

OFFICE OF THE CITY CONTROLLER 105 YEARS OF HOUSTON HISTORY



CITY OF HOUSTON, TEXAS

Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008

Prepared by:
Annise D. Parker, City Controller
Rudy Garcia, Deputy City Controller, Financial Reporting

CITY OF HOUSTON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2008

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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 billion. The City's General Investment Pool consistently receives the highest rating available from Standard and Poor's. The 'AAAf' Credit Quality Rating reflects the fund's strong protection against losses from credit defaults. The pool is invested in diversified portfolio of U.S. Treasury Obligations, highly-rated commercial paper, collateralized certificates of deposit, rated money-market funds, U.S. agencies notes and mortgage backed securities and municipal securities.

In addition to managing the City's investments, the Treasury Division is also responsible for overseeing a debt program that exceeds \$12 billion. Currently, the City has seven active commercial paper programs totaling \$1.0 billion, four auction-rate security issues, four variable rate demand obligation programs, three interest rate swaps totaling \$1.1 billion and \$2.4 billion in standby credit agreements.

The Standard and Poor's rating agency recently reaffirmed the City's AA credit rating on its general obligation bonds secured by the City's property taxes. That rating has been upgraded twice over the last four and a half years. Likewise, Moody's Investor's Service affirmed its AA rating and positive outlook for the city's general obligation bonds. Moody's cites several factors as contributing to our fiscal strength: a large and steadily increasing tax base, spurred by a vibrant energy sector and construction activity; increasing operating reserves and an above average, but manageable, debt burden.

The demand from City Council and the public for audits of City departments, agencies and programs continues to increase. To meet this demand the Controller's Office Audit Division staff increased by three experienced auditors in Fiscal Year 2008. Plans are to hire three more staff in Fiscal Year 2009. A total of 16 audits and projects were completed in Fiscal Year 2008. In September 2008, the Controller's Office released the results of a performance review of TASER use at the Houston Police Department. The audit, which garnered national attention, showed that African-American suspects were more likely to be involved in a TASER incident with Houston police officers than Latinos, Anglos and other ethnic groups. In addition, the audit found racial patterns in the use of TASERs by HPD officers.

In Fiscal Year 2008 the Operations Division of the Controller's Office completed implementation of a paperless payroll system that is saving the City up to a million dollars annually in personnel, printing and paper costs. A goal for Fiscal Year 2009 is to expand the paperless system to include approval of invoices and direct deposit payments to City vendors.

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.

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.

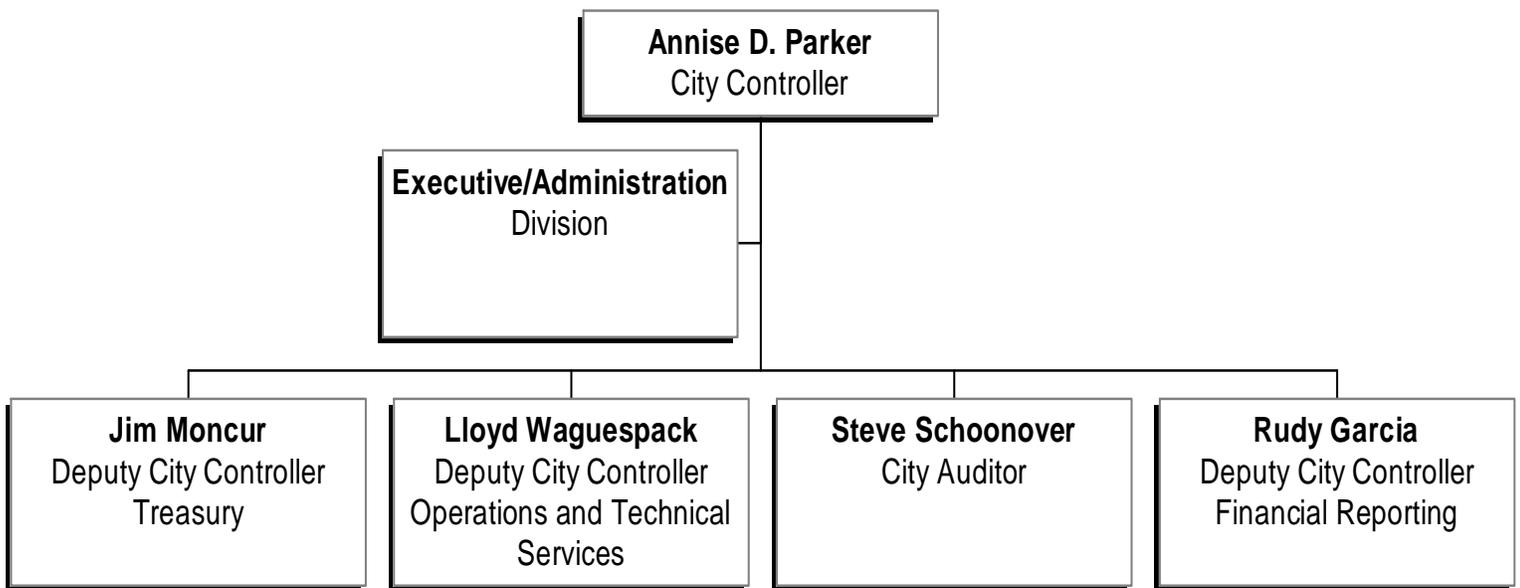
In 2001, Ms. Parker was selected as "Council Member of the Year" by the Houston Police Officers Union. In 2002, she received the "Distinguished Local Elected Official Award" from the Texas Recreation and Park Society. She previously received the "Good Brick Award" from the Greater Houston Preservation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

Adrian Garcia, **Mayor Pro Tem, District H**

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**

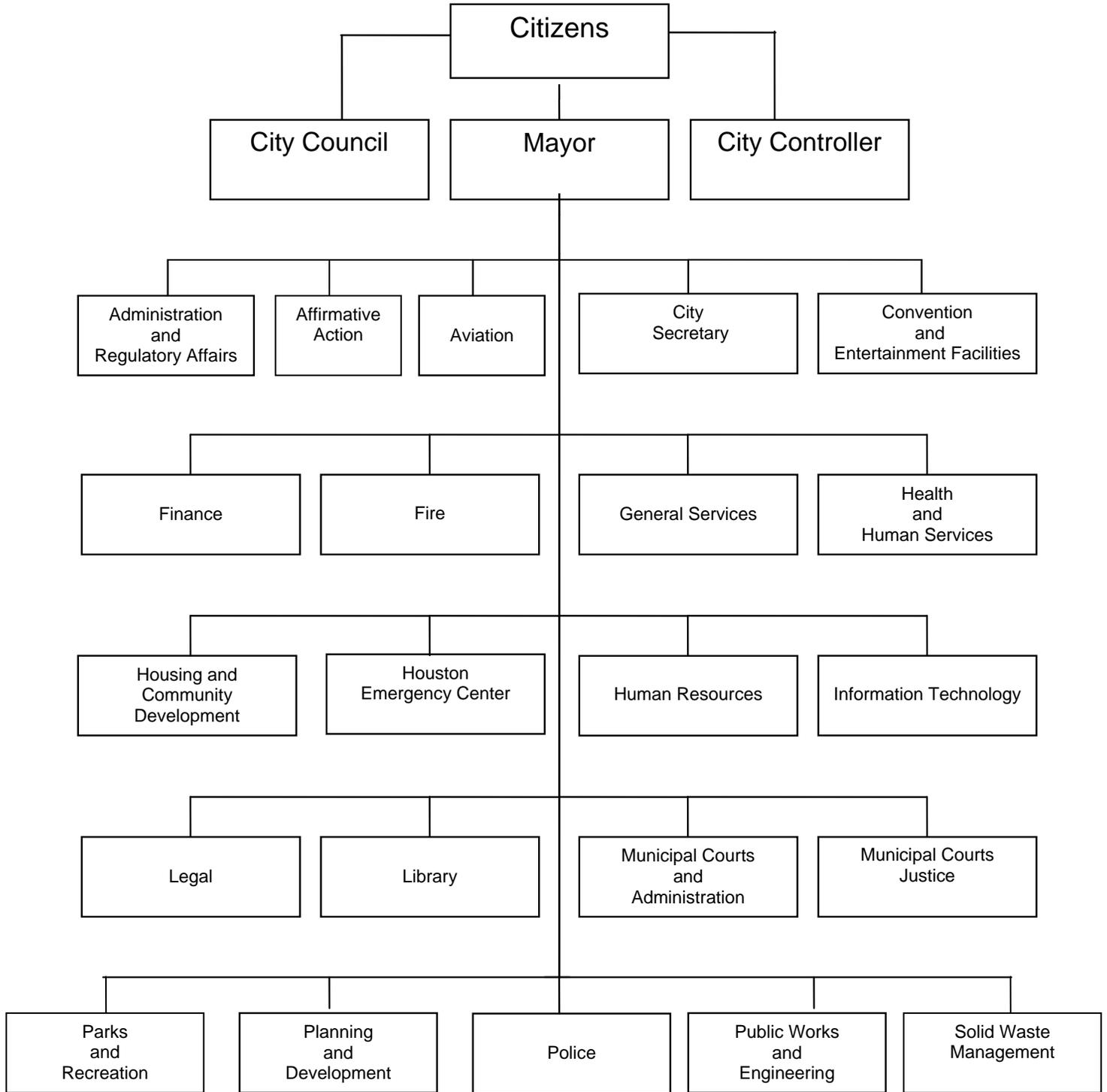
Toni Lawrence, **District A** Jarvis Johnson, **District B** Anne Clutterbuck, **District C**

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

Pam Holm, **District G** James Rodriguez, **District I**



Organization Chart City Government



CITY OF HOUSTON, TEXAS





OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

ANNISE D. PARKER

December 19, 2008

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

I am pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the City of Houston, Texas (City) for the year ended June 30, 2008, including the independent auditor's report prepared by Deloitte & Touche LLP. The CAFR was prepared by the City Controller's Office and satisfies my responsibilities under the City Charter and State law. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects and is organized in a manner which fairly sets forth the financial position and results of operations of the City as measured by the financial activity of its various funds.

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

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

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

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

The Reporting Entity and Its Services

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

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

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

History and Population

Houston was founded in August of 1836 by New York real estate brokers John Kirby Allen and Augustus Chapman Allen. The Allen brothers paid \$9,428 for 6,642 acres of land along the banks of Buffalo Bayou. Houston was incorporated on June 5, 1837. The City was named after General Sam Houston who had commanded at the Battle of San Jacinto just 25 miles east of where the City was established. 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. By the mid-Twentieth Century, the Texas Medical Center, the world's largest concentration of healthcare and medical research institutions, and NASA's Johnson Space Center were beginning to have big impacts on the local economy.

Today, Houston is the largest city in the state of Texas and the fourth largest city in the United States. According to the 2007 U.S. Census estimate it has a population of about 2.21 million and covers about 600 square miles. It is the seat of government of Harris County and part of a growing metropolitan area that encompasses six counties and is home to 5.5 million residents. Currently, no single ethnic group comprises a majority of the population.

Budgetary Information

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

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

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

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

The Local Economy

Houston remains the world energy capital and energy drives the local economy. As such, the City has prospered from the skyrocketing oil prices of the last couple of years. Likewise, it is expected to feel some impact from the decline in oil prices that began in the second half of 2008. However, the Houston economy of today is no longer totally dependent on the energy sector. Shipping, aeronautics, health services, engineering, biomedical research and manufacturing also make strong contributions and help to minimize the impact of volatility in oil prices.

Although there are signs of weakening, Houston's economy is doing better than other cities. The rate of job growth has slowed from 3.8 percent in early 2008 to 2 percent in October 2008. Still, this is much better than the nation as a whole, which has posted monthly declines in job growth all year. Noted University of Houston economist Barton Smith predicts more job losses in 2009, but says the total will depend on how much Houston is impacted by the national recession. The local unemployment rate for October 2008 was 5.4 percent, compared to 5.1 percent in September and 4 percent a year ago.

According to the Houston Association of Realtors, Houston area home prices dipped 2.7 percent in October 2008, but year-to-date prices are up over 2007. On the other hand, home sales have dropped 14 months in a row and third quarter new housing starts are down 29 percent from the same period in 2007. In its October 2008 Economic Update for Houston, the Federal Reserve Bank of Dallas reports that existing home sales are down about 30 percent for the year. New home sales are off by 50 percent. The declines are attributed to a combination of factors that include Hurricane Ike and the ongoing national credit crunch.

Houston retail and auto sales are down about 21 percent from 2007. Retail sales taxes, which account for about 29 percent of the City's budget, are trending downward, but have not turned negative. The City's largest revenue source is property taxes, which are based on property values. Area property values are holding steady for now. However, this indicator tends to lag the rest of the economy and therefore any impact may not be felt for a year or two.

Joining the oil industry in having a major impact on the Houston economy is the Port of Houston (Port) 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 and second in the U.S. in total tonnage. More than 200 million tons of cargo moved through the Port of Houston in 2006. A total of 7,550 vessel calls were recorded at the Port of Houston during the year 2006. 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 Port's new Bayport Container and Cruise Terminal, the most technologically advanced container terminal on the gulf coast, opened in January 2007

The Houston Airport System (HAS), consisting of George Bush Intercontinental Airport, Hobby Airport and Ellington Field, is the fourth largest airport system in the country and the sixth largest in the world. The three airports served nearly 52 million passengers in 2007. Bush Intercontinental Airport is considered a prime gateway to Latin America and offers service to more Mexican destinations than any other U.S. airport. 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 45 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.

Johnson Space Center (JSC) in Houston is responsible for training astronauts from the U.S. and our 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 onboard 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.

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

Revitalization of downtown Houston continues. The newest addition, Discovery Green Park, a 12 acre park located across from the George R. Brown Convention Center, opened in April 2008. The park features an interactive fountain, a pond, green spaces, a jogging trail, a playground, two restaurants, an amphitheater and picnic areas. In addition, four city blocks are being transformed into the Houston Pavilions, a \$170 million premiere entertainment, retail and urban office hub.

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

Financial Policies and Planning

The City has had formal financial and budgetary procedures in place since 1987. They require, among other things, 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 with 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. The 2009-2013 CIP calls for the appropriation of \$4.41 billion over the five-year period for both enterprise and property tax supported projects. About \$2.66 billion of this total will be paid for with income generated by the self-

supporting enterprise funds. The rest will be funded with tax-supported public improvement bonds approved by Houston voters.

The City's financial policies further require that any capital projects or equipment purchases funded through the issuance of bonds or other obligations will be financed for a period not to exceed the expected life of the project or equipment. Annual contributions for debt service from the General Fund are limited to 20 percent of total General Fund revenues, excluding state and federal grants. In addition, Texas law mandates that the City's total tax supported indebtedness shall not exceed 10 percent of the total assessed valuation of property in the City. As of October 31, 2008, the City's outstanding debt payable from taxes and other revenue sources totaled \$12.1 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 \$2.1 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. Houston Mayor Bill White and I have agreed on a three point plan that will allow the City to maintain this strong financial position throughout the ongoing financial turmoil on Wall Street and the nationwide recession.

The basics of the plan are as follows:

- Identify and use internal fund balances to finance short-term debt needs when possible.
- Issue a smaller amount of long-term debt than originally planned and explore alternative financing methods, including commercial banks, to finance the balance.
- Defer some capital spending to avoid the issuance of expensive short-term debt. Projects already initiated will not be cancelled. Instead, we will slow down the rate of capital spending.

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

City Charter Limitations

Litigation regarding revenue restrictions appears to have been resolved in favor of the City. The long-term court fight was initiated by supporters of a 2004 ballot initiative placing limits on revenue growth within the City's General Fund. The group sued to force the City to implement their restrictions. As of this writing, they have all but exhausted their legal avenues, leaving another less restrictive voter approved initiative as the only restriction on City revenues. 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 September 2008, the unfunded liability for these three pensions totals \$2.01 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 affect. However, Wall Street's difficulties could have major impacts on the investments of the three pension systems, causing a corresponding increase in the unfunded liability. An actuarial report is anticipated in early 2009.

Retiree benefits

The City also provides certain health care benefits for its retired employees, their spouses and survivors. Beginning with the Fiscal Year 2008 CAFR, the City is required by the Government Accounting Standards Board Statement No. 45 (GASB 45) to report an actuarially determined cost of post-employment benefits, other than pensions, such as health and life insurance for current and future retirees. As of September 30, 2008 the City's total actuarial accrued liability for retiree health care benefits was approximately \$3.2 billion. It is the City's practice to fund the cost of OPEBs on an annual pay-as-you-go basis and account for OPEB costs as a current operating expense in the fiscal year in which the OPEB cost is paid.

Hurricane Ike

In September 2008 Houston was hit by Hurricane Ike, a category 2 storm with winds of 110 miles per hour. Windows were blown out of many downtown skyscrapers; even Reliant Stadium, the home of the Houston Texans NFL Team, was damaged. Nearly all of the greater Houston area was knocked off the power grid by Ike. Many residents were without power for 20 days. There was some minor flooding, but most of the damage was limited to downed trees and limbs. The City has spent about \$156 million on debris removal, employee overtime in the days following the storm and repairs to various City-owned facilities and equipment. The City expects reimbursement from FEMA for the majority of these expenses.

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, 2007. This was the 11th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

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

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

Finally, I want to thank Houston's institutions of higher education that are featured in the photos used in the design of this year's report. The colleges and universities featured here represent just a fraction of the 100 plus higher education options in the Houston area. In the 2006-2007 academic year, these schools granted 33,862 associate degrees, one year and two year certificates, and 34,007 bachelor's degrees, master's degrees, doctoral and professional degrees, according to the Greater Houston Partnership.

Request for Information

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



Annise D. Parker
City Controller

Sources:

City of Houston FY 08 Operating Budget
City of Houston 2009-2014 Capital Improvement Plan
City of Houston General Fund Five-Year Planning Scenario
Federal Reserve Bank of Dallas, Houston Economic Update, October 2008
Greater Houston Convention and Visitors Bureau
Greater Houston Partnership
Houston Airport System
Houston Association of Realtors
Houston Chronicle
Nasa.gov
Port Authority of Houston
Texas Medical Center
Texas Workforce Commission
U.S. Census Bureau
U.S. Department of Labor, Bureau of Labor Statistics

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Houston
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. R. M.", positioned above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emmer", positioned above the title "Executive Director".

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, 2008, 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.

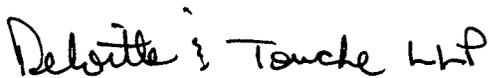
In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units,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

Houston, Texas, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the City implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which requires the measurement, recognition, and display of other postemployment benefits for the year ended June 30, 2008.

The Management's Discussion and Analysis (pages 3 through 13), Schedule of Budgeted and Actual Revenues and Expenditures of the General Operating Fund (pages 117-121), Pension System Supplementary Information (page 123) and Other Post Employment Benefits Supplementary Information (page 124) 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.



December 19, 2008

City of Houston, Texas
Management's Discussion and Analysis
June 30, 2008
(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, 2008. Please read this information in conjunction with the basic financial statements that follow this section. The discussion and analysis includes comparative data for 2007. 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, 2008 include:

- The assets of the City of Houston exceeded its liabilities at the close of the most recent fiscal year by \$3.891 billion.
- The City's total net assets decreased during the year by \$282 million.
- Unrestricted assets are a deficit of \$1.163 billion.
- The City of Houston's total expenses were \$3.923 billion.
- Program revenues of \$1.795 billion reduced the net cost of the City's functions to be financed from the City's general revenues to \$2.128 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 (see pgs. 18-19) displays a reconciliation to facilitate this comparison between governmental funds. The reconciliation between the governmental fund statement of revenues, expenditures, and changes in fund balances and governmental activities is provided on a separate schedule (see page 22).

The City of Houston maintains nine individual governmental funds for financial reporting purposes. Information is presented separately in the governmental fund balance sheet (see page 18) and in the governmental fund statement of revenues, expenditures, and changes in fund balances (see page 20) for the general fund, the debt service fund, the capital projects fund and the grants fund, all of which are considered to be major funds. Data from the other funds is combined in the column labeled "Nonmajor Governmental Funds" on both of these statements (see also the separate tab labeled "Governmental Funds" for more information on these funds).

Proprietary funds. The City of Houston maintains two different types of proprietary funds (see statements beginning on page 24): Enterprise funds (see also separate tab of same name) and internal service funds (see also separate tab of same name). Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Houston uses enterprise funds to account for its aviation system, combined utility system (formerly called the water and sewer system), the convention and entertainment facilities and the parking facilities management. The City also includes the Houston Area Water Corporation as a nonmajor proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Houston's various functions. The City of Houston uses internal service funds to account for health and benefits and long-term disability activities. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning: General fund – budget vs. actual (pgs. 117-120); general budget policies (pg. 122); the City of Houston's progress in funding its obligation to provide pension benefits to its employees (pg. 123); and other post employment benefits (pg. 124).

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 \$3.891 billion at the close of the most recent fiscal year.

Net Assets
June 30, 2008
 (With comparative totals for 2007)
 (in millions)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	1,054	\$ 923	2,143	\$ 2,212	\$ 3,197	\$ 3,135
Capital assets	6,059	5,863	8,435	8,038	14,494	13,901
Total assets	<u>7,113</u>	<u>6,786</u>	<u>10,578</u>	<u>10,250</u>	<u>17,691</u>	<u>17,036</u>
Long-term liabilities	4,089	3,564	8,681	8,356	12,770	11,920
Other liabilities	606	541	424	402	1,030	943
Total liabilities	<u>4,695</u>	<u>4,105</u>	<u>9,105</u>	<u>8,758</u>	<u>13,800</u>	<u>12,863</u>
Net assets						
Invested in capital assets, net of related debt	3,516	3,481	552	745	4,068	4,226
Restricted	213	170	785	642	998	812
Unrestricted (deficit)	(1,310)	(970)	136	105	(1,174)	(865)
Total net assets	<u>\$ 2,419</u>	<u>\$ 2,681</u>	<u>\$ 1,473</u>	<u>\$ 1,492</u>	<u>\$ 3,892</u>	<u>\$ 4,173</u>

By far the largest portion of the City of Houston's net assets (104.2%) 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 (25.7%) represents resources that are subject to external restrictions on how they may be used.

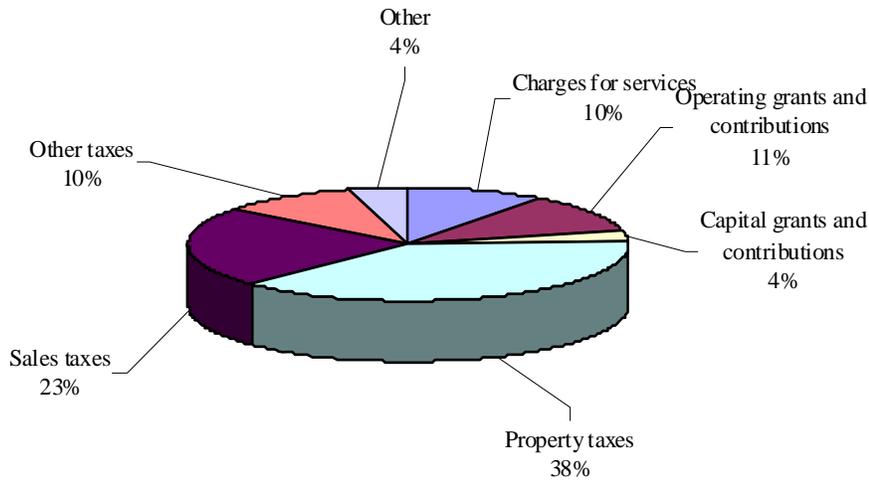
Change in Net Assets
June 30, 2008
(With comparative totals for 2007)
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Program Revenues:						
Charges for services	\$ 219	\$ 220	\$ 1,130	\$ 1,052	\$ 1,349	\$ 1,272
Operating grants and contributions	232	247	5	3	237	250
Capital grants and contributions	76	101	133	62	209	163
General revenues:						
Property taxes	830	739	-	-	830	739
Sales taxes	495	461	-	-	495	461
Other taxes	219	216	66	59	285	275
Other	96	55	141	135	237	190
Total revenues	<u>2,167</u>	<u>2,039</u>	<u>1,475</u>	<u>1,311</u>	<u>3,642</u>	<u>3,350</u>
Expenses:						
General government	194	130	-	-	194	130
Public safety	1,401	1,230	-	-	1,401	1,230
Public works	318	275	-	-	318	275
Health	129	102	-	-	129	102
Housing and community development	59	80	-	-	59	80
Parks and recreation	103	85	-	-	103	85
Library	50	39	-	-	50	39
Retiree benefits	-	-	-	-	-	-
Intergovernmental - grants	-	-	-	-	-	-
Interest on Long-term Debt	126	135	-	-	126	135
Depreciation and amortization	110	112	-	-	110	112
Airport System	-	-	459	443	459	443
Convention & Entertainment Facilities	-	-	111	106	111	106
Combined Utility System	-	-	846	820	846	820
Non-Major Enterprise Funds	-	-	17	21	17	21
Total expenses	<u>2,491</u>	<u>2,188</u>	<u>1,433</u>	<u>1,390</u>	<u>3,923</u>	<u>3,578</u>
Change in net assets before contributions, special items and transfers	(324)	(149)	42	(79)	(282)	(228)
Contributions	-	-	-	-	-	-
Special items	-	2	-	5	-	7
Transfers	61	58	(61)	(58)	-	-
Change in net assets	<u>(263)</u>	<u>(89)</u>	<u>(19)</u>	<u>(132)</u>	<u>(282)</u>	<u>(221)</u>
Net assets July 1	<u>2,681</u>	<u>2,772</u>	<u>1,492</u>	<u>1,622</u>	<u>4,173</u>	<u>4,394</u>
Net assets June 30	<u>\$ 2,418</u>	<u>\$ 2,683</u>	<u>\$ 1,473</u>	<u>\$ 1,490</u>	<u>\$ 3,891</u>	<u>\$ 4,173</u>

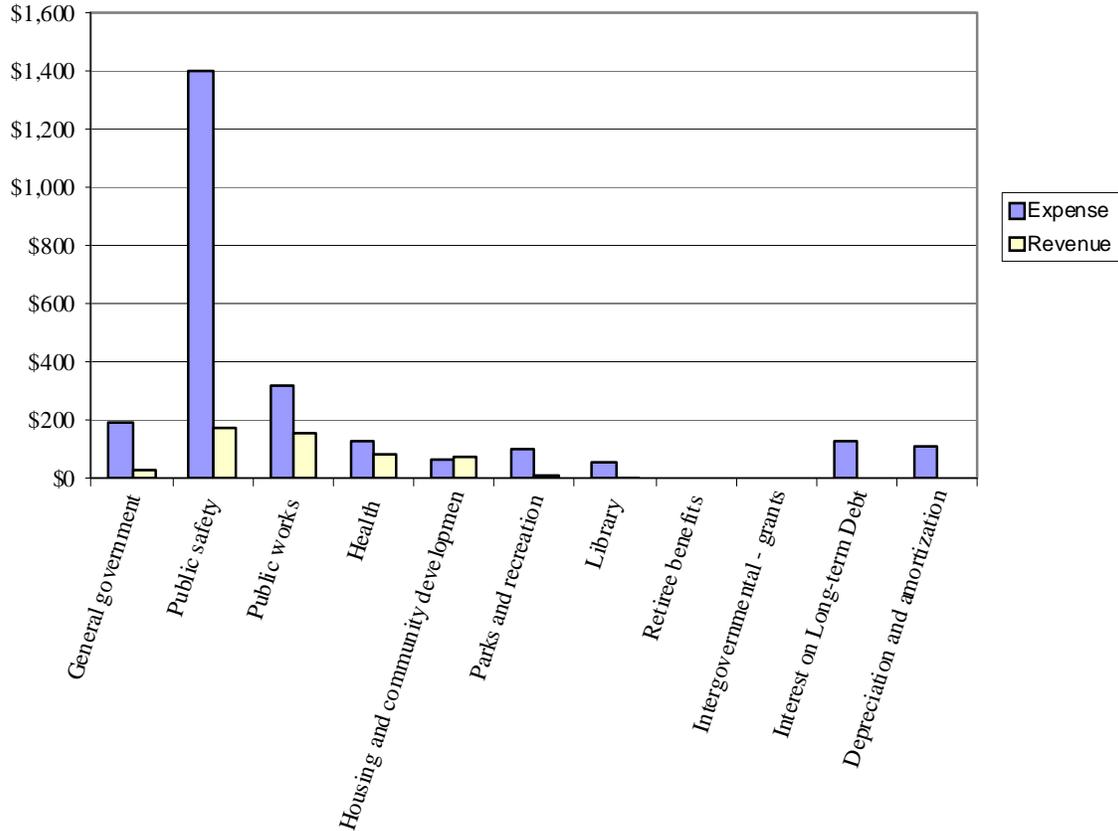
Governmental activities. Governmental activities decreased the City of Houston's net assets by \$262 million. Key elements of this change are as follows:

- Sales tax revenue continued to show improvements during fiscal year 2008 providing a 7.4% increase for the year, from \$461 million to \$495 million.
- The City's property tax rate was lowered by \$.0050 to \$0.6375 per \$100 assessed value. Property tax revenue increased by \$91 million because of the City's rising property values and continued effort in the collection of delinquent taxes.
- The largest decrease in expenses was in the area of Housing and Community Development - \$21 million.

Revenue by Source - Governmental Activities



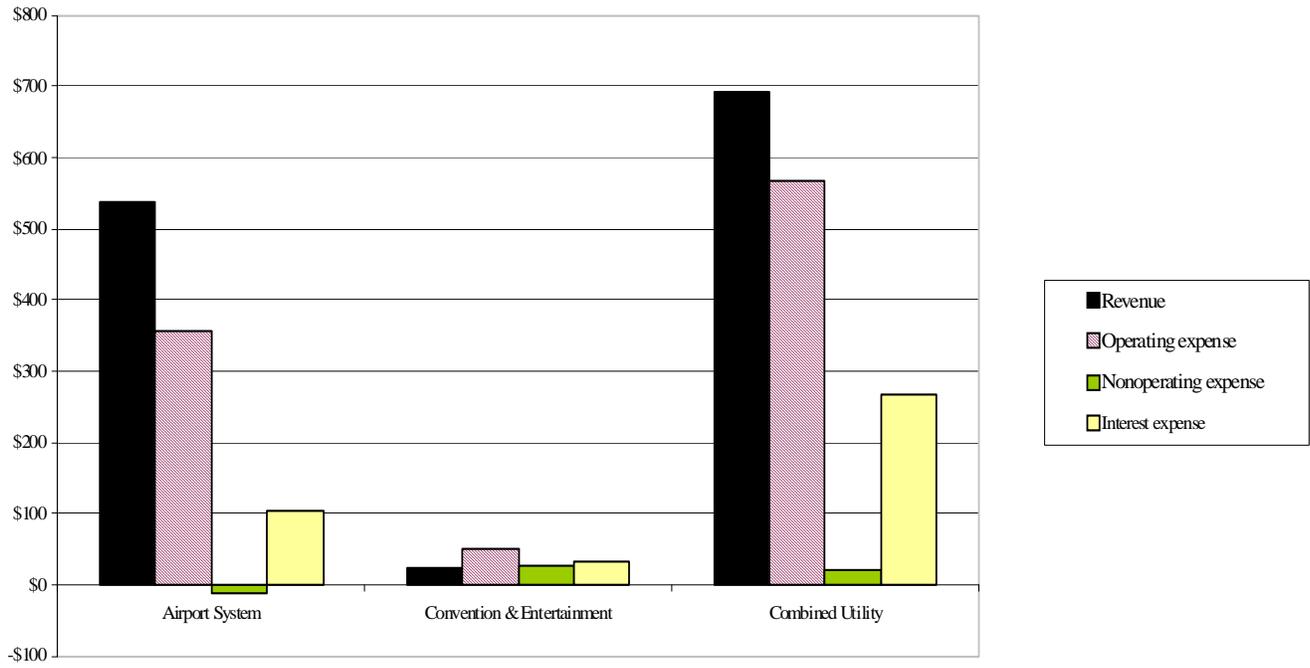
**Program Revenue and Expense
Governmental**



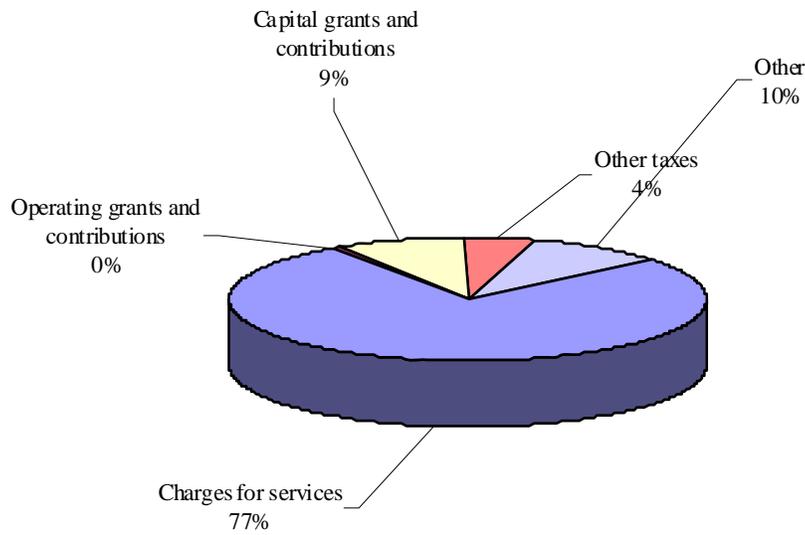
Business-type activities. Business-type activities reduced the City of Houston’s net assets by \$19 million. Key elements of this change are as follows:

- Airport systems operating expenses were up by 4.1%, from \$342 million to \$356 million. Operating revenues for these facilities were up by 7.5%, from \$416 million to \$447 million. Investment income increased by 23.6% from \$34 million to \$42 million.
- Convention & Entertainment operating expenses were up by 4.4%, from \$47 million to \$49 million. Operating revenues were up by 8.5%, from \$21 million to \$22 million. Hotel occupancy taxes increased by 12.8%, from \$59 million to \$66 million.
- The Combined Utility System operating expenses decreased by 1.1% from \$573 million to \$567 million. Operating revenues increased by 5.3% from \$615 million to \$648 million. Investment income was down by 1.6%, from \$36 million to \$35 million and interest expense was up by 10.4% from \$242 million to \$268 million.
- The Parking Management Fund, created during the 2008 fiscal year, operating expenses were \$4.0 million. Operating revenues were \$13 million. Investment income was \$121 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 pgs.18-21 and separate tab of same name). The focus of the City of Houston's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Houston's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Houston's governmental funds reported combined ending fund balances of \$694 million. Approximately 63% of this total amount (\$437 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 (\$100 million), (2) to pay debt service (\$133 million), or (3) a variety of other restricted purposes (\$24 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 \$309 million, while the total fund balance reached \$332 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 19% of total general fund expenditures, while total fund balance represents 21% of that same amount.

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

- \$107 million increase in total revenues
- \$80 million increase in expenditures
- \$28 million increase in proceeds for issuance of debt
- \$4 million increase in transfers from other funds
- \$34 million increase in transfers to other funds

Interest expenditures for the debt service fund increased by \$8 million. The net increase in fund balance was \$21.8 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 \$100 million. The net increase in fund balance during the current fiscal year was \$18 million.

Proprietary funds (see pgs.24-33 and tabs labeled "Enterprise Funds" and "Internal Services Funds"). The City of Houston proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the year, unrestricted net assets were \$0 for the Airport System, \$33 million for Convention and Entertainment, \$94 million for the Combined Utility System and \$8.8 million for the Combined Non-Major Enterprise Funds. The total increase in net assets for the Airport System, the Convention and Entertainment and Combined Non-Major Enterprise funds were \$133 million, \$2.2 million and \$2.6 million respectively. The Combined Utility System fund experienced a decrease of \$156 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Houston's business-type activities.

General Fund Budgetary Highlights

Total revenues were above budget (pgs. 117 - 120), by \$56 million. The details of the more significant variances are detailed below:

- \$18 million increase in Sales taxes
- \$35 million increase in property taxes
- \$6 million increase in franchise taxes
- \$2 million increase in industrial assessments
- \$1 million decrease in other revenues
- \$5 million increase in interest
- \$9 million decrease in services performed for others
- \$2 million increase in other courts fines and forfeits

Total expenditures for the General Fund were \$13 million below the final expenditure budget. The details of the more significant variances are detailed below:

- \$4 million decrease in public safety expenditures
- \$6 million decrease in public works expenditures
- \$3 million decrease in total general government expenditures

Capital Asset and Debt Administration

Capital assets (see Note 6, Capital Assets, pages 72–75). The City of Houston’s investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to \$14.5 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, 2008

(With comparative totals for 2007)

(net of depreciation in millions)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land and right of way	\$ 2,029	\$ 1,988	\$ 423	\$ 406	\$ 2,452	\$ 2,394
Buildings, improvements and equipment	1,396	678	4,423	2,742	5,819	3,420
Plants, lines and rights	-	-	8,175	4,080	8,175	4,080
Construction in progress	413	377	652	810	1,065	1,187
Water rights	-	-	457	-	457	-
Garage rights	-	-	13	-	13	-
Infrastructure Assets	5,096	2,820	-	-	5,096	2,820
Less accumulated depreciation	(2,875)	(2,733)	(5,708)	(5,140)	(8,583)	(7,873)
Total	\$ 6,059	\$ 3,130	\$ 8,435	\$ 2,898	\$ 14,494	\$ 6,028

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

- Business-type activities construction in process balance reflects a \$158 million decrease.

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

Long-term debt (Note 8, pages 76–94). At the end of the current fiscal year, the City of Houston had total bonded debt outstanding of \$11.2 billion. The two largest portions of this total are made up of \$3 billion comprising debt backed by the full faith and credit of the government and \$8.2 billion comprising various enterprise fund revenue bonds which are payable from future revenues of the various operations of those enterprise funds. The City issued \$35 million in pension obligations during the fiscal year to reduce the unfunded liability of Houston Police Officers Pension System. The remainder of the City of Houston's debt represents various long-term contracts.

Outstanding Debt

June 30, 2008

(With comparative totals for 2007)

(in millions)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds and commercial paper	\$ 2,586	\$ 2,431	\$ 283	\$ 571	\$ 2,869	\$ 3,002
Pension notes	472	421	96	96	568	517
Inferior lien contract	-	-	50	54	50	54
Capital lease	-	-	-	-	-	-
Revenue bonds	-	-	7,739	7,245	7,739	7,245
Other borrowings	15	20	-	4	15	24
Total	<u>\$ 3,073</u>	<u>\$ 2,872</u>	<u>\$ 8,168</u>	<u>\$ 7,970</u>	<u>\$ 11,241</u>	<u>\$ 10,842</u>

The City's total debt increased by \$399 million or 3.7% during the current fiscal year.

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

- \$35 million of pension obligations to reduce unfunded accrued actuarial liability.
- \$228 million of general obligation debt to refund bonds and commercial paper and to fund capital projects.
- \$2.2 billion of combined utility system revenue bonds to refund auction rate securities, fund system projects and refund commercial paper.

Standard & Poor's, Moody's and Fitch's underlying ratings of the City's obligations as of June 30, 2008 are as follows:

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The current debt limitation for the City of Houston is \$17.4 billion, which is significantly in excess of the City of Houston's outstanding general obligation debt.

Next Year's Budget and Rates

Highlights of the fiscal year 2009 budget are as follows:

- Decreased the property tax rate by 1/2 cent to 63.875 cents per \$100 of valuation and increased the homestead exemption for senior citizens.
- The public safety budget was increased to primarily provide resources for Firefighter raises, fuel, three fire cadet classes, seven police cadet classes, demolition of dangerous buildings and cleanup of weeded lots, and a significant increase in fire pension contribution rate.

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, 2008
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total	Component Units	
				Governmental	Business-type
Assets					
Current Assets					
Equity in pooled cash and investments	\$ 675,917	\$ 1,560,868	\$ 2,236,785	\$ 166,869	\$ 77,320
Receivables, net of allowances					
Accounts receivable	84,832	121,675	206,507	16,230	19,783
Contracts receivable	-	-	-	825	-
Hotel occupancy tax receivable	-	18,627	18,627	-	-
Property taxes receivable	42,950	-	42,950	-	-
Sales taxes receivable	86,946	-	86,946	-	-
Mixed beverage taxes receivable	2,759	-	2,759	-	-
Franchise taxes receivable	17,535	-	17,535	-	-
Special assessments receivable	11,288	93	11,381	-	-
Accrued interest and other	-	-	-	707	232
Due from component units	10,084	13,033	23,117	-	-
Internal balances	578	(578)	-	-	-
Due from other governments	80,256	9,448	89,704	-	1,669
Inventory	21,494	9,037	30,531	18,225	312
Prepaid items	1,963	6,659	8,622	112	1,195
Deferred charges for issuance cost	17,128	65,437	82,565	4,143	2,473
Noncurrent assets					
Investments	-	29,230	29,230	34,120	14,253
Other receivables	-	-	-	480	1,289
Due from component units	-	299,350	299,350	-	-
Assessments receivable	-	-	-	4,002	-
Accrued interest receivable	-	-	-	-	55
Receivable and deposits	-	-	-	-	5,916
Other assets					
Other long-term receivables	-	10,058	10,058	75	6,281
Capital Assets					
Land and right-of-way	2,029,053	422,674	2,451,727	84,078	11,488
Buildings, improvements and equipment	1,395,745	4,423,006	5,818,751	18,418	331,554
Plants, lines and rights	-	8,175,389	8,175,389	-	-
Construction in progress	413,613	652,019	1,065,632	-	14,391
Water rights	-	456,915	456,915	-	-
Garage rights	-	13,144	13,144	-	-
Infrastructure assets	5,095,619	-	5,095,619	-	-
Less accumulated depreciation and amortization	(2,874,685)	(5,708,227)	(8,582,912)	(8,378)	(63,099)
Total assets	<u>\$ 7,113,075</u>	<u>\$ 10,577,857</u>	<u>\$ 17,690,932</u>	<u>\$ 339,906</u>	<u>\$ 425,112</u>

(Continued)

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

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

June 30, 2008
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total	Component Units	
				Governmental	Business-type
Liabilities					
Accounts payable and accrued expenditures	\$ 102,930	\$ 100,744	\$ 203,674	\$ 10,365	\$ 10,227
Accrued payroll liabilities	54,443	8,817	63,260	50	707
Accrued interest payable	49,571	83,898	133,469	5,750	3,832
Contracts and retainages payable	113	42,340	42,453	7,809	1,669
Due to component units	-	23,847	23,847	-	-
Due to other governments	24,852	1,196	26,048	3,437	-
Advances and deposits	7,405	39,267	46,672	167	-
Other liabilities	-	-	-	5,791	-
Deferred revenue	36,080	-	36,080	792	1,335
Unearned revenue	-	2,003	2,003	-	-
Advances and deposits	-	-	-	695	-
Noncurrent liabilities					
Due within one year					
Notes payable	-	-	-	5,028	1,338
Revenue bonds payable	-	99,453	99,453	5,940	-
Claims and judgments	21,313	2,517	23,830	-	-
Compensated absences	130,852	12,193	143,045	22	-
Deferred electricity	1,515	3,876	5,391	-	-
Bonds payable	174,868	-	174,868	-	9,275
Inferior lien contracts	-	3,880	3,880	-	-
Other liabilities	1,745	-	1,745	-	355
Due in more than one year					
Due to City of Houston	-	-	-	9,665	300,690
Notes payable	-	-	-	18,691	-
Revenue bonds payable	-	7,639,737	7,639,737	140,145	-
Claims and judgments	121,056	5,200	126,256	-	-
Compensated absences	269,461	19,086	288,547	-	-
Contracts payable	-	188,384	188,384	5,013	-
Bonds payable	1,784,897	-	1,784,897	-	-
Inferior lien contracts	-	45,820	45,820	-	-
Commercial paper	625,950	283,300	909,250	-	-
Arbitrage rebate liability	242	5,182	5,424	-	-
Other long-term liabilities	13,315	-	13,315	-	2,360
Collateralized note payable	258,028	89,700	347,728	-	-
Municipal pension trust liability	203,814	81,648	285,462	-	-
Police officers' pension trust liability	318,567	-	318,567	-	-
Fire fighter's pension trust liability	39,384	-	39,384	-	-
Deferred revenue	-	285,198	285,198	50	15,688
Other post employment benefits	239,622	32,419	272,041	-	-
Pension obligation bonds payable	214,178	5,577	219,755	-	-
Total liabilities	4,694,201	9,105,282	13,799,483	219,410	347,476
Net assets					
Invested in capital assets, net of related debt	3,515,596	551,820	4,067,416	78,053	(35,078)
Restricted net assets					
Restricted for debt service	81,906	83,999	165,905	24,661	31,318
Restricted for renewal and replacement	-	10,200	10,200	-	-
Restricted for maintenance and operations	-	122,409	122,409	8,464	-
Restricted for capital improvement	104,947	568,287	673,234	10,774	-
Other restricted	26,714	-	26,714	60,207	38,949
Unrestricted (deficit)	(1,310,289)	135,860	(1,174,429)	(61,663)	42,447
Total net assets (deficit)	\$ 2,418,874	\$ 1,472,575	\$ 3,891,449	\$ 120,496	\$ 77,636

* 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, 2008
(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	\$ 193,928	\$ 11,104	\$ 18,973	\$ -
Public safety	1,400,837	131,221	37,074	-
Public works	317,749	53,375	28,024	76,497
Health	129,197	17,093	65,263	-
Housing and community development	59,182	-	75,087	-
Parks and recreation	102,758	4,683	5,630	-
Library	49,687	1,035	2,152	-
Interest on long-term debt	126,349	-	-	-
Unallocated Depreciation	110,174	-	-	-
Total governmental activities	2,489,861	218,511	232,203	76,497
Business-type activities				
Airport System	459,521	447,176	-	91,175
Convention & Entertainment facilities	110,576	22,306	2,406	-
Combined Utility System	846,368	648,269	2,343	41,075
Nonmajor Enterprise Funds	17,485	13,045	-	478
Total business-type activities	1,433,950	1,130,796	4,749	132,728
Total primary government	\$ 3,923,811	\$ 1,349,307	\$ 236,952	\$ 209,225
Component Units				
Governmental	112,342	2,476	45,356	317
Business-type	107,438	97,049	5,678	-
Total component units activities	\$ 219,780	\$ 99,525	\$ 51,034	\$ 317

General Revenues:

Taxes

Property taxes levied for general purposes/tax increments

Property taxes levied for debt service

Industrial assessments tax

Sales tax

Franchise tax

Mixed beverage tax

Bingo tax

Hotel occupancy tax

Intergovernmental - grants

Investment earnings

Other

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	
\$ (163,851)	\$ -	\$ (163,851)	\$ -	\$ -	
(1,232,542)	-	(1,232,542)	-	-	
(159,853)	-	(159,853)	-	-	
(46,841)	-	(46,841)	-	-	
15,905	-	15,905	-	-	
(92,445)	-	(92,445)	-	-	
(46,500)	-	(46,500)	-	-	
(126,349)	-	(126,349)	-	-	
(110,174)	-	(110,174)	-	-	
<u>(1,962,650)</u>	<u>-</u>	<u>(1,962,650)</u>	<u>-</u>	<u>-</u>	
-	78,830	78,830	-	-	
-	(85,864)	(85,864)	-	-	
-	(154,681)	(154,681)	-	-	
-	(3,962)	(3,962)	-	-	
<u>-</u>	<u>(165,677)</u>	<u>(165,677)</u>	<u>-</u>	<u>-</u>	
<u>(1,962,650)</u>	<u>(165,677)</u>	<u>(2,128,327)</u>	<u>-</u>	<u>-</u>	
-	-	-	(64,193)	-	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,711)</u>	
<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,193)</u>	<u>(4,711)</u>	
606,987	-	606,987	66,477	750	
222,850	-	222,850	-	-	
17,787	-	17,787	-	-	
495,173	-	495,173	-	-	
190,518	-	190,518	-	-	
10,479	-	10,479	-	-	
256	-	256	-	-	
-	66,232	66,232	-	-	
-	-	-	3,739	-	
36,516	96,492	133,008	4,254	4,870	
58,743	44,738	103,481	3,261	10,952	
-	-	-	101	-	
60,824	(60,824)	-	-	-	
<u>1,700,133</u>	<u>146,638</u>	<u>1,846,771</u>	<u>77,832</u>	<u>16,572</u>	
(262,517)	(19,039)	(281,556)	13,639	11,861	
2,681,391	1,491,614	4,173,005	104,403	65,775	
-	-	-	2,454	-	
<u>\$ 2,418,874</u>	<u>\$ 1,472,575</u>	<u>\$ 3,891,449</u>	<u>\$ 120,496</u>	<u>\$ 77,636</u>	

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

CITY OF HOUSTON, TEXAS
BALANCE SHEET — GOVERNMENTAL FUNDS
June 30, 2008
amounts expressed in thousands

	General	Debt Service	Capital Projects
Assets			
Equity in pooled cash and investments	\$ 265,602	\$ 131,891	\$ 119,657
Receivables, net of allowances			
Accounts receivable	44,160	-	4,598
Property taxes receivable	42,950	-	-
Sales taxes receivable	86,946	-	-
Mixed beverage taxes receivable	2,759	-	-
Franchise taxes receivable	17,535	-	-
Special assessments receivable	11,288	-	-
Due from component units	-	5,779	-
Due from other funds	323	-	-
Due from other governments	3,719	-	23,856
Inventory	20,008	-	-
Prepaid items	1,914	-	49
Total assets	\$ 497,204	\$ 137,670	\$ 148,160
Liabilities and fund balance			
Liabilities			
Accounts payable	39,202	414	42,724
Accrued payroll liabilities	48,896	-	-
Due to other funds	136	-	-
Due to other governments	7,992	-	-
Advances and deposits	4,061	-	489
Deferred electricity	263	-	-
Claims and judgments	2,466	-	-
Compensated absences	2,978	-	-
Other liabilities	-	-	-
Deferred revenue	59,704	5,779	4,604
Total liabilities	165,698	6,193	47,817
Fund balance			
Reserved for imprest cash and prepaids	2,032	-	-
Reserved for equipment acquisitions and other capital outlay	-	-	100,343
Reserved for inventory	20,008	-	-
Reserved for debt service	-	131,477	-
Unreserved	309,466	-	-
Unreserved - Special revenue funds	-	-	-
Total fund balance	331,506	131,477	100,343
Total liabilities and fund balance	\$ 497,204	\$ 137,670	\$ 148,160

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
\$	12,504	128,474	\$ 658,128
	18,110	12,657	79,525
	-	-	42,950
	-	-	86,946
	-	-	2,759
	-	-	17,535
	-	-	11,288
	4,305	-	10,084
	-	-	323
	48,913	3,768	80,256
	1,468	18	21,494
	-	-	1,963
\$	85,300	\$ 144,917	\$ 1,013,251
	14,309	6,098	102,747
	2,135	3,309	54,340
	200	-	336
	12,740	4,120	24,852
	552	2,303	7,405
	-	4	267
	-	-	2,466
	-	12	2,990
	-	113	113
	<u>44,575</u>	<u>9,458</u>	<u>124,120</u>
	<u>74,511</u>	<u>25,417</u>	<u>319,636</u>
	-	-	2,032
	-	-	100,343
	1,468	18	21,494
	1,768	-	133,245
	7,553	-	317,019
	-	119,482	119,482
	<u>10,789</u>	<u>119,500</u>	<u>693,615</u>
\$	85,300	\$ 144,917	
			6,059,345
			111,734
			7,331
			(4,453,151)
			<u>\$ 2,418,874</u>

* 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, 2008

(With comparative amounts for 2007

amounts expressed in thousands

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues			
Taxes and assessments	\$ 1,544,777	\$ -	\$ -
Licenses and permits	20,841	-	-
Charges for services	91,832	-	-
Intergovernmental - grants	33,395	-	70,562
Fines and forfeits	41,631	-	-
Investment income	18,662	6,182	5,044
Other	13,896	1,707	7,444
Total revenues	<u>1,765,034</u>	<u>7,889</u>	<u>83,050</u>
Expenditures			
Current Expenditures			
General government	132,175	-	-
Public safety	1,015,001	-	-
Public works	208,552	-	-
Health	50,520	-	-
Housing and community development	473	-	-
Parks and recreation	63,562	-	-
Library	34,845	-	-
Retiree benefits	18,506	-	-
Capital outlay	70,223	-	262,432
Debt service principal	1,400	196,371	-
Debt service interest	4,514	125,478	-
Debt service fiscal agent & fees	-	3,700	-
Total expenditures	<u>1,599,771</u>	<u>325,549</u>	<u>262,432</u>
Other financing sources (uses)			
Issuance of debt	130,623	50	256,378
Issuance of refunding debt	-	219,238	-
Bond premium	-	9,004	-
Sale of capital assets	4,879	-	3,276
Transfers in	9,016	336,924	439
Transfers out	(256,374)	-	(62,264)
Payment to escrow agent for refunded bonds	-	(225,740)	-
Total other financing sources (uses)	<u>(111,856)</u>	<u>339,476</u>	<u>197,829</u>
Changes in fund balance	53,407	21,816	18,447
Fund balances, July 1	278,099	109,661	81,896
Fund balances, June 30	<u>\$ 331,506</u>	<u>\$ 131,477</u>	<u>\$ 100,343</u>

(Continued)

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

Grants	Nonmajor Governmental Funds	Total
\$ -	\$ 325	\$ 1,545,102
-	41,291	62,132
-	20,722	112,554
181,446	15,314	300,717
-	15,370	57,001
788	5,840	36,516
-	32,488	55,535
<u>182,234</u>	<u>131,350</u>	<u>2,169,557</u>
846	11,316	144,337
38,647	53,874	1,107,522
236	72,645	281,433
57,066	1,244	108,830
76,951	278	77,702
6,470	7,322	77,354
1,710	-	36,555
-	-	18,506
-	-	332,655
-	19	197,790
-	-	129,992
-	-	3,700
<u>181,926</u>	<u>146,698</u>	<u>2,516,376</u>
-	-	387,051
-	-	219,238
-	-	9,004
417	185	8,757
-	50,281	396,660
(561)	(9,674)	(328,873)
-	-	(225,740)
<u>(144)</u>	<u>40,792</u>	<u>466,097</u>
164	25,444	119,278
10,625	94,056	574,337
<u>\$ 10,789</u>	<u>\$ 119,500</u>	<u>\$ 693,615</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, 2008
(amounts expressed in thousands)

Net change in fund balances - total governmental funds \$ 119,278

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 (\$167,630) was less than the increase in capital assets (\$363,687) in the current period. 196,057

Revenue in the statement of activities that do not provide current financial resources are deferred as revenues in the funds. 79,546

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. (97,762)

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. (199,406)

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. (359,706)

Internal service funds are used by management to change the costs of certain activities, such as the cost of health benefits, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities. (524)

Change in net assets of governmental activities \$ (262,517)

* 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, 2008
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Assets			
Current Assets			
Equity in pooled cash and investments	\$ 828,803	\$ 90,873	\$ 635,593
Receivables, net of allowances			
Accounts receivable	21,279	2,003	96,728
Hotel occupancy tax receivable	-	18,627	-
Special assessments receivable	-	-	93
Due from component units	-	13,033	-
Due from other funds	34	102	1,544
Due from other governments	3,688	826	4,866
Inventory	2,869	-	6,168
Prepaid items	2,224	708	3,727
Restricted assets			
Investments	7,456	21,774	-
Total current assets	866,353	147,946	748,719
Noncurrent Assets			
Due from component units	-	299,350	-
Due from other funds	-	-	96,859
Deferred charges for issuance cost	5,261	3,439	56,737
Total noncurrent restricted assets	5,261	302,789	153,596
Other assets			
Amount held by other governments	-	-	10,058
Capital assets			
Land	207,439	99,757	115,478
Buildings, improvements and equipment	3,741,652	456,324	204,679
Plants, lines and rights	-	-	8,053,794
Construction in progress	236,090	1,849	413,610
Water rights	-	-	456,915
Garage rights	-	13,144	-
Total capital assets	4,185,181	571,074	9,244,476
Less accumulated depreciation and amortization	(1,328,082)	(157,839)	(4,210,358)
Net capital assets	2,857,099	413,235	5,034,118
Total noncurrent assets	2,862,360	716,024	5,197,772
Total assets	\$ 3,728,713	\$ 863,970	\$ 5,946,491

(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	
\$ 5,599	\$ 1,560,868	\$ 17,789
1,665	121,675	1
-	18,627	-
-	93	-
-	13,033	-
200	1,880	-
68	9,448	-
-	9,037	-
-	6,659	-
-	29,230	-
<u>7,532</u>	<u>1,770,550</u>	<u>17,790</u>
-	299,350	-
-	96,859	-
-	65,437	-
-	461,646	-
-	10,058	-
-	422,674	-
20,351	4,423,006	-
121,595	8,175,389	-
470	652,019	334
-	456,915	-
-	13,144	-
<u>142,416</u>	<u>14,143,147</u>	<u>334</u>
(11,948)	(5,708,227)	-
<u>130,468</u>	<u>8,434,920</u>	<u>334</u>
<u>130,468</u>	<u>8,906,624</u>	<u>334</u>
<u>\$ 138,000</u>	<u>\$ 10,677,174</u>	<u>\$ 18,124</u>

(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, 2008
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Liabilities			
Current Liabilities			
Accounts payable	\$ 6,116	\$ 6,669	\$ 87,152
Accrued payroll liabilities	3,441	380	4,908
Accrued interest payable	47,686	5,622	30,590
Contracts and retainages payable	24,132	-	18,155
Due to other funds	7	-	316
Due to component units	-	23,847	-
Due to other governments	-	108	1,088
Advances and deposits	1,976	1,052	36,239
Inferior lien contracts	3,880	-	-
Claims and judgments	1,260	-	1,257
Compensated absences	4,343	489	7,252
Deferred electricity note	1,011	255	2,610
Revenue bonds payable	43,050	18,620	37,783
Unearned revenue	1,607	396	-
Total current liabilities from unrestricted assets	<u>138,509</u>	<u>57,438</u>	<u>227,350</u>
Total Current Liabilities	<u>138,509</u>	<u>57,438</u>	<u>227,350</u>
Noncurrent liabilities			
Revenue bonds payable	2,051,120	605,938	4,982,679
Claims and judgments	3,762	160	1,278
Compensated absences	5,514	718	12,783
Contracts payable	-	-	188,384
Inferior lien contracts	45,820	-	-
Commercial paper	83,000	43,800	156,500
Arbitrage rebate	-	340	4,842
Pension note payable	34,800	3,300	51,600
Municipal pension trust liability	30,109	3,156	48,306
Other post employment benefits	11,356	918	19,856
Due to other funds	-	-	-
Unearned revenue	-	9,696	275,502
Pension obligation bonds payable	2,006	189	3,382
Total noncurrent liabilities	<u>2,267,487</u>	<u>668,215</u>	<u>5,745,112</u>
Total liabilities	<u>2,405,996</u>	<u>725,653</u>	<u>5,972,462</u>
Net assets (deficit)			
Invested in capital assets, net of related debt	685,286	63,806	(226,413)
Restricted net assets			
Restricted for debt service	67,847	16,152	-
Restricted for renewal and replacement	10,000	-	-
Restricted for maintenance and operations	41,048	18,502	63,450
Restricted for capital improvements	518,536	6,865	42,886
Unrestricted			
	-	32,992	94,106
Total net assets (deficit)	<u>\$ 1,322,717</u>	<u>\$ 138,317</u>	<u>\$ (25,971)</u>

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	
\$ 807	\$ 100,744	\$ 183
88	8,817	103
-	83,898	-
53	42,340	-
1,544	1,867	-
-	23,847	-
-	1,196	-
-	39,267	-
-	3,880	-
-	2,517	2,816
109	12,193	216
-	3,876	-
-	99,453	-
-	2,003	1,260
<u>2,601</u>	<u>425,898</u>	<u>4,578</u>
<u>2,601</u>	<u>425,898</u>	<u>4,578</u>
-	7,639,737	-
-	5,200	6,430
71	19,086	42
-	188,384	-
-	45,820	-
-	283,300	-
-	5,182	-
-	89,700	-
77	81,648	-
289	32,419	-
96,859	96,859	-
-	285,198	-
-	5,577	-
<u>97,296</u>	<u>8,778,110</u>	<u>6,472</u>
<u>99,897</u>	<u>9,204,008</u>	<u>11,050</u>
29,141	551,820	334
-	83,999	-
200	10,200	-
-	123,000	-
-	568,287	-
<u>8,762</u>	<u>135,860</u>	<u>6,740</u>
<u>\$ 38,103</u>	<u>1,473,166</u>	<u>\$ 7,074</u>
	(591)	
	<u>\$ 1,472,575</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, 2008
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Operating Revenues			
Landing area fees	\$ 99,017	\$ -	\$ -
Terminal space rentals	211,786	-	-
Parking	72,958	9,774	-
Concession	58,789	5,308	-
Other	4,626	-	-
Rental	-	7,224	-
Water/Sewer Billing	-	-	648,269
Health benefit premiums	-	-	-
Total operating revenue	<u>447,176</u>	<u>22,306</u>	<u>648,269</u>
Operating Expenses			
Administrative costs	-	-	-
Claims Costs	-	-	-
Maintenance and operating	229,551	37,276	346,665
Depreciation and amortization	125,951	12,084	220,190
Total operating expenses	<u>355,502</u>	<u>49,360</u>	<u>566,855</u>
Operating income (loss)	<u>91,674</u>	<u>(27,054)</u>	<u>81,414</u>
Nonoperating revenue (expenses)			
Investment income	41,694	19,186	35,435
Hotel occupancy tax	-	66,232	-
Other revenue	514	1,077	31,517
Gain (Loss) on disposal of assets	37	1	(12,009)
Other expenses	11,608	(28,066)	-
Interest on long-term debt	(104,056)	(33,150)	(267,504)
Contributions	-	2,406	2,343
Total nonoperating revenues (expenses)	<u>(50,203)</u>	<u>27,686</u>	<u>(210,218)</u>
Income (loss) before capital contributions and transfers	<u>41,471</u>	<u>632</u>	<u>(128,804)</u>
Capital contributions	<u>91,175</u>	<u>881</u>	<u>42,862</u>
Transfers in	-	1,304	1,020
Transfers out	-	(593)	(71,167)
Total transfers	<u>-</u>	<u>711</u>	<u>(70,147)</u>
Change in net assets	132,646	2,224	(156,089)
Liability resulting from internal service fund's undercharging proprietary funds			
Net change			
Total net assets (deficit), July 1	<u>1,190,071</u>	<u>136,093</u>	<u>130,118</u>
Total net assets (deficit), June 30	<u>\$ 1,322,717</u>	<u>\$ 138,317</u>	<u>\$ (25,971)</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	
\$ -	\$ 99,017	\$ -
-	211,786	-
13,045	95,777	-
-	64,097	-
-	4,626	-
-	7,224	-
-	648,269	-
-	-	266,475
<u>13,045</u>	<u>1,130,796</u>	<u>266,475</u>
3,727	3,727	3,027
-	-	265,254
8,778	622,270	-
4,679	362,904	-
<u>17,184</u>	<u>988,901</u>	<u>268,281</u>
<u>(4,139)</u>	<u>141,895</u>	<u>(1,806)</u>
177	96,492	1,282
-	66,232	-
457	33,565	-
-	(11,971)	-
-	(16,458)	-
(301)	(405,011)	-
478	5,227	-
<u>811</u>	<u>(231,924)</u>	<u>1,282</u>
<u>(3,328)</u>	<u>(90,029)</u>	<u>(524)</u>
4,295	139,213	-
8,823	11,147	-
<u>(7,174)</u>	<u>(78,934)</u>	<u>-</u>
<u>1,649</u>	<u>(67,787)</u>	<u>-</u>
2,616	(18,603)	(524)
	(436)	
	(19,039)	
<u>35,487</u>	<u>1,491,769</u>	<u>7,598</u>
<u>\$ 38,103</u>	<u>1,472,730</u>	<u>\$ 7,074</u>
	(155)	
	<u>\$ 1,472,575</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, 2008
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Cash flows from operating activities			
Receipts from customers	\$ 437,312	\$ 20,621	\$ 623,236
Payments to employees	(84,338)	(9,029)	(127,065)
Payments to suppliers	(91,173)	(26,578)	(123,271)
Internal activity-payments (to) from other funds	(36,833)	(784)	(17,032)
Claims paid	(1,260)	(31)	(459)
Due from other governments	-	29	-
Other revenues	571	1,077	31,517
Other expenses	-	(1,962)	-
Net cash provided by (used in) operating activities	<u>224,279</u>	<u>(16,657)</u>	<u>386,926</u>
Cash flows from investing activities			
Interest income on investments	41,863	19,186	35,435
Purchase of investments	(26,927)	-	-
Proceeds from sale of investments	26,485	-	-
Gain(loss) on sale of nonpooled stock	(169)	-	-
Net cash provided by (used in) investing activities	<u>41,252</u>	<u>19,186</u>	<u>35,435</u>
Cash flows from capital and related financing activities			
Retirement of revenue bonds	(34,500)	(17,540)	(107,416)
Refunding of revenue bonds	(247,858)	-	-
Retirement of commercial paper	(43,000)	-	-
Proceeds (uses of cash) from issuance of revenue bonds	290,863	-	131,436
Proceeds from issuance of commercial paper	31,000	8,300	220,000
Passenger facilities charges	11,608	-	-
Interest expense on debt	(112,852)	(23,926)	(207,739)
Retirement of inferior lien contract	(3,660)	-	-
Proceeds from disposition of assets	-	-	14,178
Advances and deposits on construction	17	-	-
Contributed capital	84,417	-	112,407
Deferred bond issuance costs	-	-	(17,139)
Acquisition of property, plant and equipment	(131,710)	(2,852)	(385,352)
Retirement of contractual obligations	-	-	(122,788)
Net cash provided by (used in) capital and related financing activities	<u>(155,675)</u>	<u>(36,018)</u>	<u>(362,413)</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
12,796	\$ 1,093,965	\$ 266,472
(2,184)	(222,616)	(2,328)
(11,274)	(252,296)	(349)
10,595	(44,054)	(29)
-	(1,750)	(265,016)
-	29	-
457	33,622	-
-	(1,962)	-
<u>10,390</u>	<u>604,938</u>	<u>(1,250)</u>
177	96,661	1,282
-	(26,927)	-
4,215	30,700	-
-	(169)	-
<u>4,392</u>	<u>100,265</u>	<u>1,282</u>
(1,237)	(160,693)	-
-	(247,858)	-
-	(43,000)	-
-	422,299	-
-	259,300	-
-	11,608	-
(1,100)	(345,617)	-
-	(3,660)	-
-	14,178	-
707	724	-
-	196,824	-
-	(17,139)	-
(380)	(520,294)	(334)
-	(122,788)	-
<u>(2,010)</u>	<u>(556,116)</u>	<u>(334)</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, 2008
amounts expressed in thousands

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Cash flows from noncapital financing activities			
Promotional contract paid from hotel occupancy tax revenues to component units	-	(26,104)	-
Interest expense electrical contract	(50)	-	-
Interest expense on pension obligation bonds	(106)	(10)	-
Interest expense collateralized note	(2,958)	(281)	-
Deferred charges on future debt issuance	(28)	-	-
Payments from Hotel Corporation	-	2,622	-
Hotel occupancy tax revenue	-	64,474	-
Transfers to debt service fund	-	-	(25,804)
Transfers to other funds	-	711	(44,342)
Net cash provided by (used in) noncapital financing activities	<u>(3,142)</u>	<u>41,412</u>	<u>(70,146)</u>
Net increase (decrease) in cash and cash equivalents	106,714	7,923	(10,198)
Cash and cash equivalents, July 1	<u>722,089</u>	<u>82,950</u>	<u>645,791</u>
Cash and cash equivalents, June 30	<u><u>\$ 828,803</u></u>	<u><u>\$ 90,873</u></u>	<u><u>\$ 635,593</u></u>
Non cash transactions			
Amortization expense	-	-	13,013
Unrealized gain (loss) on investments	7,573	812	3,820
Capital additions included in liabilities	(5,023)	-	38,524
Contributions of capital assets	(5,486)	881	42,863
Capitalize interest expense	12,071	-	18,566
Gain (loss) on disposal of assets	(37)	-	-
Total non cash transactions	<u><u>\$ 9,098</u></u>	<u><u>\$ 1,693</u></u>	<u><u>\$ 116,786</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 91,674	\$ (27,054)	\$ 81,414
Depreciation and amortization	125,952	12,084	220,190
Other post employment benefits	11,356	918	19,856
Other revenues	571	1,077	31,516
Other expenses	-	(1,962)	-
Changes in assets and liabilities			
Accounts receivable and prepaids	(1,817)	(777)	(28,704)
Arbitrage rebate	-	-	2,415
Due from other funds	(28)	(26)	-
Due from other governments	-	-	4,511
Inventory and prepaid insurance	639	(44)	(1,151)
Accounts payable	(975)	(444)	48,426
Accrued payroll liabilities	681	83	755
Due to other funds	(602)	-	316
Due to other governments	-	29	-
Advances and deposits	(8,047)	(215)	3,671
Construction and retainages payable	-	-	-
Claims and judgments-workers' compensation	905	(131)	28
Compensated absences	1,373	342	2,457
Pension Obligation payable	2,597	289	3,679
Deferred revenue	-	(931)	-
Other long-term liabilities	-	105	(2,453)
Net cash provided by (used in) operating activities	<u><u>\$ 224,279</u></u>	<u><u>\$ (16,657)</u></u>	<u><u>\$ 386,926</u></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
-	(26,104)	-
-	(50)	-
-	(116)	-
-	(3,239)	-
-	(28)	-
(7,174)	(4,552)	-
-	64,474	-
-	(25,804)	-
-	(43,631)	-
<u>(7,174)</u>	<u>(39,050)</u>	<u>-</u>
5,599	110,037	(302)
-	1,450,830	18,091
<u>\$ 5,599</u>	<u>\$ 1,560,867</u>	<u>\$ 17,789</u>
(4)	13,009	-
17	12,222	-
-	33,501	-
-	38,258	-
4,295	34,932	-
-	(37)	-
<u>\$ 4,308</u>	<u>\$ 131,885</u>	<u>\$ -</u>
\$ (4,139)	\$ 141,895	\$ (1,806)
4,680	362,906	-
-	32,130	-
8,588	41,752	-
-	(1,962)	-
1,523	(29,775)	(2)
-	2,415	-
-	(54)	-
-	4,511	(1,602)
-	(556)	-
(895)	46,112	121
88	1,607	26
-	(286)	-
-	29	1,602
-	(4,591)	10
-	-	-
-	802	260
-	4,172	37
180	6,745	-
-	(931)	104
365	(1,983)	-
<u>\$ 10,390</u>	<u>\$ 604,938</u>	<u>\$ (1,250)</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, 2008
amounts expressed in thousands

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Assets		
Equity in pooled cash and investments	\$ 5,886	\$ 17,141
Investments		
U.S. government and agency securities	46,189	-
Corporate bonds	88,482	-
Other fixed income securities	1,888,289	-
Commingled equity funds	537,365	-
Common and preferred stock	3,137,672	-
Real estate and partnerships	2,286,790	-
Short-term investment funds	226,219	-
Invested securities lending collateral	829,714	-
Receivables, net of allowances		
Accounts receivable	26,365	121
Contributions	5,007	-
Accrued interest and other	436,415	-
Other Assets	52,707	-
Land	483	-
Building	6,916	-
Total assets	<u>9,574,499</u>	<u>17,262</u>
Liabilities		
Accounts payable	101,885	17,129
Advances and deposits	-	133
Security lending collateral	829,714	-
Foreign funds contracts payable	18,772	-
Other liabilities	4,638	-
Total liabilities	<u>955,009</u>	<u>\$ 17,262</u>
Net assets		
Held in trust for pension benefits and other purposes	<u>\$ 8,619,490</u>	

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

CITY OF HOUSTON, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
PENSION TRUST FUNDS
For the Year Ended June 30, 2008
amounts expressed in thousands

	2008
Additions	
Contributions:	
City of Houston	\$ 190,323
Plan members	72,610
Total Contributions	262,933
Investment earnings	
Interest and dividends	245,769
Net decrease in the fair value of investments	(69,593)
Total investment earnings	176,176
Less investment expense	(55,321)
Net investment earnings	120,855
Total additions	383,788
Deductions	
Benefits	414,695
Refund of contributions	2,607
Administrative expense	17,341
Total deductions	434,643
Change in net assets	(50,855)
Total net assets, July 1	8,670,345
Total net assets, June 30	\$ 8,619,490

* 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, 2008

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CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008



CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

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

*Houston Area Water Corporation
611 Walker, Suite 2100
Houston, TX 77002*

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.

Reporting Fund: Business Type, Non-Major

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

**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.

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

Discretely Reported Component Units	Brief Description of Activities, Relationship to City, and Key Inclusion Criteria
<p><i>City Park Redevelopment Authority</i> <i>c/o Hawes Hill Calderon LLP</i> <i>P.O. Box 22167</i> <i>Houston, Texas 77227</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the City Park Tax Increment Reinvestment Zone Board in the redevelopment of a neighborhood northwest of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by the City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. In addition, there is a fiscal dependence on the City.</p>
<p><i>East Downtown Redevelopment Authority</i> <i>c/o Hawes Hill Calderon LLP</i> <i>P.O. Box 22167</i> <i>Houston, Texas 77227</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the East Downtown Tax Increment Zone Board in the redevelopment of a blighted neighborhood east of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. In addition, there is a fiscal dependence on the City.</p>
<p><i>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>c/o Zinetta Burney, General Counsel</i> <i>Burney & Foreman</i> <i>5445 Almeda Suite 400</i> <i>Houston, Texas 77004</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Fourth Ward Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood adjacent to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. The City has investment authority for the Zone's assets.</p>
<p><i>Greater Greenspoint Redevelopment Authority</i> <i>16945 Northchase Dr, Suite 1900</i> <i>Houston, Texas 77060</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Greater Greenspoint Tax Increment Reinvestment Zone Board in the redevelopment of the Greenspoint Mall and blighted adjacent neighborhood in North Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will.</p>
<p><i>Greater Houston Convention and Visitors Bureau</i> <i>901 Bagby, Suite 1005</i> <i>Houston, Texas 77002</i></p>	<p>A non-profit organization established in 1963 and funded by both private sector memberships and a portion of the hotel bed tax. Their mission is to improve the economy of Greater Houston by attracting conventions, tourists, film projects and international government officials to the area through sales and marketing efforts. The City has financial accountability because it must approve the members of the board of directors and a financial benefit/burden relationship exists, allowing the City to impose its will. In addition, there is a fiscal dependence on the City.</p>
<p><i>Gulfgate Redevelopment Authority</i> <i>c/o Knudson & Associates</i> <i>8588 Katy Freeway, Suite 441</i> <i>Houston, Texas 77024</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Gulfgate Tax Increment Reinvestment Zone Board in the redevelopment of the Gulfgate Mall and blighted adjacent neighborhood southeast of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists allowing the City to impose its will.</p>

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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>HALAN – Houston Area Library Automated Network Board</i> <i>Houston Central Library</i> <i>500 McKinney</i> <i>Houston, TX 77002</i></p>	<p>Provides review and guidance to the operation, funding and development of the Houston Area Library Automated Network, which provides library services to Houston and surrounding communities. Three members are appointed by City Council, two by the County, and one elected by the smaller libraries. The City does not appoint a voting majority, but is financially accountable for this organization because HALAN is fiscally dependent on the City for all revenues, allowing the City the ability to impose its will.</p>
<p><i>Houston Arts Alliance</i> <i>3201 Allen Parkway, Suite 250</i> <i>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.</i> <i>5330 Griggs Road</i> <i>Houston, Texas 77021</i></p>	<p>A non-profit organization established by the City of Houston in 1986, providing loans and management counseling to small and emerging businesses, and encouraging the expansion of commercial and industrial enterprises. The City has financial accountability because the voting majority of the board members are appointed by City Council and the operations provide financial benefits to the City. Its primary source of funding is through community Development Block Grants and there is the potential that exclusion would result in misleading financial reporting.</p>
<p><i>Houston Downtown Park Corporation</i> <i>2217 Welch</i> <i>Houston, TX 77019</i></p>	<p>Local government corporation created by the City in 2004 in accordance with Chapter 431 of the Texas Transportation Corporation Act to aid and act on behalf of the City to accomplish the City's governmental purpose of providing for the acquisition, development, operation, and maintenance of a new public park, open space and related amenities and facilities to provide recreational, educational and tourism opportunities within, and beautification of the Central Business District of the City. Additionally, the corporation maintains an enterprise fund to account for the activities of the Discovery Green Parking Garage. Board members are appointed by the City and a financial benefit/burden relationship exists, allowing the City to impose its will. There is the potential that exclusion would result in misleading financial reporting.</p>
<p><i>Houston Parks Board</i> <i>2001 Kirby Dr., Suite 814</i> <i>Houston, Texas 77019</i></p>	<p>Solicits and manages funds raised privately for park acquisitions and 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)</i> <i>Houston Central Library</i> <i>500 McKinney</i> <i>Houston, TX 77002</i></p>	<p>Solicits and manages funds raised privately for library improvements. Advises the Mayor and City Council on additions and improvements to the library system that provide a direct benefit to the City. Board members are nominated by the Mayor and confirmed by City Council, allowing the City to impose its will. There is a potential that exclusion would result in misleading financial reporting.</p>
<p><i>Lamar Terrace Public Improvement District</i> <i>City of Houston</i> <i>Box 1562</i> <i>Houston, Texas 77251</i></p>	<p>Special district organized under state statute to redevelop a blighted neighborhood in Southwest Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City, allowing the City to impose its will.</p>
<p><i>Land Assemblage Redevelopment Authority</i> <i>City of Houston</i> <i>Box 1562</i> <i>Houston, Texas 77251</i></p>	<p>The Land Assemblage Redevelopment Authority (LARA) is a 13-member board appointed by the Mayor, City Council, Harris County and the Houston Independent School District. The LARA Authority is organized for the purpose of aiding, assisting and acting on behalf of the City in the performance of its governmental functions to promote the common good and general welfare of the City and in undertaking and completing one or more projects, as may be defined or determined by the City Council of the City. The City has financial accountability because the voting majority of the board members are nominated by City Council, allowing the City to impose its will, and the operations provide financial benefits to the City.</p>

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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>Main Street Market Square Redevelopment Authority 909 Fannin St., Suite 1650 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 c/o Knudson & Associates 8588 Katy Freeway, Suite 441 Houston, Texas 77024</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Memorial City Tax Increment Reinvestment Zone Board in the redevelopment of the Memorial City Mall and Town & Country Mall areas, west of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><i>Memorial-Heights Redevelopment Authority c/o Knudson & Associates 12 Greenway Plaza, Suite 1500 Houston, Texas 77046-1287</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 3401 Louisiana, Suite 355 Bienville Building 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. P.O. Box 6627 Houston, Texas 77266-6627</i></p>	<p>Miller Theatre Advisory Board, Inc. (the Board) is a Texas nonprofit corporation with the primary objective to advance the educational and cultural interests of the people of Houston through a continuing program of artistic, educational, and cultural events at the Miller Outdoor Theatre which is owned by the City of Houston. This is accomplished by various artistic and performing groups providing programs at the Theatre supported by grants awarded by the Board. The City has financial accountability because the directors are appointed by the mayor of the City of Houston and approved by City Council, and its primary source of funding is from Hotel Occupancy taxes which the Board receives from the City through the Houston Arts Alliance.</p>
<p><i>Old Sixth Ward Redevelopment Authority c/o Parke Patterson Consultants, Inc. P.O. Box 994 Sugar Land, Texas 77487</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Old Sixth Ward Tax Increment Reinvestment Zone Board in the redevelopment of a neighborhood adjacent to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council, the operations provide financial benefits to the City, the City has investment authority for the Zone's assets.</p>
<p><i>OST/Almeda Corridors Redevelopment Authority 5445 Almeda Suite 502 Houston, Texas 77004</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the OST/Almeda Corridors Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood south of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><i>Saint George Place Redevelopment Authority c/o Hawes Hill Calderon LLP P.O. Box 22167 Houston, Texas 77227-2167</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the St. George Place Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood in southwest Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council. The operations provide financial benefits to the City and the City has investment authority for the Zone's assets.</p>

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<u>Discretely Reported Component Units</u>	<u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u>
<p><i>Sharpstown Economic Development Authority</i> <i>c/o Hawes, Hill & Associates</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 manage and administer the Sharpstown Public Improvement District (the "PID"), created under Chapter 372 of the Local Government Code. The City has financial accountability because the voting majority of the board members are nominated by City Council, allowing the City to impose its will, and the operations provide financial benefits to the City.</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.

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

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

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

Fund Accounting

1. The City reports the following major governmental funds:

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

2. The City reports the following major enterprise funds:

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

3. The City reports the following additional funds:

- (a) **Nonmajor Special Revenue Funds** - are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.
- (b) **Nonmajor Enterprise Fund - HAWC** - is used to account for the cost to provide treated, potable water to the City of Houston for sale to customers. **Parking Management** - This is a new fund 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 based on the first-in, first-out inventory method.

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 2008, the capitalized interest cost for the Airport System Facilities was \$12.1 million, Combined Utility System Fund was \$18.6 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 five years, employees receive 15 days. The amount of vacation time gradually increases after that, reaching a maximum of 25 days per year after 18 years of service. Employees may accumulate up to 90 days of vacation leave (45 days for employees hired after December 31, 1999). Upon termination or retirement, employees are paid for unused vacation leave based on the average rate of pay during the employee's highest paid 60 days of employment. Part-time employees (those working less than 30 hours per week) are not eligible for vacation leave benefits. Firefighters accrue 15 to 22 days of vacation annually, based upon years of service. Police officers participate in a paid time off program that combines sick and vacation leave. Officers enter the program upon completion of their probationary period and then accrue 15 to 40 days annually, based upon years of service.

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

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

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.

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I. New Accounting Pronouncements

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

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

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

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.

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, 2008, were (in thousands):

Unamortized bond issuance cost	\$	17,128
Section 108		15,060
Deferred revenue		79,546
		\$ 111,734
Internal Service Fund total assets	\$	17,790
Internal Service Fund liabilities		(11,050)
Cumulative asset resulting from undercharging the enterprise funds		591
		\$ 7,331
Bonds, notes, and capital lease payable	\$	(3,074,229)
Arbitrage rebate payable		(242)
Accrued interest		(49,571)
Compensated absences not reported at the fund level		(397,065)
Claims and judgments not reported at the fund level		(130,657)
Net pension obligation (liabilities less assets)		(561,765)
Other post employment benefits		(239,622)
		\$ (4,453,151)

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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, 2008 were (in thousands):

Debt issued:	
Public Improvement Bonds	\$ 219,660
Certificates of Obligations	8,575
Pension Obligations	51,549
Commercial paper	343,000
Premium/Discount on bonds	9,004
Capital appreciation bonds accretion	373
	<u>\$ 632,161</u>
Repayments:	
Refunded commercial paper	\$ (177,800)
Refunded bonds	(51,030)
Deferred Electricity Note	(1,426)
Principal payments	(198,357)
	<u>\$ (428,613)</u>
Amortization of:	
Deferred gain	\$ 2,248
Premium	(6,390)
Net adjustment	<u>\$ 199,406</u>

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

Property taxes earned but not available	\$ 30,362
Ambulance fees earned but not available	2,676
Fines and forfeits earned but not available	6,329
Other (primarily assessments) earned but not available	40,179
Total revenue not reported at fund level	<u>\$ 79,546</u>
Property taxes for prior periods	\$ (31,415)
Ambulance fees for prior periods	(1,144)
Fines and forfeits for prior periods	(2,555)
Other (primarily assessments) for prior periods	(62,648)
Total revenue for prior period transactions	<u>\$ (97,762)</u>
Interest on long-term debt	\$ 3,908
Municipal Employees pension	(15,102)
Police Officers' pension	(66,522)
Firefighters' pension	(12,717)
Claims and judgments	(8,799)
Debt issuance costs	1,926
Amortization of debt issuance costs	(1,184)
Compensated absences	(23,374)
Other liabilities	373
Other post employment benefits	(239,622)
Decrease in other receivables	1,407
Total differences in accrued expenses	<u>\$ (359,706)</u>

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Note 3: Deposits and Investments

A. Deposits

At June 30, 2008 the carrying amount of the City's deposits was (\$17,103,929). The City's bank balance is the sum of three accounts which total \$54,556,514. The three accounts that comprise this balance are described by the following:

Accounts	Ledger	Collected
Concentration	\$ 38,860,197	\$ 15,000,000
Section 108	374,229	374,229
JPM Money Market Account	15,322,088	15,322,088
Total	\$ 54,556,514	\$ 30,696,317
Mkt Value Collateral	\$ 26,133,078	\$ 26,133,078

The first account is a demand deposit account with JP Morgan Chase bank that as of June 30, 2008 had a City balance of \$38,860,197 and a bank balance of \$15,000,000. The difference between the ledger and collected balance of \$23,860,197 represents checks deposited in this bank account but uncollected by the bank. A Depository Pledge Agreement is in effect by which collateral is pledged by JP Morgan Chase to the City to cover collected balances. The collateral is in the form of high quality fixed income securities, held by a third party. As of June 30, 2008 the collateral had a market value of \$26,133,078. According to the terms of the pledge agreement the City is granted a security interest in the pledged securities. In the event of a default by JP Morgan Chase, the City may sell the pledged securities to satisfy any indebtedness owed to the City by JP Morgan Chase, provided at least 3 business days written notice and opportunity to cure the default is given.

The second account is a demand deposit account with JP Morgan Chase Bank for the City's Housing and Urban Development section 108 account, which had a collected and ledger balance as of June 30, 2008 of \$374,299. This balance was collateralized by the same Depository Pledge Agreement described above.

The third account is a highly rated, SEC registered money market fund. The balance in the money market fund as of June 30, 2008 was \$15,322,088. 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, 2008. As of that date, the City had approximately \$2.3 billion in fixed income investments in four separate investment pools, each serving a specific purpose as described below. All investments are governed by state law and the City's Investment Policy, which dictates the following objectives, in order of priority:

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

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

1. General Investment Pool 9900 (Pool 960)

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

City of Houston Investments As of June 30, 2008	Credit Quality Ratings(1)(2)	Market Value	WAM* (yrs)
U.S. Treasury Notes	n/a	\$ 360,744,951	0.364
Housing and Urban Development Notes	not rated	46,287,909	2.244
Government National Mortgage Association Notes	not rated	1,878,784	0.469
Agency Notes (4)	AAA	940,259,154	2.265
Agency Notes (3) (4)	not rated	212,639,110	0.134
Collateralized Mortgage Obligations (3) (4)	not rated	12,600,893	1.916
Mortgaged Backed Securities (3) (4)	not rated	248,767,919	4.384
Money Market Mutual Fund	AAA	250,489,772	0.085
Municipal Bonds	AAA	81,622,817	1.855
Municipal Bonds	SP-1+/MIG1	20,961,441	0.530
Municipal Bonds	AA	52,792,621	2.155
Municipal Bonds	A	16,139,591	0.055
Total Investments		\$ 2,245,184,962	1.732

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

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

Risk Disclosures:

Interest Rate Risk. In order to ensure the ability of the City to meet obligations and to minimize potential fair value losses arising from rising interest rate environments, the City's investment policy limits this investment portfolio's dollar-weighted average stated maturity to 2.5 years maximum. As of June 30, 2008, this investment portfolio dollar-weighted average stated maturity is 1.732 years. Modified duration for the same period is 1.35. 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 1.35 would experience approximately a 1.35% change in market price for every 100 basis point change in yield.

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Credit Risk: The US Treasury Notes Housing and Urban Development Notes, and the Government National Mortgage Association instruments 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 fund holds were rated AAA. Municipal securities considered short-term securities at time of issue had the highest short-term credit rating of SP-1 or MIG-1.

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, 2008, none of the City's investments in the General Investment Fund 9900 (Pool 960) were subject to custodial credit risk.

Reverse Repurchase Agreements:

From time to time the City participates in reverse repurchase agreements whereby it enters into agreements to sell certain securities with an agreement to repurchase them with interest at a future date. The proceeds of the sale are then invested at a positive spread in high grade commercial paper or money market funds. The purpose of the agreements is to earn incremental income. The City had no reverse repurchase agreements outstanding at June 30-, 2008.

2. Tax Exempt Fund 9901 (Pool 971)

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

City of Houston	Credit Quality	Market	WAM
Investments As of June 30, 2008	Ratings	Value	WAM
Fidelity Tax-Exempt Money Market Mutual Fund	SEC 2a-7 fund	\$17,112,015	<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, 2008, all funds were invested in a SEC registered money market fund that kept a weighted average maturity of less than 990 days. Funds were available on same day notice.

Credit Risk. Due to the nature of municipal bonds (more risk, and less liquidity), the City investment policy limit its 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. 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, 2008 none of the City's investments in the Tax Exempt Fund (Pool 971) were subject to custodial credit 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 and investment needs of the City's Housing and Community Development HUD program cash flows.

City of Houston	Credit Quality	Market	WAM
Investments As of June 30, 2008	Ratings	Value	WAM
U.S. Treasury Bills	NA	\$4,589,073	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 6.0 months maximum. As of June 30, 2008, this investment portfolio's dollar-weighted average stated maturity is 10 days. Modified duration for the same period is 0.045 year.

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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. 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, 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, 2008 none of the City's HUD Pool's investments were subject to custodial credit risk.

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

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

City of Houston Investments As of June 30, 2008	Credit Quality Ratings	Market Value	WAM (yrs)
MBIA Flex Repo	not rated	\$22,197,460	3.173

Risk Disclosures:

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

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

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City of Houston will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not registered in the name of the City, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. As of June 30, 2008, the City's investments that were subject to custodial credit risk were the collateral securities for the MBIA Flex Repo, held by an independent third party custodian (Wells Fargo) with whom the City has a current custodian agreement.

5. Miscellaneous Money Market Accounts

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

City of Houston Investments As of June 30, 2008	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	\$ 6,871,409	< 90 days
JP Morgan US Treasury Securities Money Market Fund: Balances held for auction bonds debt service.	AAA	1,007,991	< 90 days
First American US Treasury Money Market Fund: Balances held for commercial paper debt service.	AAA	426,834	< 90 days
Total Miscellaneous Money Market Funds		<u>\$ 8,306,234</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. 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, 2008 none of the City's investments in the previous noted money market funds were subject to custodial credit risk.

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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, 2008	Credit Quality Ratings	Market Value	WAM (yrs)
Cash and Equivalents	not rated	\$ 61,152	n/a
Fixed Income	not rated	1,759,687	4.13
Equities	n/a	979,350	n/a
Other	n/a	12	n/a
Total Assets		<u>\$ 2,800,201</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. Roughly 4% of the portfolio is allocated to Columbia Short-Term Bond Fund with average maturity of 2.0 years, 9% is allocated to Columbia Strategic Income Fund with an average maturity of 8.7 years, 68% is allocated to Corporate Bonds with maturities less than 5 years, and 33% is allocated to U.S. Agency Bonds with maturities less than 5 years. The weighted average maturity for the fixed income portfolio is approximately 4.13 years, and the weighted average duration is 3.13 years.

Credit Risk. The allocation of assets among various asset classes are set by the board. The Moody's quality rating for the fixed income portfolio are as followed: 46% is rated AAA, 29% is rated AA, 14% 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, 2008 all of the foundation's holdings in the above noted mutual funds, corporate bonds, and common stocks were subject to custodial credit risk.

7. Investments – Houston Area Water Corporation

As of June 30, 2008, the Corporation had the following investments:

<u>Investment</u>	Weighted Average <u>Maturity</u>	<u>Fair value</u>
Wells Fargo Treasury Plus Money Market Fund	4 days	\$ 918,559
JP Morgan U.S. Government Money Market Fund	52 days	<u>1,970,858</u>
		<u>\$ 2,889,417</u>

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. The corporation does not have a deposit policy for custodial credit risk. The Corporation did not have any custodial credit risk as of June 30, 2008.

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.

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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, 2008, are presented by type, as follows:

Short-term investment funds	\$	50,709,924
Government securities		46,189,118
Corporate bonds		88,482,458
Capital stocks		487,616,910
Commingled funds		537,365,408
Real assets		338,905,427
Alternative investments		<u>336,774,854</u>
	\$	<u>1,886,044,099</u>

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

The Custodian shall establish and maintain a custodial account to hold, or direct its agents to hold, for the account of the System all assets that the Board shall from time to time deposit with the Custodian. All 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, 2008, the System’s investments that were not subject to custodial credit risk were the investments in U.S. government securities and corporate bonds as they are registered in the name of the System and held in possession of the Custodian.

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

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

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Representative guidelines by type of investment are as follows:

U.S. equity managers

1. A manager's portfolio shall contain a minimum of twenty-five issues.
2. No more than 5% of the manager's portfolio at market shall be invested in American Depository Receipts.
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, 2008.

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

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

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

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At June 30, 2008, the following table shows the System's investments by type, amount and the effective duration rate calculated using the software Wilshire Axiom.

	<u>Effective Duration</u>	<u>Domestic</u>	<u>International</u>	<u>Fair Value</u>
Collateralized mortgage obligations	6.12	\$ 8,567,670		8,567,670
Convertible bonds	9.82	8,317,513		8,317,513
Corporate bonds	9.84	58,351,072		58,351,072
Corporate bonds	6.35		7,929,239	7,929,239
GNMA/FNMA/FHLMC (Sponsored Agencies)	5.01	30,674,118		30,674,118
Government issues (United States)	6.96	10,090,918		10,090,918
Government issues (International)	10.93		4,158,775	4,158,775
Zero coupon bond	n/a	1,265,307		1,265,307
Misc. receivable (Auto/Credit card)	0.32	767,569		767,569
Other asset backed	<u>3.46</u>	<u>4,286,261</u>	<u>263,134</u>	<u>4,549,395</u>
	<u>6.22</u>	<u>\$ 122,320,428</u>	<u>12,351,148</u>	<u>134,671,576</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.

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at June 30, 2008 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	\$ 7,360,076			4,505,827	516,042		818,476	\$ 13,200,421	9.80%
AA		320,800	959,781			494,650	393,185	2,168,416	1.61%
AA+	5,075		442,696					447,771	0.33%
AA-			1,794,443					1,794,443	1.33%
A			1,378,737				81,249	1,459,986	1.08%
A-			2,052,072				242,002	2,294,074	1.70%
A+			1,706,097		1,825,804			3,531,901	2.62%
BBB			4,803,802					4,803,802	3.57%
BBB-			4,224,944		1,740,072		450,770	6,415,786	4.76%
BBB+			3,248,326				439,741	3,688,067	2.74%
BB		558,038	4,727,482				650,377	5,935,897	4.41%
BB+			4,672,740		76,858		75,845	4,825,443	3.58%
BB-			4,382,334				302,753	4,685,087	3.48%
B		320,854	9,351,092					9,671,946	7.18%
B+		335,125	6,398,924					6,734,049	5.00%
B-		1,356,563	5,645,942					7,002,505	5.20%
Below C	143,223	1,112,156	7,369,680					8,625,059	6.40%
NA	<u>1,059,297</u>	<u>4,313,978</u>	<u>3,121,219</u>	<u>26,168,291</u>		<u>272,919</u>	<u>1,094,998</u>	<u>36,030,702</u>	<u>26.78%</u>
Subtotal	<u>\$ 8,567,671</u>	<u>8,317,514</u>	<u>66,280,311</u>	<u>30,674,118</u>	<u>4,158,776</u>	<u>767,569</u>	<u>4,549,396</u>	<u>123,315,355</u>	<u>91.57%</u>
Total credit risk debt securities								<u>123,315,355</u>	<u>91.57%</u>
U.S. government fixed income securities*								<u>11,356,225</u>	<u>8.43%</u>
Total fixed income securities								<u>\$ 134,671,580</u>	<u>100.00%</u>

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

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

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Each investment manager, through the purchase of units in a commingled investment trust fund or international equity mutual fund, establishes investments in international equities. The System has an indirect exposure to foreign currency fluctuation as of June 30, 2008 as follows:

	<u>Fair Value</u>	<u>Percentage of Holdings</u>
Australian Dollar	\$ 4,731,169	2.4 %
Brazilian Real	1,997,378	1.0 %
Canadian Dollar	22,297,022	11.1 %
Danish Krone	3,392,452	1.7 %
Euro Currency	51,358,787	25.5 %
Hong Kong Dollar	3,449,216	1.7 %
Indonesian Rupiah	3,267,993	1.6 %
Japanese Yen	46,164,938	22.9 %
Malaysian Ringgit	1,113,638	0.6 %
Mexican Peso	1,835,140	0.9 %
New Taiwan Dollar	1,320,537	0.7 %
New Zealand Dollar	1,363,403	0.7 %
Norwegian Krone	6,248,947	3.1 %
Pound Sterling	39,562,664	19.7 %
Singapore Dollar	516,038	0.2 %
South Korean Won	2,146,140	1.1 %
Swedish Krona	2,249,315	1.1 %
Swiss Franc	<u>8,131,638</u>	<u>4.0</u> %
Total securities subject to foreign currency risk	\$ <u>201,146,415</u>	<u>100.0</u> %

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

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

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

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

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

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The fair values of the HFRRF's investments as of June 30, 2008 by type are as follows:

Short-term investment funds	\$ 89,883,727
Fixed Income	954,752,944
Common equity	1,309,360,620
Preferred equity	12,801,872
Alternative investments	142,358,591
Private equity	334,354,229
Real Estate	<u>165,779,034</u>
Total investments	\$ <u>3,009,291,017</u>

Portions of the HFRRF's investments are classified as security investments. A security is a transferable financial instrument that evidences ownership or creditorship. Investments in partnerships and real estate are investments that are evidenced by contracts rather than securities.

Custodial credit risk. For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the HFRRF will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the HFRRF, and are held by either the counterparty or the counterparty's trust department or agent but not in the HFRRF's name. At June 30, 2008, the HFRRF's security investments that were not subject to custodial credit risk were the investments not registered on an exchange.

Concentration of credit risk. The allocation of assets among various asset classes is set by the HFRRF Board with the objective of optimizing the investment return of the HFRRF within framework of acceptable risk and diversification. For major asset classes (e.g., domestic equities, international equities, fixed income, alternative investments, private equity and real estate), the HFRRF 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 HFRRF's investment staff, legal counsel, and investment manager and shall be incorporated into the Investment Management Services Contract executed by the Chair of the Investment Committee, Executive Director and the investment manager.
2. In case of conflict between the specific manager guidelines and the general guidelines, the specific guidelines, as approved by the Investment Committee, shall supersede. The general guidelines are as follows:
 - a. Manager investment philosophy, style, and strategy shall remain consistent and shall not change without the Investment Committee's approval. The manager shall have discretion to manage the portfolio consistent with the style presented to the Investment Committee at the time of selection and further subject to the restrictions established by the policy herein.
 - b. The following transactions are prohibited: short sales, selling on margin, put and call options, and the use of derivatives for speculation unless authorized by the Investment Committee.
 - c. Transactions that involve a broker acting as a principal, where such broker is also affiliated with the manager who is making the transaction are prohibited, unless specifically approved by the Investment Committee.
 - d. Transactions shall be executed at competitive costs, or within the parameters established for directed brokerage transactions by the Investment Committee.
 - e. Managers shall maintain cash levels consistent with their style as presented to the Investment Committee at the time of selection. Any deviation shall be allowed only after notifying the Chief Investment Officer and Executive Director and should be related to unusual market conditions. The maximum cash level to be held by each manager will be addressed in the Investment Management or other binding agreement as is appropriate for the investment.

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3. The Investment Committee with the assistance from the HFRRF staff shall monitor each investment manager's performance and adherence to style, strategy, and manager specific guidelines. It is the Investment Committee's discretion to take corrective action by replacing an investment manager if they deem it appropriate at any time.

Alternative and real estate investments

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 HFRRF staff shall monitor each Alternative and Real Estate manager's performance and adherence to strategy and manager specific guidelines. It is the Investment Committee's discretion to take corrective action by replacing an investment manager if they deem it feasible and appropriate at any time. Alternative and Real Estate investment manager retention is governed in most cases by Limited Partnership Agreements, Limited Liability Company Agreements, or other binding agreements. In these cases, the Investment Committee with assistance from the HFRRF staff shall identify available options as allowed by the governing documents and determine the impact and consequences of these options.

As of June 30, 2008, the HFRRF Fund's investments had no single holdings in excess of 5% of HFRRF net assets. As of June 30, 2007, the Fund's investment of \$193,175,604 in an individual U.S. Treasury Bond exceeded 5% of HFRRF net assets.

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Interest rate risk is the greatest risk faced by an investor in the fixed income market. The price of a fixed income security typically moves in the opposite direction of the change in interest rates. The weighted average maturity expresses investment time horizons (when the investment come due and payable) in years, weighted to reflect the dollar size of individual investments within the investment type. The HFRRF 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, 2008, the following table shows the HFRRF's investments by type, with weighted average maturity and fair value:

	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
Asset Backed Securities	8.02	\$ 102,612,612
Consumer Discretionary	5.17	1,877,625
Corporate Debt	17.25	584,017,009
Energy	0.09	1,965,850
Financials	21.59	1,739,140
U.S. Government Issues	5.24	26,688,251
Healthcare	4.69	11,379,275
Industrials	0.09	70,570
Information Technology	2.02	3,681,731
Multinational Fixed Income	0.00	96,761
Non-U.S. Corporate	4.69	56,196,679
Non-U.S. FHLM/FNMA	0.64	5,907,576
Non-U.S. Government issues	3.89	39,984,095
Telecommunication Services	1.79	4,444,481
TIPS (Treasury Inflation Protected)	9.03	5,186,383
U.S. Convertibles	9.91	3,845,669
U.S. Fixed Income Funds	0.00	3,319,285
U.S. Private Placements	16.39	98,620,409
U.S. Taxable Muni Bonds	37.95	2,495,043
Utilities	0.37	<u>624,500</u>
Total fixed income securities		\$ <u>954,752,944</u>

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

The HFRRF's exposure to investment credit risk in fixed income securities as of June 30, 2008 is as follows:

<u>Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Holdings</u>
Agency	5,907,576	0.20 %
A1	94,589,819	3.14 %
A2	116,451,188	3.86 %
A3	109,638,775	3.64 %
AA1	32,404,398	1.08 %
AA2	16,452,293	0.55 %
AA3	97,538,656	3.24 %
AAA	158,287,362	5.25 %
B1	28,805,555	0.96 %
B2	20,439,080	0.68 %
B3	16,952,143	0.56 %
Ba1	19,934,638	0.66 %
Ba2	12,032,818	0.40 %
Ba3	19,487,995	0.65 %
Baa1	32,672,493	1.08 %
Baa2	41,812,253	1.39 %
Baa3	51,509,348	1.71 %
C	1,412,140	0.05 %
Caa1	13,091,498	0.43 %
Caa2	9,428,762	0.31 %
Caa3	3,106,394	0.10 %
Rating not available	<u>20,923,126</u>	<u>0.69 %</u>
Total credit risk debt securities*	\$ <u>922,878,310</u>	<u>30.63 %</u>

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

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Foreign currency risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Realized and unrealized gains and losses on investments which result from changes in foreign currency exchange rates have been included in the net appreciation in fair value of investments. The HFRRF'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 HFRRF's exposure to foreign currency fluctuation as of June as of June 30, 2008 is as follows:

	<u>Fair Value</u>	<u>Percentage of Holdings</u>
EURO Currency	\$ 157,017,156	5.21 %
British Pound Sterling	94,981,641	3.15 %
Japanese Yen	74,323,972	2.47 %
Swiss Franc	55,984,586	1.86 %
Canadian Dollar	32,860,853	1.09 %
Australian Dollar	30,897,887	1.03 %
Singapore Dollar	20,482,341	0.68 %
Brazil Real	17,427,273	0.58 %
Norwegian Krone	13,825,913	0.46 %
Mexican New Peso	11,818,493	0.39 %
Hong Kong Dollar	11,100,002	0.37 %
Thailand Baht	10,036,192	0.33 %
New Zealand Dollar	9,832,019	0.33 %
Indonesian Rupian	9,185,359	0.30 %
South Korean Won	7,975,074	0.26 %
Iceland Krona	6,411,715	0.21 %
Danish Krone	5,036,284	0.17 %
New Taiwan Dollar	4,772,503	0.16 %
Czech Moruna	3,104,554	0.10 %
Swedish Krona	2,328,319	0.08 %
South African Comm Rand	2,154,166	0.07 %
Israeli Shekel	2,053,178	0.07 %
Egyptian Pound	1,271,596	0.04 %
New Turkish Lira	887,030	0.03 %
Chinese Yuan Renminbi	3,236	0.00 %
Hungarian Forint	<u>161</u>	<u>0.00 %</u>
Total securities subject to foreign currency risk	\$ <u>585,771,503</u>	<u>19.44</u>

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

Summary of Significant Accounting Policies

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

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

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

Federal Income Tax. A favorable determination that the HPOP System is qualified and exempt from Federal income taxes was received May 26, 2006. The HPOP's 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 HPOP 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 HPOP System's net assets during the reporting period and, when applicable, disclosures of the contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

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

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the HPOP System's deposits may not be returned to them. The HPOP System considers only demand deposits as cash. As of June 30, 2008, the HPOP System had a balance of \$123 thousand on deposit at a financial institution. The Federal Depository Insurance Corporation (FDIC) covered cash on deposit up to \$100 thousand at the financial institution. As of June 30, 2008, \$23 thousand of the HPOP System's bank balance of \$123 thousand was exposed to custodial credit risk. Subsequent to June 30, 2008, the federal government passed legislation that increases FDIC coverage to \$250 thousand per account at this financial institution. In addition, at June 30, 2008, the HPOP System has approximately \$6,417 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, 2008, the System's fixed income assets that are not government guaranteed represented 64.7% of the HPOP System's fixed income portfolio. The below tables summarize the HPOP System's fixed income portfolio exposure levels and credit qualities.

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

<u>Fixed Income Security Type</u>	<u>Market Value June 30, 2007</u>	<u>Percent of All Fixed Income Assets</u>	<u>Weighted Average Credit Quality</u>
Corporate Bonds	\$ 99,604	10.7%	B
International			
Government Bonds	81,876	8.8%	AA
Mutual Bond Funds	377,601	40.4%	Not Rated
Bank Loans	44,513	4.8%	
Non-Government Backed C.M.O.'s	7	0.0%	
Total	<u>\$ 603,601</u>	<u>64.7%</u>	

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Ratings Dispersion Detail
(000's)

Credit Rating Level	Corporate Bonds	International Government Bonds	Mutual Bond Funds	Bank Loans	Non-Government Backed C.M.O.s
AAA	\$ 549	\$ 31,345	\$ -	\$ -	7
AA	-	34,359	-	-	-
A	1,268	14,261	-	-	-
BBB	1,585	-	-	-	-
BB	34,902	-	-	6,326	-
B	44,576	-	-	15,119	-
CCC	8,409	-	-	-	-
CC	192	-	-	-	-
C	196	-	-	-	-
D	109	-	-	-	-
Not Rated	7,818	1,911	377,601	23,068	-
Total	<u>\$ 99,604</u>	<u>\$ 81,876</u>	<u>\$ 377,601</u>	<u>\$ 44,513</u>	<u>7</u>

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

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

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

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributable to the magnitude of the HPOP System's investment in a single issue. The HPOP System's operational guidelines for each specific portfolio limits investments in any one single domestic equity issue to 15% of each portfolio at market value and for any one single international equity issue to 5% of the HPOP System's investments. For fixed income investments, the HPOP System's policy limits, by each specific portfolio, investment in any one single fixed income security to 10% of each portfolio at market value. As of June 30, 2008, the HPOP System did not have any investments in any one organization which represented greater than 5% of plan net assets.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the HPOP System's financial instruments. This risk is managed within the portfolio using the modified duration methodology. It is widely used in the management of fixed income portfolios and estimates the sensitivity of a bond's price to interest rate changes. All of the HPOP System's fixed income portfolios are managed in accordance with guidelines that are specific as to the degree of interest rate risk taken. The reporting of modified duration found in the tables below quantifies the interest rate risk of the HPOP System's fixed income investments. Interest rate risks associated with derivative instruments are found in the derivatives disclosures of these notes.

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

Fixed Income Security Type	Market Value June 30, 2008	% of All Fixed Income Assets	Weighted Average Modified Duration (years)
US Treasuries	\$ 329,935	35.3%	15.2
Corporate Bonds	99,604	10.7%	4.7
International			
Government Bonds	81,876	8.8%	6.4
Mutual Bond Funds	377,601	40.4%	5.0
Bank Loans	44,513	4.8%	0.0
Non-Government Backed C.M.O.'s	7	0.0%	0.2
Total	\$ 933,536	100.0%	8.4

**Modified Duration Analysis - Corporate Bonds, International Government Bonds,
Bank Loans and Non-Government Backed C.M.O.'s (\$000's)**

	Market Value June 30, 2008	Average Modified Duration	Contribution Modified Duration
Corporate Bonds			
Less than 1 year to maturity	\$ 1,277	0.7	0.0
1 to 10 years maturities	92,704	4.5	4.2
10 to 20 years maturities	4,810	8.5	0.4
Greater than 20 years maturities	813	10.0	0.1
Total	\$ 99,604		4.7
International Government Bonds			
Less than 1 year to maturity	\$ 299	1.1	0.0
1 to 10 years maturities	56,001	3.5	2.4
10 to 20 years maturities	11,113	11.3	1.5
Greater than 20 years maturities	14,463	14.0	2.5
Total	\$ 81,876		6.4
Bank Loans			
Less than 1 year to maturity	\$ 485	0.0	0.0
1 to 10 years maturities	44,028	0.0	0.0
Total	\$ 44,513		0.0
Non-Government Backed C.M.O.'s			
Greater than 20 years maturities	7	0.2	0.2
Total	\$ 7		0.2

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

The HPOP System's exposure to foreign currency risk in U.S. dollars as of June 30, 2008, is shown in the table below:

Currency	Foreign Currency Exposure by Asset Class					
	(\$000's)					
	Short Term		Fixed	Alternative	Options on	
	Investments	Equities	Income	Investments	Foreign	Total
					Currencies	
Australian dollar	\$ (38)	\$ -	\$ -	\$ -	\$ -	\$ (38)
British pound sterling	2	64,770	5,323	-	(5,307)	64,788
Canadian dollar	21	4,646	1,615	-	(1,615)	4,667
Danish krone	-	-	950	-	(953)	(3)
Euro	483	125,098	37,482	18,765	(37,569)	144,259
Hong Kong dollar	-	2,052	-	-	-	2,052
Japanese yen	169	91,372	36,976	-	(37,023)	91,494
New Zealand dollar	-	1,475	-	-	-	1,475
Norwegian krone	-	2,113	-	-	-	2,113
South Korean won	-	3,453	-	-	55	3,508
Swedish krona	55	9,346	401	-	(459)	9,343
Swiss franc	612	13,441	-	-	-	14,053
	<u>\$ 1,304</u>	<u>\$ 317,766</u>	<u>\$ 82,747</u>	<u>\$ 18,765</u>	<u>\$ (82,871)</u>	<u>\$ 337,711</u>

Securities Lending Program – The Board of Trustees' policies permit the HPOP System to lend securities (domestic and international equities and fixed income) to securities firms on a temporary basis through its custodian bank. The HPOP System receives fees for all loans and retains the right to all interest and dividend payments while the securities are on loan. Cash, letters of credit or various government securities having market values equal to or exceeding 102 and 105 percent of the value of the loaned securities for domestic and international securities, respectively, collateralize all security loan agreements. Whenever market value of the securities on loan changes, the borrower must adjust the collateral accordingly. At June 30, 2008, the HPOP System had no credit risk exposure to borrowers because the amounts the System owes the borrowers, \$496,426 thousand, exceeds the amounts the borrowers owe the System, \$358,938 thousand, as shown in the table below.

		<u>Fair Value (\$000's)</u>
<i>June 30, 2008</i>		
Investments held by System's agent in		
System's name:		
Short-term investments	\$	85,625
Fixed income		666,252
Equities		1,236,238
Alternative investments		968,618
Foreign currency contracts		-
Securities lending collateral		
investment pool		<u>496,426</u>
	\$	<u>3,453,159</u>
Investments held by brokers under		
Securities loans with cash collateral:		
Fixed income	\$	267,284
Equities		<u>91,654</u>
	\$	<u>358,938</u>

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The HPOP System's bank pools all collateral received from securities lending transactions and invests any cash collateral. The HPOP System holds an undivided share of the collateral provided by the borrowers of the securities. At June 30, 2008 the weighted-average maturity of the collateral pool was 54 days. The relationship between the maturities of the collateral pool and the HPOP System's loans has not been determined. Cash collateral invested in the custodian bank collateral pool at June 30, 2008 was \$368,008 thousand. The balance of the collateral at June 30, 2008 was \$128,418 thousand, and consists of treasury securities and letters of credit.

The HPOP System cannot sell or pledge the collateral unless the borrower fails to return the securities borrowed. The market value of securities on loan at June 30, 2008 was \$483,249 thousand.

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

These derivative instruments are subject to the following risks:

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

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

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

The average futures balance outstanding, not including foreign currency contracts, during the fiscal year ending June 30, 2008 was \$103,745 thousand. Futures outstanding, not including foreign currency contracts at June 30, 2008 was \$131,156 thousand.

The contract or notional amounts of these instruments reflect the extent of the HPOP System's involvement in each class of financial instrument as of June 30, 2008 as follows (*in thousands*):

Description	Contract	Notional Value	Exposure
Futures on Treasury Bills and Equivalents	7	\$ 4,208	\$ (33)
Commodity Futures	20	82,634	82,634
Equity Futures	4	48,834	(1,964)
Fixed Income Futures	12	55,204	209
Long foreign currency contracts	80	180,893	638
Short foreign currency contracts	80	(181,205)	(951)
Total		\$ 190,568	\$ 80,533

CITY OF HOUSTON, TEXAS
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Alternative Investments – As of June 30, 2008 the HPOP System was invested in various partnerships, separate accounts and commingled funds across various types of alternative investments as detailed in the following chart (\$000's).

Investment Type	Fair Value (\$000's)
	2008
<i>Private Equity</i>	
Leveraged Buyouts	\$ 111,459
Special Situations	99,656
Venture Capital	77,407
<i>Other Alternatives</i>	
Hedge Funds	236,114
Real Estate	4,415
Structured Beta	356,627
Commodities	82,940
	\$ 968,618

Note 4: Allowance for Doubtful Accounts

The following were the allowances for doubtful accounts receivable by fund as of June 30, 2008 (000's):

Fund	Amount
General	
Uncollectible general property taxes	\$ 50,382
Ambulance charges	272,821
Fines and forfeits	28,817
Demolition liens	76,928
Others	4,231
Grant revenue	37,324
Airport System	1,984
Convention and Entertainment Facilities	
Accounts receivable	674
Hotel occupancy tax	174
Combined Utility System	94,405
	\$ 567,740

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 2007 tax year was \$0.643750 per \$100 of assessed value with \$0.461975 for operations and \$0.181775 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.

CITY OF HOUSTON, TEXAS
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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, 2008 follows (in thousands):

	Balance July 1, 2007	Additions	Retirements	Transfers	Balance June 30, 2008
Primary Government					
Capital assets not being depreciated:					
Land	\$ 298,507	\$ 6,070	\$ (13)	\$ 22,731	\$ 327,295
Right of way	1,689,296	8,535	(2,089)	6,016	1,701,758
Construction Work in Progress	376,904	309,795	-	(273,086)	413,613
Total capital assets not being depreciated	<u>2,364,707</u>	<u>324,400</u>	<u>(2,102)</u>	<u>(244,339)</u>	<u>2,442,666</u>
Other capital assets:					
Buildings	641,426	371	(2,944)	53,874	692,727
Improvements and Equipment	674,927	44,038	(22,681)	6,734	703,018
Infrastructure	4,915,169	7,794	(2,730)	175,386	5,095,619
Total other capital assets	<u>6,231,522</u>	<u>52,203</u>	<u>(28,355)</u>	<u>235,994</u>	<u>6,491,364</u>
Less accumulated depreciation for:					
Buildings	(194,658)	(15,804)	624	821	(209,017)
Improvements and Equipment	(443,781)	(41,652)	22,152	561	(462,720)
Infrastructure	(2,094,836)	(110,174)	2,062	-	(2,202,948)
Total accumulated depreciation	<u>(2,733,275)</u>	<u>(167,630)</u>	<u>24,838</u>	<u>1,382</u>	<u>(2,874,685)</u>
Other capital assets, net	<u>3,498,247</u>	<u>(115,427)</u>	<u>(3,517)</u>	<u>237,376</u>	<u>3,616,679</u>
Primary Government capital assets, net	<u>\$ 5,862,954</u>	<u>\$ 208,973</u>	<u>\$ (5,619)</u>	<u>\$ (6,963)</u>	<u>\$ 6,059,345</u>

CITY OF HOUSTON, TEXAS
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B. Business-type Activities

	Balance July 1, 2007	Additions	Retirements	Transfers	Balance June 30, 2008
Airport System					
Capital assets not being depreciated:					
Land	\$ 202,214	\$ -	\$ -	\$ 5,225	\$ 207,439
Construction Work in Progress	302,189	141,457	-	(207,556)	236,090
Total capital assets not being depreciated	<u>504,403</u>	<u>141,457</u>	<u>-</u>	<u>(202,331)</u>	<u>443,529</u>
Other capital assets:					
Buildings	1,807,690	7,329	-	65,790	1,880,809
Improvements and equipment	1,719,672	5,572	(942)	136,541	1,860,843
Total other capital assets	<u>3,527,362</u>	<u>12,901</u>	<u>(942)</u>	<u>202,331</u>	<u>3,741,652</u>
Less accumulated depreciation for:					
Buildings	(433,461)	(63,516)	-	-	(496,977)
Improvements and equipment	(769,575)	(62,435)	905	-	(831,105)
Total accumulated depreciation	<u>(1,203,036)</u>	<u>(125,951)</u>	<u>905</u>	<u>-</u>	<u>(1,328,082)</u>
Other capital assets, net	<u>2,324,326</u>	<u>(113,050)</u>	<u>(37)</u>	<u>202,331</u>	<u>2,413,570</u>
Airport System capital assets, net	<u>2,828,729</u>	<u>28,407</u>	<u>(37)</u>	<u>-</u>	<u>2,857,099</u>
Convention and Entertainment Facilities					
Capital assets not being depreciated:					
Land	99,757	-	-	-	99,757
Construction Work in Progress	753	1,699	-	(603)	1,849
Total capital assets not being depreciated	<u>100,510</u>	<u>1,699</u>	<u>-</u>	<u>(603)</u>	<u>101,606</u>
Other capital assets:					
Buildings	444,788	266	-	2,218	447,272
Garage Rights	13,144	-	-	-	13,144
Improvements and equipment	7,979	889	(26)	100	8,942
Infrastructure	110	-	-	-	110
Total other capital assets	<u>466,021</u>	<u>1,155</u>	<u>(26)</u>	<u>2,318</u>	<u>469,468</u>
Less accumulated depreciation/amortization for:					
Buildings	(138,320)	(11,304)	-	(645)	(150,269)
Garage Rights	(1,224)	(353)	-	-	(1,577)
Improvements and equipment	(5,394)	(423)	26	(189)	(5,980)
Infrastructure	(9)	(4)	-	-	(13)
Total accumulated depreciation/amortization	<u>(144,947)</u>	<u>(12,084)</u>	<u>26</u>	<u>(834)</u>	<u>(157,839)</u>
Other capital assets, net	<u>321,074</u>	<u>(10,929)</u>	<u>-</u>	<u>1,484</u>	<u>311,629</u>
Convention and Entertainment Facilities capital assets, net	<u>421,584</u>	<u>(9,230)</u>	<u>-</u>	<u>881</u>	<u>413,235</u>

CITY OF HOUSTON, TEXAS
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	Balance July 1, 2007	Additions	Retirements	Transfers	Balance June 30, 2008
Combined Utility System					
Capital assets not being depreciated:					
Land	101,371	12,141	(2,006)	3,972	115,478
Construction Work in Progress	507,292	359,868	-	(453,550)	413,610
Total capital assets not being depreciated	<u>608,663</u>	<u>372,009</u>	<u>(2,006)</u>	<u>(449,578)</u>	<u>529,088</u>
Other capital assets:					
Buildings	97,657	8	(5,592)	3,234	95,307
Improvements and equipment	101,076	9,482	(3,236)	2,050	109,372
Infrastructure	7,619,503	25,077	(66,051)	475,265	8,053,794
Water Rights	456,915	-	-	-	456,915
Total other capital assets	<u>8,275,151</u>	<u>34,567</u>	<u>(74,879)</u>	<u>480,549</u>	<u>8,715,388</u>
Less accumulated depreciation/amortization for:					
Buildings	(43,047)	(2,861)	4,072	-	(41,836)
Improvements and equipment	(66,632)	(6,499)	3,112	(263)	(70,282)
Infrastructure	(3,674,862)	(199,352)	43,408	(1,681)	(3,832,487)
Water Rights	(254,320)	(11,432)	-	-	(265,752)
Total accumulated depreciation/amortization	<u>(4,038,861)</u>	<u>(220,144)</u>	<u>50,592</u>	<u>(1,944)</u>	<u>(4,210,357)</u>
Other capital assets, net	<u>4,236,290</u>	<u>(185,577)</u>	<u>(24,287)</u>	<u>478,605</u>	<u>4,505,031</u>
Combined Utility System capital assets, net	<u>4,844,953</u>	<u>186,432</u>	<u>(26,293)</u>	<u>29,027</u>	<u>5,034,119</u>
Combining Non-Major Enterprise Funds					
Capital assets not being depreciated:					
Land	2,856	-	-	(2,856)	-
Construction Work in Progress	213	257	-	-	470
Total capital assets not being depreciated	<u>3,069</u>	<u>257</u>	<u>-</u>	<u>(2,856)</u>	<u>470</u>
Other capital assets:					
Buildings and Improvements	24,817	44	-	(5,112)	19,749
Equipment	-	132	-	470	602
Plants and Lines	138,439	-	-	(16,844)	121,595
Total other capital assets	<u>163,256</u>	<u>176</u>	<u>-</u>	<u>(21,486)</u>	<u>141,946</u>
Less accumulated depreciation for:					
Buildings and Improvements	(762)	(439)	-	-	(1,201)
Equipment	-	(12)	-	(284)	(296)
Plants and Lines	(7,902)	(4,229)	-	1,680	(10,451)
Total accumulated depreciation	<u>(8,664)</u>	<u>(4,680)</u>	<u>-</u>	<u>1,396</u>	<u>(11,948)</u>
Other capital assets, net	<u>154,592</u>	<u>(4,504)</u>	<u>-</u>	<u>(20,090)</u>	<u>129,998</u>
Combining Non-Major Enterprise Funds, net	<u>157,661</u>	<u>(4,247)</u>	<u>-</u>	<u>(22,946)</u>	<u>130,468</u>
Business-type activities capital assets, net	<u>\$ 8,252,927</u>	<u>\$ 201,362</u>	<u>\$ (26,330)</u>	<u>\$ 6,962</u>	<u>\$ 8,434,921</u>

Included in the transfers are assets of \$1,787 thousand contributed to the Combined Utility System Fund, \$881 to the Convention & Entertainment Facility Fund, and \$4,295 to the Parking Management Fund from the General Fund.

CITY OF HOUSTON, TEXAS
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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	\$ 7,175
Public safety	25,055
Public works	12,039
Health	2,689
Housing	378
Parks and recreation	8,273
Library	1,847
Infrastructure	110,174
Total depreciation expense - governmental activities	<u>\$ 167,630</u>
Business-type activities	
Airport System	\$ 125,951
Convention & Entertainment Facilities	12,084
Combined Utility System	219,938
Nonmajor Business-type	4,636
Total depreciation expense - business-type activities	<u>\$ 362,609</u>

D. Pension Trust Funds

In February 1998, the Firefighters' Relief and Retirement Fund purchased land in the amount of \$483,325 for use in the construction of a new office building for its operations and its members. In April of 2001, the construction of the new building was completed. The building cost of \$9,140,824 is being depreciated over 30 years. The accumulated depreciation for the building as of June 30, 2008 amounted to \$2,225,090.

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, 2007	Issued	Redeemed	Balance June 30, 2008
Tax and revenue				
Anticipation notes	\$ -	\$ 115,000	\$ 115,000	\$ -

On July 2, 2007, the City closed on the sale of \$115,000,000 Tax and Revenue Anticipation Notes ("TRANS"), Series 2007. The proceeds of the TRANS were used to pay working capital expenditures until tax revenues were received. The stated interest rate was 4.5%, and the average yield was 3.70%. The notes matured on June 30, 2008.

CITY OF HOUSTON, TEXAS
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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, 2008 are summarized as follows (in thousands):

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Balance June 30, 2008</u>	<u>Amounts Due within One Year</u>
Governmental Activities					
Bonds and notes payable					
General tax obligation debt	\$ 2,782,083	\$ 622,784	\$ (422,041)	\$ 2,982,826	\$ 174,868
Accretions, net	2,113	373	(6)	2,480	-
HUD Section 108 Loans	20,200	-	(5,140)	15,060	1,745
Deferred charges for electricity	2,941	-	(1,426)	1,515	1,515
Plus premium on bonds	86,580	9,004	(6,390)	89,194	-
Less deferred amount on refundings	(18,829)	-	2,248	(16,581)	-
Total bonds and notes payable	<u>2,875,088</u>	<u>632,161</u>	<u>(432,755)</u>	<u>3,074,494</u>	<u>178,128</u>
Other liabilities:					
Claims and judgments	133,390	26,053	(17,074)	142,369	21,313
Compensated absences	376,962	111,865	(88,514)	400,313	130,852
Arbitrage rebate	179	78	(15)	242	-
Other Post Retirement Benefit liability	-	285,715	(46,093)	239,622	-
Pension liability	467,422	263,412	(169,069)	561,765	-
Total other liabilities	<u>977,953</u>	<u>687,123</u>	<u>(320,765)</u>	<u>1,344,311</u>	<u>152,165</u>
Governmental Activities Long-Term Liabilities	<u>\$ 3,853,041</u>	<u>\$ 1,319,284</u>	<u>\$ (753,520)</u>	<u>\$ 4,418,805</u>	<u>\$ 330,293</u>
Discretely Presented Component Units:					
Notes payable	\$ 340,187	\$ 18,934	\$ (20,213)	\$ 338,908	\$ 15,640
Revenue bonds	141,848	10,000	(5,763)	146,085	5,940
Discretely Presented Component Units Long-Term Liabilities	<u>\$ 482,035</u>	<u>\$ 28,934</u>	<u>\$ (25,976)</u>	<u>\$ 484,993</u>	<u>\$ 21,580</u>

(Continued)

CITY OF HOUSTON, TEXAS
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June 30, 2008

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Balance June 30, 2008</u>	<u>Amounts Due within One Year</u>
Business-type activities					
Bonds and notes payable					
Airport System debt	\$ 2,302,986	\$ 329,670	\$ (336,845)	\$ 2,295,811	\$ 46,930
Convention and Entertainment debt	618,264	8,300	(17,540)	609,024	18,620
Combined Utility System debt	4,819,076	2,215,275	(1,907,263)	5,127,088	37,683
Deferred charges for electricity	7,518	-	(3,642)	3,876	3,876
Houston Area Water Corporation	125,410	-	(125,410)	-	-
Long-term contracts - Combined Utility	230,008	-	(21,567)	208,441	18,255
Premiums, discounts and deferred amount on refundings	96,385	61,684	(24,428)	133,641	-
Total bonds and notes payable	<u>8,199,647</u>	<u>2,614,929</u>	<u>(2,436,695)</u>	<u>8,377,881</u>	<u>125,364</u>
Other liabilities:					
Claims and judgments	6,914	3,319	(2,517)	7,716	2,517
Compensated absences	26,926	23,149	(18,797)	31,278	12,194
Arbitrage rebate	2,662	2,520	-	5,182	-
OPEB liability	-	40,803	(8,384)	32,419	-
Pension liability	75,006	29,555	(22,912)	81,649	-
Deferred Revenue	168,722	116,475	-	285,197	-
Total other liabilities	<u>280,230</u>	<u>215,821</u>	<u>(52,610)</u>	<u>443,441</u>	<u>14,711</u>
Business-type activities					
Long-Term Liabilities	<u>\$ 8,479,877</u>	<u>\$ 2,830,750</u>	<u>\$ (2,489,305)</u>	<u>\$ 8,821,322</u>	<u>\$ 140,075</u>
Total Reporting Entity					
Long-Term Liabilities	<u>\$ 12,814,953</u>	<u>\$ 4,178,968</u>	<u>\$ (3,268,801)</u>	<u>\$ 13,725,120</u>	<u>\$ 491,948</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 7/1/2007	FY08 Issued/ Increased
General Tax Obligation Debt			
Public improvement bonds	3.00 to 5.75	1,760,090	219,660
Pension obligations	3.35 to 8.50	420,656	51,549
Commercial paper	1.81 to 10.00	521,100	343,000
Tax and revenue certificates of obligation	3.00 to 6.00	80,237	8,575
Deferred Electricity Note	5.26	2,941	-
Total General Tax Obligation Debt		\$ 2,785,024	\$ 622,784
HUD Section 108 Loans		\$ 20,200	\$ -
Revenue Bonded Debt			
Airport System Bonds			
Subordinate lien refunding revenue bonds	1.78 to 6.00	\$ 2,117,820	\$ 298,670
Senior lien commercial paper	1.91 to 10.00	95,000	31,000
Inferior lien contractual obligation	5.38 to 5.50	53,360	-
Pension obligations	5.31 to 8.50	36,806	-
Deferred Electricity Note	5.26	1,961	-
		2,304,947	329,670
Convention and Entertainment Facilities			
Senior lien hotel occupancy tax/parking facilities	3.22 to 5.75	579,275	-
Hotel and parking revenue commercial paper	1.94 to 10.00	35,500	8,300
Pension obligations	5.31 to 8.50	3,489	-
Deferred Electricity Note	5.26	494	-
		618,758	8,300
Combined Utility System			
Combined Utility System first lien bonds	1.96 to 5.40	3,537,080	1,995,275
Water and Sewer System junior lien revenue bond	1.00 to 6.90	786,814	-
Combined Utility System commercial paper	1.98 to 10.00	440,200	220,000
Pension obligations	5.31 to 8.50	54,982	-
Deferred Electricity Note	5.26	5,063	-
		4,824,139	2,215,275
Houston Area Water Corporation	--	125,410	-
Long-Term Contracts-Water and Sewer System			
Coastal Water Authority	2.50 to 7.50	204,115	-
Trinity River Authority	--	2,000	-
Other long term contracts	3.22 to 5.87	23,893	-
		230,008	-
Total Revenue Bonded Debt and Long-Term Contracts, Primary Government		\$ 8,103,262	\$ 2,553,245
Total Bonds and Long-Term Contracts Payable, Primary Government		\$ 10,908,486	\$ 3,176,029

(Continued)

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

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FY08	Face Value	Adjustments⁽¹⁾	Net Outstanding
Redeemed/Refunded	Outstanding 6/30/08		6/30/2008
181,600	1,798,150	70,353	1,868,503
-	472,205	-	472,205
238,150	625,950	-	625,950
2,291	86,521	4,742	91,263
1,426	1,515	-	1,515
<u>\$ 423,467</u>	<u>\$ 2,984,341</u>	<u>\$ 75,095</u>	<u>\$ 3,059,436</u>
<u>\$ 5,140</u>	<u>\$ 15,060</u>	<u>\$ -</u>	<u>\$ 15,060</u>
\$ 290,185	\$ 2,126,305	\$ (32,135)	\$ 2,094,170
43,000	83,000	-	83,000
3,660	49,700	-	49,700
-	36,806	-	36,806
950	1,011	-	1,011
<u>337,795</u>	<u>2,296,822</u>	<u>(32,135)</u>	<u>2,264,687</u>
17,540	561,735	62,824	624,559
-	43,800	-	43,800
-	3,489	-	3,489
239	255	-	255
<u>17,779</u>	<u>609,279</u>	<u>62,824</u>	<u>672,103</u>
1,386,950	4,145,405	(66,189)	4,079,216
16,613	770,201	166,566	936,767
503,700	156,500	-	156,500
-	54,982	-	54,982
2,453	2,610	-	2,610
<u>1,909,716</u>	<u>5,129,698</u>	<u>100,377</u>	<u>5,230,075</u>
125,410	-	-	-
19,470	184,645	(1,804)	182,841
2,000	-	-	-
97	23,796	4,379	28,175
<u>21,567</u>	<u>208,441</u>	<u>2,575</u>	<u>211,016</u>
<u>\$ 2,412,267</u>	<u>\$ 8,244,240</u>	<u>\$ 133,641</u>	<u>\$ 8,377,881</u>
<u>\$ 2,840,874</u>	<u>\$ 11,243,641</u>	<u>\$ 208,736</u>	<u>\$ 11,452,377</u>

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

1. Public Improvement Bonds

The City has issued Public Improvement Bonds on numerous occasions. The bonds are payable from ad valorem tax revenues. The proceeds are used for street and bridge improvements, traffic signals, municipal buildings, parks, and other capital improvements. Interest is payable semi-annually; principal is payable in various amounts annually through March 1, 2037.

2. Pension Obligation Bonds

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

3. General Obligation Swap Agreements

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

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

Terms. The notional principal value of the swap is \$200,000,000, with the underlying bonds being various maturities of PIBS issued between 1998 and 2005. The City pays an amount equal to 5% plus the tax-exempt market standard SIFMA 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 SIFMA 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, 2008 the swap created synthetic variable-rate exposure as follows:

	TERMS	RATE (%)
Variable rate payment to counterparty	Fixed Rate	5.000
	SIFMA/0.667	2.927
	-LIBOR	(3.017)
	-Constant	<u>(0.675)</u>
Net payment to counterparty		4.235
Receipt from counterparty	Fixed	<u>(5.000)</u>
Net interest rate swap payment/(receipt)		(0.765)
Fixed rate bond coupon payments		<u>5.128</u>
Synthetic variable interest rate on bonds		<u>4.363</u>

Fair value. The fair value of the swap was \$1,800,000 as of June 30, 2008. The value was calculated using the zero coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These net payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

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

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Interest rate risk. The City has an exposure to interest rate risk because it is paying a variable rate on the swap. However, this risk is mitigated because the payment formula has a SIFMA-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 SIFMA 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 SIFMA 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 \$1,377,000 during fiscal year 2008. As of June 30, 2008, assuming current interest rates, the City will receive swap payments as reported in Note 8D. Because rates vary, variable rate bond interest payments and net swap receipts or payments will vary. Related debt service payments on the underlying Public Improvement Bonds are included in Note 8D with other City Public Improvement Bonds.

4. General Obligation Commercial Paper

The City currently may issue Commercial Paper Notes ("Notes") under its \$500 million General Obligation Commercial Paper Program Series D, its \$180 million General Obligation Commercial Paper Program Series E-1, its \$145 million General Obligation Commercial Paper Program Series E-2 Program, its \$139.5 million General Obligation Commercial Paper Program Series F, and its \$276 million General Obligation Commercial Paper Program Series G. General Obligation Commercial Paper Notes Series A and Series B were discontinued on December 4, 2006 when all outstanding Notes for those series were refunded. The Notes may be issued for a period not to exceed 270 days and will bear interest based upon the specified term of the Notes, but not to exceed 10%. Principal on the Notes is payable from ad valorem tax revenue, the issuance of new commercial paper, bond proceeds and other funds provided under credit lines. Interest is payable as the Notes mature from ad valorem tax revenue collected by the City. Proceeds from the Notes are used to finance various capital projects and public improvements for authorized City purposes. Upon maturity, the Notes will be remarketed by the commercial paper dealers or extinguished with long-term debt.

During fiscal year 2008 the average interest rate for the General Obligation Notes, including dealer and credit fees, was 2.53%. The average year-end rate, including fees, was 1.81%. The Credit Agreements expire on the following dates: Series D on May 25, 2010, Series E-1 on April 29, 2011, Series E-2 on April 29, 2011, Series F on May 25, 2010, and Series G on November 15, 2011.

5. Certificates of Obligation

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

6. HUD Section 108 Loan

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

7. Airport System Revenue Bonds

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

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

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

8. Airport System 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 \$49,700,000, 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 2008 the average interest rate for the Airport System Notes, including dealer and credit fees, was 2.88%. The average year-end rate, including fees, was 1.91%.

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.

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 \$83,000,000, \$2,126,305,000 and \$49,700,000, 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 \$256,113,000 in Fiscal Year 2008, covering principal of \$45,996,000 and interest of \$111,623,000. In addition to pledged airport system revenue, grants and passenger facility charges totaling \$28,022,000 were available to cover debt service in Fiscal Year 2008, making the ratio of net pledged revenue to reduced debt service cost 198%.

10. Convention and Entertainment Facilities Bonds

These bonds are special limited obligations of the City that are paid from a lien on the pledged receipts of the Hotel Occupancy Tax (HOT), revenues collected from six City-owned parking facilities, and rebates of certain taxes derived from operation of the Convention Center Hotel and Parking Garage. Proceeds of the bonds were used to refund the Series 1995 Senior Lien Hotel Occupancy Tax Revenue Bonds and commercial paper notes and to fund expansion of the George R. Brown Convention Center, a new convention center hotel, and a 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. Pledged revenues consisted of \$53.4 million generated from \$944 million of taxable hotel rentals, related penalties and interest; \$9.8 million of parking revenues; and \$6.4 million of tax rebates. Revenues are pledged to bonds until their final maturity in September 2033. In FY08, pledged revenues of \$69.6 million were used to pay principal and interest requirements of \$41.5 million. 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%.

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The City has obtained a debt service reserve insurance policy for the Senior Lien Hotel Occupancy Tax Revenue Bonds. In addition to purchasing the surety policy, the City funded a cash reserve to ensure payment of the 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%.

11. Convention and Entertainment Hotel and Parking Revenue Commercial Paper

Hotel Occupancy Tax and Parking Revenue Commercial Paper Notes Series A have been authorized for \$75 million to finance the costs of site acquisition, construction, and improvements for convention center facilities. The notes are issued as subordinate lien debt. The maturity of the Notes may not exceed 270 days and the maximum interest rate may not exceed 10%. Upon maturity, the Notes will be remarketed by the commercial paper dealer or extinguished with long-term debt. The Notes are collateralized by a Letter of Credit that expires on January 16, 2011. During fiscal year 2008 the average interest rate for the Notes, including fees, was 2.80%. The average rate in effect at year-end was 1.94%.

12. Combined Utility System First Lien Revenue Bonds

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

The Combined Utility System Revenue Refunding Bonds, Series 2004B and 2004C, were initially issued as 7-day, 28-day, and 35-day 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 securities. The remainder of the 2004C auction rate securities were converted to put bonds that mature on May 15, 2011.

13. 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 2008 the average interest rate for the Notes, including credit and dealer fees, was 2.47%. The rate in effect at year-end was 1.984%.

14. Combined Utility System Synthetic Fixed Rate Swap Agreements

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

Objective. The objective of the swaps is to hedge against the potential of rising interest rates in conjunction with the City's Combined Utility System 2004B auction rate variable interest bonds ("2004B Bonds") and to achieve a lower fixed rate than the market rate for traditional fixed rate debt at time of issuance of the 2004B Bonds. 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.

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, 2008, the effective rate on the 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%	1.4234
	+ Constant	<u>0.3700</u>
Swap receipt		1.7934
Fixed rate paid to counterparties	Fixed	<u>(3.7784)</u>
Net rate (paid)/received for swap		(1.9850)
Average variable rate on 2004B bonds, year end		(1.5483)
Plus remarketing and liquidity fees on 2004B bonds		<u>(0.4150)</u>
Effective rate of 2004B bonds		<u>(3.9483)</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 \$50,700,000 on June 30, 2008. 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, 2008, the City was not exposed to credit risk because the swaps had a negative fair value. However, should interest rates increase and the fair value of the swap become positive, the City would be exposed to credit risk on the swap in the amount of its fair value. The City's swap policy generally requires that swap counterparties be rated double-A or better by at least one nationally recognized rating agency. As of June 30, 2008, the ratings of the three swap counterparties all met this standard (see below). Also, under the agreements, if a counterparty's credit rating falls below double-A, collateral must be posted in varying amounts depending on the credit rating. No collateral has been required to date.

<u>COUNTERPARTY</u>	<u>Notional</u> <u>Amount</u>	<u>Fair Value</u>	<u>Counterparty</u> <u>Credit Rating</u> <u>(Moody's /S&P /Fitch)</u>
Goldman Sachs Capital Markets	\$ 353,325,000	\$ (2,501,000)	Aa3 /AA- /AA-
Bear Stearns Financial Products	150,000,000	(1,061,000)	Aaa/AAA/--
UBS AG	<u>150,000,000</u>	<u>(1,061,000)</u>	Aa1 /AA- /AA-
TOTAL	<u>\$ 653,325,000</u>	<u>\$ (4,623,000)</u>	

Basis risk. The City is exposed to basis risk on the swaps because the variable payment received is based on an index other than SIFMA. Should the relationship between LIBOR and SIFMA move to convergence (because of reductions in tax rates, for example), the expected cost savings may not be realized. The City has issued tax-exempt variable rate bonds with an average rate of 1.55% (not including remarketing agent and liquidity fees) as of June 30, 2008, whereas the associated LIBOR-based rate of the swap was 1.79%. For the fiscal year, the average rate paid on the auction rate bonds was 3.89%, and the average rate for the swap receipts was 2.81%.

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

Remarketing risk. The City faces a risk that the remarketing agent will not be able to sell the variable rate demand 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, 2008, debt service requirements for the swap agreements are reported in Note 8D, assuming current interest rates remain the same. As rates vary, variable rate bond interest payments and net swap payments will vary. Expected debt service payments on the associated Combined Utility System 2004B bonds are included with other Combined Utility System Bonds on Note 8D.

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15. Combined Utility System Forward Interest Rate Swap

Combined Utility System Forward Starting Swap. On November 1, 2005 the City entered into a forward interest rate swap transaction with 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 Bonds (“the 2008A Bonds”) and to achieve a lower fixed rate than the market rate for traditional fixed rate debt. This swap was originally assigned to \$249.1 million of the 2004C auction rate bonds, which were refunded by the 2008A variable rate demand bonds in May 2008. 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.

At June 30, 2008, the effective rate on the bonds associated with the swap was computed as follows:

	<u>Terms</u>	Rate (%) Received (Paid)
Variable rate payment from counterparties	LIBOR x .70	1.7299
Fixed rate paid to counterparties	Fixed	<u>(3.7610)</u>
Net rate (Paid)/received for swap		(2.0311)
Average variable rate on 2008A bonds, year end		(1.5500)
Plus remarketing and liquidity fees on 2008A bonds		<u>(0.4450)</u>
Effective rate of 2008A bonds		<u>(4.0261)</u>

Fair value. The swap had a fair value of \$10,300,000 on June 30, 2008. 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, 2008, the City was exposed to credit risk because the swaps had a negative fair value. However, should interest rates increase and the fair value of 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. As of June 30, 2008, RBC met this requirement with ratings of Aaa/AA-/AA. Also, under the agreements, if a counterparty’s credit rating falls below double-A, collateral must be posted in varying amounts depending on the credit rating. No collateral has been required to date.

Basis risk. The City will be exposed to basis risk on the swap because the variable payment received is based on an index that is not tax-exempt. Should the relationship between LIBOR and SIFMA move to convergence (because of reductions in tax rates, for example), the expected cost savings may not be realized. At June 30, 2008, the interest rate in effect for the underlying variable rate demand bonds was 1.55%, while the rate in effect for the swap receipts was 1.73%.

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, 2008, 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 2004C bonds are included with other Combined Utility System Bonds on Note 8D.

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16. Combined Utility System Constant Maturity Swap

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

Objective. This swap essentially trades receipts on the forward rate lock with RBC for receipts based on a longer index. The objective of the swap is to minimize interest expense associated with the 2004C-2 Bonds. The City's goal is that over time, as the yield curve returns to its normal ascending slope, receipts from this swap will exceed the payments made on the swap.

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

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

Receipts and Payments. Through June 30, 2008, revenue earned on the constant maturity swap was \$580,000.

Fair value. As a result of changes in the swap yield curve, the estimated fair value of the swap at June 30, 2008 was positive \$3,600,000. The amount was calculated using the zero-coupon method.

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

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

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

Swap payments and associated debt. As of June 30, 2008, debt service requirements for the swap agreements are reported assuming current interest rates remain the same. As rates vary, variable rate bond interest payments and net swap payments will vary. Expected debt service payments on the associated Combined Utility System 2004C bonds are included with other Combined Utility System Bonds on Note 8D.

17. Water and Sewer System Junior Lien Revenue Bonds

These bonds are paid solely from a lien on the net water and sewer system revenues, which must total 110% of the current debt service requirements on the junior lien bonds. As part of the restructuring to the new Combined Utility System, the City refunded a substantial portion of the outstanding junior lien bonds on June 10, 2004 and reissued bonds as Combined Utility System bonds. Debt service payments on remaining Water and Sewer Junior Lien Revenue Bonds will be made after payment of operating expenses and prior to any debt service payments on the Combined Utility System bonds. The final maturity date for the remaining junior lien bonds is December 1, 2028.

18. Coastal Water Authority ("CWA")

The contract payable relating to CWA represents the outstanding principal balance of \$101,785,000 at June 30, 2008 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 \$82,860,000 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.

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19. Trinity River Authority (“TRA”)

Pursuant to a contract with TRA, a governmental agency of the State of Texas, the City had endorsed bonds associated solely with the project to finance construction of a dam and reservoir on the Trinity River near Livingston, Texas and was unconditionally obligated to pay from the gross operating revenues of the City’s water system maintenance and operating expense of the reservoir and amounts necessary to restore any deficiencies in funds required to be accumulated under the TRA bond resolutions.

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

20. Houston Area Water Corporation (“HAWC”)

The HAWC Series 2002 Bonds were special obligations of the City that were issued to provide financing for the acquisition of rights-of-way and real property interests, and the design, construction and equipping of the Northeast Water Purification Plant and a water conveyance system. The HAWC Bonds were refunded with proceeds of the Combined Utility System Revenue Refunding bonds, Series 2007B, issued on July 17, 2007.

21. Other Contracts

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

In April 2000 the City, Brazos River Authority (“BRA”), and the Texas Water Development Board (“TWDB”) entered into an agreement to develop the Allen’s Creek water supply reservoir in Fort Bend County as a regional water supply. TWDB committed to provide up to \$20,000,000, or up to 50% of funding, to provide for construction of the project. The City and BRA agreed to purchase TWDB’s ownership share in future years. In 2004 the TWDB paid \$14 million for site acquisition for the project. The City will purchase TWDB’s share. Interest payments on the lease-purchase began in 2005 at an average rate of 5.85%. Interest costs over the first eight years will be partially deferred to later years. Principal payments will begin in 2022, and the final principal payment will be made in 2036.

22. Deferred Electrical Charges

On February 27, 2006 the City entered into an agreement with its electricity provider, the Texas General Land Office, that changed the City’s pricing formula to allow certain electricity expenses to be deferred. The City opted to defer \$15,000,000 at that time. At June 30, 2008 the remaining deferred charges totaled \$5,391,000 distributed over the governmental and the enterprise funds as reported in Note 8A. The deferred amounts will be paid in monthly increments according to formula adjustments through June 2009, or the City may pay the remaining balance at any time. The payments will be paid from the operating funds that originally incurred the charges.

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

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

Year Ending June 30	Public Improvement Bonds		General Obligation Swap Agreements		Pension Obligation Bonds	
	Principal	Interest	Payment Receipts		Principal	Interest
2009	\$ 133,880	\$ 91,013	\$ (1,530)		\$ 35,050	\$ 32,919
2010	133,785	84,242	(1,530)		-	31,716
2011	131,765	77,516	(1,530)		547	31,716
2012	125,640	70,793	(1,530)		1,164	31,645
2013	118,665	64,500	(1,530)		-	-
2014-2018	565,055	234,125	(7,416)		18,779	154,973
2019-2023	391,260	107,902	(2,984)		24,904	145,127
2024-2028	142,725	27,974	(154)		2,332	138,493
2029-2033	30,670	11,149	-		56,047	135,182
2034-2038	24,705	2,798	-		333,381	61,070
Total	<u>\$ 1,798,150</u>	<u>\$ 772,012</u>	<u>\$ (18,204)</u>		<u>\$ 472,204</u>	<u>\$ 762,841</u>

Year Ending June 30	General Obligation Commercial Paper		Tax and Revenue Certificates of Obligation		Deferred Electricity Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ -	\$ 11,346	\$ 5,938	\$ 4,343	\$ 1,515	\$ 80
2010	443,950	10,579	6,440	3,684	-	-
2011	159,000	2,623	6,523	6,161	-	-
2012	23,000	154	6,250	3,269	-	-
2013	-	-	11,095	2,984	-	-
2014-2018	-	-	15,835	10,925	-	-
2019-2023	-	-	19,065	6,684	-	-
2024-2028	-	-	15,375	1,969	-	-
2029-2033	-	-	-	-	-	-
2034-2038	-	-	-	-	-	-
Total	<u>\$ 625,950</u>	<u>\$ 24,702</u>	<u>\$ 86,521</u>	<u>\$ 40,019</u>	<u>\$ 1,515</u>	<u>\$ 80</u>

Year Ending June 30	Total Future Requirements			
	Principal	Interest	Swaps (Receipts)	Total Future Requirements
2009	\$ 176,383	\$ 139,701	\$ (1,530)	\$ 314,554
2010	584,175	130,221	(1,530)	712,866
2011	297,835	118,016	(1,530)	414,321
2012	156,054	105,861	(1,530)	260,385
2013	129,760	67,484	(1,530)	195,714
2014-2018	599,669	400,023	(7,416)	992,276
2019-2023	435,229	259,713	(2,984)	691,958
2024-2028	160,432	168,436	(154)	328,714
2029-2033	86,717	146,331	-	233,048
2034-2038	358,086	63,868	-	421,954
Total	<u>\$ 2,984,340</u>	<u>\$ 1,599,654</u>	<u>\$ (18,204)</u>	<u>\$ 4,565,790</u>

CITY OF HOUSTON, TEXAS
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2. HUD Section 108 Loans (in thousands):

Year Ending June 30	Section 108 Loans		
	Principal	Interest	Total Future Requirements
2009	\$ 1,745	\$ 968	\$ 2,713
2010	1,825	866	2,691
2011	1,700	760	2,460
2012	1,389	659	2,048
2013	1,077	574	1,651
2014-2018	4,019	1,906	5,925
2019-2023	3,305	499	3,804
Total	\$ 15,060	\$ 6,232	\$ 21,292

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

Year Ending June 30	Airport System Revenue Bonds		Airport System Commercial Paper		Airport System Inferior Lien Contract	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 43,050	\$ 104,096	\$ -	\$ 1,588	\$ 3,880	\$ 2,602
2010	40,840	101,814	-	1,588	4,085	2,388
2011	51,885	99,600	83,000	818	4,305	2,163
2012	52,285	96,863	-	-	4,535	1,925
2013	51,240	94,124	-	-	4,780	1,675
2014-2018	316,585	425,163	-	-	28,115	4,031
2019-2023	406,125	333,274	-	-	-	-
2024-2028	523,495	217,302	-	-	-	-
2029-2033	640,800	81,626	-	-	-	-
2034-2038	-	-	-	-	-	-
Total	\$ 2,126,305	\$ 1,553,862	\$ 83,000	\$ 3,994	\$ 49,700	\$ 14,784

Year Ending June 30	Airport System Pension Obligations		Airport System Deferred Electricity Contract	
	Principal	Interest	Principal	Interest
2009	\$ -	\$ 3,064	\$ 1,011	\$ 53
2010	-	3,064	-	-
2011	-	3,064	-	-
2012	-	3,064	-	-
2013	-	3,065	-	-
2014-2018	-	15,323	-	-
2019-2023	-	15,323	-	-
2024-2028	-	15,323	-	-
2029-2033	1,627	15,159	-	-
2034-2038	35,179	3,491	-	-
Total	\$ 36,806	\$ 79,940	\$ 1,011	\$ 53

CITY OF HOUSTON, TEXAS
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Airport System
Total Future Requirements

Principal	Interest	Total Future Requirements
\$ 47,941	\$ 111,403	\$ 159,344
44,925	108,854	153,779
139,190	105,645	244,835
56,820	101,852	158,672
56,020	98,864	154,884
344,700	444,517	789,217
406,125	348,597	754,722
523,495	232,625	756,120
642,427	96,785	739,212
35,179	3,491	38,670
<u>\$ 2,296,822</u>	<u>\$ 1,652,633</u>	<u>\$ 3,949,455</u>

Year Ending June 30	Convention and Entertainment Facilities Revenue Bonds		Convention and Entertainment Facilities Commercial Paper		Convention and Entertainment Pension Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 18,620	\$ 20,114	\$ -	\$ 848	\$ -	\$ 291
2010	21,230	19,052	-	848	-	291
2011	23,260	17,938	43,800	451	-	291
2012	24,835	16,543	-	-	-	291
2013	27,830	15,103	-	-	-	291
2014-2018	116,385	78,444	-	-	-	1,452
2019-2023	94,642	101,295	-	-	-	1,452
2024-2028	98,384	121,335	-	-	-	1,452
2029-2033	112,483	131,108	-	-	153	1,437
2034-2038	24,065	25,808	-	-	3,336	331
Total	<u>\$ 561,734</u>	<u>\$ 546,740</u>	<u>\$ 43,800</u>	<u>\$ 2,147</u>	<u>\$ 3,489</u>	<u>\$ 7,579</u>

Year Ending June 30	Convention and Entertainment Deferred Electricity Contract		Convention and Entertainment Total Future Requirements		
	Principal	Interest	Principal	Interest	Total Future Requirements
2009	\$ 255	\$ 13	\$ 18,875	\$ 21,266	\$ 40,141
2010	-	-	21,230	20,191	41,421
2011	-	-	67,060	18,680	85,740
2012	-	-	24,835	16,834	41,669
2013	-	-	27,830	15,394	43,224
2014-2018	-	-	116,385	79,896	196,281
2019-2023	-	-	94,642	102,747	197,389
2024-2028	-	-	98,384	122,787	221,171
2029-2033	-	-	112,636	132,545	245,181
2034-2038	-	-	27,401	26,139	53,540
Total	<u>\$ 255</u>	<u>\$ 13</u>	<u>\$ 609,278</u>	<u>\$ 556,479</u>	<u>\$ 1,165,757</u>

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Year Ending June 30	Combined Utility System Revenue Bonds		Combined Utility System Swap Agreements		Combined Utility System Commercial Paper	
	Principal	Interest	Net Swap Payment		Principal	Interest
2009	\$ 16,400	\$ 174,827	\$ 14,549	\$ -	\$ -	\$ 3,105
2010	41,665	174,649	14,549	-	-	3,105
2011	43,100	172,560	14,549	-	-	3,105
2012	28,320	170,249	14,549	-	-	3,105
2013	40,940	168,449	14,549	-	-	3,105
2014-2018	434,675	792,587	72,744	156,500	-	7,639
2019-2023	630,390	680,826	72,744	-	-	-
2024-2028	979,940	473,758	72,744	-	-	-
2029-2033	1,316,915	243,666	56,405	-	-	-
2034-2038	613,060	45,009	4,527	-	-	-
Total	\$ 4,145,405	\$ 3,096,580	\$ 351,909	\$ 156,500	\$ 23,164	

Year Ending June 30	Water and Sewer Jr. Lien Revenue Bonds		Combined Utility System Pension Obligations	
	Principal	Interest	Principal	Interest
2009	\$ 21,283	\$ 52,070	\$ -	\$ 4,566
2010	26,022	56,246	-	4,566
2011	30,754	56,415	-	4,565
2012	42,045	65,812	-	4,566
2013	41,523	65,665	-	4,565
2014-2018	307,990	81,432	-	22,828
2019-2023	236,432	71,586	-	22,828
2024-2028	55,721	91,903	-	22,828
2029-2033	8,430	35,664	2,743	22,552
2034-2038	-	-	52,239	5,185
Total	\$ 770,200	\$ 576,793	\$ 54,982	\$ 119,049

Year Ending June 30	Combined Utility System Deferred Electricity Contract		Combined Utility System Total Future Requirements			
	Principal	Interest	Principal	Interest	Net Swap Payment	Total Future Requirements
2009	\$ 2,610	\$ 137	\$ 40,293	\$ 234,705	\$ 14,549	\$ 289,547
2010	-	-	67,687	238,566	14,549	320,802
2011	-	-	73,854	236,645	14,549	325,048
2012	-	-	70,365	243,732	14,549	328,646
2013	-	-	82,463	241,784	14,549	338,796
2014-2018	-	-	899,165	904,486	72,744	1,876,395
2019-2023	-	-	866,822	775,240	72,744	1,714,806
2024-2028	-	-	1,035,661	588,489	72,744	1,696,894
2029-2033	-	-	1,328,088	301,882	56,405	1,686,375
2034-2038	-	-	665,299	50,194	4,527	720,020
Total	\$ 2,610	\$ 137	\$ 5,129,697	\$ 3,815,723	\$ 351,909	\$ 9,297,329

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

Year Ending June 30	Coastal Water Authority Future Requirements		
	Principal	Interest	Total
2009	\$ 18,155	\$ 9,948	\$ 28,103
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
2014-2018	48,950	20,675	69,625
2019-2023	20,730	12,928	33,658
2024-2028	20,870	7,288	28,158
2029-2033	14,345	3,371	17,716
2034-2039	6,740	324	7,064
Total	\$ 184,645	\$ 85,282	\$ 269,927

Year Ending June 30	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
2009	\$ 100	\$ 316	\$ -	\$ 327	\$ 100	\$ 643	\$ 743
2010	103	312	-	450	103	762	865
2011	106	309	-	573	106	882	988
2012	110	306	-	696	110	1,002	1,112
2013	113	302	-	819	113	1,121	1,234
2014-2018	623	1,454	-	6,127	623	7,581	8,204
2019-2023	730	1,347	610	1,497	1,340	2,844	4,184
2024-2028	855	1,221	3,620	3,520	4,475	4,741	9,216
2029-2033	1,002	1,074	4,805	2,335	5,807	3,409	9,216
2034-2038	1,175	902	4,965	750	6,140	1,652	7,792
2039-2043	1,376	700	-	-	1,376	700	2,076
2044-2048	1,613	464	-	-	1,613	464	2,077
2049-2053	1,890	187	-	-	1,890	187	2,077
Total	\$ 9,796	\$ 8,894	\$ 14,000	\$ 17,094	\$ 23,796	\$ 25,988	\$ 49,784

E. Debt Issuances and Refundings

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

Combined Utility System Revenue Refunding Bonds

On July 10, 2007 the City closed the sale of \$392,230,000 of Combined Utility System Revenue Refunding Bonds Series 2007A. The bonds were issued at rates of 4.5% and 5.0% with an average yield of 4.83%. The bonds are due in varying amounts from 2012 to final maturity on November 15, 2036. The proceeds were used to currently refund \$400,200,000 of outstanding Combined Utility System Commercial Paper Notes at fixed rates rather than to achieve present value savings

On July 17, 2007 the City closed the sale of \$123,555,000 of Combined Utility System Revenue Refunding Bonds Series 2007B. The bonds were issued at a rate of 5.0% with an average yield of 4.69%. The bonds are due in varying amounts from 2012 to final maturity on November 15, 2031. The proceeds were used to advance refund all outstanding Houston Area Water Corporation Bonds, Series 2002, and to pay costs of issuance. The transaction resulted in increased cash payments of \$1,440,000, but the net present value savings of the transaction was \$3,542,000 or 2.82%.

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On April 21, 2008 the City closed the sale of \$45,050,000 of Combined Utility System Revenue and Refunding Bonds Series 2008B and \$52,650,000 of Combined Utility System Revenue Refunding Bonds Series 2008C. The bonds were sold to the Texas Water Development Board ("TWDB") in a private placement. The bonds were issued at rates ranging from 0.35% to 4.05% with an average yield of 3.29%. The bonds are due in varying amounts from 2008 through 2037. Proceeds were used to currently refund \$62 million of Combined Utility System Commercial Paper at fixed rates, to fund future projects approved by TWDB, and to pay costs of issuance.

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

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

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

Combined Utility System First Lien Revenue Refunding Bonds Series 2004 Conversions

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

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

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

Airport System Subordinate Lien Revenue Refunding Bonds

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

Taxable Pension Deferred Interest Certificate

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

HUD Loan Defeasance

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

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Public Improvement Refunding Bonds

On December 6, 2007 the City issued \$219,660,000 of Public Improvement Refunding Bonds, Series 2007A, at rates ranging from 4.0 to 5.0%. Average yield was 4.46%. The bonds are due in varying amounts from March 2009 to March 2037. Proceeds were used to advance refund \$47,870,000 of Public Improvement Refunding Bonds Series 1997A; to currently refund \$177,800,000 of General Obligation Commercial Paper Series D, E and F; and to pay costs of issuance. Cash savings on the advanced refunding will be \$2,212,000, and the net present value savings of the transaction was \$1,886,000 or 3.94%. The commercial paper was refunded to lock in fixed rates rather than to achieve present value savings.

General Obligation Certificates of Obligation

On December 6, 2007 the City issued \$8,575,000 Certificates of Obligation, Series 2007B, with a 5.0% interest rate. Average yield was 3.79%. Proceeds will be used to fund the demolition of dangerous buildings within the City and to pay costs of issuance.

Taxable Pension Obligation Bonds

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

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 2008 the City has complied with the requirements of all revenue bond ordinances and related bond restrictions.

G. Voter Authorized Obligations

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

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

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

H. Legal Debt Margin

At June 30, 2008 the City's legal debt limit was 10% of assessed property valuation totaling \$173,824,873. The City's legal debt margin was \$14,304,375.

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 \$9,409,239 for the year ended June 30, 2008. The cost is \$5,037,494 for the General funds, \$1,516,202 for the Grant funds, \$1,435,209 for the Non-Major Governmental funds, \$808,252 for the Combined Utility System funds, \$312,576 for the Airport System funds, \$217,000 for the Capital Projects funds, \$42,945 for the Convention and Entertainment Facilities funds and \$39,561 for the Internal Service funds.

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

<u>Year ended June 30</u>	<u>Operating Lease Payments</u>
2009	\$ 5,257
2010	3,851
2011	3,403
2012	3,045
2013	2,289
2014-2018	992
Total	<u>\$ 18,837</u>

B. City as Lessor

The Convention and Entertainment Facilities department is the lessor of one (1) land lease, Toyota Center Land Lease, with an asset cost of \$20,000,000; five (5) building leases of which all are substantially leased with asset costs of \$117,127,453 and carrying costs of \$72,838,575. Accumulated depreciation on these assets is \$44,288,877. These buildings located in the Theater District are; Houston Center for the Arts, Wortham Theater, Jones Hall Theater, Talento Bilingue and the Downtown Aquarium. All buildings are used for performance and entertainment purposes.

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 \$20,743,916 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 \$3,741,651,798 and carrying costs of \$2,413,570,166. Accumulated depreciation on all these assets is \$1,328,081,632. Minimum guaranteed income on such non-cancelable operating leases is as follows (in thousands):

<u>Year Ended June 30</u>	<u>Operating Leases Minimum Rental Income</u>
2009	\$ 38,569
2010	30,324
2011	28,572
2012	27,914
2013	24,010
2014-2018	112,902
2019-2023	103,449
2024-2028	86,168
2029-2033	23,782
2034-2038	15,017
2039-2043	11,086
2044-2048	395
2049-2053	250
Total	<u>\$ 502,438</u>

The contingent income associated with these non-cancelable operating leases was approximately \$12,088,511 in fiscal year 2008. 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 2008 was approximately \$288,645,392.

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Note 10: Pension Plans

A. Plan Descriptions

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

On November 10, 2004 the City issued a \$300,000,000 collateralized note ("The Collateralized Note") to HMEPS as part of the meet and confer agreement with HMEPS to fund part of the unfunded accrued actuarial liability of its pension plan. The collateralized note bears interest at 8.5% per year unless the rate of adjustment formula based on U.S. Treasury securities maturing in 2003, calls for a higher interest rate. The promissory note from the Houston Hotel Corporation to the City, as well as the related Deed of trust, is pledged as collateral on the collateralized notes. Interest on the collateralized notes may be paid or deferred, at the City's option, up to a maximum of \$150,000,000 plus 75% of the amount by which the appraisal value of the hotel exceeds \$300,000,000. If the interest is deferred, the City will issue uncollateralized deferred interest certificates that may be converted to assignable certificates at the request of HMEPS up to \$150 million, or collateralized deferred interest certificates up to the limit based on the appraisal value of the hotel. The Collateralized Note constitutes a general obligation of the City with an ad valorem tax pledge, but the City may look to other revenue sources available to pay the debt, including the collateral and its proceeds as well as interest deferrals.

B. Actuarially Determined Contribution Requirements and Contributions Made

Historically, the City's funding policies have provided for actuarially determined periodic contributions at rates such that, over time, they will remain level as a percent of payroll, except for the police officers pension system, which has had a statutorily limited level of employer contributions. The contribution rate for normal cost is determined using the entry age normal actuarial cost method. The firefighters' and municipal pension plans use the level percentage of payroll method to amortize the unfunded actuarially accrued liability (or surplus) over 30 years from July 1, 2004 and the police pension uses the level percentage of payroll method to amortize the unfunded actuarially accrued liability over 30 years (constant). (See "Subsequent Events" note on page 114 and 115 for further pension information related to the municipal and police pension funds.)

The reported contributions to the pension funds for the year ended June 30, 2008, were different from the actuarially determined requirements based on July 1, 2007 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	21.5%	5.8%	16.0%
Amortization of unfunded actuarial accrued liability (surplus)	7.9%	13.6%	16.1%
Required employer contribution rate	29.4%	19.4%	32.1%
Employer contribution made	23.9%	15.7%	16.3%
Employee contribution made	9.0%	5.0%	9.0%
 Contribution Amounts (in thousands)			
Net contribution required	\$ 86,742	\$ 114,090	\$ 155,186
Total City contribution	53,981	75,000	63,000
Total employee contribution	20,431	21,176	31,003
Total contribution	\$ 74,412	\$ 96,176	\$ 94,003

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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	\$ 66,311	\$ 92,914	\$ 124,183
Interest on net pension obligation	2,267	22,416	21,424
Adjustment to annual required contribution	(1,879)	(18,585)	(16,084)
Annual pension cost	<u>66,699</u>	<u>96,745</u>	<u>129,523</u>
Contribution made	53,981	75,000	63,000
Change in net pension obligation	(12,718)	(21,745)	(66,523)
Net pension obligation beginning	<u>(26,666)</u>	<u>(263,718)</u>	<u>(252,044)</u>
Net pension obligation end of year	<u><u>\$ (39,384)</u></u>	<u><u>\$ (285,463)</u></u>	<u><u>\$ (318,567)</u></u>

D. Schedule of Funding Progress (in millions)

	Houston Firefighters' Pension	Houston Municipal Employees' Pension	Houston Police Officers' Pension
Actuarial Valuation Date	July 1, 2007	July 1, 2007	July 1, 2007
Actuarial Value of Plan Assets (a)	\$2,633.6	\$2,193.7	\$3,004.9
Actuarial Accrued Liability (AAL) Entry Age (b)	\$2,892.3	\$3,128.7	\$3,857.7
Unfunded AAL (Surplus UAAL) (b - a)	\$258.7	\$935.0	\$852.8
Funded Ratio (a/b)	91%	70%	78%
Projected Annual Covered Payroll (c)	\$232.4	\$448.9	\$336.0
UAAL as Percentage of Covered Payroll ((b - a)/c)	111%	208%	254%

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
2005	\$52.2	62.5%	\$29.7	31.1%
2006	\$90.8	61.9%	(\$4.8)	31.1%
2007	\$74.7	70.8%	(\$26.7)	33.5%
2008	\$66.7	80.9%	(\$39.4)	29.4%

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

Valuation date	July 1, 2007
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
2005	\$129.4	51.1%	\$231.1	29.4%
2006	\$62.2	111.0%	\$224.3	24.1%
2007	\$111.4	64.6%	\$263.7	24.1%
2008	\$96.7	77.5%	\$285.5	19.5%

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

Valuation date	July 1, 2007
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
2005	\$105.9	34.6%	\$125.9	31.2%
2006	\$106.7	49.7%	\$179.4	31.2%
2007	\$130.6	44.4%	\$252.0	34.0%
2008	\$129.5	48.6%	\$318.6	32.1%

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

Valuation date	July 1, 2007
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 \$54,477,067 for the year ended June 30, 2008. Retiree health care is accounted for in the Health Benefits Fund, an Internal Service Fund. At June 30, 2008, there were 8,653 retirees eligible to receive benefits.

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	\$ 326,518
Annual OPEB cost	326,518
Contribution made	(54,477)
Increase in net OPEB obligation	272,041
Net OPEB obligation end of year	\$ 272,041

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Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$326,518	16.7%	\$272,041

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)
2008	\$54.5	\$326.5	\$272.0	16.7%	\$1,090.1	25.0%

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, 2006
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
Discount Rate	4.5%
Annual increase attributable to seniority/merit	3.0% to 12%

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 \$300,000 and approximately \$11,600,000 aggregate bases on enrollment. Premiums paid (employer and subscriber) for current employees to third party administrators totaled \$180,912,419 for the year ended June 30, 2008.

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 \$6,157,628 for the year ended June 30, 2008.

PPO/POS and PPO/OOA		
Schedule of Changes in Liability		
(in thousands)		
	June 30, 2008	June 30, 2007
Beginning actuarial estimate of claims liability, July 1	\$ 937	\$ 971
Incurred claims for fiscal year	9,398	9,784
Payments on claims	(9,483)	(10,034)
Actuarial adjustment	59	216
Ending actuarial estimate of claims liability, June 30	\$ 911	\$ 937

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C. Long-Term Disability Plan

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

Schedule of Changes in Liability		
(in thousands)		
	June 30, 2008	June 30, 2007
Beginning actuarial estimate of claims liability, July 1	\$ 7,783	\$ 7,046
Incurred claims for fiscal year	1,939	1,962
Payments on claims	(805)	(761)
Actuarial adjustment	(657)	(464)
Ending actuarial estimate of claims liability, June 30	\$ 8,260	\$ 7,783

D. Deferred Compensation Plan

The City offers its employees a deferred compensation plan (Plan), created in accordance with Internal Revenue Code Section 457 as a separately administered trust. The Plan, available to all City employees, permits employees to defer a portion of their salary until future years. The deferred compensation funds are not available until termination, retirement, death or unforeseeable emergency. However, the Plan now offers loans to participant employees. The maximum amount is the lesser of \$50,000 or 50% of the total account balance, less any outstanding loans. The minimum loan amount is \$1,000. Pursuant to tax law changes, the Plan's assets are no longer subject to the City's general creditors and are not included in these financial statements.

E. Workers' Compensation Self-Insurance Plan

The City has established a Workers' Compensation Self-Insurance Plan, accounted for within the various operating funds. The plan is administered by Cambridge Integrated Services Group, Inc. Funds are wire transferred to Cambridge as needed to pay claims.

At June 30, 2008 the City has an accumulated liability in the amount of \$78 million covering estimates for approved but unpaid claims and incurred but not reported claims (calculated on an actuarial basis) recorded in the Statement of Net Assets and Enterprise Funds. The amount of liability is based on an actuarial study.

Schedule of Changes in Liability		
(in thousands)		
	June 30, 2008	June 30, 2007
Beginning actuarial estimate of claims liability, July 1	\$ 77,724	\$ 76,020
Incurred claims for fiscal year	15,366	12,965
Payments on claims	(15,094)	(14,082)
Actuarial adjustment	(10)	2,821
Ending actuarial estimate of claims liability, June 30	\$ 77,986	\$ 77,724

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Note 12: Interfund Transactions

A. Transfers

Transfers during the year ended June 30, 2008, were as follows (in thousands):

Transferred from:	Transferred to:								
	General Fund	Nonmajor Governmental Funds	Debt Service	Capital Projects	Combined Utility System	Convention & Entertainment Facilities	Houston Area Water Corporation	Parking Mngt.	Total Transfers Out
General Fund	\$ -	\$ 11,123	\$ 243,855	\$ 92	\$ 1,787	\$ 2,185	\$ -	\$ 4,295	\$ 263,337
Grants Fund	-	561	-	-	-	-	-	-	561
Nonmajor Funds	2,483	-	5,884	287	1,020	-	-	-	9,674
Capital Projects	-	950	61,314	-	-	-	-	-	62,264
Convention and Entertainment	533	-	-	60	-	-	-	-	593
Combined Utility System	-	36,540	25,804	-	-	-	8,823	-	71,167
Parking Management	6,000	1,107	67	-	-	-	-	-	7,174
Total transfers in	<u>\$ 9,016</u>	<u>\$ 50,281</u>	<u>\$ 336,924</u>	<u>\$ 439</u>	<u>\$ 2,807</u>	<u>\$ 2,185</u>	<u>\$ 8,823</u>	<u>\$ 4,295</u>	<u>\$ 414,770</u>

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

The General Fund transferred capital assets valued at \$1,787 thousand to the Combined Utility System Fund, \$881 to the Convention & Entertainment Facility Fund, and \$4,295 to the Parking Management Fund. These transfers are reported as capital contributions by the Combined Utility System, the Convention and Entertainment Facility, and the Parking Management Fund.

B. Transfers to Component Units

Transfers to the Houston Arts Alliance from the Convention and Entertainment Facilities during the year ended June 30, 2008 totaled \$11,910,596.

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 \$52,345,000 for the year ended June 30, 2008, and are recorded as revenue in the General Fund and as expense, expenditure or capital assets in the funds assessed.

Included in the Fiscal Year 2008 total are charges to the funds for direct and indirect expenses as shown below (in thousands):

	Airport System	Convention & Entertainment Facilities	Combined Utility Sytem	Other Funds	Total
General Services	\$ 2,141	\$ 443	\$ 923	\$ 7,443	\$ 10,950
Fire Services	13,418	-	-	-	13,418
Police Services	17,744	-	-	-	17,744
Legal	-	-	1,097	16	1,113
Other	189	217	1,295	7,419	9,120
Total	<u>\$ 33,492</u>	<u>\$ 660</u>	<u>\$ 3,315</u>	<u>\$ 14,878</u>	<u>\$ 52,345</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

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, 2008 is as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Combined Utility System	\$ 316
	Airport System	7
		<u>\$ 323</u>
Airport System	General Fund	\$ 34
		<u>\$ 34</u>
Convention and Entertainment Facilities	General Fund	\$ 102
		<u>\$ 102</u>
Combined Utility System	HAWC	\$ 98,403
		<u>\$ 98,403</u>
HAWC	Grants revenue	200
		<u>\$ 200</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 \$214.9 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 \$60.2 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.

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

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

B. Environmental Liabilities

The City is aware of various sites contaminated by asbestos or other hazardous materials. The City has recorded accrued liabilities of \$10.6 million, to be used for: assessment and remediation of asbestos, lead and mold; Phase I and II environmental site assessments and remediation; and remediation of radioactive material.

C. Commitments for Capital Facilities

At June 30, 2008, the City had appropriated but not yet spent from Capital Projects and Enterprise Funds approximately \$1,491,377,000 for capital projects.

The City leased a tract of land for 30 years with a 30-year renewal option for \$100 per year to The Houston Music Hall Foundation. On this site, the Houston Music Hall Foundation constructed the new music hall named the Hobby Center for the Performing Arts. Substantial completion occurred by October 31, 2002, as required by the agreement. The grand opening was in May of 2003. The Music Hall was to be conveyed to the City upon completion of various improvements. However, the Music Hall became involved in litigation with the contractor regarding these improvements and the transfer of the title was delayed. However, during the month of August 2008 the title was conveyed to the Mayor.

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 \$250 million. Property insurance provides deductibles as follows: \$2.5 million per occurrence for all perils; 3% of the damaged insured value for windstorm or hail from a named storm, subject to \$2.5 million minimum and a \$20 million maximum; and 5% of the damaged insured value for flood, subject to a \$5 million minimum and a \$20 million maximum. Should a named storm event occur that involves the perils of windstorm and flood, the maximum deductible is \$20 million. Although no losses were sustained in excess of the \$150 million per occurrence loss limit in the last six years, Tropical Storm Allison (2001) caused damages in excess of the \$5 million sub-limit to locations in the 100-year flood plain (Flood Zone A). Insurance reimbursed the City \$32.6 million for property damage. The current sub-limit for flood is \$75 million, of which \$50 million may apply to Flood Zone A.

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

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

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

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

	Unemployment Claim Activity	
	June 30, 2008	June 30, 2007
Unpaid claims, beginning of fiscal year	\$123,964	\$156,046
Incurred claims (including IBNRs)	583,298	562,418
Claim payments	(589,660)	(594,500)
Unpaid claims, end of fiscal year	<u>\$117,602</u>	<u>\$123,964</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

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, 2008 the City had two outstanding agreements to cover natural gas purchases for August 2008 through June 2009. As of June 30, 2008 the aggregate notional amount of the agreements was 223 contracts or 2,230,000 million British thermal units (MMBtu's) of natural gas. Locked-in prices ranged from \$7.52 to \$9.06 per MMBtu.

Fair value: As of June 30, 2008 because natural gas futures prices had changed from the time of the agreements, the contracts had a total net fair value of \$11,138,000.

Credit risk: As of June 30, 2008 the City is exposed to credit risk on the contracts for a total fair positive value of \$11,138,000. The City's electrical provider is the Texas General Land Office ("GLO"), an agency of the State of Texas, which is rated AA1 by Moody's, AA by Standard and Poor's, and AA+ by Fitch.

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

F. 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 ("RECs"). RECs means 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, 2008 the City had four outstanding fixed power price transactions and RECs contracts with GLO to receive 1,753,000 RECs from 2008 through 2013. This represents about 25% 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, 2008 the City is exposed to credit risk on the contracts as to delivery. The City's electrical provider is the Texas General Land Office ("FLO"), 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. 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, 2008. The City received \$78.273 million from Metro under this contract in the fiscal year ended June 30, 2008. The breakout was \$47.277 million to Capital Projects, \$30.489 million to General Fund, and \$507 thousand to Special Revenues. None of these payments were for the prior contract year. In addition, the City paid Metro \$418 thousand for transportation services.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

B. Trinity River Authority (“TRA”)

As described in Note 8C, the City and TRA have a long-term contract under which the City is obligated to pay debt service for certain bonds as well as certain maintenance and operating expenses for a TRA dam and reservoir. During the fiscal year ended June 30, 2008 the City paid \$2.1 million for debt service and \$3.1 million for maintenance and operating expenses under the terms of the contract.

C. Coastal Water Authority (“CWA”)

The City has a long-term contract with Coastal Water Authority (CWA) for the water conveyance. During the fiscal year ended June 30, 2008, the City paid CWA \$30.5 million for debt service and \$20.3 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 December 2007, a preferred return payment of \$2,405,970 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, 2008. 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, 2007. Subsequent to December 31, 2007, the City received interest payments of \$6,592 thousand from HCCHC, \$58 thousand from HHFC and none from MTAB. These payments are necessary to reconcile to the City’s due from component units as of June 30, 2008. The following governmental discretely presented component units had restatements for their most recent audited financial statements: (a) Greater Greenspoint Redevelopment Authority, (b) Greater Houston Convention Center and Visitors Bureau, and (c) Uptown Development Authority.

Note 15: Conduit Debt Obligations

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

At June 30, 2008, the aggregate value of Special Facility Revenue Bonds outstanding was \$638,465,000, which includes \$49,700,000 of City of Houston Special Facility Revenue Bonds (Automated People Mover System), Series 1997A.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

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CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

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 2008, the City added two new discretely presented governmental component units (Fifth Ward Redevelopment Authority and Miller Theatre Advisory Board, Inc.) which resulted in the addition of \$1,917 of beginning net assets. In addition, three discretely presented component units (Greater Greenspoint Redevelopment Authority, Greater Houston Convention & Visitor's Bureau and Upton Redevelopment Authority) restated their financial statements which had an additive affect to beginning net assets of \$537.

Net Assets
Major Component Units - Discretely Presented Governmental
June 30, 2008
(in thousands)

	Greater Houston Convention & Visitor's Bureau	Houston Arts Alliance	Houston Downtown Park Corporation
Cash, receivable and other current assets	\$ 7,629	\$ 5,488	\$ 510
Noncurrent assets	-	-	75
Capital assets, net of accumulated depreciation	161	14	56,987
Total assets	<u>7,790</u>	<u>5,502</u>	<u>57,572</u>
Current liabilities	2,266	2,376	-
Long-term liabilities	-	-	-
Total liabilities	<u>2,266</u>	<u>2,376</u>	<u>-</u>
Net assets			
Invested in capital assets, net of related debt	-	1,635	56,987
Restricted	-	-	-
Unrestricted (deficit)	5,524	1,491	585
Total net assets (deficit)	<u>\$ 5,524</u>	<u>\$ 3,126</u>	<u>\$ 57,572</u>

(Continued)

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

Houston Parks Board	Midtown Redevelopment Authority	Uptown Revelopment Authority	Nonmajor Component Units	2008
\$ 10,367	\$ 51,570	\$ 22,857	\$ 118,404	\$ 216,825
-	1,940	481	26,467	28,963
14,553	8,701	249	13,453	94,118
<u>24,920</u>	<u>62,211</u>	<u>23,587</u>	<u>158,324</u>	<u>339,906</u>
238	5,075	7,665	28,226	45,846
-	51,575	46,440	75,549	173,564
<u>238</u>	<u>56,650</u>	<u>54,105</u>	<u>103,775</u>	<u>219,410</u>
5,126	5,694	248	8,363	78,053
18,737	37,971	6,274	41,124	104,106
819	(38,104)	(37,040)	5,062	(61,663)
<u>\$ 24,682</u>	<u>\$ 5,561</u>	<u>\$ (30,518)</u>	<u>\$ 54,549</u>	<u>\$ 120,496</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

Change in Net Assets
Major Component Units - Discretely Presented Governmental
For the Year Ended June 30, 2008
(in thousands)

Component Units	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Greater Houston Convention & Visit. Bureau
Greater Houston Convention & Visitors Bureau	\$ 15,823	\$ 590	\$ 16,537	\$ -	\$ 1,304
Houston Arts Alliance (frmly Cultural Arts Cou..)	13,237	-	12,238	-	-
Houston Downtown Park Corporation	4,103	-	42	-	-
Houston Parks Board	10,273	500	6,988	317	-
Midtown Redevelopment Authority	8,878	-	390	-	-
Uptown Development Authority	16,407	-	-	-	-
Nonmajor Component Units	43,621	1,386	9,161	-	-
Total component units	\$ 112,342	\$ 2,476	\$ 45,356	\$ 317	\$ 1,304

General Revenues:

Taxes	
Property taxes levied for general purposes	-
Intergovernmental - grants	-
Unrestricted investment earnings	301
Other	-
Loss on sales of assets	-
Total general revenues, special items and transfers	301
Change in net assets	1,605
Net assets beginning	3,896
New component unit & restatement	23
Net assets ending	\$ 5,524

(Continued)

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

Net (Expense) Revenue and Change In Net Assets

Houston Arts Alliance	Houston Downtown Park Corporation	Houston Parks Board	Midtown Redevelopment Authority	Uptown Redevelopment Authority	Non-Major Component Units	Total Component Units
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,304
(999)	-	-	-	-	-	(999)
-	(4,061)	-	-	-	-	(4,061)
-	-	(2,468)	-	-	-	(2,468)
-	-	-	(8,488)	-	-	(8,488)
-	-	-	-	(16,407)	-	(16,407)
-	-	-	-	-	(33,074)	(33,074)
<u>\$ (999)</u>	<u>\$ (4,061)</u>	<u>\$ (2,468)</u>	<u>\$ (8,488)</u>	<u>\$ (16,407)</u>	<u>\$ (33,074)</u>	<u>\$ (64,193)</u>
	-	-	11,276	14,604	40,597	66,477
122	-	3,617	-	-	-	3,739
-	-	537	1,003	398	2,015	4,254
1,254	-	-	176	-	1,831	3,261
-	-	101	-	-	-	101
1,376	-	4,255	12,455	15,002	44,443	77,832
377	(4,061)	1,787	3,967	(1,405)	11,369	13,639
2,749	61,633	22,895	1,594	(29,927)	41,563	104,403
-	-	-	-	814	1,617	2,454
<u>\$ 3,126</u>	<u>\$ 57,572</u>	<u>\$ 24,682</u>	<u>\$ 5,561</u>	<u>\$ (30,518)</u>	<u>\$ 54,549</u>	<u>\$ 120,496</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

Net Assets
Major Component Units - Discretely Presented Business-type
June 30, 2008
(in thousands)

	Houston Convention Center Hotel Corp.	Houston Housing Finance Corp.	Houston Zoo Inc.	Nonmajor Component Units	Total
Cash, receivable and other current assets	\$ 53,212	\$ 25,858	\$ 35,234	\$ -	\$ 114,304
Noncurrent assets	2,473	14,001	-	-	16,474
Capital assets, net of accumulated depreciation	238,875	3,310	29,208	22,941	294,334
Total assets	294,560	43,169	64,442	22,941	425,112
Current liabilities	22,267	887	3,516	2,068	28,738
Long-term liabilities	296,461	1,603	-	20,674	318,738
Total liabilities	318,728	2,490	3,516	22,742	347,476
Net assets					
Invested in capital assets, net of related debt	(35,773)	-	-	695	(35,078)
Restricted	29,770	1,580	38,917	-	70,267
Unrestricted (deficit)	(18,165)	39,099	22,009	(496)	42,447
Total net assets (deficit)	\$ (24,168)	\$ 40,679	\$ 60,926	\$ 199	\$ 77,636

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

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CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

Change in Net Assets
Major Component Units - Discretely Presented Business-type
For the Year Ended June 30, 2008
(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.	\$ 82,673	\$ 74,304	\$ -
Houston Housing Finance Corp.	1,942	570	-
Houston Zoo Inc.	22,307	21,810	5,678
Nonmajor Component Units	516	365	-
Totals	<u>\$ 107,438</u>	<u>\$ 97,049</u>	<u>\$ 5,678</u>

General Revenues:

Taxes

Property Taxes levied for general purposes

Unrestricted investment earnings

Other

Total general revenues, special items, and transfers

Change in net assets

Net assets (deficit) beginning

Net assets (deficit) ending

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

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
\$ (8,369)	\$ -	\$ -	\$ -	\$ (8,369)
-	(1,372)	-	-	(1,372)
-	-	5,181	-	5,181
-	-	-	(151)	(151)
<u>\$ (8,369)</u>	<u>\$ (1,372)</u>	<u>\$ 5,181</u>	<u>\$ (151)</u>	<u>\$ (4,711)</u>
-	750	-	-	750
2,157	2,207	506	-	4,870
<u>10,597</u>	<u>201</u>	<u>154</u>	<u>-</u>	<u>10,952</u>
<u>12,754</u>	<u>3,158</u>	<u>660</u>	<u>-</u>	<u>16,572</u>
4,385	1,786	5,841	(151)	11,861
<u>(28,553)</u>	<u>38,893</u>	<u>55,085</u>	<u>350</u>	<u>65,775</u>
<u>\$ (24,168)</u>	<u>\$ 40,679</u>	<u>\$ 60,926</u>	<u>\$ 199</u>	<u>\$ 77,636</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

Note 17: Subsequent Events

A. Tax and Revenue Anticipation Notes

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

- B.** On October 8, 2008, the City authorized the issuance of supplemental Tax and Revenue Anticipation Notes ("TRANS"), for an amount not to exceed \$95,000,000. The City can elect to pay interest based on a 1 Month Libor or prime rate. Currently, there are \$40 million of supplemental notes outstanding. These notes can be prepaid any time prior to the June 30, 2009 maturity.

C. 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, 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 Certificate will bear interest at the greater of a) 8.5%, or b) the yield on April 1 of each year for the Treasury obligation maturing closest to December 1, 2033, plus a predefined rate adjustment. Under the authorizing ordinance, the City is allowed to defer up to \$150,000,000 in interest on the Note. Under the authorizing ordinance, the City must pay down the Certificate by December 1, 2033.

D. Public Improvement Refunding Bonds

On November 13, 2008, the City issued \$324,030,000 of Public Improvement Refunding Bonds, Series 2008A, at rates ranging from 4.0 to 5.5%. Average yield was 5.24%. The bonds are due in varying amounts from March 2012 to March 2038. Proceeds were used to currently refund \$320,705,000 of General Obligation Commercial Paper Series D and F; and to pay costs of issuance.

E. Credit Market Conditions

Beginning in September 2008, certain City of Houston outstanding commercial paper notes and variable rate demand notes were not successfully remarketed as a result of the national credit crisis and downgrade or potential downgrade of certain of the City's liquidity providers. Notes that were not successfully remarketed were held by the City's liquidity providers. As of December 12, 2008, all of the City's commercial paper notes have been successfully remarketed, while approximately \$107 million of its \$1 billion outstanding variable rate notes are held by liquidity providers. The notes held by the liquidity providers are at rates of interest currently within budgeted amounts for Fiscal Year 2009.

F. Pension Obligation Bonds

On December 4, 2008, the City priced \$382,630,000 of Pension Obligation Refunding Bonds, Series 2008A and \$20,190,000 of Pension Obligation Bonds, Series 2008B. The City expects to close on the bonds on January 8, 2009. The stated interest rate and yield on the Series 2008A and Series 2008B bonds was 6.29%. Proceeds of the 2008A bonds will be used to refund the \$300,000,000 Collateralized Pension Obligation Note, related Uncollateralized Deferred Interest Certificates, and the \$35,050,000 Taxable Pension Obligation Note and to pay costs of issuance. Proceeds of the 2008B bonds will be used to fund the Houston Police Officers Pension System Unfunded Actuarial Accrued Liability and pay costs of issuance.

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, 2008
amounts expressed in thousands
(unaudited)**

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
Revenues				
Taxes and assessments				
Property Taxes	\$ 796,368	\$ 796,368	\$ 830,889	\$ 34,521
Industrial Assessments	15,700	15,700	17,787	2,087
Sales Tax	477,217	477,217	495,173	17,956
Franchise Tax	184,476	184,476	190,193	5,717
Mixed Beverage Tax	9,874	9,874	10,479	605
Bingo Tax	289	289	256	(33)
Total taxes and assessments	<u>1,483,924</u>	<u>1,483,924</u>	<u>1,544,777</u>	<u>60,853</u>
Licenses and permits				
General	12,700	12,700	13,943	1,243
Health Permits	6,338	6,338	6,898	560
Total licenses and permits	<u>19,038</u>	<u>19,038</u>	<u>20,841</u>	<u>1,803</u>
Charges for services				
Ambulance service	26,000	26,000	24,735	(1,265)
Parking	228	228	193	(35)
Services performed for other funds				
Direct	47,281	47,281	41,395	(5,886)
Indirect	14,354	14,354	10,950	(3,404)
Rents and royalties	1,166	1,166	1,307	141
Others	15,656	14,561	13,252	(1,309)
Total charges for services	<u>104,685</u>	<u>103,590</u>	<u>91,832</u>	<u>(11,758)</u>
Intergovernmental - grants	34,038	33,990	32,950	(1,040)
Fines and forfeits				
Municipal Courts	42,572	42,572	37,140	(5,432)
Others	2,758	2,758	4,491	1,733
Total fines and forfeits	<u>45,330</u>	<u>45,330</u>	<u>41,631</u>	<u>(3,699)</u>
Contributions	-	-	-	-
Interest	11,950	11,950	16,992	5,042
Other				
Sale of Property	472	472	1,572	1,100
Other	7,902	7,950	11,142	3,192
Total Other	<u>8,374</u>	<u>8,422</u>	<u>12,714</u>	<u>4,292</u>
Total revenues	<u>1,707,339</u>	<u>1,706,244</u>	<u>1,761,737</u>	<u>55,493</u>
Other financing sources (uses)				
Transfers in	9,500	10,595	11,219	624
Sale of capital assets	4,150	4,150	4,003	(147)
Other financing sources (uses)	35,000	35,000	35,000	-
Total other financing sources (uses)	<u>48,650</u>	<u>49,745</u>	<u>50,222</u>	<u>477</u>
Total revenues and other financing sources	<u>\$ 1,755,989</u>	<u>\$ 1,755,989</u>	<u>\$ 1,811,959</u>	<u>\$ 55,970</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, 2008
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	4,458	4,387	4,513	(126)
Other current expenditures	611	536	344	192
Equipment acquisition	-	35	31	4
Total legislative - council	<u>5,069</u>	<u>4,958</u>	<u>4,888</u>	<u>70</u>
Legislative - Mayor's Office				
Personnel services	2,752	2,767	2,725	42
Other current expenditures	250	249	172	77
Equipment acquisition	-	-	-	-
Total executive - mayor's office	<u>3,002</u>	<u>3,016</u>	<u>2,897</u>	<u>119</u>
Total legislative and executive	<u>8,071</u>	<u>7,974</u>	<u>7,785</u>	<u>189</u>
Affirmative Action				
Personnel services	2,146	2,150	1,981	169
Other current expenditures	139	147	141	6
Equipment acquisition	-	3	4	(1)
Total affirmative action	<u>2,285</u>	<u>2,300</u>	<u>2,126</u>	<u>174</u>
Judicial				
Municipal Courts Judges				
Personnel services	4,464	4,512	4,429	83
Other current expenditures	360	360	320	40
Equipment acquisition	-	-	-	-
Total municipal court judges	<u>4,824</u>	<u>4,872</u>	<u>4,749</u>	<u>123</u>
Municipal Courts Administration				
Personnel services	11,592	12,691	12,623	68
Other current expenditures	3,637	3,644	3,660	(16)
Equipment acquisition	47	40	30	10
Total municipal court administration	<u>15,276</u>	<u>16,375</u>	<u>16,313</u>	<u>62</u>
Total judicial	<u>20,100</u>	<u>21,247</u>	<u>21,062</u>	<u>185</u>
Elections	<u>2,400</u>	<u>1,820</u>	<u>1,820</u>	<u>-</u>
Finance administration				
Controller				
Personnel services	5,612	5,643	5,592	51
Other current expenditures	1,099	1,099	1,004	95
Equipment acquisition	-	-	-	-
Total controller	<u>6,711</u>	<u>6,742</u>	<u>6,596</u>	<u>146</u>
Administrative and Regulatory Affairs				
Personnel services	17,382	17,415	16,732	683
Other current expenditures	363	2,950	2,783	167
Equipment acquisition	4,032	66	150	(84)
Total administrative and regulatory affairs	<u>21,777</u>	<u>20,431</u>	<u>19,665</u>	<u>766</u>
Finance				
Personnel services	6,086	4,676	4,309	367
Other current expenditures	-	3,671	3,861	(190)
Equipment acquisition	-	30	1	29
Total finance	<u>6,086</u>	<u>8,377</u>	<u>8,171</u>	<u>206</u>
Information Technology				
Personnel services	11,472	12,667	12,871	(204)
Other current expenditures	2,139	4,301	4,441	(140)
Equipment acquisition	15	10	1	9
Total information technology	<u>13,626</u>	<u>16,978</u>	<u>17,313</u>	<u>(335)</u>
Audits	40	15	7	8
Bond and Legal	1,285	1,158	836	322
Total finance administration	<u>49,525</u>	<u>53,701</u>	<u>52,588</u>	<u>1,113</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, 2008
amounts expressed in thousands
(unaudited)

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
Legal				
Personnel services	12,577	12,519	12,454	65
Other current expenditures	1,582	1,707	1,314	393
Equipment acquisition	-	-	-	-
Total legal	14,159	14,226	13,768	458
City Secretary				
Personnel services	626	629	549	80
Other current expenditures	115	115	81	34
Equipment acquisition	-	-	-	-
Total city secretary	741	744	630	114
Planning and Development				
Personnel services	7,711	7,552	6,827	725
Other current expenditures	625	652	591	61
Equipment acquisition	-	103	133	(30)
Total planning and development	8,336	8,307	7,551	756
Human Resources				
Personnel services	2,368	2,340	2,200	140
Other current expenditures	321	360	259	101
Total human resources	2,689	2,700	2,459	241
Total general government	108,306	113,019	109,789	3,230
Public safety				
Police				
Personnel services	561,096	564,761	567,603	(2,842)
Other current expenditures	39,630	43,005	41,800	1,205
Equipment acquisition	134	507	1,492	(985)
Total police	600,860	608,273	610,895	(2,622)
Fire				
Personnel services	363,080	363,139	356,613	6,526
Other current expenditures	24,695	25,142	24,547	595
Equipment acquisition	-	210	840	(630)
Total fire	387,775	388,491	382,000	6,491
Total public safety	988,635	996,764	992,895	3,869
Public Works				
Administration				
Personnel services	27,955	26,928	26,561	367
Other current expenditures	63,957	65,060	59,018	6,042
Equipment acquisition	89	166	215	(49)
Total administration	92,001	92,154	85,794	6,360
General Services				
Personnel services	12,719	12,443	12,615	(172)
Other current expenditures	30,412	31,196	32,014	(818)
Equipment acquisition	20	56	103	(47)
Total general services	43,151	43,695	44,732	(1,037)

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, 2008
amounts expressed in thousands
(unaudited)

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
Solid Waste				
Personnel services	32,049	31,770	30,906	864
Other current expenditures	38,266	38,628	38,418	210
Equipment acquisition	900	1,121	1,116	5
Total solid waste	71,215	71,519	70,440	1,079
Total public works	206,367	207,368	200,966	6,402
Health				
Personnel services	42,151	38,084	38,874	(790)
Other current expenditures	8,080	11,795	10,998	797
Equipment acquisition	-	1,033	648	385
Total health	50,231	50,912	50,520	392
Housing				
Personnel services	245	270	265	5
Other current expenditures	268	268	207	61
Total housing	513	538	472	66
Parks and Recreation				
Personnel services	39,067	37,746	35,943	1,803
Other current expenditures	23,698	25,803	27,579	(1,776)
Equipment acquisition	-	62	41	21
Total parks and recreation	62,765	63,611	63,563	48
Library				
Personnel services	23,969	23,007	22,962	45
Other current expenditures	4,481	4,577	4,463	114
Equipment acquisition	6,374	7,395	7,420	(25)
Total library	34,824	34,979	34,845	134
Retiree Benefits				
Hospital and life insurance	19,134	18,500	18,506	(6)
Total retiree benefits	19,134	18,500	18,506	(6)
Other current expenditures				
Tax appraisal fees	6,018	6,320	6,320	-
Limited-purpose Annexation Districts	22,005	24,000	25,113	(1,113)
Claims and judgments	6,000	8,934	11,794	(2,860)
Membership dues	726	726	710	16
Advertising and promotion	225	175	183	(8)
Consultants	183	483	471	12
Miscellaneous support services	13,429	10,042	6,411	3,631
Total other current expenditures	48,586	50,680	51,002	(322)
Debt service				
Debt service principal	-	-	1,399	(1,399)
Debt service interest	4,752	4,514	4,514	-
Total debt service	4,752	4,514	5,913	(1,399)
Total expenditures	1,524,113	1,540,885	1,528,471	12,414
Other financing sources (uses)				
Transfers out	244,360	263,778	263,597	181
Total other financing sources (uses)	244,360	263,778	263,597	181
Total expenditures and other financing uses	\$ 1,768,473	\$ 1,804,663	\$ 1,792,068	\$ 12,595

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, 2008
amounts expressed in thousands
(unaudited)

Revenues

Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 1,761,737
Revenues of non-budgeted funds	
Equipment Acquisition	54
Building Security	1,013
Grant Matching Fund	445
Vehicle Maintenance	115
Total revenues of non-budgeted funds	<u>1,627</u>
Interest on pooled investments from non-budgeted revenues	1,670
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances	<u><u>\$ 1,765,034</u></u>

Expenditures

Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	\$ 1,528,471
Expenditures of non-budgeted funds	
Equipment Acquisition	69,791
Building Security	1,023
Signal Maintenance	35
Fleet Maintenance	82
Special Projects	349
Grant Matching Fund	20
Total expenditures of non-budgeted funds	<u>71,300</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	<u><u>\$ 1,599,771</u></u>

Other financing sources (uses)

Actual amounts (budgetary basis) "other financing sources and uses" from the budgetary comparison schedules	\$ (213,375)
Proceeds from Issuance of Debt	95,623
Transfers In of non budgeted funds	<u>5,896</u>
Total other financing sources and uses as reported on the statement of revenues, expenditures, and changes in fund balances--governmental funds	<u><u>\$ (111,856)</u></u>

See note to Required Supplementary Information

CITY OF HOUSTON, TEXAS
REQUIRED NOTES TO THE SUPPLEMENTARY INFORMATION
June 30, 2008
(Unaudited)

1. General Budget Policies

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

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

On April 30, 2008, City Council approved the Fiscal Year 2008 general appropriation ordinance in the amount of \$1.805 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 2008 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	\$ 115,035	\$ 137,567	\$ 41,163
Non-budgeted Disaster Recovery Fund	2,365	-	(1,020)
Non-budgeted Grants Revenue Fund	190,603	180,484	(144)
Non-budgeted Health and Housing	2,474	1,522	89
Non-budgeted Other Funds	11,455	7,609	561
Total Special Revenue Funds - Actual	<u>\$ 321,932</u>	<u>\$ 327,182</u>	<u>\$ 40,649</u>

2. General Fund Budgetary Highlights

While revenues were only \$55 million above budget (pgs. 117-120), there were some significant differences between some of the budgeted and actual revenue numbers. Some of the increases/decreases from budget include:

- \$61 million increase in taxes and assessments
- \$2 million increase in licenses and permits
- \$12 million decrease in charges for services
- \$4 million decrease in fines and forfeits
- \$5 million increase in interest

Only Public Safety and Public Works saw significant changes in budgeted and actual expenditures for the fiscal year. In Public Safety, the Police department's expenditures increased by \$3 million, while the Fire department's expenditures decreased by \$6 million for a total decrease of \$4 million. In Public Works, the Public Works department's expenditures decreased by \$6 million, while the General Services department increased by \$1 million and Solid Waste department decreased by \$1 million, for a total decrease of \$6 million.

**CITY OF HOUSTON, TEXAS
REQUIRED PENSION SYSTEM
SUPPLEMENTARY INFORMATION
June 30, 2008
(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, 2001	\$1,863.1	\$1,650.8	(\$212.3)	113%	\$164.3	(129%)
July 1, 2002*	\$1,922.4	\$1,970.1	\$47.7	98%	\$190.6	25%
July 1, 2004	\$2,000.3	\$2,266.8	\$266.5	88%	\$181.5	147%
July 1, 2005	\$2,119.2	\$2,461.1	\$341.9	86%	\$192.1	178%
July 1, 2006	\$2,325.0	\$2,670.9	\$345.9	87%	\$218.7	158%
July 1, 2007	\$2,633.6	\$2,892.3	\$258.7	91%	\$232.4	111%

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

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

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (Surplus UAAL) (b-a)	Funded Ratio (a/b)	Projected Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
July 1, 2002	\$1,519.7	\$2,515.2	\$995.5	60%	\$399.8	249%
July 1, 2003	\$1,510.3	\$3,278.3	\$1,768.0	46%	\$390.3	453%
July 1, 2004	\$1,501.2	\$2,633.8	\$1,132.6	57%	\$366.1	309%
July 1, 2005	\$1,777.7	\$2,725.3	\$947.6	65%	\$404.6	234%
July 1, 2006	\$1,867.3	\$2,894.3	\$1,027.0	65%	\$422.5	243%
July 1, 2007	\$2,193.7	\$3,128.7	\$935.0	70%	\$448.9	208%

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

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (Surplus UAAL) (b-a)	Funded Ratio (a/b)	Projected Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
July 1, 2001	\$2,226.3	\$2,306.4	\$80.1	97%	\$264.2	30%
July 1, 2002	\$2,337.1	\$2,593.7	\$256.6	90%	\$286.1	90%
July 1, 2003	\$2,394.4	\$2,874.7	\$480.3	83%	\$300.4	160%
July 1, 2004	\$2,466.0	\$3,339.2	\$873.2	74%	\$329.8	265%
July 1, 2005*	\$2,508.8	\$3,393.0	\$884.2	74%	\$321.1	275%
July 1, 2007	\$3,004.9	\$3,857.7	\$852.8	78%	\$336.0	254%

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

CITY OF HOUSTON, TEXAS
REQUIRED OTHER POST EMPLOYMENT BENEFITS
SUPPLEMENTARY INFORMATION
June 30, 2008
(unaudited)

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

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL UAAL) (b-a)	Funded Ratio (a/b)	Projected Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
June 30, 2006	\$54.5	\$326.5	\$272.0	16.7%	\$1,090.1	25%

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 HJTFC 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, 2008
(With comparative amounts for 2007)
amounts expressed in thousands

	2008	2007
Assets		
Equity in pooled cash and investments	\$ 265,602	\$ 233,575
Receivables, net of allowances		
Accounts receivable	44,160	16,094
Property taxes receivable, net	42,950	42,989
Sales taxes receivable	86,946	80,617
Mixed beverage taxes receivable	2,759	2,610
Franchise taxes receivable	17,535	16,574
Special assessments receivable	11,288	29,806
Due from other funds	323	6,170
Due from other governments	3,719	7,495
Inventory	20,008	19,863
Prepaid items	1,914	1,512
Total assets	\$ 497,204	\$ 457,305
Liabilities and fund balance		
Liabilities		
Accounts payable	39,202	38,230
Accrued payroll liabilities	48,896	40,923
Contracts and retainages payable	-	1
Due to other funds	136	186
Due to other governments	7,992	11,652
Advances and deposits	4,061	6,649
Claims and judgments	2,466	2,547
Compensated absences	2,978	2,714
Deferred electricity	263	248
Unearned revenue	59,704	76,056
Total liabilities	165,698	179,206
Fund balance		
Reserved for imprest cash and prepaids	2,032	1,626
Reserved for inventory	20,008	19,863
Designated - Sign abatement	2,090	2,070
Designated - Rainy day fund	20,194	20,001
Undesignated	287,182	234,539
Total fund balance	331,506	278,099
Total liabilities and fund balance	\$ 497,204	\$ 457,305

CITY OF HOUSTON, TEXAS
GENERAL FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2008
(With comparative amounts for 2007)
amounts expressed in thousands

	<u>2008</u>	<u>2007</u>
Revenues		
Taxes and assessments		
Property Taxes	\$ 830,889	\$ 748,792
Industrial Assessments	17,787	15,823
Sales Tax	495,173	461,417
Franchise Tax	190,193	189,551
Mixed Beverage Tax	10,479	9,713
Bingo Tax	256	279
Licenses and permits	20,841	18,637
Charges for services	91,832	99,608
Intergovernmental - grants	33,395	42,021
Fines and forfeits	41,631	50,298
Investment income	18,662	15,992
Other	13,896	5,584
Total revenues	<u>1,765,034</u>	<u>1,657,715</u>
Expenditures		
Current		
General government	132,175	116,960
Public safety	1,015,001	985,828
Public works	208,552	202,910
Health	50,520	47,249
Housing and Community Development	473	
Parks and recreation	63,562	60,464
Library	34,845	32,257
Retiree benefits	18,506	18,801
Capital outlay	70,223	49,023
Debt service principal	1,400	1,260
Debt service interest	4,514	5,420
Total expenditures	<u>1,599,771</u>	<u>1,520,172</u>
Other financing sources (uses)		
Proceeds from issuance of debt	130,623	103,000
Sale of capital assets	4,879	4,757
Transfers in	9,016	4,982
Transfers out	(256,374)	(222,613)
Total other financing sources (uses)	<u>(111,856)</u>	<u>(109,874)</u>
Change in fund balance	53,407	27,669
Fund balances, July 1	<u>278,099</u>	<u>250,430</u>
Fund balances, June 30	<u>\$ 331,506</u>	<u>\$ 278,099</u>

CITY OF HOUSTON, TEXAS
DEBT SERVICE FUND
Balance Sheet
June 30, 2008
(With comparative amounts for 2007)
amounts expressed in thousands

	2008	2007
Assets		
Equity in pooled cash and investments	\$ 131,891	\$ 110,363
Due from component units	5,779	5,709
Total assets	\$ 137,670	\$ 116,072
 Liabilities and fund balance		
Liabilities		
Accounts payable	\$ 414	\$ 702
Unearned revenue	5,779	5,709
Total liabilities	6,193	6,411
 Fund balance		
Reserved for debt service	131,477	109,661
Total fund balance	131,477	109,661
Total liabilities and fund balance	\$ 137,670	\$ 116,072

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, 2008
(With comparative totals for 2007)
amounts expressed in thousands

	2008			Variance with Final Budget- Pos (Neg)	2007 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 4,000	\$ 4,000	\$ 6,182	\$ 2,182	\$ 5,817
Other	2,000	2,000	1,707	(293)	132
Total revenues	<u>6,000</u>	<u>6,000</u>	<u>7,889</u>	<u>1,889</u>	<u>5,949</u>
Expenditures					
Debt service principal	202,420	202,420	196,371	6,049	170,889
Debt service interest	125,275	120,029	125,478	(5,449)	117,260
Debt service fiscal agent & fees	5,166	5,236	3,700	1,536	4,661
Total expenditures	<u>332,861</u>	<u>327,685</u>	<u>325,549</u>	<u>2,136</u>	<u>292,810</u>
Other financing sources (uses)					
Net proceeds from issuance of debt	-	-	50	50	-
Proceeds from refunded debt	-	-	219,238	219,238	229,168
Proceeds from bond premium	-	-	9,004	9,004	15,870
Sale of capital assets	-	-	-	-	3,599
Transfers in	302,254	302,254	336,924	34,670	278,673
Payment to escrow agent for refunded bonds	-	-	(225,740)	(225,740)	(241,612)
Total other financing sources (uses)	<u>302,254</u>	<u>302,254</u>	<u>339,476</u>	<u>37,222</u>	<u>285,698</u>
Change in fund balance	(24,607)	(19,431)	21,816	41,247	(1,163)
Fund balances, July 1	<u>109,661</u>	<u>109,661</u>	<u>109,661</u>	<u>-</u>	<u>110,824</u>
Fund balances, June 30	<u>\$ 85,054</u>	<u>\$ 90,230</u>	<u>\$ 131,477</u>	<u>\$ 41,247</u>	<u>\$ 109,661</u>

CITY OF HOUSTON, TEXAS
CAPITAL PROJECTS FUND
Balance Sheet
June 30, 2008
(With comparative amounts for 2007)
amounts expressed in thousands

	2008	2007
Assets		
Equity in pooled cash and investments	\$ 119,657	\$ 114,843
Receivables, net of allowances		
Accounts receivable	4,598	-
Due from other funds	-	946
Due from other governments	23,856	25,573
Prepaid items - Construction materials	49	-
Total assets	\$ 148,160	\$ 141,362
Liabilities and fund balance		
Liabilities		
Accounts payable	42,724	16,015
Contracts and retainages payable	-	22,366
Advances and deposits	489	210
Unearned revenue	4,604	20,875
Total liabilities	47,817	59,466
Fund balance		
Reserved fund balance	100,343	81,896
Total fund balance	100,343	81,896
Total liabilities and fund balance	\$ 148,160	\$ 141,362

CITY OF HOUSTON, TEXAS
CAPITAL PROJECTS FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2008
(With comparative totals for 2007)
amounts expressed in thousands

	<u>2008</u>	<u>2007</u>
Revenues		
Intergovernmental - grants	\$ 70,562	\$ 61,103
Investment income	5,044	4,488
Other	<u>7,444</u>	<u>1,661</u>
Total revenues	<u>83,050</u>	<u>67,252</u>
Expenditures		
Current		
Capital outlay	<u>262,432</u>	<u>211,833</u>
Total expenditures	<u>262,432</u>	<u>211,833</u>
Other financing sources (uses)		
Proceeds from issuance of debt	256,378	210,771
Sale of capital assets	3,276	-
Transfers in	439	140
Transfers out	<u>(62,264)</u>	<u>(50,680)</u>
Total other financing sources (uses)	<u>197,829</u>	<u>160,231</u>
Change in fund balance	18,447	15,650
Fund balances, July 1	<u>81,896</u>	<u>66,246</u>
Fund balances, June 30	<u><u>\$ 100,343</u></u>	<u><u>\$ 81,896</u></u>

CITY OF HOUSTON, TEXAS
GRANTS FUND
Balance Sheet
June 30, 2008
(With comparative amounts for 2007)
amounts expressed in thousands

	<u>2008</u>	<u>2007</u>
Assets		
Equity in pooled cash and investments	\$ 12,504	\$ 7,143
Receivables, net of allowances		
Accounts receivable	18,110	28,085
Due from component units	4,305	4,786
Due from other governments	48,913	24,652
Inventory	1,468	1,042
Total assets	<u>85,300</u>	<u>65,708</u>
 Liabilities and fund balance		
Liabilities		
Accounts payable	14,309	12,831
Accrued payroll liabilities	2,135	2,268
Due to other funds	200	6,711
Due to other governments	12,740	-
Advances and deposits	552	718
Compensated absences	-	176
Unearned revenue	44,575	32,379
Total liabilities	<u>74,511</u>	<u>55,083</u>
 Fund balance		
Reserved for inventory	1,468	1,042
Reserved for debt service	1,768	1,325
Unreserved	7,553	8,258
Total fund balance	<u>10,789</u>	<u>10,625</u>
 Total liabilities and fund balance	<u>\$ 85,300</u>	<u>\$ 65,708</u>

CITY OF HOUSTON, TEXAS
GRANTS FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2008
(With comparative amounts for 2007)
amounts expressed in thousands

	<u>2008</u>	<u>2007</u>
Revenues		
Intergovernmental - grants	\$ 181,446	\$ 194,062
Investment income	788	1,447
Total revenues	<u>182,234</u>	<u>195,509</u>
Expenditures		
Current		
General government	846	-
Public safety	38,647	45,285
Public works	236	4,215
Health	57,066	48,117
Housing and Community Development	76,951	89,071
Parks and recreation	6,470	5,056
Library	1,710	2,462
Total expenditures	<u>181,926</u>	<u>194,206</u>
Other financing sources (uses)		
Sale of capital assets	417	-
Transfers in	-	508
Transfers out	(561)	(3,336)
Total other financing sources (uses)	<u>(144)</u>	<u>(2,828)</u>
Change in fund balance	164	(1,525)
Fund balances, July 1	<u>10,625</u>	<u>12,150</u>
Fund balances, June 30	<u>\$ 10,789</u>	<u>\$ 10,625</u>

CITY OF HOUSTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2008
(With comparative totals for 2007)
amounts expressed in thousands

	<i>Nonmajor Funds</i>	
	Public Safety Special Fund	Public Works Special Fund
Assets		
Equity in pooled cash and investments	\$ 26,944	\$ 39,452
Receivables, net of allowances		
Accounts receivable	8,155	148
Due from other funds	-	-
Due from other governments	3,768	-
Inventory	-	7
Total assets	\$ 38,867	\$ 39,607
Liabilities and fund balance		
Liabilities		
Accounts payable	\$ 2,047	\$ 1,506
Accrued payroll liabilities	1,136	1,976
Due to other funds	-	-
Due to other governments	4,108	-
Advances and deposits	889	1,269
Deferred electricity		2
Compensated absences	5	7
Other liabilities	-	-
Unearned revenue	6,033	-
Total liabilities	14,218	4,760
Fund balance		
Reserved for inventory		7
Undesignated	24,649	34,840
Total fund balance	24,649	34,847
Total liabilities and fund balance	\$ 38,867	\$ 39,607

(Continued)

Nonmajor Funds

Health & Housing Special Fund	Parks & Recreation Special Fund	Other Special Revenue Fund	2008	2007
\$ 4,156	\$ 4,338	\$ 53,584	\$ 128,474	\$ 99,595
-	336	4,018	12,657	6,185
-	-	-	-	408
-	-	-	3,768	1,825
-	11	-	18	20
<u>\$ 4,156</u>	<u>\$ 4,685</u>	<u>\$ 57,602</u>	<u>\$ 144,917</u>	<u>\$ 108,033</u>
\$ 72	\$ 394	\$ 2,079	\$ 6,098	\$ 5,993
26	123	48	3,309	2,522
-	-	-	-	125
-	12	-	4,120	10
7	28	110	2,303	2,003
-	-	2	4	-
-	-	-	12	160
-	-	113	113	4
-	147	3,278	9,458	3,160
<u>105</u>	<u>704</u>	<u>5,630</u>	<u>25,417</u>	<u>13,977</u>
-	11	-	18	-
<u>4,051</u>	<u>3,970</u>	<u>51,972</u>	<u>119,482</u>	<u>94,056</u>
<u>4,051</u>	<u>3,981</u>	<u>51,972</u>	<u>119,500</u>	<u>94,056</u>
<u>\$ 4,156</u>	<u>\$ 4,685</u>	<u>\$ 57,602</u>	<u>\$ 144,917</u>	<u>\$ 108,033</u>

CITY OF HOUSTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008
(With comparative totals for 2007)
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	\$ -	\$ 325	\$ -
Licenses and permits	1,805	38,224	1,080
Charges for services	6,376	8,722	718
Intergovernmental - grants	11,995	-	65
Fines and forfeits	15,362	8	-
Investment income	1,346	1,895	203
Other	11,997	307	408
Total revenues	<u>48,881</u>	<u>49,481</u>	<u>2,474</u>
Expenditures			
Current			
General government	-	-	-
Public safety	53,874	-	-
Public works	-	72,645	-
Health	-	-	1,244
Housing and community development	-	-	278
Parks and recreation	-	-	-
Capital outlay	-	-	-
Debt service principal	-	10	-
Total expenditures	<u>53,874</u>	<u>72,655</u>	<u>1,522</u>
Other financing sources (uses)			
Sale of capital assets		96	89
Transfers in	12,230	37,490	-
Transfers out	(2,758)	(5,609)	-
Total other financing sources (uses)	<u>9,472</u>	<u>31,977</u>	<u>89</u>
Change in fund balance	4,479	8,803	1,041
Fund balances, July 1	<u>20,170</u>	<u>26,044</u>	<u>3,010</u>
Fund balances, June 30	<u>\$ 24,649</u>	<u>\$ 34,847</u>	<u>\$ 4,051</u>

(Continued)

Nonmajor Funds

Parks & Recreation Special Fund	Other Special Revenue Fund	2008	2007
\$ -	\$ -	\$ 325	\$ -
182	-	41,291	37,275
4,334	572	20,722	19,642
-	3,254	15,314	22,678
-	-	15,370	7,007
235	2,161	5,840	4,273
2,965	16,811	32,488	16,178
<u>7,716</u>	<u>22,798</u>	<u>131,350</u>	<u>107,053</u>
-	11,316	11,316	10,781
-	-	53,874	41,837
-	-	72,645	61,404
-	-	1,244	697
-	-	278	249
7,322	-	7,322	6,054
-	-	-	8,314
-	9	19	17
<u>7,322</u>	<u>11,325</u>	<u>146,698</u>	<u>129,353</u>
-	561	185	-
(287)	(1,020)	50,281	55,246
<u>(287)</u>	<u>(459)</u>	<u>(9,674)</u>	<u>(5,307)</u>
107	11,014	40,792	49,939
3,874	40,958	25,444	27,639
		94,056	66,417
<u>\$ 3,981</u>	<u>\$ 51,972</u>	<u>\$ 119,500</u>	<u>\$ 94,056</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, 2008
(With comparative totals for 2007)
amounts expressed in thousands

	2008			Variance with Final Budget- Pos (Neg)	2007 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Confiscations	\$ 5,359	\$ 5,359	\$ 5,420	\$ 61	\$ 6,081
Investment income	131	131	346	215	391
Other	-	-	356	356	(81)
Total revenues	<u>5,490</u>	<u>5,490</u>	<u>6,122</u>	<u>632</u>	<u>6,391</u>
Expenditures					
Current					
Public safety	8,787	10,084	6,562	3,522	6,182
Capital outlay	-	-	-	-	544
Total expenditures	<u>8,787</u>	<u>10,084</u>	<u>6,562</u>	<u>3,522</u>	<u>6,726</u>
Other financing sources (uses)					
Transfers out	-	-	(1,297)	1,297	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,297)</u>	<u>1,297</u>	<u>-</u>
Change in fund balance	(3,297)	(4,594)	(1,737)	2,857	(335)
Fund balances, July 1	<u>5,895</u>	<u>5,895</u>	<u>5,895</u>	<u>-</u>	<u>6,230</u>
Fund balances, June 30	<u>\$ 2,598</u>	<u>\$ 1,301</u>	<u>\$ 4,158</u>	<u>\$ 2,857</u>	<u>\$ 5,895</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, 2008
(With comparative totals for 2007)
amounts expressed in thousands

	2008			Variance with Final Budget- Pos (Neg)	2007 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Licenses and permits	\$ 1,199	\$ 1,199	\$ 1,341	\$ 142	\$ 1,287
Charges for services	780	780	731	(49)	782
Investment income	50	50	93	43	79
Other	1,522	1,522	1,855	333	1,838
Total revenues	<u>3,551</u>	<u>3,551</u>	<u>4,020</u>	<u>469</u>	<u>3,986</u>
Expenditures					
Current					
Public safety	3,175	3,181	2,859	322	2,663
Total expenditures	<u>3,175</u>	<u>3,181</u>	<u>2,859</u>	<u>322</u>	<u>2,663</u>
Other financing sources (uses)					
Transfers out	(1,095)	(1,095)	(1,186)	(91)	(1,112)
Total other financing sources (uses)	<u>(1,095)</u>	<u>(1,095)</u>	<u>(1,186)</u>	<u>(91)</u>	<u>(1,112)</u>
Change in fund balance	(719)	(725)	(25)	700	211
Fund balances, July 1	<u>1,048</u>	<u>1,048</u>	<u>1,048</u>	<u>-</u>	<u>837</u>
Fund balances, June 30	<u>\$ 329</u>	<u>\$ 323</u>	<u>\$ 1,023</u>	<u>\$ 700</u>	<u>\$ 1,048</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, 2008
(With comparative totals for 2007)
amounts expressed in thousands

	<u>2008</u>		<u>Actual</u>	<u>Variance with Final Budget- Pos (Neg)</u>	<u>2007 Actual</u>
	<u>Budget Amounts</u>				
	<u>Original</u>	<u>Final</u>			
Revenues					
Taxes and assessments					
Franchise Tax	\$ 137	\$ 137	\$ 325	\$ 188	\$ -
Licenses and permits	35,408	35,408	35,905	497	32,755
Charges for services	7,004	7,004	8,069	1,065	5,473
Investment income	302	302	970	668	378
Other	136	136	333	197	149
Total revenues	<u>42,987</u>	<u>42,987</u>	<u>45,602</u>	<u>2,615</u>	<u>38,755</u>
Expenditures					
Current					
Public works	42,291	42,654	35,003	7,651	30,295
Capital outlay	-	-	-	-	1,706
Debt service principal	63	63	10	53	-
Total expenditures	<u>42,354</u>	<u>42,717</u>	<u>35,013</u>	<u>7,704</u>	<u>32,001</u>
Other financing sources (uses)					
Transfers out	(1,166)	(1,166)	(968)	(198)	(956)
Total other financing sources (uses)	<u>(1,166)</u>	<u>(1,166)</u>	<u>(968)</u>	<u>(198)</u>	<u>(956)</u>
Change in fund balance	(533)	(896)	9,621	10,517	5,798
Fund balances, July 1	<u>10,770</u>	<u>10,770</u>	<u>10,770</u>	<u>-</u>	<u>4,972</u>
Fund balances, June 30	<u>\$ 10,237</u>	<u>\$ 9,874</u>	<u>\$ 20,391</u>	<u>\$ 10,517</u>	<u>\$ 10,770</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, 2008
(With comparative totals for 2007)
amounts expressed in thousands

	2008			Variance with Final Budget- Pos (Neg)	2007 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 13	\$ 13	\$ 41	\$ 28	\$ 32
Other	2,043	2,043	1,785	(258)	1,563
Total revenues	<u>2,056</u>	<u>2,056</u>	<u>1,826</u>	<u>(230)</u>	<u>1,595</u>
Expenditures					
Current					
General government	1,532	1,768	1,584	184	1,832
Capital outlay	-	-	-	-	82
Total expenditures	<u>1,532</u>	<u>1,768</u>	<u>1,584</u>	<u>184</u>	<u>1,914</u>
Change in fund balance	524	288	242	(46)	(319)
Fund balances, July 1	<u>364</u>	<u>364</u>	<u>364</u>	<u>-</u>	<u>683</u>
Fund balances, June 30	<u>\$ 888</u>	<u>\$ 652</u>	<u>\$ 606</u>	<u>\$ (46)</u>	<u>\$ 364</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, 2008
(With comparative totals for 2007)
amounts expressed in thousands

	2008			Variance with Final Budget- Pos (Neg)	2007
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Fines and forfeits	\$ 2,100	\$ 2,100	\$ 2,354	\$ 254	\$ 2,304
Interest	40	40	102	62	115
Other	900	900	946	46	906
Total revenues	<u>3,040</u>	<u>3,040</u>	<u>3,402</u>	<u>362</u>	<u>3,325</u>
Expenditures					
Current					
General government	3,040	3,040	3,388	(348)	3,145
Total expenditures	<u>3,040</u>	<u>3,040</u>	<u>3,388</u>	<u>(348)</u>	<u>3,145</u>
Change in fund balance	-	-	14	14	180
Fund balances, July 1	168	168	168	-	(12)
Fund balances, June 30	<u>\$ 168</u>	<u>\$ 168</u>	<u>\$ 182</u>	<u>\$ 14</u>	<u>\$ 168</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, 2008
(With comparative totals for 2007)
amounts expressed in thousands

	2008			Variance with Final Budget- Pos (Neg)	2007 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Charges for services	\$ 571	\$ 571	\$ 572	\$ 1	\$ 533
Intergovernmental - grants	1,327	1,327	1,326	(1)	1,226
Investment income	10	10	35	25	13
Other	-	-	3	3	(6)
Total revenues	<u>1,908</u>	<u>1,908</u>	<u>1,936</u>	<u>28</u>	<u>1,766</u>
Expenditures					
Current					
General government	1,937	1,943	1,556	387	1,562
Capital outlay	-	-	-	-	82
Debt service principal	-	-	9	(9)	8
Total expenditures	<u>1,937</u>	<u>1,943</u>	<u>1,565</u>	<u>378</u>	<u>1,652</u>
Change in fund balance	(29)	(35)	371	406	114
Fund balances, July 1	<u>352</u>	<u>352</u>	<u>352</u>	<u>-</u>	<u>238</u>
Fund balances, June 30	<u>\$ 323</u>	<u>\$ 317</u>	<u>\$ 723</u>	<u>\$ 406</u>	<u>\$ 352</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, 2008
(With comparative totals for 2007)
amounts expressed in thousands

	2008			Variance with Final Budget- Pos (Neg)	2007
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Interest	\$ 170	\$ 170	\$ 194	\$ 24	\$ 176
Other	1,502	1,502	1,599	97	1,648
Total revenues	<u>1,672</u>	<u>1,672</u>	<u>1,793</u>	<u>121</u>	<u>1,824</u>
Expenditures					
Current					
Public safety	2,417	2,417	674	1,743	1,279
Capital outlay	-	-	-	-	76
Total expenditures	<u>2,417</u>	<u>2,417</u>	<u>674</u>	<u>1,743</u>	<u>1,355</u>
Other financing sources (uses)					
Operating transfers out	(1,178)	(1,178)	(275)	903	(356)
Total other financing sources (uses)	<u>(1,178)</u>	<u>(1,178)</u>	<u>(275)</u>	<u>903</u>	<u>(356)</u>
Change in fund balance	(1,923)	(1,923)	844	2,767	113
Fund balances, July 1	<u>3,131</u>	<u>3,131</u>	<u>3,131</u>	<u>-</u>	<u>3,018</u>
Fund balances, June 30	<u>\$ 1,208</u>	<u>\$ 1,208</u>	<u>\$ 3,975</u>	<u>\$ 2,767</u>	<u>\$ 3,131</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, 2008
(With comparative totals for 2007)
amounts expressed in thousands

	2008			Variance with Final Budget- Pos (Neg)	2007 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Licenses and permits	\$ 135	\$ 135	\$ 182	\$ 47	\$ 161
Charges for services	6,661	6,661	7,027	366	6,799
Investment income	95	95	228	133	142
Other	98	98	272	174	162
Total revenues	<u>6,989</u>	<u>6,989</u>	<u>7,709</u>	<u>720</u>	<u>7,264</u>
Expenditures					
Current					
Parks and recreation	7,749	8,009	7,322	687	6,054
Capital outlay	-	-	-	-	241
Total expenditures	<u>7,749</u>	<u>8,009</u>	<u>7,322</u>	<u>687</u>	<u>6,295</u>
Other financing sources (uses)					
Sale of Capital Assets	-	-	-	-	-
Transfers in	843	843	-	(843)	-
Transfers out	-	287	(287)	(574)	(100)
Total other financing sources (uses)	<u>843</u>	<u>1,130</u>	<u>(287)</u>	<u>(1,417)</u>	<u>(100)</u>
Change in fund balance	83	110	100	(10)	869
Fund balances, July 1	<u>3,748</u>	<u>3,748</u>	<u>3,748</u>	<u>-</u>	<u>2,879</u>
Fund balances, June 30	<u>\$ 3,831</u>	<u>\$ 3,858</u>	<u>\$ 3,848</u>	<u>\$ (10)</u>	<u>\$ 3,748</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, 2008
(With comparative totals for 2007)
amounts expressed in thousands

	2008			Variance with Final Budget- Pos (Neg)	2007 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Charges for services	\$ 10,494	\$ 10,494	\$ 17,331	\$ 6,837	\$ 10,005
Intergovernmental - grants	3,275	3,275	4,579	1,304	4,615
Investment income	200	200	607	407	315
Other	1,546	1,546	1,759	213	530
Total revenues	<u>15,515</u>	<u>15,515</u>	<u>24,276</u>	<u>8,761</u>	<u>15,465</u>
Expenditures					
Current					
Public safety	18,794	18,799	20,761	(1,962)	9,690
Capital outlay	-	-	-	-	442
Total expenditures	<u>18,794</u>	<u>18,799</u>	<u>20,761</u>	<u>(1,962)</u>	<u>10,132</u>
Other financing sources (uses)					
Transfers in	389	389	1,496	1,107	1,556
Total other financing sources (uses)	<u>389</u>	<u>389</u>	<u>1,496</u>	<u>1,107</u>	<u>1,556</u>
Change in fund balance	(2,890)	(2,895)	5,011	7,906	6,889
Fund balances, July 1	<u>9,759</u>	<u>9,759</u>	<u>9,759</u>	<u>-</u>	<u>2,870</u>
Fund balances, June 30	<u>\$ 6,869</u>	<u>\$ 6,864</u>	<u>\$ 14,770</u>	<u>\$ 7,906</u>	<u>\$ 9,759</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, 2008
(With comparative totals for 2007)
amounts expressed in thousands

	2008			Variance with Final Budget- Pos (Neg)	2007 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Licenses and permits	\$ 2,821	\$ 2,821	\$ 2,967	\$ 146	\$ 2,917
Investment income	80	80	124	44	102
Other	2	2	3	1	6
Total revenues	<u>2,903</u>	<u>2,903</u>	<u>3,094</u>	<u>191</u>	<u>3,025</u>
Expenditures					
Current					
Public works	3,577	3,617	2,752	865	2,318
Capital outlay	-	-	-	-	463
Total expenditures	<u>3,577</u>	<u>3,617</u>	<u>2,752</u>	<u>865</u>	<u>2,781</u>
Other financing sources (uses)					
Sale Of Capital Assets	-	-	2	(2)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2</u>	<u>(2)</u>	<u>-</u>
Change in fund balance	(674)	(714)	344	1,058	244
Fund balances, July 1	<u>1,727</u>	<u>1,727</u>	<u>1,727</u>	<u>-</u>	<u>1,483</u>
Fund balances, June 30	<u>\$ 1,053</u>	<u>\$ 1,013</u>	<u>\$ 2,071</u>	<u>\$ 1,058</u>	<u>\$ 1,727</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, 2008
(With comparative totals for 2007)
amounts expressed in thousands

	2008			Variance with Final Budget- Pos (Neg)	2007 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 251	\$ 251	\$ 251	\$ -	\$ 312
Other	70	70	78	8	108
Total revenues	<u>321</u>	<u>321</u>	<u>329</u>	<u>8</u>	<u>420</u>
Expenditures					
Current					
Public works	34,484	34,580	32,709	1,871	28,760
Capital outlay	-	-	-	-	2,334
Total expenditures	<u>34,484</u>	<u>34,580</u>	<u>32,709</u>	<u>1,871</u>	<u>31,094</u>
Other financing sources (uses)					
Transfers in	37,735	37,735	36,540	(1,195)	34,056
Transfers out	(5,836)	(5,836)	(4,641)	1,195	(2,792)
Total other financing sources (uses)	<u>31,899</u>	<u>31,899</u>	<u>31,899</u>	<u>-</u>	<u>31,264</u>
Change in fund balance	(2,264)	(2,360)	(481)	1,879	590
Fund balances, July 1	<u>3,352</u>	<u>3,352</u>	<u>3,352</u>	<u>-</u>	<u>2,762</u>
Fund balances, June 30	<u>\$ 1,088</u>	<u>\$ 992</u>	<u>\$ 2,871</u>	<u>\$ 1,879</u>	<u>\$ 3,352</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, 2008
(With comparative totals for 2007)
amounts expressed in thousands

	2008		Actual	Variance with Final Budget- Pos (Neg)	2007 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Charges for services	\$ 702	\$ 702	\$ 144	\$ (558)	\$ 216
Intergovernmental - grants	9,962	9,962	8,787	(1,175)	8,653
Investment income	-	-	(6)	(6)	2
Total revenues	<u>10,664</u>	<u>10,664</u>	<u>8,925</u>	<u>(1,739)</u>	<u>8,871</u>
Expenditures					
Current					
Public safety	21,524	21,602	19,633	1,969	18,902
Capital outlay	-	-	-	-	124
Total expenditures	<u>21,524</u>	<u>21,602</u>	<u>19,633</u>	<u>1,969</u>	<u>19,026</u>
Other financing sources (uses)					
Transfers in	<u>10,837</u>	<u>10,837</u>	<u>10,734</u>	<u>(103)</u>	<u>9,634</u>
Total other financing sources (uses)	<u>10,837</u>	<u>10,837</u>	<u>10,734</u>	<u>(103)</u>	<u>9,634</u>
Change in fund balance	(23)	(101)	26	127	(521)
Fund balances, July 1	<u>109</u>	<u>109</u>	<u>109</u>	<u>-</u>	<u>630</u>
Fund balances, June 30	<u>\$ 86</u>	<u>\$ 8</u>	<u>\$ 135</u>	<u>\$ 127</u>	<u>\$ 109</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, 2008
(With comparative totals for 2007)
amounts expressed in thousands

	2008			Variance with Final Budget- Pos (Neg)	2007 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 20	\$ 20	\$ 30	\$ 10	\$ 30
Other	30	30	30	-	49
Total revenues	<u>50</u>	<u>50</u>	<u>60</u>	<u>10</u>	<u>79</u>
Expenditures					
Current					
General government	291	291	202	89	44
Capital outlay	-	-	-	-	18
Total expenditures	<u>291</u>	<u>291</u>	<u>202</u>	<u>89</u>	<u>62</u>
Change in fund balance	(241)	(241)	(142)	99	17
Fund balances, July 1	<u>563</u>	<u>563</u>	<u>563</u>	<u>-</u>	<u>546</u>
Fund balances, June 30	<u><u>\$ 322</u></u>	<u><u>\$ 322</u></u>	<u><u>\$ 421</u></u>	<u><u>\$ 99</u></u>	<u><u>\$ 563</u></u>

Enterprise Funds

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

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

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

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

Nonmajor Enterprise Funds – The Houston Area Water Corporation fund did not meet the established criteria for major fund status. The Houston Area Water Corporation was organized to provide water to the City of Houston for resale to customers located wholly or partially in Area Three of the Harris-Galveston Coastal Subsidence District. 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, 2008
(With comparative amounts for 2007)
amounts expressed in thousands

	<u>2008</u>	<u>2007</u>
Assets		
Current Assets		
Equity in pooled cash and investments	\$ 828,803	\$ 722,089
Receivables, net of allowances		
Accounts receivable	21,279	19,462
Due from other funds	34	6
Due from other governments	3,688	2,474
Inventory	2,869	3,626
Prepaid items	2,224	2,106
Restricted assets		
Investments	7,456	7,013
Total current assets	<u>866,353</u>	<u>756,776</u>
Noncurrent Assets		
Deferred charges for issuance cost	5,261	1,804
Capital assets		
Land	207,439	202,214
Buildings, improvements and equipment	3,741,652	3,527,363
Construction in progress	236,090	302,189
Less accumulated depreciation	<u>(1,328,082)</u>	<u>(1,203,037)</u>
Net capital assets	<u>2,857,099</u>	<u>2,828,729</u>
Total noncurrent assets	<u>2,862,360</u>	<u>2,830,533</u>
Total assets	<u>\$ 3,728,713</u>	<u>\$ 3,587,309</u>

(Continued)

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Net Assets
June 30, 2008
(With comparative amounts for 2007)
amounts expressed in thousands

	2008	2007
Liabilities		
Current Liabilities		
Accounts payable	\$ 6,116	\$ 6,141
Accrued payroll liabilities	3,441	2,760
Accrued interest payable	47,686	48,914
Contracts and retainages payable	24,132	19,110
Due to other funds	7	609
Advances and deposits	1,976	2,236
Inferior lien contract	3,880	3,660
Claims and judgments	1,260	1,303
Compensated absences	4,343	3,990
Other liabilities	1,011	950
Revenue bonds payable	43,050	34,500
Deferred revenue	1,607	9,376
Total current liabilities	138,509	133,549
Noncurrent liabilities		
Revenue bonds payable, net	2,051,120	2,046,352
Claims and judgments	3,762	2,814
Compensated absences	5,514	4,494
Inferior lien contracts	45,820	49,700
Commercial paper	83,000	95,000
Other long-term liabilities	-	1,011
Pension note payable	34,800	34,800
Municipal pension trust liability	30,109	27,512
Other post employment benefits	11,356	-
Pension obligation bonds payable	2,006	2,006
Total noncurrent liabilities	2,267,487	2,263,689
Total liabilities	2,405,996	2,397,238
Net assets		
Invested in capital assets, net of related debt	685,286	648,933
Restricted net assets		
Restricted for debt service	67,847	53,373
Restricted for renewal and replacement	10,000	10,000
Restricted for maintenance and operations	41,048	39,638
Restricted for capital improvements	518,536	438,127
Total net assets	\$ 1,322,717	\$ 1,190,071

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2008
(With comparative amounts for 2007)
amounts expressed in thousands

	<u>2008</u>	<u>2007</u>
Operating Revenues		
Landing area fees	\$ 99,017	\$ 92,140
Terminal space rentals	211,786	199,720
Parking	72,958	65,454
Concession	58,789	54,540
Other	4,626	4,284
Total operating revenue	<u>447,176</u>	<u>416,138</u>
Operating Expenses		
Maintenance and operating	229,551	214,611
Depreciation and amortization	125,951	126,953
Total operating expenses	<u>355,502</u>	<u>341,564</u>
Operating income (loss)	<u>91,674</u>	<u>74,574</u>
Nonoperating revenue (expenses)		
Investment income	41,694	33,722
Other revenue	514	541
Gain (Loss) on disposal of assets	37	(7)
Passenger facility charges	11,608	6,530
Interest on long-term debt	(104,056)	(101,186)
Total Nonoperating revenues (expenses)	<u>(50,203)</u>	<u>(60,400)</u>
Income (loss) before contributions and transfers	<u>41,471</u>	<u>14,174</u>
Capital contributions	<u>91,175</u>	<u>41,681</u>
Change in net assets	132,646	55,855
Total net assets, July 1	<u>1,190,071</u>	<u>1,134,216</u>
Total net assets, June 30	<u>\$ 1,322,717</u>	<u>\$ 1,190,071</u>

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Cash Flows
For the Year Ended June 30, 2008
(With comparative amounts for 2007)
amounts expressed in thousands

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Receipts from customers	\$ 437,312	\$ 427,886
Payments to employees	(84,338)	(79,758)
Payments to suppliers	(91,173)	(86,319)
Internal activity-payments to other funds	(36,833)	(37,455)
Claims paid	(1,260)	(1,304)
Other revenues	571	483
Net cash provided by operating activities	<u>224,279</u>	<u>223,533</u>
Cash flows from investing activities		
Interest income on investments	41,863	33,722
Purchase of investments	(26,927)	(2,285)
Proceeds from sale of investments	26,485	3,295
Transfer of investments to equity pool cash & investments	-	572,391
Gain (loss) on sale on nonpooled stock	(169)	-
Net cash provided by (used for) investing activities	<u>41,252</u>	<u>607,123</u>
Cash flows from noncapital financing activities		
Interest expense electrical contract	(50)	(44)
Interest expense pension obligation bonds	(106)	(105)
Interest expense collateralized note	(2,958)	(2,958)
Deferred charges on future debt issuance	(28)	-
Net cash provided by (used in) noncapital financing activities	<u>(3,142)</u>	<u>(3,107)</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(34,500)	(28,385)
Refunding of revenue bonds	(247,858)	-
Retirement of commercial paper	(43,000)	-
Proceeds (uses of cash) from issuance of revenue bonds	290,863	-
Proceeds from issuance of commercial paper	31,000	36,000
Interest expense on revenue bonds	(112,852)	(111,559)
Retirement of inferior lien contract	(3,660)	(3,450)
Passenger facilities charges	11,608	6,530
Advances and deposits on construction	17	16
Contributed capital	84,417	48,995
Acquisition of property, plant and equipment	(131,710)	(108,794)
Net cash provided by (used in) capital and related financing activities	<u>(155,675)</u>	<u>(160,647)</u>
Net cash provided by noncapital financing activities		
Net increase in cash and cash equivalents	<u>106,714</u>	<u>666,902</u>
Cash and cash equivalents, July 1	<u>722,089</u>	<u>55,187</u>
Cash and cash equivalents, June 30	<u>\$ 828,803</u>	<u>\$ 722,089</u>
Non cash transactions		
Unrealized gain (loss) on investments	7,573	2,988
Donated assets	(5,486)	-
Capitalized interest expense	12,071	14,794
Capital additions included in liabilities	(5,023)	4,602
Loss (gain) on disposal of assets	(37)	7
Total non cash transactions	<u>\$ 9,098</u>	<u>\$ 22,391</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 91,674	\$ 74,574
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	125,952	126,953
Other post employment benefits	11,356	
Other revenues	571	483
Changes in assets and liabilities		
Accounts receivable	(1,817)	10,136
Due from other funds	(28)	(6)
Inventory and prepaid insurance	639	(509)
Accounts payable	(975)	1,147
Accrued payroll liabilities	681	1,420
Due to other funds	(602)	609
Advances and deposits	(8,047)	1,625
Claims and judgments - workers' compensation	905	668
Compensated absences	1,373	1,668
Pension Obligation payable	2,597	4,765
Net cash provided by operating activities	<u>\$ 224,279</u>	<u>\$ 223,533</u>

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Net Assets
June 30, 2008
(With comparative amounts for 2007)
amounts expressed in thousands

	2008	2007
Assets		
Current Assets		
Equity in pooled cash and investments	\$ 90,873	\$ 82,950
Receivables, net of allowances		
Accounts receivable	2,003	1,226
Hotel occupancy tax receivable	18,627	16,111
Due from component units	13,033	13,996
Due from other funds	102	76
Due from other governments	826	758
Prepaid items	708	663
Restricted assets		
Investments	21,774	21,774
Total current assets	147,946	137,554
Noncurrent Assets		
Due from component units	299,350	299,928
Deferred charges for issuance cost	3,439	3,727
Total noncurrent restricted assets	302,789	303,655
Capital assets		
Land	99,757	99,757
Buildings, improvements and equipment	456,324	452,877
Construction in progress	1,849	753
Garage Rights	13,144	13,144
Less accumulated depreciation and amortization	(157,839)	(144,947)
Net capital assets	413,235	421,584
Total noncurrent assets	716,024	725,239
Total assets	\$ 863,970	\$ 862,793

(Continued)

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Net Assets
June 30, 2008
(With comparative amounts for 2007)
amounts expressed in thousands

	2008	2007
Liabilities		
Current Liabilities		
Accounts payable	\$ 6,669	\$ 7,113
Accrued payroll liabilities	380	297
Accrued interest payable	5,622	5,973
Due to component units	23,847	24,344
Due to other governments	108	79
Advances and deposits	1,052	1,268
Claims and judgments	-	78
Compensated absences	489	468
Deferred electricity note	255	239
Revenue bonds payable	18,620	17,540
Deferred revenue	396	396
Total current liabilities	57,438	57,795
Noncurrent liabilities		
Revenue bonds payable	605,938	615,562
Claims and judgments	160	213
Compensated absences	718	396
Commercial paper	43,800	35,500
Arbitrage rebate	340	235
Other long-term liabilities	-	255
Pension note payable	3,300	3,300
Municipal pension trust liability	3,156	2,867
Other post employment benefits	918	-
Deferred revenue	9,696	10,388
Pension obligation bonds payable	189	189
Total noncurrent liabilities	668,215	668,905
Total liabilities	725,653	726,700
Net Assets		
Invested in capital assets, net of related debt	63,806	61,066
Restricted net assets		
Restricted for debt service	16,152	15,801
Restricted for maintenance and operations	18,502	16,997
Restricted for capital improvements	6,865	
Unrestricted	32,992	42,229
Total net assets	\$ 138,317	\$ 136,093

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2008
(With comparative amounts for 2007)
amounts expressed in thousands

	2008	2007
Operating Revenues		
Parking	\$ 9,774	\$ 9,011
Concession	5,308	4,722
Rental	7,224	6,821
Total operating revenue	22,306	20,554
Operating Expenses		
Maintenance and operating	37,276	35,342
Depreciation and amortization	12,084	11,925
Total operating expenses	49,360	47,267
Operating income (loss)	(27,054)	(26,713)
Nonoperating revenue (expenses)		
Investment income	19,186	18,704
Hotel occupancy tax	66,232	58,709
Other revenue	1,077	1,447
Gain (loss) on disposal of assets	1	5,385
Other expenses	(28,066)	(25,720)
Interest on long-term debt	(33,150)	(32,859)
Contributions In	2,406	2,740
Total Nonoperating revenues (expenses)	27,686	28,406
Income (loss) before contributions and transfers	632	1,693
Capital contributions	881	(691)
Transfers in	1,304	1,187
Transfers out	(593)	(93)
Total transfers	711	1,094
Change in net assets	2,224	2,096
Total net assets, July 1	136,093	133,997
Total net assets, June 30	\$ 138,317	\$ 136,093

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Cash Flows
For the Year Ended June 30, 2008
(With comparative amounts for 2007)
amounts expressed in thousands

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Receipts from customers	\$ 20,621	\$ 20,025
Payments to employees	(9,029)	(8,044)
Payments to suppliers	(26,578)	(26,909)
Internal activity-payments to other funds	(784)	(676)
Claims paid	(31)	(80)
Due from other governments	29	74
Other revenues	1,077	1,447
Other expenses	<u>(1,962)</u>	<u>(1,784)</u>
Net cash used for operating activities	<u>(16,657)</u>	<u>(15,947)</u>
Cash flows from investing activities		
Interest income on investments	19,186	18,704
Transfer from investments to equity pool cash and investments	<u>-</u>	<u>34,248</u>
Net cash provided by investing activities	<u>19,186</u>	<u>52,952</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(17,540)	(14,775)
Net proceeds from issuance of commercial paper	8,300	13,000
Interest expense on debt	(23,926)	(24,004)
Proceeds from disposition of assets	-	8,046
Acquisition of property, plant and equipment, net	<u>(2,852)</u>	<u>(2,554)</u>
Net cash used for capital and related financing activities	<u>(36,018)</u>	<u>(20,287)</u>
Cash flows from noncapital financing activities		
Promotional contract paid from hotel occupancy tax revenues to component units	(26,104)	(23,935)
Transfers	711	1,094
Payments from Hotel Corporation	2,622	(7,726)
Hotel occupancy tax revenue	64,474	57,186
Interest expense on pension obligation bonds	(10)	(10)
Interest expense on collateralized note	<u>(281)</u>	<u>(281)</u>
Net cash provided by noncapital financing activities	<u>41,412</u>	<u>26,328</u>
Net increase (decrease) in cash and cash equivalents	7,923	43,046
Cash and cash equivalents, July 1	<u>82,950</u>	<u>39,904</u>
Cash and cash equivalents, June 30	<u>\$ 90,873</u>	<u>\$ 82,950</u>

(Continued)

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Cash Flows
For the Year Ended June 30, 2008
(With comparative amounts for 2007)
amounts expressed in thousands

	<u>2008</u>	<u>2007</u>
Non cash transactions		
Unrealized gain (loss) on investments	\$ 812	\$ -
Contributions of capital assets	881	(691)
Capital additions included in liabilities	-	(1,055)
Total non cash transactions	<u>\$ 1,693</u>	<u>\$ (1,746)</u>
Reconciliation of operating income to net cash used by operating activities		
Operating income (loss)	\$ (27,054)	\$ (26,713)
Depreciation and amortization	12,084	11,925
Other post employment benefits	918	
Other revenues	1,077	1,447
Other expenses	(1,962)	(1,784)
Changes in assets and liabilities		
Accounts receivable and prepaids	(777)	(253)
Due from other funds	(26)	48
Accounts payable	(444)	(1,261)
Accrued payroll liabilities	83	158
Due to other governments	29	74
Advances and deposits	(215)	416
Inventory and prepaid Insurance	(44)	(61)
Claims and judgments-workers' compensation	(131)	(3)
Compensated absences	342	161
Deferred revenue	(931)	(692)
Pension Obligation payable	289	477
Other long-term liabilities	105	114
Net cash used in operating activities	<u>\$ (16,657)</u>	<u>\$ (15,947)</u>

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Net Assets
June 30, 2008
(With comparative amounts for 2007)
amounts expressed in thousands

	2008	2007
Assets		
Current assets		
Equity in pooled cash and investments	\$ 635,593	\$ 645,791
Receivables, net of allowances		
Accounts receivable	96,728	68,023
Special assessments receivable	93	93
Due from other funds	1,544	-
Due from other governments	4,866	5,158
Inventory	6,168	5,633
Prepaid items	3,727	3,111
Total current assets	748,719	727,809
Noncurrent Assets		
Due from other funds	96,859	-
Deferred charges for issuance cost	56,737	46,762
Total noncurrent restricted assets	153,596	46,762
Other assets		
Amounts held by other governments	10,058	14,520
Capital assets		
Land	115,478	101,371
Buildings, improvements and equipment	204,679	198,733
Plants, lines and rights	8,053,794	7,619,503
Construction in progress	413,610	507,292
Water rights	456,915	456,915
Total capital assets	9,244,476	8,883,814
Less accumulated depreciation and amortization	(4,210,358)	(4,038,861)
Net capital assets	5,034,118	4,844,953
Total noncurrent assets	5,197,772	4,906,235
Total assets	\$ 5,946,491	\$ 5,634,044

(Continued)

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Net Assets
June 30, 2008
(With comparative amounts for 2007)
amounts expressed in thousands

	2008	2007
Liabilities		
Current Liabilities		
Accounts payable	\$ 87,152	\$ 38,726
Accrued payroll liabilities	4,908	4,153
Accrued interest payable	30,590	24,473
Contracts payable	18,155	60,091
Due to other funds	316	682
Due to other governments	1,088	4,897
Advances and deposits	36,239	32,568
Claims and judgments	1,257	1,173
Compensated absences	7,252	6,374
Deferred Electricity Note	2,610	2,453
Revenue bonds payable	37,783	26,613
Total current liabilities	227,350	202,203
Noncurrent liabilities		
Revenue bonds payable	4,982,679	4,379,524
Claims and judgments	1,278	1,333
Compensated absences	12,783	11,204
Contracts payable	188,384	206,482
Commercial paper	156,500	440,200
Arbitrage rebate	4,842	2,427
Deferred Electricity Note	-	2,610
Pension note payable	51,600	51,600
Municipal pension trust liability	48,306	44,627
Other post employment benefits	19,856	-
Deferred revenue	275,502	158,334
Pension obligation bonds payable	3,382	3,382
Total noncurrent liabilities	5,745,112	5,301,723
Total liabilities	5,972,462	5,503,926
Net Assets		
Invested in capital assets, net of related debt	(226,413)	(56,682)
Restricted net assets		
Restricted for maintenance and operations	63,450	62,674
Restricted for capital improvements	42,886	5,158
Unrestricted	94,106	118,968
Total net assets	\$ (25,971)	\$ 130,118

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2008
(With comparative amounts for 2007)
amounts expressed in thousands

	<u>2008</u>	<u>2007</u>
Operating Revenues		
Water/Sewer Billing	648,269	615,465
Total operating revenue	<u>648,269</u>	<u>615,465</u>
Operating Expenses		
Maintenance and operating	346,665	315,348
Depreciation and amortization	220,190	257,722
Total operating expenses	<u>566,855</u>	<u>573,070</u>
Operating income (loss)	<u>81,414</u>	<u>42,395</u>
Nonoperating revenue (expenses)		
Investment income	35,435	36,014
Other revenue	31,517	36,617
Other expenses		(1)
Interest on long-term debt	(267,504)	(242,282)
Loss on disposal of assets	(12,009)	(3,478)
Contributions in	2,343	-
Total Nonoperating revenues (expenses)	<u>(210,218)</u>	<u>(173,130)</u>
Income (loss) before contributions and transfers	<u>(128,804)</u>	<u>(130,735)</u>
Capital contributions	<u>42,862</u>	<u>20,746</u>
Transfers in	1,020	-
Transfers out	(71,167)	(76,944)
Total transfers	<u>(70,147)</u>	<u>(76,944)</u>
Change in net assets	(156,089)	(186,933)
Total net assets, July 1	<u>130,118</u>	<u>317,051</u>
Total net assets, June 30	<u>\$ (25,971)</u>	<u>\$ 130,118</u>

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Cash Flows
For the Year Ended June 30, 2008
(With comparative amounts for 2007)
amounts expressed in thousands

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Receipts from customers	\$ 623,236	\$ 627,465
Payments to employees	(127,065)	(119,284)
Payments to suppliers	(123,271)	(156,998)
Internal activity-payments to other funds	(17,032)	(4,111)
Claims paid	(459)	(1,650)
Other revenues	31,517	36,030
Net cash provided by (used in) operating activities	<u>386,926</u>	<u>381,452</u>
Cash flows from investing activities		
Interest income on investments	35,435	36,014
Transfer from investments to equity pool cash and investments	-	393,668
Net cash provided by (used in) investing activities	<u>35,435</u>	<u>429,682</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(107,416)	(95,947)
Proceeds from issuance of revenue bonds - net	131,436	103,583
Proceeds from issuance of commercial paper	220,000	280,000
Interest expense on debt	(207,739)	(235,793)
Proceeds from disposition of assets	14,178	7,247
Contributed capital	112,407	5,512
Deferred bond issuance cost	(17,139)	(3,063)
Retirement of contractual obligation	(122,788)	-
Acquisition of property, plant and equipment	(385,352)	(323,968)
Net cash used for capital and related financing activities	<u>(362,413)</u>	<u>(262,429)</u>
Cash flows from noncapital financing activities		
Transfers to debt service fund	(25,804)	(24,211)
Transfers to other funds	(44,342)	(52,733)
Net cash used in noncapital financing activities	<u>(70,146)</u>	<u>(76,944)</u>
Net decrease in cash and cash equivalents	(10,198)	471,761
Cash and cash equivalents, July 1	645,791	174,030
Cash and cash equivalents, June 30	<u>\$ 635,593</u>	<u>\$ 645,791</u>
Non cash transactions		
Unrealized gain (loss) on investments	3,820	2,305
Amortization expense	13,013	8,384
Capital additions included in liabilities	38,524	17,255
Contributed Capital	42,863	18,410
Capitalized interest expense	18,566	19,027
Total non cash transactions	<u>\$ 116,786</u>	<u>\$ 65,381</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 81,414	\$ 42,395
Depreciation and amortization	220,190	257,722
Other post employemnt benefits	19,856	-
Other revenues	31,516	36,617
Changes in assets and liabilities		
Accounts receivable	(28,704)	8,761
Due from other funds	-	1,924
Due from other governments	4,511	(2,679)
Inventory & prepaid insurance	(1,151)	(1,310)
Accounts payable	48,426	26,418
Accrued payroll liabilities	755	2,223
Due to other funds	316	(743)
Arbitrage rebate	2,415	2,427
Advances and deposits	3,671	3,238
Claims and judgments-workers' compensation	28	(1,522)
Compensated absences	2,457	2,027
Pension obligation payable	3,679	6,735
Deferred revenues	-	(585)
Other long-term liabilities	(2,453)	(2,196)
Net cash provided by operating activities	<u>\$ 386,926</u>	<u>\$ 381,452</u>

CITY OF HOUSTON, TEXAS
NONMAJOR ENTERPRISE FUNDS
Statement of Net Assets
June 30, 2008
(With comparative amounts for 2007)
amounts expressed in thousands

	<u>Houston Area Water Corp.</u>	<u>Parking Management</u>	<u>Total</u>	<u>2007</u>
Assets				
Current Assets				
Equity in pooled cash and investments	\$ 2,813	\$ 2,786	\$ 5,599	\$ 78
Receivables, net of allowances				
Accounts receivable	1,417	248	1,665	1,934
Due from other funds	200	-	200	707
Due from other governments	68	-	68	1,323
Investments	-	-	-	4,137
Total current assets	<u>4,498</u>	<u>3,034</u>	<u>7,532</u>	<u>8,179</u>
Noncurrent Assets				
Deferred charges for issuance cost	-	-	-	1,503
Total noncurrent restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,503</u>
Capital assets				
Land	-	-	-	2,857
Buildings, improvements and equipment	19,749	602	20,351	19,704
Plants, lines and rights	117,486	4,109	121,595	143,551
Construction in progress	470	-	470	213
Less accumulated depreciation	<u>(11,652)</u>	<u>(296)</u>	<u>(11,948)</u>	<u>(8,664)</u>
Net capital assets	<u>126,053</u>	<u>4,415</u>	<u>130,468</u>	<u>157,661</u>
Total noncurrent assets	<u>126,053</u>	<u>4,415</u>	<u>130,468</u>	<u>159,164</u>
Total assets	<u>\$ 130,551</u>	<u>\$ 7,449</u>	<u>\$ 138,000</u>	<u>\$ 167,343</u>
Liabilities				
Current Liabilities				
Accounts payable	\$ 740	\$ 67	\$ 807	\$ 3,247
Accrued payroll liabilities	-	88	88	
Accrued interest payable	-	-	-	2,164
Contracts and retainages payable	53	-	53	1,100
Due to other funds	1,544	-	1,544	-
Compensated absences	-	109	109	-
Revenue bonds payable	-	-	-	2,585
Deferred revenue	-	-	-	692
Total current liabilities	<u>2,337</u>	<u>264</u>	<u>2,601</u>	<u>9,788</u>
Noncurrent liabilities				
Revenue bonds payable	-	-	-	122,068
Due to other funds	96,859	-	96,859	-
Compensated absences	-	71	71	-
Municipal pension trust liability	-	77	77	-
Other post retirement benefits	-	289	289	-
Total noncurrent liabilities	<u>96,859</u>	<u>437</u>	<u>97,296</u>	<u>122,068</u>
Total liabilities	<u>99,196</u>	<u>701</u>	<u>99,897</u>	<u>131,856</u>
Net assets				
Investment in capital assets, net of related debt	29,141	-	29,141	35,460
Restricted net assets				
Restricted - Contribution - Water Museum	200	-	200	-
Unrestricted	2,014	6,748	8,762	27
Total net assets	<u>\$ 31,355</u>	<u>\$ 6,748</u>	<u>\$ 38,103</u>	<u>\$ 35,487</u>

CITY OF HOUSTON, TEXAS
NONMAJOR ENTERPRISE FUNDS
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2008
(With comparative amounts for 2007)
amounts expressed in thousands

	<u>Houston Area Water Corp.</u>	<u>Parking Management</u>	<u>Total</u>	<u>2007</u>
Operating Revenues				
Parking	\$ -	\$ 13,045	\$ 13,045	\$ -
Total operating revenue	<u>-</u>	<u>13,045</u>	<u>13,045</u>	<u>-</u>
Operating Expenses				
Administrative costs	-	3,727	3,727	-
Maintenance and operating	8,520	258	8,778	8,993
Depreciation and amortization	4,668	11	4,679	4,925
Total operating expenses	<u>13,188</u>	<u>3,996</u>	<u>17,184</u>	<u>13,918</u>
Operating income (loss)	<u>(13,188)</u>	<u>9,049</u>	<u>(4,139)</u>	<u>(13,918)</u>
Nonoperating revenue (expenses)				
Investment income	56	121	177	218
Other revenue	-	457	457	-
Interest on long-term debt	(301)	-	(301)	(6,650)
Contributions in	478	-	478	-
Total Nonoperating revenues (expenses)	<u>233</u>	<u>578</u>	<u>811</u>	<u>(6,432)</u>
Income (loss) before contributions and transfers	<u>(12,955)</u>	<u>9,627</u>	<u>(3,328)</u>	<u>(20,350)</u>
Capital contributions	-	4,295	4,295	-
Transfers in	8,823	-	8,823	18,237
Transfers out	-	(7,174)	(7,174)	-
Total transfers	<u>8,823</u>	<u>(7,174)</u>	<u>1,649</u>	<u>18,237</u>
Change in net assets	(4,132)	6,748	2,616	(2,113)
Total net assets (deficit), July 1	<u>35,487</u>	<u>-</u>	<u>35,487</u>	<u>37,600</u>
Total net assets, June 30	<u>\$ 31,355</u>	<u>\$ 6,748</u>	<u>\$ 38,103</u>	<u>\$ 35,487</u>

CITY OF HOUSTON, TEXAS
NONMAJOR ENTERPRISE FUNDS
Statement of Cash Flows
For the Year Ended June 30, 2008
(With comparative amounts for 2007)
amounts expressed in thousands

	Houston Area Water Corp.	Parking Management	Total	2007
Cash flows from operating activities				
Receipts from customers	\$ -	\$ 12,796	\$ 12,796	\$ -
Payments to employees	-	(2,184)	(2,184)	-
Payments to suppliers	(10,175)	(1,099)	(11,274)	12,024
Internal activity-payments (to) from other funds	10,595	-	10,595	(13,487)
Other revenues	-	457	457	-
Net cash used for operating activities	<u>420</u>	<u>9,970</u>	<u>10,390</u>	<u>(1,463)</u>
Cash flows from investing activities				
Interest income on investments	56	121	177	218
Proceeds from sale of investments	4,215	-	4,215	1,340
Net cash provided by (used for) investing activities	<u>4,271</u>	<u>121</u>	<u>4,392</u>	<u>1,558</u>
Cash flows from capital and related financing activities				
Retirement of revenue bonds	(1,237)	-	(1,237)	(2,485)
Interest expense on debt	(1,100)	-	(1,100)	58
Advances and deposits on construction	707	-	707	2,477
Acquisition of property, plant and equipment	(248)	(132)	(380)	(355)
Net cash provided by (used for) capital and related financing activities	<u>(1,878)</u>	<u>(132)</u>	<u>(2,010)</u>	<u>(305)</u>
Cash flows from noncapital financing activities				
Transfers	-	(7,174)	(7,174)	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>(7,174)</u>	<u>(7,174)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	2,814	2,785	5,599	(211)
Cash and cash equivalents, July 1, 2007	-	-	-	211
Cash and cash equivalents, June 30	<u>\$ 2,814</u>	<u>\$ 2,785</u>	<u>\$ 5,599</u>	<u>\$ -</u>
Non cash transactions				
Amortization expense	\$ (4)	\$ -	\$ (4)	\$ 92
Unrealized gain (loss) on investments	-	17	17	-
Contributed capital	-	4,295	4,295	-
Total non cash transactions	<u>\$ (4)</u>	<u>\$ 4,312</u>	<u>\$ 4,308</u>	<u>\$ 92</u>
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (loss)	\$ (13,188)	\$ 9,049	(4,139)	\$ (4,812)
Adjustments to reconcile operating income to net cash provided by operating activities			-	
Depreciation and amortization	4,668	12	4,680	4,925
Changes in assets and liabilities				
Accounts receivable	1,772	(249)	1,523	(3,197)
Accounts payable	(963)	68	(895)	1,212
Accrued payroll liabilities	-	88	88	-
Compensated absences	-	180	180	-
Pension obligation payable	-	365	365	-
Other revenues	8,131	457	8,588	409
Net cash used for operating activities	<u>\$ 420</u>	<u>\$ 9,970</u>	<u>\$ 10,390</u>	<u>\$ (1,463)</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, 2008
(With comparative totals for 2007)
amounts expressed in thousands

	<u>Health Benefits</u>	<u>Long-term Disability</u>	<u>2008</u>	<u>2007</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 6,395	\$ 11,394	\$ 17,789	\$ 18,091
Receivables, net of allowances				
Accounts receivable	1	-	1	5
Due from other governments	-	-	-	1,602
Total current assets	<u>6,396</u>	<u>11,394</u>	<u>17,790</u>	<u>19,698</u>
Capital assets				
Construction in progress	334	-	334	-
Total capital assets	<u>334</u>	<u>-</u>	<u>334</u>	<u>-</u>
Net capital assets	<u>334</u>	<u>-</u>	<u>334</u>	<u>-</u>
Total noncurrent assets	<u>334</u>	<u>-</u>	<u>334</u>	<u>-</u>
Total assets	<u>6,730</u>	<u>11,394</u>	<u>18,124</u>	<u>19,698</u>
Liabilities				
Current Liabilities				
Accounts payable	161	22	183	58
Accrued payroll liabilities	103	-	103	77
Due to other governments	-	-	-	1,602
Claims and judgments	985	1,831	2,816	1,964
Compensated absences	216	-	216	141
Unearned revenue	1,260	-	1,260	1,156
Total current liabilities	<u>2,725</u>	<u>1,853</u>	<u>4,578</u>	<u>4,998</u>
Noncurrent liabilities				
Claims and judgments	-	6,430	6,430	7,022
Compensated absences	42	-	42	80
Total noncurrent liabilities	<u>42</u>	<u>6,430</u>	<u>6,472</u>	<u>7,102</u>
Total liabilities	<u>2,767</u>	<u>8,283</u>	<u>11,050</u>	<u>12,100</u>
Net Assets				
Investment in capital assets, net of related debt	334	-	334	-
Unrestricted	3,629	3,111	6,740	7,598
Total net assets	<u>\$ 3,963</u>	<u>\$ 3,111</u>	<u>\$ 7,074</u>	<u>\$ 7,598</u>

CITY OF HOUSTON, TEXAS
INTERNAL SERVICE FUNDS
Combining Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2008
(With comparative totals for 2007)
amounts expressed in thousands

	<u>Health Benefits</u>	<u>Long-term Disability</u>	<u>2008</u>	<u>2007</u>
Operating Revenues				
Health benefit premiums	\$ 264,407	\$ 2,068	\$ 266,475	\$ 249,178
Total operating revenues	<u>264,407</u>	<u>2,068</u>	<u>266,475</u>	<u>249,178</u>
Operating Expenses				
Administrative costs	3,015	12	3,027	3,070
Claims Costs	263,852	1,402	265,254	243,476
Total operating expenses	<u>266,867</u>	<u>1,414</u>	<u>268,281</u>	<u>246,546</u>
Operating income (loss)	<u>(2,460)</u>	<u>654</u>	<u>(1,806)</u>	<u>2,632</u>
Nonoperating revenues (expenses)				
Investment income	695	587	1,282	1,088
Total Nonoperating revenues (expenses)	<u>695</u>	<u>587</u>	<u>1,282</u>	<u>1,088</u>
Income (loss) before contributions and transfers	<u>(1,765)</u>	<u>1,241</u>	<u>(524)</u>	<u>3,720</u>
Change in net assets	(1,765)	1,241	(524)	3,720
Total net assets (deficit), July 1	<u>5,728</u>	<u>1,870</u>	<u>7,598</u>	<u>3,878</u>
Total net assets, June 30	<u>\$ 3,963</u>	<u>\$ 3,111</u>	<u>\$ 7,074</u>	<u>\$ 7,598</u>

CITY OF HOUSTON, TEXAS
INTERNAL SERVICE FUNDS
Combining Statement of Cash Flows
For the Year Ended June 30, 2008
(With comparative totals for 2007)
amounts expressed in thousands

	Health Benefits	Long-term Disability	2008	2007
Cash flows from operating activities				
Receipts from customers	\$ 264,404	\$ 2,068	\$ 266,472	\$ 249,182
Payments to employees	(2,328)	-	(2,328)	(2,282)
Payments to suppliers	(351)	2	(349)	(381)
Internal activity-payments to other funds	(29)	-	(29)	(57)
Claims paid	(264,080)	(936)	(265,016)	(242,827)
Net cash provided by (used in) operating activities	<u>(2,384)</u>	<u>1,134</u>	<u>(1,250)</u>	<u>3,635</u>
Cash flows from investing activities				
Interest income on investments	695	587	1,282	1,088
Net cash provided by investing activities	<u>695</u>	<u>587</u>	<u>1,282</u>	<u>1,088</u>
Cash flows from capital and related financing activities				
Acquisition of property, plant and equipment	(334)	-	(334)	-
Net cash provided by (used for) capital and related financing activities	<u>(334)</u>	<u>-</u>	<u>(334)</u>	<u>-</u>
Cash flows from noncapital financing activities				
Net increase (decrease) in cash and cash equivalents	(2,023)	1,721	(302)	4,723
Cash and cash equivalents, July 1	8,418	9,673	18,091	13,368
Cash and cash equivalents, June 30	<u>\$ 6,395</u>	<u>\$ 11,394</u>	<u>\$ 17,789</u>	<u>\$ 18,091</u>
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (loss)	\$ (2,460)	\$ 654	\$ (1,806)	\$ 2,632
Adjustments to reconcile operating income to net cash provided by operating activities				
Changes in assets and liabilities				
Accounts receivable	(2)	-	(2)	(5)
Due from other governments	(1,602)	-	(1,602)	1,602
Accounts payable	119	2	121	(5)
Accrued payroll liabilities	26	-	26	38
Due to other governments	1,602	-	1,602	(1,602)
Advances and deposits	10	-	10	(7)
Claims for workers' compensation	(218)	478	260	682
Compensated absences	37	-	37	71
Deferred revenue	104	-	104	229
Net cash provided by operating activities	<u>\$ (2,384)</u>	<u>\$ 1,134</u>	<u>\$ (1,250)</u>	<u>\$ 3,635</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, 2008
(With comparative totals for 2007)
amounts expressed in thousands

		Firefighters' Relief and Retirement Pension Trust Fund
Assets		
Cash	\$	4,807
Investments		
U.S. government and agency securities		-
Corporate bonds		-
Other fixed income securities		954,753
Commingled equity funds		-
Common and preferred stock		1,322,163
Real estate and partnerships		642,492
Short-term investment funds		89,884
Invested securities lending collateral		191,954
Receivables, net of allowances		
Due from broker		8
Contributions		3,521
Accrued interest and dividends		17,153
Other		31,014
Other assets		415
Land		483
Building		6,916
Total assets		3,265,563
 Liabilities and plan net asset		
Liabilities		
Accounts payable		28,979
Securities lending collateral		191,954
Foreign funds contracts payable		15,382
Other liabilities		89
Total liabilities		236,404
 Plan net assets held in trust for pension benefits	 \$	 3,029,159

(Continued)

Municipal Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	2008	2007
\$ 956	\$ 123	\$ 5,886	\$ 12,088
46,189	-	46,189	48,020
88,482	-	88,482	88,502
-	933,536	1,888,289	1,837,871
537,365	-	537,365	588,541
487,617	1,327,892	3,137,672	3,469,100
675,680	968,618	2,286,790	1,949,255
50,710	85,625	226,219	303,817
141,334	496,426	829,714	1,312,990
3,096	23,261	26,365	38,617
-	1,486	5,007	4,181
69,894	13,309	100,356	84,705
304,912	133	336,059	316,960
52,292	-	52,707	15,488
-	-	483	483
-	-	6,916	7,217
<u>2,458,527</u>	<u>3,850,409</u>	<u>9,574,499</u>	<u>10,077,835</u>
47,975	24,931	101,885	78,484
141,334	496,426	829,714	1,312,990
3,078	312	18,772	11,686
4,107	442	4,638	4,331
<u>196,494</u>	<u>522,111</u>	<u>955,009</u>	<u>1,407,491</u>
<u>\$ 2,262,033</u>	<u>\$ 3,328,298</u>	<u>\$ 8,619,490</u>	<u>\$ 8,670,344</u>

Municipal Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	2008	2007
\$ 73,272	\$ 63,000	\$ 190,323	\$ 181,086
21,176	31,003	72,610	70,437
<u>94,448</u>	<u>94,003</u>	<u>262,933</u>	<u>251,523</u>
13,453	34,603	114,922	111,892
(64,877)	(26,749)	(69,593)	1,075,743
14,381	19,540	53,973	74,476
36,617	3,189	54,827	68,009
13,424	-	20,014	39,924
634	142	2,033	4,424
<u>13,632</u>	<u>30,725</u>	<u>176,176</u>	<u>1,374,468</u>
(6,540)	(18,186)	(34,712)	(28,462)
(6,386)	(797)	(20,609)	(37,355)
<u>95,154</u>	<u>105,745</u>	<u>383,788</u>	<u>1,560,174</u>
169,483	133,049	414,695	392,032
1,760	500	2,607	2,340
6,475	3,564	17,341	16,743
<u>177,718</u>	<u>137,113</u>	<u>434,643</u>	<u>411,115</u>
(82,564)	(31,368)	(50,855)	1,149,059
<u>2,344,597</u>	<u>3,359,666</u>	<u>8,670,345</u>	<u>7,521,285</u>
<u>\$ 2,262,033</u>	<u>\$ 3,328,298</u>	<u>\$ 8,619,490</u>	<u>\$ 8,670,344</u>

CITY OF HOUSTON, TEXAS
AGENCY FUNDS
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2008
amounts expressed in thousands

	<u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>
Payroll Revolving Fund				
Assets				
Equity in pooled cash and investments	\$ 5,993	\$ 6,068,542	\$ 6,072,937	\$ 1,598
Accounts receivable	121	91	91	\$ 121
Total assets	<u>\$ 6,114</u>	<u>\$ 6,068,633</u>	<u>\$ 6,073,028</u>	<u>\$ 1,719</u>
Liabilities				
Accounts payable	\$ 6,114	\$ 2,081,623	\$ 2,086,018	\$ 1,719
Total liabilities	<u>\$ 6,114</u>	<u>\$ 2,081,623</u>	<u>\$ 2,086,018</u>	<u>\$ 1,719</u>
City Deposit Fund				
Assets				
Equity in pooled cash and investments	\$ 132	\$ 3,593	\$ 3,592	\$ 133
Total assets	<u>\$ 132</u>	<u>\$ 3,593</u>	<u>\$ 3,592</u>	<u>\$ 133</u>
Liabilities				
Advances and deposits	\$ 132	\$ 7,183	\$ 7,182	\$ 133
Total liabilities	<u>\$ 132</u>	<u>\$ 7,183</u>	<u>\$ 7,182</u>	<u>\$ 133</u>
Tax Clearing Fund				
Assets				
Equity in pooled cash and investments	\$ 77,242	\$ 128,066	\$ 189,898	\$ 15,410
Total assets	<u>\$ 77,242</u>	<u>\$ 128,066</u>	<u>\$ 189,898</u>	<u>\$ 15,410</u>
Liabilities				
Accounts payable	\$ 77,242	\$ 209,055	\$ 270,887	\$ 15,410
Total liabilities	<u>\$ 77,242</u>	<u>\$ 209,055</u>	<u>\$ 270,887</u>	<u>\$ 15,410</u>
Totals - All Agency Funds				
Assets				
Equity in pooled cash and investments	\$ 83,367	\$ 6,200,201	\$ 6,266,427	\$ 17,141
Accounts receivable	121	91	91	\$ 121
Total assets	<u>\$ 83,488</u>	<u>\$ 6,200,292</u>	<u>\$ 6,266,518</u>	<u>\$ 17,262</u>
Liabilities				
Accounts payable	\$ 83,356	\$ 2,290,678	\$ 2,356,905	\$ 17,129
Advances and deposits	132	7,183	7,182	\$ 133
Total liabilities	<u>\$ 83,488</u>	<u>\$ 2,297,861</u>	<u>\$ 2,364,087</u>	<u>\$ 17,262</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
- 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 Downtown Park Corporation
- Houston Housing Finance Corporation
- Houston Zoo Inc.

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Net Assets
June 30, 2008
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	\$ 447	\$ 904	\$ 163	\$ 3,924	\$ 26,951
Equity in pooled cash and investments	-	281	-	-	-
Receivables, net of allowances					
Accounts receivable	-	-	75	-	1,807
Contracts receivable	-	-	-	-	-
Accrued interest and other	-	-	-	-	173
Inventory	-	-	-	-	-
Prepaid items	-	-	-	4	-
Restricted assets					
Investments	-	-	-	-	-
Other receivables	-	-	-	-	-
Total current assets	<u>447</u>	<u>1,185</u>	<u>238</u>	<u>3,928</u>	<u>28,931</u>
Restricted assets					
Investments	-	-	-	-	-
Assessments receivable	-	-	-	-	-
Deferred charges for issuance cost	-	-	-	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other assets, net of depreciation					
Other long-term receivables	-	-	-	-	-
Total other assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets					
Land	-	315	-	637	-
Buildings, improvements and equipment	1,199	-	-	-	-
Total capital assets	<u>1,199</u>	<u>315</u>	<u>-</u>	<u>637</u>	<u>-</u>
Less accumulated depreciation					
Buildings, improvements and equipment	(192)	-	-	-	-
Accumulated depreciation	<u>(192)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net capital assets	<u>1,007</u>	<u>315</u>	<u>-</u>	<u>637</u>	<u>-</u>
Total noncurrent assets	<u>1,007</u>	<u>315</u>	<u>-</u>	<u>637</u>	<u>-</u>
Total assets	<u>1,454</u>	<u>1,500</u>	<u>238</u>	<u>4,565</u>	<u>28,931</u>
Liabilities					
Current Liabilities					
Accounts payable	-	6	23	13	355
Accrued payroll liabilities	2	-	-	-	-
Accrued interest payable	29	-	-	-	270
Contracts and retainages payable	5,245	2,265	-	-	-
Notes payable	261	-	-	-	-
Due to other governments	-	-	-	-	-
Advances and deposits	-	-	-	-	-
Compensated absences	-	-	-	-	-
Other liabilities	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Current liabilities payable from restricted assets					
Revenue bonds payable	-	-	-	-	765
Advances and deposits	-	-	-	-	-
Total current liabilities	<u>5,537</u>	<u>2,271</u>	<u>23</u>	<u>13</u>	<u>1,390</u>
Noncurrent liabilities					
Notes payable	559	-	-	-	-
Revenue bonds payable	-	-	-	-	15,815
Due to the City of Houston	-	-	-	-	-
Contracts payable	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total Noncurrent liabilities	<u>559</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,815</u>
Total liabilities	<u>6,096</u>	<u>2,271</u>	<u>23</u>	<u>13</u>	<u>17,205</u>
Net assets					
Invested in capital assets, net of related debt	-	-	-	637	-
Restricted net assets					
Restricted for debt service	-	-	-	-	3,158
Restricted for maintenance and operations	-	-	-	-	-
Restricted for capital improvements	-	-	-	-	-
Other restricted	-	-	-	-	-
Unrestricted (deficit)	(4,642)	(771)	215	3,915	8,568
Total net assets (deficit)	<u>\$ (4,642)</u>	<u>\$ (771)</u>	<u>\$ 215</u>	<u>\$ 4,552</u>	<u>\$ 11,726</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 Parks Board	Houston Public Library Foundation (Fmrly Houston Library Board)
\$ 7,184	\$ 1,075	\$ -	\$ 493	\$ 800	\$ 10	\$ 88	\$ 831
-	-	3,251	2,673	-	-	2,258	-
438	742	-	2,241	-	500	1,854	-
-	-	-	-	825	-	-	-
-	-	-	-	-	-	77	200
7	-	-	-	-	-	-	-
-	-	-	81	-	-	24	-
-	-	-	-	-	-	6,015	-
-	-	-	-	397	-	51	-
<u>7,629</u>	<u>1,817</u>	<u>3,251</u>	<u>5,488</u>	<u>2,022</u>	<u>510</u>	<u>10,367</u>	<u>1,031</u>
-	-	-	-	2,847	-	-	17,896
-	-	-	-	4,002	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	6,849	-	-	17,896
-	-	-	-	-	75	-	-
-	-	-	-	-	75	-	-
-	5,417	-	-	692	56,987	14,553	-
624	-	-	300	9,623	-	-	-
<u>624</u>	<u>5,417</u>	<u>-</u>	<u>300</u>	<u>10,315</u>	<u>56,987</u>	<u>14,553</u>	<u>-</u>
(463)	-	-	(286)	(6,026)	-	-	-
<u>(463)</u>	<u>-</u>	<u>-</u>	<u>(286)</u>	<u>(6,026)</u>	<u>-</u>	<u>-</u>	<u>-</u>
161	5,417	-	14	4,289	56,987	14,553	-
161	5,417	-	14	11,138	57,062	14,553	17,896
<u>7,790</u>	<u>7,234</u>	<u>3,251</u>	<u>5,502</u>	<u>13,160</u>	<u>57,572</u>	<u>24,920</u>	<u>18,927</u>
1,338	1,401	140	201	73	-	238	93
-	-	36	-	-	-	-	-
463	2,211	-	-	64	-	-	-
-	87	-	-	-	-	-	-
-	425	-	-	694	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	22	-	-	-
72	525	-	2,105	-	-	-	-
393	-	-	70	42	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>2,266</u>	<u>4,649</u>	<u>176</u>	<u>2,376</u>	<u>895</u>	<u>-</u>	<u>238</u>	<u>93</u>
-	4,251	-	-	46	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	3,887	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	50
-	4,251	-	-	3,933	-	-	50
<u>2,266</u>	<u>8,900</u>	<u>176</u>	<u>2,376</u>	<u>4,828</u>	<u>-</u>	<u>238</u>	<u>143</u>
-	967	-	1,635	3,927	56,987	5,126	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	8,464	-
-	-	-	-	-	-	-	-
-	-	-	-	5,680	-	10,273	17,270
5,524	(2,633)	3,075	1,491	(1,275)	585	819	1,514
<u>\$ 5,524</u>	<u>\$ (1,666)</u>	<u>\$ 3,075</u>	<u>\$ 3,126</u>	<u>\$ 8,332</u>	<u>\$ 57,572</u>	<u>\$ 24,682</u>	<u>\$ 18,784</u>

(Continued)

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Net Assets
June 30, 2008
amounts expressed in thousands

	Lamar Terrace Public Improvement District	Land Assemblage Redevelopment Authority	Main Street Market Square Redevelopment Authority	Memorial City Redevelopment Authority
Assets				
Current Assets				
Cash	\$ -	\$ 2,506	\$ 2,193	\$ 4,824
Equity in pooled cash and investments	47	-	6,791	406
Receivables, net of allowances				
Accounts receivable	27	5	845	-
Contracts receivable	-	-	-	-
Accrued interest and other	-	-	-	-
Inventory	-	-	-	-
Prepaid items	-	3	-	-
Restricted assets				
Investments	-	7,086	276	-
Other receivables	-	-	-	-
Total current assets	<u>74</u>	<u>9,600</u>	<u>10,105</u>	<u>5,230</u>
Restricted assets				
Investments	-	-	-	-
Assessments receivable	-	-	-	-
Deferred charges for issuance cost	-	-	-	319
Total noncurrent restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>319</u>
Other assets, net of depreciation				
Other long-term receivables	-	-	-	-
Total noncurrent restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets				
Land	-	-	-	-
Buildings, improvements and equipment	-	-	-	-
Total capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less accumulated depreciation				
Buildings, improvements and equipment	-	-	-	-
Accumulated depreciation	-	-	-	-
Net capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>319</u>
Total assets	<u>74</u>	<u>9,600</u>	<u>10,105</u>	<u>5,549</u>
Liabilities				
Current Liabilities				
Accounts payable	-	165	1,457	967
Accrued payroll liabilities	-	-	-	-
Accrued interest payable	-	-	187	172
Contracts and retainages payable	11	-	-	65
Notes payable	-	-	100	-
Due to other governments	-	-	-	-
Advances and deposits	-	-	-	-
Compensated absences	-	-	-	-
Other liabilities	-	1,975	-	-
Deferred revenue	25	-	-	-
Current liabilities payable from restricted assets				
Revenue bonds payable	-	-	520	-
Advances and deposits	-	-	-	-
Total current liabilities	<u>36</u>	<u>2,140</u>	<u>2,264</u>	<u>1,204</u>
Noncurrent liabilities				
Notes payable	-	-	-	-
Revenue bonds payable	-	-	9,965	10,000
Due to the City of Houston	-	-	-	-
Contracts payable	-	-	-	-
Deferred revenue	-	-	-	-
Total Noncurrent liabilities	<u>-</u>	<u>-</u>	<u>9,965</u>	<u>10,000</u>
Total liabilities	<u>36</u>	<u>2,140</u>	<u>12,229</u>	<u>11,204</u>
Net assets				
Invested in capital assets, net of related debt	-	-	-	-
Restricted net assets				
Restricted for debt service	-	-	2,167	468
Restricted for maintenance and operations	-	-	-	-
Restricted for capital improvements	-	-	-	-
Other restricted	-	6,803	-	-
Unrestricted (deficit)	38	657	(4,291)	(6,123)
Total net assets (deficit)	<u>\$ 38</u>	<u>\$ 7,460</u>	<u>\$ (2,124)</u>	<u>\$ (5,655)</u>

(Continued)

Memorial- Heights Redevelopment Authority	Midtown Redevelopment Authority	Miller Theatre Advisory Board, Inc.	Old Sixth Ward Redevelopment Authority	OST/Almeda Corridors Redevelopment Authority	Saint George Place Redevelopment Authority	Sharpstown Economic Development Authority
2,805	\$ 28	\$ 1,291	\$ 954	\$ 28	\$ 183	\$ 190
-	29,978	-	-	14,130	531	-
-	4,450	1,108	148	-	1,295	1
-	-	-	-	-	-	-
-	17,114	-	-	257	-	-
-	-	-	-	1,104	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	32	-	-	-	-
2,805	51,570	2,431	1,102	15,519	2,009	191
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,940	-	-	459	220	-
-	1,940	-	-	459	220	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	3,692	-	-	1,725	-	-
-	6,240	-	-	18	-	-
-	9,932	-	-	1,743	-	-
-	(1,231)	-	-	(15)	-	-
-	(1,231)	-	-	(15)	-	-
-	8,701	-	-	1,728	-	-
-	10,641	-	-	2,187	220	-
2,805	62,211	2,431	1,102	17,706	2,229	191
52	1,236	5	3	317	32	7
-	-	12	-	-	-	-
44	1,349	-	18	-	38	-
-	-	136	-	-	-	-
-	-	-	96	-	-	-
-	-	-	-	-	-	-
167	-	-	-	-	-	-
-	-	-	-	-	-	-
-	430	-	-	-	-	-
-	-	-	-	-	262	-
-	2,060	-	-	360	200	-
-	-	-	-	-	-	-
263	5,075	153	117	677	532	7
-	-	-	570	-	-	-
-	51,575	-	-	6,225	2,010	-
-	-	-	-	-	5,778	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	51,575	-	570	6,225	7,788	-
263	56,650	153	687	6,902	8,320	7
-	5,694	-	-	2,832	-	-
-	9,666	-	-	1,280	496	-
-	-	-	-	-	-	-
-	10,277	-	-	-	-	-
-	18,028	2,030	-	-	-	-
2,542	(38,104)	248	415	6,692	123	184
\$ 2,542	\$ 5,561	\$ 2,278	\$ 415	\$ 10,804	\$ (6,091)	\$ 184

(Continued)

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Net Assets
June 30, 2008
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	\$ 680	\$ 4,115	\$ 248	\$ 1,268	\$ 64,183
Equity in pooled cash and investments	-	5,041	15,950	21,349	102,686
Receivables, net of allowances					
Accounts receivable	238	-	216	240	16,230
Contracts receivable	-	-	-	-	825
Accrued interest and other	-	-	-	-	707
Inventory	-	-	-	-	18,225
Prepaid items	-	-	-	-	112
Restricted assets					
Investments	-	-	-	-	13,377
Other receivables	-	-	-	-	480
Total current assets	<u>918</u>	<u>9,156</u>	<u>16,414</u>	<u>22,857</u>	<u>216,825</u>
Restricted assets					
Investments	-	-	-	-	20,743
Assessments receivable	-	-	-	-	4,002
Deferred charges for issuance cost	-	724	-	481	4,143
Total noncurrent restricted assets	<u>-</u>	<u>724</u>	<u>-</u>	<u>481</u>	<u>28,888</u>
Other assets, net of depreciation					
Other long-term receivables	-	-	-	-	75
Total noncurrent restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75</u>
Capital assets					
Land	-	60	-	-	84,078
Buildings, improvements and equipment	-	-	-	414	18,418
Total property, plant & equipment	<u>-</u>	<u>60</u>	<u>-</u>	<u>414</u>	<u>102,496</u>
Less accumulated depreciation and					
Buildings, improvements and equipment	-	-	-	(165)	(8,378)
Accumulated depreciation	-	-	-	(165)	(8,378)
Net capital assets	<u>-</u>	<u>60</u>	<u>-</u>	<u>249</u>	<u>94,118</u>
Total noncurrent assets	<u>-</u>	<u>784</u>	<u>-</u>	<u>730</u>	<u>123,081</u>
Total assets	<u>918</u>	<u>9,940</u>	<u>16,414</u>	<u>23,587</u>	<u>339,906</u>
Liabilities					
Current Liabilities					
Accounts payable	32	69	440	1,702	10,365
Accrued payroll liabilities	-	-	-	-	50
Accrued interest payable	-	164	-	741	5,750
Contracts and retainages payable	-	-	-	-	7,809
Notes payable	-	3,192	-	260	5,028
Due to other governments					
Advances and deposits	-	-	-	3,437	3,437
Compensated absences	-	-	-	-	167
Other liabilities - current	626	58	-	-	5,791
Deferred revenue	-	-	-	-	792
Current liabilities payable from restricted assets					
Revenue bonds payable	-	510	-	1,525	5,940
Advances and deposits	695	-	-	-	695
Total current liabilities	<u>1,353</u>	<u>3,993</u>	<u>440</u>	<u>7,665</u>	<u>45,846</u>
Noncurrent liabilities					
Notes payable	-	500	-	12,765	18,691
Revenue bonds payable	-	10,880	-	33,675	140,145
Due to the City of Houston	-	-	-	-	9,665
Contracts payable	5,013	-	-	-	5,013
Deferred revenue	-	-	-	-	50
Total Noncurrent liabilities	<u>5,013</u>	<u>11,380</u>	<u>-</u>	<u>46,440</u>	<u>173,564</u>
Total liabilities	<u>6,366</u>	<u>15,373</u>	<u>440</u>	<u>54,105</u>	<u>219,410</u>
Net Assets					
Investment in capital assets, net of related debt	-	-	-	248	78,053
Restricted net assets					
Restricted for debt service	-	1,152	-	6,274	24,661
Restricted for maintenance and operations	-	-	-	-	8,464
Restricted for capital improvements	-	497	-	-	10,774
Other restricted	-	-	-	-	60,207
Unrestricted	(5,448)	(7,082)	15,974	(37,040)	(61,663)
Total net assets (deficit)	<u>\$ (5,448)</u>	<u>\$ (5,433)</u>	<u>\$ 15,974</u>	<u>\$ (30,518)</u>	<u>\$ 120,496</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, 2008
amounts expressed in thousands

Net (Expense) Revenue and Change in Net Assets

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	City Park Redevelopment Authority	East Downtown Redevelopment Authority
Component Units						
City Park Redevelopment Authority	\$ 371	\$ -	\$ -	\$ -	\$ (371)	\$ -
East Downtown Redevelopment Authority	1,283	-	-	-	-	(1,283)
Fifth Ward Redevelopment Authority	1	-	-	-	-	-
Fourth Ward Redevelopment Authority	689	-	-	-	-	-
Greater Greenspoint Redevelopment Authority	8,321	-	-	-	-	-
Greater Houston Convention and Visitors Bureau	15,823	590	16,537	-	-	-
Gulfgate Redevelopment Authority	552	-	-	-	-	-
HALAN	1,932	-	1,823	-	-	-
Houston Arts Alliance	13,237	-	12,238	-	-	-
Houston Business Development Corporation	2,247	1,386	363	-	-	-
Houston Downtown Park Corporation	4,103	-	42	-	-	-
Houston Parks Board	10,273	500	6,988	317	-	-
Houston Public Library Foundation	1,466	-	1,918	-	-	-
Lamar Terrace Public Improvement District	1	-	-	-	-	-
Land Assemblage Redevelopment Authority	778	-	2,602	-	-	-
Main Street Market Square Redevelopment Authority	5,245	-	-	-	-	-
Memorial City Redevelopment Authority	10,576	-	-	-	-	-
Memorial-Heights Redevelopment Authority	291	-	-	-	-	-
Midtown Redevelopment Authority	8,878	-	390	-	-	-
Miller Theatre Advisory Board, Inc.	1,982	-	2,239	-	-	-
Old Sixth Ward Redevelopment Authority	88	-	-	-	-	-
OST/Almeda Corridors Redevelopment Authority	2,837	-	-	-	-	-
Saint George Place Redevelopment Authority	917	-	-	-	-	-
Sharpstown Economic Development Authority	228	-	-	-	-	-
South Post Oak Redevelopment Authority	494	-	-	-	-	-
Southwest Houston Redevelopment Authority	1,895	-	-	-	-	-
Upper Kirby Redevelopment Authority	1,427	-	216	-	-	-
Uptown Redevelopment Authority	16,407	-	-	-	-	-
Total component units	<u>112,342</u>	<u>2,476</u>	<u>45,356</u>	<u>\$ 317</u>	<u>(371)</u>	<u>(1,283)</u>
General Revenues:						
Taxes						
Property Taxes - general purposes / tax increments					428	1,183
Intergovernmental - grants					-	-
Unrestricted investment earnings (loss)					-	24
Other					-	-
Special Items - Loss on sale of assets					-	-
Total general revenues, special items, and transfers					<u>428</u>	<u>1,207</u>
Change in net assets					57	(76)
Net Assets (deficit) beginning					(4,699)	(695)
New Component Unit & Restatement					-	-
Net Assets (deficit) ending					<u>\$ (4,642)</u>	<u>\$ (771)</u>

(Continued)

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Activities
For the Year Ended June 30, 2008
amounts expressed in thousands

Net (Expense) Revenue and Change in net Assets

Functions/Programs	Houston Parks Board	Houston Public Library Foundation (Fmly Houston Library Board)	Lamar Terrace Public Improvement District	Land Assemblage Redevelopment Authority
Component Units				
City Park Redevelopment Authority	\$ -	\$ -	\$ -	\$ -
East Downtown Redevelopment Authority	-	-	-	-
Fifth Ward Redevelopment Authority	-	-	-	-
Fourth Ward Redevelopment Authority	-	-	-	-
Greater Greenspoint Redevelopment Authority	-	-	-	-
Greater Houston Convention and Visitors Bureau	-	-	-	-
Gulfgate Redevelopment Authority	-	-	-	-
HALAN	-	-	-	-
Houston Arts Alliance	-	-	-	-
Houston Business Development Corporation	-	-	-	-
Houston Downtown Park Corporation	-	-	-	-
Houston Parks Board	(2,468)	-	-	-
Houston Public Library Foundation	-	452	-	-
Lamar Terrace Public Improvement District	-	-	(1)	-
Land Assemblage Redevelopment Authority	-	-	-	1,824
Main Street Market Square Redevelopment Authority	-	-	-	-
Memorial City Redevelopment Authority	-	-	-	-
Memorial-Heights Redevelopment Authority	-	-	-	-
Midtown Redevelopment Authority	-	-	-	-
Miller Theatre Advisory Board, Inc.	-	-	-	-
Old Sixth Ward Redevelopment Authority	-	-	-	-
OST/Almeda Corridors Redevelopment Authority	-	-	-	-
Saint George Place Redevelopment Authority	-	-	-	-
Sharpstown Economic Development Authority	-	-	-	-
South Post Oak Redevelopment Authority	-	-	-	-
Southwest Houston Redevelopment Authority	-	-	-	-
Upper Kirby Redevelopment Authority	-	-	-	-
Uptown Development Authority	-	-	-	-
Total component units	<u>(2,468)</u>	<u>452</u>	<u>(1)</u>	<u>1,824</u>
General Revenues:				
Taxes				
Property Taxes - general purposes / tax increments	-	-	-	-
Intergovernmental - grants	3,617	-	-	-
Unrestricted investment earnings (loss)	537	(961)	2	-
Other	-	-	-	659
Special Items - Loss on sale of assets	101	-	-	-
Total general revenues, special items, and transfers	<u>4,255</u>	<u>(961)</u>	<u>2</u>	<u>659</u>
Change in net assets	1,787	(509)	1	2,483
Net Assets (deficit) beginning	22,895	19,293	37	4,977
New Component Unit & Restatement	-	-	-	-
Net Assets (deficit) ending	<u>\$ 24,682</u>	<u>\$ 18,784</u>	<u>\$ 38</u>	<u>\$ 7,460</u>

(Continued)

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Activities
For the Year Ended June 30, 2008
amounts expressed in thousands

Net (Expense) Revenue and Change in Net Assets

Functions/Programs	South Post Oak Redevelopment Authority	Southwest Houston Redevelopment Authority	Upper Kirby Redevelopment Authority	Uptown Development Authority	Total
Component Units					
City Park Redevelopment Authority	\$ -	\$ -	\$ -	\$ -	\$ (371)
East Downtown Redevelopment Authority	-	-	-	-	(1,283)
Fifth Ward Redevelopment Authority	-	-	-	-	(1)
Fourth Ward Redevelopment Authority	-	-	-	-	(689)
Greater Greenspoint Redevelopment Authority	-	-	-	-	(8,321)
Greater Houston Convention and Visitors Bureau	-	-	-	-	1,304
Gulfgate Redevelopment Authority	-	-	-	-	(552)
HALAN	-	-	-	-	(109)
Houston Arts Alliance	-	-	-	-	(999)
Houston Business Development Corporation	-	-	-	-	(498)
Houston Downtown Park Corporation	-	-	-	-	(4,061)
Houston Parks Board	-	-	-	-	(2,468)
Houston Public Library Foundation	-	-	-	-	452
Lamar Terrace Public Improvement District	-	-	-	-	(1)
Land Assemblage Redevelopment Authority	-	-	-	-	1,824
Main Street Market Square Redevelopment Authority	-	-	-	-	(5,245)
Memorial City Redevelopment Authority	-	-	-	-	(10,576)
Memorial-Heights Redevelopment Authority	-	-	-	-	(291)
Midtown Redevelopment Authority	-	-	-	-	(8,488)
Miller Theatre Advisory Board, Inc.	-	-	-	-	257
Old Sixth Ward Redevelopment Authority	-	-	-	-	(88)
OST/Almeda Corridors Redevelopment Authority	-	-	-	-	(2,837)
Saint George Place Redevelopment Authority	-	-	-	-	(917)
Sharpstown Economic Development Authority	-	-	-	-	(228)
South Post Oak Redevelopment Authority	(494)	-	-	-	(494)
Southwest Houston Redevelopment Authority	-	(1,895)	-	-	(1,895)
Upper Kirby Redevelopment Authority	-	-	(1,211)	-	(1,211)
Uptown Development Authority	-	-	-	(16,407)	(16,407)
Total component units	<u>(494)</u>	<u>(1,895)</u>	<u>(1,211)</u>	<u>(16,407)</u>	<u>(64,193)</u>
General Revenues:					
Taxes					
Property Taxes - general purposes / tax increments	866	4,103	4,044	14,604	66,477
Intergovernmental - grants	-	-	-	-	3,739
Unrestricted investment earnings	1	234	497	398	4,254
Other	-	-	-	-	3,261
Special Items - Loss on sale of assets	-	-	-	-	101
Total general revenues, special items, and transfers	<u>867</u>	<u>4,337</u>	<u>4,541</u>	<u>15,002</u>	<u>77,832</u>
Change in net assets	373	2,442	3,330	(1,405)	13,639
Net Assets (deficit) beginning	(5,821)	(7,875)	12,644	(29,927)	104,403
New Component Unit & Restatement	-	-	-	814	2,454
Net Assets ending	<u>\$ (5,448)</u>	<u>\$ (5,433)</u>	<u>\$ 15,974</u>	<u>\$ (30,518)</u>	<u>\$ 120,496</u>

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS TYPE
Combining Statement of Net Assets
June 30, 2008
amounts expressed in thousands

	Houston Convention Center Hotel Corp.	Houston Downtown Park Corporation	Houston Housing Finance Corp	Houston Zoo Inc.	Total
Assets					
Current assets					
Cash	\$ 4,307	\$ -	\$ 646	\$ 9,035	\$ 13,988
Investments	42,213	-	21,119	-	63,332
Receivables, net of allowances					
Accounts receivable	3,658	-	2,572	13,553	19,783
Accrued interest and other	-	-	232	-	232
Due from other governments	1,669	-	-	-	1,669
Inventory	312	-	-	-	312
Prepaid items	1,053	-	-	142	1,195
Restricted assets					
Investments	-	-	-	12,504	12,504
Other receivables	-	-	1,289	-	1,289
Total current assets	<u>53,212</u>	<u>-</u>	<u>25,858</u>	<u>35,234</u>	<u>114,304</u>
Noncurrent Assets					
Restricted assets					
Cash and cash equivalents	-	-	356	-	356
Investments	-	-	1,393	-	1,393
Accrued interest receivable	-	-	55	-	55
Receivable and deposits	-	-	5,916	-	5,916
Other debits					
Deferred charges for issuance cost	2,473	-	-	-	2,473
Other long-term receivables	-	-	6,281	-	6,281
Total noncurrent assets	<u>2,473</u>	<u>-</u>	<u>14,001</u>	<u>-</u>	<u>16,474</u>
Capital assets					
Land	11,488	-	-	-	11,488
Buildings, improvements and equipment	281,992	23,241	6,037	20,284	331,554
Construction in progress	133	-	-	14,258	14,391
Total capital assets	<u>293,613</u>	<u>23,241</u>	<u>6,037</u>	<u>34,542</u>	<u>357,433</u>
Less accumulated depreciation					
Buildings, improvements and equipment	(54,738)	(300)	(2,727)	(5,334)	(63,099)
Accumulated depreciation	<u>(54,738)</u>	<u>(300)</u>	<u>(2,727)</u>	<u>(5,334)</u>	<u>(63,099)</u>
Net capital assets	<u>238,875</u>	<u>22,941</u>	<u>3,310</u>	<u>29,208</u>	<u>294,334</u>
Total noncurrent assets	<u>241,348</u>	<u>22,941</u>	<u>17,311</u>	<u>29,208</u>	<u>310,808</u>
Total assets	<u>294,560</u>	<u>22,941</u>	<u>43,169</u>	<u>64,442</u>	<u>425,112</u>
Liabilities					
Current Liabilities					
Accounts payable and accrued expenses	9,001	-	142	1,084	10,227
Accrued payroll liabilities	-	-	-	707	707
Due to City of Houston	3,254	578	-	-	3,832
Contracts and retainages payable	-	336	-	1,333	1,669
Notes payable	-	948	390	-	1,338
Other liabilities - current	-	-	355	-	355
Deferred revenue	737	206	-	392	1,335
Current liabilities payable from restricted assets					
Due to City of Houston	9,275	-	-	-	9,275
Total current liabilities	<u>22,267</u>	<u>2,068</u>	<u>887</u>	<u>3,516</u>	<u>28,738</u>
Noncurrent liabilities					
Due to City of Houston	278,781	20,384	1,525	-	300,690
Other long-term liabilities	2,282	-	78	-	2,360
Deferred revenue	15,398	290	-	-	15,688
Total noncurrent liabilities	<u>296,461</u>	<u>20,674</u>	<u>1,603</u>	<u>-</u>	<u>318,738</u>
Total liabilities	<u>318,728</u>	<u>22,742</u>	<u>2,490</u>	<u>3,516</u>	<u>347,476</u>
Net assets					
Investment in capital assets, net of related debt	(35,773)	695	-	-	(35,078)
Restricted net assets					
Restricted for debt service	29,770	-	1,548	-	31,318
Other restricted	-	-	32	38,917	38,949
Unrestricted (deficit)	(18,165)	(496)	39,099	22,009	42,447
Total net assets (deficit)	<u>\$ (24,168)</u>	<u>\$ 199</u>	<u>\$ 40,679</u>	<u>\$ 60,926</u>	<u>\$ 77,636</u>

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS-TYPE
Combining Statement of Activities
For the Year Ended June 30, 2008
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.	\$ 82,673	\$ 74,304	\$ -
Houston Downtown Park Corporation	516	365	-
Houston Housing Finance Corp.	1,942	570	-
Houston Zoo Inc.	22,307	21,810	5,678
Totals	<u>\$ 107,438</u>	<u>\$ 97,049</u>	<u>\$ 5,678</u>

General Revenues:

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

(Continued)

Net (Expense) Revenue and Change in Net Assets

Houston Convention Center Hotel	Houston Downtown Park Corp	Houston Housing Finance Corp.	Houston Zoo Inc.	Total
\$ (8,369)	\$ -	\$ -	\$ -	\$ (8,369)
-	(151)	-	-	(151)
-	-	(1,372)	-	(1,372)
-	-	-	5,181	5,181
<u>(8,369)</u>	<u>(151)</u>	<u>(1,372)</u>	<u>5,181</u>	<u>(4,711)</u>
-	-	750	-	750
2,157	-	2,207	506	4,870
10,597	-	201	154	10,952
12,754	-	3,158	660	16,572
4,385	(151)	1,786	5,841	11,861
(28,553)	350	38,893	55,085	65,775
<u>\$ (24,168)</u>	<u>\$ 199</u>	<u>\$ 40,679</u>	<u>\$ 60,926</u>	<u>\$ 77,636</u>

CITY OF HOUSTON, TEXAS
Discretely Presented Component Units - Business-Type
Statement of Cash Flows
For the Year Ended June 30, 2008
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	\$ 78,683	\$ 336	\$ 3,805	\$ 3,444	\$ 86,268
Payments to employees	(17,011)	-	-	(15)	(17,026)
Payments to suppliers	(37,416)	(216)	-	(462)	(38,094)
Other revenues (expenses)	-	-	(1,331)	863	(468)
Net cash provided by operating activities	<u>24,256</u>	<u>120</u>	<u>2,474</u>	<u>3,830</u>	<u>30,680</u>
Cash flows from investing activities					
Interest income on investments	2,176	-	(471)	(506)	1,199
Purchase of investments	(47,683)	-	(1,314)	(9,522)	(58,519)
Proceeds from sale of investments	37,347	-	1,231	-	38,578
Net cash provided by investing activities	<u>(8,160)</u>	<u>-</u>	<u>(554)</u>	<u>(10,028)</u>	<u>(18,742)</u>
Cash flows from capital and related financing activities					
Contributed capital	-	303	-	5,678	5,981
Acquisition of property, plant and equipment	(919)	(9,121)	9,698	-	(342)
Interest expense	(14,602)	(120)	-	-	(14,722)
Receipt of tax rebates	8,487	-	-	-	8,487
Payments to the City of Houston	(10,571)	-	-	-	(10,571)
Proceeds from sale of fixed assets	24	-	-	-	24
Proceeds from note payable	-	8,818	-	-	8,818
Net cash provided by (used for) capital and related financing activities	<u>(17,581)</u>	<u>(120)</u>	<u>9,698</u>	<u>5,678</u>	<u>(2,325)</u>
Cash flows from noncapital financing activities					
Other revenues	-	-	57	153	210
Excess funds from Bond Series	-	-	1,980	-	1,980
Payments on notes payable	-	-	(365)	-	(365)
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>1,672</u>	<u>153</u>	<u>1,825</u>
Net increase (decrease) in cash and cash equivalents	(1,485)	-	13,290	785	11,438
Cash and cash equivalents, July 1	5,792	-	592	8,251	14,635
Cash and cash equivalents, June 30	<u>\$ 4,307</u>	<u>\$ 0</u>	<u>\$ 13,882</u>	<u>\$ 9,036</u>	<u>\$ 26,073</u>
Non cash transactions					
Transfer of property - Urban Homesteading Program	-	-	(94)	-	(94)
Total non cash transactions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (94)</u>	<u>\$ -</u>	<u>\$ (94)</u>
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (Loss)	\$ 9,416	\$ (151)	\$ 1,960	\$ 5,840	17,065
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation and amortization	13,272	300	(335)	1,305	14,542
Other revenues	1,116	-	-	388	1,504
Other expenses	-	-	-	(3,010)	(3,010)
Changes in assets and liabilities:					
Accounts receivable	1,159	-	246	(241)	1,164
Inventory	56	-	-	-	56
Other assets	123	(29)	135	-	229
Accounts payable and accrued expenses	(549)	-	468	(436)	(517)
Accrued payroll liabilities	-	-	-	(16)	(16)
Other revenues	-	-	-	-	-
Other long-term liabilities	(337)	-	-	-	(337)
Net cash provided by (used for) operating activities	<u>\$ 24,256</u>	<u>\$ 120</u>	<u>\$ 2,474</u>	<u>\$ 3,830</u>	<u>\$ 30,680</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	196
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	208
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	214
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	223
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	230
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 Seven 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>
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
Restricted	210,954	197,977	205,999	168,803	159,092	170,297	213,567
Unrestricted	(192,498)	(185,622)	(386,480)	(861,603)	(727,282)	(969,830)	(1,310,289)
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>
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
Restricted	1,206,782	1,006,121	501,271	461,738	545,792	641,613	784,895
Unrestricted	(248,143)	(70,890)	(12,537)	87,494	99,666	104,542	135,860
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>
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
Restricted	1,417,736	1,204,098	707,270	630,541	704,884	811,910	998,462
Unrestricted	(440,641)	(256,512)	(399,017)	(774,109)	(627,616)	(865,288)	(1,174,429)
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>

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
CHANGES IN NET ASSETS
Last Seven 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>
Expenses							
Governmental activities:							
General government	\$ 225,950	\$ 150,374	\$ 234,176	\$ 143,477	\$ 130,807	\$ 130,026	\$ 193,928
Public safety	616,324	818,129	902,527	1,127,663	1,102,253	1,230,266	1,400,837
Public works	293,757	238,323	251,423	282,767	266,723	275,165	317,749
Health	107,783	99,617	105,247	124,267	102,716	101,865	129,197
Housing and community development	57,482	48,393	62,956	78,867	318,450	80,171	59,182
Parks and recreation	91,034	84,446	63,156	83,945	72,309	85,274	102,758
Library	40,723	38,282	38,481	49,084	37,242	39,180	49,687
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
Depreciation and amortization	108,998	119,475	85,711	96,355	125,517	111,918	110,174
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>
Business-type activities :							
Airport System	227,248	265,987	315,929	406,908	431,392	442,757	459,521
Convention & Entertainment Facilities	83,141	76,760	91,588	133,622	99,271	105,846	110,576
Combined Utility System	636,824	649,247	681,201	762,209	752,122	818,831	846,368
Houston Area Water Corporation	17	153	160	169	17,428	20,568	17,485
Parking Management	-	-	-	-	-	-	-
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>
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>
Program Revenues							
Governmental activities:							
Charges for services:							
General government	31,931	14,957	18,047	25,074	52,083	34,839	11,104
Public safety	117,234	122,864	137,886	139,814	103,719	110,222	131,221
Public works	19,282	40,413	42,695	43,652	49,797	53,856	53,375
Health	11,625	13,263	13,026	13,624	12,574	13,563	17,093
Parks and recreation	7,174	5,176	6,122	6,009	6,687	6,930	4,683
Library	1,416	1,211	1,329	1,187	1,010	675	1,035
Operating grants and contributions	148,432	137,590	143,864	162,310	467,956	246,737	232,203
Capital grants and contributions	27,051	6,123	46,337	37,591	69,438	101,099	76,497
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>
Business-type activities:							
Charges for services:							
Airport System	227,455	240,767	270,413	353,641	393,861	416,138	447,176
Convention & Entertainment Facilities	15,521	17,010	17,145	19,175	19,599	20,554	22,306
Combined Utility System	543,396	539,317	531,208	598,874	642,662	615,465	648,269
Houston Area Water Corporation	-	-	-	-	-	-	13,045
Parking Management	-	-	-	-	-	-	-
Operating grants and contributions	-	-	22,516	4,297	4,020	2,740	4,749
Capital grants and contributions	65,579	48,339	42,000	106,484	109,728	61,717	132,728
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>
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>
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)
Business-type activities	(95,279)	(146,714)	(205,596)	(220,437)	(130,343)	(271,388)	(165,677)
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>

(Continued)

CITY OF HOUSTON, TEXAS
CHANGES IN NET ASSETS
Last Seven 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>
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
Industrial assessments tax	15,642	15,014	15,167	14,635	14,314	15,823	17,787
Sales taxes	341,952	322,538	347,982	370,583	422,598	461,417	495,173
Franchise taxes	175,360	160,673	161,378	162,263	186,508	189,551	190,518
Mixed beverage taxes	7,514	7,572	8,095	8,343	9,000	9,713	10,479
Bingo taxes	251	246	253	270	279	279	256
Investment earnings	23,918	16,550	5,139	13,179	19,889	32,017	36,516
Other	24,822	42,074	31,894	27,652	33,674	23,261	58,743
Contributions	1,483	101,750	40,192	11,216	-	-	-
Special Items - gain (loss) on sale of assets	3,546	3,346	3,095	2,071	4,816	2,071	0
Transfers	99,817	86,583	39,067	58,383	70,651	57,594	60,824
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>
Business-type activities:							
Hotel occupancy taxes	43,452	43,169	47,223	42,266	54,765	58,709	66,232
Investment earnings	103,072	68,632	25,965	43,866	54,212	88,658	96,492
Other	35,789	33,776	30,561	30,138	26,923	45,552	44,738
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)
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>
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>
Change in Net Assets							
Governmental activities	\$ 30,951	\$ 21,310	\$ (158,933)	\$ (368,915)	\$ (66,799)	\$ (90,774)	\$ (262,517)
Business-type activities	<u>(22,758)</u>	<u>(84,079)</u>	<u>(153,857)</u>	<u>(162,550)</u>	<u>(65,094)</u>	<u>(130,678)</u>	<u>(19,039)</u>
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>

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
General fund				
Reserved	\$ 17,769	\$ 12,956	\$ 9,518	\$ 30,756
Unreserved	89,487	70,668	81,482	85,282
Total general fund	<u>\$ 107,256</u>	<u>\$ 83,624</u>	<u>\$ 91,000</u>	<u>\$ 116,038</u>
All other governmental funds				
Reserved	\$ 99,746	\$ 92,177	\$ 93,246	\$ 122,480
Unreserved , reported in:				
Special revenue funds	31,167	33,519	28,981	48,428
Capital projects funds	59,550	57,369	56,417	62,864
Grant funds	-	-	-	-
Total all other governmental funds	<u>\$ 190,463</u>	<u>\$ 183,065</u>	<u>\$ 178,644</u>	<u>\$ 233,772</u>

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 30,935	\$ 24,947	\$ 27,449	\$ 51,671	\$ 21,489	\$ 22,040
105,101	110,778	142,695	198,759	256,610	309,466
<u>\$ 136,036</u>	<u>\$ 135,725</u>	<u>\$ 170,144</u>	<u>\$ 250,430</u>	<u>\$ 278,099</u>	<u>\$ 331,506</u>
\$ 169,660	\$ 171,252	\$ 200,374	\$ 179,267	\$ 193,924	\$ 235,074
63,997	55,760	67,691	66,407	94,056	119,482
-	-	-	-	-	-
-	-	-	9,963	8,258	7,553
<u>\$ 233,657</u>	<u>\$ 227,012</u>	<u>\$ 268,065</u>	<u>\$ 255,637</u>	<u>\$ 296,238</u>	<u>\$ 362,109</u>

CITY OF HOUSTON
GENERAL FUND BUDGET FOR FISCAL YEAR 2009
(amounts expressed in thousands)
(unaudited)

Budgeted Resources	Amount (in thousands)
Revenues:	
Ad Valorem Taxes (current and delinquent)	\$ 878,486
Sales and Use Tax	526,723
Franchise Fees	189,299
Municipal Courts Fines and Forfeits	38,519
Miscellaneous	217,587
Total Current Revenues	1,850,614
Beginning Fund Balance as of July 1, 2008 (a)	274,980
Pension Bond Proceeds	20,000
Transfers from Other Funds	7,595
Total Budgeted Resources	\$ 2,153,189

Budgeted Expenditures	
Administrative Services and Public Finance	\$ 89,160
Public Safety	1,123,923
Development and Maintenance Services	232,673
Human and Cultural Services	167,666
General Government	82,814
Transfers to Debt Service Fund	233,450
Total Budgeted Expenditures	1,929,686
Designated "Sign Abatement" Amount	2,070
Designated "Rainy Day" Amount	20,000
Budgeted Ending Fund Balance as of June 30, 2009	201,433
Total Budgeted Expenditures and Reserves	\$ 2,153,189

(a) This amount represents an estimate of the beginning fund balance which was used in preparing the Fiscal Year 2009 Budget.

CITY OF HOUSTON, TEXAS
June 30, 2008
CONTINUING DEBT DISCLOSURE INFORMATION
(amounts expressed in thousands)
(unaudited)

Capital Improvement Plan

The 2009-2013 CIP consists of the projects and facilities described in the following chart. (The 2009-2013 CIP also includes proposed improvements for the Combined Utility System, Airport System and Convention and Entertainment Facilities, which are financed primarily with revenues of those enterprise systems and, therefore, are not included in the table below).

	Amount (in thousands)
Streets, Bridges and Traffic Control	\$ 1,070,693
Storm Sewers and Drainage	281,340
Parks and Recreation	108,889
Police Department	100,220
Fire Department	40,422
General Government	36,400
Public Library	60,569
Public Health	18,100
Solid Waste Management	11,984
Low Income Housing	<u>52,700</u>
Total	<u><u>\$ 1,781,317</u></u> (*)

(*) The tax-supported component of the 2009-2013 CIP addresses a full range of capital facility and infrastructure improvements. The voter authorized improvements are expected to be initially financed with Commercial Paper Notes. The remaining amount is expected to be funded by grants, funds from agencies participating in joint capital improvement projects with the City and various other sources.

General Fund Indirect Charges to Other City Funds

A charge is made by the General Fund to the Water and Sewer System, Airport System, and Convention and Entertainment Facilities Funds, and to certain grant and special revenue funds for indirect charges incurred by the General Fund on behalf of such funds.

Fiscal Year	Total Indirect Charges (in thousands)
2008	\$ 10,950
2007	12,712
2006	14,895
2005	11,031
2004	14,647
2003	15,859

**CITY OF HOUSTON
CONTINUING DEBT DISCLOSURE INFORMATION**

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

	Fiscal Year 2008 (in thousands)
Long-Term Disability Fund	
Assets Available for Future Long-Term Disability Obligations	\$ 11,394
Claims Payable on Long-Term Disability Obligations	(8,283)
Unrestricted Net Assets	\$ 3,111

	Fiscal Year 2008 (in thousands)
Compensated Absence Liability	
General Fund Short-Term Liability	\$ 2,978
Other Governmental Short-Term Liability	127,874
Enterprise Funds Liability	31,278
Internal Service Funds Liability	42
Governmental Funds Long-Term Liability	269,419
Total	\$ 431,591

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

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

Fiscal Year	Total Direct Charges for Specific Services (in thousands)
2008	\$ 41,395
2007	42,052
2006	39,498
2005	61,234
2004	57,056
2003	62,099

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>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Revenues				
Taxes	\$ 973,543	\$ 1,028,344	\$ 1,102,177	\$ 1,163,820
Licenses and permits	30,588	30,621	31,606	33,102
Intergovernmental	165,998	153,804	175,769	160,718
Charges for services	125,740	126,130	128,164	148,520
Fines	53,320	43,977	43,035	37,587
Investment earnings	18,613	17,118	29,547	21,450
Contributions	238	2,484	2,092	3,562
Other	22,026	22,736	36,872	30,305
Total revenues	<u>1,390,066</u>	<u>1,425,214</u>	<u>1,549,262</u>	<u>1,599,064</u>
Expenditures				
General Government	94,109	101,135	98,800	202,202
Public safety	642,782	672,737	684,644	752,281
Public Works	206,542	219,300	221,757	328,448
Health	55,201	56,547	55,857	104,777
Housing and Community Development	-	-	-	57,521
Parks and recreation	56,728	61,778	62,742	78,451
Library	33,823	35,758	36,240	40,036
Retiree benefits	8,941	9,597	11,675	17,787
Other Current Expenditures	35,229	35,089	100,772	-
Capital Outlay	169,060	188,429	209,068	47,005
Intergovernmental - grants	115,224	111,158	137,767	-
Debt Service				
Principal	93,627	104,710	114,425	110,060
Interest	85,644	91,847	93,928	87,830
Fiscal agent and fees	1,917	2,099	3,713	5,252
Advanced refunding escrow	2,985	-	-	-
Total expenditures	<u>1,601,812</u>	<u>1,690,184</u>	<u>1,831,388</u>	<u>1,831,650</u>
Excess of revenues over (under) expenditures	(211,746)	(264,970)	(282,126)	(232,586)
Other financing sources (uses)				
Transfers in	218,893	230,087	322,008	278,045
Transfers out	(160,324)	(172,776)	(192,427)	(178,228)
Proceeds from issuance of debt	488,748	176,012	366,709	173,494
Proceeds from refunded debt	-	-	-	437,243
Payment to escrow agent	(327,489)	-	(209,594)	(433,192)
Sale of land	-	-	-	-
Bond premium	-	-	-	-
Other financing sources (uses)	(10,000)	-	-	(119)
Proceeds from capital lease	-	-	-	-
Total other financing sources (uses)	<u>209,828</u>	<u>233,323</u>	<u>286,696</u>	<u>277,243</u>
Net change in fund balances	<u>\$ (1,918)</u>	<u>\$ (31,647)</u>	<u>\$ 4,570</u>	<u>\$ 44,657</u>
Debt service as a percentage of noncapital expenditures	12.9%	13.2%	13.1%	13.4%

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$	1,142,071	\$ 1,193,874	\$ 1,227,388	\$ 1,338,651	\$ 1,425,575	\$ 1,545,102
	35,046	36,286	40,240	42,524	55,912	62,132
	154,598	189,974	187,372	512,279	319,864	300,717
	151,397	164,581	156,290	133,161	119,250	112,554
	44,620	49,227	53,464	51,441	57,305	57,001
	16,550	5,139	13,179	19,889	32,017	36,516
	864	2,433	1,780	-	-	-
	46,030	32,740	30,445	34,971	23,555	55,535
	<u>1,591,176</u>	<u>1,674,254</u>	<u>1,710,158</u>	<u>2,132,916</u>	<u>2,033,478</u>	<u>2,169,557</u>
	182,753	170,392	163,738	241,772	236,638	144,337
	840,490	838,472	907,201	1,012,747	1,088,922	1,107,522
	362,453	326,701	316,428	335,598	330,296	281,433
	96,633	99,377	104,389	97,237	96,063	108,830
	60,400	60,314	57,076	323,199	89,320	77,702
	81,008	62,917	70,720	79,602	82,648	77,354
	42,473	40,746	39,273	39,570	48,842	36,555
	21,440	26,581	28,997	42,203	18,801	18,506
	-	-	-	-	-	-
	24,637	35,213	39,396	61,606	57,337	332,655
	-	-	-	-	-	-
	120,754	115,319	139,607	220,510	172,166	197,790
	87,438	100,006	94,188	113,556	122,680	129,992
	4,098	8,131	3,316	6,302	4,661	3,700
	-	-	-	-	-	-
	<u>1,924,577</u>	<u>1,884,169</u>	<u>1,964,329</u>	<u>2,573,902</u>	<u>2,348,374</u>	<u>2,516,376</u>
	(333,401)	(209,915)	(254,171)	(440,986)	(314,896)	(346,819)
	306,231	225,522	278,743	337,127	339,549	396,660
	(219,648)	(184,004)	(223,863)	(272,726)	(281,936)	(328,873)
	209,931	150,594	274,721	433,514	313,771	387,051
	285,801	572,020	173,062	169,230	229,168	219,238
	(283,410)	(597,410)	(183,566)	(181,652)	(241,612)	(225,740)
	-	-	-	6,439	8,356	8,757
	-	36,237	10,546	16,912	15,870	9,004
	-	-	-	-	-	-
	54,379	-	-	-	-	-
	<u>353,284</u>	<u>202,959</u>	<u>329,643</u>	<u>508,844</u>	<u>383,166</u>	<u>466,097</u>
\$	<u>19,883</u>	\$ (6,956)	\$ 75,472	\$ 67,858	\$ 68,270	\$ 119,278
	13.6%	13.4%	13.5%	15.1%	14.9%	15.4%

CITY OF HOUSTON, TEXAS
TAX REVENUE BY SOURCE - GOVERNMENTAL FUNDS
Last Seven 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

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

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Personal Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2002	\$ 53,776,892	\$ 43,574,102	\$ 7,089,516	\$ 2,816,865	\$ 11,767,963	\$ 95,489,412	6.550
2003	\$ 58,211,949	\$ 43,815,475	\$ 7,640,012	\$ 2,886,083	\$ 13,248,143	\$ 99,305,376	6.550
2004	\$ 63,305,495	\$ 43,964,367	\$ 7,987,666	\$ 2,527,261	\$ 14,627,189	\$ 103,157,600	6.550
2005	\$ 67,298,102	\$ 44,051,724	\$ 7,923,377	\$ 2,532,851	\$ 15,924,828	\$ 105,881,226	6.500
2006	\$ 71,997,166	\$ 60,214,783	\$ 8,149,890	\$ 2,023,823	\$ 31,298,860	\$ 111,086,802	6.475
2007	\$ 76,997,953	\$ 65,711,310	\$ 9,198,065	\$ 2,568,995	\$ 33,880,872	\$ 120,595,451	6.450
2008	\$ 84,322,788	\$ 75,245,892	\$ 11,740,472	\$ 2,515,631	\$ 38,060,662	\$ 135,764,121	6.438

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	2008	2007	2006	2005	2004
City					
City of Houston ^(A)	6.438	6.45	6.475	6.5	6.55
County					
Fort Bend County	5.1674	5.1674	5.1674	5.2374	5.2374
Harris County ^(B)	3.9239	4.348	4.3308	7.634	5.506
Montgomery County	4.888	4.913	4.963	4.963	4.71
School District					
Aldine I.S.D.	12.77	16.04	17.09	16.89	16.68
Alief I.S.D.	15.9	15.9	17.2	16.9	16.75
Clear Creek I.S.D.	13.2	16.3	16.3	17.45	17.3
Conroe I.S.D.	12.4	15.9	17.6	17.325	17.325
Crosby I.S.D.	10.4	18.08	18.7	18.8	18.845
Cypress-Fairbanks I.S.D.	13.24	16.54	18	17.9	17.9
Deer Park I.S.D.	13.1765	16.623	18.055	18.055	18.071
Fort Bend I. S. D.	12.5	15.4	17.075	17.075	No data
Galena Park I.S.D.	14.309	14.309	18.15	17.95	17.65
Goose Creek I.S.D.	13.0196	15.9562	17.275	16.8371	1.8371
Houston I.S.D.	15.99	15.99	15.99	15.99	15.8
Huffman I.S.D.	13.80	16.00	17.55	18.5	16.7
Humble I.S.D.	1.31	16.4	17.7	17.4	17.4
Katy I.S.D.	15.27	18.15	20.00	20.00	19.7
Klein I.S.D.	12.60	15.80	17.00	17.00	17.2
New Caney I.S.D.	14.4	14.15	17.9	17.7	17.7
North Forest I.S.D.	12.367	17.125	17.125	17.444	17.444
Pasadena I.S.D.	13.5	16.9	17.75	17.75	17.75
Sheldon I.S.D.	14.3	16.34	17.5	17.46	17.03
Spring I.S.D.	14.4	17.1	17.1	18.7	17.6
Spring Branch I.S.D.	12.85	16.315	18.1	18.1	18.1
Municipal Utility District					
Harris County MUD # 355	3.10	3.70	3.80	4.00	3.4
Harris County MUD # 359	2.70	3.00	3.25	3.70	No data
Harris County MUD # 366	3.20	3.50	4.40	5.00	5.00
Harris County MUD # 390	7.00	7.00	7.00	7.00	No data
Northwood M.U.D. #1	12.5	12.5	12.5	12.5	12.5
Other Jurisdictions					
Clear Lake City Water Authority	2.8	2.9	2.9	2.9	2.9
Fort Bend Parkway Road	0.4153	0.4153	0.4153	1.1448	1.1448
Harris County Dept. of Education	0.05853	0.0629	0.0629	0.0629	No data
Houston Community College System	0.14926	0.81333	0.81333	0.81333	0.81333
Lee College District	2.06770	2.02276	2.06770	2.08130	No data
N. Harris Montgomery Community College	1.144	1.167	1.207	1.145	1.145
Port of Houston	0.1437	0.1302	0.1474	0.1673	0.2
San Jacinto Jr. College District	1.4536	1.4536	1.3913	1.3913	1.3913

(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>	<u>1999</u>
6.55	6.55	6.55	6.65	6.65
5.3874	5.641	6.041	6.241	6.241
6.597	6.692	6.4173	6.4173	6.4173
4.71	4.71	4.747	4.747	4.747
16.18	12.5	15.19	15.19	15.15
16.75	16.75	16.4	16.4	16.995
17.4	17.25	17.0084	17.0084	16.4152
17.225	2.025	17.025	17.025	17.505
16.7	16.7	16.8	16.8	16.8
17.9	17.09	17.09	17.09	17.7
18.035	16.898	16.9	16.7	15.8
No data				
17.65	16.8352	16.8352	16.8352	16.768
No data				
15.8	15.8	15.19	14.59	14.59
16.8	16.8	17.4	17.4	18.8
17.4	17.4	16.8	16.8	16.6
19.4	19.2	18.675	16.95	18.3
17.2	17.2	16.7	16.7	17.8
17.1	16.554	17.696	16.9	18.3
17.444	17.444	17.44	16.423	17.923
16.875	16.6	16.1	15.2	15.5
16.33	16.33	14.57	15.38	15.2
17.6	17.0	16.9	17.4	18.6
18.1	18.1	17.9	17.9	18.2
No data				
No data				
No data				
No data				
12.5	12.5	12.5	12.5	12.5
3.1	3.3	3.3	3.3	3.3
No data				
No data				
0.81333	No data	No data	No data	No data
No data				
1.055	1.1	1.1	1.174	1.198
0.1989	No data	No data	No data	No data
1.3071	1.307	1.26	1.26	1.1

CITY OF HOUSTON, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
June 30, 2008
Current Year and Nine Years Ago
(amounts expressed in thousands)
(unaudited)

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Centerpoint Energy, Inc.	\$ 1,522,138	1	1.12%			
Crescent Real Estate	1,378,918	2	1.02%	478,706	3	0.64%
Hines Interests Ltd. Partnership	1,248,647	3	0.92%	209,402	10	0.28%
Houston Refining	980,824	4	0.72%			
Cullen Holdings	740,183	5	0.55%			
Teachers Insurance	629,949	6	0.46%			
AT & T Corp	629,090	7	0.46%			
Exxon Mobil Corp.	580,399	8	0.43%	406,943	4	0.55%
TPG BH ICC LP	576,224	9	0.42%			
Anheuser Busch Inc.	447,348	10	0.33%	291,252	5	0.39%
Houston Lighting & Power				1,303,507	1	1.76%
Southwestern Bell				1,046,219	2	1.41%
Allen Center				261,234	6	0.35%
Lyondell -Citgo Refining Co.				253,817	7	0.34%
Weingarten Realty				249,651	8	0.34%
Continental Airlines, Inc.				209,850	9	0.28%
Total	<u>\$ 8,733,720</u>		<u>6.43%</u>	<u>\$ 4,710,581</u>		<u>6.34%</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
1999	\$ 493,913	\$ 479,856	97.15%	\$ 10,406	\$ 490,262	99.26%
2000	\$ 536,599	\$ 522,302	97.34%	\$ 10,272	\$ 532,574	99.25%
2001	\$ 574,325	\$ 558,193	97.19%	\$ 11,184	\$ 569,377	99.14%
2002	\$ 625,283	\$ 608,337	97.29%	\$ 10,667	\$ 619,004	99.00%
2003	\$ 650,450	\$ 632,588	97.25%	\$ 10,154	\$ 642,742	98.81%
2004	\$ 675,682	\$ 657,988	97.38%	\$ 8,785	\$ 666,773	98.68%
2005	\$ 688,228	\$ 669,659	97.30%	\$ 5,740	\$ 675,399	98.14%
2006	\$ 719,287	\$ 688,486	95.72%			
2007	\$ 777,841	\$ 774,492	99.57%			
2008	\$ 871,989	\$ 847,104	97.15%			

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 2009 ^(a)

	Amount
Budgeted Resources	(in thousands)
Beginning Fund Balance Estimate as of July 1, 2008	\$ 125,896
Interest Earnings on Debt Reserves and Bond Funds	4,088
Transfers in from:	
General Fund	224,450
Combined Utility System Operating Fund	28,603
Other sources	31,352
Third Party Reimbursements	30,000
Total Budgeted Resources	\$ 444,389
Budgeted Expenditures	
Debt Service Requirements	
Tax Bonds	\$ 257,257
Commercial Paper Paid from Third Party Reimbursements	30,000
Miscellaneous	-
Total Budgeted Expenditures	287,257
Budgeted Ending Fund Balance as of June 30, 2009	157,132
Total Budgeted Expenditures and Reserves	\$ 444,389

(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 2009

	Amount
Budgeted Resources	(in thousands)
Beginning Fund Balance Estimate as of July 1, 2008	\$ 1,146
Interest Earnings on Debt Reserves and Bond Funds	
Transfers from General Fund	9,000
Other Sources	
Total Budgeted Resources	\$ 10,146
Budgeted Expenditures	
Debt Service Requirements	\$ 9,091
Total Budgeted Expenditures	9,091
Budgeted Ending Fund Balance as of June 30, 2009	1,055
Total Budgeted Expenditures and Reserves	\$ 10,146

CITY OF HOUSTON
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Seven 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

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 223 for personal income and population data.

CITY OF HOUSTON, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Seven 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

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 209 for property value data.
2. Population data can be found in the Schedule of Demographic and Economic Statistics on page 223.

CITY OF HOUSTON, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2008
(amounts expressed in thousands)
(unaudited)

	<u>Net Direct Debt</u>		% of Debt Applicable to Houston	City of Houston Share of Debt
	<u>Amount</u>	<u>As of</u>		
City				
City of Houston - direct	\$ 2,926,444	06/30/08	100.00%	\$ 2,926,444
County				
Fort Bend County	236,318	09/30/08	2.78%	6,570
Harris County (including Toll Road Bonds)	2,206,723	06/30/08	52.76%	1,164,267
Harris County Flood Control	520,154	06/30/08	52.76%	274,433
Montgomery County	315,066	06/30/08	1.74%	5,482
School District				
Aldine I.S.D.	279,543	06/30/08	48.54%	135,690
Alief I.S.D.	261,146	08/31/07	77.19%	201,579
Clear Creek I.S.D.	607,650	06/30/08	47.32%	287,540
Conroe I.S.D.	692,941	08/31/07	4.60%	31,875
Crosby I.S.D.	62,024	06/30/08	0.23%	143
Cypress-Fairbanks I.S.D.	1,292,560	06/30/08	11.25%	145,413
Deer Park I.S.D.	131,838	06/30/08	0.12%	158
Fort Bend I.S.D.	804,651	06/30/08	1.89%	15,208
Galena Park I.S.D.	229,037	08/31/07	13.49%	30,897
Goose Creek I.S.D.	340,421	06/30/08	0.00%	-
Houston I.S.D.	2,014,481	06/30/07	90.95%	1,832,170
Huffman I.S.D.	57,069	08/31/08	26.02%	14,849
Humble I.S.D.	561,168	06/30/08	43.25%	242,705
Katy I.S.D.	778,974	08/31/08	19.16%	149,251
Klein I.S.D.	191,948	06/30/08	1.26%	2,419
New Caney I.S.D.	180,558	08/31/08	8.40%	15,167
North Forest I.S.D.	65,310	08/31/07	93.89%	61,320
Pasadena I.S.D.	469,689	08/31/07	41.35%	194,216
Sheldon I.S.D.	141,184	06/30/08	0.44%	621
Spring I.S.D.	593,934	06/30/08	1.67%	9,919
Spring Branch I.S.D.	531,070	06/30/08	70.46%	374,192
Municipal Utility District				
Harris County MUD 355	11,658	07/03/08	99.08%	11,551
Harris County MUD 359	8,615	06/30/08	100.00%	8,615
Harris County MUD 366	1,182	06/19/08	89.27%	1,055
Harris County MUD 390	13,310	10/15/08	100.00%	13,310
Northwood Municipal Utility District #1	2,255	06/30/08	100.00%	2,255
Other Jurisdictions				
Clear Lake City Water Authority	63,064	06/30/08	68.69%	43,319
Fort Bend Parkway Road	330	06/30/08	12.57%	41
Harris County Dept. of Education	-	10/06/08	56.87%	-
Houston Community College	199,185	08/31/08	90.86%	180,979
Lee College District	16,644	06/30/08	0.00%	-
N. Harris-Montgomery Community College Dis.	150,534	08/31/08	19.49%	29,339
Port of Houston Authority	495,630	06/30/08	52.76%	261,494
San Jacinto Jr. College	54,929	06/30/08	15.44%	8,481
Total overlapping debt	14,582,793			5,756,523
Total direct and overlapping debt	<u>\$ 17,509,237</u>			<u>\$ 8,682,967</u>

Note:

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

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

Fiscal Year	Tax Rate ^(a)		Total	Net	Current	Prior Years'	Total 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)		
2005	0.46573	0.18427	0.65000	688,228	669,659	27,772	697,431	101.3
2006	0.46359	0.18391	0.64750	719,287	688,486	31,718	720,204	100.1
2007	0.45927	0.18573	0.64500	777,841	751,882	36,007	787,889	101.3
2008	0.46198	0.18178	0.64375	874,230	845,817	34,772	880,589	100.7
2009 ^(e)	0.45460	0.18415 ^(f)	0.63875 ^(e)	961,059	926,956	32,395	959,351	99.8

- (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 2009 Budget includes a tax rate of \$0.63875 (per \$100 assessed valuation) for Tax Year 2008 (Fiscal Year 2009). 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 ^(e)	Tax-Supported Per Capita Debt ^(b)	Debt Service Requirement Payable from Taxes ^{(c)(d)} (in thousands)	Tax Levy for Debt Service (in thousands) ^(e)
2003	2004	2,073,359	103,157,602	2.01%	1,020	219,788	165,000
2004	2005	2,432,724	105,881,225	2.30%	1,181	233,354	188,000
2005	2006	2,644,366	111,225,839	2.38%	1,274	248,105	195,000
2006	2007	2,833,037	120,595,451	2.35%	1,306	262,523	209,000
2007	2008	3,016,248	135,764,121	2.22%	1,366	279,277	229,600

- (a) The Tax Year 2007 amount represents HCAD's estimate of final taxable valuations based on tax rolls available as of July 25, 2008 and has been adjusted to reflect HCAD's estimated hearing loss of \$49,360,702. As of October 24, 2008, the total assessed value for Tax Year 2008 (including exempt property values) was approximately \$195.68 billion, which is the appraised value used to determine the statutory limitation of approximately \$ 19.6 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 2004 - \$91,774,000, Fiscal Year 2005 - \$106,864,000, Fiscal Year 2006 - 110,824,000, Fiscal Year 2007 - \$107,014,000 and Fiscal Year 2008 - \$131,477,000.
- (d) These amounts include principal and interest payments for Tax Bonds, Tax Notes, Pension Obligations, Tax Certificates and Assumed Bonds, and interest only for Commercial Paper Notes at an assumed rate appropriate for each Fiscal Year. As of December 4, 2006 it no longer includes any principal and interest payments for Assumed Bonds.
- (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, 2008

Assessed Value (1)	\$ 173,824,783
Debt Limit (10% of assessed value)	17,382,478
Debt applicable to limit:	
Public Improvement Bonds	1,798,150
Pension Obligations	567,482
Commercial Paper - General Obligation	625,950
Tax and Revenue Certificates of Obligation	86,521
Total net debt applicable to limit	<u>3,078,103</u>
Legal debt margin	<u>\$ 14,304,375</u>

HISTORICAL LEGAL DEBT LIMITATION

	1999	2000	2001
Legal debt limitation, 10% of assessed value(2)	\$ 8,249,959	\$ 8,945,848	\$ 9,814,263
Total net debt applicable to margin	<u>1,667,323</u>	<u>1,761,440</u>	<u>1,776,441</u>
Legal debt margin	<u>\$ 6,582,636</u>	<u>\$ 7,184,408</u>	<u>\$ 8,037,822</u>
Total net debt applicable to the limit as a percentage of debt limit	20%	20%	18%

(1) Assessed Value for the 2007 tax year (fiscal year 2008) 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, 2008.

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

2002	2003	2004	2005	2006	2007	2008
\$ 10,725,911	\$ 11,255,352	\$ 11,778,479	\$ 12,180,606	\$ 14,238,567	\$ 15,447,632	\$ 17,382,478
<u>1,816,681</u>	<u>1,925,796</u>	<u>1,939,765</u>	<u>2,462,578</u>	<u>2,732,439</u>	<u>2,877,360</u>	<u>3,078,103</u>
<u>\$ 8,909,230</u>	<u>\$ 9,329,556</u>	<u>\$ 9,838,714</u>	<u>\$ 9,718,028</u>	<u>\$ 11,506,128</u>	<u>\$ 12,570,272</u>	<u>\$ 14,304,375</u>
17%	17%	16%	20%	19%	19%	18%

CITY OF HOUSTON, TEXAS
PLEDGED - REVENUE COVERAGE
Last Eight 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

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

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

Convention and Entertainment Center Bonds ⁽⁶⁾

Fiscal Year	Pledged Hotel Occupancy Tax & Other Revenue ⁽⁷⁾	Debt Service		Coverage
		Principal	Interest	
2001	\$ 46,630	\$ 4,880	\$ 14,611	2.39
2002	42,906	-	24,151	1.78
2003	44,896	5,955	19,517	1.76
2004	48,684	6,265	20,833	1.80
2005	45,459	6,590	22,715	1.55
2006	59,019	13,680	23,094	1.60
2007	61,487	14,775	24,004	1.59
2008	69,650	17,540	23,926	1.68

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 Seven Fiscal Years
(unaudited)

Fiscal Year	Population	(1)	Personal Income (amount in thousands)	(2)	Per Capita Personal Income	(2)	Median Age	(2)	Education Level in Years of Formal Schooling	(2)	School Enrollment	(2)	Average Unemployment Rate (percentage)	
2002	1,979,052		\$ 42,264,007		\$ 21,566		30.7		12.7		423,103		4.7	(3)
2003	2,002,144		\$ 41,269,994		\$ 21,290		31.5		12.8		404,349		6.0	(3)
2004	2,009,669		\$ 42,537,706		\$ 21,854		31.4		12.8		410,566		6.9	(3)
2005	2,016,582		\$ 43,748,970		\$ 22,534		31.9		12.7		392,846		6.3	(3)
2006	2,076,189		\$ 47,805,874		\$ 23,041		32.3		12.6		409,937		5.5	(4)
2007	2,144,491		\$ 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)

(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 no longer available. The number for fiscal year 2008 reflects the Houston metropolitan area.

**CITY OF HOUSTON, TEXAS
PRINCIPAL EMPLOYERS
June 30, 2008
Current Year and Six Years Ago
(unaudited)**

Employer	2008			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Memorial Hermann Healthcare System	19,000	1	1.90%	14,000	2	1.49%
Continental Airlines, Inc.	16,000	2	1.60%	16,000	1	1.71%
University of Texas M.D. Anderson Cancer Ctr	15,000	3	1.50%			
Shell Oil Company	13,000	4	1.30%	10,733	7	1.15%
University of Texas Medical Branch at Galveston	12,318	5	1.23%			
Kroger Company	12,000	6	1.20%	13,000	3	1.39%
The Methodist Hospital System	9,991	7	1.00%	10,000	8	1.07%
Baylor College of Medicine	9,143	8	0.91%	9,000	10	0.96%
HP	9,000	9	0.90%			
ARAMARK Corp.	8,500	10	0.85%	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>123,952</u>		<u>12.40%</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.	2008	999,582
Source: Houston Civilian Labor Force (CLF)	2002	937,053

CITY OF HOUSTON, TEXAS

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**CITY OF HOUSTON, TEXAS
EMPLOYMENT STATISTICS
June 30, 2008
(unaudited)**

Employment

The following table indicates the Houston PMSA estimated annual average labor force for the years 1998 through 2007 according to the Texas Employment Commission:

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Civilian Labor Force ^(A)	2,174	2,185	2,387
Employed	2,075	2,089	2,284
Unemployed	98	97	103
Percent unemployed	4.50%	4.40%	4.32%
Nonfarm Payroll Employment ^(B)	1,805	1,864	2,082
Manufacturing	215	206	210
Mining	65	63	64
Contract construction	143	154	154
Transp/Pub Utils/Communications	144	151	152
Trade	462	476	474
Finance/Insurance/Real Estate	110	117	114
Services & Miscellaneous	626	633	646
Government	256	272	269

(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
2,436	2,520	2,558	2,582	2,620	2,681	2,733
2,322	2,368	2,385	2,421	2,474	2,547	2,617
114	152	173	161	146	134	116
4.68%	6.03%	6.76%	6.24%	5.57%	5.00%	4.24%
2,118	2,112	2,095	2,288	2,350	2,446	2,550
215	192	189	208	213	223	233
69	59	63	67	71	78	85
159	167	158	164	169	182	196
154	143	143	143	146	171	177
478	435	415	472	483	500	519
116	123	168	136	139	141	145
659	699	680	866	999	1,015	1,067
269	291	292	336	340	345	351

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

Full-time Equivalent Employees as of June 30

Fund/Department	2002	2003	2004	2005	2006	2007	2008
GENERAL FUND							
Public Safety							
Fire/Civilian	318.4	344.8	316.2	320.3	288.7	277.6	261.0
Fire/Classified	3,729.7	3,717.0	3,647.7	3,716.0	4,123.5	3,743.1	3,822.8
Fire/Cadets	162.5	268.2	392.8	181.5	38.5	103.0	113.5
Municipal Courts - Administration	388.5	380.1	354.7	347.1	343.7	289.0	261.6
Municipal Courts - Justice	45.2	46.8	45.3	41.6	45.3	47.6	49.4
Police/Civilian	1,780.3	1,509.9	1,425.5	1,115.6	1,173.1	1,173.3	1,208.0
Police/Classified	5,588.0	5,432.5	5,362.3	5,118.3	5,125.3	4,748.1	4,862.5
Police/Cadets	87.3	74.0	36.2	26.7	81.8	130.9	176.8
Total Public Safety	12,099.9	11,773.3	11,580.7	10,867.1	11,219.9	10,512.6	10,755.6
Development & Maintenance Services							
General Services	313.1	311.7	289.4	181.2	211.3	221.1	227.8
Planning & Development	233.7	217.6	105.0	104.3	99.6	96.6	97.1
Public Works & Engineering	1,032.6	860.4	567.5	841.3	539.9	503.2	504.9
Solid Waste Management	617.1	581.2	545.9	576.9	576.4	514.9	603.0
Total Development & Maintenance	2,196.5	1,970.9	1,507.8	1,703.7	1,427.2	1,335.8	1,432.8
Human & Cultural Services							
Convention & Entertainment Facilities	-	-	-	-	63.0	54.6	0.4
Health & Human Services	898.0	834.7	776.6	767.1	797.9	712.8	666.6
Housing & Community Development	-	-	-	-	-	-	1.3
Library	604.8	520.3	531.2	443.0	473.1	481.8	493.8
Parks & Recreation	1,094.8	993.0	768.2	741.0	772.8	804.0	802.9
Total Human & Cultural Services	2,597.6	2,348.0	2,076.0	1,951.1	2,106.8	2,053.2	1,965.0
Administrative Services							
Administration & Regulatory Affairs	-	-	-	-	-	-	262.3
City Secretary	15.8	13.7	13.8	12.1	12.1	11.6	11.1
Controller's Office	84.3	80.0	76.3	74.9	70.7	72.9	74.6
Council Office	78.9	74.0	68.2	61.5	71.3	68.1	71.4
Finance & Administration	332.6	320.6	304.4	313.5	303.8	308.3	-
Finance Department	-	-	-	-	-	-	54.9
Human Resources	52.9	45.9	43.0	38.6	38.2	37.9	39.1
Information Technology	133.7	130.6	147.4	143.5	127.2	128.6	140.0
Legal	163.6	158.7	153.4	146.4	144.0	152.8	158.7
Mayor's Affirmative Action	30.5	29.6	24.7	27.2	25.7	25.8	32.4
Mayor's Office	25.0	24.2	21.9	20.2	48.8	43.5	39.6
Total Administrative Services	917.3	877.3	853.1	837.9	841.8	849.5	884.1
Total General Fund	17,811.3	16,969.5	16,017.6	15,359.8	15,595.7	14,751.1	15,037.5

Full-time Equivalent Employees as of June 30

	2002	2003	2004	2005	2006	2007	2008
Fund/Department							
ENTERPRISE FUNDS							
Aviation	1,103.0	1,088.0	1,236.3	1,516.8	1,569.6	1,560.3	1,531.8
Convention & Entertainment Facilities	82.2	84.2	88.9	104.7	109.3	111.1	119.7
PW&E - Combined Utility System	2,246.6	2,283.9	2,102.6	2,220.3	2,158.6	2,121.2	2,154.6
PW&E - Parking Management	-	-	-	-	-	-	53.6
Total Enterprise Funds	3,431.8	3,456.1	3,427.8	3,841.8	3,837.5	3,792.6	3,859.7
SPECIAL REVENUE FUNDS							
Houston Emergency Center	72.0	183.8	190.4	219.3	239.6	238.3	243.4
Cable Television	8.2	10.9	9.1	10.5	9.3	8.7	-
Health and Human Services	-	-	-	-	-	-	482.4
Housing and Community Development	-	-	-	-	-	-	136.8
Library	-	-	-	-	-	-	9.8
Parks Special Revenue	183.7	98.6	105.8	98.0	106.0	100.6	100.4
Planning	-	-	-	-	-	-	3.4
Police - Asset Forfeiture	61.0	63.7	20.0	15.9	21.3	-	-
Police - Auto Dealers/Civilian	6.1	6.1	6.8	8.2	6.3	4.2	106.7
Police - Auto Dealers/Classified	14.2	12.0	18.5	18.0	22.0	19.0	31.2
Police Special Services/Civilian	34.9	51.4	218.0	117.7	6.3	4.0	-
Police Special Services/Classified	-	-	1.0	-	40.8	-	-
PW&E - Mobility Response Team	-	-	-	-	-	0.5	-
PW&E - Building Inspection	270.6	262.8	389.5	308.5	380.0	379.6	1,272.0
PW&E - Sign Administration	30.8	31.5	26.9	27.5	31.6	35.2	-
PW&E - Stormwater Utility	299.7	406.0	393.5	403.5	413.6	377.0	-
PW&E - Houston TransStar	6.0	6.0	6.0	5.9	5.5	6.2	-
PW&E - TxDOT Signal Maintenance	6.8	6.8	7.0	0.5	-	0.2	-
Mayor's Office	-	-	-	-	-	-	24.1
Municipal Courts Security Fund	-	-	-	19.4	21.5	20.9	24.4
Municipal Courts Technology Fee Fund	-	-	-	-	-	1.9	0.0
Total Special Revenue Funds	994.0	1,139.6	1,392.5	1,252.9	1,303.8	1,196.3	2,434.6
Total General, Enterprise and Special Funds	22,237.1	21,565.2	20,837.9	20,454.5	20,737.0	19,740.0	21,331.8
INTERNAL SERVICE/REVOLVING FUND							
Human Resources - Health Benefits	36.6	37.4	36.0	37.1	36.2	37.9	69.7
General Services - Central Svc Revolving	-	-	-	1.5	4.0	5.8	-
Human Resources - Central Svc Revolving	5.2	6.0	5.0	4.8	4.5	4.8	-
Admin. And Regulatory Affairs - Central Svc Revolving	12.1	13.5	6.0	5.5	5.9	0.9	-
Information Technology - Central Svc Revolving	-	-	2.0	1.6	2.0	1.2	3.3
Fire Reconstruction	18.0	20.2	13.3	-	-	-	-
General Services - In House Reconstruction	-	-	-	29.1	28.8	27.4	66.6
PW&E - Fleet Management	98.3	105.5	159.6	74.1	170.7	138.7	-
PW&E - CIP Salary Recovery	-	-	245.6	-	-	291.8	-
General Services - CIP Salary Recovery	-	-	-	-	19.6	23.8	-
Library - CIP Salary Recovery	-	-	-	-	-	0.2	-
Admin. and Regulatory Affairs - Property and Casualty	5.0	4.6	4.0	4.0	5.1	5.0	4.9
Legal - Property and Casualty	34.7	32.0	29.4	28.4	27.2	27.0	43.4
Human Resources - Workers Compensation	30.7	30.2	31.0	30.3	28.9	31.3	-
Legal - Workers Compensation	4.9	4.5	-	5.2	4.4	4.8	-
Total Internal Service/Revolving Funds	245.5	253.9	531.9	221.6	337.3	600.6	187.9
TOTAL FTE'S	22,482.6	21,819.1	21,369.8	20,676.1	21,074.3	20,340.6	21,519.7

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, 2008
(unaudited)

	2002	2003	2004	2005	2006	2007	2008
Function							
Police							
Physical arrests	105,623	112,975	110,573	103,917	100,795	121,834	110,058
Parking violations	303,159	265,880	253,038	241,324	203,591	255,690	210,607
Traffic violations filed	696,998	871,457	779,068	841,494	851,573	939,932	867,535
Fire							
Number of calls dispatched	256,257	255,648	261,903	267,171	284,231	278,713	281,574
Inspections	36,171	28,336	30,491	40,540	38,937	32,694	31,800
Highways and streets							
Streets resurfaced (miles)	545	426	435	374	334	325	307
Tons of asphalt for pothole repair and skin patches	Not Available	18,788	18,879	18,272	16,104	16,178	16,647
Parks and recreation							
Athletic field permits issued	1,920	1,587	1,854	1,850	1,995	2,073	2,494
Community center admissions	2,880,133	3,060,111	3,199,874	2,859,414	3,332,920	3,618,818	4,146,502
Sanitation							
Refuse collected (tons)	860,924	904,804	876,519	835,054	825,915	837,008	796,926
Recyclables collected (tons)	32,572	37,942	28,862	20,607	15,352	15,703	21,312
Water							
New connections	6,273	5,435	6,616	7,806	5,235	6,871	5,660
Water main breaks	5,362	3,148	3,269	3,381	4,939	5,623	2,797
Average daily pumpage (millions of gallons)	374.8	359.0	356.6	363.1	399.9	374.5	372.0
Wastewater							
Average daily sewage treatment (millions of gallons)	254.7	262.4	286.8	252.0	227.0	244.0	268.0

CITY OF HOUSTON, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
June 30, 2008
(unaudited)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Function							
Public safety							
Police							
Stations	14	14	14	14	15	15	17
Patrol units	Not Available	Not Available	Not Available	730	919	829	851
Fire							
Stations	86	87	88	88	90	90	91
Highways and streets							
Streets (lane miles)	15,645	15,645	15,645	15,645	15,645	15,645	15,645
Streetlights	170,300	171,800	173,500	175,000	176,000	172,300	173,000
Traffic signals	2,310	2,325	2,340	2,355	2,400	2,430	2,450
Parks and recreation							
Parks acreage	18,364	18,429	18,620	18,620	24,493	38,934	38,934
Parks	518	521	523	523	533	539	540
Swimming pools	43	43	43	43	40	58	62
Tennis Centers	3	3	3	3	3	3	3
Community centers	58	58	58	57	56	56	58
Sanitation							
Collection trucks	343	343	344	347	338	326	337
Water							
Water mains (miles)	Not Available	Not Available	Not Available	7,354	7,354	7,501	6,500
Fire hydrants	47,397	49,000	51,155	52,879	54,829	54,522	56,950
Maximum daily capacity (millions of gallons)	479.4	466.0	482.4	456.3	480.6	459.3	449.9
Sewer							
Sanitary sewers (miles)	Not Available	Not Available	Not Available	6,752	6,752	6,897	7,500
Storm sewers (miles)	3,300	3,300	3,300	3,300	3,420	3,487	3,513
Maximum daily treatment permitted (millions of gallons)	559.5	562.6	564.0	564.0	564.0	564.0	564.0

CITY OF HOUSTON, TEXAS
June 30, 2008
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)	\$105.7	\$182.9	\$95.2	\$383.8
Deductions	<u>137.1</u>	<u>119.8</u>	<u>177.7</u>	<u>434.6</u>
Net Increase (Decrease)	<u>(31.4)</u>	<u>63.1</u>	<u>(82.5)</u>	<u>(50.8)</u>
City's Total Contribution	<u><u>\$63.0</u></u>	<u><u>\$54.0</u></u>	<u><u>\$73.3</u></u>	<u><u>\$190.3</u></u>

The City's funding policies provide for actuarially determined periodic contributions at rates such that overtime will remain level as a percentage of payroll. The contribution rate for normal cost is determined by using the entry age normal cost method. The pension plans use the level percentage of payroll method to amortize the unfunded actuarially accrued liability (or surplus) over 40 years from January 1, 1993.

CITY OF HOUSTON, TEXAS
PRINCIPAL AND INTEREST PAYABLE FROM AD VALOREM TAXES
(EXCLUDING COMMERCIAL PAPER NOTES)
(unaudited)

The following schedule presents the City's debt service requirements for Fiscal Years 2009 through 2038 for the outstanding Tax Bonds, Pension Obligations, Tax Certificates and Assumed Bonds as of November 4, 2008. Debt service on commercial paper notes is not reflected in the schedule below. As of June 30, 2008, \$625.5 million of such Commercial Paper Notes was outstanding. On November 12, 2008, \$320.7 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
2009	\$ 229,876,011	\$52,432,493	\$ 9,539,901	\$ 291,848,405
2010	234,482,568	35,416,883	10,123,518	280,022,969
2011	225,737,436	35,416,883	13,493,880	274,648,199
2012	217,888,861	35,416,883	9,518,870	262,824,614
2013	206,396,474	35,416,883	14,079,380	255,892,737
2014	192,607,230	41,761,883	5,348,085	239,717,198
2015	195,733,993	41,807,782	5,351,805	242,893,580
2016	196,383,936	41,855,691	5,351,985	243,591,612
2017	185,412,311	41,903,723	5,354,415	232,670,449
2018	181,050,399	41,959,990	5,353,565	228,363,954
2019	150,038,288	42,016,976	5,354,115	197,409,379
2020	143,260,138	42,082,481	5,355,495	190,698,114
2021	118,030,150	52,108,673	5,352,150	175,490,973
2022	126,057,288	52,136,552	5,353,750	183,547,590
2023	131,899,688	52,152,976	4,333,500	188,386,164
2024	75,040,938	52,178,542	4,333,750	131,553,230
2025	74,113,363	52,207,273	4,335,500	130,656,136
2026	35,778,213	52,238,195	4,338,250	92,354,658
2027	52,493,213	52,270,018	4,336,500	109,099,731
2028	47,265,513	52,296,136		99,561,649
2029	10,335,138	60,664,946		71,000,084
2030	10,329,075	60,711,046		71,040,121
2031	10,336,656	72,169,804		82,506,460
2032	12,791,363	72,208,028		84,999,391
2033	12,793,656	29,834,887		42,628,543
2034	10,075,700	5,625,280		15,700,980
2035	12,795,619	49,970,280		62,765,899
2036	9,935,538	38,598,102		48,533,640
2037	6,513,244	23,666,897		30,180,141
2038	2,955,769			2,955,769
Total	\$ 3,118,407,769	\$1,318,526,186	\$ 126,608,414	\$ 4,563,542,369

CITY OF HOUSTON, TEXAS
June 30, 2008
VOTER-AUTHORIZED OBLIGATIONS
(Unaudited)

The following schedule sets forth the categories of bond authorization approved by the voters in elections held in November of 2001 (the "2001 Election") and November of 2006 (the "2006 Election"), the amount of each such authorization approved by City Council for issuance as Commercial Paper Notes, the amount of commercial paper issued as of year-end, and the amount of commercial paper approved but unissued. The City has issued all bonds authorized at the election held in November of 1997.

November 2001 Election

Purposes	Voter Authorized	Approved by City Council for Issuance as Commercial Paper Notes	Commercial Paper Issued ^(a)	Commercial Paper Notes Approved by City Council but Unissued
Streets, Bridges, Traffic Control and Storm Sewers and Drainage	\$ 474,000	\$ 474,000	\$ 303,302	\$ 170,698
Parks and Recreation	80,000	80,000	67,900	12,100
Police and Fire Departments	82,000	82,000	56,240	25,760
Permanent and General Improvements (b)	80,000	80,000	43,558	36,442
Public Libraries	40,000	40,000	22,000	18,000
Low Income Housing	20,000	20,000	5,000	15,000
Total	<u>\$ 776,000</u>	<u>\$ 776,000</u>	<u>\$ 498,000</u>	<u>\$ 278,000</u>

November 2006 Election

Purposes	Voter Authorized	Approved by City Council for Issuance as Commercial Paper Notes	Commercial Paper Issued ^(a)	Commercial Paper Notes Approved by City Council but Unissued
Streets, Bridges, Traffic Control and Storm Sewers and Drainage	\$ 320,000	\$ 18,000	\$ -	\$ 18,000
Parks and Recreation	55,000	12,750	-	12,750
Public Safety	135,000	5,500	-	5,500
Permanent and General Improvements (b)	60,000	16,300	-	16,300
Public Libraries	37,000	12,000	-	12,000
Low Income Housing	18,000	1,000	-	1,000
Total	<u>\$ 625,000</u>	<u>\$ 65,550</u>	<u>\$ -</u>	<u>\$ 65,550</u>

Combined Total (2001 and 2006 Elections)	<u>\$ 1,401,000</u>	<u>\$ 841,550</u>	<u>\$ 498,000</u>	<u>\$ 343,550</u>
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(a) As of June 30, 2008

(b) Includes Public Health and Solid Waste Management.

CITY OF HOUSTON, TEXAS
June 30, 2008
(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)
2004	\$ 347,982	\$ 161,378
2005	\$ 370,583	\$ 162,263
2006	\$ 422,598	\$ 186,508
2007	\$ 461,467	\$ 189,551
2008	\$ 495,173	\$ 190,193
2009 (budgeted)	\$ 526,723	\$ 189,299 (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>1999</u>	<u>2000</u>	<u>2001</u>
Operating Revenues			
Fees charged to users, net	\$ 15,576	\$ 16,835	\$ 17,469
Total Operating Revenues	<u>15,576</u>	<u>16,835</u>	<u>17,469</u>
Nonoperating Revenues			
Interest	3,174	3,642	9,846
Hotel occupancy tax (including penalty & interest)	42,459	42,550	46,123
Other income	<u>1,042</u>	<u>133</u>	<u>181</u>
Total Nonoperating Revenues	<u>46,675</u>	<u>46,325</u>	<u>56,150</u>
Total Revenues	<u><u>\$ 62,251</u></u>	<u><u>\$ 63,160</u></u>	<u><u>\$ 73,619</u></u>

Total Annual Expenses Last Ten Fiscal Years	<u>1999</u>	<u>2000</u>	<u>2001</u>
Operating Expenses			
Maintenance and operating	\$ 16,421	\$ 19,886	\$ 20,331
Depreciation	<u>6,640</u>	<u>6,684</u>	<u>6,356</u>
Total Operating Expenses	<u>23,061</u>	<u>26,570</u>	<u>26,687</u>
Nonoperating Expenses			
Interest on long-term debt	7,469	7,194	12,655
Promotional contracts & other expenses	<u>9,565</u>	<u>10,974</u>	<u>20,698</u>
Total Nonoperating Expenses	<u>17,034</u>	<u>18,168</u>	<u>33,353</u>
Total Expenses	<u><u>\$ 40,095</u></u>	<u><u>\$ 44,738</u></u>	<u><u>\$ 60,040</u></u>

2002	2003	2004	2005	2006	2007	2008
\$ 15,521	\$ 17,010	\$ 17,145	\$ 19,175	\$ 19,599	\$ 20,554	\$ 22,306
15,521	17,010	17,145	19,175	19,599	20,554	22,306
23,766	14,311	13,109	15,926	16,729	18,704	19,186
43,452	43,169	47,223	42,266	54,765	58,709	66,232
-	713	-	7,279	4,190	13,215	5,669
67,218	58,193	60,332	65,471	75,684	90,628	91,087
<u>\$ 82,739</u>	<u>\$ 75,203</u>	<u>\$ 77,477</u>	<u>\$ 84,646</u>	<u>\$ 95,283</u>	<u>\$ 111,182</u>	<u>\$ 113,393</u>

2002	2003	2004	2005	2006	2007	2008
\$ 21,721	\$ 24,830	\$ 28,791	\$ 32,797	\$ 33,437	\$ 35,342	\$ 37,276
12,406	13,274	14,077	10,372	10,984	11,925	12,084
34,127	38,104	42,868	43,169	44,421	47,267	49,360
28,410	19,347	25,413	29,468	30,970	32,859	33,150
24,193	19,305	23,307	61,694	23,880	21,119	28,659
52,603	38,652	48,720	91,162	54,850	53,978	61,809
<u>\$ 86,730</u>	<u>\$ 76,756</u>	<u>\$ 91,588</u>	<u>\$ 134,331</u>	<u>\$ 99,271</u>	<u>\$ 101,245</u>	<u>\$ 111,169</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)
1999	34,270	10.9%	6,847	69.6%	--	--	41,117
2000	34,344	0.2%	8,152	19.1%	--	--	42,496
2001	37,228	8.4%	9,402	15.3%	--	--	46,630
2002	35,072	-5.8%	7,834	-16.7%	--	--	42,906
2003	34,844	-0.7%	10,052	28.3%	--	--	44,896
2004	38,115	9.4%	9,325	-7.2%	1,244	--	48,684
2005	34,115	-10.5%	8,882	-4.8%	2,462	97.9%	45,459
2006	44,204	29.6%	8,984	1.1%	5,831	136.8%	59,019
2007	47,387	7.2%	9,011	0.3%	5,089	-12.7%	61,487
2008	53,459	12.8%	9,774	8.5%	6,417	26.1%	69,650

- (a) The Pledged Hotel Occupancy Tax (HOT) revenues are revenues (including penalties, interest and delinquencies, if any) received from that portion of the City HOT equal to 5.65% of the cost of substantially all hotel room rentals in the City (excluding any portion thereof attributable to the Hotel during its first ten years of operation). The City HOT is currently imposed at a rate of 7%.
- (b) The City's pledge of Pledged Parking Revenues is subordinate to the City's pledge of the first \$1,200,000 of such gross revenues, charges and tolls to the payment of its \$1,000,000 annual obligation under the Music Hall Lease, unless such obligation is paid, defeased, matures or is otherwise restructured.
- (c) Does not include investment earnings, which are included in pledged revenues.

Historical Tax Rebates
(amounts expressed in thousands)

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

Fiscal Year	HOT Tax 15%	Sales Tax 8.25% ⁽¹⁾	Mixed Beverage Tax 3%	Total Tax Rebate
2004	\$ 1,081	\$ 111	\$ 52	\$ 1,244
2005	2,188	190	84	2,462
2006	5,553	197	81	5,831
2007	4,663	296	130	5,089
2008	6,082	233	102	6,417

(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)
1999	63.6%	86.92	7%	42,459
2000	64.3%	84.56	7%	42,550
2001	66.9%	85.77	7%	46,123
2002	62.0%	83.92	7%	43,452
2003	60.8%	82.36	7%	43,169
2004	61.3%	85.92	7%	47,223
2005	69.5%	89.57	7%	44,414
2006	68.9%	100.67	7%	60,319
2007	68.5%	105.17	7%	63,372
2008	67.5%	121.08	7%	72,314

(1) Source: Greater Houston Partnership.

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
For Fiscal Year 2008
(unaudited)

Schedule of Hotel Occupancy Tax Collections

<u>The Twelve Largest Taxpayers</u>	<u>Gross Hotel Occupancy Tax Collections</u>
Hilton Americas-Houston	\$ 2,998,748
Hyatt Regency Hotel	2,095,605
Four Seasons Hotel Houston Center	1,611,811
JW Marriott Galleria	1,552,275
Westin Galleria	1,465,468
Marriott Hotel	1,329,175
Houston Marriott Westchase	1,321,366
Hilton Houston Post Oak	1,315,114
Hilton Houston Greenspoint	1,254,622
Westin Oaks Houston	1,120,664
Houstonian Hotel	1,106,776
Inter Continental Houston	<u>1,089,935</u>
Total	<u>\$ 18,261,559</u>

Top Ten Clients (Excluding Hotel Occupancy Tax Revenues)

Republic Parking Systems	\$ 9,773,509
Aramark	2,980,810
Houston Convention Center Hotel Corporation	2,405,970
Smart City	1,683,083
AVW	548,948
Houston Symphony Society	441,814
Houston Grand Opera	365,498
Houston Ballet Foundation	285,634
North American Prospect Expo	235,609
Texas Quilts	<u>221,825</u>
Total	<u>\$ 18,942,700</u>

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
For Fiscal Year 2008
(unaudited)

Parking Facilities Rates

Facility	City Employee Monthly Contract (1)	Other Monthly Contract (2)	Daily Transient (2)	Event Rate (2)
Theater District Garage	\$70.00	\$145.00	\$3.00 per hour	6.00
		\$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, 2008, 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				
2009	\$ 13,731,419	\$ 20,190,150	\$ 4,812,388	\$ 38,733,957
2010	13,742,113	21,718,544	4,821,255	40,281,912
2011	13,727,994	22,556,050	4,913,971	41,198,015
2012	13,731,719	22,829,244	4,816,695	41,377,658
2013	13,737,953	24,382,988	4,812,388	42,933,329
2014	13,735,941	24,521,616	4,821,255	43,078,812
2015	13,738,425	24,440,238	4,821,255	42,999,918
2016	13,743,525	16,325,319	4,909,411	34,978,255
2017	8,756,572	22,986,963	4,812,642	36,556,177
2018	9,696,281	22,698,700	4,821,255	37,216,236
2019	4,548,731	21,654,794	10,954,922	37,158,447
2020	5,512,031	22,066,819	11,089,841	38,668,691
2021	6,561,881	21,094,119	11,165,562	38,821,562
2022		29,121,925	11,416,048	40,537,973
2023		29,261,563	11,489,408	40,750,971
2024		30,597,669	11,627,150	42,224,819
2025		30,932,488	11,753,411	42,685,899
2026		32,207,594	11,923,499	44,131,093
2027		32,889,456	12,121,950	45,011,406
2028		33,368,825	12,296,773	45,665,598
2029		34,620,331	12,414,701	47,035,032
2030		35,123,056	12,667,474	47,790,530
2031		36,179,756	12,848,811	49,028,567
2032		36,631,363	13,060,551	49,691,914
2033		36,734,713	13,310,677	50,045,390
2034		38,108,331	11,765,087	49,873,418
Total	\$ 144,964,585	\$ 723,242,614	\$ 240,268,380	\$ 1,108,475,579

(1) Assumes an interest rate of 3.223% 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 2008
(unaudited)

Convention & Entertainment Budget for Fiscal Year 2009
(amounts expressed in thousands)

Budgeted Resources

Operating Revenues

Facility Rentals	\$ 6,249
Parking	10,505
Food and Beverage Concessions	4,471
Contract Cleaning	<u>216</u>
Total Operating Revenues	<u>21,441</u>

Operating Expenses

Personnel	9,904
Supplies	780
Services	<u>32,871</u>
Total Operating Expenses	<u>43,555</u>
Operating Income (Loss)	<u>(22,114)</u>

Nonoperating Revenues (Expenses)

Hotel Occupancy Tax	
Current	58,000
Delinquent	1,165
Advertising Services	(13,340)
Promotion Contracts	(11,194)
Contracts/Sponsorships	<u>(2,555)</u>
Net Hotel Occupancy Tax	<u>32,076</u>
Investment Income (Loss)	2,447
Capital Outlay	(3,091)
Non-Capital Outlay	(272)
Other Interest	(1,611)
Other	<u>992</u>
Total nonoperating Rev (Exp)	<u>30,541</u>
Income (Loss) Before Operating Transfers	<u>8,427</u>

Transfers

Transfers to Interest	8,449
Transfers to Principal	10,412
Interfund Transfers	528
Miller Outdoor Theater Transfer	(1,194)
Transfers to Special	(100)
Contingency/Reserve	<u>-</u>
Total Transfers	<u>18,095</u>
Net Income (Loss) Operating Fund	<u>\$ (9,668)</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	1999	2000	2001	2002	2003
Operating Revenues					
Water sales	\$ 266,381	\$ 281,757	\$ 271,553	\$ 271,098	\$ 267,125
Waste water system user charges	264,076	275,782	268,492	265,091	264,159
Penalties	3,947	3,493	4,440	4,214	4,036
Other services and charges	2,962	3,006	2,807	2,993	3,997
Total Operating Revenues	537,366	564,038	547,292	543,396	539,317
Nonoperating Revenues					
Interest	37,978	32,019	56,914	33,703	24,043
Other income	18,116	20,641	22,511	32,368	26,894
Total Nonoperating Revenues	56,094	52,660	79,425	66,071	50,937
Total Revenues	\$ 593,460	\$ 616,698	\$ 626,717	\$ 609,467	\$ 590,254
Total Annual Expenses Last Ten Fiscal Years	1999	2000	2001	2002	2003
Operating Expenses					
Maintenance and operating	\$ 212,877	\$ 225,258	\$ 248,603	\$ 245,943	\$ 250,226
Depreciation and Amortization	190,205	212,846	256,959	228,147	233,401
Bad debt expense	740	1,000	-	-	-
Total Operating Expenses	403,822	439,104	505,562	474,090	483,627
Nonoperating Expenses					
Interest on long-term debt	155,201	164,650	172,749	164,482	165,509
Other expenses	4,863	4,057	3,315	9,708	722
Total Nonoperating Expenses	160,064	168,707	176,064	174,190	166,231
Total Expenses	\$ 563,886	\$ 607,811	\$ 681,626	\$ 648,280	\$ 649,858

2004	2005	2006	2007	2008
\$ 265,272	\$ 301,227	\$ 324,878	\$ 308,046	\$ 328,435
257,225	288,459	307,764	295,423	305,748
4,150	4,605	5,085	6,736	7,760
4,561	4,583	4,935	5,260	6,324
<u>531,208</u>	<u>598,874</u>	<u>642,662</u>	<u>615,465</u>	<u>648,267</u>
6,889	12,972	18,650	36,014	35,436
26,179	24,707	26,557	54,572	84,228
<u>33,068</u>	<u>37,679</u>	<u>45,207</u>	<u>90,586</u>	<u>119,664</u>
<u>\$ 564,276</u>	<u>\$ 636,553</u>	<u>\$ 687,869</u>	<u>\$ 706,051</u>	<u>\$ 767,931</u>

2004	2005	2006	2007	2008
\$ 266,718	\$ 332,800	\$ 302,955	\$ 315,348	\$ 346,652
209,608	224,074	228,665	257,722	220,202
-	-	-	-	-
<u>476,326</u>	<u>556,874</u>	<u>531,620</u>	<u>573,070</u>	<u>566,854</u>
204,875	201,142	214,880	242,282	267,505
12,402	4,193	5,622	3,478	19,515
<u>217,277</u>	<u>205,335</u>	<u>220,502</u>	<u>245,760</u>	<u>287,020</u>
<u>\$ 693,603</u>	<u>\$ 762,209</u>	<u>\$ 752,122</u>	<u>\$ 818,830</u>	<u>\$ 853,874</u>

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

	Fiscal Year 2008	Fiscal Year 2007
OPERATING REVENUES		
Sales of water, net	\$ 328,435	\$ 308,046
Sewer system user charges, net	305,748	295,423
Penalties, other services and charges	14,084	11,996
Total Operating Revenues:	648,267	615,465
NON-OPERATING REVENUES		
Investment Earnings under Previous Ordinance	27,417	24,031
Investment Earnings under Master Ordinance	8,019	11,983
Non-Operating Revenues: Contributions from Water Authorities	7,212	1,054
Non-Operating Revenues: Gain on Escrow Restructuring	18,625	9,597
Other Non-Operating revenues	61,273	46,665
Total non-operating revenues	61,273	46,665
TOTAL GROSS REVENUES:	709,540	662,130
EXPENSES		
Contract Revenue Bonds Payments ⁽¹⁾		
Houston Area Water Corporation debt service	8	8,999
Coastal Water Authority Debt Service	31,815	30,747
Trinity River Authority Debt Service	444	2,127
Total Contract Revenue Bonds Payments	32,267	41,873
Maintenance and Operating Expenses	347,358	326,939
Total Expenses	379,625	368,812
RESTRICTED RECEIPTS UNDER MASTER ORDINANCE	20,398	26,707
NET REVENUES UNDER MASTER ORDINANCE	\$ 350,313	\$ 320,025
BOND DEBT SERVICE:		
Previously Issued Bonds	62,023	61,314
First Lien Bonds	209,327	184,568
Total Debt Service	\$ 271,350	\$ 245,882
BOND DEBT SERVICE COVERAGE:		
Junior Lien Bond Coverage under Previous Ordinance ⁽²⁾	5.19 x	4.59 x
First Lien Bond Coverage under Master Ordinance ⁽³⁾	1.38 x	1.40 x
	x	
TOTAL COVERAGE ⁽⁴⁾	1.29	1.30 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 2009)
(amounts expressed in thousands)
(unaudited)

The following is the summary of the Fiscal Year 2009 Budget for the System as adopted by City Council:

Revenues	
Beginning Fund Balance (July 1, 2008)	\$ 309,241
Current Revenues	<u>776,918</u>
Total Revenues	<u><u>\$ 1,086,159</u></u>
Expenditures	
Maintenance and Operations	\$ 349,954
CWA/TRA Debt Service	28,103
HAWC Debt Service	-
Debt Service (including Prior Lien Bonds, Junior Lien Bonds and Commercial Paper)	<u>308,691</u>
Total Expenditures	686,748
Other	
General Purpose Fund (including Discretionary Debt Service)	61,498
Planned Fund Balance (June 30, 2009)	<u>337,913</u>
Total Expenditures and Reserves	<u><u>\$ 1,086,159</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 (2033) ⁽¹⁾⁽²⁾	336,173,240
Combined Maximum Annual Principal and Interest Requirements on Previous Ordinance Bonds and First Lien Bonds (2026)	344,726,795
Net Revenues under Previous Ordinance for Fiscal Year ended June 30, 2008 ⁽³⁾	321,896,000
Net Revenues under Master Ordinance for Fiscal Year ended June 30, 2008 ⁽⁴⁾	350,313,000
Funds Available from General Purpose Fund at June 30, 2008	184,314,367
Total Funds available for Debt Service Coverage	534,627,367
Coverage of Maximum Annual Debt Service Requirements on Previous Ordinance Bonds	2.31
Coverage of Maximum Annual Debt Service Requirements on First Lien Bonds	1.59
Coverage of Combined Maximum Annual Debt Service Requirement: ⁽⁵⁾	1.55

(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 Wastewater Operations System receive and process wastewater generated by residential, commercial, and industrial customers throughout the service area. The service area covers approximately 625 square miles within the City of Houston and serves a population of about 2.2 million people. The Wastewater System consist of over 6,000 miles sanitary sewer lines, 40 wastewater treatment plants, over 400 lift/pumping stations and a centralized laboratory. The general condition of the collection lines varies depending on age, location and type of construction. The average daily wastewater flow through the Wastewater Treatment Facilities for Fiscal Year 2008 was 267.98 mgd. The effective treatment capacity of the Sewer Facilities, as reflected by State permits, is 563.1 mgd as of June 30, 2008.

THE SYSTEM - Annexation Program - In - City Districts

The City has created reinvestment zones and public improvement districts in which infrastructure improvements, including water and wastewater facilities, will be financed by the respective district or zone through bonds supported by assessments within the districts and by a tax increment fund into which will be deposited the amount of ad valorem taxes collected in the reinvestment zones in excess of the amount calculated on the basis of the property tax appraisals in effect at the time of creation of the particular reinvestment zone. Under State law, the City can create a public improvement district both within the corporate limits of the City and within its extraterritorial jurisdiction.

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

Funding of Proposed System Improvements

It is anticipated that the system improvements contemplated in the Department's Fiscal Year 2009 - 2013 CIP will be financed approximately as follows:

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

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

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

Obligations Payable from System Revenues

The following sets forth the total outstanding principal amount of the system obligations payable from revenues of the system as of June 30, 2008:

Contract Revenue Bonds Payable from System Gross Revenues	Amount
CWA Bonds (3)	\$ 184,645,000
Total	\$ 184,645,000

System Revenue Bonds Payable from System Net Revenues

Previous Ordinance Bonds	770,200,000
First Lien Bonds	4,145,405,000
Third Lien Obligations	156,500,000
	5,072,105,000
Total - All Bonds Payable from System Revenues	\$ 5,256,750,000

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

<u>Fiscal Year</u>	<u>Discretionary Debt Service (in millions)</u>
2009 (budgeted)	\$ 28.4
2008	25.8
2007	24.7
2006	26.3
2005	28.2
2004	29.6
2003	23.8
2002	36.5

Combined Utility System General Purpose Fund Transfers for Drainage

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

<u>Fiscal Year</u>	<u>General Purpose Fund Transfers (millions)</u>
2009 (budgeted)	\$ 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>
2009 (budgeted)	\$ 2,324
2008	923
2007	2,309
2006	2,157
2005	1,236
2004	4,696
2003	6,877
2002	6,877

CITY OF HOUSTON, TEXAS

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

Fiscal Years	1999	2000	2001	2002	2003
Consumption (in Thousand Gallons)					
RESIDENTIAL	31,660,545	30,627,183	29,298,341	28,910,785	28,366,790
MULTI-FAMILY	30,262,637	27,819,799	27,960,411	26,947,985	26,524,889
COMMERCIAL	24,144,129	23,620,493	23,658,719	23,244,380	22,489,563
GOVERNMENT	4,743,138	4,960,288	4,732,531	4,528,732	4,343,339
SEWER ONLY	1,334,612	1,264,859	1,284,586	1,335,488	1,327,138
OTHER ACCTS	2,989,579	4,349,133	4,133,562	4,319,402	4,187,717
TOTAL	95,134,640	92,641,755	91,068,150	89,286,772	87,239,436
Revenue Amount	\$506,797,079	\$525,457,257	\$518,964,748	\$504,300,381	\$493,637,833
Average Rate / Water & Sewer	\$5.33	\$5.67	\$5.70	\$5.65	\$5.66

2004	2005	2006	2007	2008
27,190,878	28,089,881	29,372,166	26,094,949	26,312,961
26,099,414	25,197,120	25,917,787	24,961,804	25,156,968
22,419,672	21,879,224	23,106,449	21,941,537	22,748,096
4,450,481	4,510,130	5,151,211	4,614,053	4,710,923
1,352,960	1,180,975	1,242,852	1,324,905	1,381,145
4,410,859	4,503,243	5,808,363	4,394,176	4,573,030
<u>85,924,264</u>	<u>85,360,573</u>	<u>90,598,828</u>	<u>83,331,424</u>	<u>84,883,123</u>
<u>\$482,693,814</u>	<u>\$536,457,992</u>	<u>\$582,872,263</u>	<u>\$558,078,148</u>	<u>\$581,130,048</u>
\$5.62	\$6.28	\$6.43	\$6.70	\$6.85

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, 2008. The total charges to such customers represent approximately 3.6% of the System Gross Revenues and 8.5% of Sewer Facilities' gross charges during such period.

<u>Customer</u>	<u>Gross Charges</u>
1. Anheuser - Busch, Inc.	\$ 6,584,102
2. City of Houston	4,688,520
3. Harris County	3,162,399
4. Houston Independent School District	2,629,732
5. Maximus Coffee Group	2,004,679
6. Memorial Hermann Hospital	1,810,332
7. University of Houston	1,660,097
8. M. D. Anderson Cancer Center	1,205,738
9. Valero Refining Co	1,027,312
10. Methodist Hospital	1,013,007
	<u>\$ 25,785,918</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%

**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 2008 (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>570.0</u>
Treated					330.0
Untreated					240.0
					<u>570.0</u>

Sources of System Revenues - General

As of June 30, 2008, the Water Facilities and the Sewer Facilities served approximately 429,821 and 413,418 active service connections, respectively. During Fiscal Year 2008 approximately 46.6% of System Gross Revenues were derived from the sale of water (88.8% from treated water and 11.2% from untreated water), approximately 42.7% from providing wastewater treatment services, 3.0% from interest income and the remaining 7.8% from various other sources. Of the treated water sales, 95.4% of revenues were from retail customers and 4.6% 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, 2008. The total charges to such customers during such period represent approximately 3.7% of the System Gross Revenues and 8% of total water sales revenues for such period.

<u>Customers</u>	<u>Charges</u>
1. City of Pasadena	\$ 4,888,942
2. North Channel Water Authority	4,624,691
3. Anheuser-Busch, Inc.	3,274,378
4. Harris County	2,446,929
5. Clear Lake City	2,079,676
6. Houston Independent School District	2,057,444
7. Valero Refining Co.	2,018,387
8. City of Houston	1,966,523
9. City of Pearland	1,859,106
10. Gulf Coast Water Authority	1,465,433
	<u>\$ 26,681,509</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, 2008. The total of the contract payments by these ten customers during such period represents approximately 3.7% of the System Gross Revenues and 8% of total water sales revenues for such period.

<u>Customers</u>	<u>Charges</u>
1. Equistar Chemicals LP	\$ 5,376,386
2. Shell Oil Company	3,810,362
3. Houston Area Water Corporation	3,458,590
4. Battleground Water Company	2,924,922
5. Air Liquide America Corporation	2,384,458
6. Houston Refining , LP (Lyondell - Citgo)	2,254,899
7. Chevron Phillips Chemical Company, LP	2,229,803
8. Baytown Area Water Authority	1,809,682
9. Hoescht Celanese Chemical Group, LTD	1,324,072
10. Occidental Chemical Corporation	1,048,697
	<u>\$ 26,621,871</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.

Payable From System Net Revenues

Fiscal Year Ending June 30	Total Payable From System Gross Revenues⁽¹⁾	Payable From System Net Revenues			Total Debt Service^{(1) (2)}
		Previous Ordinance Bonds	First Lien Bonds⁽²⁾	Total Payable From System Net Revenues	
2009	\$ 28,102,553	\$ 73,353,595	\$ 211,108,105	\$ 284,461,700	\$ 312,564,253
2010	23,816,045	82,267,989	235,551,135	317,819,124	341,635,169
2011	21,367,014	87,168,868	234,897,348	322,066,216	343,433,230
2012	20,586,019	107,856,772	218,010,630	325,867,402	346,453,421
2013	19,834,274	107,188,212	229,328,435	336,516,647	356,350,921
2014	19,043,517	77,804,468	264,649,670	342,454,138	361,497,655
2015	18,245,659	89,521,320	252,897,580	342,418,900	360,664,559
2016	18,032,404	89,184,040	255,001,339	344,185,379	362,217,783
2017	7,554,640	80,800,280	263,486,936	344,287,216	351,841,856
2018	6,749,038	52,112,098	292,184,758	344,296,856	351,045,894
2019	6,740,125	139,219,336	204,712,376	343,931,712	350,671,837
2020	6,736,850	56,297,338	287,637,409	343,934,747	350,671,597
2021	6,754,175	43,100,950	300,852,139	343,953,089	350,707,264
2022	6,717,050	36,151,869	308,024,170	344,176,039	350,893,089
2023	6,710,175	33,247,860	310,948,365	344,196,225	350,906,400
2024	6,702,300	34,487,039	309,890,105	344,377,144	351,079,444
2025	6,692,925	33,357,575	310,939,133	344,296,708	350,989,633
2026	7,661,425	18,155,000	326,571,795	344,726,795	352,388,220
2027	3,551,050	30,815,000	303,465,673	334,280,673	337,831,723
2028	3,550,050	30,810,000	303,756,103	334,566,103	338,116,153
2029	3,547,925	44,095,000	290,920,324	335,015,324	338,563,249
2030	3,547,844		334,743,258	334,743,258	338,291,102
2031	3,544,844		335,253,320	335,253,320	338,798,164
2032	3,540,550		334,507,074	334,507,074	338,047,624
2033	3,534,725		336,173,240	336,173,240	339,707,965
2034	3,532,013		335,977,667	335,977,667	339,509,680
2035	3,531,938		114,365,883	114,365,883	117,897,821
2036			114,369,473	114,369,473	114,369,473
2037			91,609,624	91,609,624	91,609,624
2038			5,729,508	5,729,508	5,729,508
Total	\$ 269,927,127	\$ 1,346,994,609	\$ 7,717,562,575	\$ 9,064,557,184	\$ 9,334,484,311

(1) Includes CWA Bonds.

(2) Series 2004C variable rate bond debt service is calculated using current market fixed rates. 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. The Series 2008A variable rate bond debt service is calculated at the fixed payor swap rate of 3.761%. Series 2004B debt service is adjusted to take into account expected payments under the Series 2004B Qualified Hedge Agreements.

CITY OF HOUSTON
COMBINED UTILITY SYSTEM STATISTICS
Last Seven Fiscal Years
(amounts expressed in thousands)
(unaudited)

Revenues and Expenses of the Water and Sewer System

The following schedule sets forth the revenues and expenses (exclusive of certain non-cash transactions, primarily depreciation and amortization) of the "Water and Sewer System," as defined in the Coastal Water Authority Official Statements, for Fiscal Years ending June 30, 2002 through June 30, 2008.

	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>
OPERATING REVENUES							
Sales of Water, net	\$ 271,553	\$ 267,125	\$ 265,272	\$ 301,227	\$ 324,878	\$ 308,046	\$ 332,032
Sewer system user charges, net	268,492	264,159	257,225	288,459	307,764	295,423	305,748
Penalties	4,440	4,036	4,150	4,605	5,085	6,736	7,759
Other services and charges	2,807	3,997	4,561	4,583	4,935	5,260	6,325
Total Operating Revenues	547,292	539,317	531,208	598,874	642,662	615,465	651,864
NON-OPERATING REVENUES	61,105	30,585	93,089	19,771	26,557	54,572	37,779
TOTAL GROSS REVENUES (A)	608,397	569,902	624,297	618,645	669,219	670,037	689,643
OPERATING EXPENSES							
Maintenance and Operating Expenses	248,603	250,226	266,718	270,299	301,646	322,083	318,349
Contractual Maintenance and Operating Expenses							
CWA Debt Service	29,067	28,878	28,980	29,192	29,871	30,653	30,545
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	34,902	30,934	38,164	38,256	38,325	41,873	32,641
TOTAL OPERATING EXPENSES (B)	283,505	281,160	304,882	308,555	339,971	363,956	350,990
NET REVENUES	\$ 324,892	\$ 288,742	\$ 319,415	\$ 310,090	\$ 329,248	\$ 306,081	\$ 338,653
GROSS REVENUES (A) DIVIDED BY TOTAL EXPENSES (B)	2.146	2.027	2.048	2.005	1.968	1.841	1.965

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM FUND REVENUES AND EXPENSES
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

Total Annual Revenues Last Ten Fiscal Years	<u>1999</u>	<u>2000</u>	<u>2001</u>
Operating Revenues			
Landing area fees	\$ 37,506	\$ 40,930	\$ 48,298
Building and ground area fees	59,921	72,988	74,168
Parking, concession and other revenues	84,944	95,217	99,708
Total Operating Revenues	<u>182,371</u>	<u>209,135</u>	<u>222,174</u>
Nonoperating Revenues			
Interest income	21,762	25,027	66,846
Passenger facility charges	-	-	-
Other nonoperating revenues	207	188	828
Total Nonoperating Revenues	<u>21,969</u>	<u>25,215</u>	<u>67,674</u>
Total Revenues	<u>\$ 204,340</u>	<u>\$ 234,350</u>	<u>\$ 289,848</u>
Total Annual Expenses Last Ten Fiscal Years	<u>1999</u>	<u>2000</u>	<u>2001</u>
Operating Expenses			
Maintenance and operating	\$ 117,206	\$ 113,442	\$ 122,594
Depreciation	42,537	46,390	52,410
Total Operating Expenses	<u>159,743</u>	<u>159,832</u>	<u>175,004</u>
Nonoperating Expenses			
Interest expense and others	32,471	44,354	65,387
Total Nonoperating Expenses	<u>32,471</u>	<u>44,354</u>	<u>65,387</u>
Total Expenses	<u>\$ 192,214</u>	<u>\$ 204,186</u>	<u>\$ 240,391</u>

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 50,826	\$ 51,162	\$ 57,011	\$ 102,072	\$ 101,758	\$ 92,140	\$ 99,017
84,752	91,801	115,777	151,417	179,951	199,720	211,786
91,877	97,804	97,625	100,152	112,152	124,278	136,373
<u>227,455</u>	<u>240,767</u>	<u>270,413</u>	<u>353,641</u>	<u>393,861</u>	<u>416,138</u>	<u>447,176</u>
37,629	30,278	5,967	14,968	18,507	33,722	41,694
-	-	-	-	-	6,530	11,608
942	681	203	4,295	56	541	514
<u>38,571</u>	<u>30,959</u>	<u>6,170</u>	<u>19,263</u>	<u>18,563</u>	<u>40,793</u>	<u>53,816</u>
<u>\$ 266,026</u>	<u>\$ 271,726</u>	<u>\$ 276,583</u>	<u>\$ 372,904</u>	<u>\$ 412,424</u>	<u>\$456,931</u>	<u>\$ 500,992</u>

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 142,950	\$ 154,541	\$ 168,923	\$ 223,972	\$ 202,496	\$214,611	\$ 229,551
60,088	59,987	88,371	105,891	134,150	126,953	125,951
<u>203,038</u>	<u>214,528</u>	<u>257,294</u>	<u>329,863</u>	<u>336,646</u>	<u>341,564</u>	<u>355,502</u>
44,165	46,538	54,853	75,908	94,586	101,193	104,019
44,165	46,538	54,853	75,908	94,586	101,193	104,019
<u>\$ 247,203</u>	<u>\$ 261,066</u>	<u>\$ 312,147</u>	<u>\$ 405,771</u>	<u>\$ 431,232</u>	<u>\$442,757</u>	<u>\$ 459,521</u>

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

Fiscal Year	Domestic Passengers					
	Intercontinental		Hobby		Ellington Field	
	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change
1999	27,271	6.8%	8,795	2.3%	100	-11.5%
2000	28,892	5.9%	9,053	2.9%	89	-11.0%
2001	30,105	4.2%	9,038	-0.2%	64	-28.1%
2002	28,168	-6.4%	8,192	-9.4%	68	6.3%
2003	27,931	-0.8%	7,796	-4.8%	81	19.1%
2004	29,473	5.5%	8,089	3.8%	80	-1.2%
2005	31,609	7.2%	8,247	2.0%	14	-82.5%
2006	34,103	7.9%	8,423	2.1%	0	-100.0%
2007	35,260	3.4%	8,642	2.6%	0	-
2008	35,201	-0.2%	9,097	5.3%	0	-

Domestic Passengers		International Passengers		Total Passengers	
Total		Intercontinental			
Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change
36,166	5.6%	4,801	15.4%	40,967	6.6%
38,034	5.2%	5,340	11.2%	43,374	5.9%
39,207	3.1%	5,811	8.8%	45,018	3.8%
36,428	-7.1%	5,556	-4.4%	41,984	-6.7%
35,808	-1.7%	5,526	-0.5%	41,334	-1.5%
37,642	5.1%	5,960	7.9%	43,602	5.5%
39,870	5.9%	6,818	14.4%	46,688	7.1%
42,526	6.7%	7,123	4.5%	49,649	6.3%
43,902	3.2%	7,555	6.1%	51,457	3.6%
44,298	0.9%	7,976	5.6%	52,274	1.6%

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
(unaudited)

Airline Market Shares

Domestic	Intercontinental				Hobby			
	Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2007		Fiscal Year 2008	
	Total	Market	Total	Market	Total	Market	Total	Market
Airlines	Passengers	Share	Passengers	Share	Passengers	Share	Passengers	Share
Air Tran	-	0.0%	-	0.0%	342,306	3.9%	366,915	4.0%
America West	284,118	0.7%	57,210	0.1%	-	0.0%	-	0.0%
American Airlines, Inc.	1,008,544	2.4%	994,819	2.3%	-	0.0%	-	0.0%
American Eagle - AA	-	0.0%	-	0.0%	222,903	2.6%	191,167	2.1%
ATA Airlines	-	0.0%	-	0.0%	136,606	1.6%	445	0.0%
Atlantic Southeast - DL	111,376	0.3%	41,348	0.1%	60,544	0.7%	53,704	0.6%
Charter Airlines	2,955	0.0%	3,938	0.0%	7,542	0.1%	3,843	0.0%
Chautauqua Airlines - CO	602,417	1.4%	-	0.0%	-	0.0%	-	0.0%
Chautauqua Airlines - DL	-	0.0%	2,268,617	5.3%	-	0.0%	-	0.0%
Colgan - Air Inc. - CO	551,623	1.3%	643,964	1.3%	-	0.0%	-	0.0%
Comair - DL	90,668	0.3%	80,215	0.3%	-	0.0%	-	0.0%
Compass Airlines - NW	-	0.0%	28,860	0.1%	-	0.0%	-	0.0%
Continental	22,015,159	51.4%	22,024,869	51.0%	-	0.0%	-	0.0%
ExpressJet Airlines, Inc.	8,212,426	19.2%	6,245,810	14.5%	-	0.0%	-	0.0%
Delta	364,109	0.9%	317,654	0.7%	110,086	1.3%	59,166	0.7%
Freedom Airlines - DL	-	0.0%	3,349	0.0%	-	0.0%	-	0.0%
Frontier	181,458	0.4%	183,898	0.4%	-	0.0%	-	0.0%
JetBlue	-	0.0%	-	0.0%	157,289	1.8%	167,605	1.8%
Mesa Airlines, Inc. - America West	37,057	0.1%	-	0.0%	-	0.0%	-	0.0%
Mesa Airlines, Inc. - UA	-	0.0%	58,805	0.1%	-	0.0%	-	0.0%
Mesa Airlines, Inc. - US	271,942	0.6%	282,825	0.7%	-	0.0%	-	0.0%
Mesaba Aviation, Inc. - NW	-	0.0%	44,375	0.1%	-	0.0%	-	0.0%
Northwest	530,089	1.2%	461,797	1.1%	-	0.0%	-	0.0%
Pinnacle Airlines, Inc.- DL	-	0.0%	47,751	0.1%	-	0.0%	79,472	0.9%
Pinnacle Airlines, Inc.- UA	-	0.0%	35,239	0.1%	-	0.0%	-	0.0%
PSA Airlines - US	16,763	0.0%	-	0.0%	-	0.0%	-	0.0%
Republic Airlines - US	148,396	0.3%	168,307	0.4%	-	0.0%	-	0.0%
Republic Airlines - Frontier	-	0.0%	18,644	0.0%	-	0.0%	-	0.0%
Shuttle America Corporation -DL	19,108	0.0%	34,517	0.1%	72,827	0.8%	50,128	0.6%
Shuttle America Corporation - UA	152,591	0.4%	117,001	0.3%	-	0.0%	-	0.0%
SkyWest Airlines - DL	105,464	0.2%	176,186	0.4%	32,704	0.4%	54,690	0.6%
SkyWest Airlines - UA	83,363	0.2%	71,504	0.2%	-	0.0%	-	0.0%
Southwest Airlines Company	-	0.0%	-	0.0%	7,498,778	86.8%	8,070,262	88.7%
United Air Lines Inc.	470,339	1.1%	450,723	1.0%	-	0.0%	-	0.0%
US Airways	125	0.0%	338,390	0.8%	-	0.0%	-	0.0%
Total Domestic	35,260,090	82.4%	35,200,615	81.5%	8,641,585	100.0%	9,097,397	100.0%
International	Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2007		Fiscal Year 2008	
	Total	Market	Total	Market	Total	Market	Total	Market
	Passengers	Share	Passengers	Share	Passengers	Share	Passengers	Share
AeroMexico	186,838	0.4%	159,364	0.4%				
Air Canada	82,423	0.2%	74,496	0.2%				
Air Canada Jazz	95,485	0.2%	121,241	0.3%				
Air France	250,585	0.6%	244,877	0.6%				
Aviacsa	33,526	0.1%	21,558	0.0%				
British Airways	212,185	0.5%	208,026	0.5%				
Cayman Airways, LTD	14,616	0.0%	2,149	0.0%				
Charter Airlines	27,040	0.1%	1,834	0.0%				
China Airlines	49,205	0.1%	28,473	0.1%				
Continental	4,804,886	11.2%	5,157,748	11.7%				
Emirates	-	0.0%	79,888	0.2%				
ExpressJet Airlines, Inc.	1,347,229	3.1%	1,365,774	3.2%				
KLM	202,127	0.5%	202,222	0.5%				
Lufthansa	176,507	0.4%	199,064	0.5%				
Pakistan Int'l Airlines	6,565	0.0%	-	0.0%				
Singapore Airlines	-	0.0%	15,126	0.0%				
TACA	65,909	0.2%	64,797	0.2%				
World Airways	-	0.0%	29,226	0.1%				
Total International	7,555,126	17.6%	7,975,863	18.5%				
Total Airlines	42,815,216	100.0%	43,176,478	100.0%	8,641,585	100.0%	9,097,397	100.0%

Domestic only

Ellington Field				Houston Airport System			
Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2007		Fiscal Year 2008	
Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share
-	0.0%	-	0.0%	342,306	0.7%	366,915	0.7%
-	0.0%	-	0.0%	284,118	0.6%	57,210	0.1%
-	0.0%	-	0.0%	1,008,544	2.0%	994,819	1.9%
-	0.0%	-	0.0%	222,903	0.4%	191,167	0.4%
-	0.0%	-	0.0%	136,606	0.3%	445	0.0%
-	0.0%	-	0.0%	171,920	0.3%	95,052	0.2%
-	0.0%	-	0.0%	10,497	0.0%	7,781	0.0%
-	0.0%	-	0.0%	602,417	1.2%	-	0.0%
-	0.0%	-	0.0%	-	0.0%	2,268,617	4.3%
-	0.0%	-	0.0%	551,623	1.1%	643,964	1.2%
-	0.0%	-	0.0%	90,668	0.2%	80,215	0.2%
-	0.0%	-	0.0%	-	0.0%	28,860	0.1%
-	0.0%	-	0.0%	22,015,159	42.8%	22,024,869	42.1%
-	0.0%	-	0.0%	8,212,426	15.9%	6,245,810	11.9%
-	0.0%	-	0.0%	474,195	0.9%	376,820	0.7%
-	0.0%	-	0.0%	-	0.0%	3,349	0.0%
-	0.0%	-	0.0%	181,458	0.4%	183,898	0.4%
-	0.0%	-	0.0%	157,289	0.3%	167,605	0.3%
-	0.0%	-	0.0%	37,057	0.1%	-	0.0%
-	0.0%	-	0.0%	-	0.0%	58,805	0.1%
-	0.0%	-	0.0%	271,942	0.5%	282,825	0.5%
-	0.0%	-	0.0%	-	0.0%	44,375	0.1%
-	0.0%	-	0.0%	530,089	1.0%	461,797	0.9%
-	0.0%	-	0.0%	-	0.0%	127,223	0.2%
-	0.0%	-	0.0%	-	0.0%	35,239	0.1%
-	0.0%	-	0.0%	16,763	0.0%	-	0.0%
-	0.0%	-	0.0%	148,396	0.3%	168,307	0.3%
-	0.0%	-	0.0%	-	0.0%	18,644	0.0%
-	0.0%	-	0.0%	91,935	0.2%	84,645	0.2%
-	0.0%	-	0.0%	152,591	0.3%	117,001	0.2%
-	0.0%	-	0.0%	138,168	0.2%	230,876	0.4%
-	0.0%	-	0.0%	83,363	0.1%	71,504	0.0%
-	0.0%	-	0.0%	7,498,778	14.6%	8,070,262	15.4%
-	0.0%	-	0.0%	470,339	0.9%	450,723	0.9%
-	0.0%	-	0.0%	125	0.0%	338,390	0.6%
-	0.0%	-	0.0%	43,901,675	85.3%	44,298,012	84.4%
<hr/>				<hr/>			
Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2007		Fiscal Year 2008	
Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share
-	0.0%	-	0.0%	186,838	0.4%	159,364	0.3%
-	0.0%	-	0.0%	82,423	0.1%	74,496	0.1%
-	0.0%	-	0.0%	95,485	0.2%	121,241	0.2%
-	0.0%	-	0.0%	250,585	0.5%	244,877	0.5%
-	0.0%	-	0.0%	33,526	0.2%	21,558	0.2%
-	0.0%	-	0.0%	212,185	0.4%	208,026	0.4%
-	0.0%	-	0.0%	14,616	0.0%	2,149	0.0%
-	0.0%	-	0.0%	27,040	0.1%	1,834	0.0%
-	0.0%	-	0.0%	49,205	0.1%	28,473	0.1%
-	0.0%	-	0.0%	4,804,886	9.3%	5,157,748	9.9%
-	0.0%	-	0.0%	-	0.0%	79,888	0.2%
-	0.0%	-	0.0%	1,347,229	2.6%	1,365,774	2.6%
-	0.0%	-	0.0%	202,127	0.4%	202,222	0.4%
-	0.0%	-	0.0%	176,507	0.3%	199,064	0.4%
-	0.0%	-	0.0%	6,565	0.0%	-	0.0%
-	0.0%	-	0.0%	-	0.0%	15,126	0.1%
-	0.0%	-	0.0%	65,909	0.1%	64,797	0.1%
-	0.0%	-	0.0%	-	0.0%	29,226	0.1%
-	0.0%	-	0.0%	7,555,126	14.7%	7,975,863	15.6%
<hr/>				<hr/>			
<u>0</u>	<u>0.0%</u>	<u>0</u>	<u>0.0%</u>	<u>51,456,801</u>	<u>100.0%</u>	<u>52,273,875</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
(amounts expressed in thousands)
(unaudited)

	1999	2000	2001
Operating Revenues			
Landing Area Fees:			
Landing Fees	\$ 35,930	\$ 39,116	\$ 46,735
Aviation Fuel	978	1,259	895
Aircraft Parking	598	555	668
Subtotal	37,506	40,930	48,298
Building and Ground Area Revenues:			
Building Space	-	-	-
Terminal Space	47,775	62,738	63,172
Cargo Building	2,075	2,077	1,923
Other Rental	2,103	2,036	2,078
Hangar Rental	1,039	1,251	1,605
Ground Rental	4,296	4,886	5,388
Concourse Security	1,287	-	2
Flight Information Display System	566	-	-
Public Address System	780	-	-
Subtotal	59,921	72,988	74,168
Parking, Concession and other Revenues:			
Terminal Concessions	19,802	25,262	23,721
Auto Parking	42,304	46,662	51,285
Auto Rental	15,423	18,326	18,787
Ground Transportation	4,701	2,549	4,535
Special Events	-	-	-
Vending Machine	-	-	-
Other Operating Income	2,714	2,418	1,380
Subtotal	84,944	95,217	99,708
Total Operating Revenues	\$ 182,371	\$ 209,135	\$ 222,174
Nonoperating Revenues			
Interest on Investments	9,631	9,677	12,396
Other	207	99	680
Subtotal	9,838	9,776	13,076
Total Gross Revenues	\$ 192,209	\$ 218,911	\$ 235,250
Operation and Maintenance Expenses			
Personnel and Other Current Expenses	\$ 117,189	\$ 113,042	\$ 122,542
Bad Debt Expense	17	400	52
Total Operating and Maintenance Expenses	\$ 117,206	\$ 113,442	\$ 122,594
Net Revenue	\$ 75,003	\$ 105,469	\$ 112,656
Total Debt Service	\$ 33,942	\$ 38,455	\$ 50,027
Less: grant revenue available for debt service	-	-	(2,798)
Debt Service Requirement (per Bond Ordinance)	\$ 33,942	\$ 38,455	\$ 47,229
Coverage of debt Service	x x <u>2.21</u>	x <u>2.74</u>	x <u>2.39</u>

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 49,424	\$ 49,211	\$ 53,906	\$ 99,197	\$ 98,385	\$ 88,933	\$ 95,730
838	910	1,112	1,400	1,559	1,540	1,522
<u>564</u>	<u>1,041</u>	<u>1,993</u>	<u>1,475</u>	<u>1,814</u>	<u>1,667</u>	<u>1,765</u>
50,826	51,162	57,011	102,072	101,758	92,140	99,017
-	-	-	-	3,741	5,037	5,054
73,116	79,547	101,040	136,074	162,491	182,113	193,375
1,863	1,638	982	893	1,553	2,011	2,469
2,262	2,192	3,065	3,354	60	0	0
1,902	2,499	2,499	2,077	2,349	3,394	3,473
5,607	5,923	8,189	9,018	9,757	7,165	7,415
2	2	2	1	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>84,752</u>	<u>91,801</u>	<u>115,777</u>	<u>151,417</u>	<u>179,951</u>	<u>199,720</u>	<u>211,786</u>
22,444	25,355	22,563	19,823	21,030	26,953	29,435
46,955	50,103	51,437	55,444	62,377	65,453	72,958
16,886	15,978	16,800	18,065	21,438	22,950	24,529
3,274	3,834	3,737	3,954	3,999	4,617	4,806
-	-	-	-	20	21	19
-	-	-	-	20	0	0
<u>2,318</u>	<u>2,534</u>	<u>3,088</u>	<u>2,866</u>	<u>3,268</u>	<u>4,284</u>	<u>4,626</u>
91,877	97,804	97,625	100,152	112,152	124,278	136,373
<u>\$ 227,455</u>	<u>\$ 240,767</u>	<u>\$ 270,413</u>	<u>\$ 353,641</u>	<u>\$ 393,861</u>	<u>\$ 416,138</u>	<u>\$ 447,176</u>
12,816	10,650	8,406	10,498	17,742	26,847	30,064
<u>4,520</u>	<u>504</u>	<u>114</u>	<u>4,175</u>	<u>(58)</u>	<u>483</u>	<u>182</u>
17,336	11,154	8,520	14,673	17,684	27,330	30,246
<u>\$ 244,791</u>	<u>\$ 251,921</u>	<u>\$ 278,933</u>	<u>\$ 368,314</u>	<u>\$ 411,545</u>	<u>\$ 443,468</u>	<u>\$ 477,422</u>
\$ 142,877	\$ 153,173	\$ 161,204	\$ 191,093	\$ 205,565	\$ 217,720	\$ 221,309
<u>73</u>	<u>1,368</u>	<u>441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 142,950</u>	<u>\$ 154,541</u>	<u>\$ 161,645</u>	<u>\$ 191,093</u>	<u>\$ 205,565</u>	<u>\$ 217,720</u>	<u>\$ 221,309</u>
<u>\$ 101,841</u>	<u>\$ 97,380</u>	<u>\$ 117,288</u>	<u>\$ 177,221</u>	<u>\$ 205,980</u>	<u>\$ 225,748</u>	<u>\$ 256,113</u>
\$ 51,611	\$ 63,988	\$ 75,797	\$ 112,248	\$ 140,513	\$ 144,495	\$ 157,619
<u>(37,153)</u>	<u>(30,282)</u>	<u>(32,823)</u>	<u>(25,506)</u>	<u>(46,621)</u>	<u>(20,679)</u>	<u>(28,022)</u>
<u>\$ 14,458</u>	<u>\$ 33,706</u>	<u>\$ 42,974</u>	<u>\$ 86,742</u>	<u>\$ 93,892</u>	<u>\$ 123,816</u>	<u>\$ 129,597</u>
x <u>7.04</u>	x <u>2.89</u>	x <u>2.73</u>	x <u>2.04</u>	x <u>2.19</u>	x <u>1.82</u>	<u>1.98</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
1999	796	7	0.89%	30,119	1,866	6.60%
2000	827	31	3.89%	31,495	1,376	4.57%
2001	823	(4)	-0.48%	32,083	588	1.87%
2002	790	(33)	-4.01%	30,496	(1,587)	-4.95%
2003	811	21	2.66%	30,802	306	1.00%
2004	856	45	5.55%	31,444	642	2.08%
2005	887	31	3.62%	32,543	1,099	3.50%
2006	933	46	5.19%	32,808	265	0.81%
2007	983	50	5.36%	33,930	1,122	3.42%
2008	974	(9)	-0.92%	34,097	167	0.49%

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, 2008, 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	
2009	\$ 43,050,000	\$ 104,095,944	\$ 147,145,944
2010	40,840,000	101,813,562	142,653,562
2011	51,885,000	99,599,507	151,484,507
2012	52,285,000	96,862,977	149,147,977
2013	51,240,000	94,123,805	145,363,805
2014	59,015,000	91,391,383	150,406,383
2015	59,265,000	88,318,005	147,583,005
2016	61,180,000	85,314,471	146,494,471
2017	67,055,000	81,819,792	148,874,792
2018	70,070,000	78,318,992	148,388,992
2019	70,150,000	74,634,899	144,784,899
2020	79,645,000	70,871,112	150,516,112
2021	72,195,000	66,826,393	139,021,393
2022	91,785,000	62,735,925	154,520,925
2023	92,350,000	58,205,392	150,555,392
2024	90,985,000	53,530,025	144,515,025
2025	103,765,000	48,637,336	152,402,336
2026	104,265,000	43,453,404	147,718,404
2027	97,545,000	38,291,347	135,836,347
2028	126,935,000	33,390,225	160,325,225
2029	120,595,000	28,061,146	148,656,146
2030	123,795,000	22,608,552	146,403,552
2031	123,820,000	16,946,815	140,766,815
2032	130,220,000	10,690,094	140,910,094
2033	142,370,000	3,319,762	145,689,762
Total	\$ 2,126,305,000	\$ 1,553,860,865	\$ 3,680,165,865

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
	2007	2008	2007	2008
Landing Rates (1)	\$3.069	\$2.928	\$2.814	\$2.255
Terminal Space Rentals (2)	\$25.32 - \$99.05	\$27.52 - \$112.85	\$40.39 - \$72.44	\$86.07 - \$91.45
Apron (2)	\$2.373 - \$3.636	\$2.443 - \$2.889	\$2.477 - \$3.245	\$2.288
Parking Rates (maximum per day)				
Economy	\$6.00	\$6.00	\$6.00	\$6.00
Structured	\$13.00	\$15.00	\$13.00	\$15.00
Surface	--	--	--	--
Short-Term	--	--	--	--
Sure Park	\$15.00	\$15.00	--	--

(1) Per 1,000 pounds for landing weight

(2) Range per square foot

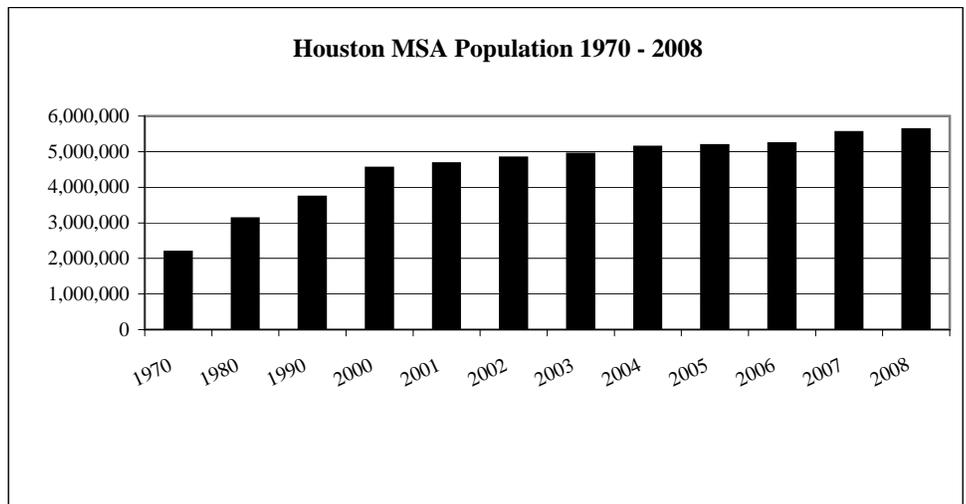
**CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
Service Area
(unaudited)**

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>
1970	2,181,315
1980	3,118,080
1990	3,731,131
2000	4,538,022
2001	4,669,571
2002	4,825,964
2003	4,938,556
2004	5,130,500
2005	5,180,000
2006	5,228,844
2007	5,539,949
2008	5,628,101



Source: Greater Houston Partnership

CITY OF HOUSTON, TEXAS
SURETY BOND AND INSURANCE COVERAGE
June 30, 2008
(amounts expressed in thousands)
(unaudited)

<u>Policy Number</u>	<u>Insurer</u>	<u>Term of Policy</u>
15663960	Western Surety Company	1-2-2008/1-2-2010
15663962	Western Surety Company	1-2-2008/1-2-2010
61BSBDV0123	Hartford Casualty Insurance Co.	12-15-2007/12-15-2008
61BSBDS7533	Hartford Casualty Insurance Co.	10-15-2007/10-15-2008
61BSBEJ9796	Hartford Casualty Insurance Co.	1-30-2008/1-30-2009
61BSBEW1429	Hartford Casualty Insurance Co.	11-30-2007/11-30-2008
61BSDT7808	Hartford Casualty Insurance Co.	12-9-2007/12-9-2008
IHD 8464461-00	Hanover Insurance Company	10-20-2007/10-20-2008
6610	Texas Municipal League	5-15-2008/5-15-2009
D35869475006	Westchester Fire Insurance Co. (Primary)	4-1-2008/4-1-2009
8706331	Lexington Insurance Company	4-1-2008/4-1-2009
8706332	Lexington Insurance Company	4-1-2008/4-1-2009
MQ2-L9L-437312-018	Liberty Mutual Fire Insurance Co.	4-1-2008/4-1-2009
00008897-3	James River Insurance Company	4-1-2008/4-1-2009
US7303	Commonwealth Insurance Co.	4-1-2008/4-1-2009
RMP2068170217	Continental Casualty Insurance Co.	4-1-2008/4-1-2009
B08752008QIK5026	Underwriters at Lloyds	4-1-2008/4-1-2009
B08752008QIK5028	Underwriters at Lloyds	4-1-2008/4-1-2009
P009140/001	Allied World Assurance (US)	4-1-2008/4-1-2009
ESP5817	Essex Insurance	4-1-2008/4-1-2009
8706332	Lexington Insurance Company	4-1-2008/4-1-2009
ESP0021197-01	Arch Specialty Insurance Company	4-1-2008/4-1-2009
RMP2082515170	Continental Casualty Insurance Co.	4-1-2008/4-1-2009
B08752008QIK5029	Underwriters at Lloyds	4-1-2008/4-1-2009
PX08DD177X2X	Underwriters at Lloyds	4-1-2008/4-1-2009
MH634072-2008	Swiss Re International SE	4-1-2008/4-1-2009
573270108	Great Lakes	4-1-2008/4-1-2009
NHD356759	RSUI Indemnity Insurance Company	4-1-2008/4-1-2009
EAF700446.08	Axis Surplus	4-1-2008/4-1-2009
00C9K0801001/X	Ironshore Insurance	4-1-2008/4-1-2009
YSP0906	Homeland Insurance	4-1-2008/4-1-2009
EAF38099-08	Axis Surplus	4-1-2008/4-1-2009
B08752008QIK5033	Underwriters at Lloyds	4-1-2008/4-1-2009
MQ2-L9L-437312-018	Liberty Mutual Fire Insurance Co.	4-1-2008/4-1-2009
MH634072-2008	Swiss Re International SE	4-1-2008/4-1-2009
NHD356760	RSUI Indemnity Insurance Company	4-1-2008/4-1-2009
9406903	Lexington Insurance Co.	4-1-2008/4-1-2009
BM5964852-00	Zurich American Insurance Company	2-18-2008/2-18-2009
IHD0343965-00	Hanover Insurance Company	6-26-2008/6-26-2009
IHD0343965-00	Hanover Insurance Company	6-26-2008/6-26-2009
IHD0343965-00	Hanover Insurance Company	6-26-2008/6-26-2009
6218	Texas Municipal League	8-16-2007/8-16-2008
6218	Texas Municipal League	8-16-2007/8-16-2008
742 17 33	American International Group (AIG)	5-29-2007/5-29-2010
61BPEAM5075	Hartford Casualty Insurance Co.	10-29-2007/10-29-2008
61BPEAM9468	Hartford Casualty Insurance Co.	2-11-2008/2-11-2009
61BPEC12302	Hartford Insurance	7-1-2007/7-1-2008
Various	Western Surety Company	Four year term per bond
GLP0000558506104	Great American Assurance Co.	6-18-2008/7-10-2008
L006970	Lloyd's of London Syndicate	06-06-2008/07-05-2008
PLS 1180312	Amer. Intl. Group (AIG) Specialty Lines	10-30-2003/10-30-2008
6596083	Illinois National Insurance Co.	7-1-2007/7-01-2008

<u>Property at Risk</u>	<u>Type of Coverage</u>	<u>Amount of Coverage (in thousands)</u>
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
Pension System Treasurer	Public Official Bond	\$ 250
Houston Area Library Automated Network (HALAN)	Electronic Equipment	\$ 1,023
City of Houston	Automobile Catastrophe	\$ 1,583
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 20,000
City of Houston	Property Insurance *	\$ 8,335
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 4,165
City of Houston	Property Insurance *	\$ 18,330
City of Houston	Property Insurance *	\$ 10,000
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 16,670
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 6,875
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 6,250
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 5,625
City of Houston	Property Insurance *	\$ 11,250
City of Houston	Property Insurance *	\$ 35,000
City of Houston	Property Insurance *	\$ 10,000
City of Houston	Property Insurance *	\$ 13,750
City of Houston	Property Insurance *	\$ 18,750
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 12,500
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Terrorism Insurance	\$ 100,000
City of Houston	Boiler & Machinery	\$ 75,000
City of Houston	Library - Business, Electronic Equip.	\$ 1,266
City of Houston	Library - Valuable Papers	\$ 3,873
City of Houston	Library - Fine Art	\$ 632
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 General Liability	\$ 1,000
City of Houston	Adverse Weather Event Cancellation	\$ 1,967
City of Houston	Environmental Liability	\$ 5,000
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 up to the policy loss limit.

CITY OF HOUSTON, TEXAS
SALARIES OF ELECTED OFFICIALS
June 30, 2008
(unaudited)

<u>Name and Title of Official</u>	<u>Authorized Annual Base Salary</u>
Bill H. White, Mayor	* \$ 181,762
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	* 51,758
James G. Rodriguez, Council member - District I	55,770
Peter H. Brown, Council member - At Large Position #1	* 44,795
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

Monika De Los Santos, 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 City Controller

Staff:

Ella Mamou, Records Supervisor

Annie Nguyen, Administrative Supervisor

Courtney Satterwhite, Assistant City Controller

Lillie Stewart, Administrative Supervisor

Consulting and General Support

Treasury Division

James Moncur, Deputy City Controller

Staff:

Han Au, Financial Analyst

Sue Bailey, Debt Manager

Shawnell Holman-Smith, Financial Analyst

Claudia Morales, Financial Analyst

Lillie Nobles, Administrative Specialist

Marvin Ramirez, Financial Analyst

Catherine Smith, Financial Analyst

Debt and Management Disclosures

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

Finance Department

Michelle Mitchell, Director

Staff:

Harold Jackson, Division Manager
Ronald Kissner, Deputy Assistant Director
Jimmie Locke, Assistant Director
Sherry Mose, Staff Analyst
Asha Patnaik, Staff Analyst
Douglas Seckel, Deputy Director
Wealthia White, Financial Analyst

Administration & Regulatory Affairs Department

Alfred Moran, Director

Staff:

William Stanley, Division Manager
Aileen Ding, Financial Analyst
Hannah Hoang, Accountant Associate
Belinda Crawford, Accountant Associate
Deborah Webb, Accountant Supervisor
Juan Olguin, Deputy Assistant Director

Analysis and Supporting Documentation

Information Technology Department

Richard Lewis, Director

Staff:

Singh Bhatia, Systems Consultant
Peter Chao, Systems Consultant
Earl Lambert, Citywide CTO
Mark Stinnett, Assistant Director

Professional Consultants

Houston Independent School District Printing Services

Connie Cole, Graphic Designer
Charlie Holden, Business Supervisor
Michael McClay, Senior Graphic Designer
Debbie Roberts, Customer Service Coordinator

Project Management and Design

Deloitte & Touche LLP

Independent Auditors

Photos Courtesy of:

Baylor College of Medicine
Houston Baptist University
Houston Community College
Rice University
South Texas College of Law
Texas Southern University
University of Houston
University of St. Thomas
University of Texas Health Science Center

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.