

OFFICE OF THE CITY CONTROLLER 103 YEARS OF HOUSTON HISTORY



CITY OF HOUSTON, TEXAS

Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007

Prepared by:
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Rudy Garcia, Deputy City Controller, Financial Reporting

CITY OF HOUSTON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2007

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CITY OF HOUSTON, TEXAS





Office of the City Controller

Houston City Controller Annise D. Parker is the second highest elected official in Houston City Government 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. The Controller is asked to balance the City's fiscal needs with the politics of popular elections and acts as a check-and-balance to the Mayor and City Council, the executive and legislative branches of City government. She serves as an independently elected "financial watchdog" over City government's fiscal affairs.

In Fiscal Year 2007, the Controller's Office Audit Division completed 17 audits. These included performance reviews of the Houston Convention and Visitors Bureau, the City Solid Waste Department's contract collection and disposal services, and overtime and extra jobs at the Houston Police Department. These audits resulted in numerous recommendations for improving operational efficiency and enhancing internal controls. A follow-up review of the Houston Emergency Center found that just \$1.2 million of the \$6.8 million of potential savings identified in the first audit had been implemented.

Since Houston voters agreed in 2004 to broaden the controller's audit authority to include performance audits, there is increased demand for the Controller's Office to conduct more audits of City departments, agencies and programs. Because performance audits tend to be more expensive and labor intensive than financial and contact compliance audits, the budget for the office's Audit Division has been increased by nearly 21 percent, allowing the division to hire three additional experienced auditors and meet training requirements specified by Government Auditing Standards.

The Treasury Division of the Controller's Office manages a total investment portfolio of approximately \$2 billion. For the past four years the City's General Investment Pool has received the highest rating available from Standard and Poor's Investment Services. The 'AAAF' Credit Quality Rating reflects the extreme care that the Treasury Division takes to ensure a diversified portfolio of high creditworthy investments. During FY 07, the Treasury Division was able to increase diversification and enhance returns by implementing an in-house securities lending program, increasing the City's taxable municipal security allocation and its mortgage-backed security allocation.

In addition to managing the City's investments, the Treasury Division is also responsible for overseeing a debt program that exceeds \$11 billion. Currently, there are six active commercial paper programs totaling \$1.09 billion, 25 auction-rate security issues, one variable rate demand obligation, four interest rate swaps totaling \$1.35 billion and \$2.3 billion in standby credit agreements.

Although the Financial Reporting Division is ultimately responsible for the final product, the preparation of the CAFR requires a concentrated effort by every division of the City Controller's Office. The CAFR is available on the City Controller's website: www.houstoncontroller.org.



Annise D. Parker

Houston City Controller



Houston City Controller Annise D. Parker is a second generation native Houstonian. She attended Rice University, graduating in 1978 with a Bachelor of Arts Degree. In the private sector, Ms. Parker spent 20 years working in the oil and gas industry, including 18 years with Mosbacher Energy Company. She co-owned a retail bookstore for 10 years and still co-owns a bookkeeping and income tax company.

Controller Parker was sworn in for a third term on January 2, 2008. She is Houston's 14th City Controller, the second-highest elected city official, and serves as the City's Chief Financial Officer.

During her first two terms as Controller, Ms. Parker helped win overwhelming voter approval (85%) of Proposition 3, which gives the Controller's Office the independent authority to conduct performance reviews of all City departments, agencies and programs. She was also successful in securing a seat for a controller's appointee on the Houston Municipal Pension System Board of Trustees, marking the first time the city's chief financial officer has had any involvement in the pension system. In addition, Ms. Parker was tapped by Mayor Bill White to serve as a member of the stakeholders committee overseeing an independent investigation of the City's troubled crime lab, helped lead a task force charged with developing new funding options and policies for solid waste collection in the City of Houston and oversaw implementation of a new paperless payroll system that is saving the City \$1 million annually.

Prior to her election as City Controller, Ms. Parker served for six years as an at-large member of Houston City Council. She chaired city council's Fiscal Affairs and Neighborhood Protection Committees and served on eight other committees, playing leadership roles in the creation of the City's \$20 million Rainy Day Fund, a civic art program, a pooper-scooper law, tighter regulations for inner city development and the City's non-discrimination policy. She also represented Houston on the Alliance for Interstate 69 Texas Board, the Municipal Solid Waste Management and Resource Recovery Advisory Council of Texas Commission on Environmental Quality and the World Energy Cities Partnership.

Despite her duties as City Controller, Ms. Parker remains active in the Houston community, currently serving on the boards of the Holocaust Museum and Girls Inc., and as an advisory board member of the Houston Zoo, the Montrose Counseling Center and Trees for Houston. Her past activities include service as President of the Houston Gay and Lesbian Political Caucus, the Neartown Civic Association and the Neartown Community Development Corporation.

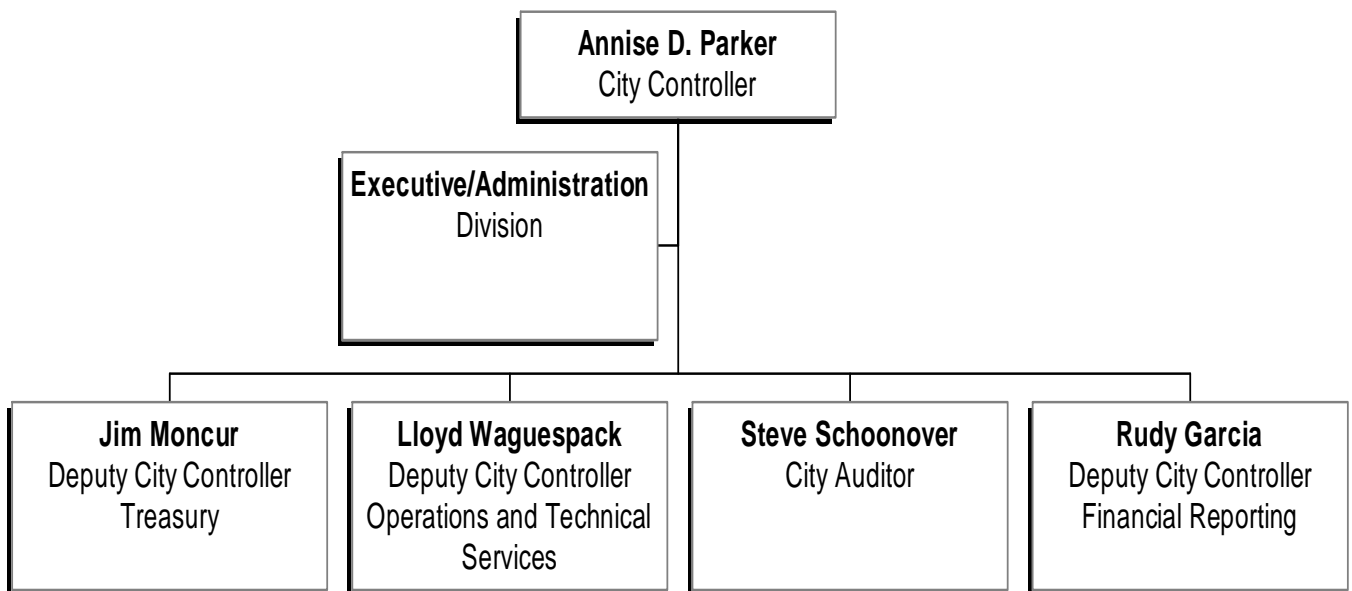
In 2001, Ms. Parker was selected as "Council Member of the Year" by the Houston Police Officers Union. In 2002, she received the "Distinguished Local Elected Official Award" from the Texas Recreation and Park Society. She previously received the "Good Brick Award" from the Greater Houston Preservation Alliance for her restoration of historic properties in the Old Sixth Ward.

Ms. Parker and her life partner, Kathy Hubbard, have been together since 1990. They have two children.



City of Houston

The Office of the City Controller





Elected Officials

City of Houston, Texas



Mayor
Bill White

City Controller
Annise D. Parker

Council Members

Carol Alvarado, **Mayor Pro Tem, District I**

Michael Berry, **Vice Mayor Pro Tem, At Large Position 5**

Peter Brown, **At-Large Position 1** Sue Lovell, **At-Large Position 2**

Shelley Sekula-Gibbs, M.D., **At Large Position 3** Ronald Green, **At-Large Position 4**

(Sekula-Gibbs resigned mid-year. Melissa Noriega was elected to fill the rest of the unexpired term.)

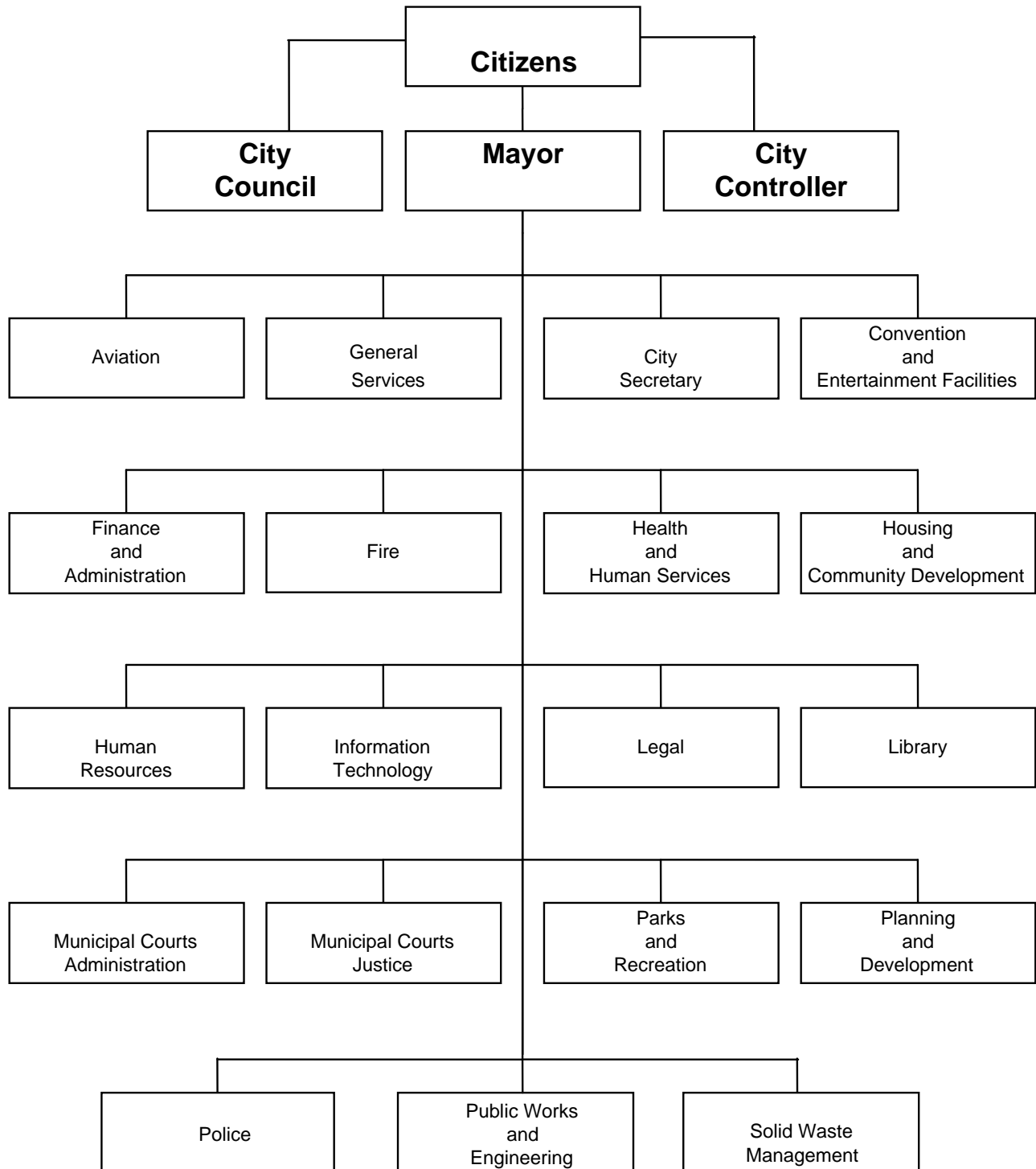
Toni Lawrence, **District A** Jarvis Johnson, **District B** Anne Clutterbuck, **District C**

Ada Edwards, **District D** Addie Wiseman, **District E** M. J. Khan, **District F**

Pam Holm, **District G** Adrian Garcia, **District H**



Organization Chart City Government



CITY OF HOUSTON, TEXAS





OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

ANNISE D. PARKER

June 30, 2008

Citizens of Houston, Honorable Mayor and City Council Members
Houston, Texas:

I am pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the City of Houston, Texas (City) for the year ended June 30, 2007, 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 the 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 MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. The Statistical Section includes selected financial and demographic information generally presented on a multi-year basis.

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

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

The Reporting Entity and Its Services

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

The City provides a full range of municipal government services including police and fire protection, emergency medical services, pretrial detention services, traffic and municipal courts, water production and distribution, solid waste collection, sanitary code enforcement, wastewater treatment, health and human services, building and housing code enforcement, construction and maintenance of streets and bridges, traffic and signal installation 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 Field.

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 in August of 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 along the banks of Buffalo Bayou. Houston was incorporated on June 5, 1837. The City was named after General Sam Houston who had commanded at the Battle of San Jacinto just 25 miles east of where the City was established. Long before the discovery of oil at Spindletop in Beaumont, Texas in 1901 and the dredging of the Houston Ship Channel in 1914, cotton was king in Houston and the railroad was the preferred method for exporting the cotton. By the mid-Twentieth Century, the Texas Medical Center, the world's largest concentration of healthcare and medical research institutions, and NASA's Johnson Space Center were beginning to have big impacts on the local economy.

Today, Houston is the largest city in the state of Texas and the fourth largest city in the United States. As of the 2006 U.S. Census estimate it has a population of 2.14 million and covers about 600 square miles. Houston is the seat of Harris County and part of a burgeoning metropolitan area that encompasses six counties and is home to 5.5 million residents. Houston is a diverse and international city where no single ethnic group comprises a majority.

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 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 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

Although Houston is still the worldwide hub of operations for the energy industry, the local economy has diversified in recent decades to include strong contributions from shipping, aeronautics, health services, engineering, biomedical research and manufacturing. Shell Oil Company and Conoco Phillips have headquarters in Houston. In addition, ExxonMobil and Chevron have major operations here. Because of the strong energy presence the high energy prices of the last several years are a mixed blessing for Houston, bringing increased profits for the energy sector but higher out-of-pocket costs for residents.

In 2006, the metropolitan region's Gross Area Product (GAP) was \$325.5 billion. When compared to a national economy, just 21 nations other than the United States of America have a GDP larger than Houston's GAP. The City ranks second in employment growth and fourth in nominal employment growth among the 10 most populous areas in the country.

When compared to the rest of the nation, Houston's economy continues to boom with an estimated 100,100 new jobs added in 2007 for a 4 percent increase over 2006. Of the 12 largest metropolitan areas in the country, Houston was number one for job growth. The April 2008 unemployment rate was 3.8 percent, compared to 4.8 percent for the nation as a whole. Houston's job market and rising energy prices are helping to somewhat soften the impact of the subprime mortgage crisis that has hit other major U.S. cities much harder. According to Houston Association of Realtors sales of home sales were off 15 percent through May, when compared with May 2007. However, the median home price was holding steady at \$155,000 and the inventory of homes has not become a major concern.

The Port of Houston (Port) is ranked first in the United States in foreign waterborne tonnage handled, second in the U.S. in total tonnage handled, and tenth in the world in total tonnage. A new economic impact study indicates the Port had an impact on more than 785,000 jobs and had a statewide economic impact of \$117.8 billion in 2007. The Port's importance is expected to grow with completion of the new Bayport Container Terminal and a cruise terminal.

The Houston Airport System (HAS), consisting of George Bush Intercontinental Airport, Hobby Airport and Ellington Field, is the fourth largest airport system in the country and the sixth largest in the world. According to a 2003 economic impact study, HAS supports more than 151,000 regional jobs and contributes over \$24 billion to the local economy. HAS does not use local tax dollars and is supported entirely from user fees and leases.

The Texas Medical Center is a hub of medical research consisting of 46 member institutions and nine university systems that collectively serve 5.5 million patients annually. The medical center accounts for nearly \$6 billion in regional spending, \$3.9 billion in regional personal income and 140,000 jobs.

From the early Gemini, Apollo and Skylab programs to today's space shuttle missions and the space station, the Johnson Space Center (JSC) has led NASA's human space exploration efforts. JSC is home to the NASA Astronaut Corp and is responsible for training astronauts from the U.S and our international space station partners. JSC employs about 3,000 workers. Approximately 110 of these employees are astronauts. Another 12,000 workers are employed by contractors serving JSC.

Downtown Houston has been experiencing a revitalization in recent years. The newest addition, Discovery Green Park, a 12 acre park located across from the George R. Brown Convention Center, opened in early 2008. The park features an interactive fountain, a pond, green spaces, a jogging trail, a playground, two restaurants, an amphitheater and picnic areas. In addition, four city blocks are being transformed into what is being billed as downtown Houston's premiere entertainment, retail and urban office hub. Houston Pavillions is a \$170 million project encompassing almost 700,000 square feet. The first two levels will be dedicated to retail space. Entertainment venues will be located on the third level

Houston is one of only five cities to have professional resident companies in all of the major performing arts disciplines: opera, ballet, symphony and theater. The Houston Museum District attracts more than 7 million visitors every year. It is home to the Museum of Fine Arts, Houston; the Contemporary Arts Museum; the Houston Museum of Natural Science; the Holocaust Museum; the Children's Museum; the Lawndale Art Center; the John P. McGovern Museum of Health and Medical Sciences; the Houston Center for Contemporary Craft, the Houston Museum of Printing History and the brand new Buffalo Soldiers National Museum.

Houston has gained a reputation as a gracious host for many major sporting events including Super Bowl XXXVIII in 2004, the World Series and Big 12 Conference football championship game in 2005, the NBA All-Star Game in 2006, the U.S. Men's Clay Court Championships from 2001-2006, The Tennis Masters Cup in 2003 and 2004, as well as the annual Shell Houston Open. Yet to come are the 2010 NCAA Men's Final Four and the 2011 Senior Olympics. Houston has teams in nearly every major professional sport including: Major League Baseball's 2005 National League Champions, the Houston Astros; the two time world champion Houston Rockets of the National Basketball Association; the National Football League's Houston Texans; the 2006 MLS Cup Champions, the Houston Dynamo Soccer Team, the four-time world champion Houston Comets of the Women's National Basketball Association and the Houston Aeros, the 2003 American Hockey League Champions.

Financial Policies and Planning

The City has had formal financial and budgetary procedures in place since 1987. They require, among other things, that the City maintain an Undesignated Fund Balance in its General Fund of a minimum of 5 percent of total expenses less debt service. Any funds in excess of 7.5 percent of total expenses less debt service are available for non-recurring expenses. In addition to the fund balance, the City has \$20 million in cash in the Rainy Day Fund, which can only be used for emergencies or to provide for unanticipated or unforeseen extraordinary needs.

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 2008-2013 CIP calls for the appropriation of \$5.56 billion over the five-year period for both enterprise and property tax supported projects. About \$3.5 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 any 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 May 2008, the City's outstanding debt payable from taxes and other revenue sources totaled \$11.9 billion. It has been the City's practice to maintain no more than 20 percent of the total outstanding debt for each type of debt in a variable rate structure. This is in compliance with all applicable financial policies and considered manageable.

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 ‘AAAF’ credit quality rating and “S1” volatility rating assigned to the City’s General Investment Portfolio by Standard and Poor’s Rating Services. The City has a total investment portfolio of about \$2 billion.

Long-term Financial Forecast and Major Initiatives

The most recent five-year planning scenario available from the City’s Finance Department indicates known cost increases continue to put stress on the City budget. The main factors driving increased expenditures are contractual employee pay hikes, increased costs for employee health insurance benefits, pension responsibilities and operating costs for new facilities. Various strategies are being used to ensure balanced budgets. City departments are identifying cost cutting and productivity improvements. The CIP has been restructured. Refinancing options for the General Obligation Debt are being explored. Strict management of health care costs, a zero based budget process and possible increases in franchise fee revenues are also helping to offset rising financial obligations.

City Charter Limitations

In November 2006, Houston voters, by wide margins, approved Proposition G and Proposition H. These two ballot initiatives free the City from some of the revenue restrictions included in Proposition 2, which won voter approval in 2004. Proposition G excludes the revenues of the City's enterprise funds from the Proposition 2 revenue growth limitations. Prior to the approval of Proposition G, Proposition 2 would not have differentiated between General Fund revenues and enterprise fund revenues, which fund operations of a particular enterprise system. Proposition 2 remains in effect for the General Fund, limiting revenue growth to a combination of the rate of inflation for the Houston area and the City’s population.

Proposition H allows the City to collect and spend up to a total of \$90 million of General Fund revenue, over and above the Proposition 2 limitations, for increased police, fire and emergency medical services and related communications and dispatch costs. A large portion of the additional revenues are being used to fund police overtime to ensure adequate staffing levels during a time when the police department is losing many veteran officers to retirement.

Proposition 1, another revenue cap that applies only to property taxes and water and sewer rates, was unchanged by the November 2006 election and remains in effect as adopted in 2004, limiting annual growth in property taxes and water and sewer rates 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.

The City of Houston has been engaged in litigation regarding Propositions 2, G and H for several years.

Employees

In 2007 the Texas Legislature extended Houston municipal employees the right to appoint bargaining agents to “meet and confer” with representatives of the City on wages, salaries, benefits and other terms and conditions of employment. In the spring of 2008, the City of Houston and the new Houston Organization of Public Employees (HOPE) reached agreement on a three year contract that provides for an immediate across the board pay hike of 3 percent for all municipal employees other than firefighters and police officers. Additional 3 percent salary increases would follow in FY 2010 and FY 2011. In addition, there is a performance pay pool of 1.5 percent for each year of the contract. The pact also boosts the City’s minimum pay to \$10 an hour.

The City also has contractual pay obligations with the police and fire unions.

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. Through an aggressive restructuring of benefits combined with increases in employee contributions and the issuance of pension obligation bonds (POBs), the City has reduced its total unfunded liability in these three systems to about \$2 billion. According to the City's Fiscal Year 2008 Monthly Financial and Operations Report for the period ending April 2008, the unfunded liability for HMEPS amounts to about \$935 million. HPOPS has a liability of about \$853 million. HFRRF has the smallest unfunded liability, \$259 million. The City is predicting additional improvement in the unfunded liabilities in future years. The use of POBs is being phased out.

Retiree benefits

The City provides certain health care benefits for its retired employees, their spouses and survivors. Beginning with Fiscal year 2008, 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. In preparation for the implementation of GASB 45, the City commissioned a preliminary actuarial study for use as a planning tool in estimating the actuarial costs of other post-employment benefits (OPEBs). The preliminary study indicated that as of June 30, 2006 the City's total actuarial accrued liability for retiree benefits was approximately \$3.2 billion. 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, 2006. This was the 10th 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 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, Audit, 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. The design is the creative work of the Houston Independent School District Printing Services and its graphic designers. We also acknowledge the Mayor and City Council Members who have consistently supported the City's goal of excellence in all aspects of financial management. Their support is greatly appreciated, and I look forward to working with them to continue improving the City's financial condition.

Finally, I want to thank the employees of the City of Houston that are featured in the photos used in the design of this year's report. Houston municipal workers are among the hardest working and most dedicated employees there are. We often take for granted their contribution to the operations of a major city like Houston. I am proud to be able to feature some of them on the cover and divider pages of this year's CAFR.

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.



Annise D. Parker
City Controller

Sources:

City of Houston FY 08 Operating Budget
City of Houston 2009-2014 Capital Improvement Plan
City of Houston General Fund Five-Year Planning Scenario
Federal Reserve Bank of Dallas, Houston Economic Update, February 2008
Greater Houston Convention and Visitors Bureau
Greater Houston Partnership
Houston Aviation System
Houston Chronicle
Nasa.gov
Offering Circular, City of Houston, Texas, Combined Utility System First Lien Revenue Refunding Bonds, Series 2004B
Port Authority of Houston
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Texas Workforce Commission
U.S. Department of Labor, Bureau of Labor Statistics
Wikipedia.org

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, 2006

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.



Oliver S. Cox

President

Jeffrey R. Emery

Executive Director

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Houston, Texas (the "City"), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Houston's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Firefighter's Relief and Retirement Pension Trust Fund, the Municipal Employees' Pension Trust Fund and the Police Officers' Pension Trust Fund, blended component units of the City, which, in aggregate, represent 100% of the assets of the pension trust funds, within the fiduciary funds. In addition we did not audit the financial statements of the nonmajor business-type enterprise fund, which represents 2% and 0% of the assets and revenues of business-type activities of the City. We also did not audit the financial statements of any governmental or business-type discretely presented component unit. 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 business-type activities, pension trust funds and governmental 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 ("generally accepted auditing standards"). 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the City of Houston, Texas, as of June 30, 2007, 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.

The Management's Discussion and Analysis (pages 3 through 13), Schedule of Budgeted and Actual Revenues and Expenditures of the General Operating Fund (pages 116-120) and Pension System Supplementary Information (page 122) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the City of Houston's management. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

Deloitte & Touche LLP

June 30, 2008

City of Houston, Texas

Management's Discussion and Analysis

(Unaudited)

June 30, 2007

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, 2007. Please read this information in conjunction with the basic financial statements that follow this section. The discussion and analysis includes comparative data for 2006. 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, 2007 include:

- The assets of the City of Houston exceeded its liabilities at the close of the most recent fiscal year by \$4.173 billion.
- The City's total net assets decreased during the year by \$221 million.
- Unrestricted assets are a deficit of \$865 million.
- The City of Houston's total expenses were \$3.577 billion.
- Program revenues of \$1.685 billion reduced the net cost of the City's functions to be financed from the City's general revenues to \$1.892 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 (formerly called the water & sewer 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 Houston Area Water Corporation and the three pension systems, financial information for the component units is reported separately from the financial information presented for the primary government itself. The Houston Area Water Corporation and 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 (see pgs. 18-19) 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 (see page 22).

The City of Houston maintains nine individual governmental funds for financial reporting purposes. Information is presented separately in the governmental fund balance sheet (see page 18) and in the governmental fund statement of revenues, expenditures, and changes in fund balances (see page 20) 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 also 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 (see statements beginning on page 24): Enterprise funds (see also separate tab of same name) and internal service funds (see also 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 (formerly called the water and sewer system), and the convention and entertainment facilities. The City also includes the Houston Area Water Corporation as a nonmajor proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Houston's various functions. 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 (pgs. 116-119); general budget policies (pg. 121); and the City of Houston's progress in funding its obligation to provide pension benefits to its employees (pg. 122).

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 \$4.173 billion at the close of the most recent fiscal year.

Net Assets
June 30, 2007
 (With comparative totals for 2006)
 (in millions)

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Current and other assets	923	\$ 941	2,212	\$ 2,057	\$ 3,135	\$ 2,998
Capital assets	5,863	5,699	8,038	7,977	13,901	13,676
Total assets	6,786	6,640	10,250	10,034	17,036	16,674
Long-term liabilities	3,564	3,136	8,356	8,034	11,920	11,170
Other liabilities	541	732	402	378	943	1,110
Total liabilities	4,105	3,868	8,758	8,412	12,863	12,280
Net assets						
Invested in capital assets, net of related debt	3,481	3,340	745	977	4,226	4,317
Restricted	170	159	642	545	812	704
Unrestricted (deficit)	(970)	(727)	105	100	(865)	(627)
Total net assets	\$ 2,681	\$ 2,772	\$ 1,492	\$ 1,622	\$ 4,173	\$ 4,394

By far the largest portion of the City of Houston's net assets (101.3%) 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 (19.5%) represents resources that are subject to external restrictions on how they may be used.

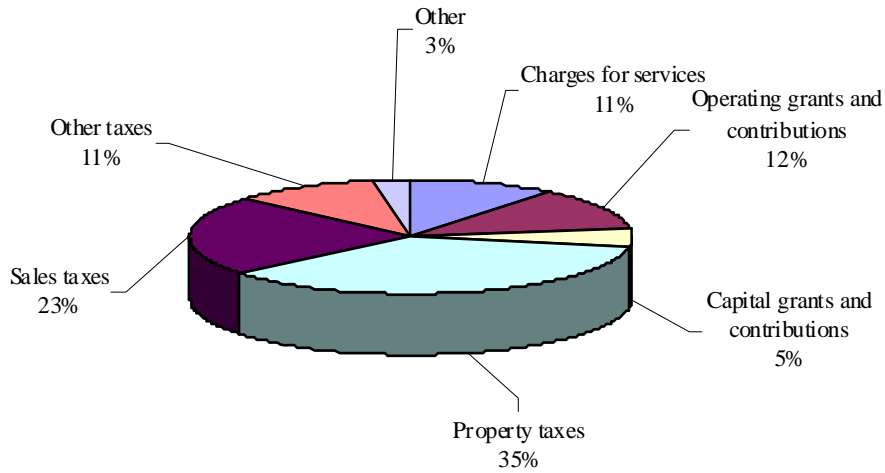
Change in Net Assets
June 30, 2007
(With comparative totals for 2006)
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Program Revenues:						
Charges for services	\$ 220	\$ 226	\$ 1,052	\$ 1,056	\$ 1,272	\$ 1,282
Operating grants and contributions	247	468	3	4	250	472
Capital grants and contributions	101	69	62	110	163	179
General revenues:						
Property taxes	739	701	-	-	739	701
Sales taxes	461	423	-	-	461	423
Other taxes	216	210	59	55	275	265
Other	55	53	135	81	190	134
Total revenues	<u>2,039</u>	<u>2,150</u>	<u>1,311</u>	<u>1,306</u>	<u>3,350</u>	<u>3,456</u>
Expenses:						
General government	130	131	-	-	130	131
Public safety	1,230	1,102	-	-	1,230	1,102
Public works	275	267	-	-	275	267
Health	102	103	-	-	102	103
Housing and community development	80	318	-	-	80	318
Parks and recreation	85	72	-	-	85	72
Library	39	37	-	-	39	37
Retiree benefits	-	-	-	-	-	-
Interest on Long-term Debt	135	137	-	-	135	137
Depreciation and amortization	112	126	-	-	112	126
Airport System	-	-	443	431	443	431
Convention & Entertainment Facilities	-	-	106	99	106	99
Combined Utility System	-	-	820	752	820	752
Houston Area Water Corporation	-	-	21	18	21	18
Total expenses	<u>2,188</u>	<u>2,293</u>	<u>1,390</u>	<u>1,300</u>	<u>3,578</u>	<u>3,593</u>
Change in net assets before contributions, special items and transfers	(149)	(143)	(79)	6	(228)	(137)
Contributions	-	-	-	-	-	-
Special items	2	5	5	-	7	5
Transfers	58	71	(58)	(71)	-	-
Change in net assets	<u>(89)</u>	<u>(67)</u>	<u>(132)</u>	<u>(65)</u>	<u>(221)</u>	<u>(132)</u>
Net assets July 1	<u>2,772</u>	<u>2,839</u>	<u>1,622</u>	<u>1,687</u>	<u>4,394</u>	<u>4,526</u>
Net assets June 30	<u>\$ 2,683</u>	<u>\$ 2,772</u>	<u>\$ 1,490</u>	<u>\$ 1,622</u>	<u>\$ 4,173</u>	<u>\$ 4,394</u>

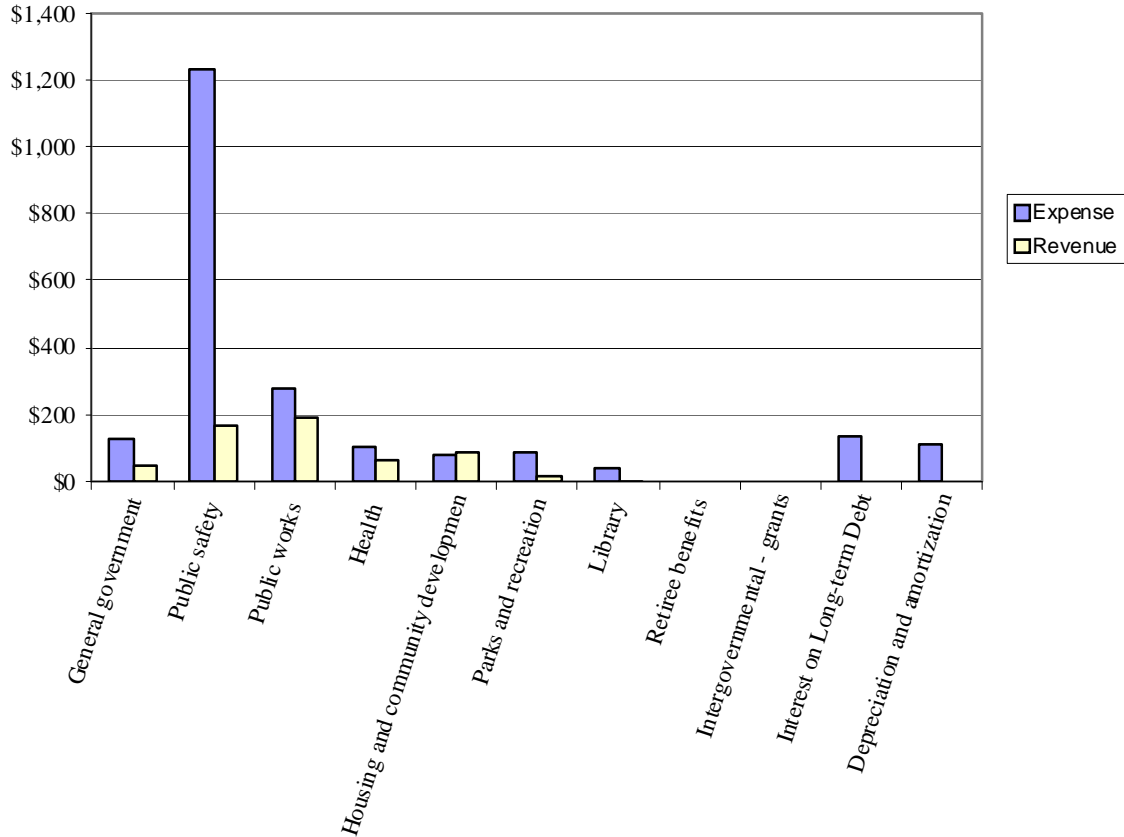
Governmental activities. Governmental activities decreased the City of Houston’s net assets by \$89 million. Key elements of this change are as follows:

- Sales tax revenue continued to show improvements during fiscal year 2007 providing a 9% increase for the year, from \$423 million to \$461 million.
- The City’s property tax rate was lowered by \$.0025 to \$0.6450 per \$100 assessed value. Property tax revenue increased by \$38 million because of the City’s rising property values and continued effort in the collection of delinquent taxes.
- The largest decrease in expenses was in the area of Housing and Community Development - \$238 million – reflecting decreased effects of hurricanes Katrina and Rita.

Revenue by Source - Governmental Activities



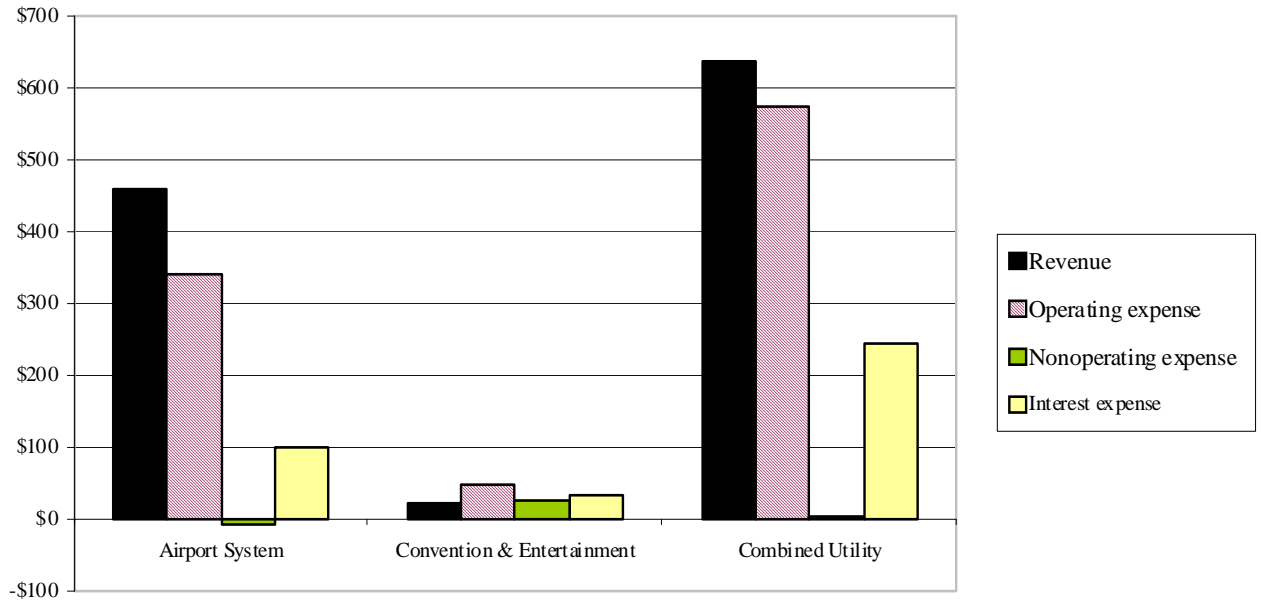
**Program Revenue and Expense
Governmental**



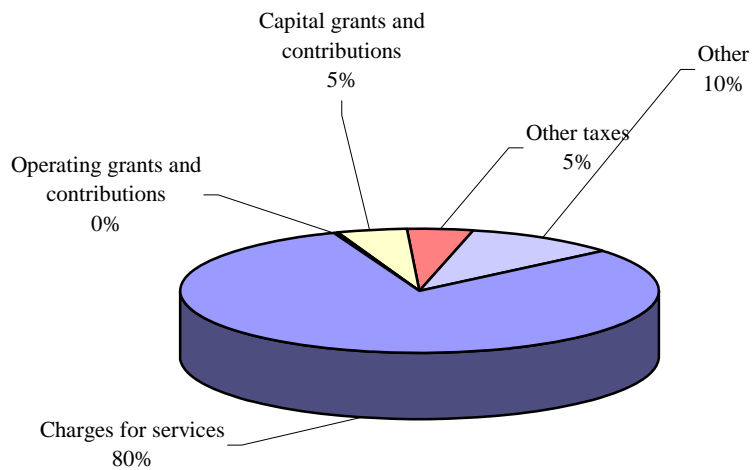
Business-type activities. Business-type activities reduced the City of Houston’s net assets by \$131 million. Key elements of this change are as follows:

- Airport systems operating expenses were up by 1.5%, from \$337 million to \$342 million. Operating revenues for these facilities were up by 5.6%, from \$394 million to \$416 million. Investment income increased by 79% from \$19 million to \$34 million.
- Convention & Entertainment operating expenses were up by 6.8%, from \$44 million to \$47 million. Operating revenues were up by 5%, from \$20 million to \$21 million. Hotel occupancy taxes increased by 7.3%, from \$55 million to \$59 million.
- The Combined Utility System operating expenses increased by 7.7% from \$532 million to \$573 million. Operating revenues decreased by 4.2% from \$643 million to \$616 million. Investment income was up by 89.5%, from \$19 million to \$36 million and interest expense was up by 12.6% from \$215 million to \$242 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 pgs.18-21 and separate tab of same name). The focus of the City of Houston's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Houston's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Houston's governmental funds reported combined ending fund balances of \$574 million. Approximately 63% of this total amount (\$359 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) for capital expenditures (\$82 million), (2) to pay debt service (\$111 million), or (3) a variety of other restricted purposes (\$23 million).

The general fund is the chief operating fund of the City of Houston. At the end of the current fiscal year, unreserved fund balance of the general fund was \$257 million, while the total fund balance reached \$278 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 17% of total general fund expenditures, while total fund balance represents 18% of that same amount.

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

- \$81 million increase in total revenues
- \$3 million decrease in expenditures
- \$117 million decrease in proceeds for issuance of debt
- \$1 million decrease in transfers from other funds
- \$18 million increase in transfers to other funds

Interest expenditures for the debt service fund increased by \$10 million. The net decrease in fund balance was \$1.2 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 \$82 million. The net increase in fund balance during the current fiscal year was \$16 million.

Proprietary funds (see pgs.24-33 and 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, \$42 million for Convention and Entertainment, \$62 million for the Combined Utility System and \$27 thousand for the Houston Area Water Corporation. The total increase in net assets for the Airport System and the Convention and Entertainment funds were \$55.9 million and \$2.1 million, respectively. The Combined Utility System and the Houston Area Water Corporation funds experienced decreases of \$187 million and \$2.1 million, respectively. 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 (pgs. 116 - 119), by \$61 million. The details of the more significant variances are detailed below:

- \$30 million increase in Sales taxes
- \$18 million increase in property taxes
- \$10 million increase in franchise taxes
- \$2 million increase in industrial assessments
- \$1 million decrease in other revenues
- \$5 million increase in interest
- \$6 million decrease in services performed for others
- \$3 million increase in other courts fines and forfeits

Total expenditures for the General Fund were \$16 million below the final expenditure budget. The details of the more significant variances are detailed below:

- \$6 million decrease in public works
- \$4 million decrease in public safety expenditures
- \$1 million decrease in library
- \$4 million decrease in total general government expenditures

Capital Asset and Debt Administration

Capital assets (see Note 6, Capital Assets, pages 72–74). The City of Houston’s investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$13.9 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 were relatively stable.

Capital Assets
June 30, 2007
 (With comparative totals for 2006)
 (net of depreciation in millions)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land and right of way	\$ 1,988	\$ 1,948	\$ 406	\$ 403	\$ 2,394	\$ 2,351
Buildings, improvements and equipment	678	586	2,742	2,750	3,420	3,336
Plants, lines and rights	-	-	4,080	3,722	4,080	3,722
Construction in progress	377	493	810	1,101	1,187	1,594
Infrastructure Assets	2,820	2,672	-	-	2,820	2,672
Total	\$ 5,863	\$ 5,699	\$ 8,038	\$ 7,976	\$ 13,901	\$ 13,675

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

- Business-type activities construction in process balance reflects a \$291 million decrease.
- Governmental-type activities include a \$1.7 billion reclassification of right-of-way property previously reported with infrastructure that is now reported with the land balance.

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

Long-term debt (Note 8, pages 75–93). At the end of the current fiscal year, the City of Houston had total bonded debt outstanding of \$10.8 billion. The two largest portions of this total are made up of \$3 billion comprising debt backed by the full faith and credit of the government and \$7.2 billion comprising various enterprise fund revenue bonds which are payable from future revenues of the various operations of those enterprise funds. The City issued \$78 million in pension obligations during the fiscal year to reduce the unfunded liability of the Houston Municipal Employees Pension System and the Houston Police Officers Pension System. The remainder of the City of Houston’s debt represents various long-term contracts and capital leases.

Outstanding Debt
June 30, 2007
 (With comparative totals for 2006)
 (in millions)

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
General obligation bonds and commercial paper	\$ 2,431	\$ 2,221	\$ 571	\$ 308	\$ 3,002	\$ 2,529
Pension notes	421	342	96	96	517	438
Inferior lien contract	-	-	54	56	54	56
Capital lease	-	-	-	-	-	-
Revenue bonds	-	-	7,245	7,160	7,245	7,160
Other borrowings	20	22	4	248	24	270
Total	<u>\$ 2,872</u>	<u>\$ 2,585</u>	<u>\$ 7,970</u>	<u>\$ 7,868</u>	<u>\$ 10,842</u>	<u>\$ 10,453</u>

The City’s total debt increased by \$389 million or 3.7% during the current fiscal year.

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

- \$78 million of pension obligations to reduce unfunded accrued actuarial liability.
- \$228 million of general obligation debt to refund commercial paper and annexed district debt.
- \$131 million of combined utility system revenue bonds to fund system projects and refund commercial paper.

Standard & Poor's, Moody's and Fitch's underlying ratings of the City's obligations as of June 27, 2008 are as follows:

	<u>Std & Poor's</u>	<u>Moody's</u>	<u>Fitch's</u>
General Obligation	AA	Aa3	AA-
Water & Sewer System Junior Lien	AA	Aa3	AA-
Combined Utility System First Lien	AA	A1	A+
Houston Airport System	A+	A1	A+
Convention & Entertainment	A-	A3	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 \$15.4 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 FY08 budget are as follows:

- Decreased the property tax rate by 1/8 cent to 64.375 cents per \$100 of valuation and increased the homestead exemption for senior citizens.
- The public safety budget was increased to primarily provide resources for Firefighter raises, fuel, four fire cadet classes, 172 new police officers, demolition of dangerous buildings and cleanup of weeded lots.

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, 2007
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total	Component Units	
				Governmental	Business-type
Assets					
Current Assets					
Equity in pooled cash and investments	\$ 583,610	\$ 1,450,908	\$ 2,034,518	\$ 74,973	\$ 64,280
Receivables, net of allowances					
Accounts receivable	63,868	90,645	154,513	61,153	26,680
Hotel occupancy tax receivable	-	16,111	16,111	-	-
Property taxes receivable	42,989	-	42,989	-	-
Sales taxes receivable	80,617	-	80,617	-	-
Mixed beverage taxes receivable	2,610	-	2,610	-	-
Franchise taxes receivable	16,574	-	16,574	-	-
Special assessments receivable	29,806	93	29,899	-	-
Accrued interest and other	-	-	-	590	182
Due from component units	10,495	13,996	24,491	-	-
Internal balances	657	(657)	-	-	-
Due from other governments	59,545	9,713	69,258	-	1,615
Inventory	20,925	9,259	30,184	13,996	368
Prepaid items	1,512	5,880	7,392	73	1,336
Deferred charges for issuance cost	9,852	53,796	63,648	4,487	2,796
Noncurrent assets					
Investments	-	32,924	32,924	59,569	14,290
Other receivables	-	-	-	125	1,390
Due from component unit:	-	299,928	299,928	-	-
Assessments receivable	-	-	-	4,724	-
Accrued interest receivable	-	-	-	-	228
Other long term receivables	-	-	-	1,333	-
Receivable and deposits	-	-	-	-	3,727
Other assets					
Water rights, net of amortization	-	202,595	202,595	-	-
Other long-term receivables	-	14,520	14,520	-	11,412
Garage rights, net of amortization	-	11,920	11,920	-	-
Capital Assets					
Land and right-of-way	1,987,803	406,199	2,394,002	85,913	11,488
Buildings, improvements and equipment	1,316,353	4,198,677	5,515,030	17,960	297,993
Plants, lines and rights	-	7,763,054	7,763,054	-	-
Construction in progress	376,904	810,447	1,187,351	-	22,236
Infrastructure assets	4,915,169	-	4,915,169	-	-
Less accumulated depreciation					
Buildings, improvements and equipment	(638,439)	(1,457,201)	(2,095,640)	(7,568)	(45,279)
Plants, lines and rights	-	(3,682,764)	(3,682,764)	-	-
Infrastructure assets	(2,094,836)	-	(2,094,836)	-	-
Total assets	\$ 6,786,014	\$ 10,250,043	\$ 17,036,057	\$ 317,328	\$ 414,742

(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, 2007
(amounts expressed in thousands)

	Governmental		Total	Component Units	
	Activities	Business-type Activities		Governmental	Business-type
Liabilities					
Accounts payable and accrued expenditures	\$ 73,829	\$ 55,227	\$ 129,056	\$ 7,782	\$ 11,161
Accrued payroll liabilities	45,790	7,210	53,000	33	723
Accrued interest payable	53,479	81,524	135,003	5,308	3,514
Contracts and retainages payable	22,367	80,301	102,668	7,284	2,016
Due to component units	-	24,344	24,344	-	-
Due to other governments	11,662	4,976	16,638	3,259	-
Advances and deposits	9,580	36,072	45,652	1,829	-
Other liabilities	-	-	-	5,542	-
Deferred revenue	34,874	-	34,874	959	1,155
Unearned revenue	-	10,464	10,464	-	-
Advances and deposits	-	-	-	218	-
Noncurrent liabilities					
Due within one year					
Notes payable	-	-	-	9,501	723
Revenue bonds payable	-	81,238	81,238	5,805	-
Claims and judgments	22,415	2,554	24,969	-	-
Compensated absences	127,508	10,832	138,340	8	-
Deferred electricity	1,427	3,642	5,069	-	-
Bonds payable	136,010	-	136,010	-	9,070
Inferior lien contracts	-	3,660	3,660	-	-
Other liabilities	1,980	-	1,980	-	-
Due in more than one year					
Due to City of Houston	-	-	-	5,709	290,583
Notes payable	-	-	-	18,111	12,156
Revenue bonds payable	-	7,163,506	7,163,506	136,043	-
Claims and judgments	110,976	4,360	115,336	-	-
Compensated absences	249,454	16,094	265,548	-	-
Contracts payable	-	206,482	206,482	5,491	-
Bonds payable	1,774,181	-	1,774,181	-	-
Inferior lien contracts	-	49,700	49,700	-	-
Commercial paper	521,100	570,700	1,091,800	-	-
Arbitrage rebate	179	2,662	2,841	-	-
Other long-term liabilities	18,220	3,876	22,096	43	1,271
Collateralized note payable	241,528	89,700	331,228	-	-
Deferred electricity	1,514	-	1,514	-	-
Municipal pension trust liability	188,712	75,006	263,718	-	-
Police officers' pension trust liability	252,044	-	252,044	-	-
Fire fighter's pension trust liability	26,666	-	26,666	-	-
Deferred revenue	-	168,722	168,722	-	16,595
Pension obligation bonds payable	179,128	5,577	184,705	-	-
Total liabilities	4,104,623	8,758,429	12,863,052	212,925	348,967
Net assets					
Invested in capital assets, net of related debt	3,480,924	745,459	4,226,383	76,550	(30,789)
Restricted net assets					
Restricted for debt service	56,182	69,174	125,356	14,747	19,441
Restricted for renewal and replacement	-	10,000	10,000	-	-
Restricted for maintenance and operations	-	119,154	119,154	9,442	-
Restricted for capital improvement	102,771	443,285	546,056	14,470	-
Other restricted	11,344	-	11,344	51,502	37,148
Unrestricted (deficit)	(969,830)	104,542	(865,288)	(62,308)	39,975
Total net assets (deficit)	\$ 2,681,391	\$ 1,491,614	\$ 4,173,005	\$ 104,403	\$ 65,775

* 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, 2007
(amounts expressed in thousands)**

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 130,026	\$ 34,839	\$ 12,821	\$ -
Public safety	1,230,266	110,222	59,606	-
Public works	275,165	53,856	32,906	101,099
Health	101,865	13,563	48,947	-
Housing and community development	80,171	-	84,946	-
Parks and recreation	85,274	6,930	5,049	-
Library	39,180	675	2,462	-
Interest on long-term debt	135,134	-	-	-
Unallocated Depreciation	111,918	-	-	-
Total governmental activities	<u>2,188,999</u>	<u>220,085</u>	<u>246,737</u>	<u>101,099</u>
Business-type activities				
Airport System	442,757	416,138	-	41,681
Convention & Entertainment facilities	105,846	20,554	2,740	-
Combined Utility System	818,831	615,465	-	20,036
Houston Area Water Corporation	20,568	-	-	-
Total business-type activities	<u>1,388,002</u>	<u>1,052,157</u>	<u>2,740</u>	<u>61,717</u>
Total primary government	<u>\$ 3,577,001</u>	<u>\$ 1,272,242</u>	<u>\$ 249,477</u>	<u>\$ 162,816</u>
Component Units				
Governmental	72,681	2,300	37,676	2,533
Business-type	102,632	90,118	11,517	-
Total component units activities	<u>\$ 175,313</u>	<u>\$ 92,418</u>	<u>\$ 49,193</u>	<u>\$ 2,533</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
 - Intergovernmental - grants
 - Investment earnings
 - Other

Contributions

Special Items - gain (loss) on sale of assets

Transfers

Total general revenues, special items, and transfers

- Change in net assets
- Net assets (deficit) beginning
- New component unit & restatement
- 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			Component Units		
Governmental Activities	Business-type Activities	Total	Governmental	Business-type	
(82,366)	\$ -	\$ (82,366)	\$ -	\$ -	
(1,060,438)	-	(1,060,438)	-	-	
(87,304)	-	(87,304)	-	-	
(39,355)	-	(39,355)	-	-	
4,775	-	4,775	-	-	
(73,295)	-	(73,295)	-	-	
(36,043)	-	(36,043)	-	-	
(135,134)	-	(135,134)	-	-	
(111,918)	-	(111,918)	-	-	
<u>(1,621,078)</u>	<u>-</u>	<u>(1,621,078)</u>	<u>-</u>	<u>-</u>	
-	15,062	15,062	-	-	
-	(82,552)	(82,552)	-	-	
-	(183,330)	(183,330)	-	-	
-	(20,568)	(20,568)	-	-	
<u>-</u>	<u>(271,388)</u>	<u>(271,388)</u>	<u>-</u>	<u>-</u>	
<u>(1,621,078)</u>	<u>(271,388)</u>	<u>(1,892,466)</u>	<u>-</u>	<u>-</u>	
-	-	-	(30,172)	-	
-	-	-	-	(997)	
<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,172)</u>	<u>(997)</u>	
529,578	-	529,578	51,838	750	
209,000	-	209,000	-	-	
15,823	-	15,823	-	-	
461,417	-	461,417	-	-	
189,551	-	189,551	-	-	
9,713	-	9,713	-	-	
279	-	279	-	-	
-	58,709	58,709	-	-	
-	-	-	496	-	
32,017	88,658	120,675	-	5,651	
23,261	45,552	68,813	8,821	4,098	
-	-	-	3,607	-	
2,071	5,385	7,456	25	-	
57,594	(57,594)	-	-	-	
<u>1,530,304</u>	<u>140,710</u>	<u>1,671,014</u>	<u>64,787</u>	<u>10,499</u>	
(90,774)	(130,678)	(221,452)	34,615	9,502	
2,772,165	1,622,292	4,394,457	76,403	56,273	
-	-	-	(6,615)	-	
<u>\$ 2,681,391</u>	<u>\$ 1,491,614</u>	<u>\$ 4,173,005</u>	<u>\$ 104,403</u>	<u>\$ 65,775</u>	

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

CITY OF HOUSTON, TEXAS
BALANCE SHEET — GOVERNMENTAL FUNDS
June 30, 2007
amounts expressed in thousands

	General	Debt Service	Capital Projects
Assets			
Equity in pooled cash and investments	\$ 233,575	\$ 110,363	\$ 114,843
Receivables, net of allowances			
Accounts receivable	16,094	-	-
Property taxes receivable	42,989	-	-
Sales taxes receivable	80,617	-	-
Mixed beverage taxes receivable	2,610	-	-
Franchise taxes receivable	16,574	-	-
Special assessments receivable	29,806	-	-
Due from component units	-	5,709	-
Due from other funds	6,170	-	946
Due from other governments	7,495	-	25,573
Inventory	19,863	-	-
Prepaid items	1,512	-	-
Total assets	\$ 457,305	\$ 116,072	\$ 141,362
Liabilities and fund balance			
Liabilities			
Accounts payable	38,230	702	16,015
Accrued payroll liabilities	40,923	-	-
Contracts and retainages payable	1	-	22,366
Due to other funds	186	-	-
Due to other governments	11,652	-	-
Advances and deposits	6,649	-	210
Claims and judgments	2,547	-	-
Compensated absences	2,714	-	-
Other liabilities	248	-	-
Deferred revenue	76,056	5,709	20,875
Total liabilities	179,206	6,411	59,466
Fund balance			
Reserved for imprest cash and prepaids	1,626	-	-
Reserved for equipment acquisitions and other capital outlay	-	-	81,896
Reserved for inventory	19,863	-	-
Reserved for debt service	-	109,661	-
Unreserved	256,610	-	-
Unreserved - Special revenue funds	-	-	-
Total fund balance	278,099	109,661	81,896
Total liabilities and fund balance	\$ 457,305	\$ 116,072	\$ 141,362

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 *

<u>Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 7,143	99,595	\$ 565,519
28,085	6,185	50,364
-	-	42,989
-	-	80,617
-	-	2,610
-	-	16,574
-	-	29,806
4,786	-	10,495
-	408	7,524
24,652	1,825	59,545
1,042	20	20,925
-	-	1,512
<u>\$ 65,708</u>	<u>\$ 108,033</u>	<u>\$ 888,480</u>

12,831	5,993	73,771
2,268	2,522	45,713
-	-	22,367
6,711	125	7,022
-	10	11,662
718	2,003	9,580
-	-	2,547
176	160	3,050
-	4	252
<u>32,379</u>	<u>3,160</u>	<u>138,179</u>
<u>55,083</u>	<u>13,977</u>	<u>314,143</u>

-	-	1,626
-	-	81,896
1,042	-	20,905
1,325	-	110,986
8,258	-	264,868
-	94,056	94,056
<u>10,625</u>	<u>94,056</u>	<u>574,337</u>
<u>\$ 65,708</u>	<u>\$ 108,033</u>	

5,862,954

127,814

7,753

(3,891,467)

\$ 2,681,391

* 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, 2007

(With comparative amounts for 2006

amounts expressed in thousands

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues			
Taxes and assessments	\$ 1,425,575	\$ -	\$ -
Licenses and permits	18,637	-	-
Charges for services	99,608	-	-
Intergovernmental - grants	42,021	-	61,103
Fines and forfeits	50,298	-	-
Investment income	15,992	5,817	4,488
Other	5,584	132	1,661
Total revenues	<u>1,657,715</u>	<u>5,949</u>	<u>67,252</u>
Expenditures			
Current Expenditures			
General government	116,960	-	108,897
Public safety	985,828	-	15,972
Public works	202,910	-	61,767
Health	47,249	-	-
Housing and community development	-	-	-
Parks and recreation	60,464	-	11,074
Library	32,257	-	14,123
Retiree benefits	18,801	-	-
Capital outlay	49,023	-	-
Debt service principal	1,260	170,889	-
Debt service interest	5,420	117,260	-
Debt service fiscal agent & fees	-	4,661	-
Total expenditures	<u>1,520,172</u>	<u>292,810</u>	<u>211,833</u>
Other financing sources (uses)			
Issuance of debt	103,000	-	210,771
Issuance of refunding debt	-	229,168	-
Bond premium	-	15,870	-
Sale of land	4,757	3,599	-
Transfers in	4,982	278,673	140
Transfers out	(222,613)	-	(50,680)
Payment to escrow agent for refunded bonds	-	(241,612)	-
Total other financing sources (uses)	<u>(109,874)</u>	<u>285,698</u>	<u>160,231</u>
Changes in fund balance	27,669	(1,163)	15,650
Fund balances, July 1	250,430	110,824	66,246
Fund balances, June 30	<u>\$ 278,099</u>	<u>\$ 109,661</u>	<u>\$ 81,896</u>

(Continued)

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

<u>Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 1,425,575
-	37,275	55,912
-	19,642	119,250
194,062	22,678	319,864
-	7,007	57,305
1,447	4,273	32,017
-	16,178	23,555
<u>195,509</u>	<u>107,053</u>	<u>2,033,478</u>
-	10,781	236,638
45,285	41,837	1,088,922
4,215	61,404	330,296
48,117	697	96,063
89,071	249	89,320
5,056	6,054	82,648
2,462	-	48,842
-	-	18,801
-	8,314	57,337
-	17	172,166
-	-	122,680
-	-	4,661
<u>194,206</u>	<u>129,353</u>	<u>2,348,374</u>
-	-	313,771
-	-	229,168
-	-	15,870
-	-	8,356
508	55,246	339,549
(3,336)	(5,307)	(281,936)
-	-	(241,612)
<u>(2,828)</u>	<u>49,939</u>	<u>383,166</u>
(1,525)	27,639	68,270
12,150	66,417	506,067
<u>\$ 10,625</u>	<u>\$ 94,056</u>	<u>\$ 574,337</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, 2007
(amounts expressed in thousands)**

Net change in fund balances - total governmental funds	\$	68,270
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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 (\$167,864) was less than the increase in capital assets (\$331,797) in the current period.</p>		163,935
<p>Revenue in the statement of activities that do not provide current financial resources are deferred as revenues in the funds.</p>		97,762
<p>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.</p>		(124,060)
<p>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.</p>		(157,095)
<p>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.</p>		(143,306)
<p>Internal service funds are used by management to change 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.</p>		3,720
Change in net assets of governmental activities	\$	(90,774)

* 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, 2007
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Assets			
Current Assets			
Equity in pooled cash and investments	\$ 722,089	\$ 82,950	\$ 645,791
Receivables, net of allowances			
Accounts receivable	19,462	1,226	68,023
Hotel occupancy tax receivable	-	16,111	-
Special assessments receivable	-	-	93
Due from component units	-	13,996	-
Due from other funds	6	76	-
Due from other governments	2,474	758	5,158
Inventory	3,626	-	5,633
Prepaid items	2,106	663	3,111
Restricted assets			
Investments	7,013	21,774	-
Total current assets	<u>756,776</u>	<u>137,554</u>	<u>727,809</u>
Noncurrent Assets			
Due from component units	-	299,928	-
Deferred charges for issuance cost	1,804	3,727	46,762
Other assets			
Water rights, net of amortization	-	-	202,595
Amount held by other governments	-	-	14,520
Garage rights, net of amortization	-	11,920	-
Total other assets	<u>-</u>	<u>11,920</u>	<u>217,115</u>
Capital assets			
Land	202,214	99,757	101,371
Buildings, improvements and equipment	3,527,363	452,877	198,733
Plants, lines and rights	-	-	7,619,503
Construction in progress	302,189	753	507,292
Total capital assets	<u>4,031,766</u>	<u>553,387</u>	<u>8,426,899</u>
Less accumulated depreciation			
Buildings, improvements and equipment	(1,203,037)	(143,723)	(109,679)
Plants, lines and rights	-	-	(3,674,862)
Accumulated depreciation	<u>(1,203,037)</u>	<u>(143,723)</u>	<u>(3,784,541)</u>
Net capital assets	<u>2,828,729</u>	<u>409,664</u>	<u>4,642,358</u>
Total noncurrent assets	<u>2,830,533</u>	<u>725,239</u>	<u>4,906,235</u>
Total assets	<u>\$ 3,587,309</u>	<u>\$ 862,793</u>	<u>\$ 5,634,044</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
Non-Major Houston Area Water Corp.	Total	
\$ 78	\$ 1,450,908	\$ 18,091
1,934	90,645	5
-	16,111	-
-	93	-
-	13,996	-
707	789	-
1,323	9,713	1,602
-	9,259	-
-	5,880	-
4,137	32,924	-
<u>8,179</u>	<u>1,630,318</u>	<u>19,698</u>
-	299,928	-
<u>1,503</u>	<u>53,796</u>	<u>-</u>
-	202,595	-
-	14,520	-
-	11,920	-
<u>-</u>	<u>229,035</u>	<u>-</u>
2,857	406,199	-
19,704	4,198,677	-
143,551	7,763,054	-
213	810,447	-
<u>166,325</u>	<u>13,178,377</u>	<u>-</u>
(762)	(1,457,201)	-
<u>(7,902)</u>	<u>(3,682,764)</u>	<u>-</u>
<u>(8,664)</u>	<u>(5,139,965)</u>	<u>-</u>
<u>157,661</u>	<u>8,038,412</u>	<u>-</u>
<u>159,164</u>	<u>8,621,171</u>	<u>-</u>
\$ 167,343	\$ 10,251,489	\$ 19,698

(Continued)

* 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, 2007
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Liabilities			
Current Liabilities			
Accounts payable	\$ 6,141	\$ 7,113	\$ 38,726
Accrued payroll liabilities	2,760	297	4,153
Accrued interest payable	48,914	5,973	24,473
Contracts and retainages payable	19,110	-	60,091
Due to other funds	609	-	682
Due to component units	-	24,344	-
Due to other governments	-	79	4,897
Advances and deposits	2,236	1,268	32,568
Inferior lien contracts	3,660	-	-
Claims and judgments	1,303	78	1,173
Compensated absences	3,990	468	6,374
Deferred electricity note	950	239	2,453
Revenue bonds payable	34,500	17,540	26,613
Unearned revenue	9,376	396	-
Total current liabilities from unrestricted assets	133,549	57,795	202,203
Total Current Liabilities	133,549	57,795	202,203
Noncurrent liabilities			
Revenue bonds payable	2,046,352	615,562	4,379,524
Claims and judgments	2,814	213	1,333
Compensated absences	4,494	396	11,204
Contracts payable	-	-	206,482
Inferior lien contracts	49,700	-	-
Commercial paper	95,000	35,500	440,200
Arbitrage rebate	-	235	2,427
Deferred electricity note	1,011	255	2,610
Pension note payable	34,800	3,300	51,600
Municipal pension trust liability	27,512	2,867	44,627
Unearned revenue	-	10,388	158,334
Pension obligation bonds payable	2,006	189	3,382
Total noncurrent liabilities	2,263,689	668,905	5,301,723
Total liabilities	2,397,238	726,700	5,503,926
Net assets			
Invested in capital assets, net of related debt	648,933	61,066	-
Restricted net assets			
Restricted for debt service	53,373	15,801	-
Restricted for renewal and replacement	10,000	-	-
Restricted for maintenance and operations	39,638	16,997	62,674
Restricted for capital improvements	438,127	-	5,158
Unrestricted	-	42,229	62,286
Total net assets	\$ 1,190,071	\$ 136,093	\$ 130,118

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 *

Business-type Activities-Enterprise Funds		Governmental Activities Internal Service Funds
Non-Major Houston Area Water Corp.	Total	
\$ 3,247	\$ 55,227	\$ 58
-	7,210	77
2,164	81,524	-
1,100	80,301	-
-	1,291	-
-	24,344	-
-	4,976	1,602
-	36,072	-
-	3,660	-
-	2,554	1,964
-	10,832	141
-	3,642	-
2,585	81,238	-
692	10,464	1,156
<u>9,788</u>	<u>403,335</u>	<u>4,998</u>
9,788	403,335	4,998
122,068	7,163,506	-
-	4,360	7,022
-	16,094	80
-	206,482	-
-	49,700	-
-	570,700	-
-	2,662	-
-	3,876	-
-	89,700	-
-	75,006	-
-	168,722	-
-	5,577	-
<u>122,068</u>	<u>8,356,385</u>	<u>7,102</u>
131,856	8,759,720	12,100
35,460	745,459	-
-	69,174	-
-	10,000	-
-	119,309	-
-	443,285	-
27	104,542	7,598
<u>\$ 35,487</u>		<u>\$ 7,598</u>
	(155)	
	<u>\$ 1,491,614</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, 2007
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Operating Revenues			
Landing area fees	\$ 92,140	\$ -	\$ -
Terminal space rentals	199,720	-	-
Parking	65,454	9,011	-
Concession	54,540	4,722	-
Other	4,284	-	-
Rental	-	6,821	-
Water/Sewer Billing	-	-	615,465
Health benefit premiums	-	-	-
Total operating revenue	<u>416,138</u>	<u>20,554</u>	<u>615,465</u>
Operating Expenses			
Administrative costs	-	-	-
Claims Costs	-	-	-
Maintenance and operating	214,611	35,342	315,348
Depreciation and amortization	126,953	11,925	257,722
Total operating expenses	<u>341,564</u>	<u>47,267</u>	<u>573,070</u>
Operating income (loss)	<u>74,574</u>	<u>(26,713)</u>	<u>42,395</u>
Nonoperating revenue (expenses)			
Investment income	33,722	18,704	36,014
Hotel occupancy tax	-	58,709	-
Other revenue	541	1,447	36,617
Gain (loss) on disposal of assets	(7)	5,385	(3,478)
Other expenses	6,530	(25,720)	(1)
Interest on long-term debt	(101,186)	(32,859)	(242,282)
Contributions	-	2,740	-
Total nonoperating revenues (expenses)	<u>(60,400)</u>	<u>28,406</u>	<u>(173,130)</u>
Income (loss) before capital contributions and transfers	<u>14,174</u>	<u>1,693</u>	<u>(130,735)</u>
Capital contributions	<u>41,681</u>	<u>(691)</u>	<u>20,746</u>
Transfers in	-	1,187	-
Transfers out	-	(93)	(76,944)
Total transfers	<u>-</u>	<u>1,094</u>	<u>(76,944)</u>
Change in net assets	55,855	2,096	(186,933)
Liability resulting from internal service fund's undercharging proprietary funds			
Net change	1,134,216	133,997	317,051
Total net assets (deficit), July 1	1,134,216	133,997	317,051
Total net assets, June 30	<u>\$ 1,190,071</u>	<u>\$ 136,093</u>	<u>\$ 130,118</u>

Cumulative liability resulting from internal service funds' undercharging proprietary funds

Total net assets business-type activities

(Continued)

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

Business-type Activities Enterprise Funds		Governmental Activities Internal Service Funds
Non-Major Houston Area Water Corp.	Total	
\$ -	\$ 92,140	\$ -
-	199,720	-
-	74,465	-
-	59,262	-
-	4,284	-
-	6,821	-
-	615,465	-
-	-	249,178
-	1,052,157	249,178
-	-	3,070
-	-	243,476
8,993	574,294	-
4,925	401,525	-
13,918	975,819	246,546
(13,918)	76,338	2,632
218	88,658	1,088
-	58,709	-
-	38,605	-
-	1,900	-
-	(19,191)	-
(6,650)	(382,977)	-
-	2,740	-
(6,432)	(211,556)	1,088
(20,350)	(135,218)	3,720
-	61,736	-
18,237	19,424	-
-	(77,037)	-
18,237	(57,613)	-
(2,113)	(131,095)	3,720
	417	
	(130,678)	
37,600	1,622,864	3,878
\$ 35,487	1,492,186	\$ 7,598
	(572)	
	\$ 1,491,614	

* 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, 2007
amounts expressed in thousands**

	Business-type Activities - Enterprise Funds	
	Airport System	Convention & Entertainment
Cash flows from operating activities		
Receipts from customers	\$ 427,886	\$ 20,025
Payments to employees	(79,758)	(8,044)
Payments to suppliers	(86,319)	(26,909)
Internal activity-payments (to) from other funds	(37,455)	(676)
Claims paid	(1,304)	(80)
Due from other governments	-	74
Other revenues	483	1,447
Other expenses	-	(1,784)
Net cash provided by (used in) operating activities	<u>223,533</u>	<u>(15,947)</u>
Cash flows from investing activities		
Interest income on investments	33,722	18,704
Purchase of investments	(2,285)	-
Proceeds from sale of investments	3,295	-
Transfer from investments to equity pool cash and investments	572,391	34,248
Net cash provided by (used in) investing activities	<u>607,123</u>	<u>52,952</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(28,385)	(14,775)
Proceeds (uses of cash) from issuance of revenue bonds	-	-
Proceeds from issuance of commercial paper	36,000	13,000
Passenger facilities charges	6,530	-
Interest expense on debt	(111,559)	(24,004)
Retirement of inferior lien contract	(3,450)	-
Proceeds from disposition of assets	16	8,046
Advances and deposits on construction	-	-
Contributed capital	48,995	-
Deferred bond issuance costs	-	-
Acquisition of property, plant and equipment	(108,794)	(2,554)
Accrued maintenance repair and replacement cost	-	-
Net cash provided by (used in) capital and related financing activities	<u>(160,647)</u>	<u>(20,287)</u>

(Continued)

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

Business-type Activities - Enterprise Funds			Governmental
Combined			Activities
Utility	Nonmajor	Total	Internal
			Service
			Funds
\$ 627,465	-	\$ 1,075,376	\$ 249,182
(119,284)	-	(207,086)	(2,282)
(156,998)	12,024	(258,202)	(381)
(4,111)	(13,487)	(55,729)	(57)
(1,650)	-	(3,034)	(242,827)
-	-	74	-
36,030	-	37,960	-
-	-	(1,784)	-
<u>381,452</u>	<u>(1,463)</u>	<u>587,575</u>	<u>3,635</u>
36,014	218	88,658	1,088
-	-	(2,285)	-
-	1,340	4,635	-
<u>393,668</u>	<u>1,558</u>	<u>1,000,307</u>	<u>1,088</u>
<u>429,682</u>	<u>1,558</u>	<u>1,091,315</u>	<u>1,088</u>
(95,947)	(2,485)	(141,592)	-
103,583	-	103,583	-
280,000	-	329,000	-
-	-	6,530	-
(235,793)	58	(371,298)	-
-	-	(3,450)	-
7,247	-	15,309	-
-	2,477	51,472	-
5,512	-	5,512	-
(3,063)	-	(111,857)	-
-	(355)	(2,909)	-
<u>(323,968)</u>	<u>-</u>	<u>(323,968)</u>	<u>-</u>
<u>(262,429)</u>	<u>(305)</u>	<u>(443,668)</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, 2007
amounts expressed in thousands

	Business-type Activities - Enterprise Funds	
	Airport System	Convention & Entertainment
Cash flows from noncapital financing activities		
Promotional contract paid from hotel occupancy tax revenues to component units	-	(23,935)
Interest expense electrical contract	(44)	-
Interest expense on pension obligation bonds	(105)	(10)
Interest expense collateralized note	(2,958)	(281)
Transfers	-	1,094
Payments from Hotel Corporation	-	(7,726)
Hotel occupancy tax revenue	-	57,186
Transfers to debt service fund	-	-
Transfers to other funds	-	-
Net cash provided by (used in) noncapital financing activities	<u>(3,107)</u>	<u>26,328</u>
Net increase (decrease) in cash and cash equivalents	666,915	43,046
Cash and cash equivalents, July 1	55,187	39,904
Cash and cash equivalents, June 30	<u><u>\$ 722,102</u></u>	<u><u>\$ 82,950</u></u>
Non cash transactions		
Amortization expense	-	-
Unrealized gain (loss) on investments	2,988	-
Capital additions included in liabilities	4,602	(1,055)
Contributions of capital assets	-	(691)
Capitalize interest expense	14,794	-
Gain (loss) on disposal of assets	7	-
Total non cash transactions	<u><u>\$ 22,391</u></u>	<u><u>\$ (1,746)</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ 74,574	\$ (26,713)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation and amortization	126,953	11,925
Other revenues	483	1,447
Other expenses	-	(1,784)
Changes in assets and liabilities		
Accounts receivable and prepaids	10,136	(253)
Arbitrage rebate	-	-
Due from other funds	(6)	48
Due from other governments	-	-
Inventory and prepaid insurance	(509)	(61)
Accounts payable	1,147	(1,261)
Accrued payroll liabilities	1,420	158
Due to other funds	609	-
Due to other governments	-	74
Advances and deposits	1,625	416
Construction and retainages payable	-	-
Claims and judgments-workers' compensation	668	(3)
Compensated absences	1,668	161
Pension Obligation payable	4,765	477
Deferred revenue	-	(692)
Other long-term liabilities	-	114
Net cash provided by (used in) operating activities	<u><u>\$ 223,533</u></u>	<u><u>\$ (15,947)</u></u>

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

(Continued)

Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
Combined Utility	Nonmajor	Total	
-	-	(23,935)	-
-	-	(44)	-
-	-	(115)	-
-	-	(3,239)	-
-	-	1,094	-
-	-	(7,726)	-
-	-	57,186	-
(24,211)	-	(24,211)	-
<u>(52,733)</u>	<u>-</u>	<u>(52,733)</u>	<u>-</u>
<u>(76,944)</u>	<u>-</u>	<u>(53,723)</u>	<u>-</u>
471,761	(211)	1,181,499	4,723
<u>174,030</u>	<u>211</u>	<u>269,332</u>	<u>13,368</u>
<u>\$ 645,791</u>	<u>\$ -</u>	<u>\$ 1,450,831</u>	<u>\$ 18,091</u>
8,384	92	8,476	-
2,305	-	5,293	-
17,255	-	20,802	-
18,410	-	17,719	-
19,027	-	33,821	-
-	-	7	-
<u>\$ 65,381</u>	<u>\$ 92</u>	<u>\$ 86,118</u>	<u>\$ -</u>
\$ 42,395	\$ (4,812)	\$ 85,444	\$ 2,632
257,722	4,925	401,525	-
36,617	409	38,956	-
-	-	(1,784)	-
8,761	(3,197)	15,447	(5)
2,427	-	2,427	-
1,924	-	1,966	-
(2,679)	-	(2,679)	1,602
(1,310)	-	(1,880)	-
26,418	1,212	27,516	(5)
2,223	-	3,801	38
(743)	-	(134)	-
-	-	74	-
3,238	-	5,279	(7)
-	-	-	(1,602)
(1,522)	-	(857)	682
2,027	-	3,856	71
6,735	-	11,977	-
(585)	-	(1,277)	229
<u>(2,196)</u>	<u>-</u>	<u>(2,082)</u>	<u>-</u>
<u>\$ 381,452</u>	<u>\$ (1,463)</u>	<u>\$ 587,575</u>	<u>\$ 3,635</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, 2007
amounts expressed in thousands

	Pension Trust Funds	Agency Funds
Assets		
Cash	\$ 12,088	\$ -
Equity in pooled cash and investments	-	83,367
Investments		
U.S. government and agency securities	48,020	-
Corporate bonds	88,502	-
Other fixed income securities	1,837,871	-
Commingled equity funds	588,541	-
Common and preferred stock	3,469,100	-
Real estate and partnerships	1,949,255	-
Short-term investment funds	303,817	-
Invested securities lending collateral	1,312,990	-
Receivables, net of allowances		
Accounts receivable	38,617	121
Contributions	4,181	-
Accrued interest and other	401,665	-
Other Assets	15,488	-
Land	483	-
Building	7,217	-
Total assets	10,077,835	83,488
Liabilities		
Accounts payable	78,484	83,356
Advances and deposits	-	132
Security lending collateral	1,312,990	-
Foreign funds contracts payable	11,686	-
Other liabilities	4,331	-
Total liabilities	1,407,491	\$ 83,488
Net assets		
Held in trust for pension benefits and other purposes	\$ 8,670,344	

* 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, 2007
amounts expressed in thousands

	2007
Additions	
Contributions:	
City of Houston	\$ 181,086
Plan members	70,437
Total Contributions	251,523
Investment earnings	
Interest and dividends	298,725
Net increase in the fair value of investments	1,075,743
Total investment earnings	1,374,468
Less investment expense	(65,817)
Net investment earnings	1,308,651
Total additions	1,560,174
 Deductions	
Benefits	392,032
Refund of contributions	2,340
Administrative expense	16,743
Total deductions	411,115
Change in net assets	1,149,059
Total net assets, July 1	7,521,285
Total net assets, June 30	\$ 8,670,344

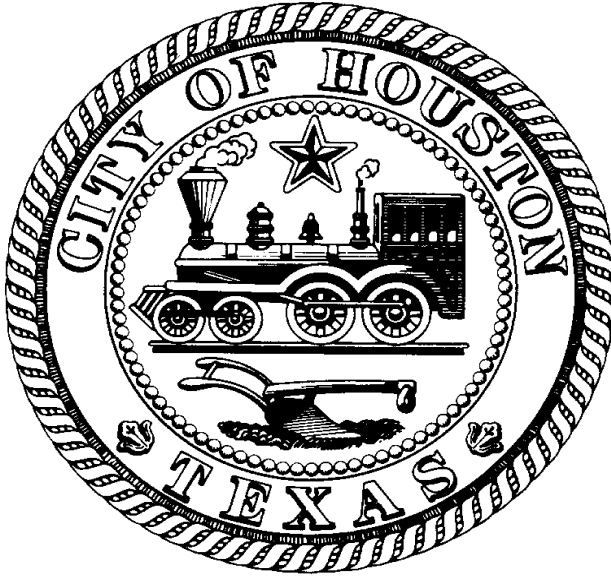
* The notes to the basic financial statements are an integral part of this statement *



CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

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CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007



CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

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.

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 Area Water Corporation</i> <i>611 Walker, Suite 2100</i> <i>Houston, TX 77002</i></p>	<p>The Corporation is organized for the purpose of: providing treated, potable water to the City of Houston for sale to customers located wholly or partially in Area Three of the Harris-Galveston Coastal Subsidence District, and; aiding and assisting the City of Houston in performing its obligations with respect to a regional groundwater reduction plan by, among other things, constructing, improving, equipping, repairing, operating and maintaining water treatment and distribution facilities and purchasing and selling water in connection therewith. The City appoints its Board and a financial benefit/burden relationship exists, allowing the city to impose its will. In addition, there is a fiscal dependency on the City.</p>

Reporting Fund: Business Type, Non-Major

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

**Blended Component Units Reported with
the Primary Government**

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

*Houston Firefighters' Relief & Retirement
Fund*
4225 Interwood North Parkway
Houston, TX 77032

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.

Reporting Fund: Houston Firefighters' Relief and Retirement Pension Trust Fund.

*Houston Municipal Employee's
Pension System*
1111 Bagby, Suite 2450
Houston, TX 77002

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.

Reporting Fund: Houston Municipal Employee's Pension Trust Fund.

*Houston Police Officer's Pension
System*
602 Sawyer, Suite 300
Houston, TX 77007

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.

Reporting Fund: Police Officer's Pension Trust Fund.

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

*Houston Convention Center Hotel
Corporation ("HCCHC")*
c/o George R. Brown
Avenida De Las Americas
Houston, TX 77010

Local government corporation created by the City in accordance with the Texas Transportation Corporation Act and Chapter 394 of the Texas Local Government Code authorized to construct, improve, enlarge, equip, repair, operate and maintain a hotel in downtown Houston within one thousand feet of the George R. Brown Convention Center. Board members are appointed by the Mayor and confirmed by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will.

*Houston Housing Finance Corporation
("HHFC")*
9545 Katy Freeway, Suite 105.
Houston, TX 77024

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.

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.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

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
<p><i>City Park Redevelopment Authority</i> <i>c/o Hawes Hill Calderon LLP</i> <i>P.O. Box 22167</i> <i>Houston, Texas 77227</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the City Park Tax Increment Reinvestment Zone Board in the redevelopment of a neighborhood northwest of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by the City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. In addition, there is a fiscal dependence on the City.</p>
<p><i>East Downtown Redevelopment Authority</i> <i>c/o Hawes Hill Calderon LLP</i> <i>P.O. Box 22167</i> <i>Houston, Texas 77227</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the East Downtown Tax Increment Zone Board in the redevelopment of a blighted neighborhood east of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. In addition, there is a fiscal dependence on the City.</p>
<p><i>Fourth Ward Redevelopment Authority</i> <i>c/o Zinetta Burney, General Counsel</i> <i>Burney & Foreman</i> <i>5445 Almeda Suite 400</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 Fourth Ward Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood adjacent to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. The City has investment authority for the Zone's assets.</p>
<p><i>Greater Greenspoint Redevelopment Authority</i> <i>16945 Northchase Dr, Suite 1900</i> <i>Houston, Texas 77060</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Greater Greenspoint Tax Increment Reinvestment Zone Board in the redevelopment of the Greenspoint Mall and blighted adjacent neighborhood in North Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will.</p>
<p><i>Greater Houston Convention and Visitors Bureau</i> <i>901 Bagby, Suite 1005</i> <i>Houston, Texas 77002</i></p>	<p>A non-profit organization established in 1963 and funded by both private sector memberships and a portion of the hotel bed tax. Their mission is to improve the economy of Greater Houston by attracting conventions, tourists, film projects and international government officials to the area through sales and marketing efforts. The City has financial accountability because it must approve the members of the board of directors and a financial benefit/burden relationship exists, allowing the City to impose its will. In addition, there is a fiscal dependence on the City.</p>
<p><i>Gulfgate Redevelopment Authority</i> <i>c/o Knudson & Associates</i> <i>8588 Katy Freeway, Suite 441</i> <i>Houston, Texas 77024</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Gulfgate Tax Increment Reinvestment Zone Board in the redevelopment of the Gulfgate Mall and 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>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 all revenues, allowing the City the ability to impose its will.</p>

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Houston Arts Alliance(Cultural Arts Council of Houston)
("CACH")/Harris County
3201 Allen Parkway, Suite 250
Houston, TX 77019

Non-profit organization that is the officially designated arts agency of the City. The City does not appoint a voting majority, but is financially accountable because CACH is fiscally dependent on the revenues provided from a portion of hotel occupancy tax, which is levied by the City. This fiscal dependency allows the City to impose its will.

Houston Business Development Inc.
5330 Griggs Road
Houston, Texas 77021

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.

Houston Downtown Park Corporation
2217 Welch
Houston, TX 77019

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.

Houston Parks Board
2001 Kirby Dr., Suite 814
Houston, Texas 77019

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.

Houston Public Library Foundation
(formerly Houston Library Board)
Houston Central Library
500 McKinney
Houston, TX 77002

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.

Lamar Terrace Public Improvement District
City of Houston
Box 1562
Houston, Texas 77251

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.

Land Assemblage Redevelopment Authority
City of Houston
Box 1562
Houston, Texas 77251

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.

Main Street Market Square Redevelopment Authority
909 Fannin St., Suite 1650
Houston, Texas 77002

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.

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Memorial City Redevelopment Authority
c/o Knudson & Associates
8588 Katy Freeway, Suite 441
Houston, Texas 77024

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.

Memorial-Heights Redevelopment Authority
c/o Knudson & Associates
12 Greenway Plaza, Suite 1500 Houston,
Texas 77046-1287

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.

Midtown Redevelopment Authority
3401 Louisiana, Suite 355
Bienville Building
Houston, Texas 77002

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.

Old Sixth Ward Redevelopment Authority
c/o Parke Patterson Consultants, Inc.
P.O. Box 994
Sugar Land, Texas 77487

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, the City has investment authority for the Zone's assets.

OST/Alameda Corridors Redevelopment Authority
5445 Alameda Suite 502
Houston, Texas 77004

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the OST/Alameda Corridors Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood south of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.

Saint George Place Redevelopment Authority
c/o Hawes Hill Calderon LLP
P.O. Box 22167
Houston, Texas 77227-2167

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, the City has investment authority for the Zone's assets.

Sharpstown Economic Development Authority
c/o Hawes, Hill & Associates
P.O. Box 22167
Houston, Texas 77227-2167

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to manage and administer the Sharpstown Public Improvement District (the "PID"), created under Chapter 372 of the Local Government Code. 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.

South Post Oak Redevelopment Authority
c/o Knudson & Associates
8588 Katy Frwy.
Houston, Texas 77024

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.

Southwest Houston Redevelopment Authority
c/o Hawes Hill Calderon LLP
P.O. Box 22167
Houston, Texas 77227-2167

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.

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Upper Kirby Redevelopment Authority
3015 Richmond Avenue, Suite 200,
Houston, Texas 77098-3114

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.

Uptown Development Authority
1980 Post Oak Blvd., Suite 1580
Houston, Texas 77056

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.

2. Related Organizations

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

C. Basis of Presentation – Government-wide and Fund Financial Statements

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

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

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

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

Fund Accounting

1. The City reports the following major governmental funds:

- (a) ***General Fund*** - is the principal operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.
- (b) ***Debt Service Fund*** - is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of tax supported debt.
- (c) ***Capital Projects Fund*** - is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Such resources are derived principally from proceeds of public improvement bonds and from special assessments.
- (d) ***Grants Fund*** - The Grants Fund is used to account for grant resources received from various local, state and national agencies and organizations. The use of these resources is restricted to a particular function of the City by each grantor.

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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 Field.
 - (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) ***Nonmajor Enterprise Fund*** - HAWC - is used to account for the cost to provide treated, potable water to the City of Houston for sale to customers.
 - (c) ***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.
 - (d) ***Fiduciary Fund Types*** - Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and other funds. These include the following:
 - (1) ***Pension Trust Funds*** - are used to account for the assets held in trust for the members and beneficiaries of the City's three defined benefit pension plans.
 - (2) ***Agency Funds*** - are custodial in nature and do not involve measurement of results of operations.

D. Measurement Focus and Basis of Accounting

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

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

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

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Proprietary funds and pension trust funds of the primary government and blended Component Units are accounted for on a cost of services or "economic resources" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. In accordance with GASB Statement No. 20, the City has elected to

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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, Liabilities, and Fund Equity

1. Deposits and Investments

The City's investment policy requires all deposits to be fully collateralized with depository insurance; obligations of the United States of America or its agencies and instrumentalities (excluding those mortgage backed securities prohibited by the Public Funds Investment Act); or in any other manner and amount provided by law for the deposits of the City. At all times, such securities 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.

Substantially all cash, except for imprest accounts, is deposited with financial institutions in interest bearing accounts or is invested. The majority of the City's cash and investments are administered using a pooled concept, which combines the monies of various funds for investment purposes. Interest earnings of the pool are apportioned to each fund, unless otherwise required by bond covenants, based on the fund's relative share of the investment pool. 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 based on the first-in, first-out inventory method.

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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 not capitalized in the funds used to acquire or construct them. Instead, 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 four years. 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 projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as a part of the capitalized value of the assets 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 30 years
Machinery	Range from 7 to 15 years
Equipment	Range from 3 to 20 years
Storm drainage	50 years
Streets	Range from 6 to 50 years
Bridges	Range from 20 to 50 years

b. Enterprise Funds – Property, Plant and Equipment

Property, plant, and equipment owned by the Enterprise Funds are stated at cost or estimated historical cost if original cost is not available. Construction costs (excluding land and equipment) are added to construction work-in-progress until the assets are substantially complete. At that point, the project is moved to the appropriate asset category and depreciation begins. Depreciation on equipment begins in the year of acquisition. Land and equipment costs are added to the capital asset base in the year of acquisition. Interest costs on funds borrowed to finance the construction of property, plant and equipment of the enterprise funds are capitalized when the costs materially exceed interest earnings on related revenue bond proceeds. For fiscal year 2007, the capitalized interest cost for the Airport System Facilities was 14.8 million, Combined Utility System Fund was \$19.1 million and Convention & Entertainment Facilities Fund was \$ -0- million.

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

<u>Assets</u>	<u>Years</u>
Airport System Facilities	4-45
Convention & Entertainment Facilities	4-45
Combined Utility System Facilities	5-50

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

4. Bond 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 method. Gains or losses on Enterprise Fund refundings are amortized over the term of the lesser of the new bonds or the refunded bonds using the effective interest method.

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5. Fund Balance

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

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

The majority of full-time civilian employees and firefighters are covered under the compensatory sick leave plan and receive a leave time allowance of 2.5 hours per payroll period (bi-weekly) up to a maximum of 65 hours per year. Employees who use fewer than 65 hours during the benefit year will receive a match of additional hours equal to the number of hours accrued minus the number of hours used. Once an employee's balance has reached 1,040 hours, no additional match for unused hours is given. Upon termination, all unused sick leave time allowances in excess of 1,040 hours are payable to the employee at the employee's rate of pay at the time of termination. An employee who uses less than 16 hours of sick leave in any benefit year receives up to three days of personal leave in the next year. Personal leave may be used in place of vacation leave, but will not accumulate and will not be paid out at termination. The balance of full time civilian employees and firefighters are covered by a sick plan that was closed to employees in 1985. That plan accumulates a cash value for every sick day not used, which is payable upon resignation or retirement. As noted above, classified police officers are covered by a paid time off plan.

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.

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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.

G. Statement of Cash Flows — Cash and Cash Equivalents

The City implemented a new accounting system in fiscal year 2007, which reflects all cash and investment transactions to the Equity in Pooled Cash and Investment account, and does not allow for separate identification of cash from investments in the City's pooled funds. The City treats the equity in pooled cash and investments as cash for cash flow purposes, due to the ability of each fund to withdraw cash from the pool without prior notice or penalty, and the liquidity of the underlying pooled funds.

H. Estimates

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

I. Internal Service Funds

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

J. New Accounting Pronouncements

In June 2004, the GASB issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefit Other Than Pension Plans." Statement No. 45 establishes standards for the measurement, recognition, and display of other postemployment benefits expenses and related liabilities and assets, and other related disclosure requirements. This statement will be implemented during the fiscal year ending June 30, 2008 to meet GASB requirements.

The City has taken steps to assess the current and future financial impact of its unfunded OPEB liabilities, and is reviewing the appropriate policies to address and manage any such liabilities. In preparation for the implementation of GASB 45, the City commissioned a preliminary actuarial study for use as a planning tool in order to assist the City in estimating the actuarial costs of other post-employment benefits and formulating a GASB 45 implementation plan. The preliminary actuarial study indicated that as of June 30, 2006 the City's total actuarial accrued liability (AAL) for benefits earned by the City's municipal employees and classified police officers and firefighters was approximately \$3.2 billion, and the annually required contribution needed to pay the normal costs of the benefits and to effect a level amortization of the AAL over a 30 year period would have been approximately \$326 million.

Options available to any issuer such as the City to offset or reduce the future costs of the OPEB liability that will be reported under GASB 45 include the following:

- Reduction of benefits for active employees and/or retirees;
- Increase of required contributions from active employees and/or retirees; and
- Contributing assets or pre-funding with real property, a dedicated revenue stream or other taxes or City assets not yet identified.

In September 2006, the GASB issued Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues". Statement No. 48 improves financial reporting by establishing consistent measurement, recognition, and disclosure requirements that apply to both governmental and business-type activities. It establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues. This Statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. The requirements for this Statement are effective for financial statements for periods beginning after December 15, 2006. This pronouncement had no impact upon the financial position, results of operations or cash flows of the City for the fiscal year ending June 30, 2007.

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In November 2006, the GASB issued Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations". Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The requirements for this statement are effective for financial statements for periods beginning after December 15, 2007. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In May 2007, the GASB issued Statement No. 50, "Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27". This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The requirements for this statement are effective for periods beginning after June 15, 2007. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2007, the GASB issued statement No. 51, "Accounting and Financial Reporting for Intangible Assets". This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The requirements of this statement are effective for periods beginning after June 15, 2009. The City has not determined the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In November 2007, the GASB issued statement No. 52, "Land and Other Real Estate Held as Investments by Endowments". This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2008. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

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Note 2: Reconciliation of Government-wide and Fund Financial Statements

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

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

Balances at June 30, 2007, were (in thousands):

Unamortized bond issuance cost	\$ 9,852
Section 108	20,200
Deferred revenue	97,762
	\$ 127,814
Internal Service Fund total assets	\$ 19,698
Internal Service Fund liabilities	(12,100)
undercharging the enterprise funds	155
	\$ 7,753
Bonds, notes, and capital lease payable	\$ (2,874,838)
Arbitrage rebate payable	(179)
Accrued interest	(53,479)
Compensated absences not reported at the fund level	(373,691)
Claims and judgments not reported at the fund level	(121,858)
Net pension obligation (liabilities less assets)	(467,422)
	\$ (3,891,467)

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

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

Balances at June 30, 2007 were (in thousands):

Debt issued:	
Public Improvement Bonds	\$ 228,340
Pension Obligations	78,325
Commercial paper	250,800
Premium/Discount on bonds	18,337
Deferred loss on refunding	(18)
Capital appreciation bonds accretion	353
	<u>\$ 576,137</u>
Repayments:	
Refunded commercial paper	\$ (229,400)
Refunded bonds	(12,255)
Refunded certificates of obligations	-
Capital lease	-
Deferred Electricity Note	(1,277)
Principal payments	(172,611)
	<u>\$ (415,543)</u>
Amortization of:	
Deferred gain	\$ 2,273
Premium	(5,772)
Net adjustment	<u>\$ 157,095</u>

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

Property taxes earned but not available	\$ 31,415
Ambulance fees earned but not available	1,144
Fines and forfeits earned but not available	2,555
Other (primarily assessments) earned but not available	<u>62,648</u>
Total revenue not reported at fund level	<u><u>\$ 97,762</u></u>
Property taxes for prior periods	\$ (41,630)
Ambulance fees for prior periods	(5,360)
Fines and forfeits for prior periods	(1,723)
Other (primarily assessments) for prior periods	<u>(75,347)</u>
Total revenue for prior period transactions	<u><u>\$ (124,060)</u></u>
Interest on long-term debt	\$ (5,445)
Municipal Employees pension	(27,428)
Police Officers' pension	(72,633)
Firefighters' pension	(21,819)
Claims and judgments	8,805
Debt issuance costs	(3,267)
Amortization of debt issuance costs	(1,033)
Compensated absences	(20,730)
Other liabilities	(571)
Decrease in other receivables	<u>815</u>
Total differences in accrued expenses	<u><u>\$ (143,306)</u></u>

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Note 3: Deposits and Investments

A. Deposits

At June 30, 2007 the carrying amount of the City's deposits was \$31,200,225. The City's bank balance is the sum of three accounts which total \$20,217,115. The three accounts that comprise this balance are described by the following:

<u>Accounts</u>	<u>City Balance</u>	<u>Bank Balance</u>
Concentration	\$ 19,955,601	\$ 12,402,368
Section 108	261,514	261,514
Total	\$ 20,217,115	\$ 12,663,882
 Mkt Value Collateral	 \$ 15,431,876	 \$ 15,431,876

The first account is a demand deposit account with JP Morgan Chase bank that as of June 30, 2007 had a City balance of \$19,955,601 and a bank balance of \$12,402,368. The difference between the City and bank balance of \$7,553,233 represents checks deposited in this bank account for which the collection of available funds had not been obtained as of June 30, 2007. A Depository Pledge Agreement is in effect by which collateral is pledged by JP Morgan Chase to the City to cover bank balances. The collateral is in the form of fixed income securities, are held by a third party, and as of June 30, 2007 had a market value of \$15,431,876. According to the terms of the pledge agreement, which the City is granted a security interest in the pledged securities. In the event of a default by JP Morgan Chase, the City may sell the pledged securities to satisfy any indebtedness owed to the City by JP Morgan Chase, provided at least 3 business days written notice and opportunity to cure the default is given.

The second account is a demand deposit account with JP Morgan Chase Bank for the City's Housing and Urban Development section 108 account, which had a bank and City balance as of June 30, 2007 of \$261,514. This balance was collateralized by the same Depository Pledge Agreement described above.

The third account is a SEC registered money market fund. The balance in the money market fund as of June 30, 2007 was zero. As this is not a bank account, collateral is not required to be held to cover the balance. 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, 2007. As of that date, the City had approximately \$2.1 billion in fixed income investments in four 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

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These funds are managed internally by City personnel. The investments listed below do not include the City's three pension funds, which are described elsewhere in this report.

1. General Investment Pool 9900 (Pool 960)

The General Investment Pool consists of all working capital, construction and debt service funds which are not subject to yield restriction under IRS arbitrage regulations. The funds of the City's enterprise systems, as well as the general fund, are commingled in this pool in order to gain operational efficiency. Approximately 98.7% of the City's total investable funds are contained in this portfolio.

City of Houston Investments As of June 30, 2007	Credit Quality Ratings(1)(2)	Market Value	WAM* (yrs)
U.S. Treasury Notes	n/a	\$ 325,610,906	0.424
Government National Mortgage Association	not rated	2,427,244	2.627
Certificate of Deposits (less than \$100,000 each)	FDIC Insured	385,890	0.668
Commercial Paper	A-1+	271,534,337	0.011
Agency Notes (4)	AAA	918,578,141	1.967
Agency Notes (3) (4)	not rated	260,665,216	0.434
Collateralized Mortgage Obligations (3) (4)	not rated	12,752,526	2.906
Mortgaged Backed Securities (3) (4)	not rated	205,568,857	4.614
Municipal Bonds	AAA	191,209,268	1.369
Municipal Bonds	AA	3,246,050	1.342
<u>Municipal Bonds</u>	<u>SP-1+/MIG1</u>	<u>62,906,813</u>	<u>0.754</u>
Total Investments		\$ 2,254,885,248	1.621

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

- (1) Standard and Poor's Rating Services has assigned an AAAf credit quality rating and S1 volatility rating to the City's General Investment Pool. The AAAf signifies the highest level of credit protection, and the S1 rating signifies volatility consistent with a portfolio of government securities maturing from one to three years.
- (2) All credit ratings shown are either actual S&P ratings, or if an S&P credit rating is not available, the equivalent S&P credit rating is shown to represent the actual Moody's or Fitch credit rating.
- (3) These securities are not individually rated by the rating agencies. The issuers of these securities, which includes the Federal Home Loan Mortgage Corporation ("Freddie Mac") and the Federal National Mortgage Corporation ("Fannie Mae"), are rated AAA by the rating agencies. Federal Agricultural Mortgage Corporation ("Farmer Mac"), which comprises 1.3% of this portfolio, is not rated by the credit rating agencies as to the individual securities or as an issuer. Farmer Mac is a government sponsored enterprise and is a permitted investment under state law and City investment policy.
- (4) These are securities issued by government sponsored enterprises, including the Federal Home Loan Bank, Freddie Mac, Fannie Mae, Farmer Mac, and Farm Credit.

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Reverse Repo Agreement – Also known as a “securities lending” program, its purpose is to earn incremental income. This is accomplished by borrowing money at favorable interest rates by entering into reverse repurchase agreements, and then investing the proceeds of these loans at a positive spread in either high grade commercial paper or money market funds. The market value of the Reverse Repo Program shown in the above schedule is the amount borrowed under this program as of June 30, 2007. The City’s securities are used as collateral to secure these loans. Up to 15% of the City’s portfolio value can be used for this purpose, and up to 90 day terms are allowed per the City’s investment policy. For fiscal year 2007 the average term of these transactions was 28 days, and the average spread was 13 basis points.

Reverse Repurchase Agreement: As of June 30, 2007

<u>Agreements</u>	<u>Collateral Securities</u>	<u>Interest Expenses</u>	<u>Reinvestment Proceeds</u>
\$30,956,633 received, to be repaid with interest of 5.12% on 7/5/07	T 3.875 7/31/07	\$ 118,873	CITIFI 5.24 & AECC 5.23 31,096,840
\$30,841,837 received, to be repaid with interest of 5.12% on 7/5/07	T 4.0 8/31/07	118,433	CITIFI 5.24 & AECC 5.23 30,981,524
\$30,727,041 received, to be repaid with interest of 5.10% on 7/5/07	T 4.0 9/30/07	117,531	TOYCC 5.235 & AECC 5.23 30,866,208
\$30,650,510 received, to be repaid with interest of 5.10% on 7/5/07	T 4.25 10/31/07	117,238	TOYCC 5.235 & AECC 5.23 30,789,331
\$25,446,429 received, to be repaid with interest of 5.10% on 7/5/07	T 4.25 11/30/07	97,333	UBSFIN 5.24 & AECC 5.23 25,561,679
\$30,076,531 received, to be repaid with interest of 5.12% on 7/5/07	T 3.125 9/15/08	115,494	AECC CP at 5.23 30,212,752
Total Proceeds Received:		\$ 178,698,981	\$ 179,508,334
Total Accrued Expenses:		\$ 684,902	
Total:		<u>\$ 179,383,883</u>	<u>\$ 179,508,334</u>
Net Gain/(Loss)			\$ 124,451

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 2.5 years maximum. As of June 30, 2007, this investment portfolio dollar-weighted average stated maturity is 1.621 years. Modified duration for the same period is 1.453. 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 1.453 would experience approximately a 1.453% change in market price for every 100 basis point change in yield.

Credit Risk: The US Treasury Notes and securities issued by HUD and the Government National Mortgage Association are direct obligations of the United States government. The City’s investment policy permits other investments meeting the following criteria: Certificates of Deposit are for amounts less than \$100,000 and guaranteed by the FDIC, an arm of the US Government. The Commercial Paper, which is limited by law to maturities of 270 days or less, has short-term rating of at least A-1. Agency Notes, Collateralized Mortgage Obligations and Mortgage Backed Securities are issued by government sponsored enterprises. Municipal Securities were issued as long-term securities rated AAA or AA. Municipal Securities that were considered short-term securities at time of issue, and thus were not given a long-term credit rating, have the highest short-term credit rating.

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, 2007, none of the City’s investments in the General Investment Fund 9900 (Pool 960) were subject to custodial credit risk.

2. Tax Exempt Fund 9901 (Pool 971)

The Tax Exempt Pool consists of those funds which are subject to yield restrictions and arbitrage regulation under the 1986 Tax Reform Act.

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City of Houston	Credit Quality	Market	
Investments As of June 30, 2007	Ratings	Value	WAM
Fidelity Tax-Exempt Money Market Mutual Fund	SEC 2a-7 fund	1,292,259	19-Days
CLA 07-01-27 Variable Rate Tax-exempt Muni	Aa2	3,009,542	6-Days
Total Investments		\$ 4,301,801	10-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 1.0 years maximum. As of June 30, 2007, this investment portfolio's dollar-weighted average stated maturity is 10 days. Modified duration for the same period is 0.028 year.

Credit Risk. Due to the nature of municipal bonds (more risk, less liquidity), the City investment policy limit its investments in the Tax-Exempt Pool to high quality, short maturity securities (generally less than 1 year) with a minimum rating of A, if the yield is reasonably higher than that of tax-exempt money market mutual funds. Otherwise, funds in this pool will be invested in one or more tax-exempt money market mutual funds that are SEC registered and regulated under rule 2a-7. In sum, rule 2a-7 requires that the fund have a weighted average maturity of less than 90 days to maturity, individual securities cannot be more than 397 days to maturity and must have a rating by nationally recognized rating agencies in one of the two highest short-term rating categories.

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, 2007 none of the City's investments in the Tax Exempt Fund (Pool 971) were subject to custodial credit risk.

3. Housing Department Section 108 Fund 9902 (Pool 974)

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 and investment needs of the City's Housing and Community Development HUD program cash flows.

City of Houston	Credit Quality	Market	
Investments As of June 30, 2007	Ratings	Value	WAM
U.S. Treasury Bills	AAA	801,761	16-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 6.0 months maximum. As of June 30, 2007, this investment portfolio's dollar-weighted average stated maturity is 16 days. Modified duration for the same period is 0.045 year.

Credit Risk. Fund 9902 (Pool 974) only consists of U.S. Treasury Bills with maturities less than 6 months. HUD requires that investment of their funds must be in direct obligations of the United States Government.

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, 2007 none of the City's investments in the Housing Dept. Fund 9902 (Pool 974) were subject to custodial credit risk.

4. Convention Center and Hotel Reserve Fund 9903 (Pool 979)

The Convention Center and Hotel Reserve Fund Pool consists of proceeds from the 2001 Series A, B and C Hotel Occupancy Tax and Special Revenue Bond issues designated as reserve funds.

City of Houston	Credit Quality	Market	
Investments As of June 30, 2007	Ratings	Value	WAM
MBIA Flex Repo	not rated	22,217,928	4.233

Risk Disclosures:

Interest Rate Risk. This is a fixed rate investment provided by MBIA Inc. The market value of this investment is held at a constant value because it is collateralized for 105% of its par value (see credit risk below).

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Credit Risk. This investment is collateralized with fixed income government securities that are held by a third party. The market value of that collateral is maintained at least 105% of the par value of this investment, and is monitored monthly.

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, 2007, the City's investments that were subject to custodial credit risk were the collateral securities for the MBIA Flex Repo, held by an independent third party custodian (Wells Fargo) with whom the City has a current custodian agreement.

5. Miscellaneous Money Market Accounts

The City maintains several separate money market account balances for various purposes described below:

City of Houston Investments As of June 30, 2007	Credit Quality Ratings	Market Value	WAM (yrs)
JP Morgan US Government Money Market Fund: Airport System Special Facilities Revenue Bonds Series 1997A Reserve Fund.	AAA	\$ 6,880,232	< 90 days
JP Morgan US Government Money Market Fund: Balances held for auction bonds debt service.	AAA	1,789,361	< 90 days
First American Treasury Obligation Money Market Fund: Balances held for commercial paper debt service.	AAA	230,843	< 90 days
Total Miscellaneous Money Market Funds		<u>\$ 8,900,436</u>	

Risk Disclosures:

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

Credit Risk. These funds hold only US dollar denominated securities that present minimal credit risk. They have the highest credit ratings Standard & Poor's and Moody's of AAAM and Aaa respectively.

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, 2007 none of the City's investments in the previous noted money market funds were subject to custodial credit risk.

6. Houston Foundation

The Houston Foundation consists of two trusts, of which the Hill Trust is reported on this schedule. The Hill trust was established by will in the early 1900's as a general purpose charity trust. The foundation's board usually designates that the money be used for a specific purpose, such as the purchase of medical supplies or to fund Meals on Wheels, rather than for administrative or staff salaries. The City's Finance and Administration staff provides administrative support to the foundation and its board.

City of Houston Investments As of June 30, 2007	Credit Quality Ratings	Market Value	WAM (yrs)
Cash and Equivalents	not rated	\$ 181,272	n/a
Fixed Income	not rated	1,487,208	2.83
Equities	n/a	1,288,000	n/a
Other	n/a	13	n/a
Total Assets		<u>\$ 2,956,493</u>	

Risk Disclosures:

Interest Rate Risk. The fixed income portion of this portfolio is invested in mutual funds, US Agency Bonds, and Corporate Bonds. Roughly 4% of the portfolio is allocated to Columbia Short-Term Bond Fund with average maturity of 2.0 years, 9% is allocated to Columbia Strategic Income Fund with average maturity of 9.4 years, 47% is allocated to Corporate Bonds with maturity less than 5 years,

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and 40% is allocated to U.S. Agency Bonds with maturity less than 5 years. The weighted average maturity for the fixed income portfolio is 2.83 years, and the weighted average duration is 2.04 years.

Credit Risk. The allocation of assets among various asset classes are set by the board. The Moody's quality rating for the fixed income portfolio are as followed: 46.9% is rated AAA, 13.4% is rated AA, 26.6% is rated A, and 13.2%, mainly mutual funds, are not rated. The equities portion of this portfolio is invested in common stocks and Columbia's 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, 2007 all of the foundation's holdings in the above noted mutual funds, corporate bonds, and common stocks were subject to custodial credit risk.

7. Investments – Houston Area Water Corporation

As of June 30, 2007, the Corporation had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity</u>	<u>Fair value</u>
Wells Fargo Reserve Funds	4 days	\$ 629,010
JP Morgan U.S. Government Money Market Fund	34 days	495,627
JP Morgan Prime Money Market Funds	43 days	3,086,909
Pool managed by the City of Houston	212.5 days	<u>2,606</u>
		<u>\$ 4,214,152</u>

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. The corporation does not have a deposit policy for custodial credit risk. As of June 30, 2007, \$ -0- was exposed to custodial risk.

Interest Rate risk: The Corporation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The corporation has no investment policy that would further limit its investment choices. As of June 30, 2007, Standard & Poor's investment Services has assigned its AAf credit rating and S1 volatility rating to the General Pool managed by the City. The AAf credit quality rating is the highest rating available from Standard & Poor's and reflects the extremely strong protection that the Pool's portfolio investments provide against losses from credit defaults or credit deterioration. The S1 volatility rating recognizes the Pool's sensitivity to changing market conditions as a result of its low market risk profile and conservative investment policies. The corporation's investment in the U.S. Government Money Market Fund was rated AAf by S&P Rating and Aaa by Moody's Rating. The corporation's investment in the Prime Money Market Fund was rated AAf by S&P Rating and Aaa by Moody's Rating.

8. Investments – Municipal Employees Pension System (the "System")

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

The fair values of the System's investments at June 30, 2007, are presented by type, as follows:

United States government securities	\$ 48,020,004
Corporate bonds	88,502,341
Capital stocks	652,858,988
Commingled funds	588,540,704
Limited partnerships, real estate trust, and loans and mortgages	551,969,734
Short-term investment funds (cost)	<u>91,351,681</u>
	<u>\$ 2,021,243,452</u>

The System's Board (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 shall be a fiduciary of the System's assets with respect to its discretionary duties including safekeeping the System's assets.

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The Custodian shall establish and maintain 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 right, 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 is made part of every investment management agreement.

Custodial credit risk. For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the System, and are held by either the counterparty or the counterparty's trust department or agent but not in the System's name. At June 30, 2007, 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 are 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.

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.
3. No individual holding in a manager's portfolio may constitute more than 5% of the outstanding shares of an issuer.
4. No individual holding may constitute more than 5% of a manager's portfolio at cost or 10% at market.
5. Short sales, purchases on margin, non-negotiable or otherwise restricted securities are prohibited, other than where expressly permitted.
6. While there are no restrictions on cash, a manager must notify the System if the cash position exceeds 10%.

International equity managers

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

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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

3. 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, 2007.

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. This risk is managed within the portfolios using the effective duration or option-adjusted methodology. The System's investment policies require that the portfolio shall maintain a duration within +/- 20% of the Lehman Aggregate Bond index; and maintain a credit quality weighted average of AA-, or equivalent. 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.

At June 30, 2007, the following table shows the System's investments by type, amount and the effective duration rate calculated using the software Wilshire Axiom.

	<u>Effective Duration</u>	<u>Domestic</u>	<u>International</u>	<u>Fair Value</u>
Collateralized mortgage obligations	5.06	\$ 9,601,169		9,601,169
Convertible bonds	4.77	7,395,856	690,375	8,086,231
Corporate bonds	7.04	53,147,034		53,147,034
Corporate bonds (International)	6.32		9,886,176	9,886,176
GNMA/FNMA/FHLMC (Sponsored Agencies)	5.01	28,685,716		28,685,716
Government issues (United States)	6.29	14,426,495		14,426,495
Government issues (International)	11.76		4,907,792	4,907,792
Misc. receivable (auto/credit card)	0.18	1,352,358		1,352,358
Options - futures		44,966		44,966
Other asset backed	3.14	<u>6,048,755</u>	<u>335,653</u>	<u>6,384,408</u>
	6.22	<u>\$ 120,702,349</u>	<u>15,819,996</u>	<u>136,522,345</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 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.

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The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at June 30, 2007 are as follows:

Quality Rating	CMO	Convertible Bonds	Corporate Bonds	Sponsored Agencies	Government Issues		Other Asset Backed	Bond Unit	Grand Total Fair Value	Percentage of Holdings
					(International)	Other				
AAA	\$ 8,252,316			28,685,716	4,907,792	709,558	2,493,986		\$ 45,049,368	33.00%
AA			731,984					112,357	844,341	0.62%
AA+			179,612						179,612	0.13%
AA-			493,011						493,011	0.36%
A			377,846						377,846	0.28%
A+			824,977						824,977	0.60%
A-			2,402,842				79,294		2,482,136	1.82%
BBB			3,713,383			642,800			4,356,183	3.19%
BBB			4,362,385				410,681		4,773,066	3.50%
BBB-			2,724,702				500,946		3,225,648	2.36%
BB		206,438	8,256,636				763,675		9,226,749	6.76%
BB+			3,746,949				84,660		3,831,609	2.81%
BB-			2,722,126				399,975		3,122,101	2.29%
B		346,736	11,845,595						12,192,331	8.93%
B+			4,714,775						4,714,775	3.45%
B-		2,460,825	4,223,705						6,684,530	4.90%
Below C	168,318	1,286,281	6,936,909						8,391,508	6.13%
Not rated	<u>1,180,535</u>	<u>3,718,560</u>	<u>4,775,773</u>				<u>1,651,191</u>		<u>11,326,059</u>	<u>8.30%</u>
Subtotal	<u>9,601,169</u>	<u>8,018,840</u>	<u>63,033,210</u>	<u>28,685,716</u>	<u>4,907,792</u>	<u>1,352,358</u>	<u>6,384,408</u>	<u>112,357</u>	<u>122,095,850</u>	<u>89.43%</u>
Total credit risk debt securities									<u>122,095,850</u>	<u>89.43%</u>
U.S. government fixed income securities*									<u>14,426,495*</u>	<u>10.57%</u>
Total fixed income securities									<u>\$ 136,522,345</u>	<u>100.00%</u>

*Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not have purchase limitations.

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, 2007 as follows:

	Fair Value	Percentage of Holdings
Australian Dollar	\$ 4,650,682	1.9 %
Canadian Dollar	9,492,325	3.8 %
Danish Krone	589,797	0.2 %
Euro Currency	88,957,918	35.7 %
Hong Kong Dollar	3,660,785	1.5 %
Indonesian Rupiah	4,186,215	1.7 %
Japanese Yen	61,866,778	24.8 %
Mexican Peso	1,842,313	0.7 %
New Zealand Dollar	1,650,292	0.7 %
Norwegian Krone	2,093,933	0.8 %
Pound Sterling	24,732,921	9.9 %
Singapore Dollar	5,570,676	2.2 %
South African Rand	1,909,682	0.8 %
South Korean Won	10,063,841	4.0 %
Swedish Krona	4,275,980	1.7 %
Swiss Franc	19,742,954	7.9 %
Taiwan Dollar	2,157,936	0.9 %
Turkish Lira	<u>1,851,499</u>	<u>0.8 %</u>
Total securities subject to foreign currency risk	\$ <u>249,296,527</u>	<u>100.0 %</u>

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9. Investments – Houston Firefighters’ Relief and Retirement (HFRRF) Fund

Statutes of the State of Texas authorize the HFRRF 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 HFRRF Board. The investment policy of the HFRRF Board does not restrict the types of investments authorized to be made on behalf of the HFRRF; 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 HFRRF given prevailing capital market conditions. While the HFRRF 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 HFRRF Board has employed Mellon Trust (HFRRF Custodian) as HFRRF Custodian of the assets of the HFRRF, and in said capacity, the HFRRF Custodian shall be a fiduciary of the HFRRF’s assets with respect to its discretionary duties including safekeeping the HFRRF’s assets. The HFRRF Custodian shall establish and maintain a custodial account to hold, or direct its agents to hold, for the account of the HFRRF all assets that the HFRRF Board shall from time to time deposit with the HFRRF Custodian. All right, title and interest in and to the HFRRF’s assets shall at all times be vested with the HFRRF’s Board.

In holding all HFRRF assets, the HFRRF 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 HFRRF Custodian shall hold, manage and administer the HFRRF’s assets for the exclusive purpose of providing the benefits to the members and the qualified survivors of the HFRRF Fund.

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

The fair values of the HFRRF’s investments as of June 30, 2007 by type are as follows:

Short-term investment funds	\$	130,127,465
Fixed Income		952,587,347
Common equity		1,336,845,783
Preferred equity		4,692,523
Alternative investments		396,492,511
Real Estate		<u>122,626,092</u>
Total investments	\$	<u>2,943,371,721</u>

Portions of the HFRRF’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.

Custodial credit risk. For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the HFRRF 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 HFRRF, and are held by either the counterparty or the counterparty’s trust department or agent but not in the HFRRF’s name. At June 30, 2007, the HFRRF’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 HFRRF Board with the objective of optimizing the investment return of the HFRRF within framework of acceptable risk and diversification. For major asset classes (e.g., domestic equities, international equities, fixed income, alternative investments, and real estate), the HFRRF will further diversify by employing investment managers who implement the strategies selected by the Investment Committee.

Significant guidelines are as follows:

Public market investments

1. Specific guidelines will be developed cooperatively by the HFRRF’s investment staff, legal counsel, and investment manager and shall be incorporated into the Investment Management Services Contract executed by the Chair of the Investment Committee, Executive Director and the investment manager.
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:

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- 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 within the parameters established for directed brokerage transactions by the Investment Committee.
 - 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 Executive Director and should be related to unusual market conditions. The cash level held by each manager will be addressed in the Investment Management Services Contract.
3. The Investment Committee with the assistance from the HFRRF staff shall monitor each investment manager's performance and adherence to style, 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.

Alternative and real estate investments

- a. The investment specific guidelines for each manager will be incorporated in a Limited Partnership Agreement, Limited Liability Company Agreement, or other binding agreement as is appropriate for the investment. The Chair of the Investment Committee and the manager execute this document.
- b. 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:
 1. 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.
 2. The Chair of the Investment Committee may execute amendments and consents if the resulting changes or allowances are provided for in the governing documents as previously accepted by the Investment Committee. Otherwise, such changes are to be approved by the Investment Committee. The Investment Committee will be notified on a quarterly basis of all executed amendments.
- c. The Investment Committee with assistance from the HFRRF staff shall monitor each Alternative and Real Estate 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 feasible and appropriate at any time. Alternative and Real Estate investment manager retention is governed in most cases by Limited Partnership Agreements, Limited Liability Company Agreements, or other binding agreements. In these cases, the Investment Committee with assistance from the HFRRF staff shall identify available options as allowed by the governing documents and determine the impact and consequences of these options.

As of June 30, 2007, the HFRRF Fund's investments of \$193,175,604 in an individual U.S. Treasury Bond exceeded 5% of HFRRF net assets. As of June 30, 2006, the Fund's investment of \$139,171,588 in an individual U.S. Treasury Bond exceeded 5% of HFRRF 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 HFRRF's Investment Policy.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Interest rate risk is the greatest risk faced by an investor in the fixed income market. The price of a fixed income security typically moves in the opposite direction of the change in interest rates. The weighted average maturity expresses investment time horizons (when the investment come due and payable) in years, weighted to reflect the dollar size of individual investments within the investment type. The HFRRF

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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, 2007, the following table shows the HFRRF's investments by type, with weighted average maturity and fair value:

	Weighted Average <u>Maturity</u>	<u>Fair Value</u>
Asset Backed Securities	4.21	\$ 70,813,277
Consumer Discretionary	10.74	3,934,496
Corporate Debt	13.00	309,956,360
Energy	0.41	3,228,189
Financials	22.10	2,210,225
U.S. Government Issues	14.65	376,709,997
Healthcare	4.59	15,133,950
Industrials	0.10	8,256
Information Technology	2.09	6,049,453
Materials	0.00	2,227,631
Non-U.S. Corporate	4.48	49,886,552
Non-U.S. FHLM/FNMA	1.64	5,178,855
Non-U.S. Government issues	2.93	49,389,250
U.S. Convertibles	0.84	839,186
Telecommunication Services	2.82	5,206,875
TIPS (Treasury Inflation Protected)	18.56	7,311,061
U.S. Fixed Income Funds	0.00	2,218,209
U.S. Private Placements	9.63	38,122,485
U.S. Taxable Muni Bonds	38.95	2,763,504
Utilities	0.17	<u>1,399,536</u>
Total fixed income securities		\$ <u>952,587,347</u>

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

The HFRRF's exposure to investment credit risk in fixed income securities as of June 30, 2007 is as follows:

<u>Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Holdings</u>
A1	3,304,057	0.11 %
A2	38,792,152	1.31 %
A3	19,787,077	0.67 %
AA1	34,941,046	1.18 %
AA2	19,089,195	1.65 %
AA3	16,236,246	0.55 %
AAA	157,701,502	5.34 %
B1	27,316,671	0.93 %
B2	19,747,850	0.67 %
B3	17,841,877	0.60 %
Ba1	15,593,336	0.53 %
Ba2	21,097,939	0.71 %
Ba3	19,348,791	0.66 %
Baa1	24,072,747	0.82 %
Baa2	44,430,406	1.51 %
Baa3	38,830,332	1.32 %
Ca	873,000	0.03 %
Caa1	15,166,545	0.51 %
Caa2	8,895,869	0.30 %
Caa3	3,507,563	0.12 %
Rating not available	<u>21,992,088</u>	<u>0.74 %</u>
Total credit risk debt securities*	\$ <u>568,566,289</u>	<u>20.26 %</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.

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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 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. The Fund's exposure to foreign currency fluctuation as of June as of June 30, 2007 is as follows:

	<u>Fair Value</u>	<u>Percentage of Holdings</u>
EURO Currency	\$ 212,062,699	7.18 %
British Pound Sterling	108,094,550	3.66 %
Japanese Yen	78,357,712	2.65 %
Canadian Dollar	34,651,162	1.17 %
Swiss Franc	33,962,385	1.15 %
Singapore Dollar	29,602,912	1.00 %
Swedish Krona	20,447,931	0.69 %
South Korean Won	16,348,895	0.55 %
Hong Kong Dollar	15,857,387	0.54 %
Australian Dollar	15,648,763	0.53 %
Mexican New Peso	13,221,687	0.45 %
Brazil Real	12,969,915	0.44 %
New Zealand Dollar	9,914,670	0.34 %
Iceland Krona	7,729,843	0.26 %
South African Comm Rand	7,325,050	0.25 %
Indonesian Rupian	7,181,597	0.24 %
Thailand Baht	6,789,677	0.23 %
Norwegian Krone	6,755,042	0.23 %
Malaysian Ringgit	4,183,328	0.14 %
New Taiwan Dollar	2,620,412	0.09 %
Phillippines Peso	1,593,409	0.05 %
Czech Moruna	1,163,358	0.04 %
New Turkish Lira	853,842	0.03 %
Argentina Peso	18,785	0.00 %
Hungarian Forint	<u>132</u>	<u>0.00 %</u>
Total securities subject to foreign currency risk	\$ <u>647,355,143</u>	<u>21.91 %</u>

10. Investments – Houston Police Officers' Pension (HPOP)

Summary of Significant Accounting Policies

Investments. Statutes of the State of Texas authorize the HPOP System to invest surplus funds in a manner provided by the Government Code, Title 8, Subtitle A, Subchapter C. Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have an established market value are reported at estimated fair value.

Dividend income is recorded on the ex-dividend date. Income from other investments is recorded when earned. Gains and losses on sales of securities are recognized on the trade date. The cost of investments sold is determined using the first-in, first-out cost flow method. Short-term investments include funds held in the Northern Trust Short Term Investment Fund (STIF) and commercial paper with maturities not exceeding one year. Fixed income investments include government securities such as Treasury securities, Federally sponsored agency issued discount notes, bonds, agency pass-through securities and collateralized mortgage obligations; US corporate bonds such as term bonds and asset backed securities; and foreign securities such as dollar denominated and non-dollar denominated issues of non-US governments and private corporations. Call options on fixed income securities give the holder the right but not the obligation to purchase US Treasury securities during the term of the option contract. The holder pays a premium for this right, which is carried as an asset of the System, subject to daily mark-to-market adjustments, during the contract term. The issuer of the option has an obligation to the holder to settle the option position in cash at the fair value of the underlying security in exchange for the price specified by the option, until the contract is exercised or expires. Equity securities consist of individual shares of equity securities plus units of commingled stock funds of both US and foreign entities. Alternative investments consist of investments in hedge funds commodities, private equity and a commingled structured beta fund.

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

Federal Income Tax. A favorable determination that the system is qualified and exempt from Federal income taxes was received May 26, 2006. 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.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the HPOP System's deposits may not be returned to them. The HPOP System considers only demand deposits as cash. As of June 30, 2007, the HPOP System had a balance of \$184 thousand on deposit at a financial institution. The Federal Depository Insurance Corporation covered cash on deposit up to \$100 thousand at this financial institution. As of June 30, 2007, \$84 thousand of the System's bank balance of \$184 thousand was exposed to custodial credit risk as it was uninsured and uncollateralized. In addition, at June 30, 2007, the System has approximately \$183 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, 2007, the System's fixed income assets that are not government guaranteed represented 66.0% of the System's fixed income portfolio. The below tables summarize the System's fixed income portfolio exposure levels and credit qualities.

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

Fixed Income Security Type	Market Value June 30, 2007	Percent of All Fixed Income Assets	Weighted Average Credit Quality
Corporate Bonds	\$ 148,463	16.8%	B
International			
Government Bonds	71,588	8.1%	AA
Mutual Bond Funds	364,294	41.1%	Not Rated
Total	\$ 584,345	66.0%	

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

Credit Rating Level	Corporate Bonds	International Government Bonds	Mutual Bond Funds
AAA	\$ 554	\$ 25,214	\$ -
AA	-	33,389	-
A	949	12,985	-
BBB	1,768	-	-
BB	32,645	-	-
B	76,139	-	-
CCC	21,766	-	-
CC	-	-	-
D	2,083	-	-
Not Rated	12,559	-	364,294
Total	\$ 148,463	\$ 71,588	\$ 364,294

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

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

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributable to the magnitude of the HPOP System's investment in a single issue. The HPOP System's operational guidelines 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 HPOP System's investments. For fixed income investments, the HPOP 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, 2007, the HPOP System did not have any investments in any one organization which represented greater than 5% of plan net assets.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the HPOP 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. All of the HPOP 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 HPOP System's fixed income investments. Interest rate risks associated with derivative instruments are found in the derivatives disclosures of these notes.

Modified Duration of Fixed Income Assets by Security Type
(\$000's)

Fixed Income Security Type	Market Value June 30, 2007	% of All Fixed Income Assets	Weighted Average Modified Duration (years)
US Treasuries	\$ 300,939	34.0%	0.0
Corporate Bonds	148,463	16.8%	5.3
International			
Government Bonds	71,588	8.1%	6.7
Mutual Bond Funds	364,294	41.1%	4.9
Total	<u>\$ 885,284</u>	<u>100.0%</u>	6.5

Modified Duration Analysis - Corporate and International Government Bonds

Corporate Bonds	Market Value June 30, 2007	Average Modified Duration	Contribution Modified Duration
Less than 1 year to maturity	\$ 1,564	0.7	0.0
1 to 10 years maturities	132,891	4.9	4.4
10 to 20 years maturities	8,621	8.8	0.5
Greater than 20 years maturities	5,387	10.3	0.4
Total	<u>\$ 148,463</u>		<u>5.3</u>

International Government Bonds	Market Value June 30, 2006	Average Modified Duration	Contribution Modified Duration
Less than 1 year to maturity	\$ -	0.0	0.0
1 to 10 years maturities	47,285	3.6	2.4
10 to 20 years maturities	7,856	11.1	1.2
Greater than 20 years maturities	16,447	13.7	3.1
Total	<u>\$ 71,588</u>		<u>6.7</u>

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Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The books and records of the HPOP System are maintained in US dollars. Foreign currencies and non-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 HPOP System and the amount actually received.

The HPOP System's exposure to foreign currency risk in U.S. dollars as of June 30, 2007, is shown in the table below:

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

Currency	Short Term		Fixed Income	Alternative Investments	Options on	Total
	Investments	Equities			Foreign Currencies	
Australian dollar	\$ (30)	\$ -	\$ -	\$ -	\$ -	\$ (30)
British pound sterling	(18)	78,492	5,280	-	(4,170)	79,584
Canadian dollar	(18)	3,332	1,483	-	(1,402)	3,395
Danish krone	-	-	836	-	(884)	(48)
Euro	(786)	147,184	35,113	9,266	(35,083)	155,694
Hong Kong dollar	-	5,992	-	-	-	5,992
Japanese yen	90	86,459	29,326	-	(29,584)	86,291
New Zealand dollar	-	2,166	-	-	-	2,166
Norwegian krone	-	3,546	-	-	-	3,546
South Korean won	-	16,099	-	-	-	16,099
Swedish krona	-	3,220	357	-	(366)	3,211
Swiss franc	442	17,078	-	-	(96)	17,424
	<u>\$ (320)</u>	<u>\$ 363,568</u>	<u>\$ 72,395</u>	<u>\$ 9,266</u>	<u>\$ (71,585)</u>	<u>\$ 373,324</u>

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 percent of the value of the loaned securities for domestic and international securities, respectively, collateralize all security loan agreements. Whenever market value of the securities on loan changes, the borrower must adjust the collateral accordingly. At June 30, 2007, the system had no credit risk exposure to borrowers because the amounts the System owes the borrowers, \$517,637 thousand, exceed the amounts the borrowers owe the System, \$480,066 thousand, as shown in the table below.

Securities Lending Program –

	<u>Fair Value (\$000's)</u>
<i>June 30, 2007</i>	
Investments held by System's agent in	
System's name:	
Short-term investments	\$ 82,338
Fixed income	537,456
Equities	1,342,464
Alternative investments	877,750
Foreign currency contracts	416
Securities lending collateral investment pool	<u>517,637</u>
	<u>\$ 3,358,061</u>
Investments held by brokers under	
Securities loans with cash collateral:	
Fixed income	\$ 347,828
Equities	<u>132,238</u>
	<u>\$ 480,066</u>

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The HPOP System's bank pools all collateral received from securities lending transactions and invests any cash collateral. The HPOP System holds an undivided share of the collateral provided by the borrowers of the securities. At June 30, 2007 the weighted-average maturity of the collateral pool was 35 days. The relationship between the maturities of the collateral pool and the HPOP System's loans has not been determined. Cash collateral invested in the custodian bank collateral pool at June 30, 2007 was \$491,076 thousand. The balance of the collateral at June 30, 2007 was \$26,561 thousand, and consists of treasury securities and letters of credit.

The HPOP 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, 2007 was \$505,883 thousand.

Derivatives – The HPOP System's investment managers may invest in derivatives if permitted by the guidelines established by the HPOP System's Board of Trustees. The HPOP System's staff monitors guidelines and compliance. From time to time the HPOP System's investment managers will invest in foreign currency contracts, options, swaps, reverse repurchase agreements, index linked bonds, collateralized mortgage obligations and mortgage-backed securities. No derivatives are purchased with borrowed funds.

These derivative instruments are subject to the following risks:

- *Credit Risk* – The risk that the counterparty will not fulfill its obligations. The HPOP 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* – The risk that changes in interest rates will adversely affect the fair values of the HPOP System's financial instruments or cash flows.
- *Basis Risk* – The risk that arises when variable interest rates on a derivative and an associated bond or other interest-paying financial instrument are based on different indexes.
- *Termination Risk* – The risk that a derivative's unscheduled end will adversely affect an investment manager's strategy.
- *Rollover Risk* – The risk that a derivative associated with the HPOP System's fixed income investments does not extend to the maturity of those investments.

Foreign currency contracts are used to hedge against the currency risk in the HPOP System's investments in foreign equity and fixed income securities and also as part of a total return strategy that seeks absolute returns from relative changes in the prices of foreign currencies. The other derivatives are used to enhance yields and provide incremental income.

Futures on investments are used 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. To liquidate the contract prior to expiration an offsetting position in the same contract must be taken. At expiration the holder of the futures contract accepts delivery of the underlying asset at the agreed-upon price.

The average futures balance outstanding, not including foreign currency contracts, during the fiscal year ending June 30, 2007 was \$65,064 thousand. Futures outstanding, not including foreign currency contracts at June 30, 2007 was \$125,043 thousand.

The contract or notional amounts of these instruments reflect the extent of the HPOP System's involvement in each class of financial instrument as of June 30, 2007 as follows (*in thousands*):

Contracts	Description	Notional Value	Exposure
9	Futures on Treasury Bills and Equivalent	\$ 5,370	\$ (76)
4	Equity Futures	58,877	(166)
13	Fixed Income Futures	60,796	(376)
105	Long foreign currency contracts	77,584	5
105	Short foreign currency contracts	(77,167)	411
		\$ 125,460	\$ (202)

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Alternative Investments – As of June 30, 2007 the HPOP 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).

<u>Investment Type</u>	<u>Fair Value (\$000's)</u>	
	<u>2007</u>	<u>2006</u>
<i>Private Equity</i>		
Leveraged Buyouts	\$ 120,439	\$ 116,741
Special Situations	101,515	93,792
Venture Capital	76,624	73,285
<i>Other Alternatives</i>		
Hedge Funds	201,471	74,777
Real Estate	60	1,260
Structured Beta	304,581	264,349
Commodities	73,060	
	<u>\$ 877,750</u>	<u>\$ 624,204</u>

Note 4: Allowance for Doubtful Accounts

The following were the allowances for doubtful accounts receivable by fund as of June 30, 2007 (000's):

<u>Fund</u>	<u>Amount</u>
General	
Uncollectible general property taxes	\$ 54,119
Ambulance charges	237,705
Fines and forfeits	31,663
Demolition liens	46,305
Others	3,752
Grant revenue	44,831
Airport System	2,504
Convention and Entertainment Facilities	
Accounts receivable	633
Hotel occupancy tax	240
Combined Utility System	90,989
	<u>\$ 512,741</u>

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 2006 tax year was \$0.6450 per \$100 of assessed value with \$0.45927 for operations and \$0.18573 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.

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Note 6: Capital Assets

A. Governmental activities of the Primary Government

A summary of changes in capital assets for the year ended June 30, 2007 follows (in thousands):

	Balance July 1, 2006	Additions	Retirements	Transfers	Balance June 30, 2007
Primary Government					
Capital assets not being depreciated:					
Land	\$ 263,764	\$ 31,498	\$ (1,208)	\$ 4,453	\$ 298,507
Right of way	1,683,890	541	(315)	5,180	1,689,296
Construction Work in Progress	492,772	231,765	-	(347,633)	376,904
Total capital assets not being depreciated	<u>2,440,426</u>	<u>263,804</u>	<u>(1,523)</u>	<u>(338,000)</u>	<u>2,364,707</u>
Other capital assets:					
Buildings	515,114	421	(142)	126,033	641,426
Improvements and Equipment	673,202	61,523	(22,217)	(37,581)	674,927
Infrastructure	4,662,010	11,858	(9,069)	250,370	4,915,169
Total other capital assets	<u>5,850,326</u>	<u>73,802</u>	<u>(31,428)</u>	<u>338,822</u>	<u>6,231,522</u>
Less accumulated depreciation for:					
Buildings	(178,972)	(15,799)	(428)	541	(194,658)
Improvements and Equipment	(423,182)	(40,147)	18,395	1,153	(443,781)
Infrastructure	(1,989,579)	(111,918)	8,942	(2,281)	(2,094,836)
Total accumulated depreciation	<u>(2,591,733)</u>	<u>(167,864)</u>	<u>26,909</u>	<u>(587)</u>	<u>(2,733,275)</u>
Other capital assets, net	<u>3,258,593</u>	<u>(94,062)</u>	<u>(4,519)</u>	<u>338,235</u>	<u>3,498,247</u>
Primary Government capital assets, net	<u>\$ 5,699,019</u>	<u>\$ 169,742</u>	<u>\$ (6,042)</u>	<u>\$ 235</u>	<u>\$ 5,862,954</u>

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B. Business-type Activities

	Balance July 1, 2006	Additions	Retirements	Transfers	Balance June 30, 2007
Airport System					
Capital assets not being depreciated:					
Land	\$ 198,614	\$ -	\$ -	\$ 3,600	\$ 202,214
Construction Work in Progress	329,210	106,339	-	(133,360)	302,189
Total capital assets not being depreciated	<u>527,824</u>	<u>106,339</u>	<u>-</u>	<u>(129,760)</u>	<u>504,403</u>
Other capital assets:					
Buildings	1,708,751	4,877	-	94,062	1,807,690
Improvements and equipment	1,677,312	8,303	(1,639)	35,696	1,719,672
Total other capital assets	<u>3,386,063</u>	<u>13,180</u>	<u>(1,639)</u>	<u>129,758</u>	<u>3,527,362</u>
Less accumulated depreciation for:					
Buildings	(387,708)	(59,214)	-	13,461	(433,461)
Improvements and equipment	(689,981)	(67,739)	1,604	(13,459)	(769,575)
Total accumulated depreciation	<u>(1,077,689)</u>	<u>(126,953)</u>	<u>1,604</u>	<u>2</u>	<u>(1,203,036)</u>
Other capital assets, net	<u>2,308,374</u>	<u>(113,773)</u>	<u>(35)</u>	<u>129,760</u>	<u>2,324,326</u>
Airport System capital assets, net	<u>2,836,198</u>	<u>(7,434)</u>	<u>(35)</u>	<u>-</u>	<u>2,828,729</u>
Convention and Entertainment Facilities					
Capital assets not being depreciated:					
Land	99,757	-	-	-	99,757
Construction Work in Progress	8,039	231	-	(7,517)	753
Total capital assets not being depreciated	<u>107,796</u>	<u>231</u>	<u>-</u>	<u>(7,517)</u>	<u>100,510</u>
Other capital assets:					
Buildings	440,679	1,113	(2,986)	5,982	444,788
Improvements and equipment	8,102	155	(196)	(82)	7,979
Infrastructure	110	-	-	-	110
Total other capital assets	<u>448,891</u>	<u>1,268</u>	<u>(3,182)</u>	<u>5,900</u>	<u>452,877</u>
Less accumulated depreciation for:					
Buildings	(128,333)	(11,176)	439	750	(138,320)
Improvements and equipment	(5,260)	(392)	82	176	(5,394)
Infrastructure	(5)	(4)	-	-	(9)
Total accumulated depreciation	<u>(133,598)</u>	<u>(11,572)</u>	<u>521</u>	<u>926</u>	<u>(143,723)</u>
Other capital assets, net	<u>315,293</u>	<u>(10,304)</u>	<u>(2,661)</u>	<u>6,826</u>	<u>309,154</u>
Convention and Entertainment Facilities capital assets, net	<u>423,089</u>	<u>(10,073)</u>	<u>(2,661)</u>	<u>(691)</u>	<u>409,664</u>

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	Balance July 1, 2006	Additions	Retirements	Transfers	Balance June 30, 2007
Combined Utility System					
Capital assets not being depreciated:					
Land	102,148	1,219	(2,173)	177	101,371
Construction Work in Progress	763,597	317,591	-	(573,896)	507,292
Total capital assets not being depreciated	<u>865,745</u>	<u>318,810</u>	<u>(2,173)</u>	<u>(573,719)</u>	<u>608,663</u>
Other capital assets:					
Buildings	54,927	155	(3,159)	45,734	97,657
Improvements and equipment	171,714	9,232	(23,140)	(56,730)	101,076
Infrastructure	7,103,924	16,736	(86,670)	585,513	7,619,503
Total other capital assets	<u>7,330,565</u>	<u>26,123</u>	<u>(112,969)</u>	<u>574,517</u>	<u>7,818,236</u>
Less accumulated depreciation for:					
Buildings	(48,101)	(2,920)	235	7,739	(43,047)
Improvements and equipment	(75,907)	(7,901)	22,161	(4,985)	(66,632)
Infrastructure	(3,517,076)	(236,707)	82,016	(3,095)	(3,674,862)
Total accumulated depreciation	<u>(3,641,084)</u>	<u>(247,528)</u>	<u>104,412</u>	<u>(341)</u>	<u>(3,784,541)</u>
Other capital assets, net	<u>3,689,481</u>	<u>(221,405)</u>	<u>(8,557)</u>	<u>574,176</u>	<u>4,033,695</u>
Combined Utility System capital assets, net	<u>4,555,226</u>	<u>97,405</u>	<u>(10,730)</u>	<u>457</u>	<u>4,642,358</u>
Houston Area Water Corporation					
Capital assets not being depreciated:					
Land	2,845	-	-	11	2,856
Construction Work in Progress	-	213	-	-	213
Total capital assets not being depreciated	<u>2,845</u>	<u>213</u>	<u>-</u>	<u>11</u>	<u>3,069</u>
Other capital assets:					
Buildings and Improvements	24,818	11	-	(12)	24,817
Plants and Lines	138,365	74	-	-	138,439
Total other capital assets	<u>163,183</u>	<u>85</u>	<u>-</u>	<u>(12)</u>	<u>163,256</u>
Less accumulated depreciation for:					
Buildings and Improvements	(322)	(440)	-	-	(762)
Plants and Lines	(3,418)	(4,484)	-	-	(7,902)
Total accumulated depreciation	<u>(3,740)</u>	<u>(4,924)</u>	<u>-</u>	<u>-</u>	<u>(8,664)</u>
Other capital assets, net	<u>159,443</u>	<u>(4,839)</u>	<u>-</u>	<u>(12)</u>	<u>154,592</u>
Houston Area Water Corporation capital assets, net	<u>162,288</u>	<u>(4,626)</u>	<u>-</u>	<u>(1)</u>	<u>157,661</u>
Business-type activities capital assets, net	<u>7,976,801</u>	<u>75,272</u>	<u>(13,426)</u>	<u>(235)</u>	<u>8,038,412</u>

Included in the transfers are assets of \$457 thousand contributed to the Combined Utility System Fund from the General Fund, and \$691 thousand contributed to the General Fund from the Convention and Entertainment Facilities Fund.

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C. Depreciation Expense

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

Governmental activities	
General government	\$ 5,879
Public safety	24,238
Public works	11,980
Health	2,455
Housing	228
Parks and recreation	9,227
Library	1,939
Infrastructure	111,918
Total depreciation expense - governmental activities	\$ 167,864
Business-type activities	
Airport System	\$ 126,953
Convention & Entertainment Facilities	11,572
Combined Utility System	247,528
Houston Area Water Corporation	4,924
Total depreciation expense - business-type activities	\$ 390,977

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 cost of \$9,133,883 is being depreciated over 30 years. The accumulated depreciation for the building as of June 30, 2007 amounted to \$1,916,868.

Note 7: Short-Term Debt – Tax and Revenue Anticipation Notes

Short-term debt activity for the year ended June 30, 2007, was as follows (amounts in thousands):

	Balance July 1, 2006	Issued	Redeemed	Balance June 30, 2007
Tax and revenue				
Anticipation notes	\$ -	\$ 140,000	\$ 140,000	\$ -

On July 6, 2006, the City closed on the sale of \$140,000,000 Tax and Revenue Anticipation Notes ("TRANS"), Series 2006. The proceeds of the TRANS were used to pay working capital expenditures until tax revenues were received. The stated interest rate was 4.5%, and the average yield was 3.68%. The notes matured on June 29, 2007.

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Note 8: Long-Term Liabilities

A. General Long-Term Liabilities

Changes in General Long-Term Liabilities for the year ended June 30, 2007 are summarized as follows (in thousands):

	Balance July 1, 2006	Additions	Retirements/ Transfers	Balance June 30, 2007	Amounts Due within One Year
Governmental Activities					
Bonds and notes payable					
General tax obligation debt	\$ 2,637,162	\$ 557,465	\$ (412,544)	\$ 2,782,083	\$ 136,010
Accretions, net	1,802	353	(42)	2,113	-
HUD Section 108 Loans	21,880	-	(1,680)	20,200	1,980
Deferred charges for electricity	4,218		(1,277)	2,941	1,427
Plus premium on bonds	76,483	15,869	(5,772)	86,580	-
Less deferred amount on refundings	(21,084)	(18)	2,273	(18,829)	-
Total bonds and notes payable	<u>2,720,461</u>	<u>573,669</u>	<u>(419,042)</u>	<u>2,875,088</u>	<u>139,417</u>
Other liabilities:					
Claims and judgments	141,517	39,561	(47,688)	133,390	22,415
Compensated absences	355,860	94,110	(73,008)	376,962	127,508
Arbitrage rebate	25	155	(1)	179	-
Pension liability	345,542	282,860	(160,980)	467,422	-
Total other liabilities	<u>842,944</u>	<u>416,686</u>	<u>(281,677)</u>	<u>977,953</u>	<u>149,923</u>
Governmental Activities Long-Term Liabilities	<u>\$ 3,563,405</u>	<u>\$ 990,355</u>	<u>\$ (700,719)</u>	<u>\$ 3,853,041</u>	<u>\$ 289,340</u>
Discretely Presented Component Units:					
Notes payable	\$ 33,165	\$ 323,322	\$ (16,300)	\$ 340,187	\$ 19,294
Revenue bonds	132,930	14,278	(5,360)	141,848	5,805
Discretely Presented Component Units Long-Term Liabilities	<u>\$ 166,095</u>	<u>\$ 337,600</u>	<u>\$ (21,660)</u>	<u>\$ 482,035</u>	<u>\$ 25,099</u>

(Continued)

CITY OF HOUSTON, TEXAS
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	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Amounts</u> <u>Due within</u> <u>One Year</u>
Business-type activities					
Bonds and notes payable					
Airport System debt	\$ 2,298,821	\$ 36,000	\$ (31,835)	\$ 2,302,986	\$ 38,160
Convention and Entertainment debt	620,039	13,000	(14,775)	618,264	17,540
Combined Utility System debt	4,497,554	414,740	(93,218)	4,819,076	26,613
Deferred charges for electricity	10,780	-	(3,262)	7,518	3,642
Houston Area Water Corporation	127,895	-	(2,485)	125,410	2,585
Long-term contracts - Combined Utility	250,492	-	(20,484)	230,008	21,567
Premiums, discounts and deferred amount on refundings	74,579	32,019	(10,213)	96,385	-
Total bonds and notes payable	<u>7,880,160</u>	<u>495,759</u>	<u>(176,272)</u>	<u>8,199,647</u>	<u>110,107</u>
Other liabilities:					
Claims and judgments	7,772	1,696	(2,554)	6,914	2,554
Compensated absences	23,070	17,942	(14,086)	26,926	10,832
Arbitrage rebate	121	-	2,541	2,662	-
Pension liability	63,030	33,860	(21,884)	75,006	-
Total other liabilities	<u>93,993</u>	<u>53,498</u>	<u>(35,983)</u>	<u>111,508</u>	<u>13,386</u>
Business-type activities					
Long-Term Liabilities	<u>\$ 7,974,153</u>	<u>\$ 549,257</u>	<u>\$ (212,255)</u>	<u>\$ 8,311,155</u>	<u>\$ 123,493</u>
Total Reporting Entity					
Long-Term Liabilities	<u>\$ 11,703,653</u>	<u>\$ 1,879,680</u>	<u>\$ (937,102)</u>	<u>\$ 12,646,231</u>	<u>\$ 437,932</u>

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

	Stated Interest	Face Value	FY07
	Rate Range	Outstanding	Issued/ Increased
		7/1/2006	
General Tax Obligation Debt			
Public improvement bonds	2.50 to 7.00	1,658,020	228,340
Pension obligations	5.31 to 8.5	342,331	78,325
Commercial paper	3.84 to 10.00	544,575	250,800
Annexed district bonds	NA	10,835	-
Tax and revenue certificates of obligation	3.00 to 6.00	81,401	-
Deferred Electricity Note	5.26	4,218	-
Total General Tax Obligation Debt		<u>\$ 2,641,380</u>	<u>\$ 557,465</u>
HUD Section 108 Loans		<u>\$ 21,880</u>	<u>\$ -</u>
Revenue Bonded Debt			
Airport System Bonds			
Subordinate lien refunding revenue bonds	3.96 to 6.00	\$ 2,146,205	\$ -
Senior lien commercial paper	3.94 to 10.00	59,000	36,000
Inferior lien contractual obligation	5.38 to 6.00	56,810	-
Pension obligations	5.31 to 8.50	36,806	-
Deferred Electricity Note	5.26	2,812	-
		<u>2,301,633</u>	<u>36,000</u>
Convention and Entertainment Facilities			
Senior lien hotel occupancy tax/parking facilities	3.92 to 5.75	594,050	-
Hotel and parking revenue commercial paper	4.14 to 10.00	22,500	13,000
Pension obligations	5.31 to 8.50	3,489	-
Deferred Electricity Note	5.26	708	-
		<u>620,747</u>	<u>13,000</u>
Combined Utility System			
Combined Utility System first lien bonds	1.90 to 5.40	3,415,940	131,140
Water and Sewer System junior lien revenue bond	0.65 to 6.90	799,832	3,600
Combined Utility System commercial paper	3.91 to 10.00	226,800	280,000
Pension obligations	5.31 to 8.50	54,982	-
Deferred Electricity Note	5.26	7,260	-
		<u>4,504,814</u>	<u>414,740</u>
Houston Area Water Corporation	3.75 to 5.50	<u>127,895</u>	<u>-</u>
Long-Term Contracts-Water and Sewer System			
Coastal Water Authority	2.25 to 7.50	222,505	-
Trinity River Authority	5.75 to 6.75	4,000	-
Other long term contracts	3.22 to 5.87	23,987	-
		<u>250,492</u>	<u>-</u>
Total Revenue Bonded Debt and Long-Term Contracts, Primary Government		<u>\$ 7,805,581</u>	<u>\$ 463,740</u>
Total Bonds and Long-Term Contracts Payable, Primary Government		<u>\$ 10,468,841</u>	<u>\$ 1,021,205</u>

(Continued)

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

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FY07	Face Value	Adjustments ⁽¹⁾	Net Outstanding
Redeemed/Refunded	Outstanding 6/30/07		6/30/2007
126,270	1,760,090	65,545	1,825,635
-	420,656		420,656
274,275	521,100	-	521,100
10,835	-	-	-
1,164	80,237	4,320	84,557
1,277	2,941	-	2,941
<u>\$ 413,821</u>	<u>\$ 2,785,024</u>	<u>\$ 69,865</u>	<u>\$ 2,854,889</u>
<u>\$ 1,680</u>	<u>\$ 20,200</u>	<u>\$ -</u>	<u>\$ 20,200</u>
\$ 28,385	\$ 2,117,820	\$ (36,968)	\$ 2,080,852
-	95,000	-	95,000
3,450	53,360	-	53,360
-	36,806	-	36,806
851	1,961	-	1,961
<u>32,686</u>	<u>2,304,947</u>	<u>(36,968)</u>	<u>2,267,979</u>
14,775	579,275	53,827	633,102
-	35,500	-	35,500
-	3,489	-	3,489
214	494	-	494
<u>14,989</u>	<u>618,758</u>	<u>53,827</u>	<u>672,585</u>
10,000	3,537,080	(86,318)	3,450,762
16,618	786,814	164,899	951,713
66,600	440,200	-	440,200
-	54,982	-	54,982
2,197	5,063	-	5,063
<u>95,415</u>	<u>4,824,139</u>	<u>78,581</u>	<u>4,902,720</u>
<u>2,485</u>	<u>125,410</u>	<u>(757)</u>	<u>124,653</u>
18,390	204,115	(1,961)	202,154
2,000	2,000	-	2,000
94	23,893	3,663	27,556
<u>20,484</u>	<u>230,008</u>	<u>1,702</u>	<u>231,710</u>
<u>\$ 166,059</u>	<u>\$ 8,103,262</u>	<u>\$ 96,385</u>	<u>\$ 8,199,647</u>
<u>\$ 581,560</u>	<u>\$ 10,908,486</u>	<u>\$ 166,250</u>	<u>\$ 11,074,736</u>

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

1. Public Improvement Bonds

The City has issued Public Improvement Bonds on numerous occasions. The bonds are payable from ad valorem tax revenues. The proceeds are used for street and bridge improvements, traffic signals, municipal buildings, parks, and other capital improvements. Interest is payable semi-annually; principal is payable in various amounts annually through March 1, 2036.

2. Pension Obligation Bonds

The City has issued General Obligation Taxable Pension Bonds and a Collateralized Pension Obligation Note. 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 2037. 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 Swap Agreements

On February 20, 2004 the City entered into a basis swap referred to as a synthetic reduced variance coupon swap with RFPC, LLC ("RFPC").

Objective. The objective of the swap is for the City to reduce its fixed rate debt service costs through a swap structure that takes on basis risk.

Terms. The notional principal value of the swap is \$200,000,000, with the underlying bonds being various maturities of PIBS issued between 1998 and 2005. The City pays an amount equal to 5% plus the tax-exempt market standard BMA Index rate divided by .667 minus the taxable six-month US Dollar LIBOR rate minus a constant of 67.5 basis points (adjusted for day count), up to a maximum of 10%. The City receives a fixed rate of 5%. Because the two 5% fixed rates offset one another, the City is effectively making variable payments based on BMA and receiving variable payments based on LIBOR plus a fixed spread. The variable rate is fixed for each budget period. The agreement is effective from March 1, 2004 to March 1, 2025. Starting in fiscal year 2017, the notional value of the swap declines as the principal amount of the associated debt is repaid in varying amounts until the debt is retired in 2023. Payments will be received or made every six months based on the indices for the prior budget period.

As of June 30, 2007 the swap created synthetic variable-rate exposure as follows:

	TERMS	RATE (%)
Variable rate payment to counterparty	Fixed Rate	5.000
	BMA/0.667	5.455
	-LIBOR	(5.372)
	-Constant	<u>(0.675)</u>
		4.408
Net payment to counterparty		
Receipt from counterparty	Fixed	<u>(5.000)</u>
Net interest rate swap payment/(receipt)		(0.592)
Fixed rate bond coupon payments		<u>5.128</u>
Synthetic variable interest rate on bonds		<u>4.536</u>

Fair value. The fair value of the swap was \$5,483,032 as of June 30, 2007. The 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. The City is exposed to credit risk on the swap in the amount of its fair value. RFPC, the swap counterparty, has not been rated by the rating agencies. To mitigate this potential credit risk for an unrated counterparty, the City RFPC to purchase a surety bond from Ambac Assurance Corporation (Ambac"), a AAA-rated insurance company. Under the surety bond, Ambac is unconditionally and irrevocably obligated to guarantee all payments under the swap by the counterparty. The City's obligations under the swap are also insured. Should Ambac's ratings decline in the future, the counterparty will be required to post collateral for the City's benefit.

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Interest rate risk. The City has an exposure to interest rate risk because it is paying a variable rate on the swap. However, this risk is mitigated because the payment formula has a BMA-based variable component that is offset by subtracting a LIBOR variable component.

Basis risk. The City is exposed to basis risk based on changes in the relationship between the BMA Index and six-month US Dollar LIBOR. The City entered into the swap in anticipation of savings that would be produced based on the historical trading patterns of BMA and LIBOR in different interest rate, tax, and economic environments over the past two decades. If, however, future trading patterns prove to be significantly different than historical ones, the City's anticipated savings could fail to materialize, and it could be exposed to additional costs. Among the factors that could cause this trading relationship to change would be a major reduction in marginal income tax rates, repeal of the tax-exemption on municipal bond interest, or other changes in federal policy that would reduce the benefit that municipal bonds currently enjoy in comparison to taxable investments.

Termination risk. The City may terminate the swap for any reason. The counterparty may terminate the swap if both the City and the City's insurer fails to perform under the terms of the contract. If the swap has a negative fair value at the time of termination, the City will be liable to the counterparty for that payment. The City's termination risk is significantly mitigated by a provision in the swap agreement that allows the City to make the termination payment in equal annual installments from time of termination up to termination date of the agreement in 2025.

Swap receipts and associated debt. The City received \$758,000 during fiscal year 2007. As of June 30, 2007, assuming current interest rates, the City will receive swap payments as reported in Note 8D. Because rates vary, variable rate bond interest payments and net swap receipts or payments will vary. Related debt service payments on the underlying Public Improvement Bonds are included in Note 8D with other City Public Improvement Bonds.

4. General Obligation Commercial Paper

The City currently may issue Commercial Paper Notes ("Notes") under its \$500 million General Obligation Commercial Paper Program Series D, its \$275 million General Obligation Commercial Paper Program Series E, its \$139.5 million General Obligation Commercial Paper Program Series F, and its \$276 million General Obligation Commercial Paper Program Series G. General Obligation Commercial Paper Notes Series A and Series B were discontinued on December 4, 2006 when all outstanding Notes for those series were refunded. 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 as the Notes mature from ad valorem tax revenue collected by the City. Proceeds from the Notes are used to finance various capital projects and public improvements for authorized City purposes. Upon maturity, the Notes will be remarketed by the commercial paper dealers or extinguished with long-term debt.

During fiscal year 2007 the average interest rate for the General Obligation Notes, including dealer and credit fees, was 3.74%. The average year-end rate, including fees, was 3.84%. The Credit Agreements expire on the following dates: Series D on May 25, 2010, Series E on October 21, 2009, Series F on May 25, 2010, and Series G on November 15, 2011.

5. Certificates of Obligation

Since 1988, the City has issued Certificates of Obligation each year to provide for the purchase of equipment utilized in general City operations including, without limitation, police vehicles, maintenance vehicles and equipment, computer equipment, and costs associated with demolishing dangerous structures. Each year the City is obligated to levy, assess, and collect ad valorem taxes sufficient to pay principal and interest on the certificates payable semi-annually until maturity. Generally, these certificates are not subject to redemption prior to final maturity, except for the Certificates of Obligation Series 2005D which are subject to optional redemption on or after March 1, 2015.

6. 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.

7. Airport System Revenue Bonds

These funds are paid solely from a lien on the airport system's net revenues, which must total 110% of the debt service requirements for Subordinate Lien Bonds for such fiscal year. The bonds have a final maturity in the year 2032.

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Airport System Subordinate Lien Revenue Bonds, Series 2000P1 and 2001P2, 2002C, 2002D-1, and 2002D-2, have been issued as auction rate securities with current 7-day resets. Series 2005A has been issued as Variable Rate Demand Obligations with a 7-day reset. These bonds may all be converted to other modes including fixed rate bonds. The City has a liquidity facility in place for the Series 2005A bonds with a termination date of July 1, 2010. The maximum interest rate permitted under the ordinance is 10%.

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.

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 2007 the average interest rate for the Airport System Notes, including dealer and credit fees, was 4.00%. The average year-end rate, including fees, was 3.94%.

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 January 4, 2011 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 January 16, 2008. During fiscal year 2007 the average interest rate for the Notes, including fees, was 4.04%. The average rate in effect at year-end was 4.14%.

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.

The Combined Utility System Revenue Refunding Bonds, Series 2004B and 2004C, were initially issued as 7-day, 28-day, and 35-day Auction Rate Securities. All are in a 7-day mode as of year-end. The maximum rate allowed under the ordinance is 10%.

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12. Combined Utility System Commercial Paper

The Combined Utility System Commercial Paper Notes Program Series A has been authorized for \$900 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 the line of credit available through a revolving credit agreement with four banks. The agreement expires on December 15, 2015. Interest on the Notes is payable from net revenues of the System and loans under the credit agreement. During fiscal year 2007 the average interest rate for the Notes, including credit and dealer fees, was 3.83%. The rate in effect at year-end was 3.91%.

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 auction rate variable interest bonds ("2004B Bonds") and to achieve a lower fixed rate than the market rate for traditional fixed rate debt at time of issuance of the 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% (lower than the rate for fixed rate debt at time of issuance) 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, 2007, the effective rate on the bonds associated with the swap was computed as follows:

	<u>TERMS</u>	<u>RATE (%)</u>
Variable rate payment from counterparties	LIBOR x 57.6%	3.0643
	+ Constant	<u>0.3700</u>
Swap receipt		3.4343
Fixed rate paid to counterparties	Fixed	<u>(3.7784)</u>
Net rate (paid)/received for swap		(0.3441)
Average variable rate on 2004B bonds, year end		(3.6966)
Plus dealer and auction fees on 2004B bonds		<u>(0.2530)</u>
Effective rate of 2004B bonds		<u>(4.2937)</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 \$4,623,000 on June 30, 2007. 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, 2007, 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. As of June 30, 2007, the ratings of the three swap counterparties all met this standard (see below). Also, under the agreements, if a counterparty's credit rating falls below double-A, collateral must be posted in varying amounts depending on the credit rating. No collateral has been required to date.

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<u>COUNTERPARTY</u>	<u>Notional Amount</u>	<u>Fair Value</u>	<u>Credit Rating (Moody's /S&P /Fitch)</u>
Goldman Sachs Capital Markets	\$ 353,325,000	\$ (2,501,000)	Aa3 /A+ /AA-
Bear Stearns Financial Products	150,000,000	(1,061,000)	Aaa/AAA/--
UBS AG	<u>150,000,000</u>	<u>(1,061,000)</u>	Aaa /AA+ /AA+
TOTAL	\$ <u>653,325,000</u>	\$ <u>(4,623,000)</u>	

Basis risk. The City is exposed to basis risk on the swaps because the variable payment received is based on an index other than BMA. Should the relationship between LIBOR and BMA move to convergence (because of reductions in tax rates, for example), the expected cost savings may not be realized. The City has issued tax-exempt auction rate bonds with an average rate of 3.70% (not including dealer and auction agent fees) as of June 30, 2007, whereas the associated LIBOR-based rate of the swap was 3.43%. For the fiscal year, the average rate paid on the auction rate bonds was 3.54%, and the average rate for the swap receipts was 3.44%.

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 auction 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, 2007, 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 RBC Dain Rauscher ("RBC"). The transaction was conducted through a competitive bid process. While execution of the swap on the effective trade date, December 3, 2007, is not mandatory, termination of the agreement would require a cash settlement that could result in net payments or net receipts depending on prevailing market conditions.

Objective. The swap is intended to hedge the interest rate on a portion of the City's variable rate Combined Utility System First Lien Revenue Bonds, Series 2004C which will convert from a taxable status to tax-exempt on December 3, 2007.

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.

Fair value. The swap had a fair value of \$9,870,340 on June 30, 2007. 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, 2007, the City was exposed to credit risk in the fair market value of the swap. As of June 30, 2007, RBC was rated Aa2, AA- and AA- by Moody's, Standard and Poor's, and Fitch respectively. Also, under the agreements, if a counterparty's credit rating falls below double-A, collateral must be posted in varying amounts depending on the credit rating. No collateral has been required to date.

Basis risk. The City will be 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 BMA move to convergence (because of reductions in tax rates, for example), the expected cost savings may not be realized.

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.

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Swap payments and associated debt. As of June 30, 2007, 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 2004C bonds are included with other Combined Utility System Bonds on Note 8D.

15. Combined Utility System Constant Maturity Swap

Combined Utility System Constant Maturity Swap. In November 2006 the City executed a constant maturity swap with Goldman Sachs Capital Markets, Inc. (“Goldman”) on a forward basis. The swap was priced competitively.

Objective. This swap essentially trades receipts on the forward rate lock with RBC for receipts based on a longer index. The objective of the swap is to minimize interest expense associated with the 2004C Bonds. The City’s goal is that over time, as the yield curve returns to its normal ascending slope, receipts from this swap will exceed the payments made on the swap.

Terms. The notional amount of the swap is \$249.1 million with the underlying bonds being part of the 2004C Bonds that will convert to a tax-exempt status in December 2007. The swap agreement contains scheduled reductions to the outstanding notional amount that follows anticipated payments of principal of the 2004C Bonds during the years 2028 to 2034.

Under terms of the swap, the City will pay a variable rate of 70% of 1 Month LIBOR (equal to its receipts on the RBC forward rate lock swap) and receive a variable rate equal to 64.29% of Ten Year US Dollar LIBOR. The agreement will become effective December 3, 2007 with a termination date of May 15, 2034.

Receipts and Payments. No receipts or payments are scheduled until December 2007.

Fair value. As a result of changes in the swap yield curve, the estimated fair value of the swap at June 30, 2007 was negative \$3,266,766. The amount was calculated using the zero-coupon method.

Credit risk. The City’s swap policy generally requires that swap counterparties be rated double-A or better by at least one nationally recognized rating agency. As of this date, Goldman met this requirement with ratings of Aa3/AA-/AA-. Also, under the agreement, if Goldman’s credit rating falls below double-A, collateral must be posted in varying amounts depending on the credit rating and swap fair value. No collateral has been required to date.

Basis risk. The City will be exposed to basis risk on the swap because the variable payment received is based on a longer-term index than the rate paid by the City on the bonds. In the future, if long term 10- year LIBOR rates equal or fall below the One-Month LIBOR index, the expected cost savings may not be realized, resulting in a higher synthetic rate.

Termination risk. The City may terminate for any reason. Goldman may terminate a swap if the City fails to perform under the terms of the contract. If the swap is terminated, the City would revert to receipts on the One-Month LIBOR index on its 2004C Bonds. Also, if the swap has a negative fair value at termination, the City would be liable to Goldman for a payment equal to the swap’s fair value.

Swap payments and associated debt. As of June 30, 2007, 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 2004C bonds are included with other Combined Utility System Bonds on Note 8D.

16. Water and Sewer System Junior Lien Revenue Bonds

These bonds are paid solely from a lien on the net water and sewer system revenues, which must total 110% of the current debt service requirements on the junior lien bonds. As part of the restructuring to the new Combined Utility System, the City refunded a substantial portion of the outstanding junior lien bonds on June 10, 2004 and reissued bonds as Combined Utility System bonds. Debt service payments on remaining Water and Sewer Junior Lien Revenue Bonds 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.

17. Coastal Water Authority (“CWA”)

The contract payable relating to CWA represents the outstanding principal balance of \$119,945,000 at June 30, 2007 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 \$84,170,000 of CWA Revenue Refunding Bonds, Series 1999 and Series 2004, issued by CWA, a governmental agency of the State of Texas, to finance the construction of a water conveyance system.

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Pursuant to a series of exchange agreements with CWA, the City issued the Certificates and endorsed the bonds and is unconditionally obligated to pay from the gross operating revenues of the City's water and sewer system all debt service payments on these Certificates and Bonds, as well as amounts necessary to restore deficiencies in funds required to be accumulated under the CWA bond resolutions. The bonds mature on December 15, 2034.

18. Trinity River Authority ("TRA")

The contract payable to TRA represents the outstanding principal balance at June 30, 2007 of certain revenue bonds issued by TRA, a governmental agency of the State of Texas, to finance construction of a dam and reservoir on the Trinity River near Livingston, Texas. Pursuant to a contract with TRA, the City has endorsed the bonds associated only with this project and is unconditionally obligated to pay from the gross operating revenues of the City's water system maintenance and operating expense of the reservoir and amounts necessary to restore any deficiencies in funds required to be accumulated under the TRA bond resolutions.

As consideration for the above obligation, the City receives a perpetual 70% beneficial interest in these reservoir facilities and the use of 70% of the reservoir water. As consideration for the remaining 30% interest in the reservoir facilities and water, TRA is obligated to allow the City credits for water usage. Consequently, the cost of the City's obligation of TRA has not been reflected in the City's accounts as a receivable or as a reduction of the cost of the City's 70% interest in the facilities. The final maturity date for the bonds was April 15, 2008.

19. Houston Area Water Corporation ("HAWC")

The HAWC Series 2002 Bonds are special obligations of the City that were issued to provide financing for the acquisition of rights-of-way and real property interests, and the design, construction and equipping of the Northeast Water Purification Plant and a water conveyance system.

The Bonds are payable both as to principal and interest solely from pledged revenues, including pledged contract payments made by the City to HAWC under the Amended and Restated Treated Water Supply Contract dated May 1, 2002. Pursuant to the Contract the City has unconditionally agreed to pay to HAWC as maintenance and operation expenses from the gross revenues of the City's Water and Sewer System such sums as required to pay operation and maintenance expenses incurred by HAWC with respect to the City Project, debt service on the Series 2002 Bonds, amounts required to establish, restore and maintain a debt service reserve fund, and all other debt service obligation expenses. Such payments are an unconditional obligation of the City, but payable solely from gross revenues of the City's Water and Sewer System.

These HAWC Bonds were refunded with proceeds of the Combined Utility System Revenue Refunding Bonds, Series 2007B, issued on July 17, 2007.

20. Other Contracts

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. Payments will be made only after funding all maintenance and operation costs and debt service payments for the water and sewer system, including required reserves.

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 committed to provide up to \$20,000,000, or up to 50% of funding, to provide for construction of the project. The City and BRA agreed to purchase TWDB's ownership share in future years. In 2004 the TWDB paid \$14 million for site acquisition for the project. The City will 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.

21. Deferred Electrical Charges

On February 27, 2006 the City entered into an agreement with its electricity provider, the Texas General Land Office, that changed the City's pricing formula to allow certain electricity expenses to be deferred. The City opted to defer \$15,000,000 at that time. At June 30, 2007 the remaining deferred charges totaled \$10,460,000 distributed over the governmental and the enterprise funds as reported in Note 8A. The deferred amounts will be paid in monthly increments according to formula adjustments through June 2009, or the City may pay the remaining balance at any time. The payments will be paid from the operating funds that originally incurred the charges.

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

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		General Obligation Swap Agreements		Pension Obligation Bonds	
	Principal	Interest	Payment Receipts		Principal	Interest
2008	\$ 133,730	\$ 90,214	\$ (1,184)		\$ -	\$ 30,313
2009	132,930	82,786	(1,184)		-	30,313
2010	132,810	76,043	(1,184)		-	30,313
2011	124,440	69,354	(1,184)		546	30,313
2012	117,775	62,979	(1,184)		1,164	30,243
2013-2017	509,185	232,647	(5,923)		13,761	148,557
2018-2022	393,490	109,204	(3,395)		15,757	141,674
2023-2027	183,405	26,615	(346)		-	138,294
2028-2032	14,800	6,769	-		56,047	135,182
2033-2037	17,525	2,035	-		333,381	61,070
Total	<u>\$ 1,760,090</u>	<u>\$ 758,646</u>	<u>\$ (15,584)</u>		<u>\$ 420,656</u>	<u>\$ 776,272</u>

Year Ending June 30	General Obligation Commercial Paper		Tax and Revenue Certificates of Obligation		Deferred Electricity Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ -	\$ 20,000	\$ 2,280	\$ 3,530	\$ 1,427	\$ 75
2009	-	20,000	5,225	3,437	1,514	80
2010	521,100	15,325	6,440	3,255	-	-
2011	-	-	7,247	6,343	-	-
2012	-	-	2,675	2,840	-	-
2013-2017	-	-	18,460	11,776	-	-
2018-2022	-	-	19,140	7,629	-	-
2023-2027	-	-	18,770	2,908	-	-
2028-2032	-	-	-	-	-	-
2033-2037	-	-	-	-	-	-
Total	<u>\$ 521,100</u>	<u>\$ 55,325</u>	<u>\$ 80,237</u>	<u>\$ 41,718</u>	<u>\$ 2,941</u>	<u>\$ 155</u>

Year Ending June 30	Total Future Requirements			
	Principal	Interest	Swaps (Receipts)	Total Future Requirements
2008	\$ 137,437	\$ 144,132	\$ (1,184)	\$ 280,385
2009	139,669	136,616	(1,184)	275,101
2010	660,350	124,936	(1,184)	784,102
2011	132,233	106,010	(1,184)	237,059
2012	121,614	96,062	(1,184)	216,492
2013-2017	541,406	392,980	(5,923)	928,463
2018-2022	428,387	258,507	(3,395)	683,499
2023-2027	202,175	167,817	(346)	369,646
2028-2032	70,847	141,951	-	212,798
2033-2037	350,906	63,105	-	414,011
Total	<u>\$ 2,785,024</u>	<u>\$ 1,632,116</u>	<u>\$ (15,584)</u>	<u>\$ 4,401,556</u>

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2. HUD Section 108 Loans (in thousands):

Section 108 Loans			
Year Ending June 30	Principal	Interest	Total Future Requirements
2008	\$ 1,980	\$ 1,061	\$ 3,041
2009	2,045	968	3,013
2010	2,125	866	2,991
2011	2,000	760	2,760
2012	1,690	660	2,350
2013-2017	5,495	2,223	7,718
2018-2022	4,005	732	4,737
2023-2025	860	24	884
Total	\$ 20,200	\$ 7,294	\$ 27,494

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

Year Ending June 30	Airport System Revenue Bonds		Airport System Commercial Paper		Airport System Inferior Lien Contract	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 34,500	\$ 105,693	\$ -	\$ 3,744	\$ 3,660	\$ 2,816
2009	42,290	103,716	-	3,744	3,880	2,602
2010	39,295	101,523	-	3,744	4,085	2,388
2011	50,280	99,381	95,000	1,929	4,305	2,163
2012	50,615	96,786	-	-	4,535	1,925
2013-2017	289,085	441,904	-	-	26,655	5,534
2018-2022	374,225	357,332	-	-	6,240	172
2023-2027	477,490	249,440	-	-	-	-
2028-2032	620,510	113,042	-	-	-	-
2033-2037	139,530	3,246	-	-	-	-
Total	\$ 2,117,820	\$ 1,672,063	\$ 95,000	\$ 13,161	\$ 53,360	\$ 17,600

Year Ending June 30	Airport System Pension Obligations		Airport System Deferred Electricity Contract	
	Principal	Interest	Principal	Interest
2008	\$ -	\$ 3,065	\$ 950	\$ 50
2009	-	3,065	1,011	53
2010	-	3,065	-	-
2011	-	3,065	-	-
2012	-	3,065	-	-
2013-2017	-	15,322	-	-
2018-2022	-	15,322	-	-
2023-2027	-	15,322	-	-
2028-2032	1,267	15,225	-	-
2033-2037	35,539	6,488	-	-
Total	\$ 36,806	\$ 83,004	\$ 1,961	\$ 103

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Airport System

Total Future Requirements

	Principal	Interest	Total Future Requirements
	\$ 39,110	\$ 115,368	\$ 154,478
	47,181	113,180	160,361
	43,380	110,720	154,100
	149,585	106,538	256,123
	55,150	101,776	156,926
	315,740	462,760	778,500
	380,465	372,826	753,291
	477,490	264,762	742,252
	621,777	128,267	750,044
	175,069	9,734	184,803
	<u>\$ 2,304,947</u>	<u>\$ 1,785,931</u>	<u>\$ 4,090,878</u>

Year Ending June 30	Convention and Entertainment Facilities Revenue Bonds		Convention and Entertainment Facilities Commercial Paper		Convention and Entertainment Pension Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 17,540	\$ 22,120	\$ -	\$ 1,469	\$ -	\$ 291
2009	18,620	21,147	-	1,469	-	291
2010	21,230	20,087	-	1,469	-	291
2011	23,260	18,993	35,500	781	-	291
2012	24,835	17,576	-	-	-	291
2013-2017	126,455	79,283	-	-	-	1,452
2018-2022	94,337	102,832	-	-	-	1,452
2023-2027	95,989	122,243	-	-	-	1,452
2028-2032	109,164	131,774	-	-	119	1,443
2033-2037	47,845	52,187	-	-	3,370	615
Total	<u>\$ 579,275</u>	<u>\$ 588,242</u>	<u>\$ 35,500</u>	<u>\$ 5,188</u>	<u>\$ 3,489</u>	<u>\$ 7,869</u>

Year Ending June 30	Convention and Entertainment Deferred Electricity Contract		Convention and Entertainment Total Future Requirements		Total Future Requirements
	Principal	Interest	Principal	Interest	Requirements
2008	\$ 239	\$ 13	\$ 17,779	\$ 23,893	\$ 41,672
2009	255	13	18,875	22,920	41,795
2010	-	-	21,230	21,847	43,077
2011	-	-	58,760	20,065	78,825
2012	-	-	24,835	17,867	42,702
2013-2017	-	-	126,455	80,735	207,190
2018-2022	-	-	94,337	104,284	198,621
2023-2027	-	-	95,989	123,695	219,684
2028-2032	-	-	109,283	133,217	242,500
2033-2037	-	-	51,215	52,802	104,017
Total	<u>\$ 494</u>	<u>\$ 26</u>	<u>\$ 618,758</u>	<u>\$ 601,325</u>	<u>\$ 1,220,083</u>

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Year Ending June 30	Combined Utility System Revenue Bonds		Combined Utility System Swap Agreements		Combined Utility System Commercial Paper	
	Principal	Interest	Net Swap Payment		Principal	Interest
2008	\$ 10,000	\$ 174,479	\$ 1,781	\$ -	\$ -	\$ 17,218
2009	16,000	174,546	1,870	-	-	17,218
2010	40,665	173,528	1,870	-	-	17,218
2011	42,100	171,636	1,870	-	-	17,218
2012	27,320	169,486	1,781	-	-	17,217
2013-2017	300,800	812,490	9,261	440,200	-	42,359
2018-2022	531,425	719,911	9,261	-	-	-
2023-2027	865,130	547,702	9,261	-	-	-
2028-2032	1,117,185	304,756	9,268	-	-	-
2033-2037	586,455	41,864	2,032	-	-	-
Total	\$ 3,537,080	\$ 3,290,398	\$ 48,255	\$ 440,200	\$ 128,448	

Year Ending June 30	Water and Sewer Jr. Lien Revenue Bonds		Combined Utility System Pension Obligations	
	Principal	Interest	Principal	Interest
2008	\$ 16,613	\$ 44,935	\$ -	\$ 4,566
2009	21,283	52,070	-	4,566
2010	26,022	56,246	-	4,565
2011	30,754	56,415	-	4,566
2012	42,045	65,812	-	4,565
2013-2017	307,743	136,755	-	22,828
2018-2022	258,968	67,914	-	22,828
2023-2027	68,736	81,327	-	22,828
2028-2032	14,650	60,255	2,136	22,665
2033-2037	-	-	52,846	9,637
Total	\$ 786,814	\$ 621,729	\$ 54,982	\$ 123,614

Year Ending June 30	Combined Utility System Deferred Electricity Contract		Combined Utility System Total Future Requirements			
	Principal	Interest	Principal	Interest	Net Swap Payment	Total Future Requirements
2008	\$ 2,453	\$ 129	\$ 29,066	\$ 241,327	\$ 1,781	\$ 272,174
2009	2,610	137	39,893	248,537	1,870	290,300
2010	-	-	66,687	251,557	1,870	320,114
2011	-	-	72,854	249,835	1,870	324,559
2012	-	-	69,365	257,080	1,781	328,226
2013-2017	-	-	1,048,743	1,014,432	9,261	2,072,436
2018-2022	-	-	790,393	810,653	9,261	1,610,307
2023-2027	-	-	933,866	651,857	9,261	1,594,984
2028-2032	-	-	1,133,971	387,676	9,268	1,530,915
2033-2037	-	-	639,301	51,501	2,032	692,834
Total	\$ 5,063	\$ 266	\$ 4,824,139	\$ 4,164,455	\$ 48,255	\$ 9,036,849

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4. Long-Term Contracts-Combined Utility System (in thousands):

Year Ending June 30	Coastal Water Authority		Trinity River Authority		CWA/TRA Total Future Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
	2008	\$ 19,470	\$ 11,076	\$ 2,000	\$ 97	\$ 21,470	\$ 11,173
2009	18,155	9,947	-	-	18,155	9,947	28,102
2010	14,825	8,991	-	-	14,825	8,991	23,816
2011	13,250	8,117	-	-	13,250	8,117	21,367
2012	13,340	7,246	-	-	13,340	7,246	20,586
2013-2017	58,795	23,915	-	-	58,795	23,915	82,710
2018-2022	19,780	13,917	-	-	19,780	13,917	33,697
2023-2027	22,935	8,383	-	-	22,935	8,383	31,318
2028-2032	13,685	4,046	-	-	13,685	4,046	17,731
2033-2037	9,880	719	-	-	9,880	719	10,599
Total	\$ 204,115	\$ 96,357	\$ 2,000	\$ 97	\$ 206,115	\$ 96,454	\$ 302,569

Houston Area Water Corporation

Year Ending June 30	Principal	Interest	Total Future Requirements
2008	\$ 2,585	\$ 6,492	\$ 9,077
2009	2,680	6,395	9,075
2010	2,790	6,288	9,078
2011	2,940	6,135	9,075
2012	3,075	6,002	9,077
2013-2017	18,105	27,281	45,386
2018-2022	23,605	21,778	45,383
2023-2027	30,470	14,911	45,381
2028-2032	39,160	6,221	45,381
2033-2037	-	-	-
Total	\$ 125,410	\$ 101,503	\$ 226,913

Water & Sewer System Contracts

Other Contracts Total

Year Ending June 30	U.S. Army Corps of Engineers		Texas Water Development Board		Future Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2008	\$ 96	\$ 319	\$ -	\$ 246	\$ 96	\$ 565	\$ 661
2009	100	316	-	327	100	643	743
2010	103	312	-	450	103	762	865
2011	106	309	-	573	106	882	988
2012	110	306	-	696	110	1,002	1,112
2013-2017	604	1,473	-	5,449	604	6,922	7,526
2018-2022	707	1,369	-	7,484	707	8,853	9,560
2023-2027	829	1,248	3,420	3,719	4,249	4,967	9,216
2028-2032	971	1,106	4,545	2,600	5,516	3,706	9,222
2033-2037	1,138	939	6,035	1,104	7,173	2,043	9,216
2038-2042	1,334	743	-	-	1,334	743	2,077
2043-2047	1,563	514	-	-	1,563	514	2,077
2048-2052	1,830	245	-	-	1,830	245	2,075
2053	402	13	-	-	402	13	415
Total	\$ 9,893	\$ 9,212	\$ 14,000	\$ 22,648	\$ 23,893	\$ 31,860	\$ 55,753

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E. Debt Issuances and Refundings

Throughout its history, the City has issued refunding bonds from time to time when there has been an operational or economic gain for the City. These refundings have been structured as legal defeasances of the old debt as ruled by the Texas Attorney General, and such debt, including the debt balances refunded during fiscal 2007 described below, has been removed from the City's books.

Combined Utility System Revenue Refunding Bonds

On July 27, 2006 the City closed the sale of \$131,140,000 of Combined Utility System Revenue and Refunding Bonds Series 2006 and 2006A in a private placement to the Texas Water Development Board ("TWDB"). The bonds were issued at rates ranging from 1.85 to 3.75% with an average yield of 3.01%. The bonds are due in varying amounts from 2006 to final maturity on May 15, 2026. A portion of the proceeds were used to currently refund \$35,000,000 outstanding Combined Utility System Commercial Paper Notes which were used to fund projects previously approved by the TWDB. These bonds were issued to lock in long term fixed rates rather than to achieve debt service savings. The remaining funds will be used to fund other TWDB approved water and sewer projects and to pay cost of issuance of the bonds.

Taxable Pension Deferred Interest Certificate

On October 1, 2006 the City elected to defer \$14,525,000 in interest payments on its \$300,000,000 Collateralized Pension Obligation Note ("the Note"), and to allocate such deferred interest to the Uncollateralized Deferred Interest Certificate, as allowed by the ordinance authorizing issuance of the Note. The Deferred Interest Certificate will bear interest at the greater of a) 8.5%, or b) the yield on April 1 of each year for the Treasury obligation maturing closest to December 1, 2033 plus a predefined rate adjustment. Under the authorizing ordinance, the City is allowed to defer up to \$150,000,000 in interest on the Note. The City will pay down the Certificate by December 1, 2033.

Public Improvement Refunding Bonds

On December 4, 2006 the City closed the sale of \$228,340,000 of Public Improvement Refunding Bonds, Series 2006D, 2006E, 2006F and 2006G. The bonds are due in varying amounts from March 1, 2007 to March 1, 2036. Stated interest rates ranged from 3.875% to 5.0%, and the average yield was 4.34%.

Proceeds of Series 2006D Bonds were used to refund all \$141,400,000 of outstanding General Obligation Commercial Paper Series A and Series B Notes and to pay costs of issuance. Proceeds of Series 2006E Bonds were used to refund \$38,000,000 of General Obligation Commercial Paper Series E Notes and to pay costs of issuance. Proceeds of Series 2006F Bonds were used to refund \$50,000,000 of General Obligation Commercial Paper Series F Notes and to pay costs of issuance. The Series 2006D, 2006E and 2006F Bonds were issued to lock in long term fixed rates rather than to achieve debt service savings.

Proceeds of Series 2006G Bonds were used to refund certain Public Improvement Refunding Bonds Series 1996A and all outstanding assumed annexed district bonds, and to pay costs of issuance. The cash saving of the transaction was \$594,000, and the net present value savings of the transaction was \$526,000, or 4.3%. The acquisition price of the new debt exceeded the carrying value of the old debt by \$148,000. This amount is being amortized over the life of the refunded debt.

Taxable Pension Obligation Bonds

On March 1, 2007 the City issued \$63,800,000 of Taxable Pension Obligation Bonds, Series 2007A. The bonds mature from 2035 to 2037. The stated interest rate and yield were 5.538%.

Proceeds were used to fund \$33,000,000 unfunded actuarial accrued liability of the Houston Municipal Employees Pension System, \$30,000,000 unfunded actuarial accrued liability of the Houston Police Officers Pension System, and to pay costs of issuance.

Water Sewer Junior Lien Revenue Bonds

On March 7, 2007 the City closed the sale on \$3,600,000 in Water Sewer Junior Lien Revenue Bonds, Series 2002C2 in a private placement with the Texas Water Development Board ("TWDB"). The City had contracted with TWDB in June 2002 for a line of credit of \$6,135,000 to be drawn when the City has completed certain work related to drinking water improvements. Previously the City drew \$2,145,000 on this line; this amount represents a third and final draw. Stated interest rates are 3.05% to 3.75%. The bonds mature in varying amounts from 2013 to 2023.

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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 2007 the City has complied with the requirements of all revenue bond ordinances and related bond restrictions.

G. Voter Authorized Obligations

On November 4, 2001, voters of the City authorized the issuance of \$776,000,000 of Public Improvement Bonds. Since June 2002 City Council has authorized issuance of \$500,000,000 as General Obligation Commercial Paper Series D and \$276,000,000 as General Obligation Commercial Paper Series G.

On November 7, 2006, voters of the City authorized the issuance of \$625,000,000 in additional Public Improvement Bonds.

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, 2007 the City's legal debt limit was 10% of assessed property valuation totaling \$154,476,323. The City's legal debt margin was \$12,570,272.

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 were \$8,831,542 for the year ended June 30, 2007. The future minimum payments under these agreements are as follows (in thousands):

<u>Year ended June 30</u>	<u>Operating Lease Payments</u>
2008	\$ 4,600
2009	4,930
2010	3,415
2011	2,416
2012	2,103
2013-2017	3,127
2018-2022	881
2023-2027	828
2028-2032	414
Total	<u>\$ 22,714</u>

B. City as Lessor

The Convention and Entertainment Facilities department is the lessor of one (1) land lease, Toyota Center Land Lease, with an asset cost of \$20,000,000; five (5) building leases of which all are substantially leased with asset costs of \$117,292,062 and carrying costs of \$75,272,327. Accumulated depreciation on these assets is \$42,019,735. These buildings located in the Theater District are; Houston Center for the Arts, Wortham Theater, Jones Hall Theater, Talento Bilingue and the Downtown Aquarium. All buildings are used for performance and entertainment purposes.

CITY OF HOUSTON, TEXAS
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The Airport System is the lessor of approximately 10 percent of its land and substantially all of its buildings and improvements. These lease agreements are non-cancelable operating leases with fixed minimum rentals and non-cancelable operating use and lease agreements with annually adjusted rates. Rental income is earned from leasing various parcels of land with asset costs of \$20,221,357 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 \$3,527,364,000 and carrying costs of \$2,324,327,000. Accumulated depreciation on all these assets is \$1,203,037,000. Minimum guaranteed income on such non-cancelable operating leases is as follows (in thousands):

<u>Year Ended June 30</u>	<u>Operating Leases</u> <u>Minimum Rental Income</u>
2008	\$ 42,461
2009	32,749
2010	29,542
2011	28,154
2012	27,505
2013-2017	112,478
2018-2022	102,375
2023-2027	95,787
2028-2032	24,284
2033-2037	12,093
2038-2042	11,690
2043-2047	1,830
2048-2052	325
Total	<u>\$ 521,273</u>

The contingent income associated with these non-cancelable operating leases was approximately \$11,687,149 in fiscal year 2007. 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. Such income for fiscal year 2007 was approximately \$270,665,070.

CITY OF HOUSTON, TEXAS
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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. The collateralized note bears interest at 8.5% per year unless the rate of adjustment formula based on U.S. Treasury securities maturing in 2003, calls for a higher interest rate. The promissory note from the Houston Hotel Corporation to the City, as well as the related Deed of trust, is pledged as collateral on the collateralized notes. Interest on the collateralized notes may be paid or deferred, at the City's option, up to a maximum of \$150,000,000 plus 75% of the amount by which the appraisal value of the hotel exceeds \$300,000,000. If the interest is deferred, the City will issue uncollateralized deferred interest certificates that may be converted to assignable certificates at the request of HMEPS up to \$150 million, or collateralized deferred interest certificates up to the limit based on the appraisal value of the hotel. The Collateralized Note constitutes a general obligation of the City with an ad valorem tax pledge, but the City may look to other revenue sources available to pay the debt, including the collateral and its proceeds as well as interest deferrals.

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). (See "Subsequent Events" note on page 114 and 115 for further pension information related to the municipal and police pension funds.)

The reported contributions to the pension funds for the year ended June 30, 2007, were different from the actuarially determined requirements based on July 1, 2005 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	20.9%	8.5%	16.5%
Amortization of unfunded actuarial accrued liability (surplus)	12.6%	15.6%	17.5%
Required employer contribution rate	33.5%	24.1%	34.0%
Employer contribution made	23.7%	16.0%	15.5%
Employee contribution made	9.00%	5.0%	9.0%
<u>Contribution Amounts (in thousands)</u>			
Net contribution required	\$ 94,523	\$ 128,665	\$ 156,161
Total City contribution	52,864	72,000	58,000
Total employee contribution	19,910	20,519	29,329
Total contribution	\$ 72,774	\$ 92,519	\$ 87,329

CITY OF HOUSTON, TEXAS
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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):

	Houston Firefighters' Pension	Houston Municipal Employees' Pension	Houston Police Officers' Pension
Annual required contribution	\$ 74,613	\$ 108,146	\$ 126,832
Interest on net pension obligation	412	19,067	15,250
Adjustment to annual required contribution	(342)	(15,808)	(11,449)
Annual pension cost	<u>74,683</u>	<u>111,405</u>	<u>130,633</u>
Contribution made	52,864	72,000	58,000
Change in net pension obligation	(21,819)	(39,405)	(72,633)
Net pension obligation beginning	(4,847)	(224,313)	(179,411)
Net pension obligation end of year	<u>\$ (26,666)</u>	<u>\$ (263,718)</u>	<u>\$ (252,044)</u>

D. 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
2005	\$52.2	62.5%	\$29.7	31.1%
2006	\$90.8	61.9%	(\$4.8)	31.1%
2007	\$74.7	70.8%	(\$26.7)	33.5%

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

Valuation date	July 1, 2005
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

CITY OF HOUSTON, TEXAS
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E. 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
2004	\$133.5	43.6%	\$167.8	31.8%
2005	\$129.4	51.1%	\$231.1	29.4%
2006	\$62.2	111.0%	\$224.3	24.1%
2007	\$111.4	64.6%	\$263.7	24.1%

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, 2005
Actuarial cost method	Entry Age Normal cost
Amortization method	Level percentage of payroll over an open period of 30 years
Remaining amortization period	Rolling 30 year period
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%

F. 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
2004	\$73.9	49.6%	\$56.5	24.4%
2005	\$105.9	34.6%	\$125.8	31.2%
2006	\$106.7	49.7%	\$179.4	31.2%
2007	\$130.6	44.4%	\$252.0	34.0%

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

Valuation date	July 1, 2005
Actuarial cost method	Entry Age Normal Cost
Amortization method	Level percent of payroll Amortized over a constant open period of 30 years
Remaining amortization period	30 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return	8.5%, with a maximum of 5-year average of 7.0%
Payroll growth rate, attributable entirely to inflation	3.5 %
Annual increase attributable to seniority/merit	0.0% to 9.5%
Annual cost of living adjustment	3.0%
Projected salary increases	Graded rates based on years of service

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 incurred by the City amounted to approximately \$54,681,045 for the year ended June 30, 2007. Retiree health care is accounted for in the Health Benefits Fund, an Internal Service Fund. At June 30, 2007, there were 8,471 retirees eligible to receive benefits.

B. Health Benefits Internal Service Fund

The City's Health Benefits plan is currently administered by HMO Blue Texas. Employees and retirees are able to choose between an HMO Plan with all benefits covered by third party purchased insurance or a substantially self-insured with specific individual aggregate stop loss features Preferred Provider Organization Plan (PPO). Specific and aggregate stop loss insurance is provided for the PPO plan of \$300,000 and approximately \$11,000,000 based on enrollment, respectively. Premiums paid (employer and subscriber) for current employees to third party administrators totaled approximately \$163,209,173 for the year ended June 30, 2007.

The City also provides one times salary of basic life insurance, with a minimum of \$15,000, at no cost to the employee. The employee, at no cost to the City, may then obtain additional life insurance up to four times their annual salary. The current cost for active employees for both basic and voluntary life insurance totaled \$5,731,503 for the year ended June 30, 2007.

PPO/POS and PPO/OOA		
Schedule of Changes in Liability		
(in thousands)		
	June 30, 2007	June 30, 2006
Beginning actuarial estimate of claims liability, July 1	\$ 971	\$ 942
Incurred claims for fiscal year	9,784	9,036
Payments on claims	(10,034)	(9,501)
Actuarial adjustment	216	494
Ending actuarial estimate of claims liability, June 30	<u>\$ 937</u>	<u>\$ 971</u>

CITY OF HOUSTON, TEXAS
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C. Long-Term Disability Plan

The long-term disability plan, accounted for as an internal service fund, is a part of the Income Protection Plan implemented effective September 1, 1985 (renamed the Compensable Sick Leave Plan (CSL) in October, 1996) and is provided at no cost to City employees who are members of CSL. Coverage is effective the later of September 1, 1985 or upon completion of two years of continuous service. When an employee cannot work because of injury or illness, the plan provides income equal to 50% of base pay plus longevity or 70% of base plus longevity when combined with income benefits available from other sources. Plan benefits may be payable after all CSL scheduled sick leave benefits, including frozen sick leave days, have been used, however, not before six months absence from work. The plan is administered by Disability Management Alternatives, Inc., which is reimbursed from the fund for claims as they are paid along with a fee for administrative services. Effective September 1, 2001 the Meet and Confer Agreement established Paid Time Off (PTO) for police classified officers. This replaces their participation in the LTD plan.

Schedule of Changes in Liability		
(in thousands)		
	June 30, 2007	June 30, 2006
Beginning actuarial estimate of claims liability, July 1	\$ 7,046	\$ 6,351
Incurred claims for fiscal year	1,962	1,908
Payments on claims	(761)	(772)
Actuarial adjustment	(464)	(441)
Ending actuarial estimate of claims liability, June 30	\$ 7,783	\$ 7,046

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, 2007 the City has an accumulated liability in the amount of \$78 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, 2007	June 30, 2006
Beginning actuarial estimate of claims liability, July 1	\$ 76,020	\$ 62,307
Incurred claims for fiscal year	12,965	10,796
Payments on claims	(14,082)	(14,218)
Actuarial adjustment	2,821	17,135
Ending actuarial estimate of claims liability, June 30	\$ 77,724	\$ 76,020

CITY OF HOUSTON, TEXAS
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Note 12: Interfund Transactions

A. Transfers

Transfers during the year ended June 30, 2007, were as follows (in thousands):

Transferred from:	Transferred to:							Total Transfers Out
	General Fund	Nonmajor Governmental Funds	Debt Service	Capital Projects	Grants	Convention & Entertainment Facilities	Houston Area Water Corporation	
General Fund	\$ -	\$ 11,190	\$ 209,688	\$ 40	\$ 508	\$ 1,187	\$ -	\$ 222,613
Grants Fund	3,336	-	-	-	-	-	-	3,336
Nonmajor Funds	1,113	-	4,094	100	-	-	-	5,307
Capital Projects	-	10,000	40,680	-	-	-	-	50,680
Convention and Entertainment	784	-	-	-	-	-	-	784
Combined Utility System	915	34,056	24,211	-	-	-	18,237	77,419
Total transfers in	\$ 6,148	\$ 55,246	\$ 278,673	\$ 140	\$ 508	\$ 1,187	\$ 18,237	\$ 360,139

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 fund and special revenue fund to finance general fund programs.

The General Fund transferred capital assets valued at \$457 thousand to the Combined Utility System Fund, while the Convention and Entertainment Facilities Fund transferred capital assets valued at \$691 thousand to the General Fund. These transfers are reported as capital contributions by the Combined Utility System and the Convention and Entertainment Facility.

B. Transfers to Component Units

Transfers to the Houston Arts Alliance from the Convention and Entertainment Facilities during the year ended June 30, 2007 totaled \$10,920,836.

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 \$54,764,000 for the year ended June 30, 2007, 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 2007 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	\$ 2,469	\$ 443	\$ 2,309	\$ 7,491	\$ 12,712
Fire Services	12,779	-	-	-	12,779
Police Services	17,759	-	-	-	17,759
Engineering Services	-	-	4	-	4
Legal	-	-	894	30	924
Other	617	254	3,237	6,478	10,586
Total	\$ 33,624	\$ 697	\$ 6,444	\$ 13,999	\$ 54,764

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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, 2007 is as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Grants revenue	\$ 5,740
	Nonmajor Governmental Funds	125
	Airport System	305
		<u>\$ 6,170</u>
Capital Projects Fund	Grants revenue	946
		<u>\$ 946</u>
Airport System	General Fund	\$ 6
		<u>\$ 6</u>
Convention and Entertainment Facilities	General Fund	\$ 76
		<u>\$ 76</u>
HAWC	Combined Utility	682
	Grants revenue	\$ 25
		<u>\$ 707</u>
Nonmajor Governmental Funds	General Fund	\$ 104
	Airport System	304
		<u>\$ 408</u>

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 \$191.8 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 \$50.9 million for potential litigation losses arising from various lawsuits.

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

CITY OF HOUSTON, TEXAS
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votes. Supporters of Proposition 2 have sued in State District court to enforce the provisions of Proposition 2. The district court ruled in favor of the plaintiffs and ordered that both propositions be in effect. The City filed an appeal, and the Fourteenth Court of Appeals revised the district court, finding that the supporters of Proposition 2 did not have standing to sue. The appeals court gave plaintiffs an opportunity to amend their pleadings in the district court in an effort to plead facts sufficient to demonstrate standing. According to an analysis conducted by the City Controller's Office, the Fiscal Year 2006 budget complies with the requirements of both propositions.

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 has filed a second suit in State District court seeking to invalidate Propositions G and H. The court dismissed the lawsuit, and the plaintiff has appealed the ruling.

B. Environmental Liabilities

The City is aware of various sites contaminated by asbestos or other hazardous materials. The City has recorded accrued liabilities of \$14.6 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, 2007, the City had appropriated but not yet spent from Capital Projects and Enterprise Funds approximately \$1,180,135,000 for capital projects.

The City leased a tract of land for 30 years with a 30-year renewal option for \$100 per year to The Houston Music Hall Foundation. On this site, the Houston Music Hall Foundation constructed the new music hall named the Hobby Center for the Performing Arts. Substantial completion occurred by October 31, 2002, as required by the agreement. The grand opening was in May of 2003. The Music Hall was to be conveyed to the City upon completion of various improvements. However, the Music Hall became involved in litigation with the contractor regarding these improvements and the title has not been conveyed to the City as June 30, 2007. Convention & Entertainment are anticipating receiving the appropriate conveyance documents in July 2008.

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

D. Risk Management

The City carries fidelity coverage to comply with City ordinance, boiler and machinery insurance and purchases commercial property insurance with a per occurrence loss limit of \$100 million. Property insurance provides deductibles as follows: \$2.5 million per occurrence for all perils; 3% of the damaged insured value for windstorm or hail from a named storm, subject to \$2.5 million minimum and a \$20 million maximum; and 5% of the damaged insured value for flood, subject to a \$5 million minimum and a \$20 million maximum. Should a named storm event occur that involves the perils of windstorm and flood, the maximum deductible is \$20 million. Although no losses were sustained in excess of the \$100 million per occurrence loss limit in the last six years, Tropical Storm Allison (2001) caused damages in excess of the \$5 million sub-limit to locations in the 100-year flood plain (Flood Zone A). Insurance reimbursed the City \$32.6 million for property damage. The current sub-limit for flood is \$50 million, of which \$35 million may apply to Flood Zone A.

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.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

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

	Unemployment Claim Activity	
	June 30, 2007	June 30, 2006
Unpaid claims, beginning of fiscal year	\$156,046	\$115,511
Incurred claims (including IBNRs)	562,418	432,208
Claim payments	(594,500)	(391,673)
Unpaid claims, end of fiscal year	<u>\$123,964</u>	<u>\$156,046</u>

E. Electricity Futures Contracts

Objective of the futures contracts. The City’s electric supply agreement provides that the City will purchase electricity at prices based on market prices of natural gas at time of delivery. Therefore the City is exposed to significant price fluctuations in its electricity purchases. The agreement also allows the City to lock in fixed natural gas prices for future periods. To hedge the risk of increases and to be able to accurately budget future purchases, the City has entered into contracts to lock in fixed rates for the natural gas price component of future electricity purchases.

Terms: At June 30, 2007 the City had eight outstanding agreements to cover natural gas purchases for August 2007 through June 2008. As of June 30, 2007 the aggregate notional amount of the agreements was 773.75 contracts or 7,737,500 million British thermal units (MMBtu’s) of natural gas. Locked-in prices ranged from \$6.92 to \$10.14 per MMBtu.

Fair value: As of June 30, 2007 because natural gas futures prices had changed from the time of the agreements, the contracts had a total net fair value of negative \$3,807,000.

Credit risk: As of June 30, 2007 the City is exposed to credit risk on the contracts for a total fair positive value of \$343,000. The City’s electrical provider is the Texas General Land Office (“GLO”), an agency of the State of Texas, which is rated AA1 by Moody’s, AA by Standard and Poor’s, and AA+ by Fitch.

Termination risk: GLO can terminate the electrical supply agreement (and related price agreements) only if the City defaults on its obligations. The City can unwind the price agreements at its discretion, paying or receiving market value credit at the time of the unwind.

F. Federal and State

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

Note 14: Related Organization Transactions

A. Metropolitan Transit Authority (“Metro”)

The City and Metro have an interlocal agreement covering shared costs of street maintenance/construction and traffic control during the fiscal year ended June 30, 2007. The City received \$84.834 million from Metro under this contract in the fiscal year ended June 30, 2007. The breakout was \$53.807 million to Capital Projects, \$26.764 million to General Fund, and \$4.263 million to Special Revenues. Of this amount, \$12.931 million was for the prior contract year. In addition, the City paid Metro \$0.376 million, of which \$0.280 million was for capital projects, and \$0.096 million was 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, 2007 the City paid \$2.2 million for debt service and \$2.6 million for maintenance and operating expenses under the terms of the contract.

C. Coastal Water Authority (“CWA”)

The City has a long-term contract with Coastal Water Authority (CWA) for the water conveyance. During the fiscal year ended June 30, 2007, the City paid CWA \$30.7 million for debt service and \$18.1 million for maintenance and operating expenses.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

D. Houston Convention Center Hotel Corporation

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

In accordance with the Interlocal Agreement and the hotel management agreement, after meeting certain other funding and reserve requirements, the City can require the distribution of a preferred return from available cash flow (as defined) equal to the preferred return amount (approximately \$1 million for 2003, \$20 million for 2004, and \$25 million per year thereafter) minus the debt service for the applicable year. In December 2006, a preferred return payment of \$2,739,785 was made to the City.

E. Component Units

As described in note 16, the City has a number of component units, most of which have fiscal years ended June 30, 2007. Two component units, Houston Convention Center Hotel Corporation (HCCHC) and Houston Housing Financing Corporation (HHFC), have fiscal years ended December 31, 2006. Subsequent to December 31, 2006, the City received interest payments of \$2,258 thousand from HCCHC and \$68 thousand from HHFC. These payments are necessary to reconcile to the City's due from component units as of June 30, 2007. The following governmental discretely presented component units had restatements for their most recent audited financial statements: (a) Houston Parks Board, (b) Houston Public Library Foundation, and (c) Uptown Development Authority.

Note 15: Conduit Debt Obligations

To provide for the airport facilities, the City has issued eight series of Special Facility Revenue Bonds. These bonds are limited special obligations of the City, payable solely from and secured by a pledge of revenue to be received from agreements between the City and various third parties. The bonds do not constitute a debt or pledge of the faith and credit of the City and accordingly have not been reported in the accompanying financial statements, except for the City of Houston Special Facility Revenue Bonds (Automated People Mover System), Series 1997A, which are reported as an Inferior Lien Obligation because the City has contracted with Continental Airlines to operate certain facilities and pay related debt service. See Note 8D.

At June 30, 2007, the aggregate value of Special Facility Revenue Bonds outstanding was \$644,280,000, which includes \$53,360,000 of City of Houston Special Facility Revenue Bonds (Automated People Mover System), Series 1997A.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

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CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

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.

Net Assets			
Major Component Units - Discretely Presented Governmental			
June 30, 2007			
(in thousands)			
	Greater Houston Convention & Visitor's Bureau	Houston Arts Alliance (frmly Cultural Arts Council)	Houston Downtown Park Corporation
Cash, receivable and other current assets	\$ 6,223	\$ 4,794	\$ 3,314
Noncurrent assets	-	-	1,333
Capital assets, net of accumulated depreciation	177	18	56,986
Total assets	6,400	4,812	61,633
Current liabilities	2,504	2,063	-
Long-term liabilities	-	-	-
Total liabilities	2,504	2,063	-
Net assets			
Invested in capital assets, net of related debt	-	1,409	56,986
Restricted	-	-	-
Unrestricted (deficit)	3,896	1,340	4,647
Total net assets (deficit)	\$ 3,896	\$ 2,749	\$ 61,633

(Continued)

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

Houston Parks Board	Midtown Redevelopment Authority	Uptown Revelopment Authority	Nonmajor Component Units	2007
\$ 11,018	\$ 51,616	\$ 15,272	\$ 96,512	\$ 188,749
-	2,187	510	28,244	32,274
15,407	9,009	331	14,377	96,305
<u>26,425</u>	<u>62,812</u>	<u>16,113</u>	<u>139,133</u>	<u>317,328</u>
3,530	4,728	6,244	28,459	47,528
-	56,490	39,796	69,111	165,397
<u>3,530</u>	<u>61,218</u>	<u>46,040</u>	<u>97,570</u>	<u>212,925</u>
4,105	5,671	331	8,048	76,550
17,288	34,340	1,696	36,837	90,161
1,502	(38,417)	(31,954)	(3,322)	(62,308)
<u>\$ 22,895</u>	<u>\$ 1,594</u>	<u>\$ (29,927)</u>	<u>\$ 41,563</u>	<u>\$ 104,403</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

Change in Net Assets
Major Component Units - Discretely Presented Governmental
For the Year Ended June 30, 2007
(in thousands)

Component Units	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Greater Houston Convention & Visit. Bureau
Greater Houston Convention & Visitors Bureau	\$ 12,540	\$ 523	\$ 14,112	\$ -	\$ 2,095
Houston Arts Alliance (frmly Cultural Arts Cou..)	11,016	-	10,775	-	-
Houston Downtown Park Corporation	6,584	-	135	-	-
Houston Parks Board	2,125	-	1,236	-	-
Midtown Redevelopment Authority	7,100	-	35	-	-
Uptown Development Authority	7,801	-	-	-	-
Nonmajor Component Units	25,515	1,777	11,383	2,533	-
Total component units	\$ 72,681	\$ 2,300	\$ 37,676	\$ 2,533	\$ 2,095

General Revenues:

Taxes					
Property taxes levied for general purposes					-
Intergovernmental - grants					-
Unrestricted investment earnings					253
Other					-
Special Items					-
Total general revenues, special items and transfers					253
Change in net assets					2,348
Net assets beginning					1,548
Net assets ending					\$ 3,896

(Continued)

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

Net (Expense) Revenue and Change In Net Assets

Houston Arts Alliance (formerly Cultural Arts Council)	Houston Downtown Park Corporation	Houston Parks Board	Midtown Redevelopment Authority	Uptown Redevelopment Authority	Non-Major Component Units	Total Component Units
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,095
(241)	-	-	-	-	-	(241)
-	(6,449)	-	-	-	-	(6,449)
-	-	7,045	-	-	-	7,045
-	-	-	(7,065)	-	-	(7,065)
-	-	-	-	(7,801)	-	(7,801)
-	-	-	-	-	(17,756)	(17,756)
<u>\$ (241)</u>	<u>\$ (6,449)</u>	<u>\$ 7,045</u>	<u>\$ (7,065)</u>	<u>\$ (7,801)</u>	<u>\$ (17,756)</u>	<u>\$ (30,172)</u>
122	-	374	9,476	10,950	31,412	51,838
82	-	402	-	-	-	496
389	-	-	1,511	256	6,317	8,821
-	-	-	1,549	-	1,669	3,607
-	-	-	-	6	19	25
<u>593</u>	<u>-</u>	<u>776</u>	<u>12,536</u>	<u>11,212</u>	<u>39,417</u>	<u>64,787</u>
352	(6,449)	7,821	5,471	3,411	21,661	34,615
2,397	68,082	15,074	(3,877)	(33,338)	19,902	69,788
<u>\$ 2,749</u>	<u>\$ 61,633</u>	<u>\$ 22,895</u>	<u>\$ 1,594</u>	<u>\$ (29,927)</u>	<u>\$ 41,563</u>	<u>\$ 104,403</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

Net Assets
Major Component Units - Discretely Presented Business-type
June 30, 2007
(in thousands)

	Houston Convention Center Hotel Corp.	Houston Housing Finance Corp.	Houston Zoo Inc.	Nonmajor Component Units	Total
Cash, receivable and other current assets	\$ 45,670	\$ 24,709	\$ 38,206	\$ 303	\$ 108,888
Noncurrent assets	2,796	16,620	-	-	19,416
Capital assets, net of accumulated depreciation	251,653	-	19,959	14,826	286,438
Total assets	<u>300,119</u>	<u>41,329</u>	<u>58,165</u>	<u>15,129</u>	<u>414,742</u>
Current liabilities	22,702	417	3,080	2,163	28,362
Long-term liabilities	305,970	2,019	-	12,616	320,605
Total liabilities	<u>328,672</u>	<u>2,436</u>	<u>3,080</u>	<u>14,779</u>	<u>348,967</u>
Net assets					
Invested in capital assets, net of related debt	(30,836)	-	-	47	(30,789)
Restricted	17,990	1,483	36,813	303	56,589
Unrestricted (deficit)	(15,707)	37,410	18,272	-	39,975
Total net assets (deficit)	<u>\$ (28,553)</u>	<u>\$ 38,893</u>	<u>\$ 55,085</u>	<u>\$ 350</u>	<u>\$ 65,775</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

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CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

Change in Net Assets
Major Component Units - Discretely Presented Business-type
For the Year Ended June 30, 2007
(in thousands)

<u>Component Units</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Houston Convention Center Hotel Corp.	\$ 80,231	\$ 70,561	\$ -
Houston Housing Finance Corp.	2,205	400	-
Houston Zoo Inc.	20,196	18,807	11,517
Nonmajor Component Units	-	350	-
Totals	<u>\$ 102,632</u>	<u>\$ 90,118</u>	<u>\$ 11,517</u>

General Revenues:

Taxes

Property Taxes levied for general purposes

Unrestricted investment earnings

Other

Total general revenues, special items, and transfers

Change in net assets

Net assets (deficit) beginning

Net assets (deficit) ending

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

Net (Expense) Revenue and Change in Net Assets

Houston Convention Center Hotel Corp.	Houston Housing Finance Corp.	Houston Zoo Inc.	Non-Major Component Units	Total
\$ (9,670)	\$ -	\$ -	\$ -	\$ (9,670)
-	(1,805)	-	-	(1,805)
-	-	10,128	-	10,128
-	-	-	350	350
<u>\$ (9,670)</u>	<u>\$ (1,805)</u>	<u>\$ 10,128</u>	<u>\$ 350</u>	<u>\$ (997)</u>
-	750	-	-	750
2,142	2,305	1,204	-	5,651
4,098	-	-	-	4,098
<u>6,240</u>	<u>3,055</u>	<u>1,204</u>	<u>-</u>	<u>10,499</u>
(3,430)	1,250	11,332	350	9,502
(25,123)	37,643	43,753	-	56,273
<u>\$ (28,553)</u>	<u>\$ 38,893</u>	<u>\$ 55,085</u>	<u>\$ 350</u>	<u>\$ 65,775</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

Note 17: Subsequent Events

A. Tax and Revenue Anticipation Notes

On July 2, 2007, the City closed the sale of \$115,000,000 Tax and Revenue Anticipation Notes ("TRANS"), Series 2007. The proceeds of the TRANS will be used to pay working capital expenditures until tax revenues are received in early 2007. The stated interest rate was 4.5%, and the average yield was 3.69%. The notes will mature on June 30, 2008.

B. Combined Utility System Revenue Refunding Bonds

On July 10, 2007 the City closed the sale of \$392,230,000 of Combined Utility System Revenue Refunding Bonds Series 2007A. The bonds were issued at rates of 4.5% and 5.0% with an average yield of 4.86%. The bonds are due in varying amounts from 2012 to final maturity on November 15, 2036. The proceeds were used to currently refund \$400,200,000 of outstanding Combined Utility System Commercial Paper Notes at fixed rates rather than to achieve present value savings.

On July 17, 2007 the City closed the sale of \$123,555,000 of Combined Utility System Revenue Refunding Bonds Series 2007B. The bonds were issued at a rate of 5.0% with an average yield of 4.76%. The bonds are due in varying amounts from 2012 to final maturity on November 15, 2031. The proceeds were used to advance refund all outstanding Houston Area Water Corporation Bonds, Series 2002, and to pay costs of issuance. The transaction resulted in increased cash payments of \$1,430,000, but the net present value savings of the transaction was \$3,542,000 or 2.82%.

On April 21, 2008 the City closed the sale of \$45,050,000 of Combined Utility System Revenue and Refunding Bonds Series 2008B and \$52,650,000 of Combined Utility System Revenue Refunding Bonds Series 2008C. The bonds were sold to the Texas Water Development Board ("TWDB") in a private placement. The bonds were issued at rates ranging from 0.35% to 4.5% with an average yield of 3.29%. The bonds are due in varying amounts from 2008 through 2037. Proceeds were used to currently refund \$62 million of Combined Utility System Commercial Paper at fixed rates, to fund future projects approved by TWDB, and to pay costs of issuance.

On June 20, 2008 the City closed the sale of \$132,010,000 of Combined Utility System Revenue and Refunding Bonds, Series 2008D1. The bonds were issued as adjustable rate bonds with interest rates resetting on a weekly basis. The bonds were issued to refund Combined Utility System Revenue and Refunding Bonds, Series 2004C5, which were issued as auction rate bonds, and to pay cost of issuance. The bonds are due in varying amounts from 2028 to final maturity on May 15, 2034.

On June 25, 2008 the City closed the sale of \$73,255,000 of Combined Utility System Revenue and Refunding Bonds, Series 2008D2 and 2008D3. The bonds were issued as adjustable rate bonds with interest rates resetting on a weekly basis. The bonds were issued to refund Combined Utility System Revenue and Refunding Bonds, Series 2004C3 and 2004C4, which were issued as auction rate bonds, and to pay cost of issuance. The bonds are due in varying amounts from 2028 to final maturity on May 15, 2034.

Because of problems in the auction rate bond market, on May 8 and May 9, 2008 the City issued \$249,075,000 of Combined Utility System Revenue Refunding Bonds, Series 2008A, in a weekly mode as variable rate demand bonds. The proceeds were used to refund \$249,075,000, a part of Combined Utility System Revenue Refunding Bonds, Series 2004C, that had been issued as auction rate bonds.

C. Airport System Subordinate Lien Revenue Refunding Bonds

On September 12, 2007 the City issued \$298,670,000 of Airport System Subordinate Lien Revenue Refundings Bonds Series 2007B (Non-AMT). The bonds were issued at rates of 4.0 to 5.0% with an average yield of 4.77%. The bonds are due in varying amounts from 2008 to final maturity on July 1, 2027. The proceeds were used to currently refund \$30,960,000 of Airport System Subordinate Lien Revenue Refunding Bonds Series 1997 and \$43,000,000 of Airport System Senior Lien Commercial Paper Notes, to advance refund \$224,725,000 of Airport System Subordinate Lien Revenue Bonds Series 2000B, and to pay costs of issuance. The commercial paper was refunded to lock in fixed rates rather than to achieve present value savings. Cash savings on the current refunding will be \$2,579,000, and the net present value savings are \$1,507,000 or 4.87%. Cash savings on the advance refunding will be \$30,493,000, and the net present value savings are \$14,982,000 or 6.67%.

D. Taxable Pension Deferred Interest Certificate

On October 1, 2007 the City elected to defer \$16,498,500 in interest payments on its \$300,000,000 Collateralized Pension Obligation Note, and to allocate such deferred interest to the Uncollateralized Deferred Interest Certificate ("the Certificate"), as allowed by the ordinance authorizing issuance of the Note. (The City made a partial payment of \$9,001,500 on the \$25,500,000 interest incurred on the Note.) The Certificate will bear interest at the greater of a) 8.5%, or b) the yield on April 1 of each year for the Treasury obligation maturing closest to December 1, 2033, plus a predefined rate adjustment. Under the authorizing ordinance, the City is allowed to defer up to \$150,000,000 in interest on the Note. Under the authorizing ordinance, the City must pay down the Certificate by December 1, 2033.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

E. HUD Loan Defeasance

On November 1, 2007 the City advance refunded \$3,160,000 of its HUD Section 108 loan with proceeds received from an early payment by Crowne Plaza.

F. Public Improvement Refunding Bonds

On December 6, 2007 the City issued \$219,660,000 of Public Improvement Refunding Bonds, Series 2007A, at rates ranging from 4.0 to 5.0%. Average yield was 4.45%. The bonds are due in varying amounts from March 2009 to March 2037. Proceeds were used to advance refund \$47,870,000 of Public Improvement Refunding Bonds Series 1997A; to currently refund \$177,800,000 of General Obligation Commercial Paper Series D, E and F; and to pay costs of issuance. Cash savings on the advanced refunding will be \$2,212,000, and the net present value savings of the transaction was \$1,886,000 or 3.94%. The commercial paper was refunded to lock in fixed rates rather than to achieve present value savings.

G. General Obligation Certificates of Obligation

On December 6, 2007 the City issued \$8,575,000 Certificates of Obligation, Series 2007B, with a 5.0% interest rate. Average yield was 3.65%. Proceeds will be used to fund the demolition of dangerous buildings within the City and to pay costs of issuance.

H. Combined Utility System First Lien Revenue Refunding Bonds Series 2004 Conversions

During the first week of December 2007 Combined Utility System Revenue Refunding Bonds, Series 2004C2, (the "Series 2004C2 bonds") converted from taxable to tax-exempt status. The Series 2004C2 bonds were originally issued as taxable bonds to advance refund certain obligations (the "Original Bonds") because the original bonds could not be advance refunded at that time on a tax-exempt basis. The Series 2004C2 bonds became eligible for tax-exempt status and were therefore converted between December 3 and December 7, 2007.

Because of problems in the auction bond market, between April 8 and April 14, 2008 the City converted all \$653,325,000 of Combined Utility System Revenue Refunding Bonds, Series 2004B, from an auction rate mode to a weekly mode as variable rate demand obligations.

Because of problems in the auction bond market, between May 22 and May 27, 2008 the City converted \$274,125,000 of Combined Utility System Revenue Refunding Bonds, Series 2004C from an auction rate mode to a special term rate mode. The bonds were converted at a yield of 3.9%; the bonds will be remarketed at the prevailing market rate on May 15, 2011.

I. Taxable Pension Obligation Note

On February 15, 2008 the City issued a \$35,050,000 Taxable Pension Obligation Note at a 3.35% rate. The Note will mature on February 18, 2009. Proceeds were used to fund \$35,000,000 of the Houston Police Officers Pension System Unfunded Actuarial Accrued Liability and to pay costs of issuance.

Required Supplementary Information

CITY OF HOUSTON, TEXAS
GENERAL OPERATING FUND
Schedule of Budgeted and Actual Revenues and Expenditures
For the Year Ended June 30, 2007
amounts expressed in thousands
(unaudited)

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
Revenues				
Taxes and assessments				
Property Taxes	\$ 730,520	\$ 730,520	\$ 748,792	\$ 18,272
Industrial Assessments	13,609	13,609	15,823	2,214
Sales Tax	431,219	431,219	461,417	30,198
Franchise Tax	180,008	180,008	189,551	9,543
Mixed Beverage Tax	9,125	9,125	9,713	588
Bingo Tax	325	325	279	(46)
Total taxes and assessments	<u>1,364,806</u>	<u>1,364,806</u>	<u>1,425,575</u>	<u>60,769</u>
Licenses and permits				
General	12,414	12,414	12,822	408
Health Permits	5,738	5,738	5,815	77
Total licenses and permits	<u>18,152</u>	<u>18,152</u>	<u>18,637</u>	<u>485</u>
Charges for services				
Ambulance service	24,175	24,175	24,473	298
Parking	4,237	4,237	4,293	56
Services performed for other funds				
Direct	46,252	46,209	42,052	(4,157)
Indirect	14,198	14,198	12,712	(1,486)
Rents and royalties	1,079	1,079	1,123	44
Others	15,885	15,885	14,955	(930)
Total charges for services	<u>105,826</u>	<u>105,783</u>	<u>99,608</u>	<u>(6,175)</u>
Intergovernmental - grants	34,691	34,691	41,576	6,885
Fines and forfeits				
Municipal Courts	45,583	45,583	44,936	(647)
Others	2,144	2,144	5,362	3,218
Total fines and forfeits	<u>47,727</u>	<u>47,727</u>	<u>50,298</u>	<u>2,571</u>
Contributions	82	82	-	(82)
Interest	10,395	10,395	15,059	4,664
Other				
Sale of Property	3,054	3,054	1,627	(1,427)
Other	9,390	9,390	2,902	(6,488)
Total Other	<u>12,444</u>	<u>12,444</u>	<u>4,529</u>	<u>(7,915)</u>
Total revenues	<u>1,594,123</u>	<u>1,594,080</u>	<u>1,655,282</u>	<u>61,202</u>
Other financing sources (uses)				
Transfers in	2,950	2,950	4,542	1,592
Sale of Land	-	-	4,757	4,757
Other financing sources (uses)	63,000	63,000	63,000	-
Total other financing sources (uses)	<u>65,950</u>	<u>65,950</u>	<u>72,299</u>	<u>6,349</u>
Total revenues and other financing sources	<u>\$ 1,660,073</u>	<u>\$ 1,660,030</u>	<u>\$ 1,727,581</u>	<u>\$ 67,551</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, 2007
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	4,156	4,009	3,794	215
Other current expenditures	345	336	278	58
Equipment acquisition	-	48	12	36
Total legislative - council	<u>4,501</u>	<u>4,393</u>	<u>4,084</u>	<u>309</u>
Legislative - Mayor's Office				
Personnel services	2,784	2,976	2,854	122
Other current expenditures	210	259	207	52
Equipment acquisition	-	1	-	1
Total executive - mayor's office	<u>2,994</u>	<u>3,236</u>	<u>3,061</u>	<u>175</u>
Total legislative and executive	<u>7,495</u>	<u>7,629</u>	<u>7,145</u>	<u>484</u>
Affirmative Action				
Personnel services	1,836	1,825	1,540	285
Other current expenditures	100	110	100	10
Equipment acquisition	-	-	1	1
Total affirmative action	<u>1,936</u>	<u>1,935</u>	<u>1,641</u>	<u>296</u>
Judicial				
Municipal Courts Judges				
Personnel services	4,188	4,259	4,292	(33)
Other current expenditures	310	315	294	21
Total municipal court judges	<u>4,498</u>	<u>4,574</u>	<u>4,586</u>	<u>(12)</u>
Municipal Courts Administration				
Personnel services	11,668	11,632	12,576	(944)
Other current expenditures	2,698	2,789	1,563	1,226
Equipment acquisition	-	8	14	(6)
Total municipal court administration	<u>14,366</u>	<u>14,429</u>	<u>14,153</u>	<u>276</u>
Total judicial	<u>18,864</u>	<u>19,003</u>	<u>18,739</u>	<u>264</u>
Elections	<u>-</u>	<u>2,500</u>	<u>2,471</u>	<u>29</u>
Finance administration				
Controller				
Personnel services	5,252	5,295	5,279	16
Other current expenditures	1,095	1,051	846	205
Total controller	<u>6,347</u>	<u>6,346</u>	<u>6,125</u>	<u>221</u>
Finance and Administration				
Personnel services	20,377	19,910	19,017	893
Other current expenditures	3,951	4,472	4,486	(14)
Equipment acquisition	-	32	30	(2)
Total finance and administration	<u>24,328</u>	<u>24,414</u>	<u>23,533</u>	<u>877</u>
Information Technology				
Personnel services	10,890	10,002	10,488	(486)
Other current expenditures	2,021	2,855	2,388	467
Equipment acquisition	15	81	44	37
Total information technology	<u>12,926</u>	<u>12,938</u>	<u>12,920</u>	<u>18</u>
Audits	85	85	(21)	106
Bond and Legal	1,920	1,851	1,542	309
Total finance administration	<u>45,606</u>	<u>45,634</u>	<u>44,099</u>	<u>1,531</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, 2007
amounts expressed in thousands
(unaudited)

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
Legal				
Personnel services	11,997	11,821	11,522	299
Other current expenditures	1,413	1,675	1,399	276
Total legal	13,410	13,496	12,921	575
City Secretary				
Personnel services	619	619	561	58
Other current expenditures	123	123	91	32
Total city secretary	742	742	652	90
Planning and Development				
Personnel services	7,707	7,181	6,734	447
Other current expenditures	404	869	707	162
Equipment acquisition	-	102	103	(1)
Total planning and development	8,111	8,152	7,544	608
Human Resources				
Personnel services	2,310	2,246	2,153	93
Other current expenditures	255	332	296	36
Total human resources	2,565	2,578	2,449	129
Total general government	98,729	101,669	97,661	4,006
Public safety				
Police				
Personnel services	534,897	536,625	540,926	(4,301)
Other current expenditures	39,703	41,515	39,510	2,005
Equipment acquisition	135	603	335	268
Total police	574,735	578,743	580,771	(2,028)
Fire				
Personnel services	340,872	343,431	338,085	5,346
Other current expenditures	22,758	22,836	22,407	429
Equipment acquisition	-	47	51	(4)
Total fire	363,630	366,314	360,543	5,771
Houston Emergency Center				
Other current expenditures	443	128	94	34
Total Houston emergency center	443	128	94	34
Total public safety	938,808	945,185	941,408	3,777
Public Works				
Administration				
Personnel services	27,411	25,578	25,241	337
Other current expenditures	61,154	62,354	57,114	5,240
Equipment acquisition	579	597	774	(177)
Total administration	89,144	88,529	83,129	5,400
Building Services				
Personnel services	12,248	11,661	11,921	(260)
Other current expenditures	27,815	29,516	29,584	(68)
Equipment acquisition	4	43	41	2
Total building services	40,067	41,220	41,546	(326)

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, 2007
amounts expressed in thousands
(unaudited)

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
Solid Waste				
Personnel services	27,474	26,573	26,432	141
Other current expenditures	44,054	44,065	42,992	1,073
Equipment acquisition	-	710	1,268	(558)
Total solid waste	71,528	71,348	70,692	656
Total public works	200,739	201,097	195,367	5,730
Convention and Entertainment				
Personnel services	2,675	2,660	2,513	147
Other current expenditures	1,195	955	793	162
Equipment acquisition	-	157	170	(13)
Total convention and entertainment	3,870	3,772	3,476	296
Health				
Personnel services	40,342	37,767	37,418	349
Other current expenditures	7,563	9,587	9,332	255
Equipment acquisition	15	456	498	(42)
Total health	47,920	47,810	47,248	562
Housing				
Personnel services	250	250	139	111
Other current expenditures	268	268	179	89
Total housing	518	518	318	200
Parks and Recreation				
Personnel services	37,484	36,455	36,462	(7)
Other current expenditures	22,470	24,217	24,002	215
Equipment acquisition	-	-	(1)	1
Total parks and recreation	59,954	60,672	60,463	209
Library				
Personnel services	23,555	22,208	21,578	630
Other current expenditures	3,784	3,999	3,658	341
Equipment acquisition	6,098	7,271	7,021	250
Total library	33,437	33,478	32,257	1,221
Retiree Benefits				
Hospital and life insurance	19,412	19,412	18,801	611
Total retiree benefits	19,412	19,412	18,801	611
Other current expenditures				
Tax appraisal fees	5,141	5,545	5,272	273
Limited-purpose Annexation Districts	19,686	20,414	19,982	432
Claims and judgments	12,361	8,677	9,009	(332)
Membership dues	665	699	728	(29)
Advertising and promotion	225	175	168	7
Consultants	187	276	299	(23)
Miscellaneous support services	6,375	6,375	6,325	50
Total other current expenditures	44,640	42,161	41,783	378
Debt service				
Debt service principal		-	1,260	(1,260)
Debt service interest	6,188	5,369	5,420	(51)
Total debt service	6,188	5,369	6,680	(1,311)
Total expenditures	1,454,215	1,461,143	1,445,462	15,679
Other financing sources (uses)				
Transfers out	223,174	227,077	222,613	4,464
Total other financing sources (uses)	223,174	227,077	222,613	4,464
Total expenditures and other financing uses	\$ 1,677,389	\$ 1,688,220	\$ 1,668,075	\$ 20,143

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, 2007
amounts expressed in thousands
(unaudited)

Revenues

Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 1,655,283
Revenues of non-budgeted funds	
Equipment Acquisition	17
Building Security	1,036
Grant Matching Fund	446
Total revenues of non-budgeted funds	1,499
Interest on pooled investments from non-budgeted revenues	933
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances	\$ 1,657,715

Expenditures

Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	\$ 1,445,462
Expenditures of non-budgeted funds	
Equipment Acquisition	47,586
Building Security	1,285
Firefighter's Judgement Bond	24,075
Signal Maintenance	2
Fleet Maintenance	18
Special Projects	1,419
Grant Matching Fund	325
Total expenditures of non-budgeted funds	74,710
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	\$ 1,520,172

Other financing sources (uses)

Actual amounts (budgetary basis) "other financing sources and uses" from the budgetary comparison schedules	\$ (150,314)
Proceeds from Issuance of Debt	40,000
Transfers In of non budgeted funds	440
Total other financing sources and uses as reported on the statement of revenues, expenditures, and changes in fund balances--governmental funds	\$ (109,874)

See note to Required Supplementary Information

CITY OF HOUSTON, TEXAS
REQUIRED NOTES TO THE SUPPLEMENTARY INFORMATION
June 30, 2007
(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 and Administration 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 9, 2007, City Council approved the Fiscal Year 2007 general appropriation ordinance in the amount of \$1.686 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 2007 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	\$ 92,766	\$ 118,846	\$ 39,930
Non-budgeted Disaster Recovery Fund	2,452	12	-
Non-budgeted Grants Revenue Fund	195,509	194,206	(2,828)
Non-budgeted Health and Housing	1,056	1,180	-
Non-budgeted Other Funds	10,376	9,143	-
Total Special Revenue Funds - Actual	<u>\$ 302,159</u>	<u>\$ 323,387</u>	<u>\$ 37,102</u>

2. General Fund Budgetary Highlights

While revenues were only \$61 million above budget (pgs. 116-119), there were some significant differences between some of the budgeted and actual revenue numbers. Some of the increases/decreases from budget include:

- \$61 million increase in taxes and assessments
- \$0.5 million increase in licenses and permits
- \$6 million decrease in charges for services
- \$3 million increase in fines and forfeits
- \$5 million increase in interest

Public Safety saw the only significant change in budgeted expenditures for the fiscal year. These changes were increases for both the Fire Department and the Police Department of \$3 million and \$4 million, respectively. This is a total increase of \$7 million.

**CITY OF HOUSTON, TEXAS
REQUIRED PENSION SYSTEM
SUPPLEMENTARY INFORMATION
June 30, 2007**

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

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, 2000	\$1,726.3	\$1,589.3	(\$137.0)	109%	\$163.6	(84%)
July 1, 2001	\$1,863.1	\$1,650.8	(\$212.3)	113%	\$164.3	(129%)
July 1, 2002*	\$1,922.4	\$1,970.1	\$47.7	98%	\$190.6	25%
July 1, 2004	\$2,000.3	\$2,266.8	\$266.5	88%	\$181.5	147%
July 1, 2005	\$2,119.2	\$2,461.1	\$341.9	86%	\$192.1	178%
July 1, 2006	\$2,325.0	\$2,670.9	\$345.9	87%	\$218.7	158%

* No actuarial study was required or conducted for July 1, 2003.

**Houston Municipal Pension System Supplementary Information (unaudited)
Schedule of Funding Progress (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, 2001	\$1,490.2	\$1,955.8	\$465.6	76%	\$418.0	111%
July 1, 2002	\$1,519.7	\$2,515.2	\$995.5	60%	\$399.8	249%
July 1, 2003	\$1,510.3	\$3,278.3	\$1,768.0	46%	\$390.3	453%
July 1, 2004	\$1,501.2	\$2,633.8	\$1,132.6	57%	\$366.1	309%
July 1, 2005	\$1,777.7	\$2,725.3	\$947.6	65%	\$404.6	234%
July 1, 2006	\$1,867.3	\$2,894.3	\$1,027.0	65%	\$422.5	243%

**Houston Police Officer's Pension System Supplementary Information (unaudited)
Schedule of Funding Progress (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, 2000	\$2,013.5	\$1,966.4	(\$47.1)	102%	\$250.7	(19%)
July 1, 2001	\$2,226.3	\$2,306.4	\$80.1	97%	\$264.2	30%
July 1, 2002	\$2,337.1	\$2,593.7	\$256.6	90%	\$286.1	90%
July 1, 2003	\$2,394.4	\$2,874.7	\$480.3	83%	\$300.4	160%
July 1, 2004	\$2,466.0	\$3,339.2	\$873.2	74%	\$329.8	265%
July 1, 2005	\$2,508.8	\$3,393.0	\$884.2	74%	\$321.1	275%

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

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, Police Special Services and Houston Emergency Center, Municipal Courts Technology Fee and Child Safety
 - Not budgeted: Helmets for Bicycle Safety
- Public Works Special Fund
 - Budgeted: Building Inspection, Sign Administration, and Stormwater
 - Not budgeted: Sign Abatement and Street Maintenance and Traffic Control
- Health and Housing Special Fund
 - Not budgeted: Health Special, Housing Special, Homeless Families Program and Housing Replacement Insurance, Housing Non-Grant Venture and HJTPC Self Insurance
- Parks & Recreation Special Fund
 - Budgeted: Parks Special
 - Not budgeted: MacGregor Parks Endowment
- Other Special Revenue Fund
 - Budgeted: Cable Television, Houston Transtar and Supplemental Environmental Project
 - Not budgeted: Disaster Recovery, Compaq Center, MNC Memorial City Way, W.A.T.E.R., Special City Deposit, John Battaglia Trust, Inc. Fund, AAA Contingency, Houston Foundation and March of Dimes

CITY OF HOUSTON, TEXAS
GENERAL FUND
Balance Sheet
June 30, 2007
(With comparative amounts for 2006)
amounts expressed in thousands

	2007	2006
Assets		
Equity in pooled cash and investments	\$ 233,575	\$ 206,483
Receivables, net of allowances		
Accounts receivable	16,094	17,224
Property taxes receivable, net	42,989	53,326
Sales taxes receivable	80,617	78,027
Mixed beverage taxes receivable	2,610	2,455
Franchise taxes receivable	16,574	16,889
Special assessments receivable	29,806	33,875
Due from other funds	6,170	22,355
Due from other governments	7,495	11,609
Inventory	19,863	20,472
Prepaid items	1,512	1,589
Total assets	\$ 457,305	\$ 464,304
Liabilities and fund balance		
Liabilities		
Accounts payable	38,230	47,259
Accrued payroll liabilities	40,923	36,347
Contracts and retainages payable	1	199
Due to other funds	186	3,247
Due to other governments	11,652	12,574
Advances and deposits	6,649	7,403
Claims and judgments	2,547	2,550
Compensated absences	2,714	2,606
Other liabilities - current	248	220
Unearned revenue	76,056	101,469
Total liabilities	179,206	213,874
Fund balance		
Reserved for imprest cash and prepaids	1,626	1,696
Reserved for equipment acquisitions and other capital outlay	-	29,503
Reserved for inventory	19,863	20,472
Designated - Sign abatement	2,070	2,150
Designated - Rainy day fund	20,001	20,775
Undesignated	234,539	175,834
Total fund balance	278,099	250,430
Total liabilities and fund balance	\$ 457,305	\$ 464,304

CITY OF HOUSTON, TEXAS
GENERAL FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2007
(With comparative amounts for 2006)
amounts expressed in thousands

	<u>2007</u>	<u>2006</u>
Revenues		
Taxes and assessments		
Property Taxes	\$ 748,792	\$ 705,952
Industrial Assessments	15,823	14,314
Sales Tax	461,417	422,598
Franchise Tax	189,551	186,508
Mixed Beverage Tax	9,713	9,000
Bingo Tax	279	279
Licenses and permits	18,637	18,086
Charges for services	99,608	114,308
Intergovernmental - grants	42,021	29,816
Fines and forfeits	50,298	49,000
Investment income	15,992	10,516
Other	5,584	16,346
Total revenues	<u>1,657,715</u>	<u>1,576,723</u>
Expenditures		
Current		
General government	116,960	114,453
Public safety	985,828	916,560
Public works	202,910	210,409
Health	47,249	46,230
Parks and recreation	60,464	49,161
Library	32,257	31,578
Retiree benefits	18,801	42,203
Capital outlay	49,023	55,187
Debt service principal	1,260	51,254
Debt service interest	5,420	6,591
Total expenditures	<u>1,520,172</u>	<u>1,523,626</u>
Other financing sources (uses)		
Proceeds from issuance of debt	103,000	219,618
Sale of Land	4,757	6,439
Transfers in	4,982	6,089
Transfers out	(222,613)	(204,957)
Total other financing sources (uses)	<u>(109,874)</u>	<u>27,189</u>
Change in fund balance	27,669	80,286
Fund balances, July 1	<u>250,430</u>	<u>170,144</u>
Fund balances, June 30	<u>\$ 278,099</u>	<u>\$ 250,430</u>

CITY OF HOUSTON, TEXAS
DEBT SERVICE FUND
Balance Sheet
June 30, 2007
(With comparative amounts for 2006)
amounts expressed in thousands

	2007	2006
Assets		
Equity in pooled cash and investments	\$ 110,363	\$ 112,905
Due from component units	5,709	5,504
Total assets	\$ 116,072	\$ 118,409
 Liabilities and fund balance		
Liabilities		
Accounts payable	\$ 702	\$ 2,081
Unearned revenue	5,709	5,504
Total liabilities	6,411	7,585
 Fund balance		
Reserved for debt service	109,661	110,824
Total fund balance	109,661	110,824
Total liabilities and fund balance	\$ 116,072	\$ 118,409

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, 2007
(With comparative totals for 2006)
amounts expressed in thousands

	2007			Variance with Final Budget- Pos (Neg)	2006 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 3,826	\$ 3,826	\$ 5,817	\$ 1,991	\$ 3,399
Other	30,000	40,680	132	(40,548)	3,010
Total revenues	<u>33,826</u>	<u>44,506</u>	<u>5,949</u>	<u>(38,557)</u>	<u>6,409</u>
Expenditures					
Debt service principal	156,567	182,299	170,889	11,410	169,256
Debt service interest	127,332	130,131	117,260	12,871	106,965
Debt service fiscal agent & fees	300	6,018	4,661	1,357	6,302
Total expenditures	<u>284,199</u>	<u>318,448</u>	<u>292,810</u>	<u>25,638</u>	<u>282,523</u>
Other financing sources (uses)					
Net proceeds from issuance of debt	-	-	-	-	1,416
Proceeds from refunded debt	-	-	229,168	229,168	169,230
Proceeds from bond premium	-	-	15,870	15,870	16,912
Sale of land	-	-	3,599	3,599	274,168
Transfers in	246,563	246,563	278,673	32,110	
Payment to escrow agent for refunded bonds	-	-	(241,612)	(241,612)	(181,652)
Total other financing sources (uses)	<u>246,563</u>	<u>246,563</u>	<u>285,698</u>	<u>39,135</u>	<u>280,074</u>
Change in fund balance	(3,810)	(27,379)	(1,163)	26,216	3,960
Fund balances, July 1	<u>110,824</u>	<u>110,824</u>	<u>110,824</u>	<u>-</u>	<u>106,864</u>
Fund balances, June 30	<u>\$ 107,014</u>	<u>\$ 83,445</u>	<u>\$ 109,661</u>	<u>\$ 26,216</u>	<u>\$ 110,824</u>

CITY OF HOUSTON, TEXAS
CAPITAL PROJECTS FUND
Balance Sheet
June 30, 2007
(With comparative amounts for 2006)
amounts expressed in thousands

	2007	2006
Assets		
Equity in pooled cash and investments	\$ 114,843	\$ 97,568
Receivables, net of allowances		
Accounts receivable	-	1,070
Due from other funds	946	470
Due from other governments	25,573	25,993
Total assets	\$ 141,362	\$ 125,101
 Liabilities and fund balance		
Liabilities		
Accounts payable	16,015	14
Contracts and retainages payable	22,366	36,660
Advances and deposits	210	28
Unearned revenue	20,875	22,153
Total liabilities	59,466	58,855
 Fund balance		
Reserved fund balance	81,896	66,246
Total fund balance	81,896	66,246
 Total liabilities and fund balance	\$ 141,362	\$ 125,101

CITY OF HOUSTON, TEXAS
CAPITAL PROJECTS FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2007
(With comparative totals for 2006)
amounts expressed in thousands

	2007	2006
Revenues		
Intergovernmental - grants	\$ 61,103	\$ 50,211
Investment income	4,488	2,959
Other	1,661	1,674
Total revenues	67,252	54,844
Expenditures		
Current		
General government	108,897	118,754
Public safety	15,972	24,971
Public works	61,767	64,329
Parks and recreation	11,074	21,295
Library	14,123	5,747
Total expenditures	211,833	235,096
Other financing sources (uses)		
Proceeds from issuance of debt	210,771	208,425
Transfers in	140	7,300
Transfers out	(50,680)	(59,766)
Total other financing sources (uses)	160,231	155,959
Change in fund balance	15,650	(24,293)
Fund balances, July 1	66,246	90,539
Fund balances, June 30	\$ 81,896	\$ 66,246

CITY OF HOUSTON, TEXAS
GRANTS FUND
Balance Sheet
June 30, 2007
(With comparative amounts for 2006)
amounts expressed in thousands

	<u>2007</u>	<u>2006</u>
Assets		
Equity in pooled cash and investments	\$ 7,143	\$ 49,698
Receivables, net of allowances		
Accounts receivable	28,085	25,831
Due from component units	4,786	8,243
Due from other governments	24,652	52,314
Inventory	1,042	862
Total assets	<u>65,708</u>	<u>136,948</u>
 Liabilities and fund balance		
Liabilities		
Accounts payable	12,831	44,280
Accrued payroll liabilities	2,268	810
Contracts and retainages payable	-	621
Due to other funds	6,711	22,355
Advances and deposits	718	317
Compensated absences	176	66
Unearned revenue	32,379	56,349
Total liabilities	<u>55,083</u>	<u>124,798</u>
 Fund balance		
Reserved for inventory	1,042	862
Reserved for debt service	1,325	1,325
Unreserved	8,258	9,963
Total fund balance	<u>10,625</u>	<u>12,150</u>
 Total liabilities and fund balance	<u>\$ 65,708</u>	<u>\$ 136,948</u>

CITY OF HOUSTON, TEXAS
GRANTS FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2007
(With comparative amounts for 2006)
amounts expressed in thousands

	<u>2007</u>	<u>2006</u>
Revenues		
Intergovernmental - grants	\$ 194,062	\$ 414,800
Investment income	1,447	827
Total revenues	<u>195,509</u>	<u>415,627</u>
Expenditures		
Current		
Public safety	45,285	35,320
Public works	4,215	1,163
Health	48,117	50,776
Housing and Community Development	89,071	322,661
Parks and recreation	5,056	3,267
Library	2,462	2,245
Total expenditures	<u>194,206</u>	<u>415,432</u>
Other financing sources (uses)		
Transfers in	508	10,000
Transfers out	(3,336)	(1,013)
Total other financing sources (uses)	<u>(2,828)</u>	<u>8,987</u>
Change in fund balance	(1,525)	9,182
Fund balances, July 1	<u>12,150</u>	<u>2,968</u>
Fund balances, June 30	<u>\$ 10,625</u>	<u>\$ 12,150</u>

CITY OF HOUSTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2007
(With comparative totals for 2006)
amounts expressed in thousands

	<i>Nonmajor Funds</i>	
	Public Safety Special Fund	Public Works Special Fund
Assets		
Equity in pooled cash and investments	\$ 19,638	\$ 31,489
Receivables, net of allowances		
Accounts receivable	2,080	64
Due from other funds	327	-
Due from other governments	1,612	-
Inventory	-	13
Total assets	\$ 23,657	\$ 31,566
Liabilities and fund balance		
Liabilities		
Accounts payable	\$ 1,649	\$ 2,562
Accrued payroll liabilities	707	1,637
Contracts and retainages payable	-	-
Due to other funds	125	-
Due to other governments	-	-
Advances and deposits	446	1,273
Compensated absences	112	48
Other liabilities	-	2
Unearned revenue	448	-
Total liabilities	3,487	5,522
Fund balance		
Reserved for inventory		-
Undesignated	20,170	26,044
Total fund balance	20,170	26,044
Total liabilities and fund balance	\$ 23,657	\$ 31,566

(Continued)

Nonmajor Funds

Health & Housing Special Fund	Parks & Recreation Special Fund	Other Special Revenue Fund	2007	2006
\$ 3,089	\$ 4,072	\$ 41,307	\$ 99,595	\$ 75,854
-	324	3,717	6,185	2,618
-	-	81	408	224
-	-	213	1,825	1,649
-	7	-	20	10
<u>\$ 3,089</u>	<u>\$ 4,403</u>	<u>\$ 45,318</u>	<u>\$ 108,033</u>	<u>\$ 80,355</u>
\$ 38	\$ 206	\$ 1,538	\$ 5,993	\$ 7,413
5	134	39	2,522	1,161
-	-	-	-	199
-	-	-	125	-
-	10	-	10	10
7	32	245	2,003	2,095
-	-	-	160	76
-	-	2	4	3
29	147	2,536	3,160	2,981
<u>79</u>	<u>529</u>	<u>4,360</u>	<u>13,977</u>	<u>13,938</u>
-	-	-	-	10
<u>3,010</u>	<u>3,874</u>	<u>40,958</u>	<u>94,056</u>	<u>66,407</u>
<u>3,010</u>	<u>3,874</u>	<u>40,958</u>	<u>94,056</u>	<u>66,417</u>
<u>\$ 3,089</u>	<u>\$ 4,403</u>	<u>\$ 45,318</u>	<u>\$ 108,033</u>	<u>\$ 80,355</u>

CITY OF HOUSTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2007
(With comparative totals for 2006)
amounts expressed in thousands

	<i>Nonmajor Funds</i>		
	Public Safety Special Fund	Public Works Special Fund	Health & Housing Special Fund
Revenues			
Taxes and assessments			
Licenses and permits	\$ 1,231	\$ 35,673	\$ 211
Charges for services	6,873	5,477	-
Intergovernmental - grants	19,348	-	-
Fines and forfeits	7,007	-	-
Investment income	1,079	1,176	171
Other	4,337	258	674
Total revenues	<u>39,875</u>	<u>42,584</u>	<u>1,056</u>
Expenditures			
Current			
General government	-	-	-
Public safety	41,837	-	-
Public works	-	61,404	-
Health	-	-	697
Housing and community development	-	-	249
Parks and recreation	-	-	-
Capital outlay	1,186	4,660	234
Debt service principal	-	9	-
Total expenditures	<u>43,023</u>	<u>66,073</u>	<u>1,180</u>
Other financing sources (uses)			
Net proceeds from issuance of debt	-	-	-
Transfers in	11,190	44,056	-
Transfers out	(1,468)	(3,739)	-
Total other financing sources (uses)	<u>9,722</u>	<u>40,317</u>	<u>-</u>
Change in fund balance	6,574	16,828	(124)
Fund balances, July 1	<u>13,596</u>	<u>9,216</u>	<u>3,134</u>
Fund balances, June 30	<u>\$ 20,170</u>	<u>\$ 26,044</u>	<u>\$ 3,010</u>

(Continued)

Nonmajor Funds

Parks & Recreation Special Fund	Other Special Revenue Fund	2007	2006
\$ 160	\$ -	\$ 37,275	\$ 24,438
6,759	533	19,642	18,853
-	3,330	22,678	17,452
-	-	7,007	2,441
149	1,698	4,273	2,188
202	10,707	16,178	13,941
<u>7,270</u>	<u>16,268</u>	<u>107,053</u>	<u>79,313</u>
-	10,781	10,781	8,565
-	-	41,837	35,896
-	-	61,404	59,697
-	-	697	231
-	-	249	538
6,054	-	6,054	5,879
241	1,993	8,314	6,419
-	8	17	-
<u>6,295</u>	<u>12,782</u>	<u>129,353</u>	<u>117,225</u>
-	-	-	4,055
-	-	55,246	39,570
(100)	-	(5,307)	(6,990)
<u>(100)</u>	<u>-</u>	<u>49,939</u>	<u>36,635</u>
875	3,486	27,639	(1,277)
<u>2,999</u>	<u>37,472</u>	<u>66,417</u>	<u>67,694</u>
<u>\$ 3,874</u>	<u>\$ 40,958</u>	<u>\$ 94,056</u>	<u>\$ 66,417</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, 2007
(With comparative totals for 2006)
amounts expressed in thousands

	2007			Variance with Final Budget- Pos (Neg)	2006 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Confiscations	\$ 4,048	\$ 4,048	\$ 6,081	\$ 2,033	\$ 6,844
Investment income	143	143	391	248	164
Other	-	-	(81)	(81)	-
Total revenues	<u>4,191</u>	<u>4,191</u>	<u>6,391</u>	<u>2,200</u>	<u>7,008</u>
Expenditures					
Current					
Public safety	7,448	7,448	6,182	1,266	3,060
Capital outlay	1,680	1,680	544	1,136	207
Total expenditures	<u>9,128</u>	<u>9,128</u>	<u>6,726</u>	<u>2,402</u>	<u>3,267</u>
Change in fund balance	(4,937)	(4,937)	(335)	4,602	3,741
Fund balances, July 1	<u>6,230</u>	<u>6,230</u>	<u>6,230</u>	<u>-</u>	<u>2,489</u>
Fund balances, June 30	<u>\$ 1,293</u>	<u>\$ 1,293</u>	<u>\$ 5,895</u>	<u>\$ 4,602</u>	<u>\$ 6,230</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, 2007
(With comparative totals for 2006)
amounts expressed in thousands

	2007			Variance with Final Budget- Pos (Neg)	2006 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Licenses and permits	\$ 1,933	\$ 1,933	\$ 1,287	\$ (646)	\$ 1,595
Charges for services	634	634	782	148	407
Investment income	50	50	79	29	49
Other	1,450	1,450	1,838	388	1,747
Total revenues	<u>4,067</u>	<u>4,067</u>	<u>3,986</u>	<u>(81)</u>	<u>3,798</u>
Expenditures					
Current					
Public safety	3,321	3,321	2,663	658	2,695
Capital outlay	-	-	-	-	79
Total expenditures	<u>3,321</u>	<u>3,321</u>	<u>2,663</u>	<u>658</u>	<u>2,774</u>
Other financing sources (uses)					
Transfers out	<u>(1,100)</u>	<u>(1,100)</u>	<u>(1,112)</u>	<u>(12)</u>	<u>(1,028)</u>
Total other financing sources (uses)	<u>(1,100)</u>	<u>(1,100)</u>	<u>(1,112)</u>	<u>(12)</u>	<u>(1,028)</u>
Change in fund balance	(354)	(354)	211	565	(4)
Fund balances, July 1	<u>837</u>	<u>837</u>	<u>837</u>	<u>-</u>	<u>841</u>
Fund balances, June 30	<u>\$ 483</u>	<u>\$ 483</u>	<u>\$ 1,048</u>	<u>\$ 565</u>	<u>\$ 837</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, 2007
(With comparative totals for 2006)
amounts expressed in thousands

	<u>2007</u>			Variance with Final Budget- Pos (Neg)	2006 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Licenses and permits	\$ 31,122	\$ 31,122	\$ 32,755	\$ 1,633	\$ 20,734
Charges for services	5,563	5,563	5,473	(90)	4,910
Investment income	186	186	378	192	145
Other	374	374	149	(225)	15
Total revenues	<u>37,245</u>	<u>37,245</u>	<u>38,755</u>	<u>1,510</u>	<u>25,804</u>
Expenditures					
Current					
Public works	38,672	38,672	30,295	8,377	27,492
Capital outlay	676	676	1,706	(1,030)	803
Total expenditures	<u>39,348</u>	<u>39,348</u>	<u>32,001</u>	<u>7,347</u>	<u>28,295</u>
Other financing sources (uses)					
Net proceeds from issuance	-	-	-	-	2,029
Transfers out	(938)	(1,032)	(956)	(76)	(733)
Total other financing sources (uses)	<u>(938)</u>	<u>(1,032)</u>	<u>(956)</u>	<u>(76)</u>	<u>1,296</u>
Change in fund balance	(3,041)	(3,135)	5,798	8,933	(1,195)
Fund balances, July 1	<u>4,972</u>	<u>4,972</u>	<u>4,972</u>	<u>-</u>	<u>6,167</u>
Fund balances, June 30	<u>\$ 1,931</u>	<u>\$ 1,837</u>	<u>\$ 10,770</u>	<u>\$ 8,933</u>	<u>\$ 4,972</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, 2007
(With comparative totals for 2006)
amounts expressed in thousands

	2007		Actual	Variance with Final Budget- Pos (Neg)	2006 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 1,956
Investment income	13	13	32	19	13
Other	1,230	1,230	1,563	333	4
Total revenues	<u>1,243</u>	<u>1,243</u>	<u>1,595</u>	<u>352</u>	<u>1,973</u>
Expenditures					
Current					
General government	1,764	1,764	1,832	(68)	1,820
Capital outlay	458	458	82	376	147
Total expenditures	<u>2,222</u>	<u>2,222</u>	<u>1,914</u>	<u>308</u>	<u>1,967</u>
Change in fund balance	(979)	(979)	(319)	660	6
Fund balances, July 1	<u>683</u>	<u>683</u>	<u>683</u>	<u>-</u>	<u>677</u>
Fund balances, June 30	<u>\$ (296)</u>	<u>\$ (296)</u>	<u>\$ 364</u>	<u>\$ 660</u>	<u>\$ 683</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, 2007
(With comparative totals for 2006)
amounts expressed in thousands

	2007			Variance with Final Budget- Pos (Neg)	2006
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Fines and forfeits	\$ 2,100	\$ 2,100	\$ 2,304	\$ 204	\$ 2,186
Interest	45	45	115	70	50
Other	1,000	1,000	906	(94)	902
Total revenues	<u>3,145</u>	<u>3,145</u>	<u>3,325</u>	<u>180</u>	<u>3,138</u>
Expenditures					
Current					
General government	3,145	3,145	3,145	-	3,148
Total expenditures	<u>3,145</u>	<u>3,145</u>	<u>3,145</u>	<u>-</u>	<u>3,148</u>
Change in fund balance	-	-	180	180	(10)
Fund balances, July 1	<u>(12)</u>	<u>(12)</u>	<u>(12)</u>	<u>-</u>	<u>(2)</u>
Fund balances, June 30	<u>\$ (12)</u>	<u>\$ (12)</u>	<u>\$ 168</u>	<u>\$ 180</u>	<u>\$ (12)</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, 2007
(With comparative totals for 2006)
amounts expressed in thousands

	2007			Variance with Final Budget- Pos (Neg)	2006 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Charges for services	\$ 507	\$ 507	\$ 533	\$ 26	\$ 478
Intergovernmental - grants	1,220	1,220	1,226	6	1,237
Investment income	10	10	13	3	11
Other	1	1	(6)	(7)	-
Total revenues	<u>1,738</u>	<u>1,738</u>	<u>1,766</u>	<u>28</u>	<u>1,726</u>
Expenditures					
Current					
General government	1,782	1,704	1,562	142	1,555
Capital outlay	105	183	82	101	92
Debt service principal	-	-	8	(8)	-
Total expenditures	<u>1,887</u>	<u>1,887</u>	<u>1,652</u>	<u>235</u>	<u>1,647</u>
Other financing sources (uses)					
Net proceeds from refunded debt	-	-	-	-	26
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26</u>
Change in fund balance	(149)	(149)	114	263	105
Fund balances, July 1	<u>238</u>	<u>238</u>	<u>238</u>	<u>-</u>	<u>133</u>
Fund balances, June 30	<u>\$ 89</u>	<u>\$ 89</u>	<u>\$ 352</u>	<u>\$ 263</u>	<u>\$ 238</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, 2007
(With comparative totals for 2006)
amounts expressed in thousands

	2007			Variance with Final Budget- Pos (Neg)	2006
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Interest	\$ -	\$ -	\$ 176	\$ 176	\$ 143
Other	1,450	1,450	1,648	198	1,570
Total revenues	<u>1,450</u>	<u>1,450</u>	<u>1,824</u>	<u>374</u>	<u>1,713</u>
Expenditures					
Current					
Public safety	3,431	3,431	1,279	2,152	2,096
Capital outlay	358	358	76	282	780
Total expenditures	<u>3,789</u>	<u>3,789</u>	<u>1,355</u>	<u>2,434</u>	<u>2,876</u>
Other financing sources (uses)					
Operating transfers out	(1,905)	(1,905)	(356)	1,549	(344)
Total other financing sources (uses)	<u>(1,905)</u>	<u>(1,905)</u>	<u>(356)</u>	<u>1,549</u>	<u>(344)</u>
Change in fund balance	(4,244)	(4,244)	113	4,357	(1,507)
Fund balances, July 1	<u>3,018</u>	<u>3,018</u>	<u>3,018</u>	<u>-</u>	<u>4,525</u>
Fund balances, June 30	<u>\$ (1,226)</u>	<u>\$ (1,226)</u>	<u>\$ 3,131</u>	<u>\$ 4,357</u>	<u>\$ 3,018</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, 2007
(With comparative totals for 2006)
amounts expressed in thousands

	2007			Variance with Final Budget- Pos (Neg)	2006 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Licenses and permits	\$ 125	\$ 125	\$ 161	\$ 36	\$ 150
Charges for services	6,200	6,200	6,799	599	6,170
Investment income	60	60	142	82	88
Other	116	116	162	46	95
Total revenues	<u>6,501</u>	<u>6,501</u>	<u>7,264</u>	<u>763</u>	<u>6,503</u>
Expenditures					
Current					
Parks and recreation	6,561	6,538	6,054	484	5,879
Capital outlay	222	245	241	4	-
Total expenditures	<u>6,783</u>	<u>6,783</u>	<u>6,295</u>	<u>488</u>	<u>5,879</u>
Other financing sources (uses)					
Transfers out	-	(100)	(100)	-	(292)
Total other financing sources (uses)	<u>-</u>	<u>(100)</u>	<u>(100)</u>	<u>-</u>	<u>(292)</u>
Change in fund balance	(282)	(382)	869	1,251	332
Fund balances, July 1	<u>2,879</u>	<u>2,879</u>	<u>2,879</u>	<u>-</u>	<u>2,547</u>
Fund balances, June 30	<u>\$ 2,597</u>	<u>\$ 2,497</u>	<u>\$ 3,748</u>	<u>\$ 1,251</u>	<u>\$ 2,879</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, 2007
(With comparative totals for 2006)
amounts expressed in thousands

	<u>2007</u>			Variance with Final Budget- Pos (Neg)	2006 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Charges for services	\$ 8,738	\$ 8,738	\$ 10,005	\$ 1,267	\$ 6,662
Intergovernmental - grants	2,873	2,873	4,615	1,742	2,098
Investment income	200	200	315	115	230
Other	3,030	3,030	530	(2,500)	(458)
Total revenues	<u>14,841</u>	<u>14,841</u>	<u>15,465</u>	<u>624</u>	<u>8,532</u>
Expenditures					
Current					
Public safety	15,634	15,634	9,690	5,944	9,340
Capital outlay	648	648	442	206	837
Total expenditures	<u>16,282</u>	<u>16,282</u>	<u>10,132</u>	<u>6,150</u>	<u>10,177</u>
Other financing sources (uses)					
Transfers in	-	-	1,556	1,556	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,556</u>	<u>1,556</u>	<u>-</u>
Change in fund balance	(1,441)	(1,441)	6,889	8,330	(1,645)
Fund balances, July 1	<u>2,870</u>	<u>2,870</u>	<u>2,870</u>	<u>-</u>	<u>4,515</u>
Fund balances, June 30	<u>\$ 1,429</u>	<u>\$ 1,429</u>	<u>\$ 9,759</u>	<u>\$ 8,330</u>	<u>\$ 2,870</u>

CITY OF HOUSTON, TEXAS
SIGN ADMINISTRATION FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007
(With comparative totals for 2006)
amounts expressed in thousands

	2007			Variance with Final Budget- Pos (Neg)	2006 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Licenses and permits	\$ 3,420	\$ 3,420	\$ 2,917	\$ (503)	\$ 2,089
Investment income	50	50	102	52	56
Other	2	2	6	4	9
Total revenues	<u>3,472</u>	<u>3,472</u>	<u>3,025</u>	<u>(447)</u>	<u>2,154</u>
Expenditures					
Current					
Public works	3,812	3,367	2,318	1,049	1,959
Capital outlay	335	780	463	317	190
Total expenditures	<u>4,147</u>	<u>4,147</u>	<u>2,781</u>	<u>1,366</u>	<u>2,149</u>
Change in fund balance	(675)	(675)	244	919	5
Fund balances, July 1	<u>1,483</u>	<u>1,483</u>	<u>1,483</u>	<u>-</u>	<u>1,478</u>
Fund balances, June 30	<u>\$ 808</u>	<u>\$ 808</u>	<u>\$ 1,727</u>	<u>\$ 919</u>	<u>\$ 1,483</u>

CITY OF HOUSTON, TEXAS
STORMWATER FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007
(With comparative totals for 2006)
amounts expressed in thousands

	2007			Variance with Final Budget- Pos (Neg)	2006 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 100	\$ 100	\$ 312	\$ 212	\$ 35
Other	70	70	108	38	248
Total revenues	<u>170</u>	<u>170</u>	<u>420</u>	<u>250</u>	<u>283</u>
Expenditures					
Current					
Public works	33,213	33,040	28,760	4,280	30,207
Capital outlay	2,649	2,771	2,334	437	3,107
Total expenditures	<u>35,862</u>	<u>35,811</u>	<u>31,094</u>	<u>4,717</u>	<u>33,314</u>
Other financing sources (uses)					
Net proceeds from issuance	-	-	-	-	1,000
Transfers in	34,837	34,837	34,056	(781)	31,300
Transfers out	(3,521)	(3,572)	(2,792)	780	(545)
Total other financing sources (uses)	<u>31,316</u>	<u>31,265</u>	<u>31,264</u>	<u>(1)</u>	<u>31,755</u>
Change in fund balance	(4,376)	(4,376)	590	4,966	(1,276)
Fund balances, July 1	<u>2,762</u>	<u>2,762</u>	<u>2,762</u>	<u>-</u>	<u>4,038</u>
Fund balances, June 30	<u>\$ (1,614)</u>	<u>\$ (1,614)</u>	<u>\$ 3,352</u>	<u>\$ 4,966</u>	<u>\$ 2,762</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, 2007
(With comparative totals for 2006)
amounts expressed in thousands

	2007		Actual	Variance with Final Budget- Pos (Neg)	2006 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Charges for services	\$ 1,403	\$ 1,403	\$ 216	\$ (1,187)	\$ 209
Intergovernmental - grants	18,775	18,775	8,653	(10,122)	6,747
Investment income	-	-	2	2	-
Total revenues	<u>20,178</u>	<u>20,178</u>	<u>8,871</u>	<u>(11,307)</u>	<u>6,956</u>
Expenditures					
Current					
Public safety	21,127	20,918	18,902	2,016	15,557
Capital outlay	50	259	124	135	39
Total expenditures	<u>21,177</u>	<u>21,177</u>	<u>19,026</u>	<u>2,151</u>	<u>15,596</u>
Other financing sources (uses)					
Net proceeds from issuance	-	-	-	-	1,000
Transfers in	-	-	9,634	9,634	8,270
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>9,634</u>	<u>9,634</u>	<u>9,270</u>
Change in fund balance	(999)	(999)	(521)	478	630
Fund balances, July 1	<u>630</u>	<u>630</u>	<u>630</u>	<u>-</u>	<u>-</u>
Fund balances, June 30	<u>\$ (369)</u>	<u>\$ (369)</u>	<u>\$ 109</u>	<u>\$ 478</u>	<u>\$ 630</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, 2007
(With comparative totals for 2006)
amounts expressed in thousands

	2007			Variance with Final Budget- Pos (Neg)	2006 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Investment income	5	5	30	25	18
Other	30	30	49	19	90
Total revenues	<u>35</u>	<u>35</u>	<u>79</u>	<u>44</u>	<u>108</u>
Expenditures					
Current					
General government	142	144	44	100	45
Capital outlay	114	114	18	96	41
Total expenditures	<u>256</u>	<u>258</u>	<u>62</u>	<u>196</u>	<u>86</u>
Change in fund balance	(221)	(223)	17	240	22
Fund balances, July 1	<u>546</u>	<u>546</u>	<u>546</u>	<u>-</u>	<u>524</u>
Fund balances, June 30	<u>\$ 325</u>	<u>\$ 323</u>	<u>\$ 563</u>	<u>\$ 240</u>	<u>\$ 546</u>

Enterprise Funds

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

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

Convention and Entertainment Facilities — This fund is used to account for the operation of the City's four major entertainment centers and two City-owned parking garages. These centers include the following: Jesse H. Jones Hall; Bayou Place; Gus S. Wortham Center; George R. Brown Convention Center and the Tranquility Park and Theater District parking garages.

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

Nonmajor Enterprise Funds – The Houston Area Water Corporation fund did not meet the established criteria for major fund status. The Houston Area Water Corporation was organized to provide water to the City of Houston for resale to customers located wholly or partially in Area Three of the Harris-Galveston Coastal Subsidence District.

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Net Assets
June 30, 2007
(With comparative amounts for 2006)
amounts expressed in thousands

	<u>2007</u>	<u>2006</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ -	\$ 55,187
Equity in pooled cash and investments	722,089	572,391
Receivables, net of allowances		
Accounts receivable	19,462	29,598
Due from other funds	6	505
Due from other governments	2,474	9,731
Inventory	3,626	3,334
Prepaid items	2,106	1,889
Restricted assets		
Investments	7,013	8,023
Total current assets	<u>756,776</u>	<u>680,658</u>
Noncurrent Assets		
Deferred charges for issuance cost	<u>1,804</u>	<u>1,882</u>
Capital assets		
Land	202,214	198,614
Buildings, improvements and equipment	3,527,363	3,386,063
Construction in progress	302,189	329,210
Less accumulated depreciation		
Buildings, improvements and equipment	<u>(1,203,037)</u>	<u>(1,077,689)</u>
Net capital assets	<u>2,828,729</u>	<u>2,836,198</u>
Total noncurrent assets	<u>2,830,533</u>	<u>2,838,080</u>
Total assets	<u>\$ 3,587,309</u>	<u>\$ 3,518,738</u>

(Continued)

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Net Assets
June 30, 2007
(With comparative amounts for 2006)
amounts expressed in thousands

	2007	2006
Liabilities		
Current Liabilities		
Accounts payable	\$ 6,141	\$ 4,143
Accrued payroll liabilities	2,760	1,340
Accrued interest payable	48,914	49,070
Contracts and retainages payable	19,110	23,712
Due to other funds	609	-
Advances and deposits	2,236	1,844
Inferior lien contract	3,660	3,450
Claims and judgments	1,303	1,157
Compensated absences	3,990	3,286
Other liabilities	950	851
Revenue bonds payable	34,500	28,385
Deferred revenue	9,376	8,127
Total current liabilities	133,549	125,365
Noncurrent liabilities		
Revenue bonds payable, net	2,046,352	2,079,461
Claims and judgments	2,814	2,292
Compensated absences	4,494	3,530
Inferior lien contracts	49,700	53,360
Commercial paper	95,000	59,000
Other long-term liabilities	1,011	1,961
Pension note payable	34,800	34,800
Municipal pension trust liability	27,512	22,747
Pension obligation bonds payable	2,006	2,006
Total noncurrent liabilities	2,263,689	2,259,157
Total liabilities	2,397,238	2,384,522
Net assets		
Invested in capital assets, net of related debt	648,933	688,569
Restricted net assets		
Restricted for debt service	53,373	37,868
Restricted for renewal and replacement	10,000	10,000
Restricted for maintenance and operations	39,638	38,322
Restricted for capital improvements	438,127	359,457
Total net assets	\$ 1,190,071	\$ 1,134,216

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2007
(With comparative amounts for 2006)
amounts expressed in thousands

	<u>2007</u>	<u>2006</u>
Operating Revenues		
Landing area fees	\$ 92,140	\$ 101,758
Terminal space rentals	199,720	179,951
Parking	65,454	62,377
Concession	54,540	46,507
Other	4,284	3,268
Total operating revenue	<u>416,138</u>	<u>393,861</u>
Operating Expenses		
Maintenance and operating	214,611	202,496
Depreciation and amortization	126,953	134,150
Total operating expenses	<u>341,564</u>	<u>336,646</u>
Operating income (loss)	<u>74,574</u>	<u>57,215</u>
Nonoperating revenue (expenses)		
Investment income	33,722	18,667
Other revenue	541	56
Loss on disposal of assets	(7)	(1,297)
Passenger facility charges	6,530	-
Interest on long-term debt	(101,186)	(93,449)
Total Nonoperating revenues (expenses)	<u>(60,400)</u>	<u>(76,023)</u>
Income (loss) before contributions and transfers	<u>14,174</u>	<u>(18,808)</u>
Capital contributions	<u>41,681</u>	<u>84,105</u>
Change in net assets	55,855	65,297
Total net assets, July 1	<u>1,134,216</u>	<u>1,068,919</u>
Total net assets, June 30	<u>\$ 1,190,071</u>	<u>\$ 1,134,216</u>

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Cash Flows
For the Year Ended June 30, 2007
(With comparative amounts for 2006)
amounts expressed in thousands

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Receipts from customers	\$ 427,886	\$ 401,714
Payments to employees	(79,758)	(76,049)
Payments to suppliers	(86,319)	(88,223)
Internal activity-payments to other funds	(37,455)	(35,296)
Claims paid	(1,304)	(1,157)
Other revenues	483	56
Net cash provided by operating activities	<u>223,533</u>	<u>201,045</u>
Cash flows from investing activities		
Interest income on investments	33,722	22,515
Purchase of investments	(2,285)	(432,810)
Proceeds from sale of investments	3,295	402,535
Transfer of investments to equity pool cash & investments	572,391	-
Net cash provided by (used for) investing activities	<u>607,123</u>	<u>(7,760)</u>
Cash flows from noncapital financing activities		
Interest expense electrical contract	(44)	-
Interest expense pension obligation bonds	(105)	(98)
Interest expense collateralized note	(2,958)	(2,637)
Net cash provided by (used in) noncapital financing activities	<u>(3,107)</u>	<u>(2,735)</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(28,385)	(27,665)
Proceeds (uses of cash) from issuance of revenue bonds	-	(655)
Proceeds from issuance of commercial paper	36,000	10,500
Interest expense on revenue bonds	(111,559)	(109,708)
Retirement of inferior lien contract	(3,450)	(1,628)
Passenger facilities charges	6,530	-
Advances and deposits on construction	16	9
Contributed capital	48,995	85,342
Acquisition of property, plant and equipment	(108,794)	(138,311)
Net cash provided by (used in) capital and related financing activities	<u>(160,647)</u>	<u>(182,116)</u>
Net cash provided by noncapital financing activities		
Net increase in cash and cash equivalents	<u>666,915</u>	<u>8,434</u>
Cash and cash equivalents, July 1	<u>55,187</u>	<u>46,753</u>
Cash and cash equivalents, June 30	<u>\$ 722,102</u>	<u>\$ 55,187</u>
Non cash transactions		
Unrealized gain (loss) on investments	2,988	(4,007)
Capitalized interest expense	14,794	19,913
Capital additions included in liabilities	4,602	-
Loss on disposal of assets	7	1,297
Total non cash transactions	<u>\$ 22,391</u>	<u>\$ 17,203</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 74,574	\$ 57,215
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	126,953	134,150
Other revenues	483	56
Changes in assets and liabilities		
Accounts receivable	10,136	858
Due from other funds	(6)	3,850
Inventory and prepaid insurance	(509)	(382)
Accounts payable	1,147	(475)
Accrued payroll liabilities	1,420	575
Due to other funds	609	(2,863)
Advances and deposits	1,625	7,002
Claims and judgments - workers' compensation	668	781
Compensated absences	1,668	116
Pension Obligation payable	4,765	162
Net cash provided by operating activities	<u>\$ 223,533</u>	<u>\$ 201,045</u>

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Net Assets
June 30, 2007
(With comparative amounts for 2006)
amounts expressed in thousands

	2007	2006
Assets		
Current Assets		
Cash and cash equivalents	\$ -	\$ 39,904
Equity in pooled cash and investments	82,950	34,248
Receivables, net of allowances		
Accounts receivable	1,226	972
Hotel occupancy tax receivable	16,111	13,900
Due from component units	13,996	10,949
Due from other funds	76	124
Due from other governments	758	687
Prepaid items	663	603
Restricted assets		
Investments	21,774	21,774
Total current assets	137,554	123,161
Noncurrent Assets		
Due from component units	299,928	296,315
Deferred charges for issuance cost	3,727	4,032
Other assets		
Garage Rights, net of amortization	11,920	12,274
Capital assets		
Land	99,757	99,757
Buildings, improvements and equipment	452,877	448,891
Construction in progress	753	8,039
Less accumulated depreciation		
Buildings, improvements and equipment	(143,723)	(133,598)
Accumulated depreciation	(143,723)	(133,598)
Net capital assets	409,664	423,089
Total noncurrent assets	725,239	735,710
Total assets	\$ 862,793	\$ 858,871

(Continued)

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Net Assets
June 30, 2007
(With comparative amounts for 2006)
amounts expressed in thousands

	2007	2006
Liabilities		
Current Liabilities		
Accounts payable	\$ 7,113	\$ 8,160
Accrued payroll liabilities	297	139
Accrued interest payable	5,973	6,177
Contracts and retainages payable		1,055
Due to component units	24,344	27,392
Due to other governments	79	5
Advances and deposits	1,268	851
Claims and judgments	78	81
Compensated absences	468	308
Other liabilities	239	214
Revenue bonds payable	17,540	14,775
Deferred revenue	396	396
Total current liabilities	57,795	59,553
Noncurrent liabilities		
Revenue bonds payable	615,562	624,638
Claims and judgments	213	213
Compensated absences	396	395
Commercial paper	35,500	22,500
Arbitrage rebate	235	121
Other long-term liabilities	255	494
Pension note payable	3,300	3,300
Municipal pension trust liability	2,867	2,391
Deferred revenue	10,388	11,080
Pension obligation bonds payable	189	189
Total noncurrent liabilities	668,905	665,321
Total liabilities	726,700	724,874
Net Assets		
Invested in capital assets, net of related debt	61,066	77,320
Restricted net assets		
Restricted for debt service	15,801	15,597
Restricted for maintenance and operations	16,997	15,951
Unrestricted	42,229	25,129
Total net assets	\$ 136,093	\$ 133,997

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2007
(With comparative amounts for 2006)
amounts expressed in thousands

	2007	2006
Operating Revenues		
Parking	\$ 9,011	\$ 8,984
Concession	4,722	3,920
Rental	6,821	6,695
Total operating revenue	20,554	19,599
Operating Expenses		
Maintenance and operating	35,342	33,437
Depreciation and amortization	11,925	10,984
Total operating expenses	47,267	44,421
Operating income (loss)	(26,713)	(24,822)
Nonoperating revenue (expenses)		
Investment income	18,704	16,729
Hotel occupancy tax	58,709	54,765
Other revenue	1,447	170
Loss on disposal of assets	5,385	-
Other expenses	(25,720)	(23,880)
Interest on long-term debt	(32,859)	(30,970)
Contributions In	2,740	4,020
Total Nonoperating revenues (expenses)	28,406	20,834
Income (loss) before contributions and transfers	1,693	(3,988)
Capital contributions	(691)	72
Operating transfers in	1,187	1,000
Operating transfers out	(93)	-
Total transfers	1,094	1,000
Change in net assets	2,096	(2,916)
Total net assets, July 1	133,997	136,913
Total net assets, June 30	\$ 136,093	\$ 133,997

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Cash Flows
For the Year Ended June 30, 2007
(With comparative amounts for 2006)
amounts expressed in thousands

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Receipts from customers	\$ 20,025	\$ 19,075
Payments to employees	(8,044)	(7,062)
Payments to suppliers	(26,909)	(20,412)
Internal activity-payments to other funds	(676)	(471)
Claims paid	(80)	90
Due from other governments	74	1
Other revenues	1,447	170
Other expenses	<u>(1,784)</u>	<u>(2,018)</u>
Net cash used for operating activities	<u>(15,947)</u>	<u>(10,627)</u>
Cash flows from investing activities		
Interest income on investments	18,704	17,192
Purchase of investments	-	(47,611)
Proceeds from sale of investments	-	48,948
Transfer from investments to equity pool cash and investments	<u>34,248</u>	<u>-</u>
Net cash provided by investing activities	<u>52,952</u>	<u>18,529</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(14,775)	(13,680)
Net proceeds from issuance of commercial paper	13,000	-
Interest expense on debt	(24,004)	(23,094)
Proceeds from disposition of assets	8,046	-
Acquisition of property, plant and equipment, net	<u>(2,554)</u>	<u>(5,964)</u>
Net cash used for capital and related financing activities	<u>(20,287)</u>	<u>(42,738)</u>
Cash flows from noncapital financing activities		
Promotional contract paid from hotel occupancy tax revenues to component units	(23,935)	(21,862)
Transfers	1,094	1,000
Payments to Hotel Corporation	(7,726)	14,057
Hotel occupancy tax revenue	57,186	53,768
Interest expense on pension obligation bonds	(10)	(10)
Interest expense on collateralized note	<u>(281)</u>	<u>(222)</u>
Net cash provided by noncapital financing activities	<u>26,328</u>	<u>46,731</u>
Net increase (decrease) in cash and cash equivalents	43,046	11,895
Cash and cash equivalents, July 1	<u>39,904</u>	<u>28,009</u>
Cash and cash equivalents, June 30	<u>\$ 82,950</u>	<u>\$ 39,904</u>

(Continued)

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Cash Flows
For the Year Ended June 30, 2007
(With comparative amounts for 2006)
amounts expressed in thousands

	<u>2007</u>	<u>2006</u>
Non cash transactions		
Unrealized gain (loss) on investments	\$ -	\$ 464
Contributions of capital assets	(691)	72
Capital additions included in liabilities	(1,055)	(2,156)
Capitalized interest expense	-	513
Total non cash transactions	<u>\$ (1,746)</u>	<u>\$ (1,107)</u>
Reconciliation of operating income to net cash used by operating activities		
Operating income (loss)	\$ (26,713)	\$ (24,822)
Depreciation and amortization	11,925	10,984
Other revenues	1,447	
Other expenses	(1,784)	(1,848)
Changes in assets and liabilities		
Accounts receivable and prepaids	(253)	(217)
Due from other funds	48	322
Accounts payable	(1,261)	5,453
Accrued payroll liabilities	158	58
Due to other funds	-	(37)
Due to other governments	74	1
Advances and deposits	416	384
Inventory and prepaid Insurance	(61)	(163)
Claims and judgments-workers' compensation	(3)	182
Compensated absences	161	61
Deferred revenue	(692)	(691)
Pension Obligation payable	477	
Other long-term liabilities	114	(294)
Net cash used in operating activities	<u>\$ (15,947)</u>	<u>\$ (10,627)</u>

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Net Assets
June 30, 2007
(With comparative amounts for 2006)
amounts expressed in thousands

	2007	2006
Assets		
Current assets		
Cash and cash equivalent	\$ -	\$ 174,030
Equity in pooled cash and investments	645,791	393,668
Receivables, net of allowances		
Accounts receivable	68,023	76,781
Special assessments receivable	93	97
Due from other funds	-	1,924
Due from other governments	5,158	6,436
Inventory	5,633	4,677
Prepaid items	3,111	2,758
Total current assets	727,809	660,371
Noncurrent Assets		
Deferred charges for issuance cost	46,762	45,990
Total noncurrent restricted assets	46,762	45,990
Other assets		
Water rights, net of amortization	202,595	214,027
Amounts held by other governments	14,520	11,793
Total other assets	217,115	225,820
Capital assets		
Land	101,371	102,148
Buildings, improvements and equipment	198,733	226,641
Plants, lines and rights	7,619,503	7,103,924
Construction in progress	507,292	763,597
Total capital assets	8,426,899	8,196,310
Less accumulated depreciation		
Buildings, improvements and equipment	(109,679)	(124,007)
Plants, lines and rights	(3,674,862)	(3,517,076)
Accumulated depreciation	(3,784,541)	(3,641,083)
Net capital assets	4,642,358	4,555,227
Total noncurrent assets	4,906,235	4,827,037
Total assets	5,634,044	\$ 5,487,408

(Continued)

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Net Assets
June 30, 2007
(With comparative amounts for 2006)
amounts expressed in thousands

	2007	2006
Liabilities		
Current Liabilities		
Accounts payable	\$ 38,726	\$ 12,308
Accrued payroll liabilities	4,153	1,931
Accrued interest payable	24,473	26,571
Contracts and retainages payable	60,091	76,264
Due to other funds	682	742
Due to other governments	4,897	3,635
Advances and deposits	32,568	29,330
Claims and judgments	1,173	2,200
Compensated absences	6,374	5,348
Deferred Electricity Note	2,453	2,197
Revenue bonds payable	26,613	25,618
Total current liabilities	202,203	186,144
Noncurrent liabilities		
Revenue bonds payable	4,379,524	4,260,640
Claims and judgments	1,333	1,829
Compensated absences	11,204	10,203
Contracts payable	206,482	227,885
Commercial paper	440,200	226,800
Arbitrage rebate	2,427	-
Deferred Electricity Note	2,610	5,063
Pension note payable	51,600	51,600
Municipal pension trust liability	44,627	37,892
Deferred revenue	158,334	158,919
Pension obligation bonds payable	3,382	3,382
Total noncurrent liabilities	5,301,723	4,984,213
Total liabilities	5,503,926	5,170,357
Net Assets		
Invested in capital assets, net of related debt	-	173,421
Restricted net assets		
Restricted for maintenance and operations	62,674	62,733
Restricted for capital improvements	5,158	6,436
Unrestricted	62,286	74,461
Total net assets	\$ 130,118	\$ 317,051

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2007
(With comparative amounts for 2006)
amounts expressed in thousands

	<u>2007</u>	<u>2006</u>
Operating Revenues		
Water/Sewer Billing	615,465	\$ 642,662
Total operating revenue	<u>615,465</u>	<u>642,662</u>
Operating Expenses		
Maintenance and operating	315,348	302,955
Depreciation and amortization	257,722	228,665
Total operating expenses	<u>573,070</u>	<u>531,620</u>
Operating income (loss)	<u>42,395</u>	<u>111,042</u>
Nonoperating revenue (expenses)		
Investment income	36,014	18,650
Other revenue	36,617	26,557
Loss on disposal of assets	(3,478)	(5,571)
Other expenses	(1)	(51)
Interest on long-term debt	(242,282)	(214,880)
Total Nonoperating revenues (expenses)	<u>(173,130)</u>	<u>(175,295)</u>
Income (loss) before contributions and transfers	<u>(130,735)</u>	<u>(64,253)</u>
Capital contributions	<u>20,746</u>	<u>19,301</u>
Transfers out	<u>(76,944)</u>	<u>(87,557)</u>
Total transfers	<u>(76,944)</u>	<u>(87,557)</u>
Change in net assets	(186,933)	(132,509)
Total net assets, July 1	<u>317,051</u>	<u>449,560</u>
Total net assets, June 30	<u>\$ 130,118</u>	<u>\$ 317,051</u>

**CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Cash Flows
For the Year Ended June 30, 2007
(With comparative amounts for 2006)
amounts expressed in thousands**

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Receipts from customers	\$ 627,465	\$ 638,773
Payments to employees	(119,284)	(116,485)
Payments to suppliers	(156,998)	(177,594)
Internal activity-payments to other funds	(4,111)	(10,776)
Claims paid	(1,650)	(2,230)
Other revenues	36,030	24,147
Net cash provided by (used in) operating activities	<u>381,452</u>	<u>355,835</u>
Cash flows from investing activities		
Interest income on investments	36,014	22,435
Purchase of investments	-	(631,741)
Proceeds from sale of investments	-	573,538
Transfer from investments to equity pool cash and investments	393,668	-
Net cash provided by (used in) investing activities	<u>429,682</u>	<u>(35,768)</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(95,947)	(50,166)
Proceeds from issuance of revenue bonds - net	103,583	431
Proceeds from issuance of commercial paper	280,000	250,000
Interest expense on debt	(235,793)	(206,422)
Proceeds from disposition of assets	7,247	(4,655)
Contributed capital	5,512	65,722
Deferred bond issuance cost	(3,063)	5,377
Acquisition of property, plant and equipment	(323,968)	(303,172)
Net cash used for capital and related financing activities	<u>(262,429)</u>	<u>(242,885)</u>
Cash flows from noncapital financing activities		
Interest expense on pension obligation bonds	-	(165)
Interest expense on collateralized note	-	(3,472)
Transfers to debt service fund	(24,211)	(26,257)
Transfers to other funds	(52,733)	(61,351)
Net cash used in noncapital financing activities	<u>(76,944)</u>	<u>(91,245)</u>
Net decrease in cash and cash equivalents	471,761	(14,063)
Cash and cash equivalents, July 1	174,030	188,093
Cash and cash equivalents, June 30	<u>\$ 645,791</u>	<u>\$ 174,030</u>
Non cash transactions		
Unrealized gain (loss) on investments	2,305	5,176
Amortization expense	8,384	-
Capital additions included in liabilities	17,255	(7,655)
Contributed Capital	18,410	19,301
Capitalized interest expense	19,027	29,695
Loss on disposal of assets	-	5,571
Total non cash transactions	<u>\$ 65,381</u>	<u>\$ 52,088</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 42,395	\$ 111,042
Depreciation and amortization	257,722	228,665
Other revenues	36,617	26,557
Accounts receivable	8,761	(7,087)
Due from other funds	1,924	3,565
Due from other governments	(2,679)	(5,204)
Inventory & prepaid insurance	(1,310)	(831)
Accounts payable	26,418	1,373
Accrued payroll liabilities	2,223	215
Due to other funds	(743)	(5,938)
Arbitrage rebate	2,427	-
Advances and deposits	3,238	3,197
Claims and judgments-workers' compensation	(1,522)	(1,068)
Compensated absences	2,027	(865)
Pension obligation payable	(2,196)	7,261
Pension note	6,735	(1,175)
Deferred revenues	(585)	(3,872)
Net cash provided by operating activities	<u>\$ 381,452</u>	<u>\$ 355,835</u>

CITY OF HOUSTON, TEXAS
Houston Area Water Corporation
Statement of Net Assets
June 30, 2007
(With comparative amounts for 2006)
amounts expressed in thousands

	<u>2007</u>	<u>2006</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ -	\$ 211
Equity in pooled cash and investments	78	1,838
Receivables, net of allowances		
Accounts receivable	1,934	-
Due from other funds	707	742
Due from other governments	1,323	21
Prepaid items	-	283
Investments	4,137	3,433
Total current assets	<u>8,179</u>	<u>6,528</u>
Noncurrent Assets		
Deferred charges for issuance cost	<u>1,503</u>	<u>1,564</u>
Total noncurrent restricted assets	<u>1,503</u>	<u>1,564</u>
Capital assets		
Land	2,857	2,845
Buildings, improvements and equipment	19,704	24,818
Plants, lines and rights	143,551	138,365
Construction in progress	213	-
Less accumulated depreciation		
Buildings, improvements and equipment	(762)	(559)
Plants, lines and rights	(7,902)	(3,181)
Net capital assets	<u>157,661</u>	<u>162,288</u>
Total noncurrent assets	<u>159,164</u>	<u>163,852</u>
Total assets	<u>\$ 167,343</u>	<u>\$ 170,380</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 3,247	\$ 2,142
Accrued interest payable	2,164	2,197
Contracts and retainages payable	1,100	1,050
Revenue bonds payable	2,585	2,485
Deferred revenue	692	283
Total current liabilities	<u>9,788</u>	<u>8,157</u>
Noncurrent liabilities		
Revenue bonds payable	<u>122,068</u>	<u>124,623</u>
Total noncurrent liabilities	<u>122,068</u>	<u>124,623</u>
Total liabilities	<u>131,856</u>	<u>132,780</u>
Net assets		
Investment in capital assets, net of related debt	35,460	37,524
Unrestricted	27	76
Total net assets	<u>\$ 35,487</u>	<u>\$ 37,600</u>

CITY OF HOUSTON, TEXAS
Houston Area Water Corporation
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2007
(With comparative amounts for 2006)
amounts expressed in thousands

	2007	2006
Operating Expenses		
Maintenance and operating	8,993	7,485
Depreciation and amortization	4,925	3,740
Total operating expenses	13,918	11,225
Operating income (loss)	(13,918)	(11,225)
 Nonoperating revenue (expenses)		
Investment income	218	166
Interest on long-term debt	(6,650)	(6,203)
Total Nonoperating revenues (expenses)	(6,432)	(6,037)
 Income (loss) before contributions and transfers	(20,350)	(17,262)
 Operating transfers in - primary government	18,237	22,156
Total transfers	18,237	22,156
 Change in net assets	(2,113)	4,894
Total net assets (deficit), July 1	37,600	32,706
 Total net assets, June 30	\$ 35,487	\$ 37,600

CITY OF HOUSTON, TEXAS
Houston Area Water Corporation
Statement of Cash Flows
For the Year Ended June 30, 2007
(With comparative amounts for 2006)
amounts expressed in thousands

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Payments to suppliers	\$ 12,024	\$ (5,512)
Internal activity-payments (to) from other funds	(13,487)	7,484
Net cash used for operating activities	<u>(1,463)</u>	<u>1,972</u>
Cash flows from investing activities		
Interest income on investments	218	166
Proceeds from sale of investments	1,340	2,132
Net cash provided by (used for) investing activities	<u>1,558</u>	<u>2,298</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(2,485)	(2,365)
Interest expense on debt	58	(450)
Advances and deposits on construction	2,477	13,668
Acquisition of property, plant and equipment	(355)	(14,912)
Net cash provided by (used for) capital and related financing activities	<u>(305)</u>	<u>(4,059)</u>
Net increase (decrease) in cash and cash equivalents	(211)	211
Cash and cash equivalents, July 1, 2005	211	-
Cash and cash equivalents, June 30	<u>\$ -</u>	<u>\$ 211</u>
Non cash transactions		
Amortization expense	\$ 92	\$ 92
Capitalized interest expense	-	542
Total non cash transaction:	<u>\$ 92</u>	<u>\$ 634</u>
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	\$ (4,812)	\$ (11,225)
Depreciation and amortization	4,925	3,740
Changes in assets and liabilities		
Accounts receivable and prepaids	(3,197)	(60)
Accounts payable	1,212	2,033
Other revenues	409	7,484
Net cash used for operating activities	<u>\$ (1,463)</u>	<u>\$ 1,972</u>

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, 2007
(With comparative totals for 2006)
amounts expressed in thousands

	<u>Health Benefits</u>	<u>Long-term Disability</u>	<u>2007</u>	<u>2006</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 8,418	\$ 9,673	\$ 18,091	\$ 13,368
Receivables, net of allowances				
Accounts receivable	5	-	5	1
Due from other governments	1,602	-	1,602	-
Total current assets	<u>10,025</u>	<u>9,673</u>	<u>19,698</u>	<u>13,369</u>
Liabilities				
Current Liabilities				
Accounts payable	38	20	58	63
Accrued payroll liabilities	77	-	77	39
Due to other governments	1,602	-	1,602	-
Advances and deposits	-	-	-	7
Claims and judgments	1,203	761	1,964	2,030
Compensated absences	141	-	141	89
Unearned revenue	1,156	-	1,156	927
Total current liabilities	<u>4,217</u>	<u>781</u>	<u>4,998</u>	<u>3,155</u>
Noncurrent liabilities				
Claims and judgments	-	7,022	7,022	6,274
Compensated absences	80	-	80	62
Total noncurrent liabilities	<u>80</u>	<u>7,022</u>	<u>7,102</u>	<u>6,336</u>
Total liabilities	<u>4,297</u>	<u>7,803</u>	<u>12,100</u>	<u>9,491</u>
Net Assets				
Unrestricted	5,728	1,870	7,598	3,878
Total net assets	<u>\$ 5,728</u>	<u>\$ 1,870</u>	<u>\$ 7,598</u>	<u>\$ 3,878</u>

CITY OF HOUSTON, TEXAS
INTERNAL SERVICE FUNDS
Combining Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2007
(With comparative totals for 2006)
amounts expressed in thousands

	<u>Health Benefits</u>	<u>Long-term Disability</u>	<u>2007</u>	<u>2006</u>
Operating Revenues				
Health benefit premiums	\$ 247,020	\$ 2,158	\$ 249,178	\$ 231,840
Total operating revenues	<u>247,020</u>	<u>2,158</u>	<u>249,178</u>	<u>231,840</u>
Operating Expenses				
Administrative costs	3,059	11	3,070	3,134
Claims Costs	241,849	1,627	243,476	226,807
Total operating expenses	<u>244,908</u>	<u>1,638</u>	<u>246,546</u>	<u>229,941</u>
Operating income (loss)	<u>2,112</u>	<u>520</u>	<u>2,632</u>	<u>1,899</u>
Nonoperating revenues (expenses)				
Investment income	626	462	1,088	685
Total Nonoperating revenues (expenses)	<u>626</u>	<u>462</u>	<u>1,088</u>	<u>685</u>
Income (loss) before contributions and transfers	<u>2,738</u>	<u>982</u>	<u>3,720</u>	<u>2,584</u>
Change in net assets	2,738	982	3,720	2,584
Total net assets (deficit), July 1	<u>2,990</u>	<u>888</u>	<u>3,878</u>	<u>1,294</u>
Total net assets, June 30	<u>\$ 5,728</u>	<u>\$ 1,870</u>	<u>\$ 7,598</u>	<u>\$ 3,878</u>

CITY OF HOUSTON, TEXAS
INTERNAL SERVICE FUNDS
Combining Statement of Cash Flows
For the Year Ended June 30, 2007
(With comparative totals for 2006)
amounts expressed in thousands

	Health Benefits	Long-term Disability	2007	2006
Cash flows from operating activities				
Receipts from customers	\$ 247,024	\$ 2,158	\$ 249,182	\$ 231,841
Payments to employees	(2,282)	-	(2,282)	(2,134)
Payments to suppliers	(381)	-	(381)	(37,037)
Internal activity-payments to other funds	(57)	-	(57)	(47)
Claims paid	(241,912)	(915)	(242,827)	(226,077)
Net cash provided by (used in) operating activities	<u>2,392</u>	<u>1,243</u>	<u>3,635</u>	<u>(33,454)</u>
Cash flows from investing activities				
Interest income on investments	626	462	1,088	685
Net cash provided by investing activities	<u>626</u>	<u>462</u>	<u>1,088</u>	<u>685</u>
Cash flows from noncapital financing activities				
Net increase (decrease) in cash and cash equivalents	3,018	1,705	4,723	(32,769)
Cash and cash equivalents, July 1	5,400	7,968	13,368	46,137
Cash and cash equivalents, June 30	<u>\$ 8,418</u>	<u>\$ 9,673</u>	<u>\$ 18,091</u>	<u>\$ 13,368</u>
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (loss)	\$ 2,112	\$ 520	\$ 2,632	\$ 1,899
Changes in assets and liabilities				
Accounts receivable	(5)	-	(5)	5
Due from other funds	-	-	-	2
Due from other governments	1,602	-	1,602	-
Accounts payable	9	(14)	(5)	(34,519)
Accrued payroll liabilities	38	-	38	14
Due to other funds	-	-	-	(2)
Due to other governments	(1,602)	-	(1,602)	-
Advances and deposits	(7)	-	(7)	(2,132)
Claims for workers' compensation	(55)	737	682	738
Compensated absences	71	-	71	25
Deferred revenue	229	-	229	521
Net cash provided by operating activities	<u>\$ 2,392</u>	<u>\$ 1,243</u>	<u>\$ 3,635</u>	<u>\$ (33,449)</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, 2007
(With comparative totals for 2006)
amounts expressed in thousands

		Firefighters' Relief and Retirement Pension Trust Fund
Assets		
Cash	\$	8,756
Investments		
U.S. government and agency securities		-
Corporate bonds		-
Other fixed income securities		952,587
Commingled equity funds		-
Common and preferred stock		1,341,539
Real estate and partnerships		519,119
Short-term investment funds		130,127
Invested securities lending collateral		662,886
Receivables, net of allowances		
Due from broker		6
Contributions		2,946
Accrued interest and dividends		15,192
Other		13,702
Other assets		774
Land		483
Building		7,217
Total assets		3,655,334
 Liabilities and plan net asset		
Liabilities		
Accounts payable		19,162
Securities lending collateral		662,886
Foreign funds contracts payable		7,123
Other liabilities		81
Total liabilities		689,252
 Plan net assets held in trust for pension benefits	 \$	 2,966,082

(Continued)

Municipal Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	2007	2006
\$ 3,148	\$ 184	\$ 12,088	\$ 5,645
48,020	-	48,020	57,379
88,502	-	88,502	75,568
-	885,284	1,837,871	1,694,965
588,541	-	588,541	548,133
652,859	1,474,702	3,469,100	2,984,555
551,970	878,166	1,949,255	1,524,664
91,352	82,338	303,817	298,431
132,467	517,637	1,312,990	1,245,098
4,156	34,455	38,617	24,888
-	1,235	4,181	3,788
52,343	17,170	84,705	59,097
303,126	132	316,960	368,564
14,714	-	15,488	9,820
-	-	483	483
-	-	7,217	7,488
<u>2,531,198</u>	<u>3,891,303</u>	<u>10,077,835</u>	<u>8,908,566</u>
45,727	13,595	78,484	69,648
132,467	517,637	1,312,990	1,245,098
4,158	405	11,686	68,965
4,249	1	4,331	3,570
<u>186,601</u>	<u>531,638</u>	<u>1,407,491</u>	<u>1,387,281</u>
<u>\$ 2,344,597</u>	<u>\$ 3,359,665</u>	<u>\$ 8,670,344</u>	<u>\$ 7,521,285</u>

CITY OF HOUSTON, TEXAS
PENSION TRUST FUNDS
Combining Statement of Changes in Plan Net Assets
For the Year Ended June 30, 2007
(With comparative totals for 2006)
amounts expressed in thousands

	Firefighters' Relief and Retirement Pension Trust Fund
Additions:	
Contributions	
City of Houston	\$ 52,821
Members	19,982
Total Contributions	72,803
Investment income	
Interest	57,665
Net appreciation in fair value of investments	328,607
Dividends	31,620
Income on securities lending	31,784
Earnings from real estate, limited partnerships real estate investments, and other investments	14,889
Other income	3,092
Total investment and other income (loss)	467,657
Less - investment expense	(8,909)
Less - cost of securities lending	(30,499)
Total additions (reductions)	501,052
Deductions:	
Benefits paid to members	100,965
Refunds to members	203
Other	7,687
Total deductions	108,855
Net increase (decrease)	392,197
Plan net assets held in trust for pension benefits, beginning of year	2,573,884
Plan net assets held in trust for pension benefits, end of year	\$ 2,966,081

(Continued)

Municipal Employees' Pension Trust Fund		Police Officers' Pension Trust Fund		2007	2006
\$	70,265	\$	58,000	\$ 181,086	\$ 168,816
	20,966		29,489	70,437	69,221
	<u>91,231</u>		<u>87,489</u>	<u>251,523</u>	<u>238,037</u>
	15,923		38,304	111,892	87,556
	287,179		459,957	1,075,743	741,963
	15,275		27,581	74,476	51,632
	34,573		1,652	68,009	56,682
	25,035		-	39,924	36,009
	1,185		147	4,424	1,054
	<u>379,170</u>		<u>527,641</u>	<u>1,374,468</u>	<u>974,896</u>
	(6,437)		(13,116)	(28,462)	(30,321)
	(6,443)		(413)	(37,355)	(27,157)
	<u>457,521</u>		<u>601,601</u>	<u>1,560,174</u>	<u>1,155,455</u>
	157,716		133,351	392,032	378,597
	1,398		739	2,340	2,002
	6,106		2,950	16,743	15,635
	<u>165,220</u>		<u>137,040</u>	<u>411,115</u>	<u>396,234</u>
	292,301		464,561	1,149,059	759,221
	<u>2,052,296</u>		<u>2,895,105</u>	<u>7,521,285</u>	<u>6,762,064</u>
\$	<u>2,344,597</u>	\$	<u>3,359,666</u>	<u>\$ 8,670,344</u>	<u>\$ 7,521,285</u>

CITY OF HOUSTON, TEXAS
AGENCY FUNDS
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2007
amounts expressed in thousands

	<u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2007</u>
Payroll Revolving Fund				
Assets				
Equity in pooled cash and investments	\$ 7,201	\$ 2,532,938	\$ 2,534,146	\$ 5,993
Accounts receivable	121		-	\$ 121
Total assets	<u>\$ 7,322</u>	<u>\$ 2,532,938</u>	<u>\$ 2,534,146</u>	<u>\$ 6,114</u>
Liabilities				
Accounts payable	<u>\$ 7,322</u>	<u>\$ 2,130,315</u>	<u>\$ 2,131,523</u>	<u>\$ 6,114</u>
Total liabilities	<u>\$ 7,322</u>	<u>\$ 2,130,315</u>	<u>\$ 2,131,523</u>	<u>\$ 6,114</u>
City Deposit Fund				
Assets				
Equity in pooled cash and investments	<u>\$ 129</u>	<u>\$ 1,235</u>	<u>\$ 1,232</u>	<u>\$ 132</u>
Total assets	<u>\$ 129</u>	<u>\$ 1,235</u>	<u>\$ 1,232</u>	<u>\$ 132</u>
Liabilities				
Advances and deposits	<u>\$ 129</u>	<u>\$ 2,461</u>	<u>\$ 2,458</u>	<u>\$ 132</u>
Total liabilities	<u>\$ 129</u>	<u>\$ 2,461</u>	<u>\$ 2,458</u>	<u>\$ 132</u>
Tax Clearing Fund				
Assets				
Equity in pooled cash and investments	<u>\$ 6,277</u>	<u>\$ 91,273</u>	<u>\$ 20,308</u>	<u>\$ 77,242</u>
Total assets	<u>\$ 6,277</u>	<u>\$ 91,273</u>	<u>\$ 20,308</u>	<u>\$ 77,242</u>
Liabilities				
Accounts payable	<u>\$ 6,277</u>	<u>\$ 161,701</u>	<u>\$ 90,736</u>	<u>\$ 77,242</u>
Total liabilities	<u>\$ 6,277</u>	<u>\$ 161,701</u>	<u>\$ 90,736</u>	<u>\$ 77,242</u>
Totals - All Agency Funds				
Assets				
Equity in pooled cash and investments	\$ 13,607	\$ 2,625,446	\$ 2,555,686	\$ 83,367
Accounts receivable	121	-	-	\$ 121
Total assets	<u>\$ 13,728</u>	<u>\$ 2,625,446</u>	<u>\$ 2,555,686</u>	<u>\$ 83,488</u>
Liabilities				
Accounts payable	\$ 13,599	\$ 2,292,016	\$ 2,222,259	\$ 83,356
Advances and deposits	129	2,461	2,458	\$ 132
Total liabilities	<u>\$ 13,728</u>	<u>\$ 2,294,477</u>	<u>\$ 2,224,717</u>	<u>\$ 83,488</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
- Fourth Ward Redevelopment Authority
- Greater Greenspoint Redevelopment Authority
- Greater Houston Convention and Visitor's Bureau
- Gulfgate Redevelopment Authority
- HALAN Fund
- Houston Arts Alliance (formerly Culture Arts Council of Houston/Harris County)
- Houston Business Development Inc.
- Houston Downtown Park Corporation
- Houston Library Foundation
- Houston Parks Board
- Lamar Terrace Public Improvement District
- Land Assemblage Redevelopment Authority
- Main Street Market Square Redevelopment Authority
- Memorial City Redevelopment Authority
- Memorial-Heights Redevelopment Authority
- Midtown Redevelopment Authority
- Old Sixth Ward Redevelopment Authority
- OST/Almeda Corridors Redevelopment Authority
- Saint George Place Redevelopment Authority
- Sharpstown Economic Development Authority
- South Post Oak Redevelopment Authority
- Southwest Houston Redevelopment Authority
- Upper Kirby Redevelopment Authority
- Uptown Development Authority

Business-type – This category is comprised of:

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

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Net Assets
June 30, 2007
amounts expressed in thousands

	City Park Redevelopment Authority	East Downtown Redevelopment Authority	Fourth Ward Redevelopment Authority	Greater Greenspoint Redevelopment Authority
Assets				
Current Assets				
Cash	\$ 71	\$ 323	\$ 2,087	\$ 22,188
Equity in pooled cash and investments	-	-	-	-
Receivables, net of allowances				
Accounts receivable	402	740	1,133	6,271
Accrued interest and other	-	-	-	185
Inventory	-	-	-	-
Prepaid items	-	-	6	-
Restricted assets				
Investments	-	-	-	-
Other receivables	-	-	-	-
Total current assets	<u>473</u>	<u>1,063</u>	<u>3,226</u>	<u>28,644</u>
Restricted assets				
Investments	-	-	-	-
Assessments receivable	-	-	-	-
Other long-term receivables	-	-	-	-
Deferred charges for issuance cost	-	-	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets				
Land	-	315	637	-
Buildings, improvements and equipment	1,200	-	15	-
Total capital assets	<u>1,200</u>	<u>315</u>	<u>652</u>	<u>-</u>
Less accumulated depreciation				
Buildings, improvements and equipment	(144)	-	(15)	-
Accumulated depreciation	<u>(144)</u>	<u>-</u>	<u>(15)</u>	<u>-</u>
Net capital assets	<u>1,056</u>	<u>315</u>	<u>637</u>	<u>-</u>
Total noncurrent assets	<u>1,056</u>	<u>315</u>	<u>637</u>	<u>-</u>
Total assets	<u>1,529</u>	<u>1,378</u>	<u>3,863</u>	<u>28,644</u>
Liabilities				
Current Liabilities				
Accounts payable	-	6	168	30
Accrued payroll liabilities	2	-	-	-
Accrued interest payable	38	-	-	280
Contracts and retainages payable	5,119	2,067	-	-
Notes payable	249	-	-	-
Due to other governments	-	-	-	-
Advances and deposits	-	-	-	-
Compensated absences	-	-	-	-
Other liabilities	-	-	-	-
Deferred Revenue	-	-	-	-
Current liabilities payable from restricted assets				
Revenue bonds payable	-	-	-	735
Advances and deposits	-	-	-	-
Total current liabilities	<u>5,408</u>	<u>2,073</u>	<u>168</u>	<u>1,045</u>
Noncurrent liabilities				
Notes payable	820	-	-	-
Revenue bonds payable	-	-	-	16,580
Due to the City of Houston	-	-	-	-
Contracts payable	-	-	-	-
Other long-term liabilities	-	-	-	-
Deferred revenue	-	-	-	-
Total Noncurrent liabilities	<u>820</u>	<u>-</u>	<u>-</u>	<u>16,580</u>
Total liabilities	<u>6,228</u>	<u>2,073</u>	<u>168</u>	<u>17,625</u>
Net assets				
Invested in capital assets, net of related debt	-	-	637	-
Restricted net assets				
Restricted for debt service	-	-	-	2,757
Restricted for maintenance and operations	-	-	-	-
Restricted for capital improvements	-	-	-	-
Other restricted	-	-	-	-
Unrestricted (deficit)	(4,699)	(695)	3,058	8,262
Total net assets (deficit)	<u>\$ (4,699)</u>	<u>\$ (695)</u>	<u>\$ 3,695</u>	<u>\$ 11,019</u>

(Continued)

Greater Houston Convention & Visitor's Bureau	Gulfgate Redevelopment Authority	Houston Area Library Automated Network Bd	Houston Arts Alliance (Fmly Cultural Arts Council of Houston /Harris County)	Houston Business Development Inc.	Houston Downtown Park Corporation	Houston Parks Board	Houston Public Library Foundation (Fmly Houston Library Board)
\$ 5,818	\$ 366	\$ -	\$ 244	\$ 445	\$ 14	\$ 344	\$ 511
-	-	3,149	2,476	-	-	3,866	-
398	720	-	2,062	930	3,300	1,210	-
-	-	-	-	50	-	74	21
7	-	-	-	-	-	-	-
-	-	-	12	-	-	35	-
-	-	-	-	-	-	5,364	-
-	-	-	-	-	-	125	-
<u>6,223</u>	<u>1,086</u>	<u>3,149</u>	<u>4,794</u>	<u>1,425</u>	<u>3,314</u>	<u>11,018</u>	<u>532</u>
-	-	-	-	2,884	-	-	18,846
-	-	-	-	4,724	-	-	-
-	-	-	-	-	1,333	-	-
-	-	-	-	-	-	-	-
-	-	-	-	<u>7,608</u>	<u>1,333</u>	-	<u>18,846</u>
-	5,417	-	297	692	56,986	15,407	-
545	-	-	-	9,550	-	-	-
<u>545</u>	<u>5,417</u>	<u>-</u>	<u>297</u>	<u>10,242</u>	<u>56,986</u>	<u>15,407</u>	<u>-</u>
(368)	-	-	(279)	(5,765)	-	-	-
<u>(368)</u>	<u>-</u>	<u>-</u>	<u>(279)</u>	<u>(5,765)</u>	<u>-</u>	<u>-</u>	<u>-</u>
177	5,417	-	18	4,477	56,986	15,407	-
177	5,417	-	18	12,085	58,319	15,407	18,846
<u>6,400</u>	<u>6,503</u>	<u>3,149</u>	<u>4,812</u>	<u>13,510</u>	<u>61,633</u>	<u>26,425</u>	<u>19,378</u>
1,768	1,446	121	65	67	-	75	85
-	-	31	-	-	-	-	-
299	2,045	-	-	1	-	-	-
-	87	-	-	-	-	-	-
-	350	-	-	526	-	3,455	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	8	-	-	-
72	525	-	1,998	-	-	-	-
365	-	-	-	1	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>2,504</u>	<u>4,453</u>	<u>152</u>	<u>2,063</u>	<u>603</u>	<u>-</u>	<u>3,530</u>	<u>85</u>
-	4,555	-	-	4,578	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	43	-	-	-
-	4,555	-	-	4,621	-	-	-
<u>2,504</u>	<u>9,008</u>	<u>152</u>	<u>2,063</u>	<u>5,224</u>	<u>-</u>	<u>3,530</u>	<u>85</u>
-	967	-	1,409	4,088	56,986	4,105	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	9,442	-
-	-	-	-	-	-	-	-
-	-	-	-	5,371	-	7,846	18,238
3,896	(3,472)	2,997	1,340	(1,173)	4,647	1,502	1,055
<u>\$ 3,896</u>	<u>\$ (2,505)</u>	<u>\$ 2,997</u>	<u>\$ 2,749</u>	<u>\$ 8,286</u>	<u>\$ 61,633</u>	<u>\$ 22,895</u>	<u>\$ 19,293</u>

(Continued)

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Net Assets
June 30, 2007
amounts expressed in thousands

	Lamar Terrace Public Improvement District	Land Assemblage Redevelopment Authority	Main Street Market Square Redevelopment Authority	Memorial City Redevelopment Authority
Assets				
Current Assets				
Cash	\$ -	\$ 371	\$ 1,239	\$ 1
Equity in pooled cash and investments	47	-	305	27
Receivables, net of allowances				
Accounts receivable	27	-	5,094	2,157
Accrued interest and other	-	-	-	-
Inventory	-	-	-	-
Prepaid items	-	5	-	-
Restricted assets				
Investments	-	6,131	1,190	-
Other receivables	-	-	-	-
Total current assets	74	6,507	7,828	2,185
Restricted assets				
Investments	-	-	-	-
Assessments receivable	-	-	-	-
Other long-term receivables	-	-	-	-
Deferred charges for issuance cost	-	-	321	-
Total noncurrent restricted assets	-	-	321	-
Capital assets				
Land	-	-	-	-
Buildings, improvements and equipment	-	-	-	-
Total capital assets	-	-	-	-
Less accumulated depreciation				
Buildings, improvements and equipment	-	-	-	-
Accumulated depreciation	-	-	-	-
Net capital assets	-	-	-	-
Total noncurrent assets	-	-	321	-
Total assets	74	6,507	8,149	2,185
Liabilities				
Current Liabilities				
Accounts payable	-	30	1,038	401
Accrued payroll liabilities	-	-	-	-
Accrued interest payable	-	-	200	-
Contracts and retainages payable	11	-	-	-
Notes payable	-	-	-	-
Due to other governments	-	-	-	-
Advances and deposits	-	-	-	-
Compensated absences	-	-	-	-
Other liabilities	-	1,500	-	-
Deferred revenue	26	-	-	-
Current liabilities payable from restricted assets				
Revenue bonds payable	-	-	500	-
Advances and deposits	-	-	-	-
Total current liabilities	37	1,530	1,738	401
Noncurrent liabilities				
Notes payable	-	-	-	-
Revenue bonds payable	-	-	10,485	-
Due to the City of Houston	-	-	-	-
Contracts payable	-	-	-	-
Other long-term liabilities	-	-	-	-
Deferred revenue	-	-	-	-
Total Noncurrent liabilities	-	-	10,485	-
Total liabilities	37	1,530	12,223	401
Net assets				
Invested in capital assets, net of related debt	-	-	-	-
Restricted net assets				
Restricted for debt service	-	-	1,177	-
Restricted for maintenance and operations	-	-	-	-
Restricted for capital improvements	-	-	-	-
Other restricted	-	4,903	-	-
Unrestricted (deficit)	37	74	(5,251)	1,784
Total net assets (deficit)	\$ 37	\$ 4,977	\$ (4,074)	\$ 1,784

(Continued)

Memorial- Heights Redevelopment Authority	Midtown Redevelopment Authority	Old Sixth Ward Redevelopment Authority	OST/Alameda Corridors Redevelopment Authority	Saint George Place Redevelopment Authority	Sharpstown Economic Development Authority
713	\$ 1,176	\$ 547	\$ 6	\$ 280	\$ 67
-	890	-	8,065	388	-
2,269	10,407	391	4,095	1,431	325
-	-	-	260	-	-
-	13,989	-	-	-	-
-	-	-	-	-	15
-	25,154	-	-	-	-
-	-	-	-	-	-
<u>2,982</u>	<u>51,616</u>	<u>938</u>	<u>12,426</u>	<u>2,099</u>	<u>407</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	2,187	-	489	235	-
<u>-</u>	<u>2,187</u>	<u>-</u>	<u>489</u>	<u>235</u>	<u>-</u>
-	3,692	-	2,410	-	-
-	6,218	-	18	-	-
<u>-</u>	<u>9,910</u>	<u>-</u>	<u>2,428</u>	<u>-</u>	<u>-</u>
-	(901)	-	(13)	-	-
-	(901)	-	(13)	-	-
-	9,009	-	2,415	-	-
-	11,196	-	2,904	235	-
<u>2,982</u>	<u>62,812</u>	<u>938</u>	<u>15,330</u>	<u>2,334</u>	<u>407</u>
16	809	121	544	23	16
-	-	-	-	-	-
113	1,399	21	-	42	-
-	-	-	-	-	-
-	-	91	-	279	-
-	-	-	-	-	-
1,829	-	-	-	-	-
-	-	-	-	-	-
-	560	-	-	-	-
-	-	-	-	567	-
-	1,960	-	350	310	-
-	-	-	-	-	-
<u>1,958</u>	<u>4,728</u>	<u>233</u>	<u>894</u>	<u>1,221</u>	<u>16</u>
-	2,855	665	-	-	-
-	53,635	-	6,585	2,210	-
-	-	-	-	5,709	-
-	-	-	-	-	-
-	-	-	-	-	-
-	56,490	665	6,585	7,919	-
<u>1,958</u>	<u>61,218</u>	<u>898</u>	<u>7,479</u>	<u>9,140</u>	<u>16</u>
-	5,671	-	2,356	-	-
-	6,548	-	1,228	243	-
-	-	-	-	-	-
-	12,515	-	-	-	-
-	15,277	-	-	(133)	-
1,024	(38,417)	40	4,267	(6,916)	391
<u>\$ 1,024</u>	<u>\$ 1,594</u>	<u>\$ 40</u>	<u>\$ 7,851</u>	<u>\$ (6,806)</u>	<u>\$ 391</u>

(Continued)

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Net Assets
June 30, 2007
amounts expressed in thousands

	South Post Oak Redevelopment Authority	Southwest Houston Redevelopment Authority	Upper Kirby Redevelopment Authority	Uptown Development Authority	Total
Assets					
Current Assets					
Cash	\$ 37	\$ 11	\$ 40	\$ 609	\$ 37,508
Equity in pooled cash and investments	-	4,908	9,630	3,714	37,465
Receivables, net of allowances					
Accounts receivable	689	2,910	3,243	10,949	61,153
Accrued interest and other	-	-	-	-	590
Inventory	-	-	-	-	13,996
Prepaid items	-	-	-	-	73
Restricted assets					
Investments	-	-	-	-	37,839
Other receivables	-	-	-	-	125
Total current assets	<u>726</u>	<u>7,829</u>	<u>12,913</u>	<u>15,272</u>	<u>188,749</u>
Restricted assets					
Investments	-	-	-	-	21,730
Assessments receivable	-	-	-	-	4,724
Other long-term receivables	-	-	-	-	1,333
Deferred charges for issuance cost	-	745	-	510	4,487
Total noncurrent restricted assets	<u>-</u>	<u>745</u>	<u>-</u>	<u>510</u>	<u>32,274</u>
Capital assets					
Land	-	60	-	-	85,913
Buildings, improvements and equipment	-	-	-	414	17,960
Total property, plant & equipment	<u>-</u>	<u>60</u>	<u>-</u>	<u>414</u>	<u>103,873</u>
Less accumulated depreciation and					
Buildings, improvements and equipment	-	-	-	(83)	(7,568)
Accumulated depreciation	-	-	-	(83)	(7,568)
Net capital assets	<u>-</u>	<u>60</u>	<u>-</u>	<u>331</u>	<u>96,305</u>
Total noncurrent assets	<u>-</u>	<u>805</u>	<u>-</u>	<u>841</u>	<u>128,579</u>
Total assets	<u>726</u>	<u>8,634</u>	<u>12,913</u>	<u>16,113</u>	<u>317,328</u>
Liabilities					
Current Liabilities					
Accounts payable	13	195	269	476	7,782
Accrued payroll liabilities	-	-	-	-	33
Accrued interest payable	-	171	-	699	5,308
Contracts and retainages payable	-	-	-	-	7,284
Notes payable	-	4,201	-	350	9,501
Due to other governments	-	-	-	3,259	3,259
Advances and deposits	-	-	-	-	1,829
Compensated absences	-	-	-	-	8
Other liabilities - current	825	62	-	-	5,542
Deferred revenue	-	-	-	-	959
Current liabilities payable from restricted assets					
Revenue bonds payable	-	490	-	1,460	5,805
Advances and deposits	218	-	-	-	218
Total current liabilities	<u>1,056</u>	<u>5,119</u>	<u>269</u>	<u>6,244</u>	<u>47,528</u>
Noncurrent liabilities					
Notes payable	-	-	-	4,638	18,111
Revenue bonds payable	-	11,390	-	35,158	136,043
Due to the City of Houston	-	-	-	-	5,709
Contracts payable	5,491	-	-	-	5,491
Other long-term liabilities	-	-	-	-	43
Deferred revenue	-	-	-	-	-
Total Noncurrent liabilities	<u>5,491</u>	<u>11,390</u>	<u>-</u>	<u>39,796</u>	<u>165,397</u>
Total liabilities	<u>6,547</u>	<u>16,509</u>	<u>269</u>	<u>46,040</u>	<u>212,925</u>
Net Assets					
Investment in capital assets, net of related debt	-	-	-	331	76,550
Restricted net assets					
Restricted for debt service	-	1,098	-	1,696	14,747
Restricted for maintenance and operations	-	-	-	-	9,442
Restricted for capital improvements	-	1,955	-	-	14,470
Other restricted	-	-	-	-	51,502
Unrestricted	(5,821)	(10,928)	12,644	(31,954)	(62,308)
Total net assets (deficit)	<u>\$ (5,821)</u>	<u>\$ (7,875)</u>	<u>\$ 12,644</u>	<u>\$ (29,927)</u>	<u>\$ 104,403</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, 2007
amounts expressed in thousands

Net (Expense) Revenue and Change in Net Assets

Functions/Programs	Expenses	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	\$ 436	\$ -	\$ -	\$ -	\$ (436)	\$ -
East Downtown Redevelopment Authority	256	-	-	-	-	(256)
Fourth Ward Redevelopment Authority	268	-	-	-	-	-
Greater Greenspoint Redevelopment Authority	2,426	-	-	-	-	-
Greater Houston Convention and Visitor's Bureau	12,540	523	14,112	-	-	-
Gulfgate Redevelopment Authority	810	-	-	-	-	-
HALAN	1,959	-	1,801	-	-	-
Houston Arts Alliance (Fmrly Cultural Arts Council of Hou/Harris Cnty)	11,016	-	10,775	-	-	-
Houston Business Development Corporation	2,370	1,291	349	-	-	-
Houston Downtown Park Corporation	6,584	-	135	-	-	-
Houston Parks Board	4,207	486	8,233	2,533	-	-
Houston Public Library Foundation	2,125	-	1,236	-	-	-
Lamar Terrace Public Improvement District	-	-	-	-	-	-
Land Assemblage Redevelopment Authority	271	-	1,000	-	-	-
Main Street Market Square Redevelopment Authority	2,235	-	-	-	-	-
Memorial City Redevelopment Authority	1,348	-	-	-	-	-
Memorial-Heights Redevelopment Authority	305	-	-	-	-	-
Midtown Redevelopment Authority	7,100	-	35	-	-	-
Old Sixth Ward Redevelopment Authority	183	-	-	-	-	-
OST/Almeda Corridors Redevelopment Authority	2,548	-	-	-	-	-
Saint George Place Redevelopment Authority	920	-	-	-	-	-
Sharpstown Economic Development Authority	389	-	-	-	-	-
South Post Oak Redevelopment Authority	585	-	-	-	-	-
Southwest Houston Redevelopment Authority	3,162	-	-	-	-	-
Upper Kirby Redevelopment Authority	837	-	-	-	-	-
Uptown Development Authority	7,801	-	-	-	-	-
Total component units	<u>72,681</u>	<u>2,300</u>	<u>37,676</u>	<u>\$ 2,533</u>	<u>(436)</u>	<u>(256)</u>
General Revenues:						
Taxes						
Property Taxes - general purposes / tax increments					403	740
Intergovernmental - grants					-	-
Unrestricted investment earnings (loss)					2	18
Other					-	-
Special Items - Loss on sale of assets					-	-
Total general revenues, special items, and transfers					<u>405</u>	<u>758</u>
Change in net assets					(31)	502
Net Assets (deficit) beginning					(4,668)	(1,197)
New Component Unit & Restatement						
Net Assets (deficit) ending					<u>\$ (4,699)</u>	<u>\$ (695)</u>

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Activities
For the Year Ended June 30, 2007
amounts expressed in thousands

Functions/Programs	Net (Expense) Revenue and Change in net Assets		
	Houston Public Library Foundation (Formerly Houston Library Board)	Lamar Terrace Public Improvement District	Land Assemblage Redevelopment Authority
Component Units			
City Park Redevelopment Authority	\$ -	\$ -	\$ -
East Downtown Redevelopment Authority	-	-	-
Fourth Ward Redevelopment Authority	-	-	-
Greater Greenspoint Redevelopment Authority	-	-	-
Greater Houston Convention and Visitor's Bureau	-	-	-
Gulfgate Redevelopment Authority	-	-	-
HALAN	-	-	-
Cultural Arts Council of Houston/Harris County	-	-	-
Houston Business Development Corporation	-	-	-
Houston Downtown Park Corporation	-	-	-
Houston Parks Board	-	-	-
Houston Public Library Foundation	(889)	-	-
Lamar Terrace Public Improvement District	-	-	-
Land Assemblage Redevelopment Authority	-	-	729
Main Street Market Square Redevelopment Authority	-	-	-
Memorial City Redevelopment Authority	-	-	-
Memorial-Heights Redevelopment Authority	-	-	-
Midtown Redevelopment Authority	-	-	-
Old Sixth Ward Redevelopment Authority	-	-	-
OST/Almeda Corridors Redevelopment Authority	-	-	-
Saint George Place Redevelopment Authority	-	-	-
Sharpstown Economic Development Authority	-	-	-
South Post Oak Redevelopment Authority	-	-	-
Southwest Houston Redevelopment Authority	-	-	-
Upper Kirby Redevelopment Authority	-	-	-
Uptown Development Authority	-	-	-
Total component units	<u>(889)</u>	<u>-</u>	<u>729</u>
General Revenues:			
Taxes			
Property Taxes - general purposes / tax increments	-	78	-
Intergovernmental - grants	-	-	-
Unrestricted investment earnings (loss)	2,919	2	-
Other	-	(23)	1,306
Special Items - Loss on sale of assets	-	-	19
	<u>-</u>	<u>-</u>	<u>19</u>
Total general revenues, special items, and transfers	<u>2,919</u>	<u>57</u>	<u>1,325</u>
Change in net assets	2,030	57	2,054
Net Assets (deficit) beginning	18,833	(20)	2,923
New Component Unit & Restatement	(1,570)		
Net Assets (deficit) ending	<u>\$ 19,293</u>	<u>\$ 37</u>	<u>\$ 4,977</u>

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Activities
For the Year Ended June 30, 2007
amounts expressed in thousands

Net (Expense) Revenue and Change in Net Assets

Functions/Programs	Southwest Houston Redevelopment Authority	Upper Kirby Redevelopment Authority	Uptown Development Authority	Total
Component Units				
City Park Redevelopment Authority	\$ -	\$ -	\$ -	\$ (436)
East Downtown Redevelopment Authority	-	-	-	(256)
Fourth Ward Redevelopment Authority	-	-	-	(268)
Greater Greenspoint Redevelopment Authority	-	-	-	(2,426)
Greater Houston Convention and Visitor's Bureau	-	-	-	2,095
Gulfgate Redevelopment Authority	-	-	-	(810)
HALAN	-	-	-	(158)
Cultural Arts Council of Houston/Harris County	-	-	-	(241)
Houston Business Development Corporation	-	-	-	(730)
Houston Downtown Park Corporation	-	-	-	(6,449)
Houston Parks Board	-	-	-	7,045
Houston Public Library Foundation	-	-	-	(889)
Lamar Terrace Public Improvement District	-	-	-	-
Land Assemblage Redevelopment Authority	-	-	-	729
Main Street Market Square Redevelopment Authority	-	-	-	(2,235)
Memorial City Redevelopment Authority	-	-	-	(1,348)
Memorial-Heights Redevelopment Authority	-	-	-	(305)
Midtown Redevelopment Authority	-	-	-	(7,065)
Old Sixth Ward Redevelopment Authority	-	-	-	(183)
OST/Almeda Corridors Redevelopment Authority	-	-	-	(2,548)
Saint George Place Redevelopment Authority	-	-	-	(920)
Sharpstown Economic Development Authority	-	-	-	(389)
South Post Oak Redevelopment Authority	-	-	-	(585)
Southwest Houston Redevelopment Authority	(3,162)	-	-	(3,162)
Upper Kirby Redevelopment Authority	-	(837)	-	(837)
Uptown Development Authority	-	-	(7,801)	(7,801)
Total component units	(3,162)	(837)	(7,801)	(30,172)
General Revenues:				
Taxes				
Property Taxes - general purposes / tax increments	2,910	3,243	10,950	51,838
Intergovernmental - grants	-	-	-	496
Unrestricted investment earnings	313	512	256	8,821
Other	-	-	-	3,607
Special Items - Loss on sale of assets	-	-	6	25
Total general revenues, special items, and transfers	3,223	3,755	11,212	64,787
Change in net assets	61	2,918	3,411	34,615
Net Assets (deficit) beginning	(7,936)	9,726	(31,600)	76,403
New Component Unit & Restatement	-	-	(1,738)	(6,615)
Net Assets ending	\$ (7,875)	\$ 12,644	\$ (29,927)	\$ 104,403

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS TYPE
Combining Statement of Net Assets
June 30, 2007
amounts expressed in thousands

	Houston Convention Center Hotel Corp.	Houston Downtown Park Corporation	Houston Housing Finance Corp	Houston Zoo Inc.	Total
Assets					
Current assets					
Cash	\$ 5,793	\$ -	\$ 590	\$ 8,250	\$ 14,633
Investments	31,877	-	17,770	-	49,647
Receivables, net of allowances					
Accounts receivable	4,836	303	4,777	16,764	26,680
Accrued interest and other	-	-	182	-	182
Due from other governments	1,615	-	-	-	1,615
Inventory	368	-	-	-	368
Prepaid items	1,181	-	-	155	1,336
Restricted assets					
Investments	-	-	-	13,037	13,037
Other receivables	-	-	1,390	-	1,390
Total current assets	45,670	303	24,709	38,206	108,888
Noncurrent Assets					
Restricted assets					
Cash and cash equivalents	-	-	2	-	2
Investments	-	-	1,251	-	1,251
Accrued interest receivable	-	-	228	-	228
Receivable and deposits	-	-	3,727	-	3,727
Other debits					
Deferred charges for issuance cost	2,796	-	-	-	2,796
Other long-term receivables	-	-	11,412	-	11,412
Total noncurrent assets	2,796	-	16,620	-	19,416
Capital assets					
Land	11,488	-	-	-	11,488
Buildings, improvements and equipment	281,410	-	-	16,583	297,993
Construction in progress	-	14,826	-	7,410	22,236
Total capital assets	292,898	14,826	-	23,993	331,717
Less accumulated depreciation					
Buildings, improvements and equipment	(41,245)	-	-	(4,034)	(45,279)
Accumulated depreciation	(41,245)	-	-	(4,034)	(45,279)
Net capital assets	251,653	14,826	-	19,959	286,438
Total noncurrent assets	254,449	14,826	16,620	19,959	305,854
Total assets	300,119	15,129	41,329	58,165	414,742
Liabilities					
Current Liabilities					
Accounts payable and accrued expenses	9,550	-	52	1,559	11,161
Accrued payroll liabilities	-	-	-	723	723
Accrued interest payable	3,345	169	-	-	3,514
Contracts and retainages payable	-	1,571	-	445	2,016
Notes payable	-	358	365	-	723
Deferred revenue	737	65	-	353	1,155
Current liabilities payable from restricted assets					
Revenue bonds payable	9,070	-	-	-	9,070
Total current liabilities	22,702	2,163	417	3,080	28,362
Noncurrent liabilities					
Due to City of Houston	288,668	-	1,915	-	290,583
Notes payable	-	12,156	-	-	12,156
Revenue bonds payable	-	-	-	-	-
Other long-term liabilities	1,167	-	104	-	1,271
Deferred revenue	16,135	460	-	-	16,595
Total noncurrent liabilities	305,970	12,616	2,019	-	320,605
Total liabilities	328,672	14,779	2,436	3,080	348,967
Net assets					
Investment in capital assets, net of related debt	(30,836)	47	-	-	(30,789)
Restricted net assets					
Restricted for debt service	17,990	-	1,451	-	19,441
Other restricted	-	303	32	36,813	37,148
Unrestricted (deficit)	(15,707)	-	37,410	18,272	39,975
Total net assets (deficit)	\$(28,553)	\$ 350	\$ 38,893	\$ 55,085	\$ 65,775

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS-TYPE
Combining Statement of Activities
For the Year Ended June 30, 2007
amounts expressed in thousands

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Component Units			
Houston Convention Center Hotel Corp.	\$ 80,231	\$ 70,561	\$ -
Houston Downtown Park Corporation	-	350	-
Houston Housing Finance Corp.	2,205	400	-
Houston Zoo Inc.	20,196	18,807	11,517
Totals	<u>\$ 102,632</u>	<u>\$ 90,118</u>	<u>\$ 11,517</u>

General Revenues:

Taxes
Property Taxes levied for general purposes/tax increments
RG
Industrial assessments tax
Sales tax
Franchise tax
Mixed beverage tax
Bingo tax
Hotel occupancy tax
Intergovernmental - grants
Contributions
Unrestricted investment earnings
Other
Special Items - Loss on sale of assets
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 Convention Center Hotel	Houston Downtown Park Corp	Houston Housing Finance Corp.	Houston Zoo Inc.	Total
\$ (9,670)	\$ -	\$ -	\$ -	\$ (9,670)
-	350	-	-	350
-	-	(1,805)	-	(1,805)
-	-	-	10,128	10,128
<u>(9,670)</u>	<u>350</u>	<u>(1,805)</u>	<u>10,128</u>	<u>(997)</u>
-	-	750	-	750
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2,142	-	2,305	1,204	5,651
4,098	-	-	-	4,098
-	-	-	-	-
-	-	-	-	-
<u>6,240</u>	<u>-</u>	<u>3,055</u>	<u>1,204</u>	<u>10,499</u>
(3,430)	350	1,250	11,332	9,502
(25,123)	-	37,643	43,753	56,273
<u>\$ (28,553)</u>	<u>\$ 350</u>	<u>\$ 38,893</u>	<u>\$ 55,085</u>	<u>\$ 65,775</u>

CITY OF HOUSTON, TEXAS
Discretely Presented Component Units - Business-Type
Statement of Cash Flows
For the Year Ended June 30, 2007
amounts expressed in thousands

	Houston Convention Center Hotel Corporation	Houston Downtown Park Corporation	Houston Housing Finance Corp.	Houston Zoo Inc.	Total Component Units
Cash flows from operating activities					
Receipts from customers	\$ 72,171	\$ 525	\$ 2,912	\$ 64	\$ 75,672
Payments to employees	(16,142)	-	-	91	(16,051)
Payments to suppliers	(35,463)	-	-	238	(35,225)
Other revenues	-	-	-	2,985	2,985
Other expenses	-	-	(1,297)	(18)	(1,315)
Net cash provided by operating activities	<u>20,566</u>	<u>525</u>	<u>1,615</u>	<u>3,360</u>	<u>26,066</u>
Cash flows from investing activities					
Advances on long-term receivables	-	-	(3,294)	-	(3,294)
Interest income on investments	2,147	-	-	-	2,147
Purchase of investments	(49,866)	-	(60,497)	(6,795)	(117,158)
Proceeds from sale of investments	40,068	-	57,347	-	97,415
Collection of long-term receivables	-	-	2,125	-	2,125
Net cash provided by investing activities	<u>(7,651)</u>	<u>-</u>	<u>(4,319)</u>	<u>(6,795)</u>	<u>(18,765)</u>
Cash flows from capital and related financing activities					
Contributed capital	-	47	-	6,412	6,459
Acquisition of property, plant and equipment	(510)	(13,086)	-	-	(13,596)
Interest expense	(14,620)	-	-	-	(14,620)
Receipt of tax rebates	7,810	-	-	-	7,810
Payments to the City of Houston	(14,526)	-	-	-	(14,526)
Proceeds from note payable	-	12,514	-	-	12,514
Net cash provided by (used for) capital and related financing activities	<u>(21,846)</u>	<u>(525)</u>	<u>-</u>	<u>6,412</u>	<u>(15,959)</u>
Cash flows from noncapital financing activities					
Excess funds from Bond Series	-	-	2,641	-	2,641
Payments on notes payable	-	-	(345)	-	(345)
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>2,296</u>	<u>-</u>	<u>2,296</u>
Net increase (decrease) in cash and cash equivalents	(8,931)	-	(408)	2,977	(6,362)
Cash and cash equivalents, July 1	14,724	-	1,000	5,274	20,998
Cash and cash equivalents, June 30	<u>\$ 5,793</u>	<u>\$ 0</u>	<u>\$ 592</u>	<u>\$ 8,251</u>	<u>\$ 14,636</u>
Non cash transactions					
Transfer of property - Urban Homesteading Program	-	-	(94)	-	(94)
Total non cash transactions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (94)</u>	<u>\$ -</u>	<u>\$ (94)</u>
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (Loss)	\$ 7,600	\$ 350	\$ 1,360	\$ 11,332	20,642
Depreciation and amortization	13,137	-	(318)	1,106	13,925
Other revenues	1,167	-	-	(371)	796
Other expenses	-	-	-	(9,083)	(9,083)
Changes in assets and liabilities:					
Accounts receivable	(1,230)	-	(244)	(37)	(1,511)
Inventory	(20)	-	-	-	(20)
Other assets	(219)	175	533	83	572
Accounts payable and accrued expenses	468	-	284	238	990
Accrued payroll liabilities	-	-	-	91	91
Other revenues	-	-	-	-	-
Other long-term liabilities	(337)	-	-	-	(337)
Net cash provided by (used for) operating activities	<u>\$ 20,566</u>	<u>\$ 525</u>	<u>\$ 1,615</u>	<u>\$ 3,359</u>	<u>\$ 26,065</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	192
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	204
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	211
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	219
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	226
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.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

CITY OF HOUSTON, TEXAS
NET ASSETS BY COMPONENT
Last Six Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental Activities						
Invested in capital assets, net of related debt	\$ 3,327,146	\$ 3,354,457	\$ 3,388,360	\$ 3,531,764	\$ 3,340,355	\$ 3,480,924
Restricted	210,954	197,977	205,999	168,803	159,092	170,297
Unrestricted	(192,498)	(185,622)	(386,480)	(861,603)	(727,282)	(969,830)
Total governmental activities net assets	<u>\$ 3,345,602</u>	<u>\$ 3,366,812</u>	<u>\$ 3,207,879</u>	<u>\$ 2,838,964</u>	<u>\$ 2,772,165</u>	<u>\$ 2,681,391</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 1,129,433	\$ 1,068,562	\$ 1,361,202	\$ 1,138,154	\$ 976,834	\$ 745,459
Restricted	1,206,782	1,006,121	501,271	461,738	545,792	641,613
Unrestricted	(248,143)	(70,890)	(12,537)	87,494	99,666	104,542
Total business-type activities net assets	<u>\$ 2,088,072</u>	<u>\$ 2,003,793</u>	<u>\$ 1,849,936</u>	<u>\$ 1,687,386</u>	<u>\$ 1,622,292</u>	<u>\$ 1,491,614</u>
Primary government						
Invested in capital assets, net of related debt	\$ 4,456,579	\$ 4,423,019	\$ 4,749,562	\$ 4,669,918	\$ 4,317,189	\$ 4,226,383
Restricted	1,417,736	1,204,098	707,270	630,541	704,884	811,910
Unrestricted	(440,641)	(256,512)	(399,017)	(774,109)	(627,616)	(865,288)
Total primary government net assets	<u>\$ 5,433,674</u>	<u>\$ 5,370,605</u>	<u>\$ 5,057,815</u>	<u>\$ 4,526,350</u>	<u>\$ 4,394,457</u>	<u>\$ 4,173,005</u>

CITY OF HOUSTON, TEXAS

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses						
Governmental activities:						
General government	\$ 225,950	\$ 150,374	\$ 234,176	\$ 143,477	\$ 130,807	\$ 130,026
Public safety	616,324	818,129	902,527	1,127,663	1,102,253	1,230,266
Public works	293,757	238,323	251,423	282,767	266,723	275,165
Health	107,783	99,617	105,247	124,267	102,716	101,865
Housing and community development	57,482	48,393	62,956	78,867	318,450	80,171
Parks and recreation	91,034	84,446	63,156	83,945	72,309	85,274
Library	40,723	38,282	38,481	49,084	37,242	39,180
Retiree benefits	17,787	21,440	26,581	28,997	-	-
Interest in long-term debt	94,511	98,042	95,779	116,180	136,563	135,134
Depreciation and amortization	108,998	119,475	85,711	96,355	125,517	111,918
Total governmental activities expenses	<u>1,654,349</u>	<u>1,716,521</u>	<u>1,866,037</u>	<u>2,131,602</u>	<u>2,292,580</u>	<u>2,188,999</u>
Business-type activities :						
Airport System	227,248	265,987	315,929	406,908	431,392	442,757
Convention & Entertainment Facilities	83,141	76,760	91,588	133,622	99,271	105,846
Combined Utility System	636,824	649,247	681,201	762,209	752,122	818,831
Houston Area Water Corporation	17	153	160	169	17,428	20,568
Total business-type activities expenses	<u>947,230</u>	<u>992,147</u>	<u>1,088,878</u>	<u>1,302,908</u>	<u>1,300,213</u>	<u>1,388,002</u>
Total primary government expenses	<u>\$ 2,601,579</u>	<u>\$ 2,708,668</u>	<u>\$ 2,954,915</u>	<u>\$ 3,434,510</u>	<u>\$ 3,592,793</u>	<u>\$ 3,577,001</u>
Program Revenues						
Governmental activities:						
Charges for services:						
General government	31,931	14,957	18,047	25,074	52,083	34,839
Public safety	117,234	122,864	137,886	139,814	103,719	110,222
Public works	19,282	40,413	42,695	43,652	49,797	53,856
Health	11,625	13,263	13,026	13,624	12,574	13,563
Parks and recreation	7,174	5,176	6,122	6,009	6,687	6,930
Library	1,416	1,211	1,329	1,187	1,010	675
Operating grants and contributions	148,432	137,590	143,864	162,310	467,956	246,737
Capital grants and contributions	27,051	6,123	46,337	37,591	69,438	101,099
Total governmental activities program revenues	<u>364,145</u>	<u>341,597</u>	<u>409,306</u>	<u>429,261</u>	<u>763,264</u>	<u>567,921</u>
Business-type activities:						
Charges for services:						
Airport System	227,455	240,767	270,413	353,641	393,861	416,138
Convention & Entertainment Facilities	15,521	17,010	17,145	19,175	19,599	20,554
Combined Utility System	543,396	539,317	531,208	598,874	642,662	615,465
Houston Area Water Corporation	-	-	-	-	-	-
Operating grants and contributions	-	-	22,516	4,297	4,020	2,740
Capital grants and contributions	65,579	48,339	42,000	106,484	109,728	61,717
Total business-type activities program revenues	<u>851,951</u>	<u>845,433</u>	<u>883,282</u>	<u>1,082,471</u>	<u>1,169,870</u>	<u>1,116,614</u>
Total primary government program revenues	<u>\$ 1,216,096</u>	<u>\$ 1,187,030</u>	<u>\$ 1,292,588</u>	<u>\$ 1,511,732</u>	<u>\$ 1,933,134</u>	<u>\$ 1,684,535</u>
Net (expense)/revenue						
Governmental activities	\$ (1,290,204)	\$ (1,374,924)	\$ (1,456,731)	\$ (1,702,341)	\$ (1,529,316)	\$ (1,621,078)
Business-type activities	(95,279)	(146,714)	(205,596)	(220,437)	(130,343)	(271,388)
Total primary government net expense	<u>\$ (1,385,483)</u>	<u>\$ (1,521,638)</u>	<u>\$ (1,662,327)</u>	<u>\$ (1,922,778)</u>	<u>\$ (1,659,659)</u>	<u>\$ (1,892,466)</u>

(Continued)

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Revenues and Other Changes in Net Assets						
Governmental Activities:						
Taxes						
Property taxes	\$ 626,850	\$ 639,888	\$ 645,536	\$ 664,831	\$ 700,788	\$ 738,578
Industrial assessments tax	15,642	15,014	15,167	14,635	14,314	15,823
Sales taxes	341,952	322,538	347,982	370,583	422,598	461,417
Franchise taxes	175,360	160,673	161,378	162,263	186,508	189,551
Mixed beverage taxes	7,514	7,572	8,095	8,343	9,000	9,713
Bingo taxes	251	246	253	270	279	279
Investment earnings	23,918	16,550	5,139	13,179	19,889	32,017
Other	24,822	42,074	31,894	27,652	33,674	23,261
Contributions	1,483	101,750	40,192	11,216	-	-
Special Items - gain (loss) on sale of assets	3,546	3,346	3,095	2,071	4,816	2,071
Transfers	99,817	86,583	39,067	58,383	70,651	57,594
Total governmental activities	<u>1,321,155</u>	<u>1,396,234</u>	<u>1,297,798</u>	<u>1,333,426</u>	<u>1,462,517</u>	<u>1,530,304</u>
Business-type activities:						
Hotel occupancy taxes	43,452	43,169	47,223	42,266	54,765	58,709
Investment earnings	103,072	68,632	25,965	43,866	54,212	88,658
Other	35,789	33,776	30,561	30,138	26,923	45,552
Contributions	-	4,979	-	-	-	-
Special Items - gain (loss) on sale of assets	(9,975)	(1,338)	(12,943)	-	-	5,385
Transfers	(99,817)	(86,583)	(39,067)	(58,383)	(70,651)	(57,594)
Total business-type activities	<u>72,521</u>	<u>62,635</u>	<u>51,739</u>	<u>57,887</u>	<u>65,249</u>	<u>140,710</u>
Total primary government	<u>\$ 1,393,676</u>	<u>\$ 1,458,869</u>	<u>\$ 1,349,537</u>	<u>\$ 1,391,313</u>	<u>\$ 1,527,766</u>	<u>\$ 1,671,014</u>
Change in Net Assets						
Governmental activities	\$ 30,951	\$ 21,310	\$ (158,933)	\$ (368,915)	\$ (66,799)	\$ (90,774)
Business-type activities	(22,758)	(84,079)	(153,857)	(162,550)	(65,094)	(130,678)
Total primary government	<u>\$ 8,193</u>	<u>\$ (62,769)</u>	<u>\$ (312,790)</u>	<u>\$ (531,465)</u>	<u>\$ (131,893)</u>	<u>\$ (221,452)</u>

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
General fund				
Reserved	\$ 6,514	\$ 17,769	\$ 12,956	\$ 9,518
Unreserved	106,856	89,487	70,668	81,482
Total general fund	<u>\$113,370</u>	<u>\$ 107,256</u>	<u>\$ 83,624</u>	<u>\$ 91,000</u>
All other governmental funds				
Reserved	\$ 90,033	\$ 99,746	\$ 92,177	\$ 93,246
Unreserved , reported in:				
Special revenue funds	23,215	31,167	33,519	28,981
Capital projects funds	72,673	59,550	57,369	56,417
Grant funds	-	-	-	-
Total all other governmental funds	<u>\$185,921</u>	<u>\$ 190,463</u>	<u>\$ 183,065</u>	<u>\$ 178,644</u>

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 30,756	\$ 30,935	\$ 24,947	\$ 27,449	\$ 51,671	\$ 21,489
85,282	105,101	110,778	142,695	198,759	256,610
<u>\$ 116,038</u>	<u>\$ 136,036</u>	<u>\$ 135,725</u>	<u>\$ 170,144</u>	<u>\$ 250,430</u>	<u>\$ 278,099</u>
\$ 122,480	\$ 169,660	\$ 171,252	\$ 200,374	\$ 179,267	\$ 193,924
48,428	63,997	55,760	67,691	66,407	94,056
62,864	-	-	-	-	-
-	-	-	-	9,963	8,258
<u>\$ 233,772</u>	<u>\$ 233,657</u>	<u>\$ 227,012</u>	<u>\$ 268,065</u>	<u>\$ 255,637</u>	<u>\$ 296,238</u>

CITY OF HOUSTON
GENERAL FUND BUDGET FOR FISCAL YEAR 2008
(amounts expressed in thousands)
(unaudited)

Budgeted Resources	Amount (in thousands)
Revenues:	
Ad Valorem Taxes (current and delinquent)	\$ 796,368
Sales and Use Tax	477,217
Franchise Fees	184,477
Municipal Courts Fines and Forfeits	42,572
Miscellaneous	210,854
Total Current Revenues	1,711,488
Beginning Fund Balance as of July 1, 2007 (a)	228,211
Pension Bond Proceeds	35,000
Transfers from Other Funds	9,500
Total Budgeted Resources	\$ 1,984,199

Budgeted Expenditures	
Administrative Services and Public Finance	\$ 76,177
Public Safety	1,020,580
Development and Maintenance Services	216,048
Human and Cultural Services	149,487
General Government	76,581
Transfers to Debt Service Fund	229,600
Total Budgeted Expenditures	1,768,473
Designated "Sign Abatement" Amount	2,070
Designated "Rainy Day" Amount	20,000
Budgeted Ending Fund Balance as of June 30, 2008	193,656
Total Budgeted Expenditures and Reserves	\$ 1,984,199

(a) This amount represents an estimate of the beginning fund balance which was used in preparing the Fiscal Year 2008 Budget.

CITY OF HOUSTON, TEXAS
June 30, 2007
CONTINUING DEBT DISCLOSURE INFORMATION
(amounts expressed in thousands)
(unaudited)

Capital Improvement Plan

The 2009-2013 CIP consists of the projects and facilities described in the following chart. (The 2009-2013 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	\$ 1,196,719
Storm Sewers and Drainage	321,537
Parks and Recreation	109,133
Police Department	121,468
Fire Department	53,813
General Government	48,286
Public Library	71,879
Public Health	23,523
Solid Waste Management	18,988
Low Income Housing	<u>58,568</u>
Total	<u>\$ 2,023,914</u> (*)

(*) The tax-supported component of the 2009-2013 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)
2007	\$ 12,712
2006	14,895
2005	11,031
2004	14,647
2003	15,859
2002	14,980

**CITY OF HOUSTON
CONTINUING DEBT DISCLOSURE INFORMATION**

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

Long-Term Disability Fund	Fiscal Year 2007 (in thousands)
Assets Available for Future Long-Term Disability Obligations	\$ 9,707
Claims Payable on Long-Term Disability Obligations	(7,803)
Unrestricted Net Assets	\$ 1,904

Compensated Absence Liability	Fiscal Year 2007 (in thousands)
General Fund Short-Term Liability	\$ 2,714
Other Governmental Short-Term Liability	124,794
Enterprise Funds Liability	26,926
Internal Service Funds Liability	141
Governmental Funds Long-Term Liability	249,313
Total	\$ 403,888

**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)
2007	\$ 42,052
2006	39,498
2005	61,234
2004	57,056
2003	62,099
2002	73,109

CITY OF HOUSTON, TEXAS

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Revenues				
Taxes	\$ 917,493.0	\$ 973,543	\$ 1,028,344	\$ 1,102,177
Licenses and permits	29,370	30,588	30,621	31,606
Intergovernmental	171,151	165,998	153,804	175,769
Charges for services	126,335	125,740	126,130	128,164
Fines	48,181	53,320	43,977	43,035
Investment earnings	20,092	18,613	17,118	29,547
Contributions	173	238	2,484	2,092
Other	34,851	22,026	22,736	36,872
Total revenues	<u>1,347,646</u>	<u>1,390,066</u>	<u>1,425,214</u>	<u>1,549,262</u>
Expenditures				
General Government	97,596	94,109	101,135	98,800
Public safety	604,789	642,782	672,737	684,644
Public Works	202,473	206,542	219,300	221,757
Health	54,228	55,201	56,547	55,857
Housing and Community Development	-	-	-	-
Parks and recreation	56,386	56,728	61,778	62,742
Library	31,057	33,823	35,758	36,240
Retiree benefits	9,133	8,941	9,597	11,675
Other Current Expenditures	31,544	35,229	35,089	100,772
Capital Outlay	222,498	169,060	188,429	209,068
Intergovernmental - grants	102,957	115,224	111,158	137,767
Debt Service				
Principal	91,940	93,627	104,710	114,425
Interest	82,763	85,644	91,847	93,928
Fiscal agent and fees	4,197	1,917	2,099	3,713
Advanced refunding escrow	-	2,985	-	-
Total expenditures	<u>1,591,561</u>	<u>1,601,812</u>	<u>1,690,184</u>	<u>1,831,388</u>
Excess of revenues over (under) expenditures	(243,915)	(211,746)	(264,970)	(282,126)
Other financing sources (uses)				
Transfers in	206,481	218,893	230,087	322,008
Transfers out	(141,338)	(160,324)	(172,776)	(192,427)
Proceeds from issuance of debt	445,588	488,748	176,012	366,709
Proceeds from refunded debt	-	-	-	-
Payment to escrow agent	(243,792)	(327,489)	-	(209,594)
Sale of land	-	-	-	-
Bond premium	-	-	-	-
Other financing sources (uses)	-	(10,000)	-	-
Proceeds from capital lease	-	-	-	-
Total other financing sources (uses)	<u>266,939</u>	<u>209,828</u>	<u>233,323</u>	<u>286,696</u>
Net change in fund balances	<u>\$ 23,024</u>	<u>\$ (1,918)</u>	<u>\$ (31,647)</u>	<u>\$ 4,570</u>
Debt service as a percentage of noncapital expenditures	13.1%	12.9%	13.2%	13.1%

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$	1,163,820	\$ 1,142,071	\$ 1,193,874	\$ 1,227,388	\$ 1,338,651	\$ 1,425,575
	33,102	35,046	36,286	40,240	42,524	55,912
	160,718	154,598	189,974	187,372	512,279	319,864
	148,520	151,397	164,581	156,290	133,161	119,250
	37,587	44,620	49,227	53,464	51,441	57,305
	21,450	16,550	5,139	13,179	19,889	32,017
	3,562	864	2,433	1,780	-	-
	30,305	46,030	32,740	30,445	34,971	23,555
	<u>1,599,064</u>	<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>
	202,202	182,753	170,392	163,738	241,772	236,638
	752,281	840,490	838,472	907,201	1,012,747	1,088,922
	328,448	362,453	326,701	316,428	335,598	330,296
	104,777	96,633	99,377	104,389	97,237	96,063
	57,521	60,400	60,314	57,076	323,199	89,320
	78,451	81,008	62,917	70,720	79,602	82,648
	40,036	42,473	40,746	39,273	39,570	48,842
	17,787	21,440	26,581	28,997	42,203	18,801
	-	-	-	-	-	-
	47,005	24,637	35,213	39,396	61,606	57,337
	-	-	-	-	-	-
	110,060	120,754	115,319	139,607	220,510	172,166
	87,830	87,438	100,006	94,188	113,556	122,680
	5,252	4,098	8,131	3,316	6,302	4,661
	-	-	-	-	-	-
	<u>1,831,650</u>	<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>
	(232,586)	(333,401)	(209,915)	(254,171)	(440,986)	(314,896)
	278,045	306,231	225,522	278,743	337,127	339,549
	(178,228)	(219,648)	(184,004)	(223,863)	(272,726)	(281,936)
	173,494	209,931	150,594	274,721	433,514	313,771
	437,243	285,801	572,020	173,062	169,230	229,168
	(433,192)	(283,410)	(597,410)	(183,566)	(181,652)	(241,612)
	-	-	-	-	6,439	8,356
	-	-	36,237	10,546	16,912	15,870
	(119)	-	-	-	-	-
	-	54,379	-	-	-	-
	<u>277,243</u>	<u>353,284</u>	<u>202,959</u>	<u>329,643</u>	<u>508,844</u>	<u>383,166</u>
\$	<u>44,657</u>	<u>19,883</u>	<u>(6,956)</u>	<u>75,472</u>	<u>67,858</u>	<u>68,270</u>
	13.4%	13.6%	13.4%	13.5%	15.1%	14.9%

CITY OF HOUSTON, TEXAS
TAX REVENUE BY SOURCE - GOVERNMENTAL FUNDS
Last Six Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Industrial Assessments	Mixed Beverage Tax	Bingo Tax	Total Tax Collections
2002	\$ 626,850	\$ 341,952	\$ 175,360	\$ 15,642	\$ 7,514	\$ 251	\$ 1,167,569
2003	\$ 639,888	\$ 322,538	\$ 160,673	\$ 15,014	\$ 7,572	\$ 246	\$ 1,145,931
2004	\$ 645,536	\$ 347,982	\$ 161,378	\$ 15,167	\$ 8,095	\$ 253	\$ 1,178,411
2005	\$ 664,831	\$ 370,583	\$ 162,263	\$ 14,635	\$ 8,343	\$ 270	\$ 1,220,925
2006	\$ 700,788	\$ 422,598	\$ 186,508	\$ 14,314	\$ 9,000	\$ 279	\$ 1,333,487
2007	\$ 738,578	\$ 461,417	\$ 189,551	\$ 15,823	\$ 9,713	\$ 279	\$ 1,415,361

CITY OF HOUSTON
ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY
Last Six Fiscal Years
(amounts expressed in thousands)
(unaudited)

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Personal Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2002	\$ 53,776,892	\$ 43,574,102	\$ 7,089,516	\$ 2,816,865	\$ 11,767,963	\$ 95,489,412	6.550
2003	\$ 58,211,949	\$ 43,815,475	\$ 7,640,012	\$ 2,886,083	\$ 13,248,143	\$ 99,305,376	6.550
2004	\$ 63,305,495	\$ 43,964,367	\$ 7,987,666	\$ 2,527,261	\$ 14,627,189	\$ 103,157,600	6.550
2005	\$ 67,298,102	\$ 44,051,724	\$ 7,923,377	\$ 2,532,851	\$ 15,924,828	\$ 105,881,226	6.500
2006	\$ 71,997,166	\$ 60,214,783	\$ 8,149,890	\$ 2,023,823	\$ 31,298,860	\$ 111,086,802	6.475
2007	\$ 76,997,953	\$ 65,711,310	\$ 9,198,065	\$ 2,568,995	\$ 33,880,872	\$ 120,595,451	6.450

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	2007	2006	2005	2004	2003
City					
City of Houston ^(A)	6.45	6.475	6.5	6.55	6.55
County					
Fort Bend County	5.1674	5.1674	5.2374	5.2374	5.3874
Harris County ^(B)	4.348	4.3308	7.634	5.506	6.597
Montgomery County	4.913	4.963	4.963	4.71	4.71
School District					
Aldine I.S.D.	16.04	17.09	16.89	16.68	16.18
Alief I.S.D.	15.9	17.2	16.9	16.75	16.75
Clear Creek I.S.D.	16.3	16.3	17.45	17.3	17.4
Conroe I.S.D.	15.9	17.6	17.325	17.325	17.225
Crosby I.S.D.	18.08	18.7	18.8	18.845	16.7
Cypress-Fairbanks I.S.D.	16.54	18	17.9	17.9	17.9
Deer Park I.S.D.	16.623	18.055	18.055	18.071	18.035
Fort Bend I. S. D.	15.4	17.075	17.075	No data	No data
Galena Park I.S.D.	14.309	18.15	17.95	17.65	17.65
Goose Creek I.S.D.	15.9562	17.275	16.8371	1.8371	No data
Houston I.S.D.	15.99	15.99	15.99	15.8	15.8
Huffman I.S.D.	16.00	17.55	18.5	16.7	16.8
Humble I.S.D.	16.4	17.7	17.4	17.4	17.4
Katy I.S.D.	18.15	20.00	20.00	19.7	19.4
Klein I.S.D.	15.80	17.00	17.00	17.2	17.2
New Caney I.S.D.	14.15	17.9	17.7	17.7	17.1
North Forest I.S.D.	17.125	17.125	17.444	17.444	17.444
Pasadena I.S.D.	16.9	17.75	17.75	17.75	16.875
Sheldon I.S.D.	16.34	17.5	17.46	17.03	16.33
Spring I.S.D.	17.1	17.1	18.7	17.6	17.6
Spring Branch I.S.D.	16.315	18.1	18.1	18.1	18.1
Municipal Utility District					
Harris County MUD # 355	3.70	3.80	4.00	3.4	No data
Harris County MUD # 359	3.00	3.25	3.70	No data	No data
Harris County MUD # 366	3.50	4.40	5.00	5.00	No data
Harris County MUD # 390	7.00	7.00	7.00	No data	No data
Northwood M.U.D. #1	12.5	12.5	12.5	12.5	12.5
Other Jurisdictions					
Clear Lake City Water Authority	2.9	2.9	2.9	2.9	3.1
Fort Bend Parkway Road	0.4153	0.4153	1.1448	1.1448	No data
Harris County Dept. of Education	0.0629	0.0629	0.0629	No data	No data
Houston Community College System	0.81333	0.81333	0.81333	0.81333	0.81333
Lee College District	2.02276	2.06770	2.08130	No data	No data
N. Harris Montgomery Community College	1.167	1.207	1.145	1.145	1.055
Port of Houston	0.1302	0.1474	0.1673	0.2	0.1989
San Jacinto Jr. College District	1.4536	1.3913	1.3913	1.3913	1.3071

(A) The tax rates are based on a 100% assessment ratio. Tax rates are stated per \$1000 assessed value.

(B) Harris County includes the Harris County Flood Control District and Harris County Toll Road.

2002	2001	2000	1999	1998
6.55	6.55	6.65	6.65	6.65
5.641	6.041	6.241	6.241	6.291
6.692	6.4173	6.4173	6.4173	6.4173
4.71	4.747	4.747	4.747	4.897
12.5	15.19	15.19	15.15	15.1
16.75	16.4	16.4	16.995	16.995
17.25	17.0084	17.0084	16.4152	16.4152
2.025	17.025	17.025	17.505	17.505
16.7	16.8	16.8	16.8	16.8
17.09	17.09	17.09	17.7	17.7
16.898	16.9	16.7	15.8	15.8
No data	No data	No data	No data	No data
16.8352	16.8352	16.8352	16.768	16.768
No data	No data	No data	No data	No data
15.8	15.19	14.59	14.59	13.84
16.8	17.4	17.4	18.8	18.8
17.4	16.8	16.8	16.6	18.1
19.2	18.675	16.95	18.3	18.3
17.2	16.7	16.7	17.8	17.8
16.554	17.696	16.9	18.3	18.3
17.444	17.44	16.423	17.923	17.923
16.6	16.1	15.2	15.5	15.535
16.33	14.57	15.38	15.2	15.2
17.0	16.9	17.4	18.6	18.6
18.1	17.9	17.9	18.2	18.2
No data	No data	No data	No data	No data
No data	No data	No data	No data	No data
No data	No data	No data	No data	No data
No data	No data	No data	No data	No data
12.5	12.5	12.5	12.5	12.5
3.3	3.3	3.3	3.3	3.2
No data	No data	No data	No data	No data
No data	No data	No data	No data	No data
No data	No data	No data	No data	No data
No data	No data	No data	No data	No data
1.1	1.1	1.174	1.198	1.198
No data	No data	No data	No data	No data
1.307	1.26	1.26	1.1	1.1

**CITY OF HOUSTON, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
June 30, 2007
Current Year and Nine Years Ago
(amounts expressed in thousands)
(unaudited)**

Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Centerpoint Energy, Inc.	\$ 1,585,905	1	1.32%			
Crescent Real Estate	1,010,644	2	0.84%			
Hines Interests Ltd. Partnership	803,507	3	0.67%	981,333	3	1.55%
SBC	623,182	4	0.52%			
Cullen Holdings	494,994	5	0.41%			
Teachers Insurance	479,250	6	0.40%			
Exxon Mobil Corp.	472,901	7	0.39%			
Anheuser Busch Inc.	466,775	8	0.39%	289,853	5	0.41%
Metro National Corp.	438,928	9	0.36%			
Houston Refining	427,538	10	0.35%			
Houston Lighting & Power				1,327,257	1	2.06%
Southwestern Bell				1,086,364	2	1.59%
Exxon Corporation				458,188	4	0.65%
Lyondell -Citgo Refining Co.				263,136	6	0.48%
Allen Center				225,041	7	0.35%
Continental Airlines, Inc.				208,844	8	0.30%
JMB Houston Center Partnership				185,017	9	0.30%
May Department Store Co.				182,942	10	0.29%
Total	<u>\$ 6,803,624</u>		<u>5.65%</u>	<u>\$ 5,207,975</u>		<u>7.98%</u>

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date [a]	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 461,904	\$ 448,279	97.05%	\$ 10,317	\$ 458,596	99.28%
1999	\$ 493,913	\$ 479,856	97.15%	\$ 10,406	\$ 490,262	99.26%
2000	\$ 536,599	\$ 522,302	97.34%	\$ 10,272	\$ 532,574	99.25%
2001	\$ 574,325	\$ 558,193	97.19%	\$ 11,184	\$ 569,377	99.14%
2002	\$ 625,283	\$ 608,337	97.29%	\$ 10,667	\$ 619,004	99.00%
2003	\$ 650,450	\$ 632,588	97.25%	\$ 10,154	\$ 642,742	98.81%
2004	\$ 675,682	\$ 657,988	97.38%	\$ 8,785	\$ 666,773	98.68%
2005	\$ 688,228	\$ 669,659	97.30%	\$ 5,740	\$ 675,399	98.14%
2006	\$ 719,287	\$ 688,486	95.72%			
2007	\$ 777,841	\$ 774,492	99.57%			

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

[a] Subsequent collections are no-longer provided.

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

Tax Bond Debt Service Fund for Fiscal Year 2008

	Amount (in thousands)
Budgeted Resources	
Beginning Fund Balance Estimate as of July 1, 2007	\$ 107,219
Interest Earnings on Debt Reserves and Bond Funds	4,000
Transfers in from:	
General Fund	203,350
Water and Sewer Operating Fund	26,131
Other sources	36,773
Third Party Reimbursements	30,000
Total Budgeted Resources	\$ 407,473
 Budgeted Expenditures	
Debt Service Requirements	
Tax Bonds	\$ 269,972
Commercial Paper Paid from Third Party Reimbursements	30,000
Miscellaneous	300
Total Budgeted Expenditures	300,272
 Budgeted Ending Fund Balance as of June 30, 2008	107,201
Total Budgeted Expenditures and Reserves	\$ 407,473

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

Tax Certificates Debt Service Fund for Fiscal Year 2008

	Amount (in thousands)
Budgeted Resources	
Beginning Fund Balance Estimate as of July 1, 2007	\$ 866
Interest Earnings on Debt Reserves and Bond Funds	
Transfers from General Fund	6,000
Other Sources	
Total Budgeted Resources	\$ 6,866
 Budgeted Expenditures	
Debt Service Requirements	\$ 5,809
Total Budgeted Expenditures	5,809
 Budgeted Ending Fund Balance as of June 30, 2008	1,057
Total Budgeted Expenditures and Reserves	\$ 6,866

CITY OF HOUSTON
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Six Fiscal Years
(amounts expressed in thousands)
(unaudited)

Fiscal Year	Governmental Activities			Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita (a)
	General Obligation Bonds	Capital Leases	Other Borrowings	Combined Utility System Revenue Bonds	Houston Airport System Revenue Bonds	Convention & Entertainment Revenue Bonds	Long-Term Contracts			
2002	\$ 1,934,505	\$ -	\$ 15,260	\$ 3,812,173	\$ 1,479,475	\$ 637,221	\$ 259,599	\$ 8,138,233	19.72%	\$ 4,165
2003	\$ 2,025,330	\$ 53,372	\$ 25,810	\$ 4,108,847	\$ 2,167,722	\$ 665,846	\$ 261,791	\$ 9,308,718	22.56%	\$ 4,699
2004	\$ 2,071,560	\$ 52,344	\$ 24,865	\$ 4,038,164	\$ 2,170,394	\$ 666,679	\$ 243,877	\$ 9,267,883	21.79%	\$ 4,612
2005	\$ 2,415,988	\$ 51,253	\$ 23,395	\$ 4,451,525	\$ 2,279,443	\$ 671,094	\$ 266,799	\$ 10,159,497	23.22%	\$ 5,038
2006	\$ 2,694,363	\$ -	\$ 21,880	\$ 4,695,148	\$ 2,260,462	\$ 665,402	\$ 248,368	\$ 10,585,623	22.14%	\$ 5,099
2007	\$ 2,851,948	\$ -	\$ 20,200	\$ 5,022,310	\$ 2,266,018	\$ 672,091	\$ 231,710	\$ 11,064,277	Not Available	\$ 5,159

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 221 for personal income and population data.

CITY OF HOUSTON, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Six Fiscal Years
(amounts expressed in thousands, except per capita amount)
(unaudited)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value (1) of Property	Per Capita (2)
2002	\$ 1,934,505	\$ 102,176	\$ 1,832,329	1.92%	\$ 938
2003	\$ 2,025,330	\$ 99,534	\$ 1,925,796	1.94%	\$ 972
2004	\$ 2,071,560	\$ 91,774	\$ 1,979,786	1.92%	\$ 985
2005	\$ 2,415,988	\$ 106,864	\$ 2,309,124	2.18%	\$ 1,145
2006	\$ 2,694,363	\$ 110,824	\$ 2,583,539	2.33%	\$ 1,244
2007	\$ 2,851,948	\$ 109,661	\$ 2,742,287	2.27%	\$ 1,279

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

1. See the schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 207 for property value data.
2. Population data can be found in the Schedule of Demographic and Economic Statistics on page 221.

CITY OF HOUSTON, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2007
(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	\$ 2,742,287	06/30/07	100.00%	\$ 2,742,287
County				
Fort Bend County	245,475	10/01/07	3.20%	7,855
Harris County (including Toll Road Bonds)	2,313,264	06/30/07	56.87%	1,315,553
Harris County Flood Control	497,518	06/30/07	56.87%	282,938
Montgomery County	310,129	06/30/07	0.94%	2,915
School District				
Aldine I.S.D.	196,935	06/30/07	43.95%	86,553
Alief I.S.D.	282,775	06/30/07	86.05%	243,328
Clear Creek I.S.D.	510,494	06/30/07	27.31%	139,416
Conroe I.S.D.	615,036	08/31/06	0.60%	3,690
Crosby I.S.D.	61,736	08/31/06	0.37%	228
Cypress-Fairbanks I.S.D.	1,079,017	06/30/07	26.43%	285,184
Deer Park I.S.D.	108,214	08/31/06	0.14%	151
Fort Bend I.S.D.	623,429	06/30/07	1.00%	6,234
Galena Park I.S.D.	221,439	08/31/07	35.24%	78,035
Goose Creek I.S.D.	338,173	06/30/07	0.92%	3,111
Houston I.S.D.	1,713,344	06/30/06	94.33%	1,616,197
Huffman I.S.D.	37,715	06/30/07	30.99%	11,688
Humble I.S.D.	502,718	06/30/07	3.50%	17,595
Katy I.S.D.	715,737	08/31/06	26.96%	192,963
Klein I.S.D.	179,495	06/30/07	2.49%	4,469
New Caney I.S.D.	135,280	06/30/07	0.37%	501
North Forest I.S.D.	68,686	08/31/06	79.24%	54,427
Pasadena I.S.D.	317,534	06/30/06	63.58%	201,888
Sheldon I.S.D.	76,008	06/30/07	0.04%	30
Spring I.S.D.	518,678	04/30/07	2.88%	14,938
Spring Branch I.S.D.	404,816	06/30/07	82.97%	335,876
Municipal Utility District				
Harris County MUD 355	12,382	07/31/07	100.00%	12,382
Harris County MUD 359	9,103	06/30/07	100.00%	9,103
Harris County MUD 366	1,262	07/31/07	100.00%	1,262
Harris County MUD 390	7,106	06/30/07	100.00%	7,106
Northwood Municipal Utility District #1	2,225	06/30/07	100.00%	2,225
Other Jurisdictions				
Clear Lake City Water Authority	59,213	06/30/07	47.39%	28,061
Fort Bend Parkway Road	475	08/31/07	12.57%	60
Harris County Dept. of Education	-	06/30/07	56.87%	-
Houston Community College	149,215	06/30/07	97.70%	145,783
Lee College District	17,534	06/30/07	0.92%	161
N. Harris-Montgomery Community College Dis.	176,011	06/30/07	19.49%	34,305
Port of Houston Authority	403,095	06/30/07	56.87%	229,240
San Jacinto Jr. College	98,020	06/30/07	32.89%	32,239
Total overlapping debt	13,009,286			5,407,690
Total direct and overlapping debt	<u>\$ 15,751,573</u>			<u>\$ 8,149,977</u>

Note:

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

City of Houston, Texas
AD VALOREM TAX LEVIES AND COLLECTIONS
(amounts expressed in thousands)
(unaudited)

Fiscal Year	Tax Rate ^(a)		Total	Net	Current	Prior Years'	Total Collections	Total Collections Percentage of Net Levy
	General Purposes	Debt Service		Current Year Tax Levy ^(b)	Collections Prior to End of Fiscal Year ^{(c)(d)}	Delinquent Collections ^(d)		
				(in thousands)	(in thousands)	(in thousands)	(in thousands)	
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 ^(e)	0.46198	0.18178	0.64375	874,230	845,817	34,772	880,589	100.7

- ^(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.
- ^(b) The figures represent net adjusted levies including the late certification and correction rolls from the Appraisal District for the current Tax Years through June 30 of each Fiscal Year.
- ^(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. Such Industrial District Contracts have a term of fifteen years 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, although such receipts include tax increment revenues ("Tax Increments") deposited into separate funds for its tax increment reinvestment zones ("Zones"). In the Fiscal Year 2007, the City transferred approximately \$38.9 million of Tax Increments into these funds representing an increase over the previous year of approximately \$8.9 million over the previous fiscal year. Notwithstanding, the City expects such Zones to budget certain amounts of Tax Increments to be paid to the City for police, fire and other related public safety general fund expenditures attributable to development in such Zones. By virtue of contracts among the City, the tax increment reinvestment zones and the local government corporations that manage the Zones, the Tax Increments are transferred to the respective local government corporation and are available for use on 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 corporation are not debt of the City.
- ^(e) The City Council adopted a tax rate for Tax Year 2007 (Fiscal Year 2008) of \$0.64375 (per \$100 assessed valuation). 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. In future Fiscal Years, the amount of the tax levy allocated to debt service may need to be increased, reducing the amount allocable for the delivery of essential governmental services, if there is no corresponding increase in the overall tax levy. Collection information is as of April 30, 2008.

AD VALOREM TAX OBLIGATION PERCENTAGES

Tax Year	Fiscal Year	Tax-Supported Debt at December 31 (in thousands)	Tax Roll ^(a) (in thousands)	Tax-Supported Debt as a Percentage of Tax Roll	Tax-Supported Per Capita Debt ^(b)	Debt Service Requirement Payable from Taxes ^{(c)(d)} (in thousands)	Tax Levy for Debt Service (in thousands) ^e
2003	2004	2,073,359	103,157,602	2.01%	1,032	219,788	165,000
2004	2005	2,432,724	105,881,225	2.30%	1,206	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%	1,321	260,469	209,000
2007	2008	3,016,248	136,074,840	2.22%	1,407	277,391	229,000

- ^(a) The tax roll represents the total appraised value of property, after subtracting all exemptions, and reflect all adjustments made by the Appraisal District as of June 30 of each Fiscal Year. As of March 28, 2008, the total assessed value for Tax Year 2007 (including exempt property values) was approximately \$174.1 billion, which is the appraised value used to determine the statutory limitation of approximately \$17.4 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, which were as follows for the Fiscal Years indicated: Fiscal Year 2004 - \$91,774,00, Fiscal Year 2005 - \$106,864,000, Fiscal Year 2006 - 110,824,000, Fiscal Year 2007 - \$107,014,000. The projected ending fund balance for Fiscal Year 2008 is \$108,258,000.
- ^(d) These amounts include principal and interest payments for Tax Bonds, Tax Notes, Pension Obligations, Tax Certificates and Assumed Bonds, and interest only 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.

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, 2007

Assessed Value (1)	\$ 154,476,323
Debt Limit (10% of assessed value)	15,447,632
Debt applicable to limit:	
Public Improvement Bonds	1,760,090
Pension Obligations	515,933
Commercial Paper - General Obligation	521,100
Tax and Revenue Certificates of Obligation	80,237
Total net debt applicable to limit	<u>2,877,360</u>
Legal debt margin	<u><u>\$ 12,570,272</u></u>

HISTORICAL LEGAL DEBT LIMITATION

	1998	1999	2000
Legal debt limitation, 10% of assessed value(2)	\$ 7,723,949	\$ 8,249,959	\$ 8,945,848
Total net debt applicable to margin	<u>1,628,801</u>	<u>1,667,323</u>	<u>1,761,440</u>
Legal debt margin	<u><u>\$ 6,095,148</u></u>	<u><u>\$ 6,582,636</u></u>	<u><u>\$ 7,184,408</u></u>
Total net debt applicable to the limit as a percentage of debt limit	21%	20%	20%

(1) Assessed Value for the 2006 tax year (fiscal year 2007) 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 August 31, 2007.

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

2001	2002	2003	2004	2005	2006	2007
\$ 9,814,263	\$ 10,725,911	\$ 11,255,352	\$ 11,778,479	\$ 12,180,606	\$ 14,238,567	\$ 15,447,632
<u>1,776,441</u>	<u>1,816,681</u>	<u>1,925,796</u>	<u>1,939,765</u>	<u>2,462,578</u>	<u>2,732,439</u>	<u>2,877,360</u>
<u>\$ 8,037,822</u>	<u>\$ 8,909,230</u>	<u>\$ 9,329,556</u>	<u>\$ 9,838,714</u>	<u>\$ 9,718,028</u>	<u>\$ 11,506,128</u>	<u>\$ 12,570,272</u>
18%	17%	17%	16%	20%	19%	19%

CITY OF HOUSTON, TEXAS
PLEDGED - REVENUE COVERAGE
Last Seven Fiscal Years
(amounts expressed in thousands)
(unaudited)

Airport System Bonds ⁽¹⁾

Fiscal Year	Operating & Non-Operating Revenues ⁽²⁾	Less: Operating Expenses	Net Pledged Revenue	Debt Service		Less Grants Available for Debt Service	Coverage
				Principal	Interest ⁽³⁾		
2001	\$ 235,250	\$ 122,594	\$ 112,656	\$ 19,460	\$ 30,567	\$ 2,798	2.39
2002	244,791	142,950	101,841	4,380	47,231	37,153	7.04
2003	251,921	154,541	97,380	17,985	46,003	30,282	2.89
2004	278,933	161,645	117,288	18,865	56,932	32,823	2.73
2005	368,314	191,093	177,221	28,182	84,066	25,506	2.04
2006	411,545	205,565	205,980	31,737	108,776	46,621	2.19
2007	443,468	217,720	225,748	33,377	111,118	20,679	1.82

1. Including Sr. Lien Commercial Paper, Subordinate Lien Bonds, and Inferior Lien Obligations.
2. Income and revenues derived from the operation of the Airport System with limited exclusions.
3. Debt service is net of amounts paid by grant funds and capitalized interest.

Combined Utility System Bonds ⁽⁴⁾

Fiscal Year	Operating & Non-Operating Revenues ⁽⁵⁾	Less: Total Expenses	Net Pledged Revenue	Debt Service		Coverage
				Principal	Interest	
2001	\$ 608,397	\$ 283,515	\$ 324,882	\$ 60,191	\$ 167,811	1.42
2002	590,589	278,174	312,415	56,936	162,446	1.42
2003	569,902	281,160	288,742	55,370	173,363	1.26
2004	624,297	304,882	319,415	54,528	169,364	1.43
2005	668,391	309,343	359,048	14,031	175,789	1.89
2006	721,243	349,135	372,108	31,570	196,461	1.63
2007	701,813	357,403	344,410	26,618	232,048	1.33

4. Including Water and Sewer System Bonds, Combined Utility System Bonds, and Commercial Paper.
5. Income and revenues derived from the operation of the Combined Utility System with limited exclusions.

Convention and Entertainment Center Bonds ⁽⁶⁾

Fiscal Year	Pledged Hotel Occupancy Tax & Other Revenue ⁽⁷⁾	Debt Service		Coverage
		Principal	Interest	
2001	\$ 46,630	\$ 4,880	\$ 14,611	2.39
2002	42,906	-	24,151	1.78
2003	44,896	5,955	19,517	1.76
2004	48,684	6,265	20,833	1.80
2005	45,459	6,590	22,715	1.55
2006	59,019	13,680	23,094	1.60
2007	61,487	14,775	24,004	1.59

6. Including Revenue Bonds and Commercial Paper.
7. Includes 5.65/7 of collected hotel occupancy tax, certain parking revenues, and certain tax rebates.

CITY OF HOUSTON, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Six Fiscal Years
(unaudited)

Fiscal Year	Population	(1)	Personal Income (amount in thousands)	(2)	Per Capita Personal Income	(2)	Median Age	(2)	Education Level in Years of Formal Schooling	(2)	School Enrollment	(2)	Average Unemployment Rate (percentage)	
2002	1,979,052		\$ 42,264,007		\$ 21,566		30.7		12.7		423,103		4.7	(3)
2003	2,002,144		\$ 41,269,994		\$ 21,290		31.5		12.8		404,349		6.0	(3)
2004	2,009,669		\$ 42,537,706		\$ 21,854		31.4		12.8		410,566		6.9	(3)
2005	2,016,582		\$ 43,748,970		\$ 22,534		31.9		12.7		392,846		6.3	(3)
2006	2,076,189		\$ 47,805,874		\$ 23,041		32.3		12.6		409,937		5.5	(4)
2007	2,144,491		Not available		Not available		32.2		12.8		425,015		4.6	(4)

(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, December 2005. (Data for fiscal year 2002 is calendar year 2001.)

(4) Source: Texas Workforce Commission

**CITY OF HOUSTON, TEXAS
PRINCIPAL EMPLOYERS
June 30, 2007
Current Year and Five Years Ago
(unaudited)**

Employer	2007			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Memorial Hermann Healthcare System	19,000	1	1.96%	14,000	2	1.49%
Continental Airlines, Inc.	16,000	2	1.65%	16,000	1	1.71%
Shell Oil Company	13,000	3	1.34%	10,733	7	1.15%
Kroger Company	12,000	4	1.24%	13,000	3	1.39%
ARAMARK Corp.	10,000	5	1.03%	13,000	4	1.39%
Haliburton	10,000	6	1.03%	12,000	5	1.28%
The Methodist Hospital System	9,991	7	1.03%	10,000	8	1.07%
Baylor College of Medicine	9,143	8	0.94%	9,000	10	0.96%
HP	9,000	9	0.93%			
BP America	8,000	10	0.82%			
Compaq Computer Corporation				11,000	6	1.17%
Reliant Energy				9,500	9	1.01%
Total :	<u>116,134</u>		<u>11.96%</u>	<u>118,233</u>		<u>12.62%</u>

Employers excludes school districts, city, county, state and federal government.
Source: Greater Houston Partnership

Total City Employment is employed Houston residents only	2007	970,879
Source: Texas Workforce Commission	2002	937,053

CITY OF HOUSTON, TEXAS

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**CITY OF HOUSTON, TEXAS
EMPLOYMENT STATISTICS
June 30, 2007
(unaudited)**

Employment

The following table indicates the Houston PMSA estimated annual average labor force for the years 1997 through 2006 according to the Texas Employment Commission:

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

	<u>1997</u>	<u>1998</u>	<u>1999</u>
Civilian Labor Force ^(A)	2,054	2,174	2,185
Employed	1,951	2,075	2,089
Unemployed	103	98	97
Percent unemployed	5.00%	4.50%	4.40%
Nonfarm Payroll Employment ^(B)	1,892	1,805	1,864
Manufacturing	209	215	206
Mining	68	65	63
Contract construction	127	143	154
Transp/Pub Utils/Communications	133	144	151
Trade	435	462	476
Finance/Insurance/Real Estate	100	110	117
Services & Miscellaneous	570	626	633
Government	249	256	272

(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.

2000	2001	2002	2003	2004	2005	2006
2,163	2,201	2,364	2,320	2,574	2,629	2,745
2,073	2,107	2,202	2,161	2,412	2,484	2,671
89	94	161	159	162	145	104
4.13%	4.29%	6.81%	6.85%	6.29%	5.52%	3.79%
2,082	2,118	2,112	2,095	2,288	2,350	2,540
210	215	192	189	208	213	226
64	69	59	63	67	71	86
154	159	167	158	164	169	195
152	154	143	143	143	146	152
474	478	435	415	472	483	509
114	116	123	168	136	139	145
646	659	699	680	866	999	1,066
269	269	291	292	336	340	360

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

Full-time Equivalent Employees as of June 30

Fund/Department	2002	2003	2004	2005	2006	2007
GENERAL FUND						
Public Safety						
Fire/Civilian	318.4	344.8	316.2	320.3	288.7	277.6
Fire/Classified	3,729.7	3,717.0	3,647.7	3,716.0	4,123.5	3,743.1
Fire/Cadets	162.5	268.2	392.8	181.5	38.5	103.0
Municipal Courts - Administration	388.5	380.1	354.7	347.1	343.7	289.0
Municipal Courts - Justice	45.2	46.8	45.3	41.6	45.3	47.6
Police/Civilian	1,780.3	1,509.9	1,425.5	1,115.6	1,173.1	1,173.3
Police/Classified	5,588.0	5,432.5	5,362.3	5,118.3	5,125.3	4,748.1
Police/Cadets	87.3	74.0	36.2	26.7	81.8	130.9
Total Public Safety	12,099.9	11,773.3	11,580.7	10,867.1	11,219.9	10,512.6
Development & Maintenance Services						
Building Services	313.1	311.7	289.4	181.2	211.3	221.1
Planning & Development	233.7	217.6	105.0	104.3	99.6	96.6
Public Works & Engineering	1,032.6	860.4	567.5	841.3	539.9	503.2
Solid Waste Management	617.1	581.2	545.9	576.9	576.4	514.9
Total Development & Maintenance	2,196.5	1,970.9	1,507.8	1,703.7	1,427.2	1,335.8
Human & Cultural Services						
Convention & Entertainment Facilities	-	-	-	-	63.0	54.6
Health & Human Services	898.0	834.7	776.6	767.1	797.9	712.8
Library	604.8	520.3	531.2	443.0	473.1	481.8
Parks & Recreation	1,094.8	993.0	768.2	741.0	772.8	804.0
Total Human & Cultural Services	2,597.6	2,348.0	2,076.0	1,951.1	2,106.8	2,053.2
Administrative Services						
Affirmative Action	30.5	29.6	24.7	27.2	25.7	25.8
City Council	78.9	74.0	68.2	61.5	71.3	68.1
City Secretary	15.8	13.7	13.8	12.1	12.1	11.6
Controller's Office	84.3	80.0	76.3	74.9	70.7	72.9
Finance & Administration	332.6	320.6	304.4	313.5	303.8	308.3
Human Resources	52.9	45.9	43.0	38.6	38.2	37.9
Information Technology	133.7	130.6	147.4	143.5	127.2	128.6
Legal	163.6	158.7	153.4	146.4	144.0	152.8
Mayor's Office	25.0	24.2	21.9	20.2	48.8	43.5
Total Administrative Services	917.3	877.3	853.1	837.9	841.8	849.5
Total General Fund	17,811.3	16,969.5	16,017.6	15,359.8	15,595.7	14,751.1

Full-time Equivalent Employees as of June 30

	2002	2003	2004	2005	2006	2007
Fund/Department						
ENTERPRISE FUNDS						
Aviation	1,103.0	1,088.0	1,236.3	1,516.8	1,569.6	1,560.3
Convention & Entertainment Facilities	82.2	84.2	88.9	104.7	109.3	111.1
PW&E - Public Utilities - Water & Sewer	2,246.6	2,283.9	2,102.6	2,220.3	2,158.6	2,121.2
Total Enterprise Funds	3,431.8	3,456.1	3,427.8	3,841.8	3,837.5	3,792.6
SPECIAL REVENUE FUNDS						
Houston Emergency Center	72.0	183.8	190.4	219.3	239.6	238.3
Cable Television	8.2	10.9	9.1	10.5	9.3	8.7
Parks Special Revenue	183.7	98.6	105.8	98.0	106.0	100.6
Police - Asset Forfeiture	61.0	63.7	20.0	15.9	21.3	-
Police - Auto Dealers/Civilian	6.1	6.1	6.8	8.2	6.3	4.2
Police - Auto Dealers/Classified	14.2	12.0	18.5	18.0	22.0	19.0
Police Special Services/Civilian	34.9	51.4	218.0	117.7	6.3	4.0
Police Special Services/Classified	-	-	1.0	-	40.8	-
PW&E - Mobility Response Team	-	-	-	-	-	0.5
PW&E - Building Inspection	270.6	262.8	389.5	308.5	380.0	379.6
PW&E - Sign Administration	30.8	31.5	26.9	27.5	31.6	35.2
PW&E - Stormwater Utility	299.7	406.0	393.5	403.5	413.6	377.0
PW&E - Houston TransStar	6.0	6.0	6.0	5.9	5.5	6.2
PW&E - TxDOT Signal Maintenance	6.8	6.8	7.0	0.5	-	0.2
Municipal Courts Security Fund	-	-	-	19.4	21.5	20.9
Municipal Courts Technology Fee Fund	-	-	-	-	-	1.9
Total Special Revenue Funds	994.0	1,139.6	1,392.5	1,252.9	1,303.8	1,196.3
Total General, Enterprise and Special Funds	22,237.1	21,565.2	20,837.9	20,454.5	20,737.0	19,740.0
INTERNAL SERVICE/REVOLVING FUND						
Human Resources - Health Benefits	36.6	37.4	36.0	37.1	36.2	37.9
Building Services - Central Svc Revolving	-	-	-	1.5	4.0	5.8
Human Resources - Central Svc Revolving	5.2	6.0	5.0	4.8	4.5	4.8
F&A - Central Service Revolving	12.1	13.5	6.0	5.5	5.9	0.9
Information Technology - Central Svc Revolving	-	-	2.0	1.6	2.0	1.2
Fire Reconstruction	18.0	20.2	13.3	-	-	-
Building Services - In House Reconstruction	-	-	-	29.1	28.8	27.4
PW&E - Fleet Management	98.3	105.5	159.6	74.1	170.7	138.7
PW&E - CIP Salary Recovery	-	-	245.6	-	-	291.8
Building Services - CIP Salary Recovery	-	-	-	-	19.6	23.8
Library - CIP Salary Recovery	-	-	-	-	-	0.2
F&A - Property and Casualty	5.0	4.6	4.0	4.0	5.1	5.0
Legal - Property and Casualty	34.7	32.0	29.4	28.4	27.2	27.0
Human Resources - Workers Compensation	30.7	30.2	31.0	30.3	28.9	31.3
Legal - Workers Compensation	4.9	4.5	-	5.2	4.4	4.8
Total Internal Service/Revolving Funds	245.5	253.9	531.9	221.6	337.3	600.6
TOTAL FTE'S	22,482.6	21,819.1	21,369.8	20,676.1	21,074.3	20,340.6

CITY OF HOUSTON, TEXAS
OPERATING INDICATORS BY FUNCTION
June 30, 2007
(unaudited)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Function						
Police						
Physical arrests	105,623	112,975	110,573	103,917	100,795	121,834
Parking violations	303,159	265,880	253,038	241,324	203,591	255,690
Traffic violations	696,998	871,457	779,068	841,494	851,573	939,932
Fire						
Number of calls dispatched	256,257	255,648	261,903	267,171	284,231	278,713
Inspections	36,171	28,336	30,491	40,540	38,937	32,694
Highways and streets						
Streets resurfaced (miles)	545	426	435	374	334	325
Tons of asphalt for pothole repair and skin patches	Not Available	18,788	18,879	18,272	16,104	16,178
Parks and recreation						
Athletic field permits issued	1,920	1,587	1,854	1,850	1,995	2,073
Community center admissions	2,880,133	3,060,111	3,199,874	2,859,414	3,332,920	3,618,818
Sanitation						
Refuse collected (tons)	860,924	904,804	876,519	835,054	825,915	837,008
Recyclables collected (tons)	32,572	37,942	28,862	20,607	15,352	15,703
Water						
New connections	6,273	5,435	6,616	7,806	5,235	6,871
Water main breaks	5,362	3,148	3,269	3,381	4,939	5,623
Average daily pumpage (millions of gallons)	374.8	359.0	356.6	363.1	399.9	374.5
Wastewater						
Average daily sewage treatment (millions of gallons)	254.7	262.4	286.8	252.0	227.0	244.0

CITY OF HOUSTON, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
June 30, 2007
(unaudited)

Function	2002	2003	2004	2005	2006	2007
Public safety						
Police						
Stations	14	14	\$ 14.0	14	15	15
Patrol units	Not Available	Not Available	Not Available	730	919	829
Fire						
Stations	86	87	88	88	90	90
Highways and streets						
Streets (lane miles)	15,645	15,645	15,645	15,645	15,645	15,645
Streetlights	170,300	171,800	173,500	175,000	176,000	172,300
Traffic signals	2,310	2,325	2,340	2,355	2,400	2,430
Parks and recreation						
Parks acreage	18,364	18,429	18,620	18,620	24,493	38,934
Parks	518	521	523	523	533	539
Swimming pools	43	43	43	43	40	58
Tennis courts	3	3	3	3	3	3
Community centers	58	58	58	57	56	56
Sanitation						
Collection trucks	343	343	344	347	338	326
Water						
Water mains (miles)	Not Available	Not Available	Not Available	7,354	7,354	7,501
Fire hydrants	47,397	49,000	51,155	52,879	54,829	54,522
Maximum daily capacity (millions of gallons)	479.4	466.0	482.4	456.3	480.6	459.3
Sewer						
Sanitary sewers (miles)	Not Available	Not Available	Not Available	6,752	6,752	6,897
Storm sewers (miles)	3,300	3,300	3,300	3,300	3,420	3,487
Maximum daily treatment permitted (millions of gallons)	559.5	562.6	564.0	564.0	564.0	564.0

CITY OF HOUSTON, TEXAS
June 30, 2007
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)	\$601.6	\$501.1	\$457.5	\$1,560.2
Deductions	<u>137.0</u>	<u>108.9</u>	<u>165.2</u>	<u>411.1</u>
Net Increase (Decrease)	<u>464.6</u>	<u>392.2</u>	<u>292.3</u>	<u>1,149.1</u>
City's Total Contribution	<u>\$58.0</u>	<u>\$52.8</u>	<u>\$70.3</u>	<u>\$181.1</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 2008 through 2037 for the outstanding Tax Bonds, Pension Obligations, Tax Certificates and Assumed Bonds as of December 6, 2007. Debt service on commercial paper notes is not reflected in the schedule below. As of June 30, 2007, \$521.1 million of such Commercial Paper Notes was outstanding. On December 6, 2007, \$177.8 million of commercial paper notes was refunded with Tax Bonds.

Fiscal Year Ending June 30	Tax Bonds	Pension Obligations ^(a)	Tax Certificates	Total Debt Service
2008	\$ 225,258,570	\$ 22,436,528	\$ 5,911,025	\$ 253,606,123
2009	224,893,493	23,838,901	9,091,218	257,823,612
2010	218,026,543	25,241,273	10,123,518	253,391,334
2011	209,281,411	27,190,149	14,018,880	250,490,440
2012	196,432,836	29,614,280	9,518,870	235,565,986
2013	183,165,449	32,031,736	14,079,380	229,276,565
2014	167,691,205	34,513,765	5,348,085	207,553,055
2015	167,514,155	49,649,635	5,351,805	222,515,595
2016	165,754,524	54,151,819	5,351,985	225,258,328
2017	151,316,899	55,231,476	5,354,415	211,902,790
2018	146,903,236	56,311,132	5,353,565	208,567,933
2019	110,731,875	57,390,789	5,354,115	173,476,779
2020	104,039,975	58,038,036	5,355,495	167,433,506
2021	95,539,988	56,889,096	5,352,150	157,781,234
2022	94,424,863	54,540,168	5,353,750	154,318,781
2023	94,425,338	52,206,586	4,333,500	150,965,424
2024	68,043,588	49,724,557	4,333,750	122,101,895
2025	51,059,588	47,242,528	4,335,500	102,637,616
2026	30,849,338	44,760,499	4,338,250	79,948,087
2027	13,364,338	42,278,470	4,336,500	59,979,308
2028	7,382,138	39,796,441		47,178,579
2029	7,381,138	45,654,413		53,035,551
2030	7,374,138	44,163,597		51,537,735
2031	7,380,888	55,335,433		62,716,321
2032	9,840,138	55,335,520		65,175,658
2033	9,842,350	55,334,887		65,177,237
2034	7,120,225	335,375,280		342,495,505
2035	9,842,425	49,970,280		59,812,705
2036	6,981,075	38,598,102		45,579,177
2037	3,559,500	23,666,897		27,226,397
Total	<u>\$ 2,795,421,227</u>	<u>\$ 1,616,512,273</u>	<u>\$ 132,595,756</u>	<u>\$ 4,544,529,256</u>

CITY OF HOUSTON, TEXAS
June 30, 2007
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.

November 2001 Election

Purposes	Voter Authorized	Approved by City Council for Issuance as Commercial Paper Notes	Commercial Paper Issued ^(a)	Commercial Paper Notes Approved by City Council but Unissued
Streets, Bridges, Traffic Control and Storm Sewers and Drainage	\$ 474,000	\$ 374,080	\$ 246,800	\$ 127,280
Parks and Recreation	80,000	66,600	57,000	9,600
Police and Fire Departments	82,000	57,740	31,500	26,240
Permanent and General Improvements (b)	80,000	65,310	20,500	44,810
Public Libraries	40,000	38,500	10,000	28,500
Low Income Housing	20,000	12,770	4,200	8,570
Total	<u>\$ 776,000</u>	<u>\$ 615,000</u>	<u>\$ 370,000</u>	<u>\$ 245,000</u>

November 2006 Election

Purposes	Voter Authorized	Approved by City Council for Issuance as Commercial Paper Notes	Commercial Paper Issued ^(a)	Commercial Paper Notes Approved by City Council but Unissued
Streets, Bridges, Traffic Control and Storm Sewers and Drainage	\$ 320,000	\$ -	\$ -	\$ -
Parks and Recreation	55,000	-	-	-
Public Safety	135,000	-	-	-
Permanent and General Improvements (b)	60,000	-	-	-
Public Libraries	37,000	-	-	-
Low Income Housing	18,000	-	-	-
Total	<u>\$ 625,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Combined Total (2001 and 2006 Elections)	<u>\$ 1,401,000</u>	<u>\$ 615,000</u>	<u>\$ 370,000</u>	<u>\$ 245,000</u>
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(a) As of June 30, 2007

(b) Includes Public Health and Solid Waste Management.

CITY OF HOUSTON, TEXAS
June 30, 2007
(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)
2003	\$ 322,538	\$ 160,673 (a)
2004	\$ 347,982	\$ 161,378
2005	\$ 370,583	\$ 162,263
2006	\$ 422,598	\$ 186,508
2007	\$ 461,467	\$ 189,551
2008 (budgeted)	\$ 477,216	\$ 184,476

(a) The projected amount of franchise charges and fees was reduced from the previous years to recognize the effect of electric deregulation.

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>1998</u>	<u>1999</u>
Operating Revenues		
Fees charged to users, net	\$ 11,018	\$ 15,576
Total Operating Revenues	<u>11,018</u>	<u>15,576</u>
Nonoperating Revenues		
Interest	3,268	3,174
Hotel occupancy tax (including penalty & interest)	38,270	42,459
Other income	<u>1,599</u>	<u>1,042</u>
Total Nonoperating Revenues	<u>43,137</u>	<u>46,675</u>
Total Revenues	<u><u>\$ 54,155</u></u>	<u><u>\$ 62,251</u></u>
Total Annual Expenses Last Ten Fiscal Years	<u>1998</u>	<u>1999</u>
Operating Expenses		
Maintenance and operating	\$ 14,378	\$ 16,421
Depreciation	<u>6,412</u>	<u>6,640</u>
Total Operating Expenses	<u>20,790</u>	<u>23,061</u>
Nonoperating Expenses		
Interest on long-term debt	7,685	7,469
Promotional contracts & other expenses	<u>6,431</u>	<u>9,565</u>
Total Nonoperating Expenses	<u>14,116</u>	<u>17,034</u>
Total Expenses	<u><u>\$ 34,906</u></u>	<u><u>\$ 40,095</u></u>

<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 16,835	\$ 17,469	\$ 15,521	\$ 17,010	\$ 17,145	\$ 19,175	\$ 19,599	\$ 20,554
16,835	17,469	15,521	17,010	17,145	19,175	19,599	20,554
3,642	9,846	23,766	14,311	13,109	15,926	16,729	18,704
42,550	46,123	43,452	43,169	47,223	42,266	54,765	58,709
133	181	-	713	-	7,279	4,190	13,215
46,325	56,150	67,218	58,193	60,332	65,471	75,684	90,628
<u>\$ 63,160</u>	<u>\$ 73,619</u>	<u>\$ 82,739</u>	<u>\$ 75,203</u>	<u>\$ 77,477</u>	<u>\$ 84,646</u>	<u>\$ 95,283</u>	<u>\$ 111,182</u>

<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 19,886	\$ 20,331	\$ 21,721	\$ 24,830	\$ 28,791	\$ 32,797	\$ 33,437	\$ 35,342
6,684	6,356	12,406	13,274	14,077	10,372	10,984	11,925
26,570	26,687	34,127	38,104	42,868	43,169	44,421	47,267
7,194	12,655	28,410	19,347	25,413	29,468	30,970	32,859
10,974	20,698	24,193	19,305	23,307	61,694	23,880	21,119
18,168	33,353	52,603	38,652	48,720	91,162	54,850	53,978
<u>\$ 44,738</u>	<u>\$ 60,040</u>	<u>\$ 86,730</u>	<u>\$ 76,756</u>	<u>\$ 91,588</u>	<u>\$ 134,331</u>	<u>\$ 99,271</u>	<u>\$ 101,245</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)
1998	30,889	11.4%	4,037	23.8%	--	--	34,926
1999	34,270	10.9%	6,847	69.6%	--	--	41,117
2000	34,344	0.2%	8,152	19.1%	--	--	42,496
2001	37,228	8.4%	9,402	15.3%	--	--	46,630
2002	35,072	-5.8%	7,834	-16.7%	--	--	42,906
2003	34,844	-0.7%	10,052	28.3%	--	--	44,896
2004	38,115	9.4%	9,325	-7.2%	1,244	--	48,684
2005	34,115	-10.5%	8,882	-4.8%	2,462	97.9%	45,459
2006	44,204	29.6%	8,984	1.1%	5,831	136.8%	59,019
2007	47,387	7.2%	9,011	0.3%	5,089	-12.7%	61,487

(a) The Pledged Hotel Occupancy Tax (HOT) revenues are revenues (including penalties, interest and delinquencies, if any) received from that portion of the City HOT equal to 5.65% of the cost of substantially all hotel room rentals in the City (excluding any portion thereof attributable to the Hotel during its first ten years of operation). The City HOT is currently imposed at a rate of 7%.

(b) The City's pledge of Pledged Parking Revenues is subordinate to the City's pledge of the first \$1,200,000 of such gross revenues, charges and tolls to the payment of its \$1,000,000 annual obligation under the Music Hall Lease, unless such obligation is paid, defeased, matures or is otherwise restructured.

(c) Does not include investment earnings, which are included in pledged revenues.

Historical Tax Rebates
(amounts expressed in thousands)

The tax rebates pledged to certain Convention and Entertainment Facilities Bonds consist of rebates of hotel occupancy taxes, sales taxes, and mixed beverage taxes derived from the hotel and parking garage adjacent to the Convention Center during their first ten years of operation.

Fiscal Year	HOT Tax 15%	Sales Tax 8.25% (1)	Mixed Beverage Tax 3%	Total Tax Rebate
2004	\$ 1,081	\$ 111	\$ 52	\$ 1,244
2005	2,188	190	84	2,462
2006	5,553	197	81	5,831
2007	4,663	296	130	5,089

(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)
1998	66.7%	85.88	7%	38,270
1999	63.6%	86.92	7%	42,459
2000	64.3%	84.56	7%	42,550
2001	66.9%	85.77	7%	46,123
2002	62.0%	83.92	7%	43,452
2003	60.8%	82.36	7%	43,169
2004	61.3%	85.92	7%	47,223
2005	69.5%	89.57	7%	44,414
2006	68.9%	100.67	7%	60,319
2007	68.5%	105.17	7%	63,372

(1) Source: Greater Houston Partnership.

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
For Fiscal Year 2007
(unaudited)

Schedule of Hotel Occupancy Tax Collections

<u>The Twelve Largest Taxpayers</u>	<u>Gross Hotel Occupancy Tax Collections</u>
Hilton Americas-Houston	\$ 2,817,802
Hyatt Regency Hotel	1,959,435
Four Seasons Hotel Houston Center	1,496,837
JW Marriott Galleria	1,427,034
Westin Galleria	1,362,171
Marriott Hotel	1,271,226
Houston Marriott Westchase	1,189,328
Hilton Houston	1,154,655
Wyndham Hotel Greenspoint	1,149,970
Westin Oaks Houston	1,090,900
Houstonian Hotel	1,082,070
Inter Continental Houston	<u>1,068,838</u>
Total	<u>\$ 17,070,266</u>

Top Ten Clients (Excluding Hotel Occupancy Tax Revenues)

Republic Parking Systems	\$ 8,988,610
Aramark	2,912,332
Houston Convention Center Hotel Corporation	2,739,785
National Basketball Association	1,207,940
Smart City	1,181,552
AVW	484,365
Houston Symphony Society	380,217
Wal Mart	314,500
Houston Ballet Foundation	264,902
Houston Grand Opera	<u>256,858</u>
Total	<u>\$ 18,731,061</u>

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
For Fiscal Year 2007
(unaudited)

Parking Facilities Rates

Facility	City Employee Monthly Contract (1)	Other Monthly Contract (2)	Daily Transient (2)	Event Rate (2)
Theater District Garage	\$70.00	\$125.00	\$3.00 per hour	6.00
		\$75.00 (3)	\$9.00 Maximum	
		\$100.00 (4)		
Reserved parking		\$200.00		
City Hall Annex Parking Garage	\$51.76	\$75.00	n/a	5.00
City Hall Annex Parking Meters	n/a	n/a	\$.40 per hour	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 as of June 30, 2007, 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 Convention and Entertainment Center's Commercial Paper Notes.

Fiscal Year	Series 2001 A	Series 2001 B	Series 2001 C	Total Debt
Ending	Bonds	Bonds	Bonds ⁽¹⁾	Service
June 30				
2008	13,733,281	20,075,231	5,851,180	39,659,692
2009	13,731,419	20,190,150	5,845,641	39,767,210
2010	13,742,113	21,718,544	5,856,411	41,317,068
2011	13,727,994	22,556,050	5,969,034	42,253,078
2012	13,731,719	22,829,244	5,850,872	42,411,835
2013	13,737,953	24,382,988	5,845,641	43,966,582
2014	13,735,941	24,521,616	5,856,411	44,113,968
2015	13,738,425	24,440,238	5,856,411	44,035,074
2016	13,743,525	16,325,319	5,963,495	36,032,339
2017	8,756,572	22,986,963	5,845,949	37,589,484
2018	9,696,281	22,698,700	5,856,411	38,251,392
2019	4,548,731	21,654,794	11,954,365	38,157,890
2020	5,512,031	22,066,819	12,043,104	39,621,954
2021	6,561,881	21,094,119	12,070,672	39,726,672
2022		29,121,925	12,289,057	41,410,982
2023		29,261,563	12,292,285	41,553,848
2024		30,597,669	12,373,718	42,971,387
2025		30,932,488	12,441,205	43,373,693
2026		32,207,594	12,551,196	44,758,790
2027		32,889,456	12,684,901	45,574,357
2028		33,368,825	12,800,641	46,169,466
2029		34,620,331	12,836,535	47,456,866
2030		35,123,056	13,014,756	48,137,812
2031		36,179,756	13,116,939	49,296,695
2032		36,631,363	13,245,318	49,876,681
2033		36,734,713	13,409,588	50,144,301
2034		38,108,331	11,779,062	49,887,393
Total	\$ 158,697,866	\$ 743,317,845	\$ 265,500,798	\$ 1,167,516,509

(1) Assumes an interest rate of 3.915% 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
For Fiscal Year 2007
(unaudited)

Convention & Entertainment Budget for Fiscal Year 2008
(amounts expressed in thousands)

Budgeted Resources

Operating Revenues

Facility Rentals	\$ 5,732
Parking	9,297
Food and Beverage Concessions	4,446
Contract Cleaning	<u>200</u>
Total Operating Revenues	<u>19,675</u>

Operating Expenses

Personnel	8,659
Supplies	625
Services	<u>29,586</u>
Total Operating Expenses	<u>38,870</u>
Operating Income (Loss)	<u>(19,195)</u>

Nonoperating Revenues (Expenses)

Hotel Occupancy Tax	
Current	52,000
Delinquent	900
Advertising Services	(11,960)
Promotion Contracts	(10,036)
Contracts/Sponsorships	<u>(2,050)</u>
Net Hotel Occupancy Tax	<u>28,854</u>
Investment Income (Loss)	2,400
Capital Outlay	(4,975)
Non-Capital Outlay	(97)
Other Interest	(2,000)
Other	<u>1,796</u>
Total nonoperating Rev (Exp)	<u>25,978</u>
Income (Loss) Before Operating Transfers	<u>6,783</u>

Operating Transfers

Transfers to Interest	7,848
Transfers to Principal	10,200
Interfund Transfers	820
Miller Outdoor Theater Transfer	(1,154)
Transfers to Special	(277)
Contingency/Reserve	<u>-</u>
Total Operating Transfers	<u>17,437</u>
Net Income (Loss) Operating Fund	<u>\$ (10,654)</u>

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	<u>1998</u>	<u>1999</u>	<u>2000</u>
Operating Revenues			
Water sales	\$ 262,481	\$ 266,381	\$ 281,757
Waste water system user charges	264,576	264,076	275,782
Penalties	3,957	3,947	3,493
Other services and charges	3,178	2,962	3,006
Total Operating Revenues	<u>534,192</u>	<u>537,366</u>	<u>564,038</u>
Nonoperating Revenues			
Interest	41,078	37,978	32,019
Other income	12,193	18,116	20,641
Total Nonoperating Revenues	<u>53,271</u>	<u>56,094</u>	<u>52,660</u>
Total Revenues	<u>\$ 587,463</u>	<u>\$ 593,460</u>	<u>\$ 616,698</u>
Total Annual Expenses Last Ten Fiscal Years	<u>1998</u>	<u>1999</u>	<u>2000</u>
Operating Expenses			
Maintenance and operating	\$ 222,930	\$ 212,877	\$ 225,258
Depreciation and Amortization	174,994	190,205	212,846
Bad debt expense	1,071	740	1,000
Total Operating Expenses	<u>398,995</u>	<u>403,822</u>	<u>439,104</u>
Nonoperating Expenses			
Interest on long-term debt	160,253	155,201	164,650
Other expenses	7,225	4,863	4,057
Total Nonoperating Expenses	<u>167,478</u>	<u>160,064</u>	<u>168,707</u>
Total Expenses	<u>\$ 566,473</u>	<u>\$ 563,886</u>	<u>\$ 607,811</u>

2001	2002	2003	2004	2005	2006	2007
\$ 271,553	\$ 271,098	\$ 267,125	\$ 265,272	\$ 301,227	\$ 324,878	\$ 308,046
268,492	265,091	264,159	257,225	288,459	307,764	295,423
4,440	4,214	4,036	4,150	4,605	5,085	6,736
2,807	2,993	3,997	4,561	4,583	4,935	5,260
<u>547,292</u>	<u>543,396</u>	<u>539,317</u>	<u>531,208</u>	<u>598,874</u>	<u>642,662</u>	<u>615,465</u>
56,914	33,703	24,043	6,889	12,972	18,650	36,014
22,511	32,368	26,894	26,179	24,707	26,557	54,572
<u>79,425</u>	<u>66,071</u>	<u>50,937</u>	<u>33,068</u>	<u>37,679</u>	<u>45,207</u>	<u>90,586</u>
<u>\$ 626,717</u>	<u>\$ 609,467</u>	<u>\$ 590,254</u>	<u>\$ 564,276</u>	<u>\$ 636,553</u>	<u>\$ 687,869</u>	<u>\$ 706,051</u>

2001	2002	2003	2004	2005	2006	2007
\$ 248,603	\$ 245,943	\$ 250,226	\$ 266,718	\$ 332,800	\$ 302,955	\$ 315,348
256,959	228,147	233,401	209,608	224,074	228,665	257,722
-	-	-	-	-	-	-
<u>505,562</u>	<u>474,090</u>	<u>483,627</u>	<u>476,326</u>	<u>556,874</u>	<u>531,620</u>	<u>573,070</u>
172,749	164,482	165,509	204,875	201,142	214,880	242,282
3,315	9,708	722	12,402	4,193	5,622	3,478
<u>176,064</u>	<u>174,190</u>	<u>166,231</u>	<u>217,277</u>	<u>205,335</u>	<u>220,502</u>	<u>245,760</u>
<u>\$ 681,626</u>	<u>\$ 648,280</u>	<u>\$ 649,858</u>	<u>\$ 693,603</u>	<u>\$ 762,209</u>	<u>\$ 752,122</u>	<u>\$ 818,830</u>

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

	<u>Fiscal Year</u> 2007	<u>Fiscal Year</u> 2006
OPERATING REVENUES		
Sales of water, net	\$ 308,046	\$ 324,878
Sewer system user charges, net	295,423	307,764
Penalties, other services and charges	11,996	10,020
Total Operating Revenues:	<u>615,465</u>	<u>642,662</u>
NON-OPERATING REVENUES		
Investment Earnings under Previous Ordinance	24,031	13,260
Investment Earnings under Master Ordinance	11,983	5,390
Non-Operating Revenues: Contributions from Water Authorities	1,054	33,374
Non-Operating Revenues: Gain on Escrow Restructuring	-	-
Other Non-Operating revenues	9,597	9,813
Total non-operating revenues	<u>46,665</u>	<u>61,837</u>
TOTAL GROSS REVENUES:	<u>662,130</u>	<u>704,499</u>
EXPENSES		
Contract Revenue Bonds Payments ⁽¹⁾		
Houston Area Water Corporation debt service	8,999	9,075
Coastal Water Authority Debt Service	30,747	29,871
Trinity River Authority Debt Service	2,127	2,212
Total Contract Revenue Bonds Payments	<u>41,873</u>	<u>41,158</u>
Maintenance and Operating Expenses	326,939	307,977
Total Expenses	<u>368,812</u>	<u>349,135</u>
RESTRICTED RECEIPTS UNDER MASTER ORDINANCE	<u>26,707</u>	<u>16,744</u>
NET REVENUES UNDER MASTER ORDINANCE	<u>\$ 320,025</u>	<u>\$ 372,108</u>
BOND DEBT SERVICE:		
Previously Issued Bonds	61,314	53,983
First Lien Bonds	184,568	167,248
Total Debt Service	<u>\$ 245,882</u>	<u>\$ 221,231</u>
BOND DEBT SERVICE COVERAGE:		
Junior Lien Bond Coverage under Previous Ordinance ⁽²⁾	4.59 x	6.48 x
First Lien Bond Coverage under Master Ordinance ⁽³⁾	1.40 x	1.90 x
TOTAL COVERAGE ⁽⁴⁾	1.30 x	1.68 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 2008)
(amounts expressed in thousands)
(unaudited)

The following is the summary of the Fiscal Year 2008 Budget for the System as adopted by City Council:

Revenues	
Beginning Fund Balance (July 1, 2007)	\$ 315,335
Current Revenues	738,988
	<hr/>
Total Revenues	\$ 1,054,323
	<hr/> <hr/>
Expenditures	
Maintenance and Operations	\$ 343,405
CWA/TRA Debt Service	32,642
HAWC Debt Service	-
Debt Service (including Prior Lien Bonds, Junior Lien Bonds and Commercial Paper)	287,058
	<hr/>
Total Expenditures	663,105
Other	
General Purpose Fund (including Discretionary Debt Service)	88,267
Planned Fund Balance (June 30, 2008)	302,951
	<hr/>
Total Expenditures and Reserves	\$ 1,054,323
	<hr/> <hr/>

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 after issuance of the 2006 and 2006A Bonds.

Maximum Annual Debt Service Requirements on Previous Ordinance Bonds (2019) ⁽¹⁾	139,219,336
Maximum Annual Debt Service Requirements on First Lien Bonds (2033) ⁽¹⁾⁽²⁾	336,173,240
Combined Maximum Annual Principal and Interest Requirements on Previous Ordinance Bonds and First Lien Bonds (2026)	344,726,795
Net Revenues under Previous Ordinance for Fiscal Year ended June 30, 2007 ⁽³⁾	281,335,490
Net Revenues under Master Ordinance for Fiscal Year ended June 30, 2007 ⁽⁴⁾	320,025,500
Funds Available from General Purpose Fund at June 30, 2007	249,270,000
Total Funds available for Debt Service Coverage	569,295,500
Coverage of Maximum Annual Debt Service Requirements on Previous Ordinance Bonds	2.02
Coverage of Maximum Annual Debt Service Requirements on First Lien Bonds	1.69
Coverage of Combined Maximum Annual Debt Service Requirement: ⁽⁵⁾	1.65

(1) Does not include debt service on CWA, TRA or HAWC Bonds, which are payable from Gross Revenues as a Maintenance and Operating Expense of the System.

(2) Debt Service on the Series 2008A Bonds is calculated at the fixed payor swap rate of 3.761%. Debt service on the tax-exempt Series 2004C Bonds is calculated using an assumed tax-exempt fixed rate. Debt service on taxable Series 2004C-3 Bonds, Series 2004C-4 Bonds, and the Series 2004C-5 Bonds is calculated based on an assumed taxable rate with a maturity on the applicable Tax-Exempt Conversion Date. After the applicable Tax-Exempt Conversion Date, debt service is calculated using an assumed long term tax-exempt rate to maturity.

(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 Wastewater Operations System receive and process 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 2.2 million people. The Wastewater System consist of over 6,000 miles 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 2007 was 267.97 mgd. The effective treatment capacity of the Sewer Facilities, as reflected by State permits, is 563.1 mgd as of December 13, 2007.

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 2009 - 2013 CIP will be financed approximately as follows:

Proposed Source of Funding	Amount (in millions)
System Revenue Bonds (Net Proceeds and interest earnings) (1)	\$ 1,015.9
Other Sources (including System Bonds issued to TWDB) (2)	316.0
	\$ 1,331.9

(1) The department's fiscal year 2009 - 2013 CIP anticipates the periodic issuance of additional First Lien Bonds and Subordinate Lien Commercial Paper. City Council must approve each issuance of bonds.

(2) Includes loan funds sourced from the Texas Water Development Board and payable by the City as System Bonds.

Obligations Payable from System Revenues

The following sets forth the total outstanding principal amount of the system obligations payable from revenues of the system as of June 30, 2007:

Contract Revenue Bonds Payable from System Gross Revenues	Amount
CWA Bonds (3)	\$ 204,115,000
TRA Bonds (4)	2,000,000
HAWC Bonds (5)	125,410,000
	331,525,000
 System Revenue Bonds Payable from System Net Revenues	
Previous Ordinance Bonds	786,813,983
First Lien Bonds	3,537,080,000
Third Lien Obligations	440,200,000
	4,764,093,983
 Total - All Bonds Payable from System Revenues	 \$ 5,095,618,983

(3) 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.

(4) Under the 1964 agreement, as supplemented, the City and TRA agreed to construct Lake Livingston, and the City agreed to pay, as a maintenance and operation expense of the System, amounts calculated to be sufficient to cover the maintenance and operation expenses of Lake Livingston, plus debt service on the TRA (Livingston Project) Bonds, less recoupment of a maximum of 30 percent of such cost.

(5) Under a 2001 agreement, the City contracted with HAWC to cause the construction of the NEWPP, and, pursuant to the treated water supply contract, the City agreed to pay, as a maintenance and operating expense of the System, debt service on HAWC's first series of bonds which were issued in the principal amount of \$130,260,000, in May, 2002 to finance the NEWPP, along with all maintenance and operating expenses relating to the NEWPP and HAWC. These bonds were refunded with First Lien Bonds in July 2007.

**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 seven Fiscal Years and the amount budgeted for Fiscal year 2008 is set forth below:

<u>Fiscal Year</u>	<u>Discretionary Debt Service (in millions)</u>
2008 (budgeted)	\$ 26.1
2007	24.7
2006	26.3
2005	28.2
2004	29.6
2003	23.8
2002	36.5

Combined Utility System General Purpose Fund Transfers for Drainage

Since Fiscal Year 2005 the Combined Utility System has made transfers from its General Purpose Fund to the Storm Water Fund as shown below.

<u>Fiscal Year</u>	<u>General Purpose Fund Transfers (millions)</u>
2008 (budgeted)	\$ 37.7
2007	34.1
2006	31.3
2005	30.0

Indirect Charges Paid by the System

<u>Fiscal Year</u>	<u>Indirect Charges (in thousands)</u>
2008 (budgeted)	\$ 2,157
2007	2,309
2006	2,157
2005	1,236
2004	4,696
2003	6,877
2002	6,877

CITY OF HOUSTON, TEXAS

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**CITY OF HOUSTON, TEXAS
 COMBINED UTILITY SYSTEM STATISTICS
 TREATED WATER/RAW WATER & SEWER ONLY
 (NOT INCLUDING WHOLESALE NOR RAW WATER)
 (unaudited)**

Fiscal Years	1998	1999	2000	2001	2002
Consumption (in Thousand Gallons)					
RESIDENTIAL	28,429,661	31,660,545	30,627,183	29,298,341	28,910,785
MULTI-FAMILY	27,432,285	30,262,637	27,819,799	27,960,411	26,947,985
COMMERCIAL	22,149,247	24,144,129	23,620,493	23,658,719	23,244,380
GOVERNMENT	4,244,242	4,743,138	4,960,288	4,732,531	4,528,732
SEWER ONLY	1,226,037	1,334,612	1,264,859	1,284,586	1,335,488
OTHER ACCTS	2,194,474	2,989,579	4,349,133	4,133,562	4,319,402
TOTAL	85,675,946	95,134,640	92,641,755	91,068,150	89,286,772
Revenue Amount	\$486,981,086	\$506,797,079	\$525,457,257	\$518,964,748	\$504,300,381
Average Rate / Water & Sewer	\$5.68	\$5.33	\$5.67	\$5.70	\$5.65

2003	2004	2005	2006	2007
28,366,790	27,190,878	28,089,881	29,372,166	26,094,949
26,524,889	26,099,414	25,197,120	25,917,787	24,961,804
22,489,563	22,419,672	21,879,224	23,106,449	21,941,537
4,343,339	4,450,481	4,510,130	5,151,211	4,614,053
1,327,138	1,352,960	1,180,975	1,242,852	1,324,905
4,187,717	4,410,859	4,503,243	5,808,363	4,394,176
<u>87,239,436</u>	<u>85,924,264</u>	<u>85,360,573</u>	<u>90,598,828</u>	<u>83,331,424</u>
<u>\$493,637,833</u>	<u>\$482,693,814</u>	<u>\$536,457,992</u>	<u>\$582,872,263</u>	<u>\$558,078,148</u>
\$5.66	\$5.62	\$6.28	\$6.43	\$6.70

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
(unaudited)

Largest Sewer Customers

The following schedule presents information concerning the ten largest customers of the Sewer Facilities for the twelve month period ended June 30, 2007. The total charges to such customers represent approximately 3.7% of the System Gross Revenues and 8.3% of Sewer Facilities' gross charges during such period.

<u>Customer</u>	<u>Gross Charges</u>
1. Anheuser - Busch, Inc.	\$ 7,355,729
2. City of Houston	4,124,957
3. Harris County	3,053,518
4. Houston Independent School District	2,698,989
5. University of Houston	1,738,352
6. Memorial Hermann Hospital	1,635,555
7. M. D. Anderson Cancer Center	1,061,461
8. Gerald D. Hines	1,010,644
9. Methodist Hospital	940,019
10. Veterans Administration	844,804
	<u>\$ 24,464,028</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</u>	
	<u>Water</u>	<u>Sewer</u>
July 1988	8.5%	7.6%
August 1989	6.0%	7.5%
July 1990	5.5%	7.5%
February 1992	2.0%	6.0%
March 1993	2.5%	4.0%
June 2004	9.2%	10.1%
April 2005	3.5%	3.5%
April 2006	3.6%	3.6%
April 2007	1.8%	1.8%

**CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
Water Supply
(unaudited)**

Capacity, Production, and Sales

The following schedule sets forth information concerning Water Facilities capacity, production and sales for Fiscal Year 2007 (million gallons per day):

	<u>Available</u>	<u>Capacity</u>	<u>Daily</u>	<u>Peak</u>	<u>Sales</u>
Ground	78.2	300.0	59.0	-	N/A
Surface	1,090.0	1,202.0	543.0	-	N/A
Total	<u>1,168.2</u>	<u>1,502.0</u>	<u>602.0</u>	<u>-</u>	<u>557.0</u>
Treated					305.4
Untreated					251.6
					<u>557.0</u>

Sources of System Revenues - General

As of June 30, 2007, the Water Facilities and the Sewer Facilities served approximately 426,983 and 413,456 active service connections, respectively. During Fiscal Year 2007 approximately 47.9% of System Gross Revenues were derived from the sale of water (89.2% from treated water and 10.8% from untreated water), approximately 44.89% from providing wastewater treatment services, 1.23% from interest income and the remaining 5.98% from various other sources. Of the treated water sales, 95.3% of revenues were from retail customers and 4.7% from bulk sales to other governmental entities.

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

Largest Treated Water Customers

The following schedule presents information concerning the ten largest treated water customers of the System for the twelve month period ended June 30, 2007. The total charges to such customers during such period represent approximately 3.9% of the System Gross Revenues and 8.2% of total water sales revenues for such period.

<u>Customers</u>	<u>Charges</u>
1. City of Pasadena	\$ 5,523,190
2. North Channel Water Authority	4,262,095
3. Anheuser-Busch, Inc.	3,051,452
4. Clear Lake City Water Authority	2,455,822
5. Harris County	2,375,546
6. Houston Independent School District	2,027,536
7. City of Pearland	1,938,122
8. City of Houston	1,631,267
9. University of Houston	1,254,722
10. Gulf Coast Water Authority	1,247,397
	<u>\$ 25,767,149</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, 2007. The total of the contract payments by these ten customers during such period represents approximately 4.2% of the System Gross Revenues and 8.7% of total water sales revenues for such period.

<u>Customers</u>	<u>Charges</u>
1. Equistar Chemicals LP	\$ 5,126,091
2. Houston Area Water Corporation	4,233,621
3. Shell Oil Company	3,587,700
4. Battleground Water Company	2,936,154
5. Air Liquide America Corporation	2,262,435
6. Lyondell - Citgo Refining Company LTD	2,217,218
7. Occidental Chemical Corporation	2,112,645
8. Chevron Phillips Chemical Company, LP	2,076,468
9. Baytown Water Authority	1,769,849
10. Hoescht Celanese Chemical Group, LTD	1,220,431
	<u>\$ 27,542,612</u>

**CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
Debt Service Schedule
(unaudited)**

The following schedule sets forth the principal and interest requirements on all outstanding bonds payable from revenue of the System for each of the City's fiscal years ending June 30, based on footnoted assumptions. The following schedule also does not include Discretionary Debt Service Payments or interest on Commercial Paper Notes issued a Third Lien Obligations under the Master Ordinance.

Payable From System Net Revenues

Fiscal Year Ending June 30	Total Payable From System Gross Revenues⁽¹⁾	Previous Ordinance Bonds	First Lien Bonds⁽²⁾	Total Payable From System Net Revenues	Total Debt Service^{(1) (2)}
2008	32,641,511	61,548,050	199,563,546	261,111,596	293,753,107
2009	28,102,553	73,353,595	211,108,105	284,461,700	312,564,253
2010	23,816,045	82,267,989	235,551,135	317,819,124	341,635,169
2011	21,367,014	87,168,868	234,897,348	322,066,216	343,433,230
2012	20,586,019	107,856,772	218,010,630	325,867,402	346,453,421
2013	19,834,274	107,188,212	229,328,435	336,516,647	356,350,921
2014	19,043,517	77,804,468	264,649,670	342,454,138	361,497,655
2015	18,245,659	89,521,320	252,897,580	342,418,900	360,664,559
2016	18,032,404	89,184,040	255,001,339	344,185,379	362,217,783
2017	7,554,640	80,800,280	263,486,936	344,287,216	351,841,856
2018	6,749,038	52,112,098	292,184,758	344,296,856	351,045,894
2019	6,740,125	139,219,336	204,712,376	343,931,712	350,671,837
2020	6,736,850	56,297,338	287,637,409	343,934,747	350,671,597
2021	6,754,175	43,100,950	300,852,139	343,953,089	350,707,264
2022	6,717,050	36,151,869	308,024,170	344,176,039	350,893,089
2023	6,710,175	33,247,860	310,948,365	344,196,225	350,906,400
2024	6,702,300	34,487,039	309,890,105	344,377,144	351,079,444
2025	6,692,925	33,357,575	310,939,133	344,296,708	350,989,633
2026	7,661,425	18,155,000	326,571,795	344,726,795	352,388,220
2027	3,551,050	30,815,000	303,465,673	334,280,673	337,831,723
2028	3,550,050	30,810,000	303,756,103	334,566,103	338,116,153
2029	3,547,925	44,095,000	290,920,324	335,015,324	338,563,249
2030	3,547,844		334,743,258	334,743,258	338,291,102
2031	3,544,844		335,253,320	335,253,320	338,798,164
2032	3,540,550		334,507,074	334,507,074	338,047,624
2033	3,534,725		336,173,240	336,173,240	339,707,965
2034	3,532,013		335,977,667	335,977,667	339,509,680
2035	3,531,938		114,365,883	114,365,883	117,897,821
2036			114,369,473	114,369,473	114,369,473
2037			91,609,624	91,609,624	91,609,624
2038			5,729,508	5,729,508	5,729,508
Total	\$ 302,568,638	\$ 1,408,542,659	\$ 7,917,126,121	\$ 9,325,668,780	\$ 9,628,237,418

(1) Includes CWA Bonds and TRA Bonds (Lake Livingston Project) and excludes the HAWC Bonds. On July 17, 2007 the City issued Combined Utility System First Lien Revenue Refunding Bonds Series 2007B to refund the HAWC Bonds.

(2) Series 2004-C variable rate bond debt service is calculated using current market fixed rates. Debt service is calculated based on an assumed taxable rate with a maturity on the applicable tax-exempt conversion date. After the applicable Tax-Exempt Conversion Date, debt service is calculated using a long term tax-exempt rate to maturity. \$249,075,000 of the Series 2004-C variable rate bond debt service is calculated at the fixed payor swap rate of 3.761% beginning December 3, 2007. Series 2004-B debt service is adjusted to take into account expected payments under the Series 2004-B Qualified Hedge Agreements.

**CITY OF HOUSTON
 COMBINED UTILITY SYSTEM STATISTICS
 Last Six 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, 2002 through June 30, 2007.

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
OPERATING REVENUES						
Sales of Water, net	\$ 271,098	\$ 267,125	\$ 265,272	\$ 301,227	\$ 324,878	\$ 308,046
Sewer system user charges, net	265,091	264,159	257,225	288,459	307,764	295,423
Penalties	4,214	4,036	4,150	4,605	5,085	6,736
Other services and charges	2,994	3,997	4,561	4,583	4,935	5,260
Total Operating Revenues	<u>543,397</u>	<u>539,317</u>	<u>531,208</u>	<u>598,874</u>	<u>642,662</u>	<u>615,465</u>
NON-OPERATING REVENUES	<u>47,192</u>	<u>30,585</u>	<u>93,089</u>	<u>19,771</u>	<u>26,557</u>	<u>54,572</u>
TOTAL GROSS REVENUES (A)	<u>590,589</u>	<u>569,902</u>	<u>624,297</u>	<u>618,645</u>	<u>669,219</u>	<u>670,037</u>
OPERATING EXPENSES						
Maintenance and Operating Expenses	245,943	250,226	266,718	270,299	301,646	322,083
Contractual Maintenance and Operating Expenses						
CWA Debt Service	30,091	28,878	28,980	29,192	29,871	30,653
TRA Debt Service	2,140	2,056	2,474	2,354	2,212	2,221
HAWC Debt Service	-	-	6,710	6,710	6,242	8,999
Total Contractual	<u>32,231</u>	<u>30,934</u>	<u>38,164</u>	<u>38,256</u>	<u>38,325</u>	<u>41,873</u>
TOTAL OPERATING EXPENSES (B)	<u>278,174</u>	<u>281,160</u>	<u>304,882</u>	<u>308,555</u>	<u>339,971</u>	<u>363,956</u>
NET REVENUES	<u>\$ 312,415</u>	<u>\$ 288,742</u>	<u>\$ 319,415</u>	<u>\$ 310,090</u>	<u>\$ 329,248</u>	<u>\$ 306,081</u>
GROSS REVENUES (A) DIVIDED BY TOTAL EXPENSES (B)	2.123	2.027	2.048	2.005	1.968	1.841

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	1998	1999	2000
Operating Revenues			
Landing area fees	\$ 43,739	\$ 37,506	\$ 40,930
Building and ground area fees	54,479	59,921	72,988
Parking, concession and other revenues	75,827	84,944	95,217
Total Operating Revenues	<u>174,045</u>	<u>182,371</u>	<u>209,135</u>
Nonoperating Revenues			
Interest income	13,213	21,762	25,027
Passenger facility charges	-	-	-
Other nonoperating revenues	664	207	188
Total Nonoperating Revenues	<u>13,877</u>	<u>21,969</u>	<u>25,215</u>
Total Revenues	<u>\$ 187,922</u>	<u>\$ 204,340</u>	<u>\$ 234,350</u>
Total Annual Expenses Last Ten Fiscal Years	1998	1999	2000
Operating Expenses			
Maintenance and operating	\$ 100,040	\$ 117,206	\$ 113,442
Depreciation	43,166	42,537	46,390
Total Operating Expenses	<u>143,206</u>	<u>159,743</u>	<u>159,832</u>
Nonoperating Expenses			
Interest expense and others	18,376	32,471	44,354
Total Nonoperating Expenses	<u>18,376</u>	<u>32,471</u>	<u>44,354</u>
Total Expenses	<u>\$ 161,582</u>	<u>\$ 192,214</u>	<u>\$ 204,186</u>

2001	2002	2003	2004	2005	2006	2007
\$ 48,298	\$ 50,826	\$ 51,162	\$ 57,011	\$ 102,072	\$ 101,758	\$ 92,140
74,168	84,752	91,801	115,777	151,417	179,951	199,720
99,708	91,877	97,804	97,625	100,152	112,152	124,278
<u>222,174</u>	<u>227,455</u>	<u>240,767</u>	<u>270,413</u>	<u>353,641</u>	<u>393,861</u>	<u>416,138</u>
66,846	37,629	30,278	5,967	14,968	18,507	33,722
-	-	-	-	-	-	6,530
828	942	681	203	4,295	56	541
<u>67,674</u>	<u>38,571</u>	<u>30,959</u>	<u>6,170</u>	<u>19,263</u>	<u>18,563</u>	<u>40,793</u>
<u>\$ 289,848</u>	<u>\$ 266,026</u>	<u>\$ 271,726</u>	<u>\$ 276,583</u>	<u>\$ 372,904</u>	<u>\$ 412,424</u>	<u>\$ 456,931</u>

2001	2002	2003	2004	2005	2006	2007
\$ 122,594	\$ 142,950	\$ 154,541	\$ 168,923	\$ 223,972	\$ 202,496	\$ 214,611
52,410	60,088	59,987	88,371	105,891	134,150	126,953
<u>175,004</u>	<u>203,038</u>	<u>214,528</u>	<u>257,294</u>	<u>329,863</u>	<u>336,646</u>	<u>341,564</u>
65,387	44,165	46,538	54,853	75,908	94,586	101,193
65,387	44,165	46,538	54,853	75,908	94,586	101,193
<u>\$ 240,391</u>	<u>\$ 247,203</u>	<u>\$ 261,066</u>	<u>\$ 312,147</u>	<u>\$ 405,771</u>	<u>\$ 431,232</u>	<u>\$ 442,757</u>

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

Fiscal Year	Domestic Passengers					
	Intercontinental		Hobby		Ellington Field	
	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change
1998	25,543	7.1%	8,597	3.2%	113	11.9%
1999	27,271	6.8%	8,795	2.3%	100	-11.5%
2000	28,892	5.9%	9,053	2.9%	89	-11.0%
2001	30,105	4.2%	9,038	-0.2%	64	-28.1%
2002	28,168	-6.4%	8,192	-9.4%	68	6.3%
2003	27,931	-0.8%	7,796	-4.8%	81	19.1%
2004	29,473	5.5%	8,089	3.8%	80	-1.2%
2005	31,609	7.2%	8,247	2.0%	14	-82.5%
2006	34,103	7.9%	8,423	2.1%	0	-100.0%
2007	35,260	3.4%	8,642	2.6%	0	-

Domestic Passengers		International Passengers		Total Passengers	
Total		Intercontinental			
Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change
34,253	6.1%	4,161	15.1%	38,414	7.1%
36,166	5.6%	4,801	15.4%	40,967	6.6%
38,034	5.2%	5,340	11.2%	43,374	5.9%
39,207	3.1%	5,811	8.8%	45,018	3.8%
36,428	-7.1%	5,556	-4.4%	41,984	-6.7%
35,808	-1.7%	5,526	-0.5%	41,334	-1.5%
37,642	5.1%	5,960	7.9%	43,602	5.5%
39,870	5.9%	6,818	14.4%	46,688	7.1%
42,526	6.7%	7,123	4.5%	49,649	6.3%
43,902	3.2%	7,555	6.1%	51,457	3.6%

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
(unaudited)

Airline Market Shares

Domestic

Airlines	Intercontinental				Hobby			
	Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2006		Fiscal Year 2007	
	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share
Air Tran	-	0.0%	-	0.0%	339,652	4.0%	342,306	3.9%
America West	367,327	0.9%	284,118	0.7%	-	0.0%	-	0.0%
American Airlines, Inc.	1,075,834	2.6%	1,008,544	2.4%	55,324	0.7%	-	0.0%
American Connection	-	0.0%	-	0.0%	15,558	0.2%	-	0.0%
American Eagle - AA	-	0.0%	-	0.0%	263,438	3.1%	222,903	2.6%
ATA Airlines	-	0.0%	-	0.0%	51,212	0.6%	136,606	1.6%
Atlantic Southeast - DL	133,327	0.3%	111,376	0.3%	100,629	1.2%	60,544	0.7%
Charter Airlines	2,555	0.0%	2,955	0.0%	4,357	0.1%	7,542	0.1%
Chautauqua Airlines - DL	-	0.0%	602,417	1.4%	10,761	0.1%	-	0.0%
Chautauqua Airlines - UA	16,330	0.0%	-	0.0%	-	0.0%	-	0.0%
Colgan - Air Inc, - CO	511,611	1.2%	551,623	1.3%	-	0.0%	-	0.0%
Comair - DL	101,541	0.2%	90,668	0.3%	-	0.0%	-	0.0%
Continental	20,940,495	50.8%	22,015,159	51.4%	-	0.0%	-	0.0%
ExpressJet Airlines, Inc.	8,478,037	20.6%	8,212,426	19.2%	-	0.0%	-	0.0%
Delta	528,212	1.3%	364,109	0.9%	139,753	1.7%	110,086	1.3%
Frontier	171,639	0.4%	181,458	0.4%	-	0.0%	-	0.0%
JetBlue	-	0.0%	-	0.0%	-	0.0%	157,289	1.8%
Mesa Airlines, Inc.	40,743	0.1%	37,057	0.1%	-	0.0%	-	0.0%
Mesa Airlines, Inc. - US	148,648	0.4%	271,942	0.6%	-	0.0%	-	0.0%
Midwest Airlines, Inc.	-	0.0%	-	0.0%	19,624	0.2%	-	0.0%
MN Airlines , Inc.	-	0.0%	-	0.0%	7,073	0.1%	-	0.0%
Northwest	600,100	1.5%	530,089	1.2%	-	0.0%	-	0.0%
PSA Airlines - US	30,909	0.1%	16,763	0.0%	-	0.0%	-	0.0%
Republic Airlines - US	57,027	0.2%	148,396	0.3%	-	0.0%	-	0.0%
Shuttle America Corporation -DL	-	0.0%	19,108	0.0%	-	0.0%	72,827	0.8%
Shuttle America Corporation - UA	135,294	0.3%	152,591	0.4%	-	0.0%	-	0.0%
SkyWest Airlines - CO	48	0.0%	-	0.0%	-	0.0%	-	0.0%
SkyWest Airlines - DL	2,809	0.0%	105,464	0.2%	-	0.0%	32,704	0.4%
SkyWest Airlines - UA	72,382	0.2%	83,363	0.2%	-	0.0%	-	0.0%
Southwest Airlines Company	-	0.0%	-	0.0%	7,415,573	88.0%	7,498,778	86.8%
United Air Lines Inc.	465,768	1.1%	470,339	1.1%	-	0.0%	-	0.0%
US Airways	222,137	0.5%	125	0.0%	-	0.0%	-	0.0%
Total Domestic	34,102,773	82.7%	35,260,090	82.4%	8,422,954	100.0%	8,641,585	100.0%

International

	Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2006		Fiscal Year 2007	
	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share
	AeroMexico	140,916	0.3%	186,838	0.4%			
Aerolitoral	80	0.0%	-	0.0%				
Air Canada	21,738	0.1%	82,423	0.2%				
Air Canada Jazz	156,704	0.4%	95,485	0.2%				
Air France	194,632	0.5%	250,585	0.6%				
Air Jamaica	-	0.0%	-	0.0%				
Aviacsa	70,363	0.2%	33,526	0.1%				
British Airways	217,221	0.5%	212,185	0.5%				
Cayman Airways, LTD	13,291	0.0%	14,616	0.0%				
Charter Airlines	54,113	0.1%	27,040	0.1%				
China Airlines	54,614	0.1%	49,205	0.1%				
Continental	4,451,631	10.8%	4,804,886	11.2%				
ExpressJet Airlines, Inc.	1,292,759	3.1%	1,347,229	3.1%				
KLM	215,816	0.5%	202,127	0.5%				
Lufthansa	147,894	0.4%	176,507	0.4%				
Pakistsn Int'l Airlines	30,454	0.1%	6,565	0.0%				
TACA	61,265	0.2%	65,909	0.2%				
Total International	7,123,491	17.3%	7,555,126	17.6%				
Total Airlines	41,226,264	100.0%	42,815,216	100.0%	8,422,954	100.0%	8,641,585	100.0%

Domestic only

Ellington Field				Houston Airport System			
Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2006		Fiscal Year 2007	
Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share
-	0.0%	-	0.0%	339,652	0.7%	342,306	0.7%
-	0.0%	-	0.0%	367,327	0.7%	284,118	0.6%
-	0.0%	-	0.0%	1,131,158	2.3%	1,008,544	2.0%
-	0.0%	-	0.0%	15,558	0.0%	-	0.0%
-	0.0%	-	0.0%	263,438	0.5%	222,903	0.4%
-	0.0%	-	0.0%	51,212	0.1%	136,606	0.3%
-	0.0%	-	0.0%	233,956	0.5%	171,920	0.3%
-	0.0%	-	0.0%	6,912	0.0%	10,497	0.0%
-	0.0%	-	0.0%	10,761	0.0%	602,417	1.2%
-	0.0%	-	0.0%	16,330	0.0%	-	0.0%
-	0.0%	-	0.0%	511,611	1.0%	551,623	1.1%
-	0.0%	-	0.0%	101,541	0.2%	90,668	0.2%
-	0.0%	-	0.0%	20,940,495	42.2%	22,015,159	42.8%
-	0.0%	-	0.0%	8,478,037	17.1%	8,212,426	15.9%
-	0.0%	-	0.0%	667,965	1.3%	474,195	0.9%
-	0.0%	-	0.0%	171,639	0.3%	181,458	0.4%
-	0.0%	-	0.0%	-	0.0%	157,289	0.3%
-	0.0%	-	0.0%	40,743	0.1%	37,057	0.1%
-	0.0%	-	0.0%	148,648	0.3%	271,942	0.5%
-	0.0%	-	0.0%	19,624	0.0%	-	0.0%
-	0.0%	-	0.0%	7,073	0.0%	-	0.0%
-	0.0%	-	0.0%	600,100	1.2%	530,089	1.0%
-	0.0%	-	0.0%	30,909	0.1%	16,763	0.0%
-	0.0%	-	0.0%	57,027	0.1%	148,396	0.3%
-	0.0%	-	0.0%	-	0.0%	91,935	0.2%
-	0.0%	-	0.0%	135,294	0.3%	152,591	0.3%
-	0.0%	-	0.0%	48	0.0%	-	0.0%
-	0.0%	-	0.0%	2,809	0.0%	138,168	0.2%
-	0.0%	-	0.0%	72,382	0.1%	83,363	0.1%
-	0.0%	-	0.0%	7,415,573	14.9%	7,498,778	14.6%
-	0.0%	-	0.0%	465,768	0.9%	470,339	0.9%
-	0.0%	-	0.0%	222,137	0.4%	125	0.0%
-	0.0%	-	0.0%	42,525,727	85.3%	43,901,675	85.3%

				Houston Airport System			
Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2006		Fiscal Year 2007	
Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share
				140,916	0.3%	186,838	0.4%
				80	0.0%	0	0.0%
				21,738	0.0%	82,423	0.1%
				156,704	0.2%	95,485	0.2%
				194,632	0.4%	250,585	0.5%
				0	0.0%	-	0.0%
				70,363	0.1%	33,526	0.2%
				217,221	0.4%	212,185	0.4%
				13,291	0.0%	14,616	0.0%
				54,113	0.1%	27,040	0.1%
				54,614	0.1%	49,205	0.1%
				4,451,631	9.5%	4,804,886	9.3%
				1,292,759	2.6%	1,347,229	2.6%
				215,816	0.4%	202,127	0.4%
				147,894	0.3%	176,507	0.3%
				30,454	0.1%	6,565	0.0%
				61,265	0.2%	65,909	0.1%
				7,123,491	14.7%	7,555,126	14.7%
0	0.0%	0	0.0%	49,649,218	100.0%	51,456,801	100.0%

Domestic only

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

	1998	1999	2000
Operating Revenues			
Landing Area Fees:			
Landing Fees	\$ 42,275	\$ 35,930	\$ 39,116
Aviation Fuel	1,111	978	1,259
Aircraft Parking	353	598	555
Subtotal	43,739	37,506	40,930
Building and Ground Area Revenues:			
Building Space	-	-	-
Terminal Space	42,892	47,775	62,738
Cargo Building	2,084	2,075	2,077
Other Rental	2,075	2,103	2,036
Hangar Rental	1,063	1,039	1,251
Ground Rental	3,838	4,296	4,886
Concourse Security	1,270	1,287	-
Flight Information Display System	531	566	-
Public Address System	726	780	-
Subtotal	54,479	59,921	72,988
Parking, Concession and other Revenues:			
Terminal Concessions	16,455	19,802	25,262
Auto Parking	39,213	42,304	46,662
Auto Rental	15,828	15,423	18,326
Ground Transportation	3,334	4,701	2,549
Special Events	-	-	-
Vending Machine	-	-	-
Other Operating Income	997	2,714	2,418
Subtotal	75,827	84,944	95,217
Total Operating Revenues	\$ 174,045	\$ 182,371	\$ 209,135
Nonoperating Revenues			
Interest on Investments	9,813	9,631	9,677
Other	95	207	99
Subtotal	9,908	9,838	9,776
Total Gross Revenues	\$ 183,953	\$ 192,209	\$ 218,911
Operation and Maintenance Expenses			
Personnel and Other Current Expenses	\$ 100,032	\$ 117,189	\$ 113,042
Bad Debt Expense	8	17	400
Total Operating and Maintenance Expenses	\$ 100,040	\$ 117,206	\$ 113,442
Net Revenue	\$ 83,913	\$ 75,003	\$ 105,469
Total Debt Service	\$ 32,955	\$ 33,942	\$ 38,455
Less: grant revenue available for debt service	-	-	-
Debt Service Requirement (per Bond Ordinance)	\$ 32,955	\$ 33,942	\$ 38,455
Coverage of debt Service	x <u>2.55</u>	x <u>2.21</u>	x <u>2.74</u>

2001	2002	2003	2004	2005	2006	2007
\$ 46,735	\$ 49,424	\$ 49,211	\$ 53,906	\$ 99,197	\$ 98,385	\$ 88,933
895	838	910	1,112	1,400	1,559	1,540
668	564	1,041	1,993	1,475	1,814	1,667
<u>48,298</u>	<u>50,826</u>	<u>51,162</u>	<u>57,011</u>	<u>102,072</u>	<u>101,758</u>	<u>92,140</u>
-	-	-	-	-	3,741	5,037
63,172	73,116	79,547	101,040	136,074	162,491	182,113
1,923	1,863	1,638	982	893	1,553	2,011
2,078	2,262	2,192	3,065	3,354	60	0
1,605	1,902	2,499	2,499	2,077	2,349	3,394
5,388	5,607	5,923	8,189	9,018	9,757	7,165
2	2	2	2	1	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>74,168</u>	<u>84,752</u>	<u>91,801</u>	<u>115,777</u>	<u>151,417</u>	<u>179,951</u>	<u>199,720</u>
23,721	22,444	25,355	22,563	19,823	21,030	26,953
51,285	46,955	50,103	51,437	55,444	62,377	65,453
18,787	16,886	15,978	16,800	18,065	21,438	22,950
4,535	3,274	3,834	3,737	3,954	3,999	4,617
-	-	-	-	-	20	21
-	-	-	-	-	20	0
1,380	2,318	2,534	3,088	2,866	3,268	4,284
<u>99,708</u>	<u>91,877</u>	<u>97,804</u>	<u>97,625</u>	<u>100,152</u>	<u>112,152</u>	<u>124,278</u>
<u>\$ 222,174</u>	<u>\$ 227,455</u>	<u>\$ 240,767</u>	<u>\$ 270,413</u>	<u>\$ 353,641</u>	<u>\$ 393,861</u>	<u>\$ 416,138</u>
12,396	12,816	10,650	8,406	10,498	17,742	26,847
680	4,520	504	114	4,175	(58)	483
<u>13,076</u>	<u>17,336</u>	<u>11,154</u>	<u>8,520</u>	<u>14,673</u>	<u>17,684</u>	<u>27,330</u>
<u>\$ 235,250</u>	<u>\$ 244,791</u>	<u>\$ 251,921</u>	<u>\$ 278,933</u>	<u>\$ 368,314</u>	<u>\$ 411,545</u>	<u>\$ 443,468</u>
\$ 122,542	\$ 142,877	\$ 153,173	\$ 161,204	\$ 191,093	\$ 205,565	\$ 217,720
<u>52</u>	<u>73</u>	<u>1,368</u>	<u>441</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 122,594</u>	<u>\$ 142,950</u>	<u>\$ 154,541</u>	<u>\$ 161,645</u>	<u>\$ 191,093</u>	<u>\$ 205,565</u>	<u>\$ 217,720</u>
<u>\$ 112,656</u>	<u>\$ 101,841</u>	<u>\$ 97,380</u>	<u>\$ 117,288</u>	<u>\$ 177,221</u>	<u>\$ 205,980</u>	<u>\$ 225,748</u>
\$ 50,027	\$ 51,611	\$ 63,988	\$ 75,797	\$ 112,248	\$ 140,513	\$ 144,495
<u>(2,798)</u>	<u>(37,153)</u>	<u>(30,282)</u>	<u>(32,823)</u>	<u>(25,506)</u>	<u>(46,621)</u>	<u>(20,679)</u>
<u>\$ 47,229</u>	<u>\$ 14,458</u>	<u>\$ 33,706</u>	<u>\$ 42,974</u>	<u>\$ 86,742</u>	<u>\$ 93,892</u>	<u>\$ 123,816</u>
x <u>2.39</u> x	<u>7.04</u> x	x <u>2.89</u> x	x <u>2.73</u> x	x <u>2.04</u> x	x <u>2.19</u> x	x <u>1.82</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
1998	789	21	2.73%	28,253	1,431	5.34%
1999	796	7	0.89%	30,119	1,866	6.60%
2000	827	31	3.89%	31,495	1,376	4.57%
2001	823	(4)	-0.48%	32,083	588	1.87%
2002	790	(33)	-4.01%	30,496	(1,587)	-4.95%
2003	811	21	2.66%	30,802	306	1.00%
2004	856	45	5.55%	31,444	642	2.08%
2005	887	31	3.62%	32,543	1,099	3.50%
2006	933	46	5.19%	32,808	265	0.81%
2007	983	50	5.36%	33,930	1,122	3.42%

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 as of June 30, 2007, 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)	Subordinate Lien Bonds Debt Service		Total
	Principal	Interest	
2008	29,825,000	105,693,479	135,518,479
2009	41,515,000	103,716,473	145,231,473
2010	43,020,000	101,523,122	144,543,122
2011	46,005,000	99,380,507	145,385,507
2012	50,315,000	96,786,070	147,101,070
2013	51,750,000	94,126,766	145,876,766
2014	54,210,000	91,463,627	145,673,627
2015	57,885,000	88,497,390	146,382,390
2016	58,610,000	85,579,715	144,189,715
2017	65,205,000	82,236,031	147,441,031
2018	67,310,000	78,867,151	146,177,151
2019	70,950,000	75,312,630	146,262,630
2020	74,700,000	71,655,852	146,355,852
2021	76,165,000	67,728,750	143,893,750
2022	82,650,000	63,767,248	146,417,248
2023	89,260,000	59,418,751	148,678,751
2024	91,960,000	54,916,564	146,876,564
2025	96,330,000	50,208,283	146,538,283
2026	101,680,000	45,166,807	146,846,807
2027	104,010,000	39,729,730	143,739,730
2028	115,255,000	34,499,942	149,754,942
2029	118,050,000	28,847,902	146,897,902
2030	124,205,000	22,891,089	147,096,089
2031	123,360,000	16,517,899	139,877,899
2032	138,265,000	10,284,937	148,549,937
2033	145,330,000	3,246,350	148,576,350
Total	\$ 2,117,820,000	\$ 1,672,063,065	\$ 3,789,883,065

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
	2006	2007	2006	2007
Landing Rates (1)	\$3.190	\$3.069	\$2.711	\$2.814
Terminal Space Rentals (2)	\$19.28 - \$86.56	\$25.32 - \$99.05	\$42.90 - \$73.02	\$40.39 - \$72.44
Apron (2)	\$1.759 - \$3.243	\$2.373 - \$3.636	\$2.529 - \$3.722	\$2.477 - \$3.245
Parking Rates (maximum per day)				
Economy	\$6.00	\$6.00	\$6.00	\$6.00
Structured	\$13.00	\$12.00	\$13.00	\$12.00
Surface	--	\$9.00	--	--
Short-Term	--	\$30.00	--	\$30.00
Sure Park	\$15.00	\$15.00	--	--

(1) Per 1,000 pounds for landing weight

(2) Range per square foot

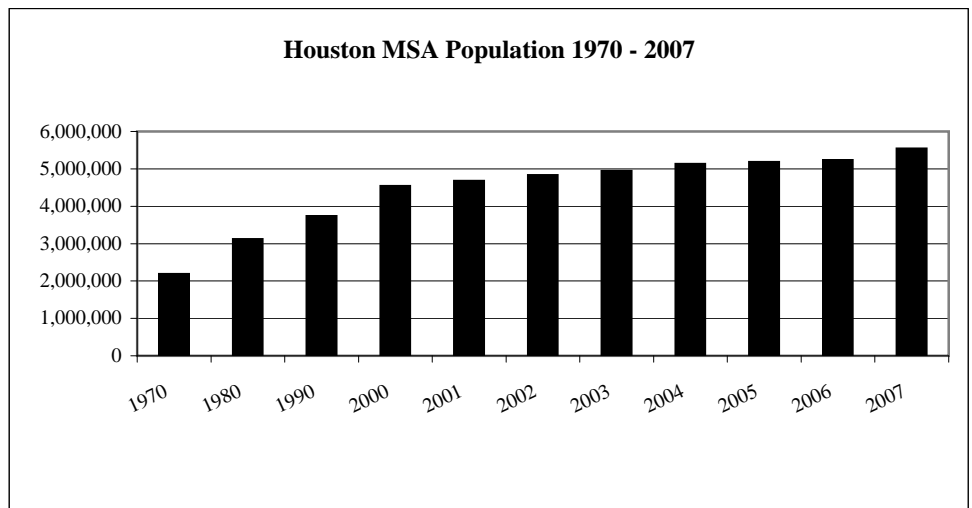
**CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
Service Area
(unaudited)**

The airports service region for the Houston Airport System consists of (1) the ten county Houston-Galveston-Brazoria Metropolitan Statistical Area (Austin, Brazoria, Fort Bend, Chambers, Galveston, Harris, Liberty, Montgomery, San Jacinto and Waller counties)--referred to as the Houston MSA, and (2) a large secondary area surrounding the Houston MSA. The limits of this secondary area are generally defined by the range and quality of airline service at other air carrier airports, including Beaumont Jefferson County Airport to the east, Dallas/Fort Worth International Airport and Dallas Love Field to the north, Corpus Christi International Airport to the southwest, and Austin-Bergstrom International Airport and San Antonio International Airport to the west.

Houston, the nation's fourth most populous city, is the largest in the South and Southwest. The Houston MSA ranks sixth in population among the nation's metropolitan areas.

Service Area Population

<u>Year</u>	<u>Houston MSA Population</u>
1970	2,181,315
1980	3,118,080
1990	3,731,131
2000	4,538,022
2001	4,669,571
2002	4,825,964
2003	4,938,556
2004	5,130,500
2005	5,180,000
2006	5,228,844
2007	5,539,949



Source: Greater Houston Partnership

CITY OF HOUSTON, TEXAS
SURETY BOND AND INSURANCE COVERAGE
June 30, 2007
(amounts expressed in thousands)
(unaudited)

Policy Number	Insurer	Term of Policy
15663960	Western Surety Company	1-2-2006/1-2-2008
15663962	Western Surety Company	1-2-2006/1-2-2008
61BSBCS1658	Hartford Casualty Insurance Co.	1-28-2007/1-28-2008
61BSBDV0123	Hartford Casualty Insurance Co.	12-15-2006/12-15-2007
61BSBDS7533	Hartford Casualty Insurance Co.	10-15-2006/10-15-2007
61BSBEJ9796	Hartford Casualty Insurance Co.	1-30-2007/1-30-2008
69239194	Western Surety Company	1-7-2007/1-7-2008
61BSDT7808	Hartford Casualty Insurance Co.	12-9-2006/12-9-2007
IHD 8464461-00	Hanover Insurance Company	10-20-2006/10-20-2007
61BPEC12302	Hartford Insurance	7-01-2007/7-01-2008
6610	Texas Municipal League	5-15-2007/5-15-2008
D35869475005	Westchester Fire Insurance Co. (Lead)	4-1-2007/4-1-2008
8706124	Lexington Insurance Company	4-1-2007/4-1-2008
8706125	Lexington Insurance Company	4-1-2007/4-1-2008
MQ2L9L437312017	Liberty Mutual Fire Insurance Co.	4-1-2007/4-1-2008
00008897	James River Insurance Company	4-1-2007/4-1-2008
US6788	Commonwealth Insurance Co.	4-1-2007/4-1-2008
RMP2068170217	Continental Casualty Insurance Co.	4-1-2007/4-1-2008
A7224A104	Underwriters at Lloyds	4-1-2007/4-1-2008
A7224A103	Underwriters at Lloyds	4-1-2007/4-1-2008
P007131001	Allied World Assurance (US)	4-1-2007/4-1-2008
ESP5190	Essex Insurance	4-1-2007/4-1-2008
8706125	Lexington Insurance Company	4-1-2007/4-1-2008
RMP208251	Continental Casualty Insurance Co.	4-1-2007/4-1-2008
A7224A105 / 06AAH6732	Underwriters at Lloyds	5-1-2007/4-1-2008
A7224A105A	SR International Business Insurance Co.	5-1-2007/4-1-2008
A7224A105B	Great Lakes Reinsurance (UK)	5-1-2007/4-1-2008
NHD352241	RSUI Indemnity Insurance Company	5-1-2007/4-1-2008
SX000610	Nutmeg Insurance Company	5-1-2007/4-1-2008
EAF70044607	Axis Surplus Insurance Company	5-1-2007/4-1-2008
XIN32680	Integon Specialty Insurance Company	5-1-2007/4-1-2008
ESP002119700	Arch Specialty Insurance Company	5-1-2007/4-1-2008
9406612	Lexington Insurance Co.	4-1-2007/4-1-2008
FBP7318124	Hartford Steam Boiler & Inspection	2-18-2007/2-18-2008
IHD0343965-00	Hanover Insurance Company	6-26-2007/6-26-2008
742 17 33	American International Group (AIG)	5-29-2007/5-29-2010
6218	Texas Municipal League	8-16-2006/8-16-2007
61BPEAM5075	Hartford Casualty Insurance Co.	10-29-2006/10-29-2007
61BPEAI9468	Hartford Casualty Insurance Co.	2-11-2007/2-11-2008
Various	Western Surety Company	Four year term per bond
GLP0558506103	Great American Assurance Co.	6-18-2007/7-14-2007
CE00083	Lloyd's of London Syndicate 0557	06-18-2007/07-05-2007
PLS 1180312	American Intl. Specialty Lines	10-30-2003/10-30-2008
6596083	Illinois National Insurance Co.	7-1-2007/7-01-2008

Property at Risk	Type of Coverage	Amount of Coverage (in thousands)
Mayor	Public Official Bond	\$ 50
City Controller	Public Official Bond	\$ 50
Director, Finance & Administration	Public Official Bond	\$ 25
Budget Officer, Finance & Administration	Public Official Bond	\$ 25
Deputy Director, Controller's Office	Public Official Bond	\$ 25
Chief Clerk, Municipal Courts	Public Official Bond	\$ 25
Tax Assessor/Collector, Finance & Administration	Public Official Bond	\$ 25
Pension System Treasurer	Public Official Bond	\$ 250
Houston Area Library Automated Network (HALAN)	Electronic Equipment	\$ 1,023
Houston Read Commission	Crime Policy - Employee Dishonesty	\$ 375
City of Houston	Automobile Catastrophe	\$ 1,588
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 20,000
City of Houston	Property Insurance *	\$ 8,335
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 4,165
City of Houston	Property Insurance *	\$ 18,330
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 16,670
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 8,125
City of Houston	Property Insurance *	\$ 10,000
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 5,625
City of Houston	Property Insurance *	\$ 5,625
City of Houston	Property Insurance *	\$ 5,625
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Terrorism Insurance	\$ 100,000
City of Houston	Comprehensive Boiler & Machinery	\$ 50,000
City of Houston	Electronic Equipment for Library	\$ 5,254
City of Houston	Public Employee Dishonesty	\$ 2,000
Houston Housing Finance Corporation	Property Insurance	\$ 10,799
Houston Parks Board	Public Employee Dishonesty	\$ 10
Library Board	Public Employee Dishonesty	\$ 10
Various City of Houston Notaries	Notary Bonds for Various City Notaries	\$ 3
City of Houston	Special Event General Liability	\$ 1,000
City of Houston	Adverse Weather Event Cancellation	\$ 2,030
City of Houston (Public Works & Engineering)	Environmental Liability	\$ 5,000
Houston Area Water Corp (HAWC)	Directors and Officers Liability	\$ 10,000

* The property insurance is provided by insurance carriers that underwrite varying pro-rata shares of coverage that total up to the policy loss limit.

CITY OF HOUSTON, TEXAS
SALARIES OF ELECTED OFFICIALS
June 30, 2007
(unaudited)

<u>Name and Title of Official</u>		<u>Authorized Annual Base Salary</u>
Bill H. White, Mayor	* \$	176,762
Annise D. Parker, City Controller		129,394
Antoinette Lawrence, Council member - District A		51,758
Jarvis Johnson, Council member - District B		51,758
Anne U. Clutterbuck, Council member - District C	*	49,795
Ada J. Edwards, Council member - District D		51,758
Addie S. Wiseman, Council member - District E		51,758
Masrur J. Khan, Council member - District F		51,758
Pamela Holm, Council member - District G		51,758
Adrian Garcia, Council member - District H		51,758
Carol A. Alvarado, Council member - District I		51,758
Peter H. Brown, Council member - At Large Position #1	*	49,795
Susan E. Lovell, Council member - At Large Position #2		51,758
Melissa Noriega, Council member - At Large Position #3		51,758
Ronald C. Green, Council member - At Large Position #4	*	49,795
Michael Berry, Council member - At Large Position #5		51,758

* These individuals opted to receive a lesser amount than was available under state law.

CITY OF HOUSTON, TEXAS
Schedule of Credits
(unaudited)

Comprehensive Annual Financial Report:

Executive/Administrative Divisions

Annise D. Parker, Controller

Staff:

Madeleine Appel, Director of Administration
Andrea Campos, Administrative Specialist
Janice Evans, Director of Communications/
Governmental Relations

Design Oversight and Writing

Financial Reporting Division

Rudy Garcia, Deputy City Controller

Staff:

Michael Abbott, Assistant City Controller
Jacqueline Brown, Administrative Specialist
Alicia Cai, Assistant City Controller
Monika De Los Santos, Assistant City Controller
Wesley Dormer, Assistant City Controller
Rosa Henderson, Assistant City Controller
Brenda Jackson, System Support Analyst
Larry Liu, Assistant City Controller
Carl Medley, Deputy Director - Controllers
Chris Okeagu, Assistant City Controller
Beverly Riggans, Assistant City Controller
Irma Rodriguez, Assistant City Controller
Suong Vu, Assistant City Controller
Dinah Walter, Assistant City Controller
Bonita Wright, Assistant City Controller

Preparation and Coordination

Audit Division

Steve Schoonover, City Auditor

Staff:

Ebenezer Robinson, Assistant City Auditor

Consulting and General Support

Operations and Technical Service Division

Lloyd Waguespack, Deputy City Controller

Staff:

Ella Mamou, Records Supervisor
Annie Nguyen, Administrative Supervisor
Courtney Satterwhite, Assistant City Controller
Lillie Stewart, Administrative Supervisor

Treasury Division

James Moncur, Deputy City Controller

Staff:

Han Au, Financial Analyst
Sue Bailey, Debt Manager
Shawnell Holman-Smith, Financial Analyst
Claudia Morales, Financial Analyst
Lillie Nobles, Administrative Specialist
Marvin Ramirez, Financial Analyst
Catherine Smith, Financial Analyst

Debt and Investment Management Disclosures

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

Finance Department

Michelle Mitchell, Director

Staff:

Harold Jackson, Division Manager
Ronald Kissner, Deputy Assistant Director
Jimmie Locke, Assistant Director
Sherry Mose, Staff Analyst
Asha Patnaik, Staff Analyst
Douglas Seckel, Deputy Director
Wealthia White, Financial Analyst

Administration & Regulatory Affairs Department

Alfred Moran, Director

Staff:

Aileen Ding, Financial Analyst
Hannah Hoang, Accountant Associate
Dorothy Pappillion, Accountant Associate
Deborah Webb, Accountant Supervisor

Information Technology Department

Richard Lewis, Director

Staff:

Singh Bhatia, Systems Consultant
Peter Chao, Systems Consultant
Earl Lambert, Citywide CTO
Mark Stinnett, Assistant Director

Professional Consultants

Houston Independent School District Printing Services

Connie Cole, Graphic Designer
Charlie Holden, Business Supervisor
Michael McClay, Senior Graphic Designer
Debbie Roberts, Customer Service Coordinator

Project Management and Design

Deloitte & Touche LLP

Independent Auditors

Houston Airport System
Houston Convention and Entertainment Facilities Department
Houston Fire Department
Houston Health Department
Houston Independent School District
Brandon Jacob/FourAlarmPhotos.com
Marina Joseph, Houston Solid Waste Department
Houston Parks and Recreation Department
Houston Police Department
Houston Public Library
Houston Public Works and Engineering Department

Photos

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.