

City of Houston, Texas

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2013

Ronald C. Green, City Controller



Cover:
City of Houston
2013 City Council Districts

Courtesy of Administrative Office of City Council

CITY OF HOUSTON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2013

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CITY OF HOUSTON, TEXAS





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Comprehensive Annual Financial Report

Office of the City Controller

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

The Treasury Division is responsible for managing the City’s \$2.9 billion investment portfolio in accordance with state law and the City’s investment policy. Fitch has awarded the City’s general investment its highest portfolio rating, AAA. The Treasury Division is also responsible for overseeing a debt program of approximately \$13 billion. The City has 16 commercial paper programs totaling \$1.725 billion, seven auction-rate security issues, nine series of variable rate demand obligation bonds, SIFMA indexed notes, and two interest rate swaps with a total notional amount of \$902 million and credit agreements totaling \$ 2.55 billion. The City’s general obligation debt is rated Aa2 by Moody’s; AA by Standard and Poor’s; and AA by Fitch Ratings. In its most recent general obligation ratings report, Moody’s cited the City’s large tax base, demographic trends and above average economic outlook as strengths. Standard and Poor’s affirmed the City’s AA rating on its general obligation debt based on the City’s “sizable, deep, and diverse economic base.”

The Audit Division adheres to recognized professional auditing standards (Government Auditing Standards and International Standards as issued by the Institute of Internal Auditors). During Fiscal Year 2013, the Audit Division engaged in 34 Audits and Special Projects that produced 10 Audit Reports as posted on the Controller’s website. The audits and projects performed focused on risk assessment, contract compliance, performance and efficiency, process reviews, ongoing monitoring, consideration of fraud, waste or abuse, and quality assurance. The Audit Division continued its role in performing all detail testing required by the OMB Circular A-133 for Federal and State grants which is a key component of the Single Audit. Together, these efforts resulted in over \$7.5 million dollars in direct cost-savings realized or identified and \$1.3 million in hard dollar recoveries. The Audit Division remains committed to its development of a specific IT Audit Function. This is supported by providing aggressive training and staff development to efficiently analyze data from disparate systems including the use of technology tools that are integrated with the City’s ERP System (SAP).

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

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



2013 CITY OF HOUSTON Comprehensive Annual Financial Report



Ronald C. Green
Houston City Controller

Ronald C. Green was elected Houston's City Controller on December 12, 2009, after serving three terms on Houston City Council, At-Large, Position Four. On City Council he chaired the Budget and Fiscal Affairs Committee, overseeing the City's annual budget of nearly \$4 billion. He was unopposed for his second term as City Controller which began January 2012 and was re-elected for his third and final term in November 2013. As Controller, Mr. Green has the following responsibilities:

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

As City Controller, Mr. Green oversees a \$13 billion debt portfolio and over \$2 billion of investments. With rates at historic lows during the past three years, the Controller's Office has sought out several refinancing opportunities that have generated over \$250 million in savings without extending the life of the debt. In addition to management of the City's treasury functions, every payment issued by the City of Houston is processed by the Controller's Office. The Office also prepares several reports to provide financial data and operational statistics regarding the City, including the Monthly Financial and Operations Report, The Comprehensive Annual Financial Report, and an annual Trends Report.

The Controller's Office also includes the Audit Division, which has primarily concentrated on identifying inefficiencies and evaluating the City's outside contracts. Through Audit's efforts during Mr. Green's tenure as Controller, the City has realized \$2.8 million in savings.

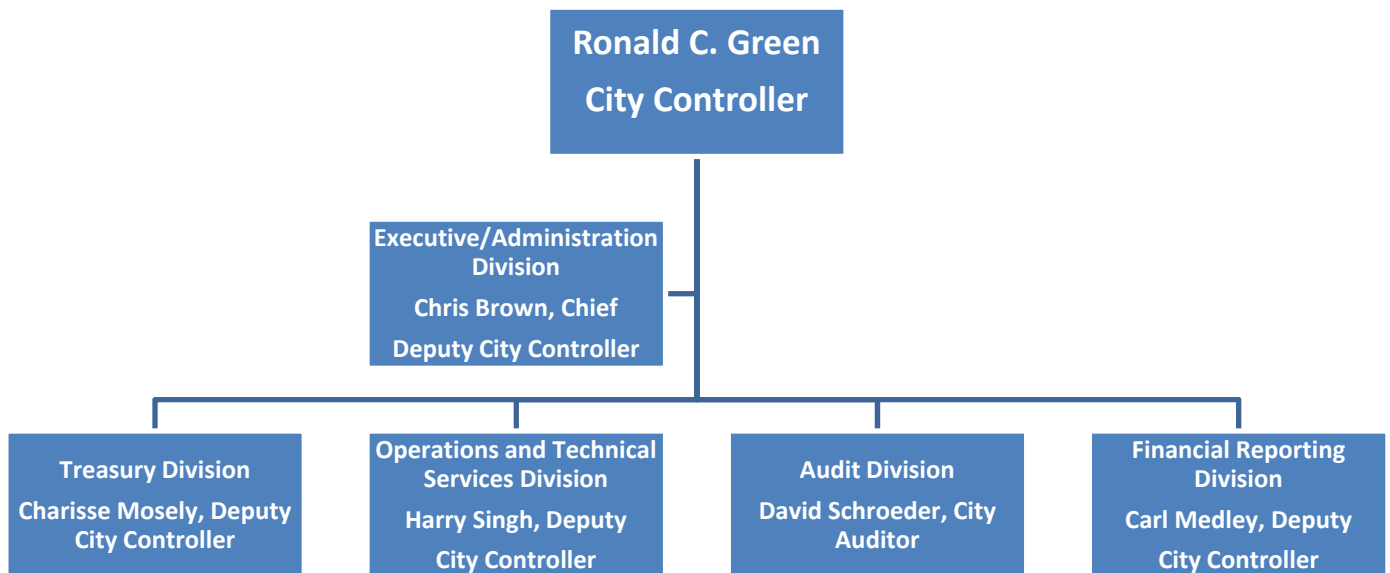
Mr. Green is a native Houstonian. He earned both a Bachelor of Science and a Master of Business Administration from the University of Houston, as well as a law degree from Texas Southern University's Thurgood Marshall School of Law. He is also a licensed real estate broker.

Mr. Green is a founding partner of his own law firm and is a member of the Government Finance Officers Association, National Association of Bond Lawyers, the Houston Lawyers Association, Alpha Phi Alpha Fraternity, Inc., and 100 Black Men of America, Inc. He was appointed to the Governmental Accounting Standards Advisory Council (GASAC) in January 2013. He serves on the National League of Cities' 2013 Community and Economic Development Steering Committee and was elected to the National League of Cities Board of Directors in November 2013. He is married to Judge Hilary Harmon Green, Justice of the Peace, Harris County Precinct Seven, Place 1. They have a son and are active in their community and Windsor Village United Methodist Church.



City of Houston

The Office of the City Controller





**2013 CITY OF HOUSTON
Comprehensive Annual Financial Report**

**Elected Officials
City of Houston, Texas**

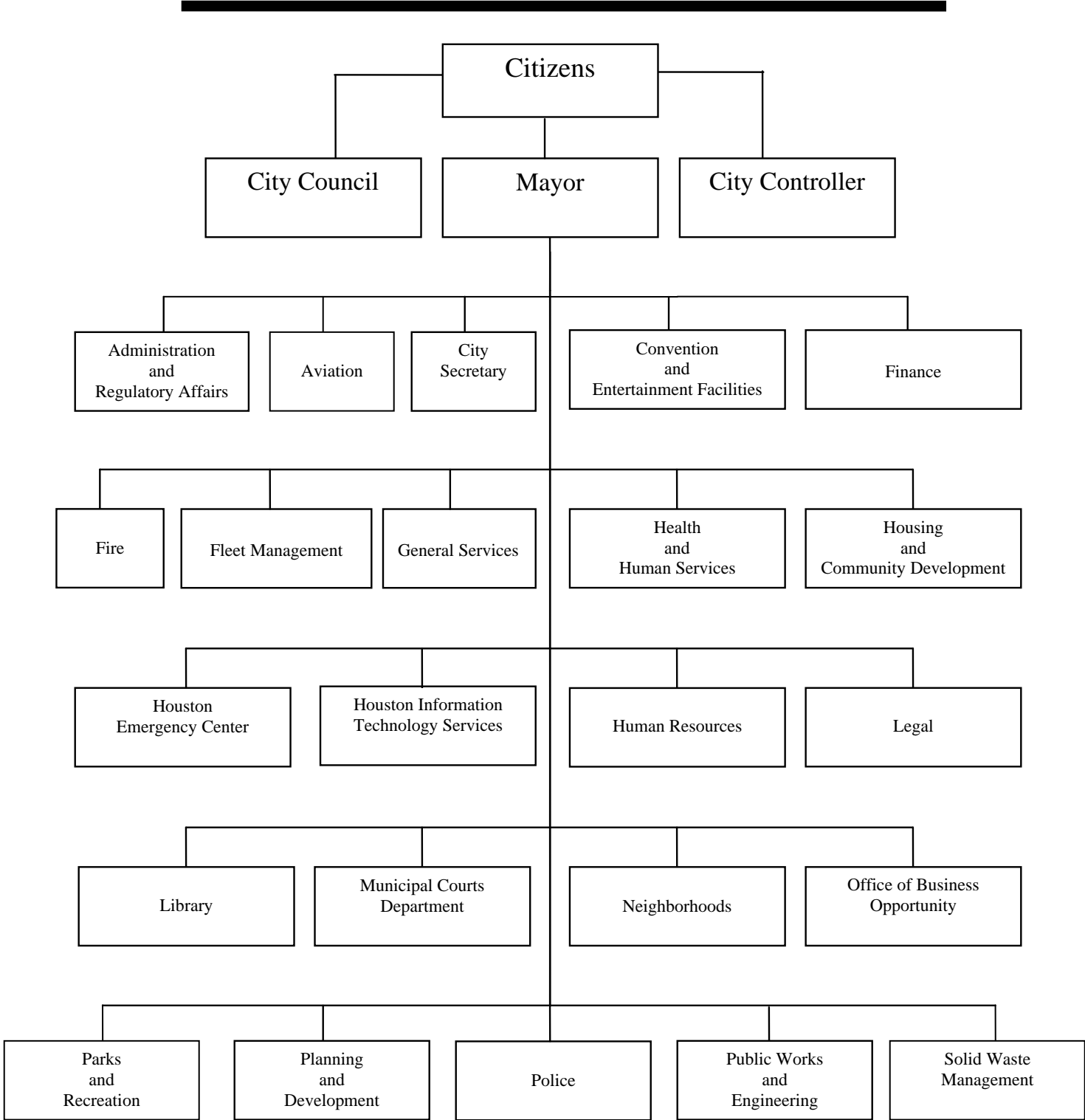


2013 Houston City Council: (L-R) Left to right: Andrew C. Burks, Jr., At Large Position 2; Helena Brown, District A; Stephen C. Costello, At Large Position 1; Ed Gonzales, District H; Mike Sullivan, District E; Mike Laster, District J; Wanda Adams, District D; Annise D. Parker, Mayor; C.O. Bradford, At Large Position 4; Ronald C. Green, Controller; Jerry Davis, District B; Al Hoang, District F; Larry Green, District K; Melissa Noriega, At Large Position 3; Oliver Pennington, District G; Ellen Cohen, District C; Jack Christie, At Large Position 5; James G. Rodriguez, District I.

Dave Martin, District E, (inset photo) was elected in a special election November 2012 and took office in January 2013.



Organization Chart City Government



CITY OF HOUSTON, TEXAS





Office of the City Controller
City of Houston, Texas

Ronald C. Green

December 12, 2013

Citizens of Houston, Honorable Mayor and City Council Members:

I am pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the City of Houston (Texas) (the City) for the year ended June 30, 2013, including the independent auditor's report prepared by Deloitte & Touche LLP. The CAFR was prepared by the City Controller's Office and satisfies my responsibilities under the City Charter and State law. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects and is organized in a manner which fairly sets forth the financial position and results of operations of the City as measured by the financial activity of its various funds.

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

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

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

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

The Reporting Entity and Its Services

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

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

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

History and Population

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

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

Budgetary Information

In accordance with State law and the City Charter, Houston City Council shall, in collaboration with the mayor and City departments, adopt balanced budgets each year for the General Fund, Debt Service Fund, Special Revenue Funds, Internal Service Funds and Proprietary Funds. Exceptions are the Grant Revenue, Disaster Recovery, Health Special and Housing Special Revenue Funds, for which City Council adopts separate operating or program budgets throughout the year. The City also does not budget capital projects and other capital expenditures related to the General Fund. Instead, City Council authorizes these expenditures through individual appropriation ordinances.

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

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

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

The Local Economy

Clearly, Houston is experiencing an economic upswing following the nationwide recession—just as it did following the earlier recessions of the 1980s and 1990s. As the City’s FY 2013 ended, all economic growth parameters were positive.

- June 2013 saw Houston home prices—both median and average—at an all-time high, \$192,000 and \$268,085 respectively. (Houston Association of Realtors [HAR])
- June 2013 sales of all property types were up 14.5 percent over June 2012. (HAR)
- June 2013 foreclosures declined 45 percent compared to June 2012, and made up 8.4 percent of the total market, compared to 19.6 percent at the beginning of 2013. (HAR)
- The Houston area added 91,000 jobs in the year ending May 2013, a 4 percent growth rate. (Texas Workforce Commission)
- Of the nation’s 20 largest metro areas, Houston had the fastest rate of job growth during the 12 months ending March 2013, 3.8 percent, followed by Dallas and Tampa. (U.S. Bureau of Labor Statistics.)
- Houston’s net migration amounts to 150 people daily, contributing to the demand for housing and retail goods and services. (Greater Houston Partnership)
- Houston’s unemployment in May 2013 was 6 percent, down from 8.8 percent in June 2011. (U.S. Bureau of Labor Statistics)
- Half of all workers in the surrounding eight counties commute to Houston for their jobs. (GHP)

While strong, especially in comparison to other cities, the Houston economy is beginning to show some slowdown. After all, our city’s economy is tied to the nation’s economy, and so long as there continues to be uncertainty—most of it emanating from the halls of Congress—about jobs and national health care and other issues, Houston will feel at least some of the negative side effects. Adding to the concern is the slowdown abroad, notably in Europe and some Latin American countries.

Job growth influences all other aspects of the economy. Houston has regained 202 percent of the jobs lost here during the recession; no other large U.S. metro area has gained over twice the number of jobs that were lost during the recession. Importantly, the average wages for all work groups—professional, skilled and non-skilled— have shown significant increases over the last two years. The University of Houston Institute for Regional Forecasting estimates job growth in Houston will be 70,000 new jobs in 2013, a bit lower than the previous year but still a significant growth; most economists expect approximately 70,000 new jobs annually in the next few years. The accepted economic forecast for Houston is that the gross regional product will double by the year 2040.

As Houston’s FY 2013 ended, the city of Detroit experienced the worst scenario a city could face. The Detroit insolvency caused most American cities to honestly ask: Could that happen here? Detroit is an anomaly, though not entirely alone in having a set of negative circumstances—shrinking population, decreased tax base, eroding manufacturing base and impossible-to-meet financial obligations. Other cities and counties are experiencing the same bleak outlook, and several smaller municipalities have declared bankruptcy. Detroit’s is shocking because of what the city once was.

It is easy to see the contrasts between Detroit and Houston. Houston is benefitting from a multitudinous migration—a quarter million people coming here from other U.S. cities in the first decade of the 21st century and probably about that number of foreign immigrants; Houston’s energy industry is solid, with exploration, production, field services and equipment manufacturing accounting for one in every 20 jobs but also accounting for one in every eight new jobs. And Houston has become more than a manufacturing center: the city is a renowned education, medical and cultural center.

Texas is the nation’s largest exporter, significantly ahead of California and New York, and Houston is an international business hub. Houston leads the Southwest with 20 major foreign banks from nine countries, and over 3,300 firms and organizations involved in international business. Our Houston Airport System, which serves 50 million passengers annually, is one of the world’s largest multi-airport systems; the Port of Houston ranks first among U.S. seaports in foreign tonnage and is a huge employment generator; the Houston/Galveston customs district is the third largest district in dollar value behind New York and Los Angeles. Houston is certainly, as Forbes Magazine stated in August 2013, the “next great global city.”

Recent Rankings:

TOP CITIES FOR GLOBAL TRADE

Global Trade – August 2013

BEST DOMESTIC AIRPORT – IAH

Executive Travel – July/August 2013

OUTSTANDING PORT AWARD FOR CUSTOMER SATISFACTION – PORT OF HOUSTON AUTHORITY - Railway Industrial Clearance Association – July 15, 2013

LARGEST EXPORT MARKET IN U.S.
U.S. Department of Commerce, International Trade Administration – June 2013

HIGHEST DEMAND FOR ENGINEERING JOBS IN 2013

Monster.com – May 21, 2013

BEST CITY IN AMERICA

Business Insider – May 30, 2013

TOP DESTINATION CITY

U-Haul International – April 12, 2013

MOST WALKABLE CITY AMONG LARGE TEXAS CITIES

Walk Score – April 2013

FASTEST REAL GDP GROWTH AMONG LARGE MSAS

Bureau of Economic Analysis – February 22, 2013

BEST CITIES FOR YOUR CAREER IN 2013

Payscale.com (as reported by Yahoo!) - January 3, 2013

AMERICA'S COOLEST CITIES TO LIVE

Forbes – July 26, 2012

MOST MULTIFAMILY CONSTRUCTION - HOUSTON MSA

AXIOMetrics Inc. - January 30, 2013

TOP METRO FOR WOMEN-OWNED FIRMS - BY REVENUE

The State of Women-Owned Businesses Report– March 2013

TOP U.S. MANUFACTURING CITIES

Manufacturers' News, Inc. – January 23, 2013

BIG CITIES WHERE SELF-EMPLOYMENT IS GROWING THE FASTEST

Forbes – July 25, 2012

CITIES WHERE A PAYCHECK STRETCHES THE FURTHEST

Forbes – July 9, 2012

MOST RACIALLY/ETHNICALLY DIVERSE LARGE METRO AREA

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

FASTEST GROWING WAGES IN U.S.

Business Insiders - January 12, 2012

TOP TECHNOLOGY JOB GROWTH

CyberCoders , January 11, 2012

Financial Policies and Planning

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

A 1983 resolution adopted by City Council requires the Mayor to develop and submit annually to the City Council for approval a continuous five-year Capital Improvement Plan (CIP). Each year, the Mayor must review the CIP, revise it as necessary, and obtain approval and adoption by City Council. The 2013-2017 CIP calls for the appropriation of \$4.65 billion over the five-year period for both enterprise and property tax supported projects. About \$3.07 billion of this total will be paid for with income generated by the self-supporting enterprise funds. The rest will be funded with tax-supported public improvement bonds approved by Houston voters.

The City's financial policies further require that capital projects or equipment purchases funded through the issuance of bonds or other obligations will be financed for a period not to exceed the expected life of the project or equipment. Annual contributions for debt service from the General Fund are limited to 20 percent of total General Fund revenues, excluding state and federal grants. In addition, Texas law mandates that the City's total tax supported indebtedness shall not exceed 10 percent of the total assessed valuation of property in the City. As of September 30, 2013, the City's outstanding debt payable from taxes and other revenue sources totaled \$13.1 billion. This is in compliance with all applicable financial policies and considered manageable.

The City has investments totaling approximately \$2.9 billion. The City adheres to an investment policy that emphasizes, in order of priority, safety, liquidity and return on investment. The success of this deliberate approach is evident in the 'AAA' credit quality rating and "V1" volatility rating assigned to the City's General Investment Portfolio by Fitch Rating Services.

Long-term Financial Forecast and Major Initiatives

The most recent five-year planning scenario available from the City's Finance Department indicates known cost increases continue to put stress on the City budget. The main factors driving increased expenditures are increased costs for employee health insurance benefits, pension responsibilities and operating costs for new facilities. Various strategies are being used to ensure balanced budgets including cost cutting and productivity improvements, a strong commitment to an affordable CIP and strict management of employee health care benefits.

Employee Pension Funds

The City has three pension programs that cover all full-time City employees: The Houston Municipal Employees Pension System (HMEPS) for municipal employees, the Houston Police Officers' Pension System (HPOPS) for classified police officers and the Houston Firefighters' Relief and Retirement Fund (HFRRF) for classified firefighters.

There has been considerable discussion in the media in 2013 about the City's pension obligations. I believe a lot of this public discussion has been triggered by other municipalities' insolvencies and the dire circumstances in other cities' pension plans. There is no question that the City of Houston has a significant challenge; in the Controller's Office Monthly Financial and Operating Report, we use the term "unfunded accrued liability" to designate the funded status of each of the pension funds—the word "unfunded" tells the story. As you can see in Note 10 in the Notes to Financial Statements in this report, the total unfunded liability for the three plans as of July 1, 2012 was \$2.96 billion, with \$490 million attributable to HFRRF, \$859 million attributable to HPOPS and \$1.62 billion attributable to HMEPS.

How did this happen? The unfunded accrued liability levels are primarily the result of benefit increases implemented in the early 2000's which increased the liabilities far greater than the projected increases upon

which the benefit increases were approved. The result of the increased liabilities is a dramatic and steep increase in the City's contribution levels.

In Fiscal Year 2013, the City's contributions to the pension plans totaled \$260 million, an increase of \$34.3 million over the FY2012 contributions of \$225.7 million. Further escalation of future pension contributions are projected to continue. The projected levels of pension contributions should be worrisome to anyone concerned about the City's financial health in another decade and the City's bond ratings which are so crucial for our ability to borrow in order to proceed with much needed infrastructure improvements.

For all cities that are faced with pension funding challenges, the options are limited. To eliminate the underfunding in Houston's three plans, the City would need to increase contribution levels annually, to amounts greater than the combined budgets of the library, parks, municipal courts and health departments. Without a substantial increase in property taxes, it would be necessary to have dramatic service reductions in all departments, necessitating layoffs of thousands of employees. Alternatively, there would need to be a quite substantial increase in property taxes. (The City's current tax rate is 63.8 cents per \$100 of property valuation. Each penny of property tax generates approximately \$15 million in revenue, so even a 10 cent tax increase would generate \$150 million.)

The remaining option would be a restructure of the pension plans. However, the plans are intractable—the City is legally bound to honor these contracts. Any re-negotiated plans would almost certainly apply to only newly hired employees and have little impact on the current and near term City contribution levels. Further, pension negotiations would, out of necessity, require consent with the pension boards through meet and confer agreement and/or approval of the Texas Legislature.

Prior negotiated changes in pension benefits, increased employee contributions and the use of pension obligation bonds have helped somewhat to mitigate the increase in this unfunded liability in recent years. The City expects some additional improvement in the unfunded liabilities in future years as the full impact of the prior negotiated changes takes effect.

Clearly, these options—service and employee reductions, increasing property tax, restructuring the pension plans—are not easy choices for elected officials. Just as clearly, at some point (hopefully, sooner rather than later) the City's administration and City Council, pension boards and Texas Legislature will need to work together to ensure fair pensions for City employees who have invested years of dedicated service—at a price that is not an unfair burden upon taxpayers.

It is important to note that the Government Accounting Standards Board (GASB) has two new Statements that will change the accounting and financial reporting of public employee pensions. These new requirements will take effect over the next two years, and will require the City to disclose the full net pension liabilities (HMEPS, HPOPS, HFRRF) on the balance sheet. Previously, we have been required to disclose only the annual payment on the balance sheet.

Retiree benefits

The City also provides certain health care benefits for its retired employees, their spouses and survivors. Beginning with the Fiscal Year 2008 CAFR, the City is required by the Government Accounting Standards Board Statement No. 45 (GASB 45) to report an actuarially determined cost of other post-employment benefits (OPEBs), other than pensions, such as health and life insurance for current and future retirees. The most recent actuarial report indicates \$2.1 billion accrued liability for retiree health benefits. It is the City's practice to fund the cost of OPEBs on an annual pay-as-you-go basis (FY 2013: \$34.9 million) 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, 2012. This was the 16th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report on a timely basis could not have been accomplished without the dedicated services and hard work of a highly qualified staff. The City of Houston has such a staff in the City Controller's Office. Although much time and effort in preparation of this report lies in the Financial Reporting Division, there was support from the other divisions of the Office: Administration, Executive, Operations and Technical Services and Treasury. I would like to express my appreciation to the entire staff of the City Controller's Office, and to the staffs of the Finance and Administration, Aviation, Convention and Entertainment Facilities, and Public Works and Engineering departments who assisted and contributed to the preparation of this report.

The City Controller's Office also received invaluable assistance and support from many others outside its immediate organization. Within the City of Houston, the accounting staffs of the operating departments and the technical staff of the Information Services Division all played key roles in producing this report. Deloitte & Touche LLP was not only our independent auditor, but also served as an invaluable source of information and ideas for improving the way City finances are reported.

Request for Information

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



Ronald C. Green
City Controller

Sources:

City of Houston FY 2012, FY 2013 Operating Budgets
City of Houston 2013-2017 Capital Improvement Plan
Greater Houston Partnership
Houston Association of Realtors
University of Houston Institute for Regional Planning
University of Houston Hobby Center for Public Policy

Rice University Kinder Institute for Urban Research
The Perryman Group
Center for State and Local Government Excellence
Forbes.com
City Journal



Government Finance Officers Association

**Certificate of
Achievement
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Presented to

**City of Houston
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Houston, Texas (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and net position of the pension trust funds, within the fiduciary funds. We did not audit the financial statements of any governmental discretely presented component units (except for Houston Area Library Automated Network, Houston Forensic Science, LGC, Inc., Houston Recovery Center, LGC, and Lamar Terrace Public Improvement District, which represent 0.6%, 1.9%, and 0.0%, respectively, of the assets, net position, and revenues of the governmental discretely presented component units) or any business-type discretely presented component units (except for Houston First Corporation, which represents 70.3%, 29.2% and 94.9%, respectively, of the assets, net position, and revenues of the business-type discretely presented component units). Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such pension trust funds, governmental discretely presented component units, and business-type discretely presented component units, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Houston, Texas, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3 through 13), Schedule of Budgeted and Actual Revenues and Expenditures of the General Operating Fund (pages 113 through 118), Pension System Supplementary Information (page 119), and Other Post Employment Benefits Supplementary Information (page 120) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Houston's basic financial statements. The Individual Fund Statements and Schedules, and the Introductory Section and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Individual Fund Statements and Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the Individual Fund Statements and Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section and the Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Deloitte & Touche LLP

December 12, 2013

City of Houston, Texas
Management's Discussion and Analysis
June 30, 2013
(Unaudited)

As management of the City of Houston, we offer readers of the City of Houston's financial statements this narrative overview and analysis of the financial activities of the City of Houston for the fiscal year ended June 30, 2013. Please read this information in conjunction with the basic financial statements that follow this section. The discussion and analysis includes comparative data for 2012. 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, 2013 include:

- The assets of the City of Houston exceeded its liabilities at the close of the most recent fiscal year by \$3.123 billion.
- The City's total net position decreased during the year by \$11.3 million.
- Unrestricted net position is a deficit of \$2.464 billion.
- The City of Houston's total expenses were \$4.151 billion.
- Program revenues of \$2.152 billion reduced the net cost of the City's functions to be financed from the City's general revenues to \$1.999 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 position presents information on all of the City of Houston's assets and liabilities, with the difference between the assets and liabilities reported as net position. Over time, increases and decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

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

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

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

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

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

Net Position

June 30, 2013

(With comparative totals for 2012)

(in millions)

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 1,211	\$ 1,093	\$ 2,654	\$ 2,474	\$ 3,865	\$ 3,567
Capital assets	6,769	6,693	9,135	9,135	15,904	15,828
Total assets	7,980	7,786	11,789	11,609	19,769	19,395
Deferred outflows of resources	-	-	51	307	51	307
Long-term liabilities	5,512	5,372	9,749	9,558	15,261	14,930
Other liabilities	860	792	574	614	1,434	1,406
Total liabilities	6,372	6,164	10,323	10,172	16,695	16,336
Deferred inflows of resources	-	-	-	231	-	231
Net position						
Net investment in capital assets	3,959	3,783	574	667	4,533	4,450
Restricted	106	183	949	871	1,055	1,054
Unrestricted (deficit)	(2,458)	(2,344)	(7)	(25)	(2,465)	(2,369)
Total net position	\$ 1,607	\$ 1,622	\$ 1,516	\$ 1,513	\$ 3,123	\$ 3,135

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Houston, on a government-wide basis, assets exceeded liabilities by \$3.123 billion at the close of the most recent fiscal year.

By far the largest portion of the City of Houston's net position (145.1%) 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 position (33.8%) represents resources that are subject to external restrictions on how they may be used.

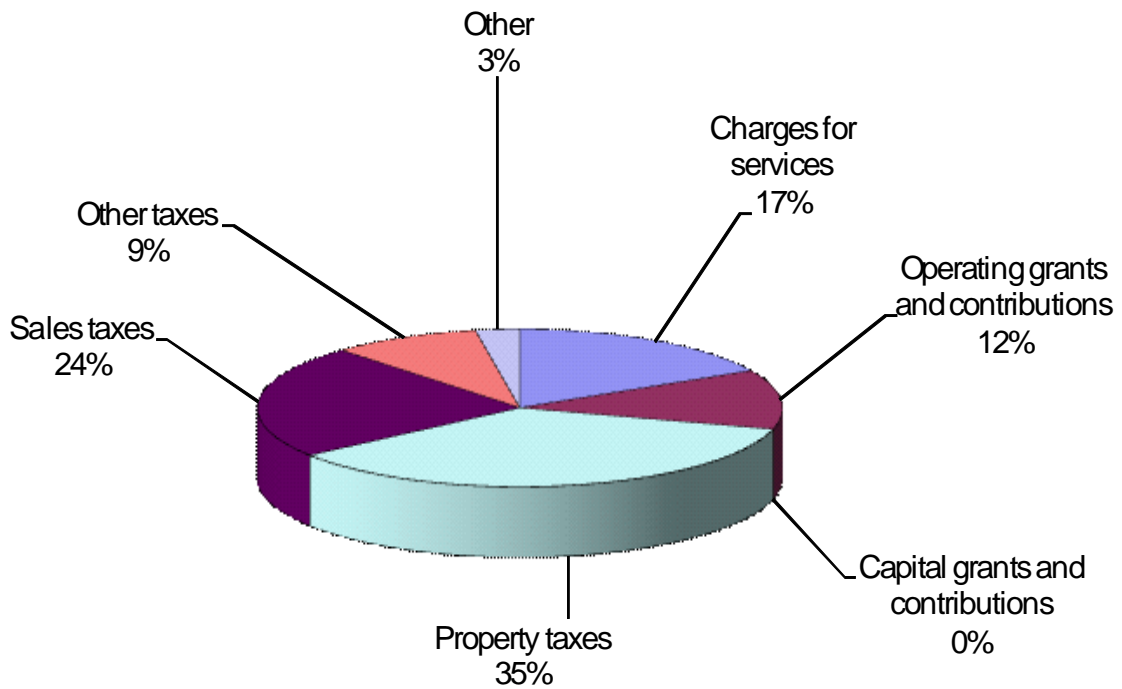
Change in Net Position
For the Fiscal Year Ended June 30, 2013
With comparative totals for 2012
(in millions)

	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	Activities	Activities
	2013	2012	2013	2012	2013	2012
Program Revenues:						
Charges for services	\$ 441	\$ 408	\$ 1,368	\$ 1,344	\$ 1,809	\$ 1,752
Operating grants and contributions	313	303	11	12	324	315
Capital grants and contributions	-	-	19	23	19	23
General revenues:						
Property taxes	907	866	-	-	907	866
Sales taxes	600	547	-	-	600	547
Other taxes	236	203	76	69	312	272
Other	70	76	117	119	187	195
Total revenues	<u>2,567</u>	<u>2,403</u>	<u>1,591</u>	<u>1,567</u>	<u>4,158</u>	<u>3,970</u>
Expenses:						
General government	238	270	-	-	238	270
Public safety	1,514	1,432	-	-	1,514	1,432
Public works	298	289	-	-	298	289
Health	122	112	-	-	122	112
Housing and community development	89	72	-	-	89	72
Parks and recreation	91	90	-	-	91	90
Library	45	42	-	-	45	42
Interest on Long-term Debt	152	157	-	-	152	157
Depreciation and amortization	131	126	-	-	131	126
Airport System	-	-	530	542	530	542
Convention & Entertainment Facilities	-	-	42	42	42	42
Combined Utility System	-	-	899	914	899	914
Total expenses	<u>2,680</u>	<u>2,590</u>	<u>1,471</u>	<u>1,498</u>	<u>4,151</u>	<u>4,088</u>
Change in net position before contributions, special items and transfers	(113)	(187)	120	69	7	(118)
Contributions	25	12	-	-	25	12
Special items	17	13	(61)	(90)	(44)	(77)
Transfers	56	76	(56)	(76)	-	-
Change in net position	<u>(15)</u>	<u>(86)</u>	<u>3</u>	<u>(97)</u>	<u>(12)</u>	<u>(183)</u>
Beginning net position July 1	<u>1,622</u>	<u>1,708</u>	<u>1,513</u>	<u>1,610</u>	<u>3,135</u>	<u>3,318</u>
Net position June 30	<u>\$ 1,607</u>	<u>\$ 1,622</u>	<u>\$ 1,516</u>	<u>\$ 1,513</u>	<u>\$ 3,123</u>	<u>\$ 3,135</u>

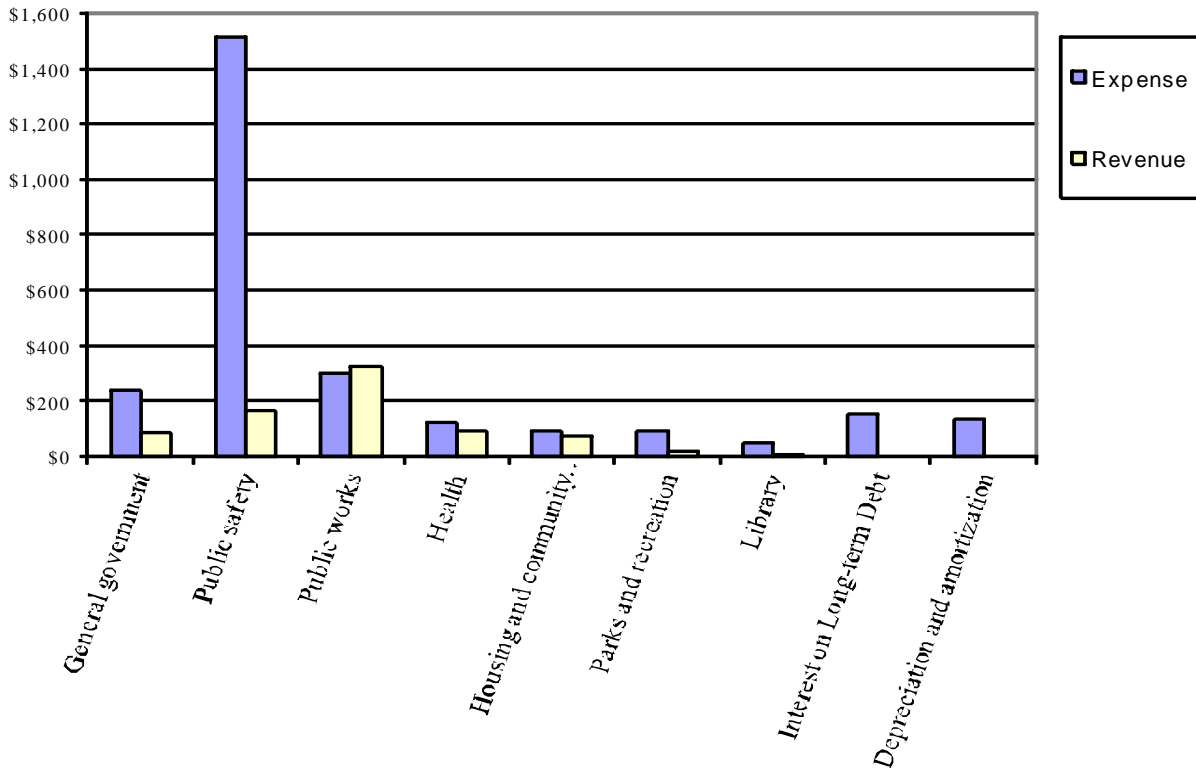
Governmental activities. Governmental activities decreased the City of Houston’s net position by \$15 million. Key elements of this change are as follows:

- Sales tax revenue has rebounded during fiscal year 2013, providing a 10% increase for the year, from \$547 million to \$600 million.
- The City’s property tax rate remained at \$0.63875 per \$100 assessed value. Property tax revenue increased by \$41 million because of the City’s rising property values combined with continued effort in the collection of delinquent taxes.
- The largest decrease in expenses was in the area of General Government - \$32 million.
- The largest increase in expenses was in the area of Public Safety - \$82 million.

Revenue by Source - Governmental Activities



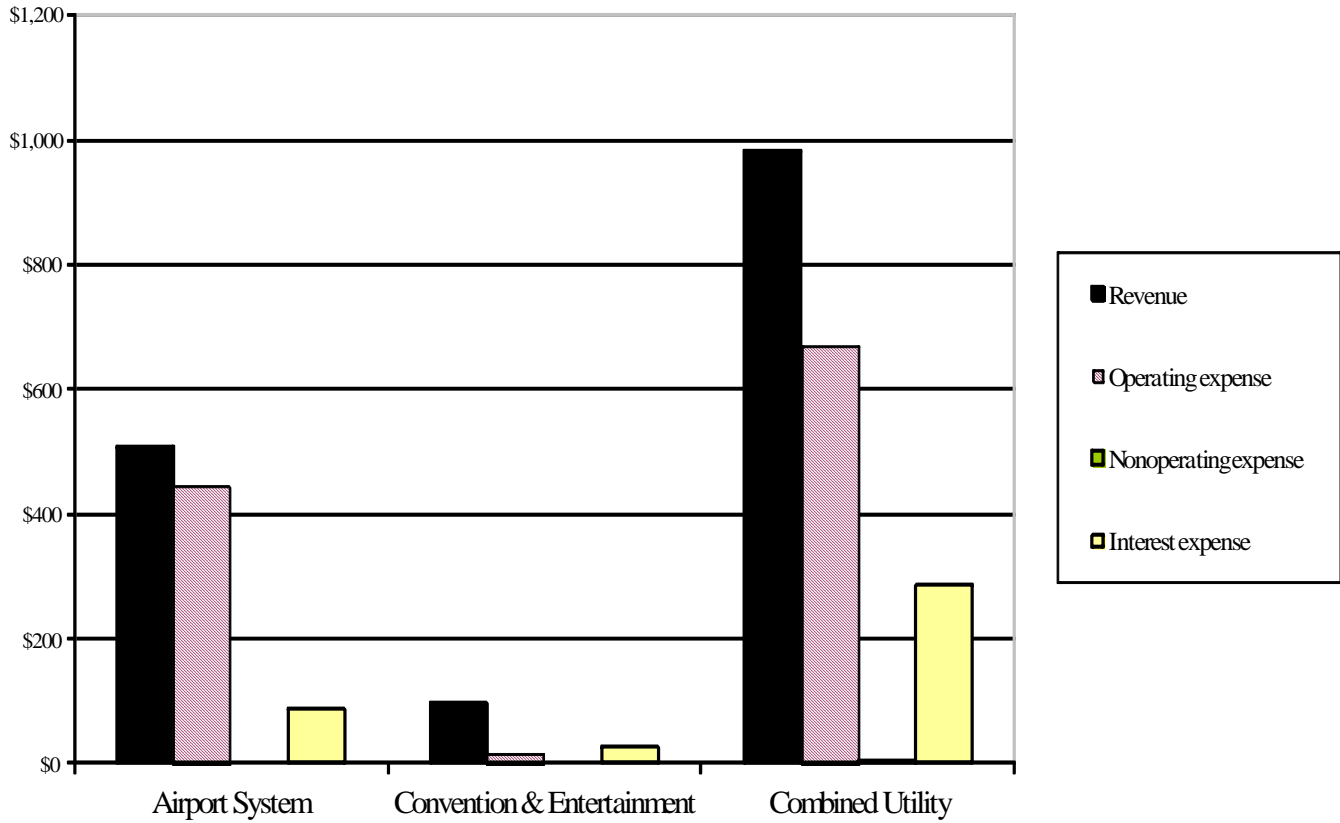
Program Revenue and Expense Governmental



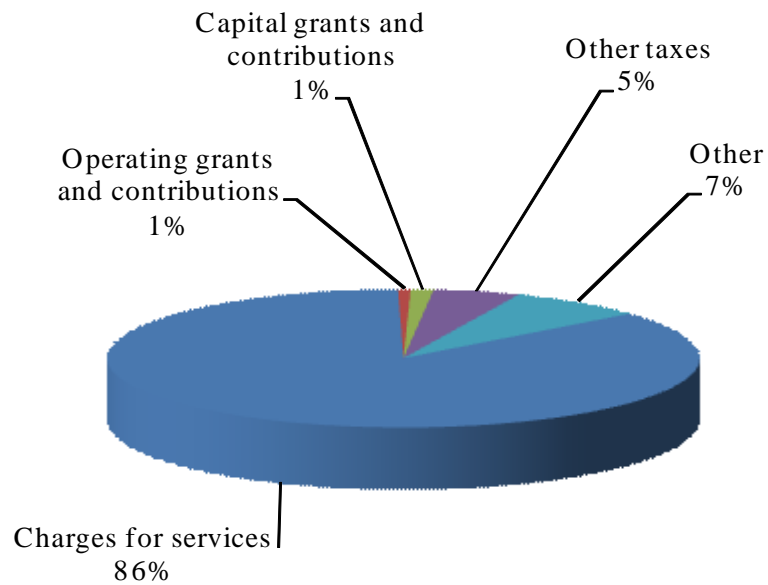
Business-type activities. Business-type activities increased the City of Houston’s net position by \$3 million. Key elements of this change are as follows:

- Airport systems operating expenses were down by 2.6%, from \$455 million to \$443 million, for lower personnel and repair costs. Operating revenues for these facilities were up by 3.6%, from \$418 million to \$433 million.
- Convention & Entertainment operating expenses were down slightly from \$16.6 million to \$16.3 million. Operating revenues were up by 16.8%, from \$8.9 million to \$10.4 million. Hotel occupancy taxes increased by 11.2%, from \$68.6 million to \$76.3 million, from higher hotel occupancy rates.
- The Combined Utility System operating expenses decreased by 1.4% from \$622 million to \$613 million. Operating revenues increased by 0.9% from \$917 million to \$925 million.

Program Revenue & Expense Business-type



Revenue by Source - Business-type



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Houston's governmental funds reported combined ending fund balances of \$734 million. Approximately 25.9% of this total amount (\$190 million) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is set aside to indicate that it is not available for new spending because it has already been assigned for capital expenditures (\$46 million), restricted to pay debt service (\$156.6 million), or (3) a variety of other restricted purposes (\$341.1 million).

The general fund is the chief operating fund of the City of Houston. At the end of the current fiscal year, unassigned fund balance of the general fund was \$190 million, while the total fund balance reached \$276.3 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 10.9% of total general fund expenditures, while total fund balance represents 15.8% of that same amount.

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

- \$142.3 million increase in total revenues – rebound in local economy increasing Sales Tax revenue
- \$86.8 million increase in expenditures – additional pension and retiree benefit increases
- \$8.5 million decrease in proceeds for issuance of debt – hold on projects reduced need for debt
- \$3.5 million increase in transfers from other funds – rebound in economy increased funds
- \$38.5 million increase in transfers to other funds – rebound in economy increased funds

Interest expenditures for the debt service fund decreased by \$3.8 million. The net increase in fund balance was \$8.4 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 \$67 million. The net increase in fund balance during the current fiscal year was flat.

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

At the end of the year, unrestricted net position was \$0 for the Airport System, \$2 million net position for Convention and Entertainment, \$9 million deficit for the Combined Utility System. The total decrease in net position for the Airport System was \$23 million. The Convention and Entertainment fund experienced a decrease of \$9 million and Combined Utility System fund experienced an increase of \$30 million in net position. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Houston's business-type activities.

General Fund Budgetary Highlights

Total revenues were above budget by \$52 million. The details of the more significant variances are detailed below:

- \$22.9 million above budget in sales taxes
- \$9.8 million above budget in property taxes
- \$15 million above budget in industrial assessments
- \$10.7 million above budget in other financing sources

Total expenditures for the General Fund were \$20 million below the final expenditure budget. This was achieved with a layoff in FY2011 and other cost savings. The details of the more significant variances are detailed below:

- \$6.3 million below budget in total general government expenditures
- \$12.2 million below budget in retiree benefits

Capital Asset and Debt Administration

Capital assets (see Note 6). The City of Houston's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$15.9 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 was relatively stable.

Capital Assets

June 30, 2013

(With comparative totals for 2012)

(net of accumulated depreciation in millions)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land and right of way	\$ 2,104	\$ 2,089	\$ 437	\$ 433	\$ 2,541	\$ 2,522
Buildings, improvements and equipment	2,036	1,989	5,540	5,466	7,576	7,455
Construction in progress	386	356	352	300	738	656
Water rights	-	-	462	462	462	462
Runway rights	-	-	11	9	11	9
Garage rights	-	-	13	13	13	13
Infrastructure Assets	6,011	5,843	9,547	9,328	15,558	15,171
Less accumulated depreciation	(3,769)	(3,583)	(7,227)	(6,876)	(10,996)	(10,459)
Total	\$ 6,768	\$ 6,694	\$ 9,135	\$ 9,135	\$ 15,902	\$ 15,829

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

- Business-type activities construction in process balance reflects a \$52 million increase.
- Business-type activities buildings, improvements & equipment reflects a \$74 million increase
- Business-type activities infrastructure assets reflects a \$219 million increase
- Governmental-type activities infrastructure assets reflects a \$168 million increase

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

Long-term debt (Note 8). At the end of the current fiscal year, the City of Houston had total bonded debt outstanding of \$11.7 billion. The two largest portions of this total are made up of \$2.9 billion comprising debt backed by the full faith and credit of the government and \$8.8 billion comprising various enterprise fund revenue bonds which are payable from future revenues of the various operations of those enterprise funds. The remainder of the City of Houston's debt represents various long-term contracts.

Outstanding Debt

June 30, 2013

(With comparative totals for 2012)

(in millions)

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
General obligation bonds and commercial paper	\$ 2,902	\$ 2,965	\$ 42	\$ 153	\$ 2,944	\$ 3,118
Pension notes	541	541	66	67	607	608
Inferior lien contract	-	-	28	33	28	33
Revenue bonds	-	-	8,835	8,812	8,835	8,812
Other borrowings	18	8	-	-	18	8
Total	<u>\$ 3,461</u>	<u>\$ 3,514</u>	<u>\$ 8,985</u>	<u>\$ 9,065</u>	<u>\$ 12,446</u>	<u>\$ 12,579</u>

The City's total debt decreased by \$143 million or 1% during the current fiscal year.

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

- \$84.0 million of general obligation debt to fund capital projects and equipment purchases.
- \$96.2 million of combined utility system debt to fund system projects.

	<u>Std & Poor's</u>	<u>Moody's</u>	<u>Fitch's</u>
General Obligation	A A	A a2	A A
Water & Sewer System Junior Lien	A A +	A a1	A A
Combined Utility System First Lien	A A	A a2	A A -
Houston Airport System-Senior Lien	A A -	A a3	n/r
Houston Airport System-Subordinate Lien	A	A 2	A +
Convention & Entertainment	A -	A 2	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 \$20.1 billion, which is significantly in excess of the City of Houston's outstanding general obligation debt.

Next Year's Budget and Rates

Highlights of the fiscal year 2014 budget are as follows:

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

Request for Information

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

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

June 30, 2013

(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total	Component Units	
				Governmental	Business-type
Assets					
Equity in pooled cash and investments	\$ 829,053	\$ 1,019,458	\$ 1,848,511	\$ 255,895	\$ 183,460
Receivables, net of allowances					
Accounts receivable	92,121	124,218	216,339	21,700	10,411
Hotel occupancy tax receivable	-	21,799	21,799	-	-
Property taxes receivable	31,223	-	31,223	-	-
Sales taxes receivable	106,418	-	106,418	-	-
Mixed beverage taxes receivable	2,717	-	2,717	-	-
Franchise taxes receivable	17,938	-	17,938	-	-
Special assessments receivable	14,721	93	14,814	-	-
Accrued interest and other	-	-	-	320	54
Due from component units	1,965	16,695	18,660	-	-
Internal balances	(22,633)	9,610	(13,023)	-	-
Due from other governments	100,187	11,091	111,278	220	1,869
Inventory	13,861	14,542	28,403	32,918	323
Prepaid items	2,157	13,276	15,433	153	1,778
Deferred charges for issuance cost	21,462	69,389	90,851	3,355	8,309
Investments	-	112	112	27,463	6,328
Other receivables	-	-	-	145	406
Noncurrent investments	-	1,079,771	1,079,771	18,915	-
Due from component units	-	258,552	258,552	-	-
Accrued interest receivable	-	-	-	-	7
Receivables and deposits	-	-	-	-	14,638
Due from other governments	-	4,321	4,321	-	-
Amounts held by other government	-	10,867	10,867	-	-
Other assets					
Other long-term receivables	-	-	-	-	2,901
Capital Assets					
Land and right-of-way	2,104,488	436,764	2,541,252	135,066	17,169
Buildings	1,109,890	3,276,859	4,386,749	40,956	376,902
Improvements and equipment	925,835	2,263,175	3,189,010	1,081	-
Construction in progress	386,414	351,899	738,313	1,255	-
Runway rights	-	10,562	10,562	-	-
Water rights	-	462,065	462,065	-	-
Garage rights	-	13,144	13,144	-	-
Infrastructure assets	6,010,801	9,547,448	15,558,249	-	-
Less accumulated depreciation and amortization	(3,768,853)	(7,227,331)	(10,996,184)	(10,203)	(103,713)
Total assets	\$ 7,979,765	\$ 11,788,379	\$ 19,768,144	\$ 529,239	\$ 520,842
Deferred outflows of resources					
Deferred outflow on SWAP/Refunding of Debt	-	50,775	50,775	-	1,661
Total deferred outflows of resources	\$ -	\$ 50,775	\$ 50,775	\$ -	\$ 1,661

(Continued)

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

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

June 30, 2013
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total	Component Units	
				Governmental	Business-type
Liabilities					
Accounts payable and accrued expenditures	\$ 101,840	\$ 128,799	\$ 230,639	\$ 9,936	\$ 23,988
Accrued payroll liabilities	31,459	4,828	36,287	35	1,265
Accrued interest payable	38,667	89,700	128,367	5,986	2,931
Contracts and retainages payable	-	-	-	2,613	1,336
Notes payable	-	-	-	8,531	-
Inferior lien contracts	-	5,040	5,040	-	-
Due to component units	-	40,622	40,622	-	-
Due to other governments	5,006	839	5,845	7,293	-
Advances and deposits	10,431	49,186	59,617	805	-
Other liabilities	6	-	6	2,673	-
Due to other funds	(13,021)	-	(13,021)	-	-
Unearned revenue	181,116	7,546	188,662	420	1,133
Noncurrent liabilities					
Due within one year					
Contracts payable	-	14,401	14,401	-	12,297
Notes payable	-	-	-	-	9,875
Bonds payable	146,655	215,290	361,945	15,095	-
Claims and judgments	35,938	1,354	37,292	-	-
Compensated absences	151,499	14,684	166,183	1	-
Pension bonds payable	-	970	970	-	-
Commercial paper	169,900	42,000	211,900	-	-
Arbitrage rebate liability	18	152	170	-	-
Other liabilities	645	-	645	-	-
Due in more than one year					
Notes payable	11,135	-	11,135	56,194	237,123
Bonds payable	2,507,138	8,619,770	11,126,908	259,854	-
Claims and judgments	66,996	2,556	69,552	-	-
Compensated absences	285,992	16,963	302,955	-	-
Contracts payable	-	131,126	131,126	6,906	-
Commercial paper	79,100	-	79,100	-	-
Arbitrage rebate liability	2	462	464	-	-
Inferior lien contracts	-	23,075	23,075	-	-
Municipal net pension obligation	318,595	128,913	447,508	-	-
Police officers' net pension obligation	613,534	-	613,534	-	-
Firefighter's net pension obligation	25,984	-	25,984	-	-
SWAP liability	-	212,700	212,700	-	-
Unearned revenue	-	354,132	354,132	76	11,713
Other post employment benefits obligation	1,057,230	151,895	1,209,125	-	-
Pension obligation bonds payable	540,578	66,077	606,655	-	-
Other long-term liabilities	5,813	-	5,813	143	8,102
Total liabilities	6,372,256	10,323,080	16,695,336	376,561	309,763
Net position					
Net investment in capital assets	3,959,260	573,460	4,532,720	109,155	(4,757)
Restricted net position					
Restricted for debt service	117,887	249,421	367,308	45,442	15,158
Restricted for renewal and replacement	-	11,033	11,033	-	-
Restricted for maintenance and operations	-	134,791	134,791	18,303	-
Restricted for capital improvement	(16,613)	554,204	537,591	22,215	-
Other restricted	16,675	-	16,675	68,454	20,219
Unrestricted (deficit)	(2,469,700)	(6,835)	(2,476,535)	(110,891)	182,120
Total net position (deficit)	\$ 1,607,509	\$ 1,516,074	\$ 3,123,583	\$ 152,678	\$ 212,740

* 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, 2013
(amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 239,586	\$ 34,379	\$ 50,888	\$ -
Public safety	1,514,034	139,087	27,144	-
Public works	298,462	238,836	83,266	-
Health	121,988	18,563	70,435	-
Housing and community development	88,143	-	72,101	-
Parks and recreation	90,261	8,361	6,825	-
Library	44,913	1,356	2,300	-
Interest on long-term debt	151,893	-	-	-
Unallocated Depreciation	130,620	-	-	-
Total governmental activities	<u>2,679,900</u>	<u>440,582</u>	<u>312,959</u>	<u>-</u>
Business-type activities				
Airport System	530,070	432,994	-	12,761
Convention & Entertainment facilities	42,418	10,372	-	-
Combined Utility System	898,725	924,690	10,834	7,039
Total business-type activities	<u>1,471,213</u>	<u>1,368,056</u>	<u>10,834</u>	<u>19,800</u>
Total primary government	<u>\$ 4,151,113</u>	<u>\$ 1,808,638</u>	<u>\$ 323,793</u>	<u>\$ 19,800</u>
Component Units				
Governmental	130,733	4,730	43,762	-
Business-type	151,730	132,359	23,723	-
Total component units activities	<u>\$ 282,463</u>	<u>\$ 137,089</u>	<u>\$ 67,485</u>	<u>\$ -</u>

General Revenues:

Taxes

- Property taxes levied for general purposes/tax increments
- Property taxes levied for debt service
- Industrial assessments tax
- Sales tax
- Franchise tax
- Mixed beverage tax
- Bingo tax
- Hotel occupancy tax
- Investment earnings
- Other

Contributions

Transfers from/(to) Discretely Presented Component Units

Transfers

- Total general revenues and transfers
- Change in net position
- Net position beginning, as previously reported
- Cumulative effect of change in reporting entity (see Note 14E)
- Beginning net position, July 1
- Net position ending

(Continued)

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

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Governmental	Business-type	
\$ (154,319)	\$ -	\$ (154,319)	\$ -	\$ -	
(1,347,803)	-	(1,347,803)	-	-	
23,640	-	23,640	-	-	
(32,990)	-	(32,990)	-	-	
(16,042)	-	(16,042)	-	-	
(75,075)	-	(75,075)	-	-	
(41,257)	-	(41,257)	-	-	
(151,893)	-	(151,893)	-	-	
(130,620)	-	(130,620)	-	-	
<u>(1,926,359)</u>	<u>-</u>	<u>(1,926,359)</u>	<u>-</u>	<u>-</u>	
-	(84,315)	(84,315)	-	-	
-	(32,046)	(32,046)	-	-	
-	43,838	43,838	-	-	
-	(72,523)	(72,523)	-	-	
<u>(1,926,359)</u>	<u>(72,523)</u>	<u>(1,998,882)</u>	<u>-</u>	<u>-</u>	
-	-	-	(82,241)	-	
-	-	-	-	4,352	
-	-	-	<u>(82,241)</u>	<u>4,352</u>	
655,243	-	655,243	97,345	750	
251,518	-	251,518	-	-	
29,845	-	29,845	-	-	
600,256	-	600,256	-	-	
195,664	-	195,664	-	-	
9,887	-	9,887	-	-	
196	-	196	-	-	
-	76,325	76,325	-	-	
1,086	6,638	7,724	4,086	2,178	
68,586	109,906	178,492	1,264	(20,008)	
26,767	-	26,767	-	-	
16,516	(61,282)	(44,766)	-	-	
56,291	(55,891)	400	(3,806)	64,267	
<u>1,911,855</u>	<u>75,696</u>	<u>1,987,551</u>	<u>98,889</u>	<u>47,187</u>	
(14,504)	3,173	(11,331)	16,648	51,539	
1,622,013	1,512,901	3,134,914	142,532	162,521	
-	-	-	(6,502)	(1,320)	
<u>1,622,013</u>	<u>1,512,901</u>	<u>3,134,914</u>	<u>136,030</u>	<u>161,201</u>	
<u>\$ 1,607,509</u>	<u>\$ 1,516,074</u>	<u>\$ 3,123,583</u>	<u>\$ 152,678</u>	<u>\$ 212,740</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, 2013
amounts expressed in thousands

	General	Debt Service	Capital Projects
Assets			
Equity in pooled cash and investments	\$ 226,782	\$ 124,954	\$ 192,832
Receivables, net of allowances			
Accounts receivable	62,952	-	-
Property taxes receivable	31,223	-	-
Sales taxes receivable	106,418	-	-
Mixed beverage taxes receivable	2,717	-	-
Franchise taxes receivable	17,938	-	-
Special assessments receivable	14,721	-	-
Due from component units	-	-	-
Due from other funds	26,107	32,983	337
Due from other governments	598	3,549	741
Inventory	12,701	-	-
Prepaid items	2,011	-	143
Total assets	\$ 504,168	\$ 161,486	\$ 194,053
Liabilities and fund balance			
Liabilities			
Accounts payable	49,076	1,383	26,100
Accrued payroll liabilities	28,120	-	1
Due to other funds	43,156	-	1,689
Due to other governments	278	-	-
Advances and deposits	7,623	-	31
Claims and judgments	1,769	-	-
Compensated absences	4,278	-	-
Other liabilities	-	-	-
Unearned revenue	93,538	3,549	99,050
Total liabilities	227,838	4,932	126,871
Fund balance			
Non-Spendable			
Imprest cash and prepaids	2,091	-	143
Inventory	12,701	-	-
Restricted	63,696	156,554	21,031
Committed	6,892	-	-
Assigned	-	-	46,008
Unassigned	190,950	-	-
Total fund balance	276,330	156,554	67,182
Total liabilities and fund balance	\$ 504,168	\$ 161,486	\$ 194,053

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 position.

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

Net position of governmental activities

(Continued)

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

	Grants	Nonmajor Governmental Funds	Total
\$	1,355	\$ 224,279	\$ 770,202
	8,547	20,617	92,116
	-	-	31,223
	-	-	106,418
	-	-	2,717
	-	-	17,938
	-	-	14,721
	1,965	-	1,965
	1,745	10,683	71,855
	85,313	9,819	100,020
	290	870	13,861
	-	-	2,154
<u>\$</u>	<u>99,215</u>	<u>\$ 266,268</u>	<u>\$ 1,225,190</u>

	17,064	6,705	100,328
	997	2,273	31,391
	15,091	8,635	68,571
	3,611	1,117	5,006
	221	2,556	10,431
	-	-	1,769
	-	75	4,353
	-	6	6
	45,556	27,481	269,174
<u></u>	<u>82,540</u>	<u>48,848</u>	<u>491,029</u>

	-	-	2,234
	290	870	13,861
	16,385	156,857	414,523
	-	59,693	66,585
	-	-	46,008
	-	-	190,950
<u></u>	<u>16,675</u>	<u>217,420</u>	<u>734,161</u>
<u>\$</u>	<u>99,215</u>	<u>\$ 266,268</u>	

6,768,575
112,087

10,155

(6,017,469)

1,607,509

* 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, 2013
amounts expressed in thousands

	General	Debt Service	Capital Projects
Revenues			
Taxes and assessments	\$ 1,745,523	\$ -	\$ -
Licenses and permits	35,051	-	-
Charges for services	102,965	-	-
Intergovernmental - grants	19,146	-	53,943
Fines and forfeits	36,480	-	-
Investment income	1,598	(57)	(609)
Other	15,123	5,873	7,654
Total revenues	1,955,886	5,816	60,988
Expenditures			
Current Expenditures			
General government	194,775	-	-
Public safety	1,162,652	-	-
Public works	189,874	-	-
Health	43,977	-	-
Housing and community development	2,483	-	-
Parks and recreation	63,033	-	-
Library	33,315	-	-
Retiree benefits	11,907	-	-
Capital outlay	38,934	-	181,147
Debt Service			
Debt service principal	-	138,875	-
Debt service interest	2,952	155,255	-
Debt service fiscal agent & fees	-	5,447	-
Total expenditures	1,743,902	299,577	181,147
Other financing sources (uses)			
Issuance of debt	67,666	343,610	27,000
Premium on long-term debt	-	51,617	-
Sale of capital assets	5,102	-	-
Transfers in	76,641	302,141	96,260
Transfers out	(314,806)	-	(2,349)
Payment to escrow agent for refunded bonds	-	(395,227)	-
Transfers from component units	16,516	-	-
Total other financing sources (uses)	(148,881)	302,141	120,911
Changes in fund balance	63,103	8,380	752
Fund balances, July 1	213,227	148,174	66,430
Fund balances, June 30	\$ 276,330	\$ 156,554	\$ 67,182

(Continued)

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

Grants	Nonmajor Governmental Funds	Total
\$ -	\$ 359	\$ 1,745,882
-	62,049	97,100
-	145,132	248,097
225,974	67,910	366,973
-	11,475	47,955
291	(137)	1,086
-	41,351	70,001
<u>226,265</u>	<u>328,139</u>	<u>2,577,094</u>
2,957	19,644	217,376
57,258	47,613	1,267,523
8,215	86,774	284,863
62,596	5,413	111,986
85,026	713	88,222
5,848	6,549	75,430
2,118	-	35,433
-	-	11,907
-	25,329	245,410
-	-	138,875
-	115	158,322
-	765	6,212
<u>224,018</u>	<u>192,915</u>	<u>2,641,559</u>
-	-	438,276
-	-	51,617
-	716	5,818
-	30,471	505,513
(229)	(131,838)	(449,222)
-	-	(395,227)
-	-	16,516
<u>(229)</u>	<u>(100,651)</u>	<u>173,291</u>
2,018	34,573	108,826
14,657	182,847	625,335
<u>\$ 16,675</u>	<u>\$ 217,420</u>	<u>\$ 734,161</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, 2013
(amounts expressed in thousands)**

Net change in fund balances - total governmental funds	\$	108,826
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation (\$219,030) was less than the increase in capital assets (\$294,289) in the current period.		75,259
Revenue in the statement of activities that do not provide current financial resources are deferred as revenues in the funds.		84,436
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.		(92,400)
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 position. 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.		52,335
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.		(265,338)
Internal service funds are used by management to charge the costs of certain activities, such as the cost of health benefits, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		22,378
Change in net position of governmental activities	<u>\$</u>	<u>(14,504)</u>

* 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 Position
June 30, 2013
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Assets			
Current Assets			
Equity in pooled cash and investments	\$ 293,890	\$ 74,740	\$ 650,828
Receivables, net of allowances			
Accounts receivable	10,963	80	113,175
Hotel occupancy tax receivable	-	21,799	-
Special assessments receivable	-	-	93
Due from component units	-	16,695	-
Due from other funds	1,781	216	10,222
Due from other governments	8,614	1,035	1,442
Inventory	1,758	-	12,784
Prepaid items	8,112	859	4,305
Restricted assets			
Investments	112	-	-
Total current assets	325,230	115,424	792,849
Noncurrent Assets			
Equity in pooled cash	753,452	45,898	273,832
Investments	6,589	-	-
Due from component units	-	258,552	-
Due from other governments	-	-	4,321
Amounts held by other governments	-	-	10,867
Deferred charges for issuance cost	13,538	1,943	53,908
Total noncurrent restricted assets	773,579	306,393	342,928
Capital assets			
Land	209,967	96,311	130,486
Buildings	2,524,091	557,952	194,816
Improvements and equipment	2,112,082	12,603	138,490
Infrastructure	-	334	9,547,114
Construction in progress	114,439	788	236,672
Runway rights	10,562	-	-
Water rights	-	-	462,065
Garage rights	-	13,144	-
Less accumulated depreciation and amortization	(2,135,983)	(231,567)	(4,859,781)
Net capital assets	2,835,158	449,565	5,849,862
Total noncurrent assets	3,608,737	755,958	6,192,790
Total assets	3,933,967	871,382	6,985,639
Deferred outflows of resources			
Deferred outflow on SWAP	-	-	50,775
Total deferred outflows of resources	\$ -	\$ -	\$ 50,775

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

<u>Business-type Activities-Enterprise</u>		<u>Governmental Activities Internal Service Funds</u>	
<u>Total</u>			
\$	1,019,458	\$	58,851
	124,218		170
	21,799		-
	93		-
	16,695		-
	12,219		718
	11,091		-
	14,542		-
	13,276		3
	112		-
	<u>1,233,503</u>		<u>59,742</u>
	1,073,182		-
	6,589		-
	258,552		-
	4,321		-
	10,867		-
	69,389		-
	<u>1,422,900</u>		<u>-</u>
	436,764		-
	3,276,859		514
	2,263,175		-
	9,547,448		-
	351,899		25
	10,562		-
	462,065		-
	13,144		-
	<u>(7,227,331)</u>		<u>(270)</u>
	<u>9,134,585</u>		<u>269</u>
	<u>10,557,485</u>		<u>269</u>
	<u>11,790,988</u>		<u>60,011</u>
	50,775		-
\$	<u>50,775</u>	\$	<u>-</u>

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

CITY OF HOUSTON, TEXAS
PROPRIETARY FUNDS
Statement of Net Position
June 30, 2013
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Liabilities			
Current Liabilities			
Accounts payable	\$ 49,341	\$ 339	\$ 79,119
Accrued payroll liabilities	1,808	52	2,968
Accrued interest payable	48,362	4,577	36,761
Commercial paper	-	42,000	-
Contracts payable	-	-	14,401
Due to other funds	372	-	1,732
Due to component units	-	40,622	-
Due to other governments	-	74	765
Advances and deposits	1,584	4	47,598
Arbitrage rebate liability	-	-	152
Inferior lien contracts	5,040	-	-
Claims and judgments	959	-	395
Compensated absences	5,559	106	9,019
Pension obligation bonds payable	-	60	910
Revenue bonds payable	55,045	26,215	134,030
Unearned revenue	7,546	-	-
Total current liabilities	175,616	114,049	327,850
Noncurrent liabilities			
Revenue bonds payable	2,250,186	565,152	5,804,432
Claims and judgments	1,886	-	670
Compensated absences	5,931	297	10,735
Contracts payable	-	-	131,126
Inferior lien contracts	23,075	-	-
Arbitrage rebate liability	-	135	327
Municipal pension trust liability	48,809	4,858	75,246
Other post employment benefits	54,194	3,656	94,045
SWAP liability	-	-	212,700
Unearned revenue	831	8,164	345,137
Pension obligation bonds payable	2,006	3,824	60,247
Total noncurrent liabilities	2,386,918	586,086	6,734,665
Total liabilities	2,562,534	700,135	7,062,515
Net position (deficit)			
Net investment in capital assets	554,262	108,215	(89,017)
Restricted net position			
Restricted for debt service	208,100	41,321	-
Restricted for renewal and replacement	10,000	1,033	-
Restricted for maintenance and operations	46,309	18,967	70,020
Restricted for capital improvements	552,762	-	1,442
Unrestricted	-	1,711	(8,546)
Total net position (deficit)	\$ 1,371,433	\$ 171,247	\$ (26,101)

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

(Continued)

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

<u>Business-type Activities-Enterprise</u>	<u>Governmental Activities Internal Service Funds</u>
<u>Total</u>	
\$ 128,799	\$ 1,512
4,828	68
89,700	-
42,000	-
14,401	-
2,104	14,117
40,622	-
839	-
49,186	-
152	-
5,040	-
1,354	25,037
14,684	202
970	-
215,290	-
7,546	2,836
<u>617,515</u>	<u>43,772</u>
8,619,770	-
2,556	6,402
16,963	187
131,126	-
23,075	-
462	-
128,913	-
151,895	-
212,700	-
354,132	-
66,077	-
<u>9,707,669</u>	<u>6,589</u>
<u>10,325,184</u>	<u>50,361</u>
573,460	269
249,421	-
11,033	-
135,296	-
554,204	-
(6,835)	9,381
<u>1,516,579</u>	<u>\$ 9,650</u>
(505)	
<u>\$ 1,516,074</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 Position
For the Fiscal Year Ended June 30, 2013
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Operating Revenues			
Landing area fees	\$ 91,059	\$ -	\$ -
Terminal space rentals	181,701	-	-
Parking	77,596	8,992	-
Concession	77,765	-	-
Other	4,873	-	-
Rental	-	1,380	-
Water/Sewer Billing	-	-	924,690
Health benefit premiums	-	-	-
Total operating revenue	<u>432,994</u>	<u>10,372</u>	<u>924,690</u>
Operating Expenses			
Administrative costs	-	-	-
Claims Costs	-	-	-
Maintenance and operating	272,091	1,780	395,439
Depreciation and amortization	170,846	14,488	217,622
Total operating expenses	<u>442,937</u>	<u>16,268</u>	<u>613,061</u>
Operating income (loss)	<u>(9,943)</u>	<u>(5,896)</u>	<u>311,629</u>
Nonoperating revenue (expenses)			
Investment income	(1,935)	9,080	(507)
Hotel occupancy tax	-	76,325	-
Other revenue	1,978	413	41,521
Gain (Loss) on disposal of assets	225	-	(286)
Interest on long-term debt	(87,358)	(26,150)	(285,378)
Passenger facility charges	61,195	-	-
Contributions	-	-	10,834
Total nonoperating revenues (expenses)	<u>(25,895)</u>	<u>59,668</u>	<u>(233,816)</u>
Income (loss) before capital contributions and transfers	<u>(35,838)</u>	<u>53,772</u>	<u>77,813</u>
Capital contributions	<u>12,761</u>	<u>-</u>	<u>7,039</u>
Transfers in	-	-	70
Transfers out	-	(1,380)	(54,581)
Transfers to component unit	-	(61,282)	-
Total transfers	<u>-</u>	<u>(62,662)</u>	<u>(54,511)</u>
Change in net position	<u>(23,077)</u>	<u>(8,890)</u>	<u>30,341</u>
Liability resulting from internal service fund's undercharging proprietary funds			
Net change			
Total net position (deficit), July 1,	<u>1,394,510</u>	<u>180,137</u>	<u>(56,442)</u>
Total net position (deficit), June 30	<u>\$ 1,371,433</u>	<u>\$ 171,247</u>	<u>\$ (26,101)</u>

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

(Continued)

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

Business-type Activities Enterprise Funds		Governmental Activities Internal Service Funds
Total		
\$	91,059	\$ -
	181,701	-
	86,588	-
	77,765	-
	4,873	4,753
	1,380	-
	924,690	-
	-	332,556
	<u>1,368,056</u>	<u>337,309</u>
	-	5,121
	-	309,744
	669,310	-
	402,956	61
	<u>1,072,266</u>	<u>314,926</u>
	<u>295,790</u>	<u>22,383</u>
	6,638	(5)
	76,325	-
	43,912	-
	(61)	-
	(398,886)	-
	61,195	-
	10,834	-
	<u>(200,043)</u>	<u>(5)</u>
	95,747	22,378
	<u>19,800</u>	<u>-</u>
	70	-
	(55,961)	-
	(61,282)	-
	<u>(117,173)</u>	<u>-</u>
	(1,626)	22,378
	4,799	
	3,173	
	<u>1,518,205</u>	<u>(12,728)</u>
\$	<u>1,521,378</u>	\$ <u>9,650</u>
	(5,304)	
\$	<u>1,516,074</u>	

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

CITY OF HOUSTON, TEXAS
PROPRIETARY FUNDS
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2013
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Cash flows from operating activities			
Receipts from customers	\$ 448,169	\$ 10,372	\$ 922,338
Payments to employees	(92,792)	(367)	(149,804)
Payments to suppliers	(93,390)	(933)	(204,994)
Internal activity-payments (to) from other funds	(49,695)	(31)	(29,715)
Claims paid	(960)	2	(1,329)
Due to(from) other governments	-	(15)	-
Other revenues	1,978	412	41,521
Other expenses	-	-	-
Receipts from component units	-	(294)	-
Receipts from other governments	-	-	(1,765)
Net cash provided by operating activities	<u>213,310</u>	<u>9,146</u>	<u>576,252</u>
Cash flows from investing activities			
Interest income on investments	(1,935)	9,080	(507)
Purchase of investments	(8,294)	-	-
Proceeds from sale of investments	8,340	-	-
Net cash used in investing activities	<u>(1,889)</u>	<u>9,080</u>	<u>(507)</u>
Cash flows from capital and related financing activities			
Retirement of revenue bonds	(52,805)	(27,530)	(136,157)
Refunding of revenue bonds	-	(41,245)	(350,246)
Retirement of commercial paper	-	(1,000)	(110,400)
Proceeds (uses of cash) from issuance of revenue bonds	(651)	41,525	790,222
Proceeds from issuance of commercial paper	-	-	-
Passenger facilities charges	61,195	-	-
Deferred bond issuance cost	-	-	(1,911)
Interest expense on debt	(93,629)	(13,727)	(274,979)
Retirement of inferior lien contract	(4,780)	-	-
Proceeds from disposition of assets	-	-	596
Contributed capital	8,860	-	14,210
Acquisition of property, plant and equipment	(82,176)	(1,880)	(302,443)
Due from other governments	-	-	(114)
Net cash used in capital and related financing activities	<u>(163,986)</u>	<u>(43,857)</u>	<u>(371,222)</u>

(Continued)

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

Business-type Activities Enterprise Funds		Governmental Activities Internal Service Funds	
Total			
\$	1,380,879	\$	332,553
	(242,963)		(3,643)
	(299,317)		(4,210)
	(79,441)		13,310
	(2,287)		(309,721)
	(15)		4,459
	43,911		4,753
	-		-
	(294)		-
	(1,765)		-
	<u>798,708</u>		<u>37,501</u>
	6,638		(5)
	(8,294)		-
	8,340		-
	<u>6,684</u>		<u>(5)</u>
	(216,492)		-
	(391,491)		-
	(111,400)		-
	831,096		-
	-		-
	61,195		-
	(1,911)		-
	(382,335)		-
	(4,780)		-
	596		-
	23,070		-
	(386,499)		(185)
	(114)		-
	<u>(579,065)</u>		<u>(185)</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, 2013
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Cash flows from noncapital financing activities			
Interest expense on pension obligation bonds	(107)	(10)	(3,814)
Pension bond payable	-	-	(910)
Payments from component unit	-	5,934	-
Hotel occupancy tax revenue	-	74,606	-
Transfers to debt service fund	-	-	(15,807)
Transfers to other funds	-	(62,662)	(38,704)
Net cash provided by (used in) noncapital financing activities	<u>(107)</u>	<u>17,868</u>	<u>(59,235)</u>
Net increase (decrease) in cash and cash equivalents	47,328	(7,763)	145,288
Cash and cash equivalents, July 1	1,000,014	128,401	779,372
Cash and cash equivalents, June 30	<u>\$ 1,047,342</u>	<u>\$ 120,638</u>	<u>\$ 924,660</u>
Non cash transactions			
Unrealized gain on investments	-	1,374	-
Capital additions included in liabilities	8,412	-	-
Contributions of capital assets	-	-	(7,039)
Capitalize interest expense	9,189	-	11,039
CAB accretion interest	-	-	8,371
Gain (loss) on disposal of assets	225	-	286
Total non cash transactions	<u>\$ 17,826</u>	<u>\$ 1,374</u>	<u>\$ 12,657</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ (9,943)	\$ (5,896)	\$ 311,629
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation and amortization	170,846	14,488	217,622
Impairment of capital asset	6,513	-	-
Other post employment benefits	3,332	324	13,809
Other revenues	1,978	413	41,521
Capital improvement plan expense	12,939	-	-
Changes in assets and liabilities			
Accounts receivable	14,705	(1)	(5,608)
Due from other funds	(499)	53	(1,384)
Due from other governments	-	-	(1,694)
Inventory and prepaid insurance	4,242	-	(2,739)
Accounts payable	3,137	283	(3,956)
Accrued payroll liabilities	187	(24)	336
Due to other funds	(1,480)	(69)	(1,538)
Due to other governments	-	(15)	-
Advances and deposits	469	-	3,258
Claims and judgments-workers' compensation	55	-	(310)
Compensated absences	(476)	(251)	(858)
Pension obligation payable	7,305	135	6,164
Deferred revenue	-	(294)	-
Net cash provided by operating activities	<u>\$ 213,310</u>	<u>\$ 9,146</u>	<u>\$ 576,252</u>

(Continued)

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

Business-type Activities Enterprise Funds	Governmental Activities Internal Service Funds
Total	
(3,931)	-
(910)	-
5,934	-
74,606	-
(15,807)	-
(101,366)	-
<u>\$ (41,474)</u>	<u>-</u>
184,853	37,311
<u>1,907,787</u>	<u>21,540</u>
<u>\$ 2,092,640</u>	<u>\$ 58,851</u>
1,374	-
8,412	-
(7,039)	-
20,228	-
8,371	-
511	-
<u>\$ 31,857</u>	<u>\$ -</u>
\$ 295,790	\$ 22,383
402,956	61
6,513	-
17,465	-
43,912	-
12,939	-
9,096	(2)
(1,830)	(713)
(1,694)	4,459
1,503	-
(536)	(2,950)
499	6
(3,087)	14,078
(15)	-
3,727	-
(255)	51
(1,585)	6
13,604	-
(294)	122
<u>\$ 798,708</u>	<u>\$ 37,501</u>

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

CITY OF HOUSTON, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013
amounts expressed in thousands

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Assets		
Equity in pooled cash and investments	\$ 14,551	\$ 19,712
Investments		
U.S. government and agency securities	64,523	-
Corporate bonds	233,868	-
Other fixed income securities	1,849,495	-
Commingled equity funds	279,271	-
Common and preferred stock	2,838,950	-
Real estate, partnerships and alternatives	3,378,419	-
Short-term investment funds	707,176	-
Invested securities lending collateral	500,142	-
Receivables, net of allowances		
Accounts receivable	5,410	128
Contributions	28,593	-
Accrued interest and other	22,398	-
Due from other funds	-	(7)
Other	25,778	-
Other Assets	1,309	-
Land	483	-
Building	5,446	-
Total assets	<u>9,955,812</u>	<u>19,833</u>
Liabilities		
Accounts payable	47,211	19,702
Advances and deposits	-	131
Security lending collateral	500,142	-
Foreign funds contracts payable	1,301	-
Other liabilities	5,732	-
Total liabilities	<u>554,386</u>	<u>\$ 19,833</u>
Net position		
Held in trust for pension benefits and other purposes	<u>\$ 9,401,426</u>	

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

CITY OF HOUSTON, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
PENSION TRUST FUNDS
For the Year Ended June 30, 2013
amounts expressed in thousands

	2013
Additions	
Contributions:	
City of Houston	\$ 267,379
Plan members	76,009
Total Contributions	343,388
Investment earnings	
Interest and dividends	196,985
Net increase in the fair value of investments	735,047
Total investment income	932,032
Less investment expense	(31,339)
Net investment income	900,693
Total additions	1,244,081
Deductions	
Benefits	587,662
Refund of contributions	2,438
Administrative expense	18,889
Total deductions	608,989
Change in net position	635,092
Total net position, July 1	8,766,334
Total net position, June 30	\$ 9,401,426

* 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, 2013

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CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013



CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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 generally accepted accounting principles. Organizations are included if they are financially accountable to the City, or the nature and significance of their relationship with the City are such that exclusion would cause the financial statements to be misleading or incomplete. Inclusion is determined on the basis of the City's ability to exercise significant influence. Significant influence or accountability is based primarily on its operational or financial relationship with the City (as distinct from legal relationship).

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

B. Basis of Presentation - Financial Reporting Entity

1. Component Units

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

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

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

Following are the City's blended component units:

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

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

Discretely Reported Component Units	Brief Description of Activities, Relationship to City, and Key Inclusion Criteria
<p><i>Houston First Corporation (formerly Houston Convention Center Hotel Corporation)</i> <i>1001 Avenida De Las Americas</i> <i>Houston, TX 77010</i></p>	<p>On June 1, 2011, City of Houston City Council approved the consolidation of the City's Convention & Entertainment Facilities Department ("Department") operations into the Hotel Corporation ("Consolidation"), effective July 1, 2011, in order to bring various entities responsible for generating and spending City hotel occupancy tax (HOT) revenues under one governing body. In connection with the Consolidation, the Hotel Corporation reconstituted and renamed itself as "Houston First Corporation," and Houston First Corporation assumed the primary roles and responsibilities of the Department. To accomplish this, the Hotel Corporation amended its bylaws and articles of incorporation to broaden its authority to accomplish its expanded duties and responsibilities. There is a fiscal dependency on the City, as well as a financial burden on the City, and there is the potential that exclusion would result in misleading financial reporting.</p>
<p><i>Houston Housing Finance Corporation</i> <i>9545 Katy Freeway, Suite 105</i> <i>Houston, TX 77024</i></p>	<p>Non-profit corporation incorporated by the City in accordance with the Texas Housing Finance Corporation Act to finance residential mortgage loans to low or moderate-income persons through the sale of revenue bonds collateralized by the mortgage loans. The Board is nominated by the Mayor and confirmed by City Council. The City has financial accountability because it appoints a voting majority of the Board and a financial benefit/burden relationship exists, allowing the City to impose its will.</p>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

<u>Discretely Reported Component Units</u>	<u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u>
<p>Houston Zoo, Inc. 1513 N. MacGregor Houston, TX 77030</p>	<p>Houston Zoo, Inc. (HZI) is a 501(c)(3) corporation and has a contract with Houston Zoo Development Corp to operate the Zoo. The Mayor may appoint up to 20% of the Board of Directors of HZI. Houston Zoo Development Corporation (HZDC) is a local government corporation that leases the zoo from the City. The lease provides for the City to make payments in support of capital and operating expenses over the lease term, which it makes available to HZI. There is a fiscal dependency on the City, as well as a financial burden on the City, and there is the potential that exclusion would result in misleading financial reporting.</p>

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

<u>Discretely Reported Component Units</u>	<u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u>
<p>City Park Redevelopment Authority c/o Land Development, Inc. P.O. Box 994 Sugarland, Texas 77487-0494</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>East Downtown Redevelopment Authority c/o Vincent & Elkins, LLP 1001 Fannin St., Suite 2500 Houston, Texas 77002</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>Fifth Ward Redevelopment Authority c/o Hawes Hill Calderon LLP P.O. Box 22167 Houston, Texas 77227</p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Fifth Ward Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood adjacent to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. The City has investment authority for the Zone's assets.</p>
<p>Fourth Ward Redevelopment Authority 410 Pierce St., Suite 355 Houston, Texas 77067</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>Greater Greenspoint Redevelopment Authority 450 Gears Rd., Suite 200 Houston, Texas 77067</p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Greater Greenspoint Tax Increment Reinvestment Zone Board in the redevelopment of the Greenspoint Mall and a blighted adjacent neighborhood in North Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will.</p>
<p>Greater Houston Convention and Visitors Bureau 901 Bagby, Suite 1005 Houston, Texas 77002</p>	<p>A non-profit organization established in 1963 and funded by both private sector memberships and a portion of the hotel occupancy 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>

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<u>Discretely Reported Component Units</u>	<u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u>
<p><i>Gulfgate Redevelopment Authority</i> <i>c/o Knudson & Associates</i> <i>8588 Katy Freeway, Suite 441</i> <i>Houston, Texas 77024</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Gulfgate Tax Increment Reinvestment Zone Board in the redevelopment of the Gulfgate Mall and a blighted adjacent neighborhood southeast of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists allowing the City to impose its will.</p>
<p><i>Hardy Near Northside Redevelopment Authority</i> <i>1001 Fannin Street, Suite 2500</i> <i>Houston, Texas 77002-6760</i></p>	<p>A non-profit corporation established by the City of Houston in 2009 in accordance with Chapter 311 of the Texas Tax Code. The 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 revenues, allowing the City the ability to impose its will.</p>
<p><i>Houston Arts Alliance</i> <i>3201 Allen Parkway, Suite 250</i> <i>Houston, TX 77019</i></p>	<p>A non-profit organization that is the officially designated arts agency of the City. The City does not appoint a voting majority, but is financially accountable because the alliance is fiscally dependent on the revenues provided from a portion of hotel occupancy tax, which is levied by the City. This fiscal dependency allows the City to impose its will.</p>
<p><i>Houston Downtown Park Corporation</i> <i>2217 Welch</i> <i>Houston, TX 77019</i></p>	<p>Local government corporation created by the City in 2004 in accordance with Chapter 431 of the Texas Transportation Corporation Act to aid and act on behalf of the City to accomplish the City’s governmental purpose of providing for the acquisition, development, operation, and maintenance of a new public park, open space and related amenities and facilities to provide recreational, educational and tourism opportunities within, and beautification of the Central Business District of the City. Additionally, the corporation maintains an enterprise fund to account for the activities of the Discovery Green Parking Garage. Board members are appointed by the City and a financial benefit/burden relationship exists, allowing the City to impose its will. There is the potential that exclusion would result in misleading financial reporting.</p>
<p><i>Houston Forensic Science LGC, Inc.</i> <i>900 Bagby Street, Suite 422</i> <i>Houston, Texas 77002</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to provide forensic science services previously provided by the Houston Police Department. Board members are appointed by the City and a financial benefit/burden relationship exists, allowing the City to impose its will. There is the potential that exclusion would result in misleading financial reporting.</p>
<p><i>Houston Mediasource</i> <i>410 Roberts</i> <i>Houston, Texas 77003</i></p>	<p>An independent contractor incorporated under Section 501(c)(3) of the Internal Revenue Code as a Non-Profit organization to coordinate and develop all public and educational cable access activities within the City of Houston. Funding is provided by Public and Educational and Government Access payments made to the city by cable operators under the City’s cable franchises with respect to the annual support of the PEG Channels for the support of public, educational, and governmental access programming. Board members are appointed by the City and a financial benefit/burden relationship exists, allowing the City to impose its will. There is the potential that exclusion would result in misleading financial reporting.</p>

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<p><i>Houston Parks Board, Inc.</i> 2001 Kirby Dr., Suite 814 Houston, Texas 77019</p>	<p>Solicits and manages funds raised privately for park acquisitions and improvements on behalf of Houston Parks Board LGC., Inc., which provide a direct benefit to the City. Board members are nominated by the Mayor and confirmed by City Council, allowing the City to impose its will. Upon dissolution, all assets revert to the City. There is a potential that exclusion would result in misleading financial reporting.</p>
<p><i>Houston Parks Board LGC., Inc.</i> 300 North Post Oak Lane Houston, Texas 77024</p>	<p>Solicits and manages funds raised privately for park acquisitions and advises the Mayor and City Council on park acquisitions and improvements, which provide a direct benefit to the City. Board members are nominated by the Mayor and confirmed by City Council, allowing the City to impose its will. Upon dissolution, all assets revert to the City. There is a potential that exclusion would result in misleading financial reporting.</p>
<p><i>Houston Public Library Foundation</i> <i>Houston Central Library</i> 500 McKinney Houston, TX 77002</p>	<p>Solicits and manages funds raised privately for library improvements. Advises the Mayor and City Council on additions and improvements to the library system that provide a direct benefit to the City. Board members are nominated by the Mayor and confirmed by City Council, allowing the City to impose its will. There is a potential that exclusion would result in misleading financial reporting.</p>
<p><i>Houston Recovery Center LGC</i> <i>HPD - Mental Health Unit</i> 150 North Chenevert Street/1811 Ruiz St. Houston, Texas 77002</p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to provide management of the Houston Center for Sobriety. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial burden to the City, allowing the City to impose its will.</p>
<p><i>Lamar Terrace Public Improvement</i> <i>District</i> City of Houston Box 1562 Houston, Texas 77251</p>	<p>Special district organized under state statute to redevelop a blighted neighborhood in Southwest Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City, allowing the City to impose its will.</p>
<p><i>Land Assemblage Redevelopment</i> <i>Authority</i> City of Houston Box 1562 Houston, Texas 77251</p>	<p>The Land Assemblage Redevelopment Authority (LARA) is a 13-member board appointed by the Mayor, City Council, Harris County and the Houston Independent School District. The LARA Authority is organized for the purpose of aiding, assisting and acting on behalf of the City in the performance of its governmental functions to promote the common good and general welfare of the City and in undertaking and completing one or more projects, as may be defined or determined by the City Council of the City. The City has financial accountability because the voting majority of the board members are nominated by City Council, allowing the City to impose its will, and the operations provide financial benefits to the City.</p>
<p><i>Leland Woods Redevelopment</i> <i>Authority</i> 1001 Fannin, Suite 2500 Houston, Texas 77002-6760</p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act and Chapter 394 of the Texas Local Government Code to assist the City and Tax Increment Reinvestment Zone Number 22 in the redevelopment of a blighted neighborhood. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will.</p>
<p><i>Leland Woods Redevelopment</i> <i>Authority II</i> 1001 Fannin, Suite 2500 Houston, Texas 77002-6760</p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act and Chapter 394 of the Texas Local Government Code to assist the City, Leland Woods Redevelopment Authority and Tax Increment Reinvestment Zone Number 22 in the redevelopment of a blighted neighborhood. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will.</p>

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<p><i>Main Street Market Square Redevelopment Authority 909 Fannin Suite 1650 Houston, Texas 77010</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Main St./Market Square Tax Increment Reinvestment Zone Board in the redevelopment of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><i>Memorial City Redevelopment Authority c/o Knudson & Associates 8588 Katy Freeway, Suite 441 Houston, Texas 77024</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Memorial City Tax Increment Reinvestment Zone Board in the redevelopment of the Memorial City Mall and Town & Country Mall areas west of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><i>Memorial-Heights Redevelopment Authority c/o Vincent & Elkins, LLP 1001 Fannin St., Suite 2500 Houston, Texas 77002</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Memorial Heights Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood adjacent to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><i>Midtown Redevelopment Authority 410 Pierce Houston, Texas 77002</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Midtown Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood south of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><i>Miller Theatre Advisory Board, Inc. 6000 Hermann Park Drive Houston, Texas 77030-1702</i></p>	<p>Miller Theatre Advisory Board, Inc. (the Board) is a Texas nonprofit corporation with the primary objective to advance the educational and cultural interests of the people of Houston through a continuing program of artistic, educational, and cultural events at the Miller Outdoor Theatre which is owned by the City of Houston. This is accomplished by various artistic and performing groups providing programs at the Theatre supported by grants awarded by the Board. The City has financial accountability because the directors are appointed by the mayor of the City of Houston and approved by City Council, and its primary source of funding is from Hotel Occupancy taxes which the Board receives from the City through the Houston Arts Alliance.</p>
<p><i>Old Sixth Ward Redevelopment Authority c/o Land Development, Inc. P.O. Box 994 Sugar Land, Texas 77487</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Old Sixth Ward Tax Increment Reinvestment Zone Board in the redevelopment of a neighborhood adjacent to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council, the operations provide financial benefits to the City, and the City has investment authority for the Zone's assets.</p>
<p><i>OST/Alameda Corridors Redevelopment Authority 5445 Alameda Suite 545 Houston, Texas 77004</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the OST/Alameda Corridors Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood south of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><i>Saint George Place Redevelopment Authority c/o Hawes Hill Calderon LLP P.O. Box 22167 Houston, Texas 77227-2167</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the St. George Place Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood in southwest Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council. The operations provide financial benefits to the City and the City has investment authority for the Zone's assets.</p>

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<p><i>South Post Oak Redevelopment Authority</i> <i>c/o Knudson & Associates</i> <i>8588 Katy Frwy.</i> <i>Houston, Texas 77024</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the South Post Oak Tax Increment Reinvestment Zone Board in the development of an affordable housing project in Southwest Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council, and the operations provide financial benefits to the City.</p>
<p><i>Southwest Houston Redevelopment Authority</i> <i>c/o Hawes Hill Calderon LLP</i> <i>P.O. Box 22167</i> <i>Houston, Texas 77227-2167</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Southwest Houston Tax Increment Reinvestment Zone Board in the redevelopment of the Sharpstown Mall and adjacent neighborhoods southwest of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><i>Upper Kirby Redevelopment Authority</i> <i>3015 Richmond Avenue, Suite 200</i> <i>Houston, Texas 77098-3114</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Upper Kirby Tax Increment Reinvestment Zone Board in the redevelopment of a neighborhood west of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><i>Uptown Development Authority</i> <i>1980 Post Oak Blvd., Suite 1580</i> <i>Houston, Texas 77056</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Uptown Tax Increment Reinvestment Zone Board in the redevelopment of the Galleria Mall area, west of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>

2. Related Organizations

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

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

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) 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/net position, 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.

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Fund Accounting

1. The City reports the following major governmental funds:

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

2. The City reports the following major enterprise funds:

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

3. The City reports the following additional funds:

- (a) **Nonmajor Special Revenue Funds** - are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.
- (b) **Internal Service Funds** - are used to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.
- (c) **Fiduciary Fund Types** - Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and other funds. These include the following:
 - (1) **Pension Trust Funds** - are used to account for the assets held in trust for the members and beneficiaries of the City's three defined benefit pension plans.
 - (2) **Agency Funds** - are custodial in nature and do not involve measurement of results of operations.

D. Measurement Focus and Basis of Accounting

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

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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 statements of net position.

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 revenues or expenses recognized are non-operating.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current period. Expenditures are recognized under the modified accrual basis of accounting in the accounting period in which the fund liability is incurred, if measurable. Claims, judgments and compensated absences are recognized when matured.

The following types of revenues are susceptible to accrual under the modified accrual basis of accounting: delinquent property taxes (including penalty and interest); services billed to other funds; sales tax; mixed beverage tax; franchise fees; fines and forfeits; ambulance receipts; and investment earnings. Intergovernmental revenue from reimbursable grants and capital projects is recognized when the related expenditure is incurred.

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

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

E. Assets and Liabilities

1. Deposits and Investments

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

Substantially all cash, except for imprest accounts, is deposited with financial institutions in non-interest bearing accounts. The City's deposit account is considered as a non-interest bearing account. Instead of receiving interest on the accounts, the City receives the "Earnings Credit Rate". The majority of the City's cash and investments are administered using a pooled concept, which combines the monies of various funds for investment purposes. Interest earnings of the pool are apportioned to each fund, unless otherwise required by bond covenants, based on the fund's relative share of the investment pool. All cash and investments are displayed on the statement of net position 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.

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“Equity in pooled cash and investments” is further split into current and non-current in accordance with GASB Statement 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”.

Investments authorized by the City’s investment policy, which is guided by state laws and city ordinances, generally include: obligations of the United States of America or its agencies and instrumentalities; fully-collateralized Certificates of Deposit from City Council-approved public depositories; direct obligations of the State of Texas or its agencies and instrumentalities; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; obligations of states, agencies, counties, cities, and other political subdivisions; no-load money market mutual funds registered and regulated by the Securities and Exchange Commission; corporate commercial paper; fully collateralized repurchase agreements; and reverse repurchase agreements within specific terms. Investments are carried at fair value based on quoted market prices.

2. Inventories of Materials and Supplies

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

3. Capital Assets

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

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

Capital acquisition and construction are reflected as expenditures in governmental funds and are capitalized in the Governmental Activities column in the government-wide financial statements.

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

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

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

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

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

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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 2013, the capitalized interest cost for the Airport System Facilities was \$9.1 million and Combined Utility System Fund was \$11.4 million.

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

Assets	Years
Airport System Facilities	2-50
Convention & Entertainment Facilities	5-45
Combined Utility System Facilities	5-50

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

4. Bond Premiums, Discounts and Issuance Costs

Bond premiums, discounts and issuance costs in Enterprise Funds are amortized over the term of the bonds using the effective interest and straight-line amortization method. Gains or losses on Enterprise Fund refundings are amortized over the term of the lesser of the new bonds or the refunded bonds using the straight-line or effective interest method.

F. Fund Balances and Budget Stabilization Arrangements

1. Fund Balance Descriptions

- a. Non-spendable** - indicates that portion of a fund balance that cannot be spent because they are either:
 - 1) not in spendable form (such as inventories and prepaid amounts) or
 - 2) legally or contractually required to be maintained intact.
- b. Restricted** - indicates that portion of a fund balance for which external constraints are placed on the use of resources that are either:
 - 1) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
 - 2) imposed by law through constitutional provisions or enabling legislation.
- c. Committed** - indicates that portion of a fund balance that is internally imposed by the local governmental officials (e.g. mayor and council).
- d. Assigned** – indicates that portion of a fund balance that sets limits as a result of the intended use of the funds.
- e. Unassigned** – residual net resources

CITY OF HOUSTON, TEXAS
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2. Fund Balance Summary

A Summary of the nature and purpose of fund balances at June 30, 2013 is as follows (in thousands):

Governmental Fund Balances

	General	Debt Service	Capital Projects	Grant	Non-Major Special Revenue Funds					Total Nonmajor	Total
					Public Safety	Public Works	Health & Housing	Parks	Other		
Fund balances:											
Non-spendable:											
Inventory	12,701	-	-	290	-	870	-	-	-	870	13,861
Prepaid items	2,091	-	143	-	-	-	-	-	-	-	2,234
Total non-spendable	14,792	-	143	290	-	870	-	-	-	870	16,095
Restricted for:											
General government	-	-	-	-	-	-	-	-	5,367	5,367	5,367
Public safety	780	-	-	-	6,804	-	-	-	-	6,804	7,584
Public works	-	-	-	-	-	83,538	-	-	2,368	85,906	85,906
Health & housing	606	-	-	16,385	-	-	4,158	-	45,843	50,001	66,992
Parks and recreation	-	-	-	-	-	-	-	340	-	340	340
Library	-	-	-	-	-	-	-	-	202	202	202
Capital outlay	62,310	-	21,031	-	-	-	-	-	8,237	8,237	91,578
Debt service	-	156,554	-	-	-	-	-	-	-	-	156,554
Total restricted	63,696	156,554	21,031	16,385	6,804	83,538	4,158	340	62,017	156,857	414,523
Committed to:											
General government	1,781	-	-	-	-	-	-	-	3,069	3,069	4,850
Public safety	-	-	-	-	16,417	-	-	-	-	16,417	16,417
Public works	5,111	-	-	-	-	17,751	-	-	2,275	20,026	25,137
Health & housing	-	-	-	-	-	-	9,218	-	1,041	10,259	10,259
Parks and recreation	-	-	-	-	-	-	-	6,979	-	6,979	6,979
Capital outlay	-	-	-	-	-	-	-	-	2,943	2,943	2,943
Total committed	6,892	-	-	-	16,417	17,751	9,218	6,979	9,328	59,693	66,585
Assigned:	-	-	46,008	-	-	-	-	-	-	-	46,008
Unassigned:	190,950	-	-	-	-	-	-	-	-	-	190,950
Total	276,330	156,554	67,182	16,675	23,221	102,159	13,376	7,319	71,345	217,420	734,161

3. Budget Stabilization Arrangements

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

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

These amounts are included in the General Fund's Unassigned Fund balance.

CITY OF HOUSTON, TEXAS
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June 30, 2013

G. Transfers, Revenues, Expenditures and Expenses

1. Interfund Transactions

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

- a. Loans are reported as receivables and payables as appropriate.
- b. Charges for services are reported as revenues for the performing fund and expenditures of the requesting fund.
- c. Transactions to reimburse a fund for expenditures made by it for the benefit of another fund are recorded as expenditures or expenses in the reimbursing fund and as a reduction of expenditures or expenses in the fund that is reimbursed.
- d. All other interfund transfers, such as legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended, are transfers. Transfers are classified as other financing sources or uses (or transfers for proprietary funds) in the Statement of Revenues, Expenditures (or expenses) and Changes in Fund Balances (or net position). 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 Position. The Internal Service Fund is essentially a clearing account for income, expenses, assets and liabilities of the City's health benefits and long-term disability programs.

2. Compensated Absences

Full-time civilian employees of the City are eligible for 10 days of vacation leave per year. After four years, employees receive 15 days. The amount of vacation time gradually increases after that, reaching a maximum of 25 days per year after 18 years of service. Employees may accumulate up to 105 days of vacation leave (60 days for employees with a computation date after December 31, 1999). However, upon termination or retirement, employees are paid a maximum of 90 days of unused vacation leave (45 days for employees with a computation date after December 31, 1999) which is based on the average rate of pay during the employee's highest 60 days of employment. Part-time and temporary employees are not eligible for vacation or sick leave benefits. Firefighters accrue 15 to 22 days of vacation annually, based upon years of service. Police officers participate in a paid time off program that combines sick and vacation leave. Officers enter the program upon completion of their probationary period and then accrue 15 to 40 days annually, based upon years of service.

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

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

To the extent that the City's obligation is attributable to employees' services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, vacation and compensatory time benefits are accrued as liabilities (on a government-wide basis) as employees earn the benefits. On a fund financial statement basis for the governmental funds, only matured liabilities and liabilities expected to be liquidated with current assets are accrued. Sick leave benefits are accrued as a liability as employees earn the benefits, but only to the extent that it is probable that the City will compensate the employees through cash payments conditioned on the employees' termination or retirement. A compensated absence is liquidated in the fund where the employee's salary was paid at termination, with all compensated absences liquidated in the general fund that are associated with employees' salaries paid from governmental funds.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 Position.

J. New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements". This statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011. The City has implemented GASB No. 60 in this annual report.

In November 2010, the GASB issued Statement No. 61, "The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34". This statement is to improve financial reporting for a governmental financial reporting entity. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2012. The City has implemented GASB No. 61 in this annual report.

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

In June 2011, the GASB issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". This statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011. The City has implemented GASB No. 63 in this annual report.

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

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

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

In June 2012, the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions". This statement will improve financial reporting of public employee pensions by state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

CITY OF HOUSTON, TEXAS
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In January 2013, the GASB issued Statement No. 69, "Government Combinations and Disposals of Government Operations". This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2013. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In April 2013, the GASB issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees". This statement will improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2013. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In November 2013, the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". This statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

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

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

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 position. 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, 2013 were (in thousands):

Unamortized bond issuance cost	\$ 21,462
Section 108 deferred revenue	6,458
Other deferred revenue	84,167
	<u>\$ 112,087</u>
Internal Service Fund total assets	\$ 60,011
Internal Service Fund liabilities	(50,361)
Cumulative asset resulting from undercharging the enterprise funds	505
	<u>\$ 10,155</u>
Bonds, notes, and capital lease payable	\$ (3,460,964)
Arbitrage rebate payable	(20)
Accrued interest	(38,667)
Compensated absences not reported at the fund level	(432,749)
Claims and judgments not reported at the fund level	(69,726)
Net pension obligation	(958,113)
Other post employment benefits obligation	(1,057,230)
	<u>\$ (6,017,469)</u>

CITY OF HOUSTON, TEXAS
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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 position, 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 position.

Balances at June 30, 2013 were (in thousands):

Debt issued:	
Public Improvement Bonds	\$ 343,540
Certificates of Obligations	7,360
Notes Payable	11,135
Commercial paper	75,000
Premium/Discount on bonds	53,315
Deferred loss on refunding	(19,400)
	<u>\$ 470,950</u>
Repayments:	
Refunded commercial paper	\$ (125,000)
Refunded bonds	(238,325)
Principal payments	(139,520)
	<u>\$ (502,845)</u>
Amortization of:	
Deferred gain	\$ 4,600
Premium	(25,040)
Net adjustment	<u>\$ (52,335)</u>

CITY OF HOUSTON, TEXAS
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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	\$ 24,019
Ambulance fees earned but not available	10,982
Fines and forfeits earned but not available	3,178
Other (primarily assessments) earned but not available	<u>46,257</u>
Total revenue not reported at fund level	<u>\$ 84,436</u>
Property taxes for prior periods	\$ (27,361)
Ambulance fees for prior periods	(4,288)
Fines and forfeits for prior periods	(3,772)
Other (primarily assessments) for prior periods	<u>(56,979)</u>
Total revenue for prior period accruals	<u>\$ (92,400)</u>
Interest on long-term debt	\$ 6,355
Municipal Employees pension	(21,716)
Police Officers' pension	(61,775)
Firefighters' pension	(26,255)
Claims and judgments	(2,888)
Debt issuance costs	1,608
Amortization of debt issuance costs	(1,544)
Compensated absences	5,928
Other liabilities	(4,049)
Other post employment benefits	(157,672)
Decrease in other receivables	<u>(3,331)</u>
Total differences in accrued expenses	<u>\$ (265,338)</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 3: DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 2013 the carrying amount of the City's deposits was \$5,225,431. The City's bank balance is the sum of three accounts which total \$28,499,085. The three accounts that comprise this balance are described by the following:

Accounts	Ledger	Collected
Concentration	\$ 28,114,097	\$ 22,910,398
Section 108	384,988	384,988
Total	\$ 28,499,085	\$ 23,295,386

The first account is a demand deposit account with JP Morgan Chase bank (Chase) that as of June 30, 2013 had a ledger balance of \$28,114,097 and a collected balance of \$22,910,398. The difference between the ledger and collected balance represents checks deposited in this bank account but uncollected by the bank.

The second account is a demand deposit account with Chase for the City's Housing and Urban Development Section 108 account, which at June 30, 2013 had a collected and ledger balance of \$384,988.

B. Investments and Risk Disclosures

The following describes the investment positions of the City's operating funds as of June 30, 2013. The City held \$2.9 billion in high grade, fixed income investments in three separate investment pools, each serving a specific purpose as described below. All investments are governed by state law and the City's Investment Policy, which dictates the following objectives, in order of priority:

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

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

1. General Investment Pool Fund 9900

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

CITY OF HOUSTON, TEXAS
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City of Houston	Credit Quality	Market	WAM*
Investments As of June 30, 2013	Ratings (1)(2)	Value	(years)
U.S. Treasury Notes	N/A	\$ 467,241,576	1.285
Housing and Urban Development Notes	N/A	23,130,469	0.743
Agency Notes (3)	AAA	1,580,686,446	1.521
Agency Notes (3) (4)	Not rated	146,709,915	2.772
Mortgaged Backed Securities (3) (4)	Not rated	76,723,501	2.656
Money Market Funds	AAA Short Term	203,832,841	0.003
Certificates of Deposit	FDIC insured	991,691	0.222
Commercial Paper Notes	A-1+/P-1 Short Term	134,858,114	0.160
Municipal Bonds	AAA Long Term	62,755,294	2.352
Municipal Bonds	AA Long Term	217,908,540	2.234
Total Investments		\$ 2,914,838,389	1.471

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

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

Risk Disclosures:

Interest Rate Risk. In order to ensure the ability of the City to meet obligations and to minimize potential fair value losses arising from rising interest rate environments, the City's investment policy limits this investment portfolio's dollar weighted average maturity to 2.5 years maximum. As of June 30, 2013, this investment portfolio's dollar-weighted average maturity was 1.471 years. Modified duration was 1.429 years. Modified duration can be used as a multiplier to determine the percent change in price of a bond portfolio for every 100 basis point (1%) change in yield. For example, a portfolio with a modified duration of 1.25 years would experience approximately a 1.25% change in market price for every 100 basis point change in yield.

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

Credit Risk – Securities Lending. Under the securities lending program, the City receives 102% of market value for its U.S. Treasury securities at the time the repurchase agreements are signed, and agreements are limited to 90 days by policy and have been less than 35 days by practice. At June 30, 2013 there were no securities lending agreements outstanding.

Custodial Credit Risk. The custodial credit risk for investments is the risk that in the event of the failure of a counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not registered in the name of the City, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. As of June 30, 2013, none of the City's investments in the General Investment Fund 9900 were subject to custodial credit risk.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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

2. Tax Exempt Pool 9901

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

City of Houston	Credit Quality	Market	
Investments As of June 30, 2013	Ratings	Value	WAM
Fidelity Tax-Exempt Money Market Mutual Fund	SEC 2a-7 fund	\$ 1,030,155	45 days
Municipal Bonds	AAA Long Term	6,366,161	428 days
Total Investments		\$ 7,396,316	

Risk Disclosures:

Interest Rate Risk. In order to ensure the ability of the City to meet obligations and to minimize potential fair value losses arising from rising interest rate environments, the City's investment policy limits this pool's dollar-weighted average maturity to 1.5 years. As of June 30, 2013, the pool's dollar-weighted average maturity was 374 days. Modified duration was 1.007 years.

Credit Risk. The City's investment policy limits investments in the Tax-Exempt Pool to high quality securities with a maturity of less than three years and a minimum rating of AA if the yield is reasonably higher than that of a tax-exempt money market mutual fund. Otherwise, funds are invested in one or more tax-exempt money market mutual funds that are SEC registered and regulated under Rule 2a-7. Rule 2a-7 requires that the fund have a weighted average maturity of less than 60 days to maturity, that individual securities cannot be more than 397 days to maturity, and that securities must have a rating by a nationally recognized rating agency in one of the two highest short-term rating categories.

Custodial Credit Risk. As of June 30, 2013, none of the City's investments in this pool were subject to custodial credit risk.

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

3. Housing Department Section 108 Pool Fund 9902

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

City of Houston	Credit Quality	Market	
Investments As of June 30, 2013	Ratings	Value	WAM
U.S. Treasury Bills	N/A	\$ 10,999,543	58 days

Risk Disclosures:

Interest Rate Risk. In order to ensure the ability of the City to meet obligations and to minimize potential fair value losses arising from rising interest rate environments, the City's investment policy limits this investment portfolio's dollar-weighted average stated maturity to six months maximum. As of June 30, 2013, this investment portfolio's dollar-weighted average stated maturity is 58 days. Modified duration is 0.164 years.

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

Custodial Credit Risk. As of June 30, 2013 none of the City's investments in this pool were subject to custodial credit risk.

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

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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4. Miscellaneous Money Market Accounts

City of Houston	Credit Quality		Market	
Investments As of June 30, 2013	Ratings		Value	WAM
JP Morgan US Government Money Market Fund: Airport System Special Facilities Revenue Bonds Series 1997A Reserve Fund	AAA	\$	6,588,910	52 days
JP Morgan US Treasury Securities Money Market Fund: Balances held for auction bonds debt service	AAA		122,298	53 days
First American US Treasury Money Market Fund: Balances held for commercial paper debt service	AAA		58,729	36 days
Total Miscellaneous Money Market Funds		\$	6,769,937	

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

Risk Disclosures:

Interest Rate Risk. These money market funds maintain an average maturity of less than 60 days and seek to maintain a stable net asset value of \$1.00. These funds are redeemable on a same day notice.

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

Custodial Credit Risk. As of June 30, 2013, none of the City's investments in this pool were subject to custodial credit risk.

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

5. Houston Foundation

City of Houston	Credit Quality		Market	WAM
Investments As of June 30, 2013	Ratings		Value	(years)
Cash and Equivalents	Not rated	\$	110,732	n/a
Fixed Income	Not rated		644,397	6.48
Equities	N/A		2,007,412	n/a
Real Estate	N/A		191,385	n/a
Tangible Assets	N/A		271,820	n/a
Total Assets		\$	3,225,746	

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

Risk Disclosures:

Interest Rate Risk. The cash and equivalents portions of this portfolio are invested in money market mutual funds. The fixed income portfolio is invested in bond mutual funds with average maturities less than seven years. The weighted average maturity for the fixed income portfolio is 6.48 years, and the weighted average duration is 4.50 years.

Credit Risk. The allocation of assets among various asset classes are set by the board. The fixed income portfolio consists of unrated mutual funds. The equities portion of this portfolio is invested in common stocks and money market mutual funds.

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City of Houston will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not registered in the name of the City, and are held by either

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the counterparty or the counterparty's trust department or agent but not in the City's name. As of June 30, 2013 all of the Foundation's holdings in the above noted mutual funds, corporate bonds, and common stocks were subject to custodial credit risk.

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

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

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

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

In holding all System investment 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 an Investment Policy Statement (IPS) to set forth the factors involved in the management of investment assets for the System and which is made part of every investment management agreement.

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

The fair values of the System's investments at June 30, 2013, are presented by type, as follows:

Short-term investment funds	\$	44,753,225
Government securities		64,523,245
Corporate bonds		233,867,977
Capital stocks		891,290,553
Commingled funds		279,270,827
Real assets		171,818,020
Alternative investments		517,151,692
		\$ 2,202,675,539

Custodial credit risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the System, and are held by either the counterparty or the counterparty's trust department or agent but not in the System's name. At June 30, 2013, the System's investments that were not subject to custodial credit risk were the investments in U.S. government securities and corporate bonds as they are registered in the name of the System and held in possession of the Custodian.

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

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

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Representative guidelines by type of investment are as follows:

U.S. equity managers

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

International equity managers

1. Not more than 5% at cost and 10% at market value of a manager's portfolio shall be invested in the securities of any one issuer.
2. Not more than 30% of the assets of a manager's portfolio (at market value) shall be invested in any one country with the exception of Japan.
3. While there are no restrictions on cash, a manager must notify the System if the cash position exceeds 10%.
4. Forwards foreign currency exchange contracts will be limited as follows:
 - a. Forward and future exchange contracts of any currency may be used to hedge up to 100% of the currency exposure of the portfolio in aggregate or of the currency exposure to any single country,
 - b. Foreign exchange contracts with a maturity exceeding 12 months may not be made, and
 - c. Currency options may be entered into in lieu of or in conjunction with forward sales of currencies. The same effective limitations specified in (a) and (b) above will apply to currency options.

Fixed income managers

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

Global opportunistic fixed income/high yield managers

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

There is no security issued by a single issuer that is being held with market value over 5% of the System's plan net position as of June 30, 2013.

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

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

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At June 30, 2013, the following table shows the System's investments by type, amount and the effective duration rate.

	Effective <u>Duration</u>	<u>Domestic</u>	<u>International</u>	<u>Fair Value</u>
Collateralized mortgage obligations	3.45	\$ 11,532,219	\$ -	\$ 11,532,219
Convertible bonds	4.17	10,177,749	263,999	10,441,748
Corporate bonds	5.66	149,152,653		149,152,653
Corporate bonds (International)	11.77		5,094,115	5,094,115
GNMA/FNMA/FHLMC	4	32,559,905		32,559,905
Municipal	7.53	1,398,604		1,398,604
Government issues	4.62	27,724,040		27,724,040
Government issues (International)	7.09		2,840,696	2,840,696
Misc. receivable (auto/credit card)	2.21	7,048,277		7,048,277
Other asset backed securities	3.02	3,116,127		3,116,127
Bank loans and other	N/A	47,482,838		47,482,838
		<u>\$ 290,192,412</u>	<u>\$ 8,198,810</u>	<u>\$ 298,391,222</u>

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

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

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at June 30, 2013 are as follows:

<u>Quality rating</u>	<u>CMO</u>	<u>Convertible Bonds</u>	<u>Corporate Bonds</u>	<u>Sponsored Agencies</u>	<u>Municipals</u>	<u>Governmental</u>			<u>Grand Total Fair Value</u>	<u>Percentage of Holdings</u>
						<u>Issues (Int'l)</u>	<u>Other</u>	<u>Other Asset Backed</u>		
AAA	\$ 7,143,380		20,027		179,029		3,332,658	3,116,127	\$ 13,791,221	0.63%
AA	284,777		1,429,328				203,924		1,918,029	0.09%
AA+			770,532	32,559,905	164,905	859,679	412,655		34,767,676	1.58%
AA-	524,604		379,383				1,085,100		1,989,087	0.09%
A			3,289,822		360,059				3,649,881	0.17%
A+	817,606				420,657				1,238,263	0.06%
A-	310,367		5,458,530		273,954		594,337		6,637,188	0.30%
BBB		404,939	11,585,134						11,990,073	0.54%
BBB+			6,876,732			2,394,483			9,271,215	0.42%
BBB-		583,917	8,578,840						9,162,757	0.42%
BB		859,215	9,569,677			446,213			10,875,105	0.49%
BB+		1,564,372	1,552,246						3,116,618	0.14%
BB-		2,205,612	6,401,856						8,607,468	0.39%
B		1,492,306	21,109,182						22,601,488	1.03%
B+		1,044,854	15,049,244						16,094,098	0.73%
B-		627,463	19,773,195						20,400,658	0.93%
Below C		938,569	36,827,358						37,765,927	1.71%
NA	2,451,486	720,501	5,575,681				48,902,442		57,650,110	2.62%
Subtotal	<u>\$11,532,220</u>	<u>\$10,441,748</u>	<u>\$ 154,246,767</u>	<u>\$32,559,905</u>	<u>\$1,398,604</u>	<u>\$ 3,700,375</u>	<u>\$54,531,116</u>	<u>\$3,116,127</u>	<u>\$ 271,526,862</u>	<u>12.33%</u>
Total credit risk debt securities									271,526,862	12.33%
U.S. government fixed income securities									26,864,360	1.22%
Total fixed income securities									298,391,222	13.55%
Other investments									1,904,284,317	86.45%
Total investments									<u>\$2,202,675,539</u>	<u>100.00%</u>

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

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

The System has an indirect exposure to foreign currency fluctuation as of June 30, 2013 as follows:

	<u>Fair Value</u>	<u>Percentage</u>
Australian Dollar	\$ 6,821,031	2.68%
Brazilian Real	2,581,232	1.01%
Canadian Dollar	8,026,447	3.16%
Danish Krone	2,394,589	0.94%
Euro Currency	75,420,144	29.65%
Hong Kong Dollar	17,744,323	6.98%
Indonesian Rupiah	834,589	0.33%
Japanese Yen	31,203,047	12.27%
Malaysian Ringgit	957,765	0.38%
Mexican Peso	1,491,695	0.59%
New Taiwan Dollar	362,984	0.14%
Norwegian Krone	8,334,640	3.28%
Pound Sterling	53,124,810	20.88%
Singapore Dollar	4,858,689	1.91%
South African Rand	3,789,500	1.49%
South Korean Won	4,678,537	1.84%
Swedish Krona	9,792,617	3.85%
Swiss Franc	16,536,921	6.50%
Thailand Baht	2,656,067	1.04%
Turkish Lira	2,759,522	1.08%
	<u>\$ 254,369,149</u>	<u>100.00%</u>

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

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

The Board has employed BNY Mellon (Custodian) as Custodian of the assets of the Fund, and in said capacity, the Custodian is a fiduciary of the Fund's assets with respect to its discretionary duties including safekeeping the Fund's assets. The Custodian has established and maintains a custodial account to hold, or direct its agents to hold, for the account of the Fund, all assets that the Board deposits with the Custodian from time to time. All rights, title and interest in and to the Fund's assets at all times vests with the Fund's Board.

In holding all Fund assets, the Custodian acts 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 holds, manages and administers the Fund's assets for the exclusive purpose of providing the benefits to the members and the qualified survivors of the Fund.

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

The fair values of the Fund's investments as of June 30, 2013 by type are as follows:

Short-term investment funds	\$ 97,588,111
Fixed income	1,123,762,703
Common equity	1,374,290,268
Preferred equity	4,407,924
Alternative investments	266,107,027
Private equity	352,403,618
Real estate	189,252,391
Total investments	<u>\$ 3,407,812,042</u>

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

Custodial credit risk. For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Fund, and are held by either the counterparty or the counterparty's trust department or agent but not in the Fund's name. At June 30, 2013, the Fund's security investments that were not subject to custodial credit risk were the investments not registered on an exchange.

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

Significant risk management asset allocation guidelines are as follows:

Public market and alternative investments

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

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3. The Investment Committee with assistance from the investment staff shall monitor each 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 a manager if they deem it appropriate at any time. Quantitative and qualitative performance measures shall be monitored as are appropriate to each investment.

As of June 30, 2013, the Fund investment portfolio had no single holdings in excess of 5% of Fund net assets.

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

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

At June 30, 2013, the following table shows the Fund's investments by type, with weighted average maturity and fair value:

	Weighted Average <u>Maturity</u>		<u>Fair Value</u>
Asset Backed Securities	20.81	\$	11,873,196
CMBS	30.29		863,932
CMO	9.88		826,650
Consumer Discretionary	4.14		6,257,678
Consumer Staples	2.92		1,264,200
Convertibles	0		269,212
Corporate Debt	19.07		643,727,568
Energy	15.46		4,417,329
Financials	7.95		8,893,352
General Obligations	30.11		3,039,058
Healthcare	23.21		2,986,980
Industrials	11.19		4,401,361
Information Technology	14.64		20,746,651
Materials	1.92		5,266,833
Non-U.S. Corporate	3.85		70,146,026
Non-U.S. Government Issues	3.75		35,035,702
Revenue Bonds	28.4		12,748,183
Telecommunication Services	1.71		3,665,813
TIPS Treasury Inflation Protected	9.55		3,882,875
U.S. Government Issues	21.69		131,432,036
U.S. Private Placements	14.45		112,859,594
U.S. Taxable Muni Bonds	46.33		36,596,946
Utilities	16.09		2,561,528
Total fixed income securities		\$	<u>1,123,762,703</u>

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

The Fund's exposure to investment credit risk in fixed income securities as of June 30, 2013 is as follows:

<u>Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Holdings</u>
A1	\$ 32,046,067	0.94%
A2	101,015,690	2.96%
A3	171,380,997	5.02%
AA1	21,851,685	0.64%
AA2	7,613,456	0.22%
AA3	48,093,640	1.41%
AAA	82,837,153	2.43%
B1	15,398,359	0.45%
B2	34,829,711	1.02%
B3	21,678,110	0.63%
BA1	37,069,163	1.09%
BA2	29,009,645	0.85%
BA3	40,529,187	1.19%
BAA1	102,918,052	3.01%
BAA2	86,710,823	2.54%
BAA3	76,385,311	2.24%
C	547,200	0.02%
CA	3,097,513	0.09%
CAA1	32,541,683	0.95%
CAA2	24,850,676	0.73%
CAA3	7,732,269	0.23%
Not rated	10,311,402	0.30%
Total credit risk debt securities*	<u>\$ 988,447,792</u>	<u>28.96%</u>

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

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

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The Fund's exposure to foreign currency fluctuation as of June 30, 2013 is as follows:

	<u>Fair Value</u>	<u>Percentage of Holdings</u>
Euro Currency Unit	\$ 130,945,005	3.83%
Japanese Yen	77,980,184	2.28%
British Pound Sterling	71,700,458	2.10%
Swiss Franc	44,730,856	1.31%
Canadian Dollar	39,913,036	1.17%
Hong Kong Dollar	24,697,107	0.72%
Australian Dollar	14,996,820	0.44%
New Zealand Dollar	14,900,169	0.44%
South Korean Won	14,273,088	0.42%
Norwegian Krone	12,872,290	0.38%
Singapore Dollar	11,238,864	0.33%
Thailand Baht	10,839,650	0.32%
Brazil Real	9,686,941	0.28%
Indonesian Rupian	8,794,157	0.26%
Danish Krone	8,214,804	0.24%
Swedish Krona	7,015,225	0.21%
Mexican New Peso	5,078,802	0.15%
New Turkish Lira	1,523,710	0.04%
Czech Koruna	770,633	0.02%
Total securities subject to foreign currency risk	<u>\$ 510,171,799</u>	<u>14.94%</u>

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

Summary of Significant Accounting Policies

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

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

Federal Income Tax. A favorable determination that the System is qualified and exempt from Federal income taxes was received June 30, 2013. 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 position at the date of the financial statements and the actuarial information included in the required supplementary information as of the benefit information date, the changes in the System's net assets during the reporting period and, when applicable, disclosures of the contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

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

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Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the System's deposits may not be returned to them. The System considers only demand deposits as cash. The System does not have a deposit policy regarding custodial credit risk. As of June 30, 2013, the System had a balance of \$234 thousand on deposit at a financial institution. The Federal Depository Insurance Corporation (FDIC) covered cash on deposit up to \$250 thousand at this financial institution. Therefore, as of June 30, 2013 none of the System's bank balance of \$234 thousand was exposed to custodial credit risk. In addition, at June 30, 2013, the System had approximately \$1,437 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, 2013, the System's fixed income assets that are not government guaranteed represented 82.1% of the System's fixed income plus short term investments portfolio. The tables below summarize the System's fixed income portfolio exposure levels and credit qualities.

**Average Credit Quality and Exposure Levels of Non-U.S. Government
Guaranteed Securities**

Fixed Income Security Type	Market Value (\$000's)	Percent of Total	Weighted Average Credit Quality
Corporate Bonds	\$ 114,964	8.9 %	B
Corporate Convertible Bonds	146	-	Not Rated
International Government Bond:	91,287	7.1	AA
Mutual Bond Funds	287,175	22.3	Not Rated
Short Term Investment Funds	564,835	43.8	Not Rated
Total	<u>\$ 1,058,407</u>	<u>82.1 %</u>	

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

Credit Rating Level	Corporate Bonds	Corporate Convertible Bonds	International Government Bonds	Mutual Bond Funds	Short Term Investment Funds
AAA	\$ -	\$ -	\$ 26,258	\$ -	\$ -
AA	-	-	65,029	-	-
BBB	2,428	-	-	-	-
BB	40,192	-	-	-	-
B	49,813	-	-	-	-
CCC	1,348	-	-	-	-
C	348	-	-	-	-
NR	20,835	146	-	287,175	564,835
Total	<u>\$ 114,964</u>	<u>\$ 146</u>	<u>\$ 91,287</u>	<u>\$ 287,175</u>	<u>\$ 564,835</u>

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

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

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

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Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributable to the magnitude of the System's investment in a single issue. The System's investment policy for each specific portfolio limits investments in any one single domestic equity issue to 15% of each portfolio at market value and for any one single international equity issue to 5% of the System's investments. For fixed income investments, the System's policy limits, by each specific portfolio, investment in any one single fixed income security to 10% of each portfolio at market value. As of June 30, 2013, the System did not have any single investments in any one organization which represented greater than 5% of plan net position.

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

Modified Duration by Security Type

Security Type	Market Value (\$000's)	Percent of Total	Weighted Average Modified Duration (years)
US Treasuries	\$ 232,160	17.9%	7.3
Corporate Bonds	114,964	8.9	5.1
Corporate Convertible Bonds	146	0.0	2.8
International Government Bonds	91,287	7.1	8.4
Mutual Bond Funds	287,175	22.3	4.0
Short Term Investment Funds	564,835	43.8	0.2
Total	\$ 1,290,567	100.0%	3.4

Modified Duration Analysis by Security Type

	Market Value (\$000's)	Average Modified Duration	Contribution to Modified Duration
U.S. Treasuries			
1 to 10 years maturities	\$ 163,078	4.3	3.0
10 to 20 years maturities	46,989	11.7	2.4
Greater than 20 years maturities	22,093	19.5	1.9
Total	\$ 232,160		7.3
Corporate Bonds			
1 to 10 years maturities	\$ 109,935	5.1	4.8
10 to 20 years maturities	4,406	8.2	0.3
Greater than 20 years maturities	623	7.1	0.0
Total	\$ 114,964		5.1
Corporate Convertible Bonds			
1 to 10 years maturities	\$ 146	2.8	2.8
Total	\$ 146		2.8
International Government Bonds			
1 to 10 years maturities	\$ 59,317	4.7	3.0
10 to 20 years maturities	19,901	12.7	2.8
Greater than 20 years maturities	12,069	19.7	2.6
Total	\$ 91,287		8.4

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Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The books and records of the System are maintained in US dollars. Foreign currencies and non-US dollar denominated investments are translated into US dollars at the bid prices of such currencies against US dollars at each balance sheet date. Realized and unrealized gains and losses on investments which result from changes in foreign currency exchange rates have been included in the net appreciation in fair value of investments. Net realized foreign currency gains and losses resulting from changes in exchange rates include foreign currency gains and losses between trade date and settlement date of investment securities transactions, foreign currency transactions and the difference between the amounts of interest and dividends recorded on the books of the System and the amount actually received. International and global managers have the permission to use currency forward and futures contracts to hedge currency against the U.S. dollar. Currency forwards and futures used for the purpose of hedging currency shall be subject to the following guidelines: 1) net forward and futures sales of any currency may not exceed total market value of the assets denominated in that currency. This limitation does not apply to global fixed income managers and currency overlay managers if provided for in their contracts, 2) foreign currency exchange contracts with a maturity exceeding 12 months are not permitted, 3) currency options may be entered into in lieu of or in conjunction with forwards sales of currencies with the same limitations as currency forwards and futures. Cross hedging, the selling of one foreign currency for another foreign currency, which may or may not be the base currency of the portfolio, is permitted.

The System's exposure to foreign currency risk in U.S. dollars as of June 30, 2013, is shown in the table below:

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

Currency	Short Term		Fixed Income	Alternative Investments	Foreign	Total
	Investments	Equities			Currency Contracts	
Australian dollar	\$ 43	\$ -	\$ -	\$ 744	\$ -	\$ 787
British pound sterling	(4)	14	7,057	-	(7,049)	18
Canadian dollar	809	-	-	-	-	809
Euro	1,392	-	42,622	28,089	(42,507)	29,596
Japanese yen	(23)	-	42,533	-	(42,508)	2
Swiss franc	159	-	-	-	-	159
Total	\$ 2,376	\$ 14	\$ 92,212	\$ 28,833	\$ (92,064)	\$ 31,371

Contributions Receivable. The June 30, 2012 Agreement with the City provided that for fiscal year 2013 the amount to be contributed would be an \$93,000 thousand fixed payment, with any shortfall in the fixed payment not to exceed \$8,500 thousand. This contribution receivable of \$25,500 thousand is secured by an undivided interest (Property Interest) in real property owned by the City known as the Houston Police Department Headquarters located at 1200 Travis, Street, Houston, Texas, and a parking garage located at 801 Polk Street, Houston, Texas (Real Property).

Securities Lending Program. The Board of Trustees' policies permit the System to lend securities (domestic and international equities and fixed income) to securities firms on a temporary basis through its custodian bank. The System receives fees for all loans and retains the right to all interest and dividend payments while the securities are on loan. Cash, letters of credit or various government securities having market values equal to or exceeding 102% and 105% of the value of the loaned securities for domestic and international securities, respectively, collateralize all security loan agreements. Whenever the market value of the securities on loan changes, the borrower must adjust the collateral accordingly. The System's bank pools all collateral received from securities lending transactions and invests any cash collateral. The System holds an undivided share of the collateral provided by the borrowers of the securities. At June 30, 2013 the weighted-average maturity of the collateral pool was 46 days. The relationship between the maturities of the collateral pool and the System's loans has not been determined. Cash collateral invested in the custodian bank collateral pool at June 30, 2013 was \$190,616 thousand. The System also had non-cash collateral at June 30, 2013 of \$302 thousand, consisting of treasury securities and letters of credit. The System cannot sell or pledge the collateral unless the borrower fails to return the securities borrowed

The market value of securities on loan at June 30, 2013 was \$186,818 thousand. At June 30, 2013, the System had no credit risk exposure to borrowers because the amounts the System owes the borrowers, \$190,918 thousand, exceeds the amounts the borrowers owe the System, \$186,818 thousand.

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

The fair value balance and notional amounts of derivative instruments outstanding at June 30, 2013, classified by type, and the changes in fair value (\$000's) of such derivative instruments for the year then ended is shown in the table below.

	Fair Value (\$000's) at June 30, 2013			
	Changes in Fair Value *	Classification	Amount	Notional Value
Investment derivatives:				
Short Term Investments	\$ 872	Short term investments	\$ 872	\$ (69,452)
Futures contracts				
Fixed Income Futures contracts	\$ (5)	Fixed Income	\$ (5)	\$ 24,047
Equity Futures contracts	\$ (928)	Equity	\$ (928)	\$ 566,393
Foreign currency contracts:				
British pound sterling	\$ 73	Foreign currency contracts	\$ 73	£ (4,696)
Euro	\$ 374	Foreign currency contracts	\$ 374	€ (32,989)
Japanese yen	\$ 143	Foreign currency contracts	\$ 143	¥ (4,236,673)

* All changes in fair value are reported in Net appreciation in fair value of investments in the Statements of Changes in Plan Net Position.

The Change in Fair Value figures in the preceding table represent amounts due to or due from derivative counterparties as of June 30, 2013. Such amounts are reported as a component of Net appreciation (depreciation) in the Statement of Changes in Plan Net Position and are reported in the Statement of Plan Net Position as Due to or Due from brokers for futures contracts and as Foreign currency contracts for currency forward contracts.

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

These derivative instruments are subject to the following risks:

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

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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 derivative instruments. The System’s derivative instruments exposure to foreign currency risk in U.S. dollars as of June 30, 2013, is shown in the table below.

Currency	(\$000's)			
	Short Term	Equity	Fixed	Foreign
	Investments	Futures	Income	currency
	Futures	Futures	Futures	contracts
Australian dollar	\$ 43	\$ -	\$ -	\$ -
British pound sterling	187	-	337	(7,049)
Canadian dollar	809	23,379	-	-
Euro	(51)	-	3,609	(42,507)
Japanese yen	984	-	141	(42,508)
Total	\$ 1,972	\$ 23,379	\$ 4,087	\$ (92,064)

Alternative Investments – As of June 30, 2013, the System was invested in various partnerships, separate accounts and commingled funds across various types of alternative investments as detailed in the following chart (\$000's).

Investment Type	Fair Value (\$000's)
<i>Private Equity</i>	
Leveraged Buyouts	\$ 134,112
Special Situations	99,956
Venture Capital	61,155
<i>Other Alternatives</i>	
Hedge Funds	615,862
Real Estate Funds	86,629
Risk Parity	883,383
Total	\$ 1,881,097

NOTE 4: ALLOWANCE FOR DOUBTFUL ACCOUNTS

The following were the allowances for doubtful accounts receivable by fund as of June 30, 2013 (\$000's):

Fund	Amount
General	
Uncollectible general property taxes	\$ 46,643
Ambulance charges	115,639
Fines and forfeits	36,151
Demolition liens	105,479
Others	6,457
Grant revenue	30,308
Airport System	4,088
Convention and Entertainment Facilities	524
Combined Utility System	117,529
	\$ 462,818

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NOTE 5: PROPERTY TAX

The City's annual ad valorem property tax is required to be levied by October 1, or as soon thereafter as practicable, on the assessed value listed as of the prior January 1 for all real and certain personal property. Taxes are due on January 31 of the year following the year of the levy. A tax lien attaches to all property on January 1 of each year to secure the payment of all taxes, penalties and interest that is ultimately imposed on the property. The tax rate established by the City Council for the 2012 tax year was \$0.63875 per \$100 of assessed value with \$0.462210 for operations and \$0.176540 for debt service.

The City Charter limits the property tax rate to \$0.50 per \$100 of assessed valuation excluding taxes levied for "debt service," as that term is defined in Section 1 of Article III of the City Charter. The Texas Property Tax Code ("Code"), with certain exceptions, exempts intangible personal property, household goods, and family-owned automobiles from taxation. In addition, the Code provides for countywide appraisal districts.

NOTE 6: CAPITAL ASSETS

A. Governmental activities of the Primary Government

A summary of changes in capital assets for the year ended June 30, 2013 follows (in thousands):

	Balance July 1, 2012	Additions	Retirement	Transfers	Balance June 30, 2013
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 359,492	\$ 6,973	\$ (932)	\$ 1,896	\$ 367,429
Right of way	1,729,008	2,681	(390)	5,760	1,737,059
Construction Work in Progress	355,797	230,398	-	(199,781)	386,414
Total capital assets not being depreciated	<u>2,444,297</u>	<u>240,052</u>	<u>(1,322)</u>	<u>(192,125)</u>	<u>2,490,902</u>
Other capital assets:					
Buildings	1,081,033	12,000	(7,119)	23,976	1,109,890
Improvements and Equipment	907,597	24,626	(18,522)	12,134	925,835
Infrastructure	5,842,956	24,709	(12,961)	156,097	6,010,801
Total other capital assets	<u>7,831,586</u>	<u>61,335</u>	<u>(38,602)</u>	<u>192,207</u>	<u>8,046,526</u>
Less accumulated depreciation for:					
Buildings	(296,411)	(30,026)	2,772	(11)	(323,676)
Improvements and Equipment	(598,304)	(58,384)	17,649	(71)	(639,110)
Infrastructure	(2,688,121)	(130,620)	12,674	-	(2,806,067)
Total accumulated depreciation	<u>(3,582,836)</u>	<u>(219,030)</u>	<u>33,095</u>	<u>(82)</u>	<u>(3,768,853)</u>
Other capital assets, net	<u>4,248,750</u>	<u>(157,695)</u>	<u>(5,507)</u>	<u>192,125</u>	<u>4,277,673</u>
Primary Government capital assets, net	<u>\$6,693,047</u>	<u>\$ 82,357</u>	<u>\$ (6,829)</u>	<u>\$ -</u>	<u>\$6,768,575</u>

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B. Business-type Activities

	Balance July 1, 2012	Additions	Retirements	Transfers	Balance June 30, 2013
Airport System					
Capital assets not being depreciated:					
Land	\$ 210,568	\$ -	\$ (601)	\$ -	\$ 209,967
Rights & Intangibles- Non Depreciable	7,670	-	-	400	8,070
Construction Work in Progress	95,667	80,596	-	(61,824)	114,439
Total capital assets not being depreciated	<u>313,905</u>	<u>80,596</u>	<u>(601)</u>	<u>(61,424)</u>	<u>332,476</u>
Other capital assets:					
Buildings	2,484,745	170	-	39,176	2,524,091
Improvements and equipment	2,091,957	6,229	(8,313)	22,209	2,112,082
Rights & Intangibles- Amortizable	852	1,601	-	39	2,492
Total other capital assets	<u>4,577,554</u>	<u>8,000</u>	<u>(8,313)</u>	<u>61,424</u>	<u>4,638,665</u>
Less accumulated depreciation for:					
Buildings	(815,959)	(89,825)	-	109	(905,675)
Improvements and equipment	(1,150,502)	(80,660)	1,698	(109)	(1,229,573)
Rights & Intangibles	(374)	(361)	-	-	(735)
Total accumulated depreciation	<u>(1,966,835)</u>	<u>(170,846)</u>	<u>1,698</u>	<u>-</u>	<u>(2,135,983)</u>
Other capital assets, net	2,610,719	(162,846)	(6,615)	61,424	2,502,682
Airport System capital assets, net	<u>\$ 2,924,624</u>	<u>\$ (82,250)</u>	<u>\$ (7,216)</u>	<u>\$ -</u>	<u>\$ 2,835,158</u>
Convention and Entertainment Facilities					
Capital assets not being depreciated:					
Land	\$ 94,063	\$ -	\$ -	\$ 2,248	\$ 96,311
Construction Work in Progress	2,167	1,880	-	(3,259)	788
Total capital assets not being depreciated	<u>96,230</u>	<u>1,880</u>	<u>-</u>	<u>(1,011)</u>	<u>97,099</u>
Other capital assets:					
Buildings	557,130	-	-	823	557,953
Garage Rights	13,144	-	-	-	13,144
Improvements and equipment	12,816	-	(346)	133	12,603
Infrastructure	334	-	-	-	334
Total other capital assets	<u>583,424</u>	<u>-</u>	<u>(346)</u>	<u>956</u>	<u>584,034</u>
Less accumulated depreciation/amortization for:					
Buildings	(206,161)	(13,543)	-	-	(219,704)
Garage Rights	(2,990)	(353)	-	-	(3,343)
Improvements and equipment	(8,276)	(576)	346	55	(8,451)
Infrastructure	(53)	(15)	-	-	(68)
Total accumulated depreciation/amortization	<u>(217,480)</u>	<u>(14,487)</u>	<u>346</u>	<u>55</u>	<u>(231,566)</u>
Other capital assets, net	365,944	(14,487)	-	1,011	352,468
Convention and Entertainment Facilities capital assets, net	<u>\$ 462,174</u>	<u>\$ (12,607)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 449,567</u>

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	Balance July 1, 2012	Additions	Retirements	Transfers	Balance June 30, 2013
Combined Utility System					
Capital assets not being depreciated:					
Land	\$ 126,866	\$ 2,319	\$ (182)	\$ 62	\$ 129,065
Right of way	1,407	-	-	15	1,422
Rights & Intangibles - Non-depreciable	462,065	-	-	-	462,065
Construction Work in Progress	202,342	300,205	-	(265,875)	236,672
Total capital assets not being depreciated	<u>792,680</u>	<u>302,524</u>	<u>(182)</u>	<u>(265,798)</u>	<u>829,224</u>
Other capital assets:					
Buildings	185,779	316	(88)	8,809	194,816
Improvements and equipment	132,853	6,637	(2,202)	1,202	138,490
Infrastructure	9,327,978	11,046	(47,670)	255,760	9,547,114
Total other capital assets	<u>9,646,610</u>	<u>17,999</u>	<u>(49,960)</u>	<u>265,771</u>	<u>9,880,420</u>
Less accumulated depreciation/amortization for:					
Buildings	(61,323)	(5,388)	88	-	(66,623)
Improvements and equipment	(88,699)	(8,714)	2,174	27	(95,212)
Infrastructure	(4,541,425)	(203,518)	46,997	-	(4,697,946)
Total accumulated depreciation/amortization	<u>(4,691,447)</u>	<u>(217,620)</u>	<u>49,259</u>	<u>27</u>	<u>(4,859,781)</u>
Other capital assets, net	<u>4,955,163</u>	<u>(199,621)</u>	<u>(701)</u>	<u>265,798</u>	<u>5,020,639</u>
Combined Utility System capital assets, net	<u>5,747,843</u>	<u>102,903</u>	<u>(883)</u>	<u>-</u>	<u>5,849,863</u>
Business-type activities capital assets, net	<u>\$ 9,134,641</u>	<u>\$ 8,046</u>	<u>\$ (8,099)</u>	<u>\$ -</u>	<u>\$ 9,134,588</u>

C. Depreciation Expense

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

Governmental activities	
General government	\$ 12,876
Public safety	32,735
Public works	17,654
Health	5,202
Housing	1,706
Parks and recreation	12,190
Library	6,047
Infrastructure	130,620
Total depreciation expense - governmental activities	<u>\$ 219,030</u>
Business-type activities	
Airport System	\$ 170,846
Convention & Entertainment Facilities	14,487
Combined Utility System	217,620
Total depreciation expense - business-type activities	<u>\$ 402,953</u>

D. Pension Trust Funds

In February 1998, the Firefighters' Relief and Retirement Fund purchased land in the amount of \$483,325 for use in the construction of a new office building for its operations and its members. In April of 2001, the construction of the new building was completed. The building's capitalized cost of \$9,222,726 is being depreciated over 30 years. The accumulated depreciation for the building as of June 30, 2013 amounted to \$3,776,727.

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

Short-term debt activity for the year ended June 30, 2013, was as follows (in thousands):

	<u>July 1, 2012</u>	<u>Issued</u>	<u>Redeemed</u>	<u>June 30, 2013</u>
Tax and revenue				
Anticipation notes	\$ -	\$ 180,000	\$ 180,000	\$ -

On July 2, 2012, the City closed on the sale of \$180,000,000 Tax and Revenue Anticipation Notes (TRANS), Series 2012. The proceeds of the TRANS were used to pay working capital expenditures until tax revenues were received. The stated interest rate was 2% and the average yield was 0.15%. The notes matured on June 28, 2013.

NOTE 8: LONG-TERM LIABILITIES

A. General Long-Term Liabilities

Changes in General Long-Term Liabilities for the year ended June 30, 2013 are summarized as follows (in thousands):

	<u>Balance</u>		<u>Retirements/</u>	<u>Balance</u>	<u>Amounts</u>
	<u>July 1, 2012</u>	<u>Additions</u>	<u>Transfers</u>	<u>June 30, 2013</u>	<u>Due within</u>
					<u>One Year</u>
Governmental Activities					
Bonds and notes payable					
General tax obligation debt	\$ 3,367,313	\$ 425,900	\$ (502,200)	\$ 3,291,013	\$ 316,555
Note Payable CWA	-	11,135	-	11,135	-
HUD Section 108 Loans	7,103	-	(645)	6,458	645
Plus premium (discount) on bonds	172,349	53,315	(25,040)	200,624	-
Less deferred amount on refundings	(33,466)	(19,400)	4,600	(48,266)	-
Total bonds and notes payable	<u>3,513,299</u>	<u>470,950</u>	<u>(523,285)</u>	<u>3,460,964</u>	<u>317,200</u>
Other liabilities:					
Claims and judgments	99,948	253,810	(250,824)	102,934	35,938
Compensated absences	442,811	53,574	(58,894)	437,491	151,499
Arbitrage rebate	52	-	(32)	20	18
Other Post Employment Benefit obligation	899,558	187,614	(29,942)	1,057,230	-
Net Pension obligation	848,367	337,492	(227,746)	958,113	-
Total other liabilities	<u>2,290,736</u>	<u>832,490</u>	<u>(567,438)</u>	<u>2,555,788</u>	<u>187,455</u>
Governmental Activities Long-Term Liabilities	<u>\$ 5,804,035</u>	<u>\$ 1,303,440</u>	<u>\$ (1,090,723)</u>	<u>\$ 6,016,752</u>	<u>\$ 504,655</u>
Discretely Presented Component Units:					
Notes payable	\$ 322,330	\$ 12,018	\$ (22,626)	\$ 311,722	\$ 18,404
Revenue bonds	287,110	11,294	(23,455)	274,949	15,095
Discretely Presented Component Units Long-Term Liabilities	<u>\$ 609,440</u>	<u>\$ 23,313</u>	<u>\$ (46,081)</u>	<u>\$ 586,671</u>	<u>\$ 33,499</u>

(Continued)

CITY OF HOUSTON, TEXAS
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June 30, 2013

	Balance July 1, 2012	Additions	Retirements/ Transfers	Balance June 30, 2013	Amounts Due within One Year
Business-type activities					
Bonds and notes payable					
Airport System debt	\$ 2,348,521	\$ -	\$ (57,585)	\$ 2,290,936	\$ 60,085
Convention and Entertainment debt	537,499	41,525	(69,775)	509,249	26,275
Combined Utility System debt	5,821,210	777,925	(575,579)	6,023,556	134,940
Long-term contracts - Combined Utility	149,121	-	(13,536)	135,585	13,537
Premiums, discounts and deferred amount on refundings	366,538	(199,530)	(10,329)	156,679	-
Total bonds and notes payable	<u>9,222,889</u>	<u>619,920</u>	<u>(726,804)</u>	<u>9,116,005</u>	<u>234,837</u>
Other liabilities:					
Claims and judgments	4,166	1,100	(1,355)	3,911	1,354
Compensated absences	33,232	13,330	(14,915)	31,647	14,684
Arbitrage rebate liability	696	5	(87)	614	152
Other Post Employment Benefit obligation	130,457	26,423	(4,985)	151,895	-
Net Pension obligation	120,195	41,276	(32,558)	128,913	-
Deferred Revenue	351,212	-	-	351,212	-
Total other liabilities	<u>639,958</u>	<u>82,134</u>	<u>(53,900)</u>	<u>668,192</u>	<u>16,190</u>
Business-type activities					
Long-Term Liabilities	<u>\$ 9,862,847</u>	<u>\$ 702,054</u>	<u>\$ (780,704)</u>	<u>\$ 9,784,197</u>	<u>\$ 251,027</u>
Total Reporting Entity					
Long-Term Liabilities	<u>\$ 16,276,322</u>	<u>\$ 2,028,807</u>	<u>\$ (1,917,508)</u>	<u>\$ 16,387,620</u>	<u>\$ 789,181</u>

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

	<u>S tated Interest Rate Range, %</u>	<u>Face Value Outstanding 6/30/2012</u>	<u>FY13 Issued/ Increased</u>
General Tax Obligation Debt			
Public improvement bonds	0.25 to 6.24	\$ 2,582,320	\$ 343,540
Pension obligations	5.31 to 6.29	540,728	-
Commercial paper	0.12 to 10.00	226,900	75,000
Tax and revenue certificates of obligation	4.00 to 5.00	17,365	7,360
Total General Tax Obligation Debt		<u>\$ 3,367,313</u>	<u>\$ 425,900</u>
HUD Section 108 Loans		<u>\$ 7,103</u>	<u>\$ -</u>
Note Payable CWA		<u>\$ -</u>	<u>\$ 11,135</u>
Revenue Bonded Debt			
Airport System Bonds			
Senior Lien Revenue Bonds	5.00 to 5.50	\$ 449,660	\$ -
Subordinate lien refunding revenue bonds	0.36 to 6.00	1,863,960	-
Inferior lien contractual obligation	5.38 to 5.50	32,895	-
Pension obligations	5.31	2,006	-
		<u>2,348,521</u>	<u>-</u>
Convention and Entertainment Facilities			
Senior lien hotel occupancy tax/parking facilities	1.12 to 5.75	490,615	41,525
Hotel and parking revenue commercial paper	0.08 to 10.00	43,000	-
Pension obligations	5.31 to 6.29	3,884	-
		<u>537,499</u>	<u>41,525</u>
Combined Utility System			
Combined Utility System first lien bonds	0.02 to 6.00	5,411,031	777,925
Water and Sewer System junior lien revenue bond	1.25 to 6.90	238,622	-
Combined Utility System commercial paper	0.12 to 10.00	110,400	-
Pension obligations	5.31 to 6.29	61,157	-
		<u>5,821,210</u>	<u>777,925</u>
Long-Term Contracts-Water and Sewer System			
Coastal Water Authority	2.00 to 7.50	125,740	-
Other long term contracts	3.22 to 5.87	23,381	-
		<u>149,121</u>	<u>-</u>
Total Revenue Bonded Debt and Long-Term Contracts, Primary Government		<u>\$ 8,856,351</u>	<u>\$ 819,450</u>
Total Bonds and Long-Term Contracts Payable, Primary Government		<u>\$ 12,230,767</u>	<u>\$ 1,256,485</u>

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

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FY13 Redeemed/ Refunded	Face Value Outstanding 6/30/2013	Adjustments ⁽¹⁾	Net Outstanding 6/30/2013
\$ 364,345	\$ 2,561,515	\$ 150,664	\$ 2,712,179
-	540,728	-	540,728
125,000	176,900	-	176,900
12,855	11,870	1,694	13,564
<u>\$ 502,200</u>	<u>\$ 3,291,013</u>	<u>\$ 152,358</u>	<u>\$ 3,443,371</u>
<u>\$ 645</u>	<u>\$ 6,458</u>	<u>\$ -</u>	<u>\$ 6,458</u>
<u>\$ -</u>	<u>\$ 11,135</u>	<u>\$ -</u>	<u>\$ 11,135</u>
\$ -	\$ 449,660	\$ (1,011)	\$ 448,649
52,805	1,811,155	45,427	1,856,582
4,780	28,115	-	28,115
-	2,006	-	2,006
<u>57,585</u>	<u>2,290,936</u>	<u>44,416</u>	<u>2,335,352</u>
68,775	463,365	128,003	591,368
1,000	42,000	-	42,000
-	3,884	-	3,884
<u>69,775</u>	<u>509,249</u>	<u>128,003</u>	<u>637,252</u>
437,521	5,751,435	(96,254)	5,655,181
27,658	210,964	72,317	283,281
110,400	-	-	-
-	61,157	-	61,157
<u>575,579</u>	<u>6,023,556</u>	<u>(23,937)</u>	<u>5,999,619</u>
13,420	112,320	2,733	115,053
116	23,265	5,464	28,729
<u>13,536</u>	<u>135,585</u>	<u>8,197</u>	<u>143,782</u>
<u>\$ 716,475</u>	<u>\$ 8,959,326</u>	<u>\$ 156,679</u>	<u>\$ 9,116,005</u>
<u>\$ 1,219,320</u>	<u>\$ 12,267,932</u>	<u>\$ 309,037</u>	<u>\$ 12,576,969</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, 2043.

2. Pension Obligation Bonds

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

3. General Obligation Commercial Paper

The City currently may issue Commercial Paper Notes (“Notes”) under its \$725 million General Obligation Commercial Paper Series E Program, \$200 million General Obligation Commercial Paper Series G Program, \$100 million General Obligation Commercial Paper Series H-2 Program and \$125 million General Obligation Commercial Paper Series J Program. General Obligation Commercial Paper Notes Series A, B, C, D, F and H-1 have been terminated. The Notes may be issued for a period not to exceed 270 days and will bear interest based upon the specified term of the Notes, but not to exceed 10%. Principal on the Notes is payable from ad valorem tax revenue, the issuance of new commercial paper, bond proceeds and other funds provided under credit lines. Interest is payable from ad valorem tax revenue collected by the City. Proceeds from the Notes are used to finance various capital projects and public improvements for authorized City purposes. Upon maturity, the Notes will be remarketed by the commercial paper dealers or extinguished with long-term debt.

During fiscal year 2013 the average interest rate for the General Obligation Notes, including dealer and credit fees, was 0.73%. The average year-end rate, including fees, was 0.68%. The Credit Agreements expire on the following dates: Series E-1 on June 15, 2015, Series E-2 on April 28, 2016, Series G-1 on November 28, 2014, Series G-2 on November 28, 2014, Series H-2 on August 15, 2014 and Series J on May 20, 2017.

4. Certificates of Obligation

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

5. HUD Section 108 Loan

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

6. Airport System Revenue Bonds

The Houston Airport System has \$449,660,000 of senior lien bonds outstanding that mature in varying amounts from 2015 to 2039. Bonds issued on the senior lien require net revenues total 125% of the debt service requirements for such fiscal year. The Houston Airport System has also issued Subordinate Lien Bonds which are paid solely from a lien on the airport system’s net revenues, which must total 110% of the debt service requirements for Subordinate Lien Bonds for such fiscal year. The bonds have a final maturity in the year 2032. Airport System Subordinate Lien Revenue Bonds, Series 2000P1 and 2000P2, 2002C, 2002D-1, and 2002D-2, have been issued as auction rate securities with current 7-day resets. In December 2010, the Airport System issued approximately \$93.7 million of Variable Rate Demand Obligations (VRDO’s), Series 2010, with a 7-day reset to refund its 2005 VRDO’s which were subject to alternative minimum tax. These bonds may all be converted to other modes including fixed rate bonds. The City has a liquidity facility in place for the Series 2010 bonds with a termination date of December 22, 2014. The maximum interest rate permitted under the ordinance is 10%.

CITY OF HOUSTON, TEXAS
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The City has purchased municipal debt service reserve fund policies that unconditionally guarantee the payment of principal and interest on all current outstanding airport system subordinate lien issues. The reserve policies terminate upon final maturities on various dates in the future. Each of the draws made against the reserve policy shall bear interest at the Prime Rate plus two percent, not to exceed a maximum interest rate of 12%. The repayment provisions require one-twelfth of the policy costs for each draw to be repaid monthly, beginning the first month following the date of each draw. The City cash funded a reserve fund for its Houston Airport System 2009 Senior Lien Revenue Bonds.

7. Airport System Inferior Lien Contract

On July 1, 2004 the City and Continental Airlines, Inc. entered into a Sublease Agreement associated with the Special Facilities Lease for the Automated People Mover System and the City's Airport System Special Facilities Revenue Bonds (Automated People Mover Project) Series 1997A (1997A Special Facilities Bonds). The City assumed Continental's interest in the project upon completion of the expansion of the Automated People Mover System on January 25, 2005. As part of the Sublease, the City agreed to make sublease payments that include amounts equal to the debt service on the 1997A Special Facilities Bonds. The payments are payable from Airport System net revenues on the same priority as inferior lien bonds. Accordingly, the principal amount remaining on the 1997A Special Facilities Bonds, totaling \$28,115,000, is recorded as an Inferior Lien Contract.

8. Airport System Commercial Paper

Airport System Senior Lien Commercial Paper Notes Series A and B (the Notes) have been authorized for \$150 million, and Airport System Inferior Lien Commercial Paper Notes Series C have been authorized for \$150 million to establish, improve, enlarge, extend and repair the City's Airport System, acquire land, and pay interest and cost of issuance of the Notes. There have been no notes outstanding since July, 2010. The Series A and B Notes are collateralized by a revolving credit agreement convertible to direct pay letters of credit issued by a bank, and a lien on the net revenues of the Airport System. The Letter of Credit will terminate on December 20, 2013 for Series A and B.

9. Convention and Entertainment Facilities Bonds

These bonds are special limited obligations of the City that are paid from a lien on the pledged receipts of the Hotel Occupancy Tax (HOT), revenues collected from seven City-owned parking facilities, and rebates of certain taxes derived from operation of the Convention Center Hotel and Parking Garage. The pledged HOT receipts are equal to 5.65% of the cost of substantially all hotel room rentals in the City, plus related penalties and interest for delinquent payments. As long as any of the Senior Lien Bonds remain outstanding, the City is required to levy a Hotel Occupancy Tax at a rate not less than 7%. The City currently levies a Hotel Occupancy Tax at the rate of 7%. Final maturity of the bonds is September 1, 2033.

The City has obtained a debt service reserve insurance policy for the Senior Lien Hotel Occupancy Tax Revenue Bonds. The surety policy provides insurance sufficient to pay maximum annual debt service of the Bonds. The surety policy expires upon final maturity of all outstanding Bonds, September 1, 2033. The City of Houston Convention Center Revenue Bonds, Series 2001C-1 and 2002C-2, have been issued as 7-day auction rate securities and are subject to conversion at the option of the City and subject to certain restrictions, to bonds that bear interest at rates other than auction rates. The maximum interest rate permitted under the ordinance is 10%.

10. Convention and Entertainment Hotel and Parking Revenue Commercial Paper

Hotel Occupancy Tax and Parking Revenue Commercial Paper Notes Series A have been authorized for \$75 million to finance the costs of site acquisition, construction, and improvements for convention center facilities. The notes are issued as subordinate lien debt. The maturity of the Notes may not exceed 270 days and the maximum interest rate may not exceed 10%. Upon maturity, the Notes will be remarketed by the commercial paper dealer or extinguished with long-term debt. The Notes are collateralized by a Letter of Credit that expires on December 19, 2013. During fiscal year 2013 the average interest rate for the Notes, including fees, was 1.67%. The average rate in effect at year-end was 1.70%.

11. Combined Utility System First Lien Revenue Bonds

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

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The Combined Utility System Revenue Refunding Bonds, Series 2004B and 2004C, were initially issued as Auction Rate Securities. All of the 2004B auction rate securities were converted to variable rate demand bonds in April 2008. The Combined Utility System Revenue Refunding bonds 2012C were issued as SIFMA index floating rate bonds to refund \$249M of the City's outstanding Combined Utility System First Revenue Bonds, Series 2010B.

12. Combined Utility System Commercial Paper

The Combined Utility System established a Commercial Paper Notes Program Series B which has been authorized for \$700 million to finance costs of eligible projects for the City's combined utility system, including acquisition or construction of improvements and additions or extension for the system, and costs of issuance. The notes are issued as third lien obligations. The maturity of the Notes may not exceed 270 days and the maximum interest rate may not exceed 10%. Principal on the Notes is payable from the issuance of new commercial paper, bond proceeds and other funds provided under separate letters of credit with J.P. Morgan Bank; Wells Fargo; Bank of Tokyo; State Street; BBVA; and U.S. Bank totaling \$700 million. The letters of credit with JP Morgan expire on December 16, 2013, Wells Fargo on December 15, 2014, and Bank of Tokyo expires on January 16, 2015. The agreements with State Street and U.S. Bank expire on July 15, 2016. The agreement with BBVA expires March 27, 2015. Interest on the Notes is payable from net revenues of the System and loans under the credit agreement. During fiscal year 2013, the average interest rate for outstanding Notes, including credit and dealer fees, was .96%. There was no outstanding balance on Combined Utility System commercial paper as of June 30, 2013.

13. Combined Utility System Synthetic Fixed Rate Swap Agreements

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

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

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

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

At June 30, 2013, the effective rate on the 2004B Bonds associated with the swap was computed as follows:

		RATE (%)
		Received
	<u>Terms</u>	<u>(Paid)</u>
Variable rate payment from counterparties	LIBOR x 57.6%	0.1218
	+ Constant	<u>0.3700</u>
Swap receipt		0.4918
Fixed rate paid to counterparties	Fixed	<u>(3.7784)</u>
Net rate (paid)/received for swap		(3.2866)
Average variable rate on 2004B bonds, year end		(0.1368)
Plus dealer and credit fees on 2004B bonds		<u>(.7755)</u>
Effective rate of 2004B bonds		<u>(4.1989)</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 \$144,202,490 on June 30, 2013. After adjustment for the refunded portion, the value reported in the financial statements is \$149,787,604 (see Note 8E). This value was calculated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. The fair value is recorded on the balance sheet of the Combined Utility System in the SWAP liability. 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, 2013, 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

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in the amount of its fair value. The City's swap policy generally requires that swap counterparties be rated double-A or better by at least one nationally recognized rating agency at inception. Under the agreements, if a counterparty's credit rating falls below AA, collateral may be required in varying amounts depending on the credit rating and fair market value to the City of the swaps. No collateral has been required to date.

<u>COUNTERPARTY</u>	<u>Notional Amount</u>	<u>Fair Value</u>	<u>Counterparty Credit Rating (Moody's /S&P /Fitch)</u>
Goldman Sachs Capital Markets	\$ 353,325,000	\$ (77,980,448)	A3/A-/A
JP Morgan Chase	150,000,000	(33,111,021)	Aa3/A+/A+
UBS AG	<u>150,000,000</u>	<u>(33,111,021)</u>	A2 /A /A
	<u>\$ 653,325,000</u>	(144,202,490)	
Adjustment for refunded portion(see Note 8E)		<u>(5,585,114)</u>	
Total reported value		<u>\$(149,787,604)</u>	

Basis risk. The City is exposed to basis risk on the swaps because the variable payment received is based on an index other than SIFMA. Should the relationship between LIBOR and SIFMA move to convergence (because of reductions in tax rates, for example), the expected cost savings may not be realized. The City has issued variable rate demand bonds with an average rate of 0.14% (not including dealer and credit fees) as of June 30, 2013, whereas the associated LIBOR-based rate of the swap was 0.50%.

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

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

Swap payments and associated debt. As of June 30, 2013, debt service requirements for the swap agreements are reported in Note 8D, assuming current interest rates remain the same. As rates vary, variable rate bond interest payments and net swap payments will vary. Expected debt service payments on the associated Combined Utility System 2004B bonds are included with other Combined Utility System Bonds on Note 8D.

14. Combined Utility System Forward Interest Rate Swap

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

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

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

At June 30, 2013, the effective rate on the 2012C Bonds associated with the swap was computed as follows:

	<u>Terms</u>	<u>RATE (%) Received (Paid)</u>
Variable rate payment from counterparties (Swap Receipt)	LIBOR x 70%	0.1481
Fixed rate paid to counterparty	Fixed	<u>(3.76100)</u>
Net rate (paid)/received for swap		(3.6129)
Average variable rate on 2012C bonds		(0.1340)
Plus credit fees on 2012C bonds		<u>(.6000)</u>
Effective rate of 2012C bonds		<u>(4.3469)</u>

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Fair value. The swap had a fair value of negative (\$53,542,791) on June 30, 2013. After adjustment for the refunded portion (see Note 8E), the value reported in the financial statements is (\$62,912,121). The fair value is recorded on the balance sheet of the Combined Utility System in the SWAP liability. 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, 2013, the City was not exposed to credit risk because the fair market value of the swap was negative to the City. As of June 30, 2013, RBC was rated Aa3, AA- and AA by Moody's, Standard and Poor's, and Fitch respectively. Under the agreement, if RBC's credit rating falls below double-A, collateral must be posted in varying amounts depending on the credit rating if the fair value of the swap is positive to the City. No collateral has been required to date.

Basis risk. The City is exposed to basis risk on the swap because the variable payment received is based on an index that is not tax-exempt. Should the relationship between LIBOR and SIFMA move to convergence (because of reductions in tax rates, for example), the expected cost savings may not be realized. At June 30, 2013 the interest rate in effect for the underlying variable rate bonds was 0.13% while the rate in effect for the swap receipts was 0.15%.

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

Swap payments and associated debt. As of June 30, 2013, debt service requirements for the swap agreements are reported in Note 8D as if the swap was in effect, assuming current interest rates remain the same. As rates vary, variable rate bond interest payments and net swap payments will vary. Expected debt service payments on the associated Combined Utility System 2008A bonds are included with other Combined Utility System Bonds on Note 8D.

15. Water and Sewer System Junior Lien Revenue Bonds

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

16. Coastal Water Authority ("CWA")

The contract payable relating to CWA represents the outstanding principal balance of \$36,150,000 at June 30, 2013 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 \$76,170,000 of CWA Revenue Refunding Bonds, Series 1999, Series 2004, and Series 2010 (refunding) issued by CWA, a governmental agency of the State of Texas, to finance the construction of a water conveyance system. Pursuant to a series of exchange agreements with CWA, the City issued the Certificates and endorsed the bonds and is unconditionally obligated to pay from the gross revenues of the City's Combined Utility System all debt service payments on these Certificates and Bonds, as well as amounts necessary to restore deficiencies in funds required to be accumulated under the CWA bond resolutions. The bonds mature on December 15, 2034. A note payable of \$11,535,000 was issued in 2013 related to acquisition of a parcel of land.

17. Other Contracts

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

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

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

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D. Schedule for Debt Service Requirements to Maturity:

The following debt service schedules have been adjusted to include refundings that occurred subsequent to June 30, 2013.

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

Year Ending June 30	Public Improvement Bonds		Pension Obligation Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 139,070	\$ 112,488	\$ 5,375	\$ 32,135
2015	172,305	109,182	5,750	31,797
2016	177,645	103,207	6,160	31,435
2017	211,265	95,620	6,585	31,048
2018	222,945	87,051	7,050	30,633
2019-2023	858,060	300,208	70,170	144,240
2024-2028	525,035	132,918	116,855	115,091
2029-2033	171,775	37,919	201,417	67,192
2034-2038	62,390	13,322	101,116	19,981
2039-2043	21,025	2,719	20,250	2,641
Total	<u>\$ 2,561,515</u>	<u>\$ 994,634</u>	<u>\$ 540,728</u>	<u>\$ 506,193</u>

Year Ending June 30	General Obligation Commercial Paper		Tax and Revenue Certificates of Obligation	
	Principal	Interest	Principal	Interest
2014	\$ -	\$ 1,199	\$ 2,210	\$ 495
2015	169,900	763	2,300	483
2016	7,000	40	-	368
2017	-	-	-	368
2018	-	-	1,080	368
2019-2023	-	-	6,280	973
2024-2028	-	-	-	-
2029-2033	-	-	-	-
2034-2038	-	-	-	-
2039-2043	-	-	-	-
Total	<u>\$ 176,900</u>	<u>\$ 2,002</u>	<u>\$ 11,870</u>	<u>\$ 3,055</u>

Year Ending June 30	Total Future Requirements		
	Principal	Interest	Total Future Requirements
2014	\$ 146,655	\$ 146,317	\$ 292,972
2015	350,255	142,225	492,480
2016	190,805	135,050	325,855
2017	217,850	127,036	344,886
2018	231,075	118,052	349,127
2019-2023	934,510	445,421	1,379,931
2024-2028	641,890	248,009	889,899
2029-2033	373,192	105,111	478,303
2034-2038	163,506	33,303	196,809
2039-2043	41,275	5,360	46,635
Total	<u>\$ 3,291,013</u>	<u>\$ 1,505,884</u>	<u>\$ 4,796,897</u>

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2. HUD Section 108 Loans (in thousands):

Year Ending June 30	HUD Section 108 Loans (in thousands)		
	Principal	Interest	Total Future Requirements
2014	\$ 645	\$ 340	\$ 985
2015	659	306	965
2016	659	271	930
2017	659	235	894
2018	672	198	870
2019-2023	3,164	456	3,620
2024-2028	-	-	-
Total	<u>\$ 6,458</u>	<u>\$ 1,806</u>	<u>\$ 8,264</u>

3. Note Payable CWA

Year Ending June 30	Note Payable CWA (in thousands)		
	Principal	Interest	Total Future Requirements
2014	\$ -	\$ 379	\$ 379
2015	-	379	379
2016	-	379	379
2017	11,135	379	11,514
Total	<u>\$ 11,135</u>	<u>\$ 1,516</u>	<u>\$ 12,651</u>

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

Year Ending June 30	Airport System Senior Lien Revenue Bonds		Airport System Subordinate Lien Revenue Bonds	
	Principal	Interest	Principal	Interest
2014	\$ -	\$ 23,819	\$ 55,045	\$ 72,361
2015	-	23,819	54,965	70,146
2016	9,275	23,587	56,455	67,840
2017	9,740	23,112	64,925	65,283
2018	10,225	22,613	67,630	62,535
2019-2023	59,325	104,658	392,225	266,243
2024-2028	75,725	87,846	502,425	173,906
2029-2033	97,295	65,555	617,485	68,558
2034-2038	126,970	35,009	-	-
2039-2043	61,105	3,406	-	-
Total	<u>\$ 449,660</u>	<u>\$ 413,424</u>	<u>\$ 1,811,155</u>	<u>\$ 846,872</u>

Year Ending June 30	Airport System Inferior Lien Contract		Airport System Pension Obligations	
	Principal	Interest	Principal	Interest
2014	\$ 5,040	\$ 1,408	\$ -	\$ 106
2015	5,315	1,123	-	106
2016	5,605	823	-	106
2017	5,915	506	-	106
2018	6,240	171	-	107
2019-2023	-	-	-	533
2024-2028	-	-	-	533
2029-2033	-	-	1,627	369
2034-2038	-	-	379	40
2039-2043	-	-	-	-
Total	<u>\$ 28,115</u>	<u>\$ 4,031</u>	<u>\$ 2,006</u>	<u>\$ 2,006</u>

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Year Ending	Airport System Total		
	Future Requirements		
June 30	Principal	Interest	Total
2014	\$ 60,085	\$ 97,694	\$ 157,779
2015	60,280	95,194	155,474
2016	71,335	92,356	163,691
2017	80,580	89,007	169,587
2018	84,095	85,426	169,521
2019-2023	451,550	371,434	822,984
2024-2028	578,150	262,285	840,435
2029-2033	716,407	134,482	850,889
2034-2038	127,349	35,049	162,398
2039-2043	61,105	3,406	64,511
Total	\$ 2,290,936	\$ 1,266,333	\$ 3,557,269

Year Ending	Convention and Entertainment Facilities Revenue Bonds		Convention and Entertainment Facilities Commercial Paper		Convention and Entertainment Pension Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 26,215	\$ 13,202	\$ 42,000	\$ 331	\$ 60	\$ 242
2015	25,835	11,900	-	-	65	239
2016	23,474	14,158	-	-	65	235
2017	18,871	19,893	-	-	70	230
2018	19,750	19,634	-	-	75	226
2019-2023	104,582	102,463	-	-	760	1,034
2024-2028	107,494	122,482	-	-	1,260	720
2029-2033	113,308	131,369	-	-	1,493	252
2034-2038	23,836	25,927	-	-	36	4
2039-2043	-	-	-	-	-	-
Total	\$ 463,365	\$ 461,028	\$ 42,000	\$ 331	\$ 3,884	\$ 3,182

Year Ending	Convention and Entertainment Total Future Requirements		
	Principal	Interest	Total Future Requirements
2014	\$ 68,275	\$ 13,775	\$ 82,050
2015	25,900	12,139	38,039
2016	23,539	14,393	37,932
2017	18,941	20,123	39,064
2018	19,825	19,860	39,685
2019-2023	105,342	103,497	208,839
2024-2028	108,754	123,202	231,956
2029-2033	114,801	131,621	246,422
2034-2038	23,872	25,931	49,803
2039-2043	-	-	-
Total	\$ 509,249	\$ 464,541	\$ 973,790

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Year Ending June 30	Combined Utility System Revenue Bonds		Combined Utility System Swap Agreement		Combined Utility System Commercial Paper	
	Principal	Interest	Net Swap Payment			
2014	\$ 123,300	\$ 240,994	\$ 31,797		\$ -	\$ -
2015	134,345	235,310	32,010		-	-
2016	144,100	228,975	32,000		-	-
2017	160,990	221,658	30,764		-	-
2018	170,880	213,875	30,515		-	-
2019-2023	911,585	955,345	152,567		-	-
2024-2028	1,170,075	709,259	152,553		-	-
2029-2033	1,569,520	430,033	105,507		-	-
2034-2038	1,087,025	175,507	5,606		-	-
2039-2043	269,375	23,433	-		-	-
2044-2048	10,240	256	-		-	-
Total	\$ 5,751,435	\$ 3,434,644	\$ 573,319		\$ -	\$ -

Year Ending June 30	Water and Sewer Jr. Lien Revenue Bonds		Combined Utility System Pension Obligations	
	Principal	Interest	Principal	Interest
2014	\$ 10,730	\$ 4,549	\$ 910	\$ 3,814
2015	11,070	4,273	975	3,756
2016	11,410	3,975	1,040	3,695
2017	11,775	3,656	1,115	3,630
2018	12,150	3,314	1,190	3,559
2019-2023	89,736	66,397	11,875	16,288
2024-2028	55,661	91,902	19,780	11,355
2029-2033	8,432	35,664	23,633	4,009
2034-2038	-	-	639	68
2039-2043	-	-	-	-
2044-2048	-	-	-	-
Total	\$ 210,964	\$ 213,730	\$ 61,157	\$ 50,174

Combined Utility System Total Future Requirements

Year Ending June 30	Principal	Interest	Net Swap Payment	Total Future Requirements
2014	\$ 134,940	\$ 249,357	\$ 31,797	\$ 416,094
2015	146,390	243,339	32,010	421,739
2016	156,550	236,645	32,000	425,195
2017	173,880	228,944	30,764	433,588
2018	184,220	220,748	30,515	435,484
2018-2022	1,013,196	1,038,030	152,567	2,203,793
2023-2027	1,245,516	812,516	152,553	2,210,585
2028-2032	1,601,585	469,706	105,507	2,176,798
2033-2037	1,087,664	175,575	5,606	1,268,845
2038-2042	269,375	23,433	-	292,808
2044-2048	10,240	256	-	10,496
Total	\$ 6,023,556	\$ 3,698,548	\$573,319	\$ 10,295,424

CITY OF HOUSTON, TEXAS
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5. Long-Term Contracts-Water and Sewer System (in thousands):

Year Ending June 30	Coastal Water Authority Maintenance & Operation Lien		
	Principal	Interest	Total Future Requirements
2014	\$ 13,420	\$ 5,455	\$ 18,875
2015	13,410	4,654	18,064
2016	14,025	3,826	17,851
2017	4,060	3,312	7,372
2018	3,420	3,152	6,572
2019-2023	19,475	13,273	32,748
2024-2028	23,425	7,656	31,081
2029-2033	14,345	3,371	17,716
2034-2038	6,740	324	7,064
2039-2043	-	-	-
Total	\$ 112,320	\$ 45,023	\$ 157,343

Year Ending June 30	Other Water & Sewer System Contracts				Other Contracts Total Future Requirements	
	US Army Corps of Engineers		Texas Water Development Board		Principal	Interest
	Principal	Interest	Principal	Interest		
2014	\$ 117	\$ 299	\$ -	\$ 818	\$ 117	\$ 1,117
2015	121	295	-	818	121	1,113
2016	124	291	-	1,497	124	1,788
2017	128	287	-	1,497	128	1,784
2018	132	283	-	1,497	132	1,780
2019-2023	730	1,347	610	6,806	1,340	8,153
2024-2028	855	1,221	3,620	3,520	4,475	4,741
2029-2033	1,002	1,074	4,805	2,335	5,807	3,409
2034-2038	1,175	902	4,965	750	6,140	1,652
2039-2043	1,376	700	-	-	1,376	700
2044-2048	1,613	464	-	-	1,613	464
2049-2053	1,892	187	-	-	1,892	187
Total	\$ 9,265	\$ 7,350	\$ 14,000	\$ 19,538	\$ 23,265	\$ 26,888

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 2013 described below, has been removed from the City's books.

Public Improvement Refunding Bonds

On May 16, 2013, the City sold \$267,010,000 in Public Improvement Refunding Bonds, Series 2013A, \$76,530,000 in Taxable Public Improvement Refunding Bonds, Series 2013B and Certificates of Obligation (Demolition program) Series 2013A at coupons ranging from .25% - 5%. The bonds mature in varying amounts from 2014-2035. The true interest cost for the Public Improvement 2013A bonds was 2.64%, 2.07% for the 2013B bonds and 1.73% for the Certificates of Obligation 2013A. Proceeds of the Public Improvement Bonds were used to refund \$238,325,000 of Public Improvement Refunding Bonds, Series 2004B, 2005A, 2005B, 2005E, 2006B, 2006D, 2006E, 2006F and 2006G; Tax and Revenue Certificates of Obligation, Series 2005D; \$125 million of General

CITY OF HOUSTON, TEXAS
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Obligation Commercial Paper, Series E-2, Series G-2 and Series H-2; and to pay costs of issuance. Proceeds of the Certificates of Obligation will be used to demolish dangerous structures within the City and other professional services related to such purposes and to pay costs of issuance of this series. Net present value savings related to the refunded bonds totaled \$19,943,971 or 8.37% of the refunded bonds and reduced total debt service by \$23,785,876.

Combined Utility System Revenue and Refunding Bonds

On August 15, 2012, the City issued \$249,075,000 of Combined Utility System First Lien Revenue Refunding Bonds, Series 2012C (SIFMA Index Floating Rate Bonds). The bonds mature in varying amounts from 2028 – 2034. Proceeds were used to refund the Combined Utility System First Lien Revenue Refunding Bonds, Series 2010B and to pay costs of issuance.

On September 13, 2012, the City issued \$149,735,000 of Combined Utility System First Lien Revenue Refunding Bonds, Series 2012D at coupons ranging from 2% - 5%. The bonds mature in varying amounts from 2013 to 2042. Proceeds were used to refund \$158 million of Combined Utility System commercial paper and to pay costs of issuance.

On September 27, 2012, the City issued \$49,000,000 in Combined Utility System, Texas Water Development Board Bonds Series 2012E at coupons ranging from .11% to 1.82%. Proceeds will be used to refund \$2.4 million of commercial paper, fund future projects, and pay costs of issuance.

On December 12, 2012, the City issued \$116,065,000 of Combined Utility System First Lien Refunding Bonds, Series 2012F at coupons ranging from 2% to 5%. Proceeds will be used to refund City's Combined Utility System First Lien Revenue Refunding Bonds, Series 2008D1 and Water and Sewer System Junior Lien Bonds, Series 2002C.

On April 11, 2013, the City issued \$48,750,000 in Combined Utility System, Texas Water Development Board Bonds Series 2013A at coupons ranging from .20% to 2.05%. Proceeds will be used to fund future projects, and pay costs of issuance.

On May 23, 2013, the City issued \$164,400,000 in Combined Utility System First Lien Revenue and Refunding Bonds, Series 2013B at coupons ranging from 0.50% to 5%. The bonds mature in varying amounts from 2014 to 2033. Proceeds will be used to refund \$160,000,000 of Combined Utility System commercial paper; paying the costs of the extension, construction, improvement or repair of the system and to pay costs of issuance.

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 2013 the City has complied with the requirements of all revenue bond ordinances and related bond restrictions.

G. Voter Authorized Obligations

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

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

On November 2012, voters authorized an additional \$410 million of Public Improvement Bonds. City of Council has authorized issuance of \$425,000,000 as General Obligation Commercial Paper Series G, H-2 and J.

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

H. Legal Debt Margin

At June 30, 2013, the City's legal debt limit was 10% of assessed property valuation totaling \$20,140,168,000. The City's legal debt margin less applicable outstanding debt was \$16,849,155,000.

CITY OF HOUSTON, TEXAS
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NOTE 9: LEASES

Operating Leases

A. City as Lessee

The City has obtained office space, data processing and other equipment through long-term operating leases. The total cost for such leases was \$13,595,580 for the year ended June 30, 2013. The cost is \$9,030,035 for the General Fund, \$2,177,777 for the Grant Funds, \$1,338,426 for the Non-Major Governmental Funds, \$662,535 for the Combined Utility System Funds, \$279,056 for the Airport System Funds, \$59,546 for the Convention and Entertainment Facilities Funds and \$48,205 for the Internal Service Funds.

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

Year ended June 30	Operating Lease Payments
2014	\$ 6,526
2015	5,971
2016	5,208
2017	4,477
2018	4,075
2019-2023	8,800
Total	<u>\$ 35,057</u>

B. City as Lessor

The Convention and Entertainment Facilities Department is the lessor of all of their capital assets to Houston First Corporation, a component unit. The agreement is a cancellable operating lease, and the capital assets have a cost of \$681,133,123, accumulated depreciation of \$231,567,255, and a carrying value of \$449,565,868. All the capital assets are used for performance and entertainment purposes.

The Airport System is the lessor of approximately ten percent of its land and substantially all of its buildings and improvements. These lease agreements are non-cancelable operating leases with fixed minimum rentals and non-cancelable operating use and lease agreements with annually adjusted rates. Rental income is earned from leasing various parcels of land with asset costs of \$20,996,739 to airlines, fixed base operators and various corporations for hangars, aircraft maintenance facilities, flight kitchens and cargo buildings; to auto rental companies for their service facilities and storage lots; and to a variety of other entities for buildings and other permanent improvements. Airlines and airport concessionaires lease various sections of City owned airport buildings and improvements for ticket counters, passenger hold rooms, baggage carousels, restaurants, retail stores and other facilities. Leased buildings, improvements and equipment have asset costs of \$4,636,172,415 and carrying costs of \$2,500,924,671. Accumulated depreciation on all these assets is \$2,135,247,744.

CITY OF HOUSTON, TEXAS
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Minimum guaranteed income on all City non-cancelable operating leases is as follows (in thousands):

Year ended June 30	Operating Leases Minimum Rental Income
2014	\$ 43,978
2015	43,873
2016	40,696
2017	40,153
2018	39,946
2019-2023	166,492
2024-2028	123,943
2029-2033	26,826
2034-2038	22,179
2039-2043	17,741
2044-2048	1,355
2049-2053	325
Total	\$ 567,507

Contingent income associated with the Airport System non-cancelable operating leases was approximately \$17,041,927 for the year ended June 30, 2013. Contingent income is earned when a concessionaire's payment, based on a percentage of sales, is higher than the minimum amount guaranteed to the Airport System under the terms of the lease. In addition, income is earned from certain non-cancelable operating use and lease agreements for landing fees and terminal building rentals. Such income is adjusted annually based on a compensatory formula to recover certain operating and capital costs of the related facilities. Compensatory income for the year ended June 30, 2013 was \$244,786,124.

NOTE 10: PENSION PLANS

A. Plan Descriptions

The City has three single employer defined benefit pension plans (Firefighters' Relief and Retirement Fund, Municipal Employees' Pension System, and the Police Officers' Pension System), which cover substantially all of its employees. These pension plans were established under the authority of Texas statutes (Vernon's Texas Civil Statutes, Articles 6243.e2 (1), 6243g, 6243g-4, respectively), which establish the various benefit provisions. All plans provide for service-connected disability and death benefits to survivors, with no age or service eligibility requirements. Employer and employee obligations to contribute, as well as employee contribution rates, are included in the statutes, and for the Municipal Employees' Pension System and the Houston Police Officers' Pension System, some requirements are delineated in new (September '04) meet and confer agreements. Additionally, these laws provide that employer funding be based on periodic actuarial valuations, statutorily approved amounts or, in the cases of the Municipal Employees' Pension System and the Police Officers' Pension System, amounts agreed to in meet and confer agreements. All pension plans provide service, disability, death, and vesting benefits. In addition, each pension plan recognizes participant and employer contributions as revenues in the period in which they are due pursuant to formal commitments and recognizes benefits and refunds when they are due and payable in accordance with the terms of the pension statutes. The specific summary plan description for each Plan is available at the plan offices.

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

B. Actuarially Determined Contribution Requirements and Contributions Made

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

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The reported contributions to the pension funds for the year ended June 30, 2013, were different from the actuarially determined requirements based on July 1, 2012 actuarial valuation for Municipal, Fire, and Police. Contributions are as follows:

<u>Percentage of Payroll</u>	<u>Firefighters</u>	<u>Municipal</u>	<u>Police</u>
City of Houston normal cost	18.3%	5.8%	20.5%
Amortization of unfunded actuarial accrued liability (surplus)	12.8%	20.3%	14.0%
Required employer contribution rate	31.1%	26.1%	34.5%
Employer contribution made	24.0%	21.5%	21.7%
Employee contribution made	9.0%	5.0%	9.0%
<u>Contribution Amounts (in thousands)</u>			
Net contribution required	\$ 92,500	\$ 138,816	\$ 162,467
Total City contribution	62,141	113,663	84,500
Total employee contribution	23,382	17,042	35,586
Total contribution	\$ 85,523	\$ 130,705	\$ 120,086

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

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

	<u>Houston Firefighters' Pension</u>	<u>Houston Municipal Employees' Pension</u>	<u>Houston Police Officers' Pension</u>
Annual required contribution	\$ 80,580	\$ 138,038	\$ 134,587
Interest on net pension obligation	632	35,451	46,899
Adjustment to annual required contribution	(524)	(29,392)	(35,211)
Annual pension cost	80,688	144,097	146,275
Contribution made	62,141	113,663	84,500
Change in net pension obligation	(18,547)	(30,434)	(61,775)
Net pension asset (obligation), beginning of year	(7,437)	(417,074)	(551,759)
Net pension asset (obligation), end of year	\$ (25,984)	\$ (447,508)	\$ (613,534)

D. Schedule of Funding Progress (in millions)

	<u>Houston Firefighters' Pension</u>	<u>Houston Municipal Employees' Pension</u>	<u>Houston Police Officers' Pension</u>
Actuarial Valuation Date	July 1, 2012	July 1, 2012	July 1, 2012
Actuarial Value of Plan Assets (a)	\$ 3,263.3	\$ 2,344.1	\$ 3,888.5
Actuarial Accrued Liability (AAL) Entry Age (b)	\$ 3,752.9	\$ 3,966.9	\$ 4,747.2
Unfunded AAL (b - a)	\$ 489.6	\$ 1,622.8	\$ 858.7
Funded Ratio (a/b)	87%	59%	82%
Projected Annual Covered Payroll (c)	\$ 270.9	\$ 534.4	\$ 389.9
UAAL as Percentage of Covered Payroll ((b - a)/c)	181%	304%	220%

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E. Houston Firefighters' Pension System

Schedule of Employer Contributions (in millions)

Year Ended June 30	Annual Pension Cost	Percentage Contributed	Net Pension (Asset) Obligation	Annual Required Contribution as a % of Base Pay
2011	\$62.4	122.3%	(\$0.5)	23.9%
2012	\$61.4	123.3%	\$0.3	23.9%
2013	\$80.7	77.0%	\$26.0	31.1%

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, 2012
Actuarial cost method	Entry age Normal Cost
Amortization method	Level percent of payroll over an open period of 30 years
Remaining amortization period	Rolling 30 year
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return	8.5%, net of expenses
Inflation rate	3.0%
Payroll growth rate	3.0%
Annual increase attributable to seniority/merit	3.0% to 7%
Cost of living adjustment	3% annually

F. Houston Municipal Pension System Information

Schedule of Employer Contributions (in millions)

Year Ended June 30	Annual Pension Cost	Percentage Contributed	Net Pension Obligation	Annual Required Contribution as a % of Base Pay
2011	\$129.8	68.2%	\$388.2	22.4%
2012	\$127.4	61.4%	\$417.1	23.5%
2013	\$144.1	78.9%	\$447.5	26.1%

CITY OF HOUSTON, TEXAS
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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, 2012
Actuarial cost method	Entry Age Normal cost
Amortization method	Level percentage of payroll over an open period of 30 years
Remaining amortization period	30 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
investment rate of return	8.5%, net of expenses
Payroll growth factor	3.0%
Projected individual salary increases	Graded rates based on years of service
General inflation rate	3.0%

G. Houston Police Officer's Pension System Information

Schedule of Employer Contributions (in millions)

Year Ended June 30	Annual Pension Cost	Percentage Contributed	Net Pension Obligation	Annual Required Contribution as a % of Base Pay
2011	\$133.5	58.4%	\$480.7	32.0%
2012	\$137.1	48.1%	\$551.8	32.7%
2013	\$146.3	57.8%	\$613.5	34.5%

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, 2012
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of payroll Amortized over a constant open period of 30 years
Remaining amortization period	30 years
Asset valuation method	20% adjustment method
Actuarial assumptions:	
Investment rate of return	8.5%, with a maximum of 5-year average of 7.0%
Payroll growth rate, attributable entirely to inflation	3.5 %
Annual increase attributable to seniority/merit	0.0% to 9.5%
Annual cost of living adjustment	3.0%
Projected salary increases	Graded rates based on years of service

CITY OF HOUSTON, TEXAS
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NOTE 11: OTHER EMPLOYEE BENEFITS

A. Post-Retirement Health Insurance Benefits

Pursuant to a City Ordinance, the City provides certain health care benefits for retired employees. Substantially all of the City's employees become eligible for these benefits if they reach normal retirement age while working for the City. Contributions are recognized in the year paid. The cost of retiree health care premiums and claim liability incurred by the City (employer and subscriber) amounted to \$59,840,936 for the year ended June 30, 2013. Retiree health care is accounted for in the Health Benefits Fund, an Internal Service Fund. At June 30, 2013, there were 9,923 retirees including active survivors eligible to receive benefits. Effective August 1, 2011 all Medicare Eligible Retirees must enroll in an insured Medicare Advantage Program Plan.

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

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

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

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

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

	OPEB
Annual required contribution	\$ 230,920
Interest on net OPEB obligation	46,351
Adjustment to annual required contribution	(63,234)
Annual OPEB cost	214,037
Contribution made	(34,927)
Change in net OPEB obligation	179,110
Net OPEB obligation, beginning of year	1,030,015
Net OPEB obligation, end of year	\$ 1,209,125

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$225,848	21.6%	\$877,566
2012	\$183,204	16.8%	\$1,030,015
2013	\$214,037	16.3%	\$1,209,125

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

Year Ended June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio	Covered Payroll (C)	UAAL as a % of Covered Payroll ((b-a)/c)
2011	\$0	\$1,984	\$1,984	0%	\$1,208.9	164.1%
2012	\$0	\$1,984	\$1,984	0%	\$1,164.5	170.4%
2013	\$0	\$2,090	\$2,090	0%	\$1,178.1	177.4%

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

Valuation date	June 30, 2012
Actuarial cost method	Entry age Normal Cost
Amortization method	Level percent of payroll over an open period of 30 years
Discount Rate	4.5%
Inflation rate	3.0%
Annual increase attributable to seniority/merit	3.0% to 10.0%
Medical trend rates	5.0% to 8.5%

B. Health Benefits Internal Service Fund

Effective May 1, 2011, the City elected to be self-insured and awarded CIGNA a three year contract with two (2) one-year renewal options for 4 new health plans. All have a heavy emphasis on a wellness component, and include: 1) a limited network HMO-type plan, 2) an open access PPO type plan with out-of-network coverage, 3) a consumer driven high deductible health plan, partnered with a health reimbursement account, and, 4) a specific plan for retirees, mostly those under age 65, who live outside the limited network, service area but who live in Texas. Effective May 1, 2013, the City will no longer purchase individual and aggregate stop-loss coverage. The City will assume the financial risk of catastrophic and overall claim liability.

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

Premiums paid (employer and subscriber) for current employees to third party administrators including claim liability totaled \$229,914,084 for the year ended June 30, 2013.

CIGNA		
Schedule of Changes in Liability		
(in thousands)		
	June 30, 2013	June 30, 2012
Beginning actuarial estimate of claims liability, July 1	\$ 23,273	\$ 16,963
Incurred claims for fiscal year	244,353	253,869
Payments on claims	(245,143)	(247,559)
Ending estimate of claims liability, June 30	<u>\$ 22,483</u>	<u>\$ 23,273</u>

The City also provides one times the salary of basic life insurance, with a minimum of \$15,000, at no cost to the employee. The employee, at no cost to the City, may then obtain additional life insurance up to four times their annual salary. The current costs for active employees for both basic and voluntary life insurance totaled \$5,779,633 for the year ended June 30, 2013.

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

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

Schedule of Changes in Liability		
(in thousands)		
	June 30, 2013	June 30, 2012
Beginning actuarial estimate of claims liability, July 1	\$ 8,054	\$ 7,850
Incurred claims for fiscal year	1,092	1,088
Payments on claims	(952)	(901)
Actuarial adjustment	688	17
Ending actuarial estimate of claims liability, June 30	\$ 8,882	\$ 8,054

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, 2013 the City has an accumulated liability in the amount of \$63 million covering estimates for approved but unpaid claims and incurred but not reported claims (calculated on an actuarial basis) recorded in the government-wide Statement of Net Position and Enterprise Funds. The amount of liability is based on an actuarial study.

Schedule of Changes in Liability		
(in thousands)		
	June 30, 2013	June 30, 2012
Beginning actuarial estimate of claims liability, July 1	\$ 57,022	\$ 54,944
Incurred claims for fiscal year	16,534	8,857
Payments on claims	(14,963)	(13,513)
Actuarial adjustment	4,462	6,734
Ending actuarial estimate of claims liability, June 30	\$ 63,055	\$ 57,022

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 12: INTERFUND TRANSACTIONS

A. Transfers

Transfers during the year ended June 30, 2013 were as follows (in thousands):

Transferred from:	Transferred to:						Total Transfers Out
	General Fund	Nonmajor Governmental Funds	Debt Service	Capital Projects	Combined Utility System	Convention & Entertainment Facilities	
General Fund	\$ -	\$ 29,271	\$ 284,388	\$ 1,147	\$ -	\$ -	\$ 314,806
Grants Fund	159	-	-	-	70	-	229
Nonmajor Funds	36,328	-	797	94,713	-	-	131,838
Capital Projects	-	1,200	1,149	-	-	-	2,349
Convention and Entertainment	1,380	-	-	-	-	-	1,380
Combined Utility System	38,774	-	15,807	-	-	-	54,581
Agency	-	-	-	400	-	-	400
Total transfers in	\$ 76,641	\$ 30,471	\$ 302,141	\$ 96,260	\$ 70	\$ -	\$ 505,583

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

B. Transfers to Component Units

Transfers to Houston First from the Convention and Entertainment Facilities during the year ended June 30, 2013 totaled \$62,662,000. Transfers from Houston First to the General Fund during the year ended June 30, 2013 totaled \$15,130,000.

C. Interfund Charges

The General Fund charges the Airport System, Convention and Entertainment Facilities, Combined Utility System, Capital Project, Sign Administration, Auto Dealer's and Cable Television Funds for services provided by the General Fund on behalf of these funds. Such charges totaled \$60,427,000 for the year ended June 30, 2013, 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 2013 total are charges to the funds for direct and indirect expenses as shown below (in thousands):

	Airport System	Convention & Entertainment Facilities	Combined Utility System	Other Funds	Total
General Services	\$ 3,086	\$ 551	\$ 3,480	\$ 9,791	\$ 16,908
Fire Services	16,592	-	-	-	16,592
Police Services	21,787	-	-	-	21,787
Legal	-	-	1,189	-	1,189
Other	105	7	3,257	582	3,951
Total	\$ 41,570	\$ 558	\$ 7,926	\$ 10,373	\$ 60,427

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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, 2013 is as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Grants revenue	\$ 6,000
	Combined Utility System	160
	Nonmajor Governmental Funds	8,452
	Capital Projects Fund	274
	Airport System	137
	Internal Service Fund	11,083
	Convention and Entertainment Facilities	1
		<u>\$ 26,107</u>
Grants Revenue	General Fund	\$ 430
	Combined Utility System	563
	Airport System	235
	Capital Projects Fund	266
	Nonmajor Governmental Funds	1
	Internal Service Fund	250
		<u>\$ 1,745</u>
Capital Projects Fund	General Fund	\$ 337
		<u>\$ 337</u>
Airport System	General Fund	\$ 539
	Grants revenue	513
	Internal Service Fund	724
	Nonmajor Governmental Funds	5
		<u>\$ 1,781</u>
Convention and Entertainment Facilities	General Fund	\$ 75
	Grants revenue	113
	Internal Service Fund	28
		<u>\$ 216</u>
Combined Utility System	Grants revenue	\$ 8,465
	Nonmajor Governmental Funds	177
	Internal Service Fund	1,304
	General Fund	276
		<u>\$ 10,222</u>
Nonmajor Governmental Funds	General Fund	\$ 8,947
	Combined Utility System	1,008
	Internal Service Fund	728
		<u>\$ 10,683</u>
Internal Service Fund	General Fund	\$ 718
		<u>\$ 718</u>
Debt Service Fund	General Fund	\$ 31,834
	Capital Projects Fund	1,149
		<u>\$ 32,983</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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 \$75 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 Position, the City has recognized a liability of \$10.6 million for potential litigation losses arising from various lawsuits.

In 2004, Houston voters approved two ballot propositions limiting City revenue growth. Proposition 1 generally limits annual growth in property tax revenues to the lesser of the actual revenues in the preceding fiscal year, plus 4.5 percent, or the revenues received in the previous fiscal year, plus the cumulative combined rates of inflation and the City's population growth. With the exception of grant monies, revenue received from other governmental entities and interfund transfers, Proposition 2 caps growth in all City revenues, including the General Fund, Special Revenue Funds and Enterprise Funds (combined revenues). Proposition 2 would require a 60 percent vote at a regular election before the City could increase combined revenues over the combined revenues for the preceding fiscal year as adjusted for rates of change in the consumer price index and population growth. Any combined revenues collected by the City in excess of the Proposition 2 restriction would be placed in a taxpayer relief fund. Although both propositions received a majority of votes in the 2004 election, the City declared that Proposition 2 was not effective because Proposition 1 received the higher number of favorable votes.

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

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

B. Environmental Liabilities

The City is aware of various sites contaminated by asbestos or other hazardous materials. The City has recorded accrued liabilities of \$5.0 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, 2013, the City had appropriated but not yet spent from Capital Projects and Enterprise Funds approximately \$1,098,693,000 for capital projects.

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

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

This lease and the corresponding obligation has been assigned to Houston First Corporation.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

D. Risk Management

The City purchases fidelity coverage to comply with City ordinance, boiler and machinery insurance with a per occurrence loss limit of \$100 million and commercial property insurance with a per occurrence loss limit of \$150 million. The property insurance sublimit for flood is \$75 million, of which \$50 million may apply to locations in the 100-year flood plain (Flood Zone A). Property insurance provides deductibles as follows: \$2.5 million per occurrence for all perils except; 3% of the damaged insured value for windstorm or hail from a named storm, subject to a \$2.5 million minimum and a \$20 million maximum deductible; and 5% of the damaged insured value for flood, subject to a \$5 million minimum and a \$20 million maximum deductible. Should a named storm event occur that involves both perils of windstorm and flood, the maximum deductible is \$20 million. Hurricane Ike (2008) losses sustained were not in excess of the loss limit (\$250 million, 2008-2009 policy period). Insurance reimbursed the City \$11.4 million for property damage resulting from Hurricane Ike. Insurance settlements have not exceeded coverage over the last 3 fiscal years.

Self-insured claims are reported as liabilities in the accompanying financial statements when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. This determination is based on reported pending claims, estimates of claims incurred but not yet reported, actuarial reports and historical analysis. All claims are accounted for in the Government-wide Statement of Net Position.

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

The City, effective May 1, 2013, elected to discontinue stop-loss insurance and self-insure for adverse loss experience.

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

	Unemployment Claim Activity	
	June 30, 2013	June 30, 2012
Unpaid claims, beginning of fiscal year	\$294,052	\$457,430
Incurred claims (including IBNRs)	868,458	3,877,406
Claim payments	(1,023,912)	(4,040,784)
Unpaid claims, end of fiscal year	<u>\$138,598</u>	<u>\$294,052</u>

E. Purchase Commitments for Electricity

At June 30, 2013 the City had entered into agreements to lock rates for part of the natural gas component of its expected electricity use from July 1, 2013 through June 30, 2014. The total committed price is approximately \$105 million for expected usage. The City may pay a different amount if actual electricity usage varies. This amount will be appropriated in future annual budgets.

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

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

G. Federal and State

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

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 14: RELATED ORGANIZATION TRANSACTIONS

A. Metropolitan Transit Authority (Metro)

The City and Metro have an inter-local agreement covering shared costs of street maintenance/construction and traffic control during the fiscal year ended June 30, 2013. The City received \$101.890 million from Metro under this contract in the fiscal year ended June 30, 2013. The breakout was \$50.690 million to Capital Projects and \$51.200 million to Special Revenues. None of these payments were for the prior contract year.

B. Trinity River Authority (TRA)

As described in Note 8C, the City and TRA have a long-term contract under which the City is obligated to pay debt service for certain bonds as well as certain maintenance and operating expenses for a TRA dam and reservoir. During the fiscal year ended June 30, 2008, all outstanding long term debt had been paid off. During the fiscal year ended June 30, 2013 the City paid \$3.3 million for maintenance and operating expenses under the terms of the contract.

C. Coastal Water Authority (CWA)

The City has a long-term contract with CWA for the water conveyance. During the fiscal year ended June 30, 2013, the City paid CWA \$19.6 million for debt services and \$20.4 million for maintenance and operating expenses.

D. Houston First 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 Department Bonds, primarily for construction of the Hilton Americas Hotel. Repayment terms of the loan (including interest rates) coincide with the City's scheduled debt service payments.

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

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

E. Component Units

As described in note 16, the City has a number of component units, most of which have fiscal years ended June 30, 2013. Five discretely presented component units: Greater Houston Convention and Visitors Bureau (GHCVB), Houston First Corporation [(HFC), formerly Houston Convention Center Hotel Corporation], Houston Housing Finance Corporation (HHFC), Houston Zoo, Inc (HZI) and Miller Theatre Advisory Board, Inc (MTAB) have fiscal years ended December 31, 2012. Subsequent to December 31, 2012, the City received interest payments of \$4,448 thousand from HFC, none from GHCVB, none from HHFC, none from HZI and none from MTAB. During the fiscal year ended June 30, 2013, three new component units were added: Houston Forensic Science LGC, Inc, Houston Media Source and Houston Recovery Center LGC. On September 28, 2011, Houston Business Development Corp. changed its structure to that of a Community Based Development Corporation, and is no longer considered to be a Component Unit.

NOTE 15: CONDUIT DEBT OBLIGATIONS

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

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

CITY OF HOUSTON, TEXAS
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At June 30, 2013, the aggregate value of Special Facility Revenue Bonds outstanding was \$698,635,000, which includes \$28,115,000 of the City of Houston Special Facility Revenue Bonds (Automated People Mover System), Series 1997A bonds. The Series 1997A bonds are supported by an inferior lien contract between the Fund and Continental Airlines which is included in the Fund's liabilities. At June 30, 2012, outstanding conduit bonds totaled \$710,675,000.

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 Position
Major Component Units - Discretely Presented Governmental
June 30, 2013
(in thousands)

	Greater Houston Convention & Visitors Bureau	Houston Downtown Park Corporation	Memorial City Redevelopment Authority
Cash, receivable and other current assets	\$ 10,719	\$ 1	\$ 41,055
Noncurrent assets	201	-	-
Capital assets, net of accumulated depreciation	874	76,898	6,971
Total assets	<u>11,794</u>	<u>76,899</u>	<u>48,026</u>
Current liabilities	1,380	3,733	3,918
Long-term liabilities	143	16,937	44,750
Total liabilities	<u>1,523</u>	<u>20,670</u>	<u>48,668</u>
Net position			
Net investment in capital assets	-	56,229	-
Restricted	-	-	3,751
Unrestricted (deficit)	10,271	-	(4,393)
Total net position (deficit)	<u>\$ 10,271</u>	<u>\$ 56,229</u>	<u>\$ (642)</u>

(Continued)

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

Midtown Redevelopment Authority	Uptown Development Authority	Nonmajor Component Units	Total Component Units
\$ 65,822	\$ 28,500	\$ 192,717	\$ 338,814
1,383	353	20,333	22,270
17,249	12,858	53,305	168,155
<u>84,454</u>	<u>41,711</u>	<u>266,355</u>	<u>529,239</u>
8,775	14,401	21,181	53,388
<u>59,230</u>	<u>62,758</u>	<u>139,355</u>	<u>323,173</u>
<u>68,005</u>	<u>77,159</u>	<u>160,536</u>	<u>376,561</u>
6,295	12,858	33,773	109,155
45,112	17,704	87,847	154,414
(34,958)	(66,010)	(15,801)	(110,891)
<u>\$ 16,449</u>	<u>\$ (35,448)</u>	<u>\$ 105,819</u>	<u>\$ 152,678</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

Change in Net Position
Major Component Units - Discretely Presented Governmental
For the Year Ended June 30, 2013
(in thousands)

Component Units	Expenses	Charges for Services	Operating Grants and Contributions	Greater Houston Convention & Visitors Bureau
Greater Houston Convention & Visitors Bureau	\$ 16,180	\$ 633	\$ 16,286	\$ 739
Houston Downtown Park Corporation	1,508	1,226	37	-
Memorial City Redevelopment Authority	5,955	-	109	-
Midtown Redevelopment Authority	20,254	-	-	-
Uptown Redevelopment Authority	24,340	-	3,123	-
Nonmajor Component Units	62,496	2,871	24,207	-
Total component units	\$ 130,733	\$ 4,730	\$ 43,762	\$ 739
 General Revenues:				
Taxes				
Property taxes levied for general purposes				\$ -
Hotel occupancy tax				-
Contributions				-
Unrestricted investment earnings				909
Other				-
Transfers				-
Total general revenues and transfers				909
Change in net position				1,648
Net position beginning				8,623
Change in accounting principle				-
Net position ending				\$ 10,271

(Continued)

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

Net (Expense) Revenue and Change In Net Position

Houston Downtown Park Corporation	Memorial City Redevelopment Authority	Midtown Redevelopment Authority	Uptown Redevelopment Authority	Non-Major Component Units	Total Component Units
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 739
(245)	-	-	-	-	(245)
-	(5,846)	-	-	-	(5,846)
-	-	(20,254)	-	-	(20,254)
-	-	-	(21,217)	-	(21,217)
-	-	-	-	(35,418)	(35,418)
<u>\$ (245)</u>	<u>\$ (5,846)</u>	<u>\$ (20,254)</u>	<u>\$ (21,217)</u>	<u>\$ (35,418)</u>	<u>\$ (82,241)</u>
-	\$ 8,025	\$ 17,225	\$ 26,077	\$ 46,018	\$ 97,345
-	-	-	-	-	-
-	-	-	-	-	-
-	84	56	29	3,008	4,086
-	-	320	(19)	963	1,264
-	-	-	-	(3,806)	(3,806)
-	8,109	17,601	26,087	46,183	98,889
(245)	2,263	(2,653)	4,870	10,765	16,648
56,474	(9,020)	19,102	(39,081)	102,959	139,057
-	6,115	-	(1,237)	(7,905)	(3,027)
<u>\$ 56,229</u>	<u>\$ (642)</u>	<u>\$ 16,449</u>	<u>\$ (35,448)</u>	<u>\$ 105,819</u>	<u>\$ 152,678</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

Net Position
Major Component Units - Discretely Presented Business-type
June 30, 2013
(in thousands)

	Houston First Corporation	Houston Zoo Inc.	Nonmajor Component Units	Total
Cash, receivable and other current assets	\$ 135,960	\$ 34,318	\$ 33,972	\$ 204,250
Noncurrent assets	8,309	6,150	11,774	26,233
Capital assets, net of accumulated depreciation	221,445	66,913	2,000	290,358
Total assets	<u>365,714</u>	<u>107,381</u>	<u>47,746</u>	<u>520,841</u>
Deferred outflow of Resources	1,661	-	-	1,661
Current liabilities	48,321	4,400	104	52,825
Long-term liabilities	256,926	-	12	256,938
Total liabilities	<u>305,247</u>	<u>4,400</u>	<u>116</u>	<u>309,763</u>
Net position				
Net investment in capital assets	(6,746)	-	1,989	(4,757)
Restricted	15,158	20,219	-	35,377
Unrestricted	53,717	82,762	45,641	182,120
Total net position	<u>\$ 62,129</u>	<u>\$ 102,981</u>	<u>\$ 47,630</u>	<u>\$ 212,740</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

Change in Net Position
Major Component Units - Discretely Presented Business-type
For the Year Ended June 30, 2013
(in thousands)

<u>Component Units</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Houston First Corporation	\$ 117,533	\$ 103,715	\$ -
Houston Zoo Inc.	33,177	28,115	23,723
Nonmajor Component Units	1,020	529	-
Totals	<u>\$ 151,730</u>	<u>\$ 132,359</u>	<u>\$ 23,723</u>

General Revenues:

Taxes

Property Taxes levied for general purposes

Unrestricted investment earnings

Other

Transfers

Total general revenues and transfers

Change in net position

Net position beginning

New Component Unit & Restatement

Net position ending

Continued

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

Net (Expense) Revenue and Change in Net Position

Houston First Corporation	Houston Zoo Inc.	Non-Major Component Units	Total
\$ (13,818)	\$ -	\$ -	\$ (13,818)
-	18,661	-	18,661
-	-	(491)	(491)
<u>\$ (13,818)</u>	<u>\$ 18,661</u>	<u>\$ (491)</u>	<u>\$ 4,352</u>
\$ -	\$ -	\$ 750	\$ 750
503	625	1,050	2,178
(20,008)	-	-	(20,008)
64,267	-	-	64,267
<u>44,762</u>	<u>625</u>	<u>1,800</u>	<u>47,187</u>
30,944	19,286	1,309	51,539
32,505	83,695	46,321	162,521
(1,320)	-	-	(1,320)
<u>\$ 62,129</u>	<u>\$ 102,981</u>	<u>\$ 47,630</u>	<u>\$ 212,740</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 17: SUBSEQUENT EVENTS

A. Tax and Revenue Anticipation Notes

On July 2, 2013, the City closed the sale of \$180,000,000 Tax and Revenue Anticipation Notes (TRANS), Series 2013. The proceeds of the TRANS will be used to pay working capital expenditures until tax revenues are received in early 2014. The stated interest rate was 2.00% and the average yield was .16%. The notes will mature on June 30, 2014.

B. Tax and Revenue Certificate of Obligation

On October 17, 2013, the City closed the sale of \$9,000,000 Tax and Revenue Certificate of Obligation Series CO2013Q. The proceeds of the Certificate of Obligation will be used to acquire, construct, equip, repair, renovate to enhance and improve energy efficiency of certain systems of buildings that constitute a "Qualified Conservation Purpose". The stated interest rate was 4.31%. The Certificate of Obligation will mature on September 1, 2023.

C. Subordinate Lien Hotel Occupancy Tax and Parking Revenue Flexible Rate Notes, Series A

On October 23, 2013 the City closed the Subordinate Lien Hotel Occupancy Tax and Parking Revenue Flexible Rate Notes, Series A \$75,000,000 with Regions Capital Advantage Bank. The notes will expire on October 13, 2018. The maturity dates may not exceed 270 days and the maximum interest rate may not exceed 10%.

D. Combine Utility System Third Lien Revenue Bonds, Series B-5

On October 30, 2013 the City closed the Combined Utility Third Lien Revenue Bonds, Series B-5 \$100,000,000 with Royal Bank of Canada (RBC Capital Markets). This Forward Bond Purchase Agreement is replacing the current BBVA credit facility. The agreement with RBC will expire on October 30, 2018.

Required Supplementary Information - (unaudited)

**CITY OF HOUSTON, TEXAS
GENERAL OPERATING FUND
Schedule of Budgeted and Actual Revenues and Expenditures
For the Year Ended June 30, 2013
amounts expressed in thousands
(unaudited)**

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
Revenues				
Taxes and assessments				
Property Taxes	\$ 900,197	\$ 900,197	\$ 910,034	\$ 9,837
Industrial Assessments	14,800	14,800	29,845	15,045
Sales Tax	577,373	577,373	600,256	22,883
Franchise Tax	191,672	191,672	195,305	3,633
Mixed Beverage Tax	9,500	9,500	9,887	387
Bingo Tax	185	185	196	11
Total taxes and assessments	<u>1,693,727</u>	<u>1,693,727</u>	<u>1,745,523</u>	<u>51,796</u>
Licenses and permits				
General	23,560	23,560	27,693	4,133
Health Permits	5,941	5,941	6,527	586
Total licenses and permits	<u>29,501</u>	<u>29,501</u>	<u>34,220</u>	<u>4,719</u>
Charges for services				
Ambulance service	32,417	32,417	27,582	(4,835)
Library fees	9	9	11	2
Parking	201	201	211	10
Services performed for other funds				
Direct	43,959	43,948	43,519	(429)
Indirect	16,850	16,850	16,907	57
Rents and royalties	1,469	1,469	1,561	92
Others	11,224	11,224	12,868	1,644
Total charges for services	<u>106,129</u>	<u>106,118</u>	<u>102,659</u>	<u>(3,459)</u>
Intergovernmental - grants	<u>10,332</u>	<u>10,332</u>	<u>12,354</u>	<u>2,022</u>
Fines and forfeits				
Municipal Courts	34,486	34,486	31,814	(2,672)
Others	5,051	5,051	4,666	(385)
Total fines and forfeits	<u>39,537</u>	<u>39,537</u>	<u>36,480</u>	<u>(3,057)</u>
Interest	<u>4,000</u>	<u>4,000</u>	<u>1,936</u>	<u>(2,064)</u>
Other				
Sale of Property	355	355	513	158
Other	7,709	7,709	9,616	1,907
Total Other	<u>8,064</u>	<u>8,064</u>	<u>10,129</u>	<u>2,065</u>
Total revenues	<u>1,891,290</u>	<u>1,891,279</u>	<u>1,943,301</u>	<u>52,022</u>
Other financing sources (uses)				
Transfers in	27,078	27,078	30,742	3,664
Sale of capital assets	4,500	4,500	4,602	102
Other financing sources (uses)	-	-	10,666	10,666
Total other financing sources (uses)	<u>31,578</u>	<u>31,578</u>	<u>46,010</u>	<u>14,432</u>
Total revenues and other financing sources	<u>\$ 1,922,868</u>	<u>\$ 1,922,857</u>	<u>\$ 1,989,311</u>	<u>\$ 66,454</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, 2013
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	6,075	6,073	5,734	339
Other current expenditures	277	277	276	1
Equipment acquisition	-	2	2	-
Total legislative - council	<u>6,352</u>	<u>6,352</u>	<u>6,012</u>	<u>340</u>
Legislative - Mayor's Office				
Personnel services	5,498	5,517	5,508	9
Other current expenditures	615	647	616	31
Total executive - mayor's office	<u>6,113</u>	<u>6,164</u>	<u>6,124</u>	<u>40</u>
Total legislative and executive	<u>12,465</u>	<u>12,516</u>	<u>12,136</u>	<u>380</u>
Office of Business Opportunity				
Personnel services	2,116	2,023	1,945	78
Other current expenditures	237	328	307	21
Equipment acquisition	-	2	2	-
Total office of business opportunity	<u>2,353</u>	<u>2,353</u>	<u>2,254</u>	<u>99</u>
Municipal Courts Administration				
Municipal Courts				
Personnel services	18,977	18,827	18,334	493
Other current expenditures	5,026	4,985	3,658	1,327
Equipment acquisition	2	63	63	-
Total municipal courts	<u>24,005</u>	<u>23,875</u>	<u>22,055</u>	<u>1,820</u>
Elections		550	536	14
Finance administration				
Controller				
Personnel services	6,301	6,818	6,713	105
Other current expenditures	1,074	1,058	824	234
Equipment acquisition		16	16	-
Total controller	<u>7,375</u>	<u>7,892</u>	<u>7,553</u>	<u>339</u>
Finance				
Personnel services	6,894	6,831	5,971	860
Other current expenditures	4,383	4,858	4,296	562
Equipment acquisition		5		5
Total finance	<u>11,277</u>	<u>11,694</u>	<u>10,267</u>	<u>1,427</u>
Administrative and Regulatory Affairs				
Personnel services	18,391	18,594	18,017	577
Other current expenditures	3,407	3,874	3,799	75
Equipment acquisition		3	3	-
Total administrative and regulatory affairs	<u>21,798</u>	<u>22,471</u>	<u>21,819</u>	<u>652</u>
Information Technology				
Personnel services	14,734	14,559	13,970	589
Other current expenditures	4,535	4,883	4,424	459
Equipment acquisition				-
Total information technology	<u>19,269</u>	<u>19,442</u>	<u>18,394</u>	<u>1,048</u>
Bond and Legal	1,895	1,895	2,013	(118)
Total finance administration	<u>61,614</u>	<u>63,394</u>	<u>60,046</u>	<u>3,348</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, 2013
amounts expressed in thousands
(unaudited)

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
Legal				
Personnel services	13,006	12,970	12,803	167
Other current expenditures	1,107	1,138	971	167
Equipment acquisition	-	5	5	-
Total legal	14,113	14,113	13,779	334
City Secretary				
Personnel services	681	681	638	43
Other current expenditures	155	155	137	18
Total city secretary	836	836	775	61
Planning and Development				
Personnel services	6,824	6,774	6,431	343
Other current expenditures	721	771	684	87
Equipment acquisition	-	-	-	-
Total planning and development	7,545	7,545	7,115	430
Human Resources				
Personnel services	2,892	2,840	2,780	60
Other current expenditures	349	366	654	(288)
Equipment acquisition	5	40	33	(7)
Total human resources	3,246	3,246	3,467	(235)
Total general government	126,177	128,428	122,163	6,251
Public safety				
Police				
Personnel services	648,549	643,561	644,039	(478)
Other current expenditures	48,878	50,886	50,480	406
Equipment acquisition	140	1,317	1,310	7
Total police	697,567	695,764	695,829	(65)
Fire				
Personnel services	401,619	401,246	402,277	(1,031)
Other current expenditures	31,772	31,818	30,699	1,119
Equipment acquisition	-	200	200	-
Total fire	433,391	433,264	433,176	88
Total public safety	1,130,958	1,129,028	1,129,005	23
Public Works				
Administration				
Personnel services	1,283	1,283	1,251	32
Other current expenditures	32,557	34,454	34,314	140
Equipment acquisition	-	-	-	-
Total administration	33,840	35,737	35,565	172
General Services				
Personnel services	13,110	13,172	12,761	411
Other current expenditures	32,276	32,765	32,129	636
Equipment acquisition	-	155	116	39
Total general services	45,386	46,092	45,006	1,086

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, 2013
amounts expressed in thousands
(unaudited)

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
Solid Waste				
Personnel services	28,507	28,507	28,629	(122)
Other current expenditures	38,855	38,821	38,252	569
Equipment acquisition		34	42	(8)
Total solid waste	<u>67,362</u>	<u>67,362</u>	<u>66,923</u>	<u>439</u>
Total public works	<u>146,588</u>	<u>149,191</u>	<u>147,494</u>	<u>1,697</u>
Department of Neighborhoods				
Personnel services	7,689	7,754	7,508	246
Other current expenditures	2,631	2,725	2,534	191
Equipment acquisition		50	48	2
Total department of neighborhoods	<u>10,320</u>	<u>10,529</u>	<u>10,090</u>	<u>439</u>
Health				
Personnel services	35,806	34,202	33,955	247
Other current expenditures	6,557	9,700	9,576	124
Equipment acquisition	8	448	425	23
Total health	<u>42,371</u>	<u>44,350</u>	<u>43,956</u>	<u>394</u>
Housing				
Personnel services	267	260	249	11
Other current expenditures	2,162	2,254	2,234	20
Total housing	<u>2,429</u>	<u>2,514</u>	<u>2,483</u>	<u>31</u>
Parks and Recreation				
Personnel services	37,602	36,425	35,823	602
Other current expenditures	25,735	26,564	26,828	(264)
Equipment acquisition		402	382	20
Total parks and recreation	<u>63,337</u>	<u>63,391</u>	<u>63,033</u>	<u>358</u>
Library				
Personnel services	23,982	23,463	23,468	(5)
Other current expenditures	4,658	4,543	4,492	51
Equipment acquisition	4,686	5,356	5,355	1
Total library	<u>33,326</u>	<u>33,362</u>	<u>33,315</u>	<u>47</u>
Retiree Benefits				
Hospital and life insurance	12,051	24,151	11,907	12,244
Total retiree benefits	<u>12,051</u>	<u>24,151</u>	<u>11,907</u>	<u>12,244</u>
Other current expenditures				
Tax appraisal fees	7,800	7,650	7,623	27
Limited-purpose Annexation Districts	38,208	39,843	41,901	(2,058)
Contingency	4,100	3,773	-	3,773
Claims and judgments	10,277	10,277	11,354	(1,077)
Membership dues	1,625	1,660	1,489	171
Advertising and promotion	300	500	515	(15)
Management Initiative Savings	-	-	-	-
Consultants	1,200	1,491	2,119	(628)
Miscellaneous support services	29,384	25,780	28,644	(2,864)
Total other current expenditures	<u>92,894</u>	<u>90,974</u>	<u>93,645</u>	<u>(2,671)</u>
Debt service				
Debt service interest	4,118	4,118	2,953	1,165
Total debt service	<u>4,118</u>	<u>4,118</u>	<u>2,953</u>	<u>1,165</u>
Total expenditures	<u>1,664,569</u>	<u>1,680,036</u>	<u>1,660,044</u>	<u>19,978</u>
Other financing sources (uses)				
Transfers out	283,318	286,059	285,611	448
Total other financing sources (uses)	<u>283,318</u>	<u>286,059</u>	<u>285,611</u>	<u>448</u>
Total expenditures and other financing uses	<u>\$ 1,947,887</u>	<u>\$ 1,966,095</u>	<u>\$ 1,945,655</u>	<u>\$ 20,426</u>

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, 2013
amounts expressed in thousands
(unaudited)

Revenues

Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 1,943,301
Revenues of non-budgeted funds	
Equipment Acquisition	10,566
Building Security	892
Grant Matching Fund	79
Storm Water	2
Bureau of Animal Regulation and Care	1,376
Fleet Maintenance	8
Total revenues of non-budgeted funds	<u>12,922</u>
Interest on pooled investments from non-budgeted revenues	(338)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances	<u><u>1,955,886</u></u>

Expenditures

Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	\$ 1,660,044
Expenditures of non-budgeted funds	
Equipment Acquisition	39,369
Building Security	881
Grant Matching Fund	485
Special Non-Recurring	
Fleet Maintenance	26
Storm Water	35,147
Bureau of Animal Regulation and Care	7,950
Total expenditures of non-budgeted funds	<u>83,858</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	<u><u>1,743,902</u></u>

Other financing sources (uses)

Actual amounts (budgetary basis) "other financing sources and uses" from the budgetary comparison schedules	(239,601)
Proceeds from Issuance of Debt	57,000
Sale of Assets	500
Transfers of Non Budgeted Funds	33,220
Total other financing sources and uses as reported on the statement of revenues, expenditures, and changes in fund balances--governmental funds	<u><u>\$ (148,881)</u></u>

See note to Required Supplementary Information

CITY OF HOUSTON, TEXAS
REQUIRED NOTES TO THE SUPPLEMENTARY INFORMATION
June 30, 2013
(Unaudited)

1. General Budget Policies

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

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

On May 1, 2013, City Council approved the Fiscal Year 2013 general appropriation ordinance in the amount of \$1.966 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 2013 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	\$ 302,213	\$ 180,488	\$ (101,372)
Non-budgeted Disaster Recovery Fund	906	-	-
Non-budgeted Grants Revenue Fund	196,568	223,558	(229)
Non-budgeted Health and Housing	9,762	6,139	-
Non-budgeted Other Funds	15,982	6,288	-
Total Special Revenue Funds - Actual	<u>\$ 525,431</u>	<u>\$ 416,473</u>	<u>\$ (101,601)</u>

2. General Fund Budgetary Highlights

Revenues were \$52 million above budget. This increase was mainly evident in taxes and assessments of \$52 million.

Significant differences between budgeted and actual taxes and assessments include:

- \$10 million increase in property tax
- \$23 million increase in sales tax
- \$15 million increase in Industrial Assessments

Total expenditures were \$20 million below budget, with a \$6 million decrease in general government, and a \$12 million decrease in Retiree Benefits.

**CITY OF HOUSTON, TEXAS
REQUIRED PENSION SYSTEM
SUPPLEMENTARY INFORMATION
June 30, 2013
(unaudited)**

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

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (Surplus UAAL) (b-a)	Funded Ratio (a/b)	Projected Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	\$2,633.6	\$2,892.3	\$258.7	91%	\$232.4	111%
July 1, 2008	\$2,945.1	\$3,080.5	\$135.4	96%	\$239.2	57%
July 1, 2009	\$3,062.2	\$3,209.7	\$147.5	95%	\$258.9	57%
July 1, 2010	\$3,116.8	\$3,337.5	\$220.7	93%	\$265.8	83%
July 1, 2011	\$3,222.3	\$3,558.2	\$335.9	91%	\$272.5	123%
July 1, 2012	\$3,263.3	\$3,752.9	\$489.6	87%	\$270.9	181%

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

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (Surplus UAAL) (b-a)	Funded Ratio (a/b)	Projected Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	\$2,193.7	\$3,128.7	\$935.0	70%	\$448.9	208%
July 1, 2008	\$2,310.4	\$3,296.4	\$986.0	70%	\$483.8	204%
July 1, 2009	\$2,284.4	\$3,451.4	\$1,167.0	66%	\$539.0	217%
July 1, 2010	\$2,273.1	\$3,632.5	\$1,359.4	63%	\$550.7	247%
July 1, 2011	\$2,328.8	\$3,790.3	\$1,461.5	61%	\$544.7	268%
July 1, 2012	\$2,344.1	\$3,966.9	\$1,622.8	59%	\$534.4	304%

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

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (Surplus UAAL) (b-a)	Funded Ratio (a/b)	Projected Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	\$3,004.9	\$3,857.7	\$852.8	78%	\$336.0	254%
July 1, 2008	\$3,337.6	\$4,079.0	\$741.4	82%	\$351.5	211%
July 1, 2009	\$3,430.9	\$4,368.5	\$937.6	79%	\$366.9	256%
July 1, 2010	\$3,526.7	\$4,232.7	\$706.0	83%	\$377.8	187%
July 1, 2011	\$3,718.1	\$4,488.1	\$770.0	83%	\$388.4	198%
July 1, 2012	\$3,888.5	\$4,747.2	\$858.7	82%	\$389.9	220%

CITY OF HOUSTON, TEXAS
REQUIRED OTHER POST EMPLOYMENT BENEFITS
SUPPLEMENTARY INFORMATION
June 30, 2013
(unaudited)

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

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (Surplus UAAL) (b-a)	Funded Ratio (a/b)	Projected Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
June 30, 2006	\$0	\$3,238	\$3,238	0%	\$1,090.1	297.0%
June 30, 2008	\$0	\$3,096	\$3,096	0%	\$1,136.5	272.4%
June 30, 2009	\$0	\$3,031	\$3,031	0%	\$1,193.5	254.1%
June 30, 2010	\$0	\$1,984	\$1,984	0%	\$1,208.9	164.1%
June 30, 2011	\$0	\$1,984	\$1,984	0%	\$1,164.5	170.4%
June 30, 2012	\$0	\$2,090	\$2,090	0%	\$1,178.1	177.4%

Governmental Funds

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

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

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

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

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

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

CITY OF HOUSTON, TEXAS
GENERAL FUND
Balance Sheet
June 30, 2013
(With comparative amounts for 2012)
amounts expressed in thousands

	2013	2012
Assets		
Equity in pooled cash and investments	\$ 226,782	\$ 164,851
Receivables, net of allowances		
Accounts receivable	62,952	35,055
Property taxes receivable, net	31,223	34,708
Sales taxes receivable	106,418	100,539
Mixed beverage taxes receivable	2,717	2,584
Franchise taxes receivable	17,938	17,795
Special assessments receivable	14,721	3,368
Due from other funds	26,107	10,912
Due from other governments	598	3,335
Inventory	12,701	13,538
Prepaid items	2,011	2,149
Total assets	<u>\$ 504,168</u>	<u>\$ 388,834</u>
Liabilities and fund balance		
Liabilities		
Accounts payable	49,076	48,111
Accrued payroll liabilities	28,120	24,541
Due to other funds	43,156	25,730
Due to other governments	278	308
Advances and deposits	7,623	8,720
Claims and judgments	1,769	1,759
Compensated absences	4,278	3,700
Unearned revenue	93,538	62,738
Total liabilities	<u>227,838</u>	<u>175,607</u>
Fund balance		
Non-Spendable		
Imprest cash and prepaids	2,091	2,149
Inventory	12,701	13,538
Restricted	63,696	35,868
Committed	6,892	8,547
Unassigned	190,950	153,125
Total fund balance	<u>276,330</u>	<u>213,227</u>
Total liabilities and fund balance	<u>\$ 504,168</u>	<u>\$ 388,834</u>

CITY OF HOUSTON, TEXAS
GENERAL FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2013
(With comparative amounts for 2012)
amounts expressed in thousands

	<u>2013</u>	<u>2012</u>
Revenues		
Taxes and assessments		
Property Taxes	\$ 910,034	\$ 866,141
Industrial Assessments	29,845	37
Sales Tax	600,256	546,543
Franchise Tax	195,305	192,760
Mixed Beverage Tax	9,887	9,525
Bingo Tax	196	193
Licenses and permits	35,051	25,492
Charges for services	102,965	105,537
Intergovernmental - grants	19,146	16,536
Fines and forfeits	36,480	37,190
Investment income	1,598	4,609
Other	15,123	9,022
Total revenues	<u>1,955,886</u>	<u>1,813,585</u>
Expenditures		
Current		
General government	194,775	170,729
Public safety	1,162,652	1,092,997
Public works	189,874	182,229
Health	43,977	40,138
Housing and community development	2,483	599
Parks and recreation	63,033	63,156
Library	33,315	31,607
Retiree benefits	11,907	10,360
Capital outlay	38,934	63,197
Debt service interest	2,952	2,061
Total expenditures	<u>1,743,902</u>	<u>1,657,073</u>
Other financing sources (uses)		
Proceeds from issuance of debt	67,666	76,118
Sale of capital assets	5,102	2,330
Transfers in	76,641	73,147
Transfers out	(314,806)	(276,317)
Transfers from component units	16,516	12,849
Total other financing sources (uses)	<u>(148,881)</u>	<u>(111,873)</u>
Change in fund balance	63,103	44,639
Fund balances beginning, as previously reported	<u>213,227</u>	<u>168,588</u>
Fund balances, July 1	<u>213,227</u>	<u>168,588</u>
Fund balances, June 30	<u>\$ 276,330</u>	<u>\$ 213,227</u>

CITY OF HOUSTON, TEXAS
DEBT SERVICE FUND
Balance Sheet
June 30, 2013
(With comparative amounts for 2012)
amounts expressed in thousands

	2013	2012
Assets		
Equity in pooled cash and investments	\$ 124,954	\$ 129,565
Due from other funds	32,983	19,456
Due from other governments	3,549	3,949
Total assets	\$ 161,486	\$ 152,970
 Liabilities and fund balance		
Liabilities		
Accounts payable	\$ 1,383	\$ 847
Unearned revenue	3,549	3,949
Total liabilities	4,932	4,796
 Fund balance		
Restricted	156,554	148,174
Total fund balance	156,554	148,174
Total liabilities and fund balance	\$ 161,486	\$ 152,970

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, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	2013			Variance with Final Budget- Pos (Neg)	2012 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ -	\$ -	\$ (57)	\$ (57)	\$ 516
Other	-	-	5,873	5,873	6,213
Total revenues	-	-	5,816	5,816	6,729
Expenditures					
Current					
Debt service principal	161,675	161,675	138,875	22,800	346,600
Debt service interest	181,810	181,810	155,255	26,555	159,025
Debt service fiscal agent & fees	9,091	9,091	5,447	3,644	9,647
Total expenditures	352,576	352,576	299,577	52,999	515,272
Other financing sources (uses)					
Net proceeds from issuance of debt	-	-	343,610	343,610	609,685
Premium on long-term debt	-	-	51,617	51,617	81,310
Transfers in	-	-	302,141	302,141	280,487
Payment to escrow agent for refunded bonds	-	-	(395,227)	(395,227)	(458,052)
Total other financing sources (uses)	-	-	302,141	302,141	513,430
Change in fund balance	(352,576)	(352,576)	8,380	360,956	4,887
Fund balances, July 1	-	-	148,174	148,174	143,287
Fund balances, June 30	<u>\$ (352,576)</u>	<u>\$ (352,576)</u>	<u>\$ 156,554</u>	<u>\$ 509,130</u>	<u>\$ 148,174</u>

CITY OF HOUSTON, TEXAS
CAPITAL PROJECTS FUND
Balance Sheet
June 30, 2013
(With comparative amounts for 2012)
amounts expressed in thousands

	2013	2012
Assets		
Equity in pooled cash and investments	\$ 192,832	\$ 185,114
Due from other funds	337	8,006
Due from other governments	741	1,046
Prepaid items - Construction materials	143	125
Total assets	\$ 194,053	\$ 194,291
 Liabilities and fund balance		
Liabilities		
Accounts payable	26,100	25,337
Accrued payroll liabilities	1	2
Due to other funds	1,689	1,042
Advances and deposits	31	31
Unearned revenue	99,050	101,449
Total liabilities	126,871	127,861
 Fund balance		
Imprest cash and prepaids	143	125
Restricted	21,031	46,432
Assigned	46,008	19,873
Total fund balance	67,182	66,430
Total liabilities and fund balance	\$ 194,053	\$ 194,291

CITY OF HOUSTON, TEXAS
CAPITAL PROJECTS FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	2013	2012
Revenues		
Intergovernmental - grants	\$ 53,943	\$ 48,021
Investment income	(609)	1,530
Other	7,654	15,405
Total revenues	60,988	64,956
 Expenditures		
Current		
Capital outlay	181,147	184,425
Total expenditures	181,147	184,425
 Other financing sources (uses)		
Proceeds from issuance of debt	27,000	120,882
Transfers in	96,260	41,348
Transfers out	(2,349)	(8,577)
Total other financing sources (uses)	120,911	153,653
 Change in fund balance	752	34,184
Fund balances, July 1	66,430	32,246
 Fund balances, June 30	\$ 67,182	\$ 66,430

CITY OF HOUSTON, TEXAS
GRANTS FUND
Balance Sheet
June 30, 2013
(With comparative amounts for 2012)
amounts expressed in thousands

	2013	2012
Assets		
Cash		
Equity in pooled cash and investments	\$ 1,355	\$ -
Receivables, net of allowances		
Accounts receivable	8,547	11,877
Due from other funds	1,745	1,541
Due from component units	1,965	2,085
Due from other governments	85,313	109,059
Inventory	290	395
Total assets	99,215	124,957
Liabilities and fund balance		
Liabilities		
Accounts payable	17,064	21,305
Accrued payroll liabilities	997	892
Due to other funds	15,091	15,255
Due to other governments	3,611	600
Advances and deposits	221	184
Unearned revenue	45,556	72,064
Total liabilities	82,540	110,300
Fund balance		
Non-Spendable		
Inventory	290	395
Restricted	16,385	14,262
Total fund balance	16,675	14,657
 Total liabilities and fund balance	 \$ 99,215	 \$ 124,957

CITY OF HOUSTON, TEXAS
GRANTS FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2013
(With comparative amounts for 2012)
amounts expressed in thousands

	2013	2012
Revenues		
Intergovernmental - grants	\$ 225,974	\$ 221,363
Contributions	-	20
Investment income	291	373
Total revenues	226,265	221,756
Expenditures		
Current		
General government	2,957	15,727
Public safety	57,258	56,577
Public works	8,215	7,527
Health	62,596	58,844
Housing and community development	85,026	74,180
Parks and recreation	5,848	3,451
Library	2,118	2,508
Total expenditures	224,018	218,814
Other financing sources (uses)		
Transfers out	(229)	(42)
Total other financing sources (uses)	(229)	(42)
Change in fund balance	2,018	2,900
Fund balances, July 1	14,657	11,757
Fund balances, June 30	\$ 16,675	\$ 14,657

CITY OF HOUSTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	<i>Nonmajor Funds</i>		
	Public Safety Special Fund	Public Works Special Fund	Health & Housing Special Fund
Assets			
Equity in pooled cash and investments	\$ 23,930	\$ 105,402	\$ 13,440
Receivables, net of allowances			
Accounts receivable	463	18,437	193
Due from other funds	1,389	9,203	22
Due from other governments	1,066	8,753	-
Inventory	-	870	-
Total assets	<u>\$ 26,848</u>	<u>\$ 142,665</u>	<u>\$ 13,655</u>
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ 1,509	\$ 2,749	\$ 148
Accrued payroll liabilities	604	1,391	62
Due to other funds	769	7,853	1
Due to other governments	1	-	-
Advances and deposits	743	1,489	-
Compensated absences	1	73	-
Other liabilities	-	-	-
Unearned revenue	-	26,951	68
Total liabilities	<u>3,627</u>	<u>40,506</u>	<u>279</u>
Fund balance			
Non-Spendable			
Inventory	-	870	-
Committed	16,417	17,751	9,218
Restricted	<u>6,804</u>	<u>83,538</u>	<u>4,158</u>
Total fund balance	<u>23,221</u>	<u>102,159</u>	<u>13,376</u>
Total liabilities and fund balance	<u>\$ 26,848</u>	<u>\$ 142,665</u>	<u>\$ 13,655</u>

(Continued)

Nonmajor Funds

Parks & Recreation Special Fund	Other Special Revenue Fund	2013	2012
\$ 7,744	\$ 73,763	\$ 224,279	\$ 196,729
(46)	1,570	20,617	18,821
43	26	10,683	1,990
-	-	9,819	10,814
-	-	870	367
<u>\$ 7,741</u>	<u>\$ 75,359</u>	<u>\$ 266,268</u>	<u>\$ 228,721</u>
\$ 223	\$ 2,076	\$ 6,705	\$ 5,634
87	129	2,273	2,068
3	9	8,635	9,606
13	1,103	1,117	986
61	263	2,556	2,307
-	1	75	51
-	6	6	2
35	427	27,481	25,220
<u>422</u>	<u>4,014</u>	<u>48,848</u>	<u>45,874</u>
-	-	870	367
6,979	9,328	59,693	52,351
<u>340</u>	<u>62,017</u>	<u>156,857</u>	<u>130,129</u>
<u>7,319</u>	<u>71,345</u>	<u>217,420</u>	<u>182,847</u>
<u>\$ 7,741</u>	<u>\$ 75,359</u>	<u>\$ 266,268</u>	<u>\$ 228,721</u>

CITY OF HOUSTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	<i>Nonmajor Funds</i>		
	Public Safety Special Fund	Public Works Special Fund	Health & Housing Special Fund
Revenues			
Franchise Tax	\$ -	\$ 359	\$ -
Licenses and permits	3,317	54,203	3,758
Charges for services	4,273	122,719	1,386
Intergovernmental - grants	11,144	51,200	2,565
Fines and forfeits	1,021	9	-
Investment income	2	(50)	(15)
Other	16,505	3,006	2,068
Total revenues	<u>36,262</u>	<u>231,446</u>	<u>9,762</u>
Expenditures			
Current			
General government	-	-	
Public safety	47,613	-	
Public works	-	86,774	-
Health	-	-	5,413
Housing and community development	-	-	713
Parks and recreation	-	-	-
Capital outlay	1,069	23,467	13
Debt service interest	-	115	-
Debt service fiscal agent & fees	-	765	-
Total expenditures	<u>48,682</u>	<u>111,121</u>	<u>6,139</u>
Other financing sources (uses)			
Sale of capital assets	730	(14)	-
Transfers in	18,369	12,102	-
Transfers out	(1,445)	(119,386)	-
Total other financing sources (uses)	<u>17,654</u>	<u>(107,298)</u>	<u>-</u>
Change in fund balance	5,234	13,027	3,623
Fund balances, July 1	<u>17,987</u>	<u>89,132</u>	<u>9,753</u>
Fund balances, June 30	<u>\$ 23,221</u>	<u>\$ 102,159</u>	<u>\$ 13,376</u>

(Continued)

<i>Nonmajor Funds</i>			
Parks & Recreation Special Fund	Other Special Revenue Fund	2013	2012
\$ -	\$ -	\$ 359	\$ 393
463	308	62,049	59,294
7,716	9,038	145,132	142,546
-	3,001	67,910	65,552
-	10,445	11,475	15,060
(9)	(65)	(137)	1,916
76	19,696	41,351	41,540
<u>8,246</u>	<u>42,423</u>	<u>328,139</u>	<u>326,301</u>
-	19,644	19,644	22,862
-	-	47,613	63,401
-	-	86,774	85,504
-	-	5,413	3,322
-	-	713	425
6,549	-	6,549	6,626
6	774	25,329	24,539
-	-	115	-
-	-	765	514
<u>6,555</u>	<u>20,418</u>	<u>192,915</u>	<u>207,193</u>
-	-	716	2,514
-	-	30,471	27,488
-	(11,007)	(131,838)	(61,656)
<u>-</u>	<u>(11,007)</u>	<u>(100,651)</u>	<u>(31,654)</u>
1,691	10,998	34,573	87,454
<u>5,628</u>	<u>60,347</u>	<u>182,847</u>	<u>95,393</u>
<u>\$ 7,319</u>	<u>\$ 71,345</u>	<u>\$ 217,420</u>	<u>\$ 182,847</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, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	2013			Variance with Final Budget- Pos (Neg)	2012 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Confiscations	\$ 6,336	\$ 6,336	\$ 9,142	\$ 2,806	\$ 7,201
Investment income	55	55	4	(51)	43
Total revenues	<u>6,391</u>	<u>6,391</u>	<u>9,146</u>	<u>2,755</u>	<u>7,244</u>
Expenditures					
Current					
Public safety	8,700	8,646	6,385	2,261	5,770
Capital outlay	300	354	384	(30)	158
Total expenditures	<u>9,000</u>	<u>9,000</u>	<u>6,769</u>	<u>2,231</u>	<u>5,928</u>
Change in fund balance	(2,609)	(2,609)	2,377	4,986	1,316
Fund balances, July 1	<u>4,116</u>	<u>4,116</u>	<u>4,116</u>	-	<u>2,800</u>
Fund balances, June 30	<u>\$ 1,507</u>	<u>\$ 1,507</u>	<u>\$ 6,493</u>	<u>\$ 4,986</u>	<u>\$ 4,116</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, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	2013			Variance with Final Budget- Pos (Neg)	2012 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Licenses and permits	\$ 3,120	\$ 3,120	\$ 3,151	\$ 31	\$ 3,382
Charges for services	438	438	436	(2)	424
Investment income	35	35	3	(32)	27
Other	2,863	2,863	3,593	730	2,877
Total revenues	<u>6,456</u>	<u>6,456</u>	<u>7,183</u>	<u>727</u>	<u>6,710</u>
Expenditures					
Current					
Public safety	4,666	4,884	4,639	245	4,165
Capital outlay	1,120	902	607	295	-
Total expenditures	<u>5,786</u>	<u>5,786</u>	<u>5,246</u>	<u>540</u>	<u>4,165</u>
Other financing sources (uses)					
Transfers out	(1,095)	(1,095)	(1,095)	-	(2,190)
Total other financing sources (uses)	<u>(1,095)</u>	<u>(1,095)</u>	<u>(1,095)</u>	<u>-</u>	<u>(2,190)</u>
Change in fund balance	(425)	(425)	842	1,267	355
Fund balances, July 1	<u>2,913</u>	<u>2,913</u>	<u>2,913</u>	<u>-</u>	<u>2,558</u>
Fund balances, June 30	<u>\$ 2,488</u>	<u>\$ 2,488</u>	<u>\$ 3,755</u>	<u>\$ 1,267</u>	<u>\$ 2,913</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, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	2013		Actual	Variance with Final Budget- Pos (Neg)	2012 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Taxes and assessments					
Franchise Tax	\$ 305	\$ 305	\$ 359	\$ 54	\$ 393
Licenses and permits	37,752	37,752	53,100	15,348	43,447
Charges for services	14,566	14,566	10,070	(4,496)	9,480
Investment income	170	170	10	(160)	145
Other	1,949	1,949	290	(1,659)	2,778
Total revenues	<u>54,742</u>	<u>54,742</u>	<u>63,829</u>	<u>9,087</u>	<u>56,243</u>
Expenditures					
Current					
Public works	52,398	52,398	48,223	4,175	43,984
Capital outlay	532	532	608	(76)	96
Total expenditures	<u>52,930</u>	<u>52,930</u>	<u>48,831</u>	<u>4,099</u>	<u>44,080</u>
Other financing sources (uses)					
Transfers out	(4,738)	(8,263)	(10,962)	2,699	(7,271)
Total other financing sources (uses)	<u>(4,738)</u>	<u>(8,263)</u>	<u>(10,962)</u>	<u>2,699</u>	<u>(7,271)</u>
Change in fund balance	(2,926)	(6,451)	4,036	10,487	4,892
Fund balances, July 1	11,095	11,095	11,095	-	6,203
Fund balances, June 30	<u>\$ 8,169</u>	<u>\$ 4,644</u>	<u>\$ 15,131</u>	<u>\$ 10,487</u>	<u>\$ 11,095</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, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	2013		Actual	Variance with Final Budget- Pos (Neg)	2012 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Investment income	\$ 32	\$ 32	\$ 2	\$ (30)	\$ 23
Other	3,665	3,665	4,106	441	4,928
Total revenues	<u>3,697</u>	<u>3,697</u>	<u>4,108</u>	<u>411</u>	<u>4,951</u>
Expenditures					
Current					
General government	5,307	5,557	3,442	2,115	4,299
Capital outlay	250	-	367	(367)	117
Total expenditures	<u>5,557</u>	<u>5,557</u>	<u>3,809</u>	<u>1,748</u>	<u>4,416</u>
Change in fund balance	(1,860)	(1,860)	299	2,159	535
Fund balances, July 1	<u>2,587</u>	<u>2,587</u>	<u>2,587</u>	<u>-</u>	<u>2,052</u>
Fund balances, June 30	<u>\$ 727</u>	<u>\$ 727</u>	<u>\$ 2,886</u>	<u>\$ 2,159</u>	<u>\$ 2,587</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, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	2013			Variance with Final Budget- Pos (Neg)	2012 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Fines and forfeits	\$ 732	\$ 770	\$ 862	\$ 92	\$ 860
Interest	20	20	1	(19)	7
Other	2,300	2,300	2,424	124	2,403
Total revenues	<u>3,052</u>	<u>3,090</u>	<u>3,287</u>	<u>197</u>	<u>3,270</u>
Expenditures					
Current					
Public safety	3,052	3,314	3,314	-	3,152
Total expenditures	<u>3,052</u>	<u>3,314</u>	<u>3,314</u>	<u>-</u>	<u>3,152</u>
Change in fund balance	-	(224)	(27)	197	118
Fund balances, July 1	<u>233</u>	<u>233</u>	<u>233</u>	<u>-</u>	<u>115</u>
Fund balances, June 30	<u><u>\$ 233</u></u>	<u><u>\$ 9</u></u>	<u><u>\$ 206</u></u>	<u><u>\$ 197</u></u>	<u><u>\$ 233</u></u>

CITY OF HOUSTON, TEXAS
DEDICATED DRAINAGE & STREET RENEWAL
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	2013			Variance with Final Budget- Pos (Neg)	2012 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Taxes and assessments					
Charges for services	\$ 105,794	\$ 105,794	\$ 112,409	\$ 6,615	\$ 108,431
Licenses & Permits	670	670	1,104	434	814
Metro Intergovernmental Revenue	51,200	51,200	51,200	-	52,189
Miscellaneous/Other	1,426	1,426	1,725	299	2,431
Total revenues	<u>159,090</u>	<u>159,090</u>	<u>166,438</u>	<u>7,348</u>	<u>163,865</u>
Expenditures					
Current					
Public works	57,195	56,752	37,585	19,167	38,278
Capital outlay	3,293	3,768	22,929	(19,161)	20,995
Debt service fiscal agent & fees	800	800	765	35	514
Total expenditures	<u>61,288</u>	<u>61,320</u>	<u>61,279</u>	<u>41</u>	<u>59,787</u>
Other financing sources (uses)					
Interest Income	500	500	(52)	(552)	1,074
Transfers in	10,000	10,000	12,097	2,097	9,193
Transfers out	(117,654)	(117,622)	(105,867)	(11,755)	(41,275)
Total other financing sources (uses)	<u>(107,154)</u>	<u>(107,122)</u>	<u>(93,822)</u>	<u>(10,210)</u>	<u>(31,008)</u>
Change in fund balance	(9,352)	(9,352)	11,337	20,689	73,070
Fund balances, July 1	<u>73,070</u>	<u>73,070</u>	<u>73,070</u>	<u>-</u>	<u>-</u>
Fund balances, June 30	<u>\$ 63,718</u>	<u>\$ 63,718</u>	<u>\$ 84,407</u>	<u>\$ 20,689</u>	<u>\$ 73,070</u>

CITY OF HOUSTON, TEXAS
DIGITAL AUTOMATED RED LIGHT ENFORCEMENT PROGRAM
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	2013			Variance with Final Budget- Pos (Neg)	2012 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 42	\$ 42	\$ -	\$ (42)	\$ (35)
Other	4,065	4,065	159	(3,906)	1,723
Total revenues	<u>4,107</u>	<u>4,107</u>	<u>159</u>	<u>(3,948)</u>	<u>1,688</u>
Expenditures					
Current					
Public safety	2,840	520	281	239	2,106
Total expenditures	<u>2,840</u>	<u>520</u>	<u>281</u>	<u>239</u>	<u>2,106</u>
Change in fund balance	1,267	3,587	(122)	(3,709)	(418)
Fund balances, July 1	<u>(227)</u>	<u>(227)</u>	<u>(227)</u>	<u>-</u>	<u>191</u>
Fund balances, June 30	<u>\$ 1,040</u>	<u>\$ 3,360</u>	<u>\$ (349)</u>	<u>\$ (3,709)</u>	<u>\$ (227)</u>

CITY OF HOUSTON, TEXAS
DIGITAL HOUSTON WIFI
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	2013		Actual	Variance with Final Budget- Pos (Neg)	2012 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Investment income	\$ 25	\$ 25	\$ (3)	\$ (28)	\$ 5
WIFI Revenues	-	-	-	-	0
Total revenues	<u>25</u>	<u>25</u>	<u>(3)</u>	<u>(28)</u>	<u>5</u>
Expenditures					
Current					
General government	959	959	419	540	797
Capital outlay	-	-	-	-	37
Total expenditures	<u>959</u>	<u>959</u>	<u>419</u>	<u>540</u>	<u>834</u>
Change in fund balance	(934)	(934)	(422)	512	(829)
Fund balances, July 1	<u>1,530</u>	<u>1,530</u>	<u>1,530</u>	<u>-</u>	<u>2,359</u>
Fund balances, June 30	<u>\$ 596</u>	<u>\$ 596</u>	<u>\$ 1,108</u>	<u>\$ 512</u>	<u>\$ 1,530</u>

CITY OF HOUSTON, TEXAS
FLEET AND EQUIPMENT ACQUISITION
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	2013			Variance with Final Budget- Pos (Neg)	2012 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 50	\$ 50	\$ (4)	\$ (54)	\$ 18
Charges for services	-	-	-	-	-
Other	-	-	478	478	1
Total revenues	<u>50</u>	<u>50</u>	<u>474</u>	<u>424</u>	<u>19</u>
Expenditures					
Current					
General government	-	-	-	-	28
Equipment	20	20	461	(441)	618
Total expenditures	<u>20</u>	<u>20</u>	<u>461</u>	<u>(441)</u>	<u>646</u>
Other financing sources (uses)					
Sale of capital assets	-	-	-	-	804
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>804</u>
Change in fund balance	30	30	13	(17)	177
Fund balances, July 1	<u>2,412</u>	<u>2,412</u>	<u>2,412</u>	<u>-</u>	<u>2,235</u>
Fund balances, June 30	<u>\$ 2,442</u>	<u>\$ 2,442</u>	<u>\$ 2,425</u>	<u>\$ (17)</u>	<u>\$ 2,412</u>

CITY OF HOUSTON, TEXAS
HISTORIC PRESERVATION FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	2013			Variance with Final Budget- Pos (Neg)	2012 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 18	\$ 18	\$ (1)	\$ (19)	\$ 5
Other	100	100	240	140	119
Total revenues	<u>118</u>	<u>118</u>	<u>239</u>	<u>121</u>	<u>124</u>
Expenditures					
Current					
Parks and recreation	841	841	158	683	95
Capital outlay	-	-	-	-	49
Total expenditures	<u>841</u>	<u>841</u>	<u>158</u>	<u>683</u>	<u>144</u>
Other financing sources (uses)					
Transfers in	-	-	5	5	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5</u>	<u>(5)</u>	<u>-</u>
Change in fund balance	(723)	(723)	86	809	(20)
Fund balances, July 1	<u>848</u>	<u>848</u>	<u>848</u>	<u>-</u>	<u>868</u>
Fund balances, June 30	<u>\$ 125</u>	<u>\$ 125</u>	<u>\$ 934</u>	<u>\$ 809</u>	<u>\$ 848</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, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	2013			Variance with Final Budget- Pos (Neg)	2012 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Charges for services	\$ 394	\$ 394	\$ 416	\$ 22	\$ 224
Intergovernmental - grants	12,256	12,256	10,954	(1,302)	10,500
Investment income	-	-	25	25	30
Total revenues	<u>12,650</u>	<u>12,650</u>	<u>11,395</u>	<u>(1,255)</u>	<u>10,754</u>
Expenditures					
Current					
Public safety	24,505	24,505	22,384	2,121	21,058
Capital outlay	-	-	-	-	77
Total expenditures	<u>24,505</u>	<u>24,505</u>	<u>22,384</u>	<u>2,121</u>	<u>21,135</u>
Other financing sources (uses)					
Transfers in	11,855	11,855	11,855	-	11,550
Total other financing sources (uses)	<u>11,855</u>	<u>11,855</u>	<u>11,855</u>	<u>-</u>	<u>11,550</u>
Change in fund balance	-	-	866	866	1,169
Fund balances, July 1	<u>2,528</u>	<u>2,528</u>	<u>2,528</u>	<u>-</u>	<u>1,359</u>
Fund balances, June 30	<u>\$ 2,528</u>	<u>\$ 2,528</u>	<u>\$ 3,394</u>	<u>\$ 866</u>	<u>\$ 2,528</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, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	2013			Variance with Final Budget- Pos (Neg)	2012 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Charges for services	\$ 606	\$ 606	\$ 603	\$ (3)	\$ 610
Intergovernmental - grants	1,607	1,607	1,626	19	1,648
Investment income	15	15	(3)	(18)	20
Other	-	-	-	-	94
Total revenues	<u>2,228</u>	<u>2,228</u>	<u>2,226</u>	<u>(2)</u>	<u>2,372</u>
Expenditures					
Current					
General government	2,336	2,336	2,010	326	1,601
Capital outlay	30	30	-	30	65
Total expenditures	<u>2,366</u>	<u>2,366</u>	<u>2,010</u>	<u>356</u>	<u>1,666</u>
Change in fund balance	(138)	(138)	216	354	706
Fund balances, July 1	<u>2,067</u>	<u>2,067</u>	<u>2,067</u>	<u>-</u>	<u>1,361</u>
Fund balances, June 30	<u>\$ 1,929</u>	<u>\$ 1,929</u>	<u>\$ 2,283</u>	<u>\$ 354</u>	<u>\$ 2,067</u>

CITY OF HOUSTON, TEXAS
JUVENILE CASE MANAGER FEE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	2013			Variance with Final Budget- Pos (Neg)	2012 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Interest	\$ 25	\$ 25	\$ (3)	\$ (28)	\$ 12
Other	1,445	1,445	1,226	(219)	1,046
Total revenues	<u>1,470</u>	<u>1,470</u>	<u>1,223</u>	<u>(247)</u>	<u>1,058</u>
Expenditures					
Current					
Public safety	1,254	1,254	1,117	137	907
Total expenditures	<u>1,254</u>	<u>1,254</u>	<u>1,117</u>	<u>137</u>	<u>907</u>
Change in fund balance	216	216	106	(110)	151
Fund balances, July 1	<u>1,622</u>	<u>1,622</u>	<u>1,622</u>	<u>-</u>	<u>1,471</u>
Fund balances, June 30	<u>\$ 1,838</u>	<u>\$ 1,838</u>	<u>\$ 1,728</u>	<u>\$ (110)</u>	<u>\$ 1,622</u>

CITY OF HOUSTON, TEXAS
MOBILITY RESPONSE TEAM
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	2013			Variance with Final Budget- Pos (Neg)	2012 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ -	\$ -	\$ (4)	\$ (4)	\$ (6)
Total revenues	-	-	(4)	(4)	(6)
Expenditures					
Current					
Public works	-	-	-	-	2,334
Total expenditures	-	-	-	-	2,334
Other financing sources (uses)					
Transfers out	(2,354)	(2,108)	(2,098)	10	-
Total other financing sources (uses)	(2,354)	(2,108)	(2,098)	10	-
Change in fund balance	(2,354)	(2,108)	(2,102)	6	(2,340)
Fund balances, July 1	1,940	1,940	1,940	-	4,280
Fund balances, June 30	<u>\$ (414)</u>	<u>\$ (168)</u>	<u>\$ (162)</u>	<u>\$ 6</u>	<u>\$ 1,940</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, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	2013			Variance with Final Budget- Pos (Neg)	2012 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Interest	\$ 9	\$ 9	\$ -	\$ (9)	\$ 5
Other	1,296	1,296	1,164	(132)	1,246
Total revenues	<u>1,305</u>	<u>1,305</u>	<u>1,164</u>	<u>(141)</u>	<u>1,251</u>
Expenditures					
Current					
Public safety	1,244	1,177	1,045	132	1,078
Total expenditures	<u>1,244</u>	<u>1,177</u>	<u>1,045</u>	<u>132</u>	<u>1,078</u>
Other financing sources (uses)					
Operating transfers out	(350)	(350)	(350)	-	(350)
Total other financing sources (uses)	<u>(350)</u>	<u>(350)</u>	<u>(350)</u>	<u>-</u>	<u>(350)</u>
Change in fund balance	(289)	(222)	(231)	(9)	(177)
Fund balances, July 1	<u>1,840</u>	<u>1,840</u>	<u>1,840</u>	<u>-</u>	<u>2,017</u>
Fund balances, June 30	<u>\$ 1,551</u>	<u>\$ 1,618</u>	<u>\$ 1,609</u>	<u>\$ (9)</u>	<u>\$ 1,840</u>

CITY OF HOUSTON, TEXAS
PARKING MANAGEMENT OPERATING FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	2013			Variance with Final Budget- Pos (Neg)	2012 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Taxes and assessments					
Parking Violations	\$ 9,673	\$ 9,673	\$ 10,443	\$ 770	\$ 10,353
Parking Fees	7,669	7,669	8,396	727	7,293
Permit Fees	299	299	308	9	329
Investment income	50	50	8	(42)	58
Other	2	2	18	16	193
Total revenues	<u>17,693</u>	<u>17,693</u>	<u>19,173</u>	<u>1,480</u>	<u>18,226</u>
Expenditures					
Current					
General government	9,018	8,994	7,803	1,191	7,431
Capital outlay	25	49	13	36	262
Debt service principal	1,513	1,513	1,513	-	1,513
Total expenditures	<u>10,556</u>	<u>10,556</u>	<u>9,329</u>	<u>1,227</u>	<u>9,206</u>
Other financing sources (uses)					
Transfers out	(7,994)	(7,994)	(9,494)	1,500	(8,117)
Total other financing sources (uses)	<u>(7,994)</u>	<u>(7,994)</u>	<u>(9,494)</u>	<u>1,500</u>	<u>(8,117)</u>
Change in fund balance	(857)	(857)	350	1,207	903
Fund balances, July 1	<u>1,206</u>	<u>1,206</u>	<u>1,206</u>	<u>-</u>	<u>303</u>
Fund balances, June 30	<u>\$ 349</u>	<u>\$ 349</u>	<u>\$ 1,556</u>	<u>\$ 1,207</u>	<u>\$ 1,206</u>

CITY OF HOUSTON, TEXAS
PARKS GOLF SPECIAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	2013		Actual	Variance with Final Budget- Pos (Neg)	2012 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Licenses and permits			\$ -	\$ -	\$ -
Charges for services	6,157	6,157	5,979	(178)	5,797
Investment income	5	5	-	(5)	8
Other	43	43	26	(17)	2
Total revenues	<u>6,205</u>	<u>6,205</u>	<u>6,005</u>	<u>(200)</u>	<u>5,807</u>
Expenditures					
Current					
Parks and recreation	5,942	5,942	5,296	646	5,433
Total expenditures	<u>5,942</u>	<u>5,942</u>	<u>5,296</u>	<u>646</u>	<u>5,433</u>
Change in fund balance	263	263	709	446	374
Fund balances, July 1	<u>374</u>	<u>374</u>	<u>374</u>	<u>-</u>	<u>-</u>
Fund balances, June 30	<u>\$ 637</u>	<u>\$ 637</u>	<u>\$ 1,083</u>	<u>\$ 446</u>	<u>\$ 374</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, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	2013		Actual	Variance with Final Budget- Pos (Neg)	2012 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Licenses and permits	\$ 194	\$ 194	\$ 463	\$ 269	\$ 239
Charges for services	1,632	1,632	1,673	41	1,501
Investment income	90	90	(8)	(98)	40
Other	59	59	114	55	204
Total revenues	<u>1,975</u>	<u>1,975</u>	<u>2,242</u>	<u>267</u>	<u>1,984</u>
Expenditures					
Current					
Parks and recreation	1,964	1,964	1,260	704	1,193
Capital outlay	-	-	-	-	205
Total expenditures	<u>1,964</u>	<u>1,964</u>	<u>1,260</u>	<u>704</u>	<u>1,398</u>
Other financing sources (uses)					
Transfers out	-	-	-	-	(73)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(73)</u>
Change in fund balance	11	11	982	971	513
Fund balances, July 1	<u>5,322</u>	<u>5,322</u>	<u>5,322</u>	<u>-</u>	<u>4,809</u>
Fund balances, June 30	<u>\$ 5,333</u>	<u>\$ 5,333</u>	<u>\$ 6,304</u>	<u>\$ 971</u>	<u>\$ 5,322</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, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	2013			Variance with Final Budget- Pos (Neg)	2012 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Charges for services	\$ 2,419	\$ 2,419	\$ 2,476	\$ 57	\$ 14,936
Investment income	200	200	(13)	(213)	29
Other	850	850	910	60	3,006
Total revenues	<u>3,469</u>	<u>3,469</u>	<u>3,373</u>	<u>(96)</u>	<u>17,971</u>
Expenditures					
Current					
Public safety	11,170	9,429	8,447	982	25,148
Capital outlay	-	1,741	78	1,663	64
Total expenditures	<u>11,170</u>	<u>11,170</u>	<u>8,525</u>	<u>2,645</u>	<u>25,212</u>
Other financing sources (uses)					
Transfers in	4,925	4,925	6,513	1,588	5,625
Total other financing sources (uses)	<u>4,925</u>	<u>4,925</u>	<u>6,513</u>	<u>1,588</u>	<u>5,625</u>
Change in fund balance	(2,776)	(2,776)	1,361	4,137	(1,616)
Fund balances, July 1	<u>5,500</u>	<u>5,500</u>	<u>5,500</u>	<u>-</u>	<u>7,116</u>
Fund balances, June 30	<u>\$ 2,724</u>	<u>\$ 2,724</u>	<u>\$ 6,861</u>	<u>\$ 4,137</u>	<u>\$ 5,500</u>

CITY OF HOUSTON, TEXAS
RECYCLING REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	2013			Variance with Final Budget- Pos (Neg)	2012 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 50	\$ 50	\$ (3)	\$ (53)	\$ 10
Other	1,387	1,387	986	(401)	1,077
Total revenues	<u>1,437</u>	<u>1,437</u>	<u>983</u>	<u>(454)</u>	<u>1,087</u>
Expenditures					
Current					
Parks and recreation	1,425	1,425	854	571	812
Capital outlay	-	-	-	-	51
Total expenditures	<u>1,425</u>	<u>1,425</u>	<u>854</u>	<u>571</u>	<u>863</u>
Other financing sources (uses)					
Transfers out	(1,147)	(1,147)	(460)	(687)	(467)
Total other financing sources (uses)	<u>(1,147)</u>	<u>(1,147)</u>	<u>(460)</u>	<u>(687)</u>	<u>(467)</u>
Change in fund balance	(1,135)	(1,135)	(331)	804	(243)
Fund balances, July 1	<u>2,018</u>	<u>2,018</u>	<u>2,018</u>	<u>-</u>	<u>2,261</u>
Fund balances, June 30	<u>\$ 883</u>	<u>\$ 883</u>	<u>\$ 1,687</u>	<u>\$ 804</u>	<u>\$ 2,018</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, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	2013			Variance with Final Budget- Pos (Neg)	2012 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 3	\$ 3	\$ -	\$ (3)	\$ -
Other	100	100	85	(15)	124
Total revenues	<u>103</u>	<u>103</u>	<u>85</u>	<u>(18)</u>	<u>124</u>
Expenditures					
Current					
General government	44	95	75	20	72
Capital outlay	160	112	-	112	133
Total expenditures	<u>204</u>	<u>207</u>	<u>75</u>	<u>132</u>	<u>205</u>
Change in fund balance	(101)	(104)	10	114	(81)
Fund balances, July 1	<u>123</u>	<u>123</u>	<u>123</u>	<u>-</u>	<u>204</u>
Fund balances, June 30	<u>\$ 22</u>	<u>\$ 19</u>	<u>\$ 133</u>	<u>\$ 114</u>	<u>\$ 123</u>

CITY OF HOUSTON, TEXAS
SWIMMING POOL SAFETY
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	2013			Variance with Final Budget- Pos (Neg)	2012 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Licenses and permits	\$ 648	\$ 648	\$ 854	\$ 206	\$ 863
Charges for services	100	100	128	28	-
Investment income	1	1	-	(1)	2
Total revenues	<u>749</u>	<u>749</u>	<u>982</u>	<u>233</u>	<u>865</u>
Expenditures					
Current					
Health	733	738	711	27	777
Capital outlay	15	10	-	10	-
Total expenditures	<u>748</u>	<u>748</u>	<u>711</u>	<u>37</u>	<u>777</u>
Change in fund balance	1	1	271	270	88
Fund balances, July 1	<u>189</u>	<u>189</u>	<u>189</u>	<u>-</u>	<u>101</u>
Fund balances, June 30	<u>\$ 190</u>	<u>\$ 190</u>	<u>\$ 460</u>	<u>\$ 270</u>	<u>\$ 189</u>

CITY OF HOUSTON, TEXAS

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Enterprise Funds

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

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

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

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

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Net Position
June 30, 2013
(With comparative amounts for 2012)
amounts expressed in thousands

	2013	2012
Assets		
Current Assets		
Equity in pooled cash and investments	\$ 293,890	\$ 260,954
Receivables, net of allowances		
Accounts receivable	10,963	25,667
Due from other funds	1,781	1,282
Due from other governments	8,614	4,713
Inventory	1,758	2,094
Prepaid items	8,112	12,018
Restricted assets		
Investments	112	158
Total current assets	325,230	306,886
Noncurrent Assets		
Equity in pooled cash	753,452	739,060
Investments	6,589	6,589
Deferred charges for issuance cost	13,538	14,751
Total noncurrent restricted assets	773,579	760,400
Capital assets		
Land	209,967	210,568
Buildings	2,524,091	2,484,745
Improvements and equipment	2,112,082	2,091,957
Construction in progress	114,439	95,667
Runway rights	10,562	8,522
Less accumulated depreciation	(2,135,983)	(1,966,835)
Net capital assets	2,835,158	2,924,624
Total noncurrent assets	3,608,737	3,685,024
Total assets	\$ 3,933,967	\$ 3,991,910

(Continued)

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Net Position
June 30, 2013
(With comparative amounts for 2012)
amounts expressed in thousands

	2013	2012
Liabilities		
Current Liabilities		
Accounts payable	\$ 49,341	\$ 38,433
Accrued payroll liabilities	1,808	1,621
Accrued interest payable	48,362	42,783
Due to other funds	372	1,852
Advances and deposits	1,584	1,589
Inferior lien contract	5,040	4,780
Claims and judgments	959	926
Compensated absences	5,559	5,389
Revenue bonds payable	55,045	52,805
Unearned revenue	7,546	7,072
Total current liabilities	175,616	157,250
Noncurrent liabilities		
Revenue bonds payable, net	2,250,186	2,309,222
Claims and judgments	1,886	1,864
Compensated absences	5,931	6,577
Inferior lien contracts	23,075	28,115
Municipal pension trust liability	48,809	45,477
Other post employment benefits	54,194	46,889
Unearned revenue	831	-
Pension obligation bonds payable	2,006	2,006
Total noncurrent liabilities	2,386,918	2,440,150
Total liabilities	2,562,534	2,597,400
Net position		
Net investment in capital assets	554,262	618,155
Restricted net position		
Restricted for debt service	208,100	185,167
Restricted for renewal and replacement	10,000	10,000
Restricted for maintenance and operations	46,309	44,023
Restricted for capital improvements	552,762	537,165
Total net position	\$ 1,371,433	\$ 1,394,510

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013
(With comparative amounts for 2012)
amounts expressed in thousands

	2013	2012
Operating Revenues		
Landing area fees	\$ 91,059	\$ 86,935
Terminal space rentals	181,701	182,320
Parking	77,596	72,833
Concession	77,765	71,386
Other	4,873	4,076
Total operating revenue	432,994	417,550
Operating Expenses		
Maintenance and operating	272,091	264,060
Depreciation and amortization	170,846	190,664
Total operating expenses	442,937	454,724
Operating loss	(9,943)	(37,174)
Nonoperating revenue (expenses)		
Investment income	(1,935)	5,634
Other revenue	1,978	4,644
Gain (Loss) on disposal of assets	225	(11)
Passenger facility charges	61,195	63,550
Interest on long-term debt	(87,358)	(87,652)
Total Nonoperating revenues (expenses)	(25,895)	(13,835)
Loss before contributions and transfers	(35,838)	(51,009)
Capital contributions	12,761	15,029
Change in net position	(23,077)	(35,980)
Total net position, July 1	1,394,510	1,430,490
Total net position, June 30	\$ 1,371,433	\$ 1,394,510

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Cash Flows
For the Year Ended June 30, 2013
(With comparative amounts for 2012)
amounts expressed in thousands

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Receipts from customers	\$ 448,169	\$ 411,427
Payments to employees	(92,792)	(97,462)
Payments to suppliers	(93,390)	(100,295)
Internal activity-payments to other funds	(49,695)	(58,616)
Claims paid	(960)	(926)
Other revenues	1,978	4,644
Net cash provided by (used in) operating activities	<u>213,310</u>	<u>158,772</u>
Cash flows from investing activities		
Interest income on investments	(1,935)	5,634
Purchase of investments	(8,294)	(8,555)
Proceeds from sale of investments	8,340	8,486
Net cash provided by (used for) investing activities	<u>(1,889)</u>	<u>5,565</u>
Cash flows from noncapital financing activities		
Interest expense pension obligation bonds	(107)	(107)
Deferred charges on future debt issuance	-	386
Net cash provided by (used in) noncapital financing activities	<u>(107)</u>	<u>279</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(52,805)	(60,995)
Refunding of revenue bonds	-	(1,119,089)
Proceeds (uses of cash) from issuance of revenue bonds	(651)	1,124,584
Interest expense on debt	(93,629)	(115,098)
Retirement of inferior lien contract	(4,780)	(4,535)
Passenger facilities charges	61,195	63,550
Contributed capital	8,860	16,283
Acquisition of property, plant and equipment	(82,176)	(97,580)
Net cash provided by (used in) capital and related financing activities	<u>(163,986)</u>	<u>(192,880)</u>
Net increase in cash and cash equivalents	47,328	(28,264)
Cash and cash equivalents, July 1	1,000,014	1,028,278
Cash and cash equivalents, June 30	<u>\$ 1,047,342</u>	<u>\$ 1,000,014</u>
Non cash transactions		
Capitalized interest expense	9,189	17,933
Capital additions included in liabilities	8,412	1,379
Gain (loss) on disposal of assets	225	(11)
Total non cash transactions	<u>\$ 17,826</u>	<u>\$ 19,301</u>
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (9,943)	\$ (37,174)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	170,846	190,664
Impairment of capital asset	6,513	-
Capital improvement plan expense	12,939	8,660
Other post employment benefits	3,332	3,394
Other revenues	1,978	4,644
Changes in assets and liabilities		
Accounts receivable	14,705	(3,493)
Due from other funds	(499)	(329)
Inventory and prepaid insurance	4,242	(9,356)
Accounts payable	3,137	(2,003)
Accrued payroll liabilities	187	(2,970)
Due to other funds	(1,480)	644
Advances and deposits	469	(2,631)
Claims and judgments - workers' compensation	55	163
Compensated absences	(476)	(55)
Pension Obligation payable	7,305	8,614
Net cash provided by operating activities	<u>\$ 213,310</u>	<u>\$ 158,772</u>

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Net Position
June 30, 2013
(With comparative amounts for 2012)
amounts expressed in thousands

	<u>2013</u>	<u>2012</u>
Assets		
Current Assets		
Equity in pooled cash and investments	74,740	81,041
Receivables, net of allowances		
Accounts receivable	80	79
Hotel occupancy tax receivable	21,799	20,080
Due from component units	16,695	16,475
Due from other funds	216	269
Due from other governments	1,035	920
Prepaid items	859	858
Restricted assets		
Investments	-	-
Total current assets	<u>115,424</u>	<u>119,722</u>
Noncurrent Assets		
Equity in pooled cash and investments	45,898	47,360
Due from component units	258,552	267,510
Deferred charges for issuance cost	1,943	2,439
Total noncurrent restricted assets	<u>306,393</u>	<u>317,309</u>
Capital assets		
Land	96,311	94,063
Buildings	557,952	557,130
Improvements and equipment	12,603	12,816
Infrastructure	334	334
Construction in progress	788	2,167
Garage rights	13,144	13,144
Less accumulated depreciation and amortization	<u>(231,567)</u>	<u>(217,480)</u>
Net capital assets	<u>449,565</u>	<u>462,174</u>
Total noncurrent assets	<u>755,958</u>	<u>779,483</u>
Total assets	<u>\$ 871,382</u>	<u>\$ 899,205</u>

(Continued)

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Net Position
June 30, 2013
(With comparative amounts for 2012)
amounts expressed in thousands

	<u>2013</u>	<u>2012</u>
Liabilities		
Current Liabilities		
Accounts payable	339	\$ 56
Accrued payroll liabilities	52	75
Accrued interest payable	4,577	4,745
Commercial paper	42,000	-
Due to other funds	-	69
Due to component units	40,622	43,310
Due to other governments	74	90
Advances and deposits	4	3
Compensated absences	106	432
Pension obligation bonds payable	60	-
Revenue bonds payable	26,215	27,530
Total current liabilities	<u>114,049</u>	<u>76,310</u>
Noncurrent liabilities		
Revenue bonds payable	565,152	578,962
Compensated absences	297	222
Commercial paper	-	43,000
Arbitrage rebate	135	176
Municipal pension trust liability	4,858	4,723
Other post employment benefits	3,656	3,332
Unearned revenue	8,164	8,459
Pension obligation bonds payable	3,824	3,884
Total noncurrent liabilities	<u>586,086</u>	<u>642,758</u>
Total liabilities	<u>700,135</u>	<u>719,068</u>
Net Position		
Net investment in capital assets	108,215	115,948
Restricted net position		
Restricted for debt service	41,321	42,615
Restricted for renewal and replacement	1,033	1,134
Restricted for maintenance and operations	18,967	13,945
Unrestricted	1,711	6,495
Total net position	<u>\$ 171,247</u>	<u>\$ 180,137</u>

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013
(With comparative amounts for 2012)
amounts expressed in thousands

	<u>2013</u>	<u>2012</u>
Operating Revenues		
Parking	\$ 8,992	\$ 7,732
Rental	1,380	1,202
Total operating revenue	<u>10,372</u>	<u>8,934</u>
Operating Expenses		
Maintenance and operating	1,780	1,885
Depreciation and amortization	14,488	14,703
Total operating expenses	<u>16,268</u>	<u>16,588</u>
Operating loss	<u>(5,896)</u>	<u>(7,654)</u>
Nonoperating revenue (expenses)		
Investment income	9,080	10,010
Hotel occupancy tax	76,325	68,623
Other revenue	413	525
Interest on long-term debt	<u>(26,150)</u>	<u>(25,799)</u>
Total Nonoperating revenues (expenses)	<u>59,668</u>	<u>53,359</u>
Income before contributions and transfers	<u>53,772</u>	<u>45,705</u>
Transfers out	(1,380)	(10,388)
Transfers to component unit	<u>(61,282)</u>	<u>(89,658)</u>
Total transfers	<u>(62,662)</u>	<u>(100,046)</u>
Change in net position	(8,890)	(54,341)
Total net position, July 1	180,137	234,478
Total net position, June 30	<u>\$ 171,247</u>	<u>\$ 180,137</u>

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Cash Flows
For the Year Ended June 30, 2013
(With comparative amounts for 2012)
amounts expressed in thousands

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Receipts from customers	\$ 10,372	\$ 10,708
Payments to employees	(367)	(1,110)
Payments to suppliers	(933)	(5,799)
Internal activity-payments to other funds	(31)	(149)
Claims paid	2	1
Due to (from) other governments	(15)	47
Other revenues	412	526
Other expenses	-	1
Receipts from component units	(294)	8,459
Net cash provided by for operating activities	<u>9,146</u>	<u>12,684</u>
Cash flows from investing activities		
Interest income on investments	9,080	10,010
Purchase of investments	-	-
Net cash provided by (used in) investing activities	<u>9,080</u>	<u>10,010</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(27,530)	(21,835)
Refunding of revenue bonds	(41,245)	(240,635)
Proceeds from issuance of revenue bonds	41,525	254,460
Retirement of commercial paper	(1,000)	-
Interest expense on debt	(13,727)	(2,358)
Acquisition of property, plant and equipment, net	(1,880)	(1,918)
Net cash used in for capital and related financing activities	<u>(43,857)</u>	<u>(12,286)</u>
Cash flows from noncapital financing activities		
Transfers	(62,662)	(100,046)
Payments from component unit	5,934	12,241
Hotel occupancy tax revenue	74,606	67,052
Interest expense on pension obligation bonds	(10)	(10)
Net cash provided by (used in) noncapital financing activities	<u>17,868</u>	<u>(20,763)</u>
Net decrease in cash and cash equivalents	(7,763)	(10,355)
Cash and cash equivalents, July 1	128,401	138,756
Cash and cash equivalents, June 30	<u>\$ 120,638</u>	<u>\$ 128,401</u>

(Continued)

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Cash Flows
For the Year Ended June 30, 2013
(With comparative amounts for 2012)
amounts expressed in thousands

	<u>2013</u>	<u>2012</u>
Non cash transactions		
Unrealized gain on investments	\$ 1,374	\$ (1,021)
Total non cash transactions	<u>\$ 1,374</u>	<u>\$ (1,021)</u>
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (5,896)	\$ (7,654)
Depreciation and amortization	14,488	14,703
Other post employment benefits	324	272
Other revenues	413	526
Other expenses	-	1
Changes in assets and liabilities		
Accounts receivable and prepaids	(1)	2,618
Due from other funds	53	(88)
Accounts payable	283	(4,485)
Accrued payroll liabilities	(24)	(412)
Due to other funds	(69)	(21)
Due to other governments	(15)	47
Advances and deposits	-	(844)
Compensated absences	(251)	(698)
Deferred revenue	(294)	8,459
Pension Obligation payable	135	260
Net cash provided by operating activities	<u>\$ 9,146</u>	<u>\$ 12,684</u>

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Net Position
June 30, 2013
(With comparative amounts for 2012)
amounts expressed in thousands

	<u>2013</u>	<u>2012</u>
Assets		
Current assets		
Equity in pooled cash and investments	\$ 650,828	\$ 615,674
Receivables, net of allowances		
Accounts receivable	113,175	107,567
Special assessments receivable	93	93
Due from other funds	10,222	8,838
Due from other governments	1,442	409
Inventory	12,784	9,907
Prepaid items	4,305	4,444
Total current assets	<u>792,849</u>	<u>746,932</u>
Noncurrent Assets		
Equity in pooled cash and investments	273,832	163,698
Due from other governments	4,321	4,321
Amounts held by other governments	10,867	11,090
Deferred charges for issuance cost	53,908	54,216
Total noncurrent restricted assets	<u>342,928</u>	<u>233,325</u>
Capital assets		
Land	130,486	128,273
Buildings	194,816	185,779
Improvements and equipment	138,490	132,853
Plants, lines and rights	9,547,114	9,327,978
Construction in progress	236,672	202,342
Water rights	462,065	462,065
Less accumulated depreciation and amortization	<u>(4,859,781)</u>	<u>(4,691,447)</u>
Net capital assets	<u>5,849,862</u>	<u>5,747,843</u>
Total noncurrent assets	<u>6,192,790</u>	<u>5,981,168</u>
Total assets	<u>6,985,639</u>	<u>6,728,100</u>
Deferred outflows of resources		
Deferred outflow on SWAP liability	50,775	307,267
Total dererred outflows of resources	<u>\$ 50,775</u>	<u>\$ 307,267</u>

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Net Position
June 30, 2013
(With comparative amounts for 2012)
amounts expressed in thousands

	<u>2013</u>	<u>2012</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 79,119	\$ 83,070
Accrued payroll liabilities	2,968	2,632
Accrued interest payable	36,761	34,516
Contracts payable	14,401	14,397
Due to other funds	1,732	3,270
Due to other governments	765	2,683
Advances and deposits	47,598	44,340
Pension obligation bonds payable - ST	910	-
Claims and judgments	395	546
Compensated absences	9,019	8,682
Commercial paper payable	-	110,400
Arbitrage rebate	152	-
Revenue bonds payable	134,030	80,993
Total current liabilities	<u>327,850</u>	<u>385,529</u>
Noncurrent liabilities		
Revenue bonds payable	5,804,432	5,762,698
Claims and judgments	670	830
Compensated absences	10,735	11,930
Contracts payable	131,126	145,610
Arbitrage rebate	327	520
Municipal pension trust liability	75,246	69,995
Other post employment benefits	94,045	80,236
SWAP liability	212,700	230,551
Unearned revenue	345,137	342,753
Pension obligation bonds payable	60,247	61,157
Total noncurrent liabilities	<u>6,734,665</u>	<u>6,706,280</u>
Total liabilities	<u>7,062,515</u>	<u>7,091,809</u>
Net Position		
Net investment in capital assets	(89,017)	(68,301)
Restricted net position		
Restricted for maintenance and operations	70,020	69,126
Restricted for capital improvements	1,442	409
Unrestricted	(8,546)	(57,676)
Total net position (deficit)	<u>\$ (26,101)</u>	<u>\$ (56,442)</u>

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013
(With comparative amounts for 2012)
amounts expressed in thousands

	<u>2013</u>	<u>2012</u>
Operating Revenues		
Water/Sewer Billing	\$ 924,690	\$ 917,238
Total operating revenue	<u>924,690</u>	<u>917,238</u>
Operating Expenses		
Maintenance and operating	395,439	410,781
Depreciation and amortization	217,622	211,170
Total operating expenses	<u>613,061</u>	<u>621,951</u>
Operating income	<u>311,629</u>	<u>295,287</u>
Nonoperating revenue (expenses)		
Investment income	(507)	5,696
Other revenue	41,521	33,434
Loss on disposal of assets	(286)	(670)
Interest on long-term debt	(285,378)	(290,882)
Contributions in	10,834	12,014
Total Nonoperating revenues (expenses)	<u>(233,816)</u>	<u>(240,408)</u>
Income before contributions and transfers	<u>77,813</u>	<u>54,879</u>
Capital contributions	<u>7,039</u>	<u>7,955</u>
Transfers in	70	42
Transfers out	(54,581)	(65,532)
Total transfers	<u>(54,511)</u>	<u>(65,490)</u>
Change in net position	30,341	(2,656)
Total net position, July 1	(56,442)	(53,786)
Total net position, June 30	<u>\$ (26,101)</u>	<u>\$ (56,442)</u>

**CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Cash Flows
For the Year Ended June 30, 2013
(With comparative amounts for 2012)
amounts expressed in thousands**

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Receipts from customers	\$ 922,338	\$ 933,234
Payments to employees	(149,804)	(151,463)
Payments to suppliers	(204,994)	(199,027)
Internal activity-payments to other funds	(29,715)	(23,885)
Claims paid	(1,329)	(5,381)
Other revenues	41,521	33,434
Receipts from other governments	(1,765)	1,764
Net cash provided by operating activities	<u>576,252</u>	<u>588,676</u>
Cash flows from investing activities		
Interest income on investments	(507)	5,696
Net cash provided by (used in) investing activities	<u>(507)</u>	<u>5,696</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(136,157)	(123,165)
Retirement of commercial paper	(110,400)	-
Refunding of revenue bonds	(350,246)	(453,914)
Proceeds from issuance of revenue bonds - net	790,222	453,997
Proceeds from issuance of commercial paper	-	105,000
Interest expense on debt	(274,979)	(286,738)
Proceeds from disposition of assets	596	316
Deferred bond issuance cost	(1,911)	-
Contributed capital	14,210	3,746
Due from other governments	(114)	(5,207)
Acquisition of property, plant and equipment	(302,443)	(225,586)
Net cash used for capital and related financing activities	<u>(371,222)</u>	<u>(531,551)</u>
Cash flows from noncapital financing activities		
Interest expense on pension obligation bonds	(3,814)	(3,814)
Pension bond payable	(910)	-
Transfers to debt service fund	(15,807)	(21,163)
Transfers to other funds	(38,704)	(44,327)
Net cash used in noncapital financing activities	<u>(59,235)</u>	<u>(69,304)</u>
Net increase(decrease) in cash and cash equivalents	145,288	(6,483)
Cash and cash equivalents, July 1	<u>779,372</u>	<u>785,855</u>
Cash and cash equivalents, June 30	<u>\$ 924,660</u>	<u>\$ 779,372</u>
Non cash transactions		
Contributed Capital	(7,039)	(7,955)
Capitalized interest expense	11,039	14,360
CAB accretion interest	8,371	11,493
Gain on disposal of assets	286	670
Total non cash transactions	<u>\$ 12,657</u>	<u>\$ 18,568</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 311,629	\$ 295,287
Depreciation and amortization	217,622	211,170
Other post employment benefits	13,809	12,363
Other revenues	41,521	33,434
Accounts receivable	(5,608)	12,566
Due from other funds	(1,384)	(381)
Due from other governments	(1,694)	912
Inventory & prepaid insurance	(2,739)	(2,809)
Accounts payable	(3,956)	25,285
Accrued payroll liabilities	336	(3,967)
Due to other funds	(1,538)	369
Arbitrage rebate	-	-
Advances and deposits	3,258	3,432
Claims and judgments-workers' compensation	(310)	(4,275)
Compensated absences	(858)	284
Pension obligation payable	6,164	5,006
Net cash provided by operating activities	<u>\$ 576,252</u>	<u>\$ 588,676</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 Position
For the Year Ended June 30, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	<u>Health Benefits</u>	<u>Long-term Disability</u>	<u>2013</u>	<u>2012</u>
Assets				
Current assets				
Cash and cash equivalents				
Equity in pooled cash and investments	\$ 49,504	\$ 9,347	\$ 58,851	\$ 21,540
Receivables, net of allowances				
Accounts receivable	3	-	3	1
Due from other funds	718	-	718	5
Due from other	167	-	167	4,626
Prepaid items	3	-	3	3
Total current assets	<u>50,395</u>	<u>9,347</u>	<u>59,742</u>	<u>26,175</u>
Capital assets				
Land	-	-	-	-
Buildings, improvements and equipment	514	-	514	354
Construction in progress	25	-	25	-
Total capital assets	<u>539</u>	<u>-</u>	<u>539</u>	<u>354</u>
Less accumulated depreciation	<u>(270)</u>	<u>-</u>	<u>(270)</u>	<u>(209)</u>
Accumulated depreciation	<u>(270)</u>	<u>-</u>	<u>(270)</u>	<u>(209)</u>
Net capital assets	<u>269</u>	<u>-</u>	<u>269</u>	<u>145</u>
Total noncurrent assets	<u>269</u>	<u>-</u>	<u>269</u>	<u>145</u>
Total Assets	<u>50,664</u>	<u>9,347</u>	<u>60,011</u>	<u>26,320</u>
Liabilities				
Current Liabilities				
Accounts Payable	1,472	40	1,512	4,462
Accrued payroll liabilities	68	-	68	62
Due to other funds	14,117	-	14,117	39
Claims and judgments	22,558	2,479	25,037	25,680
Compensated absences	202	-	202	199
Unearned revenue	2,836	-	2,836	2,714
Total current liabilities	<u>41,253</u>	<u>2,519</u>	<u>43,772</u>	<u>33,156</u>
Noncurrent liabilities				
Claims and judgments	-	6,402	6,402	5,708
Compensated absences	187	-	187	184
Total noncurrent liabilities	<u>187</u>	<u>6,402</u>	<u>6,589</u>	<u>5,892</u>
Total liabilities	<u>41,440</u>	<u>8,921</u>	<u>50,361</u>	<u>39,048</u>
Net Position				
Net investment in capital assets	269	-	269	145
Unrestricted	8,955	426	9,381	(12,873)
Total net position	<u>\$ 9,224</u>	<u>\$ 426</u>	<u>\$ 9,650</u>	<u>\$ (12,728)</u>

CITY OF HOUSTON, TEXAS
INTERNAL SERVICE FUNDS
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	<u>Health Benefits</u>	<u>Long-term Disability</u>	<u>2013</u>	<u>2012</u>
Operating Revenues				
Other	\$ 4,753	\$ -	\$ 4,753	\$ 227
Health benefit premiums	331,334	1,222	332,556	295,142
Total operating revenues	<u>336,087</u>	<u>1,222</u>	<u>337,309</u>	<u>295,369</u>
Operating Expenses				
Administrative costs	5,104	17	5,121	4,286
Claims Costs	307,835	1,909	309,744	308,420
Depreciation and amortization	61	-	61	50
Total operating expenses	<u>313,000</u>	<u>1,926</u>	<u>314,926</u>	<u>312,756</u>
Operating income (loss)	<u>23,087</u>	<u>(704)</u>	<u>22,383</u>	<u>(17,387)</u>
Nonoperating revenues (expenses)				
Investment income	10	(15)	(5)	20
Total Nonoperating revenues (expenses)	<u>10</u>	<u>(15)</u>	<u>(5)</u>	<u>20</u>
Income (loss) before contributions and transfers	<u>23,097</u>	<u>(719)</u>	<u>22,378</u>	<u>(17,367)</u>
Change in net position	23,097	(719)	22,378	(17,367)
Total net position (deficit), July 1	<u>(13,873)</u>	<u>1,145</u>	<u>(12,728)</u>	<u>4,639</u>
Total net position (deficit), June 30	<u>\$ 9,224</u>	<u>\$ 426</u>	<u>\$ 9,650</u>	<u>\$ (12,728)</u>

INTERNAL SERVICE FUNDS
Combining Statement of Cash Flows
For the Year Ended June 30, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	Health Benefits	Long-term Disability	2013	2012
Cash flows from operating activities				
Receipts from customers	\$ 331,331	\$ 1,222	\$ 332,553	\$ 295,143
Payments to employees	(3,643)	-	(3,643)	(3,483)
Payments to suppliers	(4,195)	(15)	(4,210)	129
Internal activity-payments to other funds	13,310	-	13,310	(9,432)
Claims paid	(308,622)	(1,099)	(309,721)	(301,917)
Due from other governments	4,459	-	4,459	-
Other revenues	4,753	-	4,753	227
Net cash provided by (used in) operating activities	<u>37,393</u>	<u>108</u>	<u>37,501</u>	<u>(19,333)</u>
Cash flows from investing activities				
Interest income on investments	10	(15)	(5)	20
Net cash provided by investing activities	<u>10</u>	<u>(15)</u>	<u>(5)</u>	<u>20</u>
Cash flows from capital and related financing activities				
Acquisition of property, plant and equipment	(185)	-	(185)	-
Net cash provided by (used for) capital and related financing activities	<u>(185)</u>	<u>-</u>	<u>(185)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	37,218	93	37,311	(19,313)
Cash and cash equivalents, July 1	12,286	9,254	21,540	40,853
Cash and cash equivalents, June 30	<u>\$ 49,504</u>	<u>\$ 9,347</u>	<u>\$ 58,851</u>	<u>\$ 21,540</u>
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (loss)	\$ 23,087	\$ (704)	\$ 22,383	\$ (17,387)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	61	-	61	50
Changes in assets and liabilities				
Accounts receivable	(2)	-	(2)	-
Due from other funds	(713)	-	(713)	8
Due from other governments	4,459	-	4,459	(4,626)
Accounts payable	(2,935)	(15)	(2,950)	(388)
Accrued payroll liabilities	6	-	6	(84)
Due to other funds	14,078	-	14,078	(4,779)
Claims for workers' compensation	(776)	827	51	6,528
Compensated absences	6	-	6	(51)
Deferred revenue	122	-	122	1,396
Net cash provided by operating activities	<u>\$ 37,393</u>	<u>\$ 108</u>	<u>\$ 37,501</u>	<u>\$ (19,333)</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 Position
June 30, 2013
(With comparative totals for 2012)
amounts expressed in thousands

		Firefighters' Relief and Retirement Pension Trust Fund
Assets		
Cash	\$	8,149
Investments		
U.S. government and agency securities		-
Corporate bonds		-
Other fixed income securities		1,123,763
Commingled equity funds		-
Common and preferred stock		1,378,698
Real estate, partnerships and alternatives		807,763
Short-term investment funds		97,588
Invested securities lending collateral		148,209
Receivables, net of allowances		
Due from broker		8
Contributions		2,191
Accrued interest and dividends		17,507
Other		7,695
Other assets		1,061
Land		483
Building		5,446
Total assets		3,598,561
 Liabilities and plan net position		
Liabilities		
Accounts payable		18,567
Securities lending collateral		148,209
Foreign funds contracts payable		1,269
Other liabilities		80
Total liabilities		168,125
 Plan net position held in trust for pension benefits	 \$	 3,430,436

(Continued)

Municipal Employees' Pension Trust Fund		Police Officers' Pension Trust Fund		2013	2012
\$	6,168	\$	234	\$ 14,551	\$ 7,176
	64,523		-	64,523	71,642
	233,868		-	233,868	230,905
	-		725,732	1,849,495	1,912,309
	279,271		-	279,271	255,302
	891,290		568,962	2,838,950	2,658,871
	688,970		1,881,686	3,378,419	3,227,142
	44,753		564,835	707,176	377,159
	161,317		190,616	500,142	495,547
	32		5,370	5,410	15,724
	-		26,402	28,593	2,658
	-		4,891	22,398	24,379
	18,059		24	25,778	32,899
	248		-	1,309	11,413
	-		-	483	483
	-		-	5,446	5,758
	<u>2,388,499</u>		<u>3,968,752</u>	<u>9,955,812</u>	<u>9,329,367</u>
	25,458		3,186	47,211	57,633
	161,317		190,616	500,142	495,547
	32		-	1,301	4,534
	5,077		575	5,732	5,319
	<u>191,884</u>		<u>194,377</u>	<u>554,386</u>	<u>563,033</u>
\$	<u>2,196,615</u>	\$	<u>3,774,375</u>	<u>9,401,426</u>	<u>8,766,334</u>

CITY OF HOUSTON, TEXAS
PENSION TRUST FUNDS
Combining Statement of Changes in Plan Net Position
For the Year Ended June 30, 2013
(With comparative totals for 2012)
amounts expressed in thousands

	Firefighters' Relief and Retirement Pension Trust Fund
Additions:	
Contributions	
City of Houston	\$ 62,128
Members	23,382
Total Contributions	85,510
Investment income	
Interest	58,308
Net appreciation(depreciation) in fair value of investments	272,673
Dividends	24,692
Income on securities lending	183
Earnings from real estate, limited partnerships real estate investments, and other investments	5,146
Other income	904
Total investment and other income (loss)	361,906
Less - investment expense	(8,687)
Less - cost of securities lending	345
Total additions (reductions)	439,074
Deductions:	
Benefits paid to members	175,229
Refunds to members	531
Other	8,009
Total deductions	183,769
Net increase (decrease)	255,305
Plan net position held in trust for pension benefits, beginning of year	3,175,131
Plan net position held in trust for pension benefits, end of year	\$ 3,430,436

(Continued)

Municipal Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	2013	2012
\$ 111,859	\$ 93,392	\$ 267,379	\$ 241,509
17,041	35,586	76,009	76,714
<u>128,900</u>	<u>128,978</u>	<u>343,388</u>	<u>318,223</u>
20,253	32,330	110,891	134,671
221,050	241,324	735,047	(39,392)
21,245	20,238	66,175	61,293
1,132	359	1,674	1,975
8,400	-	13,546	22,724
1,245	2,550	4,699	2,150
<u>273,325</u>	<u>296,801</u>	<u>932,032</u>	<u>183,421</u>
(7,812)	(14,718)	(31,217)	(34,337)
(377)	(90)	(122)	(278)
<u>394,036</u>	<u>410,971</u>	<u>1,244,081</u>	<u>467,029</u>
213,178	199,255	587,662	542,283
1,266	641	2,438	3,160
7,212	3,668	18,889	18,390
<u>221,656</u>	<u>203,564</u>	<u>608,989</u>	<u>563,833</u>
172,380	207,407	635,092	(96,804)
<u>2,024,235</u>	<u>3,566,968</u>	<u>8,766,334</u>	<u>8,863,138</u>
<u>\$ 2,196,615</u>	<u>\$ 3,774,375</u>	<u>\$ 9,401,426</u>	<u>\$ 8,766,334</u>

CITY OF HOUSTON, TEXAS
AGENCY FUNDS
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2013
amounts expressed in thousands

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Payroll Revolving Fund				
Assets				
Equity in pooled cash and investments	\$ 2,491	\$ 6,442,945	\$ 6,438,713	\$ 6,723
Accounts receivable	128	4	4	128
Due from other funds	4,565	-	4,572	(7)
Total assets	<u>\$ 7,184</u>	<u>\$ 6,442,949</u>	<u>\$ 6,443,289</u>	<u>\$ 6,844</u>
Liabilities				
Accounts payable	\$ 7,184	\$ 2,499,171	\$ 2,499,511	\$ 6,844
Total liabilities	<u>\$ 7,184</u>	<u>\$ 2,499,171</u>	<u>\$ 2,499,511</u>	<u>\$ 6,844</u>
City Deposit Fund				
Assets				
Equity in pooled cash and investments	\$ 131	\$ -	\$ -	\$ 131
Total assets	<u>\$ 131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131</u>
Liabilities				
Advances and deposits	\$ 131	\$ -	\$ -	\$ 131
Total liabilities	<u>\$ 131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131</u>
Tax Clearing Fund				
Assets				
Equity in pooled cash and investments	\$ 11,520	\$ 143,237	\$ 141,899	\$ 12,858
Total assets	<u>\$ 11,520</u>	<u>\$ 143,237</u>	<u>\$ 141,899</u>	<u>\$ 12,858</u>
Liabilities				
Accounts payable	\$ 11,520	\$ 276,689	\$ 275,351	\$ 12,858
Total liabilities	<u>\$ 11,520</u>	<u>\$ 276,689</u>	<u>\$ 275,351</u>	<u>\$ 12,858</u>
Totals - All Agency Funds				
Assets				
Equity in pooled cash and investments	\$ 14,142	\$ 6,586,182	\$ 6,580,612	\$ 19,712
Accounts receivable	128	4	4	128
Due from other funds	4,565	-	4,572	(7)
Total assets	<u>\$ 18,835</u>	<u>\$ 6,586,186</u>	<u>\$ 6,585,188</u>	<u>\$ 19,833</u>
Liabilities				
Accounts payable	\$ 18,704	\$ 2,775,860	\$ 2,774,862	\$ 19,702
Advances and deposits	131	-	-	\$ 131
Total liabilities	<u>\$ 18,835</u>	<u>\$ 2,775,860</u>	<u>\$ 2,774,862</u>	<u>\$ 19,833</u>

Discretely Presented Component Units (Governmental and Business-type)

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

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

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

Business-type – This category is comprised of:

- Houston First Corporation
- Houston Housing Finance Corporation
- Houston Zoo Inc.

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Net Position
June 30, 2013
amounts expressed in thousands

	City Park Redevelopment Authority	East Downtown Redevelopment Authority	Fifth Ward Redevelopment Authority	Fourth Ward Redevelopment Authority	Greater Greenspoint Redevelopment Authority	Greater Houston Convention & Visitors Bureau
Assets						
Current Assets						
Cash	\$ 582	\$ 1,802	\$ 433	\$ 1,486	\$ 28,759	\$ 5,878
Equity in pooled cash and investments	-	2,627	-	8,520	14,574	-
Receivables, net of allowances						
Accounts receivable	-	337	3	-	1,510	4,823
Accrued interest and other	-	5	-	-	-	-
Due from primary government	-	-	-	-	-	-
Inventory	-	-	-	-	-	6
Prepaid items	-	-	-	1	-	12
Restricted assets						
Investments	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total current assets	<u>582</u>	<u>4,771</u>	<u>436</u>	<u>10,007</u>	<u>44,843</u>	<u>10,719</u>
Noncurrent Assets						
Investments	-	-	-	-	-	201
Deferred charges for issuance cost	-	-	-	-	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>201</u>
Land	-	315	122	200	6,647	-
Buildings, improvements and equipment	1,199	-	-	-	61	1,428
Plants, lines and rights	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
Total capital assets	<u>1,199</u>	<u>315</u>	<u>122</u>	<u>200</u>	<u>6,708</u>	<u>1,428</u>
Less accumulated depreciation						
Buildings, improvements and equipment	(432)	-	-	-	(48)	(554)
Accumulated depreciation	(432)	-	-	-	(48)	(554)
Net capital assets	<u>767</u>	<u>315</u>	<u>122</u>	<u>200</u>	<u>6,660</u>	<u>874</u>
Total noncurrent assets	<u>767</u>	<u>315</u>	<u>122</u>	<u>200</u>	<u>6,660</u>	<u>1,075</u>
Total assets	<u>1,349</u>	<u>5,086</u>	<u>558</u>	<u>10,207</u>	<u>51,503</u>	<u>11,794</u>
Liabilities						
Current Liabilities						
Accounts payable	9	211	1	21	1,872	760
Accrued payroll liabilities	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	430	429
Contracts and retainages payable	-	-	-	-	888	-
Notes payable	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
Compensated absences	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	90
Deferred Revenue	-	-	-	-	-	101
Current liabilities payable from restricted assets						
Revenue bonds payable	-	-	-	-	1,390	-
Advances and deposits	-	-	-	-	-	-
Total current liabilities	<u>9</u>	<u>211</u>	<u>1</u>	<u>21</u>	<u>4,580</u>	<u>1,380</u>
Noncurrent liabilities						
Notes payable	-	-	-	-	-	-
Revenue bonds payable	-	-	-	-	30,098	-
Contracts payable	4,329	-	-	-	-	-
Other long-term liabilities	-	-	-	-	-	143
Deferred revenue	-	-	-	-	-	-
Total Noncurrent liabilities	<u>4,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,098</u>	<u>143</u>
Total liabilities	<u>4,338</u>	<u>211</u>	<u>1</u>	<u>21</u>	<u>34,678</u>	<u>1,523</u>
Net position						
Net investment in capital assets	-	315	122	-	4,568	-
Restricted net position						
Restricted for debt service	-	-	-	-	5,526	-
Restricted for maintenance and operations	-	-	-	-	-	-
Restricted for capital improvements	-	-	-	9,604	-	-
Other restricted	-	2,028	-	-	-	-
Unrestricted (deficit)	(2,989)	2,532	435	582	6,731	10,271
Total net position (deficit)	<u>\$ (2,989)</u>	<u>\$ 4,875</u>	<u>\$ 557</u>	<u>\$ 10,186</u>	<u>\$ 16,825</u>	<u>\$ 10,271</u>

(Continued)

<u>Gulfgate Redevelopment Authority</u>	<u>Hardy Near Northside Redevelopment Authority</u>	<u>Houston Area Library Automated Network Bd</u>	<u>Houston Arts Alliance</u>	<u>Houston Business Development Corporation</u>	<u>Houston Downtown Park Corporation</u>	<u>Houston Forensic Science, LGC</u>	<u>Houston Media Source</u>
\$ 858	\$ 221	\$ -	\$ 12	\$ -	\$ 1	\$ 479	\$ 1,642
-	602	2,198	1,812	-	-	-	-
245	-	-	1,838	-	-	-	529
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	23	-	-	-	38
-	-	-	-	-	-	-	1,607
-	-	-	113	-	-	-	-
<u>1,103</u>	<u>823</u>	<u>2,198</u>	<u>3,798</u>	<u>-</u>	<u>1</u>	<u>479</u>	<u>3,816</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,417	-	-	-	-	56,986	-	-
-	-	-	711	-	23,173	-	1,365
-	112	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>5,417</u>	<u>112</u>	<u>-</u>	<u>711</u>	<u>-</u>	<u>80,159</u>	<u>-</u>	<u>1,365</u>
-	-	-	(432)	-	(3,261)	-	(667)
-	-	-	(432)	-	(3,261)	-	(667)
<u>5,417</u>	<u>112</u>	<u>-</u>	<u>279</u>	<u>-</u>	<u>76,898</u>	<u>-</u>	<u>698</u>
<u>5,417</u>	<u>112</u>	<u>-</u>	<u>279</u>	<u>-</u>	<u>76,898</u>	<u>-</u>	<u>698</u>
<u>6,520</u>	<u>935</u>	<u>2,198</u>	<u>4,077</u>	<u>-</u>	<u>76,899</u>	<u>479</u>	<u>4,514</u>
33	4	1	331	-	-	30	95
-	-	20	-	-	-	-	-
777	-	-	-	-	-	-	-
87	-	-	-	-	-	-	-
425	-	-	-	-	3,733	-	-
-	-	-	-	-	-	-	-
-	-	1	-	-	-	-	-
-	-	-	1,808	-	-	-	-
-	-	-	67	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,322</u>	<u>4</u>	<u>22</u>	<u>2,206</u>	<u>-</u>	<u>3,733</u>	<u>30</u>	<u>95</u>
3,850	-	-	-	-	16,937	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,937</u>	<u>-</u>	<u>-</u>
<u>5,172</u>	<u>4</u>	<u>22</u>	<u>2,206</u>	<u>-</u>	<u>20,670</u>	<u>30</u>	<u>95</u>
2,977	112	-	-	-	56,229	-	698
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	1,605	-	-	75	1,840
(1,629)	819	2,176	266	-	-	374	1,881
<u>\$ 1,348</u>	<u>\$ 931</u>	<u>\$ 2,176</u>	<u>\$ 1,871</u>	<u>\$ -</u>	<u>\$ 56,229</u>	<u>\$ 449</u>	<u>\$ 4,419</u>
				See Note 14e		See Note 14e	See Note 14e

(Continued)

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Net Position
June 30, 2013
amounts expressed in thousands

	Houston Parks Board, Inc.	Houston Parks Board LGC, Inc	Houston Public Library Foundation	Houston Recovery Center, LGC	Lamar Terrace Public Improvement District	Land Assemblage Redevelopment Authority
Assets						
Current Assets						
Cash	\$ 799	\$ -	\$ 900	\$ 263	\$ -	\$ 3,864
Equity in pooled cash and investments	-	-	-	-	53	-
Receivables, net of allowances						
Accounts receivable	5,557	88	511	-	26	41
Accrued interest and other	148	-	-	-	-	-
Due from primary government	-	-	-	-	-	-
Inventory	-	-	-	5	-	-
Prepaid items	-	-	-	-	1	1
Restricted assets						
Investments	18,409	-	-	-	-	7,446
Other receivables	-	-	-	-	-	-
Total current assets	<u>24,913</u>	<u>88</u>	<u>1,411</u>	<u>268</u>	<u>80</u>	<u>11,352</u>
Noncurrent Assets						
Restricted assets						
Investments	-	-	18,714	-	-	-
Deferred charges for issuance cost	-	-	-	-	-	-
Total noncurrent restricted assets	<u>-</u>	<u>-</u>	<u>18,714</u>	<u>-</u>	<u>-</u>	<u>-</u>
Land	12,006	4,733	-	-	-	-
Buildings, improvements and equipment	-	-	-	-	-	-
Plants, lines and rights	-	-	969	-	-	-
Construction in progress	-	1,255	-	-	-	-
Total capital assets	<u>12,006</u>	<u>5,988</u>	<u>969</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less accumulated depreciation						
Buildings, improvements and equipment	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Net capital assets	<u>12,006</u>	<u>5,988</u>	<u>969</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>12,006</u>	<u>5,988</u>	<u>19,683</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>36,919</u>	<u>6,076</u>	<u>21,094</u>	<u>268</u>	<u>80</u>	<u>11,352</u>
Liabilities						
Current Liabilities						
Accounts payable	182	88	22	6	-	72
Accrued payroll liabilities	-	-	-	-	11	-
Accrued interest payable	-	-	-	-	-	-
Contracts and retainages payable	438	-	-	-	-	-
Notes payable	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
Compensated absences	-	-	-	-	-	-
Other liabilities	538	-	-	-	-	-
Deferred revenue	-	-	-	-	26	-
Current liabilities payable from restricted assets						
Revenue bonds payable	-	-	-	-	-	-
Advances and deposits	-	-	-	-	-	-
Total current liabilities	<u>1,158</u>	<u>88</u>	<u>22</u>	<u>6</u>	<u>37</u>	<u>72</u>
Noncurrent liabilities						
Notes payable	-	-	-	-	-	-
Revenue bonds payable	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-
Other long-term liabilities	-	-	-	-	-	-
Deferred revenue	-	-	76	-	-	-
Total Noncurrent liabilities	<u>-</u>	<u>-</u>	<u>76</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,158</u>	<u>88</u>	<u>98</u>	<u>6</u>	<u>37</u>	<u>72</u>
Net position						
Net investment in capital assets	-	5,988	-	-	-	-
Restricted net position						
Restricted for debt service	-	-	-	-	-	-
Restricted for maintenance and operations	18,303	-	-	-	-	-
Restricted for capital improvements	-	-	-	-	-	-
Other restricted	5,934	-	17,097	-	-	9,867
Unrestricted (deficit)	11,524	-	3,899	262	43	1,413
Total net position (deficit)	<u>\$ 35,761</u>	<u>\$ 5,988</u>	<u>\$ 20,996</u>	<u>\$ 262</u>	<u>\$ 43</u>	<u>\$ 11,280</u>

See Note 14e

(Continued)

Leland Woods Redevelopment Authority I	Leland Woods Redevelopment Authority II	Main Street Market Square Redevelopment Authority	Memorial City Redevelopment Authority	Memorial- Heights Redevelopment Authority	Midtown Redevelopment Authority	Miller Theatre Advisory Board, Inc.	Old Sixth Ward Redevelopment Authority	OST/Alameda Corridors Redevelopment Authority
\$ 152	\$ 3	\$ 3,181	\$ 31,584	4,177	\$ 8,031	\$ 822	\$ 640	\$ 88
-	-	12,343	9,466	-	19,947	-	-	33,891
-	-	592	5	-	4,937	470	-	-
-	-	-	-	-	-	-	-	167
-	-	-	-	-	32,907	-	-	-
-	76	-	-	-	-	-	1	-
-	-	-	-	1	-	-	-	-
-	-	-	-	-	-	32	-	-
<u>152</u>	<u>79</u>	<u>16,116</u>	<u>41,055</u>	<u>4,178</u>	<u>65,822</u>	<u>1,324</u>	<u>641</u>	<u>34,146</u>
-	-	-	-	-	-	-	-	-
-	-	459	-	-	1,383	-	-	1,160
-	-	459	-	-	1,383	-	-	1,160
619	1,016	-	6,971	-	12,821	-	-	4,563
-	-	-	-	-	7,408	-	-	34
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>619</u>	<u>1,016</u>	<u>-</u>	<u>6,971</u>	<u>-</u>	<u>20,229</u>	<u>-</u>	<u>-</u>	<u>4,597</u>
-	-	-	-	-	(2,980)	-	-	(29)
-	-	-	-	-	(2,980)	-	-	(29)
619	1,016	-	6,971	-	17,249	-	-	4,568
619	1,016	459	6,971	-	18,632	-	-	5,728
<u>771</u>	<u>1,095</u>	<u>16,575</u>	<u>48,026</u>	<u>4,178</u>	<u>84,454</u>	<u>1,324</u>	<u>641</u>	<u>39,874</u>
25	-	117	685	135	1,613	8	13	280
-	4	-	-	-	-	-	-	-
-	-	209	619	-	1,381	-	46	410
-	-	-	53	-	722	239	-	-
-	-	450	1	-	1,854	-	110	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
200	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	1,805	2,560	-	3,205	-	-	1,270
-	-	-	-	-	-	-	-	-
<u>225</u>	<u>4</u>	<u>2,581</u>	<u>3,918</u>	<u>135</u>	<u>8,775</u>	<u>247</u>	<u>169</u>	<u>1,960</u>
-	892	1,500	-	-	3,395	-	2,417	-
-	-	19,025	44,750	-	55,835	-	-	24,253
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	892	20,525	44,750	-	59,230	-	2,417	24,253
<u>225</u>	<u>896</u>	<u>23,106</u>	<u>48,668</u>	<u>135</u>	<u>68,005</u>	<u>247</u>	<u>2,586</u>	<u>26,213</u>
620	125	-	-	-	6,295	171	-	4,568
-	-	2,324	3,751	-	13,466	-	-	4,960
-	-	-	-	-	-	-	-	-
-	-	-	-	-	2,270	-	-	-
-	-	-	-	-	29,376	643	-	-
(74)	74	(8,855)	(4,393)	4,043	(34,958)	263	(1,945)	4,133
<u>\$ 546</u>	<u>\$ 199</u>	<u>\$ (6,531)</u>	<u>\$ (642)</u>	<u>\$ 4,043</u>	<u>\$ 16,449</u>	<u>\$ 1,077</u>	<u>\$ (1,945)</u>	<u>\$ 13,661</u>

(Continued)

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Net Position
June 30, 2013
amounts expressed in thousands

	Saint George Place Redevelopment Authority	South Post Oak Redevelopment Authority	Southwest Houston Redevelopment Authority	Upper Kirby Redevelopment Authority	Uptown Development Authority	Total
Assets						
Current Assets						
Cash	\$ 1,900	\$ 708	\$ 88	\$ 90	\$ 28,280	\$ 127,723
Equity in pooled cash and investments	444	-	8,552	13,143	-	128,172
Receivables, net of allowances						
Accounts receivable	7	180	1	-	-	21,700
Accrued interest and other	-	-	-	-	-	320
Due from primary government	-	-	-	-	220	220
Inventory	-	-	-	-	-	32,918
Prepaid items	-	-	-	-	-	153
Restricted assets						
Investments	-	-	-	-	-	27,463
Other receivables	-	-	-	-	-	145
Total current assets	<u>2,351</u>	<u>888</u>	<u>8,641</u>	<u>13,233</u>	<u>28,500</u>	<u>338,814</u>
Noncurrent Assets						
Restricted assets						
Investments	-	-	-	-	-	18,915
Deferred charges for issuance cost	-	-	-	-	353	3,355
Total noncurrent restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>353</u>	<u>22,270</u>
Land	-	-	60	13,509	9,081	135,066
Buildings, improvements and equipment	-	-	-	-	5,577	40,956
Plants, lines and rights	-	-	-	-	-	1,081
Construction in progress	-	-	-	-	-	1,255
Total property, plant & equipment	<u>-</u>	<u>-</u>	<u>60</u>	<u>13,509</u>	<u>14,658</u>	<u>178,358</u>
Less accumulated depreciation and						
Buildings, improvements and equipment	-	-	-	-	(1,800)	(10,203)
Accumulated depreciation	-	-	-	-	(1,800)	(10,203)
Net capital assets	<u>-</u>	<u>-</u>	<u>60</u>	<u>13,509</u>	<u>12,858</u>	<u>168,155</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>60</u>	<u>13,509</u>	<u>13,211</u>	<u>190,425</u>
Total assets	<u>2,351</u>	<u>888</u>	<u>8,701</u>	<u>26,742</u>	<u>41,711</u>	<u>529,239</u>
Liabilities						
Current Liabilities						
Accounts payable	41	1	116	724	2,440	9,936
Accrued payroll liabilities	-	-	-	-	-	35
Accrued interest payable	27	39	278	278	1,063	5,986
Contracts and retainages payable	-	-	-	186	-	2,613
Notes payable	-	-	1,000	958	-	8,531
Due to other governments	-	-	-	-	7,293	7,293
Compensated absences	-	-	-	-	-	1
Other liabilities - current	-	-	37	-	-	2,673
Deferred revenue	226	-	-	-	-	420
Current liabilities payable from restricted assets						
Revenue bonds payable	135	-	1,125	-	3,605	15,095
Advances and deposits	-	805	-	-	-	805
Total current liabilities	<u>429</u>	<u>845</u>	<u>2,556</u>	<u>2,146</u>	<u>14,401</u>	<u>53,388</u>
Noncurrent liabilities						
Notes payable	6,328	-	2,620	18,255	-	56,194
Revenue bonds payable	1,390	-	21,745	-	62,758	259,854
Contracts payable	-	2,577	-	-	-	6,906
Other long-term liabilities	-	-	-	-	-	143
Deferred revenue	-	-	-	-	-	76
Total Noncurrent liabilities	<u>7,718</u>	<u>2,577</u>	<u>24,365</u>	<u>18,255</u>	<u>62,758</u>	<u>323,173</u>
Total liabilities	<u>8,147</u>	<u>3,422</u>	<u>26,921</u>	<u>20,401</u>	<u>77,159</u>	<u>376,561</u>
Net Position						
Investment in capital assets	-	-	-	13,509	12,858	109,155
Restricted net assets						
Restricted for debt service	417	-	2,369	115	12,514	45,442
Restricted for maintenance and operations	-	-	-	-	-	18,303
Restricted for capital improvements	-	-	9	5,142	5,190	22,215
Other restricted	(11)	-	-	-	-	68,454
Unrestricted	(6,202)	(2,534)	(20,598)	(12,425)	(66,010)	(110,891)
Total net position (deficit)	<u>\$ (5,796)</u>	<u>\$ (2,534)</u>	<u>\$ (18,220)</u>	<u>\$ 6,341</u>	<u>\$ (35,448)</u>	<u>\$ 152,678</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, 2013
amounts expressed in thousands

Net (Expense) Revenue and Change in Net Position

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	City Park Redevelopment Authority	East Downtown Redevelopment Authority	Fifth Ward Redevelopment Authority	Fourth Ward Redevelopment Authority
Component Units								
City Park Redevelopment Authority	\$ 198	\$ -	\$ -	\$ -	\$ (198)	\$ -	\$ -	\$ -
East Downtown Redevelopment Authority	72	-	-	-	-	(72)	-	-
Fifth Ward Redevelopment Authority	256	-	-	-	-	-	(256)	-
Fourth Ward Redevelopment Authority	1,681	-	-	-	-	-	-	(1,681)
Greater Greenspoint Redevelopment Authority	9,269	-	-	-	-	-	-	-
Greater Houston Convention and Visitors Bureau	16,180	633	16,286	-	-	-	-	-
Gulfgate Redevelopment Authority	537	-	-	-	-	-	-	-
Hardy Near Northside Redevelopment Authority	32	-	-	-	-	-	-	-
Houston Area Library Automated Network	1,966	-	1,633	-	-	-	-	-
Houston Arts Alliance	7,597	-	6,201	-	-	-	-	-
Houston Business Development Corporation	-	-	-	-	-	-	-	-
Houston Downtown Park Corporation	1,508	1,226	37	-	-	-	-	-
Houston Forensic Science LGC, Inc.	127	500	75	-	-	-	-	-
Houston Media Source, Inc.	1,191	2,135	-	-	-	-	-	-
Houston Parks Board, Inc.	6,133	236	8,059	-	-	-	-	-
Houston Parks Board, LGC, Inc.	140	-	1,316	-	-	-	-	-
Houston Public Library Foundation	3,748	-	676	-	-	-	-	-
Houston Recovery Center LGC, Inc.	351	-	613	-	-	-	-	-
Land Assemblage Redevelopment Authority	1,305	-	1,385	-	-	-	-	-
Leland Woods Redevelopment Authority I	437	-	-	-	-	-	-	-
Leland Woods Redevelopment Authority II	49	-	124	-	-	-	-	-
Main Street Market Square Redevelopment Authority	7,502	-	-	-	-	-	-	-
Memorial City Redevelopment Authority	5,955	-	109	-	-	-	-	-
Memorial-Heights Redevelopment Authority	(1,078)	-	-	-	-	-	-	-
Midtown Redevelopment Authority	20,254	-	-	-	-	-	-	-
Miller Theatre Advisory Board, Inc.	2,420	-	2,475	-	-	-	-	-
Old Sixth Ward Redevelopment Authority	421	-	-	-	-	-	-	-
OST/Alameda Corridors Redevelopment Authority	7,515	-	495	-	-	-	-	-
Saint George Place Redevelopment Authority	485	-	-	-	-	-	-	-
South Post Oak Redevelopment Authority	182	-	-	-	-	-	-	-
Southwest Houston Redevelopment Authority	2,127	-	-	-	-	-	-	-
Upper Kirby Redevelopment Authority	7,833	-	1,155	-	-	-	-	-
Uptown Development Authority	24,340	-	3,123	-	-	-	-	-
Total component units	130,733	4,730	43,762	\$ -	(198)	(72)	(256)	(1,681)
General Revenues:								
Taxes								
Property Taxes - general purposes / tax increments					502	2,089	259	1,823
Property Taxes levied for debt service					-	-	-	-
Industrial assessments tax					-	-	-	-
Sales tax					-	-	-	-
Franchise tax					-	-	-	-
Mixed beverage tax					-	-	-	-
Bingo tax					-	-	-	-
Hotel occupancy tax					-	-	-	-
Intergovernmental - grant					-	-	-	-
Contributions								
Unrestricted investment earnings (loss)					1	7	1	16
Other					-	-	-	42
Special Items - Loss on sale of assets					-	-	-	-
Transfers						(1,966)		
Total general revenues and transfers					503	130	260	1,881
Change in net position					305	58	4	200
Net Position (deficit) beginning					(3,294)	4,817	553	9,986
Change in Accounting Principle					-	-	-	-
Change in Reporting Entity					-	-	-	-
Net Position (deficit) ending					\$ (2,989)	\$ 4,875	\$ 557	\$ 10,186

(Continued)

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Activities
For the Year Ended June 30, 2013
amounts expressed in thousands

Net (Expense) Revenue and Change in Net Position

Functions/Programs	Houston Media Source	Houston Parks Board, Inc	Houston Parks Board LGC	Houston Public Library Foundation	Houston Recovery Center LGC	Lamar Terrace Public Improvement District
Component Units						
City Park Redevelopment Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
East Downtown Redevelopment Authority	-	-	-	-	-	-
Fifth Ward Redevelopment Authority	-	-	-	-	-	-
Fourth Ward Redevelopment Authority	-	-	-	-	-	-
Greater Greenspoint Redevelopment Authority	-	-	-	-	-	-
Greater Houston Convention and Visitors Bureau	-	-	-	-	-	-
Gulfgate Redevelopment Authority	-	-	-	-	-	-
Hardy Near Northside Redevelopment Authority	-	-	-	-	-	-
Houston Area Library Automated Network	-	-	-	-	-	-
Houston Arts Alliance	-	-	-	-	-	-
Houston Business Development Corporation	-	-	-	-	-	-
Houston Downtown Park Corporation	-	-	-	-	-	-
Houston Forensic Science LGC, Inc.	-	-	-	-	-	-
Houston Media Source, Inc.	944	-	-	-	-	-
Houston Parks Board, Inc.	-	2,162	-	-	-	-
Houston Parks Board, LGC, Inc.	-	-	1,176	-	-	-
Houston Public Library Foundation	-	-	-	(3,072)	-	-
Houston Recovery Center LGC, Inc.	-	-	-	-	262	-
Land Assemblage Redevelopment Authority	-	-	-	-	-	-
Leland Woods Redevelopment Authority I	-	-	-	-	-	-
Leland Woods Redevelopment Authority II	-	-	-	-	-	-
Main Street Market Square Redevelopment Authority	-	-	-	-	-	-
Memorial City Redevelopment Authority	-	-	-	-	-	-
Memorial-Heights Redevelopment Authority	-	-	-	-	-	-
Midtown Redevelopment Authority	-	-	-	-	-	-
Miller Theatre Advisory Board, Inc.	-	-	-	-	-	-
Old Sixth Ward Redevelopment Authority	-	-	-	-	-	-
OST/Almeda Corridors Redevelopment Authority	-	-	-	-	-	-
Saint George Place Redevelopment Authority	-	-	-	-	-	-
South Post Oak Redevelopment Authority	-	-	-	-	-	-
Southwest Houston Redevelopment Authority	-	-	-	-	-	-
Upper Kirby Redevelopment Authority	-	-	-	-	-	-
Uptown Development Authority	-	-	-	-	-	-
Total component units	<u>944</u>	<u>2,162</u>	<u>1,176</u>	<u>(3,072)</u>	<u>262</u>	<u>-</u>
General Revenues:						
Taxes						
Property Taxes - 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 - grant	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
Unrestricted investment earnings (loss)	-	273	-	2,337	-	1
Other	-	-	-	-	-	-
Special Items - Loss on sale of assets	-	-	-	-	-	-
Transfers	-	(1,840)	-	-	-	-
Total general revenues, special items, and transfers	<u>-</u>	<u>(1,567)</u>	<u>-</u>	<u>2,337</u>	<u>-</u>	<u>1</u>
Change in net Position	<u>944</u>	<u>595</u>	<u>1,176</u>	<u>(735)</u>	<u>262</u>	<u>1</u>
Net Position (deficit) beginning	-	35,166	4,812	21,731	-	42
Change in Accounting Principle	-	-	-	-	-	-
Change in Reporting Entity	3,475	-	-	-	-	-
Net Position (deficit) ending	<u>\$ 4,419</u>	<u>\$ 35,761</u>	<u>\$ 5,988</u>	<u>\$ 20,996</u>	<u>\$ 262</u>	<u>\$ 43</u>

See Note 14e

See Note 14e

(Continued)

DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Activities
For the Year Ended June 30, 2013
amounts expressed in thousands

Net (Expense) Revenue and Change in Net Position

Functions/Programs	OST/Alameda Corridors Redevelopment Authority	Saint George Place Redevelopment Authority	South Post Oak Redevelopment Authority	Southwest Houston Redevelopment Authority	Upper Kirby Redevelopment Authority	Uptown Development Authority	Total
Component Units							
City Park Redevelopment Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (198)
East Downtown Redevelopment Authority	-	-	-	-	-	-	(72)
Fifth Ward Redevelopment Authority	-	-	-	-	-	-	(256)
Fourth Ward Redevelopment Authority	-	-	-	-	-	-	(1,681)
Greater Greenspoint Redevelopment Authority	-	-	-	-	-	-	(9,269)
Greater Houston Convention and Visitors Bureau	-	-	-	-	-	-	739
Gulfgate Redevelopment Authority	-	-	-	-	-	-	(537)
Hardy Near Northside Redevelopment Authority	-	-	-	-	-	-	(32)
Houston Area Library Automated Network	-	-	-	-	-	-	(333)
Houston Arts Alliance	-	-	-	-	-	-	(1,396)
Houston Business Development Corporation	-	-	-	-	-	-	-
Houston Downtown Park Corporation	-	-	-	-	-	-	(245)
Houston Forensic Science LGC, Inc.	-	-	-	-	-	-	448
Houston Media Source, Inc.	-	-	-	-	-	-	944
Houston Parks Board, Inc.	-	-	-	-	-	-	2,162
Houston Parks Board, LGC, Inc.	-	-	-	-	-	-	1,176
Houston Public Library Foundation	-	-	-	-	-	-	(3,072)
Houston Recovery Center LGC, Inc.	-	-	-	-	-	-	262
Land Assemblage Redevelopment Authority	-	-	-	-	-	-	80
Leland Woods Redevelopment Authority I	-	-	-	-	-	-	(437)
Leland Woods Redevelopment Authority II	-	-	-	-	-	-	75
Main Street Market Square Redevelopment Authority	-	-	-	-	-	-	(7,502)
Memorial City Redevelopment Authority	-	-	-	-	-	-	(5,846)
Memorial-Heights Redevelopment Authority	-	-	-	-	-	-	1,078
Midtown Redevelopment Authority	-	-	-	-	-	-	(20,254)
Miller Theatre Advisory Board, Inc.	-	-	-	-	-	-	55
Old Sixth Ward Redevelopment Authority	-	-	-	-	-	-	(421)
OST/Alameda Corridors Redevelopment Authority	(7,020)	-	-	-	-	-	(7,020)
Saint George Place Redevelopment Authority	-	(485)	-	-	-	-	(485)
South Post Oak Redevelopment Authority	-	-	(182)	-	-	-	(182)
Southwest Houston Redevelopment Authority	-	-	-	(2,127)	-	-	(2,127)
Upper Kirby Redevelopment Authority	-	-	-	-	(6,678)	-	(6,678)
Uptown Development Authority	-	-	-	-	-	(21,217)	(21,217)
Total component units	(7,020)	(485)	(182)	(2,127)	(6,678)	(21,217)	(82,241)
General Revenues:							
Taxes							
Property Taxes - general purposes / tax increments	6,745	1,418	920	4,791	6,443	26,077	97,345
Property Taxes levied for debt service	-	-	-	-	-	-	-
Industrial assessments tax	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-
Franchise tax	-	-	-	-	-	-	-
Mixed beverage tax	-	-	-	-	-	-	-
Bingo tax	-	-	-	-	-	-	-
Hotel occupancy tax	-	-	-	-	-	-	-
Intergovernmental - grant	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-
Unrestricted investment earnings (loss)	49	8	2	13	19	29	4,086
Other	91	4	-	-	6	(19)	1,264
Special Items - Loss on sale of assets	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	(3,806)
Total general revenues, special items, and transfers	6,885	1,430	922	4,804	6,468	26,087	98,889
Change in net Position	(135)	945	740	2,677	(210)	4,870	16,648
Net Position (deficit) beginning	13,796	(6,761)	(3,274)	(20,125)	7,224	(39,081)	139,065
Change in Accounting Principle	-	20	-	(772)	(673)	(1,237)	2,741
Change in Reporting Entity	-	-	-	-	-	-	(5,776)
Net Position (deficit) ending	\$ 13,661	\$ (5,796)	\$ (2,534)	\$ (18,220)	\$ 6,341	\$ (35,448)	\$ 152,678

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS TYPE
Combining Statement of Net Position
June 30, 2013
amounts expressed in thousands

	Houston First Corporation See Note 14	Houston Housing Finance Corp	Houston Zoo Inc.	Total
Assets				
Current assets				
Cash	\$ 51,993	\$ 28,732	\$ 13,876	\$ 94,601
Investments	76,848	-	12,011	88,859
Receivables, net of allowances				
Accounts receivable	3,903	4,780	1,728	10,411
Accrued interest and other	-	54	-	54
Due from other governments	1,869	-	-	1,869
Inventory	136	-	187	323
Prepaid items	1,211	-	566	1,777
Restricted assets				
Investments	-	-	5,950	5,950
Other receivables	-	406	-	406
Total current assets	<u>135,960</u>	<u>33,972</u>	<u>34,318</u>	<u>204,250</u>
Noncurrent Assets				
Investments	-	378	-	378
Accrued interest receivable	-	7	-	7
Receivable and deposits	-	8,488	6,150	14,638
Deferred charges for issuance cost	8,309	-	-	8,309
Other long-term receivables	-	2,901	-	2,901
Total noncurrent assets	<u>8,309</u>	<u>11,774</u>	<u>6,150</u>	<u>26,233</u>
Capital assets				
Land	17,169	-	-	17,169
Buildings, improvements and equipment	286,046	5,971	84,885	376,902
Total capital assets	<u>303,215</u>	<u>5,971</u>	<u>84,885</u>	<u>394,071</u>
Less accumulated depreciation				
Buildings, improvements and equipment	(81,770)	(3,971)	(17,972)	(103,713)
Accumulated depreciation	<u>(81,770)</u>	<u>(3,971)</u>	<u>(17,972)</u>	<u>(103,713)</u>
Net capital assets	<u>221,445</u>	<u>2,000</u>	<u>66,913</u>	<u>290,358</u>
Total noncurrent assets	<u>229,754</u>	<u>13,774</u>	<u>73,063</u>	<u>316,591</u>
Total assets	<u>365,714</u>	<u>47,746</u>	<u>107,381</u>	<u>520,841</u>
Deferred Outflow of Resources	1,661	-	-	\$ 1,661
Liabilities				
Current Liabilities				
Accounts payable and accrued expenses	22,181	104	1,703	23,988
Accrued payroll liabilities	-	-	1,265	1,265
Due to City of Houston	12,297	-	-	12,297
Contracts and retainages payable	-	-	1,336	1,336
Notes payable	9,875	-	-	9,875
Deferred revenue	1,037	-	96	1,133
Current liabilities payable from restricted assets				
Accrued interest payable	2,931	-	-	2,931
Total current liabilities	<u>48,321</u>	<u>104</u>	<u>4,400</u>	<u>52,825</u>
Noncurrent liabilities				
Notes payable	237,123	-	-	237,123
Other long-term liabilities	8,090	12	-	8,102
Deferred revenue	11,713	-	-	11,713
Total noncurrent liabilities	<u>256,926</u>	<u>12</u>	<u>-</u>	<u>256,938</u>
Total liabilities	<u>305,247</u>	<u>116</u>	<u>4,400</u>	<u>309,763</u>
Net position				
Net Investment in capital assets	(6,746)	1,989	-	(4,757)
Restricted net position				
Restricted for debt service	15,158	-	-	15,158
Other restricted	-	-	20,219	20,219
Unrestricted (deficit)	53,717	45,641	82,762	182,120
Total net position (deficit)	<u>\$ 62,129</u>	<u>\$ 47,630</u>	<u>\$ 102,981</u>	<u>\$ 212,740</u>

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS-TYPE
Combining Statement of Activities
For the Year Ended June 30, 2013
amounts expressed in thousands

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Component Units			
Houston First Corporation	117,533	103,715	-
Houston Housing Finance Corp.	1,020	529	-
Houston Zoo Inc.	33,177	28,115	23,723
Totals	<u>\$ 151,730</u>	<u>\$ 132,359</u>	<u>\$ 23,723</u>

General Revenues:

Taxes
 Property Taxes levied for general purposes/tax increments
 Unrestricted investment earnings
 Other
Transfers
 Total general revenues and transfers
Change in net position
Net Position (deficit) beginning
Change in Accounting Principle
Net Position (deficit) ending

(Continued)

Net (Expense) Revenue and Change in Net Position			
Houston			
First Corporation See Note 14	Houston Housing Finance Corp.	Houston Zoo, Inc.	Total
(13,818)	-	-	(13,818)
-	(491)	-	(491)
-	-	18,661	18,661
<u>(13,818)</u>	<u>(491)</u>	<u>18,661</u>	<u>4,352</u>
-	750	-	750
503	1,050	625	2,178
(20,008)	-	-	(20,008)
64,267	-	-	64,267
<u>44,762</u>	<u>1,800</u>	<u>625</u>	<u>47,187</u>
30,944	1,309	19,286	51,539
32,505	46,321	83,695	162,521
(1,320)	-	-	(1,320)
<u>\$ 62,129</u>	<u>\$ 47,630</u>	<u>\$ 102,981</u>	<u>\$ 212,740</u>

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS TYPE
Statement of Cash Flows
For the Year Ended June 30, 2013
amounts expressed in thousands

	Houston First Corporation See Note 14	Houston Housing Finance Corp.	Houston Zoo Inc.	Total Component Units
Cash flows from operating activities				
Receipts from customers	\$ 109,848	\$ 2,017	\$ 28,116	\$ 139,981
Payments to employees	(37,988)	-	(13,288)	(51,276)
Payments to suppliers	(57,568)	-	(15,686)	(73,254)
Receipts from City of Houston	62,871	-	8,658	71,529
Other revenues (expenses)	(39,426)	(802)	832	(39,396)
Net cash provided by operating activities	<u>37,737</u>	<u>1,215</u>	<u>8,632</u>	<u>47,584</u>
Cash flows from investing activities				
Advances on long-term receivables	-	(7,142)	-	(7,142)
Interest income on investments	503	7,355	-	7,858
Purchase of investments	(62,220)	-	(14,229)	(76,449)
Proceeds from sale of investments	43,815	-	3,296	47,111
Change in cash restricted for capital acquisition	-	-	719	719
Net cash provided by (used in) investing activities	<u>(17,902)</u>	<u>213</u>	<u>(10,214)</u>	<u>(27,903)</u>
Cash flows from capital and related financing activities				
Contributed capital	-	-	3,612	3,612
Acquisition of property, plant and equipment	(7,264)	-	-	(7,264)
Interest expense	(9,295)	-	-	(9,295)
Receipt of tax rebates	10,667	-	-	10,667
Payments to the City of Houston	(12,720)	-	-	(12,720)
Net cash provided by (used for) capital and related financing activities	<u>(18,612)</u>	<u>-</u>	<u>3,612</u>	<u>(15,000)</u>
Cash flows from noncapital financing activities				
Other revenues	-	884	-	884
Excess funds from Bond Series	1,059	-	-	1,059
Net cash provided by noncapital financing activities	<u>1,059</u>	<u>884</u>	<u>-</u>	<u>1,943</u>
Net increase in cash and cash equivalents	2,282	2,312	2,030	6,624
Cash and cash equivalents, July 1	49,711	26,798	11,847	88,356
Cash and cash equivalents, June 30	<u>\$ 51,993</u>	<u>\$ 29,110</u>	<u>\$ 13,877</u>	<u>\$ 94,980</u>
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (Loss)	\$ (1,897)	\$ 1,225	\$ 19,286	18,614
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	8,806	249	4,084	13,139
Other revenues	30,906	-	(112)	30,794
Other expenses	-	(324)	(14,508)	(14,832)
Net due from component unit	-	1	-	1
Changes in assets and liabilities:				
Contracts receivable				
Accounts receivable	1,954	14	(570)	1,398
Contracts receivable	(1,396)	-	201	(1,195)
Inventory	53	-	36	89
Other assets	(4,892)	-	(53)	(4,945)
Accounts payable and accrued expenses	2,202	50	90	2,342
Accrued payroll liabilities	901	-	178	1,079
Other revenues				
Construction and retainages payable	-	-	-	-
Other long-term liabilities	1,100	-	-	1,100
Net cash provided by operating activities	<u>\$ 37,737</u>	<u>\$ 1,215</u>	<u>\$ 8,632</u>	<u>\$ 47,584</u>

Statistical Section

(Unaudited)

This part of the City's Statistical comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Content</u>	<u>Page</u>
Financial Trends	200
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	212
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	218
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	227
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	234
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Net investment in capital assets	\$ 3,388,360	\$ 3,531,764	\$ 3,340,355	\$ 3,480,924	\$ 3,515,596	\$ 3,670,130	\$ 3,677,425	\$ 3,696,510	\$ 3,783,152	\$ 3,959,260
Restricted	205,999	168,803	159,092	170,297	213,567	161,147	199,459	179,691	182,831	117,949
Unrestricted	(386,480)	(861,603)	(727,282)	(969,830)	(1,310,289)	(1,629,514)	(1,928,202)	(2,168,298)	(2,343,970)	(2,469,700)
Total governmental activities net position	\$ 3,207,879	\$ 2,838,964	\$ 2,772,165	\$ 2,681,391	\$ 2,418,874	\$ 2,201,763	\$ 1,948,682	\$ 1,707,903	\$ 1,622,013	\$ 1,607,509
Business-type activities										
Net investment in capital assets	\$ 1,361,202	\$ 1,138,154	\$ 976,834	\$ 745,459	\$ 551,820	\$ 668,465	\$ 893,832	\$ 733,936	\$ 666,936	\$ 573,460
Restricted	501,271	461,738	545,792	641,613	784,895	824,219	842,298	850,895	871,409	949,449
Unrestricted	(12,537)	87,494	99,666	104,542	135,860	(17,815)	(102,094)	25,183	(25,444)	(6,835)
Total business-type activities net position	\$ 1,849,936	\$ 1,687,386	\$ 1,622,292	\$ 1,491,614	\$ 1,472,575	\$ 1,474,869	\$ 1,634,036	\$ 1,610,014	\$ 1,512,901	\$ 1,516,074
Primary government										
Net investment in capital assets	\$ 4,749,562	\$ 4,669,918	\$ 4,317,189	\$ 4,226,383	\$ 4,067,416	\$ 4,338,595	\$ 4,571,257	\$ 4,430,446	\$ 4,450,088	\$ 4,532,720
Restricted	707,270	630,541	704,884	811,910	998,462	985,366	1,041,757	1,030,586	1,054,240	1,067,398
Unrestricted	(399,017)	(774,109)	(627,616)	(865,288)	(1,174,429)	(1,647,329)	(2,030,296)	(2,143,115)	(2,369,414)	(2,476,535)
Total primary government net position	\$ 5,057,815	\$ 4,526,350	\$ 4,394,457	\$ 4,173,005	\$ 3,891,449	\$ 3,676,632	\$ 3,582,718	\$ 3,317,917	\$ 3,134,914	\$ 3,123,583

CITY OF HOUSTON, TEXAS

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 234,176	\$ 143,477	\$ 130,807	\$ 130,026	\$ 193,928	\$ 219,584	\$ 232,466	\$ 230,868	\$ 270,279	\$ 239,586
Public safety	902,527	1,127,663	1,102,253	1,230,266	1,400,837	1,460,992	1,485,999	1,393,450	1,431,987	1,514,033
Public works	251,423	282,767	266,723	275,165	317,749	417,953	305,768	308,506	289,395	298,462
Health	105,247	124,267	102,716	101,865	129,197	136,766	139,693	128,320	111,891	121,988
Housing and community development	62,956	78,867	318,450	80,171	59,182	62,793	96,349	95,730	71,417	88,143
Parks and recreation	63,156	83,945	72,309	85,274	102,758	97,398	93,676	91,492	89,379	90,261
Library	38,481	49,084	37,242	39,180	49,687	48,015	48,721	44,887	42,455	44,913
Retiree benefits	26,581	28,997	-	-	-	-	-	-	-	-
Interest in long-term debt	95,779	116,180	136,563	135,134	126,349	129,324	151,807	150,640	157,407	151,893
Depreciation and amortization	85,711	96,355	125,517	111,918	110,174	115,050	119,719	130,111	126,303	130,620
Total governmental activities expenses	<u>1,866,037</u>	<u>2,131,602</u>	<u>2,292,580</u>	<u>2,188,999</u>	<u>2,489,861</u>	<u>2,687,875</u>	<u>2,674,198</u>	<u>2,574,004</u>	<u>2,590,515</u>	<u>2,679,900</u>
Business-type activities :										
Airport System	315,929	406,908	431,392	442,757	459,521	472,253	504,472	537,253	542,387	530,070
Convention & Entertainment Facilities	91,588	133,622	99,271	105,846	110,576	114,110	105,703	107,523	42,387	42,418
Combined Utility System	681,201	762,209	752,122	818,831	846,368	842,518	849,674	866,336	913,503	898,725
Houston Area Water Corporation	160	169	17,428	20,568	17,485	14,867	9,949	-	-	-
Parking Management	-	-	-	-	-	4,919	6,969	-	-	-
Total business-type activities expenses	<u>1,088,878</u>	<u>1,302,908</u>	<u>1,300,213</u>	<u>1,388,002</u>	<u>1,433,950</u>	<u>1,448,667</u>	<u>1,476,767</u>	<u>1,511,112</u>	<u>1,498,277</u>	<u>1,471,213</u>
Total primary government expenses	<u>\$ 2,954,915</u>	<u>\$ 3,434,510</u>	<u>\$ 3,592,793</u>	<u>\$ 3,577,001</u>	<u>\$ 3,923,811</u>	<u>\$ 4,136,542</u>	<u>\$ 4,150,965</u>	<u>\$ 4,085,116</u>	<u>\$ 4,088,792</u>	<u>\$ 4,151,113</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	18,047	25,074	52,083	34,839	11,104	22,601	20,544	31,831	69,017	34,379
Public safety	137,886	139,814	103,719	110,222	131,221	136,450	143,274	132,220	141,965	139,087
Public works	42,695	43,652	49,797	53,856	53,375	46,404	45,011	45,211	171,177	238,836
Health	13,026	13,624	12,574	13,563	17,093	16,836	15,110	16,968	18,081	18,563
Housing	0	0	0	0	0	0	900	0	0	0
Parks and recreation	6,122	6,009	6,687	6,930	4,683	7,578	6,977	7,796	7,576	8,361
Library	1,329	1,187	1,010	675	1,035	1,056	1,261	919	979	1,356
Operating grants and contributions	143,864	162,310	467,956	246,737	232,203	393,157	346,945	293,350	303,085	312,959
Capital grants and contributions	46,337	37,591	69,438	101,099	76,497	45,354	109,190	68,801	0	0
Total governmental activities program revenues	<u>409,306</u>	<u>429,261</u>	<u>763,264</u>	<u>567,921</u>	<u>527,211</u>	<u>669,436</u>	<u>689,212</u>	<u>597,096</u>	<u>711,880</u>	<u>753,541</u>
Business-type activities:										
Charges for services:										
Airport System	270,413	353,641	393,861	416,138	447,176	386,777	406,579	410,402	417,550	432,994
Convention & Entertainment Facilities	17,145	19,175	19,599	20,554	22,306	20,902	31,833	25,456	8,934	10,372
Combined Utility System	531,208	598,874	642,662	615,465	648,269	687,238	691,162	879,176	917,238	924,690
Houston Area Water Corporation	-	-	-	-	13,045	13,250	-	-	-	-
Parking Management	-	-	-	-	-	-	13,676	-	-	-
Operating grants and contributions	22,516	4,297	4,020	2,740	4,749	4,574	10,710	22,858	12,014	10,834
Capital grants and contributions	42,000	106,484	109,728	61,717	132,728	192,815	58,672	46,616	22,984	19,800
Total business-type activities program revenues	<u>883,282</u>	<u>1,082,471</u>	<u>1,169,870</u>	<u>1,116,614</u>	<u>1,268,273</u>	<u>1,305,556</u>	<u>1,212,632</u>	<u>1,384,508</u>	<u>1,378,720</u>	<u>1,398,690</u>
Total primary government program revenues	<u>\$ 1,292,588</u>	<u>\$ 1,511,732</u>	<u>\$ 1,933,134</u>	<u>\$ 1,684,535</u>	<u>\$ 1,795,484</u>	<u>\$ 1,974,992</u>	<u>\$ 1,901,844</u>	<u>\$ 1,981,604</u>	<u>\$ 2,090,600</u>	<u>\$ 2,152,231</u>
Net (expense)/revenue										
Governmental activities	\$ (1,456,731)	\$ (1,702,341)	\$ (1,529,316)	\$ (1,621,078)	\$ (1,962,650)	\$ (2,018,439)	\$ (1,984,986)	\$ (1,976,908)	\$ (1,878,635)	\$ (1,926,359)
Business-type activities	(205,596)	(220,437)	(130,343)	(271,388)	(165,677)	(143,111)	(264,135)	(126,604)	(119,557)	(72,523)
Total primary government net expense	<u>\$ (1,662,327)</u>	<u>\$ (1,922,778)</u>	<u>\$ (1,659,659)</u>	<u>\$ (1,892,466)</u>	<u>\$ (2,128,327)</u>	<u>\$ (2,161,550)</u>	<u>\$ (2,249,121)</u>	<u>\$ (2,103,512)</u>	<u>\$ (1,998,192)</u>	<u>\$ (1,998,882)</u>

(Continued)

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	\$ 645,536	\$ 664,831	\$ 700,788	\$ 738,578	\$ 829,837	\$ 890,308	\$ 895,779	\$ 853,277	\$ 866,143	\$ 906,761
Industrial assessments tax	15,167	14,635	14,314	15,823	17,787	19,133	15,817	14,458	37	29,845
Sales taxes	347,982	370,583	422,598	461,417	495,173	507,103	468,965	492,824	546,543	600,256
Franchise taxes	161,378	162,263	186,508	189,551	190,518	190,800	191,292	190,911	193,153	195,664
Mixed beverage taxes	8,095	8,343	9,000	9,713	10,479	10,587	10,382	10,283	9,525	9,887
Bingo taxes	253	270	279	279	256	226	195	167	193	196
Investment earnings	5,139	13,179	19,889	32,017	36,516	30,087	16,673	6,666	8,944	1,086
Other	31,894	27,652	33,674	23,261	58,743	66,459	53,101	79,633	67,313	68,586
Contributions	40,192	11,216	-	-	-	17,047	7,666	4,674	12,167	26,767
Special Items - gain (loss) on sale of assets	3,095	2,071	4,816	2,071	-	-	-	-	-	-
Transfers	39,067	58,383	70,651	57,594	60,824	69,578	72,035	76,976	75,878	72,807
Total governmental activities	<u>1,297,798</u>	<u>1,333,426</u>	<u>1,462,517</u>	<u>1,530,304</u>	<u>1,700,133</u>	<u>1,801,328</u>	<u>1,731,905</u>	<u>1,729,869</u>	<u>1,779,896</u>	<u>1,911,855</u>
Business-type activities:										
Hotel occupancy taxes	47,223	42,266	54,765	58,709	66,232	62,383	54,917	61,603	68,623	76,325
Investment earnings	25,965	43,866	54,212	88,658	96,492	88,737	57,736	30,303	21,340	6,638
Other	30,561	30,138	26,923	45,552	44,738	63,863	105,462	92,172	98,017	109,906
Contributions	-	-	-	-	-	-	-	-	-	-
Special Items - gain (loss) on sale of assets	(12,943)	-	-	5,385	-	-	-	-	(89,658)	(61,282)
Transfers	(39,067)	(58,383)	(70,651)	(57,594)	(60,824)	(69,578)	(72,035)	(81,496)	(75,878)	(55,891)
Total business-type activities	<u>51,739</u>	<u>57,887</u>	<u>65,249</u>	<u>140,710</u>	<u>146,638</u>	<u>145,405</u>	<u>146,080</u>	<u>102,582</u>	<u>22,444</u>	<u>75,696</u>
Total primary government	<u>\$ 1,349,537</u>	<u>\$ 1,391,313</u>	<u>\$ 1,527,766</u>	<u>\$ 1,671,014</u>	<u>\$ 1,846,771</u>	<u>\$ 1,946,733</u>	<u>\$ 1,877,985</u>	<u>\$ 1,832,451</u>	<u>\$ 1,802,340</u>	<u>\$ 1,987,551</u>
Change in Net Position										
Governmental activities	\$ (158,933)	\$ (368,915)	\$ (66,799)	\$ (90,774)	\$ (262,517)	\$ (217,111)	\$ (253,081)	\$ (247,039)	\$ (85,890)	\$ (14,504)
Business-type activities	(153,857)	(162,550)	(65,094)	(130,678)	(19,039)	2,294	(118,055)	(24,022)	(97,113)	3,173
Total primary government	<u>\$ (312,790)</u>	<u>\$ (531,465)</u>	<u>\$ (131,893)</u>	<u>\$ (221,452)</u>	<u>\$ (281,556)</u>	<u>\$ (214,817)</u>	<u>\$ (371,136)</u>	<u>\$ (271,061)</u>	<u>\$ (183,003)</u>	<u>\$ (11,331)</u>

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General fund					
Reserved	\$ 24,947	\$ 27,449	\$ 51,671	\$ 21,489	\$ 22,040
Unreserved	110,778	142,695	198,759	256,610	309,466
Non-spendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>\$ 135,725</u>	<u>\$ 170,144</u>	<u>\$ 250,430</u>	<u>\$ 278,099</u>	<u>\$ 331,506</u>
All other governmental funds					
Reserved	\$ 171,252	\$ 200,374	\$ 179,267	\$ 193,924	\$ 235,074
Unreserved , reported in:					
Special revenue funds	55,760	67,691	66,407	94,056	119,482
Capital projects funds	-	-	-	-	-
Grant funds	-	-	9,963	8,258	7,553
Non-spendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 227,012</u>	<u>\$ 268,065</u>	<u>\$ 255,637</u>	<u>\$ 296,238</u>	<u>\$ 362,109</u>

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 22,836	\$ 23,003	\$ -	\$ -	\$ -
281,111	201,019	-	-	-
-	-	19,052	15,687	14,792
-	-	1,665	35,868	63,696
-	-	20,698	8,547	6,892
-	-	30	-	-
-	-	127,143	153,125	190,950
<u>\$ 303,947</u>	<u>\$ 224,022</u>	<u>\$ 168,588</u>	<u>\$ 213,227</u>	<u>\$ 276,330</u>
\$ 201,334	\$ 237,112	\$ -	\$ -	\$ -
111,454	82,713	-	-	-
-	-	-	-	-
(9,762)	19,196	-	-	-
-	-	418	887	1,303
-	-	176,457	338,997	350,827
-	-	73,636	52,351	59,693
-	-	32,172	19,873	46,008
<u>\$ 303,026</u>	<u>\$ 339,021</u>	<u>\$ 282,683</u>	<u>\$ 412,108</u>	<u>\$ 457,831</u>

CITY OF HOUSTON
GENERAL FUND BUDGET FOR FISCAL YEAR 2014
(amounts expressed in thousands)
(unaudited)

Budgeted Resources	Amount (in thousands)
Revenues:	
Ad Valorem Taxes (current and delinquent)	\$ 945,408
Sales and Use Tax	629,602
Franchise Fees	188,453
Municipal Courts Fines and Forfeits	33,799
Miscellaneous	209,356
Total Current Revenues	2,006,618
Beginning Fund Balance as of July 1, 2013 (a)	170,488
Sale of Capital Assets	2,500
Transfers from Other Funds	27,770
Total Budgeted Resources	\$ 2,207,376
Budgeted Expenditures	
Administrative Services and Public Finance	\$ 109,193
Public Safety	1,207,499
Development and Maintenance Services	162,548
Human and Cultural Services	172,792
General Government	176,165
Transfers to Debt Service Fund	243,000
Total Budgeted Expenditures	2,071,197
Budgeted Ending Fund Balance as of June 30, 2014	136,179
Total Budgeted Expenditures and Reserves	\$ 2,207,376

(a) This amount represents an estimate of the beginning fund balance which was used in preparing the Fiscal Year 2014 Budget.

CITY OF HOUSTON, TEXAS
June 30, 2013
CONTINUING DEBT DISCLOSURE INFORMATION
(amounts expressed in thousands)
(unaudited)

Capital Improvement Plan

The 2014-2018 CIP consists of the projects and facilities described in the following chart. (The 2014-2018 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	\$ 743,928
Storm Sewers and Drainage	411,734
Parks and Recreation	217,393
Police Department	74,885
Fire Department	48,676
General Government	16,482
Public Library	59,157
Public Health	77,706
Solid Waste Management	34,925
Homeless and Housing	99,216
Technology	67,536
Fleet	155,466
Equipment and Other	27,318
Total	<u>\$ 2,034,422 (*)</u>

(*) The tax-supported component of the 2014-2018 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)
2013	\$ 16,908
2012	18,255
2011	16,328
2010	16,012
2009	13,190
2008	10,950

**CITY OF HOUSTON
CONTINUING DEBT DISCLOSURE INFORMATION**

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

	Fiscal Year 2013 (in thousands)
Long-Term Disability Fund	
Assets Available for Future Long-Term Disability Obligations	\$ 9,347
Claims Payable on Long-Term Disability Obligations	(8,921)
Unrestricted Net Assets	<u>\$ 426</u>

	Fiscal Year 2013 (in thousands)
Compensated Absence Liability	
General Fund Short-Term Liability	\$ 4,353
Other Governmental Short-Term Liability	147,146
Enterprise Funds Liability	31,647
Internal Service Funds Liability	389
Governmental Funds Long-Term Liability	285,993
Total	<u>\$ 469,528</u>

**General Fund Specific Charges to Other City Funds
(unaudited)**

An additional charge made by the General Fund to the Combined Utility System, Airport, Convention and Entertainment Facilities Funds, the Capital Projects Fund and certain other funds of the City for specific services provided to such funds by the General Fund.

Fiscal Year	Total Direct Charges for Specific Services (in thousands)
2013	\$ 43,519
2012	41,469
2011	46,034
2010	46,906
2009	47,890
2008	41,395

CITY OF HOUSTON, TEXAS

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues					
Taxes	\$ 1,193,874	\$ 1,227,388	\$ 1,338,651	\$ 1,425,575	\$ 1,545,102
Licenses and permits	36,286	40,240	42,524	55,912	62,132
Intergovernmental	189,974	187,372	512,279	319,864	300,717
Charges for services	164,581	156,290	133,161	119,250	112,554
Fines	49,227	53,464	51,441	57,305	57,001
Investment earnings	5,139	13,179	19,889	32,017	36,516
Contributions	2,433	1,780	-	-	-
Other	32,740	30,445	34,971	23,555	55,535
Total revenues	<u>1,674,254</u>	<u>1,710,158</u>	<u>2,132,916</u>	<u>2,033,478</u>	<u>2,169,557</u>
Expenditures					
General Government	170,392	163,738	241,772	236,638	144,337
Public safety	838,472	907,201	1,012,747	1,088,922	1,107,522
Public Works	326,701	316,428	335,598	330,296	281,433
Health	99,377	104,389	97,237	96,063	108,830
Housing and Community Development	60,314	57,076	323,199	89,320	77,702
Parks and recreation	62,917	70,720	79,602	82,648	77,354
Library	40,746	39,273	39,570	48,842	36,555
Retiree benefits	26,581	28,997	42,203	18,801	18,506
Other Current Expenditures	-	-	-	-	-
Capital Outlay	35,213	39,396	61,606	57,337	332,655
Debt Service					
Principal	115,319	139,607	220,510	172,166	197,790
Interest	100,006	94,188	113,556	122,680	129,992
Fiscal agent and fees	8,131	3,316	6,302	4,661	3,700
Advanced refunding escrow	-	-	-	-	-
Total expenditures	<u>1,884,169</u>	<u>1,964,329</u>	<u>2,573,902</u>	<u>2,348,374</u>	<u>2,516,376</u>
Excess of revenues over (under) expenditures	(209,915)	(254,171)	(440,986)	(314,896)	(346,819)
Other financing sources (uses)					
Transfers in	225,522	278,743	337,127	339,549	396,660
Transfers out	(184,004)	(223,863)	(272,726)	(281,936)	(328,873)
Proceeds from issuance of debt	150,594	274,721	433,514	313,771	387,051
Proceeds from refunded debt	572,020	173,062	169,230	229,168	219,238
Payment to escrow agent	(597,410)	(183,566)	(181,652)	(241,612)	(225,740)
Sale of land	-	-	6,439	8,356	8,757
Bond premium (discount)	36,237	10,546	16,912	15,870	9,004
Transfer to component unit	-	-	-	-	-
Proceeds from capital lease	-	-	-	-	-
Total other financing sources (uses)	<u>202,959</u>	<u>329,643</u>	<u>508,844</u>	<u>383,166</u>	<u>466,097</u>
Net change in fund balances	<u>\$ (6,956)</u>	<u>\$ 75,472</u>	<u>\$ 67,858</u>	<u>\$ 68,270</u>	<u>\$ 119,278</u>
Debt service as a percentage of noncapital expenditures	11.6%	12.1%	13.3%	12.9%	15.0%

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 1,617,937	\$ 1,579,516	\$ 1,568,056	\$ 1,615,592	\$ 1,745,882
58,126	55,275	61,083	84,786	97,100
435,715	403,519	379,065	351,472	366,973
121,418	124,790	132,764	248,083	248,097
57,037	60,036	55,414	52,250	47,955
30,087	16,673	6,666	8,944	1,086
737	20	-	20	-
62,714	55,599	72,126	72,180	70,001
<u>2,383,771</u>	<u>2,295,428</u>	<u>2,275,174</u>	<u>2,433,327</u>	<u>2,577,094</u>
178,064	197,803	198,782	209,318	217,376
1,221,713	1,244,163	1,230,623	1,212,975	1,267,523
398,506	285,517	288,383	275,260	284,863
123,421	126,968	119,192	102,304	111,986
79,215	100,712	96,792	75,204	88,222
80,438	78,717	75,560	73,233	75,430
39,248	38,711	36,715	34,115	35,433
18,463	18,897	15,996	10,360	11,907
-	-	-	-	-
372,472	396,877	309,315	272,161	245,410
487,690	186,251	192,000	346,600	138,875
133,288	146,986	154,083	161,086	158,322
8,949	6,599	7,792	10,161	6,212
-	-	-	-	-
<u>3,141,467</u>	<u>2,828,201</u>	<u>2,725,233</u>	<u>2,782,777</u>	<u>2,641,559</u>
(757,696)	(532,773)	(450,059)	(349,450)	(64,465)
462,793	436,908	406,201	422,470	505,513
(391,143)	(364,873)	(329,225)	(346,592)	(449,222)
626,205	926,780	740,696	806,685	438,276
324,030	-	-	-	-
(355,885)	(553,230)	(535,960)	(458,052)	(395,227)
5,381	9,092	21,054	4,844	5,818
(327)	34,166	35,521	81,310	51,617
-	-	-	12,849	16,516
-	-	-	-	-
<u>671,054</u>	<u>488,843</u>	<u>338,287</u>	<u>523,514</u>	<u>173,291</u>
<u>\$ (86,642)</u>	<u>\$ (43,930)</u>	<u>\$ (111,772)</u>	<u>\$ 174,064</u>	<u>\$ 108,826</u>
22.4%	13.7%	14.3%	20.2%	12.4%

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

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Industrial Assessments	Mixed Beverage Tax	Bingo Tax	Total Tax Collections
2004	\$ 645,536	\$ 347,982	\$ 161,378	\$ 15,167	\$ 8,095	\$ 253	\$ 1,178,411
2005	\$ 664,831	\$ 370,583	\$ 162,263	\$ 14,635	\$ 8,343	\$ 270	\$ 1,220,925
2006	\$ 700,788	\$ 422,598	\$ 186,508	\$ 14,314	\$ 9,000	\$ 279	\$ 1,333,487
2007	\$ 738,578	\$ 461,417	\$ 189,551	\$ 15,823	\$ 9,713	\$ 279	\$ 1,415,361
2008	\$ 829,837	\$ 495,173	\$ 190,518	\$ 17,787	\$ 10,479	\$ 256	\$ 1,544,050
2009	\$ 890,308	\$ 507,103	\$ 190,800	\$ 19,133	\$ 10,587	\$ 226	\$ 1,618,157
2010	\$ 895,779	\$ 468,965	\$ 191,292	\$ 15,817	\$ 10,382	\$ 195	\$ 1,582,430
2011	\$ 853,277	\$ 492,824	\$ 190,911	\$ 14,458	\$ 10,283	\$ 167	\$ 1,561,920
2012	\$ 866,143	\$ 546,543	\$ 193,153	\$ 37	\$ 9,525	\$ 193	\$ 1,615,594
2013	\$ 906,761	\$ 600,256	\$ 195,664	\$ 29,845	\$ 9,887	\$ 196	\$ 1,742,609

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

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Personal Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2004	\$ 63,305,495	\$ 43,964,367	\$ 7,987,666	\$ 2,527,261	\$ 14,627,189	\$ 103,157,600	6.5500
2005	\$ 67,298,102	\$ 44,051,724	\$ 7,923,377	\$ 2,532,851	\$ 15,924,828	\$ 105,881,226	6.5000
2006	\$ 71,997,166	\$ 60,214,783	\$ 8,149,890	\$ 2,023,823	\$ 31,298,860	\$ 111,086,802	6.4750
2007	\$ 76,997,953	\$ 65,711,310	\$ 9,198,065	\$ 2,568,995	\$ 33,880,872	\$ 120,595,451	6.4500
2008	\$ 84,322,788	\$ 75,245,892	\$ 11,740,472	\$ 2,515,631	\$ 38,060,662	\$ 135,764,121	6.4375
2009	\$ 90,065,098	\$ 88,374,034	\$ 12,148,055	\$ 2,380,333	\$ 44,198,187	\$ 148,769,333	6.3875
2010	\$ 91,451,713	\$ 89,110,300	\$ 12,911,034	\$ 2,344,315	\$ 46,805,799	\$ 149,011,563	6.3875
2011	\$ 89,957,336	\$ 84,250,876	\$ 11,500,552	\$ 2,276,946	\$ 46,201,271	\$ 141,784,439	6.3875
2012	\$ 90,484,912	\$ 86,617,837	\$ 11,826,503	\$ 2,159,964	\$ 47,104,376	\$ 143,984,840	6.3875
2013	\$ 91,402,063	\$ 93,629,148	\$ 14,232,884	\$ 2,143,660	\$ 50,417,778	\$ 150,989,977	6.3875

The tax rates are based on a 100% assessment ratio. Tax rates are stated per \$1,000 assessed value.

CITY OF HOUSTON, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(unaudited)

Purpose	2013	2012	2011	2010	2009
City					
General Purposes	4.6221	4.8071	4.6336	4.5728	4.5460
Debt Service	<u>1.7654</u>	<u>1.5804</u>	<u>1.7539</u>	<u>1.8147</u>	<u>1.8415</u>
City of Houston (1)	6.3875	6.3875	6.3875	6.3875	6.3875
County					
Fort Bend County	4.9976	4.9976	4.9976	5.0660	4.9976
Harris County (2)	4.2830	4.1926	4.1728	4.2146	3.8923
Montgomery County	4.8380	4.8380	4.8380	4.8380	4.8380
School District					
Aldine I.S.D.	13.2839	13.2839	13.0054	13.0054	12.9200
Alief I.S.D.	13.2000	13.3000	13.4000	13.4000	13.4000
Clear Creek I.S.D.	13.6000	13.6000	13.6000	13.6000	13.6000
Conroe I.S.D.	12.9500	12.9500	12.9500	12.8500	12.7000
Crosby I.S.D.	14.4000	14.4000	14.4000	14.4000	13.4000
Cypress-Fairbanks I.S.D.	14.5000	14.3000	14.3000	14.1000	13.5000
Deer Park I.S.D.	15.2670	13.9670	13.9670	13.6670	13.3670
Fort Bend I. S. D.	13.4000	13.4000	12.7000	12.7000	12.7000
Galena Park I.S.D.	15.1340	15.1340	15.1340	14.7840	14.5590
Goose Creek I.S.D.	13.3213	13.3213	13.0213	12.8213	12.8213
Houston I.S.D.	11.5670	11.5670	11.5670	11.5670	15.9900
Huffman I.S.D.	14.4500	14.7000	14.7000	14.7000	14.7000
Humble I.S.D.	15.2000	15.2000	15.2000	15.2000	15.2000
Katy I.S.D.	15.2660	15.2660	15.2660	15.2660	15.2660
Klein I.S.D.	14.4000	14.3000	14.1000	13.6000	13.1000
New Caney I.S.D.	15.4000	15.4000	15.4000	14.8000	14.4000
North Forest I.S.D. (3)		14.6929	13.7000	13.5000	13.1434
Pasadena I.S.D.	13.5000	13.5000	13.5000	13.5000	14.3000
Sheldon I.S.D.	14.3000	14.3000	14.3000	14.3000	14.3000
Spring I.S.D.	15.7000	15.7000	14.6000	14.6000	14.6000
Spring Branch I.S.D.	13.9450	13.9450	13.9450	13.9450	13.8250
Municipal Utility District					
Harris County MUD # 355	2.3500	2.3500	2.5500	2.9500	3.0000
Harris County MUD # 359	3.0500	3.0500	3.0500	2.9500	2.8500
Harris County MUD # 366	2.5000	2.5000	2.5000	2.5000	2.5000
Harris County MUD # 372	1.9000	1.9000	1.9000	1.9000	No data
Harris County MUD # 390	7.0000	7.0000	7.0000	7.0000	7.0000
Harris County MUD # 450	7.6125	7.7125	7.6125	7.6125	No data
Northwood MUD #1	12.5000	12.5000	12.5000	12.5000	12.5000
Other Jurisdictions					
Clear Lake City Water Authority	2.8000	2.8000	2.8000	2.8000	2.8000
Fort Bend Parkway Road	0.5443	0.5443	0.5443	0.5443	0.5443
Harris County Dept. of Education	0.0658	0.0658	0.0658	0.0605	0.0585
Houston Community College	0.1750	0.1382	0.9222	0.9222	0.1493
Lee Jr. College District	2.4100	2.5200	2.5200	2.2120	2.0677
Lone Star College System	1.2100	1.2100	1.1760	1.1010	1.1440
Harris County Port of Houston Authority	0.1952	0.1856	0.2054	0.1636	0.1437
San Jacinto Jr. College	1.8560	1.8560	1.7628	1.7080	1.4536

(1) The tax rates are based on a 100% assessment ratio. Tax rates are stated per \$1,000 assessed value.

(2) Harris County includes the Harris County Flood Control District and the Harris County Toll Road. The Toll Road rate is zero.

(3) North Forest I.S.D. was closed and merged with Houston I.S.D.

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
4.6198	4.5927	4.6359	4.6573	4.9452
<u>1.8178</u>	<u>1.8573</u>	<u>1.8391</u>	<u>1.8427</u>	<u>1.6048</u>
6.4375	6.4500	6.4750	6.5000	6.5500
5.1674	5.1674	5.1674	5.2374	5.2374
3.9239	4.3480	4.3308	7.6340	5.5060
4.8880	4.9130	4.9630	4.9630	4.7100
12.7700	16.0400	17.0900	16.8900	16.6800
15.9000	15.9000	17.2000	16.9000	16.7500
13.2000	16.3000	16.3000	17.4500	17.3000
12.4000	15.9000	17.6000	17.3250	17.3250
10.4000	18.0800	18.7000	18.8000	18.8450
13.2400	16.5400	18.0000	17.9000	17.9000
13.1765	16.6230	18.0550	18.0550	18.0710
12.5000	15.4000	17.0750	17.0750	No data
14.3090	14.3090	18.1500	17.9500	17.6500
13.0196	15.9562	17.2750	16.8371	1.8371
15.9900	15.9900	15.9900	15.9900	15.8000
13.8000	16.0000	17.5500	18.5000	16.7000
13.1000	16.4000	17.7000	17.4000	17.4000
15.2700	18.1500	20.0000	20.0000	19.7000
12.6000	15.8000	17.0000	17.0000	17.2000
14.4000	14.1500	17.9000	17.7000	17.7000
12.3670	17.1250	17.1250	17.4440	17.4440
13.5000	16.9000	17.7500	17.7500	17.7500
14.3000	16.3400	17.5000	17.4600	17.0300
14.4000	17.1000	17.1000	18.7000	17.6000
12.8500	16.3150	18.1000	18.1000	18.1000
3.1000	3.7000	3.8000	4.0000	3.4000
2.7000	3.0000	3.2500	3.7000	No data
3.2000	3.5000	4.4000	5.0000	5.0000
No data	No data	No data	No data	No data
7.0000	7.0000	7.0000	7.0000	No data
No data	No data	No data	No data	No data
12.5000	12.5000	12.5000	12.5000	12.5000
2.8000	2.9000	2.9000	2.9000	2.9000
0.4153	0.4153	0.4153	1.1448	1.1448
0.0585	0.0629	0.0629	0.0629	No data
0.1493	0.8133	0.8133	0.8133	0.8133
2.0677	2.0228	2.0677	2.0813	No data
1.1440	1.1670	1.2070	1.1450	1.1450
0.1437	0.1302	0.1474	0.1673	0.2000
1.4536	1.4536	1.3913	1.3913	1.3913

CITY OF HOUSTON, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
June 30, 2013
Current Year and Nine Years Ago
(amounts expressed in thousands)
(unaudited)

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Centerpoint Energy, Inc. (Reliant H L & P)	\$ 1,441,169	1	0.95%	\$ 1,581,956	1	1.59%
Chevron Chemical Company	678,608	2	0.45%	263,659	10	0.27%
Valero Energy Corp.	576,170	3	0.38%			
Continental Airlines, Inc.	523,433	4	0.35%	342,552	7	0.34%
Exxon Mobil Corp.	503,235	5	0.33%	309,582	8	0.31%
Crescent HC Investors LP (Crescent Real Estate)	486,999	6	0.32%	928,847	2	0.94%
Shell Oil Company	408,982	7	0.27%			
Houston Refining	384,922	8	0.26%			
HG Galleria I II III, LP	363,275	9	0.24%			
Southwestern Bell	354,283	10	0.24%	653,127	4	0.66%
Hines Interests LTD Partnership				859,367	3	0.87%
Anheuser Busch Inc.				482,089	5	0.49%
Trizechahn Allen Center LP				427,714	6	0.43%
Lyondell-Citgo Refining L.P.				298,946	9	0.30%
Total	<u>\$ 5,721,076</u>		<u>3.79%</u>	<u>\$ 6,147,839</u>		<u>6.20%</u>

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

Tax Bond Debt Service Fund for Fiscal Year 2014^(a)

	Amount (in thousands)
Budgeted Resources	
Beginning Fund Balance Estimate as of July 1, 2013	\$ 148,128
Interest Earnings on Debt Reserves and Bond Funds	-
Transfers in from:	
General Fund	243,000
Combined Utility System Operating Fund	26,203
Other sources	23,463
Third Party Reimbursements	3,600
Total Budgeted Resources	\$ 444,394
 Budgeted Expenditures	
Debt Service Requirements	
Tax Bonds	\$ 304,267
Commercial Paper Paid from Third Party Reimbursements	
Miscellaneous	-
Total Budgeted Expenditures	304,267
 Budgeted Ending Fund Balance as of June 30, 2013	140,127
Total Budgeted Expenditures and Reserves	\$ 444,394

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

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

Fiscal Year	Governmental Activities			Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita (a)
	General Obligation Bonds	Capital Leases	Other Borrowings	Combined Utility System Revenue Bonds	Houston Airport System Revenue Bonds	Convention & Entertainment Revenue Bonds	Long-Term Contracts			
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	21.02%	\$ 5,329
2008	\$ 3,057,921	\$ -	\$ 15,060	\$ 5,227,465	\$ 2,263,676	\$ 671,848	\$ 211,016	\$ 11,446,986	21.08%	\$ 5,513
2009	\$ 3,179,667	\$ -	\$ 13,315	\$ 5,545,291	\$ 2,193,246	\$ 663,154	\$ 221,260	\$ 11,815,933	20.44%	\$ 5,691
2010	\$ 3,395,560	\$ -	\$ 10,010	\$ 5,715,279	\$ 2,506,253	\$ 652,052	\$ 178,844	\$ 12,457,998	24.01%	\$ 6,000
2011	\$ 3,430,179	\$ -	\$ 7,830	\$ 5,932,169	\$ 2,449,485	\$ 638,733	\$ 170,937	\$ 12,629,333	Not available	\$ 6,083
2012	\$ 3,506,196	\$ -	\$ 7,103	\$ 5,411,031	\$ 2,316,620	\$ 490,615	\$ 149,121	\$ 11,880,686	Not available	\$ 5,722
2013	\$ 3,444,275	\$ -	\$ 6,458	\$ 5,751,435	\$ 2,267,715	\$ 463,364	\$ 135,121	\$ 12,068,368	Not available	\$ 5,585

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

(a) See the Schedule of Demographic and Economic Statistics on page 227 for personal income and population data.

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value (1) of Property	Per Capita (2)
2004	\$ 2,071,560	\$ 91,774	\$ 1,979,786	1.92%	\$ 985
2005	\$ 2,415,988	\$ 106,864	\$ 2,309,124	2.18%	\$ 1,145
2006	\$ 2,694,363	\$ 110,824	\$ 2,583,539	2.33%	\$ 1,244
2007	\$ 2,851,948	\$ 109,661	\$ 2,742,287	2.27%	\$ 1,279
2008	\$ 3,057,921	\$ 131,477	\$ 2,926,444	2.16%	\$ 1,325
2009	\$ 3,179,667	\$ 161,414	\$ 3,018,253	2.03%	\$ 1,346
2010	\$ 3,395,560	\$ 181,958	\$ 3,213,602	2.16%	\$ 1,433
2011	\$ 3,430,179	\$ 143,287	\$ 3,286,892	2.21%	\$ 1,455
2012	\$ 3,506,196	\$ 148,174	\$ 3,358,022	2.26%	\$ 1,565
2013	\$ 3,444,275	\$ 156,554	\$ 3,287,721	2.21%	\$ 1,522

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

1. See the schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 213 for property value data.
2. Population data can be found in the Schedule of Demographic and Economic Statistics on page 227.

CITY OF HOUSTON, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2013
(amounts expressed in thousands)
(unaudited)

City	Net Direct Debt		% of Debt Applicable to Houston	City of Houston Share of Debt
	Amount	As of		
City of Houston - direct	\$ 3,287,721	06/30/13	100.00%	\$ 3,287,721
County				
Fort Bend County	337,152	06/30/13	1.92%	6,473
Harris County (including Toll Road Bonds)	2,057,356	06/30/13	52.73%	1,084,844
Harris County Flood Control	638,018	06/30/13	52.73%	336,427
Montgomery County	473,241	06/30/13	1.19%	5,632
School District				
Aldine I.S.D.	379,659	06/30/13	48.54%	184,286
Alief I.S.D.	186,117	08/31/12	77.19%	143,664
Clear Creek I.S.D.	584,550	06/30/13	47.32%	276,609
Crosby I.S.D.	52,711	08/31/12	0.23%	121
Cypress-Fairbanks I.S.D.	1,688,898	06/30/13	11.25%	190,001
Deer Park I.S.D.	261,279	06/30/13	0.12%	314
Fort Bend I.S.D.	842,495	06/30/13	1.89%	15,923
Galena Park I.S.D.	216,209	08/31/12	13.49%	29,167
Houston I.S.D.	2,444,957	08/31/13	90.95%	2,223,688
Huffman I.S.D.	51,232	06/30/13	26.02%	13,331
Humble I.S.D.	551,701	06/30/13	43.25%	238,611
Katy I.S.D.	1,121,273	08/31/12	19.16%	214,836
Klein I.S.D.	745,624	07/23/13	1.26%	9,395
New Caney I.S.D.	276,909	08/31/13	18.28%	50,619
North Forest I.S.D.	0		93.89%	0
Pasadena I.S.D.	559,847	06/30/13	41.35%	231,497
Sheldon I.S.D.	127,426	06/30/13	0.44%	561
Spring I.S.D.	594,640	06/30/13	1.67%	9,930
Spring Branch I.S.D.	686,526	06/30/13	70.46%	483,726
Municipal Utility District				
Harris County MUD 355	10,845	08/31/13	99.08%	10,745
Harris County MUD 359	6,630	08/31/13	100.00%	6,630
Harris County MUD 366	0	06/30/13	89.27%	0
Harris County MUD 372	9,847	06/30/13	100.00%	9,847
Harris County MUD 390	15,382	06/30/13	100.00%	15,382
Harris County MUD 450	5,845	07/08/13	100.00%	5,845
Northwood MUD # 1	2,255	06/30/13	100.00%	2,255
Other Jurisdictions				
Clear Lake City Water Authority	61,561	05/31/13	68.69%	42,286
Harris County Dept. of Education	0	06/25/13	52.73%	0
Houston Community College	676,095	08/31/13	90.86%	614,300
Lee College District	11,895	06/30/13	0.00%	0
Lone Star College System	489,965	08/31/13	11.64%	57,032
Port of Houston Authority	697,072	07/31/13	52.73%	367,566
San Jacinto Jr. College	288,265	07/31/13	15.44%	44,508
Total overlapping debt	<u>17,153,477</u>			<u>6,926,051</u>
Total direct and overlapping debt	<u>\$ 20,441,198</u>			<u>\$ 10,213,772</u>

North Forest I.S.D. was closed and merged with Houston I.S.D.

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

The percentage of overlapping debt applicable is estimated using (market or taxable) assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's (market or taxable) assessed value that is within the overlapping jurisdiction's boundaries and dividing it by the overlapping jurisdiction's total (market or taxable) assessed value.

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

Fiscal Year	Tax Rate ^(a)			Net	Current	Prior Years'	Total	Total
	General Purposes	Debt Service	Total	Current Year Tax Levy ^{(b) (d)} (in thousands)	Collections Prior to End of Fiscal Year ^{(c) (d) (e)} (in thousands)	Delinquent Collections ^(e) (in thousands)	Collection ^{(c) (d) (e)} (in thousands)	Collections Percentage of Net Levy ^(d)
2005	0.46573	0.18427	0.65000	\$ 688,228	\$ 669,659	\$ 27,772	\$ 697,431	101.3
2006	0.46359	0.18391	0.64750	719,287	688,486	31,718	720,204	100.1
2007	0.45927	0.18573	0.64500	777,841	751,882	36,007	787,889	101.3
2008	0.46198	0.18178	0.64375	874,230	845,817	34,772	880,589	100.7
2009	0.45460	0.18415	0.63875	961,059	926,956	32,395	959,351	99.8
2010	0.45728	0.18147	0.63875	960,083	932,952	23,672	956,624	99.6
2011	0.46336	0.17539	0.63875	912,808	891,910	27,684	919,594	100.7
2012	0.48071	0.15804	0.63875	927,886	907,472	24,177	931,649	100.4
2013	0.46221	0.17654	0.63875	970,157	949,784	30,555	980,339	101.0
2014	0.47709	0.16166	0.63875	1,051,562	1,026,324	29,700	1,056,024	100.4

- (a) The Texas Constitution limits the maximum ad valorem tax rate to \$2.50 per \$100 of assessed valuation for home-rule cities such as the City; however, for a discussion of the more restrictive City Charter Limitations, see "PROPERTY TAXES – City Charter Tax and Revenue Limitations."
- (b) The figures represent net adjusted levies, including the late certification and correction rolls from the Appraisal District, through June 30 of each Fiscal Year, except for Fiscal Year 2014, which is as of August 9, 2013.
- (c) These amounts do not include revenues from various types of Industrial District Contracts entered into by the City with industrial property owners outside of the City's corporate limits totaled \$0.00 million in Fiscal Year 2013. Such Industrial District Contracts have a term of fifteen years (currently scheduled to terminate in Tax Year 2027) and allow property owners to make payments to the City in lieu of paying ad valorem taxes.
- (d) Includes all ad valorem tax receipts received by the City, including tax increment revenues that are deposited into special funds designated for various tax increment reinvestment zones. By virtue of contracts among the City, the Zones and the local government corporations that manage the zones, the tax increments are transferred to the respective local government corporation and are available to fund authorized projects in the Zone and to be pledged to obligations issued by the local government corporation on behalf of the Zone. Bonds and other obligations issued by the local government are not debt of the City. In Fiscal Year 2014, the City has budgeted approximately \$86 million of tax increments to be transferred to special funds for such zones, as required by State law, of which approximately \$23 million will be transferred back to the City for affordable housing projects, an administrative fee and a fee for municipal service costs attributable to development in such Zones. Much of the tax increments transferred to the zones are used to promote economic developments through the acquisition and construction of public improvements to spur development in certain areas of the City. Additionally, the zones provide affordable housing and funds for certain City capital improvement projects.
- (e) The City's Fiscal Year 2014 Budget includes a proposed tax rate of \$0.63875 (per \$100 assessed valuation) for Tax Year 2013 (Fiscal Year 2014). The City Charter provides that, in preparing the City's budget, provision shall first be made for the payment of debt service on the City's outstanding bond indebtedness, with the remaining revenues to be apportioned among the City's respective departments.

City of Houston, Texas
AD VALOREM TAX OBLIGATION PERCENTAGES
(amounts expressed in thousands)
(unaudited)

Tax Year	Fiscal Year	Tax-Supported Debt at December 31 (in thousands) ^(f)	Tax Roll^(a) (in thousands)	Tax-Supported Debt as a Percentage of Tax Roll	Tax-Supported Per Capita Debt^(b)	Debt Service Requirement Payable from Taxes^{(c)(d)} (in thousands)	Tax Levy for Debt Service (in thousands)^(e)
2003	2004	\$ 2,073,359	\$ 103,157,602	2.01%	\$ 1,020	\$ 219,788	\$ 165,000
2004	2005	2,432,724	105,881,225	2.30%	1,181	233,354	188,000
2005	2006	2,644,366	111,225,839	2.38%	1,274	248,105	195,000
2006	2007	2,833,037	120,595,451	2.35%	1,306	262,523	209,000
2007	2008	3,016,248	135,764,121	2.22%	1,365	279,277	229,600
2008	2009	3,174,023	149,627,515	2.12%	1,418	254,513	251,700
2009	2010	3,324,065	150,270,904	2.21%	1,472	308,113	254,600
2010	2011	3,440,075	142,964,244	2.41%	1,639	342,966	232,545
2011	2012	3,471,590	145,042,978	2.39%	1,617	297,923	229,700
2012	2013	3,469,360	152,801,703	2.27%	1,613	300,124	241,100

- (a) With the exception of Tax Year 2011, the tax roll represents the total appraised value of property, after subtracting all exemptions, and reflects all adjustments made by the Appraisal Districts as of June 30 of each Fiscal Year. The Tax Year 2010 amount represents the Appraisal Districts' estimate of certified taxable valuations based on tax rolls available as of July 15, 2011. As of August 12, 2011, the total assessed value for Tax Year 2010 (including exempt property values) was approximately \$192.4 billion, which is the appraised value used to determine the statutory limitation of approximately \$19.2 billion relating to total bond indebtedness.
- (b) Per capita figures are based on population estimates according to the U.S. Census Bureau.
- (c) These amounts have not been reduced by the combined ending fund balances in the General Debt Service Fund.
- (d) These amounts include principal and interest payments for Tax Obligations, except it only includes interest for Commercial Paper Notes at an assumed rate appropriate for each Fiscal Year.
- (e) Sources of funds for the general obligation debt service requirement include the tax levy and transfers from Enterprise and Special Revenue Funds.
- (f) Information as reported in the City's Monthly Operations and Financial Report dated as of December 31 of each Fiscal Year.

CITY OF HOUSTON, TEXAS

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**CITY OF HOUSTON, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)**

LEGAL DEBT MARGIN CALCULATION AT JUNE 30, 2013

Assessed Value (1)	\$ 201,401,681
Debt Limit (10% of assessed value)	\$ 20,140,168
Debt applicable to limit:	
Public Improvement Bonds	2,561,515
Pension Obligations	540,728
Commercial Paper - General Obligation	176,900
Tax and Revenue Certificates of Obligation	11,870
Total net debt applicable to limit	<u>\$ 3,291,013</u>
Legal debt margin	\$ 16,849,155

HISTORICAL LEGAL DEBT LIMITATION

	2004	2005	2006
Legal debt limitation, 10% of assessed value(2)	\$ 11,778,479	\$ 12,180,606	\$ 14,238,567
Total net debt applicable to margin	<u>1,939,765</u>	<u>2,462,578</u>	<u>2,732,439</u>
Legal debt margin	<u>\$ 9,838,714</u>	<u>\$ 9,718,028</u>	<u>\$ 11,506,128</u>
Total net debt applicable to the limit as a percentage of debt limit	16%	20%	19%

(1) Assessed Value for the 2011 tax year (fiscal year 2012) is based on the appraised value of property prior to any deductions for exemptions. The Assessed Value is derived from the certified valuations provided by the Harris County Appraisal District as of July 27, 2012.

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

2007	2008	2009	2010	2011	2012	2013
\$ 15,447,632	\$ 17,382,478	\$ 19,296,752	\$ 19,581,736	\$ 18,798,571	\$ 19,108,922	\$ 20,140,168
<u>2,877,360</u>	<u>3,078,103</u>	<u>3,109,000</u>	<u>3,300,878</u>	<u>3,322,128</u>	<u>3,367,313</u>	<u>3,291,013</u>
<u>\$ 12,570,272</u>	<u>\$ 14,304,375</u>	<u>\$ 16,187,752</u>	<u>\$ 16,280,858</u>	<u>\$ 15,476,443</u>	<u>\$ 15,741,609</u>	<u>\$ 16,849,155</u>
19%	18%	16%	17%	18%	18%	16%

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

Airport System Bonds ⁽¹⁾

Fiscal Year	Operating & Non-Operating Revenues ⁽²⁾	Less: Operating Expenses	Net Pledged Revenue	Debt Service		Less Grants Available for Debt Service ⁽³⁾	Coverage
				Principal	Interest		
2004	\$ 278,933	\$ 161,645	\$ 117,288	\$ 18,865	\$ 56,932	\$ 32,823	2.73
2005	367,940	191,093	176,847	28,182	84,066	25,506	2.04
2006	411,545	205,565	205,980	31,737	108,601	46,621	2.20
2007	443,295	217,720	225,575	33,377	111,118	20,679	1.82
2008	477,330	221,309	256,021	45,996	111,250	28,022	1.98
2009	409,721	242,449	167,272	49,692	100,746	54,682	1.75
2010	425,071	245,147	179,924	51,832	93,298	56,171	2.02
2011	423,632	262,668	160,964	61,136	97,546	56,827	1.58
2012	429,665	255,507	174,158	59,575	91,736	43,979	1.62
2013	441,245	252,745	188,500	56,800	97,138	34,390	1.58

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

Combined Utility System Bonds ⁽⁴⁾

Fiscal Year	Operating & Non-Operating Revenues ⁽⁵⁾	Less: Total Expenses	Net Pledged Revenue	Debt Service		Coverage
				Principal	Interest	
2004	\$ 624,297	\$ 304,882	\$ 319,415	\$ 54,528	\$ 169,364	1.43
2005	668,391	309,343	359,048	14,031	175,789	1.89
2006	721,243	349,135	372,108	31,570	196,461	1.63
2007	701,813	357,403	344,410	26,618	232,048	1.33
2008	722,918	378,919	343,999	27,088	248,900	1.25
2009	867,329	379,458	487,871	37,683	258,129	1.65
2010	814,979	371,913	443,066	68,187	281,468	1.27
2011	921,218	363,649	557,569	72,389	284,800	1.56
2012	969,028	417,616	551,412	68,285	299,436	1.50
2013	986,435	400,394	586,041	80,278	308,204	1.51

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	
2004	\$ 47,097	\$ 6,265	\$ 20,833	1.74
2005	47,325	6,590	22,715	1.61
2006	58,171	13,680	23,326	1.57
2007	61,420	14,775	24,004	1.58
2008	69,743	17,540	23,926	1.68
2009	65,334	18,620	19,451	1.72
2010	59,804	21,230	15,747	1.62
2011	65,186	24,060	14,218	1.70
2012	71,957	21,835	6,194	2.57
2013	78,892	27,530	14,123	1.89

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

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

Fiscal Year	Population	(1)	Personal Income (amount in thousands)	(2)	Per Capita Personal Income	(2)	Median Age	(2)	Education Level in Years of Formal Schooling	(2)	School Enrollment	(2)	Average Unemployment Rate (percentage)	(3)
2004	2,009,669		\$ 42,537,706		\$ 21,854		31.4		12.8		410,566		6.9	
2005	2,016,582		\$ 43,748,970		\$ 22,534		31.9		12.7		392,846		6.3	
2006	2,076,189		\$ 47,805,874		\$ 23,041		32.3		12.6		409,937		5.5	(4)
2007	2,144,491		\$ 52,642,282		\$ 25,719		32.2		12.8		425,015		4.6	(4)
2008	2,208,180		\$ 54,306,140		\$ 26,836		32.8		Not available		811,154	(5)	4.2	(2)
2009	2,242,193		\$ 57,795,120		\$ 25,563		32.9		13.2		520,118	(6)	5.9	(2)
2010	2,257,926	(2)	\$ 51,886,111		\$ 24,623		32.8		12.4		525,506	(6)	7.0	(2)
2011	2,107,208	(2)	Not available		\$ 26,109		32.2		12.7		560,316	(6)	8.2	(7)
2012	2,145,933	(8)	Not available		\$ 26,179	(8)	33.2	(9)	13.0	(9)	576,020	(8)	7.5	(10)
2013	2,160,821	(8)	Not available		\$ 26,849	(8)	32.1	(8)	13.0	(6), (8)	548,061	(6)	6.5	(7)

(1) Source: Population Estimate program, U. S. Census Bureau, as of the beginning of the fiscal year. (Fiscal year 2002 is as of July 1, 2001.)

(2) Source: American Community Survey, U. S. Census Bureau. (Fiscal year 2002 data is for calendar year 2001.)

(3) Source: University of Houston, Center for Public Policy. (Data for fiscal year 2002 is calendar year 2001.)

(4) Source: Texas Workforce Commission

(5) School enrollment for the City of Houston is not available. The number reflects the Houston metropolitan area.

(6) School enrollment includes nursery school through graduate school.

(7) Source: Local Area Unemployment Statistics, Bureau of Labor Statistics Texas Workforce Commission

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

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

(10) Source: Bureau of Labor Statistics

CITY OF HOUSTON, TEXAS
PRINCIPAL EMPLOYERS
June 30, 2013
Current Year and Nine Years Ago
(unaudited)

Employer	2013			2004		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Memorial Hermann Healthcare System	19,500	1	1.98%	16,300	1	1.72%
United Continental Holdings	17,000	2	1.73%	16,000	2	1.69%
ExxonMobil	13,191	3	1.34%			
Shell Oil Company	13,000	4	1.32%			
The Methodist Hospital System	13,000	5	1.32%			
Kroger Company	12,000	6	1.22%	12,000	4	1.27%
Schlumberger Limited	10,000	7	1.02%			
National Oilwell Varco	10,000	8	1.02%			
B. P. America, Inc.	9,537	9	0.97%	8,000	10	0.84%
Baylor College of Medicine	9,232	10	0.94%			
Halliburton K. B. R.				14,000	3	1.48%
ARAMARK Corp.				10,000	5	1.06%
Reliant Energy				9,500	6	1.00%
H. C. A. Health				9,000	7	0.95%
Hewlett-Packard Corporation				9,000	8	0.95%
Pappas Restaurants, Inc.				8,000	9	0.84%
Total :	<u>126,460</u>		<u>12.86%</u>	<u>111,800</u>		<u>11.80%</u>

Employers excludes school districts and city, county, state and federal governments.
Employee numbers are for the ten-county region, not the city only.
Employee may live outside the City

Total Houston Residents employed regardless of where they work:

Source:	2013	984,429	(as of June 2013)
Bureau of Labor Statistics (BLS); Local Area Unemployment Statistics	2004	947,680	(2004 Annual Average)

CITY OF HOUSTON, TEXAS

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**CITY OF HOUSTON, TEXAS
EMPLOYMENT STATISTICS
June 30, 2013
(unaudited)**

Employment

The following table indicates the Houston PMSA estimated annual average labor force for the years 2003 through 2012 according to the Texas Employment Commission:

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

	2003	2004	2005	2006
Civilian Labor Force ^(A)	2,558	2,577	2,614	2,674
Employed	2,385	2,417	2,468	2,540
Unemployed	173	160	146	134
Percent unemployed	6.76%	6.21%	5.59%	5.01%
Nonfarm Payroll Employment ^(B)	2,274	2,290	2,349	2,446
Manufacturing	210	208	212	223
Mining	65	68	71	78
Contract construction	174	165	169	182
Transp/Trade/Pub Utils/Communications ^(C)	642	640	653	673
Finance/Insurance/Real Estate	87	89	91	91
Services & Miscellaneous	901	923	962	1,014
Government	333	335	339	345

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

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

(C) Trade has been included with Transportation, Public Utilities and Communic

2007	2008	2009	2010	2011	2012
2,723	2,781	2,873	2,933	3,075	3,110
2,606	2,647	2,638	2,692	2,843	2,901
117	134	235	241	232	210
4.30%	4.82%	8.18%	8.20%	7.50%	6.70%
2,545	2,603	2,530	2,594	2,693	2,793
233	241	218	228	237	252
84	90	88	89	97	106
197	205	172	175	180	188
699	715	564	556	579	602
92	91	138	134	140	143
1,063	1,087	973	1,035	1,097	1,135
352	361	377	377	364	367

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

Full-time Equivalent Employees as of June 30

Fund/Department	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
				Restated	Restated					
GENERAL FUND										
Public Safety										
Fire/Civilian	316.2	320.3	288.7	287.0	270.2	270.5	247.9	222.6	118.9	117.4
Fire/Classified	3,647.7	3,716.0	4,123.5	4,070.3	3,997.5	4,058.3	4,131.7	4,085.1	3,978.6	4,011.7
Fire/Cadets	392.8	181.5	38.5	103.0	113.5	95.7	53.0	53.1	14.2	26.7
Municipal Courts - (Administration) Department	354.7	347.1	343.7	290.9	262.2	284.8	269.8	301.7	271.2	268.8
Municipal Courts - (Justice) Department	45.3	41.6	45.3	47.6	49.4	50.6	50.9	-	-	-
Police/Civilian	1,425.5	1,115.6	1,173.1	1,237.8	1,289.5	1,572.3	1,528.4	1,393.1	1,119.9	1,194.9
Police/Classified	5,362.3	5,118.3	5,125.3	5,287.3	5,382.7	5,703.2	5,629.9	5,535.3	5,474.9	5,456.9
Police/Cadets	36.2	26.7	81.8	130.9	176.8	221.6	135.0	70.4	76.6	118.1
Total Public Safety	11,580.7	10,867.1	11,219.9	11,454.8	11,541.8	12,257.0	12,046.6	11,661.3	11,054.3	11,194.5
Development & Maintenance Services										
General Services (Formerly Building Services)	289.4	181.2	211.3	228.2	237.8	242.1	233.2	210.6	193.9	193.6
Planning & Development	105.0	104.3	99.6	96.6	97.1	105.1	107.0	97.5	75.7	75.2
Public Works & Engineering	567.5	841.3	539.9	548.4	556.7	568.3	529.0	505.6	9.1	15.0
Solid Waste Management	545.9	576.9	576.4	546.6	655.0	667.2	633.5	623.9	460.5	471.0
Total Development & Maintenance	1,507.8	1,703.7	1,427.2	1,419.8	1,546.6	1,582.7	1,502.7	1,437.6	739.2	754.8
Human & Cultural Services										
Convention & Entertainment Facilities	-	-	63.0	54.8	0.4	3.5	-	-	-	-
Health & Human Services	776.6	767.1	797.9	725.8	684.5	741.3	667.3	574.8	458.4	470.7
Housing & Community Development	-	-	-	-	1.3	2.3	2.5	2.9	2.1	2.0
Library	531.2	443.0	473.1	484.5	497.3	530.5	517.4	456.4	401.7	405.2
Neighborhoods	-	-	-	-	-	-	-	-	96.3	104.4
Parks & Recreation	768.2	741.0	772.8	814.1	815.8	869.4	838.8	774.2	627.6	644.4
Total Human & Cultural Services	2,076.0	1,951.1	2,106.8	2,079.2	1,999.3	2,147.0	2,026.0	1,808.3	1,586.1	1,626.7
Administrative Services										
Administration & Regulatory Affairs	-	-	-	-	264.1	292.0	375.9	362.9	268.1	240.3
City Secretary	13.8	12.1	12.1	11.6	11.1	11.5	11.4	11.9	10.9	10.7
Controller's Office	76.3	74.9	70.7	73.7	74.7	76.3	76.8	74.0	66.2	64.9
Council Office	68.2	61.5	71.3	68.1	71.4	73.3	72.4	72.8	74.6	77.7
Finance & Administration	304.4	313.5	303.8	310.0	-	-	-	-	-	-
Finance Department	-	-	-	-	54.9	68.9	76.9	70.7	72.6	60.4
Human Resources	43.0	38.6	38.2	37.9	39.1	39.3	41.8	40.0	35.9	34.4
Information Technology	147.4	143.5	127.2	129.0	140.3	154.9	169.6	158.8	150.8	144.3
Legal	153.4	146.4	144.0	152.8	158.7	168.1	161.0	155.3	119.1	116.4
Mayor's Office	21.9	20.2	48.8	43.5	39.6	37.1	35.2	35.1	23.3	56.3
Office of Business Opportunity (Formerly Affirm. Action)	24.7	27.2	25.7	25.8	32.4	34.1	35.8	31.6	23.3	25.1
Total Administrative Services	853.1	837.9	841.8	852.4	886.3	955.5	1,056.8	1,013.1	844.8	830.5
Total General Fund	16,017.6	15,359.8	15,595.7	15,806.2	15,974.0	16,942.2	16,632.1	15,920.3	14,224.4	14,406.5
ENTERPRISE FUNDS										
Aviation	1,236.3	1,516.8	1,569.6	1,622.7	1,587.2	1,604.8	1,544.7	1,528.5	1,415.0	1,339.5
Convention & Entertainment Facilities	88.9	104.7	109.3	116.5	124.3	124.1	118.8	117.6	-	-
PW&E - Combined Utility System	2,102.6	2,220.3	2,158.6	2,243.8	2,288.9	2,350.7	2,338.0	2,213.0	2,280.5	2,237.5
GSD - Parking Management (Formerly PW&E)	-	-	-	-	54.0	53.9	53.9	-	-	-
Total Enterprise Funds	3,427.8	3,841.8	3,837.5	3,983.0	4,054.4	4,133.5	4,055.4	3,859.1	3,695.5	3,577.0

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

Full-time Equivalent Employees as of June 30

Fund/Department	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
SPECIAL REVENUE FUNDS										
Administration & Regulatory Affairs	-	-	-	-	-	-	6.8	119.3	176.8	159.5
General Services (Formerly Building Services)	-	-	-	-	-	-	70.7	69.5	61.2	59.0
Cable Television	9.1	10.5	9.3	-	-	-	-	-	-	-
Finance	-	-	-	-	-	-	-	-	-	7.8
Fleet Management (Formerly PW&E - Fleet Management)	159.6	74.1	170.7	-	-	-	-	-	262.5	267.7
Health & Human Services	-	-	-	435.7	490.9	530.9	554.8	544.3	510.0	515.5
Housing & Community Development	-	-	-	126.5	136.9	140.1	148.2	129.5	129.3	159.0
Houston Emergency Center	190.4	219.3	239.6	248.0	264.6	275.6	256.8	248.0	234.3	242.5
Human Resources	-	-	-	-	-	-	79.1	124.6	191.8	200.8
Information Technology	-	-	-	-	-	-	15.6	28.2	44.3	45.6
Legal	-	-	-	-	-	-	41.9	39.3	60.0	47.5
Library	-	-	-	3.4	9.9	28.4	29.7	29.5	28.0	48.2
Parks Special Revenue	105.8	98.0	106.0	105.7	107.0	112.9	109.1	101.4	97.6	92.0
Planning & Development	-	-	-	-	3.4	6.5	9.0	8.4	10.2	11.9
Police - Asset Forfeiture	20.0	15.9	21.3	-	-	-	-	-	-	-
Police - Auto Dealers/Civilian	6.8	8.2	6.3	73.7	113.8	88.6	-	-	-	-
Police - Auto Dealers/Classified	18.5	18.0	22.0	21.1	37.0	25.6	42.2	32.1	-	-
Police - Cadet	-	-	-	-	-	-	-	-	67.6	29.8
Police - Special Services/Civilian	218.0	117.7	6.3	-	-	-	148.3	128.4	63.1	35.7
Police - Special Services/Classified	1.0	-	40.8	-	-	-	-	-	26.2	68.6
PW&E - Building Inspection	389.5	308.5	380.0	1,313.8	1,362.2	1,373.6	1,347.1	1,299.7	1,798.1	1,114.1
PW&E - Sign Administration	26.9	27.5	31.6	-	-	-	-	-	-	-
PW&E - Stormwater Utility	393.5	403.5	413.6	-	-	-	-	-	-	354.7
PW&E - Houston TransStar	6.0	5.9	5.5	-	-	-	-	-	-	6.6
PW&E - TxDOT Signal Maintenance	7.0	0.5	-	-	-	-	-	-	-	-
Solid Waste Management	-	-	-	-	-	-	0.5	1.0	4.0	2.9
Mayor's Office	-	-	-	24.7	24.2	22.7	24.5	23.7	23.4	28.5
Municipal Courts Department	-	19.4	21.5	22.8	24.4	28.7	28.8	39.5	34.3	35.0
Municipal Courts Department	-	-	-	-	-	3.3	10.4	-	-	-
Neighborhoods	-	-	-	-	-	-	-	-	49.0	51.1
Office of Business Opportunity (Formerly Affirm. Action)	-	-	-	-	-	-	-	-	-	2.0
Total Special Revenue Funds	1,552.1	1,327.0	1,474.5	2,375.4	2,574.3	2,636.9	2,923.5	2,966.4	3,871.7	3,586.0
Total General, Enterprise and Special Funds	20,997.5	20,528.6	20,907.7	22,164.6	22,602.7	23,712.6	23,611.0	22,745.8	21,791.6	21,569.5
INTERNAL SERVICE/REVOLVING FUND										
Human Resources - Health Benefits	36.0	37.1	36.2	74.2	69.9	70.7	-	-	-	-
General Services - Central Svc Revolving	-	1.5	4.0	24.8	-	-	-	-	-	-
Human Resources - Central Svc Revolving	5.0	4.8	4.5	-	-	-	-	-	-	-
Admin. & Regulatory Affairs - Central Svc Revolving	6.0	5.5	5.9	6.0	-	-	-	-	-	-
Information Technology - Central Svc Revolving	2.0	1.6	2.0	-	3.3	2.9	-	-	-	-
Fire Reconstruction	13.3	-	-	-	-	-	-	-	-	-
General Services - In House Reconstruction	-	29.1	28.8	57.4	66.6	70.0	-	-	-	-
PW&E - CIP Salary Recovery	245.6	-	-	-	-	-	-	-	-	302.4
General Services - CIP Salary Recovery	-	-	19.6	-	-	-	-	-	-	-
Admin. and Regulatory Affairs - Property and Casualty	4.0	4.0	5.1	-	4.9	5.8	-	-	-	-
Legal - Property and Casualty	29.4	28.4	27.2	41.0	43.4	40.6	-	-	-	-
Human Resources - Workers Compensation	31.0	30.3	28.9	-	-	-	-	-	-	-
Legal - Workers Compensation	-	5.2	4.4	-	-	-	-	-	-	-
Total Internal Service/Revolving Funds	372.3	147.5	166.6	203.4	188.1	190.0	0.0	0.0	0.0	302.4
Total Full-time Equivalent Employees	21,369.8	20,676.1	21,074.3	22,368.0	22,790.8	23,902.6	23,611.0	22,745.8	21,791.6	21,871.9

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

CITY OF HOUSTON, TEXAS
OPERATING INDICATORS BY FUNCTION
June 30, 2013
(unaudited)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Function										
Police										
Physical arrests	110,573	103,917	100,795	121,834	110,058	132,121	141,525	130,376	109,368	96,058
Parking violations	253,038	241,324	203,591	255,690	210,607	217,795	208,970	196,702	201,341	197,253
Traffic violations filed	779,068	841,494	851,573	939,932	867,535	920,341	875,134	686,714	729,490	587,835
Fire										
Number of calls dispatched	261,903	267,171	284,231	278,713	281,574	281,103	270,312	273,444	285,287	294,278
Inspections	30,491	40,540	38,937	32,694	31,800	84,378 (1)	86,561	87,511	84,826	82,515
Highways and streets										
Streets resurfaced (miles)	435	374	334	325	307	235	195	140	140	129
Tons of asphalt for pothole repair and skin patches	18,879	18,272	16,104	16,178	16,647	17,323	17,103	19,002	16,497	16,279
Parks and recreation										
Athletic field permits issued	1,854	1,850	1,995	2,073	2,494	2,331	2,490	2,490	1,985	2,375
Community center admissions	3,199,874	2,859,414	3,332,920	3,618,818	4,146,502	3,924,751	4,413,580	4,775,581	5,259,890	5,421,607
Sanitation										
Refuse collected (tons)	876,519	835,054	825,915	837,008	796,926	803,428	764,900	673,966	703,449	712,857
Recyclables collected (tons)	28,862	20,607	15,352	15,703	21,312	53,151 (2)	74,616	110,079 (4)	113,332	111,602
Water										
New connections	6,616	7,806	5,235	6,871	5,660	3,400	3,008	2,881	3,433	3,864
Water main breaks	3,269	3,381	4,939	5,623	2,797	9,822 (3)	12,556	11,688	17,999 (3)	11,343
Average daily pumpage (millions of gallons)	356.6	363.1	399.9	374.5	372.0	378.7	401.0	446.0	483.0	446.4
Wastewater										
Wastewater line repairs	3,348	2,577	2,413	2,315	2,160	2,059	2,267	2,164	2,487	2,660
Average daily sewage treatment (millions of gallons)	286.8	252.0	227.0	244.0	268.0	230.0	239.5	220.0	217.0	209.0

- (1) The Fire Department now has a better system to record inspections. For example, a ten-building apartment complex is now counted as ten inspections, not one.
(2) The Solid Waste Department started the tree recycling program in January 2009, which greatly increased the tons of recyclables collected.
(3) A dry year caused a higher than usual number of breaks.
(4) Compostable bag program began in May 2010.

CITY OF HOUSTON, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
June 30, 2013
(unaudited)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Function										
Public safety										
Police										
Stations	14	14	15	15	17	17	17	17	17	17
Patrol units	Not Available	730	919	829	851	932 (1)	960	915	838	856
Fire										
Stations	88	88	90	90	91	91	92	94	94	92
Highways and streets										
Streets (lane miles)	15,645	15,645	15,645	15,645	15,645	15,763	15,763	15,397	15,397	15,397
Streetlights	173,500	175,000	176,000	172,300	173,000	173,520	174,008	174,795	175,249	175,516
Traffic signals	2,340	2,355	2,400	2,430	2,450	2,399 (2)	2,391	2,395	2,439	2,449
Parks and recreation										
Parks acreage	18,620	18,620	24,493	38,934	38,934	38,970	38,992	37,846	37,846	37,851
Parks	523	523	533	539	540	546	545	527	527	527
Swimming pools	43	43	40	58	62	62	61	61	59	57
Tennis Centers	3	3	3	3	3	3	3	3	3	3
Community centers	58	57	56	56	58	58	58	58	59	60
Sanitation										
Collection trucks	344	347	338	326	337	322	329	326	321	323
Water										
Water mains (miles)	Not Available	7,354	7,354	7,501	6,500	6,500	7,466	7,500	7,146 (5)	7,143
Fire hydrants	51,155	52,879	54,829	54,522	56,950	57,432	57,500	57,013	57,000	58,162
Maximum daily capacity (millions of gallons)	752.0	750.0	750.0	750.0	750.0	740.0	773.0	842.0 (3)	905.0	853.0
Sewer										
Sanitary sewers (miles)	Not Available	6,250	6,250	6,250	6,250	6,250	6,250	6,403 (4)	6,700	6,950
Storm sewers (miles)	3,300	3,300	3,420	3,487	3,513	3,513	3,618	3,698	3,700	3,789
Maximum daily treatment permitted (millions of gallons)	564.0	564.0	564.0	564.0	564.0	564.0	564.0	563.0	563.0	563.0

- (1) The number of patrol units greatly increased due to Hurricane Ike.
(2) The number of traffic signals decreased because FY2008 included assuming responsibility from TXDOT for additional signals. This did not happen.
(3) The maximum daily capacity for FY 2002 to FY 2010 were adjusted to reflect updated information received from the division. FY 2005 to FY 2008 are estimated.
(4) The sanitary sewers (miles) for FY2005 to FY2010 were adjusted to reflect updated information received from the division.
(5) The water mains (miles) for FY2012 was adjusted to reflect updated information received from the division.

CITY OF HOUSTON, TEXAS
June 30, 2013
INCREASES/DECREASES TO NET POSITION OF PENSION PLANS
(amounts expressed in thousands)
(unaudited)

	<u>Police</u>	<u>Fire</u>	<u>Municipal</u>	<u>Total</u>
Additions	411.0	439.1	394.0	1,244.1
Deductions	<u>203.6</u>	<u>183.8</u>	<u>221.7</u>	<u>609.1</u>
Net Increase	<u>207.4</u>	<u>255.3</u>	<u>172.3</u>	<u>635.0</u>
City's Total Contribution	<u>93.4</u>	<u>62.1</u>	<u>111.9</u>	<u>267.4</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 2014 through 2043 for the outstanding Tax Bonds, Pension Obligations, and Tax Certificates. Debt service on commercial paper notes is not reflected in the schedule below.

Fiscal Year Ended June 30	Tax Bonds ^{(b)(e)}	Pension Obligations ^(c)	Tax Certificates ^(d)	Total Debt Service ^(f)
2014	\$ 251,557,589	\$ 37,509,751	\$ 2,704,733	\$ 291,772,073
2015	281,486,998	37,546,664	2,783,000	321,816,662
2016	280,851,782	37,594,989	368,000	318,814,771
2017	306,884,907	37,632,525	368,000	344,885,432
2018	309,996,312	37,683,328	1,448,000	349,127,640
2019	269,504,190	37,729,883	1,449,000	308,683,073
2020	262,348,993	37,780,617	1,452,250	301,581,860
2021	219,648,402	46,278,329	1,452,500	267,379,231
2022	200,892,325	46,304,626	1,449,750	248,646,701
2023	205,874,084	46,316,733	1,449,000	253,639,817
2024	149,088,459	46,341,190		195,429,649
2025	148,175,345	46,362,652		194,537,997
2026	111,075,816	46,391,400		157,467,216
2027	127,808,762	46,411,773		174,220,535
2028	121,804,845	46,438,740		168,243,585
2029	85,659,293	53,987,364		139,646,657
2030	48,774,173	54,026,387		102,800,560
2031	27,162,863	65,477,864		92,640,727
2032	28,389,206	65,510,991		93,900,197
2033	19,708,216	29,605,810		49,314,026
2034	16,979,944	6,449,801		23,429,745
2035	18,304,463	49,741,158		68,045,621
2036	16,923,383	39,478,572		56,401,955
2037	13,528,584	24,547,367		38,075,951
2038	9,976,048	880,470		10,856,518
2039	7,024,066	880,470		7,904,536
2040	4,521,200	880,470		5,401,670
2041	4,522,800	21,130,470		25,653,270
2042	4,520,900			4,520,900
2043	3,155,250			3,155,250
Total	<u>\$ 3,556,149,198</u>	<u>\$ 1,046,920,394</u>	<u>\$ 14,924,233</u>	<u>\$ 4,617,993,825</u>

- (a) Each Fiscal Year the City budgets for Commercial Paper Notes debt service and related reserve funds based on a calculation that assumes a certain amount of Commercial Paper Notes is expected to be issued during that Fiscal Year at an assumed rate of interest.
- (b) Total debt service does not include payments related to various leases for office space and equipment, which are not considered debt under Texas law. The terms and conditions of such leases and agreements vary.
- (c) A portion of the debt service for the Pension Obligations is paid by the City's Combined Utility System and Airport System.
- (d) The City's \$7,360,000 Certificate of Obligation (Demolition Program), Series 2013, is reflected at an assumed rate of 5%
- (e) Excludes estimated federal Build America Bond subsidy payment of 35% of interest paid in connection with the City's Public Improvement Refunding Bonds, Taxable Series 2009B and 2010B (Direct Subsidy-Build America Bonds).
- (f) Totals may reflect a variance due to rounding.

CITY OF HOUSTON, TEXAS
June 30, 2013
VOTER-AUTHORIZED OBLIGATIONS
(amounts expressed in thousands)
(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"), November of 2006 (the "2006 Election") and November of 2012 (the "2012 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	Approved by City	Commercial	Commercial Paper	All Voter
	Authorized	Council for Issuance as Commercial Paper Notes	Paper Issued ^(a)	Notes Approved by City Council but Unissued	Authorized but Unissued
Streets, Bridges, Traffic Control and Storm Sewers and Drainage	\$ 474,000	\$ 474,000	\$ 471,850	\$ 2,150	\$ 2,150
Parks and Recreation	80,000	80,000	80,000	-	-
Police and Fire Departments	82,000	82,000	82,000	-	-
Permanent and General Improvements ^(b)	80,000	80,000	80,000	-	-
Public Libraries	40,000	40,000	40,000	-	-
Low Income Housing	20,000	20,000	10,870	9,130	9,130
Total	<u>\$ 776,000</u>	<u>\$ 776,000</u>	<u>\$ 764,720</u>	<u>\$ 11,280</u>	<u>\$ 11,280</u>

November 2006 Election

Purposes	Voter	Approved by City	Commercial	Commercial Paper	All Voter
	Authorized	Council for Issuance as Commercial Paper Notes	Paper Issued ^(a)	Notes Approved by City Council but Unissued	Authorized but Unissued
Streets, Bridges, Traffic Control and Storm Sewers and Drainage	\$ 320,000	\$ 219,950	\$ 73,560	\$ 146,390	\$ 246,440
Parks and Recreation	55,000	68,900	36,700	32,200	18,300
Public Safety	135,000	153,745	73,450	80,295	61,550
Permanent and General Improvements ^(b)	60,000	60,000	45,400	14,600	14,600
Public Libraries	37,000	39,325	32,675	6,650	4,325
Low Income Housing	18,000	7,375	-	7,375	18,000
Total	<u>\$ 625,000</u>	<u>\$ 549,295</u>	<u>\$ 261,785</u>	<u>\$ 287,510</u>	<u>\$ 363,215</u>

November 2012 Election

Purposes	Voter	Approved by City	Commercial	Commercial Paper	All Voter
	Authorized	Council for Issuance as Commercial Paper Notes	Paper Issued ^(a)	Notes Approved by City Council but Unissued	Authorized but Unissued
Streets, Bridges, Traffic Control and Storm Sewers and Drainage	\$ -	\$ -	\$ -	\$ -	\$ -
Parks and Recreation	166,000	-	-	-	166,000
Public Safety	144,000	-	-	-	144,000
Permanent and General Improvements ^(b)	57,000	-	-	-	57,000
Public Libraries	28,000	-	-	-	28,000
Low Income Housing	15,000	-	-	-	15,000
Total	<u>\$ 410,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 410,000</u>
Combined Total (2001, 2006 and 2012 Elections)	<u>\$ 1,811,000</u>	<u>\$ 1,325,295</u>	<u>\$ 1,026,505</u>	<u>\$ 298,790</u>	<u>\$ 784,495</u>

(a) As of June 30, 2013

(b) Includes Public Health and Solid Waste Management.

CITY OF HOUSTON, TEXAS
June 30, 2013
(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)
2005	\$ 370,583	\$ 162,263
2006	\$ 422,598	\$ 186,508
2007	\$ 461,467	\$ 189,551
2008	\$ 495,173	\$ 190,193
2009	\$ 507,103	\$ 190,322
2010	\$ 468,965	\$ 190,868
2011	\$ 492,824	\$ 190,563
2012	\$ 546,543	\$ 192,760
2013	\$ 600,256	\$ 195,304
2014 (budgeted)	\$ 629,602	\$ 188,453

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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Operating Revenues					
Fees charged to users, net	\$ 17,145	\$ 19,175	\$ 19,599	\$ 20,554	\$ 22,306
Total Operating Revenues	<u>17,145</u>	<u>19,175</u>	<u>19,599</u>	<u>20,554</u>	<u>22,306</u>
Nonoperating Revenues					
Interest	13,109	15,926	16,729	18,704	19,186
Hotel occupancy tax (including penalty & interest)	47,223	42,266	54,765	58,709	66,232
Other income	-	7,279	4,190	13,215	5,669
Total Nonoperating Revenues	<u>60,332</u>	<u>65,471</u>	<u>75,684</u>	<u>90,628</u>	<u>91,087</u>
Total Revenues	<u>\$ 77,477</u>	<u>\$ 84,646</u>	<u>\$ 95,283</u>	<u>\$ 111,182</u>	<u>\$ 113,393</u>
Total Annual Expenses Last Ten Fiscal Years	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Operating Expenses					
Maintenance and operating	\$ 28,791	\$ 32,797	\$ 33,437	\$ 35,342	\$ 37,276
Depreciation	14,077	10,372	10,984	11,925	12,084
Total Operating Expenses	<u>42,868</u>	<u>43,169</u>	<u>44,421</u>	<u>47,267</u>	<u>49,360</u>
Nonoperating Expenses					
Interest on long-term debt	25,413	29,468	30,970	32,859	33,150
Promotional contracts & other expenses	23,307	61,694	23,880	21,119	28,659
Total Nonoperating Expenses	<u>48,720</u>	<u>91,162</u>	<u>54,850</u>	<u>53,978</u>	<u>61,809</u>
Total Expenses	<u>\$ 91,588</u>	<u>\$ 134,331</u>	<u>\$ 99,271</u>	<u>\$ 101,245</u>	<u>\$ 111,169</u>

2009	2010	2011	2012	2013
\$ 20,902	\$ 20,298	\$ 22,877	\$ 8,934	\$ 10,372
<u>20,902</u>	<u>20,298</u>	<u>22,877</u>	<u>8,934</u>	<u>10,372</u>
17,688	11,971	9,562	10,010	9,080
62,383	54,917	61,603	68,623	76,325
<u>113,265</u>	<u>18,997</u>	<u>18,266</u>	<u>525</u>	<u>413</u>
<u>193,336</u>	<u>85,885</u>	<u>89,431</u>	<u>79,158</u>	<u>85,818</u>
<u>\$ 214,238</u>	<u>\$ 106,183</u>	<u>\$ 112,308</u>	<u>\$ 88,092</u>	<u>\$ 96,190</u>

2009	2010	2011	2012	2013
\$ 39,142	\$ 39,817	\$ 40,229	\$ 1,885	\$ 1,780
<u>14,888</u>	<u>14,958</u>	<u>15,227</u>	<u>14,703</u>	<u>14,488</u>
<u>54,030</u>	<u>54,775</u>	<u>55,456</u>	<u>16,588</u>	<u>16,268</u>
29,740	26,032	25,194	25,799	26,150
<u>30,840</u>	<u>32,988</u>	<u>27,513</u>	<u>100,046</u>	<u>62,662</u>
<u>60,580</u>	<u>59,020</u>	<u>52,707</u>	<u>125,845</u>	<u>88,812</u>
<u>\$ 114,610</u>	<u>\$ 113,795</u>	<u>\$ 108,163</u>	<u>\$ 142,433</u>	<u>\$ 105,080</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)
2004	38,115	9.4%	7,125	-9.3%	1,857	--	47,097
2005	34,115	-10.5%	6,682	-6.2%	6,528	[N/A] ^(e)	47,325
2006	44,204	29.6%	6,734	0.8%	7,233	10.8%	58,171
2007	47,387	7.2%	6,810	1.1%	7,223	-0.1%	61,420
2008	53,459	12.8%	7,333	7.7%	8,951	23.9%	69,743
2009	49,694	-7.0%	6,727	-8.3%	8,913	-0.4%	65,334
2010	44,483	-10.5%	7,477	11.1%	7,844	-12.0%	59,804
2011	49,723	12.0%	7,286	-3.0%	8,177	4.0%	65,186
2012	55,388	11.4%	6,632	-9.0%	9,937	21.5%	71,957
2013	61,605	11.2%	7,892	19.0%	9,395	-5.0%	78,892

- (a) The Pledged Hotel Occupancy Tax (HOT) revenues are revenues (including penalties, interest and delinquencies, if any) collected due to an occupancy tax of 5.65% applied to the cost of substantially all hotel room rentals in the City other than the Hilton Americas Hotel during the first ten years of its operation. The total HOT imposed by the City is 7%
- (b) The City's pledge of parking revenues for debt service is subordinate to the City's pledge of the first \$1,200,000 of such gross revenues, charges and tolls to the payment of its annual obligation under the Music Hall Lease, unless such obligation is paid, defeased, matures or is otherwise restructured. These annual payments totaled \$1,000,000 for fiscal years 2001-2005, \$1,050,000 for fiscal year 2006, and \$1,100,000 for fiscal years 2007-2011.
- (c) The Tax Rebates consist of rebates of hotel occupancy taxes, sales taxes, and mixed beverage taxes derived from the Hilton Americas Hotel and parking garage during the first ten years of operation.
- (d) Amounts shown do not include investment earnings on pledged revenues, which are also pledged.
- (e) From Fiscal Year 2004 to Fiscal Year 2005, the Pledged Tax rebates increased by 251.5% due to a partial year of collections in Fiscal Year 2004 (December 2003 - June 2004).

(amounts expressed in thousands)

Fiscal Year	HOT Tax 15%	Sales Tax 8.25% ⁽¹⁾	Mixed Beverage Tax 3%	Total Tax Rebate
2004	\$ 1,293	\$ 544	\$ 20	\$ 1,857
2005	4,579	1,807	142	6,528
2006	5,403	1,659	171	7,233
2007	5,351	1,769	103	7,223
2008	6,436	2,268	247	8,951
2009	6,225	2,471	217	8,913
2010	5,287	2,374	183	7,844
2011	5,488	2,537	152	8,177
2012	7,185	2,566	186	9,937
2013	6,692	2,620	83	9,395

(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)
2004	57.3%	75.86	7%	\$ 47,223
2005	66.7%	77.27	7%	43,902
2006	65.6%	85.26	7%	56,735
2007	65.8%	92.23	7%	60,777
2008	67.2%	100.78	7%	68,413
2009	55.6%	92.38	7%	64,486
2010	55.4%	88.66	7%	56,753
2011	63.0%	95.37	7%	63,629
2012	65.4%	95.35	7%	70,731
2013	68.0%	101.0	7%	79,736

(1) Source: Greater Houston Partnership.

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
June 30, 2013
(unaudited)

Schedule of Hotel Occupancy Tax Collections

<u>The Twelve Largest Taxpayers</u>	<u>Gross Hotel Occupancy Tax Collections</u>
Hilton Americas-Houston	\$ 3,411,046
Hyatt Regency Hotel	2,508,359
Four Seasons Hotel Houston Center	1,798,007
JW Marriott Galleria	1,774,982
Westin Galleria	1,551,297
Hilton Houston Post Oak	1,340,909
Houston Marriott Briarpark	1,317,533
Westin Oaks	1,314,912
Marriott Hotel	1,220,299
Marriott Medical	1,202,774
Houstonian Hotel	1,197,356
Hotel Zara	1,191,360
	<hr/>
Total	\$ <u>19,828,834</u>

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
June 30, 2013
(unaudited)

Parking Facilities Rates

Facility	City Employee Monthly Contract (1)	Other Monthly Contract (2)	Daily Transient (2)	Event Rate (2)
Theater District Garage	\$81.00	\$145.00 \$93.00 (3) \$120.00 (4)	\$3.00 per hour \$12.00 Maximum	\$7.00
Reserved parking		\$225.00		
City Hall Annex Parking Garage	\$51.76	\$93.00	n/a	\$5.00
Lots C and H	\$44.33	\$48.00	n/a	\$3.00

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

(2) Includes sales and use tax of 8.25%

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

(4) Bulk contract parking agreement

Source: www.houstonfirsttheaters.com/parking, COH, Convention & Entertainment Facilities Department

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
Debt Service Schedule
(unaudited)

The following table sets forth the Debt Service Requirements on all Convention & Entertainment Revenue Bonds Outstanding assuming scheduled mandatory redemption of any term bonds.

Fiscal Year Ending June 30	Series 2001 Bonds	Series 2011 A Bonds	Series 2011 B Bonds	Series 2012 A Bonds	Total Debt Service
2014	\$ 6,164,512	\$ 20,998,613	\$ 15,959,256	\$ 2,076,250	\$ 45,198,631
2015	6,164,512	21,795,238	13,481,381	2,076,250	43,517,381
2016	12,730,469	15,532,988	13,084,506	2,076,250	43,424,213
2017	24,214,512	5,099,738	13,155,881	2,076,250	44,546,381
2018	23,924,513	6,050,488	13,135,825	2,076,250	45,187,076
2019	28,171,269	6,994,988	8,371,894	2,076,250	45,614,401
2020	28,040,550	7,991,544	8,368,269	2,076,250	46,476,613
2021	27,537,495	8,344,475	8,012,644	2,076,250	45,970,864
2022	33,569,289	3,366,625	8,278,019	2,076,250	47,290,183
2023	32,797,106	3,375,625	9,464,394	2,076,250	47,713,375
2024	33,412,387	3,356,225	9,583,672	2,076,250	48,428,534
2025	33,875,864	3,339,788	9,817,506	2,076,250	49,109,408
2026	34,555,915	3,334,575	9,981,538	2,076,250	49,948,278
2027	39,190,060	3,659,550	6,035,894	6,263,875	55,149,379
2028	39,433,424	3,624,081	6,462,819	6,000,375	55,520,699
2029	40,441,037	3,711,794	5,359,863	6,300,000	55,812,694
2030	40,703,813	3,590,738	5,471,488	6,046,875	55,812,914
2031	41,520,564	3,071,875	5,206,113	6,194,250	55,992,802
2032	41,733,536	2,877,750	5,201,363	6,087,875	55,900,524
2033	41,595,622	2,838,000	5,401,831	6,159,000	55,994,453
2034	42,729,292	2,706,000	4,451,213	7,538,875	57,425,380
Total	\$ 652,505,741	\$ 135,660,698	\$ 184,285,369	\$ 77,582,375	\$ 1,050,034,183

(1)

Assumes an interest rate of 5.33% for the Series 2001C-1 Auction Rate Certificates and the 2001 C-2 Auction Rate Certificates.

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
(amounts expressed in thousands)
(unaudited)

Convention & Entertainment Budget for Fiscal Year 2014

Budgeted Resources

Operating Revenues

Facility Rentals	\$ 1,380
Parking	8,317
Food and Beverage Concessions	-
Contract Cleaning	-
Total Operating Revenues	<u>9,697</u>

Operating Expenses

Personnel	280
Supplies	-
Services	864
Total Operating Expenses	<u>1,144</u>
Operating Income (Loss)	<u>8,553</u>

Nonoperating Revenues (Expenses)

Hotel Occupancy Tax	
Current	76,000
Delinquent	1,520
Advertising Services	-
Promotion Contracts	-
Contracts/Sponsorships	-
Net Hotel Occupancy Tax	<u>77,520</u>
Investment Income (Loss)	-
Capital Outlay	-
Non-Capital Outlay	-
Other Interest	400
Other	292
Total nonoperating Rev (Exp)	<u>78,212</u>
Income (Loss) Before Operating Transfers	<u>86,765</u>

Transfers

Transfers to Interest	4,386
Transfers to Principal	17,719
Interfund Transfers	-
Miller Outdoor Theater Transfer	-
Transfers to Component Unit	62,467
Transfers to General Fund	1,380
Total Transfers	<u>85,952</u>

Net Income (Loss) Operating Fund

\$ 813

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	2004	2005	2006	2007
Operating Revenues				
Water sales	\$ 265,272	\$ 301,227	\$ 324,878	\$ 308,046
Waste water system user charges	257,225	288,459	307,764	295,423
Penalties	4,150	4,605	5,085	6,736
Other services and charges	4,561	4,583	4,935	5,260
Total Operating Revenues	531,208	598,874	642,662	615,465
Nonoperating Revenues				
Interest	6,889	12,972	18,650	36,014
Other income	26,179	24,707	26,557	54,572
Total Nonoperating Revenues	33,068	37,679	45,207	90,586
Total Revenues	\$ 564,276	\$ 636,553	\$ 687,869	\$ 706,051
Total Annual Expenses Last Ten Fiscal Years	2004	2005	2006	2007
Operating Expenses				
Maintenance and operating	\$ 266,718	\$ 332,800	\$ 302,955	\$ 315,348
Depreciation and Amortization	209,608	224,074	228,665	257,722
Total Operating Expenses	476,326	556,874	531,620	573,070
Nonoperating Expenses				
Interest on long-term debt	204,875	201,142	214,880	242,282
Other expenses	12,402	4,193	5,622	3,478
Total Nonoperating Expenses	217,277	205,335	220,502	245,760
Total Expenses	\$ 693,603	\$ 762,209	\$ 752,122	\$ 818,830

2008	2009	2010	2011	2012	2013
\$ 328,435	\$ 351,608	\$ 356,046	\$ 459,261	\$ 480,676	\$ 485,485
305,748	323,301	320,722	410,941	421,370	426,888
7,760	6,651	8,391	9,871	10,004	9,456
6,324	5,678	5,979	3,949	5,188	2,861
<u>648,267</u>	<u>687,238</u>	<u>691,138</u>	<u>884,022</u>	<u>917,238</u>	<u>924,690</u>
35,436	33,436	15,160	10,090	5,696	(507)
84,228	51,262	65,077	20,453	45,448	42,521
<u>119,664</u>	<u>84,698</u>	<u>80,237</u>	<u>30,543</u>	<u>51,144</u>	<u>42,014</u>
<u>\$ 767,931</u>	<u>\$ 771,936</u>	<u>\$ 771,375</u>	<u>\$ 914,565</u>	<u>\$ 968,382</u>	<u>\$ 966,704</u>

2008	2009	2010	2011	2012	2013
\$ 346,652	\$ 371,770	\$ 372,365	\$ 363,260	\$ 410,781	\$ 395,439
220,202	204,919	203,695	214,956	211,170	217,622
<u>566,854</u>	<u>576,689</u>	<u>576,060</u>	<u>578,216</u>	<u>621,951</u>	<u>613,061</u>
267,505	260,396	273,609	-	290,882	285,378
19,515	5,432	-	12,273	670	286
<u>287,020</u>	<u>265,828</u>	<u>273,609</u>	<u>12,273</u>	<u>291,552</u>	<u>285,664</u>
<u>\$ 853,874</u>	<u>\$ 842,517</u>	<u>\$ 849,669</u>	<u>\$ 590,489</u>	<u>\$ 913,503</u>	<u>\$ 898,725</u>

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

	<u>Fiscal Year</u> <u>2013</u>		<u>Fiscal Year</u> <u>2012</u>
OPERATING REVENUES			
Sales of water, net	\$ 485,485		\$ 485,307
Sewer system user charges, net	426,888		421,370
Penalties, other services and charges	17,455		15,191
Total Operating Revenues:	<u>929,828</u>		<u>921,868</u>
NON-OPERATING REVENUES			
Investment Earnings under Previous Ordinance	6,809		9,808
Investment Earnings under Master Ordinance	1,392		1,209
Non-Operating Revenues: Contributions from Water Authorities	4,458		4,703
Transfer from General Purpose Fund	-		-
Other Non-Operating revenues	20,315		12,548
Total non-operating revenues	<u>32,974</u>		<u>28,268</u>
TOTAL GROSS REVENUES:	<u>962,802</u>		<u>950,136</u>
EXPENSES			
Contract Revenue Bonds Payments ⁽¹⁾			
Houston Area Water Corporation Debt Service	-		-
Coastal Water Authority Debt Service	19,663		20,389
Trinity River Authority Debt Service	-		-
Total Contract Revenue Bonds Payments	<u>19,663</u>		<u>20,389</u>
Maintenance and Operating Expenses	380,192		397,226
Total Expenses	<u>399,855</u>		<u>417,615</u>
RESTRICTED RECEIPTS UNDER MASTER ORDINANCE	<u>21,206</u>		<u>18,891</u>
NET REVENUES UNDER MASTER ORDINANCE	<u>\$ 584,153</u>		<u>\$ 551,412</u>
BOND DEBT SERVICE:			
Previously Issued Bonds	70,220		70,355
First Lien Bonds	319,805		302,214
Total Debt Service	<u>\$ 390,025</u>		<u>\$ 372,569</u>
BOND DEBT SERVICE COVERAGE:			
Junior Lien Bond Coverage under Previous Ordinance ⁽²⁾	8.00	x	7.55 x
First Lien Bond Coverage under Master Ordinance ⁽³⁾	1.61	x	1.59 x
TOTAL COVERAGE⁽⁴⁾	1.50	x	1.48 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 for Fiscal Year 2014
 (amounts expressed in thousands)
 (unaudited)**

The following is the summary of the Fiscal Year 2014 Budget for the System as adopted by City Council:

Revenues	
Beginning Fund Balance (July 1, 2013)	\$ 527,550
Current Revenues	<u>1,022,558</u>
Total Revenues	<u><u>\$ 1,550,108</u></u>
Expenditures	
Maintenance and Operations	\$ 412,456
CWA Debt Service	18,875
Debt Service (including Prior Lien Bonds, Junior Lien Bonds and Commercial Paper)	457,392
Interfund Transfers	<u>800</u>
Total Expenditures	889,523
Other	
General Purpose Fund (including Discretionary Debt Service)	137,349
Planned Fund Balance (June 30, 2014)	<u>523,236</u>
Total Expenditures and Reserves	<u><u>\$ 1,550,108</u></u>

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

The following calculation shows coverage by Net Revenues of Maximum Annual Debt Service on the Previous Ordinance and First Lien Bonds.

	FY 2013
Maximum Annual Debt Service Requirements on Previous Ordinance Bonds (2029) ⁽¹⁾	\$ 44,095,000
Maximum Annual Debt Service Requirements on First Lien Bonds (2030) ⁽¹⁾⁽²⁾	\$ 435,362,938
Combined Maximum Annual Principal and Interest Requirements on Previous Ordinance Bonds and First Lien Bonds (2025)	\$ 440,699,101
Net Revenues under Previous Ordinance for Fiscal Year ended June 30, 2012 ⁽³⁾	\$ 564,834,000
Net Revenues under Master Ordinance for Fiscal Year ended June 30, 2013 ⁽⁴⁾	\$ 586,041,000
Funds Available from General Purpose Fund at June 30, 2013	<u>\$ 441,402,151</u>
Total Funds available for Debt Service Coverage	<u><u>\$ 1,027,443,151</u></u>
Coverage of Maximum Annual Debt Service Requirements on Previous Ordinance Bonds	12.81
Coverage of Maximum Annual Debt Service Requirements on First Lien Bonds	2.36
Coverage of Maximum Annual Debt Service Requirements on Previous Ordinance Bonds and First Lien Bond	2.33

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

(2) Series 2008D-1 variable rate bond debt service is calculated using current market fixed rates. Debt service is calculated based on an assumed taxable rate with a maturity on the expected tax-exempt conversion date, December 1, 2012. After the applicable tax-exempt conversion date, debt service is calculated at the rate of 5.061% through March 2013 and thereafter at the fixed rate payor swap rate of 3.761%. Series 2004B debt service is adjusted to take into account expected payments under the Series 2004B Qualified Hedge Agreements.

(3) Excludes Investment Earnings under Master Ordinance and Restricted Receipts under Master Ordinance.

(4) Net Revenues as calculated under the Master Ordinance, which includes as revenues restricted receipts and earnings under the Master Ordinance.

(5) Coverage under Master Ordinance for combined debt service on Previous Ordinance Bonds and First Lien Bonds.

THE SYSTEM - Sewer Facilities General

The City of Houston Wastewater Operations System receives and processes wastewater generated by residential, commercial, and industrial customers throughout the service area. The service area covers approximately 625 square miles within the City of Houston and serves a population of about 2.8 million people. The Wastewater System consists of over 6,950 miles of sanitary sewer lines, 40 wastewater treatment plants, over 385 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 2013 was 209 million gallons per day (mgd). The permitted treatment capacity of the wastewater treatment facilities, as reflected by State permits, is 563 mgd.

THE SYSTEM - Annexation Program - In - City Districts

The City has created reinvestment zones and public improvement districts in which infrastructure improvements, including water and wastewater facilities, will be financed by the respective district or zone through bonds supported by assessments within the districts and by a tax increment fund into which will be deposited the amount of ad valorem taxes collected in the reinvestment zones in excess of the amount calculated on the basis of the property tax appraisals in effect at the time of creation of the particular reinvestment zone. Under State law, the City can create a public improvement district both within the corporate limits of the City and within its extraterritorial jurisdiction.

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

Funding of Proposed System Improvements

It is anticipated that the system improvements contemplated in the Department's Fiscal Year 2014- 2018 CIP will be financed approximately as follows:

Proposed Source of Funding	Amount (in millions)
System Revenue Bonds (Net Proceeds and Interest Earnings) ⁽¹⁾	\$ 1,597.0
	<u>\$ 1,597.0</u>

(1) The department's fiscal year 2014-2018 CIP anticipates the periodic issuance of additional First Lien Bonds and Subordinate Lien Commercial Paper. City Council must approve each issuance of bonds, but not each issuance of Commercial Paper Notes.

Obligations Payable from System Revenues

The following sets forth the total outstanding principal amount of the system obligations payable from revenues of the system as of June 30, 2013:

Contract Revenue Bonds Payable from System Gross Revenues	Amount
CWA Bonds (2)	\$ 112,320,000
Total - Contract Revenue Bonds	<u>\$ 112,320,000</u>
System Revenue Bonds Payable from System Net Revenues	
Previous Ordinance Bonds	210,963,694
First Lien Bonds	5,751,435,000
Third Lien Obligations	-
Total - System Revenue Bonds	<u>\$ 5,962,398,694</u>
Total - All Bonds Payable from System Revenues	<u>\$ 6,074,718,694</u>

(2) Under a 1968 agreement, as amended and superseded in part, and a 1995 agreement, CWA agreed to construct the CWA conveyance system and certain other projects and the City agreed to pay, as a maintenance and operation expense of the System, amounts calculated to be sufficient to cover maintenance and operation expenses of the CWA Conveyance System plus debt service of the CWA Bonds. CWA has reserved the right to issue an unlimited amount of additional bonds on parity with those currently outstanding, however, such issuances are subject to the approval of the City.

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

Discretionary Debt Service Paid by the System

The total amount of Discretionary Debt Service paid from Net Revenues of the System for the past nine fiscal years and the amount budgeted for fiscal year 2014 is set forth below:

<u>Fiscal Year</u>	<u>Discretionary Debt Service (in millions)</u>
2014 (budgeted)	\$ 13.1
2013	15.8
2012	21.1
2011	21.7
2010	26.9
2009	28.4
2008	25.8
2007	24.7
2006	26.3
2005	28.2

Combined Utility System General Purpose Fund Transfers for Drainage

Since Fiscal Year 2006 the Combined Utility System has made transfers from its General Purpose Fund to the Storm Water Fund as shown below.

<u>Fiscal Year</u>	<u>General Purpose Fund Transfers (in millions)</u>
2014 (budgeted)	\$ 45.5
2013	43.8
2012	44.4
2011	54.8
2010	40.6
2009	39.4
2008	36.5
2007	34.1
2006	31.3

Indirect Charges Paid by the System

<u>Fiscal Year</u>	<u>Indirect Charges (in thousands)</u>
2014 (budgeted)	\$ 6,173
2013	3,479
2012	3,869
2011	3,034
2010	3,148
2009	590
2008	923
2007	2,309
2006	2,157
2005	1,236

CITY OF HOUSTON, TEXAS

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

Fiscal Years	2004	2005	2006	2007	2008
Consumption (in Thousand Gallons)					
RESIDENTIAL	27,190,878	28,089,881	29,372,166	26,094,949	26,312,961
MULTI-FAMILY	26,099,414	25,197,120	25,917,787	24,961,804	25,156,968
COMMERCIAL	22,419,672	21,879,224	23,106,449	21,941,537	22,748,096
GOVERNMENT	4,450,481	4,510,130	5,151,211	4,614,053	4,710,923
SEWER ONLY	1,352,960	1,180,975	1,242,852	1,324,905	1,381,145
OTHER ACCTS	4,410,859	4,503,243	5,808,363	4,394,176	4,573,030
TOTAL	85,924,264	85,360,573	90,598,828	83,331,424	84,883,123
Revenue Amount	\$ 482,693,814	\$ 536,457,992	\$ 582,872,263	\$ 558,078,148	\$ 581,130,048
Average Rate / Water & Sewer	\$5.62	\$6.28	\$6.43	\$6.70	\$6.85

2009	2010	2011	2012	2013
26,970,248	28,111,338	28,553,893	29,400,266	26,239,053
25,012,299	25,586,924	25,069,764	24,811,699	25,173,568
21,972,495	22,382,315	21,997,822	22,079,299	21,508,026
4,713,905	5,197,448	4,807,824	4,835,549	4,686,403
1,361,135	1,357,879	1,228,458	1,215,254	1,331,651
5,678,987	6,351,286	6,461,476	7,473,765	6,981,799
<u>85,709,069</u>	<u>88,987,190</u>	<u>88,119,237</u>	<u>89,815,832</u>	<u>85,920,500</u>
<u>\$ 597,498,813</u>	<u>\$ 640,586,498</u>	<u>\$ 763,685,117</u>	<u>\$ 809,001,774</u>	<u>\$ 805,440,324</u>
\$6.97	\$7.20	\$8.67	\$9.01	\$9.37

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
June 30, 2013
(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, 2013. The total charges to such customers represent approximately 2.52% of the System Gross Revenues and 5.74% of Sewer Facilities gross charges during such period.

<u>Customer</u>	<u>Gross Charges</u>
1. Anheuser - Busch, Inc.	\$ 4,323,377
2. City of Houston	3,835,502
3. Harris County	3,669,374
4. Houston Independent School District	2,867,586
5. University of Houston	2,198,487
6. Maximus Coffee Group	1,893,344
7. Hermann Hospital	1,604,875
8. Oak Farms Dairies	1,587,504
9. Methodist Hospital	1,550,260
10. Dr. Pepper Bottling	1,473,720
	<u>\$ 25,004,029</u>

Water and Sewer Rate Adjustments

In recent years, the water and sewer rates have been adjusted on the average as follows:

<u>Date of Change</u>	<u>Average Percent Rate Increase (Decrease)</u>	
	<u>Water</u>	<u>Sewer</u>
August 1989	6.0%	7.5%
July 1990	5.5%	7.5%
February 1992	2.0%	6.0%
March 1993	2.5%	4.0%
June 2004	9.7%	9.7%
April 2005	3.5%	3.5%
April 2006	3.6%	3.6%
April 2007	2.8%	2.8%
April 2008	1.8%	1.8%
April 2009	5.1%	5.1%
April 2010	0.3%	0.3%
June 2010	19.1%	22.9%
April 2011	1.9%	1.9%
April 2012	3.3%	3.3%
April 2013	3.6%	3.6%

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
June 30, 2013
Water Supply
(unaudited)

Capacity, Production, and Sales

The following schedule sets forth information concerning Water Facilities capacity, production and sales for Fiscal Year 2013 (million gallons per day):

	<u>Available</u>	<u>Capacity</u>	<u>Daily</u>	<u>Peak</u>	<u>Sales</u>
Ground	106	223	45		N/A
Surface	1,098	1,176	401		N/A
Total	<u>1,204</u>	<u>1,399</u>	<u>446</u>	<u>0</u>	<u>631</u>
					408
Treated					223
Untreated					<u>631</u>

Sources of System Revenues - General

As of June 30, 2013, the Water Facilities and the Sewer Facilities served approximately 453,750 and 436,424 active service connections, respectively. During Fiscal Year 2013 approximately 50.6% of System Gross Revenues were derived from the sale of water (90.7% from treated water and 9.3% from untreated water), approximately 43.8% from providing wastewater treatment services, 0.6% from interest income and the remaining 5.8% from various other sources. Of the treated water sales, 90.9% of revenues were from retail customers and 9.1% from bulk sales to other governmental entities.

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
June 30, 2013
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, 2013. The total charges to such customers during such period represent approximately 4.71% of the System Gross Revenues and 9.29% of total water sales revenues for such period.

<u>Customers</u>	<u>Charges</u>
1. North Harris Co. Regional Water Authority	\$ 12,081,291
2. West Harris Co. Regional Water Authority.	6,016,346
3. North Channel Water Authority	5,859,175
4. City of Pasadena	4,674,674
5. Harris County	3,674,708
6. Anheuser Busch, Inc	3,160,059
7. Gulf Coast Water Authority (Galveston)	2,955,180
8. Houston Independent School District	2,728,024
9. Clear Lake City	2,605,462
10. North Fort Bend County Water Authority	2,299,208
	<u>\$ 46,054,127</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, 2013. The total of the contract payments by these ten customers during such period represents approximately 3.4% of the System Gross Revenues and 6.7% of total water sales revenues for such period.

<u>Customers</u>	<u>Gross Charges</u>
1. Equistar Chemicals LP	\$ 7,247,322
2. Battleground Water Company	3,459,776
3. Air Liquide America Corp.	3,382,451
4. Houston Refining, LP (Lyondell-Citgo)	2,912,039
5. Chevron Phillips Chemical Company	2,587,527
6. Baytown Area	2,469,559
7. Shell Oil	2,206,053
8. Occidental Chemical Corporation	1,760,292
9. Hoechst Celanese	1,757,320
10. E. I. DuPont De Nemours & Company	1,296,309
	<u>\$ 29,078,648</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 revenues of the System for each of the City's fiscal years ending June 30 as shown below, based on footnoted assumptions. The following schedule also does not include Discretionary Debt Service Payments or interest on Commercial Paper notes issued as Third Lien Obligations under the Master Ordinance.

Fiscal Year Ending June 30	Total Payable From System Gross Revenues(1)	Payable From System Net Revenues			Total Debt Service (1) (2)
		Previous Ordinance Bonds	First Lien Bonds(2)	Total Payable From System Net Revenues	
2014	\$ 18,875,214	\$ 15,278,888	\$ 393,834,965	\$ 409,113,853	\$ 427,989,067
2015	18,063,946	15,343,435	398,896,009	414,239,444	432,303,390
2016	17,851,148	15,385,120	401,628,461	417,013,581	434,864,729
2017	7,372,240	15,430,576	409,943,234	425,373,810	432,746,050
2018	6,571,513	15,463,558	411,064,351	426,527,909	433,099,422
2019	6,554,975	15,478,113	413,396,733	428,874,846	435,429,821
2020	6,552,700	39,011,315	389,901,063	428,912,378	435,465,078
2021	6,567,025	37,892,053	394,262,612	432,154,665	438,721,690
2022	6,547,850	30,954,474	401,089,754	432,044,228	438,592,078
2023	6,525,300	32,797,360	399,824,339	432,621,699	439,146,999
2024	6,518,050	34,425,914	398,089,801	432,515,715	439,033,765
2025	6,510,050	33,357,575	399,293,164	432,650,739	439,160,789
2026	10,951,675	18,155,000	414,223,167	432,378,167	443,329,842
2027	3,551,050	30,815,000	400,432,143	431,247,143	434,798,193
2028	3,550,050	30,810,000	398,809,009	429,619,009	433,169,059
2029	3,547,925	44,095,000	382,608,419	426,703,419	430,251,344
2030	3,547,844		426,513,403	426,513,403	430,061,247
2031	3,544,844		426,545,703	426,545,703	430,090,547
2032	3,540,550		427,666,154	427,666,154	431,206,704
2033	3,534,725		427,240,908	427,240,908	430,775,633
2034	3,532,013		427,900,654	427,900,654	431,432,667
2035	3,531,938		242,664,176	242,664,176	246,196,114
2036			242,672,966	242,672,966	242,672,966
2037			219,911,616	219,911,616	219,911,616
2038			134,032,736	134,032,736	134,032,736
2039			128,323,348	128,323,348	128,323,348
2040			59,064,891	59,064,891	59,064,891
2041			58,345,477	58,345,477	58,345,477
2042			23,536,051	23,536,051	23,536,051
2043			23,537,843	23,537,843	23,537,843
2044			10,496,000	10,496,000	10,496,000
2045					
Total	\$ 157,342,625	\$ 424,693,381	\$ 9,685,749,150	\$ 10,110,442,531	\$ 10,267,785,156

1) Includes CWA Bonds.

(2) Series 2008D-1 variable rate bond debt service is calculated using current market fixed rates. Debt service is calculated based on an assumed taxable rate with a maturity on the expected tax-exempt conversion date, December 1, 2012. After the applicable tax-exempt conversion date, debt service is calculated using a long term tax-exempt rate to maturity. \$249,075,000 of the Series 2010B variable rate bond debt service is calculated at the rate of 5.061% through March 2013 and thereafter at the fixed rate payor swap rate of 3.761%. Series 2004B debt service is adjusted to take into account expected payments under the Series 2004B Qualified Hedge Agreements.

**CITY OF HOUSTON
COMBINED UTILITY SYSTEM STATISTICS
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)**

Revenues and Expenses of the Water and Sewer System

The following schedule sets forth the revenues and expenses (exclusive of certain non-cash transactions, primarily depreciation and amortization of the "Water and Sewer System," as defined in the Coastal Water Authority Official Statements, for fiscal years ending June 30, 2004 through June 30, 2013.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
OPERATING REVENUES										
Sales of Water, net	\$ 265,272	\$ 301,227	\$ 324,878	\$ 308,046	\$ 332,032	\$ 351,608	\$ 356,046	\$ 455,333	\$ 480,676	\$ 485,485
Sewer system user charges, net	257,225	288,459	307,764	295,423	305,748	323,301	320,722	410,941	421,370	426,888
Penalties	4,150	4,605	5,085	6,736	7,759	6,651	8,391	9,871	10,004	9,456
Other services and charges	4,561	4,583	4,935	5,260	6,325	5,678	5,979	3,030	5,188	2,861
Total Operating Revenues	531,208	598,874	642,662	615,465	651,864	687,238	691,138	879,175	917,238	924,690
NON-OPERATING REVENUES	93,089	19,771	26,557	54,572	37,779	36,405	44,407	40,662	51,144	42,014
TOTAL GROSS REVENUES (A)	624,297	618,645	669,219	670,037	689,643	723,643	735,545	919,837	968,382	966,704
OPERATING EXPENSES										
Maintenance and Operating Expenses	266,718	270,299	301,646	322,083	318,349	383,056	377,858	373,028	393,413	395,439
Contractual Maintenance and Operating Expenses										
CWA Debt Service	28,980	29,192	29,871	30,653	30,545	28,103	23,117	21,285	20,389	19,663
TRA Debt Service	2,474	2,354	2,212	2,221	2,096	-	-	-	-	-
HAWC Debt Service	6,710	6,710	6,242	8,999	-	-	-	-	-	-
Total Contractual	38,164	38,256	38,325	41,873	32,641	28,103	23,117	21,285	20,389	19,663
TOTAL OPERATING EXPENSES (B)	304,882	308,555	339,971	363,956	350,990	411,159	400,975	394,313	413,802	415,102
NET REVENUES	\$ 319,415	\$ 310,090	\$ 329,248	\$ 306,081	\$ 338,653	\$ 312,484	\$ 334,570	\$ 525,524	\$ 554,580	\$ 551,602
GROSS REVENUES (A) DIVIDED BY TOTAL EXPENSES (B)	2.048	2.005	1.968	1.841	1.965	1.760	1.834	2.333	2.340	2.329

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	2004	2005	2006	2007	2008
Operating Revenues					
Landing area fees	\$ 57,011	\$ 102,072	\$ 101,758	\$ 92,140	\$ 99,017
Building and ground area fees	115,777	151,417	179,951	199,720	211,786
Parking, concession and other revenues	97,625	100,152	112,152	124,278	136,373
Total Operating Revenues	<u>270,413</u>	<u>353,641</u>	<u>393,861</u>	<u>416,138</u>	<u>447,176</u>
Nonoperating Revenues					
Interest income	5,967	14,968	18,507	33,722	41,694
Passenger facility charges	-	-	-	6,530	11,608
Other nonoperating revenues	203	4,295	56	541	514
Total Nonoperating Revenues	<u>6,170</u>	<u>19,263</u>	<u>18,563</u>	<u>40,793</u>	<u>53,816</u>
Total Revenues	<u>\$ 276,583</u>	<u>\$ 372,904</u>	<u>\$ 412,424</u>	<u>\$ 456,931</u>	<u>\$ 500,992</u>
Total Annual Expenses Last Ten Fiscal Years	2004	2005	2006	2007	2008
Operating Expenses					
Maintenance and operating	\$ 168,923	\$ 223,972	\$ 202,496	\$ 214,611	\$ 229,551
Depreciation	88,371	105,891	134,150	126,953	125,951
Total Operating Expenses	<u>257,294</u>	<u>329,863</u>	<u>336,646</u>	<u>341,564</u>	<u>355,502</u>
Nonoperating Expenses					
Interest expense and others	54,853	75,908	94,586	101,193	104,019
Total Nonoperating Expenses	<u>54,853</u>	<u>75,908</u>	<u>94,586</u>	<u>101,193</u>	<u>104,019</u>
Total Expenses	<u>\$ 312,147</u>	<u>\$ 405,771</u>	<u>\$ 431,232</u>	<u>\$ 442,757</u>	<u>\$ 459,521</u>

2009	2010	2011	2012	2013
\$ 82,823	\$ 94,165	\$ 90,384	\$ 86,935	\$ 91,059
174,433	182,105	181,182	182,320	181,701
128,501	130,309	138,836	148,295	160,234
<u>385,757</u>	<u>406,579</u>	<u>410,402</u>	<u>417,550</u>	<u>432,994</u>
37,332	30,487	9,700	5,634	(1,935)
32,398	66,383	63,138	63,550	61,195
1,093	7,525	3,409	4,644	1,978
<u>70,823</u>	<u>104,395</u>	<u>76,247</u>	<u>73,828</u>	<u>61,238</u>
<u>\$ 456,580</u>	<u>\$ 510,974</u>	<u>\$ 486,649</u>	<u>\$ 491,378</u>	<u>\$ 494,232</u>

2009	2010	2011	2012	2013
\$ 241,303	\$ 245,051	\$ 284,307	\$ 264,060	\$ 272,091
136,554	164,186	163,054	190,664	170,846
<u>377,857</u>	<u>409,237</u>	<u>447,361</u>	<u>454,724</u>	<u>442,937</u>
93,376	95,235	89,892	87,663	87,133
<u>93,376</u>	<u>95,235</u>	<u>89,892</u>	<u>87,663</u>	<u>87,133</u>
<u>\$ 471,233</u>	<u>\$ 504,472</u>	<u>\$ 537,253</u>	<u>\$ 542,387</u>	<u>\$ 530,070</u>

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

Fiscal Year	Domestic Passengers					
	Intercontinental		Hobby		Ellington Airport	
	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change
2004	29,473	5.5%	8,089	3.8%	80	-1.2%
2005	31,609	7.2%	8,247	2.0%	14	-82.5%
2006	34,105	7.9%	8,423	2.1%	-	-100.0%
2007	35,260	3.4%	8,642	2.6%	-	-
2008	35,200	-0.2%	9,097	5.3%	-	-
2009	31,995	-9.1%	8,286	-8.9%	-	-
2010	32,093	0.3%	8,755	5.7%	-	-
2011	31,666	-1.3%	9,434	7.8%	-	-
2012	31,778	0.4%	10,192	8.0%	-	-
2013	30,830	-3.0%	10,690	4.9%	-	-

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
37,642	5.1%	5,952	7.7%	43,594	5.5%
39,870	5.9%	6,818	14.5%	46,688	7.1%
42,528	6.7%	7,126	4.5%	49,654	6.4%
43,902	3.2%	7,555	6.0%	51,457	3.6%
44,297	0.9%	7,976	5.6%	52,273	1.6%
40,281	-9.1%	7,642	-4.2%	47,923	-8.3%
40,848	1.4%	8,138	6.5%	48,986	2.2%
41,100	0.6%	8,732	7.3%	49,832	1.7%
41,970	2.1%	8,686	-0.5%	50,656	1.7%
41,520	-1.1%	8,795	1.3%	50,315	-0.7%

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

Airline Market Shares

Domestic	Intercontinental				Hobby			
	Fiscal Year 2012		Fiscal Year 2013		Fiscal Year 2012		Fiscal Year 2013	
	Total Passengers (in thousands)	Market Share	Total Passengers (in thousands)	Market Share	Total Passengers (in thousands)	Market Share	Total Passengers (in thousands)	Market Share
Alaska Airlines	106,428	0.3%	115,472	0.3%	-	0.0%	-	0.0%
Air Tran	-	0.0%	-	0.0%	407,589	4.0%	429,447	4.0%
American Airlines, Inc.	847,295	2.1%	965,121	2.4%	-	0.0%	-	0.0%
American Eagle - AA	252,913	0.6%	241,516	0.6%	215,113	2.1%	234,064	2.2%
Atlantic Southeast - DL	230,978	0.6%	221,321	0.6%	6,363	0.1%	65,209	0.6%
Charter Airlines	4,647	0.0%	6,785	0.0%	12,236	0.1%	5,422	0.1%
Chautauqua Airlines - DL	-	0.0%	44	0.0%	-	0.0%	-	0.0%
Colgan - Air Inc. - CO	1,571,184	3.9%	5,915	0.0%	-	0.0%	-	0.0%
Comair - DL	32,825	0.1%	10,814	0.0%	50,840	0.5%	-	0.0%
Compass Airlines - DL	98,478	0.2%	180,240	0.5%	-	0.0%	-	0.0%
Continental	17,801,018	44.0%	10,859,087	27.4%	-	0.0%	-	0.0%
Delta	495,863	1.2%	585,425	1.5%	77,852	0.8%	224,574	2.1%
ExpressJet Airlines, Inc.	5,746,016	14.2%	6,248,541	15.8%	-	0.0%	-	0.0%
Frontier	-	0.0%	149,634	0.4%	200,467	2.0%	2,866	0.0%
GO JET - DL	2,575	0.0%	815	0.0%	-	0.0%	-	0.0%
JetBlue	-	0.0%	-	0.0%	156,591	1.5%	134,806	1.3%
Mesa Airlines, Inc. - UA	60	0.0%	62	0.0%	-	0.0%	-	0.0%
Mesa Airlines, Inc. - US	1,187	0.0%	339	0.0%	-	0.0%	-	0.0%
Mesaba Aviation, Inc. - DL	60,321	0.1%	-	0.0%	-	0.0%	-	0.0%
Pinnacle Airlines, Inc. - DL	101,012	0.2%	73,497	0.2%	268,534	2.6%	112,845	1.1%
Republic Airlines - US	33,320	0.1%	6,961	0.0%	-	0.0%	-	0.0%
Shuttle America Corporation - CO	-	0.0%	58,184	0.1%	-	0.0%	-	0.0%
Shuttle America Corporation - DL	-	0.0%	43,764	0.1%	-	0.0%	-	0.0%
Shuttle America Corporation - UA	23,883	0.1%	15,555	0.0%	-	0.0%	-	0.0%
SkyWest Airlines - CO	1,654,680	4.1%	2,014,213	5.1%	-	0.0%	-	0.0%
SkyWest Airlines - DL	151,825	0.4%	181,609	0.5%	-	0.0%	-	0.0%
SkyWest Airlines - UA	40,999	0.1%	-	0.0%	-	0.0%	-	0.0%
Southwest Airlines Company	-	0.0%	-	0.0%	8,796,348	86.3%	9,480,769	88.6%
Spirit Airlines	-	0.0%	292,159	0.7%	-	0.0%	-	0.0%
Sun Air (EAS)	-	0.0%	4,573	0.0%	-	0.0%	-	0.0%
Trans States - UA	162,625	0.4%	330,783	0.8%	-	0.0%	-	0.0%
United Air Lines Inc.	1,211,948	3.0%	6,881,599	17.4%	-	0.0%	-	0.0%
US Airways	1,146,279	2.8%	1,336,283	3.4%	-	0.0%	-	0.0%
Total Domestic	31,778,359	78.5%	30,830,311	77.8%	10,191,933	100.0%	10,690,002	100.0%
International	Fiscal Year 2012		Fiscal Year 2013		Fiscal Year 2012		Fiscal Year 2013	
	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share
AeroMexico	168,345	0.4%	167,922	0.4%	-	-	-	-
Air Canada Jazz	247,680	0.6%	238,810	0.6%	-	-	-	-
Air France	145,960	0.4%	147,784	0.4%	-	-	-	-
American	622	0.0%	44	0.0%	-	-	-	-
Atlas Air	31,748	0.1%	32,729	0.1%	-	-	-	-
British Airways	255,237	0.6%	270,814	0.7%	-	-	-	-
Charter Airlines	477	0.0%	822	0.0%	-	-	-	-
Continental	5,453,478	13.5%	4,878,827	12.3%	-	-	-	-
Emirates	234,842	0.6%	186,130	0.5%	-	-	-	-
ExpressJet Airlines, Inc.	1,129,424	2.8%	1,171,274	3.0%	-	-	-	-
KLM	185,734	0.5%	173,936	0.4%	-	-	-	-
Lufthansa	207,739	0.5%	305,906	0.8%	-	-	-	-
Qatar Airways	158,120	0.4%	164,737	0.4%	-	-	-	-
Shuttle America Corporation - CO	-	0.0%	18,831	0.0%	-	-	-	-
Shuttle America Corporation - UA	14,911	0.0%	14,632	0.0%	-	-	-	-
Singapore Airlines	120,211	0.3%	112,831	0.3%	-	-	-	-
SkyWest Airlines - CO	66,263	0.2%	79,557	0.2%	-	-	-	-
TACA	57,890	0.1%	57,393	0.1%	-	-	-	-
Turkish Airlines	-	0.0%	29,323	0.1%	-	-	-	-
United Air Lines Inc.	170,993	0.4%	698,436	1.8%	-	-	-	-
Viva Aerobus	35,858	0.1%	44,309	0.1%	-	-	-	-
Total International	8,685,532	21.5%	8,795,047	22.2%				
Total Airlines	40,463,891	100.0%	39,625,358	100.0%	10,191,933	100.0%	10,690,002	100.0%

Ellington Airport				Houston Airport System			
Fiscal Year 2012		Fiscal Year 2013		Fiscal Year 2012		Fiscal Year 2013	
Total Passengers (in thousands)	Market Share	Total Passengers (in thousands)	Market Share	Total Passengers (in thousands)	Market Share	Total Passengers (in thousands)	Market Share
0.0%		0.0%		106,428	0.2%	115,472	0.2%
0.0%		0.0%		407,589	0.8%	429,447	0.9%
0.0%		0.0%		847,295	1.7%	965,121	1.9%
0.0%		0.0%		468,026	0.9%	475,580	0.9%
0.0%		0.0%		237,341	0.5%	286,530	0.6%
0.0%		0.0%		16,883	0.0%	12,207	0.0%
0.0%		0.0%		-	0.0%	44	0.0%
0.0%		0.0%		1,571,184	3.1%	5,915	0.0%
0.0%		0.0%		83,665	0.2%	10,814	0.0%
0.0%		0.0%		98,478	0.2%	180,240	0.4%
0.0%		0.0%		17,801,018	35.1%	10,859,087	21.6%
0.0%		0.0%		573,715	1.1%	809,999	1.6%
0.0%		0.0%		5,746,016	11.3%	6,248,541	12.4%
0.0%		0.0%		200,467	0.4%	152,500	0.3%
0.0%		0.0%		2,575	0.0%	815	0.0%
0.0%		0.0%		156,591	0.3%	134,806	0.3%
0.0%		0.0%		60	0.0%	62	0.0%
0.0%		0.0%		1,187	0.0%	339	0.0%
0.0%		0.0%		60,321	0.1%	-	0.0%
0.0%		0.0%		369,546	0.7%	186,342	0.4%
0.0%		0.0%		33,320	0.1%	6,961	0.0%
0.0%		0.0%		-	0.0%	58,184	0.1%
0.0%		0.0%		-	0.0%	43,764	0.1%
0.0%		0.0%		23,883	0.0%	15,555	0.0%
0.0%		0.0%		1,654,680	3.3%	2,014,213	4.0%
0.0%		0.0%		151,825	0.3%	181,609	0.4%
0.0%		0.0%		40,999	0.1%	-	0.0%
0.0%		0.0%		8,796,348	17.4%	9,480,769	18.8%
0.0%		0.0%		-	0.0%	292,159	0.6%
0.0%		0.0%		-	0.0%	4,573	0.0%
0.0%		0.0%		162,625	0.4%	330,783	0.7%
0.0%		0.0%		1,211,948	2.4%	6,881,599	13.7%
0.0%		0.0%		1,146,279	2.3%	1,336,283	2.7%
<u>0</u>	<u>0.0%</u>	<u>0</u>	<u>0.0%</u>	<u>41,970,292</u>	<u>82.9%</u>	<u>41,520,313</u>	<u>82.5%</u>
Fiscal Year 2012		Fiscal Year 2013		Fiscal Year 2012		Fiscal Year 2013	
Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share
168,345	0.3%	167,922	0.3%				
247,680	0.5%	238,810	0.5%				
145,960	0.3%	147,784	0.3%				
622	0.0%	44	0.0%				
31,748	0.1%	32,729	0.1%				
255,237	0.5%	270,814	0.5%				
477	0.0%	822	0.0%				
5,453,478	10.8%	4,878,827	9.7%				
234,842	0.5%	186,130	0.4%				
1,129,424	2.2%	1,171,274	2.3%				
185,734	0.4%	173,936	0.4%				
207,739	0.4%	305,906	0.6%				
158,120	0.3%	164,737	0.3%				
-	0.0%	18,831	0.0%				
14,911	0.0%	14,632	0.0%				
120,211	0.2%	112,831	0.2%				
66,263	0.1%	79,557	0.2%				
57,890	0.1%	57,393	0.1%				
-	0.0%	29,323	0.1%				
170,993	0.3%	698,436	1.4%				
35,858	0.1%	44,309	0.1%				
<u>8,685,532</u>	<u>17.1%</u>	<u>8,795,047</u>	<u>17.5%</u>				
<u>0</u>	<u>0.0%</u>	<u>0</u>	<u>0.0%</u>	<u>50,655,824</u>	<u>100.0%</u>	<u>50,315,360</u>	<u>100.0%</u>

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
Selected Financial Information
Operating Fund Only
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

	2004	2005	2006	2007	2008
Operating Revenues					
Landing Area Fees:					
Landing Fees	\$ 53,906	\$ 99,197	\$ 98,385	\$ 88,933	\$ 95,730
Carrier Incentive Program	-	-	-	-	-
Aviation Fuel	1,112	1,400	1,559	1,540	1,522
Aircraft Parking	1,993	1,475	1,814	1,667	1,765
Subtotal	<u>57,011</u>	<u>102,072</u>	<u>101,758</u>	<u>92,140</u>	<u>99,017</u>
Building and Ground Area Revenues:					
Building Space	-	-	3,741	5,037	5,054
Terminal Space	101,040	136,074	162,491	182,113	193,375
Cargo Building	982	893	1,553	2,011	2,469
Other Rental	3,065	3,354	60	-	-
Hangar Rental	2,499	2,077	2,349	3,394	3,473
Ground Rental	8,189	9,018	9,757	7,165	7,415
Concourse Security	2	1	-	-	-
Subtotal	<u>115,777</u>	<u>151,417</u>	<u>179,951</u>	<u>199,720</u>	<u>211,786</u>
Parking, Concession and other Revenues:					
Terminal Concessions	22,563	19,823	21,030	26,953	29,435
Auto Parking	51,437	55,444	62,377	65,453	72,958
Auto Rental	16,800	18,065	21,438	22,950	24,529
Ground Transportation	3,737	3,954	3,999	4,617	4,806
Special Events	-	-	20	21	19
Vending Machine	-	-	20	-	-
Other Operating Income	3,088	2,866	3,268	4,284	4,626
Subtotal	<u>97,625</u>	<u>100,152</u>	<u>112,152</u>	<u>124,278</u>	<u>136,373</u>
Total Operating Revenues	<u>\$ 270,413</u>	<u>\$ 353,641</u>	<u>\$ 393,861</u>	<u>\$ 416,138</u>	<u>\$ 447,176</u>
Nonoperating Revenues					
Interest on Investments	8,406	10,499	17,742	26,847	30,064
Other	114	3,800	(58)	310	90
Subtotal	<u>8,520</u>	<u>14,299</u>	<u>17,684</u>	<u>27,157</u>	<u>30,154</u>
Total Gross Revenues	<u>\$ 278,933</u>	<u>\$ 367,940</u>	<u>\$ 411,545</u>	<u>\$ 443,295</u>	<u>\$ 477,330</u>
Operation and Maintenance Expenses					
Personnel and Other Current Expenses	\$ 161,204	\$ 191,093	\$ 205,565	\$ 217,720	\$ 221,309
Bad Debt Expense	441	-	-	-	-
Total Operating and Maintenance Expenses	<u>\$ 161,645</u>	<u>\$ 191,093</u>	<u>\$ 205,565</u>	<u>\$ 217,720</u>	<u>\$ 221,309</u>
Net Revenue	<u>\$ 117,288</u>	<u>\$ 176,847</u>	<u>\$ 205,980</u>	<u>\$ 225,575</u>	<u>\$ 256,021</u>
Total Debt Service	\$ 75,797	\$ 112,248	\$ 140,338	\$ 144,495	\$ 157,246
Less: grant revenue available for debt service	<u>(32,823)</u>	<u>(25,506)</u>	<u>(46,621)</u>	<u>(20,679)</u>	<u>(28,022)</u>
Debt Service Requirement (per Bond Ordinance)	<u>\$ 42,974</u>	<u>\$ 86,742</u>	<u>\$ 93,717</u>	<u>\$ 123,816</u>	<u>\$ 129,224</u>
Coverage of debt Service	<u>2.73</u> x	<u>2.04</u> x	<u>2.20</u> x	<u>1.82</u> x	<u>1.98</u>

	2009	2010	2011	2012	2013
\$	81,596	\$ 91,443	\$ 87,413	\$ 83,895	\$ 87,660
	(1,176)	(411)	(250)	(836)	(749)
	1,313	1,329	1,378	1,382	1,444
	1,090	1,804	1,843	2,494	2,704
	<u>82,823</u>	<u>94,165</u>	<u>90,384</u>	<u>86,935</u>	<u>91,059</u>
	5,017	5,158	5,067	5,394	5,848
	155,396	161,960	160,563	160,247	158,237
	2,374	2,490	2,511	2,473	2,397
	-	-	-	-	-
	4,051	4,920	5,446	6,165	6,675
	7,595	7,577	7,595	8,041	8,544
	-	-	-	-	-
	<u>174,433</u>	<u>182,105</u>	<u>181,182</u>	<u>182,320</u>	<u>181,701</u>
	27,003	27,975	34,403	38,406	41,604
	66,565	70,127	70,681	72,833	77,596
	24,389	22,889	23,932	26,771	29,522
	4,724	4,987	5,946	6,186	6,639
	20	22	22	23	-
	-	-	-	-	-
	5,800	4,309	3,852	4,076	4,873
	<u>128,501</u>	<u>130,309</u>	<u>138,836</u>	<u>148,295</u>	<u>160,234</u>
\$	<u>385,757</u>	<u>406,579</u>	<u>410,402</u>	<u>417,550</u>	<u>432,994</u>
	23,664	15,988	12,889	9,826	7,029
	300	2,504	341	2,289	1,222
	<u>23,964</u>	<u>18,492</u>	<u>13,230</u>	<u>12,115</u>	<u>8,251</u>
\$	<u>409,721</u>	<u>425,071</u>	<u>423,632</u>	<u>429,665</u>	<u>441,245</u>
\$	242,449	\$ 245,147	\$ 262,668	\$ 255,507	\$ 252,745
	-	-	-	-	-
\$	<u>242,449</u>	<u>245,147</u>	<u>262,668</u>	<u>255,507</u>	<u>252,745</u>
\$	<u>167,272</u>	<u>179,924</u>	<u>160,964</u>	<u>174,158</u>	<u>188,500</u>
\$	150,438	\$ 145,130	\$ 158,682	\$ 151,311	\$ 153,938
	(54,682)	(56,171)	(56,827)	(43,979)	(34,390)
\$	<u>95,756</u>	<u>88,959</u>	<u>101,855</u>	<u>107,332</u>	<u>119,548</u>
x	<u>1.75</u>	x <u>2.02</u>	x <u>1.58</u>	x <u>1.62</u>	x <u>1.58</u>

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
Total Aircraft Operations and Aircraft Landing Weight
(unaudited)

Fiscal Year	Aircraft Operations (in thousands)			Aircraft Landed Weight (in million pounds)		
	Total	Increase (Decrease)	Percentage Change	Total	Increase (Decrease)	Percentage Change
2004	856	45	5.55%	31,444	642	2.08%
2005	887	31	3.62%	32,543	1,099	3.50%
2006	933	46	5.19%	32,808	265	0.81%
2007	983	50	5.36%	33,930	1,122	3.42%
2008	974	(9)	-0.88%	34,096	166	0.49%
2009	892	(82)	-8.42%	31,907	(2,189)	-6.42%
2010	858	(34)	-3.86%	31,707	(200)	-0.63%
2011	861	3	0.34%	32,564	857	2.70%
2012	838	(23)	-2.65%	32,844	280	0.86%
2013	799	(39)	-4.62%	33,041	197	0.60%

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
System Debt Service Schedule
(unaudited)

The following table sets forth the Debt Service Requirements on all Airport Revenue Bonds Outstanding, assuming scheduled mandatory redemption of any term bonds and using rates in effect at year-end for auction rate securities and variable rate demand obligations. The amounts do not include the Airport System's Senior Lien Commercial Paper Notes.

Fiscal Year (ending June 30)	Senior Lien Bonds Debt Service	Subordinate Lien Bonds Debt Service	Total Bonds Debt Service	Inferior Lien Obligations	Bonds plus Inferior Lien Obligations
2014	\$ 23,818,994	\$ 144,945,242	\$ 168,764,236	\$ 6,447,725	\$ 175,211,961
2015	23,818,994	144,932,267	168,751,261	6,437,963	175,189,224
2016	32,862,119	144,942,290	177,804,409	6,427,663	184,232,072
2017	32,851,744	147,970,725	180,822,469	6,420,863	187,243,332
2018	32,837,619	147,907,543	180,745,162	6,411,600	187,156,762
2019	32,823,619	148,040,559	180,864,178		180,864,178
2020	32,813,369	148,020,094	180,833,463		180,833,463
2021	32,795,619	148,023,477	180,819,096		180,819,096
2022	32,783,994	148,359,774	181,143,768		181,143,768
2023	32,766,994	148,689,306	181,456,300		181,456,300
2024	32,753,119	147,839,338	180,592,457		180,592,457
2025	32,735,744	147,854,278	180,590,022		180,590,022
2026	32,718,244	147,332,514	180,050,758		180,050,758
2027	32,698,869	149,653,613	182,352,482		182,352,482
2028	32,665,460	147,224,587	179,890,047		179,890,047
2029	32,644,981	146,918,549	179,563,530		179,563,530
2030	32,608,156	148,728,602	181,336,758		181,336,758
2031	32,562,213	148,657,522	181,219,735		181,219,735
2032	32,532,300	145,465,192	177,997,492		177,997,492
2033	32,502,163	149,193,527	181,695,690		181,695,690
2034	32,468,500		32,468,500		32,468,500
2035	32,432,875		32,432,875		32,432,875
2036	32,396,575		32,396,575		32,396,575
2037	32,360,613		32,360,613		32,360,613
2038	32,320,863		32,320,863		32,320,863
2039	32,278,063		32,278,063		32,278,063
2040	32,232,675		32,232,675		32,232,675
Total	\$ 863,084,478	\$ 2,950,698,999	\$ 3,813,783,477	\$ 32,145,814	\$ 3,845,929,291

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
	2012	2013	2012	2013
Landing Rates (1)	\$2.769	\$2.870	\$2.018	\$1.987
Terminal Space Rentals (2)	\$23.30 - \$81.45	\$23.71 - \$82.23	\$94.72 - \$97.22	\$88.28 - \$90.78
Apron Rentals (2)	\$1.868 - \$2.548	\$1.976 - \$2.802	\$1.900	\$1.936
Parking Rates (3)				
Economy (Ecopark)				
Covered	\$7.00	\$7.00		
Uncovered	\$5.00	\$5.00		
Ecopark 1 (4)			\$10.00	\$10.00
Ecopark 2 (4)			\$6.00	\$6.00
Structured	\$17.00	\$17.00	\$17.00	\$17.00
Sure Park	\$20.00	\$20.00	n/a	n/a
VALET Premier	\$20.00	\$23.00	n/a	\$23.00

(1) Per 1,000 pounds for landing weight

(2) Range per square foot

(3) Maximum per day

(4) Rates as of June 30. New rates effective September 1, 2013.

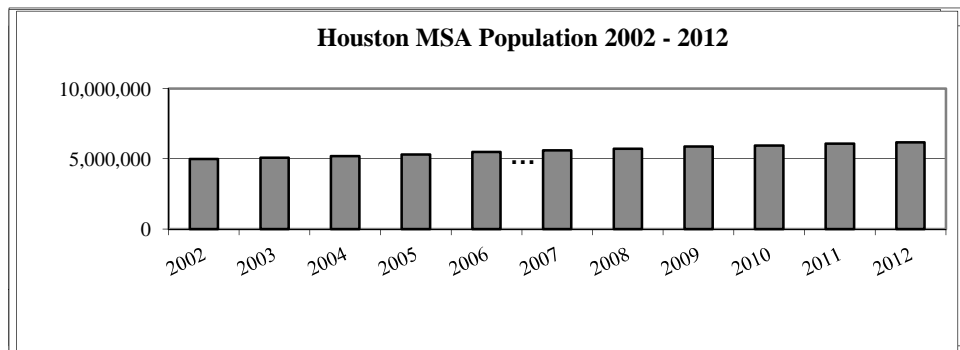
CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
Service Area
(unaudited)

The airport service region for the Houston Airport System consists of (1) the nine county Houston-The Woodlands-Sugar Land Metropolitan Statistical Area (Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery and Waller counties) -- referred to as the Houston MSA, and (2) a large secondary area surrounding the Houston MSA. The limits of this secondary area are generally defined by the range and quality of airline service at other air carrier airports, including Beaumont Jefferson County Airport to the east, Dallas/Fort Worth International Airport and Dallas Love Field to the north, Corpus Christi International Airport to the southwest and Austin-Bergstrom International Airport and San Antonio International Airport to the west.

Houston, the nation's fourth most populous city, is the largest in the South and Southwest. The Houston MSA ranks fifth in population among the nation's metropolitan areas.

Service Area Population

<u>Year</u>	<u>Houston MSA Population</u>
2002	4,978,638
2003	5,084,017
2004	5,190,444
2005	5,299,567
2006	5,484,883
2007	5,597,674
2008	5,726,705
2009	5,867,489
2010	5,946,800
2011	6,086,538
2012	6,177,035



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

CITY OF HOUSTON, TEXAS
SURETY BOND AND INSURANCE COVERAGE
June 30, 2013
(amounts expressed in thousands)
(unaudited)

Policy Number	Insurer	Term of Policy
15663960	Western Surety Company	01-02-2012 to 01-02-2014
15663962	Western Surety Company	01-02-2012 to 01-02-2014
61BSBDV0123	Hartford Casualty Insurance Company	12-15-2012 to 12-15-2013
61BSBFQ0813	Hartford Casualty Insurance Company	01-02-2013 to 01-02-2014
61BSFW9293	Hartford Casualty Insurance Company	11-30-2012 to 11-30-2013
61BSBGM4960	Hartford Casualty Insurance Company	04-11-2013 to 04-11-2014
61BSDT7808	Hartford Casualty Insurance Company	12-09-2012 to 12-09-2013
6610	Texas Municipal League	05-15-2013 to 05-15-2014
D37362797005	Westchester Fire Insurance Co. (Primary)	04-01-2013 to 04-01-2014
PU000600c	Lexington Insurance Company (First Excess Layer)	04-01-2013 to 04-01-2014
PU000601c	Underwriters at Lloyds	04-01-2013 to 04-01-2014
EAF70044613	Axis Surplus	04-01-2013 to 04-01-2014
PU000608c	Great Lakes Re (UK) Place	04-01-2013 to 04-01-2014
PU0006012c	Underwriters at Lloyds	04-01-2013 to 04-01-2014
ESP004900201	Arch Specialty Insurance Company	04-01-2013 to 04-01-2014
MQ2L9L437312033	Liberty Mutual Fire	04-01-2013 to 04-01-2014
NHD380795	RSUI Indemnity Insurance Company	04-01-2013 to 04-01-2014
PU000603c	Underwriters at Lloyds	04-01-2013 to 04-01-2014
31375759	Westport Insurance Corp.	04-01-2013 to 04-01-2014
PU0006012c	Underwriters at Lloyds	04-01-2013 to 04-01-2014
ESP004900101	Arch Specialty Insurance Company	04-01-2013 to 04-01-2014
LIUESP00336767	Liberty Surplus Insurance Corp.	04-01-2013 to 04-01-2014
ESP7986	Essex Insurance Company	04-01-2013 to 04-01-2014
NHD380795	RSUI Indemnity Insurance Company	04-01-2013 to 04-01-2014
PU000604c	Underwriters at Lloyds	04-01-2013 to 04-01-2014
31375759	Westport Insurance Corp.	04-01-2013 to 04-01-2014
NHD380796	RSUI Indemnity Insurance Company	04-01-2013 to 04-01-2014
LIUESP00336767	Liberty Surplus Insurance Corp.	04-01-2013 to 04-01-2014
PU000610c	Underwriters at Lloyds	04-01-2013 to 04-01-2014
YB2-L9L-458619-013	Liberty Mutual	02-18-2013 to 02-18-2014
6610	Texas Municipal League	07-01-2012 to 07-01-2013
13334211100357	AXA Insurance Company	06-26-2013 to 06-26-2014
CA 1556803	Admirable Insurance Company	02-26-2013 to 02-26-2014
86878C131ALI	Torus National Insurance Company	02-26-2013 to 02-26-2014
1333421100619	AXA Insurance Company	11-03-2012 to 11-03-2013
105324683	Travelers Casualty & Surety	12-30-2012 to 12-30-2013
01 915 51 04	Chartis	05-29-2013 to 05-29-2014
61BPEAM5075	Hartford Casualty Insurance Company	10-29-2012 to 10-29-2013
61BPEAI9468	Hartford Casualty Insurance Company	02-11-2013 to 02-11-2014
61BPEC12302	Hartford Insurance	07-01-2012 to 07-01-2013
Various (approximately 2,000)	Western Surety Company	Four Year Term per Bond
KKO0000003708400	National Casualty Company	06-24-2013 to 07-08-2013
L008303	Underwriters at Lloyds	06-12-2013 to 07-05-2013
KKO3177000	National Casualty Company	12-17-2012 to 01-02-2013
KKO3177000	National Casualty Company	12-17-2012 to 01-02-2013

Property at Risk	Type of Coverage	Coverage (in thousands)
Mayor	Public Official Bond	\$ 50
City Controller	Public Official Bond	\$ 50
City Treasurer	Public Official Bond	\$ 25
Deputy Controller	Public Official Bond	\$ 25
Municipal Courts	Public Official Bond	\$ 25
Tax Collector	Public Official Bond	\$ 25
HMEPS (Pension) Treasurer	Public Official Bond	\$ 250
City of Houston	Automobile Catastrophe	\$ 1,418
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 20,000
City of Houston	Property Insurance *	\$ 6,000
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 2,750
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 1,250
City of Houston	Property Insurance *	\$ 19,165
City of Houston	Property Insurance *	\$ 11,335
City of Houston	Property Insurance *	\$ 5,500
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 4,000
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 26,000
City of Houston	Property Insurance *	\$ 15,000
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 4,000
City of Houston	Terrorism Insurance	\$ 100,000
City of Houston	Boiler & Machinery	\$ 100,000
City of Houston	HITS Property, Radio Equipment and Towers	\$ 75,960
City of Houston Library	Business & Electronic Eq., Papers, Fine Arts	\$ 11,716
Holcombe Health Lab	Commercial General Liability	\$ 1,000
Holcombe Health Lab	Excess Liability	\$ 5,000
Houston First Corp.	Fine Arts	\$ 14,353
City of Houston	Pole Attachment Bond, Centerpoint	\$ 250
City of Houston	Public Employee Dishonesty/Crime	\$ 2,000
Parks Board	Public Employee Dishonesty	\$ 10
Library Board	Public Employee Dishonesty	\$ 10
Houston Read Commission	Employee Dishonesty	\$ 375
Various City of Houston Notaries	Notary Public Bonds	\$ 3
City of Houston	Special Event Commercial General Liability	\$ 1,000
City of Houston	Adverse Weather Event Cancellation	\$ 1,445
City of Houston	Special Event Commercial General Liability	\$ 1,000
City of Houston	Automobile Liability	\$ 1,000

* The property insurance is provided by insurance carriers that underwrite varying pro-rata shares of coverage that total to the policy loss limit.

CITY OF HOUSTON, TEXAS
SALARIES OF ELECTED OFFICIALS
June 30, 2013
(unaudited)

<u>Name and Title of Official</u>	<u>Authorized Annual Base Salary</u>
Annise D. Parker, Mayor	\$ 209,138
Ronald C. Green, City Controller	139,426
Helena Brown, Council Member - District A	55,770
Jerry V. Davis, Council Member - District B	55,770
Ellen N. Cohen, Council Member - District C	55,770
Wanda E. Adams, Council Member - District D	55,770
David P. Martin, Council Member - District E	55,770
Al D. Hoang, Council Member - District F	55,770
Oliver Pennington, Council Member - District G	55,770
Edward Gonzalez, Council Member - District H	55,770
James G. Rodriguez, Council Member - District I	55,770
Michael H. Laster, Council Member - District J	55,770
Larry V. Green, Council Member - District K	45,000 (1)
Stephen C. Costello, Council Member - At Large Position 1	55,770
Andrew C. Burks, Council Member - At Large Position 2	55,770
Melissa L. Noriega, Council Member - At Large Position 3	55,770
Clarence O. "Brad" Bradford, Council Member - At Large Position 4	55,770
John R. Christie, Council Member - At Large Position 5	55,770

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

CITY OF HOUSTON, TEXAS
Schedule of Credits
(unaudited)

Comprehensive Annual Financial Report:

Controller's Office

Executive/Administrative Divisions

Ronald C. Green, City Controller
Chris Brown, Chief Deputy City Controller
Roger Widmeyer, Director of Communications

Design Oversight and Writing

Financial Reporting Division

Carl Medley, Deputy City Controller
Michael Abbott, Assistant City Controller
Alicia Cai, Assistant City Controller
Rosa Henderson, Assistant City Controller
Larry Liu, Assistant City Controller
Chris Okeagu, Assistant City Controller
Maria G. Perez, Administrative Assistant
Irma Rodriguez, Assistant City Controller
Courtney Satterwhite, Assistant City Controller
Suong "Su" Vu, Assistant City Controller
Dinah Walter, Assistant City Controller
Bonita Wright, Assistant City Controller

Preparation and Coordination

Operations and Technical Services Division

Harry Singh, Deputy City Controller
Brenda Jackson, System Support Analyst
Brenda Johnson, Administrative Coordinator
Martina Lee, Assistant City Controller
Ella Mamou, Administrative Supervisor
Annie Nguyen, Administrative Supervisor
Daniel Schein, System Support Analyst
Lillie Stewart, Administration Manager
Anthony Tran, LAN Specialist

Consulting and General Support

Treasury Division

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

Debt and Investment Management Disclosures

Audit Division

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

Audit Support and Testing Assistance

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

Finance Department

Preparation, Coordination, Analysis and Documentation

Kelly Dowe, Director

Bukola Bayo, Financial Analyst

Silvia Diaz, Financial Analyst

LaToya Jasper, Deputy Assistant Director

Isis Mathoslah, Financial Analyst

Gloria Moreno, Deputy Assistant Director

Nikky Nguyen, Division Manager

Arif Rasheed, Deputy Director

Administration & Regulatory Affairs Department

Analysis and Supporting Documentation

Tina Paez, Director

Raymond Bradford, Sr. Staff Analyst

Florencio Briones, Management Analyst

Annabelle Chen, Assistant Director

Chia-Hsuan "C. H." Chiou, Financial Analyst

Aileen Ding, Management Analyst

Hannah Hoang, Sr. Accountant

Bethany Li, Accountant Supervisor

Juan Olguin, Deputy Assistant Director

Rosalina Salazar, Staff Analyst

Sreng Ung, Division Manager

Bill Wickliffe, Division Manager

Houston Information Technology Services Department

SAP/ ERP Consulting, Support & Development

Charles Thompson, Director

Susan Cox, Systems Accountant

Mary Ann Grant, Deputy Director

Ron Headley, Division Manager

Melanie West, ERP Business Systems Consultant

IT - ERP Development Team

Professional Consultants

Project Management and Design

Houston Independent School District Printing Services

Charlie Holden, Senior Manager

Susanne Bynum, Graphic Designer

Debbie Roberts, Outside Sales Representative

Deloitte & Touche LLP

Independent Auditors

This schedule by no means gives credit to all of the individuals who have some part in the development and production of this Comprehensive Annual Financial Report. However, we have included the major participants who made the issuance of this document possible.

Historic maps from the collections of:
University of Houston Libraries
Special Collections
Digital Library

Houston Metropolitan Research Center, Houston Public Library

Design: Susanne Bynum
Printing: HISD Graphic Services

