



**C**ars that grow grass? A chapel on a chassis? Anything goes with Houston's Art Cars, showcased annually in the Art Car Parade that is a popular and eye-popping part of the Houston International Festival. The Art Car parade has become an international phenomenon, showcasing designer vehicles limited only by the imaginations and resources of their artists. Somewhere, Henry Ford must be smiling...

*Photo courtesy of: The Orange Show*

# High Concept Cars

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# 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.

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

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

	<b>2002</b>
<b>Assets</b>	
Equity in pooled cash and investments	\$ 10,431
Receivables, net of allowances	
Accounts receivable	14,829
Due from other funds	208
Due from other governments	350
Inventory	4,506
Total current assets	30,324
 <b>Noncurrent Assets</b>	
Restricted cash and cash equivalents	
Investments	716,047
Due from other governments - grants	7,264
Total restricted assets	723,311
 Capital assets	
Land	129,409
Buildings, improvements and equipment	1,770,936
Construction in progress	659,519
Total capital assets	2,559,864
Less accumulated depreciation	(697,819)
Net capital assets	1,862,045
Total noncurrent assets	2,585,356
<b>Total assets</b>	<b>\$ 2,615,680</b>

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

	<b>2002</b>
<b>Liabilities</b>	
Current Liabilities	
Accounts payable	\$ 3,119
Accrued payroll liabilities	1,681
Contracts and retainages payable	190
Due to other funds	834
Advances and deposits	2,220
Claims and judgments	5,921
Compensated absences	65
Total current liabilities	14,030
Current liabilities payable from restricted assets	
Revenue bonds payable	4,380
Accrued interest payable	37,170
Advances and deposits	261
Construction billings and retainages	74,083
Total current liabilities payable from restricted assets	115,894
Long-term liabilities	
Revenue bonds payable, net	1,455,094
Compensated absences	6,076
Commercial paper	20,000
Arbitrage rebate	11,110
Other long-term liabilities	1,622
Total long-term liabilities	1,493,902
Total liabilities	1,623,826
<b>Net assets</b>	
Invested in capital assets, net of related debt	702,741
Restricted net assets	
Restricted for debt service	32,281
Restricted for renewal and replacement	13,819
Restricted for maintenance and operations	28,035
Restricted for capital improvements	202,808
Other restricted	1,952
Unrestricted	10,218
Total net assets	\$ 991,854



**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2002**  
*(amounts expressed in thousands)*

	<b>2002</b>
<b>Operating Revenues</b>	
Landing area fees	\$ 50,826
Building and grounds area	84,752
Parking	46,955
Concession	42,604
Other	2,318
Total operating revenue	227,455
<b>Operating Expenses</b>	
Maintenance and operating	138,091
Depreciation and amortization	60,088
Total operating expenses	198,179
Operating income (loss)	29,276
<b>Nonoperating revenue (expenses)</b>	
Investment income	37,629
Other revenue	2,725
Loss on disposal of assets	(17)
Other expenses	-
Interest on long-term debt	(28,960)
Total Nonoperating revenues (expenses)	11,377
Income (loss) before contributions	40,653
Contributions	51,286
Change in net assets	91,939
Total net assets, July 1	899,915
<b>Total net assets, June 30</b>	<b>\$ 991,854</b>

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2002**  
*(amounts expressed in thousands)*

	<u>2002</u>
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 228,163
Payments to employees	(45,503)
Payments to suppliers	(55,311)
Internal activity-payments to other funds	(37,312)
Claims paid	(1,410)
Other revenues	2,725
Net cash provided by operating activities	<u>91,352</u>
<b>Cash flows from investing activities</b>	
Interest income on investments	39,593
Purchase of investments	(270,437)
Proceeds from sale of investments	554,444
Net cash provided by (used for) investing activities	<u>323,600</u>
<b>Cash flows from capital and related financing activities</b>	
Retirement of revenue bonds	(19,460)
Refunded bonds	(64,467)
Proceeds from issuance of revenue bonds	63,757
Retirement of commercial paper	-
Net proceeds from issuance of commercial paper	20,000
Interest expense on revenue bonds	(81,479)
Advances and deposits on construction	13
Contributed capital	48,407
Acquisition of property, plant and equipment	(379,844)
Net cash provided by (used for) capital and related financing activities	<u>(413,073)</u>
Net increase (decrease) in cash and cash equivalents	1,879
Cash and cash equivalents, July 1	<u>8,552</u>
<b>Cash and cash equivalents, June 30</b>	<u>\$ 10,431</u>
<b>Non cash transactions</b>	
Unrealized gain on investments	7,676
Capitalized interest expense	(47,384)
Loss on disposal of assets	(17)
Total non cash transactions	<u>\$ (39,725)</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>	
Operating income	\$ 29,276
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	60,088
Other revenues	2,725
Changes in assets and liabilities	
Accounts receivable	263
Contracts receivable	-
Due from other funds	(208)
Inventory	(540)
Accounts payable	(656)
Accrued payroll liabilities	150
Due to other funds	(174)
Advances and deposits	513
Claims for workers' compensation	9
Compensated absences	(94)
Net cash provided by operating activities	<u>\$ 91,352</u>

**CITY OF HOUSTON, TEXAS**  
**CONVENTION & ENTERTAINMENT**  
**Statement of Net Assets**  
**June 30, 2002**  
*(amounts expressed in thousands)*

	<b>2002</b>
<b>Assets</b>	
Equity in pooled cash and investments	\$ 28,408
Receivables, net of allowances	
Accounts receivable	1,357
Hotel occupancy tax receivable	10,074
Due from other funds	34
Total current assets	39,873
<b>Noncurrent Assets</b>	
Restricted cash and cash equivalents	
Amounts due from component units	315,773
Investments	441,997
Total restricted assets	757,770
Other assets water rights, net of depreciation	
Garage Rights	13,144
Total other assets	13,144
Capital assets	
Land	65,694
Buildings, improvements and equipment	272,741
Construction in progress	62,347
Total capital assets	400,782
Less accumulated depreciation	(93,312)
Net capital assets	307,470
Total noncurrent assets	1,078,384
<b>Total assets</b>	<b>\$ 1,118,257</b>

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**CITY OF HOUSTON, TEXAS**  
**CONVENTION & ENTERTAINMENT**  
**Statement of Net Assets**  
**June 30, 2002**  
*(amounts expressed in thousands)*

	<b>2002</b>
<b>Liabilities</b>	
Current Liabilities	
Accounts payable	\$ 4,257
Accrued payroll liabilities	183
Due to other funds	2,427
Due to other governments	1,587
Advances and deposits	552
Claims and judgments	38
Compensated absences	533
Total current liabilities	9,577
Current liabilities payable from restricted assets	
Accounts payable	2,828
Revenue bonds payable	5,955
Accrued interest payable	6,478
Advances and deposits	238
Construction billings and retainages	1,793
Due to other funds	873
Due to Component Units	253,424
Account held for Component Units	10,741
Total current liabilities payable from restricted asset:	282,330
Long-term liabilities	
Revenue bonds payable	631,266
Total long-term liabilities	631,266
Total liabilities	923,173
<b>Net Assets</b>	
Invested in capital assets, net of related debt	(72,544)
Restricted net assets	
Restricted for debt service	20,457
Restricted for renewal and replacement	550
Restricted for maintenance and operations	9,118
Restricted for capital improvements	288,211
Other restricted	193
Unrestricted (deficit)	(50,901)
<b>Total net assets</b>	<b>\$ 195,084</b>

**CITY OF HOUSTON, TEXAS**  
**CONVENTION & ENTERTAINMENT**  
**Statement of Revenue, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2002**  
*(amounts expressed in thousands)*

	<b>2002</b>
<b>Operating Revenues</b>	
Parking	\$ 7,834
Concession	2,350
Rental	5,337
Total operating revenue	15,521
<b>Operating Expenses</b>	
Maintenance and operating	21,721
Depreciation and amortization	12,405
Total operating expenses	34,126
Operating income (loss)	(18,605)
<b>Nonoperating revenue (expenses)</b>	
Investment income	23,766
Hotel occupancy tax	43,452
Other revenue	696
Other expenses	(20,596)
Interest on long-term debt	(28,410)
Total Nonoperating revenues (expenses)	18,908
Income (loss) before transfers	303
Transfers in	5,623
Transfers out	-
Total transfers	5,623
Change in net assets	5,926
Total net assets, July 1	189,158
<b>Total net assets, June 30</b>	<b>\$ 195,084</b>

**CITY OF HOUSTON, TEXAS**  
**CONVENTION & ENTERTAINMENT**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2002**  
*(amounts expressed in thousands)*

	<b>2002</b>
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 15,481
Payments to employees	(4,740)
Payments to suppliers	(6,981)
Internal activity-payments to other funds	555
Claims paid	(52)
Due from other governments	4
Other revenues	696
Other expenses	(12,142)
Payments to other component units	(2,172)
Net cash provided by (used for) operating activities	(9,351)
<b>Cash flows from investing activities</b>	
Interest income on investments	22,753
Purchase of investments	(465,942)
Proceeds from sale of investments	544,626
Net cash provided by (used for) investing activities	101,437
<b>Cash flows from capital and related financing activities</b>	
Retirement of revenue bonds	-
Retirement of notes payable	-
Proceeds from issuance of revenue bonds	-
Retirement of commercial paper	-
Net proceeds from issuance of commercial paper	-
Interest expense on revenue bonds	(24,151)
Interest expense on commercial paper	-
Acquisition of garage rights	-
Acquisition of property, plant and equipment	(40,550)
Net cash provided by (used for) capital and related financing activities	(64,701)
<b>Cash flows from noncapital financing activities</b>	
Promotional contract paid from hotel occupancy tax revenues to component units	(8,454)
Transfers	(10,183)
Payments to Hotel Corporation	(41,243)
Hotel occupancy tax revenue	45,196
Net cash provided by noncapital financing activities	(14,684)
Net increase (decrease) in cash and cash equivalents	12,701
Cash and cash equivalents, July 1	15,707
<b>Cash and cash equivalents, June 30</b>	<b>\$ 28,408</b>

(Continued)

**CITY OF HOUSTON, TEXAS**  
**CONVENTION & ENTERTAINMENT**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2002**  
*(amounts expressed in thousands)*

	<b>2002</b>
<b>Non cash transactions</b>	
Transfer to other funds	(19,358)
Unrealized loss on investments	1,971
Loss on disposal of assets	-
Total non cash transactions	\$ (17,387)
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ (18,605)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	12,405
Other revenues	696
Other expenses	(12,142)
Changes in assets and liabilities	
Accounts receivable	125
Due from other funds	968
Accounts payable	3,750
Accrued payroll liabilities	11
Due to other funds	(67)
Due to other governments	3
Advances and deposits	(172)
Construction and retainages payable	1,558
Claims for workers' compensation	27
Compensated absences	(80)
Due to component units	2,172
<b>Net cash provided by operating activities</b>	<b>\$ (9,351)</b>

**CITY OF HOUSTON, TEXAS**  
**ENTERPRISE FUNDS**  
**JUNE 30, 2002**

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**CITY OF HOUSTON, TEXAS**  
**WATER AND SEWER SYSTEM FUND**  
**Statement of Net Assets**  
**June 30, 2002**  
**(amounts expressed in thousands)**

	<b>2002</b>
<b>Assets</b>	
Equity in pooled cash and investments	\$ 71,182
Receivables, net of allowances	
Accounts receivable	62,027
Due from other funds	1,331
Due from other governments	12
Inventory	8,083
Total current assets	142,635
 <b>Noncurrent Assets</b>	
Restricted cash and cash equivalents	
Investments	556,717
Assessments receivable	103
Amounts held by other governments	8,367
Total restricted assets	565,187
 Other assets	
Water rights, net of depreciation	206,900
Other long-term receivables	-
Total other assets	206,900
 Capital assets	
Land	87,818
Buildings, improvements and equipment	200,547
Plants, lines and rights	5,786,856
Construction in progress	865,003
Total capital assets	6,940,224
Less accumulated depreciation	(2,910,519)
Net capital assets	4,029,705
Total noncurrent assets	4,801,792
<b>Total assets</b>	<b>\$ 4,944,427</b>

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**CITY OF HOUSTON, TEXAS**  
**WATER AND SEWER SYSTEM FUND**  
**Statement of Net Assets**  
**June 30, 2002**  
**(amounts expressed in thousands)**

	<b>2002</b>
<b>Liabilities</b>	
Current Liabilities	
Accounts payable	\$ 9,004
Accrued payroll liabilities	3,604
Accrued interest payable	852
Contracts and retainages payable	15,097
Due to other funds	8,682
Claims and judgments	5,478
Compensated absences	437
Total current liabilities	43,154
Current liabilities payable from restricted assets	
Revenue bonds payable	43,183
Accrued interest payable	14,390
Advances and deposits	21,840
Construction billings and retainages	38,239
Due to other funds	3,514
Due to other governments	-
Total current liabilities payable from restricted asse	121,166
Long-term liabilities	
Revenue bonds payable	3,519,944
Compensated absences	21,666
Contracts payable	244,502
Commercial paper	120,000
Total long-term liabilities	3,906,112
Total liabilities	4,070,432
<b>Net Assets</b>	
Invested in capital assets, net of related debt	553,478
Restricted net assets	
Restricted for debt service	35,617
Restricted for renewal and replacement	363,436
Restricted for maintenance and operations	23,983
Restricted for capital improvements	83,333
Unrestricted (deficit)	(185,852)
Total net assets	\$ 873,995



**CITY OF HOUSTON, TEXAS**  
**WATER AND SEWER SYSTEM FUND**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2002**  
**(amounts expressed in thousands)**

	<b>2002</b>
<b>Operating Revenues</b>	
Water/Sewer Billing	\$ 543,396
Total operating revenue	543,396
<b>Operating Expenses</b>	
Maintenance and operating	245,943
Depreciation and amortization	226,144
Total operating expenses	472,087
Operating income	71,309
<b>Nonoperating revenue (expenses)</b>	
Investment income	41,677
Other revenue	32,368
Loss on disposal of assets	(9,958)
Interest on long-term debt	(164,482)
Total Nonoperating revenues (expenses)	(100,395)
Income (loss) before contributions and transfers	(29,086)
Contributions	14,293
Transfers out other funds	(68,961)
Transfers out debt service	(36,479)
Total transfers	(105,440)
Change in net assets	(120,233)
Total net assets, July 1	994,228
<b>Total net assets, June 30</b>	<b>\$ 873,995</b>

**CITY OF HOUSTON, TEXAS**  
**WATER AND SEWER SYSTEM FUND**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2002**  
*(amounts expressed in thousands)*

	<b>2002</b>
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 542,054
Payments to employees	(99,873)
Payments to suppliers	(118,765)
Internal activity-payments to other funds	(11,708)
Claims paid	(1,896)
Other revenues	32,368
Net cash provided by operating activities	342,180
<b>Cash flows from investing activities</b>	
Interest income on investments	33,945
Purchase of investments	(621,441)
Proceeds from sale of investments	659,371
Net cash provided by (used for) investing activities	71,875
<b>Cash flows from capital and related financing activities</b>	
Retirement of revenue bonds	(384,806)
Proceeds from issuance of revenue bonds	717,376
Retirement of commercial paper	(180,000)
Net proceeds from issuance of commercial paper	-
Interest expense on revenue bonds	(140,562)
Interest expense on commercial paper	(8,131)
Interest expense on contracts payable	(17,547)
Retirement of contractual obligations	(15,662)
Contributed capital	23,682
Acquisition of property, plant and equipment	(318,447)
Net cash provided by (used for) capital and related financing activities	(324,097)
<b>Cash flows from noncapital financing activities</b>	
Transfers to debt service fund	(36,479)
Transfers to other funds	(58,544)
Net cash provided by noncapital financing activities	(95,023)
Net increase (decrease) in cash and cash equivalents	(5,065)
Cash and cash equivalents, July 1	76,247
<b>Cash and cash equivalents, June 30</b>	<b>\$ 71,182</b>
<b>Non cash transactions</b>	
Transfer to other funds	(10,417)
Unrealized gain on investments	7,974
Loss on disposal of assets	(9,958)
Total non cash transactions	<b>\$ (12,401)</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ 71,309
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	226,144
Other revenues	32,464
Changes in assets and liabilities	
Accounts receivable	(2,048)
Due from other funds	(247)
Due from other governments	13,281
Inventory	985
Accounts payable	386
Accrued payroll liabilities	1,327
Due to other funds	(840)
Advances and deposits	825
Claims for workers' compensation	692
Compensated absences	(2,098)
Net cash provided by operating activities	<b>\$ 342,180</b>

**CITY OF HOUSTON, TEXAS**  
**Houston Area Water Corporation**  
**Statement of Net Assets**  
**June 30, 2002**  
*(amounts expressed in thousands)*

	<b>2002</b>
<b>Assets</b>	
Equity in pooled cash and investments	\$ 1,039
Total current assets	1,039
<b>Noncurrent Assets</b>	
Investments	103,668
Deferred charges for issuance cost	1,793
Total restricted assets	105,461
<b>Capital assets</b>	
Construction in progress	25,365
Total capital assets	25,365
Net capital assets	25,365
Total noncurrent assets	130,826
Total assets	131,865
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	-
Total current liabilities	-
<b>Current liabilities payable from restricted assets</b>	
Accounts payable	1,061
Revenue bonds payable	407
Accrued interest payable	878
Construction billings and retainages	246
Due to other governments	-
Total current liabilities payable from restricted assets	2,592
<b>Long-term liabilities</b>	
Revenue bonds payable	129,350
Total long-term liabilities	129,350
Total liabilities	131,942
<b>Net assets</b>	
Unrestricted (deficit)	(77)
Total net assets (deficit)	\$ (77)

**CITY OF HOUSTON, TEXAS**  
**Houston Area Water Corporation**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2002**  
*(amounts expressed in thousands)*

	<b>2002</b>
<b>Operating Revenues</b>	
Water billing	\$ -
Total operating revenue	-
<b>Operating Expenses</b>	
Administrative costs	6
Depreciation and amortization	11
Total operating expenses	17
Operating income (loss)	(17)
Income (loss)	(17)
Change in net assets	(17)
Total net assets (deficit), July 1	(60)
Total net assets (deficit), June 30	\$ (77)

**CITY OF HOUSTON, TEXAS**  
**Houston Area Water Corporation**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2002**  
*(amounts expressed in thousands)*

	<b>2002</b>
<b>Cash flows from operating activities</b>	
Other expenses	\$ (6)
Net cash provided by operating activities	(6)
<b>Cash flows from investing activities</b>	
Interest income on investments	547
Purchase of investments	(104,706)
Proceeds from sale of investments	337
Net cash provided by (used for) investing activities	(103,822)
<b>Cash flows from capital and related financing activities</b>	
Retirement of notes payable	(19,000)
Proceeds from issuance of revenue bonds	129,346
Net proceeds from issuance of commercial paper	18,000
Interest expense on revenue bonds	(1,394)
Interest expense on contracts payable	(160)
Acquisition of property, plant and equipment	(22,964)
Net cash provided by (used for) capital and related financing activities	103,828
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents, July 1	-
<b>Cash and cash equivalents, June 30</b>	\$ -
<b>Non cash transactions</b>	
Amortization expense	11
Capitalized interest expense	464
Total non cash transactions	\$ 475
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ (6)
Net cash provided by (used for) operating activities	(6)