

DALLAS AREA RAPID TRANSIT



**Quarterly Disclosure Update  
for the three-month period ended December 31, 2003**

---

*This Quarterly Disclosure Update supplements the information contained in our 2004 Annual Disclosure Statement dated February 24, 2004. The 2004 Annual Disclosure Statement and each Quarterly Disclosure Update have been filed as public records with the Central Repositories named in the 2004 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.*

---

**GENERAL**

We are posting and filing this Quarterly Disclosure Update to supplement our 2004 Annual Disclosure Statement dated February 24, 2004. 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 2004 Annual Disclosure Statement. See, 2004 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, 2003.

**YOU SHOULD CAREFULLY CONSIDER THE INVESTMENT CONSIDERATIONS IN THE 2004 ANNUAL DISCLOSURE STATEMENT.**

**FORWARD-LOOKING STATEMENTS**

*We make "forward-looking statements" in the 2004 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.*

---

**Dated: April 27, 2004**

## QUARTERLY DISCLOSURE UPDATE

The 2004 Annual Disclosure Statement, dated February 24, 2004, is updated by the following supplemental information:

### Unaudited Financial Information

Audited financial statements for our fiscal year ended September 30, 2003, are attached as Appendix A to the 2004 Annual Disclosure Statement. An unaudited statement of our principal accounts for the three-month period ended December 31, 2003, 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, 2003, 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

DART's unaudited financial statements for the three-month period ended December 31, 2003, and 2002, show sales tax revenues as \$83.0 million and \$85.6 million, respectively, which indicates a decrease of 3.0 percent. These revenue projections were recorded based on best estimates of sales tax revenue at the end of the quarter. The actual sales tax collections were \$86.6 million and \$81.8 million for the three months ended December 31, 2003, and 2002. The December 2003 receipts are \$4.8 million or 5.8 percent above December 31, 2002 actual receipts and 5.7 percent better than budget. Our operating results for the three-month period ended December 31, 2003, reflect a net operating loss of \$79.7 million, compared to \$87.8 million for the three-month period ended December 31, 2002, a decrease of 10.1 percent. 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, 2003, the balance in the Financial Reserve Account was \$28.9 million. We are making a \$76,000 monthly withdrawal from the Financial Reserve to offset an adjustment being made to our Sales Tax Receipts by the Comptroller's Office. At the direction of the Board of Directors, we will also be reimbursing the Operating Fund \$6.175 million for a legal settlement. As securities mature in the Financial Reserve, they will not be replaced and their proceeds will be transferred to the Operating Fund until this obligation is fulfilled. In addition, we maintain a working cash balance in the Operating Fund equal to at least two months of expenses that are projected to be paid from sales tax collections. As of December 31, 2003, the Operating Fund balance was \$214.2 million.

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

We do not plan to issue any Senior Lien Obligations in 2004.

We plan to issue additional commercial paper Notes periodically during the year to finance our capital acquisitions. We do not anticipate having more than \$315 million outstanding at year-end. As of March 23, 2004, DART had \$189,245,000 in outstanding commercial paper Notes, including \$13,600,000 of taxable Notes.

We have no current plans, but we reserve the right, to issue other Bond Obligations during 2004.

### Litigation

No significant changes have occurred in the status of pending litigation involving DART since the date of the 2004 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 2004 Annual Disclosure Statement. See, 2004 Annual Disclosure Statement, "LITIGATION."

**RULE 15c2-12 DISCLOSURES**

Since February 24, 2004, the date of the 2004 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.

-----  
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 April 27, 2004.

ATTEST:

/s/ Linda Koop  
Secretary, Board of Directors

/s/ Huelon Harrison  
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, 2003**

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

December 31, 2003 and September 30, 2003 (In Thousands)

ASSETS	12/31/2003	09/30/2003
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$64,757	\$68,351
Investments	190,666	134,982
Current portion of restricted assets	3,667	11,016
Investments held to pay capital lease/leaseback liabilities	40,794	46,864
Sales tax receivable	58,277	53,625
Transit revenue receivable, net	5,409	2,186
Due from federal and other governments	5,804	42,879
Materials and supplies inventory	21,003	21,215
Prepaid transit expense and other	2,654	2,034
TOTAL CURRENT ASSETS	<u>393,031</u>	<u>383,152</u>
<b>NONCURRENT ASSETS</b>		
Restricted assets	4,953	10,184
Investment in joint venture	11,566	11,702
Capital assets		
Land and rights-of-way	384,185	384,185
Depreciable capital assets, net of depreciation	1,659,898	1,685,344
Projects in progress	268,120	247,941
Long-term investments held to pay capital lease/leaseback liabilities	449,555	456,787
Net pension asset	3,277	3,277
Unamortized long-term debt issuance costs	4,280	4,345
TOTAL NONCURRENT ASSETS	<u>2,785,834</u>	<u>2,803,765</u>
<b>TOTAL ASSETS</b>	<u><u>\$3,178,865</u></u>	<u><u>\$3,186,917</u></u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$62,938	\$98,184
Commercial paper notes payable	167,645	135,670
Current portion of capital lease/leaseback liabilities	40,794	46,864
Current portion of amount due to State Comptroller	913	913
Local Assistance Program payable	40,029	32,860
Retainage payable	16,360	17,537
Other liabilities	10,481	6,679
Payable from restricted assets:		
Interest Payable	2,294	8,389
Current portion of senior lien sales tax revenue bonds payable	6,815	1,945
TOTAL CURRENT LIABILITIES	<u>348,269</u>	<u>349,041</u>
<b>NONCURRENT LIABILITIES</b>		
Repayment due to State Comptroller	1,598	1,826
Senior lien sales tax revenue bonds payable	485,591	492,374
Capital lease/leaseback liabilities	449,555	456,787
TOTAL NONCURRENT LIABILITIES	<u>936,744</u>	<u>950,987</u>
<b>TOTAL LIABILITIES</b>	<u>1,285,013</u>	<u>1,300,028</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	1,635,792	1,669,943
Restricted for:		
Debt service	3,667	11,016
System expansion and acquisition	4,953	10,184
Unrestricted	249,440	195,746
<b>TOTAL NET ASSETS</b>	<u>1,893,852</u>	<u>1,886,889</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$3,178,865</u></u>	<u><u>\$3,186,917</u></u>

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

For the three months ended December 31, 2003 and 2002 (In Thousands)

	2003	2002
<b>OPERATING REVENUES</b>		
Passenger revenues	\$9,586	\$8,234
Advertising and other	2,590	2,686
<b>TOTAL OPERATING REVENUES</b>	<u>12,176</u>	<u>10,920</u>
<b>OPERATING EXPENSES</b>		
Labor	31,907	32,489
Benefits	15,340	14,034
Services	4,160	5,343
Materials and supplies	7,901	7,082
Purchased transportation	8,649	18,251
Depreciation and amortization	24,536	22,994
Utilities	1,789	1,680
Taxes, leases, and other	1,023	1,077
Casualty and liability	1,140	880
Transit system planning, development, and start-up costs	(4,542)	(5,129)
<b>TOTAL OPERATING EXPENSES</b>	<u>91,903</u>	<u>98,701</u>
<b>NET OPERATING LOSS</b>	<u>(79,727)</u>	<u>(87,781)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Sales tax revenue	83,009	85,614
Investment income	856	1,243
Interest income from investments held to pay capital lease/leasebacks	6,742	6,991
Interest expense on capital lease/leasebacks	(6,742)	(6,991)
Local Assistance Program and street improvements	(8,162)	(8,427)
Transit system planning, development, and start-up costs	(4,542)	(5,129)
Interest and financing expenses	(6,510)	(6,561)
Other revenues (expenses), net	1,335	(106)
<b>TOTAL NET NON-OPERATING REVENUES (EXPENSES)</b>	<u>65,986</u>	<u>66,634</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND OTHER GRANTS</b>	<u>(13,741)</u>	<u>(21,147)</u>
<b>CONTRIBUTIONS, AND OTHER GRANTS</b>		
Federal capital contribution	5,792	3,198
Other capital contributions		36
Other grants	14,912	386
<b>TOTAL CAPITAL CONTRIBUTIONS</b>	<u>20,704</u>	<u>3,620</u>
<b>CHANGE IN NET ASSETS</b>	6,963	(17,527)
<b>TOTAL NET ASSETS – BEGINNING OF THE QUARTER</b>	<u>1,886,889</u>	<u>1,924,595</u>
<b>TOTAL NET ASSETS – ENDING OF THE QUARTER</b>	<u>\$1,893,852</u>	<u>\$1,907,068</u>

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

For the three months ended December 31, 2003 and 2002 (Dollars in Thousands)

	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$9,679	\$9,013
Payments to suppliers of goods and services	(36,097)	(37,863)
Payments to purchased transportation service providers	(13,990)	(18,572)
Payments to employees	(34,073)	(32,095)
Benefit payments on behalf of employees	(14,097)	(14,023)
Payments allocated to planning, development, and start-up costs	4,542	5,129
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(84,036)</b>	<b>(88,411)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Sales tax proceeds	78,356	77,574
Other non-capital non-operating revenues (expenses)	16,246	280
Local Assistance Program and street improvements	(993)	(5,638)
Planning, development, and rail start-up costs	(4,542)	(5,129)
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>89,067</b>	<b>67,087</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	638	1,970
Proceeds from sales and maturity of investments	39,606	69,588
Purchase of investments	(95,289)	(66,159)
(Increase) decrease in restricted assets	12,580	(6,413)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(42,465)</b>	<b>(1,014)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(26,485)	(24,767)
Proceeds from capital lease/leaseback transactions		
Proceeds from the issuance of commercial paper notes	44,000	40,000
Payment on commercial paper notes	(12,025)	
Principal payment on sales tax revenue bonds	(1,945)	(855)
Interest and financing expenses	(12,572)	(11,354)
Capital and grants provided by federal and other governments	42,867	20,012
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>33,840</b>	<b>23,036</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,594)</b>	<b>698</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>68,351</b>	<b>118,760</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$64,757</b>	<b>\$119,458</b>

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

For the three months ended December 31, 2003 and 2002 (Dollars in Thousands)

	<u>2003</u>	<u>2002</u>
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$(79,727)	\$(87,780)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	24,536	22,994
Changes in assets and liabilities		
(Increase) decrease in transit receivable	(2,497)	(1,906)
(Increase) decrease in materials and supplies inventory	212	939
(Increase) in prepaid expenses and other current assets	(1,062)	(2,754)
Increase (decrease) in accounts payable and accrued liabilities	(29,300)	(22,774)
Increase in other current liabilities	3,802	2,870
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$(84,036)</u></u>	<u><u>\$(88,411)</u></u>
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	\$6,742	\$6,561
Interest expense on capital lease/leaseback	(6,742)	(6,561)
Payment of capital lease/leaseback obligation by trustee	(19,743)	(6,479)
NET NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES	<u><u>\$(19,743)</u></u>	<u><u>\$(6,479)</u></u>