



"A successful work of art is not one which resolves contradictions in a spurious harmony, but one which expresses the idea of harmony negatively by embodying the contradictions, pure and uncompromised, in its innermost structure."

Theodore Adorno, German philosopher and author

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 costs incurred to provide City employees' health care and life insurance benefits.

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

CITY OF HOUSTON, TEXAS
INTERNAL SERVICE FUNDS
Combining Statement of Net Assets
June 30, 2004
(With comparative totals for 2003)
amounts expressed in thousands

	<u>Health Benefits</u>	<u>Long-term Disability</u>	<u>2004</u>	<u>2003</u>
Assets				
Equity in pooled cash and investments	\$ 3,553	\$ 5,528	\$ 9,081	\$ 11,042
Receivables, net of allowances				
Accounts receivable	1	-	1	1
Due from other funds	-	225	225	17
Total current assets	<u>3,554</u>	<u>5,753</u>	<u>9,307</u>	<u>11,060</u>
 Total assets	 <u>\$ 3,554</u>	 <u>5,753</u>	 <u>9,307</u>	 <u>11,060</u>
Liabilities				
Current Liabilities				
Accounts payable	58	24	82	681
Accrued payroll liabilities	92	-	92	79
Due to other funds	15	-	15	518
Claims and judgments	2,137	4,979	7,116	7,812
Compensated absences	128	-	128	111
Deferred revenue	356	-	356	144
Total current liabilities	<u>2,786</u>	<u>5,003</u>	<u>7,789</u>	<u>9,345</u>
Long-term liabilities				
Claims and judgments	-	820	820	632
Total long-term liabilities	<u>-</u>	<u>820</u>	<u>820</u>	<u>632</u>
 Total liabilities	 <u>2,786</u>	 <u>5,823</u>	 <u>8,609</u>	 <u>9,977</u>
Net Assets				
Unrestricted	768	(70)	698	1,083
Total net assets	<u>\$ 768</u>	<u>\$ (70)</u>	<u>\$ 698</u>	<u>\$ 1,083</u>

CITY OF HOUSTON, TEXAS
INTERNAL SERVICE FUNDS
Combining Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2004
(With comparative totals for 2003)
amounts expressed in thousands

	<u>Health Benefits</u>	<u>Long-term Disability</u>	<u>2004</u>	<u>2003</u>
Operating Revenues				
Health benefit premiums	\$ 184,387	\$ 1,308	\$ 185,695	\$ 159,675
Total operating revenues	<u>184,387</u>	<u>1,308</u>	<u>185,695</u>	<u>159,675</u>
Operating Expenses				
Administrative costs	2,649	-	2,649	2,604
Claims Costs	<u>182,438</u>	<u>1,458</u>	<u>183,896</u>	<u>158,161</u>
Total operating expenses	<u>185,087</u>	<u>1,458</u>	<u>186,545</u>	<u>160,765</u>
Operating loss	<u>(700)</u>	<u>(150)</u>	<u>(850)</u>	<u>(1,090)</u>
Nonoperating revenues (expenses)				
Investment income	210	33	243	703
Other revenue	<u>222</u>	<u>-</u>	<u>222</u>	<u>268</u>
Total Nonoperating revenues (expenses)	<u>432</u>	<u>33</u>	<u>465</u>	<u>971</u>
Loss before contributions and transfers	<u>(268)</u>	<u>(117)</u>	<u>(385)</u>	<u>(119)</u>
Change in net assets	(268)	(117)	(385)	(119)
Total net assets, July 1	<u>1,036</u>	<u>47</u>	<u>1,083</u>	<u>1,202</u>
Total net assets, June 30	<u>\$ 768</u>	<u>\$ (70)</u>	<u>\$ 698</u>	<u>\$ 1,083</u>

CITY OF HOUSTON, TEXAS
INTERNAL SERVICE FUNDS
Combining Statement of Cash Flows
For the Year Ended June 30, 2004
(With comparative totals for 2003)
amounts expressed in thousands

	Health Benefits	Long-term Disability	2004	2003
Cash flows from operating activities				
Receipts from customers	\$ 184,387	1,308	\$ 185,695	\$ 159,675
Payments to employees	(1,932)	-	(1,932)	(1,992)
Payments to suppliers	(1,057)	-	(1,057)	174
Internal activity-payments to other funds	(508)	(225)	(733)	(2,013)
Claims paid	(183,483)	(916)	(184,399)	(162,119)
Net cash provided by operating activities	<u>(2,593)</u>	<u>167</u>	<u>(2,426)</u>	<u>(6,275)</u>
Cash flows from investing activities				
Interest income on investments	210	33	243	703
Net cash provided by (used for) investing activities	<u>210</u>	<u>33</u>	<u>243</u>	<u>703</u>
Cash flows from noncapital financing activities				
Other revenues	222	-	222	268
Net cash provided by noncapital financing activities	<u>222</u>	<u>-</u>	<u>222</u>	<u>268</u>
Net increase (decrease) in cash and cash equivalents	(2,161)	200	(1,961)	(5,304)
Cash and cash equivalents, July 1	5,714	5,328	11,042	16,346
Cash and cash equivalents, June 30	<u>\$ 3,553</u>	<u>\$ 5,528</u>	<u>\$ 9,081</u>	<u>\$ 11,042</u>
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (loss)	\$ (701)	\$ (150)	\$ (851)	\$ (1,090)
Due from other funds	17	(225)	(208)	(16)
Accounts payable	(605)	4	(601)	593
Accrued payroll liabilities	14	-	14	697
Due to other funds	(502)	-	(502)	(1,978)
Claims for workers' compensation	(1,045)	538	(507)	(4,642)
Compensated absences	17	-	17	17
Deferred revenue	212	-	212	144
Net cash provided by operating activities	<u>\$ (2,593)</u>	<u>\$ 167</u>	<u>\$ (2,426)</u>	<u>\$ (6,275)</u>