

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

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
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	786,010	786,010	777,252	(8,758)
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	819,700	821,636	810,991	10,645
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	31,991	33,327	35,224	1,897
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	\$76,897	\$76,297	\$80,081	\$82,380

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	19,719	3,171	4,106	1,159	28,155	44,584
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)	115,470	12,729	6,581	0	134,780	0
Commercial paper notes payable	121,593	0	0	0	121,593	0
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	1,075,248	406,371	45,289	0	1,526,908	0
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	18,235	2,089	1,138	1,461	22,923	59,262
Total liabilities	1,350,265	424,360	57,114	2,620	1,834,359	103,846
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	61,978	71,860	60,995	6,637	201,470	(66,594)
Total net assets	\$1,565,161	\$387,186	\$321,137	\$7,625	\$2,281,109	\$3,084

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
	Dallas Water Utilities	Convention Center	Airport Revenues	Nonmajor Enterprise Funds		Activities- Internal Service 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
<u>(1,643)</u>	<u>(15,524)</u>	<u>(10,143)</u>
<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
<u>(64)</u>	<u>(2,808)</u>	<u>(241)</u>
<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

Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
\$2,638	\$50,556	(\$16,153)
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
202	(1,621)	5,130
79	65,183	30,171
<u>\$2,717</u>	<u>\$115,739</u>	<u>\$14,018</u>

84	52,960	60,550
<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)

B. Budgets and Budgetary Basis of Accounting

The City prepares its annual appropriated General Fund, Debt Service Fund and Proprietary operating funds' budgets on a basis (budget basis), which differs from GAAP basis. The budget and all transactions of the General Fund are presented in accordance with the City's method (budget basis) in the Statement of Revenues, Expenditures and Changes in Fund Balances - (budget basis) to provide a meaningful comparison of actual results with the budget. The major differences between the budget and GAAP basis are attributable to the elimination of expenditures budgeted on a non-annual basis and the fact that encumbrances are recorded as the equivalent of expenditures (budget) rather than a reservation of fund balance (GAAP) in the Governmental Funds. Adjustments necessary to convert the excess of revenues and other sources over expenditures and other uses on the budget basis to a GAAP basis for the General Fund are provided below.

Excess of revenues and other financing sources over expenditures and other uses--budget basis	\$1,485
Actual expenditures budgeted on non-annual budgets	(4,595)
Increase in fund balances designated for future authorized expenditures	264
Tax increment transfer eliminated under GAAP	4,012
Increase in encumbrances	<u>1,042</u>
 Excess of revenues and other financing sources over expenditures and other uses--GAAP basis	 <u>\$2,208</u>

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is utilized as an extension of formal budgetary integration in the governmental funds. For budgetary purposes, appropriations lapse at fiscal year end except for that portion related to encumbered amounts. For Governmental Funds, outstanding encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities for GAAP purposes since the goods and services have not been received and the commitments will be honored during the subsequent year.

Certain individual funds within the Special Revenue Funds reflect reserves for encumbrances and corresponding deficits in undesignated fund balances. In accordance with City policy, these reserves are recorded for contractual obligations and other commitments entered into by the City and for which revenues will not be recognized until the related expenditures are made.

Encumbrances outstanding at year-end are carried forward to the new fiscal year. Such encumbrances constitute the equivalent of expenditures for budgetary purposes and, accordingly, the accompanying financial statements present comparisons of actual results to budget of Governmental Funds on the budget basis of accounting.

C. Fund Balances- Reserves, Designations and Deficit

Reserves of fund balances represent those amounts which are not available for appropriation in future periods or which are legally segregated for specific future uses.

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:

	General	Debt service	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental Activities
Receivables:					
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
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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
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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
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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
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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
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
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>	(132)	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
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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
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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
(in thousands)

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
(in thousands)

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
(in thousands)

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 Bonds	2027	6.02% to 6.65%	<u>33,091</u>
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>Compensation</u>		<u>Health</u>		<u>General</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
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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
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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
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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
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(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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