



Established in 1931, The Houston Livestock Show and Rodeo is the world's largest livestock exhibition and rodeo, with attendance of more than 1.1 million and a local economic impact of \$345 million.



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.

Combined Utility 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, 2005
(With comparative amounts for 2004)
amounts expressed in thousands

	2005	2004
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 46,753	\$ 20,004
Equity in pooled cash and investments	547,450	724,453
Receivables, net of allowances		
Accounts receivable	30,456	15,449
Accrued interest and other	1,651	54
Due from other funds	5,032	642
Due from other governments	10,967	1,220
Inventory	3,441	3,389
Prepaid items	1,400	1,329
Restricted assets		
Investments	6,696	-
Total current assets	653,846	766,540
Noncurrent Assets		
Deferred charges for issuance cost	1,960	-
Capital assets		
Land	193,210	170,087
Buildings, improvements and equipment	3,150,188	2,579,150
Construction in progress	437,613	703,073
Less accumulated depreciation		
Buildings, improvements and equipment	(948,142)	(844,510)
Net capital assets	2,832,869	2,607,800
Total noncurrent assets	2,834,829	2,607,800
Total assets	\$ 3,488,675	\$ 3,374,340

(Continued)

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Net Assets
June 30, 2005
(With comparative amounts for 2004)
amounts expressed in thousands

	2005	2004
Liabilities		
Current Liabilities		
Accounts payable	\$ 8,086	\$ 4,721
Accrued payroll liabilities	765	2,656
Accrued interest payable	49,667	48,628
Contracts and retainages payable	43,860	75,139
Due to other funds	2,863	905
Advances and deposits	2,960	4,018
Inferior lien contract	3,255	
Claims and judgments	1,043	1,382
Compensated absences	2,893	1,620
Commercial paper	-	20,000
Revenue bonds payable	27,665	18,865
Total current liabilities	143,057	177,934
Noncurrent liabilities		
Revenue bonds payable, net	2,106,407	2,131,529
Claims and judgments	1,625	5,690
Compensated absences	3,807	4,845
Inferior lien contracts	56,810	-
Commercial paper	48,500	-
Arbitrage rebate	160	1,297
Pension note payable	34,800	-
Municipal pension trust liability	22,584	15,248
Pension obligation bonds payable	2,006	-
Total noncurrent liabilities	2,276,699	2,158,609
Total liabilities	2,419,756	2,336,543
Net assets		
Invested in capital assets, net of related debt	695,039	668,742
Restricted net assets		
Restricted for debt service	32,267	40,229
Restricted for renewal and replacement	12,852	12,947
Restricted for maintenance and operations	34,160	31,337
Restricted for capital improvements	292,416	282,494
Other restricted	2,185	2,048
Total net assets	\$ 1,068,919	\$ 1,037,797

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2005
(With comparative amounts for 2004)
amounts expressed in thousands

	<u>2005</u>	<u>2004</u>
Operating Revenues		
Landing area fees	\$ 102,072	\$ 57,011
Terminal space rentals	151,417	115,777
Parking	55,444	51,437
Concession	41,842	43,100
Other	2,866	3,088
Total operating revenue	<u>353,641</u>	<u>270,413</u>
Operating Expenses		
Maintenance and operating	223,972	168,923
Depreciation and amortization	105,891	88,371
Total operating expenses	<u>329,863</u>	<u>257,294</u>
Operating income (loss)	<u>23,778</u>	<u>13,119</u>
Nonoperating revenue (expenses)		
Investment income	14,968	5,967
Other revenue	4,295	203
Loss on disposal of assets	(549)	(541)
Interest on long-term debt	(76,496)	(58,635)
Arbitrage expense recovery	1,137	4,323
Total Nonoperating revenues (expenses)	<u>(56,645)</u>	<u>(48,683)</u>
Income (loss) before contributions and transfers	<u>(32,867)</u>	<u>(35,564)</u>
Capital contributions	<u>63,989</u>	<u>42,000</u>
Change in net assets	31,122	6,436
Total net assets (deficit), July 1	<u>1,037,797</u>	<u>1,031,361</u>
Total net assets, June 30	<u>\$ 1,068,919</u>	<u>\$ 1,037,797</u>

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Cash Flows
For the Year Ended June 30, 2005
(With comparative amounts for 2004)
amounts expressed in thousands

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities		
Receipts from customers	\$ 337,583	\$ 272,287
Payments to employees	(72,384)	(55,537)
Payments to suppliers	(69,114)	(64,180)
Internal activity-payments to other funds	(39,629)	(40,504)
Claims paid	(5,447)	(1,381)
Other revenues	4,295	203
Net cash provided by operating activities	<u>155,304</u>	<u>110,888</u>
Cash flows from investing activities		
Interest income on investments	14,531	16,951
Purchase of investments	(389,187)	(241,811)
Proceeds from sale of investments	559,931	589,671
Net cash provided by (used for) investing activities	<u>185,275</u>	<u>364,811</u>
Cash flows from noncapital financing activities		
Proceeds from issuance of pension obligation bonds	1,962	-
Net cash provided by (used for) noncapital financing activities	<u>1,962</u>	<u>-</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(19,740)	(17,985)
Proceeds from inferior lien contract	6,681	-
Proceeds from issuance of revenue bonds	702	-
Proceeds from issuance of commercial paper	28,500	20,000
Interest expense on debt	(106,636)	(101,855)
Advances and deposits on construction	7	1
Contributed capital	54,242	44,201
Acquisition of property, plant and equipment	(279,548)	(414,829)
Net cash provided by (used for) capital and related financing activities	<u>(315,792)</u>	<u>(470,467)</u>
Net increase in cash and cash equivalents	26,749	5,232
Cash and cash equivalents, July 1	20,004	14,772
Cash and cash equivalents, June 30	<u>\$ 46,753</u>	<u>\$ 20,004</u>
Non cash transactions		
Unrealized gain (loss) on investments	437	(10,984)
Pension note	34,800	-
Inferior lien contract	51,756	-
Capitalized interest expense	32,634	43,433
Loss on disposal of assets	549	(541)
Total non cash transactions	<u>\$ 120,176</u>	<u>\$ 31,908</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 23,778	\$ 13,119
Depreciation and amortization	105,891	88,371
Other revenues	4,295	203
Changes in assets and liabilities		
Accounts receivable	(15,007)	591
Due from other funds	(3,208)	(620)
Inventory	(123)	10
Accounts payable	2,709	(1,465)
Accrued payroll liabilities	(1,891)	751
Due to other funds	1,958	561
Advances and deposits	(1,065)	1,728
Claims and judgments - workers' compensation	(4,404)	364
Compensated absences	235	(3)
Pension note	34,800	-
Pension Obligation payable	7,336	7,278
Net cash provided by operating activities	<u>\$ 155,304</u>	<u>\$ 110,888</u>

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Net Assets
June 30, 2005
(With comparative amounts for 2004)
amounts expressed in thousands

	2005	2004
Assets		
Current Assets		
Cash and cash equivalents	\$ 28,009	\$ 29,613
Equity in pooled cash and investments	36,049	47,941
Receivables, net of allowances		
Accounts receivable	755	733
Hotel occupancy tax receivable	12,902	13,621
Due from component units	314,115	314,200
Due from other funds	447	190
Prepaid items	439	501
Restricted assets		
Investments	21,774	21,774
Total current assets	414,490	428,573
Noncurrent Assets		
Deferred charges for issuance cost	4,337	4,651
Other assets		
Garage Rights, net of amortization	12,611	12,948
Capital assets		
Land	99,757	130,493
Buildings, improvements and equipment	431,495	425,327
Construction in progress	20,866	23,943
Less accumulated depreciation		
Buildings, improvements and equipment	(122,775)	(112,779)
Net capital assets	429,343	466,984
Total noncurrent assets	446,291	484,583
Total assets	\$ 860,781	\$ 913,156

(Continued)

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Net Assets
June 30, 2005
(With comparative amounts for 2004)
amounts expressed in thousands

	2005	2004
Liabilities		
Current Liabilities		
Accounts payable	\$ 2,921	\$ 5,192
Accrued payroll liabilities	81	265
Accrued interest payable	6,313	6,330
Contracts and retainages payable	3,211	3,694
Due to other funds	37	608
Due to component units	23,518	29,031
Due to other governments	4	3
Advances and deposits	467	485
Claims and judgments	58	15
Compensated absences	335	276
Revenue bonds payable	13,680	6,590
Unearned Revenue	396	-
Total current liabilities	51,021	52,489
Noncurrent liabilities		
Revenue bonds payable	631,425	637,589
Claims and judgments	54	-
Compensated absences	308	337
Commercial paper	22,500	22,500
Arbitrage rebate	888	706
Pension note payable	3,300	-
Municipal pension trust liability	2,412	1,689
Unearned Revenue	11,771	11,248
Pension obligation bonds payable	189	-
Total noncurrent liabilities	672,847	674,069
Total liabilities	723,868	726,558
Net Assets		
Invested in capital assets, net of related debt	87,801	109,201
Restricted net assets		
Restricted for debt service	15,461	39,907
Restricted for maintenance and operations	14,407	-
Restricted for capital improvements	-	17,376
Unrestricted (deficit)	19,244	20,114
Total net assets	\$ 136,913	\$ 186,598

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2005
(With comparative amounts for 2004)
amounts expressed in thousands

	<u>2005</u>	<u>2004</u>
Operating Revenues		
Parking	\$ 8,882	\$ 9,325
Concession	3,373	1,840
Rental	6,920	5,980
Total operating revenue	<u>19,175</u>	<u>17,145</u>
Operating Expenses		
Maintenance and operating	32,797	28,791
Depreciation and amortization	10,372	14,077
Total operating expenses	<u>43,169</u>	<u>42,868</u>
Operating income (loss)	<u>(23,994)</u>	<u>(25,723)</u>
Nonoperating revenue (expenses)		
Investment income	15,926	13,109
Hotel occupancy tax	42,266	47,223
Other expenses	(19,614)	(23,307)
Interest on long-term debt	(29,468)	(25,413)
Contributions In	4,106	-
Contributions out	(41,371)	-
Total Nonoperating revenues (expenses)	<u>(28,155)</u>	<u>11,612</u>
Income (loss) before contributions and transfers	<u>(52,149)</u>	<u>(14,111)</u>
Capital contributions	<u>231</u>	<u>2,451</u>
Operating transfers in	2,942	3,754
Operating transfers in - primary government	-	-
Operating transfers out	(709)	(1,500)
Operating transfers out debt service	-	-
Operating transfers out - fiscal agents	-	-
Operating transfers out - component units	-	-
Total transfers	<u>2,233</u>	<u>2,254</u>
Change in net assets	(49,685)	(9,406)
Total net assets (deficit), July 1	<u>186,598</u>	<u>196,004</u>
Total net assets, June 30	<u>\$ 136,913</u>	<u>\$ 186,598</u>

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Cash Flows
For the Year Ended June 30, 2005
(With comparative amounts for 2004)
amounts expressed in thousands

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities		
Receipts from customers	\$ 20,054	\$ 15,743
Payments to employees	(6,657)	(5,706)
Payments to suppliers	(23,499)	(35,278)
Internal activity-payments to other funds	(1,483)	(902)
Claims paid	(51)	(43)
Due from other governments	1	(9)
Other expenses	(4,085)	(12,843)
Net cash used for operating activities	<u>(15,720)</u>	<u>(39,038)</u>
Cash flows from investing activities		
Interest income on investments	15,940	14,240
Purchase of investments	(55,074)	(49,540)
Proceeds from sale of investments	66,951	207,466
Net cash provided by investing activities	<u>27,817</u>	<u>172,166</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(6,590)	(6,265)
Interest expense on debt	(22,715)	(20,833)
Acquisition of property, plant and equipment, net	(6,141)	(32,919)
Net cash used for capital and related financing activities	<u>(35,446)</u>	<u>(60,017)</u>
Cash flows from noncapital financing activities		
Promotional contract paid from hotel occupancy tax revenues to component units	(18,064)	(7,885)
Proceeds from pension bonds	189	-
Transfers	2,233	2,254
Payments to Hotel Corporation	(5,598)	(105,990)
Hotel occupancy tax revenue	42,985	44,447
Net cash provided by noncapital financing activities	<u>21,745</u>	<u>(67,174)</u>
Net increase (decrease) in cash and cash equivalents	(1,604)	5,937
Cash and cash equivalents, July 1	<u>29,613</u>	<u>23,676</u>
Cash and cash equivalents, June 30	<u>\$ 28,009</u>	<u>\$ 29,613</u>

(Continued)

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Cash Flows
For the Year Ended June 30, 2005
(With comparative amounts for 2004)
amounts expressed in thousands

	<u>2005</u>	<u>2004</u>
Non cash transactions		
Unrealized gain (loss) on investments	\$ 15	\$ (1,131)
Pension note	3,300	-
Contributions of capital assets	37,262	2,451
Capitalized interest expense	1,068	2,822
Total non cash transactions	<u>\$ 41,645</u>	<u>\$ 4,142</u>
Reconciliation of operating income to net cash used by operating activities		
Operating loss	\$ (23,994)	\$ (25,723)
Depreciation and amortization	10,372	14,077
Other expenses	(4,085)	(12,843)
Changes in assets and liabilities		
Accounts receivable	(22)	(603)
Due from other funds	(257)	(10)
Accounts payable	(2,271)	(14,352)
Accrued payroll liabilities	(185)	52
Due to other funds	(571)	127
Due to other governments	1	(9)
Advances and deposits	(18)	(148)
Inventory and prepaid Insurance	61	(500)
Claims and judgments-workers' compensation	97	(38)
Compensated absences	29	56
Deferred revenue	919	(627)
Pension Obligation payable		-
Pension note	3,300	
Other long-term liabilities	904	1,503
Net cash used in operating activities	<u>\$ (15,720)</u>	<u>\$ (39,038)</u>

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM FUND
Statement of Net Assets
June 30, 2005
(With comparative amounts for 2004)
amounts expressed in thousands

	2005	2004
Assets		
Current assets		
Cash and cash equivalent	\$ 188,093	\$ 126,527
Equity in pooled cash and investments	335,485	237,074
Receivables, net of allowances		
Accounts receivable	69,693	59,239
Assessments receivable	97	100
Due from other funds	5,489	43
Due from other governments	6,375	5,695
Inventory	6,604	5,693
Restricted assets		
Investments	3,765	3,765
Total current assets	615,601	438,136
Noncurrent Assets		
Deferred charges for issuance cost	46,281	43,524
Other assets		
Water rights, net of amortization	225,450	197,150
Other long-term receivables	12,266	2,954
Total other assets	237,716	200,104
Capital assets		
Land	100,851	99,479
Buildings, improvements and equipment	225,492	227,734
Plants, lines and rights	6,910,094	6,690,654
Construction in progress	637,389	568,534
Less accumulated depreciation		
Buildings, improvements and equipment	(117,906)	(115,377)
Plants, lines and rights	(3,324,975)	(3,136,704)
Net capital assets	4,430,945	4,334,320
Total noncurrent assets	4,714,942	4,577,948
Total assets	\$ 5,330,543	\$ 5,016,084

(Continued)

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM FUND
Statement of Net Assets
June 30, 2005
(With comparative amounts for 2004)
amounts expressed in thousands

	2005	2004
Liabilities		
Current Liabilities		
Accounts payable	\$ 10,933	\$ 9,409
Accrued payroll liabilities	1,715	4,878
Accrued interest payable	24,267	9,245
Contracts and retainages payable	66,629	59,029
Due to other funds	6,680	2,440
Due to other governments	766	340
Advances and deposits	26,131	22,480
Claims and judgments	2,627	2,435
Compensated absences	4,877	8,803
Revenue bonds payable	20,356	14,031
Unearned revenue	1,287	-
Total current liabilities	166,268	133,090
Noncurrent liabilities		
Revenue bonds payable	4,066,745	3,854,722
Claims and judgments	2,470	2,356
Compensated absences	11,539	8,278
Contracts payable	248,294	226,196
Commercial paper	180,000	40,000
Arbitrage rebate	-	147
Pension note payable	51,600	-
Municipal pension trust liability	39,067	28,166
Unearned revenue	111,618	102,994
Pension obligation bonds payable	3,382	-
Total noncurrent liabilities	4,714,715	4,262,859
Total liabilities	4,880,983	4,395,949
Net Assets		
Invested in capital assets, net of related debt	322,683	583,259
Restricted net assets		
Restricted for renewal and replacement	-	21,585
Restricted for maintenance and operations	58,702	54,059
Unrestricted (deficit)	68,175	(38,768)
Total net assets	\$ 449,560	\$ 620,135

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM FUND
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2005
(With comparative amounts for 2004)
amounts expressed in thousands

	<u>2005</u>	<u>2004</u>
Operating Revenues		
Water/Sewer Billing	\$ 598,874	\$ 531,208
Total operating revenue	<u>598,874</u>	<u>531,208</u>
Operating Expenses		
Maintenance and operating	332,800	266,718
Depreciation and amortization	224,074	209,608
Total operating expenses	<u>556,874</u>	<u>476,326</u>
Operating income (loss)	<u>42,000</u>	<u>54,882</u>
Nonoperating revenue (expenses)		
Investment income	12,972	6,889
Other revenue	24,707	26,179
Loss on disposal of assets	(4,193)	(12,402)
Interest on long-term debt	(201,142)	(204,875)
Contributions in		
Total Nonoperating revenues (expenses)	<u>(167,656)</u>	<u>(184,209)</u>
Income (loss) before contributions and transfers	<u>(125,656)</u>	<u>(129,327)</u>
Capital contributions	<u>42,495</u>	<u>22,400</u>
Operating transfers out	(59,592)	(20,591)
Operating transfers out debt service	<u>(27,822)</u>	<u>(29,572)</u>
Total transfers	<u>(87,414)</u>	<u>(50,163)</u>
Change in net assets	(170,575)	(157,090)
Total net assets (deficit), July 1	<u>620,135</u>	<u>777,225</u>
Total net assets, June 30	<u>\$ 449,560</u>	<u>\$ 620,135</u>

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM FUND
Statement of Cash Flows
For the Year Ended June 30, 2005
(With comparative amounts for 2004)
amounts expressed in thousands

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities		
Receipts from customers	\$ 601,984	\$ 636,300
Payments to employees	(115,020)	(112,632)
Payments to suppliers	(148,849)	(148,395)
Internal activity-payments to other funds	(8,010)	(7,648)
Claims paid	(2,787)	(2,323)
Other revenues	25,742	27,785
Net cash provided by operating activities	<u>353,060</u>	<u>393,087</u>
Cash flows from investing activities		
Interest income on investments	13,504	16,919
Purchase of investments	(380,478)	(735,657)
Proceeds from sale of investments	281,534	997,469
Net cash provided by investing activities	<u>(85,440)</u>	<u>278,731</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(71,947)	(2,767,640)
Proceeds from issuance of revenue bonds - net	208,722	3,025,946
Proceeds from issuance of commercial paper	180,000	(685,250)
Proceeds from contracts	-	310,000
Interest expense on debt	(189,042)	(183,253)
Retirement of contractual obligations	-	(18,158)
Contributed capital	14,854	-
Acquisition of property, plant and equipment	(267,634)	(244,325)
Net cash used for capital and related financing activities	<u>(125,047)</u>	<u>(562,680)</u>
Cash flows from noncapital financing activities		
Proceeds from pension bonds	3,382	-
Transfers to debt service fund	(27,822)	(20,591)
Transfers to other funds	(56,567)	(29,572)
Net cash used in noncapital financing activities	<u>(81,007)</u>	<u>(50,163)</u>
Net decrease in cash and cash equivalents	61,566	58,975
Cash and cash equivalents, July 1	<u>126,527</u>	<u>67,552</u>
Cash and cash equivalents, June 30	<u>\$ 188,093</u>	<u>\$ 126,527</u>
Non cash transactions		
Unrealized gain (loss) on investments	533	(10,029)
Pension note	51,600	-
Contributed Capital	6,660	21,114
Capitalized interest expense	25,048	9,881
Loss on disposal of assets	4,193	(12,402)
Total non cash transactions	<u>\$ 88,034</u>	<u>\$ 8,564</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 42,000	\$ 54,882
Depreciation and amortization	224,072	209,608
Other revenues	25,741	27,785
Accounts receivable	(10,451)	3,239
Due from other funds	(5,446)	8
Due from other governments	(254)	2,573
Inventory	(910)	1,001
Accounts payable	1,526	(18,397)
Accrued payroll liabilities	(3,162)	583
Due to other funds	4,240	1,436
Advances and deposits	3,652	(1,141)
Claims for workers' compensation	306	246
Compensated absences	(665)	(4,614)
Pension obligation payable	10,901	-
Pension note	51,600	-
Deferred revenues	9,910	102,994
Other long-term liabilities	-	12,884
Net cash provided by operating activities	<u>\$ 353,060</u>	<u>\$ 393,087</u>

CITY OF HOUSTON, TEXAS
Houston Area Water Corporation
Statement of Net Assets
June 30, 2005
(With comparative amounts for 2004)
amounts expressed in thousands

	<u>2005</u>	<u>2004</u>
Assets		
Current Assets		
Equity in pooled cash and investments	\$ 76	\$ 138
Due from other funds	5,941	-
Restricted assets		
Investments	7,328	13,387
Total current assets	<u>13,345</u>	<u>13,525</u>
Noncurrent Assets		
Deferred charges for issuance cost	1,625	1,686
Capital assets		
Construction in progress	156,952	126,406
Net capital assets	<u>156,952</u>	<u>126,406</u>
Total noncurrent assets	<u>158,577</u>	<u>128,092</u>
Total assets	<u>\$ 171,922</u>	<u>\$ 141,617</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 4,573	\$ 1,927
Accrued interest payable	2,236	2,224
Contracts and retainages payable	2,965	1,938
Revenue bonds payable	2,365	-
Total current liabilities	<u>12,139</u>	<u>6,089</u>
Noncurrent liabilities		
Revenue bonds payable	127,077	129,411
Total noncurrent liabilities	<u>127,077</u>	<u>129,411</u>
Total liabilities	<u>139,216</u>	<u>135,500</u>
Net assets		
Investment in capital assets, net of related debt	32,631	5,983
Unrestricted	75	134
Total net assets	<u>\$ 32,706</u>	<u>\$ 6,117</u>

CITY OF HOUSTON, TEXAS
Houston Area Water Corporation
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2005
(With comparative amounts for 2004)
amounts expressed in thousands

	<u>2005</u>	<u>2004</u>
Operating Revenues		
Water/Sewer Billing	\$ -	\$ -
Total operating revenue	<u>-</u>	<u>-</u>
Operating Expenses		
Administrative costs	<u>77</u>	<u>68</u>
Total operating expenses	<u>77</u>	<u>68</u>
Operating income (loss)	<u>(77)</u>	<u>(68)</u>
Nonoperating revenue (expenses)		
Interest on long-term debt	(92)	(92)
Contributions in	<u>191</u>	<u>116</u>
Total Nonoperating revenues (expenses)	<u>99</u>	<u>24</u>
Income (loss) before contributions and transfers	<u>22</u>	<u>(44)</u>
Operating transfers in - primary government	<u>26,567</u>	<u>6,391</u>
Total transfers	<u>26,567</u>	<u>6,391</u>
Change in net assets	26,589	6,347
Total net assets (deficit), July 1	<u>6,117</u>	<u>(230)</u>
Total net assets, June 30	<u>\$ 32,706</u>	<u>\$ 6,117</u>

CITY OF HOUSTON, TEXAS
Houston Area Water Corporation
Statement of Cash Flows
For the Year Ended June 30, 2005
(With comparative amounts for 2004)
amounts expressed in thousands

	2005	2004
Cash flows from operating activities		
Other expenses	\$ (81)	\$ (64)
Net cash used for operating activities	(81)	(64)
Cash flows from investing activities		
Interest income on investments	241	501
Purchase of investments	-	(2,852)
Proceeds from sale of investments	6,122	34,687
Net cash provided by (used for) investing activities	6,363	32,336
Cash flows from capital and related financing activities		
Interest expense on debt	(5,033)	(4,474)
Advances and deposits on construction	19,139	4,270
Acquisition of property, plant and equipment	(20,388)	(32,068)
Net cash provided by (used for) capital and related financing activities	(6,282)	(32,272)
Net increase (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents, July 1, 2003	-	-
Cash and cash equivalents, June 30	\$ -	\$ -
Non cash transactions		
Amortization expense	\$ 92	\$ 92
Capitalized interest expense	6,469	6,209
Total non cash transactions	\$ 6,561	\$ 6,301
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	\$ (77)	\$ (68)
Accounts payable	(4)	4
Net cash used for operating activities	\$ (81)	\$ (64)