



Fantastic Fountains

Houstonians enjoy outdoor activities virtually year 'round. A cyclist pedaling past the Wortham "dandelion" fountain near Buffalo Bayou enjoys a cool spray of water on a warm spring day. Houston's climate, accessibility and proximity to Latin America make it a tourist destination and trade haven.

CITY OF HOUSTON, TEXAS



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, Ellington Field, and the Central Business District Heliport.

Convention and Entertainment Facilities — This fund is used to account for the operation of the City's six major entertainment centers and 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 Tranquillity Park and Theater District parking garages.

Water and Sewer 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.

Sports Arena — This fund is used to account for the City's interest in The Compaq Center, a multi-purpose sports facility, which is leased to an independent operator.

CITY OF HOUSTON, TEXAS
ENTERPRISE FUNDS
Combining Balance Sheet
June 30, 2001
(With comparative totals for 2000)
amounts expressed in thousands

	<u>Airport System</u>	<u>Convention and Entertainment Facilities</u>	<u>Water and Sewer System</u>
Assets			
Current assets			
Equity in pooled cash and investments	\$ 8,552	\$ 15,707	\$ 76,247
Receivables, net of allowances			
Accounts receivable	15,092	1,482	59,906
Hotel occupancy tax receivable	-	11,818	-
Due from other funds	-	1,002	11,501
Due from other governments	-	-	12
Due from component units	-	310,550	-
Inventory	3,966	-	9,068
Total current assets	<u>27,610</u>	<u>340,559</u>	<u>156,734</u>
Restricted assets			
Investments	1,002,018	519,668	586,915
Assessments receivable	-	-	107
Accrued interest receivable	-	-	-
Due from other governments - grants	4,735	-	-
Amounts held by other governments	-	-	21,648
Total restricted assets	<u>1,006,753</u>	<u>519,668</u>	<u>608,670</u>
Other assets			
Garage Rights	-	13,144	-
Water rights, net of depreciation	-	-	217,065
Other long-term receivables	-	-	69
Total other assets	<u>-</u>	<u>13,144</u>	<u>217,134</u>
Property, plant & equipment			
Land	120,182	65,694	81,663
Buildings, improvements and equipment	1,612,919	272,588	190,607
Plants, lines and rights	-	-	5,592,510
Construction in progress	402,405	21,950	780,493
Total property, plant & equipment	<u>2,135,506</u>	<u>360,232</u>	<u>6,645,273</u>
Less accumulated depreciation and amortization	<u>(639,876)</u>	<u>(87,556)</u>	<u>(2,754,745)</u>
Property, plant and equipment, net	<u>1,495,630</u>	<u>272,676</u>	<u>3,890,528</u>
Total assets	<u>\$ 2,529,993</u>	<u>\$ 1,146,047</u>	<u>\$ 4,873,066</u>

Sports Arena	Totals	
	2001	2000
\$ -	\$ 100,506	\$ 145,248
441	76,921	67,319
-	11,818	11,450
-	12,503	23,153
-	12	12
-	310,550	-
-	13,034	12,807
441	525,344	259,989
8,370	2,116,971	1,121,801
-	107	107
5	5	17
-	4,735	1,750
-	21,648	11,329
8,375	2,143,466	1,135,004
-	13,144	-
-	217,065	227,231
-	69	69
-	230,278	227,300
2,451	269,990	256,800
-	2,076,114	1,863,382
-	5,592,510	5,434,291
-	1,204,848	1,013,564
2,451	9,143,462	8,568,037
-	(3,482,177)	(3,251,897)
2,451	5,661,285	5,316,140
\$ 11,267	\$ 8,560,373	\$ 6,938,433

(Continued)

CITY OF HOUSTON, TEXAS
ENTERPRISE FUNDS
Combining Balance Sheet - Continued
June 30, 2001
(With comparative totals for 2000)
amounts expressed in thousands

	<u>Airport System</u>	<u>Convention & Entertainment Facilities</u>	<u>Water and Sewer System</u>
Liabilities and fund equity			
Liabilities			
Current liabilities			
Accounts payable	\$ 3,796	\$ 3,335	\$ 8,618
Accrued payroll liabilities	1,531	172	2,277
Accrued interest on contracts payable	-	-	894
Contracts and retainages payable	169	235	14,375
Notes payable	-	-	-
Due to other funds	1,008	22,658	9,522
Due to other governments	-	1,584	-
Advances and deposits	1,707	407	-
Claims for workers' compensation	5,912	11	4,786
Compensated absences	6,235	613	24,201
Total current liabilities	<u>20,358</u>	<u>29,015</u>	<u>64,673</u>
Current liabilities payable from restricted assets			
Revenue bonds payable	19,460	-	58,376
Accrued interest payable	42,305	2,219	16,106
Advances and deposits	248	555	21,015
Construction billings and retainages	73,609	-	28,275
Due to component unit	-	292,496	-
Amount held for component unit	-	10,741	-
Due to other funds	-	-	4,013
Due to other governments	-	-	5,011
Total current liabilities payable from restricted assets	<u>135,622</u>	<u>306,011</u>	<u>132,796</u>
Long-term liabilities			
Notes payable	-	-	-
Revenue bonds payable, net	1,459,583	621,863	3,121,836
Contracts payable	-	-	259,533
Commercial paper	-	-	300,000
Arbitrage Rebate Payable	11,893	-	-
Other long term liabilities	2,622	-	-
Total long-term liabilities	<u>1,474,098</u>	<u>621,863</u>	<u>3,681,369</u>
Total liabilities	<u>1,630,078</u>	<u>956,889</u>	<u>3,878,838</u>
Fund equity			
Contributed capital, net	<u>263,179</u>	<u>82,066</u>	<u>812,869</u>
Retained earnings			
Reserved for			
Renewal and replacement	10,000	11,034	321,749
Maintenance and operations	23,170	5,942	23,116
Amounts held by others	-	-	6,534
Capital improvements	78,695	-	-
Other commitments	-	-	-
Unreserved	<u>524,871</u>	<u>90,116</u>	<u>(170,040)</u>
Total retained earnings	<u>636,736</u>	<u>107,092</u>	<u>181,359</u>
Total fund equity	<u>899,915</u>	<u>189,158</u>	<u>994,228</u>
Total liabilities and fund equity	<u>\$ 2,529,993</u>	<u>\$ 1,146,047</u>	<u>\$ 4,873,066</u>

Sports Arena	Totals	
	2001	2000
\$ -	\$ 15,749	\$ 11,522
-	3,980	4,493
-	894	733
-	14,779	13,887
-	-	435
-	33,188	4,754
-	1,584	5,608
-	2,114	2,327
-	10,709	10,285
-	31,049	31,358
-	114,046	85,402
-	77,836	83,466
-	60,630	41,895
7,796	29,614	56,263
-	101,884	86,541
-	292,496	-
-	10,741	-
-	4,013	3,384
-	5,011	5,276
7,796	582,225	276,825
-	-	6,685
-	5,203,282	3,784,739
-	259,533	269,355
-	300,000	342,700
-	11,893	-
553	3,175	2,530
553	5,777,883	4,406,009
8,349	6,474,154	4,768,236
2,451	1,160,565	1,195,297
-	342,783	321,222
9	52,237	43,819
-	6,534	6,534
-	78,695	48,416
-	-	74
458	445,405	554,835
467	925,654	974,900
2,918	2,086,219	2,170,197
\$ 11,267	\$ 8,560,373	\$ 6,938,433

CITY OF HOUSTON, TEXAS
ENTERPRISE FUNDS
Combining Statement of Revenues, Expenses and Changes in Fund Equity
For the Year Ended June 30, 2001
(With comparative totals for 2000)
amounts expressed in thousands

	<u>Airport System</u>	<u>Convention and Entertainment Facilities</u>	<u>Water and Sewer System</u>
Operating revenues			
Charges for services	\$ 222,174	\$ 17,469	\$ 547,292
Total operating revenues	<u>222,174</u>	<u>17,469</u>	<u>547,292</u>
Operating expenses			
Maintenance and operating	122,594	20,331	248,603
Depreciation and amortization	52,410	6,356	256,959
Bad debt expense	-	-	-
Total operating expenses	<u>175,004</u>	<u>26,687</u>	<u>505,562</u>
Operating income (loss)	<u>47,170</u>	<u>(9,218)</u>	<u>41,730</u>
Nonoperating revenues (expenses)			
Investment income	66,846	9,846	56,914
Hotel occupancy tax	-	46,123	-
Other revenues	828	181	22,511
Loss on disposal of assets	(178)	-	(3,315)
Other expenses	(12,455)	(12,110)	-
Interest on long-term debt	<u>(52,754)</u>	<u>(12,655)</u>	<u>(172,749)</u>
Total nonoperating revenues (expenses)	<u>2,287</u>	<u>31,385</u>	<u>(96,639)</u>
Income (loss) before operating transfers	<u>49,457</u>	<u>22,167</u>	<u>(54,909)</u>
Contributions	19,873	-	17,594
Operating transfers to component units	-	(8,588)	-
Operating transfers out	<u>-</u>	<u>(26,846)</u>	<u>(102,735)</u>
Net income (loss)	69,330	(13,267)	(140,050)
Fund equity, July 1	<u>830,585</u>	<u>202,425</u>	<u>1,134,278</u>
Fund equity, June 30	<u>\$ 899,915</u>	<u>\$ 189,158</u>	<u>\$ 994,228</u>

Sports Arena	Total	
	2001	2000
\$ -	\$ 786,935	\$ 790,008
-	786,935	790,008
-	391,528	358,586
-	315,725	265,920
-	-	1,000
-	707,253	625,506
-	79,682	164,502
-	133,606	60,688
-	46,123	42,550
9	23,529	20,969
-	(3,493)	(4,119)
-	(24,565)	(10,974)
-	(238,158)	(216,136)
9	(62,958)	(107,022)
9	16,724	57,480
-	37,467	19,185
-	(8,588)	(7,500)
-	(129,581)	(57,311)
9	(83,978)	11,854
2,909	2,170,197	2,158,343
\$ 2,918	\$ 2,086,219	\$ 2,170,197

CITY OF HOUSTON, TEXAS
ENTERPRISE FUNDS
Combining Statement of Cash Flows
For the Year Ended June 30, 2001
(With comparative totals for 2000)
amounts expressed in thousands

	Airport System	Convention and Entertainment Facilities	Water and Sewer System
Cash flows from operating activities			
Receipts from customers	\$ 217,229	\$ 17,252	\$ 541,293
Payments to employees	(42,435)	(4,372)	(99,105)
Payments to suppliers	(52,540)	(13,399)	(146,894)
Internal activity-payments to other funds	(26,488)	14,819	7,978
Claims paid	(1,380)	(79)	(2,502)
Due from other governments	-	(4,024)	-
Other revenues	828	181	22,511
Other expenses	-	(11,532)	-
Net cash provided by (used for) operating activities	<u>95,214</u>	<u>(1,154)</u>	<u>323,281</u>
Cash flows from investing activities			
Interest income on investments	51,312	7,959	41,713
Purchase of investments	(861,549)	(591,738)	(683,033)
Proceeds from sale of investments	437,402	119,149	591,956
Net cash provided by (used for) investing activities	<u>(372,835)</u>	<u>(464,630)</u>	<u>(49,364)</u>
Cash flows from capital and related financing activities			
Retirement of revenue bonds	(18,395)	(115,570)	(60,191)
Retirement of notes payable	-	(7,120)	-
Net proceeds from issuance of revenue bonds, net of discount	682,739	621,772	263,476
Retirement of commercial paper	(90,000)	(26,000)	(277,700)
Net proceeds from issuance of commercial paper	40,000	26,000	285,000
Interest expense on			
Revenue bonds	(46,936)	(14,033)	(143,252)
Commercial Paper	-	(578)	(9,024)
Contracts payable	-	-	(20,470)
Retirement of contractual obligations	-	-	(13,996)
Advances and deposits on construction	20	-	-
Contributed capital	16,889	-	17,261
Acquisition of garage rights	-	(10,000)	-
Acquisition of property, plant and equipment	(305,714)	(34,626)	(242,392)
Accrued maintenance repair and replacement cost	-	-	-
Net cash provided by (used for) capital and related financing activities	<u>278,603</u>	<u>439,845</u>	<u>(201,288)</u>

Sports Arena	Total	
	2001	2000
\$ -	\$ 775,774	\$ 787,108
-	(145,912)	(143,703)
-	(212,833)	(168,122)
-	(3,691)	(55,554)
-	(3,961)	(5,573)
-	(4,024)	4,025
-	23,520	20,962
-	(11,532)	(10,974)
-	417,341	428,169
21	101,005	74,745
(30,536)	(2,166,856)	(230,434)
31,653	1,180,160	468,755
1,138	(885,691)	313,066
-	(194,156)	(246,654)
-	(7,120)	(433)
-	1,567,987	217,240
-	(393,700)	(213,980)
-	351,000	320,000
-	(204,221)	(191,656)
-	(9,602)	(11,381)
-	(20,470)	(15,770)
-	(13,996)	(17,615)
(1,221)	(1,201)	1,482
-	34,150	19,117
-	(10,000)	-
-	(582,732)	(553,711)
83	83	89
(1,138)	516,022	(693,272)

(Continued)

CITY OF HOUSTON, TEXAS
ENTERPRISE FUNDS
Combining Statement of Cash Flows - Continued
For the Year Ended June 30, 2001
(With comparative totals for 2000)
amounts expressed in thousands

	Airport System	Convention & Entertainment Facilities	Water and Sewer System
Cash flows from noncapital financing activities			
Operating transfers to component units	\$ -	\$ (8,588)	\$ -
Operating transfers to debt service fund	-	-	(38,584)
Operating transfers to other funds	-	-	(64,151)
Contributions	-	(26,846)	-
Hotel occupancy tax revenue	-	45,755	-
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>10,321</u>	<u>(102,735)</u>
Net increase (decrease) in cash and cash equivalents	982	(15,618)	(30,106)
Cash and cash equivalents, July 1	<u>7,570</u>	<u>31,325</u>	<u>106,353</u>
Unrestricted cash and cash equivalents, June 30	<u>\$ 8,552</u>	<u>\$ 15,707</u>	<u>\$ 76,247</u>
Non cash transactions			
Unrealized gain (loss) on investments	\$ 9,640	\$ 958	\$ 15,201
Loss on disposal of assets	(178)	-	\$ (3,315)
Land contributed to component unit	-	3,144	-
	<u>\$ 9,462</u>	<u>\$ 4,102</u>	<u>\$ 11,886</u>
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income (loss)	\$ 47,170	\$ (9,218)	\$ 41,730
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation and amortization	52,410	6,356	256,959
Other revenues	828	197	22,580
Other expenses	-	(11,532)	-
Changes in assets and liabilities			
Net due from component unit	-	(7,313)	-
Accounts receivable, net	(5,102)	(199)	(4,524)
Contracts receivable	97	-	-
Due from other funds	136	1,069	9,445
Amounts held by other governments	-	-	(10,319)
Inventory	(454)	-	227
Accounts payable	230	2,089	1,908
Accrued payroll liabilities	157	16	(686)
Due to other funds	(84)	21,405	7,111
Due to other governments	-	(4,024)	-
Advances and deposits	119	(22)	(1,484)
Construction and retainages payable	-	(52)	-
Claims for workers' compensation	(202)	7	619
Compensated absences	(91)	67	(285)
Net cash provided by (used for) operating activities	<u>\$ 95,214</u>	<u>\$ (1,154)</u>	<u>\$ 323,281</u>

Sports Arena	Total	
	2001	2000
\$ -	\$ (8,588)	\$ (7,500)
-	(38,584)	(34,044)
-	(64,151)	(23,267)
-	(26,846)	-
-	45,755	41,550
-	(92,414)	(23,261)
-	(44,742)	24,702
-	145,248	120,546
<u>\$ -</u>	<u>\$ 100,506</u>	<u>\$ 145,248</u>
\$ -	\$ 25,799	\$ (13,832)
-	(3,493)	(4,109)
-	3,144	-
<u>\$ -</u>	<u>\$ 25,450</u>	<u>\$ (17,941)</u>
\$ -	\$ 79,682	\$ 164,502
-	315,725	265,920
-	23,605	20,962
-	(11,532)	(10,974)
-	(7,313)	-
-	(9,825)	(2,642)
-	97	51
-	10,650	(21,578)
-	(10,319)	-
-	(227)	3,661
-	4,227	424
-	(513)	674
-	28,432	3,103
-	(4,024)	4,025
-	(1,387)	1,075
-	(52)	(33)
-	424	(2,020)
-	(309)	1,019
<u>\$ -</u>	<u>\$ 417,341</u>	<u>\$ 428,169</u>

ENTERPRISE FUNDS
Airport System
Balance Sheets
June 30, 2001 and 2000
amounts expressed in thousands

	2001	2000
Assets		
Current assets		
Equity in pooled cash and investments	\$ 8,552	\$ 7,570
Receivables, net of allowances		
Accounts receivable	15,092	10,087
Due from other funds	-	136
Inventory	3,966	3,512
Total current assets	27,610	21,305
Restricted assets		
Investments	1,002,018	562,337
Due from governments - grants	4,735	1,750
Total restricted assets	1,006,753	564,087
Property, plant & equipment		
Land	120,182	104,067
Buildings, improvements and equipment	1,612,919	1,490,863
Construction in progress	402,405	206,918
Total property, plant & equipment	2,135,506	1,801,848
Less accumulated depreciation and amortization	(639,876)	(593,317)
Property, plant and equipment, net	1,495,630	1,208,531
Total assets	\$ 2,529,993	\$ 1,793,923

CITY OF HOUSTON, TEXAS
ENTERPRISE FUNDS
Airport System
Balance Sheets - Continued
June 30, 2001 and 2000
amounts expressed in thousands

	2001	2000
Liabilities and fund equity		
Liabilities		
Current liabilities		
Accounts payable	\$ 3,796	\$ 3,566
Accrued payroll liabilities	1,531	1,374
Contracts and retainages payable	169	169
Due to other funds	1,008	1,090
Advances and deposits	1,707	1,588
Claims for workers' compensation	5,912	6,114
Compensated absences	6,235	6,326
Total current liabilities	20,358	20,227
Current liabilities payable from restricted assets		
Revenue bonds payable	19,460	18,395
Accrued interest and other payables	42,305	22,034
Advances and deposits	248	228
Contracts and retainages payable	73,609	55,086
Due to other funds	-	2
Total current liabilities payable from restricted assets	135,622	95,745
Long-term liabilities		
Revenue bonds payable, net	1,459,583	795,306
Commercial paper	-	50,000
Arbitrage rebate payable	11,893	-
Other long-term liabilities	2,622	2,060
Total long-term liabilities	1,474,098	847,366
Total liabilities	1,630,078	963,338
Fund equity		
Contributed capital, net	263,179	271,570
Retained earnings		
Reserved for		
Revenue bond contingency/renewal and replacement	10,000	10,000
Maintenance and operations	23,170	20,605
Capital improvements	78,695	48,416
Unreserved	524,871	479,994
Total retained earnings	636,736	559,015
Total fund equity	899,915	830,585
Total liabilities and fund equity	\$ 2,529,993	\$ 1,793,923

CITY OF HOUSTON, TEXAS
ENTERPRISE FUNDS
Airport System
Statements of Revenues, Expenses and Changes in Fund Equity
For the Years Ended June 30, 2001 and 2000
amounts expressed in thousands

	2001	2000
Operating revenues		
Charges for services		
Landing area fees	\$ 48,298	\$ 40,930
Building and grounds area	74,168	72,988
Parking	51,285	46,662
Concession	47,043	46,137
Other	1,380	2,418
Total operating revenues	222,174	209,135
Operating expenses		
Maintenance and operating	122,594	113,442
Depreciation and amortization	52,410	46,390
Total operating expenses	175,004	159,832
Operating income	47,170	49,303
Nonoperating revenues (expenses)		
Investment income (loss)	66,846	25,027
Other revenues	828	188
Other expenses	(12,455)	-
Loss on disposal of assets	(178)	(62)
Interest on long-term debt	(52,754)	(44,292)
Total nonoperating revenues (expenses)	2,287	(19,139)
Net income before contributions and transfers	49,457	30,164
Contributions	19,873	18,693
Net income	69,330	48,857
Fund equity, July 1	830,585	781,728
Fund equity, June 30	\$ 899,915	\$ 830,585

CITY OF HOUSTON, TEXAS
Airport System
Statements of Cash Flows
For the Years Ended June 30, 2001 and 2000
amounts expressed in thousands

	<u>2001</u>	<u>2000</u>
Cash flows from operating activities		
Receipts from customers	\$ 217,229	\$ 205,535
Payments to employees	(42,435)	(42,252)
Payments to suppliers	(52,540)	(41,102)
Internal activity-payments to other funds	(26,488)	(25,876)
Claims paid	(1,380)	(3,187)
Other revenues	828	188
Net cash provided by operating activities	<u>95,214</u>	<u>93,306</u>
 Cash flows from investing activities		
Interest income on investments	51,312	30,921
Purchase of investments	(861,549)	(189,524)
Proceeds from sale of investments	437,402	324,378
Net cash provided by (used for) investing activities	<u>(372,835)</u>	<u>165,775</u>
 Cash flows from capital and related financing activities		
Retirement of revenue bonds	(18,395)	(17,395)
Proceeds from issuance of revenue bonds	682,739	-
Retirement of commercial paper	(90,000)	-
Net proceeds from issuance of commercial paper	40,000	50,000
Interest expense on revenue bonds	(46,936)	(48,591)
Advances and deposits on construction	20	10
Contributed capital	16,889	18,625
Acquisition of property, plant and equipment	(305,714)	(259,863)
Net cash provided by (used for) capital and related financing activities	<u>278,603</u>	<u>(257,214)</u>
 Net increase (decrease) in cash and cash equivalents	982	1,867
Cash and cash equivalents, July 1	<u>7,570</u>	<u>5,703</u>
 Cash and cash equivalents, June 30	<u>\$ 8,552</u>	<u>\$ 7,570</u>
 Non cash transactions		
Unrealized gain (loss) on investments	\$ 9,640	\$ (5,676)
Loss on disposal of assets	(178)	(62)
	<u>\$ 9,462</u>	<u>\$ (5,738)</u>
 Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income	\$ 47,170	\$ 49,303
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	52,410	46,390
Other revenues	828	188
Changes in assets and liabilities		
Accounts receivable	(5,102)	(3,232)
Contracts receivable	97	51
Due from other funds	136	835
Inventory	(454)	(100)
Accounts payable	230	912
Accrued payroll liabilities	157	209
Due to other funds	(84)	919
Advances and deposits	119	(17)
Claims for workers' compensation	(202)	(2,313)
Compensated absences	(91)	161
Net cash provided by operating activities	<u>\$ 95,214</u>	<u>\$ 93,306</u>

CITY OF HOUSTON, TEXAS
ENTERPRISE FUNDS
Convention and Entertainment Facilities Fund
Balance Sheets
June 30, 2001 and 2000
amounts expressed in thousands

	2001	2000
Assets		
Current assets		
Equity in pooled cash and investments	\$ 15,707	\$ 31,325
Receivables, net of allowances		
Accounts receivable	1,482	1,283
Hotel occupancy tax receivable	11,818	11,450
Due from component units	310,550	-
Due from other funds	1,002	2,071
Total current assets	340,559	46,129
Restricted assets		
Investments	519,668	45,192
Total restricted assets	519,668	45,192
Other Assets		
Garage Rights	13,144	-
Total other assets - garage rights	13,144	-
Property, plant & equipment		
Land	65,694	68,838
Buildings, improvements and equipment	272,588	236,668
Construction in progress	21,950	23,260
Total property, plant & equipment	360,232	328,766
Less accumulated depreciation and amortization	(87,556)	(82,080)
Property, plant and equipment, net	272,676	246,686
Total assets	\$ 1,146,047	\$ 338,007

CITY OF HOUSTON, TEXAS
ENTERPRISE FUNDS
Convention and Entertainment Facilities Fund
Balance Sheets
June 30, 2001 and 2000
amounts expressed in thousands

	2001	2000
Liabilities and fund equity		
Liabilities		
Current liabilities		
Accounts payable	\$ 3,335	\$ 1,246
Accrued payroll liabilities	172	156
Retainages payable	235	287
Notes payable	-	435
Due to other funds	22,658	1,253
Due to other governments	1,584	5,608
Advances and deposits	407	598
Claims for workers' compensation	11	4
Compensated absences	613	546
Total current liabilities	29,015	10,133
Current liabilities payable from restricted assets		
Revenue bonds payable	-	4,880
Accrued interest payable	2,219	3,597
Advances and deposits	555	386
Due to Component Units	292,496	-
Amount Held for Component Units	10,741	-
Total current liabilities payable from restricted assets	306,011	8,863
Long-term liabilities		
Notes payable	-	6,685
Revenue bonds payable, net	621,863	109,901
Total long-term liabilities	621,863	116,586
Total liabilities	956,889	135,582
Fund equity		
Contributed capital, net	82,066	82,066
Retained earnings		
Reserved for		
Revenue bond contingency/renewal and replacement	11,034	2,500
Maintenance and operations	5,942	1,829
Other commitments	-	74
Unreserved	90,116	115,956
Total retained earnings	107,092	120,359
Total fund equity	189,158	202,425
Total liabilities and fund equity	\$ 1,146,047	\$ 338,007

CITY OF HOUSTON, TEXAS
ENTERPRISE FUNDS
Convention and Entertainment Facilities Fund
Statements of Revenues, Expenses and Changes in Fund Equity
For the Years Ended June 30, 2001 and 2000
amounts expressed in thousands

	<u>2001</u>	<u>2000</u>
Operating revenues		
Charges for services		
Rentals	\$ 5,751	\$ 5,614
Parking and concessions	11,718	11,221
Total operating revenues	<u>17,469</u>	<u>16,835</u>
Operating expenses		
Maintenance and operating	20,331	19,886
Depreciation and amortization	6,356	6,684
Total operating expenses	<u>26,687</u>	<u>26,570</u>
Operating loss	<u>(9,218)</u>	<u>(9,735)</u>
Nonoperating revenues (expenses)		
Investment income (loss)	9,846	3,642
Hotel occupancy tax	46,123	42,550
Other revenues	181	133
Other expenses	(12,110)	(10,974)
Interest on long-term debt	(12,655)	(7,194)
Total nonoperating revenues (expenses)	<u>31,385</u>	<u>28,157</u>
Income before operating transfers	22,167	18,422
Operating transfers to component units	(8,588)	(7,500)
Operating transfers out	(26,846)	-
Net income (loss)	(13,267)	10,922
Fund equity, July 1	<u>202,425</u>	<u>191,503</u>
Fund equity, June 30	<u>\$ 189,158</u>	<u>\$ 202,425</u>

CITY OF HOUSTON, TEXAS
ENTERPRISE FUNDS
Convention and Entertainment Facilities Fund
Statements of Cash Flows
For the Years Ended June 30, 2001 and 2000
amounts expressed in thousands

	2001	2000
Cash flows from operating activities		
Receipts from customers	\$ 17,252	\$ 16,594
Payments to employees	(4,372)	(4,351)
Payments to suppliers	(13,399)	(14,860)
Internal activity-payments to other funds	14,819	(1,714)
Claims paid	(79)	(533)
Due from other governments	(4,024)	4,025
Other revenues	181	133
Other expenses	(11,532)	(10,974)
Net cash provided by (used for) operating activities	(1,154)	(11,680)
Cash flows from investing activities		
Interest income on investments	7,959	4,571
Purchases of investments	(591,738)	(6,209)
Proceeds from sales of investments	119,149	4,524
Net cash provided by (used for) investing activities	(464,630)	2,886
Cash flows from capital and related financing activities		
Proceeds from revenue bond issuance	621,772	-
Retirement of revenue bonds	(115,570)	(4,555)
Retirement of notes payable	(7,120)	(433)
Net proceeds from issuance of commercial paper	26,000	-
Retirement of commercial paper	(26,000)	-
Interest expense on commercial paper	(578)	-
Interest expense on revenue bonds	(14,033)	(7,331)
Acquisition of garage rights	(10,000)	-
Acquisition of property, plant and equipment	(34,626)	(7,268)
Net cash provided by (used for) capital and related financing activities	439,845	(19,587)
Cash flows from noncapital financing activities		
Promotional contracts paid from hotel occupancy tax revenues to component units	(8,588)	(7,500)
Contributions to others	(26,846)	-
Hotel occupancy tax revenue	45,755	41,550
Net cash provided by noncapital financing activities	10,321	34,050
Net increase (decrease) in cash and cash equivalents	(15,618)	5,669
Cash and cash equivalents, July 1	31,325	25,656
Cash and cash equivalents, June 30	\$ 15,707	\$ 31,325
Non cash transactions		
Unrealized gain (loss) on investments	\$ 958	\$ (929)
Land exchanged for garage rights	3,144	-
	\$ 4,102	\$ (929)
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating loss	\$ (9,218)	\$ (9,735)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation and amortization	6,356	6,684
Other revenues	197	133
Other expenses	(11,532)	(10,974)
Changes in assets and liabilities		
Net due from component unit	(7,313)	-
Accounts receivable, net	(199)	(357)
Due from other funds	1,069	(2,069)
Accounts payable	2,089	(52)
Accrued payroll liabilities	16	(24)
Construction and retainages payable	(52)	(33)
Due to other funds	21,405	585
Due to other governments	(4,024)	4,025
Advances and deposits	(22)	111
Claims for workers' compensation	7	2
Compensated absences	67	24
Net cash provided by (used for) operating activities	\$ (1,154)	\$ (11,680)

CITY OF HOUSTON, TEXAS
ENTERPRISE FUNDS
Water and Sewer System
Balance Sheets
June 30, 2001 and 2000
amounts expressed in thousands

	<u>2001</u>	<u>2000</u>
Assets		
Current assets		
Equity in pooled cash and investments	\$ 76,247	\$ 106,353
Receivables, net of allowances	59,906	55,382
Due from other funds	11,501	20,946
Due from other governments	12	12
Inventory	<u>9,068</u>	<u>9,295</u>
Total current assets	<u>156,734</u>	<u>191,988</u>
Restricted assets		
Investments	586,915	480,637
Assessments receivable	107	107
Amounts held by other governments	<u>21,648</u>	<u>11,329</u>
Total restricted assets	<u>608,670</u>	<u>492,073</u>
Other assets - water rights, net of depreciation		
Water rights, net of depreciation	217,065	227,231
Other long-term receivables	<u>69</u>	<u>69</u>
Total other assets	<u>217,134</u>	<u>227,300</u>
Property, plant & equipment		
Land	81,663	81,444
Buildings, improvements and equipment	190,607	135,851
Plants, lines and rights	5,592,510	5,434,291
Construction in progress	<u>780,493</u>	<u>783,386</u>
Total property, plant & equipment	<u>6,645,273</u>	<u>6,434,972</u>
Less accumulated depreciation and amortization	<u>(2,754,745)</u>	<u>(2,576,500)</u>
Property, plant and equipment, net	<u>3,890,528</u>	<u>3,858,472</u>
Total assets	<u><u>\$ 4,873,066</u></u>	<u><u>\$ 4,769,833</u></u>

ENTERPRISE FUNDS
Water and Sewer System
Balance Sheets
June 30, 2001 and 2000
amounts expressed in thousands

	<u>2001</u>	<u>2000</u>
Liabilities and fund equity		
Liabilities		
Current liabilities		
Accounts payable	\$ 8,618	\$ 6,710
Accrued payroll liabilities	2,277	2,963
Accrued interest on contracts payable	894	733
Contracts and retainages payables	14,375	13,431
Due to other funds	9,522	2,411
Advances and deposits	-	141
Claims for workers' compensation	4,786	4,167
Compensated absences	24,201	24,486
Total current liabilities	<u>64,673</u>	<u>55,042</u>
Current liabilities payable from restricted assets		
Revenue bonds payable	58,376	60,191
Accrued interest payable	16,106	16,264
Advances and deposits	21,015	22,358
Construction billings and retainages	28,275	31,455
Due to other funds	4,013	3,382
Due to other governments	5,011	5,276
Total current liabilities payable from restricted assets	<u>132,796</u>	<u>138,926</u>
Long-term liabilities		
Revenue bonds payable, net	3,121,836	2,879,532
Contracts payable	259,533	269,355
Commercial paper	300,000	292,700
Total long-term liabilities	<u>3,681,369</u>	<u>3,441,587</u>
Total liabilities	<u>3,878,838</u>	<u>3,635,555</u>
Fund Equity		
Contributed capital, net	<u>812,869</u>	<u>839,210</u>
Retained earnings		
Reserved for		
Revenue bond contingency/renewal and replacement	321,749	308,722
Maintenance and operations	23,116	21,376
Amounts held by others	6,534	6,534
Unreserved	<u>(170,040)</u>	<u>(41,564)</u>
Total retained earnings	<u>181,359</u>	<u>295,068</u>
Total fund equity	<u>994,228</u>	<u>1,134,278</u>
Total liabilities and fund equity	<u>\$ 4,873,066</u>	<u>\$ 4,769,833</u>

CITY OF HOUSTON, TEXAS
ENTERPRISE FUNDS
Water and Sewer System
Statements of Revenues, Expenses and Changes in Fund Equity
For the Years Ended June 30, 2001 and 2000
amounts expressed in thousands

	<u>2001</u>	<u>2000</u>
Operating revenues		
Charges for services	\$ 547,292	\$ 564,038
Total operating revenues	<u>547,292</u>	<u>564,038</u>
Operating expenses		
Maintenance and operating	248,603	225,258
Depreciation and amortization	256,959	212,846
Bad debt expense	-	1,000
Total operating expenses	<u>505,562</u>	<u>439,104</u>
Operating income	<u>41,730</u>	<u>124,934</u>
Nonoperating revenues (expenses)		
Investment income	56,914	32,019
Other revenues	22,511	20,641
Loss on disposal of assets	(3,315)	(4,057)
Interest on long-term debt	(172,749)	(164,650)
Total nonoperating revenues (expenses)	<u>(96,639)</u>	<u>(116,047)</u>
Income before operating transfers & contributions	(54,909)	8,887
Contributions, net of retirements	17,594	492
Operating transfers out to other funds	(64,151)	(23,267)
Operating transfers out to debt service	<u>(38,584)</u>	<u>(34,044)</u>
Net loss	(140,050)	(47,932)
Fund equity, July 1	<u>1,134,278</u>	<u>1,182,210</u>
Fund equity, June 30	<u>\$ 994,228</u>	<u>\$ 1,134,278</u>

CITY OF HOUSTON, TEXAS
ENTERPRISE FUNDS
Water and Sewer System
Statements of Cash Flows
For the Years Ended June 30, 2001 and 2000
amounts expressed in thousands

	<u>2001</u>	<u>2000</u>
Cash flows from operating activities		
Receipts from customers	\$ 541,293	\$ 564,979
Payments to employees	(99,105)	(97,100)
Payments to suppliers	(146,894)	(112,160)
Internal activity-payments to other funds	7,978	(27,964)
Claims paid	(2,502)	(1,853)
Other revenues	22,511	20,641
Net cash provided by (used for) operating activities	<u>323,281</u>	<u>346,543</u>
Cash flows from investing activities		
Interest income on investments	41,713	39,246
Purchase of investments	(683,033)	(7,081)
Proceeds from sale of investments	591,956	113,801
Net cash provided by (used for) investing activities	<u>(49,364)</u>	<u>145,966</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(60,191)	(224,704)
Proceeds from issuance of revenue bonds, net of discount	263,476	217,240
Net proceeds from issuance of commercial paper	285,000	270,000
Retirement of commercial paper	(277,700)	(213,980)
Interest expense on		
Revenue bonds	(143,252)	(135,734)
Commercial Paper	(9,024)	(11,381)
Contracts payable	(20,470)	(15,770)
Retirement of contractual obligations	(13,996)	(17,615)
Contributed capital	17,261	492
Acquisition of property, plant and equipment	(242,392)	(286,580)
Net cash provided by (used for) capital and related financing activities	<u>(201,288)</u>	<u>(418,032)</u>
Cash flows from noncapital financing activities		
Operating transfers to debt service fund	(38,584)	(34,044)
Operating transfers to other funds	(64,151)	(23,267)
Net cash provided by (used for) noncapital financing activities	<u>(102,735)</u>	<u>(57,311)</u>
Net increase (decrease) in cash and cash equivalents	(30,106)	17,166
Cash and cash equivalents, July 1	106,353	89,187
Unrestricted cash and cash equivalents, June 30	<u>\$ 76,247</u>	<u>\$ 106,353</u>
Non cash transactions		
Unrealized gain (loss) on investments	\$ 15,201	\$ (7,227)
Loss on disposal of assets	(3,315)	(4,047)
	<u>\$ 11,886</u>	<u>\$ (11,274)</u>
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income	\$ 41,730	\$ 124,934
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	256,959	212,846
Other revenues	22,580	20,641
Changes in assets and liabilities		
Accounts receivable, net	(4,524)	947
Due from other funds	9,445	(20,344)
Amounts held by other governments	(10,319)	-
Inventory	227	3,761
Accounts payable	1,908	(436)
Accrued payroll liabilities	(686)	489
Due to other funds	7,111	1,599
Advances and deposits	(1,484)	981
Claims for workers' compensation	619	291
Compensated absences	(285)	834
Net cash provided by operating activities	<u>\$ 323,281</u>	<u>\$ 346,543</u>

CITY OF HOUSTON, TEXAS
ENTERPRISE FUNDS
Sports Arena
Balance Sheets
June 30, 2001 and 2000
amounts expressed in thousands

	2001	2000
Assets		
Current assets		
Receivables, net of allowances		
Accounts receivable	\$ 441	\$ 567
Total current assets	441	567
Restricted assets		
Investments	8,370	9,488
Accrued interest receivable	5	17
Total restricted assets	8,375	9,505
Property, plant & equipment		
Land	2,451	2,451
Total property, plant & equipment	2,451	2,451
Total assets	\$ 11,267	\$ 12,523
 Liabilities and fund equity		
Liabilities		
Current liabilities payable from restricted assets		
Advances and deposits	\$ 7,796	\$ 9,144
Total current liabilities payable from restricted assets	7,796	9,144
Long-term liabilities		
Accrued maintenance, repair and replacement cost	553	470
Total long-term liabilities	553	470
Total liabilities	8,349	9,614
Fund equity		
Contributed capital, net	2,451	2,451
Retained earnings		
Reserved for		
Maintenance and operations	9	9
Unreserved	458	449
Total retained earnings	467	458
Total fund equity	2,918	2,909
Total liabilities and fund equity	\$ 11,267	\$ 12,523

CITY OF HOUSTON, TEXAS
ENTERPRISE FUNDS
Sports Arena
Statements of Revenues, Expenses and Changes in Fund Equity
For the Years Ended June 30, 2001 and 2000
amounts expressed in thousands

	2001	2000
Nonoperating revenues (expenses)		
Other revenues	\$ 9	\$ 7
Total nonoperating revenues (expenses)	9	7
Net income	9	7
Fund equity, July 1	2,909	2,902
Fund equity, June 30	\$ 2,918	\$ 2,909

CITY OF HOUSTON, TEXAS
ENTERPRISE FUNDS
Sports Arena
Statements of Cash Flows
For the Years Ended June 30, 2001 and 2000
amounts expressed in thousands

	2001	2000
Net cash provided by operating activities	\$ -	\$ -
Cash flows from investing activities		
Interest income on investments	21	7
Purchase of investments	(30,536)	(27,620)
Proceeds from sale of investments	31,653	26,052
Net cash provided by (used for) investing activities	1,138	(1,561)
Cash flows from capital and related financing activities		
Advances and deposits on construction	(1,221)	1,472
Accrued maintenance repair and replacement cost	83	89
Net cash provided by (used for) capital and related financing activities	(1,138)	1,561
Net increase (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents, July 1	-	-
Unrestricted cash and cash equivalents, June 30	\$ -	\$ -
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	\$ -	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Changes in accounts receivable, net	-	-
Net cash provided by (used for) operating activities	\$ -	\$ -