

OFFICE OF THE CITY CONTROLLER 106 YEARS OF HOUSTON HISTORY



CITY OF HOUSTON, TEXAS

Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009

Prepared by:
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CITY OF HOUSTON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2009

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CITY OF HOUSTON, TEXAS





Office of the City Controller

Houston City Controller Annise D. Parker is the second highest elected official in Houston City Government and its Chief Financial Officer. The Office of the Houston City Controller superintends the fiscal affairs of the City. This includes conducting audits, managing investments and debt, preparing financial statements and providing leadership on policy issues pertaining to the City's financial health. The Controller is asked to balance the City's fiscal needs with the politics of popular elections and acts as a check-and-balance to the Mayor and City Council, the executive and legislative branches of City government. She serves as an independently elected "financial watchdog" over City government's fiscal affairs.

The Treasury Division of the Controller's Office manages a total investment portfolio of approximately \$2.4 billion. The City's General Investment Pool consistently receives the highest rating available from Standard and Poor's. The character of this pool is that of a short-term bond fund that holds investments of very high credit quality.

The Treasury Division is also responsible for overseeing a debt program of approximately \$12.8 billion. The City has ten commercial paper programs totaling \$2.6 billion, seven auction-rate security issues, ten series of variable rate demand obligation bonds, two interest rate swaps with a total notional amount of \$902 million and credit agreements totaling \$3.8 billion.

The Standard and Poor's rating agency recently affirmed the City's AA credit rating on its general obligation bonds secured by the City's property taxes. Standard and Poor's based its rating on the City's "sizable and diverse economic base, which has shown marked resiliency over the past year; positive financial operations with a strong general fund reserve balance, although the balance is anticipated to decline; and management's continued commitment to control expenditure growth and address the City's contingent liabilities." Likewise, Moody's Investor's Service affirmed its AA rating and positive outlook for the City's general obligation bonds. Moody's noted the City continues to be fiscally strong with a large tax base that remains stable despite current economic conditions.

The Audit Division completed 41 audits and projects in Fiscal year 2009 and initiated the first city-wide survey of citizen satisfaction with City services. The survey found citizens are most satisfied with the fire department and least satisfied with streets, drainage and air quality. The Audit Division has been reorganized to create an information technology group focusing on continuous internal auditing through the City's financial system.

The Operations and Technical Services Division of the Controller's Office is in the process of implementing a paperless approval system for invoices and direct deposit payments to City vendors. This follows last year's completion of a paperless payroll system that is saving the City up to a million dollars a year in reduced personnel and printing costs.

The Executive Division and Controller Parker recently celebrated the launch of Bank on Houston, a City-sponsored program to connect unbanked residents with the financial mainstream. The Federal Reserve Bank, Houston Branch; the Federal Deposit Insurance Corporation; the National League of Cities; 20 banks and credit unions and numerous community non-profit organizations are participating. Within three months, the program had already exceeded its 12-month goal of opening 10,000 new accounts.

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

Annise D. Parker

Houston City Controller



Houston City Controller Annise D. Parker is a second generation native Houstonian. She attended Rice University, graduating in 1978 with a Bachelor of Arts Degree. In the private sector, Ms. Parker spent 20 years working in the oil and gas industry, including 18 years with Mosbacher Energy Company. She also co-owned a retail bookstore for 10 years and a bookkeeping and income tax company for 15 years.

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

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

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

Despite her duties as City Controller, Ms. Parker remains active in the Houston community, currently serving on the boards of the Holocaust Museum and Girls Inc., and as an advisory board member of the Houston Zoo, the Montrose Counseling Center and Trees for Houston.

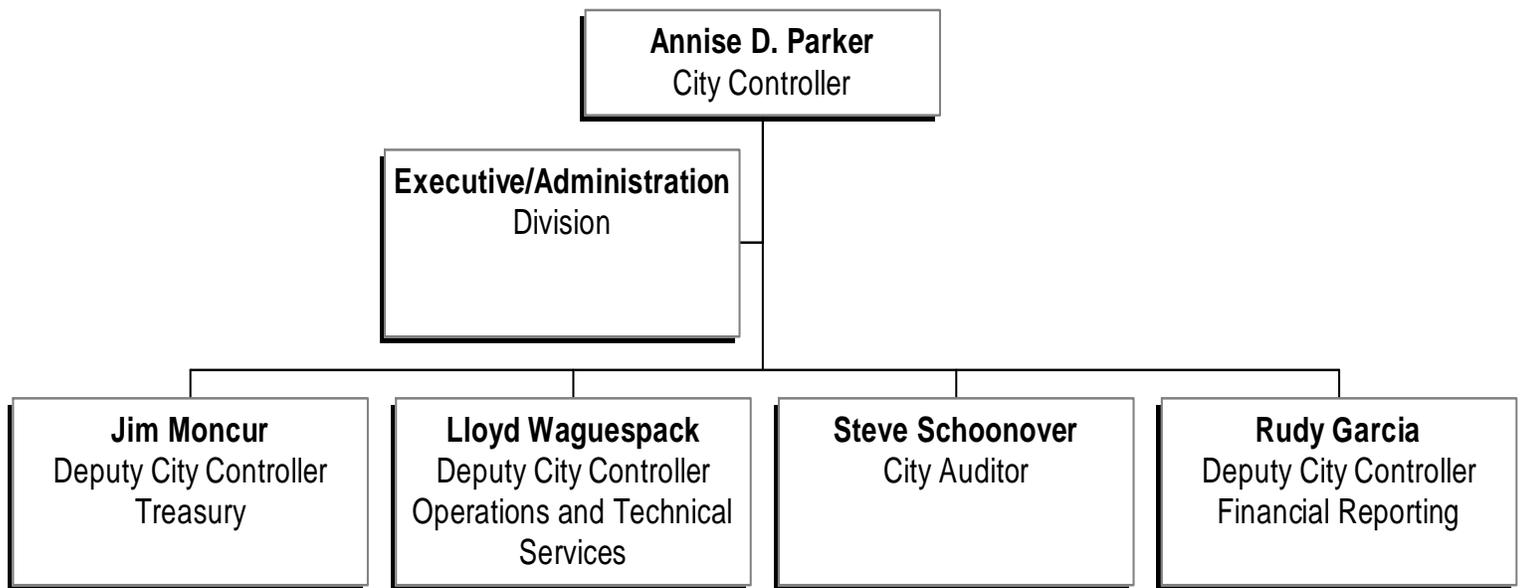
In 2001, Ms. Parker was selected as "Council Member of the Year" by the Houston Police Officers Union. In 2002, she received the "Distinguished Local Elected Official Award" from the Texas Recreation and Park Society. She previously received the "Good Brick Award" from the Greater Houston Preservation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

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



City of Houston

The Office of the City Controller





Elected Officials

City of Houston, Texas



Mayor
Bill White

City Controller
Annise D. Parker

Council Members

Sue Lovell, **Vice Mayor Pro Tem, At-Large Position 2**

Peter Brown, **At-Large Position 1** Melissa Noriega, **At-Large Position 3**

Ronald Green, **At-Large Position 4** Jolanda "Jo" Jones, **At-Large Position 5**

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

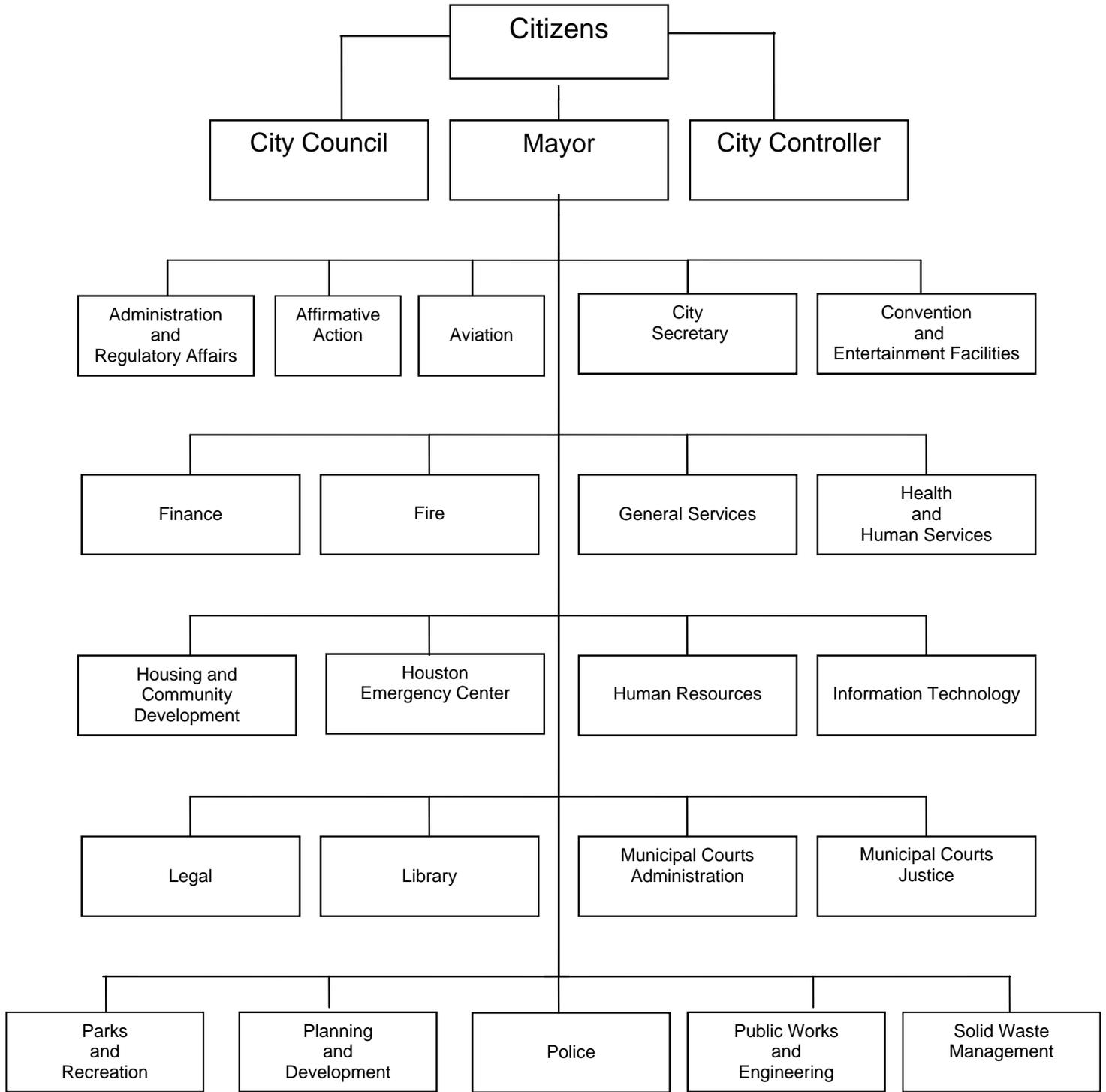
Wanda Adams, **District D** Mike Sullivan, **District E** M. J. Khan, **District F**

Pam Holm, **District G** Adrian Garcia, **District H** James Rodriguez, **District I**

(Garcia resigned mid-year. Ed Gonzalez was elected to fill the rest of the unexpired term.)



Organization Chart City Government



CITY OF HOUSTON, TEXAS





OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

ANNISE D. PARKER

December 18, 2009

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

I am pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the City of Houston, Texas (City) for the year ended June 30, 2009, including the independent auditor's report prepared by Deloitte & Touche LLP. The CAFR was prepared by the City Controller's Office and satisfies my responsibilities under the City Charter and State law. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects and is organized in a manner which fairly sets forth the financial position and results of operations of the City as measured by the financial activity of its various funds.

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

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

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

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

The Reporting Entity and Its Services

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

The City provides a full range of municipal government services including police and fire protection, emergency medical services, pretrial detention services, traffic and municipal courts, water production and distribution, solid waste collection, sanitary code enforcement, wastewater treatment, health and human services, building and housing code enforcement, construction and maintenance of streets and bridges, traffic and signal installation and maintenance, parks and recreation, library, convention and cultural activities, and operation of three municipal airports: George Bush Intercontinental Airport, William P. Hobby Airport and Ellington 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, the world's largest concentration of healthcare and medical research institutions; and NASA's Johnson Space Center.

At the time of the first Census in Texas in 1850, Houston had a population of 2,397 and Galveston, a bustling port town 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 United States. It is also the country's fastest growing city. According to the U.S. Census Bureau, between July 1, 2006 and July 1, 2007 no city added more residents than Houston, almost 39,000 people, bringing the City's population to more than 2.2 million. It offers a melting pot of ethnicities where no single group comprises a majority. It is the seat of a growing metropolitan area encompassing six counties and more than 5.5 million residents.

Budgetary Information

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

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

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

The City is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act, the U. S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non-profit Organizations," and the State of Texas Uniform Grant Management Standards. These audits are conducted simultaneously with the City's annual financial statement audit. Information related to these Single Audits, including the schedules of 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

Historically, Houston tends to lag the rest of the nation going into a recession and lag it coming out. We also do not suffer quite as much. This appears to be the case with the current global recession, which Houston is weathering much better than other cities. The October 2009 unemployment rate for the area was 8.5 percent, compared to 10.2 percent for the nation as a whole. In early November 2009, Dr. Barton Smith, director of the University of Houston Institute for Regional Forecasting said, "the worst is behind us." Smith predicts another 13,000 jobs will be lost early in 2010. Toward the end of the year, he expects Houston to begin seeing job growth. Bob Gilmer in the Houston Branch of the Federal Reserve Bank is more pessimistic, saying he has yet to see signs that Houston is emerging from the recession. Gilmer predicts total job losses of 100,000 for 2009, compared to Smith's forecast of 62,000. Gilmer does agree that we will begin to experience job growth in the latter part of 2010. The predicted job losses are bigger than anticipated a year ago, mainly due to the loss of Houston's energy cushion.

Area home sales jumped 13.8 percent from October 2008 to October 2009. This marked the second straight month of year-over-year increased sales. According to the Houston Association of Realtors (HAR), the October 2009 median price for a single-family home was \$149,000. This is up 5 percent from the same month a year ago. The numbers portend a mixed bag. Analysts see signs of increased interest, but they also caution about the lingering effects of the depressed market following Hurricane Ike in September 2009. HAR is optimistic about the future now that the federal homebuyer tax credit has been extended to April 2010. Homes in the price range that qualify for the credit comprise more than three-quarters of the area sales, leaving tight inventories in the lower end of the market

Joining the oil industry in having a major impact on the Houston economy is the Port of Houston and the more than 150 private companies that line the Houston Ship Channel. The port is ranked first in the United States in foreign waterborne tonnage, second in the U.S. in total tonnage and tenth in the world. More than 225 million tons of cargo moved through the Port of Houston in 2007. A total of 8,053 vessel calls were recorded at the Port of Houston during the year 2008. A recent study indicates ship channel related businesses support more than 785,000 jobs and had a statewide economic impact of \$118 billion in 2007. The Opening Phase of the port's new Bayport Container and Cruise Terminal, the most technologically advanced container terminal on the gulf coast, occurred in 2007. Bayport will generate almost 12,000 jobs over the first 10 years, and \$1 billion in new business revenues and more than \$40 million in new tax revenues annually. The port is spotlighted on the cover and tab pages of this year's CAFR.

The Houston Airport System (HAS), consisting of George Bush Intercontinental Airport, Hobby Airport and Ellington Airport, is the fourth largest airport system in the country and the sixth largest in the world. The three airports served nearly 50 million passengers in 2008, including more than 7.9 million international passengers. Intercontinental is considered a prime gateway to Latin America and offers service to more Mexican destinations than any other U.S. airport. Cathay Pacific Cargo recently began service from Intercontinental, marking the start of the first all-cargo service between Houston and Hong Kong. HAS does not use local tax dollars and is supported entirely from user fees and leases.

Houston also boasts the world renowned Texas Medical Center, a hub of medical research consisting of 47 member institutions and nine university systems that collectively serve 5.5 million patients annually. The medical center is the largest medical district in the world and accounts for nearly \$6 billion in regional spending, \$3.9 billion in regional personal income and 140,000 jobs. In 2007, the TMC recorded 5.5 million patient visits.

Johnson Space Center (JSC) in Houston is responsible for training astronauts from the U.S. and the international space station partners. The Mission Control Center (MCC) at JSC directs all space shuttle missions, including international space station assembly flights. MCC also manages all activity on board the international space station. JSC employs about 3,000 workers. Approximately 110 of these employees are astronauts. Another 12,000 workers are employed by contractors serving JSC.

The Houston Theater District boasts the largest number of theater seats outside of New York. It is one of only five cities to have professional resident companies in all of the major performing arts disciplines: opera, ballet, symphony and theater. Houston also has a vibrant and dynamic visual arts community. The cornerstone of this is the Houston Museum District (HMD), which attracts more than 7 million visitors every year. HMD is home to the Museum of Fine Arts, Houston; the Contemporary Arts Museum; the Houston Museum of Natural Science; the Holocaust Museum; the Children's Museum; the Lawndale Art Center; the John P. McGovern Museum of Health and Medical Sciences; the Houston Center for Contemporary Craft; the Houston Museum of Printing History and the brand new Buffalo Soldiers National Museum.

Houston has teams in nearly every major professional sport including: Major League Baseball's 2005 National League Champions, the Houston Astros; the two time world champion Houston Rockets of the National Basketball Association; the National Football League's Houston Texans; the back-to-back MLS Cup Champions, the Houston Dynamo Soccer Team; and the Houston Aeros, the 2003 American Hockey League Champions. Numerous major sporting events have been held here, including Super Bowl XXXVIII in 2004, the World Series in 2005; the NBA All-Star game in 2006 and the Tennis Masters Cup in 2003 and 2004.

Financial Policies and Planning

The City has had formal financial and budgetary procedures in place since 1987. They require, among other things, a balanced budget, annual review of all fees and charges, funding of employee pensions and other benefits in a manner that systematically funds liabilities and maintenance of an Undesignated Fund Balance in its General Fund of a minimum of 5 percent of total expenses less debt service. Any funds in excess of 7.5 percent of total expenses less debt service are available for non-recurring expenses. In addition to the fund balance, the City has \$20 million in cash in the Rainy Day Fund, which can only be used for emergencies or to provide for unanticipated or unforeseen extraordinary needs. The Rainy Day Fund was utilized to help with the cleanup following Hurricane Ike. The City expects to replenish the Rainy Day Fund when it receives final reimbursement from the Federal Emergency Management Agency.

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. Due to the economic downturn and its impact on the City budget, planned CIP spending has been reduced. The 2010-2014 CIP calls for the appropriation of \$3.3 billion over the five-year period for both enterprise and property tax-supported projects. This is about 25 percent less than the 2009-2013 CIP. About \$1.59 billion of the projects will be paid for with income generated by the self-supporting enterprise funds. The rest will be funded with tax-supported public improvement bonds approved by Houston voters.

The City's financial policies further require that any capital projects or equipment purchases funded through the issuance of bonds or other obligations will be financed for a period not to exceed the expected life of the project or equipment. Annual contributions for debt service from the General Fund are limited to 20 percent of total General Fund revenues, excluding state and federal grants. In addition, Texas law mandates that the City's total tax supported indebtedness shall not exceed 10 percent of the total assessed valuation of property in the City. The City's current outstanding debt payable from taxes and other revenue sources totals about \$12 billion. It has been the City's practice to maintain no more than 20 percent of the total outstanding debt for each type of debt in a variable rate structure. This is in compliance with all applicable financial policies and considered manageable.

The City has investments totaling approximately \$2.3 billion. We adhere to an investment policy that emphasizes, in order of priority, safety, liquidity and return on investment. The success of this deliberate approach is evident in the ‘AAAF’ credit quality rating and “S1” volatility rating assigned to the City’s General Investment Portfolio by Standard and Poor’s Rating Services.

Long-term Financial Forecast and Major Initiatives

Due to strong management practices in recent years that have resulted in disciplined budgets and healthy cash reserves, Houston is in better shape than other cities across the nation. However, there are challenges due to the ongoing recession. We are meeting these challenges. The increase in operating expenses for the current fiscal year has been limited to one half of one percent, equipment budgets have been tightened and employee staffing levels have been frozen at FY 09 levels. To bridge the FY 10 budget gap caused by declining property taxes and sales taxes, the General Fund’s two largest revenue sources, City Council has approved the use of \$58 million of cash reserves. The City is also aggressively pursuing the sale of various parcels of surplus property that could generate as much as \$15 million this fiscal year. In addition, steps are being taken to cut costs for administrative functions including payroll and vendor disbursements, permitting, billing and collections.

The most recent five-year planning scenario available from the City’s Finance Department forecasts slow growth in revenues coupled with known cost increases that will continue to cause budget stress. The main factors driving the increased expenditures are contractual pay hikes for classified and civilian employees, increased costs for employee health insurance, pension responsibilities and operating costs for new facilities. The planning scenario recommends various strategies to ensure balanced budgets including reducing the City’s contribution to retiree health care costs, decreasing solid waste landfill fees, increasing solid waste fees for high volume users and requiring Tax Increment Reinvestment Zones to contribute more toward the cost of public safety. Mayor White is term limited and will be leaving office at the end of 2009. As a result, the decisions regarding future City budgets will be made by a new administration.

City Charter Limitations

Since completion of the FY 08 CAFR, supporters of a 2004 ballot initiative placing limits on revenue growth within the City’s General Fund have convinced the Texas Supreme Court to consider their case. The group has lost every previous argument in the lower courts. As a result, the City no longer considers their restrictions to be effective. However, another less restrictive voter approved restriction on city revenues remains in effect. Proposition 1 applies only to property taxes and water and sewer rates, limiting annual growth of these two 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.

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. According to the City’s Fiscal Year 2009 Monthly Financial and Operations Report for the period ending October 31, 2009, the unfunded liability for these three pensions totals \$1.86 billion. Negotiated changes in pension benefits, increased employee contributions and the use of pension obligation bonds have helped to reduce this unfunded liability in recent years. The City expects additional improvement in the unfunded liabilities in future years as the full impact of the negotiated changes takes effect. However, there could also still be some setbacks due to Wall Street’s difficulties as all three pension systems invest heavily in the stock market.

Retiree benefits

The City also provides certain health care benefits for its retired employees, their spouses and survivors. In accordance with the Government Accounting Standards Board Statement No. 45 (GASB 45) the City now reports an actuarially determined cost of these Other Post-Employment Benefits (OPEBS). As of June 30, 2009 the City's total actuarial accrued liability for retiree health care benefits was approximately \$3.1 billion. It is the City's practice to fund the cost of OPEBs on an annual pay-as-you-go basis and account for OPEB costs as a current operating expense in the fiscal year in which the OPEB cost is paid.

Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Houston for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This was the 12th 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, Aviation, Convention and Entertainment Facilities, and Public Works and Engineering departments who assisted and contributed to the preparation of this report.

The City Controller's Office also received invaluable assistance and support from many others outside its immediate organization. Within the City of Houston, the accounting staffs of the operating departments and the technical staff of the Information Services Division all played key roles in producing this report. Deloitte & Touche LLP was not only our independent auditor, but also served as an invaluable source of information and ideas for improving the way City finances are reported. The design is the creative work of the Houston Independent School District Printing Services and its graphic designers. We also acknowledge the Mayor and City Council Members who have consistently supported the City's goal of excellence in all aspects of financial management. Their support is greatly appreciated.

Finally, I want to thank the Port of Houston Authority (PHA) for the photos used in the design of this year's report. These photos provide a glimpse into this impressive operation.

Request for Information

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



Annise D. Parker
City Controller

Sources:

City of Houston FY 08 Operating Budget
City of Houston 2010-2014 Capital Improvement Plan
City of Houston General Fund Five-Year Planning Scenario
City of Houston Valuation of Postretirement Medical and Life Obligations for
Fiscal Year Ending June 30, 2009
Federal Reserve Bank of Dallas, Houston Branch
Greater Houston Convention and Visitors Bureau
Houston Airport System
Houston Association of Realtors
Houston Chronicle
Nasa.gov
Port Authority of Houston
Texas Medical Center
U.S. Census Bureau
U.S. Department of Labor, Bureau of Labor Statistics

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for the Fiscal Year Ended
June 30, 2008

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President

Executive Director

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Houston, Texas (the "City"), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Houston's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Firefighter's Relief and Retirement Pension Trust Fund, the Municipal Employees' Pension Trust Fund and the Police Officers' Pension Trust Fund, blended component units of the City, which, in aggregate, represent 100% of the assets of the pension trust funds, within the fiduciary funds. In addition we did not audit the financial statements of the Houston Area Water Corporation, a nonmajor business-type enterprise fund, which represents 1% and 0% of the assets and revenues of business-type activities of the City. We also did not audit the financial statements of any governmental (except for the Houston Area Library Automated Network, Lamar Terrace Public Improvement District and Sharpstown Economic Development Authority) or business-type discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for such business-type activities, pension trust funds and governmental and business – type discretely presented component units, is based on the reports of the other auditors.

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

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

Houston, Texas, as of June 30, 2009, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (pages 3 through 13), Schedule of Budgeted and Actual Revenues and Expenditures of the General Operating Fund (pages 115-119), Pension System Supplementary Information (page 121) and Other Post Employment Benefits Supplementary Information (page 122) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the City of Houston's management. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

Deloitte & Touche LLP

December 18, 2009

City of Houston, Texas
Management's Discussion and Analysis
June 30, 2009
(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, 2009. Please read this information in conjunction with the basic financial statements that follow this section. The discussion and analysis includes comparative data for 2008. 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, 2009 include:

- The assets of the City of Houston exceeded its liabilities at the close of the most recent fiscal year by \$3.677 billion.
- The City's total net assets decreased during the year by \$214 million.
- Unrestricted assets are a deficit of \$1.648 billion.
- The City of Houston's total expenses were \$4.137 billion.
- Program revenues of \$1.975 billion reduced the net cost of the City's functions to be financed from the City's general revenues to \$2.162 billion.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The governmental fund balance sheet 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 also includes the Houston Area Water Corporation and the parking facilities management fund as nonmajor proprietary funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Houston's various functions. The City of Houston uses internal service funds to account for health and benefits and long-term disability activities. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Houston, on a government-wide basis, assets exceeded liabilities by \$3.677 billion at the close of the most recent fiscal year.

Net Assets
June 30, 2009
(With comparative totals for 2008)
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	1,033	\$ 1,054	2,081	\$ 2,143	\$ 3,114	\$ 3,197
Capital assets	6,282	6,059	8,839	8,435	15,121	14,494
Total assets	<u>7,315</u>	<u>7,113</u>	<u>10,920</u>	<u>10,578</u>	<u>18,235</u>	<u>17,691</u>
Long-term liabilities	4,392	4,089	8,959	8,681	13,351	12,770
Other liabilities	721	606	486	424	1,207	1,030
Total liabilities	<u>5,113</u>	<u>4,695</u>	<u>9,445</u>	<u>9,105</u>	<u>14,558</u>	<u>13,800</u>
Net assets						
Invested in capital assets, net of related debt	3,670	3,516	669	552	4,339	4,068
Restricted	161	213	824	785	985	998
Unrestricted (deficit)	(1,630)	(1,310)	(18)	136	(1,648)	(1,174)
Total net assets	<u>\$ 2,201</u>	<u>\$ 2,419</u>	<u>\$ 1,475</u>	<u>\$ 1,473</u>	<u>\$ 3,676</u>	<u>\$ 3,892</u>

By far the largest portion of the City of Houston's net assets (118.0%) reflects its investment in capital assets (e.g., land, building, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City of Houston uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Houston's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City of Houston's net assets (26.7%) represents resources that are subject to external restrictions on how they may be used.

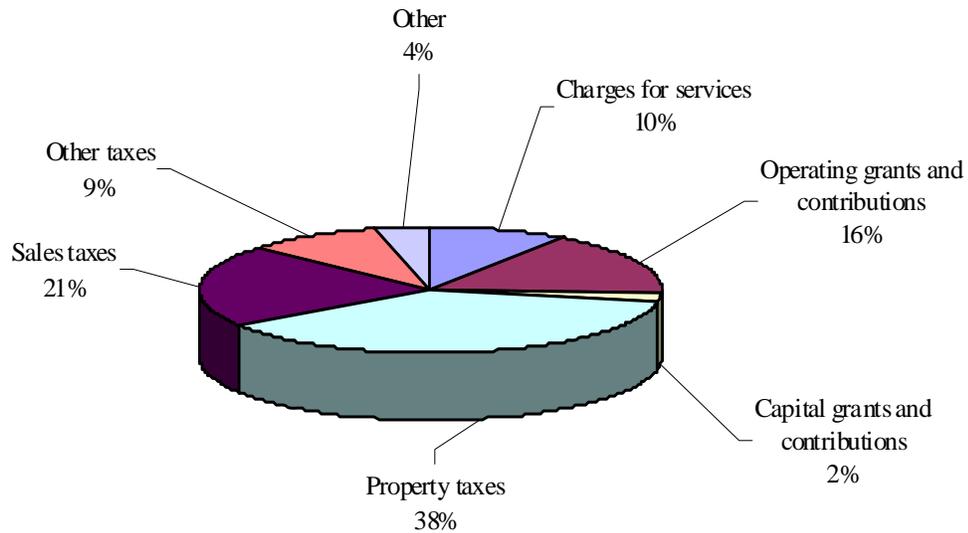
Change in Net Assets
June 30, 2009
(With comparative totals for 2008)
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Program Revenues:						
Charges for services	\$ 231	\$ 219	\$ 1,108	\$ 1,130	\$ 1,339	\$ 1,349
Operating grants and contributions	393	232	5	5	398	237
Capital grants and contributions	45	76	193	133	238	209
General revenues:						
Property taxes	891	830	-	-	891	830
Sales taxes	507	495	-	-	507	495
Other taxes	221	219	62	66	283	285
Other	96	96	153	141	249	237
Total revenues	<u>2,384</u>	<u>2,167</u>	<u>1,521</u>	<u>1,475</u>	<u>3,905</u>	<u>3,642</u>
Expenses:						
General government	220	194	-	-	220	194
Public safety	1,461	1,401	-	-	1,461	1,401
Public works	418	318	-	-	418	318
Health	137	129	-	-	137	129
Housing and community development	63	59	-	-	63	59
Parks and recreation	97	103	-	-	97	103
Library	48	50	-	-	48	50
Interest on Long-term Debt	129	126	-	-	129	126
Depreciation and amortization	115	110	-	-	115	110
Airport System	-	-	472	459	472	459
Convention & Entertainment Facilities	-	-	114	111	114	111
Combined Utility System	-	-	843	846	843	846
Houston Area Water Corporation	-	-	15	13	15	13
Parking Management	-	-	5	4	5	4
Total expenses	<u>2,688</u>	<u>2,491</u>	<u>1,449</u>	<u>1,433</u>	<u>4,137</u>	<u>3,923</u>
Change in net assets before contributions, special items and transfers	(304)	(324)	72	42	(232)	(282)
Contributions	18	-	-	-	18	-
Transfers	70	61	(70)	(61)	-	-
Change in net assets	<u>(216)</u>	<u>(263)</u>	<u>2</u>	<u>(19)</u>	<u>(214)</u>	<u>(282)</u>
Net assets July 1	<u>2,418</u>	<u>2,681</u>	<u>1,473</u>	<u>1,492</u>	<u>3,891</u>	<u>4,173</u>
Net assets June 30	<u>\$ 2,202</u>	<u>\$ 2,418</u>	<u>\$ 1,475</u>	<u>\$ 1,473</u>	<u>\$ 3,677</u>	<u>\$ 3,891</u>

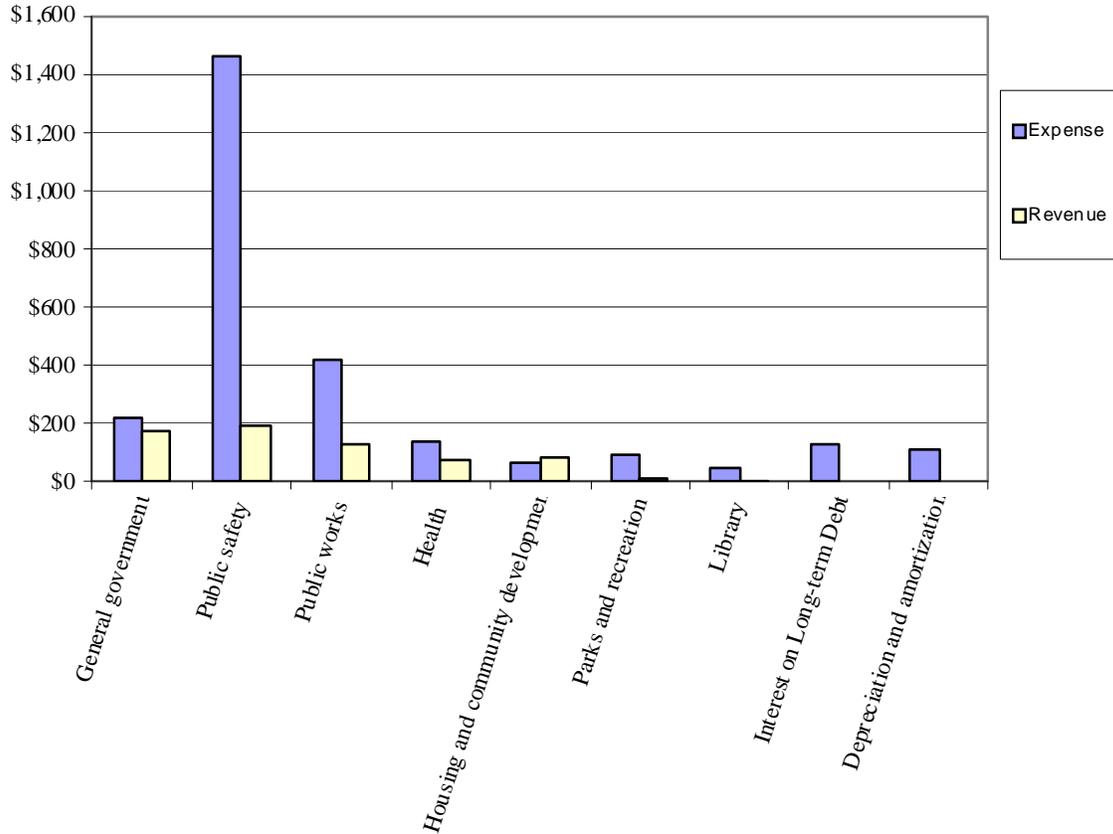
Governmental activities. Governmental activities decreased the City of Houston’s net assets by \$216 million. Key elements of this change are as follows:

- Sales tax revenue continued to show improvements during fiscal year 2009, providing a 2.4% increase for the year, from \$495 million to \$507 million.
- The City’s property tax rate remained at \$0.63875 per \$100 assessed value. Property tax revenue increased by \$60 million because of the City’s rising property values and continued effort in the collection of delinquent taxes.
- The largest decrease in expenses was in the area of Parks and Recreation - \$6 million.
- The largest increase in expenses was in the area of Public Works - \$100 million.

Revenue by Source - Governmental Activities



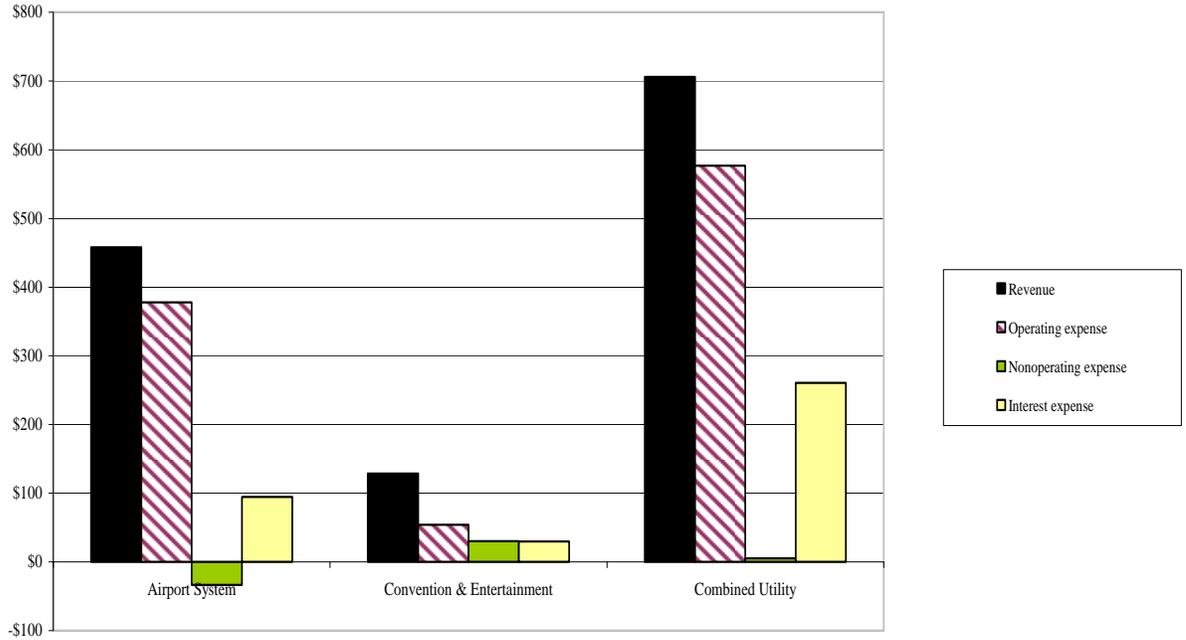
**Program Revenue and Expense
Governmental**



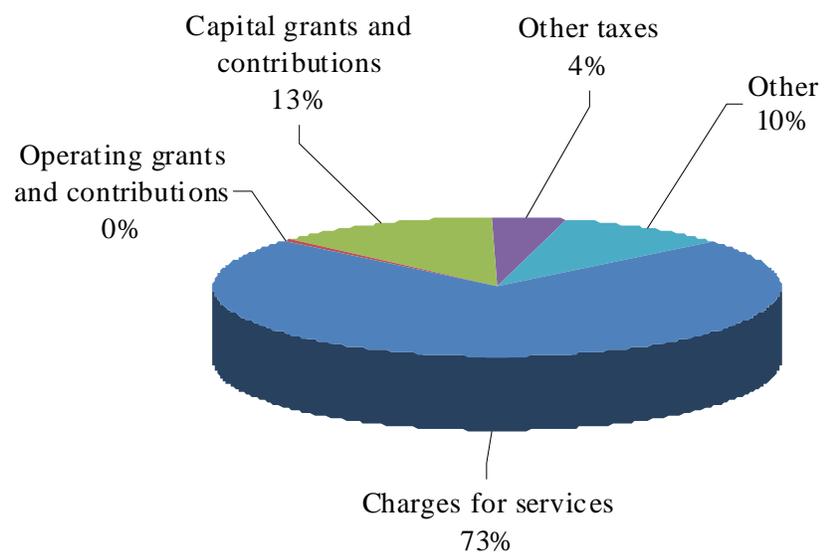
Business-type activities. Business-type activities increased the City of Houston’s net assets by \$2 million. Key elements of this change are as follows:

- Airport systems operating expenses were up by 6.3%, from \$356 million to \$378 million. Operating revenues for these facilities were down by 13.7%, from \$447 million to \$386 million. Investment income decreased by 10.5% from \$42 million to \$37 million.
- Convention & Entertainment operating expenses were up by 9.5%, from \$49 million to \$54 million. Operating revenues were down by 6.3%, from \$22 million to \$21 million. Hotel occupancy taxes decreased by 5.8%, from \$66 million to \$62 million.
- The Combined Utility System operating expenses increased by 1.7% from \$567 million to \$577 million. Operating revenues increased by 6.0% from \$648 million to \$687 million. Investment income was down by 5.6%, from \$35 million to \$33 million and interest expense was down by 2.7% from \$268 million to \$260 million.
- The Non-Major enterprise funds operating expenses increased by 6.6% from \$17.2 million to \$18.3 million. Operating revenues increased by 1.6% from \$13.0 million to 13.3 million. Investment income increased 58.8% from \$177 thousand to \$281 thousand, and there was no interest expense.

**Program Revenue & Expense
Business-type**



Revenue by Source Business-type



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Houston's governmental funds reported combined ending fund balances of \$607 million. Approximately 63.1% of this total amount (\$383 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) for capital expenditures (\$38 million), (2) to pay debt service (\$161 million), or (3) a variety of other restricted purposes (\$25 million).

The general fund is the chief operating fund of the City of Houston. At the end of the current fiscal year, unreserved fund balance of the general fund was \$281 million, while the total fund balance reached \$304 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 16.3% of total general fund expenditures, while total fund balance represents 17.7% of that same amount.

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

- \$82 million increase in total revenues
- \$121 million increase in expenditures
- \$43 million decrease in proceeds for issuance of debt
- \$27 million increase in transfers from other funds
- \$26 million increase in transfers to other funds

Interest expenditures for the debt service fund increased by \$6 million. The net increase in fund balance was \$30 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 \$38 million. The net decrease in fund balance during the current fiscal year was \$62 million.

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

At the end of the year, unrestricted net assets were \$0 for the Airport System, \$43 million for Convention and Entertainment, \$31 million for the Combined Utility System and \$92 million deficit for the Combined Non-Major Enterprise Funds. The total increase in net assets for the Airport System and Convention and Entertainment were \$56 million and \$100 million respectively. The Combined Utility System fund and Combined Non-Major Enterprises funds experienced a decrease of \$149 million and \$3.6 million respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Houston's business-type activities.

General Fund Budgetary Highlights

Total revenues were above budget by \$9.6 million. The details of the more significant variances are detailed below:

- \$20 million decrease in sales taxes
- \$12 million increase in property taxes
- \$4 million decrease in other revenues
- \$2 million decrease in services performed for others
- \$1 million increase in franchise taxes
- \$1 million increase in industrial assessments
- \$2 million decrease in ambulance service
- \$1 million decrease in interest
- \$1 million decrease in other courts fines and forfeits

Total expenditures for the General Fund were \$17 million below the final expenditure budget. The details of the more significant variances are detailed below:

- \$6 million decrease in total general government expenditures
- \$2 million decrease in public safety expenditures
- \$2 million decrease in public works expenditures
- \$2 million decrease in library expenditures

Capital Asset and Debt Administration

Capital assets (see Note 6). The City of Houston's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounts to \$15.1 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, 2009

(With comparative totals for 2008)

(net of depreciation in millions)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land and right of way	\$ 2,056	\$ 2,029	\$ 429	\$ 423	\$ 2,485	\$ 2,452
Buildings, improvements and equipment	1,499	1,396	4,732	4,423	6,231	5,819
Plants, lines and rights	-	-	8,516	8,175	8,516	8,175
Construction in progress	449	413	748	652	1,197	1,065
Water rights	-	-	457	457	457	457
Garage rights	-	-	13	13	13	13
Infrastructure Assets	5,302	5,096	-	-	5,302	5,096
Less accumulated depreciation	(3,025)	(2,875)	(6,056)	(5,708)	(9,081)	(8,583)
Total	\$ 6,281	\$ 6,059	\$ 8,839	\$ 8,435	\$ 15,120	\$ 14,494

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

- Business-type activities construction in process balance reflects a \$97 million increase.
- Business-type activities buildings, improvements & equipment reflects a \$309 million increase
- Business-type activities plants, lines & rights reflects a \$341 million increase
- Governmental-type activities buildings, improvements & eqpt. reflects a \$103 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 \$11.6 billion. The two largest portions of this total are made up of \$2.8 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, 2009
 (With comparative totals for 2008)
 (in millions)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds and commercial paper	\$ 2,659	\$ 2,586	\$ 137	\$ 283	\$ 2,796	\$ 2,869
Pension notes	520	472	67	96	587	568
Inferior lien contract	-	-	46	50	46	50
Revenue bonds	-	-	8,152	7,739	8,152	7,739
Other borrowings	14	15	-	-	14	15
Total	\$ 3,193	\$ 3,073	\$ 8,402	\$ 8,168	\$ 11,595	\$ 11,241

The City’s total debt increased by \$354 million or 3.1% during the current fiscal year.

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

- \$20 million of pension obligations to reduce unfunded accrued actuarial liability of the Houston Police Officers’ Pension System.
- \$383 million of pension obligations to refund the collateralized pension note to the Houston Municipal Employees Pension System.
- \$609 million of general obligation debt to refund bonds and commercial paper and to fund capital projects.
- \$704 million of combined utility system revenue bonds to fund system projects and refund commercial paper and variable rate bonds.

Standard & Poor's, Moody's and Fitch's underlying ratings of the City's obligations as of June 30, 2009 are as follows:

	<u>Std & Poor's</u>	<u>Moody's</u>	<u>Fitch's</u>
General Obligation	AA	Aa3	AA-
Water & Sewer System Junior Lien	AA	Aa3	AA-
Combined Utility System First Lien	AA	A1	A+
Houston Airport System	A+	A1	A+
Convention & Entertainment	A-	A3	n/r

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The current debt limitation for the City of Houston is \$19.2 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 2010 budget are as follows:

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

Request for Information

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

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

June 30, 2009
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total	Component Units	
				Governmental	Business-type
Assets					
Equity in pooled cash and investments	\$ 639,325	\$ 1,517,000	\$ 2,156,325	\$ 189,341	\$ 87,887
Receivables, net of allowances					
Accounts receivable	67,181	100,413	167,594	17,919	28,647
Contracts receivable	-	-	-	943	-
Hotel occupancy tax receivable	-	14,713	14,713	-	-
Property taxes receivable	46,188	-	46,188	-	-
Sales taxes receivable	82,245	-	82,245	-	-
Mixed beverage taxes receivable	2,796	-	2,796	-	-
Franchise taxes receivable	17,009	-	17,009	-	-
Special assessments receivable	21,041	93	21,134	-	-
Accrued interest and other	-	-	-	5,802	144
Due from component units	8,705	13,431	22,136	-	-
Internal balances	(1,056)	1,056	-	-	-
Due from other governments	103,558	20,508	124,066	-	1,641
Inventory	22,378	9,388	31,766	20,620	330
Prepaid items	2,318	7,269	9,587	31	1,382
Deferred charges for issuance cost	21,667	69,831	91,498	4,340	2,196
Investments	-	28,600	28,600	35,723	17,615
Other receivables	-	-	-	147	1,164
Due from component units	-	288,758	288,758	-	-
Assessments receivable	-	-	-	4,270	-
Receivables and deposits	-	-	-	-	9,167
Amounts held by other governments	-	10,146	10,146	-	-
Other long-term receivables	-	-	-	-	5,024
Capital Assets					
Land and right-of-way	2,056,156	429,063	2,485,219	103,736	11,488
Buildings	751,011	2,654,712	3,405,723	41,905	319,141
Improvements and equipment	748,334	2,076,638	2,824,972	-	-
Plants, lines and rights	-	8,515,663	8,515,663	-	-
Construction in progress	449,399	748,825	1,198,224	-	7,919
Water rights	-	456,915	456,915	-	-
Garage rights	-	13,144	13,144	-	-
Infrastructure assets	5,301,626	-	5,301,626	-	-
Less accumulated depreciation and amortization	(3,025,105)	(6,055,824)	(9,080,929)	(10,076)	(78,324)
Total assets	\$ 7,314,776	\$ 10,920,342	\$ 18,235,118	\$ 414,701	\$ 415,421

(Continued)

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

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

June 30, 2009
(amounts expressed in thousands)

	Governmental		Business-type	Total	Component Units	
	Activities	Activities			Governmental	Business-type
Liabilities						
Accounts payable and accrued expenditures	\$ 138,547	\$ 160,523	\$ 299,070	\$ 16,745	\$ 11,554	
Accrued payroll liabilities	63,161	9,708	72,869	53	776	
Accrued interest payable	44,312	80,227	124,539	4,753	3,064	
Contracts and retainages payable	-	14,928	14,928	7,273	657	
Due to component units	-	24,437	24,437	-	-	
Due to other governments	10,435	2,858	13,293	6,422	-	
Advances and deposits	12,145	40,127	52,272	734	-	
Other liabilities	103	-	103	4,101	-	
Deferred revenue	59,024	-	59,024	883	1,264	
Unearned revenue	-	4,173	4,173	-	-	
Noncurrent liabilities						
Due within one year						
Due to City of Houston	-	-	-	-	10,605	
Notes payable	-	-	-	30,791	-	
Bonds payable	240,935	130,257	371,192	6,475	-	
Claims and judgments	14,927	2,179	17,106	-	-	
Compensated absences	134,581	13,003	147,584	22	-	
Inferior lien contracts	-	4,085	4,085	-	-	
Other liabilities	3,305	-	3,305	-	-	
Due in more than one year						
Due to City of Houston	-	-	-	5,310	267,638	
Notes payable	-	-	-	32,218	-	
Bonds payable	1,899,054	8,021,767	9,920,821	162,211	-	
Claims and judgments	119,355	4,354	123,709	-	-	
Compensated absences	276,729	17,755	294,484	-	-	
Contracts payable	-	178,332	178,332	5,131	-	
Commercial paper	519,200	136,800	656,000	-	-	
Arbitrage rebate liability	336	5,628	5,964	-	-	
Inferior lien contracts	-	41,735	41,735	-	-	
Municipal pension trust liability	223,232	89,830	313,062	-	-	
Police officers' pension trust liability	369,846	-	369,846	-	-	
Fire fighter's pension trust liability	27,229	-	27,229	-	-	
Deferred revenue	-	335,985	335,985	245	14,661	
Other post employment benefits	426,069	59,735	485,804	-	-	
Pension obligation bonds payable	520,478	67,047	587,525	-	-	
Other long-term liabilities	10,010	-	10,010	728	3,468	
Total liabilities	5,113,013	9,445,473	14,558,486	284,095	313,687	
Net assets						
Invested in capital assets, net of related debt	3,670,130	668,465	4,338,595	112,060	(39,401)	
Restricted net assets						
Restricted for debt service	122,920	221,062	343,982	27,480	43,843	
Restricted for renewal and replacement	-	10,000	10,000	-	-	
Restricted for maintenance and operations	-	126,182	126,182	9,537	-	
Restricted for capital improvement	38,227	466,975	505,202	7,119	-	
Other restricted	-	-	-	60,292	42,837	
Unrestricted (deficit)	(1,629,514)	(17,815)	(1,647,329)	(85,882)	54,455	
Total net assets (deficit)	\$ 2,201,763	\$ 1,474,869	\$ 3,676,632	\$ 130,606	\$ 101,734	

* 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, 2009
(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	\$ 219,584	\$ 22,601	\$ 148,898	\$ -
Public safety	1,460,992	136,450	57,233	-
Public works	417,953	46,404	35,614	45,354
Health	136,766	16,836	57,631	-
Housing and community development	62,793	-	86,811	-
Parks and recreation	97,398	7,578	5,439	-
Library	48,015	1,056	1,531	-
Interest on long-term debt	129,324	-	-	-
Unallocated Depreciation	115,050	-	-	-
Total governmental activities	2,687,875	230,925	393,157	45,354
Business-type activities				
Airport System	472,253	386,777	-	70,936
Convention & Entertainment facilities	114,110	20,902	1,580	105,968
Combined Utility System	842,518	687,238	2,969	15,911
Houston Area Water Corporation	14,867	13,250	25	-
Parking Management	4,919	-	-	-
Total business-type activities	1,448,667	1,108,167	4,574	192,815
Total primary government	\$ 4,136,542	\$ 1,339,092	\$ 397,731	\$ 238,169
Component Units				
Governmental	155,982	4,853	63,310	-
Business-type	112,383	106,769	14,413	-
Total component units activities	\$ 268,365	\$ 111,622	\$ 77,723	\$ -

General Revenues:

Taxes

Property taxes levied for general purposes/tax increments

Property taxes levied for debt service

Industrial assessments tax

Sales tax

Franchise tax

Mixed beverage tax

Bingo tax

Hotel occupancy tax

Investment earnings

Other

Contributions

Special Items - gain (loss) on sale of assets

Transfers

Total general revenues, special items, and transfers

Change in net assets

Net assets (deficit) beginning

New component unit & restatement (see Note 16)

Net assets (deficit) ending

(Continued)

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

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Governmental	Business-type
\$ (48,085)	\$ -	\$ (48,085)	\$ -	\$ -
(1,267,309)	-	(1,267,309)	-	-
(290,581)	-	(290,581)	-	-
(62,299)	-	(62,299)	-	-
24,018	-	24,018	-	-
(84,381)	-	(84,381)	-	-
(45,428)	-	(45,428)	-	-
(129,324)	-	(129,324)	-	-
(115,050)	-	(115,050)	-	-
(2,018,439)	-	(2,018,439)	-	-
-	(14,540)	(14,540)	-	-
-	14,340	14,340	-	-
-	(136,400)	(136,400)	-	-
-	(1,592)	(1,592)	-	-
-	(4,919)	(4,919)	-	-
-	(143,111)	(143,111)	-	-
(2,018,439)	(143,111)	(2,161,550)	-	-
-	-	-	(87,819)	-
-	-	-	-	8,799
-	-	-	(87,819)	8,799
657,360	-	657,360	82,071	750
232,948	-	232,948	-	-
19,133	-	19,133	-	-
507,103	-	507,103	-	-
190,800	-	190,800	-	-
10,587	-	10,587	-	-
226	-	226	-	-
-	62,383	62,383	-	-
30,087	88,737	118,824	341	2,971
66,459	63,863	130,322	18,708	11,777
17,047	-	17,047	-	-
-	-	-	-	-
69,578	(69,578)	-	(7,128)	-
1,801,328	145,405	1,946,733	93,992	15,498
(217,111)	2,294	(214,817)	6,173	24,297
2,418,874	1,472,575	3,891,449	120,496	77,636
-	-	-	3,937	(199)
\$ 2,201,763	\$ 1,474,869	\$ 3,676,632	\$ 130,606	\$ 101,734

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

CITY OF HOUSTON, TEXAS
BALANCE SHEET — GOVERNMENTAL FUNDS
June 30, 2009
amounts expressed in thousands

	General	Debt Service	Capital Projects
Assets			
Equity in pooled cash and investments	\$ 238,999	\$ 161,903	\$ 67,287
Receivables, net of allowances			
Accounts receivable	26,599	-	-
Property taxes receivable	46,188	-	-
Sales taxes receivable	82,245	-	-
Mixed beverage taxes receivable	2,796	-	-
Franchise taxes receivable	17,009	-	-
Special assessments receivable	21,041	-	-
Due from component units	-	5,310	-
Due from other funds	28,480	19	10,000
Due from other governments	3,752	-	15,569
Inventory	20,685	-	-
Prepaid items	2,039	-	276
Total assets	<u>\$ 489,833</u>	<u>\$ 167,232</u>	<u>\$ 93,132</u>
Liabilities and fund balance			
Liabilities			
Accounts payable	48,899	508	42,134
Accrued payroll liabilities	57,286	-	-
Due to other funds	1,637	-	2,132
Due to other governments	785	-	-
Advances and deposits	9,319	-	339
Claims and judgments	1,827	-	-
Compensated absences	2,613	-	-
Other liabilities	-	-	-
Deferred revenue	63,520	5,310	10,300
Total liabilities	<u>185,886</u>	<u>5,818</u>	<u>54,905</u>
Fund balance			
Reserved for imprest cash and prepaids	2,151	-	276
Reserved for equipment acquisitions and other capital outlay	-	-	37,951
Reserved for inventory	20,685	-	-
Reserved for debt service	-	161,414	-
Unreserved (deficit)	281,111	-	-
Unreserved - Special revenue funds	-	-	-
Total fund balance	<u>303,947</u>	<u>161,414</u>	<u>38,227</u>
Total liabilities and fund balance	<u>\$ 489,833</u>	<u>\$ 167,232</u>	<u>\$ 93,132</u>

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

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

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

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

Net assets of governmental activities

(Continued)

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

	Grants	Nonmajor Governmental Funds	Total
\$	31,101	\$ 124,669	\$ 623,959
	14,940	15,721	57,260
	-	-	46,188
	-	-	82,245
	-	-	2,796
	-	-	17,009
	-	-	21,041
	3,395	-	8,705
	8,294	772	47,565
	79,556	3,620	102,497
	1,681	12	22,378
	-	-	2,315
\$	138,967	\$ 144,794	\$ 1,033,958

	38,358	8,431	138,330
	2,134	3,621	63,041
	41,422	2,332	47,523
	3,568	6,082	10,435
	588	1,899	12,145
	-	-	1,827
	8	16	2,637
	-	103	103
	60,970	10,844	150,944
	147,048	33,328	426,985

	-	-	2,427
	-	-	37,951
	1,681	12	22,378
	-	-	161,414
	(9,762)	-	271,349
	-	111,454	111,454
	(8,081)	111,466	606,973
\$	138,967	\$ 144,794	

6,281,421

124,956

4,203

(4,815,790)

\$ 2,201,763

* 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, 2009
amounts expressed in thousands

	General	Debt Service	Capital Projects
Revenues			
Taxes and assessments	\$ 1,617,459	\$ -	\$ -
Licenses and permits	17,511	-	-
Charges for services	96,824	-	-
Intergovernmental - grants	33,972	-	44,560
Fines and forfeits	40,385	-	-
Contributions	-	-	-
Investment income	12,913	6,847	2,990
Other	27,716	834	7,319
Total revenues	<u>1,846,780</u>	<u>7,681</u>	<u>54,869</u>
Expenditures			
Current Expenditures			
General government	143,323	-	-
Public safety	1,094,845	-	-
Public works	215,468	-	-
Health	56,293	-	-
Housing and community development	298	-	-
Parks and recreation	69,595	-	-
Library	37,625	-	-
Retiree benefits	18,463	-	-
Capital outlay	81,478	-	262,843
Debt service principal	1,489	486,180	-
Debt service interest	1,497	131,791	-
Debt service fiscal agent & fees	-	8,949	-
Total expenditures	<u>1,720,374</u>	<u>626,920</u>	<u>262,843</u>
Other financing sources (uses)			
Issuance of debt	87,500	321,350	217,355
Issuance of refunding debt	-	324,030	-
Discount on long-term debt	-	(327)	-
Sale of capital assets	4,798	-	-
Transfers in	36,012	360,008	4,901
Transfers out	(282,275)	-	(76,398)
Payment to escrow agent for refunded bonds	-	(355,885)	-
Total other financing sources (uses)	<u>(153,965)</u>	<u>649,176</u>	<u>145,858</u>
Changes in fund balance	(27,559)	29,937	(62,116)
Fund balances, July 1	331,506	131,477	100,343
Fund balances, June 30	<u>\$ 303,947</u>	<u>\$ 161,414</u>	<u>\$ 38,227</u>

(Continued)

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

Grants	Nonmajor Governmental Funds	Total
\$ -	\$ 478	\$ 1,617,937
-	40,615	58,126
-	24,594	121,418
326,128	31,055	435,715
-	16,652	57,037
737	-	737
1,283	6,054	30,087
-	26,845	62,714
<u>328,148</u>	<u>146,293</u>	<u>2,383,771</u>
12,515	22,226	178,064
63,026	63,842	1,221,713
116,724	66,314	398,506
64,588	2,540	123,421
78,295	622	79,215
3,946	6,897	80,438
1,623	-	39,248
-	-	18,463
-	28,151	372,472
-	21	487,690
-	-	133,288
-	-	8,949
<u>340,717</u>	<u>190,613</u>	<u>3,141,467</u>
-	-	626,205
-	-	324,030
-	-	(327)
-	583	5,381
-	61,872	462,793
(6,301)	(26,169)	(391,143)
-	-	(355,885)
<u>(6,301)</u>	<u>36,286</u>	<u>671,054</u>
(18,870)	(8,034)	(86,642)
10,789	119,500	693,615
<u>\$ (8,081)</u>	<u>\$ 111,466</u>	<u>\$ 606,973</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, 2009
(amounts expressed in thousands)**

Net change in fund balances - total governmental funds \$ (86,642)

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 (\$175,879) was less than the increase in capital assets (\$397,935) in the current period. 222,056

Revenue in the statement of activities that do not provide current financial resources are deferred as revenues in the funds. 89,974

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. (79,546)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report, as expenditures, the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (118,488)

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. (240,324)

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. (4,141)

Change in net assets of governmental activities \$ (217,111)

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

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
PROPRIETARY FUNDS
Statement of Net Assets
June 30, 2009
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Assets			
Current Assets			
Equity in pooled cash and investments	\$ 767,199	\$ 100,469	\$ 640,694
Receivables, net of allowances			
Accounts receivable	2,047	1,151	95,914
Hotel occupancy tax receivable	-	14,713	-
Special assessments receivable	-	-	93
Due from component units	-	13,431	-
Due from other funds	1,274	202	13,259
Due from other governments	11,299	590	8,619
Inventory	2,521	-	6,867
Prepaid items	2,475	785	4,009
Restricted assets			
Investments	6,826	21,774	-
Total current assets	793,641	153,115	769,455
Noncurrent Assets			
Due from component units	-	288,758	-
Due from other funds	-	-	96,859
Amounts held by other governments	-	-	10,146
Deferred charges for issuance cost	5,375	3,186	61,270
Total noncurrent restricted assets	5,375	291,944	168,275
Capital assets			
Land	209,311	99,757	119,995
Buildings	1,975,730	552,701	106,532
Improvements and equipment	1,950,321	10,969	114,678
Infrastructure	-	110	8,393,958
Construction in progress	285,996	4,767	457,327
Water rights	-	-	456,915
Garage rights	-	13,144	-
Less accumulated depreciation and amortization	(1,462,635)	(172,647)	(4,404,147)
Net capital assets	2,958,723	508,801	5,245,258
Total noncurrent assets	2,964,098	800,745	5,413,533
Total assets	\$ 3,757,739	\$ 953,860	\$ 6,182,988

(Continued)

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

Business-type Activities-Enterprise Funds		Governmental Activities Internal Service Funds
Non-Major Enterprise	Total	
\$ 8,638	\$ 1,517,000	\$ 15,366
1,301	100,413	1
-	14,713	-
-	93	-
-	13,431	-
1,034	15,769	6
-	20,508	1,061
-	9,388	-
-	7,269	3
-	28,600	-
<u>10,973</u>	<u>1,727,184</u>	<u>16,437</u>
-	288,758	-
-	96,859	-
-	10,146	-
-	69,831	-
-	465,594	-
-	429,063	-
19,749	2,654,712	6
670	2,076,638	-
121,595	8,515,663	-
735	748,825	348
-	456,915	-
-	13,144	-
<u>(16,395)</u>	<u>(6,055,824)</u>	<u>-</u>
<u>126,354</u>	<u>8,839,136</u>	<u>354</u>
<u>126,354</u>	<u>9,304,730</u>	<u>354</u>
\$ 137,327	\$ 11,031,914	\$ 16,791

(Continued)

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

CITY OF HOUSTON, TEXAS
PROPRIETARY FUNDS
Statement of Net Assets
June 30, 2009
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Liabilities			
Current Liabilities			
Accounts payable	\$ 63,195	\$ 5,440	\$ 89,826
Accrued payroll liabilities	3,731	396	5,468
Accrued interest payable	44,174	5,080	30,973
Contracts payable	-	-	14,928
Due to other funds	336	345	9,588
Due to component units	-	24,437	-
Due to other governments	-	55	2,803
Advances and deposits	1,865	895	37,367
Inferior lien contracts	4,085	-	-
Claims and judgments	1,063	-	1,111
Compensated absences	4,751	589	7,527
Revenue bonds payable	40,840	21,230	68,187
Unearned revenue	3,777	396	-
Total current liabilities	167,817	58,863	267,778
Noncurrent liabilities			
Revenue bonds payable	2,011,580	594,240	5,415,947
Claims and judgments	3,372	-	976
Compensated absences	5,252	614	11,823
Contracts payable	-	-	178,332
Inferior lien contracts	41,735	-	-
Commercial paper	93,000	43,800	-
Arbitrage rebate	-	361	5,267
Municipal pension trust liability	33,329	3,510	52,817
Other post employment benefits	20,648	1,638	36,892
Due to other funds	-	-	-
Deferred revenue	-	9,005	326,980
Pension obligation bonds payable	2,006	3,884	61,157
Total noncurrent liabilities	2,210,922	657,052	6,090,191
Total liabilities	2,378,739	715,915	6,357,969
Net assets (deficit)			
Invested in capital assets, net of related debt	790,731	161,540	(283,806)
Restricted net assets			
Restricted for debt service	78,014	16,694	-
Restricted for renewal and replacement	10,000	-	-
Restricted for maintenance and operations	41,899	16,665	69,242
Restricted for capital improvements	458,356	-	8,619
Unrestricted	-	43,046	30,964
Total net assets (deficit)	\$ 1,379,000	\$ 237,945	\$ (174,981)

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

(Continued)

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

Business-type Activities-Enterprise Funds		Governmental Activities Internal Service Funds
Non-Major Enterprise	Total	
2,062	\$ 160,523	\$ 217
113	9,708	120
-	80,227	-
-	14,928	-
2,820	13,089	2,728
-	24,437	-
-	2,858	-
-	40,127	-
-	4,085	-
5	2,179	3,050
136	13,003	150
-	130,257	-
-	4,173	1,449
<u>5,136</u>	<u>499,594</u>	<u>7,714</u>
-	8,021,767	-
6	4,354	6,004
66	17,755	140
-	178,332	-
-	41,735	-
-	136,800	-
-	5,628	-
174	89,830	-
557	59,735	-
96,859	96,859	-
-	335,985	-
-	67,047	-
<u>97,662</u>	<u>9,055,827</u>	<u>6,144</u>
<u>102,798</u>	<u>9,555,421</u>	<u>13,858</u>
-	668,465	354
126,354	221,062	-
-	10,000	-
-	127,806	-
-	466,975	-
(91,825)	(17,815)	2,579
<u>\$ 34,529</u>	<u>1,476,493</u>	<u>\$ 2,933</u>
	(1,624)	
	<u>\$ 1,474,869</u>	

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

CITY OF HOUSTON, TEXAS
PROPRIETARY FUNDS
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Fiscal Year Ended June 30, 2009
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Operating Revenues			
Landing area fees	\$ 82,823	\$ -	\$ -
Terminal space rentals	174,433	-	-
Parking	66,565	8,885	-
Concession	56,136	5,167	-
Other	5,800	-	-
Rental	-	6,850	-
Water/Sewer Billing	-	-	687,238
Health benefit premiums	-	-	-
Total operating revenue	<u>385,757</u>	<u>20,902</u>	<u>687,238</u>
Operating Expenses			
Administrative costs	-	-	-
Claims Costs	-	-	-
Maintenance and operating	241,303	39,142	371,771
Depreciation and amortization	136,554	14,888	204,919
Total operating expenses	<u>377,857</u>	<u>54,030</u>	<u>576,690</u>
Operating income (loss)	<u>7,900</u>	<u>(33,128)</u>	<u>110,548</u>
Nonoperating revenue (expenses)			
Investment income	37,332	17,688	33,436
Hotel occupancy tax	-	62,383	-
Other revenue	1,093	1,082	29,880
Gain (Loss) on disposal of assets	1,020	(174)	(5,432)
Other expenses	-	(30,166)	-
Interest on long-term debt	(94,396)	(29,740)	(260,396)
Passenger facility charges	32,398	-	-
Contributions	-	1,580	2,969
Total nonoperating revenues (expenses)	<u>(22,553)</u>	<u>22,653</u>	<u>(199,543)</u>
Income (loss) before capital contributions and transfers	<u>(14,653)</u>	<u>(10,475)</u>	<u>(88,995)</u>
Capital contributions	<u>70,936</u>	<u>105,968</u>	<u>17,109</u>
Transfers in	-	4,635	-
Transfers out	-	(500)	(77,124)
Total transfers	<u>-</u>	<u>4,135</u>	<u>(77,124)</u>
Change in net assets	56,283	99,628	(149,010)
Liability resulting from internal service fund's undercharging proprietary funds	-	-	-
Net change	56,283	99,628	(149,010)
Total net assets (deficit), July 1	<u>1,322,717</u>	<u>138,317</u>	<u>(25,971)</u>
Total net assets (deficit), June 30	<u>\$ 1,379,000</u>	<u>\$ 237,945</u>	<u>\$ (174,981)</u>

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

(Continued)

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

Business-type Activities Enterprise Funds		Governmental Activities Internal Service Funds
Non-Major Enterprise	Total	
\$ -	\$ 82,823	\$ -
-	174,433	-
13,250	88,700	-
-	61,303	-
-	5,800	-
-	6,850	-
-	687,238	-
-	-	288,874
<u>13,250</u>	<u>1,107,147</u>	<u>288,874</u>
4,499	4,499	3,457
-	-	289,266
9,288	661,504	243
4,523	360,884	-
<u>18,310</u>	<u>1,026,887</u>	<u>292,966</u>
<u>(5,060)</u>	<u>80,260</u>	<u>(4,092)</u>
281	88,737	951
-	62,383	-
443	32,498	-
(13)	(4,599)	-
(1,463)	(31,629)	-
-	(384,532)	-
-	32,398	-
25	4,574	-
<u>(727)</u>	<u>(200,170)</u>	<u>951</u>
<u>(5,787)</u>	<u>(119,910)</u>	<u>(3,141)</u>
-	194,013	-
9,449	14,084	-
<u>(7,236)</u>	<u>(84,860)</u>	<u>(1,000)</u>
<u>2,213</u>	<u>(70,776)</u>	<u>(1,000)</u>
(3,574)	3,327	(4,141)
	(1,033)	
	2,294	
<u>38,103</u>	<u>1,473,166</u>	<u>7,074</u>
<u>\$ 34,529</u>	<u>1,475,460</u>	<u>\$ 2,933</u>
	(591)	
	<u>\$ 1,474,869</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, 2009
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Cash flows from operating activities			
Receipts from customers	\$ 407,033	\$ 20,905	\$ 689,178
Payments to employees	(92,550)	(9,181)	(136,781)
Payments to suppliers	(86,101)	(29,000)	(189,835)
Internal activity-payments (to) from other funds	(41,766)	(757)	(25,185)
Claims paid	(1,064)	(178)	(303)
Due from other governments	-	(53)	-
Other revenues	544	1,082	29,880
Other expenses	-	(2,592)	-
Net cash provided by (used in) operating activities	<u>186,096</u>	<u>(19,774)</u>	<u>366,954</u>
Cash flows from investing activities			
Interest income on investments	37,329	17,688	33,436
Purchase of investments	(24,604)	-	-
Proceeds from sale of investments	25,237	-	-
Net cash provided by (used in) investing activities	<u>37,962</u>	<u>17,688</u>	<u>33,436</u>
Cash flows from capital and related financing activities			
Retirement of revenue bonds	(43,050)	(18,620)	(83,528)
Retirement of commercial paper	-	-	(322,775)
Refunding of revenue bonds	-	-	(23,660)
Proceeds (uses of cash) from issuance of revenue bonds	(5)	-	537,595
Proceeds from issuance of commercial paper	10,000	-	166,275
Passenger facilities charges	32,398	-	-
Interest expense on debt	(102,334)	(20,453)	(247,077)
Retirement of inferior lien contract	(3,880)	-	-
Proceeds from disposition of assets	-	-	188
Advances and deposits on construction	16	-	-
Contributed capital	61,864	-	50,715
Deferred bond issuance costs	-	-	(10,682)
Acquisition of property, plant and equipment	(201,448)	(4,659)	(391,518)
Net cash provided by (used in) capital and related financing activities	<u>(246,439)</u>	<u>(43,732)</u>	<u>(324,467)</u>

(Continued)

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

Business-type Activities - Enterprise Funds		Governmental Activities
Non-Major Enterprise	Total	Internal Service Funds
\$ 13,243	\$ 1,130,359	\$ 288,870
(2,563)	(241,075)	(2,805)
(7,114)	(312,050)	(763)
6,367	(61,341)	1,630
-	(1,545)	(289,286)
-	(53)	-
443	31,949	-
-	(2,592)	(1,000)
<u>10,376</u>	<u>543,652</u>	<u>(3,354)</u>
282	88,735	951
-	(24,604)	-
-	25,237	-
<u>282</u>	<u>89,368</u>	<u>951</u>
-	(145,198)	-
-	(322,775)	-
-	(23,660)	-
-	537,590	-
-	176,275	-
-	32,398	-
-	(369,864)	-
-	(3,880)	-
-	188	-
36	52	-
-	112,579	-
-	(10,682)	-
<u>(419)</u>	<u>(598,044)</u>	<u>(20)</u>
<u>(383)</u>	<u>(615,021)</u>	<u>(20)</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, 2009
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Cash flows from noncapital financing activities			
Retirement of collateralized pension note	(34,800)	-	-
Promotional contract paid from hotel occupancy tax revenues to component units	-	(27,574)	-
Interest expense electrical contract	(53)	-	-
Interest expense on pension obligation bonds	(106)	(10)	-
Interest expense collateralized note	(3,823)	(34)	-
Deferred charges on future debt issuance	(441)	-	-
Payments from Hotel Corporation	-	11,775	-
Hotel occupancy tax revenue	-	67,122	-
Proceeds from pension bonds	-	-	6,175
Transfers to debt service fund	-	-	(28,419)
Transfers from (to) other funds	-	4,135	(48,578)
Net cash provided by (used in) noncapital financing activities	<u>(39,223)</u>	<u>55,414</u>	<u>(70,822)</u>
Net increase (decrease) in cash and cash equivalents	(61,604)	9,596	5,101
Cash and cash equivalents, July 1	828,803	90,873	635,593
Cash and cash equivalents, June 30	<u>\$ 767,199</u>	<u>\$ 100,469</u>	<u>\$ 640,694</u>
Non cash transactions			
Capital additions included in liabilities	23,203	-	-
Contributions of capital assets	(2,009)	(105,968)	(17,109)
Capitalize interest expense	10,042	-	13,198
Cap accretion interest	-	-	17,601
Gain (loss) on disposal of assets	(997)	-	5,432
Total non cash transactions	<u>\$ 30,239</u>	<u>\$ (105,968)</u>	<u>\$ 19,122</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 7,900	\$ (33,128)	\$ 110,548
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	136,554	14,888	204,919
Other post employment benefits	9,292	719	17,037
Other revenues	1,093	1,082	29,880
Other expenses	-	(2,592)	-
Changes in assets and liabilities			
Accounts receivable	19,232	775	813
Arbitrage rebate	-	-	425
Due from other funds	(1,240)	(100)	(11,715)
Due from other governments	(548)	-	1,626
Inventory and prepaid insurance	96	-	(980)
Accounts payable	8,276	(1,229)	2,673
Accrued payroll liabilities	290	15	561
Due to other funds	329	345	9,273
Due to other governments	-	(53)	-
Advances and deposits	2,043	(157)	1,127
Claims and judgments-workers' compensation	(587)	(160)	(448)
Compensated absences	146	(3)	(685)
Pension obligation payable	3,220	749	4,510
Deferred revenue	-	(946)	-
Other long-term liabilities	-	21	(2,610)
Net cash provided by (used in) operating activities	<u>\$ 186,096</u>	<u>\$ (19,774)</u>	<u>\$ 366,954</u>

(Continued)

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

Business-type Activities - Enterprise Funds		Governmental Activities
Non-Major Enterprise	Total	Internal Service Funds
-	(34,800)	-
-	(27,574)	-
-	(53)	-
-	(116)	-
-	(3,857)	-
-	(441)	-
-	11,775	-
-	67,122	-
-	6,175	-
-	(28,419)	-
(7,236)	(51,679)	-
<u>(7,236)</u>	<u>\$ (61,867)</u>	<u>-</u>
3,039	(43,868)	(2,423)
5,599	1,560,868	17,789
<u>\$ 8,638</u>	<u>\$ 1,517,000</u>	<u>\$ 15,366</u>
-	23,203	-
-	(125,086)	-
-	23,240	-
-	17,601	-
(13)	4,422	-
<u>\$ (13)</u>	<u>\$ (56,620)</u>	<u>\$ -</u>
\$ (5,060)	\$ 80,260	\$ (4,092)
4,523	360,884	-
268	27,316	-
9,892	41,947	-
-	(2,592)	(1,000)
358	21,178	(1)
-	425	-
(9)	(13,064)	(6)
-	1,078	(1,061)
-	(884)	(3)
249	9,969	34
25	891	17
-	9,947	2,728
-	(53)	-
-	3,013	-
11	(1,184)	(191)
22	(520)	32
97	8,576	-
-	(946)	189
-	(2,589)	-
<u>\$ 10,376</u>	<u>\$ 543,652</u>	<u>\$ (3,354)</u>

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

CITY OF HOUSTON, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2009
amounts expressed in thousands

	Pension Trust Funds	Agency Funds
Assets		
Equity in pooled cash and investments	\$ 688	\$ 14,681
Investments		
U.S. government and agency securities	46,951	-
Corporate bonds	134,194	-
Other fixed income securities	1,603,650	-
Commingled equity funds	586,691	-
Common and preferred stock	1,994,210	-
Real estate and partnerships	1,867,328	-
Short-term investment funds	520,648	-
Invested securities lending collateral	501,948	-
Receivables, net of allowances		
Accounts receivable	19,280	121
Contributions	6,606	-
Accrued interest and other	43,082	-
Other Assets	8,595	-
Land	483	-
Building	6,625	-
Total assets	7,340,979	14,802
Liabilities		
Accounts payable	52,773	14,669
Advances and deposits	-	133
Security lending collateral	501,948	-
Foreign funds contracts payable	10,738	-
Other liabilities	5,696	-
Total liabilities	571,155	\$ 14,802
Net assets		
Held in trust for pension benefits and other purposes	\$ 6,769,824	

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

CITY OF HOUSTON, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
PENSION TRUST FUNDS
For the Year Ended June 30, 2009
amounts expressed in thousands

	2009
Additions	
Contributions:	
City of Houston	\$ 215,870
Plan members	74,826
Total Contributions	290,696
Investment earnings	
Interest and dividends	187,716
Net decrease in the fair value of investments	(1,831,337)
Total investment loss	(1,643,621)
Less investment expense	(25,855)
Net investment loss	(1,669,476)
Total additions	(1,378,780)
Deductions	
Benefits	447,087
Refund of contributions	2,734
Administrative expense	21,065
Total deductions	470,886
Change in net assets	(1,849,666)
Total net assets, July 1	8,619,490
Total net assets, June 30	\$ 6,769,824

* 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, 2009

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CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009



CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The significant accounting policies of the City are as follows:

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

The accompanying financial statements include financial statements for related organizations in accordance with GASB Statement No.14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Organizations are included if they are financially accountable to the City, or the nature and significance of their relationship with the City are such that exclusion would cause the financial statements to be misleading or incomplete. Inclusion is determined on the basis of the City's ability to exercise significant influence. Significant influence or accountability is based primarily on its operational or financial relationship with the City (as distinct from legal relationship).

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

B. Basis of Presentation - Financial Reporting Entity

1. Component Units

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

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

Following are the City's blended component units:

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

Reporting Fund: Business Type, Non-Major

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

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

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

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

Responsible for administration, management, and operation of the pension system solely for active and retired City of Houston firefighters. One member of the Board is either the Mayor or an appointed representative, five members are elected by active firefighters, one member is elected by retired firefighters, two members are citizen representatives, and one member is the City Treasurer. There is a fiscal dependency on the City, and there is the potential that exclusion would result in misleading financial reporting.

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

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

Responsible for administration, management, and operation of the pension system solely for active and retired municipal (non-classified) employees of the City. One member of the Board is appointed by the Mayor, one member of the Board is appointed by the City Controller, four are elected by active employees, two are elected by retirees, one is appointed by the elected trustees and two are appointed by the governing body of the City. There is a fiscal dependency on the City, and there is the potential that exclusion would result in misleading financial reporting.

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

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

Responsible for administration, management, and operation of the pension system solely for active and retired police officers of the City. One member of the Board is appointed by the Mayor, three are elected by employees, two are elected by retirees, and one is the City Treasurer. There is a fiscal dependency on the City, and there is the potential that exclusion would result in misleading financial reporting.

Reporting Fund: Police Officer's Pension Trust Fund.

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

Discretely Reported Component Units

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

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

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

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

Non-profit corporation incorporated by the City in accordance with the Texas Housing Finance Corporation Act to finance residential mortgage loans to low or moderate-income persons through the sale of revenue bonds collateralized by the mortgage loans. The Board is nominated by the Mayor and confirmed by City Council. The City has financial accountability because it appoints a voting majority of the Board and a financial benefit/burden relationship exists, allowing the City to impose its will.

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

Houston Zoo, Inc. (HZI) is a 501(c)(3) corporation and has a contract with Houston Zoo Development Corp to operate the Zoo. The Mayor may appoint up to 20% of the Board of Directors of HZI. Houston Zoo Development Corporation (HZDC) is a local government corporation that leases the zoo from the City. The lease provides for the City to make payments in support of capital and operating expenses over the lease term, which it makes available to HZI. There is a fiscal dependency on the City, and there is the potential that exclusion would result in misleading financial reporting.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

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

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

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<p><i>HALAN – Houston Area Library Automated Network Board Houston Central Library 500 McKinney 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 3201 Allen Parkway, Suite 250 Houston, TX 77019</i></p>	<p>Non-profit organization that is the officially designated arts agency of the City. The City does not appoint a voting majority, but is financially accountable because the alliance is fiscally dependent on the revenues provided from a portion of hotel occupancy tax, which is levied by the City. This fiscal dependency allows the City to impose its will.</p>
<p><i>Houston Business Development, Inc. 5330 Griggs Road Houston, Texas 77021</i></p>	<p>A non-profit organization established by the City of Houston in 1986, providing loans and management counseling to small and emerging businesses, and encouraging the expansion of commercial and industrial enterprises. The City has financial accountability because the voting majority of the board members are appointed by City Council and the operations provide financial benefits to the City. Its primary source of funding is through community Development Block Grants and there is the potential that exclusion would result in misleading financial reporting.</p>
<p><i>Houston Downtown Park Corporation 2217 Welch Houston, TX 77019</i></p>	<p>Local government corporation created by the City in 2004 in accordance with Chapter 431 of the Texas Transportation Corporation Act to aid and act on behalf of the City to accomplish the City's governmental purpose of providing for the acquisition, development, operation, and maintenance of a new public park, open space and related amenities and facilities to provide recreational, educational and tourism opportunities within, and beautification of the Central Business District of the City. Additionally, the corporation maintains an enterprise fund to account for the activities of the Discovery Green Parking Garage. Board members are appointed by the City and a financial benefit/burden relationship exists, allowing the City to impose its will. There is the potential that exclusion would result in misleading financial reporting.</p>
<p><i>Houston Parks Board, Inc. 2001 Kirby Dr., Suite 814 Houston, Texas 77019</i></p>	<p>Solicits and manages funds raised privately for park acquisitions and improvements on behalf of Houston Parks Board LGC., Inc., which provide a direct benefit to the City. Board members are nominated by the Mayor and confirmed by City Council, allowing the City to impose its will. Upon dissolution, all assets revert to the City. There is a potential that exclusion would result in misleading financial reporting.</p>
<p><i>Houston Parks Board LGC., Inc. 300 North Post Oak Lane Houston, Texas 77024</i></p>	<p>Solicits and manages funds raised privately for park acquisitions and advises the Mayor and City Council on park acquisitions and improvements, which provide a direct benefit to the City. Board members are nominated by the Mayor and confirmed by City Council, allowing the City to impose its will. Upon dissolution, all assets revert to the City. There is a potential that exclusion would result in misleading financial reporting.</p>
<p><i>Houston Public Library Foundation (formerly Houston Library Board) Houston Central Library 500 McKinney Houston, TX 77002</i></p>	<p>Solicits and manages funds raised privately for library improvements. Advises the Mayor and City Council on additions and improvements to the library system that provide a direct benefit to the City. Board members are nominated by the Mayor and confirmed by City Council, allowing the City to impose its will. There is a potential that exclusion would result in misleading financial reporting.</p>
<p><i>Lamar Terrace Public Improvement District City of Houston Box 1562 Houston, Texas 77251</i></p>	<p>Special district organized under state statute to redevelop a blighted neighborhood in Southwest Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City, allowing the City to impose its will.</p>

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<p><i>Land Assemblage Redevelopment Authority</i> <i>City of Houston</i> <i>Box 1562</i> <i>Houston, Texas 77251</i></p>	<p>The Land Assemblage Redevelopment Authority (LARA) is a 13-member board appointed by the Mayor, City Council, Harris County and the Houston Independent School District. The LARA Authority is organized for the purpose of aiding, assisting and acting on behalf of the City in the performance of its governmental functions to promote the common good and general welfare of the City and in undertaking and completing one or more projects, as may be defined or determined by the City Council of the City. The City has financial accountability because the voting majority of the board members are nominated by City Council, allowing the City to impose its will, and the operations provide financial benefits to the City.</p>
<p><i>Main Street Market Square Redevelopment Authority</i> <i>410 Pierce St., Suite 355</i> <i>Houston, Texas 77002</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Main St./Market Square Tax Increment Reinvestment Zone Board in the redevelopment of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><i>Memorial City Redevelopment Authority</i> <i>c/o Knudson & Associates</i> <i>8588 Katy Freeway, Suite 441</i> <i>Houston, Texas 77024</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Memorial City Tax Increment Reinvestment Zone Board in the redevelopment of the Memorial City Mall and Town & Country Mall areas west of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><i>Memorial-Heights Redevelopment Authority</i> <i>c/o Vincent & Elkins, LLP</i> <i>1001 Fannin St., Suite 2500</i> <i>Houston, Texas 77002</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Memorial Heights Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood adjacent to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><i>Midtown Redevelopment Authority</i> <i>410 Pierce</i> <i>Houston, Texas 77002</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Midtown Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood south of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><i>Miller Theatre Advisory Board, Inc.</i> <i>100 Concert Drive</i> <i>Houston, Texas 77030-1702</i></p>	<p>Miller Theatre Advisory Board, Inc. (the Board) is a Texas nonprofit corporation with the primary objective to advance the educational and cultural interests of the people of Houston through a continuing program of artistic, educational, and cultural events at the Miller Outdoor Theatre which is owned by the City of Houston. This is accomplished by various artistic and performing groups providing programs at the Theatre supported by grants awarded by the Board. The City has financial accountability because the directors are appointed by the mayor of the City of Houston and approved by City Council, and its primary source of funding is from Hotel Occupancy taxes which the Board receives from the City through the Houston Arts Alliance.</p>
<p><i>Old Sixth Ward Redevelopment Authority</i> <i>c/o Land Development, Inc.</i> <i>P.O. Box 994</i> <i>Sugar Land, Texas 77487</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Old Sixth Ward Tax Increment Reinvestment Zone Board in the redevelopment of a neighborhood adjacent to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council, the operations provide financial benefits to the City, and the City has investment authority for the Zone's assets.</p>
<p><i>OST/Alameda Corridors Redevelopment Authority</i> <i>5445 Alameda Suite 545</i> <i>Houston, Texas 77004</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the OST/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>

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

2. Related Organizations

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

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

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

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

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

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

Fund Accounting

1. The City reports the following major governmental funds:
 - (a) **General Fund** - is the principal operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.
 - (b) **Debt Service Fund** - is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of tax supported debt.
 - (c) **Capital Projects Fund** - is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Such resources are derived principally from proceeds of public improvement bonds and from special assessments.
 - (d) **Grants Fund** - The Grants Fund is used to account for grant resources received from various local, state and national agencies and organizations. The use of these resources is restricted to a particular function of the City by each grantor.
2. The City reports the following major enterprise funds:
 - (a) **Airport System Fund** - is used to account for the operations of the City's Airport System. The system is comprised of George Bush Intercontinental Airport, William P. Hobby Airport, and Ellington Airport.
 - (b) **Convention and Entertainment Facilities Fund** - is used to account for the operations of the City's major entertainment facilities, outdoor venues, and parking garages and surface lots. These assets include, but are not limited to, the following: George R. Brown Convention Center, Gus S. Wortham Center, Jesse H. Jones Hall, Houston Center for the Arts, Talento Bilingue de Houston, Jones Plaza, and Theater District parking garages.
 - (c) **Combined Utility System Fund** - is used to account for the production and transmission of water and the treatment of wastewater for City residents and businesses as well as for other governmental entities located in the Houston area.
3. The City reports the following additional funds:
 - (a) **Nonmajor Special Revenue Funds** - are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.
 - (b) **Nonmajor Enterprise Funds** - *HAWC* - is used to account for the cost to provide treated, potable water to the City of Houston for sale to customers. *Parking Management* - This fund was created to manage parking facilities within the City of Houston.
 - (c) **Internal Service Funds** - are used to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.
 - (d) **Fiduciary Fund Types** - Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and other funds. These include the following:
 - (1) **Pension Trust Funds** - are used to account for the assets held in trust for the members and beneficiaries of the City's three defined benefit pension plans.
 - (2) **Agency Funds** - are custodial in nature and do not involve measurement of results of operations.

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D. Measurement Focus and Basis of Accounting

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

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

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

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

Proprietary funds and pension trust funds of the primary government and blended Component Units are accounted for on a cost of services or "economic resources" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. In accordance with GASB Statement No. 20, the City has elected to follow all Financial Accounting Standards Board (FASB) pronouncements issued prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The City has elected not to follow FASB pronouncements issued subsequent to that date. All proprietary funds define operating revenues and expenses consistent with the precepts of Statement of Government Accounting Standards No. 9 paragraphs 16 – 19 and 31: cash receipts from customers, cash receipts from interfund services provided and used with other funds and other operating cash receipts. All other revenue or expenses recognized is non-operating.

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

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E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

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

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

2. Inventories of Materials and Supplies

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

3. Capital Assets

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

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

Capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds.

Capital Assets, which include land; building and improvements; improvements other than buildings, machinery and equipment; construction in progress; and infrastructure (e.g. storm drainage, streets and bridges), are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. These capital assets include the estimated historical cost of infrastructure acquired prior to fiscal year 1981. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as a part of the capitalized value of the assets constructed.

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

Assets	Useful Life
Buildings and improvements	Range from 20 to 45 years
Improvements other than buildings	Range from 15 to 30 years
Machinery	Range from 7 to 15 years
Equipment	Range from 3 to 20 years
Storm drainage	50 years
Streets	Range from 6 to 50 years
Bridges	Range from 20 to 50 years

b. Enterprise Funds – Property, Plant and Equipment

Property, plant, and equipment owned by the Enterprise Funds are stated at cost or estimated historical cost if original cost is not available. Construction costs (excluding land and equipment) are added to construction work-in-progress until the assets are substantially complete. At that point, the project is moved to the appropriate asset category and depreciation begins. Depreciation on equipment begins in the year of acquisition. Land and equipment costs are added to the capital asset base in the year of acquisition. Interest costs on funds borrowed to finance the construction of property, plant and equipment of the enterprise funds are capitalized when the costs materially exceed interest earnings on related revenue bond proceeds. For fiscal year 2009, the capitalized interest cost for the Airport System Facilities was \$10 million, Combined Utility System Fund was \$13.2 million and Convention & Entertainment Facilities Fund was \$ -0- million.

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

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

Water rights and conveyance system rights of the Combined Utility System Fund, and Garage rights of the Convention and Entertainment fund are amortized over the life of the related contracts. These rights are reported as capital assets.

4. Bond Discounts and Issuance Costs

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

5. Fund Balance

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

F. Transfers, Revenues, Expenditures and Expenses

1. Interfund Transactions

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

- a. Loans are reported as receivables and payables as appropriate.
- b. Charges for services are reported as revenues for the performing fund and expenditures of the requesting fund.
- c. Transactions to reimburse a fund for expenditures made by it for the benefit of another fund are recorded as expenditures or expenses in the reimbursing fund and as a reduction of expenditures or expenses in the fund that is reimbursed.

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

2. Compensated Absences

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

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

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.

G. 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.

H. Internal Service Funds

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

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

I. New Accounting Pronouncements

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

In June 2008, the GASB issued statement No. 53, "Accounting and Financial Reporting for Derivative Instruments". This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2009, the GASB issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

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

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

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

Balances at June 30, 2009 were (in thousands):

Unamortized bond issuance cost	\$	21,667
Section 108		13,315
Deferred revenue		89,974
		\$ 124,956
Internal Service Fund total assets	\$	16,437
Internal Service Fund liabilities		(13,858)
Cumulative asset resulting from undercharging the enterprise funds		1,624
		\$ 4,203
Bonds, notes, and capital lease payable	\$	(3,192,982)
Arbitrage rebate payable		(336)
Accrued interest		(44,312)
Compensated absences not reported at the fund level		(408,383)
Claims and judgments not reported at the fund level		(123,401)
Net pension obligation (liabilities less assets)		(620,307)
Other post employment benefits		(426,069)
		\$ (4,815,790)

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 assets, however, issuing debt increases long-term liabilities and does not affect the government-wide statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the government-wide statement of net assets.

Balances at June 30, 2009 were (in thousands):

Debt issued:	
Public Improvement Bonds	\$ 324,030
Pension Obligations	359,226
Commercial paper	284,855
Premium/Discount on bonds	(327)
Capital appreciation bonds accretion	<u>371</u>
	<u>\$ 968,155</u>
Repayments:	
Refunded commercial paper	\$ (391,605)
Refunded bonds	(310,953)
Deferred Electricity Note	(1,515)
Principal payments	<u>(141,300)</u>
	<u>\$ (845,373)</u>
Amortization of:	
Deferred gain	\$ 2,247
Premium	<u>(6,541)</u>
Net adjustment	<u>\$ 118,488</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	\$ 30,582
Ambulance fees earned but not available	2,091
Fines and forfeits earned but not available	7,836
Other (primarily assessments) earned but not available	<u>49,465</u>
Total revenue not reported at fund level	<u><u>\$ 89,974</u></u>
Property taxes for prior periods	\$ (30,362)
Ambulance fees for prior periods	(2,676)
Fines and forfeits for prior periods	(6,329)
Other (primarily assessments) for prior periods	<u>(40,179)</u>
Total revenue for prior period transactions	<u><u>\$ (79,546)</u></u>
Interest on long-term debt	\$ 5,261
Municipal Employees pension	(19,418)
Police Officers' pension	(51,279)
Firefighters' pension	12,154
Claims and judgments	7,256
Debt issuance costs	5,878
Amortization of debt issuance costs	(1,341)
Compensated absences	(11,318)
Other liabilities	675
Other post employment benefits	(186,447)
Decrease in other receivables	<u>(1,745)</u>
Total differences in accrued expenses	<u><u>\$ (240,324)</u></u>

CITY OF HOUSTON, TEXAS
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NOTE 3: DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 2009 the carrying amount of the City's deposits was (\$39,163,447). The City's bank balance is the sum of three accounts which total \$28,000,379. The three accounts that comprise this balance are described by the following:

Accounts	Ledger	Collected
Concentration	\$ 20,748,380	\$ 15,000,100
Section 108	270,645	270,645
JPM Money Market Account	6,981,354	6,981,354
Total	\$ 28,000,379	\$ 22,252,099

The first account is a demand deposit account with JP Morgan Chase bank that as of June 30, 2009 had a City balance of \$20,748,380 and a collected balance of \$15,000,100. The difference between the ledger and collected balance of \$5,748,280 represents checks deposited in this bank account but uncollected by the bank. As of June 30, 2009, the balance was insured by the US Government.

The second account is a demand deposit account with JP Morgan Chase Bank for the City's Housing and Urban Development section 108 account, which had a collected and ledger balance as of June 30, 2009 of \$270,645. As of June 30, 2009, the balance was insured by the US Government.

The third account is a highly rated, SEC registered money market fund. The balance in the money market fund as of June 30, 2009 was \$6,981,354. As this is not a bank account, collateral is not required to be held to cover the balance. There is no custodial risk associated with this money market fund.

B. Investments and Risk Disclosures

The following describes the investment positions of the City's operating funds as of June 30, 2009. As of that date, the City had \$2.3 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

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

1. General Investment Pool 9900 (Pool 960)

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

City of Houston Investments As of June 30, 2009	Credit Quality Ratings(1)(2)	Market Value	WAM* (yrs)
U.S. Treasury Notes	n/a	\$ 300,977,433	0.508
Housing and Urban Development Notes	n/a	54,676,137	2.392
Agency Notes (4)	AAA	861,812,898	2.118
Agency Notes (3) (4)	not rated	373,918,920	0.446
Collateralized Mortgage Obligations (3) (4)	not rated	7,684,306	1.054
Mortgaged Backed Securities (3) (4)	not rated	281,877,946	3.256
Money Market Funds	AAA Short Term	47,805,992	0.003
Certificate of Deposit	FDIC insured	982,652	0.216
Commercial Paper Notes (5)	A1 Short Term	153,910,220	0.061
Municipal Bonds	AAA	74,190,651	0.630
Municipal Bonds	SP-1+/MIG1 Short Term	5,086,129	0.002
Municipal Bonds	AA Long Term	76,546,277	0.738
Municipal Bonds	AA Long Term/A1 Short Term	37,169,582	0.003
Municipal Bonds	AA Long Term/A2 Short Term	26,427,489	0.002
Municipal Bonds	A Long Term	11,688,173	0.069
Municipal Bonds (6)	SG Short Term	<u>5,086,919</u>	0.004
Total Investments		<u>\$ 2,319,841,724</u>	1.531

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

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

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

(3) These securities are not individually rated by the rating agencies. However, senior lien debt of the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation ("Freddie Mac"), and the Federal National Mortgage Corporation ("Fannie Mae"), are rated AAA.

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

CITY OF HOUSTON, TEXAS
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(5) At June 30, 2009, the City held its own commercial paper notes ("the Notes") in this amount. The Notes were purchased in recognition of IRS Notice 2008-88 which permits issuers to purchase and hold their own debt until December 31, 2009 without causing an extinguishment of such debt for federal income tax purposes. The Notes were purchased as an investment of funds on deposit in City's General Pool, in compliance with the Texas Public Funds Investment Act and the City's current investment policy. Such purchase was not intended to extinguish the debt evidenced by the Notes.

(6) This note was rated MIG-1 at time of purchase and was downgraded to SG in June 2009. It was sold on July 7, 2009.

Reverse Repurchase Agreements:

Also known as a securities lending program, the purpose is to earn incremental income by borrowing money at favorable interest rates and investing the proceeds of these loans at a positive spread in high grade commercial paper, money market funds or U.S. Agency securities. The City uses U.S. Treasury securities held in the pool as collateral to secure the loans. The City receives 102% of the value of the Treasury. The program is limited to 15% of the City's portfolio value, and the term of the agreements may not exceed 90- days. The term of the investments must exactly match the term of the reverse repurchase agreements. The program is authorized by the Texas Public Funds Investment Act and the City's Investment Policy.

The dates of the agreement, collateral securities, and market value of the borrowings under the program are detailed below:

City of Houston Reverse Repurchase Agreements as of June 30, 2009	Market Value of Collateral Securities@	Liability on Reverse Repurchase Agreements @
Description of Collateral & Term of Agreement	6/30/2009	6/30/2009
US Treasury 4.625% 11/15/09, 6/18 -7/20/09	\$ 25,275,400	\$ 26,052,296
US Treasury 3.5% 8/15/09, 6/18 -7/20/09	30,213,270	31,147,959
US Treasury 3.625% 10/31/09, 6/18 - 7/20/09	25,398,450	25,924,745
US Treasury 6.0% 8/15/09, 6/29 - 7/20/09	14,099,526	14,714,286
US Treasury 4.625% 11/15/09, 6/22 -7/22/09	20,080,460	20,841,837
Total Market Value	115,067,106	118,681,123
Accrued Interest	1,555,163	13,373
Total Market Value plus Accrued Interest	\$ 116,622,269	\$ 118,694,496

Investments purchased with the proceeds of the securities lending program are included in the Commercial Paper Notes disclosed above.

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, 2009, this investment portfolio's dollar-weighted average maturity was 1.53 years. Modified duration was 1.42 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 1.42 years would experience approximately a 1.42% 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 were State of Texas general obligations or had the highest short-term credit rating of A1 or MIG-1 at purchase.

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, 2009 the value of the collateral held by the counterparty was less than the amount owed by the City.

Custodial Credit Risk. The custodial credit risk for investments is the risk that in the event of the failure of the 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, 2009, none of the City's investments in the General Investment Fund 9900 were subject to custodial credit risk.

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

CITY OF HOUSTON, TEXAS
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2. Tax Exempt Pool 9901

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

City of Houston	Credit Quality	Market	WAM
Investments As of June 30, 2009	Ratings	Value	
Fidelity Tax-Exempt Money Market Mutual Fund	SEC 2a-7 fund	\$ 20,331,794	<90 Days

Risk Disclosures:

Interest Rate Risk. In order to ensure the ability of the City to meet obligations and to minimize potential fair value losses arising from rising interest rate environments, the City's investment policy limits this pool's dollar-weighted average maturity to 1 year. As of June 30, 2009, all funds were invested in a SEC registered money market fund that kept a weighted average maturity of less than 90 days. Funds were available on same day notice.

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

Custodial Credit Risk. As of June 30, 2009 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	WAM
Investments As of June 30, 2009	Ratings	Value	
U.S. Treasury Bills	NA	\$7,559,251	10-Days

Risk Disclosures:

Interest Rate Risk. In order to ensure the ability of the City to meet obligations and to minimize potential fair value losses arising from rising interest rate environments, the City's investment policy limits this investment portfolio's dollar-weighted average stated maturity to six months maximum. As of June 30, 2009, this investment portfolio's dollar-weighted average stated maturity is 10 days. Modified duration was 0.073 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, 2009 none of the City's investments in this pool were subject to custodial credit risk.

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

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

The Convention Center and Hotel Reserve Fund Pool was closed on November 26, 2008, and its proceeds were reinvested in the General Pool Fund 9900.

CITY OF HOUSTON, TEXAS
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5. Miscellaneous Money Market Accounts

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

City of Houston Investments As of June 30, 2009	Credit Quality Ratings	Market Value	WAM (yrs)
JP Morgan US Government Money Market Fund: Airport System Special Facilities Revenue Bonds Series 1997A Reserve Fund.	AAA	\$ 6,652,912	< 90 days
JP Morgan US Treasury Securities Money Market Fund: Balances held for auction bonds debt service.	AAA	280,192	< 90 days
First American US Treasury Money Market Fund: Balances held for commercial paper debt service.	AAA	129,752	< 90 days
Total Miscellaneous Money Market Funds		<u>\$ 7,062,856</u>	

Risk Disclosures:

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

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

Custodial Credit Risk. As of June 30, 2009, 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.

6. Houston Foundation

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

City of Houston Investments As of June 30, 2009	Credit Quality Ratings	Market Value	WAM (yrs)
Cash and Equivalents	not rated	\$ 36,828	n/a
Fixed Income	see below.	1,654,384	4.13
Equities	n/a	857,172	n/a
Other	n/a	12	n/a
Total Assets		<u>\$ 2,548,396</u>	

Risk Disclosures:

Interest Rate Risk. The cash and fixed income portions of this portfolio are invested in mutual funds, US Agency Securities, and Corporate Bonds. Approximately 7% of the portfolio is allocated to Columbia Strategic Income Fund with average maturity of 9.6 years, 74% is allocated to Corporate Bonds with maturities less than 4 years, and 19% is allocated to U.S. Agency Bonds with maturities less than five years. The weighted average maturity for the fixed income portfolio is approximately 2.73 years, and the weighted average duration is 2.32 years.

Credit Risk. The allocation of assets among various asset classes are set by the board. The Standard and Poor's rating for the fixed income portfolio are as followed: 38% is rated Aaa, 32% is rated Aa, 19% is rated A, and 11%, mainly mutual funds, are not rated. The equities portion of this portfolio is invested in common stocks and Columbia's mutual funds.

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City of Houston will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not registered in the name of the City, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. As of June 30, 2009 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.

CITY OF HOUSTON, TEXAS
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7. Investments – Houston Area Water Corporation

As of June 30, 2009, the Corporation had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity</u>	<u>Fair value</u>
Wells Fargo Stagecoach Overnight Repurchase Agreement	1 day	\$ 916,281
JP Morgan U.S. Government Money Market Fund	49 days	<u>2,546,140</u>
		<u>\$ 3,462,421</u>

The above investment is shown as cash equivalent in the statement of net assets.

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

Credit Risk: State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The corporation has no investment policy that would further limit its investment choices. Wells Fargo Treasury Plus Money Market Fund and JP Morgan U.S. Government Money Market Fund were rated AAAM by S&P Rating and AAA by Moody's Rating.

8. Investments – Municipal Employees Pension System (the “System”)

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

The fair values of the System’s investments at June 30, 2009, are presented by type, as follows:

Short-term investment funds	\$ 41,292,085
Government securities	46,951,260
Corporate bonds	134,193,755
Capital stocks	435,432,937
Commingled funds	586,691,183
Real assets	204,875,980
Alternative investments	<u>294,803,721</u>
	<u>\$ 1,744,240,921</u>

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

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

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

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

Custodial credit risk. For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the System, and are held by either the counterparty or the counterparty’s trust department or agent but not in the System’s name. At June 30, 2009, 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.

CITY OF HOUSTON, TEXAS
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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.

Representative guidelines by type of investment are as follows:

U.S. equity managers

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

International equity managers

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

Fixed income managers

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

Global opportunistic fixed income/high yield managers

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

There is no security issued by a single issuer that is being held with market value over 5% of the System's plan net assets as of June 30, 2009.

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.

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Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. This risk is managed within the portfolios using the effective duration or option-adjusted methodology. The System's investment policies require that the portfolio shall maintain a duration within +/- 20% of the Barclays Capital Aggregate Bond index; and maintain a credit quality weighted average of AA-, or equivalent. Duration is a measure of a debt investment's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

The greater the duration of a bond, or a portfolio of bonds, the greater its price volatility will be in response to a change in interest rates and vice-versa. Duration is the measure of a bond price's sensitivity to a 100-basis point change in interest rates. The duration of the System's debt securities are managed by the active managers.

At June 30, 2009, the following table shows the System's fixed income securities by type, amount and the effective duration rate calculated using the software Wilshire Axiom.

	Effective <u>Duration</u>	<u>Domestic</u>	<u>International</u>	<u>Fair Value</u>
Collateralized mortgage obligations	4.93	\$ 4,760,462		4,760,462
Convertible bonds	3.00	6,875,577	103,813	6,979,390
Corporate bonds	5.06	100,094,842		100,094,842
Corporate bonds	3.75		9,135,610	9,135,610
GNMA/FNMA/FHLMC (Sponsored Agencies)	2.81	26,714,856		26,714,856
Government issues (United States)	6.60	15,421,825		15,421,825
Government issues (International)	10.01		3,291,262	3,291,262
Zero coupon bond	13.66	1,523,317		1,523,317
Misc. receivable (Auto/Credit card)	1.41	10,013,592		10,013,592
Other asset backed	3.09	<u>3,002,219</u>	<u>207,640</u>	<u>3,209,859</u>
	5.43	<u>\$ 168,406,690</u>	<u>12,738,325</u>	<u>181,145,015</u>

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

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

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The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at June 30, 2009 are as follows:

<u>Quality Rating</u>	<u>CMO</u>	<u>Convertible Bonds</u>	<u>Corporate Bonds</u>	<u>Sponsored Agencies</u>	<u>Government Issues (International)</u>	<u>Other</u>	<u>Other Asset Backed</u>	<u>Grand Total Fair Value</u>	<u>Percentage of Holdings</u>
AAA	\$ 3,871,207		1,490,164	11,185,143			591,694	17,138,208	.98%
AA			783,629					783,629	0.04%
AA+	3,336		783,919					787,255	0.05%
AA-			374,010					374,010	0.02%
A			3,751,240					3,751,240	0.22%
A-			3,360,471				216,357	3,576,828	0.21%
A+			1,624,659		1,545,491			3,170,150	0.18%
BBB			4,285,556		49,146		82,955	4,417,657	0.25%
BBB-			5,342,081		1,696,625		238,138	7,276,844	0.42%
BBB+			4,888,528			412,797	460,928	5,762,253	0.33%
BB			5,695,049					5,695,049	0.33%
BB+		892,437	3,618,486				223,017	4,733,940	0.27%
BB-		370,063	8,134,265				553,783	9,058,111	0.52%
B	99,754	801,900	5,378,917				30,026	6,310,597	0.36%
B+		231,988	10,182,655				109,139	10,523,782	0.60%
B-		1,565,126	16,578,198					18,143,324	1.04%
Below C	168,727		26,829,284				62,675	27,060,686	1.55%
NA	<u>617,438</u>	<u>3,117,876</u>	<u>6,129,341</u>	<u>15,529,713</u>		<u>9,600,795</u>	<u>641,147</u>	<u>35,636,310</u>	<u>2.04%</u>
Subtotal	<u>\$ 4,760,462</u>	<u>6,979,390</u>	<u>109,230,452</u>	<u>26,714,856</u>	<u>3,291,262</u>	<u>10,013,592</u>	<u>3,209,859</u>	<u>164,199,873</u>	<u>9.41%</u>
Total credit risk debt securities								<u>164,199,873</u>	<u>9.41%</u>
U.S. government fixed income securities*								<u>16,945,142</u>	<u>0.97%</u>
Total fixed income securities								<u>181,145,015</u>	<u>10.38%</u>
Other investments								<u>1,563,095,906</u>	<u>89.62%</u>
Total investments								<u>1,744,240,921</u>	<u>100%</u>

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

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

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Each investment manager, through the purchase of units in a commingled investment trust fund or international equity mutual fund, establishes investments in international equities. The System has an indirect exposure to foreign currency fluctuation as of June 30, 2009 as follows:

	<u>Fair Value</u>	<u>Percentage of Holdings</u>
Australian Dollar	\$ 2,723,463	1.9 %
Brazilian Real	1,944,060	1.4 %
Canadian Dollar	7,192,799	5.1 %
Euro Currency	38,071,397	27.0 %
Hong Kong Dollar	12,054,649	8.5 %
Indonesian Rupiah	527,700	0.4 %
Japanese Yen	36,437,754	25.7 %
Mexican Peso	1,536,641	1.1 %
New Taiwan Dollar	1,055,794	0.7 %
New Zealand Dollar	1,059,485	0.7 %
Pound Sterling	26,646,881	18.8 %
Singapore Dollar	2,105,156	1.5 %
South Korean Won	2,333,902	1.6 %
Swedish Krona	2,032,883	1.4 %
Swiss Franc	4,957,042	3.5 %
Turkish Lira	<u>1,054,684</u>	<u>0.7 %</u>
Total	\$ <u>141,734,290</u>	<u>100.0 %</u>

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

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

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

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

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

The fair values of the Fund’s investments as of June 30, 2009 by type are as follows:

Short-term investment funds	\$	100,173,760
Fixed Income		817,640,396
Common equity		819,872,895
Preferred equity		6,458,140
Alternative investments		166,401,164
Private equity		298,476,865
Real Estate		<u>153,382,513</u>
Total investments	\$	<u>2,362,405,733</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.

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, 2009, the Fund’s security investments that were not subject to custodial credit risk were the investments not registered on an exchange.

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

Significant risk management asset allocation guidelines are as follows:

Public market investments

1. Specific guidelines will be developed cooperatively by the Fund’s investment staff, legal counsel, and investment manager and shall be incorporated into the Investment Management Services Contract executed by the Chair of the Investment Committee, and the investment manager.
2. In case of conflict between the specific manager guidelines and the general guidelines, the specific guidelines, as approved by the Investment Committee, shall supersede. The general guidelines are as follows:

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- a. Manager investment philosophy, style, and strategy shall remain consistent and shall not change without the Investment Committee's approval. The manager shall have discretion to manage the portfolio consistent with the style presented to the Investment Committee at the time of selection and further subject to the restrictions established by the policy herein.
 - b. The following transactions are prohibited: short sales, selling on margin, put and call options, and the use of derivatives for speculation unless authorized by the Investment Committee.
 - c. Transactions that involve a broker acting as a principal, where such broker is also affiliated with the manager who is making the transaction are prohibited, unless specifically approved by the Investment Committee.
 - d. Transactions shall be executed at competitive costs, or within the parameters established for directed brokerage transactions by the Investment Committee.
 - e. Managers shall maintain cash levels consistent with their style as presented to the Investment Committee at the time of selection. Any deviation shall be allowed only after notifying the Chief Investment Officer and 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.
3. The Investment Committee with the assistance from the Fund staff shall monitor each investment manager's performance and adherence to style, strategy, and manager specific guidelines. It is the Investment Committee's discretion to take corrective action by replacing an investment manager if they deem it appropriate at any time.

Alternative and real estate investments

1. The investment specific guidelines for each manager will be incorporated in a Limited Partnership Agreement, Limited Liability Company Agreement, or other binding agreement as is appropriate for the investment. The Chair of the Investment Committee and the manager execute this document.
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. Manager investment philosophy, style, and strategy shall remain consistent and shall not change without the Investment Committee's approval. The manager shall have discretion to manage the portfolio consistent with the style presented to the Investment Committee at the time of selection and further subject to the restrictions established by the policy herein.
3. The Investment Committee with assistance from the Fund staff shall monitor each Alternative and Real Estate manager's performance and adherence to strategy and manager specific guidelines. It is the Investment Committee's discretion to take corrective action by replacing an investment manager if they deem it feasible and appropriate at any time. Alternative and Real Estate investment manager retention is governed in most cases by Limited Partnership Agreements, Limited Liability Company Agreements, or other binding agreements. In these cases, the Investment Committee with assistance from the Fund staff shall identify available options as allowed by the governing documents and determine the impact and consequences of these options.

As of June 30, 2009, the Fund investment portfolio had no single holdings in excess of 5% of their net assets.

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

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

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At June 30, 2009, the following table shows the Fund's investments by type, with weighted average maturity and fair value:

	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
Asset Backed Securities	12.36	\$ 45,230,777
Consumer Discretionary	19.55	629,574
Corporate Debt	17.54	549,438,213
Energy	26.71	2,802,019
Financials	24.01	1,012,300
U.S. Government Issues	8.02	16,843,065
Healthcare	2.84	8,365,625
Industrials	15.14	239,263
Information Technology	3.38	3,510,449
Multinational Fixed Income	0.00	74,043
Non-U.S. Corporate	3.52	58,092,111
Non-U.S. Government issues	1.93	25,538,658
U.S. Convertibles	16.04	11,982,615
U.S. Fixed Income Funds	0.00	2,700,177
U.S. Private Placements	22.66	83,654,972
U.S. Taxable Muni Bonds	26.98	7,043,535
Utilities	18.37	<u>483,000</u>
Total fixed income securities		\$ <u>817,640,396</u>

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, 2009 is as follows:

<u>Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Holdings</u>
A1	36,710,224	1.55 %
A2	151,307,903	6.40 %
A3	104,838,712	4.44 %
AA1	15,035,177	0.64 %
AA2	4,592,690	0.19 %
AA3	42,331,330	1.79 %
AAA	82,529,551	3.49 %
B1	12,001,252	0.51 %
B2	23,283,052	0.99 %
B3	10,441,380	0.44 %
Ba1	24,223,579	1.03 %
Ba2	20,976,701	0.89 %
Ba3	30,153,787	1.28 %
Baa1	58,393,202	2.47 %
Baa2	71,480,715	3.03 %
Baa3	63,176,768	2.67 %
C	758,974	0.03 %
Ca	3,705,100	0.16 %
Caa1	10,663,535	0.45 %
Caa2	5,710,934	0.24 %
Caa3	3,389,241	0.14 %
D	1,537,633	0.07 %
DEF	677,218	0.03 %
Rating not available	<u>22,878,673</u>	<u>0.97 %</u>
Total credit risk debt securities*	\$ <u>800,797,331</u>	<u>33.90 %</u>

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

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Foreign currency risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Realized and unrealized gains and losses on investments which result from changes in foreign currency exchange rates have been included in the net 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.

The Fund's exposure to foreign currency fluctuation as of June as of June 30, 2009 is as follows:

	<u>Fair Value</u>	<u>Percentage of Holdings</u>
EURO Currency	\$ 86,511,694	3.66 %
British Pound Sterling	74,642,494	3.16 %
Japanese Yen	51,955,741	2.20 %
Swiss Franc	38,940,768	1.65 %
Canadian Dollar	29,237,412	1.24 %
Hong Kong Dollar	24,744,027	1.05 %
Singapore Dollar	20,303,268	0.86 %
Brazil Real	12,615,533	0.53 %
Mexican New Peso	10,135,214	0.43 %
Norwegian Krone	9,961,550	0.42 %
New Zealand Dollar	8,245,446	0.35 %
Thailand Baht	7,880,606	0.33 %
Indonesian Rupian	7,860,395	0.33 %
Australian Dollar	7,858,420	0.33 %
South Korean Won	7,489,396	0.32 %
New Taiwan Dollar	4,375,645	0.19 %
Swedish Krona	3,494,404	0.15 %
Danish Krone	3,045,501	0.13 %
South African Comm Rand	2,594,098	0.11 %
New Turkish Lira	498,087	0.02 %
Israeli Shekel	302,407	0.01 %
Czech Koruna	<u>21,022</u>	<u>0.00 %</u>
Total securities subject to foreign currency risk	\$ <u>412,713,128</u>	<u>17.47 %</u>

10. Investments – Houston Police Officers' Pension

Summary of Significant Accounting Policies

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

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

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

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

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Reclassification – Amounts previously reported as a component of invested securities lending collateral and the corresponding liability for securities lending collateral in the amount of \$128,418 thousand for the year ended June 30, 2008, represent the System's securities lending transactions collateralized by letters of credit or by securities that the System does not have the ability to pledge or sell unless the borrower defaults. GASB Statement No. 28, Accounting and Financial Reporting for Securities Lending Transactions (GASB 28), prescribes that these amounts should not be reported as a component of the securities lending related asset and liability in the Statements of Plan Net Assets. Accordingly, amounts reported in the 2008 financial statement have been adjusted to reflect the provisions of GASB 28. This reclassification had no effect on net plan assets held in trust for pension benefits.

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

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the System's deposits may not be returned to them. The System considers only demand deposits as cash. As of June 30, 2009, the System had a balance of \$283 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. As of June 30, 2009, \$33 thousand of the System's bank balance of \$283 thousand was exposed to custodial credit risk. Prior to June 30, 2009, FDIC coverage was \$100 thousand per account at this financial institution. In addition, At June 30, 2009 the System had approximately \$964 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, 2009, the System's fixed income assets that are not government guaranteed represented 80.5% of the System's fixed income portfolio. The below tables summarize the System's fixed income portfolio exposure levels and credit qualities.

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

Fixed Income Security Type	Market Value (\$000's)	Percent of Total	Weighted Average Credit Quality
Corporate Bonds	\$ 202,641	17.4%	BB
International Government Bonds	69,438	6%	AA
Bank Loans	69,125	5.9%	BB
Mutual Bond Funds	217,746	18.7%	Not Rated
Short Term Investment Funds	379,182	32.5%	Not Rated
Total	\$ 938,132	80.5%	

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

Credit Rating Level	Corporate Bonds	Government Bonds	Bank Loans	Mutual Bond Funds	Short Term Investment Funds
AAA	\$ 1,187	\$ 21,940	\$ -	\$ -	-
AA	5,145	35,290	-	-	-
A	15,807	9,624	-	-	-
BBB	52,665	904	2,089	-	-
BB	50,806	-	13,932	-	-
B	55,690	-	22,627	-	-
CCC	15,409	-	1,780	-	-
CC	670	-	-	-	-
D	769	-	1,755	-	-
Not Rated	4,493	1,680	26,942	217,746	379,182
Total	\$ 202,641	\$ 69,438	\$ 69,125	\$ 217,746	\$ 379,182

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

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

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

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 operational guidelines for each specific portfolio limits investments in any one single domestic equity issue to 15% of each portfolio at market value and for any one single international equity issue to 5% of the 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, 2009, the System did not have any investments in any one organization which represented greater than 5% of plan net assets.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the System's financial instruments. This risk is managed within the portfolio using the modified duration methodology. It is widely used in the management of fixed income portfolios and estimates the sensitivity of a bond's price to interest rate changes. 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	\$ 227,060	19.5%	14.9
Corporate Bonds	202,641	17.4%	5.8
International Government Bonds	69,438	6%	6.2
Bank Loans	69,125	5.9%	0.5
Mutual Bond Funds	217,746	18.7%	3.0
Short Term Investment Funds	379,182	32.5%	0.2
Total	\$ 1,165,192	100.0%	4.9

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Modified Duration Analysis by Security Type

	Market Value (\$000's)	Average Modified Duration	Contribution Modified Duration
Corporate Bonds			
Less than 1 year to maturity	\$ 2,312	0.9	0.0
1 to 10 years maturities	155,296	4.5	3.4
10 to 20 years maturities	11,402	8.2	0.5
Greater than 20 years maturities	33,631	11.5	1.9
Total	\$ 202,641		5.8
International Government Bonds			
1 to 10 years maturities	\$ 46,868	3.2	2.2
10 to 20 years maturities	10,407	10.9	1.6
Greater than 20 years maturities	12,163	13.5	2.4
Total	\$ 69,438		6.2
Bank Loans			
Less than 1 year to maturity	\$ 151	0.5	0.0
1 to 10 years maturities	68,746	0.5	0.5
Greater than 20 years maturities	228	0.5	0.0
Total	\$ 69,125		0.5

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The books and records of the System are maintained in US dollars. Foreign currencies and non-US dollar denominated investments are translated into US dollars at the bid prices of such currencies against US dollars at each balance sheet date. Realized and unrealized gains and losses on investments which result from changes in foreign currency exchange rates have been included in the net appreciation in fair value of investments. Net realized foreign currency gains and losses resulting from changes in exchange rates include foreign currency gains and losses between trade date and settlement date of investment securities transactions, foreign currency transactions and the difference between the amounts of interest and dividends recorded on the books of the System and the amount actually received.

The System's exposure to foreign currency risk in U.S. dollars as of June 30, 2009, is shown in the table below:

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

Currency	Short Term		Fixed Income	Alternative Investments	Options on Foreign Currencies	Total
	Investments	Equities				
Australian dollar	\$ (10)	\$ -	\$ -	\$ -	\$ -	\$ (10)
British pound sterling	(25)	39,583	5,186	-	(5,601)	39,143
Canadian dollar	(21)	3,263	888	-	(879)	3,251
Danish krone	-	-	897	-	(892)	5
Euro	1,769	93,300	32,552	14,764	(32,009)	110,376
Hong Kong dollar	-	2,322	-	-	-	2,322
Japanese yen	192	64,761	29,501	-	(29,266)	65,188
New Zealand dollar	-	984	-	-	-	984
Norwegian krone	-	1,539	-	-	-	1,539
Singapore dollar	-	1,195	-	-	-	1,195
South Korean won	-	1,541	-	-	-	1,541
Swedish krona	7	6,207	333	-	(323)	6,224
Swiss franc	673	9,893	-	-	-	10,566
	\$ 2,585	\$ 224,588	\$ 69,357	\$ 14,764	\$ (68,970)	\$ 242,324

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Securities Lending Program – The Board of Trustees’ policies permit the System to lend securities (domestic and international equities and fixed income) to securities firms on a temporary basis through its custodian bank. The System receives fees for all loans and retains the right to all interest and dividend payments while the securities are on loan. Cash, letters of credit or various government securities having market values equal to or exceeding 102 and 105 percent of the value of the loaned securities for domestic and international securities, respectively, collateralize all security loan agreements. Whenever market value of the securities on loan changes, the borrower must adjust the collateral accordingly. 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, 2009 the weighted-average maturity of the collateral pool was 16 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, 2009 was \$297,146 thousand. The System also has non-cash collateral at June 30, 2009 of \$47 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, 2009 was \$290,240 thousand. At June 30, 2009, the System had no credit risk exposure to borrowers because the amounts the System owes the borrowers, \$297,192 thousand, exceeds the amounts the borrowers owe the System, \$290,240 thousand.

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 foreign currency contracts, options, swaps, reverse repurchase agreements, index linked bonds, collateralized mortgage obligations and mortgage-backed securities. No derivatives are purchased with borrowed funds.

These derivative instruments are subject to the following risks:

- *Credit Risk* – The risk that the counterparty will not fulfill its obligations. The System’s investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures.
- *Interest Rate Risk* – The risk that changes in interest rates will adversely affect the fair values of the System’s financial instruments or cash flows.
- *Basis Risk* – The risk that arises when variable interest rates on a derivative and an associated bond or other interest-paying financial instrument are based on different indexes.
- *Termination Risk* – The risk that a derivative’s unscheduled end will adversely affect an investment manager’s strategy.
- *Rollover Risk* – The risk that a derivative associated with the System’s fixed income investments does not extend to the maturity of those investments.

Foreign currency contracts are used to hedge against the currency risk in the System’s investments in foreign equity and fixed income securities. The other derivatives are used to enhance yields and provide incremental income.

Futures on investments are used to take advantage of mis-pricing opportunities. When a position is taken in a futures contract, a margin is posted and the contract is subject to daily mark-to-market adjustments. To liquidate the contract prior to expiration an offsetting position in the same contract must be taken.

The average futures balance outstanding, not including foreign currency contracts, during the fiscal year ending June 30, 2009 was \$168,016 thousand. Futures outstanding, not including foreign currency contracts at June 30, 2009 was \$202,381 thousand.

The notional values associated with derivative instruments are generally not recorded on the financial statements; however, the amounts for the exposure (unrealized gains/losses) on these instruments are recorded. The contract or notional amounts of these instruments reflect the extent of the System’s involvement in each class of financial instrument as of June 30, 2009 as follows (*in thousands*):

Description	Contract	Notional	
		Value	Exposure
Futures on Treasury Bills and Equivalents	7	\$ 4,485	\$ 12
Commodity Futures	0	-	-
Equity Futures	3	173,791	(2,674)
Fixed Income Futures	9	24,104	339
Long foreign currency contracts	74	71,067	(5)
Short foreign currency contracts	74	(71,449)	(377)
Total		\$ 201,998	\$ (2,705)

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Alternative Investments – As of June 30, 2009 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	\$ 94,847
Special Situations	85,010
Venture Capital	61,845
<i>Other Alternatives</i>	
Hedge Funds	252,895
Real Estate	7,131
Structured Beta	247,660
	\$ 749,388

NOTE 4: ALLOWANCE FOR DOUBTFUL ACCOUNTS

The following were the allowances for doubtful accounts receivable by fund as of June 30, 2009 (000's):

Fund	Amount
General	
Uncollectible general property taxes	\$ 53,707
Ambulance charges	305,158
Fines and forfeits	31,099
Demolition liens	82,005
Others	4,706
Grant revenue	40,065
Airport System	2,428
Convention and Entertainment Facilities	
Accounts receivable	718
Hotel occupancy tax	373
Combined Utility System	99,232
	\$ 619,491

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 2008 tax year was \$0.63875 per \$100 of assessed value with \$0.455688 for operations and \$0.183062 for debt service.

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

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NOTE 6: CAPITAL ASSETS

A. Governmental activities of the Primary Government

A summary of changes in capital assets for the year ended June 30, 2009 follows (in thousands):

	Balance July 1, 2008	Additions	Retirements	Transfers	Balance June 30, 2009
Primary Government					
Capital assets not being depreciated:					
Land	\$ 327,295	\$ 5,952	\$ (495)	\$ 9,088	\$ 341,840
Right of way	1,701,758	5,045	(1,722)	9,235	1,714,316
Construction Work in Progress	413,613	329,438	-	(293,652)	449,399
Total capital assets not being depreciated	<u>2,442,666</u>	<u>340,435</u>	<u>(2,217)</u>	<u>(275,329)</u>	<u>2,505,555</u>
Other capital assets:					
Buildings	692,727	34	(10)	58,260	751,011
Improvements and Equipment	703,018	56,834	(26,545)	15,027	748,334
Infrastructure	5,095,619	5,580	(311)	200,738	5,301,626
Total other capital assets	<u>6,491,364</u>	<u>62,448</u>	<u>(26,866)</u>	<u>274,025</u>	<u>6,800,971</u>
Less accumulated depreciation for:					
Buildings	(209,017)	(16,884)	10	(90)	(225,981)
Improvements and Equipment	(462,720)	(43,945)	25,186	17	(481,462)
Infrastructure	(2,202,948)	(115,050)	32	304	(2,317,662)
Total accumulated depreciation	<u>(2,874,685)</u>	<u>(175,879)</u>	<u>25,228</u>	<u>231</u>	<u>(3,025,105)</u>
Other capital assets, net	<u>3,616,679</u>	<u>(113,431)</u>	<u>(1,638)</u>	<u>274,256</u>	<u>3,775,866</u>
Primary Government capital assets, net	<u>\$ 6,059,345</u>	<u>\$ 227,004</u>	<u>\$ (3,855)</u>	<u>\$ (1,073)</u>	<u>\$ 6,281,421</u>

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B. Business-type Activities

	Balance July 1, 2008	Additions	Retirements	Transfers	Balance June 30, 2009
Airport System					
Capital assets not being depreciated:					
Land	\$ 207,439	\$ -	\$ (108)	\$ 1,980	\$ 209,311
Construction Work in Progress	236,090	233,404	-	(183,498)	285,996
Total capital assets not being depreciated	<u>443,529</u>	<u>233,404</u>	<u>(108)</u>	<u>(181,518)</u>	<u>495,307</u>
Other capital assets:					
Buildings	1,880,809	2,009	-	92,912	1,975,730
Improvements and equipment	1,860,843	2,891	(2,019)	88,606	1,950,321
Total other capital assets	<u>3,741,652</u>	<u>4,900</u>	<u>(2,019)</u>	<u>181,518</u>	<u>3,926,051</u>
Less accumulated depreciation for:					
Buildings	(496,977)	(67,401)	-	(5)	(564,383)
Improvements and equipment	(831,105)	(69,153)	2,001	5	(898,252)
Total accumulated depreciation	<u>(1,328,082)</u>	<u>(136,554)</u>	<u>2,001</u>	<u>-</u>	<u>(1,462,635)</u>
Other capital assets, net	<u>2,413,570</u>	<u>(131,654)</u>	<u>(18)</u>	<u>181,518</u>	<u>2,463,416</u>
Airport System capital assets, net	<u>2,857,099</u>	<u>101,750</u>	<u>(126)</u>	<u>-</u>	<u>2,958,723</u>
Convention and Entertainment Facilities					
Capital assets not being depreciated:					
Land	99,757	-	-	-	99,757
Construction Work in Progress	1,849	4,426	-	(1,508)	4,767
Total capital assets not being depreciated	<u>101,606</u>	<u>4,426</u>	<u>-</u>	<u>(1,508)</u>	<u>104,524</u>
Other capital assets:					
Buildings	447,272	104,799	(246)	876	552,701
Garage Rights	13,144	-	-	-	13,144
Improvements and equipment	8,942	1,402	(7)	632	10,969
Infrastructure	110	-	-	-	110
Total other capital assets	<u>469,468</u>	<u>106,201</u>	<u>(253)</u>	<u>1,508</u>	<u>576,924</u>
Less accumulated depreciation/amortization for:					
Buildings	(150,269)	(13,998)	72	-	(164,195)
Garage Rights	(1,577)	(353)	-	-	(1,930)
Improvements and equipment	(5,980)	(532)	7	-	(6,505)
Infrastructure	(13)	(4)	-	-	(17)
Total accumulated depreciation/amortization	<u>(157,839)</u>	<u>(14,887)</u>	<u>79</u>	<u>-</u>	<u>(172,647)</u>
Other capital assets, net	<u>311,629</u>	<u>91,314</u>	<u>(174)</u>	<u>1,508</u>	<u>404,277</u>
Convention and Entertainment Facilities capital assets, net	<u>413,235</u>	<u>95,740</u>	<u>(174)</u>	<u>-</u>	<u>508,801</u>

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	Balance July 1, 2008	Additions	Retirements	Transfers	Balance June 30, 2009
Combined Utility System					
Capital assets not being depreciated:					
Land	115,192	2,087	(136)	2,537	119,680
Right of way	286	-	-	29	315
Construction Work in Progress	413,610	396,685	-	(352,967)	457,328
Total capital assets not being depreciated	<u>529,088</u>	<u>398,772</u>	<u>(136)</u>	<u>(350,401)</u>	<u>577,323</u>
Other capital assets:					
Buildings	95,307	-	-	11,225	106,532
Improvements and equipment	109,372	7,943	(2,881)	244	114,678
Infrastructure	8,053,794	13,888	(13,961)	340,237	8,393,958
Water Rights	456,915	-	-	-	456,915
Total other capital assets	<u>8,715,388</u>	<u>21,831</u>	<u>(16,842)</u>	<u>351,706</u>	<u>9,072,083</u>
Less accumulated depreciation/amortization for:					
Buildings	(41,836)	(2,822)	-	90	(44,568)
Improvements and equipment	(70,282)	(7,090)	2,845	(17)	(74,544)
Infrastructure	(3,832,487)	(183,577)	8,516	(304)	(4,007,852)
Water Rights	(265,752)	(11,431)	-	-	(277,183)
Total accumulated depreciation/amortization	<u>(4,210,357)</u>	<u>(204,920)</u>	<u>11,361</u>	<u>(231)</u>	<u>(4,404,147)</u>
Other capital assets, net	<u>4,505,031</u>	<u>(183,089)</u>	<u>(5,481)</u>	<u>351,475</u>	<u>4,667,936</u>
Combined Utility System capital assets, net	<u>5,034,119</u>	<u>215,683</u>	<u>(5,617)</u>	<u>1,074</u>	<u>5,245,259</u>
Combined Non-Major Enterprise Funds					
Capital assets not being depreciated:					
Construction Work in Progress	470	265	-	-	735
Total capital assets not being depreciated	<u>470</u>	<u>265</u>	<u>-</u>	<u>-</u>	<u>735</u>
Other capital assets:					
Buildings	19,749	-	-	-	19,749
Improvements and equipment	602	157	(89)	-	670
Infrastructure	121,595	-	-	-	121,595
Total other capital assets	<u>141,946</u>	<u>157</u>	<u>(89)</u>	<u>-</u>	<u>142,014</u>
Less accumulated depreciation for:					
Buildings	(1,201)	(440)	-	-	(1,641)
Improvements and equipment	(296)	(62)	77	-	(281)
Infrastructure	(10,451)	(4,021)	(1)	-	(14,473)
Total accumulated depreciation	<u>(11,948)</u>	<u>(4,523)</u>	<u>76</u>	<u>-</u>	<u>(16,395)</u>
Other capital assets, net	<u>129,998</u>	<u>(4,366)</u>	<u>(13)</u>	<u>-</u>	<u>125,619</u>
Combined Non-Major Enterprise Funds, net	<u>130,468</u>	<u>(4,101)</u>	<u>(13)</u>	<u>-</u>	<u>126,354</u>
Business-type activities capital assets, net	<u>\$ 8,434,921</u>	<u>\$ 409,072</u>	<u>\$ (5,930)</u>	<u>\$ 1,074</u>	<u>\$ 8,839,137</u>

Included in the transfers Combined Utility System transferred \$127 thousand to the General Fund, and \$299 thousand to the Houston Area Water Corporation. Capital Projects transferred \$1.071 million to the Combined Utility System.

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C. Depreciation Expense

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

Governmental activities	
General government	\$ 6,861
Public safety	27,551
Public works	11,810
Health	2,837
Housing	715
Parks and recreation	8,535
Library	2,520
Infrastructure	115,050
Total depreciation expense - governmental activities	\$ 175,879
Business-type activities	
Airport System	\$ 136,554
Convention & Entertainment Facilities	14,888
Combined Utility System	204,919
Nonmajor Business-type	4,523
Total depreciation expense - business-type activities	\$ 360,884

D. Pension Trust Funds

In February 1998, the Firefighters' Relief and Retirement Fund purchased land in the amount of \$483,325 for use in the construction of a new office building for its operations and its members. In April of 2001, the construction of the new building was completed. The building cost of \$9,140,824 is being depreciated over 30 years. The accumulated depreciation for the building as of June 30, 2009 amounted to \$2,533,752.

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

Short-term debt activity for the year ended June 30, 2008, was as follows (amounts in thousands):

	Balance July 1, 2008	Issued	Redeemed	Balance June 30, 2009
Tax and revenue				
Anticipation notes	\$ -	\$ 120,000	\$ 120,000	\$ -

On July 1, 2008, the City closed on the sale of \$80,000,000 Tax and Revenue Anticipation Notes ("TRANS"), Series 2008. The proceeds of the TRANS were used to pay working capital expenditures until tax revenues were received. The stated interest rate was 3.0%, and the yield was 1.70%. The notes matured on June 30, 2009.

On October 1, 2008 City Council approved a \$95,000,000 line of credit for TRANS, Series 2008A. The City made two draws totaling \$40,000,000 which were repaid by January 9, 2009 at rates ranging from 1.65% to 2.78%. The proceeds were used to pay additional overtime expenses related to Hurricane Ike until grant proceeds were received from FEMA.

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NOTE 8: LONG-TERM LIABILITIES

A. General Long-Term Liabilities

Changes in General Long-Term Liabilities for the year ended June 30, 2009 are summarized as follows (in thousands):

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Balance June 30, 2009</u>	<u>Amounts Due within One Year</u>
Governmental Activities					
Bonds and notes payable					
General tax obligation debt	\$ 2,982,826	\$ 968,111	\$ (841,937)	\$ 3,109,000	\$ 240,935
Accretions, net	2,480	371	(175)	2,676	-
HUD Section 108 Loans	15,060	-	(1,745)	13,315	3,305
Deferred charges for electricity	1,515	-	(1,515)	-	-
Plus premium (discount) on bonds	89,194	(327)	(6,541)	82,326	-
Less deferred amount on refundings	(16,581)	-	2,246	(14,335)	-
Total bonds and notes payable	<u>3,074,494</u>	<u>968,155</u>	<u>(849,667)</u>	<u>3,192,982</u>	<u>244,240</u>
Other liabilities:					
Claims and judgments	142,369	6,083	(14,169)	134,283	14,927
Compensated absences	400,313	62,700	(51,703)	411,310	134,581
Arbitrage rebate	242	112	(18)	336	-
Other Post Employment Benefit liability	239,622	234,113	(47,666)	426,069	-
Pension liability	561,765	252,658	(194,116)	620,307	-
Total other liabilities	<u>1,344,311</u>	<u>555,666</u>	<u>(307,672)</u>	<u>1,592,305</u>	<u>149,508</u>
Governmental Activities Long-Term Liabilities	<u>\$ 4,418,805</u>	<u>\$ 1,523,821</u>	<u>\$ (1,157,339)</u>	<u>\$ 4,785,287</u>	<u>\$ 393,748</u>
Discretely Presented Component Units:					
Notes payable	\$ 338,908	\$ 29,852	\$ (21,777)	\$ 346,983	\$ 41,817
Revenue bonds	146,085	28,500	(5,899)	168,686	6,475
Discretely Presented Component Units Long-Term Liabilities	<u>\$ 484,993</u>	<u>\$ 58,352</u>	<u>\$ (27,676)</u>	<u>\$ 515,669</u>	<u>\$ 48,292</u>

(Continued)

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Balance June 30, 2009</u>	<u>Amounts Due within One Year</u>
Business-type activities					
Bonds and notes payable					
Airport System debt	\$ 2,295,811	\$ 12,958	\$ (84,688)	\$ 2,224,081	\$ 44,925
Convention and Entertainment debt	609,024	3,976	(22,201)	590,799	21,230
Combined Utility System debt	5,127,088	766,031	(440,104)	5,453,015	68,187
Deferred charges for electricity	3,876	-	(3,876)	-	-
Long-term contracts - Combined Utility	208,441	-	(18,254)	190,187	14,928
Premiums, discounts and deferred amount on refundings	133,641	22,912	(19,684)	136,869	-
Total bonds and notes payable	<u>8,377,881</u>	<u>805,877</u>	<u>(588,807)</u>	<u>8,594,951</u>	<u>149,270</u>
Other liabilities:					
Claims and judgments	7,716	996	(2,179)	6,533	2,179
Compensated absences	31,278	12,361	(12,881)	30,758	13,003
Arbitrage rebate	5,182	446	-	5,628	-
Other Post Employment Benefit liability	32,419	35,934	(8,618)	59,735	-
Pension liability	81,649	31,451	(23,270)	89,830	-
Deferred Revenue	285,197	50,788	-	335,985	-
Total other liabilities	<u>443,441</u>	<u>131,976</u>	<u>(46,948)</u>	<u>528,469</u>	<u>15,182</u>
Business-type activities Long-Term Liabilities	<u>\$ 8,821,322</u>	<u>\$ 937,853</u>	<u>\$ (635,755)</u>	<u>\$ 9,123,420</u>	<u>\$ 164,452</u>
Total Reporting Entity Long-Term Liabilities	<u>\$ 13,725,120</u>	<u>\$ 2,520,026</u>	<u>\$ (1,820,770)</u>	<u>\$ 14,424,376</u>	<u>\$ 606,492</u>

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

	Stated Interest Rate Range, %	Face Value Outstanding 6/30/2008	FY09 Issued/ Increased
General Tax Obligation Debt			
General obligation bonds	5.40	\$ -	\$ -
Public improvement bonds	3.00 to 5.75	1,798,150	324,030
Pension obligations	5.31 to 6.29	472,205	359,226
Commercial paper	0.78 to 10.00	625,950	284,855
Tax and revenue certificates of obligation	3.00 to 6.00	86,521	-
Deferred electricity note	5.26	1,515	-
Total General Tax Obligation Debt		\$ 2,984,341	\$ 968,111
HUD Section 108 Loans		\$ 15,060	\$ -
Revenue Bonded Debt			
Airport System Bonds			
Senior Lien Revenue Bonds	7.20 to 8.20	\$ -	\$ -
Subordinate lien refunding revenue bonds	0.52 to 6.00	2,126,305	-
Senior lien commercial paper	1.39 to 10.00	83,000	10,000
Inferior lien contractual obligation	5.38 to 5.50	49,700	-
Pension obligations	5.31 to 6.29	36,806	2,958
Deferred electricity note	5.26	1,011	-
		2,296,822	12,958
Convention and Entertainment Facilities			
Senior lien hotel occupancy tax/parking facilities	1.12 to 5.75	561,735	-
Convention Center/Hotel Commercial Paper		-	
Note Payable		-	
Hotel and parking revenue commercial paper	0.79 to 10.00	43,800	
Pension obligations	5.31 to 6.29	3,489	3,976
Deferred electricity note	5.26	255	-
		609,279	3,976
Combined Utility System			
Combined Utility System first lien bonds	0.76 to 6.00	4,145,405	537,595
Water and Sewer System junior lien revenue bond	1.25 to 6.90	770,201	-
Combined Utility System commercial paper	na	156,500	166,275
Pension obligations	5.31 to 6.29	54,982	62,161
Deferred electricity note	5.26	2,610	-
		5,129,698	766,031
Long-Term Contracts-Water and Sewer System			
Coastal Water Authority	3.00 to 7.50	184,645	-
Other long term contracts	3.22 to 5.87	23,796	
		208,441	-
Total Revenue Bonded Debt and Long-Term Contracts, Primary Government		\$ 8,244,240	\$ 782,965
Total Bonds and Long-Term Contracts Payable, Primary Government		\$ 11,243,641	\$ 1,751,076

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

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FY09 Redeemed / Refunded	Face Value Outstanding 6/30/2009	Adjustments⁽¹⁾	Net Outstanding 6/30/2009
\$ -	\$ -	\$ -	\$ -
133,880	1,988,300	66,087	2,054,387
310,953	520,478	-	520,478
391,605	519,200	-	519,200
5,499	81,022	4,580	85,602
1,515	-	-	-
<u>\$ 843,452</u>	<u>\$ 3,109,000</u>	<u>\$ 70,667</u>	<u>\$ 3,179,667</u>
<u>\$ 1,745</u>	<u>\$ 13,315</u>	<u>\$ -</u>	<u>\$ 13,315</u>
\$ -	\$ -	\$ -	\$ -
43,050	2,083,255	(30,836)	2,052,419
-	93,000	-	93,000
3,880	45,820	-	45,820
37,758	2,006	-	2,006
1,011	-	-	-
<u>85,699</u>	<u>2,224,081</u>	<u>(30,836)</u>	<u>2,193,245</u>
18,620	543,115	72,355	615,470
-	-	-	-
-	-	-	-
-	43,800	-	43,800
3,581	3,884	-	3,884
255	-	-	-
<u>22,456</u>	<u>590,799</u>	<u>72,355</u>	<u>663,154</u>
40,060	4,642,940	(67,484)	4,575,456
21,283	748,918	159,760	908,678
322,775	-	-	-
55,986	61,157	-	61,157
2,610	-	-	-
<u>442,714</u>	<u>5,453,015</u>	<u>92,276</u>	<u>5,545,291</u>
18,155	166,490	(1,654)	164,836
99	23,697	4,727	28,424
<u>18,254</u>	<u>190,187</u>	<u>3,073</u>	<u>193,260</u>
<u>\$ 569,123</u>	<u>\$ 8,458,082</u>	<u>\$ 136,868</u>	<u>\$ 8,594,950</u>
<u>\$ 1,414,320</u>	<u>\$ 11,580,397</u>	<u>\$ 207,535</u>	<u>\$ 11,787,932</u>

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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, 2038.

2. Pension Obligation Bonds

The City has issued several series of General Obligation Taxable Pension Bonds. The proceeds were used to reduce the unfunded actuarial accrued liability of the Houston Municipal Employees Pension System and the Houston Police Officers Pension System. Interest is payable semi-annually, and principal is payable in varying amounts through 2037. Although these obligations have an ad valorem tax pledge, a portion of the liabilities is recorded in the enterprise funds because the liabilities are directly related and expected to be paid from those funds based on percentages of payroll.

3. General Obligation Swap Agreements

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

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

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

As of June 30, 2009 the swap created synthetic variable-rate exposure as follows:

	TERMS	RATE (%)
Variable rate payment to counterparty	Fixed Rate	5.0000
	BMA/0.667	0.6515
	-LIBOR	(1.7975)
	-Constant	<u>(0.6750)</u>
		3.179
Net payment to counterparty		3.179
Receipt from counterparty	Fixed	<u>(5.0000)</u>
Net interest rate swap payment/(receipt)		(1.8210)
Fixed rate bond coupon payments		<u>5.1280</u>
Synthetic variable interest rate paid on bonds		<u>3.3070</u>

Fair value. The fair value of the swap was negative \$3,357,000 as of June 30, 2009. The value was calculated using the zero coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These net payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit risk. The City is exposed to credit risk on the swap in the amount of its fair value. RFPC, the swap counterparty, has not been rated by the rating agencies. To mitigate this potential credit risk for an unrated counterparty, the City required that RFPC purchase a surety bond from Ambac Assurance Corporation ("Ambac"), an AAA-rated insurance company at the time of the swap. As of June 30, 2009, Ambac's ratings had fallen below the contractually-required required level of A. The City unwound the swap on August 27, 2009. See Note 17, SUBSEQUENT EVENTS.

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

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

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

Swap receipts and associated debt. The City received \$2,056,000 during fiscal year 2009. As of June 30, 2009, assuming current interest rates, the City will receive swap payments as reported in Note 8D. Because rates vary, variable rate bond interest payments and net swap receipts or payments will vary. Related debt service payments on the underlying Public Improvement Bonds are included in Note 8D with other City Public Improvement Bonds.

4. General Obligation Commercial Paper

The City currently may issue Commercial Paper Notes ("Notes") under its \$400 million General Obligation Commercial Paper Program Series D, \$325 million General Obligation Commercial Paper Program Series E, \$139.5 million General Obligation Commercial Paper Program Series F, \$276 million General Obligation Commercial Paper Program Series G, \$100 million General Obligation Commercial Paper Program Series H-1 and \$100 million General Obligation Commercial Paper Program Series H-2. General Obligation Commercial Paper Notes Series A, B and C 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 2009 the average interest rate for the General Obligation Notes, including dealer and credit fees, was 1.93%. The average year-end rate, including fees, was 1.27%. The Credit Agreements expire on the following dates: Series D on May 25, 2010, Series E on April 29, 2011, Series F on May 25, 2010, Series G on November 15, 2011, Series H-1 on February 12, 2010 and Series H-2 on February 23, 2012.

5. Certificates of Obligation

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

6. HUD Section 108 Loan

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

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7. Airport System Revenue Bonds

These funds are paid solely from a lien on the airport system's net revenues, which must total 110% of the debt service requirements for Subordinate Lien Bonds for such fiscal year. The bonds have a final maturity in the year 2032. Airport System Subordinate Lien Revenue Bonds, Series 2000P1 and 2001P2, 2002C, 2002D-1, and 2002D-2, have been issued as auction rate securities with current 7-day resets. Series 2005A has been issued as Variable Rate Demand Obligations with a 7-day reset. These bonds may all be converted to other modes including fixed rate bonds. The City has a liquidity facility in place for the Series 2005A bonds with a termination date of July 1, 2010. The maximum interest rate permitted under the ordinance is 10%.

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

8. Airport System 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 \$45,820,000, is recorded as an Inferior Lien Contract.

9. Airport System Commercial Paper

Airport System Senior Lien Commercial Paper Notes Series A and B (the "Notes") have been authorized for \$150 million, and Airport System Inferior Lien Commercial Paper Notes Series C have been authorized for \$150 million to establish, improve, enlarge, extend and repair the City's Airport System, acquire land, and pay interest and cost of issuance of the Notes. During fiscal year 2009 the average interest rate for the Airport System Notes, including dealer and credit fees, was 1.92%. The average year-end rate, including fees, was 1.39%.

The Series A and B Notes are collateralized by a revolving credit agreement convertible to direct pay letters of credit issued by a bank, and a lien on the net revenues of the Airport System. The Letter of Credit will terminate on January 4, 2011 for Series A and B.

10. Airport System Pledged Revenues

The Fund has pledged airport system revenues, net of operation and maintenance expenses, to pay principal and interest on outstanding Senior Lien Commercial Paper Notes, Subordinate Lien Revenue Bonds, and an Inferior Lien Contract, with outstanding principal amounts of \$93,000,000, \$2,083,255,000, and \$45,820,000, respectively. The Commercial Paper Notes and Revenue Bonds are issued to establish, improve, enlarge, extend and repair the Airport System. The Inferior Lien Sublease Agreement with Continental Airlines pays debt service on the Airport System Special Facilities Bonds (Automated People Mover Project) Series 1997A.

Pledged airport system revenues exclude: proceeds of any bonds, replacement proceeds, or any investment income earned by bond proceeds; passenger facility charges; grants or gifts for construction or acquisition; insurance proceeds; revenue from special facilities pledged to Special Facility Bonds; taxes collected for others; and proceeds from the sale of property. Pledged airport system revenues, net of operation and maintenance expense, totaled \$177,786,000 in Fiscal Year 2009, covering principal of \$49,692,000 and interest of \$101,049,000. In addition to pledged airport system revenue, grants and passenger facility charges totaling \$51,739,000 were available to cover debt service in Fiscal Year 2009, making the ratio of net pledged revenue to reduced debt service cost 1.80%.

11. 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.

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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%.

12. Convention and Entertainment Hotel and Parking Revenue Commercial Paper

Hotel Occupancy Tax and Parking Revenue Commercial Paper Notes Series A have been authorized for \$75 million to finance the costs of site acquisition, construction, and improvements for convention center facilities. The notes are issued as subordinate lien debt. The maturity of the Notes may not exceed 270 days and the maximum interest rate may not exceed 10%. Upon maturity, the Notes will be remarketed by the commercial paper dealer or extinguished with long-term debt. The Notes are collateralized by a Letter of Credit that expires on January 16, 2011. During fiscal year 2009 the average interest rate for the Notes, including fees, was 1.11%. The average rate in effect at year-end was 0.79%.

13. Combined Utility System First Lien Revenue Bonds

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

The Combined Utility System Revenue Refunding Bonds, Series 2004B and 2004C, were initially issued as Auction Rate Securities. All of the 2004B auction rate securities were converted to variable rate demand bonds in April 2008. The Combined Utility System Revenue Refunding bonds 2008A were issued as tax-exempt variable rate demand bonds to refund \$249M of the 2004C tax-exempt auction rate securities, and the Combined Utility System Revenue Refunding Bonds 2008D were issued as taxable variable rate bonds to refund \$200M of the 2004C taxable auction rate as securities. The remainder of the 2004C auction rate securities were converted to put bonds that mature on May 15, 2011.

14. Combined Utility System Commercial Paper

The Combined Utility System Commercial Paper Notes Program Series A has been authorized for \$900 million to finance costs of eligible projects for the City's combined utility system, including acquisition or construction of improvements and additions or extension for the system, and costs of issuance. The notes are issued as third lien obligations. The maturity of the Notes may not exceed 270 days and the maximum interest rate may not exceed 10%. Principal on the Notes is payable from the issuance of new commercial paper, bond proceeds and other funds provided under the line of credit available through a revolving credit agreement with four banks. The agreement expires on December 15, 2015. Interest on the Notes is payable from net revenues of the System and loans under the credit agreement. During fiscal year 2009 the average interest rate for outstanding Notes, including credit and dealer fees, was 2.13%. There were no commercial paper notes outstanding at June 30, 2009.

15. 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") and to achieve a lower fixed rate than the market rate for traditional fixed rate debt at time of issuance of the 2004B Bonds.

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

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

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At June 30, 2009, the effective rate on the 2004B Bonds associated with the swap was computed as follows:

	<u>TERMS</u>	<u>RATE (%)</u> <u>Received</u> <u>(Paid)</u>
Variable rate payment from counterparties	LIBOR x 57.6%	0.1840
	+ Constant	<u>0.3700</u>
Swap receipt		0.5540
Fixed rate paid to counterparties	Fixed	<u>(3.7784)</u>
Net rate (paid)/received for swap		(3.2244)
Average variable rate on 2004B bonds, year end		(0.4172)
Plus dealer and auction fees on 2004B bonds		<u>(0.4150)</u>
Effective rate of 2004B bonds		<u>(4.0566)</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 \$99,739,000 on June 30, 2009. 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, 2009, the City was not exposed to credit risk because the swaps had a negative fair value. However, should interest rates increase and the fair value of the swap become positive, the City would be exposed to credit risk on the swap in the amount of its fair value. The City's swap policy generally requires that swap counterparties be rated double-A or better by at least one nationally recognized rating agency at inception. Under the agreements, if a counterparty's credit rating falls below AA, collateral must be posted 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>	Notional <u>Amount</u>	<u>Fair Value</u>	Counterparty Credit Rating <u>(Moody's /S&P /Fitch)</u>
Goldman Sachs Capital Markets	\$ 353,325,000	\$ (53,940,000)	A1/A/A+
JP Morgan Chase	150,000,000	(22,899,500)	Aa3/A+/AA-
UBS AG	<u>150,000,000</u>	<u>(22,899,500)</u>	Aa2 /A+ /A+
TOTAL	<u>\$ 653,325,000</u>	<u>\$ (99,739,000)</u>	

Basis risk. The City is exposed to basis risk on the swaps because the variable payment received is based on an index other than BMA. Should the relationship between LIBOR and BMA move to convergence (because of reductions in tax rates, for example), the expected cost savings may not be realized. The City has issued variable rate demand bonds with an average rate of 0.42% (not including dealer and auction agent fees) as of June 30, 2009, whereas the associated LIBOR-based rate of the swap was 0.55%. For the fiscal year, the average rate paid on the auction rate bonds was 1.75%, and the average rate for the swap receipts was 1.30%.

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

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

Swap payments and associated debt. As of June 30, 2009, debt service requirements for the swap agreements are reported in Note 8D, assuming current interest rates remain the same. As rates vary, variable rate bond interest payments and net swap payments will vary. Expected debt service payments on the associated Combined Utility System 2004B bonds are included with other Combined Utility System Bonds on Note 8D.

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16. Combined Utility System Forward Interest Rate Swap

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

Objective. The objective of the swap is to hedge against the potential of rising interest rates associated with its Combined Utility System Series 2008A Variable Rate Bonds ("the 2008A Bonds") and to achieve a lower fixed rate than the market rate for traditional fixed rate debt. The City's goal is that its variable receipts under these swaps equal the variable payments made on the bonds, leaving the fixed payment on the swap, plus dealer and liquidity fees, as its net interest cost.

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

Fair value. The swap had a fair value of negative \$32,502,000 on June 30, 2009. 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, 2009, 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, 2009, RBC was rated Aaa, 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 BMA move to convergence (because of reductions in tax rates, for example), the expected cost savings may not be realized. At June 30, 2009 the interest rate in effect for the underlying variable rate bonds was 0.32% while the rate in effect for the swap receipts was 0.22%.

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, 2009, 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.

17. Combined Utility System Constant Maturity Swap

Combined Utility System Constant Maturity Swap. In November 2006 the City executed a constant maturity swap with Goldman Sachs Capital Markets, Inc. ("Goldman") on a forward basis. The swap was priced competitively. The City canceled the swap on September 16, 2008 and received a payment of \$7,000,000.

18. Water and Sewer System Junior Lien Revenue Bonds

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

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19. Coastal Water Authority (“CWA”)

The contract payable relating to CWA represents the outstanding principal balance of \$84,990,000 at June 30, 2009 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 \$81,500,000 of CWA Revenue Refunding Bonds, Series 1999 and Series 2004, issued by CWA, a governmental agency of the State of Texas, to finance the construction of a water conveyance system. Pursuant to a series of exchange agreements with CWA, the City issued the Certificates and endorsed the bonds and is unconditionally obligated to pay from the gross operating revenues of the City’s water and sewer system all debt service payments on these Certificates and Bonds, as well as amounts necessary to restore deficiencies in funds required to be accumulated under the CWA bond resolutions. The bonds mature on December 15, 2034.

20. Other Contracts

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

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

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

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

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

Year Ending June 30	Public Improvement Bonds		General Obligation Swap Agreements	Pension Obligation Bonds	
	Principal	Interest	Swap Payment Swap (Receipt)	Principal	Interest
2010	\$ 133,785	\$ 100,698	\$ (2,406)	\$ -	\$ 31,255
2011	131,765	93,972	-	-	31,255
2012	130,640	87,249	-	-	31,254
2013	125,665	80,732	-	-	31,254
2014	118,275	74,332	-	5,375	31,254
2015-2019	633,735	274,884	-	33,085	150,700
2020-2024	463,985	130,303	-	83,195	135,424
2025-2029	179,065	40,920	-	131,851	103,338
2030-2034	42,200	14,127	-	165,855	50,813
2035-2039	29,185	3,015	-	101,117	10,009
Total	<u>\$ 1,988,300</u>	<u>\$ 900,232</u>	<u>\$ (2,406)</u>	<u>\$ 520,478</u>	<u>\$ 606,556</u>

Year Ending June 30	General Obligation Commercial Paper		Tax and Revenue Certificates of Obligation	
	Principal	Interest	Principal	Interest
2010	\$ 100,000	\$ 6,058	\$ 7,150	\$ 4,208
2011	192,100	3,520	6,252	5,932
2012	227,100	755	6,250	3,269
2013	-	-	11,095	2,984
2014	-	-	2,890	2,458
2015-2019	-	-	16,585	10,181
2020-2024	-	-	18,990	5,739
2025-2029	-	-	11,810	1,200
2030-2034	-	-	-	-
2035-2039	-	-	-	-
Total	<u>\$ 519,200</u>	<u>\$ 10,333</u>	<u>\$ 81,022</u>	<u>\$ 35,971</u>

Year Ending June 30	Total Future Requirements			
	Principal	Interest	Swaps (Receipts)	Total Future Requirements
2009	\$ 240,935	\$ 142,219	\$ (2,406)	\$ 380,748
2010	330,117	134,679	-	464,796
2011	363,990	122,527	-	486,517
2012	136,760	114,970	-	251,730
2013	126,540	108,044	-	234,584
2014-2018	683,405	435,765	-	1,119,170
2019-2023	566,170	271,466	-	837,636
2024-2028	322,726	145,458	-	468,184
2029-2033	208,055	64,940	-	272,995
2034-2038	130,302	13,024	-	143,326
Total	<u>\$ 3,109,000</u>	<u>\$ 1,553,092</u>	<u>\$ (2,406)</u>	<u>\$ 4,659,686</u>

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2. HUD Section 108 Loans (in thousands):

Year Ending June 30	Section 108 Loans		
	Principal	Interest	Total Future Requirements
2010	\$ 3,305	\$ 742	\$ 4,047
2011	1,309	608	1,917
2012	971	539	1,510
2013	813	482	1,295
2014	740	432	1,172
2015-2019	3,651	1,418	5,069
2020-2024	2,526	303	2,829
Total	\$ 13,315	\$ 4,524	\$ 17,839

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

Year Ending June 30	Airport System Subordinate Lien Revenue Bonds		Airport System Senior Lien Commercial Paper		Airport System Inferior Lien Contract	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 40,840	\$ 88,098	\$ -	\$ 1,293	\$ 4,085	\$ 2,388
2011	51,885	86,008	93,000	666	4,305	2,163
2012	52,285	83,738	-	-	4,535	1,925
2013	51,240	81,367	-	-	4,780	1,675
2014	59,015	78,919	-	-	5,040	1,408
2015-2019	327,720	352,260	-	-	23,075	2,623
2020-2024	426,960	268,232	-	-	-	-
2025-2029	553,105	164,882	-	-	-	-
2030-2034	520,205	48,676	-	-	-	-
Total	\$ 2,083,255	\$ 1,252,180	\$ 93,000	\$ 1,959	\$ 45,820	\$ 12,182

Year Ending June 30	Airport System Pension Obligations		Airport System Total Future Requirements		
	Principal	Interest	Principal	Interest	Total Future Requirements
2010	\$ -	\$ 107	\$ 44,925	\$ 91,886	\$ 136,811
2011	-	106	149,190	88,943	238,133
2012	-	107	56,820	85,770	142,590
2013	-	106	56,020	83,148	139,168
2014	-	107	64,055	80,434	144,489
2015-2019	-	533	350,795	355,416	706,211
2020-2024	-	532	426,960	268,764	695,724
2025-2029	293	532	553,398	165,414	718,812
2030-2034	1,334	282	521,539	48,958	570,497
2035-2039	379	20	379	20	399
Total	\$ 2,006	\$ 2,432	\$ 2,224,081	\$ 1,268,753	\$ 3,492,834

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Year Ending June 30	Convention and Entertainment Facilities Revenue Bonds		Convention and Entertainment Facilities Commercial Paper		Convention and Entertainment Pension Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 21,230	\$ 15,910	\$ -	\$ 345	\$ -	\$ 243
2011	23,260	14,736	43,800	183	-	243
2012	24,835	13,404	-	-	-	243
2013	27,830	11,968	-	-	-	243
2014	29,560	10,377	-	-	60	242
2015-2019	104,939	68,320	-	-	355	1,151
2020-2024	95,455	92,558	-	-	900	986
2025-2029	100,801	115,219	-	-	1,372	640
2030-2034	115,205	128,455	-	-	1,161	159
2035-2039	-	-	-	-	36	2
Total	<u>\$ 543,115</u>	<u>\$ 470,947</u>	<u>\$ 43,800</u>	<u>\$ 528</u>	<u>\$ 3,884</u>	<u>\$ 4,152</u>

Year Ending June 30	Convention and Entertainment Total Future Requirements		
	Principal	Interest	Total Future Requirements
2010	\$ 21,230	\$ 16,498	\$ 37,728
2011	67,060	15,162	82,222
2012	24,835	13,647	38,482
2013	27,830	12,211	40,041
2014	29,620	10,619	40,239
2015-2019	105,294	69,471	174,765
2020-2024	96,355	93,544	189,899
2025-2029	102,173	115,859	218,032
2030-2034	116,366	128,614	244,980
2035-2039	36	2	38
Total	<u>\$ 590,799</u>	<u>\$ 475,627</u>	<u>\$ 1,066,426</u>

Year Ending June 30	Combined Utility System Revenue Bonds		Combined Utility System Swap Agreements
	Principal	Interest	Net Swap Payment
2010	\$ 42,165	\$ 191,097	\$ 29,819
2011	43,600	189,007	29,819
2012	28,820	186,672	29,807
2013	41,440	184,909	29,819
2014	78,495	182,895	29,819
2015-2019	417,965	852,335	149,083
2020-2024	795,295	724,671	149,071
2025-2029	1,070,825	490,005	148,847
2030-2034	1,517,460	273,004	79,755
2035-2039	606,875	65,485	-
Total	<u>\$ 4,642,940</u>	<u>\$ 3,340,080</u>	<u>\$ 675,839</u>

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Year Ending June 30	Water and Sewer Jr. Lien Revenue Bonds		Combined Utility System Pension Obligations	
	Principal	Interest	Principal	Interest
2010	\$ 26,022	\$ 56,246	\$ -	\$ 3,814
2011	30,754	56,415	-	3,814
2012	42,045	65,812	-	3,814
2013	41,523	65,665	-	3,814
2014	55,350	22,454	910	3,813
2015-2019	385,145	65,692	5,595	18,125
2020-2024	123,398	79,887	14,080	15,541
2025-2029	44,681	112,552	21,538	10,110
2030-2034	-	-	18,395	2,549
2035-2039	-	-	639	34
Total	<u>\$ 748,918</u>	<u>\$ 524,723</u>	<u>\$ 61,157</u>	<u>\$ 65,428</u>

Year Ending June 30	Combined Utility System Total Future Requirements			
	Principal	Interest	Net Swap Payment	Total Future Requirements
2009	\$ 68,187	\$ 251,157	\$ 29,819	\$ 349,163
2010	74,354	249,236	29,819	353,409
2011	70,865	256,298	29,807	356,970
2012	82,963	254,388	29,819	367,170
2013	134,755	209,162	29,819	373,736
2014-2018	808,705	936,152	149,083	1,893,940
2019-2023	932,773	820,099	149,071	1,901,943
2024-2028	1,137,044	612,667	148,847	1,898,558
2029-2033	1,535,855	275,553	79,755	1,891,163
2034-2038	607,514	65,519	-	673,033
Total	<u>\$ 5,453,015</u>	<u>\$ 3,930,231</u>	<u>\$ 675,839</u>	<u>\$ 10,059,085</u>

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

Year Ending June 30	Coastal Water Authority Maintenance & Operations Lien		
	Principal	Interest	Total Future Requirements
2010	\$ 14,825	\$ 8,991	\$ 23,816
2011	13,250	8,117	21,367
2012	13,340	7,246	20,586
2013	13,440	6,394	19,834
2014	13,480	5,564	19,044
2015-2019	39,230	18,092	57,322
2020-2024	21,740	11,881	33,621
2025-2029	18,705	6,298	25,003
2030-2034	15,030	2,670	17,700
2035	3,450	82	3,532
Total	<u>\$ 166,490</u>	<u>\$ 75,335</u>	<u>\$ 241,825</u>

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Year Ending June 30	Other Water & Sewer System Contracts				Other Contracts Total		
	U.S. Army Corps of Engineers		Texas Water Development Board		Future Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2010	\$ 103	\$ 312	\$ -	\$ 450	\$ 103	\$ 762	\$ 865
2011	106	309	-	573	106	882	988
2012	110	306	-	696	110	1,002	1,112
2013	113	302	-	819	113	1,121	1,234
2014	117	299	-	818	117	1,117	1,234
2015-2019	643	1,434	-	6,806	643	8,240	8,883
2020-2024	753	1,323	1,255	6,092	2,008	7,415	9,423
2025-2029	883	1,194	3,830	3,309	4,713	4,503	9,216
2030-2034	1,035	1,042	5,090	2,054	6,125	3,096	9,221
2035-2039	1,212	864	3,825	458	5,037	1,322	6,359
2040-2044	1,421	656	-	-	1,421	656	2,077
2045-2049	1,665	412	-	-	1,665	412	2,077
2050-2054	1,536	125	-	-	1,536	125	1,661
Total	\$ 9,697	\$ 8,578	\$ 14,000	\$ 22,075	\$ 23,697	\$ 30,653	\$ 54,350

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 2009 described below, has been removed from the City's books.

Combined Utility System Revenue Refunding Bonds

On December 30, 2008 the City closed the sale of \$61,545,000 of Combined Utility System Revenue and Refunding Bonds, Series 2008E ("the CUS 2008E bonds") in a private placement to the Texas Water Development Board ("TWDB"). The bonds were issued at rates ranging from 0.1 to 3.9% with true interest cost of 3.54%. The bonds are due in varying amounts from 2009 to final maturity on November 15, 2038. A portion of the proceeds were used to currently refund \$22,775,000 outstanding Combined Utility System Commercial Paper Notes which were used to fund projects previously approved by the TWDB. Because the refunded commercial paper notes paid interest at varying rates depending on current market conditions, cash flow and net present value savings cannot be computed. The CUS 2008E Bonds were issued to lock in long term fixed rates rather than to achieve debt service savings. The remaining proceeds will be used to fund other TWDB approved water and sewer projects, to fund a reserve, and to pay cost of issuance of the bonds.

Taxable Pension Deferred Interest Certificate

On October 1, 2008 the City elected to defer \$25,500,000 in interest payments on its \$300,000,000 Collateralized Pension Obligation Note ("the Note"), and to allocate such deferred interest to the Uncollateralized Deferred Interest Certificate ("the Certificate"), as allowed by the ordinance authorizing issuance of the Note. The Deferred Interest Certificate will bear interest at the greater of a) 8.5%, or b) the yield on April 1 of each year for the Treasury obligation maturing closest to December 1, 2033 plus a predefined rate adjustment. Under the authorizing ordinance, the City is allowed to defer up to \$150,000,000 in interest on the Note.

Public Improvement Refunding Bonds

On November 12, 2008 the City closed the sale of \$324,030,000 of Public Improvement Refunding Bonds, Series 2008A ("the PIBS 2008A bonds"). The bonds are due in varying amounts from March 1, 2012 to March 1, 2038. Stated interest rates ranged from 4.0% to 5.6%, and the true interest cost was 5.21%.

Proceeds of the PIBS 2008A Bonds were used to currently refund \$320,705,000 of outstanding General Obligation Commercial Paper Series D and Series F Notes and to pay costs of issuance. Because the refunded commercial paper paid interest at varying rates depending on current market conditions, cash flow and net present value savings cannot be computed. The PIBS 2008A Bonds were issued to lock in long term fixed rates rather than to achieve debt service savings.

Taxable Pension Obligation Bonds

On January 8, 2009 the City issued \$382,630,000 of Taxable Pension Obligation Bonds, Series 2008A. The bonds mature from 2014 to 2032. The stated interest rate and yield were 6.29%.

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Proceeds were used to refund the \$335,468,000 Collateralized Pension Note and related Deferred Interest Certificates to the Houston Municipal Employees Pension System ("HMEPS"), to refund the \$35,050,000 2008 Taxable Pension Obligation Note, and to pay costs of issuance. At this time the Houston Airport System also made a cash contribution of \$38,623,000 to HMEPS to retire their share of the Note and Certificates. The transaction resulted in a reduction in future cash payments of \$260,073,000, and the net present value savings of the transaction was \$72,690,000 or 26%.

On January 8, 2009 the City issued \$20,190,000 of Taxable Pension Obligation Bonds Series 2008B. These bonds mature from 2014 to 2032. The stated interest rate and yield were 6.29%. Proceeds were used to fund part of the unfunded actuarial accrued liability of the Houston Police Officers Pension System and to pay costs of issuance.

Combined Utility System Revenue Refunding Bonds

On April 9, 2009 the City closed the sale on \$476,050,000 of Combined Utility System Revenue Refunding Bonds, Series 2009 ("the CUS 2009 bonds"). The bonds mature in varying amounts from 2014 to 2038. Interest rates ranged from 3.25% to 6.0% with a true interest cost of 5.60%.

Proceeds were used to currently refund \$300,000,000 of Combined Utility System Commercial Paper Notes, to currently refund \$23,660,000 of Combined Utility System Variable Rate Demand Bonds Series 2008D-2, to fund construction projects, to fund a debt service fund, and to pay costs of issuance. Because the refunded commercial paper and variable rate demand bonds paid interest at varying rates depending on current market conditions, cash flow and net present value savings cannot be computed. The CUS 2009A Bonds were issued to lock in long term fixed rates rather than to achieve debt service savings.

F. Bond Compliance Requirements

The revenue bond ordinances require that during the period in which the bonds are outstanding the City must create and maintain certain accounts or funds to receive the proceeds from the sale of the revenue bonds and to account for the revenues (as defined), which are pledged for payment of the bonds. The assets can be used only in accordance with the terms of the bond ordinance and for the specific purpose(s) designated therein. The city is generally required to make a monthly transfer to debt service funds equal to one-sixth of the next interest payment and one-twelfth of the next principal payment. Certain bond ordinances have additional requirements for the establishment of rates and the accumulation of principal and interest repayment amounts from surplus operating funds. Generally, the bonds may be redeemed prior to their maturities in accordance with the bond ordinances and at various premiums equal to or less than 2%. During fiscal year 2009 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 D, G, H-1 and H-2.

On November 7, 2006, voters of the City authorized the issuance of \$625,000,000 in additional Public Improvement Bonds. City Council has authorized issuance of \$223,550,000 as General Obligation Commercial Paper Series D, G, H-1, and H-2.

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, 2009, the City's legal debt limit was 10% of assessed property valuation totaling \$192,967,520,000. The City's legal debt margin was \$16,187,752,000.

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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 \$9,189,646 for the year ended June 30, 2009. The cost is \$5,818,855 for the General funds, \$1,108,685 for the Grant funds, \$841,781 for the Non-Major Governmental funds, \$1,081,081 for the Combined Utility System funds, \$252,423 for the Airport System funds, \$53,157 for the Convention and Entertainment Facilities funds and \$33,664 for the Internal Service funds.

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

Year ended June 30	Operating Lease Payments
2010	\$ 4,937
2011	4,854
2012	4,521
2013	2,746
2014	1,824
2015-2019	4,852
2020-2024	300
Total	\$ 24,034

B. City as Lessor

The Convention and Entertainment Facilities department is the lessor of one (1) land lease, Toyota Center Land Lease, with an asset cost of \$20,000,000; six (6) building leases of which all are substantially leased with asset costs of \$225,119,914 and carrying costs of \$176,030,365. Accumulated depreciation on these assets is \$49,089,549. These buildings located in the Theater District are; Hobby Center for the Performing Arts, Wortham Theater, Jones Hall Theater, Talento Bilingue and the Downtown Aquarium. All buildings are used for performance and entertainment purposes.

The Airport System is the lessor of approximately 10 percent of its land and substantially all of its buildings and improvements. These lease agreements are non-cancelable operating leases with fixed minimum rentals and non-cancelable operating use and lease agreements with annually adjusted rates. Rental income is earned from leasing various parcels of land with asset costs of \$20,931,126 to airlines, fixed base operators and various corporations for hangars, aircraft maintenance facilities, flight kitchens and cargo buildings; to auto rental companies for their service facilities and storage lots; and to a variety of other entities for buildings and other permanent improvements. Airlines and airport concessionaires lease various sections of City owned airport buildings and improvements for ticket counters, passenger hold rooms, baggage carousels, restaurants, retail stores and other facilities. Leased buildings, improvements and equipment have asset costs of \$3,926,050,805 and carrying costs of \$2,463,415,332. Accumulated depreciation on all these assets is \$1,462,635,473. Minimum guaranteed income on such non-cancelable operating leases is as follows (in thousands):

Year Ended June 30	Operating Leases Minimum Rental Income
2010	\$ 43,856
2011	36,437
2012	35,333
2013	33,047
2014	31,343
2015-2019	133,641
2020-2024	119,875
2025-2029	83,550
2030-2034	20,250
2035-2039	13,935
2040-2044	6,584
2045-2049	427
2050-2054	177
Total	\$ 558,455

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The contingent income associated with these non-cancelable operating leases was approximately \$7,820,681 in fiscal year 2009. In addition, income is earned from certain non-cancelable operating use and lease agreements for landing fees and terminal building rentals. Such income is adjusted annually based on a compensatory formula to recover certain operating and capital costs of the related facilities. Such income for fiscal year 2009 was approximately \$234,330,230.

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).

The reported contributions to the pension funds for the year ended June 30, 2009, were different from the actuarially determined requirements based on July 1, 2008 actuarial valuation for Municipal, Fire, and Police. Contributions are as follows:

<u>Percentage of Payroll</u>	<u>Firefighters</u>	<u>Municipal</u>	<u>Police</u>
City of Houston normal cost	20.1%	5.8%	17.5%
Amortization of unfunded actuarial accrued liability (surplus)	4.0%	13.4%	13.4%
Required employer contribution rate	24.1%	19.2%	30.9%
Employer contribution made	29.4%	14.8%	18.7%
Employee contribution made	9.0%	5.0%	9.0%
<u>Contribution Amounts (in thousands)</u>			
Net contribution required	\$ 80,017	\$ 122,401	\$ 145,050
Total City contribution	70,886	78,500	68,000
Total employee contribution	21,859	20,449	32,519
Total contribution	\$ 92,745	\$ 98,949	\$ 100,519

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

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

	Houston Firefighters' Pension	Houston Municipal Employees' Pension	Houston Police Officers' Pension
Annual required contribution	\$ 58,158	\$ 101,952	\$ 112,531
Interest on net pension obligation	3,349	24,264	27,078
Adjustment to annual required contribution	(2,775)	(20,117)	(20,330)
Annual pension cost	<u>58,732</u>	<u>106,099</u>	<u>119,279</u>
Contribution made	70,886	78,500	68,000
Change in net pension obligation	12,154	(27,599)	(51,279)
Net pension obligation beginning	<u>(39,384)</u>	<u>(285,463)</u>	<u>(318,567)</u>
Net pension obligation end of year	<u>\$ (27,229)</u>	<u>\$ (313,062)</u>	<u>\$ (369,846)</u>

D. Schedule of Funding Progress (in millions)

	Houston Firefighters' Pension	Houston Municipal Employees' Pension	Houston Police Officers' Pension
Actuarial Valuation Date	July 1, 2008	July 1, 2008	July 1, 2008
Actuarial Value of Plan Assets (a)	\$2,945.1	\$2,310.4	\$3,337.6
Actuarial Accrued Liability (AAL) Entry Age (b)	\$3,080.5	\$3,296.4	\$4,079.0
Unfunded AAL (Surplus UAAL) (b - a)	\$135.4	\$986.0	\$741.4
Funded Ratio (a/b)	96%	70%	82%
Projected Annual Covered Payroll (c)	\$239.2	\$483.8	\$351.5
UAAL as Percentage of Covered Payroll ((b - a)/c)	57%	204%	211%

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
2007	\$74.7	70.8%	(\$26.7)	33.5%
2008	\$66.7	80.9%	(\$39.4)	29.4%
2009	\$58.7	120.7%	(\$27.2)	24.1%

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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, 2008
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
2007	\$111.4	64.6%	\$263.7	24.1%
2008	\$96.7	77.5%	\$285.5	19.5%
2009	\$106.1	74.0%	\$313.1	19.2%

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, 2008
Actuarial cost method	Entry Age Normal cost
Amortization method	Level percentage of payroll over an open period of 30 years
Remaining amortization period	Rolling 30 year period
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
investment rate of return	8.5%, net of expenses
Payroll growth factor	3.0%
Projected individual salary increases	Graded rates based on years of service
General inflation rate	3.0%

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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
2007	\$130.6	44.4%	\$252.0	34.0%
2008	\$129.5	48.6%	\$318.6	32.1%
2009	\$119.3	57.0%	\$369.8	30.9%

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

Valuation date	July 1, 2008
Actuarial cost method	Entry Age Normal Cost
Amortization method	Level percent of payroll Amortized over a constant open period of 30 years
Remaining amortization period	30 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return	8.5%, with a maximum of 5-year average of 7.0%
Payroll growth rate, attributable entirely to inflation	3.5 %
Annual increase attributable to seniority/merit	0.0% to 9.5%
Annual cost of living adjustment	3.0%
Projected salary increases	Graded rates based on years of service

NOTE 11: OTHER EMPLOYEE BENEFITS

A. Post-Retirement Health Insurance Benefits

Pursuant to a City Ordinance, the City provides certain health care benefits for retired employees. Substantially all of the City's employees become eligible for these benefits if they reach normal retirement age while working for the City. Contributions are recognized in the year paid. The cost of retiree health care premiums incurred by the City amounted to \$56,284,638 for the year ended June 30, 2009. Retiree health care is accounted for in the Health Benefits Fund, an Internal Service Fund. At June 30, 2009, there were 9,132 retirees eligible to receive benefits.

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

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

	OPEB
Annual required contribution	\$ 274,471
Interest on net OPEB obligation	12,145
Adjustment to annual required contribution	(16,569)
Annual OPEB cost	270,047
Contribution made	(56,285)
Increase in net OPEB obligation	213,762
Net OPEB obligation beginning	272,041
Net OPEB obligation end of year	\$ 485,803

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$326,518	16.7%	\$272,041
2009	\$270,047	20.9%	\$485,803

Schedule of Funding Progress (in millions)

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

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, 2008
Actuarial cost method	Entry age Normal Cost
Amortization method	Level percent of payroll over an open period of 30 years
Discount Rate	4.5%
Annual increase attributable to seniority/merit	3.0% to 12.5%
Medical trend rates	4.0% to 11.0%

B. Health Benefits Internal Service Fund

The City's Health Benefits plan is currently administered by HMO Blue Texas. Employees and retirees are able to choose between an HMO Plan with all benefits covered by third party purchased insurance or a substantially self-insured Preferred Provider Organization Plan (PPO) with specific individual aggregate stop loss features. Specific and aggregate stop loss insurance is provided for the PPO plan of \$150,000 individual and approximately \$9,530,486 aggregate based on enrollment. Premiums paid (employer and subscriber) for current employees to third party administrators totaled \$200,107,215 for the year ended June 30, 2009.

CITY OF HOUSTON, TEXAS
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The City also provides one times salary of basic life insurance, with a minimum of \$15,000, at no cost to the employee. The employee, at no cost to the City, may then obtain additional life insurance up to four times their annual salary. The current cost for active employees for both basic and voluntary life insurance totaled \$5,416,181 for the year ended June 30, 2009.

PPO/POS and PPO/OOA		
Schedule of Changes in Liability		
(in thousands)		
	June 30, 2009	June 30, 2008
Beginning actuarial estimate of claims liability, July 1	\$ 911	\$ 937
Incurred claims for fiscal year	9,068	9,398
Payments on claims	(9,786)	(9,483)
Actuarial adjustment	750	59
Ending actuarial estimate of claims liability, June 30	\$ 943	\$ 911

C. Long-Term Disability Plan

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

Schedule of Changes in Liability		
(in thousands)		
	June 30, 2009	June 30, 2008
Beginning actuarial estimate of claims liability, July 1	\$ 8,260	\$ 7,783
Incurred claims for fiscal year	2,342	1,939
Payments on claims	(845)	(805)
Actuarial adjustment	(1,698)	(657)
Ending actuarial estimate of claims liability, June 30	\$ 8,059	\$ 8,260

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.

CITY OF HOUSTON, TEXAS
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At June 30, 2009 the City has an accumulated liability in the amount of \$77 million covering estimates for approved but unpaid claims and incurred but not reported claims (calculated on an actuarial basis) recorded in the Statement of Net Assets and Enterprise Funds. The amount of liability is based on an actuarial study.

Schedule of Changes in Liability		
(in thousands)		
	June 30, 2009	June 30, 2008
Beginning actuarial estimate of claims liability, July 1	\$ 77,986	\$ 77,724
Incurred claims for fiscal year	13,128	15,366
Payments on claims	(13,504)	(15,094)
Actuarial adjustment	(892)	(10)
Ending actuarial estimate of claims liability, June 30	\$ 76,718	\$ 77,986

NOTE 12: INTERFUND TRANSACTIONS

A. Transfers

Transfers during the year ended June 30, 2009, 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	Houston Area Water Corporation	
General Fund	\$ -	\$ 18,890	\$ 262,089	\$ 1	\$ -	\$ 1,295	\$ -	\$ 282,275
Grants Fund	401	1,000	-	4,900	-	-	-	6,301
Nonmajor Funds	15,998	-	6,831	-	-	3,340	-	26,169
Capital Projects	11,430	2,300	62,668	-	1,072	-	-	77,470
Convention and Entertainment	500	-	-	-	-	-	-	500
Combined Utility System	127	39,129	28,419	-	-	-	9,449	77,124
Parking Management	6,683	553	-	-	-	-	-	7,236
Internal Service Fund	1,000	-	-	-	-	-	-	1,000
Total transfers in	\$ 36,139	\$ 61,872	\$ 360,007	\$ 4,901	\$ 1,072	\$ 4,635	\$ 9,449	\$ 478,075

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

The Combined Utility System, an enterprise fund, transferred capital assets valued at \$127 thousand to the General Fund. The Capital Projects Fund transferred capital assets of \$1.072 million to the Combined Utility System. The General Fund and the Capital Projects Fund are governmental funds and capital asset transfers are not reported at the fund level.

B. Transfers to Component Units

Transfers to the Houston Arts Alliance from the Convention and Entertainment Facilities during the year ended June 30, 2009 totaled \$12,580,704.

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 \$61,080,000 for the year ended June 30, 2009, and are recorded as revenue in the General Fund and as expense, expenditure or capital assets in the funds assessed.

CITY OF HOUSTON, TEXAS
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Included in the Fiscal Year 2009 total are charges to the funds for direct and indirect expenses as shown below (in thousands):

	<u>Airport System</u>	<u>Convention & Entertainment Facilities</u>	<u>Combined Utility Sytem</u>	<u>Parking Management</u>	<u>Other Funds</u>	<u>Total</u>
General Services	\$ 2,750	\$ 645	\$ 590	\$ 179	\$ 9,026	\$ 13,190
Fire Services	15,280	-	-	-	-	15,280
Police Services	19,524	-	-	-	-	19,524
Legal	-	-	951	-	450	1,401
Other	225	225	1,859	418	8,958	11,685
Total	<u>\$ 37,779</u>	<u>\$ 870</u>	<u>\$ 3,400</u>	<u>\$ 597</u>	<u>\$ 18,434</u>	<u>\$ 61,080</u>

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, 2009 is as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Combined Utility System	\$ 597
	Grants revenue	21,101
	Nonmajor Governmental Funds	2,314
	Capital Projects Fund	2,132
	Airport System	67
	Internal Service Fund	1,925
	Convention and Entertainment Facilities	344
		<u>\$ 28,480</u>
Grants Revenue	General Fund	\$ 66
	Combined Utility System	7,930
	Internal Service Fund	106
	Airport System	192
		<u>\$ 8,294</u>
Debt Service Fund	General Fund	\$ 1
	Combined Utility System	17
	Convention and Entertainment Facilities	1
		<u>\$ 19</u>
Capital Projects Fund	Grants revenue	\$ 10,000
		<u>\$ 10,000</u>
Airport System	General Fund	\$ 389
	Internal Service Fund	197
	Grants revenue	688
		<u>\$ 1,274</u>

(Continued)

CITY OF HOUSTON, TEXAS
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Convention and Entertainment Facilities	General Fund	\$ 143
	Airport System	7
	Nonmajor Governmental funds	9
	Grants revenue	10
	Internal Service Fund	16
	Combined Utility System	17
		<u>\$ 202</u>
Combined Utility System	HAWC	\$ 99,679
	Grants revenue	9,623
	Nonmajor Governmental Funds	3
	Internal Service Fund	353
	General Fund	390
	Airport System	70
		<u>\$ 110,118</u>
Nonmajor Enterprise - HAWC	Combined Utility System	1,025
		<u>\$ 1,025</u>
Nonmajor Governmental Funds	General Fund	\$ 642
	Combined Utility System	2
	Internal Service Fund	122
	Nonmajor Public Works	6
		<u>\$ 772</u>
Internal Service Fund - Health Benefits	General Fund	\$ 2
	Internal Service Fund - Long term disability	4
		<u>\$ 6</u>
Nonmajor Enterprise - Parking Management	General Fund	\$ 4
	Internal Service Fund	5
		<u>\$ 9</u>

NOTE 13: COMMITMENTS AND CONTINGENCIES

A. Litigation and Claims

The City is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its municipal and enterprise activities, certain of which seek substantial damages. That litigation includes lawsuits and claims alleging that the City caused personal injuries and wrongful deaths; class actions and other lawsuits and claims alleging discriminatory hiring and promotional practices and certain civil rights violations arising under the Federal Voting Rights Act; various claims from contractors for additional amounts under construction contracts; and claims involving property tax assessments and various other liability claims. Alleged damages in the lawsuits are approximately \$207.9 million. The status of such litigation ranges from an early discovery stage to various levels of appeal of judgments both for and against the City. The amount of damages is limited in certain cases under the Texas Tort Claims Act and is subject to appeal. The City intends to defend itself vigorously against the suits. There is other threatened litigation for which an amount cannot be determined. The City typically utilizes the General Fund to liquidate claims and judgments. In the Statement of Net Assets, the City has recognized a liability of \$53.2 million for potential litigation losses arising from various lawsuits.

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

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Supporters of Proposition 2 have sued in State District court to enforce the provisions of Proposition 2. The district court ruled in favor of the plaintiffs and ordered that both propositions be in effect. The City filed an appeal, and the Fourteenth Court of Appeals reversed the district court, finding that the supporters of Proposition 2 did not have standing to sue. The plaintiffs subsequently filed a petition for review in the Texas Supreme Court and the City filed a response. The petition for review has not been ruled on yet and remains pending. The City does not believe that the plaintiffs will be able to establish facts sufficient to cause the Supreme Court to grant them standing.

In 2007, Houston voters approved several ballot propositions including Proposition G, which eliminated some of the most serious concerns created by the potential application of Proposition 2 - by revising how the City's revenues limited by the Charter would be calculated (including the removal of the revenues of the City's Enterprise Funds from the revenues limited by the City Charter), and Proposition H, which allowed the City to raise revenues for police, fire, and emergency services in excess of the revenues allowed under any revenue limitations contained in the City Charter. A supporter of Proposition 2 has filed a second suit in State District court seeking to invalidate Propositions G and H. The court dismissed the lawsuit. The plaintiff has appealed the ruling, and the briefing in that appeal to the First Court of Appeals has been completed.

B. Environmental Liabilities

The City is aware of various sites contaminated by asbestos or other hazardous materials. The City has recorded accrued liabilities of \$1.9 million, to be used for: assessment and remediation of asbestos, lead and mold; Phase I and II environmental site assessments and remediation; and remediation of radioactive material.

C. Commitments for Capital Facilities

At June 30, 2009, the City had appropriated but not yet spent from Capital Projects and Enterprise Funds approximately \$1.5 billion for capital projects.

The City leased a tract of land for 30 years with a 30-year renewal option for \$100 per year to The Houston Music Hall Foundation. On this site, the Houston Music Hall Foundation constructed the new music hall named the Hobby Center for the Performing Arts. Substantial completion occurred by October 31, 2002, as required by the agreement. The grand opening was in May of 2003. The Music Hall Foundation presented the deed to the Hobby Center for the Performing Arts to the Mayor on July 11, 2009. The donated asset is valued at \$106 million and is now recorded on the Convention and Entertainment Facilities financials.

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

D. Risk Management

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

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

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

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

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

	Unemployment Claim Activity	
	June 30, 2009	June 30, 2008
Unpaid claims, beginning of fiscal year	\$117,602	\$123,964
Incurred claims (including IBNRs)	613,348	583,298
Claim payments	(534,939)	(589,660)
Unpaid claims, end of fiscal year	\$196,011	\$117,602

E. Electricity Futures Contracts

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

Terms: At June 30, 2009 the City had ten outstanding agreements to cover natural gas purchases for August 2009 through June 2013. As of June 30, 2009 the aggregate notional amount of the agreements was 3,167.5 contracts or 31,675,000 million British thermal units (MMBtu's) of natural gas. Locked-in prices ranged from \$6.75 to \$9.90 per MMBtu.

Fair value: As of June 30, 2009, because natural gas futures prices had generally declined from the time of the agreements, the contracts had a total negative net fair value of \$36.9 million.

Credit risk: As of June 30, 2009 the City is exposed to credit risk on the contracts for a total fair positive value of \$1.6 million. Other contracts do not involve credit risk because the fair market value is negative to the City. The City's electrical provider is the Texas General Land Office ("GLO"), an agency of the State of Texas, which is rated AA1 by Moody's, AA+ by Standard and Poor's, and AA+ by Fitch.

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

F. Purchase Commitments - Renewable Energy Credits and Fixed Power Price Transactions

Objective of the Renewable Energy Credit Agreements: To diversify energy sources, to manage its utility costs, and as part of its commitment to protect the environment, the City has entered into contracts for fixed power price transactions and renewable energy credits ("REC's"). REC's are Renewable Energy Credits produced in Texas and obtained from any type of renewable resource qualified under Texas Rules, including solar, landfill gas, wind and other renewable resources.

Terms: At June 30, 2009 the City had five outstanding fixed power price transactions and REC's contracts with GLO to receive 1,752,000 RECs or 1.7 billion kilowatt-hours of renewable energy from 2009 through 2013. This represents about 32% of the City's anticipated electrical use. Each contract was for 10 MW of power at prices ranging from \$69 per MWhr to \$91 per MWhr.

Credit Risk: As of June 30, 2009 the City is exposed to credit risk on the contracts as to delivery. The City's electrical provider is the Texas General Land Office ("GLO"), an agency of the State of Texas, which is rated AA1 by Moody's, AA+ by Standard and Poor's, and AA+ by Fitch.

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

G. 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 millions 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.

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H. Federal and State

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

NOTE 14: RELATED ORGANIZATION TRANSACTIONS

A. Metropolitan Transit Authority (“Metro”)

The City and Metro have an interlocal agreement covering shared costs of street maintenance/construction and traffic control during the fiscal year ended June 30, 2009. The City received \$68.631 million from Metro under this contract in the fiscal year ended June 30, 2009. The breakout was \$40.326 million to Capital Projects, \$25 million to General Fund, and \$3.305 million to Special Revenues. None of these payments were for the prior contract year. In addition, the City paid Metro \$1.357 million for transportation services.

B. Trinity River Authority (“TRA”)

As described in Note 8C, the City and TRA have a long-term contract under which the City is obligated to pay debt service for certain bonds as well as certain maintenance and operating expenses for a TRA dam and reservoir. During the fiscal year ended June 30, 2009 the City paid \$0 for debt service and \$2.1 million for maintenance and operating expenses under the terms of the contract.

C. Coastal Water Authority (“CWA”)

The City has a long-term contract with Coastal Water Authority (CWA) for the water conveyance. During the fiscal year ended June 30, 2009, the City paid CWA \$28.1 million for debt service and \$20.4 million for maintenance and operating expenses.

D. Houston Convention Center Hotel Corporation

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

In accordance with the Interlocal Agreement and the hotel management agreement, after meeting certain other funding and reserve requirements, the City can require the distribution of a preferred return from available cash flow (as defined) equal to the preferred return amount (approximately \$1 million for 2003, \$20 million for 2004, and \$25 million per year thereafter) minus the debt service for the applicable year. In May 2009, a preferred return payment of \$1.6 million was made to the City.

E. Component Units

As described in note 16, the City has a number of component units, most of which have fiscal years ended June 30, 2009. Three component units; Houston Convention Center Hotel Corporation (HCCHC), Houston Housing Financing Corporation (HHFC) and Miller Theatre Advisory Board, Inc (MTAB) have fiscal years ended December 31, 2008. Subsequent to December 31, 2008, the City received interest payments of \$4,658 thousand from HCCHC, none from HHFC and none from MTAB. These payments are necessary to reconcile to the City’s due from component units as of June 30, 2009. The following governmental discretely presented component units had restatements for their most recent audited financial statements: (a) City Park Redevelopment Authority, (b) Houston Parks Board, Inc.

NOTE 15: CONDUIT DEBT OBLIGATIONS

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

At June 30, 2009, the aggregate value of Special Facility Revenue Bonds outstanding was \$629 million, which includes \$45.8 million of City of Houston Special Facility Revenue Bonds (Automated People Mover System), Series 1997A.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 16: MAJOR DISCRETELY PRESENTED COMPONENT UNITS

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

During fiscal year 2009, the City added one new discretely presented governmental component unit (Houston Parks Board LGC, Inc.) which resulted in the addition of \$4,531 thousand of ending net assets. During the same year the City dissolved the Sharpstown Economic Development Authority which resulted in the reduction of \$184 thousand ending net assets. In addition, three discretely presented component units (Gulfgate Redevelopment Authority, Houston Parks Board Inc. and City Park Redevelopment Authority) restated their financial statements which had an additive affect to beginning net assets of \$3,738 thousand. In prior years, Houston Downtown Park Corporation presented each of its two funds, one governmental and one proprietary in the respective tables. This year both of those funds will be presented in the governmental table for simplicity. The proprietary table will show a restatement of \$199 thousand while the governmental fund will show an offsetting restatement for (\$199) thousand.

Net Assets
Major Component Units - Discretely Presented Governmental
June 30, 2009
(in thousands)

	Fourth Ward Redevelopment Authority	Greater Houston Convention & Visitor's Bureau	Houston Arts Alliance
Cash, receivable and other current assets	\$ 13,841	\$ 8,813	\$ 6,914
Noncurrent assets	-	-	-
Capital assets, net of accumulated depreciation	637	199	77
Total assets	<u>14,478</u>	<u>9,012</u>	<u>6,991</u>
Current liabilities	583	1,941	3,362
Long-term liabilities	-	-	-
Total liabilities	<u>583</u>	<u>1,941</u>	<u>3,362</u>
Net assets			
Invested in capital assets, net of related debt	13,177	-	2,248
Restricted	-	-	-
Unrestricted (deficit)	718	7,071	1,381
Total net assets (deficit)	<u>\$ 13,895</u>	<u>\$ 7,071</u>	<u>\$ 3,629</u>

(Continued)

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Houston Downtown Park Corporation	Main Street Market Sq Redevelopment Authority	Midtown Redevelopment Authority	Upper Kirby Redevelopment Authority	Uptown Development Authority	Nonmajor Component Units	2009
\$ 83	\$ 22,378	\$ 53,960	\$ 3,465	\$ 22,674	\$ 121,677	\$ 253,805
-	-	1,714	169	453	22,995	25,331
79,145	-	8,370	12,102	8,891	26,144	135,565
<u>79,228</u>	<u>22,378</u>	<u>64,044</u>	<u>15,736</u>	<u>32,018</u>	<u>170,816</u>	<u>414,701</u>
2,479	1,059	5,150	2,629	38,873	22,176	78,252
19,704	26,920	49,405	2,250	32,729	74,835	205,843
<u>22,183</u>	<u>27,979</u>	<u>54,555</u>	<u>4,879</u>	<u>71,602</u>	<u>97,011</u>	<u>284,095</u>
57,251	-	5,694	12,102	8,892	12,696	112,060
-	3,963	36,102	-	6,301	58,062	104,428
(206)	(9,564)	(32,307)	(1,245)	(54,777)	3,047	(85,882)
<u>\$ 57,045</u>	<u>\$ (5,601)</u>	<u>\$ 9,489</u>	<u>\$ 10,857</u>	<u>\$ (39,584)</u>	<u>\$ 73,805</u>	<u>\$ 130,606</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Change in Net Assets
Major Component Units - Discretely Presented Governmental
For the Year Ended June 30, 2009
(in thousands)

Component Units	Expenses	Charges for Services	Operating Grants and Contributions	Fourth Ward Redevelopment Authority
Fourth Ward Redevelopment Authority	\$ 6,894	\$ -	\$ -	\$ (6,894)
Greater Houston Convention & Visitors Bureau	18,385	1,076	18,651	-
Houston Arts Alliance (firmly Cultural Arts Cou..)	14,619	-	13,197	-
Houston Downtown Park Corporation	1,772	1,036	10	-
Main Street Market Square Redevelopment Auth	12,287	-	-	-
Midtown Redevelopment Authority	12,167	-	569	-
Upper Kirby Redevelopment Authority	17,596	-	7,026	-
Uptown Development Authority	28,686	-	-	-
Nonmajor Component Units	43,574	2,741	23,857	-
Total component units	\$ 155,980	\$ 4,853	\$ 63,310	\$ (6,894)

General Revenues:

Taxes	
Property taxes levied for general purposes	1,594
Intergovernmental - grants	-
Unrestricted investment earnings	90
Other	14,553
Loss on sales of assets	-
Transfers	-
Total general revenues, special items and transfers	16,237
Change in net assets	9,343
Net assets beginning	4,552
New component unit & restatement	-
Net assets ending	\$ 13,895

(Continued)

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Net (Expense) Revenue and Change In Net Assets

Greater Houston Convention & Visit. Bureau	Houston Arts Alliance	Houston Downtown Park Corporation	Main St Market Sq Redevelopment Authority	Midtown Redevelopment Authority	Upper Kirby Redevelopment Authority	Uptown Development Authority	Non-Major Component Units	Total Component Units
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,894)
1,342	-	-	-	-	-	-	-	1,342
-	(1,422)	-	-	-	-	-	-	(1,422)
-	-	(726)	-	-	-	-	-	(726)
-	-	-	(12,287)	-	-	-	-	(12,287)
-	-	-	-	(11,598)	-	-	-	(11,598)
-	-	-	-	-	(10,570)	-	-	(10,570)
-	-	-	-	-	-	(28,686)	-	(28,686)
-	-	-	-	-	-	-	(16,976)	(16,976)
<u>\$ 1,342</u>	<u>\$ (1,422)</u>	<u>\$ (726)</u>	<u>\$ (12,287)</u>	<u>\$ (11,598)</u>	<u>\$ (10,570)</u>	<u>\$ (28,686)</u>	<u>\$ (16,976)</u>	<u>\$ (87,817)</u>
-	-	-	8,591	13,899	5,151	19,152	33,684	82,071
205	-	-	219	499	287	468	(1,427)	341
-	1,925	-	-	1,128	15	-	1,087	18,708
-	-	-	-	-	-	-	(2)	(2)
-	-	-	-	-	-	-	(7,128)	(7,128)
<u>205</u>	<u>1,925</u>	<u>-</u>	<u>8,810</u>	<u>15,526</u>	<u>5,453</u>	<u>19,620</u>	<u>26,214</u>	<u>93,990</u>
1,547	503	(726)	(3,477)	3,928	(5,117)	(9,066)	9,238	6,173
5,524	3,126	57,572	(2,124)	5,561	(5,433)	15,974	35,744	120,496
-	-	199	-	-	-	-	3,738	3,937
<u>\$ 7,071</u>	<u>\$ 3,629</u>	<u>\$ 57,045</u>	<u>\$ (5,601)</u>	<u>\$ 9,489</u>	<u>\$ (10,550)</u>	<u>\$ 6,908</u>	<u>\$ 48,720</u>	<u>\$ 130,606</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Net Assets
Major Component Units - Discretely Presented Business-type
June 30, 2009
(in thousands)

	Houston Convention Center Hotel Corp.	Houston Housing Finance Corp.	Houston Zoo Inc.	Total
Cash, receivable and other current assets	\$ 67,283	\$ 24,433	\$ 46,688	\$ 138,404
Noncurrent assets	2,196	14,597	-	16,793
Capital assets, net of accumulated depreciation	227,137	3,054	30,033	260,224
Total assets	<u>296,616</u>	<u>42,084</u>	<u>76,721</u>	<u>415,421</u>
Current liabilities	24,841	146	2,933	27,920
Long-term liabilities	285,697	70	-	285,767
Total liabilities	<u>310,538</u>	<u>216</u>	<u>2,933</u>	<u>313,687</u>
Net assets				
Invested in capital assets, net of related debt	(39,401)	-	-	(39,401)
Restricted	43,843	32	42,805	86,680
Unrestricted (deficit)	(18,364)	41,836	30,983	54,455
Total net assets (deficit)	<u>\$ (13,922)</u>	<u>\$ 41,868</u>	<u>\$ 73,788</u>	<u>\$ 101,734</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

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CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Change in Net Assets
Major Component Units - Discretely Presented Business-type
For the Year Ended June 30, 2009
(in thousands)

<u>Component Units</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Houston Convention Center Hotel Corp.	\$ 86,177	\$ 83,457	\$ -
Houston Housing Finance Corp.	2,127	399	184
Houston Zoo Inc.	24,079	22,913	14,229
Nonmajor Component Units	-	-	-
Totals	<u>\$ 112,383</u>	<u>\$ 106,769</u>	<u>\$ 14,413</u>

General Revenues:

Taxes

Property Taxes levied for general purposes

Unrestricted investment earnings

Other

Total general revenues, special items, and transfers

Change in net assets

Net assets (deficit) beginning

New Component Unit & Restatement

Net assets (deficit) ending

Continued

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Net (Expense) Revenue and Change in Net Assets

Houston Convention Center Hotel Corp.	Houston Housing Finance Corp.	Houston Zoo Inc.	Non-Major Component Units	Total
\$ (2,720)	\$ -	\$ -	\$ -	\$ (2,720)
-	(1,544)	-	-	(1,544)
-	-	13,063	-	13,063
-	-	-	-	-
<u>\$ (2,720)</u>	<u>\$ (1,544)</u>	<u>\$ 13,063</u>	<u>\$ -</u>	<u>\$ 8,799</u>
-	750	-	-	750
1,619	1,553	(201)	-	2,971
11,347	430	-	-	11,777
<u>12,966</u>	<u>2,733</u>	<u>(201)</u>	<u>-</u>	<u>15,498</u>
10,246	1,189	12,862	-	24,297
(24,168)	40,679	60,926	199	77,636
-	-	-	(199)	(199)
<u>\$ (13,922)</u>	<u>\$ 41,868</u>	<u>\$ 73,788</u>	<u>\$ -</u>	<u>\$ 101,734</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Note 17: Subsequent Events

A. Tax and Revenue Anticipation Notes

On July 1, 2009, the City closed the sale of \$150,000,000 Tax and Revenue Anticipation Notes ("TRANS"), Series 2009. The proceeds of the TRANS will be used to pay working capital expenditures until tax revenues are received in early 2010. Stated interest rates were 2.0 to 2.5%, and the average yield was 0.4%. The notes will mature on June 30, 2010.

B. Airport System Senior Lien Revenue and Refunding Bonds

On August 20, 2009 the City issued \$449,660,000 of Airport System Senior Lien Revenue and Refunding Bonds, Series 2009A ("the Airport Bonds") at rates ranging from 5.0 to 5.5%. The true interest cost was 5.42%. The bonds mature in varying amounts from 2015 to 2039. Proceeds were set aside to fund new construction, to fund a debt service reserve fund and capitalized interest fund, to pay costs of issuance, and to currently refund \$87,000,000 of Senior Lien Commercial Paper Series A AMT. The Airport Bonds were issued to replace the variable rate commercial paper and lock in long term fixed rates rather than to achieve debt service savings. Cash flow and net present value savings cannot be computed because the refunded commercial paper paid interest at varying rates depending on current market conditions. The Series 2009A Bonds are the first series to be issued at the Senior Lien level. The Series 2009A Bonds are not subject to the alternative minimum tax (AMT) as they are issued under the AMT Holiday provision of the American Recovery and Reinvestment Act.

C. Public Improvement Refunding Bonds

On September 15, 2009 the City issued \$430,850,000 in Public Improvement Refunding Bonds, Series 2009A and \$76,830,000 in Taxable Public Improvement Refunding Bonds, Series 2009B ("the PIBS 2009 Bonds") at rates ranging from 2% to 6.238%. The bonds mature in varying amounts from 2010 through 2039. The true interest cost was 4.0%. Proceeds were used to refund \$488,400,000 of General Obligation Commercial Paper Series E1, G, H1 and H2 ("the Commercial Paper Notes"); to refund \$47,479,000 of Public Improvement Refunding Bonds, Series 1999A, 2001A and 2002, and Tax and Revenue Certificates of Obligation, Series 2000A ("the Refunded Bonds and Certificates"); and to pay costs of issuance. The cash savings for the Refunded Bonds and Certificates was \$7,000, and the net present value savings was \$1,742,000 or 3.7%. Because the refunded Commercial Paper Notes paid interest at varying rates depending on current market conditions, cash flow and net present value savings cannot be computed. The goal of this part of the transaction was to lock in long term fixed rates rather than to achieve debt service savings.

D. General Obligation Swap Termination

On August 25, 2009 the City terminated its \$200,000,000 general obligation basis swap because Ambac Assurance Corporation, guarantor for the counterparty, had been downgraded below standards acceptable in the contract. The City received a termination payment of \$2,404,000 which covered accrued contract payments of \$3,557,000 due through 2010 offset by a negative fair market value of \$1,153,000 at time of termination.

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, 2009
amounts expressed in thousands
(unaudited)**

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
Revenues				
Taxes and assessments				
Property Taxes	\$ 878,486	\$ 878,486	\$ 890,087	\$ 11,601
Industrial Assessments	18,500	18,500	19,133	633
Sales Tax	526,723	526,723	507,103	(19,620)
Franchise Tax	189,299	189,299	190,322	1,023
Mixed Beverage Tax	10,900	10,900	10,587	(313)
Bingo Tax	257	257	226	(31)
Total taxes and assessments	<u>1,624,165</u>	<u>1,624,165</u>	<u>1,617,458</u>	<u>(6,707)</u>
Licenses and permits				
General	10,961	10,961	10,802	(159)
Health Permits	6,761	6,761	6,709	(52)
Total licenses and permits	<u>17,722</u>	<u>17,722</u>	<u>17,511</u>	<u>(211)</u>
Charges for services				
Ambulance service	25,500	25,500	23,414	(2,086)
Parking	244	244	236	(8)
Services performed for other funds				
Direct	48,340	48,327	47,890	(437)
Indirect	14,643	14,643	13,190	(1,453)
Rents and royalties	1,246	1,246	1,436	190
Others	14,322	14,322	10,657	(3,665)
Total charges for services	<u>104,295</u>	<u>104,282</u>	<u>96,823</u>	<u>(7,459)</u>
Intergovernmental - grants	32,520	32,520	33,027	507
Fines and forfeits				
Municipal Courts	38,519	38,519	37,692	(827)
Others	3,810	3,810	2,693	(1,117)
Total fines and forfeits	<u>42,329</u>	<u>42,329</u>	<u>40,385</u>	<u>(1,944)</u>
Contributions	-	-	-	-
Interest	13,000	13,000	11,707	(1,293)
Other				
Sale of Property	1,575	693	881	188
Other	8,769	8,769	9,395	626
Total Other	<u>10,344</u>	<u>9,462</u>	<u>10,276</u>	<u>814</u>
Total revenues	<u>1,844,375</u>	<u>1,843,480</u>	<u>1,827,187</u>	<u>(16,293)</u>
Other financing sources (uses)				
Transfers in	7,595	7,595	35,810	28,215
Sale of capital assets	6,240	7,122	4,798	(2,324)
Other financing sources (uses)	20,000	20,000	20,000	-
Total other financing sources (uses)	<u>33,835</u>	<u>34,717</u>	<u>60,608</u>	<u>25,891</u>
Total revenues and other financing sources	<u>\$ 1,878,210</u>	<u>\$ 1,878,197</u>	<u>\$ 1,887,795</u>	<u>\$ 9,598</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, 2009
amounts expressed in thousands
(unaudited)

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
General government				
Legislative and executive				
Legislative - Council				
Personnel services	4,769	4,849	4,813	36
Other current expenditures	451	314	268	46
Equipment acquisition		17	15	2
Total legislative - council	<u>5,220</u>	<u>5,180</u>	<u>5,096</u>	<u>84</u>
Legislative - Mayor's Office				
Personnel services	2,883	2,880	2,748	132
Other current expenditures	174	174	166	8
Equipment acquisition			-	-
Total executive - mayor's office	<u>3,057</u>	<u>3,054</u>	<u>2,914</u>	<u>140</u>
Total legislative and executive	<u>8,277</u>	<u>8,234</u>	<u>8,010</u>	<u>224</u>
Affirmative Action				
Personnel services	2,399	2,332	2,148	184
Other current expenditures	168	168	153	15
Equipment acquisition			-	-
Total affirmative action	<u>2,567</u>	<u>2,500</u>	<u>2,301</u>	<u>199</u>
Judicial				
Municipal Courts Judges				
Personnel services	5,118	4,961	4,620	341
Other current expenditures	438	589	566	23
Equipment acquisition			-	-
Total municipal court judges	<u>5,556</u>	<u>5,550</u>	<u>5,186</u>	<u>364</u>
Municipal Courts Administration				
Personnel services	14,440	14,356	14,435	(79)
Other current expenditures	3,033	3,898	3,753	145
Equipment acquisition	150	63	28	35
Total municipal court administration	<u>17,623</u>	<u>18,317</u>	<u>18,216</u>	<u>101</u>
Total judicial	<u>23,179</u>	<u>23,867</u>	<u>23,402</u>	<u>465</u>
Elections	-	200	252	(52)
Finance administration				
Controller				
Personnel services	6,185	6,096	6,028	68
Other current expenditures	1,211	1,291	1,065	226
Equipment acquisition			18	(18)
Total controller	<u>7,396</u>	<u>7,387</u>	<u>7,111</u>	<u>276</u>
Finance				
Personnel services	6,972	6,752	5,830	922
Other current expenditures	3,278	3,592	3,155	437
Equipment acquisition		98	59	39
Total finance	<u>10,250</u>	<u>10,442</u>	<u>9,044</u>	<u>1,398</u>
Administrative and Regulatory Affairs				
Personnel services	19,414	19,946	19,212	734
Other current expenditures	3,756	3,768	3,977	(209)
Equipment acquisition		47	28	19
Total administrative and regulatory affairs	<u>23,170</u>	<u>23,761</u>	<u>23,217</u>	<u>544</u>
Information Technology				
Personnel services	13,889	13,528	13,769	(241)
Other current expenditures	3,721	4,042	3,614	428
Equipment acquisition	29	52	104	(52)
Total information technology	<u>17,639</u>	<u>17,622</u>	<u>17,487</u>	<u>135</u>
Audits	-	676	217	459
Bond and Legal	1,785	1,785	1,855	(70)
Total finance administration	<u>60,240</u>	<u>61,673</u>	<u>58,931</u>	<u>2,742</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, 2009
amounts expressed in thousands
(unaudited)

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
Legal				
Personnel services	13,670	15,078	14,453	625
Other current expenditures	2,051	2,172	1,532	640
Equipment acquisition	-	-	-	-
Total legal	15,721	17,250	15,985	1,265
City Secretary				
Personnel services	738	737	584	153
Other current expenditures	97	97	83	14
Equipment acquisition	-	-	-	-
Total city secretary	835	834	667	167
Planning and Development				
Personnel services	8,076	7,754	7,350	404
Other current expenditures	738	951	772	179
Equipment acquisition	10	106	93	13
Total planning and development	8,824	8,811	8,215	596
Human Resources				
Personnel services	2,713	2,579	2,264	315
Other current expenditures	521	628	444	184
Equipment acquisition	-	23	23	-
Total human resources	3,234	3,230	2,731	499
Total general government	122,877	126,599	120,494	6,105
Public safety				
Police				
Personnel services	618,952	610,168	608,451	1,717
Other current expenditures	38,768	41,498	39,691	1,807
Equipment acquisition	147	1,433	1,318	115
Total police	657,867	653,099	649,460	3,639
Fire				
Personnel services	388,230	387,735	391,329	(3,594)
Other current expenditures	29,281	27,353	25,067	2,286
Equipment acquisition	-	33	27	6
Total fire	417,511	415,121	416,423	(1,302)
Total public safety	1,075,378	1,068,220	1,065,883	2,337
Public Works				
Administration				
Personnel services	28,454	27,750	28,393	(643)
Other current expenditures	68,294	60,625	59,178	1,447
Equipment acquisition	185	249	182	67
Total administration	96,933	88,624	87,753	871
General Services				
Personnel services	13,296	12,294	13,495	(1,201)
Other current expenditures	35,016	36,446	35,333	1,113
Equipment acquisition	6	12	18	(6)
Total general services	48,318	48,752	48,846	(94)

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, 2009
amounts expressed in thousands
(unaudited)

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
Solid Waste				
Personnel services	33,095	33,316	32,817	499
Other current expenditures	39,139	36,244	35,976	268
Equipment acquisition	1,261	2,480	1,860	620
Total solid waste	73,495	72,040	70,653	1,387
Total public works	218,746	209,416	207,252	2,164
Health				
Personnel services	47,097	43,106	44,006	(900)
Other current expenditures	8,888	12,197	11,677	520
Equipment acquisition		746	610	136
Total health	55,985	56,049	56,293	(244)
Housing				
Personnel services	257	534	38	496
Other current expenditures	259	282	260	22
Total housing	516	816	298	518
Parks and Recreation				
Personnel services	42,788	40,328	39,806	522
Other current expenditures	26,323	29,029	29,698	(669)
Equipment acquisition		110	91	19
Total parks and recreation	69,111	69,467	69,595	(128)
Library				
Personnel services	28,461	27,627	25,507	2,120
Other current expenditures	4,592	4,770	4,801	(31)
Equipment acquisition	6,680	7,278	7,317	(39)
Total library	39,733	39,675	37,625	2,050
Retiree Benefits				
Hospital and life insurance	19,858	18,847	18,464	383
Total retiree benefits	19,858	18,847	18,464	383
Other current expenditures				
Tax appraisal fees	7,434	7,694	7,666	28
Limited-purpose Annexation Districts	28,825	31,351	29,279	2,072
Claims and judgments	7,500	7,500	8,414	(914)
Membership dues	745	745	649	96
Advertising and promotion	225	250	269	(19)
Consultants	183	358	378	(20)
Miscellaneous support services	10,876	11,087	7,791	3,296
Total other current expenditures	55,788	58,985	54,446	4,539
Debt service				
Debt service principal	-	719	1,489	(770)
Debt service interest	5,000	1,379	1,497	(118)
Total debt service	5,000	2,098	2,986	(888)
Total expenditures	1,662,992	1,650,172	1,633,336	16,836
Other financing sources (uses)				
Transfers out	266,694	268,851	268,310	541
Total other financing sources (uses)	266,694	268,851	268,310	541
Total expenditures and other financing uses	\$ 1,929,686	\$ 1,919,023	\$ 1,901,646	\$ 17,377

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, 2009
amounts expressed in thousands
(unaudited)

Revenues

Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 1,827,187
Revenues of non-budgeted funds	
Equipment Acquisition	16,724
Building Security	1,002
Grant Matching Fund	445
Vehicle Maintenance	215
Total revenues of non-budgeted funds	<u>18,386</u>
Interest on pooled investments from non-budgeted revenues	1,207
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances	<u><u>\$ 1,846,780</u></u>

Expenditures

Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	\$ 1,633,336
Expenditures of non-budgeted funds	
Equipment Acquisition	84,896
Building Security	1,516
Signal Maintenance	2
Fleet Maintenance	180
Grant Matching Fund	444
Total expenditures of non-budgeted funds	<u>87,038</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	<u><u>\$ 1,720,374</u></u>

Other financing sources (uses)

Actual amounts (budgetary basis) "other financing sources and uses" from the budgetary comparison schedules	\$ (207,702)
Proceeds from Issuance of Debt	67,500
Transfers In of non budgeted funds	<u>(13,763)</u>
Total other financing sources and uses as reported on the statement of revenues, expenditures, and changes in fund balances--governmental funds	<u><u>\$ (153,965)</u></u>

See note to Required Supplementary Information

CITY OF HOUSTON, TEXAS
REQUIRED NOTES TO THE SUPPLEMENTARY INFORMATION
June 30, 2009
(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 April 1, 2009, City Council approved the Fiscal Year 2009 general appropriation ordinance in the amount of \$1.918 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 2009 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	\$ 114,446	\$ 164,954	\$ 44,056
Non-budgeted Disaster Recovery Fund	(1,683)	-	8,465
Non-budgeted Grants Revenue Fund	328,148	340,717	(6,301)
Non-budgeted Health and Housing	4,622	3,391	908
Non-budgeted Other Funds	29,491	22,247	(817)
Total Special Revenue Funds - Actual	<u>\$ 475,024</u>	<u>\$ 531,309</u>	<u>\$ 46,311</u>

2. General Fund Budgetary Highlights

Revenues were \$16 million below budget. Some significant differences between some of the budgeted and actual revenue numbers include:

- \$7 million decrease in taxes and assessments
- \$7 million decrease in charges for services
- \$2 million increase in grants
- \$2 million decrease in fines and forfeits
- \$1 million decrease in interest

General government, Public Safety, Public Works and the Library saw the most significant changes in budgeted and actual expenditures for the fiscal year. In General government, finance administration decreased by \$2.7 million, while the Legal department's expenditures decreased by \$1.3 million. Within general government, most other departments had decreases in expenditures, resulting in a total decrease of \$6 million. In Public Safety, the Police department's expenditures decreased by \$3.6 million, while the Fire department's expenditures increased by \$1.3 million for a total decrease of \$2.3 million. In Public Works the majority of the \$2.1 million decrease in expenditures was the \$1.3 million in Solid Waste expenditures. The Library saw a \$2 million decrease in expenditures.

**CITY OF HOUSTON, TEXAS
REQUIRED PENSION SYSTEM
SUPPLEMENTARY INFORMATION
June 30, 2009
(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, 2002*	\$1,922.4	\$1,970.1	\$47.7	98%	\$190.6	25%
July 1, 2004	\$2,000.3	\$2,266.8	\$266.5	88%	\$181.5	147%
July 1, 2005	\$2,119.2	\$2,461.1	\$341.9	86%	\$192.1	178%
July 1, 2006	\$2,325.0	\$2,670.9	\$345.9	87%	\$218.7	158%
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%

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

**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, 2003	\$1,510.3	\$3,278.3	\$1,768.0	46%	\$390.3	453%
July 1, 2004	\$1,501.2	\$2,633.8	\$1,132.6	57%	\$366.1	309%
July 1, 2005	\$1,777.7	\$2,725.3	\$947.6	65%	\$404.6	234%
July 1, 2006	\$1,867.3	\$2,894.3	\$1,027.0	65%	\$422.5	243%
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%

**Houston Police Officer's 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, 2002	\$2,337.1	\$2,593.7	\$256.6	90%	\$286.1	90%
July 1, 2003	\$2,394.4	\$2,874.7	\$480.3	83%	\$300.4	160%
July 1, 2004	\$2,466.0	\$3,339.2	\$873.2	74%	\$329.8	265%
July 1, 2005*	\$2,508.8	\$3,393.0	\$884.2	74%	\$321.1	275%
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%

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

CITY OF HOUSTON, TEXAS
REQUIRED OTHER POST EMPLOYMENT BENEFITS
SUPPLEMENTARY INFORMATION
June 30, 2009
(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%
June 30, 2008	\$0	\$3,096	\$3,096	0%	\$1,136.5	272%

Governmental Funds

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

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

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

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

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

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

CITY OF HOUSTON, TEXAS
GENERAL FUND
Balance Sheet
June 30, 2009
(With comparative amounts for 2008)
amounts expressed in thousands

	<u>2009</u>	<u>2008</u>
Assets		
Equity in pooled cash and investments	\$ 238,999	\$ 265,602
Receivables, net of allowances		
Accounts receivable	26,599	44,160
Property taxes receivable, net	46,188	42,950
Sales taxes receivable	82,245	86,946
Mixed beverage taxes receivable	2,796	2,759
Franchise taxes receivable	17,009	17,535
Special assessments receivable	21,041	11,288
Due from other funds	28,480	323
Due from other governments	3,752	3,719
Inventory	20,685	20,008
Prepaid items	2,039	1,914
Total assets	<u>\$ 489,833</u>	<u>\$ 497,204</u>
Liabilities and fund balance		
Liabilities		
Accounts payable	48,899	39,202
Accrued payroll liabilities	57,286	48,896
Due to other funds	1,637	136
Due to other governments	785	7,992
Advances and deposits	9,319	4,061
Claims and judgments	1,827	2,466
Compensated absences	2,613	2,978
Deferred electricity	-	263
Unearned revenue	63,520	59,704
Total liabilities	<u>185,886</u>	<u>165,698</u>
Fund balance		
Reserved for imprest cash and prepaids	2,151	2,032
Reserved for inventory	20,685	20,008
Designated - Sign abatement	-	2,090
Designated - Rainy day fund	20,001	20,194
Undesignated	261,110	287,182
Total fund balance	<u>303,947</u>	<u>331,506</u>
Total liabilities and fund balance	<u>\$ 489,833</u>	<u>\$ 497,204</u>

CITY OF HOUSTON, TEXAS
GENERAL FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2009
(With comparative amounts for 2008)
amounts expressed in thousands

	<u>2009</u>	<u>2008</u>
Revenues		
Taxes and assessments		
Property Taxes	\$ 890,088	\$ 830,889
Industrial Assessments	19,133	17,787
Sales Tax	507,103	495,173
Franchise Tax	190,322	190,193
Mixed Beverage Tax	10,587	10,479
Bingo Tax	226	256
Licenses and permits	17,511	20,841
Charges for services	96,824	91,832
Intergovernmental - grants	33,972	33,395
Fines and forfeits	40,385	41,631
Investment income	12,913	18,662
Other	27,716	13,896
Total revenues	<u>1,846,780</u>	<u>1,765,034</u>
Expenditures		
Current		
General government	143,323	132,175
Public safety	1,094,845	1,015,001
Public works	215,468	208,552
Health	56,293	50,520
Housing and Community Development	298	473
Parks and recreation	69,595	63,562
Library	37,625	34,845
Retiree benefits	18,463	18,506
Capital outlay	81,478	70,223
Debt service principal	1,489	1,400
Debt service interest	1,497	4,514
Total expenditures	<u>1,720,374</u>	<u>1,599,771</u>
Other financing sources (uses)		
Proceeds from issuance of debt	87,500	130,623
Sale of capital assets	4,798	4,879
Transfers in	36,012	9,016
Transfers out	(282,275)	(256,374)
Total other financing sources (uses)	<u>(153,965)</u>	<u>(111,856)</u>
Change in fund balance	(27,559)	53,407
Fund balances, July 1	<u>331,506</u>	<u>278,099</u>
Fund balances, June 30	<u>\$ 303,947</u>	<u>\$ 331,506</u>

CITY OF HOUSTON, TEXAS
DEBT SERVICE FUND
Balance Sheet
June 30, 2009
(With comparative amounts for 2008)
amounts expressed in thousands

	2009	2008
Assets		
Equity in pooled cash and investments	\$ 161,903	\$ 131,891
Due from component units	5,310	5,779
Due from other funds	19	-
Total assets	\$ 167,232	\$ 137,670
 Liabilities and fund balance		
Liabilities		
Accounts payable	\$ 508	\$ 414
Unearned revenue	5,310	5,779
Total liabilities	5,818	6,193
 Fund balance		
Reserved for debt service	161,414	131,477
Total fund balance	161,414	131,477
Total liabilities and fund balance	\$ 167,232	\$ 137,670

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, 2009
(With comparative totals for 2008)
amounts expressed in thousands

	2009			Variance with Final Budget- Pos (Neg)	2008 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 4,088	\$ 4,088	\$ 6,847	\$ 2,759	\$ 6,182
Other	-	-	834	834	1,707
Total revenues	<u>4,088</u>	<u>4,088</u>	<u>7,681</u>	<u>3,593</u>	<u>7,889</u>
Expenditures					
Debt service principal	139,105	494,372	486,180	8,192	196,371
Debt service interest	134,516	156,612	131,791	24,821	125,478
Debt service fiscal agent & fees	22,727	8,388	8,949	(561)	3,700
Total expenditures	<u>296,348</u>	<u>659,372</u>	<u>626,920</u>	<u>32,452</u>	<u>325,549</u>
Other financing sources (uses)					
Net proceeds from issuance of debt	-	-	321,350	321,350	50
Discount on long-term debt			(327)	(327)	
Proceeds from refunded debt	-	-	324,030	324,030	219,238
Proceeds from bond premium	-	-	-	-	9,004
Transfers in	327,493	327,493	360,008	32,515	336,924
Payment to escrow agent for refunded bonds	-	(355,885)	(355,885)	-	(225,740)
Total other financing sources (uses)	<u>327,493</u>	<u>(28,392)</u>	<u>649,176</u>	<u>677,568</u>	<u>339,476</u>
Change in fund balance	35,233	(683,676)	29,937	713,613	21,816
Fund balances, July 1	-	-	131,477	131,477	109,661
Fund balances, June 30	<u>\$ 35,233</u>	<u>\$ (683,676)</u>	<u>\$ 161,414</u>	<u>\$ 845,090</u>	<u>\$ 131,477</u>

CITY OF HOUSTON, TEXAS
CAPITAL PROJECTS FUND
Balance Sheet
June 30, 2009
(With comparative amounts for 2008)
amounts expressed in thousands

	2009	2008
Assets		
Equity in pooled cash and investments	\$ 67,287	\$ 119,657
Receivables, net of allowances		
Accounts receivable	-	4,598
Due from other funds	10,000	-
Due from other governments	15,569	23,856
Prepaid items - Construction materials	276	49
Total assets	\$ 93,132	\$ 148,160
 Liabilities and fund balance		
Liabilities		
Accounts payable	42,134	42,724
Due to other funds	2,132	-
Advances and deposits	339	489
Unearned revenue	10,300	4,604
Total liabilities	54,905	47,817
 Fund balance		
Reserved for prepaids	276	-
Reserved fund balance	37,951	100,343
Total fund balance	38,227	100,343
 Total liabilities and fund balance	\$ 93,132	\$ 148,160

CITY OF HOUSTON, TEXAS
CAPITAL PROJECTS FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2009
(With comparative totals for 2008)
amounts expressed in thousands

	<u>2009</u>	<u>2008</u>
Revenues		
Intergovernmental - grants	\$ 44,560	\$ 70,562
Investment income	2,990	5,044
Other	<u>7,319</u>	<u>7,444</u>
Total revenues	<u>54,869</u>	<u>83,050</u>
Expenditures		
Current		
Capital outlay	<u>262,843</u>	<u>262,432</u>
Total expenditures	<u>262,843</u>	<u>262,432</u>
Other financing sources (uses)		
Proceeds from issuance of debt	217,355	256,378
Sale of capital assets	-	3,276
Transfers in	4,901	439
Transfers out	<u>(76,398)</u>	<u>(62,264)</u>
Total other financing sources (uses)	<u>145,858</u>	<u>197,829</u>
Change in fund balance	(62,116)	18,447
Fund balances, July 1	<u>100,343</u>	<u>81,896</u>
Fund balances, June 30	<u>\$ 38,227</u>	<u>\$ 100,343</u>

CITY OF HOUSTON, TEXAS
GRANTS FUND
Balance Sheet
June 30, 2009
(With comparative amounts for 2008)
amounts expressed in thousands

	2009	2008
Assets		
Cash		
Equity in pooled cash and investments	\$ 31,101	\$ 12,504
Receivables, net of allowances		
Accounts receivable	14,940	18,110
Due from other funds	8,294	-
Due from component units	3,395	4,305
Due from other governments	79,556	48,913
Inventory	1,681	1,468
Total assets	138,967	85,300
 Liabilities and fund balance		
Liabilities		
Accounts payable	38,358	14,309
Accrued payroll liabilities	2,134	2,135
Due to other funds	41,422	200
Due to other governments	3,568	12,740
Advances and deposits	588	552
Compensated absences	8	-
Unearned revenue	60,970	44,575
Total liabilities	147,048	74,511
 Fund balance		
Reserved for inventory	1,681	1,468
Reserved for debt service	-	1,768
Unreserved	(9,762)	7,553
Total fund balance	(8,081)	10,789
 Total liabilities and fund balance	\$ 138,967	\$ 85,300

CITY OF HOUSTON, TEXAS
GRANTS FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2009
(With comparative amounts for 2008)
amounts expressed in thousands

	<u>2009</u>	<u>2008</u>
Revenues		
Intergovernmental - grants	\$ 326,128	\$ 181,446
Contributions	737	-
Investment income	1,283	788
Total revenues	<u>328,148</u>	<u>182,234</u>
Expenditures		
Current		
General government	12,515	846
Public safety	63,026	38,647
Public works	116,724	236
Health	64,588	57,066
Housing and Community Development	78,295	76,951
Parks and recreation	3,946	6,470
Library	1,623	1,710
Total expenditures	<u>340,717</u>	<u>181,926</u>
Other financing sources (uses)		
Sale of capital assets	-	417
Transfers out	(6,301)	(561)
Total other financing sources (uses)	<u>(6,301)</u>	<u>(144)</u>
Change in fund balance	(18,870)	164
Fund balances, July 1	<u>10,789</u>	<u>10,625</u>
Fund balances, June 30	<u>\$ (8,081)</u>	<u>\$ 10,789</u>

CITY OF HOUSTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2009
(With comparative totals for 2008)
amounts expressed in thousands

	<i>Nonmajor Funds</i>	
	Public Safety Special Fund	Public Works Special Fund
Assets		
Equity in pooled cash and investments	\$ 26,715	\$ 35,693
Receivables, net of allowances		
Accounts receivable	13,938	90
Due from other funds	385	366
Due from other governments	2,801	600
Inventory	-	7
Total assets	\$ 43,839	\$ 36,756
Liabilities and fund balance		
Liabilities		
Accounts payable	\$ 3,559	\$ 1,334
Accrued payroll liabilities	1,189	2,152
Due to other funds	1,932	101
Due to other governments	4,125	-
Advances and deposits	891	802
Deferred electricity		-
Compensated absences	2	14
Other liabilities	-	-
Unearned revenue	9,633	600
Total liabilities	21,331	5,003
Fund balance		
Reserved for inventory		7
Undesignated	22,508	31,746
Total fund balance	22,508	31,753
Total liabilities and fund balance	\$ 43,839	\$ 36,756

(Continued)

Nonmajor Funds

Health & Housing Special Fund	Parks & Recreation Special Fund	Other Special Revenue Fund	2009	2008
\$ 6,971	\$ 5,266	\$ 50,024	\$ 124,669	\$ 128,474
-	447	1,246	15,721	12,657
2	15	4	772	-
-	-	219	3,620	3,768
-	5	-	12	18
<u>\$ 6,973</u>	<u>\$ 5,733</u>	<u>\$ 51,493</u>	<u>\$ 144,794</u>	<u>\$ 144,917</u>
\$ 729	\$ 574	\$ 2,235	\$ 8,431	\$ 6,098
49	168	63	3,621	3,309
5	-	294	2,332	-
-	13	1,944	6,082	4,120
-	51	155	1,899	2,303
-	-	-	-	4
-	-	-	16	12
-	-	103	103	113
-	147	464	10,844	9,458
<u>783</u>	<u>953</u>	<u>5,258</u>	<u>33,328</u>	<u>25,417</u>
-	5	-	12	18
<u>6,190</u>	<u>4,775</u>	<u>46,235</u>	<u>111,454</u>	<u>119,482</u>
<u>6,190</u>	<u>4,780</u>	<u>46,235</u>	<u>111,466</u>	<u>119,500</u>
<u>\$ 6,973</u>	<u>\$ 5,733</u>	<u>\$ 51,493</u>	<u>\$ 144,794</u>	<u>\$ 144,917</u>

CITY OF HOUSTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2009
(With comparative totals for 2008)
amounts expressed in thousands

	<i>Nonmajor Funds</i>		
	Public Safety Special Fund	Public Works Special Fund	Health & Housing Special Fund
Revenues			
Taxes and assessments			
Franchise Tax	\$ -	\$ 478	\$ -
Licenses and permits	7,076	31,688	1,673
Charges for services	7,730	7,844	986
Intergovernmental - grants	12,612	-	-
Fines and forfeits	16,643	9	-
Investment income	1,467	1,750	340
Other	12,920	487	1,623
Total revenues	<u>58,448</u>	<u>42,256</u>	<u>4,622</u>
Expenditures			
Current			
General government	-	-	-
Public safety	63,842	-	-
Public works	-	66,314	-
Health	-	-	2,540
Housing and community development	-	-	622
Parks and recreation	-	-	-
Capital outlay	5,289	16,092	229
Debt service principal	-	11	-
Total expenditures	<u>69,131</u>	<u>82,417</u>	<u>3,391</u>
Other financing sources (uses)			
Sale of capital assets		583	-
Transfers in	12,215	48,657	1,000
Transfers out	(3,673)	(12,173)	(92)
Total other financing sources (uses)	<u>8,542</u>	<u>37,067</u>	<u>908</u>
Change in fund balance	(2,141)	(3,094)	2,139
Fund balances, July 1	<u>24,649</u>	<u>34,847</u>	<u>4,051</u>
Fund balances, June 30	<u>\$ 22,508</u>	<u>\$ 31,753</u>	<u>\$ 6,190</u>

(Continued)

Nonmajor Funds

Parks & Recreation Special Fund	Other Special Revenue Fund	2009	2008
\$ -	\$ -	\$ 478	\$ 325
178	-	40,615	41,291
7,383	651	24,594	20,722
-	18,443	31,055	15,314
-	-	16,652	15,370
238	2,259	6,054	5,840
257	11,558	26,845	32,488
<u>8,056</u>	<u>32,911</u>	<u>146,293</u>	<u>131,350</u>
-	22,226	22,226	11,316
-	-	63,842	53,874
-	-	66,314	72,645
-	-	2,540	1,244
-	-	622	278
6,897	-	6,897	7,322
359	6,182	28,151	-
-	10	21	19
<u>7,256</u>	<u>28,418</u>	<u>190,613</u>	<u>146,698</u>
-	-	583	185
-	-	61,872	50,281
(1)	(10,230)	(26,169)	(9,674)
<u>(1)</u>	<u>(10,230)</u>	<u>36,286</u>	<u>40,792</u>
799	(5,737)	(8,034)	25,444
<u>3,981</u>	<u>51,972</u>	<u>119,500</u>	<u>94,056</u>
<u>\$ 4,780</u>	<u>\$ 46,235</u>	<u>\$ 111,466</u>	<u>\$ 119,500</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, 2009
(With comparative totals for 2008)
amounts expressed in thousands

	2009			Variance with Final Budget- Pos (Neg)	2008 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Confiscations	\$ 6,320	\$ 6,320	\$ 6,465	\$ 145	\$ 5,420
Investment income	210	210	251	41	346
Other	-	-	-	-	356
Total revenues	<u>6,530</u>	<u>6,530</u>	<u>6,716</u>	<u>186</u>	<u>6,122</u>
Expenditures					
Current					
Public safety	7,103	6,744	6,398	346	6,562
Capital outlay	400	759	428	331	-
Total expenditures	<u>7,503</u>	<u>7,503</u>	<u>6,826</u>	<u>677</u>	<u>6,562</u>
Other financing sources (uses)					
Transfers out	(1,297)	(1,297)	(1,297)	-	(1,297)
Total other financing sources (uses)	<u>(1,297)</u>	<u>(1,297)</u>	<u>(1,297)</u>	<u>-</u>	<u>(1,297)</u>
Change in fund balance	(2,270)	(2,270)	(1,407)	863	(1,737)
Fund balances, July 1	<u>4,158</u>	<u>4,158</u>	<u>4,158</u>	<u>-</u>	<u>5,895</u>
Fund balances, June 30	<u>\$ 1,888</u>	<u>\$ 1,888</u>	<u>\$ 2,751</u>	<u>\$ 863</u>	<u>\$ 4,158</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, 2009
(With comparative totals for 2008)
amounts expressed in thousands

	2009			Variance with Final Budget- Pos (Neg)	2008 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Licenses and permits	\$ 1,203	\$ 1,203	\$ 1,640	\$ 437	\$ 1,341
Charges for services	720	720	636	(84)	731
Investment income	72	72	70	(2)	93
Other	1,749	1,749	1,496	(253)	1,855
Total revenues	<u>3,744</u>	<u>3,744</u>	<u>3,842</u>	<u>98</u>	<u>4,020</u>
Expenditures					
Current					
Public safety	3,576	3,556	3,105	451	2,859
Capital outlay	-	12	11	1	-
Total expenditures	<u>3,576</u>	<u>3,568</u>	<u>3,116</u>	<u>452</u>	<u>2,859</u>
Other financing sources (uses)					
Transfers out	(1,095)	(1,103)	(1,103)	-	(1,186)
Total other financing sources (uses)	<u>(1,095)</u>	<u>(1,103)</u>	<u>(1,103)</u>	<u>-</u>	<u>(1,186)</u>
Change in fund balance	(927)	(927)	(377)	550	(25)
Fund balances, July 1	<u>1,023</u>	<u>1,023</u>	<u>1,023</u>	<u>-</u>	<u>1,048</u>
Fund balances, June 30	<u>\$ 96</u>	<u>\$ 96</u>	<u>\$ 646</u>	<u>\$ 550</u>	<u>\$ 1,023</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, 2009
(With comparative totals for 2008)
amounts expressed in thousands

	<u>2009</u>		<u>Actual</u>	<u>Variance with Final Budget- Pos (Neg)</u>	<u>2008 Actual</u>
	<u>Budget Amounts</u>				
	<u>Original</u>	<u>Final</u>			
Revenues					
Taxes and assessments					
Franchise Tax	\$ 304	\$ 304	\$ 478	\$ 174	\$ 325
Licenses and permits	38,495	38,495	29,998	(8,497)	35,905
Charges for services	6,070	6,070	6,317	247	8,069
Investment income	744	744	898	154	970
Other	335	335	302	(33)	333
Total revenues	<u>45,948</u>	<u>45,948</u>	<u>37,993</u>	<u>(7,955)</u>	<u>45,602</u>
Expenditures					
Current					
Public works	42,365	42,888	31,158	11,730	35,003
Capital outlay	3,515	8,621	13,687	(5,066)	-
Debt service principal	63	63	11	52	10
Total expenditures	<u>45,943</u>	<u>51,572</u>	<u>44,856</u>	<u>6,716</u>	<u>35,013</u>
Other financing sources (uses)					
Transfers in	-	-	5,778	5,778	-
Transfers out	(1,053)	(6,202)	(5,505)	(697)	(968)
Total other financing sources (uses)	<u>(1,053)</u>	<u>(6,202)</u>	<u>273</u>	<u>5,081</u>	<u>(968)</u>
Change in fund balance	(1,048)	(11,826)	(6,590)	5,236	9,621
Fund balances, July 1	<u>20,391</u>	<u>20,391</u>	<u>20,391</u>	<u>-</u>	<u>10,770</u>
Fund balances, June 30	<u>\$ 19,343</u>	<u>\$ 8,565</u>	<u>\$ 13,801</u>	<u>\$ 5,236</u>	<u>\$ 20,391</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, 2009
(With comparative totals for 2008)
amounts expressed in thousands

	2009			Variance with Final Budget- Pos (Neg)	2008 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 13	\$ 13	\$ 35	\$ 22	\$ 41
Other	2,609	2,609	2,972	363	1,785
Total revenues	<u>2,622</u>	<u>2,622</u>	<u>3,007</u>	<u>385</u>	<u>1,826</u>
Expenditures					
Current					
General government	2,422	2,664	2,559	105	1,584
Capital outlay	102	175	163	12	-
Total expenditures	<u>2,524</u>	<u>2,839</u>	<u>2,722</u>	<u>117</u>	<u>1,584</u>
Change in fund balance	98	(217)	285	502	242
Fund balances, July 1	<u>606</u>	<u>606</u>	<u>606</u>	<u>-</u>	<u>364</u>
Fund balances, June 30	<u>\$ 704</u>	<u>\$ 389</u>	<u>\$ 891</u>	<u>\$ 502</u>	<u>\$ 606</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, 2009
(With comparative totals for 2008)
amounts expressed in thousands

	2009		Actual	Variance with Final Budget- Pos (Neg)	2008
	Budget Amounts				
	Original	Final			
Revenues					
Fines and forfeits	\$ 900	\$ 900	\$ 2,368	\$ 1,468	\$ 2,354
Interest	80	80	100	20	102
Other	3,000	3,000	859	(2,141)	946
Total revenues	<u>3,980</u>	<u>3,980</u>	<u>3,327</u>	<u>(653)</u>	<u>3,402</u>
Expenditures					
Current					
General government	5,046	3,542	3,506	36	3,388
Total expenditures	<u>5,046</u>	<u>3,542</u>	<u>3,506</u>	<u>36</u>	<u>3,388</u>
Change in fund balance	(1,066)	438	(179)	(617)	14
Fund balances, July 1	182	182	182	-	168
Fund balances, June 30	<u>\$ (884)</u>	<u>\$ 620</u>	<u>\$ 3</u>	<u>\$ (617)</u>	<u>\$ 182</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, 2009
(With comparative totals for 2008)
amounts expressed in thousands

	2009			Variance with Final Budget- Pos (Neg)	2008 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Charges for services	\$ 639	\$ 639	\$ 639	\$ -	\$ 572
Intergovernmental - grants	1,466	1,466	1,466	-	1,326
Investment income	12	12	40	28	35
Other	-	-	-	-	3
Total revenues	<u>2,117</u>	<u>2,117</u>	<u>2,145</u>	<u>28</u>	<u>1,936</u>
Expenditures					
Current					
General government	2,675	2,672	2,396	276	1,556
Capital outlay	48	51	27	24	-
Debt service principal	-	-	10	(10)	9
Total expenditures	<u>2,723</u>	<u>2,723</u>	<u>2,433</u>	<u>290</u>	<u>1,565</u>
Change in fund balance	(606)	(606)	(288)	318	371
Fund balances, July 1	<u>723</u>	<u>723</u>	<u>723</u>	<u>-</u>	<u>352</u>
Fund balances, June 30	<u>\$ 117</u>	<u>\$ 117</u>	<u>\$ 435</u>	<u>\$ 318</u>	<u>\$ 723</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, 2009
(With comparative totals for 2008)
amounts expressed in thousands

	2009			Variance with Final Budget- Pos (Neg)	2008
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Interest	\$ 170	\$ 170	\$ 181	\$ 11	\$ 194
Other	1,306	1,306	1,568	262	1,599
Total revenues	<u>1,476</u>	<u>1,476</u>	<u>1,749</u>	<u>273</u>	<u>1,793</u>
Expenditures					
Current					
Public safety	2,230	4,560	2,608	1,952	674
Capital outlay	400	20	-	20	-
Total expenditures	<u>2,630</u>	<u>4,580</u>	<u>2,608</u>	<u>1,972</u>	<u>674</u>
Other financing sources (uses)					
Operating transfers out	(1,074)	(700)	(700)	-	(275)
Total other financing sources (uses)	<u>(1,074)</u>	<u>(700)</u>	<u>(700)</u>	<u>-</u>	<u>(275)</u>
Change in fund balance	(2,228)	(3,804)	(1,559)	2,245	844
Fund balances, July 1	<u>3,975</u>	<u>3,975</u>	<u>3,975</u>	<u>-</u>	<u>3,131</u>
Fund balances, June 30	<u>\$ 1,747</u>	<u>\$ 171</u>	<u>\$ 2,416</u>	<u>\$ 2,245</u>	<u>\$ 3,975</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, 2009
(With comparative totals for 2008)
amounts expressed in thousands

	2009			Variance with Final Budget- Pos (Neg)	2008 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Licenses and permits	\$ 142	\$ 142	\$ 178	\$ 36	\$ 182
Charges for services	7,079	7,079	7,382	303	7,027
Investment income	100	100	225	125	228
Other	53	53	75	22	272
Total revenues	<u>7,374</u>	<u>7,374</u>	<u>7,860</u>	<u>486</u>	<u>7,709</u>
Expenditures					
Current					
Parks and recreation	7,416	7,681	6,896	785	7,322
Capital outlay	376	399	359	40	-
Total expenditures	<u>7,792</u>	<u>8,080</u>	<u>7,255</u>	<u>825</u>	<u>7,322</u>
Other financing sources (uses)					
Transfers out	425	138	-	(138)	(287)
Total other financing sources (uses)	<u>425</u>	<u>138</u>	<u>-</u>	<u>(138)</u>	<u>(287)</u>
Change in fund balance	7	(568)	605	1,173	100
Fund balances, July 1	<u>3,848</u>	<u>3,848</u>	<u>3,848</u>	<u>-</u>	<u>3,748</u>
Fund balances, June 30	<u>\$ 3,855</u>	<u>\$ 3,280</u>	<u>\$ 4,453</u>	<u>\$ 1,173</u>	<u>\$ 3,848</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, 2009
(With comparative totals for 2008)
amounts expressed in thousands

	2009			Variance with Final Budget- Pos (Neg)	2008 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Charges for services	\$ 8,173	\$ 8,173	\$ 12,532	\$ 4,359	\$ 17,331
Intergovernmental - grants	3,240	3,240	3,233	(7)	4,579
Investment income	200	200	481	281	607
Other	2,409	2,409	2,569	160	1,759
Total revenues	<u>14,022</u>	<u>14,022</u>	<u>18,815</u>	<u>4,793</u>	<u>24,276</u>
Expenditures					
Current					
Public safety	17,771	17,278	15,463	1,815	20,761
Capital outlay	3,021	3,514	3,862	(348)	-
Total expenditures	<u>20,792</u>	<u>20,792</u>	<u>19,325</u>	<u>1,467</u>	<u>20,761</u>
Other financing sources (uses)					
Transfers in	1,156	1,156	943	(213)	1,496
Transfers out	(2,950)	(5,649)	(5,912)	(263)	-
Total other financing sources (uses)	<u>(1,794)</u>	<u>(4,493)</u>	<u>(4,969)</u>	<u>(476)</u>	<u>1,496</u>
Change in fund balance	(8,564)	(11,263)	(5,479)	5,784	5,011
Fund balances, July 1	<u>14,770</u>	<u>14,770</u>	<u>14,770</u>	<u>-</u>	<u>9,759</u>
Fund balances, June 30	<u>\$ 6,206</u>	<u>\$ 3,507</u>	<u>\$ 9,291</u>	<u>\$ 5,784</u>	<u>\$ 14,770</u>

CITY OF HOUSTON, TEXAS
SIGN ADMINISTRATION FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2009
(With comparative totals for 2008)
amounts expressed in thousands

	2009			Variance with Final Budget- Pos (Neg)	2008 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Licenses and permits	\$ 2,947	\$ 2,947	\$ 3,216	\$ 269	\$ 2,967
Investment income	104	104	135	31	124
Other	2	2	4	2	3
Total revenues	<u>3,053</u>	<u>3,053</u>	<u>3,355</u>	<u>302</u>	<u>3,094</u>
Expenditures					
Current					
Public works	3,538	3,511	2,837	674	2,752
Capital outlay	43	70	43	27	-
Total expenditures	<u>3,581</u>	<u>3,581</u>	<u>2,880</u>	<u>701</u>	<u>2,752</u>
Other financing sources (uses)					
Sale of capital assets	-	-	-	-	2
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
Change in fund balance	(528)	(528)	475	1,003	344
Fund balances, July 1	<u>2,071</u>	<u>2,071</u>	<u>2,071</u>	<u>-</u>	<u>1,727</u>
Fund balances, June 30	<u>\$ 1,543</u>	<u>\$ 1,543</u>	<u>\$ 2,546</u>	<u>\$ 1,003</u>	<u>\$ 2,071</u>

CITY OF HOUSTON, TEXAS
STORMWATER FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2009
(With comparative totals for 2008)
amounts expressed in thousands

	2009			Variance with Final Budget- Pos (Neg)	2008 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 200	\$ 200	\$ 261	\$ 61	\$ 251
Other	70	70	59	(11)	78
Total revenues	<u>270</u>	<u>270</u>	<u>320</u>	<u>50</u>	<u>329</u>
Expenditures					
Current					
Public works	34,446	33,725	30,375	3,350	32,709
Capital outlay	1,707	2,360	1,870	490	-
Total expenditures	<u>36,153</u>	<u>36,085</u>	<u>32,245</u>	<u>3,840</u>	<u>32,709</u>
Other financing sources (uses)					
Transfers in	41,737	41,737	41,429	(308)	36,540
Transfers out	(7,566)	(7,634)	(6,668)	966	(4,641)
Total other financing sources (uses)	<u>34,171</u>	<u>34,103</u>	<u>34,761</u>	<u>658</u>	<u>31,899</u>
Change in fund balance	(1,712)	(1,712)	2,836	4,548	(481)
Fund balances, July 1	<u>2,871</u>	<u>2,871</u>	<u>2,871</u>	<u>-</u>	<u>3,352</u>
Fund balances, June 30	<u>\$ 1,159</u>	<u>\$ 1,159</u>	<u>\$ 5,707</u>	<u>\$ 4,548</u>	<u>\$ 2,871</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, 2009
(With comparative totals for 2008)
amounts expressed in thousands

	2009		Actual	Variance with Final Budget- Pos (Neg)	2008 Actual
	Original	Final			
Revenues					
Charges for services	\$ 417	\$ 417	\$ 157	\$ (260)	\$ 144
Intergovernmental - grants	10,673	10,673	9,379	(1,294)	8,787
Investment income	-	-	(14)	(14)	(6)
Total revenues	<u>11,090</u>	<u>11,090</u>	<u>9,522</u>	<u>(1,568)</u>	<u>8,925</u>
Expenditures					
Current					
Public safety	22,435	22,263	21,265	998	19,633
Capital outlay	-	164	125	39	-
Total expenditures	<u>22,435</u>	<u>22,427</u>	<u>21,390</u>	<u>1,037</u>	<u>19,633</u>
Other financing sources (uses)					
Transfers in	<u>11,203</u>	<u>11,203</u>	<u>11,273</u>	<u>70</u>	<u>10,734</u>
Total other financing sources (uses)	<u>11,203</u>	<u>11,203</u>	<u>11,273</u>	<u>70</u>	<u>10,734</u>
Change in fund balance	(142)	(134)	(595)	(461)	26
Fund balances, July 1	<u>135</u>	<u>135</u>	<u>135</u>	<u>-</u>	<u>109</u>
Fund balances, June 30	<u>\$ (7)</u>	<u>\$ 1</u>	<u>\$ (460)</u>	<u>\$ (461)</u>	<u>\$ 135</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, 2009
(With comparative totals for 2008)
amounts expressed in thousands

	2009			Variance with Final Budget- Pos (Neg)	2008 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 20	\$ 20	\$ 20	\$ -	\$ 30
Other	30	30	46	16	30
Total revenues	<u>50</u>	<u>50</u>	<u>66</u>	<u>16</u>	<u>60</u>
Expenditures					
Current					
General government	88	31	21	10	202
Capital outlay	190	247	49	198	-
Total expenditures	<u>278</u>	<u>278</u>	<u>70</u>	<u>208</u>	<u>202</u>
Change in fund balance	(228)	(228)	(4)	224	(142)
Fund balances, July 1	<u>421</u>	<u>421</u>	<u>421</u>	<u>-</u>	<u>563</u>
Fund balances, June 30	<u>\$ 193</u>	<u>\$ 193</u>	<u>\$ 417</u>	<u>\$ 224</u>	<u>\$ 421</u>

Enterprise Funds

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

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

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

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

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

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Net Assets
June 30, 2009
(With comparative amounts for 2008)
amounts expressed in thousands

	<u>2009</u>	<u>2008</u>
Assets		
Current Assets		
Equity in pooled cash and investments	\$ 767,199	\$ 828,803
Receivables, net of allowances		
Accounts receivable	2,047	21,279
Due from other funds	1,274	34
Due from other governments	11,299	3,688
Inventory	2,521	2,869
Prepaid items	2,475	2,224
Restricted assets		
Investments	6,826	7,456
Total current assets	<u>793,641</u>	<u>866,353</u>
Noncurrent Assets		
Deferred charges for issuance cost	5,375	5,261
Total noncurrent restricted assets	<u>5,375</u>	<u>5,261</u>
Capital assets		
Land	209,311	207,439
Buildings	1,975,730	1,880,809
Improvements and equipment	1,950,321	1,860,843
Construction in progress	285,996	236,090
Less accumulated depreciation	<u>(1,462,635)</u>	<u>(1,328,082)</u>
Net capital assets	<u>2,958,723</u>	<u>2,857,099</u>
Total noncurrent assets	<u>2,964,098</u>	<u>2,862,360</u>
Total assets	<u>\$ 3,757,739</u>	<u>\$ 3,728,713</u>

(Continued)

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Net Assets
June 30, 2009
(With comparative amounts for 2008)
amounts expressed in thousands

	<u>2009</u>	<u>2008</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 63,195	\$ 30,248
Accrued payroll liabilities	3,731	3,441
Accrued interest payable	44,174	47,686
Contracts and retainages payable	-	-
Due to other funds	336	7
Advances and deposits	1,865	1,976
Inferior lien contract	4,085	3,880
Claims and judgments	1,063	1,260
Compensated absences	4,751	4,343
Other liabilities	-	1,011
Revenue bonds payable	40,840	43,050
Deferred revenue	3,777	1,607
Total current liabilities	<u>167,817</u>	<u>138,509</u>
Noncurrent liabilities		
Revenue bonds payable, net	2,011,580	2,051,120
Claims and judgments	3,372	3,762
Compensated absences	5,252	5,514
Inferior lien contracts	41,735	45,820
Commercial paper	93,000	83,000
Pension note payable	-	34,800
Municipal pension trust liability	33,329	30,109
Other post employment benefits	20,648	11,356
Pension obligation bonds payable	2,006	2,006
Total noncurrent liabilities	<u>2,210,922</u>	<u>2,267,487</u>
Total liabilities	<u>2,378,739</u>	<u>2,405,996</u>
Net assets		
Invested in capital assets, net of related debt	790,731	685,286
Restricted net assets		
Restricted for debt service	78,014	67,847
Restricted for renewal and replacement	10,000	10,000
Restricted for maintenance and operations	41,899	41,048
Restricted for capital improvements	458,356	518,536
Total net assets	<u>\$ 1,379,000</u>	<u>\$ 1,322,717</u>

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2009
(With comparative amounts for 2008)
amounts expressed in thousands

	<u>2009</u>	<u>2008</u>
Operating Revenues		
Landing area fees	\$ 82,823	\$ 99,017
Terminal space rentals	174,433	211,786
Parking	66,565	72,958
Concession	56,136	58,789
Other	5,800	4,626
Total operating revenue	<u>385,757</u>	<u>447,176</u>
Operating Expenses		
Maintenance and operating	241,303	229,551
Depreciation and amortization	136,554	125,951
Total operating expenses	<u>377,857</u>	<u>355,502</u>
Operating income (loss)	<u>7,900</u>	<u>91,674</u>
Nonoperating revenue (expenses)		
Investment income	37,332	41,694
Other revenue	1,093	514
Gain (Loss) on disposal of assets	1,020	37
Passenger facility charges	32,398	11,608
Interest on long-term debt	(94,396)	(104,056)
Total Nonoperating revenues (expenses)	<u>(22,553)</u>	<u>(50,203)</u>
Income (loss) before contributions and transfers	<u>(14,653)</u>	<u>41,471</u>
Capital contributions	<u>70,936</u>	<u>91,175</u>
Change in net assets	56,283	132,646
Total net assets, July 1	<u>1,322,717</u>	<u>1,190,071</u>
Total net assets, June 30	<u>\$ 1,379,000</u>	<u>\$ 1,322,717</u>

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Cash Flows
For the Year Ended June 30, 2009
(With comparative amounts for 2008)
amounts expressed in thousands

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Receipts from customers	\$ 407,033	\$ 437,312
Payments to employees	(92,550)	(84,338)
Payments to suppliers	(86,101)	(91,173)
Internal activity-payments to other funds	(41,766)	(36,833)
Claims paid	(1,064)	(1,260)
Other revenues	544	571
Net cash provided by (used in) operating activities	<u>186,096</u>	<u>224,279</u>
Cash flows from investing activities		
Interest income on investments	37,329	41,863
Purchase of investments	(24,604)	(26,927)
Proceeds from sale of investments	25,237	26,485
Gain (loss) on sale on nonpooled stock	-	(169)
Net cash provided by (used for) investing activities	<u>37,962</u>	<u>41,252</u>
Cash flows from noncapital financing activities		
Retirement of collateralized pension note payable	(34,800)	-
Interest expense electrical contract	(53)	(50)
Interest expense pension obligation bonds	(106)	(106)
Interest expense collateralized note	(3,823)	(2,958)
Deferred charges on future debt issuance	(441)	(28)
Net cash provided by (used in) noncapital financing activities	<u>(39,223)</u>	<u>(3,142)</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(43,050)	(34,500)
Refunding of revenue bonds	-	(247,858)
Retirement of commercial paper	-	(43,000)
Proceeds (uses of cash) from issuance of revenue bonds	(5)	290,863
Proceeds from issuance of commercial paper	10,000	31,000
Interest expense on revenue bonds	(102,334)	(112,852)
Retirement of inferior lien contract	(3,880)	(3,660)
Passenger facilities charges	32,398	11,608
Advances and deposits on construction	16	17
Contributed capital	61,864	84,417
Acquisition of property, plant and equipment	(201,448)	(131,710)
Net cash provided by (used in) capital and related financing activities	<u>(246,439)</u>	<u>(155,675)</u>
Net increase in cash and cash equivalents	(61,604)	106,714
Cash and cash equivalents, July 1	828,803	722,089
Cash and cash equivalents, June 30	<u>\$ 767,199</u>	<u>\$ 828,803</u>
Non cash transactions		
Donated assets	(2,009)	(5,486)
Capitalized interest expense	10,042	12,071
Capital additions included in liabilities	23,203	(5,023)
Gain on disposal of assets	(997)	(37)
Total non cash transactions	<u>\$ 30,239</u>	<u>\$ 1,525</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 7,900	\$ 91,674
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	136,554	125,952
Other post employment benefits	9,292	11,356
Other revenues	1,093	571
Due from other governments	(548)	-
Changes in assets and liabilities		
Accounts receivable	19,232	(1,817)
Due from other funds	(1,240)	(28)
Inventory and prepaid insurance	96	639
Accounts payable	8,276	(975)
Accrued payroll liabilities	290	681
Due to other funds	329	(602)
Advances and deposits	2,043	(8,047)
Claims and judgments - workers' compensation	(587)	905
Compensated absences	146	1,373
Pension Obligation payable	3,220	2,597
Net cash provided by operating activities	<u>\$ 186,096</u>	<u>\$ 224,279</u>

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Net Assets
June 30, 2009
(With comparative amounts for 2008)
amounts expressed in thousands

	2009	2008
Assets		
Current Assets		
Equity in pooled cash and investments	\$ 100,469	\$ 90,873
Receivables, net of allowances		
Accounts receivable	1,151	2,003
Hotel occupancy tax receivable	14,713	18,627
Due from component units	13,431	13,033
Due from other funds	202	102
Due from other governments	590	826
Prepaid items	785	708
Restricted assets		
Investments	21,774	21,774
Total current assets	153,115	147,946
Noncurrent Assets		
Due from component units	288,758	299,350
Deferred charges for issuance cost	3,186	3,439
Total noncurrent restricted assets	291,944	302,789
Capital assets		
Land	99,757	99,757
Buildings	552,701	447,272
Improvements and equipment	10,969	8,942
Infrastructure	110	110
Construction in progress	4,767	1,849
Garage Rights	13,144	13,144
Less accumulated depreciation and amortization	(172,647)	(157,839)
Net capital assets	508,801	413,235
Total noncurrent assets	800,745	716,024
Total assets	\$ 953,860	\$ 863,970

(Continued)

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Net Assets
June 30, 2009
(With comparative amounts for 2008)
amounts expressed in thousands

	<u>2009</u>	<u>2008</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 5,440	\$ 6,669
Accrued payroll liabilities	396	380
Accrued interest payable	5,080	5,622
Due to other funds	345	-
Due to component units	24,437	23,847
Due to other governments	55	108
Advances and deposits	895	1,052
Compensated absences	589	489
Deferred electricity note	-	255
Revenue bonds payable	21,230	18,620
Deferred revenue	396	396
Total current liabilities	<u>58,863</u>	<u>57,438</u>
Noncurrent liabilities		
Revenue bonds payable	594,240	605,938
Claims and judgments	-	160
Compensated absences	614	718
Commercial paper	43,800	43,800
Arbitrage rebate	361	340
Pension note payable	-	3,300
Municipal pension trust liability	3,510	3,156
Other post employment benefits	1,638	918
Deferred revenue	9,005	9,696
Pension obligation bonds payable	3,884	189
Total noncurrent liabilities	<u>657,052</u>	<u>668,215</u>
Total liabilities	<u>715,915</u>	<u>725,653</u>
Net Assets		
Invested in capital assets, net of related debt	161,540	63,806
Restricted net assets		
Restricted for debt service	16,694	16,152
Restricted for maintenance and operations	16,665	18,502
Restricted for capital improvements	-	6,865
Unrestricted	43,046	32,992
Total net assets	<u>\$ 237,945</u>	<u>\$ 138,317</u>

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2009
(With comparative amounts for 2008)
amounts expressed in thousands

	2009	2008
Operating Revenues		
Parking	\$ 8,885	\$ 9,774
Concession	5,167	5,308
Rental	6,850	7,224
Total operating revenue	20,902	22,306
Operating Expenses		
Maintenance and operating	39,142	37,276
Depreciation and amortization	14,888	12,084
Total operating expenses	54,030	49,360
Operating income (loss)	(33,128)	(27,054)
Nonoperating revenue (expenses)		
Investment income	17,688	19,186
Hotel occupancy tax	62,383	66,232
Other revenue	1,082	1,077
Gain (loss) on disposal of assets	(174)	1
Other expenses	(30,166)	(28,066)
Interest on long-term debt	(29,740)	(33,150)
Contributions In	1,580	2,406
Total Nonoperating revenues (expenses)	22,653	27,686
Income (loss) before contributions and transfers	(10,475)	632
Capital contributions	105,968	881
Transfers in	4,635	1,304
Transfers out	(500)	(593)
Total transfers	4,135	711
Change in net assets	99,628	2,224
Total net assets, July 1	138,317	136,093
Total net assets, June 30	\$ 237,945	\$ 138,317

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Cash Flows
For the Year Ended June 30, 2009
(With comparative amounts for 2008)
amounts expressed in thousands

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Receipts from customers	\$ 20,905	\$ 20,621
Payments to employees	(9,181)	(9,029)
Payments to suppliers	(29,000)	(26,578)
Internal activity-payments to other funds	(757)	(784)
Claims paid	(178)	(31)
Due from other governments	(53)	29
Other revenues	1,082	1,077
Other expenses	<u>(2,592)</u>	<u>(1,962)</u>
Net cash provided by (used in) for operating activities	<u>(19,774)</u>	<u>(16,657)</u>
Cash flows from investing activities		
Interest income on investments	<u>17,688</u>	<u>19,186</u>
Net cash provided by investing activities	<u>17,688</u>	<u>19,186</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(18,620)	(17,540)
Net proceeds from issuance of commercial paper	-	8,300
Interest expense on revenue bonds		
Interest expense on debt	(20,453)	(23,926)
Acquisition of property, plant and equipment, net	<u>(4,659)</u>	<u>(2,852)</u>
Net cash provide by (used in) for capital and related financing activities	<u>(43,732)</u>	<u>(36,018)</u>
Cash flows from noncapital financing activities		
Promotional contract paid from hotel occupancy tax revenues to component units	(27,574)	(26,104)
Transfers	4,135	711
Payments from Hotel Corporation	11,775	2,622
Hotel occupancy tax revenue	67,122	64,474
Interest expense on pension obligation bonds	(10)	(10)
Interest expense on collateralized note	<u>(34)</u>	<u>(281)</u>
Net cash provided by (used in) noncapital financing activities	<u>55,414</u>	<u>41,412</u>
Net increase (decrease) in cash and cash equivalents	9,596	7,923
Cash and cash equivalents, July 1	<u>90,873</u>	<u>82,950</u>
Cash and cash equivalents, June 30	<u>\$ 100,469</u>	<u>\$ 90,873</u>

(Continued)

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Cash Flows
For the Year Ended June 30, 2009
(With comparative amounts for 2008)
amounts expressed in thousands

	<u>2009</u>	<u>2008</u>
Non cash transactions		
Contributions of capital assets	(105,968)	(881)
Total non cash transactions	<u>\$ (105,968)</u>	<u>\$ (881)</u>
Reconciliation of operating income to net cash used by operating activities		
Operating income (loss)	\$ (33,128)	\$ (27,054)
Depreciation and amortization	14,888	12,084
Other post employment benefits	719	918
Other revenues	1,082	1,077
Other expenses	(2,592)	(1,962)
Changes in assets and liabilities		
Accounts receivable and prepaids	775	(777)
Due from other funds	(100)	(26)
Accounts payable	(1,229)	(444)
Accrued payroll liabilities	15	83
Due to other funds	345	-
Due to other governments	(53)	29
Advances and deposits	(157)	(215)
Inventory and prepaid Insurance	-	(44)
Claims and judgments-workers' compensation	(160)	(131)
Compensated absences	(3)	342
Deferred revenue	(946)	(931)
Pension Obligation payable	749	289
Other long-term liabilities	21	105
Net cash used in operating activities	<u>\$ (19,774)</u>	<u>\$ (16,657)</u>

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Net Assets
June 30, 2009
(With comparative amounts for 2008)
amounts expressed in thousands

	2009	2008
Assets		
Current assets		
Equity in pooled cash and investments	\$ 640,694	\$ 635,593
Receivables, net of allowances		
Accounts receivable	95,914	96,728
Special assessments receivable	93	93
Due from other funds	13,259	1,544
Due from other governments	8,619	4,866
Inventory	6,867	6,168
Prepaid items	4,009	3,727
Total current assets	769,455	748,719
Noncurrent Assets		
Due from other Funds	96,859	96,859
Amounts held by other governments	10,146	10,058
Deferred charges for issuance cost	61,270	56,737
Total noncurrent restricted assets	168,275	163,654
Capital assets		
Land	119,995	115,478
Buildings	106,532	95,307
Improvements and equipment	114,678	109,372
Plants, lines and rights	8,393,958	8,053,794
Construction in progress	457,327	413,610
Water rights	456,915	456,915
Less accumulated depreciation and amortization	(4,404,147)	(4,210,358)
Net capital assets	5,245,258	5,034,118
Total noncurrent assets	5,413,533	5,197,772
Total assets	\$ 6,182,988	\$ 5,946,491

(Continued)

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Net Assets
June 30, 2009
(With comparative amounts for 2008)
amounts expressed in thousands

	2009	2008
Liabilities		
Current Liabilities		
Accounts payable	\$ 89,826	\$ 87,152
Accrued payroll liabilities	5,468	4,908
Accrued interest payable	30,973	30,590
Contracts payable	14,928	18,155
Due to other funds	9,588	316
Due to other governments	2,803	1,088
Advances and deposits	37,367	36,239
Claims and judgments	1,111	1,257
Compensated absences	7,527	7,252
Deferred Electricity Note	-	2,610
Revenue bonds payable	68,187	37,783
Total current liabilities	267,778	227,350
Noncurrent liabilities		
Revenue bonds payable	5,415,947	4,982,679
Claims and judgments	976	1,278
Compensated absences	11,823	12,783
Contracts payable	178,332	188,384
Commercial paper	-	156,500
Arbitrage rebate	5,267	4,842
Pension note payable	-	51,600
Municipal pension trust liability	52,817	48,306
Other post employment benefits	36,892	19,856
Deferred revenue	326,980	275,502
Pension obligation bonds payable	61,157	3,382
Total noncurrent liabilities	6,090,191	5,745,112
Total liabilities	6,357,969	5,972,462
Net Assets		
Invested in capital assets, net of related debt	(283,806)	(226,413)
Restricted net assets		
Restricted for maintenance and operations	69,242	63,450
Restricted for capital improvements	8,619	42,886
Unrestricted	30,964	94,106
Total net assets	\$ (174,981)	\$ (25,971)

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2009
(With comparative amounts for 2008)
amounts expressed in thousands

	2009	2008
Operating Revenues		
Water/Sewer Billing	\$ 687,238	\$ 648,269
Total operating revenue	687,238	648,269
Operating Expenses		
Maintenance and operating	371,771	346,665
Depreciation and amortization	204,919	220,190
Total operating expenses	576,690	566,855
Operating income (loss)	110,548	81,414
Nonoperating revenue (expenses)		
Investment income	33,436	35,435
Other revenue	29,880	31,517
Loss on disposal of assets	(5,432)	(12,009)
Interest on long-term debt	(260,396)	(267,504)
Contributions in	2,969	2,343
Total Nonoperating revenues (expenses)	(199,543)	(210,218)
Income (loss) before contributions and transfers	(88,995)	(128,804)
Capital contributions	17,109	42,862
Transfers in	-	1,020
Transfers out	(77,124)	(71,167)
Total transfers	(77,124)	(70,147)
Change in net assets	(149,010)	(156,089)
Total net assets, July 1	(25,971)	130,118
Total net assets, June 30	\$ (174,981)	\$ (25,971)

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Cash Flows
For the Year Ended June 30, 2009
(With comparative amounts for 2008)
amounts expressed in thousands

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Receipts from customers	\$ 689,178	\$ 623,236
Payments to employees	(136,781)	(127,065)
Payments to suppliers	(189,835)	(123,271)
Internal activity-payments to other funds	(25,185)	(17,032)
Claims paid	(303)	(459)
Other revenues	29,880	31,517
Net cash provided by (used in) operating activities	<u>366,954</u>	<u>386,926</u>
Cash flows from investing activities		
Interest income on investments	33,436	35,435
Net cash provided by (used in) investing activities	<u>33,436</u>	<u>35,435</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(83,528)	(107,416)
Retirement of commercial paper	(322,775)	-
Refunded bonds	(23,660)	-
Proceeds from issuance of revenue bonds - net	537,595	131,436
Proceeds from issuance of commercial paper	166,275	220,000
Interest expense on debt	(247,077)	(207,739)
Proceeds from disposition of assets	188	14,178
Contributed capital	50,715	112,407
Deferred bond issuance cost	(10,682)	(17,139)
Retirement of contractual obligation	-	(122,788)
Acquisition of property, plant and equipment	(391,518)	(385,352)
Net cash used for capital and related financing activities	<u>(324,467)</u>	<u>(362,413)</u>
Cash flows from noncapital financing activities		
Proceeds from pension bonds	6,175	-
Transfers to debt service fund	(28,419)	(25,804)
Transfers to other funds	(48,578)	(44,342)
Net cash used in noncapital financing activities	<u>(70,822)</u>	<u>(70,146)</u>
Net decrease in cash and cash equivalents	5,101	(10,198)
Cash and cash equivalents, July 1	<u>635,593</u>	<u>645,791</u>
Cash and cash equivalents, June 30	<u>\$ 640,694</u>	<u>\$ 635,593</u>
Non cash transactions		
Capital additions included in liabilities	-	38,524
Contributed Capital	(17,109)	(42,863)
Capitalized interest expense	13,198	18,566
Cap accretion interest	17,601	-
Loss on disposal of assets	5,432	12,009
Total non cash transactions	<u>\$ 19,122</u>	<u>\$ 26,236</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 110,548	\$ 81,414
Adjustments to reconcile operating income to net cash		
Depreciation and amortization	204,919	220,190
Other post employment benefits	17,037	19,856
Other revenues	29,880	31,516
Accounts receivable	813	(28,704)
Due from other funds	(11,715)	-
Due from other governments	1,626	4,511
Inventory & prepaid insurance	(980)	(1,151)
Accounts payable	2,673	48,426
Accrued payroll liabilities	561	755
Due to other funds	9,273	316
Arbitrage rebate	425	2,415
Advances and deposits	1,127	3,671
Claims and judgments-workers' compensation	(448)	28
Compensated absences	(685)	2,457
Pension obligation payable	4,510	3,679
Other long-term liabilities	(2,610)	(2,453)
Net cash provided by operating activities	<u>\$ 366,954</u>	<u>\$ 386,926</u>

CITY OF HOUSTON, TEXAS
NONMAJOR ENTERPRISE FUNDS
Statement of Net Assets
June 30, 2009
(With comparative amounts for 2008)
amounts expressed in thousands

	Houston Area Water Corp.	Parking Management	Total	2008
Assets				
Current Assets				
Equity in pooled cash and investments	\$ 3,462	\$ 5,176	\$ 8,638	\$ 5,599
Receivables, net of allowances				
Accounts receivable	1,045	256	1,301	1,665
Due from other funds	1,025	9	1,034	200
Due from other governments	-	-	-	68
Total current assets	<u>5,532</u>	<u>5,441</u>	<u>10,973</u>	<u>7,532</u>
Capital assets				
Buildings	19,749	-	19,749	20,351
Improvements and equipment	-	670	670	-
Plants, lines and rights	117,486	4,109	121,595	121,595
Construction in progress	735	-	735	470
Less accumulated depreciation	<u>(15,887)</u>	<u>(508)</u>	<u>(16,395)</u>	<u>(11,948)</u>
Net capital assets	<u>122,083</u>	<u>4,271</u>	<u>126,354</u>	<u>130,468</u>
Total noncurrent assets	<u>122,083</u>	<u>4,271</u>	<u>126,354</u>	<u>130,468</u>
Total assets	<u>\$ 127,615</u>	<u>\$ 9,712</u>	<u>\$ 137,327</u>	<u>\$ 138,000</u>
Liabilities				
Current Liabilities				
Accounts payable	\$ 1,960	\$ 102	\$ 2,062	\$ 807
Accrued payroll liabilities	-	113	113	88
Contracts and retainages payable	-	-	-	53
Due to other funds	2,820	-	2,820	1,544
Claims and judgments	-	5	5	-
Compensated absences	-	136	136	109
Total current liabilities	<u>4,780</u>	<u>356</u>	<u>5,136</u>	<u>2,601</u>
Noncurrent liabilities				
Due to other funds	96,859	-	96,859	96,859
Claims and judgments	-	6	6	71
Compensated absences	-	66	66	-
Municipal pension trust liability	-	174	174	77
Other post retirement benefits	-	557	557	289
Total noncurrent liabilities	<u>96,859</u>	<u>803</u>	<u>97,662</u>	<u>97,296</u>
Total liabilities	<u>101,639</u>	<u>1,159</u>	<u>102,798</u>	<u>99,897</u>
Net assets				
Investment in capital assets, net of related debt	122,083	4,271	126,354	29,141
Restricted net assets				
Restricted - Contribution - Water Museum	-	-	-	200
Unrestricted	<u>(96,107)</u>	<u>4,282</u>	<u>(91,825)</u>	<u>8,762</u>
Total net assets	<u>\$ 25,976</u>	<u>\$ 8,553</u>	<u>\$ 34,529</u>	<u>\$ 38,103</u>

CITY OF HOUSTON, TEXAS
NONMAJOR ENTERPRISE FUNDS
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2009
(With comparative amounts for 2008)
amounts expressed in thousands

	Houston Area Water Corp.	Parking Management	Total	2008
Operating Revenues				
Parking	\$ -	\$ 13,250	\$ 13,250	\$ 13,045
Total operating revenue	<u>-</u>	<u>13,250</u>	<u>13,250</u>	<u>13,045</u>
Operating Expenses				
Administrative costs	-	4,499	4,499	3,727
Maintenance and operating	9,169	119	9,288	8,778
Depreciation and amortization	4,235	288	4,523	4,679
Total operating expenses	<u>13,404</u>	<u>4,906</u>	<u>18,310</u>	<u>17,184</u>
Operating income (loss)	<u>(13,404)</u>	<u>8,344</u>	<u>(5,060)</u>	<u>(4,139)</u>
Nonoperating revenue (expenses)				
Investment income	14	267	281	177
Other revenue	-	443	443	457
Loss on disposal of assets	-	(13)	(13)	-
Other expenses	(1,463)	-	(1,463)	-
Interest on long-term debt	-	-	-	(301)
Contributions in	25	-	25	478
Total Nonoperating revenues (expenses)	<u>(1,424)</u>	<u>697</u>	<u>(727)</u>	<u>811</u>
Income (loss) before contributions and transfers	<u>(14,828)</u>	<u>9,041</u>	<u>(5,787)</u>	<u>(3,328)</u>
Capital contributions	-	-	-	4,295
Transfers in	9,449	-	9,449	8,823
Transfers out	-	(7,236)	(7,236)	(7,174)
Total transfers	<u>9,449</u>	<u>(7,236)</u>	<u>2,213</u>	<u>1,649</u>
Change in net assets	(5,379)	1,805	(3,574)	2,616
Total net assets (deficit), July 1	<u>31,355</u>	<u>6,748</u>	<u>38,103</u>	<u>35,487</u>
Total net assets, June 30	<u>\$ 25,976</u>	<u>\$ 8,553</u>	<u>\$ 34,529</u>	<u>\$ 38,103</u>

CITY OF HOUSTON, TEXAS
NONMAJOR ENTERPRISE FUNDS
Statement of Cash Flows
For the Year Ended June 30, 2009
(With comparative amounts for 2008)
amounts expressed in thousands

	Houston Area Water Corp.	Parking Management	Total	2008
Cash flows from operating activities				
Receipts from customers	\$ -	\$ 13,243	\$ 13,243	\$ 12,796
Payments to employees	-	(2,563)	(2,563)	(2,184)
Payments to suppliers	(5,516)	(1,598)	(7,114)	(11,274)
Internal activity-payments (to) from other funds	6,376	(9)	6,367	10,595
Other revenues	-	443	443	457
Net cash provide by (used in) operating activities	<u>860</u>	<u>9,516</u>	<u>10,376</u>	<u>10,390</u>
Cash flows from investing activities				
Interest income on investments	14	268	282	177
Proceeds from sale of investments	-	-	-	4,215
Net cash provided by (used in) investing activities	<u>14</u>	<u>268</u>	<u>282</u>	<u>4,392</u>
Cash flows from capital and related financing activities				
Retirement of revenue bonds	-	-	-	(1,237)
Interest expense on debt	-	-	-	(1,100)
Advances and deposits on construction	36	-	36	707
Acquisition of property, plant and equipment	(262)	(157)	(419)	(380)
Net cash provided by (used in) capital and related financing activities	<u>(226)</u>	<u>(157)</u>	<u>(383)</u>	<u>(2,010)</u>
Cash flows from noncapital financing activities				
Transfers to other funds	-	(7,236)	(7,236)	(7,174)
Net cash provided by noncapital financing activities	<u>-</u>	<u>(7,236)</u>	<u>(7,236)</u>	<u>(7,174)</u>
Net increase (decrease) in cash and cash equivalents	648	2,391	3,039	5,599
Cash and cash equivalents, July 1, 2008	2,814	2,785	5,599	-
Cash and cash equivalents, June 30	<u>\$ 3,462</u>	<u>\$ 5,176</u>	<u>\$ 8,638</u>	<u>\$ 5,599</u>
Non cash transactions				
Depreciation and amortization expense	\$ -	\$ -	\$ -	\$ (4)
Contributed capital	-	-	-	4,295
Gain on disposal of assets	-	(13)	(13)	-
Total non cash transactions	<u>\$ -</u>	<u>\$ (13)</u>	<u>\$ (13)</u>	<u>\$ 4,291</u>
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (loss)	\$ (13,404)	\$ 8,344	\$ (5,060)	\$ (4,139)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	4,235	288	4,523	4,680
Other post employment benefits	-	268	268	-
Other revenues	9,449	443	9,892	8,588
Changes in assets and liabilities				
Accounts receivable	365	(7)	358	1,523
Due from other funds	-	(9)	(9)	-
Accounts payable	215	34	249	(895)
Accrued payroll liabilities	-	25	25	88
Claims for workers' compensation	-	11	11	-
Compensated absences	-	22	22	180
Pension obligation payable	-	97	97	365
Net cash used for operating activities	<u>\$ 860</u>	<u>\$ 9,516</u>	<u>\$ 10,376</u>	<u>\$ 10,390</u>

Internal Service Funds

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

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

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

CITY OF HOUSTON, TEXAS
INTERNAL SERVICE FUNDS
Combining Statement of Net Assets
June 30, 2009

(With comparative totals for 2008)

amounts expressed in thousands

	Health Benefits	Long-term Disability	2009	2008
Assets				
Equity in pooled cash and investments	\$ 4,035	\$ 11,331	\$ 15,366	\$ 17,789
Receivables, net of allowances				
Accounts receivable	1	-	1	1
Due from other funds	6	-	6	-
Due from other governments	1,061	-	1,061	-
Prepaid items	3	-	3	-
Total current assets	<u>5,106</u>	<u>11,331</u>	<u>16,437</u>	<u>17,790</u>
Capital assets				
Buildings, improvements and equipment	6	-	6	-
Construction in progress	348	-	348	334
Total capital assets	<u>354</u>	<u>-</u>	<u>354</u>	<u>334</u>
Net capital assets	354	-	354	334
Total noncurrent assets	<u>354</u>	<u>-</u>	<u>354</u>	<u>334</u>
Total Assets	<u>5,460</u>	<u>11,331</u>	<u>16,791</u>	<u>18,124</u>
Liabilities				
Current Liabilities				
Accounts Payable	191	26	217	183
Accrued payroll liabilities	120	-	120	103
Due to other funds	1,123	1,605	2,728	-
Claims and judgments	995	2,055	3,050	2,816
Compensated absences	150	-	150	216
Unearned revenue	1,449	-	1,449	1,260
Total current liabilities	<u>4,028</u>	<u>3,686</u>	<u>7,714</u>	<u>4,578</u>
Noncurrent liabilities				
Claims and judgments	-	6,004	6,004	6,430
Compensated absences	140	-	140	42
Total noncurrent liabilities	<u>140</u>	<u>6,004</u>	<u>6,144</u>	<u>6,472</u>
Total liabilities	<u>4,168</u>	<u>9,690</u>	<u>13,858</u>	<u>11,050</u>
Net Assets				
Investment in capital assets, net of related debt	354	-	354	334
Unrestricted	938	1,641	2,579	6,740
Total net assets	<u>\$ 1,292</u>	<u>\$ 1,641</u>	<u>\$ 2,933</u>	<u>\$ 7,074</u>

CITY OF HOUSTON, TEXAS
INTERNAL SERVICE FUNDS
Combining Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2009
(With comparative totals for 2008)
amounts expressed in thousands

	<u>Health Benefits</u>	<u>Long-term Disability</u>	<u>2009</u>	<u>2008</u>
Operating Revenues				
Health benefit premiums	\$ 288,874	\$ -	\$ 288,874	\$ 266,475
Total operating revenues	<u>288,874</u>	<u>-</u>	<u>288,874</u>	<u>266,475</u>
Operating Expenses				
Administrative costs	3,445	12	3,457	3,027
Claims Costs	288,491	775	289,266	265,254
Maintenance and operating	-	243	243	-
Total operating expenses	<u>291,936</u>	<u>1,030</u>	<u>292,966</u>	<u>268,281</u>
Operating income (loss)	<u>(3,062)</u>	<u>(1,030)</u>	<u>(4,092)</u>	<u>(1,806)</u>
Nonoperating revenues (expenses)				
Investment income	391	560	951	1,282
Total Nonoperating revenues (expenses)	<u>391</u>	<u>560</u>	<u>951</u>	<u>1,282</u>
Income (loss) before contributions and transfers	<u>(2,671)</u>	<u>(470)</u>	<u>(3,141)</u>	<u>(524)</u>
Transfers out	-	(1,000)	(1,000)	-
Total transfers	<u>-</u>	<u>(1,000)</u>	<u>(1,000)</u>	<u>-</u>
Change in net assets	(2,671)	(1,470)	(4,141)	(524)
Total net assets (deficit), July 1	<u>3,963</u>	<u>3,111</u>	<u>7,074</u>	<u>7,598</u>
Total net assets, June 30	<u>\$ 1,292</u>	<u>\$ 1,641</u>	<u>\$ 2,933</u>	<u>\$ 7,074</u>

CITY OF HOUSTON, TEXAS
INTERNAL SERVICE FUNDS
Combining Statement of Cash Flows
For the Year Ended June 30, 2009
(With comparative totals for 2008)
amounts expressed in thousands

	Health Benefits	Long-term Disability	2009	2008
Cash flows from operating activities				
Receipts from customers	\$ 288,871	\$ (1)	\$ 288,870	\$ 266,472
Payments to employees	(2,562)	(243)	(2,805)	(2,328)
Payments to suppliers	(767)	4	(763)	(349)
Internal activity-payments to other funds	25	1,605	1,630	(29)
Claims paid	(288,298)	(988)	(289,286)	(265,016)
Other expenses		(1,000)	(1,000)	-
Net cash provided by (used in) operating activities	<u>(2,731)</u>	<u>(623)</u>	<u>(3,354)</u>	<u>(1,250)</u>
Cash flows from investing activities				
Interest income on investments	391	560	951	1,282
Net cash provided by investing activities	<u>391</u>	<u>560</u>	<u>951</u>	<u>1,282</u>
Cash flows from capital and related financing activities				
Acquisition of property, plant and equipment	(20)	-	(20)	(334)
Net cash provided by (used for) capital and related financing activities	<u>(20)</u>	<u>-</u>	<u>(20)</u>	<u>(334)</u>
Net increase (decrease) in cash and cash equivalents	(2,360)	(63)	(2,423)	(302)
Cash and cash equivalents, July 1	6,395	11,394	17,789	18,091
Cash and cash equivalents, June 30	<u>\$ 4,035</u>	<u>\$ 11,331</u>	<u>\$ 15,366</u>	<u>\$ 17,789</u>
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (loss)	\$ (3,062)	\$ (1,030)	\$ (4,092)	\$ (1,806)
Adjustments to reconcile operating income to net cash provided by operating activities				
Other expenses		(1,000)	(1,000)	-
Changes in assets and liabilities				
Accounts receivable	-	(1)	(1)	(2)
Due from other funds	(6)	-	(6)	-
Due from other governments	(1,061)	-	(1,061)	(1,602)
Inventory & prepaid insurance	(3)	-	(3)	-
Accounts payable	30	4	34	121
Accrued payroll liabilities	17	-	17	26
Due to other funds	1,123	1,605	2,728	-
Due to other governments	-	-	-	1,602
Advances and deposits	-	-	-	10
Claims for workers' compensation	10	(201)	(191)	260
Compensated absences	32	-	32	37
Deferred revenue	189	-	189	104
Net cash provided by operating activities	<u>\$ (2,731)</u>	<u>\$ (623)</u>	<u>\$ (3,354)</u>	<u>\$ (1,250)</u>

Fiduciary Funds (Trust and Agency Funds)

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

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

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

CITY OF HOUSTON, TEXAS
PENSION TRUST FUNDS
Combining Statement of Plan Net Assets
June 30, 2009
(With comparative totals for 2008)
amounts expressed in thousands

		Firefighters' Relief and Retirement Pension Trust Fund
Assets		
Cash	\$	-
Investments		
U.S. government and agency securities		-
Corporate bonds		-
Other fixed income securities		817,640
Commingled equity funds		-
Common and preferred stock		826,331
Real estate and partnerships		618,261
Short-term investment funds		100,174
Invested securities lending collateral		123,045
Receivables, net of allowances		
Due from broker		7
Contributions		4,955
Accrued interest and dividends		16,047
Other		13,278
Other assets		799
Land		483
Building		6,625
Total assets		2,527,645
 Liabilities and plan net asset		
Liabilities		
Accounts payable		27,156
Securities lending collateral		123,045
Foreign funds contracts payable		8,410
Other liabilities		73
Total liabilities		158,684
 Plan net assets held in trust for pension benefits	 \$	 2,368,961

(Continued)

Municipal Employees' Pension Trust Fund		Police Officers' Pension Trust Fund		2009	2008
\$	405	\$	283	\$ 688	\$ 5,886
	46,951		-	46,951	46,189
	134,194		-	134,194	88,482
	-		786,010	1,603,650	1,888,289
	586,691		-	586,691	537,365
	435,433		732,446	1,994,210	3,137,672
	499,679		749,388	1,867,328	2,286,790
	41,292		379,182	520,648	226,219
	81,757		297,146	501,948	829,714
	1,944		17,329	19,280	26,365
	-		1,651	6,606	5,007
	-		8,700	24,747	100,356
	4,794		263	18,335	336,059
	7,796		-	8,595	52,707
	-		-	483	483
	-		-	6,625	6,916
	<u>1,840,936</u>		<u>2,972,398</u>	<u>7,340,979</u>	<u>9,574,499</u>
	22,342		3,275	52,773	101,885
	81,757		297,146	501,948	829,714
	1,946		382	10,738	18,772
	4,749		874	5,696	4,638
	<u>110,794</u>		<u>301,677</u>	<u>571,155</u>	<u>955,009</u>
\$	<u>1,730,142</u>	\$	<u>2,670,721</u>	<u>\$ 6,769,824</u>	<u>\$ 8,619,490</u>

Municipal Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	2009	2008
\$ 76,837	\$ 68,000	\$ 215,870	\$ 190,323
20,449	32,519	74,826	72,610
<u>97,286</u>	<u>100,519</u>	<u>290,696</u>	<u>262,933</u>
10,890	31,452	107,511	114,922
(479,332)	(643,053)	(1,831,337)	(69,593)
11,321	13,170	43,969	53,973
18,390	1,903	22,694	54,827
4,922	-	12,624	20,014
489	57	918	2,033
<u>(433,320)</u>	<u>(596,471)</u>	<u>(1,643,621)</u>	<u>176,176</u>
(5,106)	(9,108)	(20,996)	(34,712)
(1,383)	(476)	(4,859)	(20,609)
<u>(342,523)</u>	<u>(505,536)</u>	<u>(1,378,780)</u>	<u>383,788</u>
180,361	144,112	447,087	414,695
1,795	618	2,734	2,607
7,212	7,311	21,065	17,341
<u>189,368</u>	<u>152,041</u>	<u>470,886</u>	<u>434,643</u>
(531,891)	(657,577)	(1,849,666)	(50,855)
<u>2,262,033</u>	<u>3,328,298</u>	<u>8,619,490</u>	<u>8,670,345</u>
<u>\$ 1,730,142</u>	<u>\$ 2,670,721</u>	<u>\$ 6,769,824</u>	<u>\$ 8,619,490</u>

CITY OF HOUSTON, TEXAS
AGENCY FUNDS
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2009
amounts expressed in thousands

	<u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2009</u>
Payroll Revolving Fund				
Assets				
Equity in pooled cash and investments	\$ 1,598	\$ 6,900,118	\$ 6,900,354	\$ 1,362
Accounts receivable	121	-	-	\$ 121
Total assets	<u>\$ 1,719</u>	<u>\$ 6,900,118</u>	<u>\$ 6,900,354</u>	<u>\$ 1,483</u>
Liabilities				
Accounts payable	\$ 1,719	\$ 2,311,545	\$ 2,311,781	\$ 1,483
Total liabilities	<u>\$ 1,719</u>	<u>\$ 2,311,545</u>	<u>\$ 2,311,781</u>	<u>\$ 1,483</u>
City Deposit Fund				
Assets				
Equity in pooled cash and investments	\$ 133	\$ 219	\$ 219	\$ 133
Total assets	<u>\$ 133</u>	<u>\$ 219</u>	<u>\$ 219</u>	<u>\$ 133</u>
Liabilities				
Advances and deposits	\$ 133	\$ 173	\$ 173	\$ 133
Total liabilities	<u>\$ 133</u>	<u>\$ 173</u>	<u>\$ 173</u>	<u>\$ 133</u>
Tax Clearing Fund				
Assets				
Equity in pooled cash and investments	\$ 15,410	\$ 154,261	\$ 156,485	\$ 13,186
Total assets	<u>\$ 15,410</u>	<u>\$ 154,261</u>	<u>\$ 156,485</u>	<u>\$ 13,186</u>
Liabilities				
Accounts payable	\$ 15,410	\$ 273,096	\$ 275,320	\$ 13,186
Total liabilities	<u>\$ 15,410</u>	<u>\$ 273,096</u>	<u>\$ 275,320</u>	<u>\$ 13,186</u>
Totals - All Agency Funds				
Assets				
Equity in pooled cash and investments	\$ 17,141	\$ 7,054,598	\$ 7,057,058	\$ 14,681
Accounts receivable	121	-	-	\$ 121
Total assets	<u>\$ 17,262</u>	<u>\$ 7,054,598</u>	<u>\$ 7,057,058</u>	<u>\$ 14,802</u>
Liabilities				
Accounts payable	\$ 17,129	\$ 2,584,641	\$ 2,587,101	\$ 14,669
Advances and deposits	133	173	173	\$ 133
Total liabilities	<u>\$ 17,262</u>	<u>\$ 2,584,814</u>	<u>\$ 2,587,274</u>	<u>\$ 14,802</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
- Houston Area Library Automated Network (HALAN)
- Houston Arts Alliance
- Houston Business Development Inc.
- Houston Downtown Park Corporation
- Houston Parks Board, Inc.
- Houston Parks Board LGC, Inc.
- Houston Public Library Foundation
- Lamar Terrace Public Improvement District
- Land Assemblage Redevelopment Authority
- 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
- Sharpstown Economic Development Authority
- South Post Oak Redevelopment Authority
- Southwest Houston Redevelopment Authority
- Upper Kirby Redevelopment Authority
- Uptown Development Authority

Business-type – This category is comprised of:

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

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Net Assets
June 30, 2009
amounts expressed in thousands

	City Park Redevelopment Authority	East Downtown Redevelopment Authority	Fifth Ward Redevelopment Authority	Fourth Ward Redevelopment Authority	Greater Greenspoint Redevelopment Authority
Assets					
Current Assets					
Cash	\$ 432	\$ 1,450	\$ 412	\$ 13,834	\$ 29,003
Equity in pooled cash and investments	-	393	-	-	-
Receivables, net of allowances					
Accounts receivable	-	-	10	-	1,995
Contracts receivable	-	-	-	-	-
Accrued interest and other	-	-	-	-	162
Inventory	-	-	-	-	-
Prepaid items	-	-	-	2	-
Restricted assets					
Investments	-	-	-	-	-
Other receivables	-	-	-	5	-
Total current assets	<u>432</u>	<u>1,843</u>	<u>422</u>	<u>13,841</u>	<u>31,160</u>
Noncurrent Assets					
Investments	-	-	-	-	-
Assessments receivable	-	-	-	-	-
Deferred charges for issuance cost	-	-	-	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets					
Land	-	315	-	637	-
Buildings, improvements and equipment	1,200	-	-	-	-
Total capital assets	<u>1,200</u>	<u>315</u>	<u>-</u>	<u>637</u>	<u>-</u>
Less accumulated depreciation					
Buildings, improvements and equipment	(240)	-	-	-	-
Accumulated depreciation	<u>(240)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net capital assets	<u>960</u>	<u>315</u>	<u>-</u>	<u>637</u>	<u>-</u>
Total noncurrent assets	<u>960</u>	<u>315</u>	<u>-</u>	<u>637</u>	<u>-</u>
Total assets	<u>1,392</u>	<u>2,158</u>	<u>422</u>	<u>14,478</u>	<u>31,160</u>
Liabilities					
Current Liabilities					
Accounts payable	-	78	-	583	779
Accrued payroll liabilities	10	-	-	-	-
Accrued interest payable	20	-	-	-	258
Contracts and retainages payable	4,762	1,773	-	-	-
Notes payable	273	-	-	-	-
Due to other governments	-	-	-	-	-
Advances and deposits	-	-	-	-	-
Compensated absences	-	-	-	-	-
Other liabilities	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Current liabilities payable from restricted assets					
Revenue bonds payable	-	-	-	-	805
Advances and deposits	-	-	-	-	-
Total current liabilities	<u>5,065</u>	<u>1,851</u>	<u>-</u>	<u>583</u>	<u>1,842</u>
Noncurrent liabilities					
Notes payable	286	-	-	-	-
Revenue bonds payable	-	-	-	-	15,010
Due to the City of Houston	-	-	-	-	-
Contracts payable	-	-	-	-	-
Other long-term liabilities	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total Noncurrent liabilities	<u>286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,010</u>
Total liabilities	<u>5,351</u>	<u>1,851</u>	<u>-</u>	<u>583</u>	<u>16,852</u>
Net assets					
Invested in capital assets, net of related debt	-	-	-	13,177	-
Restricted net assets					
Restricted for debt service	-	-	-	-	3,150
Restricted for maintenance and operations	-	-	-	-	-
Restricted for capital improvements	-	-	-	-	-
Other restricted	-	-	-	-	-
Unrestricted (deficit)	(3,959)	307	422	718	11,158
Total net assets (deficit)	<u>\$ (3,959)</u>	<u>\$ 307</u>	<u>\$ 422</u>	<u>\$ 13,895</u>	<u>\$ 14,308</u>

(Continued)

	Greater Houston Convention & Visitor's Bureau	Gulfgate Redevelopment Authority	Houston Area Library Automated Network Bd	Houston Arts Alliance	Houston Business Development Inc.	Houston Downtown Park Corporation	Houston Public Library Foundation (Fmly Houston Library Board)
\$	8,315	\$ 2,033	\$ -	\$ 331	\$ 908	\$ 8	\$ 476
	-	-	2,760	3,110	-	-	-
	489	229	-	3,450	-	75	-
	-	-	-	-	943	-	-
	-	-	-	-	-	-	4,517
	9	-	-	-	-	-	-
	-	-	-	23	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	122	-	-
	8,813	2,262	2,760	6,914	1,973	83	4,993
	-	-	-	-	2,068	-	14,653
	-	-	-	-	4,270	-	-
	-	-	-	-	-	-	-
	-	-	-	-	6,338	-	14,653
	-	5,417	-	-	692	56,987	-
	758	-	-	354	9,648	23,044	-
	758	5,417	-	354	10,340	80,031	-
	(559)	-	-	(277)	(6,286)	(886)	-
	(559)	-	-	(277)	(6,286)	(886)	-
	199	5,417	-	77	4,054	79,145	-
	199	5,417	-	77	10,392	79,145	14,653
	9,012	7,679	2,760	6,991	12,365	79,228	19,646
	847	1,391	54	347	77	-	44
	-	-	41	-	-	-	-
	491	786	-	-	6	421	-
	-	87	-	-	-	181	-
	107	425	-	-	600	1,719	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	22	-	-
	71	525	-	3,015	-	-	-
	425	-	-	-	7	158	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	1,941	3,214	95	3,362	712	2,479	44
	-	5,428	-	-	3,606	19,572	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	132	113
	-	5,428	-	-	3,606	19,704	113
	1,941	8,642	95	3,362	4,318	22,183	157
	-	1,660	-	2,248	3,723	57,251	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	6,132	-	18,654
	7,071	(2,623)	2,665	1,381	(1,808)	(206)	835
\$	7,071	\$ (963)	\$ 2,665	\$ 3,629	\$ 8,047	\$ 57,045	\$ 19,489

(Continued)

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Net Assets
June 30, 2009
amounts expressed in thousands

	<u>Houston Parks Board, Inc.</u>	<u>Houston Parks Board LGC, Inc</u>	<u>Lamar Terrace Public Improvement District</u>	<u>Land Assemblage Redevelopment Authority</u>	<u>Main Street Market Square Redevelopment Authority</u>	<u>Memorial City Redevelopment Authority</u>
Assets						
Current Assets						
Cash	\$ 1,775	\$ 57	\$ -	\$ 2,742	\$ 9,364	\$ 12,983
Equity in pooled cash and investments	-	-	50	-	11,212	3,655
Receivables, net of allowances						
Accounts receivable	1,548	-	26	101	1,345	-
Contracts receivable	-	-	-	-	-	-
Accrued interest and other	132	-	-	-	-	-
Inventory	-	-	-	-	-	-
Prepaid items	-	-	1	3	-	-
Restricted assets						
Investments	10,875	-	-	7,670	457	-
Other receivables	-	-	-	-	-	-
Total current assets	<u>14,330</u>	<u>57</u>	<u>77</u>	<u>10,516</u>	<u>22,378</u>	<u>16,638</u>
Noncurrent Assets						
Investments	-	-	-	-	-	-
Assessments receivable	-	-	-	-	-	-
Deferred charges for issuance cost	-	-	-	-	-	703
Total noncurrent restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>703</u>
Capital assets						
Land	9,130	4,474	-	-	-	-
Buildings, improvements and equipment	-	-	-	-	-	-
Total capital assets	<u>9,130</u>	<u>4,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less accumulated depreciation						
Buildings, improvements and equipment	-	-	-	-	-	-
Accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net capital assets	<u>9,130</u>	<u>4,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>9,130</u>	<u>4,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>703</u>
Total assets	<u>23,460</u>	<u>4,531</u>	<u>77</u>	<u>10,516</u>	<u>22,378</u>	<u>17,341</u>
Liabilities						
Current Liabilities						
Accounts payable	156	-	-	141	210	959
Accrued payroll liabilities	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	304	247
Contracts and retainages payable	-	-	11	-	-	223
Notes payable	-	-	-	1,789	-	-
Due to other governments	-	-	-	-	-	-
Advances and deposits	-	-	-	-	-	-
Compensated absences	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Deferred revenue	34	-	26	-	-	-
Current liabilities payable from restricted assets						
Revenue bonds payable	-	-	-	-	545	345
Advances and deposits	-	-	-	-	-	-
Total current liabilities	<u>190</u>	<u>-</u>	<u>37</u>	<u>1,930</u>	<u>1,059</u>	<u>1,774</u>
Noncurrent liabilities						
Notes payable	-	-	-	-	-	-
Revenue bonds payable	-	-	-	-	26,920	20,655
Due to the City of Houston	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-
Other long-term liabilities	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total Noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,920</u>	<u>20,655</u>
Total liabilities	<u>190</u>	<u>-</u>	<u>37</u>	<u>1,930</u>	<u>27,979</u>	<u>22,429</u>
Net assets						
Invested in capital assets, net of related debt	-	4,474	-	-	-	-
Restricted net assets						
Restricted for debt service	-	-	-	-	3,963	1,698
Restricted for maintenance and operations	9,537	-	-	-	-	-
Restricted for capital improvements	-	-	-	-	-	-
Other restricted	6,628	-	-	7,763	-	-
Unrestricted (deficit)	7,105	57	40	823	(9,564)	(6,786)
Total net assets (deficit)	<u>\$ 23,270</u>	<u>\$ 4,531</u>	<u>\$ 40</u>	<u>\$ 8,586</u>	<u>\$ (5,601)</u>	<u>\$ (5,088)</u>

(Continued)

Memorial- Heights Redevelopment Authority	Midtown Redevelopment Authority	Miller Theatre Advisory Board, Inc.	Old Sixth Ward Redevelopment Authority	OST/Alameda Corridors Redevelopment Authority	Saint George Place Redevelopment Authority	Sharpstown Economic Development Authority
3,354	\$ 59	\$ 1,114	\$ 905	\$ 8	\$ 1,342	\$ -
-	27,504	-	-	13,895	229	-
-	6,890	1,250	111	-	233	-
-	-	-	-	-	-	-
-	-	-	-	991	-	-
-	19,507	-	-	1,104	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	20	-	-	-	-
3,354	53,960	2,384	1,016	15,998	1,804	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,714	-	-	428	204	-
-	1,714	-	-	428	204	-
-	-	-	-	-	-	-
-	3,692	-	-	1,725	-	-
-	6,240	-	-	27	-	-
-	9,932	-	-	1,752	-	-
-	-	-	-	-	-	-
-	(1,562)	-	-	(18)	-	-
-	(1,562)	-	-	(18)	-	-
-	-	-	-	-	-	-
-	8,370	-	-	1,734	-	-
-	-	-	-	-	-	-
-	10,084	-	-	2,162	204	-
3,354	64,044	2,384	1,016	18,160	2,008	-
763	1,376	10	19	915	48	-
-	-	2	-	-	-	-
-	1,296	-	16	-	35	-
-	-	236	-	-	-	-
-	-	-	101	-	-	-
-	-	-	-	-	-	-
192	-	-	-	-	-	-
-	-	-	-	-	-	-
-	308	-	-	-	-	-
-	-	-	-	-	233	-
-	2,170	-	-	375	110	-
-	-	-	-	-	-	-
955	5,150	248	136	1,290	426	-
-	-	-	468	-	-	-
-	49,405	-	-	5,850	1,900	-
-	-	-	-	-	5,310	-
-	-	-	-	-	-	-
-	-	-	-	728	-	-
-	-	-	-	-	-	-
-	49,405	-	468	6,578	7,210	-
955	54,555	248	604	7,868	7,636	-
-	5,694	-	-	2,838	-	-
-	9,678	-	-	1,348	189	-
-	-	-	-	-	-	-
-	7,119	-	-	-	-	-
-	19,305	1,723	-	-	87	-
2,399	(32,307)	413	412	6,106	(5,904)	-
\$ 2,399	\$ 9,489	\$ 2,136	\$ 412	\$ 10,292	\$ (5,628)	\$ -

(Continued)

(Continued)

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Net Assets
June 30, 2009
amounts expressed in thousands

	South Post Oak Redevelopment Authority	Southwest Houston Redevelopment Authority	Upper Kirby Redevelopment Authority	Uptown Development Authority	Total
Assets					
Current Assets					
Cash	\$ 630	\$ 5,145	\$ 133	\$ 22,674	\$ 119,487
Equity in pooled cash and investments	-	3,714	3,332	-	69,854
Receivables, net of allowances					
Accounts receivable	167	-	-	-	17,919
Contracts receivable	-	-	-	-	943
Accrued interest and other	-	-	-	-	5,802
Inventory	-	-	-	-	20,620
Prepaid items	-	2	-	-	31
Restricted assets					
Investments	-	-	-	-	19,002
Other receivables	-	-	-	-	147
Total current assets	<u>797</u>	<u>8,861</u>	<u>3,465</u>	<u>22,674</u>	<u>253,805</u>
Noncurrent Assets					
Investments	-	-	-	-	16,721
Assessments receivable	-	-	-	-	4,270
Deferred charges for issuance cost	-	669	169	453	4,340
Total noncurrent restricted assets	<u>-</u>	<u>669</u>	<u>169</u>	<u>453</u>	<u>25,331</u>
Capital assets					
Land	-	60	12,102	8,505	103,736
Buildings, improvements and equipment	-	-	-	634	41,905
Total property, plant & equipment	<u>-</u>	<u>60</u>	<u>12,102</u>	<u>9,139</u>	<u>145,641</u>
Less accumulated depreciation and					
Buildings, improvements and equipment	-	-	-	(248)	(10,076)
Accumulated depreciation	-	-	-	(248)	(10,076)
Net capital assets	<u>-</u>	<u>60</u>	<u>12,102</u>	<u>8,891</u>	<u>135,565</u>
Total noncurrent assets	<u>-</u>	<u>729</u>	<u>12,271</u>	<u>9,344</u>	<u>160,896</u>
Total assets	<u>797</u>	<u>9,590</u>	<u>15,736</u>	<u>32,018</u>	<u>414,701</u>
Liabilities					
Current Liabilities					
Accounts payable	7	447	2,629	4,865	16,745
Accrued payroll liabilities	-	-	-	-	53
Accrued interest payable	-	159	-	714	4,753
Contracts and retainages payable	-	-	-	-	7,273
Notes payable	-	500	-	25,277	30,791
Due to other governments	-	-	-	6,422	6,422
Advances and deposits	-	-	-	-	192
Compensated absences	-	-	-	-	22
Other liabilities - current	128	54	-	-	4,101
Deferred revenue	-	-	-	-	883
Current liabilities payable from restricted assets					
Revenue bonds payable	-	530	-	1,595	6,475
Advances and deposits	542	-	-	-	542
Total current liabilities	<u>677</u>	<u>1,690</u>	<u>2,629</u>	<u>38,873</u>	<u>78,252</u>
Noncurrent liabilities					
Notes payable	-	-	2,250	608	32,218
Revenue bonds payable	-	10,350	-	32,121	162,211
Due to the City of Houston	-	-	-	-	5,310
Contracts payable	5,131	-	-	-	5,131
Other long-term liabilities	-	-	-	-	728
Deferred revenue	-	-	-	-	245
Total Noncurrent liabilities	<u>5,131</u>	<u>10,350</u>	<u>2,250</u>	<u>32,729</u>	<u>205,843</u>
Total liabilities	<u>5,808</u>	<u>12,040</u>	<u>4,879</u>	<u>71,602</u>	<u>284,095</u>
Net Assets					
Investment in capital assets, net of related debt	-	1	12,102	8,892	112,060
Restricted net assets					
Restricted for debt service	-	1,153	-	6,301	27,480
Restricted for maintenance and operations	-	-	-	-	9,537
Restricted for capital improvements	-	-	-	-	7,119
Other restricted	-	-	-	-	60,292
Unrestricted	(5,011)	(3,604)	(1,245)	(54,777)	(85,882)
Total net assets (deficit)	<u>\$ (5,011)</u>	<u>\$ (2,450)</u>	<u>\$ 10,857</u>	<u>\$ (39,584)</u>	<u>\$ 130,606</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, 2009
amounts expressed in thousands

Net (Expense) Revenue and Change in Net Assets

Functions/Programs	Expenses	Charges for Services	Operating 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	\$ 258	\$ -	\$ -	\$ (258)	\$ -	\$ -	\$ -
East Downtown Redevelopment Authority	732	-	-	-	(732)	-	-
Fifth Ward Redevelopment Authority	27	-	-	-	-	(27)	-
Fourth Ward Redevelopment Authority	6,894	-	-	-	-	-	(6,894)
Greater Greenspoint Redevelopment Authority	8,798	-	-	-	-	-	-
Greater Houston Convention and Visitors Bureau	18,385	1,076	18,651	-	-	-	-
Gulfgate Redevelopment Authority	412	-	-	-	-	-	-
HALAN	2,398	-	1,845	-	-	-	-
Houston Arts Alliance	14,619	-	13,197	-	-	-	-
Houston Business Development Corporation	2,250	1,286	42	-	-	-	-
Houston Downtown Park Corporation	1,772	1,036	10	-	-	-	-
Houston Parks Board, Inc.	3,165	930	4,254	-	-	-	-
Houston Parks Board, LGC, Inc.	709	709	4,533	-	-	-	-
Houston Public Library Foundation	1,389	-	5,338	-	-	-	-
Land Assemblage Redevelopment Authority	1,771	-	2,202	-	-	-	-
Main Street Market Square Redevelopment Authority	12,287	-	-	-	-	-	-
Memorial City Redevelopment Authority	6,683	-	3,338	-	-	-	-
Memorial-Heights Redevelopment Authority	2,802	-	67	-	-	-	-
Midtown Redevelopment Authority	12,167	-	569	-	-	-	-
Miller Theatre Advisory Board, Inc.	2,447	-	2,238	-	-	-	-
Old Sixth Ward Redevelopment Authority	557	-	-	-	-	-	-
OST/Almeda Corridors Redevelopment Authority	5,554	-	-	-	-	-	-
Saint George Place Redevelopment Authority	991	-	-	-	-	-	-
Sharpstown Economic Development Authority	-	(184)	-	-	-	-	-
South Post Oak Redevelopment Authority	317	-	-	-	-	-	-
Southwest Houston Redevelopment Authority	2,314	-	-	-	-	-	-
Upper Kirby Redevelopment Authority	17,596	-	7,026	-	-	-	-
Uptown Development Authority	28,686	-	-	-	-	-	-
Total component units	<u>155,980</u>	<u>4,853</u>	<u>63,310</u>	<u>(258)</u>	<u>(732)</u>	<u>(27)</u>	<u>(6,894)</u>
General Revenues:							
Taxes							
Property Taxes - general purposes / tax increments				407	1,784	234	1,594
Unrestricted investment earnings (loss)				8	26	-	90
Other				-	-	-	14,553
Special Items - Loss on sale of assets				-	-	-	-
Transfers				-	-	-	-
Total general revenues, special items, and transfers				<u>415</u>	<u>1,810</u>	<u>234</u>	<u>16,237</u>
Change in net assets				157	1,078	207	9,343
Net Assets (deficit) beginning				(4,642)	(771)	215	4,552
New Component Unit & Restatement				526	-	-	-
Net Assets (deficit) ending				<u>\$ (3,959)</u>	<u>\$ 307</u>	<u>\$ 422</u>	<u>\$ 13,895</u>

(Continued)

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Activities
For the Year Ended June 30, 2009
amounts expressed in thousands

Net (Expense) Revenue and Change in net Assets

Functions/Programs	Houston Parks Board, Inc	Houston Parks Board LGC, Inc.,	Houston Public Library Foundation (Formerly Houston Library Board)	Lamar Terrace Public Improvement District	Land Assemblage Redevelopment Authority	Main Street Market Square Redevelopment Authority
Component Units						
City Park Redevelopment Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
East Downtown Redevelopment Authority	-	-	-	-	-	-
Fifth Ward Redevelopment Authority	-	-	-	-	-	-
Fourth Ward Redevelopment Authority	-	-	-	-	-	-
Greater Greenspoint Redevelopment Authority	-	-	-	-	-	-
Greater Houston Convention and Visitors Bureau	-	-	-	-	-	-
Gulfgate Redevelopment Authority	-	-	-	-	-	-
HALAN	-	-	-	-	-	-
Houston Arts Alliance	-	-	-	-	-	-
Houston Business Development Corporation	-	-	-	-	-	-
Houston Downtown Park Corporation	-	-	-	-	-	-
Houston Parks Board, Inc.	2,019	-	-	-	-	-
Houston Parks Board, LGC, Inc.	-	4,533	-	-	-	-
Houston Public Library Foundation	-	-	3,949	-	-	-
Land Assemblage Redevelopment Authority	-	-	-	-	431	-
Main Street Market Square Redevelopment Authority	-	-	-	-	-	(12,287)
Memorial City Redevelopment Authority	-	-	-	-	-	-
Memorial-Heights Redevelopment Authority	-	-	-	-	-	-
Midtown Redevelopment Authority	-	-	-	-	-	-
Miller Theatre Advisory Board, Inc.	-	-	-	-	-	-
Old Sixth Ward Redevelopment Authority	-	-	-	-	-	-
OST/Alameda Corridors Redevelopment Authority	-	-	-	-	-	-
Saint George Place Redevelopment Authority	-	-	-	-	-	-
Sharpstown Economic Development Authority	-	-	-	-	-	-
South Post Oak Redevelopment Authority	-	-	-	-	-	-
Southwest Houston Redevelopment Authority	-	-	-	-	-	-
Upper Kirby Redevelopment Authority	-	-	-	-	-	-
Uptown Development Authority	-	-	-	-	-	-
Total component units	<u>2,019</u>	<u>4,533</u>	<u>3,949</u>	<u>-</u>	<u>431</u>	<u>(12,287)</u>
General Revenues:						
Taxes						
Property Taxes - general purposes / tax increments	-	-	-	-	-	8,591
Unrestricted investment earnings (loss)	577	-	(3,244)	2	-	219
Other	6	-	-	-	695	-
Special Items - Loss on sale of assets	-	(2)	-	-	-	-
Transfers	(7,128)	-	-	-	-	-
Total general revenues, special items, and transfers	<u>(6,545)</u>	<u>(2)</u>	<u>(3,244)</u>	<u>2</u>	<u>695</u>	<u>8,810</u>
Change in net assets	(4,526)	4,531	705	2	1,126	(3,477)
Net Assets (deficit) beginning	24,682	-	18,784	38	7,460	(2,124)
New Component Unit & Restatement	3,114	-	-	-	-	-
Net Assets (deficit) ending	<u>\$ 23,270</u>	<u>\$ 4,531</u>	<u>\$ 19,489</u>	<u>\$ 40</u>	<u>\$ 8,586</u>	<u>\$ (5,601)</u>

(Continued)

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Activities
For the Year Ended June 30, 2009
amounts expressed in thousands

Functions/Programs	Net (Expense) Revenue and Change in Net Assets					
	Sharpstown Economic Development Authority	South Post Oak Redevelopment Authority	Southwest Houston Redevelopment Authority	Upper Kirby Redevelopment Authority	Uptown Development Authority	Total
Component Units						
City Park Redevelopment Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (258)
East Downtown Redevelopment Authority	-	-	-	-	-	(732)
Fifth Ward Redevelopment Authority	-	-	-	-	-	(27)
Fourth Ward Redevelopment Authority	-	-	-	-	-	(6,894)
Greater Greenspoint Redevelopment Authority	-	-	-	-	-	(8,798)
Greater Houston Convention and Visitors Bureau	-	-	-	-	-	1,342
Gulfgate Redevelopment Authority	-	-	-	-	-	(412)
HALAN	-	-	-	-	-	(553)
Houston Arts Alliance	-	-	-	-	-	(1,422)
Houston Business Development Corporation	-	-	-	-	-	(922)
Houston Downtown Park Corporation	-	-	-	-	-	(726)
Houston Parks Board, Inc.	-	-	-	-	-	2,019
Houston Parks Board, LGC, Inc.	-	-	-	-	-	4,533
Houston Public Library Foundation	-	-	-	-	-	3,949
Land Assemblage Redevelopment Authority	-	-	-	-	-	431
Main Street Market Square Redevelopment Authority	-	-	-	-	-	(12,287)
Memorial City Redevelopment Authority	-	-	-	-	-	(3,345)
Memorial-Heights Redevelopment Authority	-	-	-	-	-	(2,735)
Midtown Redevelopment Authority	-	-	-	-	-	(11,598)
Miller Theatre Advisory Board, Inc.	-	-	-	-	-	(209)
Old Sixth Ward Redevelopment Authority	-	-	-	-	-	(557)
OST/Almeda Corridors Redevelopment Authority	-	-	-	-	-	(5,554)
Saint George Place Redevelopment Authority	-	-	-	-	-	(991)
Sharpstown Economic Development Authority	(184)	-	-	-	-	(184)
South Post Oak Redevelopment Authority	-	(317)	-	-	-	(317)
Southwest Houston Redevelopment Authority	-	-	(2,314)	-	-	(2,314)
Upper Kirby Redevelopment Authority	-	-	-	(10,570)	-	(10,570)
Uptown Development Authority	-	-	-	-	(28,686)	(28,686)
Total component units	(184)	(317)	(2,314)	(10,570)	(28,686)	(87,817)
General Revenues:						
Taxes						
Property Taxes - general purposes / tax increments	-	736	5,228	5,151	19,152	82,071
Unrestricted investment earnings	-	18	69	287	468	341
Other	-	-	-	15	-	18,708
Special Items - Loss on sale of assets	-	-	-	-	-	(2)
Transfers	-	-	-	-	-	(7,128)
Total general revenues, special items, and transfers	-	754	5,297	5,453	19,620	93,990
Change in net assets	(184)	437	2,983	(5,117)	(9,066)	6,173
Net Assets (deficit) beginning	184	(5,448)	(5,433)	15,974	(30,518)	120,496
New Component Unit & Restatement	-	-	-	-	-	3,937
Net Assets ending	\$ -	\$ (5,011)	\$ (2,450)	\$ 10,857	\$ (39,584)	\$ 130,606

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS TYPE
Combining Statement of Net Assets
June 30, 2009
amounts expressed in thousands

	Houston Convention Center Hotel Corporation	Houston Downtown Park Corporation	Houston Housing Finance Corp	Houston Zoo Inc.	Total
Assets					
Current assets					
Cash	\$ 4,958	-	\$ 530	\$ 10,917	\$ 16,405
Investments	54,541	-	16,941	-	71,482
Receivables, net of allowances					
Accounts receivable	4,590	-	5,658	18,399	28,647
Accrued interest and other	-	-	140	-	140
Due from other governments	1,641	-	-	-	1,641
Inventory	330	-	-	-	330
Prepaid items	1,223	-	-	159	1,382
Restricted assets					
Investments	-	-	-	17,213	17,213
Other receivables	-	-	1,164	-	1,164
Total current assets	<u>67,283</u>	<u>-</u>	<u>24,433</u>	<u>46,688</u>	<u>138,404</u>
Noncurrent Assets					
Investments	-	-	402	-	402
Accrued interest receivable	-	-	4	-	4
Receivable and deposits	-	-	9,167	-	9,167
Deferred charges for issuance cost	2,196	-	-	-	2,196
Other long-term receivables	-	-	5,024	-	5,024
Total noncurrent assets	<u>2,196</u>	<u>-</u>	<u>14,597</u>	<u>-</u>	<u>16,793</u>
Capital assets					
Land	11,488	-	-	-	11,488
Buildings, improvements and equipment	283,828	-	6,029	29,284	319,141
Construction in progress	-	-	-	7,919	7,919
Total capital assets	<u>295,316</u>	<u>-</u>	<u>6,029</u>	<u>37,203</u>	<u>338,548</u>
Less accumulated depreciation					
Buildings, improvements and equipment	(68,179)	-	(2,975)	(7,170)	(78,324)
Accumulated depreciation	<u>(68,179)</u>	<u>-</u>	<u>(2,975)</u>	<u>(7,170)</u>	<u>(78,324)</u>
Net capital assets	<u>227,137</u>	<u>-</u>	<u>3,054</u>	<u>30,033</u>	<u>260,224</u>
Total noncurrent assets	<u>229,333</u>	<u>-</u>	<u>17,651</u>	<u>30,033</u>	<u>277,017</u>
Total assets	<u>296,616</u>	<u>-</u>	<u>42,084</u>	<u>76,721</u>	<u>415,421</u>
Liabilities					
Current Liabilities					
Accounts payable and accrued expenses	10,435	-	146	973	11,554
Accrued payroll liabilities	-	-	-	776	776
Due to City of Houston	10,605	-	-	-	10,605
Contracts and retainages payable	-	-	-	657	657
Deferred revenue	737	-	-	527	1,264
Current liabilities payable from restricted assets					
Accrued interest payable	3,064	-	-	-	3,064
Total current liabilities	<u>24,841</u>	<u>-</u>	<u>146</u>	<u>2,933</u>	<u>27,920</u>
Noncurrent liabilities					
Due to City of Houston	267,638	-	-	-	267,638
Other long-term liabilities	3,398	-	70	-	3,468
Deferred revenue	14,661	-	-	-	14,661
Total noncurrent liabilities	<u>285,697</u>	<u>-</u>	<u>70</u>	<u>-</u>	<u>285,767</u>
Total liabilities	<u>310,538</u>	<u>-</u>	<u>216</u>	<u>2,933</u>	<u>313,687</u>
Net assets					
Investment in capital assets, net of related debt	(39,401)	-	-	-	(39,401)
Restricted net assets					
Restricted for debt service	43,843	-	-	-	43,843
Other restricted	-	-	32	42,805	42,837
Unrestricted (deficit)	(18,364)	-	41,836	30,983	54,455
Total net assets (deficit)	<u>\$ (13,922)</u>	<u>-</u>	<u>\$ 41,868</u>	<u>\$ 73,788</u>	<u>\$ 101,734</u>

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS-TYPE
Combining Statement of Activities
For the Year Ended June 30, 2009
amounts expressed in thousands

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Component Units			
Houston Convention Center Hotel Corp.	86,177	83,457	-
Houston Downtown Park Corporation	-	-	-
Houston Housing Finance Corp.	2,127	399	184
Houston Zoo Inc.	24,079	22,913	14,229
Totals	<u>\$ 112,383</u>	<u>\$ 106,769</u>	<u>\$ 14,413</u>

General Revenues:

Taxes
Property Taxes levied for general purposes/tax increments
Unrestricted investment earnings
Other
Total general revenues, special items, and transfers
Change in net assets
Net Assets (deficit) beginning
New Component Unit & Restatement
Net Assets (deficit) ending

(Continued)

Net (Expense) Revenue and Change in Net Assets

Houston Convention Center Hotel	Houston Downtown Park Corp	Houston Housing Finance Corp.	Houston Zoo Inc.	Total
(2,720)	-	-	-	(2,720)
-	-	-	-	-
-	-	(1,544)	-	(1,544)
-	-	-	13,063	13,063
<u>(2,720)</u>	<u>-</u>	<u>(1,544)</u>	<u>13,063</u>	<u>8,799</u>
-	-	750	-	750
1,619	-	1,553	(201)	2,971
<u>11,347</u>	<u>-</u>	<u>430</u>	<u>-</u>	<u>11,777</u>
<u>12,966</u>	<u>-</u>	<u>2,733</u>	<u>(201)</u>	<u>15,498</u>
10,246	-	1,189	12,862	24,297
(24,168)	199	40,679	60,926	77,636
-	(199)	-	-	(199)
<u>\$ (13,922)</u>	<u>\$ -</u>	<u>\$ 41,868</u>	<u>\$ 73,788</u>	<u>\$ 101,734</u>

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS TYPE
Statement of Cash Flows
For the Year Ended June 30, 2009
amounts expressed in thousands

	Houston Convention Center Hotel Corporation	Houston Downtown Park Corporation	Houston Housing Finance Corp.	Houston Zoo Inc.	Total Component Units
Cash flows from operating activities					
Receipts from customers	\$ 86,330	-	\$ 2,508	\$ 4,010	\$ 92,848
Payments to employees	(17,836)	-	-	(68)	(17,904)
Payments to suppliers	(39,245)	-	-	(564)	(39,809)
Other revenues (expenses)	-	-	(1,650)	(318)	(1,968)
Net cash provided by operating activities	<u>29,249</u>	<u>-</u>	<u>858</u>	<u>3,060</u>	<u>33,167</u>
Cash flows from investing activities					
Advances on long-term receivables	-	-	(8,808)	-	(8,808)
Interest income on investments	1,619	-	2,564	-	4,183
Purchase of investments	(47,756)	-	(77,005)	(1,065)	(125,826)
Proceeds from sale of investments	35,428	-	82,173	841	118,442
Change in cash restricted for capital acquisition	-	-	-	(5,025)	(5,025)
Net cash provided by investing activities	<u>(10,709)</u>	<u>-</u>	<u>(1,076)</u>	<u>(5,249)</u>	<u>(17,034)</u>
Cash flows from capital and related financing activities					
Contributed capital	-	-	-	7,270	7,270
Acquisition of property, plant and equipment	(1,704)	-	-	(3,352)	(5,056)
Interest expense	(14,144)	-	-	-	(14,144)
Receipt of tax rebates	9,041	-	-	-	9,041
Payments to the City of Houston	(11,083)	-	-	-	(11,083)
Net cash provided by (used for) capital and related financing activities	<u>(17,890)</u>	<u>-</u>	<u>-</u>	<u>3,918</u>	<u>(13,972)</u>
Cash flows from noncapital financing activities					
Other revenues	-	-	-	153	153
Excess funds from Bond Series	-	-	1,661	-	1,661
Payments on notes payable	-	-	(1,915)	-	(1,915)
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>(254)</u>	<u>153</u>	<u>(101)</u>
Net increase (decrease) in cash and cash equivalents	650	-	(472)	1,882	2,060
Cash and cash equivalents, July 1	<u>4,307</u>	<u>-</u>	<u>1,002</u>	<u>9,035</u>	<u>14,344</u>
Cash and cash equivalents, June 30	<u>\$ 4,957</u>	<u>\$ -</u>	<u>\$ 530</u>	<u>\$ 10,917</u>	<u>\$ 16,404</u>
Non cash transactions					
Total non cash transactions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (Loss)	\$ 15,158	-	\$ 1,336	\$ 12,862	29,356
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation and amortization	13,041	-	(275)	1,852	14,618
Other revenues	1,116	-	(75)	541	1,582
Other expenses	-	-	-	(12,209)	(12,209)
Changes in assets and liabilities:					
Accounts receivable	(932)	-	4	(60)	(988)
Inventory	(18)	-	-	-	(18)
Other assets	(213)	-	38	134	(41)
Accounts payable and accrued expenses	694	-	(170)	(128)	396
Accrued payroll liabilities	740	-	-	68	808
Other long-term liabilities	(337)	-	-	-	(337)
Net cash provided by (used for) operating activities	<u>\$ 29,249</u>	<u>-</u>	<u>\$ 858</u>	<u>\$ 3,060</u>	<u>\$ 33,167</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	194
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	206
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	212
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	221
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	228
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental Activities								
Invested in capital assets, net of related debt	\$ 3,327,146	\$ 3,354,457	\$ 3,388,360	\$ 3,531,764	\$ 3,340,355	\$ 3,480,924	\$ 3,515,596	\$ 3,670,130
Restricted	210,954	197,977	205,999	168,803	159,092	170,297	213,567	161,147
Unrestricted	(192,498)	(185,622)	(386,480)	(861,603)	(727,282)	(969,830)	(1,310,289)	(1,629,514)
Total governmental activities net assets	<u>\$ 3,345,602</u>	<u>\$ 3,366,812</u>	<u>\$ 3,207,879</u>	<u>\$ 2,838,964</u>	<u>\$ 2,772,165</u>	<u>\$ 2,681,391</u>	<u>\$ 2,418,874</u>	<u>\$ 2,201,763</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 1,129,433	\$ 1,068,562	\$ 1,361,202	\$ 1,138,154	\$ 976,834	\$ 745,459	\$ 551,820	\$ 668,465
Restricted	1,206,782	1,006,121	501,271	461,738	545,792	641,613	784,895	824,219
Unrestricted	(248,143)	(70,890)	(12,537)	87,494	99,666	104,542	135,860	(17,815)
Total business-type activities net assets	<u>\$ 2,088,072</u>	<u>\$ 2,003,793</u>	<u>\$ 1,849,936</u>	<u>\$ 1,687,386</u>	<u>\$ 1,622,292</u>	<u>\$ 1,491,614</u>	<u>\$ 1,472,575</u>	<u>\$ 1,474,869</u>
Primary government								
Invested in capital assets, net of related debt	\$ 4,456,579	\$ 4,423,019	\$ 4,749,562	\$ 4,669,918	\$ 4,317,189	\$ 4,226,383	\$ 4,067,416	\$ 4,338,595
Restricted	1,417,736	1,204,098	707,270	630,541	704,884	811,910	998,462	985,366
Unrestricted	(440,641)	(256,512)	(399,017)	(774,109)	(627,616)	(865,288)	(1,174,429)	(1,647,329)
Total primary government net assets	<u>\$ 5,433,674</u>	<u>\$ 5,370,605</u>	<u>\$ 5,057,815</u>	<u>\$ 4,526,350</u>	<u>\$ 4,394,457</u>	<u>\$ 4,173,005</u>	<u>\$ 3,891,449</u>	<u>\$ 3,676,632</u>

CITY OF HOUSTON, TEXAS

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses								
Governmental activities:								
General government	\$ 225,950	\$ 150,374	\$ 234,176	\$ 143,477	\$ 130,807	\$ 130,026	\$ 193,928	\$ 219,584
Public safety	616,324	818,129	902,527	1,127,663	1,102,253	1,230,266	1,400,837	1,460,992
Public works	293,757	238,323	251,423	282,767	266,723	275,165	317,749	417,953
Health	107,783	99,617	105,247	124,267	102,716	101,865	129,197	136,766
Housing and community development	57,482	48,393	62,956	78,867	318,450	80,171	59,182	62,793
Parks and recreation	91,034	84,446	63,156	83,945	72,309	85,274	102,758	97,398
Library	40,723	38,282	38,481	49,084	37,242	39,180	49,687	48,015
Retiree benefits	17,787	21,440	26,581	28,997	-	-	-	-
Interest in long-term debt	94,511	98,042	95,779	116,180	136,563	135,134	126,349	129,324
Depreciation and amortization	108,998	119,475	85,711	96,355	125,517	111,918	110,174	115,050
Total governmental activities expenses	<u>1,654,349</u>	<u>1,716,521</u>	<u>1,866,037</u>	<u>2,131,602</u>	<u>2,292,580</u>	<u>2,188,999</u>	<u>2,489,861</u>	<u>2,687,875</u>
Business-type activities :								
Airport System	227,248	265,987	315,929	406,908	431,392	442,757	459,521	472,253
Convention & Entertainment Facilities	83,141	76,760	91,588	133,622	99,271	105,846	110,576	114,110
Combined Utility System	636,824	649,247	681,201	762,209	752,122	818,831	846,368	842,518
Houston Area Water Corporation	17	153	160	169	17,428	20,568	17,485	14,867
Parking Management	-	-	-	-	-	-	-	4,919
Total business-type activities expenses	<u>947,230</u>	<u>992,147</u>	<u>1,088,878</u>	<u>1,302,908</u>	<u>1,300,213</u>	<u>1,388,002</u>	<u>1,433,950</u>	<u>1,448,667</u>
Total primary government expenses	<u>\$ 2,601,579</u>	<u>\$ 2,708,668</u>	<u>\$ 2,954,915</u>	<u>\$ 3,434,510</u>	<u>\$ 3,592,793</u>	<u>\$ 3,577,001</u>	<u>\$ 3,923,811</u>	<u>\$ 4,136,542</u>
Program Revenues								
Governmental activities:								
Charges for services:								
General government	31,931	14,957	18,047	25,074	52,083	34,839	11,104	22,601
Public safety	117,234	122,864	137,886	139,814	103,719	110,222	131,221	136,450
Public works	19,282	40,413	42,695	43,652	49,797	53,856	53,375	46,404
Health	11,625	13,263	13,026	13,624	12,574	13,563	17,093	16,836
Parks and recreation	7,174	5,176	6,122	6,009	6,687	6,930	4,683	7,578
Library	1,416	1,211	1,329	1,187	1,010	675	1,035	1,056
Operating grants and contributions	148,432	137,590	143,864	162,310	467,956	246,737	232,203	393,157
Capital grants and contributions	27,051	6,123	46,337	37,591	69,438	101,099	76,497	45,354
Total governmental activities program revenues	<u>364,145</u>	<u>341,597</u>	<u>409,306</u>	<u>429,261</u>	<u>763,264</u>	<u>567,921</u>	<u>527,211</u>	<u>669,436</u>
Business-type activities:								
Charges for services:								
Airport System	227,455	240,767	270,413	353,641	393,861	416,138	447,176	386,777
Convention & Entertainment Facilities	15,521	17,010	17,145	19,175	19,599	20,554	22,306	20,902
Combined Utility System	543,396	539,317	531,208	598,874	642,662	615,465	648,269	687,238
Houston Area Water Corporation	-	-	-	-	-	-	13,045	13,250
Parking Management	-	-	-	-	-	-	-	-
Operating grants and contributions	-	-	22,516	4,297	4,020	2,740	4,749	4,574
Capital grants and contributions	65,579	48,339	42,000	106,484	109,728	61,717	132,728	192,815
Total business-type activities program revenues	<u>851,951</u>	<u>845,433</u>	<u>883,282</u>	<u>1,082,471</u>	<u>1,169,870</u>	<u>1,116,614</u>	<u>1,268,273</u>	<u>1,305,556</u>
Total primary government program revenues	<u>\$ 1,216,096</u>	<u>\$ 1,187,030</u>	<u>\$ 1,292,588</u>	<u>\$ 1,511,732</u>	<u>\$ 1,933,134</u>	<u>\$ 1,684,535</u>	<u>\$ 1,795,484</u>	<u>\$ 1,974,992</u>
Net (expense)/revenue								
Governmental activities	\$ (1,290,204)	\$ (1,374,924)	\$ (1,456,731)	\$ (1,702,341)	\$ (1,529,316)	\$ (1,621,078)	\$ (1,962,650)	\$ (2,018,439)
Business-type activities	(95,279)	(146,714)	(205,596)	(220,437)	(130,343)	(271,388)	(165,677)	(143,111)
Total primary government net expense	<u>\$ (1,385,483)</u>	<u>\$ (1,521,638)</u>	<u>\$ (1,662,327)</u>	<u>\$ (1,922,778)</u>	<u>\$ (1,659,659)</u>	<u>\$ (1,892,466)</u>	<u>\$ (2,128,327)</u>	<u>\$ (2,161,550)</u>

(Continued)

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

	2002	2003	2004	2005	2006	2007	2008	2009
General Revenues and Other Changes in Net Assets								
Governmental Activities:								
Taxes								
Property taxes	\$ 626,850	\$ 639,888	\$ 645,536	\$ 664,831	\$ 700,788	\$ 738,578	\$ 829,837	\$ 890,308
Industrial assessments tax	15,642	15,014	15,167	14,635	14,314	15,823	17,787	19,133
Sales taxes	341,952	322,538	347,982	370,583	422,598	461,417	495,173	507,103
Franchise taxes	175,360	160,673	161,378	162,263	186,508	189,551	190,518	190,800
Mixed beverage taxes	7,514	7,572	8,095	8,343	9,000	9,713	10,479	10,587
Bingo taxes	251	246	253	270	279	279	256	226
Investment earnings	23,918	16,550	5,139	13,179	19,889	32,017	36,516	30,087
Other	24,822	42,074	31,894	27,652	33,674	23,261	58,743	66,459
Contributions	1,483	101,750	40,192	11,216	-	-	-	17,047
Special Items - gain (loss) on sale of assets	3,546	3,346	3,095	2,071	4,816	2,071	-	-
Transfers	99,817	86,583	39,067	58,383	70,651	57,594	60,824	69,578
Total governmental activities	<u>1,321,155</u>	<u>1,396,234</u>	<u>1,297,798</u>	<u>1,333,426</u>	<u>1,462,517</u>	<u>1,530,304</u>	<u>1,700,133</u>	<u>1,801,328</u>
Business-type activities:								
Hotel occupancy taxes	43,452	43,169	47,223	42,266	54,765	58,709	66,232	62,383
Investment earnings	103,072	68,632	25,965	43,866	54,212	88,658	96,492	88,737
Other	35,789	33,776	30,561	30,138	26,923	45,552	44,738	63,863
Contributions	-	4,979	-	-	-	-	-	-
Special Items - gain (loss) on sale of assets	(9,975)	(1,338)	(12,943)	-	-	5,385	-	-
Transfers	(99,817)	(86,583)	(39,067)	(58,383)	(70,651)	(57,594)	(60,824)	(69,578)
Total business-type activities	<u>72,521</u>	<u>62,635</u>	<u>51,739</u>	<u>57,887</u>	<u>65,249</u>	<u>140,710</u>	<u>146,638</u>	<u>145,405</u>
Total primary government	<u>\$ 1,393,676</u>	<u>\$ 1,458,869</u>	<u>\$ 1,349,537</u>	<u>\$ 1,391,313</u>	<u>\$ 1,527,766</u>	<u>\$ 1,671,014</u>	<u>\$ 1,846,771</u>	<u>\$ 1,946,733</u>
Change in Net Assets								
Governmental activities	\$ 30,951	\$ 21,310	\$ (158,933)	\$ (368,915)	\$ (66,799)	\$ (90,774)	\$ (262,517)	\$ (217,111)
Business-type activities	(22,758)	(84,079)	(153,857)	(162,550)	(65,094)	(130,678)	(19,039)	2,294
Total primary government	<u>\$ 8,193</u>	<u>\$ (62,769)</u>	<u>\$ (312,790)</u>	<u>\$ (531,465)</u>	<u>\$ (131,893)</u>	<u>\$ (221,452)</u>	<u>\$ (281,556)</u>	<u>\$ (214,817)</u>

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
General fund				
Reserved	\$ 12,956	\$ 9,518	\$ 30,756	\$ 30,935
Unreserved	70,668	81,482	85,282	105,101
Total general fund	<u>\$ 83,624</u>	<u>\$ 91,000</u>	<u>\$ 116,038</u>	<u>\$ 136,036</u>
All other governmental funds				
Reserved	\$ 92,177	\$ 93,246	\$ 122,480	\$ 169,660
Unreserved , reported in:				
Special revenue funds	33,519	28,981	48,428	63,997
Capital projects funds	57,369	56,417	62,864	-
Grant funds	-	-	-	-
Total all other governmental funds	<u>\$ 183,065</u>	<u>\$ 178,644</u>	<u>\$ 233,772</u>	<u>\$ 233,657</u>

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 24,947	\$ 27,449	\$ 51,671	\$ 21,489	\$ 22,040	\$ 22,836
110,778	142,695	198,759	256,610	309,466	281,111
<u>\$ 135,725</u>	<u>\$ 170,144</u>	<u>\$ 250,430</u>	<u>\$ 278,099</u>	<u>\$ 331,506</u>	<u>\$ 303,947</u>
\$ 171,252	\$ 200,374	\$ 179,267	\$ 193,924	\$ 235,074	\$ 201,334
55,760	67,691	66,407	94,056	119,482	111,454
-	-	-	-	-	-
-	-	9,963	8,258	7,553	(9,762)
<u>\$ 227,012</u>	<u>\$ 268,065</u>	<u>\$ 255,637</u>	<u>\$ 296,238</u>	<u>\$ 362,109</u>	<u>\$ 303,026</u>

CITY OF HOUSTON
GENERAL FUND BUDGET FOR FISCAL YEAR 2010
(amounts expressed in thousands)
(unaudited)

Budgeted Resources	Amount (in thousands)
Revenues:	
Ad Valorem Taxes (current and delinquent)	\$ 909,715
Sales and Use Tax	507,300
Franchise Fees	186,278
Municipal Courts Fines and Forfeits	35,497
Miscellaneous	204,991
Total Current Revenues	1,843,781
Beginning Fund Balance as of July 1, 2009 (a)	247,584
Pension Bond Proceeds	20,000
Sale of Capital Assets	3,450
Transfers from Other Funds	16,074
Total Budgeted Resources	\$ 2,130,889
Budgeted Expenditures	
Administrative Services and Public Finance	\$ 92,787
Public Safety	1,142,601
Development and Maintenance Services	216,446
Human and Cultural Services	167,122
General Government	75,020
Transfers to Debt Service Fund	240,020
Transfer out	-
Total Budgeted Expenditures	1,933,996
Designated "Sign Abatement" Amount	-
Designated "Rainy Day" Amount	20,194
Budgeted Ending Fund Balance as of June 30, 2010	176,699
Total Budgeted Expenditures and Reserves	\$ 2,130,889

(a) This amount represents an estimate of the beginning fund balance which was used in preparing the Fiscal Year 2010 Budget.

CITY OF HOUSTON, TEXAS
June 30, 2009
CONTINUING DEBT DISCLOSURE INFORMATION
(amounts expressed in thousands)
(unaudited)

Capital Improvement Plan

The 2010-2014 CIP consists of the projects and facilities described in the following chart. (The 2010-2014 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	\$ 958,404
Storm Sewers and Drainage	294,100
Parks and Recreation	84,481
Police Department	87,277
Fire Department	44,673
General Government	40,749
Public Library	78,724
Public Health	65,040
Solid Waste Management	10,820
Low Income Housing	<u>56,427</u>
Total	<u>\$ 1,720,695</u> (*)

(*) The tax-supported component of the 2010-2014 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)
2009	\$ 13,190
2008	10,950
2007	12,712
2006	14,895
2005	11,031
2004	14,647

**CITY OF HOUSTON
CONTINUING DEBT DISCLOSURE INFORMATION**

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

Long-Term Disability Fund	Fiscal Year 2009 (in thousands)
Assets Available for Future Long-Term Disability Obligations	\$ 11,331
Claims Payable on Long-Term Disability Obligations	(9,690)
Unrestricted Net Assets	<u>\$ 1,641</u>

Compensated Absence Liability	Fiscal Year 2009 (in thousands)
General Fund Short-Term Liability	\$ 2,613
Other Governmental Short-Term Liability	131,818
Enterprise Funds Liability	30,758
Internal Service Funds Liability	140
Governmental Funds Long-Term Liability	276,739
Total	<u>\$ 442,068</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.

<u>Fiscal Year</u>	<u>Total Direct Charges for Specific Services (in thousands)</u>
2009	\$ 47,890
2008	41,395
2007	42,052
2006	39,498
2005	61,234
2004	57,056

CITY OF HOUSTON, TEXAS

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Revenues				
Taxes	\$ 1,028,344	\$ 1,102,177	\$ 1,163,820	\$ 1,142,071
Licenses and permits	30,621	31,606	33,102	35,046
Intergovernmental	153,804	175,769	160,718	154,598
Charges for services	126,130	128,164	148,520	151,397
Fines	43,977	43,035	37,587	44,620
Investment earnings	17,118	29,547	21,450	16,550
Contributions	2,484	2,092	3,562	864
Other	22,736	36,872	30,305	46,030
Total revenues	<u>1,425,214</u>	<u>1,549,262</u>	<u>1,599,064</u>	<u>1,591,176</u>
Expenditures				
General Government	101,135	98,800	202,202	182,753
Public safety	672,737	684,644	752,281	840,490
Public Works	219,300	221,757	328,448	362,453
Health	56,547	55,857	104,777	96,633
Housing and Community Development	-	-	57,521	60,400
Parks and recreation	61,778	62,742	78,451	81,008
Library	35,758	36,240	40,036	42,473
Retiree benefits	9,597	11,675	17,787	21,440
Other Current Expenditures	35,089	100,772	-	-
Capital Outlay	188,429	209,068	47,005	24,637
Intergovernmental - grants	111,158	137,767	-	-
Debt Service				
Principal	104,710	114,425	110,060	120,754
Interest	91,847	93,928	87,830	87,438
Fiscal agent and fees	2,099	3,713	5,252	4,098
Advanced refunding escrow	-	-	-	-
Total expenditures	<u>1,690,184</u>	<u>1,831,388</u>	<u>1,831,650</u>	<u>1,924,577</u>
Excess of revenues over (under) expenditures	(264,970)	(282,126)	(232,586)	(333,401)
Other financing sources (uses)				
Transfers in	230,087	322,008	278,045	306,231
Transfers out	(172,776)	(192,427)	(178,228)	(219,648)
Proceeds from issuance of debt	176,012	366,709	173,494	209,931
Proceeds from refunded debt	-	-	437,243	285,801
Payment to escrow agent	-	(209,594)	(433,192)	(283,410)
Sale of land	-	-	-	-
Bond premium (discount)	-	-	-	-
Other financing sources (uses)	-	-	(119)	-
Proceeds from capital lease	-	-	-	54,379
Total other financing sources (uses)	<u>233,323</u>	<u>286,696</u>	<u>277,243</u>	<u>353,284</u>
Net change in fund balances	<u>\$ (31,647)</u>	<u>\$ 4,570</u>	<u>\$ 44,657</u>	<u>\$ 19,883</u>
Debt service as a percentage of noncapital expenditures	13.2%	13.1%	13.4%	13.6%

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$	1,193,874	\$ 1,227,388	\$ 1,338,651	\$ 1,425,575	\$ 1,545,102	\$ 1,617,937
	36,286	40,240	42,524	55,912	62,132	58,126
	189,974	187,372	512,279	319,864	300,717	435,715
	164,581	156,290	133,161	119,250	112,554	121,418
	49,227	53,464	51,441	57,305	57,001	57,037
	5,139	13,179	19,889	32,017	36,516	30,087
	2,433	1,780	-	-	-	737
	32,740	30,445	34,971	23,555	55,535	62,714
	<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>	<u>2,383,771</u>
	170,392	163,738	241,772	236,638	144,337	178,064
	838,472	907,201	1,012,747	1,088,922	1,107,522	1,221,713
	326,701	316,428	335,598	330,296	281,433	398,506
	99,377	104,389	97,237	96,063	108,830	123,421
	60,314	57,076	323,199	89,320	77,702	79,215
	62,917	70,720	79,602	82,648	77,354	80,438
	40,746	39,273	39,570	48,842	36,555	39,248
	26,581	28,997	42,203	18,801	18,506	18,463
	-	-	-	-	-	-
	35,213	39,396	61,606	57,337	332,655	372,472
	-	-	-	-	-	-
	115,319	139,607	220,510	172,166	197,790	487,690
	100,006	94,188	113,556	122,680	129,992	133,288
	8,131	3,316	6,302	4,661	3,700	8,949
	-	-	-	-	-	-
	<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>	<u>3,141,467</u>
	(209,915)	(254,171)	(440,986)	(314,896)	(346,819)	(757,696)
	225,522	278,743	337,127	339,549	396,660	462,793
	(184,004)	(223,863)	(272,726)	(281,936)	(328,873)	(391,143)
	150,594	274,721	433,514	313,771	387,051	626,205
	572,020	173,062	169,230	229,168	219,238	324,030
	(597,410)	(183,566)	(181,652)	(241,612)	(225,740)	(355,885)
	-	-	6,439	8,356	8,757	5,381
	36,237	10,546	16,912	15,870	9,004	(327)
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>202,959</u>	<u>329,643</u>	<u>508,844</u>	<u>383,166</u>	<u>466,097</u>	<u>671,054</u>
\$	<u>(6,956)</u>	<u>\$ 75,472</u>	<u>\$ 67,858</u>	<u>\$ 68,270</u>	<u>\$ 119,278</u>	<u>\$ (86,642)</u>

13.4%

13.5%

15.1%

14.9%

15.4%

23.0%

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

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Industrial Assessments	Mixed Beverage Tax	Bingo Tax	Total Tax Collections
2002	\$ 626,850	\$ 341,952	\$ 175,360	\$ 15,642	\$ 7,514	\$ 251	\$ 1,167,569
2003	\$ 639,888	\$ 322,538	\$ 160,673	\$ 15,014	\$ 7,572	\$ 246	\$ 1,145,931
2004	\$ 645,536	\$ 347,982	\$ 161,378	\$ 15,167	\$ 8,095	\$ 253	\$ 1,178,411
2005	\$ 664,831	\$ 370,583	\$ 162,263	\$ 14,635	\$ 8,343	\$ 270	\$ 1,220,925
2006	\$ 700,788	\$ 422,598	\$ 186,508	\$ 14,314	\$ 9,000	\$ 279	\$ 1,333,487
2007	\$ 738,578	\$ 461,417	\$ 189,551	\$ 15,823	\$ 9,713	\$ 279	\$ 1,415,361
2008	\$ 829,837	\$ 495,173	\$ 190,518	\$ 17,787	\$ 10,479	\$ 256	\$ 1,544,050
2009	\$ 890,308	\$ 507,103	\$ 190,800	\$ 19,133	\$ 10,587	\$ 226	\$ 1,618,157

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

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Personal Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2002	\$ 53,776,892	\$ 43,574,102	\$ 7,089,516	\$ 2,816,865	\$ 11,767,963	\$ 95,489,412	6.5500
2003	\$ 58,211,949	\$ 43,815,475	\$ 7,640,012	\$ 2,886,083	\$ 13,248,143	\$ 99,305,376	6.5500
2004	\$ 63,305,495	\$ 43,964,367	\$ 7,987,666	\$ 2,527,261	\$ 14,627,189	\$ 103,157,600	6.5500
2005	\$ 67,298,102	\$ 44,051,724	\$ 7,923,377	\$ 2,532,851	\$ 15,924,828	\$ 105,881,226	6.5000
2006	\$ 71,997,166	\$ 60,214,783	\$ 8,149,890	\$ 2,023,823	\$ 31,298,860	\$ 111,086,802	6.4750
2007	\$ 76,997,953	\$ 65,711,310	\$ 9,198,065	\$ 2,568,995	\$ 33,880,872	\$ 120,595,451	6.4500
2008	\$ 84,322,788	\$ 75,245,892	\$ 11,740,472	\$ 2,515,631	\$ 38,060,662	\$ 135,764,121	6.4375
2009	\$ 90,065,098	\$ 88,374,034	\$ 12,148,055	\$ 2,380,333	\$ 44,198,187	\$ 148,769,333	6.3875

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	2009	2008	2007	2006	2005	2004
City						
City of Houston ^(A)	6.3875	6.4380	6.4500	6.4750	6.5000	6.5500
County						
Fort Bend County	4.9976	5.1674	5.1674	5.1674	5.2374	5.2374
Harris County ^(B)	3.8923	3.9239	4.3480	4.3308	7.6340	5.5060
Montgomery County	4.8380	4.8880	4.9130	4.9630	4.9630	4.7100
School District						
Aldine I.S.D.	12.9200	12.7700	16.0400	17.0900	16.8900	16.6800
Alief I.S.D.	13.4000	15.9000	15.9000	17.2000	16.9000	16.7500
Clear Creek I.S.D.	13.6000	13.2000	16.3000	16.3000	17.4500	17.3000
Conroe I.S.D.	12.7000	12.4000	15.9000	17.6000	17.3250	17.3250
Crosby I.S.D.	13.4000	10.4000	18.0800	18.7000	18.8000	18.8450
Cypress-Fairbanks I.S.D.	13.5000	13.2400	16.5400	18.0000	17.9000	17.9000
Deer Park I.S.D.	13.3670	13.1765	16.6230	18.0550	18.0550	18.0710
Fort Bend I. S. D.	12.7000	12.5000	15.4000	17.0750	17.0750	No data
Galena Park I.S.D.	14.5590	14.3090	14.3090	18.1500	17.9500	17.6500
Goose Creek I.S.D.	12.8213	13.0196	15.9562	17.2750	16.8371	1.8371
Houston I.S.D.	15.9900	15.9900	15.9900	15.9900	15.9900	15.8000
Huffman I.S.D.	14.7000	13.8000	16.0000	17.5500	18.5000	16.7000
Humble I.S.D.	15.2000	13.1000	16.4000	17.7000	17.4000	17.4000
Katy I.S.D.	15.2660	15.2700	18.1500	20.0000	20.0000	19.7000
Klein I.S.D.	13.1000	12.6000	15.8000	17.0000	17.0000	17.2000
New Caney I.S.D.	14.4000	14.4000	14.1500	17.9000	17.7000	17.7000
North Forest I.S.D.	13.14339	12.3670	17.1250	17.1250	17.4440	17.4440
Pasadena I.S.D.	13.5000	13.5000	16.9000	17.7500	17.7500	17.7500
Sheldon I.S.D.	14.3000	14.3000	16.3400	17.5000	17.4600	17.0300
Spring I.S.D.	14.6000	14.4000	17.1000	17.1000	18.7000	17.6000
Spring Branch I.S.D.	13.8250	12.8500	16.3150	18.1000	18.1000	18.1000
Municipal Utility District						
Harris County MUD # 355	3.0000	3.1000	3.7000	3.8000	4.0000	3.4000
Harris County MUD # 359	2.8500	2.7000	3.0000	3.2500	3.7000	No data
Harris County MUD # 366	2.5000	3.2000	3.5000	4.4000	5.0000	5.0000
Harris County MUD # 390	7.0000	7.0000	7.0000	7.0000	7.0000	No data
Northwood M.U.D. #1	12.5000	12.5000	12.5000	12.5000	12.5000	12.5000
Other Jurisdictions						
Clear Lake City Water Authority	2.8000	2.8000	2.9000	2.9000	2.9000	2.9000
Fort Bend Parkway Road	0.5443	0.4153	0.4153	0.4153	1.1448	1.1448
Harris County Dept. of Education	0.0584	0.0585	0.0629	0.0629	0.0629	No data
Houston Community College System	0.1493	0.1493	0.8133	0.8133	0.8133	0.8133
Lee College District	2.0588	2.0677	2.0228	2.0677	2.0813	No data
Lone Star College System 1.	1.1010	1.1440	1.1670	1.2070	1.1450	1.1450
Port of Houston	0.1773	0.1437	0.1302	0.1474	0.1673	0.2000
San Jacinto Jr. College District	1.6341	1.4536	1.4536	1.3913	1.3913	1.3913

1. Formerly N. Harris Montgomery Community College

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

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

<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
6.5500	6.5500	6.5500	6.6500
5.3874	5.6410	6.0410	6.2410
6.5970	6.6920	6.4173	6.4173
4.7100	4.7100	4.7470	4.7470
16.1800	12.5000	15.1900	15.1900
16.7500	16.7500	16.4000	16.4000
17.4000	17.2500	17.0084	17.0084
17.2250	2.0250	17.0250	17.0250
16.7000	16.7000	16.8000	16.8000
17.9000	17.0900	17.0900	17.0900
18.0350	16.8980	16.9000	16.7000
No data	No data	No data	No data
17.6500	16.8352	16.8352	16.8352
No data	No data	No data	No data
15.8000	15.8000	15.1900	14.5900
16.8000	16.8000	17.4000	17.4000
17.4000	17.4000	16.8000	16.8000
19.4000	19.2000	18.6750	16.9500
17.2000	17.2000	16.7000	16.7000
17.1000	16.5540	17.6960	16.9000
17.4440	17.4440	17.4400	16.4230
16.8750	16.6000	16.1000	15.2000
16.3300	16.3300	14.5700	15.3800
17.6000	17.0000	16.9000	17.4000
18.1000	18.1000	17.9000	17.9000
No data	No data	No data	No data
No data	No data	No data	No data
No data	No data	No data	No data
No data	No data	No data	No data
12.5000	12.5000	12.5000	12.5000
3.1000	3.3000	3.3000	3.3000
No data	No data	No data	No data
No data	No data	No data	No data
0.8133	No data	No data	No data
No data	No data	No data	No data
1.0550	1.1000	1.1000	1.1740
0.1989	No data	No data	No data
1.3071	1.3070	1.2600	1.2600

CITY OF HOUSTON, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
June 30, 2009
Current Year and Nine Years Ago
(amounts expressed in thousands)
(unaudited)

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Centerpoint Energy, Inc.	\$ 1,567,607	1	1.05%			
Crescent Real Estate	1,136,690	2	0.76%	369,976	7	0.50%
Houston Refining	1,037,683	3				
Hines Interests Ltd. Partnership	884,267	4	0.59%	450,916	5	0.61%
Cullen Allen Holdings LP	679,739	5	0.46%			
AT & T Mobility LLC	577,601	6	0.39%			
Exxon Mobil Corp.	487,292	7	0.39%	527,806	4	0.71%
Anheuser Busch Inc.	429,956	8	0.33%	406,338	6	0.55%
Valero Energy Corp.	564,116	9	0.38%			
Amoco Chemical Co.	354,996	10	0.24%			
Houston Lighting & Power				1,295,867	1	1.74%
Southwestern Bell				873,514	2	1.18%
Crescent Real Estate Equities				592,447	3	0.80%
Trizechahn Allen Center LP				369,251	8	0.50%
Continental Airlines, Inc.				339,102	9	0.46%
Weingarten Realty				260,992	10	0.35%
Total	<u>\$ 7,719,947</u>		<u>4.59%</u>	<u>\$ 5,486,209</u>		<u>7.40%</u>

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date [a]	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2000	\$ 536,599	\$ 522,302	97.34%	\$ 10,272	\$ 532,574	99.25%
2001	\$ 574,325	\$ 558,193	97.19%	\$ 11,184	\$ 569,377	99.14%
2002	\$ 625,283	\$ 608,337	97.29%	\$ 10,667	\$ 619,004	99.00%
2003	\$ 650,450	\$ 632,588	97.25%	\$ 10,154	\$ 642,742	98.81%
2004	\$ 675,682	\$ 657,988	97.38%	\$ 8,785	\$ 666,773	98.68%
2005	\$ 688,228	\$ 669,659	97.30%	\$ 5,740	\$ 675,399	98.14%
2006	\$ 719,287	\$ 688,486	95.72%			
2007	\$ 777,841	\$ 774,492	99.57%			
2008	\$ 871,989	\$ 847,104	97.15%			
2009	\$ 955,746	\$ 927,444	97.04%			

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

[a] Subsequent collections are no-longer provided.

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

Tax Bond Debt Service Fund for Fiscal Year 2010^(a)

	Amount
Budgeted Resources	(in thousands)
Beginning Fund Balance Estimate as of July 1, 2009	\$ 125,188
Interest Earnings on Debt Reserves and Bond Funds	9,682
Transfers in from:	
General Fund	242,600
Combined Utility System Operating Fund	35,535
Other sources	15,040
Third Party Reimbursements	30,000
Total Budgeted Resources	\$ 458,045
Budgeted Expenditures	
Debt Service Requirements	
Tax Bonds	\$ 293,154
Commercial Paper Paid from Third Party Reimbursements	30,000
Miscellaneous	-
Total Budgeted Expenditures	323,154
Budgeted Ending Fund Balance as of June 30, 2010	134,891
Total Budgeted Expenditures and Reserves	\$ 458,045

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

Tax Certificates Debt Service Fund for Fiscal Year 2010

	Amount
Budgeted Resources	(in thousands)
Beginning Fund Balance Estimate as of July 1, 2009	\$ 945
Interest Earnings on Debt Reserves and Bond Funds	
Transfers from General Fund	12,000
Other Sources	
Total Budgeted Resources	\$ 12,945
Budgeted Expenditures	
Debt Service Requirements	\$ 12,765
Total Budgeted Expenditures	12,765
Budgeted Ending Fund Balance as of June 30, 2010	180
Total Budgeted Expenditures and Reserves	\$ 12,945

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

Fiscal Year	Governmental Activities			Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita (a)
	General Obligation Bonds	Capital Leases	Other Borrowings	Combined Utility System Revenue Bonds	Houston Airport System Revenue Bonds	Convention & Entertainment Revenue Bonds	Long-Term Contracts			
2002	\$ 1,934,505	\$ -	\$ 15,260	\$ 3,812,173	\$ 1,479,475	\$ 637,221	\$ 259,599	\$ 8,138,233	19.72%	\$ 4,165
2003	\$ 2,025,330	\$ 53,372	\$ 25,810	\$ 4,108,847	\$ 2,167,722	\$ 665,846	\$ 261,791	\$ 9,308,718	22.56%	\$ 4,699
2004	\$ 2,071,560	\$ 52,344	\$ 24,865	\$ 4,038,164	\$ 2,170,394	\$ 666,679	\$ 243,877	\$ 9,267,883	21.79%	\$ 4,612
2005	\$ 2,415,988	\$ 51,253	\$ 23,395	\$ 4,451,525	\$ 2,279,443	\$ 671,094	\$ 266,799	\$ 10,159,497	23.22%	\$ 5,038
2006	\$ 2,694,363	\$ -	\$ 21,880	\$ 4,695,148	\$ 2,260,462	\$ 665,402	\$ 248,368	\$ 10,585,623	22.14%	\$ 5,099
2007	\$ 2,851,948	\$ -	\$ 20,200	\$ 5,022,310	\$ 2,266,018	\$ 672,091	\$ 231,710	\$ 11,064,277	Not Available	\$ 5,159
2008	\$ 3,057,921	\$ -	\$ 15,060	\$ 5,227,465	\$ 2,263,676	\$ 671,848	\$ 211,016	\$ 11,446,986	Not Available	\$ 5,338
2009	\$ 3,179,667	\$ -	\$ 13,315	\$ 5,545,291	\$ 2,193,246	\$ 663,154	\$ 221,260	\$ 11,815,933	Not Available	\$ 5,270

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

(a) See the Schedule of Demographic and Economic Statistics on page 221 for personal income and population data.

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value (1) of Property	Per Capita (2)
2002	\$ 1,934,505	\$ 102,176	\$ 1,832,329	1.92%	\$ 938
2003	\$ 2,025,330	\$ 99,534	\$ 1,925,796	1.94%	\$ 972
2004	\$ 2,071,560	\$ 91,774	\$ 1,979,786	1.92%	\$ 985
2005	\$ 2,415,988	\$ 106,864	\$ 2,309,124	2.18%	\$ 1,145
2006	\$ 2,694,363	\$ 110,824	\$ 2,583,539	2.33%	\$ 1,244
2007	\$ 2,851,948	\$ 109,661	\$ 2,742,287	2.27%	\$ 1,279
2008	\$ 3,057,921	\$ 131,477	\$ 2,926,444	2.16%	\$ 1,325
2009	\$ 3,179,667	\$ 161,414	\$ 3,018,253	2.03%	\$ 1,346

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

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

CITY OF HOUSTON, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2009
(amounts expressed in thousands)
(unaudited)

	Net Direct Debt		% of Debt Applicable to Houston	City of Houston Share of Debt
	Amount	As of		
City				
City of Houston - direct	\$ 3,018,253	06/30/09	100.00%	3,018,253
County				
Fort Bend County	285,418	06/30/09	2.48%	7,078
Harris County (including Toll Road Bonds)	2,389,649	06/30/09	52.81%	1,261,974
Harris County Flood Control	492,282	06/30/09	52.81%	259,974
Montgomery County	238,359	06/30/09	1.18%	2,813
School District				
Aldine I.S.D.	361,581	06/30/09	48.54%	175,511
Alief I.S.D.	246,620	08/31/08	77.19%	190,366
Clear Creek I.S.D.	670,301	06/30/09	47.32%	317,186
Conroe I.S.D.	759,433	08/31/08	4.60%	34,934
Crosby I.S.D.	66,077	03/24/09	0.23%	152
Cypress-Fairbanks I.S.D.	1,505,173	06/30/09	11.25%	169,332
Deer Park I.S.D.	177,166	08/31/08	0.12%	212
Fort Bend I.S.D.	825,896	06/30/08	1.89%	15,609
Galena Park I.S.D.	238,115	08/31/08	13.49%	32,122
Goose Creek I.S.D.	335,174	06/30/09	0.00%	0
Houston I.S.D.	1,917,470	06/30/08	90.95%	1,743,939
Huffman I.S.D.	56,106	06/30/09	26.02%	14,599
Humble I.S.D.	538,703	06/30/09	43.25%	232,989
Katy I.S.D.	922,087	08/31/08	19.16%	176,672
Klein I.S.D.	220,997	06/30/09	1.26%	2,784
New Caney I.S.D.	164,924	06/30/09	18.28%	30,148
North Forest I.S.D.	64,718	08/31/08	93.89%	60,764
Pasadena I.S.D.	444,826	08/31/08	41.35%	183,935
Sheldon I.S.D.	146,440	06/30/09	0.44%	644
Spring I.S.D.	662,583	06/30/09	1.67%	11,065
Spring Branch I.S.D.	505,620	06/30/09	70.46%	356,260
Municipal Utility District				
Harris County MUD 355	11,317	03/05/09	99.08%	11,213
Harris County MUD 359	7,985	06/30/09	100.00%	7,985
Harris County MUD 366	1,150	03/19/09	89.27%	1,026
Harris County MUD 390	13,258	04/02/09	100.00%	13,258
Northwood Municipal Utility District #1	2,240	10/07/09	100.00%	2,240
Other Jurisdictions				
Clear Lake City Water Authority	55,623	06/30/09	68.69%	38,207
Fort Bend Parkway Road	69	06/30/09	12.57%	9
Harris County Dept. of Education	27,925	06/30/09	52.81%	14,747
Houston Community College System	192,190	08/31/09	90.86%	174,624
Lee College District	15,884	06/30/09	0.00%	0
Lone Star College System 1	150,372	08/31/08	11.64%	17,503
Port of Houston Authority	531,962	06/30/09	52.81%	280,929
San Jacinto Jr. College	120,560	06/30/09	15.44%	18,614
Total overlapping debt	15,366,253			5,861,417
Total direct and overlapping debt	<u>\$ 18,384,506</u>			<u>8,879,670</u>

Note: 1. Formerly N. Harris–Montgomery Community College Dis.

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

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

Fiscal Year	Tax Rate ^(a)		Total	Net	Current	Prior Years'	Total Collection ^{(c)(d)}	Total Collections Percentage of Net Levy
	General	Debt		Current Year	Collections	Delinquent		
	Purposes	Service		Tax Levy ^(b)	Prior to End of Fiscal Year ^{(c)(d)}	Collections ^(d)		
				(in thousands)	(in thousands)	(in thousands)	(in thousands)	
2006	0.46359	0.18391	0.64750	719,287	688,486	31,718	720,204	100.1
2007	0.45927	0.18573	0.64500	777,841	751,882	36,007	787,889	101.3
2008	0.46198	0.18178	0.64375	874,230	845,817	34,772	880,589	100.7
2009	0.45460	0.18415	0.63875	961,059	926,956	32,395	959,351	99.8
2010 ^(e)	0.45728	0.18147 ^(f)	0.63875 ^(e)	959,857	926,262	30,000	956,262	99.6

- (a) The Texas Constitution limits the maximum ad valorem tax rate to \$2.50 (per \$100 of assessed valuation) for home rule cities such as the City.
- (b) The figures represent net adjusted levies including the late certification and correction rolls from the Appraisal District for the current Tax Years through June 30 of each Fiscal Year.
- (c) These amounts do not include revenues from various types of Industrial District Contracts entered into by the City with industrial property owners outside of the City's corporate limits. Such Industrial District Contracts have a term of fifteen years and allow property owners to make payments to the City in lieu of paying ad valorem taxes.
- (d) Includes all ad valorem tax receipts received by the City, although such receipts include tax increment revenues ("Tax Increments") deposited into separate funds for its tax increment reinvestment zones ("Zones"). In Fiscal Year 2008, the City transferred approximately \$50.6 million of Tax Increments into these Funds as required by State law representing an increase of approximately \$11.7 million over the previous Fiscal Year. Notwithstanding, the City expects such zones to budget approximately \$3.4 million of Tax Increments to be paid to the City in Fiscal Year 2009 for municipal service costs attributable to development in such zones. Additionally, such zones also help to finance various capital/public improvements. By virtue of contracts among the City, the tax increment reinvestment zones and the local government corporations that manage the zones, the Tax Increments are transferred to the respective local government corporations and are available for use on authorized projects in the zones and to be pledged to obligations issued by the local government corporations on behalf of the zones. Bonds and other obligations issued by the local government corporations are not debt of the City.
- (e) The City's Fiscal Year 2010 Budget includes a tax rate of \$0.63875 (per \$100 assessed valuation) for Tax Year 2009 (Fiscal Year 2010). 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.
- (f) Pursuant to Ordinance 2008-796 the City created the Drainage Supplemental Debt Service Fund to receive annually from ad valorem taxes a certain sum to support drainage capital improvement projects. Beginning in Fiscal Year 2009, that amount is equal to \$0.009385 per \$100 ad valorem tax valuation. In Fiscal Year 2010 that amount is projected to equal \$0.003 per \$100 ad valorem tax valuation.

AD VALOREM TAX OBLIGATION PERCENTAGES

Tax Year	Fiscal Year	Tax-Supported Debt at December 31 (in thousands)	Tax Roll ^(a) (in thousands)	Tax-Supported Debt as a Percentage of Tax Roll ^(g)	Tax-Supported Per Capita Debt ^(b)	Debt Service Requirement Payable from Taxes ^{(c)(d)} (in thousands)	Tax Levy for Debt Service (in thousands) ^(e)
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	150,554,363	2.11%	1,416	254,513	251,700

- (a) With the exception of Tax Year 2008, 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 2008 amount represents the Appraisal Districts' preliminary certified taxable valuations based on tax rolls available as of April 17, 2009, and have been adjusted to reflect the Appraisal Districts' estimated hearing loss of \$102,097,297. As of April 17, 2009, the total assessed value for Tax Year 2009 (including exempt property values) was approximately \$195.1 billion, which is the appraised value used to determine the statutory limitation of approximately \$19.5 billion relating to total bond indebtedness.
- (b) Per capita figures are based on population estimates according to the U.S. Census Bureau and updated as final figures are published.
- (c) These amounts have not been reduced by the combined ending fund balances in the General Debt Service Fund, which were as follows for the Fiscal Years indicated: Fiscal Year 2005 - \$106,864,000, Fiscal Year 2006 - \$110,824,000, Fiscal Year 2007 - \$107,014,000, Fiscal Year 2008 - \$131,477,000, Fiscal Year 2009 - \$160,770,000.
- (d) These amounts include principal and interest payments for Tax Obligations, except that only interest is included for Commercial Paper Notes at an assumed rate appropriate for each Fiscal Year.
- (e) Sources of funds for the general obligation debt service requirement include the tax levy and transfers from Enterprise and Special Revenue Funds.

CITY OF HOUSTON, TEXAS

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

LEGAL DEBT MARGIN CALCULATION AT JUNE 30, 2009

Assessed Value (1)	\$ 192,967,520
Debt Limit (10% of assessed value)	19,296,752
Debt applicable to limit:	
Public Improvement Bonds	1,988,300
Pension Obligations	520,478
Commercial Paper - General Obligation	519,200
Tax and Revenue Certificates of Obligation	<u>81,022</u>
Total net debt applicable to limit	<u>3,109,000</u>
Legal debt margin	<u>\$ 16,187,752</u>

HISTORICAL LEGAL DEBT LIMITATION

	2000	2001	2002
Legal debt limitation, 10% of assessed value(2)	\$ 8,945,848	\$ 9,814,263	\$ 10,725,911
Total net debt applicable to margin	<u>1,761,440</u>	<u>1,776,441</u>	<u>1,816,681</u>
Legal debt margin	<u>\$ 7,184,408</u>	<u>\$ 8,037,822</u>	<u>\$ 8,909,230</u>
Total net debt applicable to the limit as a percentage of debt limit	20%	18%	17%

(1) Assessed Value for the 2008 tax year (fiscal year 2009) 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 October 31, 2009.

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

2003	2004	2005	2006	2007	2008	2009
\$ 11,255,352	\$ 11,778,479	\$ 12,180,606	\$ 14,238,567	\$ 15,447,632	\$ 17,382,478	\$ 19,296,752
<u>1,925,796</u>	<u>1,939,765</u>	<u>2,462,578</u>	<u>2,732,439</u>	<u>2,877,360</u>	<u>3,078,103</u>	<u>3,109,000</u>
<u>\$ 9,329,556</u>	<u>\$ 9,838,714</u>	<u>\$ 9,718,028</u>	<u>\$ 11,506,128</u>	<u>\$ 12,570,272</u>	<u>\$ 14,304,375</u>	<u>\$ 16,187,752</u>
17%	16%	20%	19%	19%	18%	16%

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

Airport System Bonds ⁽¹⁾

Fiscal Year	Operating & Non-Operating Revenues ⁽²⁾	Less: Operating Expenses	Net Pledged Revenue	Debt Service		Less Grants Available for Debt Service	Coverage
				Principal	Interest ⁽³⁾		
2001	\$ 235,250	\$ 122,594	\$ 112,656	\$ 19,460	\$ 30,567	\$ 2,798	2.39
2002	244,791	142,950	101,841	4,380	47,231	37,153	7.04
2003	251,921	154,541	97,380	17,985	46,003	30,282	2.89
2004	278,933	161,645	117,288	18,865	56,932	32,823	2.73
2005	368,314	191,093	177,221	28,182	84,066	25,506	2.04
2006	411,545	205,565	205,980	31,737	108,776	46,621	2.19
2007	443,468	217,720	225,748	33,377	111,118	20,679	1.82
2008	477,422	221,309	256,113	45,996	111,623	28,022	1.98
2009	410,944	233,158	177,786	49,692	101,049	51,739	1.80

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

Combined Utility System Bonds ⁽⁴⁾

Fiscal Year	Operating & Non-Operating Revenues ⁽⁵⁾	Less: Total Expenses	Net Pledged Revenue	Debt Service		Coverage
				Principal	Interest	
2001	\$ 608,397	\$ 283,515	\$ 324,882	\$ 60,191	\$ 167,811	1.42
2002	590,589	278,174	312,415	56,936	162,446	1.42
2003	569,902	281,160	288,742	55,370	173,363	1.26
2004	624,297	304,882	319,415	54,528	169,364	1.43
2005	668,391	309,343	359,048	14,031	175,789	1.89
2006	721,243	349,135	372,108	31,570	196,461	1.63
2007	701,813	357,403	344,410	26,618	232,048	1.33
2008	722,918	378,919	343,999	27,088	248,900	1.25
2009	791,286	408,808	382,478	37,683	267,630	1.25

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

Convention and Entertainment Center Bonds ⁽⁶⁾

Fiscal Year	Pledged Hotel Occupancy Tax & Other Revenue ⁽⁷⁾	Debt Service		Coverage
		Principal	Interest	
2001	\$ 44,658	\$ 4,880	\$ 14,611	2.29
2002	41,162	-	24,151	1.70
2003	43,155	5,955	19,517	1.69
2004	46,398	6,265	20,833	1.71
2005	43,050	6,590	22,715	1.47
2006	56,654	13,680	23,094	1.54
2007	60,726	14,775	24,004	1.57
2008	67,109	17,540	23,926	1.62
2009	63,013	18,620	20,453	1.61

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

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

Fiscal Year	Population	Personal Income (amount in thousands)	Per Capita Personal Income	Median Age	Education Level in Years of Formal Schooling	School Enrollment	Average Unemployment Rate (percentage)
2002	1,979,052	\$ 42,264,007	\$ 21,566	30.7	12.7	423,103	4.7 (3)
2003	2,002,144	\$ 41,269,994	\$ 21,290	31.5	12.8	404,349	6.0 (3)
2004	2,009,669	\$ 42,537,706	\$ 21,854	31.4	12.8	410,566	6.9 (3)
2005	2,016,582	\$ 43,748,970	\$ 22,534	31.9	12.7	392,846	6.3 (3)
2006	2,076,189	\$ 47,805,874	\$ 23,041	32.3	12.6	409,937	5.5 (4)
2007	2,144,491	\$ 49,960,993	\$ 25,719	32.2	12.8	425,015	4.6 (4)
2008	2,208,180	Not available	Not available	32.8	Not available	811,154 (5)	4.2 (2)
2009	2,242,193	Not available	\$ 26,836	32.9	13.2	520,118 (6)	5.9 (2)

(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 for fiscal year 2008 reflects the Houston metropolitan area.

(6) School enrollment includes nursery school through graduate school.

**CITY OF HOUSTON, TEXAS
PRINCIPAL EMPLOYERS
June 30, 2009
Current Year and Seven Years Ago
(unaudited)**

Employer	2009			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Memorial Hermann Healthcare System	19,500	1	1.94%	14,000	2	1.49%
Continental Airlines, Inc.	16,000	2	1.59%	16,000	1	1.71%
ExxonMobil	13,000	3	1.29%			
Shell Oil Company	13,000	4	1.29%	10,733	7	1.15%
Kroger Company	12,000	5	1.19%	13,000	3	1.39%
National Oilwell Varco	10,000	6	0.99%			
The Methodist Hospital System	9,991	7	0.99%	10,000	8	1.07%
Baylor College of Medicine	9,232	8	0.92%	9,000	10	0.96%
HP	9,000	9	0.89%			
St. Luke's Episcopal Health System	9,000	10	0.89%			
ARAMARK Corp.				13,000	4	1.39%
Halliburton				12,000	5	1.28%
Compaq Computer Corporation				11,000	6	1.17%
Reliant Energy				9,500	9	1.01%
Total :	<u>120,723</u>		<u>11.98%</u>	<u>118,233</u>		<u>12.62%</u>

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

Total Houston Residents employed regardless of where they work.	2009	1,007,600
Source: U. S. Census Bureau, American Community Survey	2002	937,053

CITY OF HOUSTON, TEXAS

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**CITY OF HOUSTON, TEXAS
EMPLOYMENT STATISTICS
June 30, 2009
(unaudited)**

Employment

The following table indicates the Houston PMSA estimated annual average labor force for the years 1999 through 2008 according to the Texas Employment Commission:

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

	<u>1999</u>	<u>2000</u>
Civilian Labor Force ^(A)	2,185	2,387
Employed	2,089	2,284
Unemployed	97	103
Percent unemployed	4.40%	4.32%
Nonfarm Payroll Employment ^(B)	1,864	2,255
Manufacturing	206	232
Mining	63	62
Contract construction	154	172
Transp/Pub Utils/Communications	151	192
Trade	476	487
Finance/Insurance/Real Estate	117	86
Services & Miscellaneous	633	870
Government	272	309

(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.

2001	2002	2003	2004	2005	2006	2007	2008
2,436	2,520	2,558	2,577	2,614	2,674	2,723	2,781
2,322	2,368	2,385	2,417	2,468	2,540	2,606	2,647
114	152	173	160	146	134	117	134
4.68%	6.03%	6.76%	6.21%	5.59%	5.01%	4.30%	4.82%
2,294	2,289	2,274	2,290	2,349	2,446	2,545	2,603
234	222	210	208	212	223	233	241
65	63	65	68	71	78	84	90
179	181	174	165	169	182	197	205
193	180	171	167	169	173	179	182
491	484	471	473	484	500	520	533
86	86	87	89	91	91	92	91
892	897	901	923	962	1,014	1,063	1,087
314	327	333	335	339	345	352	361

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

Full-time Equivalent Employees as of June 30

Fund/Department	2002	2003	2004	2005	2006	2007 Restated	2008 Restated	2009
GENERAL FUND								
Public Safety								
Fire/Civilian	318.4	344.8	316.2	320.3	288.7	287.0	270.2	270.5
Fire/Classified	3,729.7	3,717.0	3,647.7	3,716.0	4,123.5	4,070.3	3,997.5	4,058.3
Fire/Cadets	162.5	268.2	392.8	181.5	38.5	103.0	113.5	95.7
Municipal Courts - Administration	388.5	380.1	354.7	347.1	343.7	290.9	262.2	284.8
Municipal Courts - Justice	45.2	46.8	45.3	41.6	45.3	47.6	49.4	50.6
Police/Civilian	1,780.3	1,509.9	1,425.5	1,115.6	1,173.1	1,237.8	1,289.5	1,572.3
Police/Classified	5,588.0	5,432.5	5,362.3	5,118.3	5,125.3	5,287.3	5,382.7	5,703.2
Police/Cadets	87.3	74.0	36.2	26.7	81.8	130.9	176.8	221.6
Total Public Safety	12,099.9	11,773.3	11,580.7	10,867.1	11,219.9	11,454.8	11,541.8	12,257.0
Development & Maintenance Services								
General Services	313.1	311.7	289.4	181.2	211.3	228.2	237.8	242.1
Planning & Development	233.7	217.6	105.0	104.3	99.6	96.6	97.1	105.1
Public Works & Engineering	1,032.6	860.4	567.5	841.3	539.9	548.4	556.7	568.3
Solid Waste Management	617.1	581.2	545.9	576.9	576.4	546.6	655.0	667.2
Total Development & Maintenance	2,196.5	1,970.9	1,507.8	1,703.7	1,427.2	1,419.8	1,546.6	1,582.7
Human & Cultural Services								
Convention & Entertainment Facilities	-	-	-	-	63.0	54.8	0.4	3.5
Health & Human Services	898.0	834.7	776.6	767.1	797.9	725.8	684.5	741.3
Housing & Community Development	-	-	-	-	-	-	1.3	2.3
Library	604.8	520.3	531.2	443.0	473.1	484.5	497.3	530.5
Parks & Recreation	1,094.8	993.0	768.2	741.0	772.8	814.1	815.8	869.4
Total Human & Cultural Services	2,597.6	2,348.0	2,076.0	1,951.1	2,106.8	2,079.2	1,999.3	2,147.0
Administrative Services								
Administration & Regulatory Affairs	-	-	-	-	-	-	264.1	292.0
City Secretary	15.8	13.7	13.8	12.1	12.1	11.6	11.1	11.5
Controller's Office	84.3	80.0	76.3	74.9	70.7	73.7	74.7	76.3
Council Office	78.9	74.0	68.2	61.5	71.3	68.1	71.4	73.3
Finance & Administration	332.6	320.6	304.4	313.5	303.8	310.0	-	-
Finance Department	-	-	-	-	-	-	54.9	68.9
Human Resources	52.9	45.9	43.0	38.6	38.2	37.9	39.1	39.3
Information Technology	133.7	130.6	147.4	143.5	127.2	129.0	140.3	154.9
Legal	163.6	158.7	153.4	146.4	144.0	152.8	158.7	168.1
Mayor's Affirmative Action	30.5	29.6	24.7	27.2	25.7	25.8	32.4	34.1
Mayor's Office	25.0	24.2	21.9	20.2	48.8	43.5	39.6	37.1
Total Administrative Services	917.3	877.3	853.1	837.9	841.8	852.4	886.3	955.5
Total General Fund	17,811.3	16,969.5	16,017.6	15,359.8	15,595.7	15,806.2	15,974.0	16,942.2

Full-time Equivalent Employees as of June 30

Fund/Department	2002	2003	2004	2005	2006	2007	2008	2009
ENTERPRISE FUNDS								
Aviation	1,103.0	1,088.0	1,236.3	1,516.8	1,569.6	1,622.7	1,587.2	1,604.8
Convention & Entertainment Facilities	82.2	84.2	88.9	104.7	109.3	116.5	124.3	124.1
PW&E - Combined Utility System	2,246.6	2,283.9	2,102.6	2,220.3	2,158.6	2,243.8	2,288.9	2,350.7
GSD - Parking Management (formerly PW&E)	-	-	-	-	-	-	54.0	53.9
Total Enterprise Funds	3,431.8	3,456.1	3,427.8	3,841.8	3,837.5	3,983.0	4,054.4	4,133.5
SPECIAL REVENUE FUNDS								
Houston Emergency Center	72.0	183.8	190.4	219.3	239.6	248.0	264.6	275.6
Cable Television	8.2	10.9	9.1	10.5	9.3	-	-	-
Health and Human Services	-	-	-	-	-	435.7	490.9	530.9
Housing and Community Development	-	-	-	-	-	126.5	136.9	140.1
Library	-	-	-	-	-	3.4	9.9	28.4
Parks Special Revenue	183.7	98.6	105.8	98.0	106.0	105.7	107.0	112.9
Planning	-	-	-	-	-	-	3.4	6.5
Police - Asset Forfeiture	61.0	63.7	20.0	15.9	21.3	-	-	-
Police - Auto Dealers/Civilian	6.1	6.1	6.8	8.2	6.3	73.7	113.8	88.6
Police - Auto Dealers/Classified	14.2	12.0	18.5	18.0	22.0	21.1	37.0	25.6
Police Special Services/Civilian	34.9	51.4	218.0	117.7	6.3	-	-	-
Police Special Services/Classified	-	-	1.0	-	40.8	-	-	-
PW&E - Building Inspection	270.6	262.8	389.5	308.5	380.0	1,313.8	1,362.2	1,373.6
PW&E - Sign Administration	30.8	31.5	26.9	27.5	31.6	-	-	-
PW&E - Stormwater Utility	299.7	406.0	393.5	403.5	413.6	-	-	-
PW&E - Houston TransStar	6.0	6.0	6.0	5.9	5.5	-	-	-
PW&E - TxDOT Signal Maintenance	6.8	6.8	7.0	0.5	-	-	-	-
Mayor's Office	-	-	-	-	-	24.7	24.2	22.7
Municipal Courts Security Fund	-	-	-	19.4	21.5	22.8	24.4	28.7
Municipal Courts Technology Fee Fund	-	-	-	-	-	-	-	3.3
Total Special Revenue Funds	994.0	1,139.6	1,392.5	1,252.9	1,303.8	2,375.4	2,574.3	2,636.9
Total General, Enterprise and Special Funds	22,237.1	21,565.2	20,837.9	20,454.5	20,737.0	22,164.6	22,602.7	23,712.6
INTERNAL SERVICE/REVOLVING FUND								
Human Resources - Health Benefits	36.6	37.4	36.0	37.1	36.2	74.2	69.9	70.7
General Services - Central Svc Revolving	-	-	-	1.5	4.0	24.8	-	-
Human Resources - Central Svc Revolving	5.2	6.0	5.0	4.8	4.5	-	-	-
Admin. and Regulatory Affairs - Central Svc Revolving	12.1	13.5	6.0	5.5	5.9	6.0	-	-
Information Technology - Central Svc Revolving	-	-	2.0	1.6	2.0	-	3.3	2.9
Fire Reconstruction	18.0	20.2	13.3	-	-	-	-	-
General Services - In House Reconstruction	-	-	-	29.1	28.8	57.4	66.6	70.0
PW&E - Fleet Management	98.3	105.5	159.6	74.1	170.7	-	-	-
PW&E - CIP Salary Recovery	-	-	245.6	-	-	-	-	-
General Services - CIP Salary Recovery	-	-	-	-	19.6	-	-	-
Admin. and Regulatory Affairs - Property and Casualty	5.0	4.6	4.0	4.0	5.1	-	4.9	5.8
Legal - Property and Casualty	34.7	32.0	29.4	28.4	27.2	41.0	43.4	40.6
Human Resources - Workers Compensation	30.7	30.2	31.0	30.3	28.9	-	-	-
Legal - Workers Compensation	4.9	4.5	-	5.2	4.4	-	-	-
Total Internal Service/Revolving Funds	245.5	253.9	531.9	221.6	337.3	203.4	188.1	190.0
TOTAL FTE'S	22,482.6	21,819.1	21,369.8	20,676.1	21,074.3	22,368.0	22,790.8	23,902.6

General Services was Building Services.

Administration & Regulatory Affairs and the Finance Department were Finance and Administration.

CITY OF HOUSTON, TEXAS
OPERATING INDICATORS BY FUNCTION
June 30, 2009
(unaudited)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Function								
Police								
Physical arrests	105,623	112,975	110,573	103,917	100,795	121,834	110,058	132,121
Parking violations	303,159	265,880	253,038	241,324	203,591	255,690	210,607	217,795
Traffic violations filed	696,998	871,457	779,068	841,494	851,573	939,932	867,535	920,341
Fire								
Number of calls dispatched	256,257	255,648	261,903	267,171	284,231	278,713	281,574	281,103
Inspections	36,171	28,336	30,491	40,540	38,937	32,694	31,800	84,378 (1)
Highways and streets								
Streets resurfaced (miles)	545	426	435	374	334	325	307	235
Tons of asphalt for pothole repair and skin patches	Not Available	18,788	18,879	18,272	16,104	16,178	16,647	17,323
Parks and recreation								
Athletic field permits issued	1,920	1,587	1,854	1,850	1,995	2,073	2,494	2,331
Community center admissions	2,880,133	3,060,111	3,199,874	2,859,414	3,332,920	3,618,818	4,146,502	3,924,751
Sanitation								
Refuse collected (tons)	860,924	904,804	876,519	835,054	825,915	837,008	796,926	803,428
Recyclables collected (tons)	32,572	37,942	28,862	20,607	15,352	15,703	21,312	53,151 (2)
Water								
New connections	6,273	5,435	6,616	7,806	5,235	6,871	5,660	3,400
Water main breaks	5,362	3,148	3,269	3,381	4,939	5,623	2,797	9,822 (3)
Average daily pumpage (millions of gallons)	374.8	359.0	356.6	363.1	399.9	374.5	372.0	378.7
Wastewater								
Average daily sewage treatment (millions of gallons)	254.7	262.4	286.8	252.0	227.0	244.0	268.0	230.0

- (1) The Fire Department now has a better system to record inspections. For example, a ten-building apartment complex is now counted as ten inspections, not one.
- (2) The Solid Waste Department started the tree recycling program in January, which greatly increased the tons of recyclables collected.
- (3) A dry year caused a higher than usual number of breaks.

CITY OF HOUSTON, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
June 30, 2009
(unaudited)

	2002	2003	2004	2005	2006	2007	2008	2009
Function								
Public safety								
Police								
Stations	14	14	14	14	15	15	17	17
Patrol units	Not Available	Not Available	Not Available	730	919	829	851	932 (1)
Fire								
Stations	86	87	88	88	90	90	91	91
Highways and streets								
Streets (lane miles)	15,645	15,645	15,645	15,645	15,645	15,645	15,645	15,763
Streetlights	170,300	171,800	173,500	175,000	176,000	172,300	173,000	173,520
Traffic signals	2,310	2,325	2,340	2,355	2,400	2,430	2,450	2,399 (2)
Parks and recreation								
Parks acreage	18,364	18,429	18,620	18,620	24,493	38,934	38,934	38,970
Parks	518	521	523	523	533	539	540	546
Swimming pools	43	43	43	43	40	58	62	62
Tennis Centers	3	3	3	3	3	3	3	3
Community centers	58	58	58	57	56	56	58	58
Sanitation								
Collection trucks	343	343	344	347	338	326	337	322
Water								
Water mains (miles)	Not Available	Not Available	Not Available	7,354	7,354	7,501	6,500	6,500
Fire hydrants	47,397	49,000	51,155	52,879	54,829	54,522	56,950	57,432
Maximum daily capacity (millions of gallons)	479.4	466.0	482.4	456.3	480.6	459.3	449.9	535.6
Sewer								
Sanitary sewers (miles)	Not Available	Not Available	Not Available	6,752	6,752	6,897	7,500	7,500
Storm sewers (miles)	3,300	3,300	3,300	3,300	3,420	3,487	3,513	3,513
Maximum daily treatment permitted (millions of gallons)	559.5	562.6	564.0	564.0	564.0	564.0	564.0	564.0

- (1) The number of patrol units greatly increased due to Hurricane Ike.
(2) The number of traffic signals decreased because last year's number included assuming responsibility from TXDOT for additional signals. This did not happen.

CITY OF HOUSTON, TEXAS
June 30, 2009
INCREASES/DECREASES TO NET ASSETS OF PENSION PLANS
(amounts expressed in thousands)
(unaudited)

	<u>Police</u>	<u>Fire</u>	<u>Municipal</u>	<u>Total</u>
Additions (Deductions)	(\$505.5)	(\$530.7)	(\$342.5)	(\$1,378.7)
Deductions	<u>152.0</u>	<u>129.5</u>	<u>189.4</u>	<u>470.9</u>
Net Increase (Decrease)	<u>(657.5)</u>	<u>(660.2)</u>	<u>(531.9)</u>	<u>(1,849.6)</u>
City's Total Contribution	<u><u>\$68.0</u></u>	<u><u>\$71.0</u></u>	<u><u>\$76.8</u></u>	<u><u>\$215.8</u></u>

The City's funding policies provide for actuarially determined periodic contributions at rates such that overtime will remain level as a percentage of payroll. The contribution rate for normal cost is determined by using the entry age normal cost method. The pension plans use the level percentage of payroll method to amortize the unfunded actuarially accrued liability (or surplus) over 40 years from January 1, 1993.

CITY OF HOUSTON, TEXAS
PRINCIPAL AND INTEREST PAYABLE FROM AD VALOREM TAXES
(EXCLUDING COMMERCIAL PAPER NOTES)
(unaudited)

The following schedule presents the City's debt service requirements for Fiscal Years 2009 through 2038 for the outstanding Tax Bonds, Pension Obligations, Tax Certificates and Assumed Bonds as of October 1, 2009. Debt service on commercial paper notes is not reflected in the schedule below. As of June 30, 2009, \$519.2 million of such Commercial Paper Notes was outstanding. On September 15, 2009, \$488.4 million of commercial paper notes was refunded with Tax Bonds.

Fiscal Year Ending June 30	Tax Bonds	Pension Obligations ^(a)	Tax Certificates	Total Debt Service
2010	244,961,752	35,416,883	10,123,518	290,502,153
2011	254,067,762	35,416,883	7,958,880	297,443,525
2012	240,691,474	35,416,883	9,518,870	285,627,227
2013	229,199,612	35,416,883	14,079,380	278,695,875
2014	228,496,618	41,761,883	5,348,085	275,606,586
2015	232,396,355	41,807,782	5,351,805	279,555,942
2016	229,329,274	41,855,691	5,351,985	276,536,950
2017	233,740,637	41,903,723	5,354,415	280,998,775
2018	229,468,687	41,959,990	5,353,565	276,782,242
2019	198,450,375	42,016,976	5,354,115	245,821,466
2020	207,861,550	42,082,481	5,355,495	255,299,526
2021	174,475,675	52,108,673	5,352,150	231,936,498
2022	162,352,563	52,136,552	5,353,750	219,842,865
2023	168,274,463	52,152,976	4,333,500	224,760,939
2024	111,483,713	52,178,542	4,333,750	167,996,005
2025	110,615,138	52,207,273	4,335,500	167,157,911
2026	72,327,238	52,238,195	4,338,250	128,903,683
2027	89,084,988	52,270,018	4,336,500	145,691,506
2028	87,427,288	52,296,136		139,723,424
2029	50,602,408	60,664,946		111,267,354
2030	12,982,845	60,711,046		73,693,891
2031	12,991,676	72,169,804		85,161,480
2032	15,447,770	72,208,028		87,655,798
2033	15,447,651	29,834,887		45,282,538
2034	12,728,482	5,625,280		18,353,762
2035	15,453,401	49,970,280		65,423,681
2036	12,593,320	38,598,102		51,191,422
2037	9,160,537	23,666,897		32,827,434
2038	5,559,890			5,559,890
2039	2,555,024			2,555,024
Total	\$ 3,670,228,166	\$ 1,266,093,693	\$ 111,533,513	\$ 5,047,855,372

CITY OF HOUSTON, TEXAS
June 30, 2009
VOTER-AUTHORIZED OBLIGATIONS
(Unaudited)

The following schedule sets forth the categories of bond authorization approved by the voters in elections held in November of 2001 (the "2001 Election") and November of 2006 (the "2006 Election"), the amount of each such authorization approved by City Council for issuance as Commercial Paper Notes, the amount of commercial paper issued as of year-end, and the amount of commercial paper approved but unissued.

November 2001 Election

Purposes	Voter Authorized	Approved by City Council for Issuance as Commercial Paper Notes	Commercial Paper Issued ^(a)	Commercial Paper Notes Approved by City Council but Unissued
Streets, Bridges, Traffic Control and Storm Sewers and Drainage	\$ 474,000	\$ 474,000	\$ 352,725	\$ 121,275
Parks and Recreation	80,000	80,000	79,900	100
Police and Fire Departments	82,000	82,000	75,740	6,260
Permanent and General Improvements (b)	80,000	80,000	64,510	15,490
Public Libraries	40,000	40,000	30,100	9,900
Low Income Housing	20,000	20,000	5,620	14,380
Total	<u>\$ 776,000</u>	<u>\$ 776,000</u>	<u>\$ 608,595</u>	<u>\$ 167,405</u>

November 2006 Election

Purposes	Voter Authorized	Approved by City Council for Issuance as Commercial Paper Notes	Commercial Paper Issued ^(a)	Commercial Paper Notes Approved by City Council but Unissued
Streets, Bridges, Traffic Control and Storm Sewers and Drainage	\$ 320,000	\$ 79,550	\$ 16,420	\$ 63,130
Parks and Recreation	55,000	23,100	-	23,100
Public Safety	135,000	60,450	3,000	57,450
Permanent and General Improvements (b)	60,000	27,400	3,500	23,900
Public Libraries	37,000	25,675	3,000	22,675
Low Income Housing	18,000	7,375	-	7,375
Total	<u>\$ 625,000</u>	<u>\$ 223,550</u>	<u>\$ 25,920</u>	<u>\$ 197,630</u>

Combined Total (2001 and 2006 Elections)	<u>\$ 1,401,000</u>	<u>\$ 999,550</u>	<u>\$ 634,515</u>	<u>\$ 365,035</u>
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(a) As of June 30, 2009

(b) Includes Public Health and Solid Waste Management.

CITY OF HOUSTON, TEXAS
June 30, 2009
(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 (budgeted)	\$ 507,300	\$ 186,277 (a)

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

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

Total Annual Revenues Last Ten Fiscal Years	<u>2000</u>	<u>2001</u>	<u>2002</u>
Operating Revenues			
Fees charged to users, net	\$ 16,835	\$ 17,469	\$ 15,521
Total Operating Revenues	<u>16,835</u>	<u>17,469</u>	<u>15,521</u>
Nonoperating Revenues			
Interest	3,642	9,846	23,766
Hotel occupancy tax (including penalty & interest)	42,550	46,123	43,452
Other income	<u>133</u>	<u>181</u>	<u>-</u>
Total Nonoperating Revenues	<u>46,325</u>	<u>56,150</u>	<u>67,218</u>
Total Revenues	<u><u>\$ 63,160</u></u>	<u><u>\$ 73,619</u></u>	<u><u>\$ 82,739</u></u>

Total Annual Expenses Last Ten Fiscal Years	<u>2000</u>	<u>2001</u>	<u>2002</u>
Operating Expenses			
Maintenance and operating	\$ 19,886	\$ 20,331	\$ 21,721
Depreciation	<u>6,684</u>	<u>6,356</u>	<u>12,406</u>
Total Operating Expenses	<u>26,570</u>	<u>26,687</u>	<u>34,127</u>
Nonoperating Expenses			
Interest on long-term debt	7,194	12,655	28,410
Promotional contracts & other expenses	<u>10,974</u>	<u>20,698</u>	<u>24,193</u>
Total Nonoperating Expenses	<u>18,168</u>	<u>33,353</u>	<u>52,603</u>
Total Expenses	<u><u>\$ 44,738</u></u>	<u><u>\$ 60,040</u></u>	<u><u>\$ 86,730</u></u>

2003	2004	2005	2006	2007	2008	2009
\$ 17,010	\$ 17,145	\$ 19,175	\$ 19,599	\$ 20,554	\$ 22,306	\$ 20,902
17,010	17,145	19,175	19,599	20,554	22,306	20,902
14,311	13,109	15,926	16,729	18,704	19,186	17,688
43,169	47,223	42,266	54,765	58,709	66,232	62,383
713	-	7,279	4,190	13,215	5,669	113,265
58,193	60,332	65,471	75,684	90,628	91,087	193,336
<u>\$ 75,203</u>	<u>\$ 77,477</u>	<u>\$ 84,646</u>	<u>\$ 95,283</u>	<u>\$ 111,182</u>	<u>\$ 113,393</u>	<u>\$ 214,238</u>

2003	2004	2005	2006	2007	2008	2009
\$ 24,830	\$ 28,791	\$ 32,797	\$ 33,437	\$ 35,342	\$ 37,276	\$ 39,142
13,274	14,077	10,372	10,984	11,925	12,084	14,888
38,104	42,868	43,169	44,421	47,267	49,360	54,030
19,347	25,413	29,468	30,970	32,859	33,150	29,740
19,305	23,307	61,694	23,880	21,119	28,659	30,840
38,652	48,720	91,162	54,850	53,978	61,809	60,580
<u>\$ 76,756</u>	<u>\$ 91,588</u>	<u>\$ 134,331</u>	<u>\$ 99,271</u>	<u>\$ 101,245</u>	<u>\$ 111,169</u>	<u>\$ 114,610</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)
2000	34,344	0.2%	6,935	22.8%	--	--	41,279
2001	37,228	8.4%	7,430	7.1%	--	--	44,658
2002	35,072	-5.8%	6,090	-18.0%	--	--	41,162
2003	34,844	-0.7%	8,311	36.5%	--	--	43,155
2004	38,115	9.4%	7,039	-15.3%	1,244	--	46,398
2005	34,115	-10.5%	6,473	-8.0%	2,462	97.9%	43,050
2006	44,204	29.6%	6,619	2.3%	5,831	136.8%	56,654
2007	47,387	7.2%	6,681	0.9%	6,658	14.2%	60,726
2008	53,459	12.8%	7,233	8.3%	6,417	-3.6%	67,109
2009	49,694	-7.0%	6,610	-8.6%	6,709	4.6%	63,013

- (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 Pledged Parking Revenue shown has been reduced by \$1.2 million each year, due to the prior pledge of revenues under the Music Hall Agreement.
- (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.

Historical Tax Rebates
(amounts expressed in thousands)

Fiscal Year	HOT Tax 15%	Sales Tax 8.25% ⁽¹⁾	Mixed Beverage Tax 3%	Total Tax Rebate
2004	\$ 1,081	\$ 111	\$ 52	\$ 1,244
2005	2,188	190	84	2,462
2006	5,553	197	81	5,831
2007	6,232	296	130	6,658
2008	6,082	233	102	6,417
2009	6,306	295	108	6,709

(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)
2000	65.6%	90.02	7%	42,550
2001	68.9%	90.50	7%	46,123
2002	63.2%	90.79	7%	43,452
2003	60.4%	85.89	7%	43,169
2004	61.9%	88.61	7%	47,223
2005	69.5%	89.57	7%	44,414
2006	68.9%	102.21	7%	60,319
2007	66.7%	119.31	7%	63,372
2008	69.0%	128.83	7%	72,314
2009	65.7%	125.24	7%	68,688

(1) Source: Greater Houston Partnership.

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
For Fiscal Year 2009
(unaudited)

Schedule of Hotel Occupancy Tax Collections

<u>The Twelve Largest Taxpayers</u>	<u>Gross Hotel Occupancy Tax Collections</u>
Hilton Americas-Houston	\$ 2,685,110
Hyatt Regency Hotel	1,781,507
JW Marriott Galleria	1,513,555
Four Seasons Hotel Houston Center	1,428,797
Westin Galleria	1,240,782
Hilton Houston Post Oak	1,237,762
Houston Marriott Briarpark	1,166,825
Marriott Hotel	1,161,002
Hilton Houston Greenspoint	1,110,399
Houstonian Hotel	1,044,354
Inter Continental Houston	990,827
Marriott Medical	<u>963,745</u>
Total	<u>\$ 16,324,665</u>

Top Ten Clients (Excluding Hotel Occupancy Tax Revenues)

Hobby Center for the Performing Arts	\$ 105,968,487
Republic Parking Systems	8,885,201
FEMA	3,340,471
Aramark	3,046,264
Houston Convention Center Hotel Corporation	1,580,587
Smart City	1,504,404
AVW	679,803
Miller Outdoor Theatre Advisory Board	520,971
Houston Symphony Society	414,318
Houston Grand Opera	<u>334,137</u>
Total	<u>\$ 126,274,643</u>

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
For Fiscal Year 2009
(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	\$3.00 per hour	7.00
		\$93.00 (3)	\$9.00 Maximum	
		\$120.00 (4)		
Reserved parking		\$225.00		
City Hall Annex Parking Garage	\$51.76	\$93.00	n/a	5.00
Lots C and H	\$44.33	\$48.00	n/a	3.00

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

(2) Includes sales and use tax of 8.25%

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

(4) Bulk contract parking agreement

Source: City of Houston, Convention & Entertainment Facilities Department

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
Debt Service Schedule
(unaudited)

The following table sets forth the Debt Service Requirements on all Convention & Entertainment Revenue Bonds Outstanding as of June 30, 2009, assuming scheduled mandatory redemption of any term bonds and using rates in effect at year-end for auction rate securities and variable rate demand obligations. The amounts do not include the Convention and Entertainment Center's Commercial Paper Notes.

Fiscal Year	Series 2001 A	Series 2001 B	Series 2001 C Bonds	Total Debt
Ending	Bonds	Bonds	(1)	Service
June 30				
2010	13,742,113	21,718,544	1,679,885	37,140,542
2011	13,727,994	22,556,050	1,712,190	37,996,234
2012	13,731,719	22,829,244	1,678,296	38,239,259
2013	13,737,953	24,382,988	1,676,796	39,797,737
2014	13,735,941	24,521,616	1,679,885	39,937,442
2015	13,738,425	24,440,238	1,679,885	39,858,548
2016	13,743,525	16,325,319	1,710,602	31,779,446
2017	8,756,572	22,986,963	1,676,884	33,420,419
2018	9,696,281	22,698,700	1,679,885	34,074,866
2019	4,548,731	21,654,794	7,921,929	34,125,454
2020	5,512,031	22,066,819	8,196,988	35,775,838
2021	6,561,881	21,094,119	8,418,842	36,074,842
2022		29,121,925	8,766,746	37,888,671
2023		29,261,563	9,052,934	38,314,497
2024		30,597,669	9,361,554	39,959,223
2025		30,932,488	9,666,175	40,598,663
2026		32,207,594	10,018,644	42,226,238
2027		32,889,456	10,413,574	43,303,030
2028		33,368,825	10,767,693	44,136,518
2029		34,620,331	11,134,567	45,754,898
2030		35,123,056	11,613,581	46,736,637
2031		36,179,756	12,035,127	48,214,883
2032		36,631,363	12,499,845	49,131,208
2033		36,734,713	13,010,515	49,745,228
2034		38,108,331	11,722,678	49,831,009
Total	<u>\$ 131,233,166</u>	<u>\$ 703,052,464</u>	<u>\$ 179,775,700</u>	<u>\$ 1,014,061,330</u>

(1) Assumes an interest rate of 1.123% for the Series 2001C-1 Auction Rate Certificates and the 2001 C-2 Auction Rate Certificates.

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
For Fiscal Year 2009
(unaudited)

Convention & Entertainment Budget for Fiscal Year 2010
(amounts expressed in thousands)

Budgeted Resources

Operating Revenues

Facility Rentals	\$ 6,510
Parking	10,058
Food and Beverage Concessions	4,013
Contract Cleaning	398
Total Operating Revenues	<u>20,979</u>

Operating Expenses

Personnel	10,271
Supplies	676
Services	28,801
Total Operating Expenses	<u>39,748</u>
Operating Income (Loss)	<u>(18,769)</u>

Nonoperating Revenues (Expenses)

Hotel Occupancy Tax	
Current	58,000
Delinquent	750
Advertising Services	(13,340)
Promotion Contracts	(11,194)
Contracts/Sponsorships	(2,300)
Net Hotel Occupancy Tax	<u>31,916</u>
Investment Income (Loss)	1,100
Capital Outlay	-
Non-Capital Outlay	(79)
Other Interest	(1,380)
Other	2,840
Total nonoperating Rev (Exp)	<u>34,397</u>
Income (Loss) Before Operating Transfers	<u>15,628</u>

Transfers

Transfers to Interest	6,646
Transfers to Principal	11,617
Interfund Transfers	4,126
Miller Outdoor Theater Transfer	(1,170)
Transfers to Special	(100)
Contingency/Reserve	-
Total Transfers	<u>21,119</u>
Net Income (Loss) Operating Fund	<u>\$ (5,491)</u>

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM FUND REVENUES AND EXPENSES
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

Total Annual Revenues Last Ten Fiscal Years	2000	2001	2002	2003	2004
Operating Revenues					
Water sales	\$ 281,757	\$ 271,553	\$ 271,098	\$ 267,125	\$ 265,272
Waste water system user charges	275,782	268,492	265,091	264,159	257,225
Penalties	3,493	4,440	4,214	4,036	4,150
Other services and charges	3,006	2,807	2,993	3,997	4,561
Total Operating Revenues	564,038	547,292	543,396	539,317	531,208
Nonoperating Revenues					
Interest	32,019	56,914	33,703	24,043	6,889
Other income	20,641	22,511	32,368	26,894	26,179
Total Nonoperating Revenues	52,660	79,425	66,071	50,937	33,068
Total Revenues	\$ 616,698	\$ 626,717	\$ 609,467	\$ 590,254	\$ 564,276
Total Annual Expenses Last Ten Fiscal Years	2000	2001	2002	2003	2004
Operating Expenses					
Maintenance and operating	\$ 225,258	\$ 248,603	\$ 245,943	\$ 250,226	\$ 266,718
Depreciation and Amortization	212,846	256,959	228,147	233,401	209,608
Bad debt expense	1,000	-	-	-	-
Total Operating Expenses	439,104	505,562	474,090	483,627	476,326
Nonoperating Expenses					
Interest on long-term debt	164,650	172,749	164,482	165,509	204,875
Other expenses	4,057	3,315	9,708	722	12,402
Total Nonoperating Expenses	168,707	176,064	174,190	166,231	217,277
Total Expenses	\$ 607,811	\$ 681,626	\$ 648,280	\$ 649,858	\$ 693,603

2005	2006	2007	2008	2009
\$ 301,227	\$ 324,878	\$ 308,046	\$ 328,435	\$ 351,608
288,459	307,764	295,423	305,748	323,301
4,605	5,085	6,736	7,760	6,651
4,583	4,935	5,260	6,324	5,678
<u>598,874</u>	<u>642,662</u>	<u>615,465</u>	<u>648,267</u>	<u>687,238</u>
12,972	18,650	36,014	35,436	33,436
24,707	26,557	54,572	84,228	51,262
<u>37,679</u>	<u>45,207</u>	<u>90,586</u>	<u>119,664</u>	<u>84,698</u>
<u>\$ 636,553</u>	<u>\$ 687,869</u>	<u>\$ 706,051</u>	<u>\$ 767,931</u>	<u>\$ 771,936</u>

2005	2006	2007	2008	2009
\$ 332,800	\$ 302,955	\$ 315,348	\$ 346,652	\$ 371,770
224,074	228,665	257,722	220,202	204,919
-	-	-	-	-
<u>556,874</u>	<u>531,620</u>	<u>573,070</u>	<u>566,854</u>	<u>576,689</u>
201,142	214,880	242,282	267,505	260,396
4,193	5,622	3,478	19,515	5,432
<u>205,335</u>	<u>220,502</u>	<u>245,760</u>	<u>287,020</u>	<u>265,828</u>
<u>\$ 762,209</u>	<u>\$ 752,122</u>	<u>\$ 818,830</u>	<u>\$ 853,874</u>	<u>\$ 842,517</u>

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

	Fiscal Year 2009	Fiscal Year 2008
OPERATING REVENUES		
Sales of water, net	\$ 351,608	\$ 328,435
Sewer system user charges, net	323,301	305,748
Penalties, other services and charges	12,329	14,084
Total Operating Revenues:	687,238	648,267
NON-OPERATING REVENUES		
Investment Earnings under Previous Ordinance	16,234	27,417
Investment Earnings under Master Ordinance	6,500	8,019
Non-Operating Revenues: Contributions from Water Authorities	52,815	7,212
Other Non-Operating revenues	28,671	18,625
Total non-operating revenues	104,220	61,273
TOTAL GROSS REVENUES:	791,458	709,540
EXPENSES		
Contract Revenue Bonds Payments ⁽¹⁾		
Houston Area Water Corporation debt service	-	8
Coastal Water Authority Debt Service	28,103	31,815
Trinity River Authority Debt Service	-	444
Total Contract Revenue Bonds Payments	28,103	32,267
Maintenance and Operating Expenses	351,355	347,358
Total Expenses	379,458	379,625
RESTRICTED RECEIPTS UNDER MASTER ORDINANCE	10,001	20,398
NET REVENUES UNDER MASTER ORDINANCE	\$ 422,001	\$ 350,313
BOND DEBT SERVICE:		
Previously Issued Bonds	73,624	62,023
First Lien Bonds	217,112	209,327
Total Debt Service	\$ 290,736	\$ 271,350
BOND DEBT SERVICE COVERAGE:		
Junior Lien Bond Coverage under Previous Ordinance ⁽²⁾	5.51 x	5.19 x
First Lien Bond Coverage under Master Ordinance ⁽³⁾	1.60 x	1.38 x
TOTAL COVERAGE ⁽⁴⁾	1.45 x	1.29 x

(1) These are "Required Payments Under Previous Ordinance."

(2) Coverage of debt service on Previous Ordinance Bonds by Net Revenues as calculated under Previous Ordinance, which does not include as revenues Investment Earnings under Master Ordinance and Restricted Revenues.

(3) Coverage of Debt Service on First Lien Bonds by Net Revenues, less debt service on Junior Lien Bonds under Previous Ordinance.

(4) Coverage of total Debt Service on Junior Lien Bonds under Previous Ordinance and First Lien Bonds under Master Ordinance by Net Revenues.

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
System Budget (Fiscal Year 2010)
(amounts expressed in thousands)
(unaudited)

The following is the summary of the Fiscal Year 2010 Budget for the System as adopted by City Council:

Revenues	
Beginning Fund Balance (July 1, 2009)	\$ 393,807
Current Revenues	<u>781,103</u>
Total Revenues	<u><u>\$ 1,174,910</u></u>
Expenditures	
Maintenance and Operations	\$ 409,754
CWA/TRA Debt Service	23,817
Debt Service (including Prior Lien Bonds, Junior Lien Bonds and Commercial Paper)	<u>381,617</u>
Total Expenditures	815,188
Other	
General Purpose Fund (including Discretionary Debt Service)	147,307
Planned Fund Balance (June 30, 2010)	<u>212,415</u>
Total Expenditures and Reserves	<u><u>\$ 1,174,910</u></u>

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

The following calculation shows coverage by Net Revenues of Maximum Annual Debt Service on the Previous Ordinance and First Lien Bonds.

Maximum Annual Debt Service Requirements on Previous Ordinance Bonds (2019) ⁽¹⁾	139,219,336
Maximum Annual Debt Service Requirements on First Lien Bonds (2032) ⁽¹⁾⁽²⁾	375,595,414
Combined Maximum Annual Principal and Interest Requirements on Previous Ordinance Bonds and First Lien Bonds (2019)	376,348,469
Net Revenues under Previous Ordinance for Fiscal Year ended June 30, 2005 ⁽³⁾	405,500,000
Net Revenues under Master Ordinance for Fiscal Year ended June 30, 2005 ⁽⁴⁾	422,001,000
Funds Available from General Purpose Fund at June 30, 2009	235,720,000
Total Funds available for Debt Service Coverage	657,721,000
Coverage of Maximum Annual Debt Service Requirements on Previous Ordinance Bonds	2.91
Coverage of Maximum Annual Debt Service Requirements on First Lien Bonds	1.75
Coverage of Maximum Annual Debt Service Requirements on Previous Ordinance Bonds and First Lien Bonds	1.75

(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 2004B debt service is adjusted to take into account expected payments under the Series 2004B Qualified Hedge Agreements. The Series 2008A variable rate bond debt service is calculated at the fixed payor swap rate of 3.761%. Debt service on the Series 2008D Bonds is calculated based on an assumed taxable rate with a maturity on the applicable tax-exempt conversion date. After the applicable Tax-Exempt Conversion Date, debt service is calculated using a long term tax-exempt rate to maturity.

(3) Excludes Investment Earnings under Master Ordinance and Restricted Receipts under Master Ordinance.

(4) Net Revenues as calculated under the Master Ordinance, which includes as revenues restricted receipts and earnings under the Master Ordinance.

(5) Coverage under Master Ordinance for combined debt service on Previous Ordinance Bonds and First Lien Bonds.

THE SYSTEM - Sewer Facilities General

The 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 2.2 million people. The Wastewater System consist of over 7,000 miles sanitary sewer lines, 39 wastewater treatment plants, over 400 lift/pumping stations and a centralized laboratory. The general condition of the collection lines varies depending on age, location and type of construction. The average daily wastewater flow through the Wastewater Treatment Facilities for Fiscal Year 2009 was 256 mgd. The permitted treatment capacity of the wastewater treatment facilities, as reflected by State permits, is 563.1 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 2010 - 2014 CIP will be financed approximately as follows:

Proposed Source of Funding	Amount (in millions)
System Revenue Bonds (Net Proceeds and interest earnings) (1)	\$ 981.5
Other Sources (including System Bonds issued to TWDB) (2)	308.4
	\$ 1,289.9

- (1) The department's fiscal year 2010 - 2014 CIP anticipates the periodic issuance of additional First Lien Bonds and Subordinate Lien Commercial Paper. City Council must approve each issuance of bonds.
- (2) Includes loan funds sourced from the Texas Water Development Board and payable by the City as System Bonds.

Obligations Payable from System Revenues

The following sets forth the total outstanding principal amount of the system obligations payable from revenues of the system as of June 30, 2009:

Contract Revenue Bonds Payable from System Gross Revenues	Amount
CWA Bonds (3)	\$ 166,490,000
Total	\$ 166,490,000

System Revenue Bonds Payable from System Net Revenues

Previous Ordinance Bonds	748,918,000
First Lien Bonds	4,642,940,000
Third Lien Obligations	0
	5,391,858,000
Total - All Bonds Payable from System Revenues	\$ 5,558,348,000

- (3) Under a 1968 agreement, as amended and superseded in part, and a 1995 agreement, CWA agreed to construct the CWA conveyance system and certain other projects and the City agreed to pay, as a maintenance and operation expense of the System, amounts calculated to be sufficient to cover maintenance and operation expenses of the CWA Conveyance System plus debt service of the CWA Bonds. CWA has reserved the right to issue an unlimited amount of additional bonds on parity with those currently outstanding, however, such issuances are subject to the approval of the City.

**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 eight Fiscal Years and the amount budgeted for Fiscal year 2010 is set forth below:

<u>Fiscal Year</u>	<u>Discretionary Debt Service (in millions)</u>
2010 (budgeted)	\$ 26.9
2009	28.4
2008	25.8
2007	24.7
2006	26.3
2005	28.2
2004	29.6
2003	23.8

Combined Utility System General Purpose Fund Transfers for Drainage

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

<u>Fiscal Year</u>	<u>General Purpose Fund Transfers (millions)</u>
2010 (budgeted)	\$ 40.6
2009	39.4
2008	36.5
2007	34.1
2006	31.3
2005	30.0

Indirect Charges Paid by the System

<u>Fiscal Year</u>	<u>Indirect Charges (in thousands)</u>
2010 (budgeted)	\$ 3,148
2009	2,324
2008	923
2007	2,309
2006	2,157
2005	1,236
2004	4,696
2003	6,877

CITY OF HOUSTON, TEXAS

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

Fiscal Years	2000	2001	2002	2003	2004
Consumption (in Thousand Gallons)					
RESIDENTIAL	30,627,183	29,298,341	28,910,785	28,366,790	27,190,878
MULTI-FAMILY	27,819,799	27,960,411	26,947,985	26,524,889	26,099,414
COMMERCIAL	23,620,493	23,658,719	23,244,380	22,489,563	22,419,672
GOVERNMENT	4,960,288	4,732,531	4,528,732	4,343,339	4,450,481
SEWER ONLY	1,264,859	1,284,586	1,335,488	1,327,138	1,352,960
OTHER ACCTS	4,349,133	4,133,562	4,319,402	4,187,717	4,410,859
TOTAL	92,641,755	91,068,150	89,286,772	87,239,436	85,924,264
Revenue Amount	\$525,457,257	\$518,964,748	\$504,300,381	\$493,637,833	\$482,693,814
Average Rate / Water & Sewer	\$5.67	\$5.70	\$5.65	\$5.66	\$5.62

2005	2006	2007	2008	2009
28,089,881	29,372,166	26,094,949	26,312,961	26,970,248
25,197,120	25,917,787	24,961,804	25,156,968	25,012,299
21,879,224	23,106,449	21,941,537	22,748,096	21,972,495
4,510,130	5,151,211	4,614,053	4,710,923	4,713,905
1,180,975	1,242,852	1,324,905	1,381,145	1,361,135
4,503,243	5,808,363	4,394,176	4,573,030	5,678,987
<u>85,360,573</u>	<u>90,598,828</u>	<u>83,331,424</u>	<u>84,883,123</u>	<u>85,709,069</u>
<u>\$536,457,992</u>	<u>\$582,872,263</u>	<u>\$558,078,148</u>	<u>\$581,130,048</u>	<u>\$597,498,813</u>
\$6.28	\$6.43	\$6.70	\$6.85	\$6.97

CITY OF HOUSTON, TEXAS

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

Largest Sewer Customers

The following schedule presents information concerning the ten largest customers of the Sewer Facilities for the twelve month period ended June 30, 2009. The total charges to such customers represent approximately 3.4% of the System Gross Revenues and 7.8% of Sewer Facilities' gross charges during such period.

<u>Customer</u>	<u>Gross Charges</u>
1. Anheuser - Busch, Inc.	\$ 5,460,054
2. City of Houston	4,204,718
3. Harris County	3,285,049
4. Houston Independent School District	2,611,389
5. Maximus Coffee Group	2,608,120
6. University of Houston	1,833,864
7. Hermann Hospital	1,549,951
8. Methodist Hospital	1,006,291
9. M D Adnerson	940,834
10. Gerald D Hines	855,981
	<u>\$ 24,356,251</u>

Water and Sewer Rate Adjustments

In recent years, the water and sewer rates have been adjusted on the average as follows:

<u>Date of Change</u>	<u>Average Percent Rate</u>	
	<u>Water</u>	<u>Sewer</u>
July 1988	8.5%	7.6%
August 1989	6.0%	7.5%
July 1990	5.5%	7.5%
February 1992	2.0%	6.0%
March 1993	2.5%	4.0%
June 2004	9.2%	10.1%
April 2005	3.5%	3.5%
April 2006	3.6%	3.6%
April 2007	2.8%	2.8%
April 2008	1.8%	1.8%
April 2009	5.1%	5.1%

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

Capacity, Production, and Sales

The following schedule sets forth information concerning Water Facilities capacity, production and sales for Fiscal Year 2009 (million gallons per day):

	<u>Available</u>	<u>Capacity</u>	<u>Daily</u>	<u>Peak</u>	<u>Sales</u>
Ground	72.0	300.0	55.0	-	N/A
Surface	1,090.0	1,202.0	544.8	-	N/A
Total	<u>1,162.0</u>	<u>1,502.0</u>	<u>599.8</u>	<u>-</u>	<u>578.0</u>
Treated					340.0
Untreated					238.0
					<u>578.0</u>

Sources of System Revenues - General

As of June 30, 2009, the Water Facilities and the Sewer Facilities served approximately 434,673 and 417,945 active service connections, respectively. During Fiscal Year 2009 approximately 47.7% of System Gross Revenues were derived from the sale of water (89% from treated water and 11% from untreated water), approximately 43% from providing wastewater treatment services, 2.2% from interest income and the remaining 7% from various other sources. Of the treated water sales, 97.5% of revenues were from retail customers and 4.7% from bulk sales to other governmental entities.

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

Largest Treated Water Customers

The following schedule presents information concerning the ten largest treated water customers of the System for the twelve month period ended June 30, 2009. The total charges to such customers during such period represent approximately 3.7% of the System Gross Revenues and 7.8% of total water sales revenues for such period.

<u>Customers</u>	<u>Charges</u>
1. North Channel Water Authority	\$ 5,094,793
2. City of Pasadena	4,565,629
3. Anheuser Busch, Inc	3,061,682
4. Harris County	2,686,206
5. City of Pearland	2,575,735
6. Clear Lake City	2,250,316
7. Houston Independent School District	2,111,562
8. West Harris Co. Regional Water Authority.	1,601,712
9. City of Houston	1,585,738
10. Gulf Coast Water Authority (Galveston)*	1,547,591
	<u>\$ 27,080,964</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, 2009. The total of the contract payments by these ten customers during such period represents approximately 3.85% of the System Gross Revenues and 8.1% of total water sales revenues for such period.

<u>Customers</u>	<u>Charges</u>
1. Houston Area Water Corporation	\$ 5,772,297
2. Equistar Chemicals	4,839,186
3. Shell Oil	3,483,982
4. Battleground Water Company	2,790,496
5. Air Liquide America Corp.	2,500,425
6. Chevron Phillips Chemical Co,	2,182,679
7. Houston Refining, LP (Lyondell -Citgo)	2,072,773
8. Baytown Area Water Authority	1,902,250
9. Hoescht Celanese	1,199,264
10. Occidental Chemical Corporation	1,173,951
	<u>\$ 27,917,303</u>

COMBINED UTILITY SYSTEM STATISTICS
Debt Service Schedule
(unaudited)

The following schedule sets forth the principal and interest requirements on all outstanding bonds payable from revenue of the System for each of the City's fiscal years ending June 30, based on footnoted assumptions. The following schedule also does not include Discretionary Debt Service Payments or interest on Commercial Paper Notes issued a Third Lien Obligations under the Master Ordinance.

Fiscal Year Ending June 30	Payable From System Net Revenues			Total Debt Service ^{(1) (2)}	
	Total Payable From System Gross Revenues ⁽¹⁾	Previous Ordinance Bonds	First Lien Bonds ⁽²⁾		
2010	23,817,045	82,267,989	262,661,421	368,746,455	
2011	21,368,014	87,168,868	259,399,239	367,936,121	
2012	20,587,020	107,856,772	243,503,626	371,947,418	
2013	19,835,276	107,188,212	256,450,876	383,474,364	
2014	19,044,520	77,804,468	292,953,951	389,802,939	
2015	18,246,663	89,521,320	284,730,943	392,498,926	
2016	18,033,409	89,184,040	286,984,501	394,201,950	
2017	7,555,646	80,800,280	295,295,884	383,651,810	
2018	6,750,045	52,112,098	323,978,415	382,840,558	
2019	6,741,133	139,219,336	237,129,133	383,089,602	
2020	6,737,859	56,297,338	320,050,165	383,085,362	
2021	6,755,185	43,100,950	333,227,454	383,083,589	
2022	6,718,061	36,151,869	340,023,774	382,893,704	
2023	6,711,187	33,247,860	342,913,619	382,872,666	
2024	6,703,313	34,487,039	341,546,444	382,736,796	
2025	6,693,939	33,357,575	342,731,693	382,783,207	
2026	7,662,440	18,155,000	357,630,923	383,448,363	
2027	3,550,050	30,815,000	343,814,071	378,179,121	
2028	3,550,050	30,810,000	344,031,956	378,392,006	
2029	3,547,925	44,095,000	330,236,355	377,879,280	
2030	3,547,844		374,731,202	378,279,046	
2031	3,544,844		374,699,328	378,244,172	
2032	3,540,550		375,595,414	379,135,964	
2033	3,534,725		374,791,629	378,326,354	
2034	3,532,013		375,304,414	378,836,427	
2035	3,531,938		183,621,127	187,153,065	
2036			183,626,534	183,626,534	
2037			160,869,536	160,869,536	
2038			74,986,269	74,986,269	
2039			69,256,706	69,256,706	
Total	\$ 241,840,694	\$ 1,273,641,014	\$ 8,686,776,602	\$ 9,960,417,616	10,202,258,310

(1) Includes CWA Bonds.

(2) Debt service for the 2008D bonds is calculated using current market fixed rates and based on an assumed taxable rate with a maturity on the applicable tax-exempt conversion date. After the applicable Tax-Exempt Conversion Date, debt service is calculated using a long term tax-exempt rate to maturity. Debt service for the Series 2004B bonds and Series 2008A bonds is calculated at the respective fixed payor swap rates of 3.778% and 3.761%.

CITY OF HOUSTON
COMBINED UTILITY SYSTEM STATISTICS
Last Eight Fiscal Years
(amounts expressed in thousands)
(unaudited)

Revenues and Expenses of the Water and Sewer System

The following schedule sets forth the revenues and expenses (exclusive of certain non-cash transactions, primarily depreciation and amortization) of the "Water and Sewer System," as defined in the Coastal Water Authority Official Statements, for Fiscal Years ending June 30, 2003 through June 30, 2009.

	Fiscal Year Ending June 30,							
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
OPERATING REVENUES								
Sales of Water, net	\$ 271,553	\$ 267,125	\$ 265,272	\$ 301,227	\$ 324,878	\$ 308,046	\$ 332,032	\$ 351,608
Sewer system user charges, net	268,492	264,159	257,225	288,459	307,764	295,423	305,748	323,301
Penalties	4,440	4,036	4,150	4,605	5,085	6,736	7,759	6,651
Other services and charges	2,807	3,997	4,561	4,583	4,935	5,260	6,325	5,678
Total Operating Revenues	<u>547,292</u>	<u>539,317</u>	<u>531,208</u>	<u>598,874</u>	<u>642,662</u>	<u>615,465</u>	<u>651,864</u>	<u>687,238</u>
NON-OPERATING REVENUES	<u>61,105</u>	<u>30,585</u>	<u>93,089</u>	<u>19,771</u>	<u>26,557</u>	<u>54,572</u>	<u>37,779</u>	<u>36,405</u>
TOTAL GROSS REVENUES (A)	<u>608,397</u>	<u>569,902</u>	<u>624,297</u>	<u>618,645</u>	<u>669,219</u>	<u>670,037</u>	<u>689,643</u>	<u>723,643</u>
OPERATING EXPENSES								
Maintenance and Operating Expenses	<u>248,603</u>	<u>250,226</u>	<u>266,718</u>	<u>270,299</u>	<u>301,646</u>	<u>322,083</u>	<u>318,349</u>	<u>383,056</u>
Contractual Maintenance and Operating Expenses								
CWA Debt Service	29,067	28,878	28,980	29,192	29,871	30,653	30,545	28,103
TRA Debt Service	5,835	2,056	2,474	2,354	2,212	2,221	2,096	-
HAWC Debt Service	-	-	6,710	6,710	6,242	8,999	-	-
Total Contractual	<u>34,902</u>	<u>30,934</u>	<u>38,164</u>	<u>38,256</u>	<u>38,325</u>	<u>41,873</u>	<u>32,641</u>	<u>28,103</u>
TOTAL OPERATING EXPENSES (B)	<u>283,505</u>	<u>281,160</u>	<u>304,882</u>	<u>308,555</u>	<u>339,971</u>	<u>363,956</u>	<u>350,990</u>	<u>411,159</u>
NET REVENUES	<u>\$ 324,892</u>	<u>\$ 288,742</u>	<u>\$ 319,415</u>	<u>\$ 310,090</u>	<u>\$ 329,248</u>	<u>\$ 306,081</u>	<u>\$ 338,653</u>	<u>\$ 312,484</u>
GROSS REVENUES (A) DIVIDED BY TOTAL EXPENSES (B)								
	2.146	2.027	2.048	2.005	1.968	1.841	1.965	1.760

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	2000	2001	2002	2003	2004
Operating Revenues					
Landing area fees	\$ 40,930	\$ 48,298	\$ 50,826	\$ 51,162	\$ 57,011
Building and ground area fees	72,988	74,168	84,752	91,801	115,777
Parking, concession and other revenues	95,217	99,708	91,877	97,804	97,625
Total Operating Revenues	<u>209,135</u>	<u>222,174</u>	<u>227,455</u>	<u>240,767</u>	<u>270,413</u>
Nonoperating Revenues					
Interest income	25,027	66,846	37,629	30,278	5,967
Passenger facility charges	-	-	-	-	-
Other nonoperating revenues	188	828	942	681	203
Total Nonoperating Revenues	<u>25,215</u>	<u>67,674</u>	<u>38,571</u>	<u>30,959</u>	<u>6,170</u>
Total Revenues	<u>\$ 234,350</u>	<u>\$ 289,848</u>	<u>\$ 266,026</u>	<u>\$ 271,726</u>	<u>\$ 276,583</u>
Total Annual Expenses Last Ten Fiscal Years	2000	2001	2002	2003	2004
Operating Expenses					
Maintenance and operating	\$ 113,442	\$ 122,594	\$ 142,950	\$ 154,541	\$ 168,923
Depreciation	46,390	52,410	60,088	59,987	88,371
Total Operating Expenses	<u>159,832</u>	<u>175,004</u>	<u>203,038</u>	<u>214,528</u>	<u>257,294</u>
Nonoperating Expenses					
Interest expense and others	44,354	65,387	44,165	46,538	54,853
Total Nonoperating Expenses	<u>44,354</u>	<u>65,387</u>	<u>44,165</u>	<u>46,538</u>	<u>54,853</u>
Total Expenses	<u>\$ 204,186</u>	<u>\$ 240,391</u>	<u>\$ 247,203</u>	<u>\$ 261,066</u>	<u>\$ 312,147</u>

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 102,072	\$ 101,758	\$ 92,140	\$ 99,017	\$ 82,823
151,417	179,951	199,720	211,786	174,433
100,152	112,152	124,278	136,373	128,501
<u>353,641</u>	<u>393,861</u>	<u>416,138</u>	<u>447,176</u>	<u>385,757</u>
14,968	18,507	33,722	41,694	37,332
-	-	6,530	11,608	32,398
4,295	56	541	514	1,093
<u>19,263</u>	<u>18,563</u>	<u>40,793</u>	<u>53,816</u>	<u>70,823</u>
<u>\$ 372,904</u>	<u>\$ 412,424</u>	<u>\$ 456,931</u>	<u>\$ 500,992</u>	<u>\$ 456,580</u>

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 223,972	\$ 202,496	\$ 214,611	\$ 229,551	\$ 241,303
105,891	134,150	126,953	125,951	136,554
<u>329,863</u>	<u>336,646</u>	<u>341,564</u>	<u>355,502</u>	<u>377,857</u>
75,908	94,586	101,193	104,019	93,376
75,908	94,586	101,193	104,019	93,376
<u>\$ 405,771</u>	<u>\$ 431,232</u>	<u>\$ 442,757</u>	<u>\$ 459,521</u>	<u>\$ 471,233</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
2000	28,892	5.9%	9,053	2.9%	89	-11.0%
2001	30,105	4.2%	9,038	-0.2%	64	-28.1%
2002	28,168	-6.4%	8,192	-9.4%	68	6.3%
2003	27,931	-0.8%	7,796	-4.8%	81	19.1%
2004	29,473	5.5%	8,089	3.8%	80	-1.2%
2005	31,609	7.2%	8,247	2.0%	14	-82.5%
2006	34,103	7.9%	8,423	2.1%	-	-100.0%
2007	35,260	3.4%	8,642	2.6%	-	-
2008	35,201	-0.2%	9,097	5.3%	-	-
2009	31,995	-9.1%	8,286	-8.9%	-	-

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
38,034	5.2%	5,340	11.2%	43,374	5.9%
39,207	3.1%	5,811	8.8%	45,018	3.8%
36,428	-7.1%	5,556	-4.4%	41,984	-6.7%
35,808	-1.7%	5,526	-0.5%	41,334	-1.5%
37,642	5.1%	5,960	7.9%	43,602	5.5%
39,870	5.9%	6,818	14.4%	46,688	7.1%
42,526	6.7%	7,123	4.5%	49,649	6.3%
43,902	3.2%	7,555	6.1%	51,457	3.6%
44,298	0.9%	7,976	5.6%	52,274	1.6%
40,281	-9.1%	7,642	-4.2%	47,923	-8.3%

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
(unaudited)

Airline Market Shares

Domestic	Intercontinental				Hobby			
	Fiscal Year 2008		Fiscal Year 2009		Fiscal Year 2008		Fiscal Year 2009	
	Total Passengers (in thousands)	Market Share						
Air Tran	-	0.0%	-	0.0%	366,915	4.0%	341,408	4.1%
America West	57,210	0.1%	-	0.0%	-	0.0%	-	0.0%
American Airlines, Inc.	994,819	2.3%	837,903	2.1%	-	0.0%	-	0.0%
American Eagle - AA	-	0.0%	19,470	0.0%	191,167	2.1%	198,308	2.4%
ATA Airlines	-	0.0%	-	0.0%	445	0.0%	-	0.0%
Atlantic Southeast - DL	41,348	0.1%	15,509	0.0%	53,704	0.6%	24,475	0.3%
Charter Airlines	3,938	0.0%	8,655	0.0%	3,843	0.0%	4,728	0.1%
Chautauqua Airlines - CO	-	0.0%	1,440,873	3.7%	-	0.0%	-	0.0%
Chautauqua Airlines - DL	2,268,617	5.3%	7,595	0.0%	-	0.0%	-	0.0%
Colgan - Air Inc. - CO	643,964	1.3%	528,210	1.3%	-	0.0%	-	0.0%
Comair - DL	80,215	0.3%	85,899	0.2%	-	0.0%	2,809	0.0%
Compass Airlines - NW	28,860	0.1%	43,804	0.1%	-	0.0%	-	0.0%
Continental	22,024,869	51.0%	19,878,793	50.2%	-	0.0%	-	0.0%
Delta	317,654	0.7%	256,327	0.6%	59,166	0.7%	40,069	0.5%
Executives - AA	-	0.0%	-	0.0%	-	0.0%	35,560	0.4%
ExpressJet Airlines, Inc.	6,245,810	14.5%	6,258,498	15.9%	-	0.0%	-	0.0%
Freedom Airlines - DL	3,349	0.0%	11,365	0.0%	-	0.0%	-	0.0%
Frontier	183,898	0.4%	204,441	0.5%	-	0.0%	-	0.0%
JetBlue	-	0.0%	-	0.0%	167,605	1.8%	140,014	1.7%
Mesa Airlines, Inc. - UA	58,805	0.1%	37,737	0.1%	-	0.0%	-	0.0%
Mesa Airlines, Inc. - US	282,825	0.7%	149,331	0.4%	-	0.0%	-	0.0%
Mesaba Aviation, Inc. - NW	44,375	0.1%	209,092	0.5%	-	0.0%	-	0.0%
Northwest	461,797	1.1%	203,254	0.5%	-	0.0%	-	0.0%
Pinnacle Airlines, Inc. - DL	47,751	0.1%	41,251	0.1%	79,472	0.9%	128,905	1.6%
Pinnacle Airlines, Inc. - NW	35,239	0.1%	54,151	0.1%	-	0.0%	-	0.0%
Republic Airlines - US	168,307	0.4%	160,727	0.4%	-	0.0%	-	0.0%
Republic Airlines - Frontier	18,644	0.0%	-	0.0%	-	0.0%	-	0.0%
Shuttle America Corporation - DL	34,517	0.1%	20,081	0.1%	50,128	0.6%	48,180	0.6%
Shuttle America Corporation - UA	117,001	0.3%	88,012	0.2%	-	0.0%	-	0.0%
SkyWest Airlines - DL	176,186	0.4%	286,040	0.7%	54,690	0.6%	40,982	0.5%
SkyWest Airlines - UA	71,504	0.2%	70,375	0.2%	-	0.0%	-	0.0%
Southwest Airlines Company	-	0.0%	-	0.0%	8,070,262	88.7%	7,280,157	87.8%
United Air Lines Inc.	450,723	1.0%	530,174	1.4%	-	0.0%	-	0.0%
US Airways	338,390	0.8%	547,794	1.4%	-	0.0%	-	0.0%
Total Domestic	35,200,615	81.5%	31,995,361	80.7%	9,097,397	100.0%	8,285,595	100.0%
International	Fiscal Year 2008		Fiscal Year 2009		Fiscal Year 2008		Fiscal Year 2009	
	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share
AeroMexico	159,364	0.4%	114,883	0.3%				
Air Canada	74,496	0.2%	-	0.0%				
Air Canada Jazz	121,241	0.3%	172,349	0.4%				
Air France	244,877	0.6%	202,616	0.5%				
Aviaca	21,558	0.0%	-	0.0%				
British Airways	208,026	0.5%	208,497	0.5%				
Cayman Airways, LTD	2,149	0.0%	-	0.0%				
Charter Airlines	1,834	0.0%	876	0.0%				
China Airlines	28,473	0.1%	-	0.0%				
Continental	5,157,748	11.7%	5,040,542	12.6%				
Emirates	79,888	0.2%	147,654	0.4%				
ExpressJet Airlines, Inc.	1,365,774	3.2%	1,213,999	3.1%				
KLM	202,222	0.5%	183,641	0.5%				
Lufthansa	199,064	0.5%	178,574	0.5%				
Qatar Airways	-	0.0%	32,653	0.1%				
Singapore Airlines	15,126	0.0%	59,181	0.1%				
TACA	64,797	0.2%	59,849	0.2%				
World Airways	29,226	0.1%	27,024	0.1%				
Total International	7,975,863	18.5%	7,642,338	19.3%				
Total Airlines	43,176,478	100.0%	39,637,699	100.0%	9,097,397	100.0%	8,285,595	100.0%

Domestic only

Ellington Airport				Houston Airport System			
Fiscal Year 2008		Fiscal Year 2009		Fiscal Year 2008		Fiscal Year 2009	
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%	366,915	0.7%	341,408	0.7%
	0.0%		0.0%	57,210	0.1%	-	0.0%
	0.0%		0.0%	994,819	1.9%	837,903	1.7%
	0.0%		0.0%	191,167	0.4%	217,778	0.5%
	0.0%		0.0%	445	0.0%	-	0.0%
	0.0%		0.0%	95,052	0.2%	39,984	0.1%
	0.0%		0.0%	7,781	0.0%	13,383	0.0%
	0.0%		0.0%	-	0.0%	1,440,873	3.0%
	0.0%		0.0%	2,268,617	4.3%	7,595	0.0%
	0.0%		0.0%	643,964	1.2%	528,210	1.1%
	0.0%		0.0%	80,215	0.2%	88,708	0.2%
	0.0%		0.0%	28,860	0.1%	43,804	0.1%
	0.0%		0.0%	22,024,869	42.1%	19,878,793	41.6%
	0.0%		0.0%	376,820	0.7%	296,396	0.6%
	0.0%		0.0%	-	0.0%	35,560	0.1%
	0.0%		0.0%	6,245,810	11.9%	6,258,498	13.1%
	0.0%		0.0%	3,349	0.0%	11,365	0.0%
	0.0%		0.0%	183,898	0.4%	204,441	0.4%
	0.0%		0.0%	167,605	0.3%	140,014	0.3%
	0.0%		0.0%	58,805	0.1%	37,737	0.1%
	0.0%		0.0%	282,825	0.5%	149,331	0.3%
	0.0%		0.0%	44,375	0.1%	209,092	0.4%
	0.0%		0.0%	461,797	0.9%	203,254	0.4%
	0.0%		0.0%	127,223	0.2%	170,156	0.4%
	0.0%		0.0%	35,239	0.1%	54,151	0.1%
	0.0%		0.0%	168,307	0.3%	160,727	0.3%
	0.0%		0.0%	18,644	0.0%	-	0.0%
	0.0%		0.0%	84,645	0.2%	68,261	0.1%
	0.0%		0.0%	117,001	0.2%	88,012	0.2%
	0.0%		0.0%	230,876	0.4%	327,022	0.7%
	0.0%		0.0%	71,504	0.0%	70,375	0.1%
	0.0%		0.0%	8,070,262	15.4%	7,280,157	15.3%
	0.0%		0.0%	450,723	0.9%	530,174	1.1%
	0.0%		0.0%	338,390	0.6%	547,794	1.1%
<u>0</u>	<u>0.0%</u>	<u>0</u>	<u>0.0%</u>	<u>44,298,012</u>	<u>84.4%</u>	<u>40,280,956</u>	<u>84.1%</u>
Fiscal Year 2008		Fiscal Year 2009		Fiscal Year 2008		Fiscal Year 2009	
Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share
				159,364	0.3%	114,883	0.2%
				74,496	0.1%	-	0.0%
				121,241	0.2%	172,349	0.4%
				244,877	0.5%	202,616	0.4%
				21,558	0.2%	-	0.0%
				208,026	0.4%	208,497	0.4%
				2,149	0.0%	-	0.0%
				1,834	0.0%	876	0.0%
				28,473	0.1%	-	0.0%
				5,157,748	9.9%	5,040,542	10.5%
				79,888	0.2%	147,654	0.3%
				1,365,774	2.6%	1,213,999	2.5%
				202,222	0.4%	183,641	0.4%
				199,064	0.4%	178,574	0.4%
				-	0.0%	32,653	0.1%
				15,126	0.1%	59,181	0.1%
				64,797	0.1%	59,849	0.1%
				29,226	0.1%	27,024	0.1%
				<u>7,975,863</u>	<u>15.6%</u>	<u>7,642,338</u>	<u>15.9%</u>
<u>0</u>	<u>0.0%</u>	<u>0</u>	<u>0.0%</u>	<u>52,273,875</u>	<u>100.0%</u>	<u>47,923,294</u>	<u>100.0%</u>

Domestic only

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
Selected Financial Information
Operating Fund Only
For the year ended June 30, 2009
(amounts expressed in thousands)
(unaudited)

	2000	2001	2002	2003	2004
Operating Revenues					
Landing Area Fees:					
Landing Fees	\$ 39,116	\$ 46,735	\$ 49,424	\$ 49,211	\$ 53,906
Carrier Incentive Pr	-	-	-	-	-
Aviation Fuel	1,259	895	838	910	1,112
Aircraft Parking	555	668	564	1,041	1,993
Subtotal	<u>40,930</u>	<u>48,298</u>	<u>50,826</u>	<u>51,162</u>	<u>57,011</u>
Building and Ground Area Revenues:					
Building Space	-	-	-	-	-
Terminal Space	62,738	63,172	73,116	79,547	101,040
Cargo Building	2,077	1,923	1,863	1,638	982
Other Rental	2,036	2,078	2,262	2,192	3,065
Hangar Rental	1,251	1,605	1,902	2,499	2,499
Ground Rental	4,886	5,388	5,607	5,923	8,189
Concourse Security	-	2	2	2	2
Subtotal	<u>72,988</u>	<u>74,168</u>	<u>84,752</u>	<u>91,801</u>	<u>115,777</u>
Parking, Concession and other Revenues:					
Terminal Concessions	25,262	23,721	22,444	25,355	22,563
Auto Parking	46,662	51,285	46,955	50,103	51,437
Auto Rental	18,326	18,787	16,886	15,978	16,800
Ground Transportation	2,549	4,535	3,274	3,834	3,737
Special Events	-	-	-	-	-
Vending Machine	-	-	-	-	-
Other Operating Income	2,418	1,380	2,318	2,534	3,088
Subtotal	<u>95,217</u>	<u>99,708</u>	<u>91,877</u>	<u>97,804</u>	<u>97,625</u>
Total Operating Revenues	<u>\$ 209,135</u>	<u>\$ 222,174</u>	<u>\$ 227,455</u>	<u>\$ 240,767</u>	<u>\$ 270,413</u>
Nonoperating Revenues					
Interest on Investments	9,677	12,396	12,816	10,650	8,406
Other	99	680	4,520	504	114
Subtotal	<u>9,776</u>	<u>13,076</u>	<u>17,336</u>	<u>11,154</u>	<u>8,520</u>
Total Gross Revenues	<u>\$ 218,911</u>	<u>\$ 235,250</u>	<u>\$ 244,791</u>	<u>\$ 251,921</u>	<u>\$ 278,933</u>
Operation and Maintenance Expenses					
Personnel and Other Current Expenses	\$ 113,042	\$ 122,542	\$ 142,877	\$ 153,173	\$ 161,204
Bad Debt Expense	400	52	73	1,368	441
Total Operating and Maintenance Expenses	<u>\$ 113,442</u>	<u>\$ 122,594</u>	<u>\$ 142,950</u>	<u>\$ 154,541</u>	<u>\$ 161,645</u>
Net Revenue	<u>\$ 105,469</u>	<u>\$ 112,656</u>	<u>\$ 101,841</u>	<u>\$ 97,380</u>	<u>\$ 117,288</u>
Total Debt Service	\$ 38,455	\$ 50,027	\$ 51,611	\$ 63,988	\$ 75,797
Less: grant revenue available for debt service	<u>-</u>	<u>(2,798)</u>	<u>(37,153)</u>	<u>(30,282)</u>	<u>(32,823)</u>
Debt Service Requirement (per Bond Ordinance)	<u>\$ 38,455</u>	<u>\$ 47,229</u>	<u>\$ 14,458</u>	<u>\$ 33,706</u>	<u>\$ 42,974</u>
Coverage of debt Service	x <u>2.74</u>	x <u>2.39</u>	x <u>7.04</u>	x <u>2.89</u>	x <u>2.73</u>

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$	99,197	\$ 98,385	\$ 88,933	\$ 95,730	\$ 81,596
	-	-	-	-	(1,177)
	1,400	1,559	1,540	1,522	1,313
	1,475	1,814	1,667	1,765	1,091
	<u>102,072</u>	<u>101,758</u>	<u>92,140</u>	<u>99,017</u>	<u>82,823</u>
	-	3,741	5,037	5,054	5,017
	136,074	162,491	182,113	193,375	155,396
	893	1,553	2,011	2,469	2,374
	3,354	60	-	-	-
	2,077	2,349	3,394	3,473	4,051
	9,018	9,757	7,165	7,415	7,595
	1	-	-	-	-
	<u>151,417</u>	<u>179,951</u>	<u>199,720</u>	<u>211,786</u>	<u>174,433</u>
	19,823	21,030	26,953	29,435	27,003
	55,444	62,377	65,453	72,958	66,565
	18,065	21,438	22,950	24,529	24,389
	3,954	3,999	4,617	4,806	4,724
	-	20	21	19	20
	-	20	-	-	-
	2,866	3,268	4,284	4,626	5,800
	<u>100,152</u>	<u>112,152</u>	<u>124,278</u>	<u>136,373</u>	<u>128,501</u>
\$	<u>353,641</u>	<u>393,861</u>	<u>416,138</u>	<u>447,176</u>	<u>385,757</u>
	10,498	17,742	26,847	30,064	23,664
	4,175	(58)	483	182	1,522
	<u>14,673</u>	<u>17,684</u>	<u>27,330</u>	<u>30,246</u>	<u>25,186</u>
\$	<u>368,314</u>	<u>411,545</u>	<u>443,468</u>	<u>477,422</u>	<u>410,943</u>
\$	191,093	\$ 205,565	\$ 217,720	\$ 221,309	\$ 233,158
	-	-	-	-	-
\$	<u>191,093</u>	<u>205,565</u>	<u>217,720</u>	<u>221,309</u>	<u>233,158</u>
\$	<u>177,221</u>	<u>205,980</u>	<u>225,748</u>	<u>256,113</u>	<u>177,785</u>
\$	112,248	\$ 140,513	\$ 144,495	\$ 157,619	\$ 150,741
	(25,506)	(46,621)	(20,679)	(28,022)	(51,739)
\$	<u>86,742</u>	<u>93,892</u>	<u>123,816</u>	<u>129,597</u>	<u>99,002</u>
x	<u>2.04</u>	x <u>2.19</u>	x <u>1.82</u>	x <u>1.98</u>	x <u>1.80</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
2000	827	31	3.89%	31,495	1,376	4.57%
2001	823	(4)	-0.48%	32,083	588	1.87%
2002	790	(33)	-4.01%	30,496	(1,587)	-4.95%
2003	811	21	2.66%	30,802	306	1.00%
2004	856	45	5.55%	31,444	642	2.08%
2005	887	31	3.62%	32,543	1,099	3.50%
2006	933	46	5.19%	32,808	265	0.81%
2007	983	50	5.36%	33,930	1,122	3.42%
2008	974	(9)	-0.92%	34,097	167	0.49%
2009	892	(82)	-8.42%	31,907	(2,190)	-6.42%

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
System Debt Service Schedule
(unaudited)

The following table sets forth the Debt Service Requirements on all Airport Revenue Bonds Outstanding as of June 30, 2009, assuming scheduled mandatory redemption of any term bonds and using rates in effect at year-end for auction rate securities and variable rate demand obligations. The amounts do not include the Airport System's Senior Lien Commercial Paper Notes.

Fiscal Year (ending June 30)	Subordinate Lien Bonds Debt Service		Total
	Principal	Interest	
2010	40,840,000	88,097,687	128,937,687
2011	51,885,000	86,007,577	137,892,577
2012	52,285,000	83,738,238	136,023,238
2013	51,240,000	81,366,458	132,606,458
2014	59,015,000	78,919,190	137,934,190
2015	59,265,000	76,297,083	135,562,083
2016	61,180,000	73,537,782	134,717,782
2017	67,055,000	70,590,233	137,645,233
2018	70,070,000	67,524,859	137,594,859
2019	70,150,000	64,310,217	134,460,217
2020	79,645,000	60,992,983	140,637,983
2021	72,195,000	57,500,660	129,695,660
2022	91,785,000	53,842,231	145,627,231
2023	92,350,000	49,974,027	142,324,027
2024	90,985,000	45,922,172	136,907,172
2025	103,765,000	41,629,031	145,394,031
2026	104,265,000	37,151,815	141,416,815
2027	97,545,000	32,844,921	130,389,921
2028	126,935,000	28,780,479	155,715,479
2029	120,595,000	24,476,001	145,071,001
2030	123,795,000	20,028,308	143,823,308
2031	123,820,000	15,418,633	139,238,633
2032	130,220,000	9,919,129	140,139,129
2033	142,370,000	3,309,926	145,679,926
Total	\$ 2,083,255,000	\$ 1,252,179,640	\$ 3,335,434,640

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
	2008	2009	2008	2009
Landing Rates (1)	\$2.928	\$2.948	\$2.255	\$2.186
Terminal Space Rentals (2)	\$27.52 - \$112.85	\$27.06 - \$73.04	\$86.07 - \$91.45	\$94.18 - \$94.36
Apron (2)	\$2.443 - \$2.889	\$2.265 - \$2.865	\$2.288	\$2.202
Parking Rates (maximum per day)				
Economy	\$6.00	\$6.00	\$6.00	\$6.00
Structured	\$15.00	\$15.00	\$15.00	\$15.00
Sure Park	\$15.00	\$15.00	--	--

(1) Per 1,000 pounds for landing weight

(2) Range per square foot

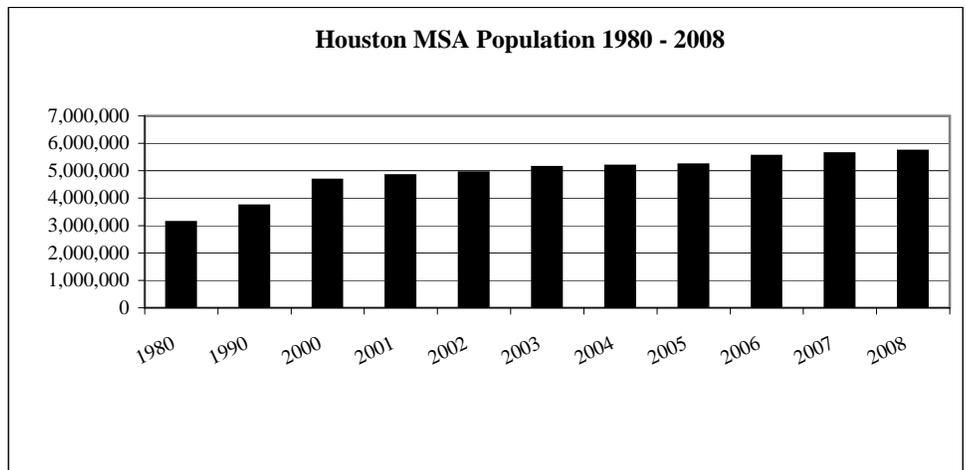
CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
Service Area
(unaudited)

The airport service region for the Houston Airport System consists of (1) the ten county Houston-Sugar Land-Baytown Metropolitan Statistical Area (Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto and Waller counties) -- referred to as the Houston MSA, and (2) a large secondary area surrounding the Houston MSA. The limits of this secondary area are generally defined by the range and quality of airline service at other air carrier airports, including Beaumont Jefferson County Airport to the east, Dallas/Fort Worth International Airport and Dallas Love Field to the north, Corpus Christi International Airport to the southwest and Austin-Bergstrom International Airport and San Antonio International Airport to the west.

Houston, the nation's fourth most populous city, is the largest in the South and Southwest. The Houston MSA ranks sixth in population among the nation's metropolitan areas.

Service Area Population

<u>Year</u>	<u>Houston MSA Population</u>
1980	3,118,080
1990	3,731,131
2000	4,669,571
2001	4,825,964
2002	4,938,556
2003	5,130,500
2004	5,180,000
2005	5,228,844
2006	5,539,949
2007	5,628,101
2008	5,728,143



Source: Greater Houston Partnership

CITY OF HOUSTON, TEXAS
SURETY BOND AND INSURANCE COVERAGE
June 30, 2009
(amounts expressed in thousands)
(unaudited)

Policy Number	Insurer	Term of Policy
15663960	Western Surety Company	1-2-2008/1-2-2010
15663962	Western Surety Company	1-2-2008/1-2-2010
61BSBDV0123	Hartford Casualty Insurance Company	12-15-2008/12-15-2009
61BSBDS7533	Hartford Casualty Insurance Company	10-15-2008/10-15-2009
61BSBEJ9796	Hartford Casualty Insurance Company	1-30-2009/1-30-2010
61BSBEW1429	Hartford Casualty Insurance Company	11-30-2008/11-30-2009
61BSDT7808	Hartford Casualty Insurance Company	12-9-2008/12-9-2009
IHD 8464461-00	Hanover Insurance Company	10-20-2008/10-20-2009
6610	Texas Municipal League	5-15-2009/5-15-2010
D37362797001	Westchester Fire Insurance Co. (Primary)	4-1-2009/4-1-2010
8706549	Lexington Insurance Company	4-1-2009/4-1-2010
PU000601Y	Underwriters at Lloyds	4-1-2009/4-1-2010
EAF70044609	Axis Surplus	4-1-2009/4-1-2010
ESP003234600	Arch Specialty Insurance Company	4-1-2009/4-1-2010
8706550	Lexington Insurance Company	4-1-2009/4-1-2010
NHD361500	RSUI Indemnity Insurance Company	4-1-2009/4-1-2010
PU000603Y	Underwriters at Lloyds	4-1-2009/4-1-2010
ESP6390	Essex Insurance	4-1-2009/4-1-2010
ESP002119702	Arch Specialty Insurance Company	4-1-2009/4-1-2010
8706550	Lexington Insurance Company	4-1-2009/4-1-2010
NHD361500	RSUI Indemnity Insurance Company	4-1-2009/4-1-2010
PU000604Y	Underwriters at Lloyds	4-1-2009/4-1-2010
PX09DD17723X	Underwriters at Lloyds 1414	4-1-2009/4-1-2010
PU000606Y	Swiss Re International SE	4-1-2009/4-1-2010
PU000605Y	Great Lakes RE (UK)	4-1-2009/4-1-2010
NHD361501	RSUI Indemnity Insurance Company	4-1-2009/4-1-2010
PU00607Y	Ironshore Insurance Ltd.	4-1-2009/4-1-2010
PXA574D09	Aspen Insurance UK Limited	4-1-2009/4-1-2010
RMP2082516710	Continental Casualty Insurance Company	4-1-2009/4-1-2010
9407170	Lexington Insurance Company	4-1-2009/4-1-2010
R2098166654	C N A Insurance Company	2-18-2009/2-18-2010
IHD0343965-01	Hanover Insurance Company	6-26-2009/6-26-2010
IHD0343965-01	Hanover Insurance Company	6-26-2009/6-26-2010
IHD0343965-01	Hanover Insurance Company	6-26-2009/6-26-2010
6218	Texas Municipal League	8-16-2008/8-16-2009
6218	Texas Municipal League	8-16-2008/8-16-2009
742 17 33	American International Group (AIG)	5-29-2007/5-29-2010
61BPEAM5075	Hartford Casualty Insurance Company	10-29-2008/10-29-2009
61BPEAI9468	Hartford Casualty Insurance Company	2-11-2009/2-11-2010
61BPEC12302	Hartford Insurance	7-1-2008/7-1-2009
Various	Western Surety Company	Four year term per bond
GLP0000558506105	Great American Assurance Company	6-19-2009/7-10-2009
L007214	Lloyd's of London Syndicate	6-18-2009/7-5-2009
6208067	Illinois National Insurance Company	7-1-2008/7-1-2009

Property at Risk	Type of Coverage	Amount of Coverage (in thousands)
Mayor	Public Official Bond	\$ 50
City Controller	Public Official Bond	\$ 50
City Treasurer	Public Official Bond	\$ 25
Deputy Controller	Public Official Bond	\$ 25
Municipal Courts	Public Official Bond	\$ 25
Tax Collector	Public Official Bond	\$ 25
HMEPS (Pension) Treasurer	Public Official Bond	\$ 250
Houston Area Library Automated Network (HALAN)	Electronic Equipment	\$ 1,355
City of Houston	Automobile Catastrophe	\$ 1,554
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 20,000
City of Houston	Property Insurance *	\$ 8,250
City of Houston	Property Insurance *	\$ 6,335
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 6,665
City of Houston	Property Insurance *	\$ 1,250
City of Houston	Property Insurance *	\$ 24,170
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 13,330
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 8,500
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 7,500
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 10,000
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	Library - Business, Electronic Equip.	\$ 1,228
City of Houston	Library - Valuable Papers	\$ 4,047
City of Houston	Library - Fine Art	\$ 4,936
Houston Housing Finance Corporation, Urban Dwellings	Broad Form Property Insurance	\$ 158
Houston Housing Finance Corporation, Urban Dwellings	Commercial General Liability	\$ 5,000
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	\$ 887
Houston Area Water Corporation (HAWC)	Directors and Officers Liability	\$ 10,000

* The property insurance is provided by insurance carriers that underwrite varying pro-rata shares of coverage that total to the policy loss limit.

CITY OF HOUSTON, TEXAS
SALARIES OF ELECTED OFFICIALS
June 30, 2009
(unaudited)

<u>Name and Title of Official</u>	<u>Authorized Annual Base Salary</u>
Bill H. White, Mayor	* \$ 159,444
Annise D. Parker, City Controller	139,426
Antoinette Lawrence, Council member - District A	55,770
Jarvis Johnson, Council member - District B	55,770
Anne U. Clutterbuck, Council member - District C	55,770
Wanda E. Adams, Council member - District D	55,770
Michael S. Sullivan, Council member - District E	55,770
Masrur J. Khan, Council member - District F	55,770
Pamela Holm, Council member - District G	55,770
Adrian Garcia, Council member - District H	55,770
James G. Rodriguez, Council member - District I	55,770
Peter H. Brown, Council member - At Large Position #1	55,770
Susan E. Lovell, Council member - At Large Position #2	55,770
Melissa Noriega, Council member - At Large Position #3	55,770
Ronald C. Green, Council member - At Large Position #4	* 55,640
Jolanda F. Jones, Council member - At Large Position #5	55,770

* These individuals opted to receive a lesser amount than was available under state law.

CITY OF HOUSTON, TEXAS
Schedule of Credits
(unaudited)

Comprehensive Annual Financial Report:

Executive/Administrative Divisions

Annise D. Parker, City Controller

Staff:

Madeleine Appel, Director of Administration
Andrea Campos, Administrative Specialist
Janice Evans, Director of Communications/
Governmental Relations

Design Oversight and Writing

Financial Reporting Division

Rudy Garcia, Deputy City Controller

Staff:

Michael Abbott, Assistant City Controller
Jacqueline Brown, Administrative Specialist
Alicia Cai, Assistant City Controller
Wesley Dormer, Assistant City Controller
Rosa Henderson, Assistant City Controller
Larry Liu, Assistant City Controller
Carl Medley, Deputy Director - Controllers
Chris Okeagu, Assistant City Controller
Beverly Riggans, Assistant City Controller
Irma Rodriguez, Assistant City Controller
Suong Vu, Assistant City Controller
Dinah Walter, Assistant City Controller
Bonita Wright, Assistant City Controller

Preparation and Coordination

Operations and Technical Service Division

Lloyd Waguespack, Deputy Chief Controller

Staff:

Brenda Jackson, System Support Analyst
Brenda Johnson, Administrative Coordinator
Ella Mamou, Records Supervisor
Annie Nguyen, Administrative Supervisor
Courtney Satterwhite, Assistant City Controller
Daniel Schein, System Support Analyst
Harry Singh, Deputy Director
Lillie Stewart, Administrative Supervisor

Consulting and General Support

Treasury Division

James Moncur, Deputy City Controller

Staff:

Han Au, Financial Analyst
Sue Bailey, Treasury Manager
Shawnell Holman-Smith, Debt Manager
Lillie Nobles, Administrative Specialist
Marvin Ramirez, Financial Analyst
Catherine Smith, Financial Analyst

Debt and Management Disclosures

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

Finance Department

Michelle Mitchell, Director

Staff:

Greg Carrington, Division Manager
Harold Jackson, Division Manager
Ronald Kissner, Deputy Assistant Director
Jim Locke, Assistant Director
Jon Reistoffer, Division Manager
Douglas Seckel, Deputy Director
Sylvia Shaw, Division Manager
Shreng Ung, Financial Analyst
Nancy Wong, Financial Analyst

Preparation, Coordination, Analysis and Documentation

Administration & Regulatory Affairs Department

Alfred Moran, Director

Staff:

Florencio Briones, Management Analyst
Belinda Crawford, Accountant Associate
Aileen Ding, Financial Analyst
Hannah Hoang, Accountant Associate
Juan Olguin, Deputy Assistant Director
William Stanley, Division Manager
Kathy Vaughn, Payroll Supervisor

Analysis and Supporting Documentation

Information Technology Department

Richard Lewis, Director

Staff:

Steve Ashley, Systems Consultant
Kim Avers, Systems Accountant
Mary Ann Grant, Deputy Director
Ron Headley, Division Manager
Earl Lambert, Citywide Chief Technology Officer
Christine Pham, Systems Consultant
David Tanner, Systems Accountant
Melanie West, ERP Business Systems Consultant

SAP/ ERP Consulting, Support & Development

Professional Consultants

Houston Independent School District Printing Services

Connie Cole, Graphic Designer
Charlie Holden, Business Supervisor
Michael McClay, Senior Graphic Designer
Debbie Roberts, Customer Service Coordinator

Project Management and Design

Deloitte & Touche LLP

Independent Auditors

Photos Courtesy of:

Port of Houston Authority

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.