



One hundred  
fifty nationalities,  
one city

## **Internal Service Funds**

Internal service funds are used to account for the financing of goods or services provided by one city department to other city departments on a cost reimbursement basis.

**Health Benefits** — This fund is used to account for the cost incurred to provide City employees' health care and life insurance benefits.

**Long-Term Disability** — This fund is used to account for the cost incurred to provide City employees long-term disability coverage.

**CITY OF HOUSTON, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**Combining Statement of Net Assets**  
**June 30, 2003**  
**(With comparative totals for 2002)**  
*amounts expressed in thousands*

	Health Benefits	Long-term Disability	2003	2002
<b>Assets</b>				
Equity in pooled cash and investments	\$ 5,714	\$ 5,328	\$ 11,042	\$ 16,346
Receivables, net of allowances				
Accounts receivable	1	-	1	1
Due from other funds	17	-	17	1
<b>Total Current Assets</b>	<b>5,732</b>	<b>5,328</b>	<b>11,060</b>	<b>16,348</b>
Total assets	\$ 5,732	\$ 5,328	\$ 11,060	\$ 16,348
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 661	\$ 20	\$ 681	\$ 89
Accrued payroll liabilities	79	-	79	71
Due to other funds	518	-	518	2,496
Claims and judgments	3,183	4,629	7,812	11,540
Compensated absences	111	-	111	94
Deferred revenue	144	-	144	-
Total current liabilities	4,696	4,649	9,345	14,290
<b>Long-term liabilities</b>				
Claims and judgments		632	632	856
Total long-term liabilities	-	632	632	856
Total liabilities	4,696	5,281	9,977	15,146
<b>Net Assets</b>				
Unrestricted	1,036	47	1,083	1,202
<b>Total net assets</b>	<b>\$ 1,036</b>	<b>\$ 47</b>	<b>\$ 1,083</b>	<b>\$ 1,202</b>

**CITY OF HOUSTON, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Year Ended June 30, 2003**  
**(With comparative totals for 2002)**  
*amounts expressed in thousands*

	<u>Health Benefits</u>	<u>Long-term Disability</u>	<u>2003</u>	<u>2002</u>
<b>Operating Revenues</b>				
Health benefit premiums	\$ 158,329	\$ 1,346	\$ 159,675	\$ 141,660
Total operating revenues	<u>158,329</u>	<u>1,346</u>	<u>159,675</u>	<u>141,660</u>
<b>Operating Expenses</b>				
Administrative costs	2,604	-	2,604	2,633
Claims Costs	156,592	1,569	158,161	141,965
Total operating expenses	<u>159,196</u>	<u>1,569</u>	<u>160,765</u>	<u>144,598</u>
Operating loss	<u>(867)</u>	<u>(223)</u>	<u>(1,090)</u>	<u>(2,938)</u>
<b>Nonoperating revenues (expenses)</b>				
Investment income	515	188	703	1,263
Other revenue	268	-	268	1,204
Total Nonoperating revenues (expenses)	<u>783</u>	<u>188</u>	<u>971</u>	<u>2,467</u>
Loss before contributions and transfers	<u>(84)</u>	<u>(35)</u>	<u>(119)</u>	<u>(471)</u>
Change in net assets	(84)	(35)	(119)	(471)
Total net assets, July 1	<u>1,120</u>	<u>82</u>	<u>1,202</u>	<u>1,673</u>
<b>Total net assets, June 30</b>	<u>\$ 1,036</u>	<u>\$ 47</u>	<u>\$ 1,083</u>	<u>\$ 1,202</u>

**CITY OF HOUSTON, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2003**  
*(With comparative totals for 2002)*  
**amounts expressed in thousands**

	<u>Health Benefits</u>	<u>Long-term Disability</u>	<u>2003</u>	<u>2002</u>
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 158,329	\$ 1,346	\$ 159,675	\$ 141,660
Payments to employees	(1,992)	-	(1,992)	(1,827)
Payments to suppliers	174	-	174	(742)
Internal activity-payments to other funds	(2,013)	-	(2,013)	3,062
Claims paid	(161,241)	(878)	(162,119)	(135,542)
Net cash provided by operating activities	<u>(6,743)</u>	<u>468</u>	<u>(6,275)</u>	<u>6,611</u>
<b>Cash flows from investing activities</b>				
Interest income on investments	515	188	703	1,263
Net cash provided by (used for) investing activities	<u>515</u>	<u>188</u>	<u>703</u>	<u>1,263</u>
<b>Cash flows from noncapital financing activities</b>				
Other revenues	268	-	268	1,204
Net cash provided by noncapital financing activities	<u>268</u>	<u>-</u>	<u>268</u>	<u>1,204</u>
Net increase (decrease) in cash and cash equivalents	(5,960)	656	(5,304)	9,078
Cash and cash equivalents, July 1	11,674	4,672	16,346	7,268
<b>Cash and cash equivalents, June 30</b>	<u>\$ 5,714</u>	<u>\$ 5,328</u>	<u>\$ 11,042</u>	<u>\$ 16,346</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ (867)	\$ (223)	\$ (1,090)	\$ (2,938)
Changes in assets and liabilities				
Due from other funds	(16)	-	(16)	662
Accounts payable	591	2	593	35
Accrued payroll liabilities	8	689	697	5
Due to other funds	(1,978)	-	(1,978)	2,428
Claims for workers' compensation	(4,642)	-	(4,642)	6,409
Compensated absences	17	-	17	10
Deferred revenue	144	-	144	-
Net cash provided by operating activities	<u>\$ (6,743)</u>	<u>\$ 468</u>	<u>\$ (6,275)</u>	<u>\$ 6,611</u>