

DALLAS AREA RAPID TRANSIT



**Quarterly Disclosure Update
for the six-month period ended March 31, 2003**

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”) and our Quarterly Disclosure Update dated March 25, 2003.). The 2003 Annual Disclosure Statement and each 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. 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 2003 Annual Disclosure Statement and our Quarterly Disclosure Update dated March 25, 2003. 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 six-month period ended March 31, 2003.

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.

Dated: June 24, 2003

QUARTERLY DISCLOSURE UPDATE

The 2003 Annual Disclosure Statement, dated January 28, 2003 and Quarterly Disclosure Update dated March 25, 2003, are 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 six-month period ended March 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 six-month period ended March 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 six - month period will not differ from the unaudited financial information presented herein and in Exhibit A.

Management's Comment

Sales tax revenues during the six-month period ended March 31, 2003, were \$155.5 million, compared to \$168.2 million during the six-month period ended March 31, 2002, a decrease of 7.5 percent. Actual sales tax receipts for the six-month period ended March 31, 2003, are 7.3 percent below our Operating Budget. Our operating results for the six-month period ended March 31, 2003, reflect a net operating loss of \$171.8 million, compared to \$156.0 million for the six-month period ended March 31, 2002, an increase of 10.1 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 filled and 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."

It is anticipated that our Fiscal Year 2004 actual sales tax receipts will remain near Fiscal Year 2003 levels. In the preparation of our Fiscal Year 2004 Budget, management is considering additional reductions in service levels, additional reductions in administrative costs, and delaying future capital expansion projects.

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 March 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. 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 March 31, 2003, the Operating Fund balance was \$169.5 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 \$150 million outstanding. As of May 31, 2003, DART had \$105,705,000 in outstanding commercial paper Notes, including \$12,060,000 of taxable Notes.

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 March 25, 2003, the date of the most recent Quarterly Disclosure Update, 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 June 24, 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 six- month period ended March 31, 2003**

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

March 31, 2003 and September 30, 2002 and 2001 (In Thousands)

ASSETS	03/31/2003	9/30/2002 2001
CURRENT ASSETS:		
Cash and cash equivalents	\$83,246	\$118,760
Investments	128,094	79,744
Restricted assets	10,044	8,493
Sales tax receivable	51,221	54,348
Transit revenue receivable, net	4,163	3,768
Due from federal and other governments	17,692	40,089
Materials and supplies inventory	23,172	24,849
Prepaid transit expense and other	6,060	2,867
TOTAL CURRENT ASSETS	323,692	332,918
NONCURRENT ASSETS:		
Restricted assets	15,170	9,481
Capital assets Property, plant, and equipment, net		
Land and rights of way	415,158	415,158
Depreciable capital assets, net of depreciation	1,858,261	1,858,328
Long-term investments held to pay capital lease/leaseback liabilities	490,426	507,868
Net pension asset	3,331	3,385
Unamortized long-term debt issuance costs	4,501	4,502
TOTAL NONCURRENT ASSETS	2,786,847	2,798,722
TOTAL ASSETS	\$3,110,539	\$3,131,640
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$68,477	\$100,321
Current portion of Commercial Paper notes payable	105,675	33,645
Current portion of senior lien sales tax revenue bonds payable	1,945	855
Current portion of capital lease/leaseback liabilities	85,664	29,797
Local Assistance Program payable	40,667	42,941
Retainage payable	16,628	18,854
Other liabilities	10,164	8,369
TOTAL CURRENT LIABILITIES	328,920	234,782
NONCURRENT LIABILITIES:		
Senior lien sales tax revenue bonds payable	492,310	494,192
Capital lease/leaseback liabilities	404,763	478,071
TOTAL NONCURRENT LIABILITIES	897,073	972,263
TOTAL LIABILITIES	1,225,993	1,207,045
NET ASSETS		
Invested in capital assets, net of related debt	1,657,161	1,725,940
Restricted for		
Debt service	10,044	8,493
System expansion and acquisition	15,170	9,481
Unrestricted	202,171	180,681
TOTAL NET ASSETS	1,884,546	1,924,595
TOTAL LIABILITIES AND NET ASSETS	\$3,110,539	\$3,131,640

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

For the six months ended March 31, 2003 and 2002 (In Thousands)

	2003	2002
OPERATING REVENUES		
Passenger revenues	\$17,421	\$16,676
Advertising and other	5,171	5,379
TOTAL OPERATING REVENUES	<u>22,592</u>	<u>22,055</u>
OPERATING EXPENSES		
Labor	64,718	61,560
Benefits	25,770	25,200
Services	11,714	11,840
Materials and supplies	12,739	12,360
Purchased transportation	35,385	33,645
Depreciation and amortization	46,480	38,177
Utilities	3,370	3,436
Taxes, leases, and other	2,206	2,674
Casualty and liability	1,993	1,724
Transit system planning, development, and start-up costs	(9,972)	(12,562)
TOTAL OPERATING EXPENSES	<u>194,403</u>	<u>178,054</u>
NET OPERATING LOSS	<u>(171,811)</u>	<u>(155,999)</u>
NON-OPERATING REVENUES (EXPENSES)		
Sales tax revenue	155,483	168,184
Investment income	2,239	3,543
Interest income from investments held to pay capital lease/leaseback	13,309	11,965
Interest expense on capital lease/leaseback	(13,309)	(11,965)
Local Assistance Program and street improvements	(8,594)	(9,845)
Transit system planning, development, and start-up costs	(9,972)	(12,562)
Interest and financing expenses	(13,330)	(10,917)
Other revenues (expenses), net	(123)	(328)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>125,703</u>	<u>138,075</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>(46,108)</u>	<u>(17,924)</u>
CAPITAL CONTRIBUTIONS		
Federal financial assistance	6,023	22,088
Other capital contributions	36	304
TOTAL CAPITAL CONTRIBUTIONS	<u>6,059</u>	<u>22,392</u>
CHANGE IN NET ASSETS	(40,049)	4,468
TOTAL NET ASSETS – BEGINNING OF THE QUARTER	<u>1,924,595</u>	<u>1,801,795</u>
TOTAL NET ASSETS – ENDING OF THE QUARTER	<u>\$1,884,546</u>	<u>\$1,806,263</u>

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

For the six months ended March 31, 2003 and 2002 (In Thousands)

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$21,314	\$19,466
Receipts for operating grants	883	270
Payments to suppliers of goods and services	(66,558)	(79,116)
Payments to purchased transportation service providers	(34,635)	(35,476)
Payments to employees	(64,243)	(60,685)
Benefit payments on behalf of employees	(26,156)	(24,442)
Less: payments allocated to planning, development and start-up costs	9,972	12,562
NET CASH USED BY OPERATING ACTIVITIES	<u>(159,423)</u>	<u>(167,421)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales tax proceeds	158,609	170,199
Other non-capital non-operating revenues (expenses)	(123)	(328)
Local Assistance Program and street improvements	(10,867)	(6,763)
Planning, development, and rail start-up costs	(9,972)	(12,562)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>137,647</u>	<u>150,546</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	2,912	3,432
Proceeds from sales and maturity of investments	86,292	120,363
Purchase of investments	(134,497)	(148,840)
(Increase) decrease in restricted assets	(7,240)	(5,188)
NET CASH USED BY INVESTING ACTIVITIES	<u>(52,533)</u>	<u>(30,233)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(48,939)	(69,464)
Proceeds from the issuance of commercial paper notes	72,030	80,000
Payment on Commercial Paper notes	0	(54,655)
Principal payment on Sales Tax Revenue Bonds	(855)	0
Interest and financing expenses	(11,896)	(8,035)
Capital provided by federal and other governments	28,455	98,838
NET CASH (USED) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>38,795</u>	<u>46,684</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>(35,514)</u>	<u>(424)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>118,760</u>	<u>77,275</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$83,246</u>	<u>\$76,851</u>
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	\$13,309	\$11,967
Interest expense on capital lease/leaseback	(13,309)	(11,967)
Payment of capital lease/leaseback obligation by trustee	(30,751)	(28,981)
NET NON-CASH OPERATING, INVESTING, FINANCING ACTIVITIES	<u>\$ (30,751)</u>	<u>\$ (28,981)</u>

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

For the six months ended March 31, 2003 and 2002 (In Thousands)

RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$(171,811)	\$(155,999)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	46,480	38,177
Changes in assets and liabilities		
(Increase) decrease in transit receivable	(395)	(2,318)
(Increase) in materials and supplies inventory	1,678	(1,787)
Increase in prepaid expenses and other current assets	(3,956)	(633)
Increase (decrease) in accounts payable and accrued liabilities	(33,214)	(45,976)
Increase (decrease) in other current liabilities	1,795	1,115
NET CASH USED BY OPERATING ACTIVITIES	\$(159,423)	\$(167,421)