



City of Houston, Texas

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Ronald C. Green, City Controller



“What is the city but the people?” -William Shakespeare

Cover photo:

The Mayor’s Official 4th of July Celebration, Freedom Over Texas

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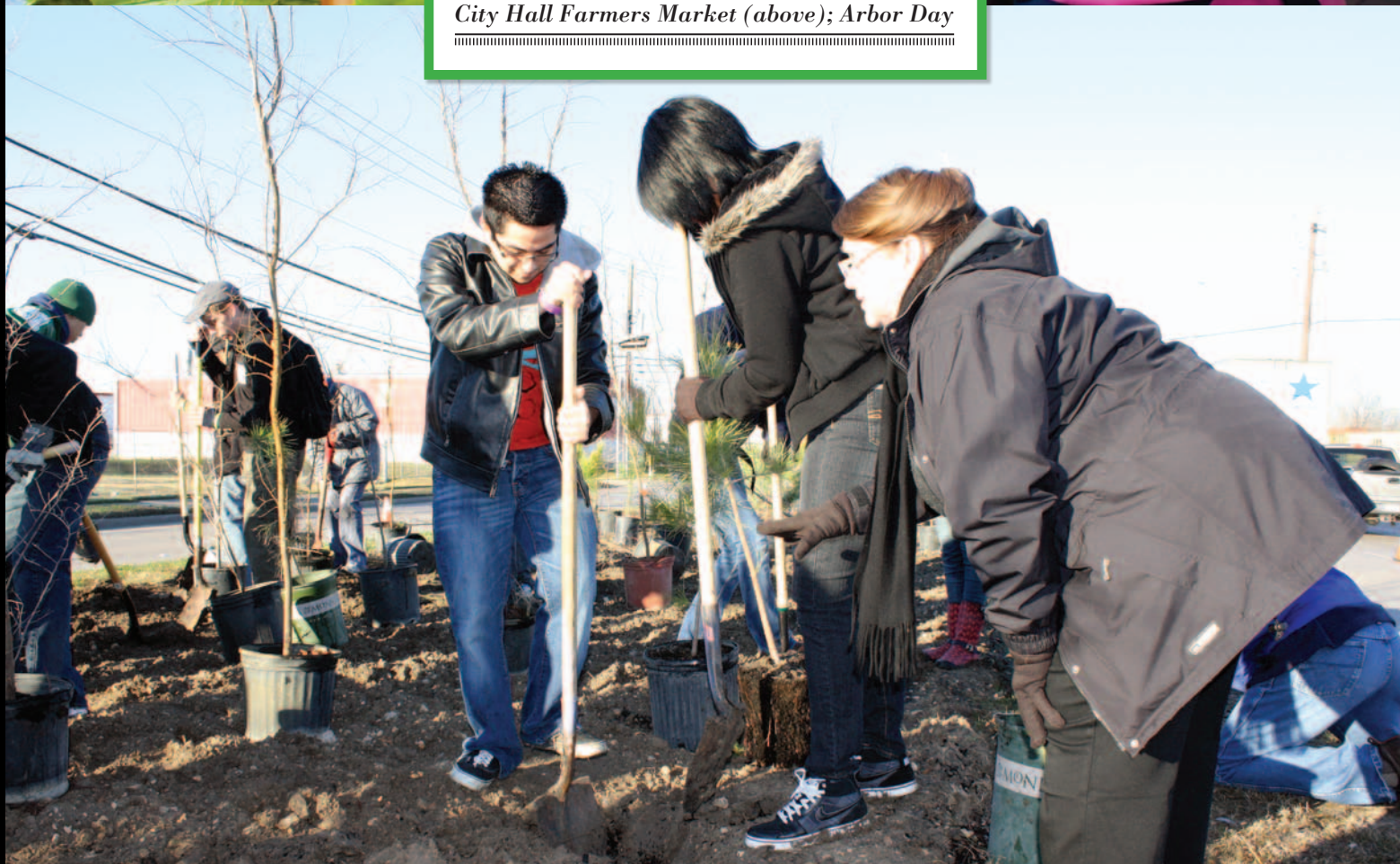
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CITY OF HOUSTON, TEXAS





City Hall Farmers Market (above); Arbor Day





**2011 CITY OF HOUSTON
Comprehensive Annual Financial Report**

Office of the City Controller

Houston City Controller Ronald C. Green is the second highest elected official in Houston City Government (the "City") and its Chief Financial Officer. The Office of the Houston City Controller superintends the fiscal affairs of the City. This includes conducting audits, managing investments and debt, preparing financial statements and providing leadership on policy issues pertaining to the City's financial health. He thus serves as an independently elected "financial watchdog" over City government's fiscal affairs.

The Treasury Division is responsible for managing the City's \$2.4 billion investment portfolio in accordance with state law and the City's investment policy. Fitch has awarded the City's general investment its highest portfolio its highest rating and Standard and Poor's rates the portfolio AA. The Treasury Division is also responsible for overseeing a debt program of approximately \$13 billion. The City has 14 commercial paper programs totaling \$1.75 billion, seven auction-rate security issues, nine series of variable rate demand obligation bonds, SIFMA indexed notes, and two interest rate swaps with a total notional amount of \$902 million and credit agreements totaling \$ 2.76 billion.

The City's general obligation debt is rated Aa2 by Moody's; AA by Standard and Poor's; and AA by Fitch Ratings. In its most recent general obligation ratings report, Moody's cited the City's large tax base, demographic trends and above average economic outlook as strengths. Standard and Poor's affirmed the City's AA rating on its general obligation debt based on the City's "sizable, deep, and diverse economic base."

The Audit Division adheres to recognized professional auditing standards (Government Auditing Standards and International Standards as issued by the Institute of Internal Auditors). During Fiscal Year 2011, the Audit Division engaged in 17 Audits and Special Projects that produced six Audit Reports as posted on the Controller's website. The audits and projects performed focused on compliance, performance, process reviews, ongoing monitoring, consideration of fraud, waste or abuse, and quality assurance. The Audit Division continued its role in performing all detail testing required by the OMB Circular A-133 for Federal and State grants which is a key component of the Single Audit. Together, these efforts resulted in over \$2.0 million dollars in direct cost-savings realized or identified. The Audit Division remains committed to its development of a specific IT Audit Function. This is supported by providing aggressive training and staff development to efficiently analyze data from disparate systems. The current focus of the IT Audit Function includes using technology tools that are integrated with the City's ERP System (SAP).

The Operations and Technical Services Division performs certification of funds for contracts. It is responsible for accounts payables (AP), bank reconciliation, payroll payments, and record retention for all City-wide departments. Additionally, the division disburses checks for all City and private vendors and fulfills the Vendor Liaison function. Furthermore, IT needs for the Controller's Office are handled by the Technical Services section. In the coming year, the division's goal is to develop AP streamline processing via an on-line vendor invoice interfacing feature in SAP-AP module with the related City wide teams to reduce manual effort; and continue to coordinate the City's move to a paperless approval system for invoices and encouraging direct deposit payment by City vendors and employees.

The Financial Reporting Division is ultimately responsible for the preparation of both the Monthly Financial and Operations Report (MFOR) and the Comprehensive Annual Financial Report (CAFR), although every division of the City Controller's Office contributes to the CAFR effort. The CAFR is available on the City Controller's website: www.houstoncontroller.org and on a CD disc upon request.



2011 CITY OF HOUSTON Comprehensive Annual Financial Report



Ronald C. Green
Houston City Controller

Ronald C. Green was elected Houston's City Controller on December 12, 2009, after serving three terms on Houston City Council, At-Large, Position Four. He was unopposed for his second term as City Controller. On City Council he chaired the Budget and Fiscal Affairs Committee, overseeing the City's annual budget of nearly \$4 billion. As Controller, Mr. Green has the following responsibilities:

- Accurately and timely reporting on the City's financial condition;
- Assessing the City's future financial condition with accurate forecasts of projected revenues and expenses;
- Certifying to City Council that funds are available for all appropriations and commitments of funds and keeping accurate books of account to reflect these commitments;
- Certifying that vendors with City contracts are not delinquent on City taxes;
- Auditing the financial activities of City departments;
- Ensuring that every City dollar is fully and wisely invested at all times; and
- Serving as the financial voice for City government and informing the citizens.

As City Controller, Mr. Green oversees a \$13 billion debt portfolio and over \$2 billion of investments. With rates at historic lows during the past two years, the Controller's Office has sought out several refinancing opportunities that have generated over \$130 million in savings without extending the life of the debt. In addition to management of the City's treasury functions, every payment issued by the City of Houston is processed by the Controller's Office. The Office also prepares several reports to provide financial data and operational statistics regarding the City, including a monthly report, an annual audited comprehensive statement, and a trends report.

The Controller's Office also includes the Audit Division, which has primarily concentrated on identifying inefficiencies and evaluating the City's outside contracts. Through Audit's efforts in Mr. Green's first term as Controller, the City has realized \$2 million in savings.

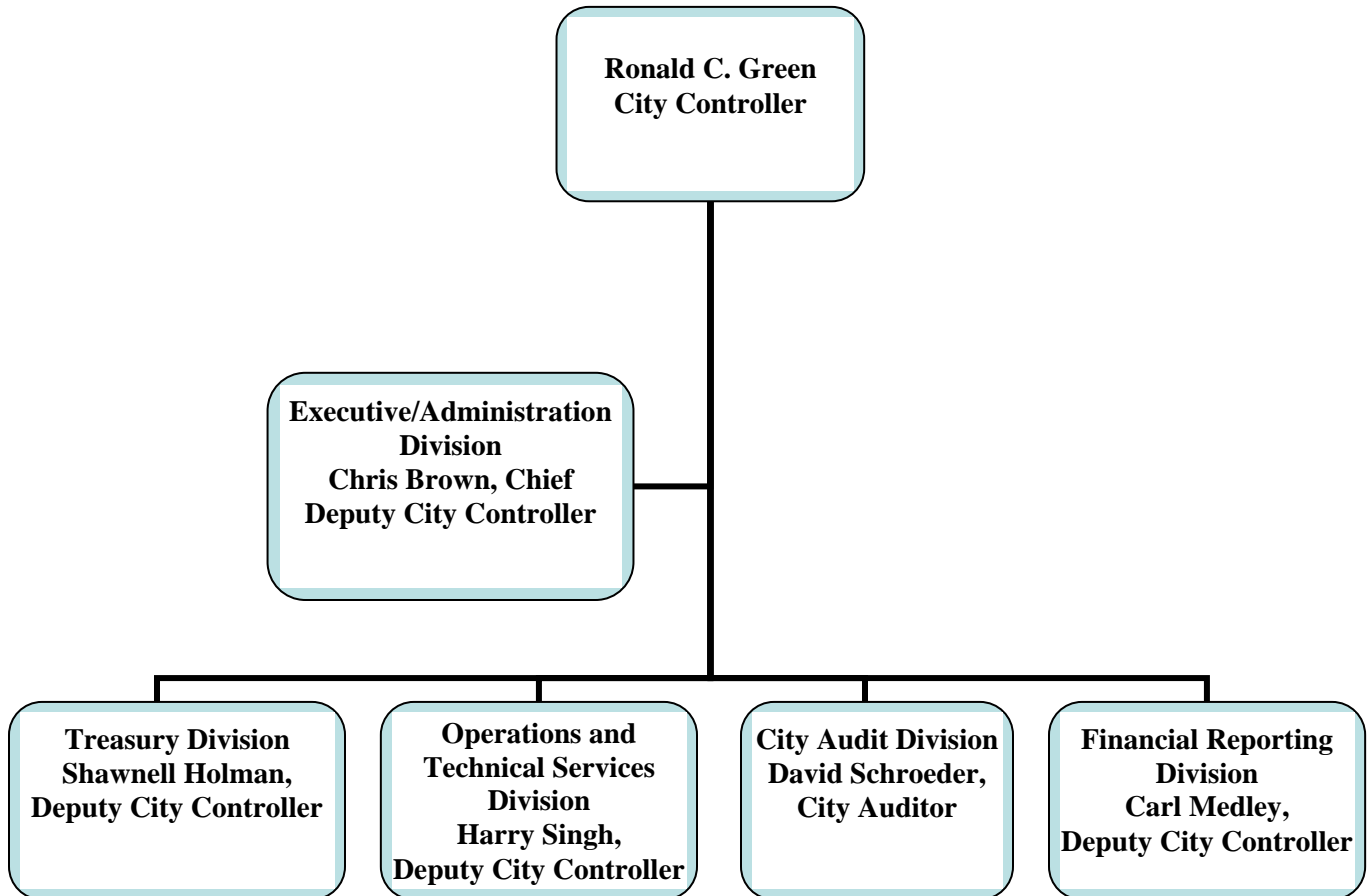
Mr. Green is a native Houstonian. He earned both a Bachelor of Science and a Master of Business Administration from the University of Houston, as well as a law degree from Texas Southern University's Thurgood Marshall School of Law. He is also a licensed real estate broker.

Mr. Green is a founding partner of his own law firm and is a member of the Government Finance Officers Association, National Association of Bond Lawyers, the Houston Lawyers Association, Alpha Phi Alpha Fraternity, Inc., and 100 Black Men of America, Inc. He serves on the National League of Cities' Finance Administration and Intergovernmental Relations Steering Committee and the City Futures Public Finance Panel. He is married to Judge Hilary Harmon Green, Justice of the Peace, Harris County Precinct Seven, Place 1. They have a son and are active in their community and Windsor Village United Methodist Church.



City of Houston

The Office of the City Controller





2011 CITY OF HOUSTON Comprehensive Annual Financial Report

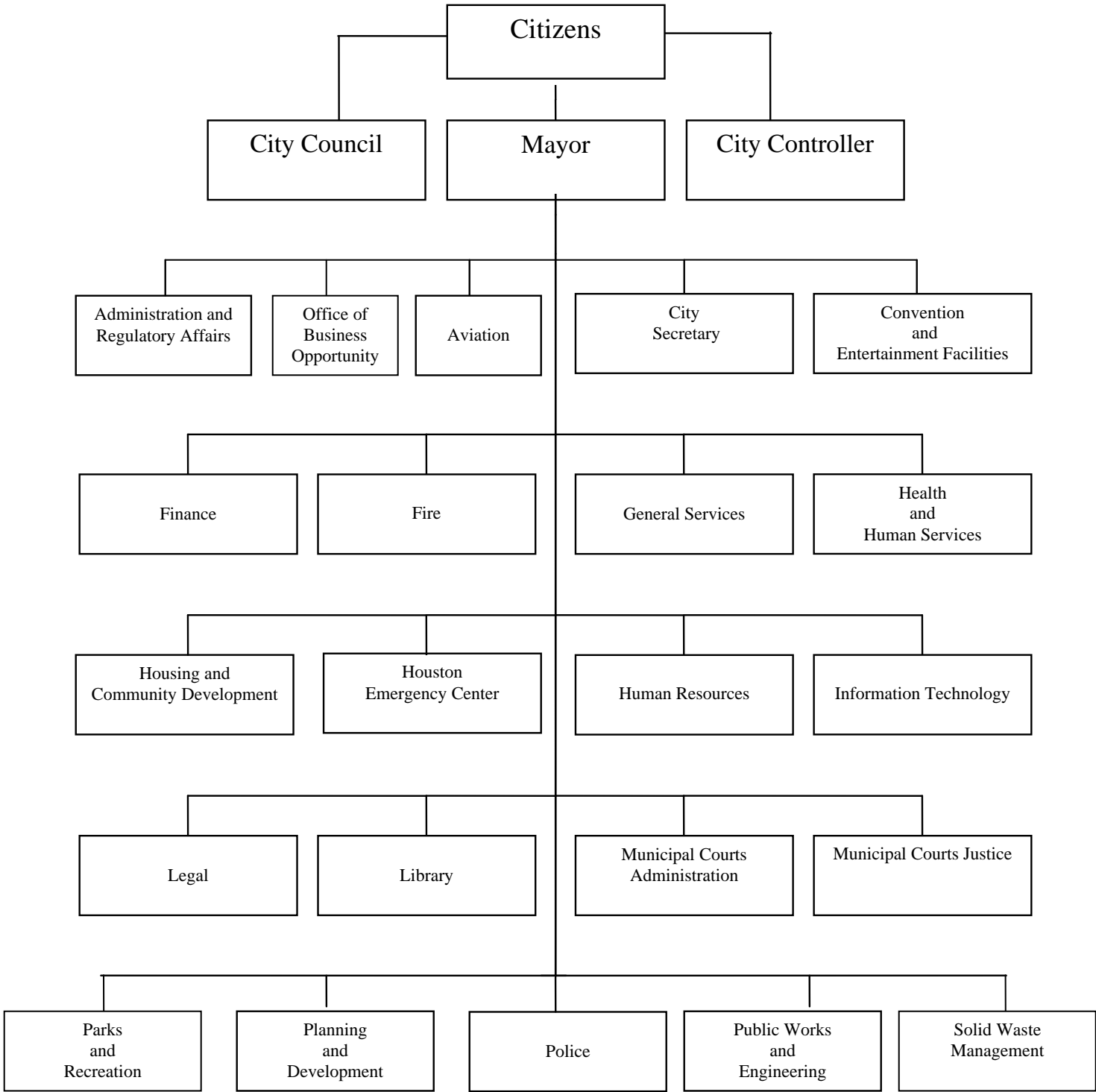
Elected Officials City of Houston, Texas



2010 Houston City Council: (L-R) District H Councilman Edward Gonzalez (Vice Mayor Pro-Tem); At Large Position 2 Councilwoman Sue Lovell; At Large Position 1 Councilman Stephen C. Costello, District I Councilman James G. Rodriguez; District B Councilman Jarvis Johnson; District F Councilman Al Hoang; At Large Position 5 Councilwoman Jolanda “Jo” Jones; At Large Position 4 Councilman C. O. “Brad” Bradford; Houston Mayor Annise D. Parker; District D Councilwoman Wanda Adams; City Controller Ronald C. Green; District E Councilman Mike Sullivan; At Large Position 3 Councilwoman Melissa Noriega; District A Councilwoman Brenda Stardig; District C Councilwoman Anne Clutterbuck (Mayor Pro-Tem); and District G Councilman Oliver Pennington.



Organization Chart City Government



CITY OF HOUSTON, TEXAS





Office of the City Controller
City of Houston, Texas

Ronald C. Green

December 2, 2011

Citizens of Houston, Honorable Mayor and City Council Members:

I am pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the City of Houston (Texas) (the “City”) for the year ended June 30, 2011, including the independent auditor’s report prepared by Deloitte & Touche LLP. The CAFR was prepared by the City Controller’s Office and satisfies my responsibilities under the City Charter and State law. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects and is organized in a manner which fairly sets forth the financial position and results of operations of the City as measured by the financial activity of its various funds.

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 for the reliability of financial records for preparing financial statements and maintaining accountability of 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.

The CAFR is presented in three sections. The Introductory Section includes this transmittal letter, a list of elected City officials, and organizational charts for the Office of City Controller and for City government. The Financial Section includes Management’s Discussion and Analysis (MD&A), basic financial statements, combining and individual fund statements and schedules, as well as the independent auditor’s report on the basic financial statements. The Statistical Section includes selected financial and demographic information generally presented in a multi-year basis.

The Basic Financial Statements of the City include all government activities, organizations and functions, including those legally separate organizations for which the City is financially accountable as defined by the Governmental Accounting Standards Board (GASB).

These financial statements have been prepared in accordance with generally accepted accounting principles for local governments as prescribed by the GASB.

The Reporting Entity and Its Services

The Mayor serves as the Chief Executive Officer 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 the mayor, nine district members and five at-large members. The Mayor, City Controller and Council Members are limited to three two-year elected terms.

The City provides a full range of municipal government services including police and fire protection, emergency medical services, pretrial detention services, traffic and municipal courts, water production and distribution, solid waste collection, sanitary code enforcement, wastewater treatment, health and human services, building and maintenance, parks and recreation, library, convention and cultural activities, and operation of three municipal airports, George Bush Intercontinental Airport, William P. Hobby Airport and Ellington Airport.

The City does not operate hospitals, schools, transportation systems or higher education systems. Special districts and governmental entities with independent taxing authority are responsible for administering these services.

History and Population

Houston was founded on August 30, 1836, by New York real estate brokers John Kirby Allen and Augustus Chapman Allen. The Allen brothers paid \$9,428 for 6,642 acres of land at the headwaters of Buffalo Bayou. About a year later, General Sam Houston, the first president of the Republic of Texas, authorized Houston to incorporate. For the next four years Houston was the capital of the Republic. In the early years, cotton and the railroad were the key drivers of Houston's economy. That changed in 1901 with the discovery of oil at Spindletop in Beaumont, Texas. Energy is still king but the area's economy is now also supported by other major drivers, including the Port of Houston, the Texas Medical Center and NASA's Johnson Space Center.

At the time of the first census in Texas in 1850, Houston had a population of 2,397 and Galveston, a bustling port 45 miles south of Houston, was the state's largest city. Today, Houston is the largest city in Texas and the fourth largest city in the U.S. In this first decade of the new century, a quarter million people from other U.S. cities and towns have relocated to Houston. Houston, with more than 2.1 million people, is a melting pot of ethnicities where no single group comprises a majority. The City is the seat of a burgeoning metropolitan area encompassing six counties with a total population approaching 6 million.

Budgetary Information

In accordance with State law and the City Charter, Houston City Council shall, in collaboration with the mayor and City departments, adopt balanced budgets each year for the General Fund, Debt Service Fund, Special Revenue Funds, Internal Service Funds and Proprietary 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. The City also does not budget capital projects and other capital expenditures related to the General Fund. Instead, City Council authorizes these expenditures through individual appropriation ordinances.

Proprietary Fund budgets, also called Enterprise Funds, exclude depreciation and amortization expenses. These Proprietary Fund budgets include debt service and capital equipment costs, but exclude buildings and improvements, with the exception of Aviation, which budgets its current year expenses for these projects. As with the General Fund capital projects, approval of each Proprietary Fund capital project is accomplished through individual appropriation ordinances. No City expenditures may be made without an appropriation. City Council can legally appropriate only those amounts of money that the City Controller has previously certified are, or will be, in the City treasury.

Although the legal level of budgetary control is at 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 and Local Governments and Non-profit Organizations,” and the State of Texas Uniform Grant Management Standards. These audits are conducted simultaneously with the City’s annual financial statement audit. Information related to these Single Audits, including the schedules of federal and state 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.

The Local Economy

At one point in FY 2011, the City of Houston had a deficit of \$100 million. This was largely due to the shortfalls in both property and sales taxes—which, combined, account for 77 percent of the City’s General Fund.

Houston first experienced job losses in September 2008, signaling the onset of the recession in the City and Metropolitan Statistical Area (MSA). Houston was the last of the country’s 20 major urban areas to experience significant job losses, fulfilling the first part of a widely-accepted prophecy that Houston would be the “last in and last out” of the nationwide recession.

The roots of Houston’s economic slowdown began toward the end of 2008. Oil prices had peaked in July 2008 at close to \$150 a barrel but then went into a dramatic decline and bottomed out at \$36 a barrel in February 2009. Concurrently, natural gas prices began falling in late 2008, despite a colder than usual winter. By August 2009, the impact on sales tax was clearly evident, although retail sales tax did not plummet; it was the business-to-business transactions that were grim. By spring 2009, Houston’s unemployment was the worst since the 1980 recession.

Construction saw the largest job losses, nearly 40,000, or one in every four jobs. Real estate also saw a sizeable job loss, over 6,000 jobs, as the home market had about 28,000 fewer sales than in recent years.

However, both the depth and length of Houston’s recession were moderate in comparison with the 20 largest metro areas in the country. Houston’s 4 percent job loss occurred over 16 months—along with Boston, the shortest period of continuous job losses. (Washington D.C. with 21 months of job loss was third of the 20 metro areas, with other areas ranging as high as 42 months and still not recovering.) As Fiscal Year (FY) 2011 came to a close, 88 percent of the job losses in Houston had been recovered—far better than any other metro area. Health care, education, hotel and food services and administrative support had fully recovered, while other sectors—notably, real estate and construction—were in recovery mode but slower.

In short, the prophetic maxim for Houston’s recession, “last in and last out,” was erroneous and the reality was “last in and *first* out.”

With the increases in the job sectors, there occurred a robust recovery in sales tax, expected to finish 2011 at about a 6 percent increase over the previous 12 months.

At the close of the City’s FY 2011, West Texas Intermediate stood at \$95.87 compared to \$75.24 a year earlier, a remarkable comeback in such a short period of time. Domestic rotary rigs peaked at 2,031 in Sept. 2008; hit a low of 876 in June 2009; and rebounded to 1,882 in late June 2011. While natural gas prices have not rebounded as nicely as oil, the bulk of exploration in the past three years has been related to natural gas. Now that oil has rebounded, we are seeing a shift to oil exploration which will account for as much as 40 percent of total exploration.

Houston’s housing market has clearly turned the corner. As FY 2011 closed, sales of single family homes were up 17 percent over the previous June. The negative effect of the previous year’s tax credits was fading, and as employment picked up so did closings. Houston’s housing market remained relatively

stable throughout the recession with home prices no lower than the highs in 2007; other urban areas in the U.S. saw home prices fall as much as 35 percent. Two months into FY 2012, this trend continues with home sales 17 percent above August 2010; average and median prices in city are up, 6.5% and 3.2% respectively. Though these market trends are positive, the City's revenue from property tax will take another year reach the level of FY 2009.

Finally, manufacturing remained strong in Houston. The Houston Purchasing Managers Index (PMI) averaged 60.9 over 2005-2007, fell to 39.0 in March 2009; and rebounded to 61.4 in May 2011.

Houston is no longer a one-industry city. Though energy is the dominant force in the area, international trade, transportation, education and health care play critical roles in the area's economy.

International trade has made the Port of Houston the country's largest foreign borne cargo port. Cargo trade was up 7 percent in 2010 compared with the year before—and foreign cargo was up 28 percent. The Port and port-related businesses (there are more than 150 privately owned businesses located along the ship channel) support or contribute to 800,000 jobs statewide with an impact of \$120 billion.

The Houston Airport System (HAS) is comprised of three airports, Bush Intercontinental Airport, Hobby Airport and Ellington Airport. HAS is an enterprise department of the City supported by its fees and leases and uses no local tax dollars. Bush Intercontinental is a gateway airport to Central and South America. Non-stop flights to worldwide locations—including Hong Kong and Dubai—originate at Intercontinental. Approximately 50 million passengers—including 8 million international travelers—utilize the airports annually.

The Texas Medical Center is comprised of 49 member institutions, including 13 hospitals, two medical schools and four schools of nursing. Many of the TMC institutions are world-renowned for medical research and patient care. The Texas Medical Center employs 93,000 people, has over six million patient visits annually and records nearly 20,000 births annually.

Houston is a renowned academic center. The positive effect of our colleges on the area's economy is immense. Houston was named among the "Top Cities for Recent College Grads" in *Bloomberg Business Week – July 2010* and the "Best City for Recent College Grads," *Forbes.com - June 2008*.

- Baylor College of Medicine is the only private medical school in the Southwest.
- The University of Texas Health Science Center includes the Dental Branch, Medical School, School of Public Health, School of Nursing, Harris County Psychiatric Center and School of Biomedical Sciences.
- Houston Baptist University is a small Christian-based liberal arts university.
- Houston Community College is one of the nation's largest junior colleges; the system has six commuter campuses.
- Rice University is a private research university in Houston's museum district.
- South Texas College of Law was founded in 1923, and is accredited by the American Bar Association.
- Texas Southern University (TSU) is one of the nation's largest Historically Black Universities; TSU has a school of pharmacy and the Thurgood Marshall School of Law.
- The University of Houston was founded in 1927 and is today the flagship institution of a system with three other universities and three multi-institution teaching centers.
- The University of St. Thomas offers a Catholic liberal arts education.

Houston continues to be a destination. During the past decade, nearly one-quarter of a million people moved to the greater Houston area from other U.S. cities and towns. The City continues to rank at the top of lists such as *Forbes*, *Business Week*, *Bloomberg Business Week*, *Manufacturers' News*, *Southern*

Business Development and others in regards to career choice, income, recreation opportunities, housing and business start-up. Below are several No. One rankings.

Top 10 Manufacturing Cities

Business Facilities - July/August 2011

Fastest Growing Millionaire City in the U.S.

Forbes.com – July 14, 2011

Fastest Growing Metro Area

*Rice University's Kinder Institute for
Urban Research – July 12, 2011*

Green Building Initiatives (Large City

Category - population over 100,000)

*The U.S. Conference of Mayors – June
17, 2011*

**Most Affordable City to Do Business -
Worldwide**

*Cities of Opportunities 2011 (as
reported by PwC and The Partnership
for New York City) - May 3, 2011*

Top 10 Major Cities FDI Strategy

FDI Magazine – April/May 2011

**Top Local Government Green Power
Purchaser**

*Environmental Protection Agency -
April 6, 2011*

Lowest Cost of Living - Large Metros

*ACCRA Cost of Living Index – First
Quarter 2011*

**Lowest Estimated Land and Regulation
Costs**

New Geography - November 1, 2010

Best Cities to Start a New Career

The Daily Beast - October 2010

**Largest 5 Year Employment Gain (June 2005
- June 2010) U.S. Bureau of Labor Statistics**

Top Cities for Recent College Grads

Bloomberg Businessweek – July 16, 2010

Best Cities for Young Professionals

Forbes.com – June 17, 2010

**Highest Level of Entrepreneurial Activity
Among Largest Metro Areas**

Kauffman Foundation of Entrepreneurship

Top Destination City

U-Haul International – April 2, 2010

Financial Policies and Planning

The City has had formal financial and budgetary procedures in place since 1987. They require, among other things, a balanced budget, annual review of all fees and charges, funding of employee pensions and other benefits in a manner that systematically funds liabilities and maintenance of an Undesignated Fund Balance in its General Fund of a minimum of 5 percent of total expenses less debt service. Any funds in excess of 7.5 percent of total expenses less debt service are available for non-recurring expenses.

A 1983 resolution adopted by City Council requires the Mayor to develop and submit annually to the City Council for approval a continuous five-year Capital Improvement Plan (CIP). Each year, the Mayor must review the CIP, revise it as necessary, and obtain approval and adoption by City Council. The 2012-2016 CIP calls for the appropriation of \$4.36 billion over the five-year period for both enterprise and property tax supported projects. About \$2.84 billion of this total will be paid for with income generated by the self-supporting enterprise funds. The rest will be funded with tax-supported public improvement bonds approved by Houston voters.

The City's financial policies further require that capital projects or equipment purchases funded through the issuance of bonds or other obligations will be financed for a period not to exceed the expected life of the project or equipment. Annual contributions for debt service from the General Fund are limited to 20

percent of total General Fund revenues, excluding state and federal grants. In addition, Texas law mandates that the City's total tax supported indebtedness shall not exceed 10 percent of the total assessed valuation of property in the City. As of September 30, 2011 the City's outstanding debt payable from taxes and other revenue sources totaled \$13.1 billion. This is in compliance with all applicable financial policies and considered manageable.

The City has investments totaling approximately \$2.5 billion. The City adheres to an investment policy that emphasizes, in order of priority, safety, liquidity and return on investment. The success of this deliberate approach is evident in the 'AAA' credit quality rating and "V1" volatility rating assigned to the City's General Investment Portfolio by Fitch Rating Services.

Long-term Financial Forecast and Major Initiatives

The most recent five-year planning scenario available from the City's Finance Department indicates known cost increases continue to put stress on the City budget. The main factors driving increased expenditures are contractual employee pay hikes, increased costs for employee health insurance benefits, pension responsibilities and operating costs for new facilities. As noted previously in this letter, the recession has also caused increased stress in the form of declining sales tax and property tax revenues. Various strategies are being used to ensure balanced budgets including cost cutting and productivity improvements, a strong commitment to an affordable CIP and strict management of employee health care benefits.

Employee Pension Funds

The City has three pension programs that cover all full time City employees: The Houston Municipal Employees Pension System (HMEPS) for municipal employees, the Houston Police Officers' Pension System (HPOPS) for classified police officers and the Houston Firefighters' Relief and Retirement Fund (HFRRF) for classified firefighters. The unfunded liability for these three pensions totals \$2.3 billion. Negotiated changes in pension benefits, increased employee contributions and the use of pension obligation bonds have helped to reduce this unfunded liability in recent years. The City expects additional improvement in the unfunded liabilities in future years as the full impact of the negotiated changes takes effect.

Retiree benefits

The City also provides certain health care benefits for its retired employees, their spouses and survivors. Beginning with the Fiscal Year 2008 CAFR, the City is required by the Government Accounting Standards Board Statement No. 45 to report an actuarially determined cost of post-employment benefits, other than pensions, such as health and life insurance for current and future retirees. The most recent actuarial report indicates \$2.0 billion accrued liability for retiree health benefits. It is the City's practice to fund the cost of Other Post Employment Benefits (OPEB) on an annual pay-as-you-go basis and account for OPEB costs as a current operating expense in the fiscal year in which the OPEB cost is paid.

Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Houston for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the 14th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive

annual financial report. This report 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 that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 time and effort in preparation of this report lies in the Financial Reporting Division, there was support from the other divisions of the Office: Administration, Executive, Operations and Technical Services and Treasury. I would like to express my appreciation to the entire staff of the City Controller's Office, and to the staffs of the Finance and Administration, Aviation, Convention and Entertainment Facilities, and Public Works and Engineering departments 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 its 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. Deloitte & Touche LLP was not only our independent auditor, but also served as an invaluable source of information and ideas for improving the way City finances are reported.

Request for Information

This financial report is designed to provide a general overview of the City of Houston's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Controller, 901 Bagby Street, 8th Floor, Houston, Texas 77002. Copies of this CAFR are available in CD format.



Ronald C. Green
City Controller

Sources:

City of Houston FY 2011 Operating Budget
City of Houston 2010-2016 Capital Improvement Plan
Greater Houston Partnership
Houston Association of Realtors
National League of Cities: Research Brief on America's Cities
University of Houston Institute for Regional Planning
University of Houston Hobby Center for Public Policy
Rice University Institute for Urban Research
The Perryman Group
Center for State and Local Government Excellence

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Houston
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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.



President

Executive Director



*Houston's Final Four Rally (above);
the ice rink at Discovery Green*



INDEPENDENT AUDITORS' REPORT

The Honorable Mayor, Members
of City Council and City Controller
of the City of Houston, Texas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Houston, Texas (the "City"), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Houston's management. Our responsibility is to express opinions on these 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, represent 100% of the assets of the pension trust funds, within the fiduciary funds. We did not audit the financial statements of any governmental discretely presented component units (except for the Houston Area Library Automated Network and Lamar Terrace Public Improvement District, which represent .1% and 1%, respectively, of the assets and revenues of the governmental discretely presented component units) or any business-type 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 such pension trust funds and governmental discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the City of Houston, Texas, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*” for the year ended June 30, 2011.

The Management’s Discussion and Analysis (pages 3 through 13), Schedule of Budgeted and Actual Revenues and Expenditures of the General Operating Fund (pages 113-117), Pension System Supplementary Information (page 119) and Other Post Employment Benefits Supplementary Information (page 120) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the City of Houston’s management. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Houston, Texas’ basic financial statements. The Introductory Section, Individual Fund Statements and Schedules, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of the City of Houston’s management. The Individual Fund Statements and Schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Deloitte & Touche LLP

December 2, 2011

City of Houston, Texas
Management's Discussion and Analysis
June 30, 2011
(Unaudited)

As management of the City of Houston, we offer readers of the City of Houston's financial statements this narrative overview and analysis of the financial activities of the City of Houston for the fiscal year ended June 30, 2011. Please read this information in conjunction with the basic financial statements that follow this section. The discussion and analysis includes comparative data for 2010. All amounts, unless otherwise indicated, are expressed in millions of dollars.

Financial Highlights

Some of the City's financial highlights for the fiscal year ending June 30, 2011 include:

- The assets of the City of Houston exceeded its liabilities at the close of the most recent fiscal year by \$3.318 billion.
- The City's total net assets decreased during the year by \$271 million.
- Unrestricted assets are a deficit of \$2.143 billion.
- The City of Houston's total expenses were \$4.085 billion.
- Program revenues of \$1.981 billion reduced the net cost of the City's functions to be financed from the City's general revenues to \$2.104 billion.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Houston's basic financial statements. The City of Houston's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Houston's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Houston's assets and liabilities, with the difference between the assets and liabilities reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City of Houston is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish between functions of the City of Houston that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Houston include general government, public safety, public works, health, housing and community development, parks and recreation, and library. The business-type activities of the City of Houston include the airport system, combined utility system and convention & entertainment facilities.

The government-wide financial statements include not only the City of Houston itself (known as the primary government), but also legally separate component units for which the City of Houston is financially accountable. With the exception of the three pension systems, financial information for the component units is reported separately from the financial information presented for the primary government itself. The pension systems, although also legally separate, function for all practical purposes as departments of the City of Houston, and therefore have been included as an integral part of the primary government.

Fund financial statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Houston, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Houston can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The governmental fund balance sheet displays a reconciliation to facilitate this comparison between governmental funds. The reconciliation between the governmental fund statement of revenues, expenditures, and changes in fund balances and governmental activities is provided on a separate schedule.

The City of Houston maintains nine individual governmental funds for financial reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, the capital projects fund and the grants fund, all of which are considered to be major funds. Data from the other funds is combined in the column labeled "Nonmajor Governmental Funds" on both of these statements (see the separate tab labeled "Governmental Funds" for more information on these funds).

Proprietary funds. The City of Houston maintains two different types of proprietary funds: Enterprise funds (see separate tab of same name) and internal service funds (see separate tab of same name). Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Houston uses enterprise funds to account for its aviation system, combined utility system and the convention and entertainment facilities. The City of Houston uses internal service funds to account for health and benefits and long-term disability activities. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the aviation system, combined utility system and convention and entertainment facilities, all of which are considered to be major funds for the City of Houston. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

Fiduciary funds. Fiduciary funds (see separate tab of same name) are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Houston's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes (see separate tab of same name) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning: General fund – budget vs. actual; general budget policies; the City of Houston's progress in funding its obligation to provide pension benefits to its employees; and other post employment benefits.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Houston, on a government-wide basis, assets exceeded liabilities by \$3.318 billion at the close of the most recent fiscal year.

Net Assets
June 30, 2011
 (With comparative totals for 2010)
 (in millions)

	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 908	\$ 1,017	\$ 2,663	\$ 2,443	\$ 3,571	\$ 3,460
Capital assets	6,610	6,494	9,194	9,306	15,804	15,800
Total assets	<u>7,518</u>	<u>7,511</u>	<u>11,857</u>	<u>11,749</u>	<u>19,376</u>	<u>19,260</u>
Long-term liabilities	5,087	4,772	9,775	9,634	14,862	14,406
Other liabilities	724	790	472	481	1,196	1,271
Total liabilities	<u>5,810</u>	<u>5,562</u>	<u>10,247</u>	<u>10,115</u>	<u>16,058</u>	<u>15,677</u>
Net assets						
Invested in capital assets, net of related debt	3,697	3,678	734	894	4,431	4,572
Restricted	179	199	851	842	1,030	1,041
Unrestricted (deficit)	<u>(2,168)</u>	<u>(1,928)</u>	<u>25</u>	<u>(102)</u>	<u>(2,143)</u>	<u>(2,030)</u>
Total net assets	<u>\$ 1,708</u>	<u>\$ 1,949</u>	<u>\$ 1,610</u>	<u>\$ 1,634</u>	<u>\$ 3,318</u>	<u>\$ 3,583</u>

By far the largest portion of the City of Houston's net assets (133.5%) reflects its investment in capital assets (e.g., land, building, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City of Houston uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Houston's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City of Houston's net assets (31.0%) represents resources that are subject to external restrictions on how they may be used.

Change in Net Assets
For the Fiscal Year Ended June 30, 2011

With comparative totals for 2010

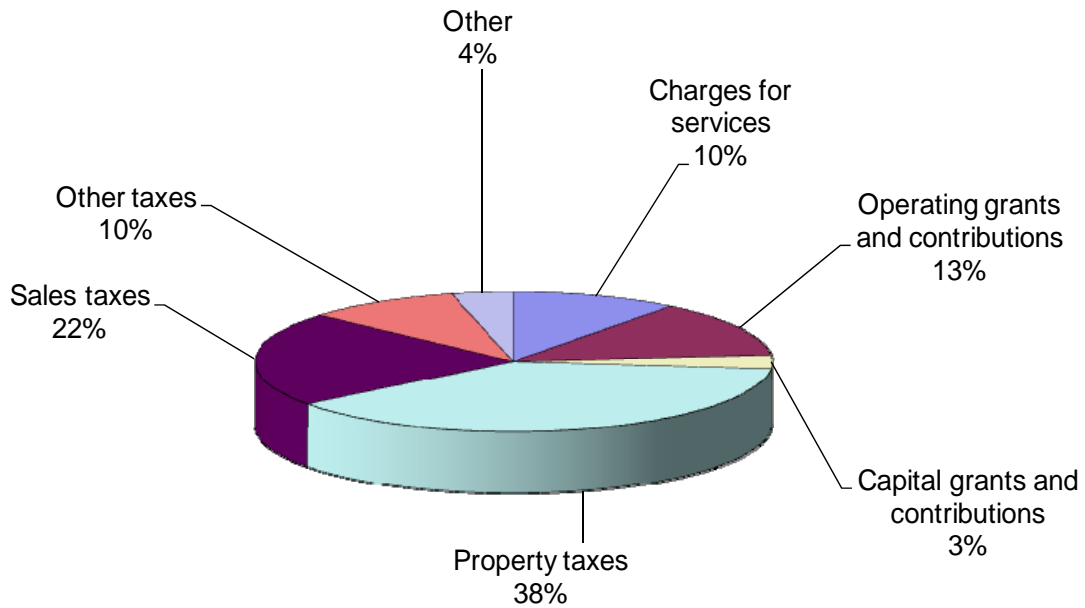
(in millions)

	Governmental		Business-type		Total	
	2011	2010	2011	2010	2011	2010
Program Revenues:						
Charges for services	\$ 235	\$ 233	\$ 1,315	\$ 1,143	\$ 1,550	\$ 1,376
Operating grants and contributions	294	347	23	11	317	358
Capital grants and contributions	69	109	47	59	116	168
General revenues:						
Property taxes	853	896	-	-	853	896
Sales taxes	493	469	-	-	493	469
Other taxes	216	217	62	55	278	272
Other	86	70	121	163	207	233
Total revenues	2,246	2,341	1,568	1,431	3,814	3,772
Expenses:						
General government	231	232	-	-	231	232
Public safety	1,393	1,486	-	-	1,393	1,486
Public works	309	306	-	-	309	306
Health	128	140	-	-	128	140
Housing and community development	96	96	-	-	96	96
Parks and recreation	92	93	-	-	92	93
Library	45	49	-	-	45	49
Interest on Long-term Debt	151	152	-	-	151	152
Depreciation and amortization	130	120	-	-	130	120
Airport System	-	-	537	504	537	504
Convention & Entertainment Facilities	-	-	108	106	108	106
Combined Utility System	-	-	866	850	866	850
Houston Area Water Corporation	-	-	-	10	-	10
Parking Management	-	-	-	7	-	7
Total expenses	2,575	2,674	1,511	1,477	4,086	4,151
Change in net assets before contributions, special items and transfers	(329)	(333)	57	(46)	(272)	(379)
Contributions	5	8	-	-	5	8
Transfers	77	72	(81)	(72)	(4)	-
Change in net assets	(247)	(253)	(24)	(118)	(271)	(371)
Net assets, July 1 as previously reported	1,949	2,202	1,634	1,752	3,583	3,954
Cumulative effect of change in reporting entity	6				6	
Beginning net assets July 1	1,955	2,202	1,634	1,752	3,589	3,954
Net assets June 30	\$ 1,708	\$ 1,949	\$ 1,610	\$ 1,634	\$ 3,318	\$ 3,583

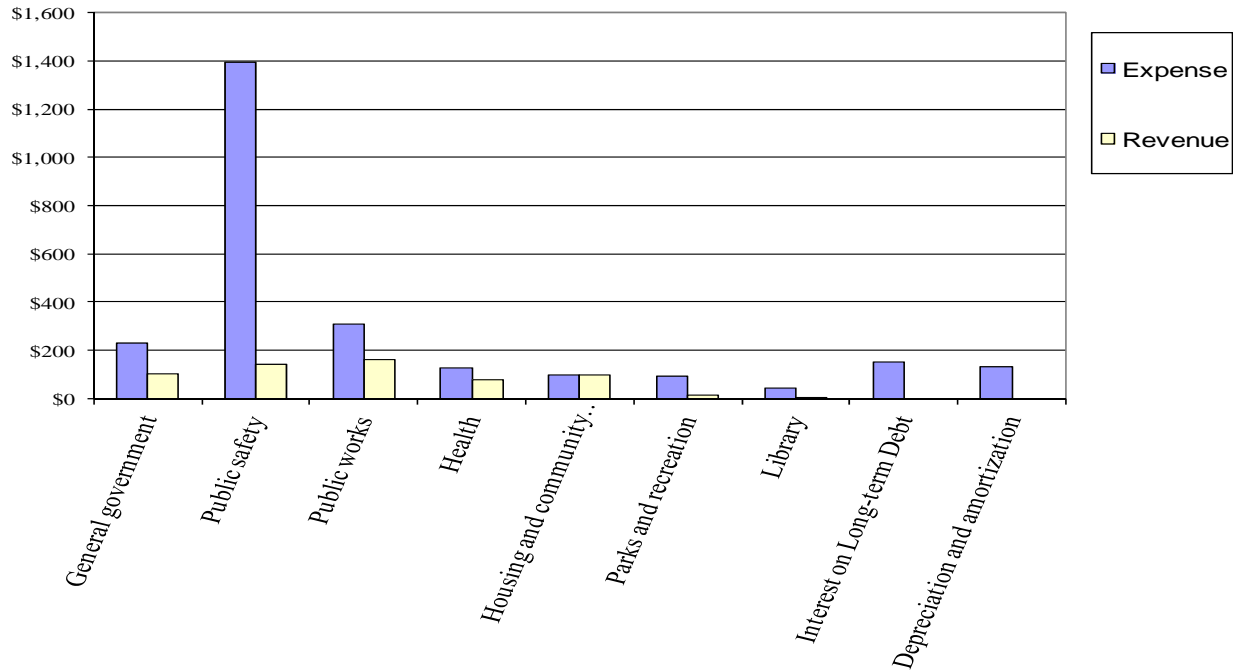
Governmental activities. Governmental activities decreased the City of Houston’s net assets by \$241 million. Key elements of this change are as follows:

- Sales tax revenue has rebounded during fiscal year 2011, providing a 5.1% increase for the year, from \$469 million to \$493 million.
- The City’s property tax rate remained at \$0.63875 per \$100 assessed value. Property tax revenue decreased by \$43 million because of the City’s falling property values despite continued effort in the collection of delinquent taxes.
- The largest decrease in expenses was in the area of Public Safety - \$93 million.
- The largest increase in expenses was in the area of Public Works - \$3 million.

Revenue by Source - Governmental Activities



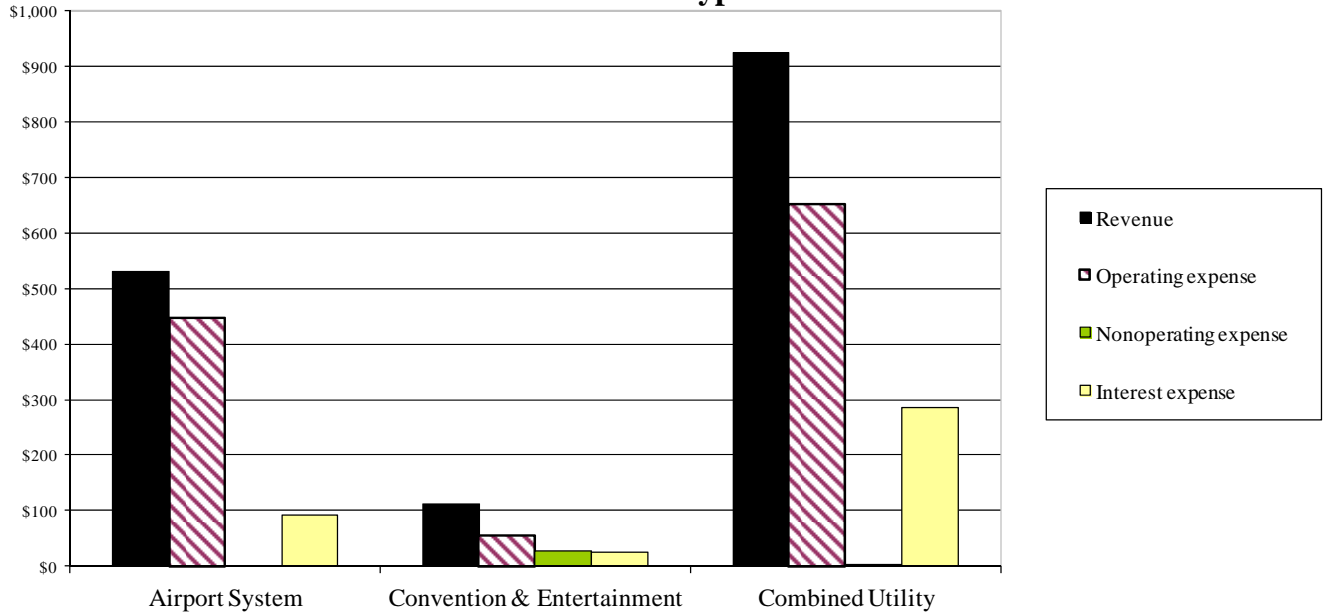
Program Revenue and Expense Governmental



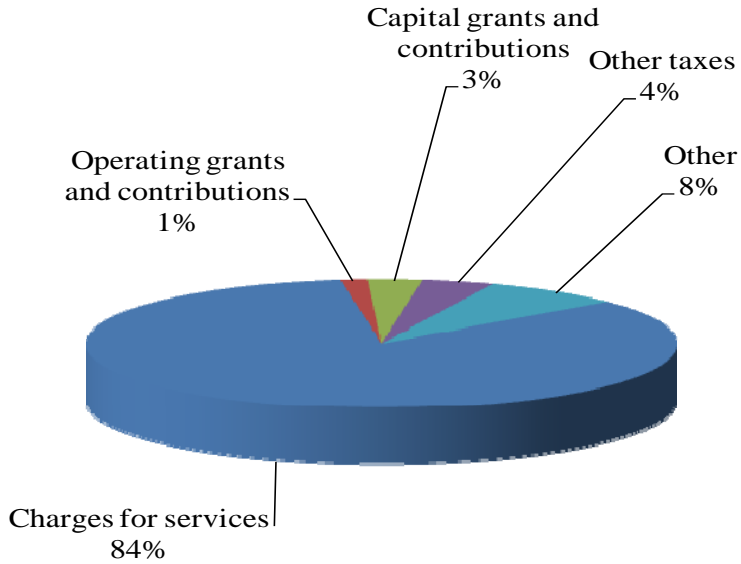
Business-type activities. Business-type activities decreased the City of Houston’s net assets by \$24 million. Key elements of this change are as follows:

- Airport systems operating expenses were up by 9.3%, from \$409 million to \$447 million, for higher personnel and repair costs. Operating revenues for these facilities were up by 0.7%, from \$407 million to \$410 million. Investment income decreased by 66.7% from \$30 million to \$10 million.
- Convention & Entertainment operating expenses were unchanged at \$55 million. Cost savings kept costs flat. Operating revenues were up by 15.0%, from \$20 million to \$23 million. Hotel occupancy taxes increased by 12.7%, from \$55 million to \$62 million, from higher hotel occupancy rates.
- The Combined Utility System operating expenses increased by 0.35% from \$576 million to \$578 million. Cost savings and static staffing levels kept costs flat. Operating revenues increased by 27.2% from \$691 million to \$879 million. Continued area drought has led to record water usage, driving up revenues. Investment income was down by 26.7%, from \$15 million to \$11 million and interest expense was up by 4.7% from \$274 million to \$287 million.

Program Revenue & Expense Business-type



Revenue by Source - Business-type



Financial Analysis of the Government's Funds

As noted earlier, the City of Houston uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds (see separate tab of same name). The focus of the City of Houston's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Houston's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Houston's governmental funds reported combined ending fund balances of \$451 million. Approximately 28.2% of this total amount (\$127 million) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) for capital expenditures (\$32 million), (2) to pay debt service (\$143 million), or (3) a variety of other restricted purposes (\$149 million).

The general fund is the chief operating fund of the City of Houston. At the end of the current fiscal year, unassigned fund balance of the general fund was \$127 million, while the total fund balance reached \$169 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 7.1% of total general fund expenditures, while total fund balance represents 9.4% of that same amount.

Key differences between last year's general fund activity and this year's include:

- \$27 million increase in total revenues – rebound in local economy increasing Sales Tax revenue
- \$32 million increase in expenditures – FY2011 layoffs offsetting other cost increases
- \$28 million decrease in proceeds for issuance of debt – hold on projects reduced need for debt
- \$35 million increase in transfers from other funds – slowdown in economy reduced funds
- \$16 million decrease in transfers to other funds – slowdown in economy reduced funds

Interest expenditures for the debt service fund increased by \$7 million. The net decrease in fund balance was \$39 million.

The capital projects fund, which is used for the acquisition and/or construction of capital facilities by the City (except those financed by Enterprise Funds), has a fund balance of \$32 million. The net decrease in fund balance during the current fiscal year was \$14 million.

Proprietary funds (see tabs labeled "Enterprise Funds" and "Internal Services Funds"). The City of Houston proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the year, unrestricted net assets were \$0 for the Airport System, \$89 million for Convention and Entertainment, \$62 million deficit for the Combined Utility System. The total decrease in net assets for the Airport System was \$6 million. The Convention and Entertainment fund experienced an increase of \$4 million and Combined Utility System fund experienced a decrease of \$15 million in net assets. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Houston's business-type activities.

General Fund Budgetary Highlights

Total revenues were below budget by \$4.3 million. A conservative approach developing the FY2011 revenue budget led to an approximately flat budget difference. The details of the more significant variances are detailed below:

- \$19 million above budget in sales taxes
- \$13 million above budget in property taxes
- \$12 million below budget in other revenues
- \$22 million below budget in sale of capital assets
- \$5 million below budget in transfers in

Total expenditures for the General Fund were \$13 million below the final expenditure budget. This was achieved with a layoff in FY2011 and other cost savings. The details of the more significant variances are detailed below:

- \$1 million below budget in total general government expenditures
- \$1 million below budget in public safety expenditures
- \$6 million below budget in public works expenditures

Capital Asset and Debt Administration

Capital assets (see Note 6). The City of Houston's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$15.8 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, equipment, storm drainage, streets and bridges. The City of Houston's net investment in capital assets was relatively stable.

Capital Assets June 30, 2011

(With comparative totals for 2010)
(net of accumulated depreciation in millions)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land and right of way	\$ 2,086	\$ 2,076	\$ 429	\$ 426	\$ 2,515	\$ 2,502
Buildings, improvements and equipment	1,842	1,710	5,136	4,863	6,978	6,573
Construction in progress	383	417	513	746	896	1,163
Water rights	-	-	462	462	462	462
Runway rights	-	-	8	-	8	-
Garage rights	-	-	13	13	13	13
Infrastructure Assets	5,688	5,483	9,117	8,930	14,805	14,413
Less accumulated depreciation	(3,388)	(3,193)	(6,484)	(6,134)	(9,872)	(9,327)
Total	\$ 6,611	\$ 6,493	\$ 9,194	\$ 9,306	\$ 15,805	\$ 15,799

Major capital asset events during the current fiscal year included the following:

- Business-type activities construction in process balance reflects a \$233 million decrease.
- Business-type activities buildings, improvements & equipment reflects a \$273 million increase
- Business-type activities infrastructure assets reflects a \$187 million increase
- Governmental-type activities buildings, improvements & equipment reflects a \$132 million increase

More detailed information about the City's capital assets is presented in Note 6 to the financial statements.

Long-term debt (Note 8). At the end of the current fiscal year, the City of Houston had total bonded debt outstanding of \$12.4 billion. The two largest portions of this total are made up of \$3.3 billion comprising debt backed by the full faith and credit of the government and \$ 9 billion comprising various enterprise fund revenue bonds which are payable from future revenues of the various operations of those enterprise funds. The remainder of the City of Houston's debt represents various long-term contracts.

Outstanding Debt

June 30, 2011

(With comparative totals for 2010)

(in millions)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds and commercial paper	\$ 2,777	\$ 2,854	\$ 48	\$ 285	\$ 2,825	\$ 3,139
Pension notes	541	541	67	67	608	608
Inferior lien contract	-	-	39	42	39	42
Revenue bonds	-	-	8,867	8,479	8,867	8,479
Other borrowings	9	11	-	-	9	11
Total	<u>\$ 3,327</u>	<u>\$ 3,406</u>	<u>\$ 9,035</u>	<u>\$ 8,873</u>	<u>\$ 12,362</u>	<u>\$ 12,279</u>

The City's total debt increased by \$83 million or 0.68% during the current fiscal year.

During the current fiscal year, the City issued the following debt:

- \$237.4 million of general obligation debt to fund capital projects and equipment purchases.
- \$250.9 million of combined utility system revenue bonds to fund system projects.

	Std & Poor's	Moody's	Fitch's
General Obligation	AA	Aa2	AA
Water & Sewer System Junior Lien	AA+	Aa2	AA
Combined Utility System First Lien	AA	Aa2	AA-
Houston Airport System-Senior Lien	AA-	Aa3	A+
Houston Airport System-Subordinate Lien	A	A2	A+
Convention & Entertainment	A-	A2	n/r

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The current debt limitation for the City of Houston is \$19.5 billion, which is significantly in excess of the City of Houston's outstanding general obligation debt.

Next Year's Budget and Rates

Highlights of the fiscal year 2012 budget are as follows:

- The property tax rate remained at 63.875 cents per \$100 of valuation.
- The public safety budget included funding to primarily provide resources for two police cadet classes and three fire cadet classes.

Request for Information

This financial report is designed to provide a general overview of the City of Houston's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Controller, 901 Bagby, 8th Floor, Houston, Texas 77002.

**CITY OF HOUSTON, TEXAS
STATEMENT OF NET ASSETS**

June 30, 2011
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total	Component Units	
				Governmental	Business-type
Assets					
Equity in pooled cash and investments	\$ 500,144	\$ 1,931,115	\$ 2,431,259	\$ 234,065	\$ 91,216
Receivables, net of allowances					
Accounts receivable	58,176	145,004	203,180	27,041	17,467
Contracts receivable	-	-	-	795	-
Hotel occupancy tax receivable	-	18,509	18,509	-	-
Property taxes receivable	37,534	-	37,534	-	-
Sales taxes receivable	89,338	-	89,338	-	-
Mixed beverage taxes receivable	2,824	-	2,824	-	-
Franchise taxes receivable	17,360	-	17,360	-	-
Special assessments receivable	4,254	93	4,347	-	-
Accrued interest and other	-	-	-	1,332	80
Due from component units	7,148	13,426	20,574	-	-
Internal balances	(4,223)	4,223	-	-	-
Due from other governments	152,065	7,380	159,445	1,134	1,869
Inventory	17,309	11,092	28,401	29,810	248
Prepaid items	2,058	6,063	8,121	20	1,466
Deferred charges for issuance cost	23,405	70,971	94,376	5,871	1,542
Investments	-	28,452	28,452	20,257	12,637
Other receivables	-	-	-	197	384
Noncurrent assets					
Noncurrent investments	-	-	-	19,306	-
Due from component units	-	265,566	265,566	-	-
Assessments receivable	-	-	-	3,187	-
Accrued interest receivable	-	-	-	-	14
Receivables and deposits	-	-	-	-	4,121
Amounts held by other government	-	10,740	10,740	-	-
Deferred inflow related to SWAP liability	-	150,800	150,800	-	-
Other assets					
Other long-term receivables	-	-	-	-	3,767
Firefighter's net pension asset	470	-	470	-	-
Capital Assets					
Land and right-of-way	2,085,843	429,401	2,515,244	120,389	11,488
Buildings	971,422	2,937,847	3,909,269	48,515	356,615
Improvements and equipment	870,074	2,198,264	3,068,338	750	-
Construction in progress	383,464	512,620	896,084	-	5,634
Runway rights	-	7,679	7,679	-	-
Water rights	-	462,065	462,065	-	-
Garage rights	-	13,144	13,144	-	-
Infrastructure assets	5,687,872	9,117,295	14,805,167	-	-
Less accumulated depreciation and amortization	(3,388,394)	(6,483,862)	(9,872,256)	(13,292)	(96,835)
Total assets	\$ 7,518,143	\$ 11,857,887	\$ 19,376,030	\$ 499,377	\$ 411,713

(Continued)

* The notes to the basic financial statements are an integral part of this statement *

**CITY OF HOUSTON, TEXAS
STATEMENT OF NET ASSETS**

June 30, 2011
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total	Component Units	
				Governmental	Business-type
Liabilities					
Accounts payable and accrued expenditures	\$ 110,419	\$ 100,728	\$ 211,147	\$ 13,512	\$ 8,697
Accrued payroll liabilities	72,383	11,677	84,060	64	1,182
Accrued interest payable	51,377	90,033	141,410	5,924	2,654
Contracts and retainages payable	-	-	-	1,909	3,089
Inferior lien contracts	-	4,535	4,535	-	-
Due to component units	-	26,170	26,170	-	-
Due to other governments	4,201	1,464	5,665	8,470	-
Advances and deposits	9,040	43,177	52,217	760	-
Other liabilities	4	-	4	2,456	-
Unearned revenue	72,628	9,870	82,498	792	853
Noncurrent liabilities					
Due within one year					
Contracts payable	-	14,313	14,313	-	-
Notes payable	-	-	-	6,599	11,915
Bonds payable	119,000	142,405	261,405	11,510	-
Claims and judgments	28,107	5,624	33,731	-	-
Compensated absences	143,235	13,189	156,424	18	-
Commercial paper	112,400	5,400	117,800	-	-
Arbitrage rebate liability	102	3,644	3,746	-	-
Other liabilities	727	-	727	-	-
Due in more than one year					
Due to primary government	-	-	-	-	243,397
Notes payable	-	-	-	44,912	-
Bonds payable	2,533,200	8,725,105	11,258,305	242,526	-
Claims and judgments	70,179	2,652	72,831	-	-
Compensated absences	284,855	20,511	305,366	-	-
Contracts payable	-	159,959	159,959	8,642	-
Commercial paper	125,000	43,000	168,000	-	-
Arbitrage rebate liability	21	706	727	-	-
Inferior lien contracts	-	32,895	32,895	-	-
Municipal net pension obligation	276,626	111,535	388,161	-	-
Police officers' net pension obligation	480,695	-	480,695	-	-
Deferred outflow related to SWAP liability	-	150,800	150,800	-	-
Deferred revenue	-	352,228	352,228	12	13,187
Other post employment benefits obligation	768,360	109,206	877,566	-	-
Pension obligation bonds payable	540,578	67,047	607,625	-	-
Other long-term liabilities	7,103	-	7,103	237	5,790
Total liabilities	5,810,240	10,247,873	16,058,113	348,343	290,764
Net assets					
Invested in capital assets, net of related debt	3,696,510	733,936	4,430,446	110,447	(31,740)
Restricted net assets					
Restricted for debt service	148,552	181,723	330,275	44,823	11,530
Restricted for renewal and replacement	-	10,000	10,000	-	-
Restricted for maintenance and operations	-	109,682	109,682	10,238	-
Restricted for capital improvement	32,246	549,490	581,736	32,521	-
Other restricted	(1,107)	-	(1,107)	71,848	14,274
Unrestricted (deficit)	(2,168,298)	25,183	(2,143,115)	(118,843)	126,885
Total net assets (deficit)	\$ 1,707,903	\$ 1,610,014	\$ 3,317,917	\$ 151,034	\$ 120,949

* The notes to the basic financial statements are an integral part of this statement *

**CITY OF HOUSTON, TEXAS
STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 230,868	\$ 31,831	\$ 70,042	\$ -
Public safety	1,393,450	132,220	8,301	-
Public works	308,506	45,211	47,528	68,801
Health	128,320	16,968	66,629	-
Housing and community development	95,730	-	93,916	-
Parks and recreation	91,492	7,796	5,525	-
Library	44,888	919	1,409	-
Interest on long-term debt	150,640	-	-	-
Unallocated Depreciation	130,111	-	-	-
Total governmental activities	<u>2,574,004</u>	<u>234,945</u>	<u>293,350</u>	<u>68,801</u>
Business-type activities				
Airport System	537,253	410,402	-	44,135
Convention & Entertainment facilities	107,523	25,456	15,041	-
Combined Utility System	866,336	879,176	7,817	2,481
Total business-type activities	<u>1,511,112</u>	<u>1,315,034</u>	<u>22,858</u>	<u>46,616</u>
Total primary government	<u>\$ 4,085,116</u>	<u>\$ 1,549,979</u>	<u>\$ 316,208</u>	<u>\$ 115,417</u>
Component Units				
Governmental	118,095	11,891	32,177	-
Business-type	85,251	81,916	7,643	-
Total component units activities	<u>\$ 203,346</u>	<u>\$ 93,807</u>	<u>\$ 39,820</u>	<u>\$ -</u>

General Revenues:

Taxes

Property taxes levied for general purposes/tax increments

Property taxes levied for debt service

Industrial assessments tax

Sales tax

Franchise tax

Mixed beverage tax

Bingo tax

Hotel occupancy tax

Investment earnings

Other

Contributions

Special Items - gain (loss) on sale of assets

Transfers

Total general revenues, special items, and transfers

Change in net assets

Net assets (deficit) beginning, as previously reported

Cumulative effect of a change in accounting principle (see Note 14E)

Cumulative effect of change in reporting entity (see Note 1)

Beginning net assets, July 1

Net assets (deficit) ending

(Continued)

* The notes to the basic financial statements are an integral part of this statement *

CITY OF HOUSTON, TEXAS
BALANCE SHEET — GOVERNMENTAL FUNDS
June 30, 2011
amounts expressed in thousands

	General	Debt Service	Capital Projects
Assets			
Equity in pooled cash and investments	\$ 120,677	\$ 143,450	\$ 82,873
Receivables, net of allowances			
Accounts receivable	37,872	-	-
Property taxes receivable	37,534	-	-
Sales taxes receivable	89,338	-	-
Mixed beverage taxes receivable	2,824	-	-
Franchise taxes receivable	17,360	-	-
Special assessments receivable	4,254	-	-
Due from component units	-	4,684	-
Due from other funds	18,511	11	636
Due from other governments	6,045	-	34,179
Inventory	16,965	-	-
Prepaid items	1,981	-	74
Total assets	\$ 353,361	\$ 148,145	\$ 117,762
Liabilities and fund balance			
Liabilities			
Accounts payable	47,429	174	23,848
Accrued payroll liabilities	65,707	-	-
Due to other funds	5,757	-	953
Due to other governments	544	-	-
Advances and deposits	6,484	-	31
Claims and judgments	1,613	-	-
Compensated absences	8,137	-	-
Other liabilities	-	-	-
Unearned revenue	49,102	4,684	60,684
Total liabilities	184,773	4,858	85,516
Fund balance			
Non-Spendable			
Imprest cash and prepaids	2,087	-	74
Inventory	16,965	-	-
Restricted	1,665	143,287	-
Committed	20,698	-	-
Assigned	30	-	32,172
Unassigned	127,143	-	-
Total fund balance	168,588	143,287	32,246
Total liabilities and fund balance	\$ 353,361	\$ 148,145	\$ 117,762

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Assets not available to pay for current-period expenditures are deferred in the funds.

Internal service funds are used by management to charge the cost of health, benefits and workers' compensation to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.

Liabilities, including bonds payable, not due and payable in the current period are not reported in the funds.

Net assets of governmental activities

(Continued)

* The notes to the basic financial statements are an integral part of this statement *

Grants	Nonmajor Governmental Funds	Total
\$ 2,665	\$ 109,626	\$ 459,291
11,179	4,366	53,417
-	-	37,534
-	-	89,338
-	-	2,824
-	-	17,360
-	-	4,254
2,464	-	7,148
5,298	1,234	25,690
109,959	1,882	152,065
339	5	17,309
-	-	2,055
<u>\$ 131,904</u>	<u>\$ 117,113</u>	<u>\$ 868,285</u>

28,224	5,894	105,569
2,386	4,144	72,237
14,498	5,067	26,275
634	3,023	4,201
180	2,345	9,040
-	-	1,613
-	222	8,359
-	4	4
74,225	1,021	189,716
<u>120,147</u>	<u>21,720</u>	<u>417,014</u>

339	5	17,309
11,418	21,752	178,122
-	73,636	94,334
-	-	32,202
-	-	127,143
<u>11,757</u>	<u>95,393</u>	<u>451,271</u>
<u>\$ 131,904</u>	<u>\$ 117,113</u>	

6,610,281
146,727

5,453

(5,505,829)

1,707,903

* The notes to the basic financial statements are an integral part of this statement *

CITY OF HOUSTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES and CHANGES in FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011
amounts expressed in thousands

	General	Debt Service	Capital Projects
Revenues			
Taxes and assessments	\$ 1,567,709	\$ -	\$ -
Licenses and permits	19,412	-	-
Charges for services	100,636	-	-
Intergovernmental - grants	59,327	-	68,844
Fines and forfeits	39,222	-	-
Investment income	3,854	369	488
Other	22,820	3,960	6,675
Total revenues	1,812,980	4,329	76,007
Expenditures			
Current Expenditures			
General government	161,658	-	-
Public safety	1,126,081	-	-
Public works	229,393	-	-
Health	45,473	-	-
Housing and community development	860	-	-
Parks and recreation	62,609	-	-
Library	35,296	-	-
Retiree benefits	15,996	-	-
Capital outlay	109,654	-	196,490
Debt Service			
Debt service principal	-	192,000	-
Debt service interest	932	153,151	-
Debt service fiscal agent & fees	-	7,792	-
Total expenditures	1,787,952	352,943	196,490
Other financing sources (uses)			
Issuance of debt	95,582	503,696	141,418
Premium on long-term debt	-	35,521	-
Sale of capital assets	14,835	-	93
Transfers in	78,350	307,498	410
Transfers out	(269,380)	(812)	(35,635)
Payment to escrow agent for refunded bonds	-	(535,960)	-
Total other financing sources (uses)	(80,613)	309,943	106,286
Changes in fund balance	(55,585)	(38,671)	(14,197)
Fund balances, beginning, as previously reported	224,022	181,958	46,443
Cumulative effect of a change in reporting entity	151	-	-
Fund balances, July 1	224,173	181,958	46,443
Fund balances, June 30	\$ 168,588	\$ 143,287	\$ 32,246

(Continued)

* The notes to the basic financial statements are an integral part of this statement *

Grants	Nonmajor Governmental Funds	Total
\$ -	\$ 347	\$ 1,568,056
-	41,671	61,083
-	32,128	132,764
234,525	16,369	379,065
-	16,192	55,414
798	1,157	6,666
-	38,671	72,126
<u>235,323</u>	<u>146,535</u>	<u>2,275,174</u>
18,761	18,363	198,782
36,096	68,446	1,230,623
15,087	43,903	288,383
70,650	3,069	119,192
95,617	315	96,792
6,125	6,826	75,560
1,419	-	36,715
-	-	15,996
-	3,171	309,315
-	-	192,000
-	-	154,083
-	-	7,792
<u>243,755</u>	<u>144,093</u>	<u>2,725,233</u>
-	-	740,696
-	-	35,521
-	6,126	21,054
-	19,943	406,201
(6,292)	(17,106)	(329,225)
-	-	(535,960)
<u>(6,292)</u>	<u>8,963</u>	<u>338,287</u>
(14,724)	11,405	(111,772)
<u>26,481</u>	<u>84,139</u>	<u>563,043</u>
26,481	(151)	-
<u>26,481</u>	<u>83,988</u>	<u>563,043</u>
<u>\$ 11,757</u>	<u>\$ 95,393</u>	<u>\$ 451,271</u>

* The notes to the basic financial statements are an integral part of this statement *

CITY OF HOUSTON, TEXAS

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)**

Net change in fund balances - total governmental funds	\$	(111,772)
--	----	-----------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation (\$213,131) was less than the increase in capital assets (\$323,760) in the current period.		110,629
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Revenue in the statement of activities that do not provide current financial resources are deferred as revenues in the funds.		115,492
---	--	---------

Generally, governmental funds report revenue when cash is actually received , or is expected 60 days after the close of the fiscal year. Cash received during the period relates to prior periods.		(148,448)
--	--	-----------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report, as expenditures, the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(32,439)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Governmental funds report payments as expenditures in the period of disbursement. The liquidation of long-term liabilities previously accrued should not be reported in the statement of activities.		(178,505)
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Internal service funds are used by management to charge the costs of certain activities, such as the cost of health benefits, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		(1,996)
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Change in net assets of governmental activities	<u>\$</u>	<u>(247,039)</u>
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* The notes to the basic financial statements are an integral part of this statement *

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
PROPRIETARY FUNDS
Statement of Net Assets
June 30, 2011
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Assets			
Current Assets			
Equity in pooled cash and investments	\$ 1,028,278	\$ 116,982	\$ 785,855
Receivables, net of allowances			
Accounts receivable	22,174	2,697	120,133
Hotel occupancy tax receivable	-	18,509	-
Special assessments receivable	-	-	93
Due from component units	-	13,426	-
Due from other funds	953	181	8,457
Due from other governments	5,967	1,014	399
Inventory	2,549	-	8,543
Prepaid items	2,207	859	2,997
Restricted assets			
Investments	6,678	21,774	-
Total current assets	<u>1,068,806</u>	<u>175,442</u>	<u>926,477</u>
Noncurrent Assets			
Due from component units	-	265,566	-
Amounts held by other governments	-	-	10,740
Deferred outflow related to SWAP liability	-	-	150,800
Deferred charges for issuance cost	8,502	2,670	59,799
Total noncurrent restricted assets	<u>8,502</u>	<u>268,236</u>	<u>221,339</u>
Capital assets			
Land	210,091	94,063	125,247
Buildings	2,195,518	557,085	185,244
Improvements and equipment	2,059,916	12,778	125,570
Infrastructure	-	334	9,116,961
Construction in progress	313,278	340	199,002
Runway rights	7,679	-	-
Water rights	-	-	462,065
Garage rights	-	13,144	-
Less accumulated depreciation and amortization	<u>(1,779,084)</u>	<u>(202,785)</u>	<u>(4,501,993)</u>
Net capital assets	<u>3,007,398</u>	<u>474,959</u>	<u>5,712,096</u>
Total noncurrent assets	<u>3,015,900</u>	<u>743,195</u>	<u>5,933,435</u>
Total assets	<u>\$ 4,084,706</u>	<u>\$ 918,637</u>	<u>\$ 6,859,912</u>

* The notes to the basic financial statements are an integral part of this statement *

Business-type Activities-Enterprise Funds		Governmental Activities Internal Service Funds
Non-Major Parking Management	Total	
\$ -	\$ 1,931,115	\$ 40,853
-	145,004	1
-	18,509	-
-	93	-
-	13,426	-
-	9,591	4
-	7,380	-
-	11,092	-
-	6,063	3
-	28,452	-
-	2,170,725	40,861
-	265,566	-
-	10,740	-
-	150,800	-
-	70,971	-
-	498,077	-
-	429,401	-
-	2,937,847	354
-	2,198,264	-
-	9,117,295	-
-	512,620	-
-	7,679	-
-	462,065	-
-	13,144	-
-	(6,483,862)	(159)
-	9,194,453	195
-	9,692,530	195
\$ -	\$ 11,863,255	\$ 41,056

* The notes to the basic financial statements are an integral part of this statement *

CITY OF HOUSTON, TEXAS
PROPRIETARY FUNDS
Statement of Net Assets
June 30, 2011
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Liabilities			
Current Liabilities			
Accounts payable	\$ 38,406	\$ 4,540	\$ 57,782
Accrued payroll liabilities	4,591	487	6,599
Accrued interest payable	53,897	4,213	31,923
Contracts payable	-	-	14,313
Due to other funds	1,208	91	2,901
Due to component units	-	26,170	-
Due to other governments	-	43	1,421
Advances and deposits	1,422	847	40,908
Arbitrage rebate liability	-	-	3,644
Inferior lien contracts	4,535	-	-
Claims and judgments	797	-	4,827
Compensated absences	4,865	694	7,630
Commercial paper	-	-	5,400
Revenue bonds payable	52,285	21,835	68,285
Unearned revenue	9,870	-	-
Total current liabilities	<u>171,876</u>	<u>58,920</u>	<u>245,633</u>
Noncurrent liabilities			
Revenue bonds payable	2,357,764	570,014	5,797,327
Claims and judgments	1,830	-	822
Compensated absences	7,156	658	12,697
Contracts payable	-	-	159,959
Inferior lien contracts	32,895	-	-
Commercial paper	-	43,000	-
Arbitrage rebate liability	-	161	545
Municipal pension trust liability	42,083	4,463	64,989
Other post employment benefits	38,275	3,059	67,872
Due to other funds	-	-	-
SWAP liability	-	-	150,800
Deferred revenue	331	-	351,897
Pension obligation bonds payable	2,006	3,884	61,157
Total noncurrent liabilities	<u>2,482,340</u>	<u>625,239</u>	<u>6,668,065</u>
Total liabilities	<u>2,654,216</u>	<u>684,159</u>	<u>6,913,698</u>
Net assets (deficit)			
Invested in capital assets, net of related debt	663,917	127,083	(57,064)
Restricted net assets			
Restricted for debt service	164,162	17,561	-
Restricted for renewal and replacement	10,000	-	-
Restricted for maintenance and operations	43,320	352	67,178
Restricted for capital improvements	549,091	-	399
Unrestricted	-	89,482	(64,299)
Total net assets (deficit)	<u>\$ 1,430,490</u>	<u>\$ 234,478</u>	<u>\$ (53,786)</u>

Cumulative liability resulting from internal service funds' undercharging proprietary funds
Net assets of business-type activities

(Continued)

Business-type Activities-Enterprise Funds		Governmental Activities Internal Service Funds
Non-Major Parking Management	Total	
-	\$ 100,728	\$ 4,850
-	11,677	146
-	90,033	-
-	14,313	-
-	4,200	4,809
-	26,170	-
-	1,464	-
-	43,177	-
-	3,644	-
-	4,535	-
-	5,624	19,252
-	13,189	171
-	5,400	-
-	142,405	-
-	9,870	1,318
-	<u>476,429</u>	<u>30,546</u>
-	8,725,105	-
-	2,652	5,609
-	20,511	262
-	159,959	-
-	32,895	-
-	43,000	-
-	706	-
-	111,535	-
-	109,206	-
-	-	-
-	150,800	-
-	352,228	-
-	67,047	-
-	<u>9,775,644</u>	<u>5,871</u>
0	<u>10,252,073</u>	<u>36,417</u>
-	733,936	195
-	181,723	-
-	10,000	-
-	110,850	-
-	549,490	-
0	<u>25,183</u>	<u>4,444</u>
\$ -	<u>1,611,182</u>	<u>\$ 4,639</u>
	(1,168)	
	<u>\$ 1,610,014</u>	

* The notes to the basic financial statements are an integral part of this statement *

CITY OF HOUSTON, TEXAS
PROPRIETARY FUNDS
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Fiscal Year Ended June 30, 2011
amounts expressed in thousands

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Airport System</u>	<u>Convention & Entertainment</u>	<u>Combined Utility</u>
Operating Revenues			
Landing area fees	\$ 90,384	\$ -	\$ -
Terminal space rentals	181,182	-	-
Parking	70,681	9,701	-
Concession	64,304	6,147	-
Other	3,851	-	-
Rental	-	7,029	-
Water/Sewer Billing	-	-	879,176
Health benefit premiums	-	-	-
Total operating revenue	<u>410,402</u>	<u>22,877</u>	<u>879,176</u>
Operating Expenses			
Administrative costs	-	-	-
Claims Costs	-	-	-
Maintenance and operating	284,307	40,229	362,851
Depreciation and amortization	163,054	15,227	215,186
Total operating expenses	<u>447,361</u>	<u>55,456</u>	<u>578,037</u>
Operating income (loss)	<u>(36,959)</u>	<u>(32,579)</u>	<u>301,139</u>
Nonoperating revenue (expenses)			
Investment income	9,700	9,562	11,041
Hotel occupancy tax	-	61,603	-
Other revenue	3,409	546	25,385
Gain (Loss) on disposal of assets	1,241	2,579	(1,625)
Other expenses	-	(26,873)	-
Interest on long-term debt	(91,133)	(25,194)	(286,674)
Passenger facility charges	63,138	-	-
Contributions	-	15,041	7,817
Total nonoperating revenues (expenses)	<u>(13,645)</u>	<u>37,264</u>	<u>(244,056)</u>
Income (loss) before capital contributions and transfers	<u>(50,604)</u>	<u>4,685</u>	<u>57,083</u>
Capital contributions	44,135	-	2,481
Transfers in	-	100	1,896
Transfers out	-	(640)	(76,592)
Total transfers	<u>-</u>	<u>(540)</u>	<u>(74,696)</u>
Change in net assets	(6,469)	4,145	(15,132)
Liability resulting from internal service fund's undercharging proprietary funds			
Net change			
Total net assets (deficit), July 1,	<u>1,436,959</u>	<u>230,333</u>	<u>(38,654)</u>
Total net assets (deficit), June 30	<u>\$ 1,430,490</u>	<u>\$ 234,478</u>	<u>\$ (53,786)</u>

Cumulative liability resulting from internal service funds' undercharging proprietary funds
Total net assets business-type activities

(Continued)

* The notes to the basic financial statement are an integral part of this statement *

Business-type Activities Enterprise Funds		Governmental Activities Internal Service Funds
Non-Major Parking Management	Total	
\$ -	\$ 90,384	\$ -
-	181,182	-
-	80,382	-
-	70,451	-
-	3,851	569
-	7,029	-
-	879,176	-
-	-	308,576
-	1,312,455	309,145
-	-	4,369
-	-	306,770
-	687,387	519
-	393,467	158
-	1,080,854	311,816
-	231,601	(2,671)
-	30,303	675
-	61,603	-
-	29,340	-
-	2,195	-
-	(26,873)	-
-	(403,001)	-
-	63,138	-
-	22,858	-
-	(220,437)	675
-	11,164	(1,996)
-	46,616	-
-	1,996	-
(6,260)	(83,492)	-
(6,260)	(81,496)	-
(6,260)	(23,716)	(1,996)
	(306)	
	(24,022)	
6,260	1,634,898	6,635
\$ -	\$ 1,610,876	\$ 4,639
	(862)	
	\$ 1,610,014	

* The notes to the basic financial statement are an integral part of this statement *

CITY OF HOUSTON, TEXAS
PROPRIETARY FUNDS
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2011
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Cash flows from operating activities			
Receipts from customers	\$ 411,472	\$ 21,241	\$ 840,676
Payments to employees	(96,988)	(10,114)	(140,769)
Payments to suppliers	(101,002)	(26,319)	(187,820)
Internal activity-payments (to) from other funds	(36,807)	(844)	(20,018)
Claims paid	(796)	(39)	(391)
Due to other governments	-	(6)	-
Other revenues	5,709	546	25,385
Other expenses	-	(2,683)	-
Net cash provided by (used in) operating activities	<u>181,588</u>	<u>(18,218)</u>	<u>517,063</u>
Cash flows from investing activities			
Interest income on investments	9,575	9,562	11,041
Purchase of investments	(14,681)	-	-
Proceeds from sale of investments	14,809	-	-
Gain(loss) on sale of nonpooled stock	125	-	-
Net cash provided by (used in) investing activities	<u>9,828</u>	<u>9,562</u>	<u>11,041</u>
Cash flows from capital and related financing activities			
Retirement of revenue bonds	(47,235)	(23,260)	(104,484)
Refunding of revenue bonds	(92,900)	-	(529,837)
Retirement of commercial paper	(6,000)	(800)	(405,100)
Proceeds (uses of cash) from issuance of revenue bonds	92,900	-	1,053,144
Proceeds from issuance of commercial paper	-	-	175,000
Passenger facilities charges	63,138	-	-
Interest expense on debt	(111,972)	(14,655)	(272,710)
Retirement of inferior lien contract	(4,305)	-	-
Proceeds from disposition of assets	-	3,386	770
Contributed capital	44,622	-	8,705
Bond issuance costs	-	-	(6,048)
Acquisition of property, plant and equipment	(119,737)	(677)	(160,275)
Unamortized premium (discount)	-	-	4,313
Net cash provided by (used in) capital and related financing activities	<u>(181,489)</u>	<u>(36,006)</u>	<u>(236,522)</u>

(Continued)

* The notes to the basic financial statements are an integral part of this statement *

Business-type Activities - Enterprise Funds		Governmental Activities
Non-Major Enterprise	Total	Internal Service Funds
\$ -	\$ 1,273,389	\$ 308,577
-	(247,871)	(3,057)
-	(315,141)	3,097
-	(57,669)	4,809
-	(1,226)	(290,832)
-	(6)	-
-	31,640	569
-	(2,683)	(519)
-	<u>680,433</u>	<u>22,644</u>
-	30,178	675
-	(14,681)	-
-	14,809	-
-	125	-
-	<u>30,431</u>	<u>675</u>
-	(174,979)	-
-	(622,737)	-
-	(411,900)	-
-	1,146,044	-
-	175,000	-
-	63,138	-
-	(399,337)	-
-	(4,305)	-
-	4,156	-
-	53,327	-
-	(6,048)	-
-	(280,689)	-
-	4,313	-
-	<u>(454,017)</u>	<u>-</u>

(Continued)

* The notes to the basic financial statements are an integral part of this statement *

CITY OF HOUSTON, TEXAS
PROPRIETARY FUNDS
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2011
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Cash flows from noncapital financing activities			
Promotional contract paid from hotel occupancy tax revenues to component units	-	(24,190)	-
Interest expense on pension obligation bonds	(106)	(10)	-
Deferred charges on future debt issuance	(386)	-	-
Payments from Hotel Corporation	-	26,967	-
Hotel occupancy tax revenue	-	59,502	-
Transfers to debt service fund	-	-	(21,744)
Transfers from (to) other funds	-	(540)	(52,952)
Net cash provided by (used in) noncapital financing activities	<u>(492)</u>	<u>61,729</u>	<u>(74,696)</u>
Net increase (decrease) in cash and cash equivalents	9,435	17,067	216,886
Cash and cash equivalents, July 1	1,018,843	99,915	568,969
Cash and cash equivalents, June 30	<u>\$ 1,028,278</u>	<u>\$ 116,982</u>	<u>\$ 785,855</u>
Non cash transactions			
Capital additions included in liabilities	(8,421)	-	-
Contributions of capital assets	(22)	-	(4,475)
Capitalize interest expense	21,912	-	7,794
CAB accretion interest	-	-	14,055
Gain (loss) on disposal of assets	(1,241)	-	1,625
Total non cash transactions	<u>\$ 12,228</u>	<u>\$ -</u>	<u>\$ 18,999</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (36,959)	\$ (32,579)	\$ 301,139
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	163,054	15,227	215,186
Other post employment benefits	4,878	679	14,120
Other revenues	3,409	546	25,385
Other expenses	-	(2,683)	-
Capital improvement plan expense	21,746	-	-
Changes in assets and liabilities			
Accounts receivable	1,402	(1,599)	(40,490)
Arbitrage rebate	-	-	62
Due from other funds	9,879	(14)	(828)
Due from other governments	-	-	(97)
Inventory and prepaid insurance	39	-	(1,258)
Accounts payable	2,302	1,824	(7,936)
Accrued payroll liabilities	440	46	921
Due to other funds	670	91	1,859
Due to other governments	-	(6)	-
Advances and deposits	1,970	(1)	1,991
Claims and judgments-workers' compensation	(711)	(3)	(759)
Compensated absences	1,191	75	1,082
Pension obligation payable	8,278	533	6,686
Deferred revenue	-	(42)	-
Other long-term liabilities	-	(312)	-
Net cash provided by (used in) operating activities	<u>\$ 181,588</u>	<u>\$ (18,218)</u>	<u>\$ 517,063</u>

(Continued)

* The notes to the basic financial statements are an integral part of this statement *

Business-type Activities - Enterprise Funds		Governmental Activities
Non-Major Enterprise	Total	Internal Service Funds
-	(24,190)	-
-	(116)	-
-	(386)	-
-	26,967	-
-	59,502	-
-	(21,744)	-
(3,594)	(57,086)	-
(3,594)	\$ (17,053)	-
(3,594)	239,794	23,319
3,594	1,691,321	17,534
\$ -	\$ 1,931,115	\$ 40,853
-	(8,421)	-
-	(4,497)	-
-	29,706	-
-	14,055	-
-	384	-
\$ -	\$ 31,227	\$ -
\$ -	\$ 231,601	\$ (2,671)
-	393,467	159
-	19,677	-
-	29,340	-
-	(2,683)	-
-	21,746	-
-	(40,687)	1
-	62	-
-	9,037	(3)
-	(97)	1,490
-	(1,219)	-
-	(3,810)	4,713
-	1,407	17
-	2,620	3,357
-	(6)	-
-	3,960	-
-	(1,473)	15,961
-	2,348	89
-	15,497	-
-	(42)	(469)
-	(312)	-
\$ -	\$ 680,433	\$ 22,644

* The notes to the basic financial statements are an integral part of this statement *

CITY OF HOUSTON, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2011
amounts expressed in thousands

	Pension Trust Funds	Agency Funds
Assets		
Equity in pooled cash and investments	\$ 6,232	\$ 6,979
Investments		
U.S. government and agency securities	54,562	-
Corporate bonds	200,264	-
Other fixed income securities	2,063,199	-
Commingled equity funds	315,648	-
Common and preferred stock	3,044,729	-
Real estate and partnerships	2,779,825	-
Short-term investment funds	489,670	-
Invested securities lending collateral	718,142	-
Receivables, net of allowances		
Accounts receivable	31,654	20,490
Contributions	6,996	-
Accrued interest and other	38,316	-
Other Assets	9,448	-
Land	483	-
Building	6,018	-
Total assets	9,765,186	27,469
Liabilities		
Accounts payable	154,636	27,337
Advances and deposits	-	132
Security lending collateral	718,142	-
Foreign funds contracts payable	23,906	-
Other liabilities	5,364	-
Total liabilities	902,048	\$ 27,469
Net assets		
Held in trust for pension benefits and other purposes	\$ 8,863,138	

* The notes to the basic financial statements are an integral part of this statement *

CITY OF HOUSTON, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
PENSION TRUST FUNDS
For the Year Ended June 30, 2011
amounts expressed in thousands

	2011
Additions	
Contributions:	
City of Houston	\$ 241,323
Plan members	77,710
Total Contributions	319,033
Investment earnings	
Interest and dividends	194,295
Net increase (decrease) in the fair value of investments	1,404,547
Total investment income (loss)	1,598,842
Less investment expense	(38,621)
Net investment income (loss)	1,560,221
Total additions	1,879,254
Deductions	
Benefits	517,844
Refund of contributions	2,372
Administrative expense	18,058
Total deductions	538,274
Change in net assets	1,340,980
Total net assets, July 1	7,522,158
Total net assets, June 30	\$ 8,863,138

* The notes to the basic financial statements are an integral part of this statement *





.....
Houston Salutes American Heroes Veterans Day Parade (above); Sabine Promenade
.....



CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011



CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. 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. Both governmental and business-type discretely presented component units are reported in separate columns in the government-wide 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.

There are three specific tests for determining whether a particular legally separate entity is a component unit of a primary government's financial reporting entity. Those tests involve 1) appointment of the unit's governing board (accompanied by either the potential imposition of will or ongoing financial benefit/burden), 2) fiscal dependence on the primary government, and 3) the potential that exclusion would result in misleading financial reporting. For this last test, special attention must be paid 1) to certain special financing authorities and 2) to the nature and significance of a legally separate, tax-exempt entity's relationship with the primary government and its component units.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Following are the City's blended component units:

Blended Component Units Reported with the Primary Government	Brief Description of Activities, Relationship to the City and Key Inclusion Criteria
<p><i>Houston Firefighters' Relief & Retirement Fund</i> 4225 Interwood North Parkway Houston, TX 77032</p>	<p>Responsible for administration, management, and operation of the pension system solely for active and retired City of Houston 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. There is a fiscal dependency on the City, and there is the potential that exclusion would result in misleading financial reporting.</p> <p>Reporting Fund: Houston Firefighters' Relief and Retirement Pension Trust Fund.</p>
<p><i>Houston Municipal Employee's Pension System</i> 1111 Bagby, Suite 2450 Houston, TX 77002</p>	<p>Responsible for administration, management, and operation of the pension system solely for active and retired municipal (non-classified) employees of the City. One member of the Board is appointed by the Mayor, one member of the Board is appointed by the City Controller, four are elected by active employees, two are elected by retirees, one is appointed by the elected trustees and two are appointed by the governing body of the City. There is a fiscal dependency on the City, and there is the potential that exclusion would result in misleading financial reporting.</p> <p>Reporting Fund: Houston Municipal Employee's Pension Trust Fund.</p>
<p><i>Houston Police Officer's Pension System</i> 602 Sawyer, Suite 300 Houston, TX 77007</p>	<p>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 Mayor, three are elected by employees, two are elected by retirees, and one is the City Treasurer. There is a fiscal dependency on the City, and there is the potential that exclusion would result in misleading financial reporting.</p> <p>Reporting Fund: Police Officer's Pension Trust Fund.</p>

Following are the City's discretely presented business type component units:

Discretely Reported Component Units	Brief Description of Activities, Relationship to City, and Key Inclusion Criteria
<p><i>Houston Convention Center Hotel Corporation</i> c/o George R. Brown Avenida De Las Americas Houston, TX 77010</p>	<p>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 and a financial benefit/burden relationship exists, allowing the City to impose its will.</p>
<p><i>Houston Housing Finance Corporation</i> 9545 Katy Freeway, Suite 105 Houston, TX 77024</p>	<p>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 a financial benefit/burden relationship exists, allowing the City to impose its will.</p>
<p><i>Houston Zoo, Inc.</i> 1513 N. MacGregor Houston, TX 77030</p>	<p>Houston Zoo, Inc. (HZI) is a 501(c)(3) corporation and has a contract with Houston Zoo Development Corp to operate the Zoo. The Mayor may appoint up to 20% of the Board of Directors of HZI. Houston Zoo Development Corporation (HZDC) is a local government corporation that leases the zoo from the City. The lease provides for the City to make payments in support of capital and operating expenses over the lease term, which it makes available to HZI. There is a fiscal dependency on the City, and there is the potential that exclusion would result in misleading financial reporting.</p>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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

<u>Discretely Reported Component Units</u>	<u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u>
<p><i>City Park Redevelopment Authority</i> <i>c/o Land Development, Inc.</i> <i>P.O. Box 994</i> <i>Sugarland, Texas 77487-0494</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the City Park Tax Increment Reinvestment Zone Board in the redevelopment of a neighborhood northwest of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by the City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. In addition, there is a fiscal dependence on the City.</p>
<p><i>East Downtown Redevelopment Authority</i> <i>c/o Vincent & Elkins, LLP</i> <i>1001 Fannin St., Suite 2500</i> <i>Houston, Texas 77002</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the East Downtown Tax Increment Zone Board in the redevelopment of a blighted neighborhood east of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. In addition, there is a fiscal dependence on the City.</p>
<p><i>Fifth Ward Redevelopment Authority</i> <i>c/o Hawes Hill Calderon LLP</i> <i>P.O. Box 22167</i> <i>Houston, Texas 77227</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Fifth Ward Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood adjacent to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. The City has investment authority for the Zone's assets.</p>
<p><i>Fourth Ward Redevelopment Authority</i> <i>410 Pearce St., Suite 355</i> <i>Houston, Texas 77067</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Fourth Ward Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood adjacent to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. The City has investment authority for the Zone's assets.</p>
<p><i>Greater Greenspoint Redevelopment Authority</i> <i>450 Gears Rd., Suite 200</i> <i>Houston, Texas 77067</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Greater Greenspoint Tax Increment Reinvestment Zone Board in the redevelopment of the Greenspoint Mall and a blighted adjacent neighborhood in North Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will.</p>
<p><i>Greater Houston Convention and Visitors Bureau</i> <i>901 Bagby, Suite 1005</i> <i>Houston, Texas 77002</i></p>	<p>A non-profit organization established in 1963 and funded by both private sector memberships and a portion of the hotel bed tax. Their mission is to improve the economy of Greater Houston by attracting conventions, tourists, film projects and international government officials to the area through sales and marketing efforts. The City has financial accountability because it must approve the members of the board of directors and a financial benefit/burden relationship exists, allowing the City to impose its will. In addition, there is a fiscal dependence on the City.</p>
<p><i>Gulfgate Redevelopment Authority</i> <i>c/o Knudson & Associates</i> <i>8588 Katy Freeway, Suite 441</i> <i>Houston, Texas 77024</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Gulfgate Tax Increment Reinvestment Zone Board in the redevelopment of the Gulfgate Mall and a blighted adjacent neighborhood southeast of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists allowing the City to impose its will.</p>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

<u>Discretely Reported Component Units</u>	<u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u>
<p><i>Hardy Near Northside Redevelopment Authority</i> <i>1001 Fannin Street, Suite 2500</i> <i>Houston, Texas 77002-6760</i></p>	<p>A public non-profit corporation established by the City of Houston in 2009 in accordance with Chapter 311 of the Texas Tax Code. The Authority is organized for the purpose of aiding, assisting, and acting on behalf of the City in the performance of its governmental function to promote the common good and general welfare of the Hardy/Near Northside Zone (the Zone), approximately 326.1 acres generally bounded by Quitman Street on the North, U.S. Highway 59 on the East, Interstate 10 on the South, and Interstate Highway 45 on the West.</p>
<p><i>HALAN – Houston Area Library Automated Network Board</i> <i>Houston Central Library</i> <i>500 McKinney</i> <i>Houston, TX 77002</i></p>	<p>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 on the City for revenues, allowing the City the ability to impose its will.</p>
<p><i>Houston Arts Alliance</i> <i>3201 Allen Parkway, Suite 250</i> <i>Houston, TX 77019</i></p>	<p>A 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 the alliance is fiscally dependent on the revenues provided from a portion of hotel occupancy tax, which is levied by the City. This fiscal dependency allows the City to impose its will.</p>
<p><i>Houston Business Development, Inc.</i> <i>5330 Griggs Road</i> <i>Houston, Texas 77021</i></p>	<p>A non-profit organization established by the City of Houston in 1986, providing loans and management counseling to small and emerging businesses, and encouraging the expansion of commercial and industrial enterprises. The City has financial accountability because the voting majority of the board members are appointed by City Council and the operations provide financial benefits to the City. Its primary source of funding is through community Development Block Grants and there is the potential that exclusion would result in misleading financial reporting.</p>
<p><i>Houston Downtown Park Corporation</i> <i>2217 Welch</i> <i>Houston, TX 77019</i></p>	<p>Local government corporation created by the City in 2004 in accordance with Chapter 431 of the Texas Transportation Corporation Act to aid and act on behalf of the City to accomplish the City's governmental purpose of providing for the acquisition, development, operation, and maintenance of a new public park, open space and related amenities and facilities to provide recreational, educational and tourism opportunities within, and beautification of the Central Business District of the City. Additionally, the corporation maintains an enterprise fund to account for the activities of the Discovery Green Parking Garage. Board members are appointed by the City and a financial benefit/burden relationship exists, allowing the City to impose its will. There is the potential that exclusion would result in misleading financial reporting.</p>
<p><i>Houston Parks Board, Inc.</i> <i>2001 Kirby Dr., Suite 814</i> <i>Houston, Texas 77019</i></p>	<p>Solicits and manages funds raised privately for park acquisitions and improvements on behalf of Houston Parks Board LGC., Inc., which provide a direct benefit to the City. Board members are nominated by the Mayor and confirmed by City Council, allowing the City to impose its will. Upon dissolution, all assets revert to the City. There is a potential that exclusion would result in misleading financial reporting.</p>
<p><i>Houston Parks Board LGC., Inc.</i> <i>300 North Post Oak Lane</i> <i>Houston, Texas 77024</i></p>	<p>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, allowing the City to impose its will. Upon dissolution, all assets revert to the City. There is a potential that exclusion would result in misleading financial reporting.</p>
<p><i>Houston Public Library Foundation</i> <i>Houston Central Library</i> <i>500 McKinney</i> <i>Houston, TX 77002</i></p>	<p>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, allowing the City to impose its will. There is a potential that exclusion would result in misleading financial reporting.</p>

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<u>Discretely Reported Component Units</u>	<u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u>
<p><i>Lamar Terrace Public Improvement District</i> <i>City of Houston</i> <i>Box 1562</i> <i>Houston, Texas 77251</i></p>	<p>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, allowing the City to impose its will.</p>
<p><i>Land Assemblage Redevelopment Authority</i> <i>City of Houston</i> <i>Box 1562</i> <i>Houston, Texas 77251</i></p>	<p>The Land Assemblage Redevelopment Authority (LARA) is a 13-member board appointed by the Mayor, City Council, Harris County and the Houston Independent School District. The LARA Authority is organized for the purpose of aiding, assisting and acting on behalf of the City in the performance of its governmental functions to promote the common good and general welfare of the City and in undertaking and completing one or more projects, as may be defined or determined by the City Council of the City. The City has financial accountability because the voting majority of the board members are nominated by City Council, allowing the City to impose its will, and the operations provide financial benefits to the City.</p>
<p><i>Leland Woods Redevelopment Authority</i> <i>1001 Fannin, Suite 2500</i> <i>Houston, Texas 77002-6760</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act and Chapter 394 of the Texas Local Government Code to assist the City and Tax Increment Reinvestment Zone Number 22 in the redevelopment of a blighted neighborhood. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will.</p>
<p><i>Leland Woods Redevelopment Authority II</i> <i>1001 Fannin, Suite 2500</i> <i>Houston, Texas 77002-6760</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act and Chapter 394 of the Texas Local Government Code to assist the City, Leland Woods Redevelopment Authority and Tax Increment Reinvestment Zone Number 22 in the redevelopment of a blighted neighborhood. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will.</p>
<p><i>Main Street Market Square Redevelopment Authority</i> <i>410 Pierce St., Suite 355</i> <i>Houston, Texas 77002</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Main St./Market Square Tax Increment Reinvestment Zone Board in the redevelopment 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.</p>
<p><i>Memorial City Redevelopment Authority</i> <i>c/o Knudson & Associates</i> <i>8588 Katy Freeway, Suite 441</i> <i>Houston, Texas 77024</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Memorial City Tax Increment Reinvestment Zone Board in the redevelopment of the Memorial City Mall and Town & Country Mall areas 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.</p>
<p><i>Memorial-Heights Redevelopment Authority</i> <i>c/o Vincent & Elkins, LLP</i> <i>1001 Fannin St., Suite 2500</i> <i>Houston, Texas 77002</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Memorial Heights Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood adjacent 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.</p>
<p><i>Midtown Redevelopment Authority</i> <i>410 Pierce</i> <i>Houston, Texas 77002</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Midtown Tax Increment Reinvestment Zone Board in the redevelopment of 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.</p>

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<u>Discretely Reported Component Units</u>	<u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u>
<p><i>Miller Theatre Advisory Board, Inc.</i> 6000 Hermann Park Drive Houston, Texas 77030-1702</p>	<p>Miller Theatre Advisory Board, Inc. (the Board) is a Texas nonprofit corporation with the primary objective to advance the educational and cultural interests of the people of Houston through a continuing program of artistic, educational, and cultural events at the Miller Outdoor Theatre which is owned by the City of Houston. This is accomplished by various artistic and performing groups providing programs at the Theatre supported by grants awarded by the Board. The City has financial accountability because the directors are appointed by the mayor of the City of Houston and approved by City Council, and its primary source of funding is from Hotel Occupancy taxes which the Board receives from the City through the Houston Arts Alliance.</p>
<p><i>Old Sixth Ward Redevelopment Authority</i> c/o Land Development, Inc. P.O. Box 994 Sugar Land, Texas 77487</p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Old Sixth Ward Tax Increment Reinvestment Zone Board in the redevelopment of a neighborhood adjacent to Downtown 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, and the City has investment authority for the Zone's assets.</p>
<p><i>OST/Alameda Corridors Redevelopment Authority</i> 5445 Alameda Suite 545 Houston, Texas 77004</p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the OST/Alameda Corridors Tax Increment Reinvestment Zone Board in the redevelopment of 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.</p>
<p><i>Saint George Place Redevelopment Authority</i> c/o Hawes Hill Calderon LLP P.O. Box 22167 Houston, Texas 77227-2167</p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the St. George Place Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood in southwest 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 and the City has investment authority for the Zone's assets.</p>
<p><i>South Post Oak Redevelopment Authority</i> c/o Knudson & Associates 8588 Katy Frwy. Houston, Texas 77024</p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the South Post Oak Tax Increment Reinvestment Zone Board in the development of an affordable housing project 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.</p>
<p><i>Southwest Houston Redevelopment Authority</i> c/o Hawes Hill Calderon LLP P.O. Box 22167 Houston, Texas 77227-2167</p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Southwest Houston Tax Increment Reinvestment Zone Board in the redevelopment of the Sharpstown Mall and adjacent neighborhoods southwest 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.</p>
<p><i>Upper Kirby Redevelopment Authority</i> 3015 Richmond Avenue, Suite 200 Houston, Texas 77098-3114</p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Upper Kirby Tax Increment Reinvestment Zone Board in the redevelopment of 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.</p>
<p><i>Uptown Development Authority</i> 1980 Post Oak Blvd., Suite 1580 Houston, Texas 77056</p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Uptown Tax Increment Reinvestment Zone Board in the redevelopment of the Galleria Mall area, 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.</p>

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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, Metropolitan Transit Authority of Harris County, Houston Clean City Commission, and the Miller Theater Advisory Council. 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 – Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The accounts of the City are organized on the basis of funds, 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 type and purpose of funds is described below.

Fund Accounting

1. The City reports the following major governmental funds:

- (a) **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.
- (b) **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.
- (c) **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.
- (d) **Grants Fund** - The Grants Fund is used to account for grant resources received from various local, state and national agencies and organizations. The use of these resources is restricted to a particular function of the City by each grantor.

2. The City reports the following major enterprise funds:

- (a) **Airport System Fund** - is used to account for the operations of the City's Airport System. The system is comprised of George Bush Intercontinental Airport, William P. Hobby Airport, and Ellington Airport.
- (b) **Convention and Entertainment Facilities Fund** - is used to account for the operations of the City's major entertainment facilities, outdoor venues, and parking garages and surface lots. These assets include, but are not limited to, the following: George R. Brown Convention Center, Gus S. Wortham Center, Jesse H. Jones Hall, Houston Center for the Arts, Talento Bilingue de Houston, Jones Plaza, and Theater District parking garages.
- (c) **Combined Utility System 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.

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3. The City reports the following additional funds:

- (a) *Nonmajor Special Revenue Funds* - are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.
- (b) *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) *Pension Trust Funds* - are used to account for the assets held in trust for the members and beneficiaries of the City's three defined benefit pension plans.
 - (2) *Agency Funds* - are custodial in nature and do not involve measurement of results of operations.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements display information about the City of Houston as a whole. Government-wide statements exclude both fiduciary funds and fiduciary component units. The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with Statement of Government Accounting Standards No. 33, "Accounting and Financial Reporting for Nonexchange Transactions". Program revenues include (1) amounts received from those who purchase, use, or directly benefit from a program, (2) amounts received from parties outside the City of Houston's citizenry that are restricted to one or more specific programs and (3) earnings on investments that are legally restricted for a specific program. Program revenue is divided into three categories: (1) charges for services, (2) operating grants and contributions and (3) capital grants and contributions.

All governmental funds are accounted for using the current financial resources 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 revenues represented by noncurrent receivables is deferred until they become current receivables.

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.

Proprietary funds and pension trust funds of the primary government and blended Component Units 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. 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. All proprietary funds define operating revenues and expenses consistent with the precepts of Statement of Government Accounting Standards No. 9 paragraphs 16 – 19 and 31: cash receipts from customers, cash receipts from interfund services provided and used with other funds and other operating cash receipts. All other revenue or expenses recognized is non-operating.

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 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. The City considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current period. Expenditures are 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 when matured.

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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; ambulance receipts; 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.

When restricted and unrestricted resources are available to cover expenses, unrestricted resources are first applied. Administrative overhead charges are included in direct program expenses.

E. Assets and Liabilities

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 should 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. As a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd Frank Act), which provides unlimited FDIC insurance for non-interest bearing transaction accounts from December 31, 2010 through December 31, 2012, no collateral was needed as of June 30, 2011.

Substantially all cash, except for imprest accounts, is deposited with financial institutions in non-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. All cash and investments are displayed on the statement of net assets as "Equity in pooled cash and investments" and in accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", 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; no-load money market mutual funds registered and regulated by the Securities and Exchange Commission; 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

With the exception of fuel, inventories are carried at the average cost in government-wide, proprietary and governmental funds. Inventories are presented under the consumption method. These inventories include: automobile parts, chemical and medical supplies, uniforms and their accessories, vaccines and office supplies. Fuel is carried at market/replacement cost.

3. Capital Assets

a. Governmental Funds - Property, Plant, Equipment, and Infrastructure

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

Capital assets are capitalized in the funds used to acquire or construct them. Capital acquisition and construction are reflected as expenditures in governmental funds.

Capital Assets, which include land; building and improvements; improvements other than buildings, machinery and equipment; construction in progress; and infrastructure (e.g. storm drainage, streets and bridges), are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. These capital assets include the estimated historical cost of infrastructure acquired prior to fiscal year 1981. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year.

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Such assets are recorded at historical cost or estimated historical if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as work in progress projects are constructed.

Buildings and improvements (improvements other than buildings, machinery and equipment and infrastructure) are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Life
Buildings and improvements	Range from 20 to 45 years
Improvements other than buildings	Range from 15 to 45 years
Machinery	Range from 5 to 30 years
Equipment	Range from 3 to 20 years
Storm drainage	50 years
Streets	Range from 6 to 50 years
Bridges	Range from 20 to 50 years

b. Enterprise Funds – Property, Plant and Equipment

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 substantially complete. At that point, the project is moved to the appropriate asset category and depreciation begins. Depreciation on equipment begins in the year of acquisition. Land and equipment costs are added to the capital 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 2011, the capitalized interest cost for the Airport System Facilities was \$21.9 million, Combined Utility System Fund was \$7.8 million and Convention & Entertainment Facilities Fund was \$ -0- 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	2-50
Convention & Entertainment Facilities	5-45
Combined Utility System Facilities	5-50

Water rights and conveyance system rights of the Combined Utility System Fund are not amortized. Garage rights of the Convention and Entertainment fund are amortized over the life of the related contracts. These rights are reported as capital assets. Land use and avigation easements of the Houston Airport System are not amortized.

4. Bond Premiums, Discounts and Issuance Costs

Bond premiums, discounts and issuance costs in Enterprise Funds are amortized over the term of the bonds using the effective interest and straight-line amortization method. 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.

F. Fund Balances and Budget Stabilization Arrangements

1. Fund Balance Descriptions

a. Non-spendable - indicates that portion of a fund balance that cannot be spent because they are either:

- 1) not in spendable form (such as inventories and prepaid amounts) or
- 2) legally or contractually required to be maintained intact.

b. Restricted - indicates that portion of a fund balance for which external constraints are placed on the use of resources that are either:

- 1) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- 2) imposed by law through constitutional provisions or enabling legislation.

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- c. **Committed** - indicates that portion of a fund balance that is internally imposed by the local governmental officials (e.g. mayor and council).
- d. **Assigned** – indicates that portion of a fund balance that sets limits as a result of the intended use of the funds.
- e. **Unassigned** – residual net resources

2. Fund Balance Summary

A Summary of the nature and purpose of fund balances at June 30, 2011 is as follows (in thousands):

	Governmental Fund Balances										
	General	Debt Service	Capital Projects	Grant	Non-Major Special Revenue Funds					Total Special Revenue	Total
					Public Safety	Public Works	Health & Housing	Parks	Other		
Fund balances:											
Non-spendable:											
Inventory	16,965	-	-	339	-	-	-	5	-	5	17,309
Prepaid items	2,087	-	74	-	-	-	-	-	-	-	2,161
Total non-spendable	19,052	-	74	339	-	-	-	5	-	5	19,470
Restricted for:											
General government	-	-	-	-	-	-	-	-	3,589	3,589	3,589
Public safety	1,074	-	-	-	3,974	-	-	-	-	3,974	5,048
Public works	-	-	-	-	-	-	-	-	1,445	1,445	1,445
Health & housing	591	-	-	11,418	-	-	884	-	3,250	4,134	16,143
Parks and recreation	-	-	-	-	-	-	-	339	-	339	339
Library	-	-	-	-	-	-	-	-	113	113	113
Capital outlay	-	-	-	-	-	-	-	-	8,157	8,157	8,157
Debt service	-	143,287	-	-	-	-	-	-	-	-	143,287
Total restricted	1,665	143,287	-	11,418	3,974	-	884	339	16,554	21,751	178,121
Committed to:											
General government	-	-	-	-	-	-	-	-	2,204	2,204	2,204
Public safety	20,698	-	-	-	12,757	-	-	-	-	12,757	33,455
Public works	-	-	-	-	-	13,772	-	-	4,493	18,265	18,265
Health & housing	-	-	-	-	-	-	6,035	-	27,900	33,935	33,935
Parks and recreation	-	-	-	-	-	-	-	4,804	-	4,804	4,804
Capital outlay	-	-	-	-	-	1	-	-	1,671	1,672	1,672
Total committed	20,698	-	-	-	12,757	13,773	6,035	4,804	36,268	73,637	94,335
Assigned for:	30	-	32,172	-	-	-	-	-	-	-	32,202
Unassigned for:	127,143	-	-	-	-	-	-	-	-	-	127,143
Total	168,588	143,287	32,246	11,757	16,731	13,773	6,919	5,148	52,822	95,393	451,271

The Stormwater Fund and the Bureau of Animal Regulation and Care Fund have previously been classified as non-major special revenue funds. Based on the sources of the revenues, these funds have been reclassified as general funds. The cumulative effect of these funds is an increase in the general fund's fund balance and a decrease in the non-major special revenue fund's fund balance of \$151 thousand.

Parking Management was reported as a non-major enterprise fund in FY10. On July 1, 2010, Parking Management became a non-major special revenue fund. The cumulative effect to the non-major special revenue fund is an increase in fund balance of \$1.74 million.

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3. Budget Stabilization Arrangements

In accordance with City Ordinance 2003-474, the City created a Rainy Day Fund in an amount not less than \$20 million with funds available to respond in the event of an emergency; and to provide for unanticipated or unforeseen extraordinary needs. Any use of the Rainy Day fund shall be approved by a vote of two-thirds of the City Council present and voting. The City shall allocate sufficient funds during the subsequent two fiscal years to replenish any use of the Rainy Day funds in the previous year.

In accordance with City Ordinance 1997-776, the excess fund balance in the General Fund shall be maintained at a level sufficient to provide for temporary financing of unforeseen needs of an emergency nature and to permit orderly adjustment to changes resulting from the termination of revenue sources. The level of the unassigned fund balance in the General Fund will be a minimum of 5% of total expenditures less debt service, beginning not later than Fiscal Year 1989. To the extent that funds in the General Fund exceed 7.5% of total expenses less debt service, the excess funds are available upon appropriation for non-recurring expense.

To maintain an excess fund balance as required by City Ordinance 1997-776 in the General Fund for the 2011 Budget, the Rainy Day Fund's \$20 million was no longer restricted and is now a part of the General Fund's excess fund balance.

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. Loans are reported as receivables and payables as appropriate.
- b. Charges for services are reported as revenues for the performing fund and expenditures of the requesting fund.
- c. 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.
- 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 transfers. Transfers are classified as other financing sources or uses (or transfers for proprietary funds) in the Statement of Revenues, Expenditures (or expenses) and Changes in Fund Balances (or net assets). For reporting at the government-wide statements level, the City of Houston eliminates direct interfund charges for services and the balances created within the same fund categories (i.e. governmental vs. business-type). This process ensures neither business-type nor governmental funds report direct internal revenue/expenditures. Interfund activity and balances resulting from transactions with the fiduciary funds are not eliminated. Instead the fiduciary interfund activity and balances are treated as transactions with an external party. Interfund activity with discretely presented component units are handled in the same manner as fiduciary interfund activity balances. However, the discretely presented balances are reported on a separate line of the Statement of Net Assets. The Internal Service Fund is essentially a clearing account for income, expenses, assets and liabilities of the City's health benefits and long-term disability programs.

2. Compensated Absences

Full-time civilian employees of the City are eligible for 10 days of vacation leave per year. After four years, employees receive 15 days. The amount of vacation time gradually increases after that, reaching a maximum of 25 days per year after 18 years of service. Employees may accumulate up to 90 days of vacation leave (45 days for employees hired after December 31, 1999). Upon termination or retirement, employees are paid for unused vacation leave based on the average rate of pay during the employee's highest paid 60 days of employment. Part-time employees (those working less than 30 hours per week) are not eligible for vacation leave benefits. Firefighters accrue 15 to 22 days of vacation annually, based upon years of service. Police officers participate in a paid time off program that combines sick and vacation leave. Officers enter the program upon completion of their probationary period and then accrue 15 to 40 days annually, based upon years of service.

The majority of full-time civilian employees and firefighters are covered under the compensatory sick leave plan and receive a leave time allowance of 2.5 hours per payroll period (bi-weekly) 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 less than 16 hours 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 balance of full time civilian employees and firefighters are covered by a sick plan that was closed to employees in 1985. That plan accumulates a cash value for every sick day not used, which is payable upon resignation or retirement. As noted above, classified police officers are covered by a paid time off plan.

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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.

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, vacation and compensatory time benefits are accrued as liabilities (on a government-wide basis) as employees earn the benefits. On a fund financial statement basis for the governmental funds, only matured liabilities and liabilities expected to be liquidated with current assets are accrued. Sick leave benefits are accrued as a liability as employees earn the benefits, 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. A compensated absence is liquidated in the fund where the employee's salary was paid at termination, with all compensated absences liquidated in the general fund that are associated with employees' salaries paid from governmental funds.

H. 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.

I. Internal Service Funds

The Internal Service Funds' purpose is to measure the full cost of providing health benefits and long-term disability to City employees and dependants for the purpose of fully recovering that cost through fees or charges – employee payroll deductions and expenditures in departmental personnel budgets. Any profit (loss) during a period is credited (charged) back to participating programs. All assets and liabilities are reported in the governmental activities column of the Statement of Net Assets.

J. New Accounting Pronouncements

In March 2009, the GASB issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. The City has implemented GASB No. 54 in this annual report.

In December 2009, the GASB issued Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans". This statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2011. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2010, the GASB issued Statement No. 59, "Financial Instruments Omnibus". This statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. The City has implemented GASB No. 59 in this annual report.

In November 2010, the GASB issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements". This statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In November 2010, the GASB issued Statement No. 61, "The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34". This statement is to improve financial reporting for a governmental financial reporting entity. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2012. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In December 2010, the GASB issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". This statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations; Accounting Principles Board Opinions; Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

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NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Statement of Net Assets

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental fund statements. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the government-wide statement of net assets. Also, during the year the City refunded some of its existing debt. The amount borrowed is received in the governmental funds and increases fund balance. The amount that was sent to the paying agent to be escrowed for payment of the old debt as it comes due is paid out of governmental funds and reduces fund balance. The difference between those amounts will be amortized as an adjustment to interest expense in the government-wide statement of activities over the remaining life of the refunded bonds.

Balances at June 30, 2011 were (in thousands):

Unamortized bond issuance cost	\$	23,405
Section 108 deferred revenue		7,830
Other deferred revenue		115,492
		<u>\$ 146,727</u>
Internal Service Fund total assets	\$	40,702
Internal Service Fund liabilities		(36,417)
Cumulative asset resulting from undercharging the enterprise funds		1,168
		<u>\$ 5,453</u>
Bonds, notes, and capital lease payable	\$	(3,438,008)
Arbitrage rebate payable		(123)
Accrued interest		(51,377)
Compensated absences not reported at the fund level		(419,298)
Claims and judgments not reported at the fund level		(71,812)
Net pension obligation		(756,851)
Other post employment benefits obligation		(768,360)
		<u>\$ (5,505,829)</u>

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B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statement of net assets, however, issuing debt increases long-term liabilities and does not affect the government-wide statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the government-wide statement of net assets.

Balances at June 30, 2011 were (in thousands):

Debt issued:	
Public Improvement Bonds	\$ 503,690
Commercial paper	237,000
Premium/Discount on bonds	35,521
Deferred loss on refunding	(5,463)
	<u>\$ 770,748</u>
Repayments:	
Refunded commercial paper	\$ (312,000)
Refunded bonds	(215,440)
Principal payments	(194,180)
	<u>\$ (721,620)</u>
Amortization of:	
Deferred gain	\$ 2,814
Premium	(19,503)
Net adjustment	<u>\$ 32,439</u>

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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the government-wide statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The adjustment is a combination of the following items (in thousands):

Property taxes earned but not available	\$ 27,359
Ambulance fees earned but not available	1,722
Fines and forfeits earned but not available	5,564
Other (primarily assessments) earned but not available	<u>80,847</u>
Total revenue not reported at fund level	<u>\$ 115,492</u>
Property taxes for prior periods	\$ (33,495)
Ambulance fees for prior periods	(1,393)
Fines and forfeits for prior periods	(8,855)
Other (primarily assessments) for prior periods	<u>(104,705)</u>
Total revenue for prior period transactions	<u>\$ (148,448)</u>
Interest on long-term debt	\$ (476)
Municipal Employees pension	(29,536)
Police Officers' pension	(55,522)
Firefighters' pension	13,917
Claims and judgments	47,163
Debt issuance costs	1,540
Amortization of debt issuance costs	(1,544)
Compensated absences	4,073
Other liabilities	4,292
Other post employment benefits	(154,769)
Decrease in other receivables	<u>(7,643)</u>
Total differences in accrued expenses	<u>\$ (178,505)</u>

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NOTE 3: DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 2011 the carrying amount of the City's deposits was \$14,058,959. The City's bank balance is the sum of three accounts which total \$53,059,068. The three accounts that comprise this balance are described by the following:

Accounts	Ledger	Collected
Concentration	\$ 27,950,431	\$ 17,720,094
Section 108	9,637,809	9,637,809
JPM Money Market	15,470,828	15,470,828
Total	\$ 53,059,068	\$ 42,828,731

The first account is a demand deposit account with JP Morgan Chase bank (Chase) that as of June 30, 2011 had a ledger balance of \$27,950,431 and a collected balance of \$17,720,094. The difference between the ledger and collected balance represents checks deposited in this bank account but uncollected by the bank.

The second account is a demand deposit account with Chase for the City's Housing and Urban Development Section 108 account, which at June 30, 2011 had a collected and ledger balance of \$9,637,809.

The third account is an AAA-rated, money market fund that prepares periodic filings with the Securities and Exchange Commission (SEC). The balance in the money market fund as of June 30, 2011 was \$15,470,828. There is no custodial risk associated with this money market fund.

B. Investments and Risk Disclosures

The following describes the investment positions of the City's operating funds as of June 30, 2011. The City held \$2.4 billion in high grade, fixed income investments in three separate investment pools, each serving a specific purpose as described below. All investments are governed by state law and the City's Investment Policy, which dictates the following objectives, in order of priority:

1. Safety
2. Liquidity
3. Return on Investment
4. Legal Requirements

These funds are managed internally by City personnel. The investments listed below do not include the City's three pension funds, which dictates the following objectives, in order of priority:

1. General Investment Pool Fund 9900

The General Investment Pool consists of all working capital, construction, and debt service funds which are not subject to yield restriction under IRS arbitrage regulations. The funds of the City's enterprise systems, as well as the general fund, are commingled in this pool in order to gain operational efficiency. Approximately 99% of the City's total investable funds are held in this portfolio.

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City of Houston Investments as of June 30, 2011	Credit Quality Ratings(1)(2)(5)	Market Value	WAM* (yrs)
U.S. Treasury Notes	N/A	\$ 353,615,147	0.682
Housing and Urban Development Notes	N/A	57,467,850	0.796
Agency Notes (3)	AAA	1,420,454,240	1.316
Agency Notes (3) (4)	Not rated	80,096,787	1.038
Collateralized Mortgage Obligations (3) (4)	Not rated	830,394	0.242
Mortgaged Backed Securities (3) (4)	Not rated	159,387,770	2.992
Money Market Funds	AAA Short Term	200,514,233	0.010
Certificates of Deposit	FDIC insured	995,251	0.211
Commercial Paper Notes	A-1+/P-1 Short Term	59,938,200	0.183
Municipal Bonds	AAA Long Term	18,242,881	0.164
Municipal Bonds	AA Long Term	74,138,950	1.232
Municipal Bonds	A Long Term	6,543,582	0.049
Total Investments		<u>\$ 2,432,225,285</u>	1.161

* Weighted Average Maturity (WAM) is computed using average life of mortgage backed securities and effective maturity of callable securities.

(1) Standard and Poor's (S&P) Rating Services has assigned an AAAf credit quality rating and S1 volatility rating to the City's General Investment Pool. The AAAf signifies the highest level of credit protection, and the S1 rating signifies volatility consistent with a portfolio of government securities maturing from one to three years.

(2) All credit ratings shown are either actual Standard and Poor's (S&P) ratings, or if an S&P credit rating is not available, the equivalent credit rating of Moody's or Fitch.

(3) These are securities issued by government sponsored enterprises, including the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Corporation (Fannie Mae), and Federal Agricultural Corporation (Farmer Mac).

(4) These securities were issued by the Federal Home Loan Bank, Freddie Mac, and Fannie Mae. While these individual issues were not rated, senior lien debt of these entities is rated AAA.

(5) On August 5, 2011 S&P, one of the major U.S. based ratings agencies downgraded the U.S. credit rating from AAA to AA+. The other agencies, Moody, and Fitch, are still rating the U.S. at AAA.

Risk Disclosures:

Interest Rate Risk. In order to ensure the ability of the City to meet obligations and to minimize potential fair value losses arising from rising interest rate environments, the City's investment policy limits this investment portfolio's dollar weighted average maturity to 2.5 years maximum. As of June 30, 2011, this investment portfolio's dollar-weighted average maturity was 1.161 years. Modified duration was 1.144 years. Modified duration can be used as a multiplier to determine the percent change in price of a bond portfolio for every 100 basis point (1%) change in yield. For example, a portfolio with a modified duration of 1.25 years would experience approximately a 1.25% change in market price for every 100 basis point change in yield.

Credit Risk –Investments. The US Treasury Notes and Housing and Urban Development Notes are direct obligations of the United States government. The Agency Notes, Collateralized Mortgage Obligations, and Mortgage Backed Securities were issued by government sponsored enterprises but are not direct obligations of the U.S. Government. The money market mutual funds were rated AAA. Long term municipal securities were rated at least A. Municipal securities considered short-term securities had the highest short-term rating of A-1+.

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Credit Risk - Securities Lending: Under the securities lending program, the City receives 102% of market value for its U.S. Treasury securities at the time the repurchase agreements are signed, and agreements are limited to 90 days by policy and have been less than 35 days by practice. At June 30, 2011 there were no securities lending agreements outstanding.

Custodial Credit Risk. The custodial credit risk for investments is the risk that in the event of the failure of a counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not registered in the name of the City, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. As of June 30, 2011, none of the City's investments in the General Investment Fund 9900 were subject to custodial credit risk.

Foreign Currency Risk. Foreign currency risk is the risk that investments will change value due to changes in exchange rates between time of purchase and reporting or sale. The City's general pool investments are limited by policy to US dollar denominated investments and not subject to this risk.

2. Tax Exempt Pool 9901

The Tax Exempt Pool consists of those funds which are subject to yield restrictions and arbitrage regulation under the 1986 Tax Reform Act. All these investments were held in a tax-exempt money market fund.

City of Houston Investments as of June 30, 2011	Credit Quality Ratings	Market Value	WAM
Fidelity Tax-Exempt Money Market Mutual Fund	SEC 2a-7 fund	\$ 1,714,705	<90 days
Municipal Bonds	A-1+Short Term	3,872,846	31 days
Municipal Bonds	AA Long Term	<u>1,977,715</u>	58 days
		<u>\$ 7,565,267</u>	57 days

Risk Disclosures:

Interest Rate Risk. In order to ensure the ability of the City to meet obligations and to minimize potential fair value losses arising from rising interest rate environments, the City's investment policy limits this pool's dollar-weighted average maturity to 1.5 years. As of June 30, 2011, the pools dollar-weighted average maturity was 35 days. Modified duration was 0.098 years.

Credit Risk. The City's investment policy limits investments in the Tax-Exempt Pool to high quality securities with a maturity of less than three years and a minimum rating of AA if the yield is reasonably higher than that of a tax-exempt money market mutual fund. Otherwise, funds are invested in one or more tax-exempt money market mutual funds that are SEC registered and regulated under rule 2a-7. Rule 2a-7 requires that the fund have a weighted average maturity of less than 90 days to maturity, that individual securities cannot be more than 397 days to maturity, and that securities must have a rating by nationally recognized rating agencies in one of the two highest short-term rating categories.

Custodial Credit Risk. As of June 30, 2011, none of the City's investments in this pool were subject to custodial credit risk.

Foreign Currency Risk. The City's investments in this pool are all US dollar denominated and not subject to foreign currency risk.

3. Housing Department Section 108 Pool Fund 9902

The Housing Department Pool was created to comply with rules of the US Department of Housing and Urban Development ("HUD"), which requires that funds provided by HUD must be held in a separate custodial account for HUD's benefit. The primary goal of this fund is to meet the cash flow and investment needs of the City's Housing and Community Development HUD program.

City of Houston Investments as of June 30, 2011	Credit Quality Ratings	Market Value	WAM
U.S. Treasury Bills	NA	\$ 2,999,019	161-days

Risk Disclosures:

Interest Rate Risk. In order to ensure the ability of the City to meet obligations and to minimize potential fair value losses arising from rising interest rate environments, the City's investment policy limits this investment portfolio's dollar-weighted average stated maturity to six months maximum. As of June 30, 2011, this investment portfolio's dollar-weighted average stated maturity is 161 days. Modified duration was 0.441 years.

Credit Risk. The HUD pool consists only of U.S. Treasury Bills with maturities less than 6 months. HUD requires that investment of these funds must be in direct obligations of the United States Government.

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Custodial Credit Risk. As of June 30, 2011 none of the City's investments in this pool were subject to custodial credit risk.

Foreign Currency Risk. The City's investments in this pool are all US dollar denominated and not subject to foreign currency risk.

4. Miscellaneous Money Market Accounts

The City maintains several separate money market accounts outside the pools as described below:

City of Houston Investments as of June 30, 2011	Credit Quality Ratings	Market Value	WAM
JP Morgan US Government Money Market Fund: Airport System Special Facilities Revenue Bonds Series 1997A Reserve Fund.	AAA	\$ 6,588,962	< 90 days
JP Morgan US Treasury Securities Money Market Fund: Balances held for auction bonds debt service.	AAA	115,181	< 90 days
First American US Treasury Money Market Fund: Balances held for commercial paper debt service.	AAA	94,572	< 90 days
Total Miscellaneous Money Market Funds		<u>\$ 6,798,715</u>	< 90 days

Risk Disclosures:

Interest Rate Risk. These money market funds maintain an average maturity of less than 90 days and seek to maintain a stable net asset value of \$1.00. These funds are redeemable on a same day notice.

Credit Risk. These funds hold only US dollar denominated securities that present minimal credit risk. They have the highest credit ratings.

Custodial Credit Risk. As of June 30, 201, none of the City's investments in this pool were subject to custodial credit risk.

Foreign Currency Risk. The City's investments in this pool are all US dollar denominated and not subject to foreign currency risk.

5. Houston Foundation

The Houston Foundation consists of two trusts. The Hill Trust is reported as an Other Non-Major Special Revenue Fund; its investments are laid out below. The Hill Trust was established by will in the early 1900's as a general purpose charity trust. The trust is administered by an outside trustee. The City's Administration and Regulatory Affairs Department provides administrative support to the foundation and its board.

City of Houston Investments as of June 30, 2011	Credit Quality Ratings	Market Value	WAM (yrs)
Cash and Equivalents	not rated	\$ 93,141	n/a
Fixed Income	See below	736,354	4.60
Equities	n/a	1,946,926	n/a
Real Estate	n/a	120,561	n/a
Tangible Assets	n/a	270,738	n/a
Total Assets		<u>\$ 3,167,719</u>	

Risk Disclosures:

Interest Rate Risk. The cash and equivalents portions of this portfolio are invested in money market mutual funds. Approximately 29% of the fixed income portfolio is allocated to corporate bonds with maturities less than one year, and 71% is allocated to bond mutual funds with maturities less than nine years. The weighted average maturity for the fixed income portfolio is 4.6 years, and the weighted average duration is 3.07 years.

Credit Risk. The allocation of assets among various asset classes are set by the board. The Standard and Poor's ratings for the fixed income portfolio are as follows: 15% is rated A, 14% is unrated (Fitch AA-), and 71% consists of unrated mutual funds. The equities portion of this portfolio is invested in common stocks and money market mutual funds.

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City of Houston will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not registered in the name of the City, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. As of June 30, 2011 all of the Foundation's holdings in the above noted mutual funds, corporate bonds, and common stocks were subject to custodial credit risk.

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Foreign Currency Risk. Foreign currency risk is the risk that investments will change value due to changes in exchange rates between times of purchase, reporting or sale. The equity investments of the Houston Foundation are subject to this risk to the extent that the corporations held have not fully hedged their foreign currency dealings.

6. Investments – Municipal Employees Pension System (the System)

Portions of the System’s investments are classified as security investments. A security is a transferable financial instrument that evidences ownership or creditorship. Investments in commingled funds, limited partnerships, real estate trusts, and loans and mortgages are investments that are evidenced by contracts rather than securities.

The fair values of the System’s investments at June 30, 2011, are presented by type, as follows:

Short-term investment funds	\$	171,329,754
Government securities		54,045,962
Corporate bonds		200,264,102
Capital stocks		841,748,551
Commingled funds		315,647,983
Real assets		231,463,317
Alternative investments		378,178,957
		\$ 2,192,678,626

The System’s Board, in accordance with the power and authority conferred under the Texas Statutes, employed State Street Bank and Trust Company (Custodian) as custodian of the assets of the System, and in said capacity, the Custodian is a fiduciary of the System’s assets with respect to its discretionary duties including safekeeping the System’s assets.

The Custodian has established and maintains a custodial account to hold, or direct its agents to hold, for the account of the System all assets that the Board shall from time to time deposit with the Custodian. All rights, title and interest in and to the System’s assets shall at all times be vested in the System’s Board.

In holding all System assets, the Custodian shall act with the same care, skill, prudence and diligence under the prevailing circumstances that a prudent person acting in like capacity and familiar with matters of this type would use in the conduct of an enterprise with a like character and with like aims. Further, the Custodian shall hold, manage and administer the System’s assets for the exclusive purpose of providing the benefits to the members and the qualified survivors of the System.

The Board shall manage the investment program of the System in compliance with all applicable Federal and state statutes and regulations concerning the investment of pension assets. The Board has adopted a Statement of Investment Policies and Objectives (Investment Policy) to set forth the factors involved in the management of investment assets for the System and which is made part of every investment management agreement.

Custodial credit risk. For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the System, and are held by either the counterparty or the counterparty’s trust department or agent but not in the System’s name. At June 30, 2011, the System’s investments that were not subject to custodial credit risk were the investments in U.S. government securities and corporate bonds as they are registered in the name of the System and held in possession of the Custodian.

Concentration of credit risk. The allocation of assets among various asset classes is set by the Board. For major asset classes (e.g., U.S. equity, international equity, fixed income, real assets, and alternative investments), the System will further diversify by employing managers with demonstrated skills in complementary areas of expertise.

The managers retained will utilize varied investment approaches, but, when combined will exhibit characteristics that are similar, but not identical, to the asset class proxy utilized in the strategic asset allocation plan. The Investment Policy of the System provides that no investment manager shall have more than 15% (at market value) of the System’s assets in one investment style offered by the firm, with the exception of passive management.

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Representative guidelines by type of investment are as follows:

U.S. equity managers

1. A manager's portfolio shall contain a minimum of twenty-five issues.
2. No more than 5% of the manager's portfolio at market shall be invested in American Depository Receipts (ADRS).
3. No individual holding in a manager's portfolio may constitute more than 5% of the outstanding shares of an issuer.
4. No individual holding may constitute more than 5% of a manager's portfolio at cost or 10% at market.
5. Short sales, purchases on margin, non-negotiable or otherwise restricted securities are prohibited, other than where expressly permitted.
6. While there are no restrictions on cash, a manager must notify the System if the cash position exceeds 10%.

International equity managers

1. Not more than 5% at cost and 10% at market value of a manager's portfolio shall be invested in the securities of any one issuer.
2. Not more than 30% of the assets of a manager's portfolio (at market value) shall be invested in any one country with the exception of Japan.
3. While there are no restrictions on cash, a manager must notify the System if the cash position exceeds 10%.
4. Currency forwards and futures will be limited as follows:
 - a. Limits on net forward and future sales of currencies will be addressed in each manager's respective guidelines and objectives,
 - b. Forward and future exchange contracts of any currencies, other than Yen, Sterling and Euro shall be limited to the manager's underlying equity position in the local market,
 - c. Foreign exchange contracts with a maturity exceeding 12 months are prohibited, and
 - d. Currency options may be entered into in lieu of or in conjunction with forward sales of currencies. The same effective limitations specified in (a) through (c) above will apply to currency options.

Fixed income managers

1. No more than 10% of a manager's portfolio at market shall be invested in the securities of any single issuer, with the exception of the U.S. government and its agencies.
2. No individual holding in a manager's portfolio shall constitute more than 10% of the market value of an issue.

Global opportunistic fixed income/high yield managers

1. No more than 5% at cost and 10% at market value of a manager's portfolio shall be invested in the securities of any single issuer, with the exception of the U.S. government and its agencies.

There is no security issued by a single issuer that is being held with market value over 5% of the System's plan net assets as of June 30, 2011.

Interest rate risk. The System invests in fixed income securities including, but not limited to, investments representing instruments with an obligated fixed rate of interest including public and private debentures, mortgages, investments in life insurance general accounts and guaranteed investment contracts, with maturities greater than one year, and options/futures. Instruments may have an investment grade or non-investment grade rating. Purchases and sales, investment selection and implementation of investment strategies are delegated to the discretion of the investment manager, subject to compliance with its management agreement and the Investment Policy.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Duration is a measure of a debt investment's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The greater the duration of a bond, or a portfolio of bonds, the greater its price volatility will be in response to a change in interest rates and vice-versa. Duration is the measure of a bond price's sensitivity to a 100-basis point change in interest rates. The duration of the System's debt securities are managed by the active managers.

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At June 30, 2011, the following table shows the System's investments by type, amount and the effective duration rate.

	Effective Duration	Domestic	International	Fair Value
Collateralized mortgage obligations	5.4	\$ 9,681,591	\$ -	\$ 9,681,591
Convertible bonds	2.42	12,321,754		12,321,754
Corporate bonds	5.01	154,017,977		154,017,977
Corporate bonds (International)	5.4		5,293,693	5,293,693
GNMA/FNMA/FHLMC	2.35	33,045,429		33,045,429
Municipal	8.91	1,072,781		1,072,781
Government issues	8.04	16,427,992		16,427,992
Government issues (International)	5.03		3,499,760	3,499,760
Misc. receivable (auto/credit card)	2.43	3,032,057		3,032,057
Other asset backed securities	1.6	2,294,894	64,015	2,358,909
Bank loans	N/A	13,558,121		13,558,121
		\$ 245,452,596	\$ 8,857,468	\$ 254,310,064

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at June 30, 2011 are as follows:

Quality rating	CMO	Convertible Bonds	Corporate Bonds	Sponsored Agencies	Municipals	Governmental issues		Other Asset Backed	Grand Total Fair Value	Percentage of Holdings
						(Int'l)	Other			
AAA	\$8,413,384	\$ -	\$ 588,430	\$ 11,418,548	\$ -	\$ -	\$ 677,783	\$ 1,084,425	\$ 22,182,570	1.01%
AA			1,113,378						1,113,378	0.05%
AA+									-	0.00%
AA-					361,288				361,288	0.02%
A			4,399,429	264,738	1,718,162	125,093			6,507,422	0.30%
A-			1,968,767	125,094					2,093,861	0.10%
A+	913,798		567,436	321,661					1,802,895	0.08%
BBB			7,480,206						7,480,206	0.34%
BBB-			16,455,621			170,154		79,245	16,705,020	0.76%
BBB+			7,032,241			1,255,131			8,287,372	0.38%
BB		263,781	3,717,892					459,093	4,440,766	0.20%
BB+		1,701,000	10,045,941					64,015	11,810,956	0.54%
BB-		2,184,265	4,903,113					96,063	7,183,441	0.33%
B		1,621,288	22,292,177						23,913,465	1.09%
B+		1,796,231	8,167,128					62,510	10,025,869	0.46%
B-			22,368,502						22,368,502	1.02%
Below C		1,317,275	41,795,097			356,313			43,468,685	1.98%
NA	354,409	3,437,914	6,416,312	22,978,253			15,787,302	513,558	49,487,748	2.25%
Subtotal	\$9,681,591	\$12,321,754	\$159,311,670	\$ 34,396,801	\$ 1,072,781	\$ 3,499,760	\$16,590,178	\$2,358,909	\$ 239,233,444	10.91%
Total credit risk debt securities									239,233,444	10.91%
U.S. government fixed income securities									15,076,620	0.69%
Total fixed income securities									254,310,064	11.60%
Other investments									1,938,368,562	88.40%
Total investments									\$2,192,678,626	100.00%

Credit risk. The quality ratings of investments in fixed income securities are set forth in the Investment Policy as follows:

- All issues purchased by investment grade fixed income managers must be of investment grade quality Baa (Moody's) or BBB (S&P) unless expressly authorized by the Board, in which case a minimum B rating shall apply, with a maximum limit of non-investment grade credits of 20% at market.
- For global opportunistic fixed income/high yield securities, more than 50% of a manager's portfolio at market shall be invested in non-investment grade fixed income securities, i.e. those with ratings of BA1 (Moody's), BB+ (Standard & Poor's), or lower, or unrated bonds, including but not limited to corporate bonds, convertible bonds, and preferred stocks.

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Foreign currency risk. International securities investment managers are expected to maintain diversified portfolios by sector and by issuer using the System's Investment Policy.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Each investment manager, through the purchase of units in a commingled investment trust fund or international equity mutual fund, establishes investments in international equities.

The System has an indirect exposure to foreign currency fluctuation as of June 30, 2011 as follows:

	<u>Fair Value</u>	<u>Percentage</u>
Australian Dollar	\$ 6,517,150	3.47%
Brazilian Real	2,791	0.00%
Canadian Dollar	8,350,028	4.44%
Danish Krone	1,766,682	0.94%
Euro Currency	56,431,529	30.20%
Hong Kong Dollar	14,533,949	7.73%
Indonesian Rupiah	2,499,134	1.33%
Japanese Yen	22,287,036	11.85%
Malaysian Ringgit	1,443,431	0.77%
Mexican Peso	3,423,008	1.82%
New Zealand Dollar	6,688	0.00%
Norwegian Krone	3,848,042	2.05%
Polish Zloty	476,942	0.25%
Pound Sterling	33,912,952	18.04%
Singapore Dollar	2,537,830	1.35%
South African Rand	4,565,291	2.43%
South Korean Won	4,353,514	2.32%
Swedish Krona	6,551,699	3.48%
Swiss Franc	12,598,361	6.70%
Thailand Baht	403,164	0.21%
Turkish Lira	1,504,140	0.80%
	<u>\$ 188,013,361</u>	<u>100.00%</u>

7. Investments – Houston Firefighters' Relief and Retirement Fund (the Fund)

Statutes of the State of Texas authorize the Fund to invest surplus funds in the manner provided by the Government Code, Title 8, Subtitle A, Subchapter C. This subchapter provides for the investment of surplus assets in any investment or investments that are deemed "prudent" by the Board. The investment policy of the Board does not restrict the types of investments authorized to be made on behalf of the Fund; however, the Board seeks to produce a return on investments that is based on prudent and reasonable investment risk and the cash flow requirements of the Fund given prevailing capital market conditions. While the Board recognizes the importance of the preservation of capital, it also adheres to the theory of capital market pricing which maintains that varying degrees of investment risk should be rewarded with incremental returns. Consequently, prudent risk-taking is justifiable.

The Board has employed BNY Mellon (Custodian) as Custodian of the assets of the Fund, and in said capacity, the Custodian shall be a fiduciary of the Fund's assets with respect to its discretionary duties including safekeeping the Fund's assets. The Custodian shall establish and maintain a custodial account to hold, or direct its agents to hold, for the account of the Fund all assets that the Board shall from time to time deposit with the Custodian. All right, title and interest in and to the Fund's assets shall at all times be vested with the Fund's Board.

In holding all Fund assets, the Custodian shall act with the same care, skill, prudence and diligence under the prevailing circumstances that a prudent person acting in like capacity and familiar with matters of this type would use in the conduct of an enterprise with a like character and with like aims. Further, the Custodian shall hold, manage and administer the Fund's assets for the exclusive purpose of providing the benefits to the members and the qualified survivors of the Fund.

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The Board shall manage the investment program of the Fund in compliance with all applicable Federal and State statutes and regulations concerning the investment of pension assets. The Board has adopted an Investment Policy Statement (Investment Policy) to set forth the factors involved in the management of investment assets for the Fund. The Board has established an Investment Committee to act on all matters related to investments.

The fair values of the Fund's investments as of June 30, 2011 by type are as follows:

Short-term investment funds	\$	49,520,698
Fixed income		1,074,291,475
Common equity		1,239,188,080
Preferred equity		1,040,605
Alternative investments		271,884,045
Private equity		361,350,452
Real estate		176,998,921
		\$ 3,174,274,276
		\$ 3,174,274,276

Portions of the Fund's investments are classified as security investments. A security is a transferable financial instrument that evidences ownership or creditorship. Investments in partnerships and real estate are investments that are evidenced by contracts rather than securities. The fair value shown here may differ from reported net assets due to payables, receivables, and trades pending settlement.

Custodial credit risk. For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Fund, and are held by either the counterparty or the counterparty's trust department or agent but not in the Fund's name. At June 30, 2011, the Fund's security investments that were not subject to custodial credit risk were the investments not registered on an exchange.

Concentration of credit risk. The allocation of assets among various asset classes is set by the Board with the objective of optimizing the investment return of the Fund within framework of acceptable risk and diversification. For major asset classes (e.g., domestic equities, international equities, fixed income, alternative investments, private equity and real estate), the Fund will further diversify by employing investment managers who implement the strategies selected by the Investment Committee.

Significant risk management asset allocation guidelines are as follows:

Public market investments

1. Specific guidelines along with contractual requirements for each manager will be developed cooperatively by the Fund's investment staff, legal counsel, and the investment manager and shall be incorporated into the Investment Management Agreement or other binding agreement as is appropriate for the investment.
2. In case of conflict between the specific manager guidelines and the general guidelines, the specific guidelines, as approved by the Investment Committee, shall supersede. The general guidelines are as follows:
 - a. Manager investment philosophy, style, and strategy shall remain consistent and shall not change without the Investment Committee's approval. The manager shall have discretion to manage the portfolio consistent with the style presented to the Investment Committee at the time of selection and further subject to the restrictions established by the policy herein.
 - b. The following transactions are prohibited: short sales, selling on margin, put and call options, and the use of derivatives for speculation unless authorized by the Investment Committee.
 - c. Transactions that involve a broker acting as a principal, where such broker is also affiliated with the manager who is making the transaction are prohibited, unless specifically approved by the Investment Committee.
 - d. Transactions shall be executed at competitive costs, or best execution.
 - e. Managers shall maintain cash levels consistent with their style as presented to the Investment Committee at the time of selection. Any deviation shall be allowed only after notifying the Chief Investment Officer and should be related to unusual market conditions. The maximum cash level to be held by each manager will be addressed in the Investment Management Agreement or other binding agreement as is appropriate for the investment.

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3. The Investment Committee with the assistance from the Fund staff shall monitor each manager's performance and adherence to strategy and manager specific guidelines. It is the Investment Committee's discretion to take corrective action by replacing an investment manager if they deem it appropriate at any time. Quantitative and qualitative performance measures shall be monitored as are appropriate to each investment.

As of June 30, 2011, the Fund investment portfolio had no single holdings in excess of 5% of Fund net assets.

Interest rate risk. The Fund invests in fixed income securities including, but not limited to, investments representing instruments with an obligated fixed rate of interest including public and private debentures, mortgages, investments in life insurance general accounts and guaranteed investment contracts, with maturities greater than one year, and options/futures. Instruments may have an investment grade or non-investment grade rating. Purchases and sales, investment selection and implementation of investment strategies are delegated to the discretion of the investment manager, subject to compliance with its management agreement and the Fund's Investment Policy.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Interest rate risk is the greatest risk faced by an investor in the fixed income market. The price of a fixed income security typically moves in the opposite direction of the change in interest rates. The weighted average maturity expresses investment time horizons (when the investment come due and payable) in years, weighted to reflect the dollar size of individual investments within the investment type. The Fund does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates, but rather mandates such limits within the Investment Management Services Contract.

At June 30, 2011, the following table shows the Fund's investments by type, with weighted average maturity and fair value:

	Weighted Average Maturity	Fair Value
Asset Backed Securities	12.18	\$ 23,823,532
Consumer Discretionary	4.52	6,412,290
Corporate Debt	17.04	653,691,082
Energy	22.93	5,684,130
Financials	6.71	4,885,650
FHLM/FNMA	1.49	2,874,816
General Obligations	25.59	4,302,021
Healthcare	8.73	7,891,288
Industrials	11.31	8,244,860
Information Technology	15.06	16,166,413
Materials	3.53	3,595,275
Non-U.S. Corporate	4.9	82,755,243
Non-U.S. Government Issues	1.07	26,485,344
Revenue Bonds	29.76	36,475,599
Telecommunication Services	0.00	5,008,500
U.S. Convertibles	27.95	667,800
U.S. Fixed Income Funds	0.00	1,432,424
U.S. Government Issues	11.66	48,622,574
U.S. Private Placements	12.83	111,198,697
U.S. Taxable Muni Bonds	23.64	20,880,513
Utilities	17.56	3,193,424
Total fixed income securities		<u>\$ 1,074,291,475</u>

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Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Fund does not have a formal policy limiting investment credit risk, but rather mandates such limits within the Investment Management Services Contract.

The Fund's exposure to investment credit risk in fixed income securities as of June 30, 2011 is as follows:

<u>Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Holdings</u>
AGY	\$ 2,874,816	0.09%
A1	16,699,269	0.53%
A2	156,480,895	4.92%
A3	153,914,512	4.84%
AA1	13,929,412	0.44%
AA2	45,764,320	1.44%
AA3	56,574,878	1.78%
AAA	101,390,865	3.19%
B1	16,062,701	0.51%
B2	21,992,834	0.69%
B3	33,832,527	1.06%
BA1	39,982,010	1.26%
BA2	21,135,505	0.66%
BA3	33,151,407	1.04%
BAA1	79,252,381	2.49%
BAA2	69,685,680	2.19%
BAA3	105,152,211	3.31%
C	822,900	0.03%
CA	7,490,238	0.24%
CAA1	11,491,438	0.36%
CAA2	17,979,774	0.57%
CAA3	6,206,322	0.20%
Not rated	13,802,007	0.43%
Total credit risk debt securities*	<u>\$ 1,025,668,902</u>	<u>32.27%</u>

*Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and therefore, have not been included in this disclosure.

Foreign currency risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Realized and unrealized gains and losses on investments which result from changes in foreign currency exchange rates have been included in the net appreciation (depreciation) in fair value of investments. The Fund's policy allows external investment managers to decide what action to take regarding their respective portfolio's foreign currency exposures subject to compliance with its respective Investment Management Services Contract and the Fund's Investment Policy Statement.

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The Fund's exposure to foreign currency fluctuation as of June 30, 2011 is as follows:

	<u>Fair Value</u>	<u>Percentage of Holdings</u>
Euro Currency Unit	\$ 139,844,210	4.40%
Japanese Yen	84,245,672	2.65%
British Pound Sterling	64,304,558	2.02%
Swiss Franc	49,726,405	1.56%
Canadian Dollar	38,974,577	1.23%
Hong Kong Dollar	23,260,747	0.73%
Australian Dollar	18,375,771	0.58%
Singapore Dollar	14,445,498	0.45%
Norwegian Krone	14,269,476	0.45%
Indonesian Rupian	12,290,959	0.39%
Mexican New Peso	11,652,235	0.37%
New Zealand Dollar	11,622,725	0.37%
Brazil Real	11,227,239	0.35%
South Korean Won	10,436,075	0.33%
Thailand Baht	6,274,677	0.20%
Swedish Krona	6,054,557	0.19%
Danish Krone	3,356,139	0.11%
New Taiwan Dollar	1,816,797	0.06%
Chinese Yuan Renminbi	7,685	0.00%
Phillippine Peso	4,608	0.00%
Total securities subject to foreign currency risk	<u>\$ 522,190,610</u>	<u>16.44%</u>

8. Investments – Houston Police Officers' Pension (the System)

Summary of Significant Accounting Policies

Investments. Statutes of the State of Texas authorize the System to invest surplus funds in a manner provided by the Government Code, Title 8, Subtitle A, Subchapter C. These statutes stipulate that the governing body of the System is responsible for the management and administration of the funds of the System and shall determine the procedure it finds most efficient and beneficial for the management of the reserve fund of the System. The governing body may directly manage the investments of the System or may choose and contract for professional investment management services. Investments are reported at fair value in accordance with GASB 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

Administrative Costs. All administrative costs of the System are paid from the System's assets.

Federal Income Tax. A favorable determination that the System is qualified and exempt from Federal income taxes was received May 26, 2007. The Board believes that the System is designed and continues to operate in compliance with the applicable requirements of the Internal Revenue Code.

Use of Estimates. The preparation of the System's financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make significant estimates and assumptions that affect the reported amounts and net plan assets at the date of the financial statements and the actuarial information included in the required supplementary information as of the benefit information date, the changes in the System's net assets during the reporting period and, when applicable, disclosures of the contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

The System's investments have been categorized to address deposit and investment risks related to custodial credit risk, credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

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Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the System's deposits may not be returned to them. The System considers only demand deposits as cash. The System does not have a deposit policy regarding custodial credit risk. As of June 30, 2011, the System had a balance of \$172 thousand respectively, on deposit at a financial institution. The Federal Depository Insurance Corporation (FDIC) covered cash on deposit up to \$250 thousand at this financial institution. As of June 30, 2011, the System's bank balance of \$172 thousand was not exposed to custodial credit risk. In addition, at June 30, 2011, the System had approximately \$6,700 thousand on deposit with other financial institutions, which is subject to custodial credit risk, as it is not covered by depository insurance and is uncollateralized.

Credit Risk. Credit risk is the risk that the counterparty will not fulfill its obligations. As of June 30, 2011, the System's fixed income assets that are not government guaranteed represented 76.0% of the System's fixed income plus short term investments portfolio. The tables below summarize the System's fixed income portfolio exposure levels and credit qualities.

**Average Credit Quality and Exposure Levels of Non-U.S. Government
Guaranteed Securities (\$000's)**

Fixed Income Security Type	Market Value (\$000's)	Percent of Total	Weighted Average Credit Quality
Corporate Bonds	\$ 230,628	18.3%	B
International Government Bond:	93,549	7.4	AAA
Mutual Bond Funds	361,789	28.8	Not Rated
Bank Loans	1,218	0.1	BB
Short Term Investment Funds	268,819	21.4	Not Rated
Total	\$ 956,003	76.0%	

**Ratings Dispersion Detail
(\$000's)**

Credit Rating Level	Corporate Bonds	International Government Bonds	Mutual Bond Funds	Bank Loans	Short Term Investment Funds
AAA	\$ -	\$ 46,879	\$ -	\$ -	\$ -
AA	-	12,476	-	-	-
BBB	6,564	-	-	-	-
BB	85,494	-	-	514	-
B	115,189	-	-	-	-
CCC	18,582	-	-	-	-
CC	241	-	-	-	-
Not Rated	4,558	34,194	361,789	704	268,819
Total	\$ 230,628	\$ 93,549	\$ 361,789	\$ 1,218	\$ 268,819

The System's investment policy allows investment managers full discretion in adopting investment strategies to deal with these risks. Unless otherwise provided in the individual investment manager agreement, the average quality rating of each individual fixed income portfolio on a weighted value basis shall be A-rated or higher, and no issue should have a rating below investment grade (Baa or higher). Certain managers, such as high yield managers, may be exempted from these requirements as provided for in their contracts.

Credit risk for derivative instruments held by the System results from counterparty risk, essentially that the counterparty will be unable to fulfill its obligations, assumed by the System. Information regarding the System's credit risk related to derivatives is found under the derivatives disclosures.

Policies regarding credit risk pertaining to credit risk associated with the System's securities lending program are found under the securities lending disclosures.

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Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributable to the magnitude of the System's investment in a single issue. The System's investment policy for each specific portfolio limits investments in any one single domestic equity issue to 15% of each portfolio at market value and for any one single international equity issue to 5% of the System's investments.

For fixed income investments, the System's policy limits, by each specific portfolio, investment in any one single fixed income security to 10% of each portfolio at market value. As of June 30, 2011, the System did not have any investments in any one organization which represented greater than 5% of plan net assets.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the System's financial instruments. This risk is managed within the portfolio using the modified duration methodology. It is widely used in the management of fixed income portfolios and estimates the sensitivity of a bond's price to interest rate changes. The System does not have an investment policy specifically regarding interest rate risk. Investment managers have full discretion in adopting investment strategies to deal with these risks, and all of the System's fixed income portfolios are managed in accordance with guidelines that are specific as to the degree of interest rate risk taken. The reporting of modified duration found in the tables below and on the next page quantifies the interest rate risk of the System's fixed income investments. Interest rate risks associated with derivative instruments are found in the derivatives disclosures of these notes.

Modified Duration by Security Type

Security Type	Market Value (\$000's)	Percent of Total	Weighted Average Modified Duration (years)
US Treasuries	\$ 301,724	24.0%	7.5
Corporate Bonds	230,628	18.3	4.8
International Government Bonds	93,549	7.4	8.0
Mutual Bond Funds	361,789	28.8	3.3
Bank Loans	1,218	0.1	3.0
Short Term Investment Funds	268,819	21.4	0.1
Total	\$ 1,257,727	100.0%	4.3

Modified Duration Analysis by Security Type

U.S. Treasuries	Market Value (\$000's)	Average Modified Duration	Contribution to Modified Duration
1 to 10 years maturities	\$ 206,639	4.8	3.3
10 to 20 years maturities	78,326	12.3	3.2
Greater than 20 years maturities	16,759	17.5	1.0
Total	\$ 301,724		7.5
Corporate Bonds			
less than 1 year to maturity	\$ 2,410	0.5	0.0
1 to 10 years maturities	216,972	4.6	4.4
10 to 20 years maturities	9,046	8.2	0.3
Greater than 20 years maturities	2,200	11.1	0.1
Total	\$ 230,628		4.8
International Government Bonds			
1 to 10 years maturities	\$ 59,131	4.4	2.8
10 to 20 years maturities	20,611	11.6	2.6
Greater than 20 years maturities	13,807	17.5	2.6
Total	\$ 93,549		8.0
Bank Loans			
1 to 10 years maturities	\$ 1,218	3.0	3.0
Total	\$ 1,218		3.0

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Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The books and records of the System are maintained in US dollars. Foreign currencies and non-US dollar denominated investments are translated into US dollars at the bid prices of such currencies against US dollars at each balance sheet date. Realized and unrealized gains and losses on investments which result from changes in foreign currency exchange rates have been included in the net appreciation in fair value of investments. Net realized foreign currency gains and losses resulting from changes in exchange rates include foreign currency gains and losses between trade date and settlement date of investment securities transactions, foreign currency transactions and the difference between the amounts of interest and dividends recorded on the books of the System and the amount actually received. The System's investment policy requires that no foreign equity securities are permitted unless they are U.S. dollar denominated ADR's trading on the U.S. exchanges. International and global managers shall have the permission to use currency forward and futures contracts to hedge currency against the U.S. dollar. Currency forwards and futures used for the purpose of hedging currency shall be subject to the following guidelines: 1) net forward and futures sales of any currency may not exceed total market value of the assets denominated in that currency. This limitation does not apply to global fixed income managers and currency overlay managers if provided for in their contracts, 2) foreign currency exchange contracts with a maturity exceeding 12 months are not permitted, 3) currency options may be entered into in lieu of or in conjunction with forwards sales of currencies with the same limitations as currency forwards and futures. Cross hedging, the selling of one foreign currency for another foreign currency, which may or may not be the base currency of the portfolio, is permitted.

The System's exposure to foreign currency risk in U.S. dollars as of June 30, 2011, is shown in the table below:

Foreign Currency Exposure by Asset Class
(\$000's)

Currency	Short Term Investments	Equities	Fixed Income	Alternative Investments	Options on Foreign Currencies	Total
Australian dollar	\$ 46	\$ -	\$ -	\$ -	\$ -	\$ 46
Brazilian real		480	-	-	-	480
British pound sterling	38	35,896	7,011	-	(6,470)	36,475
Canadian dollar	879	-	-	-	-	879
Euro	2,003	85,029	42,996	31,305	(44,265)	117,068
Hong Kong dollar	-	3,340	-	-	-	3,340
Japanese yen	356	46,153	44,490	-	(44,534)	46,465
New Zealand dollar	-	875	-	-	-	875
Norwegian krone	-	638	-	-	-	638
Singapore dollar	-	2,311	-	-	78	2,389
South Korean won	-	4,503	-	-	-	4,503
Swedish krona	7	3,205	-	-	-	3,212
Swiss franc	321	15,908	-	-	(290)	15,939
Total	\$ 3,650	\$ 198,338	\$ 94,497	\$ 31,305	\$ (95,481)	\$ 232,309

Securities Lending Program – The Board of Trustees' policies permit the System to lend securities (domestic and international equities and fixed income) to securities firms on a temporary basis through its custodian bank. The System receives fees for all loans and retains the right to all interest and dividend payments while the securities are on loan. Cash, letters of credit or various government securities having market values equal to or exceeding 102% and 105% of the value of the loaned securities for domestic and international securities, respectively, collateralize all security loan agreements. Whenever the market value of the securities on loan changes, the borrower must adjust the collateral accordingly. The System's bank pools all collateral received from securities lending transactions and invests any cash collateral. The System holds an undivided share of the collateral provided by the borrowers of the securities. At June 30, 2011 the weighted-average maturity of the collateral pool was 29 days. The relationship between the maturities of the collateral pool and the System's loans has not been determined. Cash collateral invested in the custodian bank collateral pool at June 30, 2011 was \$368,331 thousand. The System also had non-cash collateral at June 30, 2011 of \$20,387 thousand, consisting of treasury securities and letters of credit. The System cannot sell or pledge the collateral unless the borrower fails to return the securities borrowed

The market value of securities on loan at June 30, 2011 was \$380,561 thousand. At June 30, 2011, the System had no credit risk exposure to borrowers because the amounts the System owes the borrowers, \$388,718 thousand, exceeds the amounts the borrowers owe the System, \$380,561 thousand.

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Derivatives – The System's investment managers may invest in derivatives if permitted by the guidelines established by the System's Board of Trustees. The System's staff monitors guidelines and compliance. From time to time the System's investment managers will invest in equity, fixed income and short term futures contracts along with foreign currency forward contracts. No derivatives are purchased with borrowed funds.

The fair value balance and notional amounts of derivative instruments outstanding at June 30, 2011, classified by type, and the changes in fair value (\$000's) of such derivative instruments for the year then ended is shown in the table below.

	Changes in Fair Value *	Fair Value at June 30, 2011		
		Classification	Amount	Notional Value
Investment derivatives:				
Short Term Investments	\$ 996	Short term investments	\$ 996	\$ 9,450
Futures contracts				
Fixed Income Futures contracts	\$ (158)	Fixed Income	\$ (158)	\$ 84,141
Equity Futures contracts	\$ 579	Equity	\$ 579	\$ 164,944
Foreign currency contracts				
British pound sterling	\$ 126	Foreign currency contracts	\$ 617	£ (4,109)
Euro	\$ (55)	Foreign currency contracts	\$ (545)	€ (30,493)
Japanese yen	\$ 442	Foreign currency contracts	\$ 442	¥ (3,632,245)
Singapore dollar	\$ 1	Foreign currency contracts	\$ 1	\$ 95
Swiss franc	\$ 2	Foreign currency contracts	\$ 2	SFr. -246

* All changes in fair value are reported in Net appreciation (depreciation) in fair value of investments in the Statements of Changes in Plan Net Assets.

The Change in Fair Value figures in the preceding table represent amounts due to or due from derivative counterparties as of June 30, 2011. Such amounts are reported as a component of Net appreciation (depreciation) in the Statement of Changes in Net Plan Assets and are reported in the Statement of Plan Net Assets as Due to or Due from brokers for futures contracts and as Foreign currency contracts for currency forward contracts.

Futures on investments are used to obtain market exposure and to take advantage of mis-pricing opportunities. When a position is taken in a futures contract, a margin is posted and the contract is subject to daily mark-to-market adjustments. Foreign currency contracts are used to hedge against the currency risk in the System's investments in foreign equity and fixed income securities. To liquidate the contract prior to expiration an offsetting position in the same contract must be taken. These derivatives are used to enhance yields and provide incremental income.

These derivative instruments are subject to the following risks:

- *Custodial Credit Risk* – Custodial credit risk for derivative instruments is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of the derivative instruments or collateral securities that are in the possession of an outside party. Consistent with the System's investment policy, the System's derivative instruments were held by the counterparty that was acting as the System's agent.
- *Credit Risk* – The risk that the counterparty will not fulfill its obligations. The System does not have an investment policy specifically regarding credit risk for derivative instruments. The System's investment policy allows investment managers full discretion in adopting investment strategies to deal with this risk. The System's investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures.

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- *Interest Rate Risk* – The risk that changes in interest rates will adversely affect the fair values of the System’s derivative instruments.
- *Foreign Currency Risk* – Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of derivative instruments. The System’s derivative instruments exposure to foreign currency risk in U.S. dollars as of June 30, 2011, is shown in the table below.

Currency	Short Term Investments Futures	Equity Futures	Fixed Income Futures	Foreign currency contracts
British pound sterling	\$ 1,023	\$ -	\$ 2,508	\$ (6,470)
Canadian dollar	825	4,265	-	-
Euro	-	-	17,666	(44,265)
Japanese yen	4,942	-	11,358	(44,534)
Singapore dollar	-	-	-	78
Swiss franc	-	-	-	(290)
Total	\$ 6,790	\$ 4,265	\$ 31,532	\$ (95,481)

Alternative Investments – As of June 30, 2011, the System was invested in various partnerships, separate accounts and commingled funds across various types of alternative investments as detailed in the following chart (\$000’s).

Investment Type	Fair Value (\$000's)
<i>Private Equity</i>	
Leveraged Buyouts	\$ 137,665
Special Situations	109,560
Venture Capital	65,373
<i>Other Alternatives</i>	
Hedge Funds	412,086
Real Estate Funds	25,815
Risk Parity	609,451
	\$ 1,359,950

NOTE 4: ALLOWANCE FOR DOUBTFUL ACCOUNTS

The following were the allowances for doubtful accounts receivable by fund as of June 30, 2011 (000’s):

Fund	Amount
General	
Uncollectible general property taxes	\$ 51,334
Ambulance charges	87,924
Fines and forfeits	42,332
Demolition liens	96,845
Others	5,957
Grant revenue	29,448
Airport System	532
Convention and Entertainment Facilities	526
Combined Utility System	107,759
	\$ 422,657

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NOTE 5: 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 tax lien attaches to all property on January 1 of each year to secure the payment of all taxes, penalties and interest that is ultimately imposed on the property. The tax rate established by the City Council for the 2010 tax year was \$0.63875 per \$100 of assessed value with \$0.463362 for operations and \$0.175388 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.

NOTE 6: CAPITAL ASSETS

A. Governmental activities of the Primary Government

A summary of changes in capital assets for the year ended June 30, 2011 follows (in thousands):

	Balance July 1, 2010	Additions	Retirement	Transfers	Balance June 30, 2011
Primary Government					
Capital assets not being depreciated:					
Land	\$ 356,630	\$ 1,289	\$ (7,447)	\$ 11,800	\$ 362,272
Right of way	1,718,874	600	(279)	4,376	1,723,571
Construction Work in Progress	417,220	306,028	-	(339,784)	383,464
Total capital assets not being depreciated	<u>2,492,724</u>	<u>307,917</u>	<u>(7,726)</u>	<u>(323,608)</u>	<u>2,469,307</u>
Other capital assets:					
Buildings	887,428	8	(4,424)	88,410	971,422
Improvements and Equipment	823,929	22,804	(15,548)	38,889	870,074
Infrastructure	5,482,761	4,256	(2,529)	203,384	5,687,872
Total other capital assets	<u>7,194,118</u>	<u>27,068</u>	<u>(22,501)</u>	<u>330,683</u>	<u>7,529,368</u>
Less accumulated depreciation for:					
Buildings	(245,279)	(24,409)	1,332	140	(268,216)
Improvements and Equipment	(512,066)	(58,611)	15,051	(262)	(555,888)
Infrastructure	(2,436,105)	(130,111)	2,359	(433)	(2,564,290)
Total accumulated depreciation	<u>(3,193,450)</u>	<u>(213,131)</u>	<u>18,742</u>	<u>(555)</u>	<u>(3,388,394)</u>
Other capital assets, net	<u>4,000,668</u>	<u>(186,063)</u>	<u>(3,759)</u>	<u>330,128</u>	<u>4,140,974</u>
Primary Government capital assets, net	<u>\$ 6,493,392</u>	<u>\$ 121,854</u>	<u>\$ (11,485)</u>	<u>\$ 6,520</u>	<u>\$ 6,610,281</u>

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B. Business-type Activities

	Balance July 1, 2010	Additions	Retirements	Transfers	Balance June 30, 2011
Airport System					
Capital assets not being depreciated:					
Land	\$ 209,738	\$ -	\$ (143)	\$ 496	\$ 210,091
Rights & Intangibles- Non Depreciable	-	-	-	7,016	7,016
Construction Work in Progress	470,551	111,208	-	(268,481)	313,278
Total capital assets not being depreciated	<u>680,289</u>	<u>111,208</u>	<u>(143)</u>	<u>(260,969)</u>	<u>530,385</u>
Other capital assets:					
Buildings	2,006,729	22	(2,041)	190,808	2,195,518
Improvements and equipment	1,992,095	2,844	(5,499)	70,476	2,059,916
Rights & Intangibles- Amortizable	-	663	-	-	663
Total other capital assets	<u>3,998,824</u>	<u>3,529</u>	<u>(7,540)</u>	<u>261,284</u>	<u>4,256,097</u>
Less accumulated depreciation for:					
Buildings	(644,227)	(78,855)	2,042	(1,606)	(722,646)
Improvements and equipment	(978,910)	(84,399)	5,380	1,519	(1,056,410)
Rights & Intangibles	-	200	-	(228)	(28)
Total accumulated depreciation	<u>(1,623,137)</u>	<u>(163,054)</u>	<u>7,422</u>	<u>(315)</u>	<u>(1,779,084)</u>
Other capital assets, net	<u>2,375,687</u>	<u>(159,525)</u>	<u>(118)</u>	<u>260,969</u>	<u>2,477,013</u>
Airport System capital assets, net	<u>3,055,976</u>	<u>(48,317)</u>	<u>(261)</u>	<u>-</u>	<u>3,007,398</u>
Convention and Entertainment Facilities					
Capital assets not being depreciated:					
Land	94,871	-	(808)	-	94,063
Construction Work in Progress	2,488	462	-	(2,610)	340
Total capital assets not being depreciated	<u>97,359</u>	<u>462</u>	<u>(808)</u>	<u>(2,610)</u>	<u>94,403</u>
Other capital assets:					
Buildings	554,727	18	-	2,340	557,085
Garage Rights	13,144	-	-	-	13,144
Improvements and equipment	12,322	197	(11)	270	12,778
Infrastructure	334	-	-	-	334
Total other capital assets	<u>580,527</u>	<u>215</u>	<u>(11)</u>	<u>2,610</u>	<u>583,341</u>
Less accumulated depreciation/amortization for:					
Buildings	(178,234)	(14,213)	-	-	(192,447)
Garage Rights	(2,283)	(353)	-	-	(2,636)
Improvements and equipment	(7,029)	(646)	11	-	(7,664)
Infrastructure	(23)	(15)	-	-	(38)
Total accumulated depreciation/amortization	<u>(187,569)</u>	<u>(15,227)</u>	<u>11</u>	<u>-</u>	<u>(202,785)</u>
Other capital assets, net	<u>392,958</u>	<u>(15,012)</u>	<u>-</u>	<u>2,610</u>	<u>380,556</u>
Convention and Entertainment Facilities capital assets, net	<u>490,317</u>	<u>(14,550)</u>	<u>(808)</u>	<u>-</u>	<u>474,959</u>

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	Balance July 1, 2010	Additions	Retirements	Transfers	Balance June 30, 2011
Combined Utility System					
Capital assets not being depreciated:					
Land	\$ 120,054	\$ 5,818	\$ (192)	\$ (1,839)	\$ 123,841
Right of way	1,407	-	-	-	1,407
Rights & Intangibles - Non-depreciable	-	-	-	462,065	462,065
Construction Work in Progress	272,363	154,074	-	(227,435)	199,002
Total capital assets not being depreciated	<u>393,824</u>	<u>159,892</u>	<u>(192)</u>	<u>232,791</u>	<u>786,315</u>
Other capital assets:					
Buildings	172,117	223	(405)	13,309	185,244
Improvements and equipment	124,031	7,708	(3,912)	(2,256)	125,571
Infrastructure	8,925,509	8,981	(33,641)	216,112	9,116,961
Water Rights	462,065	-	-	(462,065)	-
Total other capital assets	<u>9,683,722</u>	<u>16,912</u>	<u>(37,958)</u>	<u>(234,900)</u>	<u>9,427,776</u>
Less accumulated depreciation/amortization for:					
Buildings	(50,318)	(5,157)	279	(1,422)	(56,618)
Improvements and equipment	(80,114)	(8,172)	3,718	1,530	(83,038)
Infrastructure	(4,192,238)	(201,857)	31,758	-	(4,362,337)
Total accumulated depreciation/amortization	<u>(4,322,670)</u>	<u>(215,186)</u>	<u>35,755</u>	<u>108</u>	<u>(4,501,993)</u>
Other capital assets, net	<u>5,361,052</u>	<u>(198,274)</u>	<u>(2,203)</u>	<u>(234,792)</u>	<u>4,925,783</u>
Combined Utility System capital assets, net	<u>5,754,876</u>	<u>(38,382)</u>	<u>(2,395)</u>	<u>(2,001)</u>	<u>5,712,098</u>
Combined Non-Major Enterprise Funds					
Capital assets not being depreciated:					
Construction Work in Progress	19	-	-	(19)	-
Total capital assets not being depreciated	<u>19</u>	<u>-</u>	<u>-</u>	<u>(19)</u>	<u>-</u>
Other capital assets:					
Buildings	-	-	-	-	-
Improvements and equipment	932	-	-	(932)	-
Infrastructure	4,328	-	-	(4,328)	-
Total other capital assets	<u>5,260</u>	<u>-</u>	<u>-</u>	<u>(5,260)</u>	<u>-</u>
Less accumulated depreciation for:					
Buildings	-	-	-	-	-
Improvements and equipment	(326)	-	-	326	-
Infrastructure	(434)	-	-	434	-
Total accumulated depreciation	<u>(760)</u>	<u>-</u>	<u>-</u>	<u>760</u>	<u>-</u>
Other capital assets, net	<u>4,500</u>	<u>-</u>	<u>-</u>	<u>(4,500)</u>	<u>-</u>
Combined Non-Major Enterprise Funds, net	<u>4,519</u>	<u>-</u>	<u>-</u>	<u>(4,519)</u>	<u>-</u>
Business-type activities capital assets, net	<u>\$ 9,305,688</u>	<u>\$ (101,249)</u>	<u>\$ (3,464)</u>	<u>\$ (6,520)</u>	<u>\$ 9,194,455</u>

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C. Depreciation Expense

Depreciation expense was charged to functions programs of the primary government as follows (in thousands):

Governmental activities	
General government	\$ 9,254
Public safety	36,533
Public works	14,747
Health	4,125
Housing	1,512
Parks and recreation	11,412
Library	5,437
Infrastructure	130,111
Total depreciation expense - governmental activities	\$ 213,131
Business-type activities	
Airport System	\$ 163,054
Convention & Entertainment Facilities	15,227
Combined Utility System	215,186
Total depreciation expense - business-type activities	\$ 393,467

D. Pension Trust Funds

In February 1998, the Firefighters' Relief and Retirement Fund purchased land in the amount of \$483,325 for use in the construction of a new office building for its operations and its members. In April of 2001, the construction of the new building was completed. The building's capitalized cost of \$9,171,090 is being depreciated over 30 years. The accumulated depreciation for the building as of June 30, 2011 amounted to \$3,152,750.

NOTE 7: SHORT-TERM DEBT – TAX AND REVENUE ANTICIPATION NOTES

Short-term debt activity for the year ended June 30, 2011, was as follows (in thousands):

	Balance		Issued		Redeemed		Balance
	July 1, 2010						June 30, 2011
Tax and revenue							
Anticipation notes	\$ -		\$ 230,000		\$ 230,000		\$ -

On July 1, 2010, the City closed on the sale of \$230,000,000 Tax and Revenue Anticipation Notes (TRANS), Series 2010. The proceeds of the TRANS were used to pay working capital expenditures until tax revenues were received. The stated interest rate ranged from 2.0% and the average yield was 0.383%. The notes matured on June 30, 2011.

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NOTE 8: LONG-TERM LIABILITIES

A. General Long-Term Liabilities

Changes in General Long-Term Liabilities for the year ended June 30, 2011 are summarized as follows (in thousands):

	Balance July 1, 2010	Additions	Retirements/ Transfers	Balance June 30, 2011	Amounts Due within One Year
Governmental Activities					
Bonds and notes payable					
General tax obligation debt	\$ 3,300,878	\$ 740,690	\$ (719,440)	\$ 3,322,128	\$ 231,400
Accretions, net	-	-	-	-	-
HUD Section 108 Loans	10,010	-	(2,180)	7,830	727
Plus premium (discount) on bonds	107,196	35,521	(19,503)	123,214	-
Less deferred amount on refundings	(12,515)	(5,463)	2,814	(15,164)	-
Total bonds and notes payable	<u>3,405,569</u>	<u>770,748</u>	<u>(738,309)</u>	<u>3,438,008</u>	<u>232,127</u>
Other liabilities:					
Claims and judgments	129,573	2,463	(33,750)	98,286	28,107
Compensated absences	427,934	56,101	(55,945)	428,090	143,235
Arbitrage rebate	254	46	(177)	123	102
Other Post Employment Benefit obligation	613,591	196,355	(41,586)	768,360	-
Net Pension obligation	685,710	288,565	(216,954)	757,321	-
Total other liabilities	<u>1,857,062</u>	<u>543,530</u>	<u>(348,412)</u>	<u>2,052,180</u>	<u>171,444</u>
Governmental Activities Long-Term Liabilities	<u>\$ 5,262,631</u>	<u>\$ 1,314,278</u>	<u>\$ (1,086,721)</u>	<u>\$ 5,490,188</u>	<u>\$ 403,571</u>
Discretely Presented Component Units:					
Notes payable	\$ 320,739	\$ 2,303	\$ (16,219)	\$ 306,823	\$ 18,514
Revenue bonds	219,301	41,473	(6,738)	254,036	11,510
Discretely Presented Component Units Long-Term Liabilities	<u>\$ 540,040</u>	<u>\$ 43,776</u>	<u>\$ (22,957)</u>	<u>\$ 560,859</u>	<u>\$ 30,024</u>

(Continued)

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	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Amounts</u> <u>Due within</u> <u>One Year</u>
Business-type activities					
Bonds and notes payable					
Airport System debt	\$ 2,537,165	\$ 93,730	\$ (150,439)	\$ 2,480,456	\$ 56,820
Convention and Entertainment debt	569,569	-	(24,060)	545,509	21,835
Combined Utility System debt	5,635,438	1,167,765	(995,819)	5,807,384	73,685
Long-term contracts - Combined Utility	175,259	38,900	(51,588)	162,571	13,450
Premiums, discounts and deferred amount on refundings	134,510	65,161	(4,267)	195,404	-
Total bonds and notes payable	<u>9,051,941</u>	<u>1,365,556</u>	<u>(1,226,173)</u>	<u>9,191,324</u>	<u>165,790</u>
Other liabilities:					
Claims and judgments	5,546	4,094	(1,364)	8,276	5,624
Compensated absences	31,590	15,198	(13,088)	33,700	13,189
Arbitrage rebate liability	4,599	65	(314)	4,350	3,644
Other Post Employment Benefit obligation	86,990	29,493	(7,277)	109,206	-
Net Pension obligation	99,734	38,023	(26,222)	111,535	-
Deferred Revenue	356,310	-	(4,082)	352,228	-
Total other liabilities	<u>584,769</u>	<u>86,873</u>	<u>(52,347)</u>	<u>619,295</u>	<u>22,457</u>
Business-type activities					
Long-Term Liabilities	<u>\$ 9,636,710</u>	<u>\$ 1,452,429</u>	<u>\$ (1,278,520)</u>	<u>\$ 9,810,619</u>	<u>\$ 188,247</u>
Total Reporting Entity					
Long-Term Liabilities	<u>\$ 15,439,381</u>	<u>\$ 2,810,483</u>	<u>\$ (2,388,198)</u>	<u>\$ 15,861,666</u>	<u>\$ 621,842</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 6/30/2010	FY11 Issued/ Increased
General Tax Obligation Debt			
Public improvement bonds	3.00 to 6.24	\$ 2,319,930	\$ 503,690
Pension obligations	5.31 to 6.29	540,578	-
Commercial paper	0.10 to 10.00	360,500	237,000
Tax and revenue certificates of obligation	3.00 to 6.00	79,870	-
Total General Tax Obligation Debt		\$ 3,300,878	\$ 740,690
HUD Section 108 Loans			
		\$ 10,010	\$ -
Revenue Bonded Debt			
Airport System Bonds			
Senior Lien Revenue Bonds	5.00 to 5.50	\$ 449,660	\$ -
Subordinate lien refunding revenue bonds	3.00 to 6.00	2,037,765	93,730
Senior lien commercial paper	0.32 to 10.00	6,000	-
Inferior lien contractual obligation	5.38 to 5.50	41,735	-
Pension obligations	5.31 to 6.29	2,006	-
		2,537,166	93,730
Convention and Entertainment Facilities			
Senior lien hotel occupancy tax/parking facilities	1.12 to 5.75	521,885	-
Convention Center/Hotel Commercial Paper	n/a	-	-
Hotel and parking revenue commercial paper	0.12 to 10.00	43,800	-
Pension obligations	5.31 to 6.29	3,884	-
		569,569	-
Combined Utility System			
Combined Utility System first lien bonds	0.75 to 6.00	4,615,885	992,765
Water and Sewer System junior lien revenue bond	1.25 to 6.90	722,896	-
Combined Utility System commercial paper	0.15 to 10.00	235,500	175,000
Pension obligations	5.31 to 6.29	61,157	-
		5,635,438	1,167,765
Long-Term Contracts-Water and Sewer System			
Coastal Water Authority	2.00 to 7.50	151,665	38,900
Other long term contracts	3.22 to 5.87	23,594	-
		175,259	38,900
Total Revenue Bonded Debt and Long-Term Contracts, Primary Government		\$ 8,917,432	\$ 1,300,395
Total Bonds and Long-Term Contracts Payable, Primary Government		\$ 12,228,320	\$ 2,041,085

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

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FY11 Redeemed / Refunded	Face Value Outstanding 6/30/2011	Adjustments⁽¹⁾	Net Outstanding 6/30/2011
\$ 355,460	\$ 2,468,160	\$ 106,805	\$ 2,574,965
-	540,578	-	540,578
360,100	237,400	-	237,400
3,880	75,990	1,246	77,236
<u>\$ 719,440</u>	<u>\$ 3,322,128</u>	<u>\$ 108,051</u>	<u>\$ 3,430,179</u>
<u>\$ 2,180</u>	<u>\$ 7,830</u>	<u>\$ -</u>	<u>\$ 7,830</u>
\$ -	\$ 449,660	\$ (1,255)	\$ 448,405
140,135	1,991,360	(29,716)	1,961,644
6,000	-	-	-
4,305	37,430	-	37,430
-	2,006	-	2,006
<u>150,440</u>	<u>2,480,456</u>	<u>(30,971)</u>	<u>2,449,485</u>
23,260	498,625	93,224	591,849
-	-	-	-
800	43,000	-	43,000
-	3,884	-	3,884
<u>24,060</u>	<u>545,509</u>	<u>93,224</u>	<u>638,733</u>
318,000	5,290,650	(6,489)	5,284,161
272,719	450,177	131,274	581,451
405,100	5,400	-	5,400
-	61,157	-	61,157
<u>995,819</u>	<u>5,807,384</u>	<u>124,785</u>	<u>5,932,169</u>
51,485	139,080	2,902	141,982
103	23,491	5,464	28,955
<u>51,588</u>	<u>162,571</u>	<u>8,366</u>	<u>170,937</u>
<u>\$ 1,221,907</u>	<u>\$ 8,995,920</u>	<u>\$ 195,404</u>	<u>\$ 9,191,324</u>
<u>\$ 1,943,527</u>	<u>\$ 12,325,878</u>	<u>\$ 303,455</u>	<u>\$ 12,629,333</u>

CITY OF HOUSTON, TEXAS
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C. Terms of Long-Term Debt

1. Public Improvement Bonds

The City has issued Public Improvement Bonds on numerous occasions. The bonds are payable from ad valorem tax revenues. 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 in various amounts annually through March 1, 2039.

2. Pension Obligation Bonds

The City has issued several series of General Obligation Taxable Pension Bonds. The proceeds were used to reduce the unfunded actuarial accrued liability of the Houston Municipal Employees Pension System and the Houston Police Officers Pension System. Interest is payable semi-annually, and principal is payable in varying amounts through 2041. Although these obligations have an ad valorem tax pledge, a portion of the liabilities is recorded in the enterprise funds because the liabilities are directly related and expected to be paid from those funds based on percentages of payroll.

3. General Obligation Commercial Paper

The City currently may issue Commercial Paper Notes ("Notes") under its \$250 million General Obligation Commercial Paper Series E Program, \$276 million General Obligation Commercial Paper Series G Program, \$100 million General Obligation Commercial Paper Series H-1 Program, \$100 million General Obligation Commercial Paper Series H-2 Program and \$125 million General Obligation Commercial Paper Series J Program. General Obligation Commercial Paper Notes Series A, B, C, D and F have been terminated. 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 credit lines. Interest is payable 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 2011 the average interest rate for the General Obligation Notes, including dealer and credit fees, was 0.83%. The average year-end rate, including fees, was 0.81%. The Credit Agreements expire on the following dates: Series E on April 28, 2013, Series G on November 15, 2011, Series H-1 on February 11, 2013, Series H-2 on February 23, 2012 and Series J on May 18, 2013.

4. 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 final maturity, except for the Certificates of Obligation Series 2005D which are subject to optional redemption on or after March 1, 2015.

5. HUD Section 108 Loan

The City has borrowed money from the United States Department of Housing and Urban Development ("HUD") and loaned it to the Houston Business Development Initiative ("HBDI") and three hotels in the downtown business district. HBDI in turn makes small business loans to under-served areas of the community. The City has pledged only certain grant revenues and its receipts from the loans to repay HUD.

6. Airport System Revenue Bonds

The Houston Airport System has \$449,660,000 of senior lien bonds outstanding that mature in varying amounts from 2015 to 2039. Bonds issued on the senior lien require net revenues total 125% of the debt service requirements for such fiscal year. The Houston Airport System has also issued Subordinate Lien Bonds which are paid solely from a lien on the airport system's net 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 2032. Airport System Subordinate Lien Revenue Bonds, Series 2000P1 and 2000P2, 2002C, 2002D-1, and 2002D-2, have been issued as auction rate securities with current 7-day resets. In December 2010, the Airport System issued approximately \$93.7 million of Variable Rate Demand Obligations (VRDO's), Series 2010, with a 7-day reset to refund its 2005 VRDO's which were subject to alternative minimum tax. These bonds may all be converted to other modes including fixed rate bonds. The City has a liquidity facility in place for the Series 2010 bonds with a termination date of December 21, 2012. The maximum interest rate permitted under the ordinance is 10%.

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The City has purchased municipal debt service reserve fund policies that unconditionally guarantee the payment of principal and interest on all current outstanding airport system subordinate lien issues. The reserve policies terminate upon final maturities 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. The City cash funded a reserve fund for its Houston Airport System 2009 Senior Lien Revenue Bonds.

7. Airport System Inferior Lien Contract

On July 1, 2004 the City and Continental Airlines, Inc. entered into a Sublease Agreement associated with the Special Facilities Lease for the Automated People Mover System and the City's Airport System Special Facilities Revenue Bonds (Automated People Mover Project) Series 1997A (1997A Special Facilities Bonds). The City assumed Continental's interest in the project upon completion of the expansion of the Automated People Mover System on January 25, 2005. As part of the Sublease, the City agreed to make sublease payments that include amounts equal to the debt service on the 1997A Special Facilities Bonds. The payments are payable from Airport System net revenues on the same priority as inferior lien bonds. Accordingly, the principal amount remaining on the 1997A Special Facilities Bonds, totaling \$37,400,000, is recorded as an Inferior Lien Contract.

8. Airport System Commercial Paper

Airport System Senior Lien Commercial Paper Notes Series A and B (the Notes) have been authorized for \$150 million, and Airport System Inferior Lien Commercial Paper Notes Series C have been authorized for \$150 million to establish, improve, enlarge, extend and repair the City's Airport System, acquire land, and pay interest and cost of issuance of the Notes. During fiscal year 2011 the average interest rate for the Airport System Notes, including dealer and credit fees, was 0.95%. There were no notes outstanding at the end of Fiscal Year 2011. The Series A and B Notes are collateralized by a revolving credit agreement convertible to direct pay letters of credit issued by a bank, and a lien on the net revenues of the Airport System. The Letter of Credit will terminate on December 20, 2013 for Series A and B.

9. Airport System Pledged Revenues

The Fund has pledged airport system revenues, net of operation and maintenance expenses, to pay principal and interest on outstanding Senior Lien Revenue Bonds, Subordinate Lien Revenue Bonds, and an Inferior Lien Contract, with outstanding principal amounts of \$449,660,000, \$1,991,360,000 and \$37,430,000, respectively. The Revenue Bonds are issued to establish, improve, enlarge, extend and repair the Airport System. The Inferior Lien Sublease Agreement with Continental Airlines pays debt service on the Airport System Special Facilities Bonds (Automated People Mover Project) Series 1997A.

Pledged airport system revenues exclude: proceeds of any bonds, replacement proceeds, or any investment income earned by bond proceeds; passenger facility charges; grants or gifts for construction or acquisition; insurance proceeds; revenue from special facilities pledged to Special Facility Bonds; taxes collected for others; and proceeds from the sale of property. Pledged airport system revenues, net of operation and maintenance expense, totaled \$160,964,000 in Fiscal Year 2011, covering principal of \$61,136,000 and interest of \$97,705,000. In addition to pledged airport system revenue, grants and passenger facility charges totaling \$56,827,000 were available to cover debt service in Fiscal Year 2011, making the ratio of net pledged revenue to cover reduced debt service costs 1.58%.

10. Convention and Entertainment Facilities Bonds

These bonds are special limited obligations of the City that are paid from a lien on the pledged receipts of the Hotel Occupancy Tax (HOT), revenues collected from seven City-owned parking facilities, and rebates of certain taxes derived from operation of the Convention Center Hotel and Parking Garage. The pledged HOT receipts are equal to 5.65% of the cost of substantially all hotel room rentals in the City, plus related penalties and interest for delinquent payments. As 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 7%. 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 Bonds. The surety policy provides insurance sufficient to pay maximum annual debt service of the Bonds. The surety policy expires upon final maturity of all outstanding Bonds, September 1, 2033. The City of Houston Convention Center Revenue Bonds, Series 2001C-1 and 2002C-2, have been issued as 7-day auction rate securities and are subject to conversion at the option of the City and subject to certain restrictions, to bonds that bear interest at rates other than auction rates. The maximum interest rate permitted under the ordinance is 10%.

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11. Convention and Entertainment Hotel and Parking Revenue Commercial Paper

Hotel Occupancy Tax and Parking Revenue Commercial Paper Notes Series A have been authorized for \$75 million to finance the costs of site acquisition, construction, and improvements for convention center facilities. 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 Notes are collateralized by a Letter of Credit that expires on December 19, 2013. During fiscal year 2011 the average interest rate for the Notes, including fees, was 1.20%. The average rate in effect at year-end was 1.57%.

12. Combined Utility System First Lien Revenue Bonds

City Council authorized creation of the Combined Utility System (“the System”) on September 3, 2003. The Combined Utility System currently consists of the City’s Water and Sewer System. In the future the City may elect to include other utility systems. Its bonds are special obligations of the City payable from Net Revenues of the System after payments for maintenance and operations and debt service on Water and Sewer Junior Lien bonds. Net Revenues must equal 110% of the First Lien Revenue Bonds debt service.

The Combined Utility System Revenue Refunding Bonds, Series 2004B and 2004C, were initially issued as Auction Rate Securities. All of the 2004B auction rate securities were converted to variable rate demand bonds in April 2008. The Combined Utility System Revenue Refunding bonds 2008A were issued as tax-exempt variable rate demand bonds to refund \$249M of the 2004C tax-exempt auction rate securities, and the Combined Utility System Revenue Refunding Bonds 2008D were issued as taxable variable rate bonds to refund \$200M of the 2004C taxable auction rate as securities. The remainder of the 2004C auction rate securities that were converted to put bonds were refunded with fixed rate bonds, the 2011A Combined Utility System Refunding Bonds.

13. Combined Utility System Commercial Paper

The Combined Utility System established a new Commercial Paper Notes Program Series B which has been authorized for \$700 million to finance costs of eligible projects for the City’s combined utility system, including acquisition or construction of improvements and additions or extension for the system, and costs of issuance. The notes are issued as third lien obligations. The maturity of the Notes may not exceed 270 days and the maximum interest rate may not exceed 10%. Principal on the Notes is payable from the issuance of new commercial paper, bond proceeds and other funds provided under separate letters of credit with J.P. Morgan Bank; Wells Fargo; Scotia Bank; Barclay’s and Citi totaling \$600 million. The letters of credit with JP Morgan, Wells Fargo and Scotia Bank expire on December 17, 2012. The agreements with Barclay’s and Citi expire on July 13, 2013. Interest on the Notes is payable from net revenues of the System and loans under the credit agreement. During fiscal year 2011, the average interest rate for outstanding Notes, including credit and dealer fees, was 1.771%. There was \$5.4 million outstanding as of June 30, 2011.

14. Combined Utility System Synthetic Fixed Rate Swap Agreements

Combined Utility System synthetic fixed rate swaps. On June 10, 2004 the City entered into three identical pay-fixed, receive-variable rate swap agreements. The City pre-qualified six firms to submit competitive bids on the swap. The bidding took place on June 7, 2004. The three firms selected all matched the lowest fixed rate bid of 3.7784%.

Objective. The objective of the swaps is to hedge against the potential of rising interest rates in conjunction with the City’s Combined Utility System 2004B variable rate interest bonds (“2004B Bonds”).

Terms. The notional amount totals \$653,325,000, the principal amount of the associated 2004B Bonds. The City’s swap agreements contain scheduled reductions to outstanding notional amounts that follow anticipated payments of principal of the 2004B Bonds in varying amounts during the years 2028 to 2034.

Under the terms of the swaps, the City will pay a fixed rate of 3.7784% and receive a floating rate equal to 57.6% of One-Month US Dollar LIBOR plus 37 basis points. All agreements were effective June 10, 2004, the date of issuance of the 2004B Bonds. The termination date is May 15, 2034.

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At June 30, 2011, the effective rate on the 2004B Bonds associated with the swap was computed as follows:

	<u>Terms</u>	RATE (%) Received (Paid)
Variable rate payment from counterparties	LIBOR x 57.6%	0.1077
	+ Constant	<u>0.3700</u>
Swap receipt		0.4777
Fixed rate paid to counterparties	Fixed	<u>(3.7784)</u>
Net rate (paid)/received for swap		(3.3007)
Average variable rate on 2004B bonds, year end		(0.0795)
Plus dealer and credit fees on 2004B bonds		<u>(1.1508)</u>
Effective rate of 2004B bonds		<u>(4.5310)</u>

In contrast, the fixed rate the City paid on its Combined Utility System Series 2004A fixed rate bonds, which have a comparable maturity, was 5.08%.

Fair value. Because long-term interest rates have changed since inception of the swaps, the swaps had a negative fair value of \$112,400,000 on June 30, 2011. This value was calculated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. The fair value is recorded on the balance sheet of the Combined Utility System in the “deferred outflow/inflow liability” accounts. These net payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit risk. As of June 30, 2011, the City was not exposed to credit risk because the swaps had a negative fair value. However, should interest rates increase and the fair value of the swap become positive, the City would be exposed to credit risk on the swap in the amount of its fair value. The City’s swap policy generally requires that swap counterparties be rated double-A or better by at least one nationally recognized rating agency at inception. Under the agreements, if a counterparty’s credit rating falls below AA, collateral may be required in varying amounts depending on the credit rating and fair market value to the City of the swaps. No collateral has been required to date.

<u>COUNTERPARTY</u>	<u>Notional</u> <u>Amount</u>	<u>Fair Value</u>	<u>Counterparty</u> <u>Credit Rating</u> <u>(Moody’s /S&P /Fitch)</u>
Goldman Sachs Capital Markets	\$ 353,325,000	\$ (60,786,000)	A1/A/A+
JP Morgan Chase	150,000,000	(25,807,000)	Aa3/A+/AA-
UBS AG	<u>150,000,000</u>	<u>(25,807,000)</u>	Aa3 /A+ /A+
TOTAL	<u>\$ 653,325,000</u>	<u>\$ (112,400,000)</u>	

Basis risk. The City is exposed to basis risk on the swaps because the variable payment received is based on an index other than SIFMA. Should the relationship between LIBOR and SIFMA move to convergence (because of reductions in tax rates, for example), the expected cost savings may not be realized. The City has issued variable rate demand bonds with an average rate of 0.08% (not including dealer and credit fees) as of June 30, 2011, whereas the associated LIBOR-based rate of the swap was 0.48%.

Termination risk. The City may terminate for any reason. A counterparty may terminate a swap if the City fails to perform under the terms of the contract. The City’s on-going payment obligations under the swap (and, to a limited extent, its termination payment obligations) are insured, and counterparties cannot terminate so long as the insurer does not fail to perform. If a swap should be terminated, the associated variable-rate bonds would no longer carry synthetic fixed interest rates. Also, if at the time of the termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap’s fair value.

Remarketing risk. The City faces a risk that the remarketing agent will not be able to sell the variable rate bonds at a competitive rate. At times rates vary as investors shift portfolios in and out of the tax-exempt variable rate sector.

Swap payments and associated debt. As of June 30, 2011, debt service requirements for the swap agreements are reported in Note 8D, assuming current interest rates remain the same. As rates vary, variable rate bond interest payments and net swap payments will vary. Expected debt service payments on the associated Combined Utility System 2004B bonds are included with other Combined Utility System Bonds on Note 8D.

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15. Combined Utility System Forward Interest Rate Swap

Combined Utility System Forward Starting Swap. On November 1, 2005 the City entered into a forward interest rate swap transaction with Royal Bank of Canada (“RBC”). The transaction was conducted through a competitive bid process.

Objective. The City entered the swap agreement to hedge against the potential of rising interest rates associated with underlying variable rate bonds of \$249,075,000.

Terms. Under the terms of the contract, the City will pay a fixed rate of 3.761% on a par value of \$249,075,000, and it will receive variable payments based on 70% of one-month LIBOR. The City’s scheduled net swap payments are insured by Ambac Assurance Corporation.

At June 30, 2011, the effective rate on the 2010B Bonds associated with the swap was computed as follows:

	<u>Terms</u>	RATE (%)
Variable rate payment from counterparties (Swap Receipt)	LIBOR x 70%	0.1309
Fixed rate paid to counterparty	Fixed	<u>(3.7610)</u>
Net rate (paid)/received for swap		(3.6301)
Year-end variable rate on 2010B bonds		(0.0900)
Plus credit fees on 2010B bonds		<u>(1.3000)</u>
Effective rate of 2010B bonds		<u>(5.0201)</u>

Fair value. The swap had a fair value of negative \$38,400,000 on June 30, 2011. The fair value is recorded on the balance sheet of the Combined Utility System in the “deferred outflow/inflow liability” accounts. This value was calculated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These net payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit risk. As of June 30, 2011, the City was not exposed to credit risk because the fair market value of the swap was negative to the City. As of June 30, 2011, RBC was rated Aa1, AA- and AA by Moody’s, Standard and Poor’s, and Fitch respectively. Under the agreement, if RBC’s credit rating falls below double-A, collateral must be posted in varying amounts depending on the credit rating if the fair value of the swap is positive to the City. No collateral has been required to date.

Basis risk. The City is exposed to basis risk on the swap because the variable payment received is based on an index that is not tax-exempt. Should the relationship between LIBOR and SIFMA move to convergence (because of reductions in tax rates, for example), the expected cost savings may not be realized. At June 30, 2011 the interest rate in effect for the underlying variable rate bonds was 0.09% while the rate in effect for the swap receipts was 0.13%.

Termination risk. The City may terminate for any reason. RBC may terminate a swap if the City fails to perform under the terms of the contract. The City’s on-going payment obligations under the swap (and, to a limited extent, its termination payment obligations) are insured, and RBC cannot terminate so long as the insurer does not fail to perform. If a swap should be terminated, the associated variable-rate bonds would no longer carry synthetic fixed interest rates. Also, if at the time of the termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap’s fair value.

Swap payments and associated debt. As of June 30, 2011, debt service requirements for the swap agreements are reported in Note 8D as if the swap was in effect, assuming current interest rates remain the same. As rates vary, variable rate bond interest payments and net swap payments will vary. Expected debt service payments on the associated Combined Utility System 2008A bonds are included with other Combined Utility System Bonds on Note 8D.

16. Water and Sewer System Junior Lien Revenue Bonds

These bonds are paid solely from a lien on the net water and sewer system revenues, which must total 110% of the current debt service requirements on the junior lien bonds. As part of the restructuring to the new Combined Utility System, the City refunded a substantial portion of the outstanding junior lien bonds on June 10, 2004 and reissued bonds as Combined Utility System bonds. Debt service payments on remaining Water and Sewer Junior Lien Revenue Bonds (“Junior Lien Bonds”) will be made after payment of operating expenses and prior to any debt service payments on the Combined Utility System bonds. The final maturity date for the remaining junior lien bonds is December 1, 2028. No additional Junior Lien Bonds may be issued.

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17. Coastal Water Authority (“CWA”)

The contract payable relating to CWA represents the outstanding principal balance of \$59,800,000 at June 30, 2011 of City of Houston Water Conveyance System Contract Certificates of Participation, Series 1993, representing contract payments owed by the City to pay debt service on bonds issued by CWA, plus \$79,280,000 of CWA Revenue Refunding Bonds, Series 1999, Series 2004, and Series 2010 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 issued the Certificates and endorsed the bonds and is unconditionally obligated to pay from the gross operating revenues of the City’s water and sewer system all debt service payments on these Certificates and Bonds, as well as amounts necessary to restore deficiencies in funds required to be accumulated under the CWA bond resolutions. The bonds mature on December 15, 2034.

18. Other Contracts

Payments on the following contracts will be made only after the Water Sewer System has funded all maintenance and operation costs and debt service payments for the water and sewer system, including required reserves.

On June 20, 1967 the City, TRA, and Chambers-Liberty Counties Navigation District contracted with the United States of America to have the U.S. Army Corps of Engineers build a salinity control barrier and recreation facilities at Wallisville Lake. Because of legal actions, construction was blocked for a long period, and the project was not completed until April 2003. The City’s share of the project cost was \$10,580,707, which will be paid to the U.S. government over 50 years at 3.222% interest with final payment due January 1, 2053.

In April 2000 the City, Brazos River Authority (“BRA”), and the Texas Water Development Board (“TWDB”) entered into an agreement to develop the Allen’s Creek water supply reservoir in Fort Bend County as a regional water supply. TWDB paid \$14,000,000, or 50% of funding, to provide for construction of the project, and the City agreed to purchase TWDB’s share. Interest payments on the lease-purchase began in 2005 at an average rate of 5.85%. Interest costs over the first eight years will be partially deferred to later years. Principal payments will begin in 2022, and the final principal payment will be made in 2036.

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

The following debt service schedules have been adjusted to include refundings that occurred subsequent to June 30, 2011.

1. General Long-Term Tax Obligation Debt (adjusted for Capital Appreciation and Deferred Interest Bonds reclassification of principal & interest) (in thousands):

Year Ending June 30	Public Improvement Bonds		Pension Obligation Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 106,425	\$ 112,940	\$ -	\$ 31,557
2013	125,245	113,417	-	32,135
2014	132,830	107,300	5,375	32,135
2015	157,960	101,046	5,750	31,797
2016	162,705	93,241	6,160	31,435
2017-2021	852,740	338,586	46,310	150,795
2022-2026	569,605	156,986	103,225	128,492
2027-2031	288,480	46,605	175,962	90,380
2032-2036	58,310	12,423	155,271	35,516
2037-2041	15,785	1,184	42,675	5,644
Total	<u>\$ 2,470,085</u>	<u>\$ 1,083,728</u>	<u>\$ 540,728</u>	<u>\$ 569,886</u>

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Year Ending June 30	General Obligation Commercial Paper		Tax and Revenue Certificates of Obligation	
	Principal	Interest	Principal	Interest
2012	\$ 112,400	\$ 1,633	\$ 12,575	\$ 2,861
2013	75,000	2,393	10,440	2,625
2014	-	1,924	2,210	2,125
2015	10,455	1,924	2,300	2,036
2016	10,885	1,505	2,415	1,921
2017-2021	23,290	1,501	14,005	7,670
2022-2026	-	-	17,875	3,801
2027-2031	-	-	4,130	207
2032-2036	-	-	-	-
2037-2041	-	-	-	-
Total	\$ 232,030	\$ 10,880	\$ 65,950	\$ 23,246

Year Ending June 30	Total Future Requirements		
	Principal	Interest	Total Future Requirements
2012	\$ 231,400	\$ 148,991	\$ 380,391
2013	210,685	150,570	361,255
2014	140,415	143,484	283,899
2015	176,465	136,803	313,268
2016	182,165	128,102	310,267
2017-2021	936,345	498,552	1,434,897
2022-2026	690,705	289,279	979,984
2027-2031	468,572	137,192	605,764
2032-2036	213,581	47,939	261,520
2037-2041	58,460	6,828	65,288
Total	\$ 3,308,793	\$ 1,687,740	\$ 4,996,533

2. HUD Section 108 Loans (in thousands):

Year Ending June 30	HUD Section 108 Loans (in thousands)		
	Principal	Interest	Total Future Requirements
2012	\$ 727	\$ 408	\$ 1,135
2013	645	373	1,018
2014	645	340	985
2015	659	306	965
2016	659	271	930
2017-2021	3,155	803	3,958
2022-2026	1,340	86	1,426
Total	\$ 7,830	\$ 2,587	\$ 10,417

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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3. Enterprise Funds (adjusted for capital appreciation and deferred reclassification of principal and interest) (in thousands):

Year Ending	Airport System Senior Lien Revenue Bonds		Airport System Senior Lien Commercial Paper		Airport System Subordinate Lien Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30						
2012	\$ -	\$ 23,819	\$ -	\$ -	\$ 52,285	\$ 79,771
2013	-	23,819	-	-	52,805	77,530
2014	-	23,819	-	-	57,795	75,552
2015	-	23,819	-	-	57,870	73,181
2016	9,275	23,587	-	-	59,510	70,711
2017-2021	53,810	110,312	-	-	348,830	311,010
2022-2026	68,685	95,073	-	-	475,445	224,352
2027-2031	87,810	75,370	-	-	591,785	120,863
2032-2036	114,075	48,257	-	-	272,590	13,184
2037-2041	116,005	13,187	-	-	-	-
Total	\$ 449,660	\$ 461,062	\$ -	\$ -	\$ 1,968,915	\$ 1,046,154

Year Ending	Airport System Inferior Lien Contract		Airport System Pension Obligations	
	Principal	Interest	Principal	Interest
June 30				
2012	\$ 4,535	\$ 1,925	\$ -	\$ 107
2013	4,780	1,675	-	106
2014	5,040	1,408	-	106
2015	5,315	1,123	-	106
2016	5,605	823	-	106
2017-2021	12,155	677	-	533
2022-2026	-	-	-	533
2027-2031	-	-	925	485
2032-2036	-	-	1,081	137
2037-2041	-	-	-	-
Total	\$ 37,430	\$ 7,631	\$ 2,006	\$ 2,219

Year Ending	Airport System Total Future Requirements		
	Principal	Interest	Total
June 30			
2012	\$ 56,820	\$ 105,622	\$ 162,442
2013	57,585	103,130	160,715
2014	62,835	100,885	163,720
2015	63,185	98,229	161,414
2016	74,390	95,227	169,617
2017-2021	414,795	422,532	837,327
2022-2026	544,130	319,958	864,088
2027-2031	680,520	196,718	877,238
2032-2036	387,746	61,578	449,324
2037-2041	116,005	13,187	129,192
Total	\$ 2,458,011	\$ 1,517,066	\$ 3,975,077

CITY OF HOUSTON, TEXAS
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Year Ending June 30	Convention and Entertainment Facilities Revenue Bonds		Convention and Entertainment Facilities Commercial Paper		Convention and Entertainment Pension Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 21,835	\$ 9,214	\$ -	\$ 675	\$ -	\$ 242
2013	27,530	14,297		675	-	242
2014	26,215	13,436	43,000	318	60	242
2015	25,835	12,134	-	-	65	239
2016	23,474	14,391	-	-	65	235
2017-2021	103,371	97,710	-	-	500	1,105
2022-2026	102,315	118,815	-	-	1,110	864
2027-2031	112,385	129,360	-	-	1,617	461
2032-2036	69,489	79,104	-	-	467	36
2037-2041	-	-	-	-	-	-
Total	<u>\$ 512,449</u>	<u>\$ 488,461</u>	<u>\$ 43,000</u>	<u>\$ 1,668</u>	<u>\$ 3,884</u>	<u>\$ 3,666</u>

Year Ending June 30	Convention and Entertainment Total Future Requirements		
	Principal	Interest	Total Future Requirements
2012	\$ 21,835	\$ 10,131	\$ 31,966
2013	27,530	15,214	42,744
2014	69,275	13,996	83,271
2015	25,900	12,373	38,273
2016	23,539	14,626	38,165
2017-2021	103,871	98,815	202,686
2022-2026	103,425	119,679	223,104
2027-2031	114,002	129,821	243,823
2032-2036	69,956	79,140	149,096
2037-2041	-	-	-
Total	<u>\$ 559,333</u>	<u>\$ 493,795</u>	<u>\$ 1,053,128</u>

Year Ending June 30	Combined Utility System Revenue Bonds		Combined Utility System Swap Agreements	Combined Utility System Commercial Paper	
	Principal	Interest	Net Swap Payment		
2012	\$ 43,810	\$ 220,722	30,548	\$ 5,400	\$ 106
2013	56,435	220,847	30,558	-	-
2014	91,565	218,219	30,558	-	-
2015	89,220	213,747	30,558	-	-
2016	97,095	209,428	30,548	-	-
2017-2021	743,490	954,839	152,779	-	-
2022-2026	1,003,270	754,253	152,779	-	-
2027-2031	1,325,920	482,193	139,583	-	-
2032-2036	1,395,690	240,002	33,500	-	-
2037-2041	444,155	37,865	-	-	-
Total	<u>\$ 5,290,650</u>	<u>\$ 3,552,115</u>	<u>\$ 631,411</u>	<u>\$ 5,400</u>	<u>\$ 106</u>

CITY OF HOUSTON, TEXAS
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Year Ending June 30	Water and Sewer Jr. Lien Revenue Bonds		Combined Utility System Pension Obligations	
	Principal	Interest	Principal	Interest
2012	\$ 24,475	\$ 51,123	\$ -	\$ 3,814
2013	23,843	54,757	-	3,814
2014	36,930	12,363	910	3,814
2015	47,865	10,519	975	3,756
2016	49,970	8,343	1,040	3,695
2017-2021	140,676	52,032	7,835	17,397
2022-2026	84,780	70,060	17,470	13,623
2027-2031	21,218	84,502	25,385	7,298
2032-2036	-	-	7,542	591
2037-2041	-	-	-	-
Total	\$ 429,757	\$ 343,699	\$ 61,157	\$ 57,802

Year Ending June 30	Combined Utility System Total Future Requirements			
	Principal	Interest	Net Swap Payment	Total Future Requirements
2012	\$ 73,685	\$ 275,765	\$ 30,548	\$ 379,998
2013	80,278	279,418	30,558	390,254
2014	129,405	234,396	30,558	394,359
2015	138,060	228,022	30,558	396,640
2016	148,105	221,466	30,548	400,119
2017-2021	892,001	1,024,268	152,779	2,069,048
2022-2026	1,105,520	837,936	152,779	2,096,235
2027-2031	1,372,523	573,993	139,583	2,086,099
2032-2036	1,403,232	240,593	33,500	1,677,325
2037-2041	444,155	37,865	-	482,020
Total	\$ 5,786,964	\$ 3,953,722	\$ 631,411	\$ 10,372,097

4. Long-Term Contracts-Water and Sewer System (in thousands):

Year Ending June 30	Coastal Water Authority Maintenance & Operations Lien		
	Principal	Interest	Total Future Requirements
2012	\$ 13,340	\$ 7,074	\$ 20,414
2013	13,420	6,243	19,663
2014	13,420	5,455	18,875
2015	13,410	4,654	18,064
2016	14,025	3,826	17,851
2017-2021	18,645	14,973	33,618
2022-2026	26,895	10,158	37,053
2027-2031	13,045	4,697	17,742
2032-2036	12,880	1,259	14,139
Total	\$ 139,080	\$ 58,339	\$ 197,419

CITY OF HOUSTON, TEXAS
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Year Ending June 30	Other Water & Sewer System Contracts				Other Contracts Total		
	U.S. Army Corps of Engineers		Texas Water Development Board		Future Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2012	\$ 110	\$ 306	\$ -	\$ 819	\$ 110	\$ 1,125	\$ 1,235
2013	113	302	-	819	113	1,121	1,234
2014	117	299	-	819	117	1,118	1,235
2015	121	291	-	819	121	1,110	1,231
2016	125	295	-	819	125	1,114	1,239
2017-2021	685	1,392	-	4093	685	5,485	6,170
2022-2026	803	1,274	2,660	3,873	3,463	5,147	8,610
2027-2031	941	1,136	4,290	2,850	5,231	3,986	9,217
2032-2036	1,103	974	5,700	1,439	6,803	2,413	9,216
2037-2041	1,292	785	1,350	79	2,642	864	3,506
2042-2046	1,514	563	-	-	1,514	563	2,077
2047-2051	1,774	303	-	-	1,774	303	2,077
2052-2057	793	38	-	-	793	38	831
Total	\$ 9,491	\$ 7,958	\$ 14,000	\$ 16,429	\$ 23,491	\$ 24,387	\$ 47,878

E. Debt Issuances and 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 2011 described below, has been removed from the City's books.

Public Improvement Refunding Bonds

On December 7, 2010, the City closed the sale of \$312,295,000 in Public Improvement Refunding Bonds, Series 2010A and \$191,395,000 in Taxable Public Improvement Refunding Bonds, Taxable Series 2009B-Direct Subsidy Build America Bonds ("the PIBS 2010B Bonds"). The bonds mature in varying amounts from 2011 through 2030 with coupons ranging from 1% to 6.319%. The true interest cost for the 2010A bonds was 3.2% and 3.8% for the 2010B bonds. Proceeds were used to refund \$312,000,000 of General Obligation Commercial Paper Series E1, G, H1 and H2 ("the Commercial Paper Notes"); to refund \$215,440,000 of Public Improvement Refunding Bonds, Series 2000, 2001A, 2001B, 2002, 2003A-1 and 2004B; and costs of issuance. The refunding generated net present value savings of \$19,047,453 or 8.8% of the refunded bonds and reduced total debt service payments by \$19,802,203. Because the refunded Commercial Paper Notes paid interest at varying rates depending on current market conditions, cash flow and net present value savings on this portion of the transaction cannot be computed.

Combined Utility System Revenue Refunding Bonds

On September 1, 2010, the City issued \$212,040,000 of Combined Utility System First Lien Revenue and Refunding Bonds, Series 2010C, at rates ranging from 2.0 to 5.0%. The true interest cost was 2.39%. The bonds mature in varying amounts from 2011 to 2019. Proceeds were used to refund \$256,095,000 of Series 2001 Jr. Lien Water & Sewer bonds. The refunding generated net present value savings of \$23,930,182 or 9.34% of the refunded bonds and reduced total debt service payments by \$26,909,381.

On March 9, 2011, the City issued \$273,275,000 of Combined Utility System First Lien Revenue and Refunding Bonds, Series 2011A, at rates ranging from 4.38 to 5.25%. The true interest cost was 5.039%. The bonds mature in varying amounts from 2028 to 2033. Proceeds were used to refund the Combined Utility System First Lien Revenue Refunding Bonds, Series 2004C-1, 2004C-2A and 2004C-2B. Because the interest rate on the refunded bonds was only fixed until the put date of May 15, 2011, the cash flow and net present value savings cannot be computed.

On June 2, 2011 the City closed on the sale \$81,040,000 of Combined Utility System Revenue and Refunding Bonds, Series 2011 B and Series 2011C bonds in a private placement to the Texas Water Development Board ("TWDB"). The bonds were issued at rates ranging from 0.35% to 4.15% with true interest cost of 3.395%. The bonds are due in varying amounts from 2011 to final maturity on November 15, 2040. A portion of the proceeds were used to currently refund \$5,100,000 of outstanding Combined Utility System Commercial Paper Notes which were used to fund projects previously approved by the TWDB. Because the refunded commercial paper notes paid interest at varying rates depending on current market conditions, cash flow and net present value savings cannot be computed. The remaining proceeds will be used to fund other TWDB approved water and sewer projects, to fund a reserve, and to pay cost of issuance of the bonds.

CITY OF HOUSTON, TEXAS
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Combined Utility System Revenue Refunding Bonds

On June 28, 2011 the City closed the sale on \$426,410,000 of Combined Utility System Revenue Refunding Bonds, Series 2011D (the CUS 2011D bonds). The bonds mature in varying amounts from 2016 to 2035. Interest rates ranged from 3.00% to 5.0% with a true interest cost of 4.53%. Proceeds were used to currently refund \$400,000,000 of Combined Utility System Commercial Paper Notes, to fund construction projects, and to pay costs of issuance. Because the refunded commercial paper paid interest at varying rates depending on current market conditions, cash flow and net present value savings cannot be computed. The CUS 2011D Bonds were issued to lock in long term fixed rates rather than to achieve debt service savings.

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 bonds and to account for the revenues (as defined), which are 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 2%. During fiscal year 2011 the City has complied with the requirements of all revenue bond ordinances and related bond restrictions.

G. Voter Authorized Obligations

On November 4, 2001, voters of the City authorized the issuance of \$776,000,000 of Public Improvement Bonds. Since June 2002 City Council has authorized issuance of the entire amount as General Obligation Commercial Paper Series G, H-1 and H-2.

On November 7, 2006, voters of the City authorized the issuance of \$625,000,000 in additional Public Improvement Bonds. City Council has authorized issuance of \$437,550,000 as General Obligation Commercial Paper Series G, H-1, H-2 and J.

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

H. Legal Debt Margin

At June 30, 2011, the City's legal debt limit was 10% of assessed property valuation totaling \$187,985,710,000. The City's legal debt margin less applicable outstanding debt was \$15,409,396,000.

NOTE 9: LEASES

Operating Leases

A. City as Lessee

The City has obtained office space, data processing and other equipment through long-term operating leases. The total cost for such leases was \$12,465,227 for the year ended June 30, 2011. The cost is \$7,464,368 for the General funds, \$2,025,828 for the Grant funds, \$1,930,777 for the Non-Major Governmental funds, \$624,202 for the Combined Utility System funds, \$311,489 for the Airport System funds, \$64,996 for the Convention and Entertainment Facilities funds and \$43,567 for the Internal Service funds.

The future minimum payments under these agreements are as follows (in thousands):

Year ended June 30	Operating Lease Payments
2012	\$ 6,181
2013	5,280
2014	4,341
2015	3,526
2016	3,420
2017-2021	13,995
Total	<u>\$ 36,743</u>

CITY OF HOUSTON, TEXAS
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B. City as Lessor

The Convention and Entertainment Facilities department is the lessor of one (1) land lease, Toyota Center Land Lease, with an asset cost of \$20,000,000; six (6) building leases of which all are substantially leased with asset costs of \$206,241,232 and carrying costs of \$146,037,918. Accumulated depreciation on these assets is \$60,344,767. These buildings located in the Theater District are; Hobby Center for the Performing Arts, Wortham Theater, Jones Hall Theater, Houston Arts Center, Talento Bilingue and the Downtown Aquarium. All buildings are used for performance and entertainment purposes.

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 non-cancelable operating leases with fixed minimum rentals and non-cancelable operating use and lease agreements with annually adjusted rates. Rental income is earned from leasing various parcels of land with asset costs of \$21,009,107 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. Airlines and airport concessionaires lease various sections of City owned airport buildings and improvements for ticket counters, passenger hold rooms, baggage carousels, restaurants, retail stores and other facilities. Leased buildings, improvements and equipment have asset costs of \$4,255,434,476 and carrying costs of \$2,476,378,422. Accumulated depreciation on all these assets is \$1,779,056,054.

Minimum guaranteed income on such non-cancelable operating leases is as follows (in thousands):

Year ended June 30	Operating Leases Minimum Rental Income
2012	\$ 44,529
2013	36,168
2014	33,134
2015	31,683
2016	27,643
2017-2021	131,770
2022-2026	117,375
2027-2031	49,030
2032-2036	18,994
2037-2041	15,184
2042-2046	6,159
2047-2051	2,758
Total	\$ 514,427

Contingent income associated with these non-cancelable operating leases was approximately \$12,513,470 for the year ended June 30, 2011. Contingent income is earned when a concessionaire's payment, based on a percentage of sales, is higher than the minimum amount guaranteed to the Airport System under the terms of the lease. In addition, income is earned from certain non-cancelable 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. Compensatory income for the year ended June 30, 2011 was \$247,210,229.

NOTE 10: 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 (1), 6243g, 6243g-4, 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, and for the Municipal Employees' Pension System and the Houston Police Officers' Pension System, some requirements are delineated in new (September '04) meet and confer agreements. Additionally, these laws provide that employer funding be based on periodic actuarial valuations, statutorily approved amounts or, in the cases of the Municipal Employees' Pension System and the Police Officers' Pension System, amounts agreed to in meet and confer agreements. All pension plans provide service, disability, death, and vesting benefits. In addition, each pension plan recognizes participant and employer contributions as revenues in the period in which they are due pursuant to formal commitments and recognizes benefits and refunds when they are due and payable in accordance with the terms of the pension statutes. The specific summary plan description for each Plan is available at the plan offices.

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On November 10, 2004 the City issued a \$300,000,000 collateralized note (The Collateralized Note) to HMEPS as part of the meet and confer agreement with HMEPS to fund part of the unfunded accrued actuarial liability of its pension plan. This note was paid in January 2009 with proceeds from City of Houston, Texas Taxable Pension Obligation Refunding Bonds, Series 2008. (See "Long-Term Liabilities" Note 8-C for further Pension Obligation Bond information.).

B. Actuarially Determined Contribution Requirements and Contributions Made

Historically, the City's funding policies have provided for actuarially determined periodic contributions at rates such that, over time, they will remain level as a percent of payroll, except for the police officers pension system, which has had a statutorily limited level of employer contributions. The contribution rate for normal cost is determined using the entry age normal actuarial cost method. The firefighters' and municipal pension plans use the level percentage of payroll method to amortize the unfunded actuarially accrued liability (or surplus) over 30 years from July 1, 2004 and the police pension uses the level percentage of payroll method to amortize the unfunded actuarially accrued liability over 30 years (constant).

The reported contributions to the pension funds for the year ended June 30, 2011, were different from the actuarially determined requirements based on July 1, 2010 actuarial valuation for Municipal, Fire, and Police. Contributions are as follows:

<u>Percentage of Payroll</u>	<u>Firefighters</u>	<u>Municipal</u>	<u>Police</u>
City of Houston normal cost	18.0%	5.9%	20.2%
Amortization of unfunded actuarial accrued liability (surplus)	5.9%	16.5%	11.8%
Required employer contribution rate	23.9%	22.4%	32.0%
Employer contribution made	29.3%	15.8%	20.1%
Employee contribution made	9.0%	5.0%	9.0%
<u>Contribution Amounts (in thousands)</u>			
Net contribution required	\$ 83,346	\$ 132,012	\$ 155,614
Total City contribution	76,352	88,500	78,000
Total employee contribution	23,263	19,326	35,122
Total contribution	\$ 99,615	\$ 107,826	\$ 113,122

C. Annual Pension Cost and Net Pension (Obligation) Asset

The annual pension cost associated with the City's three pension funds for the current year is as follows (in thousands):

	<u>Houston Firefighters' Pension</u>	<u>Houston Municipal Employees' Pension</u>	<u>Houston Police Officers' Pension</u>
Annual required contribution	\$ 62,240	\$ 125,148	\$ 124,515
Interest on net pension obligation	1,143	29,480	36,140
Adjustment to annual required contribution	(948)	(24,791)	(27,133)
Annual pension cost	62,435	129,837	133,522
Contribution made	76,352	88,500	78,000
Change in net pension obligation	13,917	(41,337)	(55,522)
Net pension obligation, beginning of year	(13,447)	(346,824)	(425,173)
Net pension asset(obligation), end of year	\$ 470	\$ (388,161)	\$ (480,695)

CITY OF HOUSTON, TEXAS
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D. Schedule of Funding Progress (in millions)

	Houston Firefighters' Pension	Houston Municipal Employees' Pension	Houston Police Officers' Pension
Actuarial Valuation Date	July 1, 2010	July 1, 2010	July 1, 2010
Actuarial Value of Plan Assets (a)	\$ 3,116.8	\$ 2,273.1	\$ 3,526.7
Actuarial Accrued Liability (AAL) Entry Age (b)	\$ 3,337.5	\$ 3,632.5	\$ 4,232.7
Unfunded AAL (Surplus UAAL) (b - a)	\$ 220.7	\$ 1,359.4	\$ 706.0
Funded Ratio (a/b)	93%	63%	83%
Projected Annual Covered Payroll (c)	\$ 265.8	\$ 550.7	\$ 377.8
UAAL as Percentage of Covered Payroll ((b - a)/c)	83%	247%	187%

E. Houston Firefighters' Pension System

Schedule of Employer Contributions (in millions)

Year Ended June 30	Annual Pension Cost	Percentage Contributed	Net Pension Asset (Obligation)	Annual Required Contribution as a % of Base Pay
2009	\$58.7	120.7%	(\$27.2)	24.1%
2010	\$60.4	122.8%	(\$13.4)	23.8%
2011	\$62.4	122.3%	\$0.5	23.9%

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 actuarial valuation used for purposes of the financial statements is as follows:

Valuation date	July 1, 2010
Actuarial cost method	Entry age Normal Cost
Amortization method	Level percent of payroll over an open period of 30 years
Remaining amortization period	Rolling 30 year
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return	8.5%, net of expenses
Inflation rate	3.0%
Payroll growth rate	3.0%
Annual increase attributable to seniority/merit	3.0% to 7%
Cost of living adjustment	3% annually

F. Houston Municipal Pension System Information

Schedule of Employer Contributions (in millions)

Year Ended June 30	Annual Pension Cost	Percentage Contributed	Net Pension Obligation	Annual Required Contribution as a % of Base Pay
2009	\$106.1	74.0%	\$313.1	19.2%
2010	\$117.2	71.2%	\$346.8	20.1%
2011	\$129.8	68.2%	\$388.2	22.4%

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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 actuarial valuation used for purposes of the financial statements is as follows:

Valuation date	July 1, 2010
Actuarial cost method	Entry Age Normal cost
Amortization method	Level percentage of payroll over an open period of 30 years
Remaining amortization period	29 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
investment rate of return	8.5%, net of expenses
Payroll growth factor	3.0%
Projected individual salary increases	Graded rates based on years of service
General inflation rate	3.0%

G. Houston Police Officer's Pension System Information

Schedule of Employer Contributions (in millions)

Year Ended June 30	Annual Pension Cost	Percentage Contributed	Net Pension Obligation	Annual Required Contribution as a % of Base Pay
2009	\$119.3	57.0%	\$369.8	30.9%
2010	\$128.3	56.9%	\$425.2	31.7%
2011	\$133.5	58.4%	\$480.7	32.0%

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 actuarial valuation used for purposes of the financial statements is as follows:

Valuation date	July 1, 2010
Actuarial cost method	Entry Age Normal Cost
Amortization method	Level percent of payroll Amortized over a constant open period of 30 years
Remaining amortization period	30 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return	8.5%, with a maximum of 5-year average of 7.0%
Payroll growth rate, attributable entirely to inflation	3.5 %
Annual increase attributable to seniority/merit	0.0% to 9.5%
Annual cost of living adjustment	3.0%
Projected salary increases	Graded rates based on years of service

CITY OF HOUSTON, TEXAS
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NOTE 11: 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 premiums and claim liability incurred by the City (employer and subscriber) amounted to \$64,342,456 for the year ended June 30, 2011. Retiree health care is accounted for in the Health Benefits Fund, an Internal Service Fund. At June 30, 2011, there were 8,227 retirees eligible to receive benefits. Effective August 1, 2011 all Medicare Eligible Retirees must enroll in an insured Medicare Advantage Program Plan.

The City of Houston OPEB plan is a single-employer plan, and calculations are based on the OPEB benefits provided under the terms of the plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made into the future.

The schedule of funding progress for the postemployment defined benefit plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

Annual Other Post Employment Benefits (OPEB) Cost and Net OPEB (Obligation) Asset

The annual OPEB cost associated with the City's retiree health care costs for the current year is as follows (in thousands):

	OPEB
Annual required contribution	\$ 237,466
Interest on net OPEB obligation	31,896
Adjustment to annual required	(43,514)
Annual OPEB cost	225,848
Contribution made	(48,863)
Change in net OPEB obligation	176,985
Net OPEB obligation, beginning of year	700,581
Net OPEB obligation, end of year	\$ 877,566

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$270,047	20.9%	\$485,803
2010	\$273,328	21.4%	\$700,581
2011	\$225,848	21.6%	\$877,566

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Schedule of Funding Progress (in millions)

Year Ended June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio	Covered Payroll (C)	UAAL as a % of Covered Payroll ((b-a)/c)
2009	\$0	\$3,096	\$3,096	0%	\$1,136.5	272.4%
2010	\$0	\$3,031	\$3,031	0%	\$1,193.5	254.1%
2011	\$0	\$1,984	\$1,984	0%	\$1,208.9	164.1%

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as to the actuarial valuation used for purposes of the financial statements is as follows:

Valuation date	June 30, 2010
Actuarial cost method	Entry age Normal Cost
Amortization method	Level percent of payroll over an open period of 30 years
Discount Rate	4.5%
Annual increase attributable to seniority/merit	3.0% to 10.0%
Medical trend rates	5.0% to 10.0%

B. Health Benefits Internal Service Fund

Effective May 1, 2011, the City elected to be substantially self-insured and awarded CIGNA a three year contract with two (2) one-year renewal options for 4 new health plans. All have a heavy emphasis on a wellness component, and include: 1) a limited network HMO-type plan, 2) an open access PPO type plan with out-of-network coverage, 3) a consumer driven high deductible health plan, partnered with a health reimbursement account, and, 4) a specific plan for retirees, mostly those under age 65, who live outside the limited network, service area but who live in Texas. To mitigate the city exposure, in place is an Individual Stop Loss Limit of \$500,000 and an Aggregate Stop Loss Corridor Factor of 105% with unlimited maximum aggregate stop loss benefit for the policy period.

The previous City's Health Benefits plan administered by HMO Blue Texas expired April 30, 2011, employees and retirees were able to choose between a HMO Plan with all benefits covered by third party purchased insurance or a self insured Preferred Provider Organization Plan (PPO) with specific individual and aggregate stop loss features.

Premiums paid (employer and subscriber) for current employees to third party administrators including claim liability total \$225,127,098 for the year ended June 30, 2011.

PPO, OOA AND CIGNA		
Schedule of Changes in Liability		
(in thousands)		
	June 30, 2011	June 30, 2010
Beginning actuarial estimate of claims liability, July 1	\$ 897	\$ 943
Incurred claims for fiscal year	47,432	9,350
Payments on claims	(31,366)	(9,635)
Actuarial adjustment	-	239
Ending estimate of claims liability, June 30	<u>\$ 16,963</u>	<u>\$ 897</u>

The City also provides one 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 for active employees for both basic and voluntary life insurance totaled \$5,750,931 for the year ended June 30, 2011.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

C. Long-Term Disability Plan (LTD)

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 one year 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. Effective September 1, 2001 the Meet and Confer Agreement established Paid Time Off (PTO) for police classified officers. This replaces their participation in the LTD plan.

Schedule of Changes in Liability		
(in thousands)		
	June 30, 2011	June 30, 2010
Beginning actuarial estimate of claims liability, July 1	\$ 7,869	\$ 8,059
Incurred claims for fiscal year	1,356	2,413
Payments on claims	(801)	(770)
Actuarial adjustment	(574)	(1,833)
Ending actuarial estimate of claims liability, June 30	\$ 7,850	\$ 7,869

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 funds are not available until termination, retirement, death or unforeseeable emergency. However, the Plan now offers loans to participant employees. The maximum amount is the lesser of \$50,000 or 50% of the total account balance, less any outstanding loans. The minimum loan amount is \$1,000. Pursuant to tax law changes, the Plan's assets are no longer subject to 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 Cambridge Integrated Services Group, Inc. Funds are wire transferred to Cambridge as needed to pay claims.

At June 30, 2011 the City has an accumulated liability in the amount of \$55 million covering estimates for approved but unpaid claims and incurred but not reported claims (calculated on an actuarial basis) recorded in the Statement of Net Assets and Enterprise Funds. The amount of liability is based on an actuarial study.

Schedule of Changes in Liability		
(in thousands)		
	June 30, 2011	June 30, 2010
Beginning actuarial estimate of claims liability, July 1	\$ 67,089	\$ 76,718
Incurred claims for fiscal year	8,077	7,947
Payments on claims	(14,323)	(14,011)
Actuarial adjustment	(5,899)	(3,565)
Ending actuarial estimate of claims liability, June 30	\$ 54,944	\$ 67,089

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 12: INTERFUND TRANSACTIONS

A. Transfers

Transfers during the year ended June 30, 2011, were as follows (in thousands):

Transferred from:	Transferred to:						Total Transfers Out
	General Fund	Nonmajor Governmental Funds	Debt Service	Capital Projects	Combined Utility System	Convention & Entertainment Facilities	
General Fund	\$ -	\$ 17,630	\$ 249,754	\$ -	\$ 1,896	\$ 100	\$ 269,380
Grants Fund	6,000	292	-	-	-	-	6,292
Nonmajor Funds	15,750	149	797	410	-	-	17,106
Capital Projects	432	-	35,203	-	-	-	35,635
Convention and Entertainment	508	132	-	-	-	-	640
Combined Utility System	54,848	-	21,744	-	-	-	76,592
Debt Service	812	-	-	-	-	-	812
Parking Management	-	6,260	-	-	-	-	6,260
Total transfers in	\$ 78,350	\$ 24,463	\$ 307,498	\$ 410	\$ 1,896	\$ 100	\$ 412,717

Transfers are used to (1) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, (3) use unrestricted revenues in the Combined Utility System and non-major revenue fund to finance general fund programs.

In the previous year, Parking Management was reported as an Enterprise Fund, using the full accrual basis of accounting holding net assets of \$6.260 million. On July 1, 2010, the fund became a Governmental Fund and is reported on the modified basis of accounting for fiscal year 2011. The change in basis of accounting results in a difference in transfer of \$4.520 million as shown on the Statement of Activities.

B. Transfers to Component Units

Transfers to the Houston Arts Alliance from the Convention and Entertainment Facilities during the year ended June 30, 2011 totaled \$11,037,271.

C. Interfund Charges

The General Fund charges the Airport System, Convention and Entertainment Facilities, Combined Utility System, 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 \$62,366,000 for the year ended June 30, 2011, and are recorded as revenue in the General Fund and as expense, expenditure or capital assets in the funds assessed.

Included in the Fiscal Year 2011 total are charges to the funds for direct and indirect expenses as shown below (in thousands):

	Airport System	Convention & Entertainment Facilities	Combined Utility System	Other Funds	Total
General Services	\$ 3,142	\$ 394	\$ 3,034	\$ 9,758	\$ 16,328
Fire Services	16,859	-	-	-	16,859
Police Services	23,072	-	-	-	23,072
Legal	-	-	1,111	-	1,111
Other	390	71	2,344	2,191	4,996
Total	\$ 43,463	\$ 465	\$ 6,489	\$ 11,949	\$ 62,366

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

D. Schedule of Amounts Due To and Due From Other Funds

The interfund balances are primarily due to charges for services between funds during the fiscal year and settled shortly after year-end. The composition of interfund balances as of June 30, 2011 is as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Combined Utility System	\$ 2,061
	Grants revenue	6,090
	Nonmajor Governmental Funds	4,869
	Capital Projects Fund	842
	Airport System	973
	Internal Service Fund	3,585
	Convention and Entertainment Facilities	91
		<u>\$ 18,511</u>
Grants Revenue	General Fund	\$ 4,069
	Nonmajor Governmental Funds	26
	Combined Utility System	766
	Internal Service Fund	133
	Airport System	235
	Capital Projects Fund	69
	<u>\$ 5,298</u>	
Capital Projects Fund	General Fund	\$ 636
		<u>\$ 636</u>
Airport System	General Fund	\$ 111
	Internal Service Fund	329
	Grants revenue	513
		<u>\$ 953</u>
Convention and Entertainment Facilities	General Fund	\$ 42
	Grants revenue	113
	Internal Service Fund	26
	<u>\$ 181</u>	
Combined Utility System	Grants revenue	\$ 7,782
	Nonmajor Governmental Funds	1
	Internal Service Fund	511
	General Fund	121
	Capital Projects Fund	42
	<u>\$ 8,457</u>	
Debt Service Fund	General Fund	\$ 11
		<u>\$ 11</u>
Nonmajor Governmental Funds	General Fund	\$ 764
	Combined Utility System	74
	Internal Service Fund	225
	Nonmajor - Other Special Revenue Fund	171
	<u>\$ 1,234</u>	
Internal Service Fund	General Fund	\$ 4
		<u>\$ 4</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 13: 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 are approximately \$261.9 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. The City typically utilizes the General Fund to liquidate claims and judgments. In the Statement of Net Assets, the City has recognized a liability of \$20.9 million for potential litigation losses arising from various lawsuits.

In 2004, Houston voters approved two ballot propositions limiting City revenue growth. Proposition 1 generally limits annual growth in property tax revenues to the lesser of the actual revenues in the preceding fiscal year, plus 4.5 percent, or the revenues received in the previous fiscal year, plus the cumulative combined rates of inflation and the City's population growth. With the exception of grant monies, revenue received from other governmental entities and interfund transfers, Proposition 2 caps growth in all City revenues, including the General Fund, Special Revenue Funds and Enterprise Funds (combined revenues). Proposition 2 would require a 60 percent vote at a regular election before the City could increase combined revenues over the combined revenues for the preceding fiscal year as adjusted for rates of change in the consumer price index and population growth. Any combined revenues collected by the City in excess of the Proposition 2 restriction would be placed in a taxpayer relief fund. Although both propositions received a majority of votes in the 2004 election, it is the City's position that only Proposition 1 is effective because it received a higher number of favorable votes.

Supporters of Proposition 2 have sued in State District court to enforce the provisions of Proposition 2. The district court ruled in favor of the plaintiffs and ordered that both propositions be in effect. The City filed an appeal, and the Fourteenth Court of Appeals reversed the district court, finding that the supporters of Proposition 2 did not have standing to sue. The plaintiffs subsequently filed a petition for review in the Texas Supreme Court. The Texas Supreme court ruled that the plaintiffs' claims were not ripe for adjudication, and dismissed the case for lack of jurisdiction. The plaintiffs have filed a motion for rehearing, and the court has requested a response from the City.

In 2007, Houston voters approved several ballot propositions including Proposition G, which eliminated some of the most serious concerns created by the potential application of Proposition 2 - by revising how the City's revenues limited by the Charter would be calculated (including the removal of the revenues of the City's Enterprise Funds from the revenues limited by the City Charter), and Proposition H, which allowed the City to raise revenues for police, fire, and emergency services in excess of the revenues allowed under any revenue limitations contained in the City Charter. A supporter of Proposition 2 filed a suit in State District court seeking to invalidate Propositions G and H. The court dismissed the lawsuit, but the Court of Appeals reversed and remanded to the State District Court, in order to give the plaintiff an opportunity to amend his pleadings to establish standing. The City has appealed this ruling to the Texas Supreme Court.

B. Environmental Liabilities

The City is aware of various sites contaminated by asbestos or other hazardous materials. The City has recorded accrued liabilities of \$3.7 million, to be used for: assessment and remediation of asbestos, lead and mold; Phase I and II environmental site assessments and remediation; and remediation of radioactive material.

C. Commitments for Capital Facilities

At June 30, 2011, the City had appropriated but not yet spent from Capital Projects and Enterprise Funds approximately \$763,277,000 for capital projects.

The City leased a tract of land to the Houston Music Hall Foundation for 30 years with a 30-year renewal option. On this site, the Houston Music Hall Foundation constructed the facility named the Hobby Center for the Performing Arts, which was donated to the City.

Upon commencement of the lease, the City is obligated to pay from parking revenues \$1.1 million per year for 30 years. The City's annual obligation is secured by a pledge of the parking revenues from the Theater District and Tranquility Park Parking Garages equal to \$1.2 million per year for 30 years.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

D. Risk Management

The City purchases fidelity coverage to comply with City ordinance, boiler and machinery insurance with a per occurrence loss limit of \$100 million and commercial property insurance with a per occurrence loss limit of \$150 million. The current sub-limit for flood is \$75 million, of which \$50 million may apply to locations in the 100-year flood plain (Flood Zone A). Property insurance provides deductibles as follows: \$2.5 million per occurrence for all perils except; 3% of the damaged insured value for windstorm or hail from a named storm, subject to a \$2.5 million minimum and a \$20 million maximum deductible; and 5% of the damaged insured value for flood, subject to a \$5 million minimum and a \$20 million maximum deductible. Should a named storm event occur that involves both perils of windstorm and flood, the maximum deductible is \$20 million. Tropical Storm Allison (2001) losses sustained were not in excess of the \$150 million per occurrence loss limit; however, flooding caused damages in excess of the prior \$5 million sub-limit to Flood Zone A. Insurance reimbursed the City \$32.6 million for property damage resulting from Tropical Storm Allison. Hurricane Ike (2008) losses sustained were not in excess of the \$150 million per occurrence loss limit. Insurance reimbursed the City \$11.4 million for property damage resulting from Hurricane Ike.

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. All claims are accounted for in the Government-wide Statement of Net Assets.

Claims that are expected to be paid with expendable, available financial resources are accounted for in the General Fund and the appropriate Enterprise Funds.

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

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

	Unemployment Claim Activity	
	June 30, 2011	June 30, 2010
Unpaid claims, beginning of fiscal year	\$293,224	\$196,011
Incurred claims (including IBNRs)	1,897,740	1,303,948
Claim payments	(1,733,534)	(1,206,735)
Unpaid claims, end of fiscal year	<u>\$457,430</u>	<u>\$293,224</u>

E. Purchase Commitments for Electricity

At June 30, 2011 the City had entered into agreements to lock rates for part of the natural gas component of its expected electricity use from July 1, 2011 through June 30, 2013. The total committed price is approximately \$132 million for expected usage. The City may pay a different amount if actual electricity usage varies. This amount will be appropriated in future annual budgets.

F. Purchase Commitment - Luce Bayou Inter-Basin Transfer Project

On January 29, 2009 City Council approved a contract establishing the terms for cooperation between the Coastal Water Authority (CWA) and Houston for the planning, design, property acquisition, permitting, construction and financing of the Luce Bayou Inter-Basin Transfer Project, a canal and pipeline to move 400 million gallons of surface water per day from the Trinity River Basin to Lake Houston. As part of the agreement, CWA agreed to finance preliminary project costs from funds on hand plus proceeds of a \$28,000,000 Water Infrastructure Loan (WIF) from the Texas Water Development Board, and the City pledged to make debt service payments on the WIF beginning in 2019 through 2028. Pledged revenues for the loan are Net Revenues held in the General Purpose Fund of the Combined Utility System. Interest rates range from 2.13% to 2.88%. No interest will be charged until 2019. After the loan is repaid and all other obligations of the contract are fulfilled, upon request of the City CWA will assign to the City all of CWA's rights, titles and interest in the project property.

G. 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.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 14: RELATED ORGANIZATION TRANSACTIONS

A. Metropolitan Transit Authority (Metro)

The City and Metro have an interlocal agreement covering shared costs of street maintenance/construction and traffic control during the fiscal year ended June 30, 2011. The City received \$106.256 million from Metro under this contract in the fiscal year ended June 30, 2011. The breakout was \$55.443 million to Capital Projects, \$47.681 million to General Fund, and \$3.132 million to Special Revenues. None of these payments were for the prior contract year. In addition, the City paid Metro \$.001 million for transportation services.

B. Trinity River Authority (TRA)

As described in Note 8C, 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, 2008, all outstanding long term debt had been paid off. During the fiscal year ended June 30, 2011 the City paid \$3.3 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 CWA for the water conveyance. During the fiscal year ended June 30, 2011, the City paid CWA \$21.3 million for debt services and \$20.8 million for maintenance and operating expenses.

D. Houston Convention Center Hotel Corporation (HCCHC)

Upon formation of the HCCHC, the City entered into various agreements with HCCHC, as part of the agreements, the City agreed to loan HCCHC \$310 million of the convention & entertainment facility bonds, primarily for construction of the Hilton Americas Hotel. Repayment terms of the loan (including interest rates) coincide with the City's scheduled debt service payments

In accordance with the Interlocal Agreement and the hotel management agreement, after meeting certain other funding and reserve requirements, the City can require the distribution of a preferred return from available cash flow (as defined) equal to the preferred return amount (approximately \$1 million for 2003, \$20 million for 2004, and \$25 million per year thereafter) minus the debt service for the applicable year. In May 2011, a preferred return payment of \$16.7 million was made to the City.

E. Component Units

As described in note 16, the City has a number of component units, most of which have fiscal years ended June 30, 2010. Four discretely presented component units; Houston Convention Center Hotel Corporation (HCCHC), Houston Housing Financing Corporation (HHFC), Houston Zoo, Inc. (HZI) and Miller Theatre Advisory Board, Inc. (MTAB) have fiscal years ended December 31, 2010. Subsequent to December 31, 2010, the City received interest payments of \$3,851 thousand from HCCHC, none from HHFC and none from MTAB. Since Houston Zoo, Inc. (HZI) changed their fiscal year during their reporting period, their financial information reflects only the 6 month period July 1, 2010 through December 31, 2010. Miller Theatre Advisory Board had a restatement of their most recent audit financial statement.

NOTE 15: CONDUIT DEBT OBLIGATIONS

To provide for the airport facilities, the City has issued eight series of Special Facility Revenue Bonds. These bonds are limited special 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, except for the City of Houston Special Facility Revenue Bonds (Automated People Mover System), Series 1997A, which are reported as an Inferior Lien Obligation because the City has contracted with Continental Airlines to operate certain facilities and pay related debt service. See Note 8D.

At June 30, 2011, the aggregate value of Special Facility Revenue Bonds outstanding was \$609 million, which includes \$37.4 million of City of Houston Special Facility Revenue Bonds (Automated People Mover System), Series 1997A.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 16: MAJOR DISCRETELY PRESENTED COMPONENT UNITS

The following discretely presented component units represent major component units. For reporting purposes, the City considers a component unit to be major if assets, liabilities, revenues or expenses exceed 10% of that component unit's class and exceed 5% of all component units combined.

During fiscal year 2011, the City added one new discretely presented component unit (Hardy/Near Northside Redevelopment Authority), which resulted in the addition of \$736 thousand of ending net assets.

Net Assets
Major Component Units - Discretely Presented Governmental
June 30, 2011
(in thousands)

	Greater Greenspoint Redevelopment Authority	Greater Houston Convention & Visitor's Bureau	Houston Downtown Park Corporation
Cash, receivable and other current assets	\$ 48,290	\$ 9,467	\$ -
Noncurrent assets	-	-	-
Capital assets, net of accumulated depreciation	4,649	488	78,085
Total assets	<u>52,939</u>	<u>9,955</u>	<u>78,085</u>
Current liabilities	2,758	1,743	2,894
Long-term liabilities	32,010	237	18,359
Total liabilities	<u>34,768</u>	<u>1,980</u>	<u>21,253</u>
Net assets			
Invested in capital assets, net of related debt	4,405	-	56,905
Restricted	6,209	-	-
Unrestricted (deficit)	7,557	7,975	(73)
Total net assets (deficit)	<u>\$ 18,171</u>	<u>\$ 7,975</u>	<u>\$ 56,832</u>

(Continued)

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Midtown Redevelopment Authority	Uptown Development Authority	Nonmajor Component Units	2011
\$ 59,435	\$ 22,890	\$ 174,569	\$ 314,651
1,306	1,216	25,842	28,364
9,815	13,900	49,425	156,362
<u>70,556</u>	<u>38,006</u>	<u>249,836</u>	<u>499,377</u>
6,014	15,649	22,956	52,014
46,716	69,403	129,604	296,329
<u>52,730</u>	<u>85,052</u>	<u>152,560</u>	<u>348,343</u>
5,753	13,900	29,484	110,447
37,977	12,714	102,530	159,430
(25,904)	(73,660)	(34,738)	(118,843)
<u>\$ 17,826</u>	<u>\$ (47,046)</u>	<u>\$ 97,276</u>	<u>\$ 151,034</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Change in Net Assets
Major Component Units - Discretely Presented Governmental
For the Year Ended June 30, 2011
(in thousands)

Component Units	Expenses	Charges for Services	Operating Grants and Contributions	Greater Greenspoint Redevelopment Authority
Greater Greenspoint Redevelopment Authority	\$ 8,381	\$ -	\$ -	\$ (8,381)
Greater Houston Convention and Visitors Bureau	15,917	628	14,278	-
Houston Downtown Park Corporation	1,121	1,094	11	-
Midtown Redevelopment Authority	11,929	-	-	-
Uptown Development Authority	19,112	-	3,930	-
Nonmajor Component Units	61,635	10,169	13,958	-
Total component units	<u>\$ 118,095</u>	<u>\$ 11,891</u>	<u>\$ 32,177</u>	<u>\$ (8,381)</u>
 General Revenues:				
Taxes				
Property taxes levied for general purposes				\$ 6,660
Unrestricted investment earnings				64
Other				-
Loss on sales of assets				-
Transfers				-
Total general revenues, special				<u>6,724</u>
Change in net assets				(1,657)
Net assets beginning				19,828
New component unit & restatement				-
Net assets ending				<u>\$ 18,171</u>

(Continued)

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Net (Expense) Revenue and Change In Net Assets

Greater Houston Convention & Visitors Bureau	Houston Downtown Park Corporation	Midtown Redevelopment Authority	Uptown Redevelopment Authority	Non-Major Component Units	Total Component Units
\$ -	\$ -	\$ -	\$ -	\$ -	\$ (8,381)
(1,011)	-	-	-	-	(1,011)
-	(16)	-	-	-	(16)
-	-	(11,929)	-	-	(11,929)
-	-	-	(15,182)	-	(15,182)
-	-	-	-	(37,508)	(37,508)
<u>\$ (1,011)</u>	<u>\$ (16)</u>	<u>\$ (11,929)</u>	<u>\$ (15,182)</u>	<u>\$ (37,508)</u>	<u>\$ (74,027)</u>
-	\$ -	\$ 15,470	\$ 15,607	\$ 39,315	\$ 77,052
441	-	58	56	4,929	5,548
-	-	1,342	-	5,754	7,096
-	-	-	-	100	100
-	-	-	-	262	262
<u>441</u>	<u>-</u>	<u>16,870</u>	<u>15,663</u>	<u>50,360</u>	<u>90,058</u>
(570)	(16)	4,941	481	12,852	16,031
8,545	56,848	12,885	(47,527)	85,247	135,826
-	-	-	-	(823)	(823)
<u>\$ 7,975</u>	<u>\$ 56,832</u>	<u>\$ 17,826</u>	<u>\$ (47,046)</u>	<u>\$ 97,276</u>	<u>\$ 151,034</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Net Assets
Major Component Units - Discretely Presented Business-type
June 30, 2011
(in thousands)

	Houston Convention Center Hotel Corp.	Houston Zoo Inc. (See note 14E)	Nonmajor Component Units	Total
Cash, receivable and other current assets	\$ 63,700	\$ 28,838	\$ 32,829	\$ 125,367
Noncurrent assets	1,542	-	7,902	9,444
Capital assets, net of accumulated depreciation	216,468	57,918	2,516	276,902
Total assets	<u>281,710</u>	<u>86,756</u>	<u>43,247</u>	<u>411,713</u>
Current liabilities	22,933	5,428	29	28,390
Long-term liabilities	262,345	-	29	262,374
Total liabilities	<u>285,278</u>	<u>5,428</u>	<u>58</u>	<u>290,764</u>
Net assets				
Invested in capital assets, net of related debt	(31,740)	-	-	(31,740)
Restricted	11,530	14,274	-	25,804
Unrestricted (deficit)	16,642	67,054	43,189	126,885
Total net assets (deficit)	<u>\$ (3,568)</u>	<u>\$ 81,328</u>	<u>\$ 43,189</u>	<u>\$ 120,949</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Change in Net Assets
Major Component Units - Discretely Presented Business-type
For the Year Ended June 30, 2011
(in thousands)

<u>Component Units</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Houston Convention Center Hotel Corp.	\$ 68,631	\$ 73,383	\$ -
Houston Zoo Inc.	15,167	8,150	7,643
Nonmajor Component Units	1,453	383	-
Totals	<u>\$ 85,251</u>	<u>\$ 81,916</u>	<u>\$ 7,643</u>

General Revenues:

Taxes

Property Taxes levied for general purposes

Unrestricted investment earnings

Other

Total general revenues, special items, and transfers

Change in net assets

Net assets (deficit) beginning

Net assets (deficit) ending

Continued

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Houston Convention Center Hotel Corp.	Houston Zoo Inc. (See Note 14E)	Non-Major Component Units	Total
\$ 4,752	\$ -	\$ -	\$ 4,752
-	626	-	626
-	-	(1,070)	(1,070)
<u>\$ 4,752</u>	<u>\$ 626</u>	<u>\$ (1,070)</u>	<u>\$ 4,308</u>
\$ -	\$ -	\$ 750	\$ 750
657	491	991	2,139
(3,594)	-	-	(3,594)
<u>(2,937)</u>	<u>491</u>	<u>1,741</u>	<u>(705)</u>
1,815	1,117	671	3,603
(5,383)	80,211	42,518	117,346
<u>\$ (3,568)</u>	<u>\$ 81,328</u>	<u>\$ 43,189</u>	<u>\$ 120,949</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Note 17: Subsequent Events

A. Tax and Revenue Anticipation Notes

On July 1, 2011, the City closed the sale of \$220,000,000 Tax and Revenue Anticipation Notes (TRANS), Series 2011. The proceeds of the TRANS will be used to pay working capital expenditures until tax revenues are received in early 2012. The stated interest rate was 1.75%, and the average yield was 0.19%. The notes will mature on June 29, 2012.

B. Houston Airport System

On July 21, 2011, the City issued the Series 2011A (AMT) and Series 2011B (Non-AMT) Airport System Subordinate Lien Revenue Refunding Bonds in the respective amounts of \$449,975,000 and \$116,930,000 for a total of \$566,905,000. The proceeds were used to refund on a current basis \$533,405,000 of Airport System Subordinate Lien Bonds and refund on an advanced basis \$55,945,000 of Airport System Subordinate Lien Bonds. The refunded bonds included part of the Airport System's Subordinate Lien 1998A (AMT), 1998B (AMT), 1998C (Non-AMT), 2000A (AMT) and 2002B (Non-AMT) series. Coupons ranged from 3.00%-5.00%, with a combined true interest cost of 4.09%. Net present value savings totaled \$36.2 million or 6.15% of the refunded bonds.

C. Convention and Entertainment Bonds

On August 31, 2011, the City issued \$254,460,000 of Convention and Entertainment Bonds, Revenue and Refunding Bonds, Series, 2011A and 2011B. The true interest cost was 4.26%. The bonds mature in varying amounts from 2012 to 2033. Proceeds were used to refund \$240,635,000 of the 2001A, 2001B and 2001C Convention and Entertainment Bonds. Net present value savings totaled \$9.4 million or 3.92% of the refunded bonds.

D. Combined Utility System Revenue and Refunding Bonds

On September 28, 2011, the City issued \$166,660,000 of Combined Utility System First Lien Revenue and Refunding Bonds, Series 2011E with 5% coupons. The true interest cost was 1.35%. The bonds mature in varying amounts from 2013 to 2021. Proceeds were used to refund \$187,080,000 of Jr. Lien Water & Sewer bonds. Net present value savings totaled \$30.6 million or 16.33% of the refunded bonds.

On December 1, 2011, the City issued \$47,125,000 of Combined Utility System First Lien Revenue and Refunding Bonds, Series 2011 F, with 5% coupons. The true interest cost was 4.40%. The bonds mature in varying amounts from 2028 to 2033. Proceeds were used to refund the 2008 D-3 bonds, which totaled \$49,595,000.

E. Public Improvement Refunding Bonds

On October 27, 2011, the City sold \$192,475,000 in Public Improvement Bonds, Series 2011A and \$47,010,000 in Taxable Public Improvement Bonds, Series 2011B at coupons ranging from 1% - 5%. The bonds mature in varying amounts from 2014-2041. The true interest cost for the 2011A bonds was 2.52% and 4.04% for the 2011B bonds. Proceeds were used to refund \$182,720,000 of Public Improvement Refunding Bonds, Series 2002, 2003A-1, 2004B, 2007A and 2008A; Tax and Revenue Certificates of Obligation, Series 2002A and Series 2005D; \$50 million of General Obligation Commercial Paper, Series E-1; and to pay costs of issuance. Net present value savings totaled \$13.6 million or 7.45% of the refunded bonds.

Required Supplementary Information - (unaudited)

**CITY OF HOUSTON, TEXAS
GENERAL OPERATING FUND
Schedule of Budgeted and Actual Revenues and Expenditures
For the Year Ended June 30, 2011
amounts expressed in thousands
(unaudited)**

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
Revenues				
Taxes and assessments				
Property Taxes	\$ 846,136	\$ 846,136	\$ 859,413	\$ 13,277
Industrial Assessments	16,000	16,000	14,458	(1,542)
Sales Tax	473,754	473,754	492,824	19,070
Franchise Tax	188,736	188,736	190,564	1,828
Mixed Beverage Tax	10,590	10,590	10,283	(307)
Bingo Tax	206	206	167	(39)
Total taxes and assessments	<u>1,535,422</u>	<u>1,535,422</u>	<u>1,567,709</u>	<u>32,287</u>
Licenses and permits				
General	11,019	11,093	12,520	1,427
Health Permits	6,187	6,187	6,194	7
Total licenses and permits	<u>17,206</u>	<u>17,280</u>	<u>18,714</u>	<u>1,434</u>
Charges for services				
Ambulance service	21,753	21,753	24,908	3,155
Parking	230	230	246	16
Services performed for other funds				
Direct	44,783	44,550	46,034	1,484
Indirect	16,455	16,455	16,328	(127)
Rents and royalties	1,667	1,667	1,947	280
Others	10,574	10,574	11,065	491
Total charges for services	<u>95,462</u>	<u>95,229</u>	<u>100,528</u>	<u>5,299</u>
Intergovernmental - grants	59,824	59,824	58,895	(929)
Fines and forfeits				
Municipal Courts	36,602	36,602	36,319	(283)
Others	2,321	2,321	2,903	582
Total fines and forfeits	<u>38,923</u>	<u>38,923</u>	<u>39,222</u>	<u>299</u>
Interest	6,750	6,750	3,084	(3,666)
Other				
Sale of Property	433	433	623	190
Other	22,970	22,970	11,249	(11,721)
Total Other	<u>23,403</u>	<u>23,403</u>	<u>11,872</u>	<u>(11,531)</u>
Total revenues	<u>1,776,990</u>	<u>1,776,831</u>	<u>1,800,024</u>	<u>23,193</u>
Other financing sources (uses)				
Transfers in	28,736	28,736	23,561	(5,175)
Sale of capital assets	36,050	36,050	13,766	(22,284)
Other financing sources (uses)	-	-	-	-
Total other financing sources (uses)	<u>64,786</u>	<u>64,786</u>	<u>37,327</u>	<u>(27,459)</u>
Total revenues and other financing sources	<u>\$ 1,841,776</u>	<u>\$ 1,841,617</u>	<u>\$ 1,837,351</u>	<u>\$ (4,266)</u>

* See note to Required Supplementary Information*

CITY OF HOUSTON, TEXAS
GENERAL OPERATING FUND
Schedule of Budgeted and Actual Revenues and Expenditures
For the Year Ended June 30, 2011
amounts expressed in thousands
(unaudited)

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
General government				
Legislative and executive				
Legislative - Council				
Personnel services	5,250	5,071	4,816	255
Other current expenditures	223	400	193	207
Equipment acquisition	-	2	(2)	4
Total legislative - council	<u>5,473</u>	<u>5,473</u>	<u>5,007</u>	<u>466</u>
Legislative - Mayor's Office				
Personnel services	2,908	2,803	2,764	39
Other current expenditures	186	187	166	21
Total executive - mayor's office	<u>3,094</u>	<u>2,990</u>	<u>2,930</u>	<u>60</u>
Total legislative and executive	<u>8,567</u>	<u>8,463</u>	<u>7,937</u>	<u>526</u>
Affirmative Action				
Personnel services	2,420	2,178	2,214	(36)
Other current expenditures	181	199	194	5
Equipment acquisition	-	-	(12)	12
Total affirmative action	<u>2,601</u>	<u>2,377</u>	<u>2,396</u>	<u>(19)</u>
Municipal Courts Administration				
Municipal Courts				
Personnel services	19,324	18,696	18,944	(248)
Other current expenditures	4,064	4,483	3,809	674
Equipment acquisition	22	10	6	4
Total municipal courts	<u>23,410</u>	<u>23,189</u>	<u>22,759</u>	<u>430</u>
Elections	-	1,100	989	111
Finance administration				
Controller				
Personnel services	6,478	6,381	6,522	(141)
Other current expenditures	1,111	1,111	867	244
Total controller	<u>7,589</u>	<u>7,492</u>	<u>7,389</u>	<u>103</u>
Finance				
Personnel services	7,206	6,708	6,718	(10)
Other current expenditures	3,484	3,453	3,082	371
Equipment acquisition	2	2	2	-
Total finance	<u>10,692</u>	<u>10,163</u>	<u>9,802</u>	<u>361</u>
Administrative and Regulatory Affairs				
Personnel services	27,640	22,453	22,659	(206)
Other current expenditures	4,958	3,425	3,201	224
Equipment acquisition	14	37	29	8
Total administrative and regulatory affairs	<u>32,612</u>	<u>25,915</u>	<u>25,889</u>	<u>26</u>
Information Technology				
Personnel services	15,825	14,837	14,864	(27)
Other current expenditures	4,010	4,239	4,208	31
Equipment acquisition	145	-	-	-
Total information technology	<u>19,980</u>	<u>19,076</u>	<u>19,072</u>	<u>4</u>
Bond and Legal	2,485	2,485	2,679	(194)
Total finance administration	<u>73,358</u>	<u>65,131</u>	<u>64,831</u>	<u>300</u>

See note to required Supplementary Information

CITY OF HOUSTON, TEXAS
GENERAL OPERATING FUND
Schedule of Budgeted and Actual Revenues and Expenditures
For the Year Ended June 30, 2011
amounts expressed in thousands
(unaudited)

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
Legal				
Personnel services	16,329	15,515	15,563	(48)
Other current expenditures	1,491	1,284	1,408	(124)
Total legal	17,820	16,799	16,971	(172)
City Secretary				
Personnel services	658	651	652	(1)
Other current expenditures	111	101	96	5
Total city secretary	769	752	748	4
Planning and Development				
Personnel services	7,972	7,465	7,548	(83)
Other current expenditures	619	776	621	155
Equipment acquisition	-	-	-	-
Total planning and development	8,591	8,241	8,169	72
Human Resources				
Personnel services	2,855	2,767	2,746	21
Other current expenditures	556	609	404	205
Total human resources	3,411	3,376	3,150	226
Total general government	138,527	129,428	127,950	1,478
Public safety				
Police				
Personnel services	627,531	622,931	622,687	244
Other current expenditures	34,649	36,069	35,822	247
Equipment acquisition	147	178	177	1
Total police	662,327	659,178	658,686	492
Fire				
Personnel services	413,883	421,275	420,112	1,163
Other current expenditures	22,575	22,886	23,416	(530)
Equipment acquisition	-	33	23	10
Total fire	436,458	444,194	443,551	643
Total public safety	1,098,785	1,103,372	1,102,237	1,135
Public Works				
Administration				
Personnel services	29,352	28,731	27,943	788
Other current expenditures	52,873	56,379	52,532	3,847
Equipment acquisition	31	203	92	111
Total administration	82,256	85,313	80,567	4,746
General Services				
Personnel services	13,737	12,976	13,158	(182)
Other current expenditures	32,652	32,416	30,908	1,508
Equipment acquisition	-	4	(1)	5
Total general services	46,389	45,396	44,065	1,331

See note to required Supplementary Information

CITY OF HOUSTON, TEXAS
GENERAL OPERATING FUND
Schedule of Budgeted and Actual Revenues and Expenditures
For the Year Ended June 30, 2011
amounts expressed in thousands
(unaudited)

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
Solid Waste				
Personnel services	35,504	34,655	34,863	(208)
Other current expenditures	31,558	27,177	27,419	(242)
Equipment acquisition	500	542	535	7
Total solid waste	67,562	62,374	62,817	(443)
Total public works	196,207	193,083	187,449	5,634
Health				
Personnel services	41,163	37,766	38,410	(644)
Other current expenditures	7,047	7,828	6,990	838
Equipment acquisition	-	181	73	108
Total health	48,210	45,775	45,473	302
Housing				
Personnel services	736	708	702	6
Other current expenditures	181	177	158	19
Total housing	917	885	860	25
Parks and Recreation				
Personnel services	41,769	39,750	40,162	(412)
Other current expenditures	23,174	23,224	22,447	777
Total parks and recreation	64,943	62,974	62,609	365
Library				
Personnel services	27,001	25,075	24,653	422
Other current expenditures	4,345	4,697	4,697	-
Equipment acquisition	5,767	5,946	5,946	-
Total library	37,113	35,718	35,296	422
Retiree Benefits				
Hospital and life insurance	17,564	16,819	15,996	823
Total retiree benefits	17,564	16,819	15,996	823
Other current expenditures				
Tax appraisal fees	7,890	7,890	7,780	110
Limited-purpose Annexation Districts	28,954	31,500	32,071	(571)
Contingency	3,726	5,027	-	5,027
Claims and judgments	7,500	7,500	5,166	2,334
Membership dues	770	770	773	(3)
Advertising and promotion	225	260	324	(64)
Management Initiative Savings	(21,569)	731	-	731
Consultants	-	-	805	(805)
Miscellaneous support services	7,164	7,164	11,717	(4,553)
Total other current expenditures	34,660	60,842	58,636	2,206
Debt service				
Debt service interest	2,125	1,000	932	68
Total debt service	2,125	1,000	932	68
Total expenditures	1,639,051	1,649,896	1,637,438	12,458
Other financing sources (uses)				
Transfers out	256,626	263,642	263,437	205
Total other financing sources (uses)	256,626	263,642	263,437	205
Total expenditures and other financing uses	\$ 1,895,677	\$ 1,913,538	\$ 1,900,875	\$ 12,663

See note to required Supplementary Information

CITY OF HOUSTON, TEXAS
REQUIRED RECONCILIATION FOR GENERAL FUND
BUDGET vs. GAAP PRESENTATION
For the Year Ended June 30, 2011
amounts expressed in thousands
(unaudited)

Revenues

Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 1,800,024
Revenues of non-budgeted funds	
Equipment Acquisition	9,845
Building Security	939
Grant Matching Fund	433
Storm water	2
Bureau of animal regulation and care	967
Total revenues of non-budgeted funds	<u>12,186</u>
Interest on pooled investments from non-budgeted revenues	770
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances	<u><u>1,812,980</u></u>

Expenditures

Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	\$ 1,637,438
Expenditures of non-budgeted funds	
Equipment Acquisition	108,470
Building Security	964
Grant matching fund	(2)
Special non-recurring	135
Fleet Maintenance	90
Storm water	34,856
Bureau of animal regulation and care	6,001
Total expenditures of non-budgeted funds	<u>150,514</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	<u><u>1,787,952</u></u>

Other financing sources (uses)

Actual amounts (budgetary basis) "other financing sources and uses" from the budgetary comparison schedules	\$ (226,110)
Proceeds from Issuance of Debt	95,582
Sale of assets	1,069
Transfers of non budgeted funds	48,846
Total other financing sources and uses as reported on the statement of revenues, expenditures, and changes in fund balances--governmental funds	<u><u>\$ (80,613)</u></u>

See note to Required Supplementary Information

CITY OF HOUSTON, TEXAS
REQUIRED NOTES TO THE SUPPLEMENTARY INFORMATION
June 30, 2011
(Unaudited)

1. General Budget Policies

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 so that a budget may be prepared. Typically 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 30th. A final appropriation ordinance is adopted later in the fiscal year and may include budget revisions or amendments.

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 May 13, 2011, City Council approved the Fiscal Year 2011 general appropriation ordinance in the amount of \$1.914 billion for the General Fund.

Annual operating budgets are adopted for the General Operating 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. 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 actual fiscal year 2011 results for both budgeted and non-budgeted Special Revenue Funds (in thousands):

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Sources (Uses)</u>
Budgeted Special Revenue Funds	\$ 132,481	\$ 132,453	\$ (1,794)
Non-budgeted Disaster Recovery Fund	21	-	-
Non-budgeted Grants Revenue Fund	240,806	243,755	(6,292)
Non-budgeted Health and Housing	4,502	3,384	292
Non-budgeted Other Funds	17,665	9,343	-
Total Special Revenue Funds - Actual	<u>\$ 395,475</u>	<u>\$ 388,935</u>	<u>\$ (7,794)</u>

2. General Fund Budgetary Highlights

Revenues were \$23 million above budget. This increase was mainly evident in taxes and assessments of \$32 million. In addition, increases in licenses and permits (\$1.4 million) and charges for services (\$5.3 million), were offset by decreases in interest income (\$3.7 million) and other income of \$12 million.

Significant differences between budgeted and actual taxes and assessments include:

- \$13 million increase in property tax
- \$19 million increase in sales tax

Total expenditures were \$12 million below budget, with a \$1.4 million decrease in general government, a \$1 million decrease in public safety and a \$5.6 million decrease in public works. In addition, the Police Department was \$492 thousand below budget, the Fire Department was \$643 thousand below budget.

**CITY OF HOUSTON, TEXAS
REQUIRED PENSION SYSTEM
SUPPLEMENTARY INFORMATION
June 30, 2011
(unaudited)**

**Houston Firefighters' Pension System Supplementary Information (unaudited)
Schedule of Funding Progress (in millions)**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (Surplus UAAL) (b-a)	Funded Ratio (a/b)	Projected Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
July 1, 2005	\$2,119.2	\$2,461.1	\$341.9	86%	\$192.1	178%
July 1, 2006	\$2,325.0	\$2,670.9	\$345.9	87%	\$218.7	158%
July 1, 2007	\$2,633.6	\$2,892.3	\$258.7	91%	\$232.4	111%
July 1, 2008	\$2,945.1	\$3,080.5	\$135.4	96%	\$239.2	57%
July 1, 2009	\$3,062.2	\$3,209.7	\$147.5	95%	\$258.9	57%
July 1, 2010	\$3,116.8	\$3,337.5	\$220.7	93%	\$265.8	83%

**Houston Municipal Pension System Supplementary Information (unaudited)
Schedule of Funding Progress (in millions)**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (Surplus UAAL) (b-a)	Funded Ratio (a/b)	Projected Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
July 1, 2005	\$1,777.7	\$2,725.3	\$947.6	65%	\$404.6	234%
July 1, 2006	\$1,867.3	\$2,894.3	\$1,027.0	65%	\$422.5	243%
July 1, 2007	\$2,193.7	\$3,128.7	\$935.0	70%	\$448.9	208%
July 1, 2008	\$2,310.4	\$3,296.4	\$986.0	70%	\$483.8	204%
July 1, 2009	\$2,284.4	\$3,451.4	\$1,167.0	66%	\$539.0	217%
July 1, 2010	\$2,273.1	\$3,632.5	\$1,359.4	63%	\$550.7	247%

**Houston Police Officers' Pension System Supplementary Information (unaudited)
Schedule of Funding Progress (in millions)**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (Surplus UAAL) (b-a)	Funded Ratio (a/b)	Projected Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
July 1, 2004	\$2,466.0	\$3,339.2	\$873.2	74%	\$329.8	265%
July 1, 2005*	\$2,508.8	\$3,393.0	\$884.2	74%	\$321.1	275%
July 1, 2007	\$3,004.9	\$3,857.7	\$852.8	78%	\$336.0	254%
July 1, 2008	\$3,337.6	\$4,079.0	\$741.4	82%	\$351.5	211%
July 1, 2009	\$3,430.9	\$4,368.5	\$937.6	79%	\$366.9	256%
July 1, 2010	\$3,526.7	\$4,232.7	\$706.0	83%	\$377.8	187%

* No actuarial study was required or conducted for July 1, 2006.

CITY OF HOUSTON, TEXAS
REQUIRED OTHER POST EMPLOYMENT BENEFITS
SUPPLEMENTARY INFORMATION
June 30, 2011
(unaudited)

Houston Other Post Employment Benefits Supplementary Information (unaudited)
Schedule of Funding Progress *(in millions)*

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (Surplus UAAL) (b-a)	Funded Ratio (a/b)	Projected Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
June 30, 2006	\$0	\$3,238	\$3,238	0%	\$1,090.1	297.0%
June 30, 2008	\$0	\$3,096	\$3,096	0%	\$1,136.5	272.4%
June 30, 2009	\$0	\$3,031	\$3,031	0%	\$1,193.5	254.1%
June 30, 2010	\$0	\$1,984	\$1,984	0%	\$1,208.9	164.1%



Freedom Over Texas Main Stage (above); Miller Outdoor Theater



Governmental Funds

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.

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.

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.

Grants Fund - The Grants Fund is used to account for grant resources received from various local, state and national agencies and organizations. The use of these resources is restricted to a particular function of the city by the grantor.

Nonmajor Funds - Nonmajor Funds did not meet the established criteria for major fund status. They are used to account for the proceeds of specific revenue sources (other than capital projects) that are restricted to expenditures for special purposes. All Nonmajor Funds have been presented; however only certain sub-funds have legally adopted budgets. Nonmajor funds are:

- Public Safety Special Fund
 - Budgeted: Asset Forfeiture, Auto Dealers, Digital Automated Red Light, Juvenile Case Manager, Municipal Courts Building Security, Police Special Services, Houston Emergency Center, Municipal Courts Technology Fee, and Child Safety
 - Not budgeted: Helmets for Bicycle Safety
- Public Works Special Fund
 - Budgeted: Building Inspection, Historic Preservation, Mobility Response Team, and Recycling Revenue
 - Not budgeted: Street Maintenance and Traffic Control
- Health and Housing Special Fund
 - Not budgeted: Health Special, Housing Special, Homeless Families Program and Housing Replacement Insurance, Housing Non-Grant Venture and HJTPC Self Insurance
- Parks & Recreation Special Fund
 - Budgeted: Parks Special
 - Not budgeted: MacGregor Parks Endowment
- Other Special Revenue Fund
 - Budgeted: Cable Television, Digital Houston, Fleet, Houston Transtar, Parking Management, and Supplemental Environmental Project
 - Not budgeted: Disaster Recovery, Compaq Center, MNC Memorial City Way, W.A.T.E.R., Special City Deposit, John Battaglia Trust, Inc. Fund, AAA Contingency, Houston Foundation and March of Dimes

CITY OF HOUSTON, TEXAS
GENERAL FUND
Balance Sheet
June 30, 2011
(With comparative amounts for 2010)
amounts expressed in thousands

	2011	2010
Assets		
Equity in pooled cash and investments	\$ 120,677	\$ 182,675
Receivables, net of allowances		
Accounts receivable	37,872	30,734
Property taxes receivable, net	37,534	44,225
Sales taxes receivable	89,338	83,073
Mixed beverage taxes receivable	2,824	2,913
Franchise taxes receivable	17,360	17,531
Special assessments receivable	4,254	12,207
Due from other funds	18,511	12,806
Due from other governments	6,045	2,917
Inventory	16,965	20,875
Prepaid items	1,981	2,021
Total assets	\$ 353,361	\$ 411,977
Liabilities and fund balance		
Liabilities		
Accounts payable	47,429	43,005
Accrued payroll liabilities	65,707	60,243
Due to other funds	5,757	3,089
Due to other governments	544	588
Advances and deposits	6,484	10,001
Claims and judgments	1,613	1,697
Compensated absences	8,137	4,023
Unearned revenue	49,102	65,309
Total liabilities	184,773	187,955
Fund balance		
Non-Spendable		
Imprest cash and prepaids	2,087	2,128
Inventory	16,965	20,875
Restricted	1,665	-
Committed	20,698	-
Assigned	30	20,001
Unassigned	127,143	181,018
Total fund balance	168,588	224,022
Total liabilities and fund balance	\$ 353,361	\$ 411,977

CITY OF HOUSTON, TEXAS
GENERAL FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2011
(With comparative amounts for 2010)
amounts expressed in thousands

	<u>2011</u>	<u>2010</u>
Revenues		
Taxes and assessments		
Property Taxes	\$ 859,413	\$ 892,865
Industrial Assessments	14,458	15,817
Sales Tax	492,824	468,965
Franchise Tax	190,564	190,868
Mixed Beverage Tax	10,283	10,382
Bingo Tax	167	195
Licenses and permits	19,412	18,636
Charges for services	100,636	97,074
Intergovernmental - grants	59,327	32,176
Fines and forfeits	39,222	40,124
Investment income	3,854	6,446
Other	22,820	12,883
Total revenues	<u>1,812,980</u>	<u>1,786,431</u>
Expenditures		
Current		
General government	161,658	157,635
Public safety	1,126,081	1,111,044
Public works	229,393	206,047
Health	45,473	48,266
Housing and community development	860	832
Parks and recreation	62,609	66,928
Library	35,296	37,215
Retiree benefits	15,996	18,897
Capital outlay	109,654	108,339
Debt service interest	932	878
Total expenditures	<u>1,787,952</u>	<u>1,756,081</u>
Other financing sources (uses)		
Proceeds from issuance of debt	95,582	124,078
Sale of capital assets	14,835	7,756
Transfers in	78,350	43,495
Transfers out	(269,380)	(285,604)
Total other financing sources (uses)	<u>(80,613)</u>	<u>(110,275)</u>
Change in fund balance	(55,585)	(79,925)
Fund balances beginning, as previously reported	<u>224,022</u>	<u>303,947</u>
Cumulative effect of a change in reporting entity	151	-
Fund balances, July 1	<u>224,173</u>	<u>303,947</u>
Fund balances, June 30	<u><u>168,588</u></u>	<u><u>224,022</u></u>

CITY OF HOUSTON, TEXAS
DEBT SERVICE FUND
Balance Sheet
June 30, 2011
(With comparative amounts for 2010)
amounts expressed in thousands

	2011	2010
Assets		
Equity in pooled cash and investments	\$ 143,450	\$ 182,188
Due from component units	4,684	5,488
Due from other funds	11	-
Total assets	\$ 148,145	\$ 187,676
 Liabilities and fund balance		
Liabilities		
Accounts payable	\$ 174	\$ 230
Unearned revenue	4,684	5,488
Total liabilities	4,858	5,718
 Fund balance		
Restricted	143,287	181,958
Total fund balance	143,287	181,958
 Total liabilities and fund balance	 \$ 148,145	 \$ 187,676

CITY OF HOUSTON, TEXAS
DEBT SERVICE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance: Budget vs. Actual
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	2011			Variance with Final Budget- Pos (Neg)	2010 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 2,824	\$ 2,824	\$ 369	\$ (2,455)	\$ 4,164
Other	-	-	3,960	3,960	732
Total revenues	<u>2,824</u>	<u>2,824</u>	<u>4,329</u>	<u>1,505</u>	<u>4,896</u>
Expenditures					
Debt service principal	196,600	195,680	192,000	3,680	186,251
Debt service interest	179,330	169,330	153,151	16,179	146,108
Debt service fiscal agent & fees	3,341	14,261	7,792	6,469	6,599
Total expenditures	<u>379,271</u>	<u>379,271</u>	<u>352,943</u>	<u>26,328</u>	<u>338,958</u>
Other financing sources (uses)					
Net proceeds from issuance of debt	-	-	503,696	503,696	522,780
Premium on long-term debt	-	-	35,521	35,521	34,166
Proceeds from refunded debt	-	-	-	-	-
Transfers in	-	-	307,498	307,498	350,890
Transfers out	-	-	(812)	812	-
Payment to escrow agent for refunded bonds	-	-	(535,960)	(535,960)	(553,230)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>309,943</u>	<u>311,567</u>	<u>354,606</u>
Change in fund balance	(376,447)	(376,447)	(38,671)	339,400	20,544
Fund balances, July 1	-	-	181,958	181,958	161,414
Fund balances, June 30	<u>\$ (376,447)</u>	<u>\$ (376,447)</u>	<u>\$ 143,287</u>	<u>\$ 521,358</u>	<u>\$ 181,958</u>

CITY OF HOUSTON, TEXAS
CAPITAL PROJECTS FUND
Balance Sheet
June 30, 2011
(With comparative amounts for 2010)
amounts expressed in thousands

	2011	2010
Assets		
Equity in pooled cash and investments	\$ 82,873	\$ 110,021
Due from other funds	636	844
Due from other governments	34,179	33,026
Prepaid items - Construction materials	74	230
Total assets	\$ 117,762	\$ 144,121
 Liabilities and fund balance		
Liabilities		
Accounts payable	23,848	36,787
Due to other funds	953	132
Advances and deposits	31	31
Unearned revenue	60,684	60,728
Total liabilities	85,516	97,678
 Fund balance		
Non-Spendable	-	-
Imprest cash and prepaids	74	230
Assigned	32,172	46,213
Total fund balance	32,246	46,443
Total liabilities and fund balance	\$ 117,762	\$ 144,121

CITY OF HOUSTON, TEXAS
CAPITAL PROJECTS FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	2011	2010
Revenues		
Intergovernmental - grants	\$ 68,844	\$ 58,762
Investment income	488	2,568
Other	6,675	7,456
Total revenues	76,007	68,786
 Expenditures		
Current		
Capital outlay	196,490	274,778
Total expenditures	196,490	274,778
 Other financing sources (uses)		
Proceeds from issuance of debt	141,418	279,922
Sale of capital assets	93	-
Transfers in	410	-
Transfers out	(35,635)	(65,714)
Total other financing sources (uses)	106,286	214,208
 Change in fund balance	(14,197)	8,216
Fund balances, July 1	46,443	38,227
 Fund balances, June 30	\$ 32,246	\$ 46,443

CITY OF HOUSTON, TEXAS
GRANTS FUND
Balance Sheet
June 30, 2011
(With comparative amounts for 2010)
amounts expressed in thousands

	2011	2010
Assets		
Cash		
Equity in pooled cash and investments	\$ 2,665	\$ 32,973
Receivables, net of allowances		
Accounts receivable	11,179	11,731
Due from other funds	5,298	2,409
Due from component units	2,464	2,914
Due from other governments	109,959	82,852
Inventory	339	1,802
Total assets	131,904	134,681
Liabilities and fund balance		
Liabilities		
Accounts payable	28,224	32,601
Accrued payroll liabilities	2,386	2,297
Due to other funds	14,498	27,891
Due to other governments	634	1,131
Advances and deposits	180	180
Compensated absences	-	12
Unearned revenue	74,225	44,088
Total liabilities	120,147	108,200
Fund balance		
Non-Spendable		
Inventory	339	1,802
Restricted	11,418	24,679
Total fund balance	11,757	26,481
 Total liabilities and fund balance	 \$ 131,904	 \$ 134,681

CITY OF HOUSTON, TEXAS
GRANTS FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2011
(With comparative amounts for 2010)
amounts expressed in thousands

	<u>2011</u>	<u>2010</u>
Revenues		
Intergovernmental - grants	\$ 234,525	\$ 296,466
Contributions	-	20
Investment income	798	1,257
Total revenues	<u>235,323</u>	<u>297,743</u>
Expenditures		
Current		
General government	18,761	17,146
Public safety	36,096	55,007
Public works	15,087	5,916
Health	70,650	75,221
Housing and community development	95,617	99,053
Parks and recreation	6,125	4,993
Library	1,419	1,496
Total expenditures	<u>243,755</u>	<u>258,832</u>
Other financing sources (uses)		
Transfers out	<u>(6,292)</u>	<u>(4,349)</u>
Total other financing sources (uses)	<u>(6,292)</u>	<u>(4,349)</u>
Change in fund balance	(14,724)	34,562
Fund balances, July 1	<u>26,481</u>	<u>(8,081)</u>
Fund balances, June 30	<u>\$ 11,757</u>	<u>\$ 26,481</u>

CITY OF HOUSTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	<i>Nonmajor Funds</i>		
	Public Safety Special Fund	Public Works Special Fund	Health & Housing Special Fund
Assets			
Equity in pooled cash and investments	\$ 25,350	\$ 17,243	\$ 7,145
Receivables, net of allowances			
Accounts receivable	1,022	114	-
Due from other funds	980	209	5
Due from other governments	1,882	-	-
Inventory	-	-	-
Prepaid items	-	-	-
Total assets	<u>\$ 29,234</u>	<u>\$ 17,566</u>	<u>\$ 7,150</u>
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ 2,788	\$ 418	\$ 142
Accrued payroll liabilities	1,922	1,739	76
Due to other funds	4,555	339	2
Due to other governments	2,080	-	-
Advances and deposits	717	1,277	-
Claims and judgments	-	-	-
Compensated absences	4	20	11
Other liabilities	-	-	-
Unearned revenue	437	-	-
Total liabilities	<u>12,503</u>	<u>3,793</u>	<u>231</u>
Fund balance			
Non-Spendable			
Imprest cash and prepaids	-	-	-
Inventory	-	-	-
Committed	12,757	13,772	6,035
Restricted	<u>3,974</u>	<u>1</u>	<u>884</u>
Total fund balance	<u>16,731</u>	<u>13,773</u>	<u>6,919</u>
Total liabilities and fund balance	<u>\$ 29,234</u>	<u>\$ 17,566</u>	<u>\$ 7,150</u>

(Continued)

Nonmajor Funds

Parks & Recreation Special Fund		Other Special Revenue Fund					
				2011	2010		
\$	4,478	\$	55,410	\$	109,626	\$	98,980
	1,670		1,560		4,366		19,028
	21		19		1,234		420
	-		-		1,882		2,370
	5		-		5		263
	-		-		-		1,163
\$	6,174	\$	56,989	\$	117,113	\$	122,224
\$	600	\$	1,946	\$	5,894	\$	7,147
	184		223		4,144		4,476
	-		171		5,067		966
	9		934		3,023		6,259
	55		296		2,345		2,119
	-		-		-		-
	31		156		222		184
	-		4		4		11
	147		437		1,021		16,923
	1,026		4,167		21,720		38,085
	-		-		-		1,163
	5		-		5		263
	4,804		36,268		73,636		55,443
	339		16,554		21,752		27,270
	5,148		52,822		95,393		84,139
\$	6,174	\$	56,989	\$	117,113	\$	122,224

CITY OF HOUSTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	<i>Nonmajor Funds</i>		
	Public Safety Special Fund	Public Works Special Fund	Health & Housing Special Fund
Revenues			
Franchise Tax	\$ -	\$ 347	\$ -
Licenses and permits	9,463	29,234	2,457
Charges for services	6,049	10,003	893
Intergovernmental - grants	13,783	-	-
Fines and forfeits	9,050	8	-
Investment income	274	78	80
Other	15,726	598	1,072
Total revenues	54,345	40,268	4,502
Expenditures			
Current			
General government	-	-	-
Public safety	68,446	-	-
Public works	-	43,903	-
Health	-	-	3,069
Housing and community development	-	-	315
Parks and recreation	-	-	-
Capital outlay	396	189	-
Total expenditures	68,842	44,092	3,384
Other financing sources (uses)			
Sale of capital assets	-	6,126	-
Transfers in	17,180	731	292
Transfers out	(550)	(6,608)	-
Total other financing sources (uses)	16,630	249	292
Change in fund balance	2,133	(3,575)	1,410
Fund balances beginning, as previously reported	14,598	17,499	5,509
Cumulative effect of a change in reporting entity	-	(151)	-
Fund balances, July 1	\$ 14,598	\$ 17,348	\$ 5,509
Fund balances, June 30	\$ 16,731	\$ 13,773	\$ 6,919

(Continued)

<i>Nonmajor Funds</i>			
Parks & Recreation Special Fund	Other Special Revenue Fund	2011	2010
\$ -	\$ -	\$ 347	\$ 424
205	312	41,671	36,639
7,424	7,759	32,128	27,716
-	2,586	16,369	16,115
-	7,134	16,192	19,912
42	683	1,157	2,238
80	21,195	38,671	34,528
<u>7,751</u>	<u>39,669</u>	<u>146,535</u>	<u>137,572</u>
-	18,363	18,363	23,022
-	-	68,446	78,112
-	-	43,903	73,554
-	-	3,069	3,481
-	-	315	827
6,826	-	6,826	6,796
15	2,571	3,171	13,760
<u>6,841</u>	<u>20,934</u>	<u>144,093</u>	<u>199,552</u>
-	-	6,126	1,336
-	1,740	19,943	42,523
(410)	(9,538)	(17,106)	(9,206)
<u>(410)</u>	<u>(7,798)</u>	<u>8,963</u>	<u>34,653</u>
500	10,937	11,405	(27,327)
<u>4,648</u>	<u>41,885</u>	<u>84,139</u>	<u>111,466</u>
-	-	(151)	-
<u>\$ 4,648</u>	<u>\$ 41,885</u>	<u>\$ 83,988</u>	<u>\$ 84,139</u>
<u>\$ 5,148</u>	<u>\$ 52,822</u>	<u>\$ 95,393</u>	<u>\$ 84,139</u>

CITY OF HOUSTON, TEXAS
ASSET FORFEITURE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	2011			Variance with Final Budget- Pos (Neg)	2010 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Confiscations	\$ 6,341	\$ 6,341	\$ 6,954	\$ 613	\$ 5,740
Investment income	143	143	59	(84)	44
Total revenues	<u>6,484</u>	<u>6,484</u>	<u>7,013</u>	<u>529</u>	<u>5,784</u>
Expenditures					
Current					
Public safety	7,100	6,982	5,224	1,758	5,806
Capital outlay	100	218	210	8	211
Total expenditures	<u>7,200</u>	<u>7,200</u>	<u>5,434</u>	<u>1,766</u>	<u>6,017</u>
Other financing sources (uses)					
Transfers out	-	-	-	-	(1,297)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,297)</u>
Change in fund balance	(716)	(716)	1,579	2,295	(1,530)
Fund balances, July 1	<u>1,221</u>	<u>1,221</u>	<u>1,221</u>	<u>-</u>	<u>2,751</u>
Fund balances, June 30	<u>\$ 505</u>	<u>\$ 505</u>	<u>\$ 2,800</u>	<u>\$ 2,295</u>	<u>\$ 1,221</u>

CITY OF HOUSTON, TEXAS
AUTO DEALERS FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	2011			Variance with Final Budget- Pos (Neg)	2010 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Licenses and permits	\$ 1,438	\$ 1,438	\$ 2,766	\$ 1,328	\$ 1,396
Charges for services	603	603	480	(123)	595
Investment income	20	20	45	25	7
Other	1,497	1,497	2,489	992	1,585
Total revenues	<u>3,558</u>	<u>3,558</u>	<u>5,780</u>	<u>2,222</u>	<u>3,583</u>
Expenditures					
Current					
Public safety	3,480	3,480	3,538	(58)	3,320
Capital outlay	-	-	-	-	-
Total expenditures	<u>3,480</u>	<u>3,480</u>	<u>3,538</u>	<u>(58)</u>	<u>3,320</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(593)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(593)</u>
Change in fund balance	78	78	2,242	2,164	(330)
Fund balances, July 1	<u>316</u>	<u>316</u>	<u>316</u>	<u>-</u>	<u>646</u>
Fund balances, June 30	<u>\$ 394</u>	<u>\$ 394</u>	<u>\$ 2,558</u>	<u>\$ 2,164</u>	<u>\$ 316</u>

CITY OF HOUSTON, TEXAS
BUILDING INSPECTION FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	2011		Actual	Variance with Final Budget- Pos (Neg)	2010 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Taxes and assessments					
Franchise Tax	\$ 257	\$ 257	\$ 347	\$ 90	\$ 424
Licenses and permits	29,184	29,184	29,234	50	27,478
Charges for services	8,258	8,258	10,003	1,745	8,315
Investment income	544	544	11	(533)	254
Other	7,777	7,777	5,308	(2,469)	317
Total revenues	<u>46,020</u>	<u>46,020</u>	<u>44,903</u>	<u>(1,117)</u>	<u>36,788</u>
Expenditures					
Current					
Public works	43,871	43,852	41,294	2,558	41,512
Capital outlay	243	262	97	165	1,086
Debt service principal	-	-	-	-	-
Total expenditures	<u>44,114</u>	<u>44,114</u>	<u>41,391</u>	<u>2,723</u>	<u>42,598</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	3,328
Transfers out	(9,142)	(9,142)	(6,277)	(2,865)	(4,897)
Total other financing sources (uses)	<u>(9,142)</u>	<u>(9,142)</u>	<u>(6,277)</u>	<u>(2,865)</u>	<u>(1,569)</u>
Change in fund balance	(7,236)	(7,236)	(2,765)	4,471	(7,379)
Fund balances, July 1	8,968	8,968	8,968	-	16,347
Fund balances, June 30	<u>\$ 1,732</u>	<u>\$ 1,732</u>	<u>\$ 6,203</u>	<u>\$ 4,471</u>	<u>\$ 8,968</u>

CITY OF HOUSTON, TEXAS
CABLE TELEVISION FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	2011			Variance with Final Budget- Pos (Neg)	2010 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 23	\$ 23	\$ 30	\$ 7	\$ 32
Other	3,362	3,362	3,557	195	3,398
Total revenues	<u>3,385</u>	<u>3,385</u>	<u>3,587</u>	<u>202</u>	<u>3,430</u>
Expenditures					
Current					
General government	2,862	2,862	2,854	8	2,658
Capital outlay	316	316	116	200	228
Total expenditures	<u>3,178</u>	<u>3,178</u>	<u>2,970</u>	<u>208</u>	<u>2,886</u>
Change in fund balance	207	207	617	410	544
Fund balances, July 1	<u>1,435</u>	<u>1,435</u>	<u>1,435</u>	<u>-</u>	<u>891</u>
Fund balances, June 30	<u>\$ 1,642</u>	<u>\$ 1,642</u>	<u>\$ 2,052</u>	<u>\$ 410</u>	<u>\$ 1,435</u>

CITY OF HOUSTON, TEXAS
CHILD SAFETY FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	2011		Actual	Variance with Final Budget- Pos (Neg)	2010
	Budget Amounts				
	Original	Final			
Revenues					
Fines and forfeits	\$ 900	\$ 900	\$ 823	\$ (77)	\$ 2,384
Interest	80	80	13	(67)	26
Other	2,400	2,400	2,341	(59)	796
Total revenues	<u>3,380</u>	<u>3,380</u>	<u>3,177</u>	<u>(203)</u>	<u>3,206</u>
Expenditures					
Current					
Public safety	3,380	3,106	3,106	-	3,165
Total expenditures	<u>3,380</u>	<u>3,106</u>	<u>3,106</u>	<u>-</u>	<u>3,165</u>
Change in fund balance	-	274	71	(203)	41
Fund balances, July 1	44	44	44	-	3
Fund balances, June 30	<u>\$ 44</u>	<u>\$ 318</u>	<u>\$ 115</u>	<u>\$ (203)</u>	<u>\$ 44</u>

CITY OF HOUSTON, TEXAS
DIGITAL AUTOMATED RED LIGHT ENFORCEMENT PROGRAM
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	2011			Variance with Final Budget- Pos (Neg)	2010 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 238	\$ 238	\$ (17)	\$ (255)	\$ 142
Other	16,000	16,000	6,185	(9,815)	15,802
Total revenues	<u>16,238</u>	<u>16,238</u>	<u>6,168</u>	<u>(10,070)</u>	<u>15,944</u>
Expenditures					
Current					
Public safety	17,454	7,834	7,583	251	17,627
Capital outlay	2,361	113	56	57	2,197
Total expenditures	<u>19,815</u>	<u>7,947</u>	<u>7,639</u>	<u>308</u>	<u>19,824</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	(600)	(150)	(150)	-	(859)
Total other financing sources (uses)	<u>(600)</u>	<u>(150)</u>	<u>(150)</u>	<u>-</u>	<u>(859)</u>
Change in fund balance	(4,177)	8,141	(1,621)	(9,762)	(4,739)
Fund balances, July 1	<u>1,812</u>	<u>1,812</u>	<u>1,812</u>	<u>-</u>	<u>6,551</u>
Fund balances, June 30	<u>\$ (2,365)</u>	<u>\$ 9,953</u>	<u>\$ 191</u>	<u>\$ (9,762)</u>	<u>\$ 1,812</u>

CITY OF HOUSTON, TEXAS
DIGITAL HOUSTON WIFI
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	2011		Actual	Variance with Final Budget- Pos (Neg)	2010 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Investment income	\$ 190	\$ 190	\$ 22	\$ (168)	\$ 56
WIFI Revenues	-	-	-	-	0
Total revenues	<u>190</u>	<u>190</u>	<u>22</u>	<u>(168)</u>	<u>56</u>
Expenditures					
Current					
General government	1,535	1,535	347	1,188	812
Capital outlay	66	66	-	66	80
Total expenditures	<u>1,601</u>	<u>1,601</u>	<u>347</u>	<u>1,254</u>	<u>892</u>
Change in fund balance	(1,411)	(1,411)	(325)	1,086	(836)
Fund balances, July 1	<u>2,684</u>	<u>2,684</u>	<u>2,684</u>	<u>-</u>	<u>3,520</u>
Fund balances, June 30	<u>\$ 1,273</u>	<u>\$ 1,273</u>	<u>\$ 2,359</u>	<u>\$ 1,086</u>	<u>\$ 2,684</u>

CITY OF HOUSTON, TEXAS
FLEET AND EQUIPMENT ACQUISITION
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	2011			Variance with Final Budget- Pos (Neg)	2010 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 50	\$ 50	\$ 4	\$ (46)	\$ 76
Charges for services	11,707	11,707	-	(11,707)	-
Other					15
Total revenues	<u>11,757</u>	<u>11,757</u>	<u>4</u>	<u>(11,753)</u>	<u>91</u>
Expenditures					
Current					
Parks and recreation					-
Public safety	-	-	-	-	16
Equipment	49	49	122	(73)	210
Total expenditures	<u>49</u>	<u>49</u>	<u>122</u>	<u>(73)</u>	<u>226</u>
Other financing sources (uses)					
Sale of capital assets			1,069	1,069	1,208
Transfers in	-	-	11,707	11,707	14,584
Transfers out	(14,307)	(14,307)	(14,307)	-	(14,877)
Total other financing sources (uses)	<u>(14,307)</u>	<u>(14,307)</u>	<u>(1,531)</u>	<u>12,776</u>	<u>915</u>
Change in fund balance	(2,599)	(2,599)	(1,649)	950	780
Fund balances, July 1	<u>3,884</u>	<u>3,884</u>	<u>3,884</u>	<u>-</u>	<u>3,104</u>
Fund balances, June 30	<u>\$ 1,285</u>	<u>\$ 1,285</u>	<u>\$ 2,235</u>	<u>\$ 950</u>	<u>\$ 3,884</u>

CITY OF HOUSTON, TEXAS
HISTORIC PRESERVATION FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	2011			Variance with Final Budget- Pos (Neg)	2010 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 10	\$ 10	\$ 9	\$ (1)	\$ 25
Other	-	-	14	14	343
Total revenues	<u>10</u>	<u>10</u>	<u>23</u>	<u>13</u>	<u>368</u>
Expenditures					
Current					
Parks and recreation	839	839	17	822	26
Capital outlay	-	-	-	-	-
Total expenditures	<u>839</u>	<u>839</u>	<u>17</u>	<u>822</u>	<u>26</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	(829)	(829)	6	835	342
Fund balances, July 1	<u>862</u>	<u>862</u>	<u>862</u>	<u>-</u>	<u>520</u>
Fund balances, June 30	<u>\$ 33</u>	<u>\$ 33</u>	<u>\$ 868</u>	<u>\$ 835</u>	<u>\$ 862</u>

CITY OF HOUSTON, TEXAS
HOUSTON EMERGENCY CENTER FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	2011		Actual	Variance with Final Budget- Pos (Neg)	2010 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Charges for services	\$ 554	\$ 554	\$ 10	\$ (544)	\$ 374
Intergovernmental - grants	11,878	11,878	10,506	(1,372)	10,377
Investment income	-	-	35	35	49
Total revenues	<u>12,432</u>	<u>12,432</u>	<u>10,551</u>	<u>(1,881)</u>	<u>10,800</u>
Expenditures					
Current					
Public safety	23,658	23,016	20,362	2,654	21,198
Capital outlay	-	41	135	(94)	190
Total expenditures	<u>23,658</u>	<u>23,057</u>	<u>20,497</u>	<u>2,560</u>	<u>21,388</u>
Other financing sources (uses)					
Transfers in	11,226	11,226	11,166	(60)	11,187
Total other financing sources (uses)	<u>11,226</u>	<u>11,226</u>	<u>11,166</u>	<u>(60)</u>	<u>11,187</u>
Change in fund balance	-	601	1,220	619	599
Fund balances, July 1	139	139	139	-	(460)
Fund balances, June 30	<u>\$ 139</u>	<u>\$ 740</u>	<u>\$ 1,359</u>	<u>\$ 619</u>	<u>\$ 139</u>

CITY OF HOUSTON, TEXAS
HOUSTON TRANSTAR FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	2011			Variance with Final Budget- Pos (Neg)	2010 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Charges for services	\$ 714	\$ 714	\$ 714	\$ -	\$ 714
Intergovernmental - grants	1,560	1,560	1,573	13	1,560
Investment income	2	2	24	22	28
Other	169	169	212	43	300
Total revenues	<u>2,445</u>	<u>2,445</u>	<u>2,523</u>	<u>78</u>	<u>2,602</u>
Expenditures					
Current					
General government	2,540	2,540	1,763	777	2,385
Capital outlay	55	55	27	28	24
Debt service principal	-	-	-	-	-
Total expenditures	<u>2,595</u>	<u>2,595</u>	<u>1,790</u>	<u>805</u>	<u>2,409</u>
Change in fund balance	(150)	(150)	733	883	193
Fund balances, July 1	<u>628</u>	<u>628</u>	<u>628</u>	<u>-</u>	<u>435</u>
Fund balances, June 30	<u>\$ 478</u>	<u>\$ 478</u>	<u>\$ 1,361</u>	<u>\$ 883</u>	<u>\$ 628</u>

CITY OF HOUSTON, TEXAS
JUVENILE CASE MANAGER FEE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	2011		Actual	Variance with Final Budget- Pos (Neg)	2010
	Budget Amounts				
	Original	Final			
Revenues					
Interest	\$ 26	\$ 26	\$ 17	\$ (9)	\$ 37
Other	914	914	862	(52)	953
Total revenues	<u>940</u>	<u>940</u>	<u>879</u>	<u>(61)</u>	<u>990</u>
Expenditures					
Current					
Public safety	852	852	696	156	604
Capital outlay	-	-	-	-	-
Total expenditures	<u>852</u>	<u>852</u>	<u>696</u>	<u>156</u>	<u>604</u>
Other financing sources (uses)					
Operating transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	88	88	183	95	386
Fund balances, July 1	<u>1,288</u>	<u>1,288</u>	<u>1,288</u>	<u>-</u>	<u>902</u>
Fund balances, June 30	<u>\$ 1,376</u>	<u>\$ 1,376</u>	<u>\$ 1,471</u>	<u>\$ 95</u>	<u>\$ 1,288</u>

CITY OF HOUSTON, TEXAS
MOBILITY RESPONSE TEAM
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	2011			Variance with Final Budget- Pos (Neg)	2010 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 62	\$ 62	\$ 21	\$ (41)	\$ 139
Other	400	400	92	(308)	-
Total revenues	<u>462</u>	<u>462</u>	<u>113</u>	<u>(349)</u>	<u>139</u>
Expenditures					
Current					
Public works	3,499	3,414	2,185	1,229	2,276
Capital outlay	100	185	93	92	171
Total expenditures	<u>3,599</u>	<u>3,599</u>	<u>2,278</u>	<u>1,321</u>	<u>2,447</u>
Other financing sources (uses)					
Transfers in	671	671	732	61	705
Total other financing sources (uses)	<u>671</u>	<u>671</u>	<u>732</u>	<u>61</u>	<u>705</u>
Change in fund balance	(2,466)	(2,466)	(1,433)	1,033	(1,603)
Fund balances, July 1	<u>5,713</u>	<u>5,713</u>	<u>5,713</u>	<u>-</u>	<u>7,316</u>
Fund balances, June 30	<u>\$ 3,247</u>	<u>\$ 3,247</u>	<u>\$ 4,280</u>	<u>\$ 1,033</u>	<u>\$ 5,713</u>

CITY OF HOUSTON, TEXAS
MUNICIPAL COURTS BUILDING SECURITY
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	2011		Actual	Variance with Final Budget- Pos (Neg)	2010 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Investment income	\$ 3	\$ 3	\$ (1)	\$ (4)	\$ 2
Other	983	983	939	(44)	1,005
Total revenues	<u>986</u>	<u>986</u>	<u>938</u>	<u>(48)</u>	<u>1,007</u>
Expenditures					
Current					
Public safety	1,051	1,051	964	87	1,045
Capital Outlay	-	-	-	-	0
Total expenditures	<u>1,051</u>	<u>1,051</u>	<u>964</u>	<u>87</u>	<u>1,045</u>
Change in fund balance	(65)	(65)	(26)	39	(38)
Fund balances, July 1	<u>126</u>	<u>126</u>	<u>126</u>	<u>-</u>	<u>164</u>
Fund balances, June 30	<u>\$ 61</u>	<u>\$ 61</u>	<u>\$ 100</u>	<u>\$ 39</u>	<u>\$ 126</u>

CITY OF HOUSTON, TEXAS
MUNICIPAL COURTS TECHNOLOGY FEE
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	2011			Variance with Final Budget- Pos (Neg)	2010
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Interest	\$ 65	\$ 65	\$ -	\$ (65)	\$ 21
Other	1,544	1,544	1,416	(128)	1,561
Total revenues	<u>1,609</u>	<u>1,609</u>	<u>1,416</u>	<u>(193)</u>	<u>1,582</u>
Expenditures					
Current					
Public safety	1,482	1,482	1,383	99	2,364
Capital outlay	-	-	-	-	-
Total expenditures	<u>1,482</u>	<u>1,482</u>	<u>1,383</u>	<u>99</u>	<u>2,364</u>
Other financing sources (uses)					
Operating transfers out	(750)	(750)	(400)	350	750
Total other financing sources (uses)	<u>(750)</u>	<u>(750)</u>	<u>(400)</u>	<u>350</u>	<u>750</u>
Change in fund balance	(623)	(623)	(367)	256	(32)
Fund balances, July 1	<u>2,384</u>	<u>2,384</u>	<u>2,384</u>	<u>-</u>	<u>2,416</u>
Fund balances, June 30	<u>\$ 1,761</u>	<u>\$ 1,761</u>	<u>\$ 2,017</u>	<u>\$ 256</u>	<u>\$ 2,384</u>

CITY OF HOUSTON, TEXAS
PARKING MANAGEMENT OPERATING FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	2011		Actual	Variance with Final Budget- Pos (Neg)	2010 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Taxes and assessments					
Parking Violations	\$ 7,771	\$ 7,771	\$ 7,132	\$ (639)	\$ 6,941
Parking Fees	6,610	6,610	7,045	435	6,899
Permit Fees	258	258	312	54	232
Investment income	50	50	50	-	118
Other	-	-	1,273	1,273	15
Total revenues	<u>14,689</u>	<u>14,689</u>	<u>15,812</u>	<u>1,123</u>	<u>14,205</u>
Expenditures					
Current					
General government	7,975	7,226	6,338	888	6,650
Capital outlay	139	139	6	133	568
Debt service principal	-	-	-	-	-
Total expenditures	<u>8,114</u>	<u>7,365</u>	<u>6,344</u>	<u>1,021</u>	<u>7,218</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	(8,294)	(9,537)	(9,537)	-	(9,529)
Total other financing sources (uses)	<u>(8,294)</u>	<u>(9,537)</u>	<u>(9,537)</u>	<u>-</u>	<u>(9,529)</u>
Change in fund balance	(1,719)	(2,213)	(69)	2,144	(2,542)
Fund balances, July 1	<u>372</u>	<u>372</u>	<u>372</u>	<u>-</u>	<u>2,914</u>
Fund balances, June 30	<u>\$ (1,347)</u>	<u>\$ (1,841)</u>	<u>\$ 303</u>	<u>\$ 2,144</u>	<u>\$ 372</u>

CITY OF HOUSTON, TEXAS
PARKS SPECIAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	2011			Variance with Final Budget- Pos (Neg)	2010 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Licenses and permits	\$ 171	\$ 171	\$ 205	\$ 34	\$ 200
Charges for services	7,517	7,517	7,424	(93)	6,613
Investment income	130	130	38	(92)	119
Other	19	19	80	61	19
Total revenues	<u>7,837</u>	<u>7,837</u>	<u>7,747</u>	<u>(90)</u>	<u>6,951</u>
Expenditures					
Current					
Parks and recreation	8,140	8,440	6,826	1,614	6,796
Capital outlay	-	15	15	-	295
Total expenditures	<u>8,140</u>	<u>8,455</u>	<u>6,841</u>	<u>1,614</u>	<u>7,091</u>
Other financing sources (uses)					
Transfers out	(725)	(410)	(410)	-	-
Total other financing sources (uses)	<u>(725)</u>	<u>(410)</u>	<u>(410)</u>	<u>-</u>	<u>-</u>
Change in fund balance	(1,028)	(1,028)	496	1,524	(140)
Fund balances, July 1	<u>4,313</u>	<u>4,313</u>	<u>4,313</u>	<u>-</u>	<u>4,453</u>
Fund balances, June 30	<u>\$ 3,285</u>	<u>\$ 3,285</u>	<u>\$ 4,809</u>	<u>\$ 1,524</u>	<u>\$ 4,313</u>

CITY OF HOUSTON, TEXAS
POLICE SPECIAL SERVICES FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	2011		Actual	Variance with Final Budget- Pos (Neg)	2010 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Charges for services	\$ 12,403	\$ 12,403	\$ 13,374	\$ 971	\$ 16,958
Intergovernmental - grants	3,233	3,233	3,277	44	3,253
Investment income	200	200	120	(80)	233
Other	2,949	2,949	2,517	(432)	2,087
Total revenues	<u>18,785</u>	<u>18,785</u>	<u>19,288</u>	<u>503</u>	<u>22,531</u>
Expenditures					
Current					
Public safety	30,247	30,165	26,520	3,645	23,987
Capital outlay	183	265	95	170	197
Total expenditures	<u>30,430</u>	<u>30,430</u>	<u>26,615</u>	<u>3,815</u>	<u>24,184</u>
Other financing sources (uses)					
Transfers in	6,198	6,198	6,015	(183)	790
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>6,198</u>	<u>6,198</u>	<u>6,015</u>	<u>(183)</u>	<u>790</u>
Change in fund balance	(5,447)	(5,447)	(1,312)	4,135	(863)
Fund balances, July 1	<u>8,428</u>	<u>8,428</u>	<u>8,428</u>	<u>-</u>	<u>9,291</u>
Fund balances, June 30	<u>\$ 2,981</u>	<u>\$ 2,981</u>	<u>\$ 7,116</u>	<u>\$ 4,135</u>	<u>\$ 8,428</u>

CITY OF HOUSTON, TEXAS
RECYCLING REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	2011		Actual	Variance with Final Budget- Pos (Neg)	2010 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Investment income	\$ 45	\$ 45	\$ 38	\$ (7)	\$ 42
Other	1,077	1,077	1,317	240	1,053
Total revenues	<u>1,122</u>	<u>1,122</u>	<u>1,355</u>	<u>233</u>	<u>1,095</u>
Expenditures					
Current					
Parks and recreation	886	555	407	148	86
Capital outlay	-	-	-	-	66
Total expenditures	<u>886</u>	<u>555</u>	<u>407</u>	<u>148</u>	<u>152</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	<u>(178)</u>	<u>(509)</u>	<u>(331)</u>	<u>(178)</u>	<u>(1,000)</u>
Total other financing sources (uses)	<u>(178)</u>	<u>(509)</u>	<u>(331)</u>	<u>(178)</u>	<u>(1,000)</u>
Change in fund balance	58	58	617	559	(57)
Fund balances, July 1	<u>1,644</u>	<u>1,644</u>	<u>1,644</u>	<u>-</u>	<u>1,701</u>
Fund balances, June 30	<u>\$ 1,702</u>	<u>\$ 1,702</u>	<u>\$ 2,261</u>	<u>\$ 559</u>	<u>\$ 1,644</u>

CITY OF HOUSTON, TEXAS
SUPPLEMENTAL ENVIRONMENTAL PROJECT FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	<u>2011</u>			Variance with Final Budget- Pos (Neg)	2010 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 15	\$ 15	\$ 2	\$ (13)	\$ 5
Other	70	70	111	41	154
Total revenues	<u>85</u>	<u>85</u>	<u>113</u>	<u>28</u>	<u>159</u>
Expenditures					
Current					
General government	123	123	76	47	124
Capital outlay	149	149	112	37	173
Total expenditures	<u>272</u>	<u>272</u>	<u>188</u>	<u>84</u>	<u>297</u>
Change in fund balance	(187)	(187)	(75)	112	(138)
Fund balances, July 1	<u>279</u>	<u>279</u>	<u>279</u>	<u>-</u>	<u>417</u>
Fund balances, June 30	<u>\$ 92</u>	<u>\$ 92</u>	<u>\$ 204</u>	<u>\$ 112</u>	<u>\$ 279</u>

CITY OF HOUSTON, TEXAS





Hershey Track and Field Games (above); downtown basketball (below, left); Tour de Houston Bike Ride



Enterprise Funds

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

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

Convention and Entertainment Facilities — This fund is used to account for the operations of the City's major convention and entertainment centers, as well as parking facilities and selected downtown parks. These centers include George R. Brown Convention Center, Jones Hall, Wortham Theater Center, Houston Center for the Arts, Talento Bilingue de Houston, and Miller Outdoor Theater. The parking facilities include the Theater District Parking Garage, the Convention District Garage and various surface lots. Downtown parks include Sesquicentennial Park, Jones Plaza, Root Memorial Square, and Sabine Promenade.

Combined Utility System — This fund is used to account for the production and transmission of water and the treatment of wastewater for City residents and businesses as well as for other governmental entities located in the Houston area.

Nonmajor Enterprise Funds – The Parking Management fund did not meet the established criteria for major fund status. Parking Management was created to manage parking facilities within the City of Houston. As of July 1, 2010, Parking Management was converted to a Special Revenue fund.

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Net Assets
June 30, 2011
(With comparative amounts for 2010)
amounts expressed in thousands

	2011	2010
Assets		
Current Assets		
Equity in pooled cash and investments	\$ 1,028,278	\$ 1,018,843
Receivables, net of allowances		
Accounts receivable	22,174	24,976
Due from other funds	953	10,832
Due from other governments	5,967	6,476
Inventory	2,549	2,490
Prepaid items	2,207	2,305
Restricted assets		
Investments	6,678	6,806
Total current assets	1,068,806	1,072,728
Noncurrent Assets		
Deferred charges for issuance cost	8,502	9,389
Total noncurrent restricted assets	8,502	9,389
Capital assets		
Land	210,091	209,738
Buildings	2,195,518	2,006,729
Improvements and equipment	2,059,916	1,992,095
Construction in progress	313,278	470,551
Runway rights	7,679	-
Less accumulated depreciation	(1,779,084)	(1,623,137)
Net capital assets	3,007,398	3,055,976
Total noncurrent assets	3,015,900	3,065,365
Total assets	\$ 4,084,706	\$ 4,138,093

(Continued)

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Net Assets
June 30, 2011
(With comparative amounts for 2010)
amounts expressed in thousands

	2011	2010
Liabilities		
Current Liabilities		
Accounts payable	\$ 38,406	\$ 44,541
Accrued payroll liabilities	4,591	4,151
Accrued interest payable	53,897	54,958
Due to other funds	1,208	538
Advances and deposits	1,422	1,492
Inferior lien contract	4,535	4,305
Claims and judgments	797	910
Compensated absences	4,865	5,113
Commercial paper payable	-	6,000
Revenue bonds payable	52,285	47,335
Deferred revenue	9,870	7,830
Total current liabilities	171,876	177,173
Noncurrent liabilities		
Revenue bonds payable, net	2,357,764	2,409,178
Claims and judgments	1,830	2,428
Compensated absences	7,156	5,717
Inferior lien contracts	32,895	37,430
Municipal pension trust liability	42,083	37,205
Other post employment benefits	38,275	29,997
Deferred revenue	331	-
Pension obligation bonds payable	2,006	2,006
Total noncurrent liabilities	2,482,340	2,523,961
Total liabilities	2,654,216	2,701,134
Net assets		
Invested in capital assets, net of related debt	663,917	701,767
Restricted net assets		
Restricted for debt service	164,162	156,341
Restricted for renewal and replacement	10,000	10,000
Restricted for maintenance and operations	43,320	42,405
Restricted for capital improvements	549,091	526,446
Total net assets	\$ 1,430,490	\$ 1,436,959

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2011
(With comparative amounts for 2010)
amounts expressed in thousands

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Landing area fees	\$ 90,384	\$ 94,165
Terminal space rentals	181,182	182,105
Parking	70,681	70,127
Concession	64,304	55,872
Other	3,851	4,310
Total operating revenue	<u>410,402</u>	<u>406,579</u>
Operating Expenses		
Maintenance and operating	284,307	245,051
Depreciation and amortization	163,054	164,186
Total operating expenses	<u>447,361</u>	<u>409,237</u>
Operating income (loss)	<u>(36,959)</u>	<u>(2,658)</u>
Nonoperating revenue (expenses)		
Investment income	9,700	30,487
Other revenue	3,409	7,525
Gain (Loss) on disposal of assets	1,241	(198)
Passenger facility charges	63,138	66,383
Interest on long-term debt	(91,133)	(95,037)
Total Nonoperating revenues (expenses)	<u>(13,645)</u>	<u>9,160</u>
Income (loss) before contributions and transfers	<u>(50,604)</u>	<u>6,502</u>
Capital contributions	<u>44,135</u>	<u>51,457</u>
Change in net assets	(6,469)	57,959
Total net assets, July 1	<u>1,436,959</u>	<u>1,379,000</u>
Total net assets, June 30	<u>\$ 1,430,490</u>	<u>\$ 1,436,959</u>

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Cash Flows
For the Year Ended June 30, 2011
(With comparative amounts for 2010)
amounts expressed in thousands

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Receipts from customers	\$ 411,472	\$ 391,367
Payments to employees	(96,988)	(95,396)
Payments to suppliers	(101,002)	(100,890)
Internal activity-payments to other funds	(36,807)	(52,387)
Claims paid	(796)	(910)
Other revenues	5,709	5,775
Net cash provided by (used in) operating activities	<u>181,588</u>	<u>147,559</u>
Cash flows from investing activities		
Interest income on investments	9,575	30,487
Purchase of investments	(14,681)	(9,022)
Proceeds from sale of investments	14,809	9,043
Gain (loss) on sale on nonpooled stock	125	-
Net cash provided by (used for) investing activities	<u>9,828</u>	<u>30,508</u>
Cash flows from noncapital financing activities		
Retirement of collateralized pension note payable	-	-
Interest expense electrical contract	-	-
Interest expense pension obligation bonds	(106)	(106)
Interest expense collateralized note	-	-
Deferred charges on future debt issuance	(386)	468
Net cash provided by (used in) noncapital financing activities	<u>(492)</u>	<u>362</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(47,235)	(45,490)
Refunding of revenue bonds	(92,900)	-
Retirement of commercial paper	(6,000)	(87,000)
Proceeds (uses of cash) from issuance of revenue bonds	92,900	443,288
Interest expense on debt	(111,972)	(98,822)
Retirement of inferior lien contract	(4,305)	(4,085)
Passenger facilities charges	63,138	66,383
Advances and deposits on construction	-	(337)
Contributed capital	44,622	55,304
Acquisition of property, plant and equipment	(119,737)	(256,026)
Net cash provided by (used in) capital and related financing activities	<u>(181,489)</u>	<u>73,215</u>
Net increase in cash and cash equivalents	9,435	251,644
Cash and cash equivalents, July 1	1,018,843	767,199
Cash and cash equivalents, June 30	<u>\$ 1,028,278</u>	<u>\$ 1,018,843</u>
Non cash transactions		
Donated assets	\$ (22)	\$ (427)
Capitalized interest expense	21,912	16,496
Capital additions included in liabilities	(8,421)	(9,462)
Gain (loss) on disposal of assets	(1,241)	198
Total non cash transactions	<u>\$ 12,228</u>	<u>\$ 6,805</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ (36,959)	\$ (2,658)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	163,054	164,186
Capital improvement plan expense	21,746	-
Other post employment benefits	4,878	3,876
Other revenues	3,409	7,525
Due from other governments	-	549
Changes in assets and liabilities		
Accounts receivable	1,402	(21,529)
Due from other funds	9,879	(9,559)
Inventory and prepaid insurance	39	201
Accounts payable	2,302	(8,751)
Accrued payroll liabilities	440	421
Due to other funds	670	202
Advances and deposits	1,970	4,018
Claims and judgments - workers' compensation	(711)	(1,098)
Compensated absences	1,191	827
Pension Obligation payable	8,278	9,349
Net cash provided by operating activities	<u>\$ 181,588</u>	<u>\$ 147,559</u>

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Net Assets
June 30, 2011
(With comparative amounts for 2010)
amounts expressed in thousands

	2011	2010
Assets		
Current Assets		
Equity in pooled cash and investments	\$ 116,982	\$ 99,915
Receivables, net of allowances		
Accounts receivable	2,697	1,104
Hotel occupancy tax receivable	18,509	15,707
Due from component units	13,426	14,571
Due from other funds	181	167
Due from other governments	1,014	700
Prepaid items	859	852
Restricted assets		
Investments	21,774	21,774
Total current assets	175,442	154,790
Noncurrent Assets		
Due from component units	265,566	276,788
Deferred charges for issuance cost	2,670	2,921
Total noncurrent restricted assets	268,236	279,709
Capital assets		
Land	94,063	94,871
Buildings	557,085	554,727
Improvements and equipment	12,778	12,322
Infrastructure	334	334
Construction in progress	340	2,488
Garage rights	13,144	13,144
Less accumulated depreciation and amortization	(202,785)	(187,569)
Net capital assets	474,959	490,317
Total noncurrent assets	743,195	770,026
Total assets	\$ 918,637	\$ 924,816

(Continued)

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Net Assets
June 30, 2011
(With comparative amounts for 2010)
amounts expressed in thousands

	2011	2010
Liabilities		
Current Liabilities		
Accounts payable	\$ 4,540	\$ 2,716
Accrued payroll liabilities	487	440
Accrued interest payable	4,213	4,678
Arbitrage rebate	-	473
Due to other funds	91	-
Due to component units	26,170	25,597
Due to other governments	43	48
Advances and deposits	847	848
Claims for workers' compensator	-	3
Compensated absences	694	661
Revenue bonds payable	21,835	23,260
Deferred revenue	-	3
Total current liabilities	58,920	58,727
Noncurrent liabilities		
Revenue bonds payable	570,014	581,107
Compensated absences	658	615
Commercial paper	43,000	43,800
Arbitrage rebate	161	-
Municipal pension trust liability	4,463	3,930
Other post employment benefits	3,059	2,381
Deferred revenue	-	39
Pension obligation bonds payable	3,884	3,884
Total noncurrent liabilities	625,239	635,756
Total liabilities	684,159	694,483
Net Assets		
Invested in capital assets, net of related debt	127,083	139,395
Restricted net assets		
Restricted for debt service	17,561	17,096
Restricted for maintenance and operations	352	15,977
Unrestricted	89,482	57,865
Total net assets	\$ 234,478	\$ 230,333

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2011
(With comparative amounts for 2010)
amounts expressed in thousands

	2011	2010
Operating Revenues		
Parking	\$ 9,701	\$ 9,835
Concession	6,147	3,283
Rental	7,029	7,180
Total operating revenue	22,877	20,298
Operating Expenses		
Maintenance and operating	40,229	39,817
Depreciation and amortization	15,227	14,958
Total operating expenses	55,456	54,775
Operating income (loss)	(32,579)	(34,477)
Nonoperating revenue (expenses)		
Investment income	9,562	11,971
Hotel occupancy tax	61,603	54,917
Other revenue	546	1,790
Gain (loss) on disposal of assets	2,579	11,535
Other expenses	(26,873)	(24,896)
Interest on long-term debt	(25,194)	(26,032)
Contributions In	15,041	4,413
Total Nonoperating revenues (expenses)	37,264	33,698
Income (loss) before contributions and transfers	4,685	(779)
Capital contributions	-	-
Transfers in	100	1,259
Transfers out	(640)	(8,092)
Total transfers	(540)	(6,833)
Change in net assets	4,145	(7,612)
Total net assets, July 1	230,333	237,945
Total net assets, June 30	\$ 234,478	\$ 230,333

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Cash Flows
For the Year Ended June 30, 2011
(With comparative amounts for 2010)
amounts expressed in thousands

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Receipts from customers	\$ 21,241	\$ 19,861
Payments to employees	(10,114)	(9,855)
Payments to suppliers	(26,319)	(30,086)
Internal activity-payments to other funds	(844)	(1,551)
Claims paid	(39)	(29)
Due to other governments	(6)	(7)
Other revenues	546	1,790
Other expenses	(2,683)	(2,643)
Net cash provided by (used in) for operating activities	<u>(18,218)</u>	<u>(22,520)</u>
Cash flows from investing activities		
Interest income on investments	<u>9,562</u>	<u>11,971</u>
Net cash provided by investing activities	<u>9,562</u>	<u>11,971</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(23,260)	(21,230)
Retirement of commercial paper	(800)	-
Interest expense on debt	(14,655)	(16,034)
Proceeds from disposition of assets	3,386	7,500
Acquisition of property, plant and equipment, net	(677)	(1,360)
Net cash provide by (used in) for capital and related financing activities	<u>(36,006)</u>	<u>(31,124)</u>
Cash flows from noncapital financing activities		
Promotional contract paid from hotel occupancy tax revenues to component units	(24,190)	(22,254)
Transfers	(540)	(6,833)
Payments from Hotel Corporation	26,967	15,703
Hotel occupancy tax revenue	59,502	54,513
Interest expense on pension obligation bonds	(10)	(10)
Net cash provided by (used in) noncapital financing activities	<u>61,729</u>	<u>41,119</u>
Net increase (decrease) in cash and cash equivalents	17,067	(554)
Cash and cash equivalents, July 1	99,915	100,469
Cash and cash equivalents, June 30	<u>\$ 116,982</u>	<u>\$ 99,915</u>

(Continued)

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Cash Flows
For the Year Ended June 30, 2011
(With comparative amounts for 2010)
amounts expressed in thousands

	2011	2010
Non cash transactions		
Gain (loss) on disposal of assets	\$ -	\$ 8,923
Total non cash transactions	\$ -	\$ 8,923
 Reconciliation of operating income to net cash used by operating activities		
Operating income (loss)	\$ (32,579)	\$ (34,477)
Depreciation and amortization	15,227	14,958
Other post employment benefits	679	743
Other revenues	546	1,790
Other expenses	(2,683)	(2,643)
Changes in assets and liabilities		
Accounts receivable and prepaids	(1,599)	(21)
Due from other funds	(14)	35
Accounts payable	1,824	(2,724)
Accrued payroll liabilities	46	45
Due to other funds	91	(345)
Due to other governments	(6)	(7)
Advances and deposits	(1)	(47)
Claims and judgments-workers' compensation	(3)	3
Compensated absences	75	73
Deferred revenue	(42)	(435)
Pension Obligation payable	533	420
Other long-term liabilities	(312)	112
Net cash used in operating activities	\$ (18,218)	\$ (22,520)

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Net Assets
June 30, 2011
(With comparative amounts for 2010)
amounts expressed in thousands

	2011	2010
Assets		
Current assets		
Equity in pooled cash and investments	\$ 785,855	\$ 568,969
Receivables, net of allowances		
Accounts receivable	120,133	79,643
Special assessments receivable	93	93
Due from other funds	8,457	7,629
Due from other governments	399	5,653
Inventory	8,543	6,919
Prepaid items	2,997	3,363
Total current assets	926,477	672,269
Noncurrent Assets		
Due from other Funds	-	-
Amounts held by other governments	10,740	10,288
Deferred inflow related to SWAP liability	150,800	182,419
Deferred charges for issuance cost	59,799	60,096
Total noncurrent restricted assets	221,339	252,803
Capital assets		
Land	125,247	121,461
Buildings	185,244	172,117
Improvements and equipment	125,570	124,031
Plants, lines and rights	9,116,961	8,925,509
Construction in progress	199,002	272,363
Water rights	462,065	462,065
Less accumulated depreciation and amortization	(4,501,993)	(4,322,670)
Net capital assets	5,712,096	5,754,876
Total noncurrent assets	5,933,435	6,007,679
Total assets	\$ 6,859,912	\$ 6,679,948

(Continued)

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Net Assets
June 30, 2011
(With comparative amounts for 2010)
amounts expressed in thousands

	2011	2010
Liabilities		
Current Liabilities		
Accounts payable	\$ 57,782	\$ 65,718
Accrued payroll liabilities	6,599	5,679
Accrued interest payable	31,923	31,302
Contracts payable	14,313	14,404
Due to other funds	2,901	1,042
Due to other governments	1,421	1,065
Advances and deposits	40,908	38,917
Claims and judgments	4,827	1,119
Compensated absences	7,630	8,342
Commercial paper payable	5,400	-
Arbitrage rebate	3,644	3,985
Revenue bonds payable	68,285	74,629
Total current liabilities	245,633	246,202
Noncurrent liabilities		
Revenue bonds payable	5,797,327	5,343,993
Claims and judgments	822	1,030
Compensated absences	12,697	10,904
Contracts payable	159,959	168,930
Commercial paper	-	235,500
Arbitrage rebate	545	141
Municipal pension trust liability	64,989	58,303
Other post employment benefits	67,872	53,751
Deferred outflow related to SWAP liability	150,800	182,419
Deferred revenue	351,897	356,271
Pension obligation bonds payable	61,157	61,158
Total noncurrent liabilities	6,668,065	6,472,400
Total liabilities	6,913,698	6,718,602
Net Assets		
Invested in capital assets, net of related debt	(57,064)	48,150
Restricted net assets		
Restricted for maintenance and operations	67,178	69,242
Restricted for debt service	-	-
Restricted for capital improvements	399	5,653
Unrestricted	(64,299)	(161,699)
Total net assets (deficit)	\$ (53,786)	\$ (38,654)

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2011
(With comparative amounts for 2010)
amounts expressed in thousands

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Water/Sewer Billing	\$ 879,176	\$ 691,138
Total operating revenue	<u>879,176</u>	<u>691,138</u>
Operating Expenses		
Maintenance and operating	362,851	372,370
Depreciation and amortization	215,186	203,695
Total operating expenses	<u>578,037</u>	<u>576,065</u>
Operating income (loss)	<u>301,139</u>	<u>115,073</u>
Nonoperating revenue (expenses)		
Investment income	11,041	15,160
Other revenue	25,385	28,591
Gain (Loss) on disposal of assets	(1,625)	24
Interest on long-term debt	(286,674)	(273,609)
Contributions in	7,817	6,297
Total Nonoperating revenues (expenses)	<u>(244,056)</u>	<u>(223,537)</u>
Income (loss) before contributions and transfers	<u>57,083</u>	<u>(108,464)</u>
Capital contributions	<u>2,481</u>	<u>7,215</u>
Transfers in	1,896	22,950
Transfers out	(76,592)	(62,596)
Total transfers	<u>(74,696)</u>	<u>(39,646)</u>
Change in net assets	<u>(15,132)</u>	<u>(140,895)</u>
Total net assets, July 1 as previously reported	(38,654)	(174,981)
Cumulative effect of a change in an accounting principal	-	277,222
Beginning net assets, July 1 as restated	<u>(38,654)</u>	<u>102,241</u>
Total net assets, June 30	<u>\$ (53,786)</u>	<u>\$ (38,654)</u>

**CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Cash Flows
For the Year Ended June 30, 2011
(With comparative amounts for 2010)
amounts expressed in thousands**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Receipts from customers	\$ 840,676	\$ 708,961
Payments to employees	(140,769)	(144,032)
Payments to suppliers	(187,820)	(212,748)
Internal activity-payments to other funds	(20,018)	(22,124)
Claims paid	(391)	(406)
Other revenues	25,385	28,591
Net cash provided by (used in) operating activities	<u>517,063</u>	<u>358,242</u>
Cash flows from investing activities		
Interest income on investments	11,041	15,160
Net cash provided by (used in) investing activities	<u>11,041</u>	<u>15,160</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(104,484)	(108,020)
Retirement of commercial paper	(405,100)	(124,500)
Refunded bonds	(529,837)	(249,075)
Proceeds from issuance of revenue bonds - net	1,053,144	263,450
Proceeds from issuance of commercial paper	175,000	360,000
Unamortized premium	4,313	-
Interest expense on debt	(272,710)	(263,068)
Proceeds from disposition of assets	770	4,542
Acquisition of water rights	-	(5,150)
Contributed capital	8,705	(79,696)
Deferred bond issuance cost	(6,048)	(4,708)
Due from other funds - HAWC	-	96,859
Acquisition of property, plant and equipment	(160,275)	(296,116)
Net cash used for capital and related financing activities	<u>(236,522)</u>	<u>(405,482)</u>
Cash flows from noncapital financing activities		
Transfers to debt service fund	(21,744)	(26,828)
Transfers to other funds	(52,952)	(12,817)
Net cash used in noncapital financing activities	<u>(74,696)</u>	<u>(39,645)</u>
Net increase(decrease) in cash and cash equivalents	216,886	(71,725)
Cash and cash equivalents, July 1	<u>568,969</u>	<u>640,694</u>
Cash and cash equivalents, June 30	<u>\$ 785,855</u>	<u>\$ 568,969</u>
Non cash transactions		
Contributed Capital	(4,475)	(7,215)
Capitalized interest expense	7,794	13,878
CAB accretion interest	14,055	15,968
Gain (loss) on disposal of assets	1,625	(24)
Total non cash transactions	<u>\$ 18,999</u>	<u>\$ 22,607</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 301,139	\$ 115,071
Depreciation and amortization	215,186	203,696
Other post employment benefits	14,120	16,859
Other revenues	25,385	28,590
Accounts receivable	(40,490)	16,272
Due from other funds	(828)	5,630
Due from other governments	(97)	(1,879)
Inventory & prepaid insurance	(1,258)	593
Accounts payable	(7,936)	(24,108)
Accrued payroll liabilities	921	211
Due to other funds	1,859	(8,547)
Arbitrage rebate	62	(1,142)
Advances and deposits	1,991	1,552
Claims and judgments-workers' compensation	(759)	62
Compensated absences	1,082	(104)
Pension obligation payable	6,686	5,486
Net cash provided by operating activities	<u>\$ 517,063</u>	<u>\$ 358,242</u>

CITY OF HOUSTON, TEXAS
NONMAJOR ENTERPRISE FUNDS
Statement of Net Assets
June 30, 2011
(With comparative amounts for 2010)
amounts expressed in thousands

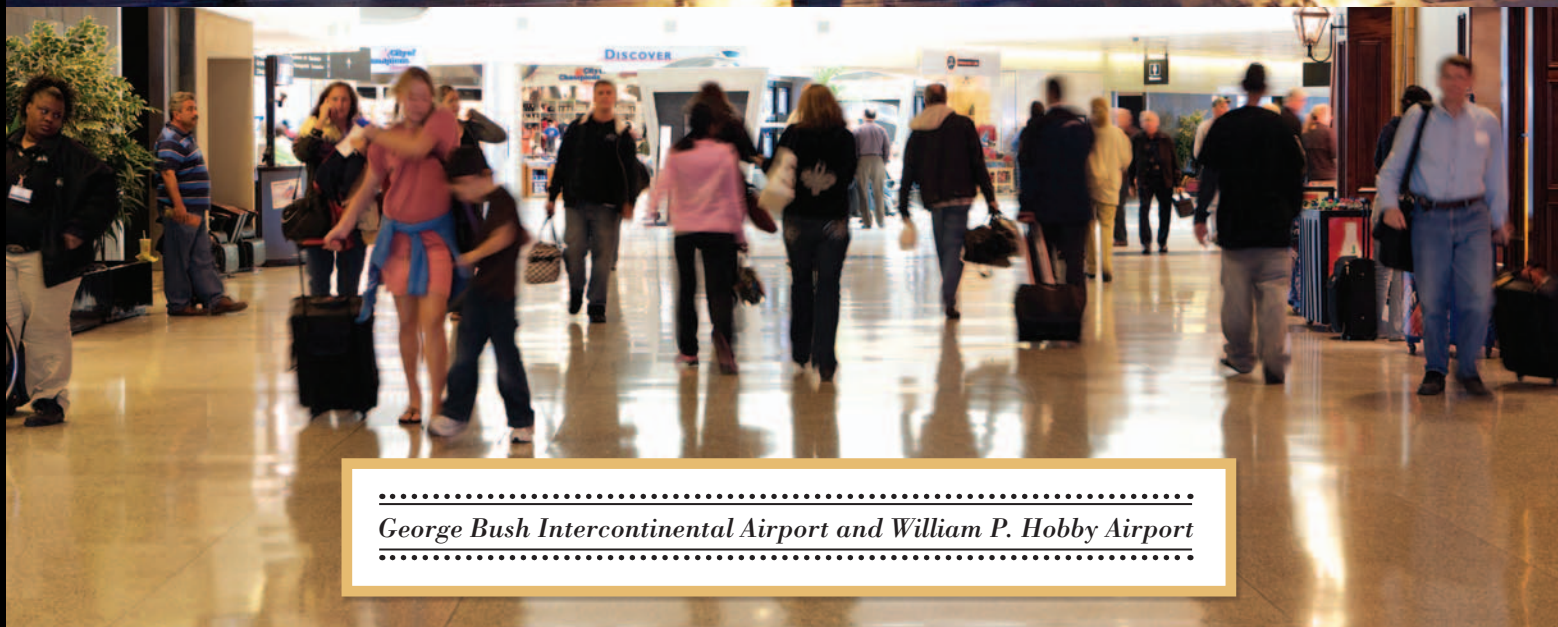
	Parking Management	2011	2010
Assets			
Current Assets			
Equity in pooled cash and investments	\$ -	\$ -	\$ 3,593
Receivables, net of allowances			
Accounts receivable	-	-	359
Due from other funds	-	-	2
Total current assets	-	-	3,954
Capital assets			
Buildings	-	-	-
Improvements and equipment	-	-	932
Plants, lines and rights	-	-	4,328
Construction in progress	-	-	19
Less accumulated depreciation	-	-	(760)
Net capital assets	-	-	4,519
Total noncurrent assets	-	-	4,519
Total assets	\$ -	\$ -	\$ 8,473
Liabilities			
Current Liabilities			
Accounts payable	\$ -	\$ -	\$ 631
Accrued payroll liabilities	-	-	131
Due to other funds	-	-	-
Claims and judgments	-	-	36
Compensated absences	-	-	156
Total current liabilities	-	-	954
Noncurrent liabilities			
Due to other funds	-	-	-
Claims and judgments	-	-	20
Compensated absences	-	-	82
Municipal pension trust liability	-	-	296
Other post retirement benefits	-	-	861
Total noncurrent liabilities	-	-	1,259
Total liabilities	-	-	2,213
Net assets			
Investment in capital assets, net of related debt	-	-	4,520
Unrestricted	-	-	1,740
Total net assets	\$ -	\$ -	\$ 6,260

CITY OF HOUSTON, TEXAS
NONMAJOR ENTERPRISE FUNDS
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2011
(With comparative amounts for 2010)
amounts expressed in thousands

	Parking Management	2011	2010
Operating Revenues			
Parking	\$ -	\$ -	\$ 13,676
Total operating revenue	<u>-</u>	<u>-</u>	<u>13,676</u>
Operating Expenses			
Administrative costs	-	-	6,492
Maintenance and operating	-	-	6,565
Depreciation and amortization	-	-	3,861
Total operating expenses	<u>-</u>	<u>-</u>	<u>16,918</u>
Operating income (loss)	<u>-</u>	<u>-</u>	<u>(3,242)</u>
Nonoperating revenue (expenses)			
Investment income	-	-	118
Other revenue	-	-	411
Loss on disposal of assets	-	-	-
Other expenses	-	-	-
Contributions in	-	-	-
Total Nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>529</u>
Income (loss) before contributions and transfers	<u>-</u>	<u>-</u>	<u>(2,713)</u>
Transfers in	-	-	6,923
Transfers out	(6,260)	(6,260)	(32,479)
Total transfers	<u>(6,260)</u>	<u>(6,260)</u>	<u>(25,556)</u>
Change in net assets	(6,260)	(6,260)	(28,269)
Total net assets (deficit), July 1	<u>6,260</u>	<u>6,260</u>	<u>34,529</u>
Total net assets, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,260</u>

CITY OF HOUSTON, TEXAS
NONMAJOR ENTERPRISE FUNDS
Statement of Cash Flows
For the Year Ended June 30, 2011
(With comparative amounts for 2010)
amounts expressed in thousands

	Parking Management	2011	2010
Cash flows from operating activities			
Receipts from customers	\$ -	\$ -	\$ 13,573
Payments to employees	-	-	(2,772)
Payments to suppliers	-	-	(9,175)
Internal activity-payments (to) from other funds	-	-	4,552
Other revenues	-	-	411
Net cash provide by (used in) operating activities	<u>-</u>	<u>-</u>	<u>6,589</u>
Cash flows from investing activities			
Interest income on investments	-	-	118
Net cash provided by (used in) investing activities	<u>-</u>	<u>-</u>	<u>118</u>
Cash flows from capital and related financing activities			
Advances and deposits on construction	-	-	551
Acquisition of property, plant and equipment	-	-	(1,083)
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>-</u>	<u>(532)</u>
Cash flows from noncapital financing activities			
Transfers to other funds	(3,594)	(3,594)	(11,219)
Net cash provided by noncapital financing activities	<u>(3,594)</u>	<u>(3,594)</u>	<u>(11,219)</u>
Net increase (decrease) in cash and cash equivalents	(3,594)	(3,594)	(5,044)
Cash and cash equivalents, July 1, 2010	3,594	3,594	8,638
Cash and cash equivalents, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,594</u>
Non cash transactions			
Gain on disposal of assets	\$ -	\$ -	\$ -
Total non cash transactions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income (loss)	\$ -	\$ -	\$ (3,242)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	-	-	3,861
Other post employment benefits	-	-	-
Other revenues	-	-	7,333
Changes in assets and liabilities			
Accounts receivable	-	-	(655)
Due from other funds	-	-	8
Accounts payable	-	-	(1,242)
Accrued payroll liabilities	-	-	18
Claims for workers' compensation	-	-	45
Compensated absences	-	-	37
Pension obligation payable	-	-	426
Net cash used for operating activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,589</u>



.....
George Bush Intercontinental Airport and William P. Hobby Airport
.....

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one city department to other city departments on a cost reimbursement basis.

Health Benefits — This fund is used to account for the costs incurred to provide City employees' health care and life insurance benefits.

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

CITY OF HOUSTON, TEXAS
INTERNAL SERVICE FUNDS
Combining Statement of Net Assets
June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	Health Benefits	Long-term Disability	2011	2010
Assets				
Equity in pooled cash and investments	\$ 30,041	\$ 10,812	\$ 40,853	\$ 17,534
Receivables, net of allowances				
Accounts receivable	1	-	1	2
Due from other funds	4	-	4	1
Due from other governments	-	-	-	1,490
Prepaid items	3	-	3	3
Total current assets	<u>30,049</u>	<u>10,812</u>	<u>40,861</u>	<u>19,030</u>
Capital assets				
Buildings, improvements and equipment	354	-	354	6
Construction in progress	-	-	-	348
Total capital assets	<u>354</u>	<u>-</u>	<u>354</u>	<u>354</u>
Less accumulated depreciation	(159)	-	(159)	(1)
Accumulated depreciation	<u>(159)</u>	<u>-</u>	<u>(159)</u>	<u>(1)</u>
Net capital assets	<u>195</u>	<u>-</u>	<u>195</u>	<u>353</u>
Total noncurrent assets	<u>195</u>	<u>-</u>	<u>195</u>	<u>353</u>
Total Assets	<u>30,244</u>	<u>10,812</u>	<u>41,056</u>	<u>19,383</u>
Liabilities				
Current Liabilities				
Accounts Payable	4,825	25	4,850	135
Accrued payroll liabilities	146	-	146	129
Due to other funds	3,009	1,800	4,809	1,452
Claims and judgments	17,011	2,241	19,252	3,345
Compensated absences	171	-	171	175
Unearned revenue	1,318	-	1,318	1,787
Total current liabilities	<u>26,480</u>	<u>4,066</u>	<u>30,546</u>	<u>7,023</u>
Noncurrent liabilities				
Claims and judgments	-	5,609	5,609	5,556
Compensated absences	262	-	262	169
Total noncurrent liabilities	<u>262</u>	<u>5,609</u>	<u>5,871</u>	<u>5,725</u>
Total liabilities	<u>26,742</u>	<u>9,675</u>	<u>36,417</u>	<u>12,748</u>
Net Assets				
Investment in capital assets, net of related debt	195	-	195	353
Unrestricted	3,307	1,137	4,444	6,282
Total net assets	<u>\$ 3,502</u>	<u>\$ 1,137</u>	<u>\$ 4,639</u>	<u>\$ 6,635</u>

CITY OF HOUSTON, TEXAS
INTERNAL SERVICE FUNDS
Combining Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	<u>Health Benefits</u>	<u>Long-term Disability</u>	<u>2011</u>	<u>2010</u>
Operating Revenues				
Other	\$ 569	\$ -	\$ 569	\$ 1,164
Health benefit premiums	308,576	-	308,576	311,855
Total operating revenues	<u>309,145</u>	<u>-</u>	<u>309,145</u>	<u>313,019</u>
Operating Expenses				
Administrative costs	4,354	15	4,369	3,691
Claims Costs	305,861	909	306,770	306,199
Maintenance and operating	-	519	519	-
Depreciation and amortization	158	-	158	1
Total operating expenses	<u>310,373</u>	<u>1,443</u>	<u>311,816</u>	<u>309,891</u>
Operating income (loss)	<u>(1,228)</u>	<u>(1,443)</u>	<u>(2,671)</u>	<u>3,128</u>
Nonoperating revenues (expenses)				
Investment income	558	117	675	574
Total Nonoperating revenues (expenses)	<u>558</u>	<u>117</u>	<u>675</u>	<u>574</u>
Income (loss) before contributions and transfers	<u>(670)</u>	<u>(1,326)</u>	<u>(1,996)</u>	<u>3,702</u>
Change in net assets	(670)	(1,326)	(1,996)	3,702
Total net assets (deficit), July 1	<u>4,172</u>	<u>2,463</u>	<u>6,635</u>	<u>2,933</u>
Total net assets, June 30	<u>\$ 3,502</u>	<u>\$ 1,137</u>	<u>\$ 4,639</u>	<u>\$ 6,635</u>

CITY OF HOUSTON, TEXAS
INTERNAL SERVICE FUNDS
Combining Statement of Cash Flows
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

	Health Benefits	Long-term Disability	2011	2010
Cash flows from operating activities				
Receipts from customers	\$ 308,577	\$ -	\$ 308,577	\$ 311,854
Payments to employees	(3,057)	-	(3,057)	(2,835)
Payments to suppliers	3,107	(10)	3,097	(431)
Internal activity-payments to other funds	3,009	1,800	4,809	(1,783)
Claims paid	(289,889)	(943)	(290,832)	(306,375)
Other revenues	569	-	569	1,164
Other expenses	-	(519)	(519)	-
Net cash provided by (used in) operating activities	<u>22,316</u>	<u>328</u>	<u>22,644</u>	<u>1,594</u>
Cash flows from investing activities				
Interest income on investments	558	117	675	574
Net cash provided by investing activities	<u>558</u>	<u>117</u>	<u>675</u>	<u>574</u>
Net increase (decrease) in cash and cash equivalents	22,874	445	23,319	2,168
Cash and cash equivalents, July 1	7,167	10,367	17,534	15,366
Cash and cash equivalents, June 30	<u>\$ 30,041</u>	<u>\$ 10,812</u>	<u>\$ 40,853</u>	<u>\$ 17,534</u>
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (loss)	\$ (1,228)	\$ (1,443)	\$ (2,671)	\$ 3,128
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	159	-	159	-
Changes in assets and liabilities				
Accounts receivable	1	-	1	(1)
Due from other funds	(3)	-	(3)	(1,600)
Due from other governments	1,490	-	1,490	(429)
Inventory & prepaid insurance	-	-	-	-
Accounts payable	4,723	(10)	4,713	(80)
Accrued payroll liabilities	17	-	17	9
Due to other funds	1,557	1,800	3,357	329
Claims for workers' compensation	15,980	(19)	15,961	(154)
Compensated absences	89	-	89	54
Deferred revenue	(469)	-	(469)	338
Net cash provided by operating activities	<u>\$ 22,316</u>	<u>\$ 328</u>	<u>\$ 22,644</u>	<u>\$ 1,594</u>



.....
The Mayor's Holiday Celebration and Tree Lighting
.....

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.

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
PENSION TRUST FUNDS
Combining Statement of Plan Net Assets
June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

		Firefighters' Relief and Retirement Pension Trust Fund
Assets		
Cash	\$	4,995
Investments		
U.S. government and agency securities		-
Corporate bonds		-
Other fixed income securities		1,074,291
Commingled equity funds		-
Common and preferred stock		1,240,229
Real estate and partnerships		810,233
Short-term investment funds		49,521
Invested securities lending collateral		233,410
Receivables, net of allowances		
Due from broker		17
Contributions		5,063
Accrued interest and dividends		17,336
Other		5,217
Other assets		1,961
Land		483
Building		6,018
Total assets		3,448,774
 Liabilities and plan net asset		
Liabilities		
Accounts payable		10,655
Securities lending collateral		233,410
Foreign funds contracts payable		1,549
Other liabilities		80
Total liabilities		245,694
 Plan net assets held in trust for pension benefits	 \$	 3,203,080

(Continued)

Municipal Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	2011	2010
\$ 1,065	\$ 172	\$ 6,232	\$ 18,010
54,046	516	54,562	1,591
200,264	-	200,264	137,937
-	988,908	2,063,199	1,667,879
315,648	-	315,648	555,114
841,748	962,752	3,044,729	2,476,655
609,642	1,359,950	2,779,825	2,302,142
171,330	268,819	489,670	332,883
116,401	368,331	718,142	545,963
22,322	9,315	31,654	30,368
-	1,933	6,996	7,068
-	10,075	27,411	24,612
5,465	223	10,905	27,376
7,487	-	9,448	8,954
-	-	483	483
-	-	6,018	6,323
<u>2,345,418</u>	<u>3,970,994</u>	<u>9,765,186</u>	<u>8,143,358</u>
72,632	71,349	154,636	54,419
116,401	368,331	718,142	545,963
22,357	-	23,906	15,356
4,587	697	5,364	5,462
<u>215,977</u>	<u>440,377</u>	<u>902,048</u>	<u>621,200</u>
<u>\$ 2,129,441</u>	<u>\$ 3,530,617</u>	<u>\$ 8,863,138</u>	<u>\$ 7,522,158</u>

CITY OF HOUSTON, TEXAS
PENSION TRUST FUNDS
Combining Statement of Changes in Plan Net Assets
For the Year Ended June 30, 2011
(With comparative totals for 2010)
amounts expressed in thousands

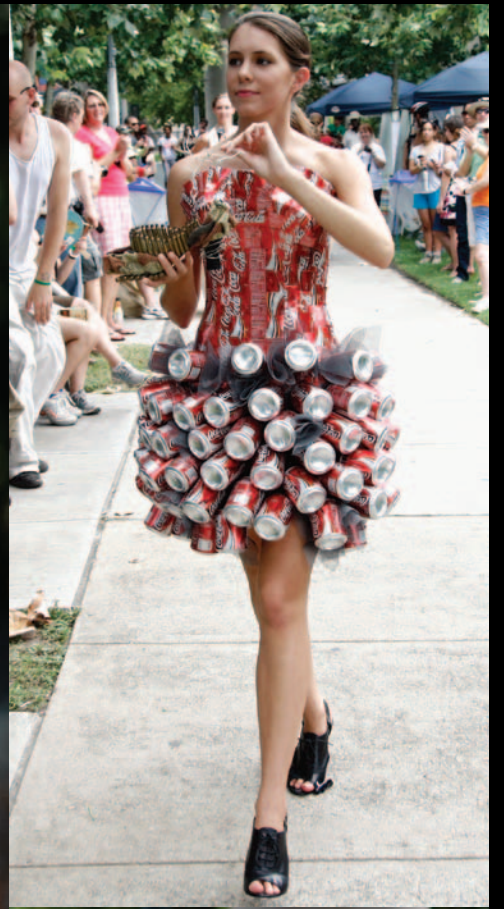
	Firefighters' Relief and Retirement Pension Trust Fund
Additions:	
Contributions	
City of Houston	\$ 75,751
Members	23,262
Total Contributions	99,013
Investment income	
Interest	61,368
Net appreciation in fair value of investments	462,347
Dividends	22,548
Income on securities lending	784
Earnings from real estate, limited partnerships real estate investments, and other investments	7,293
Other income	409
Total investment and other income (loss)	554,749
Less - investment expense	(8,664)
Less - cost of securities lending	(150)
Total additions (reductions)	644,948
Deductions:	
Benefits paid to members	156,604
Refunds to members	332
Other	6,571
Total deductions	163,507
Net increase (decrease)	481,441
Plan net assets held in trust for pension benefits, beginning of year	2,721,639
Plan net assets held in trust for pension benefits, end of year	\$ 3,203,080

(Continued)

Municipal Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	2011	2010
\$ 87,285	\$ 78,287	\$ 241,323	\$ 229,471
19,326	35,122	77,710	76,682
<u>106,611</u>	<u>113,409</u>	<u>319,033</u>	<u>306,153</u>
14,720	31,180	107,268	101,132
348,148	594,052	1,404,547	819,581
16,769	18,998	58,315	47,795
679	599	2,062	1,996
17,398	-	24,691	16,919
1,185	365	1,959	1,491
<u>398,899</u>	<u>645,194</u>	<u>1,598,842</u>	<u>988,914</u>
(6,376)	(23,038)	(38,078)	(27,253)
(243)	(150)	(543)	(634)
<u>498,891</u>	<u>735,415</u>	<u>1,879,254</u>	<u>1,267,180</u>
189,199	172,041	517,844	491,080
1,620	420	2,372	2,109
7,123	4,364	18,058	21,657
<u>197,942</u>	<u>176,825</u>	<u>538,274</u>	<u>514,846</u>
300,949	558,590	1,340,980	752,334
<u>1,828,492</u>	<u>2,972,027</u>	<u>7,522,158</u>	<u>6,769,824</u>
<u>\$ 2,129,441</u>	<u>\$ 3,530,617</u>	<u>\$ 8,863,138</u>	<u>\$ 7,522,158</u>

CITY OF HOUSTON, TEXAS
AGENCY FUNDS
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2011
amounts expressed in thousands

	<u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
Payroll Revolving Fund				
Assets				
Equity in pooled cash and investments	\$ 506	\$ 7,019,489	\$ 7,033,191	\$ (13,196)
Accounts receivable	121	20,369	-	\$ 20,490
Total assets	<u>\$ 627</u>	<u>\$ 7,039,858</u>	<u>\$ 7,033,191</u>	<u>\$ 7,294</u>
Liabilities				
Accounts payable	\$ 627	\$ 2,932,994	\$ 2,926,327	\$ 7,294
Total liabilities	<u>\$ 627</u>	<u>\$ 2,932,994</u>	<u>\$ 2,926,327</u>	<u>\$ 7,294</u>
City Deposit Fund				
Assets				
Equity in pooled cash and investments	\$ 130	\$ 2	\$ -	\$ 132
Total assets	<u>\$ 130</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 132</u>
Liabilities				
Advances and deposits	\$ 130	\$ 2	\$ -	\$ 132
Total liabilities	<u>\$ 130</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 132</u>
Tax Clearing Fund				
Assets				
Equity in pooled cash and investments	\$ 28,941	\$ 159,851	\$ 168,749	\$ 20,043
Total assets	<u>\$ 28,941</u>	<u>\$ 159,851</u>	<u>\$ 168,749</u>	<u>\$ 20,043</u>
Liabilities				
Accounts payable	\$ 28,941	\$ 279,962	\$ 288,860	\$ 20,043
Total liabilities	<u>\$ 28,941</u>	<u>\$ 279,962</u>	<u>\$ 288,860</u>	<u>\$ 20,043</u>
Totals - All Agency Funds				
Assets				
Equity in pooled cash and investments	\$ 29,577	\$ 7,179,342	\$ 7,201,940	\$ 6,979
Accounts receivable	121	20,369	-	\$ 20,490
Total assets	<u>\$ 29,698</u>	<u>\$ 7,199,711</u>	<u>\$ 7,201,940</u>	<u>\$ 27,469</u>
Liabilities				
Accounts payable	\$ 29,568	\$ 3,212,956	\$ 3,215,187	\$ 27,337
Advances and deposits	130	2	-	\$ 132
Total liabilities	<u>\$ 29,698</u>	<u>\$ 3,212,958</u>	<u>\$ 3,215,187</u>	<u>\$ 27,469</u>



~~~~~  
*First Ladies, Eco Bash, The Trash Fashion Show*  
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Discretely Presented Component Units (Governmental and Business-type)

Discretely Presented Component Units are legally separate organizations that the City of Houston must include as a part of its financial reporting entity for fair presentation.

Governmental – This category is primarily comprised of advisory boards and redevelopment authorities:

- City Park Redevelopment Authority
- East Downtown Redevelopment Authority
- Fifth Ward Redevelopment Authority
- Fourth Ward Redevelopment Authority
- Greater Greenspoint Redevelopment Authority
- Greater Houston Convention and Visitors Bureau
- Gulfgate Redevelopment Authority
- Hardy Near Northside Redevelopment Authority
- Houston Area Library Automated Network (HALAN)
- Houston Arts Alliance
- Houston Business Development Inc.
- Houston Downtown Park Corporation
- Houston Parks Board, Inc.
- Houston Parks Board LGC, Inc.
- Houston Public Library Foundation
- Lamar Terrace Public Improvement District
- Land Assemblage Redevelopment Authority
- Leland Woods Redevelopment Authority I
- Leland Woods Redevelopment Authority II
- Main Street Market Square Redevelopment Authority
- Memorial City Redevelopment Authority
- Memorial-Heights Redevelopment Authority
- Midtown Redevelopment Authority
- Miller Theatre Advisory Board
- Old Sixth Ward Redevelopment Authority
- OST/Almeda Corridors Redevelopment Authority
- Saint George Place Redevelopment Authority
- South Post Oak Redevelopment Authority
- Southwest Houston Redevelopment Authority
- Upper Kirby Redevelopment Authority
- Uptown Development Authority

Business-type – This category is comprised of:

- Houston Convention Center Hotel Corporation
- Houston Housing Finance Corporation
- Houston Zoo Inc.

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Net Assets
June 30, 2011
amounts expressed in thousands

	City Park Redevelopment Authority	East Downtown Redevelopment Authority	Fifth Ward Redevelopment Authority	Fourth Ward Redevelopment Authority	Greater Greenspoint Redevelopment Authority
Assets					
Current Assets					
Cash	\$ 459	\$ 1,645	\$ 698	\$ 99	\$ 19,098
Equity in pooled cash and investments	-	2,872	-	14,268	21,500
Receivables, net of allowances					
Accounts receivable	-	278	13	643	6,773
Contracts receivable	-	-	-	-	-
Accrued interest and other	-	-	-	-	919
Due from primary government	-	-	-	-	-
Inventory	-	-	-	-	-
Prepaid items	-	-	-	1	-
Restricted assets					
Investments	-	-	-	-	-
Other receivables	-	-	-	1	-
Total current assets	<u>459</u>	<u>4,795</u>	<u>711</u>	<u>15,012</u>	<u>48,290</u>
Noncurrent Assets					
Investments	-	-	-	-	-
Assessments receivable	-	-	-	-	-
Deferred charges for issuance cost	-	-	-	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Land	-	315	-	637	4,613
Buildings, improvements and equipment	1,199	-	-	-	60
Plants, lines and rights	-	-	-	-	-
Total capital assets	<u>1,199</u>	<u>315</u>	<u>-</u>	<u>637</u>	<u>4,673</u>
Less accumulated depreciation					
Buildings, improvements and equipment	(336)	-	-	-	(24)
Accumulated depreciation	<u>(336)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24)</u>
Net capital assets	<u>863</u>	<u>315</u>	<u>-</u>	<u>637</u>	<u>4,649</u>
Total noncurrent assets	<u>863</u>	<u>315</u>	<u>-</u>	<u>637</u>	<u>4,649</u>
Total assets	<u>1,322</u>	<u>5,110</u>	<u>711</u>	<u>15,649</u>	<u>52,939</u>
Liabilities					
Current Liabilities					
Accounts payable	-	9	67	510	730
Accrued payroll liabilities	-	-	-	-	-
Accrued interest payable	-	-	-	-	546
Contracts and retainages payable	-	-	-	-	-
Notes payable	-	-	-	-	-
Due to other governments	-	-	-	-	-
Compensated absences	-	-	-	-	-
Other liabilities	-	-	-	-	332
Deferred Revenue	-	-	-	-	-
Current liabilities payable from restricted assets					
Revenue bonds payable	-	-	-	-	1,150
Advances and deposits	-	-	-	-	-
Total current liabilities	<u>-</u>	<u>9</u>	<u>67</u>	<u>510</u>	<u>2,758</u>
Noncurrent liabilities					
Notes payable	-	-	-	-	-
Revenue bonds payable	-	-	-	-	32,010
Contracts payable	4,868	-	-	-	-
Other long-term liabilities	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total Noncurrent liabilities	<u>4,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,010</u>
Total liabilities	<u>4,868</u>	<u>9</u>	<u>67</u>	<u>510</u>	<u>34,768</u>
Net assets					
Invested in capital assets, net of related debt	-	-	-	-	4,405
Restricted net assets					
Restricted for debt service	-	-	-	-	6,209
Restricted for maintenance and operations	-	-	-	-	-
Restricted for capital improvements	-	315	-	14,999	-
Other restricted	-	1,556	-	-	-
Unrestricted (deficit)	(3,546)	3,230	644	140	7,557
Total net assets (deficit)	<u>\$ (3,546)</u>	<u>\$ 5,101</u>	<u>\$ 644</u>	<u>\$ 15,139</u>	<u>\$ 18,171</u>

(Continued)

Greater Houston Convention & Visitors Bureau	Gulfgate Redevelopment Authority	Hardy Near Northside Redevelopment Authority	Houston Area Library Automated Network Bd	Houston Arts Alliance	Houston Business Development Inc.	Houston Downtown Park Corporation	Houston Parks Board, Inc.	Houston Parks Board LGC, Inc	Houston Public Library Foundation
\$ 7,108	\$ 835	\$ 140	\$ -	\$ 1,843	\$ 1,261	\$ -	\$ 1,162	\$ 1	\$ 405
-	-	600	2,646	1,570	-	-	-	-	-
2,353	175	-	-	360	-	-	1,234	-	3,603
-	-	-	-	-	795	-	-	-	-
-	-	-	-	-	-	-	155	-	-
6	-	-	-	-	-	-	-	1,134	-
-	-	-	-	14	-	-	-	-	-
-	-	-	-	-	-	-	13,569	-	-
-	-	-	-	101	69	-	-	-	-
9,467	1,010	740	2,646	3,888	2,125	-	16,120	1,135	4,008
-	-	-	-	-	619	-	-	-	18,687
-	-	-	-	-	3,187	-	-	-	-
-	-	-	-	-	3,806	-	-	-	18,687
-	5,417	-	-	-	692	56,986	13,013	4,747	-
1,190	-	-	-	440	9,683	23,173	-	-	-
1,190	5,417	-	-	440	10,375	80,159	13,013	4,747	750
(702)	-	-	-	(321)	(6,811)	(2,074)	-	-	-
(702)	-	-	-	(321)	(6,811)	(2,074)	-	-	-
488	5,417	-	-	119	3,564	78,085	13,013	4,747	750
488	5,417	-	-	119	7,370	78,085	13,013	4,747	19,437
9,955	6,427	740	2,646	4,007	9,495	78,085	29,133	5,882	23,445
879	18	4	5	177	71	-	230	-	73
-	-	-	53	-	-	-	-	-	-
404	852	-	-	-	46	-	-	-	-
-	87	-	-	-	-	-	283	1,134	-
-	425	-	-	-	429	2,821	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	1	-	17	-	-	-	-
86	-	-	-	1,139	-	-	645	-	-
374	-	-	-	75	4	73	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1,743	1,382	4	59	1,391	567	2,894	1,158	1,134	73
-	5,230	-	-	-	2,323	18,359	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
237	-	-	-	-	-	-	-	-	-
237	5,230	-	-	-	2,323	18,359	-	-	12
1,980	6,612	4	59	1,391	2,890	21,253	1,158	1,134	85
-	2,299	-	-	-	3,307	56,905	-	4,748	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	10,238	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	1,892	4,802	-	7,285	-	21,614
7,975	(2,484)	736	2,587	724	(1,504)	(73)	10,452	-	1,746
\$ 7,975	\$ (185)	\$ 736	\$ 2,587	\$ 2,616	\$ 6,605	\$ 56,832	\$ 27,975	\$ 4,748	\$ 23,360

(Continued)

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Net Assets
June 30, 2011
amounts expressed in thousands

	Lamar Terrace Public Improvement District	Land Assemblage Redevelopment Authority	Leland Woods Redevelopment Authority I	Leland Woods Redevelopment Authority II	Main Street Market Square Redevelopment Authority
Assets					
Current Assets					
Cash	\$ -	\$ 4,976	\$ 103	\$ 12	\$ 6,583
Equity in pooled cash and investments	52	-	-	-	9,543
Receivables, net of allowances					
Accounts receivable	26	62	-	-	323
Contracts receivable	-	-	-	-	-
Accrued interest and other	-	-	-	-	-
Due from primary government	-	-	-	-	-
Inventory	-	-	-	-	-
Prepaid items	1	1	-	-	-
Restricted assets					
Investments	-	6,688	-	-	-
Other receivables	-	-	-	-	-
Total current assets	<u>79</u>	<u>11,727</u>	<u>103</u>	<u>12</u>	<u>16,449</u>
Noncurrent Assets					
Restricted assets					
Investments	-	-	-	-	-
Assessments receivable	-	-	-	-	-
Deferred charges for issuance cost	-	-	-	-	351
Total noncurrent restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>351</u>
Land	-	-	874	1,016	-
Buildings, improvements and equipment	-	-	-	-	-
Plants, lines and rights	-	-	-	-	-
Total capital assets	<u>-</u>	<u>-</u>	<u>874</u>	<u>1,016</u>	<u>-</u>
Less accumulated depreciation					
Buildings, improvements and equipment	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Net capital assets	<u>-</u>	<u>-</u>	<u>874</u>	<u>1,016</u>	<u>-</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>874</u>	<u>1,016</u>	<u>351</u>
Total assets	<u>79</u>	<u>11,727</u>	<u>977</u>	<u>1,028</u>	<u>16,800</u>
Liabilities					
Current Liabilities					
Accounts payable	-	35	5	21	1,166
Accrued payroll liabilities	11	-	-	-	-
Accrued interest payable	-	-	-	-	460
Contracts and retainages payable	-	-	-	-	-
Notes payable	-	-	-	-	-
Due to other governments	-	-	-	-	-
Compensated absences	-	-	-	-	-
Other liabilities	-	-	-	-	-
Deferred revenue	26	-	-	-	-
Current liabilities payable from restricted assets					
Revenue bonds payable	-	-	-	-	1,565
Advances and deposits	-	-	-	-	-
Total current liabilities	<u>37</u>	<u>35</u>	<u>5</u>	<u>21</u>	<u>3,191</u>
Noncurrent liabilities					
Notes payable	-	-	-	873	-
Revenue bonds payable	-	-	-	-	24,780
Contracts payable	-	-	-	-	-
Other long-term liabilities	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total Noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>873</u>	<u>24,780</u>
Total liabilities	<u>37</u>	<u>35</u>	<u>5</u>	<u>894</u>	<u>27,971</u>
Net assets					
Invested in capital assets, net of related debt	-	-	874	143	-
Restricted net assets					
Restricted for debt service	-	-	-	-	5,775
Restricted for maintenance and operations	-	-	-	-	-
Restricted for capital improvements	-	-	-	-	-
Other restricted	-	10,198	-	-	-
Unrestricted (deficit)	42	1,494	98	(9)	(16,946)
Total net assets (deficit)	<u>\$ 42</u>	<u>\$ 11,692</u>	<u>\$ 972</u>	<u>\$ 134</u>	<u>\$ (11,171)</u>

(Continued)

Memorial City Redevelopment Authority	Memorial- Heights Redevelopment Authority	Midtown Redevelopment Authority	Miller Theatre Advisory Board, Inc.	Old Sixth Ward Redevelopment Authority	OST/Alameda Corridors Redevelopment Authority
\$ 7,489	3,112	\$ 12,825	\$ 614	\$ 2,337	\$ 115
3,315	-	11,896	1	-	35,150
5,431	-	4,910	406	-	-
-	-	-	-	-	-
-	-	-	-	-	258
-	-	29,804	-	-	-
-	-	-	-	2	-
-	-	-	-	-	-
-	-	-	26	-	-
<u>16,235</u>	<u>3,112</u>	<u>59,435</u>	<u>1,047</u>	<u>2,339</u>	<u>35,523</u>
-	-	-	-	-	-
-	-	-	-	-	-
615	-	1,306	-	-	1,334
<u>615</u>	<u>-</u>	<u>1,306</u>	<u>-</u>	<u>-</u>	<u>1,334</u>
-	-	4,898	-	-	4,531
-	-	7,159	-	-	34
-	-	-	-	-	-
-	-	12,057	-	-	4,565
-	-	-	-	-	-
-	-	(2,242)	-	-	(24)
-	-	(2,242)	-	-	(24)
-	-	9,815	-	-	4,541
615	-	11,121	-	-	5,875
<u>16,850</u>	<u>3,112</u>	<u>70,556</u>	<u>1,047</u>	<u>2,339</u>	<u>41,398</u>
1,002	1,122	2,235	2	151	790
-	-	-	-	-	-
292	51	1,185	-	50	447
105	75	-	39	-	-
-	405	105	-	100	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	104	-	-	-
-	-	-	-	-	-
1,125	-	2,385	-	-	1,145
-	-	-	-	-	-
<u>2,524</u>	<u>1,653</u>	<u>6,014</u>	<u>41</u>	<u>301</u>	<u>2,382</u>
-	2,375	1,961	-	2,632	-
19,170	-	44,755	-	-	26,783
-	-	-	-	-	-
-	-	-	-	-	-
19,170	2,375	46,716	-	2,632	26,783
<u>21,694</u>	<u>4,028</u>	<u>52,730</u>	<u>41</u>	<u>2,933</u>	<u>29,165</u>
-	-	5,753	63	-	4,541
2,642	-	9,669	-	-	4,952
-	-	-	-	-	-
-	-	4,441	-	-	-
-	-	23,867	611	-	-
(7,486)	(916)	(25,904)	332	(594)	2,740
<u>\$ (4,844)</u>	<u>\$ (916)</u>	<u>\$ 17,826</u>	<u>\$ 1,006</u>	<u>\$ (594)</u>	<u>\$ 12,233</u>

(Continued)

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Net Assets
June 30, 2011
amounts expressed in thousands

	Saint George Place Redevelopment Authority	South Post Oak Redevelopment Authority	Southwest Houston Redevelopment Authority	Upper Kirby Redevelopment Authority	Uptown Development Authority	Total
Assets						
Current Assets						
Cash	\$ 1,534	\$ 715	\$ 4,066	\$ 158	\$ 22,890	\$ 102,283
Equity in pooled cash and investments	229	-	23,248	4,892	-	131,782
Receivables, net of allowances						
Accounts receivable	239	201	11	-	-	27,041
Contracts receivable	-	-	-	-	-	795
Accrued interest and other	-	-	-	-	-	1,332
Due from primary government	-	-	-	-	-	1,134
Inventory	-	-	-	-	-	29,810
Prepaid items	-	-	1	-	-	20
Restricted assets						
Investments	-	-	-	-	-	20,257
Other receivables	-	-	-	-	-	197
Total current assets	<u>2,002</u>	<u>916</u>	<u>27,326</u>	<u>5,050</u>	<u>22,890</u>	<u>314,651</u>
Noncurrent Assets						
Restricted assets						
Investments	-	-	-	-	-	19,306
Assessments receivable	-	-	-	-	-	3,187
Deferred charges for issuance cost	173	-	778	98	1,216	5,871
Total noncurrent restricted assets	<u>173</u>	<u>-</u>	<u>778</u>	<u>98</u>	<u>1,216</u>	<u>28,364</u>
Land	-	-	60	13,509	9,081	120,389
Buildings, improvements and equipment	-	-	-	-	5,577	48,515
Plants, lines and rights	-	-	-	-	-	750
Total property, plant & equipment	<u>-</u>	<u>-</u>	<u>60</u>	<u>13,509</u>	<u>14,658</u>	<u>169,654</u>
Less accumulated depreciation and						
Buildings, improvements and equipment	-	-	-	-	(758)	(13,292)
Accumulated depreciation	-	-	-	-	(758)	(13,292)
Net capital assets	<u>-</u>	<u>-</u>	<u>60</u>	<u>13,509</u>	<u>13,900</u>	<u>156,362</u>
Total noncurrent assets	<u>173</u>	<u>-</u>	<u>838</u>	<u>13,607</u>	<u>15,116</u>	<u>184,726</u>
Total assets	<u>2,175</u>	<u>916</u>	<u>28,164</u>	<u>18,657</u>	<u>38,006</u>	<u>499,377</u>
Liabilities						
Current Liabilities						
Accounts payable	63	12	500	1,217	2,418	13,512
Accrued payroll liabilities	-	-	-	-	-	64
Accrued interest payable	31	-	303	-	1,257	5,924
Contracts and retainages payable	-	-	-	186	-	1,909
Notes payable	-	-	-	2,000	314	6,599
Due to other governments	-	-	-	-	8,470	8,470
Compensated absences	-	-	-	-	-	18
Other liabilities - current	-	105	45	-	-	2,456
Deferred revenue	240	-	-	-	-	792
Current liabilities payable from restricted assets						
Revenue bonds payable	125	-	825	-	3,190	11,510
Advances and deposits	-	760	-	-	-	760
Total current liabilities	<u>459</u>	<u>877</u>	<u>1,673</u>	<u>3,403</u>	<u>15,649</u>	<u>52,014</u>
Noncurrent liabilities						
Notes payable	7,465	-	-	3,694	-	44,912
Revenue bonds payable	1,655	-	23,970	-	69,403	242,526
Contracts payable	-	3,774	-	-	-	8,642
Other long-term liabilities	-	-	-	-	-	237
Deferred revenue	-	-	-	-	-	12
Total Noncurrent liabilities	<u>9,120</u>	<u>3,774</u>	<u>23,970</u>	<u>3,694</u>	<u>69,403</u>	<u>296,329</u>
Total liabilities	<u>9,579</u>	<u>4,651</u>	<u>25,643</u>	<u>7,097</u>	<u>85,052</u>	<u>348,343</u>
Net Assets						
Investment in capital assets, net of related debt	-	-	-	13,509	13,900	110,447
Restricted net assets						
Restricted for debt service	195	-	2,667	-	12,714	44,823
Restricted for maintenance and operations	-	-	-	-	-	10,238
Restricted for capital improvements	-	-	12,766	-	-	32,521
Other restricted	23	-	-	-	-	71,848
Unrestricted	(7,622)	(3,735)	(12,912)	(1,949)	(73,660)	(118,843)
Total net assets (deficit)	<u>\$ (7,404)</u>	<u>\$ (3,735)</u>	<u>\$ 2,521</u>	<u>\$ 11,560</u>	<u>\$ (47,046)</u>	<u>\$ 151,034</u>

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Activities
For the Year Ended June 30, 2011
amounts expressed in thousands

Net (Expense) Revenue and Change in Net Assets

Functions/Programs	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	City Park Redevelopment Authority	East Downtown Redevelopment Authority
Component Units							
City Park Redevelopment Authority	\$ 258	\$ -	\$ -	\$ -	\$ -	\$ (258)	\$ -
East Downtown Redevelopment Authority	367	-	-	-	-	-	(367)
Fifth Ward Redevelopment Authority	228	-	-	-	-	-	-
Fourth Ward Redevelopment Authority	1,241	-	-	-	-	-	-
Greater Greenspoint Redevelopment Authority	8,381	-	-	-	-	-	-
Greater Houston Convention and Visitors Bureau	15,917	-	628	14,278	-	-	-
Gulfgate Redevelopment Authority	213	-	-	-	-	-	-
Hardy Near Northside Redevelopment Authority	116	-	-	-	-	-	-
Houston Area Library Automated Network	1,898	-	-	1,711	-	-	-
Houston Arts Alliance	7,706	-	-	4,977	-	-	-
Houston Business Development Corporation	1,671	-	1,195	42	-	-	-
Houston Downtown Park Corporation	1,121	-	1,094	11	-	-	-
Houston Parks Board, Inc.	7,690	-	4,626	3,532	-	-	-
Houston Parks Board, LGC, Inc.	4,738	-	4,348	70	-	-	-
Houston Public Library Foundation	1,754	-	-	1,253	-	-	-
Lamar Terrace Public Improvement District	-	-	-	-	-	-	-
Land Assemblage Redevelopment Authority	767	-	-	231	-	-	-
Leland Woods Redevelopment Authority I	43	-	-	-	-	-	-
Leland Woods Redevelopment Authority II	38	-	-	-	-	-	-
Main Street Market Square Redevelopment Authority	5,586	-	-	-	-	-	-
Memorial City Redevelopment Authority	6,538	-	-	-	-	-	-
Memorial-Heights Redevelopment Authority	4,520	-	-	-	-	-	-
Midtown Redevelopment Authority	11,929	-	-	-	-	-	-
Miller Theatre Advisory Board, Inc.	2,198	-	-	2,076	-	-	-
Old Sixth Ward Redevelopment Authority	622	-	-	-	-	-	-
OST/Almeda Corridors Redevelopment Authority	4,044	-	-	-	-	-	-
Saint George Place Redevelopment Authority	714	-	-	-	-	-	-
South Post Oak Redevelopment Authority	241	-	-	-	-	-	-
Southwest Houston Redevelopment Authority	2,316	-	-	-	-	-	-
Upper Kirby Redevelopment Authority	6,128	-	-	66	-	-	-
Uptown Development Authority	19,112	-	-	3,930	-	-	-
Total component units	<u>118,095</u>	<u>\$ -</u>	<u>11,891</u>	<u>32,177</u>	<u>\$ -</u>	<u>(258)</u>	<u>(367)</u>
General Revenues:							
Taxes							
Property Taxes - general purposes / tax increments						434	1,917
Unrestricted investment earnings (loss)						2	9
Other						-	1,557
Special Items - Loss on sale of assets						-	-
Transfers						-	-
Total general revenues, special						<u>436</u>	<u>3,483</u>
Change in net assets						178	3,116
Net Assets (deficit) beginning						(3,724)	1,985
New Component Unit & Restatement						-	-
Net Assets (deficit) ending						<u>\$ (3,546)</u>	<u>\$ 5,101</u>

(Continued)

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Activities
For the Year Ended June 30, 2011
amounts expressed in thousands

Net (Expense) Revenue and Change in net Assets

Functions/Programs	Houston Parks Board, Inc	Houston Parks Board LGC, Inc.,	Houston Public Library Foundation	Lamar Terrace Public Improvement District	Land Assemblage Redevelopment Authority
Component Units					
City Park Redevelopment Authority	\$ -	\$ -	\$ -	\$ -	\$ -
East Downtown Redevelopment Authority	-	-	-	-	-
Fifth Ward Redevelopment Authority	-	-	-	-	-
Fourth Ward Redevelopment Authority	-	-	-	-	-
Greater Greenspoint Redevelopment Authority	-	-	-	-	-
Greater Houston Convention and Visitors Bureau	-	-	-	-	-
Gulfgate Redevelopment Authority	-	-	-	-	-
Hardy Near Northside Redevelopment Authority	-	-	-	-	-
Houston Area Library Automated Network	-	-	-	-	-
Houston Arts Alliance	-	-	-	-	-
Houston Business Development Corporation	-	-	-	-	-
Houston Downtown Park Corporation	-	-	-	-	-
Houston Parks Board, Inc.	468	-	-	-	-
Houston Parks Board, LGC, Inc.	-	(320)	-	-	-
Houston Public Library Foundation	-	-	(501)	-	-
Lamar Terrace Public Improvement District	-	-	-	-	-
Land Assemblage Redevelopment Authority	-	-	-	-	(536)
Leland Woods Redevelopment Authority I	-	-	-	-	-
Leland Woods Redevelopment Authority II	-	-	-	-	-
Main Street Market Square Redevelopment Authority	-	-	-	-	-
Memorial City Redevelopment Authority	-	-	-	-	-
Memorial-Heights Redevelopment Authority	-	-	-	-	-
Midtown Redevelopment Authority	-	-	-	-	-
Miller Theatre Advisory Board, Inc.	-	-	-	-	-
Old Sixth Ward Redevelopment Authority	-	-	-	-	-
OST/Alameda Corridors Redevelopment Authority	-	-	-	-	-
Saint George Place Redevelopment Authority	-	-	-	-	-
South Post Oak Redevelopment Authority	-	-	-	-	-
Southwest Houston Redevelopment Authority	-	-	-	-	-
Upper Kirby Redevelopment Authority	-	-	-	-	-
Uptown Development Authority	-	-	-	-	-
Total component units	<u>468</u>	<u>(320)</u>	<u>(501)</u>	<u>-</u>	<u>(536)</u>
General Revenues:					
Taxes					
Property Taxes - general purposes / tax increments	-	-	-	-	-
Unrestricted investment earnings (loss)	702	-	3,603	1	10
Other	284	-	-	-	52
Special Items - Loss on sale of assets	-	100	-	-	-
Transfers	143	-	-	-	-
Total general revenues, special items, and transfers	<u>1,129</u>	<u>100</u>	<u>3,603</u>	<u>1</u>	<u>62</u>
Change in net assets	1,597	(220)	3,102	1	(474)
Net Assets (deficit) beginning	26,378	4,968	20,258	41	12,166
New Component Unit & Restatement	-	-	-	-	-
Net Assets (deficit) ending	<u>\$ 27,975</u>	<u>\$ 4,748</u>	<u>\$ 23,360</u>	<u>\$ 42</u>	<u>\$ 11,692</u>

(Continued)

DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Activities
For the Year Ended June 30, 2011
amounts expressed in thousands

Net (Expense) Revenue and Change in Net Assets

Functions/Programs	OST/Alameda Corridors Redevelopment Authority	Saint George Place Redevelopment Authority	South Post Oak Redevelopment Authority	Southwest Houston Redevelopment Authority	Upper Kirby Redevelopment Authority	Uptown Development Authority	Total
Component Units							
City Park Redevelopment Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (258)
East Downtown Redevelopment Authority	-	-	-	-	-	-	(367)
Fifth Ward Redevelopment Authority	-	-	-	-	-	-	(228)
Fourth Ward Redevelopment Authority	-	-	-	-	-	-	(1,241)
Greater Greenspoint Redevelopment Authority	-	-	-	-	-	-	(8,381)
Greater Houston Convention and Visitors Bureau	-	-	-	-	-	-	(1,011)
Gulfgate Redevelopment Authority	-	-	-	-	-	-	(213)
Hardy Near Northside Redevelopment Authority	-	-	-	-	-	-	(116)
Houston Area Library Automated Network	-	-	-	-	-	-	(187)
Houston Arts Alliance	-	-	-	-	-	-	(2,729)
Houston Business Development Corporation	-	-	-	-	-	-	(434)
Houston Downtown Park Corporation	-	-	-	-	-	-	(16)
Houston Parks Board, Inc.	-	-	-	-	-	-	468
Houston Parks Board, LGC, Inc.	-	-	-	-	-	-	(320)
Houston Public Library Foundation	-	-	-	-	-	-	(501)
Lamar Terrace Public Improvement District	-	-	-	-	-	-	-
Land Assemblage Redevelopment Authority	-	-	-	-	-	-	(536)
Leland Woods Redevelopment Authority I	-	-	-	-	-	-	(43)
Leland Woods Redevelopment Authority II	-	-	-	-	-	-	(38)
Main Street Market Square Redevelopment Authority	-	-	-	-	-	-	(5,586)
Memorial City Redevelopment Authority	-	-	-	-	-	-	(6,538)
Memorial-Heights Redevelopment Authority	-	-	-	-	-	-	(4,520)
Midtown Redevelopment Authority	-	-	-	-	-	-	(11,929)
Miller Theatre Advisory Board, Inc.	-	-	-	-	-	-	(122)
Old Sixth Ward Redevelopment Authority	-	-	-	-	-	-	(622)
OST/Alameda Corridors Redevelopment Authority	(4,044)	-	-	-	-	-	(4,044)
Saint George Place Redevelopment Authority	-	(714)	-	-	-	-	(714)
South Post Oak Redevelopment Authority	-	-	(241)	-	-	-	(241)
Southwest Houston Redevelopment Authority	-	-	-	(2,316)	-	-	(2,316)
Upper Kirby Redevelopment Authority	-	-	-	-	(6,062)	-	(6,062)
Uptown Development Authority	-	-	-	-	-	(15,182)	(15,182)
Total component units	<u>(4,044)</u>	<u>(714)</u>	<u>(241)</u>	<u>(2,316)</u>	<u>(6,062)</u>	<u>(15,182)</u>	<u>(74,027)</u>
General Revenues:							
Taxes							
Property Taxes - general purposes / tax increments	5,596	1,381	994	4,061	5,257	15,607	77,052
Unrestricted investment earnings	47	-	3	98	24	56	5,548
Other	684	6	-	-	10	-	7,096
Special Items - Loss on sale of assets	-	-	-	-	-	-	100
Transfers	-	-	-	-	-	-	262
Total general revenues, special items, and transfers	<u>6,327</u>	<u>1,387</u>	<u>997</u>	<u>4,159</u>	<u>5,291</u>	<u>15,663</u>	<u>90,058</u>
Change in net assets	2,283	673	756	1,843	(771)	481	16,031
Net Assets (deficit) beginning	9,950	(8,077)	(4,491)	678	12,331	(47,527)	135,826
New Component Unit & Restatement	-	-	-	-	-	-	(823)
Net Assets ending	<u>\$ 12,233</u>	<u>\$ (7,404)</u>	<u>\$ (3,735)</u>	<u>\$ 2,521</u>	<u>\$ 11,560</u>	<u>\$ (47,046)</u>	<u>\$ 151,034</u>

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS TYPE
Combining Statement of Net Assets
June 30, 2011
amounts expressed in thousands

	Houston Convention Center Hotel Corporation	Houston Housing Finance Corp	Houston Zoo Inc. (see Note 14E)	Total
Assets				
Current assets				
Cash	\$ 7,064	\$ 21,920	\$ 8,226	\$ 37,210
Investments	50,927	3,079	-	54,006
Receivables, net of allowances				
Accounts receivable	2,597	7,366	7,504	17,467
Accrued interest and other	-	80	-	80
Due from other governments	1,869	-	-	1,869
Inventory	248	-	-	248
Prepaid items	995	-	471	1,466
Restricted assets				
Investments	-	-	12,637	12,637
Other receivables	-	384	-	384
Total current assets	<u>63,700</u>	<u>32,829</u>	<u>28,838</u>	<u>125,367</u>
Noncurrent Assets				
Accrued interest receivable	-	14	-	14
Receivable and deposits	-	4,121	-	4,121
Deferred charges for issuance cost	1,542	-	-	1,542
Other long-term receivables	-	3,767	-	3,767
Total noncurrent assets	<u>1,542</u>	<u>7,902</u>	<u>-</u>	<u>9,444</u>
Capital assets				
Land	11,488	-	-	11,488
Buildings, improvements and equipment	287,950	5,989	62,676	356,615
Construction in progress	-	-	5,634	5,634
Total capital assets	<u>299,438</u>	<u>5,989</u>	<u>68,310</u>	<u>373,737</u>
Less accumulated depreciation				
Buildings, improvements and equipment	<u>(82,970)</u>	<u>(3,473)</u>	<u>(10,392)</u>	<u>(96,835)</u>
Accumulated depreciation	<u>(82,970)</u>	<u>(3,473)</u>	<u>(10,392)</u>	<u>(96,835)</u>
Net capital assets	<u>216,468</u>	<u>2,516</u>	<u>57,918</u>	<u>276,902</u>
Total noncurrent assets	<u>218,010</u>	<u>10,418</u>	<u>57,918</u>	<u>286,346</u>
Total assets	<u>281,710</u>	<u>43,247</u>	<u>86,756</u>	<u>411,713</u>
Liabilities				
Current Liabilities				
Accounts payable and accrued expenses	7,627	29	1,041	8,697
Accrued payroll liabilities	-	-	1,182	1,182
Contracts and retainages payable	-	-	3,089	3,089
Notes payable	11,915	-	-	11,915
Deferred revenue	737	-	116	853
Current liabilities payable from restricted assets				
Accrued interest payable	2,654	-	-	2,654
Total current liabilities	<u>22,933</u>	<u>29</u>	<u>5,428</u>	<u>28,390</u>
Noncurrent liabilities				
Due to City of Houston	243,397	-	-	243,397
Other long-term liabilities	5,761	29	-	5,790
Deferred revenue	13,187	-	-	13,187
Total noncurrent liabilities	<u>262,345</u>	<u>29</u>	<u>-</u>	<u>262,374</u>
Total liabilities	<u>285,278</u>	<u>58</u>	<u>5,428</u>	<u>290,764</u>
Net assets				
Investment in capital assets, net of related debt	(31,740)	-	-	(31,740)
Restricted net assets				
Restricted for debt service	11,530	-	-	11,530
Other restricted	-	-	14,274	14,274
Unrestricted (deficit)	16,642	43,189	67,054	126,885
Total net assets (deficit)	<u>\$ (3,568)</u>	<u>\$ 43,189</u>	<u>\$ 81,328</u>	<u>\$ 120,949</u>

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS-TYPE
Combining Statement of Activities
For the Year Ended June 30, 2011
amounts expressed in thousands

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Component Units			
Houston Convention Center Hotel Corp.	68,631	73,383	-
Houston Housing Finance Corp.	1,453	383	-
Houston Zoo Inc.	15,167	8,150	7,643
Totals	<u>\$ 85,251</u>	<u>\$ 81,916</u>	<u>\$ 7,643</u>

General Revenues:

Taxes
Property Taxes levied for general purposes/tax increments
Unrestricted investment earnings
Other
Total general revenues, special items, and transfers
Change in net assets
Net Assets (deficit) beginning
Net Assets (deficit) ending

(Continued)

Net (Expense) Revenue and Change in Net Assets

Houston Convention Center Hotel	Houston Housing Finance Corp.	Houston Zoo, Inc. (See Note 14E)	Total
4,752	-	-	4,752
-	(1,070)	-	(1,070)
-	-	626	626
<u>4,752</u>	<u>(1,070)</u>	<u>626</u>	<u>4,308</u>
-	750	-	750
657	991	491	2,139
(3,594)	-	-	(3,594)
<u>(2,937)</u>	<u>1,741</u>	<u>491</u>	<u>(705)</u>
1,815	671	1,117	3,603
(5,383)	42,518	80,211	117,346
<u>\$ (3,568)</u>	<u>\$ 43,189</u>	<u>\$ 81,328</u>	<u>\$ 120,949</u>

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS TYPE
Statement of Cash Flows
For the Year Ended June 30, 2011
amounts expressed in thousands

	Houston Convention Center Hotel Corporation	Houston Housing Finance Corp.	Houston Zoo Inc. (See Note 14E)	Total Component Units
Cash flows from operating activities				
Receipts from customers	\$ 77,908	\$ 1,742	\$ 13,426	\$ 93,076
Payments to employees	(22,250)	-	(8,768)	(31,018)
Payments to suppliers	(28,865)	-	(3,117)	(31,982)
Other revenues	-	-	891	891
Other revenues (expenses)	-	(1,092)	(647)	(1,739)
Net cash provided by operating activities	<u>26,793</u>	<u>650</u>	<u>1,785</u>	<u>29,228</u>
Cash flows from investing activities				
Advances on long-term receivables	-	(7,629)	-	(7,629)
Interest income on investments	657	6,984	-	7,641
Purchase of investments	(41,125)	(3,092)	(5,476)	(49,693)
Proceeds from sale of investments	45,850	3,014	(9,500)	39,364
Change in cash restricted for capital acquisition	-	-	6,236	6,236
Net cash provided by investing activities	<u>5,382</u>	<u>(723)</u>	<u>(8,740)</u>	<u>(4,081)</u>
Cash flows from capital and related financing activities				
Contributed capital	-	-	6,551	6,551
Acquisition of property, plant and equipment	(2,594)	-	(14,005)	(16,599)
Interest expense	(9,546)	-	-	(9,546)
Receipt of tax rebates	8,106	-	-	8,106
Payments to the City of Houston	(27,217)	-	-	(27,217)
Net cash provided by (used for) capital and related financing activities	<u>(31,251)</u>	<u>-</u>	<u>(7,454)</u>	<u>(38,705)</u>
Cash flows from noncapital financing activities				
Other revenues	-	-	(28)	(28)
Excess funds from Bond Series	-	1,100	-	1,100
Net cash provided by noncapital financing activities	<u>-</u>	<u>1,100</u>	<u>(28)</u>	<u>1,072</u>
Net increase (decrease) in cash and cash equivalents	924	1,027	(14,437)	(12,486)
Cash and cash equivalents, July 1	6,140	20,893	22,663	49,696
Cash and cash equivalents, June 30	<u>\$ 7,064</u>	<u>\$ 21,920</u>	<u>\$ 8,226</u>	<u>\$ 37,210</u>
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (Loss)	\$ 17,910	\$ 819	\$ 1,117	19,846
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	7,416	(125)	1,182	8,473
Other revenues	1,024	-	(1,867)	(843)
Changes in assets and liabilities:				
Accounts receivable	894	15	329	1,238
Inventory	7	-	-	7
Other assets	101	-	(182)	(81)
Accounts payable and accrued expenses	(910)	(58)	924	(44)
Accrued payroll liabilities	689	-	282	971
Other long-term liabilities	(337)	-	-	(337)
Net cash provided by (used for) operating activities	<u>\$ 26,794</u>	<u>\$ 651</u>	<u>\$ 1,785</u>	<u>\$ 29,230</u>



.....
Art Car Parade weekend (above); Sunnyside Park Urban Garden
.....



Statistical Section

(Unaudited)

This part of the City's Statistical comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Content</u>	<u>Page</u>
Financial Trends	200
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	212
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	218
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	227
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	234
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

CITY OF HOUSTON, TEXAS
NET ASSETS BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental Activities										
Invested in capital assets, net of related debt	\$ 3,327,146	\$ 3,354,457	\$ 3,388,360	\$ 3,531,764	\$ 3,340,355	\$ 3,480,924	\$ 3,515,596	\$ 3,670,130	\$ 3,677,425	\$ 3,696,510
Restricted	210,954	197,977	205,999	168,803	159,092	170,297	213,567	161,147	199,459	179,691
Unrestricted	(192,498)	(185,622)	(386,480)	(861,603)	(727,282)	(969,830)	(1,310,289)	(1,629,514)	(1,928,202)	(2,168,298)
Total governmental activities net assets	<u>\$ 3,345,602</u>	<u>\$ 3,366,812</u>	<u>\$ 3,207,879</u>	<u>\$ 2,838,964</u>	<u>\$ 2,772,165</u>	<u>\$ 2,681,391</u>	<u>\$ 2,418,874</u>	<u>\$ 2,201,763</u>	<u>\$ 1,948,682</u>	<u>\$ 1,707,903</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 1,129,433	\$ 1,068,562	\$ 1,361,202	\$ 1,138,154	\$ 976,834	\$ 745,459	\$ 551,820	\$ 668,465	\$ 893,832	\$ 733,936
Restricted	1,206,782	1,006,121	501,271	461,738	545,792	641,613	784,895	824,219	842,298	850,895
Unrestricted	(248,143)	(70,890)	(12,537)	87,494	99,666	104,542	135,860	(17,815)	(102,094)	25,183
Total business-type activities net assets	<u>\$ 2,088,072</u>	<u>\$ 2,003,793</u>	<u>\$ 1,849,936</u>	<u>\$ 1,687,386</u>	<u>\$ 1,622,292</u>	<u>\$ 1,491,614</u>	<u>\$ 1,472,575</u>	<u>\$ 1,474,869</u>	<u>\$ 1,634,036</u>	<u>\$ 1,610,014</u>
Primary government										
Invested in capital assets, net of related debt	\$ 4,456,579	\$ 4,423,019	\$ 4,749,562	\$ 4,669,918	\$ 4,317,189	\$ 4,226,383	\$ 4,067,416	\$ 4,338,595	\$ 4,571,257	\$ 4,430,446
Restricted	1,417,736	1,204,098	707,270	630,541	704,884	811,910	998,462	985,366	1,041,757	1,030,586
Unrestricted	(440,641)	(256,512)	(399,017)	(774,109)	(627,616)	(865,288)	(1,174,429)	(1,647,329)	(2,030,296)	(2,143,115)
Total primary government net assets	<u>\$ 5,433,674</u>	<u>\$ 5,370,605</u>	<u>\$ 5,057,815</u>	<u>\$ 4,526,350</u>	<u>\$ 4,394,457</u>	<u>\$ 4,173,005</u>	<u>\$ 3,891,449</u>	<u>\$ 3,676,632</u>	<u>\$ 3,582,718</u>	<u>\$ 3,317,917</u>

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
CHANGES IN NET ASSETS
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental activities:										
General government	\$ 225,950	\$ 150,374	\$ 234,176	\$ 143,477	\$ 130,807	\$ 130,026	\$ 193,928	\$ 219,584	\$ 232,466	\$ 230,868
Public safety	616,324	818,129	902,527	1,127,663	1,102,253	1,230,266	1,400,837	1,460,992	1,485,999	1,393,450
Public works	293,757	238,323	251,423	282,767	266,723	275,165	317,749	417,953	305,768	308,506
Health	107,783	99,617	105,247	124,267	102,716	101,865	129,197	136,766	139,693	128,320
Housing and community development	57,482	48,393	62,956	78,867	318,450	80,171	59,182	62,793	96,349	95,730
Parks and recreation	91,034	84,446	63,156	83,945	72,309	85,274	102,758	97,398	93,676	91,492
Library	40,723	38,282	38,481	49,084	37,242	39,180	49,687	48,015	48,721	44,888
Retiree benefits	17,787	21,440	26,581	28,997	-	-	-	-	-	-
Interest in long-term debt	94,511	98,042	95,779	116,180	136,563	135,134	126,349	129,324	151,807	150,640
Depreciation and amortization	108,998	119,475	85,711	96,355	125,517	111,918	110,174	115,050	119,719	130,111
Total governmental activities expenses	<u>1,654,349</u>	<u>1,716,521</u>	<u>1,866,037</u>	<u>2,131,602</u>	<u>2,292,580</u>	<u>2,188,999</u>	<u>2,489,861</u>	<u>2,687,875</u>	<u>2,674,198</u>	<u>2,574,004</u>
Business-type activities :										
Airport System	227,248	265,987	315,929	406,908	431,392	442,757	459,521	472,253	504,472	537,253
Convention & Entertainment Facilities	83,141	76,760	91,588	133,622	99,271	105,846	110,576	114,110	105,703	107,523
Combined Utility System	636,824	649,247	681,201	762,209	752,122	818,831	846,368	842,518	849,674	866,336
Houston Area Water Corporation	17	153	160	169	17,428	20,568	17,485	14,867	9,949	-
Parking Management	-	-	-	-	-	-	-	4,919	6,969	-
Total business-type activities expenses	<u>947,230</u>	<u>992,147</u>	<u>1,088,878</u>	<u>1,302,908</u>	<u>1,300,213</u>	<u>1,388,002</u>	<u>1,433,950</u>	<u>1,448,667</u>	<u>1,476,767</u>	<u>1,511,112</u>
Total primary government expenses	<u>\$ 2,601,579</u>	<u>\$ 2,708,668</u>	<u>\$ 2,954,915</u>	<u>\$ 3,434,510</u>	<u>\$ 3,592,793</u>	<u>\$ 3,577,001</u>	<u>\$ 3,923,811</u>	<u>\$ 4,136,542</u>	<u>\$ 4,150,965</u>	<u>\$ 4,085,116</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	31,931	14,957	18,047	25,074	52,083	34,839	11,104	22,601	20,544	31,831
Public safety	117,234	122,864	137,886	139,814	103,719	110,222	131,221	136,450	143,274	132,220
Public works	19,282	40,413	42,695	43,652	49,797	53,856	53,375	46,404	45,011	45,211
Health	11,625	13,263	13,026	13,624	12,574	13,563	17,093	16,836	15,110	16,968
Housing	0	0	0	0	0	0	0	0	900	0
Parks and recreation	7,174	5,176	6,122	6,009	6,687	6,930	4,683	7,578	6,977	7,796
Library	1,416	1,211	1,329	1,187	1,010	675	1,035	1,056	1,261	919
Operating grants and contributions	148,432	137,590	143,864	162,310	467,956	246,737	232,203	393,157	346,945	293,350
Capital grants and contributions	27,051	6,123	46,337	37,591	69,438	101,099	76,497	45,354	109,190	68,801
Total governmental activities program revenues	<u>364,145</u>	<u>341,597</u>	<u>409,306</u>	<u>429,261</u>	<u>763,264</u>	<u>567,921</u>	<u>527,211</u>	<u>669,436</u>	<u>689,212</u>	<u>597,096</u>
Business-type activities:										
Charges for services:										
Airport System	227,455	240,767	270,413	353,641	393,861	416,138	447,176	386,777	406,579	410,402
Convention & Entertainment Facilities	15,521	17,010	17,145	19,175	19,599	20,554	22,306	20,902	31,833	25,456
Combined Utility System	543,396	539,317	531,208	598,874	642,662	615,465	648,269	687,238	691,162	879,176
Houston Area Water Corporation	-	-	-	-	-	-	13,045	13,250	-	-
Parking Management	-	-	-	-	-	-	-	-	13,676	-
Operating grants and contributions	-	-	22,516	4,297	4,020	2,740	4,749	4,574	10,710	22,858
Capital grants and contributions	65,579	48,339	42,000	106,484	109,728	61,717	132,728	192,815	58,672	46,616
Total business-type activities program revenues	<u>851,951</u>	<u>845,433</u>	<u>883,282</u>	<u>1,082,471</u>	<u>1,169,870</u>	<u>1,116,614</u>	<u>1,268,273</u>	<u>1,305,556</u>	<u>1,212,632</u>	<u>1,384,508</u>
Total primary government program revenues	<u>\$ 1,216,096</u>	<u>\$ 1,187,030</u>	<u>\$ 1,292,588</u>	<u>\$ 1,511,732</u>	<u>\$ 1,933,134</u>	<u>\$ 1,684,535</u>	<u>\$ 1,795,484</u>	<u>\$ 1,974,992</u>	<u>\$ 1,901,844</u>	<u>\$ 1,981,604</u>
Net (expense)/revenue										
Governmental activities	\$(1,290,204)	\$(1,374,924)	\$(1,456,731)	\$(1,702,341)	\$(1,529,316)	\$(1,621,078)	\$(1,962,650)	\$(2,018,439)	\$(1,984,986)	\$(1,976,908)
Business-type activities	(95,279)	(146,714)	(205,596)	(220,437)	(130,343)	(271,388)	(165,677)	(143,111)	(264,135)	(126,604)
Total primary government net expense	<u>\$(1,385,483)</u>	<u>\$(1,521,638)</u>	<u>\$(1,662,327)</u>	<u>\$(1,922,778)</u>	<u>\$(1,659,659)</u>	<u>\$(1,892,466)</u>	<u>\$(2,128,327)</u>	<u>\$(2,161,550)</u>	<u>\$(2,249,121)</u>	<u>\$(2,103,512)</u>

(Continued)

CITY OF HOUSTON, TEXAS
CHANGES IN NET ASSETS
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes										
Property taxes	\$ 626,850	\$ 639,888	\$ 645,536	\$ 664,831	\$ 700,788	\$ 738,578	\$ 829,837	\$ 890,308	\$ 895,779	\$ 853,277
Industrial assessments tax	15,642	15,014	15,167	14,635	14,314	15,823	17,787	19,133	15,817	14,458
Sales taxes	341,952	322,538	347,982	370,583	422,598	461,417	495,173	507,103	468,965	492,824
Franchise taxes	175,360	160,673	161,378	162,263	186,508	189,551	190,518	190,800	191,292	190,911
Mixed beverage taxes	7,514	7,572	8,095	8,343	9,000	9,713	10,479	10,587	10,382	10,283
Bingo taxes	251	246	253	270	279	279	256	226	195	167
Investment earnings	23,918	16,550	5,139	13,179	19,889	32,017	36,516	30,087	16,673	6,666
Other	24,822	42,074	31,894	27,652	33,674	23,261	58,743	66,459	53,101	79,633
Contributions	1,483	101,750	40,192	11,216	-	-	-	17,047	7,666	4,674
Special Items - gain (loss) on sale of assets	3,546	3,346	3,095	2,071	4,816	2,071	-	-	-	-
Transfers	99,817	86,583	39,067	58,383	70,651	57,594	60,824	69,578	72,035	76,976
Total governmental activities	<u>1,321,155</u>	<u>1,396,234</u>	<u>1,297,798</u>	<u>1,333,426</u>	<u>1,462,517</u>	<u>1,530,304</u>	<u>1,700,133</u>	<u>1,801,328</u>	<u>1,731,905</u>	<u>1,729,869</u>
Business-type activities:										
Hotel occupancy taxes	43,452	43,169	47,223	42,266	54,765	58,709	66,232	62,383	54,917	61,603
Investment earnings	103,072	68,632	25,965	43,866	54,212	88,658	96,492	88,737	57,736	30,303
Other	35,789	33,776	30,561	30,138	26,923	45,552	44,738	63,863	105,462	92,172
Contributions	-	4,979	-	-	-	-	-	-	-	-
Special Items - gain (loss) on sale of assets	(9,975)	(1,338)	(12,943)	-	-	5,385	-	-	-	-
Transfers	(99,817)	(86,583)	(39,067)	(58,383)	(70,651)	(57,594)	(60,824)	(69,578)	(72,035)	(81,496)
Total business-type activities	<u>72,521</u>	<u>62,635</u>	<u>51,739</u>	<u>57,887</u>	<u>65,249</u>	<u>140,710</u>	<u>146,638</u>	<u>145,405</u>	<u>146,080</u>	<u>102,582</u>
Total primary government	<u>\$ 1,393,676</u>	<u>\$ 1,458,869</u>	<u>\$ 1,349,537</u>	<u>\$ 1,391,313</u>	<u>\$ 1,527,766</u>	<u>\$ 1,671,014</u>	<u>\$ 1,846,771</u>	<u>\$ 1,946,733</u>	<u>\$ 1,877,985</u>	<u>\$ 1,832,451</u>
Change in Net Assets										
Governmental activities	\$ 30,951	\$ 21,310	\$ (158,933)	\$ (368,915)	\$ (66,799)	\$ (90,774)	\$ (262,517)	\$ (217,111)	\$ (253,081)	\$ (247,039)
Business-type activities	(22,758)	(84,079)	(153,857)	(162,550)	(65,094)	(130,678)	(19,039)	2,294	(118,055)	(24,022)
Total primary government	<u>\$ 8,193</u>	<u>\$ (62,769)</u>	<u>\$ (312,790)</u>	<u>\$ (531,465)</u>	<u>\$ (131,893)</u>	<u>\$ (221,452)</u>	<u>\$ (281,556)</u>	<u>\$ (214,817)</u>	<u>\$ (371,136)</u>	<u>\$ (271,061)</u>

CITY OF HOUSTON, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General fund				
Reserved	\$ 30,756	\$ 30,935	\$ 24,947	\$ 27,449
Unreserved	85,282	105,101	110,778	142,695
Non-spendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 116,038</u>	<u>\$ 136,036</u>	<u>\$ 135,725</u>	<u>\$ 170,144</u>
All other governmental funds				
Reserved	\$ 122,480	\$ 169,660	\$ 171,252	\$ 200,374
Unreserved , reported in:				
Special revenue funds	48,428	63,997	55,760	67,691
Capital projects funds	62,864	-	-	-
Grant funds	-	-	-	-
Non-spendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 233,772</u>	<u>\$ 233,657</u>	<u>\$ 227,012</u>	<u>\$ 268,065</u>

2006	2007	2008	2009	2010	2011
\$ 51,671	\$ 21,489	\$ 22,040	\$ 22,836	\$ 23,003	\$ -
198,759	256,610	309,466	281,111	201,019	-
-	-	-	-	-	19,052
-	-	-	-	-	1,665
-	-	-	-	-	20,698
-	-	-	-	-	30
-	-	-	-	-	127,143
\$ 250,430	\$ 278,099	\$ 331,506	\$ 303,947	\$ 224,022	\$ 168,588
\$ 179,267	\$ 193,924	\$ 235,074	\$ 201,334	\$ 237,112	\$ -
66,407	94,056	119,482	111,454	82,713	-
-	-	-	-	-	-
9,963	8,258	7,553	(9,762)	19,196	-
-	-	-	-	-	418
-	-	-	-	-	176,457
-	-	-	-	-	73,636
-	-	-	-	-	32,172
-	-	-	-	-	-
\$ 255,637	\$ 296,238	\$ 362,109	\$ 303,026	\$ 339,021	\$ 282,683

CITY OF HOUSTON
GENERAL FUND BUDGET FOR FISCAL YEAR 2012
(amounts expressed in thousands)
(unaudited)

Budgeted Resources	Amount (in thousands)
Revenues:	
Ad Valorem Taxes (current and delinquent)	\$ 842,478
Sales and Use Tax	518,912
Franchise Fees	190,229
Municipal Courts Fines and Forfeits	35,894
Miscellaneous	175,452
Total Current Revenues	1,762,965
Beginning Fund Balance as of July 1, 2011 (a)	102,646
Pension Bond Proceeds	-
Sale of Capital Assets	13,550
Transfers from Other Funds	51,480
Total Budgeted Resources	\$ 1,930,641
Budgeted Expenditures	
Administrative Services and Public Finance	\$ 111,355
Public Safety	1,095,011
Development and Maintenance Services	156,316
Human and Cultural Services	133,322
General Government	102,294
Transfers to Debt Service Fund	229,700
Transfer out	-
Total Budgeted Expenditures	1,827,998
Budgeted Ending Fund Balance as of June 30, 2012	102,643
Total Budgeted Expenditures and Reserves	\$ 1,930,641

(a) This amount represents an estimate of the beginning fund balance which was used in preparing the Fiscal Year 2012 Budget.

CITY OF HOUSTON, TEXAS
June 30, 2011
CONTINUING DEBT DISCLOSURE INFORMATION
(amounts expressed in thousands)
(unaudited)

Capital Improvement Plan

The 2012-2016 CIP consists of the projects and facilities described in the following chart. (The 2012-2016 CIP also includes proposed improvements for the Combined Utility System, Airport System and Convention and Entertainment Facilities, which are financed primarily with revenues of those enterprise systems and, therefore, are not included in the table below).

	Amount (in thousands)
Streets, Bridges and Traffic Control	\$ 853,970
Storm Sewers and Drainage	267,044
Parks and Recreation	66,839
Police Department	110,587
Fire Department	54,970
General Government	14,267
Public Library	41,518
Public Health	42,957
Solid Waste Management	13,338
Low Income Housing	<u>15,000</u>
Total	<u>\$ 1,480,490 (*)</u>

(*) The tax-supported component of the 2012-2016 CIP addresses a full range of capital facility and infrastructure improvements. The voter authorized improvements are expected to be initially financed with Commercial Paper Notes. The remaining amount is expected to be funded by grants, funds from agencies participating in joint capital improvement projects with the City and various other sources.

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.

Fiscal Year	Total Indirect Charges (in thousands)
2011	\$ 16,328
2010	16,012
2009	13,190
2008	10,950
2007	12,712

**CITY OF HOUSTON
CONTINUING DEBT DISCLOSURE INFORMATION**

**Long Term Disability and Compensated Absence Liability
(unaudited)**

Long-Term Disability Fund	Fiscal Year 2011 (in thousands)
Assets Available for Future Long-Term Disability Obligations	\$ 10,812
Claims Payable on Long-Term Disability Obligations	(9,675)
Unrestricted Net Assets	<u>\$ 1,137</u>

Compensated Absence Liability	Fiscal Year 2011 (in thousands)
General Fund Short-Term Liability	\$ 8,134
Other Governmental Short-Term Liability	134,930
Enterprise Funds Liability	33,710
Internal Service Funds Liability	171
Governmental Funds Long-Term Liability	284,856
Total	<u>\$ 461,801</u>

**General Fund Specific Charges to Other City Funds
(unaudited)**

An additional charge made by the General Fund to the Combined Utility System, 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.

Fiscal Year	Total Direct Charges for Specific Services (in thousands)
2011	\$ 46,034
2010	46,906
2009	47,890
2008	41,395
2007	42,052

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Revenues			
Taxes	\$ 1,163,820	\$ 1,142,071	\$ 1,193,874
Licenses and permits	33,102	35,046	36,286
Intergovernmental	160,718	154,598	189,974
Charges for services	148,520	151,397	164,581
Fines	37,587	44,620	49,227
Investment earnings	21,450	16,550	5,139
Contributions	3,562	864	2,433
Other	30,305	46,030	32,740
Total revenues	<u>1,599,064</u>	<u>1,591,176</u>	<u>1,674,254</u>
Expenditures			
General Government	202,202	182,753	170,392
Public safety	752,281	840,490	838,472
Public Works	328,448	362,453	326,701
Health	104,777	96,633	99,377
Housing and Community Development	57,521	60,400	60,314
Parks and recreation	78,451	81,008	62,917
Library	40,036	42,473	40,746
Retiree benefits	17,787	21,440	26,581
Other Current Expenditures	-	-	-
Capital Outlay	47,005	24,637	35,213
Intergovernmental - grants	-	-	-
Debt Service			
Principal	110,060	120,754	115,319
Interest	87,830	87,438	100,006
Fiscal agent and fees	5,252	4,098	8,131
Advanced refunding escrow	-	-	-
Total expenditures	<u>1,831,650</u>	<u>1,924,577</u>	<u>1,884,169</u>
Excess of revenues over (under) expenditures	(232,586)	(333,401)	(209,915)
Other financing sources (uses)			
Transfers in	278,045	306,231	225,522
Transfers out	(178,228)	(219,648)	(184,004)
Proceeds from issuance of debt	173,494	209,931	150,594
Proceeds from refunded debt	437,243	285,801	572,020
Payment to escrow agent	(433,192)	(283,410)	(597,410)
Sale of land	-	-	-
Bond premium (discount)	-	-	36,237
Other financing sources (uses)	(119)	-	-
Proceeds from capital lease	-	54,379	-
Total other financing sources (uses)	<u>277,243</u>	<u>353,284</u>	<u>202,959</u>
Net change in fund balances	<u>\$ 44,657</u>	<u>\$ 19,883</u>	<u>\$ (6,956)</u>
Debt service as a percentage of noncapital expenditures	11.1%	11.0%	11.6%

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 1,227,388	\$ 1,338,651	\$ 1,425,575	\$ 1,545,102	\$ 1,617,937	\$ 1,579,516	\$ 1,568,056
40,240	42,524	55,912	62,132	58,126	55,275	61,083
187,372	512,279	319,864	300,717	435,715	403,519	379,065
156,290	133,161	119,250	112,554	121,418	124,790	132,764
53,464	51,441	57,305	57,001	57,037	60,036	55,414
13,179	19,889	32,017	36,516	30,087	16,673	6,666
1,780	-	-	-	737	20	-
30,445	34,971	23,555	55,535	62,714	55,599	72,126
<u>1,710,158</u>	<u>2,132,916</u>	<u>2,033,478</u>	<u>2,169,557</u>	<u>2,383,771</u>	<u>2,295,428</u>	<u>2,275,174</u>
163,738	241,772	236,638	144,337	178,064	197,803	198,782
907,201	1,012,747	1,088,922	1,107,522	1,221,713	1,244,163	1,230,623
316,428	335,598	330,296	281,433	398,506	285,517	288,383
104,389	97,237	96,063	108,830	123,421	126,968	119,192
57,076	323,199	89,320	77,702	79,215	100,712	96,792
70,720	79,602	82,648	77,354	80,438	78,717	75,560
39,273	39,570	48,842	36,555	39,248	38,711	36,715
28,997	42,203	18,801	18,506	18,463	18,897	15,996
-	-	-	-	-	-	-
39,396	61,606	57,337	332,655	372,472	396,877	309,315
-	-	-	-	-	-	-
139,607	220,510	172,166	197,790	487,690	186,251	192,000
94,188	113,556	122,680	129,992	133,288	146,986	154,083
3,316	6,302	4,661	3,700	8,949	6,599	7,792
-	-	-	-	-	-	-
<u>1,964,329</u>	<u>2,573,902</u>	<u>2,348,374</u>	<u>2,516,376</u>	<u>3,141,467</u>	<u>2,828,201</u>	<u>2,725,233</u>
(254,171)	(440,986)	(314,896)	(346,819)	(757,696)	(532,773)	(450,059)
278,743	337,127	339,549	396,660	462,793	436,908	406,201
(223,863)	(272,726)	(281,936)	(328,873)	(391,143)	(364,873)	(329,225)
274,721	433,514	313,771	387,051	626,205	926,780	740,696
173,062	169,230	229,168	219,238	324,030	-	-
(183,566)	(181,652)	(241,612)	(225,740)	(355,885)	(553,230)	(535,960)
-	6,439	8,356	8,757	5,381	9,092	21,054
10,546	16,912	15,870	9,004	(327)	34,166	35,521
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>329,643</u>	<u>508,844</u>	<u>383,166</u>	<u>466,097</u>	<u>671,054</u>	<u>488,843</u>	<u>338,287</u>
<u>\$ 75,472</u>	<u>\$ 67,858</u>	<u>\$ 68,270</u>	<u>\$ 119,278</u>	<u>\$ (86,642)</u>	<u>\$ (43,930)</u>	<u>\$ (111,772)</u>
12.1%	13.3%	12.9%	15.0%	22.4%	13.7%	14.3%

CITY OF HOUSTON, TEXAS
TAX REVENUE BY SOURCE - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Industrial Assessments	Mixed Beverage Tax	Bingo Tax	Total Tax Collections
2002	\$ 626,850	\$ 341,952	\$ 175,360	\$ 15,642	\$ 7,514	\$ 251	\$ 1,167,569
2003	\$ 639,888	\$ 322,538	\$ 160,673	\$ 15,014	\$ 7,572	\$ 246	\$ 1,145,931
2004	\$ 645,536	\$ 347,982	\$ 161,378	\$ 15,167	\$ 8,095	\$ 253	\$ 1,178,411
2005	\$ 664,831	\$ 370,583	\$ 162,263	\$ 14,635	\$ 8,343	\$ 270	\$ 1,220,925
2006	\$ 700,788	\$ 422,598	\$ 186,508	\$ 14,314	\$ 9,000	\$ 279	\$ 1,333,487
2007	\$ 738,578	\$ 461,417	\$ 189,551	\$ 15,823	\$ 9,713	\$ 279	\$ 1,415,361
2008	\$ 829,837	\$ 495,173	\$ 190,518	\$ 17,787	\$ 10,479	\$ 256	\$ 1,544,050
2009	\$ 890,308	\$ 507,103	\$ 190,800	\$ 19,133	\$ 10,587	\$ 226	\$ 1,618,157
2010	\$ 895,779	\$ 468,965	\$ 191,292	\$ 15,817	\$ 10,382	\$ 195	\$ 1,582,430
2011	\$ 853,277	\$ 492,824	\$ 190,911	\$ 14,458	\$ 10,283	\$ 167	\$ 1,561,920

CITY OF HOUSTON
ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Personal Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2002	\$ 53,776,892	\$ 43,574,102	\$ 7,089,516	\$ 2,816,865	\$ 11,767,963	\$ 95,489,412	6.5500
2003	\$ 58,211,949	\$ 43,815,475	\$ 7,640,012	\$ 2,886,083	\$ 13,248,143	\$ 99,305,376	6.5500
2004	\$ 63,305,495	\$ 43,964,367	\$ 7,987,666	\$ 2,527,261	\$ 14,627,189	\$ 103,157,600	6.5500
2005	\$ 67,298,102	\$ 44,051,724	\$ 7,923,377	\$ 2,532,851	\$ 15,924,828	\$ 105,881,226	6.5000
2006	\$ 71,997,166	\$ 60,214,783	\$ 8,149,890	\$ 2,023,823	\$ 31,298,860	\$ 111,086,802	6.4750
2007	\$ 76,997,953	\$ 65,711,310	\$ 9,198,065	\$ 2,568,995	\$ 33,880,872	\$ 120,595,451	6.4500
2008	\$ 84,322,788	\$ 75,245,892	\$ 11,740,472	\$ 2,515,631	\$ 38,060,662	\$ 135,764,121	6.4375
2009	\$ 90,065,098	\$ 88,374,034	\$ 12,148,055	\$ 2,380,333	\$ 44,198,187	\$ 148,769,333	6.3875
2010	\$ 91,451,713	\$ 89,110,300	\$ 12,911,034	\$ 2,344,315	\$ 46,805,799	\$ 149,011,563	6.3875
2011	\$ 89,957,336	\$ 84,250,876	\$ 11,500,552	\$ 2,276,946	\$ 46,201,271	\$ 141,784,439	6.3875

The tax rates are based on a 100% assessment ratio. Tax rates are stated per \$1,000 assessed value.

CITY OF HOUSTON, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(unaudited)

Purpose	2011	2010	2009	2008	2007
City					
City of Houston ^(A)	6.3875	6.3875	6.3875	6.4380	6.4500
County					
Fort Bend County	4.9976	5.0660	4.9976	5.1674	5.1674
Harris County ^(B)	4.1728	4.2146	3.8923	3.9239	4.3480
Montgomery County	4.8380	4.8380	4.8380	4.8880	4.9130
School District					
Aldine I.S.D.	14.3054	14.3054	12.9200	12.7700	16.0400
Alief I.S.D.	13.4000	13.4000	13.4000	15.9000	15.9000
Clear Creek I.S.D.	13.6000	13.6000	13.6000	13.2000	16.3000
Conroe I.S.D.	12.9500	12.8500	12.7000	12.4000	15.9000
Crosby I.S.D.	14.4000	14.4000	13.4000	10.4000	18.0800
Cypress-Fairbanks I.S.D.	14.3000	14.1000	13.5000	13.2400	16.5400
Deer Park I.S.D.	13.9670	13.6670	13.3670	13.1765	16.6230
Fort Bend I. S. D.	12.7000	12.7000	12.7000	12.5000	15.4000
Galena Park I.S.D.	15.1340	14.7840	14.5590	14.3090	14.3090
Goose Creek I.S.D.	13.0213	12.8213	12.8213	13.0196	15.9562
Houston I.S.D.	15.9900	15.9900	15.9900	15.9900	15.9900
Huffman I.S.D.	14.7000	14.7000	14.7000	13.8000	16.0000
Humble I.S.D.	15.2000	15.2000	15.2000	13.1000	16.4000
Katy I.S.D.	15.2660	15.2660	15.2660	15.2700	18.1500
Klein I.S.D.	14.1000	13.6000	13.1000	12.6000	15.8000
New Caney I.S.D.	14.4000	14.4000	14.4000	14.4000	14.1500
North Forest I.S.D.	13.7000	13.5000	13.1434	12.3670	17.1250
Pasadena I.S.D.	13.5000	13.5000	13.5000	13.5000	16.9000
Sheldon I.S.D.	14.3000	14.3000	14.3000	14.3000	16.3400
Spring I.S.D.	14.6000	14.6000	14.6000	14.4000	17.1000
Spring Branch I.S.D.	13.9450	13.9450	13.8250	12.8500	16.3150
Municipal Utility District					
Harris County MUD # 355	2.5500	2.9500	3.0000	3.1000	3.7000
Harris County MUD # 359	3.0500	2.9500	2.8500	2.7000	3.0000
Harris County MUD # 366	2.5000	2.5000	2.5000	3.2000	3.5000
Harris County MUD # 390	7.0000	7.0000	7.0000	7.0000	7.0000
Northwood MUD. #1	12.5000	12.5000	12.5000	12.5000	12.5000
Other Jurisdictions					
Clear Lake City Water Authority	2.8000	2.8000	2.8000	2.8000	2.9000
Harris County Dept. of Education	0.0658	0.0605	0.0584	0.0585	0.0629
Houston Community College	0.1732	0.1438	0.1493	0.1493	0.8133
Lee College District	2.5200	2.2130	2.0588	2.0677	2.0228
Lone Star College System	1.1760	1.1010	1.1010	1.1440	1.1670
Port of Houston	0.2054	0.1636	0.1773	0.1437	0.1302
San Jacinto Jr. College	1.7080	1.7080	1.6341	1.4536	1.4536

(A) The tax rates are based on a 100% assessment ratio. Tax rates are stated per \$1,000 assessed value.

(B) Harris County includes the Harris County Flood Control District and the Harris County Toll Road.

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
6.4750	6.5000	6.5500	6.5500	6.5500
5.1674	5.2374	5.2374	5.3874	5.6410
4.3308	7.6340	5.5060	6.5970	6.6920
4.9630	4.9630	4.7100	4.7100	4.7100
17.0900	16.8900	16.6800	16.1800	12.5000
17.2000	16.9000	16.7500	16.7500	16.7500
16.3000	17.4500	17.3000	17.4000	17.2500
17.6000	17.3250	17.3250	17.2250	2.0250
18.7000	18.8000	18.8450	16.7000	16.7000
18.0000	17.9000	17.9000	17.9000	17.0900
18.0550	18.0550	18.0710	18.0350	16.8980
17.0750	17.0750	No data	No data	No data
18.1500	17.9500	17.6500	17.6500	16.8352
17.2750	16.8371	1.8371	No data	No data
15.9900	15.9900	15.8000	15.8000	15.8000
17.5500	18.5000	16.7000	16.8000	16.8000
17.7000	17.4000	17.4000	17.4000	17.4000
20.0000	20.0000	19.7000	19.4000	19.2000
17.0000	17.0000	17.2000	17.2000	17.2000
17.9000	17.7000	17.7000	17.1000	16.5540
17.1250	17.4440	17.4440	17.4440	17.4440
17.7500	17.7500	17.7500	16.8750	16.6000
17.5000	17.4600	17.0300	16.3300	16.3300
17.1000	18.7000	17.6000	17.6000	17.0000
18.1000	18.1000	18.1000	18.1000	18.1000
3.8000	4.0000	3.4000	No data	No data
3.2500	3.7000	No data	No data	No data
4.4000	5.0000	5.0000	No data	No data
7.0000	7.0000	No data	No data	No data
12.5000	12.5000	12.5000	12.5000	12.5000
2.9000	2.9000	2.9000	3.1000	3.3000
0.0629	0.0629	No data	No data	No data
0.8133	0.8133	0.8133	0.8133	No data
2.0677	2.0813	No data	No data	No data
1.2070	1.1450	1.1450	1.0550	1.1000
0.1474	0.1673	0.2000	0.1989	No data
1.3913	1.3913	1.3913	1.3071	1.3070

**CITY OF HOUSTON, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
June 30, 2011
Current Year and Nine Years Ago
(amounts expressed in thousands)
(unaudited)**

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Centerpoint Energy, Inc. (Reliant H L & P)	\$ 1,411,295	1	1.00%	1,251,761	1	1.31%
Hines Interests Ltd. Partnership	1,180,205	2	0.83%	966,669	2	1.01%
Crescent Real Estate	624,595	3	0.44%	494,735	5	0.52%
Chevron Chemical Company	610,459	4	0.43%			
Exxon Mobil Corp.	492,603	5	0.35%	404,697	7	0.42%
Continental Airlines, Inc.	490,913	6	0.35%	618,703	4	0.65%
Houston Refining	426,408	7	0.30%			
Southwestern Bell	396,489	8	0.28%	898,838	3	0.94%
Shell Oil Company	394,833	9	0.28%			
Anheuser Busch Inc.	373,266	10	0.26%	435,768	6	0.46%
Trizechahn Allen Center LP				360,628	9	0.38%
Weingarten Realty				247,725	10	0.26%
Crescent Real Estate Equities				363,183	8	0.38%
Total	<u>\$ 6,401,066</u>		<u>4.52%</u>	<u>\$ 6,042,707</u>		<u>6.33%</u>

CITY OF HOUSTON
TAX SUPPORTED DEBT SERVICE FUNDS
(amounts expressed in thousands)
(unaudited)

Tax Bond Debt Service Fund for Fiscal Year 2012^(a)

	Amount
Budgeted Resources	(in thousands)
Beginning Fund Balance Estimate as of July 1, 2011	\$ 160,944
Interest Earnings on Debt Reserves and Bond Funds	2,800
Transfers in from:	
General Fund	229,700
Combined Utility System Operating Fund	32,013
Other sources	24,841
Third Party Reimbursements	-
Total Budgeted Resources	\$ 450,298
Budgeted Expenditures	
Debt Service Requirements	
Tax Bonds	\$ 291,634
Commercial Paper Paid from Third Party Reimbursements	
Miscellaneous	-
Total Budgeted Expenditures	291,634
Budgeted Ending Fund Balance as of June 30, 2011	158,664
Total Budgeted Expenditures and Reserves	\$ 450,298

(a) This fund includes the debt service for the City's Tax Bonds, Pension Obligations, and Commercial Paper Notes.

Tax Certificates Debt Service Fund for Fiscal Year 2011

	Amount
Budgeted Resources	(in thousands)
Beginning Fund Balance Estimate as of July 1, 2010	\$ -
Interest Earnings on Debt Reserves and Bond Funds	
Transfers from General Fund	12,000
Other Sources	
Total Budgeted Resources	\$ 12,000
Budgeted Expenditures	
Debt Service Requirements	\$ 7,150
Total Budgeted Expenditures	7,150
Budgeted Ending Fund Balance as of June 30, 2011	4,850
Total Budgeted Expenditures and Reserves	\$ 12,000

CITY OF HOUSTON
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

Fiscal Year	Governmental Activities			Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita (a)
	General Obligation Bonds	Capital Leases	Other Borrowings	Combined Utility System Revenue Bonds	Houston Airport System Revenue Bonds	Convention & Entertainment Revenue Bonds	Long-Term Contracts			
2002	\$ 1,934,505	\$ -	\$ 15,260	\$ 3,812,173	\$ 1,479,475	\$ 637,221	\$ 259,599	\$ 8,138,233	19.72%	\$ 4,165
2003	\$ 2,025,330	\$ 53,372	\$ 25,810	\$ 4,108,847	\$ 2,167,722	\$ 665,846	\$ 261,791	\$ 9,308,718	22.56%	\$ 4,699
2004	\$ 2,071,560	\$ 52,344	\$ 24,865	\$ 4,038,164	\$ 2,170,394	\$ 666,679	\$ 243,877	\$ 9,267,883	21.79%	\$ 4,612
2005	\$ 2,415,988	\$ 51,253	\$ 23,395	\$ 4,451,525	\$ 2,279,443	\$ 671,094	\$ 266,799	\$ 10,159,497	23.22%	\$ 5,038
2006	\$ 2,694,363	\$ -	\$ 21,880	\$ 4,695,148	\$ 2,260,462	\$ 665,402	\$ 248,368	\$ 10,585,623	22.14%	\$ 5,099
2007	\$ 2,851,948	\$ -	\$ 20,200	\$ 5,022,310	\$ 2,266,018	\$ 672,091	\$ 231,710	\$ 11,064,277	Not Available	\$ 5,159
2008	\$ 3,057,921	\$ -	\$ 15,060	\$ 5,227,465	\$ 2,263,676	\$ 671,848	\$ 211,016	\$ 11,446,986	Not Available	\$ 5,338
2009	\$ 3,179,667	\$ -	\$ 13,315	\$ 5,545,291	\$ 2,193,246	\$ 663,154	\$ 221,260	\$ 11,815,933	Not Available	\$ 5,270
2010	\$ 3,395,560	\$ -	\$ 10,010	\$ 5,715,279	\$ 2,506,253	\$ 652,052	\$ 178,844	\$ 12,457,998	Not Available	\$ 5,556
2011	\$ 3,430,179	\$ -	\$ 7,830	\$ 5,932,169	\$ 2,449,485	\$ 638,733	\$ 170,937	\$ 12,629,333	Not Available	\$ 5,588

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(a) See the Schedule of Demographic and Economic Statistics on page 227 for personal income and population data.

CITY OF HOUSTON, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)
(unaudited)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value (1) of Property	Per Capita (2)
2002	\$ 1,934,505	\$ 102,176	\$ 1,832,329	1.92%	\$ 938
2003	\$ 2,025,330	\$ 99,534	\$ 1,925,796	1.94%	\$ 972
2004	\$ 2,071,560	\$ 91,774	\$ 1,979,786	1.92%	\$ 985
2005	\$ 2,415,988	\$ 106,864	\$ 2,309,124	2.18%	\$ 1,145
2006	\$ 2,694,363	\$ 110,824	\$ 2,583,539	2.33%	\$ 1,244
2007	\$ 2,851,948	\$ 109,661	\$ 2,742,287	2.27%	\$ 1,279
2008	\$ 3,057,921	\$ 131,477	\$ 2,926,444	2.16%	\$ 1,325
2009	\$ 3,179,667	\$ 161,414	\$ 3,018,253	2.03%	\$ 1,346
2010	\$ 3,395,560	\$ 181,958	\$ 3,213,602	2.16%	\$ 1,433
2011	\$ 3,430,179	\$ 143,287	\$ 3,286,892	2.32%	1,455

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

1. See the schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 207 for property value data.
2. Population data can be found in the Schedule of Demographic and Economic Statistics on page 221.

CITY OF HOUSTON, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2011
(amounts expressed in thousands)
(unaudited)

	Net Direct Debt		% of Debt Applicable to Houston	City of Houston Share of Debt
	Amount	As of		
City				
City of Houston - direct	\$ 3,286,892	06/30/11	100.00%	\$ 3,286,892
County				
Fort Bend County	305,827	06/30/11	2.21%	6,759
Harris County (including Toll Road Bonds)	2,185,710	06/30/11	52.53%	1,148,153
Harris County Flood Control	659,892	06/30/11	52.53%	346,641
Montgomery County	238,069	06/30/11	1.09%	2,595
School District				
Aldine I.S.D.	411,216	06/30/10	48.54%	199,604
Alief I.S.D.	231,157	08/31/10	77.19%	178,430
Clear Creek I.S.D.	632,645	06/30/11	47.32%	299,368
Conroe I.S.D.	818,583	08/31/10	0.00%	-
Crosby I.S.D.	56,212	08/31/10	0.23%	129
Cypress-Fairbanks I.S.D.	1,697,441	06/30/11	11.25%	190,962
Deer Park I.S.D.	200,738	08/31/11	0.12%	241
Fort Bend I.S.D.	939,321	06/30/10	1.89%	17,753
Galena Park I.S.D.	229,061	08/31/10	13.49%	30,900
Goose Creek I.S.D.	314,234	06/30/11	0.00%	-
Houston I.S.D.	2,211,449	06/30/10	90.95%	2,011,313
Huffman I.S.D.	51,786	06/30/11	26.02%	13,475
Humble I.S.D.	623,044	09/30/10	43.25%	269,467
Katy I.S.D.	870,082	08/31/10	19.16%	166,708
Klein I.S.D.	276,227	06/30/11	1.26%	3,480
New Caney I.S.D.	201,445	08/31/10	18.28%	36,824
North Forest I.S.D.	60,638	06/30/11	93.89%	56,933
Pasadena I.S.D.	389,645	08/31/10	41.35%	161,118
Sheldon I.S.D.	134,465	06/30/11	0.44%	592
Spring I.S.D.	647,663	06/30/11	1.67%	10,816
Spring Branch I.S.D.	687,164	06/30/11	70.46%	484,176
Municipal Utility District				
Harris County MUD 355	9,777	05/31/11	99.08%	9,687
Harris County MUD 359	6,822	06/30/11	100.00%	6,822
Harris County MUD 366	544	05/31/11	89.27%	486
Harris County MUD 390	15,214	06/30/11	100.00%	15,214
Northwood MUD # 1	2,255	09/23/11	100.00%	2,255
Other Jurisdictions				
Clear Lake City Water Authority	53,263	06/30/11	68.69%	36,586
Harris County Dept. of Education	-	07/13/11	52.53%	-
Houston Community College	279,755	07/01/11	90.86%	254,185
Lee College District	14,134	06/30/11	0.00%	-
Lone Star College System	532,677	06/30/11	11.64%	62,004
Port of Houston Authority	730,394	06/30/11	52.53%	383,676
San Jacinto Jr. College	248,329	06/30/11	15.44%	38,342
Total overlapping debt	<u>16,966,878</u>			<u>6,445,694</u>
Total direct and overlapping debt	<u>\$ 20,253,770</u>			<u>\$ 9,732,586</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 or the Municipal Advisory Council of Texas (MACTx). The percentage of debt applicable to the City was provided by MACTx. Net Direct Debt is equal to the outstanding principal amount less sinking fund balances.

City of Houston, Texas
AD VALOREM TAX LEVIES AND COLLECTIONS
(amounts expressed in thousands)
(unaudited)

Fiscal Year	Tax Rate ^(a)		Total	Net	Current	Prior Years'	Total Collection ^{(c) (d) (e)}	Total Collections Percentage of Net Levy ^(d)
	General Purposes	Debt Service		Current Year Tax Levy ^{(b) (d)}	Prior to End of Fiscal Year ^{(c) (d) (e)}	Delinquent Collections ^(e)		
				(in thousands)	(in thousands)	(in thousands)	(in thousands)	
2006	0.46359	0.18391	0.64750	719,287	688,486	31,718	720,204	100.1
2007	0.45927	0.18573	0.64500	777,841	751,882	36,007	787,889	101.3
2008	0.46198	0.18178	0.64375	874,230	845,817	34,772	880,589	100.7
2009	0.45460	0.18415	0.63875	961,059	926,956	32,395	959,351	99.8
2010	0.45728	0.18147	0.63875	960,083	932,952	23,672	956,624	99.6
2011	0.46336	0.17539	0.63875	912,808	891,910	27,684	919,594	100.7
2012	0.48071	0.15804	0.63875	912,284	833,091	25,984	909,075	99.6

(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; however, for a discussion of the more restrictive City Charter Limitations, see "PROPERTY TAXES – City Charter Tax and Revenue Limitations."

(b) The figures represent net adjusted levies, including the late certification and correction rolls from the Appraisal District, through June 30 of each Fiscal Year, except for Fiscal Year 2011, which is as of August 12, 2011.

(c) These amounts do not include revenues from various types of Industrial District Contracts entered into by the City with industrial property owners outside of the City's corporate limits totaled \$14.5 million in Fiscal Year 2011. Such Industrial District Contracts have a term of fifteen years (currently scheduled to terminate in Tax Year 2012) and allow property owners to make payments to the City in lieu of paying ad valorem taxes. Upon termination of the current Industrial District Contracts, the City may enter into new contracts or annex such properties pursuant to existing law.

(d) Includes all ad valorem tax receipts received by the City, including tax increment revenues that are deposited into special funds designated for various tax increment reinvestment zones. By virtue of contracts among the City, the Zones and the local government corporations that manage the zones, the tax increments are transferred to the respective local government corporation and are available to fund authorized projects in the Zone and to be pledged to obligations issued by the local government corporation on behalf of the Zone. Bonds and other obligations issued by the local government are not debt of the City. In Fiscal Year 2012, the City has budgeted approximately \$63 million of tax increments to be transferred to special funds for such zones, as required by State law, of which approximately \$20 million will be transferred back to the City for affordable housing projects, an administrative fee and a fee for municipal service costs attributable to development in such Zones. Much of the tax increments transferred to the zones are used to promote economic developments through the acquisition and construction of public improvements to spur development in certain areas of the City. Additionally, the zones provide affordable housing and funds for certain City capital improvement projects.

(e) The City's Fiscal Year 2012 Budget includes a proposed tax rate of \$0.63875 (per \$100 assessed valuation) for Tax Year 2011 (Fiscal Year 2012). The City Charter provides that, in preparing the City's budget, provision shall first be made for the payment of debt service on the City's outstanding bond indebtedness, with the remaining revenues to be apportioned among the City's respective departments.

City of Houston, Texas
AD VALOREM TAX OBLIGATION PERCENTAGES
(amounts expressed in thousands)
(unaudited)

Tax Year	Fiscal Year	Tax-Supported Debt at December 31 (in thousands)^(f)	Tax Roll^(a) (in thousands)	Tax-Supported Debt as a Percentage of Tax Roll	Tax-Supported Per Capita Debt^(b)	Debt Service Requirement Payable from Taxes^{(c)(d)} (in thousands)	Tax Levy for Debt Service (in thousands)^(e)
2001	2002	1,934,789	95,463,127	2.03%	\$ 981	\$ 205,352	\$ 169,000
2002	2003	2,025,330	99,305,376	2.04%	1,022	219,673	178,000
2003	2004	2,073,359	103,157,602	2.01%	1,020	219,788	165,000
2004	2005	2,432,724	105,881,225	2.30%	1,181	233,354	188,000
2005	2006	2,644,366	111,225,839	2.38%	1,274	248,105	195,000
2006	2007	2,833,037	120,595,451	2.35%	1,306	262,523	209,000
2007	2008	3,016,248	135,764,121	2.22%	1,365	279,277	229,600
2008	2009	3,174,023	149,627,515	2.12%	1,418	254,513	251,700
2009	2010	3,324,065	150,270,904	2.12%	1,472	308,113	254,600
2010	2011	3,440,075 ^(g)	142,964,244	2.41%	1,639	342,966	232,545
2011	2012	3,395,225 ^(g)	142,823,261	2.39%	1,617	297,923	229,700

(a) With the exception of Tax Year 2011, the tax roll represents the total appraised value of property, after subtracting all exemptions, and reflects all adjustments made by the Appraisal Districts as of June 30 of each Fiscal Year. The Tax Year 2010 amount represents the Appraisal Districts' estimate of certified taxable valuations based on tax rolls available as of July 15, 2011. As of August 12, 2011, the total assessed value for Tax Year 2010 (including exempt property values) was approximately \$192.4 billion, which is the appraised value used to determine the statutory limitation of approximately \$19.2 billion relating to total bond indebtedness.

(b) Per capita figures are based on population estimates according to the U.S. Census Bureau.

(c) These amounts have not been reduced by the combined ending fund balances in the General Debt Service Fund.

(d) These amounts include principal and interest payments for Tax Obligations, except it only includes interest for Commercial Paper Notes at an assumed rate appropriate for each Fiscal Year.

(e) Sources of funds for the general obligation debt service requirement include the tax levy and transfers from Enterprise and Special Revenue Funds.

(f) Information as reported in the City's Monthly Operations and Financial Report dated as of December 31 of each Fiscal Year.

CITY OF HOUSTON, TEXAS

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**CITY OF HOUSTON, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)**

LEGAL DEBT MARGIN CALCULATION AT JUNE 30, 2011

Assessed Value (1)	\$ 187,985,710
Debt Limit (10% of assessed value)	18,798,571
Debt applicable to limit:	
Public Improvement Bonds	2,468,160
Pension Obligations	540,578
Commercial Paper - General Obligation	237,400
Tax and Revenue Certificates of Obligation	75,990
Total net debt applicable to limit	3,322,128
Legal debt margin	15,476,443

HISTORICAL LEGAL DEBT LIMITATION

	2002	2003	2004	2005
Legal debt limitation, 10% of assessed value(2)	\$ 10,725,911	\$ 11,255,352	\$ 11,778,479	\$ 12,180,606
Total net debt applicable to margin	1,816,681	1,925,796	1,939,765	2,462,578
Legal debt margin	\$ 8,909,230	\$ 9,329,556	\$ 9,838,714	\$ 9,718,028
Total net debt applicable to the limit as a percentage of debt limit	17%	17%	16%	20%

(1) Assessed Value for the 2010 tax year (fiscal year 2011) 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 as of July 29, 2011.

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

2006	2007	2008	2009	2010	2011
\$ 14,238,567	\$ 15,447,632	\$ 17,382,478	\$ 19,296,752	\$ 19,581,736	\$ 18,798,571
<u>2,732,439</u>	<u>2,877,360</u>	<u>3,078,103</u>	<u>3,109,000</u>	<u>3,300,878</u>	<u>3,322,128</u>
<u>\$ 11,506,128</u>	<u>\$ 12,570,272</u>	<u>\$ 14,304,375</u>	<u>\$ 16,187,752</u>	<u>\$ 16,280,858</u>	<u>\$ 15,476,443</u>
19%	19%	18%	16%	17%	18%

CITY OF HOUSTON, TEXAS
PLEDGED - REVENUE COVERAGE
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

Airport System Bonds ⁽¹⁾

Fiscal Year	Operating & Non-Operating Revenues ⁽²⁾	Less: Operating Expenses	Net Pledged Revenue	Debt Service		Less Grants Available for Debt Service	Coverage
				Principal	Interest ⁽³⁾		
2002	244,720	142,950	101,770	4,380	47,231	37,153	7.04
2003	251,921	154,541	97,380	17,985	46,003	30,282	2.89
2004	278,933	161,645	117,288	18,865	56,932	32,823	2.73
2005	367,940	191,093	176,847	28,182	84,066	25,506	2.04
2006	411,545	205,565	205,980	31,737	108,700	46,621	2.20
2007	443,295	217,720	225,575	33,377	110,834	20,679	1.83
2008	477,330	221,309	256,021	45,996	111,306	28,022	1.98
2009	409,721	242,449	167,272	49,692	100,822	54,963	1.75
2010	425,071	245,147	179,924	51,832	93,635	56,171	2.01
2011	423,632	262,668	160,964	61,136	97,705	56,827	1.58

1. Including Sr. Lien Commercial Paper, Subordinate Lien Bonds, and Inferior Lien Obligations.
2. Income and revenues derived from the operation of the Airport System with limited exclusions.
3. Debt service is net of amounts paid by grant funds and capitalized interest.

Combined Utility System Bonds ⁽⁴⁾

Fiscal Year	Operating & Non-Operating Revenues ⁽⁵⁾	Less: Total Expenses	Net Pledged Revenue	Debt Service		Coverage
				Principal	Interest	
2001	\$ 608,397	\$ 283,515	\$ 324,882	\$ 60,191	\$ 167,811	1.42
2002	590,589	278,174	312,415	56,936	162,446	1.42
2003	569,902	281,160	288,742	55,370	173,363	1.26
2004	624,297	304,882	319,415	54,528	169,364	1.43
2005	668,391	309,343	359,048	14,031	175,789	1.89
2006	721,243	349,135	372,108	31,570	196,461	1.63
2007	701,813	357,403	344,410	26,618	232,048	1.33
2008	722,918	378,919	343,999	27,088	248,900	1.25
2009	867,329	379,458	487,871	37,683	258,129	1.65
2010	814,979	371,913	443,066	68,187	281,468	1.27
2011	921,218	363,649	557,569	72,389	284,800	1.56

4. Including Water and Sewer System Bonds, Combined Utility System Bonds, and Commercial Paper.
5. Income and revenues derived from the operation of the Combined Utility System with limited exclusions.

Convention and Entertainment Center Bonds ⁽⁶⁾

Fiscal Year	Pledged Hotel Occupancy Tax & Other Revenue ⁽⁷⁾	Debt Service		Coverage
		Principal	Interest	
2001	\$ 44,658	\$ 4,880	\$ 14,611	2.29
2002	40,706	-	24,151	1.69
2003	42,696	5,955	19,517	1.68
2004	47,097	6,265	20,833	1.74
2005	47,325	6,590	22,715	1.61
2006	58,171	13,680	23,094	1.58
2007	61,420	14,775	24,004	1.58
2008	69,743	17,540	23,926	1.68
2009	65,334	18,620	19,451	1.72
2010	59,804	21,230	15,747	1.62
2011	65,186	24,060	14,218	1.70

6. Including Revenue Bonds and Commercial Paper.
7. Includes 5.65/7 of collected hotel occupancy tax, certain parking revenues, and certain tax rebates.

CITY OF HOUSTON, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Population (1)	Personal Income (amount in thousands) (2)	Per Capita Personal Income (2)	Median Age (2)	Education Level in Years of Formal Schooling (2)	School Enrollment (2)	Average Unemployment Rate (percentage)
2002	1,979,052	\$ 42,264,007	\$ 21,566	30.7	12.7	423,103	4.7 (3)
2003	2,002,144	\$ 41,269,994	\$ 21,290	31.5	12.8	404,349	6.0 (3)
2004	2,009,669	\$ 42,537,706	\$ 21,854	31.4	12.8	410,566	6.9 (3)
2005	2,016,582	\$ 43,748,970	\$ 22,534	31.9	12.7	392,846	6.3 (3)
2006	2,076,189	\$ 47,805,874	\$ 23,041	32.3	12.6	409,937	5.5 (4)
2007	2,144,491	\$ 52,642,282	\$ 25,719	32.2	12.8	425,015	4.6 (4)
2008	2,208,180	\$ 54,306,140	\$ 26,836	32.8	Not available	811,154 (5)	4.2 (2)
2009	2,242,193	\$ 57,795,120	\$ 25,563	32.9	13.2	520,118 (6)	5.9 (2)
2010	2,257,926 (2)	\$ 51,886,111	\$ 24,623	32.8	12.4	525,506 (6)	7.0 (2)
2011	2,107,208 (2)	Not available	\$ 26,109	32.2	12.7	560,316 (6)	8.2 (7)

(1) Source: Population Estimate program, U. S. Census Bureau, as of the beginning of the fiscal year. (Fiscal year 2002 is as of July 1, 2001.)

(2) Source: American Community Survey, U. S. Census Bureau. (Fiscal year 2002 data is for calendar year 2001.)

(3) Source: University of Houston, Center for Public Policy. (Data for fiscal year 2002 is calendar year 2001.)

(4) Source: Texas Workforce Commission

(5) School enrollment for the City of Houston is not available. The number reflects the Houston metropolitan area.

(6) School enrollment includes nursery school through graduate school.

(7) Source: Local Area Unemployment Statistics, Bureau of Labor Statistics Texas Workforce Commission

**CITY OF HOUSTON, TEXAS
PRINCIPAL EMPLOYERS
June 30, 2011
Current Year and Nine Years Ago
(unaudited)**

Employer	2011			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Memorial Hermann Healthcare System	19,500	1	1.96%	14,000	2	1.49%
United Continental Holdings	16,000	2	1.61%	16,000	1	1.71%
The University of Texas, M. D. Anderson	15,000	3	1.51%			
ExxonMobil	13,000	4	1.31%			
Shell Oil Company	13,000	5	1.31%	10,733	7	1.15%
The Methodist Hospital System	12,000	6	1.21%	10,000	8	1.07%
United Space Alliance	10,185	7	1.02%			
Schlumberger Limited	10,000	8	1.00%			
National Oilwell Varco	10,000	9	1.00%			
Baylor College of Medicine	9,232	10	0.93%	9,000	10	0.96%
Kroger Company				13,000	3	1.39%
ARAMARK Corp.				13,000	4	1.39%
Halliburton				12,000	5	1.28%
Compaq Computer Corporation				11,000	6	1.17%
Reliant Energy				9,500	9	1.01%
Total :	<u>127,917</u>		<u>12.86%</u>	<u>118,233</u>		<u>12.62%</u>

Employers excludes school districts and city, county, state and federal governments.
Employee numbers are for the ten-county region, not the city only.
Employee may live outside the City.

Source: Greater Houston Partnership	2011 (Jan - Jul average)	995,620
Source: Bureau of Labor Statistics, LAUS	2002	937,053
Source: U. S. Census Bureau, American Community Survey		

CITY OF HOUSTON, TEXAS

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**CITY OF HOUSTON, TEXAS
EMPLOYMENT STATISTICS
June 30, 2011
(unaudited)**

Employment

The following table indicates the Houston PMSA estimated annual average labor force for the years 2001 through 2010 according to the Texas Employment Commission:

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

	<u>2001</u>	<u>2002</u>
Civilian Labor Force ^(A)	2,436	2,520
Employed	2,322	2,368
Unemployed	114	152
Percent unemployed	4.68%	6.03%
Nonfarm Payroll Employment ^(B)	2,294	2,289
Manufacturing	234	222
Mining	65	63
Contract construction	179	181
Transp/Trade/Pub Utils/Communications ^(C)	684	664
Finance/Insurance/Real Estate	86	86
Services & Miscellaneous	892	897
Government	314	327

(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) Trade has been included with Transportation, Public Utilities and Communication.

2003	2004	2005	2006	2007	2008	2009	2010
2,558	2,577	2,614	2,674	2,723	2,781	2,873	2,933
2,385	2,417	2,468	2,540	2,606	2,647	2,638	2,692
173	160	146	134	117	134	235	241
6.76%	6.21%	5.59%	5.01%	4.30%	4.82%	8.18%	8.20%
2,274	2,290	2,349	2,446	2,545	2,603	2,530	2,594
210	208	212	223	233	241	218	228
65	68	71	78	84	90	88	89
174	165	169	182	197	205	172	175
642	640	653	673	699	715	564	556
87	89	91	91	92	91	138	134
901	923	962	1,014	1,063	1,087	973	1,035
333	335	339	345	352	361	377	377

CITY OF HOUSTON, TEXAS
Last Ten Years
CITY OF HOUSTON EMPLOYMENT INFORMATION
(unaudited)

Full-time Equivalent Employees as of June 30

Fund/Department	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
						Restated	Restated			
GENERAL FUND										
Public Safety										
Fire/Civilian	318.4	344.8	316.2	320.3	288.7	287.0	270.2	270.5	247.9	222.6
Fire/Classified	3,729.7	3,717.0	3,647.7	3,716.0	4,123.5	4,070.3	3,997.5	4,058.3	4,131.7	4,085.1
Fire/Cadets	162.5	268.2	392.8	181.5	38.5	103.0	113.5	95.7	53.0	53.1
Municipal Courts - (Administration) Department	388.5	380.1	354.7	347.1	343.7	290.9	262.2	284.8	269.8	301.7
Municipal Courts - (Justice) Department	45.2	46.8	45.3	41.6	45.3	47.6	49.4	50.6	50.9	-
Police/Civilian	1,780.3	1,509.9	1,425.5	1,115.6	1,173.1	1,237.8	1,289.5	1,572.3	1,528.4	1,393.1
Police/Classified	5,588.0	5,432.5	5,362.3	5,118.3	5,125.3	5,287.3	5,382.7	5,703.2	5,629.9	5,535.3
Police/Cadets	87.3	74.0	36.2	26.7	81.8	130.9	176.8	221.6	135.0	70.4
Total Public Safety	12,099.9	11,773.3	11,580.7	10,867.1	11,219.9	11,454.8	11,541.8	12,257.0	12,046.6	11,661.3
Development & Maintenance Services										
General Services	313.1	311.7	289.4	181.2	211.3	228.2	237.8	242.1	233.2	210.6
Planning & Development	233.7	217.6	105.0	104.3	99.6	96.6	97.1	105.1	107.0	97.5
Public Works & Engineering	1,032.6	860.4	567.5	841.3	539.9	548.4	556.7	568.3	529.0	505.6
Solid Waste Management	617.1	581.2	545.9	576.9	576.4	546.6	655.0	667.2	633.5	623.9
Total Development & Maintenance	2,196.5	1,970.9	1,507.8	1,703.7	1,427.2	1,419.8	1,546.6	1,582.7	1,502.7	1,437.6
Human & Cultural Services										
Convention & Entertainment Facilities	-	-	-	-	63.0	54.8	0.4	3.5	-	-
Health & Human Services	898.0	834.7	776.6	767.1	797.9	725.8	684.5	741.3	667.3	574.8
Housing & Community Development	-	-	-	-	-	-	1.3	2.3	2.5	2.9
Library	604.8	520.3	531.2	443.0	473.1	484.5	497.3	530.5	517.4	456.4
Parks & Recreation	1,094.8	993.0	768.2	741.0	772.8	814.1	815.8	869.4	838.8	774.2
Total Human & Cultural Services	2,597.6	2,348.0	2,076.0	1,951.1	2,106.8	2,079.2	1,999.3	2,147.0	2,026.0	1,808.3
Administrative Services										
Administration & Regulatory Affairs	-	-	-	-	-	-	264.1	292.0	375.9	362.9
City Secretary	15.8	13.7	13.8	12.1	12.1	11.6	11.1	11.5	11.4	11.9
Controller's Office	84.3	80.0	76.3	74.9	70.7	73.7	74.7	76.3	76.8	74.0
Council Office	78.9	74.0	68.2	61.5	71.3	68.1	71.4	73.3	72.4	72.8
Finance & Administration	332.6	320.6	304.4	313.5	303.8	310.0	-	-	-	-
Finance Department	-	-	-	-	-	-	54.9	68.9	76.9	70.7
Human Resources	52.9	45.9	43.0	38.6	38.2	37.9	39.1	39.3	41.8	40.0
Information Technology	133.7	130.6	147.4	143.5	127.2	129.0	140.3	154.9	169.6	158.8
Legal	163.6	158.7	153.4	146.4	144.0	152.8	158.7	168.1	161.0	155.3
Mayor's Office of Business Opportunity	30.5	29.6	24.7	27.2	25.7	25.8	32.4	34.1	35.8	31.6
Mayor's Office	25.0	24.2	21.9	20.2	48.8	43.5	39.6	37.1	35.2	35.1
Total Administrative Services	917.3	877.3	853.1	837.9	841.8	852.4	886.3	955.5	1,056.8	1,013.1
Total General Fund	17,811.3	16,969.5	16,017.6	15,359.8	15,595.7	15,806.2	15,974.0	16,942.2	16,632.1	15,920.3
ENTERPRISE FUNDS										
Aviation	1,103.0	1,088.0	1,236.3	1,516.8	1,569.6	1,622.7	1,587.2	1,604.8	1,544.7	1,528.5
Convention & Entertainment Facilities	82.2	84.2	88.9	104.7	109.3	116.5	124.3	124.1	118.8	117.6
PW&E - Combined Utility System	2,246.6	2,283.9	2,102.6	2,220.3	2,158.6	2,243.8	2,288.9	2,350.7	2,338.0	2,213.0
GSD - Parking Management (formerly PW&E)	-	-	-	-	-	-	54.0	53.9	53.9	-
Total Enterprise Funds	3,431.8	3,456.1	3,427.8	3,841.8	3,837.5	3,983.0	4,054.4	4,133.5	4,055.4	3,859.1

Full-time Equivalent Employees as of June 30

Fund/Department	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
SPECIAL REVENUE FUNDS										
Administration & Regulatory Affairs	-	-	-	-	-	-	-	-	6.8	119.3
General Services	-	-	-	-	-	-	-	-	70.7	69.5
Cable Television	8.2	10.9	9.1	10.5	9.3	-	-	-	-	-
Health & Human Services	-	-	-	-	-	435.7	490.9	530.9	554.8	544.3
Housing & Community Development	-	-	-	-	-	126.5	136.9	140.1	148.2	129.5
Houston Emergency Center	72.0	183.8	190.4	219.3	239.6	248.0	264.6	275.6	256.8	248.0
Human Resources	-	-	-	-	-	-	-	-	79.1	124.6
Information Technology	-	-	-	-	-	-	-	-	15.6	28.2
Legal	-	-	-	-	-	-	-	-	41.9	39.3
Library	-	-	-	-	-	3.4	9.9	28.4	29.7	29.5
Parks Special Revenue	183.7	98.6	105.8	98.0	106.0	105.7	107.0	112.9	109.1	101.4
Planning & Development	-	-	-	-	-	-	3.4	6.5	9.0	8.4
Police - Asset Forfeiture	61.0	63.7	20.0	15.9	21.3	-	-	-	-	-
Police - Auto Dealers/Civilian	6.1	6.1	6.8	8.2	6.3	73.7	113.8	88.6	-	-
Police - Auto Dealers/Classified	14.2	12.0	18.5	18.0	22.0	21.1	37.0	25.6	42.2	32.1
Police - Special Services/Civilian	34.9	51.4	218.0	117.7	6.3	-	-	-	148.3	128.4
Police - Special Services/Classified	-	-	1.0	-	40.8	-	-	-	-	-
<u>PW&E - Building Inspection</u>	270.6	262.8	389.5	308.5	380.0	1,313.8	1,362.2	1,373.6	1,347.1	1,299.7
PW&E - Sign Administration	30.8	31.5	26.9	27.5	31.6	-	-	-	-	-
PW&E - Stormwater Utility	299.7	406.0	393.5	403.5	413.6	-	-	-	-	-
PW&E - Houston TransStar	6.0	6.0	6.0	5.9	5.5	-	-	-	-	-
PW&E - TxDOT Signal Maintenance	6.8	6.8	7.0	0.5	-	-	-	-	-	-
Solid Waste Management	-	-	-	-	-	-	-	-	0.5	1.0
Mayor's Office	-	-	-	-	-	24.7	24.2	22.7	24.5	23.7
Municipal Courts Department	-	-	-	19.4	21.5	22.8	24.4	28.7	28.8	39.5
Municipal Courts Department	-	-	-	-	-	-	-	3.3	10.4	-
Total Special Revenue Funds	994.0	1,139.6	1,392.5	1,252.9	1,303.8	2,375.4	2,574.3	2,636.9	2,923.5	2,966.4
Total General, Enterprise and Special Funds	22,237.1	21,565.2	20,837.9	20,454.5	20,737.0	22,164.6	22,602.7	23,712.6	23,611.0	22,745.8
INTERNAL SERVICE/REVOLVING FUND										
Human Resources - Health Benefits	36.6	37.4	36.0	37.1	36.2	74.2	69.9	70.7	-	-
General Services - Central Svc Revolving	-	-	-	1.5	4.0	24.8	-	-	-	-
Human Resources - Central Svc Revolving	5.2	6.0	5.0	4.8	4.5	-	-	-	-	-
Admin. & Regulatory Affairs - Central Svc Revolving	12.1	13.5	6.0	5.5	5.9	6.0	-	-	-	-
Information Technology - Central Svc Revolving	-	-	2.0	1.6	2.0	-	3.3	2.9	-	-
Fire Reconstruction	18.0	20.2	13.3	-	-	-	-	-	-	-
General Services - In House Reconstruction	-	-	-	29.1	28.8	57.4	66.6	70.0	-	-
PW&E - Fleet Management	98.3	105.5	159.6	74.1	170.7	-	-	-	-	-
PW&E - CIP Salary Recovery	-	-	245.6	-	-	-	-	-	-	-
General Services - CIP Salary Recovery	-	-	-	-	19.6	-	-	-	-	-
Admin. and Regulatory Affairs - Property and Casualty	5.0	4.6	4.0	4.0	5.1	-	4.9	5.8	-	-
Legal - Property and Casualty	34.7	32.0	29.4	28.4	27.2	41.0	43.4	40.6	-	-
Human Resources - Workers Compensation	30.7	30.2	31.0	30.3	28.9	-	-	-	-	-
Legal - Workers Compensation	4.9	4.5	-	5.2	4.4	-	-	-	-	-
Total Internal Service/Revolving Funds	245.5	253.9	531.9	221.6	337.3	203.4	188.1	190.0	-	-
Total Full-time Equivalent Employees	22,482.6	21,819.1	21,369.8	20,676.1	21,074.3	22,368.0	22,790.8	23,902.6	23,611.0	22,745.8

General Services was Building Services.
Administration & Regulatory Affairs and the Finance Department were Finance and Administration.
Municipal Courts - Administration and Municipal Courts - Justice consolidated as the Department.
Mayor's Office of Business Opportunity was Affirmative Action.

CITY OF HOUSTON, TEXAS
OPERATING INDICATORS BY FUNCTION
June 30, 2011
(unaudited)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Function										
Police										
Physical arrests	105,623	112,975	110,573	103,917	100,795	121,834	110,058	132,121	141,525	130,376
Parking violations	303,159	265,880	253,038	241,324	203,591	255,690	210,607	217,795	196,702	208,970
Traffic violations filed	696,998	871,457	779,068	841,494	851,573	939,932	867,535	920,341	875,134	686,714
Fire										
Number of calls dispatched	256,257	255,648	261,903	267,171	284,231	278,713	281,574	281,103	270,312	273,444
Inspections	36,171	28,336	30,491	40,540	38,937	32,694	31,800	84,378 (1)	86,561	87,511
Highways and streets										
Streets resurfaced (miles)	545	426	435	374	334	325	307	235	195	140
Tons of asphalt for pothole repair and skin patches	Not Available	18,788	18,879	18,272	16,104	16,178	16,647	17,323	17,103	19,002
Parks and recreation										
Athletic field permits issued	1,920	1,587	1,854	1,850	1,995	2,073	2,494	2,331	2,490	2,490
Community center admissions	2,880,133	3,060,111	3,199,874	2,859,414	3,332,920	3,618,818	4,146,502	3,924,751	4,413,580	4,775,581
Sanitation										
Refuse collected (tons)	860,924	904,804	876,519	835,054	825,915	837,008	796,926	803,428	764,900	673,966
Recyclables collected (tons)	32,572	37,942	28,862	20,607	15,352	15,703	21,312	53,151 (2)	74,616	110,079 (4)
Water										
New connections	6,273	5,435	6,616	7,806	5,235	6,871	5,660	3,400	3,008	2,881
Water main breaks	5,362	3,148	3,269	3,381	4,939	5,623	2,797	9,822 (3)	12,556	11,688
Average daily pumpage (millions of gallons)	374.8	359.0	356.6	363.1	399.9	374.5	372.0	378.7	401.0	446.0
Wastewater										
Wastewater line repairs	3,590	3,635	3,348	2,577	2,413	2,315	2,160	2,059	2,267	2,164
Average daily sewage treatment (millions of gallons)	254.7	262.4	286.8	252.0	227.0	244.0	268.0	230.0	239.5	220.0

- (1) The Fire Department now has a better system to record inspections. For example, a ten-building apartment complex is now counted as ten inspections, not one.
- (2) The Solid Waste Department started the tree recycling program in January, which greatly increased the tons of recyclables collected.
- (3) A dry year caused a higher than usual number of breaks.
- (4) Compostable bag program began in May 2010.

CITY OF HOUSTON, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
June 30, 2011
(unaudited)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Function										
Public safety										
Police										
Stations	14	14	14	14	15	15	17	17	17	17
Patrol units	Not Available	Not Available	Not Available	730	919	829	851	932 (1)	960	915
Fire										
Stations	86	87	88	88	90	90	91	91	92	94
Highways and streets										
Streets (lane miles)	15,645	15,645	15,645	15,645	15,645	15,645	15,645	15,763	15,763	15,397
Streetlights	170,300	171,800	173,500	175,000	176,000	172,300	173,000	173,520	174,008	174,795
Traffic signals	2,310	2,325	2,340	2,355	2,400	2,430	2,450	2,399 (2)	2,391	2,395
Parks and recreation										
Parks acreage	18,364	18,429	18,620	18,620	24,493	38,934	38,934	38,970	38,992	37,846
Parks	518	521	523	523	533	539	540	546	545	527
Swimming pools	43	43	43	43	40	58	62	62	61	61
Tennis Centers	3	3	3	3	3	3	3	3	3	3
Community centers	58	58	58	57	56	56	58	58	58	58
Sanitation										
Collection trucks	343	343	344	347	338	326	337	322	329	326
Water										
Water mains (miles)	Not Available	Not Available	Not Available	7,354	7,354	7,501	6,500	6,500	7,466	7,500
Fire hydrants	47,397	49,000	51,155	52,879	54,829	54,522	56,950	57,432	57,500	57,013
Maximum daily capacity (millions of gallons)	786.0	825.0	752.0	750.0	750.0	750.0	750.0	740.0	773.0	842.0
Sewer										
Sanitary sewers (miles)	Not Available	Not Available	Not Available	6,250	6,250	6,250	6,250	6,250	6,250	6,403
Storm sewers (miles)	3,300	3,300	3,300	3,300	3,420	3,487	3,513	3,513	3,618	3,698
Maximum daily treatment permitted (millions of gallons)	559.5	562.6	564.0	564.0	564.0	564.0	564.0	564.0	564.0	563.0

- (1) The number of patrol units greatly increased due to Hurricane Ike.
(2) The number of traffic signals decreased because FY2008 included assuming responsibility from TXDOT for additional signals. This did not happen.
(3) The maximum daily capacity for FY 2002 to FY 2010 were adjusted to reflect updated information received from the division. FY 2005 to FY 2008 are estimated.
(4) The sanitary sewers (miles) for FY2005 to FY2010 were adjusted to reflect updated information received from the division.

CITY OF HOUSTON, TEXAS
June 30, 2011
INCREASES/DECREASES TO NET ASSETS OF PENSION PLANS
(amounts expressed in thousands)
(unaudited)

	<u>Police</u>	<u>Fire</u>	<u>Municipal</u>	<u>Total</u>
Additions (Deductions)	\$735.0	\$645.0	\$499.0	\$1,879.0
Deductions	<u>177.0</u>	<u>163.0</u>	<u>198.0</u>	<u>538.0</u>
Net Increase (Decrease)	<u>558.0</u>	<u>482.0</u>	<u>301.0</u>	<u>1,341.0</u>
City's Total Contribution	<u><u>\$78.3</u></u>	<u><u>\$75.7</u></u>	<u><u>\$87.3</u></u>	<u><u>\$241.3</u></u>

The City's funding policies provide for actuarially determined periodic contributions at rates such that overtime will remain level as a percentage of payroll. The contribution rate for normal cost is determined by using the entry age normal 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, 1993.

CITY OF HOUSTON, TEXAS
PRINCIPAL AND INTEREST PAYABLE FROM AD VALOREM TAXES
(EXCLUDING COMMERCIAL PAPER NOTES)
(unaudited)

The following schedule presents the City's debt service requirements for Fiscal Years 2012 through 2041 for the outstanding Tax Bonds, Pension Obligations, and Tax Certificates. Debt service on commercial paper notes is not reflected in the schedule below.

Fiscal Year Ended June 30	Tax Bonds ^{(b)(e)}	Pension Obligations ^(c)	Tax Certificates ^(d)	Total Debt Service ^(f)
2012	\$229,804,647	\$35,720,156	\$16,198,290	\$281,723,093
2013	246,063,082	36,297,353	13,065,400	\$295,425,835
2014	247,530,620	42,642,353	4,334,650	\$294,507,623
2015	276,862,165	42,688,252	4,336,250	\$323,886,667
2016	273,813,421	42,736,161	4,336,250	\$320,885,832
2017	286,617,221	42,784,193	4,335,500	\$333,736,914
2018	282,351,883	42,840,460	4,333,750	\$329,526,093
2019	238,931,822	42,897,446	4,335,750	\$286,165,018
2020	234,566,485	42,962,951	4,336,000	\$281,865,436
2021	200,811,507	52,989,143	4,334,250	\$258,134,900
2022	188,439,048	53,017,022	4,335,250	\$245,791,320
2023	193,169,316	53,033,446	4,333,500	\$250,536,262
2024	136,086,408	53,059,012	4,333,750	\$193,479,170
2025	134,872,941	53,087,743	4,335,500	\$192,296,184
2026	96,152,325	53,118,665	4,338,250	\$153,609,240
2027	112,498,452	53,150,488	4,336,500	\$169,985,440
2028	110,414,265	53,176,606		\$163,590,871
2029	73,141,136	61,545,416		\$134,686,552
2030	35,059,985	61,591,516		\$96,651,501
2031	12,991,676	73,050,274		\$86,041,950
2032	15,447,770	73,088,498		\$88,536,268
2033	15,447,651	30,715,357		\$46,163,008
2034	12,728,482	6,505,750		\$19,234,232
2035	15,453,401	50,850,750		\$66,304,151
2036	12,593,320	39,478,572		\$52,071,892
2037	9,160,537	24,547,367		\$33,707,904
2038	5,559,890	880,470		\$6,440,360
2039	2,555,024	880,470		\$3,435,494
2040		880,470		\$880,470
2041		21,130,470		\$21,130,470
Total	\$3,699,124,480	\$1,241,346,830	\$89,958,840	\$5,030,430,150

- (a) Each Fiscal Year the City budgets for Commercial Paper Notes debt service and related reserve funds based on a calculation that assumes a certain amount of Commercial Paper Notes is expected to be issued during that Fiscal Year at an assumed rate of interest.
- (b) Total debt service does not include payments related to various leases for office space and equipment, which are not considered debt under Texas law. The terms and conditions of such leases and agreements vary.
- (c) A portion of the debt service for the Pension Obligations is paid by the City's Combined Utility System, Airport System. The City's \$9,000,000 Certificate of Obligation (Demolition Program), Series 2010, is reflected at an assumed rate of 5% with all principal maturing on June 30, 2012; such Certificate of Obligation (Demolition Program), Series 2010 is expected to be refinanced at or prior to June 30, 2012.
- (e) Excludes estimated federal Build America Bond subsidy payment of 35% of interest paid in connection with the City's Public Improvement Refunding Bonds, Taxable Series 2009B and 2010B (Direct Subsidy-Build America Bonds).
- (f) Totals may reflect a variance due to rounding.

CITY OF HOUSTON, TEXAS
30-Jun-11
VOTER-AUTHORIZED OBLIGATIONS
(Unaudited)

The following schedule sets forth the categories of bond authorization approved by the voters in elections held in November of 2001 (the "2001 Election") and November of 2006 (the "2006 Election"), the amount of each such authorization approved by City Council for issuance as Commercial Paper Notes, the amount of commercial paper issued as of year-end, and the amount of commercial paper approved but unissued. The City has issued all bonds authorized at the election held in November of 1997.

SCHEDULE 9: VOTER AUTHORIZED OBLIGATIONS
(in thousands)

November 2001 Election

<u>Purposes</u>	<u>Voter Authorized</u>	<u>Approved by City Council for Issuance as Commercial Paper Notes</u>	<u>Commercial Paper Issued ^(a)</u>	<u>Commercial Paper Notes Approved by City Council but Unissued</u>	<u>All Voter Authorized but Unissued</u>
Streets, Bridges, Traffic Control and Storm Sewers and Drainage	\$ 474,000.00	\$ 474,000.00	\$ 466,450.00	\$ 7,550.00	\$ 7,550.00
Parks and Recreation	80,000	80,000	80,000	-	-
Police and Fire Departments Permanent and General	82,000	82,000	82,000	-	-
Improvements ^(b)	80,000	80,000	80,000	-	-
Public Libraries	40,000	40,000	40,000	-	-
Low Income Housing	20,000	20,000	16,730	13,670	3,270
Total	\$ 776,000	\$ 776,000	\$ 765,180	\$ 21,220	\$ 10,820

November 2006 Election

<u>Purposes</u>	<u>Voter Authorized</u>	<u>Approved by City Council for Issuance as Commercial Paper Notes</u>	<u>Commercial Paper Issued ^(a)</u>	<u>Commercial Paper Notes Approved by City Council but Unissued</u>	<u>All Voter Authorized but Unissued</u>
Streets, Bridges, Traffic Control and Storm Sewers and Drainage	\$ 320,000	\$ 219,950	\$ 39,770	\$ 180,180	\$ 280,230
Parks and Recreation	55,000	41,100	20,700	20,400	34,300
Public Safety Permanent and General	135,000	76,450	40,605	35,845	94,395
Improvements ^(b)	60,000	60,000	31,500	28,500	28,500
Public Libraries	37,000	32,675	18,000	14,675	19,000
Low Income Housing	18,000	7,375	0	7,375	18,000
Total	\$ 625,000	\$ 437,550	\$ 150,575	\$ 286,975	\$ 474,425
Combined Total (2001 and 2006 Elections)	\$ 1,401,000	\$ 1,213,550	\$ 915,755	\$ 308,195	\$ 485,245

(a) As of 30-Jun-11
(b) Includes Public Health and Solid Waste Management.

CITY OF HOUSTON, TEXAS
June 30, 2011
(unaudited)

SALES AND USE TAX AND FRANCHISE CHARGES AND FEES

<u>Fiscal Year</u>	<u>Sales and Use Tax</u> (in thousands)	<u>Charges and Fees</u> (in thousands)
2006	\$ 422,598	\$ 186,508
2007	\$ 461,467	\$ 189,551
2008	\$ 495,173	\$ 190,193
2009	\$ 507,103	\$ 190,322
2010	\$ 468,965	\$ 190,868
2011	\$ 492,824	\$ 190,563
2012 (budgeted)	\$ 518,912	\$ 190,230

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

Total Annual Revenues Last Ten Fiscal Years	<u>2002</u>	<u>2003</u>	<u>2004</u>
Operating Revenues			
Fees charged to users, net	\$ 15,521	\$ 17,010	\$ 17,145
Total Operating Revenues	<u>15,521</u>	<u>17,010</u>	<u>17,145</u>
Nonoperating Revenues			
Interest	23,766	14,311	13,109
Hotel occupancy tax (including penalty & interest)	43,452	43,169	47,223
Other income	-	713	-
Total Nonoperating Revenues	<u>67,218</u>	<u>58,193</u>	<u>60,332</u>
Total Revenues	<u>\$ 82,739</u>	<u>\$ 75,203</u>	<u>\$ 77,477</u>
Total Annual Expenses Last Ten Fiscal Years	<u>2002</u>	<u>2003</u>	<u>2004</u>
Operating Expenses			
Maintenance and operating	\$ 21,721	\$ 24,830	\$ 28,791
Depreciation	12,406	13,274	14,077
Total Operating Expenses	<u>34,127</u>	<u>38,104</u>	<u>42,868</u>
Nonoperating Expenses			
Interest on long-term debt	28,410	19,347	25,413
Promotional contracts & other expenses	24,193	19,305	23,307
Total Nonoperating Expenses	<u>52,603</u>	<u>38,652</u>	<u>48,720</u>
Total Expenses	<u>\$ 86,730</u>	<u>\$ 76,756</u>	<u>\$ 91,588</u>

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 19,175	\$ 19,599	\$ 20,554	\$ 22,306	\$ 20,902	\$ 20,298	\$ 22,877
19,175	19,599	20,554	22,306	20,902	20,298	22,877
15,926	16,729	18,704	19,186	17,688	11,971	9,562
42,266	54,765	58,709	66,232	62,383	54,917	61,603
7,279	4,190	13,215	5,669	113,265	18,997	18,266
65,471	75,684	90,628	91,087	193,336	85,885	89,431
<u>\$ 84,646</u>	<u>\$ 95,283</u>	<u>\$ 111,182</u>	<u>\$ 113,393</u>	<u>\$ 214,238</u>	<u>\$ 106,183</u>	<u>\$ 112,308</u>

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 32,797	\$ 33,437	\$ 35,342	\$ 37,276	\$ 39,142	\$ 39,817	\$ 40,229
10,372	10,984	11,925	12,084	14,888	14,958	15,227
43,169	44,421	47,267	49,360	54,030	54,775	55,456
29,468	30,970	32,859	33,150	29,740	26,032	25,194
61,694	23,880	21,119	28,659	30,840	32,988	27,513
91,162	54,850	53,978	61,809	60,580	59,020	52,707
<u>\$ 134,331</u>	<u>\$ 99,271</u>	<u>\$ 101,245</u>	<u>\$ 111,169</u>	<u>\$ 114,610</u>	<u>\$ 113,795</u>	<u>\$ 108,163</u>

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
Last Ten Fiscal Years
(unaudited)

HISTORICAL PLEDGED REVENUES
(amounts expressed in thousands)

Fiscal Year	Pledged HOT (a)	% Change	Pledged Parking Revenues (b)	% Change	Tax Rebates	% Change	Total (c)
2002	35,072	-5.8%	5,634	-21.8%	--	--	40,706
2003	34,844	-0.7%	7,852	39.4%	--	--	42,696
2004	38,115	9.4%	7,125	-9.3%	1,857	--	47,097
2005	34,115	-10.5%	6,682	-6.2%	6,528	[N/A] ^(e)	47,325
2006	44,204	29.6%	6,734	0.8%	7,233	10.8%	58,171
2007	47,387	7.2%	6,810	1.1%	7,223	-0.1%	61,420
2008	53,459	12.8%	7,333	7.7%	8,951	23.9%	69,743
2009	49,694	-7.0%	6,727	-8.3%	8,913	-0.4%	65,334
2010	44,483	-10.5%	7,477	11.1%	7,844	-12.0%	59,804
2011	49,723	12.0%	7,286	-3.0%	8,177	4.0%	65,186

(a) The Pledged Hotel Occupancy Tax (HOT) revenues are revenues (including penalties, interest and delinquencies, if any) collected due to an occupancy tax of 5.65% applied to the cost of substantially all hotel room rentals in the City other than the Hilton Americas Hotel during the first ten years of its operation. The total HOT imposed by the City is 7%

(b) The City's pledge of parking revenues for debt service 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 annual obligation under the Music Hall Lease, unless such obligation is paid, defeased, matures or is otherwise restructured. These annual payments totaled \$1,000,000 for fiscal years 2001-2005, \$1,050,000 for fiscal year 2006, and \$1,100,000 for fiscal years 2007-2011.

(c) The Tax Rebates consist of rebates of hotel occupancy taxes, sales taxes, and mixed beverage taxes derived from the Hilton Americas Hotel and parking garage during the first ten years of operation.

(d) Amounts shown do not include investment earnings on pledged revenues, which are also pledged.

(e) From Fiscal Year 2004 to Fiscal Year 2005, the Pledged Tax rebates increased by 251.5% due to a partial year of collections in Fiscal Year 2004 (December 2003 - June 2004).

(amounts expressed in thousands)

Fiscal Year	HOT Tax 15%	Sales Tax 8.25%⁽¹⁾	Mixed Beverage Tax 3%	Total Tax Rebate
2004	\$ 1,293	\$ 544	\$ 20	\$ 1,857
2005	4,579	1,807	142	6,528
2006	5,403	1,659	171	7,233
2007	5,351	1,769	103	7,223
2008	6,436	2,268	247	8,951
2009	6,225	2,471	217	8,913
2010	5,287	2,374	183	7,844
2011	5,488	2,537	152	8,177

(1) Includes taxes on food, telephone and other sales.

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
Last Ten Fiscal Years
(unaudited)

Schedule of Hotel Occupancy Tax and Occupancy Rates

Fiscal Year	Occupancy % Rate (1)	Average Daily Rate (1)	Tax % Rate	Gross Hotel Occupancy Tax Revenues (in thousands)
2002	60.3%	73.69	7%	43,452
2003	57.1%	71.66	7%	43,169
2004	57.3%	75.86	7%	47,223
2005	66.7%	77.27	7%	43,902
2006	65.6%	85.26	7%	56,735
2007	65.8%	92.23	7%	60,777
2008	67.2%	100.78	7%	68,413
2009	55.6%	92.38	7%	64,486
2010	55.4%	88.66	7%	56,753
2011	63.0%	95.37	7%	63,629

(1) Source: Greater Houston Partnership.

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
For Fiscal Year 2011
(unaudited)

Schedule of Hotel Occupancy Tax Collections

<u>The Twelve Largest Taxpayers</u>	<u>Gross Hotel Occupancy Tax Collections</u>
Hilton Americas-Houston	\$ 2,804,690
Hyatt Regency Hotel	2,105,803
Four Seasons Hotel Houston Center	1,475,021
JW Marriott Galleria	1,392,490
Westin Galleria	1,341,254
Hilton Houston Post Oak	1,110,385
Houston Marriott Briarpark	1,092,722
Houstonian Hotel	1,040,746
Hotel Zaza	1,015,896
Marriott Hotel	1,009,036
Omni Hotel	1,002,121
St. Regis Hotel	<u>981,701</u>
Total	<u>\$ 16,371,865</u>

Top Ten Clients (Excluding Hotel Occupancy Tax Revenues)

Houston Convention Center Hotel Corporation	\$ 14,691,849
Republic Parking Systems	9,701,355
Aramark	3,525,668
Macey Family Estate	3,386,312
Smart City	1,622,964
AVW	883,064
NCAA	389,555
Houston Symphony Society	382,120
Miller Outdoor Theatre Advisory Board	280,475
Houston Aquarium	<u>250,000</u>
Total	<u>\$ 35,113,362</u>

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
For Fiscal Year 2011
(unaudited)

Parking Facilities Rates

Facility	City Employee Monthly Contract (1)	Other Monthly Contract (2)	Daily Transient (2)	Event Rate (2)
Theater District Garage	\$81.00	\$145.00 \$93.00 (3) \$120.00 (4)	\$3.00 per hour \$12.00 Maximum	7.00
Reserved parking		\$225.00		
City Hall Annex Parking Garage	\$51.76	\$93.00	n/a	5.00
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 Convention & Entertainment Facilities departmental contractors

(4) Bulk contract parking agreement

Source: City of Houston, Convention & Entertainment Facilities Department

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
Debt Service Schedule
(unaudited)

The following table sets forth the Debt Service Requirements on all Convention & Entertainment Revenue Bonds Outstanding assuming scheduled mandatory redemption of any term bonds.

Fiscal Year	Series 2001	Series 2011 A	Series 2011 B Bonds	Total Debt
Ending	Bonds	Bonds		Service
June 30				
2012	25,749,405	2,659,324	3,279,082	31,687,811
2013	6,164,513	19,988,188	19,146,531	45,299,232
2014	6,164,512	20,998,613	15,959,256	43,122,381
2015	6,164,512	21,795,238	13,481,381	41,441,131
2016	12,730,469	15,532,988	13,084,506	41,347,963
2017	24,214,512	5,099,738	13,155,881	42,470,131
2018	23,924,513	6,050,488	13,135,825	43,110,826
2019	28,171,269	6,994,988	8,371,894	43,538,151
2020	28,040,550	7,991,544	8,368,269	44,400,363
2021	27,537,495	8,344,475	8,012,644	43,894,614
2022	33,569,289	3,366,625	8,278,019	45,213,933
2023	32,797,106	3,375,625	9,464,394	45,637,125
2024	33,412,387	3,356,225	9,583,672	46,352,284
2025	33,875,864	3,339,788	9,817,506	47,033,158
2026	34,555,915	3,334,575	9,981,538	47,872,028
2027	39,190,060	3,659,550	6,035,894	48,885,504
2028	39,433,424	3,624,081	6,462,819	49,520,324
2029	40,441,037	3,711,794	5,359,863	49,512,694
2030	40,703,813	3,590,738	5,471,488	49,766,039
2031	41,520,564	3,071,875	5,206,113	49,798,552
2032	41,733,536	2,877,750	5,201,363	49,812,649
2033	41,595,622	2,838,000	5,401,831	49,835,453
2034	42,729,292	2,706,000	4,451,213	49,886,505
Total	\$ 684,419,659	\$ 158,308,210	\$ 206,710,982	\$ 1,049,438,851

(1) Assumes an interest rate of 5.33% for the Series 2001C-1 Auction Rate Certificates and the 2001 C-2 Auction Rate Certificates.

**CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS**

(unaudited)

**Convention & Entertainment Budget for Fiscal Year 2012
(amounts expressed in thousands)**

Budgeted Resources

Operating Revenues

Facility Rentals	\$ 1,380
Parking	8,574
Food and Beverage Concessions	-
Contract Cleaning	-
Total Operating Revenues	<u>9,954</u>

Operating Expenses

Personnel	666
Supplies	-
Services	743
Total Operating Expenses	<u>1,409</u>
Operating Income (Loss)	<u>8,545</u>

Nonoperating Revenues (Expenses)

Hotel Occupancy Tax	
Current	61,000
Delinquent	1,220
Advertising Services	-
Promotion Contracts	-
Contracts/Sponsorships	-
Net Hotel Occupancy Tax	<u>62,220</u>
Investment Income (Loss)	-
Capital Outlay	-
Non-Capital Outlay	-
Other Interest	(575)
Other	1,559
Total nonoperating Rev (Exp)	<u>63,204</u>
Income (Loss) Before Operating Transfers	<u>71,749</u>

Transfers

Transfers to Interest	5,850
Transfers to Principal	14,199
Interfund Transfers	-
Miller Outdoor Theater Transfer	-
Transfers to Component Unit	66,601
Transfers to General Fund	10,403
Total Transfers	<u>97,053</u>

Net Income (Loss) Operating Fund

\$ (25,304)

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM FUND REVENUES AND EXPENSES
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

Total Annual Revenues Last Ten Fiscal Years	2002	2003	2004	2005	2006
Operating Revenues					
Water sales	\$ 271,098	\$ 267,125	\$ 265,272	\$ 301,227	\$ 324,878
Waste water system user charges	265,091	264,159	257,225	288,459	307,764
Penalties	4,214	4,036	4,150	4,605	5,085
Other services and charges	2,993	3,997	4,561	4,583	4,935
Total Operating Revenues	543,396	539,317	531,208	598,874	642,662
Nonoperating Revenues					
Interest	33,703	24,043	6,889	12,972	18,650
Other income	32,368	26,894	26,179	24,707	26,557
Total Nonoperating Revenues	66,071	50,937	33,068	37,679	45,207
Total Revenues	\$ 609,467	\$ 590,254	\$ 564,276	\$ 636,553	\$ 687,869
Total Annual Expenses Last Ten Fiscal Years					
Operating Expenses					
Maintenance and operating	\$ 245,943	\$ 250,226	\$ 266,718	\$ 332,800	\$ 302,955
Depreciation and Amortization	228,147	233,401	209,608	224,074	228,665
Bad debt expense	-	-	-	-	-
Total Operating Expenses	474,090	483,627	476,326	556,874	531,620
Nonoperating Expenses					
Interest on long-term debt	164,482	165,509	204,875	201,142	214,880
Other expenses	9,708	722	12,402	4,193	5,622
Total Nonoperating Expenses	174,190	166,231	217,277	205,335	220,502
Total Expenses	\$ 648,280	\$ 649,858	\$ 693,603	\$ 762,209	\$ 752,122

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 308,046	\$ 328,435	\$ 351,608	\$ 356,046	\$ 459,261
295,423	305,748	323,301	320,722	410,941
6,736	7,760	6,651	8,391	9,871
5,260	6,324	5,678	5,979	3,949
<u>615,465</u>	<u>648,267</u>	<u>687,238</u>	<u>691,138</u>	<u>884,022</u>
36,014	35,436	33,436	15,160	10,090
<u>54,572</u>	<u>84,228</u>	<u>51,262</u>	<u>65,077</u>	<u>20,453</u>
<u>90,586</u>	<u>119,664</u>	<u>84,698</u>	<u>80,237</u>	<u>30,543</u>
<u>\$ 706,051</u>	<u>\$ 767,931</u>	<u>\$ 771,936</u>	<u>\$ 771,375</u>	<u>\$ 914,565</u>

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 315,348	\$ 346,652	\$ 371,770	\$ 372,365	\$ 363,260
257,722	220,202	204,919	203,695	214,956
-	-	-	-	-
<u>573,070</u>	<u>566,854</u>	<u>576,689</u>	<u>576,060</u>	<u>578,216</u>
242,282	267,505	260,396	273,609	-
<u>3,478</u>	<u>19,515</u>	<u>5,432</u>	<u>-</u>	<u>12,273</u>
<u>245,760</u>	<u>287,020</u>	<u>265,828</u>	<u>273,609</u>	<u>12,273</u>
<u>\$ 818,830</u>	<u>\$ 853,874</u>	<u>\$ 842,517</u>	<u>\$ 849,669</u>	<u>\$ 590,489</u>

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM REVENUE BOND COVERAGE
(amounts expressed in thousands)
(unaudited)

	Fiscal Year 2011	Fiscal Year 2010
OPERATING REVENUES		
Sales of water, net	\$ 458,826	\$ 356,046
Sewer system user charges, net	410,941	320,722
Penalties, other services and charges	9,408	14,370
Total Operating Revenues:	879,175	691,138
NON-OPERATING REVENUES		
Investment Earnings under Previous Ordinance	10,348	12,849
Investment Earnings under Master Ordinance	1,608	2,677
Non-Operating Revenues: Contributions from Water Authorities	4,702	34,724
Transfer from General Purpose Fund	-	45,000
Other Non-Operating revenues	16,137	18,860
Total non-operating revenues	32,795	114,110
TOTAL GROSS REVENUES:	911,970	805,248
EXPENSES		
Contract Revenue Bonds Payments ⁽¹⁾		
Houston Area Water Corporation debt service	-	-
Coastal Water Authority Debt Service	21,285	23,117
Trinity River Authority Debt Service	-	-
Total Contract Revenue Bonds Payments	21,285	23,117
Maintenance and Operating Expenses	342,364	348,796
Total Expenses	363,649	371,913
RESTRICTED RECEIPTS UNDER MASTER ORDINANCE	9,248	9,731
NET REVENUES UNDER MASTER ORDINANCE	\$ 557,569	\$ 443,066
BOND DEBT SERVICE:		
Previously Issued Bonds	77,236	82,540
First Lien Bonds	271,754	264,973
Total Debt Service	\$ 348,990	\$ 347,513
BOND DEBT SERVICE COVERAGE:		
Junior Lien Bond Coverage under Previous Ordinance ⁽²⁾	7.08 x	5.22 x
First Lien Bond Coverage under Master Ordinance ⁽³⁾	1.77 x	1.36 x
TOTAL COVERAGE⁽⁴⁾	1.60 x	1.27 x

(1) These are "Required Payments Under Previous Ordinance."

(2) Coverage of debt service on Previous Ordinance Bonds by Net Revenues as calculated under Previous Ordinance, which does not include as revenues Investment Earnings under Master Ordinance and Restricted Revenues.

(3) Coverage of Debt Service on First Lien Bonds by Net Revenues, less debt service on Junior Lien Bonds under Previous Ordinance

(4) Coverage of total Debt Service on Junior Lien Bonds under Previous Ordinance and First Lien Bonds under Master Ordinance by Net Revenues.

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
System Budget (Fiscal Year 2012)
(amounts expressed in thousands)
(unaudited)

The following is the summary of the Fiscal Year 2012 Budget for the System as adopted by City Council:

Revenues

Beginning Fund Balance (July 1, 2011)	\$ 397,557
Current Revenues	<u>904,244</u>
Total Revenues	<u><u>\$ 1,301,801</u></u>

Expenditures

Maintenance and Operations	\$ 400,797
CWA Debt Service	19,131
Debt Service (including Prior Lien Bonds, Junior Lien Bonds and Commercial Paper)	<u>441,658</u>
Total Expenditures	861,586

Other

General Purpose Fund (including Discretionary Debt Service)	80,699
Planned Fund Balance (June 30, 2012)	<u>359,516</u>
Total Expenditures and Reserves	<u><u>\$ 1,301,801</u></u>

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
(unaudited)

The following calculation shows coverage by Net Revenues of Maximum Annual Debt Service on the Previous Ordinance and First Lien Bonds.

Maximum Annual Debt Service Requirements on Previous Ordinance Bonds (2012) ⁽¹⁾	70,343,806
Maximum Annual Debt Service Requirements on First Lien Bonds (2034) ⁽¹⁾⁽²⁾	408,773,615
Combined Maximum Annual Principal and Interest Requirements on Previous Ordinance Bonds and First Lien Bonds (2021)	410,458,114
Net Revenues under Previous Ordinance for Fiscal Year ended June 30, 2011 ⁽³⁾	546,713,000
Net Revenues under Master Ordinance for Fiscal Year ended June 30, 2011 ⁽⁴⁾	557,569,000
Funds Available from General Purpose Fund at June 30, 2011	221,781,000
Total Funds available for Debt Service Coverage	779,350,000
Coverage of Maximum Annual Debt Service Requirements on Previous Ordinance Bonds	7.77
Coverage of Maximum Annual Debt Service Requirements on First Lien Bonds	1.91
Coverage of Maximum Annual Debt Service Requirements on Previous Ordinance Bonds and First Lien Bond	1.90

(1) Does not include debt service on CWA Bonds, which are payable from Gross Revenues as a Maintenance and Operating Expense of the System.

(2) Series 2008D-1 variable rate bond debt service is calculated using current market fixed rates. Debt service is calculated based on an assumed taxable rate with a maturity on the applicable tax-exempt conversion date. After the applicable tax-exempt conversion date, debt service is calculated using a long term tax-exempt rate to maturity. \$249,075,000 of the Series 2010B variable rate bond debt service is calculated at the rate of 5.061% through March 2013 and thereafter at the fixed rate payor swap rate of 3.761%. Series 2004B debt service is adjusted to take into account expected payments under the Series 2004B Qualified Hedge Agreements.

(3) Excludes Investment Earnings under Master Ordinance and Restricted Receipts under Master Ordinance.

(4) Net Revenues as calculated under the Master Ordinance, which includes as revenues restricted receipts and earnings under the Master Ordinance.

(5) Coverage under Master Ordinance for combined debt service on Previous Ordinance Bonds and First Lien Bonds.

THE SYSTEM - Sewer Facilities General

The City of Houston Wastewater Operations System receives and processes wastewater generated by residential, commercial, and industrial customers throughout the service area. The service area covers approximately 625 square miles within the City of Houston and serves a population of about 2.8 million people. The Wastewater System consists of over 6,400 miles of sanitary sewer lines, 40 wastewater treatment plants, over 400 lift/pumping stations and a centralized laboratory. The general condition of the collection lines varies depending on age, location and type of construction. The average daily wastewater flow through the Wastewater Treatment Facilities for Fiscal Year 2011 was 220 mgd. The permitted treatment capacity of the wastewater treatment facilities, as reflected by State permits, is 563 mgd.

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.

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
(unaudited)

Funding of Proposed System Improvements

It is anticipated that the system improvements contemplated in the Department's Fiscal Year 2012- 2016 CIP will be financed approximately as follows:

Proposed Source of Funding	Amount (in millions)
System Revenue Bonds (Net Proceeds and interest earnings) ⁽¹⁾	\$ 1,699.0
	\$ 1,699.0

- (1) The department's fiscal year 2012-2016 CIP anticipates the periodic issuance of additional First Lien Bonds and Subordinate Lien Commercial Paper. City Council must approve each issuance of bonds, but not each issuance of Commercial Paper Notes.

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, 2011:

Contract Revenue Bonds Payable from System Gross Revenues	Amount
CWA Bonds (2)	\$ 139,080,000
Total	\$ 139,080,000

System Revenue Bonds Payable from System Net Revenues

Previous Ordinance Bonds	450,176,775
First Lien Bonds	5,290,650,000
Third Lien Obligations	5,400,000
	5,746,226,775
Total - All Bonds Payable from System Revenues	\$ 5,885,306,775

- (2) 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.

**CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
(unaudited)**

Discretionary Debt Service Paid by the System

The total amount of Discretionary Debt Service paid from Net Revenues of the System for the past nine fiscal years and the amount budgeted for fiscal year 2012 is set forth below:

<u>Fiscal Year</u>	<u>Discretionary Debt Service (in millions)</u>
2012 (budgeted)	\$ 21.2
2011	21.7
2010	26.9
2009	28.4
2008	25.8
2007	24.7
2006	26.3
2005	28.2
2004	29.6
2003	23.8

Combined Utility System General Purpose Fund Transfers for Drainage

Since Fiscal Year 2006 the Combined Utility System has made transfers from its General Purpose Fund to the Storm Water Fund as shown below.

<u>Fiscal Year</u>	<u>General Purpose Fund Transfers (millions)</u>
2012 (budgeted)	\$ 50.1
2011	54.8
2010	40.6
2009	39.4
2008	36.5
2007	34.1
2006	31.3

Indirect Charges Paid by the System

<u>Fiscal Year</u>	<u>Indirect Charges (in thousands)</u>
2012 (budgeted)	\$ 3,869
2011	3,034
2010	3,148
2009	2,324
2008	923
2007	2,309
2006	2,157
2005	1,236
2004	4,696

CITY OF HOUSTON, TEXAS

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**CITY OF HOUSTON, TEXAS
 COMBINED UTILITY SYSTEM STATISTICS
 TREATED WATER/RAW WATER & SEWER ONLY
 (NOT INCLUDING WHOLESALE NOR RAW WATER)
 (unaudited)**

Fiscal Years	2002	2003	2004	2005	2006
Consumption (in Thousand Gallons)					
RESIDENTIAL	28,910,785	28,366,790	27,190,878	28,089,881	29,372,166
MULTI-FAMILY	26,947,985	26,524,889	26,099,414	25,197,120	25,917,787
COMMERCIAL	23,244,380	22,489,563	22,419,672	21,879,224	23,106,449
GOVERNMENT	4,528,732	4,343,339	4,450,481	4,510,130	5,151,211
SEWER ONLY	1,335,488	1,327,138	1,352,960	1,180,975	1,242,852
OTHER ACCTS	4,319,402	4,187,717	4,410,859	4,503,243	5,808,363
TOTAL	89,286,772	87,239,436	85,924,264	85,360,573	90,598,828
Revenue Amount	\$504,300,381	\$493,637,833	\$482,693,814	\$536,457,992	\$582,872,263
Average Rate / Water & Sewer	\$5.65	\$5.66	\$5.62	\$6.28	\$6.43

2007	2008	2009	2010	2011
26,094,949	26,312,961	26,970,248	28,111,338	28,553,893
24,961,804	25,156,968	25,012,299	25,586,924	25,069,764
21,941,537	22,748,096	21,972,495	22,382,315	21,997,822
4,614,053	4,710,923	4,713,905	5,197,448	4,807,824
1,324,905	1,381,145	1,361,135	1,357,879	1,228,458
4,394,176	4,573,030	5,678,987	6,351,286	6,461,476
<u>83,331,424</u>	<u>84,883,123</u>	<u>85,709,069</u>	<u>88,987,190</u>	<u>88,119,237</u>
<u>\$558,078,148</u>	<u>\$581,130,048</u>	<u>\$597,498,813</u>	<u>\$640,586,498</u>	<u>\$763,685,117</u>
\$6.70	\$6.85	\$6.97	\$7.20	\$8.67

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
(unaudited)

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, 2011. The total charges to such customers represent approximately 2.73% of the System Gross Revenues and 6.16% of Sewer Facilities gross charges during such period.

<u>Customer</u>	<u>Gross Charges</u>
1. Anheuser - Busch, Inc.	\$ 4,737,769
2. City of Houston	4,086,186
3. Harris County	3,386,099
4. Houston Independent School District	2,952,624
5. University of Houston	2,406,236
6. Maximus Coffee Group	1,700,741
7. Hermann Hospital	1,619,775
8. Dr. Pepper Bottling	1,595,865
9. Methodist Hospital	1,359,439
10. Oak Farms Dairies	1,098,430
	<u>\$ 24,943,164</u>

Water and Sewer Rate Adjustments

In recent years, the water and sewer rates have been adjusted on the average as follows:

<u>Date of Change</u>	<u>Average Percent Rate Increase (Decrease)</u>	
	<u>Water</u>	<u>Sewer</u>
August 1989	6.0%	7.5%
July 1990	5.5%	7.5%
February 1992	2.0%	6.0%
March 1993	2.5%	4.0%
June 2004	9.7%	9.7%
April 2005	3.5%	3.5%
April 2006	3.6%	3.6%
April 2007	2.8%	2.8%
April 2008	1.8%	1.8%
April 2009	5.1%	5.1%
April 2010	0.3%	0.3%
June 2010	19.1%	22.9%
April 2011	3.6%	3.6%

**CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
Water Supply
(unaudited)**

Capacity, Production, and Sales

The following schedule sets forth information concerning Water Facilities capacity, production and sales for Fiscal Year 2011 (million gallons per day):

	<u>Available</u>	<u>Capacity</u>	<u>Daily</u>	<u>Peak</u>	<u>Sales</u>
Ground	92.0	213.0	40.0	-	N/A
Surface	1,090.0	1,202.0	633.0	-	N/A
Total	<u>1,182.0</u>	<u>1,415.0</u>	<u>673.0</u>	<u>-</u>	<u>601.0</u>
					389.0
Treated					212.0
Untreated					<u>601.0</u>

Sources of System Revenues - General

As of June 30, 2011, the Water Facilities and the Sewer Facilities served approximately 436,133 and 418,416 active service connections, respectively. During Fiscal Year 2011 approximately 49% of System Gross Revenues were derived from the sale of water (90.2% from treated water and 9.8% from untreated water), approximately 44.3% from providing wastewater treatment services, 1.6% from interest income and the remaining 5.1% from various other sources. Of the treated water sales, 93% of revenues were from retail customers and 7% from bulk sales to other governmental entities.

**CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
Water Supply
(unaudited)**

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, 2011. The total charges to such customers during such period represent approximately 4.22% of the System Gross Revenues and 8.61% of total water sales revenues for such period.

<u>Customers</u>	<u>Charges</u>
1. North Harris Co. Regional Water Authority	\$ 8,354,395
2. North Channel Water Authority	6,128,903
3. West Harris Co. Regional Water Authority.	4,688,489
4. City of Pasadena	3,871,553
5. Harris County	3,394,565
6. Anheuser Busch, Inc	3,068,679
7. Houston Independent School District	2,609,314
8. Clear Lake City	2,509,596
9. University of Houston	1,996,900
10. Texas Medical Center	1,991,505
	<u>\$ 38,613,899</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, 2011. The total of the contract payments by these ten customers during such period represents approximately 3.36% of the System Gross Revenues and 6.86% of total water sales revenues for such period.

<u>Customers</u>	<u>Charges</u>
1. Equistar Chemicals (formerly Zeneca)	\$ 7,267,993
2. Shell Oil	4,539,865
3. Battleground Water Company	3,810,491
4. Air Liquide America Corp.	3,144,545
5. Houston Refining, LP (Lyondell -Citgo)	2,587,787
6. Baytown Area	2,565,651
7. Chevron Phillips Chemical Company	2,412,137
8. Hoescht Celanese	1,780,377
9. Occidental Chemical Corporation	1,521,927
10. E. I. Dupont De Nemours & Company	1,115,938
	<u>\$ 30,746,711</u>

COMBINED UTILITY SYSTEM STATISTICS
Debt Service Schedule
(unaudited)

The following schedule sets forth the principal and interest requirements on all outstanding bonds payable from revenues of the System for each of the City's fiscal years ending June 30 as shown below, based on footnoted assumptions. The following schedule also does not include Discretionary Debt Service Payments or interest on Commercial Paper notes issued as Third Lien Obligations under the Master Ordinance.

Fiscal Year Ending June 30	Total Payable From System Gross Revenues(1)	Payable From System Net Revenues			Total Debt Service (1) (2)
		Previous Ordinance Bonds	First Lien Bonds(2)	Total Payable From System Net Revenues	
2012	20,413,825	70,343,806	297,672,853	368,016,660	388,430,485
2013	19,662,905	70,267,386	314,717,111	384,984,497	404,647,402
2014	18,875,214	15,727,013	371,141,065	386,868,078	405,743,291
2015	18,063,946	15,791,483	373,349,806	389,141,289	407,205,235
2016	17,851,148	15,832,360	376,780,002	392,612,362	410,463,509
2017	7,372,240	15,876,256	386,327,543	402,203,799	409,576,039
2018	6,571,513	15,916,905	388,447,261	404,364,166	410,935,679
2019	6,554,975	15,928,333	390,775,086	406,703,419	413,258,394
2020	6,552,700	39,462,680	367,293,274	406,755,954	413,308,654
2021	6,567,025	38,343,825	371,632,330	409,976,155	416,543,180
2022	6,547,850	31,400,994	378,474,241	409,875,235	416,423,085
2023	6,525,300	33,247,860	377,210,254	410,458,114	416,983,414
2024	6,518,050	34,487,039	375,893,573	410,380,612	416,898,662
2025	6,510,050	33,357,575	377,074,448	410,432,023	416,942,073
2026	10,951,675	18,155,000	392,015,429	410,170,429	421,122,104
2027	3,551,050	30,815,000	378,226,375	409,041,375	412,592,425
2028	3,550,050	30,810,000	376,627,567	407,437,567	410,987,617
2029	3,547,925	44,095,000	362,878,339	406,973,339	410,521,264
2030	3,547,844		407,383,678	407,383,678	410,931,522
2031	3,544,844		407,547,868	407,547,868	411,092,712
2032	3,540,550		408,672,212	408,672,212	412,212,762
2033	3,534,725		408,041,122	408,041,122	411,575,847
2034	3,532,013		408,773,615	408,773,615	412,305,628
2035	3,531,938		219,132,173	219,132,173	222,664,111
2036			219,138,322	219,138,322	219,138,322
2037			196,379,813	196,379,813	196,379,813
2038			110,505,395	110,505,395	110,505,395
2039			104,789,495	104,789,495	104,789,495
2040			35,532,931	35,532,931	35,532,931
2041			34,812,118	34,812,118	34,812,118
TOTAL	197,419,355	569,858,515	9,617,245,299	10,187,103,815	10,384,523,168

1) Includes CWA Bonds.

(2) Series 2008D-1 variable rate bond debt service is calculated using current market fixed rates. Debt service is calculated based on an assumed taxable rate with a maturity on the expected tax-exempt conversion date, December 1, 2012. After the applicable tax-exempt conversion date, debt service is calculated using a long term tax-exempt rate to maturity. \$249,075,000 of the Series 2010B variable rate bond debt service is calculated at the rate of 5.061% through March 2013 and thereafter at the fixed rate payor swap rate of 3.761%. Series 2004B debt service is adjusted to take into account expected payments under the Series 2004B Qualified Hedge Agreements.

**CITY OF HOUSTON
COMBINED UTILITY SYSTEM STATISTICS
Last Nine Fiscal Years
(amounts expressed in thousands)
(unaudited)**

Revenues and Expenses of the Water and Sewer System

The following schedule sets forth the revenues and expenses (exclusive of certain non-cash transactions, primarily depreciation and amortization) of the "Water and Sewer System," as defined in the Coastal Water Authority Official Statements, for fiscal years ending June 30, 2003 through June 30, 2011.

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
OPERATING REVENUES									
Sales of Water, net	\$ 267,125	\$ 265,272	\$ 301,227	\$ 324,878	\$ 308,046	\$ 332,032	\$ 351,608	\$ 356,046	\$ 455,333
Sewer system user charges, net	264,159	257,225	288,459	307,764	295,423	305,748	323,301	320,722	410,941
Penalties	4,036	4,150	4,605	5,085	6,736	7,759	6,651	8,391	9,871
Other services and charges	3,997	4,561	4,583	4,935	5,260	6,325	5,678	5,979	3,030
Total Operating Revenues	539,317	531,208	598,874	642,662	615,465	651,864	687,238	691,138	879,175
NON-OPERATING REVENUES	30,585	93,089	19,771	26,557	54,572	37,779	36,405	44,407	40,662
TOTAL GROSS REVENUES (A)	569,902	624,297	618,645	669,219	670,037	689,643	723,643	735,545	919,837
OPERATING EXPENSES									
Maintenance and Operating Expenses	250,226	266,718	270,299	301,646	322,083	318,349	383,056	377,858	373,028
Contractual Maintenance and Operating Expenses									
CWA Debt Service	28,878	28,980	29,192	29,871	30,653	30,545	28,103	23,117	21,285
TRA Debt Service	2,056	2,474	2,354	2,212	2,221	2,096	-	-	-
HAWC Debt Service	-	6,710	6,710	6,242	8,999	-	-	-	-
Total Contractual	30,934	38,164	38,256	38,325	41,873	32,641	28,103	23,117	21,285
TOTAL OPERATING EXPENSES (B)	281,160	304,882	308,555	339,971	363,956	350,990	411,159	400,975	394,313
NET REVENUES	\$ 288,742	\$ 319,415	\$ 310,090	\$ 329,248	\$ 306,081	\$ 338,653	\$ 312,484	\$ 334,570	\$ 525,524
GROSS REVENUES (A) DIVIDED BY TOTAL EXPENSES (B)	2.027	2.048	2.005	1.968	1.841	1.965	1.760	1.834	2.333

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

Total Annual Revenues Last Ten Fiscal Years	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Operating Revenues					
Landing area fees	\$ 50,826	\$ 51,162	\$ 57,011	\$ 102,072	\$ 101,758
Building and ground area fees	84,752	91,801	115,777	151,417	179,951
Parking, concession and other revenues	91,877	97,804	97,625	100,152	112,152
Total Operating Revenues	<u>227,455</u>	<u>240,767</u>	<u>270,413</u>	<u>353,641</u>	<u>393,861</u>
Nonoperating Revenues					
Interest income	37,629	30,278	5,967	14,968	18,507
Passenger facility charges	-	-	-	-	-
Other nonoperating revenues	942	681	203	4,295	56
Total Nonoperating Revenues	<u>38,571</u>	<u>30,959</u>	<u>6,170</u>	<u>19,263</u>	<u>18,563</u>
Total Revenues	<u>\$ 266,026</u>	<u>\$ 271,726</u>	<u>\$ 276,583</u>	<u>\$ 372,904</u>	<u>\$ 412,424</u>
Total Annual Expenses Last Ten Fiscal Years	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Operating Expenses					
Maintenance and operating	\$ 142,950	\$ 154,541	\$ 168,923	\$ 223,972	\$ 202,496
Depreciation	60,088	59,987	88,371	105,891	134,150
Total Operating Expenses	<u>203,038</u>	<u>214,528</u>	<u>257,294</u>	<u>329,863</u>	<u>336,646</u>
Nonoperating Expenses					
Interest expense and others	44,165	46,538	54,853	75,908	94,586
Total Nonoperating Expenses	<u>44,165</u>	<u>46,538</u>	<u>54,853</u>	<u>75,908</u>	<u>94,586</u>
Total Expenses	<u>\$ 247,203</u>	<u>\$ 261,066</u>	<u>\$ 312,147</u>	<u>\$ 405,771</u>	<u>\$ 431,232</u>

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 92,140	\$ 99,017	\$ 82,823	\$ 94,165	\$ 90,384
199,720	211,786	174,433	182,105	181,182
124,278	136,373	128,501	130,309	138,836
<u>416,138</u>	<u>447,176</u>	<u>385,757</u>	<u>406,579</u>	<u>410,402</u>
33,722	41,694	37,332	30,487	9,700
6,530	11,608	32,398	66,383	63,138
541	514	1,093	7,525	3,409
<u>40,793</u>	<u>53,816</u>	<u>70,823</u>	<u>104,395</u>	<u>76,247</u>
<u>\$ 456,931</u>	<u>\$ 500,992</u>	<u>\$ 456,580</u>	<u>\$ 510,974</u>	<u>\$ 486,649</u>

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 214,611	\$ 229,551	\$ 241,303	\$ 245,051	\$ 284,307
126,953	125,951	136,554	164,186	163,054
<u>341,564</u>	<u>355,502</u>	<u>377,857</u>	<u>409,237</u>	<u>447,361</u>
101,193	104,019	93,376	95,235	89,892
101,193	104,019	93,376	95,235	89,892
<u>\$ 442,757</u>	<u>\$ 459,521</u>	<u>\$ 471,233</u>	<u>\$ 504,472</u>	<u>\$ 537,253</u>

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
Passenger Statistics
(unaudited)

Fiscal Year	Intercontinental		Domestic Passengers		Hobby		Ellington Airport	
	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change
	2002	28,168	-6.4%	8,192	-9.4%	68	6.3%	
2003	27,931	-0.8%	7,796	-4.8%	81	19.1%		
2004	29,473	5.5%	8,089	3.8%	80	-1.2%		
2005	31,609	7.2%	8,247	2.0%	14	-82.5%		
2006	34,105	7.9%	8,423	2.1%	-	-100.0%		
2007	35,260	3.4%	8,642	2.6%	-	-		
2008	35,200	-0.2%	9,097	5.3%	-	-		
2009	31,995	-9.1%	8,286	-8.9%	-	-		
2010	32,093	0.3%	8,755	5.7%	-	-		
2011	31,666	-1.3%	9,434	7.8%	-	-		

Domestic Passengers		International Passengers		Total Passengers	
Total		Intercontinental			
Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change
36,428	-7.1%	5,556	-4.4%	41,984	-6.7%
35,808	-1.7%	5,526	-0.5%	41,334	-1.5%
37,642	5.1%	5,952	7.7%	43,594	5.5%
39,870	5.9%	6,818	14.5%	46,688	7.1%
42,528	6.7%	7,126	4.5%	49,654	6.4%
43,902	3.2%	7,555	6.0%	51,457	3.6%
44,297	0.9%	7,976	5.6%	52,273	1.6%
40,281	-9.1%	7,642	-4.2%	47,923	-8.3%
40,848	1.4%	8,139	6.5%	48,987	2.2%
41,100	0.6%	8,732	7.3%	49,832	1.7%

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
(unaudited)

Airline Market Shares

Domestic	Intercontinental				Hobby			
	Fiscal Year 2010		Fiscal Year 2011		Fiscal Year 2010		Fiscal Year 2011	
	Total Passengers (in thousands)	Market Share	Total Passengers (in thousands)	Market Share	Total Passengers (in thousands)	Market Share	Total Passengers (in thousands)	Market Share
Alaska Airlines	65,313	0.2%	90,976	0.2%	-	0.0%	-	0.0%
Air Tran	-	0.0%	-	0.0%	334,988	3.8%	407,703	4.3%
American Airlines, Inc.	736,072	1.8%	719,228	1.8%	-	0.0%	-	0.0%
American Eagle - AA	99,970	0.2%	171,519	0.4%	234,427	2.7%	206,761	2.2%
Atlantic Southeast - DL	55,564	0.1%	113,068	0.3%	93,262	1.1%	123,063	1.3%
Charter Airlines	7,354	0.0%	8,891	0.0%	9,432	0.1%	14,446	0.2%
Chautauqua Airlines - CO	475,140	1.2%	369,304	0.9%	-	0.0%	-	0.0%
Colgan - Air Inc. - CO	524,431	1.3%	802,826	2.0%	-	0.0%	-	0.0%
Comair - DL	86,609	0.2%	77,038	0.2%	1,542	0.0%	-	0.0%
Compass Airlines - DL	70,513	0.2%	102,155	0.3%	2,516	0.0%	441	0.0%
Continental	19,524,402	48.6%	19,214,288	47.7%	-	0.0%	-	0.0%
Delta	462,501	1.1%	422,809	1.0%	3,008	0.0%	89,279	0.9%
Executives - AA	-	0.0%	-	0.0%	30,945	0.4%	-	0.0%
ExpressJet Airlines, Inc.	7,501,514	18.7%	6,792,429	16.9%	-	0.0%	-	0.0%
ExpressJet - Branson Air.	-	0.0%	-	0.0%	-	0.0%	3,983	0.0%
Frontier	224,423	0.6%	87,044	0.2%	-	0.0%	122,692	1.3%
JetBlue	-	0.0%	-	0.0%	150,044	1.7%	141,149	1.5%
Mesa Airlines, Inc. - UA	27,647	0.1%	5,214	0.0%	-	0.0%	-	0.0%
Mesa Airlines, Inc. - US	14,603	0.0%	9,243	0.0%	-	0.0%	-	0.0%
Mesaba Aviation, Inc. - DL	159,885	0.4%	211,150	0.5%	-	0.0%	-	0.0%
Pinnacle Airlines, Inc. - DL	-	0.0%	-	0.0%	176,864	2.0%	110,939	1.2%
Pinnacle Airlines, Inc. - NW	159,926	0.4%	121,252	0.3%	-	0.0%	-	0.0%
Republic Airlines - US	146,741	0.4%	149,140	0.4%	-	0.0%	-	0.0%
Shuttle America Corporation - CO	-	0.0%	3,027	0.0%	-	0.0%	-	0.0%
Shuttle America Corporation - DL	21,744	0.1%	-	0.0%	22,126	0.3%	5,749	0.1%
Shuttle America Corporation - UA	72,106	0.2%	52,628	0.1%	-	0.0%	-	0.0%
SkyWest Airlines - CO	-	0.0%	418,090	1.0%	-	0.0%	-	0.0%
SkyWest Airlines - DL	211,361	0.5%	130,023	0.3%	8,397	0.1%	5,562	0.1%
SkyWest Airlines - UA	48,821	0.1%	139,858	0.3%	-	0.0%	-	0.0%
Southwest Airlines Company	-	0.0%	-	0.0%	7,687,170	87.8%	8,202,622	86.9%
United Air Lines Inc.	619,122	1.5%	567,832	1.4%	-	0.0%	-	0.0%
US Airways	777,568	1.9%	887,186	2.2%	-	0.0%	-	0.0%
Total Domestic	32,093,330	79.8%	31,666,218	78.4%	8,754,721	100.0%	9,434,389	100.0%
International	Fiscal Year 2010		Fiscal Year 2011		Fiscal Year 2010		Fiscal Year 2011	
	Total	Market	Total	Market	Total	Market	Total	Market
	Passengers	Share	Passengers	Share	Passengers	Share	Passengers	Share
AeroMexico	138,063	0.3%	191,603	0.5%	-	-	-	-
Air Canada Jazz	189,385	0.5%	233,147	0.6%	-	-	-	-
Air France	163,358	0.4%	147,048	0.4%	-	-	-	-
Atlas Air	-	0.0%	24,009	0.1%	-	-	-	-
British Airways	220,658	0.5%	245,119	0.6%	-	-	-	-
Charter Airlines	2,227	0.0%	2,178	0.0%	-	-	-	-
Continental	5,303,028	13.3%	5,809,580	14.3%	-	-	-	-
Emirates	163,269	0.4%	220,534	0.5%	-	-	-	-
ExpressJet Airlines, Inc.	1,291,483	3.3%	1,074,597	2.7%	-	-	-	-
KLM	177,245	0.4%	179,274	0.4%	-	-	-	-
Lufthansa	196,349	0.5%	212,202	0.5%	-	-	-	-
Qatar Airways	135,802	0.3%	146,162	0.4%	-	-	-	-
Shuttle America Corporation - CO	-	0.0%	2,444	0.0%	-	-	-	-
Shuttle America Corporation - UA	-	0.0%	4,867	0.0%	-	-	-	-
Singapore Airlines	80,784	0.2%	117,375	0.3%	-	-	-	-
SkyWest Airlines - CO	-	0.0%	9,301	0.0%	-	-	-	-
TACA	57,147	0.1%	48,529	0.1%	-	-	-	-
United Air Lines Inc.	-	0.0%	43,889	0.1%	-	-	-	-
Viva Aerobus	-	0.0%	20,435	0.1%	-	-	-	-
World Airways	19,684	0.0%	-	0.0%	-	-	-	-
Total International	8,138,482	20.2%	8,732,293	21.6%	-	-	-	-
Total Airlines	40,231,812	100.0%	40,398,511	100.0%	8,754,721	100.0%	9,434,389	100.0%

Ellington Airport				Houston Airport System			
Fiscal Year 2010		Fiscal Year 2011		Fiscal Year 2010		Fiscal Year 2011	
Total Passengers (in thousands)	Market Share	Total Passengers (in thousands)	Market Share	Total Passengers (in thousands)	Market Share	Total Passengers (in thousands)	Market Share
	0.0%	0.0%	0.0%	65,313	0.1%	90,976	0.2%
	0.0%	0.0%	0.0%	334,988	0.7%	407,703	0.8%
	0.0%	0.0%	0.0%	736,072	1.5%	719,228	1.4%
	0.0%	0.0%	0.0%	334,397	0.7%	378,280	0.8%
	0.0%	0.0%	0.0%	148,826	0.3%	236,131	0.5%
	0.0%	0.0%	0.0%	16,786	0.0%	23,337	0.0%
	0.0%	0.0%	0.0%	475,140	1.0%	369,304	0.7%
	0.0%	0.0%	0.0%	524,431	1.1%	802,826	1.6%
	0.0%	0.0%	0.0%	88,151	0.2%	77,038	0.2%
	0.0%	0.0%	0.0%	73,029	0.1%	102,596	0.2%
	0.0%	0.0%	0.0%	19,524,402	39.8%	19,214,288	38.7%
	0.0%	0.0%	0.0%	465,509	1.0%	512,088	1.0%
	0.0%	0.0%	0.0%	30,945	0.1%	-	0.0%
	0.0%	0.0%	0.0%	7,501,514	15.3%	6,792,429	13.6%
	0.0%	0.0%	0.0%	-	0.0%	3,983	0.0%
	0.0%	0.0%	0.0%	224,423	0.5%	209,736	0.4%
	0.0%	0.0%	0.0%	150,044	0.3%	141,149	0.3%
	0.0%	0.0%	0.0%	27,647	0.1%	5,214	0.0%
	0.0%	0.0%	0.0%	14,603	0.0%	9,243	0.0%
	0.0%	0.0%	0.0%	159,885	0.3%	211,150	0.4%
	0.0%	0.0%	0.0%	176,864	0.4%	110,939	0.2%
	0.0%	0.0%	0.0%	159,926	0.3%	121,252	0.2%
	0.0%	0.0%	0.0%	146,741	0.3%	149,140	0.3%
	0.0%	0.0%	0.0%	-	0.0%	3,027	0.0%
	0.0%	0.0%	0.0%	43,870	0.1%	5,749	0.0%
	0.0%	0.0%	0.0%	72,106	0.1%	52,628	0.1%
	0.0%	0.0%	0.0%	-	0.0%	418,090	0.8%
	0.0%	0.0%	0.0%	219,758	0.4%	135,585	0.3%
	0.0%	0.0%	0.0%	48,821	0.1%	139,858	0.3%
	0.0%	0.0%	0.0%	7,687,170	15.7%	8,202,622	16.6%
	0.0%	0.0%	0.0%	619,122	1.3%	567,832	1.1%
	0.0%	0.0%	0.0%	777,568	1.6%	887,186	1.8%
<u>0</u>	<u>0.0%</u>	<u>0</u>	<u>0.0%</u>	<u>40,848,051</u>	<u>83.4%</u>	<u>41,100,607</u>	<u>82.5%</u>
Fiscal Year 2010		Fiscal Year 2010		Fiscal Year 2010		Fiscal Year 2010	
Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share
				138,063	0.3%	191,603	0.4%
				189,385	0.4%	233,147	0.5%
				163,358	0.3%	147,048	0.3%
				-	0.0%	24,009	0.0%
				220,658	0.5%	245,119	0.5%
				2,227	0.0%	2,178	0.0%
				5,303,028	10.8%	5,809,580	11.7%
				163,269	0.3%	220,534	0.4%
				1,291,483	2.6%	1,074,597	2.2%
				177,245	0.4%	179,274	0.4%
				196,349	0.4%	212,202	0.4%
				135,802	0.3%	146,162	0.3%
				-	0.0%	2,444	0.0%
				-	0.0%	4,867	0.0%
				80,784	0.2%	117,375	0.2%
				-	0.0%	9,301	0.0%
				57,147	0.1%	48,529	0.1%
				-	0.0%	43,889	0.1%
				-	0.0%	20,435	0.0%
				19,684	0.0%	-	0.0%
				<u>8,138,482</u>	<u>16.6%</u>	<u>8,732,293</u>	<u>17.5%</u>
<u>0</u>	<u>0.0%</u>	<u>0</u>	<u>0.0%</u>	<u>48,986,533</u>	<u>100.0%</u>	<u>49,832,900</u>	<u>100.0%</u>

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
Selected Financial Information
Operating Fund Only
For the year ended June 30, 2011
(amounts expressed in thousands)
(unaudited)

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Operating Revenues			
Landing Area Fees:			
Landing Fees	\$ 49,424	\$ 49,211	\$ 53,906
Carrier Incentive Program	-	-	-
Aviation Fuel	838	910	1,112
Aircraft Parking	564	1,041	1,993
Subtotal	<u>50,826</u>	<u>51,162</u>	<u>57,011</u>
Building and Ground Area Revenues:			
Building Space	-	-	-
Terminal Space	73,116	79,547	101,040
Cargo Building	1,863	1,638	982
Other Rental	2,262	2,192	3,065
Hangar Rental	1,902	2,499	2,499
Ground Rental	5,607	5,923	8,189
Concourse Security	2	2	2
Subtotal	<u>84,752</u>	<u>91,801</u>	<u>115,777</u>
Parking, Concession and other Revenues:			
Terminal Concessions	22,444	25,355	22,563
Auto Parking	46,955	50,103	51,437
Auto Rental	16,886	15,978	16,800
Ground Transportation	3,274	3,834	3,737
Special Events	-	-	-
Vending Machine	-	-	-
Other Operating Income	2,318	2,534	3,088
Subtotal	<u>91,877</u>	<u>97,804</u>	<u>97,625</u>
Total Operating Revenues	<u>\$ 227,455</u>	<u>\$ 240,767</u>	<u>\$ 270,413</u>
Nonoperating Revenues			
Interest on Investments	12,816	10,650	8,406
Other	4,449	504	114
Subtotal	<u>17,265</u>	<u>11,154</u>	<u>8,520</u>
Total Gross Revenues	<u>\$ 244,720</u>	<u>\$ 251,921</u>	<u>\$ 278,933</u>
Operation and Maintenance Expenses			
Personnel and Other Current Expenses	\$ 142,877	\$ 153,173	\$ 161,204
Bad Debt Expense	73	1,368	441
Total Operating and Maintenance Expenses	<u>\$ 142,950</u>	<u>\$ 154,541</u>	<u>\$ 161,645</u>
Net Revenue	<u>\$ 101,770</u>	<u>\$ 97,380</u>	<u>\$ 117,288</u>
Total Debt Service	\$ 51,611	\$ 63,988	\$ 75,797
Less: grant revenue available for debt service	<u>(37,153)</u>	<u>(30,282)</u>	<u>(32,823)</u>
Debt Service Requirement (per Bond Ordinance)	<u>\$ 14,458</u>	<u>\$ 33,706</u>	<u>\$ 42,974</u>
Coverage of debt Service	<u>7.04</u> x	<u>2.89</u> x	<u>2.73</u> x

2005	2006	2007	2008	2009	2010	2011
\$ 99,197	\$ 98,385	\$ 88,933	\$ 95,730	\$ 81,596	\$ 91,443	\$ 87,413
-	-	-	-	(1,176)	(411)	(250)
1,400	1,559	1,540	1,522	1,313	1,329	1,378
1,475	1,814	1,667	1,765	1,090	1,804	1,843
<u>102,072</u>	<u>101,758</u>	<u>92,140</u>	<u>99,017</u>	<u>82,823</u>	<u>94,165</u>	<u>90,384</u>
-	3,741	5,037	5,054	5,017	5,158	5,067
136,074	162,491	182,113	193,375	155,396	161,960	160,563
893	1,553	2,011	2,469	2,374	2,490	2,511
3,354	60	-	-	-	-	-
2,077	2,349	3,394	3,473	4,051	4,920	5,446
9,018	9,757	7,165	7,415	7,595	7,577	7,595
1	-	-	-	-	-	-
<u>151,417</u>	<u>179,951</u>	<u>199,720</u>	<u>211,786</u>	<u>174,433</u>	<u>182,105</u>	<u>181,182</u>
19,823	21,030	26,953	29,435	27,003	27,975	34,403
55,444	62,377	65,453	72,958	66,565	70,127	70,681
18,065	21,438	22,950	24,529	24,389	22,889	23,932
3,954	3,999	4,617	4,806	4,724	4,987	5,946
-	20	21	19	20	22	22
-	20	-	-	-	-	-
2,866	3,268	4,284	4,626	5,800	4,309	3,852
<u>100,152</u>	<u>112,152</u>	<u>124,278</u>	<u>136,373</u>	<u>128,501</u>	<u>130,309</u>	<u>138,836</u>
<u>\$ 353,641</u>	<u>\$ 393,861</u>	<u>\$ 416,138</u>	<u>\$ 447,176</u>	<u>\$ 385,757</u>	<u>\$ 406,579</u>	<u>\$ 410,402</u>
10,499	17,742	26,847	30,064	23,664	15,989	12,889
3,800	(58)	310	90	299	2,504	341
<u>14,299</u>	<u>17,684</u>	<u>27,157</u>	<u>30,154</u>	<u>23,963</u>	<u>18,493</u>	<u>13,230</u>
<u>\$ 367,940</u>	<u>\$ 411,545</u>	<u>\$ 443,295</u>	<u>\$ 477,330</u>	<u>\$ 409,720</u>	<u>\$ 425,072</u>	<u>\$ 423,632</u>
\$ 191,093	\$ 205,565	\$ 217,720	\$ 221,309	\$ 242,449	\$ 245,147	\$ 262,668
-	-	-	-	-	-	-
<u>\$ 191,093</u>	<u>\$ 205,565</u>	<u>\$ 217,720</u>	<u>\$ 221,309</u>	<u>\$ 242,449</u>	<u>\$ 245,147</u>	<u>\$ 262,668</u>
<u>\$ 176,847</u>	<u>\$ 205,980</u>	<u>\$ 225,575</u>	<u>\$ 256,021</u>	<u>\$ 167,271</u>	<u>\$ 179,925</u>	<u>\$ 160,964</u>
\$ 112,248	\$ 140,437	\$ 144,211	\$ 157,302	\$ 150,514	\$ 145,467	\$ 158,841
(25,506)	(46,621)	(20,679)	(28,022)	(54,963)	(56,171)	(56,827)
<u>\$ 86,742</u>	<u>\$ 93,816</u>	<u>\$ 123,532</u>	<u>\$ 129,280</u>	<u>\$ 95,551</u>	<u>\$ 89,296</u>	<u>\$ 102,014</u>
<u>2.04</u> x	<u>2.20</u> x	<u>1.83</u> x	<u>1.98</u> x	<u>1.75</u> x	<u>2.01</u> x	<u>1.58</u>

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
Total Aircraft Operations and Aircraft Landing Weight
(unaudited)

Fiscal Year	Aircraft Operations (in thousands)			Aircraft Landed Weight (in million pounds)		
	Total	Increase (Decrease)	Percentage Change	Total	Increase (Decrease)	Percentage Change
2002	790	(33)	-4.01%	30,496	(1,587)	-4.95%
2003	811	21	2.66%	30,802	306	1.00%
2004	856	45	5.55%	31,444	642	2.08%
2005	887	31	3.62%	32,543	1,099	3.50%
2006	933	46	5.19%	32,808	265	0.81%
2007	983	50	5.36%	33,930	1,122	3.42%
2008	974	(9)	-0.92%	34,097	167	0.49%
2009	892	(82)	-8.42%	31,907	(2,190)	-6.42%
2010	858	(34)	-3.81%	31,662	(245)	-0.77%
2011	861	3	0.35%	32,564	902	2.85%

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
System Debt Service Schedule
(unaudited)

The following table sets forth the Debt Service Requirements on all Airport Revenue Bonds Outstanding, assuming scheduled mandatory redemption of any term bonds and using rates in effect at year-end for auction rate securities and variable rate demand obligations. The amounts do not include the Airport System's Senior Lien Commercial Paper Notes.

Fiscal Year (ending June 30)	Senior Lien Bonds Debt Service	Subordinate Lien Bonds Debt Service	Total Bonds Debt Service	Inferior Lien Obligations	Bonds plus Inferior Lien Obligations
2012	11,523,081	154,832,692	166,355,773	6,582,006	172,937,779
2013	17,454,880	151,189,320	168,644,200	6,583,250	175,227,450
2014	21,786,126	150,749,186	172,535,312	6,586,325	179,121,637
2015	23,818,994	150,739,961	174,558,955	6,584,125	181,143,080
2016	33,093,994	150,740,208	183,834,202	6,581,800	190,416,002
2017	33,095,244	150,740,619	183,835,863	6,583,525	190,419,388
2018	33,093,244	150,676,511	183,769,755	6,583,200	190,352,955
2019	33,091,994	150,941,477	184,033,471		184,033,471
2020	33,095,244	151,130,606	184,225,850		184,225,850
2021	33,091,494	151,127,927	184,219,421		184,219,421
2022	33,094,744	151,918,817	185,013,561		185,013,561
2023	33,093,244	151,645,162	184,738,406		184,738,406
2024	33,095,744	153,570,945	186,666,689		186,666,689
2025	33,095,494	153,581,134	186,676,628		186,676,628
2026	33,095,994	152,171,120	185,267,114		185,267,114
2027	33,095,494	152,424,219	185,519,713		185,519,713
2028	33,092,244	153,933,193	187,025,437		187,025,437
2029	33,093,675	153,632,686	186,726,361		186,726,361
2030	33,091,288	151,229,596	184,320,884		184,320,884
2031	33,095,025	151,159,909	184,254,934		184,254,934
2032	33,094,400	155,792,342	188,886,742		188,886,742
2033	33,095,200	155,768,896	188,864,096		188,864,096
2034	33,094,125		33,094,125		33,094,125
2035	33,092,875		33,092,875		33,092,875
2036	33,092,875		33,092,875		33,092,875
2037	33,095,275		33,095,275		33,095,275
2038	33,095,950		33,095,950		33,095,950
2039	33,095,775		33,095,775		33,095,775
2040	33,095,350		33,095,350		33,095,350
Total	\$ 901,939,066	\$ 3,349,696,526	\$ 4,251,635,592	\$ 46,084,231	\$ 4,297,719,823

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
Summary of Certain Fees and Charges
(unaudited)

	Bush Intercontinental		Hobby	
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2010	2011	2010	2011
Landing Rates (1)	\$2.953	\$2.790	\$2.322	\$2.094
Terminal Space Rentals (2)	\$23.74 - \$71.84	\$22.13 - \$80.64	\$92.74 - \$106.58	\$96.79 - \$99.29
Apron (2)	\$1.992 - \$2.129	\$2.006 - \$2.775	\$2.161	\$1.867
Parking Rates (maximum per day)				
Economy (EcoPark)				
Covered	\$0.00	\$7.00		
Uncovered	\$6.00	\$5.00		
Ecopark 1			\$8.00	\$8.00
Ecopark 2			\$0.00	\$6.00
Structured	\$17.00	\$17.00	\$17.00	\$17.00
Sure Park	\$20.00	\$20.00	--	--

(1) Per 1,000 pounds for landing weight

(2) Range per square foot

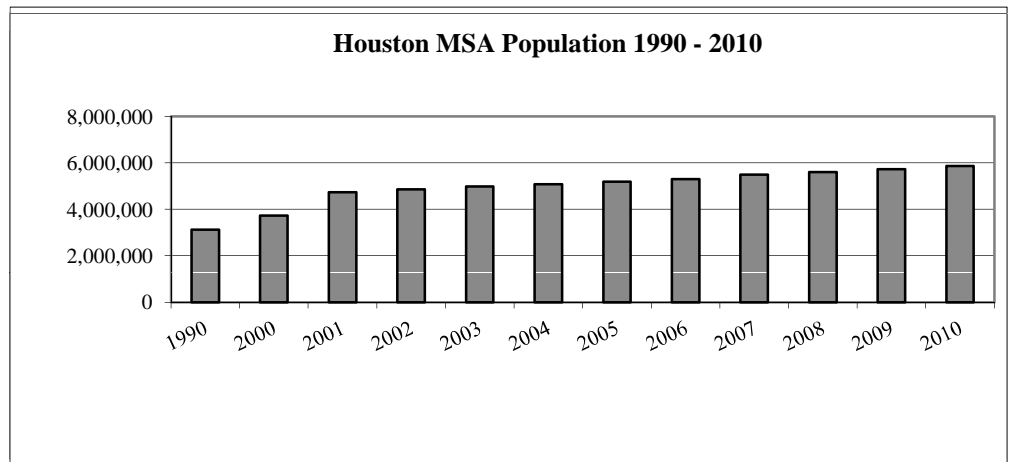
CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
Service Area
(unaudited)

The airport service region for the Houston Airport System consists of (1) the ten county Houston-Sugar Land-Baytown Metropolitan Statistical Area (Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto and Waller counties) -- referred to as the Houston MSA, and (2) a large secondary area surrounding the Houston MSA. 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 MSA ranks sixth in population among the nation's metropolitan areas.

Service Area Population

<u>Year</u>	<u>Houston MSA Population</u>
1990	3,731,131
2000	4,739,414
2001	4,851,189
2002	4,978,638
2003	5,084,017
2004	5,190,444
2005	5,299,567
2006	5,484,883
2007	5,597,674
2008	5,726,705
2009	5,867,489
2010	5,946,800



Source: Greater Houston Partnership and U.S. Census Bureau, Population Division

CITY OF HOUSTON, TEXAS
SURETY BOND AND INSURANCE COVERAGE
June 30, 2011
(amounts expressed in thousands)
(unaudited)

Policy Number	Insurer	Term of Policy
15663960	Western Surety Company	01-02-2010 to 01-02-2012
15663962	Western Surety Company	01-02-2010 to 01-02-2012
61BSBDV0123	Hartford Casualty Insurance Company	12-15-2010 to 12-15-2011
61BSBFQ0813	Hartford Casualty Insurance Company	01-02-2011 to 01-02-2012
61BSFW9293	Hartford Casualty Insurance Company	11-30-2010 to 11-30-2011
61BSBEW1429	Hartford Casualty Insurance Company	11-30-2010 to 11-30-2011
61BSDT7808	Hartford Casualty Insurance Company	12-09-2010 to 12-09-2011
IHD 8464461-04	Hanover Insurance Company	10-20-2010 to 10-20-2011
6610	Texas Municipal League	05-15-2011 to 05-15-2012
KKO000147740	National Casualty Company	12-31-2010 to 01-02-2011
D37362797003	Westchester Fire Insurance Co. (Primary)	04-01-2011 to 04-01-2012
PU000600a	Lexington Insurance Company	04-01-2011 to 04-01-2012
PU000601a	Underwriters at Lloyds	04-01-2011 to 04-01-2012
EAF70044611	Axis Surplus	04-01-2011 to 04-01-2012
ESP0032346-02	Arch Specialty Insurance Company	04-01-2011 to 04-01-2012
PU000602a	Lexington Insurance Company	04-01-2011 to 04-01-2012
NHD370903	RSUI Indemnity Insurance Company	04-01-2011 to 04-01-2012
PU000603a	Underwriters at Lloyds	04-01-2011 to 04-01-2012
1P50199	Evanston Insurance Company	04-01-2011 to 04-01-2012
ESP0038011-01	Arch Specialty Insurance Company	04-01-2011 to 04-01-2012
PU000602a	Lexington Insurance Company	04-01-2011 to 04-01-2012
NHD370903	RSUI Indemnity Insurance Company	04-01-2011 to 04-01-2012
PU000604a	Underwriters at Lloyds	04-01-2011 to 04-01-2012
CPN10003071100	Endurance American Specialty Insurance Company	04-01-2011 to 04-01-2012
PU000606a	Swiss Re International SE	04-01-2011 to 04-01-2012
NHD370904	RSUI Indemnity Insurance Company	04-01-2011 to 04-01-2012
PXA574D11	Aspen Specialty Insurance Company	04-01-2011 to 04-01-2012
015802234	Lexington Insurance Company	04-01-2011 to 04-01-2012
R2098166654	CNA Insurance Company	02-18-2011 to 02-18-2012
13334211100357	AXA Insurance Company	06-26-2011 to 06-26-2012
CA 1556801	Admirable Insurance Company	02-26-2011 to 02-26-2012
XBS0006950	Scottsdale Insurance Company	02-26-2011 to 02-26-2012
IHD8921722	Hanover Insurance Company	11-03-2010 to 11-03-2011
105324683	Travelers Casualty & Surety	12-30-2010 to 12-30-2011
01 841 83 61	Chartis	05-29-2011 to 05-29-2012
61BPEAM5075	Hartford Casualty Insurance Company	10-29-2010 to 10-29-2011
61BPEAI9468	Hartford Casualty Insurance Company	02-11-2011 to 02-11-2012
61BPEC12302	Hartford Insurance	07-01-2010 to 07-01-2011
Various	Western Surety Company	Four Year Term per Bond
KKO000147740	National Casualty Company	12-31-2010 to 01-02-2011
KKO0000001923300	National Casualty Company	06-20-2011 to 07-10-2011
80851933	Lexington Insurance Company	06-09-2011 to 07-05-2011
25819871	National Union Fire Insurance	07-01-2010 to 07-01-2011
61UUNTT9450	Hartford Casualty Insurance Company	09-14-2010 to 09-14-2011
61UENTT8607	Hartford Casualty Insurance Company	09-14-2010 to 09-14-2011
61XHUTT024	Hartford Casualty Insurance Company	09-14-2010 to 09-14-2011
61WEGF1105	Hartford Underwriters Insurance	09-14-2010 to 09-14-2011
61BDDAQ8560	Hartford Casualty Insurance Company	06-04-2011 to 06-04-2012

Property at Risk	Type of Coverage	Coverage (in thousands)
Mayor	Public Official Bond	\$ 50
City Controller	Public Official Bond	\$ 50
City Treasurer	Public Official Bond	\$ 25
Deputy Controller	Public Official Bond	\$ 25
Municipal Courts	Public Official Bond	\$ 25
Tax Collector	Public Official Bond	\$ 25
HMEPS (Pension) Treasurer	Public Official Bond	\$ 250
Houston Area Library Automated Network (HALAN)	Electronic Equipment	\$ 1,470
City of Houston	Automobile Catastrophe	\$ 1,459
City of Houston	Automobile Liability	\$ 1,000
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 20,000
City of Houston	Property Insurance *	\$ 8,250
City of Houston	Property Insurance *	\$ 6,335
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 6,665
City of Houston	Property Insurance *	\$ 1,250
City of Houston	Property Insurance *	\$ 22,500
City of Houston	Property Insurance *	\$ 6,670
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 13,330
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 21,500
City of Houston	Property Insurance *	\$ 10,000
City of Houston	Property Insurance *	\$ 7,500
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 6,000
City of Houston	Terrorism Insurance	\$ 100,000
City of Houston	Boiler & Machinery	\$ 100,000
City of Houston Library	Business Equip., Valuable Papers, Fine Arts	\$ 10,760
Holcombe Health Lab	Commercial General Liability	\$ 1,000
Holcombe Health Lab	Excess Liability	\$ 5,000
Convention & Entertainment Facilities	Fine Arts	\$ 13,077
City of Houston	Pole Attachment Bond, Centerpoint	\$ 250
City of Houston	Public Employee Dishonesty/Crime	\$ 2,000
Parks Board	Public Employee Dishonesty	\$ 10
Library Board	Public Employee Dishonesty	\$ 10
Houston Read Commission	Employee Dishonesty	\$ 375
Various City of Houston Notaries	Notary Public Bonds	\$ 3
City of Houston	Special Event Commercial General Liability	\$ 1,000
City of Houston	Special Event Commercial General Liability	\$ 1,000
City of Houston	Adverse Weather Event Cancellation	\$ 600
Houston Area Water Corporation (HAWC)	Directors and Officers Liability	\$ 10,000
Houston Image Group	Commercial General Liability	\$ 1,000
Houston Image Group	Automobile Liability	\$ 1,000
Houston Image Group	Excess Liability	\$ 5,000
Houston Image Group	Workers' Compensation	\$ 1,000
Houston Image Group	Employee Theft and Depositors Forgeries	\$ 225

* The property insurance is provided by insurance carriers that underwrite varying pro-rata shares of coverage that total to the policy loss limit.

CITY OF HOUSTON, TEXAS
SALARIES OF ELECTED OFFICIALS
June 30, 2011
(unaudited)

<u>Name and Title of Official</u>	<u>Authorized Annual Base Salary</u>
Annise D. Parker, Mayor	\$ 209,138
Ronald C. Green, City Controller	139,426
Brenda Stardig, Council Member - District A	55,770
Jarvis Johnson, Council Member - District B	55,770
Anne U. Clutterbuck, Council Member - District C	55,770
Wanda E. Adams, Council Member - District D	55,770
Michael S. Sullivan, Council Member - District E	55,770
Al D. Hoang, Council Member - District F	55,770
Olin Pennington, Council Member - District G	55,770
Edward Gonzalez, Council Member - District H	55,770
James G. Rodriguez, Council Member - District I	55,770
Stephen C. Costello, Council Member - At Large Position 1	55,770
Susan E. Lovell, Council Member - At Large Position 2	55,770
Melissa L. Noriega, Council Member - At Large Position 3	55,770
C. O. "Brad" Bradford, Council Member - At Large Position 4	55,770
Jolanda F. Jones, Council Member - At Large Position 5	55,770

CITY OF HOUSTON, TEXAS
Schedule of Credits
(unaudited)

Comprehensive Annual Financial Report:

Controller's Office

Executive/Administrative Divisions

Ronald C. Green, City Controller
Chris Brown, Chief Deputy City Controller
Roger Widmeyer, Director of Communications

Design Oversight and Writing

Financial Reporting Division

Carl Medley, Deputy City Controller
Michael Abbott, Assistant City Controller
Jacqueline Brown, Administrative Specialist
Alicia Cai, Assistant City Controller
Rosa Henderson, Assistant City Controller
Larry Liu, Assistant City Controller
Chris Okeagu, Assistant City Controller
Beverly Riggans, Deputy Director
Irma Rodriguez, Assistant City Controller
Courtney Satterwhite, Assistant City Controller
Suong "Su" Vu, Assistant City Controller
Dinah Walter, Assistant City Controller
Bonita Wright, Assistant City Controller

Preparation and Coordination

Operations and Technical Services Division

Harry Singh, Deputy City Controller
Brenda Jackson, System Support Analyst
Brenda Johnson, Administrative Coordinator
Martina Lee, Assistant City Controller
Ella Mamou, Administrative Supervisor
Annie Nguyen, Administrative Coordinator
Daniel Schein, System Support Analyst
Lillie Stewart, Administration Manager

Consulting and General Support

Treasury Division

Shawnell Holman, Deputy City Controller
Han Au, Treasury Manager
Kendrack Lewis, Management Analyst
Lillie Nobles, Management Analyst
Asha Patnaik, Senior Treasury Analyst
Marvin Ramirez, Treasury Analyst
Catherine Smith, Senior Treasury Analyst

Debt and Investment Management Disclosures

Audit Division

David Schroeder, City Auditor
Courtney Smith, Assistant City Auditor
Marda Waters, Assistant City Auditor
Xiao Yang, Audit Intern

Audit Support and Testing Assistance

CITY OF HOUSTON, TEXAS
Schedule of Credits - Continued
(unaudited)

Finance Department

Kelly Dowe, Director

Greg Carrington, Division Manager

Leann Hoang, Financial Analyst

Ronald Kissner, Deputy Assistant Director

Jim Locke, Assistant Director

Jon Reistoffer, Division Manager

Nancy Wong, Financial Analyst

Preparation, Coordination, Analysis and Documentation

Administration & Regulatory Affairs Department

Alfred J. Moran Jr., Director

Raymond Bradford, Sr. Staff Analyst

Florencio Briones, Management Analyst

Annabelle Chen, Assistant Director

Shallen Chen, Sr. Accountant

Chia-Hsuan "C. H." Chiou, Financial Analyst

Aileen Ding, Management Analyst

Hannah Hoang, Sr. Accountant

Bethany Kwok, Sr. Accountant

Juan Olguin, Deputy Assistant Director

William Stanley, Division Manager

Bill Wickliffe, Division Manager

Analysis and Supporting Documentation

Information Technology Department

Gary Morris, Acting Director

Susan Cox, Systems Accountant

Mary Ann Grant, Deputy Director

Ron Headley, Division Manager

Melanie West, ERP Business Systems Consultant

IT-ERP Development Team

SAP/ ERP Consulting, Support & Development

Professional Consultants

Houston Independent School District Printing Services

Charlie Holden, Senior Manager

Susanne Bynum, Graphic Designer

Debbie Roberts, Outside Sales Representative

Project Management and Design

Deloitte & Touche LLP

Independent 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.

**Photograph credits: Mayor's Office of Special Events; Parks and Recreation Department;
Convention and Entertainment Facilities; Richard Carson; Katya Horner; Anthony Rathbun**

Design: Susanne Bynum; Printing: HISD Graphic Services

