



Together we grow,
together we prosper

Enterprise Funds

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

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

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

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 Houston Area Water Corporation was organized to provide water to the City of Houston for resale to customers located wholly or partially in Area Three of the Harris-Galveston Coastal Subsidence District.

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Net Assets
June 30, 2003
(With comparative amounts for 2002)
amounts expressed in thousands

	2003	2002
Assets		
Cash	\$ -	\$ -
Equity in pooled cash and investments	14,772	10,431
Receivables, net of allowances		
Accounts receivable	16,040	17,565
Due from other funds	22	208
Due from other governments	-	350
Inventory	3,565	3,620
Prepaid items	1,163	886
Total current assets	35,562	33,060
Noncurrent Assets		
Restricted assets		
Investments	1,083,298	716,047
Due from other governments - grants	3,421	7,264
Total restricted assets	1,086,719	723,311
Other assets, net of depreciation		
Other receivables	870	-
Total other assets	870	-
Capital assets		
Land	130,959	129,409
Buildings, improvements and equipment	2,140,240	1,766,574
Construction in progress	742,295	647,910
Total capital assets	3,013,494	2,543,893
Less accumulated depreciation	(756,208)	(697,819)
Net capital assets	2,257,286	1,846,074
Total noncurrent assets	3,344,875	2,569,385
Total assets	\$ 3,380,437	\$ 2,602,445

(Continued)

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Net Assets
June 30, 2003
(With comparative amounts for 2002)
amounts expressed in thousands

	2003	2002
Liabilities		
Current Liabilities		
Accounts payable	\$ 5,994	\$ 3,119
Accrued payroll liabilities	1,905	1,681
Contracts and retainages payable	192	190
Due to other funds	344	834
Advances and deposits	2,018	2,428
Claims and judgments	6,708	5,921
Compensated absences	105	65
Total current liabilities	17,266	14,238
Current liabilities payable from restricted assets		
Revenue bonds payable	17,985	4,380
Accrued interest payable	49,072	37,170
Advances and deposits	271	261
Construction billings and retainages	94,786	74,083
Total current liabilities payable from restricted assets	162,114	115,894
Long-term liabilities		
Revenue bonds payable, net	2,149,737	1,455,094
Compensated absences	6,363	6,076
Commercial paper	-	20,000
Arbitrage rebate	5,626	11,110
Net pension liability	7,970	4,859
Total long-term liabilities	2,169,696	1,497,139
Total liabilities	2,349,076	1,627,271
Net assets		
Invested in capital assets, net of related debt	648,027	688,392
Restricted net assets		
Restricted for debt service	84,529	32,281
Restricted for renewal and replacement	13,572	13,819
Restricted for maintenance and operations	28,123	28,035
Restricted for capital improvements	251,061	202,808
Other restricted	2,092	1,952
Unrestricted	3,957	7,887
Total net assets	\$ 1,031,361	\$ 975,174

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2003
(With comparative amounts for 2002)
amounts expressed in thousands

	<u>2003</u>	<u>2002</u>
Operating Revenues		
Landing area fees	\$ 51,162	\$ 50,826
Rentals, building and ground area	91,801	84,752
Parking	50,103	46,955
Concession	45,167	42,604
Other	2,534	2,318
Total operating revenue	<u>240,767</u>	<u>227,455</u>
Operating Expenses		
Maintenance and operating	154,541	142,950
Depreciation and amortization	61,720	60,088
Total operating expenses	<u>216,261</u>	<u>203,038</u>
Operating income	<u>24,506</u>	<u>24,417</u>
Nonoperating revenue (expenses)		
Investment income	30,278	37,629
Other revenue	681	942
Loss on disposal of assets	(616)	(17)
Other expenses	-	-
Interest on long-term debt	(49,678)	(44,931)
Arbitrage expense recovery	5,489	783
Total Nonoperating revenues (expenses)	<u>(13,846)</u>	<u>(5,594)</u>
Income before contributions	<u>10,660</u>	<u>18,823</u>
Contributions	<u>45,527</u>	<u>51,286</u>
Change in net assets	56,187	70,109
Total net assets, July 1 (As Restated - see Note 2C)	<u>975,174</u>	<u>905,065</u>
Total net assets, June 30	<u>\$ 1,031,361</u>	<u>\$ 975,174</u>

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Cash Flows
For the Year Ended June 30, 2003
(With comparative amounts for 2002)
amounts expressed in thousands

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities		
Receipts from customers	\$ 240,514	\$ 228,163
Payments to employees	(48,852)	(45,503)
Payments to suppliers	(60,028)	(55,311)
Internal activity-payments to other funds	(35,892)	(37,312)
Claims paid	(1,601)	(1,410)
Other revenues	681	942
Net cash provided by operating activities	<u>94,822</u>	<u>89,569</u>
Cash flows from investing activities		
Interest income on investments	29,006	39,593
Purchase of investments	(899,392)	(270,437)
Proceeds from sale of investments	533,414	554,444
Net cash provided by (used for) investing activities	<u>(336,972)</u>	<u>323,600</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(4,380)	(19,460)
Refunded bonds	-	(64,467)
Proceeds from issuance of revenue bonds	710,894	63,757
Retirement of commercial paper	(30,000)	-
Proceeds from issuance of commercial paper	10,000	20,000
Interest expense on revenue bonds	(87,853)	(81,479)
Advances and deposits on construction	10	13
Contributed capital	42,791	48,407
Acquisition of property, plant and equipment	(394,971)	(378,061)
Net cash provided by (used for) capital and related financing activities	<u>246,491</u>	<u>(411,290)</u>
Net increase in cash and cash equivalents	4,341	1,879
Cash and cash equivalents, July 1	<u>10,431</u>	<u>8,552</u>
Cash and cash equivalents, June 30	<u>\$ 14,772</u>	<u>\$ 10,431</u>
Non cash transactions		
Unrealized gain on investments	(1,272)	1,964
Contributions	6,929	-
Capitalized interest expense	(50,077)	(31,413)
Loss on disposal of assets	(616)	(17)
Total non cash transactions	<u>\$ (45,036)</u>	<u>\$ (29,466)</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 24,506	\$ 24,417
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	61,720	60,088
Other revenues	681	942
Changes in assets and liabilities		
Accounts receivable	1,525	55
Due from other funds	186	(208)
Inventory	(222)	(540)
Accounts payable	2,877	(656)
Accrued payroll liabilities	224	150
Due to other funds	(490)	(174)
Advances and deposits	(410)	721
Claims for workers' compensation	787	9
Compensated absences	327	(94)
Other long-term liabilities	3,111	4,859
Net cash provided by operating activities	<u>\$ 94,822</u>	<u>\$ 89,569</u>

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Net Assets
June 30, 2003
(With comparative amounts for 2002)
amounts expressed in thousands

	<u>2003</u>	<u>2002</u>
Assets		
Equity in pooled cash and investments	\$ 23,676	\$ 28,408
Receivables, net of allowances		
Accounts receivable	130	1,357
Hotel occupancy tax receivable	10,845	10,075
Due from other funds	178	34
Total current assets	<u>34,829</u>	<u>39,874</u>
Noncurrent Assets		
Restricted cash and cash equivalents		
Amounts due from component units	315,493	315,773
Investments	228,772	441,997
Deferred charges for issuance cost	4,963	5,081
Total restricted assets	<u>549,228</u>	<u>762,851</u>
Other assets		
Garage Rights	13,144	13,144
Total other assets	<u>13,144</u>	<u>13,144</u>
Capital assets		
Land	99,091	65,694
Buildings, improvements and equipment	272,741	272,741
Construction in progress	171,917	61,640
Total capital assets	<u>543,749</u>	<u>400,075</u>
Less accumulated depreciation	<u>(99,023)</u>	<u>(93,312)</u>
Net capital assets	<u>444,726</u>	<u>306,763</u>
Total Noncurrent assets	<u>1,007,098</u>	<u>1,082,758</u>
Total assets	<u>\$ 1,041,927</u>	<u>\$ 1,122,632</u>

(Continued)

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Net Assets
June 30, 2003
(With comparative amounts for 2002)
amounts expressed in thousands

	<u>2003</u>	<u>2002</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 2,114	\$ 4,257
Accrued payroll liabilities	215	183
Due to other funds	41	2,427
Due to other governments	12	16
Advances and deposits	395	552
Claims and judgments	53	38
Compensated absences	557	533
Total current liabilities	<u>3,387</u>	<u>8,006</u>
Current liabilities payable from restricted assets		
Accounts payable	17,430	2,828
Revenue bonds payable	6,265	5,955
Accrued interest payable	6,338	6,478
Advances and deposits	238	238
Construction billings and retainages	5,747	1,793
Due to other funds	440	873
Due to Component Units	133,729	268,779
Total current liabilities payable from restricted assets	<u>170,187</u>	<u>286,944</u>
Long-term liabilities		
Revenue bonds payable	637,081	636,347
Commercial paper	22,500	-
Net pension liability	893	545
Deferred Revenue	11,875	-
Total long-term liabilities	<u>672,349</u>	<u>636,892</u>
Total liabilities	<u>845,923</u>	<u>931,842</u>
Net Assets		
Invested in capital assets, net of related debt	87,741	(72,544)
Restricted net assets		
Restricted for debt service	30,201	20,457
Restricted for renewal and replacement	-	550
Restricted for maintenance and operations	-	9,118
Restricted for capital improvements	186,014	287,504
Other restricted	-	193
Unrestricted (deficit)	(107,952)	(54,488)
Total net assets	<u>\$ 196,004</u>	<u>\$ 190,790</u>

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Revenue, Expenses and Changes in Net Assets
For the Year Ended June 30, 2003
(With comparative amounts for 2002)
amounts expressed in thousands

	2003	2002
Operating Revenues		
Parking	\$ 10,052	\$ 7,834
Concession	2,178	2,350
Rental	4,780	5,337
	<u>17,010</u>	<u>15,521</u>
Operating Expenses		
Maintenance and operating	24,830	21,721
Depreciation and amortization	13,274	12,406
Total operating expenses	<u>38,104</u>	<u>34,127</u>
Operating (loss)	<u>(21,094)</u>	<u>(18,606)</u>
Nonoperating revenue (expenses)		
Investment income	14,311	23,766
Hotel occupancy tax	43,169	43,452
Other revenue	713	-
Other expenses	(19,305)	(24,193)
Interest on long-term debt	(19,347)	(28,410)
Total Nonoperating revenues (expenses)	<u>19,541</u>	<u>14,615</u>
Income (loss) before transfers	<u>(1,553)</u>	<u>(3,991)</u>
Transfers in	6,767	5,623
Total transfers	<u>6,767</u>	<u>5,623</u>
Change in net assets	5,214	1,632
Total net assets, July 1 (As Restated - see Note 2C)	<u>190,790</u>	<u>189,158</u>
Total net assets, June 30	<u>\$ 196,004</u>	<u>\$ 190,790</u>

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Cash Flows
For the Year Ended June 30, 2003
(With comparative amounts for 2002)
amounts expressed in thousands

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities		
Receipts from customers	\$ 18,085	\$ 15,481
Payments to employees	(5,123)	(4,196)
Payments to suppliers	(2,493)	(6,981)
Internal activity-payments to other funds	(3,313)	555
Claims paid	(39)	(52)
Due from other governments	(4)	(1,568)
Other revenues	713	-
Other expenses	(11,257)	(15,739)
Payments to component units	(2,172)	(2,172)
Net cash used for operating activities	<u>(5,603)</u>	<u>(14,672)</u>
Cash flows from investing activities		
Interest income on investments	15,306	22,753
Purchase of investments	(102,262)	(465,942)
Proceeds from sale of investments	314,492	544,626
Net cash provided by investing activities	<u>227,536</u>	<u>101,437</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(5,955)	-
Proceeds from issuance of commercial paper	22,500	-
Interest expense on revenue bonds	(19,369)	(24,151)
Interest expense on commercial paper	(148)	-
Acquisition of property, plant and equipment	(131,800)	(39,843)
Net cash used for capital and related financing activities	<u>(134,772)</u>	<u>(63,994)</u>
Cash flows from noncapital financing activities		
Promotional contract paid from hotel occupancy tax revenues to component units	(7,900)	(8,454)
Transfers	6,767	(10,183)
Payments to Hotel Corporation	(133,159)	(36,629)
Hotel occupancy tax revenue	42,399	45,196
Net cash provided by noncapital financing activities	<u>(91,893)</u>	<u>(10,070)</u>
Net increase (decrease) in cash and cash equivalents	(4,732)	12,701
Cash and cash equivalents, July 1	<u>28,408</u>	<u>15,707</u>
Cash and cash equivalents, June 30	<u>\$ 23,676</u>	<u>\$ 28,408</u>

(Continued)

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Cash Flows
For the Year Ended June 30, 2003
(With comparative amounts for 2002)
amounts expressed in thousands

	<u>2003</u>	<u>2002</u>
Non cash transactions		
Contributions of capital assets	11,875	-
Capitalized interest expense	(2,253)	-
Unrealized gain (loss) on investments	(995)	1,013
Total non cash transactions	<u>\$ 8,627</u>	<u>\$ 1,013</u>
Reconciliation of operating income to net cash used by operating activities		
Operating loss	\$ (21,094)	\$ (18,606)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	13,274	12,406
Other revenues	713	-
Other expenses	(11,257)	(15,739)
Changes in assets and liabilities		
Accounts receivable	1,227	125
Due from other funds	(145)	968
Accounts payable	12,459	3,750
Accrued payroll liabilities	30	12
Due to other funds	(2,819)	(69)
Due to other governments	(4)	(1,568)
Advances and deposits	(157)	(172)
Construction and retainages payable	3,954	1,558
Claims for workers' compensation	15	27
Compensated absences	24	(80)
Due to component units	(2,172)	2,172
Other long-term liabilities	349	544
Net cash used in operating activities	<u>\$ (5,603)</u>	<u>\$ (14,672)</u>

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
WATER AND SEWER SYSTEM FUND
Statement of Net Assets
June 30, 2003
(With comparative amounts for 2002)
amounts expressed in thousands

	<u>2003</u>	<u>2002</u>
Assets		
Equity in pooled cash and investments	\$ 67,552	\$ 71,182
Receivables, net of allowances		
Accounts receivable	62,478	62,039
Due from other funds	51	1,331
Inventory	<u>6,694</u>	<u>8,083</u>
Total current assets	<u>136,775</u>	<u>142,635</u>
Noncurrent Assets		
Restricted cash and cash equivalents		
Investments	512,480	548,743
Assessments receivable	101	103
Amounts held by other governments	8,268	8,368
Deferred charges for issuance cost	<u>34,359</u>	<u>35,133</u>
Total restricted assets	<u>555,208</u>	<u>592,347</u>
Other assets		
Water rights, net of depreciation	<u>207,315</u>	<u>206,900</u>
Total other assets	<u>207,315</u>	<u>206,900</u>
Capital assets		
Land	98,842	87,744
Buildings, improvements and equipment	208,438	200,546
Plants, lines and rights	6,360,112	5,853,802
Construction in progress	<u>704,315</u>	<u>865,003</u>
Total capital assets	<u>7,371,707</u>	<u>7,007,095</u>
Less accumulated depreciation		
Plants, lines and rights	(3,099,175)	(2,916,433)
Less accumulated depreciation	<u>(3,099,175)</u>	<u>(2,916,433)</u>
Net capital assets	<u>4,272,532</u>	<u>4,090,662</u>
Total noncurrent assets	<u>5,035,055</u>	<u>4,889,909</u>
Total assets	<u>\$ 5,171,830</u>	<u>\$ 5,032,544</u>

(Continued)

CITY OF HOUSTON, TEXAS
WATER AND SEWER SYSTEM FUND
Statement of Net Assets
June 30, 2003
(With comparative amounts for 2002)
amounts expressed in thousands

	2003	2002
Liabilities		
Current Liabilities		
Accounts payable	\$ 27,952	\$ 9,004
Accrued payroll liabilities	4,295	3,604
Accrued interest payable	801	852
Contracts and retainages payable	16,504	15,097
Due to other funds	631	8,682
Due to other governments	340	-
Claims and judgments	4,545	5,478
Compensated absences	3,090	437
Total current liabilities	58,158	43,154
Current liabilities payable from restricted assets		
Revenue bonds payable	54,528	43,183
Accrued interest payable	14,128	14,390
Advances and deposits	23,621	21,840
Construction billings and retainages	39,829	38,239
Due to other funds	229	3,514
Total current liabilities payable from restricted assets	132,335	121,166
Long-term liabilities		
Revenue bonds payable	3,509,688	3,557,000
Compensated absences	18,605	21,666
Contracts payable	245,287	237,853
Commercial paper	415,250	120,000
Net pension liability	15,282	9,317
Total long-term liabilities	4,204,112	3,945,836
Total liabilities	4,394,605	4,110,156
Net Assets		
Invested in capital assets, net of related debt	332,794	616,121
Restricted net assets		
Restricted for debt service	35,436	29,083
Restricted for renewal and replacement	349,864	363,436
Restricted for maintenance and operations	25,796	23,983
Restricted for capital improvements	-	87,943
Unrestricted (deficit)	33,335	(198,178)
Total net assets	\$ 777,225	\$ 922,388

CITY OF HOUSTON, TEXAS
WATER AND SEWER SYSTEM FUND
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2003
(With comparative amounts for 2002)
amounts expressed in thousands

	2003	2002
Operating Revenues		
Water/Sewer Billing	\$ 539,317	\$ 543,396
Total operating revenue	539,317	543,396
Operating Expenses		
Maintenance and operating	250,226	245,943
Depreciation and amortization	233,401	228,147
Total operating expenses	483,627	474,090
Operating income	55,690	69,306
Nonoperating revenue (expenses)		
Investment income	24,043	33,703
Other revenue	26,894	32,368
Loss on disposal of assets	(722)	(9,708)
Other expenses	-	-
Interest on long-term debt	(165,509)	(164,482)
Total Nonoperating revenues (expenses)	(115,294)	(108,119)
Income (loss) before contributions and transfers	(59,604)	(38,813)
Contributions	7,791	27,001
Transfers out other funds	(69,539)	(68,961)
Transfers out debt service	(23,811)	(36,479)
Total transfers	(93,350)	(105,440)
Change in net assets	(145,163)	(117,252)
Total net assets, July 1 (As Restated - see Note 2C)	922,388	1,039,640
Total net assets, June 30	\$ 777,225	\$ 922,388

CITY OF HOUSTON, TEXAS
WATER AND SEWER SYSTEM FUND
Statement of Cash Flows
For the Year Ended June 30, 2003
(With comparative amounts for 2002)
amounts expressed in thousands

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities		
Receipts from customers	\$ 540,659	\$ 542,100
Payments to employees	(103,878)	(90,556)
Payments to suppliers	(106,524)	(118,981)
Internal activity-payments to other funds	(17,190)	(11,708)
Claims paid	(3,314)	(1,896)
Other revenues	26,894	32,368
Net cash provided by operating activities	<u>336,647</u>	<u>351,327</u>
Cash flows from investing activities		
Interest income on investments	14,630	33,703
Purchase of investments	(613,096)	(621,441)
Proceeds from sale of investments	669,568	659,371
Net cash provided by investing activities	<u>71,102</u>	<u>71,633</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(411,910)	(331,487)
Proceeds received - Allen's Creek	14,000	-
Proceeds from issuance of revenue bonds	329,936	717,376
Retirement of commercial paper	(4,750)	(360,000)
Proceeds of commercial paper	300,000	180,000
Interest expense on revenue bonds	(147,736)	(140,562)
Interest expense on commercial paper	(1,879)	(8,131)
Interest expense on contracts payable	(16,208)	(17,547)
Retirement of contractual obligations	(16,170)	(15,662)
Contributed capital	8,132	23,852
Acquisition of property, plant and equipment	(371,444)	(380,841)
Net cash used for capital and related financing activities	<u>(318,029)</u>	<u>(333,002)</u>
Cash flows from noncapital financing activities		
Transfers to debt service fund	(23,811)	(36,479)
Transfers to other funds	(69,539)	(58,544)
Net cash used in noncapital financing activities	<u>(93,350)</u>	<u>(95,023)</u>
Net decrease in cash and cash equivalents	(3,630)	(5,065)
Cash and cash equivalents, July 1	71,182	76,247
Cash and cash equivalents, June 30	<u>\$ 67,552</u>	<u>\$ 71,182</u>
Non cash transactions		
Transfer to other funds	-	-
Unrealized gain on investments	1,439	7,974
Contributions	-	-
Capitalized interest expense	(13,062)	-
Loss on disposal of assets	(722)	(9,708)
Total non cash transactions	<u>\$ (12,345)</u>	<u>\$ (1,734)</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 55,690	\$ 69,306
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	233,401	228,147
Other revenues	26,894	32,368
Due to other fund non-cash transfer	-	(10,417)
Changes in assets and liabilities		
Accounts receivable	(439)	(2,121)
Due from other funds	1,280	10,170
Due from other governments	99	13,281
Inventory	1,389	985
Accounts payable	18,948	386
Accrued payroll liabilities	691	1,325
Due to other funds	(7,711)	(840)
Advances and deposits	1,781	826
Claims for workers' compensation	(933)	692
Compensated absences	(408)	(2,098)
Other long-term liabilities	5,965	9,317
Net cash provided by operating activities	<u>\$ 336,647</u>	<u>\$ 351,327</u>

CITY OF HOUSTON, TEXAS
Houston Area Water Corporation
Statement of Net Assets
June 30, 2003
(With comparative amounts for 2002)
amounts expressed in thousands

	<u>\$</u> 2,003	<u>\$</u> 2,002
Assets		
Restricted cash and cash equivalents		
Investments	\$ 45,360	\$ 104,707
Deferred charges for issuance cost	\$ 1,747	\$ 1,793
Total restricted assets	<u>\$ 47,107</u>	<u>\$ 106,500</u>
Capital assets		
Construction in progress	\$ 97,007	\$ 25,365
Total capital assets	<u>\$ 97,007</u>	<u>\$ 25,365</u>
Less accumulated depreciation	<u>\$ -</u>	<u>\$ -</u>
Net capital assets	<u>\$ 97,007</u>	<u>\$ 25,365</u>
Total noncurrent assets	<u>\$ 144,114</u>	<u>\$ 131,865</u>
Total assets	<u>\$ 144,114</u>	<u>\$ 131,865</u>
Liabilities		
Current liabilities payable from restricted assets		
Accounts payable	\$ 9,398	\$ 1,061
Revenue bonds payable	\$ -	\$ 407
Accrued interest payable	\$ 2,224	\$ 878
Construction billings and retainages assets	<u>\$ 3,341</u>	<u>\$ 246</u>
	<u>\$ 14,963</u>	<u>\$ 2,592</u>
Long-term liabilities		
Revenue bonds payable	\$ 129,381	\$ 129,350
Total long-term liabilities	<u>\$ 129,381</u>	<u>\$ 129,350</u>
Total liabilities	<u>\$ 144,344</u>	<u>\$ 131,942</u>
Net assets		
Unrestricted (deficit)	\$ (230)	\$ (77)
Total net assets (deficit)	<u>\$ (230)</u>	<u>\$ (77)</u>

CITY OF HOUSTON, TEXAS
Houston Area Water Corporation
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2003
(With comparative amounts for 2002)
amounts expressed in thousands

	2003	2002
Operating Revenues		
Water/Sewer Billing	\$ -	\$ -
Total operating revenue	-	-
Operating Expenses		
Administrative costs	61	6
Depreciation and amortization	92	11
Total operating expenses	153	17
Operating loss	(153)	(17)
Loss	(153)	(17)
Change in net assets	(153)	(17)
Total net assets (deficit), July 1	(77)	(60)
Total net assets (deficit), June 30	\$ (230)	\$ (77)

CITY OF HOUSTON, TEXAS
Houston Area Water Corporation
Statement of Cash Flows
For the Year Ended June 30, 2003
(With comparative amounts for 2002)
amounts expressed in thousands

	2003	2002
Cash flows from operating activities		
Other expenses	\$ (61)	\$ (6)
Net cash provided by operating activities	(61)	(6)
Cash flows from investing activities		
Interest income on investments	2,557	547
Purchase of investments	(45,360)	(104,706)
Proceeds from sale of investments	104,706	337
Net cash provided by (used for) investing activities	61,903	(103,822)
Cash flows from capital and related financing activities		
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	(5,752)	(1,394)
Interest expense on contracts payable	(36)	(160)
Acquisition of property, plant and equipment	(56,054)	(22,964)
Net cash provided by (used for) capital and related financing activities	(61,842)	103,828
Net increase (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents, July 1	-	-
Cash and cash equivalents, June 30	\$ -	\$ -
Non cash transactions		
Amortization expense	92	11
Capitalized interest expense	4,156	464
Total non cash transactions	\$ 4,248	\$ 475
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	\$ (153)	\$ (17)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	92	11
Net cash used for operating activities	(61)	(6)