12,362	11,181	1,362	3,663
Equipment and building services	29,054	378	0	52,465
Culture and recreation	109,886	13,293	2,361	399
Housing	1,308	1	0	0
Human Services	31,781	0	13,705	0
Interest on long-term debt	34,862	0	0	0
Total governmental activities	1,039,742	193,064	56,641	67,428
Business-type activities:				
Water utilities	290,327	322,102	0	14,652
Convention center	69,641	17,984	0	32,091
Airport	33,991	25,480	0	11,747
Municipal radio	2,914	3,019	0	73
Building inspection	14,105	16,264	0	11
Total business-type activities	410,978	384,849	0	58,574
Total primary government	1,450,720	577,913	56,641	126,002
Component units:				
	272	483	0	0
Total component units	\$272	\$483	\$0	\$0

General revenues:
Sales taxes
Ad valorem tax
Franchise tax
Other taxes
Investment income
Miscellaneous
Loss on disposal of capital assets
Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Net assets - ending

See accompanying notes to basic financial statements.

Net (expense) Revenue and Changes in Net Assets

Primary Government			
Governmental	Business-Type	Total	Component
Activities	Activities		Units
(50,754)		(50,754)	\$0
(499,007)		(499,007)	0
(50,329)		(50,329)	0
(2,074)		(2,074)	0
3,844		3,844	0
23,789		23,789	0
(93,833)		(93,833)	0
(1,307)		(1,307)	0
(18,076)		(18,076)	0
(34,862)		(34,862)	0
<u>(722,609)</u>		<u>(722,609)</u>	
0	46,427	46,427	0
0	(19,566)	(19,566)	0
0	3,236	3,236	0
0	178	178	0
0	2,170	2,170	0
0	32,445	32,445	
<u>(722,609)</u>	<u>32,445</u>	<u>(690,164)</u>	
			211
			<u>\$211</u>
183,229	0	183,229	0
477,596	0	477,596	0
115,751	0	115,751	0
0	46,076	46,076	0
15,824	12,784	28,608	3
3,855	5,743	9,598	0
(72,852)	(23,955)	(96,807)	0
11,470	(11,470)	0	0
<u>734,873</u>	<u>29,178</u>	<u>764,051</u>	<u>3</u>
12,264	61,623	73,887	214
<u>1,265,016</u>	<u>2,219,486</u>	<u>3,484,502</u>	<u>519</u>
<u>\$1,277,280</u>	<u>\$2,281,109</u>	<u>\$3,558,389</u>	<u>\$733</u>

CITY OF DALLAS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
As of September 30, 2003
(in thousands)

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Pooled cash and cash equivalents	\$62,437	\$1,711	\$363,188	\$427,336
Receivables:				
Ad valorem tax	27,833	10,254	0	38,087
Sales tax	31,655	0	0	31,655
Notes	0	0	20,014	20,014
Accounts	33,219	0	4,034	37,253
Accrued interest	92	0	427	519
Allowance for uncollectible accounts	(43,336)	(8,601)	(1,210)	(53,147)
Due from other governments	0	0	14,395	14,395
Due from other funds	1,033	3,002	4,916	8,951
Other investments, at fair value	14,839	0	11,950	26,789
Inventories, at cost	3,520	0	0	3,520
Special assessments	0	0	7,971	7,971
Notes receivable from other funds	0	4,710	4,531	9,241
Total assets	<u>131,292</u>	<u>11,076</u>	<u>430,216</u>	<u>572,584</u>
Liabilities and Fund Balances				
Liabilities:				
Accrued payroll	7,586	0	14	7,600
Accounts payable	13,055	0	8,660	21,715
Due to other funds	0	0	6,070	6,070
Deferred revenues	13,089	1,190	40,421	54,700
Due to other governments	0	0	348	348
Notes payable to other funds	371	0	9,637	10,008
Customer deposits	0	0	9	9
Other	16,387	49	40,387	56,823
Total liabilities	<u>50,488</u>	<u>1,239</u>	<u>105,546</u>	<u>157,273</u>
Fund balances:				
Reserved for:				
Encumbrances	10,566	0	117,678	128,244
General government	0	0	322	322
Culture and recreation	0	0	7,395	7,395
Notes Receivable	0	4,710	4,531	9,241
Debt service	0	5,127	0	5,127
Unreserved, designated in:				
General fund	43,520	0	0	43,520
Special revenue funds	0	0	4,747	4,747
Unreserved, undesignated in:				
General fund	26,718	0	0	26,718
Capital project funds	0	0	167,361	167,361
Special revenue funds	0	0	22,636	22,636
Total fund balance	<u>80,804</u>	<u>9,837</u>	<u>324,670</u>	<u>415,311</u>
Total liabilities and fund balance	<u>\$131,292</u>	<u>\$11,076</u>	<u>430,216</u>	<u>\$572,584</u>

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
RECONCILIATION OF THE STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
As of September 30, 2003
(in thousands)

Total fund balances - governmental funds \$415,311

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of

Land	298,302	
Artwork	48,677	
Construction in progress	270,983	
Infrastructure assets	1,271,668	
Buildings	595,211	
Improvements	122,364	
Equipment	191,150	
Accumulated depreciation	<u>(936,717)</u>	
Total capital assets	<u><u>1,861,638</u></u>	1,861,638

Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected. 54,189

Internal service funds are used by management to charge the costs of certain activities, such as equipment services, communication equipment services, office services, information services, and insurance. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets 3,084 3,084

Some long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable less unamortized bond issue costs	739,543	
Unamortized bond discount	(601)	
Accrued interest on bonds	12,188	
Net pension obligations	110,131	
Section 108 HUD notes	12,900	
Unfunded claims	1,864	
Arbitrage rebate payable	3,024	
Judgment related to landfill	35,000	
Compensated absences	142,893	
Landfill closure & post-closure	<u>0</u>	
Total long-term liabilities	<u><u>1,056,942</u></u>	<u>(1,056,942)</u>
Net assets of governmental activities		<u><u>\$1,277,280</u></u>

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended September 30, 2003
(in thousands)

	General	Debt Service	Other Governmental Funds	Total
Revenues				
Ad valorem tax	\$329,675	\$121,953	\$12,655	\$464,283
Sales tax	183,229	0	0	183,229
Other tax	115,751	0	0	115,751
Licenses and permits	3,011	0	0	3,011
Intergovernmental	5,164	0	55,941	61,105
Service to others	106,485	0	25,208	131,693
Fines and forfeits	30,278	0	1,787	32,065
Investment income	4,681	739	9,321	14,741
Gifts	81	0	2,602	2,683
Confiscated money awards	0	0	694	694
Other	9,217	888	13,452	23,557
Total revenues	787,572	123,580	121,660	1,032,812
Expenditures				
General government	83,786	0	44,188	127,974
Public safety	470,000	0	10,288	480,288
Streets, street lighting, sanitation, and code enforcement	114,138	0	2,284	116,422
Environmental and health services	12,701	0	10,708	23,409
Public works and transportation	13,011	0	0	13,011
Equipment and building services	26,147	0	0	26,147
Culture and recreation	89,201	0	9,944	99,145
Housing	1,190	0	0	1,190
Human services	0	0	28,601	28,601
Debt service:				
Principal	0	92,654	0	92,654
Interest and fiscal charges	0	33,867	0	33,867
Other	0	3,240	0	3,240
Capital outlay	0	0	121,935	121,935
Total expenditures	810,174	129,761	227,948	1,167,883
Deficiency of revenues over expenditures	(22,602)	(6,181)	(106,288)	(135,071)
Other financing sources (uses)				
Transfers in	30,743	9,876	4,414	45,033
Transfers out	(5,933)	(1,180)	(17,441)	(24,554)
Sec 108-HUD loan proceeds	0	0	5,981	5,981
Proceeds from sale of fixed assets	0	0	1,082	1,082
Premium on bonds	0	4,345	180	4,525
Bond proceeds	0	0	47,195	47,195
Proceeds of refunding bonds	0	82,790	0	82,790
Payment to refunded bond escrow	0	(87,560)	0	(87,560)
Total other financing sources	24,810	8,271	41,411	74,492
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	2,208	2,090	(64,877)	(60,579)
Fund balances, beginning of year	78,596	7,747	389,547	475,890
Fund balances, end of year	\$80,804	\$9,837	\$324,670	\$415,311

See accompanying notes to basic financial statements

CITY OF DALLAS, TEXAS
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to the Statement of Activities
 Year Ended September 30, 2003
 (in thousands)

Net change in fund balances--total governmental funds		(\$60,579)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures	114,819	
Disposal of capital assets	(72,852)	
Depreciation expense	<u>(65,074)</u>	
Net adjustment	<u>(23,107)</u>	(23,107)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This adjustment is to recognize the net change in "unavailable" revenues. 13,313

The issuance of long-term debt (e.g., bonds, tax anticipation notes) provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued:		
Premium on issuance	4,525	
Section 108 loan proceeds	5,981	
Refunding bonds	82,790	
General obligation bonds and certificates of obligation	47,195	
Repayments:		
Deferred loss on refunding	(2,203)	
Payment of section 108 loans	(7,230)	
Payment of refunded bonds escrow	(87,560)	
To bondholders	<u>(92,654)</u>	
Net adjustment	<u>(49,156)</u>	49,156

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued interest on general obligation bonds & tax anticipation notes	(1,848)	
Accreted interest on capital appreciation bonds	3,083	
Loss on disposal of capital assets	1,082	
Bond issuance costs	(826)	
Amortization of premium and deferred charges	(455)	
Increase in the net pension obligation	6,691	
Increase in the amount of compensated absences	7,430	
Decrease in arbitrage rebate liability	(1,103)	
Increase in landfill closure cost	186	
Decrease in unfunded claims	<u>(1,132)</u>	
Total adjustment	<u>13,108</u>	(13,108)

Internal service funds are used by management to charge the costs of certain activities, such as fleet management, insurance, compensated absences and computer replacement, to individual funds. The external revenue generated by these funds (interest income and gain on sale of equipment) is reported with the governmental activities. 29,445

Change in net assets of governmental activities (4,880)

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-NON-GAAP BUDGETARY BASIS
Year Ended September 30, 2003
(in thousands)

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget-- Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes	\$336,929	\$336,929	\$329,675	(\$7,254)
Sales tax	184,235	184,235	183,229	(1,006)
Other tax	101,986	101,986	105,432	3,446
Licenses and permits	5,317	5,317	3,011	(2,306)
Intergovernmental	4,794	4,794	5,164	370
Services to others	108,167	108,167	106,485	(1,682)
Fines and forfeitures	32,976	32,976	30,278	(2,698)
Interest	4,641	4,641	4,681	40
Net increase in the fair value of investments	0	0	0	0
Other	6,965	6,965	9,297	2,332
Total revenues	<u>786,010</u>	<u>786,010</u>	<u>777,252</u>	<u>(8,758)</u>
Expenditures:				
General government	82,693	83,530	83,275	255
Public safety	470,547	471,883	470,449	1,434
Streets, street lightning, sanitation, and code enforcement	114,336	116,857	114,450	2,407
Environmental and health services	13,708	13,708	12,697	1,011
Public works and transportation	18,591	15,712	13,024	2,688
Equipment and building services	26,632	26,675	26,120	555
Culture and recreation	92,017	92,018	89,725	2,293
Housing	1,176	1,253	1,251	2
Total expenditures	<u>819,700</u>	<u>821,636</u>	<u>810,991</u>	<u>10,645</u>
Deficiency of revenues under expenditures	(33,690)	(35,626)	(33,739)	1,887
Other financing sources (uses)				
Transfers in	43,057	43,057	41,062	(1,995)
Transfers out	(11,066)	(9,730)	(5,838)	3,892
Total other financing sources	<u>31,991</u>	<u>33,327</u>	<u>35,224</u>	<u>1,897</u>
Excess (deficiency) of revenues and other financing source over (under) expenditures and other use	(1,699)	(2,299)	1,485	3,784
Fund balances, beginning of year	78,596	78,596	78,596	78,596
Fund balances, end of year	<u>\$76,897</u>	<u>\$76,297</u>	<u>\$80,081</u>	<u>\$82,380</u>

See accompanying notes to basic financial statements



CITY OF DALLAS, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
As of September 30, 2003
(in thousands)

	Business-type Activities Enterprise Funds				Total	Governmental Activities- Internal Service Funds
	Dallas Water Utilities	Convention Center	Airport Revenues	Nonmajor Enterprise Funds		
Assets:						
Current assets:						
Pooled cash and cash equivalents	\$8,637	\$21,921	\$9,337	\$7,947	\$47,842	\$33,933
Receivables:						
Accounts	41,900	7,685	381	1,312	51,278	4
Accrued interest	355	12	9	2	378	3
Other	0	0	0	0	0	0
Allowance for uncollectibles	(3,655)	0	0	(4)	(3,659)	0
Due from other governments	0	0	376	0	376	0
Due from other funds	121	0	0	0	121	0
Prepaid expenses	0	0	0	0	0	12
Inventories, at cost	4,663	164	166	0	4,993	2,388
Other	0	0	0	0	0	912
Total current assets	52,021	29,782	10,269	9,257	101,329	37,252
Restricted assets:						
Held for construction purposes:						
Pooled cash and cash equivalents	145,574	16,802	57,201	0	219,577	0
Cash and cash equivalents	106,803	0	0	0	106,803	0
Other investments	0	0	0	0	0	0
Customer assessments	308	0	0	0	308	0
Pooled cash and cash equivalents for current debt service	90,385	10,302	0	0	100,687	0
Pooled cash and cash equivalents for future debt service	1,468	19,300	0	0	20,768	0
Other investments for future debt service at fair value	48,815	28,557	0	0	77,372	0
Customer deposits:						
Pooled cash and cash equivalents	5,647	0	0	0	5,647	0
Pooled cash and cash equivalents for arbitrage rebate	186	0	0	0	186	0
Total restricted assets	399,186	74,961	57,201	0	531,348	0
Capital Assets:						
Land and water rights	426,048	88,083	53,601	0	567,732	1,696
Buildings	351,407	480,258	188,223	321	1,020,209	4,435
Improvements other than buildings	17,447	50,594	100,162	71	168,274	989
Infrastructure	396,467	11,094	5,286	0	412,847	1,821
Equipment	333,832	39,809	7,723	1,903	383,267	174,032
Utility property	1,587,029	0	0	0	1,587,029	0
Accumulated depreciation	(960,272)	(103,067)	(140,930)	(1,418)	(1,205,687)	(114,188)
Construction in progress	300,539	135,712	96,716	111	533,078	893
Total capital assets	2,452,497	702,483	310,781	988	3,466,749	69,678
Other noncurrent assets:						
Notes receivable from other funds	5,477	0	0	0	5,477	0
Other assets	6,245	4,320	0	0	10,565	0
Total other noncurrent assets	11,722	4,320	0	0	16,042	0
Total assets	\$2,915,426	\$811,546	\$378,251	\$10,245	\$4,115,468	\$106,930

See accompanying notes to the basic financial statements

CITY OF DALLAS, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
As of September 30, 2003
(in thousands)

	Business-type Activities Enterprise Funds				Total	Governmental Activities- Internal Service Funds
	Dallas Water Utilities	Convention Center	Airport Revenues	Nonmajor Enterprise Funds		
Liabilities:						
Current liabilities:						
Accrued payroll	0	0	0	0	0	0
Accounts payable	11,067	1,725	1,669	103	14,564	2,267
Accrued vacation and sick	5,447	412	565	973	7,397	2,488
Due to other governments	0	3	0	0	3	0
Due to other funds	3,002	0	0	0	3,002	0
Estimated unpaid health claims	0	0	0	0	0	12,772
Estimated unpaid claims - general	0	0	0	0	0	8,300
Workers' compensation	0	0	0	0	0	18,407
Other	203	1,031	1,872	83	3,189	350
Total current liabilities	<u>19,719</u>	<u>3,171</u>	<u>4,106</u>	<u>1,159</u>	<u>28,155</u>	<u>44,584</u>
Current liabilities (payable from restricted assets):						
Construction accounts payable	22,678	0	0	0	22,678	0
Accrued bond interest payable	29,940	2,750	1,231	0	33,921	0
Arbitrage rebate	100	0	0	0	100	0
Accrued water supply obligation	11,490	0	0	0	11,490	0
Revenue bonds	50,915	9,895	5,350	0	66,160	0
General obligation bonds	0	84	0	0	84	0
Accrued interest on contractual obligations	347	0	0	0	347	0
Total current liabilities (payable from restricted assets)	<u>115,470</u>	<u>12,729</u>	<u>6,581</u>	<u>0</u>	<u>134,780</u>	<u>0</u>
Commercial paper notes payable	<u>121,593</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>121,593</u>	<u>0</u>
Noncurrent liabilities:						
Notes payable to other funds	4,710	0	0	0	4,710	0
Water supply and wastewater treatment obligations	7,255	0	0	0	7,255	0
Revenue bonds	1,063,283	406,371	45,289	0	1,514,943	0
Total long-term debt	<u>1,075,248</u>	<u>406,371</u>	<u>45,289</u>	<u>0</u>	<u>1,526,908</u>	<u>0</u>
Other liabilities:						
Estimated unpaid claims-general	0	0	0	0	0	16,535
Workers compensation	0	0	0	0	0	38,770
Deferred revenue	0	1,119	282	0	1,401	0
Customer deposits	5,635	351	0	3	5,989	0
Customer construction advances	4,344	0	8	0	4,352	0
Arbitrage rebate	86	0	0	0	86	0
Accrued vacation and sick	8,170	619	848	1,458	11,095	3,734
Other	0	0	0	0	0	223
Total other liabilities	<u>18,235</u>	<u>2,089</u>	<u>1,138</u>	<u>1,461</u>	<u>22,923</u>	<u>59,262</u>
Total liabilities	<u>1,350,265</u>	<u>424,360</u>	<u>57,114</u>	<u>2,620</u>	<u>1,834,359</u>	<u>103,846</u>
Net Assets						
Invested in capital assets, net of related debt	1,391,385	286,133	260,142	988	1,938,648	69,678
Restricted:						
Revenue bond requirements	111,798	29,193	0	0	140,991	0
Unrestricted	<u>61,978</u>	<u>71,860</u>	<u>60,995</u>	<u>6,637</u>	<u>201,470</u>	<u>(66,594)</u>
Total net assets	<u>\$1,565,161</u>	<u>\$387,186</u>	<u>\$321,137</u>	<u>\$7,625</u>	<u>\$2,281,109</u>	<u>\$3,084</u>

See accompanying notes to the basic financial statements

CITY OF DALLAS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended September 30, 2003
(in thousands)

	Business-type Activities Enterprise Funds				Total	Governmental Activities- Internal Service Funds
	Dallas Water Utilities	Convention Center	Airport Revenues	Nonmajor Enterprise Funds		
Operating revenues:						
Customer charges	322,102	17,984	25,480	19,283	384,849	0
Charges to other City departments	0	0	117	0	117	141,671
Service to others	0	0	0	0	0	23,470
Other	0	5,096	156	374	5,626	3,216
Total operating revenues	<u>322,102</u>	<u>23,080</u>	<u>25,753</u>	<u>19,657</u>	<u>390,592</u>	<u>168,357</u>
Operating expenses:						
Personal Services	65,188	7,308	7,450	13,182	93,128	54,824
Supplies and materials	56,445	6,435	3,096	474	66,450	15,311
Contractual and other services	53,438	24,208	14,489	4,467	96,602	96,952
Reimbursement	0	0	(3,345)	(1,230)	(4,575)	0
Depreciation/amortization	69,999	7,662	10,644	126	88,431	17,423
Total operating expenses	<u>245,070</u>	<u>45,613</u>	<u>32,334</u>	<u>17,019</u>	<u>340,036</u>	<u>184,510</u>
Operating income (loss)	<u>77,032</u>	<u>(22,533)</u>	<u>(6,581)</u>	<u>2,638</u>	<u>50,556</u>	<u>(16,153)</u>
Nonoperating revenues (expenses):						
Investment income	6,990	3,422	2,198	174	12,784	868
Alcoholic beverage tax	0	6,179	0	0	6,179	0
Motor vehicle rental tax	0	3,331	0	0	3,331	0
Hotel occupancy tax	0	36,566	0	0	36,566	0
Interest on revenue bonds and notes	(44,061)	(24,028)	(1,657)	0	(69,746)	0
Other interest	(1,196)	0	0	0	(1,196)	0
Gain (loss) on property disposals	(5,867)	(12,060)	(5,732)	(296)	(23,955)	(9,225)
Total nonoperating revenues (expenses)	<u>(44,134)</u>	<u>13,410</u>	<u>(5,191)</u>	<u>(122)</u>	<u>(36,037)</u>	<u>(8,357)</u>
Income (loss) before operating transfers and contributions	<u>32,898</u>	<u>(9,123)</u>	<u>(11,772)</u>	<u>2,516</u>	<u>14,519</u>	<u>(24,510)</u>
Capital contributions	14,652	32,091	11,747	84	58,574	62,964
Transfers in	3,666	388	0	0	4,054	1,134
Transfers out	(9,252)	(4,108)	(521)	(1,643)	(15,524)	(10,143)
	<u>9,066</u>	<u>28,371</u>	<u>11,226</u>	<u>(1,559)</u>	<u>47,104</u>	<u>53,955</u>
Change in net assets	<u>41,964</u>	<u>19,248</u>	<u>(546)</u>	<u>957</u>	<u>61,623</u>	<u>29,445</u>
Total net assets, beginning of year	<u>1,523,197</u>	<u>367,938</u>	<u>321,683</u>	<u>6,668</u>	<u>2,219,486</u>	<u>(26,361)</u>
Total net assets, end of year	<u>1,565,161</u>	<u>387,186</u>	<u>321,137</u>	<u>7,625</u>	<u>2,281,109</u>	<u>3,084</u>

See accompanying notes to the basic financial statements



CITY OF DALLAS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended September 30, 2003
(in thousands)

	Business-type Activities Enterprise Funds		
	Dallas Water Utilities	Convention Center	Airport Revenue
Cash flows from operating activities:			
Cash received from customers	\$322,102	\$21,064	\$27,794
Cash payments to suppliers for goods and services	(60,097)	(5,504)	(1,309)
Cash payments to employees for services	(68,228)	(7,536)	(7,688)
Cash payments for contractual services	(53,438)	(30,316)	(25,047)
Cash refunds and reimbursements	(9)	(3,873)	3,145
Other operating cash receipts	2,904	0	4,079
Other operating cash payments	(544)	(3,437)	(1,040)
Net cash provided (used) by operating activities	<u>142,690</u>	<u>(29,602)</u>	<u>(66)</u>
Cash flows from non capital financing activities:			
Alcohol beverage tax	0	6,179	0
Motor vehicle tax	0	3,331	0
Hotel occupancy tax	0	36,566	0
Transfers from other funds	3,666	388	0
Transfers to other funds	(9,252)	(4,108)	(521)
Net cash provided (used) by non capital financing activities	<u>(5,586)</u>	<u>42,356</u>	<u>(521)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(165,064)	(12,435)	(22,903)
Proceeds from sale of capital assets	0	0	0
Proceeds from sale of revenue bonds	510,418	0	0
Principal paid on revenue and general obligation bond maturities	(377,045)	(8,486)	(5,329)
Interest paid on revenue bonds	(41,853)	(18,436)	(1,786)
Proceeds from sale of commercial paper notes	135,824	0	0
Retirement of commercial paper notes	(146,017)	0	0
Interest paid other	(1,196)	0	0
Construction loan from other City fund	(1,491)	0	0
Capital contribution	0	955	4,659
Increase/decrease in construction accounts	2,411	0	0
Loans to other city funds	(2,522)	0	0
Principal paid on water supply and wastewater treatment obligation	(11,506)	0	0
Interest paid on water supply and wastewater treatment obligation	(1,175)	0	0
Increase in customer and developer advances	304	0	0
Net cash used for capital and related financing activities	<u>(98,912)</u>	<u>(38,402)</u>	<u>(25,359)</u>
Cash flows from investing activities:			
Purchase from investments	(41,796)	(28,557)	0
Maturity of investments	12,730	29,060	0
Investment income	9,117	4,287	2,588
Decrease in fair value of City pool	(1,807)	(613)	(324)
Net cash provided (used) by investing activities	<u>(21,756)</u>	<u>4,177</u>	<u>2,264</u>
Net increase (decrease) in cash and cash equivalents	16,436	(21,471)	(23,682)
Cash and cash equivalents, beginning of year	342,264	89,796	90,220
Cash and cash equivalents, end of year	<u>\$358,700</u>	<u>\$68,325</u>	<u>\$66,538</u>

See accompanying notes to basic financial statements

Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
\$19,552	\$390,512	\$168,182
(480)	(67,390)	(16,702)
(13,276)	(96,728)	(52,367)
(4,467)	(113,268)	(100,909)
1,101	364	0
287	7,270	16,123
0	(5,021)	(309)
<u>2,717</u>	<u>115,739</u>	<u>14,018</u>
0	6,179	0
0	3,331	0
0	36,566	0
0	4,054	1,134
(1,643)	(15,524)	(10,143)
<u>(1,643)</u>	<u>34,606</u>	<u>(9,009)</u>
(258)	(200,660)	(5,542)
0	0	117
0	510,418	0
0	(390,860)	0
0	(62,075)	0
0	135,824	0
0	(146,017)	0
0	(1,196)	0
0	(1,491)	0
0	5,614	0
0	2,411	0
0	(2,522)	0
0	(11,506)	0
0	(1,175)	0
0	304	0
<u>(258)</u>	<u>(162,931)</u>	<u>(5,425)</u>
0	(70,353)	0
0	41,790	0
242	16,234	1,135
(64)	(2,808)	(241)
<u>178</u>	<u>(15,137)</u>	<u>894</u>
994	(27,723)	478
6,953	529,233	33,455
<u>\$7,947</u>	<u>\$501,510</u>	<u>\$33,933</u>

CITY OF DALLAS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
Year Ended September 30, 2003
(in thousands)

	Business-type Activities Enterprise Funds		
	Dallas Water Utilities	Convention Center	Airport Revenue
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$77,032	(\$22,533)	(\$6,581)
Adjustments not affecting cash:			
Depreciation	69,999	7,662	10,644
Change in assets and liabilities:			
Increase (decrease) in accounts and other receivables	3,818	2,407	202
Increase in notes receivables from other funds		0	1,656
Increase (decrease) in customer assessments receivable	(38)	0	0
Increase (decrease) in inventories	(551)	(16)	(15)
Increase (decrease) in other assets	0	(7,744)	(1,040)
Increase (decrease) in due from other governments	0	(8)	4,066
Increase (decrease) in due to other funds	0	0	0
Increase (decrease) in accounts and contracts payable	(3,101)	(6,108)	(10,566)
Increase (decrease) in accrued compensation	(3,040)	(228)	(238)
Increase (decrease) in allowance for doubtful accounts	(914)	(134)	0
Increase (decrease) in deferred revenue	0	40	183
Increase (decrease) in customer deposits	0	(9)	0
Increase (decrease) in other liabilities	(515)	(2,931)	1,623
Total adjustments	65,658	(7,069)	6,515
Net cash provided (used) by operating activities	\$142,690	(\$29,602)	(\$66)
Noncash investing, capital, and financing activities:			
Noncash capital contributions less accumulated depreciation	14,652	31,136	7,088
Total noncash investing, capital, and financing activities	14,652	31,136	7,088

See accompanying notes to basic financial statements

<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities- Internal Service Funds</u>
<u>\$2,638</u>	<u>\$50,556</u>	<u>(\$16,153)</u>
126	88,431	17,423
(88)	6,339	4
0	1,656	0
0	(38)	0
0	(582)	(47)
0	(8,784)	5,694
(50)	4,008	(2)
0	0	0
0	(19,775)	(488)
(94)	(3,600)	2,457
(20)	(1,068)	0
0	223	0
3	(6)	0
<u>202</u>	<u>(1,621)</u>	<u>5,130</u>
<u>79</u>	<u>65,183</u>	<u>30,171</u>
<u>\$2,717</u>	<u>\$115,739</u>	<u>\$14,018</u>

<u>84</u>	<u>52,960</u>	<u>60,550</u>
<u>84</u>	<u>52,960</u>	<u>60,550</u>

CITY OF DALLAS, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
As of September 30, 2003
(in thousands)

	<u>Agency Funds</u>	<u>Pension Trust Funds</u>
Assets		
Pooled cash and cash equivalents	\$17,863	\$0
Cash and cash equivalents	0	428,987
Receivables:		
Accounts	97	39,877
Accrued Interest	0	17,315
Investments, at fair value	10	3,180,720
Total assets	<u>17,970</u>	<u>3,666,899</u>
Liabilities		
Accounts payable	0	4,357
Payable for securities purchased	0	90,572
Securities lending obligation	0	330,081
Other	17,970	12,769
Total liabilities	<u>17,970</u>	<u>437,779</u>
Net assets		
Held in trust for pension benefits	<u>0</u>	<u>3,229,120</u>
Total net assets	<u>0</u>	<u>3,229,120</u>

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 For the year ended September 30, 2003
 (in thousands)

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
Employer	\$114,591
Employee	38,093
Net depreciation in fair value of investments	(482,799)
Interest	94,925
Other	<u>(2,100)</u>
Total additions	<u><u>(237,290)</u></u>
Deductions:	
Benefit payments	187,330
Refund of contributions	3,404
Other	<u>16,649</u>
Total deductions	<u>207,383</u>
Change in net assets	<u>(444,673)</u>
Net assets, at beginning of the year	<u>3,673,793</u>
Net assets, end of the year	<u><u>\$3,229,120</u></u>

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

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CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 1. Summary of Significant Accounting Policies

A. General

The City of Dallas, Texas ("the City") is a municipal corporation incorporated under Article XI, Section 5 of the Constitution of the State of Texas (Home Rule Amendment). The City operates under the Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the City and its inhabitants.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in the enterprise funds and the business-type activities to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance. The more significant accounting and reporting policies and practices used by the City are described below:

B. Financial Statement Presentation

The basic financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the City's statement of net assets includes both noncurrent assets and noncurrent liabilities of the City, which were previously recorded in the General Fixed Assets Account Group and General Long-term Debt Account Group. In addition, the government-wide statement of activities reflects depreciation expenses on the City's fixed assets, including infrastructure.

Management's Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

Government-wide Financial Statements – Prepared using the economic resources measurement focus and accrual basis of accounting. Government-wide financial statements do not provide information by individual fund or fund types, but distinguish between the City's primary government and its discretely presented component units and between governmental activities and business-type activities on the statement of net assets and statement of activities. Significantly, the City's statement of net assets includes both noncurrent assets and noncurrent liabilities of the City, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Obligations Account Group (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. Neither the fiduciary funds nor component units that are fiduciary in nature are included in the Government-wide financial statements.

Additionally, the government-wide statement of activities reflects depreciation expense on the City's capital assets, including infrastructure. In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. Accordingly, the accounting and financial reporting for the City's General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by Statement No. 34.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 1. Summary of Significant Accounting Policies (continued)

B. Financial Statement Presentation (continued)

Statement of Net Assets – The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. The City reports all capital assets, including infrastructure, in the government wide Statement of Net Assets and reports depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net assets of the City are broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. Long-term liabilities are reported in two categories – the amount due in one year and the amount due in more than one year.

Statement of Activities – The new government-wide statement of activities reports net (expense) revenue in a format that focuses on the cost of each of the business-type activities of the City and for each of the City’s governmental activities. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants). General revenues (including all taxes), investment earnings, contributions to term and permanent endowments, contributions to permanent fund principal, special and extraordinary items, and transfers between governmental and business-type activities are reported separately after the total net expenses of the government’s functions, ultimately arriving at the change in net assets for the period. Program revenues are segregated into three categories: 1) charges for services; 2) program-specific operating grants and contributions; and 3) program-specific capital grants and contributions.

Budgetary Comparison Statement – Demonstrating compliance with the adopted budget is an important component of a government’s accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The City and many other governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model, the City will continue to provide budgetary comparison information for the General Fund within the basic financial statements. An important change, however, is a requirement to add the government’s original budget to the current comparison of final budget and actual results.

C. Reporting Entity

The basic financial statements present the City and its component units and include all activities, organizations and functions for which the City is considered to be financially accountable. The criteria considered in determining activities to be reported within the City’s basic financial statements include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization’s board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 1. Summary of Significant Accounting Policies (continued)

C. Reporting Entity (continued)

The City's municipal services, which include public safety (police and fire), streets, sanitation, health and human services, culture and recreation, public improvements, planning and zoning, tax increment financing districts and general administrative services, are included in the accompanying basic financial statements.

In addition, the City owns and operates certain enterprise funds including water and wastewater utilities, convention and event services, airport and other enterprise activities that are also included in the accompanying basic financial statements.

Pension Trust Funds (Blended Component Units)

The Pension Trust Funds are blended component units and have a December 31 year-end. Blended component units are included as part of the primary government because they meet the above criteria as well as serve or benefit the City exclusively.

The City contributes on behalf of its employees, to three defined benefit pension plans administered by two legally separate entities--the Employees' Retirement Fund and the Police and Fire Pension System.

The primary functions of the pension entities are investment and benefit management activities. Each Board has contracted with various investment managers and banks for management of the portfolios of the plans. The two entities are classified as blended component units of the City because they benefit the City's employees, retirees and their beneficiaries exclusively.

The excess of required pension expense (as computed in accordance with GASB No. 27) over contributions made to the Police and Fire Pension System and Employees' Retirement Fund is recorded as a net pension obligation in the Statement of Net Assets in accordance with Codification of Governmental Accounting Standards, Section P20. The City is legally obligated to contribute to the Police and Fire Pension System a specified range of covered payroll (21.5%-28.5%) and an amount at least equal to employee contributions (6.5%) to the Employees' Retirement Fund. Actual contributions made by the City and the members for the Employee Retirement Fund are less than the normal cost component of the Actuarially Required Contribution (ARC) calculation for 2003, and do not include contribution necessary to cover the Amortization of Unfunded Liability or the Expense Allowance components of the ARC calculation. The City is also legally obligated to fund the Police & Fire Supplemental Pension Fund in an amount actuarially determined each year. In the opinion of the City Attorney, the City is not legally obligated to fund any additional amounts. The activities of the entities as of December 31, 2002 are reported in the City's Pension Trust Funds. Their separate audited financial statements may be obtained through the City.

Discretely Presented Component Unit - The following legally separate entities are reported as discretely presented component units of the City because the City appoints a voting majority of the boards, approves budgets and maintains the ability to impose its will on the entities.

- Industrial Development Corporation – organized solely for the purpose of promoting and developing commercial, industrial, and manufacturing enterprises and encouraging employment and public welfare.
- Health Facilities Development Corporation - organized to acquire, construct, provide, improve, finance, and refinance health facilities to assist in the maintenance of public health.
- Housing Finance Corporation - organized to issue tax-exempt mortgage revenue bonds to encourage low to moderate-income citizens opportunities for single-family residential home ownership.
- Housing and Development Corporation - organized solely and exclusively for the public purpose of providing safe, affordable housing facilities for low and moderate income persons.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 1. Summary of Significant Accounting Policies (continued)

C. Reporting Entity (continued)

Separate financial statements are available for the Housing Finance Corporation by contacting the City. No separate financial statements are available for Industrial Development Corporation, Health Facilities Development Corporation and Housing and Development Corporation.

Related Organization

City officials are also responsible for appointing members to the boards of the following organizations, but the City's accountability for these organizations does not extend beyond making appointments.

The Dallas/Fort Worth International Airport (DFW Airport) is jointly governed by the cities of Dallas and Fort Worth. DFW Airport is governed by an 11-member board (Board) comprised of seven members representing the City of Dallas and four members representing the City of Fort Worth. Members of the board are appointed by the respective City Councils.

The Dallas Housing Authority (Authority) is an independent organization, which has a scope of public service within the geographic boundaries of the City. Under Texas State Statutes, the responsibility for the administration and operations of the Authority is vested solely with the Authority's Board of Commissioners. The Authority is dependent on Federal funds from the Department of Housing and Urban Development and, as a result, is not financially dependent on the City. In addition, the City is not responsible for any deficits incurred and has no fiscal management control.

The Dallas Area Rapid Transit (DART) is a regional transportation authority created pursuant to Article 1118y of the State Statutes and is controlled by a 15-member board. The Dallas City Council appoints seven members and participating suburban City Councils appoint eight board members. Its purpose is to provide transportation services in the DART service area. The voters in the Dart service area approved a one percent sales tax to fund the authority annually.

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from its legally separate component units, which are presented discretely.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate fund level financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 1. Summary of Significant Accounting Policies (continued)

E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues received within 45 days of year-end, in accordance with the City's accounting policy, which is not materially different than 60 days as allowed under GAAP.

Revenues susceptible to accrual are ad valorem taxes, sales tax, sanitation collection fees, disposal fees, franchise fees and interest. In applying the susceptible to accrual concept to Federal and State grants, revenues are recognized when applicable eligibility requirements, including time requirements, are met. The grant availability period is considered to be one year. All other revenue items are considered to be measurable and available only when the City receives the cash as the resulting receivables are deemed immaterial.

Expenditures generally are recorded when liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, claims and judgments, and landfill closure and post-closure care costs are recorded only when matured and payment is due shortly after year-end.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets.

The City reports the following major proprietary funds:

The Dallas Water Utilities Fund accounts for water and wastewater services for Dallas, area customer cities and governmental entities. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

The Convention Center Fund accounts for convention and event services for the Dallas Convention Center. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

The Airport Revenue Fund accounts for airport services and administration of Dallas Love Field and Executive Airport. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 1. Summary of Significant Accounting Policies (continued)

E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Additionally, the City reports the following funds:

The Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of those major capital facilities which are not financed by Enterprise Funds, Internal Service Funds, and Trust Funds.

The Special Revenue Funds are used to account for proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes.

The Internal Service Funds are used to centralize certain services and then allocate the cost of those services on a cost-reimbursement basis.

The Pension Trust Funds account for the activities of the City's three contributory defined benefit pension plans namely: Employees' Retirement System; Police and Fire Pension System; and Police and Fire Supplemental Pension Fund.

The Agency Funds are used to account for assets held by the City, as an agent for individuals, private organizations, other governments and/or other funds for assets held by the City, in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing concern operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services while operating expenses include cost of sales and services, administrative expenses, and depreciation on capital assets. Unbilled water and wastewater utility service receivables are recorded in the Dallas Water Utilities fund under "Accounts Receivable" at year-end. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

F. Cash and Cash Equivalents

Cash includes amounts in demand deposits as well as short-term investments with the exception of the Pension Trust Funds (which consider short-term investments as investments). Investment income on the pooled investments is prorated monthly based upon the average daily cash balance in each fund.

The City treats pooled investments as cash equivalents for the purpose of the Statement of Cash Flows.

The City's Investment Policy requires investments in accordance with applicable State law. However, the Policy does not permit investment of City funds in all eligible investments permitted by State law. In accordance with its Policy, the City may invest in direct or guaranteed obligations of the U.S. Treasury, certain U.S. agencies and instrumentalities, and the State of Texas or its agencies and instrumentalities with

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 1. Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents (continued)

a credit rating no less than A; fully collateralized certificates of deposit and repurchase agreements; no-load money market mutual funds and local government investment pools with credit ratings no less than AAA. The City is precluded from investing in bankers' acceptances, commercial paper, collateralized mortgage obligations, reverse repurchase agreements, and obligations of cities, counties and political subdivisions of other states, all of which are authorized by State law.

Investments in certificates of deposit, U.S. Government obligations and other investments are recorded at fair value. Pension investments are recorded at fair value based on quoted market values, where available, as of the trade date.

The amounts recorded in the Pension Trust Funds for real estate funds and venture capital funds represent estimated fair values based upon appraised values or other comparable methods.

G. Inventories

Inventory is valued at average cost. Inventory for all funds generally consists of expendable supplies and automotive parts held for consumption and are recorded as expenditures (or expense) when consumed. Since the City uses the consumption method of accounting for inventories and has no minimum quantity requirements, no reserve has been established within the fund balances of the Governmental Fund types.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2003, are recorded as prepaid items.

I. Restricted Assets

Proceeds of Enterprise Fund revenue bonds and commercial paper notes, as well as resources set aside for revenue bond repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable covenants. The capital project funds record proceeds of revenue debt issuances restricted for construction. The current Debt Service Funds are used to segregate resources accumulated for debt service payments over the next twelve months.

The revenue bond future Debt Service Funds are used to report resources set aside to fulfill revenue bond debt reserve requirements. Other restricted assets include funds restricted for construction from revenue sources, construction receivables, contractual obligation debt service funds, customer deposits, and funds held for arbitrage rebate.

J. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets and bridges) are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Generally, assets with an individual cost of at least \$5,000 and an estimated useful life of more than one year are capitalized. Purchased or constructed capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Assets acquired by donation are recorded at estimated fair value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 1. Summary of Significant Accounting Policies (continued)

J. Capital Assets (continued)

The business-type activities and proprietary funds capitalize interest costs during construction. Interest capitalized during the year ended September 30, 2003 was \$6,574. Depreciation, which includes amortization of assets under capital leases, is computed using the straight-line method over the estimated useful or service lives of the related assets.

The estimated useful lives of the primary government's capital assets are as follows:

	Useful Life	
	Governmental Activities	Business-type Activities
Infrastructure	10-50 years	50-100 years
Reservoirs and water rights	-	50 years
Buildings	10-50 years	10-50 years
Improvements other than buildings	10-50 years	10-50 years
Equipment	3-20 years	3-20 years
Utility property	-	33-75 years

The City has certain scientific equipment, and zoo animals that are not capitalized or depreciated. These capital assets are maintained for public exhibition, education or research and are being preserved for future generations. The proceeds from sales of any pieces of the collection are used to purchase other items for collection.

K. Compensated Absences

The City's employees earn vacation and sick leave, which may be used or accumulated up to certain amounts. Unused vacation is paid upon death, retirement or termination. Unused sick leave is reduced to a specified limit when paid upon retirement, certain terminations or death.

In accordance with the criteria established in the Codification of Governmental Accounting Standards, Section C60, "Compensated Absences," a liability is recorded for vacation leave earned by employees attributable to past service and sick leave earned by employees attributable to past service only to the extent it is probable that such sick leave will result in termination pay. In addition, a liability has been recorded for certain salary related payments associated with the payment of accrued vacation and sick leave.

In the government-wide and proprietary fund statement of net assets all compensated absence liabilities incurred are recorded as liabilities, however a liability is recorded in the governmental funds balance sheet only if they have matured, for example, as a result of employee resignations and retirements.

L. Risk Management

The City is self-administered and self-funded for workers' compensation, employee health insurance, most property damage and the majority of tort liability exposures. Commercial insurance is used where it is legally required, contractually required or judged to be the most effective way to finance risk. Indemnity and insurance protection is also required for all City contractors, vendors, and lessees and permit holders. Claims and judgments are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The recorded estimated liability for claims and judgments includes a provision for Incurred But Not Reported (IBNR) liabilities for workers' compensation, tort cases and liabilities for allocated expenses.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 1. Summary of Significant Accounting Policies (continued)

M. Deferred Revenue

Deferred revenue in the governmental funds arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition. Deferred revenue also arises when the City receives resources before it has a legal claim to them. In subsequent periods, when both the revenue criteria are met, or when the City has a legal claim to the resources, the deferred revenue is removed from the balance sheet/statement of net assets and revenue is recognized.

N. Long-term Obligations

In the government wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund financial statements of net assets.

General obligation bonds are issued to fund capital projects of both the general government and certain Proprietary Funds and are to be repaid from tax revenues of the City.

Accreted interest on capital appreciation bonds is reflected as interest expense in the governmental activities statement of activities and as an addition to general obligations payable in the statement of net assets. Accreted interest total \$591 in 2003 for a accumulative accreted balance of \$5,488 at September 30, 2003 for general obligation bonds.

O. Bond Premiums, Discounts and Issuance Costs

In the governmental wide fund financial statements and proprietary fund financial statements, bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Bond issuance costs, are reported as deferred charges and amortized over the life of the bonds. In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as issuance costs in the current period.

The face amount of debt issued is reflected as other financing sources. Premiums are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

P. Property Taxes

The City's property tax is levied each October 1 on the assessed value as of the previous January 1 for all real and income-producing (or business personal) property. Appraised values are established by the Dallas Central Appraisal District equal to 100 percent of appraised market value as required under the State Property Tax Code. The value of real property within the Appraisal District must be reviewed every three years. The City may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. The City establishes tax rates on property within its jurisdiction. If the adopted tax rate, excluding tax rates for bonds and other contractual obligations, exceeds the effective tax rate by more than 8 percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate increase to no more than 8 percent above the effective tax rate. Property taxes attach as an enforceable lien on property as of January 1.

Taxes are due October 1. Full payment can be made prior to the following January 31 to avoid penalty and interest charges. Current tax collections for the year ended September 30, 2003, were 97.34 percent of the tax levy. Property taxes are recorded as revenue when they are measurable and available.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 1. Summary of Significant Accounting Policies (continued)

P. Property Taxes (continued)

The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per one hundred dollars of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. Therefore, the City could have generated a tax margin (additional taxes not presently generated) of \$1,196 in 2003.

Q. Federal and State Grants and Entitlements

Grants and entitlements received for purposes normally financed through the general government are accounted for within the Special Revenue Funds. Community Development Block Grants are the more significant grants so classified. Grants and similar items are recognized as revenue as soon as all applicable eligibility requirements have been met.

Current revenues received for operating purposes of enterprise funds for either operations or capital expenditures are recognized in the applicable enterprise fund.

R. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund level balance sheets. Short-term and long-term interfund loans are classified as notes receivables or payables from other funds.

S. Transactions Between Funds

Transactions between funds, which would have been treated as revenues, expenditures, or expenses if they involved organizations external to the government unit, are accounted for as revenues, expenditures, or expenses in the funds involved. Transaction which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expenses in the reimbursing fund and as reductions of the expenditure or expenses in the fund reimbursed.

T. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional and participants select investment options. Investment options include the following: stock funds, bond funds, and money market accounts, including various risk alternatives. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Deferred compensation investments from this plan are not reported in the City's financial statements.

Investments are managed by the plan trustees under one of various pools of investment options offered by Fidelity Investments, at the direction of the covered employee.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of the participants and their beneficiaries, whereas, prior to these legislative changes these amounts (until paid or made available to the employee or other beneficiary) were solely the property and rights of the City subject only to the claims of the City's general creditors.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 1. Summary of Significant Accounting Policies (continued)

U. Fund Equity/Net Assets

In the government-wide financial statements, the net assets are reported in three components (1) invested in capital assets, net of related debt, (2) restricted, and (3) unrestricted. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose, unless a separate fund is utilized for only that purpose. The use of the separate fund itself communicates the legal segregation for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

V. Statement of Cash Flows

For purposes of the statement of cash flows, the City considers pooled cash and investments and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents, excluding the Pension Trust Funds which consider all highly liquid debt instruments to be investments.

W. Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2. Stewardship, Compliance and Accountability

A. Legal Compliance – Budgets

The City Council adheres to the following procedures in establishing the budgets reflected in the accompanying combined financial statements.

- 1) By the fifteenth day of August each year, the City Manager is required to submit to the City Council a proposed budget for the fiscal year beginning the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain taxpayers' comments.
- 3) Prior to October 1, the budget is legally enacted by the City Council through passage of an ordinance.
- 4) The City Manager is authorized to transfer budgeted amounts between accounts within any department; however, any revisions that alter the total expenditures of any department generally must be approved by the City Council. The legal level of budgetary control is the department level. A supplemental budgetary appropriation was necessary during the year, the General Fund budget was amended by Council resolution from \$819.7 million to \$821.6 million.
- 5) Formal budgetary integration is employed as a management control device during the year for the General Fund and Debt Service Fund. Formal budgetary integration is employed as a management control device in the Capital Project Funds for the life of the projects.
- 6) Annual budgets are legally adopted for the General Fund, Debt Service Fund and Proprietary Funds. Certain differences exist between the basis of accounting used for budgetary purposes and that used for financial reporting in accordance with generally accepted accounting principles. Budgets for the Capital Project Funds are normally established pursuant to the terms of the related bond ordinances, that is, on a project basis.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 2. Stewardship, Compliance and Accountability (continued)

C. Fund Balances- Reserves, Designations and Deficit (continued)

Fund designations indicate tentative plans for utilization of financial resources. The City's designated fund balance in the General Fund of \$43.52 million is as follows:

9-1-1 Program	\$1,295
Cultural Programs	2,172
Risk reserve	1,250
Future expenditures	530
Emergencies	18,475
Contingencies	3,871
TU rate case reserve	<u>15,927</u>
Total	<u>\$43,520</u>

The Risk Fund has a deficit fund balance of \$77.9 million, respectively, associated with the City's self-insured workers' compensation, auto, and general liability activities and not it's largely self-insured employee health and life insurance benefit activity. The City will evaluate this deficit during budget development for FY 2004 and consider plans to fund it over a reasonable period of time. Stormwater Operations had a deficit of \$1,071 which will be recovered through increased fees.

Note 3. Cash, Deposits and Investments

The City maintains a cash and investment pool available for use by all City funds. Each fund's portion of this pool is displayed on the basic balance sheet as "Pooled cash and cash equivalents." The City treats pooled investments and short-term non-pooled investments as cash equivalents. Long-term non-pooled investments are reported as "Other investments, at fair value" in the appropriate funds. In addition, several City funds have investments, which are separately held. Under pooling, a fund may overdraw its account in the pool. These overdrafts are reported as liabilities, due to/due from other funds on the balance sheet.

Texas statutes and City bond ordinances authorize the City's investment vehicles. The City is authorized to invest primarily in obligations of the U.S. Treasury, certain U.S. Agencies and instrumentalities, no load money market mutual funds and local government investment pools rated no less than AAA and tax-exempt bonds issued from within State boundaries with ratings from Standard and Poor's or Moody's of A or better.

A summary of pooled cash and other investments for all City funds,(including \$17,863 held in agency funds) at September 30, 2003, is presented below:

	Cash and Investments With City Treasurer	Other Cash and Investments Pension Trust	Total
Pooled Cash and Investments	\$526,974	\$0	\$526,974
Cash – cash equivalents	0	428,987	428,987
Other Investments	26,789	3,180,720	3,207,509
Restricted Assets	<u>531,348</u>	<u>0</u>	<u>531,348</u>
Total	<u>\$1,085,111</u>	<u>\$3,609,707</u>	<u>\$4,694,818</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 3. Cash, Deposits and Investments (continued)

A summary of the carrying amount of cash on hand, deposits and investments at September 30, 2003, is as follows:

	Cash and Pooled Investments With City Treasurer	Other Cash and Investments	Components Unit Cash	Total
Deposits	\$(2,689)	\$428,987	\$733	\$427,031
Investments	<u>1,087,800</u>	<u>3,180,720</u>	<u>0</u>	<u>4,268,520</u>
Total	<u>\$1,085,111</u>	<u>\$3,609,707</u>	<u>\$733</u>	<u>\$4,695,551</u>

At September 30, 2003, the investments held in the City Treasury's General and Investment Pool Programs are as follows:

Types of Investments	Category 1	Total
<u>Categorized Investments</u>		
Treasury Bonds	\$9,597	\$9,597
Treasury Strip	23,542	23,542
Treasury Bills	10,567	10,567
Federal Farm Credit Bank Note	85,182	85,182
Federal Home Loan Bank Notes	210,266	210,266
Federal Home Loan Mortgage Corporation Discount Notes	29,837	29,837
Federal Home Loan Mortgage Corporation Notes	141,223	141,223
Federal National Mortgage Discount Notes	49,969	49,969
Federal National Mortgage Notes	105,735	105,735
Student Loan Marketing Association	10,172	10,172
United States Treasury Notes	182,853	182,853
One Group Government	<u>1,733</u>	<u>1,733</u>
Total Categorized Investments	<u>\$860,676</u>	<u>\$860,676</u>
<u>Types of Investments</u>		
<u>Investments Not Categorized</u>		
Trust Funds		\$7,717
Agency Funds		10
Short-term Municipal Obligation		106,803
AIM Liquid Assets		32,284
TexPool		<u>80,310</u>
Total Investments Not Categorized		<u>\$227,124</u>
Total General and Investment Pool Programs in City Treasury		<u>\$1,087,800</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 3. Cash, Deposits and Investments (continued)

At December 31, 2002, the investments held in the City's Pension Trust Funds are as follows:

<u>Types of Investments</u>	<u>Category 1</u>	<u>Total</u>
Categorized Investments:		
Employees' Retirement Fund (at quoted market value)		
Domestic Equities	\$229,017	\$229,017
U.S. and Foreign Government Securities	157,264	157,264
Corporate Bonds and Notes	238,842	238,842
International Equities	283,415	283,415
Commingled Index Funds	491,277	491,277
Dallas Police and Fire Pension System		
Domestic Equities	210,692	210,692
U.S. Government and Agency Securities	20,476	20,476
International Fixed-Income	85,523	85,523
Corporate Securities	256,015	256,015
International Equities	345,170	345,170
Commingled Index Funds	309,213	309,213
Police and Fire Supplemental Fund		
Bank Commingled Trust Funds	14,041	14,041
Short-term Investments	99	99
Total Categorized Investments	<u>\$2,641,044</u>	<u>\$2,641,044</u>
<u>Types of Investments</u>		<u>Total</u>
Investments Not Categorized:		
Employees' Retirement Fund		
At Market Value		\$162,588
At Fair Value		507
Dallas Police and Fire Pension System		
U.S. Government and Agency Securities		9,991
Domestic corporate fixed-income		42,347
Domestic equities		68,710
International equities and fixed-income		36,969
Securities lending short-term collateral		163,493
At appraised value (real estate)		<u>273,849</u>
Total Not Categorized		<u>\$758,454</u>
Total investments in City's Pension Trust funds		<u>\$3,399,498</u>

Investments of the City, other than for 2a7 - like pools, are valued based upon quotes obtained from Bloomberg. Investments in 2a7 - like pools are valued based upon the value of pool shares. No investments are reported at amortized cost. The City invests in one 2a7 - like pool; the Texas Local Government Investment Pool (Texpool), which was created under the Interlocal Cooperation Act, Texas Government Code Ann. ch. 791 and the Texas Government Code Ann. ch. 2256. The Texas Treasury Safekeeping Trust Company (the Trust) is trustee of Texpool and is a limited purpose trust company authorized pursuant to Texas Government Code Ann. Section 404.103 for which the Texas State Comptroller is sole officer, director and shareholder. The advisory board of Texpool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act, Texas Government Code Ann. ch. 2256.

Texas statutes and City bond ordinances authorize operating, capital projects, bond reserve and trust monies to be deposited in demand deposits, time deposits, or certificates of deposit. Texas statutes require all uninsured collected deposits to be fully collateralized.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 3. Cash, Deposits and Investments (continued)

The City's deposits at year-end are shown below. At year end, the following deposits and bank balance were covered by federal depository insurance or by collateral held by the City's third-party agents pledged in the City's name which is category 1 as defined in the Codification of Governmental Accounting Standards.

Section C20, "Cash Deposits with Financial Institutions." These amounts exclude petty cash accounts of \$294. The fair value of these deposits approximates their costs.

As of September 30, 2003 the collected bank balance was \$1.3 million, \$200 and was covered by FDIC deposit insurance and \$1.1 million was uninsured. The uninsured collected deposits of \$1.1 million are held by financial institutions, which are legally required by State statutes to collateralize the City's uninsured deposits by pledging eligible securities. The market value of the pledged securities must comply with State statutes and the City's Investment Policy.

The collateral pledged to the City is held in a joint safekeeping account in the Federal Home Loan Bank.

Primary Government	Interest Rates (%)	Carrying Value	Bank Balance
Pooled Demand Deposits		\$(2,689)	\$2,311
Cash and cash equivalents- Pension Trust Funds	0.97-1.09	<u>428,987</u>	<u>20,560</u>
Total		<u>\$426,289</u>	<u>\$22,871</u>

Note 4. Receivables

Receivables at September 30, 2003 for the government's individual major and nonmajor governmental, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

Receivables:	General	Debt service	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental Activities
Property taxes	\$27,833	\$10,254	\$	\$0	\$38,087
Sales taxes	31,655	0		0	31,655
Accounts	33,219	0	4,03	4	37,257
Notes	0	0	20,01	0	20,014
Due from other governments	0	0	14,39	0	14,395
Accrued interest	<u>92</u>	<u>0</u>	<u>42</u>	<u>3</u>	<u>522</u>
Gross receivables	92,799	10,254	38,87	7	141,930
Less allowance for doubtful accounts	<u>(43,336)</u>	<u>(8,601)</u>	<u>(1,21)</u>	<u>0</u>	<u>(53,147)</u>
Net total receivables	<u>\$49,463</u>	<u>\$1,653</u>	<u>\$37,660</u>	<u>\$7</u>	<u>\$88,783</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 4. Receivables (continued)

Receivables at September 30, 2003 for the primary government's individual major and nonmajor, enterprise funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

	Dallas Water Utilities	Convention Center	Aviation Revenue	Nonmajor Enterprise Funds	Total
Receivables:					
Accounts	\$41,900	\$7,685	\$381	\$1,312	\$51,278
Due from other governments	0	0	376	0	376
Accrued interest	<u>355</u>	<u>12</u>	<u>9</u>	<u>2</u>	<u>378</u>
Gross receivables	42,255	7,697	766	1,314	52,032
Less allowance for doubtful accounts	<u>(3,655)</u>	<u>0</u>	<u>0</u>	<u>(4)</u>	<u>(3,659)</u>
Net total receivables	<u>\$38,600</u>	<u>\$7,697</u>	<u>\$766</u>	<u>\$1,310</u>	<u>\$48,373</u>

Intergovernmental revenues and related receivables arise through funding received from federal and state grants. These revenues and receivables are earned through expenditures of monies for grant purposes.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At September 30, 2003, the various components of deferred revenue reported in the governmental funds were as follows:

Taxes	\$4,486
Accounts	39,157
Intergovernmental	<u>11,057</u>
Total Deferred Revenue For Governmental Funds	<u>\$54,700</u>

Note 5. Restricted Assets

The primary government's business-type restricted assets of \$531,348 are composed of the following at September 30, 2003:

	<u>Business-type Activities</u>
Cash and Investments:	
Pooled Cash and Cash Equivalents	\$346,865
Cash and Cash Equivalents	106,803
Other Investments	<u>77,680</u>
Total	<u>\$531,348</u>

For the business-type activities, the restricted amounts are for accumulated resources for debt service payments, a self-insurance reserve, deposits from service users, and retention guarantees from contractors.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 6. Joint Ventures

Dallas/Fort Worth International Airport

DFW Airport is owned jointly by the cities of Dallas (7/11) and Fort Worth (4/11) (Cities) and operated by an 11-member board comprised of seven members from Dallas and four members from Fort Worth appointed by the respective City Councils.

Joint Revenue Bonds and Special Facility Revenue Bonds were issued to construct DFW Airport. Concurrent Bond Ordinances provide that the Board shall set rentals, rates, fees and charges such that they are sufficient to produce in each fiscal year gross revenues adequate to pay (a) the operation and maintenance expenses, (b) 1.25 times the amount required to be deposited into the Joint Revenue Bonds Interest and Sinking Fund and (c) an amount equal to any other obligations payable from the revenues of DFW Airport. The Special Facility Revenue Bonds are payable from and secured by the net lease rentals derived from the special facilities.

The outstanding debt and related debt service are accounted for by the DFW Airport Board. The long-term portion of the Joint Revenue Bonds, the Special Facility Revenue Bonds, Facility Improvement Corporation Revenue Bonds and Public Facility Improvement Corporation Revenue Bonds at September 30, 2003 was \$3,899,275, which is net of \$12,849 deferred loss on refunding.

The following summary financial information for Airport is as of September 30, 2003:

Total assets	\$5,488,082
Total liabilities	<u>4,258,277</u>
Total net assets	<u>\$1,229,805</u>
Operating revenues	\$267,571
Operating expenses	262,916
Non-operating revenues	<u>75,056</u>
Change in net assets	79,711
Net assets, beginning of year	<u>1,150,094</u>
Net assets, end of year	<u>\$1,229,805</u>

The Cities have executed covenants individually, by ordinance, to levy a maintenance tax, if necessary, to ensure DFW Airport will be efficiently operated and maintained. The amount of such tax is limited for each city in their respective ratios to the lesser of 5 cents per one hundred dollars of assessed valuation of the property in each city or the amount of the maintenance tax required.

The Board has entered into agreements with air carriers and other parties utilizing DFW Airport to provide for adjustments to rentals, fees and other charges which management believes precludes the need for a maintenance tax. To date, the Cities have levied no maintenance tax.

On September 30, 1981, the Cities executed an agreement with the Airport, which provided for DFW Airport to refund \$30 million over a maximum of 15 years to reduce the Cities' initial capital investment in land. The final payment was received from DFW Airport in 1994. The City's remaining investment in DFW Airport of \$21,453 is recorded in the capital assets. Separate audited financial statements are issued and may be obtained from the Board.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 7. Capital Assets

Capital asset activity for the year ended September 30, 2003 is as follows:

	<u>Balance at Beginning Of Year</u>	<u>Additions</u>	<u>Transfers And Retirements</u>	<u>Balance at End Of Year</u>
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$298,094	\$9,091	7,187	\$299,998
Artwork	12,158	36,519	0	48,677
Construction in Progress	198,205	117,445	43,774	271,876
Total capital assets, not being depreciated	<u>508,457</u>	<u>163,055</u>	<u>50,961</u>	<u>620,551</u>
Capital assets, being depreciated:				
Buildings	606,430	1,146	7,930	599,646
Improvements	117,822	5,856	325	123,353
Equipment	401,131	74,206	110,155	365,182
Infrastructure	1,281,370	24,471	32,352	1,273,489
Total capital assets, being depreciated:	<u>2,406,753</u>	<u>105,679</u>	<u>150,762</u>	<u>2,361,670</u>
Less accumulated depreciation for:				
Buildings	(229,583)	(24,859)	471	(253,971)
Improvements	(42,252)	(4,584)	0	(46,836)
Equipment	(264,788)	(35,398)	48,645	(251,541)
Infrastructure	(455,336)	(48,795)	5,574	(498,557)
Total accumulated depreciation	<u>(991,959)</u>	<u>(113,636)</u>	<u>54,690</u>	<u>(1,050,905)</u>
Total capital assets, being depreciated, net	<u>1,414,794</u>	<u>(7,957)</u>	<u>96,072</u>	<u>1,310,765</u>
Governmental activities capital assets, net	<u>\$1,923,25</u>	<u>\$155,098</u>	<u>\$147,033</u>	<u>\$1,931,316</u>

Depreciation expense charged to functions :	<u>Additions</u>
General government	12,994
Public safety	7,739
Streets, street lighting, sanitation, & code enforcement	2,734
Environmental & Health Services	372
Public works and transportation	26,679
Equipment & building services	16,739
Culture and recreation	15,076
Housing	140
Human Services	<u>24</u>
Total depreciation expense – governmental activities (includes \$17,423 of depreciation expense for the Internal Service Funds and \$65,074 for the governmental type assets)	<u>\$82,497</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 7. Capital Assets (continued)

	Balance at Beginning Of Year	Additions	Transfers And Retirements	Balance at End Of Year
<u>Total business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$218,460	\$5,069	\$9,707	\$213,822
Construction in Progress	<u>410,114</u>	<u>206,028</u>	<u>83,064</u>	<u>533,078</u>
Total capital assets, not being depreciated	<u>628,574</u>	<u>211,097</u>	<u>92,771</u>	<u>746,900</u>
Capital assets, being depreciated:				
Water rights	353,914	0	4	353,910
Buildings	1,011,418	11,574	2,783	1,020,209
Improvements other than buildings	143,766	24,508	0	168,274
Infrastructure	405,697	10,909	3,759	412,847
Equipment	392,046	12,774	21,553	383,267
Utility property	<u>1,521,781</u>	<u>65,963</u>	<u>715</u>	<u>1,587,029</u>
Total capital assets, being depreciated	<u>\$3,828,622</u>	<u>\$125,728</u>	<u>\$28,814</u>	<u>\$3,925,536</u>
Less accumulated depreciation for:				
Water wastewater rights	(66,422)	(10,460)	6,785	(70,097)
Buildings	(277,032)	(20,004)	4,533	(292,503)
Improvements other than buildings	(46,667)	(4,223)	551	(50,339)
Infrastructure	(125,676)	(9,832)	1,234	(134,274)
Equipment	(178,868)	(17,704)	11,913	(184,659)
Utility property	<u>(440,602)</u>	<u>(26,262)</u>	<u>(6,951)</u>	<u>(473,815)</u>
Total accumulated depreciation	<u>(1,135,267)</u>	<u>(88,485)</u>	<u>18,065</u>	<u>(1,205,687)</u>
Total capital assets, being depreciated, net	<u>2,693,355</u>	<u>37,243</u>	<u>10,749</u>	<u>2,719,849</u>
Business-type activities capital assets, net	<u>\$3,321,929</u>	<u>\$248,340</u>	<u>\$103,520</u>	<u>\$3,466,749</u>
<u>Dallas Water Utilities activities</u>				
Capital assets, not being depreciated:				
Land	72,300	0	162	72,138
Construction in Progress	<u>211,593</u>	<u>172,010</u>	<u>83,064</u>	<u>300,539</u>
Total Capital assets, not being depreciated	<u>283,893</u>	<u>172,010</u>	<u>83,226</u>	<u>372,677</u>
Capital assets, being depreciated:				
Water wastewater rights	353,914	0	4	353,910
Buildings	351,280	684	557	351,407
Improvements other than buildings	0	17,447	0	17,447
Infrastructure	399,344	136	3,013	396,467
Equipment	340,849	6,678	13,695	333,832
Utility Property	<u>1,521,781</u>	<u>65,963</u>	<u>715</u>	<u>1,587,029</u>
Total capital assets, being Depreciated	<u>2,967,168</u>	<u>90,908</u>	<u>17,984</u>	<u>3,040,092</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
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Note 7. Capital Assets (continued)

	Balance at Beginning Of Year	Additions	Transfers And Retirements	Balance at End Of Year
Less accumulated depreciation for:				
Water wastewater rights	(66,422)	(10,460)	6,785	(70,097)
Buildings	(103,016)	(6,890)	175	(109,731)
Improvements other than buildings	0	(182)	0	(182)
Infrastructure	(125,580)	(9,488)	864	(134,204)
Equipment	(165,771)	(16,717)	10,245	(172,243)
Utility Property	<u>(440,602)</u>	<u>(26,262)</u>	<u>(6,951)</u>	<u>(473,815)</u>
Total accumulated depreciation	<u>(901,391)</u>	<u>(69,999)</u>	<u>(11,118)</u>	<u>(960,272)</u>
Total capital assets, being depreciated, net	<u>2,065,777</u>	<u>20,909</u>	<u>6,866</u>	<u>2,079,820</u>
Dallas Water Utilities capital assets, net	<u>\$2,349,670</u>	<u>\$192,919</u>	<u>\$90,092</u>	<u>\$2,452,497</u>
<u>Convention Center activities:</u>				
Capital assets, not being depreciated:				
Land	\$92,500	\$5,069	\$9,486	\$88,083
Construction in Progress	<u>119,411</u>	<u>16,301</u>	<u>0</u>	<u>135,712</u>
Total capital assets, not being depreciated	<u>211,911</u>	<u>21,370</u>	<u>9,486</u>	<u>223,795</u>
Capital assets, being depreciated:				
Buildings	471,565	10,864	2,171	480,258
Improvements other than buildings	50,529	65	0	50,594
Infrastructure	461	10,773	140	11,094
Equipment	<u>40,516</u>	<u>500</u>	<u>1,207</u>	<u>39,809</u>
Total capital assets, being depreciated	<u>563,071</u>	<u>22,202</u>	<u>3,518</u>	<u>581,755</u>
Less accumulated depreciation for:				
Buildings	(89,146)	(6,297)	3,486	(91,957)
Improvements other than buildings	(3,016)	(527)	62	(3,481)
Infrastructure	(77)	(212)	239	(50)
Equipment	<u>(7,534)</u>	<u>(626)</u>	<u>581</u>	<u>(7,579)</u>
Total accumulated depreciation	<u>(99,773)</u>	<u>(7,662)</u>	<u>4,368</u>	<u>(103,067)</u>
Total capital assets, being depreciated, net	<u>463,298</u>	<u>14,539</u>	<u>(851)</u>	<u>478,688</u>
Convention Center capital assets, net	<u>\$675,209</u>	<u>\$35,909</u>	<u>\$8,635</u>	<u>\$702,483</u>
<u>Aviation activities:</u>				
Capital assets, not being depreciated:				
Land	\$53,660	\$0	\$59	\$53,601
Construction in Progress	<u>79,083</u>	<u>17,633</u>	<u>0</u>	<u>96,716</u>
Total capital assets, not being Depreciated	<u>132,743</u>	<u>17,633</u>	<u>59</u>	<u>150,317</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Note 7. Capital Assets (continued)

	Balance at Beginning Of Year	Additions	Transfers And Retirements	Balance at End Of Year
Capital assets, being depreciated:				
Buildings	188,262	0	39	188,223
Improvements other than buildings	93,237	6,925	0	100,162
Infrastructure	5,867	<u>0</u>	581	5,286
Equipment	<u>8,252</u>	<u>5,434</u>	<u>5,963</u>	<u>7,723</u>
Total capital assets, being depreciated	<u>295,618</u>	<u>12,359</u>	<u>6,583</u>	<u>301,394</u>
Less accumulated depreciation for:				
Buildings	(84,641)	(6,812)	872	(90,581)
Improvements other than buildings	(43,642)	(3,514)	489	(46,667)
Infrastructure	<u>0</u>	<u>(132)</u>	132	0
Equipment	<u>(3,952)</u>	<u>(240)</u>	<u>510</u>	<u>(3,682)</u>
Total accumulated depreciation	<u>(132,235)</u>	<u>(10,698)</u>	<u>2,003</u>	<u>(140,930)</u>
Total capital assets, being depreciated, net	<u>163,383</u>	<u>1,661</u>	<u>4,580</u>	<u>160,464</u>
Aviation capital assets, net	<u>\$296,126</u>	<u>\$19,294</u>	<u>\$4,639</u>	<u>\$310,781</u>
<u>Other nonmajor business-type activities:</u>				
Capital assets, not being depreciated:				
Construction in Progress	<u>\$27</u>	<u>\$84</u>	<u>\$0</u>	<u>\$111</u>
Total capital assets, not being depreciated	<u>27</u>	<u>84</u>	<u>0</u>	<u>111</u>
Capital assets, being depreciated:				
Buildings	311	26	16	321
Improvements other than buildings	0	71	0	71
Infrastructure	25	0	25	0
Equipment	<u>2,429</u>	<u>162</u>	<u>688</u>	<u>1,903</u>
Total capital assets, being depreciated	<u>2,765</u>	<u>259</u>	<u>729</u>	<u>2,295</u>
Less accumulated depreciation for:				
Buildings	(229)	(5)	0	(234)
Improvements other than buildings	(9)	(1)		(10)
Infrastructure	(19)	0	0	(19)
Equipment	<u>(1,610)</u>	<u>(120)</u>	<u>575</u>	<u>(1,155)</u>
Total accumulated depreciation	<u>(1,867)</u>	<u>(126)</u>	<u>575</u>	<u>(1,418)</u>
Total capital assets, being depreciated, net	<u>898</u>	<u>133</u>	<u>46</u>	<u>877</u>
Other non-major activities capital assets, net	<u>\$925</u>	<u>\$217</u>	<u>\$46</u>	<u>\$988</u>
Business-type activities depreciation expense by function:				
Dallas Water Utilities		\$69,999		
Convention Center		7,662		
Aviation		10,644		
Non-major		<u>126</u>		
Total depreciation expense– business–type activities		<u>\$88,431</u>		

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Note 8. Interfund Receivables, Payables and Transfers

The following tables are summaries of the City's interfund balances at September 30, 2003:

	<u>Due To</u>	<u>Due From</u>
Governmental Major Fund:		
General Fund	\$0	\$1,033
Debt Service Fund	0	3,002
Non-major governmental	6,070	4,916
Business Type Major Fund:		
Dallas Water Utilities	<u>3,002</u>	<u>121</u>
Total	<u>\$9,072</u>	<u>\$9,072</u>

The majority of the balances in the Due To/Due From accounts at September 30, 2003 represent the current portion of the related note receivable/payable in the following table.

Interfund Notes Receivables and Payables

	<u>Interfund Notes Receivables</u>	<u>Interfund Notes Payables</u>
Governmental Major Funds:		
General	\$0	\$371
Debt Service	4,710	0
Nonmajor Governmental funds	4,531	9,637
Business type Major Funds:		
Dallas Water Utilities	<u>5,477</u>	<u>4,710</u>
Total	<u>\$14,718</u>	<u>\$14,718</u>

The majority of these balances relate to long-term borrowing by the City's enterprise funds from the governmental funds and other enterprise funds. The proceeds of those loans were utilized to finance various capital acquisitions.

Transfers made between funds during the year are listed below:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Major Funds:		
General Fund	\$30,743	\$5,933
Debt Service	9,876	1,180
Nonmajor governmental funds	5,548	27,584
Business-type Major Funds:		
Dallas Water Utilities	3,666	9,252
Convention Center	388	4,108
Airport Revenue	0	521
Nonmajor business-type funds	<u>0</u>	<u>1,643</u>
	<u>\$50,221</u>	<u>\$50,221</u>

The majority of these transfers relate to transfers to the General Fund by various other funds for general and administrative services performed by the General Fund.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
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Note 9. Accounts Payable and Accrued Expenses

The primary government's accounts payable and accrued expenses at September 30, 2003 is broken down as follows:

	General	Debt Service	Other Governmental	Internal Service	Total Governmental Activities
Accounts, Contracts and Retainage Payable	\$13,055	\$0	\$8,660	\$2,267	\$23,982
Accrued salaries and overtime payable	7,586	0	14	0	7,600
Due to other government	0	0	348	0	348
Other liabilities	<u>16,387</u>	<u>49</u>	<u>40,387</u>	<u>573</u>	<u>57,396</u>
Total	<u>\$37,028</u>	<u>\$49</u>	<u>\$49,409</u>	<u>\$2,840</u>	<u>\$89,326</u>

	Dallas Water Utilities	Convention Center	Airport Revenue	Non-major Enterprise Funds	Business-Type Activities
Accounts, Contracts and Retainage Payable	\$11,067	\$1,725	\$1,669	\$103	\$14,564
Due to other government	0	3	0	0	3
Other liabilities	<u>204</u>	<u>1,031</u>	<u>1,872</u>	<u>83</u>	<u>3,190</u>
Total	<u>\$11,271</u>	<u>\$2,759</u>	<u>\$3,541</u>	<u>\$186</u>	<u>\$17,737</u>

Note 10. Long-Term Debt

A. Governmental Activities

The changes in the governmental activities long-term liabilities for the year ended September 30, 2003 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One year
<u>Governmental Activities</u>					
General Obligation Refunding Bonds					
Series 1985	\$23,693	\$591	\$17,508	\$6,776	\$6,776
General Obligation Refunding Series 1992	10,390	0	10,390	0	0
Combination Tax and Revenue Certificates of Obligation Series 1992-A	485	0	485	0	0
Combination Tax and Revenue Certificates of Obligation Series 1992-B	9,000	0	9,000	0	0
General Obligation Bonds Series 1992	1,100	0	1,100	0	0
General Obligation Refunding Series 1993	86,935	0	86,935	0	0
General Obligation Bonds Series 1994	30,000	0	5,000	25,000	5,000
General Obligation Bonds Series 1995	19,250	0	2,750	16,500	2,750
Combination Tax and Revenue Certificates of Obligation Series 1995	540	0	180	360	180

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
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Note 10. Long-Term Debt (continued)

A. Governmental Activities (continued)

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One year
General Obligation Bonds Series 1996	41,040	0	3,420	37,620	3,420
General Obligation Bonds Series 1997	43,180	0	2,880	40,300	2,880
Equipment Acquisition Contractual Combination Tax and Revenue Certificates of Obligation Series 1997	3,220	0	645	2,575	645
General Obligation Refunding and Improvement Bonds, Series 1998	210,765	0	3,205	207,560	12,160
Equipment Acquisition Contractual Obligations, Series 1998	6,170	0	6,170	0	0
Tax Increment Financing Reinvestment Zone Number Two Bonds, Series 1998	3,645	0	290	3,355	305
Equipment Acquisition Obligations, Series 1999	4,870	0	2,435	2,435	2,435
General Obligation Bonds Series 1999	58,940	0	3,470	55,470	3,470
General Obligation Bonds Series 2000	97,545	0	5,420	92,125	5,420
Equipment Acquisition Obligations, Series 2000	18,120	0	6,040	12,080	6,040
Combination Tax and Revenue Certificates of Obligation Series 2000	18,295	0	2,075	16,220	2,130
Tax Increment Financing Reinvestment Zone Number Two Bonds, Series 2000	6,445	0	605	5,840	640
General Obligation Bonds Series 1999	64,655	0	3,405	61,250	3,405
Equipment Acquisition Obligations, Series 2001	26,270	0	6,575	19,695	6,570
Risk Management Certificate of Obligation Taxable Series 2001	6,660	0	1,665	4,995	1,665
Equipment Acquisition Obligations, Series 2002	0	11,205	2,244	8,961	2,240
Certificates of Obligation Series 2003	0	36,171	0	36,171	3,600
General Obligation Refunding Bonds, Series 2003	<u>0</u>	<u>85,629</u>	<u>1,374</u>	<u>84,255</u>	<u>14,225</u>
Total General Obligation Bonds	<u>\$791,213</u>	<u>\$133,596</u>	<u>\$185,266(*)</u>	<u>\$739,543</u>	<u>\$85,956</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 10. Long-Term Debt (continued)

A. Governmental Activities (continued)

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One year
Other Liabilities:					
Arbitrage Rebate	4,127	0	1,103	3,024	0
Compensated Absences	142,057	54,349	47,291	149,115	41,950
Net Pension Obligation	103,440	6,691	0	110,131	0
Landfill Closure and Post-Closure Judgment related to landfill	16,958	186	0	17,144	0
Estimated unpaid claims	35,000	0	0	35,000	0
Unfunded claims	84,840	9,944	0	94,784	39,479
Section 108 HUD Notes	2,996	0	1,132	1,864	0
	<u>14,149</u>	<u>5,981</u>	<u>7,230</u>	<u>12,900</u>	<u>6,710</u>
Total other liabilities	<u>403,567</u>	<u>77,151</u>	<u>56,756</u>	<u>423,962</u>	<u>88,139</u>
Governmental activities long-term liabilities	<u>\$1,194,780</u>	<u>\$210,747</u>	<u>\$242,022</u>	<u>\$1,163,505</u>	<u>\$174,095</u>

(*) General Obligations payments are represented by \$3,674 of accreted interest paid on the 1985 G.O. Bonds Refunding Issue, \$87,560 represent various other refunded bonds, \$92,654 represents principal payments and \$1,378 for amortization of premium/bond issuance cost.

B. Governmental General Obligation Bonds (GO Bonds)

General Obligation Bonds are direct obligations of the City for which its full faith and credit are pledged and are payable from taxes levied on all taxable property located within the City. In November 2002 the City issued \$11,195 (includes premium of \$9) in Equipment Acquisition Contractual Obligations, Series 2002 with a interest rate of 2.00 to 2.6 percent and maturities through fiscal year 2007. In January 2003, the City issued \$82,790 (includes premium of \$4,345) in General Obligation Refunding Bonds, Series 2003 with an interest rate range of 2.5 to 4.25 percent and maturities through fiscal year 2011 for various public improvements. In June 2003, the City issued \$36,000 (includes premium of \$171) in Combination Tax and Revenue Certificates of Obligation, Series 2003 with an interest rate range of 2.0 to 3.25 percent and maturities through fiscal year 2013 for various public improvements. The economic gain on refunding was \$9,791 and the accounting loss on refunding was \$2,203.

The GO bonds outstanding as of September 30, 2003 are as follows:

	Final Maturity	Interest Rates	Amount
Series 514	2004	9.15% to 9.20%	\$6,776
Series 551	2012	4.5% to 6.0%	25,000
Series 556	2009	5.0%	16,500
Series 560	2016	4.0% to 6.0%	37,620
Series 563	2017	4.3% to 5.5%	40,300
Series 571	2018	4.0% to 5.0%	207,560
Series 574	2019	5.125% to 5.5%	55,470
Series 578	2020	5.0% to 5.75%	92,125
Series 583	2021	4.0% to 5.0%	61,250
Series 589	2011	2.50% to 5.0%	<u>84,255</u>
Total			<u>\$626,856</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
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Note 10. Long-Term Debt (continued)

B. Governmental General Obligation Bonds (GO Bonds) (continued)

The Equipment Acquisition Contractual Obligations outstanding as of September 30, 2003 are as follows:

	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Amount</u>
Series 575	2004	4.375%	\$2,435
Series 579	2005	5.25%	12,080
Series 584	2006	2.75% to 3.0%	19,695
Series 588	2006	2.0% to 2.25%	8,961
			<u>\$43,171</u>

The Certificate of Obligations bonds outstanding as of September 30, 2003 are as follows:

	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Amount</u>
Series 558	2005	4.65%	360
Series 565	2007	4.4% to 4.5%	2,575
Series 580	2010	4.75%	16,220
Series 585	2006	3.6% to 4.5%	4,995
Series 591	2006	2.0% to 3.25%	36,171
			<u>\$60,321</u>

C. Tax Increment Bonds

The Tax Increment bonds outstanding as of September 30, 2003 are as follows:

	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Amount</u>
Series 566	2012	4.6% to 5.6%	\$3,355
Series 577	2012	4.75% to 5.75%	5,840
			<u>\$9,195</u>

D. Governmental Debt Service Requirement

The following is a summary of the future principal and interest requirements for the City's long-term debt excluding interfund debts, at September 30, 2003.

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
Fiscal year ended September 30:		
2004	\$85,956	\$38,431
2005	86,515	29,096
2006	78,545	25,378
2007	59,395	22,205
2008	52,485	19,621
2009-2013	228,330	63,331
2014-2018	122,180	20,339
2019-2023	26,137	1,406
Total	<u>\$739,543</u>	<u>\$219,807</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
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Note 10. Long-Term Debt (continued)

E. Business-type Activities

The changes in the business-type activities long-term liabilities for the year ended September 30, 2003 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One year
<u>Water Utilities Revenue Bonds:</u>					
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement bonds series 1993	221,387	0	220,936	451	0
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement bonds series 1993-A	12,710	0	7,995	4,715	0
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement bonds series 1995	4,730	0	4,730	0	0
City of Dallas Waterworks and Sewer System Revenue bonds series 1995-A	24,425	0	24,425	0	0
City of Dallas Waterworks and Sewer System Revenue bonds series 1996	52,650	0	52,650	0	0
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement bonds series 1997	44,715	0	42,505	2,210	0
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement bonds series 1998	316,408	0	8,481	307,927	4,415
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement bonds series 1999	56,810	0	1,880	54,930	1,990
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement bonds series 2000	73,518	0	2,400	71,118	2,395
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement bonds series 2001	128,638	0	4,364	124,274	4,130
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement bonds series 2002	44,834	0	4,748	40,086	5,425
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement bonds series 2002A	0	183,975	1,171	182,804	23,500
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement bonds series 2003	<u>0</u>	<u>326,443</u>	<u>760</u>	<u>325,683</u>	<u>9,060</u>
Total Revenue Bonds for Water Utilities	<u>980,825</u>	<u>510,418</u>	<u>377,045</u>	<u>1,114,198</u>	<u>50,915</u>
<u>Water Utilities Contractual Obligation:</u>					
Sabine River Authority of Texas Water Supply Facilities Revenue Bonds (Lake Fork Project) Series 1978,1979,1991 and 1993	<u>30,251</u>	<u>0</u>	<u>11,506</u>	<u>18,745</u>	<u>11,490</u>
Total Water Utilities Contractual Obligation	<u>30,251</u>	<u>0</u>	<u>11,506</u>	<u>18,745</u>	<u>11,490</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
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Note 10. Long-Term Debt (continued)

E. Business-type Activities (continued)

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One year
Other: Compensated Absences	14,432	545	1,360	13,617	5,447
Arbitrage rebate liability	<u>195</u>	<u>0</u>	<u>9</u>	<u>186</u>	<u>100</u>
Total Long-term debt for Water Utilities	<u>\$1,025,703</u>	<u>\$510,963</u>	<u>\$389,920</u>	<u>\$1,146,746</u>	<u>\$67,952</u>
<u>Convention Center Revenue Bonds:</u>					
General Obligation Refunding Bonds					
Series 1985 to be serviced by					
Enterprise					
Fund (Convention Center) through					
February 15, 2004	\$165	\$0	\$81	\$84	\$84
Civic Center Convention Complex					
Revenue					
Refunding and Improvement Bonds					
series 1998	299,243	930	5,915	294,258	7,290
Sports Arena Project-Tax Exempt					
Special Tax					
Revenue Bonds, Series 1998A	90,776	50	1,910	88,916	1,990
Sports Arena Project-Taxable Special					
Tax and					
Lease Revenue Bonds, Series 1998B	<u>33,654</u>	<u>17</u>	<u>580</u>	<u>33,091</u>	<u>615</u>
Total Convention Center Revenue					
Bonds	<u>423,838</u>	<u>997</u>	<u>8,486</u>	<u>416,349</u>	<u>9,979</u>
Other: Compensated Absences	1,040	360	369	1,031	412
Arbitrage rebate liability	<u>3,873</u>	<u>0</u>	<u>3,873</u>	<u>0</u>	<u>0</u>
Total Long-term debt for					
Convention Center	<u>\$428,751</u>	<u>\$1,357</u>	<u>\$12,728</u>	<u>\$417,380</u>	<u>\$10,391</u>
<u>Airport Revenue Bonds:</u>					
Texas Airport System Revenue Bonds					
Series 2001	<u>55,968</u>	<u>0</u>	<u>5,329</u>	<u>50,639</u>	<u>5,350</u>
Other: Compensated Absences	1,392	497	476	1,413	565
Arbitrage rebate liability	<u>200</u>	<u>0</u>	<u>200</u>	<u>0</u>	<u>0</u>
Total Long-term debt for Aviation	<u>\$57,560</u>	<u>\$497</u>	<u>\$6,005</u>	<u>\$52,052</u>	<u>\$5,915</u>
Nonmajor business-type compensated					
absences					
	<u>\$1,845</u>	<u>\$1,304</u>	<u>\$717</u>	<u>\$2,432</u>	<u>\$973</u>
Total Business-Type long-term liabilities	<u>\$1,513,859</u>	<u>\$514,121</u>	<u>\$409,370</u>	<u>\$1,618,610</u>	<u>\$85,231</u>

The Waterworks and Sewer System Revenue Refunding and improvement bonds series 2002-A was issued for \$179,350 with interest rates ranging from 3.00 to 5.00 percent and maturities through fiscal year 2011 with a premium of \$9,184 and an accounting loss of \$4,559. The proceeds of the bonds were used for current refund series 1993 bonds to obtain an economic gain of \$7,180. Series 2003 bonds was issued for \$307,410 with interest rates ranging from 3.00 to 5.375 percent and maturities through fiscal year 2023, this issue had a premium of \$22,632 and an accounting loss of \$3,599. The proceeds of the bonds were used to current refund \$36,299 and advance refund \$93,173 which included partial and or full refunding of series 93A, series 95, series 95A Series 96 and Series 97 to obtain an economic gain of \$5,400.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 10. Long-Term Debt (continued)

F. Aviation (Revenue Bonds)

The Aviation Debt Service Fund provides for the payment of principal and interest on the Department of Aviation's outstanding revenue bonded indebtedness. In April 2001, the Department of Aviation issued \$59.385 million in Series 2001 Airport System Revenue Bonds for construction of an additional parking facility at Dallas Love Field. Operating revenues from Aviation operations and interest earned on the cash balance in the debt service fund are pledged for repayment of the debt. Revenues are transferred from the Aviation operating fund to the debt service fund to meet annual principal and interest obligations.

Aviation revenue bonds outstanding as of September 30, 2003 are as follows:

	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Amount</u>
Airport System Revenue Bonds	2011	5.0 %	\$50,639

G. Convention Center (Revenue Bonds)

The 7% Hotel Occupancy Tax, operating revenues of the Convention Center Complex, and interest earned on cash balances in the bond reserve and debt service funds are pledged for repayment of the debt. Additionally, the City has covenanted to provide for the payment of operating and maintenance expenses of the Convention Center Complex, should a shortfall in Convention Center revenues occur. Revenue from the Convention Center operating fund is transferred to the debt service fund to meet annual principal and interest payments.

The Convention Center revenue bonds outstanding as of September 30, 2003 are as follows:

	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Amount</u>
General Obligation Bonds	2004	9.156% to 9.2%	\$84
Civic Center Convention Complex	2028	4.6% to 6.0%	294,258
Special Tax Revenue Bonds	2028	4.2% to 5.375%	88,916
Special tax and Lease Revenue	2027	6.02% to 6.65%	<u>33,091</u>
Bonds			
Total			<u>\$416,349</u>

H. Water Works and Sewer System Revenue Bonds

The Water Works and Sewer System Revenue bonds outstanding as of September 30, 2003 are as follows:

	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Amount</u>
Series 550	2011	4.0% to 4.875%	\$451
Series 554	2014	4.0%	4,715
Series 562	2005	5.0%	2,210
Series 570	2029	4.25% to 5.0%	307,927
Series 573	2019	4.75% to 5.50%	54,930
Series 576	2020	5.25% to 5.75%	71,118
Series 582	2021	5.0% to 5.25%	124,274
Series 586	2022	3.0% to 5.50%	40,086
Series 587	2011	3.0% to 5.0%	182,804
Series 590	2023	3.0% to 5.375%	<u>325,683</u>
			<u>\$1,114,198</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 10. Long-Term Debt (continued)

I. Business-type Activities Debt Service Requirement

The debt service requirement to maturity at September 30, 2003, for the business-type activities revenue bonds are as follows:

Fiscal year	Convention Center		
	Principal	Interest	Total
2004	\$9,979	\$22,640	\$32,619
2005	10,584	21,919	32,503
2006	12,643	21,247	33,890
2007	13,389	20,535	33,924
2008	13,209	19,779	32,988
2009-2013	79,500	87,069	166,569
2014-2018	102,891	63,886	166,777
2019-2023	103,091	35,037	138,128
2024-2028	<u>71,063</u>	<u>12,565</u>	<u>83,628</u>
Total	<u>\$416,349</u>	<u>\$304,677</u>	<u>\$721,026</u>

Fiscal year	Airport Revenue Fund		
	Principal	Interest	Total
2004	5,350	2,462	7,812
2005	6,025	2,194	8,219
2006	6,240	1,916	8,156
2007	6,470	1,628	8,098
2008	6,240	1,328	7,568
2009-2013	<u>20,314</u>	<u>2,059</u>	<u>22,373</u>
Total	<u>\$50,639</u>	<u>\$11,587</u>	<u>\$62,226</u>

Fiscal year	Water Utilities		
	Principal	Interest	Total
2004	50,915	55,672	109,503
2005	62,289	50,252	112,541
2006	64,532	47,640	112,172
2007	65,219	44,809	110,028
2008	67,837	41,774	109,611
2009-2013	319,821	160,260	480,081
2014-2018	221,865	93,030	314,895
2019-2023	172,020	41,695	213,715
2024-2028	58,895	14,621	73,516
2029-2033	<u>30,805</u>	<u>1,412</u>	<u>29,301</u>
Total	<u>\$1,114,198</u>	<u>\$551,165</u>	<u>\$1,665,363</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 10. Long-Term Debt (continued)

J. Other Long Term Indebtedness

Contractual Obligation to Sabine River Authority –SRA revenue

Bonds – for water rights in Lake Fork

Fiscal year	Water Utilities		
	Principal	Interest	Total
2004	11,490	699	12,189
2005	<u>7,255</u>	<u>199</u>	<u>7,454</u>
Total	<u>\$18,745</u>	<u>\$898</u>	<u>\$19,643</u>

K. Bonds Authorized and Unissued

At September 30, 2003, authorized and unissued bonds consisted of General Obligation Bonds in the amount of \$758,090. After a period of ten years, unissued bonds are deemed abandoned unless the City obtains prior approval from the State Attorney General's Office to signify the City's intent to issue. An election must be held to deauthorize bonds. No such election has been held in connection with the 1982 Capital Improvement Program bonds. The following is a schedule of authorized but unissued bonds at September 30, 2003.

	<u>Date of Authorization</u>	<u>Amount Authorized</u>	<u>Amount Unissued</u>
1982 Capital Improvement Program	08-03-82	\$5,800	\$5,800
1998 Capital Improvement Program	05-02-98	543,500	200,000
2003 Capital Improvement Program	05-03-03	<u>579,290</u>	<u>579,290</u>
Total		<u>\$1,128,590</u>	<u>\$785,090</u>

L. Compliance With Debt Covenants

At September 30, 2003, and for the year then ended, management of the City believes that it was in compliance with all financial bond covenants on outstanding revenue and general obligation bonded debt.

M. Commercial Paper Notes

On September 24, 1997, the Dallas City Council authorized a second ten-year exempt commercial paper program for improvements to the City's water and wastewater system, limited to \$120,000 commercial paper outstanding and maturity terms of not more than 270 days for interim financing of capital improvements. On December 12, 2001, the Dallas City Council approved increasing the commercial paper program Series B to an aggregate principal amount of \$150,000. On September 30, 2002, the City Council authorized additional commercial paper notes, Series C, limited at any one time to \$50,000 principal amount outstanding.

On an annual basis, Dallas Water Utilities retires commercial paper through refinancing with revenue bonds or use of other available water and wastewater funds. In FY 2003, the City issued commercial paper of \$135,824 and retired \$146,017. As of September 30, 2003, \$121,593 commercial paper notes were outstanding with an average maturity from issue of 109 days, and an average interest rate of .91%.

Commercial paper notes are supported by two JP Morgan Chase Bank lines of credit agreements. The credit agreement supporting the Series B notes, which extends to January 14, 2005 is in an aggregate amount not exceeding \$161,096 and the credit agreement supporting the Series C notes which extends to October 21, 2004 is in an aggregate amount not exceeding \$51,233 constitute an obligation subordinate to the City's water and wastewater system revenue bonds. Any advances for payments of commercial paper under the line of credit are secured by a subordinate lien on water and wastewater revenues. No such advances have occurred.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 11. Leases

A. As Lessee

As lessee, the City is committed under various leases for building and office space, data processing and communications equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the fiscal year ended September 30, 2003, amounted to \$4,569.

Future minimum lease payments for these leases are as follows:

Year ending September 30	Rental Payments	Governmental Activities	Business-type Activities
2004	\$3,800	\$2,889	\$911
2005	3,185	2,325	860
2006	2,677	2,011	666
2007	1,851	1,669	182
2008	<u>1,354</u>	<u>1,269</u>	<u>85</u>
Minimum future rentals	<u>\$12,867</u>	<u>\$10,163</u>	<u>\$2,704</u>

The City is also committed under a capital lease for the purchase of computer equipment. The liability for future capital lease payments totals \$1,629.

Future minimum lease payments for capital leases including interest and principal are as follows:

Year ending September 30	Rental Payments
2004	992
2005	<u>637</u>
Total minimum future lease payments	1,629
Less: Amount representing interest	<u>(72)</u>
Present value of net minimum lease payments	<u>\$1,557</u>

The following schedule provides an analysis of the City's investments in computer equipment under capital lease arrangements as of September 30, 2003:

Equipment	\$1,920
Less: Accumulated depreciation	<u>(877)</u>
Total	<u>\$1,043</u>

B. As Lessor

The City is also under several lease agreements as lessor whereby it receives revenues from leasing airport terminal space, hangars, parking spaces, ramps, convention center facilities, land, buildings, and office space to air carriers and other tenants. These revenue leases are considered for accounting purposes to be operating leases.

Additionally, other City departments receive revenues under various agreements for the operation of concessions. Most of these revenues are determined based on various percentages of gross sales for the concessions.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 11. Leases (continued)

B. As Lessor (continued)

Revenues for the fiscal year ended September 30, 2003 were \$14,127. The following is a schedule of minimum future rentals on noncancelable operating leases as of September 30, 2003:

Year ending September 30	Rental Payments	Government al Activities	Dallas Water Utilities	Convention Center	Aviation Revenue
2004	14,165	2,538	98	17	11,512
2005	9,530	2,510	101	10	6,909
2006	9,125	2,500	100	0	6,525
2007	8,148	2,500	77	0	5,571
2008	<u>7,960</u>	<u>2,522</u>	<u>42</u>	<u>0</u>	<u>5,396</u>
Minimum future rentals	<u>\$48,928</u>	<u>\$12,570</u>	<u>\$418</u>	<u>\$27</u>	<u>\$35,913</u>

The above amounts do not include contingent rentals of the Airport Revenue Fund, which may be received under certain leases; such contingent rentals totaled \$2,385 in 2003.

The following schedule provides an analysis of the Airport's investment in property under operating lease arrangements as of September 30, 2003:

Buildings	\$52,101
Land	<u>6,255</u>
Sub-total	58,356
Less: Accumulated depreciation	<u>(34,461)</u>
Total	<u>\$23,895</u>

Note 12. Prior Years Defeasance of Debt

In prior years, the City legally defeased certain outstanding general obligation, mortgage revenue and enterprise bonds and certificates of obligation by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments of the refunded bonds. Accordingly, the trust accounts and the defeased bonds are not included in the City's basic financial statements.

In 2003, the City defeased \$87,560 in general obligation bonds, \$309,550 in revenue bonds, for a total of \$397,110. The amount of defeased bonds repaid was \$144,105 and \$218,625 respectively. As of September 30, 2003, the City has a total of \$63.7 million defeased outstanding General Obligation Bonds and \$90.9 million of Revenue Bonds. The 2003 refunding bond issue decreased the City's total debt service requirement by \$97,285 to \$957,708.

Note 13. Risk Management – Estimated Claims and Judgments Payable

The City is self-insured for all third-party general liability claims. Claims adjusting services are provided by an administrative services contractor. Interfund premiums are based primarily upon the insured funds' claims experience and exposure and are reported as cost reimbursement interfund transactions. The liability for unpaid claims includes the effects of specific incremental claims, adjustment expenses and if probable and material, salvage and subrogation.

All known City property, primarily buildings and contents, is insured through commercial insurance policies, subject to a \$250 deductible per loss occurrence. The amount of settlements has not exceeded insurance coverage for the past three fiscal years.

The City is insured for workers' compensation losses in excess of \$750 per occurrence. Claims adjusting services are provided by an independent administrative services only contractor for claims within the retention. Workers' compensation premiums are billed periodically by Risk Management to the different funds based on the loss experience and full time equivalents (FTE's) in the respective departments.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 13. Risk Management – Estimated Claims and Judgments Payable (continued)

All workers' compensation losses are accumulated in a clearing fund which is being reimbursed by the premiums collected. When losses exceed premiums, the deficiencies are prorated and supplemented by the various applicable funds. Accrued workers' compensation liability consists of incurred but not reported (IBNRs) as well as unpaid reported claims of which \$57,177 at September 30, 2003 is recorded in the Risk Funds.

The City maintains a group health insurance plan for employees and dependents which is self-insured by the City. The City also offers enrollment in one health maintenance organizations as an alternative. Premiums are determined based on the annual budget.

The City also maintains a group life insurance plan which offers term life and accidental death and dismemberment for employees and dependents. The City is fully-insured for employee term life.

Health claims and claims incurred but not reported that are probable and can be reasonably estimated are accrued in the accompanying basic financial statements at September 30, 2003 in the amount of \$12,772 in the Risk Funds.

At September 30, 2003, the City estimates its workers' compensation liability at \$57,177. Of this amount, \$18,407 is estimated to be payable in the next fiscal year.

Changes in the balances of claims liabilities during the past year are as follows:

	<u>Workers'</u>		<u>Health</u>		<u>General</u>	
	<u>Compensation</u>				<u>Liability</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Unpaid claims, beginning of year	\$49,165	\$48,554	\$10,511	\$15,785	\$25,165	\$23,281
Incurred claims (including IBNRs and changes in estimates)	24,302	17,270	63,347	44,911	4,702	7,717
Claim payments	<u>(16,290)</u>	<u>(16,659)</u>	<u>(61,086)</u>	<u>(50,185)</u>	<u>(5,032)</u>	<u>(5,833)</u>
Unpaid claims, end of year	<u>\$57,177</u>	<u>\$49,165</u>	<u>\$12,772</u>	<u>\$10,511</u>	<u>\$24,835</u>	<u>\$25,165</u>

As a result of a lawsuit filed against the City, the City has submitted an application to participate in the Texas Commission on Environmental Quality's Voluntary Clean-up Program related to an unauthorized dumping site. The City estimates that their cost of the containment closure plan will approximate \$35 million. The City intends to finance these costs through tax-supported debt and general fund revenues. Therefore the liability has not been accrued for within the risk funds. This liability has also not been accrued for within the General Fund under GASB Interpretation No.6, it has however been accrued within the governmental activities in the government-wide financial statements.

Note 14. Accrued Landfill Liability

The City owns and operates the McCommas Bluff landfill located in the southern portion of the City with an estimated remaining useful life of 45 years. The remaining calculated life expectancy has decreased from that reported in prior years due to an increase in landfill volume consumption in the past year. Closure and postclosure care of this landfill is subject to the requirements of Subtitle D of the Resource Conservation and Recovery Act (P.L. 94-580) and Sections 330.250-256 of Title 30 of the Texas Administrative Code administered by the Texas Commission on Environmental Quality (TCEQ). These regulations require the City to place a final cover on each cell of the landfill when it ceases to accept waste and perform certain maintenance and monitoring functions for thirty years after the closure of each cell.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 14. Accrued Landfill Liability (continued)

Although 25.9 percent of the landfill's capacity has been depleted, the City has not yet initiated closure of any of this landfill or incurred closure expenses because final contours have not been achieved. Therefore, the estimated \$17.1 million liability for closure/postclosure care is based on 25.9 percent of the capacity subject to TNRCC regulations--none of which is expected to be paid from current available resources.

The estimated total liability of \$60.9 million is based on current dollar average cost per acre calculations for this specific landfill as originally provided by consulting firms and has been revised annually by the City to accommodate inflation, deflation, technology, and developmental or regulation changes. In accordance with the provisions of Codification of Governmental Accounting and Financial Reporting Standards, Section L10, "Landfill Closure and Postclosure Care Costs," the City has recorded a closure and postclosure liability of \$17.1 million as a long-term liability. Closure and postclosure care are funded through current General Fund revenues generated by landfill operations. Effective April 9, 1997, Sections 330.280-284 of Title 30 of the Texas Administrative Code requires landfill owners to demonstrate financial assurance on an annual basis that they will have sufficient financial resources to satisfy closure and postclosure care expenditures at such time as these become payable. The regulations provide various means by which a municipality may demonstrate financial assurance. The City of Dallas financial test (self-insurance) rating satisfies the financial assurance requirement.

Note 15. Pension Plans

A. Plan Descriptions

The City participates in funding three contributory, defined benefit employee pension plans. These plans are single employer plans and use the entry-age-normal cost method. Membership is a condition of employment for all full-time, permanent employees. Separate financial statements are issued for each plan and are available upon request from the City. The pension plans are as follows:

Employees' Retirement Fund. The legal authority for this plan is Chapter 40A of the Dallas City Code. This plan is for the benefit of all eligible employees of the City, excluding firefighters and police officers. Members have vested rights to retirement benefits after five years of service. Benefits are based on credited service and the average monthly earnings for the three highest calendar years. Members of the Fund are entitled to normal retirement pension at age 60; early retirement pension at age 55 is employed prior to May 9, 1972 or age 50 and years of service total 78; service retirement pension at any age after 30 years of credited service and disability retirement pension as determined by the Board of Trustees. Contribution percentages of covered wages are 6.5 percent and 11.5 percent for employees and the City, respectively.

	2002 Number of <u>Persons</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>5,065</u>
Current employees:	
Vested	5,288
Non vested	<u>2,300</u>
Total current employees	<u>7,588</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 15. Pension Plans (continued)

A. Plan Descriptions (continued)

Dallas Police and Fire Pension System. The legal authority for this plan is Article 6243a of the Texas Revised Civil Statutes. The Fund is comprised of three defined benefit plans, commonly known as "Old Plan", "Plan A," and "Plan B," designed to provide retirement, death and disability benefits for firefighters, police officers and fire alarm operators. All eligible employees of the Fire Department and Police Department participate in one of the plans with "Plan B" covering 99 percent of eligible employees. Participation in "Plan B" is mandatory for those employed on or after March 1, 1973.

Under the "Old Plan", employees with 20 years or more of service are entitled to monthly pension benefits beginning at normal retirement age 50. Under "Plan A", employees with 20 years or more of service are entitled to monthly pension benefits beginning at normal retirement age 55. Under "Plan B", employees with five or more years of service are entitled to annual pension benefits beginning at normal retirement age 50.

Contribution percentages of covered wages are 27.5 percent for the City for all three plans and 6.5 percent for employees in the "Old Plan" and "Plan A" and 8.5 percent for employees in "Plan B". In the opinion of the City Attorney, the City is not legally obligated to fund any additional amounts.

	2002
	Number of
	<u>Persons</u>
Retirees and beneficiaries currently receiving benefits:	
Firefighters	1,282
Police Officers	1,588
Terminated vested members not yet receiving benefits	<u>139</u>
Total	<u>3,009</u>
Current employees:	
Vested:	
Firefighters	1,379
Police Officers	2,338
Nonvested:	
Firefighters	306
Police Officers	<u>642</u>
Total	<u>4,665</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 15. Pension Plans (continued)

A. Plan Descriptions (continued)

Police and Fire Supplemental Pension Fund. The legal authority for this plan is Subsection 35 of Chapter II of the Charter of the City of Dallas and Ordinance 14084 of 1973. This plan includes officials in the Fire and Police Departments who hold rank higher than the highest corresponding Civil Service rank available as a result of competitive examination. Employees with five or more years of service are entitled to annual pension benefits beginning at normal retirement age 50. The City's contributions shall be made in accordance with actuarial requirements as established by the qualified actuary and the Police and Fire Supplemental Pension Fund Board. In the opinion of the City Attorney, the City is not legally obligated to fund any amount exceeding the actuarially determined amount.

	2002
	Number of
	<u>Persons</u>
Retirees and beneficiaries currently receiving benefits:	
Firefighters	41
Police Officers	57
Total	<u>98</u>
Current employees:	
Vested:	
Firefighters	17
Police Officers	17
Nonvested:	
Firefighters	0
Police Officers	<u>0</u>
Total	<u>34</u>

A. Schedule of Employer Contribution

	<u>Employees' Retirement Fund</u>		<u>Dallas Police and Fire Pension System</u>		<u>Police and Fire Supplemental Pension Fund</u>	
	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
12/31/02	\$49,475	74.0	\$77,085	100.0	\$900	100.0
12/31/01	31,728	111.0	75,592	100.0	800	100.0
12/31/00	33,682	82.7	66,691	100.0	700	100.0

(Net Annual Required Contributions is calculated by subtracting employees' contributions from Annual Required Contribution.)

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 15. Pension Plans (continued)

C. Net Pension Obligation (NPO) for 2002, 2001 and 2000

Employee Retirement Fund

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Annual required contribution (ARC)	\$71,246	\$52,542	\$50,142
Interest on NPO	6,982	7,674	8,453
Adjustment to the ARC	<u>(13,160)</u>	<u>(14,463)</u>	<u>(13,311)</u>
Annual Pension Cost	65,068	45,753	45,284
Contribution Made	<u>58,377</u>	<u>55,996</u>	<u>44,308</u>
Change in NPO	6,691	(10,243)	976
NPO, beginning of year	<u>103,440</u>	<u>113,683</u>	<u>112,707</u>
NPO, end of year	<u>\$110,131</u>	<u>\$103,440</u>	<u>\$113,683</u>

Dallas Police and Fire Pension System

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Annual required contribution (ARC)	\$93,359	\$91,736	\$81,284
Interest on NPO	0	0	0
Adjustment to the ARC	<u>0</u>	<u>0</u>	<u>0</u>
Annual Pension Cost	93,359	91,736	81,284
Contribution Made	<u>93,359</u>	<u>91,736</u>	<u>81,284</u>
Change in NPO	0	0	0
NPO, beginning of year	<u>0</u>	<u>0</u>	<u>0</u>
NPO, end of year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Dallas Police and Fire Pension System Supplemental Plan

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Annual required contribution (ARC)	\$948	\$841	\$733
Interest on NPO	0	0	0
Adjustment to the ARC	<u>0</u>	<u>0</u>	<u>0</u>
Annual Pension Cost	948	841	733
Contribution Made	<u>948</u>	<u>841</u>	<u>733</u>
Change in NPO	0	0	0
NPO, beginning of year	<u>0</u>	<u>0</u>	<u>0</u>
NPO, end of year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

D. Significant Actuarial Methods and Assumptions

<u>Assumptions</u>	<u>Employees' Retirement Fund</u>	<u>Dallas Police and Fire Pension System</u>	<u>Police and Fire Supplemental Pension Fund</u>
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level Percentage	Level Percentage	Level Percentage
Asset valuation method	Open Market	Fair market value	Fair market value
Amortization period	30 Years – Open Period	69 Years – Open Period	13 Years – Open Period
Investment rate of return	8.5%	8.5%	8.5%
Inflation rate	4.0%	4.0%	4.0%
Projected salary increase	4.0%	4.3%-10.0%	4.3%-10.0%

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 15. Pension Plans (continued)

E. Securities Lending Transactions

The Employees' Retirement Fund and Dallas Police and Fire Pension System Boards have authorized the Plans to enter into agreements with the Northern Trust ("Northern Trust") and State Street Bank and Trust Company ("State Street") respectively, for the lending of certain of the Plans' securities (the "Securities Lending Program" or Program) including, but not limited to, stocks and bonds to counter party brokers and banks ("borrowers"), for a predetermined period of time and fee. Such transactions are not prohibited by state statute.

During the December 31, 2002 fiscal year, State Street loaned, on behalf of the Dallas Police and Fire Pension System, securities held by State Street, as a custodian, and received United States dollar cash and United States Government securities as collateral. State Street did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to put up collateral for each loan equal to: (i) in the case of loaned securities denominated in United States dollars or whose primary trading market was in the United States or sovereign debt issued by foreign governments, 102% of the fair market value of the loaned securities, and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not in the United States dollars, 105% of the fair market value of the loaned securities. The collateral held and market value of securities on loan for the System as of December 31, 2002 and 2001 were \$167,013 and \$172,668 and \$103,466 and \$120,223 respectively.

Collateral Type	Collateral Market Value <u>12/31/02</u>	Market Value <u>12/31/02</u>	Collateral Percentage	Market Value <u>12/31/01</u>	Collateral Market Value <u>12/31/01</u>	Collateral Percentage
Cash	\$162,588	\$166,588	102%	\$157,656	\$162,501	103%
Non-cash	<u>24,538</u>	<u>25,031</u>	102%	<u>9,970</u>	<u>10,256</u>	103%
Total	<u>\$187,126</u>	<u>\$191,601</u>		<u>\$167,626</u>	<u>\$172,757</u>	

During the December 31, 2001 fiscal year, Northern Trust loaned, on behalf of the Employees' Retirement Fund, securities held by Bankers Trust, as a custodian, and received United States dollar cash, United States government agency securities and irrevocable bank letters of credit as collateral. Northern Trust did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to put up collateral for each loan equal to: (i) in the case of loaned securities the collateral for which is all denominated in the same currency as the loaned securities, 102% of the fair market value of the loaned securities plus any accrued but unpaid distributions thereon, and (ii) in the case of loaned securities denominated in a different currency from the loaned securities, 105% of the fair market value of the loaned securities plus any accrued but unpaid distributions thereon. At year-end, the system has no credit risk exposure to borrowers because the amounts the system owes the borrowers exceed the amounts the borrowers owe the system. The following table shows for open loans at December 31, 2002, the type of collateral held, the market value of the securities on loan, and the market value of the collateral held.

The Boards did not impose any restrictions during the fiscal year on the amount of the loans that Northern Trust and State Street made on their behalf. There were no failures by any borrowers to return the loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal years resulting from a default of the borrowers or Northern Trust and State Street. Northern Trust is contractually obligated to fully indemnify the Plan for a borrower's failure to return the loaned securities. State Street maintains a Banker's Blanket Bond in the amount of \$75 million and has insurance coverage in the amount of \$50 million for any losses which could result from a borrower's default.

Note 16. Commitments and Contingencies

A. Pending Lawsuits and Claims

Various claims and lawsuits are pending against the City. In accordance with GAAP, those judgments which are considered "probable" are accrued, while those claims and judgments which are considered "reasonably

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 16. Commitments and Contingencies (continued)

A. Pending Lawsuits and Claims (continued)

possible" are disclosed but not accrued. In the opinion of the City Attorney the potential loss resulting from all significant claims which are considered reasonably possible, excluding condemnation proceedings, is approximately \$9,000 as of September 30, 2003. At September 30, 2003, approximately \$24,835 has been recorded in the Risk Funds for claims and lawsuits considered to be probable. In the opinion of the City Attorney, this is the total of all such claims which represent probable loss to the City.

The City is a defendant in certain class action lawsuits arising from City Ordinance #16084, adopted on January 22, 1979, and involving a dispute regarding salary schedules and the maintenance of percentage pay differentials between grades for sworn members of the ranks of the City's fire and police departments. In two of the class action lawsuits, the plaintiffs have alleged damages of approximately \$94,000. The amount of alleged damages has not been specified in the other lawsuits. The City disputes the plaintiffs' allegations and has asserted various special exceptions, affirmative defenses and counterclaims in response to plaintiffs' lawsuits. The ultimate outcome of these lawsuits cannot be determined at this time and accordingly, no amounts related to these claims have been accrued in the City's financial statements as of September 30, 2003.

B. Commitments

In September, 1990 the U.S. District Court for the North Texas District entered an order being a Consent Decree in the case styled Debra Walker et al v U.S. Department of HUD et al. Under the Consent Decree, the City of Dallas agreed to construct capital improvements, provide specific services, and make directed payments over eight years at a total estimated cost of \$108 million. In FY 1998, the City completed all required capital projects and directed payments set forth in the Decree. For the remaining required services, as of September 30, 2003, \$1,864 remains as long term debt.

The City participates in a number of Federally assisted and State grant programs, principally of which are the Community Development Block Grant; Airport Improvement; Women, Infants and Children; and HOME Programs. The programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended September 30, 2003, have not yet been completed. Accordingly, the City's compliance with applicable grant requirements will be subject to audit at some future date. The amount, if any, of the expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amount, if any, to be immaterial.

The City has several major construction projects planned or in progress as of September 30, 2003. These projects are evidenced by contractual commitments and include the following: \$223,418 for water and wastewater improvements; 53,282 for street and thoroughfares; \$15,800 for park and recreation projects and \$19,027 for the Trinity River corridor project.

C. Conduit Debt Obligations

In January 2001, the City approved issuance of City of Dallas Housing Finance Corporation Single Family Mortgage Revenue Bonds Series 2001A and Series 2001B, in an aggregate principal amount not to exceed \$25,000. The approval by the City is provided solely for the purpose of satisfying the conditions and requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended, and receiving the City's consent to issuance and plan of financing of these Bonds shall not be construed so as to subject the City, its officers or employees to any liability or obligation with respect to the Bonds. The Bonds specifically provide that they are not a debt of the City of Dallas and the State of Texas and that the City of Dallas and the State of Texas are not liable with respect to the Bonds and accordingly no amounts related to these Bonds have been accrued in the City's financial statements as of September 30, 2003.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2003
(in thousands)

Note 17. Post Employment Benefits

In addition to pension benefits, various Council resolutions require the City to provide certain health care and life insurance benefits for retired employees. The City is self insured for these programs. The costs of these benefits are recognized as expenditures on a cash basis when the underlying claims are paid.

For retired employees over 65, the City pays approximately \$577 for medicare "A" if the retirees are not eligible for Social Security coverage. The retirees are responsible for medicare "B".

For retirees who qualify and choose the City health plan, the city pays approximately 54 percent and the retiree pays approximately 46 percent of the plan. There were 4,565 retiree participants in the health plan in September, 2003. Total claim payments for FY 2003 were approximately \$12,500 net of participants' and pension plans' contributions.

Note 18. Discretely Presented Component Units' Condensed Financial Information

Housing Finance Corporation is the only "major" discretely presented component unit, as defined by the Codification of Governmental Accounting Standards, Section 2100, "Defining the Financial Reporting Entity". Summary component unit condensed financial information as of September 30, 2003, is presented below:

<u>Condensed Statement of Net Assets</u>			
	<u>Housing Finance Corporation</u>	<u>Non-Major Component Units</u>	<u>Totals</u>
Current assets	\$731	\$3	\$734
Current liabilities	<u>1</u>	<u>0</u>	<u>1</u>
Net Assets-unrestricted	<u>730</u>	<u>3</u>	<u>733</u>
 Total net assets	 <u>\$730</u>	 <u>\$3</u>	 <u>\$733</u>

<u>Condensed Statement of Revenues, Expenses and Changes in Net Assets</u>			
	<u>Housing Finance Corporation</u>	<u>Non-Major Component Units</u>	<u>Totals</u>
Operating revenues	\$483	\$0	\$483
Operating expenses, excluding depreciation	<u>211</u>	<u>61</u>	<u>272</u>
Operating income	272	(61)	211
Non-operating revenues	<u>3</u>	<u>0</u>	<u>3</u>
Change in net assets	<u>\$ 275</u>	<u>\$(61)</u>	<u>\$ 214</u>

Note 19. Subsequent Events

In November 2003, the City issued Equipment Acquisition Contractual Obligation Bonds, Series 2003 of \$21,240 (includes premium of \$75) with an interest rate range of 2.0 to 2.5 percent and serial maturities through FY 2008 for various capital equipment.

In November 2003, the City issued General Obligation Bonds, Series 2003 of \$173,370 (includes premium of \$824) with an interest rate range of 2.0 to 2.5 percent and serial maturities through FY 2023 for various capital projects.

In November 2003, Dallas Water Utilities issued \$164,000 (includes premium of \$5,000) of Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2003A. The bonds were issued to retire \$123,037 in Commercial Paper, provide \$40,558 for water and wastewater capital projects, and \$405 for issuance cost.

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CITY OF DALLAS, TEXAS
Required Supplementary Information
And Police and Fire Supplemental Pension Plan
Year Ended September 30, 2003
(in millions)

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Employees' Retirement Fund	12/31/02	\$1,864	\$2,400	(\$536)	77.7%	\$325	165.0%
	12/31/01	2,017	2,276	(259)	88.6%	333	77.9%
	12/31/00	1,998	2,038	(40)	98.0%	298	13.5%
Dallas Police and Fire Pension System	12/31/02	\$1,992	\$2,738	(\$746)	72.8%	\$270	276.3%
	12/31/01	2,158	2,554	(396)	84.5%	251	157.8%
	12/31/00	2,005	2,328	(323)	86.1%	224	144.2%
Police and Fire Supplemental Pension Fund	12/31/02	\$14	\$23	(\$9)	62.9%	\$1	969.3%
	12/31/01	15	21	(6)	71.4%	1	775.8%
	12/31/00	19	20	(1)	95.0%	1	448.9%

The actuarial information presented is determined by an actuarial valuation and is the amount that results from applying various assumptions with regard to termination, disability, retirement, mortality and the time value of money to the accumulated plan benefits.

Significant actuarial assumptions used include: (a) an annual rate of return on the investment of present and future assets of 8.5% in 2002 and 2001, respectively, compounded annually, (b) projected salary increases based on certain factors, such as changes in benefit provisions, the size or composition of the population (c) postretirement benefit increases of 4% in 2002 and 2001 calculated annually, and (d) asset valuation method Fair market value.



NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Community Development Fund – to account for funds received by the City of Dallas pursuant to the Community Development Act of 1974, as amended, and grant funds for community development type programs.

Health and Human Services Fund – to account for private and grant funds received for public health and human services programs.

Library Fund – to account for private and grant funds received for acquisition of library materials and expansion of library services.

Police Fund – to account for private and grant funds received for crime prevention and law enforcement programs.

Recreation Fund – to account for private and grant funds received for summer recreation and other recreation programs.

Transportation Fund – to account for private and grant funds received for transportation studies and construction.

Management Improvement Fund – to account for private and grant funds received for management productivity improvements.

Storm Water Operating Fund – to account for the administration and operational activities of the Storm Water Program. Financing is provided by a Storm Water fee.

Municipal Fund – to account for private contributions restricted to the provision of various employee and citizen municipal purposes.

General Citizen Fund – to account for private contributions restricted to the provision of various general governmental projects.

Arts and Cultural Fund – to account for private contributions restricted for the financing of Museum operations and functions.

CAPITAL PROJECT FUNDS

To account for financial resources to be used for the acquisition or construction of those major capital facilities which are not financed by Enterprise Funds, Internal Service Funds, and Trust Funds.

Neighborhood Projects – to account for construction of neighborhood facilities and paving projects.

Parks – to account for construction of parks, playgrounds, and recreational facilities.

Streets and Drainage – to account for construction of streets and storm sewers.

Buildings – to account for construction of City-owned buildings.

Transportation – to account for construction of traffic signals and controls.

NONMAJOR GOVERNMENTAL FUNDS

PERMANENT FUNDS

Samuell Park – to account for the private donation by Dr. W.W. Samuell. The income from this fund is restricted to the operation and improvement of Samuell Park.

Grauwylers Memorial – to account for the private donation by Mrs. Emma H. Grauwylers. The income from the trust is to be used to improve and beautify Grauwylers Park.

Craddock Park – to account for the private donation by Mr. and Mrs. L. Craddock. The earnings from the trust are to be used for improving and maintaining Craddock Park.

Martin Weiss Park – to account for the private donations by Mr. and Mrs. Martin Weiss, the earnings from which are restricted to the use for further improvements of the Martin Weiss Park.

Hale Davis – to account for private donations by Hale Davis, restricted for municipal purposes.



CITY OF DALLAS, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 As of September 30, 2003
 (in thousands)

	Special Revenue				
	Community Development	Health and Human Services	Library	Police	Recreation
Assets:					
Pooled cash and cash equivalents	\$8,015	\$3,018	\$5,318	\$6,175	\$13,227
Receivables:					
Notes	19,047	0	0	0	0
Accounts	2,319	0	0	0	454
Accrued interest	376	0	1	1	1
Allowance for uncollectible accounts	(1,002)	0	0	0	(75)
Due from other governments	7,100	6,088	12	893	240
Due from other funds	0	0	0	0	0
Special assessments	0	0	0	0	0
Notes receivable from other funds	0	0	0	0	0
Other investments, at fair market value	569	0	1,006	0	0
Total assets	36,424	9,106	6,337	7,069	13,847
Liabilities and Fund Balance					
Liabilities:					
Accrued payroll	3	0	0	11	0
Accounts payable	1,102	176	52	668	120
Due to other governments	0	0	0	347	0
Due to other funds	0	5,905	0	0	0
Notes payable to other funds	0	0	0	0	2,957
Deferred revenue	24,071	1,490	168	4,380	1,203
Customer deposits	0	0	0	0	0
Other	7,403	0	0	79	22
Total liabilities	32,579	7,571	220	5,485	4,302
Fund balances (deficit)					
Reserved for:					
Encumbrances	19,665	2,016	113	1,352	789
General government	0	0	0	0	0
Culture and recreation	0	0	0	0	0
Notes receivable from other funds	0	0	0	0	0
Unreserved:					
Designated	0	0	0	0	0
Unreserved:					
Undesignated	(15,820)	(481)	6,004	232	8,756
Total fund balances (deficit)	3,845	1,535	6,117	1,584	9,545
Total liabilities and fund balance	\$36,424	\$9,106	\$6,337	\$7,069	\$13,847

<u>Transportation</u>	<u>Management Improvement</u>	<u>Storm Water Operations</u>	<u>Municipal</u>	<u>General Citizen</u>	<u>Arts and Cultural</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$20,988	\$7,162	\$111	\$4,598	\$1,508	\$1,298	\$71,418
0	0	0	0	0	0	19,047
0	0	1,261	0	0	0	4,034
3	1	0	1	0	3	387
0	0	(133)	0	0	0	(1,210)
0	25	0	0	0	0	14,358
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	925	2,500
<u>20,991</u>	<u>7,188</u>	<u>1,239</u>	<u>4,599</u>	<u>1,508</u>	<u>2,226</u>	<u>110,534</u>
0	0	0	0	0	0	14
37	400	0	307	25	4	2,891
0	0	0	0	0	0	347
0	0	121	0	0	0	6,026
0	0	2,189	0	0	0	5,146
69	192	0	16	0	0	31,589
0	0	0	0	0	0	0
41	600	0	190	29	0	8,364
<u>147</u>	<u>1,192</u>	<u>2,310</u>	<u>513</u>	<u>54</u>	<u>4</u>	<u>54,377</u>
566	1,251	7	2,830	180	5	28,774
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	1,256	1,274	2,217	4,747
<u>20,278</u>	<u>4,745</u>	<u>(1,078)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>22,636</u>
<u>20,844</u>	<u>5,996</u>	<u>(1,071)</u>	<u>4,086</u>	<u>1,454</u>	<u>2,222</u>	<u>56,157</u>
<u>\$20,991</u>	<u>\$7,188</u>	<u>\$1,239</u>	<u>\$4,599</u>	<u>\$1,508</u>	<u>\$2,226</u>	<u>\$110,534</u>

CITY OF DALLAS, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 As of September 30, 2003
 (in thousands)

	Capital Projects			
	Neighborhood Projects	Parks	Streets and Drainage	Building
Assets:				
Pooled cash and cash equivalents	\$66,109	\$25,086	\$73,420	\$90,455
Receivables:				
Notes	0	0	967	0
Accounts	0	0	0	0
Accrued interest	9	3	11	12
Allowance for uncollectible accounts	0	0	0	0
Due from other governments	0	37	0	0
Due from other funds	0	0	4,916	0
Special assessments	0	0	7,971	0
Notes receivable from other funds	0	0	4,531	0
Other investments, at fair market value	0	0	0	0
Total assets	<u>66,118</u>	<u>25,126</u>	<u>91,816</u>	<u>90,467</u>
Liabilities and Fund Balance				
Liabilities:				
Accrued payroll	0	0	0	0
Accounts payable	989	685	2,150	1,830
Due to other governments	0	0	1	0
Due to other funds	0	0	0	44
Notes payable to other funds	4,491	0	0	0
Deferred revenue	34	0	8,798	0
Customer deposits	0	0	9	0
Other	29,217	748	1,077	887
Total liabilities	<u>34,731</u>	<u>1,433</u>	<u>12,035</u>	<u>2,761</u>
Fund balances (deficit)				
Reserved for:				
Encumbrances	11,296	11,443	30,121	15,890
General government	0	0	0	0
Culture and recreation	0	0	0	0
Notes receivable from other funds	0	0	4,531	0
Unreserved:				
Designated	0	0	0	0
Unreserved:				
Undesignated	20,091	12,250	45,129	71,816
Total fund balances (deficit)	<u>31,387</u>	<u>23,693</u>	<u>79,781</u>	<u>87,706</u>
Total liabilities and fund balance	<u>\$66,118</u>	<u>\$25,126</u>	<u>\$91,816</u>	<u>\$90,467</u>

<u>Trans- portation</u>	<u>Total Nonmajor Capital Project Funds</u>
\$36,700	\$291,770
0	967
0	0
5	40
0	0
0	37
0	4,916
0	7,971
0	4,531
1,733	1,733
<u>38,438</u>	<u>311,965</u>

0	0
115	5,769
0	1
0	44
0	4,491
0	8,832
0	9
94	32,023
<u>209</u>	<u>51,169</u>

20,154	88,904
0	0
0	0
0	4,531
0	0
18,075	167,361
<u>38,229</u>	<u>260,796</u>
<u>\$38,438</u>	<u>\$311,965</u>

CITY OF DALLAS, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 As of September 30, 2003
 (in thousands)

	Permanent Funds			
	Samuell Park	Grauwylor Memorial	Craddock Park	Martin Weiss Park
Assets:				
Pooled cash and cash equivalents	\$0	\$0	\$0	\$0
Receivables:				
Notes	0	0	0	0
Accounts	0	0	0	0
Accrued interest	0	0	0	0
Allowance for uncollectible accounts	0	0	0	0
Due from other governments	0	0	0	0
Due from other funds	0	0	0	0
Special assessments	0	0	0	0
Notes receivable from other funds	0	0	0	0
Other investments, at fair market value	6,648	67	620	60
Total assets	<u>6,648</u>	<u>67</u>	<u>620</u>	<u>60</u>
Liabilities and Fund Balance				
Liabilities:				
Accrued payroll	0	0	0	0
Accounts payable	0	0	0	0
Due to other governments	0	0	0	0
Due to other funds	0	0	0	0
Notes payable to other funds	0	0	0	0
Deferred revenue	0	0	0	0
Customer deposits	0	0	0	0
Other	0	0	0	0
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balances (deficit)				
Reserved for:				
Encumbrances	0	0	0	0
General government	0	0	0	0
Culture and recreation	6,648	67	620	60
Notes receivable from other funds	0	0	0	0
Unreserved:				
Designated	0	0	0	0
Unreserved:				
Undesignated	0	0	0	0
Total fund balances (deficit)	<u>6,648</u>	<u>67</u>	<u>620</u>	<u>60</u>
Total liabilities and fund balance	<u>\$6,648</u>	<u>\$67</u>	<u>\$620</u>	<u>\$60</u>

Hale Davis	Total Permanent Funds	Total Nonmajor Governmental Funds
\$0	\$0	\$363,188
0	0	20,014
0	0	4,034
0	0	427
0	0	(1,210)
0	0	14,395
0	0	4,916
0	0	7,971
0	0	4,531
322	7,717	11,950
322	7,717	430,216
0	0	14
0	0	8,660
0	0	348
0	0	6,070
0	0	9,637
0	0	40,421
0	0	9
0	0	40,387
0	0	105,546
0	0	117,678
322	322	322
0	7,395	7,395
0	0	4,531
0	0	4,747
0	0	189,997
322	7,717	324,670
\$322	\$7,717	\$430,216

CITY OF DALLAS, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended September 30, 2003
 (in thousands)

	Special Revenue				
	Community Development	Health and Human Services	Library	Police	Recreation
Revenues:					
Ad valorem tax	\$0	\$0	\$0	\$0	\$0
Intergovernmental	32,056	12,065	792	5,769	249
Service to others	70	125	8	1	2,731
Fines and forfeitures	0	0	0	1,190	0
Investment income	270	64	149	153	203
Gifts	90	73	480	0	339
Confiscated money awards	0	0	0	694	0
Other	9,003	258	61	74	541
Total revenues	41,489	12,585	1,490	7,881	4,063
Expenditures:					
Current:					
General government	18,562	0	0	0	0
Public safety	513	0	0	9,775	0
Streets, street lighting, sanitation	460	0	0	0	0
Public health	479	10,229	0	0	0
Culture and recreation	1,199	0	1,705	0	6,923
Human services	26,648	1,953	0	0	0
Capital outlay	0	0	0	0	0
Total expenditures	47,861	12,182	1,705	9,775	6,923
Excess (deficiency) of revenues over (under) expenditures	(6,372)	403	(215)	(1,894)	(2,860)
Other financing sources (uses):					
Sec 108-HUD loan proceeds	5,981	0	0	0	0
Transfers in	49	0	5	1,137	1,353
Transfers out	(808)	0	(95)	(21)	(692)
Premiums on bonds	0	0	0	0	0
Proceeds of general obligation bonds	0	0	0	0	0
Proceeds from sale of fixed assets	0	0	0	0	0
Total other financing sources (uses)	5,222	0	(90)	1,116	661
Net change in fund balances	(1,150)	403	(305)	(778)	(2,199)
Fund balances - beginning	4,995	1,132	6,422	2,362	11,744
Fund balances - ending	\$3,845	\$1,535	\$6,117	\$1,584	\$9,545

Transportation	Management Improvement	Storm Water Operations	Municipal	General Citizen	Arts and Cultural	Total Nonmajor Special Revenue Funds
\$0	\$0	\$0	\$0	\$0	\$0	\$0
1,123	319	0	0	0	0	52,373
0	69	19,576	1,956	2	0	24,538
0	597	0	0	0	0	1,787
370	134	105	384	37	52	1,921
0	0	0	12	240	4	1,238
0	0	0	0	0	0	694
606	18	0	23	62	3	10,649
<u>2,099</u>	<u>1,137</u>	<u>19,681</u>	<u>2,375</u>	<u>341</u>	<u>59</u>	<u>93,200</u>
0	2,227	19,004	3,803	592	0	44,188
0	0	0	0	0	0	10,288
1,824	0	0	0	0	0	2,284
0	0	0	0	0	0	10,708
0	0	0	0	0	117	9,944
0	0	0	0	0	0	28,601
0	0	0	0	0	0	0
<u>1,824</u>	<u>2,227</u>	<u>19,004</u>	<u>3,803</u>	<u>592</u>	<u>117</u>	<u>106,013</u>
275	(1,090)	677	(1,428)	(251)	(58)	(12,813)
0	0	0	0	0	0	5,981
0	158	0	51	4	24	2,781
0	0	(644)	(2,146)	0	0	(4,406)
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>0</u>	<u>158</u>	<u>(644)</u>	<u>(2,095)</u>	<u>4</u>	<u>24</u>	<u>4,356</u>
275	(932)	33	(3,523)	(247)	(34)	(8,457)
20,569	6,928	(1,104)	7,609	1,701	2,256	64,614
<u>\$20,844</u>	<u>\$5,996</u>	<u>(\$1,071)</u>	<u>\$4,086</u>	<u>\$1,454</u>	<u>\$2,222</u>	<u>\$56,157</u>

CITY OF DALLAS, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended September 30, 2003
 (in thousands)

	Neighborhood Projects	Parks	Capital Projects Streets and Drainage	Building
Revenues:				
Ad valorem tax	\$12,655	\$0	\$0	\$0
Intergovernmental	694	30	0	0
Service to others	14	656	0	0
Fines and forfeitures	0	0	0	0
Investment income	1,524	805	1,409	1,217
Gifts	0	419	0	945
Confiscated money awards	0	0	0	0
Other	1,293	165	961	384
Total revenues	<u>16,180</u>	<u>2,075</u>	<u>2,370</u>	<u>2,546</u>
Expenditures:				
Current:				
General government	0	0	0	0
Public safety	0	0	0	0
Streets, street lighting, sanitation	0	0	0	0
Public health	0	0	0	0
Culture and recreation	0	0	0	0
Human services	0	0	0	0
Capital outlay	22,254	15,250	34,663	40,696
Total expenditures	<u>22,254</u>	<u>15,250</u>	<u>34,663</u>	<u>40,696</u>
Excess (deficiency) of revenues over (under) expenditures				
Other financing sources (uses):				
Sec 108-HUD loan proceeds	0	0	0	0
Transfers in	200	1,433	0	0
Transfers out	(2,648)	(235)	(3,939)	(5,554)
Premiums on bonds	0	0	0	180
Proceeds of general obligation bonds	0	0	0	47,195
Proceeds from sale of fixed assets	0	217	865	0
Total other financing sources (uses)	<u>(2,448)</u>	<u>1,415</u>	<u>(3,074)</u>	<u>41,821</u>
Net change in fund balances	(8,522)	(11,760)	(35,367)	3,671
Fund balances - beginning	<u>39,909</u>	<u>35,453</u>	<u>115,148</u>	<u>84,035</u>
Fund balances - ending	<u>\$31,387</u>	<u>\$23,693</u>	<u>\$79,781</u>	<u>\$87,706</u>

Trans- portation	Total Nonmajor Capital Project Funds
\$0	\$12,655
2,844	3,568
0	670
0	0
1,467	6,422
0	1,364
0	0
0	2,803
4,311	27,482

0	0
0	0
0	0
0	0
0	0
0	0
9,072	121,935
9,072	121,935

0	0
0	1,633
(432)	(12,808)
	180
0	47,195
0	1,082
(432)	37,282

(5,193)	(57,171)
43,422	317,967
\$38,229	\$260,796

CITY OF DALLAS, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended September 30, 2003
 (in thousands)

	Samuell Park	Grauwyler Memorial	Craddock Park	Martin Weiss Park
Revenues:				
Ad valorem tax	\$0	\$0	\$0	\$0
Intergovernmental	0	0	0	0
Service to others	0	0	0	0
Fines and forfeitures	0	0	0	0
Investment income	833	8	89	9
Gifts	0	0	0	0
Confiscated money awards	0	0	0	0
Other	0	0	0	0
Total revenues	<u>833</u>	<u>8</u>	<u>89</u>	<u>9</u>
Expenditures:				
Current:				
General government	0	0	0	0
Public safety	0	0	0	0
Streets, street lighting, sanitation	0	0	0	0
Public health	0	0	0	0
Culture and recreation	0	0	0	0
Human services	0	0	0	0
Capital outlay	0	0	0	0
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures				
Other financing sources (uses):				
Sec 108-HUD loan proceeds	0	0	0	0
Transfers in	0	0	0	0
Transfers out	(203)	(1)	(20)	(2)
Premiums on bonds	0	0	0	0
Proceeds of general obligation bonds	0	0	0	0
Proceeds from sale of fixed assets	0	0	0	0
Total other financing sources (uses)	<u>(203)</u>	<u>(1)</u>	<u>(20)</u>	<u>(2)</u>
Net change in fund balances	630	7	69	7
Fund balances - beginning	<u>6,018</u>	<u>60</u>	<u>551</u>	<u>53</u>
Fund balances - ending	<u>\$6,648</u>	<u>\$67</u>	<u>\$620</u>	<u>\$60</u>

Hale Davis	Total Permanent Funds	Total Nonmajor Governmental Funds
\$0	\$0	\$12,655
0	0	55,941
0	0	25,208
0	0	1,787
39	978	9,321
0	0	2,602
0	0	694
0	0	13,452
<u>39</u>	<u>978</u>	<u>121,660</u>
0	0	44,188
0	0	10,288
0	0	2,284
0	0	10,708
0	0	9,944
0	0	28,601
0	0	121,935
<u>0</u>	<u>0</u>	<u>227,948</u>
0	0	5,981
0	0	4,414
(1)	(227)	(17,441)
0	0	180
0	0	47,195
0	0	1,082
<u>(1)</u>	<u>(227)</u>	<u>41,411</u>
38	751	(64,877)
<u>284</u>	<u>6,966</u>	<u>389,547</u>
<u>\$322</u>	<u>\$7,717</u>	<u>\$324,670</u>

NONMAJOR ENTERPRISE FUNDS

To account for operations which are financed and operated in a manner similar to private business enterprise.

Municipal Radio – to account for City-owned radio broadcast services.

Building Inspection - to account for construction inspection services for the Dallas area.

CITY OF DALLAS, TEXAS
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 As of September 30, 2003
 (in thousands)

	Municipal Radio	Building Inspection	Total Nonmajor Enterprise Funds
Assets			
Current assets:			
Pooled cash and cash equivalents	\$5,219	\$2,728	\$7,947
Receivables:			
Accounts	1,251	61	1,312
Accrued interest	0	2	2
Allowance for uncollectibles	(4)	0	(4)
Total current assets	<u>6,466</u>	<u>2,791</u>	<u>9,257</u>
Capital assets:			
Buildings	321	0	321
Improvements other than building	71	0	71
Infrastructure	0	0	0
Equipment	1,009	894	1,903
Construction in progress	68	43	111
Less accumulated depreciation	(848)	(570)	(1,418)
Total capital assets	<u>621</u>	<u>367</u>	<u>988</u>
Total assets	<u>7,087</u>	<u>3,158</u>	<u>10,245</u>
Liabilities			
Current liabilities:			
Accounts payable	76	27	103
Accrued vacation and sick leave	99	874	973
Other	83	0	83
Total current liabilities	<u>258</u>	<u>901</u>	<u>1,159</u>
Noncurrent liabilities:			
Customer deposits	3	0	3
Other	146	1,312	1,458
Total noncurrent liabilities	<u>149</u>	<u>1,312</u>	<u>1,461</u>
Total liabilities	<u>407</u>	<u>2,213</u>	<u>2,620</u>
Net assets			
Invested in capital assets, net of related debt	621	367	988
Unrestricted	<u>6,059</u>	<u>578</u>	<u>6,637</u>
Total net assets	<u>\$6,680</u>	<u>\$945</u>	<u>\$7,625</u>

CITY OF DALLAS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
Year Ended September 30, 2003
(in thousands)

	Municipal Radio	Building Inspection	Total Nonmajor Enterprise Funds
Operating revenues:			
Customer charges	\$3,019	\$16,264	\$19,283
Other	333	41	374
Total operating revenues	<u>3,352</u>	<u>16,305</u>	<u>19,657</u>
Operating expenses:			
Personal services	1,557	11,625	13,182
Supplies and materials	324	150	474
Contractual and other services	992	3,475	4,467
Capital outlay	0	0	0
Depreciation	41	85	126
Refunds and reimbursements	0	(1,230)	(1,230)
Total operating expenses	<u>2,914</u>	<u>14,105</u>	<u>17,019</u>
Operating income	<u>438</u>	<u>2,200</u>	<u>2,638</u>
Nonoperating revenues (expenses):			
Investment income	123	51	174
Gain (loss) on disposal of capital assets	(71)	(225)	(296)
Total nonoperating revenues	<u>52</u>	<u>(174)</u>	<u>(122)</u>
Income before contribution and transfer	<u>490</u>	<u>2,026</u>	<u>2,516</u>
Capital contributions	73	11	84
Transfers out	(81)	(1,562)	(1,643)
Change in net assets	<u>482</u>	<u>475</u>	<u>957</u>
Net assets, beginning of year	<u>6,198</u>	<u>470</u>	<u>6,668</u>
Net assets, ending of year	<u>\$6,680</u>	<u>\$945</u>	<u>\$7,625</u>

CITY OF DALLAS, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 Year Ended September 30, 2003
 (in thousands)

	Municipal Radio	Building Inspection	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Cash received from customers	\$3,070	\$16,482	\$19,552
Cash payments to suppliers for goods and services	(330)	(150)	(480)
Cash payments to employees for services	(1,595)	(11,681)	(13,276)
Cash payments for contractual services	(990)	(3,477)	(4,467)
Cash refunds and reimbursements	(129)	1,230	1,101
Other operating cash receipts	2	285	287
Net cash provided by operating activities	<u>28</u>	<u>2,689</u>	<u>2,717</u>
Cash flows from non capital financing activities:			
Transfers to other funds	(81)	(1,562)	(1,643)
Net cash used for non capital and related financing activities	<u>(81)</u>	<u>(1,562)</u>	<u>(1,643)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(226)	(32)	(258)
Net cash used for capital and related financing activities	<u>(226)</u>	<u>(32)</u>	<u>(258)</u>
Cash flows from investing activities:			
Investment interest received	167	75	242
Decrease in fair value of city pool	(40)	(24)	(64)
Net cash provided by investing activities	<u>127</u>	<u>51</u>	<u>178</u>
Net increase (decrease) in cash and cash equivalents	(152)	1,146	994
Cash and cash equivalents, beginning of year	5,371	1,582	6,953
Cash and cash equivalents, end of year	<u>5,219</u>	<u>2,728</u>	<u>7,947</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	<u>\$438</u>	<u>\$2,200</u>	<u>\$2,638</u>
Adjustments not affecting cash:			
Depreciation	41	85	126
Change in assets and liabilities:			
(Increase) decrease in accounts and other receivables	(265)	177	(88)
Decrease in due from other governments	0	(50)	(50)
Increase (decrease) in accounts and contracts payable	2	(2)	0
Decrease in accrued compensation	(38)	(56)	(94)
Decrease in allowance for doubtful accounts	(20)	0	(20)
Increase in customer deposits	3	0	3
(Decrease) increase in other liabilities	(133)	335	202
Total adjustments	<u>(410)</u>	<u>489</u>	<u>79</u>
Net cash provided by operating activities	<u>\$28</u>	<u>\$2,689</u>	<u>\$2,717</u>
Noncash investing, capital, and financing activities:			
Increase in capital contribution	73	11	84
Total noncash investing, capital, and financing activities	<u>73</u>	<u>11</u>	<u>84</u>

INTERNAL SERVICE FUNDS

Equipment Services Fund – to account for the cost of providing vehicles, vehicle maintenance, and fuel and lubrication to other City departments.

Communication Equipment Services Fund – to account for the cost of providing communication services to other City departments.

Office Services Fund – to account for the cost of providing office supplies, printing, copying and mailing services to other City departments.

Information Services Fund – to account for the cost of providing data processing and programming services to other City departments.

Risk Funds – to account for the cost of providing risk financing and insurance-related activities to other City departments.

CITY OF DALLAS, TEXAS
 COMBINING STATEMENTS OF NET ASSETS
 INTERNAL SERVICE FUNDS
 As of September 30, 2003
 (in thousands)

	Equipment Services	Communciation Equipment Services	Office Services	Information Systems	Risk Funds	Total
Assets						
Current assets:						
Pooled cash and cash equivalents	\$5,377	\$2,826	\$521	\$8,753	\$16,456	\$33,933
Receivables:						
Accounts	0	0	0	2	2	4
Accrued interest	0	0	0	1	2	3
Inventories	2,032	0	356	0	0	2,388
Prepaid expenses	0	0	0	0	12	12
Other	0	0	0	0	912	912
Total current assets	7,409	2,826	877	8,756	17,384	37,252
Property, plant, and equipment:						
Land	1,696	0	0	0	0	1,696
Buildings	2,772	1,663	0	0	0	4,435
Improvements other than buildings	285	456	0	248	0	989
Infrastructure	1,136	685	0	0	0	1,821
Equipment	143,756	16,201	217	13,522	336	174,032
Construction in progress	67	152	0	185	489	893
Less accumulated depreciation	(89,533)	(11,500)	(212)	(12,622)	(321)	(114,188)
Net property, plant, and equipment	60,179	7,657	5	1,333	504	69,678
Total assets	67,588	10,483	882	10,089	17,888	106,930
Liabilities						
Current liabilities:						
Accrued payroll	0	0	0	0	0	0
Accounts payable	805	79	233	738	412	2,267
Accrued vacation and sick leave	1,028	229	35	1,032	164	2,488
Estimated unpaid health claims	0	0	0	0	12,772	12,772
Estimated unpaid claims - general	0	0	0	0	8,300	8,300
Workers' compensation	0	0	0	0	18,407	18,407
Other	0	0	18	105	227	350
Total current liabilities	1,833	308	286	1,875	40,282	44,584
Noncurrent liabilities:						
Estimated unpaid claims - general	0	0	0	0	16,535	16,535
Workers' compensation	0	0	0	0	38,770	38,770
Accrued vacation and sick	1,543	344	53	1,548	246	3,734
Other	0	0	6	217	0	223
Total noncurrent liabilities	1,543	344	59	1,765	55,551	59,262
Total liabilities	3,376	652	345	3,640	95,833	103,846
Net Assets						
Invested in capital assets, net of related debt	60,179	7,657	5	1,333	504	69,678
Unrestricted	4,033	2,174	532	5,116	(78,449)	(66,594)
Total net assets	\$64,212	\$9,831	\$537	\$6,449	(\$77,945)	\$3,084

CITY OF DALLAS, TEXAS
 COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 Year Ended September 30, 2003
 (in thousands)

	Equipment Services	Communciation Equipment Services	Office Services	Information Systems	Risk Funds	Total
Operating revenues						
Charges to other city departments	\$30,702	\$3,526	\$2,804	\$30,387	\$74,252	\$141,671
Services to others	0	189	0	0	23,281	23,470
Other	0	0	1,319	149	1,748	3,216
Total operating revenues	<u>30,702</u>	<u>3,715</u>	<u>4,123</u>	<u>30,536</u>	<u>99,281</u>	<u>168,357</u>
Operating expenses						
Personnel services	13,068	2,617	651	11,554	26,934	54,824
Supplies and materials	12,889	543	35	1,808	36	15,311
Contractual and other services	3,053	237	2,843	10,111	80,708	96,952
Depreciation	15,167	1,475	3	774	4	17,423
Total operating expenses	<u>44,177</u>	<u>4,872</u>	<u>3,532</u>	<u>24,247</u>	<u>107,682</u>	<u>184,510</u>
Operating income (loss)	<u>(13,475)</u>	<u>(1,157)</u>	<u>591</u>	<u>6,289</u>	<u>(8,401)</u>	<u>(16,153)</u>
Nonoperating revenues (expenses):						
Investment income	66	63	6	96	637	868
Gain (loss) on property disposals	(644)	(4,863)	(5)	(3,651)	(62)	(9,225)
Total nonoperating revenues	<u>(578)</u>	<u>(4,800)</u>	<u>1</u>	<u>(3,555)</u>	<u>575</u>	<u>(8,357)</u>
Income (loss) before operating transfers and contributions	<u>(14,053)</u>	<u>(5,957)</u>	<u>592</u>	<u>2,734</u>	<u>(7,826)</u>	<u>(24,510)</u>
Capital contributions	52,465	8,085	0	2,414	0	62,964
Transfers in	0	788	0	346	0	1,134
Transfers out	<u>(2,215)</u>	<u>(690)</u>	<u>(325)</u>	<u>(3,262)</u>	<u>(3,651)</u>	<u>(10,143)</u>
Change in net assets	36,197	2,226	267	2,232	(11,477)	29,445
Total net assets, beginning of year	<u>28,015</u>	<u>7,605</u>	<u>270</u>	<u>4,217</u>	<u>(66,468)</u>	<u>(26,361)</u>
Total net assets, end of year	<u>\$64,212</u>	<u>\$9,831</u>	<u>\$537</u>	<u>\$6,449</u>	<u>(\$77,945)</u>	<u>\$3,084</u>

CITY OF DALLAS, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 Year Ended September 30, 2003
 (in thousands)

	Equipment Services	Communciation Equipment Services	Office Services	Information Systems	Risk Funds	Total
Cash flows from operating activities:						
Cash received from other funds for services	\$30,702	\$3,719	\$4,123	\$30,536	\$99,102	\$168,182
Cash payments to suppliers for goods and services	(13,089)	(941)	(118)	(1,693)	(861)	(16,702)
Cash payments to employees for services	(12,091)	(2,450)	(633)	(10,437)	(26,756)	(52,367)
Cash payments for contractual services	(4,729)	(687)	(2,912)	(11,647)	(80,934)	(100,909)
Other operating cash receipts	1,862	4,324	0	0	9,937	16,123
Other operating cash payments	0	0	(3)	(306)	0	(309)
Net cash provided (used) by operating activities	<u>2,655</u>	<u>3,965</u>	<u>457</u>	<u>6,453</u>	<u>488</u>	<u>14,018</u>
Cash flows from noncapital financing activities:						
Transfers from other funds	0	788	0	346	0	1,134
Transfers to other funds	(2,215)	(690)	(325)	(3,262)	(3,651)	(10,143)
Net cash provided (used) by noncapital financing activities	<u>(2,215)</u>	<u>98</u>	<u>(325)</u>	<u>(2,916)</u>	<u>(3,651)</u>	<u>(9,009)</u>
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(543)	(4,299)	0	(211)	(489)	(5,542)
Proceeds from sale of assets	61	12	2	0	42	117
Net cash provided (used) by capital and related financing activities	<u>(482)</u>	<u>(4,287)</u>	<u>2</u>	<u>(211)</u>	<u>(447)</u>	<u>(5,425)</u>
Cash flows from investing activities:						
Investment income	70	65	6	98	655	894
Net cash provided by investing activities	<u>70</u>	<u>65</u>	<u>6</u>	<u>98</u>	<u>655</u>	<u>894</u>
Net increase (decrease) in pooled cash and cash equivalents	28	(159)	140	3,424	(2,955)	478
Cash and cash equivalents, beginning of year	5,349	2,985	381	5,329	19,411	33,455
Cash and cash equivalents, end of year	<u>\$5,377</u>	<u>\$2,826</u>	<u>\$521</u>	<u>\$8,753</u>	<u>\$16,456</u>	<u>\$33,933</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	<u>(\$13,475)</u>	<u>(\$1,157)</u>	<u>\$591</u>	<u>\$6,289</u>	<u>(\$8,401)</u>	<u>(\$16,153)</u>
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:						
Depreciation	15,167	1,475	3	774	4	17,423
Change in assets and liabilities:						
Increase in accounts receivables	0	4	0	0	0	4
Increase (decrease) in inventories	133	0	(180)	0	0	(47)
Decrease in prepaid expenses	0	0	0	0	(5)	(5)
Decrease in other assets	1,862	4,324	(2)	(306)	(179)	5,699
Decrease in accrued compensation	977	167	18	1,117	178	2,457
Increase (decrease) in accounts and notes payable	(333)	(398)	96	115	32	(488)
Decrease in due to other governments	0	0	(1)	0	(1)	(2)
Increase (decrease) in other liabilities	(1,676)	(450)	(68)	(1,536)	8,860	5,130
Total adjustments	<u>16,130</u>	<u>5,122</u>	<u>(134)</u>	<u>164</u>	<u>8,889</u>	<u>30,171</u>
Net cash provided (used) by operating activities	<u>2,655</u>	<u>3,965</u>	<u>457</u>	<u>6,453</u>	<u>488</u>	<u>14,018</u>
Noncash investing, capital, and financing activities:						
Increase in capital contribution	52,465	8,085	0	0	0	60,550
Increase (decrease) in fair value of investments	(3)	(21)	5	(47)	(175)	(241)
Total noncash investing, capital, and financing activities	<u>\$52,462</u>	<u>\$8,064</u>	<u>\$5</u>	<u>(\$47)</u>	<u>(\$175)</u>	<u>\$60,309</u>

FIDUCIARY FUNDS

Trust and Agency Funds - to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The City's Trust and Agency Funds include Expendable Trust Funds, Nonexpendable Trust Funds, Pension Trust Funds and Agency Funds.

Pension Trust Funds are accounted for in essentially the same manner as proprietary funds, using the same measurement focus and basis of accounting. The Pension Trust Funds are used to account for the assets of the City's Employees' Retirement Fund; Dallas Police and Fire Pension System; and the Police and Fire Supplemental Pension Fund.

Agency Fund are purely custodial and do not involve measurement of results of operations.

Cash Escrow Deposit Fund - to account for cash escrow bonds by jail arrest violators.

Confiscated Money Fund - to account for property confiscated in drug violation arrests

Disposal Deposit Fund - to account for deposits from sanitary landfill customers that have credit accounts with the City to guarantee payment of accounts.

Street Excavation Fund - to account for deposits by contractors to guarantee street repairs when utility lines are placed under roadways.

Walker Housing Fund - to account for the custodian of cash and settlement of the Walker Housing lawsuit.

Employee War and Savings Bond Fund - to account for employee payroll deductions for the purchase of savings bonds.

Deferred Compensation Fund - to account for the employees' 401K, tax deferred compensation deductions.

Employee Benefits Fund - to account for employees' Dental, Vision, AD&D, and Dependent Life Insurance deductions and Health Maintenance Organization (HMO) employees' and City deductions. The City collects and remits premiums on behalf of the participants.

CITY OF DALLAS, TEXAS
 COMBINING STATEMENT OF PLAN NET ASSETS
 PENSION TRUST FUNDS
 As of September 30, 2003
 (in thousands)

	Employees Retirement Fund	Dallas Police & Fire Pension System	Police & Fire Supplemental Pension Fund	Total Pension Trust Funds
Assets				
Cash and cash equivalents	\$210,206	\$218,781	\$0	\$428,987
Receivables:				
Accounts	15,901	23,976	0	39,877
Accrued interest	8,961	8,351	3	17,315
Investments, at fair value	1,562,910	1,603,670	14,140	3,180,720
Total assets	<u>1,797,978</u>	<u>1,854,778</u>	<u>14,143</u>	<u>3,666,899</u>
Liabilities				
Accounts payable	4,295	0	62	4,357
Payable for securities purchased	69,306	21,266	0	90,572
Securities lending obligation	166,588	163,493	0	330,081
Other	2,995	9,774	0	12,769
Total liabilities	<u>243,184</u>	<u>194,533</u>	<u>62</u>	<u>437,779</u>
Net assets				
Held in trust for pension benefits and other purposes	<u>1,554,794</u>	<u>1,660,245</u>	<u>14,081</u>	<u>3,229,120</u>
Total net assets	<u><u>\$1,554,794</u></u>	<u><u>\$1,660,245</u></u>	<u><u>\$14,081</u></u>	<u><u>\$3,229,120</u></u>

CITY OF DALLAS, TEXAS
 COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
 PENSION TRUST FUNDS
 Year Ended September 30, 2003
 (in thousands)

	Employees Retirement Fund	Dallas Police & Fire Pension System	Police & Fire Supplemental Pension Fund	Total Pension Trust Funds
Additions:				
Contributions:				
Employer	\$36,606	\$77,085	\$900	\$114,591
Employee	21,771	16,274	48	38,093
Net depreciation in fair value of investments	(210,330)	(271,219)	(1,250)	(482,799)
Interest	42,840	52,082	3	94,925
Other	(4,144)	2,041	3	(2,100)
Total additions	<u>(113,257)</u>	<u>(123,737)</u>	<u>(296)</u>	<u>(237,290)</u>
Deductions:				
Benefit payments	97,363	88,891	1,076	187,330
Refund of contributions	2,552	852	0	3,404
Other	1,944	14,662	43	16,649
Total deductions	<u>101,859</u>	<u>104,405</u>	<u>1,119</u>	<u>207,383</u>
Change in net assets	<u>(215,116)</u>	<u>(228,142)</u>	<u>(1,415)</u>	<u>(444,673)</u>
Net assets, at beginning of the year	1,769,910	1,888,387	15,496	3,673,793
Net assets, end of the year	<u>\$1,554,794</u>	<u>\$1,660,245</u>	<u>\$14,081</u>	<u>\$3,229,120</u>

CITY OF DALLAS, TEXAS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 Year Ended September 30, 2003
 (in thousands)

	Balance September 30, 2002	Additions	Deductions	Balance September 30, 2003
CASH ESCROW DEPOSIT FUND				
ASSETS				
Cash and other assets	\$3,106	\$5,115	\$5,381	\$2,840
LIABILITIES				
Due to other governments and other liabilities	3,106	5,115	5,381	2,840
CONFISCATED MONEY FUND				
ASSETS				
Cash and other assets	3,359	1,790	1,605	3,544
LIABILITIES				
Other liabilities	3,359	1,790	1,605	3,544
DISPOSAL DEPOSIT FUND				
ASSETS				
Cash and other assets	799	102	16	885
LIABILITIES				
Customer deposits	799	102	16	885
STREET EXCAVATION FUND				
ASSETS				
Cash	75	0	0	75
LIABILITIES				
Customer deposits	75	0	0	75
WALKER HOUSING FUND				
ASSETS				
Cash and other assets	689	159	320	528
LIABILITIES				
Accrual for Walker settlement and other liabilities	689	159	320	528
TAX DISTRIBUTION FUND				
ASSETS				
Cash and other assets	604	182	167	619
LIABILITIES				
Due to other funds and other liabilities	604	182	167	619
EMPLOYEE WAR AND SAVINGS BOND FUND				
ASSETS				
Cash	(6)	921	943	(28)
LIABILITIES				
Other liabilities	(6)	921	943	(28)
DEFERRED COMPENSATION FUND				
ASSETS				
Investments and other assets	(261)	26,927	26,388	278
LIABILITIES				
Due to employees - deferred compensation and other liabilities	(261)	26,927	26,388	278
EMPLOYEE BENEFITS FUND				
ASSETS				
Cash	5,584	19,282	19,255	5,611
LIABILITIES				
Other liabilities	5,584	19,282	19,255	5,611
TRAVELERS EXPRESS DEPOSITS				
ASSETS				
Cash and other assets	361	10,540	7,283	3,618
LIABILITIES				
Other liabilities	361	10,540	7,283	3,618
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash, investments and other assets	14,310	65,018	61,358	17,970
LIABILITIES				
Due to other funds and other liabilities	\$14,310	\$65,018	\$61,358	\$17,970

DEBT SERVICE FUND

The City maintains one fund to account for payment of principal and interest on the following general obligation debt: bonds, certificates of obligation, and equipment acquisition notes.

CITY OF DALLAS, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 Year Ended September 30, 2003
 (in thousands)

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget-- Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes	\$124,583	\$124,583	\$123,434	(\$1,149)
Interest	1,388	1,388	923	(465)
Other	59	59	463	404
Total revenues	<u>126,030</u>	<u>126,030</u>	<u>124,820</u>	<u>(1,210)</u>
Expenditures:				
Principal retirements	92,325	93,010	92,735	275
Interest and fiscal charges	36,417	34,134	33,937	197
Advance Refunding-Escrow	0	3,240	3,240	0
Other	1,479	1,721	1,718	3
Total expenditures	<u>130,221</u>	<u>132,105</u>	<u>131,630</u>	<u>475</u>
Deficiency of revenues under expenditures	<u>(4,191)</u>	<u>(6,075)</u>	<u>(6,810)</u>	<u>(735)</u>
Other financing sources (uses):				
Transfers in	3,310	3,310	4,561	1,251
Transfers out	0	0	0	0
Total other financing sources	<u>3,310</u>	<u>3,310</u>	<u>4,561</u>	<u>1,251</u>
Deficiency of revenues and other financing sources under expenditures and other uses	<u>(881)</u>	<u>(2,765)</u>	<u>(2,249)</u>	<u>516</u>
Fund balance at beginning of year	<u>12,399</u>	<u>12,399</u>	<u>8,455</u>	<u>(3,944)</u>
Fund balance at end of year	<u>\$11,518</u>	<u>\$9,634</u>	<u>\$6,206</u>	<u>(\$3,428)</u>

Adjustments necessary to convert the deficiency of revenues and other sources under expenditures and other uses on the budget basis to a GAAP basis are provided below:

Excess of revenues and other financing sources over expenditures and other uses-budget basis	(2,249)
Net decrease in interest and the fair value of investment not budgeted	(184)
Transfers-in not budgeted	<u>4,523</u>
Excess of expenditures over revenues and other financing sources and other uses-GAAP	<u>\$2,090</u>

DISCRETELY PRESENTED COMPONENT UNITS

Industrial Development Corporation – organized solely for the purpose of promoting and developing commercial, industrial, and manufacturing enterprises to promote and encourage employment and public welfare.

Health Facilities Development Corporation – organized to acquire, construct, provide, improve, finance, and refinance health facilities to assist the maintenance of the public health.

Housing Finance Corporation – organized to issue tax-exempt mortgage revenue bonds to encourage low to moderate income citizens opportunities for single family residential home ownership.

Housing and Development Corporation – organized solely and exclusively for the public purpose of providing safe, affordable housing facilities which are incidental thereto for the benefit of low and moderate-income persons.

CITY OF DALLAS, TEXAS
STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
As of September 30, 2003
(in thousands)

	Business-type activities component units				
	Industrial Development Corporation	Health Facilities Development Corporation	Housing Finance Corporation	Housing and Development Corporation	Total
Assets:					
Current assets:					
Cash and cash equivalents	\$0	\$1	\$730	\$2	\$733
Accrued interest	0	0	1	0	1
Total current assets	<u>0</u>	<u>1</u>	<u>731</u>	<u>2</u>	<u>734</u>
Liabilities:					
Current liabilities:					
Accounts payable	0	0	1	0	1
Total current liabilities	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>
Total liabilities	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>
Net assets:					
Unrestricted	<u>0</u>	<u>1</u>	<u>730</u>	<u>2</u>	<u>733</u>
Total net assets	<u>\$0</u>	<u>\$1</u>	<u>\$730</u>	<u>\$2</u>	<u>\$733</u>

CITY OF DALLAS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
Year Ended September 30, 2003
(in thousands)

	Business-type-Activities-Component units				Total
	Industrial Development Corporation	Health Facilities Development Corporation	Housing Finance Corporation	Housing and Development Corporation	
Operating revenues:					
Customer charges	\$0	\$0	\$483	\$0	\$483
Total operating revenues	<u>0</u>	<u>0</u>	<u>483</u>	<u>0</u>	<u>483</u>
Operating expenses:					
Personal services	0	0	75	0	75
Contractual and other services	61	0	136	0	197
Total operating expenses	<u>61</u>	<u>0</u>	<u>211</u>	<u>0</u>	<u>272</u>
Operating income (loss)	<u>(61)</u>	<u>0</u>	<u>272</u>	<u>0</u>	<u>211</u>
Nonoperating revenues (expenses):					
Interest and dividends	0	0	3	0	3
Total nonoperating revenues (expenses)	<u>0</u>	<u>0</u>	<u>3</u>	<u>0</u>	<u>3</u>
Income (loss) before contributions and transfers	(61)	0	275	0	214
Transfer out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in net assets	<u>(61)</u>	<u>0</u>	<u>275</u>	<u>0</u>	<u>214</u>
Net assets, beginning of year	<u>61</u>	<u>1</u>	<u>455</u>	<u>2</u>	<u>519</u>
Net assets, end of year	<u>\$0</u>	<u>\$1</u>	<u>\$730</u>	<u>\$2</u>	<u>\$733</u>

CITY OF DALLAS, TEXAS
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNITS
Year Ended September 30, 2003
(in thousands)

	Business-type-Activities-Component units				Total
	Industrial Development Corporation	Health Facilities Development Corporation	Housing Finance Corporation	Housing and Development Corporation	
Cash flows from operating activities:					
Cash received from customers	\$0	\$0	\$463	\$0	\$463
Cash payments to employees for services	0	0	(75)	0	(75)
Cash payments for contractual services	(61)	0	(136)	0	(197)
Net cash provided by (used for) operating activities	(61)	0	252	0	191
Cash flows from noncapital financing activities:					
Transfer to City of Dallas	0	0	0	0	0
Net cash provided by (used for) noncapital financing activities	0	0	0	0	0
Cash flows from investing activities:					
Investment income	0	0	3	0	3
Net cash provided by investing activities	0	0	3	0	3
Net increase (decrease) in cash and cash equivalents	0	0	255	0	255
Cash and cash equivalents, beginning of year	61	1	475	2	539
Cash and cash equivalents, end of year	\$0	\$1	\$730	\$2	\$733
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	(\$61)	\$0	\$272	\$0	\$211
Adjustments not affecting cash:					
Change in assets and liabilities:					
Decrease in accounts and contracts payable	0	0	(20)	0	(20)
Total adjustments	0	0	(20)	0	(20)
Net cash provided by (used for) operating activities	(61)	0	252	0	191



CITY OF DALLAS, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION OF
 GOVERNMENTAL FUNDS BY SOURCE
 As of September 30, 2003
 (in thousands)

Governmental funds capital assets:	
Land	\$298,302
Construction in progress	270,983
Buildings	595,211
Improvements other than buildings	122,364
Equipment	191,150
Infrastructure	1,271,668
Artwork	48,677
Total governmental funds capital assets	<u><u>\$2,798,355</u></u>
Investments in governmental funds capital assets by source:	
General fund	\$434,274
Other trust and agency funds - municipality	107,976
Special revenue fund	76,675
Capital projects fund	2,124,956
Transfer from (to) enterprise funds	(36,448)
Gifts and forfeitures	90,922
	<u><u>\$2,798,355</u></u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. The capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF DALLAS, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 As of September 30, 2003
 (in thousands)

Function and Activity	Land	Construction in Progress	Buildings	Improvements	Equipment	Infrastructure	Artwork	Total
				Other than Buildings				
General government								
City attorney	\$0	\$0	\$0	\$8	\$228	\$0	\$0	\$236
City auditor	0	0	0	0	89	0	0	89
Office of financial services	69	0	4	209	9,097	757	0	10,136
Municipal Court	0	0	522	0	386	30	0	938
City manager	0	0	0	0	0	0	0	0
City secretary	0	0	0	0	104	0	0	104
Civil service	0	0	0	0	118	0	0	118
Planning and Development	5,270	0	4,644	0	1,246	4,931	0	16,091
Employee retirement	0	0	0	0	13	0	0	13
Equipment, communications and information services	(5)	0	378	57	633	(86)	0	977
Human resources	0	0	0	0	176	0	0	176
International Affairs	0	0	0	0	28	0	0	28
Mayor and council	0	0	0	0	212	0	0	212
Police and fire pension	0	0	0	0	30	0	0	30
Public safety								
Fire	3,493	0	24,735	38	43,695	21	0	71,982
Police	9,292	0	33,221	50	12,216	3,181	0	57,960
Public market	4,771	0	4,355	515	199	741	0	10,581
Street, sanitation, and code enforcement	53,191	0	6,310	1,817	9,869	362,128	0	433,315
Environmental and health services	3,635	0	7,234	866	913	478	0	13,126
Public works and transportation	78,725	0	77,930	831	19,570	771,887	0	948,943
Culture and recreation	109,012	0	332,556	117,805	13,564	28,581	48,677	650,195
Library	1,178	0	58,750	17	72,445	348	0	132,738
Housing	240	0	4,832	151	92	3,302	0	8,617
Unallocated - Primarily assets acquired prior to 1977	29,431	0	39,740	0	6,227	95,369	0	170,767
Construction in progress	0	270,983	0	0	0	0	0	270,983
Total Capital Assets of governmental funds	<u>\$298,302</u>	<u>\$270,983</u>	<u>\$595,211</u>	<u>\$122,364</u>	<u>\$191,150</u>	<u>\$1,271,668</u>	<u>\$48,677</u>	<u>\$2,798,355</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. The capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF DALLAS, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
Year Ended September 30, 2003
(in thousands)

Function and Activity	Governmental Funds Capital Assets October 1, 2002	Additions	Dispositions	Governmental Funds Capital Assets September 30, 2003
General government				
City attorney	\$949	\$0	\$713	\$236
City auditor	423	0	334	89
Office of financial services	11,856	1,137	2,857	10,136
Municipal court	1,095	83	240	938
City manager	178	1	179	0
City secretary	245	5	146	104
Civil service	243	0	125	118
Planning and development	9,795	7,513	1,217	16,091
Employee retirement	20	0	7	13
Equipment, communications and information services	1,782	40	845	977
Human resources	315	23	162	176
International affairs	45	0	17	28
Mayor and council	377	2	167	212
Police and fire pension	31	0	1	30
		0	0	
Public safety		0	0	
Fire	73,764	3,224	5,006	71,982
Police	66,000	398	8,438	57,960
Public market	10,619	0	38	10,581
Street, sanitation, and code enforcement	433,149	11,662	11,496	433,315
Environmental and health services	14,501	46	1,421	13,126
Public works and transportation	959,019	15,834	25,910	948,943
Culture and recreation	667,255	40,694	57,754	650,195
Housing	8,813	1	197	8,617
Library	133,866	5,284	6,412	132,738
Unallocated - primarily assets acquired prior to 1977	170,767	0	0	170,767
Construction in progress	198,057	116,698	43,772	270,983
Total capital assets used in the operation of governmental funds	<u>\$2,763,164</u>	<u>\$202,645</u>	<u>\$167,454</u>	<u>\$2,798,355</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. The capital assets of internal service funds are included as governmental activities in the statement of net assets.



CITY OF DALLAS, TEXAS

**STATISTICAL SECTION
(UNAUDITED)
NOT COVERED BY AUDITORS' OPINION**

The statistical section includes ten year trend data for revenues, expenditures, taxes, debt ratios and certain supplemental data. It is subdivided into the following categories:

I. GENERAL HISTORY	Tables 1-5	Pages 120-122
II. ASSESSMENTS AND TAXES	Tables 6-11	Pages 123-126
III. LONG-TERM DEBT	Tables 12-16	Pages 127-132
IV. MISCELLANEOUS	Tables 17-20	Pages 133-137

CITY OF DALLAS, TEXAS

ELECTED OFFICIALS

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Laura Miller Mayor-District 15	5 Years, 5 Months	June, 2007	Former Journalist
Donald W. Hill Mayor Pro Tem Councilmember District 5	4 Years, 4 Months	June, 2005	Attorney
John Loza Deputy Mayor Pro Tem Councilmember District 2	6 Years, 4 Months	June, 2005	Attorney
Dr. Elba Garcia Councilmember District 1	2 Years, 4 Months	June, 2005	Dentist
Ed Oakley Councilmember District 3	2 Years, 4 Months	June, 2005	Property Manager & Project Manager
Dr. Maxine Thornton-Reese Councilmember District 4	4 Years, 4 Months	June, 2005	Retired Educator
Steve Salazar Councilmember District 6	4 Months	June, 2005	Attorney
Leo V. Chaney Councilmember District 7	4 Years, 4 Months	June, 2005	Comm. Relations Specialist DISD
James Fantroy Councilmember District 8	3 Years, 5 Months	June, 2005	Business Owner
Gary Griffith Councilmember District 9	4 Months	June, 2005	Owner, Public Relations Firm
Bill Blaydes Councilmember District 10	4 Months	June, 2005	CEO/Chairman, Resource Advisory Services
Lois Finkelman Councilmember District 11	6 Years, 4 Months	June, 2005	Planning/Community Relations Consultant
Sandy Greyson Councilmember District 12	6 Years, 4 Months	June, 2005	Community Volunteer
Mitchell Rasansky Councilmember District 13	2 Years, 4 Months	June, 2005	Banking & Real Estate Investment
Veletta Forsythe Lill Councilmember District 14	6 Years, 4 Months	June, 2005	Community Volunteer

CITY OF DALLAS, TEXAS

APPOINTED OFFICIALS

<u>Name</u>	<u>Position and Length of Time in this Position</u>	<u>Length of Employment with City of Dallas</u>
Teodoro J. Benavides	City Manager for 5 Years, 2 Months	23 Years, 2 Months
Madeleine B. Johnson	City Attorney for 4 Years, 3 Months	4 Years, 3 Months
Shirley Acy	City Secretary for 5 Years, 2 Months	30 Years, 1 Month
Thomas M. Taylor	City Auditor for 2 Years, 5 Months	22 Years, 1 Month
John A. Wright	City Treasurer for 2 Years, 1 Month	2 Years, 1 Month

CERTIFIED PUBLIC ACCOUNTANTS

KPMG, LLP
Hopkins & Associates
Marilou Martinez-Stevens

BOND COUNSEL

Vinson & Elkins L.L.P.
West & Gooden, P. C.
McCall, Parkhurst & Horton L.L.P.
Delgado, Acosta, Braden & Jones, P.C.

FINANCIAL ADVISORS

First Southwest Company
Estrada Hinojosa & Company, Inc.

CITY OF DALLAS, TEXAS

SECTION ONE: GENERAL HISTORY (UNAUDITED)
GOVERNMENT-WIDE EXPENSES BY FUNCTION ⁽¹⁾
(in thousands)General Government

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Streets, Street Lighting and Sanitation</u>	<u>Environmental and Health Services</u>	<u>Public Works/ Transportation/Equipment and Building Sv</u>	<u>Culture and Recreation</u>	<u>Housing</u>	<u>Human Service</u>	<u>Debt Svc</u>	<u>Total General Government</u>
2002	138,324	482,106	153,659	24,807	80,105	118,904	3,382	19,160	52,779	\$1,073,226
2003	148,380	533,689	129,552	26,012	41,416	109,886	1,308	31,781	34,862	\$1,056,886

Business-Type

<u>Fiscal Year</u>	<u>Water Utilities</u>	<u>Convention Center</u>	<u>Airport</u>	<u>Municipal Radio</u>	<u>Building Inspection</u>	<u>Total Business -Type</u>
2002	294,685	68,672	32,089	3,095	11,389	\$409,930
2003	290,327	69,641	33,991	2,914	14,105	\$410,978

SECTION ONE: GENERAL HISTORY (UNAUDITED)
GOVERNMENT-WIDE REVENUES ⁽¹⁾
(in thousands)Program Revenues

<u>Fiscal Year</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Program Revenues</u>
2002	566,741	88,524	27,393	\$682,658
2003	577,913	56,641	126,002	\$760,556

General Revenues

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Investment Income</u>	<u>Miscellaneous</u>	<u>Total General Revenues</u>
2002	816,923	22,184	4,913	\$844,020
2003	822,652	28,608	9,598	\$860,858

Sources: ⁽¹⁾ FY 2003 government wide financials, FY 2002 Comprehensive Annual Financial Report

Note: City of Dallas first applied GASB Statement No.34 in fiscal year 2002; therefore, government-wide financial information for years prior to fiscal year 2002 is not available.

CITY OF DALLAS, TEXAS

SECTION ONE: GENERAL HISTORY (UNAUDITED)
 GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION ⁽¹⁾
 (in thousands)
 LAST TEN FISCAL YEARS⁽²⁾

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Streets, Street Lighting and Sanitation</u>	<u>Environmental and Health Services</u>	<u>Public Works/ Transportation/ Equipment and Building Sv</u>	<u>Culture and Recreation</u>	<u>Housing</u>	<u>Human Services</u>	<u>Debt Service</u>	<u>Total</u>
1994	120,207	306,693	66,900	19,836	2,275	62,013	6,895	11,540	90,926	687,365
1995	80,987	316,492	69,957	17,218	29,562	64,997	431	12,993	100,371	693,008
1996	87,618	333,000	79,873	18,123	32,544	72,779	472	17,538	106,854	748,413
1997	96,367	347,489	79,506	18,480	35,151	75,657	474	16,126	106,425	775,675
1998	106,582	368,888	82,895	19,900	38,144	81,680	1,103	15,456	111,855	826,503
1999	132,461	383,300	89,990	21,561	14,836	90,399	1,102	18,623	121,570	895,548
2000	127,494	403,578	105,505	23,177	36,767	96,639	1,853	30,283	130,905	956,201
2001	138,084	449,533	111,830	23,600	43,514	97,327	2,539	23,222	132,264	1,021,913
2002	137,593	462,375	113,741	23,819	41,893	103,904	3,236	18,613	134,104	1,039,278
2003	127,974	480,288	116,422	23,409	39,158	99,145	1,190	28,601	129,761	1,045,948

TABLE 3

RATIO COMPOSITION OF GOVERNMENTAL
 EXPENDITURES BY FUNCTION ⁽¹⁾ (UNAUDITED)
 LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Streets, Street Lighting and Sanitation</u>	<u>Environmental and Health Services</u>	<u>Public Works/ Transportation/ Equipment and Building Sv</u>	<u>Culture and Recreation</u>	<u>Housing</u>	<u>Human Services</u>	<u>Debt Service</u>	<u>Total</u>
1994	17.5	44.6	9.7	2.9	.3	9.1	1.0	1.7	13.2	100.0
1995	11.7	45.7	10.0	2.5	4.3	9.4	.1	1.9	14.4	100.0
1996	11.7	44.5	10.6	2.4	4.4	9.7	.1	2.3	14.3	100.0
1997	12.4	44.8	10.3	2.3	4.5	9.8	.1	2.1	13.7	100.0
1998	13.2	44.1	9.9	2.4	4.6	10.3	.1	1.9	13.5	100.0
1999	15.6	42.4	9.9	2.4	4.0	9.7	.1	2.4	13.5	100.0
2000	13.3	42.3	11.0	2.4	3.8	10.0	.2	3.2	13.7	100.0
2001	13.5	44.0	10.9	2.3	4.3	9.5	.3	2.3	12.9	100.0
2002	13.3	44.7	11.0	2.3	4.0	10.0	.3	1.8	12.6	100.0
2003	13.0	46.0	11.0	2.0	4.0	8.9	.1	2.0	13.0	100.0

⁽¹⁾ Includes General, Debt Service, and Special Revenue Funds.

⁽²⁾ Figures provided by the City of Dallas, Controller's Office, Financial Reporting Section.

Unaudited – See accompanying independent auditors' report

TABLE 4

CITY OF DALLAS, TEXAS

GENERAL REVENUES BY SOURCE ⁽¹⁾ (UNAUDITED)
(in thousands)
LAST TEN FISCAL YEARS⁽³⁾

<u>Fiscal Year</u>	<u>Ad Valorem Tax</u>	<u>Sales Tax</u>	<u>Gross Receipts Tax</u>	<u>Licenses and Permits</u>	<u>Inter-governmental</u>	<u>Service to Others</u>	<u>Fines and Forfeitures</u>	<u>Interest</u>	<u>Other</u>	<u>Total</u>
1994	282,116	144,995	84,072	2,745	33,269	74,212	22,436	5,651	37,578	687,074
1995	285,041	151,148	83,043	2,819	40,244	82,966	22,085	8,203	13,361	688,910
1996	294,370	164,550	85,389	2,877	46,265	87,329	22,810	8,958	14,012	726,550
1997	308,050	173,032	88,314	2,870	52,859	84,615	26,077	8,644	15,243	759,704
1998	327,100	188,817	92,433	2,878	56,459	83,977	30,018	7,373	20,455	809,530
1999	353,195	195,402	94,848	2,979	59,109	101,007	31,977	6,251	24,805	869,573
2000	375,377	216,933	96,802	2,972	53,546	107,588	34,327	13,141	26,112	926,798
2001	403,373	210,749	124,801	2,881	55,484	110,095	36,251	9,276	35,238	988,148
2002	428,703	194,133	122,029	2,804	77,576	122,565	32,990	10,144	19,850	1,010,794
2003	451,628	183,229	115,751	3,011	57,537	131,023	32,065	8,319	22,767	1,005,330

TABLE 5

RATIO COMPOSITION OF GENERAL REVENUES BY SOURCE ⁽¹⁾ (UNAUDITED)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Ad Valorem Tax</u>	<u>Sales Tax</u>	<u>Gross Receipts Tax</u>	<u>Licenses And Permits</u>	<u>Inter-governmental</u>	<u>Services to Others</u>	<u>Fines and Forfeitures</u>	<u>Interest</u>	<u>Other</u>	<u>Total</u>
1994	40.3	20.7	13.8	.4	4.8	10.6	3.2	0.8	5.4	100.0
1995	41.5	21.9	12.1	.4	5.9	11.8	3.2	1.2	2.0	100.0
1996	40.1	22.6	11.8	.4	6.4	12.0	3.1	1.2	1.9	100.0
1997	40.5	22.8	11.6	.4	7.0	11.1	3.4	1.2	1.9	100.0
1998	40.4	23.3	11.4	.4	7.0	10.4	3.7	0.9	2.5	100.0
1999	40.6	22.5	10.9	.3	6.8	11.6	3.7	0.7	2.9	100.0
2000	40.5	23.4	10.4	.4	5.8	11.6	3.7	1.4	2.8	100.0
2001	40.8	21.3	12.6	.3	5.6	11.1	11.1	3.7	1.0	100.0
2002	42.7	18.4	11.6	.3	7.5	11.7	3.1	0.8	3.9	100.0
2003	45.0	17.8	11.2	.3	5.7	12.7	3.2	1.5	2.6	100.0

⁽¹⁾ Includes General, Special Revenue, and Debt Service Funds.

⁽²⁾ Figures provided by the City of Dallas, Controller's Office, Financial Reporting Section.

Unaudited – See accompanying independent auditors' report

TABLE 6

CITY OF DALLAS, TEXAS

SECTION TWO: ASSESSMENTS AND TAXES
 PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS (UNAUDITED)
 (per \$100 assessed valuation)
 LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>City⁽¹⁾</u>	<u>School⁽¹⁾</u>	<u>County⁽²⁾</u>	<u>DCED⁽³⁾</u>	<u>Hospital⁽²⁾ District</u>	<u>Junior⁽²⁾ College</u>	<u>Total</u>
1994	.6744	1.4181	.2024	---	.1996	.0521	2.5466
1995	.6744	1.4181	.2024	---	.1996	.0521	2.5466
1996	.6722	1.4181	.2161	---	.1996	.0521	2.5581
1997	.6701	1.4605	.2100	---	.1941	.0521	2.5868
1998	.6516	1.4605	.1972	---	.1799	.0500	2.5392
1999	.6491	1.4605	.1960	---	.1960	.0500	2.5516
2000	.6675	1.4605	.1960	---	.1960	.0500	2.5700
2001	.6675	1.5478	.1960	---	.2540	.0600	2.7253
2002	.6675	1.5475	.1960	---	.2540	.0600	2.7250
2003	.6998	1.5875	.1960	---	.2540	.0600	2.7973

TABLE 7

PROPERTY TAX LEVIES (UNAUDITED)
 (in thousands)
 LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>City⁽¹⁾</u>	<u>School⁽²⁾</u>	<u>County⁽²⁾</u>	<u>DCED⁽³⁾</u>	<u>Hospital⁽²⁾ District</u>	<u>Junior⁽²⁾ College</u>	<u>Total</u>
1994	281,463	485,683	153,996	---	151,841	39,934	1,112,917
1995	283,404	488,239	177,705	---	158,566	39,934	1,147,848
1996	294,362	506,833	171,705	---	158,566	41,707	1,173,173
1997	307,435	546,880	175,624	---	162,307	43,895	1,236,141
1998	325,927	578,794	191,259	---	174,462	49,783	1,320,225
1999	352,335	635,513	208,048	---	208,098	54,584	1,458,578
2000	373,269	697,791	208,084	---	204,064	53,822	1,537,030
2001	401,692	856,940	242,377	---	344,100	76,722	1,921,831
2002	435,333	849,703	241,309	---	312,690	76,700	1,915,735
2003	459,125	889,178	248,896	---	322,522	76,099	1,998,820

(1) Figures provided by the City of Dallas, Operating Budget Division.

(2) Figures provided by the Dallas County Tax Office

(3) Dallas County Education District Tax (DCED) was enacted by the Texas State Legislature in the 1991 Tax Year.

Unaudited – See accompanying independent auditors' report

TABLE 8

CITY OF DALLAS, TEXAS

PROPERTY TAX REVENUES (UNAUDITED)
(in thousands)⁽¹⁾
LAST TEN FISCAL YEARS

Fiscal Year	Current Tax Levy	Current Taxes	Revenues			Percent of Current Tax Levy	Accumulated Delinquent Taxes	
			Percent of Current Tax Levy Collected During Year	Prior Year Taxes	Total		Amount	Percent of Current Levy
1994	281,463	273,115	97.03	5,546	278,661	99.00	29,810	10.59
1995	283,404	274,486	96.85	6,964	281,450	99.31	29,989	10.58
1996	294,362	285,247	96.90	5,581	290,828	99.80	30,428	10.34
1997	307,435	298,029	96.94	6,235	304,264	98.97	31,240	10.16
1998	325,297	315,457	96.98	7,229	322,686	99.20	33,167	10.20
1999	352,335	342,041	97.08	6,716	348,757	98.98	38,091	10.81
2000	373,269	366,134	98.09	5,830	371,964	99.65	40,511	10.85
2001	401,692	392,118	97.62	5,033	397,151	98.87	29,894	7.44
2002	435,333	418,117	96.05	5,766	423,883	97.37	33,195	7.63
2002	459,125	446,947	97.34	5,275	464,283	98.50	38,087	8.30

TABLE 9

ASSESSED AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY (UNAUDITED)
(in thousands)⁽¹⁾
LAST TEN TAX YEARS

Tax Year	Real Property Value		Personal Property Value		Total Values		Percentage of Total Assessed to Estimated Market Value
	Assessed	Estimated Market Value	Assessed	Estimated Market Value	Assessed	Estimated Market Value	
1994	30,979,561	30,979,561	11,529,898	11,529,898	42,509,459	42,509,459	100
1995	32,240,154	32,240,154	12,142,084	12,142,084	44,382,238	44,382,238	100
1996	30,544,087	30,544,087	12,534,549	12,534,549	47,621,728	46,078,636	100
1997	36,519,858	36,519,858	13,678,325	13,678,325	46,078,636	50,198,183	100
1998	40,472,476	40,472,476	13,981,278	13,981,278	54,453,754	54,453,754	100
1999	44,661,828	44,661,828	11,447,329	11,447,329	56,109,157	56,109,157	100
2000	48,595,561	48,595,561	11,583,051	11,583,051	60,178,612	60,178,612	100
2001	51,875,610	51,875,610	13,342,816	13,342,816	65,218,426	65,218,426	100
2002	53,305,168	53,305,168	13,178,469	13,178,469	66,483,637	66,483,637	100
2003	54,082,064	54,082,064	12,419,591	12,419,591	66,501,655	66,501,655	100

⁽¹⁾ Figures provided by the City of Dallas, Operating Budget Division.

Unaudited – See accompanying independent auditors' report

CITY OF DALLAS, TEXAS

SPECIAL ASSESSMENT COLLECTIONS ⁽¹⁾ (UNAUDITED)
(in thousands) LAST TEN FISCAL YEARS⁽³⁾

<u>Fiscal Year</u>	<u>Current Assessments Due ⁽²⁾</u>	<u>Current Assessments Collected</u>	<u>Collections As Percentage of Amount Due</u>	<u>Total Outstanding Assessments</u>
1994	1,423	1,548	108.8	4,798
1995	1,416	1,044	73.7	4,345
1996	1,412	990	70.1	4,073
1997	970	634	65.4	3,525
1998	1,083	1,136	104.9	3,757
1999	843	898	106.5	844
2000	706	1,076	152.4	1,689
2001	743	929	125.0	1,547
2002	806	906	112.4	4,546
2003	515	609	118.2	7,971

⁽¹⁾ Special assessment collections are accounted for in the Capital Project Funds.

⁽²⁾ These are estimated current assessments due.

⁽³⁾ Figures provided by City of Dallas.

Unaudited – See accompanying independent auditors' report

CITY OF DALLAS, TEXAS

PRINCIPAL TAXPAYERS ⁽¹⁾ (UNAUDITED)

<u>Principle Taxpayers</u>	<u>Type of Business</u>	2003 Total Taxable Value (in \$ 000's)	Percentage of Total Assessed Valuation
Raytheon/Texas Instruments	Electronics Manufacturer	\$1,409,837	2.12%
SBC Communications	Telephone Utility	1,050,066	1.58%
Texas Utilities	Electric Utility	740,019	1.11%
Crescent Real Estate	Developer	635,924	0.96%
Southwest Airlines	Air Transportation	507,928	0.76%
Trammell Crow	Developer	311,785	0.47%
Galleria Mall Investors LP	Developer	247,194	0.37%
PC Village Apartments Dallas LP	Developer	246,799	0.37%
Metropolitan Life	Insurance Company	198,983	0.30%
Trizee Properties, Inc	Developer	<u>196,934</u>	<u>0.30%</u>
		<u>\$5,545,469</u>	<u>8.34%</u>

⁽¹⁾ These figures are based on name searches of the 2003 City of Dallas certified tax roll.

Unaudited – See accompanying independent auditors' report

CITY OF DALLAS
SECTION THREE: LONG-TERM DEBT
RATIOS OF NET GENERAL LONG-TERM DEBT TO ASSESSED VALUE
AND NET GENERAL LONG-TERM DEBT PER CAPITA (UNAUDITED)
(in thousands)
LAST TEN FISCAL YEARS⁽¹⁾

TABLE 12

Fiscal Year	Population	Assessed Value	Net General Long-term Debt		Net General Long-term Debt		
			Total	Less Sinking Fund	Net	Percentage Of Assessed Value	Per Capita
1994	1,023	42,509,459	699,707 ⁽³⁾	8,888	690,819	1.63	675.29
1995	1,030	44,382,238	639,531 ⁽⁴⁾	6,057	633,474	1.43	615.02
1996	1,039	45,078,636	643,539 ⁽⁵⁾	3,477	640,062	1.42	616.04
1997	1,047	50,198,183	644,873 ⁽⁶⁾	3,282	641,591	1.28	612.79
1998	1,052	54,453,754	651,998 ⁽⁷⁾	5,758	646,240	1.19	614.30
1999	1,075	56,109,157	700,167 ⁽⁸⁾	3,760	696,407	1.24	647.82
2000	1,083	60,178,612	694,591 ⁽⁹⁾	5,018	689,573	1.15	636.72
2001	1,200	65,218,430	773,403 ⁽¹⁰⁾	15,120	758,283	1.16	631.90
2002	1,208	66,483,637	791,213 ⁽¹¹⁾	7,747	783,466	1.18	648.56
2003	1,211	66,501,655	739,543 ⁽¹²⁾	9,837	728,065	1.09	601.20

⁽¹⁾ Figures provided by the City of Dallas, Controller's Office, Financial Reporting Section, Revenue & Taxation Division, and the North Central Texas Council of Governments.

⁽²⁾ Includes \$1,970 accreted interest on capital appreciation bonds excluding General Obligation Bonds of \$5,501 recorded in the Enterprise Funds (Convention Center).

⁽³⁾ Includes \$24,306 accreted interest on capital appreciation bonds excluding General Obligation Bonds of \$4,557 recorded in the Enterprise Funds (Convention Center).

⁽⁴⁾ Includes \$10,956 accreted interest on capital appreciation bonds excluding General Obligation Bonds of \$4,135 recorded in the Enterprise Funds (Convention Center).

⁽⁵⁾ Includes \$12,704 accreted interest on capital appreciation bonds excluding General Obligation Bonds of \$3,401 recorded in the Enterprise Funds (Convention Center).

⁽⁶⁾ Includes \$14,617 accreted interest on capital appreciation bonds excluding General Obligation Bonds of \$2,685 recorded in the Enterprise Funds (Convention Center).

⁽⁷⁾ Includes \$16,710 accreted interest on capital appreciation bonds excluding General Obligation Bonds of \$1,998 recorded in the Enterprise Funds (Convention Center).

⁽⁸⁾ Includes \$18,999 accreted interest on capital appreciation bonds excluding General Obligation Bonds of \$1,343 recorded in the Enterprise Funds (Convention Center).

⁽⁹⁾ Includes \$21,503 accreted interest on capital appreciation bonds excluding General Obligation Bonds of \$767 recorded in the Enterprise Funds (Convention Center).

⁽¹⁰⁾ Includes \$24,242 accreted interest on capital appreciation bonds excluding General Obligation Bonds of \$259 recorded in the Enterprise Funds (Convention Center).

⁽¹¹⁾ Includes \$19,572 accreted interest on capital appreciation bonds excluding General Obligation Bonds of \$165 recorded in the Enterprise Funds (Convention Center).

⁽¹²⁾ Includes \$5,488 accreted interest on capital appreciation bonds excluding General Obligation Bonds of \$84 recorded in the Enterprise Funds (Convention Center).

CITY OF DALLAS, TEXAS

LEGAL DEBT MARGIN
September 30, 2003 (UNAUDITED)
(in thousands)

Assessed Value	<u>\$66,501,655</u>
Constitutional and Charter Debt Limit: 10% of Assessed Value ⁽¹⁾	\$ 6,650,166
Amount of Debt Applicable to Debt Limit:	
General Long-term Debt	<u>739,543</u> ⁽²⁾
Legal Debt Margin	<u>\$ 5,910,623</u>

CITY TAX RATE DISTRIBUTION (UNAUDITED)
LAST FIVE FISCAL YEARS
(Per \$100 of Assessed Value)

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
General Fund	\$0.5243	\$0.5111	\$0.4780	\$0.4723	\$0.4581
Debt Service Fund	<u>0.1755</u>	<u>0.1887</u>	<u>0.1895</u>	<u>0.1952</u>	<u>0.2094</u>
Total City Tax Rate	<u>\$0.6998</u>	<u>\$0.6998</u>	<u>\$0.6675</u>	<u>\$0.6675</u>	<u>\$0.6675</u>

⁽¹⁾ Chapter XXI, Section 3 of the City of Dallas Charter states, "The maximum bonded indebtedness of the City outstanding at any one time, and payable from taxation, shall not exceed 10% of the total assessed valuation of property shown by the last assessment roll of the City." (p. 79)

⁽²⁾ Includes \$5,488 accreted interest on capital appreciation bonds excluding General Obligation Bonds of \$84 recorded in the Enterprise Funds (Convention Center).

Unaudited – See accompanying independent auditors' report

CITY OF DALLAS, TEXAS

DIRECT AND OVERLAPPING DEBT (UNAUDITED)
September 30, 2003
(in thousands, except ratio data)

	Net General Long- Term Debt	Percentage ⁽¹⁾ of Debt Applicable to City of Dallas	Overlapping Bonded Debt
City of Dallas	\$739,543 ⁽²⁾	100.00%	\$739,543
City Place Tax Financing District	9,195	100.00	9,195
Dallas Public Schools	663,544	90.69	601,768
County of Dallas	192,446	54.25	104,402
Dallas County Community College District	9,850	54.25	5,343
Denton County	129,828	1.67	2,168
Collin County	200,595	7.51	15,065
Collin County Community College District	46,690	7.51	3,506
Other Independent School Districts	3,145,742	14.22	<u>417,347</u>
Total Direct and Overlapping G. O. Tax Debt			\$1,887,500
Ratio of Direct and Overlapping G. O. Tax Debt to Taxable Assessed Valuation			2.84%
Per Capita Overlapping G. O. Tax Debt			1,559 ⁽³⁾

(1) Source: Municipal Advisory Council of Texas.

(2) Includes accreted interest on capital appreciation bonds \$5,488 excluding General Obligation of \$84 recorded in the Enterprise Funds(Convention Center)

(3) Based on 2003 population estimate of 1,211,000

Unaudited – See accompanying independent auditors' report

CITY OF DALLAS, TEXAS

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES (UNAUDITED)
(in thousands)
LAST TEN FISCAL YEARS

Fiscal Year	Debt Service		Total Debt	General Expenditures ⁽¹⁾	Ratio of Debt Service To Expenditures (Percent)
	Principal	Interest			
1994	57,712	33,214	90,926	687,365	13.2
1995	46,826	53,545	100,371	693,008	14.5
1996	71,566	35,288	106,854	748,413	14.3
1997	72,079	34,346	106,425	775,675	13.7
1998	77,273	34,582	111,855	826,503	13.5
1999	86,690	34,880	121,570	903,709	13.5
2000	86,129	38,391	124,520	956,201	13.0
2001	85,692	37,495	123,187	1,021,913	12.1
2002	82,081	50,150	132,231	1,039,278	12.8
2003	92,654	33,867	126,521	1,045,948	12.1

⁽¹⁾ Includes General, Special Revenue, and Debt Service Funds.

CITY OF DALLAS, TEXAS

DALLAS WATER UTILITIES REVENUE BOND COVERAGE (UNAUDITED)
 YEAR ENDED SEPTEMBER 30, 2003
 (in thousands)

Net Revenues

Cash receipts:	
Customer charges	\$323,767
Interest earned	9,118
Other receipts	<u>522</u>
Total cash receipts	<u>333,407</u>
Operating disbursements:	
Personal services	68,227
Supplies and materials	52,703
Contractual and other services	64,960
Operating transfers	<u>5,587</u>
Total operating disbursements	<u>191,477</u>
Net revenues available for debt service	<u>\$141,930</u>

Reconciliation to Net Income

Net Income	\$ 40,696
Add (deduct):	
Depreciation/amortization	69,999
Net increase in fair value of investments	1,807
Cash generated from non-revenue sources	523
Interest expense	45,257
Payment of contractual obligations	(12,761)
Accrued items – receivables	1,986
- capital contributions	(13,385)
- personal services	(3,040)
-supplies and materials	3,742
-other expenses	<u>7,106</u>
Net revenues available for debt service	<u>\$141,930</u>

Annual Principal and Interest Requirements

Maximum future year (2003)	\$109,817
Average of all future years (2003-2030)	\$60,695

Revenue Bond Coverage (see Note 6)

Maximum	1.29
Average	2.34

Notes:

- Revenue bond ordinances under which all Water Utilities revenue bonds are issued require a level of net revenues for the preceding year ended September 30 (or 12 consecutive months out of the last 15) equal to at least 1.25 times average annual principal and interest requirements of outstanding and proposed additional revenue bonds as a condition for issuance of additional bonds ("revenue bond coverage"). A Rate Covenant stated in the same ordinances requires the City to maintain Water Utilities customer service rates and charges which are sufficient each year to produce net revenues at least equal to 1.25 times maximum annual principal and interest requirements scheduled in any future year, and to pay all Water Utilities operation and maintenance expenses and other obligations.
- In computing net revenues available for debt service, the term "net revenues of the system" as used in Water Utilities revenue bond ordinances is interpreted as cash basis receipts less operating disbursements.

Unaudited – See accompanying independent auditors' report

CITY OF DALLAS, TEXAS

DALLAS WATER UTILITIES REVENUE BOND COVERAGE (UNAUDITED)
YEAR ENDED SEPTEMBER 30, 2003
(in thousands)
LAST TEN FISCAL YEARS

The following table provides historical data pertaining to revenue bond coverage of maximum year principal and interest requirements at September 30 for each of the last ten years:

Fiscal Year	Cash Receipts	Operating Disbursements	Net Cash Available For Debt Service	Maximum Year Requirements			Coverage of Maximum Year
				Principal	Interest	Total	
1994	267,583	138,205	129,378	43,945	43,147	87,092	1.49
1995	274,080	140,769	133,311	52,145	39,845	91,990	1.45
1996	307,895	146,603	161,292	59,780	34,,596	94,376	1.71
1997	301,390	149,881	151,509	60,080	44,492	104,572	1.45
1998	325,748	156,850	168,898	63,185	40,914	104,099	1.62
1999	326,565	161,046	165,519	66,260	46,245	112,505	1.47
2000	355,121	178,330	176,791	65,025	46,208	111,233	1.59
2001	347,086	185,206	161,880	63,500	43,765	107,265	1.51
2002	336,167	192,539	143,628	65,010	45,182	110,192	1.30
2003	333,407	187,547	145,860	59,565	50,252	109,817	1.33

Additional Notes:

- In December, 2001, the Dallas City Council authorized a third ten-year commercial paper Series B program for Dallas Water Utilities, to increase the aggregate principal amount outstanding from \$150,000. On September 30, 2002 the Dallas City Council authorized additional commercial paper notes Series C for additional \$50,000, including an additional coverage provision encompassing the requirements commercial paper, with a required minimum coverage of 110%. Coverage under this provision was 116% as of September 30, 2003.
- Revenue bond ordinances relating to Water Utilities require maintenance of reasonable insurance for coverage, and annual reporting of compliance. The City's property insurance program satisfies ordinance requirements. As of September 30, 2003, all insurance premiums have been paid to the insurer as they became due. The City does not purchase public liability insurance; however, a funded self-insurance liability program is maintained for claims for which the City is liable. For projects under construction, the contractor is required to carry appropriate insurance and provide satisfactory evidence to the City.
- On January 07, 2003, Water Utilities revenue bonds were delivered in the principal amount of \$179,350, to fully refund 182,635 Series 1993, and on February 27, 2003 Water Utilities revenue bonds were delivered in the principal amount of \$307,410 to refund fully and or partially Series 1993, Series 1995, Series 1995-A and Series 1996 and Series 1997, to retire commercial paper of \$146,242 and additional construction funds of \$56,075.
- For Fiscal Year 2002 Principal and Interest along with related coverage ratios, are based on Debt Service Requirements after the planned delivery of Series 2002A Revenue Refunding Bonds as described in the notes regarding subsequent event. Excluding this transaction, Maximum year Principal and Interest would be \$114,750,584 with a coverage ratio of 1.25 and Average Year Principal and Interest would be \$52,209,707.21 with a coverage ratio of 2.75 and with a commercial paper note coverage ratio of 115%.

Unaudited – See accompanying independent auditors' report

CITY OF DALLAS, TEXAS

SECTION FOUR: MISCELLANEOUS STATISTICAL DATAPROPERTY VALUE, CONSTRUCTION (UNAUDITED)
(in thousands, except for unit data)
LAST TEN YEARS

<u>Year</u>	<u>Non-residential Construction</u> ⁽¹⁾ <u>Values</u>	<u>Residential Construction</u> ⁽¹⁾		<u>Real Property Value</u> <u>Taxable</u> ⁽²⁾
		<u>Units</u>	<u>Values</u>	
1994	271,218	4,077	288,509	30,979,561
1995	267,638	4,451	365,461	32,340,154
1996	402,128	3,956	357,057	33,544,087
1997	427,077	5,574	494,122	36,519,858
1998	557,563	7,236	698,687	40,472,476
1999	3,383,012	9,696	1,141,683	44,661,828
2000	1,130,032	4,340	587,041	48,595,561
2001	630,390	5,662	523,627	51,875,610
2002	360,296	3,452	593,453	53,305,168
2003	429,130	8,473	620,896	54,082,064

¹⁾ The estimated non-residential and residential construction values are from the City of Dallas, Development Services Department. The figures are based on fiscal years.

⁽²⁾ These figures are based on tax years.

Unaudited – See accompanying independent auditors' report

CITY OF DALLAS, TEXAS

POPULATION STATISTICS ⁽¹⁾ (UNAUDITED)
1930-2003
POPULATION TRENDS

Year	Dallas Corporate Limits		Dallas County	Dallas-Ft. Worth SMSA ⁽²⁾	Dallas-Ft. Worth CMSA ⁽³⁾
	Population	Sq. Mi. Area	Population	Population	Population
1930	260,475	45.11	325,691	775,999	
1940	294,734	45.59	398,564	867,965	
1950	434,462	117.59	614,799	1,211,139	
1960	679,684	277.07	951,527	1,739,054	1,715,905
1970	844,401	296.49	1,327,695	2,379,164	2,352,318
1980	904,078	377.97	1,556,385	2,978,459	2,933,293
1981	905,350	377.60	1,571,350	3,023,700	
1982	916,050	377.60	1,597,200	3,100,500	
1983	938,250	377.60	1,644,000	3,207,500	
1984	947,950	377.60	1,701,750	3,439,200	3,376,350
1985	935,150 ⁽³⁾	376.30	1,714,900	3,459,700	3,403,350
1986	941,700	377.95	1,752,050	3,603,750	3,543,850
1987	951,150	377.97	1,781,475	3,714,700	3,653,837
1988	960,850	377.97	1,820,650	3,844,250	3,778,250
1989	971,100	337.93	1,836,400	3,892,950	3,824,650
1990	1,006,877	377.95	1,852,810	3,949,075	3,885,415
1991	1,007,120	377.99	1,858,341	3,975,208	3,911,500
1992	1,015,944	384.03	1,873,850	4,020,478	3,956,730
1993	1,013,550	378.40	1,882,400	4,076,600	4,012,450
1994	1,023,400	378.40	1,911,200	4,334,500	4,108,150
1995	1,030,150	378.40	1,921,400	4,298,650	4,115,445
1996	1,039,100	378.40	1,949,500	4,363,800	4,296,500
1997	1,047,350	378.40	1,976,600	4,592,375	4,411,275
1998	1,052,300	378.40	2,004,200	4,625,850	4,545,650
1999	1,075,100	378.40	2,046,585	4,854,135	4,770,935
2000	1,188,580	378.10	2,218,889	5,311,922	5,222,029
2001	1,199,809	378.10	2,244,768	5,479,777	5,387,307
2002	1,208,300	378.40	2,268,150	5,453,500	5,357,500
2003	1,211,000	378.40	2,285,600	5,598,250	5,499,100

⁽¹⁾ Information for this table is from the North Central Texas Council of Governments, as of January 1 of each year; U.S. Bureau of the Census; and City of Dallas Planning Department. The land area of Dallas County is approximately 906.95 square miles. All 2000 numbers are from the Bureau of the Census; 2000 Census of Population.

⁽²⁾ The Dallas-Ft. Worth SMSA includes Dallas, Collin, Denton, Ellis, Hood, Johnson, Kaufman, Parker, Rockwall, Tarrant, Wise and Hunt Counties.

⁽³⁾ The CMSA reflects federal guidelines. Developed in 1984, it only includes ten counties, deleting Hood and Wise from the former SMSA designation. Information prior to 1960 is not available.

Unaudited – See accompanying independent auditors' report

TABLE 18
(CONTINUED)

CITY OF DALLAS, TEXAS

POPULATION STATISTICS ⁽¹⁾ (UNAUDITED)
1930-2003

NET CHANGE IN POPULATION

<u>Year</u>	<u>Dallas Corporate Limits</u>		<u>Dallas County</u>		<u>Dallas -- Ft. Worth SMSA ⁽²⁾</u>		<u>Dallas -- Ft. Worth CMSA ⁽³⁾</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
1930-1940	34,259	13.2	72,873	22.4	91,966	11.9		
1940-1950	139,728	47.4	216,235	54.3	343,174	39.5		
1950-1960	245,222	56.4	336,728	54.8	527,915	43.6		
1960-1970	164,717	24.2	376,168	39.5	640,110	36.8		
1970-1980	59,677	7.1	228,690	17.2	599,295	25.2		
1981	1,272	0.1	14,960	1.0	45,241	1.5		
1982	10,700	1.2	25,850	1.6	76,800	2.5		
1983	22,200	2.4	46,800	2.9	107,000	3.5		
1984	9,700	1.0	57,750	3.5	231,700	7.2		
1985	(12,800) ⁽⁴⁾	(1.4)	13,150	0.8	20,500	0.6	27,000	0.8
1986	6,550	0.7	37,150	2.2	144,050	4.2	140,550	4.1
1987	9,450	1.0	29,425	1.7	110,950	3.1	109,987	3.1
1988	9,700	1.0	39,175	2.2	129,550	3.5	124,413	3.4
1989	10,250	1.1	15,750	.9	48,700	1.3	46,400	1.2
1990	35,777	3.7	16,410	.9	56,125	1.4	60,765	1.6
1991	243	0.0	5,531	.3	26,133	.7	26,085	.7
1992	8,824	0.8	15,509	.8	45,270	1.1	45,230	1.1
1993	(2,394)	(0.2)	8,550	.5	56,122	1.0	55,720	1.0
1994	9,850	0.9	28,800	1.5	257,900	5.9	95,700	2.3
1995	6,750	0.7	10,200	0.5	(35,850)	(0.8)	7,295	0.2
1996	8,950	0.9	28,100	1.5	65,150	1.5	181,055	4.4
1997	8,250	0.8	27,100	1.4	228,575	5.2	114,775	2.7
1998	4,950	0.5	27,600	1.4	33,475	0.7	134,375	3.0
1999	22,800	0.3	42,385	2.1	228,285	4.9	225,285	5.0
2000	113,480	10.6	172,304	8.4	457,787	9.4	451,094	9.5
2001	11,229	0.9	25,879	1.2	167,855	3.2	165,278	3.2
2002	10,720	0.9	29,550	1.3	152,907	2.9	148,000	2.8
2003	2,700	0.2	17,450	0.8	144,750	2.7	141,600	2.6

⁽⁴⁾ Information released on births, deaths, and migration from the State Department of Health and Human Services, and the Internal Revenue Service, indicates that the growth of population within the City of Dallas and the region as a whole has not kept pace with the construction of housing. Additional information on local occupancy rates and household sizes confirms this finding. Household sizes have been adjusted downward for the period 1980 to 1986, in accordance with Bureau of Census trends and local survey findings. As a result of the revised household sizes, the 1986 estimates are not directly comparable to previously published estimates.

Unaudited – See accompanying independent auditors' report

CITY OF DALLAS, TEXAS

DEMOGRAPHIC STATISTICS (UNAUDITED)
 LAST TEN FISCAL YEARS
 (Unemployment rate is a percentage)

<u>Fiscal Year</u>	<u>Population</u> ⁽¹⁾	<u>Labor Force</u> ⁽²⁾	<u>Unemployment Rate (Percent)</u> ⁽²⁾	<u>School Enrollment</u> ⁽³⁾
1994	1,023,400	623,206	4.6	143,903
1995	1,030,150	599,261	6.2	148,976
1996	1,039,100	641,718	6.4	154,485
1997	1,047,350	648,349	4.8	157,747
1998	1,052,300	664,885	4.0	159,842
1999	1,068,800	682,115	4.1	159,990
2000	1,083,500	699,136	3.3	166,144
2001	1,199,809	714,839	5.9	163,763
2002	1,208,300	723,555	8.5	163,327
2003	1,211,300	710,155	8.8	160,400

⁽¹⁾ Figures were provided by the North Central Texas Council of Governments (NTCCOG).

⁽²⁾ Figures were provided by the Department of Labor.

⁽³⁾ Figures were provided by the Dallas Public Schools.

Unaudited – See accompanying independent auditors' report

CITY OF DALLAS, TEXAS

ADDITIONAL MISCELLANEOUS STATISTICAL DATA (UNAUDITED)

Date of Incorporation
1856

Date of Adoption of City Charter
1907

Form of Government - Original Charter amended in 1930 to establish
Council-Manager form of government, effective May 1, 1931.

Registered Voters - City of Dallas	582,278
- Dallas County (2002)	1,122,774
City of Dallas Employees:	
Civil Service	10,483
Non-civil Service	2,300
Total ¹	12,783
Fire Protection:	
Number of Stations	55
Number of Employees:	
Uniformed	1,685.2
Civilian	261
Police Protection:	
Number of Stations	6
Number of Employees:	
Uniformed	2,989.9
Civilian	566
Building Permits:	
Permits issued	29,767
Estimated Value	\$1,363,701,434

	<u>Park Properties Owned or Leased</u>	<u>Total Park Properties Used</u>
Recreation:		
Parks	406	406
Miles of trails (jogging, hiking & biking)	91.05	91.05
Number of lakes	26	26
Swimming pools	26	26
Athletic fields (soccer, football, baseball & rugby)	262	262
Tennis centers	5	5
Neighborhood Tennis Courts	259	259
Multi-use courts	154	154
Golf courses (18 hole)	6	6
Recreation centers (community)	45	45
Street Lights		84,284
Streets (miles):		
Paved		11,398
Graded		14

Unaudited – See accompanying independent auditors' report

