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CITY HALL AND
TOWN MARKET



THE HARRIS COUNTY
COURTHOUSE,
AT HOUSTON



THE HOUSTON COTTON
EXCHANGE BUILDING



C. C. GIBB'S
OFFICE BUILDING,
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HOUSTON, TEXAS



PLANTERS AND MECHANIC'S
NATIONAL BANK, HOUSTON, TEXAS
INTERIOR AND EXTERIOR VIEWS



City of Houston, Texas

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2012

Ronald C. Green, City Controller



Cover: Houston, Texas, 1891, Looking South

By Historic Views, Edgartown, Massachusetts,
a lithograph in the Library of Congress,
From the Archives of the Houston Public Library,
Houston Metropolitan Research Center

OFFICE OF THE CITY CONTROLLER – 109 YEARS OF HOUSTON HISTORY



Prepared by:
Ronald C. Green, City Controller
Carl Medley, Deputy City Controller

CITY OF HOUSTON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2012

	Page
Part I - Introductory Section	
Office of the City Controller	i
City Controller	ii
Organization Chart for the Office of the Controller	iii
Elected Officials	iv
Organization Chart for City Government	v
Transmittal Letter	vii
Certificate of Achievement for Excellence in Financial Reporting	xiv
Part II - Financial Section	
<i>Independent Auditors' Report</i>	1
<i>Management's Discussion and Analysis - (unaudited)</i>	3
<i>Basic Financial Statements:</i>	
Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance of Governmental Funds to the Statement of Activities	22
Statement of Net Assets - Proprietary Funds	24
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	28
Statement of Cash Flows - Proprietary Funds	30
Statement of Fiduciary Net Assets	34
Statement of Changes in Fiduciary Net Assets	35
Notes to the Basic Financial Statements	37
(See this section for Table of Content of the Notes)	
<i>Required Supplementary Information (unaudited):</i>	
Required Supplementary Information - General Operating Fund - Budgeted & Actual (unaudited)	113
Required Supplementary Information (Reconciliation) - General Fund Budget vs. GAAP (unaudited)	117
Required Notes to the Supplementary Information (unaudited)	118
Required Pension System Supplementary Information (unaudited)	119
Required Other Post Employment Benefits Supplementary Information (unaudited)	120
 <i>Individual Fund Statements and Schedules</i>	
Governmental Funds	121
General Fund	
Balance Sheet	122
Statement of Revenues, Expenditures and Changes in Fund Balance	123
Debt Service Fund	
Balance Sheet	124
Schedule of Revenues, Expenditures and Changes in Fund Balance: Budget vs. Actual	125
Capital Projects Fund	
Balance Sheet	126
Statement of Revenues, Expenditures and Changes in Fund Balance	127
Grants Fund	
Balance Sheet	128
Statement of Revenues, Expenditures and Changes in Fund Balance	129

CITY OF HOUSTON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2012

	Page
Nonmajor Governmental Funds	
Combining Balance Sheet	130
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	132
Schedule of Budgeted and Actual Revenues and Expenditures:	
Asset Forfeiture Fund	134
Auto Dealers Fund	135
Building Inspection Fund	136
Cable Television Fund	137
Child Safety Fund	138
Dedicated Drainage & Street Renewal Fund	139
Digital Automated Red Light Enforcement Program Fund	140
Digital Houston WIFI Fund	141
Fleet And Equipment Acquisition Fund	142
Historic Preservation Fund	143
Houston Emergency Center Fund	144
Houston Transtar Fund	145
Juvenile Case Manager Fee Fund	146
Mobility Response Team Fund	147
Municipal Courts Technology Fee Fund	148
Parking Management Operating Fund	149
Parks Golf Special Fund	150
Parks Special Fund	151
Police Special Services Fund	152
Recycling Revenue Fund	153
Supplemental Environmental Project Fund	154
Swimming Pool Safety Fund	155
 Enterprise Funds	 157
Airport System	
Statement of Net Assets	158
Statement of Revenues, Expenses and Changes in Net Assets	160
Statement of Cash Flows	161
Convention & Entertainment	
Statement of Net Assets	162
Statement of Revenues, Expenses and Changes in Net Assets	164
Statement of Cash Flows	165
Combined Utility System	
Statement of Net Assets	168
Statement of Revenues, Expenses and Changes in Net Assets	170
Statement of Cash Flows	171
 Internal Service Funds	 173
Combining Statement of Net Assets	174
Combining Statement of Revenues, Expenses and Changes in Net Assets	175
Combining Statement of Cash Flows	176
 Fiduciary Funds	 177
Pension Trust Funds	
Combining Statement of Plan Net Assets	178
Combining Statement of Changes in Plan Net Assets	180
Agency Funds	
Combining Statement of Changes in Assets and Liabilities	182

CITY OF HOUSTON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2012

	Page
Discretely Presented Component Units	183
Governmental	
Combining Statement of Net Assets	184
Combining Statement of Activities	190
Business Type	
Combining Statement of Net Assets	195
Combining Statement of Activities	196
Combining Statement of Cash flows	198
 Part III - Statistical Section (unaudited) 	
Net Assets By Component	200
Changes in Net Assets	202
Fund Balances - Governmental Funds	204
General Fund Budget	206
Continuing Debt Disclosure Information	207
Changes in Fund Balances of Governmental Funds	210
Tax Revenue by Source - Governmental Funds	212
Assessed Value and Estimated Value of Taxable Property	213
Direct and Overlapping Property Tax Rates	214
Principal Property Taxpayers	216
Tax Supported Debt Service Funds	217
Ratios of Outstanding Debt by Type	218
Ratios of General Bonded Debt Outstanding	219
Computation of Direct and Overlapping Debt	220
Ad Valorem Tax Levies and Collections	221
Computation of Legal Debt Margin	224
Pledged-Revenue Coverage	226
Demographic and Economic Statistics	227
Principal Employers	228
Employment Statistics	230
City of Houston Employment Information	232
Operating Indicators by Function	234
Capital Asset Statistics by Function	235
Increases/Decreases to Net Assets of Pension Plans	236
Principal and Interest Payable from Ad Valorem Taxes	237
Voter-Authorized Obligations	238
Sales and Use Tax and Franchise Charges and Fees	239
Convention and Entertainment Facilities Fund Revenues and Expenses	240
Convention and Entertainment Facilities Statistics	242
Combined Utility System Fund Revenues and Expenses	248
Combined Utility System Revenue Bond Coverage	250
Combined Utility System Statistics	251
Revenues and Expenses of the Water and Sewer System	263
Airport System Fund Revenues and Expenses	264
Airport System Statistics	266
Surety Bond and Insurance Coverage	276
Salaries of Elected Officials	278
Schedule of Credits	279

CITY OF HOUSTON, TEXAS





2012 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 rating, AAA. The Treasury Division is also responsible for overseeing a debt program of approximately \$13 billion. The City has 15 commercial paper programs totaling \$1.675 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 \$ 2.55 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 2012, the Audit Division engaged in 38 Audits and Special Projects that produced 12 Audit Reports as posted on the Controller’s website. The audits and projects performed focused on risk assessment, 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 \$6.0 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 including the use of technology tools that are integrated with the City’s ERP System (SAP).

The Operations and Technical Services Division is responsible for funding certification for contracts; accounts payable (AP) vendor payments and cash disbursement; bank accounts and travel advances monthly reconciliation, review and approval of City-wide personnel action requests (PAR); payroll payments processing; City-wide contract, financial and accounting records retention and imaging retrieval; vendor liaison function; the Controller’s Office information technology (IT) operations and related administrations. In the coming year, the division’s goals are 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; continue to coordinate the City’s move to a paperless approval system for invoices and encouraging direct deposit payment by City vendors and employees; replace current out of date document retrieval system with an efficient and sufficient system and a high speed engine for server operation.

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.



2012 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 which began January 2012. 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 \$250 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 during Mr. Green's tenure as Controller, the City has realized \$2.8 million in savings.

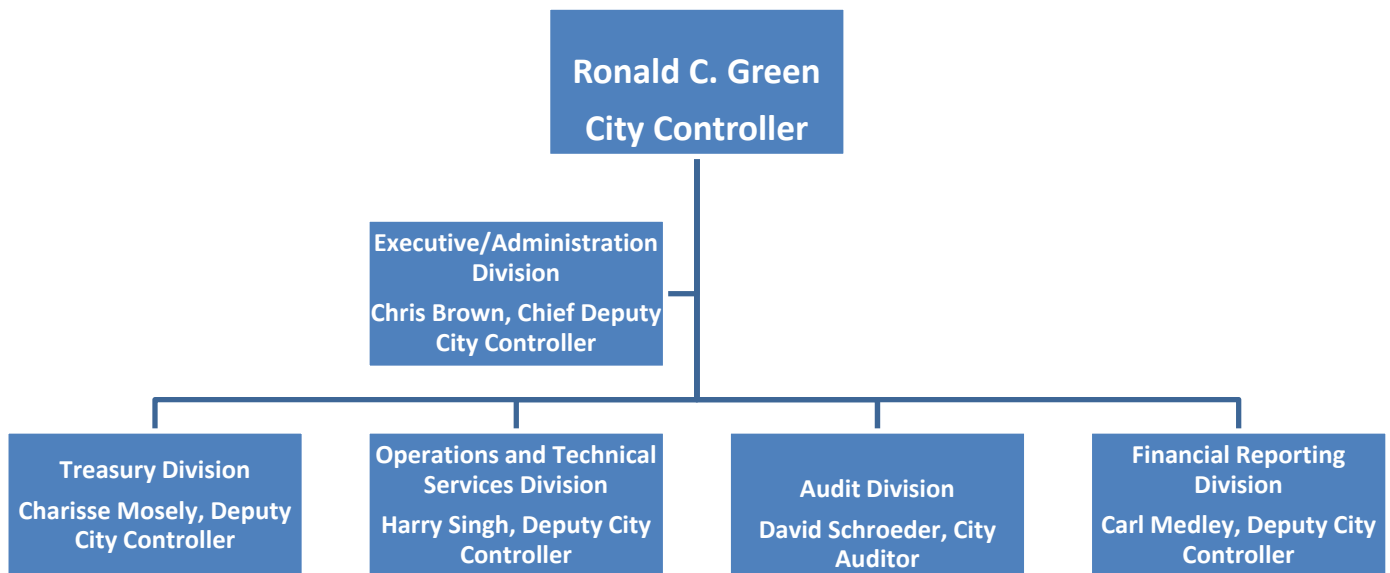
Mr. Green is a native Houstonian. He earned both a Bachelor of Science and a Master of Business Administration from the University of Houston, as well as a law degree from Texas Southern University's Thurgood Marshall School of Law. He is also a licensed real estate broker.

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





**2012 CITY OF HOUSTON
Comprehensive Annual Financial Report**

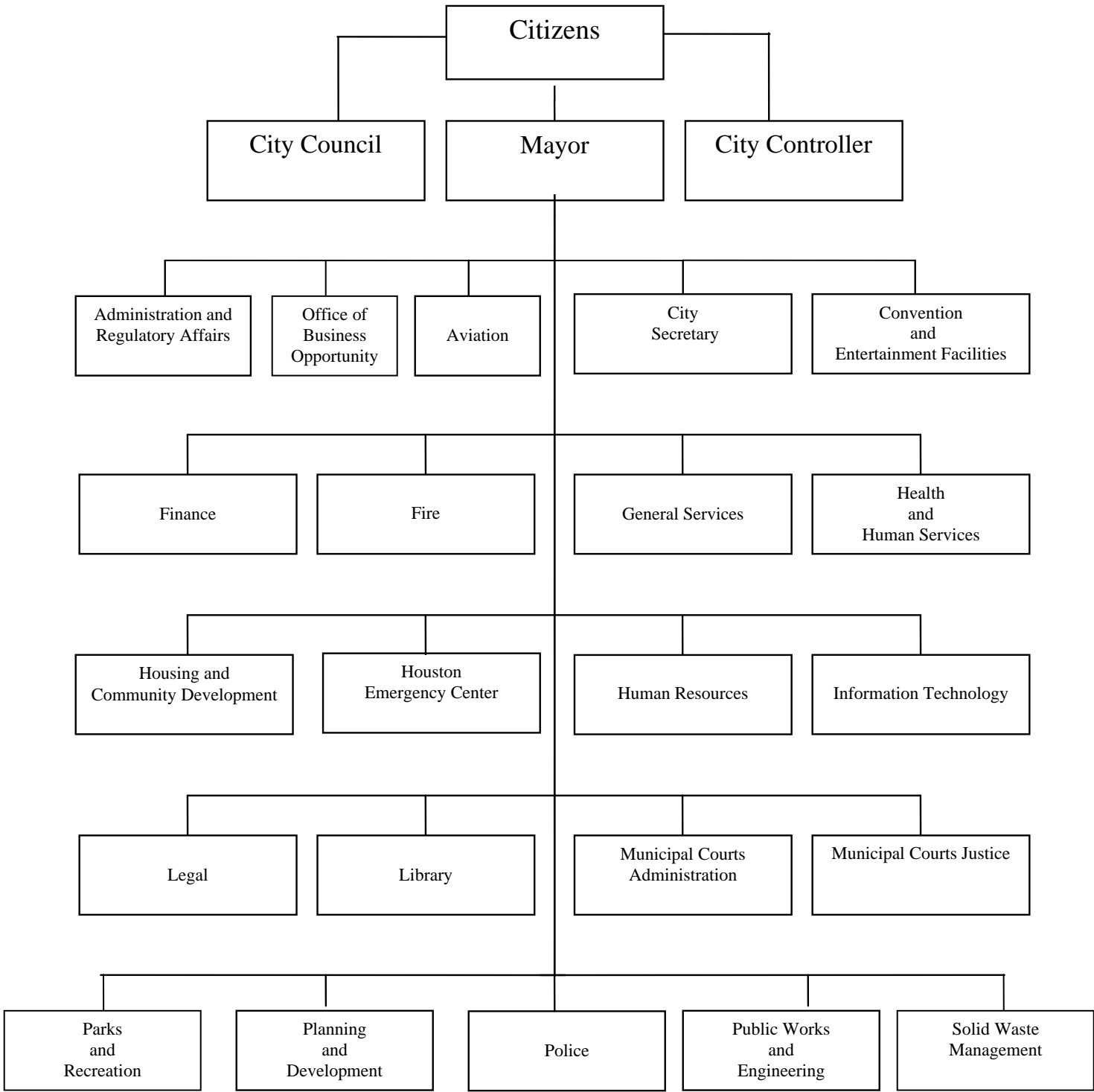
**Elected Officials
City of Houston, Texas**



2012 Houston City Council: (L-R) Left to right: Andrew C. Burks, Jr., At Large Position 2; Helena Brown, District A; Stephen C. Costello, At Large Position 1; Ed Gonzales, District H; Mike Sullivan, District E; Mike Laster, District J; Wanda Adams, District D; Annise D. Parker, Mayor; C.O. Bradford, At Large Position 4; Ronald C. Green, Controller; Jerry Davis, District B; Al Hoang, District F; Larry Green, District K; Melissa Noriega, At Large Position 3; Oliver Pennington, District G; Ellen Cohen, District C; Jack Christie, At Large Position 5; James G. Rodriguez, District I.



Organization Chart City Government



CITY OF HOUSTON, TEXAS





Office of the City Controller
City of Houston, Texas

Ronald C. Green

December 18, 2012

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, 2012, 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, eleven 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. Houston also has a number of fine colleges and universities.

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

Job growth influences everything—commercial and housing construction, retail sales, airport traffic, property and sales tax revenues, home and truck sales, college and university enrollment. Job growth is infectious, spawning growth in all sectors—medical expansion needing construction, retail and entertainment venues needing service personnel—as well as being the driving force behind our area’s population growth. Job growth also equals wage growth: the average annual salary in Houston is now \$9,100 higher than it was in 2009 (some sectors such as manufacturing up nearly \$14,000, but even lower-paid retail and food service wages are up \$2,200). And, of course, this accounts for increased sales tax (see below).

At the beginning of the City’s FY 2012 (July 2011), fully 88 percent of jobs lost during the 16-month long recession in Houston had been regained; by the end of FY 2012, 115 percent had been regained. In a single year spanning May 2011—May 2012, the Houston metro area added 94,300 jobs, almost all in the private sector; if not for the weakness in government hiring, the area would be producing over 100,000 jobs per year. (Note: Figures are from the U.S. Bureau of Labor Statistics and reflect employment in the Houston metropolitan statistical area, MSA, an eight-county region; the City of Houston accounts for 35 percent of the MSA’s population and 37 percent of the region’s jobs.)

That is a remarkable turnaround from mid-2009, the deepest point in Houston’s recession. Houston was the last of the 20 largest metro areas in the U.S. to experience job loss, beginning in September 2008, and along with Boston, experienced the shortest continuous period of job losses, 16 months. There have been three significant employment downturns in the Houston metro region in the past 30 years—and three decades of remarkable growth despite the recessions: 2.8 million new residents, 1 million new jobs, 760,000 new single family homes, 6.7 million vehicles purchased, 1 billion air passengers through the Houston Airport System.

Recovering from the Recession: Five Key Benchmarks, October 2012 (Year Totals)

U.S. Active Rigs	1,977	Compared to 895, June 2009
West Texas Intermediate	\$94.12	Compared to \$77, Aug. 2010
Building Contracts	\$7 Billion	Compared to \$3.4 Billion, June 2011
Port of Houston Shipments	29 Million Tons	Compared to 17.8 Mill. Tons, June 2011
New Car and Truck Sales	224,000	Compared to 108,000, July 2011

Because of Houston’s overall growth in these past 30 years, you did not see the kind of near-universal dread and uncertainty during the recession of 2008-2010 that was evident in many other cities. Why? Houston has a solid manufacturing base: energy. Houston also has one of the country’s largest and most utilized ports. Two exceptional airports. We are a renowned medical and research center. And Houston is a college town with some of the best public and private universities anywhere.

Over 70 percent of the City of Houston's General Fund comes from taxes, those monies paid by citizens within the city limits on the property they own or the goods they buy. Total taxes collected for the City in FY 2012 amounted to over \$1.4 billion dollars.

Property tax is the most significant source of revenue for the City. Unlike most U.S. cities, the Houston area real estate market did not collapse. Nationally most markets saw a 15-20 percent decline in property values annually for four to five years; in Houston we experienced a 2-3 percent decline for, at most, three years. By early FY 2013, most Houston homeowners have recouped their home value, and then some. While the housing construction industry was hit hard by the recession, builders are expected to start on more than 20,000 new homes this next year and realtors will sell 70,000 existing homes. In fact, during 2011, the Houston MSA issued more residential building permits than any other region, with 31,271 and a value of \$4.8 billion (followed by Dallas with 24,800 permits, with a value of \$4.3 billion, and New York with 21,500 and a value of \$3.5 billion). Again, jobs and income growth are driving the real estate market again, perhaps more strongly than in a decade.

Similarly, the commercial and industrial real estate markets were rebounding. The City's FY 2012 ended with four consecutive quarters of positive absorption totaling over three million square feet of new or newly leased office space in the central business district, the Katy Freeway/energy corridor and the West Loop/Galleria. The industrial market grew by over 400 percent in new construction (4.1 million square feet in calendar year 2011) compared to 2010. Retail grew by nearly a million square feet during 2011, the largest growth rate in four years, with another three-quarters of a million square feet expected in 2012.

We began our Fiscal Year 2012 with sales tax revenue fairly stagnant. (The 8.25 cents sales tax is allocated in this manner: one cent is revenue for the City, one cent revenue for Metro, and 6.25 cents revenue for the State of Texas—which has neither an income nor property tax.) As the fiscal year progressed—and consumers in Houston began to realize that the worst was behind—we witnessed a very positive trend in sales tax, both retail and business-to-business, and at 2012 fiscal year's end sales tax was up 6 percent over FY 2011, a trend which was somewhat unexpected. It is worth noting that, typically, consumer retail taxes amount to about 40 percent of the total sales tax revenue, while business-to-business sales tax accounts for the other 60 percent of total sales tax; the strong business sales tax trend is another indicator of business activity.

I would like to close this section with a cautionary note. While the local economy has rebounded nicely from the recession and we are quite optimistic about continued growth, the City of Houston's fiscal future has some challenges. 1.) Much of the City's infrastructure (our streets and sidewalks, water and sewer lines) is aged, past its useful life span and in many instances needing replacement, not just repair. 2.) The City's retirees are enrolled in pension and benefit plans we are obligated to honor. 3.) While this office has been successful in the past two years in restructuring a significant amount of debt, we are carrying \$12.495 billion in debt; in FY 2011, principal and interest on this debt totaled as a \$353 million expenditure in the Governmental Funds, a sum equal to twice the total expenditures for the Library, Health and Human Services, Parks and Municipal Courts departments combined. 4.) Lastly, the recession slowed down the City's revenue stream; now we are fairly stable again, but our revenue sources (taxes and other fees) will not increase nearly as rapidly as the population growth and the demands this growth will place on the City.

Houston #1: Recent Acknowledgements

America's Coolest Cities to Live

Forbes – July 26, 2012

Big Cities Where Self-Employment is Growing the Fastest

Forbes – July 25, 2012

Cities Where a Paycheck Stretches the Furthest

Forbes – July 9, 2012

Top Destination City

U-Haul International March 26, 2012

Top City for Women-Owned Business Revenue

State of Women-Owned Businesses

Report (commissioned by American Express)

March 2012

Top Metros of 2011

Site Selection Magazine – March 1, 2012

Largest Retail Market in Texas - Harris Co.

Texas Retail Survey – March 2012

Most Racially/Ethnically Diverse Large Metro Area

Kinder Institute for Urban Research & The Hobby Center for the Study of Texas – March 2012

Top U.S. Manufacturing Cities

Manufacturers' News, Inc. – January 30, 2012

Fastest Growing Wages in U.S.

Business Insiders - January 12, 2012

Top Technology Job Growth

CyberCoders (as reported by Houston Business

Journal) - January 11, 2012

Top Gulf Coast Counties for New Plants**& Expansions from Oct. '09-Oct. '11 - Harris County**

Conway Data Inc., New Plant Database - January 2012

Best Cities for Manufacturing Jobs

Forbes - December 15, 2011

Personal Safety in U.S.

Mercier (as reported by Houston Business Journal) -

December 1, 2011

Best Performing Cities Among Top 10 Largest U.S.**MSAs**

Milken Institute - December 2011

Top Local Government Green Power Purchaser

Environmental Protection Agency - October 5, 2011

Best Undergraduate Entrepreneurship Program - University of Houston,

The Princeton Review (as reported by Entrepreneur.com) – September 2011

New Housing Construction

Houston Business Journal - August 26, 2011

Highest Quality of Life Among Students - Rice University

Princeton Review (as reported by Houston Business Journal) - August 2, 2011

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

Top Cities for IT Jobs

Modis – May 13, 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

2011 Fast City of the Year

Fastcompany.com – May 2011

Top 10 Major Cities FDI Strategy

FDI Magazine – April/May 2011

Wage Growth

PayScale, Inc. – April 12, 2011

Lowest Cost of Living - Large Metros

ACCRA Cost of Living Index – First Quarter 2011

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 Unassigned 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 2013-2017 CIP calls for the appropriation of \$4.65 billion over the five-year period for both enterprise and property tax supported projects. About \$3.07 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 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 \$2.6 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 (GASB 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 billion accrued liability for retiree health benefits. It is the City's practice to fund the cost of OPEBs 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, 2011. This was the 15th

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 2012 Operating Budget
City of Houston 2010-2016 Capital Improvement
Plan
Greater Houston Partnership
Houston Association of Realtors
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
Forbes.com
City Journal

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, 2011

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.



Linda C. Davidson

President

Jeffrey R. Emmer

Executive Director

Independent Auditor's 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, 2012, 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 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% percent of the assets and net 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 0.5%, 1.8%, and 1.2%, respectively, of the assets, net assets, and revenues of the governmental discretely presented component units) or any business-type discretely presented component units (except for Houston First Corporation, which represents 72%, 20%, and 77%, respectively, of the assets, net assets, and revenues of the 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, governmental discretely presented components units, and business-type 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of 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 the aggregate remaining fund information of the City of Houston, Texas, as of June 30, 2012,

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.

Accounting principles generally accepted in the United States of America require that 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 through 118), Pension System Supplementary Information (page 119), and Other Post Employment Benefits Supplementary Information (page 120) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 Individual Fund Statements and Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements by us or other auditors, and accordingly, we do not express an opinion or provide any assurance on it.

Deloitte's Touche LLP

December 18, 2012

City of Houston, Texas
Management's Discussion and Analysis
June 30, 2012
(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, 2012. Please read this information in conjunction with the basic financial statements that follow this section. The discussion and analysis includes comparative data for 2011. 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, 2012 include:

- The assets of the City of Houston exceeded its liabilities at the close of the most recent fiscal year by \$3.135 billion.
- The City's total net assets decreased during the year by \$183 million.
- Unrestricted assets are a deficit of \$2.369 billion.
- The City of Houston's total expenses were \$4.089 billion.
- Program revenues of \$2.091 billion reduced the net cost of the City's functions to be financed from the City's general revenues to \$1.998 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.

Net Assets
June 30, 2012
(With comparative totals for 2011)
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 1,093	\$ 908	\$ 2,781	\$ 2,663	\$ 3,874	\$ 3,571
Capital assets	6,693	6,610	9,135	9,194	15,828	15,804
Total assets	7,786	7,518	11,916	11,857	19,702	19,375
Long-term liabilities	5,372	5,087	9,789	9,775	15,161	14,862
Other liabilities	792	724	614	472	1,406	1,196
Total liabilities	6,164	5,810	10,403	10,247	16,567	16,058
Net assets						
Invested in capital assets, net of related debt	3,783	3,697	667	734	4,450	4,431
Restricted	183	179	871	851	1,054	1,030
Unrestricted (deficit)	(2,344)	(2,168)	(25)	25	(2,369)	(2,143)
Total net assets	\$ 1,622	\$ 1,708	\$ 1,513	\$ 1,610	\$ 3,135	\$ 3,318

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 \$3.135 billion at the close of the most recent fiscal year.

By far the largest portion of the City of Houston's net assets (141.9%) 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 (33.6%) represents resources that are subject to external restrictions on how they may be used.

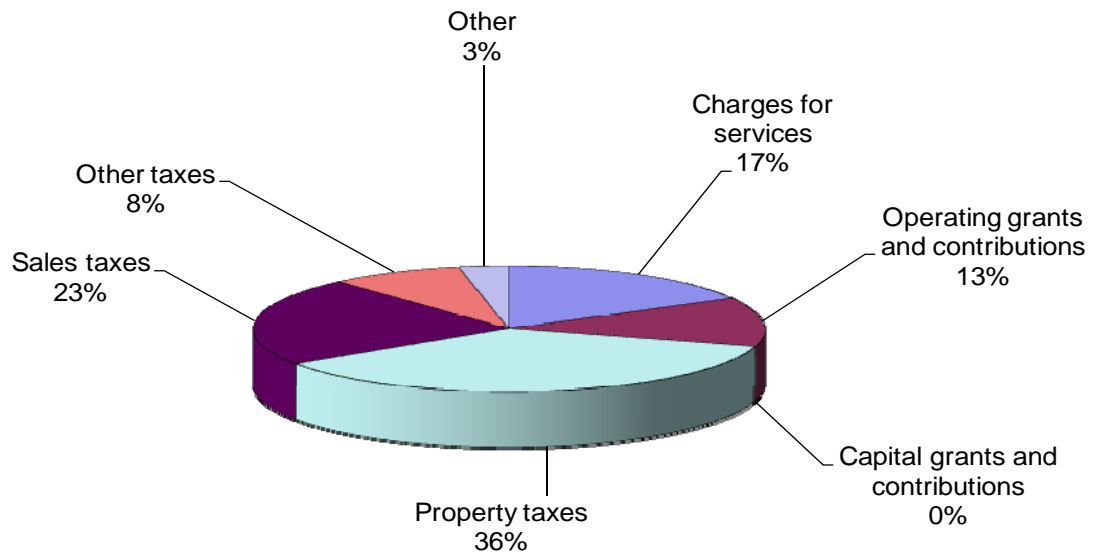
Change in Net Assets
For the Fiscal Year Ended June 30, 2012
With comparative totals for 2011
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program Revenues:						
Charges for services	\$ 408	\$ 235	\$ 1,344	\$ 1,315	\$ 1,752	\$ 1,550
Operating grants and contributions	303	294	12	23	315	317
Capital grants and contributions	-	69	23	47	23	116
General revenues:						
Property taxes	866	853	-	-	866	853
Sales taxes	547	493	-	-	547	493
Other taxes	203	216	69	62	272	278
Other	76	86	119	121	195	207
Total revenues	2,403	2,246	1,567	1,568	3,970	3,814
Expenses:						
General government	270	231	-	-	270	231
Public safety	1,432	1,393	-	-	1,432	1,393
Public works	289	309	-	-	289	309
Health	112	128	-	-	112	128
Housing and community development	72	96	-	-	72	96
Parks and recreation	90	92	-	-	90	92
Library	42	45	-	-	42	45
Interest on Long-term Debt	157	151	-	-	157	151
Depreciation and amortization	126	130	-	-	126	130
Airport System	-	-	542	537	542	537
Convention & Entertainment Facilities	-	-	42	108	42	108
Combined Utility System	-	-	914	866	914	866
Total expenses	2,590	2,575	1,498	1,511	4,088	4,086
Change in net assets before contributions, special items and transfers	(187)	(329)	69	57	(118)	(272)
Contributions	12	5	-	-	12	5
Special items	13	-	(90)	-	(77)	-
Transfers	76	77	(76)	(81)	-	(4)
Change in net assets	(86)	(247)	(97)	(24)	(183)	(271)
Net assets, July 1 as previously reported	1,708	1,949	1,610	1,634	3,318	3,583
Cumulative effect of change in reporting entity	-	6	-	-	-	6
Beginning net assets July 1	1,708	1,955	1,610	1,634	3,318	3,589
Net assets June 30	\$ 1,622	\$ 1,708	\$ 1,513	\$ 1,610	\$ 3,135	\$ 3,318

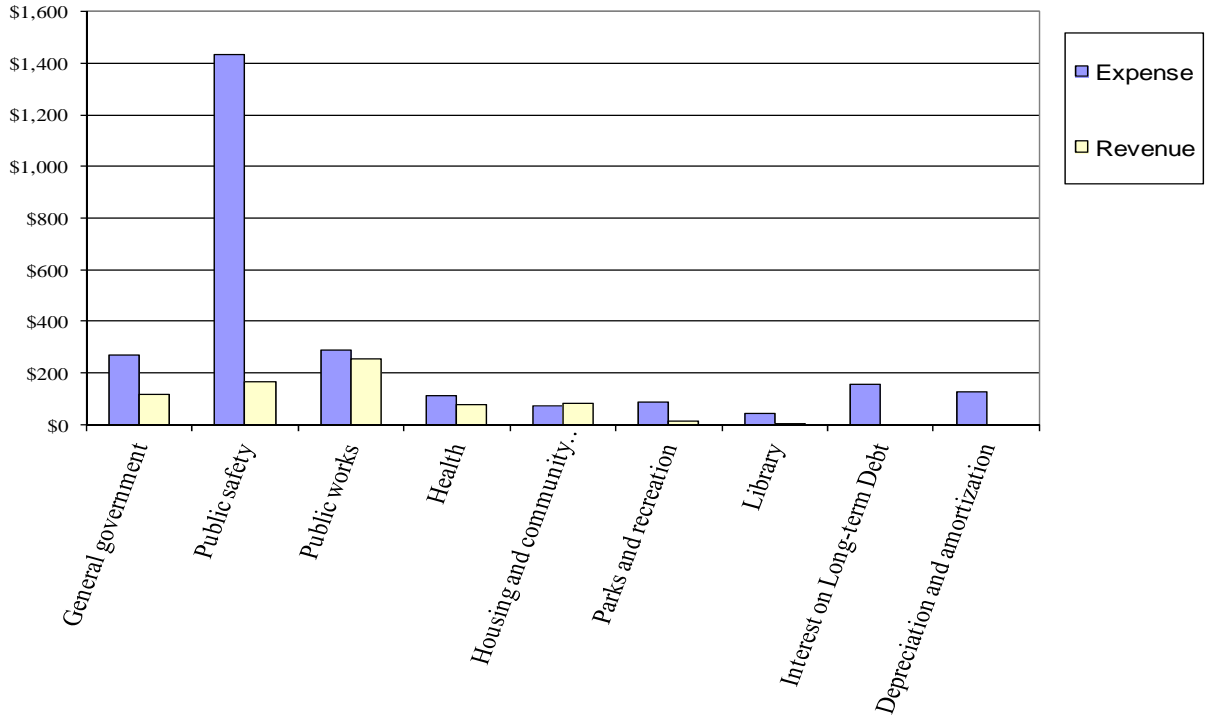
Governmental activities. Governmental activities decreased the City of Houston’s net assets by \$86 million. Key elements of this change are as follows:

- Sales tax revenue has rebounded during fiscal year 2012, providing a 11% increase for the year, from \$493 million to \$547 million.
- The City’s property tax rate remained at \$0.63875 per \$100 assessed value. Property tax revenue increased by \$13 million because of the City’s rising property values combined with continued effort in the collection of delinquent taxes.
- The largest decrease in expenses was in the area of Housing & Community Development - \$24 million.
- The largest increase in expenses was in the areas of General Government and Public Safety - \$39 million each.

Revenue by Source - Governmental Activities



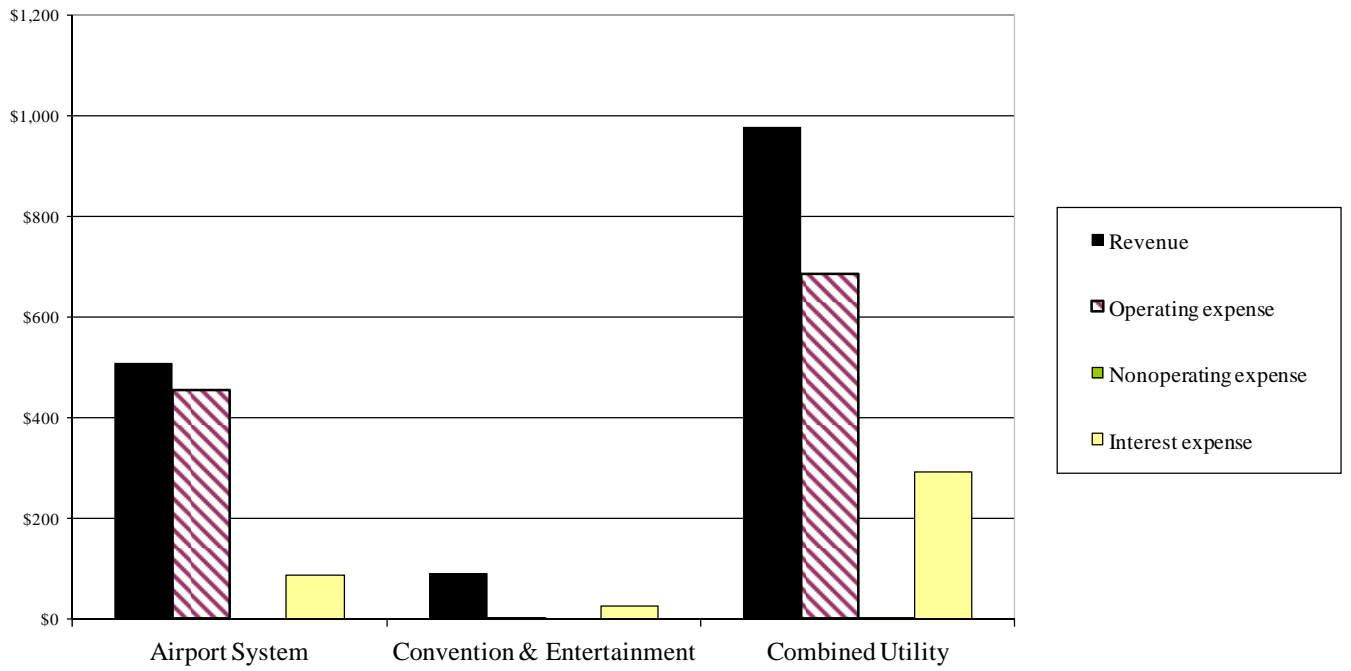
Program Revenue and Expense Governmental



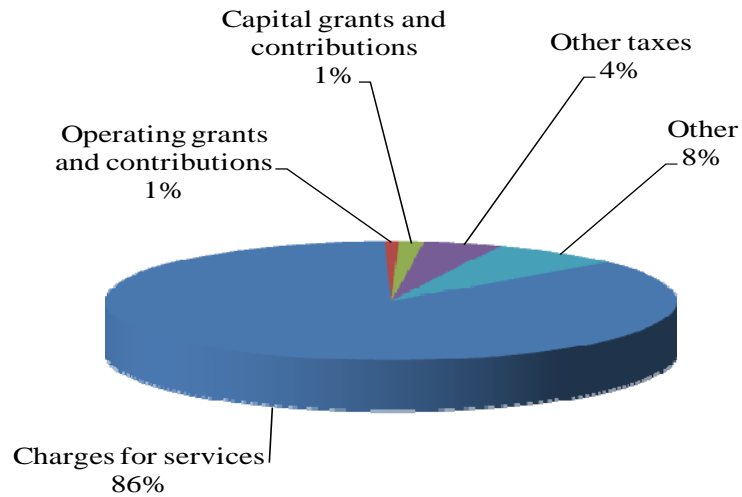
Business-type activities. Business-type activities decreased the City of Houston’s net assets by \$97 million. Key elements of this change are as follows:

- Airport systems operating expenses were up by 1.8%, from \$447 million to \$455 million, for higher personnel and repair costs. Operating revenues for these facilities were up by 2%, from \$410 million to \$418 million. Investment income decreased by 42.3% from \$9.7 million to \$5.6 million.
- Convention & Entertainment transferred much of its operations to Houston First Corporation. Therefore, operating expenses were down by 70.1% from \$55.5 million to \$16.6 million. Operating revenues were down by 61.1%, from \$22.9 million to \$8.9 million. Hotel occupancy taxes increased by 11.4%, from \$61.6 million to \$68.6 million, from higher hotel occupancy rates.
- The Combined Utility System operating expenses increased by 7.6% from \$578 million to \$622 million. Operating revenues increased by 4.3% from \$879 million to \$917 million. Continued area drought has led to record water usage, driving up revenues. Investment income was down by 48.2%, from \$11 million to \$5.7 million and interest expense was up by 1.4% from \$287 million to \$291 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, unassigned 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 \$625 million. Approximately 24.5% of this total amount (\$153 million) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is set aside to indicate that it is not available for new spending because it has already been assigned for capital expenditures (\$19 million), restricted to pay debt service (\$148.2 million), or (3) a variety of other restricted purposes (\$304.2 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 \$153 million, while the total fund balance reached \$213.2 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 9.2% of total general fund expenditures, while total fund balance represents 12.9% of that same amount.

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

- \$0.6 million increase in total revenues – rebound in local economy increasing Sales Tax revenue
- \$130.9 million decrease in expenditures – FY2011 layoffs offsetting other cost increases
- \$19.5 million decrease in proceeds for issuance of debt – hold on projects reduced need for debt
- \$5.2 million decrease in transfers from other funds – slowdown in economy reduced funds
- \$6.9 million increase in transfers to other funds – slowdown in economy reduced funds

Interest expenditures for the debt service fund increased by \$5.9 million. The net increase in fund balance was \$4.9 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 \$66 million. The net increase in fund balance during the current fiscal year was \$34 million, reflecting higher funding levels.

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, \$32 million for Convention and Entertainment, \$58 million deficit for the Combined Utility System. The total decrease in net assets for the Airport System was \$36 million. The Convention and Entertainment fund experienced a decrease of \$54 million and Combined Utility System fund experienced a decrease of \$3 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 above budget by \$39.6 million. A conservative approach developing the FY2012 revenue budget led to an approximately flat budget difference. The details of the more significant variances are detailed below:

- \$27.6 million above budget in sales taxes
- \$23.7 million above budget in property taxes
- \$2.7 million below budget in other revenues
- \$12 million below budget in sale of capital assets
- \$1.7 million above budget in transfers in

Total expenditures for the General Fund were \$25.3 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:

- \$7.6 million below budget in total general government expenditures
- \$5.1 million below budget in public safety expenditures
- \$.5 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, 2012, 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, 2012

(With comparative totals for 2011)
(net of accumulated depreciation in millions)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and right of way	\$ 2,089	\$ 2,086	\$ 433	\$ 429	\$ 2,522	\$ 2,515
Buildings, improvements and equipment	1,989	1,842	5,466	5,136	7,455	6,978
Construction in progress	356	383	300	513	656	896
Water rights	-	-	462	462	462	462
Runway rights	-	-	9	8	9	8
Garage rights	-	-	13	13	13	13
Infrastructure Assets	5,843	5,688	9,328	9,117	15,171	14,805
Less accumulated depreciation	(3,583)	(3,388)	(6,876)	(6,484)	(10,459)	(9,872)
Total	\$ 6,694	\$ 6,611	\$ 9,135	\$ 9,194	\$ 15,828	\$ 15,805

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

- Business-type activities construction in process balance reflects a \$213 million decrease.
- Business-type activities buildings, improvements & equipment reflects a \$330 million increase
- Business-type activities infrastructure assets reflects a \$211 million increase
- Governmental-type activities buildings, improvements & equipment reflects a \$147 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 \$11.8 billion. The two largest portions of this total are made up of \$3.0 billion comprising debt backed by the full faith and credit of the government and \$8.8 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, 2012

(With comparative totals for 2010)

(in millions)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds and commercial paper	\$ 2,965	\$ 2,777	\$ 153	\$ 48	\$ 3,118	\$ 2,825
Pension notes	541	541	67	67	608	608
Inferior lien contract	-	-	33	39	33	39
Revenue bonds	-	-	8,812	8,867	8,812	8,867
Other borrowings	8	9	-	-	8	9
Total	\$ 3,514	\$ 3,327	\$ 9,079	\$ 9,021	\$ 12,593	\$ 12,348

The City's total debt increased by \$245 million or 2% during the current fiscal year.

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

- \$257.1 million of general obligation debt to fund capital projects and equipment purchases.
- \$105 million of combined utility system revenue bonds to fund system projects.

	<u>Std & Poor's</u>	<u>Moody's</u>	<u>Fitch's</u>
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	n/r
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 \$19.1 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 2013 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 three police cadet classes and four 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, 2012
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total	Component Units	
				Governmental	Business-type
Assets					
Equity in pooled cash and investments	\$ 697,799	\$ 1,886,164	\$ 2,583,963	\$ 259,691	\$ 155,698
Receivables, net of allowances					
Accounts receivable	65,756	133,313	199,069	21,462	16,154
Contracts receivable	-	-	-	936	-
Hotel occupancy tax receivable	-	20,080	20,080	-	-
Property taxes receivable	34,708	-	34,708	-	-
Sales taxes receivable	100,539	-	100,539	-	-
Mixed beverage taxes receivable	2,584	-	2,584	-	-
Franchise taxes receivable	17,795	-	17,795	-	-
Special assessments receivable	3,368	93	3,461	-	-
Accrued interest and other	-	-	-	1,146	66
Due from component units	2,085	16,475	18,560	-	-
Internal balances	(4,460)	(106)	(4,566)	-	-
Due from other governments	132,829	6,042	138,871	2,075	1,811
Inventory	14,300	12,001	26,301	33,896	413
Prepaid items	2,277	17,320	19,597	152	1,550
Deferred charges for issuance cost	23,473	71,406	94,879	7,331	5,318
Investments	-	28,370	28,370	23,071	1,923
Other receivables	-	-	-	442	403
Noncurrent assets					
Noncurrent investments	-	-	-	18,189	-
Due from component units	-	267,510	267,510	-	-
Assessments receivable	-	-	-	3,118	-
Receivables and deposits	-	-	-	-	4,552
Due from other governments	-	4,321	4,321	-	-
Amounts held by other government	-	11,090	11,090	-	-
Deferred outflow related to SWAP liability	-	307,267	307,267	-	-
Other assets					
Other long-term receivables	-	-	-	-	3,385
Firefighter's net pension asset	271	-	271	-	-
Capital Assets					
Land and right-of-way	2,088,500	432,904	2,521,404	120,861	13,037
Buildings	1,081,033	3,227,654	4,308,687	49,273	364,984
Improvements and equipment	907,597	2,237,626	3,145,223	1,865	-
Construction in progress	355,797	300,176	655,973	-	-
Runway rights	-	8,522	8,522	-	-
Water rights	-	462,065	462,065	-	-
Garage rights	-	13,144	13,144	-	-
Infrastructure assets	5,842,956	9,328,312	15,171,268	-	-
Less accumulated depreciation and amortization	(3,582,836)	(6,875,762)	(10,458,598)	(14,778)	(90,174)
Total assets	<u>\$ 7,786,371</u>	<u>\$ 11,915,987</u>	<u>\$ 19,702,358</u>	<u>\$ 528,730</u>	<u>\$ 479,120</u>

(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, 2012

(amounts expressed in thousands)

	Governmental		Total	Component Units	
	Activities	Business-type Activities		Governmental	Business-type
Liabilities					
Accounts payable and accrued expenditures	\$ 105,696	\$ 121,559	\$ 227,255	\$ 13,741	\$ 19,053
Accrued payroll liabilities	27,565	4,328	31,893	31	1,086
Accrued interest payable	45,022	82,044	127,066	6,255	2,944
Contracts and retainages payable	-	-	-	602	1,195
Inferior lien contracts	-	4,780	4,780	-	-
Due to component units	-	43,310	43,310	-	-
Due to other governments	1,894	2,773	4,667	6,250	-
Advances and deposits	11,242	45,932	57,174	528	-
Other liabilities	2	-	2	2,840	-
Unearned revenue	168,631	7,072	175,703	458	979
Noncurrent liabilities					
Due within one year					
Contracts payable	-	14,397	14,397	-	13,692
Notes payable	-	-	-	9,076	12,720
Bonds payable	138,875	161,328	300,203	13,760	-
Claims and judgments	35,408	1,472	36,880	-	-
Compensated absences	157,662	14,503	172,165	22	-
Commercial paper	99,800	110,400	210,200	-	-
Arbitrage rebate liability	40	-	40	-	-
Other liabilities	645	-	645	-	-
Due in more than one year					
Notes payable	-	-	-	54,936	245,598
Bonds payable	2,599,693	8,650,882	11,250,575	273,350	-
Claims and judgments	64,540	2,694	67,234	-	-
Compensated absences	285,149	18,729	303,878	-	-
Contracts payable	-	145,610	145,610	7,502	-
Commercial paper	127,100	43,000	170,100	-	-
Arbitrage rebate liability	12	696	708	-	-
Inferior lien contracts	-	28,115	28,115	-	-
Municipal net pension obligation	296,879	120,195	417,074	-	-
Police officers' net pension obligation	551,759	-	551,759	-	-
Deferred inflow related to SWAP liability	-	230,551	230,551	-	-
Unearned revenue	-	351,212	351,212	85	12,450
Other post employment benefits obligation	899,558	130,457	1,030,015	-	-
Pension obligation bonds payable	540,728	67,047	607,775	-	-
Other long-term liabilities	6,458	-	6,458	232	6,882
Total liabilities	6,164,358	10,403,086	16,567,444	389,668	316,599
Net assets					
Invested in capital assets, net of related debt	3,783,152	666,936	4,450,088	109,696	(19,975)
Restricted net assets					
Restricted for debt service	160,259	202,045	362,304	40,579	18,777
Restricted for renewal and replacement	-	10,000	10,000	-	-
Restricted for maintenance and operations	-	121,790	121,790	16,040	-
Restricted for capital improvement	20,000	537,574	557,574	26,872	-
Other restricted	2,572	-	2,572	80,493	6,811
Unrestricted (deficit)	(2,343,970)	(25,444)	(2,369,414)	(134,618)	156,908
Total net assets (deficit)	\$ 1,622,013	\$ 1,512,901	\$ 3,134,914	\$ 139,062	\$ 162,521

* 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, 2012
(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	\$ 270,279	\$ 69,017	\$ 48,341	\$ -
Public safety	1,431,987	141,965	22,513	-
Public works	289,395	171,177	84,691	-
Health	111,891	18,081	58,683	-
Housing and community development	71,417	-	81,630	-
Parks and recreation	89,379	7,576	5,218	-
Library	42,455	979	2,009	-
Interest on long-term debt	157,407	-	-	-
Unallocated Depreciation	126,303	-	-	-
Total governmental activities	<u>2,590,515</u>	<u>408,795</u>	<u>303,085</u>	<u>-</u>
Business-type activities				
Airport System	542,387	417,550	-	15,029
Convention & Entertainment facilities	42,387	8,934	-	-
Combined Utility System	913,503	917,238	12,014	7,955
Total business-type activities	<u>1,498,277</u>	<u>1,343,722</u>	<u>12,014</u>	<u>22,984</u>
Total primary government	<u>\$ 4,088,792</u>	<u>\$ 1,752,517</u>	<u>\$ 315,099</u>	<u>\$ 22,984</u>
Component Units				
Governmental	153,010	2,821	41,401	-
Business-type	122,738	104,750	11,022	-
Total component units activities	<u>\$ 275,748</u>	<u>\$ 107,571</u>	<u>\$ 52,423</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

Transfers from/(to) Discretely Presented Component Units

Transfers

Total general revenues, special items, and transfers

Change in net assets

Beginning net assets, July 1

Net assets (deficit) ending

(Continued)

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

Net (Expense) Revenue and Changes in Net Assets					
Primary Government					
Governmental Activities		Business-type Activities		Total	
			Component Units		
				Governmental	Business-type
\$	(152,921)	\$	-	\$	(152,921)
	(1,267,509)		-		(1,267,509)
	(33,527)		-		(33,527)
	(35,127)		-		(35,127)
	10,213		-		10,213
	(76,585)		-		(76,585)
	(39,467)		-		(39,467)
	(157,407)		-		(157,407)
	(126,303)		-		(126,303)
	(1,878,635)		-		(1,878,635)
	-		(109,808)		(109,808)
	-		(33,453)		(33,453)
	-		23,704		23,704
	-		(119,557)		(119,557)
	(1,878,635)		(119,557)		(1,998,192)
	-		-	(108,788)	-
	-		-	-	(6,966)
	-		-	(108,788)	(6,966)
	651,841		-	91,828	750
	214,302		-	-	-
	37		-	-	-
	546,543		-	-	-
	193,153		-	-	-
	9,525		-	-	-
	193		-	-	-
	-		68,623	-	-
	8,944		21,340	2,582	1,530
	67,313		98,017	2,941	(7,056)
	12,167		-	-	-
	12,849		(89,658)	-	-
	75,878		(75,878)	(535)	53,313
	1,792,745		22,444	96,816	48,537
	(85,890)		(97,113)	(11,972)	41,571
	1,707,903		1,610,014	151,034	120,950
\$	1,622,013	\$	1,512,901	\$	139,062
				\$	162,521

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

CITY OF HOUSTON, TEXAS
BALANCE SHEET — GOVERNMENTAL FUNDS
June 30, 2012
amounts expressed in thousands

	General	Debt Service	Capital Projects
Assets			
Equity in pooled cash and investments	\$ 164,851	\$ 129,565	\$ 185,114
Receivables, net of allowances			
Accounts receivable	35,055	-	-
Property taxes receivable	34,708	-	-
Sales taxes receivable	100,539	-	-
Mixed beverage taxes receivable	2,584	-	-
Franchise taxes receivable	17,795	-	-
Special assessments receivable	3,368	-	-
Due from component units	-	-	-
Due from other funds	10,912	19,456	8,006
Due from other governments	3,335	3,949	1,046
Inventory	13,538	-	-
Prepaid items	2,149	-	125
Total assets	\$ 388,834	\$ 152,970	\$ 194,291
Liabilities and fund balance			
Liabilities			
Accounts payable	48,111	847	25,337
Accrued payroll liabilities	24,541	-	2
Due to other funds	25,730	-	1,042
Due to other governments	308	-	-
Advances and deposits	8,720	-	31
Claims and judgments	1,759	-	-
Compensated absences	3,700	-	-
Other liabilities	-	-	-
Unearned revenue	62,738	3,949	101,449
Total liabilities	175,607	4,796	127,861
Fund balance			
Non-Spendable			
Imprest cash and prepaids	2,149	-	125
Inventory	13,538	-	-
Restricted	35,868	148,174	46,432
Committed	8,547	-	-
Assigned	-	-	19,873
Unassigned	153,125	-	-
Total fund balance	213,227	148,174	66,430
Total liabilities and fund balance	\$ 388,834	\$ 152,970	\$ 194,291

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
\$ -	\$ 196,729	\$ 676,259
11,877	18,821	65,753
-	-	34,708
-	-	100,539
-	-	2,584
-	-	17,795
-	-	3,368
2,085	-	2,085
1,541	1,990	41,905
109,059	10,814	128,203
395	367	14,300
-	-	2,274
<u>\$ 124,957</u>	<u>\$ 228,721</u>	<u>\$ 1,089,773</u>

21,305	5,634	101,234
892	2,068	27,503
15,255	9,606	51,633
600	986	1,894
184	2,307	11,242
-	-	1,759
-	51	3,751
-	2	2
72,064	25,220	265,420
<u>110,300</u>	<u>45,874</u>	<u>464,438</u>

-	-	2,274
395	367	14,300
14,262	130,129	374,865
-	52,351	60,898
-	-	19,873
-	-	153,125
<u>14,657</u>	<u>182,847</u>	<u>625,335</u>
<u>\$ 124,957</u>	<u>\$ 228,721</u>	

6,693,047
122,868

(7,424)

(5,811,813)

1,622,013

* 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, 2012
amounts expressed in thousands

	General	Debt Service	Capital Projects
Revenues			
Taxes and assessments	\$ 1,615,199	\$ -	\$ -
Licenses and permits	25,492	-	-
Charges for services	105,537	-	-
Intergovernmental - grants	16,536	-	48,021
Fines and forfeits	37,190	-	-
Contributions	-	-	-
Investment income	4,609	516	1,530
Other	9,022	6,213	15,405
Total revenues	<u>1,813,585</u>	<u>6,729</u>	<u>64,956</u>
Expenditures			
Current Expenditures			
General government	170,729	-	-
Public safety	1,092,997	-	-
Public works	182,229	-	-
Health	40,138	-	-
Housing and community development	599	-	-
Parks and recreation	63,156	-	-
Library	31,607	-	-
Retiree benefits	10,360	-	-
Capital outlay	63,197	-	184,425
Debt Service			
Debt service principal	-	346,600	-
Debt service interest	2,061	159,025	-
Debt service fiscal agent & fees	-	9,647	-
Total expenditures	<u>1,657,073</u>	<u>515,272</u>	<u>184,425</u>
Other financing sources (uses)			
Issuance of debt	76,118	609,685	120,882
Premium on long-term debt	-	81,310	-
Sale of capital assets	2,330	-	-
Transfers in	73,147	280,487	41,348
Transfers out	(276,317)	-	(8,577)
Payment to escrow agent for refunded bonds	-	(458,052)	-
Transfers from component units	12,849	-	-
Total other financing sources (uses)	<u>(111,873)</u>	<u>513,430</u>	<u>153,653</u>
Changes in fund balance	44,639	4,887	34,184
Fund balances, July 1	168,588	143,287	32,246
Fund balances, June 30	<u>\$ 213,227</u>	<u>\$ 148,174</u>	<u>\$ 66,430</u>

(Continued)

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

Grants	Nonmajor Governmental Funds	Total
\$ -	\$ 393	\$ 1,615,592
-	59,294	84,786
-	142,546	248,083
221,363	65,552	351,472
-	15,060	52,250
20	-	20
373	1,916	8,944
-	41,540	72,180
<u>221,756</u>	<u>326,301</u>	<u>2,433,327</u>
15,727	22,862	209,318
56,577	63,401	1,212,975
7,527	85,504	275,260
58,844	3,322	102,304
74,180	425	75,204
3,451	6,626	73,233
2,508	-	34,115
-	-	10,360
-	24,539	272,161
-	-	346,600
-	-	161,086
-	514	10,161
<u>218,814</u>	<u>207,193</u>	<u>2,782,777</u>
-	-	806,685
-	-	81,310
-	2,514	4,844
-	27,488	422,470
(42)	(61,656)	(346,592)
-	-	(458,052)
-	-	12,849
<u>(42)</u>	<u>(31,654)</u>	<u>523,514</u>
2,900	87,454	174,064
11,757	95,393	451,271
<u>\$ 14,657</u>	<u>\$ 182,847</u>	<u>\$ 625,335</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, 2012
(amounts expressed in thousands)**

Net change in fund balances - total governmental funds	\$	174,064
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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 (\$215,243) was less than the increase in capital assets (\$298,009) in the current period.		82,766
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Revenue in the statement of activities that do not provide current financial resources are deferred as revenues in the funds.		92,400
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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.		(115,492)
--	--	-----------

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.		(75,291)
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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.		(226,970)
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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.		(17,367)
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Change in net assets of governmental activities	<u>\$</u>	<u>(85,890)</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, 2012
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Assets			
Current Assets			
Equity in pooled cash and investments	\$ 1,000,014	\$ 106,778	\$ 779,372
Receivables, net of allowances			
Accounts receivable	25,667	79	107,567
Hotel occupancy tax receivable	-	20,080	-
Special assessments receivable	-	-	93
Due from component units	-	16,475	-
Due from other funds	1,282	269	8,838
Due from other governments	4,713	920	409
Inventory	2,094	-	9,907
Prepaid items	12,018	858	4,444
Restricted assets			
Investments	6,747	21,623	-
Total current assets	<u>1,052,535</u>	<u>167,082</u>	<u>910,630</u>
Noncurrent Assets			
Due from component units	-	267,510	-
Due from other governments	-	-	4,321
Amounts held by other governments	-	-	11,090
Deferred outflow related to SWAP liability	-	-	307,267
Deferred charges for issuance cost	14,751	2,439	54,216
Total noncurrent restricted assets	<u>14,751</u>	<u>269,949</u>	<u>376,894</u>
Capital assets			
Land	210,568	94,063	128,273
Buildings	2,484,745	557,130	185,779
Improvements and equipment	2,091,957	12,816	132,853
Infrastructure	-	334	9,327,978
Construction in progress	95,667	2,167	202,342
Runway rights	8,522	-	-
Water rights	-	-	462,065
Garage rights	-	13,144	-
Less accumulated depreciation and amortization	<u>(1,966,835)</u>	<u>(217,480)</u>	<u>(4,691,447)</u>
Net capital assets	<u>2,924,624</u>	<u>462,174</u>	<u>5,747,843</u>
Total noncurrent assets	<u>2,939,375</u>	<u>732,123</u>	<u>6,124,737</u>
Total assets	<u>\$ 3,991,910</u>	<u>\$ 899,205</u>	<u>\$ 7,035,367</u>

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

<u>Business-type Activities-Enterprise</u>		<u>Governmental Activities Internal Service Funds</u>	
<u>Total</u>			
\$	1,886,164	\$	21,540
	133,313		4,627
	20,080		-
	93		-
	16,475		-
	10,389		5
	6,042		-
	12,001		-
	17,320		3
	<u>28,370</u>		<u>-</u>
	<u>2,130,247</u>		<u>26,175</u>
	267,510		-
	4,321		-
	11,090		-
	307,267		-
	<u>71,406</u>		<u>-</u>
	661,594		-
	432,904		-
	3,227,654		354
	2,237,626		-
	9,328,312		-
	300,176		-
	8,522		-
	462,065		-
	13,144		-
	<u>(6,875,762)</u>		<u>(209)</u>
	<u>9,134,641</u>		<u>145</u>
	<u>9,796,235</u>		<u>145</u>
\$	<u>11,926,482</u>	\$	<u>26,320</u>

* 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, 2012
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Liabilities			
Current Liabilities			
Accounts payable	\$ 38,433	\$ 56	\$ 83,070
Accrued payroll liabilities	1,621	75	2,632
Accrued interest payable	42,783	4,745	34,516
Contracts payable	-	-	14,397
Due to other funds	1,852	69	3,270
Due to component units	-	43,310	-
Due to other governments	-	90	2,683
Advances and deposits	1,589	3	44,340
Inferior lien contracts	4,780	-	-
Claims and judgments	926	-	546
Compensated absences	5,389	432	8,682
Commercial paper	-	-	110,400
Revenue bonds payable	52,805	27,530	80,993
Unearned revenue	7,072	-	-
Total current liabilities	157,250	76,310	385,529
Noncurrent liabilities			
Revenue bonds payable	2,309,222	578,962	5,762,698
Claims and judgments	1,864	-	830
Compensated absences	6,577	222	11,930
Contracts payable	-	-	145,610
Inferior lien contracts	28,115	-	-
Commercial paper	-	43,000	-
Arbitrage rebate liability	-	176	520
Municipal pension trust liability	45,477	4,723	69,995
Other post employment benefits	46,889	3,332	80,236
Deferred inflow related to SWAP liability	-	-	230,551
Unearned revenue	-	8,459	342,753
Pension obligation bonds payable	2,006	3,884	61,157
Total noncurrent liabilities	2,440,150	642,758	6,706,280
Total liabilities	2,597,400	719,068	7,091,809
Net assets (deficit)			
Invested in capital assets, net of related debt	618,155	117,082	(68,301)
Restricted net assets			
Restricted for debt service	185,167	16,878	-
Restricted for renewal and replacement	10,000	-	-
Restricted for maintenance and operations	44,023	13,945	69,126
Restricted for capital improvements	537,165	-	409
Unrestricted	-	32,232	(57,676)
Total net assets (deficit)	\$ 1,394,510	\$ 180,137	\$ (56,442)

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

(Continued)

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

<u>Business-type Activities-Enterprise</u>	<u>Governmental Activities Internal Service Funds</u>
<u>Total</u>	
\$ 121,559	\$ 4,462
4,328	62
82,044	-
14,397	-
5,191	39
43,310	-
2,773	-
45,932	-
4,780	-
1,472	25,680
14,503	199
110,400	-
161,328	-
7,072	2,714
<u>619,089</u>	<u>33,156</u>
8,650,882	-
2,694	5,708
18,729	184
145,610	-
28,115	-
43,000	-
696	-
120,195	-
130,457	-
230,551	-
351,212	-
67,047	-
<u>9,789,188</u>	<u>5,892</u>
<u>10,408,277</u>	<u>39,048</u>
666,936	145
202,045	-
10,000	-
127,094	-
537,574	-
<u>(25,444)</u>	<u>(12,873)</u>
<u>1,518,205</u>	<u>\$ (12,728)</u>
<u>(5,304)</u>	
<u>\$ 1,512,901</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, 2012
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Operating Revenues			
Landing area fees	\$ 86,935	\$ -	\$ -
Terminal space rentals	182,320	-	-
Parking	72,833	7,732	-
Concession	71,386	-	-
Other	4,076	-	-
Rental	-	1,202	-
Water/Sewer Billing	-	-	917,238
Health benefit premiums	-	-	-
Total operating revenue	<u>417,550</u>	<u>8,934</u>	<u>917,238</u>
Operating Expenses			
Administrative costs	-	-	-
Claims Costs	-	-	-
Maintenance and operating	264,060	1,885	410,781
Depreciation and amortization	190,664	14,703	211,170
Total operating expenses	<u>454,724</u>	<u>16,588</u>	<u>621,951</u>
Operating income (loss)	<u>(37,174)</u>	<u>(7,654)</u>	<u>295,287</u>
Nonoperating revenue (expenses)			
Investment income	5,634	10,010	5,696
Hotel occupancy tax	-	68,623	-
Other revenue	4,644	525	33,434
Loss on disposal of assets	(11)	-	(670)
Interest on long-term debt	(87,652)	(25,799)	(290,882)
Passenger facility charges	63,550	-	-
Contributions	-	-	12,014
Total nonoperating revenues (expenses)	<u>(13,835)</u>	<u>53,359</u>	<u>(240,408)</u>
Income (loss) before capital contributions and transfers	<u>(51,009)</u>	<u>45,705</u>	<u>54,879</u>
Capital contributions	15,029	-	7,955
Transfers in	-	-	42
Transfers out	-	(10,388)	(65,532)
Transfers to component unit	-	(89,658)	-
Total transfers	<u>-</u>	<u>(100,046)</u>	<u>(65,490)</u>
Change in net assets	(35,980)	(54,341)	(2,656)
Liability resulting from internal service fund's undercharging proprietary funds			
Net change			
Total net assets (deficit), July 1,	<u>1,430,490</u>	<u>234,478</u>	<u>(53,786)</u>
Total net assets (deficit), June 30	<u>\$ 1,394,510</u>	<u>\$ 180,137</u>	<u>\$ (56,442)</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
Total		
\$	86,935	\$ -
	182,320	-
	80,565	-
	71,386	-
	4,076	227
	1,202	-
	917,238	-
	-	295,142
	<u>1,343,722</u>	<u>295,369</u>
	-	4,286
	-	308,420
	676,726	-
	416,537	50
	<u>1,093,263</u>	<u>312,756</u>
	<u>250,459</u>	<u>(17,387)</u>
	21,340	20
	68,623	-
	38,603	-
	(681)	-
	(404,333)	-
	63,550	-
	12,014	-
	<u>(200,884)</u>	<u>20</u>
	49,575	(17,367)
	<u>22,984</u>	<u>-</u>
	42	-
	(75,920)	-
	(89,658)	-
	<u>(165,536)</u>	<u>-</u>
	(92,977)	(17,367)
	(4,136)	-
	(97,113)	-
	<u>1,611,182</u>	<u>4,639</u>
\$	<u>1,514,069</u>	\$ <u>(12,728)</u>
	(1,168)	
\$	<u>1,512,901</u>	

* 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, 2012
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Cash flows from operating activities			
Receipts from customers	\$ 411,427	\$ 10,708	\$ 933,234
Payments to employees	(97,462)	(1,110)	(151,463)
Payments to suppliers	(100,295)	(5,799)	(199,027)
Internal activity-payments (to) from other funds	(58,616)	(149)	(23,885)
Claims paid	(926)	1	(5,381)
Due to(from) other governments	-	47	-
Other revenues	4,644	526	33,434
Other expenses	-	1	-
Receipts from component units	-	8,459	-
Receipts from other governments	-	-	1,764
Net cash provided by (used in) operating activities	<u>158,772</u>	<u>12,684</u>	<u>588,676</u>
Cash flows from investing activities			
Interest income on investments	5,634	10,161	5,696
Purchase of investments	(8,555)	-	-
Proceeds from sale of investments	8,486	-	-
Net cash provided by (used in) investing activities	<u>5,565</u>	<u>10,161</u>	<u>5,696</u>
Cash flows from capital and related financing activities			
Retirement of revenue bonds	(60,995)	(21,835)	(123,165)
Refunding of revenue bonds	(1,119,089)	(240,635)	(453,914)
Proceeds (uses of cash) from issuance of revenue bonds	1,124,584	254,460	453,997
Proceeds from issuance of commercial paper	-	-	105,000
Passenger facilities charges	63,550	-	-
Interest expense on debt	(115,098)	(2,358)	(286,738)
Retirement of inferior lien contract	(4,535)	-	-
Proceeds from disposition of assets	-	-	316
Contributed capital	16,283	-	3,746
Acquisition of property, plant and equipment	(97,580)	(1,918)	(225,586)
Due from other governments	-	-	(5,207)
Net cash provided by (used in) capital and related financing activities	<u>(192,880)</u>	<u>(12,286)</u>	<u>(531,551)</u>

(Continued)

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

Business-type Activities Enterprise Funds		Governmental Activities Internal Service Funds	
Total			
\$	1,355,369	\$	295,143
	(250,035)		(3,483)
	(305,121)		129
	(82,650)		(9,432)
	(6,306)		(301,917)
	47		-
	38,604		227
	1		-
	8,459		-
	<u>758,368</u>		<u>(19,333)</u>
	21,491		20
	(8,555)		-
	8,486		-
	<u>21,422</u>		<u>20</u>
	(205,995)		-
	(1,813,638)		-
	1,833,041		-
	105,000		-
	63,550		-
	(404,194)		-
	(4,535)		-
	316		-
	20,029		-
	(325,084)		-
	(5,207)		-
	<u>(736,717)</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, 2012
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Cash flows from noncapital financing activities			
Interest expense on pension obligation bonds	(107)	(10)	(3,814)
Deferred charges on future debt issuance	386	-	-
Payments from component unit	-	12,241	-
Hotel occupancy tax revenue	-	67,052	-
Transfers to debt service fund	-	-	(21,163)
Transfers to other funds	-	(100,046)	(44,327)
Net cash provided by (used in) noncapital financing activities	<u>279</u>	<u>(20,763)</u>	<u>(69,304)</u>
Net increase (decrease) in cash and cash equivalents	(28,264)	(10,204)	(6,483)
Cash and cash equivalents, July 1	1,028,278	116,982	785,855
Cash and cash equivalents, June 30	<u>\$ 1,000,014</u>	<u>\$ 106,778</u>	<u>\$ 779,372</u>
Non cash transactions			
Unrealized gain on investments	-	(1,021)	-
Capital additions included in liabilities	1,379	-	-
Contributions of capital assets	-	-	(7,955)
Capitalize interest expense	17,933	-	14,360
CAB accretion interest	-	-	11,493
Gain (loss) on disposal of assets	(11)	-	670
Total non cash transactions	<u>\$ 19,301</u>	<u>\$ (1,021)</u>	<u>\$ 18,568</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (37,174)	\$ (7,654)	\$ 295,287
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	190,664	14,703	211,170
Other post employment benefits	3,394	272	12,363
Other revenues	4,644	526	33,434
Other expenses	-	1	-
Capital improvement plan expense	8,660	-	-
Changes in assets and liabilities			
Accounts receivable	(3,493)	2,618	12,566
Arbitrage rebate	-	-	-
Due from other funds	(329)	(88)	(381)
Due from other governments	-	-	912
Inventory and prepaid insurance	(9,356)	-	(2,809)
Accounts payable	(2,003)	(4,485)	25,285
Accrued payroll liabilities	(2,970)	(412)	(3,967)
Due to other funds	644	(21)	369
Due to other governments	-	47	-
Advances and deposits	(2,631)	(844)	3,432
Claims and judgments-workers' compensation	163	-	(4,275)
Compensated absences	(55)	(698)	284
Pension obligation payable	8,614	260	5,006
Deferred revenue	-	8,459	-
Other long-term liabilities	-	-	-
Net cash provided by (used in) operating activities	<u>\$ 158,772</u>	<u>\$ 12,684</u>	<u>\$ 588,676</u>

(Continued)

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

Business-type Activities Enterprise Funds	Governmental Activities Internal Service Funds
Total	
(3,931)	-
386	-
12,241	-
67,052	-
(21,163)	-
(144,373)	-
<u>\$ (89,788)</u>	<u>-</u>
(46,715)	(19,313)
1,931,115	40,853
<u>\$ 1,884,400</u>	<u>\$ 21,540</u>
(1,021)	-
1,379	-
(7,955)	-
32,293	-
11,493	-
659	-
<u>\$ 36,848</u>	<u>\$ -</u>
\$ 250,459	\$ (17,387)
416,537	50
16,029	-
38,604	-
1	-
8,660	-
11,691	-
-	-
(798)	8
912	(4,626)
(12,165)	-
18,797	(388)
(7,349)	(84)
992	(4,779)
47	-
(43)	-
(4,112)	6,528
(469)	(51)
13,880	-
8,459	1,396
-	-
<u>\$ 760,132</u>	<u>\$ (19,333)</u>

* 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, 2012
amounts expressed in thousands

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Assets		
Equity in pooled cash and investments	\$ 7,176	\$ 14,142
Investments		
U.S. government and agency securities	71,642	-
Corporate bonds	230,905	-
Other fixed income securities	1,912,309	-
Commingled equity funds	255,302	-
Common and preferred stock	2,658,871	-
Real estate and partnerships	3,227,142	-
Short-term investment funds	377,159	-
Invested securities lending collateral	495,547	-
Receivables, net of allowances		
Accounts receivable	15,724	128
Contributions	2,658	-
Accrued interest and other	57,278	-
Due from other funds	-	4,565
Other Assets	11,413	-
Land	483	-
Building	5,758	-
Total assets	<u>9,329,367</u>	<u>18,835</u>
Liabilities		
Accounts payable	57,633	18,704
Advances and deposits	-	131
Security lending collateral	495,547	-
Foreign funds contracts payable	4,534	-
Other liabilities	5,319	-
Total liabilities	<u>563,033</u>	<u>\$ 18,835</u>
Net assets		
Held in trust for pension benefits and other purposes	<u>\$ 8,766,334</u>	

* 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, 2012
amounts expressed in thousands

	2012
Additions	
Contributions:	
City of Houston	\$ 241,509
Plan members	76,714
Total Contributions	318,223
Investment earnings	
Interest and dividends	222,813
Net increase (decrease) in the fair value of investments	(39,392)
Total investment income (loss)	183,421
Less investment expense	(34,615)
Net investment income (loss)	148,806
Total additions	467,029
Deductions	
Benefits	542,283
Refund of contributions	3,160
Administrative expense	18,390
Total deductions	563,833
Change in net assets	(96,804)
Total net assets, July 1	8,863,138
Total net assets, June 30	\$ 8,766,334

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



CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Note 1:	Summary of Significant Accounting Policies	39
Note 2:	Reconciliation of Government –Wide and Fund Financial Statements.....	53
Note 3:	Deposits and Investments.....	56
Note 4:	Allowance for Doubtful Accounts	72
Note 5:	Property Tax.....	73
Note 6:	Capital Assets.....	73
Note 7:	Short -Term Debt –Tax and Revenue Anticipation Notes	76
Note 8:	Long -Term Liabilities	76
Note 9:	Leases.....	91
Note 10:	Pension Plans	92
Note 11:	Other Employee Benefits	96
Note 12:	Interfund Transactions	99
Note 13:	Commitments and Contingencies	101
Note 14:	Related Organization Transactions	103
Note 15:	Conduit Debt Obligations	103
Note 16:	Major Discretely Presented Component Units.....	104
Note 17:	Subsequent Events	112

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012



CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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, 2012

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 Employees 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 First Corporation (formerly Houston Convention Center Hotel Corporation)</i> 1001 Avenida De Las Americas Houston, TX 77010</p>	<p>On June 1, 2011, City of Houston City Council ("City Council") approved the consolidation of the City's Convention & Entertainment Facilities Department ("Department") into the Hotel Corporation ("Consolidation"), effective July 1, 2011, in order to improve the coordination of the City's convention and entertainment services by bringing various entities responsible for generating and spending City hotel occupancy tax (HOT) revenues under one governing body. In connection with the Consolidation, the Hotel Corporation reconstituted and renamed itself as "Houston First Corporation," and Houston First Corporation assumed the primary roles and responsibilities of the Department. To accomplish this, the Hotel Corporation amended its bylaws and articles of incorporation to broaden its authority to accomplish its expanded duties and responsibilities.</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>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Discretely Reported Component Units

Brief Description of Activities, Relationship to City, and Key Inclusion Criteria

***Houston Zoo, Inc.
1513 N. MacGregor
Houston, TX 77030***

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.

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

Discretely Reported Component Units

Brief Description of Activities, Relationship to City, and Key Inclusion Criteria

***City Park Redevelopment Authority
c/o Land Development, Inc.
P.O. Box 994
Sugarland, Texas 77487-0494***

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.

***East Downtown Redevelopment Authority
c/o Vincent & Elkins, LLP
1001 Fannin St., Suite 2500
Houston, Texas 77002***

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.

***Fifth Ward Redevelopment Authority
c/o Hawes Hill Calderon LLP
P.O. Box 22167
Houston, Texas 77227***

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.

***Fourth Ward Redevelopment Authority
410 Pearce St., Suite 355
Houston, Texas 77067***

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.

***Greater Greenspoint Redevelopment
Authority
450 Gears Rd., Suite 200
Houston, Texas 77067***

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.

***Greater Houston Convention and Visitors
Bureau
901 Bagby, Suite 1005
Houston, Texas 77002***

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.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Discretely Reported Component Units	Brief Description of Activities, Relationship to City, and Key Inclusion Criteria
<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>
<p><i>Hardy Near Northside Redevelopment Authority</i> <i>1001 Fannin Street, Suite 2500</i> <i>Houston, Texas 77002-6760</i></p>	<p>A 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>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Discretely Reported Component Units	Brief Description of Activities, Relationship to City, and Key Inclusion Criteria
<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>
<p><i>Lamar Terrace Public Improvement</i> <i>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</i> <i>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</i> <i>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</i> <i>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</i> <i>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>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

<u>Discretely Reported Component Units</u>	<u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u>
<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>
<p><i>Miller Theatre Advisory Board, Inc.</i> <i>6000 Hermann Park Drive</i> <i>Houston, Texas 77030-1702</i></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> <i>c/o Land Development, Inc.</i> <i>P.O. Box 994</i> <i>Sugar Land, Texas 77487</i></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/Almeda Corridors Redevelopment Authority</i> <i>5445 Almeda Suite 545</i> <i>Houston, Texas 77004</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the OST/Almeda 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> <i>c/o Hawes Hill Calderon LLP</i> <i>P.O. Box 22167</i> <i>Houston, Texas 77227-2167</i></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> <i>c/o Knudson & Associates</i> <i>8588 Katy Frwy.</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 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>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

<u>Discretely Reported Component Units</u>	<u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u>
<p><i>Southwest Houston Redevelopment Authority</i> <i>c/o Hawes Hill Calderon LLP</i> <i>P.O. Box 22167</i> <i>Houston, Texas 77227-2167</i></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> <i>3015 Richmond Avenue, Suite 200</i> <i>Houston, Texas 77098-3114</i></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> <i>1980 Post Oak Blvd., Suite 1580</i> <i>Houston, Texas 77056</i></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>

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.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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.

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 Non-exchange 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.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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.

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, 2012.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Substantially all cash, except for imprest accounts, is deposited with financial institutions in non-interest bearing accounts. The City's deposit account is considered as a non-interest bearing account. Instead of receiving interest on the accounts, the City receives the "Earnings Credit Rate". 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.

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

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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 2012, the capitalized interest cost for the Airport System Facilities was \$17.9 million, Combined Utility System Fund was \$14.4 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:

Assets	Years
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 straight-line 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.
- 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

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

2. Fund Balance Summary

A Summary of the nature and purpose of fund balances at June 30, 2012 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	13,538	-	-	395	-	367	-	-	-	367	14,300
Prepaid items	2,149	-	125	-	-	-	-	-	-	-	2,274
Total non-spendable	15,687	-	125	395	-	367	-	-	-	367	16,574
Restricted for:											
General government	2,720	-	-	-	-	-	-	-	5,179	5,179	7,899
Public safety	1,187	-	-	-	4,815	-	-	-	-	4,815	6,002
Public works	-	-	-	-	-	72,703	-	-	2,152	74,855	74,855
Health & housing	626	-	-	14,262	-	-	1,068	-	36,502	37,570	52,458
Parks and recreation	-	-	-	-	-	-	-	341	-	341	341
Library	-	-	-	-	-	-	-	-	131	131	131
Capital outlay	31,335	-	46,432	-	-	-	-	-	7,238	7,238	85,005
Debt service	-	148,174	-	-	-	-	-	-	-	-	148,174
Total restricted	35,868	148,174	46,432	14,262	4,815	72,703	1,068	341	51,202	130,129	374,865
Committed to:											
General government	5,991	-	-	-	-	-	-	-	2,861	2,861	8,852
Public safety	-	-	-	-	13,172	-	-	-	-	13,172	13,172
Public works	2,556	-	-	-	-	16,062	-	-	2,591	18,653	21,209
Health & housing	-	-	-	-	-	-	8,685	-	1,121	9,806	9,806
Parks and recreation	-	-	-	-	-	-	-	5,287	-	5,287	5,287
Capital outlay	-	-	-	-	-	-	-	-	2,572	2,572	2,572
Total committed	8,547	-	-	-	13,172	16,062	8,685	5,287	9,145	52,351	60,898
Assigned:											
	-	-	19,873	-	-	-	-	-	-	-	19,873
Unassigned for:	153,125	-	-	-	-	-	-	-	-	-	153,125
Total	213,227	148,174	66,430	14,657	17,987	89,132	9,753	5,628	60,347	182,847	625,335

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.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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 105 days of vacation leave (60 days for employees with a computation date after December 31, 1999). However, upon termination or retirement, employees are paid a maximum of 90 days of unused vacation leave (45 days for employees with a computation date after December 31, 1999) which is based on the average rate of pay during the employee's highest 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.

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.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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 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 implemented GASB No. 57 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.

In June 2011, the GASB issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". This statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. 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 June 2011, the GASB issued Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53". This statement will improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2011. The City has implemented GASB No. 64 in this annual report.

In March 2012, the GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities". This statement will improve financial reporting by reclassifying certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources, or as outflows or inflows of resources. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

In March 2012, the GASB issued Statement No. 66, "Technical Corrections-2012". This statement will improve financial reporting by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No.54 "Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2012, the GASB issued Statement No. 67, "Financial Reporting for Pension Plans". This statement will improve financial reporting of public employee pensions by state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2013. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2011, the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions". This statement will improve financial reporting of public employee pensions by state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

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, 2012 were (in thousands):

Unamortized bond issuance cost	\$ 23,473
Section 108 deferred revenue	7,103
Other deferred revenue	92,292
	\$ 122,868
Internal Service Fund total assets	\$ 26,320
Internal Service Fund liabilities	(39,048)
Cumulative asset resulting from undercharging the enterprise funds	5,304
	\$ (7,424)
Bonds, notes, and capital lease payable	\$ (3,513,299)
Arbitrage rebate payable	(52)
Accrued interest	(45,022)
Compensated absences not reported at the fund level	(438,677)
Claims and judgments not reported at the fund level	(66,838)
Net pension obligation	(848,367)
Other post employment benefits obligation	(899,558)
	\$ (5,811,813)

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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, 2012 were (in thousands):

Debt issued:	
Public Improvement Bonds	\$ 589,435
Pension Obligations	20,250
Commercial paper	197,000
Premium/Discount on bonds	81,310
Deferred loss on refunding	(23,943)
	<u>\$ 864,052</u>
Repayments:	
Refunded commercial paper	\$ (200,000)
Refunded bonds	(444,000)
Principal payments	(118,227)
	<u>\$ (762,227)</u>
Amortization of:	
Deferred gain	\$ 5,641
Premium	(32,175)
Net adjustment	<u>\$ 75,291</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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	\$ 27,361
Ambulance fees earned but not available	4,288
Fines and forfeits earned but not available	3,772
Other (primarily assessments) earned but not available	<u>56,979</u>
Total revenue not reported at fund level	<u>\$ 92,400</u>
Property taxes for prior periods	\$ (27,359)
Ambulance fees for prior periods	(1,722)
Fines and forfeits for prior periods	(5,564)
Other (primarily assessments) for prior periods	<u>(80,847)</u>
Total revenue for prior period transactions	<u>\$ (115,492)</u>
Interest on long-term debt	\$ 6,355
Municipal Employees pension	(20,253)
Police Officers' pension	(71,064)
Firefighters' pension	(199)
Claims and judgments	4,974
Debt issuance costs	1,608
Amortization of debt issuance costs	(1,544)
Compensated absences	(19,379)
Other liabilities	9,920
Other post employment benefits	(131,198)
Decrease in other receivables	<u>(6,190)</u>
Total differences in accrued expenses	<u>\$ (226,970)</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 3: DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 2012 the carrying amount of the City's deposits was \$48,328,314. The City's bank balance is the sum of three accounts which total \$55,967,905. The three accounts that comprise this balance are described by the following:

Accounts	Ledger	Collected
Concentration	\$ 21,217,444	\$ 15,000,200
Section 108	545,312	545,312
JPM Money Market	34,205,149	34,205,149
Total	\$ 55,967,905	\$ 49,750,661

The first account is a demand deposit account with JP Morgan Chase bank (Chase) that as of June 30, 2012 had a ledger balance of \$21,217,444 and a collected balance of \$15,000,200. 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, 2012 had a collected and ledger balance of \$545,312.

The third account is an AAA-rated, SEC registered money market fund. The balance in the money market fund as of June 30, 2012 was \$34,205,149. 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, 2012. The City held \$2.57 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 are described separately in this report.

1. General Investment Pool Fund 9900

The General Investment Pool consists of all working capital, construction, and debt service funds 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 to gain operational efficiency. Approximately 99% of the City's total investable funds are held in this portfolio.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

City of Houston Investments As of June 30, 2012	Credit Quality Ratings (1)(2)	Market Value	WAM* (years)
U.S. Treasury Notes	N/A	\$ 418,022,152	0.907
Housing and Urban Development Notes	N/A	52,647,035	0.820
Agency Notes (3)	AAA	1,662,249,563	1.027
Agency Notes (3) (4)	Not rated	69,752,045	1.773
Mortgaged Backed Securities (3) (4)	Not rated	107,275,084	2.543
Money Market Funds	AAA Short Term	71,567,644	0.004
Certificates of Deposit	FDIC insured	992,513	0.205
Municipal Bonds	AAA Long Term	29,554,194	0.491
Municipal Bonds	AA Long Term	135,867,691	1.501
Total Investments		\$ 2,547,927,921	1.077

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

- (1) Fitch Ratings Inc. has assigned an AAA credit quality rating and V1 volatility rating to the City's General Investment Pool. The AAA signifies the highest level of credit protection, and the V1 rating signifies volatility consistent with a portfolio of government securities maturing from one to three years.
- (2) All credit ratings shown are either actual Fitch ratings, or if a Fitch credit rating is not available, the equivalent Fitch credit rating is shown to represent the actual Moody's or Standard & Poor's credit rating.
- (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), Federal Agricultural Corporation (Farmer Mac), and Federal Farm Credit Bank.
- (4) These securities were issued by the Federal Home Loan Bank, Freddie Mac, and Fannie Mae, and Farmer Mac. While these individual issues were not rated, senior lien debt of these entities is rated 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, 2012, this investment portfolio's dollar-weighted average maturity was 1.077 years. Modified duration was 1.075 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+.

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, 2012 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, 2012, none of the City's investments in the General Investment Fund 9900 were subject to custodial credit risk.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Foreign Currency Risk. Foreign currency risk is the risk that investments will change value due to changes in exchanges 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 municipal bonds and tax-exempt money market fund.

City of Houston	Credit Quality	Market	
Investments As of June 30, 2012	Ratings	Value	WAM
Fidelity Tax-Exempt Money Market Mutual Fund	SEC 2a-7 fund	4,275,216	36 days
Municipal Bonds	AAA Long Term	3,218,197	329 days
Total Investments		\$ 7,493,414	

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, 2012, the pools dollar-weighted average maturity was 161 days. Modified duration was 0.438 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 60 days to maturity, that individual securities cannot be more than 397 days to maturity, and that securities must have a rating by a nationally recognized rating agencies in one of the two highest short-term rating categories.

Custodial Credit Risk. As of June 30, 2012, 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	Credit Quality	Market	
Investments As of June 30, 2012	Ratings	Value	WAM
U.S. Treasury Bills	N/A	\$ 11,496,069	96 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, 2012, this investment portfolio's dollar-weighted average stated maturity is 96 days. Modified duration is 0.264 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.

Custodial Credit Risk. As of June 30, 2012 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.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

4. Miscellaneous Money Market Accounts

City of Houston	Credit Quality	Market	
Investments As of June 30, 2012	Ratings	Value	WAM
JP Morgan US Government Money Market Fund: Airport System Special Facilities Revenue Bonds Series 1997A Reserve Fund	AAA	\$ 6,589,479	54 days
JP Morgan US Treasury Securities Money Market Fund: Balances held for auction bonds debt service	AAA	188,583	47 days
First American US Treasury Money Market Fund: Balances held for commercial paper debt service	AAA	23,808	44 days
Total Miscellaneous Money Market Funds		\$ 6,801,871	

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

Risk Disclosures:

Interest Rate Risk. These money market funds maintain an average maturity of less than 60 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, 2012, 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

City of Houston	Credit Quality	Market	WAM
Investments As of June 30, 2012	Ratings	Value	(years)
Cash and Equivalents	Not rated	\$ 888,870	n/a
Fixed Income	Not rated	393,520	6.38
Equities	N/A	1,546,057	n/a
Tangible Assets	N/A	207,463	n/a
Total Assets		\$ 3,035,910	

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.

Risk Disclosures:

Interest Rate Risk. The cash and equivalents portions of this portfolio are invested in money market mutual funds. The fixed income portfolio is invested in bond mutual funds with average maturities less than seven years. The weighted average maturity for the fixed income portfolio is 6.38 years, and the weighted average duration is 4.36 years.

Credit Risk. The allocation of assets among various asset classes are set by the board. The fixed income portfolio 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, 2012 all of the Foundation's holdings in the above noted mutual funds, corporate bonds, and common stocks were subject to custodial credit risk.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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 – Houston Municipal Employees Pension System (the System)

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.

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, 2012, are presented by type, as follows:

Short-term investment funds	\$	65,204,046
Government securities		71,642,342
Corporate bonds		230,905,237
Capital stocks		810,010,042
Commingled funds		255,302,205
Real assets		193,775,820
Alternative investments		421,272,705
		\$ 2,048,112,397

Custodial credit risk. For an investment, custodial credit risk 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, 2012, 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.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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. Forwards foreign currency exchange contracts will be limited as follows:
 - a. Forward and future exchange contracts of any currency may be used to hedge up to 100% of the currency exposure of the portfolio in aggregate or of the currency exposure to any single country,
 - b. Foreign exchange contracts with a maturity exceeding 12 months may not be made, and
 - c. Currency options may be entered into in lieu of or in conjunction with forward sales of currencies. The same effective limitations specified in (a) and (b) 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, 2012.

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.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

At June 30, 2012, the following table shows the System's investments by type, amount and the effective duration rate.

	Effective <u>Duration</u>	<u>Domestic</u>	<u>International</u>	<u>Fair Value</u>
Collateralized mortgage obligations	3.25	\$ 10,462,087	\$ -	\$ 10,462,087
Convertible bonds	3.46	11,320,947	237,338	11,558,285
Corporate bonds	4.91	168,880,837		168,880,837
Corporate bonds (International)	5.22		8,075,601	8,075,601
GNMA/FNMA/FHLMC	2.15	40,265,061		40,265,061
Municipal	7.45	1,266,852		1,266,852
Government issues	8.52	27,777,674		27,777,674
Government issues (International)	7.19		2,332,757	2,332,757
Misc. receivable (auto/credit card)	1.41	7,309,002		7,309,002
Other asset backed securities	8.16	1,338,324		1,338,324
Bank loans and other	N/A	23,281,099		23,281,099
		<u>\$ 291,901,883</u>	<u>\$ 10,645,696</u>	<u>\$ 302,547,579</u>

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

1. 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.
2. 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.

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at June 30, 2012 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	\$ 8,191,487		309,388				4,104,210	1,338,324	\$ 13,943,409	0.68%
AA			1,487,154				75,933		1,563,087	0.08%
AA+				33,917,574			177,337		34,094,911	1.66%
AA-			194,207		117,557				311,764	0.02%
A			947,434		356,187		126,581		1,430,202	0.07%
A+	801,494		179,496		665,900				1,646,890	0.08%
A-	319,152		6,543,506		127,208				6,989,866	0.34%
BBB		176,231	11,433,500						11,609,731	0.57%
BBB+			6,596,366			2,194,311			8,790,677	0.43%
BBB-			11,141,307						11,141,307	0.54%
BB		529,489	7,450,606			138,446			8,118,541	0.40%
BB+		1,559,307	6,307,731						7,867,038	0.38%
BB-		2,660,969	4,197,026						6,857,995	0.33%
B		1,731,706	35,015,893						36,747,599	1.79%
B+		1,585,863	17,321,828						18,907,691	0.92%
B-		492,444	26,206,727						26,699,171	1.30%
Below C		929,088	35,525,976						36,455,064	1.78%
NA	1,149,954	1,893,188	6,098,293	7,489,294			26,106,046		42,736,775	2.09%
Subtotal	<u>\$10,462,087</u>	<u>\$11,558,285</u>	<u>\$ 176,956,438</u>	<u>\$41,406,868</u>	<u>\$1,266,852</u>	<u>\$ 2,332,757</u>	<u>\$30,590,107</u>	<u>\$1,338,324</u>	<u>\$ 275,911,718</u>	<u>13.47%</u>
Total credit risk debt securities									275,911,718	13.47%
U.S. government fixed income securities									26,635,861	1.30%
Total fixed income securities									<u>302,547,579</u>	<u>14.77%</u>
Other investments									1,745,564,818	85.23%
Total investments									<u>\$2,048,112,397</u>	<u>100.00%</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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, 2012 as follows:

	<u>Fair Value</u>	<u>Percentage</u>
Australian Dollar	\$ 8,424,135	4.09%
Brazilian Real	3,904,399	1.90%
Canadian Dollar	7,585,236	3.68%
Danish Krone	1,576,201	0.77%
Euro Currency	52,888,889	25.67%
Hong Kong Dollar	12,375,671	6.01%
Indonesian Rupiah	1,540,580	0.75%
Japanese Yen	23,670,490	11.49%
Malaysian Ringgit	798,898	0.39%
Mexican Peso	2,326,310	1.13%
New Taiwan Dollar	482,232	0.23%
Norwegian Krone	4,991,231	2.42%
Pound Sterling	48,562,057	23.57%
Singapore Dollar	4,633,328	2.25%
South African Rand	5,541,623	2.69%
South Korean Won	4,469,039	2.17%
Swedish Krona	7,641,956	3.71%
Swiss Franc	10,504,481	5.10%
Thailand Baht	1,970,535	0.96%
Turkish Lira	2,127,606	1.02%
	<u>\$ 206,014,897</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 economic and 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.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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, 2012 by type are as follows:

Short-term investment funds	\$	77,783,762
Fixed income		1,096,389,150
Common equity		1,144,872,040
Preferred equity		3,996,158
Alternative investments		255,560,308
Private equity		362,091,661
Real estate		208,453,891
Total investments	<u>\$</u>	<u>3,149,146,970</u>

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, 2012, 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.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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, 2012, 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 comes 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, 2012, the following table shows the Fund's investments by type, with weighted average maturity and fair value:

	Weighted Average	
	<u>Maturity</u>	<u>Fair Value</u>
Asset Backed Securities	15.54	\$ 15,476,769
Consumer Discretionary	3.06	5,000,824
Corporate Debt	19.59	685,157,214
Energy	14.66	4,314,939
Financials	6.51	4,825,369
General Obligations	30.67	6,321,572
Healthcare	13.28	5,694,175
Industrials	11.37	3,696,965
Information Technology	15.67	17,856,631
Materials	12.11	3,169,950
Non-U.S. Corporate	4.51	76,500,989
Non-U.S. Government Issues	1.70	27,150,817
Revenue Bonds	28.67	30,121,961
Telecommunication Services	2.71	3,764,250
U.S. Government Issues	13.68	72,231,543
U.S. Private Placements	14.03	105,666,655
U.S. Taxable Muni Bonds	51.69	26,251,059
Utilities	16.71	3,187,468
Total fixed income securities		<u><u>\$1,096,389,150</u></u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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, 2012 is as follows:

<u>Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Holdings</u>
A1	\$ 43,078,521	1.37%
A2	121,373,946	3.85%
A3	179,446,839	5.69%
AA1	26,691,676	0.85%
AA2	12,639,977	0.40%
AA3	29,124,343	0.92%
AAA	95,088,789	3.01%
B1	20,305,464	0.64%
B2	28,549,258	0.91%
B3	23,503,078	0.75%
BA1	33,925,205	1.08%
BA2	29,132,252	0.92%
BA3	27,814,389	0.88%
BAA1	99,747,757	3.16%
BAA2	78,949,001	2.50%
BAA3	115,666,266	3.67%
C	824,675	0.03%
CA	7,055,363	0.22%
CAA1	20,814,041	0.66%
CAA2	11,995,931	0.38%
CAA3	5,451,437	0.17%
DEF	2,025,535	0.06%
Not rated	10,953,864	0.35%
Total credit risk debt securities*	<u>\$1,024,157,607</u>	<u>32.47%</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.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

The Fund's exposure to foreign currency fluctuation as of June 30, 2012 is as follows:

	<u>Fair Value</u>	<u>Percentage of Holdings</u>
Euro Currency Unit	\$ 98,516,927	3.12%
British Pound Sterling	64,492,866	2.05%
Japanese Yen	58,728,677	1.86%
Swiss Franc	37,879,880	1.20%
Canadian Dollar	36,101,595	1.15%
Australian Dollar	19,660,169	0.62%
Hong Kong Dollar	16,911,651	0.54%
New Zealand Dollar	14,267,710	0.45%
Norwegian Krone	13,252,071	0.42%
Brazil Real	12,698,905	0.40%
Singapore Dollar	12,045,596	0.38%
South Korean Won	11,300,334	0.36%
Indonesian Rupian	9,435,826	0.30%
Swedish Krona	7,560,906	0.24%
Thailand Baht	6,767,314	0.22%
Danish Krone	5,885,381	0.19%
Mexican New Peso	1,984,467	0.06%
New Taiwan Dollar	1,369,544	0.04%
Czech Koruna	713,242	0.02%
Total securities subject to foreign currency risk	<u>\$ 429,573,061</u>	<u>13.62%</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 June 30, 2012. 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.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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, 2012, the System had a balance of \$309 thousand on deposit at a financial institution. Beginning December 31, 2010 through December 31, 2012, the Federal Depository Insurance Corporation (FDIC) fully insured all noninterest-bearing transaction accounts at this financial institution. Therefore, as of June 30, 2012 none of the System's bank balance of \$309 thousand was exposed to custodial credit risk. In addition, at June 30, 2012, the System had approximately \$3,665 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, 2012, the System's fixed income assets that are not government guaranteed represented 75.1% 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)**

<u>Fixed Income Security Type</u>	<u>Market Value (\$000's)</u>	<u>Percent of Total</u>	<u>Weighted Average Credit Quality</u>
Corporate Bonds	\$ 121,566	11.6 %	B
Corporate Convertible bonds	1,090	0.1	BBB
International Government Bond:	101,784	9.7	AAA
Mutual Bond Funds	329,382	31.4	Not Rated
Short Term Investment Funds	234,171	22.3	Not Rated
Total	<u>\$ 787,993</u>	<u>75.1 %</u>	

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

Credit Rating Level	Corporate Bonds	Corporate Convertible Bonds	International Government Bonds	Mutual Bond Funds	Short Term Investment Funds
AAA	\$ -	\$ -	\$ 45,388	\$ -	\$ -
AA	-	-	14,480	-	-
BBB	2,708	771	-	-	-
BB	41,107	-	-	-	-
B	63,842	197	-	-	-
CCC	10,747	-	-	-	-
C	386	-	-	-	-
NR	2,776	122	41,915	329,382	234,171
Total	<u>\$ 121,566</u>	<u>\$ 1,090</u>	<u>\$ 101,783</u>	<u>\$ 329,382</u>	<u>\$ 234,171</u>

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, which is essentially that the counterparty will be unable to fulfill its obligations, which are then 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.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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, 2012, the System did not have any single 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 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	\$ 262,098	24.9%	7.6
Corporate Bonds	121,566	11.6	4.8
Corporate Convertible Bonds	1,090	0.1	5.4
International Government Bonds	101,784	9.7	8.0
Mutual Bond Funds	329,382	31.4	4.2
Short Term Investment Funds	234,171	22.3	0.2
Total	\$ 1,050,091	100.0%	4.6

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	\$ 179,431	4.6	3.1
10 to 20 years maturities	62,097	12.4	2.9
Greater than 20 years maturities	20,570	19.9	1.6
Total	\$ 262,098		7.6
Corporate Bonds			
1 to 10 years maturities	\$ 115,249	4.6	4.4
10 to 20 years maturities	6,039	8.2	0.4
Greater than 20 years maturities	278	19.4	0.0
Total	\$ 121,566		4.8
Corporate Convertible Bonds			
1 to 10 years maturities	\$ 893	1.1	0.9
Greater than 20 years maturities	197	24.7	4.5
Total	\$ 1,090		5.4
International Government Bonds			
1 to 10 years maturities	\$ 66,308	4.6	3.0
10 to 20 years maturities	23,444	11.9	2.7
Greater than 20 years maturities	12,032	19.2	2.3
Total	\$ 101,784		8.0

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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. International and global managers 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, 2012, is shown in the table below:

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

Currency	Short Term Investments	Equities	Fixed Income	Alternative Investments	Foreign Currency Contracts	Total
Australian dollar	\$ 46	\$ -	\$ -	\$ 184	\$ -	\$ 230
Brazilian real		261				261
British pound sterling	16	29,670	7,957		(7,998)	29,645
Canadian dollar	307					307
Euro	3,485	54,489	47,718	29,675	(50,648)	84,719
Hong Kong dollar		4,026				4,026
Japanese yen	278	30,386	47,227		(47,702)	30,189
Singapore dollar		2,450				2,450
South Korean won	14	4,165				4,179
Swedish krona	12	1,957				1,969
Swiss franc	165	11,157				11,322
Total	\$ 4,323	\$ 138,561	\$ 102,902	\$ 29,859	\$ (106,348)	\$ 169,297

Contributions Receivable. The June 30, 2011 Agreement with the City provided that for fiscal year 2012 the amount to be contributed would be an \$83,000 thousand fixed payment, with any shortfall in the fixed payment not to exceed \$17,000 thousand. This contribution receivable of \$17,000 thousand is secured by an undivided interest (Property Interest) in real property owned by the City known as the Houston Police Department Headquarters located at 1200 Travis, Street, Houston, Texas, and a parking garage located at 801 Polk Street, Houston, Texas (Real Property).

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, 2012 the weighted-average maturity of the collateral pool was 43 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, 2012 was \$113,063 thousand. The System also had non-cash collateral at June 30, 2012 of \$90 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, 2012 was \$111,525 thousand. At June 30, 2012, the System had no credit risk exposure to borrowers because the amounts the System owes the borrowers, \$113,153 thousand, exceeds the amounts the borrowers owe the System, \$111,525 thousand.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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, 2012, 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.

	Fair Value at June 30, 2012			
	Changes in Fair Value *	Classification	Amount	Notional Value
Investment derivatives:				
Short Term Investments	\$ (682)	Short term investments	\$ (682)	\$ (79,690)
Futures contracts				
Fixed Income Futures contracts	\$ 861	Fixed Income	\$ 861	\$ 32,151
Equity Futures contracts	\$ 5,302	Equity	\$ 5,302	\$ 207,937
Foreign currency contracts:				
British pound sterling	\$ (57)	Foreign currency contracts	\$ (57)	£ (4,343)
Euro	\$ (195)	Foreign currency contracts	\$ 11	€ (13,306)
Japanese yen	\$ 5	Foreign currency contracts	\$ (201)	¥ (42,560)

* All changes in fair value are reported in Net appreciation 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, 2012. Such amounts are reported as a component of Net appreciation (depreciation) in the Statement of Changes in Plan Net 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 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* – Credit risk is 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.
- *Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the System's derivative instruments.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

- *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, 2012, is shown in the table below.

Currency	(\$000's)			
	Short Term		Fixed	Foreign
	Investments	Equity	Income	currency
	Futures	Futures	Futures	contracts
Australian dollar	\$ 46	\$ -	\$ -	\$ -
British pound sterling			184	(6,869)
Canadian dollar	178	9,081		
Euro			2,910	(17,080)
Japanese yen	(2,186)	(26)	4,555	(528)
Total	\$ (1,962)	\$ 9,055	\$ 7,649	\$ (24,477)

Alternative Investments – As of June 30, 2012, 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 Buy outs	\$ 128,402
Special Situations	107,418
Venture Capital	64,868
<i>Other Alternatives</i>	
Hedge Funds	535,857
Real Estate Funds	50,736
Risk Parity	898,706
Total	\$ 1,785,987

NOTE 4: ALLOWANCE FOR DOUBTFUL ACCOUNTS

The following were the allowances for doubtful accounts receivable by fund as of June 30, 2012 (\$000’s):

Fund	Amount
General	
Uncollectible general property taxes	\$ 46,210
Ambulance charges	125,949
Fines and forfeits	34,389
Demolition liens	97,644
Others	6,381
Grant revenue	30,316
Airport System	3,572
Convention and Entertainment Facilities	524
Combined Utility System	112,391
	\$ 457,376

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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 2011 tax year was \$0.63875 per \$100 of assessed value with \$0.480709 for operations and \$0.158041 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, 2012 follows (in thousands):

	Balance July 1, 2011	Additions	Retirement	Transfers	Balance June 30, 2012
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 362,272	\$ 4,412	\$ (8,391)	\$ 1,199	\$ 359,492
Right of way	1,723,571	547	(16)	4,906	1,729,008
Construction Work in Progress	383,464	245,897	-	(273,564)	355,797
Total capital assets not being depreciated	<u>2,469,307</u>	<u>250,856</u>	<u>(8,407)</u>	<u>(267,459)</u>	<u>2,444,297</u>
Other capital assets:					
Buildings	971,422	103	(54)	109,562	1,081,033
Improvements and Equipment	870,074	29,238	(18,763)	27,048	907,597
Infrastructure	5,687,872	26,983	(2,748)	130,849	5,842,956
Total other capital assets	<u>7,529,368</u>	<u>56,324</u>	<u>(21,565)</u>	<u>267,459</u>	<u>7,831,586</u>
Less accumulated depreciation for:					
Buildings	(268,216)	(28,127)	51	(119)	(296,411)
Improvements and Equipment	(555,888)	(60,813)	18,278	119	(598,304)
Infrastructure	(2,564,290)	(126,303)	2,472	-	(2,688,121)
Total accumulated depreciation	<u>(3,388,394)</u>	<u>(215,243)</u>	<u>20,801</u>	<u>-</u>	<u>(3,582,836)</u>
Other capital assets, net	<u>4,140,974</u>	<u>(158,919)</u>	<u>(764)</u>	<u>267,459</u>	<u>4,248,750</u>
Primary Government capital assets, net	<u>\$6,610,281</u>	<u>\$ 91,937</u>	<u>\$ (9,171)</u>	<u>\$ -</u>	<u>\$6,693,047</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

B. Business-type Activities

	Balance July 1, 2011	Additions	Retirements	Transfers	Balance June 30, 2012
Airport System					
Capital assets not being depreciated:					
Land	\$ 210,091	\$ -	\$ -	\$ 477	\$ 210,568
Rights & Intangibles- Non Depreciable	7,016	-	-	654	7,670
Construction Work in Progress	313,278	105,868	-	(323,479)	95,667
Total capital assets not being depreciated	<u>530,385</u>	<u>105,868</u>	<u>-</u>	<u>(322,348)</u>	<u>313,905</u>
Other capital assets:					
Buildings	2,195,518	-	(2,507)	291,734	2,484,745
Improvements and equipment	2,059,916	2,033	(417)	30,425	2,091,957
Rights & Intangibles- Amortizable	663	-	-	189	852
Total other capital assets	<u>4,256,097</u>	<u>2,033</u>	<u>(2,924)</u>	<u>322,348</u>	<u>4,577,554</u>
Less accumulated depreciation for:					
Buildings	(722,646)	(95,590)	2,507	(230)	(815,959)
Improvements and equipment	(1,056,410)	(94,728)	406	230	(1,150,502)
Rights & Intangibles	(28)	(346)	-	-	(374)
Total accumulated depreciation	<u>(1,779,084)</u>	<u>(190,664)</u>	<u>2,913</u>	<u>-</u>	<u>(1,966,835)</u>
Other capital assets, net	<u>2,477,013</u>	<u>(188,631)</u>	<u>(11)</u>	<u>322,348</u>	<u>2,610,719</u>
Airport System capital assets, net	<u>3,007,398</u>	<u>(82,763)</u>	<u>(11)</u>	<u>-</u>	<u>2,924,624</u>
Convention and Entertainment Facilities					
Capital assets not being depreciated:					
Land	94,063	-	-	-	94,063
Construction Work in Progress	340	1,917	-	(90)	2,167
Total capital assets not being depreciated	<u>94,403</u>	<u>1,917</u>	<u>-</u>	<u>(90)</u>	<u>96,230</u>
Other capital assets:					
Buildings	557,085	-	-	45	557,130
Garage Rights	13,144	-	-	-	13,144
Improvements and equipment	12,778	-	(8)	46	12,816
Infrastructure	334	-	-	-	334
Total other capital assets	<u>583,341</u>	<u>-</u>	<u>(8)</u>	<u>91</u>	<u>583,424</u>
Less accumulated depreciation/amortization for:					
Buildings	(192,447)	(13,714)	-	-	(206,161)
Garage Rights	(2,636)	(354)	-	-	(2,990)
Improvements and equipment	(7,664)	(620)	8	-	(8,276)
Infrastructure	(38)	(15)	-	-	(53)
Total accumulated depreciation/amortization	<u>(202,785)</u>	<u>(14,703)</u>	<u>8</u>	<u>-</u>	<u>(217,480)</u>
Other capital assets, net	<u>380,556</u>	<u>(14,703)</u>	<u>-</u>	<u>91</u>	<u>365,944</u>
Convention and Entertainment Facilities capital assets, net	<u>474,959</u>	<u>(12,786)</u>	<u>-</u>	<u>1</u>	<u>462,174</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

	Balance July 1, 2011	Additions	Retirements	Transfers	Balance June 30, 2012
Combined Utility System					
Capital assets not being depreciated:					
Land	\$ 123,841	\$ 1,985	\$ (272)	\$ 1,312	\$ 126,866
Right of way	1,407	-	-	-	1,407
Rights & Intangibles - Non-depreciable	462,065	-	-	-	462,065
Construction Work in Progress	199,002	222,352	-	(219,012)	202,342
Total capital assets not being depreciated	<u>786,315</u>	<u>224,337</u>	<u>(272)</u>	<u>(217,700)</u>	<u>792,680</u>
Other capital assets:					
Buildings	185,244	254	(491)	772	185,779
Improvements and equipment	125,571	8,476	(2,750)	1,556	132,853
Infrastructure	9,116,961	14,833	(19,187)	215,371	9,327,978
Total other capital assets	<u>9,427,776</u>	<u>23,563</u>	<u>(22,428)</u>	<u>217,699</u>	<u>9,646,610</u>
Less accumulated depreciation/amortization for:					
Buildings	(56,618)	(5,196)	491	-	(61,323)
Improvements and equipment	(83,038)	(8,396)	2,735	-	(88,699)
Infrastructure	(4,362,337)	(197,578)	18,490	-	(4,541,425)
Total accumulated depreciation/amortization	<u>(4,501,993)</u>	<u>(211,170)</u>	<u>21,716</u>	<u>-</u>	<u>(4,691,447)</u>
Other capital assets, net	<u>4,925,783</u>	<u>(187,607)</u>	<u>(712)</u>	<u>217,699</u>	<u>4,955,163</u>
Combined Utility System capital assets, net	<u>5,712,098</u>	<u>36,730</u>	<u>(984)</u>	<u>(1)</u>	<u>5,747,843</u>
Business-type activities capital assets, net	<u>\$ 9,194,455</u>	<u>\$ (58,819)</u>	<u>\$ (995)</u>	<u>\$ -</u>	<u>\$ 9,134,641</u>

C. Depreciation Expense

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

Governmental activities	
General government	\$ 12,714
Public safety	35,696
Public works	17,263
Health	4,992
Housing	1,539
Parks and recreation	11,329
Library	5,407
Infrastructure	126,303
Total depreciation expense - governmental activities	<u>\$ 215,243</u>
Business-type activities	
Airport System	\$ 190,664
Convention & Entertainment Facilities	14,703
Combined Utility System	211,170
Total depreciation expense - business-type activities	<u>\$ 416,537</u>

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 \$9,222,726 is being depreciated over 30 years. The accumulated depreciation for the building as of June 30, 2012 amounted to \$3,464,307.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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

Short-term debt activity for the year ended June 30, 2012, was as follows (in thousands):

	Balance July 1, 2011	Issued	Redeemed	Balance June 30, 2012
Tax and revenue Anticipation notes	\$ -	\$ 220,000	\$ 220,000	\$ -

On July 1, 2011, the City closed on the sale of \$220,000,000 Tax and Revenue Anticipation Notes (TRANS), Series 2011. The proceeds of the TRANS were used to pay working capital expenditures until tax revenues were received. The stated interest rate ranged from 1.75% and the average yield was 0.278%. The notes matured on June 29, 2012.

NOTE 8: LONG-TERM LIABILITIES

A. General Long-Term Liabilities

Changes in General Long-Term Liabilities for the year ended June 30, 2012 are summarized as follows (in thousands):

	Balance July 1, 2011	Additions	Retirements/ Transfers	Balance June 30, 2012	Due within One Year
Governmental Activities					
Bonds and notes payable					
General tax obligation debt	\$ 3,322,128	\$ 806,685	\$ (761,500)	\$ 3,367,313	\$ 238,675
Accretions, net	-	-	-	-	-
HUD Section 108 Loans	7,830	-	(727)	7,103	645
Plus premium (discount) on bonds	123,214	81,310	(32,175)	172,349	-
Less deferred amount on refundings	(15,164)	(23,943)	5,641	(33,466)	-
Total bonds and notes payable	<u>3,438,008</u>	<u>864,052</u>	<u>(788,761)</u>	<u>3,513,299</u>	<u>239,320</u>
Other liabilities:					
Claims and judgments	98,286	251,706	(250,044)	99,948	35,408
Compensated absences	428,090	71,807	(57,086)	442,811	157,662
Arbitrage rebate	123	4	(75)	52	40
Other Post Employment Benefit obligation	768,360	157,450	(26,252)	899,558	-
Net Pension obligation	757,321	287,246	(196,200)	848,367	-
Total other liabilities	<u>2,052,180</u>	<u>768,213</u>	<u>(529,657)</u>	<u>2,290,736</u>	<u>193,110</u>
Governmental Activities Long-Term Liabilities	<u>\$ 5,490,188</u>	<u>\$ 1,632,265</u>	<u>\$ (1,318,418)</u>	<u>\$ 5,804,035</u>	<u>\$ 432,430</u>
Discretely Presented Component Units:					
Notes payable	\$ 306,823	\$ 34,901	\$ (19,394)	\$ 322,330	\$ 21,796
Revenue bonds	254,036	106,241	(73,167)	287,110	13,760
Discretely Presented Component Units Long-Term Liabilities	<u>\$ 560,859</u>	<u>\$ 141,142</u>	<u>\$ (92,561)</u>	<u>\$ 609,440</u>	<u>\$ 35,556</u>

(Continued)

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

	Balance July 1, 2011	Additions	Retirements/ Transfers	Balance June 30, 2012	Amounts Due within One Year
Business-type activities					
Bonds and notes payable					
Airport System debt	\$ 2,480,456	\$ 1,070,625	\$ (1,202,560)	\$ 2,348,521	\$ 57,585
Convention and Entertainment debt	545,509	254,460	(262,470)	537,499	27,530
Combined Utility System debt	5,807,384	543,785	(529,959)	5,821,210	191,393
Long-term contracts - Combined Utility	162,571	-	(13,450)	149,121	13,533
Premiums, discounts and deferred amount on refundings	195,404	192,233	(21,099)	366,538	-
Total bonds and notes payable	<u>9,191,324</u>	<u>2,061,103</u>	<u>(2,029,538)</u>	<u>9,222,889</u>	<u>290,041</u>
Other liabilities:					
Claims and judgments	8,276	1,621	(5,731)	4,166	1,472
Compensated absences	33,700	13,976	(14,444)	33,232	14,503
Arbitrage rebate liability	4,350	19	(3,673)	696	-
Other Post Employment Benefit obligation	109,206	25,754	(4,503)	130,457	-
Net Pension obligation	111,535	38,164	(29,504)	120,195	-
Deferred Revenue	352,228	-	(1,016)	351,212	-
Total other liabilities	<u>619,295</u>	<u>79,534</u>	<u>(58,871)</u>	<u>639,958</u>	<u>15,975</u>
Business-type activities					
Long-Term Liabilities	<u>\$ 9,810,619</u>	<u>\$ 2,140,637</u>	<u>\$ (2,088,409)</u>	<u>\$ 9,862,847</u>	<u>\$ 306,016</u>
Total Reporting Entity					
Long-Term Liabilities	<u>\$ 15,861,666</u>	<u>\$ 3,914,044</u>	<u>\$ (3,499,388)</u>	<u>\$ 16,276,322</u>	<u>\$ 774,002</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

B. Schedule of Changes in Bonds and Long-Term contracts (amounts expressed in thousands):

	Stated Interest Rate Range, %	Face Value Outstanding 6/30/2011	FY12 Issued/ Increased
General Tax Obligation Debt			
Public improvement bonds	3.00 to 6.24	\$ 2,468,160	\$ 589,435
Pension obligations	5.31 to 6.29	540,578	20,250
Commercial paper	0.10 to 10.00	237,400	197,000
Tax and revenue certificates of obligation	3.00 to 6.00	75,990	-
Total General Tax Obligation Debt		\$ 3,322,128	\$ 806,685
HUD Section 108 Loans			
		\$ 7,830	\$ -
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	1,991,360	1,070,625
Senior lien commercial paper	0.32 to 10.00	-	-
Inferior lien contractual obligation	5.38 to 5.50	37,430	-
Pension obligations	5.31 to 6.29	2,006	-
		2,480,456	1,070,625
Convention and Entertainment Facilities			
Senior lien hotel occupancy tax/parking facilities	1.12 to 5.75	498,625	254,460
Hotel and parking revenue commercial paper	0.12 to 10.00	43,000	-
Pension obligations	5.31 to 6.29	3,884	-
		545,509	254,460
Combined Utility System			
Combined Utility System first lien bonds	0.75 to 6.00	5,290,650	438,785
Water and Sewer System junior lien revenue bond	1.25 to 6.90	450,177	-
Combined Utility System commercial paper	0.15 to 10.00	5,400	105,000
Pension obligations	5.31 to 6.29	61,157	-
		5,807,384	543,785
Long-Term Contracts-Water and Sewer System			
Coastal Water Authority	2.00 to 7.50	139,080	-
Other long term contracts	3.22 to 5.87	23,491	-
		162,571	-
Total Revenue Bonded Debt and Long-Term Contracts, Primary Government		\$ 8,995,920	\$ 1,868,870
Total Bonds and Long-Term Contracts Payable, Primary Government		\$ 12,325,878	\$ 2,675,555

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

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

FY12 Redeemed / Refunded	Face Value Outstanding 6/30/2012	Adjustments⁽¹⁾	Net Outstanding 6/30/2012
\$ 475,275	\$ 2,582,320	\$ 138,670	\$ 2,720,990
20,100	540,728	-	540,728
207,500	226,900	-	226,900
58,625	17,365	213	17,578
<u>\$ 761,500</u>	<u>\$ 3,367,313</u>	<u>\$ 138,883</u>	<u>\$ 3,506,196</u>
<u>\$ 727</u>	<u>\$ 7,103</u>	<u>\$ -</u>	<u>\$ 7,103</u>
\$ -	\$ 449,660	\$ (1,137)	\$ 448,523
1,198,025	1,863,960	49,544	1,913,504
-	-	-	-
4,535	32,895	-	32,895
-	2,006	-	2,006
<u>1,202,560</u>	<u>2,348,521</u>	<u>48,407</u>	<u>2,396,928</u>
262,470	490,615	115,878	606,493
-	43,000	-	43,000
-	3,884	-	3,884
<u>262,470</u>	<u>537,499</u>	<u>115,878</u>	<u>653,377</u>
318,404	5,411,031	88,606	5,499,637
211,555	238,622	105,433	344,055
-	110,400	-	110,400
-	61,157	-	61,157
<u>529,959</u>	<u>5,821,210</u>	<u>194,039</u>	<u>6,015,249</u>
13,340	125,740	2,750	128,490
110	23,381	5,464	28,845
<u>13,450</u>	<u>149,121</u>	<u>8,214</u>	<u>157,335</u>
<u>\$ 2,008,439</u>	<u>\$ 8,856,351</u>	<u>\$ 366,538</u>	<u>\$ 9,222,889</u>
<u>\$ 2,770,666</u>	<u>\$ 12,230,767</u>	<u>\$ 505,421</u>	<u>\$ 12,736,188</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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, 2042.

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, \$200 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 2012 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 28, 2014, Series H-1 on February 11, 2013, Series H-2 on August 15, 2014 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 2033. 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 22, 2014. The maximum interest rate permitted under the ordinance is 10%.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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 \$32,895,000, 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 2012. 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. 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%.

10. 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 2012 the average interest rate for the Notes, including fees, was 1.67%. The average rate in effect at year-end was 1.70%.

11. 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.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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.

12. 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; BBVA; Barclay’s and Citi totaling \$600 million. The letters of credit with JP Morgan, Wells Fargo and Scotia Bank expire on December 23, 2013. The agreements with Barclay’s and Citi expire on July 13, 2013. The agreement with BBVA expires March 27, 2015. Interest on the Notes is payable from net revenues of the System and loans under the credit agreement. During fiscal year 2012, the average interest rate for outstanding Notes, including credit and dealer fees, was 1.241%. There was \$110.4 million outstanding as of June 30, 2012.

13. 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.

At June 30, 2012, the effective rate on the 2004B Bonds associated with the swap was computed as follows:

		RATE (%)
	<u>Terms</u>	<u>Received</u>
Variable rate payment from counterparties	LIBOR x 57.6%	0.1392
	+ Constant	<u>0.3700</u>
Swap receipt		0.5092
Fixed rate paid to counterparties	Fixed	<u>(3.7784)</u>
Net rate (paid)/received for swap		(3.2692)
Average variable rate on 2004B bonds, year end		(0.1995)
Plus dealer and credit fees on 2004B bonds		<u>(1.0700)</u>
Effective rate of 2004B bonds		<u>(4.5387)</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 \$219,875,600 on June 30, 2012. 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.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Credit risk. As of June 30, 2012, 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 Amount</u>	<u>Fair Value</u>	<u>Counterparty Credit Rating (Moody's /S&P /Fitch)</u>
Goldman Sachs Capital Markets	\$ 353,325,000	\$ (118,911,026)	A3/A-/A
JP Morgan Chase	150,000,000	(50,482,287)	A2/A/A+
UBS AG	150,000,000	(50,482,287)	A2 /A /A
TOTAL	<u>\$ 653,325,000</u>	<u>\$ (219,875,600)</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 0.1995% (not including dealer and credit fees) as of June 30, 2012, whereas the associated LIBOR-based rate of the swap was 0.51%.

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, 2012, 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.

14. 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, 2012, the effective rate on the 2010B Bonds associated with the swap was computed as follows:

	<u>Terms</u>	<u>RATE (%) Received (Paid)</u>
Variable rate payment from counterparties (Swap Receipt)	LIBOR x 70%	0.16923
Fixed rate paid to counterparty	Fixed	<u>(3.76100)</u>
Net rate (paid)/received for swap		(3.59177)
Year-end variable rate on 2010B bonds		(0.18000)
Plus credit fees on 2010B bonds		<u>(1.30000)</u>
Effective rate of 2010B bonds		<u>(5.07177)</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Fair value. The swap had a fair value of negative \$87,391,293 on June 30, 2012. 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, 2012, 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, 2012, RBC was rated Aa3, 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, 2012 the interest rate in effect for the underlying variable rate bonds was 0.18% while the rate in effect for the swap receipts was 0.17%.

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, 2012, 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.

15. 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.

16. Coastal Water Authority (“CWA”)

The contract payable relating to CWA represents the outstanding principal balance of \$47,990,000 at June 30, 2012 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 \$77,750,000 of CWA Revenue Refunding Bonds, Series 1999, Series 2004, and Series 2010 (refunding) 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 revenues of the City’s Combined Utility 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.

17. Other Contracts

Payments on the following contracts will be made only after the Combined Utility System has funded all maintenance and operation costs and debt service payments for the Combined Utility 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.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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, 2012.

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
2013	\$ 128,435	\$ 116,126	\$ -	\$ 32,135
2014	134,360	113,152	5,375	32,135
2015	169,870	106,985	5,750	31,797
2016	172,975	100,825	6,160	31,435
2017	209,070	93,297	6,585	31,048
2018-2022	884,410	327,353	57,895	147,882
2023-2027	567,805	147,655	109,825	121,999
2028-2032	241,860	40,896	205,807	79,634
2033-2037	59,950	11,344	123,081	26,742
2038-2042	13,585	1,186	20,250	3,522
Total	<u>\$ 2,582,320</u>	<u>\$ 1,058,819</u>	<u>\$ 540,728</u>	<u>\$ 538,329</u>

Year Ending June 30	General Obligation Commercial Paper		Tax and Revenue Certificates of Obligation	
	Principal	Interest	Principal	Interest
2013	\$ 99,800	\$ 1,670	\$ 10,440	\$ 825
2014	-	1,002	2,210	324
2015	127,100	295	2,300	236
2016	-	-	2,415	121
2017	-	-	-	-
2018-2022	-	-	-	-
2023-2027	-	-	-	-
2027-2032	-	-	-	-
2033-2037	-	-	-	-
2038-2042	-	-	-	-
Total	<u>\$ 226,900</u>	<u>\$ 2,967</u>	<u>\$ 17,365</u>	<u>\$ 1,506</u>

Year Ending June 30	Total Future Requirements		
	Principal	Interest	Total Future Requirements
2013	\$ 238,675	\$ 150,756	\$ 389,431
2014	141,945	146,613	288,558
2015	305,020	139,313	444,333
2016	181,550	132,381	313,931
2017	215,655	124,345	340,000
2018-2022	942,305	475,235	1,417,540
2023-2027	677,630	269,654	947,284
2028-2032	447,667	120,530	568,197
2033-2037	183,031	38,086	221,117
2038-2042	33,835	4,708	38,543
Total	<u>\$ 3,367,313</u>	<u>\$ 1,601,621</u>	<u>\$ 4,968,934</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

2. HUD Section 108 Loans (in thousands):

Year Ending June 30	HUD Section 108 Loans (in thousands)		
	Principal	Interest	Total Future Requirements
2013	\$ 645	\$ 373	\$ 1,018
2014	645	340	985
2015	659	306	965
2016	659	271	930
2017	659	235	894
2018-2022	2,976	630	3,606
2023-2027	860	25	885
Total	\$ 7,103	\$ 2,180	\$ 9,283

3. Enterprise Funds (adjusted for capital appreciation and deferred reclassification of principal and interest) (in thousands):

Year Ending June 30	Airport System Senior Lien Revenue Bonds		Airport System Subordinate Lien Revenue Bonds	
	Principal	Interest	Principal	Interest
2013	\$ -	\$ 23,819	\$ 52,805	\$ 68,348
2014	-	23,819	55,045	73,014
2015	-	23,819	54,965	70,786
2016	9,275	23,587	56,455	68,473
2017	9,740	23,112	64,925	65,899
2018-2022	56,500	107,554	370,390	285,160
2023-2027	72,120	91,553	469,835	195,864
2028-2032	92,385	70,628	603,380	93,132
2033-2037	120,350	41,811	136,160	3,127
2038-2042	89,290	7,541	-	-
Total	\$ 449,660	\$ 437,243	\$ 1,863,960	\$ 923,803

Year Ending June 30	Airport System Inferior Lien Contract		Airport System Pension Obligations	
	Principal	Interest	Principal	Interest
2013	\$ 4,780	\$ 1,675	\$ -	\$ 107
2014	5,040	1,408	-	107
2015	5,315	1,123	-	107
2016	5,605	823	-	107
2017	5,915	506	-	1,065
2018-2022	6,240	171	-	533
2023-2027	-	-	-	533
2028-2032	-	-	1,267	436
2033-2037	-	-	739	79
2038-2042	-	-	-	-
Total	\$ 32,895	\$ 5,706	\$ 2,006	\$ 3,074

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Year Ending	Airport System Total		
	Future Requirements		
June 30	Principal	Interest	Total
2013	\$ 57,585	\$ 93,949	\$ 151,534
2014	60,085	98,348	158,433
2015	60,280	95,835	156,115
2016	71,335	92,990	164,325
2017	80,580	90,582	171,162
2018-2022	433,130	393,418	826,548
2023-2027	541,955	287,950	829,905
2028-2032	697,032	164,196	861,228
2033-2037	257,249	45,017	302,266
2038-2042	89,290	7,541	96,831
Total	<u>\$ 2,348,521</u>	<u>\$ 1,369,826</u>	<u>\$ 3,718,347</u>

Year Ending	Convention and Entertainment		Convention and Entertainment		Convention and Entertainment	
	Facilities Revenue Bonds		Facilities Commercial Paper		Pension Obligations	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 27,530	\$ 13,366	\$ -	\$ 731	\$ -	\$ 242
2014	26,215	13,450	43,000	345	60	242
2015	25,835	12,149	-	-	65	239
2016	23,474	14,406	-	-	65	235
2017	18,871	20,141	-	-	70	230
2018-2022	104,317	100,448	-	-	625	1,074
2023-2027	104,744	121,145	-	-	1,185	794
2028-2032	112,944	130,914	-	-	1,744	360
2033-2037	46,685	52,353	-	-	70	7
2038-2042	-	-	-	-	-	-
Total	<u>\$ 490,615</u>	<u>\$ 478,372</u>	<u>\$ 43,000</u>	<u>\$ 1,076</u>	<u>\$ 3,884</u>	<u>\$ 3,423</u>

Year Ending	Convention and Entertainment		
	Total Future Requirements		
June 30	Principal	Interest	Total Future Requirements
2013	\$ 27,530	\$ 14,339	\$ 41,869
2014	69,275	14,037	83,312
2015	25,900	12,388	38,288
2016	23,539	14,641	38,180
2017	18,941	20,371	39,312
2018-2022	104,942	101,522	206,464
2023-2027	105,929	121,939	227,868
2028-2032	114,688	131,274	245,962
2033-2037	46,755	52,360	99,115
2038-2042	-	-	-
Total	<u>\$ 537,499</u>	<u>\$ 482,871</u>	<u>\$ 1,020,370</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Year Ending June 30	Combined Utility System Revenue Bonds		Combined Utility System Swap Agreement	Combined Utility System Commercial Paper	
	Principal	Interest	Net Swap Payment		
2013	\$ 57,150	\$ 218,491	\$ 30,230	\$ 110,400	\$ 2,120
2014	117,445	213,043	30,230	-	-
2015	125,685	207,011	30,230	-	-
2016	135,315	200,799	30,220	-	-
2017	152,015	193,671	30,230	-	-
2018-2022	834,345	859,009	151,139	-	-
2023-2027	1,058,360	638,809	151,139	-	-
2028-2032	1,291,757	378,832	124,010	-	-
2033-2037	1,241,886	182,599	16,691	-	-
2038-2042	397,073	17,716	-	-	-
Total	\$ 5,411,031	\$ 3,109,980	\$ 594,119	\$ 110,400	\$ 2,120

Year Ending June 30	Water and Sewer Jr. Lien Revenue Bonds		Combined Utility System Pension Obligations	
	Principal	Interest	Principal	Interest
2013	\$ 23,843	\$ 46,424	\$ -	\$ 3,814
2014	11,050	4,677	910	3,814
2015	11,400	4,391	975	3,756
2016	11,750	4,082	1,040	3,695
2017	12,125	3,751	1,115	3,630
2018-2022	85,068	55,985	9,795	16,904
2023-2027	68,735	81,327	18,590	12,524
2028-2032	14,651	60,255	27,487	5,717
2033-2037	-	-	1,245	134
2038-2042	-	-	-	-
Total	\$ 238,622	\$ 260,892	\$ 61,157	\$ 53,988

Combined Utility System Total Future Requirements

Year Ending June 30	Principal	Interest	Net Swap Payment	Total Future Requirements
2013	\$ 191,393	\$ 270,849	\$ 30,230	\$ 492,472
2014	129,405	221,534	30,230	381,169
2015	138,060	215,158	30,230	383,448
2016	148,105	208,576	30,220	386,901
2017	165,255	201,052	30,230	396,537
2018-2022	929,208	931,898	151,139	2,012,245
2023-2027	1,145,685	732,660	151,139	2,029,484
2028-2032	1,333,895	444,804	124,010	1,902,709
2033-2037	1,243,131	182,733	16,691	1,442,555
2038-2042	397,073	17,716	-	414,789
Total	\$ 5,821,210	\$ 3,426,980	\$594,119	\$ 9,842,309

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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

Year Ending	Coastal Water Authority		
	Maintenance & Operation Lien		
June 30	Principal	Interest	Total Future Requirements
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	4,060	3,312	7,372
2018-2022	18,655	14,139	32,794
2023-2027	25,185	8,871	34,056
2028-2032	13,685	4,046	17,731
2033-2037	9,880	719	10,599
2038-2042	-	-	-
Total	\$ 125,740	\$ 51,265	\$ 177,005

Year Ending	Other Water & Sewer System Contracts				Other Contracts Total	
	US Army Corps of Engineers		Texas Water Development Board		Future Requirements	
	June 30	Principal	Interest	Principal	Interest	Principal
2013	\$ 113	\$ 302	\$ -	\$ 818	\$ 113	\$ 1,120
2014	117	299	-	818	117	1,117
2015	121	295	-	818	121	1,113
2016	125	291	-	1,497	125	1,788
2017	129	287	-	1,497	129	1,784
2018-2022	707	1,369	-	7,484	707	8,853
2023-2027	829	1,248	3,420	3,719	4,249	4,967
2028-2032	971	1,106	4,545	2,600	5,516	3,706
2033-2037	1,138	939	6,035	1,105	7,173	2,044
2038-2042	1,334	743	-	-	1,334	743
2043-2047	1,563	514	-	-	1,563	514
2048-2053	2,234	259	-	-	2,234	259
Total	\$ 9,381	\$ 7,652	\$ 14,000	\$ 20,356	\$ 23,381	\$ 28,008

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 refunding 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 2012 described below, has been removed from the City's books.

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 \$13,619,981 or 7.45% of the refunded bonds and reduced total debt service by \$13,922,337.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

On May 22, 2012, the City sold \$268,615,000 in Public Improvement Bonds, Series 2012A and \$101,585,000 in Taxable Public Improvement Bonds, Series 2012B at coupons ranging from 2.5% - 5%. The bonds mature in varying amounts from 2017 to 2032. The true interest cost for the 2012A bonds was 2.56% and 1.24% for the 2012B bonds. Proceeds were used to refund \$201,170,000 of Public Improvement Bonds, Series 2004B, 2005A, 2005E, 2003A1-A and 2004A; Tax and Revenue Certificates of Obligation Series, 2005D; and to pay costs of issuance. Net present value savings totaled \$16,458,080 or 7.09% of the refunded bonds and reduced total debt service by \$17,652,238.

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 \$30,553,187 or 16.33% of the refunded bonds and reduced total debt service by \$32,234,668.

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. Because the refunded notes paid interest at varying rates depending on current market conditions, cash flows and net present value savings on the transaction cannot be computed.

On June 21, 2012, the City issued \$225,000,000 of Combined Utility System First Lien Revenue Refunding Bonds, Series 2012A (SIFMA Index Floating Rate Bonds) \$100,000,000 of 2012B (SIFMA Index Floating Rate Bonds). The bonds mature in varying amounts from 2028 – 2034. Proceeds were used to refund \$225,000,000 of Combined Utility System First Lien Revenue Refunding Bonds, Series 2004B and to pay costs of issuance. Because the refunded notes paid interest at varying rates depending on current market conditions, cash flows and net present value savings on the transaction cannot be computed.

Houston Airport System

On July 21, 2011, the City delivered the Airport System Subordinate Lien Revenue Refunding Bonds, Series 2011A (AMT), and 2011B (Non-AMT) in the amounts of \$449,975,000 and \$116,930,000, respectively. Interest rates for the bonds range from 3.0% to 5.0% with a combined true interest cost of 4.09%. The bonds mature in varying amounts from 2012 to 2026. Series 2011A was issued to current refund \$467,175,000 in Airport System Subordinate Lien Bonds, Series 1998A (AMT), Series 1998B (AMT), and Series 2000A (AMT). Series 2011B was issued to current refund \$66,230,000 in Airport System Subordinate Lien Bonds, Series 1998C (Non-AMT), and to advance refund \$55,945,000 in Airport System Subordinate Lien Bonds, Series 2002B (Non-AMT). The refundings result in a net present value savings of \$36,239,859 and reduced total debt service by \$46,835,383. Standard & Poor's and Fitch have assigned bond ratings of A and A+, respectively. The City purchased bond insurance from Assured Guaranty Municipal Corp. to cover \$14,495,000 of the Series 2011A bonds maturing July 1, 2015. Those bonds only are rated AA+ by Standard and Poor's.

On April 5, 2012, the City delivered the Airport System Subordinate Lien Revenue Refunding Bonds, Series 2012A (AMT), and 2012B (Non-AMT) in the amounts of \$286,585,000 and \$217,135,000, respectively. The interest rate for all bonds is 5.0% with a combined true interest cost of 4.07%. The bonds mature in varying amounts from 2016 to 2032. Series 2012A was issued to current refund \$309,715,000 in Airport System Subordinate Lien Bonds, Series 1998B (AMT), Series 2000A (AMT), Series 2001A (AMT), and Series 2002A (AMT). Series 2012B was issued to current refund \$237,965,000 in Airport System Subordinate Lien Bonds, Series 1998C (Non-AMT) and Series 2002B (Non-AMT). The refundings result in a net present value savings of \$55,613,160 and reduced total debt service by \$91,154,435. Standard & Poor's and Fitch have assigned bonds ratings of A and A+, respectively.

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 \$4,433,455 or 3.92% of the refunded bonds and reduce total debt service by \$23,703,087.

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 2012 the City has complied with the requirements of all revenue bond ordinances and related bond restrictions.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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, 2012, the City's legal debt limit was 10% of assessed property valuation totaling \$191,089,216,000. The City's legal debt margin less applicable outstanding debt was \$15,741,609,000.

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 \$14,777,157 for the year ended June 30, 2012. The cost is \$9,490,911 for the General Fund, \$2,151,993 for the Grant Funds, \$2,084,746 for the Non-Major Governmental Funds, \$702,520 for the Combined Utility System Funds, \$252,803 for the Airport System Funds, \$53,880 for the Convention and Entertainment Facilities Funds and \$40,304 for the Internal Service Funds.

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

Year ended June 30	Operating Lease Payments
2013	\$ 5,787
2014	4,948
2015	4,143
2016	4,022
2017	3,834
2018-2022	10,677
Total	<u>\$ 33,411</u>

B. City as Lessor

The Convention and Entertainment Facilities Department is the lessor of all of their capital assets to Houston First Corporation, a component unit. The agreement is a cancellable operating lease, and the capital assets have a cost of \$679,653,691, accumulated depreciation of \$217,479,862, and a carrying value of \$462,173,829. All the capital assets are used for performance and entertainment purposes.

The Airport System is the lessor of approximately ten 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 \$21,056,781 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 \$4,576,701,674 and carrying costs of \$2,610,240,855. Accumulated depreciation on all these assets is \$1,966,460,819.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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

Year ended	Operating Leases
June 30	Minimum Rental Income
2013	\$ 38,749
2014	37,622
2015	37,278
2016	33,873
2017	33,097
2018-2022	152,852
2023-2027	140,415
2028-2032	31,505
2033-2037	18,324
2038-2042	14,953
2043-2047	2,688
2048-2052	580
Total	<u>\$ 541,936</u>

Contingent income associated with the Airport System non-cancelable operating leases was approximately \$14,384,642 for the year ended June 30, 2012. 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, 2012 was \$243,031,609.

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.

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).

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

The reported contributions to the pension funds for the year ended June 30, 2012, were different from the actuarially determined requirements based on July 1, 2011 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	18.2%	5.9%	20.1%
Amortization of unfunded actuarial accrued liability (surplus)	8.7%	17.6%	12.6%
Required employer contribution rate	26.9%	23.5%	32.7%
Employer contribution made	23.8%	19.0%	17.0%
Employee contribution made	9.0%	5.0%	9.0%
<u>Contribution Amounts (in thousands)</u>			
Net contribution required	\$ 85,330	\$ 143,621	\$ 159,666
Total City contribution	61,204	98,500	66,000
Total employee contribution	23,090	18,473	35,151
Total contribution	\$ 84,294	\$ 116,973	\$ 101,151

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	\$ 61,410	\$ 121,774	\$ 126,881
Interest on net pension obligation	(40)	32,996	40,859
Adjustment to annual required contribution	33	(27,385)	(30,676)
Annual pension cost	61,403	127,385	137,064
Contribution made	61,204	98,500	66,000
Change in net pension obligation	(199)	(28,885)	(71,064)
Net pension asset (obligation), beginning of year	470	(388,189)	(480,695)
Net pension asset (obligation), end of year	\$ 271	\$ (417,074)	\$ (551,759)

D. Schedule of Funding Progress (in millions)

	<u>Houston Firefighters' Pension</u>	<u>Houston Municipal Employees' Pension</u>	<u>Houston Police Officers' Pension</u>
Actuarial Valuation Date	July 1, 2011	July 1, 2011	July 1, 2011
Actuarial Value of Plan Assets (a)	\$ 3,222.3	\$ 2,328.8	\$ 3,718.1
Actuarial Accrued Liability (AAL) Entry Age (b)	\$ 3,558.2	\$ 3,790.3	\$ 4,488.1
Unfunded AAL (b - a)	\$ 335.9	\$ 1,461.5	\$ 770.0
Funded Ratio (a/b)	91%	61%	83%
Projected Annual Covered Payroll (c)	\$ 272.5	\$ 544.7	\$ 388.4
UAAL as Percentage of Covered Payroll ((b - a)/c)	123%	268%	198%

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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
2010	\$60.4	122.8%	(\$13.4)	23.8%
2011	\$62.4	122.3%	\$0.5	23.9%
2012	\$61.4	123.3%	\$0.3	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, 2011
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
2010	\$117.2	71.2%	\$346.8	20.1%
2011	\$129.8	68.2%	\$388.2	22.4%
2012	\$127.4	61.4%	\$417.1	23.5%

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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, 2011
Actuarial cost method	Entry Age Normal cost
Amortization method	Level percentage of payroll over an 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%, 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
2010	\$128.3	56.9%	\$425.2	31.7%
2011	\$133.5	58.4%	\$480.7	32.0%
2012	\$137.1	48.1%	\$551.8	32.7%

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, 2011
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of payroll Amortized over a constant open period of 30 years
Remaining amortization period	30 years
Asset valuation method	20% adjustment method
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
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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 \$61,847,920 for the year ended June 30, 2012. Retiree health care is accounted for in the Health Benefits Fund, an Internal Service Fund. At June 30, 2012, there were 9,692 retirees including active survivors 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	\$ 194,820
Interest on net OPEB obligation	31,896
Adjustment to annual required contribution	(43,512)
Annual OPEB cost	183,204
Contribution made	(30,755)
Change in net OPEB obligation	152,449
Net OPEB obligation, beginning of year	877,566
Net OPEB obligation, end of year	\$ 1,030,015

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$273,328	21.4%	\$700,581
2011	\$225,848	21.6%	\$877,566
2012	\$183,202	16.8%	\$1,030,015

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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)
2010	\$0	\$3,031	\$3,031	0%	\$1,193.5	254.1%
2011	\$0	\$1,984	\$1,984	0%	\$1,208.9	164.1%
2012	\$0	\$1,984	\$1,984	0%	\$1,164.5	170.4%

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 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, 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 totaled \$227,933,519 for the year ended June 30, 2012.

CIGNA		
Schedule of Changes in Liability		
(in thousands)		
	June 30, 2012	June 30, 2011
Beginning actuarial estimate of claims liability, July 1	\$ 16,963	\$ 897
Incurred claims for fiscal year	253,869	47,432
Payments on claims	(247,559)	(31,366)
Ending estimate of claims liability, June 30	<u>\$ 23,273</u>	<u>\$ 16,963</u>

The City also provides one times the 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 \$5,655,878 for the year ended June 30, 2012.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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 Hewitt Associates LLC, 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 establishes 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, 2012	June 30, 2011
Beginning actuarial estimate of claims liability, July 1	\$ 7,850	\$ 7,869
Incurred claims for fiscal year	1,088	1,356
Payments on claims	(901)	(801)
Actuarial adjustment	17	(574)
Ending actuarial estimate of claims liability, June 30	<u>\$ 8,054</u>	<u>\$ 7,850</u>

D. Deferred Compensation Plan

The City offers its employees a deferred compensation plan (Plan), created in accordance with Internal Revenue Code Section 457 as a separately administered trust. The Plan, available to all City employees, permits employees to defer a portion of their salary until future years. The deferred compensation 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, 2012 the City has an accumulated liability in the amount of \$57 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, 2012	June 30, 2011
Beginning actuarial estimate of claims liability, July 1	\$ 54,944	\$ 67,089
Incurred claims for fiscal year	8,857	8,077
Payments on claims	(13,513)	(14,323)
Actuarial adjustment	6,734	(5,899)
Ending actuarial estimate of claims liability, June 30	<u>\$ 57,022</u>	<u>\$ 54,944</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 12: INTERFUND TRANSACTIONS

A. Transfers

Transfers during the year ended June 30, 2012, 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	\$ -	\$ 26,367	\$ 249,950	\$ -	\$ -	\$ -	\$ 276,317
Grants Fund	-	-	-	-	42	-	42
Nonmajor Funds	18,390	1,121	797	41,348	-	-	61,656
Capital Projects	-	-	8,577	-	-	-	8,577
Convention and Entertainment	10,388	-	-	-	-	-	10,388
Combined Utility System	44,369	-	21,163	-	-	-	65,532
Total transfers in	<u>\$73,147</u>	<u>\$ 27,488</u>	<u>\$ 280,487</u>	<u>\$ 41,348</u>	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ 422,512</u>

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.

B. Transfers to Component Units

Transfers to Houston First from the Convention and Entertainment Facilities during the year ended June 30, 2012 totaled \$89,658,103. Transfers from Houston First to the General Fund during the year ended June 30, 2012 totaled \$12,849,000.

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 \$59,724,000 for the year ended June 30, 2012, 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 2012 total are charges to the funds for direct and indirect expenses as shown below (in thousands):

	Airport System	Convention & Entertainment Facilities	Combined Utility Sytem	Other Funds	Total
General Services	\$ 3,210	\$ 551	\$ 3,869	\$ 10,625	\$ 18,255
Fire Services	16,618	-	-	-	16,618
Police Services	20,387	-	-	-	20,387
Legal	-	-	1,145	-	1,145
Other	367	54	2,517	381	3,319
Total	<u>\$ 40,582</u>	<u>\$ 605</u>	<u>\$ 7,531</u>	<u>\$ 11,006</u>	<u>\$ 59,724</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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, 2012 is as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Combined Utility System	\$ 1,225
	Grants revenue	6,467
	Nonmajor Governmental Funds	1,567
	Capital Projects Fund	538
	Airport System	1,038
	Internal Service Fund	16
	Convention and Entertainment Facilities	61
		<u>\$ 10,912</u>
Grants Revenue	General Fund	\$ 258
	Combined Utility System	563
	Airport System	235
	Capital Projects Fund	8
	Nonmajor Governmental Funds	477
		<u>\$ 1,541</u>
Capital Projects Fund	General Fund	\$ 461
	Convention and Entertainment Facilities	8
	Nonmajor Governmental Funds	7,537
		<u>\$ 8,006</u>
Airport System	General Fund	\$ 769
	Grants revenue	513
		<u>\$ 1,282</u>
Convention and Entertainment Facilities	General Fund	\$ 156
	Grants revenue	113
		<u>\$ 269</u>
Combined Utility System	Grants revenue	\$ 7,782
	Nonmajor Governmental Funds	1
	Internal Service Fund	1
	General Fund	1,054
		<u>\$ 8,838</u>
Nonmajor Governmental Funds	General Fund	\$ 861
	Combined Utility System	633
	Capital Projects Fund	496
		<u>\$ 1,990</u>
Internal Service Fund	General Fund	\$ 5
	Combined Utility System	(1)
		<u>\$ 4</u>
Agency Fund	General Fund	\$ 2,709
	Internal Service Fund	22
	Airport System	579
	Grants revenue	382
	Combined Utility System	849
	Nonmajor Governmental Funds	24
		<u>\$ 4,565</u>
Debt Service Fund	General Fund	\$ 19,456
		<u>\$ 19,456</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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 \$63 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 \$10.1 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, the City declared that Proposition 2 was not effective because Proposition 1 received the higher number of favorable votes.

Supporters of Proposition 2 filed a lawsuit to declare Proposition 2 effective. The Texas Supreme Court vacated a judgment of the trial court in favor of the Proposition 2 supporters, and without reference to the merits dismissed the case for want of jurisdiction. No active litigation exists with respect to Proposition 2.

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 \$3.9 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, 2012, the City had appropriated but not yet spent from Capital Projects and Enterprise Funds approximately \$854,467,000 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, 2012

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, 2012	June 30, 2011
Unpaid claims, beginning of fiscal year	\$457,430	\$293,224
Incurred claims (including IBNRs)	3,877,406	1,897,740
Claim payments	(4,040,784)	(1,733,534)
Unpaid claims, end of fiscal year	<u>\$294,052</u>	<u>\$457,430</u>

E. Purchase Commitments for Electricity

At June 30, 2012 the City had entered into agreements to lock rates for part of the natural gas component of its expected electricity use from July 1, 2012 through June 30, 2016. The total committed price is approximately \$230 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, 2012

NOTE 14: RELATED ORGANIZATION TRANSACTIONS

A. Metropolitan Transit Authority (Metro)

The City and Metro have an inter-local agreement covering shared costs of street maintenance/construction and traffic control during the fiscal year ended June 30, 2012. The City received \$136.258 million from Metro under this contract in the fiscal year ended June 30, 2012. The breakout was \$83.618 million to Capital Projects, \$52.640 million to Special Revenues. None of these payments were for the prior contract year. In addition, the City paid Metro \$3.763 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, 2012 the City paid \$3.1 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, 2012, the City paid CWA \$20.4 million for debt services and \$22.0 million for maintenance and operating expenses.

D. Houston First Corporation (formerly 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 Department 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.

On July 1, 2011, the HCCHC changed their name to Houston First Corporation and in accordance with a new Interlocal Agreement, leased all the facilities of the City's Convention and Entertainment Facilities Department. As a part of that agreement, the preferred return payment is now maintained by the Corporation and used for the operation and maintenance of the facilities.

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, 2012. Five discretely presented component units: Greater Houston Convention and Visitors Bureau (GHCVB), Houston First Corporation [(HFC), formerly Houston Convention Center Hotel Corporation], Houston Housing Finance Corporation (HHFC), Houston Zoo, Inc (HZI) and Miller Theatre Advisory Board, Inc (MTAB) have fiscal years ended December 31, 2011. Subsequent to December 31, 2011, the City received interest payments of \$4,380,437 from HFC, none from GHCVB, none from HHFC, none from HZI and none from MTAB. Since Greater Houston Convention Center and Visitors Bureau (GHCVB) changed their fiscal year during their reporting period, their financial information reflects only the 6 month period July 1, 2011 through December 31, 2011.

NOTE 15: CONDUIT DEBT OBLIGATIONS

From time to time, the City has authorized the issuance of bonds to enable various third parties to acquire and/or construct facilities deemed to be in the public interest. 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 or the Fund 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.

On November 17, 2011, the City issued the Airport System Special Facilities Revenue Bonds (Continental Airlines, Inc. Terminal Improvement Projects) Series 2011, on behalf of Continental Airlines, Inc. for \$113,305,000. The bonds will finance improvements in Terminal B, and are payable solely from revenue generated by a lease agreement between Continental Airlines and the City. The bonds do not constitute a debt or pledge of the faith and credit of the City or the Fund.

At June 30, 2012, the aggregate value of Special Facility Revenue Bonds outstanding was \$710,675,000, which includes \$32,895,000 of the City of Houston Special Facility Revenue Bonds (Automated People Mover System), Series 1997A bonds. The Series 1997A bonds are supported by an inferior lien contract between the Fund and Continental Airlines which is included in the Fund's liabilities. At June 30, 2011, outstanding conduit bonds totaled \$608,565,000.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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.

	Greater Greenspoint Redevelopment Authority	Houston Downtown Park Corporation	Memorial City Redevelopment Authority
Cash, receivable and other current assets	\$ 48,353	\$ 1	\$ 39,792
Noncurrent assets	-	-	857
Capital assets, net of accumulated depreciation	4,637	77,492	-
Total assets	<u>52,990</u>	<u>77,493</u>	<u>40,649</u>
Current liabilities	3,394	3,371	2,358
Long-term liabilities	30,805	17,648	47,310
Total liabilities	<u>34,199</u>	<u>21,019</u>	<u>49,668</u>
Net assets			
Invested in capital assets, net of related debt	4,393	56,473	-
Restricted	2,873	-	2,862
Unrestricted (deficit)	11,525	1	(11,881)
Total net assets (deficit)	<u>\$ 18,791</u>	<u>\$ 56,474</u>	<u>\$ (9,019)</u>

(Continued)

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Midtown Redevelopment Authority	Southwest Houston Redevelopment Authority	Uptown Development Authority	Nonmajor Component Units	2012
\$ 75,667	\$ 7,444	\$ 24,840	\$ 146,774	\$ 342,871
1,644	772	1,326	24,039	28,638
9,444	60	13,379	52,209	157,221
<u>86,755</u>	<u>8,276</u>	<u>39,545</u>	<u>223,022</u>	<u>528,730</u>
7,282	2,912	12,687	21,559	53,563
60,371	25,490	65,939	88,542	336,105
<u>67,653</u>	<u>28,402</u>	<u>78,626</u>	<u>110,101</u>	<u>389,668</u>
5,753	-	13,379	29,698	109,696
53,097	4,643	15,657	84,852	163,984
(39,748)	(24,769)	(68,117)	(1,629)	(134,618)
<u>\$ 19,102</u>	<u>\$ (20,126)</u>	<u>\$ (39,081)</u>	<u>\$ 112,921</u>	<u>\$ 139,062</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Change in Net Assets
Major Component Units - Discretely Presented Governmental
For the Year Ended June 30, 2012
(in thousands)

Component Units	Expenses	Charges for Services	Operating Grants and Contributions	Greater Greenspoint Redevelopment Authority
Greater Greenspoint Redevelopment Authority	\$ 7,309	\$ -	\$ -	\$ (7,309)
Houston Downtown Park Corporation	1,392	1,018	16	-
Memorial City Redevelopment Authority	12,240	-	788	-
Midtown Redevelopment Authority	14,878	-	-	-
Southwest Houston Redevelopment Authority	26,774	-	-	-
Uptown Redevelopment Authority	21,199	-	6,327	-
Nonmajor Component Units	69,218	1,803	34,270	-
Total component units	\$ 153,010	\$ 2,821	\$ 41,401	\$ (7,309)
General Revenues:				
Taxes				
Property taxes levied for general purposes				\$ 7,839
Unrestricted investment earnings				90
Other				-
Transfers				-
Total general revenues, special items				<u>7,929</u>
Change in net assets				620
Net assets beginning				<u>18,171</u>
Net assets ending				<u>\$ 18,791</u>

(Continued)

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Net (Expense) Revenue and Change In Net Assets

Houston Downtown Park Corporation	Memorial City Redevelopment Authority	Midtown Redevelopment Authority	Southwest Houston Redevelopment Authority	Uptown Redevelopment Authority	Non-Major Component Units	Total Component Units
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (7,309)
(358)	-	-	-	-	-	(358)
-	(11,452)	-	-	-	-	(11,452)
-	-	(14,878)	-	-	-	(14,878)
-	-	-	(26,774)	-	-	(26,774)
-	-	-	-	(14,872)	-	(14,872)
-	-	-	-	-	(33,145)	(33,145)
<u>\$ (358)</u>	<u>\$ (11,452)</u>	<u>\$ (14,878)</u>	<u>\$ (26,774)</u>	<u>\$ (14,872)</u>	<u>\$ (33,145)</u>	<u>\$ (108,788)</u>
-	\$ 7,223	\$ 15,654	\$ 4,048	\$ 22,818	\$ 34,246	\$ 91,828
-	54	98	79	46	2,215	2,582
-	-	402	-	(27)	2,566	2,941
-	-	-	-	-	(535)	(535)
<u>-</u>	<u>7,277</u>	<u>16,154</u>	<u>4,127</u>	<u>22,837</u>	<u>38,492</u>	<u>96,816</u>
(358)	(4,175)	1,276	(22,647)	7,965	5,347	(11,972)
56,832	(4,844)	17,826	2,521	(47,046)	107,574	151,034
<u>\$ 56,474</u>	<u>\$ (9,019)</u>	<u>\$ 19,102</u>	<u>\$ (20,126)</u>	<u>\$ (39,081)</u>	<u>\$ 112,921</u>	<u>\$ 139,062</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Net Assets
Major Component Units - Discretely Presented Business-type
June 30, 2012
(in thousands)

	Houston First Corporation (See note 14E)	Houston Zoo Inc.	Nonmajor Component Units	Total
Cash, receivable and other current assets	\$ 117,048	\$ 24,764	\$ 36,206	\$ 178,018
Noncurrent assets	5,318	-	7,937	13,255
Capital assets, net of accumulated depreciation	222,659	62,921	2,267	287,847
Total assets	<u>345,025</u>	<u>87,685</u>	<u>46,410</u>	<u>479,120</u>
Current liabilities	47,619	3,990	60	51,669
Long-term liabilities	264,901	-	29	264,930
Total liabilities	<u>312,520</u>	<u>3,990</u>	<u>89</u>	<u>316,599</u>
Net assets				
Invested in capital assets, net of related debt	(19,975)	-	-	(19,975)
Restricted	18,777	6,811	-	25,588
Unrestricted (deficit)	33,703	76,884	46,321	156,908
Total net assets (deficit)	<u>\$ 32,505</u>	<u>\$ 83,695</u>	<u>\$ 46,321</u>	<u>\$ 162,521</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Change in Net Assets
Major Component Units - Discretely Presented Business-type
For the Year Ended June 30, 2012
(in thousands)

<u>Component Units</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Houston First Corporation	\$ 90,333	\$ 80,018	\$ -
Houston Zoo Inc.	30,609	24,386	8,669
Nonmajor Component Units	1,796	346	2,353
Totals	<u>\$ 122,738</u>	<u>\$ 104,750</u>	<u>\$ 11,022</u>

General Revenues:

Taxes

Property Taxes levied for general purposes

Unrestricted investment earnings

Other

Transfers

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, 2012

Houston First Corporation (See Note 14)	Houston Zoo Inc.	Non-Major Component Units	Total
\$ (10,315)	\$ -	\$ -	\$ (10,315)
-	2,446	-	2,446
-	-	903	903
<u>\$ (10,315)</u>	<u>\$ 2,446</u>	<u>\$ 903</u>	<u>\$ (6,966)</u>

\$ -	\$ -	\$ 750	\$ 750
274	(80)	1,336	1,530
(7,056)	-	-	(7,056)
53,170	-	143	53,313
<u>46,388</u>	<u>(80)</u>	<u>2,229</u>	<u>48,537</u>
36,073	2,366	3,132	41,571
(3,568)	81,329	43,189	120,950
<u>\$ 32,505</u>	<u>\$ 83,695</u>	<u>\$ 46,321</u>	<u>\$ 162,521</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 17: SUBSEQUENT EVENTS

A. Tax and Revenue Anticipation Notes

On July 2, 2012, the City closed the sale of \$180,000,000 Tax and Revenue Anticipation Notes (TRANS), Series 2012. The proceeds of the TRANS will be used to pay working capital expenditures until tax revenues are received in early 2013. The stated interest rate was 2.00% and the average yield was .15%. The notes will mature on June 28, 2013.

B. Convention and Entertainment Bonds

On August 15, 2012, the City issued \$41,525,000 of Convention & Entertainment Facilities Department Hotel Occupancy Tax and Special Revenue Refunding Bonds, Series 2012 with 5% coupons. The true interest cost was 4.80%. The bonds mature in varying amounts from 2026 – 2033. Proceeds were used to refund \$41,245,000 of the 2001B2 Convention & Entertainment Hotel Occupancy Tax and Special Revenue Refunding Bonds. Net present value savings totaled \$1.9 million or 4.67% of the refunded bonds and reduced total debt service by \$1.9 million.

C. Combined Utility System Revenue and Refunding Bonds

On August 15, 2012, the City issued \$249,075,000 of Combined Utility System First Lien Revenue Refunding Bonds, Series 2012C (SIFMA Index Floating Rate Bonds). The bonds mature in varying amounts from 2028 – 2034. Proceeds were used to refund the Combined Utility System First Lien Revenue Refunding Bonds, Series 2010B and to pay costs of issuance. Because the refunded notes paid interest at varying rates depending on current market conditions, cash flows and net present value savings on the transaction cannot be computed.

On September 13, 2012, the City issued \$149,735,000 of Combined Utility System First Lien Revenue Refunding Bonds, Series 2012D at coupons ranging from 2% - 5%. The bonds mature in varying amounts from 2013 to 2042. Proceeds were used to refund \$158 million of Combined Utility System commercial paper and to pay costs of issuance. Because the refunded notes paid interest at varying rates depending on current market conditions, cash flows and net present value savings on the transaction cannot be computed.

On September 27, 2012, the City issued \$49,000,000 in Combined Utility System, Texas Water Development Board Bonds Series 2012E at coupons ranging from .11% to 1.82%. The bonds mature in ranging amounts from 2014 to 2043. Proceeds will be used to refund \$2.4 million of commercial paper, fund future projects, and pay costs of issuance. Because the refunded notes paid interest at varying rates depending on current market conditions, cash flows and net present value savings on the transaction cannot be computed.

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, 2012
amounts expressed in thousands
(unaudited)**

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget-Pos (Neg)
	Original	Final		
Revenues				
Taxes and assessments				
Property Taxes	\$ 842,478	\$ 842,478	\$ 866,141	\$ 23,663
Industrial Assessments	14,800	14,800	37	(14,763)
Sales Tax	518,912	518,912	546,543	27,631
Franchise Tax	190,229	190,230	192,760	2,530
Mixed Beverage Tax	10,621	10,621	9,525	(1,096)
Bingo Tax	185	185	193	8
Total taxes and assessments	<u>1,577,225</u>	<u>1,577,226</u>	<u>1,615,199</u>	<u>37,973</u>
Licenses and permits				
General	15,860	15,860	18,089	2,229
Health Permits	6,381	6,381	6,497	116
Total licenses and permits	<u>22,241</u>	<u>22,241</u>	<u>24,586</u>	<u>2,345</u>
Charges for services				
Ambulance service	27,442	27,442	33,071	5,629
Library fees	-	-	17	17
Parking	210	210	211	1
Services performed for other funds				
Direct	45,255	45,241	41,469	(3,772)
Indirect	18,522	18,522	18,255	(267)
Rents and royalties	1,356	1,356	1,409	53
Others	11,357	11,357	10,661	(696)
Total charges for services	<u>104,142</u>	<u>104,128</u>	<u>105,093</u>	<u>965</u>
Intergovernmental - grants	<u>11,161</u>	<u>11,161</u>	<u>12,124</u>	<u>963</u>
Fines and forfeits				
Municipal Courts	35,894	35,894	34,416	(1,478)
Others	2,562	2,562	2,774	212
Total fines and forfeits	<u>38,456</u>	<u>38,456</u>	<u>37,190</u>	<u>(1,266)</u>
Interest	<u>3,000</u>	<u>3,000</u>	<u>4,218</u>	<u>1,218</u>
Other				
Sale of Property	355	355	424	69
Other	6,385	6,385	3,646	(2,739)
Total Other	<u>6,740</u>	<u>6,740</u>	<u>4,070</u>	<u>(2,670)</u>
Total revenues	<u>1,762,965</u>	<u>1,762,952</u>	<u>1,802,480</u>	<u>39,528</u>
Other financing sources (uses)				
Transfers in	51,480	51,480	53,144	1,664
Sale of capital assets	13,550	13,550	1,504	(12,046)
Other financing sources (uses)	-	-	-	-
Total other financing sources (uses)	<u>65,030</u>	<u>65,030</u>	<u>54,648</u>	<u>(10,382)</u>
Total revenues and other financing sources	<u>\$ 1,827,995</u>	<u>\$ 1,827,982</u>	<u>\$ 1,857,128</u>	<u>\$ 29,146</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, 2012
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	5,120	5,345	5,176	169
Other current expenditures	616	387	302	85
Equipment acquisition	-	-	-	-
Total legislative - council	5,736	5,732	5,478	254
Legislative - Mayor's Office				
Personnel services	2,132	4,934	4,842	92
Other current expenditures	178	553	493	60
Total executive - mayor's office	2,310	5,487	5,335	152
Total legislative and executive	8,046	11,219	10,813	406
Office of Business Opportunity				
Personnel services	1,804	1,766	1,641	125
Other current expenditures	215	305	325	(20)
Equipment acquisition	-	32	32	-
Total office of business opportunity	2,019	2,103	1,998	105
Municipal Courts Administration				
Municipal Courts				
Personnel services	19,002	17,480	17,551	(71)
Other current expenditures	4,271	4,511	3,657	854
Equipment acquisition	-	21	19	2
Total municipal courts	23,273	22,012	21,227	785
Elections	3,000	3,000	2,178	822
Finance administration				
Controller				
Personnel services	5,853	5,862	6,207	(345)
Other current expenditures	990	1,103	738	365
Total controller	6,843	6,965	6,945	20
Finance				
Personnel services	6,988	6,958	6,165	793
Other current expenditures	15,431	16,130	15,862	268
Equipment acquisition	-	-	-	-
Total finance	22,419	23,088	22,027	1,061
Administrative and Regulatory Affairs				
Personnel services	25,173	16,801	16,595	206
Other current expenditures	5,942	3,498	3,280	218
Equipment acquisition	-	11	2	9
Total administrative and regulatory affairs	31,115	20,310	19,877	433
Information Technology				
Personnel services	12,708	13,551	13,231	320
Other current expenditures	4,404	4,544	3,626	918
Equipment acquisition	-	-	-	-
Total information technology	17,112	18,095	16,857	1,238
Bond and Legal	1,485	1,485	576	909
Total finance administration	78,974	69,943	66,282	3,661

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, 2012
amounts expressed in thousands
(unaudited)

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
Legal				
Personnel services	12,004	11,963	11,617	346
Other current expenditures	1,715	1,712	914	798
Total legal	13,719	13,675	12,531	1,144
City Secretary				
Personnel services	678	674	632	42
Other current expenditures	112	129	98	31
Total city secretary	790	803	730	73
Planning and Development				
Personnel services	6,616	6,523	6,036	487
Other current expenditures	656	685	621	64
Equipment acquisition	-	-	-	-
Total planning and development	7,272	7,208	6,657	551
Human Resources				
Personnel services	2,702	2,724	2,716	8
Other current expenditures	467	449	387	62
Equipment acquisition	-	19	16	(3)
Total human resources	3,169	3,192	3,119	67
Total general government	140,262	133,155	125,535	7,614
Public safety				
Police				
Personnel services	599,862	596,853	596,721	132
Other current expenditures	40,739	43,107	43,100	7
Equipment acquisition	140	1,075	1,067	8
Total police	640,741	641,035	640,888	147
Fire				
Personnel services	390,076	395,218	390,644	4,574
Other current expenditures	29,233	29,910	29,546	364
Equipment acquisition	-	9	8	1
Total fire	419,309	425,137	420,198	4,939
Total public safety	1,060,050	1,066,172	1,061,086	5,086
Public Works				
Administration				
Personnel services	739	722	724	(2)
Other current expenditures	34,961	34,836	34,464	372
Equipment acquisition	-	-	10	(10)
Total administration	35,700	35,558	35,198	360
General Services				
Personnel services	12,643	12,098	12,294	(196)
Other current expenditures	30,787	31,842	31,160	682
Equipment acquisition	-	21	20	1
Total general services	43,430	43,961	43,474	487

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, 2012
amounts expressed in thousands
(unaudited)

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
Solid Waste				
Personnel services	26,431	26,343	26,408	(65)
Other current expenditures	37,101	36,982	37,308	(326)
Equipment acquisition	-	157	141	16
Total solid waste	63,532	63,482	63,857	(375)
Total public works	142,662	143,001	142,529	472
Department of Neighborhoods				
Personnel services	-	7,100	7,205	(105)
Other current expenditures	-	2,545	1,917	628
Equipment acquisition	-	53	9	44
Total department of neighborhoods	-	9,698	9,131	567
Health				
Personnel services	33,284	32,449	32,783	(334)
Other current expenditures	6,254	7,348	7,124	224
Equipment acquisition	-	257	216	41
Total health	39,538	40,054	40,123	(69)
Housing				
Personnel services	253	253	256	(3)
Other current expenditures	367	367	343	24
Total housing	620	620	599	21
Parks and Recreation				
Personnel services	34,970	35,341	34,827	514
Other current expenditures	25,609	30,780	28,287	2,493
Equipment acquisition	-	43	42	1
Total parks and recreation	60,579	66,164	63,156	3,008
Library				
Personnel services	23,450	23,318	22,641	677
Other current expenditures	4,304	4,195	4,127	68
Equipment acquisition	4,687	4,839	4,839	-
Total library	32,441	32,352	31,607	745
Retiree Benefits				
Hospital and life insurance	14,840	11,464	11,751	(287)
Total retiree benefits	14,840	11,464	11,751	(287)
Other current expenditures				
Tax appraisal fees	7,890	7,690	7,616	74
Limited-purpose Annexation Districts	36,300	36,300	35,729	571
Contingency	4,100	1,691	-	1,691
Claims and judgments	10,563	10,563	6,825	3,738
Membership dues	1,195	1,615	1,521	94
Advertising and promotion	250	300	332	(32)
Management Initiative Savings	-	-	-	-
Consultants	681	681	440	241
Miscellaneous support services	12,294	11,802	11,597	205
Total other current expenditures	73,273	70,642	64,060	6,582
Debt service				
Debt service interest	3,645	3,645	2,061	1,584
Total debt service	3,645	3,645	2,061	1,584
Total expenditures	1,567,910	1,576,967	1,551,638	25,323
Other financing sources (uses)				
Transfers out	260,074	260,117	258,921	1,196
Total other financing sources (uses)	260,074	260,117	258,921	1,196
Total expenditures and other financing uses	\$ 1,827,984	\$ 1,837,084	\$ 1,810,559	\$ 26,519

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, 2012
amounts expressed in thousands
(unaudited)

Revenues

Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 1,802,480
Revenues of non-budgeted funds	
Equipment Acquisition	7,918
Building Security	1,027
Grant Matching Fund	228
Storm Water	238
Bureau of Animal Regulation and Care	1,265
Fleet Maintenance	37
Total revenues of non-budgeted funds	<u>10,713</u>
Interest on pooled investments from non-budgeted revenues	392
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances	<u><u>1,813,585</u></u>

Expenditures

Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	\$ 1,551,638
Expenditures of non-budgeted funds	
Equipment Acquisition	62,351
Building Security	959
Grant Matching Fund	21
Special Non-Recurring	
Fleet Maintenance	7
Storm Water	34,528
Bureau of Animal Regulation and Care	7,569
Total expenditures of non-budgeted funds	<u>105,435</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	<u><u>1,657,073</u></u>

Other financing sources (uses)

Actual amounts (budgetary basis) "other financing sources and uses" from the budgetary comparison schedules	(204,273)
Proceeds from Issuance of Debt	76,118
Sale of Assets	826
Transfers of Non Budgeted Funds	15,456
Total other financing sources and uses as reported on the statement of revenues, expenditures, and changes in fund balances--governmental funds	<u><u>\$ (111,873)</u></u>

See note to Required Supplementary Information

CITY OF HOUSTON, TEXAS
REQUIRED NOTES TO THE SUPPLEMENTARY INFORMATION
June 30, 2012
(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 1, 2012, City Council approved the Fiscal Year 2012 general appropriation ordinance in the amount of \$1.837 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 2012 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	\$ 305,394	\$ 192,021	\$ (35,401)
Non-budgeted Disaster Recovery Fund	13	-	-
Non-budgeted Grants Revenue Fund	221,756	218,814	(42)
Non-budgeted Health and Housing	6,181	3,747	400
Non-budgeted Other Funds	17,228	10,910	(321)
Total Special Revenue Funds - Actual	<u>\$ 550,572</u>	<u>\$ 425,492</u>	<u>\$ (35,364)</u>

2. General Fund Budgetary Highlights

Revenues were \$40 million above budget. This increase was mainly evident in taxes and assessments of \$38 million. In addition, increases in licenses and permits (\$2.3 million), charges for services (\$1 million), and interest income (1.2 million), were offset by decreases in other income of \$2.6 million.

Significant differences between budgeted and actual taxes and assessments include:

- \$24 million increase in property tax
- \$28 million increase in sales tax
- \$14 million decrease in Industrial Assessments

Total expenditures were \$25 million below budget, with a \$8 million decrease in general government, and a \$3 million decrease in Parks. In addition, the Fire Department was \$5 million below budget.

**CITY OF HOUSTON, TEXAS
REQUIRED PENSION SYSTEM
SUPPLEMENTARY INFORMATION
June 30, 2012
(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, 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%
July 1, 2011	\$3,222.3	\$3,558.2	\$335.9	91%	\$272.5	123%

**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, 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%
July 1, 2011	\$2,328.8	\$3,790.3	\$1,461.5	61%	\$544.7	268%

**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, 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%
July 1, 2011	\$3,718.1	\$4,488.1	\$770.0	83%	\$388.4	198%

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

CITY OF HOUSTON, TEXAS
REQUIRED OTHER POST EMPLOYMENT BENEFITS
SUPPLEMENTARY INFORMATION
June 30, 2012
(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%
June 30, 2011	\$0	\$1,984	\$1,984	0%	\$1,164.5	170.4%

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, 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, Dedicated Drainage & Street Renewal, Historic Preservation, Mobility Response Team, and Recycling Expansion Program
 - Not budgeted: Street Maintenance and Traffic Control
- **Health and Housing Special Fund**
 - Budgeted: Swimming Pool Safety
 - 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 Golf Special, Parks Special
 - Not budgeted: MacGregor Parks Endowment
- **Other Special Revenue Fund**
 - Budgeted: Cable Television, Digital Houston, Fleet, Houston Transtar, Parking Management, and Supplemental Environmental Protection
 - 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, 2012
(With comparative amounts for 2011)
amounts expressed in thousands

	2012	2011
Assets		
Equity in pooled cash and investments	\$ 164,851	\$ 120,677
Receivables, net of allowances		
Accounts receivable	35,055	37,872
Property taxes receivable, net	34,708	37,534
Sales taxes receivable	100,539	89,338
Mixed beverage taxes receivable	2,584	2,824
Franchise taxes receivable	17,795	17,360
Special assessments receivable	3,368	4,254
Due from other funds	10,912	18,511
Due from other governments	3,335	6,045
Inventory	13,538	16,965
Prepaid items	2,149	1,981
Total assets	<u>\$ 388,834</u>	<u>\$ 353,361</u>
Liabilities and fund balance		
Liabilities		
Accounts payable	48,111	47,429
Accrued payroll liabilities	24,541	65,707
Due to other funds	25,730	5,757
Due to other governments	308	544
Advances and deposits	8,720	6,484
Claims and judgments	1,759	1,613
Compensated absences	3,700	8,137
Unearned revenue	62,738	49,102
Total liabilities	<u>175,607</u>	<u>184,773</u>
Fund balance		
Non-Spendable		
Imprest cash and prepaids	2,149	2,087
Inventory	13,538	16,965
Restricted	35,868	1,665
Committed	8,547	20,698
Assigned	-	30
Unassigned	153,125	127,143
Total fund balance	<u>213,227</u>	<u>168,588</u>
Total liabilities and fund balance	<u>\$ 388,834</u>	<u>\$ 353,361</u>

CITY OF HOUSTON, TEXAS
GENERAL FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2012
(With comparative amounts for 2011)
amounts expressed in thousands

	<u>2012</u>	<u>2011</u>
Revenues		
Taxes and assessments		
Property Taxes	\$ 866,141	\$ 859,413
Industrial Assessments	37	14,458
Sales Tax	546,543	492,824
Franchise Tax	192,760	190,564
Mixed Beverage Tax	9,525	10,283
Bingo Tax	193	167
Licenses and permits	25,492	19,412
Charges for services	105,537	100,636
Intergovernmental - grants	16,536	59,327
Fines and forfeits	37,190	39,222
Investment income	4,609	3,854
Other	9,022	22,820
Total revenues	<u>1,813,585</u>	<u>1,812,980</u>
Expenditures		
Current		
General government	170,729	161,658
Public safety	1,092,997	1,126,081
Public works	182,229	229,393
Health	40,138	45,473
Housing and community development	599	860
Parks and recreation	63,156	62,609
Library	31,607	35,296
Retiree benefits	10,360	15,996
Capital outlay	63,197	109,654
Debt service interest	2,061	932
Total expenditures	<u>1,657,073</u>	<u>1,787,952</u>
Other financing sources (uses)		
Proceeds from issuance of debt	76,118	95,582
Sale of capital assets	2,330	14,835
Transfers in	73,147	78,350
Transfers out	(276,317)	(269,380)
Transfers from component units	12,849	-
Total other financing sources (uses)	<u>(111,873)</u>	<u>(80,613)</u>
Change in fund balance	44,639	(55,585)
Fund balances beginning, as previously reported	<u>168,588</u>	<u>224,022</u>
Cumulative effect of a change in reporting entity	-	151
Fund balances, July 1	<u>168,588</u>	<u>224,173</u>
Fund balances, June 30	<u><u>213,227</u></u>	<u><u>168,588</u></u>

CITY OF HOUSTON, TEXAS
DEBT SERVICE FUND
Balance Sheet
June 30, 2012
(With comparative amounts for 2011)
amounts expressed in thousands

	2012	2011
Assets		
Equity in pooled cash and investments	\$ 129,565	\$ 143,450
Due from component units	-	4,684
Due from other funds	19,456	11
Due from other governments	3,949	-
Total assets	\$ 152,970	\$ 148,145
Liabilities and fund balance		
Liabilities		
Accounts payable	\$ 847	\$ 174
Unearned revenue	3,949	4,684
Total liabilities	4,796	4,858
Fund balance		
Restricted	148,174	143,287
Total fund balance	148,174	143,287
Total liabilities and fund balance	\$ 152,970	\$ 148,145

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, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	2012			Variance with Final Budget- Pos (Neg)	2011 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 2,800	\$ 2,800	\$ 516	\$ (2,284)	\$ 369
Other	-	-	6,213	6,213	3,960
Total revenues	<u>2,800</u>	<u>2,800</u>	<u>6,729</u>	<u>3,929</u>	<u>4,329</u>
Expenditures					
Debt service principal	160,935	160,935	346,600	(185,665)	192,000
Debt service interest	167,740	167,740	159,025	8,715	153,151
Debt service fiscal agent & fees	6,900	6,900	9,647	(2,747)	7,792
Total expenditures	<u>335,575</u>	<u>335,575</u>	<u>515,272</u>	<u>(179,697)</u>	<u>352,943</u>
Other financing sources (uses)					
Net proceeds from issuance of debt	-	-	609,685	609,685	503,696
Premium on long-term debt	-	-	81,310	81,310	35,521
Transfers in	-	-	280,487	280,487	307,498
Transfers out	-	-	-	-	(812)
Payment to escrow agent for refunded bonds	-	-	(458,052)	(458,052)	(535,960)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>513,430</u>	<u>513,430</u>	<u>309,943</u>
Change in fund balance	(332,775)	(332,775)	4,887	337,662	(38,671)
Fund balances, July 1	-	-	143,287	143,287	181,958
Fund balances, June 30	<u>\$ (332,775)</u>	<u>\$ (332,775)</u>	<u>\$ 148,174</u>	<u>\$ 480,949</u>	<u>\$ 143,287</u>

CITY OF HOUSTON, TEXAS
CAPITAL PROJECTS FUND
Balance Sheet
June 30, 2012
(With comparative amounts for 2011)
amounts expressed in thousands

	2012	2011
Assets		
Equity in pooled cash and investments	\$ 185,114	\$ 82,873
Due from other funds	8,006	636
Due from other governments	1,046	34,179
Prepaid items - Construction materials	125	74
Total assets	\$ 194,291	\$ 117,762
 Liabilities and fund balance		
Liabilities		
Accounts payable	25,337	23,848
Accrued payroll liabilities	2	-
Due to other funds	1,042	953
Advances and deposits	31	31
Unearned revenue	101,449	60,684
Total liabilities	127,861	85,516
 Fund balance		
Imprest cash and prepaids	125	74
Restricted	46,432	-
Assigned	19,873	32,172
Total fund balance	66,430	32,246
Total liabilities and fund balance	\$ 194,291	\$ 117,762

CITY OF HOUSTON, TEXAS
CAPITAL PROJECTS FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	2012	2011
Revenues		
Intergovernmental - grants	\$ 48,021	\$ 68,844
Investment income	1,530	488
Other	15,405	6,675
Total revenues	64,956	76,007
 Expenditures		
Current		
Capital outlay	184,425	196,490
Total expenditures	184,425	196,490
 Other financing sources (uses)		
Proceeds from issuance of debt	120,882	141,418
Sale of capital assets	-	93
Transfers in	41,348	410
Transfers out	(8,577)	(35,635)
Total other financing sources (uses)	153,653	106,286
 Change in fund balance	34,184	(14,197)
Fund balances, July 1	32,246	46,443
 Fund balances, June 30	\$ 66,430	\$ 32,246

CITY OF HOUSTON, TEXAS
GRANTS FUND
Balance Sheet
June 30, 2012
(With comparative amounts for 2011)
amounts expressed in thousands

	2012	2011
Assets		
Cash		
Equity in pooled cash and investments	\$ -	\$ 2,665
Receivables, net of allowances		
Accounts receivable	11,877	11,179
Due from other funds	1,541	5,298
Due from component units	2,085	2,464
Due from other governments	109,059	109,959
Inventory	395	339
Total assets	124,957	131,904
 Liabilities and fund balance		
Liabilities		
Accounts payable	21,305	28,224
Accrued payroll liabilities	892	2,386
Due to other funds	15,255	14,498
Due to other governments	600	634
Advances and deposits	184	180
Unearned revenue	72,064	74,225
Total liabilities	110,300	120,147
 Fund balance		
Non-Spendable		
Inventory	395	339
Restricted	14,262	11,418
Total fund balance	14,657	11,757
 Total liabilities and fund balance	\$ 124,957	\$ 131,904

CITY OF HOUSTON, TEXAS
GRANTS FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2012
(With comparative amounts for 2011)
amounts expressed in thousands

	<u>2012</u>	<u>2011</u>
Revenues		
Intergovernmental - grants	\$ 221,363	\$ 234,525
Contributions	20	-
Investment income	373	798
Total revenues	<u>221,756</u>	<u>235,323</u>
Expenditures		
Current		
General government	15,727	18,761
Public safety	56,577	36,096
Public works	7,527	15,087
Health	58,844	70,650
Housing and community development	74,180	95,617
Parks and recreation	3,451	6,125
Library	2,508	1,419
Total expenditures	<u>218,814</u>	<u>243,755</u>
Other financing sources (uses)		
Transfers out	<u>(42)</u>	<u>(6,292)</u>
Total other financing sources (uses)	<u>(42)</u>	<u>(6,292)</u>
Change in fund balance	2,900	(14,724)
Fund balances, July 1	<u>11,757</u>	<u>26,481</u>
Fund balances, June 30	<u>\$ 14,657</u>	<u>\$ 11,757</u>

CITY OF HOUSTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2012
(With comparative totals for 2011)
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	\$ 18,971	\$ 98,878	\$ 9,633
Receivables, net of allowances			
Accounts receivable	449	16,851	192
Due from other funds	427	1,403	157
Due from other governments	2,465	8,349	-
Inventory	-	367	-
Total assets	<u>\$ 22,312</u>	<u>\$ 125,848</u>	<u>\$ 9,982</u>
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ 1,305	\$ 1,697	\$ 107
Accrued payroll liabilities	622	1,230	45
Due to other funds	1,385	8,090	-
Due to other governments	-	-	-
Advances and deposits	940	1,040	-
Compensated absences	2	35	-
Other liabilities	-	-	-
Unearned revenue	71	24,624	77
Total liabilities	<u>4,325</u>	<u>36,716</u>	<u>229</u>
Fund balance			
Non-Spendable			
Inventory	-	367	-
Committed	13,172	16,062	8,685
Restricted	4,815	72,703	1,068
Total fund balance	<u>17,987</u>	<u>89,132</u>	<u>9,753</u>
Total liabilities and fund balance	<u>\$ 22,312</u>	<u>\$ 125,848</u>	<u>\$ 9,982</u>

(Continued)

Nonmajor Funds

Parks & Recreation Special Fund	Other Special Revenue Fund	2012	2011
\$ 6,140	\$ 63,107	\$ 196,729	\$ 109,626
(192)	1,521	18,821	4,366
-	3	1,990	1,234
-	-	10,814	1,882
-	-	367	5
<u>\$ 5,948</u>	<u>\$ 64,631</u>	<u>\$ 228,721</u>	<u>\$ 117,113</u>
\$ 158	\$ 2,367	\$ 5,634	\$ 5,894
66	105	2,068	4,144
2	129	9,606	5,067
14	972	986	3,023
58	269	2,307	2,345
2	12	51	222
-	2	2	4
20	428	25,220	1,021
<u>320</u>	<u>4,284</u>	<u>45,874</u>	<u>21,720</u>
-	-	367	5
5,287	9,145	52,351	73,636
<u>341</u>	<u>51,202</u>	<u>130,129</u>	<u>21,752</u>
<u>5,628</u>	<u>60,347</u>	<u>182,847</u>	<u>95,393</u>
<u>\$ 5,948</u>	<u>\$ 64,631</u>	<u>\$ 228,721</u>	<u>\$ 117,113</u>

CITY OF HOUSTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	<i>Nonmajor Funds</i>		
	Public Safety Special Fund	Public Works Special Fund	Health & Housing Special Fund
Revenues			
Franchise Tax	\$ -	\$ 393	\$ -
Licenses and permits	11,232	44,261	3,233
Charges for services	7,043	118,006	1,201
Intergovernmental - grants	10,501	52,189	-
Fines and forfeits	4,694	11	-
Investment income	125	1,228	80
Other	16,733	3,785	1,667
Total revenues	<u>50,328</u>	<u>219,873</u>	<u>6,181</u>
Expenditures			
Current			
General government	-	-	-
Public safety	63,401	-	-
Public works	-	85,504	-
Health	-	-	3,322
Housing and community development	-	-	425
Parks and recreation	-	-	-
Capital outlay	306	21,190	-
Debt service fiscal agent & fees	-	514	-
Total expenditures	<u>63,707</u>	<u>107,208</u>	<u>3,747</u>
Other financing sources (uses)			
Sale of capital assets	-	2,514	-
Transfers in	17,175	9,193	400
Transfers out	(2,540)	(49,013)	-
Total other financing sources (uses)	<u>14,635</u>	<u>(37,306)</u>	<u>400</u>
Change in fund balance	1,256	75,359	2,834
Fund balances beginning, as previously reported	<u>16,731</u>	<u>13,773</u>	<u>6,919</u>
Cumulative effect of a change in reporting entity	-	-	-
Fund balances, July 1	<u>\$ 16,731</u>	<u>\$ 13,773</u>	<u>\$ 6,919</u>
Fund balances, June 30	<u>\$ 17,987</u>	<u>\$ 89,132</u>	<u>\$ 9,753</u>

(Continued)

<i>Nonmajor Funds</i>			
Parks & Recreation Special Fund	Other Special Revenue Fund	2012	2011
\$ -	\$ -	\$ 393	\$ 347
239	329	59,294	41,671
7,297	8,999	142,546	32,128
-	2,862	65,552	16,369
-	10,355	15,060	16,192
50	433	1,916	1,157
(202)	19,557	41,540	38,671
<u>7,384</u>	<u>42,535</u>	<u>326,301</u>	<u>146,535</u>
-	22,862	22,862	18,363
-	-	63,401	68,446
-	-	85,504	43,903
-	-	3,322	3,069
-	-	425	315
6,626	-	6,626	6,826
205	2,838	24,539	3,171
-	-	514	-
<u>6,831</u>	<u>25,700</u>	<u>207,193</u>	<u>144,093</u>
-	-	2,514	6,126
-	720	27,488	19,943
(73)	(10,030)	(61,656)	(17,106)
<u>(73)</u>	<u>(9,310)</u>	<u>(31,654)</u>	<u>8,963</u>
480	7,525	87,454	11,405
<u>5,148</u>	<u>52,822</u>	<u>95,393</u>	<u>84,139</u>
-	-	-	(151)
<u>\$ 5,148</u>	<u>\$ 52,822</u>	<u>\$ 95,393</u>	<u>\$ 83,988</u>
<u>\$ 5,628</u>	<u>\$ 60,347</u>	<u>\$ 182,847</u>	<u>\$ 95,393</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, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	2012		Actual	Variance with Final Budget- Pos (Neg)	2011 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Confiscations	\$ 5,873	\$ 5,873	\$ 7,201	\$ 1,328	\$ 6,954
Investment income	34	34	43	9	59
Total revenues	<u>5,907</u>	<u>5,907</u>	<u>7,244</u>	<u>1,337</u>	<u>7,013</u>
Expenditures					
Current					
Public safety	7,100	6,973	5,770	1,203	5,224
Capital outlay	100	227	158	69	210
Total expenditures	<u>7,200</u>	<u>7,200</u>	<u>5,928</u>	<u>1,272</u>	<u>5,434</u>
Other financing sources (uses)					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	(1,293)	(1,293)	1,316	2,609	1,579
Fund balances, July 1	<u>2,800</u>	<u>2,800</u>	<u>2,800</u>	<u>-</u>	<u>1,221</u>
Fund balances, June 30	<u>\$ 1,507</u>	<u>\$ 1,507</u>	<u>\$ 4,116</u>	<u>\$ 2,609</u>	<u>\$ 2,800</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, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	2012			Variance with Final Budget- Pos (Neg)	2011 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Licenses and permits	\$ 3,246	\$ 3,246	\$ 3,382	\$ 136	\$ 2,766
Charges for services	603	603	424	(179)	480
Investment income	30	30	27	(3)	45
Other	2,592	2,592	2,877	285	2,489
Total revenues	<u>6,471</u>	<u>6,471</u>	<u>6,710</u>	<u>239</u>	<u>5,780</u>
Expenditures					
Current					
Public safety	4,308	4,308	4,165	143	3,538
Capital outlay	856	856	-	856	-
Total expenditures	<u>5,164</u>	<u>5,164</u>	<u>4,165</u>	<u>999</u>	<u>3,538</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	(2,190)	(2,190)	(2,190)	-	-
Total other financing sources (uses)	<u>(2,190)</u>	<u>(2,190)</u>	<u>(2,190)</u>	<u>-</u>	<u>-</u>
Change in fund balance	(883)	(883)	355	1,238	2,242
Fund balances, July 1	<u>2,558</u>	<u>2,558</u>	<u>2,558</u>	<u>-</u>	<u>316</u>
Fund balances, June 30	<u>\$ 1,675</u>	<u>\$ 1,675</u>	<u>\$ 2,913</u>	<u>\$ 1,238</u>	<u>\$ 2,558</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, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	2012		Actual	Variance with Final Budget- Pos (Neg)	2011 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Taxes and assessments					
Franchise Tax	\$ 424	\$ 424	\$ 393	\$ (31)	\$ 347
Licenses and permits	31,431	31,431	43,447	12,016	29,234
Charges for services	12,500	12,500	9,480	(3,020)	10,003
Investment income	180	180	145	(35)	11
Other	1,981	1,981	2,778	797	5,308
Total revenues	<u>46,516</u>	<u>46,516</u>	<u>56,243</u>	<u>9,727</u>	<u>44,903</u>
Expenditures					
Current					
Public works	45,868	44,668	43,984	684	41,294
Capital outlay	-	-	96	(96)	97
Debt service principal	797	797	-	797	-
Total expenditures	<u>46,665</u>	<u>45,465</u>	<u>44,080</u>	<u>1,385</u>	<u>41,391</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	(3,273)	(6,473)	(7,271)	798	(6,277)
Total other financing sources (uses)	<u>(3,273)</u>	<u>(6,473)</u>	<u>(7,271)</u>	<u>798</u>	<u>(6,277)</u>
Change in fund balance	(3,422)	(5,422)	4,892	10,314	(2,765)
Fund balances, July 1	6,203	6,203	6,203	-	8,968
Fund balances, June 30	<u>\$ 2,781</u>	<u>\$ 781</u>	<u>\$ 11,095</u>	<u>\$ 10,314</u>	<u>\$ 6,203</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, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	2012		Actual	Variance with Final Budget- Pos (Neg)	2011 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Investment income	\$ 32	\$ 32	\$ 23	\$ (9)	\$ 30
Other	3,662	3,662	4,928	1,266	3,557
Total revenues	<u>3,694</u>	<u>3,694</u>	<u>4,951</u>	<u>1,257</u>	<u>3,587</u>
Expenditures					
Current					
General government	3,269	3,269	4,299	(1,030)	2,854
Capital outlay	302	302	117	185	116
Total expenditures	<u>3,571</u>	<u>3,571</u>	<u>4,416</u>	<u>(845)</u>	<u>2,970</u>
Change in fund balance	123	123	535	412	617
Fund balances, July 1	<u>2,052</u>	<u>2,052</u>	<u>2,052</u>	<u>-</u>	<u>1,435</u>
Fund balances, June 30	<u>\$ 2,175</u>	<u>\$ 2,175</u>	<u>\$ 2,587</u>	<u>\$ 412</u>	<u>\$ 2,052</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, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	2012			Variance with Final Budget- Pos (Neg)	2011
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Fines and forfeits	\$ 732	\$ 732	\$ 860	\$ 128	\$ 823
Interest	50	50	7	(43)	13
Other	2,300	2,300	2,403	103	2,341
Total revenues	<u>3,082</u>	<u>3,082</u>	<u>3,270</u>	<u>188</u>	<u>3,177</u>
Expenditures					
Current					
Public safety	3,082	3,082	3,152	(70)	3,106
Total expenditures	<u>3,082</u>	<u>3,082</u>	<u>3,152</u>	<u>(70)</u>	<u>3,106</u>
Change in fund balance	-	-	118	118	71
Fund balances, July 1	115	115	115	-	44
Fund balances, June 30	<u>\$ 115</u>	<u>\$ 115</u>	<u>\$ 233</u>	<u>\$ 118</u>	<u>\$ 115</u>

CITY OF HOUSTON, TEXAS
DEDICATED DRAINAGE & STREET RENEWAL
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	2012		Actual	Variance with Final Budget- Pos (Neg)	2011 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Taxes and assessments					
Charges for services	\$ 126,523	\$ 126,523	\$ 108,431	\$ (18,092)	\$ -
Licenses & Permits	996	996	814	(182)	-
Metro Intergovernmental Revenue	50,600	50,600	52,189	1,589	-
Miscellaneous/Other	1,245	1,245	2,431	1,186	-
Total revenues	<u>179,364</u>	<u>179,364</u>	<u>163,865</u>	<u>(15,499)</u>	<u>-</u>
Expenditures					
Current					
Public works	56,831	56,831	38,278	18,553	-
Capital outlay	2,040	2,040	20,995	(18,955)	-
Debt service fiscal agent & fees	-	-	514	(514)	-
Total expenditures	<u>58,871</u>	<u>58,871</u>	<u>59,787</u>	<u>(916)</u>	<u>-</u>
Other financing sources (uses)					
Interest Income	-	-	1,074	1,074	-
Transfers in	56,590	56,590	9,193	(47,397)	-
Transfers out	(117,598)	(117,598)	(41,275)	(76,323)	-
Total other financing sources (uses)	<u>(61,008)</u>	<u>(61,008)</u>	<u>(31,008)</u>	<u>(122,646)</u>	<u>-</u>
Change in fund balance	59,485	59,485	73,070	13,585	-
Fund balances, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30	<u>\$ 59,485</u>	<u>\$ 59,485</u>	<u>\$ 73,070</u>	<u>\$ 13,585</u>	<u>\$ -</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, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	2012			Variance with Final Budget- Pos (Neg)	2011 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 8	\$ 8	\$ (35)	\$ (43)	\$ (17)
Other	441	441	1,723	1,282	6,185
Total revenues	<u>449</u>	<u>449</u>	<u>1,688</u>	<u>1,239</u>	<u>6,168</u>
Expenditures					
Current					
Public safety	219	2,109	2,106	3	7,583
Capital outlay	-	-	-	-	56
Total expenditures	<u>219</u>	<u>2,109</u>	<u>2,106</u>	<u>3</u>	<u>7,639</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(150)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150)</u>
Change in fund balance	230	(1,660)	(418)	1,242	(1,621)
Fund balances, July 1	191	191	191	-	1,812
Fund balances, June 30	<u>\$ 421</u>	<u>\$ (1,469)</u>	<u>\$ (227)</u>	<u>\$ 1,242</u>	<u>\$ 191</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, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	2012		Actual	Variance with Final Budget- Pos (Neg)	2011 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Investment income	\$ 140	\$ 140	\$ 5	\$ (135)	\$ 22
WIFI Revenues	-	-	-	-	0
Total revenues	<u>140</u>	<u>140</u>	<u>5</u>	<u>(135)</u>	<u>22</u>
Expenditures					
Current					
General government	1,004	1,004	797	207	347
Capital outlay	252	252	37	215	-
Total expenditures	<u>1,256</u>	<u>1,256</u>	<u>834</u>	<u>422</u>	<u>347</u>
Change in fund balance	(1,116)	(1,116)	(829)	287	(325)
Fund balances, July 1	<u>2,359</u>	<u>2,359</u>	<u>2,359</u>	<u>-</u>	<u>2,684</u>
Fund balances, June 30	<u>\$ 1,243</u>	<u>\$ 1,243</u>	<u>\$ 1,530</u>	<u>\$ 287</u>	<u>\$ 2,359</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, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	2012			Variance with Final Budget- Pos (Neg)	2011 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 50	\$ 50	\$ 18	\$ (32)	\$ 4
Charges for services	-	-	-	-	-
Other	-	-	1	1	-
Total revenues	<u>50</u>	<u>50</u>	<u>19</u>	<u>(31)</u>	<u>4</u>
Expenditures					
Current					
General government	-	-	28	(28)	-
Equipment	-	-	618	(618)	122
Total expenditures	<u>-</u>	<u>-</u>	<u>646</u>	<u>(646)</u>	<u>122</u>
Other financing sources (uses)					
Sale of capital assets	-	-	804	804	1,069
Transfers in	-	-	-	-	11,707
Transfers out	-	-	-	-	(14,307)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>804</u>	<u>804</u>	<u>(1,531)</u>
Change in fund balance	50	50	177	127	(1,649)
Fund balances, July 1	<u>2,235</u>	<u>2,235</u>	<u>2,235</u>	<u>-</u>	<u>3,884</u>
Fund balances, June 30	<u>\$ 2,285</u>	<u>\$ 2,285</u>	<u>\$ 2,412</u>	<u>\$ 127</u>	<u>\$ 2,235</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, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	2012			Variance with Final Budget- Pos (Neg)	2011 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 20	\$ 20	\$ 5	\$ (15)	\$ 9
Other	-	-	119	119	14
Total revenues	<u>20</u>	<u>20</u>	<u>124</u>	<u>104</u>	<u>23</u>
Expenditures					
Current					
Parks and recreation	810	810	95	715	17
Capital outlay	-	-	49	(49)	-
Total expenditures	<u>810</u>	<u>810</u>	<u>144</u>	<u>666</u>	<u>17</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	(790)	(790)	(20)	770	6
Fund balances, July 1	<u>868</u>	<u>868</u>	<u>868</u>	<u>-</u>	<u>862</u>
Fund balances, June 30	<u>\$ 78</u>	<u>\$ 78</u>	<u>\$ 848</u>	<u>\$ 770</u>	<u>\$ 868</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, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	2012		Actual	Variance with Final Budget- Pos (Neg)	2011 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Charges for services	\$ 200	\$ 200	\$ 224	\$ 24	\$ 10
Intergovernmental - grants	11,843	11,843	10,500	(1,343)	10,506
Investment income	-	-	30	30	35
Total revenues	<u>12,043</u>	<u>12,043</u>	<u>10,754</u>	<u>(1,289)</u>	<u>10,551</u>
Expenditures					
Current					
Public safety	23,592	23,592	21,058	2,534	20,362
Capital outlay	-	-	77	(77)	135
Total expenditures	<u>23,592</u>	<u>23,592</u>	<u>21,135</u>	<u>2,457</u>	<u>20,497</u>
Other financing sources (uses)					
Transfers in	11,549	11,549	11,550	1	11,166
Total other financing sources (uses)	<u>11,549</u>	<u>11,549</u>	<u>11,550</u>	<u>1</u>	<u>11,166</u>
Change in fund balance	-	-	1,169	1,169	1,220
Fund balances, July 1	<u>1,359</u>	<u>1,359</u>	<u>1,359</u>	<u>-</u>	<u>139</u>
Fund balances, June 30	<u>\$ 1,359</u>	<u>\$ 1,359</u>	<u>\$ 2,528</u>	<u>\$ 1,169</u>	<u>\$ 1,359</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, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	2012			Variance with Final Budget- Pos (Neg)	2011 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Charges for services	\$ 610	\$ 610	\$ 610	\$ -	\$ 714
Intergovernmental - grants	1,406	1,406	1,648	242	1,573
Investment income	15	15	20	5	24
Other	-	-	94	94	212
Total revenues	<u>2,031</u>	<u>2,031</u>	<u>2,372</u>	<u>341</u>	<u>2,523</u>
Expenditures					
Current					
General government	2,272	2,272	1,601	671	1,763
Capital outlay	37	37	65	(28)	27
Debt service principal	-	-	-	-	-
Total expenditures	<u>2,309</u>	<u>2,309</u>	<u>1,666</u>	<u>643</u>	<u>1,790</u>
Change in fund balance	(278)	(278)	706	984	733
Fund balances, July 1	<u>1,361</u>	<u>1,361</u>	<u>1,361</u>	<u>-</u>	<u>628</u>
Fund balances, June 30	<u>\$ 1,083</u>	<u>\$ 1,083</u>	<u>\$ 2,067</u>	<u>\$ 984</u>	<u>\$ 1,361</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, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	2012			Variance with Final Budget- Pos (Neg)	2011
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Interest	\$ 26	\$ 26	\$ 12	\$ (14)	\$ 17
Other	844	844	1,046	202	862
Total revenues	<u>870</u>	<u>870</u>	<u>1,058</u>	<u>188</u>	<u>879</u>
Expenditures					
Current					
Public safety	868	868	907	(39)	696
Capital outlay	-	-	-	-	-
Total expenditures	<u>868</u>	<u>868</u>	<u>907</u>	<u>(39)</u>	<u>696</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	2	2	151	149	183
Fund balances, July 1	<u>1,471</u>	<u>1,471</u>	<u>1,471</u>	<u>-</u>	<u>1,288</u>
Fund balances, June 30	<u>\$ 1,473</u>	<u>\$ 1,473</u>	<u>\$ 1,622</u>	<u>\$ 149</u>	<u>\$ 1,471</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, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	2012		Actual	Variance with Final Budget- Pos (Neg)	2011 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Investment income	\$ 45	\$ 45	\$ (6)	\$ (51)	\$ 21
Other	100	100	-	(100)	92
Total revenues	<u>145</u>	<u>145</u>	<u>(6)</u>	<u>(151)</u>	<u>113</u>
Expenditures					
Current					
Public works	2,866	2,866	2,334	532	2,185
Capital outlay	-	-	-	-	93
Total expenditures	<u>2,866</u>	<u>2,866</u>	<u>2,334</u>	<u>532</u>	<u>2,278</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	732
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>732</u>
Change in fund balance	(2,721)	(2,721)	(2,340)	381	(1,433)
Fund balances, July 1	<u>4,280</u>	<u>4,280</u>	<u>4,280</u>	<u>-</u>	<u>5,713</u>
Fund balances, June 30	<u>\$ 1,559</u>	<u>\$ 1,559</u>	<u>\$ 1,940</u>	<u>\$ 381</u>	<u>\$ 4,280</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, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	2012			Variance with Final Budget- Pos (Neg)	2011
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Interest	\$ 21	\$ 21	\$ 5	\$ (16)	\$ -
Other	1,423	1,423	1,246	(177)	1,416
Total revenues	<u>1,444</u>	<u>1,444</u>	<u>1,251</u>	<u>(193)</u>	<u>1,416</u>
Expenditures					
Current					
Public safety	1,272	1,272	1,078	194	1,383
Capital outlay	-	-	-	-	-
Total expenditures	<u>1,272</u>	<u>1,272</u>	<u>1,078</u>	<u>194</u>	<u>1,383</u>
Other financing sources (uses)					
Operating transfers out	(350)	(350)	(350)	-	(400)
Total other financing sources (uses)	<u>(350)</u>	<u>(350)</u>	<u>(350)</u>	<u>-</u>	<u>(400)</u>
Change in fund balance	(178)	(178)	(177)	1	(367)
Fund balances, July 1	<u>2,017</u>	<u>2,017</u>	<u>2,017</u>	<u>-</u>	<u>2,384</u>
Fund balances, June 30	<u>\$ 1,839</u>	<u>\$ 1,839</u>	<u>\$ 1,840</u>	<u>\$ 1</u>	<u>\$ 2,017</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, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	2012		Actual	Variance with Final Budget- Pos (Neg)	2011 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Taxes and assessments					
Parking Violations	\$ 10,710	\$ 10,710	\$ 10,353	\$ (357)	\$ 7,132
Parking Fees	8,897	8,897	7,293	(1,604)	7,045
Permit Fees	283	283	329	46	312
Investment income	50	50	58	8	50
Other	2	2	193	191	1,273
Total revenues	<u>19,942</u>	<u>19,942</u>	<u>18,226</u>	<u>(1,716)</u>	<u>15,812</u>
Expenditures					
Current					
General government	8,356	8,356	7,431	925	6,338
Capital outlay	-	-	262	(262)	6
Debt service principal	1,513	1,513	1,513	-	-
Total expenditures	<u>9,869</u>	<u>9,869</u>	<u>9,206</u>	<u>663</u>	<u>6,344</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	(9,117)	(9,117)	(8,117)	(1,000)	(9,537)
Total other financing sources (uses)	<u>(9,117)</u>	<u>(9,117)</u>	<u>(8,117)</u>	<u>(1,000)</u>	<u>(9,537)</u>
Change in fund balance	956	956	903	(53)	(69)
Fund balances, July 1	<u>303</u>	<u>303</u>	<u>303</u>	<u>-</u>	<u>372</u>
Fund balances, June 30	<u>\$ 1,259</u>	<u>\$ 1,259</u>	<u>\$ 1,206</u>	<u>\$ (53)</u>	<u>\$ 303</u>

CITY OF HOUSTON, TEXAS
PARKS GOLF SPECIAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	2012		Actual	Variance with Final Budget- Pos (Neg)	2011 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Licenses and permits			\$ -	\$ -	\$ -
Charges for services	5,960	5,960	5,797	(163)	-
Investment income	-	-	8	8	-
Other	32	32	2	(30)	-
Total revenues	<u>5,992</u>	<u>5,992</u>	<u>5,807</u>	<u>(185)</u>	<u>-</u>
Expenditures					
Current					
Parks and recreation	5,779	5,779	5,433	346	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>5,779</u>	<u>5,779</u>	<u>5,433</u>	<u>346</u>	<u>-</u>
Other financing sources (uses)					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	213	213	374	161	-
Fund balances, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30	<u>\$ 213</u>	<u>\$ 213</u>	<u>\$ 374</u>	<u>\$ 161</u>	<u>\$ -</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, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	2012		Actual	Variance with Final Budget- Pos (Neg)	2011 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Licenses and permits	\$ 177	\$ 177	\$ 239	\$ 62	\$ 205
Charges for services	1,461	1,461	1,501	40	7,424
Investment income	100	100	40	(60)	38
Other	52	52	204	152	80
Total revenues	<u>1,790</u>	<u>1,790</u>	<u>1,984</u>	<u>194</u>	<u>7,747</u>
Expenditures					
Current					
Parks and recreation	2,002	2,002	1,193	809	6,826
Capital outlay	-	-	205	(205)	15
Total expenditures	<u>2,002</u>	<u>2,002</u>	<u>1,398</u>	<u>604</u>	<u>6,841</u>
Other financing sources (uses)					
Transfers out	-	-	(73)	(73)	(410)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(73)</u>	<u>(73)</u>	<u>(410)</u>
Change in fund balance	(212)	(212)	513	725	496
Fund balances, July 1	<u>4,809</u>	<u>4,809</u>	<u>4,809</u>	<u>-</u>	<u>4,313</u>
Fund balances, June 30	<u>\$ 4,597</u>	<u>\$ 4,597</u>	<u>\$ 5,322</u>	<u>\$ 725</u>	<u>\$ 4,809</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, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	2012			Variance with Final Budget- Pos (Neg)	2011 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Charges for services	\$ 13,287	\$ 13,287	\$ 14,936	\$ 1,649	\$ 13,374
Intergovernmental - grants	388	388	-	(388)	3,277
Investment income	200	200	29	(171)	120
Other	2,751	2,751	3,006	255	2,517
Total revenues	<u>16,626</u>	<u>16,626</u>	<u>17,971</u>	<u>1,345</u>	<u>19,288</u>
Expenditures					
Current					
Public safety	28,724	28,724	25,148	3,576	26,520
Capital outlay	-	-	64	(64)	95
Total expenditures	<u>28,724</u>	<u>28,724</u>	<u>25,212</u>	<u>3,512</u>	<u>26,615</u>
Other financing sources (uses)					
Transfers in	8,698	8,698	5,625	(3,073)	6,015
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>8,698</u>	<u>8,698</u>	<u>5,625</u>	<u>(3,073)</u>	<u>6,015</u>
Change in fund balance	(3,400)	(3,400)	(1,616)	1,784	(1,312)
Fund balances, July 1	<u>7,116</u>	<u>7,116</u>	<u>7,116</u>	<u>-</u>	<u>8,428</u>
Fund balances, June 30	<u>\$ 3,716</u>	<u>\$ 3,716</u>	<u>\$ 5,500</u>	<u>\$ 1,784</u>	<u>\$ 7,116</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, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	2012			Variance with Final Budget- Pos (Neg)	2011 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 46	\$ 46	\$ 10	\$ (36)	\$ 38
Other	1,149	1,149	1,077	(72)	1,317
Total revenues	<u>1,195</u>	<u>1,195</u>	<u>1,087</u>	<u>(108)</u>	<u>1,355</u>
Expenditures					
Current					
Parks and recreation	880	880	812	68	407
Capital outlay	-	-	51	(51)	-
Total expenditures	<u>880</u>	<u>880</u>	<u>863</u>	<u>17</u>	<u>407</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	(467)	(467)	(467)	-	(331)
Total other financing sources (uses)	<u>(467)</u>	<u>(467)</u>	<u>(467)</u>	<u>-</u>	<u>(331)</u>
Change in fund balance	(152)	(152)	(243)	(91)	617
Fund balances, July 1	<u>2,261</u>	<u>2,261</u>	<u>2,261</u>	<u>-</u>	<u>1,644</u>
Fund balances, June 30	<u>\$ 2,109</u>	<u>\$ 2,109</u>	<u>\$ 2,018</u>	<u>\$ (91)</u>	<u>\$ 2,261</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, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	2012			Variance with Final Budget- Pos (Neg)	2011 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 5	\$ 5	\$ -	\$ (5)	\$ 2
Other	145	145	124	(21)	111
Total revenues	<u>150</u>	<u>150</u>	<u>124</u>	<u>(26)</u>	<u>113</u>
Expenditures					
Current					
General government	123	123	72	51	76
Capital outlay	149	149	133	16	112
Total expenditures	<u>272</u>	<u>272</u>	<u>205</u>	<u>67</u>	<u>188</u>
Change in fund balance	(122)	(122)	(81)	41	(75)
Fund balances, July 1	<u>204</u>	<u>204</u>	<u>204</u>	<u>-</u>	<u>279</u>
Fund balances, June 30	<u>\$ 82</u>	<u>\$ 82</u>	<u>\$ 123</u>	<u>\$ 41</u>	<u>\$ 204</u>

CITY OF HOUSTON, TEXAS
SWIMMING POOL SAFETY
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	2012			Variance with Final Budget- Pos (Neg)	2011 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Licenses and permits	\$ 925	\$ 925	\$ 863	\$ (62)	\$ 454
Charges for services	-	-	-	-	-
Investment income	-	-	2	2	3
Other	-	-	-	-	-
Total revenues	<u>925</u>	<u>925</u>	<u>865</u>	<u>(60)</u>	<u>457</u>
Expenditures					
Current					
Health	924	838	777	61	356
Capital outlay	-	-	-	-	-
Total expenditures	<u>924</u>	<u>838</u>	<u>777</u>	<u>61</u>	<u>356</u>
Other financing sources (uses)					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	1	87	88	1	101
Fund balances, July 1	<u>101</u>	<u>101</u>	<u>101</u>	<u>-</u>	<u>-</u>
Fund balances, June 30	<u>\$ 102</u>	<u>\$ 188</u>	<u>\$ 189</u>	<u>\$ 1</u>	<u>\$ 101</u>

CITY OF HOUSTON, TEXAS

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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.

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Net Assets
June 30, 2012
(With comparative amounts for 2011)
amounts expressed in thousands

	2012	2011
Assets		
Current Assets		
Equity in pooled cash and investments	\$ 1,000,014	\$ 1,028,278
Receivables, net of allowances		
Accounts receivable	25,667	22,174
Due from other funds	1,282	953
Due from other governments	4,713	5,967
Inventory	2,094	2,549
Prepaid items	12,018	2,207
Restricted assets		
Investments	6,747	6,678
Total current assets	1,052,535	1,068,806
Noncurrent Assets		
Deferred charges for issuance cost	14,751	8,502
Total noncurrent restricted assets	14,751	8,502
Capital assets		
Land	210,568	210,091
Buildings	2,484,745	2,195,518
Improvements and equipment	2,091,957	2,059,916
Construction in progress	95,667	313,278
Runway rights	8,522	7,679
Less accumulated depreciation	(1,966,835)	(1,779,084)
Net capital assets	2,924,624	3,007,398
Total noncurrent assets	2,939,375	3,015,900
Total assets	\$ 3,991,910	\$ 4,084,706

(Continued)

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Net Assets
June 30, 2012
(With comparative amounts for 2011)
amounts expressed in thousands

	2012	2011
Liabilities		
Current Liabilities		
Accounts payable	\$ 38,433	\$ 38,406
Accrued payroll liabilities	1,621	4,591
Accrued interest payable	42,783	53,897
Due to other funds	1,852	1,208
Advances and deposits	1,589	1,422
Inferior lien contract	4,780	4,535
Claims and judgments	926	797
Compensated absences	5,389	4,865
Revenue bonds payable	52,805	52,285
Unearned revenue	7,072	9,870
Total current liabilities	157,250	171,876
Noncurrent liabilities		
Revenue bonds payable, net	2,309,222	2,357,764
Claims and judgments	1,864	1,830
Compensated absences	6,577	7,156
Inferior lien contracts	28,115	32,895
Municipal pension trust liability	45,477	42,083
Other post employment benefits	46,889	38,275
Unearned revenue	-	331
Pension obligation bonds payable	2,006	2,006
Total noncurrent liabilities	2,440,150	2,482,340
Total liabilities	2,597,400	2,654,216
Net assets		
Invested in capital assets, net of related debt	618,155	663,917
Restricted net assets		
Restricted for debt service	185,167	164,162
Restricted for renewal and replacement	10,000	10,000
Restricted for maintenance and operations	44,023	43,320
Restricted for capital improvements	537,165	549,091
Total net assets	\$ 1,394,510	\$ 1,430,490

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2012
(With comparative amounts for 2011)
amounts expressed in thousands

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Landing area fees	\$ 86,935	\$ 90,384
Terminal space rentals	182,320	181,182
Parking	72,833	70,681
Concession	71,386	64,304
Other	4,076	3,851
Total operating revenue	<u>417,550</u>	<u>410,402</u>
Operating Expenses		
Maintenance and operating	264,060	284,307
Depreciation and amortization	190,664	163,054
Total operating expenses	<u>454,724</u>	<u>447,361</u>
Operating income (loss)	<u>(37,174)</u>	<u>(36,959)</u>
Nonoperating revenue (expenses)		
Investment income	5,634	9,700
Other revenue	4,644	3,409
Gain (Loss) on disposal of assets	(11)	1,241
Passenger facility charges	63,550	63,138
Interest on long-term debt	(87,652)	(91,133)
Total Nonoperating revenues (expenses)	<u>(13,835)</u>	<u>(13,645)</u>
Income (loss) before contributions and transfers	<u>(51,009)</u>	<u>(50,604)</u>
Capital contributions	<u>15,029</u>	<u>44,135</u>
Change in net assets	(35,980)	(6,469)
Total net assets, July 1	<u>1,430,490</u>	<u>1,436,959</u>
Total net assets, June 30	<u>\$ 1,394,510</u>	<u>\$ 1,430,490</u>

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Cash Flows
For the Year Ended June 30, 2012
(With comparative amounts for 2011)
amounts expressed in thousands

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Receipts from customers	\$ 411,427	\$ 411,472
Payments to employees	(97,462)	(96,988)
Payments to suppliers	(100,295)	(101,002)
Internal activity-payments to other funds	(58,616)	(36,807)
Claims paid	(926)	(796)
Other revenues	4,644	5,709
Net cash provided by (used in) operating activities	<u>158,772</u>	<u>181,588</u>
Cash flows from investing activities		
Interest income on investments	5,634	9,575
Purchase of investments	(8,555)	(14,681)
Proceeds from sale of investments	8,486	14,809
Gain (loss) on sale on nonpooled stock	-	125
Net cash provided by (used for) investing activities	<u>5,565</u>	<u>9,828</u>
Cash flows from noncapital financing activities		
Interest expense pension obligation bonds	(107)	(106)
Deferred charges on future debt issuance	386	(386)
Net cash provided by (used in) noncapital financing activities	<u>279</u>	<u>(492)</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(60,995)	(47,235)
Refunding of revenue bonds	(1,119,089)	(92,900)
Retirement of commercial paper	-	(6,000)
Proceeds (uses of cash) from issuance of revenue bonds	1,124,584	92,900
Interest expense on debt	(115,098)	(111,972)
Retirement of inferior lien contract	(4,535)	(4,305)
Passenger facilities charges	63,550	63,138
Contributed capital	16,283	44,622
Acquisition of property, plant and equipment	(97,580)	(119,737)
Net cash provided by (used in) capital and related financing activities	<u>(192,880)</u>	<u>(181,489)</u>
Net increase in cash and cash equivalents	(28,264)	9,435
Cash and cash equivalents, July 1	1,028,278	1,018,843
Cash and cash equivalents, June 30	<u>\$ 1,000,014</u>	<u>\$ 1,028,278</u>
Non cash transactions		
Donated assets	\$ -	\$ (22)
Capitalized interest expense	17,933	21,912
Capital additions included in liabilities	1,379	(8,421)
Gain (loss) on disposal of assets	(11)	(1,241)
Total non cash transactions	<u>\$ 19,301</u>	<u>\$ 12,228</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ (37,174)	\$ (36,959)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	190,664	163,054
Capital improvement plan expense	8,660	21,746
Other post employment benefits	3,394	4,878
Other revenues	4,644	3,409
Changes in assets and liabilities		
Accounts receivable	(3,493)	1,402
Due from other funds	(329)	9,879
Inventory and prepaid insurance	(9,356)	39
Accounts payable	(2,003)	2,302
Accrued payroll liabilities	(2,970)	440
Due to other funds	644	670
Advances and deposits	(2,631)	1,970
Claims and judgments - workers' compensation	163	(711)
Compensated absences	(55)	1,191
Pension Obligation payable	8,614	8,278
Net cash provided by operating activities	<u>\$ 158,772</u>	<u>\$ 181,588</u>

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Net Assets
June 30, 2012
(With comparative amounts for 2011)
amounts expressed in thousands

	2012	2011
Assets		
Current Assets		
Equity in pooled cash and investments	\$ 106,778	\$ 116,982
Receivables, net of allowances		
Accounts receivable	79	2,697
Hotel occupancy tax receivable	20,080	18,509
Due from component units	16,475	13,426
Due from other funds	269	181
Due from other governments	920	1,014
Prepaid items	858	859
Restricted assets		
Investments	21,623	21,774
Total current assets	167,082	175,442
Noncurrent Assets		
Due from component units	267,510	265,566
Deferred charges for issuance cost	2,439	2,670
Total noncurrent restricted assets	269,949	268,236
Capital assets		
Land	94,063	94,063
Buildings	557,130	557,085
Improvements and equipment	12,816	12,778
Infrastructure	334	334
Construction in progress	2,167	340
Garage rights	13,144	13,144
Less accumulated depreciation and amortization	(217,480)	(202,785)
Net capital assets	462,174	474,959
Total noncurrent assets	732,123	743,195
Total assets	\$ 899,205	\$ 918,637

(Continued)

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Net Assets
June 30, 2012
(With comparative amounts for 2011)
amounts expressed in thousands

	2012	2011
Liabilities		
Current Liabilities		
Accounts payable	56	\$ 4,540
Accrued payroll liabilities	75	487
Accrued interest payable	4,745	4,213
Due to other funds	69	91
Due to component units	43,310	26,170
Due to other governments	90	43
Advances and deposits	3	847
Compensated absences	432	694
Revenue bonds payable	27,530	21,835
Total current liabilities	76,310	58,920
Noncurrent liabilities		
Revenue bonds payable	578,962	570,014
Compensated absences	222	658
Commercial paper	43,000	43,000
Arbitrage rebate	176	161
Municipal pension trust liability	4,723	4,463
Other post employment benefits	3,332	3,059
Unearned revenue	8,459	-
Pension obligation bonds payable	3,884	3,884
Total noncurrent liabilities	642,758	625,239
Total liabilities	719,068	684,159
Net Assets		
Invested in capital assets, net of related debt	117,082	127,083
Restricted net assets		
Restricted for debt service	16,878	17,561
Restricted for maintenance and operations	13,945	352
Unrestricted	32,232	89,482
Total net assets	\$ 180,137	\$ 234,478

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2012
(With comparative amounts for 2011)
amounts expressed in thousands

	2012	2011
Operating Revenues		
Parking	\$ 7,732	\$ 9,701
Concession	-	6,147
Rental	1,202	7,029
Total operating revenue	8,934	22,877
Operating Expenses		
Maintenance and operating	1,885	40,229
Depreciation and amortization	14,703	15,227
Total operating expenses	16,588	55,456
Operating income (loss)	(7,654)	(32,579)
Nonoperating revenue (expenses)		
Investment income	10,010	9,562
Hotel occupancy tax	68,623	61,603
Other revenue	525	546
Gain (loss) on disposal of assets	-	2,579
Other expenses	-	(26,873)
Interest on long-term debt	(25,799)	(25,194)
Contributions In	-	15,041
Total Nonoperating revenues (expenses)	53,359	37,264
Income (loss) before contributions and transfers	45,705	4,685
Transfers in	-	100
Transfers out	(10,388)	(640)
Transfers to component unit	(89,658)	-
Total transfers	(100,046)	(540)
Change in net assets	(54,341)	4,145
Total net assets, July 1	234,478	230,333
Total net assets, June 30	\$ 180,137	\$ 234,478

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Cash Flows
For the Year Ended June 30, 2012
(With comparative amounts for 2011)
amounts expressed in thousands

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Receipts from customers	\$ 10,708	\$ 21,241
Payments to employees	(1,110)	(10,114)
Payments to suppliers	(5,799)	(26,319)
Internal activity-payments to other funds	(149)	(844)
Claims paid	1	(39)
Due to (from) other governments	47	(6)
Other revenues	526	546
Other expenses	1	(2,683)
Receipts from component units	8,459	-
Net cash provided by (used in) for operating activities	<u>12,684</u>	<u>(18,218)</u>
Cash flows from investing activities		
Interest income on investments	10,161	9,562
Purchase of investments	-	-
Net cash provided by investing activities	<u>10,161</u>	<u>9,562</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(21,835)	(23,260)
Refunding of revenue bonds	(240,635)	-
Proceeds from issuance of revenue bonds	254,460	-
Retirement of commercial paper	-	(800)
Interest expense on debt	(2,358)	(14,655)
Proceeds from disposition of assets	-	3,386
Acquisition of property, plant and equipment, net	(1,918)	(677)
Net cash provide by (used in) for capital and related financing activities	<u>(12,286)</u>	<u>(36,006)</u>
Cash flows from noncapital financing activities		
Promotional contract paid from hotel occupancy tax revenues to component units	-	(24,190)
Transfers	(100,046)	(540)
Payments from component unit	12,241	26,967
Hotel occupancy tax revenue	67,052	59,502
Interest expense on pension obligation bonds	(10)	(10)
Net cash provided by (used in) noncapital financing activities	<u>(20,763)</u>	<u>61,729</u>
Net increase (decrease) in cash and cash equivalents	(10,204)	17,067
Cash and cash equivalents, July 1	116,982	99915
Cash and cash equivalents, June 30	<u>106,778</u>	<u>\$ 116,982</u>

(Continued)

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Cash Flows
For the Year Ended June 30, 2012
(With comparative amounts for 2011)
amounts expressed in thousands

	2012	2011
Non cash transactions		
Unrealized gain on investments	\$ (1,021)	\$ -
Total non cash transactions	\$ (1,021)	\$ -
 Reconciliation of operating income to net cash used by operating activities		
Operating income (loss)	\$ (7,654)	\$ (32,579)
Depreciation and amortization	14,703	15,227
Other post employment benefits	272	679
Other revenues	526	546
Other expenses	1	(2,683)
Changes in assets and liabilities		
Accounts receivable and prepaids	2,618	(1,599)
Due from other funds	(88)	(14)
Accounts payable	(4,485)	1,824
Accrued payroll liabilities	(412)	46
Due to other funds	(21)	91
Due to other governments	47	(6)
Advances and deposits	(844)	(1)
Claims and judgments-workers' compensation	-	(3)
Compensated absences	(698)	75
Deferred revenue	8,459	(42)
Pension Obligation payable	260	533
Other long-term liabilities	-	(312)
Net cash used in operating activities	\$ 12,684	\$ (18,218)

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Net Assets
June 30, 2012
(With comparative amounts for 2011)
amounts expressed in thousands

	2012	2011
Assets		
Current assets		
Equity in pooled cash and investments	\$ 779,372	\$ 785,855
Receivables, net of allowances		
Accounts receivable	107,567	120,133
Special assessments receivable	93	93
Due from other funds	8,838	8,457
Due from other governments	409	399
Inventory	9,907	8,543
Prepaid items	4,444	2,997
Total current assets	910,630	926,477
Noncurrent Assets		
Due from other governments	4,321	-
Amounts held by other governments	11,090	10,740
Deferred outflow related to SWAP liability	307,267	150,800
Deferred charges for issuance cost	54,216	59,799
Total noncurrent restricted assets	376,894	221,339
Capital assets		
Land	128,273	125,247
Buildings	185,779	185,244
Improvements and equipment	132,853	125,570
Plants, lines and rights	9,327,978	9,116,961
Construction in progress	202,342	199,002
Water rights	462,065	462,065
Less accumulated depreciation and amortization	(4,691,447)	(4,501,993)
Net capital assets	5,747,843	5,712,096
Total noncurrent assets	6,124,737	5,933,435
Total assets	\$ 7,035,367	\$ 6,859,912

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Net Assets
June 30, 2012
(With comparative amounts for 2011)
amounts expressed in thousands

	2012	2011
Liabilities		
Current Liabilities		
Accounts payable	\$ 83,070	\$ 57,782
Accrued payroll liabilities	2,632	6,599
Accrued interest payable	34,516	31,923
Contracts payable	14,397	14,313
Due to other funds	3,270	2,901
Due to other governments	2,683	1,421
Advances and deposits	44,340	40,908
Claims and judgments	546	4,827
Compensated absences	8,682	7,630
Commercial paper payable	110,400	5,400
Arbitrage rebate	-	3,644
Revenue bonds payable	80,993	68,285
Total current liabilities	385,529	245,633
Noncurrent liabilities		
Revenue bonds payable	5,762,698	5,797,327
Claims and judgments	830	822
Compensated absences	11,930	12,697
Contracts payable	145,610	159,959
Arbitrage rebate	520	545
Municipal pension trust liability	69,995	64,989
Other post employment benefits	80,236	67,872
Deferred inflow related to SWAP liability	230,551	150,800
Unearned revenue	342,753	351,897
Pension obligation bonds payable	61,157	61,157
Total noncurrent liabilities	6,706,280	6,668,065
Total liabilities	7,091,809	6,913,698
Net Assets		
Invested in capital assets, net of related debt	(68,301)	(57,064)
Restricted net assets		
Restricted for maintenance and operations	69,126	67,178
Restricted for capital improvements	409	399
Unrestricted	(57,676)	(64,299)
Total net assets (deficit)	\$ (56,442)	\$ (53,786)

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2012
(With comparative amounts for 2011)
amounts expressed in thousands

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Water/Sewer Billing	\$ 917,238	\$ 879,176
Total operating revenue	<u>917,238</u>	<u>879,176</u>
Operating Expenses		
Maintenance and operating	410,781	362,851
Depreciation and amortization	211,170	215,186
Total operating expenses	<u>621,951</u>	<u>578,037</u>
Operating income (loss)	<u>295,287</u>	<u>301,139</u>
Nonoperating revenue (expenses)		
Investment income	5,696	11,041
Other revenue	33,434	25,385
Loss on disposal of assets	(670)	(1,625)
Interest on long-term debt	(290,882)	(286,674)
Contributions in	12,014	7,817
Total Nonoperating revenues (expenses)	<u>(240,408)</u>	<u>(244,056)</u>
Income (loss) before contributions and transfers	<u>54,879</u>	<u>57,083</u>
Capital contributions	<u>7,955</u>	<u>2,481</u>
Transfers in	42	1,896
Transfers out	(65,532)	(76,592)
Total transfers	<u>(65,490)</u>	<u>(74,696)</u>
Change in net assets	(2,656)	(15,132)
Total net assets, July 1	(53,786)	(38,654)
Total net assets, June 30	<u>\$ (56,442)</u>	<u>\$ (53,786)</u>

**CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Cash Flows
For the Year Ended June 30, 2012
(With comparative amounts for 2011)
amounts expressed in thousands**

	2012	2011
Cash flows from operating activities		
Receipts from customers	\$ 933,234	\$ 840,676
Payments to employees	(151,463)	(140,769)
Payments to suppliers	(199,027)	(187,820)
Internal activity-payments to other funds	(23,885)	(20,018)
Claims paid	(5,381)	(391)
Other revenues	33,434	25,385
Receipts from other governments	1,764	-
Net cash provided by (used in) operating activities	588,676	517,063
Cash flows from investing activities		
Interest income on investments	5,696	11,041
Net cash provided by (used in) investing activities	5,696	11,041
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(123,165)	(104,484)
Retirement of commercial paper	-	(405,100)
Refunding of revenue bonds	(453,914)	(529,837)
Proceeds from issuance of revenue bonds - net	453,997	1,053,144
Proceeds from issuance of commercial paper	105,000	175,000
Unamortized premium	-	4,313
Interest expense on debt	(286,738)	(272,710)
Proceeds from disposition of assets	316	770
Contributed capital	3,746	8,705
Deferred bond issuance cost	-	(6,048)
Due from other governments	(5,207)	-
Acquisition of property, plant and equipment	(225,586)	(160,275)
Net cash used for capital and related financing activities	(531,551)	(236,522)
Cash flows from noncapital financing activities		
Interest expense on pension obligation bonds	(3,814)	-
Transfers to debt service fund	(21,163)	(21,744)
Transfers to other funds	(44,327)	(52,952)
Net cash used in noncapital financing activities	(69,304)	(74,696)
Net increase(decrease) in cash and cash equivalents	(6,483)	216,886
Cash and cash equivalents, July 1	785,855	568,969
Cash and cash equivalents, June 30	\$ 779,372	\$ 785,855
Non cash transactions		
Contributed Capital	(7,955)	(4,475)
Capitalized interest expense	14,360	7,794
CAB accretion interest	11,493	14,055
Gain on disposal of assets	670	1,625
Total non cash transactions	\$ 18,568	\$ 18,999
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 295,287	\$ 301,139
Depreciation and amortization	211,170	215,186
Other post employment benefits	12,363	14,120
Other revenues	33,434	25,385
Accounts receivable	12,566	(40,490)
Due from other funds	(381)	(828)
Due from other governments	912	(97)
Inventory & prepaid insurance	(2,809)	(1,258)
Accounts payable	25,285	(7,936)
Accrued payroll liabilities	(3,967)	921
Due to other funds	369	1,859
Arbitrage rebate	-	62
Advances and deposits	3,432	1,991
Claims and judgments-workers' compensation	(4,275)	(759)
Compensated absences	284	1,082
Pension obligation payable	5,006	6,686
Net cash provided by operating activities	\$ 588,676	\$ 517,063



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, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	<u>Health Benefits</u>	<u>Long-term Disability</u>	<u>2012</u>	<u>2011</u>
Assets				
Current assets				
Cash and cash equivalents				
Equity in pooled cash and investments	\$ 12,286	\$ 9,254	\$ 21,540	\$ 40,853
Receivables, net of allowances				
Accounts receivable	1	-	1	1
Due from other funds	5	-	5	4
Due from other	4,626	-	4,626	-
Prepaid items	3	-	3	3
Total current assets	<u>16,921</u>	<u>9,254</u>	<u>26,175</u>	<u>40,861</u>
Capital assets				
Buildings, improvements and equipment	354	-	354	354
Total capital assets	<u>354</u>	<u>-</u>	<u>354</u>	<u>354</u>
Less accumulated depreciation	(209)	-	(209)	(159)
Accumulated depreciation	<u>(209)</u>	<u>-</u>	<u>(209)</u>	<u>(159)</u>
Net capital assets	<u>145</u>	<u>-</u>	<u>145</u>	<u>195</u>
Total noncurrent assets	<u>145</u>	<u>-</u>	<u>145</u>	<u>195</u>
Total Assets	<u>17,066</u>	<u>9,254</u>	<u>26,320</u>	<u>41,056</u>
Liabilities				
Current Liabilities				
Accounts Payable	4,407	55	4,462	4,850
Accrued payroll liabilities	62	-	62	146
Due to other funds	39	-	39	4,809
Claims and judgments	23,334	2,346	25,680	19,252
Compensated absences	199	-	199	171
Unearned revenue	2,714	-	2,714	1,318
Total current liabilities	<u>30,755</u>	<u>2,401</u>	<u>33,156</u>	<u>30,546</u>
Noncurrent liabilities				
Claims and judgments	-	5,708	5,708	5,609
Compensated absences	184	-	184	262
Total noncurrent liabilities	<u>184</u>	<u>5,708</u>	<u>5,892</u>	<u>5,871</u>
Total liabilities	<u>30,939</u>	<u>8,109</u>	<u>39,048</u>	<u>36,417</u>
Net Assets				
Investment in capital assets, net of related debt	145	-	145	195
Unrestricted	(14,018)	1,145	(12,873)	4,444
Total net assets	<u>\$ (13,873)</u>	<u>\$ 1,145</u>	<u>\$ (12,728)</u>	<u>\$ 4,639</u>

CITY OF HOUSTON, TEXAS
INTERNAL SERVICE FUNDS
Combining Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	<u>Health Benefits</u>	<u>Long-term Disability</u>	<u>2012</u>	<u>2011</u>
Operating Revenues				
Other	\$ 227	\$ -	\$ 227	\$ 569
Health benefit premiums	293,927	1,215	295,142	308,576
Total operating revenues	<u>294,154</u>	<u>1,215</u>	<u>295,369</u>	<u>309,145</u>
Operating Expenses				
Administrative costs	4,270	16	4,286	4,369
Claims Costs	307,191	1,229	308,420	306,770
Maintenance and operating	-	-	-	519
Depreciation and amortization	50	-	50	158
Total operating expenses	<u>311,511</u>	<u>1,245</u>	<u>312,756</u>	<u>311,816</u>
Operating income (loss)	<u>(17,357)</u>	<u>(30)</u>	<u>(17,387)</u>	<u>(2,671)</u>
Nonoperating revenues (expenses)				
Investment income	(18)	38	20	675
Total Nonoperating revenues (expenses)	<u>(18)</u>	<u>38</u>	<u>20</u>	<u>675</u>
Income (loss) before contributions and transfers	<u>(17,375)</u>	<u>8</u>	<u>(17,367)</u>	<u>(1,996)</u>
Change in net assets	(17,375)	8	(17,367)	(1,996)
Total net assets (deficit), July 1	<u>3,502</u>	<u>1,137</u>	<u>4,639</u>	<u>6,635</u>
Total net assets, June 30	<u>\$ (13,873)</u>	<u>\$ 1,145</u>	<u>\$ (12,728)</u>	<u>\$ 4,639</u>

CITY OF HOUSTON, TEXAS
INTERNAL SERVICE FUNDS
Combining Statement of Cash Flows
For the Year Ended June 30, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	Health Benefits	Long-term Disability	2012	2011
Cash flows from operating activities				
Receipts from customers	\$ 293,928	\$ 1,215	\$ 295,143	\$ 308,577
Payments to employees	(3,483)	-	(3,483)	(3,057)
Payments to suppliers	99	30	129	3,097
Internal activity-payments to other funds	(7,632)	(1,800)	(9,432)	4,809
Claims paid	(300,876)	(1,041)	(301,917)	(290,832)
Due from other governments	-	-	-	-
Other revenues	227	-	227	569
Other expenses	-	-	-	(519)
Net cash provided by (used in) operating activities	<u>(17,737)</u>	<u>(1,596)</u>	<u>(19,333)</u>	<u>22,644</u>
Cash flows from investing activities				
Interest income on investments	(18)	38	20	675
Net cash provided by investing activities	<u>(18)</u>	<u>38</u>	<u>20</u>	<u>675</u>
Net increase (decrease) in cash and cash equivalents	(17,755)	(1,558)	(19,313)	23,319
Cash and cash equivalents, July 1	30,041	10,812	40,853	17,534
Cash and cash equivalents, June 30	<u>\$ 12,286</u>	<u>\$ 9,254</u>	<u>\$ 21,540</u>	<u>\$ 40,853</u>
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (loss)	\$ (17,357)	\$ (30)	\$ (17,387)	\$ (2,671)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	50	-	50	159
Changes in assets and liabilities				
Accounts receivable	-	-	-	1
Due from other funds	8	-	8	(3)
Due from other governments	(4,626)	-	(4,626)	1,490
Accounts payable	(418)	30	(388)	4,713
Accrued payroll liabilities	(84)	-	(84)	17
Due to other funds	(2,979)	(1,800)	(4,779)	3,357
Claims for workers' compensation	6,324	204	6,528	15,961
Compensated absences	(51)	-	(51)	89
Deferred revenue	1,396	-	1,396	(469)
Net cash provided by operating activities	<u>\$ (17,737)</u>	<u>\$ (1,596)</u>	<u>\$ (19,333)</u>	<u>\$ 22,644</u>

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, 2012
(With comparative totals for 2011)
amounts expressed in thousands

		Firefighters' Relief and Retirement Pension Trust Fund
Assets		
Cash	\$	5,220
Investments		
U.S. government and agency securities		-
Corporate bonds		-
Other fixed income securities		1,096,389
Commingled equity funds		-
Common and preferred stock		1,148,868
Real estate and partnerships		826,106
Short-term investment funds		77,784
Invested securities lending collateral		121,289
Receivables, net of allowances		
Due from broker		6
Contributions		1,898
Accrued interest and dividends		17,259
Other		9,404
Other assets		1,479
Land		483
Building		5,758
Total assets		3,311,943
 Liabilities and plan net asset		
Liabilities		
Accounts payable		12,098
Securities lending collateral		121,289
Foreign funds contracts payable		3,370
Other liabilities		55
Total liabilities		136,812
 Plan net assets held in trust for pension benefits	\$	3,175,131

(Continued)

Municipal Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	2012	2011
\$ 1,647	\$ 309	\$ 7,176	\$ 6,232
71,642	-	71,642	54,562
230,905	-	230,905	200,264
-	815,920	1,912,309	2,063,199
255,302	-	255,302	315,648
810,010	699,993	2,658,871	3,044,729
615,049	1,785,987	3,227,142	2,779,825
65,204	234,171	377,159	489,670
261,195	113,063	495,547	718,142
828	14,890	15,724	31,654
-	760	2,658	6,996
-	7,120	24,379	27,411
6,215	17,280	32,899	10,905
9,934	-	11,413	9,448
-	-	483	483
-	-	5,758	6,018
<u>2,327,931</u>	<u>3,689,493</u>	<u>9,329,367</u>	<u>9,765,186</u>
36,997	8,538	57,633	154,636
261,195	113,063	495,547	718,142
812	352	4,534	23,906
4,692	572	5,319	5,364
<u>303,696</u>	<u>122,525</u>	<u>563,033</u>	<u>902,048</u>
<u>\$ 2,024,235</u>	<u>\$ 3,566,968</u>	<u>\$ 8,766,334</u>	<u>\$ 8,863,138</u>

CITY OF HOUSTON, TEXAS
PENSION TRUST FUNDS
Combining Statement of Changes in Plan Net Assets
For the Year Ended June 30, 2012
(With comparative totals for 2011)
amounts expressed in thousands

	Firefighters' Relief and Retirement Pension Trust Fund
Additions:	
Contributions	
City of Houston	\$ 61,320
Members	23,090
Total Contributions	84,410
Investment income	
Interest	69,244
Net appreciation in fair value of investments	(35,012)
Dividends	21,647
Income on securities lending	297
Earnings from real estate, limited partnerships real estate investments, and other investments	8,275
Other income	361
Total investment and other income (loss)	64,812
Less - investment expense	(7,554)
Less - cost of securities lending	277
Total additions (reductions)	141,945
Deductions:	
Benefits paid to members	162,255
Refunds to members	250
Other	7,389
Total deductions	169,894
Net increase (decrease)	(27,949)
Plan net assets held in trust for pension benefits, beginning of year	3,203,080
Plan net assets held in trust for pension benefits, end of year	\$ 3,175,131

(Continued)

Municipal Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	2012	2011
\$ 97,162	\$ 83,027	\$ 241,509	\$ 241,323
18,473	35,151	76,714	77,710
<u>115,635</u>	<u>118,178</u>	<u>318,223</u>	<u>319,033</u>
18,306	47,121	134,671	107,268
(58,315)	53,935	(39,392)	1,404,547
20,446	19,200	61,293	58,315
1,032	646	1,975	2,062
14,449	-	22,724	24,691
654	1,135	2,150	1,959
<u>(3,428)</u>	<u>122,037</u>	<u>183,421</u>	<u>1,598,842</u>
(7,487)	(19,296)	(34,337)	(38,078)
(394)	(161)	(278)	(543)
<u>104,326</u>	<u>220,758</u>	<u>467,029</u>	<u>1,879,254</u>
200,014	180,014	542,283	517,844
2,206	704	3,160	2,372
7,312	3,689	18,390	18,058
<u>209,532</u>	<u>184,407</u>	<u>563,833</u>	<u>538,274</u>
(105,206)	36,351	(96,804)	1,340,980
<u>2,129,441</u>	<u>3,530,617</u>	<u>8,863,138</u>	<u>7,522,158</u>
<u>\$ 2,024,235</u>	<u>\$ 3,566,968</u>	<u>\$ 8,766,334</u>	<u>\$ 8,863,138</u>

CITY OF HOUSTON, TEXAS
AGENCY FUNDS
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2012
amounts expressed in thousands

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Payroll Revolving Fund				
Assets				
Equity in pooled cash and investments	\$ (13,196)	\$ 6,716,788	\$ 6,701,101	\$ 2,491
Accounts receivable	20,490	10	20,372	128
Due from other funds	-	4,565	-	4,565
Total assets	<u>\$ 7,294</u>	<u>\$ 6,721,363</u>	<u>\$ 6,721,473</u>	<u>\$ 7,184</u>
Liabilities				
Accounts payable	\$ 7,294	\$ 2,470,131	\$ 2,470,241	\$ 7,184
Total liabilities	<u>\$ 7,294</u>	<u>\$ 2,470,131</u>	<u>\$ 2,470,241</u>	<u>\$ 7,184</u>
City Deposit Fund				
Assets				
Equity in pooled cash and investments	\$ 132	\$ 1	\$ 2	\$ 131
Total assets	<u>\$ 132</u>	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ 131</u>
Liabilities				
Advances and deposits	\$ 132	\$ -	\$ 1	\$ 131
Total liabilities	<u>\$ 132</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 131</u>
Tax Clearing Fund				
Assets				
Equity in pooled cash and investments	\$ 20,043	\$ 176,542	\$ 185,065	\$ 11,520
Total assets	<u>\$ 20,043</u>	<u>\$ 176,542</u>	<u>\$ 185,065</u>	<u>\$ 11,520</u>
Liabilities				
Accounts payable	\$ 20,043	\$ 326,808	\$ 335,331	\$ 11,520
Total liabilities	<u>\$ 20,043</u>	<u>\$ 326,808</u>	<u>\$ 335,331</u>	<u>\$ 11,520</u>
Totals - All Agency Funds				
Assets				
Equity in pooled cash and investments	\$ 6,979	\$ 6,893,331	\$ 6,886,168	\$ 14,142
Accounts receivable	20,490	10	20,372	\$ 128
Total assets	<u>\$ 27,469</u>	<u>\$ 6,893,341</u>	<u>\$ 6,906,540</u>	<u>\$ 14,270</u>
Liabilities				
Accounts payable	\$ 27,337	\$ 2,796,939	\$ 2,805,572	\$ 18,704
Advances and deposits	132	-	1	\$ 131
Total liabilities	<u>\$ 27,469</u>	<u>\$ 2,796,939</u>	<u>\$ 2,805,573</u>	<u>\$ 18,835</u>

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 First Corporation (formerly 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, 2012
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	\$ 80	\$ 1,802	\$ 468	\$ 117	\$ 21,621
Equity in pooled cash and investments	-	3,263	-	9,720	24,385
Receivables, net of allowances					
Accounts receivable	-	323	-	-	1,518
Contracts receivable	-	-	-	-	-
Accrued interest and other	-	4	-	-	829
Due from primary government	-	-	-	-	-
Inventory	-	-	-	-	-
Prepaid items	-	-	-	1	-
Restricted assets					
Investments	-	-	-	-	-
Other receivables	-	-	3	-	-
Total current assets	<u>80</u>	<u>5,392</u>	<u>471</u>	<u>9,838</u>	<u>48,353</u>
Noncurrent Assets					
Investments	-	-	-	-	-
Assessments receivable	-	-	-	-	-
Deferred charges for issuance cost	-	-	-	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other assets, net of depreciation					
Total other assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Land	-	315	82	200	4,613
Buildings, improvements and equipment	1,199	444	-	-	60
Plants, lines and rights	-	-	-	-	-
Total capital assets	<u>1,199</u>	<u>759</u>	<u>82</u>	<u>200</u>	<u>4,673</u>
Less accumulated depreciation					
Buildings, improvements and equipment	<u>(384)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36)</u>
Accumulated depreciation	<u>(384)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36)</u>
Net capital assets	<u>815</u>	<u>759</u>	<u>82</u>	<u>200</u>	<u>4,637</u>
Total noncurrent assets	<u>815</u>	<u>759</u>	<u>82</u>	<u>200</u>	<u>4,637</u>
Total assets	<u>895</u>	<u>6,151</u>	<u>553</u>	<u>10,038</u>	<u>52,990</u>
Liabilities					
Current Liabilities					
Accounts payable	-	1,334	-	52	1,351
Accrued payroll liabilities	-	-	-	-	-
Accrued interest payable	-	-	-	-	526
Contracts and retainages payable	-	-	-	-	-
Notes payable	-	-	-	-	-
Due to other governments	-	-	-	-	-
Compensated absences	-	-	-	-	-
Other liabilities	-	-	-	-	312
Deferred Revenue	-	-	-	-	-
Current liabilities payable from restricted assets					
Revenue bonds payable	-	-	-	-	1,205
Advances and deposits	-	-	-	-	-
Total current liabilities	<u>-</u>	<u>1,334</u>	<u>-</u>	<u>52</u>	<u>3,394</u>
Noncurrent liabilities					
Notes payable	-	-	-	-	-
Revenue bonds payable	-	-	-	-	30,805
Contracts payable	4,189	-	-	-	-
Other long-term liabilities	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total Noncurrent liabilities	<u>4,189</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,805</u>
Total liabilities	<u>4,189</u>	<u>1,334</u>	<u>-</u>	<u>52</u>	<u>34,199</u>
Net assets					
Invested in capital assets, net of related debt	-	-	82	-	4,393
Restricted net assets					
Restricted for debt service	-	-	-	-	2,873
Restricted for maintenance and operations	-	-	-	-	-
Restricted for capital improvements	-	759	-	9,193	-
Other restricted	-	1,455	-	-	-
Unrestricted (deficit)	<u>(3,294)</u>	<u>2,603</u>	<u>471</u>	<u>793</u>	<u>11,525</u>
Total net assets (deficit)	<u>\$ (3,294)</u>	<u>\$ 4,817</u>	<u>\$ 553</u>	<u>\$ 9,986</u>	<u>\$ 18,791</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
\$ 2,942	\$ 785	\$ 206	\$ -	\$ 294	\$ 4,191	\$ 1	\$ 1,198	\$ -	\$ 627
-	-	601	2,546	1,843	-	-	-	-	-
6,136	208	-	-	1,530	-	-	4,115	-	1,693
-	-	-	-	-	936	-	-	-	-
-	-	-	-	-	-	-	130	-	-
7	-	-	-	-	-	-	-	-	-
121	-	-	-	18	-	-	-	-	-
-	-	-	-	-	-	-	16,366	-	-
-	-	-	-	345	65	-	-	-	-
<u>9,206</u>	<u>993</u>	<u>807</u>	<u>2,546</u>	<u>4,030</u>	<u>5,192</u>	<u>1</u>	<u>21,809</u>	<u>-</u>	<u>2,320</u>
66	-	-	-	-	176	-	-	-	17,947
-	-	-	-	-	3,118	-	-	-	-
<u>66</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,294</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,947</u>
-	-	-	-	-	-	-	-	-	-
-	5,417	-	-	-	692	56,986	13,745	4,812	-
1,292	-	104	-	526	9,705	23,173	-	-	-
-	-	-	-	-	-	-	-	-	1,865
<u>1,292</u>	<u>5,417</u>	<u>104</u>	<u>-</u>	<u>526</u>	<u>10,397</u>	<u>80,159</u>	<u>13,745</u>	<u>4,812</u>	<u>1,865</u>
(330)	-	-	-	(366)	(7,077)	(2,667)	-	-	-
<u>(330)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(366)</u>	<u>(7,077)</u>	<u>(2,667)</u>	<u>-</u>	<u>-</u>	<u>-</u>
962	5,417	104	-	160	3,320	77,492	13,745	4,812	1,865
1,028	5,417	104	-	160	6,614	77,492	13,745	4,812	19,812
<u>10,234</u>	<u>6,410</u>	<u>911</u>	<u>2,546</u>	<u>4,190</u>	<u>11,806</u>	<u>77,493</u>	<u>35,554</u>	<u>4,812</u>	<u>22,132</u>
738	11	91	5	109	160	-	217	-	316
-	-	-	20	-	-	-	-	-	-
416	917	-	-	-	34	-	-	-	-
-	87	-	-	-	-	-	128	-	-
-	2,864	-	-	-	434	3,371	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	1	-	21	-	-	-	-
86	-	-	-	1,425	-	-	43	-	-
139	-	-	-	67	3	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>1,379</u>	<u>3,879</u>	<u>91</u>	<u>26</u>	<u>1,601</u>	<u>652</u>	<u>3,371</u>	<u>388</u>	<u>-</u>	<u>316</u>
-	2,020	-	-	-	1,903	17,648	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
232	-	-	-	-	-	-	-	-	85
<u>232</u>	<u>2,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,903</u>	<u>17,648</u>	<u>-</u>	<u>-</u>	<u>85</u>
1,611	5,899	91	26	1,601	2,555	21,019	388	-	401
-	2,368	104	-	-	3,104	56,473	-	4,812	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	16,040	-	-
-	-	-	-	-	-	-	-	-	-
8,623	(1,857)	716	2,520	2,113	7,819	-	7,725	-	20,285
-	-	-	-	476	(1,672)	1	11,401	-	1,446
<u>\$ 8,623</u>	<u>\$ 511</u>	<u>\$ 820</u>	<u>\$ 2,520</u>	<u>\$ 2,589</u>	<u>\$ 9,251</u>	<u>\$ 56,474</u>	<u>\$ 35,166</u>	<u>\$ 4,812</u>	<u>\$ 21,731</u>

(Continued)

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Net Assets
June 30, 2012
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	\$ -	\$ 4,546	\$ 124	\$ 2	\$ 10,621
Equity in pooled cash and investments	52	-	-	-	4,643
Receivables, net of allowances					
Accounts receivable	27	22	-	-	876
Contracts receivable	-	-	-	-	-
Accrued interest and other	-	-	-	-	-
Due from primary government	-	-	-	-	-
Inventory	-	-	-	-	-
Prepaid items	1	1	-	-	6
Restricted assets					
Investments	-	6,705	-	-	-
Other receivables	-	-	-	-	-
Total current assets	80	11,274	124	2	16,146
Noncurrent Assets					
Restricted assets					
Investments	-	-	-	-	-
Assessments receivable	-	-	-	-	-
Deferred charges for issuance cost	-	-	-	-	654
Total noncurrent restricted assets	-	-	-	-	654
Other assets, net of depreciation					
Total noncurrent restricted assets	-	-	-	-	-
Land	-	-	873	1,016	-
Buildings, improvements and equipment	-	-	-	-	-
Plants, lines and rights	-	-	-	-	-
Total capital assets	-	-	873	1,016	-
Less accumulated depreciation					
Buildings, improvements and equipment	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Net capital assets	-	-	873	1,016	-
Total noncurrent assets	-	-	873	1,016	654
Total assets	80	11,274	997	1,018	16,800
Liabilities					
Current Liabilities					
Accounts payable	-	85	27	21	1,371
Accrued payroll liabilities	11	-	-	-	-
Accrued interest payable	-	-	-	-	28
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	-	-	-	-	1,915
Advances and deposits	-	-	-	-	-
Total current liabilities	37	85	27	21	3,314
Noncurrent liabilities					
Notes payable	-	-	-	873	-
Revenue bonds payable	-	-	-	-	20,830
Contracts payable	-	-	-	-	-
Other long-term liabilities	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total Noncurrent liabilities	-	-	-	873	20,830
Total liabilities	37	85	27	894	24,144
Net assets					
Invested in capital assets, net of related debt	-	-	873	143	-
Restricted net assets					
Restricted for debt service	-	-	-	-	84
Restricted for maintenance and operations	-	-	-	-	-
Restricted for capital improvements	-	-	-	-	-
Other restricted	-	9,623	-	-	-
Unrestricted (deficit)	43	1,566	97	(19)	(7,428)
Total net assets (deficit)	\$ 43	\$ 11,189	\$ 970	\$ 124	\$ (7,344)

(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
\$ 31,082	3,605	\$ 6,878	\$ 647	\$ 751	\$ 19
8,710	-	30,502	-	-	35,331
-	-	4,398	428	-	-
-	-	-	-	-	183
-	-	-	-	-	-
-	-	33,889	-	-	-
-	1	-	-	1	-
-	-	-	-	-	-
-	-	-	29	-	-
<u>39,792</u>	<u>3,606</u>	<u>75,667</u>	<u>1,104</u>	<u>752</u>	<u>35,533</u>
-	-	-	-	-	-
-	-	-	-	-	-
857	-	1,644	-	-	1,247
<u>857</u>	<u>-</u>	<u>1,644</u>	<u>-</u>	<u>-</u>	<u>1,247</u>
-	-	-	-	-	-
-	-	4,898	-	-	4,562
-	-	7,159	-	-	34
-	-	-	-	-	-
-	-	12,057	-	-	4,596
-	-	(2,613)	-	-	(26)
-	-	(2,613)	-	-	(26)
-	-	9,444	-	-	4,570
857	-	11,088	-	-	5,817
<u>40,649</u>	<u>3,606</u>	<u>86,755</u>	<u>1,104</u>	<u>752</u>	<u>41,350</u>
108	612	1,841	12	231	369
-	-	-	-	-	-
640	204	1,435	-	48	429
-	-	-	72	-	-
-	405	110	-	105	-
-	-	-	-	-	-
-	-	806	-	-	-
-	-	-	-	-	-
1,610	-	3,090	-	-	1,205
-	-	-	-	-	-
<u>2,358</u>	<u>1,221</u>	<u>7,282</u>	<u>84</u>	<u>384</u>	<u>2,003</u>
-	2,375	1,851	-	2,527	-
47,310	-	58,520	-	-	25,551
-	-	-	-	-	-
-	-	-	-	-	-
<u>47,310</u>	<u>2,375</u>	<u>60,371</u>	<u>-</u>	<u>2,527</u>	<u>25,551</u>
<u>49,668</u>	<u>3,596</u>	<u>67,653</u>	<u>84</u>	<u>2,911</u>	<u>27,554</u>
-	-	5,753	133	-	4,570
2,862	-	12,080	-	-	4,955
-	-	-	-	-	-
-	-	10,180	-	-	-
-	-	30,837	632	-	-
(11,881)	10	(39,748)	255	(2,159)	4,271
<u>\$ (9,019)</u>	<u>\$ 10</u>	<u>\$ 19,102</u>	<u>\$ 1,020</u>	<u>\$ (2,159)</u>	<u>\$ 13,796</u>

(Continued)

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Net Assets
June 30, 2012
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	\$ 1,475	\$ 525	\$ 2,297	\$ 94	\$ 22,765	\$ 119,763
Equity in pooled cash and investments	443	-	5,143	12,746	-	139,928
Receivables, net of allowances						
Accounts receivable	7	179	2	-	-	21,462
Contracts receivable	-	-	-	-	-	936
Accrued interest and other	-	-	-	-	-	1,146
Due from primary government	-	-	-	-	2,075	2,075
Inventory	-	-	-	-	-	33,896
Prepaid items	-	-	2	-	-	152
Restricted assets						
Investments	-	-	-	-	-	23,071
Other receivables	-	-	-	-	-	442
Total current assets	<u>1,925</u>	<u>704</u>	<u>7,444</u>	<u>12,840</u>	<u>24,840</u>	<u>342,871</u>
Noncurrent Assets						
Restricted assets						
Investments	-	-	-	-	-	18,189
Assessments receivable	-	-	-	-	-	3,118
Deferred charges for issuance cost	158	-	772	673	1,326	7,331
Total noncurrent restricted assets	<u>158</u>	<u>-</u>	<u>772</u>	<u>673</u>	<u>1,326</u>	<u>28,638</u>
Other assets, net of depreciation						
Total noncurrent restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Land	-	-	60	13,509	9,081	120,861
Buildings, improvements and equipment	-	-	-	-	5,577	49,273
Plants, lines and rights	-	-	-	-	-	1,865
Total property, plant & equipment	<u>-</u>	<u>-</u>	<u>60</u>	<u>13,509</u>	<u>14,658</u>	<u>171,999</u>
Less accumulated depreciation and						
Buildings, improvements and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,279)</u>	<u>(14,778)</u>
Accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,279)</u>	<u>(14,778)</u>
Net capital assets	<u>-</u>	<u>-</u>	<u>60</u>	<u>13,509</u>	<u>13,379</u>	<u>157,221</u>
Total noncurrent assets	<u>158</u>	<u>-</u>	<u>832</u>	<u>14,182</u>	<u>14,705</u>	<u>185,859</u>
Total assets	<u>2,083</u>	<u>704</u>	<u>8,276</u>	<u>27,022</u>	<u>39,545</u>	<u>528,730</u>
Liabilities						
Current Liabilities						
Accounts payable	32	10	479	2,229	1,930	13,741
Accrued payroll liabilities	-	-	-	-	-	31
Accrued interest payable	29	-	292	255	1,002	6,255
Contracts and retainages payable	-	-	-	315	-	602
Notes payable	-	-	1,000	787	-	9,076
Due to other governments	-	-	-	-	6,250	6,250
Compensated absences	-	-	-	-	-	22
Other liabilities - current	-	127	41	-	-	2,840
Deferred revenue	223	-	-	-	-	458
Current liabilities payable from restricted assets						
Revenue bonds payable	130	-	1,100	-	3,505	13,760
Advances and deposits	-	528	-	-	-	528
Total current liabilities	<u>414</u>	<u>665</u>	<u>2,912</u>	<u>3,586</u>	<u>12,687</u>	<u>53,563</u>
Noncurrent liabilities						
Notes payable	6,906	-	2,620	16,213	-	54,936
Revenue bonds payable	1,525	-	22,870	-	65,939	273,350
Contracts payable	-	3,313	-	-	-	7,502
Other long-term liabilities	-	-	-	-	-	232
Deferred revenue	-	-	-	-	-	85
Total Noncurrent liabilities	<u>8,431</u>	<u>3,313</u>	<u>25,490</u>	<u>16,213</u>	<u>65,939</u>	<u>336,105</u>
Total liabilities	<u>8,845</u>	<u>3,978</u>	<u>28,402</u>	<u>19,799</u>	<u>78,626</u>	<u>389,668</u>
Net Assets						
Investment in capital assets, net of related debt	-	-	-	13,509	13,379	109,696
Restricted net assets						
Restricted for debt service	411	-	4,634	97	12,583	40,579
Restricted for maintenance and operations	-	-	-	-	-	16,040
Restricted for capital improvements	-	-	9	3,657	3,074	26,872
Other restricted	4	-	-	-	-	80,493
Unrestricted	(7,177)	(3,274)	(24,769)	(10,040)	(68,117)	(134,618)
Total net assets (deficit)	<u>\$ (6,762)</u>	<u>\$ (3,274)</u>	<u>\$ (20,126)</u>	<u>\$ 7,223</u>	<u>\$ (39,081)</u>	<u>\$ 139,062</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, 2012
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	\$ 206	\$ -	\$ -	\$ -	\$ -	\$ (206)	\$ -
East Downtown Redevelopment Authority	2,112	-	-	-	-	-	(2,112)
Fifth Ward Redevelopment Authority	440	-	-	-	-	-	-
Fourth Ward Redevelopment Authority	6,981	-	-	-	-	-	-
Greater Greenspoint Redevelopment Authority	7,309	-	-	-	-	-	-
Greater Houston Convention and Visitors Bureau	8,628	-	264	8,296	-	-	-
Gulfgate Redevelopment Authority	192	-	-	-	-	-	-
Hardy Near Northside Redevelopment Authority	47	-	-	-	-	-	-
Houston Area Library Automated Network	1,760	-	-	1,408	-	-	-
Houston Arts Alliance	7,946	-	-	6,317	-	-	-
Houston Business Development Corporation	2,067	-	1,161	3,041	-	-	-
Houston Downtown Park Corporation	1,392	-	1,018	16	-	-	-
Houston Parks Board, Inc.	3,163	-	378	9,532	-	-	-
Houston Parks Board, LGC, Inc.	-	-	-	64	-	-	-
Houston Public Library Foundation	3,210	-	-	1,111	-	-	-
Lamar Terrace Public Improvement District	-	-	-	-	-	-	-
Land Assemblage Redevelopment Authority	773	-	-	261	-	-	-
Leland Woods Redevelopment Authority I	87	-	-	71	-	-	-
Leland Woods Redevelopment Authority II	39	-	-	29	-	-	-
Main Street Market Square Redevelopment Authority	6,422	-	-	-	-	-	-
Memorial City Redevelopment Authority	12,240	-	-	788	-	-	-
Memorial-Heights Redevelopment Authority	1,771	-	-	-	-	-	-
Midtown Redevelopment Authority	14,878	-	-	-	-	-	-
Miller Theatre Advisory Board, Inc.	2,198	-	-	2,208	-	-	-
Old Sixth Ward Redevelopment Authority	2,185	-	-	-	-	-	-
OST/Almeda Corridors Redevelopment Authority	5,382	-	-	-	-	-	-
Saint George Place Redevelopment Authority	791	-	-	-	-	-	-
South Post Oak Redevelopment Authority	201	-	-	-	-	-	-
Southwest Houston Redevelopment Authority	26,774	-	-	-	-	-	-
Upper Kirby Redevelopment Authority	12,617	-	-	1,932	-	-	-
Uptown Development Authority	21,199	-	-	6,327	-	-	-
Total component units	153,010	\$ -	2,821	41,401	\$ -	(206)	(2,112)
General Revenues:							
Taxes							
Property Taxes - general purposes / tax increments						455	2,121
Unrestricted investment earnings (loss)						3	9
Other						-	-
Transfers						-	(302)
Total general revenues, special						458	1,828
Change in net assets						252	(284)
Net Assets (deficit) beginning						(3,546)	5,101
Net Assets (deficit) ending						\$ (3,294)	\$ 4,817

(Continued)

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Activities
For the Year Ended June 30, 2012
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.	6,747	-	-	-	-
Houston Parks Board, LGC, Inc.	-	64	-	-	-
Houston Public Library Foundation	-	-	(2,099)	-	-
Lamar Terrace Public Improvement District	-	-	-	-	-
Land Assemblage Redevelopment Authority	-	-	-	-	(512)
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/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	-	-	-	-	-
Total component units	<u>6,747</u>	<u>64</u>	<u>(2,099)</u>	<u>-</u>	<u>(512)</u>
General Revenues:					
Taxes					
Property Taxes - general purposes / tax increments	-	-	-	-	-
Unrestricted investment earnings (loss)	365	-	470	1	7
Other	-	-	-	-	2
Transfers	79	-	-	-	-
Total general revenues, special items, and transfers	<u>444</u>	<u>-</u>	<u>470</u>	<u>1</u>	<u>9</u>
Change in net assets	7,191	64	(1,629)	1	(503)
Net Assets (deficit) beginning	27,975	4,748	23,360	42	11,692
Net Assets (deficit) ending	<u>\$ 35,166</u>	<u>\$ 4,812</u>	<u>\$ 21,731</u>	<u>\$ 43</u>	<u>\$ 11,189</u>

(Continued)

DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Activities
For the Year Ended June 30, 2012
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (206)
East Downtown Redevelopment Authority	-	-	-	-	-	-	(2,112)
Fifth Ward Redevelopment Authority	-	-	-	-	-	-	(440)
Fourth Ward Redevelopment Authority	-	-	-	-	-	-	(6,981)
Greater Greenspoint Redevelopment Authority	-	-	-	-	-	-	(7,309)
Greater Houston Convention and Visitors Bureau	-	-	-	-	-	-	(68)
Gulfgate Redevelopment Authority	-	-	-	-	-	-	(192)
Hardy Near Northside Redevelopment Authority	-	-	-	-	-	-	(47)
Houston Area Library Automated Network	-	-	-	-	-	-	(352)
Houston Arts Alliance	-	-	-	-	-	-	(1,629)
Houston Business Development Corporation	-	-	-	-	-	-	2,135
Houston Downtown Park Corporation	-	-	-	-	-	-	(358)
Houston Parks Board, Inc.	-	-	-	-	-	-	6,747
Houston Parks Board, LGC, Inc.	-	-	-	-	-	-	64
Houston Public Library Foundation	-	-	-	-	-	-	(2,099)
Lamar Terrace Public Improvement District	-	-	-	-	-	-	-
Land Assemblage Redevelopment Authority	-	-	-	-	-	-	(512)
Leland Woods Redevelopment Authority I	-	-	-	-	-	-	(16)
Leland Woods Redevelopment Authority II	-	-	-	-	-	-	(10)
Main Street Market Square Redevelopment Authority	-	-	-	-	-	-	(6,422)
Memorial City Redevelopment Authority	-	-	-	-	-	-	(11,452)
Memorial-Heights Redevelopment Authority	-	-	-	-	-	-	(1,771)
Midtown Redevelopment Authority	-	-	-	-	-	-	(14,878)
Miller Theatre Advisory Board, Inc.	-	-	-	-	-	-	10
Old Sixth Ward Redevelopment Authority	-	-	-	-	-	-	(2,185)
OST/Alameda Corridors Redevelopment Authority	(5,382)	-	-	-	-	-	(5,382)
Saint George Place Redevelopment Authority	-	(791)	-	-	-	-	(791)
South Post Oak Redevelopment Authority	-	-	(201)	-	-	-	(201)
Southwest Houston Redevelopment Authority	-	-	-	(26,774)	-	-	(26,774)
Upper Kirby Redevelopment Authority	-	-	-	-	(10,685)	-	(10,685)
Uptown Development Authority	-	-	-	-	-	(14,872)	(14,872)
Total component units	(5,382)	(791)	(201)	(26,774)	(10,685)	(14,872)	(108,788)
General Revenues:							
Taxes							
Property Taxes - general purposes / tax increments	6,401	1,416	658	4,048	6,313	22,818	91,828
Unrestricted investment earnings	54	12	4	79	23	46	2,582
Other	490	5	-	-	12	(27)	2,941
Transfers	-	-	-	-	-	-	(535)
Total general revenues, special items, and transfers	6,945	1,433	662	4,127	6,348	22,837	96,816
Change in net assets	1,563	642	461	(22,647)	(4,337)	7,965	(11,972)
Net Assets (deficit) beginning	12,233	(7,404)	(3,735)	2,521	11,560	(47,046)	151,034
Net Assets ending	\$ 13,796	\$ (6,762)	\$ (3,274)	\$ (20,126)	\$ 7,223	\$ (39,081)	\$ 139,062

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS TYPE
Combining Statement of Net Assets
June 30, 2012
amounts expressed in thousands

	Houston First Corporation See Note 14E	Houston Housing Finance Corp	Houston Zoo Inc.	Total
Assets				
Current assets				
Cash	\$ 49,711	\$ 26,798	\$ 11,847	\$ 88,356
Investments	58,442	-	8,900	67,342
Receivables, net of allowances				
Accounts receivable	5,857	8,939	1,358	16,154
Accrued interest and other	-	66	-	66
Due from other governments	1,811	-	-	1,811
Inventory	190	-	223	413
Prepaid items	1,037	-	513	1,550
Restricted assets				
Investments	-	-	1,923	1,923
Other receivables	-	403	-	403
Total current assets	<u>117,048</u>	<u>36,206</u>	<u>24,764</u>	<u>178,018</u>
Noncurrent Assets				
Receivable and deposits	-	4,552	-	4,552
Deferred charges for issuance cost	5,318	-	-	5,318
Other long-term receivables	-	3,385	-	3,385
Total noncurrent assets	<u>5,318</u>	<u>7,937</u>	<u>-</u>	<u>13,255</u>
Capital assets				
Land	13,037	-	-	13,037
Buildings, improvements and equipment	282,186	5,989	76,809	364,984
Total capital assets	<u>295,223</u>	<u>5,989</u>	<u>76,809</u>	<u>378,021</u>
Less accumulated depreciation				
Buildings, improvements and equipment	(72,564)	(3,722)	(13,888)	(90,174)
Accumulated depreciation	<u>(72,564)</u>	<u>(3,722)</u>	<u>(13,888)</u>	<u>(90,174)</u>
Net capital assets	<u>222,659</u>	<u>2,267</u>	<u>62,921</u>	<u>287,847</u>
Total noncurrent assets	<u>227,977</u>	<u>10,204</u>	<u>62,921</u>	<u>301,102</u>
Total assets	<u>345,025</u>	<u>46,410</u>	<u>87,685</u>	<u>479,120</u>
Liabilities				
Current Liabilities				
Accounts payable and accrued expenses	17,426	60	1,567	19,053
Accrued payroll liabilities	-	-	1,086	1,086
Due to City of Houston	13,692	-	-	13,692
Contracts and retainages payable	-	-	1,195	1,195
Notes payable	12,720	-	-	12,720
Deferred revenue	837	-	142	979
Current liabilities payable from restricted assets				
Accrued interest payable	2,944	-	-	2,944
Total current liabilities	<u>47,619</u>	<u>60</u>	<u>3,990</u>	<u>51,669</u>
Noncurrent liabilities				
Notes payable	245,598	-	-	245,598
Other long-term liabilities	6,853	29	-	6,882
Deferred revenue	12,450	-	-	12,450
Total noncurrent liabilities	<u>264,901</u>	<u>29</u>	<u>-</u>	<u>264,930</u>
Total liabilities	<u>312,520</u>	<u>89</u>	<u>3,990</u>	<u>316,599</u>
Net assets				
Investment in capital assets, net of related debt	(19,975)	-	-	(19,975)
Restricted net assets				
Restricted for debt service	18,777	-	-	18,777
Other restricted	-	-	6,811	6,811
Unrestricted (deficit)	33,703	46,321	76,884	156,908
Total net assets (deficit)	<u>\$ 32,505</u>	<u>\$ 46,321</u>	<u>\$ 83,695</u>	<u>\$ 162,521</u>

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS-TYPE
Combining Statement of Activities
For the Year Ended June 30, 2012
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 First Corporation	90,333	80,018	-
Houston Housing Finance Corp.	1,796	346	2,353
Houston Zoo Inc.	30,609	24,386	8,669
Totals	<u>\$ 122,738</u>	<u>\$ 104,750</u>	<u>\$ 11,022</u>

General Revenues:

Taxes
 Property Taxes levied for general purposes/tax increments
Unrestricted investment earnings
Other
Transfers
 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			
First Corporation See Note 14E	Houston Housing Finance Corp.	Houston Zoo, Inc.	Total
(10,315)	-	-	(10,315)
-	903	-	903
-	-	2,446	2,446
<u>(10,315)</u>	<u>903</u>	<u>2,446</u>	<u>(6,966)</u>
-	750	-	750
274	1,336	(80)	1,530
(7,056)	-	-	(7,056)
<u>53,170</u>	<u>143</u>	<u>-</u>	<u>53,313</u>
<u>46,388</u>	<u>2,229</u>	<u>(80)</u>	<u>48,537</u>
36,073	3,132	2,366	41,571
(3,568)	43,189	81,329	120,950
<u>\$ 32,505</u>	<u>\$ 46,321</u>	<u>\$ 83,695</u>	<u>\$ 162,521</u>

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS TYPE
Statement of Cash Flows
For the Year Ended June 30, 2012
amounts expressed in thousands

	Houston First Corporation See Note 14E	Houston Housing Finance Corp.	Houston Zoo Inc.	Total Component Units
Cash flows from operating activities				
Receipts from customers	\$ 80,757	\$ 4,570	\$ 23,920	\$ 109,247
Payments to employees	(30,153)	-	(96)	(30,249)
Payments to suppliers	(43,523)	-	(30,213)	(73,736)
Other revenues	-	-	9,357	9,357
Receipts from City of Houston	66,862	-	-	66,862
Other revenues (expenses)	(8,905)	(681)	2,740	(6,846)
Net cash provided by operating activities	<u>65,038</u>	<u>3,889</u>	<u>5,708</u>	<u>74,635</u>
Cash flows from investing activities				
Advances on long-term receivables	-	(11,132)	-	(11,132)
Interest income on investments	274	9,147	-	9,421
Purchase of investments	(53,263)	(6,824)	(17,247)	(77,334)
Proceeds from sale of investments	45,748	9,903	2,524	58,175
Change in cash restricted for capital acquisition	-	-	1,730	1,730
Net cash provided by investing activities	<u>(7,241)</u>	<u>1,094</u>	<u>(12,993)</u>	<u>(19,140)</u>
Cash flows from capital and related financing activities				
Contributed capital	-	-	5,683	5,683
Acquisition of property, plant and equipment	(13,899)	-	-	(13,899)
Interest expense	(8,272)	-	-	(8,272)
Receipt of tax rebates	8,709	-	-	8,709
Payments to the City of Houston	(15,039)	-	-	(15,039)
Net cash provided by (used for) capital and related financing activities	<u>(28,501)</u>	<u>-</u>	<u>5,683</u>	<u>(22,818)</u>
Cash flows from noncapital financing activities				
Other revenues	-	(248)	-	(248)
Excess funds from Bond Series	13,351	144	-	13,495
Net cash provided by noncapital financing activities	<u>13,351</u>	<u>(104)</u>	<u>-</u>	<u>13,247</u>
Net increase (decrease) in cash and cash equivalents	42,647	4,879	(1,602)	45,924
Cash and cash equivalents, July 1	7,064	21,920	13,448	42,432
Cash and cash equivalents, June 30	<u>\$ 49,711</u>	<u>\$ 26,799</u>	<u>\$ 11,846</u>	<u>\$ 88,356</u>
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (Loss)	\$ 1,778	\$ 3,853	\$ 2,366	7,997
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	7,435	249	3,497	11,181
Other revenues	39,605	-	395	40,000
Other expenses	-	(268)	(677)	(945)
Net due from component unit	-	17	-	17
Changes in assets and liabilities:				
Contracts receivable				
Accounts receivable	(3,260)	(20)	363	(2,917)
Contracts receivable	13,692	-	(562)	13,130
Inventory	58	-	(88)	(30)
Other assets	(3,613)	-	(42)	(3,655)
Accounts payable and accrued expenses	8,713	59	553	9,325
Accrued payroll liabilities	867	-	(97)	770
Other revenues				
Construction and retainages payable				
Other long-term liabilities	(237)	-	-	(237)
Net cash provided by (used for) operating activities	<u>\$ 65,038</u>	<u>\$ 3,890</u>	<u>\$ 5,708</u>	<u>\$ 74,636</u>

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>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>	<u>2012</u>
Governmental Activities										
Invested in capital assets, net of related debt	\$ 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	\$ 3,783,152
Restricted	197,977	205,999	168,803	159,092	170,297	213,567	161,147	199,459	179,691	182,831
Unrestricted	(185,622)	(386,480)	(861,603)	(727,282)	(969,830)	(1,310,289)	(1,629,514)	(1,928,202)	(2,168,298)	(2,343,970)
Total governmental activities net assets	<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>	<u>\$ 1,622,013</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 1,068,562	\$ 1,361,202	\$ 1,138,154	\$ 976,834	\$ 745,459	\$ 551,820	\$ 668,465	\$ 893,832	\$ 733,936	\$ 666,936
Restricted	1,006,121	501,271	461,738	545,792	641,613	784,895	824,219	842,298	850,895	871,409
Unrestricted	(70,890)	(12,537)	87,494	99,666	104,542	135,860	(17,815)	(102,094)	25,183	(25,444)
Total business-type activities net assets	<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>	<u>\$ 1,512,901</u>
Primary government										
Invested in capital assets, net of related debt	\$ 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	\$ 4,450,088
Restricted	1,204,098	707,270	630,541	704,884	811,910	998,462	985,366	1,041,757	1,030,586	1,054,240
Unrestricted	(256,512)	(399,017)	(774,109)	(627,616)	(865,288)	(1,174,429)	(1,647,329)	(2,030,296)	(2,143,115)	(2,369,414)
Total primary government net assets	<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>	<u>\$ 3,134,914</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)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 150,374	\$ 234,176	\$ 143,477	\$ 130,807	\$ 130,026	\$ 193,928	\$ 219,584	\$ 232,466	\$ 230,868	\$ 270,279
Public safety	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	1,431,987
Public works	238,323	251,423	282,767	266,723	275,165	317,749	417,953	305,768	308,506	289,395
Health	99,617	105,247	124,267	102,716	101,865	129,197	136,766	139,693	128,320	111,891
Housing and community development	48,393	62,956	78,867	318,450	80,171	59,182	62,793	96,349	95,730	71,417
Parks and recreation	84,446	63,156	83,945	72,309	85,274	102,758	97,398	93,676	91,492	89,379
Library	38,282	38,481	49,084	37,242	39,180	49,687	48,015	48,721	44,887	42,455
Retiree benefits	21,440	26,581	28,997	-	-	-	-	-	-	-
Interest in long-term debt	98,042	95,779	116,180	136,563	135,134	126,349	129,324	151,807	150,640	157,407
Depreciation and amortization	119,475	85,711	96,355	125,517	111,918	110,174	115,050	119,719	130,111	126,303
Total governmental activities expenses	<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>	<u>2,590,515</u>
Business-type activities :										
Airport System	265,987	315,929	406,908	431,392	442,757	459,521	472,253	504,472	537,253	542,387
Convention & Entertainment Facilities	76,760	91,588	133,622	99,271	105,846	110,576	114,110	105,703	107,523	42,387
Combined Utility System	649,247	681,201	762,209	752,122	818,831	846,368	842,518	849,674	866,336	913,503
Houston Area Water Corporation	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>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>	<u>1,498,277</u>
Total primary government expenses	<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>	<u>\$ 4,088,792</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	14,957	18,047	25,074	52,083	34,839	11,104	22,601	20,544	31,831	69,017
Public safety	122,864	137,886	139,814	103,719	110,222	131,221	136,450	143,274	132,220	141,965
Public works	40,413	42,695	43,652	49,797	53,856	53,375	46,404	45,011	45,211	171,177
Health	13,263	13,026	13,624	12,574	13,563	17,093	16,836	15,110	16,968	18,081
Housing	0	0	0	0	0	0	0	900	0	0
Parks and recreation	5,176	6,122	6,009	6,687	6,930	4,683	7,578	6,977	7,796	7,576
Library	1,211	1,329	1,187	1,010	675	1,035	1,056	1,261	919	979
Operating grants and contributions	137,590	143,864	162,310	467,956	246,737	232,203	393,157	346,945	293,350	303,085
Capital grants and contributions	6,123	46,337	37,591	69,438	101,099	76,497	45,354	109,190	68,801	0
Total governmental activities program revenues	<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>	<u>711,880</u>
Business-type activities:										
Charges for services:										
Airport System	240,767	270,413	353,641	393,861	416,138	447,176	386,777	406,579	410,402	417,550
Convention & Entertainment Facilities	17,010	17,145	19,175	19,599	20,554	22,306	20,902	31,833	25,456	8,934
Combined Utility System	539,317	531,208	598,874	642,662	615,465	648,269	687,238	691,162	879,176	917,238
Houston Area Water Corporation	-	-	-	-	-	-	13,045	-	-	-
Parking Management	-	-	-	-	-	-	-	13,676	-	-
Operating grants and contributions	-	22,516	4,297	4,020	2,740	4,749	4,574	10,710	22,858	12,014
Capital grants and contributions	48,339	42,000	106,484	109,728	61,717	132,728	192,815	58,672	46,616	22,984
Total business-type activities program revenues	<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>	<u>1,378,720</u>
Total primary government program revenues	<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>	<u>\$ 2,090,600</u>
Net (expense)/revenue										
Governmental activities	\$(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)	\$(1,878,635)
Business-type activities	(146,714)	(205,596)	(220,437)	(130,343)	(271,388)	(165,677)	(143,111)	(264,135)	(126,604)	(119,557)
Total primary government net expense	<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>	<u>\$(1,998,192)</u>

(Continued)

CITY OF HOUSTON, TEXAS
CHANGES IN NET ASSETS
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

	<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>	<u>2012</u>
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes										
Property taxes	\$ 639,888	\$ 645,536	\$ 664,831	\$ 700,788	\$ 738,578	\$ 829,837	\$ 890,308	\$ 895,779	\$ 853,277	\$ 866,143
Industrial assessments tax	15,014	15,167	14,635	14,314	15,823	17,787	19,133	15,817	14,458	37
Sales taxes	322,538	347,982	370,583	422,598	461,417	495,173	507,103	468,965	492,824	546,543
Franchise taxes	160,673	161,378	162,263	186,508	189,551	190,518	190,800	191,292	190,911	193,153
Mixed beverage taxes	7,572	8,095	8,343	9,000	9,713	10,479	10,587	10,382	10,283	9,525
Bingo taxes	246	253	270	279	279	256	226	195	167	193
Investment earnings	16,550	5,139	13,179	19,889	32,017	36,516	30,087	16,673	6,666	8,944
Other	42,074	31,894	27,652	33,674	23,261	58,743	66,459	53,101	79,633	67,313
Contributions	101,750	40,192	11,216	-	-	-	17,047	7,666	4,674	12,167
Special Items - gain (loss) on sale of assets	3,346	3,095	2,071	4,816	2,071	-	-	-	-	-
Transfers	86,583	39,067	58,383	70,651	57,594	60,824	69,578	72,035	76,976	75,878
Total governmental activities	<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>	<u>1,779,896</u>
Business-type activities:										
Hotel occupancy taxes	43,169	47,223	42,266	54,765	58,709	66,232	62,383	54,917	61,603	68,623
Investment earnings	68,632	25,965	43,866	54,212	88,658	96,492	88,737	57,736	30,303	21,340
Other	33,776	30,561	30,138	26,923	45,552	44,738	63,863	105,462	92,172	98,017
Contributions	4,979	-	-	-	-	-	-	-	-	-
Special Items - gain (loss) on sale of assets	(1,338)	(12,943)	-	-	5,385	-	-	-	-	(89,658)
Transfers	(86,583)	(39,067)	(58,383)	(70,651)	(57,594)	(60,824)	(69,578)	(72,035)	(81,496)	(75,878)
Total business-type activities	<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>	<u>22,444</u>
Total primary government	<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>	<u>\$ 1,802,340</u>
Change in Net Assets										
Governmental activities	\$ 21,310	\$ (158,933)	\$ (368,915)	\$ (66,799)	\$ (90,774)	\$ (262,517)	\$ (217,111)	\$ (253,081)	\$ (247,039)	\$ (85,890)
Business-type activities	(84,079)	(153,857)	(162,550)	(65,094)	(130,678)	(19,039)	2,294	(118,055)	(24,022)	(97,113)
Total primary government	<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>	<u>\$ (183,003)</u>

CITY OF HOUSTON, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General fund					
Reserved	\$ 30,935	\$ 24,947	\$ 27,449	\$ 51,671	\$ 21,489
Unreserved	105,101	110,778	142,695	198,759	256,610
Non-spendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>\$ 136,036</u>	<u>\$ 135,725</u>	<u>\$ 170,144</u>	<u>\$ 250,430</u>	<u>\$ 278,099</u>
All other governmental funds					
Reserved	\$ 169,660	\$ 171,252	\$ 200,374	\$ 179,267	\$ 193,924
Unreserved , reported in:					
Special revenue funds	63,997	55,760	67,691	66,407	94,056
Capital projects funds	-	-	-	-	-
Grant funds	-	-	-	9,963	8,258
Non-spendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 233,657</u>	<u>\$ 227,012</u>	<u>\$ 268,065</u>	<u>\$ 255,637</u>	<u>\$ 296,238</u>

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 22,040	\$ 22,836	\$ 23,003	\$ -	\$ -
309,466	281,111	201,019	-	-
-	-	-	19,052	15,687
-	-	-	1,665	35,868
-	-	-	20,698	8,547
-	-	-	30	-
-	-	-	127,143	153,125
<u>\$ 331,506</u>	<u>\$ 303,947</u>	<u>\$ 224,022</u>	<u>\$ 168,588</u>	<u>\$ 213,227</u>
\$ 235,074	\$ 201,334	\$ 237,112	\$ -	\$ -
119,482	111,454	82,713	-	-
-	-	-	-	-
7,553	(9,762)	19,196	-	-
-	-	-	418	887
-	-	-	176,457	338,997
-	-	-	73,636	52,351
-	-	-	32,172	19,873
-	-	-	-	-
<u>\$ 362,109</u>	<u>\$ 303,026</u>	<u>\$ 339,021</u>	<u>\$ 282,683</u>	<u>\$ 412,108</u>

CITY OF HOUSTON
GENERAL FUND BUDGET FOR FISCAL YEAR 2013
(amounts expressed in thousands)
(unaudited)

Budgeted Resources	Amount (in thousands)
Revenues:	
Ad Valorem Taxes (current and delinquent)	\$ 900,197
Sales and Use Tax	577,373
Franchise Fees	191,672
Municipal Courts Fines and Forfeits	34,485
Miscellaneous	187,563
Total Current Revenues	<u>1,891,290</u>
Beginning Fund Balance as of July 1, 2012 (a)	<u>161,904</u>
Pension Bond Proceeds	-
Sale of Capital Assets	4,500
Transfers from Other Funds	27,078
Total Budgeted Resources	<u><u>\$ 2,084,772</u></u>

Budgeted Expenditures	
Administrative Services and Public Finance	\$ 99,060
Public Safety	1,166,949
Development and Maintenance Services	161,598
Human and Cultural Services	152,860
General Government	126,330
Transfers to Debt Service Fund	241,100
Transfer out	-
Total Budgeted Expenditures	<u>1,947,897</u>
Budgeted Ending Fund Balance as of June 30, 2013	<u>136,875</u>
Total Budgeted Expenditures and Reserves	<u><u>\$ 2,084,772</u></u>

(a) This amount represents an estimate of the beginning fund balance which was used in preparing the Fiscal Year 2013 Budget.

CITY OF HOUSTON, TEXAS
June 30, 2012
CONTINUING DEBT DISCLOSURE INFORMATION
(amounts expressed in thousands)
(unaudited)

Capital Improvement Plan

The 2013-2017 CIP consists of the projects and facilities described in the following chart. (The 2013-2017 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	\$ 621,510
Storm Sewers and Drainage	335,322
Parks and Recreation	68,088
Police Department	87,552
Fire Department	54,637
General Government	15,720
Public Library	37,004
Public Health	20,450
Solid Waste Management	14,983
Low Income Housing	<u>14,800</u>
Total	<u>\$ 1,270,066 (*)</u>

(*) The tax-supported component of the 2013-2017 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)
2012	\$ 18,255
2011	16,328
2010	16,012
2009	13,190
2008	10,950

**CITY OF HOUSTON
CONTINUING DEBT DISCLOSURE INFORMATION**

**Long Term Disability and Compensated Absence Liability
(unaudited)**

Long-Term Disability Fund	Fiscal Year 2012 (in thousands)
Assets Available for Future Long-Term Disability Obligations	\$ 9,254
Claims Payable on Long-Term Disability Obligations	(8,109)
Unrestricted Net Assets	<u>\$ 1,145</u>

Compensated Absence Liability	Fiscal Year 2012 (in thousands)
General Fund Short-Term Liability	\$ 3,700
Other Governmental Short-Term Liability	153,763
Enterprise Funds Liability	33,232
Internal Service Funds Liability	383
Governmental Funds Long-Term Liability	285,149
Total	<u>\$ 476,227</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)
2012	\$ 41,469
2011	46,034
2010	46,906
2009	47,890
2008	41,395

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
CHANGES IN FUND BALANCES IN GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues					
Taxes	\$ 1,142,071	\$ 1,193,874	\$ 1,227,388	\$ 1,338,651	\$ 1,425,575
Licenses and permits	35,046	36,286	40,240	42,524	55,912
Intergovernmental	154,598	189,974	187,372	512,279	319,864
Charges for services	151,397	164,581	156,290	133,161	119,250
Fines	44,620	49,227	53,464	51,441	57,305
Investment earnings	16,550	5,139	13,179	19,889	32,017
Contributions	864	2,433	1,780	-	-
Other	46,030	32,740	30,445	34,971	23,555
Total revenues	<u>1,591,176</u>	<u>1,674,254</u>	<u>1,710,158</u>	<u>2,132,916</u>	<u>2,033,478</u>
Expenditures					
General Government	182,753	170,392	163,738	241,772	236,638
Public safety	840,490	838,472	907,201	1,012,747	1,088,922
Public Works	362,453	326,701	316,428	335,598	330,296
Health	96,633	99,377	104,389	97,237	96,063
Housing and Community Development	60,400	60,314	57,076	323,199	89,320
Parks and recreation	81,008	62,917	70,720	79,602	82,648
Library	42,473	40,746	39,273	39,570	48,842
Retiree benefits	21,440	26,581	28,997	42,203	18,801
Other Current Expenditures	-	-	-	-	-
Capital Outlay	24,637	35,213	39,396	61,606	57,337
Intergovernmental - grants	-	-	-	-	-
Debt Service					
Principal	120,754	115,319	139,607	220,510	172,166
Interest	87,438	100,006	94,188	113,556	122,680
Fiscal agent and fees	4,098	8,131	3,316	6,302	4,661
Advanced refunding escrow	-	-	-	-	-
Total expenditures	<u>1,924,577</u>	<u>1,884,169</u>	<u>1,964,329</u>	<u>2,573,902</u>	<u>2,348,374</u>
Excess of revenues over (under) expenditures	(333,401)	(209,915)	(254,171)	(440,986)	(314,896)
Other financing sources (uses)					
Transfers in	306,231	225,522	278,743	337,127	339,549
Transfers out	(219,648)	(184,004)	(223,863)	(272,726)	(281,936)
Proceeds from issuance of debt	209,931	150,594	274,721	433,514	313,771
Proceeds from refunded debt	285,801	572,020	173,062	169,230	229,168
Payment to escrow agent	(283,410)	(597,410)	(183,566)	(181,652)	(241,612)
Sale of land	-	-	-	6,439	8,356
Bond premium (discount)	-	36,237	10,546	16,912	15,870
Transfer to component unit	-	-	-	-	-
Proceeds from capital lease	54,379	-	-	-	-
Total other financing sources (uses)	<u>353,284</u>	<u>202,959</u>	<u>329,643</u>	<u>508,844</u>	<u>383,166</u>
Net change in fund balances	<u>\$ 19,883</u>	<u>\$ (6,956)</u>	<u>\$ 75,472</u>	<u>\$ 67,858</u>	<u>\$ 68,270</u>
Debt service as a percentage of noncapital expenditures	11.0%	11.6%	12.1%	13.3%	12.9%

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 1,545,102	\$ 1,617,937	\$ 1,579,516	\$ 1,568,056	\$ 1,615,592
62,132	58,126	55,275	61,083	84,786
300,717	435,715	403,519	379,065	351,472
112,554	121,418	124,790	132,764	248,083
57,001	57,037	60,036	55,414	52,250
36,516	30,087	16,673	6,666	8,944
-	737	20	-	20
55,535	62,714	55,599	72,126	72,180
<u>2,169,557</u>	<u>2,383,771</u>	<u>2,295,428</u>	<u>2,275,174</u>	<u>2,433,327</u>
144,337	178,064	197,803	198,782	209,318
1,107,522	1,221,713	1,244,163	1,230,623	1,212,975
281,433	398,506	285,517	288,383	275,260
108,830	123,421	126,968	119,192	102,304
77,702	79,215	100,712	96,792	75,204
77,354	80,438	78,717	75,560	73,233
36,555	39,248	38,711	36,715	34,115
18,506	18,463	18,897	15,996	10,360
-	-	-	-	-
332,655	372,472	396,877	309,315	272,161
-	-	-	-	-
197,790	487,690	186,251	192,000	346,600
129,992	133,288	146,986	154,083	161,086
3,700	8,949	6,599	7,792	10,161
-	-	-	-	-
<u>2,516,376</u>	<u>3,141,467</u>	<u>2,828,201</u>	<u>2,725,233</u>	<u>2,782,777</u>
(346,819)	(757,696)	(532,773)	(450,059)	(349,450)
396,660	462,793	436,908	406,201	422,470
(328,873)	(391,143)	(364,873)	(329,225)	(346,592)
387,051	626,205	926,780	740,696	806,685
219,238	324,030	-	-	-
(225,740)	(355,885)	(553,230)	(535,960)	(458,052)
8,757	5,381	9,092	21,054	4,844
9,004	(327)	34,166	35,521	81,310
-	-	-	-	12,849
-	-	-	-	-
<u>466,097</u>	<u>671,054</u>	<u>488,843</u>	<u>338,287</u>	<u>523,514</u>
<u>\$ 119,278</u>	<u>\$ (86,642)</u>	<u>\$ (43,930)</u>	<u>\$ (111,772)</u>	<u>\$ 174,064</u>
15.0%	22.4%	13.7%	14.3%	20.2%

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
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
2012	\$ 866,143	\$ 546,543	\$ 193,153	\$ 37	\$ 9,525	\$ 193	\$ 1,615,594

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
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
2012	\$ 90,484,912	\$ 86,617,837	\$ 11,826,503	\$ 2,159,964	\$ 47,104,376	\$ 143,984,840	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	2012	2011	2010	2009	2008
City					
City of Houston ^(A)	6.3875	6.3875	6.3875	6.3875	6.4380
County					
Fort Bend County	4.9976	4.9976	5.0660	4.9976	5.1674
Harris County ^(B)	4.1926	4.1728	4.2146	3.8923	3.9239
Montgomery County	4.8380	4.8380	4.8380	4.8380	4.8880
School District					
Aldine I.S.D.	13.2839	13.0054	13.0054	12.9200	12.7700
Alief I.S.D.	13.3000	13.4000	13.4000	13.4000	15.9000
Clear Creek I.S.D.	13.6000	13.6000	13.6000	13.6000	13.2000
Conroe I.S.D.	12.9500	12.9500	12.8500	12.7000	12.4000
Crosby I.S.D.	14.4000	14.4000	14.4000	13.4000	10.4000
Cypress-Fairbanks I.S.D.	14.3000	14.3000	14.1000	13.5000	13.2400
Deer Park I.S.D.	13.9670	13.9670	13.6670	13.3670	13.1765
Fort Bend I. S. D.	13.4000	12.7000	12.7000	12.7000	12.5000
Galena Park I.S.D.	15.1340	15.1340	14.7840	14.5590	14.3090
Goose Creek I.S.D.	13.3213	13.0213	12.8213	12.8213	13.0196
Houston I.S.D.	11.5670	11.5670	11.5670	15.9900	15.9900
Huffman I.S.D.	14.7000	14.7000	14.7000	14.7000	13.8000
Humble I.S.D.	15.2000	15.2000	15.2000	15.2000	13.1000
Katy I.S.D.	15.2660	15.2660	15.2660	15.2660	15.2700
Klein I.S.D.	14.3000	14.1000	13.6000	13.1000	12.6000
New Caney I.S.D.	15.4000	15.4000	14.8000	14.4000	14.4000
North Forest I.S.D.	14.6929	13.7000	13.5000	13.1434	12.3670
Pasadena I.S.D.	13.5000	13.5000	13.5000	14.3000	13.5000
Sheldon I.S.D.	14.3000	14.3000	14.3000	14.3000	14.3000
Spring I.S.D.	15.7000	14.6000	14.6000	14.6000	14.4000
Spring Branch I.S.D.	13.9450	13.9450	13.9450	13.8250	12.8500
Municipal Utility District					
Harris County MUD # 355	2.3500	2.5500	2.9500	3.0000	3.1000
Harris County MUD # 359	3.0500	3.0500	2.9500	2.8500	2.7000
Harris County MUD # 366	2.5000	2.5000	2.5000	2.5000	3.2000
Harris County MUD # 372	1.9000	1.9000	1.9000	No data	No data
Harris County MUD # 390	7.0000	7.0000	7.0000	7.0000	7.0000
Harris County MUD # 450	7.7125	7.6125	7.6125	No data	No data
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	2.8000
Fort Bend Parkway Road	0.5443	0.5443	0.5443	0.5443	0.4153
Harris County Dept. of Education	0.0658	0.0658	0.0605	0.0585	0.0585
Houston Community College	0.1382	0.9222	0.9222	0.1493	0.1493
Lee Jr. College District	2.5200	2.5200	2.2120	2.0677	2.0677
Lone Star College System	1.2100	1.1760	1.1010	1.1440	1.1440
Harris County Port of Houston Authority	0.1856	0.2054	0.1636	0.1437	0.1437
San Jacinto Jr. College	1.8560	1.7628	1.7080	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>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
6.4500	6.4750	6.5000	6.5500	6.5500
5.1674	5.1674	5.2374	5.2374	5.3874
4.3480	4.3308	7.6340	5.5060	6.5970
4.9130	4.9630	4.9630	4.7100	4.7100
16.0400	17.0900	16.8900	16.6800	16.1800
15.9000	17.2000	16.9000	16.7500	16.7500
16.3000	16.3000	17.4500	17.3000	17.4000
15.9000	17.6000	17.3250	17.3250	17.2250
18.0800	18.7000	18.8000	18.8450	16.7000
16.5400	18.0000	17.9000	17.9000	17.9000
16.6230	18.0550	18.0550	18.0710	18.0350
15.4000	17.0750	17.0750	No data	No data
14.3090	18.1500	17.9500	17.6500	17.6500
15.9562	17.2750	16.8371	1.8371	No data
15.9900	15.9900	15.9900	15.8000	15.8000
16.0000	17.5500	18.5000	16.7000	16.8000
16.4000	17.7000	17.4000	17.4000	17.4000
18.1500	20.0000	20.0000	19.7000	19.4000
15.8000	17.0000	17.0000	17.2000	17.2000
14.1500	17.9000	17.7000	17.7000	17.1000
17.1250	17.1250	17.4440	17.4440	17.4440
16.9000	17.7500	17.7500	17.7500	16.8750
16.3400	17.5000	17.4600	17.0300	16.3300
17.1000	17.1000	18.7000	17.6000	17.6000
16.3150	18.1000	18.1000	18.1000	18.1000
3.7000	3.8000	4.0000	3.4000	No data
3.0000	3.2500	3.7000	No data	No data
3.5000	4.4000	5.0000	5.0000	No data
No data	No data	No data	No data	No data
7.0000	7.0000	7.0000	No data	No data
No data	No data	No data	No data	No data
12.5000	12.5000	12.5000	12.5000	12.5000
2.9000	2.9000	2.9000	2.9000	3.1000
0.4153	0.4153	1.1448	1.1448	No data
0.0629	0.0629	0.0629	No data	No data
0.8133	0.8133	0.8133	0.8133	0.8133
2.0228	2.0677	2.0813	No data	No data
1.1670	1.2070	1.1450	1.1450	1.0550
0.1302	0.1474	0.1673	0.2000	0.1989
1.4536	1.3913	1.3913	1.3913	1.3071

CITY OF HOUSTON, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
June 30, 2012
Current Year and Nine Years Ago
(amounts expressed in thousands)
(unaudited)

Taxpayer	2012			2003		
	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)	\$ 1,441,639	1	1.00%	\$ 1,371,100	1	1.38%
Hines Interests Ltd. Partnership	1,393,328	2	0.97%	985,641	2	0.99%
Chevron Chemical Company	691,201	3	0.48%			
Crescent Real Estate	629,284	4	0.44%	858,718	4	0.86%
Valero Energy	577,211	5	0.40%			
Continental Airlines, Inc.	523,433	6	0.36%	618,720	5	0.62%
Exxon Mobil Corp.	506,634	7	0.35%	416,875	7	0.42%
Houston Refining	439,307	8	0.31%			
Shell Oil Company	405,613	9	0.28%			
HG Galleria I II III, LP	363,275	10	0.25%			
Southwestern Bell				902,155	3	0.91%
Anheuser Busch Inc.				436,378	6	0.44%
Trizechahn Allen Center LP				360,627	8	0.36%
Weingarten Realty				253,319	9	0.26%
HG Shopping Centers				227,448	10	0.23%
Total	\$ 6,970,925		4.84%	\$ 6,430,981		6.47%

CITY OF HOUSTON
TAX SUPPORTED DEBT SERVICE FUNDS
(amounts expressed in thousands)
(unaudited)

Tax Bond Debt Service Fund for Fiscal Year 2013^(a)

	Amount (in thousands)
Budgeted Resources	
Beginning Fund Balance Estimate as of July 1, 2012	\$ 153,064
Interest Earnings on Debt Reserves and Bond Funds	-
Transfers in from:	
General Fund	241,100
Combined Utility System Operating Fund	27,593
Other sources	23,463
Third Party Reimbursements	3,600
Total Budgeted Resources	\$ 448,820
 Budgeted Expenditures	
Debt Service Requirements	
Tax Bonds	\$ 300,124
Commercial Paper Paid from Third Party Reimbursements	
Miscellaneous	-
Total Budgeted Expenditures	300,124
 Budgeted Ending Fund Balance as of June 30, 2012	148,696
Total Budgeted Expenditures and Reserves	\$ 448,820

(a) This fund includes the debt service for the City's Tax Bonds, Pension Obligations, and Commercial Paper Notes.

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			
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	24.20%	\$ 5,099
2007	\$ 2,851,948	\$ -	\$ 20,200	\$ 5,022,310	\$ 2,266,018	\$ 672,091	\$ 231,710	\$ 11,064,277	25.29%	\$ 5,329
2008	\$ 3,057,921	\$ -	\$ 15,060	\$ 5,227,465	\$ 2,263,676	\$ 671,848	\$ 211,016	\$ 11,446,986	26.17%	\$ 5,513
2009	\$ 3,179,667	\$ -	\$ 13,315	\$ 5,545,291	\$ 2,193,246	\$ 663,154	\$ 221,260	\$ 11,815,933	27.01%	\$ 5,691
2010	\$ 3,395,560	\$ -	\$ 10,010	\$ 5,715,279	\$ 2,506,253	\$ 652,052	\$ 178,844	\$ 12,457,998	28.48%	\$ 6,000
2011	\$ 3,430,179	\$ -	\$ 7,830	\$ 5,932,169	\$ 2,449,485	\$ 638,733	\$ 170,937	\$ 12,629,333	28.87%	\$ 6,083
2012	\$ 3,506,196	\$ -	\$ 7,103	\$ 5,411,031	\$ 2,316,620	\$ 490,615	\$ 149,121	\$ 11,880,686	27.16%	\$ 5,722

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)
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	2.21%	\$ 1,455
2012	\$ 3,506,196	\$ 148,174	\$ 3,358,022	2.26%	\$ 1,565

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 213 for property value data.
2. Population data can be found in the Schedule of Demographic and Economic Statistics on page 227.

CITY OF HOUSTON, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2012
(amounts expressed in thousands)
(unaudited)

	<u>Net Direct Debt</u>		<u>% of Debt Applicable to Houston</u>	<u>City of Houston Share of Debt</u>
	<u>Amount</u>	<u>As of</u>		
City				
City of Houston - direct	\$ 3,358,022	06/30/12	100.00%	\$ 3,358,022
County				
Fort Bend County	350,882	06/30/12	2.21%	7,754
Harris County (including Toll Road Bonds)	2,294,858	06/30/12	52.53%	1,205,489
Harris County Flood Control	650,005	06/30/12	52.53%	341,448
Montgomery County	270,179	06/30/12	1.14%	3,080
School District				
Aldine I.S.D.	197,942	04/26/12	48.54%	96,081
Alief I.S.D.	208,757	08/31/11	77.19%	161,140
Clear Creek I.S.D.	611,912	06/30/12	47.32%	289,557
Conroe I.S.D.	858,497	08/31/11	0.00%	-
Crosby I.S.D.	54,365	08/31/11	0.23%	125
Cypress-Fairbanks I.S.D.	1,685,396	06/30/12	11.25%	189,607
Deer Park I.S.D.	216,130	06/30/12	0.12%	259
Fort Bend I.S.D.	874,489	06/30/12	1.89%	16,528
Galena Park I.S.D.	218,203	08/31/11	13.49%	29,436
Goose Creek I.S.D.	318,456	09/30/11	0.00%	-
Houston I.S.D.	2,124,183	05/01/12	90.95%	1,931,944
Huffman I.S.D.	50,837	06/30/12	26.02%	13,228
Humble I.S.D.	574,371	06/30/12	43.25%	248,415
Katy I.S.D.	1,037,264	08/31/11	19.16%	198,740
Klein I.S.D.	743,857	07/18/12	1.26%	9,373
New Caney I.S.D.	248,858	08/31/11	18.28%	45,491
North Forest I.S.D.	59,916	06/30/12	93.89%	56,255
Pasadena I.S.D.	365,370	08/31/11	41.35%	151,080
Sheldon I.S.D.	125,369	06/30/12	0.44%	552
Spring I.S.D.	616,747	06/30/12	1.67%	10,300
Spring Branch I.S.D.	710,571	06/30/12	70.46%	500,668
Municipal Utility District				
Harris County MUD 355	9,951	09/30/11	99.08%	9,859
Harris County MUD 359	6,095	06/30/12	100.00%	6,095
Harris County MUD 366	495	06/30/11	89.27%	442
Harris County MUD 372	11,483	06/30/12	100.00%	11,483
Harris County MUD 390	15,771	06/30/12	100.00%	15,771
Harris County MUD 450	4,304	06/11/12	100.00%	4,304
Northwood MUD # 1	2,255	09/05/12	100.00%	2,255
Other Jurisdictions				
Clear Lake City Water Authority	63,837	05/31/12	68.69%	43,850
Harris County Dept. of Education	-	06/11/12	52.53%	-
Houston Community College	285,310	05/31/12	90.86%	259,233
Lee College District	13,165	06/30/12	0.00%	-
Lone Star College System	485,441	06/30/12	11.64%	56,505
Port of Houston Authority	714,824	06/30/12	52.53%	375,497
San Jacinto Jr. College	309,111	08/31/12	15.44%	47,727
Total overlapping debt	<u>17,389,456</u>			<u>6,339,571</u>
Total direct and overlapping debt	<u>\$ 20,747,478</u>			<u>\$ 9,697,593</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)			Net Current Year Tax Levy ^{(b) (d)} (in thousands)	Current Collections Prior to End of Fiscal Year ^{(c) (d) (e)} (in thousands)	Prior Years' Delinquent Collections ^(e) (in thousands)	Total Collection ^{(c) (d) (e)} (in thousands)	Total Collections Percentage of Net Levy ^(d)
	General Purposes	Debt Service	Total					
2004	0.49452	0.16048	0.65500	675,682	657,988	25,599	683,587	101.2
2005	0.46573	0.18427	0.65000	688,228	669,659	27,772	697,431	101.3
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	927,886	907,472	24,177	931,649	100.4
2013	0.46221	0.17654	0.63875	966,429	944,201	25,618	969,819	100.4

(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 2013, which is as of August 10, 2012.

(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 \$0.00 million in Fiscal Year 2012. Such Industrial District Contracts have a term of fifteen years (currently scheduled to terminate in Tax Year 2027) and allow property owners to make payments to the City in lieu of paying ad valorem taxes.

(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 2013, the City has budgeted approximately \$74 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 2013 Budget includes a proposed tax rate of \$0.63875 (per \$100 assessed valuation) for Tax Year 2012 (Fiscal Year 2013). 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)}	Tax Levy for Debt Service (in thousands)^(e)
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	142,964,244	2.41%	1,639	342,966	232,545
2011	2012	3,395,225	142,823,261	2.39%	1,617	297,923	229,700
2012	2013	-	-	0.00%	-	-	-

(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, 2012

Assessed Value (1)	\$ 191,089,216
Debt Limit (10% of assessed value)	\$ 19,108,922
Debt applicable to limit:	
Public Improvement Bonds	2,582,320
Pension Obligations	540,728
Commercial Paper - General Obligation	226,900
Tax and Revenue Certificates of Obligation	17,365
Total net debt applicable to limit	<u>\$ 3,367,313</u>
Legal debt margin	\$ 15,741,609

HISTORICAL LEGAL DEBT LIMITATION

	2003	2004	2005
Legal debt limitation, 10% of assessed value(2)	\$ 11,255,352	\$ 11,778,479	\$ 12,180,606
Total net debt applicable to margin	<u>1,925,796</u>	<u>1,939,765</u>	<u>2,462,578</u>
Legal debt margin	<u>\$ 9,329,556</u>	<u>\$ 9,838,714</u>	<u>\$ 9,718,028</u>
Total net debt applicable to the limit as a percentage of debt limit	17%	16%	20%

(1) Assessed Value for the 2011 tax year (fiscal year 2012) 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 27, 2012.

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

2006	2007	2008	2009	2010	2011	2012
\$ 14,238,567	\$ 15,447,632	\$ 17,382,478	\$ 19,296,752	\$ 19,581,736	\$ 18,798,571	\$ 19,108,922
2,732,439	2,877,360	3,078,103	3,109,000	3,300,878	3,322,128	3,367,313
<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>	<u>\$ 15,741,609</u>
19%	19%	18%	16%	17%	18%	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 ⁽³⁾	Coverage
				Principal	Interest		
2003	251,921	154,541	97,380	17,985	45,305	30,282	2.95
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	108,601	46,621	2.20
2007	443,295	217,720	225,575	33,377	111,118	20,679	1.82
2008	477,330	221,309	256,021	45,996	111,250	28,022	1.98
2009	409,721	242,449	167,272	49,692	100,746	54,682	1.75
2010	425,071	245,147	179,924	51,832	93,298	56,171	2.02
2011	423,632	262,668	160,964	61,136	97,546	56,827	1.58
2012	429,665	255,507	174,158	59,575	91,736	43,979	1.62

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	
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
2012	969,028	417,616	551,412	68,285	299,436	1.50

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	
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	23,326	1.57
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
2012	71,957	21,835	6,194	2.57

6. Including Revenue Bonds and Commercial Paper.
7. Includes the 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)	(3)
2003	2,002,144		\$ 41,269,994		\$ 21,290		31.5		12.8		404,349		6.0	
2004	2,009,669		\$ 42,537,706		\$ 21,854		31.4		12.8		410,566		6.9	
2005	2,016,582		\$ 43,748,970		\$ 22,534		31.9		12.7		392,846		6.3	
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)
2012	2,145,933	(8)	Not available		\$ 26,179	(8)	33.2	(9)	13.0	(9)	576,020	(8)	7.5	(10)

(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

(8) Source: U. S. Census Bureau Fact Finder

(9) This is the average for the MSA (Metropolitan Service Area).

(10) Source: Bureau of Labor Statistics

CITY OF HOUSTON, TEXAS
PRINCIPAL EMPLOYERS
June 30, 2012
Current Year and Nine Years Ago
(unaudited)

Employer	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Memorial Hermann Healthcare System	19,500	1	2.02%	14,000	2	1.49%
United Continental Holdings	17,000	2	1.76%	16,000	1	1.70%
ExxonMobil	15,000	3	1.55%			
Shell Oil Company	13,000	4	1.35%			
The Methodist Hospital System	13,000	5	1.35%			
Kroger Company	12,000	6	1.24%	12,000	4	1.28%
Schlumberger Limited	10,000	7	1.04%			
National Oilwell Varco	10,000	8	1.04%			
B. P. America, Inc.	9,537	9	0.99%	8,000	9	0.85%
Baylor College of Medicine	9,232	10	0.96%			
Halliburton K. B. R.				13,000	3	1.38%
Hewlett-Packard Corporation				11,000	5	1.17%
ARAMARK Corp.				10,000	6	1.06%
Reliant Energy				9,500	7	1.01%
H. C. A. Health				9,000	8	0.96%
Pappas Restaurants, Inc.				8,000	10	0.85%
Total :	<u>128,269</u>		<u>13.30%</u>	<u>110,500</u>		<u>11.75%</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.

Total Houston Residents employed regardless of where they work

Source: Bureau of Labor Statistics (BLS);	2012	964,664
Local Area Unemployment Statistics (LAUS)	2003	941,068

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
EMPLOYMENT STATISTICS
June 30, 2012
(unaudited)

Employment

The following table indicates the Houston PMSA estimated annual average labor force for the years 2002 through 2011 according to the Texas Employment Commission:

Houston PMSA Labor Force Estimates
(Employees in thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Civilian Labor Force ^(A)	2,520	2,558	2,577
Employed	2,368	2,385	2,417
Unemployed	152	173	160
Percent unemployed	6.03%	6.76%	6.21%
Nonfarm Payroll Employment ^(B)	2,289	2,274	2,290
Manufacturing	222	210	208
Mining	63	65	68
Contract construction	181	174	165
Transp/Trade/Pub Utils/Communications ^(C)	664	642	640
Finance/Insurance/Real Estate	86	87	89
Services & Miscellaneous	897	901	923
Government	327	333	335

(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.

2005	2006	2007	2008	2009	2010	2011
2,614	2,674	2,723	2,781	2,873	2,933	3,075
2,468	2,540	2,606	2,647	2,638	2,692	2,843
146	134	117	134	235	241	232
5.59%	5.01%	4.30%	4.82%	8.18%	8.20%	7.50%
2,349	2,446	2,545	2,603	2,530	2,594	2,693
212	223	233	241	218	228	237
71	78	84	90	88	89	97
169	182	197	205	172	175	180
653	673	699	715	564	556	579
91	91	92	91	138	134	140
962	1,014	1,063	1,087	973	1,035	1,097
339	345	352	361	377	377	364

CITY OF HOUSTON, TEXAS
Last Ten Years
CITY OF HOUSTON EMPLOYMENT INFORMATION
(unaudited)

Full-time Equivalent Employees as of June 30

Fund/Department	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
					Restated	Restated				
GENERAL FUND										
Public Safety										
Fire/Civilian	344.8	316.2	320.3	288.7	287.0	270.2	270.5	247.9	222.6	118.9
Fire/Classified	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	3,978.6
Fire/Cadets	268.2	392.8	181.5	38.5	103.0	113.5	95.7	53.0	53.1	14.2
Municipal Courts - (Administration) Department	380.1	354.7	347.1	343.7	290.9	262.2	284.8	269.8	301.7	271.2
Municipal Courts - (Justice) Department	46.8	45.3	41.6	45.3	47.6	49.4	50.6	50.9	-	-
Police/Civilian	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	1,119.9
Police/Classified	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	5,474.9
Police/Cadets	74.0	36.2	26.7	81.8	130.9	176.8	221.6	135.0	70.4	76.6
Total Public Safety	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	11,054.3
Development & Maintenance Services										
General Services (Formerly Building Services)	311.7	289.4	181.2	211.3	228.2	237.8	242.1	233.2	210.6	193.9
Planning & Development	217.6	105.0	104.3	99.6	96.6	97.1	105.1	107.0	97.5	75.7
Public Works & Engineering	860.4	567.5	841.3	539.9	548.4	556.7	568.3	529.0	505.6	9.1
Solid Waste Management	581.2	545.9	576.9	576.4	546.6	655.0	667.2	633.5	623.9	460.5
Total Development & Maintenance	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	739.2
Human & Cultural Services										
Convention & Entertainment Facilities	-	-	-	63.0	54.8	0.4	3.5	-	-	-
Health & Human Services	834.7	776.6	767.1	797.9	725.8	684.5	741.3	667.3	574.8	458.4
Housing & Community Development	-	-	-	-	-	1.3	2.3	2.5	2.9	2.1
Library	520.3	531.2	443.0	473.1	484.5	497.3	530.5	517.4	456.4	401.7
Neighborhoods	-	-	-	-	-	-	-	-	-	96.3
Parks & Recreation	993.0	768.2	741.0	772.8	814.1	815.8	869.4	838.8	774.2	627.6
Total Human & Cultural Services	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	1,586.1
Administrative Services										
Administration & Regulatory Affairs	-	-	-	-	-	264.1	292.0	375.9	362.9	268.1
City Secretary	13.7	13.8	12.1	12.1	11.6	11.1	11.5	11.4	11.9	10.9
Controller's Office	80.0	76.3	74.9	70.7	73.7	74.7	76.3	76.8	74.0	66.2
Council Office	74.0	68.2	61.5	71.3	68.1	71.4	73.3	72.4	72.8	74.6
Finance & Administration	320.6	304.4	313.5	303.8	310.0	-	-	-	-	-
Finance Department	-	-	-	-	-	54.9	68.9	76.9	70.7	72.6
Human Resources	45.9	43.0	38.6	38.2	37.9	39.1	39.3	41.8	40.0	35.9
Information Technology	130.6	147.4	143.5	127.2	129.0	140.3	154.9	169.6	158.8	150.8
Legal	158.7	153.4	146.4	144.0	152.8	158.7	168.1	161.0	155.3	119.1
Mayor's Office	24.2	21.9	20.2	48.8	43.5	39.6	37.1	35.2	35.1	23.3
Office of Business Opportunity (Formerly Affirmative Action)	29.6	24.7	27.2	25.7	25.8	32.4	34.1	35.8	31.6	23.3
Total Administrative Services	877.3	853.1	837.9	841.8	852.4	886.3	955.5	1,056.8	1,013.1	844.8
Total General Fund	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	14,224.4
ENTERPRISE FUNDS										
Aviation	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	1,415.0
Convention & Entertainment Facilities	84.2	88.9	104.7	109.3	116.5	124.3	124.1	118.8	117.6	-
PW&E - Combined Utility System	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	2,280.5
GSD - Parking Management (Formerly PW&E)	-	-	-	-	-	54.0	53.9	53.9	-	-
Total Enterprise Funds	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	3,695.5

Administration & Regulatory Affairs and the Finance Department were Finance and Administration.
Municipal Courts - Administration and Municipal Courts - Justice consolidated as the Department.
Fleet Management was established as a new department in FY 2012. It is no longer part of Public Works & Engineering.

Full-time Equivalent Employees as of June 30

Fund/Department	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
SPECIAL REVENUE FUNDS										
Administration & Regulatory Affairs	-	-	-	-	-	-	-	6.8	119.3	176.8
General Services (Formerly Building Services)	-	-	-	-	-	-	-	70.7	69.5	61.2
Cable Television	10.9	9.1	10.5	9.3	-	-	-	-	-	-
Fleet Management (Formerly PW&E - Fleet Management)	105.5	159.6	74.1	170.7	-	-	-	-	-	262.5
Health & Human Services	-	-	-	-	435.7	490.9	530.9	554.8	544.3	510.0
Housing & Community Development	-	-	-	-	126.5	136.9	140.1	148.2	129.5	129.3
Houston Emergency Center	183.8	190.4	219.3	239.6	248.0	264.6	275.6	256.8	248.0	234.3
Human Resources	-	-	-	-	-	-	-	79.1	124.6	191.8
Information Technology	-	-	-	-	-	-	-	15.6	28.2	44.3
Legal	-	-	-	-	-	-	-	41.9	39.3	60.0
Library	-	-	-	-	3.4	9.9	28.4	29.7	29.5	28.0
Parks Special Revenue	98.6	105.8	98.0	106.0	105.7	107.0	112.9	109.1	101.4	97.6
Planning & Development	-	-	-	-	-	3.4	6.5	9.0	8.4	10.2
Police - Asset Forfeiture	63.7	20.0	15.9	21.3	-	-	-	-	-	-
Police - Auto Dealers/Civilian	6.1	6.8	8.2	6.3	73.7	113.8	88.6	-	-	-
Police - Auto Dealers/Classified	12.0	18.5	18.0	22.0	21.1	37.0	25.6	42.2	32.1	-
Police - Cadet	-	-	-	-	-	-	-	-	-	67.6
Police - Special Services/Civilian	51.4	218.0	117.7	6.3	-	-	-	148.3	128.4	63.1
Police - Special Services/Classified	-	1.0	-	40.8	-	-	-	-	-	26.2
PW&E - Building Inspection	262.8	389.5	308.5	380.0	1,313.8	1,362.2	1,373.6	1,347.1	1,299.7	1,798.1
PW&E - Sign Administration	31.5	26.9	27.5	31.6	-	-	-	-	-	-
PW&E - Stormwater Utility	406.0	393.5	403.5	413.6	-	-	-	-	-	-
PW&E - Houston TransStar	6.0	6.0	5.9	5.5	-	-	-	-	-	-
PW&E - TxDOT Signal Maintenance	6.8	7.0	0.5	-	-	-	-	-	-	-
Solid Waste Management	-	-	-	-	-	-	-	0.5	1.0	4.0
Mayor's Office	-	-	-	-	24.7	24.2	22.7	24.5	23.7	23.4
Municipal Courts Department	-	-	19.4	21.5	22.8	24.4	28.7	28.8	39.5	34.3
Municipal Courts Department	-	-	-	-	-	-	3.3	10.4	-	-
Neighborhoods	-	-	-	-	-	-	-	-	-	49.0
Total Special Revenue Funds	1,245.1	1,552.1	1,327.0	1,474.5	2,375.4	2,574.3	2,636.9	2,923.5	2,966.4	3,871.7
Total General, Enterprise and Special Funds	21,670.7	20,997.5	20,528.6	20,907.7	22,164.6	22,602.7	23,712.6	23,611.0	22,745.8	21,791.6
INTERNAL SERVICE/REVOLVING FUND										
Human Resources - Health Benefits	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	6.0	5.0	4.8	4.5	-	-	-	-	-	-
Admin. & Regulatory Affairs - Central Svc Revolving	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	20.2	13.3	-	-	-	-	-	-	-	-
General Services - In House Reconstruction	-	-	29.1	28.8	57.4	66.6	70.0	-	-	-
PW&E - CIP Salary Recovery	-	245.6	-	-	-	-	-	-	-	-
General Services - CIP Salary Recovery	-	-	-	19.6	-	-	-	-	-	-
Admin. and Regulatory Affairs - Property and Casualty	4.6	4.0	4.0	5.1	-	4.9	5.8	-	-	-
Legal - Property and Casualty	32.0	29.4	28.4	27.2	41.0	43.4	40.6	-	-	-
Human Resources - Workers Compensation	30.2	31.0	30.3	28.9	-	-	-	-	-	-
Legal - Workers Compensation	4.5	-	5.2	4.4	-	-	-	-	-	-
Total Internal Service/Revolving Funds	148.4	372.3	147.5	166.6	203.4	188.1	190.0	0.0	0.0	0.0
Total Full-time Equivalent Employees	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	21,791.6

Administration & Regulatory Affairs and the Finance Department were Finance and Administration.
Municipal Courts - Administration and Municipal Courts - Justice consolidated as the Department.
Fleet Management was established as a new department in FY 2012. It is no longer part of Public Works & Engineering.

CITY OF HOUSTON, TEXAS
OPERATING INDICATORS BY FUNCTION
June 30, 2012
(unaudited)

	<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>	<u>2012</u>
Function										
Police										
Physical arrests	112,975	110,573	103,917	100,795	121,834	110,058	132,121	141,525	130,376	109,368
Parking violations	265,880	253,038	241,324	203,591	255,690	210,607	217,795	208,970	196,702	201,341
Traffic violations filed	871,457	779,068	841,494	851,573	939,932	867,535	920,341	875,134	686,714	729,490
Fire										
Number of calls dispatched	255,648	261,903	267,171	284,231	278,713	281,574	281,103	270,312	273,444	285,287
Inspections	28,336	30,491	40,540	38,937	32,694	31,800	84,378 (1)	86,561	87,511	84,826
Highways and streets										
Streets resurfaced (miles)	426	435	374	334	325	307	235	195	140	140
Tons of asphalt for pothole repair and skin patches	18,788	18,879	18,272	16,104	16,178	16,647	17,323	17,103	19,002	16,497
Parks and recreation										
Athletic field permits issued	1,587	1,854	1,850	1,995	2,073	2,494	2,331	2,490	2,490	1,985
Community center admissions	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	5,259,890
Sanitation										
Refuse collected (tons)	904,804	876,519	835,054	825,915	837,008	796,926	803,428	764,900	673,966	703,449
Recyclables collected (tons)	37,942	28,862	20,607	15,352	15,703	21,312	53,151 (2)	74,616	110,079 (4)	113,332
Water										
New connections	5,435	6,616	7,806	5,235	6,871	5,660	3,400	3,008	2,881	3,433
Water main breaks	3,148	3,269	3,381	4,939	5,623	2,797	9,822 (3)	12,556	11,688	17,999 (3)
Average daily pumpage (millions of gallons)	359.0	356.6	363.1	399.9	374.5	372.0	378.7	401.0	446.0	483.0
Wastewater										
Wastewater line repairs	3,635	3,348	2,577	2,413	2,315	2,160	2,059	2,267	2,164	2,487
Average daily sewage treatment (millions of gallons)	262.4	286.8	252.0	227.0	244.0	268.0	230.0	239.5	220.0	217.0

- (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 2009, 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, 2012
(unaudited)

	<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>	<u>2012</u>
Function										
Public safety										
Police										
Stations	14	14	14	15	15	17	17	17	17	17
Patrol units	Not Available	Not Available	730	919	829	851	932 (1)	960	915	838
Fire										
Stations	87	88	88	90	90	91	91	92	94	94
Highways and streets										
Streets (lane miles)	15,645	15,645	15,645	15,645	15,645	15,645	15,763	15,763	15,397	15,397
Streetlights	171,800	173,500	175,000	176,000	172,300	173,000	173,520	174,008	174,795	175,249
Traffic signals	2,325	2,340	2,355	2,400	2,430	2,450	2,399 (2)	2,391	2,395	2,439
Parks and recreation										
Parks acreage	18,429	18,620	18,620	24,493	38,934	38,934	38,970	38,992	37,846	37,846
Parks	521	523	523	533	539	540	546	545	527	527
Swimming pools	43	43	43	40	58	62	62	61	61	59
Tennis Centers	3	3	3	3	3	3	3	3	3	3
Community centers	58	58	57	56	56	58	58	58	58	59
Sanitation										
Collection trucks	343	344	347	338	326	337	322	329	326	321
Water										
Water mains (miles)	Not Available	Not Available	7,354	7,354	7,501	6,500	6,500	7,466	7,500	7,700
Fire hydrants	49,000	51,155	52,879	54,829	54,522	56,950	57,432	57,500	57,013	57,000
Maximum daily capacity (millions of gallons)	825.0	752.0	750.0	750.0	750.0	750.0	740.0	773.0	842.0 (3)	905.0
Sewer										
Sanitary sewers (miles)	Not Available	Not Available	6,250	6,250	6,250	6,250	6,250	6,250	6,403 (4)	6,700
Storm sewers (miles)	3,300	3,300	3,300	3,420	3,487	3,513	3,513	3,618	3,698	3,700
Maximum daily treatment permitted (millions of gallons)	562.6	564.0	564.0	564.0	564.0	564.0	564.0	564.0	563.0	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, 2012
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)	220.8	141.9	104.3	467.0
Deductions	<u>184.4</u>	<u>169.9</u>	<u>209.5</u>	<u>563.8</u>
Net Increase (Decrease)	<u>36.4</u>	<u>(28.0)</u>	<u>(105.2)</u>	<u>(96.8)</u>
City's Total Contribution	<u><u>83.0</u></u>	<u><u>61.3</u></u>	<u><u>97.2</u></u>	<u><u>241.5</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 2013 through 2042 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)
2013	250,038,714	36,297,353	13,065,400	299,401,467
2014	252,989,325	42,642,353	4,334,650	299,966,328
2015	282,331,919	42,688,252	4,336,250	329,356,421
2016	279,277,025	42,736,161	4,336,250	326,349,436
2017	307,844,126	42,784,193	4,335,500	354,963,819
2018	304,020,379	42,840,460	4,333,750	351,194,589
2019	263,529,072	42,897,446	4,335,750	310,762,268
2020	256,377,985	42,962,951	4,336,000	303,676,936
2021	213,448,007	52,989,143	4,334,250	270,771,400
2022	201,079,548	53,017,022	4,335,250	258,431,820
2023	205,804,816	53,033,446	4,333,500	263,171,762
2024	148,725,908	53,059,012	4,333,750	206,118,670
2025	147,505,691	53,087,743	4,335,500	204,928,934
2026	108,787,075	53,118,665	4,338,250	166,243,990
2027	125,132,452	53,150,488	4,336,500	182,619,440
2028	118,718,765	53,176,606		171,895,371
2029	81,447,636	61,545,416		142,993,052
2030	43,367,985	61,591,516		104,959,501
2031	21,299,926	73,050,274		94,350,200
2032	23,754,270	73,088,498		96,842,768
2033	16,809,651	30,715,357		47,525,008
2034	14,093,682	6,505,750		20,599,432
2035	16,815,201	50,850,750		67,665,951
2036	13,955,320	39,478,572		53,433,892
2037	10,521,137	24,547,367		35,068,504
2038	6,922,490	880,470		7,802,960
2039	3,917,824	880,470		4,798,294
2040	1,361,200	880,470		2,241,670
2041	1,362,800	21,130,470		22,493,270
2042	1,362,400			1,362,400
Total	\$ 3,722,602,329	\$ 1,205,626,674	\$ 73,760,550	\$ 5,001,989,553

- (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 and Airport System.
- (d) 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
June 30, 2012
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>	Approved by City Council for Issuance as Commercial Paper Notes	Commercial Paper Issued ^(a)	Commercial Paper Notes Approved by City Council but Unissued	All Voter Authorized but Unissued
Streets, Bridges, Traffic Control and Storm Sewers and Drainage	\$ 474,000	\$ 474,000	\$ 471,850	\$ 2,150	\$ 2,150
Parks and Recreation	80,000	80,000	80,000	-	-
Police and Fire Departments	82,000	82,000	82,000	-	-
Permanent and General Improvements ^(b)	80,000	80,000	80,000	-	-
Public Libraries	40,000	40,000	40,000	-	-
Low Income Housing	20,000	20,000	10,870	9,130	9,130
Total	\$ 776,000	\$ 776,000	\$ 764,720	\$ 11,280	\$ 11,280

November 2006 Election

<u>Purposes</u>	<u>Voter Authorized</u>	Approved by City Council for Issuance as Commercial Paper Notes	Commercial Paper Issued ^(a)	Commercial Paper Notes Approved by City Council but Unissued	All Voter Authorized but Unissued
Streets, Bridges, Traffic Control and Storm Sewers and Drainage	\$ 320,000	\$ 219,950	\$ 79,550	\$ 140,400	\$ 240,450
Parks and Recreation	55,000	41,100	30,700	10,400	24,300
Public Safety	135,000	76,450	59,105	17,345	75,895
Permanent and General Improvements ^(b)	60,000	60,000	44,400	15,600	15,600
Public Libraries	37,000	32,675	32,675	-	4,325
Low Income Housing	18,000	7,375	-	7,375	18,000
Total	\$ 625,000	\$ 437,550	\$ 246,430	\$ 191,120	\$ 378,570
Combined Total (2001 and 2006 Elections)	\$ 1,401,000	\$ 1,213,550	\$ 1,011,150	\$ 202,400	\$ 389,850

(a) As of June 30, 2012

(b) Includes Public Health and Solid Waste Management.

CITY OF HOUSTON, TEXAS
June 30, 2012
(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	\$ 546,543	\$ 192,760
2013 (budgeted)	\$ 577,373	\$ 191,672

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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Operating Revenues					
Fees charged to users, net	\$ 17,010	\$ 17,145	\$ 19,175	\$ 19,599	\$ 20,554
Total Operating Revenues	<u>17,010</u>	<u>17,145</u>	<u>19,175</u>	<u>19,599</u>	<u>20,554</u>
Nonoperating Revenues					
Interest	14,311	13,109	15,926	16,729	18,704
Hotel occupancy tax (including penalty & interest)	43,169	47,223	42,266	54,765	58,709
Other income	<u>713</u>	<u>-</u>	<u>7,279</u>	<u>4,190</u>	<u>13,215</u>
Total Nonoperating Revenues	<u>58,193</u>	<u>60,332</u>	<u>65,471</u>	<u>75,684</u>	<u>90,628</u>
Total Revenues	<u>\$ 75,203</u>	<u>\$ 77,477</u>	<u>\$ 84,646</u>	<u>\$ 95,283</u>	<u>\$ 111,182</u>
Total Annual Expenses Last Ten Fiscal Years	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Operating Expenses					
Maintenance and operating	\$ 24,830	\$ 28,791	\$ 32,797	\$ 33,437	\$ 35,342
Depreciation	<u>13,274</u>	<u>14,077</u>	<u>10,372</u>	<u>10,984</u>	<u>11,925</u>
Total Operating Expenses	<u>38,104</u>	<u>42,868</u>	<u>43,169</u>	<u>44,421</u>	<u>47,267</u>
Nonoperating Expenses					
Interest on long-term debt	19,347	25,413	29,468	30,970	32,859
Promotional contracts & other expenses	<u>19,305</u>	<u>23,307</u>	<u>61,694</u>	<u>23,880</u>	<u>21,119</u>
Total Nonoperating Expenses	<u>38,652</u>	<u>48,720</u>	<u>91,162</u>	<u>54,850</u>	<u>53,978</u>
Total Expenses	<u>\$ 76,756</u>	<u>\$ 91,588</u>	<u>\$ 134,331</u>	<u>\$ 99,271</u>	<u>\$ 101,245</u>

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 22,306	\$ 20,902	\$ 20,298	\$ 22,877	\$ 8,934
<u>22,306</u>	<u>20,902</u>	<u>20,298</u>	<u>22,877</u>	<u>8,934</u>
19,186	17,688	11,971	9,562	10,010
66,232	62,383	54,917	61,603	68,623
<u>5,669</u>	<u>113,265</u>	<u>18,997</u>	<u>18,266</u>	<u>525</u>
<u>91,087</u>	<u>193,336</u>	<u>85,885</u>	<u>89,431</u>	<u>79,158</u>
<u>\$ 113,393</u>	<u>\$ 214,238</u>	<u>\$ 106,183</u>	<u>\$ 112,308</u>	<u>\$ 88,092</u>

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 37,276	\$ 39,142	\$ 39,817	\$ 40,229	\$ 1,885
<u>12,084</u>	<u>14,888</u>	<u>14,958</u>	<u>15,227</u>	<u>14,703</u>
<u>49,360</u>	<u>54,030</u>	<u>54,775</u>	<u>55,456</u>	<u>16,588</u>
33,150	29,740	26,032	25,194	25,799
<u>28,659</u>	<u>30,840</u>	<u>32,988</u>	<u>27,513</u>	<u>100,046</u>
<u>61,809</u>	<u>60,580</u>	<u>59,020</u>	<u>52,707</u>	<u>125,845</u>
<u>\$ 111,169</u>	<u>\$ 114,610</u>	<u>\$ 113,795</u>	<u>\$ 108,163</u>	<u>\$ 142,433</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)
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
2012	55,388	11.4%	6,632	-9.0%	9,937	21.5%	71,957

- (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
2012	7,185	2,566	186	9,937

(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)
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
2012 Q1	66.7%	95.35	7%	70,731

(1) Source: Greater Houston Partnership.

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
June 30, 2012
(unaudited)

Schedule of Hotel Occupancy Tax Collections

<u>The Twelve Largest Taxpayers</u>	<u>Gross Hotel Occupancy Tax Collections</u>
Hilton Americas-Houston	\$ 3,028,047
Hyatt Regency Hotel	2,223,991
Four Seasons Hotel Houston Center	1,633,048
JW Marriott Galleria	1,524,047
Westin Galleria	1,372,927
Hilton Houston Post Oak	1,216,086
Houston Marriott Briarpark	1,174,510
Westin Oaks	1,099,469
Hotel Zaza	1,093,454
Omni Hotel	1,093,343
Houstonian Hotel	1,093,315
Marriott Hotel	1,076,389
Total	<u>\$ 17,628,626</u>

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
June 30, 2012
(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 Ending June 30	Series 2001 Bonds	Series 2011 A Bonds	Series 2011 B Bonds	Total Debt Service
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	\$ 658,670,254	\$ 155,648,886	\$ 203,431,900	\$ 1,017,751,040

(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 2013
(amounts expressed in thousands)**

Budgeted Resources

Operating Revenues

Facility Rentals	\$ 1,380
Parking	8,407
Food and Beverage Concessions	-
Contract Cleaning	-
Total Operating Revenues	<u>9,787</u>

Operating Expenses

Personnel	347
Supplies	-
Services	850
Total Operating Expenses	<u>1,197</u>
Operating Income (Loss)	<u>8,590</u>

Nonoperating Revenues (Expenses)

Hotel Occupancy Tax	
Current	66,275
Delinquent	994
Advertising Services	-
Promotion Contracts	-
Contracts/Sponsorships	-
Net Hotel Occupancy Tax	<u>67,269</u>
Investment Income (Loss)	(123)
Capital Outlay	(2,500)
Non-Capital Outlay	-
Other Interest	420
Other	841
Total nonoperating Rev (Exp)	<u>65,907</u>
Income (Loss) Before Operating Transfers	<u>74,497</u>

Transfers

Transfers to Interest	5,104
Transfers to Principal	16,085
Interfund Transfers	-
Miller Outdoor Theater Transfer	-
Transfers to Component Unit	53,934
Transfers to General Fund	1,380
Total Transfers	<u>76,503</u>

Net Income (Loss) Operating Fund

\$ (2,006)

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	2003	2004	2005	2006
Operating Revenues				
Water sales	\$ 267,125	\$ 265,272	\$ 301,227	\$ 324,878
Waste water system user charges	264,159	257,225	288,459	307,764
Penalties	4,036	4,150	4,605	5,085
Other services and charges	3,997	4,561	4,583	4,935
Total Operating Revenues	539,317	531,208	598,874	642,662
Nonoperating Revenues				
Interest	24,043	6,889	12,972	18,650
Other income	26,894	26,179	24,707	26,557
Total Nonoperating Revenues	50,937	33,068	37,679	45,207
Total Revenues	\$ 590,254	\$ 564,276	\$ 636,553	\$ 687,869
Total Annual Expenses Last Ten Fiscal Years	2003	2004	2005	2006
Operating Expenses				
Maintenance and operating	\$ 250,226	\$ 266,718	\$ 332,800	\$ 302,955
Depreciation and Amortization	233,401	209,608	224,074	228,665
Total Operating Expenses	483,627	476,326	556,874	531,620
Nonoperating Expenses				
Interest on long-term debt	165,509	204,875	201,142	214,880
Other expenses	722	12,402	4,193	5,622
Total Nonoperating Expenses	166,231	217,277	205,335	220,502
Total Expenses	\$ 649,858	\$ 693,603	\$ 762,209	\$ 752,122

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 308,046	\$ 328,435	\$ 351,608	\$ 356,046	\$ 459,261	\$ 480,676
295,423	305,748	323,301	320,722	410,941	421,370
6,736	7,760	6,651	8,391	9,871	10,004
5,260	6,324	5,678	5,979	3,949	5,188
<u>615,465</u>	<u>648,267</u>	<u>687,238</u>	<u>691,138</u>	<u>884,022</u>	<u>917,238</u>
36,014	35,436	33,436	15,160	10,090	5,696
54,572	84,228	51,262	65,077	20,453	45,448
<u>90,586</u>	<u>119,664</u>	<u>84,698</u>	<u>80,237</u>	<u>30,543</u>	<u>51,144</u>
<u>\$ 706,051</u>	<u>\$ 767,931</u>	<u>\$ 771,936</u>	<u>\$ 771,375</u>	<u>\$ 914,565</u>	<u>\$ 968,382</u>

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 315,348	\$ 346,652	\$ 371,770	\$ 372,365	\$ 363,260	\$ 410,781
257,722	220,202	204,919	203,695	214,956	211,170
<u>573,070</u>	<u>566,854</u>	<u>576,689</u>	<u>576,060</u>	<u>578,216</u>	<u>621,951</u>
242,282	267,505	260,396	273,609	-	290,882
3,478	19,515	5,432	-	12,273	670
<u>245,760</u>	<u>287,020</u>	<u>265,828</u>	<u>273,609</u>	<u>12,273</u>	<u>291,552</u>
<u>\$ 818,830</u>	<u>\$ 853,874</u>	<u>\$ 842,517</u>	<u>\$ 849,669</u>	<u>\$ 590,489</u>	<u>\$ 913,503</u>

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM REVENUE BOND COVERAGE
(amounts expressed in thousands)
(unaudited)

	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>
OPERATING REVENUES		
Sales of water, net	\$ 485,307	\$ 458,826
Sewer system user charges, net	421,370	410,941
Penalties, other services and charges	15,191	9,408
Total Operating Revenues:	<u>921,868</u>	<u>879,175</u>
NON-OPERATING REVENUES		
Investment Earnings under Previous Ordinance	9,808	10,348
Investment Earnings under Master Ordinance	1,209	1,608
Non-Operating Revenues: Contributions from Water Authorities	4,703	4,702
Transfer from General Purpose Fund	-	-
Other Non-Operating revenues	12,548	16,137
Total non-operating revenues	<u>28,268</u>	<u>32,795</u>
TOTAL GROSS REVENUES:	<u>950,136</u>	<u>911,970</u>
EXPENSES		
Contract Revenue Bonds Payments ⁽¹⁾		
Houston Area Water Corporation Debt Service	-	-
Coastal Water Authority Debt Service	20,389	21,285
Trinity River Authority Debt Service	-	-
Total Contract Revenue Bonds Payments	<u>20,389</u>	<u>21,285</u>
Maintenance and Operating Expenses	397,226	342,364
Total Expenses	<u>417,615</u>	<u>363,649</u>
RESTRICTED RECEIPTS UNDER MASTER ORDINANCE	<u>18,891</u>	<u>9,248</u>
NET REVENUES UNDER MASTER ORDINANCE	<u>\$ 551,412</u>	<u>\$ 557,569</u>
BOND DEBT SERVICE:		
Previously Issued Bonds	70,355	77,236
First Lien Bonds	302,214	271,754
Total Debt Service	<u>\$ 372,569</u>	<u>\$ 348,990</u>
BOND DEBT SERVICE COVERAGE:		
Junior Lien Bond Coverage under Previous Ordinance ⁽²⁾	7.55 x	7.08 x
First Lien Bond Coverage under Master Ordinance ⁽³⁾	1.59 x	1.77 x
TOTAL COVERAGE⁽⁴⁾	1.48 x	1.60 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 2013)
(amounts expressed in thousands)
(unaudited)

The following is the summary of the Fiscal Year 2013 Budget for the System as adopted by City Council:

Revenues	
Beginning Fund Balance (July 1, 2012)	\$ 479,286
Current Revenues	<u>967,702</u>
Total Revenues	<u><u>\$ 1,446,988</u></u>
Expenditures	
Maintenance and Operations	\$ 403,630
CWA Debt Service	19,663
Debt Service (including Prior Lien Bonds, Junior Lien Bonds and Commercial Paper)	<u>448,181</u>
Total Expenditures	871,474
Other	
General Purpose Fund (including Discretionary Debt Service)	115,267
Planned Fund Balance (June 30, 2013)	<u>460,247</u>
Total Expenditures and Reserves	<u><u>\$ 1,446,988</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 (2013) ⁽¹⁾	70,267,386
Maximum Annual Debt Service Requirements on First Lien Bonds (2030) ⁽¹⁾	420,378,049
Combined Maximum Annual Principal and Interest Requirements on Previous Ordinance Bonds and First Lien Bonds (2025)	420,899,364
Net Revenues under Previous Ordinance for Fiscal Year ended June 30, 2012 ⁽³⁾	531,312,000
Net Revenues under Master Ordinance for Fiscal Year ended June 30, 2012 ⁽⁴⁾	551,412,000
Funds Available from General Purpose Fund at June 30, 2012	239,034,055
Total Funds available for Debt Service Coverage	<u><u>790,446,055</u></u>
Coverage of Maximum Annual Debt Service Requirements on Previous Ordinance Bonds	7.56
Coverage of Maximum Annual Debt Service Requirements on First Lien Bonds	1.88
Coverage of Maximum Annual Debt Service Requirements on Previous Ordinance Bonds and First Lien Bond	1.88

(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 expected tax-exempt conversion date, December 1, 2012. After the applicable tax-exempt conversion date, 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 6,700 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 2012 was 217 million gallons per day (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 2013- 2017 CIP will be financed approximately as follows:

Proposed Source of Funding	Amount (in millions)
System Revenue Bonds (Net Proceeds and interest earnings) ⁽¹⁾	\$ 2,085.0
	<u>\$ 2,085.0</u>

- (1) The department's fiscal year 2013-2017 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, 2012:

Contract Revenue Bonds Payable from System Gross Revenues	Amount
CWA Bonds (2)	\$ 125,740,000
Total - Contract Revenue Bonds	<u>\$ 125,740,000</u>
System Revenue Bonds Payable from System Net Revenues	
Previous Ordinance Bonds	238,622,048
First Lien Bonds	5,411,030,000
Third Lien Obligations	110,400,000
Total - System Revenue Bonds	<u>\$ 5,760,052,048</u>
Total - All Bonds Payable from System Revenues	<u>\$ 5,885,792,048</u>

- (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 2013 is set forth below:

<u>Fiscal Year</u>	<u>Discretionary Debt Service (in millions)</u>
2013 (budgeted)	\$ 15.8
2012	21.1
2011	21.7
2010	26.9
2009	28.4
2008	25.8
2007	24.7
2006	26.3
2005	28.2
2004	29.6

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 (in millions)</u>
2013 (budgeted)	\$ 43.8
2012	44.4
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>
2013 (budgeted)	\$ 3,479
2012	3,869
2011	3,034
2010	3,148
2009	590
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)
 Last Ten Fiscal Years
 (unaudited)**

Fiscal Years	2003	2004	2005	2006
Consumption (in Thousand Gallons)				
RESIDENTIAL	28,366,790	27,190,878	28,089,881	29,372,166
MULTI-FAMILY	26,524,889	26,099,414	25,197,120	25,917,787
COMMERCIAL	22,489,563	22,419,672	21,879,224	23,106,449
GOVERNMENT	4,343,339	4,450,481	4,510,130	5,151,211
SEWER ONLY	1,327,138	1,352,960	1,180,975	1,242,852
OTHER ACCTS	4,187,717	4,410,859	4,503,243	5,808,363
TOTAL	87,239,436	85,924,264	85,360,573	90,598,828
Revenue Amount	\$ 493,637,833	\$ 482,693,814	\$ 536,457,992	\$ 582,872,263
Average Rate / Water & Sewer	\$5.66	\$5.62	\$6.28	\$6.43

2007	2008	2009	2010	2011	2012
26,094,949	26,312,961	26,970,248	28,111,338	28,553,893	29,400,266
24,961,804	25,156,968	25,012,299	25,586,924	25,069,764	24,811,699
21,941,537	22,748,096	21,972,495	22,382,315	21,997,822	22,079,299
4,614,053	4,710,923	4,713,905	5,197,448	4,807,824	4,835,549
1,324,905	1,381,145	1,361,135	1,357,879	1,228,458	1,215,254
4,394,176	4,573,030	5,678,987	6,351,286	6,461,476	7,473,765
<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>89,815,832</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>	<u>\$ 809,001,774</u>
\$6.70	\$6.85	\$6.97	\$7.20	\$8.67	\$9.01

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
June 30, 2012
(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, 2012. The total charges to such customers represent approximately 2.54% of the System Gross Revenues and 5.74% of Sewer Facilities gross charges during such period.

<u>Customer</u>	<u>Gross Charges</u>
1. Anheuser - Busch, Inc.	\$ 4,512,284
2. City of Houston	3,783,160
3. Harris County	3,494,909
4. Houston Independent School District	2,981,912
5. University of Houston	2,261,315
6. Maximus Coffee Group	1,628,577
7. Hermann Hospital	1,606,256
8. Methodist Hospital	1,453,775
9. Oak Farms Dairies	1,362,327
10. Dr. Pepper Bottling	1,174,897
	<u>\$ 24,259,412</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	1.9%	1.9%
April 2012	3.6%	3.6%

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
June 30, 2012
Water Supply
(unaudited)

Capacity, Production, and Sales

The following schedule sets forth information concerning Water Facilities capacity, production and sales for Fiscal Year 2012 (million gallons per day):

	<u>Available</u>	<u>Capacity</u>	<u>Daily</u>	<u>Peak</u>	<u>Sales</u>
Ground	82.0	219.0	71.0	-	N/A
Surface	1,090.0	1,202.0	614.0	-	N/A
Total	<u>1,172.0</u>	<u>1,421.0</u>	<u>685.0</u>	<u>-</u>	<u>631.0</u>
					408.0
Treated					223.0
Untreated					<u>631.0</u>

Sources of System Revenues - General

As of June 30, 2012, the Water Facilities and the Sewer Facilities served approximately 450,315 and 433,771 active service connections, respectively. During Fiscal Year 2012 approximately 51.1% of System Gross Revenues were derived from the sale of water (90.5% from treated water and 9.5% from untreated water), approximately 44.2% from providing wastewater treatment services, .9% from interest income and the remaining 3.8% from various other sources. Of the treated water sales, 92.2% of revenues were from retail customers and 7.8% from bulk sales to other governmental entities.

**CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
June 30, 2012
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, 2012. The total charges to such customers during such period represent approximately 4.74% of the System Gross Revenues and 9.29% of total water sales revenues for such period.

<u>Customers</u>	<u>Charges</u>
1. North Harris Co. Regional Water Authority	\$ 10,419,468
2. City of Pasadena	6,016,536
3. North Channel Water Authority	5,691,594
4. West Harris Co. Regional Water Authority.	5,447,110
5. Harris County	3,572,932
6. Anheuser Busch, Inc	3,183,388
7. City of Pearland	3,111,184
8. Clear Lake City	2,818,383
9. Houston Independent School District	2,808,140
10. Texas Medical Center	2,235,709
	<u>\$ 45,304,444</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, 2012. The total of the contract payments by these ten customers during such period represents approximately 3.42% of the System Gross Revenues and 6.7% of total water sales revenues for such period.

<u>Customers</u>	<u>Gross Charges</u>
1. Equistar Chemicals	\$ 7,145,331
2. Shell Oil	4,528,087
3. Battleground Water Company	3,582,813
4. Air Liquide America Corp.	3,342,935
5. Baytown Area	3,235,800
6. Chevron Phillips Chemical Company	2,909,074
7. Houston Refining, LP (Lyondell-Citgo)	2,866,800
8. Hoechst Celanese	1,834,623
9. Occidental Chemical Corporation	1,611,851
10. E. I. DuPont De Nemours & Company	1,611,226
	<u>\$ 32,668,540</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	<u>Payable From System Net Revenues</u>				Total Debt Service (1) (2)
	Total Payable From System Gross Revenues(1)	Previous Ordinance Bonds	First Lien Bonds(2)	Total Payable From System Net Revenues	
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	405,743,292
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	410,463,510
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
2042			-	-	-
TOTAL	<u>\$ 177,005,530</u>	<u>\$ 499,514,709</u>	<u>\$ 9,319,572,446</u>	<u>\$ 9,819,087,155</u>	<u>\$ 9,996,092,685</u>

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 Ten 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, 2012.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
OPERATING REVENUES										
Sales of Water, net	\$ 267,125	\$ 265,272	\$ 301,227	\$ 324,878	\$ 308,046	\$ 332,032	\$ 351,608	\$ 356,046	\$ 455,333	\$ 480,676
Sewer system user charges, net	264,159	257,225	288,459	307,764	295,423	305,748	323,301	320,722	410,941	421,370
Penalties	4,036	4,150	4,605	5,085	6,736	7,759	6,651	8,391	9,871	10,004
Other services and charges	3,997	4,561	4,583	4,935	5,260	6,325	5,678	5,979	3,030	5,188
Total Operating Revenues	539,317	531,208	598,874	642,662	615,465	651,864	687,238	691,138	879,175	917,238
NON-OPERATING REVENUES	30,585	93,089	19,771	26,557	54,572	37,779	36,405	44,407	40,662	51,144
TOTAL GROSS REVENUES (A)	569,902	624,297	618,645	669,219	670,037	689,643	723,643	735,545	919,837	968,382
OPERATING EXPENSES										
Maintenance and Operating Expenses	250,226	266,718	270,299	301,646	322,083	318,349	383,056	377,858	373,028	393,413
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	20,389
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	20,389
TOTAL OPERATING EXPENSES (B)	281,160	304,882	308,555	339,971	363,956	350,990	411,159	400,975	394,313	413,802
NET REVENUES	\$ 288,742	\$ 319,415	\$ 310,090	\$ 329,248	\$ 306,081	\$ 338,653	\$ 312,484	\$ 334,570	\$ 525,524	\$ 554,580
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	2.340

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	2003	2004	2005	2006	2007
Operating Revenues					
Landing area fees	\$ 51,162	\$ 57,011	\$ 102,072	\$ 101,758	\$ 92,140
Building and ground area fees	91,801	115,777	151,417	179,951	199,720
Parking, concession and other revenues	97,804	97,625	100,152	112,152	124,278
Total Operating Revenues	240,767	270,413	353,641	393,861	416,138
Nonoperating Revenues					
Interest income	30,278	5,967	14,968	18,507	33,722
Passenger facility charges	-	-	-	-	6,530
Other nonoperating revenues	681	203	4,295	56	541
Total Nonoperating Revenues	30,959	6,170	19,263	18,563	40,793
Total Revenues	\$ 271,726	\$ 276,583	\$ 372,904	\$ 412,424	\$ 456,931
Total Annual Expenses Last Ten Fiscal Years	2003	2004	2005	2006	2007
Operating Expenses					
Maintenance and operating	\$ 154,541	\$ 168,923	\$ 223,972	\$ 202,496	\$ 214,611
Depreciation	59,987	88,371	105,891	134,150	126,953
Total Operating Expenses	214,528	257,294	329,863	336,646	341,564
Nonoperating Expenses					
Interest expense and others	46,538	54,853	75,908	94,586	101,193
Total Nonoperating Expenses	46,538	54,853	75,908	94,586	101,193
Total Expenses	\$ 261,066	\$ 312,147	\$ 405,771	\$ 431,232	\$ 442,757

2008	2009	2010	2011	2012
\$ 99,017	\$ 82,823	\$ 94,165	\$ 90,384	\$ 86,935
211,786	174,433	182,105	181,182	182,320
136,373	128,501	130,309	138,836	148,295
<u>447,176</u>	<u>385,757</u>	<u>406,579</u>	<u>410,402</u>	<u>417,550</u>
41,694	37,332	30,487	9,700	5,634
11,608	32,398	66,383	63,138	63,550
514	1,093	7,525	3,409	4,644
<u>53,816</u>	<u>70,823</u>	<u>104,395</u>	<u>76,247</u>	<u>73,828</u>
<u>\$ 500,992</u>	<u>\$ 456,580</u>	<u>\$ 510,974</u>	<u>\$ 486,649</u>	<u>\$ 491,378</u>

2008	2009	2010	2011	2012
\$ 229,551	\$ 241,303	\$ 245,051	\$ 284,307	\$ 264,060
125,951	136,554	164,186	163,054	190,664
<u>355,502</u>	<u>377,857</u>	<u>409,237</u>	<u>447,361</u>	<u>454,724</u>
104,019	93,376	95,235	89,892	87,663
<u>104,019</u>	<u>93,376</u>	<u>95,235</u>	<u>89,892</u>	<u>87,663</u>
<u>\$ 459,521</u>	<u>\$ 471,233</u>	<u>\$ 504,472</u>	<u>\$ 537,253</u>	<u>\$ 542,387</u>

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
Passenger Statistics
(unaudited)

Fiscal Year	Intercontinental		Domestic Passengers		Ellington Airport	
			Hobby			
	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change
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%	-	-
2012	31,778	0.4%	10,192	8.0%	-	-

Domestic Passengers		International Passengers			
Total		Intercontinental		Total Passengers	
Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change
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%	8,138	6.5%	48,986	2.2%
41,100	0.6%	8,732	7.3%	49,832	1.7%
41,970	2.1%	8,686	-0.5%	50,656	1.7%

**CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
(unaudited)**

Airline Market Shares

Domestic	Intercontinental				Hobby			
	Fiscal Year 2011		Fiscal Year 2012		Fiscal Year 2011		Fiscal Year 2012	
	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	90,976	0.2%	106,428	0.3%	-	0.0%	-	0.0%
Air Tran	-	0.0%	-	0.0%	407,703	4.3%	407,589	4.0%
American Airlines, Inc.	719,228	1.8%	847,295	2.1%	-	0.0%	-	0.0%
American Eagle - AA	171,519	0.4%	252,913	0.6%	206,761	2.2%	215,113	2.1%
Atlantic Southeast - DL	113,068	0.3%	230,978	0.6%	123,063	1.3%	6,363	0.1%
Charter Airlines	8,891	0.0%	4,647	0.0%	14,446	0.2%	12,236	0.1%
Chautauqua Airlines - CO	369,304	0.9%	-	0.0%	-	0.0%	-	0.0%
Colgan - Air Inc, - CO	802,826	2.0%	1,571,184	3.9%	-	0.0%	-	0.0%
Comair - DL	77,038	0.2%	32,825	0.1%	-	0.0%	50,840	0.5%
Compass Airlines - DL	102,155	0.3%	98,478	0.2%	441	0.0%	-	0.0%
Continental	19,214,288	47.7%	17,801,018	44.0%	-	0.0%	-	0.0%
Delta	422,809	1.0%	495,863	1.2%	89,279	0.9%	77,852	0.8%
Executives - AA	-	0.0%	-	0.0%	-	0.0%	-	0.0%
ExpressJet Airlines, Inc.	6,792,429	16.9%	5,746,016	14.2%	-	0.0%	-	0.0%
ExpressJet - Branson Air.	-	0.0%	-	0.0%	3,983	0.0%	-	0.0%
Frontier	87,044	0.2%	-	0.0%	122,692	1.3%	200,467	2.0%
GO JET - DL	-	0.0%	2,575	0.0%	-	0.0%	-	0.0%
JetBlue	-	0.0%	-	0.0%	141,149	1.5%	156,591	1.5%
Mesa Airlines, Inc. - UA	5,214	0.0%	60	0.0%	-	0.0%	-	0.0%
Mesa Airlines, Inc. - US	9,243	0.0%	1,187	0.0%	-	0.0%	-	0.0%
Mesaba Aviation, Inc. - DL	211,150	0.5%	60,321	0.1%	-	0.0%	-	0.0%
Pinnacle Airlines, Inc. - DL	121,252	0.3%	101,012	0.2%	110,939	1.2%	268,534	2.6%
Pinnacle Airlines, Inc. - NW	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Republic Airlines - US	149,140	0.4%	33,320	0.1%	-	0.0%	-	0.0%
Shuttle America Corporation - CO	3,027	0.0%	-	0.0%	-	0.0%	-	0.0%
Shuttle America Corporation - DL	-	0.0%	-	0.0%	5,749	0.1%	-	0.0%
Shuttle America Corporation - UA	52,628	0.1%	23,883	0.1%	-	0.0%	-	0.0%
SkyWest Airlines - CO	418,090	1.0%	1,654,680	4.1%	-	0.0%	-	0.0%
SkyWest Airlines - DL	130,023	0.3%	151,825	0.4%	5,562	0.1%	-	0.0%
SkyWest Airlines - UA	139,858	0.3%	40,999	0.1%	-	0.0%	-	0.0%
Southwest Airlines Company	-	0.0%	-	0.0%	8,202,622	86.9%	8,796,348	86.3%
Trans States - UA	-	0.0%	162,625	0.4%	-	0.0%	-	0.0%
United Air Lines Inc.	567,832	1.4%	1,211,948	3.0%	-	0.0%	-	0.0%
US Airways	887,186	2.2%	1,146,279	2.8%	-	0.0%	-	0.0%
Total Domestic	31,666,218	78.4%	31,778,359	78.5%	9,434,389	100.0%	10,191,933	100.0%
International	Fiscal Year 2011		Fiscal Year 2012		Fiscal Year 2011		Fiscal Year 2012	
	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share
AeroMexico	191,603	0.5%	168,345	0.4%	-	-	-	-
Air Canada Jazz	233,147	0.6%	247,680	0.6%	-	-	-	-
Air France	147,048	0.4%	145,960	0.4%	-	-	-	-
American	-	0.0%	622	0.0%	-	-	-	-
Atlas Air	24,009	0.1%	31,748	0.1%	-	-	-	-
British Airways	245,119	0.6%	255,237	0.6%	-	-	-	-
Charter Airlines	2,178	0.0%	477	0.0%	-	-	-	-
Continental	5,809,580	14.3%	5,453,478	13.5%	-	-	-	-
Emirates	220,534	0.5%	234,842	0.6%	-	-	-	-
ExpressJet Airlines, Inc.	1,074,597	2.7%	1,129,424	2.8%	-	-	-	-
KLM	179,274	0.4%	185,734	0.5%	-	-	-	-
Lufthansa	212,202	0.5%	207,739	0.5%	-	-	-	-
Qatar Airways	146,162	0.4%	158,120	0.4%	-	-	-	-
Shuttle America Corporation - CO	2,444	0.0%	-	0.0%	-	-	-	-
Shuttle America Corporation - UA	4,867	0.0%	14,911	0.0%	-	-	-	-
Singapore Airlines	117,375	0.3%	120,211	0.3%	-	-	-	-
SkyWest Airlines - CO	9,301	0.0%	66,263	0.2%	-	-	-	-
TACA	48,529	0.1%	57,890	0.1%	-	-	-	-
United Air Lines Inc.	43,889	0.1%	170,993	0.4%	-	-	-	-
Viva Aerobus	20,435	0.1%	35,858	0.1%	-	-	-	-
World Airways	-	0.0%	-	0.0%	-	-	-	-
Total International	8,732,293	21.6%	8,685,532	21.5%	-	-	-	-
Total Airlines	40,398,511	100.0%	40,463,891	100.0%	9,434,389	100.0%	10,191,933	100.0%

Ellington Airport				Houston Airport System			
Fiscal Year 2011		Fiscal Year 2012		Fiscal Year 2011		Fiscal Year 2012	
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%	90,976	0.2%	106,428	0.2%
	0.0%		0.0%	407,703	0.8%	407,589	0.8%
	0.0%		0.0%	719,228	1.4%	847,295	1.7%
	0.0%		0.0%	378,280	0.8%	468,026	0.9%
	0.0%		0.0%	236,131	0.5%	237,341	0.5%
	0.0%		0.0%	23,337	0.0%	16,883	0.0%
	0.0%		0.0%	369,304	0.7%	-	0.0%
	0.0%		0.0%	802,826	1.6%	1,571,184	3.1%
	0.0%		0.0%	77,038	0.2%	83,665	0.2%
	0.0%		0.0%	102,596	0.2%	98,478	0.2%
	0.0%		0.0%	19,214,288	38.6%	17,801,018	35.1%
	0.0%		0.0%	512,088	1.0%	573,715	1.1%
	0.0%		0.0%	-	0.0%	-	0.0%
	0.0%		0.0%	6,792,429	13.6%	5,746,016	11.3%
	0.0%		0.0%	3,983	0.0%	-	0.0%
	0.0%		0.0%	209,736	0.4%	200,467	0.4%
	0.0%		0.0%	-	0.0%	2,575	0.0%
	0.0%		0.0%	141,149	0.3%	156,591	0.3%
	0.0%		0.0%	5,214	0.0%	60	0.0%
	0.0%		0.0%	9,243	0.0%	1,187	0.0%
	0.0%		0.0%	211,150	0.4%	60,321	0.1%
	0.0%		0.0%	232,191	0.5%	369,546	0.7%
	0.0%		0.0%	-	0.0%	-	0.0%
	0.0%		0.0%	149,140	0.3%	33,320	0.1%
	0.0%		0.0%	3,027	0.0%	-	0.0%
	0.0%		0.0%	5,749	0.0%	-	0.0%
	0.0%		0.0%	52,628	0.1%	23,883	0.0%
	0.0%		0.0%	418,090	0.8%	1,654,680	3.3%
	0.0%		0.0%	135,585	0.3%	151,825	0.3%
	0.0%		0.0%	139,858	0.3%	40,999	0.1%
	0.0%		0.0%	8,202,622	16.5%	8,796,348	17.4%
	0.0%		0.0%	-	0.1%	162,625	0.4%
	0.0%		0.0%	567,832	1.1%	1,211,948	2.4%
	0.0%		0.0%	887,186	1.8%	1,146,279	2.3%
<u>0</u>	<u>0.0%</u>	<u>0</u>	<u>0.0%</u>	<u>41,100,607</u>	<u>82.5%</u>	<u>41,970,292</u>	<u>82.9%</u>

Fiscal Year 2011		Fiscal Year 2012		Fiscal Year 2011		Fiscal Year 2012	
Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share
191,603	0.4%	168,345	0.3%				
233,147	0.5%	247,680	0.5%				
147,048	0.3%	145,960	0.3%				
-	0.0%	622	0.0%				
24,009	0.0%	31,748	0.1%				
245,119	0.5%	255,237	0.5%				
2,178	0.0%	477	0.0%				
5,809,580	11.7%	5,453,478	10.8%				
220,534	0.4%	234,842	0.5%				
1,074,597	2.2%	1,129,424	2.2%				
179,274	0.4%	185,734	0.4%				
212,202	0.4%	207,739	0.4%				
146,162	0.3%	158,120	0.3%				
2,444	0.0%	-	0.0%				
4,867	0.0%	14,911	0.0%				
117,375	0.2%	120,211	0.2%				
9,301	0.0%	66,263	0.1%				
48,529	0.1%	57,890	0.1%				
43,889	0.1%	170,993	0.3%				
20,435	0.0%	35,858	0.1%				
-	0.0%	-	0.0%				
<u>8,732,293</u>	<u>17.5%</u>	<u>8,685,532</u>	<u>17.1%</u>				
<u>0</u>	<u>0.0%</u>	<u>0</u>	<u>0.0%</u>	<u>49,832,900</u>	<u>100.0%</u>	<u>50,655,824</u>	<u>100.0%</u>

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
Selected Financial Information
Operating Fund Only
For the year ended June 30, 2012
(amounts expressed in thousands)
(unaudited)

	2003	2004	2005	2006	2007
Operating Revenues					
Landing Area Fees:					
Landing Fees	\$ 49,211	\$ 53,906	\$ 99,197	\$ 98,385	\$ 88,933
Carrier Incentive Program	-	-	-	-	-
Aviation Fuel	910	1,112	1,400	1,559	1,540
Aircraft Parking	1,041	1,993	1,475	1,814	1,667
Subtotal	<u>51,162</u>	<u>57,011</u>	<u>102,072</u>	<u>101,758</u>	<u>92,140</u>
Building and Ground Area Revenues:					
Building Space	-	-	-	3,741	5,037
Terminal Space	79,547	101,040	136,074	162,491	182,113
Cargo Building	1,638	982	893	1,553	2,011
Other Rental	2,192	3,065	3,354	60	-
Hangar Rental	2,499	2,499	2,077	2,349	3,394
Ground Rental	5,923	8,189	9,018	9,757	7,165
Concourse Security	2	2	1	-	-
Subtotal	<u>91,801</u>	<u>115,777</u>	<u>151,417</u>	<u>179,951</u>	<u>199,720</u>
Parking, Concession and other Revenues:					
Terminal Concessions	25,355	22,563	19,823	21,030	26,953
Auto Parking	50,103	51,437	55,444	62,377	65,453
Auto Rental	15,978	16,800	18,065	21,438	22,950
Ground Transportation	3,834	3,737	3,954	3,999	4,617
Special Events	-	-	-	20	21
Vending Machine	-	-	-	20	-
Other Operating Income	2,534	3,088	2,866	3,268	4,284
Subtotal	<u>97,804</u>	<u>97,625</u>	<u>100,152</u>	<u>112,152</u>	<u>124,278</u>
Total Operating Revenues	<u>\$ 240,767</u>	<u>\$ 270,413</u>	<u>\$ 353,641</u>	<u>\$ 393,861</u>	<u>\$ 416,138</u>
Nonoperating Revenues					
Interest on Investments	10,650	8,406	10,499	17,742	26,847
Other	504	114	3,800	(58)	310
Subtotal	<u>11,154</u>	<u>8,520</u>	<u>14,299</u>	<u>17,684</u>	<u>27,157</u>
Total Gross Revenues	<u>\$ 251,921</u>	<u>\$ 278,933</u>	<u>\$ 367,940</u>	<u>\$ 411,545</u>	<u>\$ 443,295</u>
Operation and Maintenance Expenses					
Personnel and Other Current Expenses	\$ 153,173	\$ 161,204	\$ 191,093	\$ 205,565	\$ 217,720
Bad Debt Expense	1,368	441	-	-	-
Total Operating and Maintenance Expenses	<u>\$ 154,541</u>	<u>\$ 161,645</u>	<u>\$ 191,093</u>	<u>\$ 205,565</u>	<u>\$ 217,720</u>
Net Revenue	<u>\$ 97,380</u>	<u>\$ 117,288</u>	<u>\$ 176,847</u>	<u>\$ 205,980</u>	<u>\$ 225,575</u>
Total Debt Service	\$ 63,290	\$ 75,797	\$ 112,248	\$ 140,338	\$ 144,495
Less: grant revenue available for debt service	<u>(30,282)</u>	<u>(32,823)</u>	<u>(25,506)</u>	<u>(46,621)</u>	<u>(20,679)</u>
Debt Service Requirement (per Bond Ordinance)	<u>\$ 33,008</u>	<u>\$ 42,974</u>	<u>\$ 86,742</u>	<u>\$ 93,717</u>	<u>\$ 123,816</u>
Coverage of debt Service	x <u>2.95</u> x	x <u>2.73</u> x	x <u>2.04</u> x	x <u>2.20</u> x	x <u>1.82</u>

	2008	2009	2010	2011	2012
\$	95,730	\$ 81,596	\$ 91,443	\$ 87,413	\$ 83,895
	-	(1,176)	(411)	(250)	(836)
	1,522	1,313	1,329	1,378	1,382
	1,765	1,090	1,804	1,843	2,494
	<u>99,017</u>	<u>82,823</u>	<u>94,165</u>	<u>90,384</u>	<u>86,935</u>
	5,054	5,017	5,158	5,067	5,394
	193,375	155,396	161,960	160,563	160,247
	2,469	2,374	2,490	2,511	2,473
	-	-	-	-	-
	3,473	4,051	4,920	5,446	6,165
	7,415	7,595	7,577	7,595	8,041
	-	-	-	-	-
	<u>211,786</u>	<u>174,433</u>	<u>182,105</u>	<u>181,182</u>	<u>182,320</u>
	29,435	27,003	27,975	34,403	38,406
	72,958	66,565	70,127	70,681	72,833
	24,529	24,389	22,889	23,932	26,771
	4,806	4,724	4,987	5,946	6,186
	19	20	22	22	23
	-	-	-	-	-
	4,626	5,800	4,309	3,852	4,076
	<u>136,373</u>	<u>128,501</u>	<u>130,309</u>	<u>138,836</u>	<u>148,295</u>
\$	<u>447,176</u>	<u>\$ 385,757</u>	<u>\$ 406,579</u>	<u>\$ 410,402</u>	<u>\$ 417,550</u>
	30,064	23,664	15,988	12,889	9,826
	90	300	2,504	341	2,289
	<u>30,154</u>	<u>23,964</u>	<u>18,492</u>	<u>13,230</u>	<u>12,115</u>
\$	<u>477,330</u>	<u>\$ 409,721</u>	<u>\$ 425,071</u>	<u>\$ 423,632</u>	<u>\$ 429,665</u>
\$	221,309	\$ 242,449	\$ 245,147	\$ 262,668	\$ 255,507
	-	-	-	-	-
\$	<u>221,309</u>	<u>\$ 242,449</u>	<u>\$ 245,147</u>	<u>\$ 262,668</u>	<u>\$ 255,507</u>
\$	<u>256,021</u>	<u>\$ 167,272</u>	<u>\$ 179,924</u>	<u>\$ 160,964</u>	<u>\$ 174,158</u>
\$	157,246	\$ 150,438	\$ 145,130	\$ 158,682	\$ 151,311
	(28,022)	(54,682)	(56,171)	(56,827)	(43,979)
\$	<u>129,224</u>	<u>\$ 95,756</u>	<u>\$ 88,959</u>	<u>\$ 101,855</u>	<u>\$ 107,332</u>
x	<u>1.98</u>	x <u>1.75</u>	x <u>2.02</u>	x <u>1.58</u>	x <u>1.62</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
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)	-0.88%	34,096	166	0.49%
2009	892	(82)	-8.42%	31,907	(2,189)	-6.42%
2010	858	(34)	-3.86%	31,707	(200)	-0.63%
2011	861	3	0.34%	32,564	857	2.70%
2012	838	(23)	-2.65%	32,844	280	0.86%

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
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	\$ 890,415,985	\$ 3,194,863,834	\$ 4,085,279,819	\$ 39,502,225	\$ 4,124,782,044

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
	2011	2012	2011	2012
Landing Rates (1)	\$2.790	\$2.769	\$2.094	\$2.018
Terminal Space Rentals (2)	\$22.13 - \$80.64	\$23.30 - \$81.45	\$96.79 - \$99.29	\$94.72 - \$97.22
Apron (2)	\$2.006 - \$2.775	\$1.868 - \$2.548	\$1.867	\$1.900
Parking Rates (3)				
Economy (Ecopark)				
Covered	\$7.00	\$7.00		
Uncovered	\$5.00	\$5.00		
Ecopark 1			\$8.00	\$10.00
Ecopark 2			\$6.00	\$6.00
Structured	\$17.00	\$17.00	\$17.00	\$17.00
Sure Park	\$20.00	\$20.00	n/a	n/a
VALET Premier	n/a	\$25.00	n/a	n/a

(1) Per 1,000 pounds for landing weight

(2) Range per square foot

(3) Maximum per day

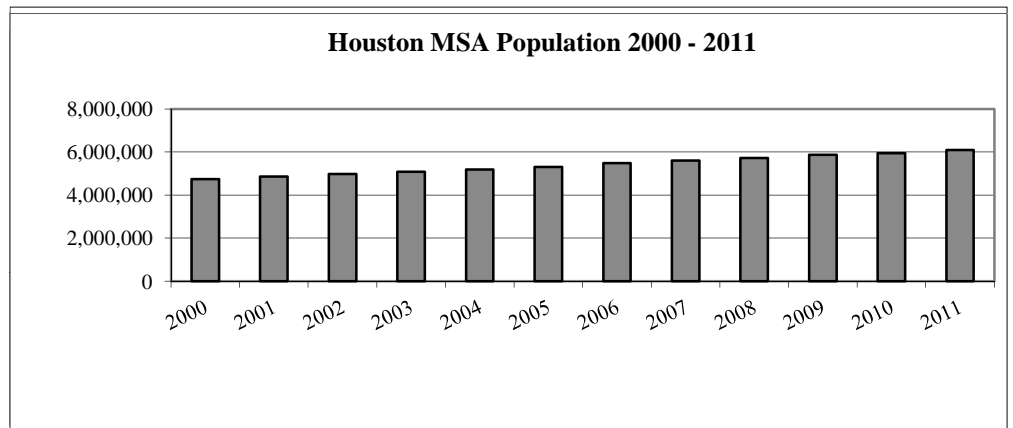
CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
Service Area
(unaudited)

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 fifth in population among the nation's metropolitan areas.

Service Area Population

<u>Year</u>	<u>Houston MSA Population</u>
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
2011	6,086,538



Source: Greater Houston Partnership and U.S. Census Bureau, Population Division

CITY OF HOUSTON, TEXAS
SURETY BOND AND INSURANCE COVERAGE
June 30, 2012
(amounts expressed in thousands)
(unaudited)

Policy Number	Insurer	Term of Policy
15663960	Western Surety Company	01-02-2012 to 01-02-2014
15663962	Western Surety Company	01-02-2012 to 01-02-2014
61BSBDV0123	Hartford Casualty Insurance Company	12-15-2011 to 12-15-2012
61BSBFQ0813	Hartford Casualty Insurance Company	01-02-2012 to 01-02-2013
61BSBFW9293	Hartford Casualty Insurance Company	11-30-2011 to 11-30-2012
61BSBEW1429	Hartford Casualty Insurance Company	11-30-2011 to 11-30-2012
61BSBT7808	Hartford Casualty Insurance Company	12-09-2011 to 12-09-2012
6610	Texas Municipal League	05-15-2012 to 05-15-2013
D37362797004	Westchester Fire Insurance Co. (Primary)	04-01-2012 to 04-01-2013
PU000600b	Lexington Insurance Company (First Excess Layer)	04-01-2012 to 04-01-2013
PU000601b	Underwriters at Lloyds	04-01-2012 to 04-01-2013
EAF70044612	Axis Surplus	04-01-2012 to 04-01-2013
ESP004900200	Arch Specialty Insurance Company	04-01-2012 to 04-01-2013
PU000602b	Lexington Insurance Company	04-01-2012 to 04-01-2013
NHD37551	RSUI Indemnity Insurance Company	04-01-2012 to 04-01-2013
PU000608b	Great Lakes Re (UK) Plc.	04-01-2012 to 04-01-2013
MQ2L9L437312032	Liberty Mutual Fire	04-01-2012 to 04-01-2013
PU000603b	Underwriters at Lloyds	04-01-2012 to 04-01-2013
1P505970	Evanston Insurance Company	04-01-2012 to 04-01-2013
ESP004900100	Arch Specialty Insurance Company	04-01-2012 to 04-01-2013
PU000602b	Lexington Insurance Company	04-01-2012 to 04-01-2013
NHD37551	RSUI Indemnity Insurance Company	04-01-2012 to 04-01-2013
PU000606b	Swiss Re International SE	04-01-2012 to 04-01-2013
PU000604b	Underwriters at Lloyds	04-01-2012 to 04-01-2013
PU000606b	Swiss Re International SE	04-01-2012 to 04-01-2013
NHD37552	RSUI Indemnity Insurance Company	04-01-2012 to 04-01-2013
Self Insured	City of Houston	04-01-2012 to 04-01-2013
015802234	Lloyd's Syndicate 033	04-01-2012 to 04-01-2013
YB2-L9L-458619-012	Liberty Mutual	02-18-2012 to 02-18-2013
QT6603215R464	Travelers Lloyd's Insurance Company	07-01-2011 to 07-01-2012
1333421100357	AXA Insurance Company	06-26-2012 to 06-26-2013
CA 1556802	Admirable Insurance Company	02-26-2012 to 02-26-2013
86878C120ALI	Torus National Insurance Company	02-26-2012 to 02-26-2013
1333421100619	AXA Insurance Company	11-03-2011 to 11-03-2012
105324683	Travelers Casualty & Surety	12-30-2011 to 12-30-2012
01 915 51 04	Chartis	05-29-2012 to 05-29-2013
61BPEAM5075	Hartford Casualty Insurance Company	10-29-2011 to 10-29-2012
61BPEAI9468	Hartford Casualty Insurance Company	02-11-2012 to 02-11-2013
61BPEC12302	Hartford Insurance	07-01-2011 to 07-01-2012
Various	Western Surety Company	Four Year Term per Bond
KKO0002803700	National Casualty Company	06-23-2012 to 07-08-2012
ARK-000081	Underwriters at Lloyds' London	06-20-2012 to 07-05-2012

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
City of Houston	Automobile Catastrophe	\$ 1,429
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 20,000
City of Houston	Property Insurance *	\$ 8,375
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 3,332
City of Houston	Property Insurance *	\$ 1,250
City of Houston	Property Insurance *	\$ 1,875
City of Houston	Property Insurance *	\$ 2,668
City of Houston	Property Insurance *	\$ 22,000
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 6,665
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 11,335
City of Houston	Property Insurance *	\$ 27,000
City of Houston	Property Insurance *	\$ 11,335
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 6,665
City of Houston	Terrorism Insurance	\$ 100,000
City of Houston	Boiler & Machinery	\$ 100,000
City of Houston	IT Property, Radio Equipment, Towers	\$ 75,220
City of Houston Library	Business & Electronic Eq., Papers, Fine Arts	\$ 11,716
Holcombe Health Lab	Commercial General Liability	\$ 1,000
Holcombe Health Lab	Excess Liability	\$ 5,000
Houston First Corp.	Fine Arts	\$ 14,166
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	Adverse Weather Event Cancellation	\$ 873

* 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, 2012
(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
Helena Brown, Council Member - District A	55,770
Jerry V. Davis, Council Member - District B	55,770
Ellen N. Cohen, 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
Oliver Pennington, Council Member - District G	55,770
Edward Gonzalez, Council Member - District H	55,770
James G. Rodriguez, Council Member - District I	55,770
Michael H. Laster, Council Member - District J	55,770
Larry V. Green, Council Member - District K	45,000 (1)
Stephen C. Costello, Council Member - At Large Position 1	55,770
Andrew C. Burks, Council Member - At Large Position 2	55,770
Melissa L. Noriega, Council Member - At Large Position 3	55,770
Clarence O. "Brad" Bradford, Council Member - At Large Position 4	55,770
John R. Christie, Council Member - At Large Position 5	55,770

(1) Council Member Larry Green voluntarily took a smaller salary.

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 Supervisor
Daniel Schein, System Support Analyst
Lillie Stewart, Administration Manager
Anthony Tran, LAN Specialist

Consulting and General Support

Treasury Division

Charisse Page Mosely, Deputy City Controller
Han Au, Treasury Manager
Shawnell Holman, Deputy City Controller
Lillie Nobles, Management Analyst
Asha Patnaik, Senior Treasury Analyst
Marvin Ramirez, Treasury Analyst
Catherine Smith, Senior Treasury Analyst
Kedrick Winfield, Assistant City Controller

Debt and Investment Management Disclosures

Audit Division

David Schroeder, City Auditor
Barry Copeland, Assistant City Auditor
Linda McDonald, Assistant City Auditor
Courtney Smith, Audit Manager
Marda Waters, Assistant City Auditor
Xiao Yang, Assistant City Auditor

Audit Support and Testing Assistance

CITY OF HOUSTON, TEXAS
Schedule of Credits - Continued
(unaudited)

Finance Department

Kelly Dowe, Director

Silvia Diaz, Financial Analyst

Victor Gonzalez, Assistant Director

Mimi Green, Management Analyst

Leann Hoang, Financial Analyst

Ronald Kissner, Deputy Assistant Director

Gloria Moreno, Deputy Assistant Director

Nikky Nguyen, Financial Analyst

Arif Rasheed, Assistant Director

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

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.

Demographic maps on tab separations provided by
City of Houston Planning and Development Department
Design: Susanne Bynum; Printing: HISD Graphic Services

