



# Enterprise Funds

Enterprise funds are established to account for City operations that are financed and operated in a manner similar to private business enterprises where the cost of providing goods or services to the general public is financed primarily through user charges.

**Airport System** — This fund is used to account for the operations of the City’s Airport System. The system is comprised of George Bush Intercontinental Airport, William P. Hobby Airport and Ellington Field.

**Convention and Entertainment Facilities** — This fund is used to account for the operation of the City’s four major entertainment centers and two City-owned parking garages. These centers include the following: Jesse H. Jones Hall; Bayou Place; Gus S. Wortham Center; George R. Brown Convention Center and the Tranquility Park and Theater District parking garages.

**Combined Utility System** — This fund is used to account for the production and transmission of water and the treatment of wastewater for City residents and businesses as well as for other governmental entities located in the Houston area.

**Nonmajor Enterprise Funds** – The Houston Area Water Corporation fund did not meet the established criteria for major fund status. The Houston Area Water Corporation was organized to provide water to the City of Houston for resale to customers located wholly or partially in Area Three of the Harris-Galveston Coastal Subsidence District.

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM**  
**Statement of Net Assets**  
**June 30, 2004**  
*(With comparative amounts for 2003)*  
*amounts expressed in thousands*

	<u>2004</u>	<u>2003</u>
<b>Assets</b>		
Equity in pooled cash and investments	\$ 20,004	\$ 14,772
Receivables, net of allowances		
Accounts receivable	15,449	16,040
Due from other funds	642	22
Inventory	3,389	3,565
Prepaid items	1,329	1,163
Restricted assets		
Investments	161,630	157,823
Other receivables	54	870
Due from other governments - grants	1,220	3,421
Total current assets	<u>203,717</u>	<u>197,676</u>
<b>Noncurrent Assets</b>		
Restricted assets		
Investments	<u>562,823</u>	<u>925,475</u>
Total noncurrent restricted assets	<u>562,823</u>	<u>925,475</u>
Capital assets		
Land	170,087	130,959
Buildings, improvements and equipment	2,579,150	2,140,240
Construction in progress	<u>703,073</u>	<u>742,295</u>
Total capital assets	<u>3,452,310</u>	<u>3,013,494</u>
Less accumulated depreciation		
Buildings, improvements and equipment	<u>(844,510)</u>	<u>(756,208)</u>
Accumulated depreciation	<u>(844,510)</u>	<u>(756,208)</u>
Net capital assets	<u>2,607,800</u>	<u>2,257,286</u>
Total noncurrent assets	<u>3,170,623</u>	<u>3,182,761</u>
<b>Total assets</b>	<u>\$ 3,374,340</u>	<u>\$ 3,380,437</u>

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**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM**  
**Statement of Net Assets**  
**June 30, 2004**  
*(With comparative amounts for 2003)*  
*amounts expressed in thousands*

	<u>2004</u>	<u>2003</u>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable	\$ 4,721	\$ 5,994
Accrued payroll liabilities	2,656	1,905
Contracts and retainages payable		192
Due to other funds	905	344
Advances and deposits	3,746	2,018
Claims and judgments	1,382	1,600
Compensated absences	1,620	105
Total current liabilities	<u>15,030</u>	<u>12,158</u>
Current liabilities payable from restricted assets		
Revenue bonds payable	18,865	17,985
Commercial paper payable	20,000	-
Accrued interest payable	48,628	49,072
Advances and deposits	272	271
Construction billings and retainages	75,139	94,786
Total current liabilities payable from restricted assets	<u>162,904</u>	<u>162,114</u>
Long-term liabilities		
Revenue bonds payable, net	2,131,529	2,149,737
Claims and judgments	5,690	5,108
Compensated absences	4,845	6,363
Arbitrage rebate	1,297	5,626
Net pension liability	15,248	7,970
Total long-term liabilities	<u>2,158,609</u>	<u>2,174,804</u>
Total liabilities	<u>2,336,543</u>	<u>2,349,076</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	668,742	648,027
Restricted net assets		
Restricted for debt service	40,229	84,529
Restricted for renewal and replacement	12,947	13,572
Restricted for maintenance and operations	31,337	28,123
Restricted for capital improvements	282,494	251,061
Other restricted	2,048	2,092
Unrestricted	-	3,957
<b>Total net assets</b>	<u>\$ 1,037,797</u>	<u>\$ 1,031,361</u>

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2004**  
*(With comparative amounts for 2003)*  
*amounts expressed in thousands*

	<u>2004</u>	<u>2003</u>
<b>Operating Revenues</b>		
Landing area fees	\$ 57,011	\$ 51,162
Rentals, building and ground area	115,777	91,801
Parking	51,437	50,103
Concession	43,100	45,167
Other	3,088	2,534
Total operating revenue	<u>270,413</u>	<u>240,767</u>
<b>Operating Expenses</b>		
Maintenance and operating	168,923	154,541
Depreciation and amortization	88,371	59,987
Total operating expenses	<u>257,294</u>	<u>214,528</u>
Operating income	<u>13,119</u>	<u>26,239</u>
<b>Nonoperating revenue (expenses)</b>		
Investment income	5,967	30,278
Other revenue	203	681
Loss on disposal of assets	(541)	(616)
Interest on long-term debt	(58,635)	(51,411)
Arbitrage expense recovery	4,323	5,489
Total Nonoperating revenues (expenses)	<u>(48,683)</u>	<u>(15,579)</u>
Income before contributions	<u>(35,564)</u>	<u>10,660</u>
Contributions	<u>42,000</u>	<u>45,527</u>
Change in net assets	6,436	56,187
Total net assets, July 1	<u>1,031,361</u>	<u>975,174</u>
<b>Total net assets, June 30</b>	<u>\$ 1,037,797</u>	<u>\$ 1,031,361</u>

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2004**  
*(With comparative amounts for 2003)*  
*amounts expressed in thousands*

	<u>2004</u>	<u>2003</u>
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 272,287	\$ 240,514
Payments to employees	(55,537)	(48,852)
Payments to suppliers	(64,180)	(60,028)
Internal activity-payments to other funds	(40,504)	(35,892)
Claims paid	(1,381)	(1,601)
Other revenues	203	681
Net cash provided by operating activities	<u>110,888</u>	<u>94,822</u>
<b>Cash flows from investing activities</b>		
Interest income on investments	16,951	29,006
Purchase of investments	(241,811)	(899,392)
Proceeds from sale of investments	589,671	533,414
Net cash provided by (used for) investing activities	<u>364,811</u>	<u>(336,972)</u>
<b>Cash flows from capital and related financing activities</b>		
Retirement of revenue bonds	(17,985)	(4,380)
Proceeds from issuance of revenue bonds	-	710,894
Retirement of commercial paper	-	(30,000)
Proceeds from issuance of commercial paper	20,000	10,000
Interest expense on revenue bonds	(101,855)	(87,853)
Advances and deposits on construction	1	10
Contributed capital	44,201	42,791
Acquisition of property, plant and equipment	(414,829)	(394,971)
Net cash provided by (used for) capital and related financing activities	<u>(470,467)</u>	<u>246,491</u>
Net increase in cash and cash equivalents	5,232	4,341
Cash and cash equivalents, July 1	14,772	10,431
<b>Cash and cash equivalents, June 30</b>	<u>\$ 20,004</u>	<u>\$ 14,772</u>
<b>Non cash transactions</b>		
Unrealized gain (loss) on investments	(10,984)	1,272
Contributions	-	6,929
Capitalized interest expense	43,433	50,077
Loss on disposal of assets	(541)	(616)
Total non cash transactions	<u>\$ 31,908</u>	<u>\$ 57,662</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 13,119	\$ 26,239
Depreciation and amortization	88,371	59,987
Other revenues	203	681
Accounts receivable	591	1,525
Due from other funds	(620)	186
Inventory	10	(222)
Accounts payable	(1,465)	2,877
Accrued payroll liabilities	751	224
Due to other funds	561	(490)
Advances and deposits	1,728	(410)
Claims and judgments - workers' compensation	364	787
Compensated absences	(3)	327
Other long-term liabilities	7,278	3,111
Net cash provided by operating activities	<u>\$ 110,888</u>	<u>\$ 94,822</u>

**CITY OF HOUSTON, TEXAS**  
**CONVENTION & ENTERTAINMENT**  
**Statement of Net Assets**  
**June 30, 2004**  
*(With comparative amounts for 2003)*  
*amounts expressed in thousands*

	<u>2004</u>	<u>2003</u>
<b>Assets</b>		
Equity in pooled cash and investments	\$ 29,613	\$ 23,676
Receivables, net of allowances		
Accounts receivable	733	130
Hotel occupancy tax receivable	13,621	10,845
Due from other funds	27	178
Prepaid items	501	-
Restricted assets		
Investments	31,611	170,187
Total current assets	<u>76,106</u>	<u>205,016</u>
<b>Noncurrent Assets</b>		
Restricted assets		
Amounts due from component units	314,200	315,493
Investments	38,104	58,585
Due from other Funds	163	-
Deferred charges for issuance cost	4,651	4,963
Total noncurrent restricted assets	<u>357,118</u>	<u>379,041</u>
Other assets		
Garage Rights	12,948	13,144
Total other assets	<u>12,948</u>	<u>13,144</u>
Capital assets		
Land	130,493	99,091
Buildings, improvements and equipment	425,327	272,741
Construction in progress	23,943	171,917
Total capital assets	<u>579,763</u>	<u>543,749</u>
Less accumulated depreciation		
Buildings, improvements and equipment	<u>(112,779)</u>	<u>(99,023)</u>
Accumulated depreciation	<u>(112,779)</u>	<u>(99,023)</u>
Net capital assets	<u>466,984</u>	<u>444,726</u>
Total Noncurrent assets	<u>837,050</u>	<u>836,911</u>
<b>Total assets</b>	<u>\$ 913,156</u>	<u>\$ 1,041,927</u>

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**CITY OF HOUSTON, TEXAS**  
**CONVENTION & ENTERTAINMENT**  
**Statement of Net Assets**  
**June 30, 2004**  
*(With comparative amounts for 2003)*  
*amounts expressed in thousands*

	<u>2004</u>	<u>2003</u>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable	\$ 2,057	\$ 2,114
Accrued payroll liabilities	265	215
Due to other funds	608	41
Due to other governments	3	12
Advances and deposits	485	395
Claims and judgments-workers' compensation	15	53
Compensated absences	276	557
Total current liabilities	<u>3,709</u>	<u>3,387</u>
Current liabilities payable from restricted assets		
Accounts payable	3,135	17,430
Revenue bonds payable	6,590	6,265
Commercial paper	22,500	-
Accrued interest payable	6,330	6,338
Advances and deposits	-	238
Construction billings and retainages	3,694	5,747
Due to other funds	-	440
Due to Component Units	18,291	133,729
Account held for Component Units	10,740	-
Total current liabilities payable from restricted assets	<u>71,280</u>	<u>170,187</u>
Long-term liabilities		
Revenue bonds payable	637,589	637,081
Compensated absences	337	-
Commercial paper	-	22,500
Arbitrage rebate	706	-
Net pension liability	1,689	893
Deferred Revenue	11,248	11,875
Total long-term liabilities	<u>651,569</u>	<u>672,349</u>
Total liabilities	<u>726,558</u>	<u>845,923</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	109,201	87,741
Restricted net assets		
Restricted for debt service	39,907	52,402
Restricted for capital improvements	17,376	163,813
Unrestricted (deficit)	20,114	(107,952)
Total net assets	<u>\$ 186,598</u>	<u>\$ 196,004</u>

**CITY OF HOUSTON, TEXAS**  
**CONVENTION & ENTERTAINMENT**  
**Statement of Revenue, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2004**  
*(With comparative amounts for 2003)*  
*amounts expressed in thousands*

	<u>2004</u>	<u>2003</u>
<b>Operating Revenues</b>		
Parking	\$ 9,325	\$ 10,052
Concession	1,840	2,178
Rental	5,980	4,780
Total operating revenue	<u>17,145</u>	<u>17,010</u>
<b>Operating Expenses</b>		
Maintenance and operating	28,791	24,830
Depreciation and amortization	14,077	6,269
Total operating expenses	<u>42,868</u>	<u>31,099</u>
Operating (loss)	<u>(25,723)</u>	<u>(14,089)</u>
<b>Nonoperating revenue (expenses)</b>		
Investment income	13,109	14,311
Hotel occupancy tax	47,223	43,169
Other revenue		713
Other expenses	(23,307)	(19,305)
Interest on long-term debt	(25,413)	(26,352)
Total Nonoperating revenues (expenses)	<u>11,612</u>	<u>12,536</u>
Income (loss) before contributions and transfers	<u>(14,111)</u>	<u>(1,553)</u>
Contributions	<u>2,451</u>	<u>-</u>
Transfers in	3,754	6,767
Transfers out	(1,500)	-
Total transfers	<u>2,254</u>	<u>6,767</u>
Change in net assets	(9,406)	5,214
Total net assets, July 1	<u>196,004</u>	<u>190,790</u>
<b>Total net assets, June 30</b>	<u>\$ 186,598</u>	<u>\$ 196,004</u>

**CITY OF HOUSTON, TEXAS**  
**CONVENTION & ENTERTAINMENT**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2004**  
*(With comparative amounts for 2003)*  
*amounts expressed in thousands*

	<u>2004</u>	<u>2003</u>
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 15,743	\$ 18,085
Payments to employees	(5,706)	(5,123)
Payments to suppliers	(35,278)	(6,447)
Internal activity-payments to other funds	(902)	(3,313)
Claims paid	(43)	(39)
Due from other governments	(9)	(4)
Other revenues	-	713
Other expenses	(12,843)	(11,257)
Payments to component units	-	(2,172)
Net cash used for operating activities	<u>(39,038)</u>	<u>(9,557)</u>
<b>Cash flows from investing activities</b>		
Interest income on investments	14,240	15,306
Purchase of investments	(49,540)	(102,262)
Proceeds from sale of investments	207,466	314,492
Net cash provided by investing activities	<u>172,166</u>	<u>227,536</u>
<b>Cash flows from capital and related financing activities</b>		
Retirement of revenue bonds	(6,265)	(5,955)
Net proceeds from issuance of commercial paper	-	22,500
Interest expense on revenue bonds	(20,833)	(19,369)
Interest expense on commercial paper	-	(148)
Acquisition of property, plant and equipment, net	(32,919)	(127,846)
Net cash used for capital and related financing activities	<u>(60,017)</u>	<u>(130,818)</u>
<b>Cash flows from noncapital financing activities</b>		
Promotional contract paid from hotel occupancy tax revenues to component units	(7,885)	(7,900)
Transfers	2,254	6,767
Payments to Hotel Corporation	(105,990)	(133,159)
Hotel occupancy tax revenue	44,447	42,399
Net cash provided by noncapital financing activities	<u>(67,174)</u>	<u>(91,893)</u>
Net increase (decrease) in cash and cash equivalents	5,937	(4,732)
Cash and cash equivalents, July 1	<u>23,676</u>	<u>28,408</u>
<b>Cash and cash equivalents, June 30</b>	<u>\$ 29,613</u>	<u>\$ 23,676</u>

(Continued)

**CITY OF HOUSTON, TEXAS**  
**CONVENTION & ENTERTAINMENT**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2004**  
*(With comparative amounts for 2003)*  
*amounts expressed in thousands*

	<u>2004</u>	<u>2003</u>
<b>Non cash transactions</b>		
Unrealized gain (loss) on investments	\$ (1,131)	\$ 995
Contributions of capital assets	2,451	11,875
Capitalized interest expense	2,822	2,253
Total non cash transactions	<u>\$ 4,142</u>	<u>\$ 15,123</u>
<b>Reconciliation of operating income to net cash used by operating activities</b>		
Operating loss	\$ (25,723)	\$ (14,089)
Depreciation and amortization	14,077	6,269
Other revenues		713
Other expenses	(12,843)	(11,257)
Changes in assets and liabilities		
Accounts receivable	(603)	1,227
Due from other funds	(10)	(145)
Accounts payable	(14,352)	12,459
Accrued payroll liabilities	52	30
Due to other funds	127	(2,819)
Due to other governments	(9)	(4)
Advances and deposits	(148)	(157)
Inventory and prepaid Insurance	(500)	-
Claims and judgments-workers' compensation	(38)	15
Compensated absences	56	24
Deferred revenue	(627)	-
Due to component units	-	(2,172)
Other long-term liabilities	1,503	349
<b>Net cash used in operating activities</b>	<u>\$ (39,038)</u>	<u>\$ (9,557)</u>

**CITY OF HOUSTON, TEXAS**

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**CITY OF HOUSTON, TEXAS**  
**COMBINED UTILITY SYSTEM FUND**  
**Statement of Net Assets**  
**June 30, 2004**  
*(With comparative amounts for 2003)*  
**amounts expressed in thousands**

	<b>2004</b>	<b>2003</b>
<b>Assets</b>		
Equity in pooled cash and investments	\$ 126,527	\$ 67,552
Receivables, net of allowances		
Accounts receivable	59,239	62,478
Due from other funds	43	51
Inventory	5,693	6,694
Restricted assets		
Investments	88,876	132,335
Total current assets	280,378	269,110
<b>Noncurrent Assets</b>		
Restricted assets		
Investments	151,963	380,145
Assessments receivable	100	101
Amounts held by other governments	5,695	8,268
Deferred charges for issuance cost	43,524	34,359
Total noncurrent restricted assets	201,282	422,873
Other assets		
Water rights, net of depreciation	197,150	207,315
Other long-term receivables	2,954	-
Total other assets	200,104	207,315
Capital assets		
Land	99,479	98,842
Buildings, improvements and equipment	227,734	208,438
Plants, lines and rights	6,690,654	6,360,112
Construction in progress	568,534	704,315
Total capital assets	7,586,401	7,371,707
Less accumulated depreciation		
Buildings, improvements and equipment	(115,377)	(109,434)
Plants, lines and rights	(3,136,704)	(2,989,741)
Accumulated depreciation	(3,252,081)	(3,099,175)
Net capital assets	4,334,320	4,272,532
Total noncurrent assets	4,735,706	4,902,720
		-
<b>Total assets</b>	\$ 5,016,084	\$ 5,171,830

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**CITY OF HOUSTON, TEXAS**  
**COMBINED UTILITY SYSTEM FUND**  
**Statement of Net Assets**  
**June 30, 2004**  
*(With comparative amounts for 2003)*  
**amounts expressed in thousands**

	2004	2003
<b>Liabilities</b>		
Current Liabilities		
Accounts payable	\$ 9,409	\$ 27,952
Accrued payroll liabilities	4,878	4,295
Accrued interest payable	620	801
Contracts and retainages payable	17,681	16,504
Due to other funds	2,066	631
Due to other governments	340	340
Claims and judgments - workers' comp	2,435	4,545
Compensated absences	8,803	3,090
Total current liabilities	46,232	58,158
Current liabilities payable from restricted assets		
Revenue bonds payable	14,031	54,528
Accrued interest payable	8,625	14,128
Advances and deposits	22,480	23,621
Construction billings and retainages	41,348	39,829
Due to other funds	374	229
Total current liabilities payable from restricted assets	86,858	132,335
Long-term liabilities		
Revenue bonds payable	3,854,722	3,509,688
Claims and judgments - workers' comp	2,356	-
Compensated absences	8,278	18,605
Contracts payable	226,196	245,287
Commercial paper	40,000	415,250
Arbitrage rebate	147	-
Net pension liability	28,166	15,282
Deferred revenue	102,994	-
Total long-term liabilities	4,262,859	4,204,112
Total liabilities	4,395,949	4,394,605
<b>Net Assets</b>		
Invested in capital assets, net of related debt	583,259	332,794
Restricted net assets		
Restricted for debt service	-	35,436
Restricted for renewal and replacement	21,585	349,864
Restricted for maintenance and operations	54,059	25,796
Restricted for others' capital improvement	-	-
Other restricted	-	-
Unrestricted (deficit)	(38,768)	33,335
<b>Total net assets</b>	\$ 620,135	\$ 777,225

**CITY OF HOUSTON, TEXAS**  
**COMBINED UTILITY SYSTEM FUND**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2004**  
*(With comparative amounts for 2003)*  
amounts expressed in thousands

	<u>2004</u>	<u>2003</u>
<b>Operating Revenues</b>		
Water/Sewer Billing	\$ 531,208	\$ 539,317
Total operating revenue	<u>531,208</u>	<u>539,317</u>
<b>Operating Expenses</b>		
Maintenance and operating	266,718	250,226
Depreciation and amortization	209,608	233,401
Total operating expenses	<u>476,326</u>	<u>483,627</u>
Operating income	<u>54,882</u>	<u>55,690</u>
<b>Nonoperating revenue (expenses)</b>		
Investment income	6,889	24,043
Other revenue	26,179	26,894
Loss on disposal of assets	(12,402)	(722)
Interest on long-term debt	(204,875)	(165,509)
Total Nonoperating revenues (expenses)	<u>(184,209)</u>	<u>(115,294)</u>
Income (loss) before contributions and transfers	(129,327)	(59,604)
Contributions	22,400	7,791
Transfers out other funds	(20,591)	(69,539)
Transfers out debt service	(29,572)	(23,811)
Total transfers	<u>(50,163)</u>	<u>(93,350)</u>
Change in net assets	(157,090)	(145,163)
Total net assets, July 1	<u>777,225</u>	<u>922,388</u>
<b>Total net assets, June 30</b>	<u>\$ 620,135</u>	<u>\$ 777,225</u>

**CITY OF HOUSTON, TEXAS**  
**COMBINED UTILITY SYSTEM FUND**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2004**  
*(With comparative amounts for 2003)*  
*amounts expressed in thousands*

	<u>2004</u>	<u>2003</u>
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 636,300	\$ 540,659
Payments to employees	(112,632)	(103,878)
Payments to suppliers	(148,395)	(106,524)
Internal activity-payments to other funds	(7,648)	(17,190)
Claims paid	(2,323)	(3,314)
Other revenues	27,785	26,894
Net cash provided by operating activities	<u>393,087</u>	<u>336,647</u>
<b>Cash flows from investing activities</b>		
Interest income on investments	16,919	14,630
Purchase of investments	(735,657)	(613,096)
Proceeds from sale of investments	997,469	669,568
Net cash provided by investing activities	<u>278,731</u>	<u>71,102</u>
<b>Cash flows from capital and related financing activities</b>		
Retirement of revenue bonds	(2,767,640)	(411,910)
Proceeds received - Allen's Creek	-	14,000
Proceeds from issuance of revenue bonds	3,025,946	329,936
Retirement of commercial paper	(685,250)	(4,750)
Proceeds from issuance of commercial paper	310,000	300,000
Interest expense on revenue bonds	(161,096)	(147,736)
Interest expense on commercial paper	(8,268)	(1,879)
Interest expense on contracts payable	(13,889)	(16,208)
Retirement of contractual obligations	(18,158)	(16,170)
Contributed capital	-	8,132
Acquisition of property, plant and equipment	(244,325)	(371,444)
Net cash used for capital and related financing activities	<u>(562,680)</u>	<u>(318,029)</u>
<b>Cash flows from noncapital financing activities</b>		
Transfers to debt service fund	(20,591)	(23,811)
Transfers to other funds	(29,572)	(69,539)
Net cash used in noncapital financing activities	<u>(50,163)</u>	<u>(93,350)</u>
Net decrease in cash and cash equivalents	58,975	(3,630)
Cash and cash equivalents, July 1	67,552	71,182
<b>Cash and cash equivalents, June 30</b>	<u>\$ 126,527</u>	<u>\$ 67,552</u>
<b>Non cash transactions</b>		
Unrealized gain (loss) on investments	(10,029)	1,439
Contributed Capital	21,114	-
Capitalized interest expense	9,881	13,062
Loss on disposal of assets	(12,402)	(722)
Total non cash transactions	<u>\$ 8,564</u>	<u>\$ 13,779</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 54,882	\$ 55,690
Depreciation and amortization	209,608	233,401
Other revenues	27,785	26,894
Accounts receivable	3,239	(439)
Due from other funds	8	1,280
Due from other governments	2,573	99
Inventory	1,001	1,389
Accounts payable	(18,397)	18,948
Accrued payroll liabilities	583	691
Due to other funds	1,436	(7,711)
Advances and deposits	(1,141)	1,781
Claims for workers' compensation	246	(933)
Compensated absences	(4,614)	(408)
Deferred revenues	102,994	-
Other long-term liabilities	12,884	5,965
Net cash provided by operating activities	<u>\$ 393,087</u>	<u>\$ 336,647</u>

**CITY OF HOUSTON, TEXAS**  
**Houston Area Water Corporation**  
**Statement of Net Assets**  
**June 30, 2004**  
*(With comparative amounts for 2003)*  
*amounts expressed in thousands*

	<u>2004</u>	<u>2003</u>
<b>Assets</b>		
Restricted assets		
Investments	\$ 6,085	\$ 14,963
Total current assets	<u>6,085</u>	<u>14,963</u>
<b>Noncurrent Assets</b>		
Restricted assets		
Investments	7,440	30,397
Deferred charges for issuance cost	1,686	1,747
Total noncurrent restricted assets	<u>9,126</u>	<u>32,144</u>
Capital assets		
Construction in progress	126,406	97,007
Total capital assets	<u>126,406</u>	<u>97,007</u>
Total noncurrent assets	<u>135,532</u>	<u>129,151</u>
Total assets	<u>\$ 141,617</u>	<u>\$ 144,114</u>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable	\$ 4	\$ -
Total current liabilities	<u>4</u>	<u>-</u>
Current liabilities payable from restricted assets		
Accounts payable	1,923	9,398
Accrued interest payable	2,224	2,224
Construction billings and retainages	1,938	3,341
Total current liabilities payable from restricted assets	<u>6,085</u>	<u>14,963</u>
Long-term liabilities		
Revenue bonds payable	129,411	129,381
Total long-term liabilities	<u>129,411</u>	<u>129,381</u>
Total liabilities	<u>135,500</u>	<u>144,344</u>
<b>Net assets</b>		
Unrestricted (deficit)	6,117	(230)
<b>Total net assets (deficit)</b>	<u>\$ 6,117</u>	<u>\$ (230)</u>

**CITY OF HOUSTON, TEXAS**  
**Houston Area Water Corporation**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2004**  
*(With comparative amounts for 2003)*  
*amounts expressed in thousands*

	<b>2004</b>	<b>2003</b>
<b>Operating Revenues</b>		
Water/Sewer Billing	\$ -	\$ -
Total operating revenue	-	-
<b>Operating Expenses</b>		
Administrative costs	68	61
Depreciation and amortization	92	92
Total operating expenses	160	153
Operating loss	(160)	(153)
Contributions - program use required	116	-
<b>Total contributions</b>	116	-
Operating transfers in - primary government	6,391	-
<b>Total transfers</b>	6,391	-
Change in net assets	6,347	(153)
Total net assets (deficit), July 1	(230)	(77)
Total net assets (deficit), June 30	\$ 6,117	\$ (230)

**CITY OF HOUSTON, TEXAS**  
**Houston Area Water Corporation**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2004**  
*(With comparative amounts for 2003)*  
*amounts expressed in thousands*

	<b>2004</b>	<b>2003</b>
<b>Cash flows from operating activities</b>		
Other expenses	\$ (64)	\$ (61)
Net cash provided by operating activities	(64)	(61)
<b>Cash flows from investing activities</b>		
Interest income on investments	501	2,557
Purchase of investments	(2,852)	(45,360)
Proceeds from sale of investments	34,687	104,706
Net cash provided by (used for) investing activities	32,336	61,903
<b>Cash flows from capital and related financing activities</b>		
Interest expense on revenue bonds	-	(5,752)
Interest expense on commercial paper	(6,710)	-
Interest expense on contracts payable	2,236	(36)
Advances and deposits on construction	4,270	-
Acquisition of property, plant and equipment	(32,068)	(56,054)
Net cash provided by (used for) capital and related financing activities	(32,272)	(61,842)
Net increase (decrease) in cash and cash equivalents	-	-
<b>Cash and cash equivalents, June 30</b>	\$ -	\$ -
Non cash transactions		
Amortization expense	\$ 92	\$ 92
Capitalized interest expense	6,209	4,156
Total non cash transactions	\$ 6,301	\$ 4,248
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>		
Operating income (loss)	\$ (160)	\$ (153)
Depreciation and amortization	92	92
Accounts payable	4	-
Net cash used for operating activities	\$ (64)	\$ (61)