

**DALLAS AREA RAPID TRANSIT**



**Quarterly Disclosure Update  
for the three-month period ended December 31, 2002**

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*This Quarterly Disclosure Update (this “Quarterly Disclosure Update”) supplements the information contained in our 2003 Annual Disclosure Statement dated January 28, 2003 (the “2003 Annual Disclosure Statement”). The 2003 Annual Disclosure Statement and this Quarterly Disclosure Update have been filed as public records with the Central Repositories named in the 2003 Annual Disclosure Statement and are posted on the Internet at our website, [www.dart.org](http://www.dart.org). You may also obtain a free copy of this Quarterly Disclosure Update by contacting us at the following address or telephone number: Chief Financial Officer, DART, 1401 Pacific Avenue, Dallas, Texas 75202, (214) 749-3148.*

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**GENERAL**

We are posting and filing this Quarterly Disclosure Update to supplement our 2003 Annual Disclosure Statement. We continue to reserve the right to suspend or stop the postings on the Internet and the quarterly updates at any time. However, we will always provide the annual and periodic information called for under any undertaking made in compliance with Rule 15c2-12 under the Securities Exchange Act of 1934.

Whenever we use capitalized words in this Quarterly Disclosure Update, they refer to the defined terms that are found in or incorporated by reference into the 2003 Annual Disclosure Statement. See, 2003 Annual Disclosure Statement, Appendix B, “SUMMARY OF CERTAIN TERMS OF MASTER DEBT RESOLUTION.”

In this Quarterly Disclosure Update, “we,” “our,” “us,” and “DART” refer to Dallas Area Rapid Transit, a subregional transportation authority under the Act.

The information in this Quarterly Disclosure Update is as of the date stated below, except for the unaudited financial information included herein as Exhibit A which is for the three-month period ended December 31, 2002.

**YOU SHOULD CAREFULLY CONSIDER THE INVESTMENT CONSIDERATIONS IN THE 2003 ANNUAL DISCLOSURE STATEMENT.**

**FORWARD-LOOKING STATEMENTS**

*We make “forward-looking statements” in the 2003 Annual Disclosure Statement and in Quarterly Disclosure Updates by using forward-looking words such as “may,” “will,” “should,” “intends,” “expects,” “believes,” “anticipates,” “estimates,” or others. You are cautioned that forward-looking statements are subject to a variety of uncertainties that could cause actual results to differ from the projected results. Those risks and uncertainties include general economic and business conditions, conditions in the financial markets, our financial condition, our sales tax revenues, receipt of federal grants, and various other factors that are beyond our control. Because we cannot predict all factors that may affect future decisions, actions, events, or financial circumstances, what actually happens may be different from what we include in forward-looking statements.*

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**Dated: March 25, 2003**

## QUARTERLY DISCLOSURE UPDATE

The 2003 Annual Disclosure Statement, dated January 28, 2003, is updated by the following supplemental information:

### Unaudited Financial Information

Audited financial statements for our fiscal year ended September 30, 2002, are attached as Appendix A to the 2003 Annual Disclosure Statement. An unaudited statement of our principal accounts for the three-month period ended December 31, 2002, is attached to this Quarterly Disclosure Update as Exhibit A. Such quarterly financial statements should be read in conjunction with our annual financial statements. This information is taken from our internal books and records that are created, maintained, and administered by our employees in accordance with generally accepted accounting principles. Sales tax revenues included in the unaudited quarterly financial statements were determined using accrual method accounting. Actual sales tax receipts could, therefore, differ from those reported in the quarterly financial statements.

We believe that the unaudited financial information for the three-month period ended December 31, 2002, fairly represents the financial position and operating results of DART and is complete as of, but no later than such date. However, you are cautioned that such financial information has not been audited or reviewed by any independent accountants, and we do not warrant or guarantee that subsequent audited information for these accounts for this three-month period will not differ from the unaudited financial information presented herein and in Exhibit A.

### Management's Comment

Sales tax revenues during the three-month period ended December 31, 2002, were \$85.6 million, compared to \$97.2 million during the three-month period ended December 31, 2001, a decrease of 13.5 percent. Sales tax receipts for the three-month period ended December 31, 2002, are 8.8 percent below our Operating Budget. Our operating results for the three-month period ended December 31, 2002, reflect a net operating loss of \$87.4 million, compared to \$75.6 million for the three-month period ended December 31, 2001, an increase of 15 percent.

In order to mitigate the declines in sales tax receipts, we have implemented a series of measures to balance our 2003 fiscal year Operating Budget which include: (i) a fare increase that was effective on March 3, 2003, (ii) reducing the frequency of trains and buses and the number of vehicles operating on nights and weekends, (iii) eliminating vacant positions, (iv) reducing the number of hours in which staff are available at bus transfer centers in certain locations, and (v) delaying certain capital projects. See also, 2003 Annual Disclosure Statement, "DART OPERATIONS AND PERFORMANCE RESULTS."

We maintain various cash reserves including a Financial Reserve Account that is funded with sales tax collections, if any, that exceed budget during a given year. An affirmative vote of two-thirds of the Board is required to draw upon the Financial Reserve, and the funds may be used for any purpose approved by the Board. As of December 31, 2002, the balance in the Financial Reserve Account was \$28.9 million. No withdrawals have been made from the Financial Reserve Account during the 2003 fiscal year and none are expected to be made during the remainder of the 2003 fiscal year. In addition, we maintain a working cash balance equal to at least two months of expenses that are projected to be paid from sales tax collections. As of December 31, 2002, the balance in this fund was \$154.1 million.

### The Obligations and our Financing Plans—Outstanding Bond Obligations

We do not plan to issue any Senior Lien Obligations in 2003.

We plan to issue additional commercial paper Notes periodically during the year to finance our capital acquisitions. We do not anticipate having more than \$250 million outstanding. As of March 5, 2003, DART had \$105,675,000 in outstanding commercial paper notes, including \$12,030,000 of taxable Notes sold on February 11, 2003.

We have no current plans, but we reserve the right to issue other Bond Obligations during 2003.

**Litigation**

No significant changes have occurred in the status of pending litigation involving DART since the date of the 2003 Annual Disclosure Statement. We continue to accrue and estimate losses on claims that are asserted in pending litigation and have included this accrual in accounts payable and accrued liabilities in the unaudited statement of our principal accounts attached hereto as Exhibit A.

Other than cases filed in the ordinary course of business as an operating transit agency, no new litigation has been filed against DART since the date of the 2003 Annual Disclosure Statement. See, 2003 Annual Disclosure Statement, "LITIGATION."

**RULE 15c2-12 DISCLOSURES**

Since January 28, 2003, the date of the 2003 Annual Disclosure Statement, no material events have occurred that we are required to disclose under the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934.

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This Quarterly Disclosure Update, in the form and content presented above and in its Exhibit, was approved by the Board of Directors of DART on March 25, 2003.

ATTEST:

/s/ Mark C. Enoch  
Secretary, Board of Directors

/s/ Robert W. Pope  
Chairman, Board of Directors

/s/ Gary C. Thomas  
DART, President/Executive Director

**Exhibit A**

**Unaudited Statement of Principal Accounts  
for the three - month period ended December 31, 2002**

**DALLAS AREA RAPID TRANSIT  
STATEMENT OF NET ASSETS**

December 31, 2002 and September 30, 2002 (In Thousands)

ASSETS	12/31/2002	9/30/2002
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$119,458	\$118,760
Investments	97,452	89,225
Restricted assets	3,261	8,493
Sales tax receivable	62,388	54,348
Transit revenue receivable, net	5,675	3,768
Due from federal and other governments	23,310	40,089
Materials and supplies inventory	23,911	24,849
Prepaid transit expense and other	4,842	2,867
TOTAL CURRENT ASSETS	<u>340,297</u>	<u>342,399</u>
<b>NONCURRENT ASSETS</b>		
Capital assets		
Land and rights of way	415,158	415,158
Depreciable capital assets, net of depreciation	1,857,168	1,858,328
Long-term investments held to pay capital lease/leaseback liabilities	508,379	507,868
Net pension asset	3,385	3,385
Unamortized long-term debt issuance costs	4,543	4,502
TOTAL NONCURRENT ASSETS	<u>2,788,633</u>	<u>2,789,241</u>
<b>TOTAL ASSETS</b>	<u><u>\$3,128,930</u></u>	<u><u>\$3,131,640</u></u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$72,723	\$100,321
Commercial paper notes payable	73,645	33,645
Current portion of senior lien sales tax revenue bonds payable	1,945	855
Current portion of capital lease/leaseback liabilities	39,482	29,797
Local assistance program payable	42,731	42,941
Retainage payable	15,921	18,854
Other liabilities	11,239	8,369
TOTAL CURRENT LIABILITIES	<u>260,686</u>	<u>232,782</u>
<b>NONCURRENT LIABILITIES</b>		
Senior lien sales tax revenue bonds payable	492,279	494,192
Capital lease/leaseback liabilities	468,897	478,071
TOTAL NONCURRENT LIABILITIES	<u>961,176</u>	<u>972,263</u>
<b>TOTAL LIABILITIES</b>	<u>1,221,862</u>	<u>1,207,045</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	1,688,536	1,725,940
Restricted for debt service	3,261	8,493
Unrestricted	215,271	190,162
<b>TOTAL NET ASSETS</b>	<u>1,907,068</u>	<u>1,924,595</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$3,128,930</u></u>	<u><u>\$3,131,640</u></u>

**DALLAS AREA RAPID TRANSIT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

For the three months ended December 31, 2002 and 2001 (In Thousands)

	2002	2001
<b>OPERATING REVENUES</b>		
Passenger revenues	\$8,340	\$8,569
Advertising and other	2,966	2,527
<b>TOTAL OPERATING REVENUES</b>	<u>11,306</u>	<u>11,096</u>
<b>OPERATING EXPENSES</b>		
Labor	32,489	31,725
Benefits	14,034	11,055
Services	5,343	6,145
Materials and supplies	7,082	6,094
Purchased transportation	18,251	15,677
Depreciation and amortization	22,994	18,773
Utilities	1,680	1,781
Taxes, leases, and other	1,077	1,143
Casualty and liability	880	863
Transit system planning, development, and start-up costs	(5,129)	(6,547)
<b>TOTAL OPERATING EXPENSES</b>	<u>98,701</u>	<u>86,709</u>
<b>NET OPERATING LOSS</b>	<u>(87,395)</u>	<u>(75,613)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Sales tax revenue	85,614	97,160
Investment income	1,243	1,811
Interest income from investments held to pay capital lease/leaseback	6,991	6,502
Interest expense on capital lease/leaseback	(6,991)	(6,502)
Local Assistance Program and street improvements	(8,427)	(9,580)
Transit system planning, development, and start-up costs	(5,129)	(6,547)
Interest and financing expenses	(6,561)	(5,311)
Other revenues (expenses), net	(106)	(25)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>66,634</u>	<u>77,508</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<u>(20,761)</u>	<u>1,895</u>
<b>CAPITAL CONTRIBUTIONS</b>		
Federal financial assistance	3,198	9,157
Other capital contributions	36	304
<b>TOTAL CAPITAL CONTRIBUTIONS</b>	<u>3,234</u>	<u>9,461</u>
<b>CHANGE IN NET ASSETS</b>	(17,527)	11,356
<b>TOTAL NET ASSETS – BEGINNING OF YEAR</b>	<u>1,924,595</u>	<u>1,801,795</u>
<b>TOTAL NET ASSETS – ENDING OF YEAR</b>	<u>\$1,907,068</u>	<u>\$1,813,151</u>

**DALLAS AREA RAPID TRANSIT  
STATEMENTS OF CASH FLOWS**

For the three months ended December 31, 2002 and 2001 (In Thousands)

	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$9,016	\$7,990
Receipts for operating grants	383	193
Payments to suppliers of goods and services	(37,887)	(42,588)
Payments to purchased transportation service providers	(18,572)	(20,154)
Payments to employees	(32,061)	(31,672)
Benefit payments on behalf of employees	(14,023)	(10,988)
Less: payments allocated to planning, development and start-up costs	5,129	6,547
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(88,015)</u>	<u>(90,672)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Sales tax proceeds	77,574	84,317
Other non-capital non-operating revenues (expenses)	(105)	(25)
Local Assistance Program and street improvements	(5,638)	(4,152)
Planning, development, and rail start-up costs	(5,129)	(6,547)
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>66,702</u>	<u>73,593</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	1,970	1,668
Proceeds from sales and maturity of investments	145,423	218,990
Purchase of investments	(153,660)	(242,263)
(Increase) decrease in restricted assets	(5,231)	(6,542)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(11,498)</u>	<u>(28,147)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(24,767)	(37,675)
Proceeds from the issuance of commercial paper notes	40,000	40,000
Interest and financing expenses	(1,736)	(843)
Capital provided by federal and other governments	20,012	35,901
<b>NET CASH (USED) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>33,509</u>	<u>37,383</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	698	(7,843)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>118,760</u>	<u>77,275</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$119,458</u>	<u>\$69,432</u>
<b>NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES</b>		
Interest income from investments held to pay capital lease/leaseback	\$6,991	\$6,205
Interest expense on capital lease/leaseback	(6,991)	(6,205)
Payment of capital lease/leaseback obligation by trustee	(6,479)	(5,191)
<b>NET NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES</b>	<u>\$(6,479)</u>	<u>\$(5,191)</u>

DALLAS AREA RAPID TRANSIT STATEMENTS OF CASH FLOWS

For the three months ended December 31, 2002 and 2001 (In Thousands)

RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$(87,394)	\$(75,613)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	22,994	18,773
Changes in assets and liabilities		
(Increase) decrease in transit receivable	(1,907)	(2,914)
(Increase) in materials and supplies inventory	939	(1,136)
Increase in prepaid expenses and other current assets	(2,743)	(1,630)
Increase (decrease) in accounts payable and accrued liabilities	(22,774)	(30,475)
Increase (decrease) in other current liabilities	2,870	2,323
NET CASH USED BY OPERATING ACTIVITIES	\$(88,015)	\$(90,672)