CITY OF HOUSTON, TEXAS
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2000

Note 1: Summary of Significant Accounting Policies

The City of Houston, Texas ("City") was incorporated under the laws of the Republic of Texas in 1837 and again under the laws of the State of Texas in 1905. The City operates under a Home Rule Charter with a Mayor-Council form of government and provides the following services as authorized or required by its charter: public safety (police and fire), highways and streets, sanitation, water, airports, health services, culture-recreation, storm drainage, solid waste disposal, planning and inspection, civil defense, public improvements, and general administrative services, including pension and other benefits for its employees.

The financial statements presented in this report conform to the reporting requirements of the Governmental Accounting Standards Board ("GASB") which establishes combined statements as the required reporting level for governmental entities that present financial statements in accordance with generally accepted accounting principles.

The significant accounting policies of the City are as follows:

A. Principles Used in Determining the Reporting Entity for Financial Reporting Purposes

The accompanying financial statements include financial statements for related organizations in accordance with GASB Statement No.14, *The Financial Reporting Entity*. Organizations are included if they are financially accountable to the City, or the nature and significance of their relationship with the City are such that exclusion would cause the financial statements to be misleading or incomplete. Inclusion is determined on the basis of the City's ability to exercise significant influence. Significant influence or accountability is based primarily on its operational or financial relationship with the City (as distinct from legal relationship).

The City is financially accountable if it appoints a voting majority of an organization's governing body and is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. Blended component units, although legally separate entities are, in substance, part of the City's operations. Blended component units provide services exclusively or almost exclusively for the City. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize their legal separateness from the City.

B. Basis of Presentation - Financial Reporting Entity

1. Component Units

Most component units of the City issue separately audited financial statements. Component units are reported in the City's Comprehensive Annual Financial Report ("CAFR") as shown in the following tables. Additional information is available from the addresses shown.

Following are the City's blended component units:

Blended Component Units Reported with the Primary Government	Brief Description of Activities, Relationship to the City and Key Inclusion Criteria
Houston Firefighters' Relief & Retirement Fund 602 Sawyer, Suite 650 Houston, TX 77007	Responsible for administration, management, and operation of the pension system solely for Houston City firefighters. One member of the board is either the mayor or an appointed representative, five members are elected by active firefighters, one member is elected by retired firefighters, two members are citizen representatives, and one member is the City Treasurer. **Reporting Fund:** Houston Firefighters' Relief and Retirement Pension Trust Fund.
Houston Municipal Employee's Pension System 1111 Bagby, Suite 1430 Houston, TX 77002	Responsible for administration, management, and operation of the pension system solely for municipal (non-classified) employees of the City. Four members of the Board are appointed by the Mayor or City Council, six are elected by active employees or retirees, and one is the City Treasurer. **Reporting Fund:** Houston Municipal Employee's Pension Trust Fund.

Blended Component Units Reported with the Primary Government	Brief Description of Activities, Relationship to the City and Key Inclusion Criteria
Houston Police Officer's Pension System ***602 Sawyer, Suite 300*** ***Houston, TX 77007***	Responsible for administration, management, and operation of the pension system solely for active and retired police officers of the City. One member of the Board is appointed by the administrative head of the City, one is the City Treasurer, three are elected by employees, and two are appointed by elected Board members. **Reporting Fund:** Houston Police Officer's Pension Trust Fund.

Following are the City's discretely presented governmental fund component units:

Discretely Reported Component Units	Brief Description of Activities, Relationship to City, and Key Inclusion Criteria
Cultural Arts Council of Houston ("CACH") ***3201 Allen Parkway, Suite 250*** ***Houston, TX 77019***	Non-profit organization that is the officially designated arts agency of the City. The City does not appoint a voting majority, but is financially accountable because CACH is fiscally dependent on the revenues provided from a portion of hotel occupancy tax, which is levied by the City.
HALAN - Houston Area Library Automated Network Board ***Houston Central Library*** ***500 McKinney*** ***Houston, TX 77002***	Provides review and guidance to the operation, funding and development of the Houston Area Library Automated Network, which provides library services to Houston and surrounding communities. Three members are appointed by City Council, two by the County, and one elected by the smaller libraries. The City does not appoint a voting majority, but is financially accountable for this organization because HALAN is fiscally dependent for all revenues and the City can impose will.
Houston Housing Finance Corporation ("HHFC") ***9545 Katy Freeway, Suite 105.*** ***Houston, TX 77024***	Non-profit corporation incorporated by the City in accordance with the Texas Housing Finance Corporation Act to finance residential mortgage loans to low or moderate income persons through the sale of revenue bonds collateralized by the mortgage loans. The Board is nominated by the Mayor and confirmed by City Council. The City has financial accountability because it appoints a voting majority of the Board and the City can impose will.
Houston Library Board ***Houston Central Library*** ***500 McKinney*** ***Houston, TX 77002***	Solicits and manages funds raised privately for library improvements. Advises the Mayor and City Council on additions and improvements to the library system that provide a direct benefit to the City. Board members are nominated by the Mayor and confirmed by City Council.
Houston Parks Board ***2001 Kirby Dr., Suite 814*** ***Houston, Texas 77019***	Solicits and manages funds raised privately for park acquisitions and advises the Mayor and City Council on park acquisitions and improvements, which provide a direct benefit to the City. Board members are nominated by the Mayor and confirmed by City Council.
Lamar Terrace Public Improvement District ***City of Houston*** ***Box 1562*** ***Houston, Texas 77251***	Special district organized under state statute to redevelop a blighted neighborhood in Southwest Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.
Reinvestment Zone #1 ***City of Houston*** ***Box 1562*** ***Houston, Texas 77251***	A special district organized under state statute to redevelop blighted areas in Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council, the operations provide financial benefits to the City, the City has investment authority for the Zone's assets and the books and records are maintained by the City.

2. Related Organizations

The following entities are related organizations to which the City appoints board members but for which the City has no significant financial accountability. Some of these organizations are Access Houston Cable Corporation, Coastal Water Authority, Employees Deferred Compensation Plan, Harris County–Houston Sports Authority, Harris County Metropolitan Transportation Authority, Houston Clean City Commission, Miller Theater Advisory Council and the Small Business Development Corporation. All transactions with these related organizations are conducted in the ordinary course of business. Further financial information is available from the respective organizations.

C. Basis of Presentation - Fund and Account Group Categories

The accounts of the City are organized on the basis of funds and account groups, each of which is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/retained earnings, revenues, and expenditures/expenses. Government resources are allocated to and accounted for in individual funds for the purpose of carrying on specific activities in accordance with special regulations, restrictions, or limitations. The various funds and account groups are reported by type in the financial statements as follows:

1. Fund Accounting

a. Governmental Fund Types

(1) ***General Fund*** - is the principal operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.

(2) ***Special Revenue Funds*** - are used to account for the proceeds of specific revenue sources (other than expendable trust funds or major capital projects) that are legally restricted to expenditures for specific purposes.

(3) ***Debt Service Fund -*** is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of tax supported debt.

(4) ***Capital Projects Fund*** - is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Such resources are derived principally from proceeds of public improvement bonds and from special assessments.

b. Proprietary Fund Types

(1) ***Enterprise Funds*** - are used to account for operations that are financed and operated in a manner similar to private business enterprises and for which the intent of the City is that the costs (expenses, including depreciation) of providing the services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition, maintenance, and improvement of the physical plant facilities required to provide these services are financed from existing cash resources, the issuance of revenue bonds, contributions, and federal grants.

(2) ***Internal Service Funds*** - are used to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

c. Fiduciary Fund Types

Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and other funds. These include the following:

(1) ***Expendable Trust Funds*** - are accounted for in essentially the same manner as governmental funds.

(2) ***Pension Trust Funds*** - are accounted for in essentially the same manner as proprietary funds.

(3) ***Agency Funds*** - are custodial in nature and do not involve measurement of results of operations.

2. Account Groups

a. General Fixed Assets Account Group - This self-balancing group of accounts is established to account for all fixed assets of the City, except for those accounted for in the proprietary funds.

b. General Long-Term Debt Account Group - This group of accounts is established to account for (1) the outstanding principal balance of public improvement bonds, assumed utility district bonds, general obligation bonds, certificates of obligation, and tax obligation contracts of the City; (2) liabilities associated with capital leases financed through governmental funds; and (3) accrued liabilities for compensated absences, claims, and judgments of governmental fund types which cannot be liquidated using currently available financial resources.

D. Measurement Focus and Basis of Accounting

All governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances (net current assets) are considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of certain long-term receivables, primarily property taxes and special assessments, are reported on the balance sheets of governmental funds in spite of their spending measurement focus. Special reporting treatments are used to indicate that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables is deferred until they become current receivables.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

All proprietary funds and pension trust funds are accounted for on a cost of services or "economic resources" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. In accordance with GASB Statement No. 20, the City has elected to follow all Financial Accounting Standards Board (FASB) pronouncements issued prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to follow FASB pronouncements issued subsequent to that date.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds, expendable trust funds and agency funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are generally recognized under the modified accrual basis of accounting in the accounting period in which the fund liability is incurred, if measurable. Claims, judgments and compensated absences are recognized to the extent that the liability will be liquidated within the next year. The following types of revenues are susceptible to accrual under the modified accrual basis of accounting: delinquent property taxes (including penalty and interest); services billed to other funds; sales tax; mixed beverage tax; franchise fees; and investment earnings. Intergovernmental revenue from reimbursable grants and capital projects is recognized when the related expenditure is incurred.

All proprietary and pension trust funds use the full accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses and related liabilities, including claims, judgments, and compensated absences, are recognized when they are incurred.

The two account groups are not "funds." They are concerned only with the measurement of financial position, not with the measurement of operation results.

E. Budgetary Data

1. General Budget Policies

Annual budgets are adopted for the General Fund, the Debt Service Fund, the Special Revenue Funds (except for the Grants Revenue Fund, Health Special Fund and the Housing Special Fund) and the Proprietary Funds (except for the Sports Arena Fund). The budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Budgets for proprietary funds are prepared on the accrual basis, but focus on expenses relating to maintenance and operations, and equipment purchases and, accordingly, exclude depreciation and other allocations related to income determination.

The following provides a reconciliation of the City's budgeting policy with respect to Special Revenue Funds for actual fiscal year 2000 results:

	Revenues	Expenditures	Other Source (Uses)
Budgeted Special Revenue Funds	$ 82,718	$ 119,458	$ 35,246
Non-budgeted Grants Revenue Fund	110,766	111,158	-
Non-budgeted Health Special Fund	45	638	-
Non-budgeted Housing Special Fund	3,290	2,920	-
Total Special Revenue Funds - Actual	$ 196,819	$ 234,174	$ 35,246

During January of each year, the Mayor, with City Council input, establishes budget guidelines. All departments of the City submit requests for appropriations to the Mayor and the City's Department of Finance and Administration so that a budget may be prepared. Generally, during June, the City Controller certifies that funds are available for a continuing appropriation and the budget is proposed to City Council. City Council holds public hearings and a final budget is normally adopted by June 30. A final appropriation ordinance is adopted during a fiscal year and may include budget revisions or amendments.

The legal level of budgetary control is the departmental level within each fund, even though the budget is prepared by fund, department, and expenditure category. The Mayor is authorized to transfer unlimited budgeted amounts within departments and amounts between departments, provided such transfers do not exceed 5% of an expenditure category. Expenditure categories are personnel services, other current expenditures and capital outlay. Appropriations related to funds with annual budgets lapse at year-end except for Capital Outlay appropriations which cover multiple years.

During the year, City Council approved budget revisions decreasing General fund expenditures $16 million.

On April 19, 2000, City Council approved the FY00 general appropriation ordinance. The appropriation for the General Fund totaled $1,226 million, which included a decrease of $16 million in total expenditures and other uses. The decrease in the appropriation was primarily a result of spending controls imposed to limit expenditures in FY2000.

2. Encumbrances

Encumbrance accounting is employed in the governmental, proprietary, and expendable trust funds. Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. Outstanding encumbrances are deleted and the related appropriations lapse at year-end. Open encumbrances are then reestablished in the succeeding fiscal year against that fiscal year's appropriations. Encumbrances do not constitute expenditures or liabilities.

F. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

The City's investment policy requires all deposits to be fully collateralized with depository insurance; obligations of the United States of America or its agencies and instrumentalities (excluding those mortgage backed securities prohibited by the Public Funds Investment Act); or in any other manner and amount provided by law for the deposits of the City. At all times, such securities are to have a fair value of not less than 102% of the amount of the deposits collateralized thereby, adjusted by the amount of applicable depository insurance.

Substantially all cash, except for imprest accounts, is deposited with financial institutions in interest bearing accounts or is invested. The majority of the City's cash and investments are administered using a pooled concept, which combines the monies of various funds for investment purposes. Interest earnings of the pool are apportioned to each fund, unless otherwise required by bond covenants, based on the fund's relative share of the investment pool. Amounts on deposit in interest bearing accounts and other investments are displayed on the combined balance sheet as "Equity in pooled cash and investments" and in accordance with GASB statement No. 31, are carried at fair value. The blended and discretely presented component units separately invest their funds and report investments pursuant to their respective investment policies described in their separately audited financial statements at their fair values.

Investments authorized by the City's investment policy, which is guided by state laws and city ordinances generally include: obligations of the United States of America or its agencies and instrumentalities; fully-collateralized Certificates of Deposit from City Council-approved public depositories; direct obligations of the State of Texas or its agencies and instrumentalities; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; obligations of states, agencies, counties, cities, and other political subdivisions; corporate commercial paper; fully collateralized repurchase agreements; and reverse repurchase agreements within specific terms. Investments are carried at fair value based on quoted market prices.

2. Inventories of Materials and Supplies

Inventories are valued at average cost and are charged to expense as purchased.

3. Property, Plant and Equipment

a. General Fixed Assets Account Group

Asset valuation is based on historical costs or estimated historical costs, if original costs are not available.

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the city.

Assets in the general fixed assets account group are not depreciated.

The City adds construction costs incurred during the year to the value of construction work in progress until the assets are placed in service. Land and equipment costs are added to the fixed asset base in the year of acquisition. Construction period interest for the General Fixed Asset Account Group is not capitalized.

b. Enterprise Funds

Property, plant, and equipment owned by the Enterprise Funds are stated at cost or estimated historical cost if original cost is not available. Construction costs (excluding land and equipment) are added to construction work-in-progress until the assets are placed in service and are depreciated following completion. Depreciation on equipment begins in the year of acquisition. Land and equipment costs are added to the fixed asset base in the year of acquisition. Interest costs on funds borrowed to finance the construction of property, plant and equipment of the enterprise funds are capitalized when the costs materially exceed interest earnings on related revenue bond proceeds. For fiscal year 2000, no interest costs were capitalized because this difference was not material for any of the funds.

Depreciation is computed using the straight-line method on the composite asset base over the estimated useful lives as follows:

Assets	Years
Airport System Facilities	4-45
Convention & Entertainment Facilities	4-45
Water and Sewer System Facilities	5-50

Water rights and conveyance system rights of the Water and Sewer System Fund are amortized over the life of the related contracts. These rights are reported as other assets.

Depreciation on property acquired through annexation and capital grants in aid of construction in the Airport System Fund and the Water and Sewer System Fund is included as an operating expense in the Statement of Revenues, Expenses, and Changes in Fund Equity, but is closed to contributed capital instead of retained earnings. The remaining portion of net income is closed to retained earnings.

4. Bond Discounts and Issuance Costs

Bond discounts and issuance costs in Enterprise Funds are amortized over the term of the bonds using the effective interest method. In addition, gains or losses on Enterprise Fund refundings are amortized over the term of the lesser of the new bonds or the refunded bonds using the effective interest method.

5. Fund Equity

a. Reserve - Indicates that portion of fund equity which has been legally segregated (e.g., by bond ordinance) for specific purposes.

b. Designated Fund Balance - Indicates that portion of fund equity for which the City has made tentative plans.

c. Undesignated Fund Balance - Indicates that portion of fund equity which is available for appropriation in future periods.

G. Transfers, Revenues, Expenditures and Expenses

1. Interfund Transactions

A description of the four basic types of interfund transactions and the related accounting policies are as follows:

a. Quasi-external transactions are those that would be treated as revenues, expenditures, or expenses if they involved organizations external to the City, and are accounted for as revenues, expenditures or expenses in the fund involved.

b. Transactions to reimburse a fund for expenditures made by it for the benefit of another fund are recorded as expenditures or expenses in the reimbursing fund and as a reduction of expenditures or expenses in the fund that is reimbursed.

c. Residual equity transfers are nonrecurring or nonroutine transfers of equity between funds and are reported as additions to or deductions from the beginning fund balance in governmental funds. Residual equity transfers to proprietary funds are reported as additions to contributed capital; those from proprietary funds are reported as reductions of retained earnings or contributed capital, as appropriate.

d. All other interfund transfers, such as legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended, are operating transfers. Operating transfers are classified as other financing sources or uses (or operating transfers for proprietary funds) in the Statement of Revenues, Expenditures (or expenses) and Changes in Fund Balances (or fund equity).

2. Compensated Absences

Full-time employees of the City are eligible for vacation leave of 10 working days per year. After 5 years of full-time employment with the City, they receive an extra day of vacation and continue to earn an extra day per year for each additional year of service up to a maximum of 12 extra days. Employees may accumulate up to 90 days of vacation leave. Upon termination or retirement, employees are paid for unused vacation leave, up to 90 days, in the amount determined by taking the average rate during the employee's last sixty (60) days of employment. Part-time employees (those working less than 30 hours per week) are not eligible for vacation leave benefits.

Generally all full-time employees are covered under the compensable sick leave plan and receive a bi-weekly leave time allowance of 2.5 hours per payroll period up to a maximum of 65 hours per year. Employees who use fewer than 65 hours during the benefit year will receive a match of additional hours equal to the number of hours accrued minus the number of hours used. Once an employee's balance has reached 1,040 hours, no additional match for unused hours is given. Upon termination, all unused sick leave time allowances in excess of 1,040 hours are payable to the employee at the employee's rate of pay at the time of termination. An employee who uses two days or less of sick leave in any benefit year receives up to three days of personal leave in the next year. Personal leave may be used in place of vacation leave, but will not accumulate and will not be paid out at termination.

The City also has adopted policies of compensatory time to comply with the Fair Labor Standards Act as amended in 1985. These policies provide limits to the accumulation of compensatory time and also provide that time not used will be paid in cash. Only classified employees and civilian employees in certain pay grades routinely earn compensatory time.

Vacation and compensatory time benefits are accrued as liabilities as the benefits are earned by employees to the extent that the City's obligation is attributable to employees' services already rendered, and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, such as cash payments.

Sick leave benefits are accrued as a liability as the benefits are earned by employees, but only to the extent that it is probable that the City will compensate the employees through cash payments conditioned on the employees' termination or retirement. For governmental funds, the long-term portion of the liability for vacation, compensatory time and sick leave is reported in the General Long-Term Debt Account Group.

H. Statement of Cash Flows — Cash and Cash Equivalents

The City considers cash and cash equivalents to be unrestricted equity in pooled cash and investments which consist of cash on hand, demand deposits and all highly liquid investments which can be deposited or withdrawn without notice or penalty. Generally, restricted assets have maturities greater than three months.

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. In addition, certain component unit's financial statements have been reclassified in conformity with the rules of governmental accounting. These units normally follow other accounting conventions in their audited financial statements.

K. "Memorandum Only" Total Columns

Amounts presented as "Memorandum Only" totals are the aggregate of the fund types and account groups. No consolidating or eliminating entries were made in arriving at the totals, and they do not present consolidated information. Accordingly, all total columns in the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis.

L. Comparative Data

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the City's financial position and operations.

Note 2: Deposits and Investments

A. Deposits

The City's deposits, including component units, are categorized to give an indication of the level of risk assumed by the City at year-end as follows:

- Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 - Uncollateralized.

At June 30, 2000, the carrying amount of the City's deposits was $15,871,000 and the bank balance was $45,162,702. Of this amount, $200,000 was covered by federal depository insurance and the balance was covered by collateral held by a third party in the City's name (category 1).

The carrying amount and the bank balance of the blended component unit deposits was $21,617,000 and is covered by collateral held by a third party in the entity's name (category 1).

The carrying amount of the discretely presented component unit deposits was $4,773,000 with a bank balance of $2,329,076 covered by collateral held by a third party in the entity's name (category 1).

B. Investments

The City's investments, including component units, are categorized to give an indication of the level of risk assumed by the City at year-end as follows:

- Category 1 includes investments that are insured or registered or for which the securities are held by the City's agent in the City's name.
- Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name.
- Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name.

Certain investments, such as commingled funds, mortgage loans, and real estate limited partnership, are not required to be categorized because they are not evidenced by securities that exist in physical or book entry form.

A summary of investments by risk category as of June 30, 2000, follows (in thousands):

	Category				
Type of Investment	**1**	**2**	**3**	**Not Categorized**	**Total**
City of Houston					
U.S. government and agency securities	$ 1,242,376	$ -	$ -	$ -	$ 1,242,376
State and local government issues	143,492	-	-	-	143,492
Commercial Paper	67,247	-	-	-	67,247
Money Market Mutual Funds	-	-	-	67,572	67,572
Other	441	-	-	17,502	17,943
Total City	1,453,556	-	-	85,074	1,538,630
Blended component units					
U.S. government securities	570,477	-	-	-	570,477
Corporate bonds	543,822	-	-	-	543,822
Other fixed income securities	-	-	103,995	-	103,995
Commingled equity funds	-	-	-	2,172,357	2,172,357
Common & preferred stocks	-	-	1,142,234	-	1,142,234
Real estate and partnerships	-	-	-	606,761	606,761
Short-term investment funds	135,125	-	-	53,100	188,225
Other investments	38,763	-	-	431,647	470,410
Total blended component units	1,288,187	-	1,246,229	3,263,865	5,798,281
Discretely Presented Component Units					
U.S. government securities	13,407	-	-	-	13,407
Corporate bonds	518	-	-	-	518
Common stock	-	15,307	-	-	15,307
Land	-	-	-	3	3
Money market and mutual funds	-	-	-	90	90
Total discretely presented component units	13,925	15,307	-	93	29,325
Total investments reporting entity	$ 2,755,668	$ 15,307	$ 1,246,229	$ 3,349,032	$ 7,366,236

Note 3: Allowance for Doubtful Accounts

The following were the allowances for doubtful accounts receivable by fund as of June 30, 2000 (in thousands):

Fund	Amount
General	
Uncollectible General Property Taxes	$ 23,679
Ambulance Charges	186,426
Others	2,345
Grant Revenue	1,707
Airport System	1,151
Convention and Entertainment Facilities	41
Water and Sewer System	79,037
	$ 294,386

Note 4: Property Tax

The City's annual ad valorem property tax is required to be levied by October 1, or as soon thereafter as practicable, on the assessed value listed as of the prior January 1 for all real and certain personal property. Taxes are due on January 31 of the year following the year of the levy. A lien is placed on taxable property if the assessment remains unpaid as of June 30 of the year following the year of the levy. The tax rate established by the City Council for the 1999 tax year was $0.665 per $100 of assessed value with $0.470 for operations and $0.195 for debt service.

The City Charter limits the property tax rate to $0.50 per $100 of assessed valuation excluding taxes levied for "debt service," as that term is defined in Section 1 of Article III of the City Charter.

The Texas Property Tax Code ("Code"), with certain exceptions, exempts intangible personal property, household goods, and family-owned automobiles from taxation. In addition, the Code provides for countywide appraisal districts. Since January 1, 1983, the appraisal of property within the City has been the responsibility of the countywide appraisal district.

The appraisal district is required under the Code to appraise all taxable property within the appraisal district on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of real property within the appraisal district must be reviewed every three years. However, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, take legal action.

Note 5: Fixed Assets

A. General Fixed Assets

Summary of changes in the general fixed assets account group for the year ended June 30, 2000 follows (in thousands):

	Balance June 30, 1999	Additions	Retirements	Transfers	Balance June 30, 2000
Primary Government					
Land	$ 308,767	$ 12,643	$ 112	$ -	$ 321,298
Buildings	243,573	17,131	650	-	260,054
Improvements and Equipment	506,585	31,361	85,616	67,582	519,912
Construction Work in Progress	291,625	149,887	-	(67,582)	373,930
Total Primary Government	1,350,550	211,022	86,378	-	1,475,194
Discrete Component Units					
Land	4,666	-	24	-	4,642
Buildings	1,298	-	346	-	952
Improvements and Equipment	186	92	83	-	195
Total Discrete Component Units	6,150	92	453	-	5,789
Total Reporting Unit	$ 1,356,700	$ 211,114	$ 86,831	$ -	$ 1,480,983

B. Proprietary Funds

A summary of changes in proprietary fund fixed assets for the year ended June 30, 2000 follows (in thousands):

Proprietary Funds Fixed Assets	Beginning Balance	Additions	Retirements	Ending Balance
Land	$ 227,416	$ 29,433	$ (49)	$ 256,800
Buildings, Improvements and Equipment	1,654,344	163,332	(5,584)	1,812,092
Plants and Lines	5,245,037	256,354	(15,810)	5,485,581
Construction Work in Progress	889,247	382,115	(257,798)	1,013,564
Total Proprietary Funds	8,016,044	831,234	(279,241)	8,568,037
Accumulated Depreciation	(3,053,357)			(3,251,897)
Net Proprietary Funds	$ 4,962,687			$ 5,316,140

C. Pension Trust Funds

In February1998, the Firefighters' Relief and Retirement Fund purchased land for use in the construction of a new office building for its operations and its members. As of June 30, 2000, the land was recorded at $541,232 and $3,808,786 had been capitalized for the construction of this new office building.

Note 6: Long-Term Debt

A. General Long-Term Debt

Changes in General Long-Term Debt for the year ended June 30, 2000 are summarized as follows (in thousands):

	Balance June 30, 1999	Additions	Retirements	Balance June 30, 2000
Primary Government				
General Tax Obligation Debt	$ 1,759,235	$ 176,456	$ 105,167	$ 1,830,524
HUD Section 108 Loans	6,790	2,825	320	9,295
Claims and Judgements	68,073	3,472	-	71,545
Vacation and Sick Leave	300,784	7,246	-	308,030
Compensatory Time	41,018	8,466	-	49,484
Arbitrage Rebate	1,915	-	897	1,018
Total General Long-Term Debt, Primary Government	2,177,815	198,465	106,384	2,269,896
Discrete Component Unit:				
Notes Payable	10,350	-	2,195	8,155
Revenue Bonds	4,326	-	476	3,850
Total General Long-Term Debt, Reporting Entity	$ 2,192,491	$ 198,465	$ 109,055	$ 2,281,901

B. Schedule of Changes in Bonds and Long-Term contracts (amounts expressed in thousands)

	Stated Interest Rate Range	Face Value Outstanding 7/1/99	FY00 Issued/ Increased
General Tax Obligation Debt			
General Obligation Bonds	3.60 to 5.40	$ -	$ 3,365
Public Improvement Bonds	0.05 to 8.00	1,330,465	-
Commercial Paper	3.25 to 10.0	254,300	167,000
Annexed District Bonds	3.05 to 10.5	124,157	793
Tax and Revenue Certificates of Obligation	4.5 to 5.3	47,145	5,298
Total General Tax Obligation Debt		$ 1,756,067	$ 176,456
HUD Section 108 Loans		$ 6,790	$ 2,825
Revenue Bonded Debt			
Airport System Bonds			
Subordinate Lien Refunding Revenue Bonds	4.90 to 6.75	$ 848,945	$ -
Commercial Paper	3.28 to 12.0	-	50,000
		848,945	50,000
Convention and Entertainment Facilities			
Senior Lien Hotel Occupancy Tax/Parking Facilities	5.0 to 6.0	132,245	-
Note Payable		7,553	-
		139,798	-
Water & Sewer System Facilities			
Water & Sewer System Prior Lien Revenue Bonds	4.40 to 8.50	442,030	-
Water and Sewer System Junior Lien Revenue Bonds	2.72 to 7.00	2,449,635	219,445
Water and Sewer System Commercial Paper	3.40 to 10.0	236,680	270,000
		3,128,345	489,445
Long-Term Contracts-Water & Sewer System			
Coastal Water Authority	4.35 to 7.50	274,570	-
Trinity River Authority	4.0 to 7.1	18,750	-
		293,320	-
Total Revenue Bonded Debt and Long-Term Contracts, Primary Government		$ 4,410,408	$ 539,445
Total Bonds and Long-Term Contracts Payable,			

(1) Adjustments consist of unamortized bond premiums, discounts, and deferred (gains) losses from bond refundings.

FY00 Redeemed/Refunded	Face Value Outstanding 6/30/00	Adjustments[(1)]	Net Outstanding 6/30/00
$ -	$ 3,365	$ -	$ 3,365
85,055	1,245,410	-	1,245,410
-	421,300	-	421,300
9,300	115,650	2,654	118,304
10,355	42,088	57	42,145
$ 104,710	$ 1,827,813	$ 2,711	$ 1,830,524
$ 320	$ 9,295	$ -	$ 9,295
$ 17,395	$ 831,550	$ (17,849)	$ 813,701
-	50,000	-	50,000
17,395	881,550	(17,849)	863,701
4,555	127,690	(12,909)	114,781
433	7,120	-	7,120
4,988	134,810	(12,909)	121,901
171,540	270,490	-	270,490
53,164	2,615,916	53,317	2,669,233
213,980	292,700	-	292,700
438,684	3,179,106	53,317	3,232,423
8,556	266,014	2,272	268,286
4,250	14,500	-	14,500
12,806	280,514	2,272	282,786
$ 473,873	$ 4,475,980	$ 24,831	$ 4,500,811

C. Terms of Long-Term Debt

1. General Obligation Bonds

These bonds are payable from the general revenue of the City. On December 6, 1999, the City issued $3,365,000 of General Obligation Bonds Series 1999. The proceeds from the sale of the Bonds were used to pay certain legal claims, settlements and judgments against the City, and to pay costs of issuance of the Bonds. The bonds were issued at a rate of 5.00%.

2. Public Improvement Bonds

The City has issued Public Improvement Bonds on numerous occasions. The proceeds are used for street and bridge improvements, traffic signals, municipal buildings, parks, and other capital improvements. Interest is payable semi-annually; principal is payable annually through March 1, 2019.

3. General Obligation Commercial Paper

The City currently issues Commercial Paper Notes ("Notes") under its $402,000,000 General Obligation Commercial Paper Program, Series A, its $200,000,000 General Obligation Commercial Paper Program, Series B and its $100,000,000 General Obligation Commercial Paper Program, Series C. The Notes may be issued for a period not to exceed 270 days and will bear interest based upon the specified term of the Notes, but not to exceed 10%. Principal on the Notes is payable from ad valorem tax revenue, the issuance of new commercial paper, bond proceeds and other funds provided under the line of credit. Interest is payable as the Notes mature from ad valorem tax revenue collected by the City. Proceeds from the Notes are used to finance various capital projects and public improvements for authorized City purposes. Upon maturity, the Notes will be remarketed by the commercial paper dealers or extinguished with long-term debt.

During fiscal year 2000 the weighted average interest rate for the Series A, B, and C Notes was 3.863%, 3.820% and 3.953% respectively. The Debt Service Payment Schedule is calculated at an assumed interest rate of 8.25%. The Series A, B, and C agreements expire on July 5, 2001, February 1, 2001, and July 1, 2002 respectively.

4. Annexed District Bonds Assumed

The City has assumed general tax obligation debt of annexed districts. The payment dates and maturities vary, but in general, interest is payable semi-annually and principal is payable annually. Interest rates range from 3.05 to 10.5 percent, and the final maturity date is October 1, 2021.

5. Certificates of Obligation

Since 1988, the City has issued Certificates of Obligation each year to provide for the purchase of equipment utilized in general City operations including, without limitation, police vehicles, maintenance vehicles and equipment, computer equipment, and costs associated with demolishing dangerous structures. Each year the City is obligated to levy, assess, and collect ad valorem taxes sufficient to pay principal and interest on the certificates payable semi-annually until maturity. Generally, these certificates are not subject to redemption prior to maturity on September 1, 2010.

On April 25, 2000, the City issued $5,298,564 of Certificates of Obligation Series 2000A. Proceeds from the sale of the Certificates will be used to provide all or part of the funds to pay contractual obligations to be incurred for the construction of any public work and purchase of rights-of-way for authorized needs and purposes, including the construction and installation of streets, storm sewers and drainage improvements in an area within the City designated as Reinvestment Zone Number One, City of Houston, Texas.

6. HUD Section 108 Loan

During fiscal year 2000 the City's Housing Department participated in the renovation of the Whitehall Hotel in downtown Houston. The City has committed a total of $5,000,000 for this project. Monies are drawn on HUD by the City and in turn loaned to the Houston Hotel Associates Limited Partnership (HHALP). HHALP in turn uses these funds, along with funds from other sources, to renovate the Hotel. Of the $5 million commitment, $1,844,800 has been loaned to HHALP as of June 30, 2000. In addition, other activity of $980,000 and payment on existing loans of $320,000 increased the HUD balance from $6,790,000 at the beginning of the year to $9,295,000 as of June 30, 2000.

7. Airport System Revenue Bonds

These funds are paid solely from a lien on the net Airport System's revenues, which must total 110% of the debt service requirements for Subordinate Lien Bonds for such fiscal year. The bonds have a final maturity in the year 2022.

The City purchased a Municipal Debt Service Reserve Fund Policy concurrently with the issuance of the Airport System Subordinate Lien Revenue Refunding Taxable Bonds in 1993. The reserve policy unconditionally guarantees the payment of principal and interest on all current outstanding airport system subordinate lien issues as of the date of the Series 1993 bonds. The reserve policies terminate on various dates in the future. Each of the draws made against the reserve policy shall bear interest at the Prime Rate plus two percent, not to exceed a maximum interest rate of 12%. The repayment provisions require one-twelfth of the policy costs for each draw to be repaid monthly, beginning the first month following the date of each draw.

8. Airport System Commercial Paper

Airport System Senior Lien Commercial Paper Notes (the "Notes") have been authorized for $150 million Series A and B, and $150 million Series C to establish, improve, enlarge, extend and repair the City's Airport System, acquire land, and pay interest and cost of issuance of the Notes. As of June 30, 2000, $50 million is outstanding. The maturity of the notes may not exceed 270 days and the maximum interest rate may not exceed 10 percent. Upon maturity, the notes will be remarketed by the commercial paper dealer.

The Notes are collateralized by direct pay letters of credit issued by two banks, and a lien on the net revenues of the Airport System. The amount of the letters of credit at June 30, 2000 was $161,095,890 for Series A and B, and $161,095,890 for Series C. The Letter of Credit will terminate on January 18, 2003 for Series A and B and December 26, 2000 for Series C.

At the end of the agreement period, the outstanding loans will be consolidated into a single term loan to be repaid in six equal semi-annual installments of principal plus interest. Interest rates during the term loan will be computed at the Base Rate plus 1%. The Base Rate is the higher of prime or the Federal Funds Rate plus ½%.

9. Convention and Entertainment Facilities – Senior Lien Hotel Occupancy Tax Revenue Refunding Bonds Series 1995

These bonds are special limited obligations of the City that are paid solely from a lien on the pledged receipts of the Hotel Occupancy Tax. The pledged receipts are equal to 4% of the cost of substantially all hotel room rentals in the City and related penalties and interest for delinquent payments. So long as any of the Senior Lien Bonds remain outstanding, the City is required to levy a Hotel Occupancy Tax at a rate not less than 5%. The City currently levies a Hotel Occupancy Tax at the rate of 7%. Final maturity of the bonds is July 1, 2015.

The City has obtained a debt service reserve insurance policy for the Senior Lien Hotel Occupancy Tax Revenue Refunding Bonds, Series 1995. The surety policy provides insurance amount sufficient to pay maximum annual debt service of $12,058,169. The surety policy expires upon final maturity of all outstanding 1995 Bonds, which is July 1, 2015. At June 30, 2000, the unamortized accounting loss from the issuance of these refunding bonds is $8,951,192.

10. Convention and Entertainment Facilities – Note Payable

The City of Houston, through an agent, borrowed $8,150,000 from a bank for the purpose of redeveloping real estate located at 500 Texas Avenue, commonly known as Bayou Place. Note payments are secured by the assignment of parking fees from certain City of Houston owned parking garages, of which the City has pledged amounts no less than $1,020,000 per year.

The City of Houston Subordinate Lien Hotel Occupancy Tax Commercial Paper Notes Series A and Series B (the "Notes") have been authorized for $75,000,000. As of June 30, 2000 no notes were outstanding. The proceeds will be used to finance costs for the acquisition of sites and for construction, improvement, enlarging and maintenance of City owned facilities. Series A will be used for expansion of the Convention Center, Series B for a Convention Center Hotel. The maturity of the Notes may not exceed 270 days and the maximum interest rate may not exceed 10 percent. The Commercial Paper notes are collateralized by a letter of credit, which expires on January 29, 2001.

11. Water and Sewer System Commercial Paper

Water and Sewer System Commercial Paper Notes, Series A and Series B have been authorized for $300 and $200 million, respectively to finance the costs of additions, improvements and extensions to the City's Water and Sewer System. The notes are issued as subordinate lien debt. The maturity of the Notes may not exceed 270 days and the maximum interest rate may not exceed 10%. Upon maturity, the Notes will be remarketed by the commercial paper dealer or extinguished with long-term debt. The Commercial Paper Notes are collateralized by a letter of credit which expires on March 12, 2002 for Series A and Series B.

12. Water and Sewer System Prior and Junior Lien Revenue Bonds

These bonds are paid solely from a lien on the net water and sewer system revenues, which must total 120% of the current year debt service for the prior lien bonds plus required additions to the prior lien reserve fund, plus 110% of the current debt service requirements on the junior lien bonds. The bonds mature December 1, 2028.

During the year the City issued Junior Lien Bonds in the amount of $219,445,000 and used proceeds from this issuance to defease Prior Lien Bonds in the amount of $148,595,000. The net effect, considering principal maturities of existing bonds, was to decrease total debt by $5,260,000.

13. Coastal Water Authority (CWA)

The amount of the contract payable to the CWA represents the outstanding principal balance at June 30, 2000 of certain revenue bonds issued by CWA, a governmental agency of the State of Texas to finance the construction of a water conveyance system.

Pursuant to a series of exchange agreements with CWA, the City has endorsed these bonds and is unconditionally obligated to pay from the gross operating revenues of the City's water system all debt service payments on these bonds and amounts necessary to restore deficiencies in funds required to be accumulated under the CWA bond resolutions. The contract matures on December 15, 2019.

14. Trinity River Authority (TRA)

The amount of the contract payable to the TRA represents the outstanding principal balance at June 30, 2000 of certain revenue bonds issued by TRA, a governmental agency of the State of Texas, to finance construction of a dam and reservoir on the Trinity River near Livingston, Texas. Pursuant to a contract with TRA, the City has endorsed the bonds associated only with this project and is unconditionally obligated to pay from the gross operating revenues of the City's water system maintenance and operating expense of the reservoir and amounts necessary to restore any deficiencies in funds required to be accumulated under the TRA bond resolutions.

As consideration for the above obligation, the City receives a perpetual 70% beneficial interest in these reservoir facilities and the use of 70% of the reservoir water. As consideration for the remaining 30% interest in the reservoir facilities and water, TRA is obligated to allow the City credits for water usage. Consequently, the cost of the City's obligation of TRA has not been reflected in the City's accounts as a receivable or as a reduction of the cost of the City's 70% interest in the facilities. Of the total amounts paid by the City, as of November 30, 1997 (TRA's fiscal year-end) over $51 million is contingently recoverable from TRA through credits based on future water sales by TRA. The bonds mature on April 15, 2008.

D. Schedule for Debt Service Requirements to Maturity (in thousands):

1. General Long-Term Tax Obligation Debt

Year Ending June 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Public Improvement Bonds Principal	Public Improvement Bonds Interest	General Obligation Commercial Paper Principal	General Obligation Commercial Paper Interest
2001	$ -	$ 168	$ 93,000	$ 67,498	$ -	$ 40,234
2002	-	168	97,835	62,854	421,300	19,731
2003	1,000	143	112,250	58,024	-	-
2004	1,000	93	124,240	52,182	-	-
2005	1,365	34	119,565	45,518	-	-
2006-2010	-	-	480,015	132,551	-	-
2011-2015	-	-	154,915	36,945	-	-
2016-2020	-	-	63,590	6,929	-	-
2021-2025	-	-	-	-	-	-
	$ 3,365	$ 606	$ 1,245,410	$ 462,501	$ 421,300	$ 59,965

Year Ending June 30	Annexed District Bonds Principal	Annexed District Bonds Interest	Tax and Revenue Certificates of Obligation Principal	Tax and Revenue Certificates of Obligation Interest	Total Future Requirements Principal	Total Future Requirements Interest
2001	$ 9,459	$ 6,012	$ 11,585	$ 1,757	$ 114,044	$ 115,669
2002	8,780	6,350	12,140	1,200	540,055	90,303
2003	9,109	5,991	6,665	607	129,024	64,765
2004	10,002	4,799	1,430	283	136,672	57,357
2005	10,015	4,066	1,470	214	132,415	49,832
2006-2010	49,225	12,439	8,798	4,614	538,038	149,604
2011-2015	14,725	2,797	-	-	169,640	39,742
2016-2020	3,985	413	-	-	67,575	7,342
2021-2025	350	20	-	-	350	20
	$ 115,650	$ 42,887	$ 42,088	$ 8,675	$ 1,827,813	$ 574,634

2. HUD Section 108 Loans

Year Ending June 30	Section 108 Loans Principal	Section 108 Loans Interest
2001	$ 650	$ 304
2002	480	381
2003	495	357
2004	525	337
2005	555	316
2006-2010	3,190	1,204
2011-2015	2,780	445
2016-2020	620	67
	$ 9,295	$ 3,411

3. Enterprise Funds (adjusted for Capital Appreciation and Deferred Interest Bonds reclassification of principal & interest) (in thousands):

	Airport System Revenue Bonds		Airport System Commercial Paper		Total Future Requirements	
Year Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest
2001	$ 18,395	$ 43,081	$ -	$ 4,775	$ 18,395	$ 47,856
2002	19,460	41,963	-	4,775	19,460	46,738
2003	4,845	41,236	-	4,775	4,845	46,011
2004	17,575	40,632	16,667	4,788	34,242	45,420
2005	18,490	39,749	16,667	4,775	35,157	44,524
2006-2010	107,680	182,864	16,666	3,584	124,346	186,448
2011-2015	140,375	149,354	-	-	140,375	149,354
2016-2020	169,490	107,056	-	-	169,490	107,056
2021-2025	179,330	61,255	-	-	179,330	61,255
2026-2030	155,910	16,066	-	-	155,910	16,066
	$ 831,550	$ 723,256	$ 50,000	$ 27,472	$ 881,550	$ 750,728

	Convention and Entertainment Facilities		Convention and Entertainment Facilities Note		Total Future Requirements	
Year Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest
2001	$ 4,880	$ 7,048	$ 465	$ 496	$ 5,345	$ 7,544
2002	5,260	6,744	499	462	5,759	7,206
2003	5,640	6,417	536	425	6,176	6,842
2004	5,990	6,068	549	360	6,539	6,428
2005	6,360	5,697	623	343	6,983	6,040
2006-2010	37,935	22,347	3,887	902	41,822	23,249
2011-2015	49,890	10,390	561	10	50,451	10,400
2016-2020	11,735	323	-	-	11,735	323
2021-2025	-	-	-	-	-	-
	$ 127,690	$ 65,034	$ 7,120	$ 2,998	$ 134,810	$ 68,032

Year Ending June 30	Water and Sewer System		Water and Sewer System Commercial Paper		Total Future Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2001	$ 60,191	$ 158,732	$ -	$ 25,655	$ 83,931	$ 239,787
2002	58,376	159,547	-	28,106	83,595	241,597
2003	56,720	158,397	146,350	27,876	214,091	239,126
2004	56,403	159,899	146,350	23,281	243,534	235,028
2005	78,901	479,350	-	-	121,041	529,914
2006-2010	417,337	679,699	-	-	583,505	889,396
2011-2015	527,547	622,973	-	-	718,373	782,727
2016-2020	707,084	396,861	-	-	888,309	504,240
2021-2025	534,887	448,023	-	-	714,217	509,278
2026-2030	388,960	401,246	-	-	544,870	417,312
	$ 2,886,406	$ 3,664,727	$ 292,700	$ 104,918	$ 4,195,466	$ 4,588,405

Year Ending June 30	Coastal Water Authority		Trinity River Authority		Total Future Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2001	11,827	16,988	1,500	870	13,327	17,858
2002	12,770	16,351	1,500	779	14,270	17,130
2003	13,226	15,651	1,500	688	14,726	16,339
2004	14,105	14,875	2,000	596	16,105	15,471
2005	15,460	12,513	2,000	468	17,460	12,981
2006-2010	86,350	46,390	6,000	604	92,350	46,994
2011-2015	65,616	22,924	-	-	65,616	22,924
2016-2020	25,290	7,547	-	-	25,290	7,547
2021-2025	17,365	3,255	-	-	17,365	3,255
2026-2030	4,005	100	-	-	4,005	100
	$ 266,014	$ 156,594	$ 14,500	$ 4,005	$ 280,514	$ 160,599

E. Debt Refundings

Throughout its history, the City has issued refunding bonds from time to time when there has been an operational or economic gain for the City. These refundings have been structured as legal defeasances of the old debt as ruled by the Texas Attorney General, and such debt, including the debt balances refunded during fiscal 2000 described below, has been removed from the City's books.

On October 19, 1999 the City closed on $6,130,000 Series A and $47,500,000 Series B of Water and Sewer Junior Lien Revenue Refunding Bonds to convert a portion of the Water and Sewer Commercial Paper Series A to long-term fixed rate debt. The refunding bonds were sold to the Texas Water Development Board converting the commercial paper to long-term fixed rate debt and was issued at rates from 2.350% to 4.750%. Proceeds were used to defease $52,300,000 of commercial paper notes.

On December 7, 1999, the City issued $98,155,000 of Water and Sewer System Junior Lien Revenue Refunding Bonds, Series 1999D. The bonds were issued to convert a portion of the Water and Sewer Commercial Paper Notes, Series A to long-term fixed rate debt and were issued at a rate of 6.125%. Proceeds were used to purchase an escrow of Government Obligations to extinguish the Commercial Paper notes in the amount of $95,080,000 and pay various costs of issuance of the debt.

On March 16, 2000, the City defeased $148,595,000 of the Water and Sewer System Prior Lien Revenue Bonds, Series 2000. Cash was used to purchase an Escrow consisting of U. S. Treasury Obligations which had net present value savings of $484,058.

On May 9, 2000, the City issued $67,660,000 of Water and Sewer System Junior Lien Revenue Refunding Bonds Series 2000A. The bonds were sold to the Texas Water Development Board and issued to convert a portion of the Water and Sewer Commercial Paper Notes, Series A to long-term fixed rate debt and were issued at rates of 3.35% to 4.8%. The proceeds were used to defease $66,600,000 of commercial paper notes.

F. Bond Compliance Requirements

The revenue bond ordinances require that during the period in which the bonds are outstanding the City must create and maintain certain accounts or "funds" to receive the proceeds from the sale of the revenue bond and to account for the revenues (as defined) which are generally pledged for payment of the bonds. The assets can be used only in accordance with the terms of the bond ordinance and for the specific purpose(s) designated therein. The City is generally required to make a monthly transfer to debt service funds equal to one-sixth of the next interest payment and one-twelfth of the next principal payment. Certain bond ordinances have additional requirements for the establishment of rates and the accumulation of principal and interest repayment amounts from surplus operating funds. Generally, the bonds may be redeemed prior to their maturities in accordance with the bond ordinances and at various premiums equal to or less than 5%. During 2000, the City has substantially complied with the requirements of all revenue bond ordinances and related bond restrictions.

G. Voter Authorized Obligations

On November 4, 1997, voters of the City authorized the issuance of $545,000,000 of public improvement bonds. On March 4, 1998, City Council passed ordinance 98-158, stipulating that $100,000,000 of the $545,000,000 authorized issuance is to be issued as general obligation commercial paper. In fiscal year 2000, ordinance numbers 99-199 stipulating $100,000,000, and 99-949 stipulating $108,700,000 of the $545,000,000 authorized issuance is to be issued as General Obligation Commercial Paper. As of June 30, 2000, there has been $236,300,000 issuance of debt under the public improvement bonds program and the total $308,700,000 is currently available under the Commercial Paper Program.

In addition, the City is authorized by the City Charter to issue annually $100,000,000 in general improvement bonds without voter approval.

H. Legal Debt Margin

At June 30, 2000 the City's legal debt limit was 10% of assessed property valuation totaling $89,458,478,000. The City's legal debt margin was $6,322,858,000.

Note 7: Leases

A. City as Lessee

1. The City has obtained data processing and other equipment through long-term operating leases. The future minimum payments under these agreements are as follows (in thousands):

Year ended June 30	Lease Payments
2001	$ 2,618
2002	2,696
2003	2,629
2004	2,755
2005	2,886
Thereafter	3,030
Total	$ 16,614

B. City as Lessor

The Airport System is the lessor of approximately 10 percent of its land and substantially all of its buildings and improvements. These lease agreements are noncancellable operating leases with fixed minimum rentals and noncancellable operating use and lease agreements with annually adjusted rates.

Rental income is earned from leasing various parcels of land to airlines, fixed base operators and various corporations for hangars, aircraft maintenance facilities, flight kitchens and cargo buildings; to auto rental companies for their service facilities and storage lots; and to a variety of other entities for buildings and other permanent improvements. Minimum guaranteed income on such noncancellable operating leases is as follows (in thousands):

Year Ended June 30	Minimum Rental Income	
2001	$	17,831
2002		13,737
2003		9,450
2004		7,069
2005		7,132
Thereafter		61,233
Total	$	116,452

The contingent income associated with these noncancelable operating leases was $14,932,000 in Fiscal Year 2000. In addition, income is earned from certain noncancellable operating use and lease agreements for landing fees and terminal building rentals. Such income is adjusted annually based on a compensatory formula to recover certain operating and capital costs of the related facilities. Such income for Fiscal Year 2000 was $101,247,000.

Note 8: Pension Plans

A. Plan Descriptions

The City has three single employer defined benefit pension plans (Firefighters' Relief and Retirement Fund, Municipal Employees' Pension System, and the Police Officers' Pension System) which cover substantially all of its employees. These pension plans were established under the authority of Texas statutes (Vernon's Texas Civil Statutes, Articles 6243.e2, 6243g, 6234g-1, respectively), which establish the various benefit provisions. All plans provide for service-connected disability and death benefits to survivors, with no age or service eligibility requirements. Employer and employee obligations to contribute, as well as employee contribution rates, are included in the statutes. Additionally, these laws provide that employer funding be based on periodic actuarial valuations.

1. Firefighters' Relief and Retirement Fund

Firefighters with 20 or more years of service retiring on or after November 1, 1995, are entitled to a standard allowance of 50% of average monthly salary (defined as the average of their highest individual 78 pay periods), plus 3% of average monthly salary for each year of service in excess of 20 years until the member completes 30 years of service, for a total monthly pension not to exceed 80% of the member's average salary for the highest 78 pay periods of the member's participation. This change will be phased in over a three-year period. Firefighters retiring prior to November 1, 1995 are covered by different plans that are more fully described in the available audited statements for the Firefighters' Relief and Retirement Fund. Members are required to contribute 7.7 percent of their salary to the fund. The contributions are refundable, with several options, based on length of service. Members who terminate employment with at least 10 years of service, but prior to becoming eligible for the standard or alternate allowance, are entitled to 1.7 percent of average monthly salary for each year of service, payable beginning at age 50, or an optional refund of contributions with interest at 5 percent per year. Firefighters acquire a vested right to a deferred pension after 10 years of service.

2. Houston Municipal Employees' Pension System

Municipal employees hired before September 1, 1981, participate in the contributory plan (Plan A) unless they elected by December 1, 1981, to transfer to the non-contributory plan (Plan B) effective January 1, 1982, or unless they elected on or before June 30, 1997 to transfer to Plan B, effective July 1, 1996. Members hired or rehired after September 1, 1981 may make a one-time irrevocable election to participate in the contributory plan, Plan A; otherwise they participate in the non-contributory plan, Plan B. Members participating in Plan A or Plan B at the time employment is terminated are entitled to receive a monthly pension equal to the member's combined Plan A and/or Plan B accrued benefits after at least one of following requirements have been met: (i) attainment of age 50 with 25 years of total credited service, (ii) attainment of age 55 with 20 years of total credited service, or (iii) attainment of age 60 with 10 years of total credited service. Members with less than 10 years of service at the time employment is terminated and at least 5 years of credited Plan B service are entitled to receive a monthly pension equal to the member's Plan B accrued benefits after attaining age 62.

Pension benefits are based on the member's average salary as defined in the Pension Statutes. The maximum amount of any combination of Plan A and/or Plan B benefits(s) is 80 percent of the member's average monthly salary. The minimum monthly pension benefit for members who retire under rules of Plan A is the greater of $8 per year of service or $100.

There is no minimum benefit provided under the rules of Plan B. Pension benefits are increased annually by 3.5 percent of the original benefit amount not compounded.

A vested member who terminates employment is entitled to submit an application to the Board to receive his or her pension benefit in a lump sum payment if the actuarial present value of the member's benefit is less than $10,000. Such early lump-sum distributions are subject to approval by the Pension Board of Trustees (the Board).

3. Houston Police Officers' Pension System

Effective July 1, 1993, police officers participate in one of two plans, the "Old Plan" or the "New Plan." Retirement benefits equal 50 percent of base pay for the first 20 years of service plus two percent of base pay for each additional year provided participants have held the same rank for at least 36 months. Prior to July 1, 1991 participants received slightly different benefits depending on their plan. Members are required to contribute 8.75 percent of their base salary to the system. Officers' contributions to all plans are refundable without interest if they leave employment prior to retirement. Police officers acquire vested rights to a deferred pension after 20 years of service.

The Governing Statutes of the Police Officers' Pension System were amended by the ninety-seventh Legislature of the State of Texas and amendments will become effective at various dates subsequent to June 30, 1995. Significant amendments include: 1) implementation of a Deferred Retirement Option Plan ("DROP") which provides members with the option to receive a portion of their pension benefit in the form of a lump sum; 2) conversion of participants' contributions to the System from an after-tax to a pre-tax basis; 3) adjustment of cost of living adjustments for New Plan members to a compounded basis with no age requirement; 4) deletion of the requirement that widows of plan members would lose their pension benefits upon subsequent remarriage; and 5) annual adjustment to the System's inflation assumption to a rate that will ensure that the City's annual contribution to the System does not exceed $30 million in any year during the three-year period ended June 30, 2000.

B. Actuarially Determined Contribution Requirements and Contributions Made

The City's funding policies provide for actuarially determined periodic contributions at rates such that, over time, they will remain level as a percent of payroll. The contribution rate for normal cost is determined using the entry age normal actuarial cost method. The pension plans use the level percentage of payroll method to amortize the unfunded actuarially accrued liability (or surplus) over 40 years from January 1, 1983.

The reported contributions to the pension funds for the year ended June 30, 2000, were made in accordance with actuarially determined requirements based on 1999 actuarial valuations for Firemen, 1999 actuarial valuations for Police and 1998 actuarial valuations for Municipal. Contributions are as follows:

Percentage of Payroll	**Firefighters**	**Municipal**	**Police**
City of Houston normal cost	21.4%	7.1%	15.5%
Additional statutory requirement	4.4%	-	-
Amortization of unfunded actuarial accrued liability (surplus)	(2.7%)	2.2%	0.8%
Required contribution rate	23.1%	9.3%	16.3%
Employer contribution made	15.4%	9.3%	16.3%
Employee contribution made	7.7%	4.0%	8.75%
Contribution Amounts (in thousands)			
Net contribution required	$ 36,962	$ 38,306	$ 30,645
Total city contribution	$ 24,645	$ 38,306	$ 30,645
Total employee contribution	12,317	7,341	21,761
Total contribution	$ 36,962	$ 45,647	$ 52,406

The significant actuarial assumptions used to compute the actuarially determined contribution requirements and the annual pension costs are described in the Required Pension System Supplementary Information following these Notes to the General Purpose Financial Statements.

Note 9: Other Employee Benefits

A. Post-Retirement Health Insurance Benefits

Pursuant to a City Ordinance, the City provides certain health care benefits for retired employees. Substantially all of the City's employees become eligible for these benefits if they reach normal retirement age while working for the City. Contributions are recognized in the year paid. The cost of retiree health care contributions incurred by the City amounted to approximately $12,029,986 for the year ended June 30, 2000. Retiree health care is accounted for in the Health Benefits Fund, an Internal Service Fund. At June 30, 2000, there were 5,018 retirees eligible to receive benefits.

B. Health Benefits Internal Service Fund

The City's Health Benefits plan is currently administered by HMO Blue Texas. Employees and retirees are able to choose between an HMO Plan with all benefits covered by third-party purchased insurance or a Point of Service Plan (POS) and an Out-of Area Plan (OOA). Specific and aggregate stop loss insurance is provided for the POS and OOA plan of $300,000 and approximately $6,000,000 based on enrollment, respectively. Premiums paid for current employees to third party administrators totaled approximately $77,176,919 for the year ended June 30, 2000.

POS and OOA
Schedule of Changes in Liability
(in thousands)

	June 30, 2000	June 30, 1999
Beginning actuarial estimate of claims liability, July 1	$ 1,025	$ 1,021
Incurred claims for fiscal year	5,068	5,068
Payments on claims	(4,867)	(4,852)
Actuarial adjustment	124	(212)
Ending actuarial estimate of claims liability, June 30	$ 1,350	$ 1,025

The City also provides 1 times salary of basic life insurance, with a minimum of $15,000, at no cost to the employee. The employee at no cost to the City may then obtain additional life insurance up to four times their annual salary. The current costs totaled $5,197,535 for the year ended June 30, 2000.

C. Long-Term Disability Plan

The long-term disability plan, accounted for as an internal service fund, is a part of the Income Protection Plan implemented effective September 1, 1985 (renamed the Compensable Sick Leave Plan (CSL) in October, 1996) and is provided at no cost to City employees who are members of CSL. Coverage is effective the later of September 1, 1985 or upon completion of two years of continuous service. When an employee cannot work because of injury or illness, the plan provides income equal to 50% of base pay plus longevity or 70% of base plus longevity when combined with income benefits available from other sources. Plan benefits may be payable after all CSL scheduled sick leave benefits, including frozen sick leave days, have been used, however, not before six months absence from work. As of June 30, 2000, the Long-Term Disability internal service fund had a deficit balance of $43,000 which will be funded through future charges to other Funds.

The plan is administered by Disability Management Alternatives, Inc., which is reimbursed from the fund for claims as they are paid along with a fee for administrative services.

Schedule of Changes in Liability
(in thousands)

	June 30, 2000	June 30, 1999
Beginning actuarial estimate of claims liability, July 1	$ 4,864	$ 4,893
Incurred claims for fiscal year	1,541	1,789
Payments on claims	(484)	(496)
Actuarial adjustment	(1,346)	(1,322)
Ending actuarial estimate of claims liability, June 30	$ 4,575	$ 4,864

D. Deferred Compensation Plan

The City offers its employees a deferred compensation plan (Plan), created in accordance with Internal Revenue Code Section 457 as a separately administered trust. The Plan, available to all City employees permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan's administrator was changed from PEBSCO to Great-West/Benefits Corp effective October 1, 2000. In addition, pursuant to recent tax law changes, the Plan's assets are no longer subject to the claims of the City's general creditors and are not included in these financial statements.

E. Workers' Compensation Self-Insurance Plan

The City has established a Workers' Compensation Self-Insurance Plan, accounted for within the various operating funds. The plan is administered by Ward North America, Inc. Funds are wire transferred to Ward as needed to pay claims.

At June 30, 2000 the City has an accumulated liability in the amount of $43.7 million covering estimates for approved but unpaid claims and incurred but not reported claims (calculated on an actuarial basis) recorded in the General Long-Term Debt Account Group and Enterprise Funds. The amount of liability is based on the estimate of an independent actuary.

Schedule of Changes in Liability (in thousands)

	June 30, 2000	June 30, 1999
Beginning actuarial estimate of claims liability, July 1	$ 37,404	$ 37,302
Incurred claims for fiscal year	19,388	15,403
Payments on claims	(18,881)	(17,924)
Actuarial adjustment	5,755	2,623
Ending actuarial estimate of claims liability, June 30	$ 43,666	$ 37,404

Note 10: Interfund Transactions

A. Operating Transfers

Operating transfers during the year ended June 30, 2000, were as follows (in thousands):

	Transferred to:				
Transferred from:	General Fund	Special Revenue	Debt Service	Capital Projects	Total Transfers Out
General Fund	$ -	$ 16,332	$ 152,091	$ -	$ 168,423
Special Revenue Funds	-	-	4,353	-	4,353
Water & Sewer	-	23,267	34,044	-	57,311
Total Transfers In	$ -	$ 39,599	$ 190,488	$ -	$ 230,087

B. Transfers to Component Units

Transfers to the Cultural Arts Council of Houston from the Convention and Entertainment Facilities during the year ended June 30, 2000 totaled $7,500,000.

C. Interfund Charges

The General Fund charges the Water and Sewer System, Airport System, Convention and Entertainment Facilities, Capital Project, Sign Administration, Auto Dealer's and Cable Television Funds for services provided by the General Fund on behalf of these funds. Such charges totaled $72,081,000 for the year ended June 30, 2000, and are recorded as revenue in the General Fund and as expense, expenditure or fixed assets in the funds assessed.

Included in the Fiscal Year 2000 total are charges to the funds for direct and indirect expenses as shown below (in thousands):

	Airport System	Convention & Entertainment Facilities	Water & Sewer	Other Funds	Total
General Services	$ 2,452	$ 224	$ 7,463	$ 6,492	$ 16,631
Fire Services	9,109	-	-	-	9,109
Police Services	15,886	-	-	-	15,886
Engineering Services	3	(81)	8,520	9,641	18,083
Fleet Maintenance	102	23	877	6,614	7,616
Legal	465	691	1,834	992	3,982
Other	4	(17)	468	319	774
Total	$ 28,021	$ 840	$ 19,162	$ 24,058	72,081

D. Schedule of Amounts Due To and Due From Other Funds

Amounts due to and due from other funds at June 30, 2000 were as follows (in thousands):

	Due From Other Funds	Due To Other Funds
General Fund	$ 25,514	$ 23,362
Special Revenue Funds		
Asset Forfeiture	-	251
Building Inspection	60	127
Cable TV	-	195
Fire Prevention	-	218
Grants Revenue	67	1,581
Health Special	-	120
Houston Transtar	2	2
Parks Special	4	11
Police Special Services	397	19
Sign Abatement	132	-
Sign Administration	1	72
Street and Drainage Maintenance	1,947	1,045
Street Maintenance and Traffic Control	219	1,285
Signal Maintenance	4	719
911 Emergency Network	1	-
Agency Fund	-	13
Debt Service Fund	62	-
Capital Projects Fund	1,001	8,362
Enterprise Funds		
Airport System	136	1,092
Convention and Entertainment Facilities	2,071	1,253
Water and Sewer	20,946	5,793
Internal Service Funds		
Health Benefits Fund	15	7,059
Total Due to/Due from Other Funds, Primary Government	$ 52,579	$ 52,579

Note 11: Segment Information – Enterprise Funds

The airport, convention and entertainment facilities, sports arena, and water and sewer system are four major services provided by the City which are financed by user charges and are of such significance as to warrant disclosure as enterprise activities.

The key financial data for these services for the year ended June 30, 2000 are as follows (in thousands):

	Airport System	Convention & Entertainment Facilities	Sports Arena	Water & Sewer	Total
Operating revenues	$ 209,135	$ 16,835	$ -	$ 564,038	$ 790,008
Depreciation and amortization	46,390	6,684	-	212,846	265,920
Operating income (loss)	49,303	(9,735)	-	124,934	164,502
Operating transfers out	-	-	-	(57,311)	(57,311)
Tax revenues - hotel interest	-	42,550	-	-	42,550
Net income (loss)	30,164	10,922	7	(48,424)	(7,331)
Capital contributions	18,693	-	-	492	19,185
Total assets	1,818,070	338,007	12,523	4,769,833	6,938,433
Net working capital	1,078	35,996	567	136,946	174,587
Bonds payable, net of unamortized discount	813,701	114,781	-	2,939,723	3,868,205
Commercial paper	50,000	-	-	292,700	342,700
Contracts Payable	-	7,120	-	282,786	289,906
Retained earnings included in fund equity	559,015	120,359	458	295,068	974,900
Fund equity	830,585	202,425	2,909	1,134,278	2,170,197
Acquisition of property, plant and equipment	285,999	7,268	-	282,695	575,962

The following is a detailed presentation of the restricted assets shown on the combined balance sheet by fund and type of asset (in thousands):

	Airport System	Convention & Entertainment Facilities	Sports Arena	Water & Sewer	Total
Investments	$ 586,484	$ 45,192	$ 9,488	$ 480,637	$ 1,121,801
Assessments receivable	-	-	-	107	107
Accrued interest receivable	-	-	17	-	17
Due from other governments	1,750	-	-	11,329	13,079
Total restricted assets	$ 588,234	$ 45,192	$ 9,505	$ 492,073	$ 1,135,004

The discretely presented component units restricted assets consist of investments.

The following is a detailed presentation of current liabilities payable from restricted assets shown on the combined balance sheet by fund and type of liability (in thousands):

	Airport System	Convention & Entertainment Facilities	Sports Arena	Water & Sewer	Total
Revenue bonds payable	$ 18,395	$ 4,880	$ -	$ 60,191	83,466
Accrued interest payable	22,034	3,597	-	16,264	41,895
Advances and customer deposits	24,375	386	9,144	22,358	56,263
Construction billings and retainage	55,086	-	-	31,455	86,541
Due to other funds	2	-	-	3,382	3,384
Due to other governments	-	-	-	5,276	5,276
Total current liabilities payable from restricted assets	$ 119,892	$ 8,863	$ 9,144	$ 138,926	$ 276,825

Note 12: Commitments and Contingencies

A. Litigation and Claims

The City is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its municipal and enterprise activities, certain of which seek substantial damages. That litigation includes lawsuits and claims alleging that the City caused personal injuries and wrongful deaths; class actions and other lawsuits and claims alleging discriminatory hiring and promotional practices and certain civil rights violations arising under the Federal Voting Rights Act; various claims from contractors for additional amounts under construction contracts; and claims involving property tax assessments and various other liability claims. Alleged damages in the lawsuits exceed $268 million. The status of such litigation ranges from an early discovery stage to various levels of appeal of judgments both for and against the City. The amount of damages is limited in certain cases under the Texas Tort Claims Act and is subject to appeal. The City intends to defend itself vigorously against the suits. There is other threatened litigation for which an amount cannot be determined.

In the General Long-Term Debt Account Group, the City has recognized a liability of $38 million for potential litigation losses and defense costs arising from various lawsuits.

B. Environmental Liabilities

The City is aware of various sites contaminated by asbestos or other hazardous materials. The Airport System Fund, the Water and Sewer System Fund, and the General Long-Term Debt Account Group have combined accrued liabilities of $7,470,000, to be used for asbestos and petroleum storage tanks removal, and remediation.

C. Commitments for Capital Facilities

At June 30, 2000, the City had appropriated but not yet spent from Capital Projects and Enterprise Funds approximately $1,230,986,000 for capital projects.

D. Risk Management

The City is self-insured for claims pertaining to third party liability, unemployment and workers' compensation. The City carries public employee liability insurance to comply with City ordinance and purchases commercial property insurance with a $1 million deductible and per occurrence loss limit of $300 million. Such insurance coverages are consistent with prior year, and no losses were sustained in excess of the coverages over the past four years. Self-insured claims are reported as liabilities in the accompanying financial statements when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. This determination is based on reported pending claims, estimates of claims, incurred but not yet reported, actuarial reports and historical analysis.

Claims that are expected to be paid with expendable, available financial resources are accounted for in the General Fund and the appropriate Enterprise Funds. All other claims are accounted for in the General Long-Term Debt Account Group.

Through its Health Benefit Plan, the City has consistently purchased commercial insurance up to certain limitations in the event of adverse loss experience.

For unemployment claims, the City pays claims as they are settled. Unemployment claim activity is as follows:

	Unemployment Claim Activity	
	June 30, 2000	June 30, 1999
Claims for fiscal year	186	323
Payments on claims	$ 530,241	$ 672,586

E. Federal and State

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, could be a liability of the City.

Note 13: Contributions

Changes in Contributed Capital - Enterprise Funds (in thousands)

	Airport System	Convention & Entertainment Facilities	Sports Arena	Water & Sewer	Total
Balance, July 1 1999	$ 260,801	$ 82,604	$ 2,451	$ 864,975	$ 1,210,831
Additions	18,693	-	-	492	19,185
Depreciation	(7,924)	(538)	-	(26,257)	(34,719)
Adjustments	-	-	-	-	-
Balance, June 30, 2000	$ 271,570	$ 82,066	$ 2,451	$ 839,210	$ 1,195,297

Note 14: Reserved Fund Equity

At June 30, 2000 fund equity was reserved for the following purposes (in thousands):

A. Reserved Retained Earnings - Proprietary Fund Types

	Airport System	Convention & Entertainment Facilities	Water and Sewer System	Sports Arena	Total Enterprise Funds
Revenue bond contingency - renewal and replacement	$ 10,000	$ 2,500	$ 308,722	$ -	$ 321,222
Maintenance and operations	20,605	1,829	21,376	9	43,819
Capital improvements	48,416	-	-	-	48,416
Other commitments	-	74	-	-	74
Amounts held by others	-	-	6,534	-	6,534
Total	$ 79,021	$ 4,403	$ 336,632	$ 9	$ 420,065

B. Reserved Fund Balances and Net Assets - Governmental Fund Types

Purpose	General Fund	Debt Service	Special Revenue	Capital Projects	Component Units	Total
Equipment acquisition and capital outlay	$ 10,250	$ -	$ -	$ -	$ -	$ 10,250
General mobility	-	-	-	1,475	-	1,475
Debt service	-	86,373	-	-	-	86,373
Revolving funds and other	1,125	-	-	-	18,118	19,243
Imprest cash & prepaid	1,581	-	-	-	-	1,581
Inventory	-	-	4,329	-	-	4,329
Total	$ 12,956	$ 86,373	$ 4,329	$ 1,475	$ 18,118	$ 123,251

Note 15: Related Organization Transactions

A. Metropolitan Transit Authority ("Metro")

The City and Metro have an interlocal agreement under which Metro funded $30.0 million of revenue for street maintenance and traffic control during the fiscal year ended June 30, 2000. The money is accounted for in a special revenue fund.

B. Trinity River Authority ("TRA")

As described in Note 6C, the City and TRA have a long-term contract under which the City is obligated to pay debt service for certain bonds as well as certain maintenance and operating expenses for a TRA dam and reservoir. During the fiscal year ended June 30, 2000 the City paid $5.3 million for debt service and $1.8 million for maintenance and operating expenses under the terms of the contract.

C. Coastal Water Authority ("CWA")

The City has a long-term contract with Coastal Water Authority (CWA) for the acquisition of water. During the fiscal year ended June 30, 2000, the City paid CWA $25.4 million for debt service and $10.8 million for maintenance and operating expenses.

Note 16: Conduit Debt Obligations

To provide for higher education, airports, and sports facilities, the City has issued ten series of Special Facility Revenue Bonds. These bonds are special limited obligations of the City, payable solely from and secured by a pledge of revenue to be received from agreements between the City and various third parties. The bonds do not constitute a debt or pledge of the faith and credit of the City and accordingly have not been reported in the accompanying financial statements.

At June 30, 2000 Special Facility Revenue Bonds outstanding aggregated $238,100,000.

Note 17: Subsequent Events

A. Tax and Revenue Anticipation Notes

In July 2000, the City closed the sale of $160 million of Tax and Revenue Anticipation Notes (TRANS). The proceeds of the TRANS will be used to pay working capital expenditures until tax revenues are received in February 2001. The notes will mature on June 30, 2001.

B. Water and Sewer Junior Lien Bonds Series 2000B

On August 14, 2000 the City closed on the sale of $292,145,000 of Water and Sewer System Junior Lien Revenue Refunding Bonds Series 2000B with stated interest rates ranging from 4.70% to 6.00% and are due in varying amounts from year 2005 to year 2030. These proceeds were used to refund a portion of the Water and Sewer Commercial Paper Program Series A.

C. Airport System Subordinate Lien Revenue Bonds Series 2000A (AMT), Series 2000B (Non-AMT), Series 2000P-1 (AMT), and Series 2000P-2 (AMT)

On October 24, 2000 the City priced the Airport System Subordinate Lien Revenue Bonds Series 2000A (AMT) $327,225,000, Series 2000B (Non-AMT) $269,240,000, Series 2000P-1 (AMT) $50,000,000, and Series 2000P-2 (AMT) $50,000,000. Interest rates for the bonds range from 5.00% to 5.875% and are due in varying amounts from year 2005 to year 2030. The proceeds will be used to refund all of the outstanding Airport Senior Lien Commercial Paper and to establish, improve, enlarge, extend, and repair the City's Airport System.