

# A Symphony with Soul

**T**he Houston Symphony offers more than great classical music. The orchestra's repertoire includes a range of works, from Beethoven's *Missa Solemnis* to concerts with contemporary vocalists such as Johnny Mathis. Each season the Symphony offers classical, pops, education and family concerts designed to appeal to all ages and backgrounds. Moreover, it's accessible. Many of the education programs are free.

*Photo by Bruce Bennett; courtesy of the Houston Symphony*

**CITY OF HOUSTON, TEXAS  
GENERAL FUND  
June 30, 2002**

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Houston, TX 77002

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## Independent Auditors' Report

### To the Mayor, City Council, and City Controller:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Houston, Texas (the City) as of and for the year ended June 30, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Firefighter's Relief and Retirement Pension Trust Fund, the Municipal Employees' Pension Trust Fund and the Police Officers' Pension Trust Fund, blended component units of the City, which, in aggregate, represent 95.2% of total assets of the Aggregate Remaining Fund Information. In addition, we did not audit the financial statements of the Cultural Arts Council of Houston/Harris County, Houston Parks Board, Midtown Redevelopment Authority, Greater Greenspoint Redevelopment Authority, Main Street Market Square Development Authority, Memorial-Heights Redevelopment Authority, OST/Almeda Corridors Redevelopment Authority, Saint George Place Redevelopment Authority, Uptown Development Authority, Gulfgate Redevelopment Authority, South Post Oak Redevelopment Authority, City Park Redevelopment Authority, East Downtown Redevelopment Authority, Southwest Houston Redevelopment Authority, and the Houston Convention Center Hotel Corporation, discretely presented component units of the City, which in aggregate reflect 90.7% of total assets of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the blended component units and the discretely presented component units listed above is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Houston, Texas, as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.





As described in Note 1, the City has implemented a new financial reporting model, as required by GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus an amendment of GASB Statements No. 21 and No. 34*, and GASB No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 17, 2002, on our consideration of the City of Houston, Texas’ internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management’s Discussion and Analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it. The Required Pension System Supplementary Information on pages 87 through 89 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, they did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Houston’s basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, combining discretely presented component unit financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, combining discretely presented component unit financial statements, and the respective budgetary comparison for the debt service fund have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

**KPMG LLP**

December 17, 2002

## Management's Discussion and Analysis

As management of the City of Houston, we offer readers of the City of Houston's financial statements this narrative overview and analysis of the financial activities of the City of Houston for the fiscal year ended June 30, 2002. Please read in conjunction with the basic financial statements which follow this section. The discussion and analysis does not include comparative data for prior years, as this information is not available for the first year of implementation of Governmental Accounting Standards Board (GASB) Statement No. 34. Further years will include, when available, comparative analysis of government-wide data. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### Financial Highlights

- The assets of the City of Houston exceeded its liabilities at the close of the most recent fiscal year by \$4.3 billion. Unrestricted assets are a deficit of \$448 million. This indicates that the City is financing long-term liabilities as they come due rather than when they are incurred.
- The government's total net assets increased by \$8.4 million during the year.
- The City of Houston's total expenses were \$2.60 billion. Program revenues of \$1.22 billion reduced the net cost of the City's functions to be financed from the City's general revenues to \$1.39 billion.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Houston's basic financial statements. The City of Houston's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Houston's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Houston's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City of Houston is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City of Houston that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Houston include general government, public safety, public works, health, housing and community development, parks and recreation, and library. The business-type activities of the City of Houston include the airport system, water & sewer system and convention & entertainment facilities.

The government-wide financial statements include not only the City of Houston itself (known as the primary government), but also legally separate component units for which the City of Houston is

financially accountable. With the exception of the Houston Area Water Corporation, financial information for the component units is reported separately from the financial information presented for the primary government itself. The Houston Area Water Corporation, although also legally separate, functions for all practical purposes as a department of the City of Houston, and therefore has been included as an integral part of the primary government.

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

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

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

The City of Houston maintains nine individual governmental funds for financial reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, the capital projects fund and the grants fund, all of which are considered to be major funds. Data from the other funds is provided in the column labeled nonmajor governmental funds.

**Proprietary funds.** The City of Houston maintains three different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Houston uses enterprise funds to account for its aviation system, water and sewer system, and the convention and entertainment facilities. The City also includes the Houston Area Water Corporation as a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Houston's various functions. The City of Houston uses internal service funds to account for health and benefits and long-term disability activities. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the aviation system, water and sewer system and convention and entertainment facilities, all of which are considered to be major funds for the City of Houston. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial

statements because the resources of those funds are not available to support the City of Houston's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Houston's progress in funding its obligation to provide pension benefits to its employees.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Houston, assets exceed liabilities by \$4.254 billion at the close of the most recent fiscal year.

**Net Assets**  
**June 30, 2002**  
(in millions)

	Governmental Activities	Business-type Activities	2002
Current and other assets	\$ 723	\$ 2,569	\$ 3,292
Capital assets	3,989	6,224	10,213
Total assets	<u>4,712</u>	<u>8,793</u>	<u>13,505</u>
Long-term liabilities	1,886	6,161	8,047
Other liabilities	632	572	1,204
Total liabilities	<u>2,518</u>	<u>6,733</u>	<u>9,251</u>
Net assets			
Invested in capital assets, net of related debt	2,087	1,184	3,271
Restricted	328	1,103	1,431
Unrestricted (deficit)	(221)	(227)	(448)
Total net assets	<u>\$ 2,194</u>	<u>\$ 2,060</u>	<u>\$ 4,254</u>

By far the largest portion of the City of Houston's net assets (77%) reflects its investment in capital assets (e.g., land, building, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City of Houston uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Houston's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Houston's net assets (33.6%) represents resources that are subject to external restrictions on how they may be used. The deficit balance of unrestricted net assets (\$448

million) indicates that the government elects to pay for certain long-term obligations as they come due with current financial resources.

At the end of the current fiscal year, the City of Houston is not able to report positive balances in all three categories for net assets.

There was a decrease of \$23 million in the net assets reported in connection with the City of Houston's business-type activities. Most of this decrease represents the degree to which increases in ongoing expenses have outstripped similar increases in ongoing revenues during the current fiscal year.

The governmental net assets increased by \$31 million during the current fiscal year. Most of this increase represents the degree to which increases in ongoing revenues have outstripped increases in ongoing expenses.

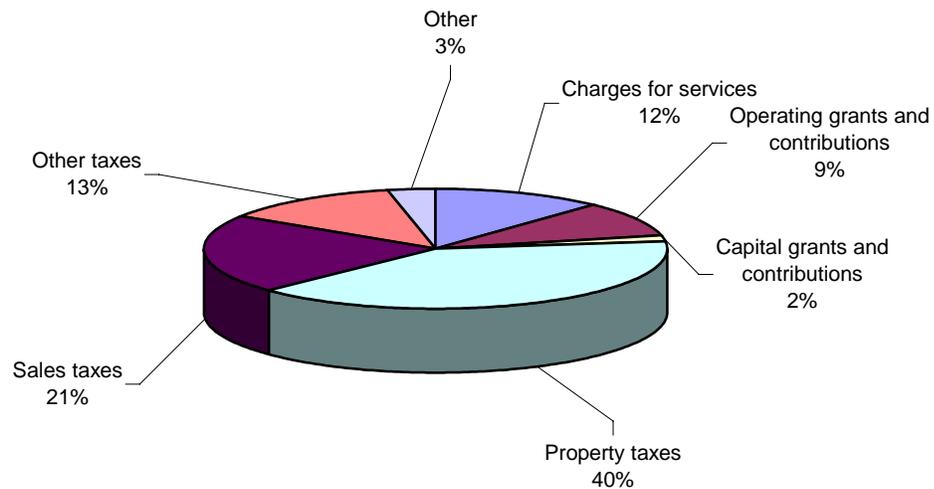
**Change in Net Assets**  
**June 30, 2002**  
(in millions)

	Governmental Activities	Business-type Activities	2002
<b>Program Revenues:</b>			
Charges for services	\$ 189	\$ 786	\$ 975
Operating grants and contributions	148	-	148
Capital grants and contributions	27	66	93
<b>General revenues:</b>			
Property taxes	627	-	627
Sales taxes	342	-	342
Other taxes	199	43	242
Grants and contributions not restricted to specific programs	1	-	1
Other	52	129	181
<b>Total revenues</b>	<b>1,585</b>	<b>1,024</b>	<b>2,609</b>
<b>Expenses:</b>			
General government	226	-	226
Public safety	616	-	616
Public works	294	-	294
Health	108	-	108
Housing and community development	57	-	57
Parks and recreation	91	-	91
Library	41	-	41
Retiree benefits	18	-	18
Interest on Long-term Debt	94	-	94
Depreciation and amortization	109	-	109
Airport System	-	227	227
Convention & Entertainment Facilities	-	83	83
Water & Sewer	-	637	637
<b>Total expenses</b>	<b>1,654</b>	<b>947</b>	<b>2,601</b>
Change in net assets before transfers	(69)	77	8
Transfers	100	(100)	-
<b>Change in net assets</b>	<b>31</b>	<b>(23)</b>	<b>8</b>
Net assets July 1,	2,163	2,083	4,246
<b>Net assets June 30,</b>	<b>\$ 2,194</b>	<b>\$ 2,060</b>	<b>\$ 4,254</b>

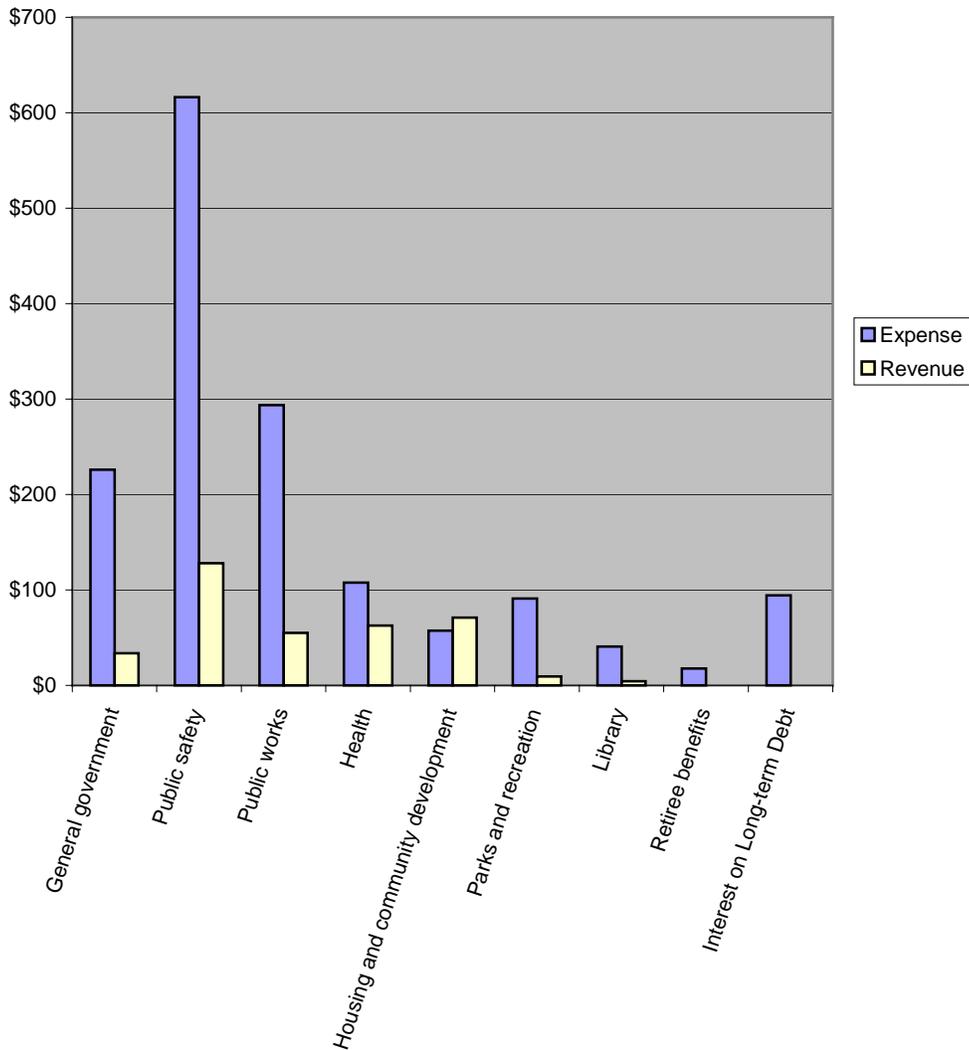
**Governmental activities.** Governmental activities increased the City of Houston’s net assets by \$31 million. Key elements of this increase are as follows:

- While the city’s property tax rate was held constant at \$.0655 per \$100 assessed value, property tax revenue increased by \$50 million as a result of the city’s rising property values and continued effort in the collection of delinquent taxes.
- Sales tax revenue increased 3.6 percent from \$330 million to \$342 million.
- For the most part, the largest increases in expenses were in the areas of public safety (increase in the number of fire fighters per truck) and airport systems (increased security post September 11, 2001).

**Revenue by Source - Governmental Activities**



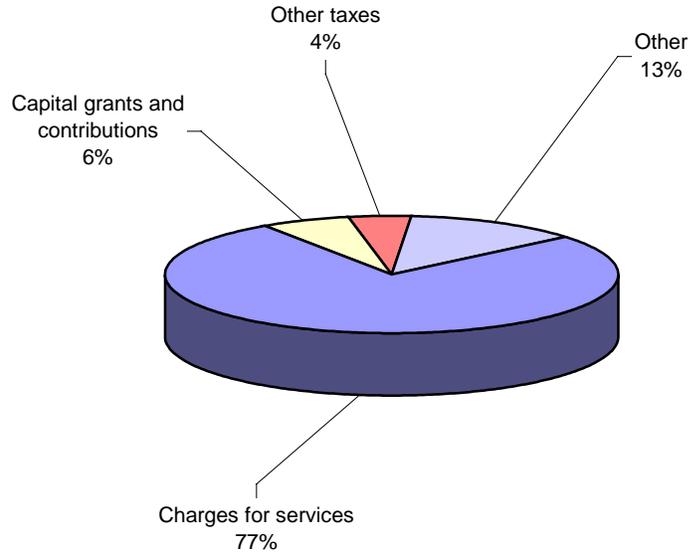
**Program Revenue and Expense  
Governmental**



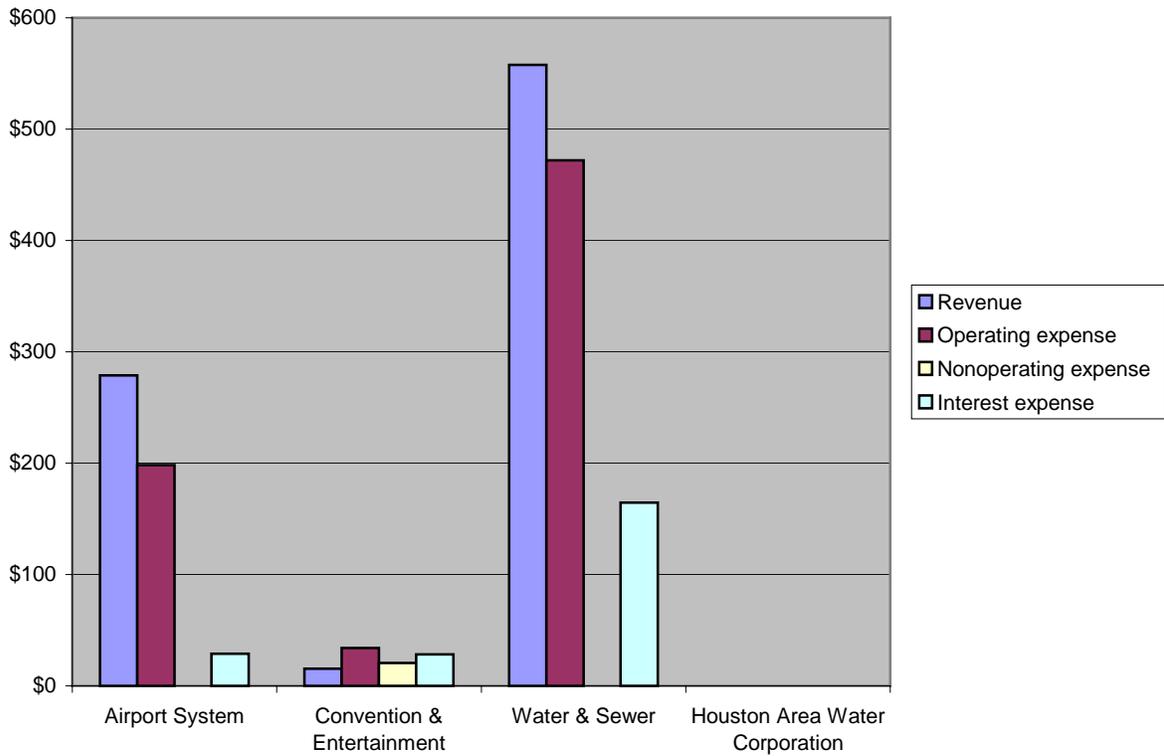
**Business-type activities.** Business-type activities decreased the City of Houston’s net assets by \$23 million, offset by the \$31 million increase for governmental activities. Key elements of this increase are as follows:

- Airport systems operating expenses are up by 13 percent, from \$175 million to \$198 million. Charges for services at these facilities remained relatively flat while grants and contributions more than doubled from \$20 million to \$51 million.
- Convention & Entertainment’s operating expenses are up by 28 percent, from \$26.7 million to \$34.1 million while experiencing a 7 percent decline in charges for services and hotel occupancy taxes from \$63.5 million to \$58.9 million.
- Water & Sewer operating expenses were down by 7 percent from \$505.5 million to \$472 million, while operating revenues were essentially flat, from \$547 million to \$543 million.

**Revenue by Source Business-type**



**Program Revenue & Expense Business-type**



## **Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the City of Houston's governmental funds reported combined ending fund balances of \$331 million, an increase of \$45 million in comparison with the prior year. Approximately two thirds of this total amount (\$195 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to purchase equipment (\$5 million), (2) to pay debt service (\$105 million), or (3) a variety of other restricted purposes (\$25 million).

The general fund is the chief operating fund of the City of Houston. At the end of the current fiscal year, unreserved fund balance of the general fund was \$85 million, while the total fund balance reached \$105 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 6.8 percent of total general fund expenditures, while total fund balance represents 8.3 percent of that same amount.

The fund balance of the city's general fund increased by \$4 million during the current fiscal year. Key factors in this growth are as follows:

- \$82 million increase in total revenues
- \$18 million increase in transfers from other funds
- \$123 million increase in expenditures
- \$19 million decrease in transfers to other funds

The debt service fund has a total fund balance of \$105 million, all of which is reserved for the payment of debt service. The net increase in fund balance during the current fiscal year in the debt service fund was \$16 million. Interest expenditures decreased by \$6 million and the city experienced a net infusion of \$4 million from a current year refunding.

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

At the end of the year, unrestricted net assets amounted to \$10 million for Aviation System and deficits of \$186 million for Water and Sewer, \$51 million for Convention and Entertainment and \$77 million for the Houston Area Water Corporation. The total growth in net assets for Aviation System and Convention and Entertainment funds was \$92 million and \$6 million, respectively. Both Water and Sewer and the Houston Area Water Corporation experienced decreases of \$120 million and \$17 million, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Houston's business-type activities.

## General Fund Budgetary Highlights

The final amended budget was \$4.5 million more than the original budget. The difference can be briefly summarized as follows:

- \$1.7 million increase for general government
- \$25.5 million increase for public safety
- \$15.3 million decrease for public works
- \$4.4 million decrease for health, parks and recreation and library
- \$6.5 million increase for hospital and life insurance expenditures for the city's retirees
- \$8.7 million increase for capital outlay
- \$18.2 million decrease for other expenditures

This increase was funded by transfers from the Water and Sewer Fund.

## Capital Asset and Debt Administration

**Capital assets.** The City of Houston's investment in capital assets for its governmental and business-type activities as of June 30, 2002, amounts to \$10.2 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, equipment, storm drainage, streets and bridges. The total increase in the City of Houston's investment in capital assets for the current fiscal year was 7.8 percent (a 4.5 percent increase for governmental activities and a 10 percent increase for business-type activities).

### Capital Assets June 30, 2002

(net of depreciation in millions)

	Governmental Activities	Business-type Activities	Total
Land	\$ 333	\$ 283	\$ 616
Buildings, improvements and equipment	495	1,453	1,948
Plants, lines and rights	-	2,876	2,876
Construction in progress	275	1,612	1,887
Infrastructure Assets	2,885	-	2,885
Total	<u>\$ 3,988</u>	<u>\$ 6,224</u>	<u>\$ 10,212</u>

Major capital asset events during the current fiscal year included the following:

- Governmental and Business-type activities purchase \$21.6 million worth of land.
- Governmental activities purchase or completed construction on capital assets of \$396 million.
- Business-type activities purchase or completed construction on capital assets of \$303 million.

**Long-term debt.** At the end of the current fiscal year, the City of Houston had total bonded debt outstanding of \$8.1 billion. Of this amount, \$1.9 billion comprises debt backed by the full faith and credit of the government and \$15 million is debt related to HUD housing loans for which the government is liable in the event of default by the borrowers. The remainder of the City of Houston's

debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds and long-term contracts).

**Outstanding Debt**  
**General Obligation and Revenue Bonds**  
**June 30, 2002**  
(in millions)

	Governmental Activities	Business-type Activities	Total
General obligation bonds and commercial paper	\$ 1,935	\$ -	\$ 1,935
Revenue bonds and commercial paper	-	5,928	5,928
Other lending requirements	15	260	275
<b>Total</b>	<b>\$ 1,950</b>	<b>\$ 6,188</b>	<b>\$ 8,138</b>

The city's total debt increased by \$400 million (5.2 percent) during the current fiscal year.

During the current fiscal year, the city refinanced some of its existing debt and issued new debt to take advantage of lower interest rates. Issues include:

- \$426 million of public improvement bonds to refund commercial paper, restructure maturities, and fund demolition of dangerous buildings.
- \$65 million of airport revenue bonds to refund a 1991 series,
- \$633 million of airport revenue bonds for terminal construction at Bush Intercontinental Airport and various other airport expansion projects,
- \$936 million of water & sewer bonds and notes to refund and defease commercial paper and bonds (1991 and 1999).

Standard & Poor's, Moody's and Fitch's underlying ratings of the City's obligations are as follows:

	Std&Poor's	Moody's	Fitch
General Obligation	AA-	Aa3	AA
Water & Sewer System	A+	A3	A
Houston Airport System	A	A1	A+
Convention & Entertainment	A-	A3	n/r

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of Houston is \$10.7 billion, which is significantly in excess of the City of Houston's outstanding general obligation debt.

**CITY OF HOUSTON, TEXAS  
STATEMENT OF NET ASSETS**

**June 30, 2002**  
*(amounts expressed in thousands)*

	Governmental	Business-type	Total	Component Units	
	Activities	Activities		Governmental	Business-type
<b>Assets</b>					
Cash	\$ -	\$ -	\$ -	\$ 20,572	\$ 557
Equity in pooled cash and investments	318,152	111,060	429,212	47,308	6,925
Receivables, net of allowances					
Accounts receivable	143,830	78,213	222,043	831	3,691
Hotel occupancy tax receivable	-	10,074	10,074	-	-
Property taxes receivable, net	75,250	-	75,250	7,507	-
Sales taxes receivable	56,354	-	56,354	-	-
Mixed beverage taxes receivable	1,953	-	1,953	-	-
Franchise taxes receivable	37,499	-	37,499	-	-
Special assessments receivable	35,688	-	35,688	1	-
Accrued interest and other	-	-	-	391	341
Internal balances	15,161	(15,161)	-	-	-
Amounts due from primary government	-	-	-	2,172	266,694
Due from other governments	10,610	362	10,972	164	-
Inventory	15,368	12,589	27,957	-	-
Prepaid items	1,581	-	1,581	10	-
	<u>711,446</u>	<u>197,137</u>	<u>908,583</u>	<u>78,956</u>	<u>278,208</u>
<b>Restricted Assets</b>					
Restricted cash and cash equivalents	-	-	-	-	263
Amounts due from component units	-	315,773	315,773	-	-
Investments	7,628	1,818,429	1,826,057	2,474	6,151
Assessments receivable	-	103	103	-	-
Accrued interest receivable	5	-	5	-	434
Due from other governments - grants	-	7,264	7,264	-	-
Amounts held by other governments	-	8,367	8,367	-	-
Receivable and deposits	-	-	-	2	2,809
Deferred charges for issuance cost	3,336	1,793	5,129	2,808	-
Water rights, net of depreciation	-	206,900	206,900	-	-
Other long-term receivables	-	-	-	76	7,232
Garage Rights	-	13,144	13,144	-	-
Total restricted assets	<u>10,969</u>	<u>2,371,773</u>	<u>2,382,742</u>	<u>5,360</u>	<u>16,889</u>
<b>Capital assets</b>					
Land	333,155	282,921	616,076	13,605	11,488
Buildings, improvements and equipment	964,615	2,244,224	3,208,839	704	543
Plants, lines and rights	-	5,786,856	5,786,856	-	-
Construction in progress	275,399	1,612,234	1,887,633	2,782	57,384
Infrastructure Assets	4,502,464	-	4,502,464	-	-
Total capital assets	<u>6,075,633</u>	<u>9,926,235</u>	<u>16,001,868</u>	<u>17,091</u>	<u>69,415</u>
Less accumulated depreciation	<u>(2,086,560)</u>	<u>(3,701,650)</u>	<u>(5,788,210)</u>	<u>(603)</u>	<u>(2)</u>
Net capital assets	<u>3,989,073</u>	<u>6,224,585</u>	<u>10,213,658</u>	<u>16,488</u>	<u>69,413</u>
Total noncurrent assets	<u>4,000,042</u>	<u>8,596,358</u>	<u>12,596,400</u>	<u>21,848</u>	<u>86,302</u>
<b>Total assets</b>	<u>\$ 4,711,488</u>	<u>\$ 8,793,495</u>	<u>\$ 13,504,983</u>	<u>\$ 100,804</u>	<u>\$ 364,510</u>

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS  
STATEMENT OF NET ASSETS**

**June 30, 2002**  
*(amounts expressed in thousands)*

	Governmental		Business-type		Total	Component Units	
	Activities	Activities	Activities	Activities		Governmental	Business-type
<b>Liabilities</b>							
Accounts payable	\$ 51,597	\$ 16,380	\$ 67,977	\$ 5,386	\$ 6,269		
Accrued payroll liabilities	18,584	5,468	24,052	32	-		
Accrued interest payable	-	852	852	2,270	4,057		
Contracts and retainages payable	26,543	15,287	41,830	853	3,409		
Notes payable	-	-	-	1,480	265		
Due to other governments	4,437	1,587	6,024	5	-		
Advances and deposits	5,460	2,772	8,232	-	-		
Claims and judgments	29,810	11,437	41,247	-	-		
Compensated absences	26,987	1,035	28,022	-	-		
Other liabilities	3,556	-	3,556	412	-		
Deferred revenue	-	-	-	77	13,145		
Current liabilities payable from restricted assets							
Accounts payable	-	3,889	3,889	-	-		
Revenue bonds payable	-	-	-	1,240	-		
Accrued interest payable	20,841	58,916	79,757	-	-		
Advances and deposits	3,490	22,339	25,829	-	-		
Construction billings and retainages	-	114,361	114,361	11,555	-		
Bonds payable	440,952	53,925	494,877	-	-		
Due to Component Units	-	253,424	253,424	-	-		
Account held for Component Units	-	10,741	10,741	-	-		
	<u>632,257</u>	<u>572,413</u>	<u>1,204,670</u>	<u>23,310</u>	<u>27,145</u>		
<b>Long-term liabilities</b>							
Due to primary government	-	-	-	4,887	315,773		
Notes payable	-	-	-	25,461	3,525		
Claims and judgments	49,483	-	49,483	-	-		
Compensated absences	326,317	27,742	354,059	-	-		
Contracts payable	-	244,502	244,502	13,943	-		
Bonds payable	1,493,553	5,735,654	7,229,207	62,225	-		
Commercial paper	-	140,000	140,000	-	-		
Arbitrage rebate	674	11,110	11,784	-	-		
Other long-term liabilities	15,260	1,622	16,882	4,554	614		
Accrued maintenance, repair and replacement cost	565	-	565	-	-		
Total long-term liabilities	<u>1,885,852</u>	<u>6,160,630</u>	<u>8,046,482</u>	<u>111,070</u>	<u>319,912</u>		
Total liabilities	<u>2,518,109</u>	<u>6,733,043</u>	<u>9,251,152</u>	<u>134,380</u>	<u>347,057</u>		
<b>Net assets</b>							
Invested in capital assets, net of related debt	2,086,498	1,183,675	3,270,173	3,887	-		
Restricted net assets							
Restricted for debt service	69,152	88,355	157,507	9,882	1,060		
Restricted for renewal and replacement	-	377,805	377,805	1,674	-		
Restricted for maintenance and operations	-	60,732	60,732	632	-		
Restricted for others' capital improvement	-	-	-	2,474	-		
Restricted for capital improvements	62,907	574,352	637,259	4,454	615		
Other restricted	195,753	2,145	197,898	14,292	1,299		
Unrestricted (deficit)	(220,931)	(226,612)	(447,543)	(70,871)	14,479		
<b>Total net assets (deficit)</b>	<u>\$ 2,193,379</u>	<u>\$ 2,060,452</u>	<u>\$ 4,253,831</u>	<u>\$ (33,576)</u>	<u>\$ 17,453</u>		

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS  
STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2002**  
*(amounts expressed in thousands)*

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities				
General government	\$ 225,950	\$ 31,931	\$ 1,673	\$ -
Public safety	616,324	117,234	9,035	1,868
Public works	293,757	19,282	13,073	22,608
Health	107,783	11,625	50,420	737
Housing and community development	57,482	-	70,213	785
Parks and recreation	91,034	7,174	2,289	-
Library	40,723	1,416	1,729	1,053
Retiree benefits	17,787	-	-	-
Interest on long-term debt	94,511	-	-	-
Depreciation (excludes direct deprec. exp.)	108,998	-	-	-
Total governmental activities	<u>1,654,349</u>	<u>188,662</u>	<u>148,432</u>	<u>27,051</u>
Business-type activities				
Airport System	227,248	227,455	-	51,286
Convention & Entertainment facilities	83,141	15,521	-	-
Water & Sewer	636,824	543,396	-	14,293
Houston Area Water Corporation	17	-	-	-
Total business-type activities	<u>947,230</u>	<u>786,372</u>	<u>-</u>	<u>65,579</u>
<b>Total primary government</b>	<u>\$ 2,601,579</u>	<u>\$ 975,034</u>	<u>\$ 148,432</u>	<u>\$ 92,630</u>
<b>Component Units</b>				
Governmental	75,003	-	13,065	-
Business-type	9,732	1,453	-	-
Total component units activities	<u>\$ 84,735</u>	<u>\$ 1,453</u>	<u>\$ 13,065</u>	<u>\$ -</u>

**General Revenues:**

Taxes
Property taxes levied for general purposes
Property taxes levied for debt service
Industrial assessments tax
Sales tax
Franchise tax
Mixed beverage tax
Bingo tax
Hotel occupancy tax
Contributions
Investment earnings (loss)
Other
Special Items - gain (loss) on sale of assets
Transfers
<b>Total general revenues, special items, and transfers</b>
Change in net assets
Net assets (deficit) beginning
Net assets (deficit) ending

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

Net (Expense) Revenue and Changes in Net Assets					
Primary Government					
Governmental Activities	Business-type Activities	Total	Component Units		
			Governmental	Business-type	
\$ (192,346)	\$ -	\$ (192,346)	\$ -	\$ -	
(488,187)	-	(488,187)	-	-	
(238,794)	-	(238,794)	-	-	
(45,001)	-	(45,001)	-	-	
13,516	-	13,516	-	-	
(81,571)	-	(81,571)	-	-	
(36,525)	-	(36,525)	-	-	
(17,787)	-	(17,787)	-	-	
(94,511)	-	(94,511)	-	-	
(108,998)	-	(108,998)	-	-	
<u>(1,290,204)</u>	<u>-</u>	<u>(1,290,204)</u>	<u>-</u>	<u>-</u>	
-	51,493	51,493	-	-	
-	(67,620)	(67,620)	-	-	
-	(79,135)	(79,135)	-	-	
-	(17)	(17)	-	-	
<u>-</u>	<u>(95,279)</u>	<u>(95,279)</u>	<u>-</u>	<u>-</u>	
<u>(1,290,204)</u>	<u>(95,279)</u>	<u>(1,385,483)</u>	<u>-</u>	<u>-</u>	
-	-	-	(61,938)	-	
-	-	-	-	(8,279)	
-	-	-	(61,938)	(8,279)	
457,850	-	457,850	17,058	750	
169,000	-	169,000	-	-	
15,642	-	15,642	-	-	
341,952	-	341,952	-	-	
175,360	-	175,360	-	-	
7,514	-	7,514	-	-	
251	-	251	-	-	
-	43,452	43,452	-	-	
1,483	-	1,483	-	-	
23,918	103,072	126,990	(570)	1,761	
24,822	35,789	60,611	2,617	6,291	
3,546	(9,975)	(6,429)	-	-	
99,817	(99,817)	-	-	-	
<u>1,321,155</u>	<u>72,521</u>	<u>1,393,676</u>	<u>19,105</u>	<u>523</u>	
30,951	(22,758)	8,193	(42,833)	523	
2,162,428	2,083,210	4,245,638	9,257	16,930	
<u>\$ 2,193,379</u>	<u>\$ 2,060,452</u>	<u>\$ 4,253,831</u>	<u>\$ (33,576)</u>	<u>\$ 17,453</u>	

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS  
BALANCE SHEET — GOVERNMENTAL FUNDS**

**June 30, 2002**  
*(amounts expressed in thousands)*

	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Assets</b>			
Equity in pooled cash and investments	\$ 27,730	\$ 103,911	\$ 83,986
Receivables, net of allowances			
Accounts receivable	14,659	1,165	1,857
Property taxes receivable, net	75,251	-	-
Sales taxes receivable	56,355	-	-
Mixed beverage taxes receivable	1,954	-	-
Franchise taxes receivable	37,499	-	-
Special assessments receivable	35,688	-	-
Due from other funds	28,919	659	565
Due from other governments	-	-	-
Inventory	12,967	-	-
Prepaid items	1,581	-	-
Investments	-	-	-
Accrued interest receivable	-	-	-
Total assets	\$ 292,603	\$ 105,735	\$ 86,408
<b>Liabilities and fund balance</b>			
<b>Liabilities</b>			
Accounts payable	40,554	482	5,450
Accrued payroll liabilities	13,783	-	-
Contracts and retainages payable	255	-	7,448
Due to other funds	2,305	-	10,045
Due to other governments	4,005	-	432
Advances and deposits	4,862	-	126
Claims and judgments	2,957	-	-
Compensated absences	6,319	-	-
Other liabilities			
Deferred revenue	112,902	-	-
Current liabilities payable from restricted assets			
Advances and deposits	-	-	-
Accrued maintenance, repair and replacement cost	-	-	-
Total liabilities	187,942	482	23,501
<b>Fund balance</b>			
Reserved for imprest cash and prepaids	1,737	-	43
Reserved for equipment acquisitions and other capital outlay	4,675	-	-
Reserved for revolving fund and other	-	-	-
Reserved for inventory	12,967	-	-
Reserved for debt service	-	105,253	-
Unreserved	85,282	-	62,864
Unreserved fund balance reported in nonmajor:			
Special revenue funds	-	-	-
Total fund balance	104,661	105,253	62,907
<b>Total liabilities and fund balance</b>	<b>\$ 292,603</b>	<b>\$ 105,735</b>	<b>\$ 86,408</b>

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

Assets not available to pay for current-period expenditures are deferred in the funds. Internal service funds are used by management to charge the cost of health benefits and workers' compensation to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.

Liabilities, including bonds payable, not due and payable in the current period are not reported in the funds.

Net assets of governmental activities

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

Grants	Nonmajor Governmental Funds	Total Funds
\$ 16,040	\$ 70,107	\$ 301,774
121,466	4,679	143,826
-	-	75,251
-	-	56,355
-	-	1,954
-	-	37,499
-	-	35,688
70	5,004	35,217
7,786	2,842	10,628
2,399	2	15,368
-	-	1,581
-	7,628	7,628
-	5	5
<u>\$ 147,761</u>	<u>\$ 90,267</u>	<u>\$ 722,774</u>

-	5,022	51,508
3,193	1,537	18,513
2,900	15,940	26,543
2,387	3,215	17,952
-	-	4,437
-	472	5,460
-	-	2,957
-	-	6,319
-	3,556	3,556
136,882	1,145	250,929
-	3,490	3,490
-	565	565
<u>145,362</u>	<u>34,942</u>	<u>392,229</u>

-	-	1,780
-	-	4,675
-	8,360	8,360
2,399	-	15,366
-	-	105,253
-	-	148,146
-	46,965	46,965
<u>2,399</u>	<u>55,325</u>	<u>330,545</u>
<u>\$ 147,761</u>	<u>\$ 90,267</u>	

3,989,073

262,091

1,606

(2,389,936)

\$ 2,193,379

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES and CHANGES in FUND BALANCES— GOVERNMENTAL FUNDS**

*June 30, 2002*

*(amounts expressed in thousands)*

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Revenues</b>			
Taxes and assessments	\$ 1,163,820	\$ -	\$ -
Licenses and permits	12,559	-	-
Charges for services	119,760	-	-
Intergovernmental - grants	12,263	-	21,919
Fines and forfeits	37,587	-	-
Contributions	1,483	-	-
Investment income	8,775	5,511	3,107
Other	11,329	1,818	222
Total revenues	<u>1,367,576</u>	<u>7,329</u>	<u>25,248</u>
<b>Expenditures</b>			
General government	148,349	-	46,568
Public safety	715,329	-	8,768
Public works	191,198	-	93,025
Health	55,077	-	-
Housing and Community Development	-	-	-
Parks and recreation	55,999	-	12,461
Library	35,264	-	2,459
Retiree benefits	17,787	-	-
Capital outlay	43,750	-	-
Debt service principal	-	110,060	-
Debt service interest	-	87,830	-
Debt service fiscal agent & fees	-	5,252	-
Total expenditures	<u>1,262,753</u>	<u>203,142</u>	<u>163,281</u>
<b>Other financing sources (uses)</b>			
Proceeds from issuance of debt	44,000	-	129,494
Proceeds from refunded debt	-	437,243	-
Transfers in	24,100	207,412	13,553
Transfers out	(169,000)	-	-
Payment to escrow agent for refunded bonds	-	(433,192)	-
Other financing sources (uses)	-	-	-
Total other financing sources (uses)	<u>(100,900)</u>	<u>211,463</u>	<u>143,047</u>
Changes in fund balance	3,923	15,650	5,014
Fund balances, July 1	<u>100,738</u>	<u>89,603</u>	<u>57,893</u>
<b>Fund balances, June 30</b>	<u>\$ 104,661</u>	<u>\$ 105,253</u>	<u>\$ 62,907</u>

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

<u>Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Funds</u>
\$ -	\$ -	\$ 1,163,820
-	20,543	33,102
-	28,760	148,520
124,350	2,186	160,718
-	-	37,587
-	2,079	3,562
231	3,826	21,450
-	16,936	30,305
<u>124,581</u>	<u>74,330</u>	<u>1,599,064</u>
-	7,285	202,202
11,089	17,095	752,281
2,226	41,999	328,448
49,675	25	104,777
56,624	897	57,521
2,422	7,569	78,451
2,313	-	40,036
-	-	17,787
-	3,255	47,005
-	-	110,060
-	-	87,830
-	-	5,252
<u>124,349</u>	<u>78,125</u>	<u>1,831,650</u>
-	-	173,494
-	-	437,243
-	32,980	278,045
-	(9,228)	(178,228)
-	-	(433,192)
-	(119)	(119)
<u>-</u>	<u>23,633</u>	<u>277,243</u>
232	19,838	44,657
<u>2,167</u>	<u>35,487</u>	<u>285,888</u>
<u>\$ 2,399</u>	<u>\$ 55,325</u>	<u>\$ 330,545</u>

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2002  
(amounts expressed in thousands)**

Net change in fund balances - total governmental funds	\$	44,657
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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 and reported as depreciation expense. This is the amount by which the increase in capital assets (\$171,296) exceeded depreciation (\$136,489) in the current period.		34,807
--	--	--------

Revenue in the statement of activities that do not provide current financial resources are deferred as revenues in the funds.		65,555
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Generally, governmental funds report revenue when cash is actually received , or is expected 60 days after the close of the fiscal year. Cash received during the period relates to prior periods.		(52,646)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on 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.		(64,143)
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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.		(7,941)
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Governmental funds report payments as expenditures in the period of disbursement. The liquidation of long-term liabilities previously accrued should not be reported in the statement of activities.		10,761
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Internal service funds are used by management to change the costs of certain activities, such as the cost of health benefits, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		(99)
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Change in net assets of governmental activities	\$	30,951
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\* The notes to the basic financial statements are an intergral part of this statement \*

**CITY OF HOUSTON, TEXAS**  
**GENERAL FUND**  
**Statement of Budgeted and Actual Revenues and Expenditures**  
**For the Year Ended June 30, 2002**  
*(amounts expressed in thousands)*

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget- Pos (Neg)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes and assessments				
Property Taxes	\$ 624,438	\$ 624,438	\$ 623,101	\$ (1,337)
Industrial Assessments	17,133	17,133	15,642	(1,491)
Sales Tax	344,859	344,859	341,952	(2,907)
Franchise Tax	173,292	173,292	175,360	2,068
Mixed Beverage Tax	6,860	6,860	7,514	654
Bingo Tax	225	225	251	26
Total taxes and assessments	<u>1,166,807</u>	<u>1,166,807</u>	<u>1,163,820</u>	<u>(2,987)</u>
Licenses and permits				
General	7,814	7,814	6,871	(943)
Health Permits	5,727	5,727	5,688	(39)
Total licenses and permits	<u>13,541</u>	<u>13,541</u>	<u>12,559</u>	<u>(982)</u>
Charges for services				
Ambulance service	20,620	20,620	16,783	(3,837)
Library fees	268	268	372	104
Parking	3,752	3,752	2,677	(1,075)
Services performed for other funds				
Direct	82,062	82,062	73,221	(8,841)
Indirect	14,947	14,947	14,979	32
Rents and royalties	966	966	746	(220)
Others	10,892	10,892	10,982	90
Total charges for services	<u>133,507</u>	<u>133,507</u>	<u>119,760</u>	<u>(13,747)</u>
Intergovernmental - grants	<u>12,148</u>	<u>12,148</u>	<u>12,263</u>	<u>115</u>
Fines and forfeits				
Municipal Courts	42,434	42,434	35,208	(7,226)
Others	2,729	2,729	2,379	(350)
Total fines and forfeits	<u>45,163</u>	<u>45,163</u>	<u>37,587</u>	<u>(7,576)</u>
Contributions	<u>997</u>	<u>997</u>	<u>1,483</u>	<u>486</u>
Interest	<u>8,225</u>	<u>8,225</u>	<u>8,775</u>	<u>550</u>
Other				
Sale of Property	2,651	2,651	3,665	1,014
Other	6,922	6,922	7,664	742
Total Other	<u>9,573</u>	<u>9,573</u>	<u>11,329</u>	<u>1,756</u>
<b>Total revenues</b>	<u>1,389,961</u>	<u>1,389,961</u>	<u>1,367,576</u>	<u>(22,385)</u>
<b>Other financing sources (uses)</b>				
Net proceeds from issuance of debt	-	-	44,000	44,000
Operating transfers in	9,443	9,443	24,100	14,657
<b>Total other financing sources (uses)</b>	<u>9,443</u>	<u>9,443</u>	<u>68,100</u>	<u>58,657</u>
<b>Total revenues and other financing sources</b>	<u>\$ 1,399,404</u>	<u>\$ 1,399,404</u>	<u>\$ 1,435,676</u>	<u>\$ 36,272</u>

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**  
**GENERAL FUND**  
**Statement of Budgeted and Actual Revenues and Expenditures**  
**For the Year Ended June 30, 2002**  
*(amounts expressed in thousands)*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-</u>
				<u>Pos (Neg)</u>
General government				
Legislative and executive				
Legislative - council				
Personnel services	\$ 3,909	\$ 3,921	\$ 3,927	\$ (6)
Other current expenditures	519	402	287	115
Equipment acquisition	-	6	6	-
Total legislative - council	<u>4,428</u>	<u>4,329</u>	<u>4,220</u>	<u>109</u>
Legislative - mayor's office				
Personnel services	1,722	1,621	1,596	25
Other current expenditures	236	319	328	(9)
Total executive - mayor's office	<u>1,958</u>	<u>1,940</u>	<u>1,924</u>	<u>16</u>
Total legislative and executive	<u>6,386</u>	<u>6,269</u>	<u>6,144</u>	<u>125</u>
Affirmative Action				
Personnel services	1,575	1,527	1,526	1
Other current expenditures	213	191	186	5
Total affirmative action	<u>1,788</u>	<u>1,718</u>	<u>1,712</u>	<u>6</u>
Judicial				
Municipal courts judges				
Personnel services	3,725	3,572	3,467	105
Other current expenditures	297	299	275	24
Equipment acquisition	5	3	1	2
Total municipal court judges	<u>4,027</u>	<u>3,874</u>	<u>3,743</u>	<u>131</u>
Municipal courts administration				
Personnel services	14,257	14,226	13,963	263
Other current expenditures	2,383	2,287	2,134	153
Equipment acquisition	4	187	2	185
Total municipal court administration	<u>16,644</u>	<u>16,700</u>	<u>16,099</u>	<u>601</u>
Total judicial	<u>20,671</u>	<u>20,574</u>	<u>19,842</u>	<u>732</u>
Elections	<u>1,800</u>	<u>2,094</u>	<u>2,092</u>	<u>2</u>
Finance administration				
Controller				
Personnel services	5,341	5,178	5,142	36
Other current expenditures	1,218	1,206	1,072	134
Equipment acquisition	-	-	-	-
Total controller	<u>6,559</u>	<u>6,384</u>	<u>6,214</u>	<u>170</u>
Finance and administration				
Personnel services	26,863	26,235	25,655	580
Other current expenditures	10,633	13,504	12,150	1,354
Total finance and administration	<u>37,496</u>	<u>39,739</u>	<u>37,805</u>	<u>1,934</u>
Audits	560	560	660	(100)
Bond and Legal	<u>1,100</u>	<u>1,125</u>	<u>1,024</u>	<u>101</u>
Total finance administration	<u>45,715</u>	<u>47,808</u>	<u>45,703</u>	<u>2,105</u>
Legal				
Personnel services	11,975	11,950	11,586	364
Other current expenditures	11,319	11,219	9,726	1,493
Equipment acquisition	-	-	-	-
Total legal	<u>23,294</u>	<u>23,169</u>	<u>21,312</u>	<u>1,857</u>
City Secretary				
Personnel services	746	676	602	74
Other current expenditures	106	106	92	14
Equipment acquisition	-	-	-	-
Total city secretary	<u>852</u>	<u>782</u>	<u>694</u>	<u>88</u>
Planning and development				
Personnel services	7,779	7,527	7,386	141
Other current expenditures	849	936	929	7
Equipment acquisition	-	4	4	-
Total planning and development	<u>8,628</u>	<u>8,467</u>	<u>8,319</u>	<u>148</u>

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**  
**GENERAL FUND**  
**Statement of Budgeted and Actual Revenues and Expenditures**  
**For the Year Ended June 30, 2002**  
*(amounts expressed in thousands)*

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget- Pos (Neg)</b>
	<b>Original</b>	<b>Final</b>		
Human resources				
Personnel services	2,563	2,593	2,494	99
Other current expenditures	503	388	379	9
Total human resources	3,066	2,981	2,873	108
<b>Total general government</b>	<b>112,200</b>	<b>113,862</b>	<b>108,691</b>	<b>5,171</b>
Public safety				
Police				
Personnel services	404,166	422,597	419,009	3,588
Other current expenditures	25,990	25,051	24,626	425
Equipment acquisition	340	347	115	232
Total police	430,496	447,995	443,750	4,245
Fire				
Personnel services	240,494	254,399	257,892	(3,493)
Other current expenditures	19,816	14,059	13,535	524
Equipment acquisition	357	176	152	24
Total fire	260,667	268,634	271,579	(2,945)
<b>Total public safety</b>	<b>691,163</b>	<b>716,629</b>	<b>715,329</b>	<b>1,300</b>
Public works				
Administration				
Personnel services	61,368	57,026	55,972	1,054
Other current expenditures	57,781	42,307	42,834	(527)
Equipment acquisition	161	161	101	60
Total administration	119,310	99,494	98,907	587
Building Services				
Personnel services	13,803	15,538	15,171	367
Other current expenditures	723	17,445	16,084	1,361
Equipment acquisition	12,270	47	18	29
Total building services	26,796	33,030	31,273	1,757
Solid Waste				
Personnel services	27,830	26,124	25,815	309
Other current expenditures	35,261	35,242	34,997	245
Total solid waste	63,091	61,366	60,812	554
Housing conservation				
Personnel services	187	148	147	1
Other current expenditures	52	52	59	(7)
Equipment acquisition	2	2	-	2
Total housing conservation	241	202	206	(4)
<b>Total public works</b>	<b>209,438</b>	<b>194,092</b>	<b>191,198</b>	<b>2,894</b>

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**  
**GENERAL FUND**  
**Statement of Budgeted and Actual Revenues and Expenditures**  
**For the Year Ended June 30, 2002**  
*(amounts expressed in thousands)*

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget-</b>
				<b>Pos (Neg)</b>
Health				
Personnel services	43,037	41,685	40,512	1,173
Other current expenditures	15,052	14,211	14,532	(321)
Equipment acquisition	-	37	33	4
<b>Total health</b>	<u>58,089</u>	<u>55,933</u>	<u>55,077</u>	<u>856</u>
Parks and recreation				
Personnel services	41,670	41,449	41,622	(173)
Other current expenditures	15,067	14,525	14,377	148
Equipment acquisition	-	-	-	-
<b>Total parks and recreation</b>	<u>56,737</u>	<u>55,974</u>	<u>55,999</u>	<u>(25)</u>
Library				
Personnel services	23,756	23,059	22,874	185
Other current expenditures	7,742	6,940	6,414	526
Equipment acquisition	5,945	5,984	5,976	8
<b>Total library</b>	<u>37,443</u>	<u>35,983</u>	<u>35,264</u>	<u>719</u>
Retiree benefits				
Hospital and life insurance	11,894	18,394	17,787	607
<b>Total retiree benefits</b>	<u>11,894</u>	<u>18,394</u>	<u>17,787</u>	<u>607</u>
Other current expenditures				
Tax refunds	6,000	7,700	10,267	(2,567)
Tax appraisal fees	4,561	4,561	4,591	(30)
Insurance	626	626	1,221	(595)
Claims and judgments	7,000	7,186	6,859	327
Membership dues	1,553	1,553	1,256	297
Advertising and promotion	197	197	174	23
Consultants	1,189	1,189	704	485
Interest on short term borrowing	6,200	657	4,366	(3,709)
Miscellaneous support services	26,153	11,553	10,220	1,333
<b>Total other current expenditures</b>	<u>53,479</u>	<u>35,222</u>	<u>39,658</u>	<u>(4,436)</u>
Capital outlay equipment				
Acquisition and others				
Commercial paper	34,995	43,750	43,750	-
<b>Total capital expenditures</b>	<u>34,995</u>	<u>43,750</u>	<u>43,750</u>	<u>-</u>
<b>Total expenditures</b>	<u>1,265,438</u>	<u>1,269,839</u>	<u>1,262,753</u>	<u>7,086</u>
<b>Other financing sources (uses)</b>				
Operating transfers out	169,000	169,100	169,000	100
<b>Total other financing sources (uses)</b>	<u>169,000</u>	<u>169,100</u>	<u>169,000</u>	<u>100</u>
<b>Total expenditures and other financing uses</b>	<u>\$ 1,434,438</u>	<u>\$ 1,438,939</u>	<u>\$ 1,431,753</u>	<u>\$ 7,186</u>

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**  
**PROPRIETARY FUNDS**  
**Statement of Net Assets**  
**June 30, 2002**  
**(amounts expressed in thousands)**

	<b>Business-type Activities Enterprise Funds</b>		
	<b>Airport System</b>	<b>Convention &amp; Entertainment</b>	<b>Water &amp; Sewer</b>
<b>Assets</b>			
Equity in pooled cash and investments	\$ 10,431	\$ 28,408	\$ 71,182
Receivables, net of allowances			
Accounts receivable	14,829	1,357	62,027
Hotel occupancy tax receivable	-	10,074	-
Due from other funds	208	34	1,331
Due from other governments	350	-	12
Inventory	4,506	-	8,083
Total current assets	30,324	39,873	142,635
<b>Noncurrent Assets</b>			
Restricted cash and cash equivalents			
Amounts due from component units	-	315,773	-
Investments	716,047	441,997	556,717
Assessments receivable	-	-	103
Accrued interest receivable	-	-	-
Due from other governments - grants	7,264	-	-
Amounts held by other governments	-	-	8,367
Deferred charges for issuance cost	-	-	-
Total restricted assets	723,311	757,770	565,187
Other assets water rights, net of depreciation			
Water rights, net of depreciation	-	-	206,900
Garage Rights	-	13,144	-
Total other assets	-	13,144	206,900
<b>Capital assets</b>			
Land	129,409	65,694	87,818
Buildings, improvements and equipment	1,770,936	272,741	200,547
Plants, lines and rights	-	-	5,786,856
Construction in progress	659,519	62,347	865,003
Total capital assets	2,559,864	400,782	6,940,224
Less accumulated depreciation	(697,819)	(93,312)	(2,910,519)
Net capital assets	1,862,045	307,470	4,029,705
Total noncurrent assets	2,585,356	1,078,384	4,801,792
Total assets	\$ 2,615,680	\$ 1,118,257	\$ 4,944,427

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

<u>Business-type Activities Enterprise Funds</u>		<u>Governmental</u>
<u>Nonmajor</u>		<u>Activities</u>
<u>Houston Area</u>		<u>Internal</u>
<u>Water Corp.</u>	<u>Total</u>	<u>Service</u>
		<u>Funds</u>
\$ 1,039	\$ 111,060	\$ 16,346
-	78,213	1
-	10,074	-
-	1,573	1
-	362	-
-	12,589	-
<u>1,039</u>	<u>213,871</u>	<u>16,348</u>
-	315,773	-
103,668	1,818,429	-
-	103	-
-	-	-
-	7,264	-
-	8,367	-
<u>1,793</u>	<u>1,793</u>	<u>-</u>
<u>105,461</u>	<u>2,151,729</u>	<u>-</u>
-	206,900	-
-	13,144	-
-	<u>220,044</u>	<u>-</u>
-	282,921	-
-	2,244,224	-
-	5,786,856	-
<u>25,365</u>	<u>1,612,234</u>	<u>-</u>
<u>25,365</u>	<u>9,926,235</u>	<u>-</u>
-	<u>(3,701,650)</u>	<u>-</u>
<u>25,365</u>	<u>6,224,585</u>	<u>-</u>
<u>130,826</u>	<u>8,596,358</u>	<u>-</u>
<u>\$ 131,865</u>	<u>\$ 8,810,229</u>	<u>\$ 16,348</u>

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**  
**PROPRIETARY FUNDS**  
**Statement of Net Assets**  
**June 30, 2002**  
**(amounts expressed in thousands)**

	<b>Business-type Activities Enterprise Funds</b>		
	<b>Airport System</b>	<b>Convention &amp; Entertainment</b>	<b>Water &amp; Sewer</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 3,119	\$ 4,257	\$ 9,004
Accrued payroll liabilities	1,681	183	3,604
Accrued interest payable	-	-	852
Contracts and retainages payable	190	-	15,097
Due to other funds	834	2,427	8,682
Due to component units	-	-	-
Due to other governments	-	1,587	-
Advances and deposits	2,220	552	-
Claims and judgments	5,921	38	5,478
Compensated absences	65	533	437
Total current liabilities	14,030	9,577	43,154
<b>Current liabilities payable from restricted assets</b>			
Accounts payable	-	2,828	-
Revenue bonds payable	4,380	5,955	43,183
Accrued interest payable	37,170	6,478	14,390
Advances and deposits	261	238	21,840
Construction billings and retainages	74,083	1,793	38,239
Due to other funds	-	873	3,514
Due to Component Units	-	253,424	-
Account held for Component Units	-	10,741	-
Total current liabilities payable from restricted assets	115,894	282,330	121,166
<b>Long-term liabilities</b>			
Revenue bonds payable	1,455,094	631,266	3,519,944
Claims and judgments	-	-	-
Compensated absences	6,076	-	21,666
Contracts payable	-	-	244,502
Commercial paper	20,000	-	120,000
Arbitrage rebate	11,110	-	-
Other long-term liabilities	1,622	-	-
Total long-term liabilities	1,493,902	631,266	3,906,112
Total liabilities	1,623,826	923,173	4,070,432
<b>Net assets</b>			
Invested in capital assets, net of related debt	702,741	(72,544)	553,478
Restricted net assets			
Restricted for debt service	32,281	20,457	35,617
Restricted for renewal and replacement	13,819	550	363,436
Restricted for maintenance and operations	28,035	9,118	23,983
Restricted for capital improvements	202,808	288,211	83,333
Other restricted	1,952	193	-
Unrestricted (deficit)	10,218	(50,901)	(185,852)
<b>Total net assets (deficit)</b>	<b>\$ 991,854</b>	<b>\$ 195,084</b>	<b>\$ 873,995</b>

Cumulative liability resulting from internal service funds' undercharging proprietary funds

Net assets of business-type activities

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

<u>Business-type Activities Enterprise Funds</u>		<u>Governmental</u>
<u>Nonmajor</u>		<u>Activities</u>
<u>Houston Area</u>		<u>Internal</u>
<u>Water Corp.</u>	<u>Total</u>	<u>Service</u>
		<u>Funds</u>
\$ -	\$ 16,380	\$ 89
-	5,468	71
-	852	-
-	15,287	-
-	11,943	2,496
-	-	-
-	1,587	-
-	2,772	-
-	11,437	11,540
-	1,035	94
-	<u>66,761</u>	<u>14,290</u>
1,061	3,889	-
407	53,925	-
878	58,916	-
-	22,339	-
246	114,361	-
-	4,387	-
-	253,424	-
-	10,741	-
<u>2,592</u>	<u>521,982</u>	<u>-</u>
129,350	5,735,654	-
-	-	856
-	27,742	-
-	244,502	-
-	140,000	-
-	11,110	-
-	1,622	-
<u>129,350</u>	<u>6,160,630</u>	<u>856</u>
<u>131,942</u>	<u>6,749,373</u>	<u>15,146</u>
-	1,183,675	-
-	88,355	-
-	377,805	-
-	61,136	-
-	574,352	-
-	2,145	-
(77)	(226,612)	1,202
<u>\$ (77)</u>	<u>2,060,856</u>	<u>\$ 1,202</u>
	(404)	
	<u>\$ 2,060,452</u>	

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**  
**PROPRIETARY FUNDS**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**June 30, 2002**  
**(amounts expressed in thousands)**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Airport System</b>	<b>Convention &amp; Entertainment</b>	<b>Water &amp; Sewer</b>
<b>Operating Revenues</b>			
Landing area fees	\$ 50,826	\$ -	\$ -
Building and grounds area	84,752	-	-
Parking	46,955	7,834	-
Concession	42,604	2,350	-
Other	2,318	-	-
Rental	-	5,337	-
Water/Sewer Billing	-	-	543,396
Health benefit premiums	-	-	-
Total operating revenue	227,455	15,521	543,396
<b>Operating Expenses</b>			
Administrative costs	-	-	-
Claims Costs	-	-	-
Maintenance and operating	138,091	21,721	245,943
Depreciation and amortization	60,088	12,405	226,144
Total operating expenses	198,179	34,126	472,087
Operating income (loss)	29,276	(18,605)	71,309
<b>Nonoperating revenue (expenses)</b>			
Investment income	37,629	23,766	41,677
Hotel occupancy tax	-	43,452	-
Other revenue	2,725	696	32,368
Loss on disposal of assets	(17)	-	(9,958)
Other expenses	-	(20,596)	-
Interest on long-term debt	(28,960)	(28,410)	(164,482)
Total Nonoperating revenues (expenses)	11,377	18,908	(100,395)
Income (loss) before contributions and transfers	40,653	303	(29,086)
Contributions	51,286	-	14,293
Transfers in	-	5,623	-
Transfers out	-	-	(105,440)
Total transfers	-	5,623	(105,440)
Change in net assets	91,939	5,926	(120,233)
Total net assets, July 1	899,915	189,158	994,228
<b>Total net assets, June 30</b>	<b>\$ 991,854</b>	<b>\$ 195,084</b>	<b>\$ 873,995</b>

Cumulative liability resulting from internal service funds' undercharging proprietary funds

Total net assets business-type activities

(Continued)

\* The notes to the basic financial statement are an integral part of this statement \*

<b>Business-type Activities - Enterprise Funds</b>		<b>Governmental Activities Internal Service Funds</b>
<b>Non-Major Houston Area Water Corp.</b>	<b>Total</b>	
\$ -	\$ 50,826	\$ -
-	84,752	-
-	54,789	-
-	44,954	-
-	2,318	-
-	5,337	-
-	543,396	-
-	-	141,660
-	<u>786,372</u>	<u>141,660</u>
6	6	2,633
-	-	141,965
-	405,755	-
11	298,648	-
<u>17</u>	<u>704,409</u>	<u>144,598</u>
<u>(17)</u>	<u>81,963</u>	<u>(2,938)</u>
-	103,072	1,263
-	43,452	-
-	35,789	1,204
-	(9,975)	-
-	(20,596)	-
-	(221,852)	-
-	<u>(70,110)</u>	<u>2,467</u>
<u>(17)</u>	<u>11,853</u>	<u>(471)</u>
-	<u>65,579</u>	-
-	5,623	-
-	(105,440)	-
-	<u>(99,817)</u>	-
(17)	(22,385)	(471)
<u>(60)</u>	<u>2,083,241</u>	<u>1,673</u>
<u>\$ (77)</u>	<u>2,060,856</u>	<u>\$ 1,202</u>
	(404)	
	<u>\$ 2,060,452</u>	

\* The notes to the basic financial statement are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**  
**PROPRIETARY FUNDS**  
**Statement of Cash Flows**  
**June 30, 2002**  
(amounts expressed in thousands)

	<b>Business-type Activities - Enterprise Funds</b>	
	<b>Airport System</b>	<b>Convention &amp; Entertainment</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 228,163	\$ 15,481
Payments to employees	(45,503)	(4,740)
Payments to suppliers	(55,311)	(6,981)
Internal activity-payments to other funds	(37,312)	555
Claims paid	(1,410)	(52)
Due from other governments	-	4
Other revenues	2,725	696
Other expenses	-	(12,142)
Payments to other component units	-	(2,172)
	<u>91,352</u>	<u>(9,351)</u>
<b>Net cash provided by operating activities</b>		
<b>Cash flows from investing activities</b>		
Interest income on investments	39,593	22,753
Purchase of investments	(270,437)	(465,942)
Proceeds from sale of investments	554,444	544,626
	<u>323,600</u>	<u>101,437</u>
<b>Net cash provided by (used for) investing activities</b>		
<b>Cash flows from capital and related financing activities</b>		
Retirement of revenue bonds	(19,460)	-
Refunded bonds	(64,467)	-
Retirement of notes payable	-	-
Proceeds from issuance of revenue bonds	63,757	-
Retirement of commercial paper	-	-
Net proceeds from issuance of commercial paper	20,000	-
Interest expense on revenue bonds	(81,479)	(24,151)
Interest expense on commercial paper	-	-
Interest expense on contracts payable	-	-
Retirement of contractual obligations	-	-
Advances and deposits on construction	13	-
Contributed capital	48,407	-
Acquisition of property, plant and equipment	(379,844)	(40,550)
	<u>(413,073)</u>	<u>(64,701)</u>
<b>Net cash provided by (used for) capital and related financing activities</b>		

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
<b>Water &amp; Sewer</b>	<b>Nonmajor Houston Area Water Corp.</b>	<b>Total</b>	<b>Activities Internal Service Funds</b>
\$ 542,054	\$ -	\$ 785,698	\$ 141,660
(99,873)	-	(150,116)	(1,827)
(118,765)	-	(181,057)	(742)
(11,708)	-	(48,465)	3,062
(1,896)	-	(3,358)	(135,542)
-	-	4	-
32,368	-	35,789	-
-	(6)	(12,148)	-
-	-	(2,172)	-
<u>342,180</u>	<u>(6)</u>	<u>424,175</u>	<u>6,611</u>
33,945	547	96,838	1,263
(621,441)	(104,706)	(1,462,526)	-
659,371	337	1,758,778	-
<u>71,875</u>	<u>(103,822)</u>	<u>393,090</u>	<u>1,263</u>
(384,806)	-	(404,266)	-
-	-	(64,467)	-
-	(19,000)	(19,000)	-
717,376	129,346	910,479	-
(180,000)	-	(180,000)	-
-	18,000	38,000	-
(140,562)	(1,394)	(247,586)	-
(8,131)	-	(8,131)	-
(17,547)	(160)	(17,707)	-
(15,662)	-	(15,662)	-
-	-	13	-
23,682	-	72,089	-
<u>(318,447)</u>	<u>(22,964)</u>	<u>(761,805)</u>	<u>-</u>
<u>(324,097)</u>	<u>103,828</u>	<u>(698,043)</u>	<u>-</u>

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**  
**PROPRIETARY FUNDS**  
**Statement of Cash Flows**  
**June 30, 2002**  
(amounts expressed in thousands)

	<b>Business-type Activities - Enterprise Funds</b>	
	<b>Airport System</b>	<b>Convention &amp; Entertainment</b>
<b>Cash flows from noncapital financing activities</b>		
Promotional contract paid from hotel occupancy tax revenues to component units	-	(8,454)
Transfers	-	(10,183)
Other revenues	-	-
Payments to Hotel Corporation	-	(41,243)
Hotel occupancy tax revenue	-	45,196
Operating transfers to debt service fund	-	-
Operating transfers to other funds	-	-
Net cash provided by noncapital financing activities	-	(14,684)
Net increase (decrease) in cash and cash equivalents	1,879	12,701
Cash and cash equivalents, July 1	8,552	15,707
<b>Cash and cash equivalents, June 30</b>	<b>\$ 10,431</b>	<b>\$ 28,408</b>
<b>Non cash transactions</b>		
Amortization expense	\$ -	\$ -
Transfer to other funds	-	(19,358)
Unrealized gain on investments	7,676	1,971
Capitalized interest expense	(47,384)	-
Loss on disposal of assets	(17)	-
Total non cash transactions	<b>\$ (39,725)</b>	<b>\$ (17,387)</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>		
Operating income (loss)	\$ 29,276	\$ (18,605)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	60,088	12,405
Other revenues	2,725	696
Other expenses	-	(12,142)
Due to other fund non-cash transfer	-	-
Changes in assets and liabilities		
Accounts receivable	263	125
Due from other funds	(208)	968
Due from other governments	-	-
Inventory	(540)	-
Accounts payable	(656)	3,750
Accrued payroll liabilities	150	11
Due to other funds	(174)	(67)
Due to other governments	-	3
Advances and deposits	513	(172)
Construction and retainages payable	-	1,558
Claims for workers' compensation	9	27
Compensated absences	(94)	(80)
Due to component units	-	2,172
<b>Net cash provided by operating activities</b>	<b>\$ 91,352</b>	<b>\$ (9,351)</b>

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
<b>Water &amp; Sewer</b>	<b>Nonmajor Houston Area Water Corp.</b>	<b>Total</b>	<b>Activities Internal Service Funds</b>
-	-	(8,454)	-
-	-	(10,183)	-
-	-	-	1,204
-	-	(41,243)	-
-	-	45,196	-
(36,479)	-	(36,479)	-
(58,544)	-	(58,544)	-
(95,023)	-	(109,707)	1,204
(5,065)	-	9,515	9,078
76,247	-	100,506	7,268
<u>\$ 71,182</u>	<u>\$ -</u>	<u>\$ 110,021</u>	<u>\$ 16,346</u>
\$ -	\$ 11	\$ 11	\$ -
	-	(19,358)	-
7,974	-	17,621	-
-	464	(46,920)	-
(9,958)	-	(9,975)	-
<u>\$ (1,984)</u>	<u>\$ 475</u>	<u>\$ (58,621)</u>	<u>\$ -</u>
\$ 71,309	\$ (6)	\$ 81,974	\$ (2,938)
226,144	-	298,637	-
32,464	-	35,885	-
-	-	(12,142)	-
-	-	-	-
(2,048)	-	(1,660)	-
(247)	-	513	662
13,281	-	13,281	-
985	-	445	-
386	-	3,480	35
1,327	-	1,488	5
(840)	-	(1,081)	2,428
-	-	3	-
825	-	1,166	-
-	-	1,558	-
692	-	728	6,409
(2,098)	-	(2,272)	10
-	-	2,172	-
<u>\$ 342,180</u>	<u>\$ (6)</u>	<u>\$ 424,175</u>	<u>\$ 6,611</u>

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2002**  
*(amounts expressed in thousands)*

	<b>Pension Trust</b>	<b>Agency Funds</b>	<b>Total 2002</b>
<b>Assets</b>			
Cash	\$ 12,388	\$ -	\$ 12,388
Equity in pooled cash and investments	-	34,564	34,564
Investments	4,852,442	-	4,852,442
Invested securities lending collateral	409,973	-	409,973
Receivables, net of allowances			
Accounts receivable	67,585	47	67,632
Contributions	7,831	-	7,831
Accrued interest and other	33,518	-	33,518
Other Assets	1,327	-	1,327
Land	541	-	541
Building	8,687	-	8,687
Total assets	5,394,292	34,611	5,428,903
<b>Liabilities</b>			
Accounts payable	80,896	34,469	115,365
Due to other funds	-	13	13
Advances and deposits	-	129	129
Security lending collateral	409,973	-	409,973
Foreign funds contracts payable	22,600	-	22,600
Other liabilities	719	-	719
Total liabilities	514,188	\$ 34,611	548,799
<b>Net assets</b>			
Held in trust for pension benefits and other purposes	\$ 4,880,104		\$ 4,880,104

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**  
**STATEMENT OF CHANGES IN FIDUCIARY ASSETS**  
**FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2002**  
*(amounts expressed in thousands)*

	<b>Pension Trust</b>
	<b>2002</b>
<b>Additions</b>	
Contributions:	
City of Houston	\$ 101,854
Plan members	50,178
Total Contributions	152,032
Investment earnings	
Interest and dividends	150,232
Net decrease in the fair value of investments	(463,577)
Total investment earnings (loss)	(313,345)
Less investment expense	(25,449)
Net investment earnings (loss)	(338,794)
Total additions (reductions)	(186,762)
 <b>Deductions</b>	
Benefits	195,921
Refund of contributions	1,643
Administrative expense	12,678
Total deductions	210,242
Change in net assets	(397,004)
Total net assets, July 1	5,277,108
Total net assets, June 30	\$ 4,880,104

\* The notes to the basic financial statements are an integral part of this statement \*

CITY OF HOUSTON, TEXAS

