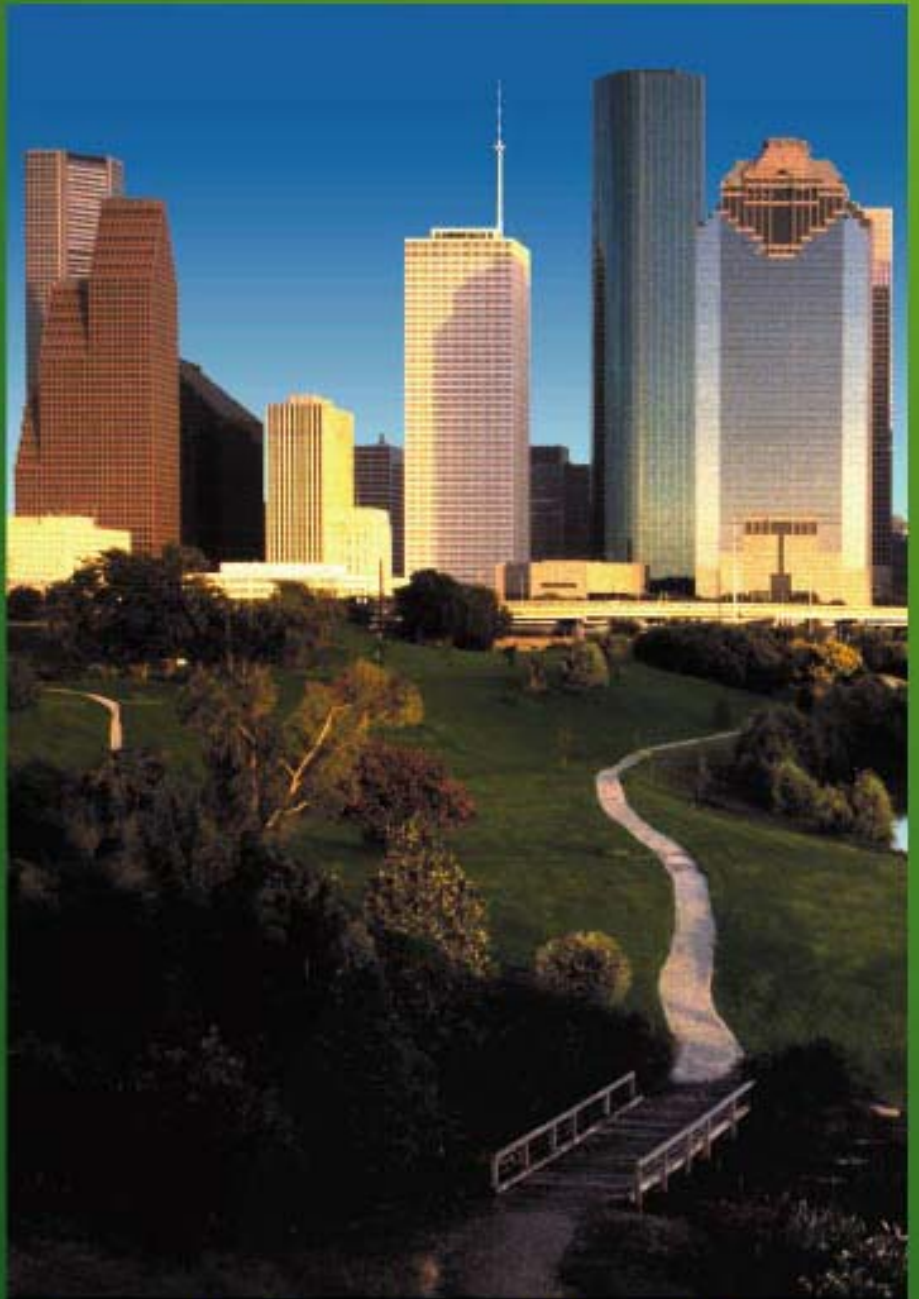


# City of Houston, Texas



**Comprehensive Annual Financial Report  
for the fiscal year ended June 30, 2001**

**Sylvia R. Garcia**  
City Controller



**OFFICE OF THE CITY CONTROLLER 98 YEARS OF HOUSTON HISTORY**



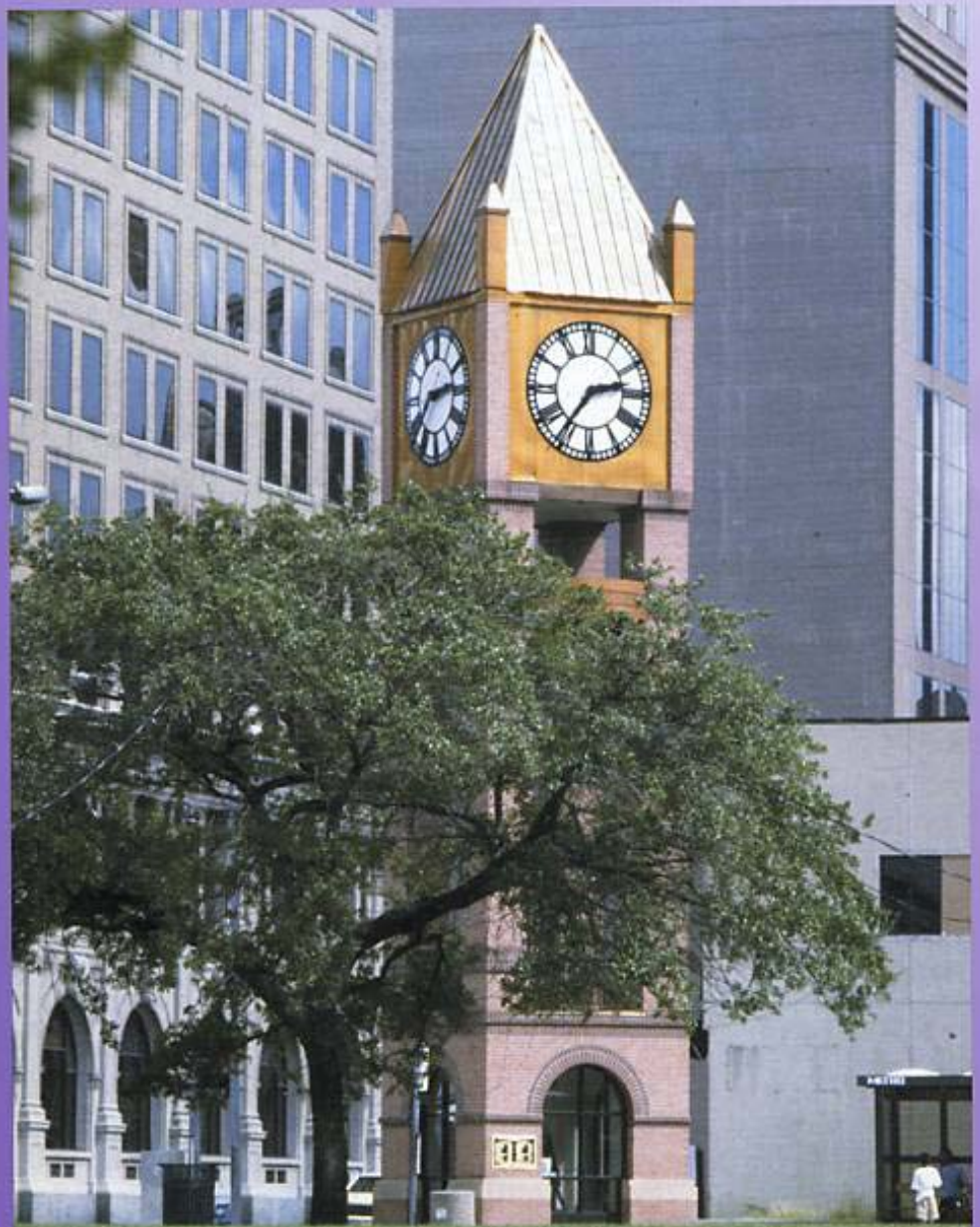
Prepared by:

Sylvia R. Garcia, JD, City Controller

Judy Gray Johnson, CPA, Chief Deputy City Controller

Larry Homan, CPA, Director, Financial Reporting Division





# Time and Time Again

Located in downtown Houston next to Market Square, the restoration of this clock tower helps to preserve Houston's history. Once part of Houston's commercial district, Market Square now features restaurants and entertainment venues in historic buildings and offers public art in a park-like setting.

**CITY OF HOUSTON, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2001**

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## Office of the City Controller

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Houston's City Controller, Sylvia R. Garcia, is the second highest elected official in Houston City government and its chief financial officer, as dictated by the City charter. The Office of the City Controller superintends the fiscal affairs of the City, which includes conducting audits, managing its investment and debt, preparing financial statements and providing leadership on issues pertaining to the City's financial health. She thus serves as an independently elected "financial voice" on issues of importance to the City.

Now ending her second term, Controller Garcia continues to build upon the improvements she established in the Office's audit services, customer services, financial reporting, investment management and technology. By promoting more efficient and effective governmental operations, the Office of the City Controller has identified tens of millions of dollars in potential savings to City government.

Technological upgrades bring office operations a step closer to "paperless" transactions. The pilot project that began in FY2000 is now used by most City departments. This allows direct review of records over the City's computer network. We no longer need to print hard copies of documents and send them through interoffice mail, and this does away with the need for departments to maintain duplicate filing systems. Once implemented across the entire City, it will significantly reduce time to process paperwork as well as the amount of paper used. We conducted the second Internet-based bond sale this year, refining the auction process, and achieving near-record low interest rates. Meanwhile, the "positive pay" check security system continues to capture phony and altered checks, saving the City, in some cases, hundreds of thousands of dollars.

Enhanced audit functions, including more audit personnel on staff, as well as the use of sophisticated computer software, enabled the Office of the City Controller to complete 42 audits in FY2001. The new software helps to manage the audit process and is used for extracting and analyzing financial data. This reinforces the risk-based audit approach by identifying exceptions that indicate an audit may be necessary.

Next year's Comprehensive Annual Financial Report will be the first to reflect the new reporting model required by the Governmental Accounting Standards Board in its Statement 34. The inclusion of new citywide financial statements on the full accrual basis including infrastructure assets and depreciation in addition to individual governmental fund statements presented on the modified accrual basis provides a major challenge for the Controller's Office.

In fiscal year 2001, the City Controller expanded the use of the office as an economic resource for City government and the city as a whole. The image of the Office of the City Controller as a credible, fiscally prudent operation continues to strengthen, and the view of the City Controller as the City's "financial voice" is now well established.

The preparation of the Comprehensive Annual Financial Report (CAFR) requires a concentrated effort by every division of the City Controller's office. The Financial Reporting Division is ultimately responsible for the final product. The CAFR will be available on the City Controller's website, found at [www.cityofhouston.gov/electedofficials/citycontroller.html](http://www.cityofhouston.gov/electedofficials/citycontroller.html)



# SYLVIA R. GARCIA

## HOUSTON CITY CONTROLLER

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**H**ouston City Controller Sylvia R. Garcia is a native of the South Texas farming community of Palito Blanco. She attended Texas Woman's University on a scholarship, graduating with a degree in social work, and received her Doctor of Jurisprudence degree from Thurgood Marshall School of Law at Texas Southern University. The eighth of 10 children, she learned at an early age the value of education and hard work. She also learned to be frugal with a dollar; a lesson which serves her well in the Office of the Controller.

Controller Garcia was sworn in on January 2, 1998 as Controller for the City of Houston. She is the second-highest City elected official and serves as the City's Chief Financial Officer. Prior to her election in November 1997, Controller Garcia served as the appointed Director and Presiding Judge of the Houston Municipal Court System. As Presiding Judge, she was responsible for a multi-million-dollar budget, coordinated a staff of 50 judges, and established the operation and administration policies of the courts. She enjoys the distinction of having served for an unprecedented five terms under two mayors. Controller Garcia believes that maintaining the City's fiscal soundness is serious business and is committed to ensuring that City government operates cost-effectively.

Active in the Houston community, the Controller has served on more than 25 community boards and commissions, including the San Jacinto Girl Scouts, the Houston Hispanic Forum, the American Leadership Forum, the Texas Southern University Foundation and the Institute of Hispanic Culture.

Despite her duties as City Controller, Ms. Garcia has made the time and commitment to be the chairperson or honorary chairperson of numerous charity functions. These include the "1998 Girls Inc. Charity Gala" and the kick-off for "America Walks for Strong Women".

Controller Garcia has been honored by community leaders and the media. In 2001 she was named "Texas Woman to Watch" by the Business and Professional Women of Texas. She has also been named "Humanitarian of the Year" by the National Conference of Communities and Justice and was chosen as one of "Houston's 25 Power People" by Inside Houston magazine. The Houston Press also named her "Politician of the Year."

In 2001 Controller Garcia received the Distinguished Local Government Leadership Award from the national Association of Government Accountants (AGA). Other recent honors include the receipt of the Texas Woman's University Board of Regents Woman of Distinction Award, the Hispanic Scouting Distinguished Citizen Award from the Sam Houston Area Council/Boy Scouts of America and the Board Award from the San Jacinto Girl Scouts.

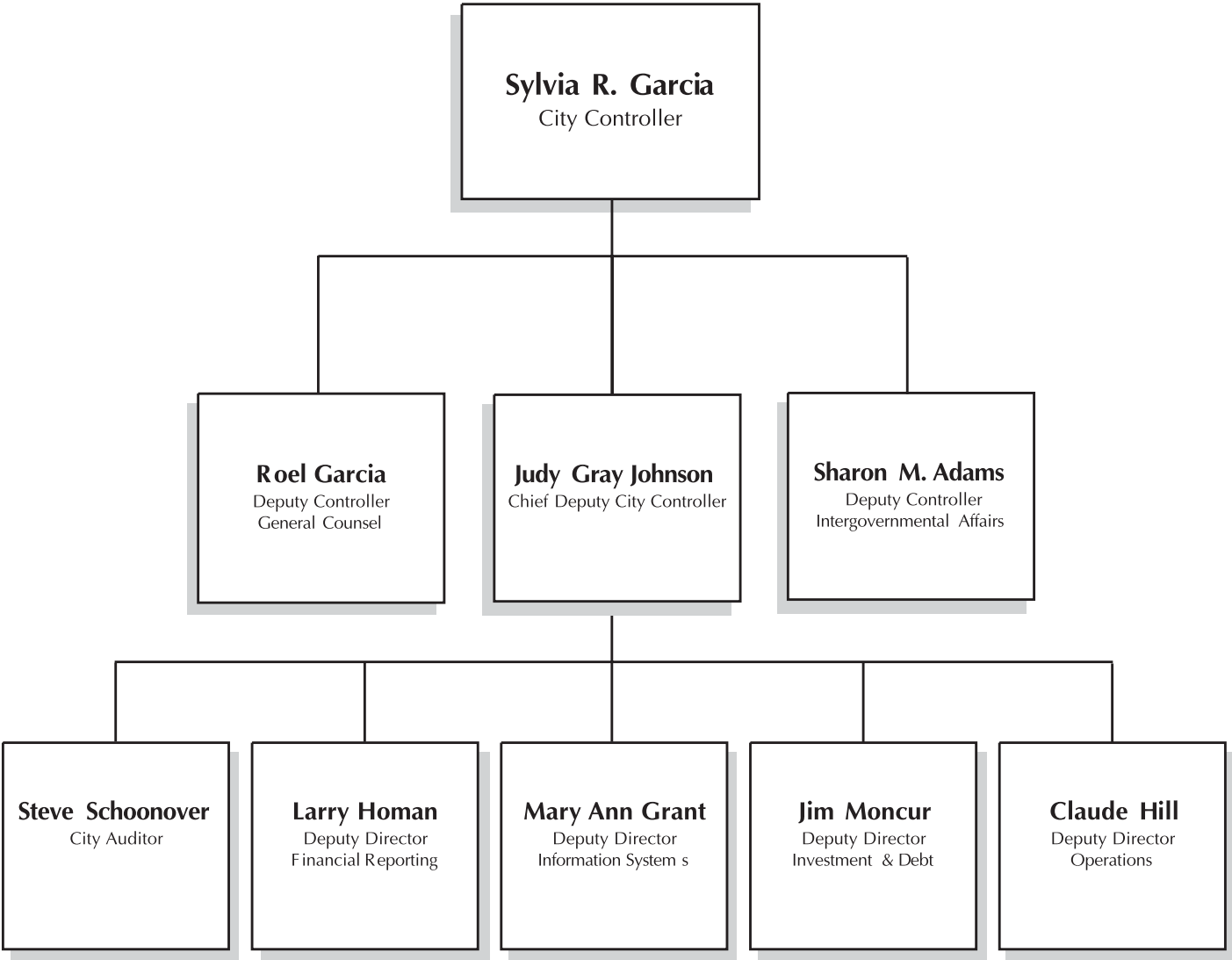
Before joining the City, Controller Garcia worked as an attorney for the Gulf Coast Legal Foundation and served on the City's first Appraisal Review Board. She also served as administrative law judge for the Equal Employment Opportunity Commission and headed her own law firm.





# City of Houston

## The Office of the City Controller





## Elected Officials City of Houston, Texas



**Mayor**  
Lee P. Brown

**City Controller**  
Sylvia R. Garcia

### **Council Members**

Jew Don Boney, Jr., **Mayor Pro-Tem, District D**

John E. Castillo, **Vice Mayor Pro-Tem, District I**

Annise Parker, **Position 1**     Gordon Quan, **Position 2**

Orlando Sanchez, **Position 3**     Chris Bell, **Position 4**     Carroll G. Robinson, **Position 5**

Bruce Tatro, **District A**     Carol M. Galloway, **District B**

Mark Goldberg, **District C**     Rob Todd, **District E**

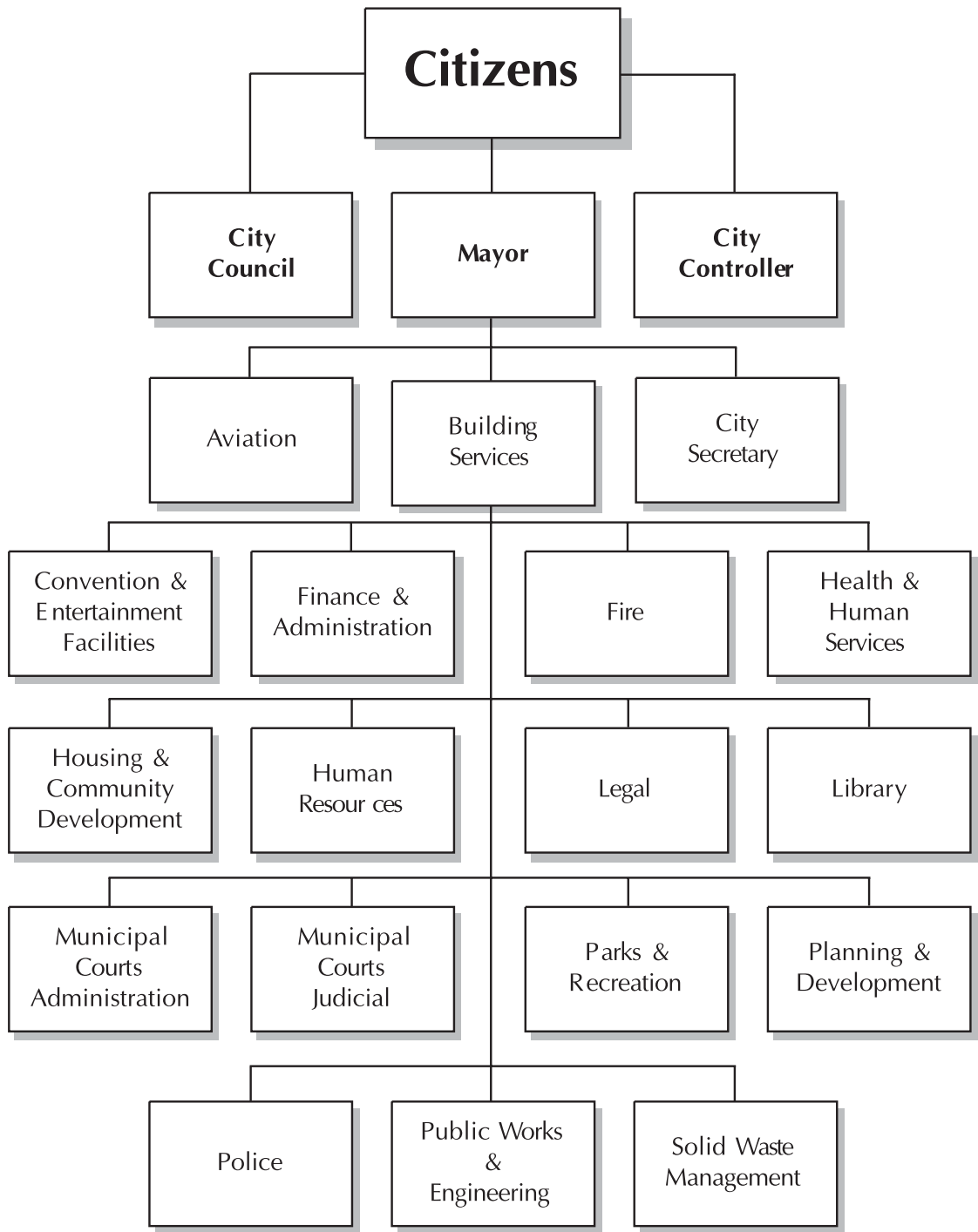
Mark A. Ellis, **District F**     Bert Keller, **District G**     Gabriel Vasquez, **District H**





# Organization Chart

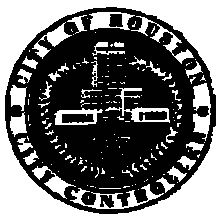
## City Government



CITY OF HOUSTON, TEXAS







**OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS**

November 30, 2001

Honorable Mayor and City Council Members  
Houston, Texas:

I am pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the City of Houston, Texas (City) for the year ended June 30, 2001, including the independent auditors' report. The CAFR was prepared by the City Controller's Office and satisfies my responsibilities under state law. The accuracy of the financial statements together with the completeness and fairness of their presentation are the responsibility of the City's management. The enclosed data is accurate in all material respects and the report has been designed to present fairly the financial position and results of operations of the various fund and account groups of the City in accordance with generally accepted accounting principles (GAAP), as established by the Governmental Accounting Standards Board (GASB).

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, a list of principal City officials, the City's organizational charts for the Office of the City Controller and for Houston's city government, and a copy of the Government Financial Officers Association's Certificate of Achievement for Excellence in Financial Reporting for the City's 2000 CAFR. The financial section includes the general-purpose financial statements, the combining and individual fund financial statements and schedules, as well as the auditors' report on the general purpose financial statements. The statistical section includes selected financial and demographic information generally presented on a multi-year basis.

This Comprehensive Annual Financial Report reflects the financial status of the City of Houston as of June 30, 2001. Since that time, Houston has experienced the effects of a national recession as well as the aftershock of the events of September 11<sup>th</sup>. These factors, combined with a general downturn in certain sectors of the City's economy, may change the financial outlook for Houston.

### **The Reporting Entity and Its Services**

This report includes all funds and account groups of the City as well as those legally separate organizations for which the City is financially accountable. The City's determination of "financial accountability" is in accordance with Statement No. 14 of the Governmental Accounting Standards Board, *The Financial Reporting Entity*.

The City provides a full range of municipal government services to over 1.9 million residents and to an estimated 21 million conventioners and other visitors annually. Municipal services provided include police and fire protection, emergency medical services, pretrial detention services, traffic and municipal courts, water production and distribution, solid waste collection and disposal, sanitary code enforcement, health and human services, building and housing code enforcement, construction and maintenance of streets and certain bridges, traffic signal installation and maintenance, parks and recreation, library, cultural and convention activities, and

operation of three municipal airports, including George Bush Intercontinental, William P. Hobby, and Ellington Field.

The City does not operate hospitals, schools, transportation systems, or higher education systems. Special districts and governmental entities with independent taxing authority administer the public hospitals and public schools within the City.

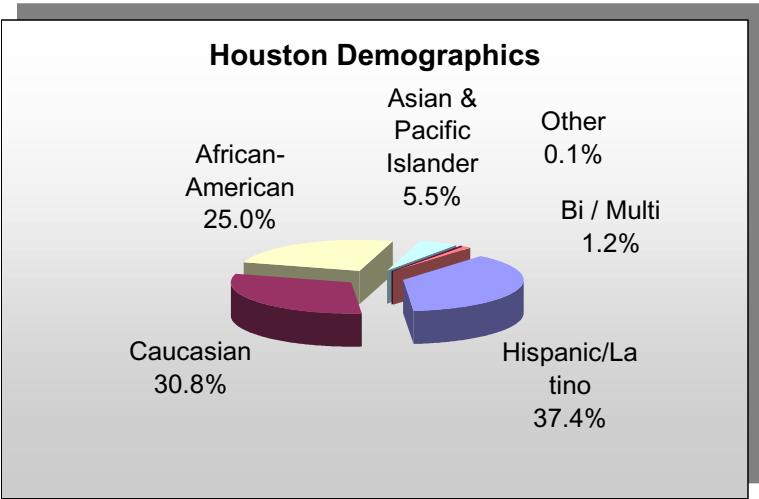
## The Local Economy and Outlook

Houston leads the energy industry with more than one fourth of U.S. crude petroleum and gas extraction jobs located in the metro area, where 48 of the nation's 200 largest extraction/production companies are based. Also, 13 of the world's 20 largest natural gas transmission companies operate headquarters in Houston, and almost half the world's oil and gas field machinery is produced by companies contributing to Houston's economic success. Every major gas exploration and production company operates in Houston.

Houston is well known as the energy capital of the world, but has also attained world-class prominence in other industries due to its tremendous wealth of natural and human resources. A major corporate center, Houston ranks fifth among U.S. metropolitan areas in the number of corporate headquarters of Fortune 500 companies with 21. Cendant Mobility, the world's largest relocation company, recently named Houston the most popular city for relocating employees transferring within the United States. More than half the world's 100 largest non-U.S.-based corporations have operations in Houston. In addition to energy, leading industries include engineering and construction, real estate, aerospace and space commerce, medicine and health care, transportation, biotechnology, computer hardware and software technology, and electronics and telecommunications.

The fourth-largest city in the U.S. and the largest city in Texas, Houston's population exceeds 1.9 million. Seventy-four consular offices, forty foreign chambers of commerce and trade associations and twenty-five foreign-owned banks from eleven nations have helped make Houston both an international and a culturally diverse city. The 2000 Census indicates that the City of Houston is 37.4% Hispanic (includes all races), 30.8%

Caucasian, 25.0% African-American, 5.5% Asian and .1% other and 1.2% bi- or multi-racial.



An exciting development in the Houston area involves the Quality of Life Coalition, which is a group of citizens from the civic, business and environmental communities who are working together to enhance life in Houston. The Coalition works in four main areas: trees and landscaping, parks and bayous, billboards and signage, and litter and graffiti. Houston boasts 17.6 acres of parks for every 1000 people, and the Coalition is working to increase this ratio. Also, Houston's Clean Neighborhood Program, part of Keep Houston Beautiful, is a nationally

acclaimed public-private partnership. All sectors of the community are working together to enhance the beauty of this major urban center, which in turn promotes continued prosperity. Tourism is a growing industry in Houston. During 1998-1999, 41 million people visited the Houston area, of which 62% were leisure travelers and over half visited a cultural or leisure attraction. Foreign travel has grown in Houston as well with over 5.6 million international passengers traveling through Bush Intercontinental Airport in 2000. Houston visitors spend an average of \$102 per day. In 1999, travel generated more than \$147 million in tax revenue for the Houston PMSA, while in 2000 hotel/motel room revenue was more than \$845 million. More than twenty-one million people visit Houston each year. Major attractions include the city's Theater District, the annual Houston Livestock Show and Rodeo, NASA Johnson Space Center and Space Center Houston, sports venues, museums, expansive hotel and convention facilities, and retail centers. Tourism makes up a vibrant portion of the city's revenues, generating a job payroll of over \$2.09 billion or approximately 89,100 jobs.

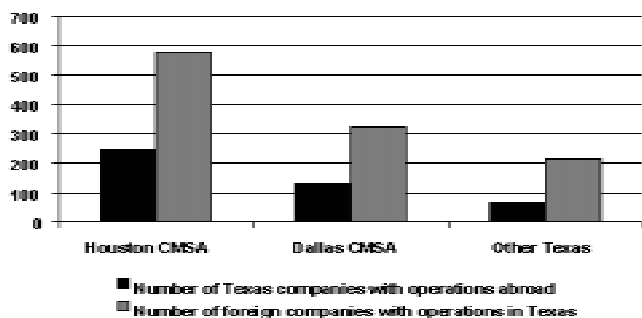
Houston has a highly skilled workforce and well-educated populace with almost 25% of adult Houstonians completing four or more years of college, compared with 20.3% nationally. In surveys conducted nationwide over the past decade, Houston has distinguished itself as a city with a positive attitude.

## Economic Data

- Houston's economy was recently ranked seventh in the U.S. and 30<sup>th</sup> in the world.
- The population of Houston's Primary Metropolitan Statistical Area (PMSA) exceeded 4.6 million as of April 1, 2000 as compared to approximately 3.9 million at July 1, 1998.
- Houston has a very technology oriented workforce, with 60% more technology workers than expected for a city of its size.



## **Multinational Firms in Texas**



Source: Texas Dept. of Economic Development, 1996

Over the past two decades the City has diversified its business base to become a leading international business center. In 1999, over 3,400 Houston companies reported having business activities abroad. Also, more than half of foreign companies with operations in Texas are located in Houston. The North American Free Trade

Agreement (NAFTA) enables Houston to gain prominence as a hub of foreign trade. More than half the world's 100 largest non-U.S.-based companies currently have operations in Houston. The growth of Johnson Space Center and the building of the international space station have made Houston a center for the aerospace industry as well.

Technology is also an important industry in Houston. The Houston Advanced Research Center, a renowned facility, focuses on scientific research and applied technology development. Some 150 companies benefit annually from the Center's research. The energy industry, centered in Houston, also invests heavily in technology and research and development, enhancing technological progress in Houston. In the future, Houston will benefit from the expansion of the bioscience, medical and healthcare industries, as well as the computer and electronics fields. Cutting edge research occurs in the Texas Medical Center, located in Houston, where the first artificial heart implant was completed by Dr. Michael DeBakey in 1966. The Texas Medical Center includes over 42 institutions today and covers 675 acres in Houston. It is where the first and still largest air emergency service was created, and more heart surgeries are performed there than anywhere in the world. The Medical Center also receives over \$350 million annually in funded research. If the Medical Center institutions were considered to be a single entity, it would be the largest employer in Houston with 49,000 employees and the largest medical center in the world with around 3.8 million patient visits annually.

## Outlook

The economic outlook for Houston at this time is unclear. A review of current economic data reveals indicators in different directions. During the fiscal year ended June 30, 2001, while the employment growth rate nationally dropped from 2.5% to zero, the employment growth rate in the Houston area remained above 2%. The Greater Houston Partnership recently predicted that job growth in Houston will be only 0.7% in 2002. On the other hand, the Houston area's existing-home sales in October 2001, propped up by the low mortgage rates, were the highest ever for the month of October, up 2.3 percent from last year. A string of corporate mergers, layoffs and even bankruptcy, involving some of Houston's major corporations, such as Enron Corp., Compaq Computer Corp. and Continental Airlines, also threaten to injure the local economy. It is not possible to estimate the economic impact of the tragic events for September 11, 2001, or the subsequent war on terrorism.

## **Initiatives and Accomplishments**

Houston is a culturally diverse international city, which is focused on the future and committed to enhancing the quality of life for its citizens. Major initiatives implemented by City leaders over the past year will ensure the continued success of Houston in the 21<sup>st</sup> century.

Mayor Lee P. Brown and City Controller Sylvia R. Garcia both took office in January 1998 as the City's top two elected officials.

Mayor Brown's initiatives and accomplishments are a reflection of the five guiding principles that are the foundation of his administration. These are as follows:

- Neighborhood Oriented Government
- Opportunities for Youth



- Transportation and Infrastructure
- Economic Development and International Trade
- Continuous Improvement

City Controller Garcia's initiatives and accomplishments are a reflection of the mission of the City Controller's Office, which is to superintend and supervise the fiscal affairs of the City of Houston and to manage and conduct the same as prescribed by the City Charter and the City Code of Ordinances. The City Controller's Office had several significant accomplishments during fiscal year 2001. Some of these accomplishments and initiatives are as follows:

- Implementation plans began during fiscal year 2001 in order to fulfill Governmental Accounting Standards Board Statement No. 34 Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments (GASB 34) requirements. GASB requires the City of Houston implementation for the fiscal year ending June 30, 2002, which began on July 1, 2001. This new reporting model introduces government-wide financial statements and will include for the first time a required management discussion and analysis (MD&A) that gives readers an objective and easily readable analysis of the government's financial performance for the year.
- The City Controller's Office has implemented a project to increase the imaging capabilities of the City's computer network. The project allows City department personnel to directly retrieve records over the network that otherwise would require the Controller's Office to produce a hardcopy and send it to the requestor. Most of the departments are now using the new system. Once implemented across the entire City, it could significantly reduce time to process paperwork as well as the amount of paper used.
- The Controller's Office web site has been expanded, with up to date information including copies of audit reports, quarterly investment reports, the Comprehensive Annual Financial Report, monthly financial reports and other useful information.
- In June, the City Controller's recommendation for a Rainy Day Fund was approved by Council effective FY2002. Our office has long advocated for the creation of such a fund to help the City prepare for unanticipated expenditures during slower economic times. The fund is an important component of the fiscally prudent course of action proposed by the Office of the City Controller since 1998.

## **Throughout the City**

The tragedy of September 11 superseded all other national events in 2001, and the aftereffects will undoubtedly impact the City of Houston in as yet undetermined ways. Earlier in the year, however, Houston experienced its own tragedy when the most devastating tropical storm in the nations' history. Tropical Storm Allison struck the area in the early hours of the morning on June 9<sup>th</sup>. Over 60,000 homes and businesses were damaged, and 22 people lost their lives. The cleanup has been completed, as well as repairs to many of the buildings. FEMA has paid over \$500 million to flood victims in the area. The Houston area is on the road to recovery from this disaster.

In spite of recent flooding, exciting changes are occurring throughout the Houston area. Downtown Houston is alive with major revitalization efforts. Bayou Place, a 155,000 square-foot

retail and entertainment complex including a multi-plex cinema, a concert performance hall, trendy restaurants and other venues, is alive and thriving on evenings and weekends. Bayou Place Phase II, a 40,000+ square-foot expansion, has been completed and is now leasing. Construction is underway on the Hobby Center for the Performing Arts, the future home of Theater Under the Stars and the Humphreys School of Musical Theatre. Scheduled to open in 2002, the \$75 million facility will have two stages with seating capacity for 2,650 and 500 attendees, respectively.

Across the street in City Hall, the Greater Houston Convention and Visitors Bureau operates a visually appealing Visitor Center. It features area guides and brochures, video kiosks, a theater, and state of the art touch screen computers to guide visitors through accommodations, dining, and other attractions in the city and surrounding area.

Houston will greatly increase its capacity to host large conventions with the completion of the new Hilton convention center headquarters hotel and expanded George R. Brown Convention Center. Both the hotel, with 1,200 rooms and 70,000 square feet of meeting space including two ballrooms, and the convention center expansion are currently underway and designed with expected openings in 2003. The most exciting news, however, is the Instrumentation Systems and Automation Society's plan to hold its annual exposition, expected to draw 35,000 in international attendance, in the new convention center and hotel complex in 2006.

One of the most eagerly anticipated downtown undertakings is Cotswold 2000, a landscape, streetscape, and parking beautification project nearing completion that will add new streetlights and fountains through downtown Houston. The project is expected to dramatically improve the aesthetics and the pedestrian character over 90 city blocks, including Market Square. Cotswold 2000 planners anticipate that upon completion at the end of 2002, the project will become a focal point for entertainment and commerce, making downtown Houston a more beautiful place to live and work.

The City of Houston is embarking on another beautification project involving Buffalo Bayou. Traversing the city limits and downtown area, the Bayou will become a scenic link for the city. Beautification efforts include a master plan and study as well as landscaping and the placement of public art, decorative lighting, and park benches as well as other amenities.

Enron Field, the home of the Houston Astros baseball team, opened on March 30, 2000. The \$250 million stadium officially seats 40,950 and attracted over 3 million fans in the 2000 season and over 2.9 million fans in the 2001 season. Additionally, the new yet to be named Downtown Arena, future home of the Houston Rockets NBA basketball team and the Houston Comets WNBA women's team, is also to be built nearby the Brown Convention Center, with completion in 2003. The Reliant Stadium will open for the start of the 2002 professional football season and serve as the home to the new Houston Texans NFL team.

Home to many professional sports teams, Houston has been a major player in the national and international sports scene for many years. This year was no exception. The four-time world champion Houston Comets continue to dominate the Women's National Basketball Association. The Houston Astros have won the National League's Central Division Championship four of the past five seasons. The City also hosted the Texaco/Havoline Grand Prix through the streets of downtown. This year is the fourth year of a six-year contract between the City and Championship Auto Racing Teams (CART). Estimated economic impact to the City each year is between \$25 and \$30 million, the equivalent of a major political party national convention.

Along with professional sports, Houston is home to a college football bowl game, held in the Reliant Astrodome. For the first time ever, on the day after Christmas this past year, the GalleryFurniture.com Bowl hosted teams from the Big 12 Conference and Conference USA.

The National Football League (NFL) is back in Houston. The NFL recently awarded Houston a franchise, the Houston Texans. The Texans will begin play in 2002 in the new \$310 million Reliant Stadium under construction next to the Reliant Astrodome. This stadium will be the home of the new team, as well as the Houston Livestock Show and Rodeo. Additionally, Houston will host the 2004 Super Bowl and the 2004 All Star Game.

The Metropolitan Transit Authority of Harris County (METRO) serves 1,281 square miles and operates more than 1,400 buses. METRO operates five HOV lanes, the largest barrier-separated system in the world. Looking ahead at mobility issues in the future, METRO has adopted the 2025 Transit System Plan for Mobility, which approves future implementation of new bus services and facilities and studies for advanced high capacity transit on nine regional corridors. METRO's downtown trolleys serve to reduce lunchtime traffic activity. In March 2001, METRO broke ground on a light rail system for the 7.5-mile Downtown-to-Reliant Park Corridor. The \$272 million light rail system -- which will traverse the Downtown employment center, colleges and universities, the Theater District, the Texas Medical Center, Hermann Park and the Zoo, the Museum District and Reliant Park-- will be complete by the year 2004. Powered electrically by overhead wires, the cars can reach speeds up to 66 mph if the line is extended. The system will operate two car trains each able to carry over 200 people. In addition to METRO's downtown revitalization efforts, its Millennium Mobility Plan also includes more than \$1 billion for street construction throughout the region for the next 10 years, \$1 billion for upgraded bus service, and more than \$144 million in transit access improvements to the reconstructed Katy Freeway.

A new aquatic entertainment and dining complex will be opening in downtown Houston in the future. Landry's Restaurants recently signed an agreement with the City to redevelop two city owned downtown landmarks into a unique five-acre entertainment and dining complex. Fire Station Number 1 and the historic Central Water Works Plant will be transformed into a public aquarium with 200 species of domestic and international marine life, a 400-seat seafood restaurant, a 6,000 square-foot ballroom, a casual café, a lounge, a plaza with dancing fountains, and many amusements including an aquatic 90-foot Ferris wheel and a gas powered train.

The Museum of Fine Arts, Houston (MFAH) celebrated the opening of the Audrey Jones Beck Building on March 25, 2000. The Beck Building more than doubles the museum's galleries for the display of its permanent collection and special exhibitions, and catapults the museum from the 13<sup>th</sup> to the 6<sup>th</sup> largest art museum in the nation in terms of exhibition space. Simultaneously, in the Caroline Wiess Law Building, newly designed installations showcase African gold and the art of sub-Saharan Africa, stunning examples of Asian, Oceanic, Native American and Pre-Columbian art, and masterworks of contemporary art. With over half a million in attendance annually, the Children's Museum boasts the highest attendance for a youth museum of its size in the country. The Holocaust Museum Houston Education Center and Memorial, offering free admission and open seven days a week, offers exhibitions, galleries, a library, and the Eric Alexander Garden of Hope. Founded in 1909, the Houston Museum of Natural Science ranks as the fourth most highly attended museum in the nation and the most highly attended attraction in Texas with over 2 million visitors annually. The Museum of Contemporary Art has also enhanced Houston's museum district since 1948. The Museum of Health and Medical Science, the newest addition to Houston's vibrant and engaging Museum District, currently serves over 150,000 visitors annually.

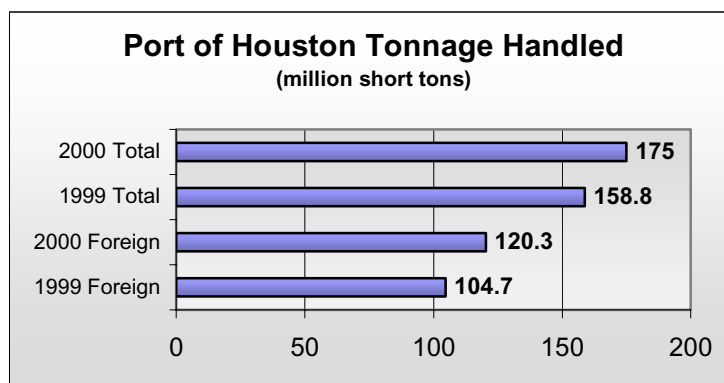
Houston is a center for cultural and performing arts with a 17-block theater district, second only in seating area to New York's Broadway, attracting over two million people annually. The Theater District, located in Downtown Houston, is home to the Tony Award-winning Alley Theatre in addition to seven other world class theaters for the performing arts. The Houston Symphony, one of the nation's oldest performing arts ensembles, recently celebrated its 85<sup>th</sup> season. The Symphony continues to perform in over 200 concerts a year, traveling around the U.S. and abroad. Houston Ballet is the nation's fifth largest dance company while the Houston Grand Opera is the nation's fifth largest opera company. The opening of the Hobby Center for the Performing Arts in Fall 2002 will further enhance the already impressive Theater District in downtown Houston.

The aerospace industry continues to be a large influence in the area. NASA/Johnson Space Center (NASA/JSC) and its contractors, including United Space Alliance, Lockheed Martin, and Boeing, continue to contribute to Houston in many ways. Receiving almost one third of NASA's money, the Johnson Space Center contributes approximately \$2 billion to the local area economy. NASA/JSC research and development grants provide \$18.6 million to universities located within Houston. Also, NASA/JSC is constantly developing new technologies, which frequently evolve into spin-off products, and medical advances such as nanotechnology, plasma propulsion, and a new drug delivery system.

Houston has a growing tourism industry. Space Center Houston, the official visitor's center for NASA/JSC, continues to be a popular attraction, especially now with the Johnson Space Center's role in oversight of the creation of the international space station. The fledgling cruise industry is expected to grow with the planned construction of the Bayport Terminal at the Port of Houston, which will include a cruise terminal on the easternmost portion of the development. Currently, the cruise industry generates approximately \$40 million in revenue annually for the area. With the large and expanding airport system, and easy access to both the Caribbean and Mexico, Houston is a prime location for growth of the travel and tourism industry.

In order to keep pace with Houston's growth, the Houston Airport System is taking on a massive expansion of Houston airport facilities estimated to cost \$2.1 billion. These improvements to what is already the world's 6<sup>th</sup> largest multi-airport system will be accomplished at no expense to the taxpayer. Both Bush IAH and Houston Hobby airports are slated for extensive improvements. Bush is currently building new parking facilities and is preparing to build two new runways, terminal expansions, and other improvements to help prepare Houston for future growth. Hobby will receive runway improvements and upgrades along with a terminal rebuild to benefit travelers and make the airport more efficient. Ellington Field also is marked for runway improvements and cargo hangers.

The Port of Houston, ranked second in total tonnage in the nation and eighth in the world, has been and continues to be one of the primary catalysts for the future strength and development of not only Harris County, but all of southeast Texas. The Port is a large and diverse economic entity of private and public terminals, both of which contribute \$7.7 billion annually





to the region's economy. Nearly 205,000 jobs depend on cargo moving along the Houston Ship Channel. As the nation's leading port in foreign cargo, the Port of Houston's prominence helps to solidify Houston's status as an international city. The Port's productive growth in container traffic has prompted the Port Authority Commission to plan for the development of a new container terminal in southeast Harris County, the Bayport Terminal Project. The project will provide 28,580 jobs, road improvements, and environmental enhancements, as well as expanding the capacity of the Port for future growth. In the end, phases one and two of the project should have a total economic impact of \$633 million for the Houston area.

Houston also holds on strong to its Texas culture while maintaining its national and international economic dominance. Besides being an annual stop for the Professional Bull Riders circuit, the Houston Livestock Show and Rodeo (HLSR) brings together the City of Houston each year in a festival celebrating our regional culture. The Houston Livestock Show and Rodeo not only helps to keep Texas traditions and culture a part of Houston, it gives back to the community. HLSR generates a direct economic impact of over \$70 million annually and works hard to support children and education in Houston and Texas. The show attracted visitors from 44 foreign countries in 2001, and general attendance was 1.3 million. This year, as HLSR continues to grow, it gave almost \$3 million in college scholarships to Houston area youth, along with other scholarships and educational programs for students throughout Texas.

Houston is a finalist in yet another first as host to the 2012 Olympic Games. The effort is spearheaded by the Houston 2012 Foundation, a non-profit organization created for the purpose of bidding to become the U.S. Candidate City for the Olympic Games of the XXX Olympiad in the year 2012. The Foundation's efforts are aimed at securing public and private sector support and resources to promote elite amateur sporting events, such as the World Amateur Boxing Championship and the Camino Real Equestrian Events. In addition, the Foundation supports and/or participates in various educational and cultural events throughout the greater Houston area.

Communities throughout Houston continue to flourish. In an effort to improve long-neglected areas near downtown, the City is supporting a multi-million dollar redevelopment of an eighty-block section of the Fourth Ward historical area. Redevelopment will include infrastructure improvements and the construction of several hundred new homes. Growth continues in the Clear Lake area with construction of new businesses around Baybrook Mall, the area's 1.1 million square foot shopping center.

## **Financial Information**

### **Accounting System and Budgetary Control**

The Mayor serves as the Chief Executive of the City. The City Controller is the second highest elected official within City government and serves as the City's Chief Financial Officer. The legislative body of the City is the City Council, which consists of nine district members and five at-large members. The Mayor, City Controller, and Council Members are limited to three two-year elected terms.

The accounting system of the City is organized and operated on the basis of funds and account groups, each of which is in a separate set of self-balancing accounts which comprise each fund's assets, liabilities, fund balance, revenues and expenses. The accounting and financial reporting policies of the City included in this report conform to GAAP and reporting standards as promulgated by GASB, the American Institute of Certified Public Accountants (AICPA) and

other appropriate sources. The financial statements of the General, Special Revenue, Debt Service, Capital Projects, and Expendable Trust Funds are prepared on the modified accrual basis of accounting, whereby revenues are recorded when they become both measurable and available to finance expenditures of the current period. Expenditures are generally recorded when goods or services are received and actual liabilities are incurred and become payable with expendable available financial resources. The financial statements of the Enterprise, Internal Service, and the Fiduciary Pension, Trust and Agency Funds are prepared on the accrual basis of accounting whereby revenues/additions are recorded at the time they are earned and expenses/deductions are recorded when liabilities are incurred. Encumbrance accounting, under which purchase orders, contracts, approved requisitions and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation. Outstanding encumbrances lapse at year-end. Open encumbrances are then reestablished in the succeeding fiscal year against that fiscal year's appropriations. Encumbrances do not constitute expenditures or liabilities.

The City's management is responsible for establishing and maintaining a system of internal controls designed to provide reasonable, but not absolute assurance, that the assets of the City are protected from loss, theft, or misuse and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management.

As a part of its internal control structure the City is required to adopt a balanced budget each year. Based upon recommendations by the Mayor, City Council adopts an annual budget for the General Fund, Debt Service Fund, and Special Revenue Funds. Exceptions are the Grant Revenue, Disaster Recovery, Health Special and Housing Special Revenue Funds, for which City Council adopts separate operating or program budgets throughout the year. Also, based upon the Mayor's recommendations, City Council adopts an annual budget for maintenance and operating expenses, excluding depreciation, debt service, and other capital costs of the proprietary funds, except for the Sports Arena, which is managed under a long-term contract. The City Council also appropriates available resources to authorize expenditures pursuant to those budgets. The City does not budget Capital Projects and other expenditures annually. Instead, City Council authorizes these expenditures through individual appropriation ordinances. No City expenditures may be made without a duly adopted ordinance. City Council can legally appropriate only those amounts of money that the City Controller has previously certified.

Although the legal level of budgetary control is the departmental level within a fund, the City maintains internal budgetary control at the expenditure category (i.e., Personnel Services, Supplies, Other Services and Capital Outlay). Budget control is primarily managed using an automated encumbrance and accounts payable system.

The City is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act, the U. S. Office of Management and Budget Circular A-133, "Audits of State, Local Governments and Non-profit Organizations," and the State of Texas Single Audit Circular. These audits are conducted simultaneously with the City's annual financial statement audit. Information related to these Single Audits, including the schedules of financial assistance, findings and recommendations, and auditors' reports on the internal control structure and compliance with applicable laws and regulations is included in separate Single Audit Reports.

## General Government Functions

### General Government Revenues

Following is a table of General, Special Revenue, Debt Service, and Capital Projects Funds revenues for fiscal years ended June 30, 2001 and 2000. Revenues increased \$123 million or 8.7% from the \$1.4 billion generated in 2000 to \$1.5 billion in 2001. The General Fund accounts for all revenues and expenditures, which are not restricted, and therefore accounted for, in another fund. Special Revenue Funds account for the proceeds of specific revenues sources other than expendable and nonexpendable trust and capital projects that are restricted to expenditures for special purposes. The Debt Service Fund is used to account for all principal and interest payments on long-term debt other than that issued and serviced by Enterprise Funds. The Capital Projects Fund accounts for all resources used for the acquisition and or construction of capital facilities except those financed by Enterprise Funds. The following table presents a summary of revenues by major sources of these funds. The amount and percentage of revenue increases and decreases from fiscal year 2001 to fiscal year 2000 are also shown.

#### General Government Revenue by Sources (in thousands)

<b>Revenue by Source</b>	<b>FY 2001 Amount</b>	<b>% of Total</b>	<b>FY 2000 Amount</b>	<b>Increase (Decrease) From FY 2000</b>	<b>% Increase (Decrease) From FY 2000</b>
General property taxes	\$ 572,432	37.1%	\$542,777	\$29,655	5.46%
Sales tax	329,705	21.4%	313,864	15,841	5.05%
Franchise fees	175,758	11.4%	147,349	28,409	19.28%
Other taxes	7,376	0.5%	6,740	636	9.44%
Interfund billings	56,283	3.6%	55,450	833	1.50%
Fines and forfeits	43,035	2.8%	43,977	(942)	-2.14%
Licenses and permits	31,606	2.0%	30,621	985	3.22%
Charges for services	71,881	4.7%	70,680	1,201	1.70%
Investment income	28,495	1.8%	16,692	11,803	70.71%
Industrial assessments	16,906	1.1%	17,614	(708)	-4.02%
Miscellaneous	34,880	2.3%	21,085	13,795	65.43%
Intergovernmental -- grants	175,769	11.4%	153,804	21,965	14.28%
Contributions	-	0.0%	154	(154)	-100.00%
<b>Total</b>	<b>\$1,544,126</b>	<b>100.0%</b>	<b>\$1,420,807</b>	<b>\$123,319</b>	<b>8.68%</b>

The overall increase of 8.7%, from \$1.4 billion in fiscal year 2000 to \$1.5 billion in fiscal year 2001 is due to the general overall positive economic conditions experienced locally through June 30, 2001. The increase in taxable assessed value from \$80,691,551 in 2000 to \$87,683,188 in 2001, due in part to completion of new residential and commercial projects along with significant increases in property values, resulted in property taxes increasing by 5.5%. Sales tax revenues increased 5% over fiscal year 2000, due to the continued strong local economic conditions. Additionally, franchise fees increased by \$28.4 million due to an increase in the price of natural

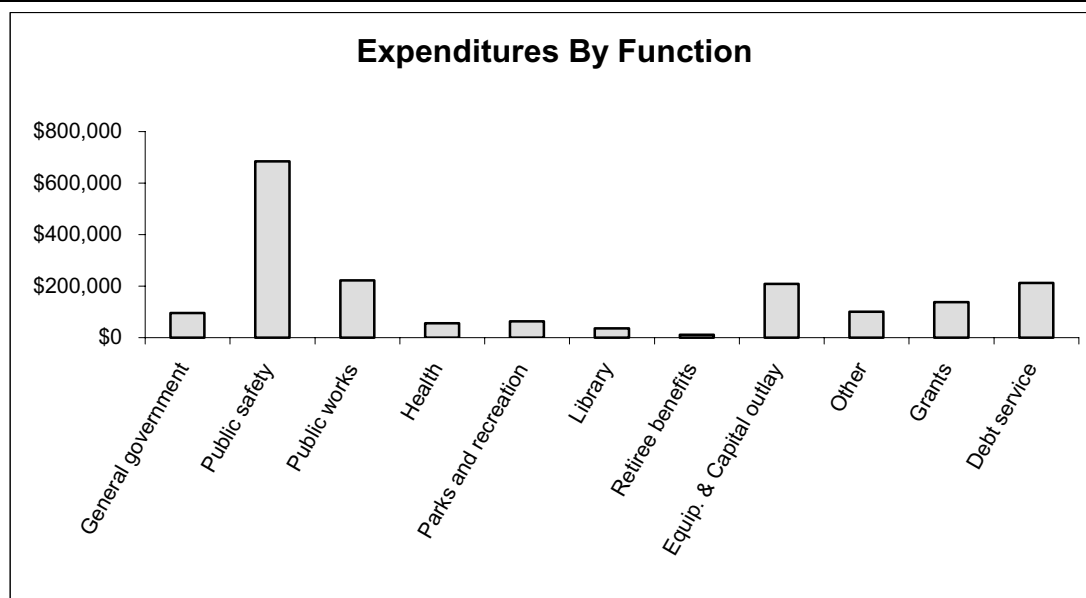
gas resulting in increases for both gas and electric franchise fees. Primarily because of unrealized appreciation in fair value from cost, investment income increased by \$12 million. Miscellaneous revenue increased by \$14 million primarily due to insurance proceeds received in connection with Tropical Storm Allison. Intergovernmental Grant revenues increased \$22 million as a result of additional grants being applied for, mainly related to Police.

## Expenditures by Function

The following table presents expenditures for major functions compared to the preceding year:

### General Government Expenditures by Major Functions (in thousands)

Function	2001	% of Total	2000	Increase (Decrease)	% Increase (Decrease)
General government	\$95,279	5.21%	\$96,111	(\$832)	-0.87%
Public safety	684,644	37.46%	672,737	11,907	1.77%
Public works	221,757	12.13%	219,300	2,457	1.12%
Health	55,857	3.06%	56,547	(690)	-1.22%
Parks and recreation	62,742	3.43%	61,778	964	1.56%
Library	36,240	1.98%	35,758	482	1.35%
Retiree benefits	11,675	0.64%	9,597	2,078	21.65%
Equip. & Capital outlay	209,068	11.44%	188,429	20,639	10.95%
Other	100,772	5.51%	35,089	65,683	187.19%
Grants	137,767	7.54%	111,158	26,609	23.94%
Debt service	212,066	11.60%	198,656	13,410	6.75%
<b>Total</b>	<b>\$1,827,867</b>	<b>100.00%</b>	<b>\$1,685,160</b>	<b>\$142,707</b>	<b>8.47%</b>



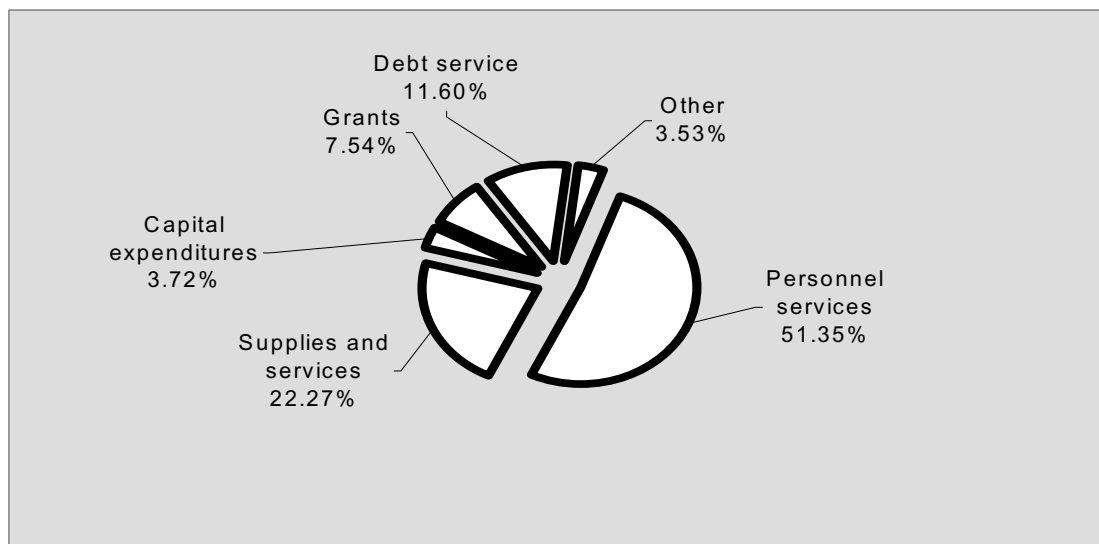
Expenditures of the General, Special Revenue, Debt Service and Capital Projects Funds increased 8.5% to \$1.8 billion in fiscal year 2001 from \$1.7 billion in fiscal year 2000. Public Safety expenditures increased \$12 million due to compensation increases in both the Police and Fire Departments. The capital outlay increase of \$21 million is primarily due to the purchase of a building by a special revenue fund and upgraded or new systems in the general government computer systems. Other expenditures increase by \$66 million because of the cost of cleanup after Tropical Storm Allison. Grant expenditures increased principally due to the cost associated with the increased Police grants received. The \$13 million increase in debt service reflects the additional payments associated with the net increase in General Obligation Debt of approximately \$38.2 million.

## Expenditures by Category

These same expenditures are reflected by category in the following table:

### General Government Expenditures by Category (in thousands)

Category	FY 2001 Amount	% of Total	FY 2000 Amount	Increase (Decrease) From FY 2000	% Increase (Decrease) From FY 2000
Personnel services	\$ 938,566	51.35%	\$ 928,513	\$10,053	1.08%
Supplies and services	407,111	22.27%	388,516	18,595	4.79%
Capital expenditures	67,919	3.72%	56,781	11,138	19.62%
Grants	137,767	7.54%	111,158	26,609	23.94%
Debt service	212,066	11.60%	198,656	13,410	6.75%
Other	64,438	3.53%	1,536	62,902	4095%
Total	\$ 1,827,867	100.00%	\$1,685,160	\$142,707	8.47%





## **General Government Fund Balances**

The fund balance of the General Fund increased \$7.4 million during fiscal year 2001 to \$91 million, which represents 6.9% of total expenditures and operating transfers out.

The Special Revenue Funds fund balances decreased \$6.7 million to \$31.1 million in fiscal year 2001, down from \$37.8 million at the end of fiscal year 2000. The largest changes occurred in the Building Inspection Fund (down \$2.8 million) and the Street Maintenance and Traffic Control Fund (down \$4.6 million). The Fire Prevention Special Revenue, the Industrial Fire Training, the Street Maintenance and Traffic Control Fund, and the Sign Abatement and Community Beautification funds were closed and fund balances transferred to the General Fund at year-end.

The fund balance in the Debt Service Fund does not result from operations but from scheduled inter-fund transfers in anticipation of debt service payments. The fund balance at June 30, 2001, was \$89.6 million. This amount will cover the first seven months of principal and interest payments due in fiscal year 2002 on tax-supported debt.

The City maintains Capital Projects Funds to account for general government capital improvements funded primarily by general obligation bond proceeds. In fiscal year 2001, the City issued commercial paper and certificates of obligation for construction in the amount of \$112 million and spent \$150.6 million on general improvements, including \$63.2 million for streets and bridges. At June 30, 2001, \$57.9 million remained in the Capital Projects Fund for future capital improvements.

## **Proprietary Fund Types**

### **Enterprise Funds**

These funds 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. The Airport System Fund accounts for operations of the City's airports, George Bush Intercontinental, William P. Hobby and Ellington Field. The Sports Arena Fund accounts for the City's interest in the Compaq Center, a multi-purpose sports arena leased to an independent operator. The Convention & Entertainment Facilities Fund accounts for operations of the City's entertainment centers, including the George R. Brown Convention Center, the Wortham Theater, Bayou Place, and City-owned parking garages. The Water and Sewer System Fund accounts for the production and transmission of water, and the treatment of wastewater in the Houston area. Following is certain comparative data on the enterprise funds.

### **Airport System Fund - Comparative Data (in thousands)**

	FY 2001	FY 2000	% Change Increase (Decrease)
Total revenues	\$235,250	\$218,911	7.5%
Operating income (loss)	47,170	49,303	-4.3%
Net revenues available for debt service	112,656	105,469	6.8%
Debt service requirement	50,027	38,455	30.1%
Revenue bond coverage (net revenues available for debt service divided by annual debt service)	X 2.25	X 2.74	-17.9%
Net cash flows from operating activities	\$95,214	\$93,306	2.0%

Most of the positive increases resulted from increased passenger activity and revenue from increased concession activity. The Airport System's current liabilities arising from operations and its two-month maintenance and operating reserve are fully funded with cash and investments.

### **Sports Arena**

The Sports Arena Fund accounts for certain net lease revenues from the City's interest in the Compaq Center, a 16,729-seat multi-purpose sports facility. Construction of the facility was financed primarily by conduit debt consisting of first mortgage revenue bonds guaranteed by the operating company. Under the lease agreement, the operator is responsible for the operations of the facility and for principal and interest payments on the bonds. This agreement is for the life of the bonds and does not require any cash contributions from the City. The bonds will be entirely repaid by fiscal year 2004.

### **Convention & Entertainment Facilities Fund – Comparative Data (in thousands)**

	FY 2001	FY 2000	% Change Increase (Decrease)
Total revenues	\$73,619	\$63,160	16.56%
Operating income (loss)	(9,218)	(9,735)	-5.31%
Hotel occupancy tax (non-operating Revenue)	46,123	42,550	8.40%
Net cash flows from operating activities	(\$1,154)	(\$11,680)	-90%

The operating loss does not include non-operating hotel tax revenues, which increased from \$42.5 to \$46.1 million or 8.4%. Cash flows from operating activities increased principally as a result of timing differences in the flow of funds to a component unit.

## Water and Sewer System Fund – Comparative Data (in thousands)

	<u>FY 2001</u>	<u>FY 2000</u>	<u>% Change Increase (Decrease)</u>
Total revenues	\$626,717	\$616,698	1.62%
Operating income (loss)	41,730	124,934	-66.60%
Net revenues available for debt service	324,892	347,166	-6.42%
Debt service requirement	218,978	212,151	3.22%
Revenue bond coverage (net revenues available for debt service divided by annual debt service)	X 1.48	X 1.64	-9.76%
Net cash flows from operating activities	\$323,281	\$346,543	-6.71%

The System's current liabilities arising from operations are fully funded, and its one-month maintenance and operating reserve is fully funded with cash and investments. Revenues decreased primarily due to record rainfall during the fiscal year, and maintenance and operating cost increased primarily due to higher utility cost and excessive water line breaks during the summer months of 2000.

## Fiduciary Fund Types

### Pension Trust Funds

The Houston Firefighter's Relief and Retirement Fund reports an actuarial accrued liability of \$1.6 billion. Of this, \$137 million is over funded based on the actuarial value of assets to \$ 67.9 million over funded in the previous year. The Houston Municipal Employees Pension Plan reports an actuarial accrued liability of \$1.5 billion. Of that, \$133.4 million is unfunded based on the actuarial value of assets compared to \$117.7 million unfunded in the previous year. As of July 1999, the Houston Police Officers Pension Plan reports an actuarial accrued liability of \$1.7 billion. Of that, \$27.5 million is unfunded based on the actuarial value of assets, compared to \$31.3 million unfunded in the previous year. The Board of Trustees has not adopted an actuarial valuation report subsequent to July 1999. The City's contributions to the pension plans are actuarially determined; the result is contribution rates that, over time, remain level as a percent of payroll.

## Risk Management

The City purchases commercial property insurance covering city buildings and contents, including abandoned/vacant facilities and leased locations, business interruption/extra expense coverage for the Aviation and Convention and Entertainment Departments. The City also purchases boiler and machinery insurance to provide coverage for loss caused by mechanical or electrical equipment breakdown, including damage to the equipment, damage to other property of the insured, and damage to property of others. The City is self-insured for its employee health benefit plan, long term disability plan, workers' compensation and third-party liability claims.

## **Employee Health and Long-Term Disability Benefits**

The City accounts for its health care and long-term disability plans in internal service funds with full accrual accounting. As of June 30, 2001, these funds were substantially funded for both reported claims and those that were incurred and not yet reported. The new health contract is in effect from May 2001 through April 2004, with two one-year options. Because under the prior contract increases were capped at the CPI, costs increased significantly. The recommended delivery system and plan design modifications in the first contract year allow the City of Houston to keep cost down to an increase of 28% over the prior 12-month amount. Plan costs in subsequent years are capped at 15% each of years two and three and 20-25% in each of the two option years. The actual rate of increase in the option years is based on a prescribed formula associated with actual cost increases.

## **Workers' Compensation**

The City's workers' compensation program is self-insured. All indemnity medical and expense payments are funded by charge-backs to the operating departments. Costs are funded as payments are made. At June 30, 2001, the unfunded long-term liability for incurred claim costs of the governmental funds was \$39.2 million, compared to \$33.4 million at June 30, 2000. Total liability for all funds increased to \$49.5 million, compared to \$43.7 million last year. Claims costs attributable to the City's enterprise funds are fully funded. Claims paid for the entire workforce were \$22.2 million. The City uses a third party administrator for claims processing and payment services to provide statutory benefits to its employees.

## **Debt Administration**

The City continues to issue commercial paper during the construction period for most its capital improvement programs. The commercial paper program remains the most efficient and cost-effective method of initially financing new capital projects until permanent financing is arranged. The program has also helped in reducing the City's arbitrage rebate liability.

During the fiscal year the Houston Airport System issued \$696 million in bonds, of which \$606 million constituted new money to fund airport expansion and improvements, and \$90 million was used to retire outstanding commercial paper. During the fiscal year the City of Houston Convention and Entertainment Facilities Department issued a total of \$626.5 million in bonds to fund the construction of a new convention center hotel, a parking garage, expansion of the George R. Brown Convention Center, and to refund existing debt of \$150 million. Also during the fiscal year the Water and Sewer System issued bonds to refund \$278 million of commercial paper into long-term debt, and Public Improvement Bonds were issued in the amount of \$208 million to retire \$190 million of general obligation commercial paper into long-term debt, and to refund \$18 million of Public Improvement Bonds for present value savings.

## **Cash Management**

The City Controller's Office manages the investment of all City funds, except those administered by pension boards or trustees. In meeting that responsibility, the City Controller's Office is governed by the following objectives, in order of priority: safety of principal, liquidity, return on

investment, and meeting legal requirements. All of these objectives were satisfied during the past fiscal year.

To maximize efficiency, the City's various funds are pooled for investment purposes. As of June 30, 2001 pooled investments totaled \$ 2,514,484,000. The City's portfolios earned \$163,244,000 in fiscal year 2001, compared to \$77,998,000 in fiscal year 2000. The increased earnings are due to higher levels of bond proceeds being available for investment during fiscal 2001.

## **Award**

The Government Finance Officers Association (GFOA) awarded a *Certificate of Achievement* for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2000. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

## **Acknowledgements**

The preparation of this report on a timely basis could not have been accomplished without the dedicated services and hard work of a highly qualified staff. The City of Houston has such a staff in the City Controller's Office. Although much of the time and effort in preparation of this report lies in the Financial Reporting Division, they were supported by the other divisions of the Office: Executive, Administration, Information Systems, Operations, Investment and Debt Management, and Audit. I would like to express my appreciation to all the staff of the City Controller's Office, and to the staff of the Finance and Administration Department, Aviation Department, Convention and Entertainment, and Public Works and Engineering Department who assisted and contributed to the preparation of this report.

The City Controller's Office also received invaluable assistance and support from many others outside our immediate organization. Within the City of Houston, the accounting staffs of the operating departments and the technical staff of the Information Services Division all played key roles in producing this report. The cover photograph is courtesy of the Greater Houston Partnership. KPMG LLP was not only our independent auditor, but also served as an invaluable source of information and ideas for improving the way that City finances are reported. Finally, we acknowledge the Mayor and City Council Members who have consistently supported the City's goal of excellence in all aspects of financial management. Their support is greatly appreciated, and I look forward to working together to continue improving the City's financial condition.

Special thanks for the production of this year's CAFR are gratefully given to the City of Houston's Parks and Recreation Department. The Department's Office of Marketing and Special Events provided the CAFR design, printing assistance and the photography featured throughout



the report. I appreciate the many hours Parks' staff devoted to this effort, which helps to showcase the beauty of our diverse, international, and very green City. We are justly proud and hope that this CAFR, in offering a glimpse of this remarkable place, will encourage readers to want to see more.

A handwritten signature in black ink, reading "Sylvia R. Garcia". The signature is fluid and cursive, with the first name "Sylvia" and last name "Garcia" clearly legible.

Sylvia R. Garcia  
City Controller

Sources:

ACCRA

Baseball Almanac

Census 2000

Federal Reserve Bank of Dallas

Greater Houston Convention and Visitors Bureau

Greater Houston Partnership

Houston METRO Transit Authority

Houston Texans/HOK

University of Houston Center for Public Policy

# Certificate of Achievement for Excellence in Financial Reporting

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For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*James D. Brewer*  
President

*Jeffrey L. Esser*  
Executive Director



# Japanese Gardens

**A**n oasis of serenity at the edge of the Texas Medical Center, the beautiful Japanese Gardens are a gift to Houston from the people of Japan. Houston's mild climate and gentle winter make it possible for outdoor enthusiasts to enjoy recreational activities at the City's parks and plazas throughout the year.





700 Louisiana  
Houston, TX 77002

Telephone 713 319 2000  
Fax 713 319 2041

## Independent Auditors' Report

### To the Mayor, City Council, and City Controller:

We have audited the accompanying general purpose financial statements of the City of Houston, Texas (the City) as of and for the year ended June 30, 2001, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Firefighter's Relief and Retirement Pension Trust Fund, the Municipal Employees' Pension Trust Fund and the Police Officers' Pension Trust Fund, blended component units of the City, which, in aggregate, reflect 99.6% of total assets of the Fiduciary Fund Type and 100% of the total additions of the Pension Trust Funds. In addition, we did not audit the financial statements of the Cultural Arts Council of Houston, the Greater Greenspoint Redevelopment Authority, the Houston Convention Center Hotel Corporation, the Houston Parks Board, the Main Street Market Square Development Authority, the Memorial-Heights Redevelopment Authority, the Midtown Redevelopment Authority, the OST/Almeda Corridors Redevelopment Authority, and the Uptown Development Authority, discretely presented component units of the City, which in aggregate reflect 90% of total assets and 73.8% of total revenues and other financing sources of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the blended component units and the discrete component units listed above is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Houston, Texas, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.



In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2001, on our consideration of the City of Houston, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Required Pension System Supplementary Information, listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. The auditors of the Pension System did not audit this information and accordingly, expressed no opinion on it.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund and account group financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Houston, Texas. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

In addition, the information in the introductory and statistical sections, as listed in the accompanying table of contents, has not been audited by us and, accordingly, we express no opinion on such data.

KPMG LLP

November 30, 2001, except as to  
notes 18 (e) and (f), which are  
as of December 17, 2001

CITY OF HOUSTON, TEXAS



# **General Purpose Financial Statements**

## **(Combined Statements - Overview)**

### **Including Notes to the Financial Statements**

These statements provide an overview of the financial position and the operating results of all fund types and account groups. They also serve as an introduction to the more detailed statements and schedules.

The various funds are reported in the financial statements by generic fund type within three broad fund categories and two account groups as follows:

**Governmental Funds** — All government funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

**Proprietary Funds** — All proprietary funds are accounted for on a cost for services or “economic resources” measurement focus. This means that all assets and liabilities (whether current or non-current) associated with these activities are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements are presented on the full accrual basis of accounting.

**Fiduciary Funds** — Trust and Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for private organizations, other governments, and/or other funds. Each trust is classified for accounting measurement purposes as either a governmental fund or a proprietary fund. Expendable trust funds are accounted for in the same manner as governmental funds. Nonexpendable trust funds and pension trust funds are accounted for in the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

**Account Groups** — The General Fixed Assets Account Group is used to maintain cost information on capital assets owned by the City which are not accounted for in the Proprietary Funds. General Long-Term Debt Account Group is used to account for unmatured long-term indebtedness, including unfunded liabilities for compensated absences, of the governmental funds.

CITY OF HOUSTON, TEXAS  
**COMBINED BALANCE SHEET — ALL FUND TYPES, ACCOUNT GROUPS  
AND DISCRETELY PRESENTED COMPONENT UNITS**  
**June 30, 2001**  
(With comparative totals for 2000)  
*amounts expressed in thousands*

	<b>Governmental Fund Types</b>				<b>Proprietary Fund Types</b>	
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Enterprise</b>	<b>Internal Service</b>
<b>Assets and other debits</b>						
Assets						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	26,250	70,788	90,928	81,772	100,506	7,268
Investments	-	-	-	-	-	-
Receivables, net of allowances						
Accounts and notes	15,531	122,137	567	852	76,921	1
Property taxes, net	68,302	-	-	-	-	-
Other taxes	98,616	-	-	-	11,818	-
Special assessments	35,176	-	-	-	-	-
Accrued interest and other	-	-	-	-	-	-
Due from other funds	28,369	28,566	-	587	12,503	663
Due from primary government	-	-	-	-	-	-
Due from other governments	-	23,593	-	-	12	-
Due from component units	-	-	-	-	310,550	-
Inventory	-	2,167	-	-	13,034	-
Prepaid items	1,440	-	-	-	-	-
Restricted assets						
Investments	-	-	-	-	2,116,971	-
Receivables and deposits	-	-	-	-	26,495	-
Other assets	-	-	-	-	230,278	-
Property, plant and equipment, net	-	-	-	-	5,661,285	-
<b>Other debits</b>						
Amount available for debt service	-	-	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-
<b>Total assets and other debits</b>	<b>\$ 273,684</b>	<b>\$ 247,251</b>	<b>\$ 91,495</b>	<b>\$ 83,211</b>	<b>\$ 8,560,373</b>	<b>\$ 7,932</b>



<b>Fiduciary Fund Types</b>	<b>Account Groups</b>		<b>(Memorandum Only)</b>	<b>Discretely Presented Component Units</b>	<b>(Memorandum Only) Totals - Reporting Entity</b>	
<b>Trust and Agency</b>	<b>General Fixed Assets</b>	<b>General Long-Term Debt</b>	<b>Total Primary Government</b>		<b>2001</b>	<b>2000</b>
\$ 6,679	\$ -	\$ -	\$ 6,679	\$ 12,721	\$ 19,400	\$ 26,390
20,001	-	-	397,513	-	397,513	432,700
5,752,333	-	-	5,752,333	51,196	5,803,529	5,826,072
40,583	-	-	256,592	18,846	275,438	315,916
-	-	-	68,302	-	68,302	65,376
-	-	-	110,434	-	110,434	103,850
-	-	-	35,176	-	35,176	34,205
34,298	-	-	34,298	-	34,298	60,393
-	-	-	70,688	-	70,688	52,579
-	-	-	-	292,496	292,496	-
630	-	-	24,235	225	24,460	11,414
-	-	-	310,550	-	310,550	-
-	-	-	15,201	-	15,201	17,136
-	-	-	1,440	-	1,440	1,391
-	-	-	2,116,971	732	2,117,703	1,123,335
-	-	-	26,495	-	26,495	13,203
34,475	-	-	264,753	5,177	269,930	273,585
9,524	1,647,484	-	7,318,293	38,341	7,356,634	6,801,473
-	-	89,603	89,603	2,062	91,665	86,373
-	-	2,227,584	2,227,584	11,993	2,239,577	2,187,175
<u>\$ 5,898,523</u>	<u>\$ 1,647,484</u>	<u>\$ 2,317,187</u>	<u>\$ 19,127,140</u>	<u>\$ 433,789</u>	<u>\$ 19,560,929</u>	<u>\$ 17,432,566</u>

(Continued)

**CITY OF HOUSTON, TEXAS**  
**COMBINED BALANCE SHEET — ALL FUND TYPES, ACCOUNT GROUPS**  
**AND DISCRETELY PRESENTED COMPONENT UNITS - Continued**  
**June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>Governmental Fund Types</b>				<b>Proprietary Fund Types</b>	
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Enterprise</b>	<b>Internal Service</b>
<b>Liabilities, equity and other credits</b>						
<b>Liabilities</b>						
Accounts payable	\$ 31,929	\$ 6,072	\$ 569	\$ 7,651	\$ 15,749	\$ 54
Accrued payroll liabilities	14,119	1,993	-	-	3,980	66
Accrued interest payable	-	-	1,323	-	894	-
Contracts and retainages payable	-	65,289	-	6,609	14,779	-
Due to other funds	8,903	14,064	-	10,439	33,188	68
Due to primary government	-	-	-	-	-	-
Due to component units	-	-	-	-	292,496	-
Due to other governments	3,976	-	-	492	1,584	-
Advances and deposits	4,255	826	-	127	2,114	-
Claims and judgments	3,677	-	-	-	10,709	4,994
Compensated absences	5,448	-	-	-	31,049	84
Other liabilities - current	-	215	-	-	-	-
Deferred revenue	110,377	127,644	-	-	-	-
Payable from restricted assets	-	-	-	-	289,729	-
General tax obligation debt	-	-	-	-	-	-
Revenue bonds payable	-	-	-	-	5,203,282	-
Long term obligations	-	-	-	-	259,533	-
Commercial paper	-	-	-	-	300,000	-
Arbitrage rebate payable	-	-	-	-	11,893	-
Other liabilities — non-current	-	-	-	-	3,175	993
<b>Total liabilities</b>	<b>182,684</b>	<b>216,103</b>	<b>1,892</b>	<b>25,318</b>	<b>6,474,154</b>	<b>6,259</b>
<b>Equity and other credits</b>						
Investment in general fixed assets	-	-	-	-	-	-
Contributed capital	-	-	-	-	1,160,565	-
Retained earnings						
Reserved	-	-	-	-	480,249	-
Unreserved	-	-	-	-	445,405	1,673
<b>Fund equity</b>						
Reserved fund balance	9,518	2,167	89,603	1,476	-	-
Reserved for pension benefits	-	-	-	-	-	-
Unreserved fund balance						
Designated	2,073	-	-	56,417	-	-
Undesignated	79,409	28,981	-	-	-	-
<b>Total equity and other credits</b>	<b>91,000</b>	<b>31,148</b>	<b>89,603</b>	<b>57,893</b>	<b>2,086,219</b>	<b>1,673</b>
<b>Total liabilities, equity</b>						
<b>and other credits</b>	<b>\$ 273,684</b>	<b>\$ 247,251</b>	<b>\$ 91,495</b>	<b>\$ 83,211</b>	<b>\$ 8,560,373</b>	<b>\$ 7,932</b>

\* The notes to the general purpose financial statements are an integral part of this statement \*

<b>Fiduciary Fund Types</b>	<b>Account Groups</b>		<b>(Memorandum Only)</b>	<b>Discretely Presented Component Units</b>	<b>(Memorandum Only) Totals - Reporting Entity</b>	
<b>Trust and Agency</b>	<b>General Fixed Assets</b>	<b>General Long-Term Debt</b>	<b>Total Primary Government</b>		<b>2001</b>	<b>2000</b>
\$ 87,670	\$ -	\$ -	\$ 149,694	\$ 15,078	\$ 164,772	\$ 263,978
-	-	-	20,158	695	20,853	18,600
-	-	-	2,217	-	2,217	1,818
-	-	-	86,677	-	86,677	101,960
13	-	-	66,675	-	66,675	49,195
-	-	-	-	310,550	310,550	-
-	-	-	292,496	-	292,496	-
-	-	-	6,052	-	6,052	10,641
130	-	-	7,452	-	7,452	9,232
-	-	71,044	90,424	-	90,424	90,116
-	-	362,780	399,361	-	399,361	392,755
527,890	-	-	528,105	-	528,105	297,194
-	-	-	238,021	13,292	251,313	206,555
-	-	-	289,729	-	289,729	276,825
-	-	1,492,640	1,492,640	-	1,492,640	1,409,224
-	-	-	5,203,282	-	5,203,282	3,784,739
-	-	-	259,533	15,486	275,019	277,510
-	-	376,300	676,300	-	676,300	764,000
-	-	-	11,893	-	11,893	-
-	-	14,423	18,591	24,445	43,036	24,639
615,703	-	2,317,187	9,839,300	379,546	10,218,846	7,978,981
-	1,647,484	-	1,647,484	3,316	1,650,800	1,480,983
-	-	-	1,160,565	-	1,160,565	1,195,297
-	-	-	480,249	-	480,249	420,065
-	-	-	447,078	-	447,078	555,587
-	-	-	102,764	16,297	119,061	123,251
5,276,783	-	-	5,276,783	-	5,276,783	5,484,940
6,037	-	-	64,527	7,696	72,223	68,049
-	-	-	108,390	26,934	135,324	125,413
5,282,820	1,647,484	-	9,287,841	54,243	9,342,084	9,453,585
<u>\$ 5,898,523</u>	<u>\$ 1,647,484</u>	<u>\$ 2,317,187</u>	<u>\$ 19,127,140</u>	<u>\$ 433,789</u>	<u>\$ 19,560,929</u>	<u>\$ 17,432,566</u>

**CITY OF HOUSTON, TEXAS**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**All Governmental Fund Types, Expendable Trust Funds and Discretely Presented Component Units**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Revenues</b>				
Taxes and assessments	\$ 1,102,177	\$ -	\$ -	\$ -
Licenses and permits	12,581	19,025	-	-
Charges for services	104,360	23,804	-	-
Intergovernmental - grants	698	167,911	-	7,160
Fines and forfeits	43,035	-	-	-
Contributions	-	-	-	-
Investment income	11,548	3,422	8,015	5,510
Other	10,691	20,772	3,129	288
<b>Total revenues</b>	<u>1,285,090</u>	<u>234,934</u>	<u>11,144</u>	<u>12,958</u>
<b>Expenditures</b>				
Current				
General government	93,754	1,525	-	-
Public safety	652,764	31,880	-	-
Public works	148,598	73,159	-	-
Health	55,793	64	-	-
Parks and recreation	55,196	7,546	-	-
Library	36,240	-	-	-
Retiree benefits	11,675	-	-	-
Other current expenditures	36,079	64,693	-	-
Capital outlay	50,299	8,147	-	150,622
Intergovernmental - grants	-	137,767	-	-
Debt service	-	-	212,066	-
<b>Total expenditures</b>	<u>1,140,398</u>	<u>324,781</u>	<u>212,066</u>	<u>150,622</u>
Excess (deficiency) of revenues over expenditures	<u>144,692</u>	<u>(89,847)</u>	<u>(200,922)</u>	<u>(137,664)</u>
<b>Other financing sources (uses)</b>				
Net proceeds from the issuance of debt	45,000	-	209,683	112,026
Operating transfers in	757	92,501	204,063	24,687
Operating transfers from primary government	-	-	-	-
Operating transfers out	(188,672)	(3,755)	-	-
Transfers to fiscal agents	-	-	(209,594)	-
<b>Total other financing sources (uses)</b>	<u>(142,915)</u>	<u>88,746</u>	<u>204,152</u>	<u>136,713</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	1,777	(1,101)	3,230	(951)
Fund balances, July 1	83,624	37,848	86,373	58,844
Residual equity transfers	5,599	(5,599)	-	-
<b>Fund balances, June 30</b>	<u>\$ 91,000</u>	<u>\$ 31,148</u>	<u>\$ 89,603</u>	<u>\$ 57,893</u>

\* The notes to the general purpose financial statements are an integral part of this statement \*

<b>Fiduciary Fund Type</b>	<b>(Memorandum Only) Total</b>	<b>Discretely Presented Component</b>	<b>(Memorandum Only) Totals - Reporting Entity</b>	
<b>Expendable Trusts</b>	<b>Primary Government</b>	<b>Units</b>	<b>2001</b>	<b>2000</b>
\$ -	\$ 1,102,177	\$ 9,879	\$ 1,112,056	\$ 1,028,344
-	31,606	-	31,606	30,621
-	128,164	703	128,867	127,305
-	175,769	2,083	177,852	156,852
-	43,035	-	43,035	43,977
2,092	2,092	5,194	7,286	13,226
1,052	29,547	2,036	31,583	20,283
1,992	36,872	6,994	43,866	29,755
5,136	1,549,262	26,889	1,576,151	1,450,363
3,521	98,800	25,985	124,785	101,179
-	684,644	-	684,644	672,737
-	221,757	-	221,757	219,300
-	55,857	-	55,857	56,547
-	62,742	-	62,742	61,778
-	36,240	-	36,240	35,758
-	11,675	-	11,675	9,597
-	100,772	-	100,772	55,231
-	209,068	6,940	216,008	188,521
-	137,767	9,001	146,768	119,258
-	212,066	899	212,965	199,347
3,521	1,831,388	42,825	1,874,213	1,719,254
1,615	(282,126)	(15,936)	(298,062)	(268,891)
-	366,709	13,741	380,450	176,012
-	322,008	-	322,008	230,087
-	-	8,338	8,338	7,750
-	(192,427)	-	(192,427)	(172,776)
-	(209,594)	-	(209,594)	-
-	286,696	22,079	308,775	241,073
1,615	4,570	6,143	10,713	(27,818)
4,422	271,111	44,784	315,895	344,530
-	-	-	-	-
\$ 6,037	\$ 275,681	\$ 50,927	\$ 326,608	\$ 316,712

**CITY OF HOUSTON, TEXAS**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**

**General, Special Revenue, and Debt Service Funds**  
**For the Year Ended June 30, 2001**  
*amounts expressed in thousands*

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Taxes and assessments	\$ 1,085,473	\$ 1,102,177	\$ 16,704
Licenses and permits	13,513	12,581	(932)
Charges for services	119,151	104,360	(14,791)
Intergovernmental - Grants	1,652	698	(954)
Fines and forfeits	44,810	43,035	(1,775)
Investment income (loss)	6,168	11,548	5,380
Other	15,416	10,691	(4,725)
<b>Total revenues</b>	<b>1,286,183</b>	<b>1,285,090</b>	<b>(1,093)</b>
<b>Expenditures</b>			
Current			
General government	99,934	93,754	6,180
Public safety	660,254	652,764	7,490
Public works	153,171	148,598	4,573
Health	56,422	55,793	629
Parks and recreation	55,157	55,196	(39)
Library	37,109	36,240	869
Retiree benefits	10,246	11,675	(1,429)
Other current expenditures	31,586	36,079	(4,493)
Capital outlay	41,473	50,299	(8,826)
Debt service	-	-	-
<b>Total expenditures</b>	<b>1,145,352</b>	<b>1,140,398</b>	<b>4,954</b>
Excess (deficiency) of revenues over expenditures	140,831	144,692	3,861
<b>Other financing sources (uses)</b>			
Proceeds from the issuance of debt	45,000	45,000	-
Operating transfers in	1,932	757	(1,175)
Operating transfers out	(188,672)	(188,672)	-
<b>Total other financing sources (uses)</b>	<b>(141,740)</b>	<b>(142,915)</b>	<b>(1,175)</b>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(909)	1,777	2,686
Fund balances, July 1	83,624	83,624	-
Residual equity transfers	-	5,599	5,599
<b>Fund balances, June 30</b>	<b>\$ 82,715</b>	<b>\$ 91,000</b>	<b>\$ 8,285</b>

\*The notes to the general purpose financial statements are an integral part of this statement \*

Budgeted Special Revenue Funds			Debt Service Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17,237	19,025	1,788	-	-	-
25,829	23,804	(2,025)	-	-	-
21,671	21,564	(107)	-	-	-
-	-	-	-	-	-
1,511	2,390	879	3,290	8,015	4,725
2,812	2,143	(669)	4,796	3,129	(1,667)
69,060	68,926	(134)	8,086	11,144	3,058
4,505	3,824	681	-	-	-
34,622	29,581	5,041	-	-	-
83,332	73,159	10,173	-	-	-
-	-	-	-	-	-
8,260	7,546	714	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
11,457	7,749	3,708	-	-	-
-	-	-	214,527	212,066	2,461
142,176	121,859	20,317	214,527	212,066	2,461
(73,116)	(52,933)	20,183	(206,441)	(200,922)	5,519
-	-	-	-	209,683	209,683
50,646	52,214	1,568	201,459	204,063	2,604
(3,634)	(3,345)	289	-	(209,594)	(209,594)
47,012	48,869	1,857	201,459	204,152	2,693
(26,104)	(4,064)	22,040	(4,982)	3,230	8,212
33,931	33,931	-	81,937	86,373	4,436
-	(5,599)	(5,599)	-	-	-
\$ 7,827	\$ 24,268	\$ 16,441	\$ 76,955	\$ 89,603	\$ 12,648

**CITY OF HOUSTON, TEXAS**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY**  
**All Proprietary Fund Types**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>Proprietary Fund Types</b>		<b>(Memorandum Only)</b>	
	<b>Enterprise</b>	<b>Internal Service</b>	<b>Totals</b>	
			<b>2001</b>	<b>2000</b>
<b>Operating revenues</b>				
Charges for services	\$ 786,935	\$ 114,901	\$ 901,836	\$ 897,038
<b>Total operating revenues</b>	<u>786,935</u>	<u>114,901</u>	<u>901,836</u>	<u>897,038</u>
<b>Operating expenses</b>				
Maintenance and operating	391,528	-	391,528	358,586
Administrative costs	-	2,548	2,548	2,308
Claims costs	-	112,575	112,575	105,626
Depreciation and amortization	315,725	-	315,725	265,920
Bad debt expense	-	-	-	1,000
<b>Total operating expenses</b>	<u>707,253</u>	<u>115,123</u>	<u>822,376</u>	<u>733,440</u>
Operating income (loss)	<u>79,682</u>	<u>(222)</u>	<u>79,460</u>	<u>163,598</u>
<b>Nonoperating revenues (expenses)</b>				
Investment income (loss)	133,606	1,143	134,749	61,306
Other revenues	69,652	-	69,652	63,546
Loss on disposal of assets	(3,493)	-	(3,493)	(4,119)
Other expenses	(24,565)	-	(24,565)	(10,974)
Interest expense	(238,158)	-	(238,158)	(216,136)
<b>Total nonoperating revenues (expenses)</b>	<u>(62,958)</u>	<u>1,143</u>	<u>(61,815)</u>	<u>(106,377)</u>
Income before operating transfers	<u>16,724</u>	<u>921</u>	<u>17,645</u>	<u>57,221</u>
Contributions	37,467	-	37,467	19,185
Operating transfers to component units	(8,588)	-	(8,588)	(7,500)
Operating transfers out	<u>(129,581)</u>	<u>-</u>	<u>(129,581)</u>	<u>(57,311)</u>
Net loss	(83,978)	921	(83,057)	11,595
Fund equity, July 1	<u>2,170,197</u>	<u>752</u>	<u>2,170,949</u>	<u>2,159,354</u>
<b>Fund equity, June 30</b>	<u>\$ 2,086,219</u>	<u>\$ 1,673</u>	<u>\$ 2,087,892</u>	<u>\$ 2,170,949</u>

\* The notes to the general purpose financial statements are an integral part of this statement \*



**CITY OF HOUSTON, TEXAS**  
**COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**PENSION TRUST FUNDS**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

<b>Additions:</b>	<b>2001</b>	<b>2000</b>
Contributions		
City of Houston	\$ 95,976	\$ 93,596
Members	42,594	41,419
Total contributions	<u>138,570</u>	<u>135,015</u>
Investment income (loss)		
Interest	101,843	85,035
Net appreciation (depreciation) in fair value of investments	(307,978)	610,066
Dividends	38,660	41,009
Income on securities lending	13,765	11,293
Earnings from real estate, limited partnerships, and real estate investment trusts	16,337	5,582
Other	969	567
Total investment income (loss)	<u>(136,404)</u>	<u>753,552</u>
Less - investment expense	(20,517)	(20,576)
Less - cost of securities lending	(11,844)	(9,762)
<b>Total additions (deductions)</b>	<u>(30,195)</u>	<u>858,229</u>
<b>Deductions:</b>		
Benefits paid to members	166,499	141,065
Refunds to members	1,491	2,068
Other	9,972	7,790
<b>Total deductions</b>	<u>177,962</u>	<u>150,923</u>
<b>Net increase (decrease)</b>	(208,157)	707,306
<b>Plan net assets held in trust for pension benefits,</b>		
<b>beginning of year</b>	<u>5,484,940</u>	<u>4,777,634</u>
<b>Plan net assets held in trust for pension</b>		
<b>benefits, end of year</b>	<u><u>\$ 5,276,783</u></u>	<u><u>\$ 5,484,940</u></u>

\* The notes to the general purpose financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**  
**COMBINED STATEMENT OF CASH FLOWS**  
**All Proprietary Fund Types**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>Proprietary Fund Types</b>		<b>(Memorandum Only)</b>	
	<b>Enterprise</b>	<b>Internal Service</b>	<b>Totals</b>	
			<b>2001</b>	<b>2000</b>
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 775,774	\$ 114,900	\$ 890,674	\$ 894,138
Payments to employees	(145,912)	(1,697)	(147,609)	(145,407)
Payments to suppliers	(212,833)	(841)	(213,674)	(168,660)
Internal activity-payments to other funds	(3,691)	(7,654)	(11,345)	(56,007)
Claims paid	(3,961)	(112,881)	(116,842)	(111,453)
Due from other governments	(4,024)	-	(4,024)	4,025
Other revenues	23,520	-	23,520	20,962
Other expenses	(11,532)	-	(11,532)	(10,974)
<b>Net cash provided by (used for) operating activities</b>	<b>417,341</b>	<b>(8,173)</b>	<b>409,168</b>	<b>426,624</b>
<b>Cash flows from investing activities</b>				
Interest income on investments	101,005	1,143	102,148	75,363
Proceeds from sale of investments	1,180,160	-	1,180,160	468,755
Purchase of investments	(2,166,856)	-	(2,166,856)	(230,434)
<b>Net cash provided by (used for) investing activities</b>	<b>(885,691)</b>	<b>1,143</b>	<b>(884,548)</b>	<b>313,684</b>
<b>Cash flows from capital and related financing activities</b>				
Retirement of revenue bonds	(194,156)	-	(194,156)	(246,654)
Retirement of notes payable	(7,120)	-	(7,120)	(433)
Proceeds from issuance of revenue bonds, net of discount	1,567,987	-	1,567,987	217,240
Retirement of Commercial Paper	(393,700)	-	(393,700)	(213,980)
Proceeds from issuance of commercial paper	351,000	-	351,000	320,000
Interest paid on				
Revenue bonds	(204,221)	-	(204,221)	(191,656)
Commercial Paper	(9,602)	-	(9,602)	(11,381)
Contracts payable	(20,470)	-	(20,470)	(15,770)
Retirement of contractual obligations	(13,996)	-	(13,996)	(17,615)
Advances and deposits on construction	(1,201)	-	(1,201)	1,482
Contributed capital	34,150	-	34,150	19,117
Acquisition of garage rights	(10,000)	-	(10,000)	-
Acquisition of property, plant and equipment	(582,732)	-	(582,732)	(553,711)
Accrued maintenance repair and replacement cost	83	-	83	89
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>516,022</b>	<b>-</b>	<b>516,022</b>	<b>(693,272)</b>

(Continued)

**CITY OF HOUSTON, TEXAS**  
**COMBINED STATEMENT OF CASH FLOWS - Continued**  
**All Proprietary Fund Types**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>Proprietary Fund Types</b>		<b>(Memorandum Only)</b>	
	<b>Enterprise</b>	<b>Internal Service</b>	<b>Totals</b>	
			<b>2001</b>	<b>2000</b>
<b>Cash flows from noncapital financing activities</b>				
Operating transfers to component units	\$ (8,588)	\$ -	\$ (8,588)	\$ (7,500)
Operating transfers to debt service fund	(38,584)	-	(38,584)	(34,044)
Operating transfers to other funds	(64,151)	-	(64,151)	(23,267)
Contributions	(26,846)	-	(26,846)	-
Hotel occupancy tax revenue	45,755	-	45,755	41,550
Other nonoperating income	-	-	-	27
<b>Net cash used for noncapital financing activities</b>	<b>(92,414)</b>	<b>-</b>	<b>(92,414)</b>	<b>(23,234)</b>
Net increase (decrease) in cash and cash equivalents	(44,742)	(7,030)	(51,772)	23,802
Cash and cash equivalents, July 1	145,248	14,298	159,546	135,744
<b>Cash and cash equivalents, June 30</b>	<b>\$ 100,506</b>	<b>\$ 7,268</b>	<b>\$ 107,774</b>	<b>\$ 159,546</b>
<b>Non cash transactions</b>				
Unrealized gain (loss) on investments	\$ 25,799	\$ -	\$ 25,799	\$ (13,832)
Loss on disposal of assets	(3,493)	-	(3,493)	(4,109)
Land exchanged for garage rights	3,144	-	3,144	-
	<b>\$ 25,450</b>	<b>\$ -</b>	<b>\$ 25,450</b>	<b>\$ (17,941)</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ 79,682	\$ (222)	\$ 79,460	\$ 163,598
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities				
Depreciation and amortization	315,725	-	315,725	265,920
Other revenues	23,605	-	23,605	20,962
Other expenses	(11,532)	-	(11,532)	(10,974)
Changes in assets and liabilities				
Net due from component unit	(7,313)	-	(7,313)	-
Accounts receivable, net	(9,825)	(1)	(9,826)	(2,640)
Contracts receivable	97	-	97	51
Due from other funds	10,650	(648)	10,002	(21,593)
Amounts held by other governments	(10,319)	-	(10,319)	-
Inventory	(227)	-	(227)	3,661
Accounts payable	4,227	(45)	4,182	410
Accrued payroll liabilities	(513)	17	(496)	697
Construction and retainages payable	(52)	-	(52)	(33)
Due to other funds	28,432	(6,991)	21,441	3,103
Due to other governments	(4,024)	-	(4,024)	3,609
Advances and deposits	(1,387)	-	(1,387)	1,075
Claims and judgments	424	(289)	135	(2,241)
Compensated absences	(309)	6	(303)	1,019
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 417,341</b>	<b>\$ (8,173)</b>	<b>\$ 409,168</b>	<b>\$ 426,624</b>

\* The notes to the general purpose financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**  
**COMBINING BALANCE SHEET - DISCRETELY PRESENTED COMPONENT UNITS**  
**June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>Cultural Arts Council of Houston</b>	<b>Greenspoint Redevelopment Authority</b>	<b>HALAN Fund</b>
<b>Assets and Other Debits</b>			
Assets			
Cash	\$ 1,259	\$ 65	\$ -
Investments	-	-	2,652
Receivables (net of allowances)			
Accounts and notes receivable	54	2,645	2
Due from primary government	703	-	-
Due from other governments	225	-	-
Restricted assets			
Investments	-	-	-
Other assets	12	-	-
Property, plant and equipment, net	154	361	-
Other debits			
Amount available in debt service	-	-	-
Amount to be provided for debt retirement	-	-	-
<b>Total assets and other debits</b>	<u><u>\$ 2,407</u></u>	<u><u>\$ 3,071</u></u>	<u><u>\$ 2,654</u></u>
<b>Liabilities, Equity and Other Credits</b>			
Liabilities			
Accounts payable	\$ 1,652	\$ 24	\$ 57
Accrued liabilities	20	174	-
Deferred revenue	-	-	-
Due to primary government	-	-	-
Notes payable	-	-	-
Other liabilities - non-current	-	-	-
Total liabilities	<u>1,672</u>	<u>198</u>	<u>57</u>
Equity and other credits			
Investment in general fixed assets	-	361	-
Fund balances			
Reserved	197	-	-
Unreserved			
Designated	450	-	-
Undesignated	88	2,512	2,597
Total equity and other credits	<u>735</u>	<u>2,873</u>	<u>2,597</u>
<b>Total liabilities, equity and other credits</b>	<u><u>\$ 2,407</u></u>	<u><u>\$ 3,071</u></u>	<u><u>\$ 2,654</u></u>

<b>Houston Convention Center Hotel Corp.</b>	<b>Houston Housing Finance Corporation</b>	<b>Houston Library Board</b>	<b>Houston Parks Board</b>
\$ 1,033	\$ 595	\$ 1,545	\$ 3,968
12,865	6,568	15,858	2,803
2	12,955	88	197
291,793	-	-	-
-	-	-	-
-	732	-	-
1,952	-	-	2,953
25,707	672	-	4,446
-	-	-	-
-	-	-	-
<u>\$ 333,352</u>	<u>\$ 21,522</u>	<u>\$ 17,491</u>	<u>\$ 14,367</u>
\$ 5,003	\$ 459	\$ 60	\$ 314
-	-	-	-
13,145	-	-	-
310,550	-	-	-
5,325	4,060	-	-
-	672	-	198
<u>334,023</u>	<u>5,191</u>	<u>60</u>	<u>512</u>
-	-	-	-
-	-	16,909	6,373
-	-	437	5,071
(671)	16,331	85	2,411
<u>(671)</u>	<u>16,331</u>	<u>17,431</u>	<u>13,855</u>
<u>\$ 333,352</u>	<u>\$ 21,522</u>	<u>\$ 17,491</u>	<u>\$ 14,367</u>

(Continued)

**CITY OF HOUSTON, TEXAS**  
**COMBINING BALANCE SHEET - DISCRETELY PRESENTED COMPONENT UNITS**  
**June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>Lamar Terrace Public Improvement District</b>	<b>Main Street Market Square Development Authority</b>	<b>Memorial- Heights Redevelopment Authority</b>	<b>Midtown Redevelopment Authority</b>
<b>Assets and Other Debits</b>				
Assets				
Cash	\$ -	\$ 961	\$ 238	\$ 415
Investments	586	-	-	2,759
Receivables (net of allowances)				
Accounts and notes receivable	102	746	321	1,073
Due from primary government	-	-	-	-
Due from other governments	-	-	-	-
Restricted assets				
Investments	-	-	-	-
Other assets	-	-	-	168
Property, plant and equipment, net	-	-	-	3,999
Other debits				
Amount available in debt service	-	-	-	-
Amount to be provided for debt retirement	-	-	-	-
<b>Total assets and other debits</b>	<b>\$ 688</b>	<b>\$ 1,707</b>	<b>\$ 559</b>	<b>\$ 8,414</b>
<b>Liabilities, Equity and Other Credits</b>				
Liabilities				
Accounts payable	\$ 29	\$ 105	\$ -	\$ 4,298
Accrued liabilities	-	142	359	-
Deferred revenue	96	-	-	-
Due to primary government	-	-	-	-
Notes payable	-	-	5,760	-
Other liabilities - non-current	-	-	-	9,000
<b>Total liabilities</b>	<b>125</b>	<b>247</b>	<b>6,119</b>	<b>13,298</b>
Equity and other credits				
Investment in general fixed assets	-	-	-	-
Fund balances				
Reserved	-	-	(5,881)	(6,254)
Unreserved				
Designated	-	-	321	1,370
Undesignated	563	1,460	-	-
<b>Total equity and other credits</b>	<b>563</b>	<b>1,460</b>	<b>(5,560)</b>	<b>(4,884)</b>
<b>Total liabilities, equity and other credits</b>	<b>\$ 688</b>	<b>\$ 1,707</b>	<b>\$ 559</b>	<b>\$ 8,414</b>

OST/Alameda Corridors Redevelopment Authority	Reinvestment Zone #1	Uptown Development Authority	Totals 2001	Totals 2000
\$ 368	\$ 750	\$ 1,524	\$ 12,721	\$ 4,773
112	-	6,993	51,196	27,791
466	55	140	18,846	23,450
-	-	-	292,496	-
-	-	-	225	264
-	-	-	732	1,534
2	90	-	5,177	3,313
47	-	2,955	38,341	5,789
-	-	2,062	2,062	-
-	-	11,993	11,993	2,700
<u>\$ 995</u>	<u>\$ 895</u>	<u>\$ 25,667</u>	<u>\$ 433,789</u>	<u>\$ 69,614</u>
\$ 2,373	\$ 247	\$ 457	\$ 15,078	\$ 3,589
-	-	-	695	31
-	51	-	13,292	339
-	-	-	310,550	-
341	-	-	15,486	8,155
520	-	14,055	24,445	3,850
<u>3,234</u>	<u>298</u>	<u>14,512</u>	<u>379,546</u>	<u>15,964</u>
-	-	2,955	3,316	-
(2,286)	-	7,239	16,297	24,256
47	-	-	7,696	8,168
-	597	961	26,934	21,226
<u>(2,239)</u>	<u>597</u>	<u>11,155</u>	<u>54,243</u>	<u>53,650</u>
<u>\$ 995</u>	<u>\$ 895</u>	<u>\$ 25,667</u>	<u>\$ 433,789</u>	<u>\$ 69,614</u>

**CITY OF HOUSTON, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**For the Year Ended June 30, 2001**  
**(With comparative amounts for 2000)**  
*amounts expressed in thousands*

	<b>Cultural Arts Council of Houston</b>	<b>Greater Greenspoint Redevelopment Authority</b>	<b>HALAN Fund</b>
<b>Revenues</b>			
Taxes and assessments	\$ -	\$ 2,603	\$ -
Charges for services	-	-	-
Intergovernmental - grants	559	-	1,357
Contributions	14	-	-
Investment Income (loss)	69	18	256
Other	8	-	-
<b>Total revenues</b>	<u>650</u>	<u>2,621</u>	<u>1,613</u>
<b>Expenditures</b>			
Current expenditures	488	517	1,210
Intergovernmental - grant	9,001	-	-
Capital outlay	-	162	-
Debt service	-	-	-
<b>Total expenditures</b>	<u>9,489</u>	<u>679</u>	<u>1,210</u>
Excess (deficiency) of revenues over expenditures	<u>(8,839)</u>	<u>1,942</u>	<u>403</u>
<b>Other Financing Sources (Uses)</b>			
Net proceeds from the issuance of debt	-	-	-
Operating transfers from primary government	8,338	-	-
Total other financing sources (uses)	<u>8,338</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures	(501)	1,942	403
Fund balances, July 1	<u>1,236</u>	<u>570</u>	<u>2,194</u>
Fund balances, June 30	<u>\$ 735</u>	<u>\$ 2,512</u>	<u>\$ 2,597</u>

\* The notes to the general purpose financial statements are an integral part of this statement \*



<b>Houston Convention Center Hotel Corp.</b>	<b>Houston Housing Finance Corporation</b>	<b>Houston Library Board</b>	<b>Houston Parks Board</b>
\$ -	\$ -	\$ -	\$ -
6	697	-	-
-	-	167	-
-	-	2,076	3,104
-	1,110	(314)	465
-	6,193	255	33
<u>6</u>	<u>8,000</u>	<u>2,184</u>	<u>3,602</u>
677	6,752	2,772	5,494
-	-	-	-
-	-	-	-
-	-	-	-
<u>677</u>	<u>6,752</u>	<u>2,772</u>	<u>5,494</u>
<u>(671)</u>	<u>1,248</u>	<u>(588)</u>	<u>(1,892)</u>
-	-	-	-
-	-	-	-
-	-	-	-
(671)	1,248	(588)	(1,892)
<u>-</u>	<u>15,083</u>	<u>18,019</u>	<u>15,747</u>
<u>\$ (671)</u>	<u>\$ 16,331</u>	<u>\$ 17,431</u>	<u>\$ 13,855</u>

(Continued)

**CITY OF HOUSTON, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**For the Year Ended June 30, 2001**  
**(With comparative amounts for 2000)**  
*amounts expressed in thousands*

	<b>Lamar Terrace Public Improvement District</b>	<b>Main Street Market Square Development Authority</b>	<b>Memorial- Heights Redevelopment Authority</b>	<b>Midtown Redevelopment Authority</b>
<b>Revenues</b>				
Taxes and assessments	\$ 275	\$ 1,862	\$ 547	\$ 2,239
Charges for services	-	-	-	-
Intergovernmental - grants	-	-	-	-
Contributions	-	-	-	-
Investment Income (loss)	45	42	3	176
Other	122	-	-	90
<b>Total revenues</b>	<u>442</u>	<u>1,904</u>	<u>550</u>	<u>2,505</u>
<b>Expenditures</b>				
Current expenditures	644	358	1,768	1,824
Intergovernmental - grant	-	-	-	-
Capital outlay	-	86	-	-
Debt service	135	-	-	469
<b>Total expenditures</b>	<u>779</u>	<u>444</u>	<u>1,768</u>	<u>2,293</u>
Excess (deficiency) of revenues over expenditures	<u>(337)</u>	<u>1,460</u>	<u>(1,218)</u>	<u>212</u>
<b>Other Financing Sources (Uses)</b>				
Net proceeds from the issuance of debt	-	-	-	-
Operating transfers from primary government	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>(337)</u>	<u>1,460</u>	<u>(1,218)</u>	<u>212</u>
Fund balances, July 1	<u>900</u>	<u>-</u>	<u>(4,342)</u>	<u>(5,096)</u>
Fund balances, June 30	<u>\$ 563</u>	<u>\$ 1,460</u>	<u>\$ (5,560)</u>	<u>\$ (4,884)</u>

\* The notes to the general purpose financial statements are an integral part of this statement \*

<b>OST/Alameda Corridors Redevelopment Authority</b>	<b>Reinvestment Zone #1</b>	<b>Uptown Development Authority</b>	<b>Totals 2001</b>	<b>Totals 2000</b>
\$ 833	\$ 355	\$ 1,165	9,879	\$ 811
-	-	-	703	364
-	-	-	2,083	3,048
-	-	-	5,194	10,742
13	46	107	2,036	3,165
-	185	108	6,994	7,019
<u>846</u>	<u>586</u>	<u>1,380</u>	<u>26,889</u>	<u>25,149</u>
3,075	201	205	25,985	20,239
-	-	-	9,001	8,100
-	-	6,692	6,940	-
-	271	24	899	691
<u>3,075</u>	<u>472</u>	<u>6,921</u>	<u>42,825</u>	<u>29,030</u>
<u>(2,229)</u>	<u>114</u>	<u>(5,541)</u>	<u>(15,936)</u>	<u>(3,881)</u>
-	-	13,741	13,741	-
-	-	-	8,338	7,750
<u>-</u>	<u>-</u>	<u>13,741</u>	<u>22,079</u>	<u>7,750</u>
(2,229)	114	8,200	6,143	3,869
<u>(10)</u>	<u>483</u>	<u>-</u>	<u>44,784</u>	<u>49,781</u>
<u>\$ (2,239)</u>	<u>\$ 597</u>	<u>\$ 8,200</u>	<u>\$ 50,927</u>	<u>\$ 53,650</u>

CITY OF HOUSTON, TEXAS







# Different Worlds

**T**his lovely waterfall is part of the magic of Hermann Park, located in the heart of the City between downtown and the Texas Medical Center. Houston's unique appeal is multifaceted; its features include its vibrant green spaces, its international culture, its pioneer heritage and its people.

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
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CITY OF HOUSTON, TEXAS





**CITY OF HOUSTON, TEXAS**  
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**Note 1: Summary of Significant Accounting Policies**

The City of Houston, Texas ("City") was incorporated under the laws of the Republic of Texas in 1837 and again under the laws of the State of Texas in 1905. The City operates under a Home Rule Charter with a Mayor-Council form of government and provides the following services as authorized or required by its charter: public safety (police and fire), highways and streets, sanitation, water, airports, health services, culture-recreation, storm drainage, solid waste disposal, planning and inspection, civil defense, public improvements, and general administrative services, including pension and other benefits for its employees.

The financial statements presented in this report conform to the reporting requirements of the Governmental Accounting Standards Board ("GASB") which establishes combined statements as the required reporting level for governmental entities that present financial statements in accordance with generally accepted accounting principles.

The significant accounting policies of the City are as follows:

**A. Principles Used in Determining the Reporting Entity for Financial Reporting Purposes**

The accompanying financial statements include financial statements for related organizations in accordance with GASB Statement No.14, *The Financial Reporting Entity*. Organizations are included if they are financially accountable to the City, or the nature and significance of their relationship with the City are such that exclusion would cause the financial statements to be misleading or incomplete. Inclusion is determined on the basis of the City's ability to exercise significant influence. Significant influence or accountability is based primarily on its operational or financial relationship with the City (as distinct from legal relationship).

The City is financially accountable if it appoints a voting majority of an organization's governing body and is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. Blended component units, although legally separate entities are, in substance, part of the City's operations. Blended component units provide services exclusively or almost exclusively for the City. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize their legal separateness from the City.

**B. Basis of Presentation - Financial Reporting Entity**

**1. Component Units**

Most component units of the City issue separately audited financial statements. Component units are reported in the City's Comprehensive Annual Financial Report ("CAFR") as shown in the following tables. Additional information is available from the addresses shown.

Following are the City's blended component units:

<b>Blended Component Units Reported with the Primary Government</b>	<b>Brief Description of Activities, Relationship to the City and Key Inclusion Criteria</b>
<i><b>Houston Firefighters' Relief &amp; Retirement Fund</b></i> <i><b>4225 Interwood North Parkway</b></i> <i><b>Houston, TX 77032</b></i>	Responsible for administration, management, and operation of the pension system solely for Houston City firefighters. One member of the board is either the mayor or an appointed representative, five members are elected by active firefighters, one member is elected by retired firefighters, two members are citizen representatives, and one member is the City Treasurer.  <b>Reporting Fund:</b> Houston Firefighters' Relief and Retirement Pension Trust Fund.
<i><b>Houston Municipal Employee's Pension System</b></i> <i><b>1111 Bagby, Suite 2450</b></i> <i><b>Houston, TX 77002</b></i>	Responsible for administration, management, and operation of the pension system solely for municipal (non-classified) employees of the City. Four members of the Board are appointed by the Mayor or City Council, six are elected by active employees or retirees, and one is the City Treasurer.  <b>Reporting Fund:</b> Houston Municipal Employee's Pension Trust Fund.



**CITY OF HOUSTON, TEXAS**  
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<b>Blended Component Units Reported with the Primary Government</b>	<b>Brief Description of Activities, Relationship to the City and Key Inclusion Criteria</b>
<i>Houston Police Officer's Pension System 602 Sawyer, Suite 300 Houston, TX 77007</i>	Responsible for administration, management, and operation of the pension system solely for active and retired police officers of the City. One member of the Board is appointed by the administrative head of the City, one is the City Treasurer, three are elected by employees, and two are appointed by elected Board members.
	<b>Reporting Fund:</b> Houston Police Officer's Pension Trust Fund.

Following are the City's discretely presented governmental fund component units:

<b>Discretely Reported Component Units</b>	<b>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</b>
<i>Cultural Arts Council of Houston ("CACH") 3201 Allen Parkway, Suite 250 Houston, TX 77019</i>	Non-profit organization that is the officially designated arts agency of the City. The City does not appoint a voting majority, but is financially accountable because CACH is fiscally dependent on the revenues provided from a portion of hotel occupancy tax, which is levied by the City.
<i>Greater Greenspoint Redevelopment Authority C/o Hawes Hill &amp; Assoc. Consultants P.O. Box 22167 Houston, Texas 77227-2167</i>	Special district organized under state statute to redevelop a blighted neighborhood in North Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.
<i>HALAN - Houston Area Library Automated Network Board Houston Central Library 500 McKinney Houston, TX 77002</i>	Provides review and guidance to the operation, funding and development of the Houston Area Library Automated Network, which provides library services to Houston and surrounding communities. Three members are appointed by City Council, two by the County, and one elected by the smaller libraries. The City does not appoint a voting majority, but is financially accountable for this organization because HALAN is fiscally dependent for all revenues and the City can impose its will.
<i>Houston Convention Center Hotel Corporation ("HCCHC") c/o George R. Brown Avenida De Las Americas Houston, TX 77010</i>	Local government corporation created by the City in accordance with the Texas Transportation Corporation Act and Chapter 394 of the Texas Local Government Code authorized to construct, improve, enlarge, equip, repair, operate and maintain a hotel in downtown Houston within one thousand feet of the George R. Brown Convention Center. Board members are appointed by the Mayor and confirmed by City Council.
<i>Houston Housing Finance Corporation ("HHFC") 9545 Katy Freeway, Suite 105. Houston, TX 77024</i>	Non-profit corporation incorporated by the City in accordance with the Texas Housing Finance Corporation Act to finance residential mortgage loans to low or moderate income persons through the sale of revenue bonds collateralized by the mortgage loans. The Board is nominated by the Mayor and confirmed by City Council. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.
<i>Houston Library Board Houston Central Library 500 McKinney Houston, TX 77002</i>	Solicits and manages funds raised privately for library improvements. Advises the Mayor and City Council on additions and improvements to the library system that provide a direct benefit to the City. Board members are nominated by the Mayor and confirmed by City Council.
<i>Houston Parks Board 2001 Kirby Dr., Suite 814 Houston, Texas 77019</i>	Solicits and manages funds raised privately for park acquisitions and advises the Mayor and City Council on park acquisitions and improvements, which provide a direct benefit to the City. Board members are nominated by the Mayor and confirmed by City Council.

**CITY OF HOUSTON, TEXAS**  
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<b>Discretely Reported Component Units</b>	<b>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</b>
<i>Lamar Terrace Public Improvement District</i> <i>City of Houston</i> <i>Box 1562</i> <i>Houston, Texas 77251</i>	Special district organized under state statute to redevelop a blighted neighborhood in Southwest Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.
<i>Main Street Market Square Development Authority</i> <i>1111 Bagby, Suite 2500</i> <i>Houston, Texas 77002</i>	Special district organized under state statute to redevelop a blighted neighborhood in Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.
<i>Memorial-Heights Redevelopment Authority</i> <i>12 Greenway Plaza, Suite 1500</i> <i>Houston, Texas 77046-1287</i>	Special district organized under state statute to redevelop a neighborhood close to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.
<i>Midtown Redevelopment Authority</i> <i>3401 Louisiana, Suite 355</i> <i>Beinville Building</i> <i>Houston, Texas 77002</i>	Special district organized under state statute to redevelop a blighted neighborhood south of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.
<i>OST/Almeda Corridors Redevelopment Authority</i> <i>2413 Blodgett</i> <i>Houston, Texas 77004</i>	Special district organized under state statute to redevelop a blighted neighborhood south of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.
<i>Reinvestment Zone #1</i> <i>City of Houston</i> <i>Box 1562</i> <i>Houston, Texas 77251</i>	A special district organized under state statute to redevelop blighted areas in Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council, the operations provide financial benefits to the City, the City has investment authority for the Zone's assets and the books and records are maintained by the City.
<i>Uptown Development Authority</i> <i>900 Bagby, City Hall Annex Houston, Texas 77002</i>	Special district organized under state statute to redevelop a neighborhood west of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.

**2. Related Organizations**

The following entities are related organizations to which the City appoints board members but for which the City has no significant financial accountability. Some of these organizations are Access Houston Cable Corporation, Coastal Water Authority, Employees Deferred Compensation Plan, Harris County-Houston Sports Authority, Harris County Metropolitan Transportation Authority, Houston Clean City Commission, Miller Theater Advisory Council and the Small Business Development Corporation. All transactions with these related organizations are conducted in the ordinary course of business. Further financial information is available from the respective organizations.

**C. Basis of Presentation - Fund and Account Group Categories**

The accounts of the City are organized on the basis of funds and account groups, each of which is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/retained earnings, revenues, and expenditures/expenses. Government resources are allocated to and accounted for in individual funds for the purpose of carrying on specific activities in accordance with special regulations, restrictions, or limitations. The various funds and account groups are reported by type in the financial statements as follows:

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
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**1. Fund Accounting**

**a. Governmental Fund Types**

- (1) **General Fund** - is the principal operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.
- (2) **Special Revenue Funds** - are used to account for the proceeds of specific revenue sources (other than expendable trust funds or major capital projects) that are legally restricted to expenditures for specific purposes.
- (3) **Debt Service Fund** - is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of tax supported debt.
- (4) **Capital Projects Fund** - is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Such resources are derived principally from proceeds of public improvement bonds and from special assessments.

**b. Proprietary Fund Types**

- (1) **Enterprise Funds** - are used to account for operations that are financed and operated in a manner similar to private business enterprises and for which the intent of the City is that the costs (expenses, including depreciation) of providing the services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition, maintenance, and improvement of the physical plant facilities required to provide these services are financed from existing cash resources, the issuance of revenue bonds, contributions, and federal grants.
- (2) **Internal Service Funds** - are used to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

**c. Fiduciary Fund Types**

Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and other funds. These include the following:

- (1) **Expendable Trust Funds** - are accounted for in essentially the same manner as governmental funds.
- (2) **Pension Trust Funds** - are accounted for in essentially the same manner as proprietary funds.
- (3) **Agency Funds** - are custodial in nature and do not involve measurement of results of operations.

**2. Account Groups**

- a. General Fixed Assets Account Group** - This self-balancing group of accounts is established to account for all fixed assets of the City, except for those accounted for in the proprietary funds.
- b. General Long-Term Debt Account Group** - This group of accounts is established to account for (1) the outstanding principal balance of public improvement bonds, assumed utility district bonds, general obligation bonds, certificates of obligation, and tax obligation contracts of the City; (2) liabilities associated with capital leases financed through governmental funds; and (3) accrued liabilities for compensated absences, claims, and judgments of governmental fund types which cannot be liquidated using currently available financial resources.

**D. Measurement Focus and Basis of Accounting**

All governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances (net current assets) are considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of certain long-term receivables, primarily property taxes and special assessments, are reported on the balance sheets of governmental funds in spite of their spending measurement focus. Special reporting treatments are used to indicate that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables is deferred until they become current receivables.

**CITY OF HOUSTON, TEXAS**  
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Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

All proprietary funds and pension trust funds are accounted for on a cost of services or "economic resources" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. In accordance with GASB Statement No. 20, the City has elected to follow all Financial Accounting Standards Board (FASB) pronouncements issued prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to follow FASB pronouncements issued subsequent to that date.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds, expendable trust funds and agency funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are generally recognized under the modified accrual basis of accounting in the accounting period in which the fund liability is incurred, if measurable. Claims, judgments and compensated absences are recognized to the extent that the liability will be liquidated within the next year. The following types of revenues are susceptible to accrual under the modified accrual basis of accounting: delinquent property taxes (including penalty and interest); services billed to other funds; sales tax; mixed beverage tax; franchise fees; fines and forfeits; and investment earnings. Intergovernmental revenue from reimbursable grants and capital projects is recognized when the related expenditure is incurred.

All proprietary and pension trust funds use the full accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses and related liabilities, including claims, judgments, and compensated absences, are recognized when they are incurred.

The two account groups are not "funds." They are concerned only with the measurement of financial position, not with the measurement of operation results.

**E. Budgetary Data**

**1. General Budget Policies**

Annual budgets are adopted for the General Fund, the Debt Service Fund, the Special Revenue Funds (except for the Grants Revenue Fund, Disaster Recovery, Health Special Fund and the Housing Special Fund) and the Proprietary Funds (except for the Sports Arena Fund). The budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Budgets for proprietary funds are prepared on the accrual basis, but focus on expenses relating to maintenance and operations, and equipment purchases and, accordingly, exclude depreciation and other allocations related to income determination.

The following provides a reconciliation of the City's budgeting policy with respect to Special Revenue Funds for actual fiscal year 2001 results:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Sources (Uses)</u>
Budgeted Special Revenue Funds	\$ 68,926	\$ 121,859	\$ 48,869
Non-budgeted Disaster Recovery Fund	22,860	63,147	40,287
Non-budgeted Grants Revenue Fund	139,064	137,767	(410)
Non-budgeted Health Special Fund	536	73	-
Non-budgeted Housing Special Fund	3,548	1,935	-
Total Special Revenue Funds - Actual	<u>\$ 234,934</u>	<u>\$ 324,781</u>	<u>\$ 88,746</u>

During January of each year, the Mayor, with City Council input, establishes budget guidelines. All departments of the City submit requests for appropriations to the Mayor and the City's Department of Finance and Administration so that a budget may be prepared. Generally, during June, the City Controller certifies that funds are available for a continuing appropriation and the budget is proposed to City Council. City Council holds public hearings and a final budget is normally adopted by June 30. A final appropriation ordinance is adopted during a fiscal year and may include budget revisions or amendments.

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The legal level of budgetary control is the departmental level within each fund, even though the budget is prepared by fund, department, and expenditure category. The Mayor is authorized to transfer unlimited budgeted amounts within departments and amounts between departments, provided such transfers do not exceed 5% of an expenditure category. Expenditure categories are personnel services, other current expenditures and capital outlay. Appropriations related to funds with annual budgets lapse at year-end except for Capital Outlay appropriations which cover multiple years.

On April 25, 2001, City Council approved the FY 01 general appropriation ordinance in the amount of \$1.3 billion for the General Fund. During the year, City Council approved budget revisions increasing General Fund expenditures and other uses by \$12 million. The increase in the FY 2001 Appropriation was primarily due to increases in electricity, natural gas, health benefits, the Fire Department's temporary higher-class pay, and refuse disposal contracts. This increase was offset by a reduction for the transfer to the Street Maintenance and Traffic Control Fund and spending controls imposed to limit expenditures in FY 2001. Retiree Benefits exceeded budget due to a greater number of retirements than originally assumed. Miscellaneous support services exceeds the amounts budgeted due to revolving fund expenditures being absorbed by general government rather than at the department level as originally budgeted. Total expenditures were \$4.6 million more than budgeted.

**2. Encumbrances**

Encumbrance accounting is employed in the governmental, proprietary, and expendable trust funds. Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. Outstanding encumbrances are deleted and the related appropriations lapse at year-end. Open encumbrances are then reestablished in the succeeding fiscal year against that fiscal year's appropriations. Encumbrances do not constitute expenditures or liabilities.

**F. Assets, Liabilities, and Fund Equity**

**1. Deposits and Investments**

The City's investment policy requires all deposits to be fully collateralized with depository insurance; obligations of the United States of America or its agencies and instrumentalities (excluding those mortgage backed securities prohibited by the Public Funds Investment Act); or in any other manner and amount provided by law for the deposits of the City. At all times, such securities are to have a fair value of not less than 102% of the amount of the deposits collateralized thereby, adjusted by the amount of applicable depository insurance.

Substantially all cash, except for imprest accounts, is deposited with financial institutions in interest bearing accounts or is invested. The majority of the City's cash and investments are administered using a pooled concept, which combines the monies of various funds for investment purposes. Interest earnings of the pool are apportioned to each fund, unless otherwise required by bond covenants, based on the fund's relative share of the investment pool. Amounts on deposit in interest bearing accounts and other investments are displayed on the combined balance sheet as "Equity in pooled cash and investments" and in accordance with GASB statement No. 31, are carried at fair value. The blended and discretely presented component units separately invest their funds and report investments pursuant to their respective investment policies described in their separately audited financial statements at their fair values.

Investments authorized by the City's investment policy, which is guided by state laws and city ordinances generally include: obligations of the United States of America or its agencies and instrumentalities; fully-collateralized Certificates of Deposit from City Council-approved public depositories; direct obligations of the State of Texas or its agencies and instrumentalities; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; obligations of states, agencies, counties, cities, and other political subdivisions; corporate commercial paper; fully collateralized repurchase agreements; and reverse repurchase agreements within specific terms. Investments are carried at fair value based on quoted market prices.

**2. Inventories of Materials and Supplies**

Inventories are valued at average cost for the Enterprise Funds and Grants Revenue Fund. All other inventories are charged to expense when purchased.

**3. Property, Plant and Equipment**

**a. General Fixed Assets Account Group**

Asset valuation is based on historical costs or estimated historical costs, if original costs are not available.

**CITY OF HOUSTON, TEXAS**  
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General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the city.

Assets in the general fixed assets account group are not depreciated.

The City adds construction costs incurred during the year to the value of construction work in progress until the assets are placed in service. Land and equipment costs are added to the fixed asset base in the year of acquisition. Construction period interest for the General Fixed Asset Account Group is not capitalized.

**b. Enterprise Funds**

Property, plant, and equipment owned by the Enterprise Funds are stated at cost or estimated historical cost if original cost is not available. Construction costs (excluding land and equipment) are added to construction work-in-progress until the assets are placed in service and are depreciated following completion. Depreciation on equipment begins in the year of acquisition. Land and equipment costs are added to the fixed asset base in the year of acquisition. Interest costs on funds borrowed to finance the construction of property, plant and equipment of the enterprise funds are capitalized when the costs materially exceed interest earnings on related revenue bond proceeds. For fiscal year 2001, the capitalized interest cost for the Airport System Facilities was \$14.5 million.

Depreciation is computed using the straight-line method on the composite asset base over the estimated useful lives as follows:

<u>Assets</u>	<u>Years</u>
Airport System Facilities	4-45
Convention & Entertainment Facilities	4-45
Water and Sewer System Facilities	5-50

Water rights and conveyance system rights of the Water and Sewer System Fund are amortized over the life of the related contracts. These rights are reported as other assets.

Depreciation on property acquired through annexation and capital grants in aid of construction in the Airport System Fund and the Water and Sewer System Fund is included as an operating expense in the Statement of Revenues, Expenses, and Changes in Fund Equity, but is closed to contributed capital instead of retained earnings. The remaining portion of net income is closed to retained earnings.

**4. Bond Discounts and Issuance Costs**

Bond discounts and issuance costs in Enterprise Funds are amortized over the term of the bonds using the effective interest method. In addition, gains or losses on Enterprise Fund refundings are amortized over the term of the lesser of the new bonds or the refunded bonds using the effective interest method.

**5. Fund Equity**

- a. Reserve** - Indicates that portion of fund equity which has been legally segregated (e.g., by bond ordinance) for specific purposes.
- b. Designated Fund Balance** - Indicates that portion of fund equity for which the City has made tentative plans.
- c. Undesignated Fund Balance** - Indicates that portion of fund equity which is available for appropriation in future periods.

**G. Transfers, Revenues, Expenditures and Expenses**

**1. Interfund Transactions**

A description of the four basic types of interfund transactions and the related accounting policies are as follows:

- a. Quasi-external transactions** are those that would be treated as revenues, expenditures, or expenses if they involved organizations external to the City, and are accounted for as revenues, expenditures or expenses in the fund involved.

**CITY OF HOUSTON, TEXAS**  
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- b. Transactions to reimburse a fund for expenditures made by it for the benefit of another fund are recorded as expenditures or expenses in the reimbursing fund and as a reduction of expenditures or expenses in the fund that is reimbursed.
- c. Residual equity transfers are nonrecurring or nonroutine transfers of equity between funds and are reported as additions to or deductions from the beginning fund balance in governmental funds.
- d. All other interfund transfers, such as legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended, are operating transfers. Operating transfers are classified as other financing sources or uses (or operating transfers for proprietary funds) in the Statement of Revenues, Expenditures (or expenses) and Changes in Fund Balances (or fund equity).

**2. Compensated Absences**

Full-time employees of the City are eligible for vacation leave of 10 working days per year. After 5 years of full-time employment with the City, they receive an extra day of vacation and continue to earn an extra day per year for each additional year of service up to a maximum of 12 extra days. Employees may accumulate up to 90 days of vacation leave. Upon termination or retirement, employees are paid for unused vacation leave, up to 90 days, in the amount determined by taking the average rate during the employee's last sixty (60) days of employment. Part-time employees (those working less than 30 hours per week) are not eligible for vacation leave benefits.

Generally all full-time employees are covered under the compensatory sick leave plan and receive a bi-weekly leave time allowance of 2.5 hours per payroll period up to a maximum of 65 hours per year. Employees who use fewer than 65 hours during the benefit year will receive a match of additional hours equal to the number of hours accrued minus the number of hours used. Once an employee's balance has reached 1,040 hours, no additional match for unused hours is given. Upon termination, all unused sick leave time allowances in excess of 1,040 hours are payable to the employee at the employee's rate of pay at the time of termination. An employee who uses two days or less of sick leave in any benefit year receives up to three days of personal leave in the next year. Personal leave may be used in place of vacation leave, but will not accumulate and will not be paid out at termination.

The City also has adopted policies of compensatory time to comply with the Fair Labor Standards Act as amended in 1985. These policies provide limits to the accumulation of compensatory time and also provide that time not used will be paid in cash. Only classified employees and civilian employees in certain pay grades routinely earn compensatory time.

Vacation and compensatory time benefits are accrued as liabilities as the benefits are earned by employees to the extent that the City's obligation is attributable to employees' services already rendered, and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, such as cash payments.

Sick leave benefits are accrued as a liability as the benefits are earned by employees, but only to the extent that it is probable that the City will compensate the employees through cash payments conditioned on the employees' termination or retirement. For governmental funds, the long-term portion of the liability for vacation, compensatory time and sick leave is reported in the General Long-Term Debt Account Group.

**H. Statement of Cash Flows — Cash and Cash Equivalents**

The City considers cash and cash equivalents to be unrestricted equity in pooled cash and investments which consist of cash on hand, demand deposits and all highly liquid investments which can be deposited or withdrawn without notice or penalty. Generally, restricted assets have maturities greater than three months.

**I. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**J. Reclassifications**

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. In addition, certain component unit's financial statements have been reclassified in conformity with the rules of governmental accounting. These units normally follow other accounting conventions in their audited financial statements.

**K. "Memorandum Only" Total Columns**

Amounts presented as "Memorandum Only" totals are the aggregate of the fund types and account groups. No consolidating or eliminating entries were made in arriving at the totals, and they do not present consolidated information. Accordingly, all total columns in the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis.

**CITY OF HOUSTON, TEXAS**  
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**L. Comparative Data**

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the City's financial position and operations.

**Note 2: Deposits and Investments**

**A. Deposits**

The City's deposits, including component units, are categorized to give an indication of the level of risk assumed by the City at year-end as follows:

- Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 - Uncollateralized.

At June 30, 2001, the carrying amount of the City's deposits was \$12,508,000 and the bank balance was \$46,317,207. Of this amount, \$200,000 was covered by federal depository insurance and the balance was covered by collateral held by the City's agent in the City's name (category 1).

The carrying amount and the bank balance of the blended component unit deposits was \$6,679,000 and is covered by collateral held by a third party in the entity's name (category 1).

The carrying amount of the discretely presented component unit deposits was \$12,721,860 with a bank balance of \$4,454,778 covered by collateral held by the entity's agent in the entity's name (category 1).

**B. Investments**

The City's investments, including component units, are categorized to give an indication of the level of risk assumed by the City at year-end as follows:

- Category 1 includes investments that are insured or registered or for which the securities are held by the City's agent in the City's name.
- Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name.
- Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name.

Certain investments, such as commingled funds, mortgage loans, and real estate limited partnership, are not required to be categorized because they are not evidenced by securities that exist in physical or book entry form.



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A summary of investments by risk category as of June 30, 2001, follows (in thousands):

Type of Investment	Category				Total
	1	2	3	Not Categorized	
<b>City of Houston</b>					
U.S. government and agency securities	\$ 1,874,342	\$ -	\$ -	\$ -	\$ 1,874,342
State and local government issues	150,477	-	-	-	150,477
Commercial Paper	125,934	-	-	-	125,934
Money Market Mutual Funds	-	-	-	34,994	34,994
Flexible repurchase agreements	315,755	-	-	-	315,755
Certificate of Deposit	474	-	-	-	474
Total City	2,466,982	-	-	34,994	2,501,976
<b>Blended component units</b>					
U.S. government securities	721,537	-	-	-	721,537
Corporate bonds	608,953	-	-	-	608,953
Other fixed income securities	-	-	67,074	-	67,074
Commingled equity funds	-	-	-	1,890,167	1,890,167
Common & preferred stocks	-	-	971,059	-	971,059
Real estate and partnerships	-	-	-	280,970	280,970
Short-term investment funds	48,527	-	-	68,243	116,770
Other investments	59,753	-	-	1,036,050	1,095,803
Total blended component units	1,438,770	-	1,038,133	3,275,430	5,752,333
<b>Discretely Presented Component Units</b>					
U.S. government securities	36,732	-	-	-	36,732
Corporate bonds	550	-	-	-	550
Common stock	-	14,598	-	-	14,598
Land	-	-	-	2	2
Money market and mutual funds	-	-	-	46	46
Total discretely presented component units	37,282	14,598	-	48	51,928
Total investments reporting entity	\$ 3,943,034	\$ 14,598	\$ 1,038,133	\$ 3,310,472	\$ 8,306,237

**Note 3: Allowance for Doubtful Accounts**

The following were the allowances for doubtful accounts receivable by fund as of June 30, 2001 (in thousands):

Fund	Amount
General	
Uncollectible General Property Taxes	\$ 26,876
Ambulance Charges	203,963
Fines and forfeits	96,537
Others	2,548
Grant Revenue	1,707
Airport System	1,154
Convention and Entertainment Facilities	41
Water and Sewer System	79,037
	<u>\$ 411,863</u>

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**Note 4: Property Tax**

The City's annual ad valorem property tax is required to be levied by October 1, or as soon thereafter as practicable, on the assessed value listed as of the prior January 1 for all real and certain personal property. Taxes are due on January 31 of the year following the year of the levy. A lien is placed on taxable property if the assessment remains unpaid as of June 30 of the year following the year of the levy. The tax rate established by the City Council for the 2000 tax year was \$0.655 per \$100 of assessed value with \$0.476 for operations and \$0.179 for debt service.

The City Charter limits the property tax rate to \$0.50 per \$100 of assessed valuation excluding taxes levied for "debt service," as that term is defined in Section 1 of Article III of the City Charter.

The Texas Property Tax Code ("Code"), with certain exceptions, exempts intangible personal property, household goods, and family-owned automobiles from taxation. In addition, the Code provides for countywide appraisal districts. Since January 1, 1983, the appraisal of property within the City has been the responsibility of the countywide appraisal district.

The appraisal district is required under the Code to appraise all taxable property within the appraisal district on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of real property within the appraisal district must be reviewed every three years. However, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, take legal action.

**Note 5: Fixed Assets**

**A. General Fixed Assets**

Summary of changes in the general fixed assets account group for the year ended June 30, 2001 follows (in thousands):

	<b>Balance June 30, 2000</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance June 30, 2001</b>
<b>Primary Government</b>					
Land	\$ 321,298	\$ 6,045	\$ 294	\$ -	\$ 327,049
Buildings	260,054	23,180	371	-	282,863
Improvements and Equipment	519,912	44,030	54,163	20,448	530,227
Construction Work in Progress	373,930	153,863	-	(20,448)	507,345
Total Primary Government	1,475,194	227,118	54,828	-	1,647,484
<b>Discretely Presented Component Units</b>					
Land	4,642	12,366	196	-	16,812
Buildings	952	-	280	-	672
Improvements and Equipment	195	6,534	88	-	6,641
Construction Work in Progress	-	14,216	-	-	14,216
Total Discrete Component Units	5,789	33,116	564	-	38,341
Total Reporting Unit	\$ 1,480,983	\$ 260,234	\$ 55,392	\$ -	\$ 1,685,825

**B. Proprietary Funds**

A summary of changes in proprietary fund fixed assets for the year ended June 30, 2001 follows (in thousands):

<b>Proprietary Funds Fixed Assets</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
Land	\$ 256,800	\$ 17,633	\$ (4,443)	\$ 269,990
Buildings, Improvements and Equipment	1,863,382	218,957	(6,225)	2,076,114
Plants and Lines	5,434,291	169,489	(11,270)	5,592,510
Construction Work in Progress	1,013,564	579,560	(388,276)	1,204,848
Total Proprietary Funds	8,568,037	985,639	(410,214)	9,143,462
Accumulated Depreciation	(3,251,897)			(3,482,177)
Net Proprietary Funds	\$ 5,316,140			\$ 5,661,285

**CITY OF HOUSTON, TEXAS**  
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**C. Pension Trust Funds**

In February 1998, the Firefighters' Relief and Retirement Fund purchased land in the amount of \$541,194 for use in the construction of a new office building for its operations and its members. As of June 30, 2000, \$3,808,786 had been utilized for the construction of the new office building. In March of 2001 the construction of the new building was completed. As of June 30, 2001 all capitalized costs associated with the building have been classified as building. The building amount of \$9,059,365 is being depreciated over 30 years. The accumulated depreciation for the building as of June 30, 2001 amounted to \$76,559.

**Note 6: Long-Term Debt**

**A. General Long-Term Debt**

Changes in General Long-Term Debt for the year ended June 30, 2001 are summarized as follows (in thousands):

	Balance June 30, 2000	Additions	Retirements/ Transfers	Balance June 30, 2001
<b>Primary Government</b>				
General Tax Obligation Debt	\$ 1,830,524	\$ 360,280	\$ 321,864	\$ 1,868,940
HUD Section 108 Loans	9,295	4,590	540	13,345
Claims and Judgements	71,545	-	501	71,044
Vacation and Sick Leave	308,030	225	-	308,255
Compensatory Time	49,484	5,041	-	54,525
Arbitrage Rebate	1,018	60	-	1,078
<b>Total General Long-Term Debt, Primary Government</b>	2,269,896	370,196	322,905	2,317,187
<b>Discretely Presented Component Units:</b>				
Notes Payable	8,155	11,426	4,095	15,486
Revenue Bonds	3,850	23,575	2,980	24,445
<b>Total General Long-Term Debt, Reporting Entity</b>	<u>\$ 2,281,901</u>	<u>\$ 405,197</u>	<u>\$ 329,980</u>	<u>\$ 2,357,118</u>

**CITY OF HOUSTON, TEXAS**  
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**B. Schedule of Changes in Bonds and Long-Term contracts (amounts expressed in thousands)**

	Stated Interest Rate Range	Face Value Outstanding 7/1/2000	FY01 Issued/ Increased
<b>General Tax Obligation Debt</b>			
General Obligation Bonds	5.00	\$ 3,365	\$ -
Public Improvement Bonds	3.20 to 7.00	1,245,410	203,080
Commercial Paper	2.30 to 4.75	421,300	145,000
Annexed District Bonds	3.05 to 9.75	115,650	-
Tax and Revenue Certificates of Obligation	3.75 to 6.00	42,088	12,200
<b>Total General Tax Obligation Debt</b>		<u>\$ 1,827,813</u>	<u>\$ 360,280</u>
<b>HUD Section 108 Loans</b>		<u>\$ 9,295</u>	<u>\$ 4,590</u>
<b>Revenue Bonded Debt</b>			
<b>Airport System Bonds</b>			
Subordinate Lien Refunding Revenue Bonds	3.80 to 6.75	\$ 831,550	\$ 696,465
Commercial Paper	2.50 to 4.75	50,000	40,000
		<u>881,550</u>	<u>736,465</u>
<b>Convention and Entertainment Facilities</b>			
Senior Lien Hotel Occupancy Tax/Parking Facilities	4.00 to 5.80	127,690	626,540
Convention Center/Hotel Commercial Paper	2.75 to 4.25	-	26,000
Note Payable		7,120	-
		<u>134,810</u>	<u>652,540</u>
<b>Water &amp; Sewer System Facilities</b>			
Water & Sewer System Prior Lien Revenue Bonds	3.15 to 6.90	270,490	-
Water and Sewer System Junior Lien Revenue Bonds	3.40 to 6.40	2,615,916	292,145
Water and Sewer System Commercial Paper	2.40 to 5.10	292,700	285,000
		<u>3,179,106</u>	<u>577,145</u>
<b>Long-Term Contracts-Water &amp; Sewer System</b>			
Coastal Water Authority	4.35 to 7.50	266,014	-
Trinity River Authority	4.00 to 7.10	14,500	-
		<u>280,514</u>	<u>-</u>
<b>Total Revenue Bonded Debt and Long-Term Contracts, Primary Government</b>		<u>\$ 4,475,980</u>	<u>\$ 1,966,150</u>
<b>Total Bonds and Long-Term Contracts Payable, Primary Government</b>		<u>\$ 6,313,088</u>	<u>\$ 2,331,020</u>

(1) Adjustments consist of unamortized bond premiums, discounts, and deferred (gains) losses from bond refundings.

**CITY OF HOUSTON, TEXAS**  
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<b>FY01</b>	<b>Face Value</b>	<b>Adjustments<sup>(1)</sup></b>	<b>Net Outstanding</b>
<b>Redeemed/Refunded</b>	<b>Outstanding 6/30/01</b>		<b>6/30/2001</b>
\$ -	\$ 3,365	\$ -	\$ 3,365
110,990	1,337,500	-	1,337,500
190,000	376,300	-	376,300
9,474	106,176	2,513	108,689
11,585	42,703	383	43,086
<u>\$ 322,049</u>	<u>\$ 1,866,044</u>	<u>\$ 2,896</u>	<u>\$ 1,868,940</u>
<u>\$ 540</u>	<u>\$ 13,345</u>	<u>\$ -</u>	<u>\$ 13,345</u>
\$ 18,395	\$ 1,509,620	\$ (30,577)	\$ 1,479,043
90,000	-	-	-
<u>108,395</u>	<u>1,509,620</u>	<u>(30,577)</u>	<u>1,479,043</u>
127,690	626,540	(4,677)	621,863
26,000	-	-	-
7,120	-	-	-
<u>160,810</u>	<u>626,540</u>	<u>(4,677)</u>	<u>621,863</u>
19,960	250,530	-	250,530
40,231	2,867,830	61,852	2,929,682
277,700	300,000	-	300,000
<u>337,891</u>	<u>3,418,360</u>	<u>61,852</u>	<u>3,480,212</u>
11,827	254,187	6,721	260,908
1,500	13,000	-	13,000
<u>13,327</u>	<u>267,187</u>	<u>6,721</u>	<u>273,908</u>
\$ 620,423	\$ 5,821,707	\$ 33,319	\$ 5,855,026
\$ 943,012	\$ 7,701,096	\$ 36,215	\$ 7,737,311

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
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**C. Terms of Long-Term Debt**

**1. General Obligation Bonds**

These bonds are payable from the general revenue of the City. On December 6, 1999, the City issued \$3,365,000 of General Obligation Bonds Series 1999. The proceeds from the sale of the Bonds were used to pay certain legal claims, settlements and judgments against the City, and to pay costs of issuance of the Bonds. The bonds were issued at a rate of 5.00%.

**2. Public Improvement Bonds**

The City has issued Public Improvement Bonds on numerous occasions. The proceeds are used for street and bridge improvements, traffic signals, municipal buildings, parks, and other capital improvements. Interest is payable semi-annually; principal is payable annually through March 1, 2020.

**3. General Obligation Commercial Paper**

The City currently issues Commercial Paper Notes ("Notes") under its \$535,000,000 General Obligation Commercial Paper Program, Series A, its \$200,000,000 General Obligation Commercial Paper Program, Series B and its \$100,000,000 General Obligation Commercial Paper Program, Series C. The Notes may be issued for a period not to exceed 270 days and will bear interest based upon the specified term of the Notes, but not to exceed 10%. Principal on the Notes is payable from ad valorem tax revenue, the issuance of new commercial paper, bond proceeds and other funds provided under the line of credit. Interest is payable as the Notes mature from ad valorem tax revenue collected by the City. Proceeds from the Notes are used to finance various capital projects and public improvements for authorized City purposes. Upon maturity, the Notes will be remarketed by the commercial paper dealers or extinguished with long-term debt.

During fiscal year 2001 the weighted average interest rate for the Series A, B, and C Notes was 3.521%, 3.780% and 3.432% respectively. The Debt Service Payment Schedule is calculated at an assumed interest rate of 8.25%. The Series A, B, and C letter of credits expire on July 3, 2002, March 31, 2002, and July 1, 2002 respectively.

**4. Annexed District Bonds Assumed**

The City has assumed general tax obligation debt of annexed districts. The payment dates and maturities vary, but in general, interest is payable semi-annually and principal is payable annually. Interest rates range from 3.05 to 10.5 percent, and the final maturity date is October 1, 2021.

**5. Certificates of Obligation**

Since 1988, the City has issued Certificates of Obligation each year to provide for the purchase of equipment utilized in general City operations including, without limitation, police vehicles, maintenance vehicles and equipment, computer equipment, and costs associated with demolishing dangerous structures. Each year the City is obligated to levy, assess, and collect ad valorem taxes sufficient to pay principal and interest on the certificates payable semi-annually until maturity. Generally, these certificates are not subject to redemption prior to maturity on September 1, 2021.

On February 6, 2001, the City issued \$12,200,000 of Tax and Revenue Certificates of Obligation 2001A. The bonds were issued to provide all or part of the funds to pay contractual obligations to be incurred for (1) the acquisition, construction and installation of street improvements, (2) water and sewer utility replacement, (3) erection, construction of the City's project referred to as Cotswold, and payment of costs of issuance for such Certificates. The bonds were issued at rates of 3.75% to 5.0%.

**6. HUD Section 108 Loan**

The City's Housing Department is developing several housing projects, the largest of which is a \$5,000,000 participation in the renovation of the Whitehall Hotel in downtown Houston. Monies are drawn on HUD by the City and in turn loaned to the Houston Hotel Associates Limited Partnership (HHALP). HHALP in turn uses these funds, along with funds from other sources, to renovate the Hotel. The majority of that commitment has been made, with \$3,155,000 drawn in fiscal year 2001. Loans from smaller projects are processed through Houston Small Business Development Corp. (HSBDC), with \$1,435,000 in loans made in 2001. The net effect of these loans, along with principal payments on existing loans in the amount of \$540,000 is that the HUD balance increased from \$9,295,000 at the beginning of the year to \$13,345,000 as of June 30, 2001.

**7. Airport System Revenue Bonds**

These funds are paid solely from a lien on the net Airport System's revenues, which must total 110% of the debt service requirements for Subordinate Lien Bonds for such fiscal year. The bonds have a final maturity in the year 2030.

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The City purchased a Municipal Debt Service Reserve Fund Policy concurrently with the issuance of the Airport System Subordinate Lien Revenue Bonds in 2000. The reserve policy unconditionally guarantees the payment of principal and interest on all current outstanding airport system subordinate lien issues as of the date of the Series 2000 bonds. The reserve policies terminate on various dates in the future. Each of the draws made against the reserve policy shall bear interest at the Prime Rate plus two percent, not to exceed a maximum interest rate of 12%. The repayment provisions require one-twelfth of the policy costs for each draw to be repaid monthly, beginning the first month following the date of each draw.

On November 15, 2000, the City issued \$327,225,000 Series A (AMT), \$269,240,000 Series B (Non-AMT), \$50,000,000 Series P-1 and \$50,000,000 Series P-2 Airport System Subordinate Lien Revenue Bonds. The bonds were issued to convert all of the outstanding Airport Commercial Paper Notes to long-term fixed rate debt. The bonds were issued at rates from 5.0% to 6.0%. Proceeds were used to purchase an escrow of Government Obligations to extinguish the Commercial Paper notes in the amount of \$90,000,000 and to pay for establishing, improving, enlarging, extending and repairing the City's Airport system, including the acquisition of land and various costs of issuance of the debt.

**8. Airport System Commercial Paper**

Airport System Senior Lien Commercial Paper Notes (the "Notes") have been authorized for \$150 million Series A and B, and \$150 million Series C to establish, improve, enlarge, extend and repair the City's Airport System, acquire land, and pay interest and cost of issuance of the Notes. As of June 30, 2001, no airport commercial paper is outstanding.

The Notes are collateralized by direct pay letters of credit issued by two banks, and a lien on the net revenues of the Airport System. The amount of the letters of credit at June 30, 2001 was \$161,095,890 for Series A and B, and \$161,095,890 for Series C. The Letter of Credit will terminate on January 18, 2003 for Series A and B and December 26, 2001 for Series C.

At the end of the agreement period, the outstanding loans will be consolidated into a single term loan to be repaid in six equal semi-annual installments of principal plus interest. Interest rates during the term loan will be computed at the Base Rate plus 1%. The Base Rate is the higher of prime or the Federal Funds Rate plus 1/2%.

**9. Convention and Entertainment Facilities - Hotel Occupancy Tax and Special Revenue Refunding Bonds series A 2001, Hotel Occupancy Tax and Special Revenue Refunding Bonds series B 2001, and Hotel Occupancy Tax and Special Revenue Adjustable Rate Bonds series C 2001.**

These bonds are special limited obligations of the City that are paid solely from a lien on the pledged receipts of the Hotel Occupancy Tax. The pledged receipts are equal to 5.65% of the cost of substantially all hotel room rentals in the City and related penalties and interest for delinquent payments. So long as any of the Senior Lien Bonds remain outstanding, the City is required to levy a Hotel Occupancy Tax at a rate not less than 5%. The City currently levies a Hotel Occupancy Tax at the rate of 7%. Final maturity of the bonds is September 1, 2033.

The City has obtained a debt service reserve insurance policy for the Senior Lien Hotel Occupancy Tax Revenue Refunding Bonds. The surety policy provides insurance amount sufficient to pay maximum annual debt service of the Bonds. The surety policy expires upon final maturity of all outstanding Bonds, September 1, 2033. At June 30, 2001, the unamortized accounting loss from the issuance of these refunding bonds is \$8,741,588.

**10. Water and Sewer System Commercial Paper**

Water and Sewer System Commercial Paper Notes, Series A and Series B have been authorized for \$500 and \$200 million, respectively to finance the costs of additions, improvements and extensions to the City's Water and Sewer System. The notes are issued as subordinate lien debt. The maturity of the Notes may not exceed 270 days and the maximum interest rate may not exceed 10%. Upon maturity, the Notes will be remarketed by the commercial paper dealer or extinguished with long-term debt. The Commercial Paper Notes are collateralized by a Letter of Credit which expires on June 10, 2002 for Series A and Series B.

**11. Water and Sewer System Prior and Junior Lien Revenue Bonds**

These bonds are paid solely from a lien on the net water and sewer system revenues, which must total 120% of the current year debt service for the prior lien bonds plus required additions to the prior lien reserve fund, plus 110% of the current debt service requirements on the junior lien bonds. The bonds mature December 1, 2028.

During the year the City issued Junior Lien Bonds in the amount of \$292,145,000 and used proceeds from this issuance to retire Water and Sewer Commercial Paper in the amount of \$277,700,000.

**CITY OF HOUSTON, TEXAS**  
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**12. Coastal Water Authority (CWA)**

The amount of the contract payable to the CWA represents the outstanding principal balance at June 30, 2001 of certain revenue bonds issued by CWA, a governmental agency of the State of Texas to finance the construction of a water conveyance system.

Pursuant to a series of exchange agreements with CWA, the City has endorsed these bonds and is unconditionally obligated to pay from the gross operating revenues of the City's water system all debt service payments on these bonds and amounts necessary to restore deficiencies in funds required to be accumulated under the CWA bond resolutions. The contract matures on December 15, 2019.

**13. Trinity River Authority (TRA)**

The amount of the contract payable to the TRA represents the outstanding principal balance at June 30, 2001 of certain revenue bonds issued by TRA, a governmental agency of the State of Texas, to finance construction of a dam and reservoir on the Trinity River near Livingston, Texas. Pursuant to a contract with TRA, the City has endorsed the bonds associated only with this project and is unconditionally obligated to pay from the gross operating revenues of the City's water system maintenance and operating expense of the reservoir and amounts necessary to restore any deficiencies in funds required to be accumulated under the TRA bond resolutions.

As consideration for the above obligation, the City receives a perpetual 70% beneficial interest in these reservoir facilities and the use of 70% of the reservoir water. As consideration for the remaining 30% interest in the reservoir facilities and water, TRA is obligated to allow the City credits for water usage. Consequently, the cost of the City's obligation of TRA has not been reflected in the City's accounts as a receivable or as a reduction of the cost of the City's 70% interest in the facilities. Of the total amounts paid by the City, as of November 30, 1997 (TRA's fiscal year-end) over \$51 million is contingently recoverable from TRA through credits based on future water sales by TRA. The bonds mature on April 15, 2008.

**D. Schedule for Debt Service Requirements to Maturity (in thousands):**

**General Long-Term Tax Obligation Debt**

Year Ending June 30	General Obligation Bonds		Public Improvement Bonds		General Obligation Commercial Paper	
	Principal	Interest	Principal	Interest	Principal	Interest
2002	\$ -	\$ 168	\$ 98,875	\$ 73,031	\$ -	\$ 35,937
2003	1,000	143	114,165	68,149	376,300	17,722
2004	1,000	93	126,005	62,224	-	-
2005	1,365	34	133,310	55,488	-	-
2006	-	-	139,840	48,265	-	-
2007-2011	-	-	473,165	138,532	-	-
2012-2016	-	-	186,925	44,208	-	-
2017-2021	-	-	65,215	6,476	-	-
2022-2026	-	-	-	-	-	-
	<u>\$ 3,365</u>	<u>\$ 438</u>	<u>\$ 1,337,500</u>	<u>\$ 496,373</u>	<u>\$ 376,300</u>	<u>\$ 53,659</u>

Year Ending June 30	Annexed District Bonds		Tax and Revenue Certificates of Obligation		Total Future Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2002	\$ 8,775	\$ 6,545	\$ 12,140	\$ 1,888	\$ 119,790	\$ 117,569
2003	9,084	6,176	6,665	1,218	507,214	93,408
2004	9,977	4,985	1,680	894	138,662	68,196
2005	10,045	4,066	1,720	816	146,440	60,404
2006	9,740	3,556	3,750	735	153,330	52,556
2007-2011	43,160	9,795	7,739	7,233	524,064	155,560
2012-2016	12,715	2,072	3,920	1,998	203,560	48,278
2017-2021	2,495	240	5,089	825	72,799	7,541
2022-2026	185	5	-	-	185	5
	<u>\$ 106,176</u>	<u>\$ 37,440</u>	<u>\$ 42,703</u>	<u>\$ 15,607</u>	<u>\$ 1,866,044</u>	<u>\$ 603,517</u>



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**2. HUD Section 108 Loans**

<b>Year Ending June 30</b>	<b>Section 108 Loans</b>	
	<b>Principal</b>	<b>Interest</b>
2002	\$ 742	\$ 604
2003	742	681
2004	742	657
2005	742	547
2006	742	616
2007-2011	3,706	2,408
2012-2016	3,706	890
2017-2021	2,223	158
	<u>\$ 13,345</u>	<u>\$ 6,561</u>

**3. Enterprise Funds (adjusted for Capital Appreciation and Deferred Interest Bonds reclassification of principal & interest)  
(in thousands):**

<b>Year Ending June 30</b>	<b>Airport System Revenue Bonds</b>		<b>Convention and Entertainment Facilities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2002	\$ 19,460	\$ 85,633	\$ -	\$ 25,012
2003	4,845	80,628	5,955	26,948
2004	17,575	80,024	6,265	26,263
2005	18,490	79,141	6,590	26,700
2006	26,355	78,203	13,680	25,426
2007-2011	155,915	365,959	95,425	115,751
2012-2016	204,310	316,138	134,389	86,232
2017-2021	266,795	251,956	93,026	110,066
2022-2026	346,295	170,235	93,950	127,700
2027-2031	449,580	63,648	106,345	134,438
2032-2033	-	-	70,915	79,653
	<u>\$ 1,509,620</u>	<u>\$ 1,571,565</u>	<u>\$ 626,540</u>	<u>\$ 784,189</u>

<b>Year Ending June 30</b>	<b>Water and Sewer System</b>		<b>Water and Sewer System Commercial Paper</b>		<b>Total Future Requirements</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2002	\$ 58,376	\$ 159,547	\$ -	\$ 26,374	\$ 58,376	\$ 185,921
2003	56,720	158,397	150,000	28,572	206,720	186,969
2004	56,403	159,899	150,000	23,862	206,403	183,761
2005	78,901	147,183	-	-	78,901	147,183
2006	91,811	145,043	-	-	91,811	145,043
2007-2011	455,210	717,933	-	-	455,210	717,933
2012-2016	609,388	563,126	-	-	609,388	563,126
2017-2021	674,472	428,451	-	-	674,472	428,451
2022-2026	659,693	404,264	-	-	659,693	404,264
2027-2031	377,386	331,540	-	-	377,386	331,540
	<u>\$ 3,118,360</u>	<u>\$ 3,215,383</u>	<u>\$ 300,000</u>	<u>\$ 78,808</u>	<u>\$ 3,418,360</u>	<u>\$ 3,294,191</u>

**CITY OF HOUSTON, TEXAS**  
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Year Ending June 30	Coastal Water Authority		Trinity River Authority		Total Future Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2002	12,771	16,351	1,500	779	14,271	17,130
2003	13,226	15,651	1,500	688	14,726	16,339
2004	14,105	14,875	2,000	596	16,105	15,471
2005	15,460	12,510	2,000	471	17,460	12,981
2006	16,505	11,494	2,000	346	18,505	11,840
2007-2011	82,830	41,110	4,000	317	86,830	41,427
2012-2016	65,970	18,746	-	-	65,970	18,746
2017-2021	15,100	6,441	-	-	15,100	6,441
2022-2026	18,220	2,365	-	-	18,220	2,365
2027-2031	-	-	-	-	-	-
	<u>\$ 254,187</u>	<u>\$ 139,543</u>	<u>\$ 13,000</u>	<u>\$ 3,197</u>	<u>\$ 267,187</u>	<u>\$ 142,740</u>

**E. Debt Refundings**

Throughout its history, the City has issued refunding bonds from time to time when there has been an operational or economic gain for the City. These refundings have been structured as legal defeasances of the old debt as ruled by the Texas Attorney General, and such debt, including the debt balances refunded during fiscal 2001 described below, has been removed from the City's books.

On December 19, 2000, the City issued \$203,080,000 Public Improvement Refunding Bonds. The bonds were issued to convert a portion of the General Obligation Commercial Paper Series B and Series C to long-term fixed rate debt and to defease and advance refund certain public improvement bonds of the City and were issued at rates from 5.0% to 5.5%. Cash was used to purchase an escrow of \$209,593,647.00 consisting of U.S. Treasury Obligations and Government Obligations, which had net present value savings of \$541,280.36.

On May 8, 2001, the City issued \$150,335,000 Hotel Occupancy Tax and Special Revenue refunding Bonds Series A, \$326,204,593.75 Hotel Occupancy Tax and Special Revenue Bonds Series B and \$150,000,000 Hotel Occupancy Tax and Special Revenue Adjustable Rate Bonds series C. The bonds were issued to defease and advance refund all of the City's outstanding Senior Lien Hotel Occupancy Tax Revenue Refunding Bonds Series 1995 and all of the Subordinate Lien Hotel Occupancy Tax Commercial Paper Notes. The bonds were also issued for financing the George R. Brown Convention Center Expansion and construct, equip and furnish an approximately 1,200 room hotel. The bonds were issued at rates of 4.0% to 5.75%. Cash was used to purchase an escrow of \$129,467,422.00 consisting of U.S. Government Obligations to extinguish the Commercial Paper notes and the Bonds with a present value savings of \$2,806,740.64.

**F. Bond Compliance Requirements**

The revenue bond ordinances require that during the period in which the bonds are outstanding the City must create and maintain certain accounts or "funds" to receive the proceeds from the sale of the revenue bond and to account for the revenues (as defined) which are generally pledged for payment of the bonds. The assets can be used only in accordance with the terms of the bond ordinance and for the specific purpose(s) designated therein. The City is generally required to make a monthly transfer to debt service funds equal to one-sixth of the next interest payment and one-twelfth of the next principal payment. Certain bond ordinances have additional requirements for the establishment of rates and the accumulation of principal and interest repayment amounts from surplus operating funds. Generally, the bonds may be redeemed prior to their maturities in accordance with the bond ordinances and at various premiums equal to or less than 5%. During 2001, the City has substantially complied with the requirements of all revenue bond ordinances and related bond restrictions.

**G. Voter Authorized Obligations**

On November 4, 1997, voters of the City authorized the issuance of \$545,000,000 of public improvement bonds. On March 4, 1998, City Council passed ordinance 98-158, stipulating that \$100,000,000 of the \$545,000,000 authorized issuance is to be issued as general obligation commercial paper. In fiscal year 2000, ordinance numbers 99-199 stipulating \$100,000,000, and 99-949 stipulating \$108,700,000 of the \$545,000,000 authorized issuance is to be issued as General Obligation Commercial Paper. In fiscal year 2001, ordinance number 2000-480 stipulating \$133,000,000 of the authorized issuance is to be issued as General Obligation Commercial Paper. As of June 30, 2001, there has been \$441,700,000 available under the Commercial Paper Program.

In addition, the City is authorized by the City Charter to issue annually \$100,000 in general improvement bonds without voter approval.

**CITY OF HOUSTON, TEXAS**  
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**H. Legal Debt Margin**

At June 30, 2001 the City's legal debt limit was 10% of assessed property valuation totaling \$87,683,188,000. The City's legal debt margin was \$6,528,202,000.

**Note 7: Leases**

**A. City as Lessee**

- The City has obtained data processing and other equipment through long-term operating leases. The future minimum payments under these agreements are as follows (in thousands):

<u>Year ended June 30</u>	<u>Lease Payments</u>
2002	\$ 6,897
2003	6,141
2004	5,811
2005	4,850
2006	3,974
Thereafter	479
Total	<u>\$ 28,152</u>

**B. City as Lessor**

The Airport System is the lessor of approximately 10 percent of its land and substantially all of its buildings and improvements. These lease agreements are noncancellable operating leases with fixed minimum rentals and noncancellable operating use and lease agreements with annually adjusted rates. Rental income is earned from leasing various parcels of land to airlines, fixed base operators and various corporations for hangars, aircraft maintenance facilities, flight kitchens and cargo buildings; to auto rental companies for their service facilities and storage lots; and to a variety of other entities for buildings and other permanent improvements. Minimum guaranteed income on such noncancellable operating leases is as follows (in thousands):

<u>Year Ended June 30</u>	<u>Minimum Rental Income</u>
2002	\$ 23,564
2003	12,443
2004	12,615
2005	7,734
2006	3,754
Thereafter	74,984
Total	<u>\$ 135,094</u>

The contingent income associated with these noncancelable operating leases was \$13,918,000 in Fiscal Year 2001. In addition, income is earned from certain noncancellable operating use and lease agreements for landing fees and terminal building rentals. Such income is adjusted annually based on a compensatory formula to recover certain operating and capital costs of the related facilities. Such income for Fiscal Year 2001 was \$109,381,000.

**Note 8: Pension Plans**

**A. Plan Descriptions**

The City has three single employer defined benefit pension plans (Firefighters' Relief and Retirement Fund, Municipal Employees' Pension System, and the Police Officers' Pension System) which cover substantially all of its employees. These pension plans were established under the authority of Texas statutes (Vernon's Texas Civil Statutes, Articles 6243.e2, 6243g, 6234g-1, respectively), which establish the various benefit provisions. All plans provide for service-connected disability and death benefits to survivors, with no age or service eligibility requirements. Employer and employee obligations to contribute, as well as employee contribution rates, are included in the statutes. Additionally, these laws provide that employer funding be based on periodic actuarial valuations.

**CITY OF HOUSTON, TEXAS**  
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**1. Firefighters' Relief and Retirement Fund**

Firefighters with 20 or more years of service retiring on or after November 1, 1997, are entitled to a standard allowance of 50% of average monthly salary (defined as the average of their highest individual 78 pay periods), plus 3% of average monthly salary for each year of service in excess of 20 years until the member completes 30 years of service, for a total monthly pension not to exceed 80% of the member's average salary for the highest 78 pay periods of the member's participation. Firefighters retiring prior to November 1, 1997 are covered by different plans that are more fully described in the available audited statements for the Firefighters' Relief and Retirement Fund. Members are required to contribute 7.7 percent of their salary to the fund. The contributions are refundable, with several options, based on length of service. Members who terminate employment with at least 10 years of service, but prior to becoming eligible for the standard or alternate allowance, are entitled to 1.7 percent of average monthly salary for each year of service, payable beginning at age 50, or an optional refund of contributions with interest at 5 percent per year. Firefighters acquire a vested right to a deferred pension after 10 years of service.

**2. Houston Municipal Employees' Pension System**

Municipal employees hired before September 1, 1981, participate in the contributory plan (Plan A) unless they elected by December 1, 1981, or after May 1, 1996, to transfer to the non-contributory plan (Plan B). Members hired or rehired after September 1, 1981 but before September 1, 1999, may make a one-time irrevocable election to participate in the contributory plan, Plan A; otherwise they participate in the non-contributory plan, Plan B. Members hired or rehired on or after September 1, 1999, participate in Plan A; except that Executive Officials of the City and the Executive Director of the System (Executive Officials) participate in Plan C. Members participating in Plan A, Plan B or Plan C at the time employment is terminated are entitled to receive a monthly pension equal to the member's combined Plan A, Plan B and/or Plan C accrued benefits after at least one of following requirements have been met: (i) attainment of age 50 with 25 years of total credited service, (ii) attainment of age 55 with 20 years of total credited service, or (iii) attainment of age 60 with 10 years of total credited service. (iv) attainment of age 65 with any credited service in Group C. Members with less than 10 years of service at the time employment is terminated and at least 5 years of credited Plan B service are entitled to receive a monthly pension equal to the member's Plan B accrued benefits after attaining age 62.

Pension benefits are based on the member's average salary as defined in the Pension Statutes. The maximum amount of any combination of Plan A and/or Plan B benefits(s) is 90 percent of the member's average monthly salary. The minimum monthly pension benefit for members who retire under rules of Plan A or Plan C is the greater of \$8 per year of service or \$100.

There is no minimum benefit provided under the rules of Plan B. Pension benefits are increased annually by 4.0 percent of the original benefit amount not compounded.

A vested member who terminates employment is entitled to submit an application to the Board to receive his or her pension benefit in a lump sum payment if the actuarial present value of the member's benefit is less than \$10,000. Such early lump-sum distributions are subject to approval by the Pension Board of Trustees (the Board).

**3. Houston Police Officers' Pension System**

Effective July 1, 1993, police officers participate in one of two plans, the "Old Plan" or the "New Plan." Retirement benefits equal 50 percent of base pay for the first 20 years of service plus two percent of base pay for each additional year provided participants have held the same rank for at least 36 months. Prior to July 1, 1991 participants received slightly different benefits depending on their plan. Members are required to contribute 8.75 percent of their base salary to the system. Officers' contributions to all plans are refundable without interest if they leave employment prior to retirement. Police officers acquire vested rights to a deferred pension after 20 years of service.

The Governing Statutes of the Police Officers' Pension System were amended by the ninety-seventh Legislature of the State of Texas and amendments became effective at various dates subsequent to June 30, 1995. Significant amendments include: 1) implementation of a Deferred Retirement Option Plan ("DROP") which provides members with the option to receive a portion of their pension benefit in the form of a lump sum; 2) conversion of participants' contributions to the System from an after-tax to a pre-tax basis; 3) adjustment of cost of living adjustments for New Plan members to a compounded basis with no age requirement; 4) deletion of the requirement that widows of plan members would lose their pension benefits upon subsequent remarriage.

**B. Actuarially Determined Contribution Requirements and Contributions Made**

The City's funding policies provide for actuarially determined periodic contributions at rates such that, over time, they will remain level as a percent of payroll. The contribution rate for normal cost is determined using the entry age normal actuarial cost method. The pension plans use the level percentage of payroll method to amortize the unfunded actuarially accrued liability (or surplus) over 40 years from January 1, 1983.

**CITY OF HOUSTON, TEXAS**  
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The reported contributions to the pension funds for the year ended June 30, 2001, were made in accordance with actuarially determined requirements based on 2000 actuarial valuations for Firemen, 1999 actuarial valuations for Police and 2000 actuarial valuations for Municipal. Contributions are as follows:

<b>Percentage of Payroll</b>	<b>Firefighters</b>	<b>Municipal</b>	<b>Police</b>
City of Houston normal cost	14.0%	7.5%	15.5%
Additional statutory requirement	5.5%	-	-
Amortization of unfunded actuarial accrued liability (surplus)	(4.1%)	2.0%	0.8%
Required contribution rate	15.4%	9.5%	16.3%
Employer contribution made	15.4%	10.0%	16.3%
Employee contribution made	7.7%	4.0%	8.75%
<b>Contribution Amounts (in thousands)</b>			
Net contribution required	\$ 36,052	\$ 41,300	\$ 30,645
Total city contribution	\$ 24,033	\$ 41,300	\$ 30,645
Total employee contribution	12,019	8,530	22,043
Total contribution	\$ 36,052	\$ 49,830	\$ 52,688

The significant actuarial assumptions used to compute the actuarially determined contribution requirements and the annual pension costs are described in the Required Pension System Supplementary Information following these Notes to the General Purpose Financial Statements.

**Note 9: Other Employee Benefits**

**A. Post-Retirement Health Insurance Benefits**

Pursuant to a City Ordinance, the City provides certain health care benefits for retired employees. Substantially all of the City's employees become eligible for these benefits if they reach normal retirement age while working for the City. Contributions are recognized in the year paid. The cost of retiree health care contributions incurred by the City amounted to approximately \$14,836,512 for the year ended June 30, 2001. Retiree health care is accounted for in the Health Benefits Fund, an Internal Service Fund. At June 30, 2001, there were 5,369 retirees eligible to receive benefits.

**B. Health Benefits Internal Service Fund**

The City's Health Benefits plan is currently administered by HMO Blue Texas. Employees and retirees are able to choose between an HMO Plan with all benefits covered by third party purchased insurance or a substantially self insured with specific individual aggregate stop loss features Point of Service Plan (POS) and an Out-Of-Area Plan (OOA). Specific and aggregate stop loss insurance is provided for the POS and OOA plan of \$300,000 and approximately \$6,000,000 based on enrollment, respectively. Premiums paid for current employees to third party administrators totaled approximately \$81,599,245 for the year ended June 30, 2001.

<b>POS and OOA</b>		
<b>Schedule of Changes in Liability</b>		
<b>(in thousands)</b>		
	<b>June 30, 2001</b>	<b>June 30, 2000</b>
Beginning actuarial estimate of claims liability, July 1	\$ 1,350	\$ 1,025
Incurred claims for fiscal year	5,587	5,068
Payments on claims	(5,283)	(4,867)
Actuarial adjustment	(274)	124
Ending actuarial estimate of claims liability, June 30	\$ 1,380	\$ 1,350

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The City also provides 1 times salary of basic life insurance, with a minimum of \$15,000, at no cost to the employee. The employee at no cost to the City may then obtain additional life insurance up to four times their annual salary. The current costs totaled \$5,387,115 for the year ended June 30, 2001.

**C. Long-Term Disability Plan**

The long-term disability plan, accounted for as an internal service fund, is a part of the Income Protection Plan implemented effective September 1, 1985 (renamed the Compensable Sick Leave Plan (CSL) in October, 1996) and is provided at no cost to City employees who are members of CSL. Coverage is effective the later of September 1, 1985 or upon completion of two years of continuous service. When an employee cannot work because of injury or illness, the plan provides income equal to 50% of base pay plus longevity or 70% of base plus longevity when combined with income benefits available from other sources. Plan benefits may be payable after all CSL scheduled sick leave benefits, including frozen sick leave days, have been used, however, not before six months absence from work. The plan is administered by Disability Management Alternatives, Inc., which is reimbursed from the fund for claims as they are paid along with a fee for administrative services.

<b>Schedule of Changes in Liability</b> <b>(in thousands)</b>		
	<b>June 30, 2001</b>	<b>June 30, 2000</b>
Beginning actuarial estimate of claims liability, July 1	\$ 4,575	\$ 4,864
Incurred claims for fiscal year	1,325	1,541
Payments on claims	(522)	(484)
Actuarial adjustment	(1,238)	(1,346)
Ending actuarial estimate of claims liability, June 30	<u>\$ 4,140</u>	<u>\$ 4,575</u>

**D. Deferred Compensation Plan**

The City offers its employees a deferred compensation plan (Plan), created in accordance with Internal Revenue Code Section 457 as a separately administered trust. The Plan, available to all City employees permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan's administrator was changed from PEBSCO to Great-West/Benefits Corp effective October 1, 2000. In addition, pursuant to recent tax law changes, the Plan's assets are no longer subject to the claims of the City's general creditors and are not included in these financial statements.

**E. Workers' Compensation Self-Insurance Plan**

The City has established a Workers' Compensation Self-Insurance Plan, accounted for within the various operating funds. The plan is administered by Ward North America, Inc. Funds are wire transferred to Ward as needed to pay claims.

At June 30, 2001 the City has an accumulated liability in the amount of \$49.6 million covering estimates for approved but unpaid claims and incurred but not reported claims (calculated on an actuarial basis) recorded in the General Long-Term Debt Account Group and Enterprise Funds. The amount of liability is based on the estimate of an independent actuary.

<b>Schedule of Changes in Liability</b> <b>(in thousands)</b>		
	<b>June 30, 2001</b>	<b>June 30, 2000</b>
Beginning actuarial estimate of claims liability, July 1	\$ 43,666	\$ 37,404
Incurred claims for fiscal year	13,249	19,388
Payments on claims	(22,243)	(18,881)
Actuarial adjustment	14,893	5,755
Ending actuarial estimate of claims liability, June 30	<u>\$ 49,565</u>	<u>\$ 43,666</u>

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
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**Note 10: Interfund Transactions**

**A. Operating Transfers**

Operating transfers during the year ended June 30, 2001, were as follows (in thousands):

<b>Transferred from:</b>	<b>Transferred to:</b>				<b>Total Transfers Out</b>
	<b>General Fund</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
General Fund	\$ -	\$ 26,672	\$ 162,000	\$ -	\$ 188,672
Convention & Entertainment	350	21,462	-	5,034	26,846
Special Revenue Funds	-	276	3,479	-	3,755
Water & Sewer	407	44,091	38,584	19,653	102,735
Total Transfers In	<u>\$ 757</u>	<u>\$ 92,501</u>	<u>\$ 204,063</u>	<u>\$ 24,687</u>	<u>\$ 322,008</u>

**B. Transfers to Component Units**

Transfers to the Cultural Arts Council of Houston from the Convention and Entertainment Facilities during the year ended June 30, 2001 totaled \$8,588,478.

**C. Interfund Charges**

The General Fund charges the Water and Sewer System, Airport System, Convention and Entertainment Facilities, Capital Project, Sign Administration, Auto Dealer's and Cable Television Funds for services provided by the General Fund on behalf of these funds. Such charges totaled \$73,244,000 for the year ended June 30, 2001, and are recorded as revenue in the General Fund and as expense, expenditure or fixed assets in the funds assessed.

Included in the Fiscal Year 2001 total are charges to the funds for direct and indirect expenses as shown below (in thousands):

	<b>Airport System</b>	<b>Convention &amp; Entertainment Facilities</b>	<b>Water &amp; Sewer</b>	<b>Other Funds</b>	<b>Total</b>
General Services	\$ 2,841	\$ 333	\$ 7,637	\$ 6,150	\$ 16,961
Fire Services	7,949	-	-	-	7,949
Police Services	15,600	-	-	-	15,600
Engineering Services	(2)	181	9,419	9,764	19,362
Fleet Maintenance	198	27	842	6,209	7,276
Legal	599	335	2,179	375	3,488
Other	3	73	988	1,544	2,608
Total	<u>\$ 27,188</u>	<u>\$ 949</u>	<u>\$ 21,065</u>	<u>\$ 24,042</u>	<u>\$ 73,244</u>

**CITY OF HOUSTON, TEXAS**  
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**D. Schedule of Amounts Due To and Due From Other Funds**

Amounts due to and due from other funds at June 30, 2001 were as follows (in thousands):

	<b>Due From Other Funds</b>	<b>Due To Other Funds</b>
General Fund	\$ 28,369	\$ 8,903
Special Revenue Funds		
Asset Forfeiture	-	12
Auto Dealer	78	-
Building Inspection	85	374
Cable TV	-	261
Disaster Recovery	25,704	10,988
Grants Revenue	274	1,736
Houston Transtar	62	81
Parks Special	-	173
Police Special Services	5	20
Sign Administration	1	24
Street and Drainage Maintenance	2,337	314
Signal Maintenance	20	81
Agency Fund	-	13
Capital Projects Fund	587	10,439
Enterprise Funds		
Airport System	-	1,008
Convention and Entertainment Facilities	1,002	22,658
Water and Sewer	11,501	13,535
Internal Service Funds		
Health Benefits Fund	663	68
Total Due to/Due from Other Funds,		
Primary Government	<u>\$ 70,688</u>	<u>\$ 70,688</u>



**CITY OF HOUSTON, TEXAS**  
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**E. Residual Equity Transfers**

During 2001 three Special Revenue Funds (Fire Prevention, Sign Abatement, and Street Maintenance and Traffic Control) were closed and the remaining equity transferred to the General Fund.

	<b>Residual Equity Transferred In</b>	<b>Residual Equity Transferred Out</b>
<b>Governmental Funds</b>		
General Fund	\$ 5,599	\$ -
Special Revenue	-	5,599
<b>Total</b>	<b>\$ 5,599</b>	<b>\$ 5,599</b>

**Note 11: Segment Information – Enterprise Funds**

The airport, convention and entertainment facilities, sports arena, and water and sewer system are four major services provided by the City which are financed by user charges and are of such significance as to warrant disclosure as enterprise activities.

The key financial data for these services for the year ended June 30, 2001 are as follows (in thousands):

	<b>Airport System</b>	<b>Convention &amp; Entertainment Facilities</b>	<b>Sports Arena</b>	<b>Water &amp; Sewer</b>	<b>Total</b>
Operating revenues	\$ 222,174	\$ 17,469	\$ -	\$ 547,292	\$ 786,935
Depreciation and amortization	52,410	6,356	-	256,959	315,725
Operating income (loss)	47,170	(9,218)	-	41,730	79,682
Operating transfers out	-	(26,846)	-	(102,735)	(129,581)
Tax revenues - hotel interest	-	46,123	-	-	46,123
Net income (loss)	69,330	(13,267)	9	(140,050)	(83,978)
Capital contributions	19,873	-	-	17,594	37,467
Total assets	2,529,993	1,146,047	11,267	4,873,066	8,560,373
Net working capital	7,252	311,544	441	92,061	411,298
Bonds payable, net of unamortized discount	1,479,043	621,863	-	3,180,212	5,281,118
Commercial paper	-	-	-	300,000	300,000
Contracts Payable	-	-	-	259,533	259,533
Retained earnings included in fund equity	636,736	107,092	467	181,359	925,654
Fund equity	899,915	189,158	2,918	994,228	2,086,219
Acquisition of property, plant and equipment	305,714	34,626	-	242,392	582,732

**CITY OF HOUSTON, TEXAS**  
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**June 30, 2001**

The following is a detailed presentation of the restricted assets shown on the combined balance sheet by fund and type of asset (in thousands):

	<b>Airport System</b>	<b>Convention &amp; Entertainment Facilities</b>	<b>Sports Arena</b>	<b>Water &amp; Sewer</b>	<b>Total</b>
Investments	\$ 1,002,018	\$ 519,668	\$ 8,370	\$ 586,915	\$ 2,116,971
Assessments receivable	-	-	-	107	107
Accrued interest receivable	-	-	5	-	5
Due from other governments-grants	4,735	-	-	-	4,735
Amount held by other governments	-	-	-	21,648	21,648
Total restricted assets	<u>\$ 1,006,753</u>	<u>\$ 519,668</u>	<u>\$ 8,375</u>	<u>\$ 608,670</u>	<u>\$ 2,143,466</u>

The discretely presented component units restricted assets consist of investments.

The following is a detailed presentation of current liabilities payable from restricted assets shown on the combined balance sheet by fund and type of liability (in thousands):

	<b>Airport System</b>	<b>Convention &amp; Entertainment Facilities</b>	<b>Sports Arena</b>	<b>Water &amp; Sewer</b>	<b>Total</b>
Revenue bonds payable	\$ 19,460	\$ -	\$ -	\$ 58,376	77,836
Accrued interest payable	42,305	2,219	-	16,106	60,630
Advances and customer deposits	248	555	7,796	21,015	29,614
Construction billings and retainage	73,609	-	-	28,275	101,884
Due to other funds	-	-	-	4,013	4,013
Due to other governments	-	-	-	5,011	5,011
Amount held for component unit	-	10,741	-	-	10,741
Total current liabilities payable from restricted assets	<u>\$ 135,622</u>	<u>\$ 13,515</u>	<u>\$ 7,796</u>	<u>\$ 132,796</u>	<u>\$ 289,729</u>

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**June 30, 2001**

**Note 12: Commitments and Contingencies**

**A. Litigation and Claims**

The City is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its municipal and enterprise activities, certain of which seek substantial damages. That litigation includes lawsuits and claims alleging that the City caused personal injuries and wrongful deaths; class actions and other lawsuits and claims alleging discriminatory hiring and promotional practices and certain civil rights violations arising under the Federal Voting Rights Act; various claims from contractors for additional amounts under construction contracts; and claims involving property tax assessments and various other liability claims. Alleged damages in the lawsuits exceed \$223 million. The status of such litigation ranges from an early discovery stage to various levels of appeal of judgments both for and against the City. The amount of damages is limited in certain cases under the Texas Tort Claims Act and is subject to appeal. The City intends to defend itself vigorously against the suits. There is other threatened litigation for which an amount cannot be determined.

In the General Long-Term Debt Account Group, the City has recognized a liability of \$32 million for potential litigation losses and defense costs arising from various lawsuits.

**B. Environmental Liabilities**

The City is aware of various sites contaminated by asbestos or other hazardous materials. The Airport System Fund, the Water and Sewer System Fund, and the General Long-Term Debt Account Group have combined accrued liabilities of \$9 million, to be used for asbestos and petroleum storage tanks removal, and remediation.

**C. Commitments for Capital Facilities**

At June 30, 2001, the City had appropriated but not yet spent from Capital Projects and Enterprise Funds approximately \$842,000,000 for capital projects.

The City leased a tract of land for 30 years with a 30 year renewal option for \$100 per year to The Houston Music Hall Foundation. The Houston Music Hall Foundation is constructing on the site the New Music Hall to be named the Hobby Center for the Performing Arts. Substantial completion must occur by October 31, 2002, and final completion must occur within five years thereafter.

Upon final completion the New Music Hall will be granted and conveyed to the City. The City is obligated to pay from parking revenues \$1 million per year for 30 years beginning on the commencement of the lease. The City's annual obligation is secured by a pledge of the parking revenues from the Civic Center and Tranquility Park Parking Garages equal to \$1,200,000 per year for 30 years.

Effective September 5, 2000 ordinance 2000-776, the City of Houston entered a capital lease (bargain purchase price of \$1) with COHCC, LLC. Under the 25 year lease, COHCC, LLC will construct and the City will occupy the Houston Emergency Center. The annual lease expense of \$4,347,000 will be shared by the City of Houston's departments (Police and Fire) and Harris County Emergency Services. Payments are scheduled to begin in fiscal year 2003.

**D. Risk Management**

The City is self-insured for claims pertaining to third party liability, unemployment and workers' compensation. The City carries public employee liability insurance to comply with City ordinance and purchases commercial property insurance with a \$1 million deductible and per occurrence loss limit of \$300 million. Such insurance coverages are consistent with prior year, and no losses were sustained in excess of the coverages over the past four years. Self-insured claims are reported as liabilities in the accompanying financial statements when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. This determination is based on reported pending claims, estimates of claims, incurred but not yet reported, actuarial reports and historical analysis.

Claims that are expected to be paid with expendable, available financial resources are accounted for in the General Fund and the appropriate Enterprise Funds. All other claims are accounted for in the General Long-Term Debt Account Group.

Through its Health Benefit Plan, the City has consistently purchased commercial insurance up to certain limitations in the event of adverse loss experience.

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**June 30, 2001**

For unemployment claims, the City pays claims as they are settled. Unemployment claim activity is as follows:

	<b>Unemployment Claim Activity</b>	
	<b>June 30, 2001</b>	<b>June 30, 2000</b>
Claims for fiscal year	522	186
Payments on claims	\$ 486,552	\$ 530,241

**E. Federal and State**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, could be a liability of the City.

**Note 13: Contributions**

**Changes in Contributed Capital - Enterprise Funds (in thousands)**

	<b>Airport System</b>	<b>Convention &amp; Entertainment Facilities</b>	<b>Sports Arena</b>	<b>Water &amp; Sewer</b>	<b>Total</b>
Balance, July 1 2000	\$ 271,570	\$ 82,066	\$ 2,451	\$ 839,210	\$ 1,195,297
Additions	-	-	-	-	-
Depreciation	(8,391)	-	-	(26,877)	(35,268)
Adjustments	-	-	-	536	536
Balance, June 30, 2001	<u>\$ 263,179</u>	<u>\$ 82,066</u>	<u>\$ 2,451</u>	<u>\$ 812,869</u>	<u>\$ 1,160,565</u>

**Note 14: Reserved Fund Equity**

At June 30, 2001 fund equity was reserved for the following purposes (in thousands):

**A. Reserved Retained Earnings - Proprietary Fund Types**

	<b>Airport System</b>	<b>Convention &amp; Entertainment Facilities</b>	<b>Water and Sewer System</b>	<b>Sports Arena</b>	<b>Total Enterprise Funds</b>
Revenue bond contingency - renewal and replacement	\$ 10,000	\$ 11,034	\$ 321,749	\$ -	\$ 342,783
Maintenance and operations	23,170	5,942	23,116	9	52,237
Capital improvements	78,695	-	-	-	78,695
Amounts held by others	-	-	6,534	-	6,534
Total	<u>\$ 111,865</u>	<u>\$ 16,976</u>	<u>\$ 351,399</u>	<u>\$ 9</u>	<u>\$ 480,249</u>

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**June 30, 2001**

**B. Reserved Fund Balances and Net Assets - Governmental Fund Types**

<b>Purpose</b>	<b>General Fund</b>	<b>Debt Service</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Component Units</b>	<b>Total</b>
Equipment acquisition and capital outlay	\$ 7,416	\$ -	\$ -	\$ -	\$ -	\$ 7,416
General mobility	-	-	-	1,476	-	1,476
Debt service	-	89,603	-	-	-	89,603
Revolving funds and other	497	-	-	-	16,297	16,794
Imprest cash & prepaid	1,605	-	-	-	-	1,605
Inventory	-	-	2,167	-	-	2,167
<b>Total</b>	<b>\$ 9,518</b>	<b>\$ 89,603</b>	<b>\$ 2,167</b>	<b>\$ 1,476</b>	<b>\$ 16,297</b>	<b>\$ 119,061</b>

**Note 15: Related Organization Transactions**

**A. Metropolitan Transit Authority ("Metro")**

The City and Metro have an interlocal agreement under which Metro funded \$20.0 million of revenue for street maintenance and traffic control during the fiscal year ended June 30, 2001. The money is accounted for in a special revenue fund.

**B. Trinity River Authority ("TRA")**

As described in Note 6C, the City and TRA have a long-term contract under which the City is obligated to pay debt service for certain bonds as well as certain maintenance and operating expenses for a TRA dam and reservoir. During the fiscal year ended June 30, 2001 the City paid \$2.4 million for debt service and \$1.7 million for maintenance and operating expenses under the terms of the contract.

**C. Coastal Water Authority ("CWA")**

The City has a long-term contract with Coastal Water Authority (CWA) for the acquisition of water. During the fiscal year ended June 30, 2001, the City paid CWA \$28.8 million for debt service and \$10.2 million for maintenance and operating expenses.

**Note 16: Conduit Debt Obligations**

To provide for higher education, airports, and sports facilities, the City has issued ten series of Special Facility Revenue Bonds. These bonds are special limited obligations of the City, payable solely from and secured by a pledge of revenue to be received from agreements between the City and various third parties. The bonds do not constitute a debt or pledge of the faith and credit of the City and accordingly have not been reported in the accompanying financial statements.

At June 30, 2001 Special Facility Revenue Bonds outstanding aggregated \$365,660,000.

**Note 17: Tropical Storm Allison**

On June 8<sup>th</sup> and 9<sup>th</sup> of 2001, the City of Houston received approximately thirty-nine inches of rain from Tropical Storm Allison. On June 9, 2001, upon request from the Mayor, the President declared Harris County a natural disaster, thus qualifying the City to request public assistance from the Federal Emergency Management Agency (FEMA). Accordingly, the City of Houston is eligible to receive reimbursement from FEMA of at least 75% of all eligible costs plus an administrative allowance based on actual damages sustained with the City being responsible for funding the remaining 25%. Eligible costs include any damages not covered by insurance.

Damages include numerous City owned facilities and properties as well as costs associated with rescue and recovery and debris removal. The majority of the facility damage was incurred by properties operated with revenues from City enterprise funds. The estimate of damage totals approximately \$63 million. Resources for recovery include FEMA grant reimbursement; insurance proceeds and monies from operating funds in instances where the damages sustained exceed amounts covered by insurance and federal assistance.

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**June 30, 2001**

The City of Houston filed a property/flood insurance claim for building and content damages caused by Tropical Storm Allison on June 11, 2001. The City's property insurance policy has a \$300 million loss limit. The flood coverage is endorsed to this policy with an aggregate limit of \$50 million. Of that amount, \$5 million applies to properties located within the 100-year flood plain, and \$45 million applies to properties located outside the 100-year flood plain. The City's property/flood insurance policy covers damage to the City's buildings and contents to include the following: building, building or structure, completed additions to the building or structure, permanently installed fixtures, permanently installed machinery permanently installed equipment, floor coverings, fire extinguishing equipment, contents, furniture, fixtures (not permanently installed), appliances, equipment located in the building when damaged, including cameras and cellular phones, computer hardware, laptops located in the building when damaged, machinery (not permanently installed), and stock (merchandise on hand). The City's insurance policy excludes coverage for vehicles, mobile equipment (tractors), firearms, accounts, bills, currency, deeds, underground piping, foundations, flues, drains, patios, property outside of the building, including crops, fences, trees, shrubs, plants, and radios or television antennas. Recovery for damages not covered by the City's property/flood insurance is pursued through FEMA.

To account for the disaster recovery costs, the City established the Disaster Recovery Fund. This Disaster Recovery Fund is a grant fund and is reported as a Special Revenue Fund type. All recovery resources including FEMA reimbursement, insurance recovery and funds transferred from other City operating funds are accounted for in this fund. The Disaster Recovery Fund was established with an advance of \$25 million from the Water and Sewer enterprise fund. Each fund, with the exception of the General Fund, will be responsible for funding its net cost (net loss) of damages.

As of June 30, 2001, paid expenditures total \$1.2 million for emergency personnel overtime incurred for rescue and recovery for the dates of the disaster. All other recorded expenditures are accrued based on probable and estimable costs of damages with the recovery from grant reimbursement and insurance accrued based on the certainty of recovery and ability to estimate the recovery amount as of June 30, 2001. Specifically, insurance recovery has been accrued for all cash received from insurance companies and/or amounts approved to be paid by the insurance companies through November 30, 2001. FEMA reimbursement has been recorded at 75% of net eligible costs to include: debris removal expenditures, overtime expenditures and costs incurred attributable to meeting the City's insurance deductible. The operating transfers shown in the table below represents the losses charged to the various funds as of June 30, 2001.

Following is a table which indicates the amount of recoveries, expenditures and operating transfers from the respective operating funds, representing the funds net loss based on recorded recoveries and expenditures, by fund as of June 30, 2001.

	<b>Convention and Entertainment</b>	<b>Water and Sewer</b>	<b>Special Revenue</b>	<b>Other</b>	<b>Total</b>
Insurance Recovery	\$ 8,575,721	\$ 3,184,809	\$ 410,346	\$ 2,786,488	\$ 14,957,364
FEMA Reimbursement	266,491	151,167	13,468	7,061,533	7,492,659
Interest Income	-	-	-	409,892	409,892
Building Repair	(30,304,000)	(7,302,000)	(502,076)	(12,634,000)	(50,742,076)
Infrastructure Repair	-	-	(197,857)	-	(197,857)
Debris Removal	-	-	-	(11,000,000)	(11,000,000)
Overtime	-	-	-	(1,207,215)	(1,207,215)
Net Cost	<u>\$ (21,461,788)</u>	<u>\$ (3,966,024)</u>	<u>\$ (276,119)</u>	<u>\$ (14,583,302)</u>	<u>\$ (40,287,233)</u>

**Sources - Transfers to Disaster Recovery**

From Water & Sewer	\$18,549,326
From Convention & Entertainment	21,461,788
From Special Revenue	276,119
Total	<u>\$40,287,233</u>

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**June 30, 2001**

**Note 18: Subsequent Events**

**A. Tax and Revenue Anticipation Notes**

In July 2001, the City closed the sale of \$150 million of Tax and Revenue Anticipation Notes (TRANS). The proceeds of the TRANS will be used to pay working capital expenditures until tax revenues are received in February 2002. The notes will mature on June 28, 2002.

**B. Water and Sewer Junior Lien Bonds Series 2001A**

On September 6, 2001 the City closed the sale of \$232,440,000 Water and Sewer System Junior Lien Revenue Refunding Bonds, Series 2001A. Interest rates for the bonds range from 4.25% to 5.00% and the bonds are due in varying amounts from year 2007 to year 2021. These proceeds will be used to refund and defease the Water and Sewer System Junior Lien Revenue Bonds, Series 1991A and 1991C.

**C. Public Improvement Bonds Series 2001A, Certificates of Obligation 2001C.**

On September 11, 2001 the City closed on the sale of \$277,135,000 Public Improvement and Refunding Bonds, Series 2001A and \$3,965,000 Certificates of Obligation Series 2001C. Interest rates for the bonds range from 4.00% to 5.375% and the bonds are due in varying amounts from year 2003 to year 2023. The proceeds will be used to finance costs of acquiring and constructing certain infrastructure improvements in annexed municipal utility districts and to defease and refund a portion of the City's General Obligation Commercial Paper Notes and portions of the City's outstanding Public Improvement Bonds.

**D. Water and Sewer Junior Lien Bonds Series 2001B**

On November 29, 2001 the City closed on the sale of \$98,440,000 Water and Sewer System Junior Lien Revenue Refunding Bonds, Series 2001B. Interest rate for the bonds is at 5.00% and the bonds are due in varying amounts from year 2020 to year 2029. The proceeds will be used to refund and defease all of the City's outstanding Water and Sewer System Junior Lien Revenue Bonds, Series 1999D with a present value savings of \$8,308,870.20.

**E. Public Improvement Forward Refunding Bonds Series 2001B**

On December 13, 2001, the City closed on the sale of \$149,390,000 Public Improvement Forward Refunding Bonds, Series 2001B. Interest rates for the bonds range from 4.50% to 5.50% and the bonds are due in varying amounts from year 2003 to year 2018. The proceeds will be used to refund and defease the outstanding Public Improvement Bonds, Series 1992C with a present value savings of \$5,382,481.45.

**F. Airport System Subordinate Lien Revenue Refunding Bonds, Series 2001A**

On December 17, 2001, the City closed on the sale of \$65,475,000 Airport System Subordinate Lien Revenue Refunding Bonds, Series 2001A (AMT). Interest rates for the bonds range from 4.00% to 5.5% and the bonds are due in varying amounts from year 2002 to year 2021. The proceeds will be used to refund and defease the outstanding Airport System Subordinate Lien Revenue Refunding Bonds, Series 1991A with a present value savings of \$9,019,027.86.

**CITY OF HOUSTON, TEXAS**  
**REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**  
**June 30, 2001**

**Houston Firefighters' Pension System Supplementary Information (unaudited)**

Schedule of Funding Progress (millions)

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Plan Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (Surplus UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Projected Annual Covered Payroll (c)</b>	<b>UAAL as Percentage of Covered Payroll ((b-a)/c)</b>
July 1, 1995	\$912.4	\$852.3	(\$60.1)	107%	\$127.0	(47%)
July 1, 1996	\$1,024.5	\$ 989.3	(\$35.2)	104%	\$131.6	(27%)
July 1, 1997	\$1,183.8	\$1,128.2	(\$55.6)	105%	\$142.0	(39%)
July 1, 1998	\$1,347.4	\$1,271.4	(\$76.0)	106%	\$149.0	(51%)
July 1, 1999	\$1,538.5	\$1,470.6	(\$67.9)	105%	\$159.0	(43%)
July 1, 2000	\$1,726.3	\$1,589.3	(\$137.0)	109%	\$163.6	(84%)

Schedule of Employer Contributions (millions)

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>	<b>Annual Required Contribution as a % of Base Pay</b>
1996	\$18.8	100%	15.4%
1997	\$20.3	100%	15.4%
1998	\$21.7	100%	15.4%
1999	\$24.0	100%	15.4%
2000	\$24.6	100%	15.4%
2001	\$24.0	100%	15.4%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as to the latest actuarial valuation follows:

Valuation date	July 1, 2000
Actuarial cost method	Entry age normal cost
Amortization Method	Level percent of payroll, cost closed
Remaining amortization period	22 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return	8.5%
Payroll growth rate, attributable entirely to inflation	5.0%
Annual increase attributable to seniority/merit	0% to 5%
Post retirement benefit increase	3%



**CITY OF HOUSTON, TEXAS**  
**REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**  
**June 30, 2001**

**Houston Municipal Pension System Supplementary Information ( unaudited)**

Schedule of Funding Progress (millions)

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Plan Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (Surplus UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Projected Annual Covered Payroll (c)</b>	<b>UAAL as Percentage of Covered Payroll ((b-a)/c)</b>
July 1, 1994	\$713.7	\$886.7	\$173.0	80%	\$366.6	47%
July 1, 1995	\$770.2	\$963.7	\$193.5	80%	\$378.5	51%
July 1, 1996	\$857.3	\$1,042.5	\$185.1	82%	\$367.6	50%
July 1, 1998	\$1,095.6	\$1,240.1	\$144.5	88%	\$397.7	36%
July 1, 1999	\$1,222.2	\$1,339.9	\$117.7	91%	\$407.7	29%
July 1, 2000	\$1,376.0	\$1,509.4	\$133.4	91%	\$432.6	31%

Schedule of Employer Contributions (millions)

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>	<b>Annual Required Contribution as a % of Base Pay</b>
1996	\$33.5	97.0%	9.1%
1997	\$33.5	100.0%	9.1%
1998	\$33.5	100.0%	9.3%
1999	\$33.5	100.0%	9.1%
2000	\$38.3	100.0%	9.3%
2001	\$41.3	100.0%	9.5%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as to the latest actuarial valuation follows:

Valuation date	July 1, 2000
Actuarial cost method	Entry age
Amortization method	Level percentage, closed.
Remaining amortization period	23 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
investment rate of return	8.5%
Payroll growth factor	5.0%
Projected salary increases	5.5%
General inflation rate	4.5%

**CITY OF HOUSTON, TEXAS**  
**REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**  
**June 30, 2001**

**Houston Police Officer's Pension System Supplementary Information (unaudited)**

Schedule of Funding Progress (millions)

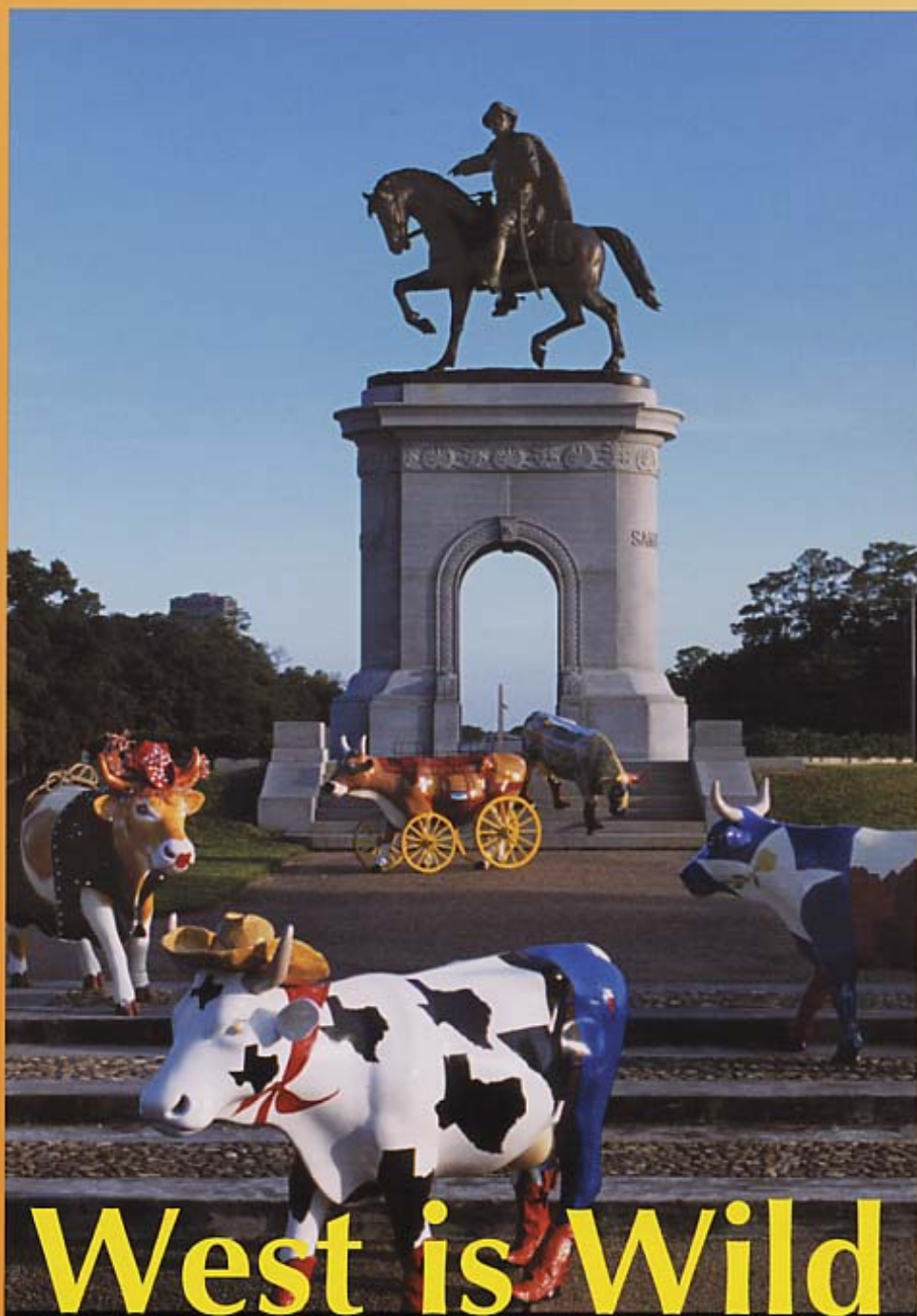
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Plan Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (Surplus UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Projected Annual Covered Payroll (c)</b>	<b>UAAL as Percentage of Covered Payroll ((b-a)/c)</b>
July 1, 1994	\$947.5	\$984.5	\$37.0	96%	\$162.1	23%
July 1, 1995	\$1,038.3	\$1,000.4	(\$37.8)	104%	\$174.8	(22%)
July 1, 1996	\$1,168.1	\$1,199.7	\$31.7	97%	\$182.3	17%
July 1, 1997	\$1,329.5	\$1,258.2	(\$71.4)	106%	\$187.1	(38%)
July 1, 1998	\$1,518.0	\$1,549.3	\$31.3	98%	\$196.4	16%
July 1, 1999	\$1,746.3	\$1,773.8	\$27.5	98%	\$246.6	11%

Schedule of Employer Contributions (millions)

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>	<b>Annual Required Contribution as a % of Base Pay</b>
1996	\$31.563	100.0%	18.0%
1997	\$29.503	100.0%	16.2%
1998	\$30.564	100.0%	16.2%
1999	\$30.645	100.0%	16.8%
2000	\$30,645	100.0%	16.3%
2001	\$30,645	100.0%	16.3%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. The actuarial valuation performed as of July 1, 1998 was adopted by the Board of Trustees for funding purposes effective July 1, 1999. Additional information as to the latest actuarial valuation follows:

Valuation date	July 1, 1999
Actuarial cost method	Entry age
Amortization Method	Level percent of payroll Aggregate actuarial cost closed amortization period ending December 31, 2022
Remaining amortization period	23.5 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return	8.5%
Payroll growth rate, attributable entirely to inflation	2.0 %
Annual cost of living adjustment	3.0% minimum
Projected salary increases	4.0-9.0%



# The West is Wild

**B**rightly decorated "bovines" graze beneath the gaze of a statue of Texas hero Sam Houston in Hermann Park. The colorful Cow Parade, benefiting Texas Children's Hospital, offers a tongue-in-cheek nod to Houston's frontier history while promoting and funding this premier children's health care institution.

CITY OF HOUSTON, TEXAS



## **General Fund**

The General Fund is used to account for sources and uses of financial resources applicable to the general government operation of the City. All general operating revenues and expenditures that are not restricted and, therefore, accounted for in another fund, are recorded in the General Fund.

**CITY OF HOUSTON, TEXAS**  
**GENERAL FUND**  
**Balance Sheets**  
**June 30, 2001 and 2000**  
*amounts expressed in thousands*

	<u>2001</u>	<u>2000</u>
<b>Assets</b>		
Equity in pooled cash and investments	\$ 26,250	\$ 31,250
Receivables, net of allowances		
Accounts receivable	15,531	6,268
Property taxes receivable, net	68,302	65,376
Sales taxes receivable	57,258	55,815
Mixed drink taxes receivable	1,853	1,695
Franchise taxes receivable	39,505	34,890
Special assessments receivable	35,176	34,205
Due from other funds	28,369	25,514
Due from other governments	-	-
Prepaid items	1,440	1,391
<b>Total assets</b>	<u>273,684</u>	<u>256,404</u>
<b>Liabilities and fund balances</b>		
Liabilities		
Accounts payable	31,929	26,162
Accrued payroll liabilities	14,119	11,105
Due to other funds	8,903	23,362
Due to other governments	3,976	4,378
Advances and deposits	4,255	5,894
Claims and judgments	3,677	3,271
Compensated absences	5,448	3,805
Deferred revenue	110,377	94,803
<b>Total liabilities</b>	<u>182,684</u>	<u>172,780</u>
Fund balances		
Reserved for		
Imprest cash and prepaids	1,605	1,581
Equipment acquisition and other capital outlay	7,416	10,250
Revolving funds and other	497	1,125
<b>Total reserved fund balances</b>	<u>9,518</u>	<u>12,956</u>
Unreserved		
Designated	2,073	-
Undesignated	79,409	70,668
<b>Total fund balances</b>	<u>91,000</u>	<u>83,624</u>
<b>Total liabilities and fund balances</b>	<u>\$ 273,684</u>	<u>\$ 256,404</u>

**CITY OF HOUSTON, TEXAS**  
**GENERAL FUND**  
**Statements of Revenues, Expenditures and Changes in Fund Balances**  
**For the Years Ended June 30, 2001 and 2000**  
*amounts expressed in thousands*

	<b>2001</b>	<b>2000</b>
<b>Revenues</b>		
Taxes	\$ 1,102,177	\$ 1,028,344
Licenses and permits	12,581	13,126
Charges for services	104,360	98,465
Intergovernmental - grants	698	8,040
Fines and forfeits	43,035	43,977
Contributions from annexations	-	154
Investment income	11,548	8,202
Other	10,691	11,092
<b>Total revenues</b>	<b>1,285,090</b>	<b>1,211,400</b>
<b>Expenditures</b>		
Current		
General government	93,754	94,506
Public safety	652,764	656,846
Public works	148,598	125,184
Health	55,793	56,547
Parks and recreation	55,196	53,932
Library	36,240	35,758
Retiree benefits	11,675	9,597
Other current expenditures	36,079	31,531
Capital outlay	50,299	41,008
<b>Total expenditures</b>	<b>1,140,398</b>	<b>1,104,909</b>
Excess of revenues over expenditures	144,692	106,491
<b>Other financing sources (uses)</b>		
Proceeds from certificates of obligation and commercial paper	45,000	38,300
Operating transfers in	757	-
Operating transfers out	(188,672)	(168,423)
<b>Total other financing sources (uses)</b>	<b>(142,915)</b>	<b>(130,123)</b>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	1,777	(23,632)
Fund balances, July 1	83,624	107,256
Residual equity transfer	5,599	-
<b>Fund balances, June 30</b>	<b>\$ 91,000</b>	<b>\$ 83,624</b>

**CITY OF HOUSTON, TEXAS**  
**GENERAL FUND**  
**Schedule of Budgeted and Actual Revenues**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>2000 Actual</b>
<b>Revenues</b>				
Taxes				
General property taxes	\$ 573,355	\$ 572,432	\$ (923)	\$ 542,777
Industrial assessments	17,831	16,906	(925)	17,614
Sales tax	332,000	329,705	(2,295)	313,864
Franchise tax	155,524	175,758	20,234	147,349
Mixed beverage tax	6,438	7,102	664	6,469
Bingo tax	325	274	(51)	271
Total taxes	<u>1,085,473</u>	<u>1,102,177</u>	<u>16,704</u>	<u>1,028,344</u>
Licenses and permits				
General	7,781	6,994	(787)	7,572
Health permits	5,732	5,587	(145)	5,554
Total licenses and permits	<u>13,513</u>	<u>12,581</u>	<u>(932)</u>	<u>13,126</u>
Charges for services				
Ambulance service	14,022	17,419	3,397	13,014
Library fees	286	31	(255)	264
Parking	3,250	2,879	(371)	3,024
Services performed for other funds				
Direct	74,933	56,283	(18,650)	55,450
Indirect	15,920	16,961	1,041	16,631
Rents and royalties	936	812	(124)	683
Other	9,804	9,975	171	9,399
Total charges for services	<u>119,151</u>	<u>104,360</u>	<u>(14,791)</u>	<u>98,465</u>
Intergovernmental - Grants	<u>1,652</u>	<u>698</u>	<u>(954)</u>	<u>8,040</u>
Fines and forfeits				
Municipal courts	42,000	40,235	(1,765)	41,708
Other	2,810	2,800	(10)	2,269
Total fines and forfeits	<u>44,810</u>	<u>43,035</u>	<u>(1,775)</u>	<u>43,977</u>
Contributions from annexations	<u>4</u>	<u>-</u>	<u>(4)</u>	<u>154</u>
Investment income (loss)	<u>6,168</u>	<u>11,548</u>	<u>5,380</u>	<u>8,202</u>
Other				
Sale of property	2,980	4,307	1,327	3,173
Other	12,432	6,384	(6,048)	7,919
Total other	<u>15,412</u>	<u>10,691</u>	<u>(4,721)</u>	<u>11,092</u>
<b>Total revenues</b>	<u>1,286,183</u>	<u>1,285,090</u>	<u>(1,093)</u>	<u>1,211,400</u>
<b>Other financing sources</b>				
Proceeds from issuance of debt	45,000	45,000	-	38,300
Operating transfers in	1,932	757	(1,175)	-
<b>Total other financing sources</b>	<u>46,932</u>	<u>45,757</u>	<u>(1,175)</u>	<u>38,300</u>
<b>Total revenues and other financing sources</b>	<u>\$ 1,333,115</u>	<u>\$ 1,330,847</u>	<u>\$ (2,268)</u>	<u>\$ 1,249,700</u>



**CITY OF HOUSTON, TEXAS**  
**GENERAL FUND**  
**Schedule of Budgeted and Actual Expenditures**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>2000 Actual</b>
<b>General Government</b>				
Legislative and executive				
Legislative - council				
Personnel services	\$ 3,831	\$ 3,730	\$ 101	\$ 3,802
Other current expenditures	539	344	195	521
Equipment acquisition	13	12	1	35
Total legislative - council	<u>4,383</u>	<u>4,086</u>	<u>297</u>	<u>4,358</u>
Executive - mayor's office				
Personnel services	2,022	2,011	11	1,657
Other current expenditures	262	289	(27)	263
Total executive - mayor's office	<u>2,284</u>	<u>2,300</u>	<u>(16)</u>	<u>1,920</u>
Total legislative and executive	<u>6,667</u>	<u>6,386</u>	<u>281</u>	<u>6,278</u>
Affirmative Action				
Personnel services	1,523	1,470	53	1,433
Other current expenditures	356	337	19	351
Equipment acquisition	-	-	-	11
Total affirmative action	<u>1,879</u>	<u>1,807</u>	<u>72</u>	<u>1,795</u>
Judicial				
Municipal court judges				
Personnel services	3,608	3,607	1	3,445
Other current expenditures	300	258	42	321
Equipment acquisition	3	1	2	2
Total municipal court judges	<u>3,911</u>	<u>3,866</u>	<u>45</u>	<u>3,768</u>
Municipal court administration				
Personnel services	13,909	13,776	133	14,237
Other current expenditures	1,925	1,477	448	1,518
Equipment acquisition	145	4	141	-
Total municipal court administration	<u>15,979</u>	<u>15,257</u>	<u>722</u>	<u>15,755</u>
Total judicial	<u>19,890</u>	<u>19,123</u>	<u>767</u>	<u>19,523</u>
Elections	<u>748</u>	<u>222</u>	<u>526</u>	<u>1,623</u>
Financial administration				
Controller				
Personnel services	5,302	5,074	228	4,906
Other current expenditures	1,259	1,141	118	1,279
Equipment acquisition	28	28	-	69
Total controller	<u>6,589</u>	<u>6,243</u>	<u>346</u>	<u>6,254</u>
Finance and administration				
Personnel services	23,598	22,457	1,141	23,059
Other current expenditures	9,673	6,901	2,772	8,859
Equipment acquisition	4	-	4	1
Total finance and administration	<u>33,275</u>	<u>29,358</u>	<u>3,917</u>	<u>31,919</u>
Audits	<u>741</u>	<u>603</u>	<u>138</u>	<u>480</u>
Bonds and Legal	<u>2,903</u>	<u>2,567</u>	<u>336</u>	<u>1,011</u>
Total financial administration	<u>43,508</u>	<u>38,771</u>	<u>4,737</u>	<u>39,664</u>

**CITY OF HOUSTON, TEXAS**  
**GENERAL FUND**  
**Schedule of Budgeted and Actual Expenditures - Continued**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>2000 Actual</b>
Legal				
Personnel services	12,222	9,942	2,280	11,269
Other current expenditures	1,262	4,163	(2,901)	1,247
Equipment acquisition	4	4	-	-
Total legal	<u>13,488</u>	<u>14,109</u>	<u>(621)</u>	<u>12,516</u>
City Secretary				
Personnel services	725	717	8	652
Other current expenditures	109	92	17	110
Total city secretary	<u>834</u>	<u>809</u>	<u>25</u>	<u>762</u>
Planning and development				
Personnel services	7,784	7,663	121	7,373
Other current expenditures	1,676	1,478	198	1,754
Equipment acquisition	15	6	9	28
Total planning and development	<u>9,475</u>	<u>9,147</u>	<u>328</u>	<u>9,155</u>
Human resources				
Personnel services	2,449	2,478	(29)	2,222
Other current expenditures	996	902	94	968
Total human resources	<u>3,445</u>	<u>3,380</u>	<u>65</u>	<u>3,190</u>
<b>Total general government</b>	<u>99,934</u>	<u>93,754</u>	<u>6,180</u>	<u>94,506</u>
<b>Public Safety</b>				
Police				
Personnel services	393,286	391,358	1,928	388,448
Other current expenditures	25,493	24,125	1,368	33,267
Equipment acquisition	631	344	287	334
Total police	<u>419,410</u>	<u>415,827</u>	<u>3,583</u>	<u>422,049</u>
Fire				
Personnel services	221,712	221,033	679	215,603
Other current expenditures	18,507	15,638	2,869	18,701
Equipment acquisition	625	266	359	493
Total fire	<u>240,844</u>	<u>236,937</u>	<u>3,907</u>	<u>234,797</u>
<b>Total public safety</b>	<u>660,254</u>	<u>652,764</u>	<u>7,490</u>	<u>656,846</u>
<b>Public Works</b>				
Administration				
Personnel services	28,745	23,103	5,642	27,733
Other current expenditures	37,683	39,578	(1,895)	34,392
Equipment purchases	80	-	80	42
Total administration	<u>66,508</u>	<u>62,681</u>	<u>3,827</u>	<u>62,167</u>
Building Services				
Personnel services	12,561	12,336	225	7,176
Other current expenditures	13,431	13,226	205	2,488
Equipment acquisition	-	-	-	150
Total building services	<u>25,992</u>	<u>25,562</u>	<u>430</u>	<u>9,814</u>
Solid Waste				
Personnel services	27,217	27,233	(16)	26,176
Other current expenditures	33,213	32,890	323	26,725
Equipment acquisition	1	-	1	64
Total solid waste	<u>60,431</u>	<u>60,123</u>	<u>308</u>	<u>52,965</u>
Housing conservation				
Personnel services	180	177	3	143
Other current expenditures	57	55	2	89
Equipment acquisition	3	-	3	6
Total housing conservation	<u>240</u>	<u>232</u>	<u>8</u>	<u>238</u>
<b>Total public works</b>	<u>153,171</u>	<u>148,598</u>	<u>4,573</u>	<u>125,184</u>

**CITY OF HOUSTON, TEXAS**  
**GENERAL FUND**  
**Schedule of Budgeted and Actual Expenditures - Continued**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>2000 Actual</b>
<b>Health</b>				
Personnel services	42,181	41,757	424	43,620
Other current expenditures	14,241	14,036	205	12,926
Equipment acquisition	-	-	-	1
<b>Total health</b>	<b>56,422</b>	<b>55,793</b>	<b>629</b>	<b>56,547</b>
<b>Parks and Recreation</b>				
Personnel services	39,623	40,381	(758)	39,050
Other current expenditures	15,438	14,725	713	14,537
Equipment acquisition	96	90	6	345
<b>Total parks and recreation</b>	<b>55,157</b>	<b>55,196</b>	<b>(39)</b>	<b>53,932</b>
<b>Library</b>				
Personnel services	23,000	22,928	72	23,062
Other current expenditures	7,870	7,048	822	6,685
Equipment acquisition	6,239	6,264	(25)	6,011
<b>Total library</b>	<b>37,109</b>	<b>36,240</b>	<b>869</b>	<b>35,758</b>
<b>Retiree Benefits</b>				
Hospital and life insurance	10,246	11,675	(1,429)	9,597
<b>Total retiree benefits</b>	<b>10,246</b>	<b>11,675</b>	<b>(1,429)</b>	<b>9,597</b>
<b>Other Current Expenditures</b>				
Tax refunds	5,307	5,799	(492)	5,205
Tax appraisal fees	4,304	4,426	(122)	4,206
Insurance	236	592	(356)	-
Claims and judgments	7,000	6,244	756	10,121
Membership dues	1,622	1,487	135	1,424
Advertising and promotion	197	197	-	133
Consultants	1,854	1,668	186	1,557
Interest on short term borrowing	7,711	7,689	22	4,855
Miscellaneous support services	3,355	7,977	(4,622)	4,030
<b>Total other current expenditures</b>	<b>31,586</b>	<b>36,079</b>	<b>(4,493)</b>	<b>31,531</b>
<b>Capital Outlay - Equipment Acquisition and Other</b>	<b>41,473</b>	<b>50,299</b>	<b>(8,826)</b>	<b>41,008</b>
<b>Total capital expenditures</b>	<b>41,473</b>	<b>50,299</b>	<b>(8,826)</b>	<b>41,008</b>
<b>Total expenditures</b>	<b>1,145,352</b>	<b>1,140,398</b>	<b>4,954</b>	<b>1,104,909</b>
<b>Other Financing Uses</b>				
Operating transfers out	188,672	188,672	-	168,423
<b>Total other financing uses</b>	<b>188,672</b>	<b>188,672</b>	<b>-</b>	<b>168,423</b>
<b>Total expenditures and other financing uses</b>	<b>\$ 1,334,024</b>	<b>\$ 1,329,070</b>	<b>\$ 4,954</b>	<b>\$ 1,273,332</b>

CITY OF HOUSTON, TEXAS





# We've Got Power

Lights and fireworks illuminate Houston's spectacular skyline as the City celebrates the "Power of Houston" outdoor event. The "Power of Houston" placed the City's vast cultural, musical and entertainment resources at center stage – vital, vibrant downtown Houston.

CITY OF HOUSTON, TEXAS



# Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable and nonexpendable trust and capital projects) that are restricted to expenditures for special purposes. Funds included are:

**Asset Forfeiture** — to account for monies received through forfeiture of property in drug-related court proceedings. Revenues are restricted for use in law enforcement.

**Auto Dealers** — to account for revenues collected from licensing and inspection of automobile dealerships and parts businesses. Funds are used for regulation of automobile businesses within the City.

**Building Inspection** — to account for revenues generated by issuing building permits and licenses. Money is used to perform inspections and to enforce minimum building standards.

**Cable Television** — to account for contributions from cable television companies that are restricted to providing public, educational, and municipal programming.

**Fire Prevention** — to account for costs and revenues associated with conducting special fire safety inspections after normal duty hours.

**Grants Revenue** — to account for various state and federally funded programs.

**Disaster Recovery** — to account for all costs associated with flood damage and recovery resulting from Tropical Storm Allison.

**Health Special** — to account for various privately funded health programs.

**Housing Special** — to account for monies received and expended for special housing purchased from Resolution Trust Corporation.

**Houston Transtar** — to account for the overall planning, design and maintenance of transportation operations and emergency management within the Greater Houston Area.

**Parks Special** — to account for services and admission fees received by the Parks and Recreation Department for the maintenance and improvement of facilities and administering programs.

**Police Special Services** — to account for funds paid to police for special services performed for public and private agencies.

**Sign Abatement** — to account for the revenue designated to purchase and remove outdoor signs.

**Sign Administration** — to account for monies received and expended in administering the City's sign code.

**Street and Drainage Maintenance** — to account for revenues designated for repair of streets and maintenance of drainage systems.

**Street Maintenance and Traffic Control** — to account for revenues received from Metropolitan Transit Authority for maintenance of City streets and traffic control.

**9-1-1 Emergency Network** — to account for the operation of the City's emergency answering system.

**Signal Maintenance** — to account for revenues designated for the operation and maintenance, as well as electrical power costs and emergency replacement costs of traffic signals.



**CITY OF HOUSTON, TEXAS**  
**SPECIAL REVENUE FUNDS**  
**Combining Balance Sheet**  
**June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>Asset Forfeiture</b>	<b>Auto Dealers</b>	<b>Building Inspection</b>	<b>Cable Television</b>
<b>Assets</b>				
Equity in pooled cash and investments	\$ 3,564	\$ 1,433	\$ 5,577	\$ 150
Accounts and notes receivable, net of allowances	-	6	82	336
Due from other funds	-	78	85	-
Due from other governments	-	-	-	-
Inventory	-	-	-	-
<b>Total assets</b>	<b>\$ 3,564</b>	<b>\$ 1,517</b>	<b>\$ 5,744</b>	<b>\$ 486</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 135	\$ 3	\$ 579	\$ 175
Accrued payroll liabilities	-	-	637	14
Contracts payable	-	-	-	-
Due to other funds	12	-	374	261
Advances and deposits	-	361	195	-
Other liabilities	-	-	-	-
Deferred revenue	-	-	-	-
<b>Total liabilities</b>	<b>147</b>	<b>364</b>	<b>1,785</b>	<b>450</b>
<b>Fund balances</b>				
Reserved for inventory	-	-	-	-
Unreserved				
Undesignated	3,417	1,153	3,959	36
<b>Total fund balances</b>	<b>3,417</b>	<b>1,153</b>	<b>3,959</b>	<b>36</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,564</b>	<b>\$ 1,517</b>	<b>\$ 5,744</b>	<b>\$ 486</b>



<b>Fire Prevention</b>	<b>Grants Revenue</b>	<b>Disaster Recovery</b>	<b>Health Special</b>	<b>Housing Special</b>	<b>Houston Transtar</b>	<b>Parks Special</b>
\$ -	\$ 7,551	\$ 29,774	\$ 1,288	\$ 3,473	\$ 347	\$ 4,829
-	109,060	9,957	1	1,690	-	171
-	274	25,704	-	-	62	-
-	15,102	7,493	-	-	-	-
-	2,167	-	-	-	-	-
<u>\$ -</u>	<u>\$ 134,154</u>	<u>\$ 72,928</u>	<u>\$ 1,289</u>	<u>\$ 5,163</u>	<u>\$ 409</u>	<u>\$ 5,000</u>
\$ -	\$ -	\$ -	\$ -	\$ 187	\$ 199	\$ 393
-	674	-	-	-	15	180
-	3,349	61,940	-	-	-	-
-	1,736	10,988	-	-	81	173
-	-	-	-	-	-	6
-	215	-	-	-	-	-
-	126,013	-	-	1,552	-	79
-	131,987	72,928	-	1,739	295	831
-	2,167	-	-	-	-	-
-	-	-	1,289	3,424	114	4,169
-	2,167	-	1,289	3,424	114	4,169
<u>\$ -</u>	<u>\$ 134,154</u>	<u>\$ 72,928</u>	<u>\$ 1,289</u>	<u>\$ 5,163</u>	<u>\$ 409</u>	<u>\$ 5,000</u>

(Continued)

**CITY OF HOUSTON, TEXAS**  
**SPECIAL REVENUE FUNDS**  
**Combining Balance Sheet - Continued**  
**June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>Police Special Services</b>	<b>Sign Abatement</b>	<b>Sign Administration</b>	<b>Street and Drainage Maintenance</b>
<b>Assets</b>				
Equity in pooled cash and investments	\$ 3,837	\$ -	\$ 1,266	\$ 7,699
Accounts and notes receivable, net of allowances	-	-	21	-
Due from other funds	5	-	1	2,337
Due from other governments	-	-	-	-
Inventory	-	-	-	-
<b>Total assets</b>	<b>\$ 3,842</b>	<b>\$ -</b>	<b>\$ 1,288</b>	<b>\$ 10,036</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 8	\$ -	\$ 4	\$ 2,733
Accrued payroll liabilities	-	-	50	329
Contracts payable	-	-	-	-
Due to other funds	20	-	24	314
Advances and deposits	-	-	264	-
Other liabilities	-	-	-	-
Deferred revenue	-	-	-	-
<b>Total liabilities</b>	<b>28</b>	<b>-</b>	<b>342</b>	<b>3,376</b>
<b>Fund balances</b>				
Reserved for inventory	-	-	-	-
Unreserved				
Undesignated	3,814	-	946	6,660
<b>Total fund balances</b>	<b>3,814</b>	<b>-</b>	<b>946</b>	<b>6,660</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,842</b>	<b>\$ -</b>	<b>\$ 1,288</b>	<b>\$ 10,036</b>

Street Maintenance and Traffic Control	911 Emergency Network	Signal Maintenance	Totals	
			2001	2000
\$ -	\$ -	\$ -	\$ 70,788	\$ 47,737
-	813	-	122,137	98,312
-	-	20	28,566	2,834
-	8	990	23,593	11,138
-	-	-	2,167	4,329
<u>\$ -</u>	<u>\$ 821</u>	<u>\$ 1,010</u>	<u>\$ 247,251</u>	<u>\$ 164,350</u>
\$ -	\$ 736	\$ 920	\$ 6,072	\$ 1,916
-	85	9	1,993	2,922
-	-	-	65,289	3,671
-	-	81	14,064	5,645
-	-	-	826	744
-	-	-	215	191
-	-	-	127,644	111,413
<u>-</u>	<u>821</u>	<u>1,010</u>	<u>216,103</u>	<u>126,502</u>
-	-	-	2,167	4,329
-	-	-	28,981	33,519
-	-	-	31,148	37,848
<u>\$ -</u>	<u>\$ 821</u>	<u>\$ 1,010</u>	<u>\$ 247,251</u>	<u>\$ 164,350</u>

**CITY OF HOUSTON, TEXAS**  
**SPECIAL REVENUE FUNDS**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>Asset Forfeiture</b>	<b>Auto Dealers</b>	<b>Building Inspection</b>	<b>Cable Television</b>	<b>Fire Prevention</b>
<b>Revenues</b>					
Licenses and permits	\$ -	\$ 1,080	\$ 16,174	\$ -	\$ -
Charges for services	6,657	322	2,742	1,387	799
Intergovernmental - grants	-	-	-	-	-
Investment income	401	92	366	7	32
Other	42	451	209	4	-
Total revenues	<u>7,100</u>	<u>1,945</u>	<u>19,491</u>	<u>1,398</u>	<u>831</u>
<b>Expenditures</b>					
Current					
Personnel services	4,417	1,205	14,240	492	608
Other current expenditures	2,571	396	3,578	1,033	5
Capital outlay	495	-	4,349	22	-
Intergovernmental - grants	-	-	-	-	-
<b>Total expenditures</b>	<u>7,483</u>	<u>1,601</u>	<u>22,167</u>	<u>1,547</u>	<u>613</u>
Excess (deficiency) of revenues over expenditures	<u>(383)</u>	<u>344</u>	<u>(2,676)</u>	<u>(149)</u>	<u>218</u>
<b>Other financing sources (uses)</b>					
Operating transfers in	-	-	-	-	5
Operating transfers out	-	-	(172)	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(172)</u>	<u>-</u>	<u>5</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	(383)	344	(2,848)	(149)	223
Fund balances, July 1	3,800	809	6,807	185	121
Residual equity transfer	-	-	-	-	(344)
<b>Fund balances, June 30</b>	<u>\$ 3,417</u>	<u>\$ 1,153</u>	<u>\$ 3,959</u>	<u>\$ 36</u>	<u>\$ -</u>

<b>Grants Revenue</b>	<b>Disaster Recovery</b>	<b>Health Special</b>	<b>Housing Special</b>	<b>Houston Transtar</b>	<b>Parks Special</b>
\$ -	\$ -	\$ -	\$ -	\$ -	106
-	-	-	-	537	6,956
138,854	7,493	-	-	848	-
210	410	83	329	45	338
-	14,957	453	3,219	-	161
<u>139,064</u>	<u>22,860</u>	<u>536</u>	<u>3,548</u>	<u>1,430</u>	<u>7,561</u>
-	1,207	-	70	330	5,887
-	61,940	64	1,476	1,276	1,659
-	-	9	389	64	231
<u>137,767</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>137,767</u>	<u>63,147</u>	<u>73</u>	<u>1,935</u>	<u>1,670</u>	<u>7,777</u>
<u>1,297</u>	<u>(40,287)</u>	<u>463</u>	<u>1,613</u>	<u>(240)</u>	<u>(216)</u>
-	40,287	-	-	-	-
<u>(410)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9)</u>
<u>(410)</u>	<u>40,287</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9)</u>
887	-	463	1,613	(240)	(225)
1,280	-	826	1,811	354	4,394
-	-	-	-	-	-
<u>\$ 2,167</u>	<u>\$ -</u>	<u>\$ 1,289</u>	<u>\$ 3,424</u>	<u>\$ 114</u>	<u>\$ 4,169</u>

(Continued)

**CITY OF HOUSTON, TEXAS**  
**SPECIAL REVENUE FUNDS**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Continued**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>Police Special Services</b>	<b>Sign Abatement</b>	<b>Sign Administration</b>	<b>Street and Drainage Maintenance</b>	<b>Street Maintenance and Traffic Control</b>
<b>Revenues</b>					
Licenses and permits	\$ -	\$ -	\$ 1,665	\$ -	\$ -
Charges for services	2,105	-	-	-	-
Intergovernmental - grants	-	-	-	-	20,000
Investment income	298	139	87	497	88
Other	255	-	17	98	906
<b>Total revenues</b>	<b>2,658</b>	<b>139</b>	<b>1,769</b>	<b>595</b>	<b>20,994</b>
<b>Expenditures</b>					
Current					
Personnel services	2,057	-	1,425	11,504	27,608
Other current expenditures	504	-	141	9,596	20,611
Capital outlay	163	-	38	2,331	56
Intergovernmental - grants	-	-	-	-	-
<b>Total expenditures</b>	<b>2,724</b>	<b>-</b>	<b>1,604</b>	<b>23,431</b>	<b>48,275</b>
Excess (deficiency) of revenues over expenditures	(66)	139	165	(22,836)	(27,281)
<b>Other financing sources (uses)</b>					
Operating transfers in	-	124	-	25,542	26,543
Operating transfers out	-	-	(47)	(2,422)	(647)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>124</b>	<b>(47)</b>	<b>23,120</b>	<b>25,896</b>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	(66)	263	118	284	(1,385)
Fund balances, July 1	3,880	1,810	828	6,376	4,567
Residual equity transfer	-	(2,073)	-	-	(3,182)
<b>Fund balances, June 30</b>	<b>\$ 3,814</b>	<b>\$ -</b>	<b>\$ 946</b>	<b>\$ 6,660</b>	<b>\$ -</b>

911 Emergency Network	Signal Maintenance	Totals	
		2001	2000
\$ -	\$ -	\$ 19,025	\$ 17,495
2,299	-	23,804	27,665
-	716	167,911	142,444
-	-	3,422	1,836
-	-	20,772	7,379
2,299	716	234,934	196,819
2,214	368	73,632	73,016
85	300	105,235	45,834
-	-	8,147	4,166
-	-	137,767	111,158
2,299	668	324,781	234,174
-	48	(89,847)	(37,355)
-	-	92,501	39,599
-	(48)	(3,755)	(4,353)
-	(48)	88,746	35,246
-	-	(1,101)	(2,109)
-	-	37,848	39,957
-	-	(5,599)	-
\$ -	\$ -	\$ 31,148	\$ 37,848

**CITY OF HOUSTON, TEXAS**  
**ASSET FORFEITURE FUND**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>2001</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>2000 Actual</b>
<b>Revenues</b>				
Investment income	\$ 185	\$ 401	\$ 216	\$ 295
Confiscations	6,000	6,657	657	8,039
Sale of property	15	42	27	52
<b>Total revenues</b>	<b>6,200</b>	<b>7,100</b>	<b>900</b>	<b>8,386</b>
<b>Expenditures</b>				
Current				
Personnel services	4,417	4,417	-	6,536
Other current expenditures	2,954	2,571	383	2,079
Capital outlay	542	495	47	200
<b>Total expenditures</b>	<b>7,913</b>	<b>7,483</b>	<b>430</b>	<b>8,815</b>
Excess (deficiency) of revenues over expenditures	(1,713)	(383)	1,330	(429)
Fund balances, July 1	3,800	3,800	-	4,229
<b>Fund balances, June 30</b>	<b>\$ 2,087</b>	<b>\$ 3,417</b>	<b>\$ 1,330</b>	<b>\$ 3,800</b>



**CITY OF HOUSTON, TEXAS**  
**AUTO DEALERS FUND**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>2001</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>2000 Actual</b>
<b>Revenues</b>				
Licenses and permits	\$ 1,074	\$ 1,080	\$ 6	\$ 1,130
Charges for services	335	322	(13)	331
Investment income	31	92	61	39
Sale of autos	350	451	101	349
<b>Total revenues</b>	<b>1,790</b>	<b>1,945</b>	<b>155</b>	<b>1,849</b>
<b>Expenditures</b>				
Current				
Personnel services	1,205	1,205	-	1,231
Other current expenditures	813	396	417	331
Capital outlay	198	-	198	52
<b>Total expenditures</b>	<b>2,216</b>	<b>1,601</b>	<b>615</b>	<b>1,614</b>
Excess (deficiency) of revenues over expenditures	(426)	344	770	235
Fund balances, July 1	809	809	-	574
<b>Fund balances, June 30</b>	<b>\$ 383</b>	<b>\$ 1,153</b>	<b>\$ 770</b>	<b>\$ 809</b>

**CITY OF HOUSTON, TEXAS**  
**BUILDING INSPECTION FUND**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>2001</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>2000 Actual</b>
<b>Revenues</b>				
Licenses and permits	\$ 14,458	\$ 16,174	\$ 1,716	\$ 14,451
Charges for services	3,416	2,742	(674)	3,347
Investment income	407	366	(41)	322
Other	100	209	109	306
<b>Total revenues</b>	<b>18,381</b>	<b>19,491</b>	<b>1,110</b>	<b>18,426</b>
<b>Expenditures</b>				
Current				
Personnel services	14,806	14,240	566	13,663
Other current expenditures	5,042	3,578	1,464	3,250
Capital outlay	4,646	4,349	297	891
<b>Total expenditures</b>	<b>24,494</b>	<b>22,167</b>	<b>2,327</b>	<b>17,804</b>
Excess (deficiency) of revenues over expenditures	(6,113)	(2,676)	3,437	622
<b>Other financing sources (uses)</b>				
Operating transfer out	-	(172)	(172)	-
Total other financing sources (uses)	-	(172)	(172)	-
Fund balances, July 1	6,807	6,807	-	6,185
<b>Fund balances, June 30</b>	<b>\$ 694</b>	<b>\$ 3,959</b>	<b>\$ 3,265</b>	<b>\$ 6,807</b>

**CITY OF HOUSTON, TEXAS**  
**CABLE TELEVISION FUND**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>2001</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>2000 Actual</b>
<b>Revenues</b>				
Charges for services	\$ 1,392	\$ 1,387	\$ (5)	\$ 1,379
Investment income	41	7	(34)	6
Other	4	4	-	4
<b>Total revenues</b>	<b>1,437</b>	<b>1,398</b>	<b>(39)</b>	<b>1,389</b>
<b>Expenditures</b>				
Current				
Personnel services	500	492	8	499
Other current expenditures	1,063	1,033	30	1,086
Capital outlay	38	22	16	20
<b>Total expenditures</b>	<b>1,601</b>	<b>1,547</b>	<b>54</b>	<b>1,605</b>
Excess (deficiency) of revenues over expenditures	(164)	(149)	15	(216)
Fund balances, July 1	185	185	-	401
<b>Fund balances, June 30</b>	<b>\$ 21</b>	<b>\$ 36</b>	<b>\$ 15</b>	<b>\$ 185</b>

**CITY OF HOUSTON, TEXAS**  
**FIRE PREVENTION FUND**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>2001</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>2000 Actual</b>
<b>Revenues</b>				
Charges for services	\$ 1,417	\$ 799	\$ (618)	\$ 907
Investment income	28	32	4	10
<b>Total revenues</b>	<b>1,445</b>	<b>831</b>	<b>(614)</b>	<b>917</b>
<b>Expenditures</b>				
Personnel services	982	608	374	861
Other current expenditures	213	5	208	120
Capital outlay	250	-	250	-
<b>Total expenditures</b>	<b>1,445</b>	<b>613</b>	<b>832</b>	<b>981</b>
Excess (deficiency) of revenues over expenditures	-	218	218	(64)
<b>Other financing sources</b>				
Operating transfer in	-	5	5	-
Excess of revenues and other financing sources over expenditures	-	223	223	(64)
Fund balances, July 1	121	121	-	185
Residual Equity transfer to General Fund	-	(344)	(344)	-
<b>Fund balances, June 30</b>	<b>\$ 121</b>	<b>\$ -</b>	<b>\$ (121)</b>	<b>\$ 121</b>

**CITY OF HOUSTON, TEXAS**  
**HOUSTON TRANSTAR FUND**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>2001</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>2000 Actual</b>
<b>Revenues</b>				
Charges for services	\$ 508	\$ 537	\$ 29	\$ 635
Intergovernmental - grants	951	848	(103)	996
Investment income	26	45	19	21
<b>Total revenues</b>	<b>1,485</b>	<b>1,430</b>	<b>(55)</b>	<b>1,652</b>
<b>Expenditures</b>				
Personnel services	374	330	44	267
Other current expenditures	1,439	1,276	163	1,426
Capital outlay	71	64	7	74
<b>Total expenditures</b>	<b>1,884</b>	<b>1,670</b>	<b>214</b>	<b>1,767</b>
Excess (deficiency) of revenues over expenditures	(399)	(240)	159	(115)
Fund balances, July 1	354	354	-	469
<b>Fund balances, June 30</b>	<b>\$ (45)</b>	<b>\$ 114</b>	<b>\$ 159</b>	<b>\$ 354</b>

**CITY OF HOUSTON, TEXAS  
PARKS SPECIAL FUND**

**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2001  
(With comparative totals for 2000)  
amounts expressed in thousands**

	<b>2001</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>2000 Actual</b>
<b>Revenues</b>				
Licenses and permits	\$ 105	\$ 106	\$ 1	\$ 134
Charges for services	7,632	6,956	(676)	7,689
Investment income	180	338	158	184
Other	144	161	17	159
<b>Total revenues</b>	<b>8,061</b>	<b>7,561</b>	<b>(500)</b>	<b>8,166</b>
<b>Expenditures</b>				
Current				
Personnel services	6,044	5,887	157	5,837
Other current expenditures	2,216	1,659	557	1,458
Capital outlay	1,474	231	1,243	551
<b>Total expenditures</b>	<b>9,734</b>	<b>7,777</b>	<b>1,957</b>	<b>7,846</b>
Excess (deficiency) of revenues over expenditures	(1,673)	(216)	1,457	320
<b>Other financing sources (uses)</b>				
Operating transfer out	-	(9)	(9)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(9)</b>	<b>(9)</b>	<b>-</b>
Excess (deficiency) of revenues and other financing sources over expenditures	(1,673)	(225)	1,448	320
Fund balances, July 1	4,394	4,394	-	4,074
<b>Fund balances, June 30</b>	<b>\$ 2,721</b>	<b>\$ 4,169</b>	<b>\$ 1,448</b>	<b>\$ 4,394</b>

**CITY OF HOUSTON, TEXAS**  
**POLICE SPECIAL SERVICES FUND**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>2001</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>2000 Actual</b>
<b>Revenues</b>				
Charges for services	\$ 2,187	\$ 2,105	\$ (82)	\$ 3,268
Investment income	170	298	128	185
Other	400	255	(145)	206
<b>Total revenues</b>	<u>2,757</u>	<u>2,658</u>	<u>(99)</u>	<u>3,659</u>
<b>Expenditures</b>				
Current				
Personnel services	3,300	2,057	1,243	1,869
Other current expenditures	890	504	386	264
Capital outlay	550	163	387	278
<b>Total expenditures</b>	<u>4,740</u>	<u>2,724</u>	<u>2,016</u>	<u>2,411</u>
Excess (deficiency) of revenues over expenditures	(1,983)	(66)	1,917	1,248
<b>Other financing sources (uses)</b>				
Operating transfer out	(600)	-	600	(459)
<b>Total other financing sources (uses)</b>	<u>(600)</u>	<u>-</u>	<u>600</u>	<u>(459)</u>
Excess (deficiency) of revenues and other financing sources over expenditures	(2,583)	(66)	2,517	789
Fund balances, July 1	<u>3,880</u>	<u>3,880</u>	<u>-</u>	<u>3,091</u>
<b>Fund balances, June 30</b>	<u>\$ 1,297</u>	<u>\$ 3,814</u>	<u>\$ 2,517</u>	<u>\$ 3,880</u>

**CITY OF HOUSTON, TEXAS**  
**SIGN ABATEMENT FUND**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>2001</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>2000 Actual</b>
<b>Revenues</b>				
Investment income	\$ 90	\$ 139	\$ 49	\$ 73
<b>Total revenues</b>	<u>90</u>	<u>139</u>	<u>49</u>	<u>73</u>
<b>Expenditures</b>				
Other current expenditures	2,045	-	2,045	-
<b>Total expenditures</b>	<u>2,045</u>	<u>-</u>	<u>2,045</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(1,955)</u>	<u>139</u>	<u>2,094</u>	<u>73</u>
<b>Other financing sources</b>				
Operating transfer in	124	124	-	132
Total other financing sources	<u>124</u>	<u>124</u>	<u>-</u>	<u>132</u>
Excess (deficiency) of revenues and other financing sources over expenditures	(1,831)	263	2,094	205
Fund balances, July 1	1,810	1,810	-	1,605
Residual Equity transfer	<u>-</u>	<u>(2,073)</u>	<u>(2,073)</u>	<u>-</u>
<b>Fund balances, June 30</b>	<u>\$ (21)</u>	<u>\$ -</u>	<u>\$ 21</u>	<u>\$ 1,810</u>



**CITY OF HOUSTON, TEXAS**  
**SIGN ADMINISTRATION FUND**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>2001</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>2000 Actual</b>
<b>Revenues</b>				
Licenses and permits	\$ 1,600	\$ 1,665	\$ 65	\$ 1,780
Investment income	53	87	34	48
Other	-	17	17	7
<b>Total revenues</b>	<b>1,653</b>	<b>1,769</b>	<b>116</b>	<b>1,835</b>
<b>Expenditures</b>				
Current				
Personnel services	1,671	1,425	246	1,514
Other current expenditures	156	141	15	232
Capital outlay	55	38	17	126
<b>Total expenditures</b>	<b>1,882</b>	<b>1,604</b>	<b>278</b>	<b>1,872</b>
Excess (deficiency) of revenues over expenditures	(229)	165	394	(37)
<b>Other financing (uses)</b>				
Operating transfer out	(12)	(47)	(35)	(62)
<b>Total other financing (uses)</b>	<b>(12)</b>	<b>(47)</b>	<b>(35)</b>	<b>(62)</b>
Excess (deficiency) of revenues over expenditures and other financing uses	(241)	118	359	(99)
Fund balances, July 1	828	828	-	927
<b>Fund balances, June 30</b>	<b>\$ 587</b>	<b>\$ 946</b>	<b>\$ 359</b>	<b>\$ 828</b>

**CITY OF HOUSTON, TEXAS**  
**STREET AND DRAINAGE MAINTENANCE FUND**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>2001</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>2000 Actual</b>
<b>Revenues</b>				
Investment income	\$ 300	\$ 497	\$ 197	\$ 322
Other	-	98	98	1,681
<b>Total revenues</b>	<u>300</u>	<u>595</u>	<u>295</u>	<u>2,003</u>
<b>Expenditures</b>				
Current				
Personnel services	11,526	11,504	22	9,904
Other current expenditures	14,081	9,596	4,485	8,828
Capital outlay	<u>3,573</u>	<u>2,331</u>	<u>1,242</u>	<u>1,728</u>
<b>Total expenditures</b>	<u>29,180</u>	<u>23,431</u>	<u>5,749</u>	<u>20,460</u>
Excess (deficiency) of revenues over expenditures	(28,880)	(22,836)	6,044	(18,457)
<b>Other financing sources (uses)</b>				
Operating transfer in	20,522	25,542	5,020	23,267
Operating transfer out	<u>(2,327)</u>	<u>(2,422)</u>	<u>(95)</u>	<u>(2,381)</u>
<b>Total other financing sources (uses)</b>	<u>18,195</u>	<u>23,120</u>	<u>4,925</u>	<u>20,886</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	(10,685)	284	10,969	2,429
Fund balances, July 1	<u>6,376</u>	<u>6,376</u>	<u>-</u>	<u>3,947</u>
<b>Fund balances, June 30</b>	<u>\$ (4,309)</u>	<u>\$ 6,660</u>	<u>\$ 10,969</u>	<u>\$ 6,376</u>

**CITY OF HOUSTON, TEXAS**  
**STREET MAINTENANCE AND TRAFFIC CONTROL FUND**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>2001</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>2000 Actual</b>
<b>Revenues</b>				
Intergovernmental - grants	\$ 20,000	\$ 20,000	\$ -	\$ 30,000
Investment income	-	88	88	9
Other	1,799	906	(893)	1,602
<b>Total revenues</b>	<b>21,799</b>	<b>20,994</b>	<b>(805)</b>	<b>31,611</b>
<b>Expenditures</b>				
Current				
Personnel services	27,910	27,608	302	28,565
Other current expenditures	23,458	20,611	2,847	23,017
Capital outlay	60	56	4	-
<b>Total expenditures</b>	<b>51,428</b>	<b>48,275</b>	<b>3,153</b>	<b>51,582</b>
Excess (deficiency) of revenues over expenditures	(29,629)	(27,281)	2,348	(19,971)
<b>Other financing sources (uses)</b>				
Operating transfer in	30,000	26,543	(3,457)	16,200
Operating transfer out	(647)	(647)	-	(1,400)
<b>Total other financing sources (uses)</b>	<b>29,353</b>	<b>25,896</b>	<b>(3,457)</b>	<b>14,800</b>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	(276)	(1,385)	(1,109)	(5,171)
Fund balances, July 1	4,567	4,567	-	9,738
Residual equity transfer	-	(3,182)	(3,182)	-
<b>Fund balances, June 30</b>	<b>\$ 4,291</b>	<b>\$ -</b>	<b>\$ (4,291)</b>	<b>\$ 4,567</b>

**CITY OF HOUSTON, TEXAS**  
**911 EMERGENCY NETWORK FUND**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>2001</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>2000 Actual</b>
<b>Revenues</b>				
Charges for services	\$ 2,942	\$ 2,299	\$ (643)	\$ 2,070
<b>Total revenues</b>	<u>2,942</u>	<u>2,299</u>	<u>(643)</u>	<u>2,070</u>
<b>Expenditures</b>				
Current				
Personnel services	2,773	2,214	559	1,969
Other current expenditures	<u>169</u>	<u>85</u>	<u>84</u>	<u>101</u>
<b>Total expenditures</b>	<u>2,942</u>	<u>2,299</u>	<u>643</u>	<u>2,070</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-
Fund balances, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, June 30</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CITY OF HOUSTON, TEXAS**  
**SIGNAL MAINTENANCE FUND**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>2001</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>2000 Actual</b>
<b>Revenues</b>				
Intergovernmental - grants	\$ 720	\$ 716	\$ (4)	\$ 682
<b>Total revenues</b>	<u>720</u>	<u>716</u>	<u>(4)</u>	<u>682</u>
<b>Expenditures</b>				
Current				
Personnel services	368	368	-	301
Other current expenditures	<u>304</u>	<u>300</u>	<u>4</u>	<u>330</u>
<b>Total expenditures</b>	<u>672</u>	<u>668</u>	<u>4</u>	<u>631</u>
Excess (deficiency) of revenues over expenditures	<u>48</u>	<u>48</u>	<u>-</u>	<u>51</u>
<b>Other financing sources (uses)</b>				
Operating transfer out	<u>(48)</u>	<u>(48)</u>	<u>-</u>	<u>(51)</u>
<b>Total other financing sources (uses)</b>	<u>(48)</u>	<u>(48)</u>	<u>-</u>	<u>(51)</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	-	-	-	-
Fund balances, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, June 30</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF HOUSTON, TEXAS







# Springing to Life

Newcomers to Houston are often surprised by how "green" the City is. Located on a coastal plain, Houston's mild temperatures and frequent rainfall have birthed a City resplendent with trees and lush vegetation. The Mecom Fountain on Main Street highlights the City's Museum District.

CITY OF HOUSTON, TEXAS





## **Debt Service Fund**

The Debt Service Fund is used to account for the payment of interest and principal on all general long-term debt other than debt issued for and serviced by Enterprise Funds.

**CITY OF HOUSTON, TEXAS**  
**DEBT SERVICE FUND**  
**Balance Sheets**  
**June 30, 2001 and 2000**  
*amounts expressed in thousands*

	<u><b>2001</b></u>	<u><b>2000</b></u>
<b>Assets</b>		
Equity in pooled cash and investments	\$ 90,928	\$ 87,216
Receivables, net of allowances		
Accounts receivable	567	240
Due from other funds	<u>-</u>	<u>62</u>
<b>Total assets</b>	<u><u>\$ 91,495</u></u>	<u><u>\$ 87,518</u></u>
<b>Liabilities and fund balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 569	\$ 60
Accrued interest payable	<u>1,323</u>	<u>1,085</u>
<b>Total liabilities</b>	<u>1,892</u>	<u>1,145</u>
<b>Fund balances</b>		
Reserved for debt service	<u>89,603</u>	<u>86,373</u>
<b>Total fund balances</b>	<u>89,603</u>	<u>86,373</u>
<b>Total liabilities and fund balance</b>	<u><u>\$ 91,495</u></u>	<u><u>\$ 87,518</u></u>

**CITY OF HOUSTON, TEXAS**  
**DEBT SERVICE FUND**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2001**  
**(With comparative amounts for 2000)**  
*amounts expressed in thousands*

	<b>2001</b>		<b>Variance</b>	<b>2000</b>
	<b>Budget</b>	<b>Actual</b>	<b>Favorable</b>	<b>Actual</b>
<b>Revenues</b>			<b>(Unfavorable)</b>	
Investment income	\$ 3,290	\$ 8,015	\$ 4,725	\$ 4,046
Other	4,796	3,129	(1,667)	1,751
<b>Total revenues</b>	<b>8,086</b>	<b>11,144</b>	<b>3,058</b>	<b>5,797</b>
<b>Expenditures</b>				
Debt service				
Principal	113,938	114,425	(487)	104,710
Interest	98,789	93,928	4,861	91,847
Fiscal agent and other fees	1,800	3,713	(1,913)	2,099
<b>Total expenditures</b>	<b>214,527</b>	<b>212,066</b>	<b>2,461</b>	<b>198,656</b>
Deficiency of revenues over expenditures	(206,441)	(200,922)	5,519	(192,859)
<b>Other financing sources (uses)</b>				
Proceeds from bond issuance	-	209,683	209,683	-
Transfers to fiscal agents	-	(209,594)	(209,594)	-
Operating transfers in	201,459	204,063	2,604	190,488
<b>Total other financing sources (uses)</b>	<b>201,459</b>	<b>204,152</b>	<b>2,693</b>	<b>190,488</b>
Excess (deficiency) of revenues and other financing sources over expenditures	(4,982)	3,230	8,212	(2,371)
Fund balances, July 1	81,937	86,373	4,436	88,744
<b>Fund balances, June 30</b>	<b>\$ 76,955</b>	<b>\$ 89,603</b>	<b>\$ 12,648</b>	<b>\$ 86,373</b>

CITY OF HOUSTON, TEXAS





# East Meets West

One of Houston's greatest assets is the complexity of its cultural fabric, evidenced here by the pagoda and statuary in the Hermann Park Garden Center. Residents enjoy exploring many unique international offerings and events representing many different countries from which Houstonians hail.

CITY OF HOUSTON, TEXAS



## **Capital Projects Fund**

The Capital Projects Fund accounts for all resources used for the acquisition and/or construction of capital facilities by the City, except those financed by Enterprise Funds.

**CITY OF HOUSTON, TEXAS**  
**CAPITAL PROJECTS FUND**  
**Balance Sheets**  
**June 30, 2001 and 2000**  
*amounts expressed in thousands*

	<u>2001</u>	<u>2000</u>
<b>Assets</b>		
Equity in pooled cash and investments	\$ 81,772	\$ 82,680
Accounts receivable	852	702
Due from other funds	587	1,001
<b>Total assets</b>	<u><u>\$ 83,211</u></u>	<u><u>\$ 84,383</u></u>
<b>Liabilities and fund balances</b>		
<b>Liabilities</b>		
Accounts payable	7,651	9,903
Contracts payable	6,609	6,493
Due to other funds	10,439	8,362
Due to other governments	492	655
Advances and deposits	127	126
<b>Total liabilities</b>	<u><u>25,318</u></u>	<u><u>25,539</u></u>
<b>Fund balances</b>		
Reserved for general mobility and contract overlay	1,476	1,475
Unreserved		
Designated	56,417	57,369
<b>Total fund balances</b>	<u><u>57,893</u></u>	<u><u>58,844</u></u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 83,211</u></u>	<u><u>\$ 84,383</u></u>



**CITY OF HOUSTON, TEXAS**  
**CAPITAL PROJECTS FUND**  
**Statements of Revenues, Expenditures and Changes in Fund Balances**  
**For the Years Ended June 30, 2001 and 2000**  
*amounts expressed in thousands*

	<u>2001</u>	<u>2000</u>
<b>Revenues</b>		
Intergovernmental	\$ 7,160	\$ 3,320
Investment income	5,510	2,608
Other	<u>288</u>	<u>863</u>
<b>Total revenues</b>	<u>12,958</u>	<u>6,791</u>
<b>Expenditures</b>		
Capital outlay for		
General government	40,891	37,183
Public safety	11,047	11,277
Public works		
Highways, streets and bridges	63,162	68,585
Sanitation and storm sewer	20,626	20,610
Annexed districts	1,291	1,536
Parks and recreation	12,817	5,850
Library	<u>788</u>	<u>2,380</u>
<b>Total expenditures</b>	<u>150,622</u>	<u>147,421</u>
Deficiency of revenues over expenditures	<u>(137,664)</u>	<u>(140,630)</u>
<b>Other financing sources (uses)</b>		
Proceeds from certificates of obligation and commercial paper	112,026	137,712
Operating transfers in	<u>24,687</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>136,713</u>	<u>137,712</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(951)	(2,918)
Fund balances, July 1	<u>58,844</u>	<u>61,762</u>
<b>Fund balances, June 30</b>	<u><u>\$ 57,893</u></u>	<u><u>\$ 58,844</u></u>

CITY OF HOUSTON, TEXAS





# Fantastic Fountains

**H**oustonians enjoy outdoor activities virtually year 'round. A cyclist pedaling past the Wortham "dandelion" fountain near Buffalo Bayou enjoys a cool spray of water on a warm spring day. Houston's climate, accessibility and proximity to Latin America make it a tourist destination and trade haven.

CITY OF HOUSTON, TEXAS



# 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.

**Sports Arena** — This fund is used to account for the City's interest in The Compaq Center, a multi-purpose sports facility, which is leased to an independent operator.

**CITY OF HOUSTON, TEXAS**  
**ENTERPRISE FUNDS**  
**Combining Balance Sheet**  
**June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<u>Airport System</u>	<u>Convention and Entertainment Facilities</u>	<u>Water and Sewer System</u>
<b>Assets</b>			
Current assets			
Equity in pooled cash and investments	\$ 8,552	\$ 15,707	\$ 76,247
Receivables, net of allowances			
Accounts receivable	15,092	1,482	59,906
Hotel occupancy tax receivable	-	11,818	-
Due from other funds	-	1,002	11,501
Due from other governments	-	-	12
Due from component units	-	310,550	-
Inventory	3,966	-	9,068
Total current assets	<u>27,610</u>	<u>340,559</u>	<u>156,734</u>
Restricted assets			
Investments	1,002,018	519,668	586,915
Assessments receivable	-	-	107
Accrued interest receivable	-	-	-
Due from other governments - grants	4,735	-	-
Amounts held by other governments	-	-	21,648
Total restricted assets	<u>1,006,753</u>	<u>519,668</u>	<u>608,670</u>
Other assets			
Garage Rights	-	13,144	-
Water rights, net of depreciation	-	-	217,065
Other long-term receivables	-	-	69
Total other assets	<u>-</u>	<u>13,144</u>	<u>217,134</u>
Property, plant & equipment			
Land	120,182	65,694	81,663
Buildings, improvements and equipment	1,612,919	272,588	190,607
Plants, lines and rights	-	-	5,592,510
Construction in progress	402,405	21,950	780,493
Total property, plant & equipment	<u>2,135,506</u>	<u>360,232</u>	<u>6,645,273</u>
Less accumulated depreciation and amortization	<u>(639,876)</u>	<u>(87,556)</u>	<u>(2,754,745)</u>
Property, plant and equipment, net	<u>1,495,630</u>	<u>272,676</u>	<u>3,890,528</u>
<b>Total assets</b>	<u><u>\$ 2,529,993</u></u>	<u><u>\$ 1,146,047</u></u>	<u><u>\$ 4,873,066</u></u>

Sports Arena	Totals	
	2001	2000
\$ -	\$ 100,506	\$ 145,248
441	76,921	67,319
-	11,818	11,450
-	12,503	23,153
-	12	12
-	310,550	-
-	13,034	12,807
441	525,344	259,989
8,370	2,116,971	1,121,801
-	107	107
5	5	17
-	4,735	1,750
-	21,648	11,329
8,375	2,143,466	1,135,004
-	13,144	-
-	217,065	227,231
-	69	69
-	230,278	227,300
2,451	269,990	256,800
-	2,076,114	1,863,382
-	5,592,510	5,434,291
-	1,204,848	1,013,564
2,451	9,143,462	8,568,037
-	(3,482,177)	(3,251,897)
2,451	5,661,285	5,316,140
\$ 11,267	\$ 8,560,373	\$ 6,938,433

(Continued)



**CITY OF HOUSTON, TEXAS**  
**ENTERPRISE FUNDS**  
**Combining Balance Sheet - Continued**  
**June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<u>Airport System</u>	<u>Convention &amp; Entertainment Facilities</u>	<u>Water and Sewer System</u>
<b>Liabilities and fund equity</b>			
Liabilities			
Current liabilities			
Accounts payable	\$ 3,796	\$ 3,335	\$ 8,618
Accrued payroll liabilities	1,531	172	2,277
Accrued interest on contracts payable	-	-	894
Contracts and retainages payable	169	235	14,375
Notes payable	-	-	-
Due to other funds	1,008	22,658	9,522
Due to other governments	-	1,584	-
Advances and deposits	1,707	407	-
Claims for workers' compensation	5,912	11	4,786
Compensated absences	6,235	613	24,201
Total current liabilities	<u>20,358</u>	<u>29,015</u>	<u>64,673</u>
Current liabilities payable from restricted assets			
Revenue bonds payable	19,460	-	58,376
Accrued interest payable	42,305	2,219	16,106
Advances and deposits	248	555	21,015
Construction billings and retainages	73,609	-	28,275
Due to component unit	-	292,496	-
Amount held for component unit	-	10,741	-
Due to other funds	-	-	4,013
Due to other governments	-	-	5,011
Total current liabilities payable from restricted assets	<u>135,622</u>	<u>306,011</u>	<u>132,796</u>
Long-term liabilities			
Notes payable	-	-	-
Revenue bonds payable, net	1,459,583	621,863	3,121,836
Contracts payable	-	-	259,533
Commercial paper	-	-	300,000
Arbitrage Rebate Payable	11,893	-	-
Other long term liabilities	2,622	-	-
Total long-term liabilities	<u>1,474,098</u>	<u>621,863</u>	<u>3,681,369</u>
Total liabilities	<u>1,630,078</u>	<u>956,889</u>	<u>3,878,838</u>
Fund equity			
Contributed capital, net	<u>263,179</u>	<u>82,066</u>	<u>812,869</u>
Retained earnings			
Reserved for			
Renewal and replacement	10,000	11,034	321,749
Maintenance and operations	23,170	5,942	23,116
Amounts held by others	-	-	6,534
Capital improvements	78,695	-	-
Other commitments	-	-	-
Unreserved	<u>524,871</u>	<u>90,116</u>	<u>(170,040)</u>
Total retained earnings	<u>636,736</u>	<u>107,092</u>	<u>181,359</u>
Total fund equity	<u>899,915</u>	<u>189,158</u>	<u>994,228</u>
<b>Total liabilities and fund equity</b>	<u><u>\$ 2,529,993</u></u>	<u><u>\$ 1,146,047</u></u>	<u><u>\$ 4,873,066</u></u>



Sports Arena	Totals	
	2001	2000
\$ -	\$ 15,749	\$ 11,522
-	3,980	4,493
-	894	733
-	14,779	13,887
-	-	435
-	33,188	4,754
-	1,584	5,608
-	2,114	2,327
-	10,709	10,285
-	31,049	31,358
-	114,046	85,402
-	77,836	83,466
-	60,630	41,895
7,796	29,614	56,263
-	101,884	86,541
-	292,496	-
-	10,741	-
-	4,013	3,384
-	5,011	5,276
7,796	582,225	276,825
-	-	6,685
-	5,203,282	3,784,739
-	259,533	269,355
-	300,000	342,700
-	11,893	-
553	3,175	2,530
553	5,777,883	4,406,009
8,349	6,474,154	4,768,236
2,451	1,160,565	1,195,297
-	342,783	321,222
9	52,237	43,819
-	6,534	6,534
-	78,695	48,416
-	-	74
458	445,405	554,835
467	925,654	974,900
2,918	2,086,219	2,170,197
\$ 11,267	\$ 8,560,373	\$ 6,938,433

**CITY OF HOUSTON, TEXAS**  
**ENTERPRISE FUNDS**  
**Combining Statement of Revenues, Expenses and Changes in Fund Equity**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<u>Airport System</u>	<u>Convention and Entertainment Facilities</u>	<u>Water and Sewer System</u>
<b>Operating revenues</b>			
Charges for services	\$ 222,174	\$ 17,469	\$ 547,292
<b>Total operating revenues</b>	<u>222,174</u>	<u>17,469</u>	<u>547,292</u>
<b>Operating expenses</b>			
Maintenance and operating	122,594	20,331	248,603
Depreciation and amortization	52,410	6,356	256,959
Bad debt expense	-	-	-
<b>Total operating expenses</b>	<u>175,004</u>	<u>26,687</u>	<u>505,562</u>
Operating income (loss)	<u>47,170</u>	<u>(9,218)</u>	<u>41,730</u>
<b>Nonoperating revenues (expenses)</b>			
Investment income	66,846	9,846	56,914
Hotel occupancy tax	-	46,123	-
Other revenues	828	181	22,511
Loss on disposal of assets	(178)	-	(3,315)
Other expenses	(12,455)	(12,110)	-
Interest on long-term debt	<u>(52,754)</u>	<u>(12,655)</u>	<u>(172,749)</u>
<b>Total nonoperating revenues (expenses)</b>	<u>2,287</u>	<u>31,385</u>	<u>(96,639)</u>
Income (loss) before operating transfers	<u>49,457</u>	<u>22,167</u>	<u>(54,909)</u>
Contributions	19,873	-	17,594
Operating transfers to component units	-	(8,588)	-
Operating transfers out	<u>-</u>	<u>(26,846)</u>	<u>(102,735)</u>
Net income (loss)	69,330	(13,267)	(140,050)
Fund equity, July 1	<u>830,585</u>	<u>202,425</u>	<u>1,134,278</u>
Fund equity, June 30	<u>\$ 899,915</u>	<u>\$ 189,158</u>	<u>\$ 994,228</u>

Sports Arena	Total	
	2001	2000
\$ -	\$ 786,935	\$ 790,008
-	786,935	790,008
-	391,528	358,586
-	315,725	265,920
-	-	1,000
-	707,253	625,506
-	79,682	164,502
-	133,606	60,688
-	46,123	42,550
9	23,529	20,969
-	(3,493)	(4,119)
-	(24,565)	(10,974)
-	(238,158)	(216,136)
9	(62,958)	(107,022)
9	16,724	57,480
-	37,467	19,185
-	(8,588)	(7,500)
-	(129,581)	(57,311)
9	(83,978)	11,854
2,909	2,170,197	2,158,343
\$ 2,918	\$ 2,086,219	\$ 2,170,197

**CITY OF HOUSTON, TEXAS**  
**ENTERPRISE FUNDS**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>Airport System</b>	<b>Convention and Entertainment Facilities</b>	<b>Water and Sewer System</b>
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 217,229	\$ 17,252	\$ 541,293
Payments to employees	(42,435)	(4,372)	(99,105)
Payments to suppliers	(52,540)	(13,399)	(146,894)
Internal activity-payments to other funds	(26,488)	14,819	7,978
Claims paid	(1,380)	(79)	(2,502)
Due from other governments	-	(4,024)	-
Other revenues	828	181	22,511
Other expenses	-	(11,532)	-
<b>Net cash provided by (used for) operating activities</b>	<u>95,214</u>	<u>(1,154)</u>	<u>323,281</u>
<b>Cash flows from investing activities</b>			
Interest income on investments	51,312	7,959	41,713
Purchase of investments	(861,549)	(591,738)	(683,033)
Proceeds from sale of investments	437,402	119,149	591,956
<b>Net cash provided by (used for) investing activities</b>	<u>(372,835)</u>	<u>(464,630)</u>	<u>(49,364)</u>
<b>Cash flows from capital and related financing activities</b>			
Retirement of revenue bonds	(18,395)	(115,570)	(60,191)
Retirement of notes payable	-	(7,120)	-
Net proceeds from issuance of revenue bonds, net of discount	682,739	621,772	263,476
Retirement of commercial paper	(90,000)	(26,000)	(277,700)
Net proceeds from issuance of commercial paper	40,000	26,000	285,000
Interest expense on			
Revenue bonds	(46,936)	(14,033)	(143,252)
Commercial Paper	-	(578)	(9,024)
Contracts payable	-	-	(20,470)
Retirement of contractual obligations	-	-	(13,996)
Advances and deposits on construction	20	-	-
Contributed capital	16,889	-	17,261
Acquisition of garage rights	-	(10,000)	-
Acquisition of property, plant and equipment	(305,714)	(34,626)	(242,392)
Accrued maintenance repair and replacement cost	-	-	-
<b>Net cash provided by (used for) capital and related financing activities</b>	<u>278,603</u>	<u>439,845</u>	<u>(201,288)</u>

Sports Arena	Total	
	2001	2000
\$ -	\$ 775,774	\$ 787,108
-	(145,912)	(143,703)
-	(212,833)	(168,122)
-	(3,691)	(55,554)
-	(3,961)	(5,573)
-	(4,024)	4,025
-	23,520	20,962
-	(11,532)	(10,974)
-	417,341	428,169
21	101,005	74,745
(30,536)	(2,166,856)	(230,434)
31,653	1,180,160	468,755
1,138	(885,691)	313,066
-	(194,156)	(246,654)
-	(7,120)	(433)
-	1,567,987	217,240
-	(393,700)	(213,980)
-	351,000	320,000
-	(204,221)	(191,656)
-	(9,602)	(11,381)
-	(20,470)	(15,770)
-	(13,996)	(17,615)
(1,221)	(1,201)	1,482
-	34,150	19,117
-	(10,000)	-
-	(582,732)	(553,711)
83	83	89
(1,138)	516,022	(693,272)

(Continued)

**CITY OF HOUSTON, TEXAS**  
**ENTERPRISE FUNDS**  
**Combining Statement of Cash Flows - Continued**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>Airport System</b>	<b>Convention &amp; Entertainment Facilities</b>	<b>Water and Sewer System</b>
<b>Cash flows from noncapital financing activities</b>			
Operating transfers to component units	\$ -	\$ (8,588)	\$ -
Operating transfers to debt service fund	-	-	(38,584)
Operating transfers to other funds	-	-	(64,151)
Contributions	-	(26,846)	-
Hotel occupancy tax revenue	-	45,755	-
<b>Net cash provided by (used for) noncapital financing activities</b>	<u>-</u>	<u>10,321</u>	<u>(102,735)</u>
Net increase (decrease) in cash and cash equivalents	982	(15,618)	(30,106)
Cash and cash equivalents, July 1	<u>7,570</u>	<u>31,325</u>	<u>106,353</u>
<b>Unrestricted cash and cash equivalents, June 30</b>	<u><u>\$ 8,552</u></u>	<u><u>\$ 15,707</u></u>	<u><u>\$ 76,247</u></u>
<b>Non cash transactions</b>			
Unrealized gain (loss) on investments	\$ 9,640	\$ 958	\$ 15,201
Loss on disposal of assets	(178)	-	\$ (3,315)
Land contributed to component unit	-	3,144	-
	<u><u>\$ 9,462</u></u>	<u><u>\$ 4,102</u></u>	<u><u>\$ 11,886</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ 47,170	\$ (9,218)	\$ 41,730
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation and amortization	52,410	6,356	256,959
Other revenues	828	197	22,580
Other expenses	-	(11,532)	-
Changes in assets and liabilities			
Net due from component unit	-	(7,313)	-
Accounts receivable, net	(5,102)	(199)	(4,524)
Contracts receivable	97	-	-
Due from other funds	136	1,069	9,445
Amounts held by other governments	-	-	(10,319)
Inventory	(454)	-	227
Accounts payable	230	2,089	1,908
Accrued payroll liabilities	157	16	(686)
Due to other funds	(84)	21,405	7,111
Due to other governments	-	(4,024)	-
Advances and deposits	119	(22)	(1,484)
Construction and retainages payable	-	(52)	-
Claims for workers' compensation	(202)	7	619
Compensated absences	(91)	67	(285)
<b>Net cash provided by (used for) operating activities</b>	<u><u>\$ 95,214</u></u>	<u><u>\$ (1,154)</u></u>	<u><u>\$ 323,281</u></u>

Sports Arena	Total	
	2001	2000
\$ -	\$ (8,588)	\$ (7,500)
-	(38,584)	(34,044)
-	(64,151)	(23,267)
-	(26,846)	-
-	45,755	41,550
-	(92,414)	(23,261)
-	(44,742)	24,702
-	145,248	120,546
<u>\$ -</u>	<u>\$ 100,506</u>	<u>\$ 145,248</u>
\$ -	\$ 25,799	\$ (13,832)
-	(3,493)	(4,109)
-	3,144	-
<u>\$ -</u>	<u>\$ 25,450</u>	<u>\$ (17,941)</u>
\$ -	\$ 79,682	\$ 164,502
-	315,725	265,920
-	23,605	20,962
-	(11,532)	(10,974)
-	(7,313)	-
-	(9,825)	(2,642)
-	97	51
-	10,650	(21,578)
-	(10,319)	-
-	(227)	3,661
-	4,227	424
-	(513)	674
-	28,432	3,103
-	(4,024)	4,025
-	(1,387)	1,075
-	(52)	(33)
-	424	(2,020)
-	(309)	1,019
<u>\$ -</u>	<u>\$ 417,341</u>	<u>\$ 428,169</u>

**ENTERPRISE FUNDS**  
**Airport System**  
**Balance Sheets**  
**June 30, 2001 and 2000**  
*amounts expressed in thousands*

	<u>2001</u>	<u>2000</u>
<b>Assets</b>		
Current assets		
Equity in pooled cash and investments	\$ 8,552	\$ 7,570
Receivables, net of allowances		
Accounts receivable	15,092	10,087
Due from other funds	-	136
Inventory	3,966	3,512
Total current assets	<u>27,610</u>	<u>21,305</u>
Restricted assets		
Investments	1,002,018	562,337
Due from governments - grants	4,735	1,750
Total restricted assets	<u>1,006,753</u>	<u>564,087</u>
Property, plant & equipment		
Land	120,182	104,067
Buildings, improvements and equipment	1,612,919	1,490,863
Construction in progress	402,405	206,918
Total property, plant & equipment	<u>2,135,506</u>	<u>1,801,848</u>
Less accumulated depreciation and amortization	<u>(639,876)</u>	<u>(593,317)</u>
Property, plant and equipment, net	<u>1,495,630</u>	<u>1,208,531</u>
<b>Total assets</b>	<u><u>\$ 2,529,993</u></u>	<u><u>\$ 1,793,923</u></u>



**CITY OF HOUSTON, TEXAS**  
**ENTERPRISE FUNDS**  
**Airport System**  
**Balance Sheets - Continued**  
**June 30, 2001 and 2000**  
*amounts expressed in thousands*

	<u>2001</u>	<u>2000</u>
<b>Liabilities and fund equity</b>		
Liabilities		
Current liabilities		
Accounts payable	\$ 3,796	\$ 3,566
Accrued payroll liabilities	1,531	1,374
Contracts and retainages payable	169	169
Due to other funds	1,008	1,090
Advances and deposits	1,707	1,588
Claims for workers' compensation	5,912	6,114
Compensated absences	6,235	6,326
Total current liabilities	<u>20,358</u>	<u>20,227</u>
Current liabilities payable from restricted assets		
Revenue bonds payable	19,460	18,395
Accrued interest and other payables	42,305	22,034
Advances and deposits	248	228
Contracts and retainages payable	73,609	55,086
Due to other funds	-	2
Total current liabilities payable from restricted assets	<u>135,622</u>	<u>95,745</u>
Long-term liabilities		
Revenue bonds payable, net	1,459,583	795,306
Commercial paper	-	50,000
Arbitrage rebate payable	11,893	-
Other long-term liabilities	2,622	2,060
Total long-term liabilities	<u>1,474,098</u>	<u>847,366</u>
Total liabilities	<u>1,630,078</u>	<u>963,338</u>
Fund equity		
Contributed capital, net	<u>263,179</u>	<u>271,570</u>
Retained earnings		
Reserved for		
Revenue bond contingency/renewal and replacement	10,000	10,000
Maintenance and operations	23,170	20,605
Capital improvements	78,695	48,416
Unreserved	<u>524,871</u>	<u>479,994</u>
Total retained earnings	<u>636,736</u>	<u>559,015</u>
Total fund equity	<u>899,915</u>	<u>830,585</u>
<b>Total liabilities and fund equity</b>	<u><u>\$ 2,529,993</u></u>	<u><u>\$ 1,793,923</u></u>

**CITY OF HOUSTON, TEXAS**  
**ENTERPRISE FUNDS**  
**Airport System**  
**Statements of Revenues, Expenses and Changes in Fund Equity**  
**For the Years Ended June 30, 2001 and 2000**  
*amounts expressed in thousands*

	<u>2001</u>	<u>2000</u>
<b>Operating revenues</b>		
Charges for services		
Landing area fees	\$ 48,298	\$ 40,930
Building and grounds area	74,168	72,988
Parking	51,285	46,662
Concession	47,043	46,137
Other	1,380	2,418
<b>Total operating revenues</b>	<u>222,174</u>	<u>209,135</u>
<b>Operating expenses</b>		
Maintenance and operating	122,594	113,442
Depreciation and amortization	52,410	46,390
<b>Total operating expenses</b>	<u>175,004</u>	<u>159,832</u>
Operating income	<u>47,170</u>	<u>49,303</u>
<b>Nonoperating revenues (expenses)</b>		
Investment income (loss)	66,846	25,027
Other revenues	828	188
Other expenses	(12,455)	-
Loss on disposal of assets	(178)	(62)
Interest on long-term debt	(52,754)	(44,292)
<b>Total nonoperating revenues (expenses)</b>	<u>2,287</u>	<u>(19,139)</u>
 <b>Net income before contributions and transfers</b>	 <u>49,457</u>	 <u>30,164</u>
Contributions	19,873	18,693
<b>Net income</b>	<u>69,330</u>	<u>48,857</u>
 Fund equity, July 1	 <u>830,585</u>	 <u>781,728</u>
 Fund equity, June 30	 <u><u>\$ 899,915</u></u>	 <u><u>\$ 830,585</u></u>

**CITY OF HOUSTON, TEXAS**  
**Airport System**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2001 and 2000**  
*amounts expressed in thousands*

	<u>2001</u>	<u>2000</u>
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 217,229	\$ 205,535
Payments to employees	(42,435)	(42,252)
Payments to suppliers	(52,540)	(41,102)
Internal activity-payments to other funds	(26,488)	(25,876)
Claims paid	(1,380)	(3,187)
Other revenues	828	188
<b>Net cash provided by operating activities</b>	<u>95,214</u>	<u>93,306</u>
<b>Cash flows from investing activities</b>		
Interest income on investments	51,312	30,921
Purchase of investments	(861,549)	(189,524)
Proceeds from sale of investments	437,402	324,378
<b>Net cash provided by (used for) investing activities</b>	<u>(372,835)</u>	<u>165,775</u>
<b>Cash flows from capital and related financing activities</b>		
Retirement of revenue bonds	(18,395)	(17,395)
Proceeds from issuance of revenue bonds	682,739	-
Retirement of commercial paper	(90,000)	-
Net proceeds from issuance of commercial paper	40,000	50,000
Interest expense on revenue bonds	(46,936)	(48,591)
Advances and deposits on construction	20	10
Contributed capital	16,889	18,625
Acquisition of property, plant and equipment	(305,714)	(259,863)
<b>Net cash provided by (used for) capital and related financing activities</b>	<u>278,603</u>	<u>(257,214)</u>
Net increase (decrease) in cash and cash equivalents	982	1,867
Cash and cash equivalents, July 1	<u>7,570</u>	<u>5,703</u>
<b>Cash and cash equivalents, June 30</b>	<u><u>\$ 8,552</u></u>	<u><u>\$ 7,570</u></u>
<b>Non cash transactions</b>		
Unrealized gain (loss) on investments	\$ 9,640	\$ (5,676)
Loss on disposal of assets	(178)	(62)
	<u><u>\$ 9,462</u></u>	<u><u>\$ (5,738)</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>		
Operating income	\$ 47,170	\$ 49,303
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	52,410	46,390
Other revenues	828	188
Changes in assets and liabilities		
Accounts receivable	(5,102)	(3,232)
Contracts receivable	97	51
Due from other funds	136	835
Inventory	(454)	(100)
Accounts payable	230	912
Accrued payroll liabilities	157	209
Due to other funds	(84)	919
Advances and deposits	119	(17)
Claims for workers' compensation	(202)	(2,313)
Compensated absences	(91)	161
<b>Net cash provided by operating activities</b>	<u><u>\$ 95,214</u></u>	<u><u>\$ 93,306</u></u>

**CITY OF HOUSTON, TEXAS**  
**ENTERPRISE FUNDS**  
**Convention and Entertainment Facilities Fund**  
**Balance Sheets**  
**June 30, 2001 and 2000**  
*amounts expressed in thousands*

	<u>2001</u>	<u>2000</u>
<b>Assets</b>		
Current assets		
Equity in pooled cash and investments	\$ 15,707	\$ 31,325
Receivables, net of allowances		
Accounts receivable	1,482	1,283
Hotel occupancy tax receivable	11,818	11,450
Due from component units	310,550	-
Due from other funds	1,002	2,071
Total current assets	<u>340,559</u>	<u>46,129</u>
Restricted assets		
Investments	519,668	45,192
Total restricted assets	<u>519,668</u>	<u>45,192</u>
Other Assets		
Garage Rights	13,144	-
Total other assets - garage rights	<u>13,144</u>	<u>-</u>
Property, plant & equipment		
Land	65,694	68,838
Buildings, improvements and equipment	272,588	236,668
Construction in progress	21,950	23,260
Total property, plant & equipment	<u>360,232</u>	<u>328,766</u>
Less accumulated depreciation and amortization	<u>(87,556)</u>	<u>(82,080)</u>
Property, plant and equipment, net	<u>272,676</u>	<u>246,686</u>
<b>Total assets</b>	<u>\$ 1,146,047</u>	<u>\$ 338,007</u>

**CITY OF HOUSTON, TEXAS**  
**ENTERPRISE FUNDS**  
**Convention and Entertainment Facilities Fund**  
**Balance Sheets**  
**June 30, 2001 and 2000**  
*amounts expressed in thousands*

	<u>2001</u>	<u>2000</u>
<b>Liabilities and fund equity</b>		
Liabilities		
Current liabilities		
Accounts payable	\$ 3,335	\$ 1,246
Accrued payroll liabilities	172	156
Retainages payable	235	287
Notes payable	-	435
Due to other funds	22,658	1,253
Due to other governments	1,584	5,608
Advances and deposits	407	598
Claims for workers' compensation	11	4
Compensated absences	613	546
Total current liabilities	<u>29,015</u>	<u>10,133</u>
Current liabilities payable from restricted assets		
Revenue bonds payable	-	4,880
Accrued interest payable	2,219	3,597
Advances and deposits	555	386
Due to Component Units	292,496	-
Amount Held for Component Units	10,741	-
Total current liabilities payable from restricted assets	<u>306,011</u>	<u>8,863</u>
Long-term liabilities		
Notes payable	-	6,685
Revenue bonds payable, net	621,863	109,901
Total long-term liabilities	<u>621,863</u>	<u>116,586</u>
Total liabilities	<u>956,889</u>	<u>135,582</u>
Fund equity		
Contributed capital, net	<u>82,066</u>	<u>82,066</u>
Retained earnings		
Reserved for		
Revenue bond contingency/renewal and replacement	11,034	2,500
Maintenance and operations	5,942	1,829
Other commitments	-	74
Unreserved	90,116	115,956
Total retained earnings	<u>107,092</u>	<u>120,359</u>
Total fund equity	<u>189,158</u>	<u>202,425</u>
<b>Total liabilities and fund equity</b>	<u><u>\$ 1,146,047</u></u>	<u><u>\$ 338,007</u></u>

**CITY OF HOUSTON, TEXAS**  
**ENTERPRISE FUNDS**  
**Convention and Entertainment Facilities Fund**  
**Statements of Revenues, Expenses and Changes in Fund Equity**  
**For the Years Ended June 30, 2001 and 2000**  
*amounts expressed in thousands*

	<u>2001</u>	<u>2000</u>
<b>Operating revenues</b>		
Charges for services		
Rentals	\$ 5,751	\$ 5,614
Parking and concessions	11,718	11,221
<b>Total operating revenues</b>	<u>17,469</u>	<u>16,835</u>
<b>Operating expenses</b>		
Maintenance and operating	20,331	19,886
Depreciation and amortization	6,356	6,684
<b>Total operating expenses</b>	<u>26,687</u>	<u>26,570</u>
Operating loss	<u>(9,218)</u>	<u>(9,735)</u>
<b>Nonoperating revenues (expenses)</b>		
Investment income (loss)	9,846	3,642
Hotel occupancy tax	46,123	42,550
Other revenues	181	133
Other expenses	(12,110)	(10,974)
Interest on long-term debt	(12,655)	(7,194)
<b>Total nonoperating revenues (expenses)</b>	<u>31,385</u>	<u>28,157</u>
Income before operating transfers	22,167	18,422
Operating transfers to component units	(8,588)	(7,500)
Operating transfers out	<u>(26,846)</u>	<u>-</u>
Net income (loss)	(13,267)	10,922
Fund equity, July 1	<u>202,425</u>	<u>191,503</u>
Fund equity, June 30	<u><u>\$ 189,158</u></u>	<u><u>\$ 202,425</u></u>

**CITY OF HOUSTON, TEXAS**  
**ENTERPRISE FUNDS**  
**Convention and Entertainment Facilities Fund**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2001 and 2000**  
*amounts expressed in thousands*

	<u>2001</u>	<u>2000</u>
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 17,252	\$ 16,594
Payments to employees	(4,372)	(4,351)
Payments to suppliers	(13,399)	(14,860)
Internal activity-payments to other funds	14,819	(1,714)
Claims paid	(79)	(533)
Due from other governments	(4,024)	4,025
Other revenues	181	133
Other expenses	(11,532)	(10,974)
<b>Net cash provided by (used for) operating activities</b>	<u>(1,154)</u>	<u>(11,680)</u>
<b>Cash flows from investing activities</b>		
Interest income on investments	7,959	4,571
Purchases of investments	(591,738)	(6,209)
Proceeds from sales of investments	119,149	4,524
<b>Net cash provided by (used for) investing activities</b>	<u>(464,630)</u>	<u>2,886</u>
<b>Cash flows from capital and related financing activities</b>		
Proceeds from revenue bond issuance	621,772	-
Retirement of revenue bonds	(115,570)	(4,555)
Retirement of notes payable	(7,120)	(433)
Net proceeds from issuance of commercial paper	26,000	-
Retirement of commercial paper	(26,000)	-
Interest expense on commercial paper	(578)	-
Interest expense on revenue bonds	(14,033)	(7,331)
Acquisition of garage rights	(10,000)	-
Acquisition of property, plant and equipment	(34,626)	(7,268)
<b>Net cash provided by (used for) capital and related financing activities</b>	<u>439,845</u>	<u>(19,587)</u>
<b>Cash flows from noncapital financing activities</b>		
Promotional contracts paid from hotel occupancy tax revenues to component units	(8,588)	(7,500)
Contributions to others	(26,846)	-
Hotel occupancy tax revenue	45,755	41,550
<b>Net cash provided by noncapital financing activities</b>	<u>10,321</u>	<u>34,050</u>
Net increase (decrease) in cash and cash equivalents	(15,618)	5,669
Cash and cash equivalents, July 1	31,325	25,656
<b>Cash and cash equivalents, June 30</b>	<u><u>\$ 15,707</u></u>	<u><u>\$ 31,325</u></u>
<b>Non cash transactions</b>		
Unrealized gain (loss) on investments	\$ 958	\$ (929)
Land exchanged for garage rights	3,144	-
	<u><u>\$ 4,102</u></u>	<u><u>\$ (929)</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>		
Operating loss	\$ (9,218)	\$ (9,735)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation and amortization	6,356	6,684
Other revenues	197	133
Other expenses	(11,532)	(10,974)
Changes in assets and liabilities		
Net due from component unit	(7,313)	-
Accounts receivable, net	(199)	(357)
Due from other funds	1,069	(2,069)
Accounts payable	2,089	(52)
Accrued payroll liabilities	16	(24)
Construction and retainages payable	(52)	(33)
Due to other funds	21,405	585
Due to other governments	(4,024)	4,025
Advances and deposits	(22)	111
Claims for workers' compensation	7	2
Compensated absences	67	24
<b>Net cash provided by (used for) operating activities</b>	<u><u>\$ (1,154)</u></u>	<u><u>\$ (11,680)</u></u>

**CITY OF HOUSTON, TEXAS**  
**ENTERPRISE FUNDS**  
**Water and Sewer System**  
**Balance Sheets**  
**June 30, 2001 and 2000**  
*amounts expressed in thousands*

	<u>2001</u>	<u>2000</u>
<b>Assets</b>		
Current assets		
Equity in pooled cash and investments	\$ 76,247	\$ 106,353
Receivables, net of allowances	59,906	55,382
Due from other funds	11,501	20,946
Due from other governments	12	12
Inventory	9,068	9,295
Total current assets	<u>156,734</u>	<u>191,988</u>
Restricted assets		
Investments	586,915	480,637
Assessments receivable	107	107
Amounts held by other governments	21,648	11,329
Total restricted assets	<u>608,670</u>	<u>492,073</u>
Other assets - water rights, net of depreciation		
Water rights, net of depreciation	217,065	227,231
Other long-term receivables	69	69
Total other assets	<u>217,134</u>	<u>227,300</u>
Property, plant & equipment		
Land	81,663	81,444
Buildings, improvements and equipment	190,607	135,851
Plants, lines and rights	5,592,510	5,434,291
Construction in progress	780,493	783,386
Total property, plant & equipment	<u>6,645,273</u>	<u>6,434,972</u>
Less accumulated depreciation and amortization	<u>(2,754,745)</u>	<u>(2,576,500)</u>
Property, plant and equipment, net	<u>3,890,528</u>	<u>3,858,472</u>
<b>Total assets</b>	<u><u>\$ 4,873,066</u></u>	<u><u>\$ 4,769,833</u></u>



**ENTERPRISE FUNDS**  
**Water and Sewer System**  
**Balance Sheets**  
**June 30, 2001 and 2000**  
*amounts expressed in thousands*

	<u>2001</u>	<u>2000</u>
<b>Liabilities and fund equity</b>		
Liabilities		
Current liabilities		
Accounts payable	\$ 8,618	\$ 6,710
Accrued payroll liabilities	2,277	2,963
Accrued interest on contracts payable	894	733
Contracts and retainages payables	14,375	13,431
Due to other funds	9,522	2,411
Advances and deposits	-	141
Claims for workers' compensation	4,786	4,167
Compensated absences	24,201	24,486
Total current liabilities	<u>64,673</u>	<u>55,042</u>
Current liabilities payable from restricted assets		
Revenue bonds payable	58,376	60,191
Accrued interest payable	16,106	16,264
Advances and deposits	21,015	22,358
Construction billings and retainages	28,275	31,455
Due to other funds	4,013	3,382
Due to other governments	5,011	5,276
Total current liabilities payable from restricted assets	<u>132,796</u>	<u>138,926</u>
Long-term liabilities		
Revenue bonds payable, net	3,121,836	2,879,532
Contracts payable	259,533	269,355
Commercial paper	300,000	292,700
Total long-term liabilities	<u>3,681,369</u>	<u>3,441,587</u>
<b>Total liabilities</b>	<u>3,878,838</u>	<u>3,635,555</u>
Fund Equity		
Contributed capital, net	<u>812,869</u>	<u>839,210</u>
Retained earnings		
Reserved for		
Revenue bond contingency/renewal and replacement	321,749	308,722
Maintenance and operations	23,116	21,376
Amounts held by others	6,534	6,534
Unreserved	<u>(170,040)</u>	<u>(41,564)</u>
Total retained earnings	<u>181,359</u>	<u>295,068</u>
Total fund equity	<u>994,228</u>	<u>1,134,278</u>
<b>Total liabilities and fund equity</b>	<u>\$ 4,873,066</u>	<u>\$ 4,769,833</u>

**CITY OF HOUSTON, TEXAS**  
**ENTERPRISE FUNDS**  
**Water and Sewer System**  
**Statements of Revenues, Expenses and Changes in Fund Equity**  
**For the Years Ended June 30, 2001 and 2000**  
*amounts expressed in thousands*

	<u>2001</u>	<u>2000</u>
<b>Operating revenues</b>		
Charges for services	\$ 547,292	\$ 564,038
<b>Total operating revenues</b>	<u>547,292</u>	<u>564,038</u>
<b>Operating expenses</b>		
Maintenance and operating	248,603	225,258
Depreciation and amortization	256,959	212,846
Bad debt expense	-	1,000
<b>Total operating expenses</b>	<u>505,562</u>	<u>439,104</u>
Operating income	<u>41,730</u>	<u>124,934</u>
<b>Nonoperating revenues (expenses)</b>		
Investment income	56,914	32,019
Other revenues	22,511	20,641
Loss on disposal of assets	(3,315)	(4,057)
Interest on long-term debt	(172,749)	(164,650)
<b>Total nonoperating revenues (expenses)</b>	<u>(96,639)</u>	<u>(116,047)</u>
Income before operating transfers & contributions	(54,909)	8,887
Contributions, net of retirements	17,594	492
Operating transfers out to other funds	(64,151)	(23,267)
Operating transfers out to debt service	<u>(38,584)</u>	<u>(34,044)</u>
Net loss	(140,050)	(47,932)
Fund equity, July 1	<u>1,134,278</u>	<u>1,182,210</u>
Fund equity, June 30	<u>\$ 994,228</u>	<u>\$ 1,134,278</u>

**CITY OF HOUSTON, TEXAS**  
**ENTERPRISE FUNDS**  
**Water and Sewer System**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2001 and 2000**  
*amounts expressed in thousands*

	<b>2001</b>	<b>2000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 541,293	\$ 564,979
Payments to employees	(99,105)	(97,100)
Payments to suppliers	(146,894)	(112,160)
Internal activity-payments to other funds	7,978	(27,964)
Claims paid	(2,502)	(1,853)
Other revenues	22,511	20,641
<b>Net cash provided by (used for) operating activities</b>	<b>323,281</b>	<b>346,543</b>
<b>Cash flows from investing activities</b>		
Interest income on investments	41,713	39,246
Purchase of investments	(683,033)	(7,081)
Proceeds from sale of investments	591,956	113,801
<b>Net cash provided by (used for) investing activities</b>	<b>(49,364)</b>	<b>145,966</b>
<b>Cash flows from capital and related financing activities</b>		
Retirement of revenue bonds	(60,191)	(224,704)
Proceeds from issuance of revenue bonds, net of discount	263,476	217,240
Net proceeds from issuance of commercial paper	285,000	270,000
Retirement of commercial paper	(277,700)	(213,980)
Interest expense on		
Revenue bonds	(143,252)	(135,734)
Commercial Paper	(9,024)	(11,381)
Contracts payable	(20,470)	(15,770)
Retirement of contractual obligations	(13,996)	(17,615)
Contributed capital	17,261	492
Acquisition of property, plant and equipment	(242,392)	(286,580)
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>(201,288)</b>	<b>(418,032)</b>
<b>Cash flows from noncapital financing activities</b>		
Operating transfers to debt service fund	(38,584)	(34,044)
Operating transfers to other funds	(64,151)	(23,267)
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>(102,735)</b>	<b>(57,311)</b>
Net increase (decrease) in cash and cash equivalents	(30,106)	17,166
Cash and cash equivalents, July 1	106,353	89,187
<b>Unrestricted cash and cash equivalents, June 30</b>	<b>\$ 76,247</b>	<b>\$ 106,353</b>
<b>Non cash transactions</b>		
Unrealized gain (loss) on investments	\$ 15,201	\$ (7,227)
Loss on disposal of assets	(3,315)	(4,047)
	<b>\$ 11,886</b>	<b>\$ (11,274)</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>		
Operating income	\$ 41,730	\$ 124,934
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	256,959	212,846
Other revenues	22,580	20,641
Changes in assets and liabilities		
Accounts receivable, net	(4,524)	947
Due from other funds	9,445	(20,344)
Amounts held by other governments	(10,319)	-
Inventory	227	3,761
Accounts payable	1,908	(436)
Accrued payroll liabilities	(686)	489
Due to other funds	7,111	1,599
Advances and deposits	(1,484)	981
Claims for workers' compensation	619	291
Compensated absences	(285)	834
<b>Net cash provided by operating activities</b>	<b>\$ 323,281</b>	<b>\$ 346,543</b>

**CITY OF HOUSTON, TEXAS**  
**ENTERPRISE FUNDS**  
**Sports Arena**  
**Balance Sheets**  
**June 30, 2001 and 2000**  
*amounts expressed in thousands*

	<u>2001</u>	<u>2000</u>
<b>Assets</b>		
Current assets		
Receivables, net of allowances		
Accounts receivable	\$ 441	\$ 567
Total current assets	<u>441</u>	<u>567</u>
Restricted assets		
Investments	8,370	9,488
Accrued interest receivable	<u>5</u>	<u>17</u>
Total restricted assets	<u>8,375</u>	<u>9,505</u>
Property, plant & equipment		
Land	<u>2,451</u>	<u>2,451</u>
Total property, plant & equipment	<u>2,451</u>	<u>2,451</u>
<b>Total assets</b>	<u><u>\$ 11,267</u></u>	<u><u>\$ 12,523</u></u>
 <b>Liabilities and fund equity</b>		
Liabilities		
Current liabilities payable from restricted assets		
Advances and deposits	\$ 7,796	\$ 9,144
Total current liabilities payable from restricted assets	<u>7,796</u>	<u>9,144</u>
Long-term liabilities		
Accrued maintenance, repair and replacement cost	<u>553</u>	<u>470</u>
Total long-term liabilities	<u>553</u>	<u>470</u>
Total liabilities	<u>8,349</u>	<u>9,614</u>
Fund equity		
Contributed capital, net	<u>2,451</u>	<u>2,451</u>
Retained earnings		
Reserved for		
Maintenance and operations	9	9
Unreserved	<u>458</u>	<u>449</u>
Total retained earnings	<u>467</u>	<u>458</u>
Total fund equity	<u>2,918</u>	<u>2,909</u>
<b>Total liabilities and fund equity</b>	<u><u>\$ 11,267</u></u>	<u><u>\$ 12,523</u></u>

**CITY OF HOUSTON, TEXAS**  
**ENTERPRISE FUNDS**  
**Sports Arena**  
**Statements of Revenues, Expenses and Changes in Fund Equity**  
**For the Years Ended June 30, 2001 and 2000**  
*amounts expressed in thousands*

	<u>2001</u>	<u>2000</u>
<b>Nonoperating revenues (expenses)</b>		
Other revenues	\$ 9	\$ 7
<b>Total nonoperating revenues (expenses)</b>	<u>9</u>	<u>7</u>
Net income	9	7
Fund equity, July 1	<u>2,909</u>	<u>2,902</u>
Fund equity, June 30	<u><u>\$ 2,918</u></u>	<u><u>\$ 2,909</u></u>

**CITY OF HOUSTON, TEXAS**  
**ENTERPRISE FUNDS**  
**Sports Arena**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2001 and 2000**  
*amounts expressed in thousands*

	<u>2001</u>	<u>2000</u>
<b>Net cash provided by operating activities</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Cash flows from investing activities</b>		
Interest income on investments	21	7
Purchase of investments	(30,536)	(27,620)
Proceeds from sale of investments	31,653	26,052
<b>Net cash provided by (used for) investing activities</b>	<u>1,138</u>	<u>(1,561)</u>
<b>Cash flows from capital and related financing activities</b>		
Advances and deposits on construction	(1,221)	1,472
Accrued maintenance repair and replacement cost	83	89
<b>Net cash provided by (used for) capital and related financing activities</b>	<u>(1,138)</u>	<u>1,561</u>
Net increase (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents, July 1	-	-
<b>Unrestricted cash and cash equivalents, June 30</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>		
Operating income (loss)	\$ -	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Changes in accounts receivable, net	-	-
<b>Net cash provided by (used for) operating activities</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



# Art in the Parks

Innovative modern sculpture is among the artistic treasures found in outdoor spaces throughout the City of Houston. A thriving arts community with internationally-recognized companies emphasizes all aspects of the performing and visual arts. Houstonians of all ages enjoy art in venues throughout the City.

CITY OF HOUSTON, TEXAS





## **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 Balance Sheet**  
**June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>Health Benefits</b>	<b>Long-term Disability</b>	<b>Totals</b>	
			<b>2001</b>	<b>2000</b>
<b>Assets</b>				
Current assets				
Equity in pooled cash and investments	\$ 2,980	\$ 4,288	\$ 7,268	\$ 14,298
Accounts receivable, net of allowances	1	-	1	-
Due from other funds	663	-	663	15
Total current assets	<u>3,644</u>	<u>4,288</u>	<u>7,932</u>	<u>14,313</u>
<b>Total assets</b>	<u><u>\$ 3,644</u></u>	<u><u>\$ 4,288</u></u>	<u><u>\$ 7,932</u></u>	<u><u>\$ 14,313</u></u>
<b>Liabilities and fund equity</b>				
Liabilities				
Current liabilities				
Accounts payable	\$ 54	\$ -	\$ 54	\$ 99
Accrued payroll liabilities	66	-	66	49
Due to other funds	68	-	68	7,059
Claims payable	1,847	3,147	4,994	5,015
Compensated absences	84	-	84	78
Total current liabilities	<u>2,119</u>	<u>3,147</u>	<u>5,266</u>	<u>12,300</u>
Long-term liabilities				
Claims payable	<u>-</u>	<u>993</u>	<u>993</u>	<u>1,261</u>
Total liabilities	<u>2,119</u>	<u>4,140</u>	<u>6,259</u>	<u>13,561</u>
Fund equity				
Retained earnings - unreserved	<u>1,525</u>	<u>148</u>	<u>1,673</u>	<u>752</u>
Total fund equity	<u>1,525</u>	<u>148</u>	<u>1,673</u>	<u>752</u>
<b>Total liabilities and fund equity</b>	<u><u>\$ 3,644</u></u>	<u><u>\$ 4,288</u></u>	<u><u>\$ 7,932</u></u>	<u><u>\$ 14,313</u></u>

**CITY OF HOUSTON, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**Combining Statement of Revenues, Expenses and Changes in Fund Equity**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>Health Benefits</b>	<b>Long-term Disability</b>	<b>Totals</b>	
			<b>2001</b>	<b>2000</b>
<b>Operating revenues</b>				
Charges (refunds) for services	\$ 114,921	\$ (20)	\$ 114,901	\$ 107,030
<b>Total operating revenues</b>	<u>114,921</u>	<u>(20)</u>	<u>114,901</u>	<u>107,030</u>
<b>Operating expenses</b>				
Administrative costs	2,548	-	2,548	2,308
Claims costs	<u>112,373</u>	<u>202</u>	<u>112,575</u>	<u>105,626</u>
<b>Total operating expenses</b>	<u>114,921</u>	<u>202</u>	<u>115,123</u>	<u>107,934</u>
Operating loss	<u>-</u>	<u>(222)</u>	<u>(222)</u>	<u>(904)</u>
<b>Nonoperating revenues</b>				
Investment income	730	413	1,143	618
Other revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>27</u>
<b>Total nonoperating revenues</b>	<u>730</u>	<u>413</u>	<u>1,143</u>	<u>645</u>
Net income (loss)	730	191	921	(259)
Fund equity, July 1	<u>795</u>	<u>(43)</u>	<u>752</u>	<u>1,011</u>
<b>Fund equity, June 30</b>	<u>\$ 1,525</u>	<u>\$ 148</u>	<u>\$ 1,673</u>	<u>\$ 752</u>

**CITY OF HOUSTON, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>Health Benefits</b>	<b>Long-term Disability</b>	<b>Totals</b>	
			<b>2001</b>	<b>2000</b>
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 114,920	\$ (20)	\$ 114,900	\$ 107,030
Payments to employees	(1,697)	-	(1,697)	(1,704)
Payments to suppliers	(841)	-	(841)	(538)
Internal activity-payments to other funds	(7,654)	-	(7,654)	(453)
Claims paid	(112,227)	(654)	(112,881)	(105,880)
<b>Net cash provided by (used for) operating activities</b>	<b>(7,499)</b>	<b>(674)</b>	<b>(8,173)</b>	<b>(1,545)</b>
<b>Cash flows from investing activities</b>				
Interest income	730	413	1,143	618
<b>Net cash provided by investing activities</b>	<b>730</b>	<b>413</b>	<b>1,143</b>	<b>618</b>
<b>Cash flows from noncapital financing activities</b>				
Other nonoperating income	-	-	-	27
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27</b>
Net increase (decrease) in cash and cash equivalents	(6,769)	(261)	(7,030)	(900)
Cash and cash equivalents, July 1	9,749	4,549	14,298	15,198
<b>Cash and cash equivalents, June 30</b>	<b>\$ 2,980</b>	<b>\$ 4,288</b>	<b>\$ 7,268</b>	<b>\$ 14,298</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>				
Operating loss	\$ -	\$ (222)	\$ (222)	\$ (904)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities				
Changes in assets and liabilities				
Accounts receivable, net	(1)	-	(1)	2
Due from other funds	(648)	-	(648)	(15)
Accounts payable	(28)	(17)	(45)	(14)
Accrued payroll liabilities	17	-	17	23
Due to other funds	(6,991)	-	(6,991)	(416)
Acquisition of equipment	-	-	-	-
Claims and judgments	146	(435)	(289)	(221)
Compensated absences	6	-	6	-
<b>Net cash provided by operating activities</b>	<b>\$ (7,499)</b>	<b>\$ (674)</b>	<b>\$ (8,173)</b>	<b>\$ (1,545)</b>



# A Day by the Lake

The new John P. McGovern Lake provides a tranquil setting. Boating and other water activities are available at the lake for children and families in Hermann Park. Behind it is the world-renowned Texas Medical Center.

CITY OF HOUSTON, TEXAS



## **Fiduciary Funds** **(Trust and Agency Funds)**

Trust and Agency Funds are used to account for assets held by a government unit as trustee, or agent, for individuals, private organizations, other governmental units, and/or other funds.

**Expendable trust funds** are used to account for the operations of various trust agreements between the City and individuals, and/or private organizations. Funds include: AAA Contingency, Child Safety, HJTPC Self-Insurance, Helmets for Bicycle Safety, Homeless Families Program, Housing Replacement Insurance, Houston Foundation, John Battaglia Trust, Inc., MacGregor Parks Endowment, March of Dimes, MNC Memorial City Way, Special City Deposit, and W.A.T.E.R.

**Pension trust funds** are used to account for the operation of the employee pension retirement programs. The funds include: Houston Firefighters' Relief and Retirement, Houston Municipal Employees, and Police Officers funds.

**Agency funds** are custodial in nature, and assets equal liabilities with no measure of the results of operations or financial position. Agency funds include: Payroll Revolving, City Deposits, and Tax Clearing Funds.

**CITY OF HOUSTON, TEXAS**  
**FIDUCIARY FUNDS**  
**Combining Balance Sheet**  
**June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>Expendable Trust</b>	<b>Pension Trust</b>
<b>Assets</b>		
Cash	\$ -	\$ 6,679
Equity in pooled cash and investments	8,903	-
Investments	-	5,266,260
Invested securities lending collateral	-	486,073
Receivables, net of allowances		
Accounts receivable and amounts due from brokers	-	40,536
Contributions	-	2,431
Accrued interest and other	-	31,867
Due from other governments	630	-
Other assets	-	34,475
Land	-	541
Building	-	8,983
<b>Total assets</b>	<b>\$ 9,533</b>	<b>\$ 5,877,845</b>
<b>Liabilities and fund equity</b>		
Liabilities		
Accounts payable	\$ 262	\$ 76,406
Contracts and retainages payable	-	-
Due to other funds	-	-
Advances and deposits	-	-
Securities lending collateral	-	486,073
Other liabilities - current	3,234	38,583
<b>Total liabilities</b>	<b>3,496</b>	<b>601,062</b>
Fund equity		
Plan net assets held in trust for pension benefits	-	5,276,783
Unreserved		
Designated fund balance	6,037	-
<b>Total fund equity</b>	<b>6,037</b>	<b>5,276,783</b>
<b>Total liabilities and fund equity</b>	<b>\$ 9,533</b>	<b>\$ 5,877,845</b>



Agency Funds	Totals	
	2001	2000
\$ -	\$ 6,679	\$ 21,617
11,098	20,001	24,271
-	5,266,260	5,504,876
-	486,073	376,029
47	40,583	119,625
-	2,431	2,772
-	31,867	57,621
-	630	-
-	34,475	46,183
-	541	4,350
-	8,983	-
<u>\$ 11,145</u>	<u>\$ 5,898,523</u>	<u>\$ 6,157,344</u>

\$ 11,002	\$ 87,670	\$ 210,727
-	-	77,909
13	13	13
130	130	141
-	486,073	376,029
-	41,817	3,163
<u>11,145</u>	<u>615,703</u>	<u>667,982</u>

-	5,276,783	5,484,940
-	6,037	4,422
-	5,282,820	5,489,362
<u>\$ 11,145</u>	<u>\$ 5,898,523</u>	<u>\$ 6,157,344</u>

**CITY OF HOUSTON, TEXAS**  
**EXPENDABLE TRUST FUNDS**  
**Combining Balance Sheet**  
**June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	AAA Contingency Fund	Child Safety Fund	HJTPC Self-Insurance Fund
<b>Assets</b>			
Equity in pooled cash and investments	\$ 5	\$ 831	\$ 11
Due from other governments	-	-	-
<b>Total assets</b>	<u>\$ 5</u>	<u>\$ 831</u>	<u>\$ 11</u>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 259	\$ -
Other liabilities	-	18	-
Total liabilities	<u>-</u>	<u>277</u>	<u>-</u>
<b>Fund balances</b>			
Unreserved, designated	5	554	11
Total fund balances	<u>5</u>	<u>554</u>	<u>11</u>
<b>Total liabilities and fund balances</b>	<u>\$ 5</u>	<u>\$ 831</u>	<u>\$ 11</u>

<b>Helmets for Bicycle Safety Fund</b>	<b>Homeless Families Program Fund</b>	<b>Housing Replacement Insurance Fund</b>	<b>Houston Foundation</b>	<b>John Battaglia Trust, Inc. Fund</b>
\$ 21	\$ 8	\$ 445	\$ 3,382	\$ 425
-	-	-	-	-
\$ 21	\$ 8	\$ 445	\$ 3,382	\$ 425
\$ 3	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
3	-	-	-	-
18	8	445	3,382	425
18	8	445	3,382	425
\$ 21	\$ 8	\$ 445	\$ 3,382	\$ 425

(Continued)

**CITY OF HOUSTON, TEXAS**  
**EXPENDABLE TRUST FUNDS**  
**Combining Balance Sheet - Continued**  
**June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>MacGregor Parks Endowment Fund</b>	<b>March of Dimes Fund</b>	<b>MNC Memorial City Way Fund</b>
<b>Assets</b>			
Equity in pooled cash and investments	\$ 99	\$ 9	\$ 86
Due from other governments	-	-	-
<b>Total assets</b>	<u>\$ 99</u>	<u>\$ 9</u>	<u>\$ 86</u>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
Other liabilities	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>			
Unreserved, designated	99	9	86
Total fund balances	<u>99</u>	<u>9</u>	<u>86</u>
<b>Total liabilities and fund balances</b>	<u>\$ 99</u>	<u>\$ 9</u>	<u>\$ 86</u>

Special City Deposit Fund	W.A.T.E.R. Fund	Totals	
		2001	2000
\$ 3,540	\$ 41	\$ 8,903	\$ 8,861
630	-	630	-
\$ 4,170	\$ 41	\$ 9,533	\$ 8,861
\$ -	\$ -	\$ 262	\$ 1,977
3,199	17	3,234	2,462
3,199	17	3,496	4,439
971	24	6,037	4,422
971	24	6,037	4,422
\$ 4,170	\$ 41	\$ 9,533	\$ 8,861

**CITY OF HOUSTON, TEXAS**  
**EXPENDABLE TRUST FUNDS**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	AAA Contingency Fund	Child Safety Fund	HJTPC Self-Insurance Fund
<b>Revenues</b>			
Contributions	\$ -	\$ 2,092	\$ -
Investment income (loss)	1	94	-
Other	-	1,044	-
<b>Total revenues</b>	<u>1</u>	<u>3,230</u>	<u>-</u>
<b>Expenditures</b>			
General government	-	2,678	-
<b>Total expenditures</b>	<u>-</u>	<u>2,678</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	1	552	-
Fund balances, July 1	4	2	11
<b>Fund balances, June 30</b>	<u>\$ 5</u>	<u>\$ 554</u>	<u>\$ 11</u>

<b>Helmets for Bicycle Safety Fund</b>	<b>Homeless Families Program Fund</b>	<b>Housing Replacement Insurance Fund</b>	<b>Houston Foundation</b>	<b>John Battaglia Trust, Inc. Fund</b>
\$ -	\$ -	\$ -	\$ -	\$ -
1	-	-	720	23
-	-	31	-	99
1	-	31	720	122
-	-	-	-	39
-	-	-	-	39
1	-	31	720	83
17	8	414	2,662	342
\$ 18	\$ 8	\$ 445	\$ 3,382	\$ 425

(Continued)

CITY OF HOUSTON, TEXAS  
EXPENDABLE TRUST FUNDS  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Continued  
For the Year Ended June 30, 2001  
(With comparative totals for 2000)  
*amounts expressed in thousands*

	MacGregor Parks Endowment Fund	March of Dimes Fund	MNC Memorial City Way Fund
<b>Revenues</b>			
Contributions	\$ -	\$ -	\$ -
Investment income	6	-	6
Other	-	-	-
<b>Total revenues</b>	<u>6</u>	<u>-</u>	<u>6</u>
<b>Expenditures</b>			
General government	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	6	-	6
Fund balances, July 1	<u>93</u>	<u>9</u>	<u>80</u>
<b>Fund balances, June 30</b>	<u><u>\$ 99</u></u>	<u><u>\$ 9</u></u>	<u><u>\$ 86</u></u>



Special City Deposit Fund	W.A.T.E.R. Fund	Totals	
		2001	2000
\$ -	\$ -	\$ 2,092	\$ 2,330
194	7	1,052	426
818	-	1,992	1,651
1,012	7	5,136	4,407
804	-	3,521	5,024
804	-	3,521	5,024
208	7	1,615	(617)
763	17	4,422	5,039
\$ 971	\$ 24	\$ 6,037	\$ 4,422

**CITY OF HOUSTON, TEXAS**  
**PENSION TRUST FUNDS**  
**Combining Statement of Plan Net Assets**  
**June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>Firemen's Relief and Retirement Pension Trust Fund</b>	<b>Municipal Employee's Pension Trust Fund</b>
<b>Assets</b>		
Cash	\$ -	\$ 6,641
Investments	1,704,248	1,425,135
Invested securities lending collateral	108,866	124,590
Receivables, net of allowances		
Due from broker	7,887	25,901
Contributions	-	1,769
Accrued interest and dividends	12,274	5,463
Other	3,962	428
Other assets	699	33,776
Land	541	-
Building	8,983	-
<b>Total assets</b>	<u>1,847,460</u>	<u>1,623,703</u>
<b>Liabilities and plan net assets</b>		
<b>Liabilities</b>		
Accounts payable	8,147	58,155
Securities lending collateral	108,866	124,590
Foreign funds contracts payable	3,945	33,371
Other liabilities	14	71
<b>Total liabilities</b>	<u>120,972</u>	<u>216,187</u>
<b>Plan net assets held in trust for pension benefits</b>	<u>\$ 1,726,488</u>	<u>\$ 1,407,516</u>

Police Officer's Pension Trust Fund	Totals	
	2001	2000
\$ 38	\$ 6,679	\$ 21,617
2,136,877	5,266,260	5,504,876
252,617	486,073	376,029
6,748	40,536	119,579
662	2,431	2,772
9,374	27,111	25,735
366	4,756	31,886
-	34,475	46,183
-	541	4,350
-	8,983	-
2,406,682	5,877,845	6,133,027
10,104	76,406	193,448
252,617	486,073	376,029
-	37,316	77,909
1,182	1,267	701
263,903	601,062	648,087
\$ 2,142,779	\$ 5,276,783	\$ 5,484,940

**CITY OF HOUSTON, TEXAS**  
**PENSION TRUST FUNDS**  
**Combining Statement Of Changes In Plan Net Assets**  
**For the Year Ended June 30, 2001**  
**(With comparative totals for 2000)**  
*amounts expressed in thousands*

	<b>Firefighters' Relief and Retirement Pension Trust Fund</b>	<b>Municipal Employee's Pension Trust Fund</b>
<b>Additions:</b>		
Contributions		
City of Houston	\$ 24,033	\$ 41,298
Members	12,019	8,532
Total contributions	<u>36,052</u>	<u>49,830</u>
Investment income (loss)		
Interest	40,333	20,198
Net appreciation (depreciation) in fair value of investments	(79,977)	(97,938)
Dividends	13,322	11,045
Income on securities lending	6,055	6,427
Earnings from real estate, limited partnerships, real estate investments, and other investments	7,759	7,471
Other income	<u>-</u>	<u>643</u>
Total investment and other income	(12,508)	(52,154)
Less - investment expense	(6,130)	(6,548)
Less - cost of securities lending	<u>(5,591)</u>	<u>(5,802)</u>
<b>Total additions (deductions)</b>	<u>11,823</u>	<u>(14,674)</u>
<b>Deductions:</b>		
Benefits paid to members	47,875	58,296
Refunds to members	299	308
Other	<u>4,103</u>	<u>3,015</u>
<b>Total deductions</b>	<u>52,277</u>	<u>61,619</u>
<b>Net increase (decrease)</b>	(40,454)	(76,293)
<b>Plan net assets held in trust for pension benefits, beginning of year</b>	<u>1,766,942</u>	<u>1,483,809</u>
<b>Plan net assets held in trust for pension benefits end of year</b>	<u><u>\$ 1,726,488</u></u>	<u><u>\$ 1,407,516</u></u>

Police Officer's Pension Trust Fund	Totals	
	2001	2000
\$ 30,645	\$ 95,976	\$ 93,596
22,043	42,594	41,419
52,688	138,570	135,015
41,312	101,843	85,035
(130,063)	(307,978)	610,066
14,293	38,660	41,009
1,283	13,765	11,293
1,107	16,337	5,582
326	969	567
(71,742)	(136,404)	753,552
(7,839)	(20,517)	(20,576)
(451)	(11,844)	(9,762)
(27,344)	(30,195)	858,229
60,328	166,499	141,065
884	1,491	2,068
2,854	9,972	7,790
64,066	177,962	150,923
(91,410)	(208,157)	707,306
2,234,189	5,484,940	4,777,634
<u>\$ 2,142,779</u>	<u>\$ 5,276,783</u>	<u>\$ 5,484,940</u>

**CITY OF HOUSTON, TEXAS**  
**AGENCY FUNDS**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the Year Ended June 30, 2001**  
*amounts expressed in thousands*

	<u>June 30, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2001</u>
<b>Payroll Revolving Fund</b>				
Assets				
Equity in pooled cash and investments	\$ 9,596	\$ 3,023,348	\$ 3,029,001	\$ 3,943
Accounts receivable	46	2	1	47
Total assets	<u>\$ 9,642</u>	<u>\$ 3,023,350</u>	<u>\$ 3,029,002</u>	<u>\$ 3,990</u>
Liabilities				
Accounts payable	\$ 9,629	\$ 1,584,166	\$ 1,589,818	\$ 3,977
Due to other funds	13	-	-	13
Total liabilities	<u>\$ 9,642</u>	<u>\$ 1,584,166</u>	<u>\$ 1,589,818</u>	<u>\$ 3,990</u>
<b>City Deposits Fund</b>				
Assets				
Equity in pooled cash and investments	\$ 141	\$ 59	\$ 70	\$ 130
Total assets	<u>\$ 141</u>	<u>\$ 59</u>	<u>\$ 70</u>	<u>\$ 130</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Advances and deposits	141	31	42	130
Total liabilities	<u>\$ 141</u>	<u>\$ 31</u>	<u>\$ 42</u>	<u>\$ 130</u>
<b>Tax Clearing Fund</b>				
Assets				
Equity in pooled cash and investments	\$ 5,673	\$ 43,837	\$ 42,485	\$ 7,025
Total assets	<u>\$ 5,673</u>	<u>\$ 43,837</u>	<u>\$ 42,485</u>	<u>\$ 7,025</u>
Liabilities				
Accounts payable	\$ 5,673	\$ 11,780	\$ 10,428	\$ 7,025
Total liabilities	<u>\$ 5,673</u>	<u>\$ 11,780</u>	<u>\$ 10,428</u>	<u>\$ 7,025</u>

(Continued)

**CITY OF HOUSTON, TEXAS**  
**AGENCY FUNDS**  
**Combining Statement of Changes in Assets and Liabilities - Continued**  
**For the Year Ended June 30, 2001**  
*amounts expressed in thousands*

	<u>June 30, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2001</u>
<b>Totals - All Agency Funds</b>				
Assets				
Equity in pooled cash and investments	\$ 15,410	\$ 3,067,244	\$ 3,071,556	\$ 11,098
Accounts receivable	46	2	1	47
Total assets	<u>\$ 15,456</u>	<u>\$ 3,067,246</u>	<u>\$ 3,071,557</u>	<u>\$ 11,145</u>
Liabilities				
Accounts payable	\$ 15,302	\$ 1,595,946	\$ 1,600,246	\$ 11,002
Due to other funds	13	-	-	13
Advances and deposits	141	31	42	130
Total liabilities	<u>\$ 15,456</u>	<u>\$ 1,595,977</u>	<u>\$ 1,600,288</u>	<u>\$ 11,145</u>

CITY OF HOUSTON, TEXAS







# Welcome to the Jungle

Houston's 80-year-old Zoo, located next to the Texas Medical Center, is a treasured community resource poised to become a premier urban zoological institution. The generosity of individuals and charitable foundations enables the Zoo to participate in conservation efforts with zoos worldwide.

CITY OF HOUSTON, TEXAS



## **General Fixed Assets Account Group**

The General Fixed Assets Account Group is used to establish accounting control of the assets for the City which are not accounted for in Proprietary Funds. The general fixed assets are not available for expenditure. Therefore, they are not accounted for in the governmental funds.

**CITY OF HOUSTON, TEXAS**  
**GENERAL FIXED ASSETS ACCOUNT GROUP**  
**Schedule of General Fixed Assets by Source**  
**June 30, 2001**  
*amounts expressed in thousands*

	<u>Land</u>	<u>Buildings</u>	<u>Other Improvements and Equipment</u>	<u>Construction In Progress</u>	<u>Total</u>
<b>General fund</b>	\$ 289,067	\$ 202,756	\$ 469,015	\$ 3,895	\$ 964,733
<b>Grants</b>	11,843	8,850	21,421	28,455	70,569
<b>Special revenue funds</b>	10,987	4,176	10,589	4,767	30,519
<b>Trust &amp; agency</b>	-	-	41	-	41
<b>Capital projects funds</b>	6,604	67,081	26,360	470,228	570,273
<b>Transfers from enterprise &amp; is funds</b>	<u>8,548</u>	<u>-</u>	<u>2,801</u>	<u>-</u>	<u>11,349</u>
<b>Total general fixed assets</b>	<u>\$ 327,049</u>	<u>\$ 282,863</u>	<u>\$ 530,227</u>	<u>\$ 507,345</u>	<u>\$ 1,647,484</u>

**CITY OF HOUSTON**  
**GENERAL FIXED ASSETS ACCOUNT GROUP**  
**Schedule of General Fixed Assets by Function and Activity**  
**June 30, 2001**  
*amounts expressed in thousands*

	<b>Land</b>	<b>Buildings</b>	<b>Other Improvements &amp; Equipment</b>	<b>Total</b>
<b>General government</b>				
Mayor and council	\$ -	\$ -	\$ 135	\$ 135
Municipal courts	-	9,867	722	10,589
Planning and development	3,501	4,170	5,455	13,126
Controllers	-	-	523	523
Finance and administration	49	826	9,200	10,075
Legal	-	-	551	551
City secretary	-	-	34	34
Human Resources	-	-	304	304
Building Services	-	-	2,102	2,102
Affirmative action	-	-	62	62
Housing and community development	227	1,612	1,990	3,829
<b>Total general government</b>	<b>3,777</b>	<b>16,475</b>	<b>21,078</b>	<b>41,330</b>
<b>Public safety</b>				
Fire	18,484	49,908	79,803	148,195
Police	19,411	74,824	97,183	191,418
<b>Total public safety</b>	<b>37,895</b>	<b>124,732</b>	<b>176,986</b>	<b>339,613</b>
<b>Health</b>	<b>8,414</b>	<b>45,669</b>	<b>13,423</b>	<b>67,506</b>
<b>Public works and sanitation</b>				
Public works	153,689	13,542	77,149	244,380
Solid waste	4,654	8,508	36,495	49,657
<b>Total public works and sanitation</b>	<b>158,343</b>	<b>22,050</b>	<b>113,644</b>	<b>294,037</b>
<b>Parks and recreation</b>	<b>111,708</b>	<b>37,636</b>	<b>130,124</b>	<b>279,468</b>
<b>Library</b>	<b>6,912</b>	<b>36,301</b>	<b>74,972</b>	<b>118,185</b>
<b>Sub total general fixed assets</b>	<b>\$ 327,049</b>	<b>\$ 282,863</b>	<b>\$ 530,227</b>	<b>1,140,139</b>
<b>Construction in progress</b>				<b>507,345</b>
<b>Total general fixed assets</b>				<b>\$ 1,647,484</b>



**CITY OF HOUSTON, TEXAS**  
**GENERAL FIXED ASSETS ACCOUNT GROUP**  
**Schedule of Changes in General Fixed Assets**  
**By Function and Activity**  
**For the Year Ended June 30, 2001**  
*amounts expressed in thousands*

	<u>Balance July 1, 2000</u>	<u>Current Year Additions</u>	<u>Current Year Retirements</u>
<b>General Government</b>			
Mayor and council	\$ 293	\$ 71	\$ (229)
Municipal courts	8,278	2,363	(52)
Planning and development	7,233	6,365	(472)
Controllers	533	-	(10)
Finance and administration	14,721	1,425	(6,071)
Legal	544	17	(10)
City secretary	91	-	(57)
Human Resources	293	11	-
Building Services	1,981	671	(4,904)
Affirmative action	60	10	(8)
Housing and community development	3,311	601	(83)
<b>Total general government</b>	<u>37,338</u>	<u>11,534</u>	<u>(11,896)</u>
<b>Public Safety</b>			
Fire	146,136	9,120	(7,061)
Police	185,895	16,719	(14,753)
<b>Total public safety</b>	<u>332,031</u>	<u>25,839</u>	<u>(21,814)</u>
<b>Health</b>	67,031	1,157	(682)
<b>Public works and sanitation</b>			
Public works	236,959	9,542	(2,121)
Solid waste	45,697	4,449	(489)
<b>Total public works</b>	<u>282,656</u>	<u>13,991</u>	<u>(2,610)</u>
<b>Parks and recreation</b>	271,647	12,957	(10,508)
<b>Library</b>	<u>110,561</u>	<u>7,777</u>	<u>(7,318)</u>
<b>General fixed assets:</b>			
Allocated to functions	<u>1,101,264</u>	<u>73,255</u>	<u>(54,828)</u>
<b>General fixed assets</b>	<u>1,101,264</u>	<u>73,255</u>	<u>(54,828)</u>
<b>Construction in progress</b>	<u>373,930</u>	<u>153,863</u>	<u>-</u>
<b>Total general fixed assets</b>	<u><u>\$ 1,475,194</u></u>	<u><u>\$ 227,118</u></u>	<u><u>\$ (54,828)</u></u>

<b>Transfers To (From) Functions</b>	<b>Balance June 30, 2001</b>
\$ -	\$ 135
-	10,589
-	13,126
-	523
-	10,075
-	551
-	34
-	304
4,354	2,102
-	62
-	3,829
<u>4,354</u>	<u>41,330</u>
-	148,195
<u>3,557</u>	<u>191,418</u>
<u>3,557</u>	<u>339,613</u>
-	67,506
-	244,380
-	<u>49,657</u>
-	<u>294,037</u>
5,372	279,468
<u>7,165</u>	<u>118,185</u>
<u>20,448</u>	<u>1,140,139</u>
<u>20,448</u>	<u>1,140,139</u>
<u>(20,448)</u>	<u>507,345</u>
<u>\$ -</u>	<u>\$ 1,647,484</u>

CITY OF HOUSTON, TEXAS







# We're Child Friendly

Houston's parks offer many opportunities for children to enlarge their world. Girls participating in activities at a park community center learn much about each other and the world around them, including the importance of protecting wildlife and the environment.

## **General Long-Term Debt Account Group**

The General Long-Term Debt Account Group is used to establish accounting control for long-term debt legally payable from general revenues secured by a pledge of ad valorem property tax receipts, and for the unfunded liabilities for compensated absences. Unmatured principal on long-term debt does not require a current appropriation. Therefore, it is not accounted for in the governmental funds.

**CITY OF HOUSTON, TEXAS**  
**GENERAL LONG-TERM DEBT ACCOUNT GROUP**  
**Comparative Schedules of General Long-Term Debt**  
**June 30, 2001 and 2000**  
*amounts expressed in thousands*

	<u>2001</u>	<u>2000</u>
<b>Other Debits</b>		
Amount available in debt service	\$ 89,603	\$ 86,373
Amount to be provided for retirement of general long-term debt	<u>2,227,584</u>	<u>2,183,523</u>
<b>Total debits</b>	<u><u>\$ 2,317,187</u></u>	<u><u>\$ 2,269,896</u></u>
<b>Liabilities</b>		
Claims and judgments	\$ 71,044	\$ 71,545
Compensated absences	362,780	357,514
General obligation bonds	1,449,554	1,367,079
Certificates of obligation	43,086	42,145
Commercial paper	376,300	421,300
Arbitrage rebate payable	1,078	1,018
HUD section 108 loan	<u>13,345</u>	<u>9,295</u>
<b>Total liabilities</b>	<u><u>\$ 2,317,187</u></u>	<u><u>\$ 2,269,896</u></u>





# Holiday in the City

Houston's City Hall and its tree-rimmed reflection pool provide the perfect setting for the City's annual holiday tree-lighting ceremony. Throughout the month of December, Houston's downtown parks, plazas, fountains and office towers are illuminated in honor of the spirit of the season of light.

CITY OF HOUSTON, TEXAS



## **Statistical Section**

The statistical section sets forth relevant financial and non-financial data depicting the City's historical trends on a multi-year basis and other significant information.

**CITY OF HOUSTON, TEXAS**  
**GENERAL REVENUES BY SOURCE<sup>(1)</sup>**  
**Last Ten Fiscal Years**  
*amounts expressed in thousands*

<b>Fiscal Year</b>	<b>General Property Taxes</b>	<b>City Sales Tax</b>	<b>Other Taxes</b>	<b>Licenses and Permits</b>	<b>Charges for Services</b>
1992	\$ 401,040	\$ 203,773	\$ 140,492	\$ 8,770	\$ 66,889
%	45.49	23.12	15.94	0.99	7.59
1993	\$ 402,945	\$ 213,165	\$ 117,850	\$ 9,736	\$ 62,619
%	46.01	24.34	13.46	1.11	7.15
1994	\$ 412,870	\$ 226,361	\$ 125,440	\$ 10,697	\$ 86,314
%	44.70	24.51	13.58	1.16	9.35
1995	\$ 433,863	\$ 236,879	\$ 127,780	\$ 12,269	\$ 94,552
%	44.45	24.27	13.09	1.26	9.69
1996	\$ 442,833	\$ 247,915	\$ 129,606	\$ 13,236	\$ 97,736
%	43.83	24.54	12.83	1.31	9.67
1997	\$ 447,238	\$ 262,149	\$ 146,418	\$ 13,585	\$ 100,841
%	42.64	24.99	13.96	1.30	9.61
1998	\$ 470,389	\$ 291,899	\$ 155,205	\$ 13,282	\$ 108,280
%	42.07	26.11	13.88	1.19	9.68
1999	\$ 503,925	\$ 305,472	\$ 164,146	\$ 13,653	\$ 99,068
%	43.21	26.19	14.07	1.17	8.49
2000	\$ 542,777	\$ 313,864	\$ 171,703	\$ 13,126	\$ 98,465
%	44.81	25.91	14.17	1.08	8.13
2001	\$ 572,432	\$ 329,705	\$ 200,040	\$ 12,581	\$ 104,360
%	44.54	25.66	15.57	0.98	8.12

(1) Includes the General Fund only.

<b>Fines, Forfeits, Penalties</b>	<b>Interest</b>	<b>Inter- government</b>	<b>Other</b>	<b>Total</b>
\$ 24,410 2.77	\$ 7,150 0.81	\$ 22,330 2.53	\$ 6,654 0.75	\$ 881,508 100.00
\$ 34,089 3.89	\$ 14,909 1.70	\$ 4,726 0.54	\$ 15,786 1.80	\$ 875,825 100.00
\$ 35,054 3.80	\$ 6,569 0.71	\$ 4,777 0.52	\$ 15,532 1.68	\$ 923,614 100.00
\$ 36,699 3.76	\$ 9,602 0.98	\$ 4,568 0.47	\$ 19,899 2.04	\$ 976,111 100.00
\$ 39,946 3.95	\$ 11,090 1.10	\$ 12,349 1.22	\$ 15,613 1.55	\$ 1,010,324 100.00
\$ 43,449 4.14	\$ 9,537 0.91	\$ 12,358 1.18	\$ 13,304 1.27	\$ 1,048,879 100.00
\$ 48,181 4.31	\$ 8,783 0.79	\$ 12,462 1.11	\$ 9,673 0.87	\$ 1,118,154 100.00
\$ 53,320 4.57	\$ 8,594 0.74	\$ 7,223 0.62	\$ 10,935 0.94	\$ 1,166,336 100.00
\$ 43,977 3.63	\$ 8,202 0.68	\$ 8,040 0.66	\$ 11,246 0.93	\$ 1,211,400 100.00
\$ 43,035 3.35	\$ 11,548 0.90	\$ 698 0.05	\$ 10,691 0.83	\$ 1,285,090 100.00



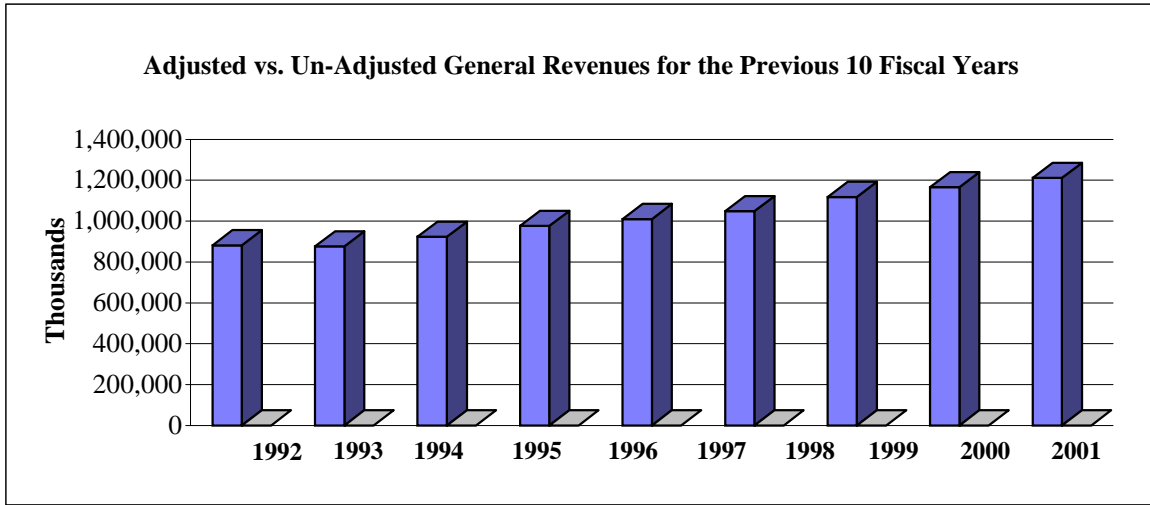
**CITY OF HOUSTON, TEXAS**  
**GENERAL EXPENDITURES BY FUNCTION<sup>(1)</sup>**  
**Last Ten Fiscal years**  
*amounts expressed in thousands*

<b>Fiscal Year</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Public Works and Solid Waste Management</b>	<b>Health Department</b>	<b>Parks and Recreation Department</b>
1992	\$ 99,396	\$ 432,438	\$ 127,275	\$ 43,735	\$ 30,780
%	10.32	44.90	13.22	4.54	3.20
1993	\$ 98,529	\$ 459,641	\$ 104,021	\$ 46,867	\$ 33,525
%	10.39	48.46	10.97	4.94	3.53
1994	\$ 88,290	\$ 490,377	\$ 105,685	\$ 48,668	\$ 40,776
%	8.77	48.72	10.50	4.83	4.05
1995	\$ 83,129	\$ 514,862	\$ 113,895	\$ 50,496	\$ 46,420
%	7.91	48.99	10.84	4.80	4.42
1996	\$ 85,893	\$ 536,146	\$ 108,711	\$ 52,243	\$ 45,314
%	7.92	49.46	10.03	4.82	4.18
1997	\$ 89,616	\$ 557,657	\$ 112,282	\$ 53,468	\$ 47,339
%	7.83	48.75	9.81	4.67	4.14
1998	\$ 92,440	\$ 594,771	\$ 117,382	\$ 54,228	\$ 49,356
%	7.58	48.79	9.63	4.45	4.05
1999	\$ 88,376	\$ 631,212	\$ 121,132	\$ 55,201	\$ 50,157
%	7.11	50.77	9.74	4.44	4.03
2000	\$ 94,506	\$ 656,846	\$ 125,184	\$ 56,547	\$ 53,932
%	7.25	50.39	9.60	4.34	4.14
2001	\$ 93,754	\$ 652,764	\$ 148,598	\$ 55,793	\$ 55,196
%	6.93	48.26	10.99	4.13	4.08

(1) Includes the General Fund plus Debt Service Fund.

<u>Library</u>	<u>Employee Benefits</u>	<u>Equipment Acquisition</u>	<u>Debt Service</u>	<u>Miscellaneous</u>	<u>Total</u>
\$ 21,553 2.24	\$ 5,363 0.56	\$ 11,509 1.19	\$ 163,300 16.96	\$ 27,755 2.88	\$ 963,104 100.00
\$ 21,881 2.31	\$ 9,543 1.01	\$ 36,951 3.90	\$ 122,497 12.91	\$ 15,056 1.59	\$ 948,511 100.00
\$ 23,558 2.34	\$ 9,090 0.90	\$ 40,752 4.05	\$ 139,705 13.88	\$ 19,681 1.96	\$ 1,006,582 100.00
\$ 24,799 2.36	\$ 6,929 0.66	\$ 34,981 3.33	\$ 149,420 14.22	\$ 26,101 2.48	\$ 1,051,032 100.00
\$ 27,495 2.54	\$ 9,067 0.84	\$ 38,044 3.51	\$ 161,995 14.95	\$ 19,000 1.75	\$ 1,083,908 100.00
\$ 27,983 2.45	\$ 8,720 0.76	\$ 39,977 3.49	\$ 182,283 15.93	\$ 24,698 2.16	\$ 1,144,023 100.00
\$ 31,057 2.55	\$ 9,133 0.75	\$ 64,981 5.33	\$ 178,900 14.67	\$ 26,901 2.21	\$ 1,219,149 100.00
\$ 33,823 2.72	\$ 8,941 0.72	\$ 35,488 2.85	\$ 184,173 14.81	\$ 34,811 2.80	\$ 1,243,314 100.00
\$ 35,758 2.74	\$ 9,597 0.74	\$ 41,008 3.15	\$ 198,656 15.24	\$ 31,531 2.42	\$ 1,303,565 100.00
\$ 36,240 2.68	\$ 11,675 0.86	\$ 50,299 3.72	\$ 212,066 15.68	\$ 36,079 2.67	\$ 1,352,464 100.00

## CITY OF HOUSTON, TEXAS

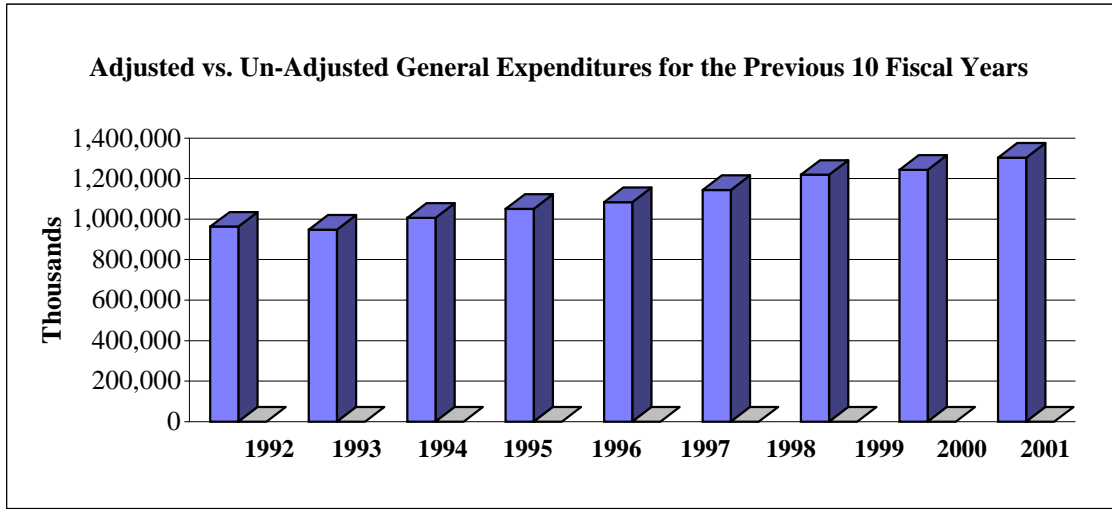


Represents actual dollars

Represents adjusted dollars

Both revenues and expenses are adjusted by the U.S. State & Local Government Expenditures Implicit Deflator, which is derived from the overall GDP (Gross domestic Product) Implicit Deflator. **FY01** is the base year. The factors used to divide into the actual (nominal) values are as follows: **FY92 = 0.90, FY93 = 0.93, FY94 = 0.95, FY95 = 0.97, FY96 = 1.00, FY97 = 1.02, FY98 = 1.04, FY99 = 1.06, and FY00 = 1.00.**

## CITY OF HOUSTON, TEXAS



Represents actual dollars

Represents adjusted dollars

Both revenues and expenses are adjusted by the U.S. State & Local Government Expenditures Implicit Deflator, which is derived from the overall GDP (Gross domestic Product) Implicit Deflator. FY01 is the base year. The factors used to divide into the actual (nominal) values are as follows: FY92 = 0.90, FY93 = 0.93, FY94 = 0.95, FY95 = 0.97, FY96 = 1.00, FY97 = 1.02, FY98 = 1.04, FY99 = 1.06 and FY00 = 1.00.

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM FUND REVENUES AND EXPENSES**  
**Last Ten Fiscal Years**  
*amounts expressed in thousands*

<b>Total Annual Revenues Last Ten Fiscal Years</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>
<b>Operating Revenues</b>			
Landing area fees	\$ 35,811	\$ 38,306	\$ 35,239
Building and ground area fees	39,338	41,068	44,603
Parking, concession and other revenues	52,776	53,141	55,438
<b>Total Operating Revenues</b>	<b>127,925</b>	<b>132,515</b>	<b>135,280</b>
<b>Nonoperating Revenues</b>			
Interest income	18,569	14,150	7,023
Other nonoperating revenues	439	426	328
<b>Total Nonoperating Revenues</b>	<b>19,008</b>	<b>14,576</b>	<b>7,351</b>
<b>Total Revenues</b>	<b>\$ 146,933</b>	<b>\$ 147,091</b>	<b>\$ 142,631</b>
<b>Total Annual Expenses Last Ten Fiscal Years</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>
<b>Operating Expenses</b>			
Maintenance and operating	\$ 73,446	\$ 78,878	\$ 84,427
Depreciation	30,485	32,345	33,451
Bad debt expense	311	5	3
<b>Total Operating Expenses</b>	<b>104,242</b>	<b>111,228</b>	<b>117,881</b>
<b>Nonoperating Expenses</b>			
Interest expense and others	32,620	33,897	21,003
<b>Total Nonoperating Expenses</b>	<b>32,620</b>	<b>33,897</b>	<b>21,003</b>
<b>Total Expenses</b>	<b>\$ 136,862</b>	<b>\$ 145,125</b>	<b>\$ 138,884</b>

<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
\$ 38,951	\$ 41,741	\$ 43,371	\$ 43,739	\$ 37,506	\$ 40,930	\$ 48,298
49,592	50,824	54,362	54,479	59,921	72,988	74,168
61,762	66,654	69,272	75,827	84,944	95,217	99,708
<u>150,305</u>	<u>159,219</u>	<u>167,005</u>	<u>174,045</u>	<u>182,371</u>	<u>209,135</u>	<u>222,174</u>
7,805	10,871	10,894	13,213	21,762	25,027	66,846
665	236	56	664	207	188	828
<u>8,470</u>	<u>11,107</u>	<u>10,950</u>	<u>13,877</u>	<u>21,969</u>	<u>25,215</u>	<u>67,674</u>
<u>\$ 158,775</u>	<u>\$ 170,326</u>	<u>\$ 177,955</u>	<u>\$ 187,922</u>	<u>\$ 204,340</u>	<u>\$ 234,350</u>	<u>\$ 289,848</u>

<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
\$ 90,488	\$ 91,836	\$ 93,471	\$ 100,040	\$ 117,206	\$ 113,442	\$ 122,594
36,638	37,932	39,002	43,166	42,537	46,390	52,410
-	-	-	-	-	-	-
<u>127,126</u>	<u>129,768</u>	<u>132,473</u>	<u>143,206</u>	<u>159,743</u>	<u>159,832</u>	<u>175,004</u>
20,502	20,180	18,859	18,376	32,471	44,354	65,387
<u>20,502</u>	<u>20,180</u>	<u>18,859</u>	<u>18,376</u>	<u>32,471</u>	<u>44,354</u>	<u>65,387</u>
<u>\$ 147,628</u>	<u>\$ 149,948</u>	<u>\$ 151,332</u>	<u>\$ 161,582</u>	<u>\$ 192,214</u>	<u>\$ 204,186</u>	<u>\$ 240,391</u>

**CITY OF HOUSTON, TEXAS**  
**CONVENTION AND ENTERTAINMENT FACILITIES FUND REVENUES AND EXPENSES**  
**Last Ten Fiscal Years**  
*amounts expressed in thousands*

<b>Total Annual Revenues Last Ten Fiscal Years</b>	<b><u>1992</u></b>	<b><u>1993</u></b>	<b><u>1994</u></b>
<b>Operating Revenues</b>			
Fees charged to users, net	\$ 9,286	\$ 9,547	\$ 9,286
<b>Total Operating Revenues</b>	<u>9,286</u>	<u>9,547</u>	<u>9,286</u>
<b>Nonoperating Revenues</b>			
Interest	3,473	2,338	1,708
Hotel occupancy tax (including penalty & interest)	24,627	26,214	26,643
Other income	<u>3,118</u>	<u>1,252</u>	<u>250</u>
<b>Total Nonoperating Revenues</b>	<u>31,218</u>	<u>29,804</u>	<u>28,601</u>
<b>Total Revenues</b>	<u><u>\$ 40,504</u></u>	<u><u>\$ 39,351</u></u>	<u><u>\$ 37,887</u></u>
<b>Total Annual Expenses Last Ten Fiscal Years</b>	<b><u>1992</u></b>	<b><u>1993</u></b>	<b><u>1994</u></b>
<b>Operating Expenses</b>			
Maintenance and operating	\$ 14,556	\$ 17,521	\$ 16,375
Depreciation	5,721	5,842	14,237
Bad debt expense	<u>604</u>	<u>-</u>	<u>-</u>
<b>Total Operating Expenses</b>	<u>20,881</u>	<u>23,363</u>	<u>30,612</u>
<b>Nonoperating Expenses</b>			
Interest on long-term debt	9,836	9,473	9,187
Promotional contracts & other expenses	<u>11,816</u>	<u>9,889</u>	<u>-</u>
<b>Total Nonoperating Expenses</b>	<u>21,652</u>	<u>19,362</u>	<u>9,187</u>
<b>Total Expenses</b>	<u><u>\$ 42,533</u></u>	<u><u>\$ 42,725</u></u>	<u><u>\$ 39,799</u></u>

<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
\$ 9,048	\$ 9,975	\$ 10,277	\$ 11,018	\$ 15,576	\$ 16,835	\$ 17,469
9,048	9,975	10,277	11,018	15,576	16,835	17,469
2,064	2,735	2,690	3,268	3,174	3,642	9,846
28,699	30,118	34,354	38,270	42,459	42,550	46,123
430	489	567	1,599	1,042	133	181
31,193	33,342	37,611	43,137	46,675	46,325	56,150
<u>\$ 40,241</u>	<u>\$ 43,317</u>	<u>\$ 47,888</u>	<u>\$ 54,155</u>	<u>\$ 62,251</u>	<u>\$ 63,160</u>	<u>\$ 73,619</u>

<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
\$ 13,541	\$ 13,980	\$ 17,636	\$ 14,378	\$ 16,421	\$ 19,886	\$ 20,331
5,491	5,318	6,274	6,412	6,640	6,684	6,356
-	-	-	-	-	-	-
19,032	19,298	23,910	20,790	23,061	26,570	26,687
8,850	8,891	7,884	7,685	7,469	7,194	12,655
-	6,000	6,000	6,431	9,565	10,974	12,110
8,850	14,891	13,884	14,116	17,034	18,168	24,765
<u>\$ 27,882</u>	<u>\$ 34,189</u>	<u>\$ 37,794</u>	<u>\$ 34,906</u>	<u>\$ 40,095</u>	<u>\$ 44,738</u>	<u>\$ 51,452</u>



**CITY OF HOUSTON, TEXAS**  
**WATER AND SEWER SYSTEM FUND REVENUES AND EXPENSES**  
**Last Ten Fiscal Years**  
*amounts expressed in thousands*

<b>Total Annual Revenues Last Ten Fiscal Years</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>
<b>Operating Revenues</b>			
Water sales	\$ 229,422	\$ 228,179	\$ 248,804
Waste water system user charges	234,121	234,302	250,020
Penalties	3,106	3,412	3,880
Other services and charges	3,251	3,006	2,401
<b>Total Operating Revenues</b>	<b>469,900</b>	<b>468,899</b>	<b>505,105</b>
<b>Nonoperating Revenues</b>			
Interest	45,851	34,541	27,152
Other income	5,247	4,677	14,539
<b>Total Nonoperating Revenues</b>	<b>51,098</b>	<b>39,218</b>	<b>41,691</b>
<b>Total Revenues</b>	<b>\$ 520,998</b>	<b>\$ 508,117</b>	<b>\$ 546,796</b>
<b>Total Annual Expenses Last Ten Fiscal Years</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>
<b>Operating Expenses</b>			
Maintenance and operating	\$ 204,751	\$ 222,282	\$ 240,938
Depreciation	89,233	93,453	407,512
Bad debt expense	221	680	892
<b>Total Operating Expenses</b>	<b>294,205</b>	<b>316,415</b>	<b>649,342</b>
<b>Nonoperating Expenses</b>			
Interest on long-term debt	114,038	136,710	135,164
Other expenses	-	-	-
<b>Total Nonoperating Expenses</b>	<b>114,038</b>	<b>136,710</b>	<b>135,164</b>
<b>Total Expenses</b>	<b>\$ 408,243</b>	<b>\$ 453,125</b>	<b>\$ 784,506</b>

<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
\$ 245,634	\$ 250,721	\$ 239,978	\$ 262,481	\$ 266,381	\$ 281,757	\$ 271,553
252,314	255,989	250,821	264,576	264,076	275,782	268,492
3,706	3,963	3,938	3,957	3,947	3,493	4,440
2,538	2,607	3,273	3,178	2,962	3,006	2,807
<u>504,192</u>	<u>513,280</u>	<u>498,010</u>	<u>534,192</u>	<u>537,366</u>	<u>564,038</u>	<u>547,292</u>
32,061	40,671	41,176	41,078	37,978	32,019	56,914
7,727	8,644	10,819	12,193	18,116	20,641	22,511
<u>39,788</u>	<u>49,315</u>	<u>51,995</u>	<u>53,271</u>	<u>56,094</u>	<u>52,660</u>	<u>79,425</u>
<u>\$ 543,980</u>	<u>\$ 562,595</u>	<u>\$ 550,005</u>	<u>\$ 587,463</u>	<u>\$ 593,460</u>	<u>\$ 616,698</u>	<u>\$ 626,717</u>

<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
\$ 240,459	\$ 252,026	\$ 224,641	\$ 222,930	\$ 212,877	\$ 225,258	\$ 248,603
112,454	163,034	166,244	174,994	190,205	212,846	256,959
986	1,290	1,733	1,071	740	1,000	-
<u>353,899</u>	<u>416,350</u>	<u>392,618</u>	<u>398,995</u>	<u>403,822</u>	<u>439,104</u>	<u>505,562</u>
110,142	127,672	143,123	160,253	155,201	164,650	172,749
-	12,040	9,498	7,225	4,863	4,057	3,315
<u>110,142</u>	<u>139,712</u>	<u>152,621</u>	<u>167,478</u>	<u>160,064</u>	<u>168,707</u>	<u>176,064</u>
<u>\$ 464,041</u>	<u>\$ 556,062</u>	<u>\$ 545,239</u>	<u>\$ 566,473</u>	<u>\$ 563,886</u>	<u>\$ 607,811</u>	<u>\$ 681,626</u>

**CITY OF HOUSTON, TEXAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**Last Ten Fiscal Years**  
*amounts expressed in thousands*

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Total Tax Levy</b>	<b>Net Tax Levy</b>	<b>Current Tax Collections (a)</b>	<b>Percent of Current Tax Collected</b>
1992	1991	\$ 438,527	\$ 402,543	\$ 381,394	86.97%
1993	1992	\$ 435,855	\$ 397,505	\$ 380,185	87.23%
1994	1993	\$ 439,262	\$ 399,530	\$ 385,954	87.86%
1995	1994	\$ 466,909	\$ 423,165	\$ 409,561	87.72%
1996	1995	\$ 476,909	\$ 430,825	\$ 417,170	87.47%
1997	1996	\$ 485,606	\$ 437,589	\$ 425,536	87.63%
1998	1997	\$ 513,643	\$ 461,904	\$ 448,279	87.27%
1999	1998	\$ 548,622	\$ 493,913	\$ 479,856	87.47%
2000	1999	\$ 594,899	\$ 536,599	\$ 522,302	87.80%
2001	2000	\$ 642,834	\$ 574,325	\$ 558,193	86.83%

- (a) These figures represent collections as of June 30 of each year. Tax delinquency date ordinarily is February 1 of the year following the Tax Year, but such date will be postponed for taxpayers whose tax bills are mailed by the City after January 10 of the year following the Tax Year.

<b>Prior Years Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Ratio of Total Tax Collections to Current Tax Levy</b>	<b>Outstanding Delinquent Taxes by Tax Year</b>	<b>Ratio of Delinquent Taxes to Current Tax Levy</b>
\$ 13,625	\$ 395,019	98.1%	\$ 5,280	1.3%
\$ 16,333	\$ 396,518	99.8%	\$ 5,131	1.3%
\$ 19,710	\$ 405,664	101.5%	\$ 5,171	1.3%
\$ 18,243	\$ 427,804	101.1%	\$ 5,565	1.3%
\$ 17,585	\$ 434,755	100.9%	\$ 6,102	1.4%
\$ 15,726	\$ 441,262	100.8%	\$ 6,962	1.6%
\$ 14,250	\$ 462,530	100.1%	\$ 9,577	2.1%
\$ 15,581	\$ 495,437	100.3%	\$ 23,155	4.7%
\$ 15,302	\$ 537,604	100.2%	\$ 26,728	5.0%
\$ 17,315	\$ 575,508	100.2%	\$ 27,544	4.8%

**CITY OF HOUSTON, TEXAS**  
**TAXABLE VALUES AND TAX LEVIES**  
**Last Ten Fiscal Years**  
*amounts expressed in thousands*

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Taxable Value (b)</b>
1992	1991	\$ 48,638,532	\$ 15,449,272	\$ 64,087,804
1993	1992	\$ 48,040,440	\$ 15,491,705	\$ 63,532,145
1994	1993	\$ 48,447,953	\$ 15,522,639	\$ 63,970,592
1995	1994	\$ 48,367,126	\$ 15,545,980	\$ 63,913,106
1996	1995	\$ 48,972,216	\$ 16,113,132	\$ 65,085,348
1997	1996	\$ 49,228,191	\$ 16,747,637	\$ 65,975,828
1998	1997	\$ 52,201,769	\$ 17,257,527	\$ 69,459,296
1999	1998	\$ 56,101,316	\$ 18,171,308	\$ 74,272,625
2000	1999	\$ 61,997,865	\$ 18,693,686	\$ 80,691,551
2001	2000	\$ 69,004,424	\$ 18,678,764	\$ 87,683,188

(a) The Texas Constitution limits the maximum ad valorem tax rate to \$2.50 per \$100 of assessed valuation for home rule cities such as the City. A voter-approved 1982 amendment to the City's home-rule charter (the "Charter") limits the tax rate for general purposes to \$0.50 per \$100 of assessed valuation, but that Charter limitation does not apply to taxes levied to pay debt service on the Tax Bonds, Tax Certificates, Commercial Paper Notes and Assumed Bonds. The \$0.50 general purpose tax limit can be changed only by amending the Charter at an election (held no more than once every two years) or by State law. The most recent Charter election held in November 1999 did not include a proposition to amend the City's general purpose tax limit.

(b) These amounts do not include revenue from certain property within Industrial Districts created by the City or revenues received from similar agreements with property owners outside of the City's corporate limits. Industrial Districts have a term from seven to ten years and allow property owners to make payments to the City in lieu of paying ad valorem taxes. Similarly, certain other property owners outside of the City's corporate limits have contracted with the City to pay a certain sum in consideration for the City agreeing not to annex their property. These payments are structured like Industrial District payments, but with a minimum payment, by each property owner.

Tax Rate (a)				
General Purpose	Debt Service	Total	Levy	
0.44827	0.18173	0.63000	\$	403,669
0.48868	0.14132	0.63000	\$	405,476
0.49306	0.13694	0.63000	\$	427,806
0.49273	0.17227	0.66500	\$	424,287
0.48733	0.17767	0.66500	\$	436,773
0.47911	0.18589	0.66500	\$	437,589
0.47998	0.18502	0.66500	\$	461,904
0.46070	0.20430	0.66500	\$	493,913
0.46973	0.19527	0.66500	\$	536,599
0.47601	0.17899	0.65500	\$	574,325

**CITY OF HOUSTON, TEXAS**  
**PROPERTY TAX RATES – ALL DIRECT AND OVERLAPPING GOVERNMENTS<sup>(B)</sup>**  
**Last Ten Fiscal Years**

<b>Purpose</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
City of Houston <sup>(A)</sup>	0.655	0.665	0.665	0.665	0.665	0.665
Aldine I.S.D.	1.519	1.519	1.515	1.51	1.485	1.485
Alief I.S.D.	1.64	1.64	1.6995	1.6995	1.6995	1.6995
Clear Creek I.S.D.	1.70084	1.70084	1.64152	1.64152	1.515	1.47
Clear Lake City Water Authority <sup>(A)</sup>	0.33	0.33	0.33	0.32	0.33	0.295
Conroe I.S.D.	1.7025	1.7025	1.6905	1.7505	1.6355	1.5955
Crosby I.S.D.	1.68	1.68	1.68	1.68	1.68	1.65
Cypress-Fairbanks I.S.D.	1.709	1.709	1.77	1.77	1.75	1.75
Deer Park I.S.D.	1.69	1.67	1.58	1.58	1.53	1.53
Fort Bend County <sup>(A)</sup>	0.6041	0.6241	0.6241	0.6291	0.647	0.647
Galena Park I.S.D.	1.68352	1.68352	1.6768	1.6768	1.6168	1.5868
Harris County <sup>(A)(C)</sup>	0.64173	0.64173	0.64173	0.64173	0.64735	0.62462
Houston I.S.D.	1.519	1.459	1.459	1.384	1.384	1.384
Huffman I.S.D.	1.74	1.74	1.88	1.88	1.92	1.97
Humble I.S.D.	1.68	1.68	1.66	1.81	1.79	1.79
Katy I.S.D.	1.8675	1.695	1.83	1.83	1.75	1.73
Klein I.S.D.	1.67	1.67	1.78	1.78	1.78	1.78
Montgomery County	0.04747	0.4747	0.4747	0.4897	0.4897	0.4927
New Caney I.S.D.	1.7696	1.69	1.83	1.83	1.6874	1.6874
North Forest I.S.D.	1.744	1.6423	1.7923	1.7923	1.68	1.68
North Harris County Jr. College District <sup>(A)</sup>	0.11	0.1174	0.1198	0.1198	0.1228	0.1002
Northwood M.U.D. #1	1.25	1.25	1.25	1.25	9.96	10.25
Pasadena I.S.D.	1.61	1.52	1.55	1.5535	1.48	1.45
San Jacinto Jr. College District <sup>(A)</sup>	0.126	0.126	0.11	0.11	0.11	0.11
Sheldon I.S.D.	1.457	1.538	1.52	1.52	1.52	1.52
Spring I.S.D.	1.69	1.74	1.86	1.86	1.79	1.74
Spring Branch I.S.D.	1.79	1.79	1.82	1.82	1.78	1.78

(A) The tax rates are based on a 100% assessment ratio. Tax rates are stated per \$100 assessed value.

(B) Includes all major taxing jurisdictions; excludes certain minor overlapping portions.

(C) Harris County includes the Harris County Flood Control District, Port of Houston Authority, Harris County Hospital District and the Harris County Board of Education.

<b>1995</b>	<b>1994</b>	<b>1993</b>	<b>1992</b>
0.665	0.63	0.63	0.63
1.47	1.4459	1.4459	1.2339
1.6995	1.6995	1.7995	1.655
1.47	1.46	1.42563	1.299
0.295	0.295	0.285	0.275
1.5655	1.5455	N/A	N/A
1.5899	1.6	1.542	1.37
1.75	1.72	1.68	1.6
1.53	1.48	1.362	1.15
0.657	0.6598	0.66	0.59
1.5868	1.5868	1.417	1.22
0.62665	0.60044	0.60032	0.59011
1.384	1.384	1.384	1.05
2.03	1.83	1.83	1.83
1.792	1.732	1.732	1.56
1.67	1.63	1.692	1.57
1.73	1.67	1.702	1.57
0.4927	0.4927	0.4877	0.4927
1.6874	1.6874	1.6874	1.6874
1.68	1.68	1.682	1.551
0.099	0.099	0.06	0.06
10.25	10.25	10.25	5.44
1.43	1.43	1.43	1.14
0.11	0.1	0.1	0.092
1.52	1.432	1.432	1.32
1.74	1.7	1.742	1.57
1.78	1.78	1.662	1.49



**CITY OF HOUSTON, TEXAS**  
**RATIO OF GENERAL BONDED DEBT TO TAXABLE VALUE AND BONDED DEBT PER CAPITA**  
**Last Ten Fiscal Years**  
*amounts expressed in thousands, except for bonded debt per capita*

Fiscal Year	Gross Bonded Debt <sup>(1)</sup>	Bonded Debt Supported by Revenues	Tax Obligation Bonded Debt <sup>(2)</sup>			Taxable Value <sup>(4)</sup>
			Gross	Less Sinking Fund <sup>(3)</sup>	Net	
1992	\$ 3,041,853	\$ 1,998,073	\$ 1,043,780	\$ 89,872	\$ 953,908	\$ 64,087,804
1993	\$ 3,382,144	\$ 2,134,202	\$ 1,247,942	\$ 111,789	\$ 1,136,153	\$ 63,532,145
1994	\$ 3,387,641	\$ 2,087,208	\$ 1,300,433	\$ 94,781	\$ 1,205,652	\$ 63,970,592
1995	\$ 3,630,760	\$ 2,286,746	\$ 1,344,014	\$ 96,113	\$ 1,247,901	\$ 63,913,106
1996	\$ 4,355,761	\$ 2,934,165	\$ 1,421,596	\$ 88,963	\$ 1,332,633	\$ 65,085,348
1997	\$ 4,842,762	\$ 3,246,050	\$ 1,596,712	\$ 82,837	\$ 1,513,875	\$ 65,975,828
1998	\$ 5,077,608	\$ 3,364,015	\$ 1,713,593	\$ 84,792	\$ 1,628,801	\$ 69,459,296
1999	\$ 5,873,155	\$ 4,117,088	\$ 1,756,067	\$ 88,744	\$ 1,667,323	\$ 74,272,625
2000	\$ 6,023,277	\$ 4,195,464	\$ 1,827,813	\$ 86,373	\$ 1,741,440	\$ 80,691,551
2001	\$ 7,420,564	\$ 5,554,520	\$ 1,866,044	\$ 89,603	\$ 1,776,441	\$ 87,683,188

Notes:

(1) Gross Bonded Debt represents the total amount of outstanding bonds issued by the City of Houston in its own name or assumed through annexations.

(2) Tax Obligation Bonded Debt represents the amount of outstanding bonds which are supported primarily by ad valorem taxes, including all Public Improvement Bonds, Tax and Revenue Certificates of Obligation, and General Obligation Bonds.

(3) Represents the fund balance available for Debt Service at fiscal year-end.

Ratio of Bond Debt to Taxable Value (Percent)			Population (Est.) <sup>(5)</sup>	Bonded Debt Per Capita		
Gross Bonded Debt	Tax Obligation Bonded Debt			Gross Bonded Debt	Tax Obligation Bonded Debt	
	Gross	Net			Gross	Net
4.75	1.63	1.49	1,699	\$ 1,790.38	\$ 614.35	\$ 561.45
5.32	1.96	1.79	1,703	\$ 1,985.99	\$ 732.79	\$ 667.15
5.30	2.03	1.88	1,690	\$ 2,004.52	\$ 769.49	\$ 713.40
5.68	2.10	1.95	1,719	\$ 2,112.13	\$ 781.86	\$ 725.95
6.69	2.18	2.05	1,749	\$ 2,490.43	\$ 812.81	\$ 761.94
7.34	2.42	2.29	1,819	\$ 2,662.32	\$ 877.80	\$ 832.26
7.31	2.47	2.34	1,841	\$ 2,758.07	\$ 930.79	\$ 884.74
7.91	2.36	2.24	1,880	\$ 3,124.02	\$ 934.08	\$ 886.87
7.46	2.27	2.16	1,902	\$ 3,166.81	\$ 961.00	\$ 915.58
8.46	2.13	2.03	1,954	\$ 3,797.63	\$ 954.99	\$ 909.13

(4) Taxable Value is the assessed value of property, less all exemptions. Taxable Value is as of the following dates; 1992 when the value is as of June 30, 1992; 1993 when value is as of September 8, 1993; 1994 when the value is as of August 31, 1994; 1995 when value is as of August 3, 1995; 1996 when value is as of August 19, 1996; 1997 when value is as of September 24, 1997; 1998 when value is as of September 21, 1998; 1999 when value is as of September 8, 1999; 2000 when value is as of October 3, 2000 and 2001 when value is as of October 4, 2001.

(5) Population figures represent the latest available official estimate in each year from the U.S. Department of Commerce, Bureau of Census as of January 1, 2000.

**CITY OF HOUSTON, TEXAS**  
**AD VALOREM TAX OBLIGATION PERCENTAGES**  
**BY TAX YEAR**

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Tax-Supported Debt at December 31 (in thousands)</b>	<b>Tax Roll <sup>(a)</sup> (in thousands)</b>	<b>Tax-Supported Debt as a Percentage of Tax Roll</b>	<b>Tax-Supported Per Capita <sup>(b)</sup></b>	<b>Debt Service Requirement Payable from Taxes <sup>(c)</sup> (in thousands)</b>
1997	1996	\$ 1,616,391	\$ 65,799,621	2.46%	\$ 917	\$ 182,673
1998	1997	\$ 1,684,881	\$ 69,485,377	2.42%	\$ 926	\$ 183,777
1999	1998	\$ 1,765,406	\$ 74,166,239	2.38%	\$ 959	\$ 178,973
2000	1999	\$ 1,822,927	\$ 80,751,295	2.26%	\$ 970	\$ 200,611
2001	2000	\$ 1,880,688	\$ 89,603,317	2.14%	\$ 963	\$ 224,598

(a) The tax rolls reflect the total appraised value (net of exemptions) based on the certified tax rolls provided by the Appraisal District. The total assessed value for the tax year 2000 (including exempt property values) is \$98,170 (in thousands), which is the appraised value used to determine the statutory limitation of \$9.8 billion relating to the total bonded indebtedness.

(b) Per capita debt figures are based on a population estimate according to the Texas State Data Center, which were by tax year as follows : 1996 - 1,761,754; 1997 - 1,818,613; 1998 - 1,841,064; 1999 - 1,879,912; and 2000 - 1,953,631.

(c) These amounts have not been reduced by the ending fund balances in the Debt Service Fund, which were as follows for the Fiscal Years 1996 through 2001: 1996 - \$88,963,000; 1997 - \$82,837,000; 1998 - \$84,792,000; 1999 - \$88,744,000; 2000 - \$86,373,000; and 2001- \$90,235,000.

**CITY OF HOUSTON, TEXAS**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**June 30, 2001**  
*amounts expressed in thousands*

<b>Assessed Value(1)</b>		\$	98,142,629
Less:			
Tax Exemptions			10,459,441
Taxable Value		\$	87,683,188
<hr/>			
<b>Legal debt limitation, 10% of assessed value(2)</b>		\$	9,814,263
Debt applicable to limitation:			
Public Improvement Bonds	\$	1,337,500	
General Obligation Bonds		3,365	
Aviation		1,509,620	
Commercial Paper - General Obligation		376,300	
Annexed District Bonds assumed		106,176	
Tax and Revenue Certificates of Obligation		42,703	
Total		3,375,664	
Less:			
Amount available for repayment of general obligation debt		(89,603)	
Total debt applicable to limitation			(3,286,061)
Legal debt margin		\$	6,528,202

(1) Assessed Value for the 2000 tax year is based on the appraised value of property prior to any deductions for exemptions. The Assessed Value is derived from the certified valuations provided by the Harris County Appraisal District.

(2) See Vernon's Annotated Civil Statutes, Article 835p, Section 1 and 2.

**CITY OF HOUSTON, TEXAS**  
**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**  
**June 30, 2001**  
*amounts expressed in thousands*

	<u>Net Direct Debt</u>		<u>% of Debt</u>	<u>City of</u>
	<u>Amount</u>	<u>As of</u>	<u>Applicable to</u>	<u>Houston</u>
			<u>Houston</u>	<u>Share of Debt</u>
Aldine I.S.D.	\$ 201,956	06/30/01	52.67%	\$ 106,370
Alief I.S.D.	238,867	08/31/01	79.27%	189,350
Clear Creek I.S.D.	288,635	08/31/00	27.31%	78,826
Clear Lake City Water Authority	73,120	09/30/00	47.39%	34,652
Conroe I.S.D.	297,515	08/31/01	0.80%	2,380
Crosby I.S.D.	28,816	08/31/01	0.37%	107
Cypress-Fairbanks I.S.D.	930,055	06/30/01	15.40%	143,228
Deer Park I.S.D.	107,558	08/28/01	0.14%	151
Fort Bend County	79,888	06/30/01	4.62%	3,691
Galena Park I.S.D.	114,867	08/31/00	15.65%	17,977
Harris County (including Toll Road Bonds)	1,490,738	06/30/01	56.87%	847,783
Harris County Flood Control	93,710	06/30/01	56.87%	53,293
Houston I.S.D.	1,140,284	08/31/01	94.33%	1,075,630
Huffman I.S.D.	19,570	06/30/01	30.99%	6,065
Humble I.S.D.	152,081	08/31/01	3.50%	5,323
Katy I.S.D.	391,668	06/30/01	24.60%	96,350
Klein I.S.D.	188,114	08/31/01	2.49%	4,684
Montgomery County	79,228	11/01/00	0.06%	48
New Caney I.S.D.	35,996	08/31/01	0.37%	133
North Forest I.S.D.	81,669	06/30/01	79.24%	64,715
N. Harris–Montgomery Community College District	128,856	06/30/01	19.49%	25,114
Northwood Municipal Utility District #1	4,890	06/30/01	100.00%	4,890
Pasadena I.S.D.	118,372	08/31/00	41.21%	48,781
Port of Houston Authority	228,844	06/30/01	56.87%	130,144
San Jacinto Jr. College District	21,390	08/31/01	12.97%	2,774
Sheldon I.S.D.	35,921	06/30/01	0.12%	43
Spring I.S.D.	139,698	08/31/01	2.61%	3,646
Spring Branch I.S.D.	208,104	08/31/00	82.18%	171,020
Total overlapping debt	6,920,410			3,117,166
City of Houston - direct	\$ 1,776,441	06/30/01	100.00%	\$ 1,776,441
Total direct and overlapping debt	<u>\$ 8,696,851</u>			<u>\$ 4,893,607</u>

Note:

The net direct debt amounts above, except for that which relates to the City of Houston, were provided by the individual government entities. The percentage of debt applicable to Houston was provided by the Municipal Advisory Council of Texas. Net Direct Debt is equal to the outstanding principal amount less sinking fund balances.

**CITY OF HOUSTON, TEXAS**  
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO**  
**TOTAL GENERAL GOVERNMENTAL EXPENDITURES**  
**Last Ten Fiscal Years**  
*amounts expressed in thousands*

<b>Fiscal Year</b>	<b>Principal<sup>(1)</sup></b>	<b>Interest<sup>(2)</sup></b>	<b>Total Debt Service</b>	<b>Total General Expenditures<sup>(3)</sup></b>	<b>Ratio of Debt Service to General Governmental Expenditures (Percent)</b>
1992	\$ 91,040	\$ 70,334	\$ 161,374	\$ 963,104	16.76
1993	\$ 36,820	\$ 56,048	\$ 92,868	\$ 948,511	9.79
1994	\$ 66,165	\$ 72,831	\$ 138,996	\$ 1,006,582	13.81
1995	\$ 76,505	\$ 72,050	\$ 148,555	\$ 1,051,032	14.13
1996	\$ 81,210	\$ 79,807	\$ 161,017	\$ 1,083,908	14.86
1997	\$ 100,725	\$ 80,539	\$ 181,264	\$ 1,144,023	15.84
1998	\$ 91,940	\$ 82,763	\$ 174,703	\$ 1,219,149	14.33
1999	\$ 93,627	\$ 85,644	\$ 179,271	\$ 1,243,314	14.42
2000	\$ 104,710	\$ 91,847	\$ 196,557	\$ 1,303,565	15.08
2001	\$ 114,425	\$ 93,928	\$ 208,353	\$ 1,352,464	15.41

Notes:

- (1) Includes principal on public improvement bonds, annexed district bonds assumed, tax and revenue certificates of obligation, and general obligation bonds.
- (2) Includes interest on public improvement bonds, annexed district bonds assumed, tax and revenue certificates of obligation, and general obligation bonds.
- (3) Includes General Fund expenditures with equipment and principal, interest, paying agent fees, and advanced refunding escrow on tax obligation bonded debt from the Debt Service Fund.

**CITY OF HOUSTON, TEXAS**  
**OUTSTANDING PRINCIPAL AMOUNT OF OBLIGATIONS**  
**PAYABLE FROM AD VALOREM TAXES AND OTHER REVENUE SOURCES**  
**June 30, 2001**

<b>Payable from Ad Valorem Taxes</b>	<b>Original Par (in thousands)</b>	<b>Carrying Value <sup>(i)</sup> (in thousands)</b>
Tax Bonds <sup>(a)(b)</sup>	\$ 1,340,865	\$ 1,340,865
Commercial Paper Notes <sup>(c)</sup>	376,300	376,300
Tax Certificates	42,703	43,086
Assumed Bonds <sup>(d)</sup>	106,176	108,689
Subtotal:	<u>1,866,044</u>	<u>1,868,940</u>
 <b>Payable from sources other than Ad Valorem Taxes</b>		
Water and Sewer System Revenue Bonds <sup>(e)</sup>	3,418,360	3,480,212
Contract Revenue Obligations <sup>(f)</sup>	267,187	273,908
Airport System Revenue Bonds <sup>(g)</sup>	1,509,620	1,479,043
Convention and Entertainment Facilities Revenue Bonds and Notes	626,540	621,863
Subtotal:	<u>5,821,707</u>	<u>5,855,026</u>
 Total Bonds Payable by the City <sup>(h)</sup>	 <u><u>\$ 7,687,751</u></u>	 <u><u>\$ 7,723,966</u></u>

- (a) A portion of the debt service for Tax Bonds and Assumed Bonds is paid by transfers of certain revenues derived from the City's Water and Sewer System.
- (b) Under Texas law, the City can incur total bonded indebtedness through the issuance of ad valorem tax obligations in an amount not to exceed 10% of the total assessed valuation. Based on the 1999 total assessed valuation as of June 30, 2000, the legal limitation on such bonds is approximately \$8.9 billion.
- (c) The City has authorized a \$535 million Series A General Obligation Commercial paper Program, \$200 million Series B General Obligation Commercial paper Program, and \$100 million Series C General Obligation Commercial Paper Program.
- (d) This amount excludes the principal amount of bonds issued by the Clear Lake City Water authority, which as of June 30, 2001, was approximately \$114,224,399, in unlimited tax and revenue debt. The City may be required to assume a portion of such debt upon dissolution of such entity. The City has no plan to dissolve this entity.
- (e) This amount includes \$300 million of the \$300 million Series A Water and Sewer System Commercial Paper Program. None of the \$200 million Series B Water and Sewer System Commercial Paper Program is outstanding.
- (f) Contract Revenue Obligations consist of obligations under certain contracts between the City and the Trinity River Authority (Livingston Project) and the Coastal Water Authority, which are payable, as to both principal and interest, as operating expenses of the City's Water and Sewer System.
- (g) None of the \$150 million Series C has been issued at June 30, 2001.
- (h) This amount does not include certain leases entered into by the City nor does it include debt from the public improvement district and reinvestment zone which are discretely presented component units of the City. Of these entities, one reinvestment zone and one public improvement district has issued bonds in the amount of \$2,200,000 and \$500,000, respectively.
- (i) Carrying Value reflects the current accreted value of any capital appreciation bonds and unamortized balances from deferred gains on debt refunding transaction.

**CITY OF HOUSTON, TEXAS**  
**PRINCIPAL TAXPAYERS**  
**June 30, 2001**  
*amounts expressed in thousands*

<b>The Ten Largest Taxpayers</b>	<b>2001 Taxable Valuation</b>	<b>Percentage of Total Taxable Valuation</b>
1. Reliant Energy H L & P	\$ 1,433,279	1.63%
2. Hines Interests Ltd Partnership	938,654	1.07%
3. Crescent Real Estate	828,443	0.94%
4. Southwestern Bell	986,532	1.13%
5. Continental Airlines, Inc.	645,866	0.74%
6. Exxon Corp.	444,888	0.51%
7. Anheuser-Busch, Inc.	410,641	0.47%
8. Trizec Hahn Allen Center LP	408,966	0.47%
9. Weingarten Realty	263,202	0.30%
10. Lyondell-Citgo Refining Co.	232,388	0.27%
Total :	<u>\$ 6,592,859</u>	<u>7.51%</u>

Source: Harris County Appraisal District  
Based on taxable values at November 30, 2001

**Mixed Beverage Taxes**

<b><u>Fiscal Year</u></b>	<b><u>Mixed Beverage Taxes (in thousands)</u></b>
1998 .....	5,746
1999 .....	6,142
2000 .....	6,469
2001 .....	7,102
2002 (budgeted) .....	6,860



**CITY OF HOUSTON, TEXAS**  
**EMPLOYMENT STATISTICS**  
**June 30, 2001**

**Employment**

The following table indicates the Houston PMSA estimated annual average labor force for the years 1992 through 2000 according to the Texas Employment Commission:

**Houston PMSA Labor Force Estimates**  
**(Employees in thousands)**

	<b>1992 (C)</b>	<b>1993</b>
Civilian Labor Force <sup>(A)</sup>	1,900	1,929
Employed	1,764	1,787
Unemployed	136	141
Percent unemployed	7.10%	7.30%
Nonfarm Payroll Employment <sup>(B)</sup>	1,637	1,665
Manufacturing	179	179
Mining	67	65
Contract construction	109	108
Transp/Pub Utils/Communications	112	114
Trade	386	394
Finance/Insurance/Real Estate	96	98
Services & Miscellaneous	464	477
Government	224	230

(A) Includes resident wage and salary workers, self-employed, unpaid family workers and domestics in private households, agricultural workers, and workers involved in labor-management disputes.

(B) Includes the non-agricultural wage and salary jobs estimated to exist in Houston PMSA without reference to place of residence of workers.

(C) In 1988, the Houston PMSA added Chambers, Fort Bend, Harris, Liberty, Montgomery, and Waller Counties. Years 1989 to 1998 have been adjusted to reflect this change.

<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
1,965	1,994	2,013	2,054	2,174	2,185	2,163
1,838	1,879	1,908	1,951	2,075	2,089	2,073
127	114	105	103	98	97	89
6.50%	5.70%	5.20%	5.00%	4.50%	4.40%	4.13%
1,710	1,766	1,814	1,892	1,805	1,864	2,082
183	189	199	209	215	206	210
66	64	65	68	65	63	64
114	120	126	127	143	154	154
119	123	126	133	144	151	152
401	414	422	435	462	476	474
99	95	96	100	110	117	114
493	518	534	570	626	633	646
237	243	246	249	256	272	269

**CITY OF HOUSTON, TEXAS**  
**CONSTRUCTION AND BANK DEPOSITS**  
**Last Ten Fiscal Years**

**Construction**

The City of Houston is the largest U.S. city that has no zoning ordinances. In 2000, the City of Houston issued 9,637 building permits for new structures with an approximate value of \$2.850 million. The following table shows that value of new building permits issued by the City for privately owned structures for each of the last ten years as reported by the City of Houston Department of Public Works.

**City of Houston Building Permits**

<b>Calendar Year</b>	<b>Residential New Structures</b>	<b>Value (in thousands)</b>	<b>Non-Residential New Structures</b>	<b>Value (in thousands)</b>
2000	5,826	\$ 1,094,375	3,811	\$ 1,755,779
1999	5,204	1,041,019	3,620	1,133,165
1998	5,632	1,323,465	3,370	1,227,233
1997	4,543	918,333	3,011	452,897
1996	3,391	549,054	2,568	477,398
1995	2,631	527,450	2,331	308,226
1994	2,669	443,693	2,176	410,869
1993	1,988	310,158	1,903	287,859
1992	1,774	288,494	1,577	272,837
1991	1,335	219,367	1,488	290,365

These figures exclude permits issued for additions and improvements to existing structures.

**Bank Deposits**

The following table sets forth the domestic deposits for banks chartered in the Houston CMSA, as reported by the Federal Depository Insurance Corporation:

**Deposits of Commerical Banks**  
**(in thousands)**

<b>At December 31</b>	<b>Houston CMSA Chartered Banks</b>
2000	\$ 43,592,000
1999	42,195,309
1998	40,258,360
1997	36,511,007
1996	34,312,040
1995	35,800,000
1994	32,642,910
1993	33,420,000
1992	27,072,000
1991	26,308,859

**CITY OF HOUSTON, TEXAS**  
**REVENUE BOND COVERAGE**  
**For the Year Ended June 30, 2001**  
*(amounts expressed in thousands)*

	<b>Airport System</b>
Gross revenues	\$ 235,250
Maintenance and operating expenses	(122,594)
Pledged revenue/net revenue	<u>\$ 112,656</u>
Required pledged revenue per bond rate covenant	<u>\$ 55,203</u>
Coverage of required revenue	<u>2.04</u>
Debt service requirement <sup>(1)</sup>	<u>\$ 50,027</u>
Coverage of debt service	<u>2.25</u>

Airport: Gross revenues include all operating income of the Airport System except for interest earned on the construction fund. Maintenance and operating expenses include all operating expenses of the system except for depreciation and capital improvements. Net revenues in each fiscal year are required to be at least equal to the larger of either: (1) the debt service and reserve transfer requirements for such fiscal year or; (2) 125% and 110% of the debt service requirements for such fiscal year on the Senior Lien (or Commercial Paper assumed to be refinanced as Senior Lien Revenue Bonds) and Subordinate Lien Bonds, respectfully.

- (1) Debt service requirement is equal to interest expense (excluding amortization of bond discount and amounts provided for payment of interest from bond proceeds and deposited into a restricted fund for that purpose).

	<b>Water and Sewer</b>
Gross revenues	\$ 608,397
Maintenance and operating expenses	(283,505)
Pledged revenue/net revenue	<u>\$ 324,892</u>
Required pledged revenue per bond rate covenant	<u>\$ 244,400</u>
Coverage of required revenue	<u>1.33</u>
Debt service requirement	<u>\$ 218,978</u>
Coverage of debt service	<u>1.48</u>

Water and Sewer: Net revenues include all income less operating expenses (net of depreciation) of the water and sewer system. Net revenues in each fiscal year are required to be at least equal to 120% of the current year debt service prior lien bonds plus required additions to the Prior Lien Reserve Fund, plus 110% of the current year debt service requirements on the junior lien bonds.

**CITY OF HOUSTON**  
**GENERAL FUND BUDGET FOR FISCAL YEAR 2002**

	<b>Amount</b> <b>(in thousands)</b>
<b>Budgeted Resources</b>	
Beginning Fund Balance Estimate as of July, 2001 (a)	\$ 78,689
Ad Valorem Taxes (current and delinquent)	624,438
Sales and Use Tax	344,859
Franchise Fees	173,292
Miscellaneous	230,903
Total Current Revenues	1,373,492
<b>Total Budgeted Resources</b>	<b>\$ 1,452,181</b>
 <b>Budgeted Expenditures</b>	
Administrative Services and Public Finance	\$ 63,511
Public Safety	709,539
Maintenance Services	207,659
Human and Cultural Services	152,510
General Government	50,743
Compensation Contingency	11,894
Transfer to General Debt Service Fund and Other Funds	175,200
<b>Total Budgeted Expenditures</b>	<b>1,371,056</b>
Budgeted Ending Fund Balance as of June 30, 2002	81,125
<b>Total Budgeted Expenditures and Reserves</b>	<b>\$ 1,452,181</b>

(a) This amount represents an estimate of the beginning fund balance which was used in preparing the Fiscal Year 2002 Budget.

**CITY OF HOUSTON  
TAX SUPPORTED DEBT SERVICE FUNDS**

**Tax Bond Debt Service Fund for Fiscal Year 2002(a)**

	<b>Amount (in thousands)</b>
<b>Budgeted Resources</b>	
Beginning Fund Balance Estimate as of July 1, 2001	\$ 82,449
Interest Earnings on Debt Reserves and Bond Funds	2,892
Transfers in from:	
General Fund	155,783
Water and Sewer Operating Fund	39,492
Other Sources	1,886
<b>Total Budgeted Resources</b>	<b>\$ 282,502</b>
<b>Budgeted Expenditures</b>	
Debt Service Requirements	
Tax Bonds	\$ 135,788
Assumed Bonds	35,196
Miscellaneous	1,000
<b>Total Budgeted Expenditures</b>	<b>171,984</b>
 Budgeted Ending Fund Balance as of June 30, 2002	 110,518
<b>Total Budgeted Expenditures and Reserves</b>	<b>\$ 282,502</b>

(a) These funds include the debt service funds for the City's fixed rate Tax Bonds, variable rate Tax Bonds, and Commercial Paper Notes.

**Tax Certificates Debt Service Fund for Fiscal Year 2002<sup>(b)</sup>**

	<b>Amount (in thousands)</b>
<b>Budgeted Resources</b>	
Beginning Fund Balance Estimate as of July 1, 2001	\$ 4,856
Interest Earnings on Debt Reserves and Bond Funds	37
Transfers from General Fund	13,360
Other Sources	1,870
<b>Total Budgeted Resources</b>	<b>\$ 20,123</b>
<b>Budgeted Expenditures</b>	
Debt Service Requirements	\$ 14,028
<b>Total Budgeted Expenditures</b>	<b>14,028</b>
 Budgeted Ending Fund Balance as of June 30, 2002	 6,095
<b>Total Budgeted Expenditures and Reserves</b>	<b>\$ 20,123</b>

(b) These funds include the debt service funds for the City's fixed rate and variable rate Tax Certificates.

**CITY OF HOUSTON, TEXAS**  
**June 30, 2001**  
**CONTINUING DEBT DISCLOSURE INFORMATION**

**Capital Improvement Plan**

The tax supported components of the 2002-2006 CIP consist of the facilities described in the following chart. (The 2002-2006 CIP also includes proposed improvements for the Water and Sewer, Airport System and Convention and Entertainment Facilities, which would be financed primarily with revenues of those systems).

	<b>Amount (in thousands)</b>
Streets, Bridges and Traffic Control	\$ 880,305
Storm Sewers and Drainage	113,128
Parks and Recreation	150,786
Police Department	49,822
Fire Department	72,762
General Government	58,791
Public Library	157,947
Public Health	26,667
Solid Waste Management	13,488
Housing	20,000
	<hr/>
Total :	<u><u>\$ 1,543,696</u></u> (*)

(\*) The tax supported components of the 2002-2006 CIP will be funded primarily with Commercial Paper Notes.

**General Fund Indirect Charges to Other City Funds**

A charge is made by the General Fund to the Water and Sewer System, Airport System, and Convention and Entertainment Facilities Funds, and to certain grant and special revenue funds for indirect charges incurred by the General Fund on behalf of such funds. The total amount of these charges for the past four fiscal years are set forth below:

<b>Fiscal Year</b>	<b>Total Indirect Charges (in thousands)</b>
2001	\$ 16,961
2000	16,631
1999	16,903
1998	17,765

**Industrial District Contracts**

<b>Fiscal Year</b>	<b>Contract Amount (in thousands)</b>
1998 .....	23,050
1999 .....	18,317
2000 .....	17,614
2001 .....	16,906
2002 (budgeted).....	17,133

**CITY OF HOUSTON, TEXAS**  
**June 30, 2001**  
**CONTINUING DEBT DISCLOSURE INFORMATION**

**Compensated Absences and Other Liabilities**

**Long-Term Disability Fund**

	<b>Fiscal Year 2001</b>
Assets Available for Future Long-Term Disability Obligations	\$ 4,288,000
Claims Payable on Long-Term Disability Obligations	4,140,000
Retained earnings - Unreserved	<u>\$ 148,000</u>

**Compensated Absence Liability (a)**

	<b>Fiscal Year 2001</b>
General Fund Liability	\$ 5,448,000
Enterprise Funds Liability	31,049,000
General Long-Term Debt Account Group	362,780,000
Internal Service Funds	84,000
Total :	<u>\$ 399,361,000</u>

(a) Funding currently is provided for liabilities recorded in the General Fund and the Enterprise Funds. No funding has been provided for the liability recorded in General Long-Term Debt Account Group.

**General Fund Specific Charges to Other City Funds**

An additional charge is made by the General Fund to the Water and Sewer, Airport Convention and Entertainment Facilities Funds, the Capital Projects Fund and certain other funds of the City for specific services provided to such funds by the General Fund. The total amounts of these charges for the past five Fiscal Years are set forth below. In 1999, revenues from other departments for legal services were reclassified, thereby reducing these amounts.:

<b>Fiscal Year</b>	<b>Charges for Specific Services (in thousands)</b>
2001	\$ 56,283
2000	55,450
1999	55,106
1998	64,590
1997	60,935



**CITY OF HOUSTON, TEXAS**  
**CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS**  
**For Fiscal Year 2001**

**HISTORICAL PLEDGED REVENUES**

<b>Fiscal Year</b>	<b>Pledged HOT (a)</b>	<b>% Change</b>	<b>Pledged Parking Revenues (d)</b>	<b>% Change</b>	<b>Tax Rebates</b>	<b>% Change</b>	<b>Total (e)</b>
1996	\$ 24,310	4.9%	\$ 3,289	9.4%	\$ --	-- %	\$ 27,599
1997	27,728	14.1%	3,260	-0.9%	--	--	30,988
1998 (b)	30,889	11.4%	4,037	23.8%	--	--	34,926
1999 (c )	34,270	10.9%	6,847	69.6%	--	--	41,117
2000	34,344	0.2%	8,152	19.1%	--	--	42,496
2001	43,707	27.3%	9,406	15.4%	--	--	53,113

- (a) The Pledged Hotel Occupancy Tax (HOT) revenues are revenues (including penalties, interest and delinquencies, if any) received from that portion of the City HOT equal to 5.65% of the cost of substantially all hotel room rentals in the City (excluding any portion thereof attributable to the Hotel during its first ten years of operation). The City HOT is currently imposed at a rate of 7%.
- (b) In 1998 the City began receiving revenues from Lot C and Lot H.
- (c) In 1999 the City began receiving revenues from the Fannin Garage.
- (d) The City's pledge of Pledged Parking Revenues is subordinate to the City's pledge of the first \$1,200,000 of such gross revenues, charges and tolls to the payment of its \$1,000,000 annual obligation under the Music Hall Lease, unless such obligation is paid, defeased, matures or is otherwise restructured.
- (e) Does not include investment earnings, which are included in Pledged Revenues.

**CITY OF HOUSTON, TEXAS**  
**CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS**  
**Last Ten Fiscal Years**

**Schedule of Hotel Occupancy Tax and Occupancy Rates**

<b>Fiscal Year</b>	<b>Occupancy % Rate <sup>(1)</sup></b>	<b>Average Daily Rate <sup>(2)</sup></b>	<b>Tax % Rate <sup>(2)</sup></b>	<b>Gross Hotel Occupancy Tax Collections (in thousands)</b>
1992	62.7%	64.64	7%	24,627
1993	62.9%	65.61	7%	26,124
1994	65.5%	67.66	7%	26,643
1995	64.5%	70.30	7%	28,699
1996	65.3%	73.11	7%	30,118
1997	68.3%	80.97	7%	34,354
1998	66.4%	85.88	7%	38,270
1999	63.7%	86.93	7%	42,459
2000	65.5%	89.86	7%	42,550
2001	66.6%	90.36	7%	46,123

(1) The current source changed the data from previous years.  
Source: Greater Houston Partnership.

(2) The Hotel Occupancy Tax rate increased from 6% to 7% effective April 1, 1991.  
Source: PKF Consulting, Hospitality Advisor Service

**CITY OF HOUSTON, TEXAS**  
**CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS**  
**For Fiscal Year 2001**

**Schedule of Hotel Occupancy Tax Collections**

<u><b>The Twelve Largest Taxpayers</b></u>	<u><b>Gross Hotel Occupancy Tax Collections</b></u>
Hyatt Regency	\$ 2,447,231
Four Seasons Houston Center	1,407,845
JW Marriott Galleria	1,394,617
Marriott Hotel	1,152,018
Westin Galleria	1,081,895
Westin Oaks Houston	929,998
Doubletree Hotel Post Oak	952,893
Houstonian	911,142
Doubletree Allen Center	875,576
Marriott Medical Center	870,226
Omni Hotel	863,542
Wyndham Hotel Greenspoint	<u>851,146</u>
Total:	<u><u>\$ 13,738,129</u></u>

**CITY OF HOUSTON, TEXAS**  
**CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS**  
**For Fiscal Year 2001**

**Parking Facilities Rates**

<b>Facility</b>	<b>City Employee Monthly Contract (1)</b>	<b>Other Monthly Contract (2)</b>	<b>Daily Transient (2)</b>	<b>Event Rate (2)</b>
Theater District Garage	\$70.00	\$125.00 \$61.00 (3)	\$2.00 per hour \$8.00 Maximum	\$4.00
City Hall Annex Parking Garage	\$51.76	\$56.00	n/a	\$4.00
City Hall Annex Parking Meters	n/a	n/a	\$.40 per hour	\$4.00
Fannin Garage	\$70.00	\$76.20	\$2.00 per hour \$5.00 Maximum	\$4.00
Lots C and H	\$44.33	\$48.00	n/a	\$3.00

(1) Does not include sales and use tax of 8.25%

(2) Includes sales and use tax of 8.25%

(3) Rates paid by Conventions & Entertainment Facilities departmental contractors

Source: City of Houston, Convention & Entertainment Facilities Department

**CITY OF HOUSTON, TEXAS**  
**CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS**  
**Debt Service Schedule**  
**For Fiscal Year 2001**

**Payable From System Net Revenues**

<b>Fiscal Year Ending June 30</b>	<b>Series 2001 A Bonds</b>	<b>Series 2001 B Bonds</b>	<b>Series 2001 C Bonds (1)</b>	<b>Total Debt Service</b>
2002	\$ 7,283,220	\$ 10,256,211	\$ 8,462,466	\$ 26,001,897
2003	13,751,456	11,188,594	8,227,397	33,167,447
2004	13,755,956	11,188,594	7,478,022	32,422,572
2005	13,759,581	11,188,594	7,476,114	32,424,289
2006	13,761,581	17,761,406	8,227,397	39,750,384
2007	13,766,081	18,122,738	7,479,452	39,368,271
2008	13,733,281	20,075,231	8,225,490	42,034,002
2009	13,731,419	20,190,150	7,476,114	41,397,683
2010	13,742,113	21,718,544	8,227,397	43,688,054
2011	13,727,994	22,556,050	7,479,452	43,763,496
2012	13,731,719	22,829,244	8,225,490	44,786,453
2013	13,737,953	24,382,988	7,476,591	45,597,532
2014	13,735,941	24,521,616	7,479,452	45,737,009
2015	13,738,425	24,440,238	8,227,397	46,406,060
2016	13,743,525	16,325,319	7,478,022	37,546,866
2017	8,756,572	22,986,963	8,224,059	39,967,594
2018	9,696,281	22,698,700	7,479,452	39,874,433
2019	4,548,731	21,654,794	14,257,239	40,460,764
2020	5,512,031	22,066,819	13,542,616	41,121,466
2021	6,561,881	21,094,119	13,513,440	41,169,440
2022		29,121,925	14,182,230	43,304,155
2023		29,261,563	13,567,055	42,828,618
2024		30,597,669	14,113,786	44,711,455
2025		30,932,488	13,535,769	44,468,257
2026		32,207,594	14,008,312	46,215,906
2027		32,889,456	13,568,395	46,457,851
2028		33,368,825	13,547,081	46,915,906
2029		34,620,331	13,851,037	48,471,368
2030		35,123,056	13,582,094	48,705,150
2031		36,179,756	13,767,752	49,947,508
2032		36,631,363	13,549,042	50,180,405
2033		36,734,713	13,652,467	50,387,180
2034		39,636,331	11,813,346	51,449,677
<b>Total</b>	<b>\$ 234,775,741</b>	<b>\$ 824,551,982</b>	<b>\$ 351,401,425</b>	<b>\$ 1,410,729,148</b>

(1) Assumes a rate of interest of the Series 2001C ARCs equal to 5.2%

**CITY OF HOUSTON, TEXAS**  
**CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS**  
**For Fiscal Year 2001**

**Convention & Entertainment Budget for Fiscal Year 2002**

**Budgeted Resources**

**Operating Revenues**

Facility Rentals	\$ 5,152
Parking	9,929
Food and Beverage Concessions	2,471
Contract Cleaning	318
<b>Total Operating Revenues</b>	<u>17,870</u>

**Operating Expenses**

Personnel	4,794
Supplies	466
Services	18,158
<b>Total Operating Expenses</b>	<u>23,418</u>
<b>Operating Income (Loss)</b>	<u>(5,548)</u>

**Nonoperating Revenues (Expenses)**

Hotel Occupancy Tax	
Current	45,450
Delinquent	750
Advertising Services	(10,776)
Promotion Contracts	(8,902)
Contracts/Sponsorships	(1,250)
Net Hotel Occupancy Tax	<u>25,272</u>
Investment Income (Loss)	1,250
Capital Outlay	(7,252)
Non-Capital Outlay	(350)
Other	123
Total nonoperating Rev (Exp)	<u>19,043</u>
Income (Loss) Before Operating Transfers	<u>13,495</u>

**Operating Transfers**

Transfers to Interest	(5,280)
Transfers to Principal	(6,958)
Interfund Transfers	0
Contingency/Reserve	0
<b>Total Operating Transfers</b>	<u>(12,238)</u>

**Net Income (Loss) Operating Fund**

\$ 1,257

**CITY OF HOUSTON, TEXAS  
WATER AND SEWER SYSTEM STATISTICS**

**System Budget (Fiscal Year 2002)**

The following is the summary of the Fiscal Year 2002 Budget for the System as adopted by City Council:

<b>Revenues</b>	<b>(in thousands)</b>
Beginning Fund Balance (July 1, 2001)	\$ 39,681
Current Revenues	<u>585,645</u>
<b>Total Revenues</b>	<u><u>\$ 625,326</u></u>
<b>Expenditures</b>	
Maintenance and Operations	\$ 245,995
CWA Debt Service	29,122
TRA Debt Service	2,279
Debt Service (including Prior Lien Bonds, Junior Lien Bonds and Commercial Paper)	<u>221,078</u>
<b>Total Expenditures</b>	498,474
<b>Other</b>	
Renewal and Replacement Fund (including Discretionary Debt Service)	87,171
Planned Fund Balance (June 30, 2002)	<u>39,681</u>
<b>Total Expenditures and Reserves</b>	<u><u>\$ 625,326</u></u>

**CITY OF HOUSTON, TEXAS**  
**WATER AND SEWER SYSTEM STATISTICS**

**Coverage of Maximum Annual Debt Service by Net Revenues**

The following calculation shows coverage by Net Revenues of Maximum Annual Debt Service on the Prior Lien Bonds and Junior Lien Bonds after issuance of the Bonds:

Maximum Annual Prior Lien Principal and Interest Requirements (2002)	\$ 32,124,406
Maximum Annual Junior Lien Principal and Interest Requirements (2009)	212,799,675
Total Maximum Annual Principal and Interest Requirements (2017)	236,165,782
Net Revenues for Fiscal Year ended June 30, 2001	324,892,000
Coverage of Total Maximum Annual Principal and Interest Requirements (2006)	1.38X

**THE SYSTEM - Sewer Facilities General**

The Sewer Facilities receive and process wastewater generated in a service area that includes the City and certain municipalities and unincorporated communities in the Houston metropolitan area. The Sewer Facilities consist of sanitary sewer lines, permitted wastewater treatment plants, sludge treatment facilities, pumping stations and a centralized laboratory. The general condition of the collection lines of the Sewer Facilities varies depending on age, location and type of construction. The average daily wastewater flow through the Sewer Facilities for Fiscal Year 2001 was 246.78 mgd. The effective treatment capacity of the Sewer Facilities, as reflected by State permits, was 563.45 mgd as of June 30, 2001.

**THE SYSTEM - Annexation Program - In-City Districts**

The City has created reinvestment zones and public improvement districts in which infrastructure improvements, including water and wastewater facilities, will be financed by the respective district or zone through bonds supported by assessments within the districts and by a tax increment fund into which will be deposited the amount of ad valorem taxes collected in the reinvestment zones in excess of the amount calculated on the basis of the property tax appraisals in effect at the time of creation of the particular reinvestment zone. Under State law, the City can create a public improvement district both within the corporate limits of the City and within its extraterritorial jurisdiction. One reinvestment zone and one public improvement district have issued \$2,280,000 and \$800,000 in bonds, respectively. Harris County Improvement District No. 1, created by the Texas Legislature and located within the corporate limits of the City, has issued \$11,000,000 in bonds.



**CITY OF HOUSTON, TEXAS**  
**WATER AND SEWER SYSTEM STATISTICS**

**Funding of Proposed System Improvements**

It is anticipated that the system improvements contemplated in the Department's Fiscal Year 2002 - 2006 CIP will be financed approximately as follows:

<b>Proposed Source of Funding</b>	Amount (in millions)
System Revenue Bonds (Net Proceeds and interest earnings)	\$ 1,375 (*)
Other sources	29
Total	<u>\$ 1,404</u>

(\*) The department's fiscal year 2002 - 2006 CIP anticipates the periodic issuance of additional Prior Lien Bonds, Junior Lien Bonds and Subordinate Lien Commercial Paper. City Council must approve each issuance of bonds.

**Obligations Payable from System Revenues**

The following sets forth the total outstanding principal amount of the system obligations payable from revenues of the system as of June 30, 2001:

<b>Contract Revenue Bonds Payable from System Gross Revenues</b>	Amount
CWA Bonds (1)	\$ 254,187,160
TRA Bonds (2)	13,000,000
	<u>267,187,160</u>
 <b>System Revenue Bonds Payable from System Net Revenues (3)</b>	
Prior Lien Bonds	250,530,000
Junior Lien Bonds	2,867,830,000
Subordinate Lien Obligations (4)	300,000,000
	<u>3,418,360,000</u>
 Total - All Bonds Payable from System Revenues	 <u>\$ 3,685,547,160</u>

(1) Under a 1968 agreement, as amended and superseded in part, and a 1995 agreement, CWA agreed to construct the CWA conveyance system and certain other projects and the City agreed to pay, as a maintenance and operation expense of the System, amounts calculated to be sufficient to cover maintenance and operation expenses of the CWA Conveyance System plus debt service of the CWA Bonds. CWA has reserved the right to issue an unlimited amount of additional bonds on parity with those currently outstanding, however, such issuances are subject to the approval of the City.

(2) Under the 1964 agreement, as supplemented, the City and TRA agreed to construct Lake Livingston, and the City agreed to pay, as a maintenance and operation expense of the System, amounts calculated to be sufficient to cover the maintenance and operation expenses of Lake Livingston, plus debt service on the TRA (Livingston Project) Bonds, less recoupment of a maximum of 30 percent of such cost.

**CITY OF HOUSTON, TEXAS**  
**WATER AND SEWER SYSTEM STATISTICS**

**Discretionary Debt Service Paid by the System**

The total amount of Discretionary Debt Service paid from Net Revenues of the System of the past five Fiscal Years and the amount budgeted for Fiscal year 2002 is set forth below:

Fiscal Year	Discretionary Debt Service (in millions)
2002 (budgeted)	\$ 38.6
2001	38.5
2000	34.0
1999	37.9
1998	34.5
1997	36.1

**Indirect Charges Paid by the System**

In October 1992, the City enacted an ordinance imposing a charge against the System equal to 2% of its net (after adjustments) water and sewer service charge revenues to compensate the City's General Fund for costs incurred in ditch and storm sewer maintenance as a result of operations of the System. Beginning in fiscal year 1997, the charge was increased to 4%. For Fiscal Year 1996, such charge was \$10.2 million; Fiscal Year 1997, \$19.8 million; Fiscal Year 1998, \$20.6 million; Fiscal Year 1999, \$20.9 million and Fiscal Year 2000, \$23.3 million.

The total amounts of such indirect charges, excluding the annual 4% service charge, for the past five Fiscal Years and the amount budgeted for Fiscal Year 2002 are set forth below:

Fiscal Year	Indirect Charges (in thousands)
2002 (budgeted)	\$ 6,877
2001	7,400
2000	7,463
1999	7,963
1998	5,651
1997	5,651

(3) Excludes the principal amount of bonds payable from Discretionary Debt Service Transfers of the City Debt Service Fund.

(4) The City currently issues water and sewer system commercial paper notes pursuant to an ordinance authorizing the issuance of Water and Sewer System Commercial Paper Notes, Series A (the "Series A Notes") in an aggregate amount not to exceed \$500,000,000. The program is structured as a revolving commercial paper program. An ordinance authorizing the Water and Sewer Commercial Paper Notes, Series B (the "Series B Notes"), in the aggregate principal amount of \$200,000,000 (the Series A Notes and the Series B Notes, collectively the "Commercial Paper Notes"), was adopted by the City Council on March 1, 1995. The City has no current plans to issue more than \$300,000,000 in the aggregate of the Commercial Paper Notes. The Commercial Paper Notes are secured by lines of credit from Wesdeutsche Landesbank Gironzentrale, New York Branch, and Bayerische Landesbank Gironzentrale, New York Branch.

**CITY OF HOUSTON, TEXAS**  
**WATER AND SEWER SYSTEM STATISTICS**

**Largest Sewer Customers**

The following schedule presents information concerning the ten largest customers of the Sewer Facilities for the twelve month period ended June 30, 2001. The total charges to such customers represent approximately 3.9% of the System Gross Revenues and 8.8% of Sewer Facilities' gross charges during such period.

<b>Customer</b>	<b>Gross Charges</b>
1. Anheuser-Busch, Inc.	\$ 8,025,355
2. City of Houston	2,654,886
3. General Foods	2,301,888
4. Houston Independent School District	2,284,942
5. Harris County	2,136,369
6. University of Houston	1,909,714
7. Gerald D. Hines	1,213,505
8. Coca Cola Bottling Company	1,104,154
9. Herman Hospital	1,037,866
10. M. D. Anderson Cancer Center	925,004
Total	<u>\$ 23,593,683</u>

**Current Rates**

Current water rates are based on customer class. The amount of the bill is the sum of the minimum charge based on meter size and an additional charge based on the volume of consumption above a minimum volume. The water rates vary from \$1.92 per thousand gallons for multi-family customers to \$4.30 for outdoor customers.

Usage of the Sewer Facilities is not metered for rate purposes. Instead, sewer rates vary from \$1.08 per thousand gallons for wholesale customers to \$3.98 for industrial customers. Additionally, industrial customers may be subject to a sewer surcharge based on the quality of their wastewater discharge.

The bill for a typical single family residential customer using 7,000 gallons per month would be \$41.96 for both water and sewer services. However, the City has lower-user rates ranging from \$8.50 to \$29.88 per month for water and sewer services for single-family residential customers using less than 6,000 gallons per month, which are below the cost of providing services.

**Rate Adjustments**

In recent years, the water and sewer rates have been adjusted on the average as follows:

<b>Date of Change</b>	<b>Average Percent Rate Increase (Decrease)</b>	
	<b>Water</b>	<b>Sewer</b>
January 1983	31.0%	
July 1983		20.0%
July 1985		22.0%
September 1986	20.0%	21.7%
April 1987		32.3%
August 1987	21.0%	
November 1987		(5.0)%
July 1988	8.5%	7.6%
August 1989	6.0%	7.5%
July 1990	5.5%	7.5%
February 1992	2.0%	6.0%
March 1993	2.5%	4.0%

**CITY OF HOUSTON, TEXAS**  
**WATER AND SEWER SYSTEM STATISTICS**  
**Debt Service Schedule**

Fiscal Year Ending June 30	Total Payable From System Gross Revenues <sup>(1)</sup>	Payable From System Net Revenues			Total Debt Service
		Prior Lien Bonds	Junior Lien Bonds	Total Payable From System Net Revenues	
2002	\$ 31,401,046	\$ 32,124,406	\$ 185,798,214	\$ 217,922,620	\$ 249,323,666
2003	31,064,390	29,151,196	185,965,755	215,116,951	246,181,341
2004	31,575,828	22,150,664	194,151,599	216,302,263	247,878,091
2005	30,441,603	22,136,231	203,947,794	226,084,025	256,525,628
2006	30,345,684	22,523,464	212,797,349	235,320,813	265,666,497
2007	30,765,756	20,835,746	212,795,593	233,631,339	264,397,095
2008	30,532,695	22,577,321	212,798,736	235,376,057	265,908,752
2009	25,994,618	22,588,676	212,799,675	235,388,351	261,382,969
2010	21,705,135	22,593,556	212,798,438	235,391,994	257,097,129
2011	19,258,979	20,558,716	212,796,531	233,355,247	252,614,226
2012	18,476,221	20,584,266	212,797,552	233,381,818	251,858,039
2013	17,728,219	20,606,325	212,795,744	233,402,069	251,130,288
2014	16,936,872	20,645,591	212,798,840	233,444,431	250,381,303
2015	16,139,194	23,339,944	212,796,481	236,136,425	252,275,619
2016	15,435,769	23,354,000	212,795,708	236,149,708	251,585,477
2017	4,958,125	23,367,750	212,798,032	236,165,782	241,123,907
2018	4,154,375	9,920,750	212,798,681	222,719,431	226,873,806
2019	4,144,875	5,647,750	212,798,019	218,445,769	222,590,644
2020	4,143,500		212,796,308	212,796,308	216,939,808
2021	4,139,750		212,795,443	212,795,443	216,935,193
2022	4,128,500		212,799,451	212,799,451	216,927,951
2023	4,124,375		212,794,456	212,794,456	216,918,831
2024	4,116,875		212,797,909	212,797,909	216,914,784
2025	4,110,625		212,783,672	212,783,672	216,894,297
2026	4,105,125		212,780,941	212,780,941	216,886,066
2027			212,773,557	212,773,557	212,773,557
2028			212,766,951	212,766,951	212,766,951
2029			212,678,747	212,678,747	212,678,747
2030			44,532,500	44,532,500	44,532,500
2031			27,707,572	27,707,572	27,707,572
Total	<u>\$ 409,928,134</u>	<u>\$ 384,706,352</u>	<u>\$ 5,949,036,248</u>	<u>\$ 6,333,742,600</u>	<u>\$ 6,743,670,734</u>

(1) Includes CWA Bonds and TRA Bonds (Lake Livingston Project)

**CITY OF HOUSTON, TEXAS**  
**WATER AND SEWER SYSTEM STATISTICS**  
**Water Supply**

**Capacity, Production, and Sales**

The following schedule sets forth information concerning Water Facilities capacity, production and sales for Fiscal Year 2000 (million gallons per day):

	<u>Available</u>	<u>Capacity</u>	<u>Daily</u>	<u>Peak</u>	<u>Sales</u>
Ground	137.2	239.0	129.2	225.9	N/A
Surface	1,135.0	1,169.0	556.8	584.1	N/A
Total	1,272.2	1,408.0	686.0	810.0	575.9
Treated					321.7
Untreated					254.2
Total					<u>575.9</u>

**Sources of System Revenues - General**

As of June 30, 2001, the Water Facilities and the Sewer Facilities served approximately 407,000 and 393,000 active service connections, respectively. During Fiscal Year 2001 approximately 45% of System Gross Revenues were derived from the sale of water (88% from treated water and 12% from untreated water), approximately 44% from providing wastewater treatment services, 9% from interest income and the remaining 2% from various other sources. Of the treated water sales, 92% of revenues were from retail customers and 8% from bulk sales to other governmental entities.

**CITY OF HOUSTON, TEXAS**  
**WATER AND SEWER SYSTEM STATISTICS**  
**Water Supply**

**Largest Treated Water Customers**

The following schedule presents information concerning the ten largest treated water customers of the System for the twelve month period ended June 30, 2001. The total charges to such customers during such period represent approximately 3.2% of the System Gross Revenues and 7.1% of total water sales revenues for such period.

<u>Customers</u>	<u>Charges</u>
1. City of Pasadena	\$ 3,433,336
2. Gulf Coast Water Authority	3,095,182
3. North Channel Water Authority	2,817,368
4. Anheuser-Busch, Inc.	2,195,964
5. Clear Lake City Water Authority	1,617,442
6. Houston Independent School District	1,407,756
7. Harris County	1,400,361
8. University of Houston	1,266,388
9. City of West University	1,055,096
10. Texas Medical Center	946,780
	<u>\$ 19,235,673</u>

**Largest Untreated Water Customers**

The following schedule presents information concerning the ten largest untreated water customers of the System for a twelve month period ended June 30, 2001. The total of the contract payments by these ten customers during such period represents approximately 3.5% of the System Gross Revenues and 7.9% of total water sales revenues for such period.

<u>Customers</u>	<u>Charges</u>
1. Equistar Chemicals LP	\$ 3,911,310
2. Shell Oil Company	3,834,411
3. Battleground Water Company	2,614,926
4. Lyondell - Citgo Refining Company LTD	2,075,500
5. Air Liquide American Corporation	2,064,326
6. Chevron Phillips Chemical Company, LP	2,026,913
7. Occidental Chemical Corporation	1,447,163
8. Hoescht Celanese Chemical Group, LTD	1,261,732
9. Donohue Industries, Inc.	1,216,036
10. Texas Petrochemical Corporation	964,294
	<u>\$ 21,416,611</u>

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM STATISTICS**  
**Passenger Statistics**

Fiscal Year	Domestic Passengers					
	Intercontinental		Hobby		Ellington Field	
	Enplanements	Percentage	Enplanements	Percentage	Enplanements	Percentage
	& Deplanements (in thousands)	Change	& Deplanements (in thousands)	Change	& Deplanements (in thousands)	Change
1992	16,126	1.7%	8,032	1.8%	89	14.1%
1993	17,490	8.5%	8,496	5.8%	120	34.8%
1994	18,243	4.3%	8,276	-2.6%	114	-5.0%
1995	21,282	16.7%	8,199	-0.9%	105	-7.9%
1996	22,541	5.9%	8,209	0.1%	89	-15.2%
1997	23,839	5.8%	8,330	1.5%	101	13.5%
1998	25,543	7.1%	8,597	3.2%	113	11.9%
1999	27,271	6.8%	8,795	2.3%	100	-11.5%
2000	28,892	5.9%	9,053	2.9%	89	-11.0%
2001	30,105	4.2%	9,038	-0.2%	64	-28.1%

Domestic Passengers		International Passengers			
Total		Intercontinental		Total Passengers	
Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change
24,247	1.8%	2,195	4.5%	26,442	2.0%
26,106	7.7%	2,417	10.1%	28,523	7.9%
26,633	2.0%	2,679	10.8%	29,312	2.8%
29,586	11.1%	2,868	7.1%	32,454	10.7%
30,839	4.2%	3,148	9.8%	33,987	4.7%
32,270	4.6%	3,614	14.8%	35,884	5.6%
34,253	6.1%	4,161	15.1%	38,414	7.1%
36,166	5.6%	4,801	15.4%	40,967	6.6%
38,034	5.2%	5,340	11.2%	43,374	5.9%
39,207	3.1%	5,811	8.8%	45,018	3.8%



**CITY OF HOUSTON, TEXAS  
AIRPORT SYSTEM STATISTICS  
Airline Market Shares**

**Domestic**

Airlines	Intercontinental				Hobby			
	Fiscal Year 2000		Fiscal Year 2001		Fiscal Year 2000		Fiscal Year 2001	
	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share
Air Tran	0	0.0%	0	0.0%	286,332	3.2%	343,043	3.8%
America West	345,881	1.0%	385,201	1.1%	0	0.0%	0	0.0%
American	1,135,599	3.3%	1,086,819	3.0%	182,128	2.0%	225,574	2.5%
American Eagle	0	0.0%	0	0.0%	315,891	3.5%	323,349	3.6%
Atlantic Southeast	76,174	0.2%	66,248	0.2%	98,102	1.1%	57,825	0.6%
Charter Airlines	59,388	0.2%	51,547	0.1%	4,507	0.0%	3,920	0.0%
Comair	101,123	0.3%	75,380	0.2%	59,256	0.7%	49,721	0.6%
Continental	20,992,284	61.3%	21,661,979	60.3%	0	0.0%	0	0.0%
Continental Express	2,989,862	8.7%	3,485,304	9.7%	41,084	0.5%	24,521	0.3%
Delta	774,322	2.3%	617,677	1.7%	311,709	3.4%	337,497	3.7%
Frontier	0	0.0%	17,140	0.0%	0	0.0%	0 #	0.0%
NW Airlink Express One	0	0.0%	0	0.0%	33,700	0.4%	31,438	0.3%
Northwest	526,284	1.5%	752,275	2.1%	178,537	2.0%	0	0.0%
Southwest	284,263	0.8%	278,787	0.8%	7,541,711	83.3%	7,641,311	84.5%
Sun Country Airways	29,481	0.1%	28,832	0.1%	0	0.0%	0	0.0%
TWA	244,712	0.7%	227,633	0.6%		0.0%		0.0%
United	836,799	2.4%	794,256	2.2%	0	0.0%	0	0.0%
US Airways	495,825	1.4%	575,919	1.6%	0	0.0%	0	0.0%
<b>Total Domestic</b>	<b>28,891,997</b>	<b>84.4%</b>	<b>30,104,997</b>	<b>83.8%</b>	<b>9,052,957</b>	<b>100.0%</b>	<b>9,038,199</b>	<b>100.0%</b>

**International**

	Fiscal Year 2000		Fiscal Year 2001		Fiscal Year 2000		Fiscal Year 2001	
	Total	Market	Total	Market	Total	Market	Total	Market
	Passengers	Share	Passengers	Share	Passengers	Share	Passengers	Share
AeroMexico	152,003	0.4%	148,573	0.4%				
Aerolitoral	0	0.0%	9,179	0.0%				
Air Canada	121,090	0.4%	144,121	0.4%				
Air France	155,939	0.5%	151,649	0.4%				
Air Jamaica	0	0.0%	4,299	0.0%				
Aviacsa	33,256	0.1%	44,158	0.1%				
British Airways	187,452	0.5%	209,987	0.6%				
Canadian Airlines	43,540	0.1%	9,784	0.0%				
Cayman	27,731	0.1%	27,389	0.1%				
Charter Airlines	100,051	0.3%	65,588	0.2%				
Continental	4,011,061	11.7%	4,326,957	12.0%				
Continental Express	110,679	0.3%	231,455	0.6%				
KLM	175,743	0.5%	173,006	0.5%				
Lufthansa	119,826	0.4%	137,732	0.4%				
Sun Country Airlines	29,058	0.1%	62,714	0.2%				
TACA	72,546	0.2%	64,181	0.2%				
<b>Total International</b>	<b>5,339,975</b>	<b>15.6%</b>	<b>5,810,772</b>	<b>16.2%</b>				
<b>Total Airlines</b>	<b><u>34,231,972</u></b>	<b><u>100.0%</u></b>	<b><u>35,915,769</u></b>	<b><u>100.0%</u></b>	<b><u>9,052,957</u></b>	<b><u>100.0%</u></b>	<b><u>9,038,199</u></b>	<b><u>100.0%</u></b>

Domestic only

Ellington Field				Houston Airport System			
Fiscal Year 2000		Fiscal Year 2001		Fiscal Year 2000		Fiscal Year 2001	
Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share
0	0.0%	0	0.0%	286,332	0.7%	343,043	0.8%
0	0.0%	0	0.0%	345,881	0.8%	385,201	0.9%
0	0.0%	0	0.0%	1,317,727	3.0%	1,312,393	2.9%
0	0.0%	0	0.0%	315,891	0.7%	323,349	0.7%
0	0.0%	0	0.0%	174,276	0.4%	124,073	0.3%
0	0.0%	0	0.0%	63,895	0.1%	55,467	0.1%
0	0.0%	0	0.0%	160,379	0.4%	125,101	0.3%
0	0.0%	0	0.0%	20,992,284	48.4%	21,661,979	48.1%
89,011	100.0%	63,729	100.0%	3,119,957	7.2%	3,573,554	7.9%
0	0.0%	0	0.0%	1,086,031	2.5%	955,174	2.1%
0	0.0%	0	0.0%	0	0.0%	17,140	0.0%
0	0.0%	0	0.0%	33,700	0.1%	31,438	0.1%
0	0.0%	0	0.0%	704,821	1.6%	752,275	1.7%
0	0.0%	0	0.0%	7,825,974	18.0%	7,920,098	17.6%
0	0.0%	0	0.0%	29,481	0.1%	28,832	0.1%
0	0.0%	0	0.0%	244,712	0.6%	227,633	0.5%
0	0.0%	0	0.0%	836,799	1.9%	794,256	1.8%
0	0.0%	0	0.0%	495,825	1.1%	575,919	1.3%
89,011	100.0%	63,729	100.0%	38,033,965	87.7%	39,206,925	87.1%

				Houston Airport System			
Fiscal Year 2000		Fiscal Year 2001		Fiscal Year 2000		Fiscal Year 2001	
Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share
				152,003	0.4%	148,573	0.3%
				0	0.0%	9,179	0.0%
				121,090	0.3%	144,121	0.3%
				155,939	0.4%	151,649	0.3%
				0	0.0%	4,299	0.0%
				33,256	0.1%	44,158	0.1%
				187,452	0.4%	209,987	0.5%
				43,540	0.1%	9,784	0.0%
				27,731	0.1%	27,389	0.1%
				100,051	0.2%	65,588	0.1%
				4,011,061	9.2%	4,326,957	9.6%
				110,679	0.3%	231,455	0.5%
				175,743	0.4%	173,006	0.4%
				119,826	0.3%	137,732	0.3%
				29,058	0.1%	62,714	0.1%
				72,546	0.2%	64,181	0.1%
				5,339,975	12.3%	5,810,772	12.9%
89,011	100.0%	63,729	100.0%	43,373,940	100.0%	45,017,697	100.0%

Domestic only

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM STATISTICS**  
**Selected Financial Information**

	1992	1993	1994
<b>Operating Revenues</b>			
Landing Area Fees:			
Landing Fees	\$34,345	\$36,860	\$33,911
Aviation Fuel	949	970	896
Aircraft Parking	517	476	432
Subtotal	35,811	38,306	35,239
Building and Ground Area Revenues:			
Terminal Space	34,041	35,531	38,563
Cargo Building	965	944	1,230
Other Building	550	657	709
Hangar Rental	507	557	650
Ground Rental	3,275	3,379	3,451
Concourse Security	1,347	1,207	1,190
Flight Information Display System	147	248	406
Public Address System	517	576	596
Subtotal	41,349	43,099	46,795
Parking, Concession and other Revenues:			
Terminal Concessions	11,149	12,655	13,257
Auto Parking	25,226	26,648	28,397
Auto Rental	8,107	8,769	8,853
Ground Transportation	2,185	2,455	2,434
Other Operating Income	4,097	583	305
Subtotal	50,764	51,110	53,246
<b>Total Operating Revenues</b>	<u>\$127,924</u>	<u>\$132,515</u>	<u>\$135,280</u>
<b>Nonoperating Revenues</b>			
Interest on Investments	13,410	9,406	4,125
Other	439	426	328
Subtotal	13,849	9,832	4,453
<b>Total Gross Revenues</b>	<u>\$141,773</u>	<u>\$142,347</u>	<u>\$139,733</u>
<b>Operation and Maintenance Expenses</b>			
Personnel and Other Current Expenses	\$73,446	\$78,878	\$84,428
Bad Debt Expense	311	5	3
<b>Total Operating and Maintenance Expenses</b>	<u>\$73,757</u>	<u>\$78,883</u>	<u>\$84,431</u>
<b>Net Revenues</b>	<u>\$68,016</u>	<u>\$63,464</u>	<u>\$55,302</u>
<b>Debt Service Requirements of Outstanding Bonds</b>	<u>\$32,974</u>	<u>\$35,548</u>	<u>\$31,170</u>
<b>Coverage of Debt Service Requirements by Net Revenues</b>	x <u>2.06</u> x	x <u>1.79</u> x	x <u>1.77</u>

Fiscal Years  
(dollars in thousands)

1995	1996	1997	1998	1999	2000	2001
\$37,526	\$40,232	\$41,930	\$42,275	\$35,930	\$39,116	\$46,735
933	1,022	1,062	1,111	978	1,259	895
492	486	379	353	598	555	668
<u>38,951</u>	<u>41,740</u>	<u>43,371</u>	<u>43,739</u>	<u>37,506</u>	<u>40,930</u>	<u>48,298</u>
42,630	42,154	42,855	42,892	47,775	62,738	63,172
1,803	1,898	2,035	2,084	2,075	2,077	1,923
737	1,551	2,135	2,075	2,103	2,036	2,078
903	1,202	1,001	1,063	1,039	1,251	1,605
3,519	4,018	3,701	3,838	4,296	4,886	5,388
1,318	1,288	1,287	1,270	1,287	-	2
456	538	571	531	566	-	-
682	753	777	726	780	-	-
<u>52,048</u>	<u>53,402</u>	<u>54,362</u>	<u>54,479</u>	<u>59,921</u>	<u>72,988</u>	<u>74,168</u>
13,474	14,366	14,670	16,455	19,802	25,262	23,721
31,861	33,242	36,794	39,213	42,304	46,662	51,285
10,498	12,719	14,412	15,828	15,423	18,326	18,787
2,565	2,619	2,906	3,334	4,701	2,549	4,535
908	1,131	490	997	2,714	2,418	1,380
<u>59,306</u>	<u>64,077</u>	<u>69,272</u>	<u>75,827</u>	<u>84,944</u>	<u>95,217</u>	<u>99,708</u>
<u>\$150,305</u>	<u>\$159,219</u>	<u>\$167,005</u>	<u>\$174,045</u>	<u>\$182,371</u>	<u>\$209,135</u>	<u>\$222,174</u>
6,269	8,629	6,080	9,813	9,631	9,677	12,396
665	236	56	95	207	99	680
<u>6,934</u>	<u>8,865</u>	<u>6,136</u>	<u>9,908</u>	<u>9,838</u>	<u>9,776</u>	<u>13,076</u>
<u>\$157,239</u>	<u>\$168,084</u>	<u>\$173,141</u>	<u>\$183,953</u>	<u>\$192,209</u>	<u>\$218,911</u>	<u>\$235,250</u>
\$90,501	\$91,886	\$95,020	\$100,032	\$117,189	\$113,042	\$122,542
(13)	(50)	8	8	17	400	52
<u>\$90,488</u>	<u>\$91,836</u>	<u>\$95,028</u>	<u>\$100,040</u>	<u>\$117,206</u>	<u>\$113,442</u>	<u>\$122,594</u>
<u>\$66,751</u>	<u>\$76,248</u>	<u>\$78,113</u>	<u>\$83,913</u>	<u>\$75,003</u>	<u>\$105,469</u>	<u>\$112,656</u>
<u>\$31,045</u>	<u>\$33,035</u>	<u>\$32,220</u>	<u>\$32,955</u>	<u>\$33,942</u>	<u>\$38,455</u>	<u>\$50,027</u>
x <u>2.15</u> x	<u>2.31</u> x	<u>2.42</u> x	<u>2.55</u> x	<u>2.21</u> x	<u>2.74</u> x	<u>2.25</u>

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM STATISTICS**  
**Total Aircraft Operations and Aircraft Landing Weight**

Fiscal Year	Aircraft Operations (in thousands)			Aircraft Landed Weight (in thousand pounds)		
	Total	Increase (Decrease)	Percentage Change	Total	Increase (Decrease)	Percentage Change
1991	696	5	0.72%	23,119	744	3.33%
1992	656	(40)	-5.75%	23,714	595	2.57%
1993	680	24	3.66%	25,099	1,385	5.84%
1994	667	(13)	-1.91%	24,768	(331)	-1.32%
1995	712	45	6.75%	26,610	1,842	7.44%
1996	734	22	3.09%	26,078	(532)	-2.00%
1997	768	34	4.63%	26,822	744	2.85%
1998	789	21	2.73%	28,253	1,431	5.34%
1999	796	7	0.89%	30,119	1,866	6.60%
2000	827	31	3.89%	31,495	1,376	4.57%
2001	823	(4)	-0.48%	32,083	588	1.87%

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM STATISTICS**  
**Summary of Certain Fees and Charges**

	<b>Bush Intercontinental</b>		<b>Hobby</b>	
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2000	2001	2000	2001
Landing Rates	\$1.075	\$1.269	\$1.931	\$1.817
Terminal Space Rentals	\$20.36 - \$42.31	\$23.96-\$53.25	\$30.62 - \$48.96	\$31.38-\$50.01
Parking Rates (maximum per day)				
Economy	\$5.00	\$5.00	\$5.00	\$5.00
Structured	\$10.00	\$10.00	\$10.00	\$10.00
Surface	\$7.00 - \$9.00	\$7.00 - \$9.00	--	--
Short-Term	\$30.00	\$30.00	\$30.00	\$30.00

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM STATISTICS**  
**System Debt Service Schedule**

The following table sets forth the Debt Service Requirements on all Airport Bonds Outstanding after issuance of the Series 2000 Bonds, assuming scheduled mandatory redemption of any term bonds. The amounts do not include the Airport System's Senior Lien Commercial Paper Notes.

<b>Fiscal Year (ending June 30)</b>	<b>Subordinate Lien Bonds Debt Service</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	
2002	\$ 4,845,000	\$ 80,774,496	\$ 85,619,496
2003	17,575,000	80,481,721	98,056,721
2004	18,490,000	79,566,621	98,056,621
2005	26,355,000	78,944,449	105,299,449
2006	27,980,000	77,325,295	105,305,295
2007	29,455,000	75,844,151	105,299,151
2008	31,060,000	74,223,234	105,283,234
2009	32,800,000	72,510,949	105,310,949
2010	34,620,000	70,662,609	105,282,609
2011	36,570,000	68,726,606	105,296,606
2012	38,625,000	66,677,622	105,302,622
2013	40,775,000	64,526,649	105,301,649
2014	42,955,000	62,332,609	105,287,609
2015	45,385,000	59,933,571	105,318,571
2016	47,855,000	57,428,919	105,283,919
2017	50,485,000	54,828,885	105,313,885
2018	53,225,000	52,086,890	105,311,890
2019	56,110,000	49,185,754	105,295,754
2020	59,120,000	46,178,302	105,298,302
2021	62,165,000	43,108,557	105,273,557
2022	65,645,000	39,630,316	105,275,316
2023	69,115,000	36,191,615	105,306,615
2024	72,755,000	32,544,150	105,299,150
2025	76,615,000	28,682,105	105,297,105
2026	80,730,000	24,571,722	105,301,722
2027	85,060,000	20,227,523	105,287,523
2028	89,610,000	15,682,292	105,292,292
2029	94,460,000	10,831,702	105,291,702
2030	99,720,000	5,567,410	105,287,410
	<u>\$ 1,490,160,000</u>	<u>\$ 1,529,276,724</u>	<u>\$ 3,019,436,724</u>

The City has authorized \$150,000,000 in Airport System Commercial Paper Notes Series A and B \$150,000,000 in Airport System Commercial Paper Notes Series C, of which none are outstanding as of June 30, 2001.

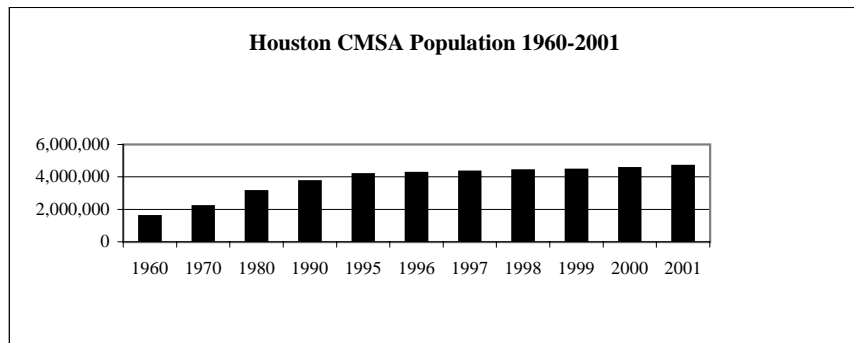
**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM STATISTICS**  
**Service Area**

The airports service region for the Houston Airport System consists of (1) the seven county Houston-Galveston-Brazoria Consolidated Metropolitan Statistical Area (Brazoria, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller counties)--referred to as the Houston CMSA, and (2) a large secondary area surrounding the Houston CMSA. The limits of this secondary area are generally defined by the range and quality of airline service at other air carrier airports, including Beaumont Jefferson County Airport to the east, Dallas/Fort Worth International Airport and Dallas Love Field to the north, Corpus Christi International Airport to the southwest, and Austin-Bergstrom International Airport and San Antonio International Airport to the west.

Houston, the nation's fourth most populous city, is the largest in the South and Southwest. The Houston CMSA ranks 10th in population among the nation's metropolitan areas.

**Service Area Population**

<b><u>Year</u></b>	<b><u>Houston CMSA Population</u></b>
1960	1,581,117
1970	2,181,315
1980	3,118,080
1990	3,731,131
1995	4,164,393
1996	4,239,927
1997	4,320,041
1998	4,407,579
1999	4,440,938
2000	4,538,022
2001	4,669,571



Source: Greater Houston Partnership

**2001 Largest Private Employers Houston-CMSA**

Compaq Computer Corporation  
 Continental Airlines/Continental Express  
 Memorial Herman Healthcare Systems  
 Kellogg Brown & Root  
 UTMB Galveston  
 Kroger Company  
 U. T. - MD Anderson Cancer Center

Aramark  
 Reliant Energy H L & P  
 H.C.A. Health  
 B.P. America  
 Pappas Restaurant  
 Southwestern Bell  
 Shell Oil

Sources: Greater Houston Partnership; Business Houston, 2001



**CITY OF HOUSTON, TEXAS**  
**DEMOGRAPHIC STATISTICS**  
**June 30, 2001**

**GENERAL**

**GEOGRAPHY**

The City is the seat of Harris County, Texas and is located on the upper Texas Gulf Coast 50 miles from the Gulf of Mexico. The City covers 617.34 square miles and lies in three counties: Harris (606.326 square miles), Fort Bend (8.080 square miles) and Montgomery (2.937 square miles). The Houston Primary Metropolitan Statistical Area ("PMSA") includes Chambers, Fort Bend, Harris, Liberty, Montgomery and Waller Counties and covers 6,304.31 square miles. The Houston-Galveston-Brazoria Consolidated Metropolitan Statistical Area ("CMSA") consists of the Houston PMSA, the Galveston-Texas City PMSA and the Brazoria PMSA, and covers 8,778.31 square miles.

**HISTORY**

Houston was founded in 1836 by the Allen brothers on land near the head waters of Buffalo Bayou. This location was chosen because it was as close to central Texas colonies as river boats could travel from the Gulf, making it a marketing and distribution site. The City was named after General Sam Houston, first president of the Republic of Texas and commander of the Texas army that won independence from Mexico in April 1836. The discovery of oil in southeast Texas at Spindletop in 1901 and the opening of the man-made Houston Ship Channel in 1914 stimulated rapid development of petroleum refining and metal fabrication. Petrochemical manufacturing on a large scale began during World War II.

**WEATHER**

Houston averages 21.3 dates per year of freezing weather and 95.5 dates with high temperatures of 90°F or more. The City averages 46.07" of annual precipitation, and thunderstorms occur 103.4 days per year with 208 days of sunshine.

**CITY GOVERNMENT**

**STRUCTURE**

Incorporated under the laws of the Republic of Texas in 1837, and again under the Laws of the State of Texas in 1905, the City operates under a Home Rule Charter. The City has a Mayor-Council form of government in which the Mayor and a fourteen member council serve as the legislative body. The Mayor and City Controller are elected by all voters in the City. Nine council members are elected by districts, and five council members are elected at-large. The Mayor, all members of the Council, and the City Controller are elected for two-year terms that run concurrently. Term limits provide that no elected city official may serve in any one position for more than three consecutive terms. The present term of office for all elected officials expires on January 2, 2002.

The Mayor appoints the directors of the various departments of the City, subject to the confirmation of the City Council, and exercises administrative control over these departments.

The City Controller is the City's chief financial officer. The Controller supervises the fiscal affairs of the City; maintains the books of accounts; prepares financial statements; conducts sales of City bonds; certifies the availability of funds before the City incurs any financial obligation; and countersigns, with the Mayor, all warrants, contracts, and orders for payment of any money by the City.

**CITY OF HOUSTON, TEXAS**  
**DEMOGRAPHIC STATISTICS**  
**June 30, 2001**

The following table shows the number of City employees at the end of each of the last ten fiscal years per the City Personnel Department:

<u>Year</u>	<u>Total Employees</u>	<u>Year</u>	<u>Municipal</u>	<u>Fire</u>	<u>Police</u>	<u>Water &amp; Sewer</u>	<u>Total Employees</u>
1992	20,671	1997	12,072	3,124	5,354	2,685	23,235
1993	21,670	1998	12,120	3,235	5,362	2,498	23,215
1994	23,010	1999	12,218	3,291	5,426	2,190	23,125
1995	23,466	2000	12,170	3,233	5,406	2,142	22,951
1996	23,381	2001	12,171	3,320	5,355	2,125	22,971

**SERVICES**

The City provides water, sanitary sewer, airport, library and park services. The City also has the responsibility of maintaining its storm drainage facilities, bridges, and streets; providing local law enforcement, fire protection, solid waste disposal services, building inspection and civil defense services; and maintaining preventive health service through numerous health facilities within the community.

The City does not operate hospitals, a school system, transit services or a higher education system and does not expend City funds in providing welfare. The hospitals and schools maintained within the City are administered by special districts or other governmental entities with independent taxing authority, and the transit system is operated by the Metropolitan Transit Authority and supported primarily by a separate \$0.01 (one cent) sales tax.

**POPULATION**

According to the United States Department of Commerce - Bureau of the Census 2000 census count and the City Planning Department, Houston's population was at 1,953,631 as of April 1, 2000 after annexations, making Houston the nation's 4th most populous city. According to the United States Department of Commerce - Bureau of the Census, Houston Primary Metropolitan Statistical Area's (PMSA) population was at 4,177,646 as of April 1, 2000.

The following table presents the population of the City and the Houston PMSA according to the United States Department of Commerce - Bureau of the Census, as of April 1, of the year shown:

<u>Year</u>	<u>Population</u>	
	<u>City of Houston</u>	<u>Houston PMSA</u>
2000	1,953,631	4,177,646
1990	1,668,261	3,322,025
1980	1,595,138	2,753,155
1960	938,219	1,364,569
1940	384,514	627,311

**CITY OF HOUSTON, TEXAS**  
**DEMOGRAPHIC STATISTICS**  
**June 30, 2001**

**EDUCATION**

The Houston region has 41 colleges and universities. The Houston Independent School District is the seventh largest in the U.S., with a Fall 2000-2001 enrollment of 209,900 in 297 schools of which 117 are "magnet" schools offering specialized programs. There are a total of 23 school districts partly or entirely in Harris County. Approximately 25,158 students are enrolled in accredited nonpublic schools.

**Houston Independent School District**

<u>Year</u>	<u>Pupils</u>	<u>Teachers</u>
2000-2001	209,900	12,630
1999-2000	209,916	11,674
1998-1999	210,179	11,773
1997-1998	211,197	11,605
1996-1997	209,610	11,853
1995-1996	207,000	11,513
1994-1995	202,149	11,919
1993-1994	200,613	11,405
1992-1993	198,209	11,536
1991-1992	197,413	11,251

Source: Houston Independent School District Facts, Texas Education Agency, and Texas Higher Education Coordinating Board.

**HEALTH CARE**

Houston has 85 hospitals with 19,390 beds of which 6,403 are in the Texas Medical Center ("TMC"). The TMC consists of 33 major institutions and occupies a 675-acre campus. The combined value of TMC buildings completed or under construction represent a capital investment exceeding \$6.6 billion. Total operating budget for 2000 was estimated at \$4.2 billion; employment in 1997 was approximately 51,273, enrollment in TMC institutions was in excess of 16,860 students as of 2000, and 72,114 health professionals participated in educational and professional programs as of 2000.

**SPACE SCIENCE**

Johnson Space Center ("JSC"), a \$1.2 billion complex constructed in 1962, occupies a 1,620-acre site about 25 miles southeast of downtown Houston. JSC is a focal point for the U.S. manned space flight program, is responsible for the space shuttle, and is the lead institution of the space station program.

**EMPLOYMENT**

Houston is still in the forefront of energy exploration and production technology, yet the industries that employ Houstonians continue to increase in diversity. After modest growth during 1991-1992, employment in Houston accelerated in response to robust national expansion. Houston ended 2000 with a net gain of 57,000 jobs, or 2.7 percent.

**CITY OF HOUSTON, TEXAS**  
**DEMOGRAPHIC STATISTICS**  
**June 30, 2001**

Twenty Largest Employers in Harris County  
(**alphabetical**)

Aldine I.S.D.  
Baylor College of Medicine  
Compaq Computer Corporation  
Continental Airlines, Inc.  
Cypress Fairbanks I.S.D.  
Exxon-Mobil Corporation  
Harris County  
Houston-City Of  
Houston ISD  
Memorial Hospital System  
Pasadena ISD  
Postal Data Center  
Randall's Food Market Inc.  
Reliant Energy Inc.  
Southwestern Bell  
The Kroger Co.  
The May Department Stores Co.  
University of Texas System Cancer Center  
University of Houston  
Wal-Mart Associates Inc.

Source: Texas Employment Commission

**CITY OF HOUSTON, TEXAS**  
**DEMOGRAPHIC STATISTICS**  
**June 30, 2001**

**BUSINESS**

Houston is a major corporate center as well as an international city that is home to more than one half of the world's 100 largest non-US-based corporations and 21 of the 2000 Forbes 500 list. A leading center for international finance, Houston leads the Southwest with 28 foreign banks representing 13 different nations.

Source: Greater Houston Partnership

**INCOME**

Annual average payroll employment in the Houston PMSA in 2000 rose by 52,400 (2.5%) to 2,081,500 according to the U. S. Department of Commerce & U.S. Bureau of Labor Statistics.

**TRADE**

The Port of Houston ranked first among U.S. ports in 2000 in amount of foreign tonnage and second in total tonnage.

<b>By Value (\$000)</b>		<b>By Tonnage</b>	
Mexico	\$ 5,455,965	Mexico	31,588,737
Venezuela	3,167,254	Venezuela	13,538,843
Germany	2,793,494	Iraq	8,283,141
Brazil	2,078,131	Algeria	3,925,096
United Kingdom	1,708,503	Saudi Arabia	3,536,466

**SPORTS**

Houston's professional teams include: the Texans (National Football League), Astros (Major League Baseball); the Back to Back NBA World Champion Houston Rockets (National Basketball Association 1994 and 1995 champions); the Four Time WNBA World Champion Houston Comets (Women National Basketball Association 1997, 1998, 1999 and 2000 champions); the 1999 Turner Cup Champions Aeros (American Hockey League); the Houston Energy (Women's Professional Football League, 2001 champions). Racing facilities include the Sam Houston Race Park (class 1 thoroughbred/quarterhorse racing), and Gulf Greyhound Park. The Texaco/Havoline Grand Prix is held each year in downtown Houston.

**CITY OF HOUSTON, TEXAS**  
**SURETY BOND AND INSURANCE COVERAGE**  
**June 30, 2001**  
*amounts expressed in thousands, except for deductible amounts*

<b>Policy Number</b>	<b>Insurer</b>	<b>Policy Expires</b>
SUN-336430	Hartford Casualty Insurance Co.	12/ 31/01
SUN-336431	Hartford Casualty Insurance Co.	12/ 31/01
SUN-201610	Hartford Casualty Insurance Co.	1/2/98 (continuous)
61BSBAN7501	Hartford Casualty Insurance Co.	9/11/1996 (continuous)
69149047	Western Surety Company	5/ 9/02
61BSBAM5064	Hartford Casualty Insurance Co.	9/17/2000 (continuous)
606768209	Hartford Casualty Insurance Co.	2/1/1996 (continuous)
6218	Texas Municipal League	8-16-2000/8-16-2001
6218	Texas Municipal League	8-16-2000/8-16-2001
IMO5472399	St. Paul	10-20-2000/10-20-2001
3F 788548-02	Kemper Insurance Company	2-1-2001/2-01-2002
S67DXF80386674	Fireman's Fund Insurance	7-29-2001/7-20-2002
S67MZA80215005	Fireman's Fund Insurance	7-29-2001/7-29-2002
SBP0001047044 20000728	Texas Workers Compensation Fund	7-29-2001/7-29-2002
Pending	Fireman's Fund Insurance	7-29-2001/7-29-2002
858 46 64	Birmingham Fire Insurance	4-27-2001/4-27-2002
FPA359633-0	Westchester Fire Co.	4-1-2001/4-1-2002
FBP-HN-7318124	Hartford Steam Boiler Inspection & Ins.	2-18-1999/2-18-2002
IM04200103	St Paul Insurance Co.	3-26-2001/3-26-2002
IM04200103	St Paul Insurance Co.	3-26-2001/3-26-2002
IM04200103	St Paul Insurance Co.	3-26-2001/3-26-2002
CCP 002 76 41	Fidelity & Deposit Co. of Maryland	4-11-2000/4-11-2003
61PEBLF4364	Hartford Casualty Ins. Co.	10-29-1999/10-29-2000
61PEBLH7670	Hartford Casualty Ins. Co.	2-11-2001/2-11-2002
Various	Western Surety Company	4 yrs term per bond
SRG 805 80 52	The AIG Life Companies	Pending volunteer contract neg.
DOC 368230500	Zurich	9-09-2001/9-9-2002

<b>Property at Risk</b>	<b>Type of Coverage</b>	<b>Amount of Coverage (in thousands)</b>
Mayor	Public Official Bond	\$ 10
City Controller	Public Official Bond	\$ 50
Deputy Controller	Public Official Bond	\$ 25
Director, Municipal Courts	Public Official Bond	\$ 25
Director, Finance & Administration	Public Official Bond	\$ 25
Deputy Director, Finance & Administration	Public Official Bond	\$ 25
Deputy Assessor-Collector, Finance & Administration	Public Official Bond	\$ 25
Houston Housing Finance Corporation	Broad Form Property Insurance	\$ 2,541
Houston Housing Finance Corporation	Commercial General Liability	\$ 10,000
Houston Area Library Automated Network	Electronic Equipment (HALAN)	\$ 446
Houston Read Commission	Commercial Crime Policy - Public Employee Dishonesty	\$ 60
Small Business Development Corporation	Commercial General Liability	\$ 4,105
Small Business Development Corporation	Hired and Non-Owned Auto Liability	\$ 1,000
Small Business Development Corporation	Workers' Compensation/Employers Liability	\$ 3,000
Small Business Development Corporation	Commercial Excess Liability	\$ 4,000
Small Business Development Corporation	Director's, Trustee's, & Officer's Liability	\$ 1,000
City of Houston	Blanket Bonds	\$ 4,368,982
City of Houston	Comprehensive Boiler/Other Machinery	\$ 75,000
City of Houston	Electronic Equipment for Library	\$ 713
City of Houston	Fine Arts Floater - Rare Book for Library	\$ 3,205
City of Houston	Fine Arts Floater - Film Collection for Lib.	\$ 1,000
City of Houston	Public Employee Dishonesty	\$ 2,000
Houston Parks Board	Public Employee Dishonesty	\$ 10
Library Board	Public Employee Dishonesty	\$ 10
Various City of Houston Notaries	Notary Bonds for Various City Notary	\$ 2
Adopt-A-Lot Program	Accident Insurance for Volunteers	\$ 301
Houston Convention Center Hotel Corp	Liability for Directors & Officers	\$ 10,000

**CITY OF HOUSTON, TEXAS**  
**SALARIES OF ELECTED OFFICIALS**  
**June 30, 2001**

<b><u>Name and Title of Official</u></b>	<b><u>Authorized Annual Salary</u></b>
Lee P. Brown, Mayor	\$ 165,817
Sylvia R. Garcia, City Controller	110,544
Bruce Tatro, Council member - District A	44,218
Carol Mims Galloway, Council member - District B	44,218
Mark Goldberg, Council member - District C	44,218
Jew Don Boney, Jr., Council member - District D	44,218
Rob Todd, Council member - District E	44,218
Mark Ellis, Council member - District F	44,218
Bert Keller, Council member - District G	44,218
Gabriel Vasquez, Council member - District H	44,218
John E. Castillo, Council member - District I	44,218
Annise D. Parker, Council member - At Large Position #1	44,218
Gordon Quan, Council member - At Large Position #2	44,218
Orlando Sanchez, Council member - At Large Position #3	44,218
Chris Bell, Council member - At Large Position #4	44,218
Carroll G. Robinson, Council member - At Large Position #5	44,218



**CITY OF HOUSTON, TEXAS**  
**Schedule of Credits**

**Comprehensive Annual Financial Report:**

**Executive Division**

Sylvia R. Garcia, City Controller	
Judy Gray Johnson, Chief Deputy City Controller	General Overview and Letter of Transmittal Review
Roel Garcia, Chief of Staff/General Counsel	General Overview and Letter of Transmittal Review
Sharon M. Adams, Deputy Controller Intergovernmental Affairs	
Lorie Arnett, Director, Special Projects	Design Oversight
Madeleine Appel, Division Director	Cover, Tab Design, and Printing Coordination
Harry Singh, Administration Supervisor	Printing
Lenard Polk, Administrative Supervisor	
Carlethya Guillory, Administrative Assistant	Printing
Mandy Legal, Intern Rice Leadership Program	Quality Control
	Letter of Transmittal Review

**Financial Reporting Division**

Larry Homan Jr., Director	Preparation and Coordination
Staff:	

Alicia Cai, Assistant City Controller  
Carol Chiaghana, Assistant City Controller  
Wesley Dormer, Assistant City Controller  
Keith Fulkerson, Assistant City Controller  
Gregory Jackson, Assistant City Controller  
Cheryl Johnson Assistant City Controller  
Isabel Kato, Assistant City Controller  
Chau Ngo, Intern  
Chris Okeagu, Assistant City Controller  
Jacqueline Brown, Administrative Assistant  
Beverly Riggans, Assistant City Controller  
Solomon Tettey, Assistant City Controller  
Sue Vu, Assistant City Controller  
Dinah Walter, Assistant City Controller  
Melanie West, Assistant City Controller  
Bonita Wright, Assistant City Controller

**Fiscal Year End Support**

**Operations Division**

Claude Hill, Director	Technical Assistance
Staff:	

Ingrid Chang, Assistant City Controller  
Courtney Satterwhite, Administrative Manager  
Carolyn Goodie, Administrative Supervisor  
Rachel Flores, Administrative Supervisor  
Norma Walker, Administrative Supervisor  
Mary Villarreal, Accountant Supervisor  
Sarah Smith, Administrative Assistant

**Systems Division**

Mary Ann Grant, Director	Year End Development, Procedures and System Processing
Staff:	
Martina Lee, System Accountant	
Leon Phelps, System Accountant	
Brenda Jackson, Technical Hardware Specialist	
Anthony Tran, Microcomputer Analyst	
Romeo DeJesus, Sr. Microcomputer Analyst	
Daniel Schein, Administrative Assistant	

**CITY OF HOUSTON, TEXAS**  
**Schedule of Credits - Continued**

**Investment and Debt Management**

James Moncur, Director

Debt and Investment Disclosures

Staff:

Thomas Lane, Portofolio Manager  
Charisse Page Mosely, Financial Analyst  
Irma Rodriquez, Financial Analyst  
Wanda Wooten, Administrative Assistant  
Catherine Smith, Administrative Assistant  
Adriana Vermeys, Administrative Assistant

**Audit Division**

Steve Schoonover, City Auditor

Consulting and general support

**Finance and Administration Department**

Philip B. Scheps, PhD, Director

Staff:

Al Mays, Assistant Director  
Lathenia Harris, Deputy Assistant Director  
Regina Dickson, Division Manager  
Jane Nyambura, Division Manager  
Harold Jackson, Division Manager  
Carl Medley, Division Manager

**Houston Parks & Recreation Department**

Photos

Oliver B. Spellman, Jr., Director

**Office of Marketing and Special Events**

Susan Christian, Deputy Director

Staff:

Dick Putney, Division Manager  
Melissa Tatum, Administration Manager  
Tom Joseph, Graphic Designer

**Office of the Mayor**

Sara Culbreth, Deputy Chief Administrative Officer

Sandra Fernandez, Communications Specialist

Laura Grainger, Staff Analyst

Marian Couch, Administrative Assistant

**Professional Consultants**

Texas Printing, INC.

Printing Services

KPMG, LLP

Auditors

This schedule by no means gives credit to all of the individuals who have some part in the development and production of this Comprehensive Annual Financial Report. However, we have included the major participants who made the issuance of this document possible.

Printed on 50% recycled wastepaper

CITY OF HOUSTON, TEXAS



