



CITY OF HOUSTON, TEXAS

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2016

Chris B. Brown, City Controller



**CITY OF HOUSTON, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Year Ended June 30, 2016**

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Office of the City Controller

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

The Treasury Division is responsible for managing the City’s \$3.4 billion investment portfolio in accordance with state law and the City’s investment policy. Fitch has awarded the City’s general investment its highest portfolio rating, AAA. The Treasury Division is also responsible for overseeing a debt program of approximately \$13 billion. The City has multiple general obligation commercial paper programs with total authorization of \$875 million. The current issuance capacity of the commercial paper programs is \$725 million which is supported by credit facilities or lines of credit. Additionally, the City has an appropriation facility supported by a forward bond purchase agreement in the amount of \$150 million. The City has seven auction-rate security issues, six series of variable rate demand obligation bonds, two SIFMA indexed notes, and three interest rate swaps with a total notional amount of \$902 million and credit agreements totaling \$ 2.1 billion. The City’s general obligation debt is rated Aa3 by Moody’s; AA- by Standard and Poor’s; and AA by Fitch Ratings.

The Audit Division adheres to recognized professional auditing standards (Government Auditing Standards and International Standards as issued by the Institute of Internal Auditors). During Fiscal Year 2016, the Audit Division engaged in 21 Audits and Special Projects that produced 10 Audit Reports as posted on the Controller’s website. The audits and projects performed focused on risk assessment, contract compliance, performance and efficiency, process reviews, ongoing monitoring, consideration of fraud, waste or abuse, and quality assurance. These efforts resulted in city-wide policy and procedure changes, improved processes, and approximately \$2.5 million in potential recoveries. The Audit Division also provided updates to the City Controller regarding compliance efforts, fraud, waste or abuse reports and quality assurance results. In the most recent peer review, the Association of Local Government Auditors (ALGA) concluded “the internal quality control system of the Office of the City Controller’s Audit Division within the City of Houston was suitably designed and operating effectively to provide reasonable assurance of conformance with the Standards”.

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

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



2016 CITY OF HOUSTON Comprehensive Annual Financial Report

Chris B. Brown **Houston City Controller**



Chris B. Brown is a proud Houstonian who was sworn into office as City Controller in January 2016. Chris is a proven professional with the private and public sector experience to be a responsible financial steward, and the commitment to serve his community.

Chris began his career two decades ago, as a trader for Coastal Securities, an investment bank, where he focused on analysis of high tech stocks. After several years, Chris co-founded an equity trading firm. Chris, as head of operations for the equity trading firm, gained first-hand experience with risk management, compliance, reporting, building operations and negotiating complex agreements.

Prior to being elected Controller in December 2015, Chris served as Chief Deputy City Controller, where he managed the day-to-day operations and oversaw the Executive Division of the Controller's Office. Prior to being appointed Chief Deputy City Controller in 2009, Chris served as City Council Chief of Staff, overseeing community development initiatives and serving as a liaison to the Budget and Fiscal Affairs Committee.

In addition to his professional experience, Chris is an active participant in his community. He currently serves on the board of the William A. Lawson Institute for Peace & Prosperity (WALIPP), Asia Society of Texas Advisory Board, Texan-French Alliance for the Arts, and Prevent Blindness of Texas. He is a past board member of the TCU National Alumni and SEARCH Homeless Services.

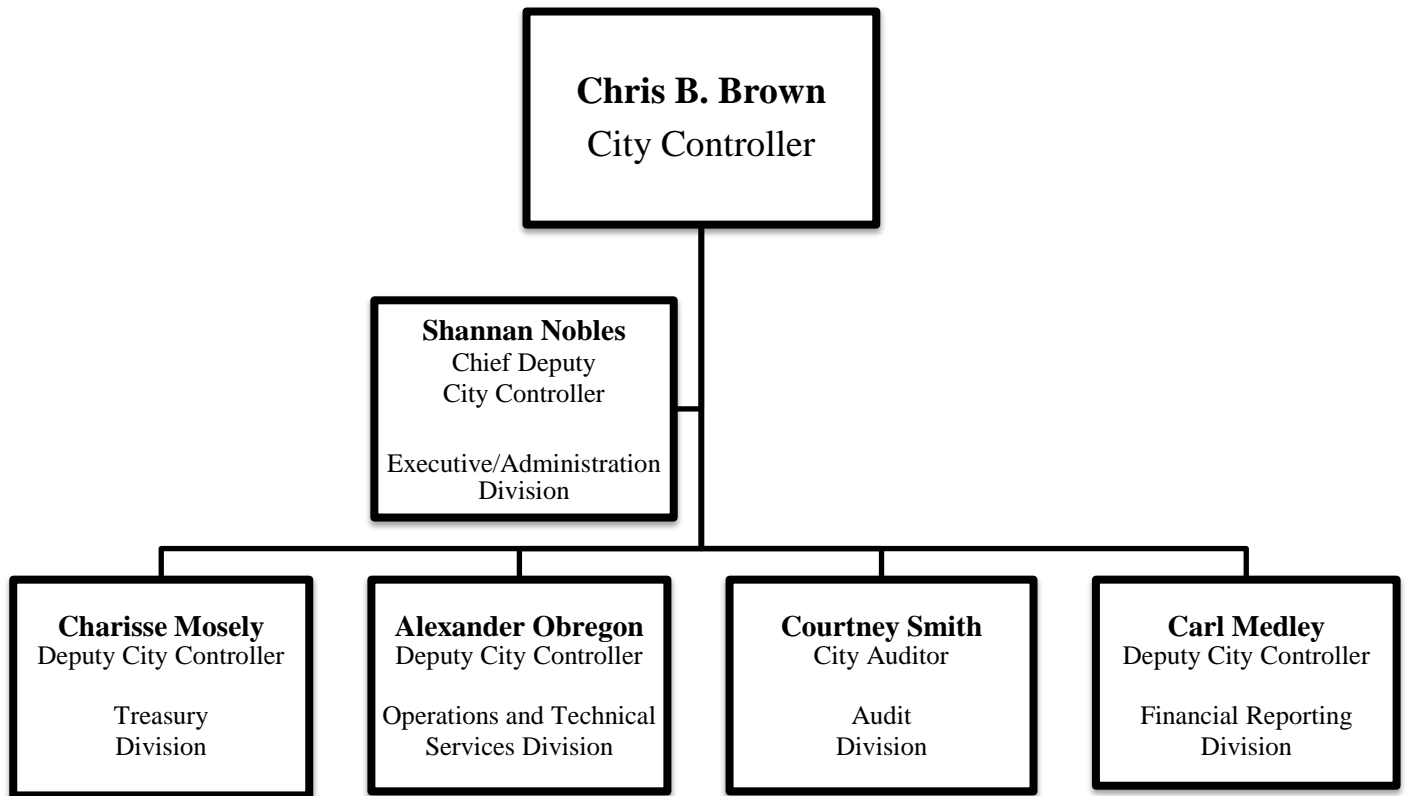
Chris is a fourth generation Houstonian, and has deep roots in the Houston community. Chris attended Briargrove Elementary and Lee High School, where he was a swim team varsity letterman. His family was a member of St. John's Episcopal Church. Chris attended Texas Christian University and obtained a Bachelor of Business Administration in Finance and later a Master in Business Administration from the University of Houston.

Chris, his wife Divya, an attorney, and their daughter, Milana, reside in southwest Houston.



City of Houston

The Office of the City Controller





**2016 CITY OF HOUSTON
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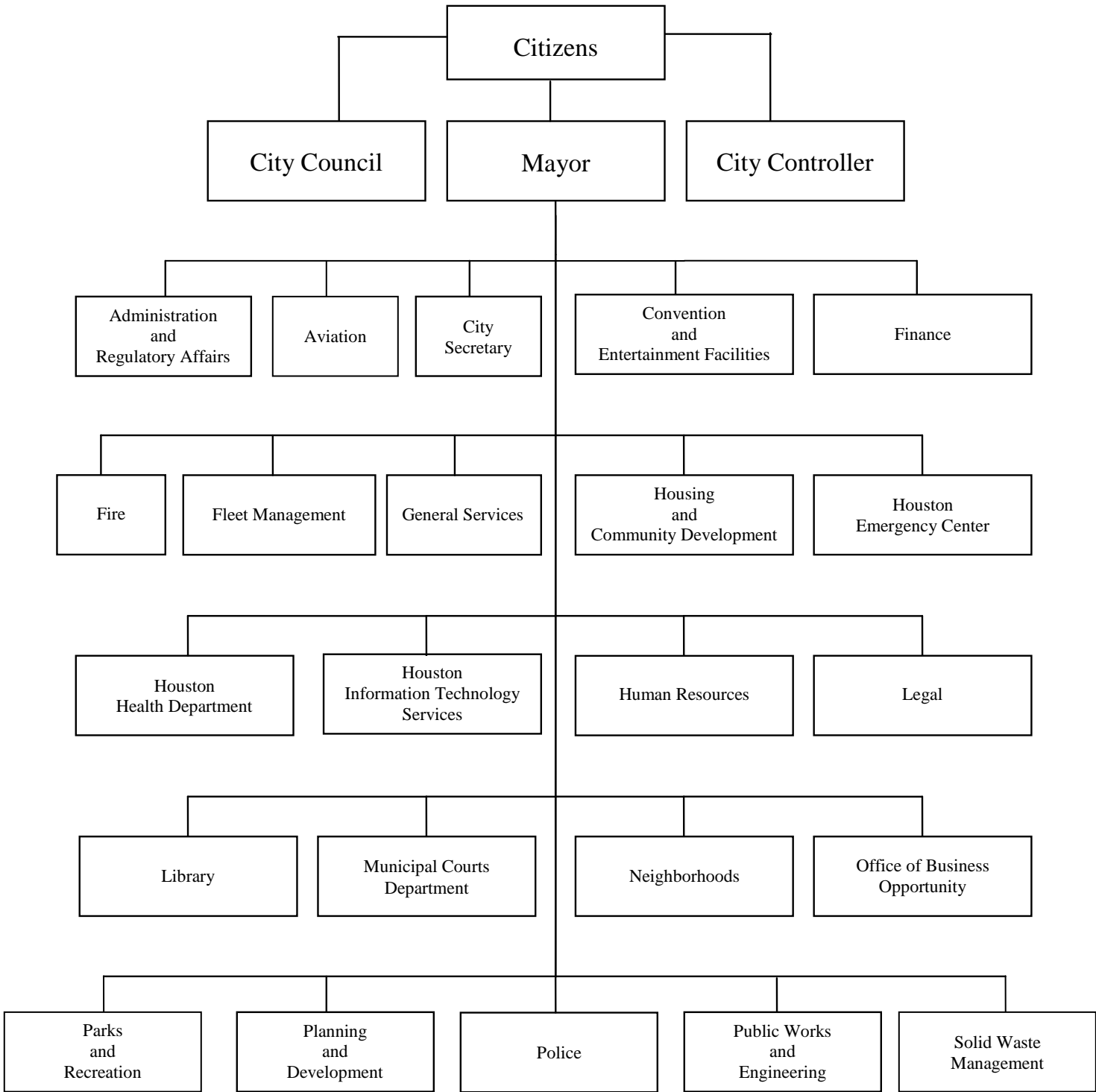
Elected Officials City of Houston, Texas



2016 Houston City Council, Front row, left to right: Mike Laster, District J; David Robinson, At Large, Position 2; Karla Cisneros, District H; Mike Knox, At Large, Position 1; Ellen Cohen, District C; Sylvester Turner, Mayor; Chris Brown, Controller; Brenda Stardig, District A; Amanda Edwards, At Large, Position 4; Dave Martin, District E; Michael Kubosh, At Large, Position 3; Steve Le, District F; back row, left to right: Jack Christie, At Large, Position 5; Larry Green, District K; Dwight Boykins, District D; Jerry Davis, District B; Robert Gallegos, District I; Greg Travis, District G.



Organization Chart City Government



CITY OF HOUSTON, TEXAS



Office of the City Controller
City of Houston, Texas



Chris B. Brown

November 30, 2016

Citizens of Houston, Honorable Mayor and City Council Members:

I am pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the City of Houston, Texas, (the City) for the year ended June 30, 2016, including the independent auditor's report prepared by McConnell & Jones/Banks, Finley, White & Co. The CAFR was prepared by the City Controller's Office and satisfies my responsibilities under the City Charter and State law. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects and is organized in a manner which fairly sets forth the financial position and results of operations of the City as measured by the financial activity of its various funds.

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

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

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

These financial statements have been prepared in accordance with generally accepted accounting principles for local governments as prescribed by 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 Chief Financial Officer. The legislative body of the City is the City Council, which consists of the Mayor, eleven district members and five at-large members. In November 2015, voters approved a proposition changing the terms of Mayor, Controller and Council members to four years, with a limit of two terms, effective January 2016.

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

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

History and Population

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

At the time of the first census in Texas in 1850, Houston had a population of 2,397 and Galveston, a bustling port 45 miles south of Houston, was the state's largest city. Today, Houston is the largest city in Texas and the fourth largest city in the U.S. In this first decade of the new century, a quarter million people from other U.S. cities and towns have relocated to Houston. Houston, with more than 2.2 million people, is a melting pot of ethnicities where no single group comprises a majority. The City is the seat of a burgeoning metropolitan area encompassing nine counties with a total population approaching 6 million.

Budgetary Information

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

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

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

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

The Area's Economy

The downturn in oil prices from a high of \$100 per barrel began in early 2015 and was more rapid than the fall of oil prices we saw in the 1980s. By July 2015—the beginning of the City's Fiscal Year 2016—oil prices had climbed to \$60 a barrel, but the relief was short lived. By early 2016, the number of working rigs had fallen to the lowest number (404) in the 67-year history of Baker-Hughes' rig count, and the price of oil hit a low of \$26 a barrel in February 2016. How did this happen so quickly? A couple of years ago, Forbes Magazine said Houston was "the next great global city," and of course in terms of trade, transportation, health care, immigration and our cultural milieu we truly are global. However, Houston can be negatively impacted by global affairs—as in the case of our oil industry, which is related, either directly or indirectly, to about half our local economy. The surge in oil production in the Middle East and the economic woes in China were the major catalysts in the declining price of oil.

Employment: I began by comparing the current downward spiral to the events of the 1980s. Comparisons can lead to erroneous conclusions. Houston's economy in late-2016 is double what it was in the mid-1980s; over 13 percent of the entire work force was lost in the 1980s, while the current job losses equal just 1.5 percent of the workforce. (Please note: the data and statistics I use in this transmittal letter come from various sources, listed at the bottom of the letter, and this data can vary widely from month to month. Hence, I am using year-to-year comparative data aligned to the close of the City's Fiscal Year, unless otherwise noted.)

The cyclic oil economy has been responsible for some outstanding employment gains: 98,000 new jobs in Fiscal Year (FY) 2014, 66,000 jobs in FY 2015. FY 2016 shows just 5,000 new jobs. The loss of 70,000 jobs in oil-related professions and services has been offset by gains in hospitality, government (which includes education), wholesale and retail, and health care. Nonetheless, should oil remain in the \$45 - \$50 a barrel range, overall employment will remain stagnant; oil prices will likely again climb to above \$65, but it may be a year or two or more before that occurs. Houston's unemployment rate at the close of FY 2016 was 4.8 percent, slightly higher than the state's and the nation's, but appears to be stable.

Houston is also the global leader in petrochemical production, and unlike the energy sector Houston's petrochemical industry is booming. Houston has the cheap natural gas, the knowledge and expertise base, the infrastructure and the Houston Ship Channel—a near-perfect combination for production and distribution of petrochemical products. Nearly \$50 billion in petrochemical construction is taking place in the east Houston area. Those construction jobs are temporary, though of course the facilities will be staffed once they are completed.

Although the employment data is not favorable at this time, I believe we are seeing a stabilized economy with a slow rebound set to occur. Houston truly is a more diverse economy than in the 1980s. Consider this: for those who rode out the ups and downs of the energy industry these past 30 years or so, the ride was probably worth it: net personal income in Houston rose nearly 8.5 percent annually over those years, far ahead of any other U.S. metro area.

Population growth: The Houston Metropolitan Statistical Area (MSA) has seen a loss of population only once in the past 40 years, in 1988 following the loss of 220,000 jobs during that recession. Typically,

Houston has expected to see a population growth of about 125,000 annually, half of that through migration and half through the natural attrition of births over deaths. I believe we can expect that population growth to continue; even with immigration slowing, we would see a minimum annual growth of 60,000 - 70,000.

Housing and real estate: Despite the oil industry downturn and the stagnant employment rate, the Houston real estate market is steady. At the close of the City’s Fiscal Year (June 30, 2016) sales of single family homes (SFH) were up 1.5 percent over 2015, which was a record year for sales. Unlike a year ago when the market’s high end homes had the highest positive sales volume, the current trend is for mid-level priced homes (\$150,000 - \$500,000) to have the most positive sales. Both the median and average price of homes (\$218,000 and \$277,900, respectively) are at record levels.

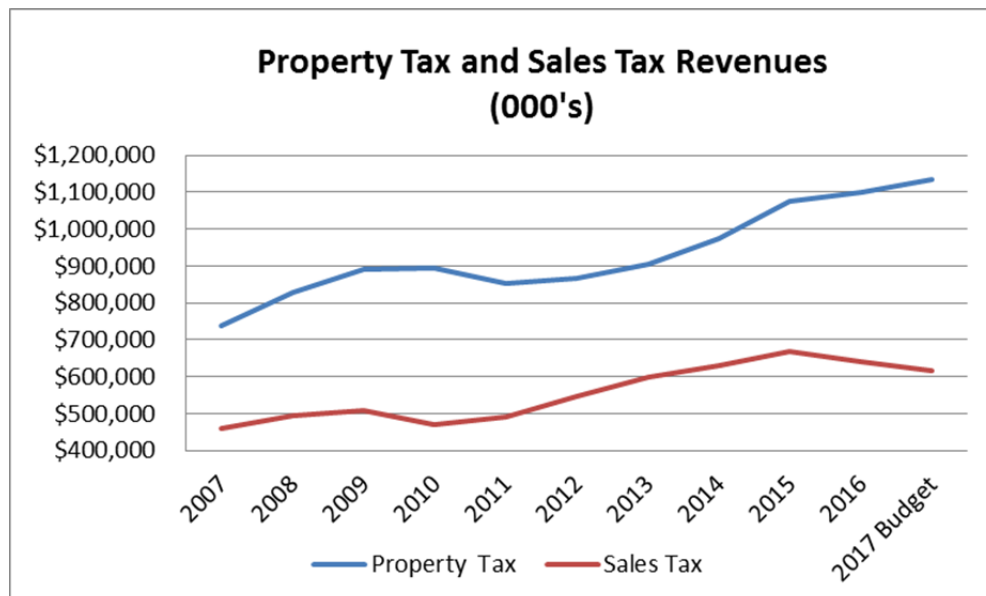
Comparing the 20 most populous U.S. cities, Houston is 7.7 percent below the average U.S. price for a SFH, the fifth lowest on the list; San Francisco is 180 percent above the average; San Diego, 143 percent above; Boston, 101 percent above; Baltimore, 44 percent above. For the young professional beginning a career, where else can you find the quality of life (fine arts, dining, entertainment, sports venues, green space) offered in a livable city with a temperate climate—and an affordable home? Houston real estate is one of the reasons that our city has been the number one one-way destination for U-Haul rental trucks seven years in a row.

Purchasing and income: The Houston Purchasing Managers Index (PMI), a short-term indicator for regional production, registered 43.7 at the end of FY 2016; a number less than 50 indicates negative growth, and this was the 18th consecutive month of negative or contracting growth.

Vehicle sales at the end of FY 2016 were down 22 percent from the year before with six continuous months of decline in sales. Retail sales are down nearly 10 percent from the year before.

The average weekly wage paid to Houstonians during the past decade rose about 3 percent annually; this past year the weekly wage declined .5 percent.

How does the area economy affect City of Houston service delivery? The graph below illustrates both the good news and the bad news in our current economy. Property tax revenue for the City, represented by the top line, has seen a real rebound after the recession years, while sales tax, the lower line, is now in decline during our current unsettled and directionless economy.



Property and Sales Taxes: Property tax is the City's single largest source of revenue. FY 2015 was the first year the City was affected by the Proposition One revenue cap, which mandated lowering the tax rate and causing a loss of \$57 million in tax revenue. The loss in FY 2016 is \$71 million. In truth, Proposition One does more harm than good; its net effect on savings for our citizens is negligible while the effect on service delivery is sizeable.

As we ended FY 2015, we had our first month (April 2015) of declining sales tax. The decline continued during FY 2016. Certainly the downturn in the energy sector will continue to affect the business-to-business sales tax, about half of all the sales tax revenue.

Financial Policies and Planning

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

A 1983 resolution adopted by City Council requires the Mayor to develop and submit annually to the City Council for approval a continuous five-year Capital Improvement Plan (CIP). Each year, the Mayor must review the CIP, revise it as necessary, and obtain approval and adoption by City Council. The 2017 - 2021 CIP calls for the appropriation of \$8.7 billion over the five-year period for both enterprise and property tax supported projects. About \$7.1 billion of this total will be paid for with income generated by the self-supporting enterprise funds. The rest will be funded with tax-supported public improvement bonds approved by Houston voters.

The City's financial policies further require that capital projects or equipment purchases funded through the issuance of bonds or other obligations will be financed for a period not to exceed the expected life of the project or equipment. Annual contributions for debt service from the General Fund are limited to 20 percent of total General Fund revenues, excluding state and federal grants. In addition, Texas law mandates that the City's total tax supported indebtedness shall not exceed 10 percent of the total assessed valuation of property in the City. As of September 30, 2015, the City's outstanding debt payable from taxes and other revenue sources totaled \$13.1 billion. This is in compliance with all applicable financial policies and considered manageable.

The City has investments totaling approximately \$3.6 billion. The City adheres to an investment policy that emphasizes, in order of priority, safety, liquidity and return on investment. The success of this deliberate approach is evident in the 'AAA' credit quality rating and "V1" volatility rating assigned to the City's General Investment Portfolio by Fitch Rating Services.

Long-term Financial Forecast and Major Initiatives

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

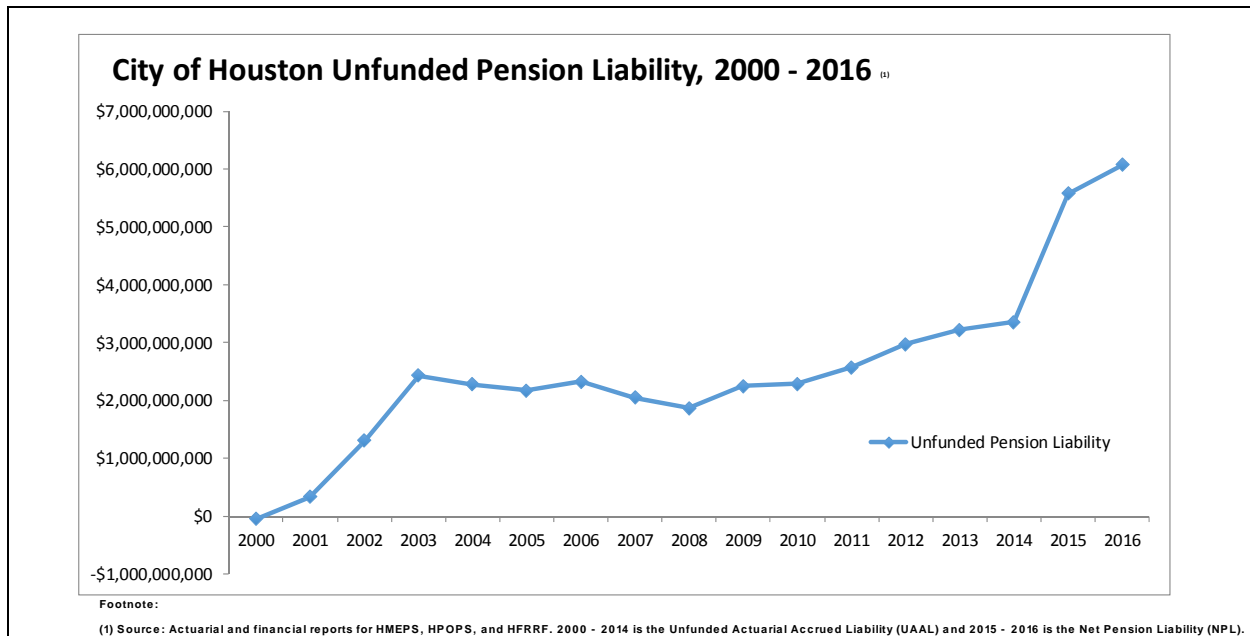
Employee Pension Funds

Meeting the City's pension obligations is our most daunting challenge. The graph below illustrates the City's pension liabilities from 2000 through 2016.

The Government Accounting Standards Board (GASB) has mandated that beginning in Fiscal Year 2015 cities report their net pension liability, the difference between the total pension liability (the present value of projected benefit payments to employees based on their years of service, or to their spouse if widowed) and the funds set aside and restricted to paying these benefits. The new GASB Standard 68 dramatically alters the City's balance sheet, and shows a pension liability for the three pension systems at the close of FY 2016 of \$6.08 billion, versus the pension obligation the City had reported as \$1.19 billion. Houston is not alone; all the large cities will reflect this significant change in their annual budgets reports.

In FY 2016 two bond rating agencies, Moody's and Standard and Poor's, lowered the City's bond rating, due in part to the pension liability; both agencies assigned a negative outlook to the long-term debt profile. Nonetheless, the ratings are still quite positive.

As the 2016 CAFR goes to press, Mayor Turner has announced a plan that is a significant step in the right direction. All the stakeholders are involved. With the Texas Legislature scheduled to begin its biannual session in January 2017, we may have important pension reform in place by the end of FY 2017.



Retiree Benefits

The City also provides certain health care benefits for its retired employees, their spouses and survivors. Beginning with the Fiscal Year 2008 CAFR, the City is required by the Government Accounting Standards Board Statement No. 45 (GASB 45) to report an actuarially determined cost of other post-employment benefits (OPEBs), other than pensions, such as health and life insurance for current and future retirees. The most recent actuarial report indicates \$1.7 billion accrued liability for retiree health benefits. It is the City's practice to fund the cost of OPEBs on an annual pay-as-you-go basis (FY 2016: \$38.4 million) and account for OPEB costs as a current operating expense in the fiscal year in which the OPEB cost is paid.

Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Houston for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the 19th 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, Houston First (formerly, 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. McConnell & Jones/Banks, Finley, White & Co was not only our independent auditor, but also served as an invaluable source of information and ideas for improving the way City finances are reported.

Request for Information

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



Chris B. Brown
City Controller

Sources:

COH 2016 Operating Budget
COH 2017-2021 Capital Improvement Plan
UH Hobby Center for Public Policy
Texas Workforce Commission
The Perryman Group

Greater Houston Partnership
Houston Association of Realtors
UH Institute for Regional Forecasting
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Presented to

City of Houston
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

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

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Houston Texas (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Firefighter's Relief and Retirement Pension Trust Fund, the Municipal Employees' Pension Trust Fund, and the Police Officer's Pension Trust Fund, blended component units of the City, which, in the aggregate, represent 100% of the assets and net position of the pension trust funds, within the fiduciary funds. Except for Houston Area Library Automated Network and Lamar Terrace Public Improvement District, we did not audit the financial statements of any governmental discretely presented component units which represent 7.5%, (15.4)% and 9.2%, respectively, of the assets, net position (deficit), and revenues of the governmental activities or any business-type discretely presented component units which represents 6.5%, 25.6% and 13.9%, respectively, of the assets, net position, and revenues of the business-type activities. Those financials were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such pension trust funds, governmental discretely presented component units, and business-type discretely presented component units, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and aggregate discretely presented component units and the aggregate remaining fund information of the City of Houston, Texas, as of June 30, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3 through 13), Schedule of Budgeted and Actual Revenues and Expenditures of the General Operating Fund (pages 123 through 128), Pension System Supplementary Information (page 129 through 130), and Other Post-Employment Benefits Supplementary Information (page 130) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016, on our consideration of the City of Houston, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Houston, Texas's internal control over financial reporting and compliance.



November 30, 2016

City of Houston, Texas
Management's Discussion and Analysis
June 30, 2016
(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, 2016. Please read this information in conjunction with the basic financial statements that follow this section. The discussion and analysis includes comparative data for 2015. 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, 2016 include:

- The liabilities of the City of Houston exceeded its assets at the close of the most recent fiscal year by \$95 million.
- The City's total net position decreased during the year by \$241 million.
- The City's unrestricted net position is a deficit of \$6.33 billion.
- The City of Houston's total expenses were \$5.106 billion.
- Program revenues of \$2.549 billion reduced the net cost of the City's functions to be financed from the City's general revenues to \$2.557 billion.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Net Position
June 30, 2016
(With comparative totals for 2015)
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 1,474	\$ 1,451	\$ 3,003	\$ 2,939	\$ 4,477	\$ 4,390
Capital assets	7,134	6,990	9,806	9,589	16,940	16,579
Total assets	<u>8,608</u>	<u>8,441</u>	<u>12,809</u>	<u>12,528</u>	<u>21,417</u>	<u>20,969</u>
Deferred outflows of resources	1,721	1,158	580	383	2,301	1,541
Long-term liabilities	10,279	9,743	11,186	10,945	21,465	20,688
Other liabilities	661	704	850	764	1,511	1,468
Total liabilities	<u>10,940</u>	<u>10,447</u>	<u>12,036</u>	<u>11,709</u>	<u>22,976</u>	<u>22,156</u>
Deferred inflows of resources	823	197	14	12	837	209
Net position						
Net investment in capital assets	4,434	4,251	629	547	5,063	4,798
Restricted	43	192	1,130	1,132	1,173	1,324
Unrestricted (deficit)	(5,911)	(5,487)	(420)	(489)	(6,331)	(5,976)
Total net position (deficit)	<u>\$ (1,434)</u>	<u>\$ (1,044)</u>	<u>\$ 1,339</u>	<u>\$ 1,190</u>	<u>\$ (95)</u>	<u>\$ 146</u>

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Houston, on a government-wide basis, assets and deferred outflows were lower than liabilities and deferred inflows by \$95 million at the close of the most recent fiscal year.

By far the largest portion of the City of Houston’s net position (5,329%) reflects its investment in capital assets (e.g., land, building, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City of Houston uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Houston’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City of Houston’s net position (1,235%) represents resources that are subject to external restrictions on how they may be used.

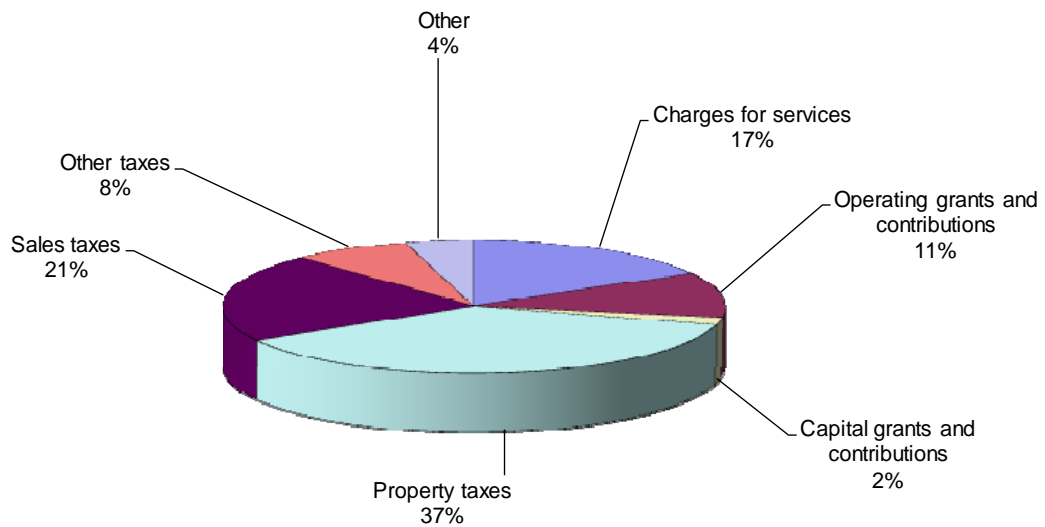
Change in Net Position
For the Fiscal Year Ended June 30, 2016
With comparative totals for 2015
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program Revenues:						
Charges for services	\$ 501	\$ 485	\$ 1,624	\$ 1,416	\$ 2,125	\$ 1,901
Operating grants and contributions	324	305	13	11	337	316
Capital grants and contributions	54	68	33	46	87	114
General revenues:						
Property taxes	1,100	1,074	-	-	1,100	1,074
Sales taxes	640	667	-	-	640	667
Other taxes	227	223	89	91	316	314
Other	131	103	82	171	213	274
Total revenues	2,977	2,925	1,841	1,735	4,818	4,660
Expenses:						
General government	425	360	-	-	425	360
Public safety	1,995	1,859	-	-	1,995	1,859
Public works	343	336	-	-	343	336
Health	159	151	-	-	159	151
Housing and community development	62	65	-	-	62	65
Parks and recreation	99	113	-	-	99	113
Library	48	49	-	-	48	49
Interest on Long-term Debt	191	158	-	-	191	158
Depreciation and amortization	143	138	-	-	143	138
Airport System	-	-	581	557	581	557
Convention & Entertainment Facilities	-	-	118	123	118	123
Combined Utility System	-	-	942	925	942	925
Total expenses	3,465	3,229	1,641	1,605	5,106	4,834
Change in net position before contributions,						
special items and transfers	(488)	(304)	200	130	(288)	(174)
Contributions	73	31	-	-	73	31
Gain on sale of asset	-	33	-	-	-	33
Transfers	51	49	(51)	(49)	-	-
Change in net position	(364)	(192)	149	81	(215)	(110)
Net assets, July 1 as previously reported	(1,044)	1,626	1,190	1,546	146	3,172
Correction of an error/change in accounting principle	(26)	(2,478)	-	(437)	(26)	(2,915)
Beginning net position July 1	(1,070)	(852)	1,190	1,109	120	257
Net position (deficit) June 30	\$ (1,434)	\$ (1,044)	\$ 1,339	\$ 1,190	\$ (95)	\$ 146

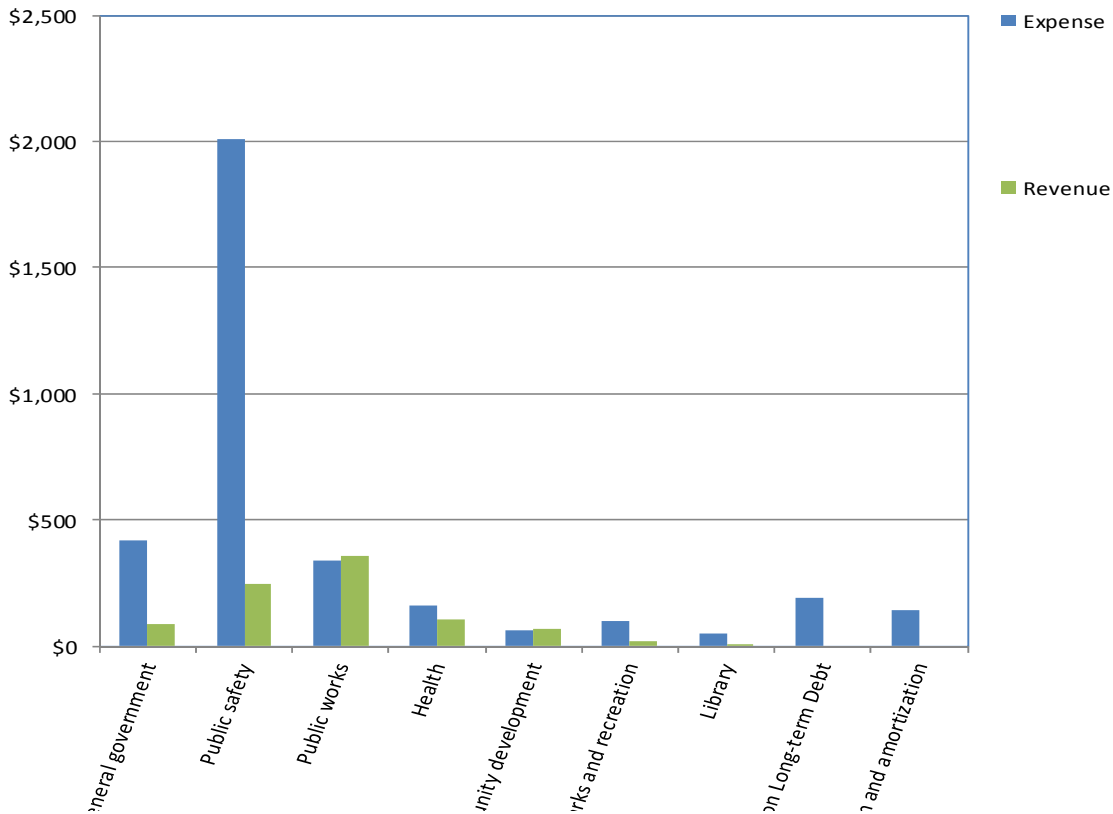
Governmental activities. Governmental activities decreased the City of Houston’s net position by \$364 million. Key elements of this change are as follows:

- Sales tax revenue decreased dramatically during fiscal year 2016 due to the reduced drilling activity, causing a 4% decrease for the year, from \$667 million to \$640 million.
- The City’s property tax rate was reduced to \$0.60112 per \$100 assessed value, compared to FY2015 rate of \$0.63108. Property tax revenue still increased by \$26 million because of the City’s rising property values.
- The largest increase in expenses was in the area of Public Safety - \$147 million.
- Pension expense increased the governmental activities total expenses \$792 million.

Revenue by Source - Governmental Activities



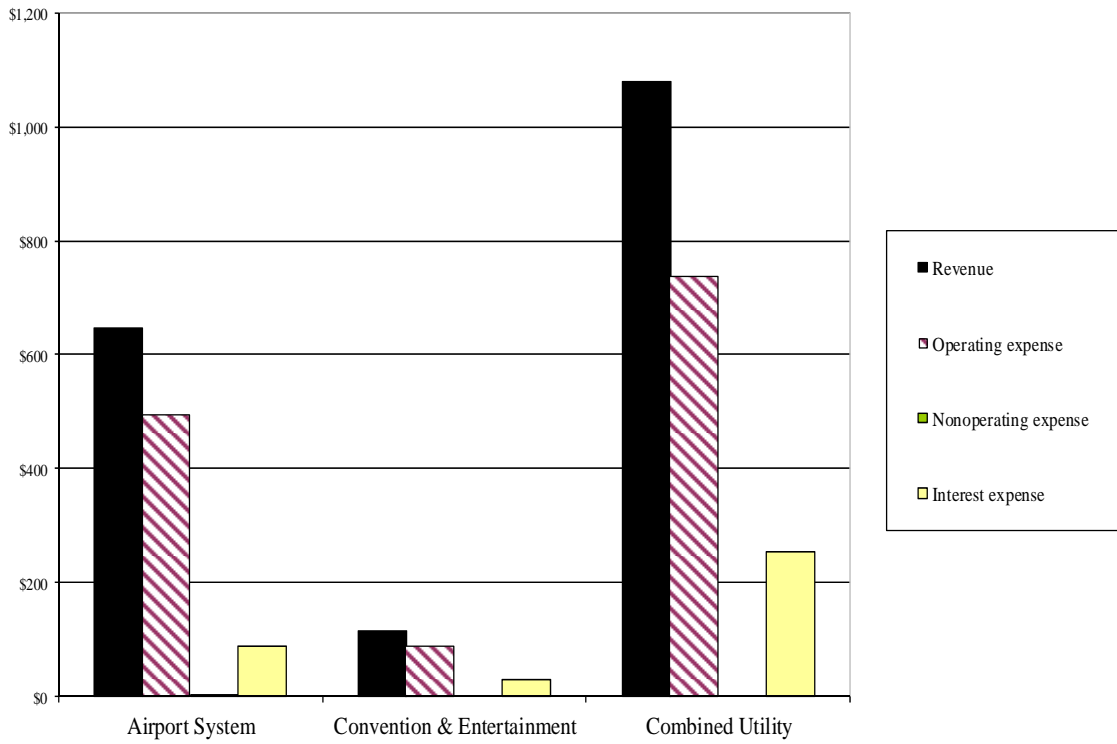
Program Revenue and Expense Governmental



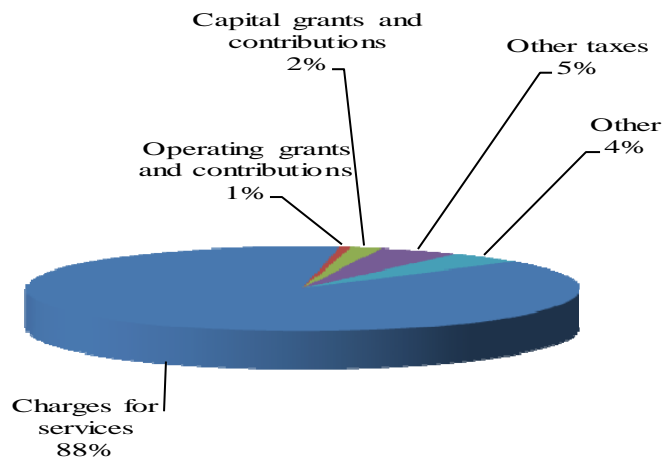
Business-type activities. Business-type activities increased the City of Houston’s net position by \$149 million. Key elements of this change are as follows:

- Airport systems operating expenses were up by 6.7%, from \$464 million to \$495 million, for higher personnel costs. Operating revenues for these facilities were up by 2.7%, from \$476 million to \$489 million.
- Convention & Entertainment operating expenses were down 4.4% from \$94 million to \$90 million. Operating revenues were flat, at \$12 million. Hotel occupancy taxes decreased by 2.2%, from \$91 million to \$89 million, due to lower hotel occupancy rates.
- The Combined Utility System operating expenses increased by 5.6% from \$660 million to \$697 million. Operating revenues increased by 9.6% from \$927 million to \$1.016 billion.

Program Revenue & Expense Business-type



Revenue by Source - Business-type



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Houston's governmental funds reported combined ending fund balances of \$792 million. Approximately 29.7% of this total amount (\$235 million) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is set aside to indicate that it is not available for new spending because it has already been assigned for capital expenditures (\$96 million), restricted to pay debt service (\$154 million), or (3) a variety of other restricted purposes (\$307 million).

The general fund is the chief operating fund of the City of Houston. At the end of the current fiscal year, unassigned fund balance of the general fund was \$235 million, while the total fund balance reached \$263 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 11.5% of total general fund expenditures, while total fund balance represents 12.8% of that same amount.

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

- \$48.8 million increase in total revenues – increasing Property Tax revenues partly offset by decreasing Sales Tax revenues
- \$40.9 million increase in expenditures – additional General Government and Public Safety costs
- \$68.0 million decrease in proceeds for issuance of debt

Debt service principal expenditures for the debt service fund increased by \$110 million. The net increase in fund balance was \$31.4 million.

The capital projects fund, which is used for the acquisition and/or construction of capital facilities by the City (except those financed by Enterprise Funds), has a fund balance of \$113 million. The net decrease in fund balance during the current fiscal year was 19.2%.

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

At the end of the year, unrestricted net deficit of \$178 million for the Airport System, \$19 million net position for Convention and Entertainment, and \$261 million net deficit for the Combined Utility System. The total increase in net position for the Airport System was \$64 million. The Convention and Entertainment fund experienced a decrease of \$6 million and Combined Utility System fund experienced an increase of \$89 million in net position. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Houston's business-type activities.

General Fund Budgetary Highlights

Total revenues were below budget by \$12 million. The details of the more significant variances are detailed below:

- \$15 million below budget in property taxes
- \$48 million below budget in sales tax
- \$3 million above budget in franchise tax

Total expenditures for the General Fund were \$52 million below the final expenditure budget. The details of the more significant variances are detailed below:

- \$17 million under budget in other current expenditures
- \$16 million under budget in public safety
- \$12 million under budget in general government

Capital Asset and Debt Administration

Capital assets (see Note 6). The City of Houston's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$16.9 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, equipment, storm drainage, streets and bridges. The City of Houston's net investment in capital assets was relatively stable.

Capital Assets

June 30, 2016

(With comparative totals for 2015)

(net of accumulated depreciation in millions)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land and right of way	\$ 2,175	\$ 2,155	\$ 461	\$ 452	\$ 2,636	\$ 2,607
Buildings, improvements and equipment	2,450	2,314	6,177	5,897	8,627	8,211
Construction in progress	309	348	680	620	989	968
Water rights	-	-	545	545	545	545
Runway rights	-	-	14	12	14	12
Garage rights	-	-	13	13	13	13
Infrastructure Assets	6,581	6,317	10,181	9,974	16,762	16,291
Less accumulated depreciation	(4,381)	(4,144)	(8,265)	(7,924)	(12,646)	(12,068)
Total	\$ 7,134	\$ 6,990	\$ 9,806	\$ 9,589	\$ 16,940	\$ 16,579

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

- Business-type activities construction in process balance reflects a \$60 million increase
- Business-type activities buildings, improvements & equipment reflects a \$280 million increase
- Business-type activities infrastructure assets reflects a \$207 million increase
- Governmental-type activities infrastructure assets reflects a \$264 million increase

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

Long-term debt (Note 8). At the end of the current fiscal year, the City of Houston had total bonded debt outstanding of \$12.0 billion. The two largest portions of this total are made up of \$2.8 billion comprising debt backed by the full faith and credit of the government and \$9.4 billion comprising various enterprise fund revenue bonds which are payable from future revenues of the various operations of those enterprise funds. The remainder of the City of Houston's debt represents various long-term contracts.

Outstanding Debt
June 30, 2016
 (With comparative totals for 2015)
 (in millions)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds and commercial paper	\$ 2,721	\$ 2,818	\$ 147	\$ 170	\$ 2,868	\$ 2,988
Pension notes	523	530	63	64	586	594
Inferior lien contract	-	-	12	18	12	18
Capital lease	-	-	70	50	70	50
Revenue bonds	-	-	9,495	9,364	9,495	9,364
Other borrowings	5	5	-	-	5	5
Total	\$ 3,249	\$ 3,353	\$ 9,787	\$ 9,666	\$ 13,036	\$ 13,019

The City's total debt increased by \$17 million or 0.1% during the current fiscal year.

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

- \$660 million proceeds of refunding used to pay \$550 million of refunded debt.
- \$1,262 million of combined utility system debt to fund system projects.
- \$124 million to fund airport system projects.

Standard & Poor's, Moody's and Fitch's underlying ratings of the City's obligations as of June 30, 2016 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+	Aa1	AA+
Combined Utility System First Lien	AA	Aa2	AA
Houston Airport System-Senior Lien	AA-	Aa3	N/R
Houston Airport System-Subordinate Lien	A+	A1	A
Houston Airport System-CRCF Lien	A-	A3	A-
Convention & Entertainment - Senior Lien	A-	A2	N/R

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The current debt limitation for the City of Houston is \$23.8 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 2017 budget are as follows:

- The property tax rate was reduced to 58.642 cents per \$100 of valuation.
- The public safety budget included funding to primarily provide resources for five police cadet classes, five fire cadet classes, and two paramedic classes.

Request for Information

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

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

June 30, 2016
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total	Component Units	
				Governmental	Business-type
Assets					
Current Assets					
Equity in pooled cash and investments	\$ 1,052,290	\$ 1,322,320	\$ 2,374,610	\$ 366,004	\$ 165,429
Receivables, net of allowances					
Accounts receivable	216,762	102,258	319,020	18,983	17,416
Hotel occupancy tax receivable	-	22,898	22,898	-	-
Property taxes receivable	29,236	-	29,236	10,632	-
Sales taxes receivable	106,849	-	106,849	-	-
Mixed beverage taxes receivable	4,237	-	4,237	-	-
Franchise taxes receivable	17,974	-	17,974	-	-
Special assessments receivable	11,869	93	11,962	-	-
Accrued interest and other	-	-	-	-	195
Due from component units	1,862	14,381	16,243	2,535	-
Internal balances	(72,807)	72,807	-	-	-
Due from other governments	87,564	12,697	100,261	-	-
Inventory	14,936	13,201	28,137	46,013	164
Prepaid items	2,955	15,286	18,241	1,190	4,936
Restricted investments	-	5,541	5,541	5,390	101,943
Other receivables	-	-	-	3,711	6,107
Noncurrent assets					
Noncurrent investments	-	1,120,857	1,120,857	20,040	20,000
Due from component units	-	285,189	285,189	-	-
Receivables and deposits	-	-	-	-	15,022
Due from other governments	-	3,943	3,943	-	-
Amounts held by other governments	-	11,060	11,060	-	-
Other assets	-	-	-	-	-
Other long-term receivables	-	-	-	-	66,616
Capital Assets					
Land and right-of-way	2,167,830	460,853	2,628,683	118,122	23,480
Buildings	1,229,805	3,677,690	4,907,495	41,444	561,774
Improvements and equipment	1,219,799	1,969,065	3,188,864	-	-
Plants, lines and rights	-	-	-	1,490	-
Construction in progress	309,171	679,814	988,985	23,872	-
Runway rights	-	13,836	13,836	-	-
Water rights	-	545,285	545,285	-	-
Garage rights	-	13,144	13,144	-	-
Rights & Intangibles	7,384	-	7,384	-	-
Infrastructure assets	6,580,837	10,711,656	17,292,493	-	-
Less accumulated depreciation and amortization	(4,380,698)	(8,265,415)	(12,646,113)	(9,818)	(149,472)
Total assets	\$ 8,607,855	\$ 12,808,459	\$ 21,416,314	\$ 649,608	\$ 833,610
Deferred outflows of resources					
Deferred outflows of resources	1,720,727	580,095	2,300,822	-	4,068
Total deferred outflows of resources	\$ 1,720,727	\$ 580,095	\$ 2,300,822	\$ -	\$ 4,068

(Continued)

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

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

June 30, 2016
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total	Component Units	
				Governmental	Business-type
Liabilities					
Accounts payable and accrued expenditures	\$ 149,771	\$ 123,222	\$ 272,993	\$ 38,152	\$ 45,424
Accrued payroll liabilities	58,468	8,370	66,838	2,525	974
Accrued interest payable	40,327	86,671	126,998	5,114	3,236
Contracts and retainages payable	-	-	-	2,651	863
Notes payable	-	5,018	5,018	8,403	11,527
Inferior lien contracts	-	5,915	5,915	-	-
Due to component units	-	27,317	27,317	-	-
Due to other governments	10,442	1,256	11,698	894	2,891
Advances and deposits	9,909	58,640	68,549	-	-
Other liabilities	-	-	-	1,628	850
Special facility bonds payable	-	5,305	5,305	-	-
Unearned revenue	-	1,922	1,922	2,709	991
Noncurrent liabilities					
Due within one year					
Contracts payable	-	69,533	69,533	-	-
Notes payable	659	-	659	-	-
Bonds payable	185,420	290,648	476,068	15,764	-
Claims and judgments	31,877	1,894	33,771	-	-
Compensated absences	143,394	16,274	159,668	-	-
Police pension payable	14,284	-	14,284	-	-
Pension bonds payable	6,585	1,185	7,770	-	-
Commercial paper	10,000	147,000	157,000	-	-
Due in more than one year					
Due to primary government	-	-	-	446	-
Notes payable	3,836	115,421	119,257	79,546	415,925
Bonds payable	2,429,187	9,199,459	11,628,646	250,327	-
Claims and judgments	76,614	1,986	78,600	-	-
Compensated absences	323,972	16,845	340,817	-	-
Contracts payable	-	204,415	204,415	17,718	-
Commercial paper	89,900	-	89,900	-	-
Arbitrage rebate liability	14	530	544	-	-
Inferior lien contracts	-	6,240	6,240	-	-
Municipal net pension liability	1,908,010	726,357	2,634,367	-	-
Police officers' net pension liability	2,540,831	-	2,540,831	-	-
Firefighter's net pension liability	899,984	-	899,984	-	-
SWAP liability	-	307,180	307,180	-	-
Unearned revenue	-	343,641	343,641	1,209	8,735
Other post employment benefits obligation	1,482,899	200,844	1,683,743	-	-
Pension obligation bonds payable	523,443	62,747	586,190	-	-
Other long-term liabilities	-	-	-	4	-
Total liabilities	\$ 10,939,826	\$ 12,035,835	\$ 22,975,661	\$ 427,090	\$ 491,416
Deferred inflows of resources					
Deferred inflows of resources	822,637	13,874	836,511	-	-
Total deferred inflows of resources	\$ 822,637	\$ 13,874	\$ 836,511	\$ -	\$ -
Net position					
Net investment in capital assets	4,434,420	629,382	5,063,802	190,216	33,014
Restricted net position					
Restricted for debt service	8,770	364,003	372,773	76,625	-
Restricted for renewal and replacement	-	10,006	10,006	-	-
Restricted for maintenance and operations	-	166,193	166,193	2,840	-
Restricted for others' capital improvement	-	26,944	26,944	-	-
Restricted for capital improvement	10,713	562,513	573,226	73,859	-
Other restricted	22,757	-	22,757	21,975	12,066
Unrestricted (deficit)	(5,910,541)	(420,196)	(6,330,737)	(142,997)	301,182
Total net position (deficit)	\$ (1,433,881)	\$ 1,338,845	\$ (95,036)	\$ 222,518	\$ 346,262

* 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, 2016
(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	\$ 425,707	\$ 68,093	\$ 15,908	\$ -
Public safety	1,993,340	181,888	62,926	-
Public works	343,657	222,236	79,227	53,860
Health	158,896	18,349	86,791	-
Housing and community development	61,707	-	67,357	-
Parks and recreation	98,994	8,820	11,359	-
Library	48,691	1,966	118	-
Interest on long-term debt	191,025	-	-	-
Unallocated Depreciation	143,028	-	-	-
Total governmental activities	3,465,044	501,352	323,686	53,860
Business-type activities				
Airport System	581,022	609,544	-	22,542
Convention & Entertainment facilities	117,906	12,431	-	-
Combined Utility System	942,176	1,002,582	13,348	10,364
Total business-type activities	1,641,104	1,624,557	13,348	32,906
Total primary government	\$ 5,106,148	\$ 2,125,909	\$ 337,034	\$ 86,766
Component Units				
Governmental	311,267	57,902	24,881	7,660
Business-type	229,129	159,539	90,103	-
Total component units activities	\$ 540,396	\$ 217,441	\$ 114,984	\$ 7,660

General Revenues:

Taxes
Property taxes levied for general purposes/tax increments
Property taxes levied for debt service
Industrial assessments tax
Sales tax
Franchise tax
Mixed beverage tax
Bingo tax
Hotel occupancy tax
Investment earnings
Other
Contributions
Transfers
Total general revenues and transfers
Change in net position
Net position beginning, as previously reported
Cumulative effect of correction of an error (see Note 1L)
Beginning net position, July 1
Net position ending

(Continued)

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Governmental	Business-type
\$ (341,706)	\$ -	\$ (341,706)	\$ -	\$ -
(1,748,526)	-	(1,748,526)	-	-
11,666	-	11,666	-	-
(53,756)	-	(53,756)	-	-
5,650	-	5,650	-	-
(78,815)	-	(78,815)	-	-
(46,607)	-	(46,607)	-	-
(191,025)	-	(191,025)	-	-
(143,028)	-	(143,028)	-	-
<u>(2,586,146)</u>	<u>-</u>	<u>(2,586,146)</u>	<u>-</u>	<u>-</u>
-	51,064	51,064	-	-
-	(105,475)	(105,475)	-	-
-	84,118	84,118	-	-
<u>-</u>	<u>29,707</u>	<u>29,707</u>	<u>-</u>	<u>-</u>
<u>(2,586,146)</u>	<u>29,707</u>	<u>(2,556,439)</u>	<u>-</u>	<u>-</u>
-	-	-	(220,824)	-
-	-	-	-	20,513
<u>-</u>	<u>-</u>	<u>-</u>	<u>(220,824)</u>	<u>20,513</u>
808,877	-	808,877	150,034	750
290,534	-	290,534	-	-
19,238	-	19,238	1,138	-
640,476	-	640,476	-	-
191,584	-	191,584	1,616	-
16,064	-	16,064	-	-
207	-	207	-	-
-	88,632	88,632	-	-
11,925	38,620	50,545	-	1,498
118,939	43,310	162,249	1,699	5,382
73,412	-	73,412	35,021	-
51,139	(51,139)	-	-	-
<u>2,222,395</u>	<u>119,423</u>	<u>2,341,818</u>	<u>189,508</u>	<u>7,628</u>
(363,751)	149,130	(214,621)	(31,316)	28,141
(1,044,630)	1,189,715	145,085	253,834	318,121
(25,500)	-	(25,500)	-	-
<u>(1,070,130)</u>	<u>1,189,715</u>	<u>119,585</u>	<u>253,834</u>	<u>318,121</u>
<u>\$ (1,433,881)</u>	<u>\$ 1,338,845</u>	<u>\$ (95,036)</u>	<u>\$ 222,518</u>	<u>\$ 346,262</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, 2016
(amounts expressed in thousands)

	General	Debt Service	Capital Projects
Assets			
Equity in pooled cash and investments	\$ 244,259	\$ 161,431	\$ 248,645
Receivables, net of allowances			
Accounts receivable	148,649	-	1
Property taxes receivable	29,236	-	-
Sales taxes receivable	106,849	-	-
Mixed beverage taxes receivable	4,237	-	-
Franchise taxes receivable	17,974	-	-
Special assessments receivable	11,869	-	-
Due from component units	-	-	-
Due from other funds	26,626	5	23,606
Due from other governments	1,276	124	6,382
Inventory	13,150	-	-
Prepaid items	2,343	-	609
Total assets	\$ 606,468	\$ 161,560	\$ 279,243
Liabilities and fund balance			
Liabilities			
Accounts payable	70,841	1,965	40,219
Accrued payroll liabilities	51,700	-	-
Due to other funds	36,288	5,713	19,819
Due to other governments	496	-	-
Advances and deposits	6,656	-	31
Pension payable	14,284	-	-
Claims and judgments	1,760	-	-
Compensated absences	4,223	-	-
Total liabilities	186,248	7,678	60,069
Deferred inflows of resources			
Deferred inflow of resources	157,168	124	106,260
Total deferred inflows of resources	157,168	124	106,260
Fund balance			
Non-Spendable			
Imprest cash and prepaids	2,343	-	609
Inventory	13,150	-	-
Restricted	1,232	153,758	16,040
Committed	10,922	-	-
Assigned	-	-	96,265
Unassigned	235,405	-	-
Total fund balance	263,052	153,758	112,914
Total liabilities and fund balance	\$ 606,468	\$ 161,560	\$ 279,243

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

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

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

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

Net position of governmental activities

(Continued)

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

<u>Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 50,508	\$ 267,479	\$ 972,322
33,899	32,370	214,919
-	-	29,236
-	-	106,849
-	-	4,237
-	-	17,974
-	-	11,869
1,862	-	1,862
3,731	16,336	70,304
57,986	21,684	87,452
414	1,372	14,936
-	-	2,952
<u>\$ 148,400</u>	<u>\$ 339,241</u>	<u>\$ 1,534,912</u>

23,436	12,533	148,994
1,641	4,972	58,313
29,276	36,124	127,220
8,497	1,449	10,442
178	3,044	9,909
-	-	14,284
-	-	1,760
-	3	4,226
<u>63,028</u>	<u>58,125</u>	<u>375,148</u>

<u>61,904</u>	<u>42,030</u>	<u>367,486</u>
61,904	42,030	367,486

-	-	2,952
414	1,372	14,936
10,188	160,005	341,223
-	77,709	88,631
12,866	-	109,131
-	-	235,405
<u>23,468</u>	<u>239,086</u>	<u>792,278</u>
<u>\$ 148,400</u>	<u>\$ 339,241</u>	

7,134,128
1,268,347

20,686

(10,649,320)

(1,433,881)

* 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, 2016
(amounts expressed in thousands)

	General	Debt Service	Capital Projects
Revenues			
Taxes and assessments	\$ 1,966,067	\$ -	\$ -
Licenses and permits	40,508	-	-
Charges for services	153,018	-	-
Intergovernmental - grants	55,078	-	53,860
Fines and forfeits	29,913	-	-
Investment income	4,675	1,418	2,566
Other	44,581	8,695	11,160
Total revenues	<u>2,293,840</u>	<u>10,113</u>	<u>67,586</u>
Expenditures			
Current Expenditures			
General government	275,593	-	-
Public safety	1,353,270	-	-
Public works	193,948	-	-
Health	61,234	-	-
Housing and community development	668	-	-
Parks and recreation	71,197	-	-
Library	39,068	-	-
Retiree benefits	11,390	-	-
Capital outlay	39,232	-	254,071
Debt Service			
Debt service principal	-	290,805	-
Debt service interest	942	150,318	-
Debt service fiscal agent & fees	-	6,153	-
Total expenditures	<u>2,046,542</u>	<u>447,276</u>	<u>254,071</u>
Other financing sources (uses)			
Issuance of debt	20,000	-	45,000
Issuance of refunding debt	-	557,615	-
Premium on refunding debt	-	102,908	-
Sale of capital assets	8,674	-	-
Transfers in	66,837	358,649	115,865
Transfers out	(405,145)	-	(1,250)
Payment to escrow agent for refunded bonds	-	(550,600)	-
Total other financing sources (uses)	<u>(309,634)</u>	<u>468,572</u>	<u>159,615</u>
Changes in fund balance	(62,336)	31,409	(26,870)
Fund balances, July 1, as previously reported	350,888	122,349	139,784
Correction of an error (Note 1L)	(25,500)	-	-
Fund balances, July 1	325,388	122,349	139,784
Fund balances, June 30	<u>\$ 263,052</u>	<u>\$ 153,758</u>	<u>\$ 112,914</u>

(Continued)

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

<u>Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ 416	\$ 1,966,483
-	85,512	126,020
-	151,420	304,438
172,894	95,714	377,546
-	12,559	42,472
446	2,820	11,925
949	52,057	117,442
<u>174,289</u>	<u>400,498</u>	<u>2,946,326</u>
13,410	30,157	319,160
13,955	51,538	1,418,763
19,401	116,223	329,572
58,929	25,813	145,976
61,871	-	62,539
6,139	7,916	85,252
203	-	39,271
-	-	11,390
-	41,252	334,555
-	-	290,805
-	-	151,260
-	632	6,785
<u>173,908</u>	<u>273,531</u>	<u>3,195,328</u>
-	-	65,000
-	-	557,615
-	-	102,908
33	85	8,792
12,866	68,771	622,988
-	(165,454)	(571,849)
-	-	(550,600)
<u>12,899</u>	<u>(96,598)</u>	<u>234,854</u>
13,280	30,369	(14,148)
10,188	208,717	831,926
-	-	(25,500)
<u>10,188</u>	<u>208,717</u>	<u>806,426</u>
<u>\$ 23,468</u>	<u>\$ 239,086</u>	<u>\$ 792,278</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, 2016
(amounts expressed in thousands)**

Net change in fund balances - total governmental funds	\$	(14,148)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation (\$264,535) and net disposal of assets (\$4,620) was less than the increase in capital assets (\$412,801) in the current period.</p>		143,538
<p>Revenue in the statement of activities that do not provide current financial resources are deferred as revenues in the funds.</p>		199,357
<p>Generally, governmental funds report revenue when cash is actually received , or is expected 60 days after the close of the fiscal year. Cash received during the period relates to prior periods.</p>		(170,398)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report, as expenditures, the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		109,558
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Governmental funds report payments as expenditures in the period of disbursement. The liquidation of long-term liabilities previously accrued should not be reported in the statement of activities.</p>		(624,427)
<p>Internal service funds are used by management to charge the costs of certain activities, such as the cost of health benefits, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.</p>		(7,231)
Change in net position of governmental activities	\$	(363,751)

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

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
PROPRIETARY FUNDS
Statement of Net Position
June 30, 2016
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Assets			
Current Assets			
Equity in pooled cash and investments	\$ 389,416	\$ 81,167	\$ 851,737
Receivables, net of allowances			
Accounts receivable	3,347	-	98,911
Hotel occupancy tax receivable	-	22,898	-
Special assessments receivable	-	-	93
Due from component units	-	14,381	-
Due from other funds	31,833	3,116	36,938
Due from other governments	11,255	-	1,442
Inventory	1,632	-	11,569
Prepaid items	2,817	-	3,490
Restricted assets			
Investments	5,541	-	-
Total current assets	<u>445,841</u>	<u>121,562</u>	<u>1,004,180</u>
Noncurrent Assets			
Equity in pooled cash	817,877	32,178	235,290
Investments	35,512	-	-
Due from component units	-	285,189	-
Prepaid items	1,481	-	7,498
Due from other governments	-	-	3,943
Amounts held by other governments	-	-	11,060
Total noncurrent restricted assets	<u>854,870</u>	<u>317,367</u>	<u>257,791</u>
Capital assets			
Land	222,886	95,687	142,280
Buildings	2,900,383	577,760	199,547
Improvements and equipment	1,790,940	11,875	166,250
Infrastructure	530,381	334	10,180,941
Construction in progress	174,942	-	504,872
Runway rights	13,836	-	-
Water rights	-	-	545,285
Garage rights	-	13,144	-
Less accumulated depreciation and amortization	<u>(2,674,904)</u>	<u>(273,060)</u>	<u>(5,317,451)</u>
Net capital assets	<u>2,958,464</u>	<u>425,740</u>	<u>6,421,724</u>
Total noncurrent assets	<u>3,813,334</u>	<u>743,107</u>	<u>6,679,515</u>
Total assets	<u>4,259,175</u>	<u>864,669</u>	<u>7,683,695</u>
Deferred outflows of resources			
Deferred outflows	59,367	516	520,212
Total deferred outflows of resources	<u>\$ 59,367</u>	<u>\$ 516</u>	<u>\$ 520,212</u>

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

<u>Business-type Activities-Enterprise</u>	<u>Governmental Activities Internal Service Funds</u>
<u>Total</u>	
\$ 1,322,320	\$ 79,968
102,258	1,843
22,898	-
93	-
14,381	-
71,887	6
12,697	112
13,201	-
6,307	3
5,541	-
<u>1,571,583</u>	<u>81,932</u>
1,085,345	-
35,512	-
285,189	-
8,979	-
3,943	-
11,060	-
<u>1,430,028</u>	<u>-</u>
460,853	-
3,677,690	529
1,969,065	-
10,711,656	-
679,814	-
13,836	-
545,285	-
13,144	-
<u>(8,265,415)</u>	<u>(431)</u>
<u>9,805,928</u>	<u>98</u>
<u>11,235,956</u>	<u>98</u>
<u>12,807,539</u>	<u>82,030</u>
580,095	-
<u>\$ 580,095</u>	<u>\$ -</u>

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

CITY OF HOUSTON, TEXAS
PROPRIETARY FUNDS
Statement of Net Position
June 30, 2016
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Liabilities			
Current Liabilities			
Accounts payable	\$ 14,087	\$ 367	\$ 108,768
Accrued payroll liabilities	3,133	31	5,206
Accrued interest payable	47,125	4,809	34,737
Commercial paper	87,000	-	60,000
Contracts payable	64,665	-	4,868
Due to other funds	970	-	3,059
Due to component units	-	24,119	3,198
Due to other governments	-	-	1,256
Special facility bonds payable	5,305	-	-
Advances and deposits	2,082	-	56,558
Notes payable	5,018	-	-
Inferior lien contracts	5,915	-	-
Claims and judgments	868	-	1,026
Compensated absences	5,945	111	10,218
Pension obligation bonds payable	-	70	1,115
Revenue bonds payable	74,665	31,413	184,570
Unearned revenue	1,922	-	-
Total current liabilities	318,700	60,920	474,579
Noncurrent liabilities			
Notes payable	115,421	-	-
Revenue bonds payable	2,075,512	631,173	6,401,184
Special facility bonds payable	91,590	-	-
Claims and judgments	937	-	1,049
Compensated absences	6,835	38	9,972
Contracts payable	-	-	204,415
Inferior lien contracts	6,240	-	-
Arbitrage rebate liability	-	108	422
Municipal pension trust liability	282,811	6,321	437,225
Other post employment benefits	70,203	4,192	126,449
SWAP liability	-	-	307,180
Unearned revenue	-	7,191	336,450
Pension obligation bonds payable	2,006	3,624	57,117
Total noncurrent liabilities	2,651,555	652,647	7,881,463
Total liabilities	2,970,255	713,567	8,356,042
Deferred inflows of resources			
Deferred inflows	2,526	7,374	3,974
Total deferred inflows of resources	2,526	7,374	3,974
Net position (deficit)			
Net investment in capital assets	537,172	72,162	20,048
Restricted net position			
Restricted for debt service	333,635	30,368	-
Restricted for renewal and replacement	10,000	6	-
Restricted for maintenance and operations	54,942	22,809	83,493
Restricted for others' capital improvement	26,944	-	-
Restricted for capital improvements	561,071	-	1,442
Unrestricted	(178,003)	18,899	(261,092)
Total net position (deficit)	\$ 1,345,761	\$ 144,244	\$ (156,109)
Cumulative liability resulting from internal service funds' undercharging proprietary funds			
Net position of business-type activities			

(Continued)

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

<u>Business-type Activities-Enterprise</u>	<u>Governmental Activities Internal Service Funds</u>
<u>Total</u>	
\$ 123,222	\$ 777
8,370	155
86,671	-
147,000	-
69,533	-
4,029	10,948
27,317	-
1,256	-
5,305	-
58,640	-
5,018	-
5,915	-
1,894	21,587
16,274	271
1,185	-
290,648	-
1,922	2,869
<u>854,199</u>	<u>36,607</u>
115,421	-
9,107,869	-
91,590	-
1,986	19,689
16,845	99
204,415	-
6,240	-
530	-
726,357	-
200,844	-
307,180	-
343,641	-
62,747	-
<u>11,185,665</u>	<u>19,788</u>
<u>12,039,864</u>	<u>56,395</u>
13,874	-
<u>13,874</u>	<u>-</u>
629,382	98
364,003	-
10,006	-
161,244	-
26,944	-
562,513	-
(420,196)	25,537
<u>1,333,896</u>	<u>\$ 25,635</u>
4,949	
<u>\$ 1,338,845</u>	

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

CITY OF HOUSTON, TEXAS
PROPRIETARY FUNDS
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2016
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Operating Revenues			
Landing area fees	\$ 86,870	\$ -	\$ -
Terminal space rentals	216,018	-	-
Parking	101,650	11,051	-
Concession	76,035	-	-
Other	8,324	-	-
Rental	-	1,380	-
Water/Sewer Billing	-	-	1,002,582
Health benefit premiums	-	-	-
Total operating revenue	<u>488,897</u>	<u>12,431</u>	<u>1,002,582</u>
Operating Expenses			
Administrative costs	-	-	-
Claims Costs	-	-	-
Maintenance and operating	315,419	76,466	451,342
Depreciation and amortization	179,398	13,720	236,841
Total operating expenses	<u>494,817</u>	<u>90,186</u>	<u>688,183</u>
Operating income (loss)	<u>(5,920)</u>	<u>(77,755)</u>	<u>314,399</u>
Nonoperating revenues (expenses)			
Investment income	13,260	12,708	12,652
Hotel occupancy tax	-	88,632	-
Other revenue	70	-	41,958
Gain (Loss) on disposal of assets	54	(1)	(1,877)
Other expenses	-	(420)	-
Interest on long-term debt	(86,212)	(27,299)	(252,116)
Passenger facility charges	104,230	-	-
Contributions	-	-	13,348
Special facility charges	16,417	-	-
Special facility cost	(47)	-	-
Total nonoperating revenues (expenses)	<u>47,772</u>	<u>73,620</u>	<u>(186,035)</u>
Income (loss) before capital contributions and transfers	<u>41,852</u>	<u>(4,135)</u>	<u>128,364</u>
Capital contributions	<u>22,542</u>	<u>-</u>	<u>10,364</u>
Transfers out	<u>-</u>	<u>(1,380)</u>	<u>(49,759)</u>
Total transfers	<u>-</u>	<u>(1,380)</u>	<u>(49,759)</u>
Change in net position	64,394	(5,515)	88,969
Liability resulting from internal service fund's undercharging proprietary funds			
Net change			
Beginning Net Position as previously reported	<u>1,281,367</u>	<u>149,759</u>	<u>(245,078)</u>
Cumulative effect of a change in accounting principle	-	-	-
Total net position (deficit), July 1,	<u>1,281,367</u>	<u>149,759</u>	<u>(245,078)</u>
Total net position (deficit), June 30	<u>\$ 1,345,761</u>	<u>\$ 144,244</u>	<u>\$ (156,109)</u>

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

(Continued)

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

Business-type Activities Enterprise Funds	Governmental Activities Internal Service Funds
<u>Total</u>	
\$ 86,870	\$ -
216,018	-
112,701	-
76,035	-
8,324	1,062
1,380	-
1,002,582	-
-	340,395
<u>1,503,910</u>	<u>341,457</u>
-	7,416
-	342,002
843,227	-
429,959	22
<u>1,273,186</u>	<u>349,440</u>
<u>230,724</u>	<u>(7,983)</u>
38,620	752
88,632	-
42,028	-
(1,824)	-
(420)	-
(365,627)	-
104,230	-
13,348	-
16,417	-
(47)	-
<u>(64,643)</u>	<u>752</u>
<u>166,081</u>	<u>(7,231)</u>
<u>32,906</u>	<u>-</u>
<u>(51,139)</u>	<u>-</u>
<u>(51,139)</u>	<u>-</u>
147,848	(7,231)
1,282	
149,130	
<u>1,186,048</u>	
-	
<u>1,186,048</u>	<u>32,866</u>
<u>\$ 1,335,178</u>	<u>\$ 25,635</u>
3,667	
<u>\$ 1,338,845</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, 2016
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Cash flows from operating activities			
Receipts from customers	\$ 504,457	\$ 11,127	\$ 1,001,706
Payments to employees	(101,054)	(94)	(138,420)
Payments to suppliers	(123,101)	(70)	(230,949)
Internal activity-payments (to) from other funds	(94,776)	(3,004)	(52,840)
Claims paid	(868)	-	(1,563)
Due to(from) other governments	-	(98)	-
Other receipts	70	(788)	41,958
Other payments	-	(77,164)	-
Receipts from component units	-	2,140	-
Receipts from other governments	-	-	155
Net cash provided by (used in) operating activities	<u>184,728</u>	<u>(67,951)</u>	<u>620,047</u>
Cash flows from investing activities			
Interest income on investments	13,260	12,708	12,652
Purchases of investments	(1,629,945)	(139,111)	(1,532,283)
Sales of investments	1,687,735	145,995	1,594,761
Net cash provided by (used in) investing activities	<u>71,050</u>	<u>19,592</u>	<u>75,130</u>
Cash flows from capital and related financing activities			
Retirement of revenue bonds	(65,730)	(24,524)	(1,111,586)
Retirement of special facility bonds	(5,160)	-	-
Proceeds from issuance of special facility bonds	-	-	-
Refunding of revenue bonds	-	(65)	(4,985)
Retirement of commercial paper	-	-	(180,000)
Proceeds (uses of cash) from issuance of revenue bonds	-	-	1,281,650
Refunding of special facility bonds	-	-	-
Proceeds from issuance of commercial paper	37,500	-	120,000
Passenger facilities charges	105,154	-	-
Customer facilities charges	16,640	-	-
Deferred bond issuance cost	-	-	22,961
Interest expense on debt	(98,308)	(18,757)	(257,314)
Retirement of inferior lien contract	(5,605)	-	-
Proceeds from disposition of assets	-	128	1,683
Costs of issuing special facility bonds	-	-	-
Grant receipts	17,930	-	13,348
Deferred outflow on pension liability	-	-	(29,651)
Acquisition of property, plant and equipment	(174,264)	660	(406,369)
Due from other governments	-	-	(1,978)
Net cash provided by (used in) capital and related financing activities	<u>(171,843)</u>	<u>(42,558)</u>	<u>(552,241)</u>

(Continued)

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

Business-type Activities Enterprise Funds		Governmental Activities Internal Service Funds	
Total			
\$	1,517,290	\$	340,219
	(239,568)		(5,053)
	(354,120)		(1,646)
	(150,620)		(522)
	(2,431)		(342,774)
	(98)		(91)
	41,240		1,062
	(77,164)		-
	2,140		-
	155		-
	<u>736,824</u>		<u>(8,805)</u>
	38,620		(1,965)
	(3,301,339)		-
	<u>3,428,491</u>		<u>-</u>
	<u>165,772</u>		<u>(1,965)</u>
	(1,201,840)		-
	(5,160)		-
	-		-
	(5,050)		-
	(180,000)		-
	1,281,650		-
	-		-
	157,500		-
	105,154		-
	16,640		-
	22,961		-
	(374,379)		-
	(5,605)		-
	1,811		-
	-		-
	31,278		-
	(29,651)		-
	(579,973)		(8)
	<u>(1,978)</u>		<u>-</u>
	<u>(766,642)</u>		<u>(8)</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, 2016
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds		
	Airport System	Convention & Entertainment	Combined Utility
Cash flows from noncapital financing activities			
Interest expense on pension obligation bonds	(107)	225	(2,763)
Pension bond payable	-	-	(41)
Payments from component unit	-	9,350	-
Hotel occupancy tax revenue	-	89,532	-
Transfers to debt service fund	-	-	(9,891)
Transfers to other funds	-	-	(39,868)
Net cash provided by (used in) noncapital financing activities	<u>(107)</u>	<u>99,107</u>	<u>(52,563)</u>
Net increase (decrease) in cash and cash equivalents	83,828	8,190	90,373
Cash and cash equivalents, July 1	44,471	450	4,386
Cash and cash equivalents, June 30	<u>\$ 128,299</u>	<u>\$ 8,640</u>	<u>\$ 94,759</u>
Non cash transactions			
Capital additions included in notes payable	120,440	-	-
Bond amortization expense	3,729	-	-
Grants included in receivables	4,612	-	-
Unrealized gain on investments	-	(294)	-
Capital additions included in liabilities	29,251	-	-
Donated capital	-	-	(10,364)
Capitalized interest expense	8,788	-	14,529
CAB accretion interest	-	-	8,040
Gain (loss) on disposal of assets	(129)	-	1,877
Total non cash transactions	<u>\$ 166,691</u>	<u>\$ (294)</u>	<u>\$ 14,082</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ (5,920)	\$ (77,755)	\$ 314,399
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation and amortization	179,398	13,340	236,841
Other post employment benefits	5,042	(172)	10,005
Other revenues	70	(582)	41,957
Note payable	(5,153)	(420)	-
Capital improvement plan expense	4,616	-	-
Changes in assets and liabilities			
Accounts receivable	20,666	760	(1,967)
Arbitrage rebate	-	(99)	-
Due from other funds	(30,960)	(3,004)	(27,096)
Due from other governments	-	-	243
Inventory and prepaid insurance	(16)	-	(13)
Accounts payable	(579)	(4)	(12,465)
Accrued payroll liabilities	634	(7)	1,114
Due to other funds	609	-	2,106
Advances and deposits	48	-	1,111
Claims and judgments-workers' compensation	(332)	-	(94)
Compensated absences	230	(76)	(348)
Pension obligation payable	16,375	360	54,254
Deferred revenue	-	(292)	-
Net cash provided by (used in) operating activities	<u>\$ 184,728</u>	<u>\$ (67,951)</u>	<u>\$ 620,047</u>

(Continued)

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

Business-type Activities Enterprise Funds	Governmental Activities Internal Service Funds
Total	
(2,645)	-
(41)	-
9,350	-
89,532	-
(9,891)	-
(39,868)	-
<u>\$ 46,437</u>	<u>-</u>
182,391	(10,778)
49,307	407
<u>\$ 231,698</u>	<u>\$ (10,371)</u>
120,440	-
3,729	-
4,612	-
(294)	-
29,251	-
(10,364)	-
23,317	-
8,040	-
1,748	-
<u>\$ 180,479</u>	<u>\$ -</u>
\$ 230,724	\$ (7,983)
429,579	22
14,875	-
41,445	-
(5,573)	-
4,616	-
19,459	(176)
(99)	-
(61,060)	(6)
243	(91)
(29)	-
(13,048)	445
1,741	50
2,715	(397)
1,159	-
(426)	(683)
(194)	(112)
70,989	-
(292)	126
<u>\$ 736,824</u>	<u>\$ (8,805)</u>

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

CITY OF HOUSTON, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016
(amounts expressed in thousands)

	Pension Trust Funds	Agency Funds
Assets		
Equity in pooled cash and investments	\$ 71,684	\$ 43,428
Investments		
U.S. government and agency securities	92,417	-
Corporate bonds	200,401	-
Other fixed income securities	1,305,322	-
Commingled equity funds	364,165	-
Common and preferred stock	3,326,377	-
Real estate, partnerships and alternatives	3,897,222	-
Short-term investment funds	894,904	-
Invested securities lending collateral	130,139	-
Receivables, net of allowances		
Accounts receivable	26,643	127
Contributions	20,040	-
Accrued interest and other	14,541	-
Due from other funds	-	-
Other	69,215	-
Other Assets	843	-
Land	483	-
Building	5,014	-
Total assets	10,419,410	43,555
Liabilities		
Accounts payable	46,710	43,424
Advances and deposits	-	131
Security lending collateral	130,139	-
Foreign funds contracts payable	25,873	-
Other liabilities	6,535	-
Total liabilities	209,257	\$ 43,555
Net position restricted for pensions	\$ 10,210,153	

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

CITY OF HOUSTON, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
PENSION TRUST FUNDS
For the Year Ended June 30, 2016
(amounts expressed in thousands)

	2016
Additions	
Contributions:	
City of Houston	\$ 391,629
Plan members	80,402
Total Contributions	472,031
Investment earnings	
Interest and dividends	147,197
Net increase in the fair value of investments	(272,075)
Total investment income	(124,878)
Less investment expense	(29,102)
Net investment income	(153,980)
Total additions	318,051
 Deductions	
Benefits	723,382
Refund of contributions	2,627
Administrative expense	20,606
Total deductions	746,615
Change in net position	(428,564)
 Total net position restricted for pensions, July 1	10,638,717
Total net position restricted for pensions, June 30	\$ 10,210,153

* 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, 2016

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CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016



CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

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 at the required reporting level for governmental entities that present financial statements in accordance with generally accepted accounting principles.

The significant accounting policies of the City are as follows:

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

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

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

B. Basis of Presentation - Financial Reporting Entity

1. Component Units

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

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

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

Following are the City's blended component units:

Blended Component Units Reported with the Primary Government	Brief Description of Activities, Relationship to the City and Key Inclusion Criteria
<p><i>Houston Firefighters' Relief & Retirement Fund</i> 4225 Interwood North Parkway Houston, TX 77032</p>	<p>Responsible for administration, management, and operation of the pension system solely for active and retired City of Houston firefighters. One member of the Board is either the Mayor or an appointed representative, five members are elected by active firefighters, one member is elected by retired firefighters, two members are citizen representatives, and one member is the City Treasurer. There is a fiscal dependency on the City, and there is the potential that exclusion would result in misleading financial reporting.</p> <p>Reporting Fund: Houston Firefighters' Relief and Retirement Pension Trust Fund.</p>
<p><i>Houston Municipal Employees Pension System</i> 1201 Louisiana, Suite 900 Houston, TX 77002</p>	<p>Responsible for administration, management, and operation of the pension system solely for active and retired municipal (non-classified) employees of the City. One member of the Board is appointed by the Mayor, one member of the Board is appointed by the City Controller, four are elected by active employees, two are elected by retirees, one is appointed by the elected trustees and two are appointed by the governing body of the City. There is a fiscal dependency on the City, and there is the potential that exclusion would result in misleading financial reporting.</p> <p>Reporting Fund: Houston Municipal Employee's Pension Trust Fund.</p>
<p><i>Houston Police Officers' Pension System</i> 602 Sawyer, Suite 300 Houston, TX 77007</p>	<p>Responsible for administration, management, and operation of the pension system solely for active and retired police officers of the City. One member of the Board is appointed by the Mayor, three are elected by employees, two are elected by retirees, and one is the City Treasurer. There is a fiscal dependency on the City, and there is the potential that exclusion would result in misleading financial reporting.</p> <p>Reporting Fund: Houston Police Officer's Pension Trust Fund.</p>

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

Discretely Reported Component Units	Brief Description of Activities, Relationship to City, and Key Inclusion Criteria
<p><i>Houston First Corporation</i> 701 Avenida de las Americas Houston, TX 77010</p>	<p>On June 1, 2011, City of Houston City Council approved the consolidation of the City's Convention & Entertainment Facilities Department ("Department") operations into the Hotel Corporation ("Consolidation"), effective July 1, 2011, in order to bring various entities responsible for generating and spending City hotel occupancy tax (HOT) revenues under one governing body. In connection with the Consolidation, the Hotel Corporation reconstituted and renamed itself as "Houston First Corporation," and Houston First Corporation (HFC) assumed the primary roles and responsibilities of the Department. To accomplish this, the Hotel Corporation amended its bylaws and articles of incorporation to broaden its authority to accomplish its expanded duties and responsibilities. The City appoints a voting majority of HFC's board. There is a fiscal dependency on the City, as well as a financial burden on the City, and there is the potential that exclusion would result in misleading financial reporting. HFC has a December 31 year end.</p>
<p><i>Houston Housing Finance Corporation</i> 9545 Katy Freeway, Suite 105 Houston, TX 77024</p>	<p>Non-profit corporation incorporated by the City in accordance with the Texas Housing Finance Corporation Act to finance residential mortgage loans to low or moderate-income persons through the sale of revenue bonds collateralized by the mortgage loans. The Board is nominated by the Mayor and confirmed by City Council. The City has financial accountability because it appoints a voting majority of the Board and a financial benefit/burden relationship exists, allowing the City to impose its will.</p>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

<u>Discretely Reported Component Units</u>	<u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u>
<p><i>Houston Zoo, Inc</i> <i>1513 Cambridge Street</i> <i>Houston, TX 77030</i></p>	<p>Houston Zoo, Inc. (HZI) is a 501(c)(3) non-profit corporation and has a contract with Houston Zoo Development Corporation 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. The City appoints a voting majority to the HZI board. There is a fiscal dependency on the City, as well as a financial burden on the City, and there is the potential that exclusion would result in misleading financial reporting.</p>

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

<u>Discretely Reported Component Units</u>	<u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u>
<p><i>City Park Redevelopment Authority</i> <i>c/o City of Houston, Mayor's Office</i> <i>of Economic Development</i> <i>901 Bagby Street, 4th Floor</i> <i>Houston, TX 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 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 Bracewell & Giuliani, LLP</i> <i>711 Louisiana Street, Suite 2300</i> <i>Houston, TX 77002</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the East Downtown Tax Increment Zone Board in the redevelopment of a blighted neighborhood east of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. In addition, there is a fiscal dependence on the City.</p>
<p><i>Fifth Ward Redevelopment Authority</i> <i>c/o Fifth Ward Community</i> <i>Redevelopment Corporation</i> <i>P. O. Box 21502</i> <i>Houston, TX 77226-1502</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Fifth Ward Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood adjacent to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. The City has investment authority for the Zone's assets.</p>
<p><i>Fourth Ward Redevelopment Authority</i> <i>410 Pierce Street, Suite 355</i> <i>Houston, TX 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 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>16800 Greenspoint Park Drive, #160S</i> <i>Houston, TX 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 a blighted adjacent neighborhood in North Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will.</p>
<p><i>Greater Houston Convention and Visitors Bureau</i> <i>1331 Lamar Street, Suite 700</i> <i>Houston, TX 77010</i></p>	<p>A non-profit organization established in 1963. Prior to July 1, 2014 the organization was funded by both private sector memberships and a portion of the hotel occupancy tax. Subsequent to July 1, 2014 it is funded by only private sector memberships. Their mission is to improve the economy of Greater Houston by attracting conventions, tourists and film projects to the area through sales and marketing efforts. The City has financial accountability because there is a fiscal dependence on the City and a financial benefit/burden relationship exists, allowing the City to impose its will.</p>

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***Gulfgate Redevelopment Authority
c/o Bracewell & Giuliani, LLP
711 Louisiana Street, Suite 2300
Houston, TX 77002***

***Hardy/Near Northside Redevelopment Authority
c/o Bracewell & Giuliani, LLP
711 Louisiana Street, Suite 2300
Houston, TX 77002***

***Houston Area Library Automated Network
Houston Central Library
500 McKinney Street
Houston, TX 77002***

***Houston Arts Alliance
3201 Allen Parkway, Suite 250
Houston, TX 77019***

***Houston BARC Foundation
c/o City of Houston, Administration and Regulatory Affairs Department
611 Walker Street, 13th Floor
Houston, TX 77002***

***Houston Civic Events, Inc
c/o City of Houston, Mayor's Office of Special Events
901 Bagby Street, 1st Floor
Houston, TX 77002***

***Houston Downtown Park Corporation
1500 McKinney Street
Houston, TX 77010***

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

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Gulfgate Tax Increment Reinvestment Zone Board in the redevelopment of the Gulfgate Mall and a blighted adjacent neighborhood southeast of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists allowing the City to impose its will.

A local government corporation established by the City of Houston in 2009 in accordance with Chapter 311 of the Texas Tax Code. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists allowing the City to impose its will.

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 appoint a voting majority, and is financially accountable for this organization because HALAN is fiscally dependent on the City for revenues, allowing the City the ability to impose its will.

A 501(c)(3) non-profit corporation with a mission to enhance the city's quality of life through advancing and investing in the arts and diverse cultural programming. The Alliance awards grants, provides arts-related services and manages portions of the City's Civic Art Program. 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 for the revenues provided from a portion of hotel occupancy tax.

A 501(c)(3) non-profit corporation with a mission to enhance the city's quality of life through advancing and investing in the care and humane treatment of animals. The Foundation solicits funds, gifts, and bequests for use at BARC. It promotes awareness to Houston area residents on responsible pet ownership, and the humane treatment of all animals. 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.

A 501(c)(3) non-profit, local government corporation and component unit created specifically to support the City's Civic Celebration Program. Under the existing structure, donations and sponsorship revenues received by the Mayor's Office of Special Events are currently housed with two component units, Houston Parks Board, Inc. and Central Houston Civic Improvement, Inc. 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.

Local government corporation created by the City 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.

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Discretely Reported Component Units

Houston Forensic Science Center, Inc
1301 Fannin Street, Suite 170
Houston, TX 77002

Houston MediaSource
410 Roberts Street
Houston, TX 77003

Houston Museum District
Association
1300 McGowen Street, Suite 120
Houston, TX 77004

Houston Parks Board LGC, Inc
300 N. Post Oak Lane
Houston, TX 77024

Houston Public Library Foundation
Houston Central Library
550 McKinney Street
Houston, TX 77002

Houston Recovery Center, LGC
150 North Chenevert Street, Suite 100
Houston, TX 77002

Lake Houston Redevelopment Authority
c/o TIFWorks, LLC
P.O. Box 10330
Houston, TX 77206

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

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to provide forensic science services previously provided by the Houston Police Department. Board members are appointed by the City and a financial benefit/burden relationship exists, allowing the City to impose its will. There is the potential that exclusion would result in misleading financial reporting.

A non-profit organization organized to coordinate and develop all public and educational cable access activities within the City of Houston. Funding is provided by Public and Educational and Government Access (PEG) payments made to the city by cable operators under the City's cable franchises with respect to the annual support of the PEG Channels for the support of public, educational, and governmental access programming. Board members are appointed by the City and a financial benefit/burden relationship exists, allowing the City to impose its will. There is the potential that exclusion would result in misleading financial reporting.

A 501(c)(3) non-profit corporation with a mission to making cultural arts accessible to all and creating unparalleled opportunities for education, inspiration and recreation. The Association allocates funding, holds free events and conducts marketing. 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 for the revenues provided from a portion of hotel occupancy tax.

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. The Houston Parks Board administers and manages the LGC's business operations. LGC 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.

Solicits and manages funds raised privately for library improvements and 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.

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to provide management of the Houston Center for Sobriety. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial burden to the City, allowing the City to impose its will.

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist Tax Increment Reinvestment Zone 10 Board in the redevelopment of the Lake Houston area. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.

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<u>Discretely Reported Component Units</u>	<u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u>
<p><i>Lamar Terrace Public Improvement District</i> <i>City of Houston</i> <i>P. O. Box 1562</i> <i>Houston, TX 77251</i></p>	<p>Special tax 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>c/o City of Houston, Housing and Community Department</i> <i>601 Sawyer, 4th Floor</i> <i>Houston, TX 77007</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 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. The City has financial accountability because the voting majority of the board members are nominated by City Council, allowing the City to impose its will, and the operations provide financial benefits to the City.</p>
<p><i>Leland Woods Redevelopment Authority I</i> <i>c/o Bracewell & Giuliani, LLP</i> <i>711 Louisiana Street, Suite 2300</i> <i>Houston, TX 77002-2770</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act and Chapter 394 of the Texas Local Government Code to assist the City and Tax Increment Reinvestment Zone Number 22 in the redevelopment of a blighted neighborhood. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will.</p>
<p><i>Leland Woods Redevelopment Authority II</i> <i>c/o Bracewell & Giuliani, LLP</i> <i>711 Louisiana, Suite 2300</i> <i>Houston, TX 77002-2770</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act and Chapter 394 of the Texas Local government Code to assist the City, Leland Woods Redevelopment Authority and Tax Increment Reinvestment Zone Number 22 in the redevelopment of a blighted neighborhood. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will.</p>
<p><i>Main Street Market Square Redevelopment Authority</i> <i>909 Fannin, Suite 1650</i> <i>Houston, TX 77010</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Main St./Market Square Tax Increment Reinvestment Zone Board in the redevelopment of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><i>Memorial City Redevelopment Authority</i> <i>c/o Hawes Hill Calderon, LLP</i> <i>P.O. Box 22167</i> <i>Houston, TX 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 Memorial City Tax Increment Reinvestment Zone Board in the redevelopment of the Memorial City Mall and the Town & Country Mall areas west of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><i>Memorial-Heights Redevelopment Authority</i> <i>c/o John Kuhl, Attorney</i> <i>SKLaw</i> <i>1980 Post Oak Boulevard, Suite 1380</i> <i>Houston, TX 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 Memorial Heights Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood adjacent to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><i>Midtown Redevelopment Authority</i> <i>410 Pierce Street, Suite 355</i> <i>Houston, TX 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>

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

Miller Theatre Advisory Board, Inc
6000 Hermann Park Drive
Houston, TX 77030-1702

A 501(c)(3) non-profit corporation with a mission to act as a steward of public and private funds to provide professional-caliber performances, free to the public, at the Miller Outdoor Theatre for the cultural enrichment of Houston's diverse communities and visitors to this great city. Miller Outdoor Theatre is owned by the City and the Board awards grants to various artistic and performing groups for performances at Miller Outdoor Theater. The City has financial accountability because the directors are appointed by the Mayor and approved 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 for the revenues provided from a portion of hotel occupancy tax.

Old Sixth Ward Redevelopment Authority
c/o City of Houston, Mayor's Office of Economic Development
901 Bagby Street, 4th Floor
Houston, TX 77002

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Old Sixth Ward Tax Increment Reinvestment Zone Board in the redevelopment of a neighborhood adjacent to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council, the operations provide financial benefits to the City, and the City has investment authority for the Authority's assets.

OST/Almeda Corridors Redevelopment Authority
5445 Almeda Road, Suite 545
Houston, TX 77004

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.

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

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the St. George Place Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood in southwest Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council. The operations provide financial benefits to the City and the City has investment authority for the Authority's assets.

South Post Oak Redevelopment Authority
c/o City of Houston, Mayor's Office of Economic Development
901 Bagby Street, 4th Floor
Houston, TX 77002

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the South Post Oak Tax Increment Reinvestment Zone Board in the development of an affordable housing project in Southwest Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council, and the operations provide financial benefits to the City.

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

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Southwest Houston Tax Increment Reinvestment Zone Board (TIRZ 20) 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.

Stadium Park Redevelopment Authority
c/o Hawes Hill Calderon, LLP
P.O. Box 22167
Houston, TX 77227-2167

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to enhance the various corridors around the NRG Reliant complex park with general improvements in the form of landscaping and street improvement such as lighting, signage, and way-finding graphics. Private funds will be actively sought and interlocal agreements entered into with other governmental agencies as needed. The Authority will serve as a catalyst to encourage adjacent property owners and/or institutions to improve their properties. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.

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<u>Discretely Reported Component Units</u>	<u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u>
<i>Theater District Improvement, Inc</i> <i>c/o Houston Downtown Alliance</i> <i>912 Prairie Street, Suite 250</i> <i>Houston, TX 77002</i>	A 501(c)(3) non-profit corporation with a mission to enhance the quality of life and tourism in the Houston region and beyond by supporting and promoting the Theater District programs, initiatives and communication efforts. Theater District Improvement distributes grants, holds and annual open house and conducts marketing. 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 for the revenues provided from a portion of hotel occupancy tax.
<i>Upper Kirby Redevelopment Authority</i> <i>3120 Southwest Freeway, Suite 102</i> <i>Houston, TX 77098</i>	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.
<i>Uptown Development Authority</i> <i>1980 Post Oak Boulevard, Suite 1700</i> <i>Houston, TX 77056</i>	Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Uptown Tax Increment Reinvestment Zone Board in the redevelopment of the Galleria Mall area, west of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.

2. Related Organizations

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

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. 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 and is a financial burden/benefit.

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, deferred outflows, liabilities, deferred inflows, fund balance/net position, revenues, and expenditures/expenses. Government resources are allocated to and accounted for in individual funds for the purpose of carrying on specific activities in accordance with special regulations, restrictions, or limitations. The type and purpose of funds is described below.

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.

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- (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** - is used to account for grant resources received from various local, state and federal sources. The use of these resources is restricted to a particular function of the City by each grantor.

2. The City reports the following major enterprise funds:

- (a) **Airport System Fund** - is used to account for the operations of the City's Airport System. The system is comprised of George Bush Intercontinental Airport, William P. Hobby Airport, and Ellington Airport.
- (b) **Convention and Entertainment Facilities Fund** - is used to account for the operations of the City's major entertainment facilities, outdoor venues, and parking garages and surface lots. These assets include, but are not limited to, the following: George R. Brown Convention Center, Gus S. Wortham Center, Jesse H. Jones Hall, Houston Center for the Arts, Talento Bilingual 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 identified major fund) that are legally restricted to expenditures for specific purposes.
- (b) **Internal Service Funds** - are used to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.
- (c) **Fiduciary Fund Types** - 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. They are relative to the City's payroll revolving and deposit funds, and activity relating to receipt and disbursement of taxes collected for entities outside of the City government.

D. Measurement Focus and Basis of Accounting

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

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.

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The following types of revenues are susceptible to accrual under the modified accrual basis of accounting: property taxes, including 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 governmental funds and certain component units, 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 and reported as deferred inflow.

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 certain component units are accounted for on a cost of services or "economic resources" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statements of net position.

All proprietary funds define operating revenues and expenses consistent with the precepts of Statement of Government Accounting Standards No. 9 paragraphs 16 – 19 and 31: cash receipts from customers, cash receipts from interfund services provided and used with other funds and other operating cash receipts. All other revenues or expenses recognized are non-operating.

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

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

E. Assets and Liabilities

1. Deposits and Investments

Substantially all cash, except for imprest accounts, is deposited with financial institutions in non-interest bearing accounts. The City's deposit account is considered as a non-interest bearing account. Instead of receiving interest on the accounts, the City receives the "Earnings Credit Rate". The majority of the City's cash and investments are administered using a pooled concept, which combines the monies of various funds for investment purposes. Interest earnings of the pool are apportioned to each fund, unless otherwise required by bond covenants, based on the fund's relative share of the investment pool. All cash and investments are displayed on the statement of net position as "Equity in pooled cash and investments" and in accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools".

Investments are carried at fair value as defined in GASB Statement 72 "Fair Value Measurement and Application". Consistent with GASB Statement 72, the City categorizes its fair value measurements within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. A detail of the fair value hierarchy of investments held by the City are disclosed in Note 3 to the financial statements. Similar disclosure for debt held by the City at fair values is disclosed in Note 8.C.13 to the financial statements. 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.

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

The City considers all highly liquid debt securities with a maturity date of three months or less to be cash equivalents.

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

2. Inventories of Materials and Supplies

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

3. Capital Assets

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

Capital assets are defined by the general government as assets with an initial cost of \$5,000 or more, and an estimated useful life in excess of one fiscal year. The costs of maintenance and repairs that do not significantly add to the utility of an asset, or materially extend its useful life beyond its initially estimated useful life are not capitalized.

Capital asset valuation is based on historical costs if purchased or constructed, or based on estimated historical costs if original costs are not available - such as for the costs of infrastructure acquired prior to fiscal year 1981. Donated capital assets are recorded at estimated fair market value on the dates of donation.

General governmental capital acquisition and construction charges for land; buildings and improvements; improvements other than buildings; machinery and equipment; construction in progress; and infrastructure (e.g., storm drainage, streets and bridges) are reflected as capital outlay expenditures in the governmental funds’ Statement of Revenues, Expenditures and Changes in Fund Balances. Capitalizable expenditures are reported also as capital assets in the Governmental Activities column of the government-wide Statement of Net Assets.

During any construction phase, capitalizable outlays are reported as construction-in-progress on the government-wide Statement of Net Assets. There is no depreciation expense for this class of capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Life
Buildings and improvements	Range from 20 to 45 years
Improvements other than buildings	Range from 15 to 30 years
Machinery	Range from 5 to 20 years
Equipment	Range from 3 to 15 years
Storm drainage	Range from 40 to 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 work-in-progress until the assets are substantially complete. At that point, the project is moved to the appropriate asset category and depreciation begins. 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 interest costs materially exceed interest earnings on related revenue bond proceeds. For fiscal year 2016, the capitalized interest cost for the Airport System Facilities was \$8.8 million and Combined Utility System Fund was \$14.6 million. Depreciation on equipment begins in the year of acquisition.

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

Assets	Years
Airport System Facilities	4-45
Convention & Entertainment Facilities	5-45
Combined Utility System Facilities	5-50

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

4. Bond Premiums, Discounts and Issuance Costs

Bond premiums, discounts and prepaid bond insurance costs in Enterprise Funds are amortized over the term of the bonds using the effective interest or straight-line amortization method. Gains or losses on Enterprise Fund refundings are reported as deferred inflows or outflows and are amortized over the term of the lesser of the new bonds or the refunded bonds using the straight-line or effective interest method. Debt issuance costs are recognized as expenditures/expenses when incurred.

5. Reclassifications

In the fund financials, revenues that have met the eligibility criteria for future years except for the time availability have been reclassified from liabilities to deferred inflows of resources. In the government wide financials, the unamortized loss on refunding has been reclassified from long-term debt to deferred outflows.

F. Deferred Outflows and Inflows of Resources

In accordance with Government Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, the City reports deferred outflows of resources in the Statement of Net Position in a separate section following Assets. Similarly, the City reports deferred inflows of resources in the Statement of Net Position in a separate section following Liabilities.

The components of the deferred outflows of resources and deferred inflows of resources are as follows (in thousands):

	Business Type Activities			
	Governmental Activities	Aviation	Convention & Entertainment	Combined Utility System
Deferred Outflows of Resources				
Deferred outflows from pension activities	\$ 1,695,030	\$ 29,213	\$ 429	\$ 45,832
Unamortized deferred bond refunding costs/SWAP liability	25,697	30,154	87	474,380
Total Deferred Outflows of Resources	\$ 1,720,727	\$ 59,367	\$ 516	\$ 520,212
Deferred Inflows of Resources				
Deferred inflows from pension activities	\$ 650,980	\$ 2,526	\$ 44	\$ 3,974
Deferred inflows from unearned revenues/refunded debt	171,657	-	7,330	-
Total Deferred Inflows of Resources	\$ 822,637	\$ 2,526	\$ 7,374	\$ 3,974

G. Fund Balances and Budget Stabilization Arrangements

1. Fund Balance Descriptions

a. Non-spendable - indicates that portion of a fund balance that cannot be spent because they are either:

- 1) not in spendable form (such as inventories and prepaid amounts) or
- 2) legally or contractually required to be maintained intact.

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- b. Restricted** - indicates that portion of a fund balance for which external constraints are placed on the use of resources that are either:
- 1) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
 - 2) imposed by law through constitutional provisions or enabling legislation.
- c. Committed** – refers to that portion of a fund balance that can only be used for specific purposes pursuant to constraints imposed by ordinance of the City Council. The same formal action is required to remove the limitation.
- d. Assigned** – indicates that portion of a fund balance that are intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. City Council may assign fund balance through approval of budget appropriations.
- e. Unassigned** – residual net resources as a positive balance within the general fund only.

2. Fund Balance Summary

A Summary of the nature and purpose of fund balances at June 30, 2016 is as follows (in thousands):

	Governmental Fund Balances										
	General	Debt Service	Capital Projects	Grant	Non-Major Special Revenue Funds					Total Nonmajor	Total
					Public Safety	Public Works	Health & Housing	Parks	Other		
Fund balances:											
Non-spendable:											
Inventory	13,150	-	-	414	-	1,372	-	-	-	1,372	14,936
Prepaid items	2,343	-	609	-	-	-	-	-	-	-	2,952
Total non-spendable	15,493	-	609	414	-	1,372	-	-	-	1,372	17,888
Restricted for:											
Grants and other purposes	-	-	-	-	-	-	-	-	5,100	5,100	5,100
Police special purpose	587	-	-	-	6,223	-	-	-	-	6,223	6,810
Public transit operations	-	-	-	-	-	-	-	-	1,670	1,670	1,670
Affordable housing programs	-	-	-	-	-	-	13,328	-	-	13,328	13,328
Health services	645	-	-	10,188	-	-	-	-	73,915	73,915	84,748
Community development	-	-	-	-	-	-	-	251	200	451	451
Capital construction	-	-	16,040	-	-	49,319	-	-	9,999	59,318	75,358
Debt service	-	153,758	-	-	-	-	-	-	-	-	153,758
Total restricted	1,232	153,758	16,040	10,188	6,223	49,319	13,328	251	90,884	160,005	341,223
Committed to:											
Community development	3,555	-	-	-	5	-	-	766	206	977	4,532
Economic development	-	-	-	-	-	-	-	-	2,578	2,578	2,578
Court operations	-	-	-	-	1,383	-	-	-	-	1,383	1,383
Police special purpose	-	-	-	-	9,759	8	-	-	-	9,767	9,767
Emergency services	-	-	-	-	4,152	-	-	-	-	4,152	4,152
Capital construction	5,830	-	-	-	-	-	-	-	-	-	5,830
Public parks and preserves	1,537	-	-	-	-	1,849	-	8,222	-	10,071	11,608
Recycling programs	-	-	-	-	-	597	-	-	-	597	597
Development services	-	-	-	-	-	35,147	-	-	-	35,147	35,147
Health services	-	-	-	-	-	-	9,764	-	-	9,764	9,764
Affordable housing programs	-	-	-	-	-	-	-	-	895	895	895
Public transit operations	-	-	-	-	-	-	-	-	2,378	2,378	2,378
Total committed	10,922	-	-	-	15,299	37,601	9,764	8,988	6,057	77,709	88,631
Assigned:											
Capital construction	-	-	96,265	-	-	-	-	-	-	-	96,265
Disaster recovery	-	-	-	12,866	-	-	-	-	-	-	12,866
Total assigned	-	-	96,265	12,866	-	-	-	-	-	-	109,131
Unassigned:	235,405	-	-	-	-	-	-	-	-	-	235,405
Total	263,052	153,758	112,914	23,468	21,522	88,292	23,092	9,239	96,941	239,086	792,278

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When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

3. Budget Stabilization Arrangements

In accordance with City Ordinance 2014-1078, the City created a Budget Stabilization Fund in an amount not less than the greater of (a) 1% of General Fund expenditures (excluding debt service payments) or (b) \$20 million, which may be used in accordance with the definition of the fund. Any proposed use of the Budget Stabilization Fund shall be accompanied by a justification to City Council and shall require approval from two-thirds of the City Council present and voting. When an event causing use of the Budget Stabilization Fund has concluded, the City shall allocate sufficient funds by the end of the second subsequent full fiscal year to restore the Budget Stabilization Fund to at least minimum levels. On June 30, 2015 City Ordinance 2015-637 was passed, authorizing transfer of \$17 million to the 2015 Flood Disaster and Recovery Fund. During fiscal year 2016, in accordance with the provisions of the City Ordinance 2014-1078, \$8 million was transferred from the 2015 Flood Disaster and Recovery Fund back to the Budget Stabilization Fund.

Also in accordance with City Ordinance 2014-1078, the City will maintain Fund Balance as additional insurance against disasters, emergencies, and economic instability revenue shortfalls. The City's desired minimum unassigned Fund Balance for any given fiscal year is 7.5% of General Fund expenditures for that fiscal year, excluding debt service payments. These amounts are included in the General Fund's Unassigned Fund balance. The available balance at June 30, 2016 of the Budget Stabilization Fund is \$11 million.

H. Transfers, Revenues, Expenditures and Expenses

1. Interfund Transactions

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

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

2. Compensated Absences

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

The majority of full-time civilian employees and firefighters are covered under the compensatory sick leave plan and receive a leave time allowance of 2.5 hours per payroll period (bi-weekly) up to a maximum of 65 hours per year. Employees who use fewer than 65 hours during the benefit year will receive a match of additional hours equal to the number of hours accrued minus the number of hours used. Once an employee's balance has reached 1,040 hours, no additional match for unused hours is given. Upon termination, all unused sick leave time allowances in excess of 1,040 hours are payable to the employee at the employee's rate of pay at the time of termination. An employee who uses less than 16 hours of sick leave in any benefit year receives up to three days

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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.

I. 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.

J. Internal Service Funds

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

K. New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, "Fair Value Measurement and Application". This statement addresses accounting and financial reporting issues related to fair value measurements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The City has implemented GASB No. 72 in this annual report.

In June 2015, the GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68". This statement will improve the usefulness of information for decisions made by the various users of the general purpose external financial reports. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The City has implemented GASB No. 73 in this annual report.

In June 2015, the GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". This statement will improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments". This statement will establish the hierarchy of GAAP for state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The City has implemented GASB No. 76 in this annual report.

In August 2015, the GASB issued Statement No. 77, "Tax Abatement Disclosures". This statement will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present.

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The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In December 2015, the GASB issued Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans". This statement will address a practice issue regarding the scope and applicability of Statement No. 68. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In December 2015, the GASB issued Statement No. 79, "Certain External Investment Pools and Pool Participants". This statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In January 2016, the GASB issued Statement No. 80, "Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14". This statement will enhance the comparability of financial statements among governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2016, the GASB issued Statement No. 81, "Irrevocable Split-Interest Agreements". This statement will enhance the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2016. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2016, the GASB issued Statement No. 82, "Pension Issues". This statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

L. Effect of Correction of an error

In connection with implementing GASB 68 as of July 1, 2014, liabilities were understated by \$25.5 million related to contributions payable to the Houston Police Officers Pension System.

	Governmental Activities	General Fund
July 1, 2015, as previously reported	\$ (1,044,630)	\$ 350,888
Correction of an error	<u>(25,500)</u>	<u>(25,500)</u>
July 1, 2015, as restated	<u>\$ (1,070,130)</u>	<u>\$ 325,388</u>

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

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

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

Balances at June 30, 2016 were (in thousands):

Other deferred revenue	\$ 198,600
Deferred outflows of resources	1,720,727
Deferred inflows of resources from pension	(650,980)
	<u>\$ 1,268,347</u>
Internal Service Fund total assets	\$ 82,030
Internal Service Fund liabilities	(56,395)
Allocation to Proprietary Funds	(4,949)
	<u>\$ 20,686</u>
Bonds and notes payable	\$ (3,249,030)
Arbitrage rebate payable	(14)
Accrued interest	(40,327)
Compensated absences not reported at the fund level	(462,770)
Claims and judgments not reported at the fund level	(65,455)
Net pension liability	(5,348,825)
Other post employment benefits obligation	(1,482,899)
	<u>\$ (10,649,320)</u>

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

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

Balances at June 30, 2016 were (in thousands):

Debt issued:	
Public Improvement Bonds	\$ 557,615
Commercial paper	65,000
Premium/Discount on bonds	102,908
	<u>\$ 725,523</u>
Repayments:	
Refunded commercial paper	\$ (107,000)
Refunded bonds	(506,705)
Principal payments	(184,464)
	<u>\$ (798,169)</u>
Amortization of:	
Premium	(31,316)
Deferred gain	(5,596)
Net adjustment	\$ (36,912)
Total	<u>\$ (109,558)</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	\$ 21,815
Ambulance fees earned but not available	109,260
Fines and forfeits earned but not available	3,911
Other (primarily storm water drainage fees) earned but not available	<u>64,371</u>
Total revenue not reported at fund level	<u>\$ 199,357</u>
Property taxes for prior periods	\$ (21,317)
Ambulance fees for prior periods	(85,425)
Fines and forfeits for prior periods	(2,523)
Other (primarily assessments) for prior periods	<u>(61,133)</u>
Total revenue for prior period transactions	<u>\$ (170,398)</u>
Amortization of debt issuance cost	\$ (23,121)
Municipal Employees pension	(236,705)
Police Officers' pension	147,431
Firefighters' pension	(322,294)
Claims and judgments	(1,416)
Deferred Inflow from pensions	(613,255)
Deferred Outflow from pensions	580,232
Compensated absences	(6,695)
Other liabilities	(1,279)
Other post employment benefits	(146,666)
Decrease in other receivables	<u>(659)</u>
Total differences in accrued expenses	<u>\$ (624,427)</u>

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NOTE 3: DEPOSITS AND INVESTMENTS

A. Deposits

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. There were no deposits with custodial risk at year end.

Pooled Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed separately on the Statement of Net Position as "Equity in Pooled Cash" and "Investments." Participation in the Pool is limited to normal operating activities of the fund and other funds that are restricted because of statutory or contractual considerations, but does not include cash on hand (petty cash and change funds). Earnings from the Pool are allocated to the funds based upon each fund's average daily balance in the Pool. A summary of balances in pooled and non-pooled accounts follows.

	Total Cash and Cash Equivalents	Investments	Total Pooled Funds	Non-Pooled	Total Cash and Investments
Governmental Funds:					
General	\$18,524,631	\$225,636,478	\$244,161,109	\$98,011	\$244,259,120
Debt Service	18,796,017	141,037,658	159,833,675	1,596,284	161,429,959
Capital Projects	14,155,602	234,490,078	248,645,680	-	248,645,680
Grants	2,533,229	47,974,490	50,507,719	1,000	50,508,719
Nonmajor	14,863,190	249,034,219	263,897,409	3,581,104	267,478,513
Enterprise Funds:					
Airport System	87,241,303	1,120,045,742	1,207,287,045	41,058,569	1,248,345,614
Convention & Entertainment	8,639,874	104,693,833	113,333,707	11,713	113,345,420
Combined Utility	94,759,976	992,254,295	1,087,014,271	12,278	1,087,026,549
Internal Service:					
Health Benefits	3,032,876	67,236,814	70,269,690	-	70,269,690
Long-term Disability	650,704	9,047,206	9,697,910	-	9,697,910
Agency:					
City Deposits	7,988	123,286	131,274	-	131,274
Payroll Revolving	111,893	802,253	914,146	10	914,156
TIRZ Deposits	9,629,316	32,753,703	42,383,019	-	42,383,019
Total	\$272,946,599	\$3,225,130,055	\$3,498,076,654	\$46,358,969	\$3,544,435,623

B. Investments and Risk Disclosures

The following describes the investment positions of the City's operating funds as of June 30, 2016. The City held \$3.5 billion in high grade, fixed income investments in three separate investment pools, each serving a specific purpose as described below. All investments are governed by state law and the City's Investment Policy, which dictates the following objectives, in order of priority:

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

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

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1. General Investment Pool

The General Investment Pool consists of all working capital, construction, and debt service funds not subject to yield restriction under IRS arbitrage regulations. The funds of the City's enterprise systems, as well as the general fund, are commingled in this pool to gain operational efficiency. Approximately 98.3% of the City's total investable funds are held in this portfolio.

City of Houston	Credit Quality	Fair Value	WAM*
Investments As of June 30, 2016	Ratings (1)(2)	(\$ in millions)	(years)
U.S. Treasury Securities	N/A	\$ 1,733.99	1.303
Government Agency Securities (3)	AAA	963.71	1.402
Government Agency Securities (3) (4)	Not Rated	130.40	0.763
Government Mortgaged Backed Securities (3) (4)	Not Rated	24.60	2.018
Commercial Paper	A-1+/P-1 Short Term	49.85	0.378
Municipal Securities	AAA Long Term	95.93	1.410
Municipal Securities	AA Long Term	210.45	1.202
Total Investments		\$ 3,208.94	1.255

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

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

Risk Disclosures:

Interest Rate Risk. In order to ensure the ability of the City to meet obligations and to minimize potential fair value losses arising from rising interest rate environments, the City's investment policy limits this investment portfolio's dollar-weighted average maturity to 2.5 years maximum. As of June 30, 2016, this investment portfolio's dollar-weighted average maturity was 1.224 years. Modified duration was 1.208 years. Modified duration can be used as a multiplier to determine the percent change in price of a bond portfolio for every 100 basis point (1%) change in yield. For example, a portfolio with a modified duration of 1.208 years would experience approximately a 1.208% change in market price for every 100 basis point change in yield.

Credit Risk – Investments. The U.S. Treasury Securities and Housing and Urban Development Securities are direct obligations of the United States government. Government Agency Securities and Mortgage Backed Securities were issued by government sponsored enterprises but are not direct obligations of the U.S. Government. The Money Market Mutual Funds were rated AAA. Municipal Securities were rated at least AA-. The City's investment policy limits investments in the General Investment Pool to high quality securities with maximum maturity of five years for all U.S. Treasuries, Government Agency, and Municipal Securities with the exception of Government Mortgaged Backed Securities which can have maximum maturity of 15 years. Certificates of Deposit maximum maturity is two years, and Commercial Paper maximum maturity is 270 days. The General Investment Pool maximum sector exposure are as follow: U.S. Treasuries up to 100%; Government Agency Securities up to 85% with maximum exposure to any one Agency issuer is 35%; Mortgage Backed Securities up to 20%; Municipal Securities up to 20% with a rating not less than A by a nationally recognized rating agency; Certificates of Deposit up to 15%; and Commercial Paper up to 15%.

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Credit Risk – Securities Lending. Under its securities lending program, the City receives 102% of fair value for its U.S. Treasury securities at the time the repurchase agreements are signed, and agreements are limited to 90 days by policy and have been less than 35 days by practice. At June 30, 2016 there were no securities lending agreements outstanding.

Custodial Credit Risk. The custodial credit risk for investments is the risk that in the event of failure of a counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not registered in the name of the City, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. As of June 30, 2016, none of the City's investments in the General Investment Pool 9900 were subject to custodial credit risk.

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

A summary of the Pool's investment under the requirements of the fair value hierarchy follows:

<u>Fair Value Measurements Using (\$ in millions)</u>			
	<u>Total</u>	Quoted	Other significant
	<u>6/30/16</u>	prices	observable inputs
		<u>Level 1</u>	<u>Level 2</u>
Investments by fair value level			
U.S. Treasury Securities	\$ 1,733.98	\$ 1,733.98	
Government Agency Securities	1,094.11		\$ 1,094.11
Government Mortgage Backed Securities	24.60		24.60
Municipal Securities	306.37		306.37
Commercial Paper	49.85		49.85
Certificate of Deposit			-
Total Investment by Fair Value Level	<u>\$ 3,208.91</u>	<u>\$ 1,733.98</u>	<u>\$ 1,474.93</u>

Security Valuation Disclosure:

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique provided by third party custodians. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

TexSTAR uses the fair value method to report its investments. Under the fair value method, fixed income securities are valued each day by independent or affiliated commercial pricing services or third party broker-dealers. In stances where sufficient market activity exists, the pricing services or broker-dealers may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the broker-dealers or pricing services also utilize proprietary valuation models which may consider market transactions in comparable securities and the various relationships between securities in determining value and/or market characteristics such as benchmark yield curves, option adjusted spreads, credit spreads, estimated default rates, coupon-rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair values.

2. Tax Exempt Pool

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

City of Houston	Credit Quality	Fair Value	
Investments As of June 30, 2016	Ratings	(\$ in millions)	WAM
Municipal Securities	AAA Long Term	\$ 2.56	139 days
Municipal Securities	AA+ Long Term	4.51	298 days
Total Investments		<u>\$ 7.08</u>	<u>437 days</u>

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Risk Disclosures:

Interest Rate Risk. In order to ensure the ability of the City to meet obligations and to minimize potential fair value losses arising from rising interest rate environments, the City's investment policy limits this pool's dollar-weighted average maturity to 1.5 years. As of June 30, 2016, the pool's dollar-weighted average maturity was 437 days or 1.197 years. Modified duration was 1.062 years.

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

Custodial Credit Risk. As of June 30, 2016, none of the City's investments in this pool were subject to custodial credit risk.

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

A summary of the Pool's investment under the requirements of the fair value hierarchy follows:

	Fair Value Measurements Using (\$ in millions)		
	Total 6/30/16	Quoted prices Level 1	Other significant observable inputs Level 2
Investments by fair value level			
Municipal Securities	\$ 7.08		\$ 7.08
Total Investment by Fair Value Level	\$ 7.08	\$ -	\$ 7.08

Security Valuation Disclosure:

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique provided by third party custodians. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

3. Housing Department Section 108 Pool

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

City of Houston	Credit Quality	Fair Value	
Investments As of June 30, 2016	Ratings	(\$ in millions)	WAM
U.S. Treasury Bills	N/A	\$ 8.50	28 days

Risk Disclosures:

Interest Rate Risk. In order to ensure the ability of the City to meet obligations and to minimize potential fair value losses arising from rising interest rate environments, the City's investment policy limits this investment portfolio's dollar-weighted average stated maturity to six months maximum. As of June 30, 2016, this investment portfolio's dollar-weighted average stated maturity was 28 days. Modified duration was 0.078 years.

Credit Risk. The HUD Pool consists only of U.S. Treasury Bills with maturities less than six months. HUD requires that investment of these funds must be in direct obligations of the United States Government. The City's investment policy limits investments in the HUD Pool to high quality U.S. Treasury Bill Securities, with maximum maturity of six months.

Custodial Credit Risk. As of June 30, 2016 none of the City's investments in this pool were subject to custodial credit risk.

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

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A summary of the Pool's investment under the requirements of the fair value hierarchy follows:

	Fair Value Measurements Using (\$ in millions)		
	Total	Quoted	Other significant
	6/30/16	prices	observable inputs
		Level 1	Level 2
Investments by fair value level			
Debt securities			
U. S. Treasury Bills	\$ 8.50	\$ 8.50	
 Total Investment by Fair Value Level	\$ 8.50	\$ 8.50	\$ -

Security Valuation Disclosure:

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

4. Miscellaneous Money Market Accounts

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

City of Houston	Credit Quality	Fair Value	WAM
Investments As of June 30, 2016	Ratings	(\$ in millions)	
JP Morgan US Government Money Market Fund:	AAA	\$ 6.590	33 days
Balances held for Airport System Special Facilities Revenue Bond Series 1997A debt service			
BlackRock Institutional Temporary Liquidity Fund:	AAA	34.269	40 days
Balances held for Consolidated Rental Car Facility operations, improvements, debt service			
JP Morgan US Treasury Securities Money Market Fund:	AAA	0.189	44 days
Balances held for auction bonds debt service			
First American US Treasury Money Market Fund:	AAA	0.005	30 days
Balances held for commercial paper debt service			
Total Miscellaneous Money Market Funds		\$ 41.053	

Risk Disclosures:

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

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

Custodial Credit Risk. As of June 30, 2016, none of the City's investments in this pool were subject to custodial credit risk.

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

A summary of the investment under the fair value hierarchy follows:

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Fair Value Measurements Using (\$ in millions)

	Total 6/30/16	Quoted prices Level 1	Other significant observable inputs Level 2
Investments measured at the net asset value (NAV)			
JP Morgan US Government MMF	\$ 6.590		\$ 6.590
BlackRock FedFund-Institutional	34.269		34.269
JP Morgan US Treasury Securities MMF	0.189		0.189
First American US Treasury MMF	0.005		0.005
Total investments measured at the net asset value (NAV)	<u>\$ 41.053</u>	<u>-</u>	<u>\$ 41.053</u>

5. Houston Foundation

The Houston Foundation consists of the Hill Trust. It is reported as an Nonmajor Other 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, 2016	Credit Quality Ratings	Fair Value (\$ in millions)	WAM (years)
Cash and Equivalents	Not Rated	\$ 0.115	n/a
Fixed Income	Not Rated	0.462	6.90
Equities	N/A	2.093	n/a
Hedge Funds	N/A	0.319	n/a
Real Estate	N/A	0.216	n/a
Tangible Assets	N/A	0.150	n/a
Total Assets		<u>\$ 3.354</u>	

Risk Disclosures:

Interest Rate Risk. The cash and equivalents portions of this portfolio are invested in money market mutual funds. The fixed income portfolio is invested in bond mutual funds with average maturities less than seven years. The weighted average maturity for the fixed income portfolio is 6.9 years, and the weighted average duration is 5.1 years.

Credit Risk. The allocations of assets among various asset classes are set by the Foundation board. The fixed income portfolio consists of unrated mutual funds. The equities portion of this portfolio is invested in common stocks and money market mutual funds, accordingly, there is no credit risk.

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, 2016 all of the Foundation's holdings in the above noted mutual funds, corporate bonds, and common stocks were subject to custodial credit risk.

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

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A summary of the Pool's investment under the requirements of the fair value hierarchy follows:

	Fair Value Measurements Using (\$ in millions)			
	Total	Quoted	Other significant	Significant
	6/30/16	prices	observable inputs	unobservable
		Level 1	Level 2	Level 3
				inputs
Investments by fair value level				
Cash and Equivalents	\$ 0.115	\$ 0.115		
Fixed Income	0.462	\$ 0.197	\$ 0.265	
Equities	2.093	\$ 0.700	1.392	
Hedge Funds	0.319	\$ 0.319		
Real Estate	0.216	\$ 0.216		
Tangible Assets	0.150	\$ 0.101		\$ 0.050
Total Investment by Fair Value Level	\$ 3.354	\$ 1.648	\$ 1.657	\$ 0.050

Security Valuation Disclosure:

Domestic equity securities and investment companies are valued at the last sale price on the principal exchange on which they trade, except for securities traded on the NASDAQ, which are valued at the NASDAQ official close price. Unlisted securities or listed securities for which there were no sales during the day are valued at the closing bid price on such exchanges or over-the-counter markets.

Foreign securities are generally valued at last price on the foreign exchange or market on which they trade. If any foreign share prices are not readily available as a result of limited share activity, the securities are valued at the last sale price of local shares in the principal market in which such securities are normally traded.

Securities, if any, for which market quotations are not readily available, or that have quotations which the Trustee believes are not reliable, are valued at fair value as determined in good faith by procedures approved by the Trustee. If a security is valued at fair value, such value is likely to be different from the last quoted market price for the security. The determination of fair value often requires significant judgment. To determine fair value, the Trustee may use assumptions including but not limited to future cash flows and estimated risk premiums. Multiple inputs from various sources may be used to determine value.

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

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

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

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

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The fair values of the System's investments at June 30, 2016, are presented by type, as follows:

Short-term investment funds	\$ 79,291,774
Government securities	92,416,960
Corporate bonds	200,401,238
Capital stocks	664,796,012
Commingled funds	364,164,627
Real assets	271,114,650
Alternative investments	724,612,264
	<u>\$ 2,396,797,525</u>

Custodial Credit Risk. For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial 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, 2016 and 2015, 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 Risk. The allocation of assets among various asset classes is set by the Board. For major asset classes (e.g., global equity, fixed income, real estate, private equity, inflation-linked, and absolute return), 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 Statement of the System provides that no public market investment manager shall have more than 20% (at fair value) of the System's assets.

Representative guidelines by type of investment are disclosed in the System's separately issued financial statements.

As of June 30, 2016, across all asset classes, the System held one security with a fair value over 5% of the System's fiduciary net position. The security, BlackRock MSCI ACWI Minimum Volatility Index, had a fair value of \$221 million, representing 9.2% of the System's portfolio as of June 30, 2016. There were no securities held by the System from a single issuer that exceeded 9.2% of the System's portfolio in FY 2016. It was the same investment that exceeded the 5% threshold in 2015 as well.

At June 30, 2016, the following table shows the System's investments by type, amount and the effective duration rate.

	<u>Effective Duration</u>	<u>Domestic</u>	<u>International</u>	<u>Fair Value</u>
Collateralized mortgage obligations	3.53	\$ 9,464,490	\$ -	\$ 9,464,490
Convertible bonds	3.55	9,598,675	-	9,598,675
Corporate bonds	5.52	135,905,870	4,070,028	139,975,898
GNMA/FNMA/FHLMC	2.31	31,372,740	-	31,372,740
Municipal	8.79	1,677,615	-	1,677,615
Government issues	5.95	54,634,416	4,732,188	59,366,604
Misc. receivable (auto/credit card)	2.26	5,797,190	-	5,797,190
Other asset backed securities	2.46	266,067	-	266,067
Bank Loan ¹	N/A	33,033,965	2,264,953	35,298,918
		<u>\$281,751,028</u>	<u>\$ 11,067,169</u>	<u>\$ 292,818,197</u>

¹ The bank loan market, or "leveraged loan" market as it is sometimes known, comprises debt with below investment grade credit ratings. Bank loans generally rank senior to the company's other debt, and offer higher credit ratings, and less risk than high yield bonds. Bank loans typically use floating rather than fixed interest rates. Companies often tap this market to fund leveraged buyouts.

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Credit Risk. The quality ratings of investments in fixed income securities are set forth in the Investment Policy Statement.

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at June 30, 2016 are as follows:

Quality Rating	Auto Loan Recv.	Bank Loan	CMO	Convertible Bonds	Corporate Bonds	Credit Card Recv.	FHLMC	FNMA	GNMA I	GNMA II	Government Issues	Municipals	Other Asset Backed	Grand Total	% Holdings
AAA	\$ 1,844,703	-	\$ 4,190,896	-	\$ 710,900	\$ 1,758,904	-	-	-	-	-	\$ 643,019	\$ 266,067	\$ 9,414,489	0.39%
AA	930,175	-	-	-	1,229,888	-	-	-	-	-	-	397,342	-	2,557,405	0.11%
AA+	-	-	-	-	2,675,497	185,006	-	-	-	-	1,601,393	253,184	-	4,715,080	0.20%
AA-	564,339	-	200,938	-	1,361,259	-	-	-	-	-	-	-	-	2,126,536	0.09%
A	-	-	-	-	5,237,864	-	-	-	-	-	2,387,731	384,070	-	8,009,665	0.33%
A+	-	-	-	-	2,144,488	-	-	-	-	-	-	-	-	2,144,488	0.09%
A-	-	-	448,873	-	10,461,435	-	-	-	-	-	-	-	-	10,910,308	0.46%
BBB	-	-	-	-	5,669,408	-	-	-	-	-	-	-	-	5,669,408	0.24%
BBB+	-	-	-	-	11,574,095	-	-	-	-	-	-	-	-	11,574,095	0.48%
BBB-	-	-	-	384,750	5,108,786	-	-	-	-	-	-	-	-	5,493,536	0.23%
BB	-	-	-	1,863,498	8,972,024	-	-	-	-	-	-	-	-	10,835,522	0.45%
BB+	-	-	-	1,086,531	8,304,358	-	-	-	-	-	-	-	-	9,390,889	0.39%
BB-	-	-	-	1,376,076	12,837,227	-	-	-	-	-	-	-	-	14,213,303	0.59%
B	-	-	-	1,541,078	7,624,762	-	-	-	-	-	-	-	-	9,165,840	0.38%
B+	-	-	-	777,854	8,631,904	-	-	-	-	-	-	-	-	9,409,758	0.39%
B-	-	-	-	-	14,173,835	-	-	-	-	-	79,817	-	-	14,253,652	0.59%
CCC	-	-	-	-	4,492,753	-	-	-	-	-	-	-	-	4,492,753	0.19%
CCC+	-	-	-	-	16,739,358	-	-	-	-	-	-	-	-	16,739,358	0.70%
CCC-	-	-	-	-	368,750	-	-	-	-	-	-	-	-	368,750	0.02%
CC	-	-	-	-	458,925	-	-	-	-	-	-	-	-	458,925	0.02%
D	-	-	-	1,698,412	3,614,626	-	-	-	-	-	-	-	-	5,313,038	0.22%
NA*	356,226	35,298,918	4,623,782	870,474	7,583,757	157,836	12,740,920	12,562,589	577,472	5,491,760	55,297,664	-	-	135,561,398	5.66%
Total Fixed Income Securities	\$ 3,695,443	\$35,298,918	\$ 9,464,489	\$ 9,598,673	\$139,975,899	\$ 2,101,746	\$ 12,740,920	\$ 12,562,589	\$ 577,472	\$ 5,491,760	\$ 59,366,605	\$ 1,677,615	\$ 266,067	\$ 292,818,196	12.22%
Other Investments														2,103,979,329	87.78%
Total Investments														\$ 2,396,797,525	100.00%

*NA = Not Available

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.

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The System has an indirect exposure to foreign currency fluctuation as of June 30, 2016 as follows:

	<u>Fair Value</u>	<u>Percentage</u>
Australian Dollar	\$ 4,425,907	0.18%
Brazilian Real	1,690,713	0.07%
Canadian Dollar	8,518,545	0.35%
Danish Krone	5,814,928	0.24%
Euro Currency	77,078,050	3.21%
Hong Kong Dollar	9,845,320	0.41%
Indonesian Rupiah	805,525	0.03%
Japanese Yen	25,813,750	1.07%
Malaysian Ringgit	21	0.00%
Mexican Peso	4,209,586	0.18%
New Israeli Shekel	506,910	0.02%
New Taiwan Dollar	5,307,288	0.22%
Norwegian Krone	2,718,326	0.11%
Pound Sterling	52,627,417	2.19%
Singapore Dollar	2,029,872	0.08%
South African Rand	2,442,033	0.10%
South Korean Won	4,200,041	0.18%
Swedish Krona	4,936,370	0.21%
Swiss Franc	14,730,333	0.61%
Thailand Baht	1,202,625	0.05%
Turkish Lira	1,644,756	0.07%
U.S. Dollar	2,173,740,677	90.41%
	<u>\$ 2,404,288,993</u>	<u>100%</u>

The System has adopted the provisions of GASB Statement 72 and fully disclosed in the notes to the financial statements the fair value hierarchy and the methods of valuing the related investments as required under the generally accepted accounting principles. A summary of the hierarchy is as follows:

Level 1 inputs are quoted prices in active markets for identical assets	\$ 604,776
Level 2 inputs are significant other observable inputs	362,268
Level 3 inputs are significant unobservable inputs	8,718
Investments measured at net asset value	<u>1,421,033</u>
TOTAL INVESTMENTS	<u>\$ 2,396,795</u>

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

Statutes of the State of Texas authorize the Fund to invest surplus funds in the manner provided by the Government Code, Title 8, Subtitle A, Subchapter C. This subchapter provides for the investment of surplus assets as described in section 802.203 of the Government Code. The investment policy of the Board does not restrict the types of investments authorized to be made on behalf of the Fund; however, the Board seeks to produce a return on investments that is based on prudent and reasonable investment risk and the cash flow requirements of the Fund given prevailing economic and capital market conditions. While the Board recognizes the importance of the preservation of capital, it also adheres to the theory of capital market pricing which maintains that varying degrees of investment risk should be rewarded with incremental returns. Consequently, prudent risk-taking is justifiable.

The Board manages the investment program of the Fund in compliance with all applicable Federal and State statutes and regulations concerning the investment of pension assets. The Board has adopted an Investment Policy Statement (Investment Policy) to set forth the

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factors involved in the management of investment assets for the Fund. The Board has established an Investment Committee to act on all matters related to investments

The fair values of the Fund's investments as of June 30, 2016 by type are as follows:

Short-Term Investment Funds	\$ 164,710,031
Fixed Income-Government Securities	270,459,099
Fixed Income-Corporate Bonds	809,411,649
Fixed Income-Convertibles	58,796,621
Common Equity	1,353,246,545
Preferred Equity	4,595,216
Hedge Funds:	
Global Macro Hedge Fund	205,365,224
Multi-Strategy FOHFs	214,777,240
Private Equity:	
Buy Out Partnerships/Funds	106,731,762
Distressed Debt Partnerships/Funds	61,538,005
Direct Investments	1,075,000
Secondary Partnerships/Funds	98,110,693
Special Situations Investments	24,003,747
Venture Capital Partnerships/Funds	83,437,025
Real Estate	186,825,185
Total Investments	<u>\$ 3,643,083,042</u>

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

Custodial credit risk disclosures relate to securities. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are (i) uninsured, (ii) not registered in the name of the Fund, and (iii) are held by either the counterparty or the counterparty's trust department or agent but not in the Fund's name. At June 30, 2016 and 2015, the Fund's security investments (excluding cash) that were not subject to custodial credit risk were the investments not registered on an exchange.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributable to the magnitude of the Fund's investment in a single issue. The allocation of assets among various asset classes is set by the Board with the objective of optimizing the investment return of the Fund within framework of acceptable risk and diversification. For major asset classes (e.g., domestic equities, international equities, fixed income, hedge funds, private equity and real estate), the Fund further diversifies by employing investment managers who implement the strategies selected by the Investment Committee. In addition, Exchange Traded Funds (ETFs) may be used.

Significant risk management asset allocation guidelines are disclosed in the Fund's separately issued financial statements.

As of June 30, 2016, more than 5% of the Fund's net assets are in the MCM ACWI Ex-U.S. FUND and MCM EB DV Broad Market Stock Index Fund. These investments represent 10.24% and 16.20%, respectively, of the Fund's net assets. As of June 30, 2015, the Fund investment portfolio had no single holdings in excess of 5% of Fund net assets.

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

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

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At June 30, 2016, the following table shows the Fund's investments by type, with weighted average maturity and fair value:

	<u>Weighted Average</u>	
	<u>Maturity</u>	<u>Fair Value</u>
Non-U.S. Collateralized	2.54	\$ 131,395
Non-U.S. Corporate	4.25	12,255,583
Non-U.S. Treasuries	4.11	58,123,634
Taxable Municipals	9.79	11,964,420
U.S. Agencies	5.02	2,844,825
U.S. Collateralized	5.97	100,557,002
U.S. Convertibles	11.67	58,796,621
U.S. Corporate	11.03	684,503,249
U.S. Treasuries	4.63	209,490,640
Total Fixed Income Securities		\$ 1,138,667,369

Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Fund does not have a formal policy limiting investment credit risk, but rather mandates such limits within the investment management agreement of each manager as may be appropriate to strategy.

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The Fund's exposure to investment credit risk in fixed income securities (which includes government securities, corporate bonds, convertibles) as of June 30, 2016 is as follows:

<u>Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Holdings</u>
AGY	\$ 2,844,825	0.08%
A1	26,297,475	0.71%
A2	53,522,806	1.44%
A3	111,824,550	3.02%
AA1	15,144,449	0.41%
AA2	1,577,730	0.04%
AA3	20,634,666	0.56%
AAA	126,413,932	3.41%
B1	18,075,250	0.49%
B2	23,357,217	0.63%
B3	44,402,739	1.20%
BA1	33,539,323	0.90%
BA2	36,180,332	0.98%
BA3	31,734,025	0.86%
BAA1	142,256,292	3.84%
BAA2	104,019,042	2.81%
BAA3	79,576,747	2.15%
C	873,130	0.02%
CA	1,346,338	0.04%
CAA1	20,219,754	0.55%
CAA2	13,251,347	0.36%
CAA3	12,308,843	0.33%
D	381,455	0.01%
DEF	74,165	0.00%
Not rated	9,320,297	0.25%
Total credit risk debt securities*	<u>\$ 929,176,729</u>	<u>25.09%</u>

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

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

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The Fund's exposure to foreign currency fluctuation as of June 30, 2016 is as follows:

	<u>Fair Value</u>	<u>Percentage of Holdings</u>
Euro Currency Unit	\$ 29,872,785	0.81%
Canadian Dollar	23,686,452	0.64%
Mexican Peso	13,273,318	0.36%
New Zealand Dollar	12,790,036	0.35%
Australian Dollar	6,084,612	0.16%
Norwegian Krone	5,130,377	0.14%
Pound Sterling	1,831,527	0.05%
Brazil Real	1,610,987	0.04%
Japanese Yen	1,487,877	0.04%
Swiss Franc	738,640	0.02%
Danish Krone	341,284	0.01%
Hong Kong Dollar	158,836	0.00%
Swedish Krona	129,182	0.00%
Czech Koruna	18,711	0.00%
Singapore Dollar	74	0.00%
South Korean Won	-	-
Thailand Baht	-	-
Israeli Shekel	-	-
Indonesian Rupiah	-	-
New Turkish Lira	-	-
Total securities subject to foreign currency risk	<u>\$ 97,154,698</u>	<u>2.62%</u>

The Fund has adopted the provisions of GASB Statement 72 and fully disclosed in the notes to the financial statements the fair value hierarchy and the methods of valuing the related investments as required under the generally accepted accounting principles. A summary of the hierarchy is as follows:

Level 1 inputs are quoted prices in active markets for identical assets	\$ 637,896,855
Level 2 inputs are significant other observable inputs	930,973,167
Level 3 inputs are significant unobservable inputs	4,305,135
Investments measured at net asset value	<u>2,069,907,885</u>
TOTAL INVESTMENTS	<u>\$ 3,643,083,042</u>

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

Summary of Significant Accounting Policies

Statutes of the State of Texas authorize the System to invest surplus funds in a manner provided by the Government Code, Title 8, Subtitle A, Subchapter C. These statutes stipulate that the governing body of the System is responsible for the management and administration of the funds of the System and shall determine the procedure it finds most efficient and beneficial for the management of the reserve fund of the System. The governing body may directly manage the investments of the System or may choose and contract for professional investment management services. Investments are reported at fair value in accordance with GASB 72, Fair Value Measurement and Application, which defines fair value, establishes a framework for measuring fair value, and establishes disclosures about fair value measurements.

Custodial Credit Risk for Deposits and Investments. Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the System will not be able to recover the value of the investment or collateral in possession of the counterparty. The System does not have an investment policy regarding custodial credit risk. The System considers only demand deposits as cash. As of June 30,

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2016 and June 30, 2015, the System had a balance of \$304 thousand and \$352 thousand, respectively, on deposit at a financial institution. The Federal Depository Insurance Corporation (FDIC) covered cash on deposit up to \$250 thousand at this financial institution. Therefore, as of June 30, 2016, \$54 thousand of the System's bank balance of \$304 thousand was exposed to custodial credit risk. At June 30, 2016, the System did not have any other investments with other financial institutions subject to custodial credit risk.

Credit Risk. As of June 30, 2016, the System's fixed income assets that are not U.S. government guaranteed represented 100% of the System's fixed income plus short term investments portfolio. The tables below and on the following page summarize the System's fixed income portfolio and short term investment exposure levels and credit qualities.

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

<u>Fixed Income Security Type</u>	<u>Fair Value (\$000's)</u>	<u>Percent of Total</u>	<u>Weighted Average Credit Quality</u>
Corporate Bonds	\$ 113,471	13.9 %	B
Mutual Bond Funds	53,184	6.5	B
Short Term Investment Funds	650,902	79.6	Not Rated
Total	\$ 817,557	100.0 %	

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

<u>Credit Rating Level</u>	<u>Corporate Bonds</u>	<u>Mutual Bond Funds</u>	<u>Short Term Investment Funds</u>
BBB	\$ 2,722	\$ -	\$ -
BB	45,556	-	-
B	52,608	53,290	-
CCC	10,762	-	-
NR	1,823	(106)	650,902
Total	\$ 113,471	\$ 53,184	\$ 650,902

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

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

Concentration of Credit Risk. The System's investment policy for each specific portfolio limits investments in any one single domestic equity issue to 15% of each portfolio at fair value and for any one single international equity issue to 5% of the System's investments. For fixed income investments, the System's policy limits, by each specific portfolio, investment in any one single fixed income security to 10% of each portfolio at fair value. As of June 30, 2016, the System did not have any single investment in any one organization which represented greater than 5% of plan net assets.

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

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Modified Duration by Security Type

Security Type	Fair Value (\$000's)	Percent of Total	Weighted Average Modified Duration (years)
Corporate Bonds	\$ 113,471	13.9%	5.3
Mutual Bond Funds	53,184	6.5	4.4
Short Term Investment Funds	650,902	79.6	0.0
Total	\$ 817,557	100.0%	1.0

Modified Duration Analysis by Security Type

	Fair Value (\$000's)	Average Modified Duration	Contribution to Modified Duration
Corporate Bonds			
Less than 1 year	\$ 11	0.0	0.0
1 to 5 years maturities	28,691	3.0	0.7
5 to 10 years maturities	83,756	6.2	4.5
Greater than 10 years maturities	1,013	7.4	0.1
Total	\$ 113,471		5.3
Mutual Bond Funds			
5 to 10 years maturities	\$ 53,184	4.4	4.4
Short Term Investment Funds			
Less than 1 year	\$ 612,216	0.0	0.0
1 to 5 years maturities	38,686	0.0	0.0
Total	\$ 650,902		0.0

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

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The System's exposure to foreign currency risk in U.S. dollars as of June 30, 2016, is shown in the table below.

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

Currency	Short Term Investments	Equities	Alternative Investments	Total
Euro	\$ (111,492)	\$ 223,074	\$ 11,661	\$ 123,243
Japanese yen	(82,024)	170,602	-	88,578
British pound sterling	(72,852)	150,957	-	78,105
Swiss franc	-	68,659	-	68,659
Australian dollar	-	51,267	10,525	61,792
Canadian dollar	1,438	32,909	-	34,347
Chinese yuan renminbi	-	26,076	-	26,076
Hong Kong dollar	-	24,203	-	24,203
Swedish krona	-	21,833	-	21,833
South Korean won	-	15,476	-	15,476
New Taiwan dollar	-	13,823	-	13,823
Danish krone	-	12,376	-	12,376
Singapore dollar	-	10,669	-	10,669
South African rand	-	8,628	-	8,628
Indian rupee	-	8,387	-	8,387
Brazilian real	-	8,244	-	8,244
Other (less than \$5 million)	-	35,546	-	35,546
Total	\$ (264,930)	\$ 882,729	\$ 22,186	\$ 639,985

The June 30, 2011, Agreement with the City provided for a shortfall in the fiscal year 2012 and 2013 contribution fixed payment of \$17,000 thousand and \$8,500 thousand respectively for the total contribution receivable of \$25, 500 thousand reported in fiscal year 2015, which the City paid on July 1, 2016.

Securities Lending Program. The System's Board of Trustees' policies permit the System to lend securities (domestic and international equities and fixed income) to securities firms on a temporary basis through its custodian bank. The System receives fees for all loans and retains the right to all interest and dividend payments while the securities are on loan. Cash, letters of credit or various government securities having fair values equal to or exceeding 102% and 105% of the value of the loaned securities for domestic and international securities, respectively, collateralize all security loan agreements. Whenever the fair value of the securities on loan changes, the borrower must adjust the collateral accordingly. The System's bank pools all collateral received from securities lending transactions and invests any cash collateral. The System holds an undivided share of the collateral provided by the borrowers of the securities. At June 30, 2016 the weighted-average maturity of the collateral pool was 30 days. The relationship between the maturities of the collateral pool and the System's loans has not been determined. Cash collateral invested in the custodian bank collateral pool at June 30, 2016 and 2015, was \$24,211 thousand and \$50,613 thousand, respectively. The System also had non-cash collateral at June 30, 2016 and 2015, of \$884 thousand and \$4,392 thousand respectively, consisting of treasury securities and letters of credit. The System cannot sell or pledge the collateral unless the borrower fails to return the securities borrowed.

The fair value of securities on loan at June 30, 2016 and 2015 was \$24,737 thousand and \$53,846 thousand, respectively. At June 30, 2016, the System had no credit risk exposure to borrowers because the amounts the System owes the borrowers, \$25,095 thousand, exceeds the amounts the borrowers owe the System, \$24,737 thousand.

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

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The fair value balance of posted margin and collateral and notional amounts of derivative instruments outstanding at June 30, 2016, classified by type, and the changes in fair value of such derivative instruments for the year then ended is shown in the table below. The Change in Fair Value figures are reported as a component of net appreciation (depreciation) in the Statement of Changes in Fiduciary Net Position.

Fair Value (\$000's) at June 30, 2016

(\$000's)	Year ending June 30, 2016 Changes in Fair Value	Posted Margin	As of June 30, 2016 Collateral held at Custodian Bank	Notional Value
Equity Futures	\$ (78,661)	\$ 61,726	\$ 434,294	\$ 831,091
Currency Futures	(3,071)	10,096	22,689	268,153
Options	\$ 8,874	-	38,546	209,597

Futures are used to obtain market exposure and to take advantage of mis-pricing opportunities. When a position is taken in a futures contract, a margin is posted and the contract is subject to daily mark-to-market adjustments. For options, no margin is posted. Instead, options are purchased at a premium, which is either forfeited or recouped, depending on the gain or loss on the contract. Foreign currency contracts are used to hedge against the currency risk in the System's investments in foreign equity and fixed income securities. To liquidate the contract prior to expiration an offsetting position in the same contract must be taken. These derivatives are used to enhance yields and provide incremental income

These derivative instruments are subject to the following risks:

- *Custodial Credit Risk* – Custodial credit risk for derivative instruments is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of the derivative instruments or collateral securities that are in the possession of an outside party. Consistent with the System's investment policy, the System's derivative instruments were held by the counterparty that was acting as the System's agent.
- *Credit Risk* – Credit risk is the risk that the counterparty will not fulfill its obligations. The System does not have an investment policy specifically regarding credit risk for derivative instruments. The System's investment policy allows investment managers full discretion in adopting investment strategies to deal with this risk. The System's investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures.
- *Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the System's derivative instruments.
- *Foreign Currency Risk* – Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of derivative instruments. The System's exposure to foreign currency risk derives from its positions in foreign currency denominated international equity and fixed income investments as outlined in the following schedule. The System has a currency hedging program in place that hedges fifty percent of the exposure to the Euro, Pound, and Yen exposure in these investment programs. This hedging program is disclosed elsewhere in this footnote. The System's derivative instruments exposure to foreign currency risk in U.S. dollars as of June 30, 2016, is shown in the table below (\$000's).

Currency	Equity Derivatives	Currency Derivatives	Total
Swiss fran	\$ 37,065	\$ -	\$ 37,065
Australian dollar	27,676	-	27,676
Hong Kong dollar	13,066	-	13,066
Swedish krona	11,787	-	11,787
Japanese yen	92,099	(82,024)	10,075
Euro	120,601	(111,492)	9,109
British pound sterling	81,494	(72,864)	8,630
Danish krone	6,681	-	6,681
Singapore dollar	5,759	-	5,759
Other (less than \$5 million)	10,209	1,774	11,983
Total	\$ 406,437	\$ (264,606)	\$ 141,831

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Alternative Investments – As of June 30, 2016, the System was invested in various partnerships, separate accounts and commingled funds across various types of alternative investments as detailed in the table below.

<u>Investment Type</u>	<u>Fair Value (\$000's)</u>
<i>Private Equity</i>	
Leveraged Buyouts	\$ 229,708
Energy	90,906
Special Situations	85,218
Private Equity Secondaries	45,099
Venture Capital	36,157
<i>Other Alternatives</i>	
Real Estate	243,717
Credit	133,531
<i>Hedge Funds</i>	
Portable alpha hedge funds	448,393
Global macro hedge funds	246,024
Multi-strategy hedge funds	182,656
Long/short credit hedge funds	104,629
Long/short equity hedge funds	73,592
<u>Total</u>	<u>\$ 1,919,630</u>

The Plan has adopted the provisions of GASB Statement 72 and fully disclosed in the notes to the financial statements the fair value hierarchy and the methods of valuing the related investments as required under the generally accepted accounting principles. A summary of the hierarchy is as follows (in thousands):

Level 1 inputs are quoted prices in active markets for identical assets	\$ 70,504
Level 2 inputs are significant other observable inputs	2,088,481
Level 3 inputs are significant unobservable inputs	864,336
Investments measured at net asset value (NAV)	<u>1,017,606</u>
TOTAL INVESTMENTS	<u>\$ 4,040,927</u>

NOTE 4: ALLOWANCE FOR DOUBTFUL ACCOUNTS

The following were the allowances for doubtful accounts receivable by fund as of June 30, 2016 (\$000's):

<u>Fund</u>	<u>Amount</u>
<i>General</i>	
Uncollectible general property taxes	\$ 40,999
Ambulance charges	238,827
Fines and forfeits	25,844
Demolition liens	128,302
Others	6,628
Grant revenue	26,744
Airport System	777
Convention and Entertainment Facilities	518
Combined Utility System	142,421
	<u>\$ 611,060</u>

NOTE 5: PROPERTY TAX

The City's annual ad valorem property tax is required to be levied by October 1, or as soon thereafter as practicable, on the assessed value listed as of the prior January 1 for all real and certain personal property. Taxes are due on January 31 of the year following the year of the levy. A tax lien attaches to all property on January 1 of each year to secure the payment of all taxes, penalties and interest that is ultimately imposed on the property. The tax rate established by the City Council for the 2015 tax year was \$0.601120 per \$100 of assessed value with \$0.442194 for operations and \$0.158926 for debt service.

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In 2004, Houston voters approved Proposition 1, which 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. The Texas Property Tax Code ("Code"), with certain exceptions, exempts intangible personal property, household goods, and family-owned automobiles from taxation. In addition, the Code provides for countywide appraisal districts.

NOTE 6: CAPITAL ASSETS

A. Governmental activities of the Primary Government

A summary of changes in capital assets for the year ended June 30, 2016 follows (in thousands):

	Balance July 1, 2015	Additions	Retirement	Transfers	Balance June 30, 2016
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 401,821	\$ 7,663	\$ (770)	\$ 3,983	\$ 412,697
Right of way	1,747,003	4,485	(279)	3,924	1,755,133
Construction Work in Progress	347,755	264,072		(302,656)	309,171
Total capital assets not being depreciated	<u>2,496,579</u>	<u>276,220</u>	<u>(1,049)</u>	<u>(294,749)</u>	<u>2,477,001</u>
Other capital assets:					
Buildings	1,187,679	8,579	(3,675)	37,222	1,229,805
Rights & Intangibles - Amortizable	7,384	-	-		7,384
Improvements and Equipment	1,125,760	84,259	(18,684)	28,464	1,219,799
Infrastructure	6,317,470	43,743	(9,263)	228,887	6,580,837
Total other capital assets	<u>8,638,293</u>	<u>136,581</u>	<u>(31,622)</u>	<u>294,573</u>	<u>9,037,825</u>
Less accumulated depreciation for:					
Buildings	(382,592)	(32,945)	1,828	8	(413,701)
Rights and Intangibles	(2,615)	(4,660)	-	-	(7,275)
Improvements and Equipment	(694,041)	(82,587)	17,448	193	(758,987)
Infrastructure	(3,065,132)	(144,353)	8,775	(25)	(3,200,735)
Total accumulated depreciation	<u>(4,144,380)</u>	<u>(264,545)</u>	<u>28,051</u>	<u>176</u>	<u>(4,380,698)</u>
Other capital assets, net	<u>4,493,913</u>	<u>(127,964)</u>	<u>(3,571)</u>	<u>294,749</u>	<u>4,657,127</u>
Governmental Activities capital assets, net	<u>\$6,990,492</u>	<u>\$ 148,256</u>	<u>\$ (4,620)</u>	<u>\$ -</u>	<u>\$7,134,128</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

B. Business-type Activities

	Balance June 30, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
Airport System					
Capital assets not being depreciated:					
Land	\$ 220,626	\$ -	\$ (776)	\$ 3,036	\$ 222,886
Rights & Intangibles- Non Amortizable	9,387	-	-	365	9,752
Construction Work in Progress	236,163	213,242	-	(274,463)	174,942
Total capital assets not being depreciated	<u>466,176</u>	<u>213,242</u>	<u>(776)</u>	<u>(271,062)</u>	<u>407,580</u>
Other capital assets:					
Buildings and building improvements	2,703,195	117	-	197,071	2,900,383
Improvements and equipment	1,747,812	6,165	(1,056)	38,019	1,790,940
Infrastructure	494,784	214	-	35,383	530,381
Rights & Intangibles- Amortizable	2,411	907	-	766	4,084
Total other capital assets	<u>4,948,202</u>	<u>7,403</u>	<u>(1,056)</u>	<u>271,239</u>	<u>5,225,788</u>
Less accumulated depreciation for:					
Buildings and building improvements	(1,128,938)	(98,289)	-	-	(1,227,227)
Improvements and equipment	(1,052,274)	(64,539)	1,045	(177)	(1,115,945)
Infrastructure	(313,851)	(16,418)	-	-	(330,269)
Rights & Intangibles	(1,311)	(152)	-	-	(1,463)
Total accumulated depreciation	<u>(2,496,374)</u>	<u>(179,398)</u>	<u>1,045</u>	<u>(177)</u>	<u>(2,674,904)</u>
Other capital assets, net	<u>2,451,828</u>	<u>(171,995)</u>	<u>(11)</u>	<u>271,062</u>	<u>2,550,884</u>
Airport System capital assets, net	<u>\$ 2,918,004</u>	<u>\$ 41,247</u>	<u>\$ (787)</u>	<u>\$ -</u>	<u>\$ 2,958,464</u>
Convention and Entertainment Facilities					
Capital assets not being depreciated:					
Land	\$ 95,687	\$ -	\$ -	\$ -	\$ 95,687
Construction Work in Progress	788	(788)	-	-	-
Total capital assets not being depreciated	<u>96,475</u>	<u>(788)</u>	<u>-</u>	<u>-</u>	<u>95,687</u>
Other capital assets:					
Buildings	577,760	-	-	-	577,760
Garage Rights	13,144	-	-	-	13,144
Improvements and equipment	12,256	-	(381)	-	11,875
Infrastructure	334	-	-	-	334
Total other capital assets	<u>603,494</u>	<u>(788)</u>	<u>(381)</u>	<u>-</u>	<u>603,113</u>
Less accumulated depreciation/amortization for:					
Buildings	(246,558)	(13,145)	-	-	(259,703)
Garage Rights	(4,049)	(343)	-	-	(4,392)
Improvements and equipment	(9,015)	(218)	381	-	(8,852)
Infrastructure	(98)	(15)	-	-	(113)
Total accumulated depreciation/amortization	<u>(259,720)</u>	<u>(13,721)</u>	<u>381</u>	<u>-</u>	<u>(273,060)</u>
Other capital assets, net	<u>343,774</u>	<u>(14,509)</u>	<u>-</u>	<u>-</u>	<u>330,053</u>
Convention and Entertainment Facilities capital assets, net	<u>\$ 440,249</u>	<u>\$ (15,297)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 425,740</u>

CITY OF HOUSTON, TEXAS
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	Balance June 30, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
Combined Utility System					
Capital assets not being depreciated:					
Land	\$ 135,244	\$ 3,159	\$ (1,128)	\$ 4,660	\$ 141,935
Right of way	317	-	-	28	345
Rights & Intangibles - Non-depreciable	545,035	-	-	250	545,285
Construction Work in Progress	383,145	408,576	-	(286,849)	504,872
Total capital assets not being depreciated	<u>1,063,741</u>	<u>411,735</u>	<u>(1,128)</u>	<u>(281,911)</u>	<u>1,192,437</u>
Other capital assets:					
Buildings	199,756	84	(844)	551	199,547
Improvements and equipment	162,288	8,869	(4,368)	(538)	166,251
Infrastructure	9,973,335	10,592	(84,885)	281,898	10,180,940
Total other capital assets	<u>10,335,379</u>	<u>19,545</u>	<u>(90,097)</u>	<u>281,911</u>	<u>10,546,738</u>
Less accumulated depreciation/amortization for:					
Buildings	(77,734)	(5,699)	592	-	(82,841)
Improvements and equipment	(99,393)	(12,164)	4,365	748	(106,444)
Infrastructure	(4,991,149)	(218,978)	82,709	(748)	(5,128,166)
Total accumulated depreciation/amortization	<u>(5,168,276)</u>	<u>(236,841)</u>	<u>87,666</u>	<u>-</u>	<u>(5,317,451)</u>
Other capital assets, net	<u>5,167,103</u>	<u>(217,296)</u>	<u>(2,431)</u>	<u>281,911</u>	<u>5,229,287</u>
Combined Utility System capital assets, net	<u>6,230,844</u>	<u>194,439</u>	<u>(3,559)</u>	<u>-</u>	<u>6,421,724</u>
Business-type activities capital assets, net	<u>\$ 9,589,095</u>	<u>\$ 220,389</u>	<u>\$ (4,346)</u>	<u>\$ -</u>	<u>\$ 9,805,928</u>

C. Depreciation Expense

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

Governmental activities	
General government	\$ 40,203
Public safety	34,094
Public works	18,839
Health	5,335
Housing	2,045
Parks and recreation	15,191
Library	5,810
Infrastructure	143,028
Total depreciation expense - governmental activities	<u>\$ 264,545</u>
Business-type activities	
Airport System	\$ 179,398
Convention & Entertainment Facilities	13,720
Combined Utility System	236,841
Total depreciation expense - business-type activities	<u>\$ 429,959</u>

D. Pension Trust Funds

In February 1998, the Firefighters' Relief and Retirement Fund purchased land in the amount of \$483,325 for use in the construction of a new office building for its operations and its members. In April of 2001, the construction of the new building was completed. The building's capitalized cost of \$9,788,953 is being depreciated over 30 years. The accumulated depreciation for the building as of June 30, 2016 amounted to \$4,775,268.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

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

Short-term debt activity for the year ended June 30, 2016, was as follows (in thousands):

	<u>Balance</u> <u>July 1, 2015</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>June 30, 2016</u>
Tax and revenue				
Anticipation notes	\$ -	\$ 210,000	\$ 210,000	\$ -

On July 2, 2015, the City closed on the sale of \$210,000,000 Tax and Revenue Anticipation Notes (TRANS), Series 2015. The proceeds of the TRANS were used to pay working capital expenditures until tax revenues were received. The stated rate was 1.72%, and the average yield was .29%. The notes matured on June 30, 2016.

NOTE 8: LONG-TERM LIABILITIES

A. General Long-Term Liabilities

Changes in General Long-Term Liabilities for the year ended June 30, 2016 are summarized as follows (in thousands):

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Amounts</u> <u>Due within</u> <u>One Year</u>
Governmental Activities					
Bonds and notes payable					
General tax obligation debt	\$ 3,135,203	\$ 622,615	\$ (797,510)	\$ 2,960,308	\$ 202,005
HUD Section 108 Loans	5,154	-	(659)	4,495	659
Plus premium (discount) on bonds	212,635	102,908	(31,316)	284,227	-
Total bonds and notes payable	<u>3,352,992</u>	<u>725,523</u>	<u>(829,485)</u>	<u>3,249,030</u>	<u>202,664</u>
Other liabilities:					
Claims and judgments	106,496	288,640	(286,645)	108,491	31,877
Compensated absences	460,477	70,603	(63,714)	467,366	143,394
Arbitrage rebate	17	-	(3)	14	-
Other Post Employment Benefit obligation	1,336,233	179,815	(33,149)	1,482,899	-
Net Pension liability	4,937,257	761,404	(349,836)	5,348,825	-
Total other liabilities	<u>6,840,480</u>	<u>1,300,462</u>	<u>(733,347)</u>	<u>7,407,595</u>	<u>175,271</u>
Governmental Activities Long-Term Liabilities	<u>\$ 10,193,472</u>	<u>\$ 2,025,985</u>	<u>\$ (1,562,832)</u>	<u>\$ 10,656,625</u>	<u>\$ 377,935</u>
Discretely Presented Component Units:					
Notes payable	\$ 313,099	\$ 205,787	\$ (26,692)	\$ 492,194	\$ 16,953
Revenue bonds	466,962	37,308	(100,656)	403,614	23,290
Discretely Presented Component Units Long-Term Liabilities	<u>\$ 780,062</u>	<u>\$ 243,095</u>	<u>\$ (127,348)</u>	<u>\$ 895,809</u>	<u>\$ 40,243</u>

(Continued)

Within governmental funds, contributions toward the other post employment benefit obligations are made from the general fund.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

	Balance		Retirements/	Balance	Amounts
	June 30, 2015	Additions	Transfers	June 30, 2016	Due within
					One Year
Business-type activities					
Bonds and notes payable					
Airport System debt	\$ 2,322,126	\$ 161,285	\$ (79,841)	2,403,570	\$ 177,903
Convention and Entertainment debt	509,129	-	(24,524)	484,605	19,791
Combined Utility System debt	6,154,091	1,262,325	(1,275,950)	6,140,466	245,685
Long-term contracts - Combined Utility	186,036	26,433	(14,194)	198,275	4,868
Premiums, discounts amount	647,911	217,830	(44,416)	821,325	-
Total bonds and notes payable	<u>9,819,293</u>	<u>1,667,873</u>	<u>(1,438,925)</u>	<u>10,048,241</u>	<u>448,247</u>
Other liabilities:					
Claims and judgments	4,438	3,412	(3,970)	3,880	1,894
Compensated absences	33,780	15,963	(16,388)	33,355	16,388
Arbitrage rebate liability	523	422	(414)	531	-
Other Post Employment Benefit obligation	185,625	20,613	(5,394)	200,844	-
Net Pension liability	637,022	133,640	(44,305)	726,357	-
Total other liabilities	<u>861,388</u>	<u>174,050</u>	<u>(70,471)</u>	<u>964,967</u>	<u>18,282</u>
Business-type activities					
Long-Term Liabilities	<u>\$ 10,680,681</u>	<u>\$ 1,841,923</u>	<u>\$ (1,509,396)</u>	<u>\$ 11,013,208</u>	<u>\$ 466,529</u>
Total Reporting Entity					
Long-Term Liabilities	<u>\$ 21,654,215</u>	<u>\$ 4,111,003</u>	<u>\$ (3,199,576)</u>	<u>\$ 22,565,642</u>	<u>\$ 884,707</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

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

	Stated Interest Rate Range, %	Face Value Outstanding 6/30/2015	FY16 Issued/ Increased
General Tax Obligation Debt			
Public improvement bonds	0.25 to 6.32	\$ 2,447,340	\$ 557,615
Pension obligations	5.31 to 6.29	529,603	-
Commercial paper	0.12 to 10.00	141,900	65,000
Tax and revenue certificates of obligation	4.00 to 5.00	16,360	-
Total General Tax Obligation Debt		\$ 3,135,203	\$ 622,615
HUD Section 108 Loans		\$ 5,154	\$ -
Revenue Bonded Debt			
Airport System Bonds			
Senior Lien Revenue bonds	5.00 to 5.50	\$ 449,660	\$ -
Subordinate lien revenue and refunding bonds	0.44 to 5.45	1,701,145	-
Special facility bonds (Note 1K)	1.296 to 6.88	102,055	-
Inferior lien contractual obligation	5.50	17,760	-
Pension obligations	5.31	2,006	-
Note obligation	2.19	-	123,785
Commercial paper	0.45 to 0.52	49,500	37,500
		\$ 2,322,126	161,285
Convention and Entertainment Facilities			
Senior lien hotel occupancy tax/parking facilities	1.12 to 5.75	\$ 505,370	-
Pension obligations	5.31 to 6.29	3,759	-
		\$ 509,129	-
Combined Utility System			
Combined Utility System first lien bonds	0.02 to 6.00	\$ 5,917,480	1,137,325
Water and Sewer System junior lien revenue bond	1.25 to 6.90	57,339	-
Combined Utility System commercial paper	0.12 to 10.00	120,000	125,000
Pension obligations	5.31 to 6.29	59,272	-
		\$ 6,154,091	1,262,325
Long-Term Contracts-Water and Sewer System			
Coastal Water Authority	2.00 to 7.50	85,925	-
Other long term contracts	3.22 to 5.85	100,111	26,433
		\$ 122,048	26,433
Total Revenue Bonded Debt and Long-Term Contracts, Primary Government		\$ 9,107,394	\$ 1,450,043
Total Bonds and Long-Term Contracts Payable, Primary Government		\$ 12,247,751	\$ 2,072,658

(Continued)

- (1) Adjustments consist of unamortized bond premiums, discounts, and capital appreciation bond accretions.
- (2) Amount of refunding general tax obligation debt paid to escrow agent included payment of premiums and accrued interest on refunded bonds. Loss on refunding is reported as deferred outflow of resources.

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FY16 Redeemed/ Refunded (2)	Face Value Outstanding 6/30/2016	Adjustments⁽¹⁾	Net Outstanding 6/30/2016
\$ 684,350	2,320,605	\$ 283,107	\$ 2,603,712
6,160	523,443	-	523,443
107,000	99,900	-	99,900
-	16,360	1,119	17,479
<u>\$ 797,510</u>	<u>\$ 2,960,308</u>	<u>\$ 284,226</u>	<u>\$ 3,244,534</u>
<u>\$ 659</u>	<u>\$ 4,495</u>	<u>\$ -</u>	<u>\$ 4,495</u>
\$ 9,275	\$ 440,385	\$ (603)	\$ 439,782
56,455	1,644,690	65,705	1,710,395
5,160	96,895	-	96,895
5,605	12,155	-	12,155
-	2,006	-	2,006
3,346	120,439	-	120,439
-	87,000	-	87,000
<u>79,841</u>	<u>2,403,570</u>	<u>65,102</u>	<u>2,468,672</u>
24,459	480,911	181,675	662,586
65	3,694	-	3,694
<u>24,524</u>	<u>484,605</u>	<u>181,675</u>	<u>666,280</u>
1,089,910	5,964,895	468,333	6,433,228
-	57,339	95,188	152,527
185,000	60,000	-	60,000
1,040	58,232	-	58,232
<u>1,275,950</u>	<u>6,140,466</u>	<u>563,521</u>	<u>6,703,987</u>
14,070	71,855	6,239	78,094
124	126,420	4,786	131,206
<u>14,194</u>	<u>198,275</u>	<u>11,025</u>	<u>209,300</u>
<u>\$ 1,394,509</u>	<u>\$ 9,226,916</u>	<u>\$ 821,323</u>	<u>\$ 10,048,239</u>
<u>\$ 2,192,678</u>	<u>\$ 12,191,719</u>	<u>\$ 1,105,549</u>	<u>\$ 13,297,268</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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C. Terms of Long-Term Debt

1. Public Improvement Bonds

The City has issued Public Improvement Bonds on numerous occasions. The bonds are payable from ad valorem tax revenues. The proceeds are used for street and bridge improvements, traffic signals, municipal buildings, parks, and other capital improvements. Interest is payable semi-annually; principal is payable in various amounts annually through March 1, 2043.

2. Pension Obligation Bonds

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

3. General Obligation Commercial Paper

The City currently may issue Commercial Paper Notes ("Notes") under its \$875 million General Obligation Commercial Paper, \$200 million Series E Program, \$200 million Series G Program, \$100 million Series H-2 Program, \$125 million Series J, \$150 million Series K-1 and \$100 million Series K-2 Program. The Notes may be issued for a period not to exceed 270 days and will bear interest based upon the specified term of the Notes, but not to exceed 10%. Principal on the Notes is payable from ad valorem tax revenue, the issuance of new commercial paper, bond proceeds and other funds provided under credit lines. Interest is payable from ad valorem tax revenue collected by the City. Proceeds from the Notes are used to finance various capital projects and public improvements for authorized City purposes. Upon maturity, the Notes will be remarketed by the commercial paper dealers or extinguished with long-term debt.

During fiscal year 2016 the average interest rate for the outstanding General Obligation Notes, including dealer and credit fees, was 0.66%. The average year-end rate for the outstanding notes, including fees, was 0.67%. This does not include Series K-1, K-2 and G-1 which was established mainly for appropriation purposes; therefore there were no draws during the Fiscal Year 2016. The average fees only related to Series K-1 is 0.175%, K-2 is 0.3% and G-1 is 0.32% without any notes outstanding during Fiscal Year 2016. The Credit Agreements expire on the following dates: Series E-1 on July 15, 2018, Series E-2 on April 25, 2019, Series G-1 on February 19, 2018, Series G-2 on November 28, 2017, Series H-2 on October 13, 2017, Series J on May 20, 2017, Series K-1 on February 22, 2022 and Series K-2 on December 27, 2018.

4. Certificates of Obligation

Since 1988, the City has issued Certificates of Obligation each year to provide for the purchase of equipment utilized in general City operations including, without limitation, police vehicles, maintenance vehicles and equipment, computer equipment, and costs associated with demolishing dangerous structures. Each year the City is obligated to levy, assess, and collect ad valorem taxes sufficient to pay principal and interest on the certificates payable semi-annually until maturity.

5. HUD Section 108 Loan

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

6. Airport System Revenue Bonds

The Houston Airport System has \$440,385,000 of senior lien bonds outstanding that mature in varying amounts from 2015 to 2040. Bonds issued on the senior lien require net revenues total 125% of the debt service requirements for such fiscal year. The Houston Airport System has also issued Subordinate Lien Bonds which are paid solely from a lien on the airport system's net revenues, which must total 110% of the debt service requirements for Subordinate Lien Bonds for such fiscal year. The bonds have a \$1,644,690,000 outstanding with a final maturity in the year 2032. Airport System Subordinate Lien Revenue Bonds, Series 2000P1 and 2000P2, 2002C, 2002D-1, and 2002D-2, have been issued as auction rate securities with current 7-day resets. In December 2010, the Airport System issued Variable Rate Demand Obligations (VRDO's), Series, 2010A, with a 7-day reset to refund its 2005 VRDO's which were subject to alternative minimum tax. These bonds may all be converted to other modes including fixed rate bonds. The City has liquidity facility with Barclay in place for the Series 2010 bonds with a termination date of December 22, 2017. 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 9 of the 14 current outstanding airport system subordinate lien issues. The reserve policies terminate upon final

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maturities on various dates in the future. Each of the draws made against the reserve policy shall bear interest at the Prime Rate plus two percent, not to exceed a maximum interest rate of 12%. The repayment provisions require one-twelfth of the policy costs for each draw to be repaid monthly, beginning the first month following the date of each draw. The City cash funded a reserve fund for its Houston Airport System 2009A Senior Lien Revenue Bonds.

7. Airport System Inferior Lien Contract

On July 1, 2004 the City and United Airlines (formerly 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 United Airlines' 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 \$12,155,000 as of June 30, 2016, is recorded as an Inferior Lien Contract.

8. Airport System Special Facility Bonds

The Airport System Special Facilities Taxable Revenue Bonds, (Consolidated Rental Car Facility Project), Series 2001, and the Airport System Special Facilities Taxable Revenue Refunding Bonds (Consolidated Rental Car Facility Project), Series 2014, financed the design and construction at Intercontinental of a common car customer service building, a parking structure, maintenance, storage and administrative facilities for each car rental company lessee, a common bus fleet and maintenance facility, and related infrastructure. The City holds legal title to the completed Consolidated Rental Car Facility ("CRCF"), as it was constructed on airport property, but the facility is operated and maintained by IAH RACS, LLC, a limited liability company formed by various car rental companies. The bonds are payable from customer facility charges collected by the car rental companies from their customers and remitted to a trustee for payment of debt service and other uses allowable by a trust indenture. As of June 30, 2016, the daily usage charge per customer is set at \$3.00. The trust indenture determines when and how the City is responsible for changing the rate. The bonds are limited special obligations of the City, payable solely from and secured by pledged customer facility charges. These bonds do not constitute a debt or pledge of the faith or credit of the City or the Airport System Fund. At June 30, 2016, Special Facilities Taxable Revenue and Refunding Bonds (CRCF) outstanding totaled \$96,895,000.

9. Airport System Commercial Paper

On December 18, 2013 the Airport System Senior Lien Commercial Paper Notes Series A and B (the Notes) were authorized with a revolving credit agreement convertible to direct pay letters of credit issued by Royal Bank of Canada, and a lien on the net revenues of the Airport System. The credit agreement will terminate on December 16, 2016 for Series A and B. The authorization is 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. The outstanding notes as of June 30, 2016 are \$87 million.

10. Forward Delivery Bond Purchase Agreement

On October 21, 2015, the City terminated its authorization for the \$150 million Series C Commercial Paper Notes, and instead authorized the issuance of \$450 million in Airport System Inferior Lien Revenue Bonds in one or more series. The City also authorized the execution of a forward delivery bond purchase agreement. This authorization is valid until October 21, 2016 unless extended by a separate City Council action. On November 5, 2015, The City executed a forward delivery bond purchase agreement for the issuance of up to \$450 million of Airport System Inferior Lien Revenue Bonds with the Royal Bank of Canada. The agreement expires on November 5, 2022. No bonds have been issued as of June 30, 2016.

11. Aviation System Note Obligation

In February, 2013, the City entered into a contract with Southwest Airlines Co. ("Southwest") under which Southwest would construct five international gates, a Federal Inspection Service Facility, and associated enabling projects (the "Project") at William P. Hobby Airport. Southwest was responsible for the initial funding of all costs of the Project including any related financing costs, but title to the Project was passed to the City at each point in construction. During construction, the Airport Fund has recorded Southwest's cost of construction in process as a long term contract payable. The Airport Fund has no responsibility for any financing costs of the Project that may have been incurred by Southwest. The new gates and facility opened on October 15, 2015.

At any time after final completion of the Project, the City has the right to buy out Southwest's investment for the unamortized costs of the Project, calculated at an annual amortization rate equal to 2.19% over a 25-year period, with final maturity at June 30, 2040. Should the City buy out Southwest's investment, Southwest will then be responsible for the payment of its share of the Airport Fund's capital cost through rates and charges on the new facilities. As long as the City does not buy out Southwest's investment in the facilities, then the Airport Fund will record a note payable to Southwest for the unamortized costs of the Project. Southwest will be invoiced monthly using rates that will recover operation and maintenance expenses. Southwest will also be invoiced monthly for the capital cost amortization of the facilities, but a corresponding credit memo will be issued to offset the

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capital invoice. Capital costs charged to other user airlines will be remitted to Southwest. The Airport Fund has recorded the initial note payable on October 15, 2015 as \$123,785,000, with \$120,439,000 still outstanding on June 30, 2016.

12. 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), and revenues collected from certain City-owned parking facilities. The pledged HOT receipts are equal to 5.65% of the cost of substantially all hotel room rentals in the City, plus related penalties and interest for delinquent payments. As long as any of the Senior Lien Bonds remain outstanding, the City is required to levy a Hotel Occupancy Tax at a rate not less than 7%. The City currently levies a Hotel Occupancy Tax at the rate of 7%. Final maturity of the bonds is September 1, 2044.

The City has obtained a debt service reserve insurance policy for the Senior Lien Hotel Occupancy Tax Revenue Bonds. The surety policy expires upon final maturity of the outstanding Bonds that are due through 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%.

13. Combined Utility System First Lien Revenue Bonds

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

The Combined Utility System Revenue Refunding Bonds, Series 2004B and 2004C, were initially issued as Auction Rate Securities. All of the 2004B auction rate securities were converted to variable rate demand bonds in April 2008. The Combined Utility System Revenue Refunding bonds Series, 2012A, 2012B and 2012C were issued as SIFMA index floating rate. Series 2012A bonds refunded \$125M and Series 2012B bonds refunded \$100M of Series 2004B-1 bonds. The Series 2012C were used to refund \$249M bonds of Series 2010B.

14. Combined Utility System Commercial Paper

The Combined Utility System established a Commercial Paper Notes Program Series B which has been authorized for \$700 million to finance costs of eligible projects for the City's combined utility system, including acquisition or construction of improvements and additions or extension for the system, and costs of issuance. The notes are issued as third lien obligations. The maturity of the Notes may not exceed 270 days and the maximum interest rate may not exceed 10%. Principal on the Notes is payable from the issuance of new commercial paper, bond proceeds and other funds provided under separate letters of credit with Bank of America, Morgan Stanley, Bank of Tokyo, State Street, Royal Bank of Canada and U.S. Bank. The letters of credit with Bank of America expires on January 1, 2019, Morgan Stanley expires on December 23, 2019, and Bank of Tokyo expires on January 16, 2018. The agreements with State Street and B-6 Bank of America expire on July 15, 2019. The agreement with RBC expires November 30, 2018. Interest on the Notes is payable from net revenues of the System and loans under the credit agreement.

15. Combined Utility System Synthetic Fixed Rate Swap Agreements

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

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

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

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

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At June 30, 2016, the effective rate on the 2004B Bonds associated with the swap was computed as follows:

	<u>Terms</u>	RATE (%) Received (Paid)
Variable rate payment from counterparties	LIBOR x 57.6%	0.1907
	+ Constant	<u>0.3700</u>
Swap receipt		0.5607
Fixed rate paid to counterparties	Fixed	<u>(3.7784)</u>
Net rate (paid)/received for swap		(3.2177)
Average variable rate on 2004B bonds, year end		(0.1200)
Plus dealer and credit fees on 2004B bonds		<u>(0.6415)</u>
Effective rate of 2004B bonds		<u>(3.9792)</u>

Fair value. Because long-term interest rates have changed since inception of the swaps, the swaps had a negative fair value of \$215,700,523 on June 30, 2016. After adjustment for the refunded portion, the value reported in the financial statements is \$62,570,307. This value was calculated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. The fair value is recorded on the balance sheet of the Combined Utility System in the SWAP liability. These net payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit risk. As of June 30, 2016, the City was not exposed to credit risk because the swaps had a negative fair value. However, should interest rates increase and the fair value of the swap become positive, the City would be exposed to credit risk on the swap in the amount of its fair value. The City's swap policy generally requires that swap counterparties be rated double-A or better by at least one nationally recognized rating agency at inception. Under the agreements, if a counterparty's credit rating falls below AA, collateral may be required in varying amounts depending on the credit rating and fair value to the City of the swaps. No collateral has been required to date.

<u>Counterparty</u>	<u>Notional Amount</u>	<u>Fair Value</u>	<u>Counterparty</u> <u>Credit Rating</u> <u>(Moody's/S&P/Fitch)</u>
Goldman Sachs Capital Markets	\$353,325,000	(124,529,589)	A3/A/A+
JP Morgan Chase	150,000,000	(52,867,581)	Aa3/A+/AA-
UBS AG	<u>150,000,000</u>	<u>(52,867,581)</u>	A1/BBB+/A
Total	<u>\$653,325,000</u>	<u>(230,264,751)</u>	

Basis risk. The City is exposed to basis risk on the swaps because the variable payment received is based on an index other than SIFMA. Should the relationship between LIBOR and SIFMA move to convergence (because of reductions in tax rates, for example), the expected cost savings may not be realized. The City has issued variable rate demand bonds with an average rate of 0.33% (not including dealer and credit fees) as of June 30, 2016, whereas the associated LIBOR-based rate of the swap was 0.55%.

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

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

Swap payments and associated debt. As of June 30, 2016, debt service requirements for the swap agreements are reported in Note 8D, assuming current interest rates remain the same. As rates vary, variable rate bond interest payments and net swap payments will vary. Expected debt service payments on the associated Combined Utility System 2004B bonds are included with other Combined Utility System Bonds on Note 8D.

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16. Combined Utility System Forward Interest Rate Swap

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

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

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

At June 30, 2016, the effective rate on the 2012C 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 (Swap Receipt)	LIBOR x 70%	0.2318
Fixed rate paid to counterparty	Fixed	<u>(3.7610)</u>
Net rate (paid)/received for swap		<u>(3.5292)</u>
Year-end variable rate on 2012C bonds		<u>(0.1199)</u>
Plus credit fees on 2012C bonds		<u>(0.6000)</u>
Effective rate of 2012C bonds		<u>(4.2491)</u>

Fair value. The swap had a fair value of negative \$87,890,429 on June 30, 2016. After adjustment for the refunded portion, the value reported in the financial statements is \$75,966,819. The fair value is recorded on the balance sheet of the Combined Utility System in the SWAP liability. This value was calculated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These net payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit risk. As of June 30, 2016, the City was not exposed to credit risk because the fair value of the swap was negative to the City. As of June 30, 2016, Wells Fargo Bank N.A. was rated Aa2, AA- and AA by Moody’s, Standard and Poor’s, and Fitch respectively. Under the agreement, if Wells Fargo’s credit rating falls below double-A, collateral must be posted in varying amounts depending on the credit rating if the fair value of the swap is positive to the City. No collateral has been required to date.

Basis risk. The City is exposed to basis risk on the swap because the variable payment received is based on an index that is not tax-exempt. Should the relationship between LIBOR and SIFMA move to convergence (because of reductions in tax rates, for example), the expected cost savings may not be realized. At June 30, 2016 the interest rate in effect for the underlying variable rate bonds was 0.33% while the rate in effect for the swap receipts was 0.21%.

Termination risk. The City may terminate for any reason. Wells Fargo 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, 2016, debt service requirements for the swap agreements are reported in Note 8D as if the swap was in effect, assuming current interest rates remain the same. As rates vary, variable rate bond interest payments and net swap payments will vary. Expected debt service payments on the associated Combined Utility System 2012C bonds are included with other Combined Utility System Bonds on Note 8D.

The City has determined the Swap liability to be a Level 2 measurement under the fair value hierarchy disclosure standards. A summary of the fair value follows:

<u>Change in Fair Value</u>	<u>Fair Value at June 30, 2016</u>	<u>Notional Amount</u>
\$3,895,901 (Reported in SWAP Liability)	\$303,590,952 (Reported in SWAP Liability)	\$902,400,000

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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 ("Junior Lien Bonds") will be made after payment of operating expenses and prior to any debt service payments on the Combined Utility System bonds. The final maturity date for the remaining junior lien bonds is December 1, 2028. No additional Junior Lien Bonds may be issued.

18. Coastal Water Authority ("CWA")

The contract payable relating to CWA represents the outstanding balance of \$770,000 at June 30, 2016 of City of Houston Water Conveyance System Contract Certificate of Participation, Series 1993, representing contract payments owed by the City to pay debt service on bonds issued by CWA, plus \$71,085,000 of CWA Revenue Refunding Bonds, Series 1999 (refunded), Series 2004 (refunded), Series 2010 and Series 2014 (refunding) issued by CWA, a governmental agency of the State of Texas, to finance the construction of a water conveyance system. Pursuant to a series of exchange agreements with CWA, the City issued the Certificate and endorsed the bonds and is unconditionally obligated to pay from the gross revenues of the City's Combined Utility System all debt service payments on these Certificates and Bonds, as well as amounts necessary to restore deficiencies in funds required to be accumulated under the CWA bond resolutions. The bonds mature on December 15, 2034.

Luce Bayou

In January 2009, the City entered into a contract with CWA for the project design, Property acquisition, construction and financing of the Luce Bayou Interbasin Transfer Project. This would include the construction of infrastructure sized to transfer approximately 450,000 acre feet per year of the City's permitted surface water from Trinity River to Lake Houston. The funding for this project is to be financed and paid through the Texas Water Development Board (TWDB) financing program. The WIF Bonds are secured by the City's pledged revenues to pay Debt Service. The current contract payable out of the General Purpose Fund relating to Luce Bayou as of June 30, 2016 represents \$28,754,000 of State Participation Loan (maturing in 2047), \$28,000,000 of Series 2009 WIF Loan (maturing in 2029) and \$5,115,000 of Series 2010 WIF Loan (maturing in 2030) for a total of \$61,869,000. The annual debt service payments for the State Participation Loan started in FY2015 and for the Series 2009 and 2010 WIF Loan are deferred to 2019 and 2020 respectively.

Luce Bayou & Mitigation Costs-ROW

Land and Mitigation Costs associated with the Luce Bayou Project relate to acquisition of land and costs of environmental mitigation. CWA advanced funds to pay for the City's share of Land and Mitigation costs from available CWA revenues in lump sums (\$6.4 million in 2009, \$3.2 million in 2010, \$3.2 million in 2012) for a total of \$12.9 million. Repayment of the loan is deferred until 2019 with the accrued interests during 2009-2018 rolled into principal to be amortized over the next 20 years. As of June 30, 2016, interest has been accrued of \$2.8 million, and current principal balance is \$15.7 million.

19. Other Contracts

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

On June 20, 1967 the City, TRA, and Chambers-Liberty Counties Navigation District contracted with the United States of America to have the U.S. Army Corps of Engineers build a salinity control barrier and recreation facilities at Wallisville Lake. Because of legal actions, construction was blocked for a long period, and the project was not completed until April 2003. The City's share of the project cost was \$10,580,707, which will be paid to the U.S. government over 50 years at 3.222% interest with final payment due January 1, 2053. Current principal balance as of June 30, 2016 is \$8.9 million.

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

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D. Schedule for Debt Service Requirements to Maturity:

The following debt service schedules have been adjusted to include refundings that occurred subsequent to June 30, 2016.

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

Year Ending June 30	Public Improvement Bonds		Pension Obligation Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 185,420	\$103,795	\$ 6,585	\$ 31,048
2018	206,480	99,666	7,050	30,633
2019	212,510	90,265	7,540	30,190
2020	218,265	80,709	8,065	29,716
2021	185,890	70,390	17,070	29,208
2022-2026	720,045	230,217	103,225	128,492
2027-2031	433,870	85,476	175,962	90,380
2032-2036	116,740	22,491	155,271	35,515
2037-2041	34,205	5,365	42,675	5,644
2042-2046	7,180	496	-	-
Total	\$ 2,320,605	\$ 788,870	\$ 523,443	\$ 410,826

Year Ending June 30	General Obligation Commercial Paper		Tax and Revenue Certificates of Obligation	
	Principal	Interest	Principal	Interest
2017	\$ 10,000	\$ 647	\$ -	\$ 428
2018	84,900	210	1,080	428
2019	5,000	24	1,135	374
2020	-	-	1,195	318
2021	-	-	1,255	258
2022-2026	-	-	11,695	355
2027-2031	-	-	-	-
2032-2036	-	-	-	-
2037-2041	-	-	-	-
2042-2046	-	-	-	-
Total	\$ 99,900	\$ 881	\$ 16,360	\$ 2,161

Year Ending June 30	Total Future Requirements		
	Principal	Interest	Total Future Requirements
2017	\$ 202,005	\$ 135,918	\$ 337,923
2018	299,510	130,937	430,447
2019	226,185	120,853	347,038
2020	227,525	110,743	338,268
2021	204,215	99,856	304,071
2022-2026	834,965	359,064	1,194,029
2027-2031	609,832	175,856	785,688
2032-2036	272,011	58,006	330,017
2037-2041	76,880	11,009	87,889
2042-2046	7,180	496	7,676
Total	\$ 2,960,308	\$ 1,202,738	\$ 4,163,046

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2. HUD Section 108 Loans (in thousands):

Year Ending	HUD Section 108 Loans (in thousands)		
	Principal	Interest	Total Future
2017	\$ 659	\$ 235	\$ 894
2018	672	198	870
2019	672	160	832
2020	672	121	793
2021	480	89	569
2022-2026	1,340	86	1,426
2027-2031	-	-	-
Total	<u>\$ 4,495</u>	<u>\$ 889</u>	<u>\$ 5,384</u>

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

Year Ending	Airport System Senior Lien Revenue Bonds		Airport System Senior Lien Commercial Paper		Airport System Subordinate Lien Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30						
2017	\$ 9,740	\$ 23,112	\$ 87,000	\$ 192	\$ 64,925	\$ 66,682
2018	10,225	22,613	-	-	67,630	63,882
2019	10,735	22,089	-	-	67,785	60,935
2020	11,275	21,538	-	-	77,050	57,855
2021	11,835	20,961	-	-	69,350	54,601
2022-2026	68,685	95,073	-	-	463,445	217,725
2027-2031	87,810	75,369	-	-	577,540	115,950
2032-2036	114,075	48,257	-	-	256,965	12,426
2037-2040	116,005	13,187	-	-	-	-
Total	<u>\$ 440,385</u>	<u>\$ 342,199</u>	<u>\$ 87,000</u>	<u>\$ 192</u>	<u>\$ 1,644,690</u>	<u>\$ 650,056</u>

Year Ending	Airport System Inferior Lien Contract		Airport System Pension Obligations		Airport System Special Facility Bonds- Rental Car Facility	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30						
2017	\$ 5,915	\$ 506	\$ -	\$ 107	\$ 5,305	\$ 5,344
2018	6,240	171	-	107	5,490	5,275
2019	-	-	-	106	5,715	5,170
2020	-	-	-	107	5,960	5,038
2021	-	-	-	107	6,240	4,877
2022-2026	-	-	-	532	44,615	17,822
2027-2031	-	-	925	485	23,570	2,465
2032-2036	-	-	1,081	137	-	-
Total	<u>\$ 12,155</u>	<u>\$ 677</u>	<u>\$ 2,006</u>	<u>\$ 1,688</u>	<u>\$ 96,895</u>	<u>\$ 45,991</u>

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Year Ending June 30	Airport System Note Southwest Airlines		Year Ending June 30	Airport System Total Future Requirements		
	Principal	Interest		Principal	Interest	Total
2017	\$ 5,018	\$ 2,638	2017	\$ 177,903	\$ 98,581	\$ 276,484
2018	5,018	2,528	2018	94,603	94,576	189,179
2019	5,018	2,418	2019	89,253	90,718	179,971
2020	5,018	2,308	2020	99,303	86,846	186,149
2021	5,018	2,198	2021	92,443	82,744	175,187
2022-2026	25,092	9,342	2022-2026	601,837	340,494	942,331
2027-2031	25,092	6,594	2027-2031	714,937	200,863	915,800
2032-2036	25,092	3,846	2032-2036	397,213	64,666	461,879
2037-2041	20,073	1,099	2037-2041	136,078	14,286	150,364
Total	<u>\$ 120,439</u>	<u>\$ 32,971</u>	Total	<u>\$ 2,403,570</u>	<u>\$ 1,073,774</u>	<u>\$ 3,477,344</u>

Year Ending June 30	Convention and Entertainment Facilities Revenue Bonds		Convention and Entertainment Pension Obligations	
	Principal	Interest	Principal	Interest
2017	\$ 19,721	\$ 24,102	\$ 70	\$ 231
2018	21,815	23,806	75	226
2019	22,384	23,376	80	221
2020	23,712	23,148	90	216
2021	24,083	22,572	185	211
2022-2026	112,676	136,292	1,110	864
2027-2031	125,791	144,680	1,617	461
2032-2036	88,764	91,250	467	34
2037-2041	25,640	6,356	-	-
2042-2046	16,325	1,339	-	-
Total	<u>\$ 480,911</u>	<u>\$ 496,921</u>	<u>\$ 3,694</u>	<u>\$ 2,464</u>

Year Ending June 30	Convention and Entertainment Total Future Requirements	
	Principal	Interest
2017	\$ 19,791	\$ 24,333
2018	21,890	24,032
2019	22,464	23,597
2020	23,802	23,364
2021	24,268	22,783
2022-2026	113,786	137,156
2027-2031	127,408	145,141
2032-2036	89,231	91,284
2037-2041	25,640	6,356
2042-2046	16,325	1,339
Total	<u>\$ 484,605</u>	<u>\$ 499,385</u>

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Year Ending	Combined Utility System Revenue Bonds		Combined Utility System Swap Agreement		Combined Utility System Commercial Paper	
	Principal	Interest	Net		Principal	Interest
June 30			Swap Payment			
2017	184,570	231,017	30,971		60,000	-
2018	200,505	222,326	32,314		-	-
2019	211,780	212,960	32,314		-	-
2020	189,150	205,813	31,002		-	-
2021	200,380	198,577	30,820		-	-
2022-2026	1,163,840	857,142	154,090		-	-
2027-2031	1,433,065	589,616	140,283		-	-
2032-2036	1,541,170	323,968	33,206		-	-
2037-2041	635,590	100,581	-		-	-
2042-2046	204,845	16,876	-		-	-
Total	\$ 5,964,895	\$ 2,958,876	\$ 485,000		\$ 60,000	\$ -

Year Ending	Water and Sewer Jr. Lien Revenue Bonds		Combined Utility System Pension Obligations	
	Principal	Interest	Principal	Interest
June 30				
2017	-	-	1,115	3,630
2018	-	-	1,190	3,560
2019	-	-	1,275	3,485
2020	7,390	16,130	1,365	3,404
2021	6,656	15,749	2,890	3,318
2022-2026	22,075	65,900	17,470	13,622
2027-2031	21,218	84,502	25,385	7,298
2032-2036	-	-	7,542	591
Total	\$ 57,339	\$ 182,281	\$ 58,232	\$ 38,908

Year Ending	Combined Utility System Total Future Requirements			
	Principal	Interest	Net	Total Future
June 30			Swap Payment	Requirements
2017	245,685	234,647	30,971	511,303
2018	201,695	225,886	32,314	459,895
2019	213,055	216,445	32,314	461,814
2020	197,905	225,347	31,002	454,254
2021	209,926	217,644	30,820	458,390
2022-2026	1,203,385	936,664	154,090	2,294,139
2027-2031	1,479,668	681,416	140,283	2,301,367
2032-2036	1,548,712	324,559	33,206	1,906,477
2037-2041	635,590	100,581	-	736,171
2042-2046	204,845	16,876	-	221,721
Total	\$ 6,140,466	\$ 3,180,065	\$ 485,000	\$ 9,805,531

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

Year Ending June 30	Maintenance and Operation Lien		US Army Corps of Engineers		Texas Water Development Board	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 4,100	\$ 3,104	\$ 128	\$ 287	\$ -	\$ 1,497
2018	3,455	2,944	133	283	-	1,497
2019	3,590	2,795	137	278	-	1,497
2020	3,755	2,626	141	274	-	1,497
2021	3,960	2,438	146	269	-	1,496
2022-2026	27,210	8,993	803	1,274	2,660	4,551
2027-2031	13,285	3,673	941	1,136	4,290	2,850
2032-2036	12,500	1,025	1,102	974	5,700	1,440
2037-2041	-	-	1,292	785	1,350	79
2042-2046	-	-	1,514	563	-	-
2047-2051	-	-	1,774	303	-	-
2052-2056	-	-	792	38	-	-
Total	\$ 71,855	\$ 27,598	\$ 8,903	\$ 6,464	\$ 14,000	\$ 16,404

Year Ending June 30	Swift Loan		CWA Luce Bayou		CWA Luce Bayou ROW		Other Contracts Total Future Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 640	\$ 637	\$ -	\$ 334	\$ -	\$ -	\$ 4,868	\$ 5,859
2018	640	634	-	467	-	-	4,228	5,825
2019	645	631	-	857	266	436	4,638	6,494
2020	650	626	2,915	1,663	552	852	8,013	7,538
2021	655	620	2,975	1,805	580	825	8,316	7,453
2022-2026	3,440	2,961	16,020	10,864	3,359	3,662	53,492	32,305
2027-2031	3,830	2,611	11,205	12,542	4,281	2,740	37,832	25,552
2032-2036	4,385	2,067	5,880	6,691	5,456	1,565	35,023	13,762
2037-2041	5,085	1,359	8,990	4,340	3,266	244	19,983	6,807
2042-2046	5,945	489	11,295	1,980	-	-	18,754	3,032
2047-2051	-	-	2,589	61	-	-	4,363	364
2052-2056	-	-	-	-	-	-	792	38
Total	\$ 25,915	\$ 12,635	\$ 61,869	\$ 41,604	\$ 17,760	\$ 10,324	\$ 200,302	\$ 115,029

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 2016 described below, has been removed from the City's books.

Public Improvement Refunding Bonds

On April 13, 2016 the City issued \$557,615,000 in Public Improvement Refunding Bonds Series 2016A at coupons ranging from 3.50%-5.00%. The Bonds will mature in varying amounts from 2019-2038. The true interest cost for the Public Improvement 2016A Bonds was 2.604%. The proceeds of the Bonds will be used to refund Public Improvement Bonds Series 2006B, 2006D, 2006E, 2006F, 2006G, 2007A, 2008A, 2009A; and \$107,000,000 of General Obligation Commercial Paper Series E-1, E-2. Net present value savings related to the refunded bonds totaled \$49,160,877 or 9.70% of the refunded bonds and reduced total debt service by \$50,775,602.

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Combined Utility System Revenue and Refunding Bonds

On July 9, 2015 the City issued \$62,650,000 in Combined Utility System First Lien Revenue Refunding Bonds, Series 2015D with coupons at 5.00%. The true interest cost for the 2015 D Bonds was 3.68%. The bonds mature in varying amounts from 2025 to 2035. Proceeds of Series 2015D will be used, together with other available funds for refunding a portion of the City's outstanding Combined Utility System First Lien Revenue Bonds and to pay costs of issuance. Net present value savings related to the refunded bonds totaled \$5,552,973 or 8.18% of the refunded bonds and reduced total debt service by \$9,210,500.

In conjunction with the issuance of the 2015D Refunding Bonds, the City also issued \$56,135,000 in Combined Utility System First Lien Revenue Series 2007A Exchanged Bonds with coupons at 5.00%. The bonds mature in varying amounts from 2034 to 2036. Proceeds of Series 2007A Exchanged Bonds will be used, together with other available funds for refunding a portion of the City's outstanding Combined Utility System First Lien Revenue Bonds Series 2007A and to pay costs of issuance. Net present value savings related to the refunded bonds totaled \$4,569,276 or 7.62% of the refunded bonds and reduced total debt service by \$8,254,138.

On December 3, 2015 the City issued \$25,915,000 of Texas Water Development Board bonds, Series 2015E with coupons ranging from 0.22%-3.21%. Proceeds will be used to pay for projects and cost of issuance.

On January 20, 2016 the City issued \$60,970,356 of Texas Water Development Board bonds, Series 2016A with coupons ranging from 0.020%-1.590%. Proceeds will be used to pay for projects and cost of issuance.

On March 8, 2016 the City issued \$739,625,000 of Combined Utility System First Lien Revenue Refunding Bonds, Series 2016B with coupons ranging from 3.00%-5.00%. The true interest cost of the 2016B Bonds was 3.256%. The bonds mature in varying amounts from 2016 to 2045. Proceeds of the bonds will be used to refund Combined Utility System Bonds Series 2005, 2006, 2006A, 2007A, 2007B, 2009A; to refund \$185,000,000 of Combined Utility System Commercial Paper Notes; and \$60,000,000 in new money for Combined Utility System projects. Net present savings related to the refunded bonds totaled \$116,762,674 or 14.57% of the refunded bonds and reduced debt service by \$177,899,863.

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 2016 the City has complied with the requirements of all revenue bond ordinances and related bond restrictions.

G. Voter Authorized Obligations

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

On November 7, 2006, voters of the City authorized the issuance of \$625,000,000 of Public Improvement Bonds. City Council has authorized issuance of \$520,583,000 as General Obligation Commercial Paper Series G, H-1, H-2 and J.

On November 2012, voters authorized an additional \$410,000,000 of Public Improvement Bonds. City Council has authorized issuance of \$73,021,000 as General Obligation Commercial Paper Series G1, G2, H-2 and J.

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

H. Legal Debt Margin

At June 30, 2016, the City's legal debt limit was 10% of assessed property valuation totaling \$268,577,503,000. The City's legal debt margin less applicable outstanding debt was \$23,613,216,000.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 9: LEASES

Operating Leases

A. City as Lessee

The City has obtained office space, data processing and other equipment through long-term operating leases. The total cost for such leases was \$13,972,748 for the year ended June 30, 2016. The cost is \$10,010,262 for the General Fund, \$1,358,140 for the Grant Funds, \$966,100 for the Non-Major Governmental Funds, \$1,155,954 for the Combined Utility System Funds, \$312,433 for the Airport System Funds, \$111,481 for the Convention and Entertainment Facilities Funds and \$58,378 for the Internal Service Funds.

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

Year ended	Operating
June 30	Lease Payments
2017	\$ 6,704
2018	6,660
2019	6,193
2020	4,434
2021	3,097
2022-2026	3,547
2027-2031	1,688
2032-2036	1,851
2037-2041	1,851
2042-2046	1,851
2047-2051	1,851
2052-2056	1,851
2057-2061	1,851
2062-2066	1,851
2067-2071	801
Total	<u>\$ 46,081</u>

B. City as Lessor

The Convention and Entertainment Facilities Department is the lessor of all of their capital assets to Houston First Corporation, a component unit. The agreement is a cancellable operating lease, and the capital assets have a cost of \$711,639,951, accumulated depreciation of \$275,977,996, and a carrying value of \$435,661,955. All the capital assets are used for performance and entertainment purposes.

The Airport System is the lessor of approximately ten percent of its land and substantially all of its buildings and improvements. These lease agreements are non-cancelable operating leases with fixed minimum rentals and non-cancelable operating use and lease agreements with annually adjusted rates. Rental income is earned from leasing various parcels of land with asset costs of \$22,288,564 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 \$5,221,704,345 and carrying costs of \$2,548,263,778. Accumulated depreciation on all these assets is \$2,673,440,567.

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

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Year ended June 30	Operating Leases Minimum Rental Income
2017	\$ 68,321
2018	68,043
2019	67,866
2020	66,672
2021	55,929
2022-2026	232,101
2027-2031	91,110
2032-2036	56,312
2037-2041	53,821
2042-2046	45,068
2047-2051	43,284
2052-2056	18,971
Total	\$ 867,498

Contingent income associated with the Airport System non-cancelable operating leases was approximately \$10,047,554 for the year ended June 30, 2016. Contingent income is earned when a concessionaire's payment, based on a percentage of sales, is higher than the minimum amount guaranteed to the Airport System under the terms of the lease. In addition, income is earned from certain non-cancelable operating use and lease agreements for landing fees and terminal building rentals. Such income is adjusted annually based on a compensatory formula to recover certain operating and capital costs of the related facilities. Compensatory income for the year ended June 30, 2016 was \$279,073,496.

NOTE 10: PENSION PLANS

A. General Information

Plan Descriptions

The City has three single employer defined benefit pension plans (Municipal Employees' Pension System, Firefighters' Relief and Retirement Fund, and the Police Officers' Pension System) which provides pension benefits for substantially all of its full-time 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. Independent Boards of Trustees administer each plan. The fiscal year of each pension fund ends June 30. The most recent available stand-alone financial statements of the pension funds are for the year ended June 30, 2016. The specific summary plan description for each Plan and the financial statements are available at the plan offices (see Note 1(B) (1)).

Benefits Provided

Houston Municipal Employees' Pension System (HMEPS). The plan includes a contributory group and two noncontributory groups and provides for service-connected disability and death benefits to eligible members and surviving spouse and/or dependents, with no age or service eligibility requirements. Pension benefits are based on a participant's average monthly salary and years of debited service, as defined in the Pension Statute. Pension benefits are adjusted annually for a fixed cost of living adjustment of 3% for eligible recipients. The maximum pension benefit is 90% of the participant's average monthly salary. A Deferred Retirement Option Plan (DROP) is available to eligible members.

Houston Firefighters' Relief and Retirement Fund (HRRFP). Retirement benefits for firefighters with 20 or more years of service retiring on or after November 1, 1997, are entitled to 50% of average monthly salary (defined as the monthly average of their highest individual 78 pay periods), plus 3% on the average monthly salary for each year of service in excess of 20 years until the member completes 30 years, for a total monthly pension not to exceed 80% of the average monthly salary for the highest 78 pay periods.

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Pension benefits are adjusted annually for a fixed cost of living adjustment of 3% for eligible recipients. A Deferred Retirement Option Plan (DROP) is available to eligible members with 20 or more years of service.

Houston Police Officers' Pension System (HPOPS). Retirement benefits for police officers are equal to 2.75% of the member's pensionable pay for each of the member's first 20 years of service plus 2% of pensionable pay for each year in excess of 20 years with no maximum percentage. Members hired or rehired subsequent to October 9, 2004 accrue benefits equal to 2.25% of the member's pensionable pay for the first 20 years plus 2% of the member's pensionable pay for each year in excess of 20 subject to a maximum of 80%. Pension benefits are adjusted annually equal to 80% of the increase in Consumer Price Index subject to minimum and maximum increases of 2.4% and 8.0% respectively. A Deferred Retirement Option Plan (DROP) is available generally to members with at least 20 years of service.

Contributions

Employer and employee obligations to contribute, as well as employee contribution rates, are included in the enabling pension statutes, and for the Municipal Employees' Pension System and the Houston Police Officers' Pension System, some requirements are delineated in an amended and restated meet and confer agreement, effective July 1, 2011. 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 survivor 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.

As of most recent measurement date of the net pension liability, membership data for the pension plans are as follows:

	Houston Firefighters' Pension	Houston Municipal Employees' Pension	Houston Police Officers' Pension
Retirees and beneficiaries currently receiving benefits	3,134	10,023	3,807
Former members entitled to benefits but not yet receiving them	5	3,202	22
Former members - not entitled to benefits	-	2,293	-
Active members:			
Vested	2,501	8,352	2,065
Non-vested	1,608	3,475	3,226
Total participants	<u>7,248</u>	<u>27,345</u>	<u>9,120</u>

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

B. Net Pension Liability

The "Net Pension Liability" (NPL) is the difference between the "Total Pension Liability" (TPL) and the plan's "Fiduciary Net Position" (FNP). The TPL is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service, and automatic cost of living adjustments (COLA's). In addition, ad hoc COLA's are also included in the TPL to the extent they are substantively automatic. The FNP is determined on the same basis used by the pension plans. The City's net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Net Pension Liability (in thousands)	Houston Firefighters' Pension	Houston Municipal Employees' Pension	Houston PoliceOfficers' Pension
Measurement Date	June 30, 2016	June 30, 2016	June 30, 2016
Total Pension Liability	\$ 4,629,654	\$ 5,034,390	\$ 6,621,290
Fiduciary Net Position	(3,729,670)	(2,400,023)	(4,080,460)
Net Pension Liability	<u>\$ 899,984</u>	<u>\$ 2,634,367</u>	<u>\$ 2,540,830</u>

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A schedule of Net Pension Liability, in addition to the information above, includes multi-year trend information (beginning with FY 2014) and is presented in the Required Supplementary Information section on page 129.

C. Schedule of Changes in Net Pension Liability

Changes in the City's net pension liability presented below are calculated on the same basis as each of the plans. The Change in Net Pension Liability for Fire, Municipal, and Police pension plans for the Fiscal Year ended June 30, 2016 are as follows:

Houston Firefighters' Relief and Retirement Fund

Change in Net Pension Liability (in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Service Cost	\$ 76,407	\$ -	\$ 76,407
Interest on the Total Pension Liability	369,708	-	369,708
Benefit Changes	-	-	-
Difference between Expected and Actual Experience	(63,047)	-	(63,047)
Employer Contributions	-	94,279	(94,279)
Employees Contributions	-	25,511	(25,511)
Pension Plan Net Investment Income	-	(47,437)	47,437
Assumptions Changes	2,918	-	2,918
Benefit Payments	(211,673)	(211,673)	-
Refunds	-	-	-
Administrative Expense	-	(6,771)	6,771
Other	-	(1,890)	1,890
Net Change	<u>174,313</u>	<u>(147,981)</u>	<u>322,294</u>
Net Pension Liability Beginning	4,455,341	3,877,651	577,690
Net Pension Liability Ending	<u>\$ 4,629,654</u>	<u>\$ 3,729,670</u>	<u>\$ 899,984</u>

Houston Municipal Employees' Pension System

Change in Net Pension Liability (in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Service Cost	\$ 68,968	\$ -	\$ 68,968
Interest on the Total Pension Liability	379,781	-	379,781
Benefit Changes	-	-	-
Difference between Expected and Actual Experience	(16,194)	-	(16,194)
Employer Contributions	-	159,958	(159,958)
Employees Contributions	-	15,874	(15,874)
Pension Plan Net Investment Income	-	27,639	(27,639)
Assumptions Changes	91,248	-	91,248
Benefit Payments	(253,178)	(253,178)	-
Refunds	(1,105)	(1,105)	-
Administrative Expense	-	(7,360)	7,360
Other	-	1,651	(1,651)
Net Change	<u>269,520</u>	<u>(56,521)</u>	<u>326,041</u>
Net Pension Liability Beginning	4,764,870	2,456,544	2,308,326
Net Pension Liability Ending	<u>\$ 5,034,390</u>	<u>\$ 2,400,023</u>	<u>\$ 2,634,367</u>

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Houston Police Officers' Pension System

Change in Net Pension Liability (in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Service Cost	\$ 66,098	\$ -	\$ 66,098
Interest on the Total Pension Liability	488,223	-	488,223
Benefit Changes	-	-	-
Difference between Expected and Actual Experience	10,390	-	10,390
Employer Contributions	-	137,392	(137,392)
Employees Contributions	-	39,017	(39,017)
Pension Plan Net Investment Income	-	(135,833)	135,833
Assumptions Changes	(676,151)	-	(676,151)
Benefit Payments	(259,076)	(259,076)	-
Refunds	(978)	(978)	-
Administrative Expense	-	(4,585)	4,585
Other	-	-	-
Net Change	(371,494)	(224,063)	(147,431)
Net Pension Liability Beginning	6,992,783	4,304,521	2,688,262
Net Pension Liability Ending	\$ 6,621,289	\$ 4,080,458	\$ 2,540,831

D. Pension Expense

For the year ended June 30, 2016, the City recognized total pension expense of \$878,257,384. Pension expense recognized by plan is as follows:

Amounts Recognized in Pension Expense	Houston Firefighters' Pension	Houston Municipal Employees' Pension	Houston Police Officers' Pension
Changes for the year:			
Service Cost	\$76,407,000	\$68,968,481	\$66,097,817
Interest	369,708,000	379,781,300	488,223,036
Difference between Expected and Actual Experience	(11,528,000)	12,616,156	6,499,734
Differences between Projected and Actual Earnings on plan investments	130,004,000	57,210,340	157,201,300
Member Contributions	(25,511,000)	(15,873,664)	(39,017,000)
Net Investment Income	(325,414,000)	(193,157,089)	(340,832,640)
Administrative Expense	6,771,000	7,360,139	4,585,000
Assumption Changes	721,000	-	(2,801,875)
Other	1,890,000	(1,651,651)	-
Total Pension Expense	\$223,048,000	\$315,254,012	\$339,955,372

CITY OF HOUSTON, TEXAS
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Schedule of Deferred Outflows and Inflow of Resources

Deferred outflows of resources and deferred inflows of resources by source reported by the City at June 30, 2016 for each plan are as follows (in thousands):

	HFRRF		HMEPS		HPOPS		Total
	Deferred Outflows of Resources	Deferred Inflow of Resources	Deferred Outflows of Resources	Deferred Inflow of Resources	Deferred Outflows of Resources	Deferred Inflow of Resources	
Differences between expected actual experience	-	\$76,438	-	\$24,018	\$25,926	-	(\$74,530)
Changes of assumptions	4,643	-	68,867	-	432,413	557,068	(51,145)
Employers contribution subsequent to measurement date	9	-	2,502	-	-	-	2,511
Net difference between projected and actual earnings on pension plan investments	464,581	-	204,735	-	566,937	-	1,236,253
Total	\$469,233	\$76,438	\$276,104	\$24,018	\$1,025,276	557,068	\$1,113,089

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2016 will be recognized in pension expense as follows (in thousands):

		Houston Firefighters' Relief and Retirement	Houston Municipal Employees' Pension	Houston Police Officers' Pension
Year ended June 30:	2017	\$119,206	\$72,328	\$160,899
	2018	119,197	69,826	160,899
	2019	119,195	75,409	160,899
	2020	63,764	34,523	65,008
	2021	(10,807)	-	(79,497)
Thereafter		(17,760)	-	-
	Total	\$392,795	\$252,086	\$468,208

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Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability for each of the City's plans, calculated using the discount rate, as well as what the City's net pension liability would have been if it were calculated using a discount rate that is 1-percent-point lower and 1-percent-point higher than the current rate (in thousands):

Sensitivity	1% Decrease	Current Discount Rate	1% Increase
	7.50%	8.50%	9.50%
Houston Firefighters' Pension - Net Pension Liability	\$ 1,352,150	\$ 899,984	\$ 513,628
	7.00%	8.00%	9.00%
Houston Municipal Employees' Pension	\$ 3,213,662	\$ 2,634,367	\$ 2,152,957
	7.00%	8.00%	9.00%
Houston Police Officers' Pension	\$ 3,282,145	\$ 2,540,830	\$ 1,934,220

<u>Schedule of Assumptions</u>	<u>Houston Firefighters' Pension</u>	<u>Houston Municipal Employees' Pension</u>	<u>Houston Police Officers' Pension</u>
Inflation	3%	3%	2.75%
Salary Changes	3% to 7% Based	3% to 6%	0% to 12%
Investment Rate of Return	8.50%	8.00%	8.00%
Valuation Date	7/1/2015	7/1/2015	7/1/2016
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost	Entry Age Normal Cost
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Amortization Period	30 Years	30 Years	Open
Asset Valuation Method	5 Year Smoothed	5 Year Smoothed, direct offset of deferred gains and losses	Market value of assets less a five-year phase in of the excess(shortfall) between expected investment return and actual income
Ad hoc OPEB and Ad hoc COLA	3% Annually	3% - 6%	2%
Mortality Assumption	RP-2000 Table Scale AA	RP-200 Table scaled by 110% for males and 95% for females	RP-2000 Table

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NOTE 11: OTHER EMPLOYEE BENEFITS

A. Post-Retirement Health Insurance Benefits

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

Pursuant to a City Ordinance, the City provides certain health care benefits for retired employees. Substantially all of the City's employees become eligible for these benefits if they reach normal retirement age while working for the City. Contributions are recognized in the year paid. The cost of retiree health care premiums and claim liability incurred by the City (employer and subscriber) amounted to \$82,127,507 for the year ended June 30, 2016. Retiree health care is accounted for in the Health Benefits Fund, an Internal Service Fund. At June 30, 2016, there were 10,373 retirees including active survivors eligible to receive benefits. Effective August 1, 2011 all Medicare Eligible Retirees must enroll in an insured Medicare Advantage Program Plan.

No stand-alone financial report is issued on the plan.

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

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

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

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

	OPEB
Annual required contribution	\$ 200,034
Interest on net OPEB obligation	61,209
Adjustment to annual required contribution	(60,466)
Annual OPEB cost	200,777
Contribution made	(38,543)
Change in net OPEB obligation	162,234
Net OPEB obligation, beginning of year	1,521,509
Net OPEB obligation, end of year	\$ 1,683,743

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$192,112	18.6%	\$1,365,491
2015	\$192,873	19.1%	\$1,521,509
2016	\$200,777	19.2%	\$1,683,743

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

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)
2014	\$0	\$2,090	\$2,090	0%	\$1,227.2	170.3%
2015	\$0	\$2,068	\$2,068	0%	\$1,266.0	163.3%
2016	\$0	\$2,055	\$2,055	0%	\$1,299.0	158.2%

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	July 1, 2014
Actuarial cost method	Entry age Normal Cost
Amortization method	Level percent of payroll over an open period of 30 years
Discount rate	4.0%
Inflation rate	3.0%
Annual increase attributable to seniority/merit	2.5% to 14.5%
Medical trend rates	5.0% to 7.75%

B. Health Benefits Internal Service Fund

Effective May 1, 2011, the City elected to be substantially self-insured and on May 1, 2014 once again awarded CIGNA a three year contract with two (2) one-year renewal options for 4 new health plans. All have a heavy emphasis on a wellness component, and include; 1) a limited network HMO-type plan, 2) an open access PPO -type plan with out-of-network coverage, 3) a consumer driven high deductible health plan, partnered with a health reimbursement account, and 4) a specific plan for retirees, mostly those under age 65, who live outside the limited network service area but who live in Texas. Effective May 1, 2013, the City no longer purchases individual and aggregate stop-loss coverage. The City has assumed the financial risk of catastrophic and overall claim liability. The plan is administered by CIGNA.

Premiums paid (employer and subscriber) for current employees to third party administrators including claim liability totaled \$234,737,096 for the year ended June 30, 2016.

	Schedule of Changes in Liability (in thousands)	
	June 30, 2016	June 30, 2015
Beginning actuarial estimate of claims liability, July 1	\$ 31,576	\$ 31,787
Incurring claims for fiscal year	276,825	254,424
Catastrophic claims reserve	-	-
Payments on claims	(277,337)	(254,635)
Ending estimate of claims liability, June 30	<u>\$ 31,064</u>	<u>\$ 31,576</u>

The City also provides one times the salary of basic life insurance, with a minimum of \$15,000, at no cost to the employee. The employee, at no cost to the City, may then obtain additional life insurance up to four times their annual salary. The current costs for active employees for both basic and voluntary life insurance totaled \$5,989,860 for the year ended June 30, 2016.

CITY OF HOUSTON, TEXAS
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June 30, 2016

C. Long-Term Disability Plan (LTD)

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

Schedule of Changes in Liability		
(in thousands)		
	June 30, 2016	June 30, 2015
Beginning actuarial estimate of claims liability, July 1	\$ 8,720	\$ 8,069
Incurred claims for fiscal year	1,267	1,208
Payments on claims	(1,125)	(1,177)
Actuarial adjustment	(491)	620
Ending actuarial estimate of claims liability, June 30	\$ 8,371	\$ 8,720

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 Tristar Insurance Group, Inc. Funds are wire transferred to Tristar as needed to pay claims.

At June 30, 2016 the City has an accumulated liability in the amount of \$59 million covering estimates for approved but unpaid claims and incurred but not reported claims (calculated on an actuarial basis) recorded in the government-wide Statement of Net Position and Enterprise Funds. The amount of liability is based on an actuarial study.

Schedule of Changes in Liability		
(in thousands)		
	June 30, 2016	June 30, 2015
Beginning actuarial estimate of claims liability, July 1	\$ 56,932	\$ 61,810
Incurred claims for fiscal year	9,648	9,231
Payments on claims	(14,893)	(16,512)
Actuarial adjustment	7,074	2,403
Ending actuarial estimate of claims liability, June 30	\$ 58,761	\$ 56,932

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12: INTERFUND TRANSACTIONS

A. Transfers

Transfers during the year ended June 30, 2016 were as follows (in thousands):

Transferred from:	Transferred to:					Total Transfers Out
	General Fund	Nonmajor Governmental Funds	Debt Service	Capital Projects	Grant Funds	
General Fund	\$ -	\$ 67,023	\$ 319,500	\$ 5,756	\$ 12,866	\$ 405,145
Nonmajor Funds	25,589	498	29,258	110,109	-	165,454
Capital Projects	-	1,250	-	-	-	1,250
Convention and Entertainment	1,380	-	-	-	-	1,380
Combined Utility System	39,868	-	9,891	-	-	49,759
Total transfers in	<u>\$ 66,837</u>	<u>\$ 68,771</u>	<u>\$ 358,649</u>	<u>\$ 115,865</u>	<u>\$ 12,866</u>	<u>\$ 622,988</u>

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

B. Transfers to Component Units

Transfers to Houston First from the Convention and Entertainment Facilities during the year ended June 30, 2016 totaled \$74,753,405. Transfers from Houston First to the General Fund during the year ended June 30, 2016 totaled \$18,663,538. The amounts are reported as expenses and revenues within the Convention and Entertainment Facilities Fund.

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 \$75,142,000 for the year ended June 30, 2016, 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 2016 total are charges to the funds for direct and indirect expenses as shown below (in thousands):

	Airport System	Combined Utility Sytem	Other Funds	Total
General Services	\$ 3,259	\$ 9,810	\$ 8,684	\$ 21,753
Fire Services	19,943	-	-	19,943
Police Services	28,188	-	-	28,188
Legal	-	951	64	1,015
Other	329	2,910	1,004	4,243
Total	<u>\$ 51,719</u>	<u>\$ 13,671</u>	<u>\$ 9,752</u>	<u>\$ 75,142</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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D. Schedule of Amounts Due To and Due From Other Funds

The interfund balances are primarily due to charges for services between funds during the fiscal year and settled shortly after year-end. The composition of interfund balances as of June 30, 2016 is as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Grants revenue	\$ 17,771
	Combined Utility System	1,274
	Nonmajor Governmental Funds	4,255
	Capital Projects Fund	2,529
	Airport System	735
	Internal Service Fund	62
		<u>\$ 26,626</u>
Grants Revenue	General Fund	\$ 603
	Combined Utility System	563
	Airport System	235
	Capital Projects Fund	2,330
		<u>\$ 3,731</u>
Capital Projects Fund	General Fund	\$ 5,642
	Grants revenue	775
	Nonmajor Governmental Funds	17,189
		<u>\$ 23,606</u>
Airport System	General Fund	\$ 7,162
	Grants revenue	1,652
	Internal Service Fund	5,446
	Capital Projects Fund	7,488
	Debt Service Fund	2,860
	Nonmajor Governmental Funds	7,225
		<u>\$ 31,833</u>
Convention and Entertainment Facilities	Grants revenue	\$ 221
	General Fund	689
	Capital Projects Fund	718
	Debt Service Fund	274
	Internal Service Fund	522
	Nonmajor Governmental Funds	692
		<u>\$ 3,116</u>
Combined Utility System	Grants revenue	\$ 8,808
	Nonmajor Governmental Funds	6,760
	General Fund	7,121
	Internal Service Fund	4,918
	Capital Projects Fund	6,752
	Debt Service Fund	2,579
		<u>\$ 36,938</u>
Nonmajor Governmental Funds	Nonmajor Governmental Funds	\$ 3
	General Fund	15,060
	Combined Utility System	1,222
	Grants revenue	49
	Capital Projects Fund	2
		<u>\$ 16,336</u>
Internal Service Fund	General Fund	\$ 6
		<u>\$ 6</u>
Debt Service Fund	General Fund	\$ 5
		<u>\$ 5</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

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 \$33.2 million. The status of such litigation ranges from an early discovery stage to various levels of appeal of judgments both for and against the City. The amount of damages is limited in certain cases under the Texas Tort Claims Act and is subject to appeal. The City intends to defend itself vigorously against the suits. There is other threatened litigation for which an amount cannot be determined. The City typically utilizes the General Fund to liquidate claims and judgments. In the Statement of Net Position, the City has recognized a liability of \$12.4 million for potential litigation losses arising from various lawsuits.

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

Supporters of Proposition 2 filed a lawsuit to declare Proposition 2 effective. The Texas Supreme Court vacated a judgment of the trial court in favor of the Proposition 2 supporters, and without reference to the merits dismissed the case for want of jurisdiction. The supporters refiled their lawsuit in the State District Court in April 2014. Trial court proceedings are stayed pending the resolution of the City's appeal of the trial court's denial of the City's plea to the jurisdiction.

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.

The City was under an agreed order (the "Agreed Order") with the TCEQ from fiscal year 2005 through June 30, 2016. All of the contractual obligations of the Agreed Order were completed. In 2014, the City commenced negotiations with the EPA and the Department of Justice for specific remedial measures that the EPA would like the City to implement to its wastewater treatment and collection system to further reduce sanitary sewer overflows (SSOs) and wastewater treatment plant permit exceedances. A civil penalty of approximately \$5.9 million is anticipated as part of the settlement of this matter. Pending the outcome of these negotiations with the EPA, the City cannot accurately predict the amount of increase to the costs of operations and maintenance or capital improvements for the wastewater treatment and collection system that may be required by the EPA to further reduce SSOs and wastewater treatment plant exceedances. In fiscal year 2016, the City began performing additional maintenance and assessment to address the primary drivers of SSOs and prepare for the potential conclusion of ongoing negotiations with the EPA. The City's fiscal year 2017 budget includes an additional \$15 million for additional maintenance and assessment activities such as enhanced sewer cleaning, restaurant inspections, system inspections and investigations, SSO response, and public outreach and education.

In 2010, voters approved a proposition ("Proposition 1 (2010)") to amend the City Charter to provide for the improvement of the City's drainage and street system by imposing an assessment upon property owners that receive drainage services ("Drainage Utility Fee"). In December 2010, a lawsuit was filed in State district court seeking to have Proposition 1 (2010) declared unlawful. On May 24, 2011, the district court granted a motion for summary judgement in favor of the City, thereby disposing of all the plaintiffs' claims. On appeal, the Fourteenth Court of Appeals affirmed the district court's summary judgement decision. The Texas Supreme Court granted the plaintiffs' motion for review, and on June 12, 2015, reversed the judgement of the court of appeals. On remand to the district court for further proceedings, the court granted the plaintiffs' motion for summary judgment, finding the election approving the pay-as-you-go fund established pursuant to proposition 1 (2010) void and ordering a new election. The City has appealed the district court's decision. The pay-as-you-go fund remains in effect pending a final ruling in the litigation.

An additional lawsuit has been filed against the City seeking to reimburse residents who have paid the Drainage Utility Fee in prior years. The lawsuit purportedly seeks to certify such residents as a class. The City has filed two dispositive motions and claims statutory and constitutional authority to assess and collect the Drainage Utility Fee. In preliminary proceedings, the trial court restricted the scope of potential relief to prospective injunctive relief against non-drainage related expenditures.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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B. Environmental Liabilities

The City is aware of various sites contaminated by asbestos or other hazardous materials. The City has recorded accrued liabilities of \$10.0 million, to be used for: assessment and remediation of asbestos, lead and mold; Phase I and II environmental site assessments and remediation; and remediation of radioactive material.

C. Commitments for Capital Facilities

At June 30, 2016, the City had appropriated but not yet spent from Capital Projects and Enterprise Funds approximately \$1,450,781,000 for capital projects.

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

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

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

D. Risk Management

The City purchases fidelity coverage to comply with City ordinance, boiler and machinery insurance with a per occurrence loss limit of \$100 million and commercial property insurance with a per occurrence loss limit of \$175 million. The commercial property insurance sublimit for flood is \$100 million, of which \$75 million may apply to locations within the City in the 100-year flood plain (Flood Zone A). Property insurance provides deductibles as follows: \$2.5 million per occurrence for all perils except; 3% of the damaged insured value for windstorm or hail from a named storm, subject to a \$2.5 million minimum and a \$20 million maximum deductible; and 3% of the damaged insured value for flood, subject to a \$2.5 million minimum and a \$20 million maximum deductible. Should a named storm event occur that involves both perils of windstorm and flood, the maximum deductible is \$20 million.

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

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

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

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

	<u>Unemployment Claim Activity</u>	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Unpaid claims, beginning of fiscal year	\$137,742	\$176,350
Incurred claims (including IBNRs)	760,324	633,681
Claim payments	<u>(699,809)</u>	<u>(672,289)</u>
Unpaid claims, end of fiscal year	<u>\$198,257</u>	<u>\$137,742</u>

E. Purchase Commitments for Electricity

At June 30, 2016 the City had entered into agreements to lock rates for part of the natural gas component of its expected electricity use from July 1, 2016 through June 30, 2017. The total committed price is approximately \$98 million for expected usage. The City may pay a different amount if actual electricity usage varies. This amount will be appropriated in future annual budgets.

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

On January 29, 2009 City Council approved a contract establishing the terms for cooperation between Coastal Water Authority (CWA) and Houston for planning, design, permitting, property acquisition, construction and financing of the Luce Bayou Inter-Basin Transfer project. The project will include a pump station, pipeline and canal system that will transport up to 450 MGD of untreated water from

CITY OF HOUSTON, TEXAS
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June 30, 2016

the Trinity River to Lake Houston. To date CWA has attained two Texas Water Development Board (TWDB) Water Infrastructure Loans totaling \$33,115,000 for permitting and planning and one TWDB state participation loan of \$28,754,000 for pump station design. The Houston Combined Utility System pledged payments from the Combined Utility System's general purpose fund. After loans are repaid and contract obligations are fulfilled, upon request of the City, CWA will assign to the City all the CWA's rights, titles, and interest in the project property.

G. Federal and State

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

NOTE 14: RELATED ORGANIZATION TRANSACTIONS

A. Metropolitan Transit Authority (Metro)

The City and Metro have an inter-local agreement covering shared costs of street maintenance/construction and traffic control during the fiscal year ended June 30, 2016. The City received \$103.242 million from Metro under this contract in the fiscal year ended June 30, 2016. The breakout was \$44.876 million to Capital Projects and \$58.366 million to Special Revenues. None of these payments were for the prior contract year. In addition, the City paid Metro \$.144 million for transportation services.

B. Trinity River Authority (TRA)

As described in Note 8C, the City and TRA have a long-term contract under which the City is obligated to pay debt service for certain bonds as well as certain maintenance and operating expenses for a TRA dam and reservoir. During the fiscal year ended June 30, 2008, all outstanding long term debt had been paid off. During fiscal year ended June 30, 2016 the City paid \$3.4 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 water conveyance. During the fiscal year ended June 2016, the City paid CWA \$17.7 million for debt services and \$22.4 million for maintenance and operating expenses.

D. Component Units

As described in Note 16, the City has a number of component units, most of which have fiscal years ended June 30, 2016. Six discretely presented component units: Greater Houston Convention and Visitors Bureau, Houston First Corporation, Houston Housing Finance Corporation, Houston Zoo, Inc., Miller Theatre Advisory Board, Inc., and Theater District Improvement, Inc. have fiscal years ended December 31, 2015. Subsequent to December 31, 2015, the City received interest payments of \$5,018 thousand from Houston First Corporation. During the fiscal year ended June 30, 2016, one new component unit was added: Houston BARC Foundation.

NOTE 15: CONDUIT DEBT OBLIGATIONS

The City has authorized various issues of Special Facilities Bonds to enable United Airlines, Inc. (successor to Continental Airlines, Inc.) a private company, to construct facilities at Intercontinental that were deemed to be in the public interest (Special Facilities). These bonds are limited special obligations of the City, payable solely from and secured by a pledge of revenues generated from lease agreements with United Airlines. Collected pledged revenues are remitted directly to a trustee by United Airlines. Under the terms of the related lease agreements, United Airlines operates, maintains, and insures the terminal, and manages and retains revenues from all concessions operated in the Terminal B and E Special Facilities. The City operates, maintains, insures, and manages and retains revenues from all concessions operated in all other terminal facilities.

The City holds legal title to the completed facilities, as they are constructed on airport property, but the constructed facilities are operated and controlled by private companies through long-term leases, and the Airport System Fund will enjoy no direct financial benefit from these facilities for the term of the lease agreements. Accordingly, the Airport System Fund accounts for the United Airlines' Special Facilities Bonds shown in the following table as conduit debt, and neither the debt nor the related assets have been recorded in the accompanying financial statements.

CITY OF HOUSTON, TEXAS
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June 30, 2016

Conduit debt outstanding at June 30, 2016 (in thousands):

	June 30, 2016
Airport System Special Facilities Revenue Bonds (Continental Airlines, Inc. Terminal Improvement Projects), Series 2011 (AMT), \$113,305,000 original principal, matures in 2038	\$ 113,305
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal E Project), Series 2014 (AMT), \$308,660,000 original principal, matures in 2029	308,660
Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2015B-1 (AMT), \$176,650,000 original principal, matures in 2035	176,650
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2015B-2 (AMT), \$47,390,000 original principal, matures in 2020	47,390
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2015C (AMT), \$65,785,000 original principal, matures in 2020	65,785
Total conduit debt outstanding	\$ 711,790

On March 16, 2015, the City issued \$176,650,000 in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2015B-1 (AMT) on behalf of United Airlines, to finance the construction of a new North Concourse building at Terminal B with jet bridge loading, and to make improvements to related facilities. The bonds were issued with a coupon rate of 5.00%, and a yield of 4.75%, to mature in varying amounts from 2026 to 2035.

The Airport System Special Facilities Revenue Bonds, (Continental Airlines, Inc., Terminal Improvement Projects) Series 1997B and 1998B financed various leasehold improvements for United Airlines in Terminals B, C and D. On March 16, 2015, the City issued \$47,390,000 in Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2015B-2 (AMT) on behalf of United Airlines, with a 5.00% coupon rate, to mature on July 15, 2020. Proceeds of the bonds were used to refund the outstanding Airport System Special Facilities Revenue Bonds, Series 1997B and 1998B and to pay costs of issuance. Net present value savings for United Airlines related to the refunded bonds totaled \$12,049,244 or 18.36% of the refunded bonds and reduced total debt service by \$45,281,400.

The Airport System Special Facilities Revenue Bonds, (Continental Airlines, Inc., Airport Improvement Projects) Series 1997C and 1998C, financed the construction of an aircraft hangar, maintenance and parts storage facility, mail sort facility, flight simulator, and inflight training facility. On March 26, 2015, the City issued \$65,785,000 in Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2015C, on behalf of United Airlines, with a coupon rate of 5.00%, to mature on July 15, 2020. Proceeds of the bonds were used to refund the outstanding Airport System Special Facilities Revenue Bonds, Series 1997C and 1998C, and to pay costs of issuance. Net present value savings for United Airlines related to the refunded bonds totaled \$14,553,627 or 20.95% of the refunded bonds and reduced total debt service by \$40,135,502.

The Airport System Special Facilities Revenue Bonds, (Continental Airlines, Inc. Terminal E Project), Series 2001, financed the construction of international Terminal E and related airport facilities for the exclusive use of United Airlines (Terminal E Special Facilities). On May 8, 2014, the City issued \$308,660,000 in Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal E Project) Series 2014 on behalf of United Airlines, at coupon rates ranging from 4.50% to 5.00%. The bonds mature in varying amounts from 2020 to 2029.

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Proceeds of the bonds were used to refund a portion of the City's outstanding Airport System Special Facilities Revenue Bonds (Continental Airlines, Inc. Terminal E project) Series 2001 and to pay costs of issuance. Net present value savings for United Airlines related to the refunded bonds totaled \$40,519,909 or 13.31% of the refunded bonds and reduced total debt service by \$58,675,823.

The Airport System Special Facilities Revenue Bonds (Continental Airlines, Inc. Terminal Improvement Projects), Series 2011 (AMT) financed the replacement of two flight stations at Terminal B with a new South Concourse building to serve United Airlines' regional jet operations (Terminal B Special Facilities). The Terminal B Special Facilities went into service in March, 2014.

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June 30, 2016

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CITY OF HOUSTON, TEXAS
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June 30, 2016

NOTE 16: MAJOR DISCRETELY PRESENTED COMPONENT UNITS

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

Net Position
Major Component Units - Discretely Presented Governmental
June 30, 2016
(in thousands)

	Houston Forensic Science LGC	Main Street Market Square	Midtown Redevelopment Authority
Cash, receivable and other current assets	\$ 3,981	\$ 45,969	\$ 89,947
Noncurrent assets	-	-	-
Capital assets, net of accumulated depreciation	2,916	-	41,075
Total assets	<u>6,897</u>	<u>45,969</u>	<u>131,022</u>
Current liabilities	2,487	6,905	13,855
Long-term liabilities	-	59,037	81,032
Total liabilities	<u>2,487</u>	<u>65,942</u>	<u>94,887</u>
Net position			
Net investment in capital assets	2,916	-	12,765
Restricted	-	8,658	61,453
Unrestricted (deficit)	1,494	(28,631)	(38,083)
Total net position (deficit)	<u>\$ 4,410</u>	<u>\$ (19,973)</u>	<u>\$ 36,135</u>

(Continued)

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

Southwest Houston Redevelopment Authority	Uptown Development Authority	Nonmajor Component Units	Total Component Units
\$ 20,434	\$ 96,401	\$ 197,726	\$ 454,458
-	-	20,040	20,040
1,673	-	129,446	175,110
<u>22,107</u>	<u>96,401</u>	<u>347,212</u>	<u>649,608</u>
6,028	15,617	32,948	77,840
41,470	-	167,711	349,250
<u>47,498</u>	<u>15,617</u>	<u>200,659</u>	<u>427,090</u>
1,673	53,765	119,097	190,216
16,372	26,986	61,830	175,299
(43,436)	33	(34,374)	(142,997)
<u>\$ (25,391)</u>	<u>\$ 80,784</u>	<u>\$ 146,553</u>	<u>\$ 222,518</u>

CITY OF HOUSTON, TEXAS
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Change in Net Position
Major Component Units - Discretely Presented Governmental
For the Year Ended June 30, 2016
(in thousands)

Component Units	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Houston Forensic Science LGC
Houston Forensic Science LGC	25,328	24,267	350	-	(711)
Main Street Market Square Redevelopment Authority	38,697	15,504	-	-	-
Midtown Redevelopment Authority	14,628	-	-	-	-
Southwest Houston Redevelopment Authority	18,391	-	-	-	-
Uptown Redevelopment Authority	69,587	-	2,418	-	-
Nonmajor Component Units	144,636	18,131	22,113	7,660	-
Total component units	<u>\$ 311,267</u>	<u>\$ 57,902</u>	<u>\$ 24,881</u>	<u>\$ 7,660</u>	<u>\$ (711)</u>
General Revenues:					
Taxes					
Property taxes levied for general purposes					\$ -
Industrial assessments tax					-
Contributions					-
Contributions					-
Unrestricted investment earnings					-
Other					-
Total general revenues and transfers					<u>-</u>
Change in net position					<u>(711)</u>
Net position beginning					<u>5,121</u>
Net position ending					<u>\$ 4,410</u>

(Continued)

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

Net (Expense) Revenue and Change in Net Position

Main Street Market Square Red. Authority	Midtown Redevelopment Authority	Southwest Houston Redevelopment Authority	Uptown Redevelopment Authority	Non-Major Component Units	Total Component Units
-	-	-	-	-	(711)
(23,193)	-	-	-	-	(23,193)
-	(14,628)	-	-	-	(14,628)
-	-	(18,391)	-	-	(18,391)
-	-	-	(67,169)	-	(67,169)
-	-	-	-	(96,732)	(96,732)
<u>\$ (23,193)</u>	<u>\$ (14,628)</u>	<u>\$ (18,391)</u>	<u>\$ (67,169)</u>	<u>\$ (96,732)</u>	<u>\$ (220,824)</u>
\$ -	\$ 23,892	\$ 6,231	\$ 40,955	\$ 78,956	\$ 150,034
-	-	-	-	1,138	1,138
-	-	-	35,000	21	35,021
-	-	-	-	-	-
-	-	-	220	1,479	1,699
-	1,300	118	-	198	1,616
-	25,192	6,349	76,175	81,792	189,508
(23,193)	10,564	(12,042)	9,006	(14,940)	(31,316)
3,220	25,571	(13,349)	71,778	161,493	253,834
<u>\$ (19,973)</u>	<u>\$ 36,135</u>	<u>\$ (25,391)</u>	<u>\$ 80,784</u>	<u>\$ 146,553</u>	<u>\$ 222,518</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

Net Position
Major Component Units - Discretely Presented Business-type
June 30, 2016
(in thousands)

	Houston First Corporation	Houston Zoo Inc.	Nonmajor Component Units	Total
Cash, receivable and other current assets	\$ 212,047	\$ 47,173	\$ 36,970	\$ 296,190
Noncurrent assets	86,236	-	15,402	101,638
Capital assets, net of accumulated depreciation	327,368	95,071	13,343	435,782
Total assets	<u>625,651</u>	<u>142,244</u>	<u>65,715</u>	<u>833,610</u>
Deferred outflow of Resources	4,068	-	-	4,068
Current liabilities	59,404	4,761	2,591	66,756
Long-term liabilities	414,906	-	9,754	424,660
Total liabilities	<u>474,310</u>	<u>4,761</u>	<u>12,345</u>	<u>491,416</u>
Net position				
Net investment in capital assets	29,784	-	3,230	33,014
Restricted	-	12,066	-	12,066
Unrestricted	125,625	125,417	50,140	301,182
Total net position	<u>\$ 155,409</u>	<u>\$ 137,483</u>	<u>\$ 53,370</u>	<u>\$ 346,262</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

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CITY OF HOUSTON, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2016

Change in Net Position
Major Component Units - Discretely Presented Business-type
For the Year Ended June 30, 2016
(in thousands)

Component Units	Expenses	Charges for Services	Operating Grants and Contributions
Houston First Corporation	\$ 182,140	\$ 124,333	\$ 74,136
Houston Zoo Inc.	43,364	34,733	14,083
Nonmajor Component Units	3,625	473	1,884
Totals	<u>\$ 229,129</u>	<u>\$ 159,539</u>	<u>\$ 90,103</u>

General Revenues:

Taxes

Property Taxes levied for general purposes

Unrestricted investment earnings

Other

Transfers

Total general revenues and transfers

Change in net position

Net position beginning

New Component Unit & Restatement

Net position ending

Continued

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

Net (Expense) Revenue and Change in Net Position

Houston First Corporation	Houston Zoo Inc.	Non-Major Component Units	Total
\$ 16,329	\$ -	\$ -	\$ 16,329
-	5,452	-	5,452
-	-	(1,268)	(1,268)
<u>\$ 16,329</u>	<u>\$ 5,452</u>	<u>\$ (1,268)</u>	<u>\$ 20,513</u>
\$ -	\$ -	\$ 750	\$ 750
281	(18)	1,235	1,498
3,357	736	1,287	5,380
-	-	-	-
<u>3,638</u>	<u>718</u>	<u>3,272</u>	<u>7,628</u>
<u>19,967</u>	<u>6,170</u>	<u>2,004</u>	<u>28,141</u>
135,442	131,313	51,366	318,121
-	-	-	-
<u>\$ 155,409</u>	<u>\$ 137,483</u>	<u>\$ 53,370</u>	<u>\$ 346,262</u>

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 17: SUBSEQUENT EVENTS

A. Tax and Revenue Anticipation Notes

On July 7, 2016, the City closed the sale of \$230,000,000 Tax and Revenue Anticipation Notes (TRANS), Series 2016. The proceeds of the TRANS will be used to pay working capital expenditures until tax revenues are received in early 2016. The stated average coupon rate was 2.67% and the weighted average yield was .66%. The notes will mature on June 30, 2017.

B. Combined Utility System First Lien Revenue Refunding Bonds, Series 2012C

On August 1, 2016, the City refunded \$249,000,000 of Combined Utility System First Lien Revenue Refunding Bonds, Series 2012C with Combined Utility System First Lien Revenue Bonds Series 2016C via Direct Purchase at 70% of 1-Month Libor plus 60 basis points through August 1, 2019.

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, 2016
amounts expressed in thousands
(unaudited)**

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
Revenues				
Taxes and assessments				
Property Taxes	\$ 1,114,029	\$ 1,114,029	\$ 1,098,664	\$ (15,365)
Industrial Assessments	18,200	18,200	19,239	1,039
Sales Tax	688,837	688,837	640,476	(48,361)
Franchise Tax	187,791	187,791	191,168	3,377
Mixed Beverage Tax	16,397	16,397	16,064	(333)
Bingo Tax	282	282	207	(75)
Total taxes and assessments	<u>2,025,536</u>	<u>2,025,536</u>	<u>1,965,818</u>	<u>(59,718)</u>
Licenses and permits				
General	30,236	30,236	32,050	1,814
Health Permits	7,634	7,634	7,558	(76)
Total licenses and permits	<u>37,870</u>	<u>37,870</u>	<u>39,608</u>	<u>1,738</u>
Charges for services				
Ambulance service	37,175	37,175	47,424	10,249
Library fees	10	10	11	1
Parking	234	234	252	18
Services performed for other funds				
Direct	50,705	50,382	53,934	3,552
Indirect	26,750	26,750	26,611	(139)
Rents and royalties	1,773	1,863	1,928	65
Others	14,016	14,235	13,028	(1,207)
Total charges for services	<u>130,663</u>	<u>130,649</u>	<u>143,188</u>	<u>12,539</u>
Intergovernmental - grants	26,470	26,470	53,663	27,193
Fines and forfeits				
Municipal Courts	28,698	28,698	24,960	(3,738)
Others	4,156	4,156	4,952	796
Total fines and forfeits	<u>32,854</u>	<u>32,854</u>	<u>29,912</u>	<u>(2,942)</u>
Interest	3,000	3,000	4,215	1,215
Other				
Sale of Property	362	362	256	(106)
Other	33,190	33,190	41,142	7,952
Total Other	<u>33,552</u>	<u>33,552</u>	<u>41,398</u>	<u>7,846</u>
Total revenues	<u>2,289,945</u>	<u>2,289,931</u>	<u>2,277,802</u>	<u>(12,129)</u>
Other financing sources (uses)				
Transfers in	9,930	9,930	15,626	5,696
Sale of capital assets	5,500	5,500	7,934	2,434
Other financing sources (uses)	-	-	-	-
Total other financing sources (uses)	<u>15,430</u>	<u>15,430</u>	<u>23,560</u>	<u>8,130</u>
Total revenues and other financing sources	<u>\$ 2,305,375</u>	<u>\$ 2,305,361</u>	<u>\$ 2,301,362</u>	<u>\$ (3,999)</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, 2016
amounts expressed in thousands
(unaudited)

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
General government				
Legislative and executive				
Legislative - Council				
Personnel services	6,842	7,473	8,136	(663)
Other current expenditures	11,505	6,118	3,368	2,750
Equipment acquisition	-	95	53	42
Total legislative - council	<u>18,347</u>	<u>13,686</u>	<u>11,557</u>	<u>2,129</u>
Legislative - Mayor's Office				
Personnel services	5,940	5,749	5,653	96
Other current expenditures	542	729	661	68
Total executive - mayor's office	<u>6,482</u>	<u>6,478</u>	<u>6,314</u>	<u>164</u>
Total legislative and executive	<u>24,829</u>	<u>20,164</u>	<u>17,871</u>	<u>2,293</u>
Office of Business Opportunity				
Personnel services	2,567	2,579	2,491	88
Other current expenditures	365	368	344	24
Equipment acquisition	-	-	-	-
Total office of business opportunity	<u>2,932</u>	<u>2,947</u>	<u>2,835</u>	<u>112</u>
Municipal Courts Administration				
Municipal Courts				
Personnel services	22,721	22,889	22,466	423
Other current expenditures	6,558	6,096	5,102	994
Equipment acquisition	26	26	5	21
Total municipal courts	<u>29,305</u>	<u>29,011</u>	<u>27,573</u>	<u>1,438</u>
Elections	2,500	2,500	2,524	(24)
Finance administration				
Controller				
Personnel services	7,348	7,373	7,119	254
Other current expenditures	1,317	1,358	919	439
Equipment acquisition	-	-	-	-
Total controller	<u>8,665</u>	<u>8,731</u>	<u>8,038</u>	<u>693</u>
Finance				
Personnel services	14,258	14,149	13,105	1,044
Other current expenditures	6,267	6,102	4,532	1,570
Equipment acquisition	-	3	15	(12)
Total finance	<u>20,525</u>	<u>20,254</u>	<u>17,652</u>	<u>2,602</u>
Administrative and Regulatory Affairs				
Personnel services	15,818	15,824	15,544	280
Other current expenditures	3,974	4,083	4,169	(86)
Equipment acquisition	-	65	4	61
Total administrative and regulatory affairs	<u>19,792</u>	<u>19,972</u>	<u>19,717</u>	<u>255</u>
Information Technology				
Personnel services	18,767	18,706	17,178	1,528
Other current expenditures	5,397	5,888	5,092	796
Equipment acquisition	-	-	4	(4)
Total information technology	<u>24,164</u>	<u>24,594</u>	<u>22,274</u>	<u>2,320</u>
Bond and Legal	1,687	1,687	821	866
Total finance administration	<u>74,833</u>	<u>75,238</u>	<u>68,502</u>	<u>6,736</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, 2016
amounts expressed in thousands
(unaudited)

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
Legal				
Personnel services	15,075	14,682	14,584	98
Other current expenditures	1,026	1,025	824	201
Equipment acquisition	-	52	44	8
Total legal	16,101	15,759	15,452	307
City Secretary				
Personnel services	728	726	602	124
Other current expenditures	161	153	83	70
Total city secretary	889	879	685	194
Planning and Development				
Personnel services	7,376	5,363	5,178	185
Other current expenditures	1,088	755	626	129
Total planning and development	8,464	6,118	5,804	314
Human Resources				
Personnel services	3,183	3,072	2,924	148
Other current expenditures	403	529	433	96
Equipment acquisition	3	36	33	3
Total human resources	3,589	3,637	3,390	247
Total general government	163,442	156,253	144,636	11,617
Public safety				
Police				
Personnel services	756,876	752,789	741,077	11,712
Other current expenditures	49,799	48,155	48,012	143
Equipment acquisition	300	986	611	375
Total police	806,975	801,930	789,700	12,230
Fire				
Personnel services	458,035	458,961	459,114	(153)
Other current expenditures	51,555	48,884	45,025	3,859
Equipment acquisition	-	46	37	9
Total fire	509,590	507,891	504,176	3,715
Total public safety	1,316,565	1,309,821	1,293,876	15,945
Public Works				
Administration				
Personnel services	1,456	1,445	1,163	282
Other current expenditures	32,306	28,237	27,980	257
Total administration	33,762	29,682	29,143	539
General Services				
Personnel services	10,889	10,743	10,474	269
Other current expenditures	27,214	27,467	27,065	402
Equipment acquisition	1	5	-	5
Total general services	38,104	38,215	37,539	676

* 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, 2016
amounts expressed in thousands
(unaudited)

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
Solid Waste				
Personnel services	31,770	31,109	31,045	64
Other current expenditures	42,816	41,644	40,280	1,364
Equipment acquisition	-	179	188	(9)
Total solid waste	74,586	72,932	71,513	1,419
Total public works	146,452	140,829	138,195	2,634
Department of Neighborhoods				
Personnel services	8,587	8,471	8,464	7
Other current expenditures	3,647	3,769	3,988	(219)
Equipment acquisition	4	24	18	6
Total department of neighborhoods	12,238	12,264	12,470	(206)
Health				
Personnel services	38,864	38,522	38,513	9
Other current expenditures	22,898	22,669	22,538	131
Equipment acquisition	-	249	192	57
Total health	61,762	61,440	61,243	197
Housing				
Personnel services	292	183	126	57
Other current expenditures	397	394	364	30
Total housing	689	577	490	87
Parks and Recreation				
Personnel services	40,201	40,371	39,933	438
Other current expenditures	29,410	29,730	29,050	680
Equipment acquisition	-	31	21	10
Total parks and recreation	69,611	70,132	69,004	1,128
Library				
Personnel services	29,280	29,392	29,055	337
Other current expenditures	4,916	4,975	4,800	175
Equipment acquisition	5,057	5,088	5,090	(2)
Total library	39,253	39,455	38,945	510
Retiree Benefits				
Hospital and life insurance	14,289	12,795	11,390	1,405
Total retiree benefits	14,289	12,795	11,390	1,405
Other current expenditures				
Tax appraisal fees	8,963	8,963	9,439	(476)
Limited-purpose Annexation Districts	54,196	54,196	52,732	1,464
Contingency	2,500	-	-	-
Claims and judgments	13,277	13,277	11,202	2,075
Membership dues	1,295	1,295	723	572
Advertising and promotion	500	500	590	(90)
Consultants	3,139	9,016	(13)	9,029
Miscellaneous support services	77,044	74,806	70,841	3,965
Total other current expenditures	160,914	162,053	145,514	16,539
Debt service				
Debt service principal	-	-	-	-
Debt service interest	3,388	3,388	942	2,446
Total debt service	3,388	3,388	942	2,446
Total expenditures	1,988,603	1,969,007	1,916,705	52,302
Other financing sources (uses)				
Transfers out	402,649	419,564	419,989	(425)
Total other financing sources (uses)	402,649	419,564	419,989	(425)
Total expenditures and other financing uses	\$ 2,391,252	\$ 2,388,571	\$ 2,336,694	\$ 51,877

* 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, 2016
amounts expressed in thousands
(unaudited)

Revenues

Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 2,277,802
Revenues of non-budgeted funds	
Equipment Acquisition	1,732
Building Security	813
Grant Matching Fund	371
Storm Water	1,208
Bureau of Animal Regulation and Care	1,983
Fleet Maintenance	5
Forensic Transition	9,025
Civic Events	389
Renewal and Replacement	51
Total revenues of non-budgeted funds	<u>15,577</u>
Interest on pooled investments from non-budgeted revenues	461
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances	<u>\$ 2,293,840</u>

Expenditures

Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	\$ 1,916,705
Expenditures of non-budgeted funds	
Equipment Acquisition	54,454
Building Security	709
Grant Matching Fund	331
Storm Water	35,569
Bureau of Animal Regulation and Care	11,378
Fleet maintenance	129
Forensic Transition	9,024
Civic Events	2,767
Renewal and Replacement	15,476
Total expenditures of non-budgeted funds	<u>129,837</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	<u>\$ 2,046,542</u>

Other financing sources (uses)

Actual amounts (budgetary basis) "other financing sources and uses" from the budgetary comparison schedules	\$ (396,429)
Proceeds from Issuance of Debt	20,000
Sale of Assets	740
Transfers of Non Budgeted Funds	66,055
Total other financing sources and uses as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ (309,634)</u>

* See note to Required Supplementary Information *

CITY OF HOUSTON, TEXAS
REQUIRED NOTES TO THE SUPPLEMENTARY INFORMATION
June 30, 2016
(Unaudited)

1. General Budget Policies

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

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

On April 27, 2016, City Council approved the Fiscal Year 2016 general appropriation ordinance in the amount of \$2.391 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 2016 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	\$ 342,574	\$ 266,314	\$ (61,104)
Non-budgeted Disaster Recovery Fund	33	-	-
Non-budgeted Grants Revenue Fund	155,630	172,959	12,899
Non-budgeted Health and Housing	25,727	27,117	400
Non-budgeted Other Funds	31,697	15,118	-
Total Special Revenue Funds - Actual	<u>\$ 555,661</u>	<u>\$ 481,508</u>	<u>\$ (47,805)</u>

2. General Fund Budgetary Highlights

Revenues were \$12 million below budget. This decrease was mainly evident in taxes and assessments of \$60 million. In addition, increase in licenses and permits (\$2 million), charges for services (13 million), intergovernmental-grants (\$27 million), interest (\$1 million) and other income of \$8 million, were offset by decreases in fine and forfeits of \$3 million.

Significant differences between budgeted and actual taxes and assessments include:

- \$15 million decrease in property tax
- \$48 million decrease in sales tax
- \$3 million increase in franchise tax

Total expenditures were \$52 million below budget, with numerous savings in all departments, offset by a \$17 million below budget in other current expenditures.

**CITY OF HOUSTON, TEXAS
REQUIRED PENSION SYSTEM
SUPPLEMENTARY INFORMATION
June 30, 2016
(unaudited)**

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

**Last 2 Fiscal Years
(in thousands)**

	Fire		Municipal		Police	
	2016	2015	2016	2015 (1)	2016	2015
Total Pension Liability						
Service Cost	\$76,407	\$68,145	\$68,968	\$65,810	\$66,098	\$56,062
Interest	369,708	353,405	379,781	361,007	488,223	473,065
Changes of benefit terms	-	-	-	-		
Differences between expected and actual experience	(63,047)	(28,536)	(16,194)	(23,380)	10,390	26,705
Changes of assumptions	2,918	2,801	91,248	-	(676,151)	664,974
Benefit payments including refunds of employee contributions	(211,673)	(196,362)	(253,178)	(234,955)	(259,076)	(225,656)
Refunds	-	-	(1,105)	(1,549)	(978)	(945)
Net change in total pension liability	174,313	199,453	269,520	166,933	(371,494)	994,205
Total pension liability - beginning	4,455,341	4,255,888	4,764,870	4,597,937	6,992,783	5,998,578
Total pension liability - ending (a)	4,629,654	4,455,341	5,034,390	4,764,870	6,621,289	6,992,783
Plan fiduciary net position						
Contributions-employer	94,279	92,610	159,958	145,007	137,392	113,665
Contributions-employee	25,511	25,092	15,874	16,198	39,017	37,719
Net investment income	(47,437)	51,801	27,639	73,370	(135,833)	35,339
Benefit payments, including refunds of employee contributions	(211,673)	(196,362)	(253,178)	(234,955)	(259,076)	(225,656)
Administrative expense	(6,771)	(6,640)	(1,105)	(1,549)	(978)	(945)
Refunds	-	-	(7,360)	(7,007)	(4,585)	(3,478)
Other	(1,890)	(1,676)	1,651	1,041	-	-
Net change in plan fiduciary net position	(147,981)	(35,175)	(56,521)	(7,895)	(224,063)	(43,356)
Plan fiduciary net position-beginning	3,877,651	3,912,826	2,456,544	2,464,439	4,304,521	4,347,877
Plan fiduciary net position-ending (b)	3,729,670	3,877,651	2,400,023	2,456,544	4,080,458	4,304,521
City's net pension liability-ending (a)-(b)	\$899,984	\$577,690	\$2,634,367	\$2,308,326	\$2,540,831	\$2,688,262
Plan fiduciary net position as percentage of the total pension liability	80.56%	87.03%	47.67%	51.56%	61.63%	61.56%
Covered-employee payroll	\$280,436	\$277,745	\$640,529	\$624,206	\$407,058	\$395,360
Net position liability as a percentage of covered employee payroll	320.92%	207.99%	411.28%	369.80%	624.19%	679.95%

(1) The 2015 amounts are based on 8.0% per City actuary

CITY OF HOUSTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016
(unaudited)

Schedule of City Contributions for Pension Plans
for the Fiscal Years ended June 30, (in thousands)

	2016	2015	2014
Fire *			
Actuarially determined contribution	\$ 87,464		\$ 83,480
Contributions in relation to the actuarially determined contribution	94,279	92,610	64,338
Contribution deficiency (excess)	\$ (6,815)		\$ 19,142
Covered-employee payroll	\$ 280,436	\$ 277,745	\$ 208,429
Contributions as a percentage of covered-employee payroll	33.6%	33.3%	30.9%
Municipal			
Actuarially determined contribution	\$ 162,230	\$ 155,299	\$ 144,953
Contributions in relation to the actuarially determined contribution	159,959	145,007	128,274
Contribution deficiency (excess)	\$ 2,271	\$ 10,292	\$ 16,679
Covered-employee payroll	\$ 640,529	\$ 624,206	\$ 598,246
Contributions as a percentage of covered-employee payroll	25.0%	23.2%	21.4%
Police			
Actuarially determined contribution	\$ 161,154	\$ 150,949	\$ 139,991
Contributions in relation to the actuarially determined contribution	137,392	113,665	103,372
Contribution deficiency (excess)	\$ 23,762	\$ 37,284	\$ 36,619
Covered-employee payroll	\$ 407,058	\$ 395,360	\$ 388,756
Contributions as a percentage of covered-employee payroll	33.8%	28.7%	26.6%

* A funding valuation for Fire Pension was not performed as of July 1, 2014; therefore, no actuarially determined contribution was calculated for the period July 1, 2014 to June 30, 2015.

See pg. 102 for a listing of Actuarial Assumptions.

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

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (Surplus UAAL) (b-a)	Funded Ratio (a/b)	Projected Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
June 30, 2009	\$0	\$3,031	\$3,031	0%	\$1,193.5	254.1%
June 30, 2010	\$0	\$1,984	\$1,984	0%	\$1,208.9	164.1%
June 30, 2010	\$0	\$1,984	\$1,984	0%	\$1,164.5	170.4%
June 30, 2012	\$0	\$2,090	\$2,090	0%	\$1,178.1	177.4%
June 30, 2012	\$0	\$2,090	\$2,090	0%	\$1,227.2	170.3%
June 30, 2014	\$0	\$2,068	\$2,068	0%	\$1,266.0	163.3%
June 30, 2014	\$0	\$2,068	\$2,068	0%	\$1,298.0	158.2%

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, Juvenile Case Manager, Police Special Services, Houston Emergency Center, Municipal Courts Technology Fee, and Child Safety
 - Not budgeted: Helmets for Bicycle Safety, Nuisance Abatement, FTA Special
- **Public Works Special Fund**
 - Budgeted: Building Inspection, Dedicated Drainage & Street Renewal, Historic Preservation, and Recycling Expansion Program
 - Not budgeted: Mobility Response Team, Street Maintenance and Traffic Control
- **Health and Housing Special Fund**
 - Budgeted: Essential Public Health, Health Special, Laboratory Services, Special Waste, and Swimming Pool Safety
 - Not budgeted: Housing Special, Homeless Families Program and Housing Replacement Insurance, Housing Non-Grant Venture and HJTPC Self Insurance
- **Parks & Recreation Special Fund**
 - Budgeted: Bayou Greenway 2020, Parks Golf Special, Parks Special
 - Not budgeted: MacGregor Parks Endowment, Planting Tree
- **Other Special Revenue Fund**
 - Budgeted: Cable Television, Contractor Responsibility, Digital Houston, Houston Transtar, Parking Management, and Supplemental Environmental Protection
 - Not budgeted: Disaster Recovery, Compaq Center, MNC Memorial City Way, W.A.T.E.R., Special City Deposit, John Battaglia Trust, Inc. Fund, AAA Contingency, Houston Foundation and March of Dimes

CITY OF HOUSTON, TEXAS
GENERAL FUND
Balance Sheet
June 30, 2016
(With comparative amounts for 2015)
amounts expressed in thousands

	<u>2016</u>	<u>RESTATED 2015</u>
Assets		
Equity in pooled cash and investments	\$ 244,259	\$ 269,345
Receivables, net of allowances		
Accounts receivable	148,649	109,972
Property taxes receivable, net	29,236	27,579
Sales taxes receivable	106,849	111,890
Mixed beverage taxes receivable	4,237	4,241
Franchise taxes receivable	17,974	18,882
Special assessments receivable	11,869	13,807
Due from other funds	26,626	43,040
Due from other governments	1,276	751
Inventory	13,150	14,023
Prepaid items	2,343	2,427
Total assets	<u>\$ 606,468</u>	<u>\$ 615,957</u>
Liabilities and fund balance		
Liabilities		
Accounts payable	70,841	67,443
Accrued payroll liabilities	51,700	39,391
Due to other funds	36,288	13,276
Due to other governments	496	764
Advances and deposits	6,656	6,097
Pension payable	14,284	25,500
Claims and judgments	1,760	1,893
Compensated absences	4,223	3,878
Total liabilities	<u>186,248</u>	<u>158,242</u>
Deferred inflows of resources		
Deferred inflow of resources	<u>157,168</u>	<u>132,327</u>
Total deferred inflows of resources	<u>157,168</u>	<u>132,327</u>
Fund balance		
Non-Spendable		
Imprest cash and prepaids	2,343	2,427
Inventory	13,150	14,023
Restricted	1,232	27,096
Committed	10,922	6,111
Unassigned	<u>235,405</u>	<u>275,731</u>
Total fund balance	<u>263,052</u>	<u>325,388</u>
 Total liabilities and fund balance	 <u>\$ 606,468</u>	 <u>\$ 615,957</u>

CITY OF HOUSTON, TEXAS
GENERAL FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2016
(With comparative amounts for 2015)
amounts expressed in thousands

	<u>2016</u>	<u>2015</u>
Revenues		
Taxes and assessments		
Property Taxes	\$ 1,098,914	\$ 1,074,435
Industrial Assessments	19,238	16,736
Sales Tax	640,476	667,061
Franchise Tax	191,168	189,836
Mixed Beverage Tax	16,064	15,784
Bingo Tax	207	209
Licenses and permits	40,508	38,894
Charges for services	153,018	147,830
Intergovernmental - grants	55,078	24,572
Fines and forfeits	29,913	30,179
Investment income	4,675	3,352
Other	44,581	40,110
Total revenues	<u>2,293,840</u>	<u>2,248,998</u>
Expenditures		
Current		
General government	275,593	262,749
Public safety	1,353,270	1,293,766
Public works	193,948	186,779
Health	61,234	59,379
Housing and community development	668	669
Parks and recreation	71,197	80,609
Library	39,068	37,954
Retiree benefits	11,390	11,059
Capital outlay	39,232	58,501
Debt service principal	-	11,000
Debt service interest	942	3,123
Total expenditures	<u>2,046,542</u>	<u>2,005,588</u>
Other financing sources (uses)		
Proceeds from issuance of debt	20,000	88,000
Sale of capital assets	8,674	47,320
Transfers in	66,837	61,015
Transfers out	(405,145)	(351,131)
Total other financing sources (uses)	<u>(309,634)</u>	<u>(154,796)</u>
Change in fund balance	(62,336)	88,614
Fund balances beginning, as previously reported	325,388	262,274
Correction of an error	-	(25,500)
Fund balances, July 1	<u>325,388</u>	<u>236,774</u>
Fund balances, June 30	<u>\$ 263,052</u>	<u>\$ 325,388</u>

CITY OF HOUSTON, TEXAS
DEBT SERVICE FUND
Balance Sheet
June 30, 2016
(With comparative amounts for 2015)
amounts expressed in thousands

	2016	2015
Assets		
Equity in pooled cash and investments	\$ 161,431	\$ 119,185
Due from other funds	5	4,449
Due from other governments	124	2,024
Total assets	\$ 161,560	\$ 125,658
 Liabilities and fund balance		
Liabilities		
Accounts payable	\$ 1,965	\$ 1,285
Due to other funds	5,713	-
Total liabilities	7,678	1,285
 Deferred inflows of resources		
Deferred inflow of resources	124	2,024
Total deferred inflows of resources	124	2,024
 Fund balance		
Restricted	153,758	122,349
Total fund balance	153,758	122,349
 Total liabilities and fund balance	\$ 161,560	\$ 125,658

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, 2016
(With comparative amounts for 2015)
amounts expressed in thousands

	2016		Actual	Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Investment income	\$ -	\$ -	\$ 1,418	\$ 1,418	\$ 724
Other	-	-	8,695	8,695	6,842
Total revenues	-	-	10,113	10,113	7,566
Expenditures					
Current					
Debt service principal	185,694	185,694	290,805	(105,111)	180,355
Debt service interest	149,907	149,907	150,318	(411)	150,849
Debt service fiscal agent & fees	4,744	4,744	6,153	(1,409)	4,459
Total expenditures	340,345	340,345	447,276	(106,931)	335,663
Other financing sources (uses)					
Net proceeds from issuance of refunding debt	-	-	557,615	557,615	740
Premium on refunding debt	-	-	102,908	102,908	-
Transfers in	346,995	346,995	358,649	11,654	316,409
Payment to escrow agent for refunded bonds	-	-	(550,600)	(550,600)	(1,404)
Total other financing sources (uses)	346,995	346,995	468,572	121,577	315,745
Change in fund balance	6,650	6,650	31,409	24,759	(12,352)
Fund balances, July 1	134,701	134,701	122,349	(12,352)	134,701
Fund balances, June 30	\$ 141,351	\$ 141,351	\$ 153,758	\$ 12,407	\$ 122,349

CITY OF HOUSTON, TEXAS
CAPITAL PROJECTS FUND
Balance Sheet
June 30, 2016
(With comparative amounts for 2015)
amounts expressed in thousands

	2016	2015
Assets		
Equity in pooled cash and investments	\$ 248,645	\$ 272,531
Receivables, net of allowances		
Accounts receivable	1	3
Due from other funds	23,606	16,877
Due from other governments	6,382	-
Prepaid items - Construction materials	609	472
Total assets	\$ 279,243	\$ 289,883
 Liabilities and fund balance		
Liabilities		
Accounts payable	40,219	38,935
Due to other funds	19,819	4,447
Advances and deposits	31	31
Total liabilities	60,069	43,413
 Deferred inflows of resources		
Deferred inflow of resources	106,260	106,686
Total deferred inflows of resources	106,260	106,686
 Fund balance		
Imprest cash and prepaids	609	472
Restricted	16,040	14,251
Assigned	96,265	125,061
Total fund balance	112,914	139,784
 Total liabilities and fund balance	\$ 279,243	\$ 289,883

CITY OF HOUSTON, TEXAS
CAPITAL PROJECTS FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2016
(With comparative amounts for 2015)
amounts expressed in thousands

	2016	2015
Revenues		
Intergovernmental - grants	\$ 53,860	\$ 67,667
Investment income	2,566	1,614
Other	11,160	10,856
Total revenues	67,586	80,137
Expenditures		
Current		
Capital outlay	254,071	259,627
Total expenditures	254,071	259,627
Other financing sources (uses)		
Proceeds from issuance of debt	45,000	29,000
Sale of capital assets	-	237
Transfers in	115,865	149,598
Transfers out	(1,250)	(2,000)
Total other financing sources (uses)	159,615	176,835
Change in fund balance	(26,870)	(2,655)
Fund balances, July 1	139,784	142,439
Fund balances, June 30	\$ 112,914	\$ 139,784

CITY OF HOUSTON, TEXAS
GRANTS FUND
Balance Sheet
June 30, 2016
(With comparative amounts for 2015)
amounts expressed in thousands

	2016	2015
Assets		
Cash		
Equity in pooled cash and investments	\$ 50,508	\$ 42,051
Receivables, net of allowances		
Accounts receivable	33,899	29,376
Due from other funds	3,731	4,997
Due from component units	1,862	1,905
Due from other governments	57,986	50,016
Inventory	414	416
Total assets	\$ 148,400	\$ 128,761
 Liabilities and fund balance		
Liabilities		
Accounts payable	23,436	20,246
Accrued payroll liabilities	1,641	1,639
Due to other funds	29,276	34,476
Due to other governments	8,497	10,451
Advances and deposits	178	178
Total liabilities	63,028	66,990
Deferred inflows of resources		
Deferred inflow of resources	61,904	51,583
Total deferred inflows of resources	61,904	51,583
Fund balance		
Non-Spendable		
Inventory	414	416
Restricted	10,188	9,772
Assigned	12,866	-
Total fund balance	23,468	10,188
Total liabilities and fund balance	\$ 148,400	\$ 128,761

CITY OF HOUSTON, TEXAS
GRANTS FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2016
(With comparative amounts for 2015)
amounts expressed in thousands

	<u>2016</u>	<u>2015</u>
Revenues		
Intergovernmental - grants	\$ 172,894	\$ 187,746
Investment income	446	258
Other	949	-
Total revenues	<u>174,289</u>	<u>188,004</u>
Expenditures		
Current		
General government	423	7,915
Public safety	30,727	29,114
Public works	15,616	7,912
Health	58,929	60,330
Housing and community development	61,871	69,115
Parks and recreation	6,139	12,916
Library	203	216
Total expenditures	<u>173,908</u>	<u>187,518</u>
Other financing sources (uses)		
Sale of capital assets	33	-
Transfers in	12,866	-
Transfers out	-	(70)
Total other financing sources (uses)	<u>12,899</u>	<u>(70)</u>
Change in fund balance	13,280	416
Fund balances, July 1	<u>10,188</u>	<u>9,772</u>
Fund balances, June 30	<u>\$ 23,468</u>	<u>\$ 10,188</u>

CITY OF HOUSTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2016
(With comparative amounts for 2015)
amounts expressed in thousands

	<i>Nonmajor Funds</i>		
	Public Safety Special Fund	Public Works Special Fund	Health & Housing Special Fund
Assets			
Equity in pooled cash and investments	\$ 23,414	\$ 111,903	\$ 25,997
Receivables, net of allowances			
Accounts receivable	535	28,021	358
Due from other funds	1,237	2,891	57
Due from other governments	1,008	20,676	-
Inventory	-	1,372	-
Total assets	<u>\$ 26,194</u>	<u>\$ 164,863</u>	<u>\$ 26,412</u>
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ 1,415	\$ 7,617	\$ 1,289
Accrued payroll liabilities	1,223	2,823	527
Due to other funds	1,322	23,520	1,410
Due to other governments	(2)	-	-
Advances and deposits	634	1,926	-
Compensated absences	-	2	1
Other liabilities	-	-	-
Total liabilities	<u>4,592</u>	<u>35,888</u>	<u>3,227</u>
Deferred inflows of resources			
Deferred inflow of resources	80	40,683	93
Total deferred inflows of resources	<u>80</u>	<u>40,683</u>	<u>93</u>
Fund balance			
Non-Spendable			
Inventory	-	1,372	-
Committed	15,299	37,601	9,764
Restricted	6,223	49,319	13,328
Total fund balance	<u>21,522</u>	<u>88,292</u>	<u>23,092</u>
Total liabilities and fund balance	<u>\$ 26,194</u>	<u>\$ 164,863</u>	<u>\$ 26,412</u>

(Continued)

Nonmajor Funds

Parks & Recreation Special Fund	Other Special Revenue Fund	2016	2015
\$ 10,414	\$ 95,751	\$ 267,479	\$ 250,760
-	3,456	32,370	25,757
4	12,147	16,336	3,029
-	-	21,684	12,619
-	-	1,372	1,548
<u>\$ 10,418</u>	<u>\$ 111,354</u>	<u>\$ 339,241</u>	<u>\$ 293,713</u>
\$ 182	\$ 2,030	\$ 12,533	\$ 11,245
144	255	4,972	3,796
529	9,343	36,124	31,328
10	1,441	1,449	1,235
274	210	3,044	2,904
-	-	3	41
-	-	-	6
<u>1,139</u>	<u>13,279</u>	<u>58,125</u>	<u>50,555</u>
<u>40</u>	<u>1,134</u>	<u>42,030</u>	<u>34,441</u>
<u>40</u>	<u>1,134</u>	<u>42,030</u>	<u>34,441</u>
-	-	1,372	1,548
8,988	6,057	77,709	87,040
<u>251</u>	<u>90,884</u>	<u>160,005</u>	<u>120,129</u>
<u>9,239</u>	<u>96,941</u>	<u>239,086</u>	<u>208,717</u>
<u>\$ 10,418</u>	<u>\$ 111,354</u>	<u>\$ 339,241</u>	<u>\$ 293,713</u>

CITY OF HOUSTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016
(With comparative amounts for 2015)
amounts expressed in thousands

	<i>Nonmajor Funds</i>		
	Public Safety Special Fund	Public Works Special Fund	Health & Housing Special Fund
Revenues			
Franchise Tax	\$ -	\$ 416	\$ -
Licenses and permits	3,155	77,520	4,300
Charges for services	5,422	124,906	1,436
Intergovernmental - grants	14,045	58,734	16,696
Fines and forfeits	851	8	-
Investment income	271	1,177	278
Other	14,416	2,854	3,067
Total revenues	38,160	265,615	25,777
Expenditures			
Current			
General government	-	-	-
Public safety	51,538	-	-
Public works	-	116,223	-
Health	-	-	25,813
Housing and community development	-	-	-
Parks and recreation	-	-	-
Capital outlay	2,198	36,274	1,354
Debt service fiscal agent & fees	-	632	-
Total expenditures	53,736	153,129	27,167
Other financing sources (uses)			
Sale of capital assets	-	85	-
Transfers in	15,518	52,853	400
Transfers out	(1,954)	(150,338)	-
Total other financing sources (uses)	13,564	(97,400)	400
Change in fund balance	(2,012)	15,086	(990)
Fund balances, July 1	\$ 23,534	\$ 73,206	\$ 24,082
Fund balances, June 30	\$ 21,522	\$ 88,292	\$ 23,092

(Continued)

<i>Nonmajor Funds</i>			
Parks & Recreation Special Fund	Other Special Revenue Fund	2016	2015
\$ -	\$ -	\$ 416	\$ 409
176	361	85,512	82,742
8,476	11,180	151,420	148,864
-	6,239	95,714	93,021
-	11,700	12,559	11,171
107	987	2,820	1,691
141	31,579	52,057	37,321
<u>8,900</u>	<u>62,046</u>	<u>400,498</u>	<u>375,219</u>
-	30,157	30,157	24,775
-	-	51,538	51,979
-	-	116,223	119,622
-	-	25,813	19,307
-	-	-	1,383
7,916	-	7,916	8,193
497	929	41,252	40,841
-	-	632	830
<u>8,413</u>	<u>31,086</u>	<u>273,531</u>	<u>266,930</u>
-	-	85	614
-	-	68,771	60,185
-	(13,162)	(165,454)	(184,901)
<u>-</u>	<u>(13,162)</u>	<u>(96,598)</u>	<u>(124,102)</u>
487	17,798	30,369	(15,813)
\$ 8,752	\$ 79,143	\$ 208,717	224,530
<u>\$ 9,239</u>	<u>\$ 96,941</u>	<u>\$ 239,086</u>	<u>\$ 208,717</u>

CITY OF HOUSTON, TEXAS
PUBLIC SAFETY SPECIAL FUND - ASSET FORFEITURE
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	2016			Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Confiscations	\$ 7,073	\$ 7,073	\$ 5,119	\$ (1,954)	\$ 6,655
Investment income	57	57	65	8	50
Other	-	-	-	-	(40)
Total revenues	<u>7,130</u>	<u>7,130</u>	<u>5,184</u>	<u>(1,946)</u>	<u>6,665</u>
Expenditures					
Current					
Public safety	11,809	8,639	5,493	3,146	7,189
Capital outlay	291	524	160	364	370
Total expenditures	<u>12,100</u>	<u>9,163</u>	<u>5,653</u>	<u>3,510</u>	<u>7,559</u>
Change in fund balance	(4,970)	(2,033)	(469)	1,564	(894)
Fund balances, July 1	<u>5,811</u>	<u>5,811</u>	<u>5,811</u>	<u>-</u>	<u>6,705</u>
Fund balances, June 30	<u>\$ 841</u>	<u>\$ 3,778</u>	<u>\$ 5,342</u>	<u>\$ 1,564</u>	<u>\$ 5,811</u>

CITY OF HOUSTON, TEXAS
PUBLIC SAFETY SPECIAL FUND - AUTO DEALERS
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	2016			Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Licenses and permits	\$ 2,900	\$ 2,900	\$ 2,736	\$ (164)	\$ 2,690
Charges for services	465	465	658	193	550
Investment income	32	32	32	-	29
Other	3,600	3,600	3,800	200	3,427
Total revenues	<u>6,997</u>	<u>6,997</u>	<u>7,226</u>	<u>229</u>	<u>6,696</u>
Expenditures					
Current					
Public safety	6,826	6,291	5,883	408	5,659
Capital outlay	395	858	732	126	519
Total expenditures	<u>7,221</u>	<u>7,149</u>	<u>6,615</u>	<u>534</u>	<u>6,178</u>
Other financing sources (uses)					
Transfers out	(1,550)	(1,622)	(1,736)	(114)	(1,544)
Total other financing sources (uses)	<u>(1,550)</u>	<u>(1,622)</u>	<u>(1,736)</u>	<u>(114)</u>	<u>(1,544)</u>
Change in fund balance	(1,774)	(1,774)	(1,125)	649	(1,026)
Fund balances, July 1	<u>3,349</u>	<u>3,349</u>	<u>3,349</u>	<u>-</u>	<u>4,375</u>
Fund balances, June 30	<u>\$ 1,575</u>	<u>\$ 1,575</u>	<u>\$ 2,224</u>	<u>\$ 649</u>	<u>\$ 3,349</u>

CITY OF HOUSTON, TEXAS
PARKS & RECREATION SPECIAL FUND - BAYOU GREENWAY 2020
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	2016			Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ -	\$ -	\$ 6	\$ 6	\$ 3
Other	950	950	982	32	862
Total revenues	<u>950</u>	<u>950</u>	<u>988</u>	<u>38</u>	<u>865</u>
Expenditures					
Current					
Parks and recreation	950	950	630	320	207
Capital outlay	-	-	-	-	250
Total expenditures	<u>950</u>	<u>950</u>	<u>630</u>	<u>320</u>	<u>457</u>
Change in fund balance	-	-	358	358	408
Fund balances, July 1	<u>408</u>	<u>408</u>	<u>408</u>	<u>-</u>	<u>-</u>
Fund balances, June 30	<u>\$ 408</u>	<u>\$ 408</u>	<u>\$ 766</u>	<u>\$ 358</u>	<u>\$ 408</u>

CITY OF HOUSTON, TEXAS
PUBLIC WORKS SPECIAL FUND - BUILDING INSPECTION
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	2016		Actual	Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Taxes and assessments					
Franchise Tax	\$ 395	\$ 395	\$ 416	\$ 21	\$ 409
Licenses and permits	63,227	63,227	74,820	11,593	72,455
Charges for services	9,547	9,547	8,308	(1,239)	9,787
Fines and forfeits	9	9	8	(1)	7
Investment income	270	270	561	291	304
Other	316	316	799	483	423
Total revenues	<u>73,764</u>	<u>73,764</u>	<u>84,912</u>	<u>11,148</u>	<u>83,385</u>
Expenditures					
Current					
Public works	80,322	71,232	64,543	6,689	61,758
Capital outlay	7,227	6,390	2,611	3,779	1,257
Total expenditures	<u>87,549</u>	<u>77,622</u>	<u>67,154</u>	<u>10,468</u>	<u>63,015</u>
Other financing sources (uses)					
Sale of capital assets	25	25	40	15	28
Transfers out	(3,582)	(24,510)	(24,510)	-	(6,530)
Total other financing sources (uses)	<u>(3,557)</u>	<u>(24,485)</u>	<u>(24,470)</u>	<u>15</u>	<u>(6,502)</u>
Change in fund balance	(17,342)	(28,343)	(6,712)	21,631	13,868
Fund balances, July 1	<u>41,103</u>	<u>41,103</u>	<u>41,103</u>	<u>-</u>	<u>27,235</u>
Fund balances, June 30	<u>\$ 23,761</u>	<u>\$ 12,760</u>	<u>\$ 34,391</u>	<u>\$ 21,631</u>	<u>\$ 41,103</u>

CITY OF HOUSTON, TEXAS
OTHER SPECIAL REVENUE FUND - CABLE TELEVISION
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	2016		Actual	Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Investment income	\$ 5	\$ 5	\$ 13	\$ 8	\$ 5
Other	4,775	4,775	4,829	54	4,788
Total revenues	<u>4,780</u>	<u>4,780</u>	<u>4,842</u>	<u>62</u>	<u>4,793</u>
Expenditures					
Current					
General government	4,489	4,560	3,926	634	4,240
Capital outlay	125	93	74	19	21
Total expenditures	<u>4,614</u>	<u>4,653</u>	<u>4,000</u>	<u>653</u>	<u>4,261</u>
Other financing sources (uses)					
Transfers out	<u>(303)</u>	<u>(303)</u>	<u>(303)</u>	<u>-</u>	<u>(358)</u>
Total other financing sources (use:	<u>(303)</u>	<u>(303)</u>	<u>(303)</u>	<u>-</u>	<u>(358)</u>
Change in fund balance	(137)	(176)	539	715	174
Fund balances, July 1	<u>712</u>	<u>712</u>	<u>712</u>	<u>-</u>	<u>538</u>
Fund balances, June 30	<u>\$ 575</u>	<u>\$ 536</u>	<u>\$ 1,251</u>	<u>\$ 715</u>	<u>\$ 712</u>

CITY OF HOUSTON, TEXAS
PUBLIC SAFETY SPECIAL FUND - CHILD SAFETY
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	2016			Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Fines and forfeits	\$ 750	\$ 750	\$ 851	\$ 101	\$ 777
Interest	20	20	17	(3)	6
Other	2,450	2,450	2,674	224	2,496
Total revenues	<u>3,220</u>	<u>3,220</u>	<u>3,542</u>	<u>322</u>	<u>3,279</u>
Expenditures					
Current					
Public safety	3,220	3,433	3,433	-	3,337
Total expenditures	<u>3,220</u>	<u>3,433</u>	<u>3,433</u>	<u>-</u>	<u>3,337</u>
Change in fund balance	-	(213)	109	322	(58)
Fund balances, July 1	4	4	4	-	62
Fund balances, June 30	<u>\$ 4</u>	<u>\$ (209)</u>	<u>\$ 113</u>	<u>\$ 322</u>	<u>\$ 4</u>

CITY OF HOUSTON, TEXAS
OTHER SPECIAL REVENUE FUND - CONTRACTORS RESPONSIBILITY
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	2016		Actual	Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Investment income	\$ 14	\$ 14	\$ 29	\$ 15	\$ 14
Other	561	561	1,111	550	941
Total revenues	<u>575</u>	<u>575</u>	<u>1,140</u>	<u>565</u>	<u>955</u>
Expenditures					
Current					
General government	678	678	233	445	534
Total expenditures	<u>678</u>	<u>678</u>	<u>233</u>	<u>445</u>	<u>534</u>
Other financing sources (uses)					
Transfers out	(400)	(400)	(400)	-	(400)
Total other financing sources (uses)	<u>(400)</u>	<u>(400)</u>	<u>(400)</u>	<u>-</u>	<u>(400)</u>
Change in fund balance	(503)	(503)	507	1,010	21
Fund balances, July 1	<u>2,072</u>	<u>2,072</u>	<u>2,072</u>	<u>-</u>	<u>2,051</u>
Fund balances, June 30	<u>\$ 1,569</u>	<u>\$ 1,569</u>	<u>\$ 2,579</u>	<u>\$ 1,010</u>	<u>\$ 2,072</u>

CITY OF HOUSTON, TEXAS
PUBLIC WORKS SPECIAL FUND - DEDICATED DRAINAGE & STREET RENEWAL
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	2016		Actual	Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Taxes and assessments					
Charges for services	\$ 111,706	\$ 115,687	\$ 115,709	\$ 22	\$ 114,407
Licenses & Permits	2,133	2,434	2,674	240	2,479
Metro Intergovernmental Revenue	58,366	58,366	58,734	368	57,080
Miscellaneous/Other	1,304	1,304	1,587	283	876
Total revenues	<u>173,509</u>	<u>177,791</u>	<u>178,704</u>	<u>913</u>	<u>174,842</u>
Expenditures					
Current					
Public works	76,539	83,751	50,673	33,078	57,436
Capital outlay	8,444	8,958	33,614	(24,656)	36,059
Debt service fiscal agent & fees	965	965	632	333	830
Total expenditures	<u>85,948</u>	<u>93,674</u>	<u>84,919</u>	<u>8,755</u>	<u>94,325</u>
Other financing sources (uses)					
Interest Income	500	500	582	82	397
Transfers in	50,046	50,046	51,296	1,250	40,931
Sale of capital assets			45	45	
Transfers out	(148,712)	(144,702)	(122,375)	(22,327)	(163,610)
Total other financing sources (uses)	<u>(98,166)</u>	<u>(94,156)</u>	<u>(70,452)</u>	<u>(20,950)</u>	<u>(122,282)</u>
Change in fund balance	(10,605)	(10,039)	23,333	33,372	(41,765)
Fund balances, July 1	<u>27,776</u>	<u>27,776</u>	<u>27,776</u>	<u>-</u>	<u>69,541</u>
Fund balances, June 30	<u>\$ 17,171</u>	<u>\$ 17,737</u>	<u>\$ 51,109</u>	<u>\$ 33,372</u>	<u>\$ 27,776</u>

CITY OF HOUSTON, TEXAS
OTHER SPECIAL REVENUE FUND - DIGITAL HOUSTON WIFI
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	2016		Actual	Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Investment income	\$ -	\$ -	\$ 1	\$ 1	\$ 3
Total revenues	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>3</u>
Expenditures					
Current					
General government	335	354	344	10	347
Total expenditures	<u>335</u>	<u>354</u>	<u>344</u>	<u>10</u>	<u>347</u>
Change in fund balance	(335)	(354)	(343)	11	(344)
Fund balances, July 1	<u>354</u>	<u>354</u>	<u>354</u>	<u>-</u>	<u>698</u>
Fund balances, June 30	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ 11</u>	<u>\$ 354</u>

CITY OF HOUSTON, TEXAS
HEALTH & HOUSING SPECIAL FUND - ESSENTIAL PUBLIC HEALTH SERVICES
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	2016			Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Intergovernmental - grants	\$ 19,393	\$ 19,393	\$ 16,696	\$ (2,697)	\$ 17,522
Investment income	80	80	153	73	97
Other	-	-	382	382	-
Total revenues	<u>19,473</u>	<u>19,473</u>	<u>17,231</u>	<u>(2,242)</u>	<u>17,619</u>
Expenditures					
Current					
Health	21,398	21,285	18,045	3,240	12,386
Capital outlay	-	114	147	(33)	275
Total expenditures	<u>21,398</u>	<u>21,399</u>	<u>18,192</u>	<u>3,207</u>	<u>12,661</u>
Change in fund balance	(1,925)	(1,926)	(961)	965	4,958
Fund balances, July 1	<u>12,541</u>	<u>12,541</u>	<u>12,541</u>	<u>-</u>	<u>7,583</u>
Fund balances, June 30	<u>\$ 10,616</u>	<u>\$ 10,615</u>	<u>\$ 11,580</u>	<u>\$ 965</u>	<u>\$ 12,541</u>

CITY OF HOUSTON, TEXAS
HEALTH & HOUSING SPECIAL FUND - HEALTH SPECIAL
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	2016			Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Licenses and permits	\$ 336	\$ 336	\$ 306	\$ (30)	\$ 306
Charges for services	842	842	947	105	804
Investment income	42	42	60	18	37
Other	1,391	1,391	1,479	88	1,322
Total revenues	<u>2,611</u>	<u>2,611</u>	<u>2,792</u>	<u>181</u>	<u>2,469</u>
Expenditures					
Current					
Health	3,826	3,859	2,737	1,122	2,893
Capital outlay	365	332	21	311	126
Total expenditures	<u>4,191</u>	<u>4,191</u>	<u>2,758</u>	<u>1,433</u>	<u>3,019</u>
Other financing sources (uses)					
Transfers in	400	400	400	-	400
Total other financing sources (uses)	<u>400</u>	<u>400</u>	<u>400</u>	<u>-</u>	<u>400</u>
Change in fund balance	(1,180)	(1,180)	434	1,614	(150)
Fund balances, July 1	<u>5,402</u>	<u>5,402</u>	<u>5,402</u>	<u>-</u>	<u>5,552</u>
Fund balances, June 30	<u>\$ 4,222</u>	<u>\$ 4,222</u>	<u>\$ 5,836</u>	<u>\$ 1,614</u>	<u>\$ 5,402</u>

CITY OF HOUSTON, TEXAS
PUBLIC WORKS SPECIAL FUND - HISTORIC PRESERVATION
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	2016			Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Charges for services	\$ 325	\$ 325	\$ 356	\$ 31	\$ 378
Investment income	7	7	21	14	9
Other	597	597	-	(597)	964
Total revenues	<u>929</u>	<u>929</u>	<u>377</u>	<u>(552)</u>	<u>1,351</u>
Expenditures					
Current					
Public Works	760	760	200	560	290
Capital outlay	-	-	34	(34)	-
Total expenditures	<u>760</u>	<u>760</u>	<u>234</u>	<u>526</u>	<u>290</u>
Change in fund balance	169	169	143	(26)	1,061
Fund balances, July 1	<u>2,084</u>	<u>2,084</u>	<u>2,084</u>	<u>-</u>	<u>1,023</u>
Fund balances, June 30	<u>\$ 2,253</u>	<u>\$ 2,253</u>	<u>\$ 2,227</u>	<u>\$ (26)</u>	<u>\$ 2,084</u>

CITY OF HOUSTON, TEXAS
PUBLIC SAFETY SPECIAL FUND - HOUSTON EMERGENCY CENTER
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	2016			Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Charges for services	\$ 190	\$ 190	\$ 489	\$ 299	\$ 2
Intergovernmental - grants	13,691	13,691	13,671	(20)	12,897
Other			3	3	1
Investment income	-	-	60	60	36
Total revenues	<u>13,881</u>	<u>13,881</u>	<u>14,223</u>	<u>342</u>	<u>12,936</u>
Expenditures					
Current					
Public safety	26,245	27,324	25,180	2,144	24,034
Capital outlay	-	638	614	24	1
Total expenditures	<u>26,245</u>	<u>27,962</u>	<u>25,794</u>	<u>2,168</u>	<u>24,035</u>
Other financing sources (uses)					
Transfers in	12,364	12,364	10,495	(1,869)	12,518
Total other financing sources (uses)	<u>12,364</u>	<u>12,364</u>	<u>10,495</u>	<u>(1,869)</u>	<u>12,518</u>
Change in fund balance	-	(1,717)	(1,076)	641	1,419
Fund balances, July 1	<u>5,228</u>	<u>5,228</u>	<u>5,228</u>	<u>-</u>	<u>3,809</u>
Fund balances, June 30	<u>\$ 5,228</u>	<u>\$ 3,511</u>	<u>\$ 4,152</u>	<u>\$ 641</u>	<u>\$ 5,228</u>

CITY OF HOUSTON, TEXAS
OTHER SPECIAL REVENUE FUND - HOUSTON TRANSTAR
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	2016		Actual	Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Charges for services	\$ 658	\$ 658	\$ 658	\$ -	\$ 637
Intergovernmental - grants	1,415	1,415	1,669	254	1,750
Investment income	18	18	22	4	15
Other	-	-	19	19	2
Total revenues	<u>2,091</u>	<u>2,091</u>	<u>2,368</u>	<u>277</u>	<u>2,404</u>
Expenditures					
Current					
General government	3,069	3,069	2,352	717	2,714
Capital outlay	38	38	537	(499)	6
Total expenditures	<u>3,107</u>	<u>3,107</u>	<u>2,889</u>	<u>218</u>	<u>2,720</u>
Change in fund balance	(1,016)	(1,016)	(521)	495	(316)
Fund balances, July 1	<u>2,105</u>	<u>2,105</u>	<u>2,105</u>	<u>-</u>	<u>2,421</u>
Fund balances, June 30	<u>\$ 1,089</u>	<u>\$ 1,089</u>	<u>\$ 1,584</u>	<u>\$ 495</u>	<u>\$ 2,105</u>

CITY OF HOUSTON, TEXAS
PUBLIC SAFETY SPECIAL FUND - JUVENILE CASE MANAGER FEE
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	2016			Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Interest	\$ 12	\$ 12	\$ 16	\$ 4	\$ 11
Other	1,424	1,424	1,249	(175)	1,258
Total revenues	<u>1,436</u>	<u>1,436</u>	<u>1,265</u>	<u>(171)</u>	<u>1,269</u>
Expenditures					
Current					
Public safety	2,007	2,007	1,447	560	1,474
Total expenditures	<u>2,007</u>	<u>2,007</u>	<u>1,447</u>	<u>560</u>	<u>1,474</u>
Change in fund balance	(571)	(571)	(182)	389	(205)
Fund balances, July 1	<u>1,565</u>	<u>1,565</u>	<u>1,565</u>	<u>-</u>	<u>1,770</u>
Fund balances, June 30	<u>\$ 994</u>	<u>\$ 994</u>	<u>\$ 1,383</u>	<u>\$ 389</u>	<u>\$ 1,565</u>

CITY OF HOUSTON, TEXAS
HEALTH & HOUSING SPECIAL FUND - LABORATORY SERVICES
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	2016			Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Charges for services	\$ 536	\$ 536	\$ 489	\$ (47)	\$ 450
Investment income	3	3	5	2	2
Other	-	-	-	-	30
Total revenues	<u>539</u>	<u>539</u>	<u>494</u>	<u>(45)</u>	<u>482</u>
Expenditures					
Current					
Health	711	704	700	4	255
Capital outlay	-	7	7	-	7
Total expenditures	<u>711</u>	<u>711</u>	<u>707</u>	<u>4</u>	<u>262</u>
Change in fund balance	(172)	(172)	(213)	(41)	220
Fund balances, July 1	<u>530</u>	<u>530</u>	<u>530</u>	<u>-</u>	<u>310</u>
Fund balances, June 30	<u>\$ 358</u>	<u>\$ 358</u>	<u>\$ 317</u>	<u>\$ (41)</u>	<u>\$ 530</u>

CITY OF HOUSTON, TEXAS
PUBLIC WORKS SPECIAL FUND - MOBILITY RESPONSE TEAM
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	2016		Actual	Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Total revenues	-	-	-	-	-
Expenditures					
Current					
Public works	-	-	1	(1)	(8)
Total expenditures	-	-	1	(1)	(8)
Other financing sources (uses)					
Total other financing sources (uses)	-	-	-	-	-
Change in fund balance	-	-	(1)	(1)	8
Fund balances, July 1	8	8	8	-	-
Fund balances, June 30	<u>\$ 8</u>	<u>\$ 8</u>	<u>\$ 7</u>	<u>\$ (1)</u>	<u>\$ 8</u>

CITY OF HOUSTON, TEXAS
PUBLIC SAFETY SPECIAL FUND - MUNICIPAL COURTS TECHNOLOGY FEE
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	<u>2016</u>			Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Interest	\$ 2	\$ 2	\$ 7	\$ 5	\$ 1
Other	1,246	1,246	946	(300)	1,109
Total revenues	<u>1,248</u>	<u>1,248</u>	<u>953</u>	<u>(295)</u>	<u>1,110</u>
Expenditures					
Current					
Public safety	642	740	405	335	882
Capital outlay	350	252	32	220	113
Total expenditures	<u>992</u>	<u>992</u>	<u>437</u>	<u>555</u>	<u>995</u>
Change in fund balance	256	256	516	260	115
Fund balances, July 1	<u>257</u>	<u>257</u>	<u>257</u>	<u>-</u>	<u>142</u>
Fund balances, June 30	<u>\$ 513</u>	<u>\$ 513</u>	<u>\$ 773</u>	<u>\$ 260</u>	<u>\$ 257</u>

CITY OF HOUSTON, TEXAS
OTHER SPECIAL REVENUE FUND - PARKING MANAGEMENT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	2016		Actual	Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Taxes and assessments					
Parking Violations	\$ 9,897	\$ 9,897	\$ 11,700	\$ 1,803	\$ 10,385
Parking Fees	8,841	8,841	10,495	1,654	9,596
Permit Fees	289	289	361	72	357
Investment income	34	34	71	37	37
Other	2	2	102	100	19
Total revenues	<u>19,063</u>	<u>19,063</u>	<u>22,729</u>	<u>3,666</u>	<u>20,394</u>
Expenditures					
Current					
General government	12,068	12,043	10,274	1,769	10,306
Capital outlay	193	284	83	201	61
Total expenditures	<u>12,261</u>	<u>12,327</u>	<u>10,357</u>	<u>1,970</u>	<u>10,367</u>
Other financing sources (uses)					
Transfers out	<u>(8,674)</u>	<u>(8,674)</u>	<u>(12,362)</u>	<u>3,688</u>	<u>(9,998)</u>
Total other financing sources (uses)	<u>(8,674)</u>	<u>(8,674)</u>	<u>(12,362)</u>	<u>3,688</u>	<u>(9,998)</u>
Change in fund balance	(1,872)	(1,938)	10	1,948	29
Fund balances, July 1	<u>2,369</u>	<u>2,369</u>	<u>2,369</u>	<u>-</u>	<u>2,340</u>
Fund balances, June 30	<u>\$ 497</u>	<u>\$ 431</u>	<u>\$ 2,379</u>	<u>\$ 1,948</u>	<u>\$ 2,369</u>

CITY OF HOUSTON, TEXAS
PARKS & RECREATION SPECIAL FUND - PARKS GOLF
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	2016			Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Charges for services	\$ 6,281	\$ 6,281	\$ 5,617	\$ (664)	\$ 5,624
Investment income	7	7	15	8	10
Other	1	1	25	24	1
Total revenues	<u>6,289</u>	<u>6,289</u>	<u>5,657</u>	<u>(632)</u>	<u>5,635</u>
Expenditures					
Current					
Parks and recreation	6,290	6,112	5,788	324	5,522
Capital outlay	-	177	177	-	55
Total expenditures	<u>6,290</u>	<u>6,289</u>	<u>5,965</u>	<u>324</u>	<u>5,577</u>
Change in fund balance	(1)	-	(308)	(308)	58
Fund balances, July 1	<u>1,424</u>	<u>1,424</u>	<u>1,424</u>	<u>-</u>	<u>1,366</u>
Fund balances, June 30	<u>\$ 1,423</u>	<u>\$ 1,424</u>	<u>\$ 1,116</u>	<u>\$ (308)</u>	<u>\$ 1,424</u>

CITY OF HOUSTON, TEXAS
PARKS & RECREATION SPECIAL FUND - PARKS SPECIAL
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	2016			Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Licenses and permits	\$ 190	\$ 190	\$ 176	\$ (14)	\$ 224
Charges for services	1,681	1,681	1,877	196	1,786
Investment income	45	45	83	38	49
Other	122	122	116	(6)	122
Total revenues	<u>2,038</u>	<u>2,038</u>	<u>2,252</u>	<u>214</u>	<u>2,181</u>
Expenditures					
Current					
Parks and recreation	2,422	2,422	1,398	1,024	2,464
Capital outlay	-	-	320	(320)	2
Total expenditures	<u>2,422</u>	<u>2,422</u>	<u>1,718</u>	<u>704</u>	<u>2,466</u>
Change in fund balance	(384)	(384)	534	918	(285)
Fund balances, July 1	<u>6,574</u>	<u>6,574</u>	<u>6,574</u>	<u>-</u>	<u>6,859</u>
Fund balances, June 30	<u>\$ 6,190</u>	<u>\$ 6,190</u>	<u>\$ 7,108</u>	<u>\$ 918</u>	<u>\$ 6,574</u>

CITY OF HOUSTON, TEXAS
PUBLIC SAFETY SPECIAL FUND - POLICE SPECIAL SERVICES
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	2016		Actual	Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Licenses and permits	\$ 346	\$ 346	\$ 419	\$ 73	\$ 396
Charges for services	2,175	2,175	2,811	636	1,916
Intergovernmental - grants	386	386	374	(12)	386
Investment income	60	60	67	7	36
Other	2,090	2,090	1,875	(215)	2,552
Total revenues	<u>5,057</u>	<u>5,057</u>	<u>5,546</u>	<u>489</u>	<u>5,286</u>
Expenditures					
Current					
Public safety	11,073	10,526	9,514	1,012	9,271
Capital outlay	485	814	505	309	89
Total expenditures	<u>11,558</u>	<u>11,340</u>	<u>10,019</u>	<u>1,321</u>	<u>9,360</u>
Other financing sources (uses)					
Transfers in	4,925	4,925	5,023	98	4,925
Transfers out	-	(218)	(218)	-	-
Total other financing sources (uses)	<u>4,925</u>	<u>4,707</u>	<u>4,805</u>	<u>98</u>	<u>4,925</u>
Change in fund balance	(1,576)	(1,576)	332	1,908	851
Fund balances, July 1	<u>6,776</u>	<u>6,776</u>	<u>6,776</u>	<u>-</u>	<u>5,925</u>
Fund balances, June 30	<u>\$ 5,200</u>	<u>\$ 5,200</u>	<u>\$ 7,108</u>	<u>\$ 1,908</u>	<u>\$ 6,776</u>

CITY OF HOUSTON, TEXAS
PUBLIC WORKS SPECIAL FUND - RECYCLING REVENUE
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	2016		Actual	Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts				
	Original	Final			
Revenues					
Licenses and permits	\$ -	\$ -	\$ 26	\$ 26	\$ -
Investment income	\$ 19	\$ 19	\$ 8	\$ (11)	\$ 17
Other	1,980	1,980	468	(1,512)	800
Total revenues	<u>1,999</u>	<u>1,999</u>	<u>502</u>	<u>(1,497)</u>	<u>817</u>
Expenditures					
Current					
Parks and recreation	593	1,089	806	283	145
Capital outlay	-	16	15	1	-
Total expenditures	<u>593</u>	<u>1,105</u>	<u>821</u>	<u>284</u>	<u>145</u>
Other financing sources (uses)					
Transfers in	577	577	1,557	980	1,411
Transfers out	(2,771)	(2,771)	(2,771)	-	(2,461)
Total other financing sources (uses)	<u>(2,194)</u>	<u>(2,194)</u>	<u>(1,214)</u>	<u>(980)</u>	<u>(1,050)</u>
Change in fund balance	(788)	(1,300)	(1,533)	(233)	(378)
Fund balances, July 1	<u>2,130</u>	<u>2,130</u>	<u>2,130</u>	<u>-</u>	<u>2,508</u>
Fund balances, June 30	<u>\$ 1,342</u>	<u>\$ 830</u>	<u>\$ 597</u>	<u>\$ (233)</u>	<u>\$ 2,130</u>

CITY OF HOUSTON, TEXAS
HEALTH & HOUSING SPECIAL FUND - SPECIAL WASTE
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	2016			Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Licenses and permits	\$ 2,778	\$ 2,778	\$ 2,871	\$ 93	\$ 2,765
Investment income	31	31	27	(4)	20
Other	-	-	1,100	1,100	5
Total revenues	<u>2,809</u>	<u>2,809</u>	<u>3,998</u>	<u>1,189</u>	<u>2,790</u>
Expenditures					
Current					
Health	4,524	5,350	3,218	2,132	3,205
Capital outlay	102	-	1,187	(1,187)	343
Total expenditures	<u>4,626</u>	<u>5,350</u>	<u>4,405</u>	<u>945</u>	<u>3,548</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Change in fund balance	(1,817)	(2,541)	(407)	2,134	(758)
Fund balances, July 1	2,811	2,811	2,811	-	3,569
Fund balances, June 30	<u>\$ 994</u>	<u>\$ 270</u>	<u>\$ 2,404</u>	<u>\$ 2,134</u>	<u>\$ 2,811</u>

CITY OF HOUSTON, TEXAS
OTHER SPECIAL REVENUE FUND - SUPPLEMENTAL ENVIRONMENTAL PROJECT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	2016			Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Investment income	\$ 1	\$ 1	\$ 1	\$ -	\$ -
Other	30	30	75	45	33
Total revenues	<u>31</u>	<u>31</u>	<u>76</u>	<u>45</u>	<u>33</u>
Expenditures					
Current					
General government	61	61	33	28	133
Capital outlay	-	-	-	-	56
Total expenditures	<u>61</u>	<u>61</u>	<u>33</u>	<u>28</u>	<u>189</u>
Other financing sources (uses)					
Transfers out	-	(12)	(97)	85	0
Total other financing sources (uses)	<u>-</u>	<u>(12)</u>	<u>(97)</u>	<u>85</u>	<u>-</u>
Change in fund balance	(30)	(42)	(54)	(12)	(156)
Fund balances, July 1	<u>55</u>	<u>55</u>	<u>55</u>	<u>-</u>	<u>211</u>
Fund balances, June 30	<u>\$ 25</u>	<u>\$ 13</u>	<u>\$ 1</u>	<u>\$ (12)</u>	<u>\$ 55</u>

CITY OF HOUSTON, TEXAS
HEALTH & HOUSING SPECIAL FUND - SWIMMING POOL SAFETY
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	2016			Variance with Final Budget- Pos (Neg)	2015 Actual
	Budget Amounts		Actual		
	Original	Final			
Revenues					
Licenses and permits	\$ 1,186	\$ 1,186	\$ 1,123	\$ (63)	\$ 1,069
Investment income	5	5	11	6	6
Other	-	-	-	-	(2)
Total revenues	<u>1,191</u>	<u>1,191</u>	<u>1,134</u>	<u>(57)</u>	<u>1,073</u>
Expenditures					
Current					
Health	1,151	1,166	1,105	61	978
Capital outlay	<u>72</u>	<u>57</u>	<u>-</u>	<u>57</u>	<u>-</u>
Total expenditures	<u>1,223</u>	<u>1,223</u>	<u>1,105</u>	<u>118</u>	<u>978</u>
Change in fund balance	(32)	(32)	29	61	95
Fund balances, July 1	<u>894</u>	<u>894</u>	<u>894</u>	<u>-</u>	<u>799</u>
Fund balances, June 30	<u>\$ 862</u>	<u>\$ 862</u>	<u>\$ 923</u>	<u>\$ 61</u>	<u>\$ 894</u>

CITY OF HOUSTON, TEXAS

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Enterprise Funds

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

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

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

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

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Net Position
June 30, 2016
(With comparative amounts for 2015)
amounts expressed in thousands

	2016	2015
Assets		
Current Assets		
Equity in pooled cash and investments	\$ 389,416	\$ 336,484
Receivables, net of allowances		
Accounts receivable	3,347	25,180
Due from other funds	31,833	873
Due from other governments	11,255	6,643
Inventory	1,632	1,538
Prepaid items	2,817	2,894
Restricted assets		
Investments	5,541	5,514
Total current assets	445,841	379,126
Noncurrent Assets		
Equity in pooled cash and investments	817,877	846,242
Investments	35,512	34,067
Prepaid items	1,481	1,584
Total noncurrent restricted assets	854,870	881,893
Capital assets		
Land	222,886	220,626
Buildings	2,900,383	3,197,979
Improvements and equipment	1,790,940	1,747,812
Construction in progress	174,942	236,163
Runway rights	13,836	11,798
Infrastructure	530,381	
Less accumulated depreciation	(2,674,904)	(2,496,374)
Net capital assets	2,958,464	2,918,004
Total noncurrent assets	3,813,334	3,799,897
Total assets	\$ 4,259,175	\$ 4,179,023
Deferred Outflows of Resources		
Unamortized costs on refunded debt	30,154	33,044
Deferred outflows on pension liability	29,213	10,446
Total Deferred Outflows of Resources	59,367	43,490

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Net Position
June 30, 2016
(With comparative amounts for 2015)
amounts expressed in thousands

	2016	2015
Liabilities		
Current Liabilities		
Accounts payable	\$ 14,087	\$ 14,666
Accrued payroll liabilities	3,133	2,499
Accrued interest payable	47,125	48,638
Contracts and retainages payable	64,665	35,414
Due to other funds	970	361
Notes payable	5,018	-
Commercial Paper payable	87,000	-
Advances and deposits	2,082	1,980
Inferior lien contract	5,915	5,605
Claims and judgments	868	927
Compensated absences	5,945	5,570
Special facility bonds payable	5,305	5,160
Revenue bonds payable	74,665	65,730
Unearned revenue	1,922	1,974
Total current liabilities	318,700	188,524
Noncurrent liabilities		
Notes payable	115,421	-
Revenue bonds payable, net	2,075,512	2,156,900
Special facility bonds payable	91,590	96,895
Claims and judgments	937	1,210
Compensated absences	6,835	6,980
Contracts payable	-	111,620
Inferior lien contracts	6,240	12,155
Commercial paper	-	49,500
Municipal pension trust liability	282,811	248,348
Other post employment benefits	70,203	65,161
Pension obligation bonds payable	2,006	2,006
Total noncurrent liabilities	2,651,555	2,750,775
Total liabilities	2,970,255	2,939,299
Deferred Inflows of Resources		
Deferred Inflows on pension liability	2,526	1,847
Total Deferred Inflows of Resources	2,526	1,847
Net position		
Net investment in capital assets	537,172	466,196
Restricted net position		
Restricted for debt service	333,635	303,371
Restricted for renewal and replacement	10,000	10,000
Restricted for maintenance and operations	54,942	53,912
Restricted for special facility	26,944	25,732
Restricted for capital improvements	561,071	600,159
Unrestricted (deficit)	(178,003)	(178,003)
Total net position	\$ 1,345,761	\$ 1,281,367

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2016
(With comparative amounts for 2015)
amounts expressed in thousands

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Landing area fees	\$ 86,870	\$ 93,575
Rentals, building and ground areas	216,018	197,039
Parking	101,650	97,515
Concession	76,035	83,169
Other	8,324	4,984
Total operating revenue	<u>488,897</u>	<u>476,282</u>
Operating Expenses		
Maintenance and operating	315,419	286,529
Depreciation and amortization	179,398	177,512
Total operating expenses	<u>494,817</u>	<u>464,041</u>
Operating income (loss)	<u>(5,920)</u>	<u>12,241</u>
Nonoperating revenues (expenses)		
Investment income(loss)	13,260	7,496
Customer facility charges	16,417	17,535
Special facility cost	(47)	(948)
Other revenue	70	7,969
Gain (Loss) on disposal of assets	54	(1,856)
Passenger facility charges	104,230	85,392
Interest expense on long-term debt	(86,212)	(89,999)
Total Nonoperating revenues (expenses)	<u>47,772</u>	<u>25,589</u>
Income(Loss) before contributions and transfers	<u>41,852</u>	<u>37,830</u>
Capital contributions	<u>22,542</u>	<u>36,432</u>
Change in net position	64,394	74,262
Beginning Net Position as previously reported	-	1,385,108
Cumulative effect of a change in accounting principle	-	(178,003)
Total net position, July 1	<u>1,281,367</u>	<u>1,207,105</u>
Total net position, June 30	<u>\$ 1,345,761</u>	<u>\$ 1,281,367</u>

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statement of Cash Flows
For the Year Ended June 30, 2016
(With comparative amounts for 2015)
amounts expressed in thousands

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Receipts from customers	\$ 504,457	\$ 469,062
Payments to employees	(101,054)	(99,326)
Payments to suppliers	(123,101)	(105,743)
Internal activity-payments to other funds	(94,776)	(57,553)
Claims paid	(868)	(928)
Other receipts	70	7,969
Net cash provided by operating activities	<u>184,728</u>	<u>213,481</u>
Cash flows from investing activities		
Interest income on investments	13,260	5,059
Purchases of investments	(1,629,945)	(2,033,660)
Sales of investments	1,687,735	1,945,584
Net cash used for investing activities	<u>71,050</u>	<u>(83,017)</u>
Cash flows from noncapital financing activities		
Interest expense pension obligation bonds	(107)	(106)
Net cash used in noncapital financing activities	<u>(107)</u>	<u>(106)</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(65,730)	(54,965)
Refunding of special facility bonds	-	(37,245)
Retirement of special facility bonds	(5,160)	(4,355)
Proceeds from issuance of special facility bonds	-	38,225
Costs of issuing special facility bonds	-	(899)
Proceeds from issuance of commercial paper	37,500	48,300
Interest expense on debt	(98,308)	(101,791)
Retirement of inferior lien contract	(5,605)	(5,315)
Passenger facilities charges	105,154	75,572
Customer facilities charges	16,640	17,540
Grant receipts	17,930	41,467
Acquisition of property, plant and equipment	(174,264)	(155,053)
Net cash used in capital and related financing activities	<u>(171,843)</u>	<u>(138,519)</u>
Net increase in cash and cash equivalents	83,828	(8,161)
Cash and cash equivalents, July 1	44,471	52,632
Cash and cash equivalents, June 30	<u>\$ 128,299</u>	<u>\$ 44,471</u>
Non cash transactions		
Bond amortization expense	\$ 3,729	\$ 3,825
Capital additions included in notes payable	120,440	-
Capitalized interest expense	8,788	5,849
Grants included in receivables	4,612	(5,035)
Capital additions included in liabilities	29,251	(957)
Gain (loss) on disposal of assets	(129)	(1,410)
Total non cash transactions	<u>\$ 166,691</u>	<u>\$ 2,272</u>
Reconciliation of operating income(loss) to net cash provided by operating activities		
Operating income(loss)	\$ (5,920)	\$ 12,241
Adjustments to reconcile operating income(loss) to net cash provided by operating activities		
Depreciation and amortization	179,398	177,512
Capital improvement plan expense	4,616	2,720
Other post employment benefits	5,042	4,716
Other revenues	70	7,969
Terminal space revenue bond	(5,153)	-
Changes in assets and liabilities		
Accounts receivable	20,666	(7,012)
Due from other funds	(30,960)	671
Inventory and prepaid insurance	(16)	367
Accounts payable	(579)	4,404
Accrued payroll liabilities	634	340
Due to other funds	609	47
Advances and deposits	48	(209)
Claims and judgments - workers' compensation	(332)	(547)
Compensated absences	230	504
Pension Obligation payable	16,375	9,758
Net cash provided by operating activities	<u>\$ 184,728</u>	<u>\$ 213,481</u>

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Net Position
June 30, 2016
(With comparative amounts for 2015)
amounts expressed in thousands

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets		
Equity in pooled cash and investments	\$ 81,167	\$ 76,863
Receivables, net of allowances		
Hotel occupancy tax receivable	22,898	23,798
Due from component units	14,381	7,646
Due from other funds	3,116	112
Prepaid items	0	760
Total current assets	<u>121,562</u>	<u>109,179</u>
Noncurrent Assets		
Equity in pooled cash and investments	32,178	37,774
Due from component units	285,189	303,471
Total noncurrent restricted assets	<u>317,367</u>	<u>341,245</u>
Capital assets		
Land	95,687	95,687
Buildings	577,760	577,760
Improvements and equipment	11,875	12,256
Infrastructure	334	334
Construction in progress	0	788
Garage rights	13,144	13,144
Less accumulated depreciation and amortization	<u>(273,060)</u>	<u>(259,720)</u>
Net capital assets	<u>425,740</u>	<u>440,249</u>
Total noncurrent assets	<u>743,107</u>	<u>781,494</u>
Total assets	<u>\$ 864,669</u>	<u>\$ 890,673</u>
Deferred Outflows of Resources		
Deferred outflow on pension liability	\$ 429	\$ 198
Deferred outflow for unamortized cost on refunded debt	87	-
Total Deferred Outflows of Resources	<u>516</u>	<u>198</u>

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Net Position
June 30, 2016
(With comparative amounts for 2015)
amounts expressed in thousands

	<u>2016</u>	<u>2015</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 367	\$ 371
Accrued payroll liabilities	31	38
Accrued interest payable	4,809	4,687
Due to component units	24,119	28,913
Compensated absences	111	69
Pension obligation bonds payable	70	65
Revenue bonds payable	31,413	27,870
Total current liabilities	<u>60,920</u>	<u>62,013</u>
Noncurrent liabilities		
Revenue bonds payable	631,173	649,955
Compensated absences	38	156
Arbitrage rebate	108	207
Municipal pension trust liability	6,321	5,897
Other post employment benefits	4,192	4,020
Unearned revenue	7,191	7,483
Pension obligation bonds payable	3,624	3,694
Total noncurrent liabilities	<u>652,647</u>	<u>671,412</u>
Total liabilities	<u>713,567</u>	<u>733,425</u>
Deferred Inflows of Resources		
Deferred inflow on pension liability	\$ 44	\$ 35
Deferred inflow for unamortized cost on refunded debt	7,330	7,652
Total Deferred Inflows of Resources	<u>7,374</u>	<u>7,687</u>
Net Position		
Net investment in capital assets	72,162	79,996
Restricted net position		
Restricted for debt service	30,368	33,087
Restricted for renewal and replacement	6	1,025
Restricted for maintenance and operations	22,809	24,731
Unrestricted	18,899	10,920
Total net position	<u>\$ 144,244</u>	<u>\$ 149,759</u>

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2016
(With comparative amounts for 2015)
amounts expressed in thousands

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Parking	\$ 11,051	\$ 11,010
Rental	1,380	1,380
Total operating revenue	<u>12,431</u>	<u>12,390</u>
Operating Expenses		
Maintenance and operating	76,466	79,312
Depreciation and amortization	13,720	14,375
Total operating expenses	<u>90,186</u>	<u>93,687</u>
Operating loss	<u>(77,755)</u>	<u>(81,297)</u>
Nonoperating revenue (expenses)		
Investment income	12,708	4,933
Hotel occupancy tax	88,632	90,711
Other revenue	-	334
Gain (loss) on disposal of assets	(1)	484
Other expenses	(420)	-
Interest on long-term debt	(27,299)	(29,684)
Total Nonoperating revenues (expenses)	<u>73,620</u>	<u>66,778</u>
Income before contributions and transfers	<u>(4,135)</u>	<u>(14,519)</u>
Transfers out	<u>(1,380)</u>	<u>(1,380)</u>
Total transfers	<u>(1,380)</u>	<u>(1,380)</u>
Change in net position	(5,515)	(15,899)
Beginning Net Position as previously reported	<u>149,759</u>	<u>166,267</u>
Cumulative effect of a change in accounting principle	-	(609)
Total net position, July 1	<u>149,759</u>	<u>165,658</u>
Total net position, June 30	<u>\$ 144,244</u>	<u>\$ 149,759</u>

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Cash Flows
For the Year Ended June 30, 2016
(With comparative amounts for 2015)
amounts expressed in thousands

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Receipts from customers	\$ 11,127	\$ 9,646
Payments to employees	(94)	(178)
Payments to suppliers	(70)	151
Internal activity-payments to other funds	(3,004)	(176)
Payments to Hotel Corporation		
Claims paid	-	-
Due to (from) other governments	(98)	-
Other revenues	(788)	-
Other expenses	(77,164)	(80,060)
Receipts from component units	2,140	1,380
Net cash used in operating activities	<u>(67,951)</u>	<u>(69,237)</u>
Cash flows from investing activities		
Interest income on investments	12,708	4,202
Purchase of investments	(139,111)	(163,257)
Proceeds from sale of investments	145,995	176,479
Net cash provided by investing activities	<u>19,592</u>	<u>17,424</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(24,524)	(25,835)
Retirement of pension bonds	(65)	(65)
Refunding of revenue bonds	-	(119,285)
Proceeds from issuance of revenue bonds	-	233,963
Retirement of commercial paper	-	(42,000)
Net proceeds from issuance of commercial paper		
Interest expense on revenue bonds		
Interest expense on debt	(18,757)	(12,543)
Proceeds from disposition of assets	128	-
Acquisition of property, plant and equipment, net	660	-
Accrued maintenance repair and replacement cost	-	-
Proceeds from sale of fixed assets	-	1,237
Lease and rents	-	-
Net cash provided by (used in) capital and related financing activities	<u>(42,558)</u>	<u>35,472</u>
Cash flows from noncapital financing activities		
Payments from component unit	9,350	(75,995)
Hotel occupancy tax revenue	89,532	91,992
Interest expense on pension obligation bonds	225	(10)
Net cash provided by noncapital financing activities	<u>99,107</u>	<u>15,987</u>
Net decrease in cash and cash equivalents	8,190	(353)
Cash and cash equivalents, July 1	450	803
Cash and cash equivalents, June 30	<u>\$ 8,640</u>	<u>\$ 450</u>

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Cash Flows
For the Year Ended June 30, 2016
(With comparative amounts for 2015)
amounts expressed in thousands

	<u>2016</u>	<u>2015</u>
Non cash transactions		
Unrealized gain on investments	\$ (294)	\$ (65)
Capital assets exchanged for receivable	-	(20,031)
Total non cash transactions	<u>\$ (294)</u>	<u>\$ (20,096)</u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (77,755)	\$ (81,907)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Depreciation and amortization	13,340	14,375
Other post employment benefits	(172)	(10)
Other revenues	(582)	333
Other expenses	(420)	-
Due to other fund non-cash transfer		
Changes in assets and liabilities		
Net due from component unit	-	
Accounts receivable and prepaids	760	174
Arbitrage Rebate	(99)	27
Due from other funds	(3,004)	-
Accounts payable	(4)	154
Accrued payroll liabilities	(7)	(4)
Due to other funds	-	(176)
Due to other governments	-	-
Advances and deposits	-	(3)
Compensated absences	(76)	(9)
Deferred revenue	(292)	(3,150)
Pension Obligation payable	360	959
Net cash used in operating activities	<u>\$ (67,951)</u>	<u>\$ (69,237)</u>

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Net Position
June 30, 2016
(With comparative amounts for 2015)
amounts expressed in thousands

	2016	2015
Assets		
Current assets		
Equity in pooled cash and investments	\$ 851,737	\$ 747,425
Receivables, net of allowances		
Accounts receivable	98,911	96,941
Special assessments receivable	93	93
Due from other funds	36,938	9,844
Due from other governments	1,442	1,442
Inventory	11,569	11,564
Prepaid items	3,490	3,482
Total current assets	1,004,180	870,791
Noncurrent Assets		
Equity in pooled cash and investments	235,290	332,548
Prepays	7,498	13,040
Due from other governments	3,943	1,965
Amounts held by other governments	11,060	11,065
Total noncurrent restricted assets	257,791	358,618
Capital assets		
Land	142,280	135,560
Buildings	199,547	199,756
Improvements and equipment	166,250	162,288
Plants, lines and rights	10,180,941	9,973,335
Construction in progress	504,872	383,146
Water rights	545,285	545,035
Less accumulated depreciation and amortization	(5,317,451)	(5,168,276)
Net capital assets	6,421,724	6,230,844
Total noncurrent assets	6,679,515	6,589,462
Total assets	7,683,695	7,460,253
Deferred outflows of resources		
Deferred outflow on pension liability	45,832	16,182
SWAP liability/Unamortized cost on refunded debt	474,380	323,042
Total deferred outflows of resources	\$ 520,212	\$ 339,224

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Net Position
June 30, 2016
(With comparative amounts for 2015)
amounts expressed in thousands

	<u>2016</u>	<u>2015</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 108,768	\$ 112,206
Accrued payroll liabilities	5,206	4,091
Accrued interest payable	34,737	34,126
Contracts payable	4,868	14,673
Due to other funds	3,059	5,060
Due to component units	3,198	-
Due to other governments	1,256	1,018
Advances and deposits	56,558	55,448
Pension obligation bonds payable ST	1,115	1,040
Claims and judgments	1,026	1,149
Compensated absences	10,218	9,938
Commercial paper payable	60,000	120,000
Revenue bonds payable	184,570	160,450
Total current liabilities	<u>474,579</u>	<u>519,199</u>
Noncurrent liabilities		
Revenue bonds payable	6,401,184	6,205,818
Claims and judgments	1,049	1,021
Compensated absences	9,972	10,600
Contracts payable	204,415	184,024
Arbitrage rebate	422	316
Municipal pension trust liability	437,225	382,777
Other post employment benefits	126,449	116,444
SWAP liability	307,180	237,501
Unearned revenue	336,450	325,723
Pension obligation bonds payable	57,117	58,232
Total noncurrent liabilities	<u>7,881,463</u>	<u>7,522,456</u>
Total liabilities	<u>8,356,042</u>	<u>8,041,655</u>
Deferred inflows of resources		
Deferred inflow on pension liability	3,974	2,900
Total deferred inflows of resources	<u>3,974</u>	<u>2,900</u>
Net Position		
Net investment in capital assets	20,048	359
Restricted net position		
Restricted for maintenance and operations	83,493	74,709
Restricted for capital improvements	1,442	1,442
Unrestricted	(261,092)	(321,588)
Total net position (deficit)	<u>\$ (156,109)</u>	<u>\$ (245,078)</u>

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2016
(With comparative amounts for 2015)
amounts expressed in thousands

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Water/Sewer Billing	\$ 1,002,582	\$ 927,424
Total operating revenue	<u>1,002,582</u>	<u>927,424</u>
Operating Expenses		
Maintenance and operating	451,342	428,732
Depreciation and amortization	236,841	231,048
Total operating expenses	<u>688,183</u>	<u>659,780</u>
Operating income	<u>314,399</u>	<u>267,644</u>
Nonoperating revenue (expenses)		
Investment income	12,652	7,685
Other revenue	41,958	37,910
Loss on disposal of assets	(1,877)	954
Interest on long-term debt	(252,116)	(265,013)
Contributions in	13,348	10,768
Total Nonoperating revenues (expenses)	<u>(186,035)</u>	<u>(207,696)</u>
Income before contributions and transfers	<u>128,364</u>	<u>59,948</u>
Capital contributions	<u>10,364</u>	<u>9,983</u>
Transfers in	-	70
Transfers out	<u>(49,759)</u>	<u>(47,795)</u>
Total transfers	<u>(49,759)</u>	<u>(47,725)</u>
Change in net position	88,969	22,206
Total net position, July 1, as previously reported	<u>(245,078)</u>	<u>6,522</u>
Cumulative effect of a change in an accounting principle	<u>-</u>	<u>(273,806)</u>
Beginning net assets, July 1	<u>(245,078)</u>	<u>(267,284)</u>
Total net position, June 30	<u>\$ (156,109)</u>	<u>\$ (245,078)</u>

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Cash Flows
For the Year Ended June 30, 2016
(With comparative amounts for 2015)
amounts expressed in thousands

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Receipts from customers	\$ 1,001,706	\$ 938,541
Payments to employees	(138,420)	(146,524)
Payments to suppliers	(230,949)	(213,745)
Internal activity-payments to other funds	(52,840)	(26,243)
Claims paid	(1,563)	(1,653)
Other receipts	41,958	37,911
Receipts from other governments	155	70
Net cash provided by operating activities	<u>620,047</u>	<u>588,357</u>
Cash flows from investing activities		
Interest income on investments	12,652	5,485
Purchases of investments	(1,532,283)	(1,789,960)
Sales of investments	1,594,761	1,737,365
Net cash provided by (used in) investing activities	<u>75,130</u>	<u>(47,110)</u>
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(1,111,586)	(306,561)
Retirement of commercial paper	(180,000)	(180,000)
Refunding of revenue bonds	(4,985)	(138,992)
Proceeds from issuance of revenue bonds	1,281,650	732,284
Proceeds from issuance of commercial paper	120,000	120,000
Interest expense on debt	(257,314)	(278,795)
Proceeds from disposition of assets	1,683	3,487
Deferred bond issuance cost	22,961	9,769
Capital contribution	13,348	10,768
Deferred outflow on pension liability	(29,651)	(16,182)
Due from other governments	(1,978)	2,345
Acquisition of property, plant and equipment	(406,369)	(452,470)
Net cash used for capital and related financing activities	<u>(552,241)</u>	<u>(494,347)</u>
Cash flows from noncapital financing activities		
Interest expense on pension obligation bonds	(2,763)	(3,736)
Pension bond payable	(41)	1,860
Transfers to debt service fund	(9,891)	(12,039)
Transfers to other funds	(39,868)	(35,755)
Net cash used in noncapital financing activities	<u>(52,563)</u>	<u>(49,670)</u>
Net increase(decrease) in cash and cash equivalents	90,373	(2,770)
Cash and cash equivalents, July 1	4,386	7,156
Cash and cash equivalents, June 30	<u>\$ 94,759</u>	<u>\$ 4,386</u>
Non cash transactions		
CAB accretion interest	8,040	7,616
Donated capital	(10,364)	(9,983)
Capitalized interest	14,529	12,600
Gain on disposal of assets	1,877	(954)
Total non cash transactions	<u>\$ 14,082</u>	<u>\$ 9,279</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 314,399	\$ 267,713
Depreciation and amortization	236,841	231,048
Other post employment benefits	10,005	10,321
Other revenues	41,957	37,911
Accounts receivable	(1,967)	7,787
Due from other funds	(27,096)	2,351
Due from other governments	243	(49)
Inventory & prepaid insurance	(13)	775
Accounts payable	(12,465)	(1,650)
Accrued payroll liabilities	1,114	745
Due to other funds	2,106	(1,666)
Advances and deposits	1,111	3,330
Claims and judgments-workers' compensation	(94)	415
Compensated absences	(348)	431
Pension obligation payable	54,254	28,895
Net cash provided by operating activities	<u>\$ 620,047</u>	<u>\$ 588,357</u>



Internal Service Funds

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

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

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

CITY OF HOUSTON, TEXAS
INTERNAL SERVICE FUNDS
Combining Statement of Net Position
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	Health Benefits	Long-term Disability	2016	2015
Assets				
Current assets				
Cash and cash equivalents				
Equity in pooled cash and investments	\$ 70,270	\$ 9,698	\$ 79,968	\$ 77,160
Receivables, net of allowances				
Accounts receivable	1,843	-	1,843	1,667
Due from other funds	6	-	6	-
Due from other governments	112	-	112	21
Prepaid items	3	-	3	3
Total current assets	<u>72,234</u>	<u>9,698</u>	<u>81,932</u>	<u>78,851</u>
Capital assets				
Buildings, improvements and equipment	529	-	529	520
Construction in progress	-	-	-	-
Total capital assets	<u>529</u>	<u>-</u>	<u>529</u>	<u>520</u>
Less accumulated depreciation	(431)	-	(431)	(409)
Net capital assets	<u>98</u>	<u>-</u>	<u>98</u>	<u>111</u>
Total noncurrent assets	<u>98</u>	<u>-</u>	<u>98</u>	<u>111</u>
Total Assets	<u>72,332</u>	<u>9,698</u>	<u>82,030</u>	<u>78,962</u>
Liabilities				
Current Liabilities				
Accounts Payable	733	44	777	329
Accrued payroll liabilities	155	-	155	105
Due to other funds	10,948	-	10,948	476
Claims and judgments	19,905	1,682	21,587	21,961
Compensated absences	271	-	271	250
Unearned revenue	2,869	-	2,869	2,743
Total current liabilities	<u>34,881</u>	<u>1,726</u>	<u>36,607</u>	<u>25,864</u>
Noncurrent liabilities				
Claims and judgments	13,000	6,689	19,689	19,999
Compensated absences	99	-	99	233
Total noncurrent liabilities	<u>13,099</u>	<u>6,689</u>	<u>19,788</u>	<u>20,232</u>
Total liabilities	<u>47,980</u>	<u>8,415</u>	<u>56,395</u>	<u>46,096</u>
Net Position				
Net investment in capital assets	98	-	98	111
Unrestricted	24,254	1,283	25,537	32,755
Total net position	<u>\$ 24,352</u>	<u>\$ 1,283</u>	<u>\$ 25,635</u>	<u>\$ 32,866</u>

CITY OF HOUSTON, TEXAS
INTERNAL SERVICE FUNDS
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	<u>Health Benefits</u>	<u>Long-term Disability</u>	<u>2016</u>	<u>2015</u>
Operating Revenues				
Other	\$ 1,062	\$ -	\$ 1,062	\$ 418
Health benefit premiums	339,089	1,306	340,395	328,216
Total operating revenues	<u>340,151</u>	<u>1,306</u>	<u>341,457</u>	<u>328,634</u>
Operating Expenses				
Administrative costs	7,343	73	7,416	6,561
Claims Costs	341,100	902	342,002	321,327
Depreciation and amortization	22	-	22	67
Total operating expenses	<u>348,465</u>	<u>975</u>	<u>349,440</u>	<u>327,955</u>
Operating income (loss)	<u>(8,314)</u>	<u>331</u>	<u>(7,983)</u>	<u>679</u>
Nonoperating revenues (expenses)				
Investment income	645	107	752	556
Total Nonoperating revenues (expenses)	<u>645</u>	<u>107</u>	<u>752</u>	<u>556</u>
Income (loss) before contributions and transfers	<u>(7,669)</u>	<u>438</u>	<u>(7,231)</u>	<u>1,235</u>
Change in net position	(7,669)	438	(7,231)	1,235
Total net position (deficit), July 1	<u>32,021</u>	<u>845</u>	<u>32,866</u>	<u>31,631</u>
Total net position (deficit), June 30	<u>\$ 24,352</u>	<u>\$ 1,283</u>	<u>\$ 25,635</u>	<u>\$ 32,866</u>

CITY OF HOUSTON, TEXAS
INTERNAL SERVICE FUNDS
Combining Statement of Cash Flows
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	<u>Health Benefits</u>	<u>Long-term Disability</u>	<u>2016</u>	<u>2015</u>
Cash flows from operating activities				
Receipts from customers	\$ 338,913	\$ 1,306	\$ 340,219	\$ 327,947
Payments to employees	(5,053)	-	(5,053)	(4,421)
Payments to suppliers	(1,646)	-	(1,646)	(1,801)
Internal activity-payments to other funds	(522)	-	(522)	345
Claims paid	(341,451)	(1,323)	(342,774)	(320,746)
Due from other governments	(91)	-	(91)	37
Other receipts	1,062	-	1,062	418
Net cash provided by (used in) operating activities	<u>(8,788)</u>	<u>(17)</u>	<u>(8,805)</u>	<u>1,779</u>
Cash flows from investing activities				
Interest income on investments	645	107	752	556
Purchase of investments	(97,117)	-	(97,117)	(132,972)
Proceeds from sale of investments	94,400	-	94,400	128,090
Net cash provided by investing activities	<u>(2,072)</u>	<u>107</u>	<u>(1,965)</u>	<u>(4,326)</u>
Cash flows from capital and related financing activities				
Acquisition of property, plant and equipment	(8)	-	(8)	2
	<u>(8)</u>	<u>-</u>	<u>(8)</u>	<u>2</u>
Net increase in cash and cash equivalents	(10,868)	90	(10,778)	2,337
Cash and cash equivalents, July 1	317	90	407	74,823
Cash and cash equivalents, June 30	<u>\$ (10,551)</u>	<u>\$ 180</u>	<u>\$ (10,371)</u>	<u>\$ 77,160</u>
Reconciliation of operating income to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (8,314)	\$ 331	\$ (7,983)	\$ 679
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	22	-	22	67
Accounts receivable	(176)	-	(176)	(269)
Due from other funds	(6)	-	(6)	1
Due from other governments	(91)	-	(91)	37
Accounts payable	445	-	445	103
Accrued payroll liabilities	50	-	50	12
Due to other funds	(397)	-	(397)	475
Claims for workers' compensation	(335)	(348)	(683)	613
Compensated absences	(112)	-	(112)	38
Deferred revenue	126	-	126	23
Net cash provided by (used in) operating activities	<u>\$ (8,788)</u>	<u>\$ (17)</u>	<u>\$ (8,805)</u>	<u>\$ 1,779</u>

Fiduciary Funds (Trust and Agency Funds)

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

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

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

CITY OF HOUSTON, TEXAS
PENSION TRUST FUNDS
Combining Statement of Plan Net Position
June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

		Firefighters' Relief and Retirement Pension Trust Fund
	\$	
Assets		
Cash	\$	63,829
Investments		
U.S. government and agency securities		-
Corporate bonds		-
Other fixed income securities		1,138,667
Commingled equity funds		-
Common and preferred stock		1,357,841
Real estate, partnerships and alternatives		981,864
Short-term investment funds		164,710
Invested securities lending collateral		31,987
Receivables, net of allowances		
Due from broker		7
Contributions		4,360
Accrued interest and dividends		11,928
Other		58,817
Other assets		545
Land		483
Building		5,014
		<hr/>
Total assets		3,820,052 <hr/>
 Liabilities and plan net position		
Liabilities		
Accounts payable		35,505
Securities lending collateral		31,987
Foreign funds contracts payable		22,879
Other liabilities		12
Total liabilities		<hr/> 90,383 <hr/>
 Net position restricted for pensions	 \$	 3,729,669 <hr/>

(Continued)

Municipal Employees' Pension Trust Fund		Police Officers' Pension Trust Fund		2016	2015
\$	7,551	\$	304	\$ 71,684	\$ 21,061
	92,417		-	92,417	85,623
	200,401		-	200,401	225,280
	-		166,655	1,305,322	1,442,650
	364,165		-	364,165	393,973
	664,796		1,303,740	3,326,377	3,089,736
	995,728		1,919,630	3,897,222	4,214,354
	79,292		650,902	894,904	1,137,448
	73,941		24,211	130,139	387,434
	2,993		23,643	26,643	1,949
	-		15,680	20,040	30,266
	-		2,613	14,541	19,857
	10,385		13	69,215	36,703
	298		-	843	1,035
	-		-	483	483
	-		-	5,014	4,961
	<u>2,491,967</u>		<u>4,107,391</u>	<u>10,419,410</u>	<u>11,092,813</u>
	9,139		2,066	46,710	56,098
	73,941		24,211	130,139	387,434
	2,994		-	25,873	3,961
	<u>5,869</u>		<u>654</u>	<u>6,535</u>	<u>6,603</u>
	<u>91,943</u>		<u>26,931</u>	<u>209,257</u>	<u>454,096</u>
\$	<u>2,400,024</u>	\$	<u>4,080,460</u>	<u>\$ 10,210,153</u>	<u>\$ 10,638,717</u>

CITY OF HOUSTON, TEXAS
PENSION TRUST FUNDS
Combining Statement of Changes in Plan Net Position
For the Year Ended June 30, 2016
(With comparative totals for 2015)
amounts expressed in thousands

	Firefighters' Relief and Retirement Pension Trust Fund
Additions:	
Contributions	
City of Houston	\$ 94,279
Members	25,511
Total Contributions	119,790
Investment income	
Interest	57,621
Net appreciation(depreciation) in fair value of investments	(116,954)
Dividends	16,299
Income on securities lending	254
Earnings from real estate, limited partnerships real estate investments, and other investments	761
Other income	1,699
Total investment and other income (loss)	(40,320)
Less - investment expense	(7,415)
Less - cost of securities lending	297
Total additions (reductions)	72,352
Deductions:	
Benefits paid to members	211,128
Refunds to members	544
Other	8,661
Total deductions	220,333
Net increase (decrease)	(147,981)
Net position restricted for pensions, beginning of year	3,877,650
Net position restricted for pensions, end of year	\$ 3,729,669

(Continued)

Municipal Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	2016	2015
\$ 159,958	\$ 137,392	\$ 391,629	\$ 351,281
15,874	39,017	80,402	79,009
<u>175,832</u>	<u>176,409</u>	<u>472,031</u>	<u>430,290</u>
17,753	12,322	87,696	90,891
(2,454)	(152,667)	(272,075)	34,152
18,844	18,714	53,857	65,652
593	-	847	943
1,034	-	1,795	9,805
1,303	-	3,002	931
<u>37,073</u>	<u>(121,631)</u>	<u>(124,878)</u>	<u>202,374</u>
(7,538)	(14,387)	(29,340)	(41,031)
(244)	185	238	211
<u>205,123</u>	<u>40,576</u>	<u>318,051</u>	<u>591,844</u>
253,178	259,076	723,382	656,104
1,105	978	2,627	3,363
7,360	4,585	20,606	18,801
<u>261,643</u>	<u>264,639</u>	<u>746,615</u>	<u>678,268</u>
(56,520)	(224,063)	(428,564)	(86,424)
<u>2,456,544</u>	<u>4,304,523</u>	<u>10,638,717</u>	<u>10,725,141</u>
<u>\$ 2,400,024</u>	<u>\$ 4,080,460</u>	<u>\$ 10,210,153</u>	<u>\$ 10,638,717</u>

CITY OF HOUSTON, TEXAS
AGENCY FUNDS
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2016
amounts expressed in thousands

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
Payroll Revolving Fund				
Assets				
Equity in pooled cash and investments	\$ 6,301	\$ 8,044,210	\$ 8,049,597	\$ 914
Accounts receivable	176		49	127
Total assets	<u>\$ 6,477</u>	<u>\$ 8,044,210</u>	<u>\$ 8,049,646</u>	<u>\$ 1,041</u>
Liabilities				
Accounts payable	\$ 6,477	\$ 3,112,273	\$ 3,117,709	\$ 1,041
Total liabilities	<u>\$ 6,477</u>	<u>\$ 3,112,273</u>	<u>\$ 3,117,709</u>	<u>\$ 1,041</u>
City Deposit Fund				
Assets				
Equity in pooled cash and investments	\$ 130	\$ 1	\$ -	\$ 131
Total assets	<u>\$ 130</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 131</u>
Liabilities				
Advances and deposits	\$ 130	\$ 1	\$ -	\$ 131
Total liabilities	<u>\$ 130</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 131</u>
Tax Clearing Fund				
Assets				
Equity in pooled cash and investments	\$ 46,184	\$ 338,508	\$ 342,309	\$ 42,383
Due from other funds	5,292	-	5,292	-
Total assets	<u>\$ 51,476</u>	<u>\$ 338,508</u>	<u>\$ 347,601</u>	<u>\$ 42,383</u>
Liabilities				
Accounts payable	\$ 51,476	\$ 571,164	\$ 580,257	\$ 42,383
Total liabilities	<u>\$ 51,476</u>	<u>\$ 571,164</u>	<u>\$ 580,257</u>	<u>\$ 42,383</u>
Totals - All Agency Funds				
Assets				
Equity in pooled cash and investments	\$ 52,616	\$ 8,382,719	\$ 8,391,906	\$ 43,428
Accounts receivable	176	-	49	127
Due from other funds	5,292	-	5,292	-
Total assets	<u>\$ 58,084</u>	<u>\$ 8,382,719</u>	<u>\$ 8,397,247</u>	<u>\$ 43,555</u>
Liabilities				
Accounts payable	\$ 57,953	\$ 3,683,437	\$ 3,697,966	\$ 43,424
Advances and deposits	131	-	-	131
Total liabilities	<u>\$ 58,084</u>	<u>\$ 3,683,437</u>	<u>\$ 3,697,966</u>	<u>\$ 43,555</u>

Discretely Presented Component Units (Governmental and Business-type)

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

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

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

Business-type – This category is comprised of:

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

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Net Position
June 30, 2016
amounts expressed in thousands

	<u>City Park Redevelopment Authority</u>	<u>East Downtown Redevelopment Authority</u>	<u>Fifth Ward Redevelopment Authority</u>	<u>Fourth Ward Redevelopment Authority</u>	<u>Greater Greenspoint Redevelopment Authority</u>	<u>Greater Houston Convention & Visitors Bureau</u>
Assets						
Current Assets						
Cash	\$ 634	\$ 8,046	\$ 806	\$ 2,094	\$ 33,820	\$ 9,536
Equity in pooled cash and investments	-	653	-	11,350	5,008	-
Receivables, net of allowances						
Accounts receivable	-	6	17	-	585	576
Property taxes receivable, net	-	-	-	-	-	-
Due from primary government	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
Prepaid items	-	-	-	1	-	80
Restricted assets						
Investments	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total current assets	<u>634</u>	<u>8,705</u>	<u>823</u>	<u>13,445</u>	<u>39,413</u>	<u>10,192</u>
Noncurrent Assets						
Investments	-	-	-	-	-	599
Deferred charges for issuance cost	-	-	-	-	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>599</u>
Land	-	315	217	897	5,506	-
Buildings, improvements and equipment	1,199	-	-	-	8,228	1,547
Plants, lines and rights	-	-	-	-	1,490	-
Construction in progress	-	322	-	-	-	-
Total capital assets	<u>1,199</u>	<u>637</u>	<u>217</u>	<u>897</u>	<u>15,224</u>	<u>1,547</u>
Less accumulated depreciation						
Buildings, improvements and equipment	(576)	-	-	-	(1,670)	(1,178)
Accumulated depreciation	<u>(576)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,670)</u>	<u>(1,178)</u>
Net capital assets	<u>623</u>	<u>637</u>	<u>217</u>	<u>897</u>	<u>13,554</u>	<u>369</u>
Total noncurrent assets	<u>623</u>	<u>637</u>	<u>217</u>	<u>897</u>	<u>13,554</u>	<u>968</u>
Total assets	<u>1,257</u>	<u>9,342</u>	<u>1,040</u>	<u>14,342</u>	<u>52,967</u>	<u>11,160</u>
Liabilities						
Current Liabilities						
Accounts payable	-	485	172	18	163	-
Accrued payroll liability:	-	-	-	-	-	-
Accrued interest payable	-	11	-	-	359	293
Contracts and retainages payable	-	-	-	-	-	-
Notes payable	-	1,375	-	-	-	-
Due to other governments	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	141
Current liabilities payable from restricted assets						
Revenue bonds payable	-	-	-	-	1,570	-
Construction billings and retainages	-	-	-	-	-	-
Total current liabilities	<u>-</u>	<u>1,871</u>	<u>172</u>	<u>18</u>	<u>2,092</u>	<u>434</u>
Noncurrent liabilities						
Notes payable	3,136	17,345	-	-	-	-
Revenue bonds payable	-	-	-	-	25,515	-
Due to the City of Houston	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-
Other long-term liabilities	-	-	-	-	-	4
Deferred revenue	-	-	-	-	-	52
Total Noncurrent liabilities	<u>3,136</u>	<u>17,345</u>	<u>-</u>	<u>-</u>	<u>25,515</u>	<u>56</u>
Total liabilities	<u>3,136</u>	<u>19,216</u>	<u>172</u>	<u>18</u>	<u>27,607</u>	<u>490</u>
Net position						
Net investment in capital assets	-	637	217	-	7,091	-
Restricted net position						
Restricted for debt service	-	-	-	-	5,514	-
Restricted for maintenance and operations	-	-	-	-	-	-
Restricted for capital improvements	-	-	-	14,112	-	-
Other restricted	-	2,005	-	-	-	-
Unrestricted (deficit)	(1,879)	(12,516)	651	212	12,755	10,670
Total net position (deficit)	<u>\$ (1,879)</u>	<u>\$ (9,874)</u>	<u>\$ 868</u>	<u>\$ 14,324</u>	<u>\$ 25,360</u>	<u>\$ 10,670</u>

Gulfgate Redevelopment Authority	Hardy Near Northside Redevelopment Authority	Houston Area Library Automated Network Bd	Houston Arts Alliance	Houston BARC Foundation	Houston Downtown Park Corporation	Houston Civic Events Inc	Houston Forensic Science, LGC
\$ 2,571	\$ 480	\$ -	\$ 283	\$ 274	\$ -	\$ 790	\$ 3,508
-	654	1,094	2,303	-	-	-	-
8	1,493	-	2,855	-	-	46	32
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	303
-	-	-	29	4	-	889	138
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>2,579</u>	<u>2,627</u>	<u>1,094</u>	<u>5,470</u>	<u>278</u>	<u>-</u>	<u>1,725</u>	<u>3,981</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,417	-	-	-	-	56,986	-	-
-	-	-	780	-	-	11	3,518
-	-	-	-	-	-	-	-
-	123	-	-	-	-	-	-
<u>5,417</u>	<u>123</u>	<u>-</u>	<u>780</u>	<u>-</u>	<u>56,986</u>	<u>11</u>	<u>3,518</u>
-	-	-	(679)	-	-	-	(602)
-	-	-	(679)	-	-	-	(602)
<u>5,417</u>	<u>123</u>	<u>-</u>	<u>101</u>	<u>-</u>	<u>56,986</u>	<u>11</u>	<u>2,916</u>
<u>5,417</u>	<u>123</u>	<u>-</u>	<u>101</u>	<u>-</u>	<u>56,986</u>	<u>11</u>	<u>2,916</u>
<u>7,996</u>	<u>2,750</u>	<u>1,094</u>	<u>5,571</u>	<u>278</u>	<u>56,986</u>	<u>1,736</u>	<u>6,897</u>
30	1,497	-	727	-	-	116	-
-	-	27	-	-	-	-	2,487
128	-	-	-	-	-	-	-
87	-	-	-	-	-	-	-
425	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	1,628	-	-	-	-
-	-	-	20	31	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>670</u>	<u>1,497</u>	<u>27</u>	<u>2,375</u>	<u>31</u>	<u>-</u>	<u>116</u>	<u>2,487</u>
2,528	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,150	-
<u>2,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,150</u>	<u>-</u>
<u>3,198</u>	<u>1,497</u>	<u>27</u>	<u>2,375</u>	<u>31</u>	<u>-</u>	<u>1,266</u>	<u>2,487</u>
4,323	123	-	-	-	56,986	-	2,916
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
475	1,130	1,067	1,718	2	-	470	1,494
<u>\$ 4,798</u>	<u>\$ 1,253</u>	<u>\$ 1,067</u>	<u>\$ 3,196</u>	<u>\$ 247</u>	<u>\$ 56,986</u>	<u>\$ 470</u>	<u>\$ 4,410</u>

(Continued)

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Net Position
June 30, 2016
amounts expressed in thousands

	Houston Media Source	Houston Museum District Association	Houston Parks Board LGC, Inc	Houston Public Library Foundation	Houston Recovery Center, LGC
Assets					
Current Assets					
Cash	\$ 1,921	\$ 186	\$ 2,777	\$ 880	\$ 727
Equity in pooled cash and investments	-	-	-	-	-
Receivables, net of allowances	-	702	779	-	-
Accounts receivable	-	-	-	-	-
Property taxes receivable, net	-	-	-	-	-
Due from primary government	939	-	-	-	454
Inventory	-	-	-	-	-
Prepaid items	43	1	-	-	-
Restricted assets	-	-	-	-	-
Investments	2,565	-	-	-	-
Other receivables	-	-	-	40	28
Total current assets	<u>5,468</u>	<u>889</u>	<u>3,556</u>	<u>920</u>	<u>1,209</u>
Noncurrent Assets					
Restricted assets	-	-	-	19,441	-
Investments	-	-	-	-	-
Deferred charges for issuance cost	-	-	-	-	-
Total noncurrent restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,441</u>	<u>-</u>
Land	-	-	7,299	-	-
Buildings, improvements and equipment	2,316	-	14,927	-	-
Plants, lines and rights	-	-	-	-	-
Construction in progress	-	-	-	-	-
Total capital assets	<u>2,316</u>	<u>-</u>	<u>22,226</u>	<u>-</u>	<u>-</u>
Less accumulated depreciation	-	-	-	-	-
Buildings, improvements and equipment	(902)	-	-	-	-
Accumulated depreciation	<u>(902)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net capital assets	<u>1,414</u>	<u>-</u>	<u>22,226</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>1,414</u>	<u>-</u>	<u>22,226</u>	<u>19,441</u>	<u>-</u>
Total assets	<u>6,882</u>	<u>889</u>	<u>25,782</u>	<u>20,361</u>	<u>1,209</u>
Liabilities					
Current Liabilities					
Accounts payable	56	1	1,028	47	71
Accrued payroll liabilities	-	-	-	-	-
Accrued interest payable	-	-	-	-	-
Contracts and retainages payable	-	-	-	-	-
Notes payable	-	-	-	-	-
Due to other governments	-	622	-	-	-
Other liabilities	-	-	-	-	-
Deferred revenue	-	-	2,491	-	-
Current liabilities payable from restricted assets	-	-	-	-	-
Revenue bonds payable	-	-	-	-	-
Construction billings and retainages	-	-	-	-	-
Total current liabilities	<u>56</u>	<u>623</u>	<u>3,519</u>	<u>47</u>	<u>71</u>
Noncurrent liabilities					
Notes payable	-	-	-	-	-
Revenue bonds payable	-	-	-	-	-
Due to the City of Houston	-	-	-	446	-
Contracts payable	-	-	-	-	-
Other long-term liabilities	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total Noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>446</u>	<u>-</u>
Total liabilities	<u>56</u>	<u>623</u>	<u>3,519</u>	<u>493</u>	<u>71</u>
Net position					
Net investment in capital assets	1,414	-	22,226	-	-
Restricted net position	-	-	-	-	-
Restricted for debt service	-	-	-	-	-
Restricted for maintenance and operations	2,840	-	-	-	-
Restricted for capital improvements	-	-	-	-	-
Other restricted	-	15	-	15,707	-
Unrestricted (deficit)	2,572	251	37	4,161	1,137
Total net position (deficit)	<u>\$ 6,826</u>	<u>\$ 266</u>	<u>\$ 22,263</u>	<u>\$ 19,868</u>	<u>\$ 1,137</u>

Lake Houston Redevelopment Authority	Lamar Terrace Public Improvement District	Land Assemblage Redevelopment Authority	Leland Woods Redevelopment Authority I	Leland Woods Redevelopment Authority II	Main Street Market Square Redevelopment Authority	Memorial City Redevelopment Authority
\$ 6,169	\$ -	\$ 2,005	\$ 38	\$ 2,404	\$ 865	\$ 13,953
-	54	-	-	-	32,767	14,263
-	26	-	20	-	10,145	1
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1	1	-	-	-	-
-	-	2,825	-	-	-	-
-	-	-	-	-	2,192	-
<u>6,169</u>	<u>81</u>	<u>4,831</u>	<u>58</u>	<u>2,404</u>	<u>45,969</u>	<u>28,217</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	1,017	-	9,186
-	-	1	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	1	-	1,017	-	9,186
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	1	-	1,017	-	9,186
-	-	1	-	1,017	-	9,186
<u>6,169</u>	<u>81</u>	<u>4,832</u>	<u>58</u>	<u>3,421</u>	<u>45,969</u>	<u>37,403</u>
1,932	-	38	15	-	3,635	1,341
-	11	-	-	-	795	515
-	-	-	-	-	-	-
-	-	-	-	-	525	-
-	-	-	-	-	-	-
-	26	-	-	-	-	-
-	-	-	-	-	1,950	2,870
<u>1,932</u>	<u>37</u>	<u>38</u>	<u>15</u>	<u>-</u>	<u>6,905</u>	<u>4,726</u>
-	-	-	-	789	-	-
-	-	-	-	-	59,037	36,455
-	-	-	-	-	-	-
16,663	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>16,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>789</u>	<u>59,037</u>	<u>36,455</u>
<u>18,595</u>	<u>37</u>	<u>38</u>	<u>15</u>	<u>789</u>	<u>65,942</u>	<u>41,181</u>
-	-	-	-	228	-	9,185
-	-	-	-	-	8,658	3,846
-	-	-	-	-	-	-
-	-	1,396	-	-	-	-
(12,426)	44	3,398	43	2,404	(28,631)	(16,809)
<u>\$ (12,426)</u>	<u>\$ 44</u>	<u>\$ 4,794</u>	<u>\$ 43</u>	<u>\$ 2,632</u>	<u>\$ (19,973)</u>	<u>\$ (3,778)</u>

(Continued)

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Net Position
June 30, 2016
amounts expressed in thousands

	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
Assets						
Current Assets						
Cash	\$ 5,058	\$ 29,712	\$ 1,639	\$ 1,263	\$ 28	\$ 162
Equity in pooled cash and investments	-	11,814	-	-	16,908	1,710
Receivables, net of allowances	-	-	-	-	-	-
Accounts receivable	-	1,116	559	-	-	7
Property taxes receivable, net	-	-	-	-	-	-
Due from primary government	-	-	-	-	-	-
Inventory	-	46,013	-	-	-	-
Prepaid items	1	-	-	2	-	-
Restricted assets	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Other receivables	-	1,292	58	-	101	-
Total current assets	<u>5,059</u>	<u>89,947</u>	<u>2,256</u>	<u>1,265</u>	<u>17,037</u>	<u>1,879</u>
Noncurrent Assets						
Restricted assets	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Deferred charges for issuance cost	-	-	-	-	-	-
Total noncurrent restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Land	-	12,946	-	-	3,154	-
Buildings, improvements and equipment	-	8,913	-	-	-	-
Plants, lines and rights	-	-	-	-	-	-
Construction in progress	-	23,427	-	-	-	-
Total property, plant & equipment	<u>-</u>	<u>45,286</u>	<u>-</u>	<u>-</u>	<u>3,154</u>	<u>-</u>
Less accumulated depreciation and Buildings, improvements and equipment	<u>-</u>	<u>(4,211)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accumulated depreciation	<u>-</u>	<u>(4,211)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net capital assets	<u>-</u>	<u>41,075</u>	<u>-</u>	<u>-</u>	<u>3,154</u>	<u>-</u>
Total noncurrent assets	<u>-</u>	<u>41,075</u>	<u>-</u>	<u>-</u>	<u>3,154</u>	<u>-</u>
Total assets	<u>5,059</u>	<u>131,022</u>	<u>2,256</u>	<u>1,265</u>	<u>20,191</u>	<u>1,879</u>
Liabilities						
Current Liabilities						
Accounts payable	844	3,563	7	117	641	744
Accrued payroll liabilities	-	-	-	-	-	-
Accrued interest payable	-	1,613	-	39	344	20
Contracts and retainages payable	-	546	673	-	-	-
Notes payable	-	3,498	-	130	-	-
Due to other governments	-	-	-	-	-	-
Other liabilities - current	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Current liabilities payable from restricted assets	-	-	-	-	-	-
Revenue bonds payable	-	4,635	-	-	1,490	160
Construction billings and retainages	-	-	-	-	-	-
Total current liabilities	<u>844</u>	<u>13,855</u>	<u>680</u>	<u>286</u>	<u>2,475</u>	<u>924</u>
Noncurrent liabilities						
Notes payable	-	16,930	-	2,052	-	-
Revenue bonds payable	-	64,102	-	-	19,910	3,838
Due to the City of Houston	-	-	-	-	-	-
Contracts payable	-	-	-	-	1,055	-
Other long-term liabilities	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	7
Total Noncurrent liabilities	<u>-</u>	<u>81,032</u>	<u>-</u>	<u>2,052</u>	<u>20,965</u>	<u>3,845</u>
Total liabilities	<u>844</u>	<u>94,887</u>	<u>680</u>	<u>2,338</u>	<u>23,440</u>	<u>4,769</u>
Net Position						
Investment in capital assets	-	12,765	-	-	3,154	-
Restricted net assets	-	-	-	-	-	-
Restricted for debt service	-	15,703	-	-	4,978	991
Restricted for maintenance and operations	-	-	-	-	-	-
Restricted for capital improvements	-	45,583	-	-	-	-
Other restricted	-	167	1,007	-	-	(42)
Unrestricted	4,215	(38,083)	569	(1,073)	(11,381)	(3,839)
Total net position (deficit)	<u>\$ 4,215</u>	<u>\$ 36,135</u>	<u>\$ 1,576</u>	<u>\$ (1,073)</u>	<u>\$ (3,249)</u>	<u>\$ (2,890)</u>

South Post Oak Redevelopment Authority	Southwest Houston Redevelopment Authority	Stadium Park Redevelopment Authority	Theatre District Improvement Inc	Upper Kirby Redevelopment Authority	Uptown Development Authority	Total
\$ 957	\$ 2,076	\$ 133	\$ 1	\$ 180	\$ 96,401	\$ 232,377
-	18,358	-	-	16,691	-	133,627
-	-	-	-	10	-	18,983
-	-	-	-	10,632	-	10,632
-	-	-	839	-	-	2,535
-	-	-	-	-	-	46,013
-	-	-	-	-	-	1,190
-	-	-	-	-	-	5,390
-	-	-	-	-	-	3,711
<u>957</u>	<u>20,434</u>	<u>133</u>	<u>840</u>	<u>27,513</u>	<u>96,401</u>	<u>454,458</u>
-	-	-	-	-	-	20,040
-	-	-	-	-	-	-
-	-	-	-	-	-	20,040
-	1,673	-	-	13,509	-	118,122
-	-	-	-	4	-	41,444
-	-	-	-	-	-	1,490
-	-	-	-	-	-	23,872
-	1,673	-	-	13,513	-	184,928
-	-	-	-	-	-	(9,818)
-	-	-	-	-	-	(9,818)
-	1,673	-	-	13,513	-	175,110
-	1,673	-	-	13,513	-	195,150
<u>957</u>	<u>22,107</u>	<u>133</u>	<u>840</u>	<u>41,026</u>	<u>96,401</u>	<u>649,608</u>
7	2,767	219	840	1,653	15,378	38,152
-	-	-	-	-	-	2,525
3	476	3	-	515	-	5,114
660	-	-	-	684	-	2,651
-	-	-	-	2,450	-	8,403
-	-	-	-	33	239	894
-	-	-	-	-	-	1,628
-	-	-	-	-	-	2,709
-	2,785	304	-	-	-	15,764
-	-	-	-	-	-	-
<u>670</u>	<u>6,028</u>	<u>526</u>	<u>840</u>	<u>5,335</u>	<u>15,617</u>	<u>77,840</u>
-	-	-	-	36,766	-	79,546
-	41,470	-	-	-	-	250,327
-	-	-	-	-	-	446
-	-	-	-	-	-	17,718
-	-	-	-	-	-	4
-	-	-	-	-	-	1,209
-	41,470	-	-	36,766	-	349,250
<u>670</u>	<u>47,498</u>	<u>526</u>	<u>840</u>	<u>42,101</u>	<u>15,617</u>	<u>427,090</u>
-	1,673	-	-	13,513	53,765	190,216
-	7,888	-	-	2,061	26,986	76,625
-	-	-	-	-	-	2,840
-	8,484	-	-	5,680	-	73,859
-	-	-	-	-	-	21,975
287	(43,436)	(393)	-	(22,329)	33	(142,997)
<u>\$ 287</u>	<u>\$ (25,391)</u>	<u>\$ (393)</u>	<u>\$ -</u>	<u>\$ (1,075)</u>	<u>\$ 80,784</u>	<u>\$ 222,518</u>

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Activities
For the Year Ended June 30, 2016
amounts expressed in thousands

Net (Expense) Revenue and Change in Net Position

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	City Park Redevelopment Authority	East Downtown Redevelopment Authority	Fifth Ward Redevelopment Authority	Fourth Ward Redevelopment Authority	Greater Greenspoint Redevelopment Authority
Component Units									
City Park Redevelopment Authority	\$ 208	\$ -	\$ -	\$ -	\$ (208)	\$ -	\$ -	\$ -	\$ -
East Downtown Redevelopment Authority	19,070	-	-	-	-	(19,070)	-	-	-
Fifth Ward Redevelopment Authority	313	-	-	-	-	-	(313)	-	-
Fourth Ward Redevelopment Authority	693	-	-	-	-	-	-	(693)	-
Greater Greenspoint Redevelopment Authority	3,953	-	-	-	-	-	-	-	(3,953)
Greater Houston Convention and Visitors Bureau	2,929	655	-	-	-	-	-	-	-
Gulfgate Redevelopment Authority	897	-	-	-	-	-	-	-	-
Hardy Near Northside Redevelopment Authority	10,011	3,586	-	-	-	-	-	-	-
Houston Area Library Automated Network	2,022	-	1,631	-	-	-	-	-	-
Houston Arts Alliance	11,626	4,602	213	7,419	-	-	-	-	-
Houston BARC Foundation	32	40	84	-	-	-	-	-	-
Houston Civic Events, Inc.	3,320	3,348	-	-	-	-	-	-	-
Houston Forensic Science LGC, Inc.	25,328	24,267	350	-	-	-	-	-	-
Houston Media Source, Inc.	1,519	1,978	-	3	-	-	-	-	-
Houston Museum District Association	2,828	2,895	-	-	-	-	-	-	-
Houston Parks Board, LGC, Inc.	4,556	-	8,329	-	-	-	-	-	-
Houston Public Library Foundation	2,160	-	343	238	-	-	-	-	-
Houston Recovery Center LGC, Inc.	2,537	-	2,501	-	-	-	-	-	-
Lake Houston Redevelopment Authority	16,597	-	-	-	-	-	-	-	-
Land Assemblage Redevelopment Authority	759	1,019	-	-	-	-	-	-	-
Leland Woods Redevelopment Authority I	44	-	-	-	-	-	-	-	-
Leland Woods Redevelopment Authority II	46	-	2,400	-	-	-	-	-	-
Main Street Market Square Redevelopment Authority	38,697	15,504	-	-	-	-	-	-	-
Memorial City Redevelopment Authority	14,302	-	-	-	-	-	-	-	-
Memorial-Heights Redevelopment Authority	6,006	-	-	-	-	-	-	-	-
Midtown Redevelopment Authority	14,628	-	-	-	-	-	-	-	-
Miller Theatre Advisory Board, Inc.	2,890	-	2,957	-	-	-	-	-	-
Old Sixth Ward Redevelopment Authority	765	-	-	-	-	-	-	-	-
OST/Almeda Corridors Redevelopment Authority	17,414	-	2,497	-	-	-	-	-	-
Saint George Place Redevelopment Authority	525	8	-	-	-	-	-	-	-
South Post Oak Redevelopment Authority	80	-	-	-	-	-	-	-	-
Southwest Houston Redevelopment Authority	18,391	-	-	-	-	-	-	-	-
Stadium Park Redevelopment Authority	308	-	-	-	-	-	-	-	-
Upper Kirby Redevelopment Authority	16,207	-	1,139	-	-	-	-	-	-
Uptown Development Authority	69,587	-	2,418	-	-	-	-	-	-
Total component units	<u>311,267</u>	<u>57,902</u>	<u>24,881</u>	<u>\$ 7,660</u>	<u>(208)</u>	<u>(19,070)</u>	<u>(313)</u>	<u>(693)</u>	<u>(3,953)</u>
General Revenues:									
Taxes									
Property Taxes - general purposes / tax increments					602	4,429	514	2,434	10,687
Industrial assessments tax					-	-	-	-	-
Contributions					-	-	-	-	-
Unrestricted investment earnings (loss)					2	9	2	34	304
Other					-	-	-	-	-
Total general revenues and transfers					<u>604</u>	<u>4,438</u>	<u>516</u>	<u>2,468</u>	<u>10,991</u>
Change in net position					396	(14,632)	203	1,775	7,038
Net Position (deficit) beginning					(2,275)	4,758	665	12,549	18,322
Net Position (deficit) ending					<u>\$ (1,879)</u>	<u>\$ (9,874)</u>	<u>\$ 868</u>	<u>\$ 14,324</u>	<u>\$ 25,360</u>

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Activities
For the Year Ended June 30, 2016
amounts expressed in thousands

Functions/Programs	Houston Museum District Association	Houston Parks Board LGC	Houston Public Library Foundation	Houston Recovery Center LGC	Lake Houston Redevelopment Authority
Component Units					
City Park Redevelopment Authority	\$ -	\$ -	\$ -	\$ -	\$ -
East Downtown Redevelopment Authority	-	-	-	-	-
Fifth Ward Redevelopment Authority	-	-	-	-	-
Fourth Ward Redevelopment Authority	-	-	-	-	-
Greater Greenspoint Redevelopment Authority	-	-	-	-	-
Greater Houston Convention and Visitors Bureau	-	-	-	-	-
Gulfgate Redevelopment Authority	-	-	-	-	-
Hardy Near Northside Redevelopment Authority	-	-	-	-	-
Houston Area Library Automated Network	-	-	-	-	-
Houston Arts Alliance	-	-	-	-	-
Houston BARC Foundation	-	-	-	-	-
Houston Civic Events, Inc.	-	-	-	-	-
Houston Forensic Science LGC, Inc.	-	-	-	-	-
Houston Media Source, Inc.	-	-	-	-	-
Houston Museum District Association	67	-	-	-	-
Houston Parks Board, LGC, Inc.	-	3,773	-	-	-
Houston Public Library Foundation	-	-	(1,579)	-	-
Houston Recovery Center LGC, Inc.	-	-	-	(36)	-
Lake Houston Redevelopment Authority	-	-	-	-	(16,597)
Land Assemblage Redevelopment Authority	-	-	-	-	-
Leland Woods Redevelopment Authority I	-	-	-	-	-
Leland Woods Redevelopment Authority II	-	-	-	-	-
Main Street Market Square Redevelopment Authority	-	-	-	-	-
Memorial City Redevelopment Authority	-	-	-	-	-
Memorial-Heights Redevelopment Authority	-	-	-	-	-
Midtown Redevelopment Authority	-	-	-	-	-
Miller Theatre Advisory Board, Inc.	-	-	-	-	-
Old Sixth Ward Redevelopment Authority	-	-	-	-	-
OST/Alameda Corridors Redevelopment Authority	-	-	-	-	-
Saint George Place Redevelopment Authority	-	-	-	-	-
South Post Oak Redevelopment Authority	-	-	-	-	-
Southwest Houston Redevelopment Authority	-	-	-	-	-
Stadium Park Redevelopment Authority	-	-	-	-	-
Upper Kirby Redevelopment Authority	-	-	-	-	-
Uptown Development Authority	-	-	-	-	-
Total component units	<u>67</u>	<u>3,773</u>	<u>(1,579)</u>	<u>(36)</u>	<u>(16,597)</u>
General Revenues:					
Taxes					
Property Taxes - general purposes / tax increments	-	-	-	-	16,463
Industrial assessments tax	-	-	-	-	-
Contributions	-	-	-	-	-
Unrestricted investment earnings (loss)	-	-	-	-	55
Other	-	-	253	-	-
Total general revenues, special items, and transfers	<u>-</u>	<u>-</u>	<u>253</u>	<u>-</u>	<u>16,518</u>
Change in net Position	<u>67</u>	<u>3,773</u>	<u>(1,326)</u>	<u>(36)</u>	<u>(79)</u>
Net Position (deficit) beginning	199	18,490	21,194	1,173	(12,347)
Net Position (deficit) ending	<u>\$ 266</u>	<u>\$ 22,263</u>	<u>\$ 19,868</u>	<u>\$ 1,137</u>	<u>\$ (12,426)</u>

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Activities
For the Year Ended June 30, 2016
amounts expressed in thousands

Net (Expense) Revenue and Change in Net Position

Functions/Programs	Old Sixth Ward Redevelopment Authority	OST/Almeda Corridors Redevelopment Authority	Saint George Place Redevelopment Authority	South Post Oak Redevelopment Authority	Southwest Houston Redevelopment Authority	Stadium Park Redevelopment Authority
Component Units						
City Park Redevelopment Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
East Downtown Redevelopment Authority	-	-	-	-	-	-
Fifth Ward Redevelopment Authority	-	-	-	-	-	-
Fourth Ward Redevelopment Authority	-	-	-	-	-	-
Greater Greenspoint Redevelopment Authority	-	-	-	-	-	-
Greater Houston Convention and Visitors Bureau	-	-	-	-	-	-
Gulfgate Redevelopment Authority	-	-	-	-	-	-
Hardy Near Northside Redevelopment Authority	-	-	-	-	-	-
Houston Area Library Automated Network	-	-	-	-	-	-
Houston Arts Alliance	-	-	-	-	-	-
Houston Arts Alliance	-	-	-	-	-	-
Houston Civic Events, Inc.	-	-	-	-	-	-
Houston Forensic Science LGC, Inc.	-	-	-	-	-	-
Houston Media Source, Inc.	-	-	-	-	-	-
Houston Museum District Association	-	-	-	-	-	-
Houston Parks Board, LGC, Inc.	-	-	-	-	-	-
Houston Public Library Foundation	-	-	-	-	-	-
Houston Recovery Center LGC, Inc.	-	-	-	-	-	-
Lake Houston Redevelopment Authority	-	-	-	-	-	-
Land Assemblage Redevelopment Authority	-	-	-	-	-	-
Leland Woods Redevelopment Authority I	-	-	-	-	-	-
Leland Woods Redevelopment Authority II	-	-	-	-	-	-
Main Street Market Square Redevelopment Authority	-	-	-	-	-	-
Memorial City Redevelopment Authority	-	-	-	-	-	-
Memorial-Heights Redevelopment Authority	-	-	-	-	-	-
Midtown Redevelopment Authority	-	-	-	-	-	-
Miller Theatre Advisory Board, Inc.	-	-	-	-	-	-
Old Sixth Ward Redevelopment Authority	(765)	-	-	-	-	-
OST/Almeda Corridors Redevelopment Authority	-	(14,917)	-	-	-	-
Saint George Place Redevelopment Authority	-	-	(517)	-	-	-
South Post Oak Redevelopment Authority	-	-	-	(80)	-	-
Southwest Houston Redevelopment Authority	-	-	-	-	(18,391)	-
Stadium Park Redevelopment Authority	-	-	-	-	-	(308)
Upper Kirby Redevelopment Authority	-	-	-	-	-	-
Uptown Development Authority	-	-	-	-	-	-
Total component units	<u>(765)</u>	<u>(14,917)</u>	<u>(517)</u>	<u>(80)</u>	<u>(18,391)</u>	<u>(308)</u>
General Revenues:						
Taxes						
Property Taxes - general purposes / tax increments	912	9,608	1,709	967	6,231	-
Industrial assessments tax	-	-	-	-	-	-
Contributions	-	-	-	-	-	20
Unrestricted investment earnings (loss)	4	31	1	3	118	-
Other	-	18	4	-	-	-
Total general revenues, special items, and transfers	<u>916</u>	<u>9,657</u>	<u>1,714</u>	<u>970</u>	<u>6,349</u>	<u>20</u>
Change in net Position	151	(5,260)	1,197	890	(12,042)	(288)
Net Position (deficit) beginning	(1,224)	2,011	(4,087)	(603)	(13,349)	(105)
Net Position (deficit) ending	<u>\$ (1,073)</u>	<u>\$ (3,249)</u>	<u>\$ (2,890)</u>	<u>\$ 287</u>	<u>\$ (25,391)</u>	<u>\$ (393)</u>

	Theater District Improvement Inc	Upper Kirby Redevelopment Authority	Uptown Development Authority	Total
\$	-	\$ -	\$ -	\$ (208)
	-	-	-	(19,070)
	-	-	-	(313)
	-	-	-	(693)
	-	-	-	(3,953)
	-	-	-	(2,274)
	-	-	-	(897)
	-	-	-	(6,425)
	-	-	-	(391)
	-	-	-	608
	-	-	-	92
	-	-	-	28
	-	-	-	(711)
	-	-	-	462
	-	-	-	67
	-	-	-	3,773
	-	-	-	(1,579)
	-	-	-	(36)
	-	-	-	(16,597)
	-	-	-	260
	-	-	-	(44)
	-	-	-	2,354
	-	-	-	(23,193)
	-	-	-	(14,302)
	-	-	-	(6,006)
	-	-	-	(14,628)
	-	-	-	67
	-	-	-	(765)
	-	-	-	(14,917)
	-	-	-	(517)
	-	-	-	(80)
	-	-	-	(18,391)
	-	-	-	(308)
	-	(15,068)	-	(15,068)
	-	-	(67,169)	(67,169)
	-	(15,068)	(67,169)	(220,824)
	-	10,240	40,955	150,034
	-	1,138	-	1,138
	-	-	35,000	35,021
	-	-	220	1,699
	-	20	-	1,616
	-	11,398	76,175	189,508
	-	(3,670)	9,006	(31,316)
	-	2,595	71,778	253,834
\$	-	\$ (1,075)	\$ 80,784	\$ 222,518

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS TYPE
Combining Statement of Net Position
June 30, 2016
amounts expressed in thousands

	Houston First Corporation <i>See Note 14</i>	Houston Housing Finance Corp	Houston Zoo Inc.	Total
Assets				
Current assets				
Cash	\$ 91,411	\$ 34,791	\$ 22,462	\$ 148,664
Investments	-	-	16,765	16,765
Receivables, net of allowances				
Accounts receivable	13,194	1,745	2,477	17,416
Accrued interest and other	-	195	-	195
Due from component units	-	-	-	-
Internal balances	-	-	-	-
Due from primary government	-	-	-	-
Due from other governments	-	-	-	-
Inventory	-	-	164	164
Prepaid items	4,119	-	817	4,936
Restricted assets				
Investments	97,455	-	4,488	101,943
Other receivables	5,868	239	-	6,107
Total current assets	<u>212,047</u>	<u>36,970</u>	<u>47,173</u>	<u>296,190</u>
Noncurrent Assets				
Cash and cash equivalents	-	-	-	-
Investments	19,620	380	-	20,000
Assessments receivable	-	-	-	-
Accrued interest receivable	-	-	-	-
Due from affiliates	-	-	-	-
Amounts held by other governments	-	-	-	-
Receivable and deposits	-	15,022	-	15,022
Deferred charges for issuance cost	-	-	-	-
Other long-term receivables	66,616	-	-	66,616
Total noncurrent assets	<u>86,236</u>	<u>15,402</u>	<u>-</u>	<u>101,638</u>
Capital assets				
Land	14,824	8,656	-	23,480
Buildings, improvements and equipment	423,738	9,403	128,633	561,774
Total capital assets	<u>438,562</u>	<u>18,059</u>	<u>128,633</u>	<u>585,254</u>
Less accumulated depreciation				
Buildings, improvements and equipment	(111,194)	(4,716)	(33,562)	(149,472)
Accumulated depreciation	<u>(111,194)</u>	<u>(4,716)</u>	<u>(33,562)</u>	<u>(149,472)</u>
Net capital assets	<u>327,368</u>	<u>13,343</u>	<u>95,071</u>	<u>435,782</u>
Total noncurrent assets	<u>413,604</u>	<u>28,745</u>	<u>95,071</u>	<u>537,420</u>
Total assets	<u>625,651</u>	<u>65,715</u>	<u>142,244</u>	<u>833,610</u>
Deferred Outflow of Resources	4,068	-	-	\$ 4,068
Liabilities				
Current Liabilities				
Accounts payable and accrued expenses	41,033	2,591	1,800	45,424
Accrued payroll liabilities	-	-	974	974
Contracts and retainages payable	-	-	863	863
Notes payable	10,968	-	559	11,527
Due to component units	-	-	-	-
Due to City of Houston	-	-	-	-
Advances and deposits	-	-	-	-
Claims for workers' compensation	-	-	-	-
Claims and judgments	-	-	-	-
Compensated absences	-	-	-	-
Other liabilities - current	850	-	-	850
Deferred revenue	426	-	565	991
Current liabilities payable from restricted assets				
Accounts payable	-	-	-	-
Due to City of Houston	2,891	-	-	2,891
Accrued interest payable	3,236	-	-	3,236
Total current liabilities	<u>59,404</u>	<u>2,591</u>	<u>4,761</u>	<u>66,756</u>
Noncurrent liabilities				
Notes payable	406,171	9,754	-	415,925
Revenue bonds payable	-	-	-	-
Claims and judgments	-	-	-	-
Compensated absences	-	-	-	-
Due to City of Houston	-	-	-	-
Contracts payable	-	-	-	-
General tax obligation debt	-	-	-	-
Commercial paper	-	-	-	-
Arbitrage rebate	-	-	-	-
Other long-term liabilities	-	-	-	-
Accrued maintenance, repair and replacement cost	-	-	-	-
Due to City of Houston	-	-	-	-
Municipal pension trust liability	-	-	-	-
Police officers' pension trust liability	-	-	-	-
Fire fighter's pension trust liability	-	-	-	-
Deferred revenue	8,735	-	-	8,735
Deferred rent	-	-	-	-
Total noncurrent liabilities	<u>414,906</u>	<u>9,754</u>	<u>-</u>	<u>424,660</u>
Total liabilities	<u>474,310</u>	<u>12,345</u>	<u>4,761</u>	<u>491,416</u>
Net position				
Net Investment in capital assets	29,784	3,230	-	33,014
Restricted net position				
Restricted for debt service	-	-	-	-
Restricted for renewal and replacement	-	-	-	-
Restricted for maintenance and operations	-	-	-	-
Restricted for others' capital improvement	-	-	-	-
Restricted for capital improvements	-	-	-	-
Other restricted	-	-	12,066	12,066
Unrestricted (deficit)	125,625	50,140	125,417	301,182
Total net position (deficit)	<u>\$ 155,409</u>	<u>\$ 53,370</u>	<u>\$ 137,483</u>	<u>\$ 346,262</u>

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS-TYPE
Combining Statement of Activities
For the Year Ended June 30, 2016
amounts expressed in thousands

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Component Units				
Houston First Corporation	182,140	124,333	74,136	\$ -
Houston Housing Finance Corp.	3,625	473	1,884	-
Houston Zoo Inc.	43,364	34,733	14,083	-
Other Component Units	-	-	-	-
Totals	<u>\$ 229,129</u>	<u>\$ 159,539</u>	<u>\$ 90,103</u>	<u>\$ -</u>

General Revenues:

Taxes
Property Taxes levied for general purposes/tax increments
Unrestricted investment earnings
Other
Special Items - Loss on sale of assets
Transfers

Total general revenues and transfers

Change in net position
Net Position (deficit) beginning
Change in Accounting Principle
Change in Accounting Entity
Net Position (deficit) ending

(Continued)

Net (Expense) Revenue and Change in Net Position			
Houston			
First	Houston	Houston	Total
Corporation	Housing	Zoo, Inc.	
See Note 14	Finance Corp.		
16,329	-	-	16,329
-	(1,268)	-	(1,268)
-	-	5,452	5,452
-	-	-	-
<u>16,329</u>	<u>(1,268)</u>	<u>5,452</u>	<u>20,513</u>
-	750	-	750
281	1,235	(18)	1,498
3,357	1,287	736	5,380
-	-	-	-
-	-	-	-
<u>3,638</u>	<u>3,272</u>	<u>718</u>	<u>7,628</u>
19,967	2,004	6,170	28,141
135,442	51,366	131,313	318,121
-	-	-	-
-	-	-	-
<u>\$ 155,409</u>	<u>\$ 53,370</u>	<u>\$ 137,483</u>	<u>\$ 346,262</u>

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS TYPE
Statement of Cash Flows
For the Year Ended June 30, 2016
amounts expressed in thousands

	Houston First Corporation See Note 14	Houston Housing Finance Corp.	Houston Zoo Inc.	Total Component Units
Cash flows from operating activities				
Receipts from customers	\$ 121,268	\$ 3,369	\$ 12,647	\$ 137,284
Payments to employees	(54,272)	-	-	(54,272)
Payments to suppliers	(87,043)	-	-	(87,043)
Other revenues	-	-	-	-
Receipts from City of Houston	83,858	-	-	83,858
Other revenues (expenses)	(22,734)	(2,735)	-	(25,469)
Net cash provided by operating activities	<u>41,077</u>	<u>634</u>	<u>12,647</u>	<u>54,358</u>
Cash flows from investing activities				
Advances on long-term receivables	-	(7,405)	-	(7,405)
Interest income on investments	(26,828)	11,682	-	(15,146)
Purchase of investments	(75,123)	-	(18,688)	(93,811)
Proceeds from sale of investments	163,429	-	5,877	169,306
Change in cash restricted for capital acquisition	-	(449)	-	(449)
Net cash provided by (used in) investing activities	<u>61,478</u>	<u>3,828</u>	<u>(12,811)</u>	<u>52,495</u>
Cash flows from capital and related financing activities				
Contributed capital	(2,055)	-	-	(2,055)
Acquisition of property, plant and equipment	(90,307)	(11,731)	-	(102,038)
Interest expense	(12,621)	-	-	(12,621)
Receipt of tax rebates	-	-	-	-
Payments to the City of Houston	(8,820)	-	-	(8,820)
Proceeds from sale of fixed assets	-	-	4,117	4,117
Proceeds from refunding	37,006	9,754	-	46,760
Net cash provided by (used for) capital and related financing activities	<u>(76,797)</u>	<u>(1,977)</u>	<u>4,117</u>	<u>(74,657)</u>
Cash flows from noncapital financing activities				
Promotional contract paid from hotel occupancy tax revenues to component units	-	-	-	-
Contributions to others	-	-	-	-
Transfers	-	-	-	-
Other revenues	-	534	-	534
Payments to Hotel Corporation	-	-	-	-
Hotel occupancy tax revenue	-	-	-	-
Contributions to others	-	-	-	-
Excess funds from Bond Series	-	639	-	639
Payments on notes payable	(3,782)	-	-	(3,782)
Net cash provided by noncapital financing activities	<u>(3,782)</u>	<u>1,173</u>	<u>-</u>	<u>(2,609)</u>
Net increase in cash and cash equivalents	21,976	3,658	3,953	29,587
Cash and cash equivalents, July 1	69,434	31,512	18,508	119,454
Cash and cash equivalents, June 30	<u>\$ 91,410</u>	<u>\$ 35,170</u>	<u>\$ 22,461</u>	<u>\$ 149,041</u>
Non cash transactions				
Amortization expense	-	-	-	-
Transfer of property - Urban Homesteading Program	-	-	-	-
Contributions	-	-	-	-
Capitalized interest expense	14,770	-	-	14,770
Gain (Loss) on disposal of assets	-	-	-	-
Total non cash transactions	<u>\$ 14,770</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,770</u>
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (Loss)	\$ (21,729)	\$ 1,365	\$ 6,170	(14,194)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	10,377	47	6,285	16,709
Bad debt expense	-	-	-	-
Other revenues	(11,369)	-	4,427	(6,942)
Other expenses	-	630	-	630
Net due from component unit	-	-	-	-
Changes in assets and liabilities:				
Contracts receivable				
Accounts receivable	-	-	(2,118)	(2,118)
Contracts receivable	-	-	-	-
Inventory	-	-	2	2
Other assets	-	-	460	460
Accounts payable and accrued expenses	(1,544)	-	(2,655)	(4,199)
Accrued payroll liabilities	-	30	76	106
Advances and deposits	-	(1,848)	-	(1,848)
Accrued interest on contracts payable	4,466	410	-	4,876
Other revenues				
Construction and retainages payable	60,876	-	-	60,876
Other long-term liabilities	-	-	-	-
Net cash provided by operating activities	<u>\$ 41,077</u>	<u>\$ 634</u>	<u>\$ 12,647</u>	<u>\$ 54,358</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	216
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	228
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	233
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	243
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	250
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net investment in capital assets	\$ 3,480,924	\$ 3,515,596	\$ 3,670,130	\$ 3,677,425	\$ 3,696,510	\$ 3,783,152	\$ 3,959,260	\$ 4,102,861	\$ 4,250,590	\$ 4,434,420
Restricted	170,297	213,567	161,147	199,459	179,691	182,831	117,949	174,158	192,129	42,240
Unrestricted	(969,830)	(1,310,289)	(1,629,514)	(1,928,202)	(2,168,298)	(2,343,970)	(2,469,700)	(2,651,151)	(5,487,349)	(5,910,541)
Total governmental activities net position	\$ 2,681,391	\$ 2,418,874	\$ 2,201,763	\$ 1,948,682	\$ 1,707,903	\$ 1,622,013	\$ 1,607,509	\$ 1,625,868	\$ (1,044,630)	\$ (1,433,881)
Business-type activities										
Net investment in capital assets	\$ 745,459	\$ 551,820	\$ 668,465	\$ 893,832	\$ 733,936	\$ 666,936	\$ 573,460	\$ 240,888	\$ 546,551	\$ 629,382
Restricted	641,613	784,895	824,219	842,298	850,895	871,409	949,449	1,024,548	1,131,835	1,129,659
Unrestricted	104,542	135,860	(17,815)	(102,094)	25,183	(25,444)	(6,835)	280,879	(488,671)	(420,196)
Total business-type activities net position	\$ 1,491,614	\$ 1,472,575	\$ 1,474,869	\$ 1,634,036	\$ 1,610,014	\$ 1,512,901	\$ 1,516,074	\$ 1,546,315	\$ 1,189,715	\$ 1,338,845
Primary government										
Net investment in capital assets	\$ 4,226,383	\$ 4,067,416	\$ 4,338,595	\$ 4,571,257	\$ 4,430,446	\$ 4,450,088	\$ 4,532,720	\$ 4,343,749	\$ 4,797,141	\$ 5,063,802
Restricted	811,910	998,462	985,366	1,041,757	1,030,586	1,054,240	1,067,398	1,198,706	1,323,964	1,171,899
Unrestricted	(865,288)	(1,174,429)	(1,647,329)	(2,030,296)	(2,143,115)	(2,369,414)	(2,476,535)	(2,370,272)	(5,976,020)	(6,330,737)
Total primary government net position	\$ 4,173,005	\$ 3,891,449	\$ 3,676,632	\$ 3,582,718	\$ 3,317,917	\$ 3,134,914	\$ 3,123,583	\$ 3,172,183	\$ 145,085	\$ (95,036)

CITY OF HOUSTON, TEXAS

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 130,026	\$ 193,928	\$ 219,584	\$ 232,466	\$ 230,868	\$ 270,279	\$ 239,586	\$ 247,481	\$ 359,640	\$ 425,707
Public safety	1,230,266	1,400,837	1,460,992	1,485,999	1,393,450	1,431,987	1,514,034	1,598,854	1,858,766	1,993,340
Public works	275,165	317,749	417,953	305,768	308,506	289,395	298,462	318,888	336,311	343,657
Health	101,865	129,197	136,766	139,693	128,320	111,891	121,988	133,159	150,931	158,896
Housing and community development	80,171	59,182	62,793	96,349	95,730	71,417	88,143	51,626	65,275	61,707
Parks and recreation	85,274	102,758	97,398	93,676	91,492	89,379	90,261	93,637	112,844	98,994
Library	39,180	49,687	48,015	48,721	44,887	42,455	44,913	48,724	49,374	48,691
Retiree benefits	-	-	-	-	-	-	-	-	-	-
Interest in long-term debt	135,134	126,349	129,324	151,807	150,640	157,407	151,893	143,231	158,212	191,025
Depreciation and amortization	111,918	110,174	115,050	119,719	130,111	126,303	130,620	132,817	138,016	143,028
Total governmental activities expenses	2,188,999	2,489,861	2,687,875	2,674,198	2,574,004	2,590,515	2,679,900	2,768,417	3,229,368	3,465,044
Business-type activities :										
Airport System	442,757	459,521	472,253	504,472	537,253	542,387	530,070	561,443	556,844	581,022
Convention & Entertainment Facilities	105,846	110,576	114,110	105,703	107,523	42,387	42,418	113,316	123,371	117,906
Combined Utility System	818,831	846,368	842,518	849,674	866,336	913,503	898,725	919,547	924,793	942,176
Houston Area Water Corporation	20,568	17,485	14,867	9,949	-	-	-	-	-	-
Parking Management	-	-	4,919	6,969	-	-	-	-	-	-
Total business-type activities expenses	1,388,002	1,433,950	1,448,667	1,476,767	1,511,112	1,498,277	1,471,213	1,594,306	1,605,008	1,641,104
Total primary government expenses	\$ 3,577,001	\$ 3,923,811	\$ 4,136,542	\$ 4,150,965	\$ 4,085,116	\$ 4,088,792	\$ 4,151,113	\$ 4,362,723	\$ 4,834,376	\$ 5,106,148
Program Revenues										
Governmental activities:										
Charges for services:										
General government	34,839	11,104	22,601	20,544	31,831	69,017	34,379	63,338	70,322	68,093
Public safety	110,222	131,221	136,450	143,274	132,220	141,965	139,087	188,521	171,996	181,888
Public works	53,856	53,375	46,404	45,011	45,211	171,177	238,836	266,422	215,038	222,236
Health	13,563	17,093	16,836	15,110	16,968	18,081	18,563	17,710	17,665	18,349
Housing	-	-	-	900	-	-	-	-	-	-
Parks and recreation	6,930	4,683	7,578	6,977	7,796	7,576	8,361	7,475	8,676	8,820
Library	675	1,035	1,056	1,261	919	979	1,356	1,681	1,637	1,966
Operating grants and contributions	246,737	232,203	393,157	346,945	293,350	303,085	312,959	277,700	305,363	323,686
Capital grants and contributions	101,099	76,497	45,354	109,190	68,801	-	-	-	67,533	53,860
Total governmental activities program revenues	567,921	527,211	669,436	689,212	597,096	711,880	753,541	822,847	858,230	878,898
Business-type activities:										
Charges for services:										
Airport System	416,138	447,176	386,777	406,579	410,402	417,550	432,994	452,107	476,282	609,544
Convention & Entertainment Facilities	20,554	22,306	20,902	31,833	25,456	8,934	10,372	11,124	12,390	12,431
Combined Utility System	615,465	648,269	687,238	691,162	879,176	917,238	924,690	953,408	927,424	1,002,582
Houston Area Water Corporation	-	13,045	13,250	-	-	-	-	-	-	-
Parking Management	-	-	-	13,676	-	-	-	-	-	-
Operating grants and contributions	2,740	4,749	4,574	10,710	22,858	12,014	10,834	10,692	10,768	13,348
Capital grants and contributions	61,717	132,728	192,815	58,672	46,616	22,984	19,800	50,382	46,415	32,906
Total business-type activities program revenues	1,116,614	1,268,273	1,305,556	1,212,632	1,384,508	1,378,720	1,398,690	1,477,713	1,473,279	1,670,811
Total primary government program revenues	\$ 1,684,535	\$ 1,795,484	\$ 1,974,992	\$ 1,901,844	\$ 1,981,604	\$ 2,090,600	\$ 2,152,231	\$ 2,300,560	\$ 2,331,509	\$ 2,549,709
Net (expense)/revenue										
Governmental activities	\$ (1,621,078)	\$ (1,962,650)	\$ (2,018,439)	\$ (1,984,986)	\$ (1,976,908)	\$ (1,878,635)	\$ (1,926,359)	\$ (1,945,570)	\$ (2,371,138)	\$ (2,586,146)
Business-type activities	(271,388)	(165,677)	(143,111)	(264,135)	(126,604)	(119,557)	(72,523)	(116,593)	(131,729)	29,707
Total primary government net expense	\$ (1,892,466)	\$ (2,128,327)	\$ (2,161,550)	\$ (2,249,121)	\$ (2,103,512)	\$ (1,998,192)	\$ (1,998,882)	\$ (2,062,163)	\$ (2,502,867)	\$ (2,556,439)

(Continued)

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	\$ 738,578	\$ 829,837	\$ 890,308	\$ 895,779	\$ 853,277	\$ 866,143	\$ 906,761	\$ 973,902	\$ 1,074,070	\$ 1,099,411
Industrial assessments tax	15,823	17,787	19,133	15,817	14,458	37	29,845	16,534	16,736	19,238
Sales taxes	461,417	495,173	507,103	468,965	492,824	546,543	600,256	629,441	667,061	640,476
Franchise taxes	189,551	190,518	190,800	191,292	190,911	193,153	195,664	190,368	190,245	191,584
Mixed beverage taxes	9,713	10,479	10,587	10,382	10,283	9,525	9,887	13,869	15,784	16,064
Bingo taxes	279	256	226	195	167	193	196	187	209	207
Investment earnings	32,017	36,516	30,087	16,673	6,666	8,944	1,086	9,737	7,639	11,925
Other	23,261	58,743	66,459	53,101	79,633	67,313	68,586	98,479	94,700	118,939
Contributions	-	-	17,047	7,666	4,674	12,167	26,767	17,364	30,525	73,412
Gain (loss) on sale of assets	2,071	-	-	-	-	-	-	-	32,525	-
Transfers	57,594	60,824	69,578	72,035	76,976	75,878	72,807	41,968	49,105	51,139
Total governmental activities	<u>1,530,304</u>	<u>1,700,133</u>	<u>1,801,328</u>	<u>1,731,905</u>	<u>1,729,869</u>	<u>1,779,896</u>	<u>1,911,855</u>	<u>1,991,849</u>	<u>2,178,599</u>	<u>2,222,395</u>
Business-type activities:										
Hotel occupancy taxes	58,709	66,232	62,383	54,917	61,603	68,623	76,325	90,119	90,711	88,632
Investment earnings	88,658	96,492	88,737	57,736	30,303	21,340	6,638	31,491	20,114	38,620
Other	45,552	44,738	63,863	105,462	92,172	98,017	109,906	143,775	150,440	43,310
Contributions	-	-	-	-	-	-	-	-	-	-
Special Items - gain (loss) on sale of assets	5,385	-	-	-	-	(89,658)	(61,282)	-	-	-
Transfers	(57,594)	(60,824)	(69,578)	(72,035)	(81,496)	(75,878)	(55,891)	(41,968)	(49,105)	(51,139)
Total business-type activities	<u>140,710</u>	<u>146,638</u>	<u>145,405</u>	<u>146,080</u>	<u>102,582</u>	<u>22,444</u>	<u>75,696</u>	<u>223,417</u>	<u>212,160</u>	<u>119,423</u>
Total primary government	<u>\$ 1,671,014</u>	<u>\$ 1,846,771</u>	<u>\$ 1,946,733</u>	<u>\$ 1,877,985</u>	<u>\$ 1,832,451</u>	<u>\$ 1,802,340</u>	<u>\$ 1,987,551</u>	<u>\$ 2,215,266</u>	<u>\$ 2,390,759</u>	<u>\$ 2,341,818</u>
Change in Net Position										
Governmental activities	\$ (90,774)	\$ (262,517)	\$ (217,111)	\$ (253,081)	\$ (247,039)	\$ (85,890)	\$ (14,504)	\$ 46,279	\$ (192,559)	\$ (363,751)
Business-type activities	(130,678)	(19,039)	2,294	(118,055)	(24,022)	(97,113)	3,173	106,824	80,431	149,130
Total primary government	<u>\$ (221,452)</u>	<u>\$ (281,556)</u>	<u>\$ (214,817)</u>	<u>\$ (371,136)</u>	<u>\$ (271,061)</u>	<u>\$ (183,003)</u>	<u>\$ (11,331)</u>	<u>\$ 153,103</u>	<u>\$ (112,128)</u>	<u>\$ (214,621)</u>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General fund					
Reserved	\$ 21,489	\$ 22,040	\$ 22,836	\$ 23,003	\$ -
Unreserved	256,610	309,466	281,111	201,019	-
Non-spendable	-	-	-	-	19,052
Restricted	-	-	-	-	1,665
Committed	-	-	-	-	20,698
Assigned	-	-	-	-	30
Unassigned	-	-	-	-	127,143
Total general fund	<u>\$ 278,099</u>	<u>\$ 331,506</u>	<u>\$ 303,947</u>	<u>\$ 224,022</u>	<u>\$ 168,588</u>
All other governmental funds					
Reserved	\$ 193,924	\$ 235,074	\$ 201,334	\$ 237,112	\$ -
Unreserved , reported in:					
Special revenue funds	94,056	119,482	111,454	82,713	-
Capital projects funds	-	-	-	-	-
Grant funds	8,258	7,553	(9,762)	19,196	-
Non-spendable	-	-	-	-	418
Restricted	-	-	-	-	176,457
Committed	-	-	-	-	73,636
Assigned	-	-	-	-	32,172
Total all other governmental funds	<u>\$ 296,238</u>	<u>\$ 362,109</u>	<u>\$ 303,026</u>	<u>\$ 339,021</u>	<u>\$ 282,683</u>

In 2011 the City implemented GASB Statement No. 54, which changed the fund balance classifications.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
15,687	14,792	14,016	16,450	15,493
35,868	63,696	44,120	27,096	1,232
8,547	6,892	3,407	6,111	10,922
-	-	-	-	-
153,125	190,950	200,731	301,231	235,405
<u>\$ 213,227</u>	<u>\$ 276,330</u>	<u>\$ 262,274</u>	<u>\$ 350,888</u>	<u>\$ 263,052</u>

\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
887	1,303	5,290	2,436	2,395
338,997	350,827	327,576	266,501	339,991
52,351	59,693	71,969	87,040	77,709
19,873	46,008	106,607	125,061	109,131
<u>\$ 412,108</u>	<u>\$ 457,831</u>	<u>\$ 511,442</u>	<u>\$ 481,038</u>	<u>\$ 529,226</u>

CITY OF HOUSTON
GENERAL FUND BUDGET FOR FISCAL YEAR 2017
(amounts expressed in thousands)
(unaudited)

Budgeted Resources	Amount (in thousands)
Revenues:	
Ad Valorem Taxes (current and delinquent)	\$ 1,133,191
Sales and Use Tax	615,000
Franchise Fees	192,784
Municipal Courts Fines and Forfeits	22,812
Miscellaneous	308,075
Total Current Revenues	<u>2,271,862</u>
Beginning Fund Balance as of July 1, 2016 (a)	196,394
Sale of Capital Assets	14,500
Transfers from Other Funds	12,049
Total Budgeted Resources	<u><u>\$ 2,494,805</u></u>

Budgeted Expenditures	
Administrative Services and Public Finance	\$ 123,476
Public Safety	1,355,658
Development and Maintenance Services	158,270
Human and Cultural Services	191,933
General Government	185,877
Debt Service and PAYGO Capital Projects	293,156
Total Budgeted Expenditures	<u>2,308,370</u>
Budgeted Ending Fund Balance as of June 30, 2017	186,435
Total Budgeted Expenditures and Reserves	<u><u>\$ 2,494,805</u></u>

- (a) This amount represents an estimate of the beginning fund balance which was used in preparing the Fiscal Year 2017 Budget.

CITY OF HOUSTON, TEXAS
June 30, 2016
CONTINUING DEBT DISCLOSURE INFORMATION
(amounts expressed in thousands)
(unaudited)

Capital Improvement Plan

The 2017-2021 CIP consists of the projects and facilities described in the following chart. (The 2017-2021 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	\$ 795,728
Storm Sewers and Drainage	457,109
Parks and Recreation	101,955
Bayou Greenways	150,344
Police Department	49,594
Fire Department	57,325
General Government	88,504
Public Library	19,812
Public Health	76,296
Solid Waste Management	17,234
Homeless and Housing	5,500
Technology	36,244
Fleet	208,669
Total	\$ 2,064,314 (*)

(*) The tax-supported component of the 2017-2021 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 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)
2016	26,611
2015	25,328
2014	18,558
2013	16,908
2012	18,255
2011	16,328
2010	16,012
2009	13,190
2008	10,950

CITY OF HOUSTON
CONTINUING DEBT DISCLOSURE INFORMATION
June 30, 2016
Long Term Disability and Compensated Absence Liability
(unaudited)

Long-Term Disability Fund	Fiscal Year 2016 (in thousands)
Assets Available for Future Long-Term Disability Obligations	\$ 9,698
Claims Payable on Long-Term Disability Obligations	(8,415)
Unrestricted Net Assets	<u>\$ 1,283</u>

Compensated Absence Liability	Fiscal Year 2016 (in thousands)
General Fund Short-Term Liability	\$ 50,187
Other Governmental Short-Term Liability	93,207
Enterprise Funds Liability	33,119
Internal Service Funds Liability	371
Governmental Funds Long-Term Liability	323,972
Total	<u>\$ 500,856</u>

General Fund Specific Charges to Other City Funds
(unaudited)

An additional charge made by the General Fund to the Combined Utility System, Airport, 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)
2016	53,934
2015	47,851
2014	43,257
2013	43,519
2012	41,469
2011	46,034
2010	46,906
2009	47,890
2008	41,395

CITY OF HOUSTON, TEXAS

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues					
Taxes	\$ 1,425,575	\$ 1,545,102	\$ 1,617,937	\$ 1,579,516	\$ 1,568,056
Licenses and permits	55,912	62,132	58,126	55,275	61,083
Intergovernmental	319,864	300,717	435,715	403,519	379,065
Charges for services	119,250	112,554	121,418	124,790	132,764
Fines	57,305	57,001	57,037	60,036	55,414
Investment earnings	32,017	36,516	30,087	16,673	6,666
Contributions	-	-	737	20	-
Other	23,555	55,535	62,714	55,599	72,126
Total revenues	<u>2,033,478</u>	<u>2,169,557</u>	<u>2,383,771</u>	<u>2,295,428</u>	<u>2,275,174</u>
Expenditures					
General Government	236,638	144,337	178,064	197,803	198,782
Public safety	1,088,922	1,107,522	1,221,713	1,244,163	1,230,623
Public Works	330,296	281,433	398,506	285,517	288,383
Health	96,063	108,830	123,421	126,968	119,192
Housing and Community Development	89,320	77,702	79,215	100,712	96,792
Parks and recreation	82,648	77,354	80,438	78,717	75,560
Library	48,842	36,555	39,248	38,711	36,715
Retiree benefits	18,801	18,506	18,463	18,897	15,996
Capital Outlay	57,337	332,655	372,472	396,877	309,315
Debt Service					
Principal	172,166	197,790	487,690	186,251	192,000
Interest	122,680	129,992	133,288	146,986	154,083
Fiscal agent and fees	4,661	3,700	8,949	6,599	7,792
Total expenditures	<u>2,348,374</u>	<u>2,516,376</u>	<u>3,141,467</u>	<u>2,828,201</u>	<u>2,725,233</u>
Excess of revenues over (under) expenditures	(314,896)	(346,819)	(757,696)	(532,773)	(450,059)
Other financing sources (uses)					
Transfers in	339,549	396,660	462,793	436,908	406,201
Transfers out	(281,936)	(328,873)	(391,143)	(364,873)	(329,225)
Proceeds from issuance of debt	313,771	387,051	626,205	926,780	740,696
Proceeds from refunded debt	229,168	219,238	324,030	-	-
Payment to escrow agent	(241,612)	(225,740)	(355,885)	(553,230)	(535,960)
Sale of land	8,356	8,757	5,381	9,092	21,054
Bond premium (discount)	15,870	9,004	(327)	34,166	35,521
Transfer to component unit	-	-	-	-	-
Total other financing sources (uses)	<u>383,166</u>	<u>466,097</u>	<u>671,054</u>	<u>488,843</u>	<u>338,287</u>
Net change in fund balances	<u>\$ 68,270</u>	<u>\$ 119,278</u>	<u>\$ (86,642)</u>	<u>\$ (43,930)</u>	<u>\$ (111,772)</u>
Debt service as a percentage of noncapital expenditures	12.9%	15.0%	22.4%	13.7%	14.3%

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 1,615,592	\$ 1,745,882	\$ 1,826,639	\$ 1,964,470	\$ 1,966,483
84,786	97,100	111,577	121,636	126,020
351,472	366,973	333,832	373,006	377,546
248,083	248,097	267,635	296,694	304,438
52,250	47,955	46,647	41,350	42,472
8,944	1,086	9,737	7,639	11,925
20	-	-	-	-
72,180	70,001	98,189	95,129	117,442
<u>2,433,327</u>	<u>2,577,094</u>	<u>2,694,256</u>	<u>2,899,924</u>	<u>2,946,326</u>
209,318	217,376	233,216	295,439	319,160
1,212,975	1,267,523	1,355,369	1,374,859	1,418,763
275,260	284,863	304,346	314,313	329,572
102,304	111,986	122,446	139,016	145,976
75,204	88,222	51,252	71,167	62,539
73,233	75,430	77,557	101,718	85,252
34,115	35,433	38,421	38,170	39,271
10,360	11,907	10,920	11,059	11,390
272,161	245,410	289,026	358,969	334,555
346,600	138,875	176,205	191,355	290,805
161,086	158,322	154,327	153,972	151,260
10,161	6,212	4,528	5,289	6,785
<u>2,782,777</u>	<u>2,641,559</u>	<u>2,817,613</u>	<u>3,055,326</u>	<u>3,195,328</u>
(349,450)	(64,465)	(123,357)	(155,402)	(249,002)
422,470	505,513	549,184	587,207	622,988
(346,592)	(449,222)	(507,217)	(538,102)	(571,849)
806,685	438,276	119,000	117,740	65,000
-	-	-	-	557,615
(458,052)	(395,227)	(519)	(1,404)	(550,600)
4,844	5,818	2,464	48,171	8,792
81,310	51,617	-	-	102,908
12,849	16,516	-	-	-
<u>523,514</u>	<u>173,291</u>	<u>162,912</u>	<u>213,612</u>	<u>234,854</u>
<u>\$ 174,064</u>	<u>\$ 108,826</u>	<u>\$ 39,555</u>	<u>\$ 58,210</u>	<u>\$ (14,148)</u>
20.2%	12.4%	13.1%	12.8%	15.5%

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

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Industrial Assessments	Mixed Beverage Tax	Bingo Tax	Total Tax Collections
2007	\$ 738,578	\$ 461,417	\$ 189,551	\$ 15,823	\$ 9,713	\$ 279	\$ 1,415,361
2008	\$ 829,837	\$ 495,173	\$ 190,518	\$ 17,787	\$ 10,479	\$ 256	\$ 1,544,050
2009	\$ 890,308	\$ 507,103	\$ 190,800	\$ 19,133	\$ 10,587	\$ 226	\$ 1,618,157
2010	\$ 895,779	\$ 468,965	\$ 191,292	\$ 15,817	\$ 10,382	\$ 195	\$ 1,582,430
2011	\$ 853,277	\$ 492,824	\$ 190,911	\$ 14,458	\$ 10,283	\$ 167	\$ 1,561,920
2012	\$ 866,143	\$ 546,543	\$ 193,153	\$ 37	\$ 9,525	\$ 193	\$ 1,615,594
2013	\$ 906,761	\$ 600,256	\$ 195,664	\$ 29,845	\$ 9,887	\$ 196	\$ 1,742,609
2014	\$ 973,902	\$ 629,441	\$ 190,368	\$ 16,534	\$ 13,869	\$ 187	\$ 1,824,301
2015	\$ 1,074,070	\$ 667,061	\$ 190,245	\$ 16,736	\$ 15,784	\$ 209	\$ 1,964,105
2016	\$ 1,099,411	\$ 640,476	\$ 191,584	\$ 19,238	\$ 16,064	\$ 207	\$ 1,966,980

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

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Personal Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2007	\$ 76,997,953	\$ 65,711,310	\$ 9,198,065	\$ 2,568,995	\$ 33,880,872	\$ 120,595,451	6.4500
2008	\$ 84,322,788	\$ 75,245,892	\$ 11,740,472	\$ 2,515,631	\$ 38,060,662	\$ 135,764,121	6.4375
2009	\$ 90,065,098	\$ 88,374,034	\$ 12,148,055	\$ 2,380,333	\$ 44,198,187	\$ 148,769,333	6.3875
2010	\$ 91,451,713	\$ 89,110,300	\$ 12,911,034	\$ 2,344,315	\$ 46,805,799	\$ 149,011,563	6.3875
2011	\$ 89,957,336	\$ 84,250,876	\$ 11,500,552	\$ 2,276,946	\$ 46,201,271	\$ 141,784,439	6.3875
2012	\$ 90,484,912	\$ 86,617,837	\$ 11,826,503	\$ 2,159,964	\$ 47,104,376	\$ 143,984,840	6.3875
2013	\$ 91,402,063	\$ 93,629,148	\$ 14,232,884	\$ 2,143,660	\$ 50,417,778	\$ 150,989,977	6.3875
2014	\$ 96,665,925	\$ 103,323,330	\$ 17,601,808	\$ 2,341,556	\$ 52,006,243	\$ 167,926,376	6.3875
2015	\$ 109,039,079	\$ 112,587,772	\$ 18,590,654	\$ 2,258,016	\$ 54,652,493	\$ 187,823,028	6.3108
2016	\$ 124,551,897	\$ 120,734,308	\$ 19,609,242	\$ 2,283,537	\$ 64,551,171	\$ 202,627,813	6.0112

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

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

Purpose	2016	2015	2014	2013	2012
City					
General Purposes	4.42194	4.74635	4.77085	4.6221	4.8071
Debt Service	<u>1.58926</u>	<u>1.56445</u>	<u>1.61665</u>	<u>1.7654</u>	<u>1.5804</u>
City of Houston (1)	6.01120	6.31080	6.38750	6.3875	6.3875
County					
Fort Bend County	4.8600	4.9476	4.9976	4.9976	4.9976
Harris County (2)	4.4656	4.4467	4.4300	4.2830	4.1926
Montgomery County	4.7670	4.7670	4.8380	4.8380	4.8380
School District					
Aldine I.S.D.	12.8590	13.0590	13.0580	13.2839	13.2839
Alief I.S.D.	12.8000	12.8000	12.9000	13.2000	13.3000
Clear Creek I.S.D.	14.0000	14.0000	14.0000	13.6000	13.6000
Conroe I.S.D. (5)	12.8000	12.8000	12.9000	12.9500	12.9500
Crosby I.S.D.	16.7000	16.7000	16.7000	14.4000	14.4000
Cypress-Fairbanks I.S.D.	14.4000	14.4000	14.5000	14.5000	14.3000
Deer Park I.S.D.	15.5670	15.5670	15.5670	15.2670	13.9670
Fort Bend I. S. D.	13.4000	13.4000	13.4000	13.4000	13.4000
Galena Park I.S.D.	15.1340	15.1340	15.1340	15.1340	15.1340
Goose Creek I.S.D. (5)	14.3189	14.3189	13.3213	13.3213	13.3213
Houston I.S.D.	11.9670	11.9670	11.5670	11.5670	11.5670
Huffman I.S.D.	14.0000	14.0000	14.2000	14.4500	14.7000
Humble I.S.D.	15.2000	15.2000	15.2000	15.2000	15.2000
Katy I.S.D.	15.2660	15.2660	15.2660	15.2660	15.2660
Klein I.S.D.	13.9000	13.9000	14.3000	14.4000	14.3000
New Caney I.S.D.	16.7000	16.7000	15.4000	15.4000	15.4000
North Forest I.S.D. (3)					14.6929
Pasadena I.S.D.	13.5000	13.5000	13.5000	13.5000	13.5000
Sheldon I.S.D.	14.1000	14.1000	14.3000	14.3000	14.3000
Spring I.S.D.	14.7000	15.1000	15.7000	15.7000	15.7000
Spring Branch I.S.D.	13.9450	13.9450	13.9450	13.9450	13.9450
Municipal Utility District					
Harris County MUD # 355	1.2000	1.2000	2.0000	2.3500	2.3500
Harris County MUD # 359	2.6000	2.7000	3.0000	3.0500	3.0500
Harris County MUD # 366	2.0000	2.0000	2.5000	2.5000	2.5000
Harris County MUD # 372	1.6500	1.7500	1.9000	1.9000	1.9000
Harris County MUD # 381	7.4000	7.4000			
Harris County MUD # 390	7.0000	7.0000	7.0000	7.0000	7.0000
Harris County MUD # 393	9.1000	9.1000			
Harris County MUD # 404	8.6125	8.6125			
Harris County MUD # 407	6.5000	6.5000			
Harris County MUD # 410	6.9000	6.9000			
Harris County MUD # 411	9.0000	9.0000			
Harris County MUD # 450	7.9888	7.6892	7.6125	7.6125	7.7125
Harris County MUD # 451	8.8000	8.8000			
Harris County MUD # 460	7.4000	7.4000			
Northwood MUD #1	12.5000	12.5000	12.5000	12.5000	12.5000
Other Jurisdictions					
Clear Lake City Water Authority	2.7000	2.8000	2.8000	2.8000	2.8000
Fort Bend Parkway Road (4)				0.5443	0.5443
Harris County Dept. of Education	0.0600	0.0600	0.0636	0.0658	0.0658
Houston Community College	0.2631	0.2984	0.2012	0.1750	0.1382
Lee College District (5)	2.1570	2.2070	2.6070	2.4100	2.5200
Lone Star College System	1.0790	1.0810	1.1600	1.2100	1.2100
Port of Houston Authority	0.1342	0.1531	0.1716	0.1952	0.1856
San Jacinto College District	17.5783	18.5600	1.8560	1.8560	1.8560

- (1) The tax rates are based on a 100% assessment ratio. Tax rates are stated per \$1,000 assessed value.
(2) Harris County includes the Harris County Flood Control District and the Harris County Toll Road. The Toll Road rate is zero.
(3) North Forest I.S.D. was closed and merged with Houston I.S.D.
(4) Debt has been paid off.
(5) Overlapping percent is less than 0.01%.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
4.6336	4.5728	4.5460	4.6198	4.5927
<u>1.7539</u>	<u>1.8147</u>	<u>1.8415</u>	<u>1.8178</u>	<u>1.8573</u>
6.3875	6.3875	6.3875	6.4375	6.4500
4.9976	5.0660	4.9976	5.1674	5.1674
4.1728	4.2146	3.8923	3.9239	4.3480
4.8380	4.8380	4.8380	4.8880	4.9130
13.0054	13.0054	12.9200	12.7700	16.0400
13.4000	13.4000	13.4000	15.9000	15.9000
13.6000	13.6000	13.6000	13.2000	16.3000
12.9500	12.8500	12.7000	12.4000	15.9000
14.4000	14.4000	13.4000	10.4000	18.0800
14.3000	14.1000	13.5000	13.2400	16.5400
13.9670	13.6670	13.3670	13.1765	16.6230
12.7000	12.7000	12.7000	12.5000	15.4000
15.1340	14.7840	14.5590	14.3090	14.3090
13.0213	12.8213	12.8213	13.0196	15.9562
11.5670	11.5670	15.9900	15.9900	15.9900
14.7000	14.7000	14.7000	13.8000	16.0000
15.2000	15.2000	15.2000	13.1000	16.4000
15.2660	15.2660	15.2660	15.2700	18.1500
14.1000	13.6000	13.1000	12.6000	15.8000
15.4000	14.8000	14.4000	14.4000	14.1500
13.7000	13.5000	13.1434	12.3670	17.1250
13.5000	13.5000	14.3000	13.5000	16.9000
14.3000	14.3000	14.3000	14.3000	16.3400
14.6000	14.6000	14.6000	14.4000	17.1000
13.9450	13.9450	13.8250	12.8500	16.3150
2.5500	2.9500	3.0000	3.1000	3.7000
3.0500	2.9500	2.8500	2.7000	3.0000
2.5000	2.5000	2.5000	3.2000	3.5000
1.9000	1.9000	No data	No data	No data
7.0000	7.0000	7.0000	7.0000	7.0000
7.6125	7.6125	No data	No data	No data
12.5000	12.5000	12.5000	12.5000	12.5000
2.8000	2.8000	2.8000	2.8000	2.9000
0.5443	0.5443	0.5443	0.4153	0.4153
0.0658	0.0605	0.0585	0.0585	0.0629
0.9222	0.9222	0.1493	0.1493	0.8133
2.5200	2.2120	2.0677	2.0677	2.0228
1.1760	1.1010	1.1440	1.1440	1.1670
0.2054	0.1636	0.1437	0.1437	0.1302
1.7628	1.7080	1.4536	1.4536	1.4536

CITY OF HOUSTON, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
June 30, 2016
Current Year and Nine Years Ago
(amounts expressed in thousands)
(unaudited)

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Centerpoint Energy, Inc.	\$ 2,044,348	1	1.09%	\$ 1,585,905	1	1.32%
Chevron Chemical Company	1,172,684	2	0.62%			
Shell Oil Company	857,345	3	0.46%			
Crescent (Real Estate) HC Investors LP	838,097	4	0.45%	1,010,644	2	0.84%
HG Galleria I II III, LP	687,115	5	0.37%			
United Airlines, Inc.	629,722	6	0.34%			
1000 Louisiana LP	551,073	7	0.29%			
Texas Tower Ltd	547,809	8	0.29%			
Busycon Properties LLC	545,400	9	0.29%			
Four Oaks Place Operqating LP	511,158	10	0.27%			
Hines Interests Limited Partnership				803,507	3	0.67%
Southwestern Bell (SBC)				623,182	4	0.52%
Cullen Holdings				494,994	5	0.41%
Teachers Insurance				479,250	6	0.40%
Exxon Mobil Corporation				472,901	7	0.39%
Anheuser Busch, Inc.				466,775	8	0.39%
Metro National Corp.				438,928	9	0.36%
Houston Refining				427,538	10	0.35%
Total	\$ 8,384,751		4.47%	\$ 6,803,624		5.65%

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

Tax Bond Debt Service Fund for Fiscal Year 2017^(a)

	Amount
Budgeted Resources	(in thousands)
Beginning Fund Balance Estimate as of July 1, 2016	\$ 158,810
Interest Earnings on Debt Reserves and Bond Funds	-
Transfers in from:	
General Fund	258,415
Combined Utility System Operating Fund	23,643
Other sources	26,904
Third Party Reimbursements	-
Other	2,874
Total Budgeted Resources	470,646
Budgeted Expenditures	
Debt Service Requirements	
Tax Bonds	\$ 339,639
Commercial Paper Paid from Third Party Reimbursements	
Miscellaneous	-
Total Budgeted Expenditures	339,639
Budgeted Ending Fund Balance as of June 30, 2016	131,007
Total Budgeted Expenditures and Reserves	\$ 470,646

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

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

Governmental Activities

Business-type Activities

Fiscal Year	Governmental Activities						Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita (a)
	Public Improvement Bonds	Pension Obligations	Commercial Paper	Tax and Revenue Certificates	Notes Payable	Other Borrowings	Combined Utility System Revenue Bonds	Houston Airport System Revenue Bonds	Convention & Entertainment Revenue Bonds	Long-Term Contracts			
2007	\$ 1,760,090	\$ 420,656	\$ 521,100	\$ 80,237	\$ 2,941	\$ 20,200	\$ 4,949,549	\$ 2,304,947	\$ 618,758	\$ 230,008	\$10,908,486	20.72%	\$ 5,329
2008	\$ 1,798,150	\$ 472,205	\$ 625,950	\$ 86,521	\$ 1,515	\$ 15,060	\$ 5,129,698	\$ 2,296,822	\$ 609,279	\$ 208,441	\$11,243,641	20.70%	\$ 5,513
2009	\$ 1,988,300	\$ 520,478	\$ 519,200	\$ 81,022	\$ -	\$ 13,315	\$ 5,453,015	\$ 2,224,081	\$ 590,799	\$ 190,187	\$11,580,397	20.04%	\$ 5,691
2010	\$ 2,319,930	\$ 540,578	\$ 360,500	\$ 79,870	\$ -	\$ 10,010	\$ 5,635,438	\$ 2,537,166	\$ 569,569	\$ 175,259	\$12,228,320	23.57%	\$ 6,000
2011	\$ 2,468,160	\$ 540,578	\$ 237,400	\$ 75,990	\$ -	\$ 7,830	\$ 5,807,384	\$ 2,480,456	\$ 545,509	\$ 162,571	\$12,325,878	Not available	\$ 6,083
2012	\$ 2,582,320	\$ 540,728	\$ 226,900	\$ 17,365	\$ -	\$ 7,103	\$ 5,821,210	\$ 2,348,521	\$ 537,499	\$ 149,121	\$12,230,767	Not available	\$ 5,722
2013	\$ 2,561,515	\$ 540,728	\$ 176,900	\$ 11,870	\$11,135	\$ 6,458	\$ 6,023,556	\$ 2,290,936	\$ 509,249	\$ 135,585	\$12,267,932	Not available	\$ 5,585
2014	\$ 2,422,445	\$ 535,353	\$ 257,350	\$ 18,660	\$11,629	\$ 5,813	\$ 6,041,391	\$ 2,232,051	\$ 482,974	\$ 122,048	\$12,129,714	Not available	\$ 5,777
2015	\$ 2,658,664	\$ 529,603	\$ 141,900	\$ 17,671	\$ -	\$ 5,154	\$ 6,545,540	\$ 2,393,951	\$ 681,585	\$ 198,217	\$13,172,285	Not available	\$ 5,882
2016	\$ 2,603,712	\$ 523,443	\$ 99,900	\$ 17,479	\$ -	\$ 4,495	\$ 6,703,987	\$ 2,468,672	\$ 666,280	\$ 209,300	\$13,297,268	Not available	\$ 5,791

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 243 for personal income and population data.

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

Fiscal Year	General Tax Obligation Debt (1)	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value (2) of Property	Per Capita (3)
2007	\$ 2,805,224	\$ 109,661	\$ 2,695,563	2.24%	\$ 1,279
2008	\$ 2,999,401	\$ 131,477	\$ 2,867,924	2.11%	\$ 1,325
2009	\$ 3,122,315	\$ 161,414	\$ 2,960,901	1.99%	\$ 1,346
2010	\$ 3,310,888	\$ 181,958	\$ 3,128,930	2.10%	\$ 1,433
2011	\$ 3,329,958	\$ 143,287	\$ 3,186,671	2.25%	\$ 1,455
2012	\$ 3,374,416	\$ 148,174	\$ 3,226,242	2.24%	\$ 1,565
2013	\$ 3,308,606	\$ 156,554	\$ 3,152,052	2.09%	\$ 1,522
2014	\$ 3,251,250	\$ 134,701	\$ 3,116,549	1.86%	\$ 1,566
2015	\$ 3,140,357	\$ 122,349	\$ 3,018,008	1.61%	\$ 1,348
2016	\$ 3,244,534	\$ 159,833	\$ 3,084,701	1.52%	\$ 1,343

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

1. General tax obligation debt repaid from property taxes.
2. See the schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 229 for property value data.
3. Population data can be found in the Schedule of Demographic and Economic Statistics on page 243.

CITY OF HOUSTON, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2016
(amounts expressed in thousands)
(unaudited)

City	Net Direct Debt		% of Debt Applicable to Houston	City of Houston Share of Debt
	Amount	As of		
City of Houston - direct	\$ 3,244,534	06/30/16	100.00%	\$ 3,244,534
County				
Fort Bend County	402,068	06/30/16	1.67%	6,715
Harris County (including Toll Road Bonds)	2,315,824	06/30/16	53.18%	1,231,555
Harris County Flood Control	623,487	06/30/16	53.18%	331,570
Montgomery County	387,618	06/30/16	1.21%	4,690
School District				
Aldine I.S.D.	588,361	02/16/16	46.67%	274,588
Alief I.S.D.	154,133	08/31/15	82.60%	127,314
Clear Creek I.S.D.	828,069	06/30/16	47.32%	391,842
Conroe I.S.D.	936,352	08/31/15	0.00%	0
Crosby I.S.D.	144,346	06/30/15	0.10%	144
Cypress-Fairbanks I.S.D.	2,417,103	06/30/16	15.78%	381,419
Deer Park I.S.D.	218,800	06/30/16	0.16%	350
Fort Bend I.S.D.	832,269	06/30/16	3.33%	27,715
Galena Park I.S.D.	193,169	06/30/16	6.90%	13,329
Houston I.S.D.	2,832,565	06/30/16	91.52%	2,592,363
Huffman I.S.D.	38,667	06/30/16	24.24%	9,373
Humble I.S.D.	615,040	06/30/16	37.73%	232,055
Katy I.S.D.	1,342,185	08/31/15	19.16%	257,163
Klein I.S.D.	946,350	06/30/16	3.05%	28,864
New Caney I.S.D.	345,047	06/30/16	18.28%	63,075
Pasadena I.S.D.	662,390	06/30/16	42.48%	281,383
Sheldon I.S.D.	155,865	06/30/16	0.19%	296
Spring I.S.D.	471,289	06/30/16	1.28%	6,032
Spring Branch I.S.D.	641,132	06/30/16	71.61%	459,115
Municipal Utility District				
Harris County MUD 355	8,890	06/30/16	99.82%	8,874
Harris County MUD 359	4,130	06/30/16	100.00%	4,130
Harris County MUD 366	0	06/30/16	0.00%	0
Harris County MUD 372	7,262	06/30/16	100.00%	7,262
Harris County MUD 381	9,650	06/30/16	100.00%	9,650
Harris County MUD 390	32,483	06/30/16	100.00%	32,483
Harris County MUD 393	10,710	06/30/16	100.00%	10,710
Harris County MUD 404	5,125	06/30/16	100.00%	5,125
Harris County MUD 407	4,735	06/30/16	100.00%	4,735
Harris County MUD 410	13,500	06/30/16	100.00%	13,500
Harris County MUD 411	5,475	06/30/16	100.00%	5,475
Harris County MUD 450	10,241	06/30/16	100.00%	10,241
Harris County MUD 451	3,550	06/30/16	100.00%	3,550
Harris County MUD 460	4,185	06/30/16	100.00%	4,185
Northwood MUD # 1	2,255	06/27/16	100.00%	2,255
Other Jurisdictions				
Clear Lake City Water Authority	62,847	05/31/16	63.42%	39,858
Harris County Dept. of Education	7,000	06/30/16	53.18%	3,723
Houston Community College	624,805	06/30/16	90.86%	567,698
Lee College District	47,530	07/20/16	0.00%	0
Lone Star College System	520,335	06/30/16	11.64%	60,567
Port of Houston Authority	641,710	06/30/16	52.18%	334,844
San Jacinto College District	414,798	06/30/16	15.44%	64,045
Total overlapping debt	20,533,345			7,913,858
Total direct and overlapping debt	<u>\$ 23,777,879</u>			<u>\$ 11,158,392</u>

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

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

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

Fiscal Year	Tax Rate ^(a)			Net Current Year Tax Levy ^{(b) (d)} (in thousands)	Current Collections Prior to End of Fiscal Year ^{(c) (d) (e)} (in thousands)	Prior Years' Delinquent Collections ^(e) (in thousands)	Total Collection ^{(c) (d) (e)} (in thousands)	Total Collections Percentage of Net Levy ^(d)
	General Purposes	Debt Service	Total					
2008	0.46198	0.18178	0.64375	874,230	845,817	34,772	880,589	100.7
2009	0.45460	0.18415	0.63875	961,059	926,956	32,395	959,351	99.8
2010	0.45728	0.18147	0.63875	960,083	932,952	23,672	956,624	99.6
2011	0.46336	0.17539	0.63875	912,808	891,910	27,684	919,594	100.7
2012	0.48071	0.15804	0.63875	927,886	907,472	24,177	931,649	100.4
2013	0.46221	0.17654	0.63875	970,157	949,784	30,555	980,339	101.0
2014	0.47709	0.16166	0.63875	1,071,503	1,053,287	25,100	1,078,387	100.6
2015	0.47464	0.15644	0.63108	1,183,204	1,156,298	23,578	1,179,876	99.7
2016	0.44219	0.15893	0.60112	1,228,563	1,206,449	9,000	1,215,449	98.9
2017	0.45446	0.13196	0.58642	1,295,338	1,272,022	11,418	1,283,440	99.1

- (a) The Texas Constitution limits the maximum ad valorem tax rate to \$2.50 per \$100 of assessed valuation for home-rule cities such as the City; however, for a discussion of the more restrictive City Charter Limitations, see "PROPERTY TAXES – City Charter Tax and Revenue Limitations."
- (b) The figures represent net adjusted levies, including the late certification and correction rolls from the Appraisal District, through June 30 of each Fiscal Year, except for Fiscal Year 2017, which is as of August 12, 2016.
- (c) These amounts do not include revenues from various types of Industrial District Contracts entered into by the City with industrial property owners outside of the City's corporate limits totaled \$0.00 million in Fiscal Year 2016. Such Industrial District Contracts have a term of fifteen years (currently scheduled to terminate in Tax Year 2027) and allow property owners to make payments to the City in lieu of paying ad valorem taxes.
- (d) Includes all ad valorem tax receipts received by the City, including tax increment revenues that are deposited into special funds designated for various tax increment reinvestment zones. By virtue of contracts among the City, the Zones and the local government corporations that manage the zones, the tax increments are transferred to the respective local government corporation and are available to fund authorized projects in the Zone and to be pledged to obligations issued by the local government corporation on behalf of the Zone. Bonds and other obligations issued by the local government are not debt of the City. In Fiscal Year 2017, the City has budgeted approximately \$138 million of tax increments to be transferred to special funds for such zones, as required by State law, of which approximately \$25 million will be transferred back to the City for affordable housing projects and an administrative fee attributable to development in such Zones. Much of the tax increments transferred to the zones are used to promote economic developments through the acquisition and construction of public improvements to spur development in certain areas of the City. Additionally, the zones provide affordable housing and funds for certain City capital improvement projects.
- (e) The City's Fiscal Year 2017 Budget includes a proposed tax rate of \$0.58642 (per \$100 assessed valuation) for Tax Year 2016 (Fiscal Year 2017). The City Charter provides that, in preparing the City's budget, provision shall first be made for the payment of debt service on the City's outstanding bond indebtedness, with the remaining revenues to be apportioned among the City's respective departments.

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

Tax Year	Fiscal Year	Tax-Supported Debt at December 31 (in thousands) ^(f)	Tax Roll ^(a) (in thousands)	Tax-Supported Debt as a Percentage of Tax Roll	Tax-Supported Per Capita Debt ^(b)	Debt Service Requirement Payable from Taxes ^{(c)(d)} (in thousands)	Tax Levy for Debt Service (in thousands) ^(e)
2006	2007	2,833,037	120,595,451	2.35%	1,306	262,523	209,000
2007	2008	3,016,248	135,764,121	2.22%	1,365	279,277	229,600
2008	2009	3,174,023	149,627,515	2.12%	1,418	254,513	251,700
2009	2010	3,324,065	150,270,904	2.21%	1,472	308,113	254,600
2010	2011	3,440,075	142,964,244	2.41%	1,639	342,966	232,545
2011	2012	3,471,590	145,042,978	2.39%	1,617	297,923	229,700
2012	2013	3,469,360	152,801,703	2.27%	1,613	300,124	241,100
2013	2014	3,392,510	167,460,662	2.03%	1,545	304,267	243,813
2014	2015	3,329,635	187,196,033	1.78%	1,487	338,424	264,500
2015	2016	3,225,240	204,300,968	1.58%	1,405	339,851	295,954

- (a) With the exception of Tax Year 2011, the tax roll represents the total appraised value of property, after subtracting all exemptions, and reflects all adjustments made by the Appraisal Districts as of June 30 of each Fiscal Year. The Tax Year 2013 amount represents the Appraisal Districts' estimate of certified taxable valuations based on tax rolls available as of July 11, 2014. As of July 11, 2014, the total assessed value for Tax Year 2013 (including exempt property values) was approximately \$221 billion, which is the appraised value used to determine the statutory limitation of approximately \$22 billion relating to total bond indebtedness.
- (b) Per capita figures are based on population estimates according to the U.S. Census Bureau.
- (c) These amounts have not been reduced by the combined ending fund balances in the General Debt Service Fund.
- (d) These amounts include principal and interest payments for Tax Obligations, except it only includes interest for Commercial Paper Notes at an assumed rate appropriate for each Fiscal Year.
- (e) Sources of funds for the general obligation debt service requirement include the tax levy and transfers from Enterprise and Special Revenue Funds.
- (f) Information as reported in the City's Monthly Operations and Financial Report dated as of December 31 of each Fiscal Year.

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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, 2016

Assessed Value (1)	\$ 268,577,503
Debt Limit (10% of assessed value)	\$ 26,857,750
Debt applicable to limit:	
Public Improvement Bonds	2,603,712
Pension Obligations	523,443
Commercial Paper - General Obligation	99,900
Tax and Revenue Certificates of Obligation	17,479
Total net debt applicable to limit	<u>\$ 3,244,534</u>
Legal debt margin	\$ 23,613,216

HISTORICAL LEGAL DEBT LIMITATION

	2007	2008
Legal debt limitation, 10% of assessed value(2)	\$ 15,447,632	\$ 17,382,478
Total net debt applicable to margin	2,877,360	3,078,103
Legal debt margin	<u>\$ 12,570,272</u>	<u>\$ 14,304,375</u>
Total net debt applicable to the limit as a percentage of debt limit	19%	18%

(1) Assessed Value for the 2015 tax year (fiscal year 2016) is based on the appraised value of property prior to any deductions for exemptions. The Assessed Value is derived from the certified valuations provided by the Harris County Appraisal District as of July 2016.

(2) See Texas Government Code, Chapter 1331.051 (b).

2009	2010	2011	2012	2013	2014	2015	2016
\$19,296,752	\$ 19,581,736	\$ 18,798,571	\$ 19,108,922	\$ 20,140,168	\$ 21,962,278	\$ 24,401,203	\$ 26,857,750
<u>3,109,000</u>	<u>3,300,878</u>	<u>3,322,128</u>	<u>3,367,313</u>	<u>3,291,013</u>	<u>3,233,808</u>	<u>3,135,203</u>	<u>3,244,534</u>
<u>\$16,187,752</u>	<u>\$ 16,280,858</u>	<u>\$ 15,476,443</u>	<u>\$ 15,741,609</u>	<u>\$ 16,849,155</u>	<u>\$ 18,728,470</u>	<u>\$ 21,266,000</u>	<u>\$ 23,613,216</u>
16%	17%	18%	18%	16%	15%	13%	12%

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

Airport System Bonds ⁽¹⁾

Fiscal Year	Operating & Non-Operating Revenues ⁽²⁾	Less: Operating Expenses	Net Pledged Revenue	Debt Service		Less Grants Available for Debt Service	Less PFC revenue Available for Debt Service	Coverage
				Principal	Interest ⁽³⁾			
2007	443,295	217,720	225,575	33,377	111,118	19,418	1,261	1.82
2008	477,330	221,309	256,021	45,996	111,250	25,332	2,690	1.98
2009	409,721	242,449	167,272	49,692	100,746	38,835	15,847	1.75
2010	425,071	245,147	179,924	51,832	93,298	29,084	27,087	2.02
2011	423,632	262,668	160,964	61,136	97,546	17,999	38,828	1.58
2012	429,665	255,507	174,158	59,575	91,736	7,360	36,619	1.62
2013	441,245	252,745	188,500	56,800	97,138	0	34,390	1.58
2014	460,768	268,745	192,023	60,419	96,005	22,942	35,614	1.96
2015	489,822	283,557	206,265	71,999	91,320	16,399	38,054	1.89
2016	495,831	314,715	181,116	79,093	84,811	13,888	42,320	1.68

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, capitalized interest and Passenger facility charges revenue.

Combined Utility System Bonds ⁽⁴⁾

Fiscal Year	Operating & Non-Operating Revenues ⁽⁵⁾	Less: Total Expenses	Net Pledged Revenue	Debt Service		Coverage
				Principal	Interest	
2007	701,813	357,403	344,410	26,618	232,048	1.33
2008	722,918	378,919	343,999	27,088	248,900	1.25
2009	867,329	379,458	487,871	37,683	258,129	1.65
2010	814,979	371,913	443,066	68,187	281,468	1.27
2011	921,218	363,649	557,569	72,389	284,800	1.56
2012	969,028	417,616	551,412	68,285	299,436	1.50
2013	979,550	399,855	579,695	80,278	308,204	1.49
2014	1,029,562	406,274	623,288	134,030	273,484	1.53
2015	974,825	424,683	550,142	140,685	266,636	1.35
2016	1,053,629	436,845	616,784	160,450	261,489	1.46

4. Including Water and Sewer System Bonds, Combined Utility System Bonds, and Commercial Paper interest.
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	
2007	61,420	14,775	24,004	1.58
2008	69,743	17,540	23,926	1.68
2009	65,334	18,620	19,451	1.72
2010	59,804	21,230	15,747	1.62
2011	65,186	24,060	14,218	1.70
2012	71,957	21,835	6,194	2.57
2013	78,892	27,530	14,123	1.89
2014	89,145	26,215	10,743	2.41
2015	83,027	25,835	11,377	2.23
2016	82,116	24,524	18,307	1.92

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

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

Fiscal Year	Population	(1)	Personal Income (amount in thousands)	(2)	Per Capita Personal Income	(2)	Median Age	(2)	Education Level in Years of Formal Schooling	(2)	School Enrollment	(2)	Average Unemployment Rate (percentage)	(3)
2007	2,144,491		\$ 52,642,282		\$ 25,719		32.2		12.8		425,015		4.6	(4)
2008	2,208,180		\$ 54,306,140		\$ 26,836		32.8		Not available		811,154	(5)	4.2	(2)
2009	2,244,615		\$ 57,795,120		\$ 25,563		32.9		13.2		520,118	(6)	5.9	(2)
2010	2,257,926		\$ 51,886,111		\$ 24,623		32.8		12.4		525,506	(6)	7.0	(2)
2011	2,099,451	(11)	Not available		\$ 26,109		32.2		12.7		560,316	(6)	8.2	(7)
2012	2,145,146		Not available		\$ 26,179	(8)	33.2	(9)	13.0	(9)	576,020	(8)	7.5	(10)
2013	2,160,821		Not available		\$ 26,849	(8)	32.1	(8)	13.0	(6), (8)	548,061	(6)	6.5	(7)
2014	2,195,914		Not available		\$ 27,029	(8)	32.3	(8)	13.0	(8)	557,780	(8)	9.0	(8)
2015	2,239,558		Not available		\$ 27,305	(11)	32.4	(11)	13.0	(6), (8)	564,871	(8)	4.4	(12)
2016	2,296,224	(8)	Not available		\$ 27,938	(8)	32.6	(8)	13.0	(6), (8)	580,250	(8)	5.8	(10)

(1) Source: Population Estimate program, U. S. Census Bureau, as of the beginning of the fiscal year. (Fiscal year 2002 is as of July 1, 2001.)

(2) Source: American Community Survey, U. S. Census Bureau. (Fiscal year 2002 data is for calendar year 2001.)

(3) Source: University of Houston, Center for Public Policy. (Data for fiscal year 2002 is calendar year 2001.)

(4) Source: Texas Workforce Commission

(5) School enrollment for the City of Houston is not available. The number reflects the Houston metropolitan area.

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

(7) Source: Local Area Unemployment Statistics, Bureau of Labor Statistics Texas Workforce Commission

(8) Source: U. S. Census Bureau FactFinder

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

(10) Source: Bureau of Labor Statistics

(11) Source: American FactFinder

(12) Source: Texas Labor Market TRACER

**CITY OF HOUSTON, TEXAS
PRINCIPAL EMPLOYERS
June 30, 2016
Current Year and Nine Years Ago
(unaudited)**

Employer	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Memorial Hermann Health System	24,000	1	2.11%	19,000	1	1.96%
Univ of Tx M. D. Anderson Cancer Center	20,000	2	1.76%			
United Airlines	15,000	3	1.32%			
The Houston Methodist Hospital System	14,985	4	1.32%	9,991	7	1.03%
ExxonMobil Corporation	13,000	5	1.14%			
UTMB Health	12,448	6	1.09%			
Kroger Company	12,000	7	1.05%	12,000	4	1.24%
Shell Oil Company	11,892	8	1.04%	13,000	3	1.34%
National Oilwell Varco	11,563	9	1.02%			
Schlumberger Limited	10,000	10	0.88%			
Continental Airlines, Inc.				16,000	2	1.65%
ARAMARK Corp.				10,000	5	1.03%
Halliburton K. B. R.				10,000	6	1.03%
Baylor College of Medicine				9,143	8	0.94%
Hewlett-Packard Corporation				9,000	9	0.93%
BP America				8,000	10	0.82%
Total :	<u>144,888</u>		<u>12.73%</u>	<u>116,134</u>		<u>11.97%</u>

Source: Greater Houston Partnership

Employers excludes school districts and city, county, state and federal governments.
Employee numbers are for the ten-county region, not the city only.
Employee may live outside the City.

Total Houston Residents employed regardless of where they work:

Source:

May 2016 Local Area Unemployment Statistics, Bureau of Labor Statistics	2016	1,139,133
June 2006 Texas Workplace Commission	2007	970,879

SOURCE: GHP Database; GHP Houston Facts - 2016; HBJ Book of Lists; company websites (08-23-2016)

CITY OF HOUSTON, TEXAS

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**CITY OF HOUSTON, TEXAS
EMPLOYMENT STATISTICS
June 30, 2016
(unaudited)**

Employment

The following table indicates the Houston PMSA estimated annual average labor force for the years 2006 through 2015 according to the Texas Employment Commission:

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Civilian Labor Force ^(A)	2,674	2,723	2,781	2,873
Employed	2,540	2,606	2,647	2,638
Unemployed	134	117	134	235
Percent unemployed	5.01%	4.30%	4.82%	8.18%
Nonfarm Payroll Employment ^(B)	2,446	2,545	2,603	2,530
Manufacturing	223	233	241	218
Mining	78	84	90	88
Contract construction	182	197	205	172
Transp/Trade/Pub Utils/Communications ^(C)	673	699	715	564
Finance/Insurance/Real Estate	91	92	91	138
Services & Miscellaneous	1,014	1,063	1,087	973
Government	345	352	361	377

(A) Includes resident wage and salary workers, self-employed, unpaid family workers and domestics in private households, agricultural workers, and workers involved in labor-management disputes.

(B) Includes the non-agricultural wage and salary jobs estimated to exist in Houston PMSA without reference to place of residence of workers.

(C) Trade has been included with Transportation, Public Utilities and Communications.

2010	2011	2012	2013	2014	2015
2,933	3,075	3,110	3,180	3,244	3,287
2,692	2,843	2,901	3,009	3,098	3,106
241	232	210	171	146	180
8.20%	7.50%	6.70%	5.40%	4.50%	5.50%
2,594	2,693	2,793	2,895	2,991	3,002
228	237	252	261	250	232
89	97	106	115	109	87
175	180	188	197	205	216
556	579	602	616	645	647
134	140	143	146	146	155
1,035	1,097	1,135	1,800	1,261	1,282
377	364	367	379	381	388

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

Full-time Equivalent Employees as of June 30, 2016

Fund/Department	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Restated	Restated								
GENERAL FUND										
Public Safety										
Fire/Civilian	287.0	270.2	270.5	247.9	222.6	118.9	117.4	117.1	107.2	111.9
Fire/Classified	4,070.3	3,997.5	4,058.3	4,131.7	4,085.1	3,978.6	4,011.7	3,981.2	4,119.9	4,235.4
Fire/Cadets	103.0	113.5	95.7	53.0	53.1	14.2	26.7	123.0	139.1	107.1
Municipal Courts - (Administration) Department	290.9	262.2	284.8	269.8	301.7	271.2	268.8	291.6	299.2	290.7
Municipal Courts - (Justice) Department	47.6	49.4	50.6	50.9	-	-	-	-	-	-
Police/Civilian	1,237.8	1,289.5	1,572.3	1,528.4	1,393.1	1,119.9	1,194.9	1,157.8	1,133.2	1,134.7
Police/Classified	5,287.3	5,382.7	5,703.2	5,629.9	5,535.3	5,474.9	5,456.9	5,290.4	5,350.7	5,353.4
Police/Cadets	130.9	176.8	221.6	135.0	70.4	76.6	118.1	88.1	91.2	140.5
Total Public Safety	11,454.8	11,541.8	12,257.0	12,046.6	11,661.3	11,054.3	11,194.5	11,049.2	11,240.5	11,373.7
Development & Maintenance Services										
General Services (Formerly Building Services)	228.2	237.8	242.1	233.2	210.6	193.9	193.6	201.1	140.7	137.7
Planning & Development	96.6	97.1	105.1	107.0	97.5	75.7	75.2	76.1	71.9	59.8
Public Works & Engineering (PW&E)	548.4	556.7	568.3	529.0	505.6	9.1	15.0	13.6	14.6	12.5
Solid Waste Management	546.6	655.0	667.2	633.5	623.9	460.5	471.0	458.9	475.9	507.7
Total Development & Maintenance	1,419.8	1,546.6	1,582.7	1,502.7	1,437.6	739.2	754.8	749.7	703.1	717.7
Human & Cultural Services										
Convention & Entertainment Facilities	54.8	0.4	3.5	-	-	-	-	-	-	-
Health & Human Services	725.8	684.5	741.3	661.3	574.8	458.4	470.7	565.0	563.5	447.7
Housing & Community Development	-	1.3	2.3	2.5	2.9	2.1	2.0	2.0	1.3	0.7
Library	484.5	497.3	530.5	517.4	456.4	401.7	405.2	474.1	469.8	466.0
Neighborhoods	-	-	-	-	-	96.3	104.4	103.5	107.5	107.6
Parks & Recreation	814.1	815.8	869.4	838.8	774.2	627.6	644.4	670.3	663.7	657.9
Total Human & Cultural Services	2,079.2	1,999.3	2,147.0	2,020.0	1,808.3	1,586.1	1,626.7	1,814.9	1,805.8	1,679.9
Administrative Services										
Administration & Regulatory Affairs	-	264.1	292.0	375.9	362.9	268.1	240.3	201.5	202.1	205.6
City Secretary	11.6	11.1	11.5	11.4	11.9	10.9	10.7	10.7	10.3	9.2
Controller's Office	73.7	74.7	76.3	76.8	74.0	66.2	64.9	65.3	62.1	60.3
Council Office	68.1	71.4	73.3	72.4	72.8	74.6	77.7	74.6	76.5	77.6
Finance & Administration	310.0	-	-	-	-	-	-	-	-	-
Finance Department	-	54.9	68.9	76.9	70.7	72.6	60.4	107.8	111.4	106.8
Human Resources	37.9	39.1	39.3	41.8	40.0	35.9	34.4	31.1	32.0	33.2
Information Technology	129.0	140.3	154.9	169.6	158.8	150.8	144.3	156.3	161.8	156.8
Legal	152.8	158.7	168.1	161.0	155.3	119.1	116.4	119.7	121.6	120.0
Mayor's Office	43.5	39.6	37.1	35.2	35.1	23.3	56.3	58.5	48.6	49.5
Office of Business Opportunity (Formerly Affirm. Action)	25.8	32.4	34.1	35.8	31.6	23.3	25.1	26.4	28.1	28.2
Total Administrative Services	852.4	886.3	955.5	1,056.8	1,013.1	844.8	830.5	851.9	854.5	847.2
Total General Fund	15,806.2	15,974.0	16,942.2	16,626.1	15,920.3	14,224.4	14,406.5	14,465.7	14,603.9	14,618.5
ENTERPRISE FUNDS										
Aviation	1,622.7	1,587.2	1,604.8	1,544.7	1,528.5	1,415.0	1,339.5	1,368.7	1,292.0	1,245.2
Convention & Entertainment Facilities	116.5	124.3	124.1	118.8	117.6	69.0	23.0	22.7	-	-
PW&E - Combined Utility System	2,243.8	2,288.9	2,350.7	2,338.0	2,213.0	2,280.5	2,237.5	2,220.8	2,166.2	2,179.6
GSD - Parking Management (Formerly PW&E)	-	54.0	53.9	-	-	-	-	-	-	-
Total Enterprise Funds	3,983.0	4,054.4	4,133.5	4,001.5	3,859.1	3,764.5	3,600.0	3,612.2	3,458.2	3,424.8

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

Full-time Equivalent Employees as of June 30, 2016

Fund/Department	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Restated	Restated								
SPECIAL REVENUE FUNDS										
Administration & Regulatory Affairs	-	-	-	-	104.4	176.8	159.5	159.9	168.8	175.9
Finance	-	-	-	-	-	-	-	15.5	42.8	39.2
Fleet Management (Formerly PW&E - Fleet Management)	-	-	-	-	-	262.5	267.7	325.9	369.7	371.2
General Services (Formerly Building Services)	-	-	-	-	-	-	-	61.3	137.5	130.1
Health & Human Services	435.7	490.9	530.9	530.9	544.3	510.0	515.5	592.1	661.0	656.3
Housing & Community Development	126.5	136.9	140.1	148.2	129.5	129.3	159.0	161.8	163.4	158.3
Houston Emergency Center	248.0	264.6	275.6	256.8	248.0	234.3	242.5	243.8	242.5	247.5
Legal	-	-	-	-	-	11.0	7.6	35.2	-	-
Library	3.4	9.9	28.4	29.7	29.5	28.0	26.0	23.4	17.1	13.6
Mayor's Office	24.7	24.2	22.7	24.5	23.7	23.4	28.5	26.9	43.5	50.0
Municipal Courts - (Administration) Department	22.8	24.4	28.7	28.8	39.5	34.3	35.0	18.1	20.0	18.8
Municipal Courts - (Justice) Department	-	-	3.3	10.4	-	-	-	-	-	-
Neighborhoods	-	-	-	-	-	1.0	51.0	48.8	46.7	43.4
Office of Business Opportunity (Formerly Affirm. Action)	-	-	-	-	-	1.0	2.0	2.0	2.0	2.0
Parks Special Revenue	105.7	107.0	112.9	109.1	101.4	97.6	92.0	93.2	103.4	108.3
Planning & Development	-	3.4	6.5	9.0	8.4	10.2	11.9	11.6	8.2	21.9
Police - Auto Dealers/Civilian	73.7	113.8	88.6	-	-	7.0	8.0	8.0	39.7	7.1
Police - Auto Dealers/Classified	21.1	37.0	25.6	42.2	32.1	21.0	19.0	32.0	21.9	-
Police - Cadet	-	-	-	-	-	-	-	-	-	16.7
Police - Special Services/Civilian	-	-	-	148.3	128.4	124.0	26.5	35.7	24.0	2.2
Police - Special Services/Classified	-	-	-	-	-	40.2	49.4	139.3	45.8	-
Police - Federal Government/Civilian	-	-	-	-	-	-	-	-	-	27.4
Police - Federal Government/Classified	-	-	-	-	-	-	-	-	-	16.6
Police - Forensic Transition Special Service/Civilian	-	-	-	-	-	-	-	-	58.4	38.2
Police - Forensic Transition Special Service/Classified	-	-	-	-	-	-	-	-	51.1	43.5
PW&E - Building Inspection	1,313.8	1,362.2	1,373.6	940.4	907.3	814.0	647.6	571.5	560.6	577.1
PW&E - Project Recovery Fund	-	-	-	-	-	-	-	-	-	329.5
PW&E - Stormwater Utility	-	-	-	404.7	385.5	384.2	354.7	377.7	337.3	329.9
PW&E - Houston TransStar	-	-	-	13.2	6.9	7.0	6.6	8.0	7.9	7.8
PW&E - Drainage and Street Renewal	-	-	-	-	-	532.4	490.4	505.2	485.0	487.4
Solid Waste Management	-	-	-	0.5	1.0	4.0	2.9	2.1	2.5	2.4
Total Special Revenue Funds	2,375.4	2,574.3	2,636.9	2,696.7	2,689.9	3,453.2	3,203.3	3,499.0	3,660.8	3,922.3
Total General, Enterprise and Special Funds	22,164.6	22,602.7	23,712.6	23,324.3	22,469.3	21,442.1	21,209.8	21,576.9	21,722.9	21,965.6
INTERNAL SERVICE/REVOLVING FUND										
Human Resources - Health Benefits	74.2	69.9	70.7	42.7	47.5	42.3	45.8	46.7	47.6	57.0
General Services - Central Svc Revolving	24.8	-	-	53.9	41.8	29.0	27.9	31.8	-	-
Human Resources - Central Svc Revolving	-	-	-	6.0	52.5	120.8	125.6	138.7	142.6	155.6
Admin. & Regulatory Affairs - Central Svc Revolving	6.0	-	-	-	-	-	-	-	-	-
Information Technology - Central Svc Revolving	-	3.3	2.9	15.6	28.3	44.2	45.6	53.7	51.8	54.9
General Services - In House Reconstruction	57.4	66.6	70.0	70.7	27.8	28.7	29.0	28.5	-	-
PW&E - CIP Salary Recovery	-	-	-	-	-	-	302.4	308.9	328.9	-
Admin. and Regulatory Affairs - Property and Casualty	-	4.9	5.8	6.8	4.9	5.1	5.0	5.0	-	-
Legal - Property and Casualty	41.0	43.4	40.6	41.9	38.3	47.6	47.9	52.2	52.7	58.5
Human Resources - Workers Compensation	-	-	-	44.1	30.5	28.7	30.1	29.5	31.5	32.6
Legal - Workers Compensation	-	-	-	5.0	4.9	3.1	2.7	2.0	2.0	2.0
Total Internal Service/Revolving Funds	203.4	188.1	190.0	286.7	276.5	349.5	662.0	697.0	657.1	360.6
Total Full-time Equivalent Employees	22,368.0	22,790.8	23,902.6	23,611.0	22,745.8	21,791.6	21,871.8	22,273.9	22,380.0	22,326.2

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

CITY OF HOUSTON, TEXAS
OPERATING INDICATORS BY FUNCTION
June 30, 2016
(unaudited)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Function										
Police										
Physical arrests	121,834	110,058	132,121	141,525	130,376	109,368	96,058	138,007	54,490 (6)	61,749
Parking violations	255,690	210,607	217,795	208,970	196,702	201,341	197,253	195,822	188,570	203,941
Traffic violations filed	939,932	867,535	920,341	875,134	686,714	729,490	587,835	557,609	472,553	437,138
Fire										
Number of calls dispatched	278,713	281,574	281,103	270,312	273,444	285,287	294,278	308,264	327,417	336,170
Inspections	32,694	31,800	84,378 (1)	86,561	87,511	84,826	82,515	85,945	88,367	74,906
Highways and streets										
Streets resurfaced (miles)	325	307	235	195	140	140	129	104	194	152
Tons of asphalt for pothole repair and skin patches	16,178	16,647	17,323	17,103	19,002	16,497	16,279	15,292	15,972	13,130
Parks and recreation										
Athletic field permits issued	2,073	2,494	2,331	2,490	2,490	1,985	2,375	2,344	2,312	2,270
Community center admissions	3,618,818	4,146,502	3,924,751	4,413,580	4,775,581	5,259,890	5,421,607	5,702,568	5,812,806	5,547,431
Sanitation										
Refuse collected (tons)	837,008	796,926	803,428	764,900	673,966	703,449	712,857	686,334	681,675	695,613
Recyclables collected (tons)	15,703	21,312	53,151 (2)	74,616	110,079 (4)	113,332	111,602	115,143	116,575	127,421
Water										
New connections	6,871	5,660	3,400	3,008	2,881	3,433	3,864	6,796 (5)	6,349	4,559
Water main breaks	5,623	2,797	9,822 (3)	12,556	11,688	17,999 (3)	11,343	11,935	10,572	11,122
Average daily pumpage (millions of gallons)	374.5	372.0	378.7	401.0	446.0	483.0	446.4	455.0	428.0	445.0
Wastewater										
Wastewater line repairs	2,315	2,160	2,059	2,267	2,164	2,487	2,660	2,210	2,186	2,252
Average daily sewage treatment (millions of gallons)	244.0	268.0	230.0	239.5	220.0	217.0	209.0	225.0	256.6	256.1

- (1) The Fire Department now has a better system to record inspections. For example, a ten-building apartment complex is now counted as ten inspections, not one.
- (2) The Solid Waste Department started the tree recycling program in January 2009, which greatly increased the tons of recyclables collected.
- (3) A dry year caused a higher than usual number of breaks.
- (4) Compostable bag program began in May 2010.
- (5) New connections increase is related to an increase in population growth and construction in the City.
- (6) Last year's arrests were especially high in an effort to clear open cases before implementing new system. Implementation of new system may have caused some arrests to go uncounted.

CITY OF HOUSTON, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
June 30, 2016
(unaudited)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function										
Public safety										
Police										
Stations	15	17	17	17	17	17	17	17	17	16
Patrol units	829	851	932 (1)	960	915	838	856	903	1,282	1,338
Fire										
Stations	90	91	91	92	94	94	92	92	93	93
Highways and streets										
Streets (lane miles)	15,645	15,645	15,763	15,763	15,397	15,397	15,397	15,397	15,404	14,656
Streetlights	172,300	173,000	173,520	174,008	174,795	175,249	175,516	174,373	174,075	175,172
Traffic signals	2,430	2,450	2,399 (2)	2,391	2,395	2,439	2,449	2,467	2,467	2,491
Parks and recreation										
Parks acreage	38,934	38,934	38,970	38,992	37,846	37,846	37,851	37,851	37,859	37,856
Parks	539	540	546	545	527	527	527	528	533	537
Swimming pools	58	62	62	61	61	59	57	57	56	56
Tennis Centers	3	3	3	3	3	3	3	3	3	3
Community centers	56	58	58	58	58	59	60	60	61 (6)	61
Sanitation										
Collection trucks	326	337	322	329	326	321	323	323	343	351
Water										
Water mains (miles)	7,501	6,500	6,500	7,466	7,500	7,146 (5)	7,143	7,198	7,128	7,128
Fire hydrants	54,522	56,950	57,432	57,500	57,013	57,000	58,162	58,984	Not Available	Not Available
Maximum daily capacity (millions of gallons)	750.0	750.0	740.0	773.0	842.0 (3)	905.0	853.0	885.0	803.0	808.1
Sewer										
Sanitary sewers (miles)	6,250	6,250	6,250	6,250	6,403 (4)	6,700	6,950	6,950	6,950	6,950
Storm sewers (miles)	3,487	3,513	3,513	3,618	3,698	3,700	3,789	3,838	3,838	3,894
Maximum daily treatment permitted (millions of gallons)	564.0	564.0	564.0	564.0	563.0	563.0	563.0	565.0	563.0	563.0

- (1) The number of patrol units greatly increased due to Hurricane Ike.
- (2) The number of traffic signals decreased because FY2008 included assuming responsibility from TXDOT for additional signals. This did not happen.
- (3) The maximum daily capacity for FY 2002 to FY 2010 were adjusted to reflect updated information received from the division. FY 2005 to FY 2008 are estimated.
- (4) The sanitary sewers (miles) for FY2005 to FY2010 were adjusted to reflect updated information received from the division.
- (5) The water mains (miles) for FY2012 was adjusted to reflect updated information received from the division.
- (6) Includes new Memorial Running Center

CITY OF HOUSTON, TEXAS
June 30, 2016
INCREASES/DECREASES TO NET POSITION OF PENSION PLANS
(amounts expressed in thousands)
(unaudited)

	<u>Police</u>	<u>Fire</u>	<u>Municipal</u>	<u>Total</u>
Additions	40.5	72.4	205.1	318.0
Deductions	<u>264.6</u>	<u>220.4</u>	<u>261.6</u>	<u>746.6</u>
Net Increase	<u>(224.1)</u>	<u>(148.0)</u>	<u>(56.5)</u>	<u>(428.6)</u>
City's Total Contribution	<u><u>137.4</u></u>	<u><u>94.3</u></u>	<u><u>159.9</u></u>	<u><u>391.6</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 2017 through 2043 for the outstanding Tax Bonds, Pension Obligations, and Tax Certificates. Debt service on commercial paper notes is not reflected in the schedule below.

Fiscal Year Ended June 30	Tax Bonds ^{(a)(d)}	Pension Obligations ^(b)	Tax Certificates ^(c)	Total Debt Service ^(e)
2017	\$ 294,692,507	\$ 42,784,193	\$ 1,539,651	339,016,351
2018	311,623,165	42,840,460	2,619,651	357,083,276
2019	308,252,055	42,897,446	2,620,651	353,770,152
2020	304,451,858	42,962,951	2,623,901	350,038,710
2021	261,531,368	52,989,143	2,624,151	317,144,662
2022	242,530,240	53,017,022	2,621,401	298,168,663
2023	239,590,657	53,033,446	2,620,651	295,244,754
2024	176,763,742	53,059,012	977,701	230,800,455
2025	167,493,385	53,087,743		220,581,128
2026	146,013,098	53,118,665		199,131,763
2027	150,554,975	53,150,488		203,705,463
2028	143,887,338	53,176,606		197,063,944
2029	110,721,834	61,545,416		172,267,250
2030	72,636,246	61,591,516		134,227,762
2031	50,565,354	73,050,274		123,615,628
2032	41,553,293	73,088,498		114,641,791
2033	32,872,834	30,715,357		63,588,191
2034	30,146,280	6,505,750		36,652,030
2035	18,487,930	50,850,750		69,338,680
2036	17,108,032	39,478,572		56,586,604
2037	13,678,543	24,547,367		38,225,910
2038	10,078,147	880,470		10,958,617
2039	7,076,574	880,470		7,957,044
2040	4,521,200	880,470		5,401,670
2041	4,522,800	21,130,470		25,653,270
2042	4,520,900			4,520,900
2043	3,155,250			3,155,250
Total	<u>\$ 3,169,029,605</u>	<u>\$ 1,041,262,555</u>	<u>\$ 18,247,758</u>	<u>\$ 4,228,539,918</u>

Each Fiscal Year the City budgets for Commercial Paper Notes debt service and related reserve funds based on a calculation that assumes a certain amount of Commercial Paper Notes is expected to be issued during that Fiscal Year at an assumed rate of interest.

- (a) Total debt service does not include payments related to various leases for office space and equipment, which are not considered debt under Texas law. The terms and conditions of such leases and agreements vary.
- (b) A portion of the debt service for the Pension Obligations is paid by the City's Combined Utility System and Airport System.
- (c) Adjusted to reflect the sinking fund payments for the Tax and Revenue Certificates of Obligation (QECB - Direct Pay to Issuer), Series 2013Q (the "Series 2013Q Certificates"). Excludes the federal subsidy payment expected to be received by the City in connection with the Series 2013Q Certificates.
- (d) Excludes estimated federal Build America Bond subsidy payment of 35% of interest paid in connection with the City's Public Improvement Refunding Bonds, Taxable Series 2009B and 2010B (Direct Subsidy-Build America Bonds).
- (e) Totals may reflect a variance due to rounding.

CITY OF HOUSTON, TEXAS
June 30, 2016
VOTER-AUTHORIZED OBLIGATIONS
(amounts expressed in thousands)
(unaudited)

The following schedule sets forth the categories of bond authorization approved by the voters in elections held in November of 2001 (the "2001 Election"), November of 2006 (the "2006 Election") and November of 2012 (the "2012 Election"), the amount of each such authorization approved by City Council for issuance as Commercial Paper Notes, the amount of commercial paper issued as of year-end, and the amount of commercial paper approved but unissued. The City has issued all bonds authorized at the election held in November of 1997.

November 2001 Election

Purposes	Voter Authorized	Approved by City	Commercial	Commercial Paper	All Voter
		Council for Issuance as Commercial Paper Notes	Paper Issued ^(a)	Notes Approved by City Council but Unissued	Authorized but Unissued
Streets, Bridges, Traffic Control	\$ 474,000	\$ 474,000	\$ 471,300	\$ 2,700	\$ 2,700
Parks and Recreation	80,000	80,000	80,000	-	-
Police and Fire Departments	82,000	82,000	82,000	-	-
Permanent and General Improvements ^(b)	80,000	80,000	80,000	-	-
Public Libraries	40,000	40,000	40,000	-	-
Low Income Housing	20,000	20,000	10,985	9,015	9,015
Total	\$ 776,000	\$ 776,000	\$ 764,285	\$ 11,715	\$ 11,715

November 2006 Election

Purposes	Voter Authorized	Approved by City	Commercial	Commercial Paper	All Voter
		Council for Issuance as Commercial Paper Notes	Paper Issued ^(a)	Notes Approved by City Council but Unissued	Authorized but Unissued
Streets, Bridges, Traffic Control	\$ 320,000	\$ 219,950	\$ 75,715	\$ 144,235	\$ 244,285
Parks and Recreation	55,000	55,000	55,000	-	-
Public Safety	135,000	135,000	115,405	19,595	19,595
Permanent and General Improvements ^(b)	60,000	60,000	59,400	600	600
Public Libraries	37,000	37,000	37,000	-	-
Low Income Housing	18,000	18,008	3,500	14,508	14,500
Total	\$ 625,000	\$ 524,958	\$ 346,020	\$ 178,938	\$ 278,980

November 2012 Election

Purposes	Voter Authorized	Approved by City	Commercial	Commercial Paper	All Voter
		Council for Issuance as Commercial Paper Notes	Paper Issued ^(a)	Notes Approved by City Council but Unissued	Authorized but Unissued
Streets, Bridges, Traffic Control	\$ -	\$ -	\$ -	\$ -	\$ -
Parks and Recreation	166,000	91,726	21,000	70,726	145,000
Public Safety	144,000	107,023	8,900	98,123	135,100
Permanent and General Improvements ^(b)	57,000	38,600	6,750	31,850	50,250
Public Libraries	28,000	24,916	9,195	15,721	18,805
Low Income Housing	15,000	2,000	-	2,000	15,000
Total	\$ 410,000	\$ 264,265	\$ 45,845	\$ 218,420	\$ 364,155
Combined Total (2001, 2006 and 2012 Elections)	\$ 1,811,000	\$ 1,565,223	\$ 1,156,150	\$ 409,073	\$ 654,850

(a) As of June 30, 2015

(b) Includes Public Health and Solid Waste Management.

CITY OF HOUSTON, TEXAS
June 30, 2016
(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)
2008	\$ 495,173	\$ 190,193
2009	\$ 507,103	\$ 190,322
2010	\$ 468,965	\$ 190,868
2011	\$ 492,824	\$ 190,563
2012	\$ 546,543	\$ 192,760
2013	\$ 600,256	\$ 195,304
2014	\$ 629,441	\$ 189,989
2015	\$ 667,061	\$ 189,836
2016	\$ 640,476	\$ 191,584
2017 (budgeted)	\$ 615,000	\$ 192,784

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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Operating Revenues					
Fees charged to users, net	\$ 20,554	\$ 22,306	\$ 20,902	\$ 20,298	\$ 22,877
Total Operating Revenues	<u>20,554</u>	<u>22,306</u>	<u>20,902</u>	<u>20,298</u>	<u>22,877</u>
Nonoperating Revenues					
Interest	18,704	19,186	17,688	11,971	9,562
Hotel occupancy tax (including penalty & interest)	58,709	66,232	62,383	54,917	61,603
Other income	13,215	5,669	113,265	18,997	18,266
Total Nonoperating Revenues	<u>90,628</u>	<u>91,087</u>	<u>193,336</u>	<u>85,885</u>	<u>89,431</u>
Total Revenues	<u>\$ 111,182</u>	<u>\$ 113,393</u>	<u>\$ 214,238</u>	<u>\$ 106,183</u>	<u>\$ 112,308</u>
Total Annual Expenses Last Ten Fiscal Years	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Operating Expenses					
Maintenance and operating	\$ 35,342	\$ 37,276	\$ 39,142	\$ 39,817	\$ 40,229
Depreciation	11,925	12,084	14,888	14,958	15,227
Total Operating Expenses	<u>47,267</u>	<u>49,360</u>	<u>54,030</u>	<u>54,775</u>	<u>55,456</u>
Nonoperating Expenses					
Interest on long-term debt	32,859	33,150	29,740	26,032	25,194
Promotional contracts & other expenses	21,119	28,659	30,840	32,988	27,513
Total Nonoperating Expenses	<u>53,978</u>	<u>61,809</u>	<u>60,580</u>	<u>59,020</u>	<u>52,707</u>
Total Expenses	<u>\$ 101,245</u>	<u>\$ 111,169</u>	<u>\$ 114,610</u>	<u>\$ 113,795</u>	<u>\$ 108,163</u>

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 8,934	\$ 10,372	\$ 11,124	\$ 12,390	\$ 12,431
<u>8,934</u>	<u>10,372</u>	<u>11,124</u>	<u>12,390</u>	<u>12,431</u>
10,010	9,080	9,637	4,933	12,708
68,623	76,325	90,119	90,711	88,632
<u>525</u>	<u>413</u>	<u>292</u>	<u>818</u>	<u>-</u>
<u>79,158</u>	<u>85,818</u>	<u>100,048</u>	<u>96,462</u>	<u>101,340</u>
<u>\$ 88,092</u>	<u>\$ 96,190</u>	<u>\$ 111,172</u>	<u>\$ 108,852</u>	<u>\$ 113,771</u>

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 1,885	\$ 1,780	\$ 1,199	\$ 1,380	\$ 76,466
<u>14,703</u>	<u>14,488</u>	<u>14,219</u>	<u>14,375</u>	<u>13,720</u>
<u>16,588</u>	<u>16,268</u>	<u>15,418</u>	<u>15,755</u>	<u>90,186</u>
25,799	26,150	25,791	29,684	27,299
<u>100,046</u>	<u>62,662</u>	<u>73,371</u>	<u>79,312</u>	<u>421</u>
<u>125,845</u>	<u>88,812</u>	<u>99,162</u>	<u>108,996</u>	<u>27,720</u>
<u>\$ 142,433</u>	<u>\$ 105,080</u>	<u>\$ 114,580</u>	<u>\$ 124,751</u>	<u>\$ 117,906</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 (c)	% Change	Total (d)
2007	47,387	7.2%	6,810	1.1%	7,223	-0.1%	61,420
2008	53,459	12.8%	7,333	7.7%	8,951	23.9%	69,743
2009	49,694	-7.0%	6,727	-8.3%	8,913	-0.4%	65,334
2010	44,483	-10.5%	7,477	11.1%	7,844	-12.0%	59,804
2011	49,723	12.0%	7,286	-3.0%	8,177	4.0%	65,186
2012	55,388	11.4%	6,632	-9.0%	9,937	21.5%	71,957
2013	61,605	11.2%	7,892	19.0%	9,395	-5.0%	78,892
2014	72,739	18.1%	8,644	9.5%	7,762	-17.4%	89,145
2015	73,217	4.0%	9,810	5.0%	0	-100.0%	83,027
2016	72,265	-1.3%	9,851	0.4%	0	-100.0%	82,116

- (a) The Pledged Hotel Occupancy Tax (HOT) revenues are revenues (including penalties, interest and delinquencies, if any) collected due to an occupancy tax of 5.65% applied to the cost of substantially all hotel room rentals in the City other than the Hilton Americas Hotel during the first ten years of its operation. The total HOT imposed by the City is 7%.
- (b) The City's pledge of parking revenues for debt service is subordinate to the City's pledge of the first \$1,200,000 of such gross revenues, charges and tolls to the payment of its annual obligation under the Music Hall Lease, unless such obligation is paid, defeased, matures or is otherwise restructured. These annual payments totaled \$1,000,000 for fiscal years 2001-2005, \$1,050,000 for fiscal year 2006, and \$1,100,000 for fiscal years 2007-2011.
- (c) The Tax Rebates consist of rebates of hotel occupancy taxes, sales taxes, and mixed beverage taxes derived from the Hilton Americas Hotel and parking garage during the first ten years of operation. This ended 12-31-13, so there are no rebates to report in FY2015.
- (d) Amounts shown do not include investment earnings on pledged revenues, which are also pledged.

(amounts expressed in thousands)

Fiscal Year	HOT Tax 15%	Sales Tax 8.25% (1)	Mixed Beverage Tax 3%	Total Tax Rebate
2007	5,351	1,769	103	7,223
2008	6,436	2,268	247	8,951
2009	6,225	2,471	217	8,913
2010	5,287	2,374	183	7,844
2011	5,488	2,537	152	8,177
2012	7,185	2,566	186	9,937
2013	6,692	2,620	83	9,395
2014	6,043	1,664	55	7,762
2015 (c)	0	0	0	0
2016 (c)	0	0	0	0

(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)
2007	65.8%	92.23	7%	60,777
2008	67.2%	100.78	7%	68,413
2009	55.6%	92.38	7%	64,486
2010	55.4%	88.66	7%	56,753
2011	63.0%	95.37	7%	63,629
2012	65.4%	95.35	7%	70,731
2013	68.0%	101.0	7%	79,736
2014	70.5%	108.8	7%	90,345
2015	70.3%	111.17	7%	90,711
2016	64.2%	105.55	7%	88,632

(1) Source: Greater Houston Partnership.

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
June 30, 2016
(unaudited)

Schedule of Hotel Occupancy Tax Collections

<u>The Twelve Largest Taxpayers</u>	<u>Gross Hotel Occupancy Tax Collections</u>
Hilton Americas-Houston	\$ 4,103,168
Hyatt Regency Hotel	2,217,259
Four Seasons Hotel Houston Center	1,876,024
Westin Galleria	1,510,727
JW Marriott Galleria	1,486,643
JW Marriott Houston Downtown	1,454,777
Hotel Zaza	1,382,736
Marriott Medal Center Hotel	1,315,978
Marriott Hotel (IAH)	1,290,382
Houston Marriott Westchase	1,286,498
Westin Oaks Houston	1,261,801
Hilton Houston Post Oak	1,192,455
Total	<u>\$ 20,378,448</u>

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
June 30, 2016
(unaudited)

Parking Facilities Rates

Facility	City Employee Monthly Contract (1)	Other Monthly Contract (2)	Daily Transient (2)	Event Rate (2)
Theater District Garage	\$91.45	\$165.00 \$106.00 (3) \$135.97 (4)	\$6.00 per hour \$15.00 Maximum	\$10.00
Reserved parking		\$225.00		
City Hall Annex Parking Garage	\$51.76	\$106.00	n/a	\$10.00
Lots C and H	\$44.33	\$48.00	n/a	\$10.00

(1) Does not include sales and use tax of 8.25%

(2) Includes sales and use tax of 8.25%

(3) Rates paid by Convention & Entertainment Facilities departmental contractors

(4) Bulk contract parking agreement

Source: www.houstonfirsttheaters.com/parking, COH, Convention & Entertainment Facilities Department

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
Debt Service Schedule
(unaudited)

The following table sets forth the Debt Service Requirements on all Convention & Entertainment Revenue Bonds Outstanding assuming scheduled mandatory redemption of any term bonds.

Fiscal Year Ending June 30	Series 2001 Bonds	Series 2001C-1 Bonds (1)	Series 2001C-2 Bonds (1)	Series 2011A Bonds	Series 2011B Bonds	Series 2014 Bonds	Series 2015 Bonds	Total Debt Service
2017	18,050,000	136,125	136,125	5,099,738	9,540,387	4,392,150	6,468,800	\$ 43,823,325
2018	17,760,000	136,125	136,125	6,050,487	9,520,331	4,395,450	7,622,950	\$ 45,621,468
2019	17,285,000	2,553,789	2,553,789	6,994,988	1,187,900	4,393,125	10,792,050	\$ 45,760,641
2020	17,160,000	2,669,609	2,669,609	7,991,544	1,186,900	4,394,750	10,787,625	\$ 46,860,037
2021	16,695,000	2,784,974	2,784,974	8,344,475	1,135,650	4,394,125	10,516,250	\$ 46,655,448
2022	22,720,000	2,924,810	2,924,810	3,366,625	1,173,150	4,396,125	10,719,500	\$ 48,225,020
2023	23,320,000	2,366,219	2,366,219	3,375,625	1,343,650	4,395,625	11,616,875	\$ 48,784,213
2024	24,220,000	2,333,036	2,333,036	3,356,225	1,361,675	4,392,625	11,714,000	\$ 49,710,597
2025	24,930,000	2,324,869	2,324,869	3,339,787	1,394,644	4,396,875	11,892,250	\$ 50,603,294
2026	25,850,000	2,316,701	2,316,701	3,334,575	1,417,681	4,393,250	12,014,750	\$ 51,643,658
2027	26,610,000	2,308,534	2,308,534	3,659,550	857,137	8,252,750	9,006,875	\$ 53,003,380
2028	27,355,000	2,300,366	2,300,366	3,624,081	917,619	7,991,750	9,336,125	\$ 53,825,307
2029	28,305,000	2,292,199	2,292,199	3,711,794	758,887	8,286,500	8,499,500	\$ 54,146,079
2030	29,065,000	2,284,031	2,284,031	3,590,737	777,913	8,040,875	8,578,375	\$ 54,620,962
2031	29,950,000	2,275,864	2,275,864	3,071,875	741,538	8,183,000	8,376,750	\$ 54,874,891
2032	30,530,000	2,267,696	2,267,696	2,877,750	739,538	8,073,750	8,376,125	\$ 55,132,555
2033	30,560,000	2,259,529	2,259,529	2,838,000	764,841	8,149,000	8,531,875	\$ 55,362,774
2034	30,550,000	2,251,361	2,251,361	2,706,000	630,759	9,529,750	7,806,625	\$ 55,725,856
2035	0	0	0	0	0	2,480,875	4,416,250	\$ 6,897,125
2036	0	0	0	0	0	2,479,250	4,416,750	\$ 6,896,000
2037	0	0	0	0	0	2,482,625	4,415,125	\$ 6,897,750
2038	0	0	0	0	0	2,480,750	4,416,000	\$ 6,896,750
2039	0	0	0	0	0	2,478,500	4,414,000	\$ 6,892,500
2040	0	0	0	0	0	2,480,500	4,413,750	\$ 6,894,250
2041	0	0	0	0	0	0	4,414,750	\$ 4,414,750
2042	0	0	0	0	0	0	4,416,200	\$ 4,416,200
2043	0	0	0	0	0	0	4,414,500	\$ 4,414,500
2044	0	0	0	0	0	0	4,416,400	\$ 4,416,400
2045	0	0	0	0	0	0	4,416,600	\$ 4,416,600
2046	0	0	0	0	0	0	0	0
Total	\$ 440,915,000	\$ 38,785,837	\$ 38,785,837	\$ 77,333,856	\$ 35,450,200	\$ 125,333,975	\$ 221,227,625	\$ 977,832,330

(1) Assumes an interest rate of 0.4% for the Series 2001C-1 Auction Rate Certificates and the 2001 C-2 Auction Rate Certificates.

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
(amounts expressed in thousands)
(unaudited)

Convention & Entertainment Budget for Fiscal Year 2016

Budgeted Resources

Operating Revenues

Facility Rentals	1,490
Parking	10,922
Total Operating Revenues	12,412

Operating Expenses

Personnel	293
Services	132
Total Operating Expenses	425
Operating Income (Loss)	11,987

Nonoperating Revenues (Expenses)

Hotel Occupancy Tax	
Current	85,000
Delinquent	1,250
Net Hotel Occupancy Tax	86,250
Investment Income (Loss)	300
Other Interest	(230)
Other	292
Total nonoperating Rev (Exp)	86,612
Income (Loss) Before Operating Transfers	98,599

Transfers

Transfers to Interest	14,836
Transfers to Principal	11,568
Transfer to Debt Service	70
Transfers to Component Unit	70,336
Transfers to General Fund	1,490
Total Transfers	98,300

Net Income (Loss) Operating Fund	299
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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	2007	2008	2009	2010	2011
Operating Revenues					
Water sales	\$ 308,046	\$ 328,435	\$ 351,608	\$ 356,046	\$ 455,333
Waste water system user charges	295,423	305,748	323,301	320,722	410,941
Penalties and Other services and charges	11,996	14,084	12,329	14,370	12,901
Total Operating Revenues	615,465	648,267	687,238	691,138	879,175
Nonoperating Revenues					
Interest	36,014	35,436	33,436	15,160	10,090
Other income	54,572	84,228	51,262	65,077	20,453
Total Nonoperating Revenues	90,586	119,664	84,698	80,237	30,543
Total Revenues	\$ 706,051	\$ 767,931	\$ 771,936	\$ 771,375	\$ 909,718

Total Annual Expenses Last Ten Fiscal Years	2007	2008	2009	2010	2011
Operating Expenses					
Maintenance and operating	\$ 315,348	\$ 346,652	\$ 371,770	\$ 372,365	\$ 363,260
Depreciation and Amortization	257,722	220,202	204,919	203,695	214,956
Total Operating Expenses	573,070	566,854	576,689	576,060	578,216
Nonoperating Expenses					
Interest on long-term debt	242,282	267,505	260,396	273,609	-
Other expenses	3,478	19,515	5,432	-	12,273
Total Nonoperating Expenses	245,760	287,020	265,828	273,609	12,273
Total Expenses	\$ 818,830	\$ 853,874	\$ 842,517	\$ 849,669	\$ 590,489

2012	2013	2014	2015	2016
	Corrected	Restated		
\$ 480,676	\$ 485,485	\$ 499,912	\$ 486,517	\$ 529,879
421,370	426,888	441,300	434,305	462,786
15,192	17,455	12,195	6,602	9,917
<u>917,238</u>	<u>929,828</u>	<u>953,407</u>	<u>927,424</u>	<u>1,002,582</u>
5,696	(507)	10,688	7,685	12,652
<u>45,448</u>	<u>41,521</u>	<u>69,370</u>	<u>37,910</u>	<u>55,306</u>
<u>51,144</u>	<u>41,014</u>	<u>80,058</u>	<u>45,595</u>	<u>67,958</u>
<u>\$ 968,382</u>	<u>\$ 970,842</u>	<u>\$ 1,033,465</u>	<u>\$ 973,019</u>	<u>\$ 1,070,540</u>

2012	2013	2014	2015	2016
\$ 410,781	\$ 395,439	\$ 635,081	\$ 426,855	\$ 451,342
<u>211,170</u>	<u>217,622</u>	<u>223,381</u>	<u>231,048</u>	<u>236,841</u>
<u>621,951</u>	<u>613,061</u>	<u>858,462</u>	<u>657,903</u>	<u>688,183</u>
290,882	285,378	291,122	265,013	252,116
<u>670</u>	<u>286</u>	<u>5,397</u>	<u>(954)</u>	<u>1,877</u>
<u>291,552</u>	<u>285,664</u>	<u>296,519</u>	<u>264,059</u>	<u>253,993</u>
<u>\$ 913,503</u>	<u>\$ 898,725</u>	<u>\$ 1,154,981</u>	<u>\$ 921,962</u>	<u>\$ 942,176</u>

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

	Fiscal Year 2016	Fiscal Year 2015
OPERATING REVENUES		
Sales of water, net	\$ 529,879	\$ 486,517
Sewer system user charges, net	462,786	434,305
Penalties, other services and charges	9,917	6,602
Total Operating Revenues:	1,002,582	927,424
NON-OPERATING REVENUES		
Investment Earnings under Previous Ordinance	6,718	5,733
Investment Earnings under Master Ordinance	2,390	2,221
Other Non-Operating revenues	22,264	7,671
Total non-operating revenues	31,372	15,625
TOTAL GROSS REVENUES:	1,033,954	943,049
EXPENSES		
Contract Revenue Bonds Payments ⁽¹⁾		
Coastal Water Authority Debt Service	17,684	18,064
Total Contract Revenue Bonds Payments	17,684	18,064
Maintenance and Operating Expenses	419,161	406,601
Total Expenses	436,845	424,665
RESTRICTED RECEIPTS UNDER MASTER ORDINANCE	19,694	30,240
NET REVENUES UNDER MASTER ORDINANCE	\$ 616,784	\$ 548,624
BOND DEBT SERVICE:		
Previously Issued Bonds	-	11,215
First Lien Bonds	419,260	396,101
Total Debt Service	\$ 419,260	\$ 407,316
BOND DEBT SERVICE COVERAGE:		
Junior Lien Bond Coverage under Previous Ordinance ⁽²⁾	-	46.02
First Lien Bond Coverage under Master Ordinance ⁽³⁾	1.47	1.36
TOTAL COVERAGE ⁽⁴⁾	1.47	1.35

(1) These are "Required Payments Under Previous Ordinance."

(2) Coverage of debt service on Previous Ordinance Bonds by Net Revenues as calculated under Previous Ordinance, which does not include as revenues Investment Earnings under Master Ordinance and Restricted Revenues.

(3) Coverage of Debt Service on First Lien Bonds by Net Revenues, less debt service on Junior Lien Bonds under Previous Ordinance.

(4) Coverage of total Debt Service on Junior Lien Bonds under Previous Ordinance and First Lien Bonds under Master Ordinance by Net Revenues.

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
System Budget for Fiscal Year 2016
(amounts expressed in thousands)
(unaudited)

The following is the summary of the Fiscal Year 2016 Budget for the System as adopted by City Council:

Revenues	
Beginning Fund Balance (July 1, 2016)	\$ 656,407
Current Revenues	<u>1,085,001</u>
Total Revenues	<u><u>\$ 1,741,408</u></u>
Expenditures	
Maintenance and Operations	\$ 458,324
CWA Debt Service	7,347
Debt Service (including Prior Lien Bonds, Junior Lien Bonds and Commercial Paper)	486,832
Interfund Transfers	<u>-</u>
Total Expenditures	952,503
Other	
General Purpose Fund (including Discretionary Debt Service)	163,431
Planned Fund Balance (June 30, 2016)	<u>625,474</u>
Total Expenditures and Reserves	<u><u>\$ 1,741,408</u></u>

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

The following calculation shows coverage by Net Revenues of Maximum Annual Debt Service on the Previous Ordinance and First Lien Bonds.

	FY 2016
Maximum Annual Debt Service Requirements on Previous Ordinance Bonds (2029) ⁽¹⁾	\$ 44,095,000
Maximum Annual Debt Service Requirements on First Lien Bonds (2034) ⁽¹⁾⁽²⁾	\$ 467,818,000
Combined Maximum Annual Principal and Interest Requirements on Previous Ordinance Bonds and First Lien Bonds (2034)	\$ 471,194,000
Net Revenues under Previous Ordinance for Fiscal Year ended June 30, 2016 ⁽³⁾	\$ 594,699,194
Net Revenues under Master Ordinance for Fiscal Year ended June 30, 2016 ⁽⁴⁾	\$ 616,783,802
Funds Available from General Purpose Fund at June 30, 2016	\$ 588,539,761
Total Funds available for Debt Service Coverage	<u>\$ 1,205,323,563</u>
Coverage of Maximum Annual Debt Service Requirements on Previous Ordinance Bonds	13.49
Coverage of Maximum Annual Debt Service Requirements on First Lien Bonds	2.58
Coverage of Maximum Annual Debt Service Requirements on Previous Ordinance Bonds and First Lien Bonds	2.56

- (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) First Lien Debt Service largest payment requirement
- (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.

The System - Water & Sewer Facilities General

The City of Houston Wastewater Operations System receives and processes wastewater generated by residential, commercial, and industrial customers throughout the service area. The service area covers approximately 625 square miles within the City of Houston and serves a population of about 2.8 million people. The Wastewater System consists of over 6,950 miles of sanitary sewer lines, 40 wastewater treatment plants, over 385 lift/pumping stations and a centralized laboratory. The general condition of the collection lines varies depending on age, location and type of construction. The average daily wastewater flow through the Wastewater Treatment Facilities for Fiscal Year 2016 was 256 million gallons per day (mgd). The permitted treatment capacity of the wastewater treatment facilities, as reflected by State permits, is 563 mgd.

THE SYSTEM - Annexation Program - In - City Districts

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

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

Funding of Proposed System Improvements

It is anticipated that the system improvements contemplated in the Department's Fiscal Year 2017 - 2021 CIP will be financed approximately as follows:

Proposed Source of Funding	Amount (in millions)
System Revenue Bonds (Net Proceeds and Interest Earnings) ⁽¹⁾	\$ 2,309.4
System Revenue	445.0
Swift Loan (subordinate Lien)	270.9
Contributed Capital	1,223.3
	\$ 4,248.6

- (1) The department's fiscal year 2017-2021 CIP anticipates the periodic issuance of additional First Lien Bonds and Subordinate Lien Commercial Paper. City Council must approve each issuance of bonds, but not each issuance of Commercial Paper Notes.

Obligations Payable from System Revenues

The following sets forth the total outstanding principal amount of the system obligations payable from revenues of the system as of June 30, 2016:

Contract Revenue Bonds Payable from System Gross Revenues	Amount
CWA Bonds (2)	\$ 71,855,000
Total - Contract Revenue Bonds	\$ 71,855,000
System Revenue Bonds Payable from System Net Revenues	
Previous Ordinance Bonds	57,338,694
First Lien Bonds	5,964,895,000
Third Lien Obligations	-
Total - System Revenue Bonds	\$ 6,022,233,694
Total - All Bonds Payable from System Revenues	\$ 6,094,088,694

- (2) CWA Bonds

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.

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

Discretionary Debt Service Paid by the System

The total amount of Discretionary Debt Service paid from Net Revenues of the System for the past nine fiscal years and the amount budgeted for fiscal year 2017 is set forth below:

Fiscal Year	Discretionary Debt Service (in millions)
<u>2017 (budgeted)</u>	<u>\$ 9.2</u>
2016	9.9
2015	12.0
2014	13.1
2013	15.8
2012	21.1
2011	21.7
2010	26.9
2009	28.4
2008	25.8

Combined Utility System General Purpose Fund Transfers for Drainage

Since Fiscal Year 2008 the Combined Utility System has made transfers from its General Purpose Fund to the Storm Water Fund as shown below.

Fiscal Year	General Purpose Fund Transfers (in millions)
<u>2017 (budgeted)</u>	<u>\$ 52.8</u>
2016	42.2
2015	35.2
2014	45.5
2013	43.8
2012	44.4
2011	54.8
2010	40.6
2009	39.4
2008	36.5

Indirect Charges Paid by the System

Fiscal Year	Indirect Charges (in thousands)
<u>2017 (budgeted)</u>	<u>\$ 9,988</u>
2016	9,810
2015	9,776
2014	6,173
2013	3,479
2012	3,869
2011	3,034
2010	3,148
2009	590
2008	923

CITY OF HOUSTON, TEXAS

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

Fiscal Years	2007	2008	2009	2010	2011
Consumption (in Thousand Gallons)					
RESIDENTIAL	26,094,949	26,312,961	26,970,248	28,111,338	28,553,893
MULTI-FAMILY	24,961,804	25,156,968	25,012,299	25,586,924	25,069,764
COMMERCIAL	21,941,537	22,748,096	21,972,495	22,382,315	21,997,822
GOVERNMENT	4,614,053	4,710,923	4,713,905	5,197,448	4,807,824
SEWER ONLY	1,324,905	1,381,145	1,361,135	1,357,879	1,228,458
OTHER ACCTS	4,394,176	4,573,030	5,678,987	6,351,286	6,461,476
TOTAL	83,331,424	84,883,123	85,709,069	88,987,190	88,119,237
Revenue Amount	\$ 558,078,148	\$ 581,130,048	\$ 597,498,813	\$ 640,586,498	\$ 763,685,117
Average Rate / Water & Sewer	\$6.70	\$6.85	\$6.97	\$7.20	\$8.67

2012	2013	2014	2015	2016
29,400,266	26,239,053	25,263,997	23,265,022	24,744,815
24,811,699	25,173,568	25,131,767	25,370,691	25,676,282
22,079,299	21,508,026	21,728,794	21,591,973	21,825,149
4,835,549	4,686,403	4,688,639	3,149,624	3,558,515
1,215,254	1,331,651	1,343,031	1,584,261	1,614,142
7,473,765	6,981,799	6,339,166	5,099,403	5,903,309
89,815,832	85,920,500	84,495,394	80,060,974	83,322,212
\$ 809,001,774	\$ 805,440,324	\$ 828,136,771	\$ 812,279,978	\$ 840,320,863
\$9.01	\$9.37	\$9.80	\$10.15	\$10.09

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
June 30, 2016
(unaudited)

Water Right Permit

As of the date of this Official Statement, the City has received the following water rights permits:

	Rights in MGD
Surface Water	
Trinity River Basin	914
Water Reuse	259
San Jacinto River Basin	258
Bayous	116
Brazos River Basin	62
Total Surface Water Rights	1,609
Ground Water (1)	235
Total Water Available	1,844

(1) Pursuant to rules of the Harris - Galveston Coastal Subsidence District.

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
June 30, 2016
(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, 2016. The total charges to such customers represent approximately 2.54% of the System Gross Revenues and 5.85% of Sewer Facilities gross charges during such period.

<u>Customer</u>	<u>Gross Charges</u>
1. Anheuser - Busch, Inc.	\$ 4,201,667
2. Harris County	4,120,046
3. City of Houston	3,938,500
4. Houston Independent School District	3,037,719
5. University of Houston	2,924,382
6. Atlantic Coffee Indu	2,440,599
7. Oak Farms Dairies	2,170,552
8. Methodist Hospital	1,773,678
9. Coca Cola	1,326,829
10. M D Anderson Hospital	1,189,631
	<u>\$ 27,123,603</u>

Water and Sewer Rate Adjustments

In recent years, the water and sewer rates have been adjusted on the average as follows:

<u>Date of Change</u>	<u>Average Percent Rate Increase (Decrease)</u>	
	<u>Water</u>	<u>Sewer</u>
April 2007	2.8%	2.8%
April 2008	1.8%	1.8%
April 2009	5.1%	5.1%
April 2010	0.3%	0.3%
June 2010	19.1%	22.9%
April 2011	1.9%	1.9%
April 2012	3.3%	3.3%
April 2013	3.6%	3.6%
April 2014	1.2%	1.2%
April 2015	4.4%	4.4%
April 2016	1.4%	1.4%

Current water rates are based on customer class. The amount of the bill is the sum of the minimum charge based on meter size and an additional charge based on the volume of consumption above a minimum volume. The water rates vary from \$5.20 per thousand gallons for single-family customers to \$30.40 per ten thousand gallons for outdoor customers.

Usage of the Sewer Facilities is not metered for rate purposes but also includes a fixed charge based on meter size and an additional charge based on the volume of the water usage. Sewer rates vary from \$5.530 per thousand gallons for wholesale customers to \$62.18 for industrial sewer only customers. Additionally, industrial customers may be subject to a sewer surcharge based on the quality of their wastewater discharge.

The bill for a typical single family residential customer using 6,000 gallons per month would be \$56.14 for both water and sewer services. However, total water and sewer charges may range from \$21.21 for 1,000 gallons to \$49.07 for 5,000 gallons per month for single-family residential customers.

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
June 30, 2016
Water Supply
(unaudited)

Capacity, Production, and Sales

The following schedule sets forth information concerning Water Facilities capacity, production and sales for Fiscal Year 2015 (million gallons per day):

	<u>Available</u>	<u>Capacity</u>	<u>Daily</u>	<u>Peak</u>	<u>Sales</u>
Ground	117	268	74		N/A
Surface	1,172	990	371		N/A
Total	<u>1,289</u>	<u>1,258</u>	<u>445</u>	<u>0</u>	<u>575</u>
Treated					359
Untreated					216
					<u>575</u>

Sources of System Revenues - General

As of June 30, 2016, the Water Facilities and the Sewer Facilities served approximately 464,094 and 449,492 active service connections, respectively. During Fiscal Year 2016 approximately 49.6% of System Gross Revenues were derived from the sale of water (87.9% from treated water and 12.1% from untreated water), approximately 43.3% from providing wastewater treatment services 0.8% from interest income and the remaining 6.3% from various other sources. Of the treated water sales, 92.9% of revenues were from retail customers and 7.1% from bulk sales to other governmental entities.

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
June 30, 2016
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, 2016. The total charges to such customers during such period represent approximately 5.09% of the System Gross Revenues and 10.26% of total water sales revenues for such period.

<u>Customers</u>	<u>Charges</u>
1. North Harris Co. Regional Water Authority	\$ 16,758,881
2. North Channel Water Authority	7,433,411
3. West Harris Co. Regional Water Authority.	6,330,692
4. North Fort Bend County Water Authority	5,001,999
5. City of Pearland	4,099,738
6. City of Pasadena	3,632,665
7. Anheuser Busch	3,367,549
8. Gulf Coast Water Authority (Galveston)*	3,332,457
9. Clear Lake City	2,278,685
10. Memorial Villages Water Authority	2,175,531
	<u>\$ 54,411,608</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, 2016. The total of the contract payments by these ten customers during such period represents approximately 3.36% of the System Gross Revenues and 6.76% of total water sales revenues for such period.

<u>Customers</u>	<u>Gross Charges</u>
1. Equistar Chemicals LP CH11	\$ 8,668,575
2. Shell Oil	4,318,480
3. Air Liquide America Corp.	4,152,477
4. Battleground Water Company	3,860,378
5. Baytown Area	3,201,453
6. Chevron Phillips Chemical Company	3,194,723
7. Houston Refining, LP (Lyondell-Citgo)	2,941,979
8. Hoechst Celanese	2,074,402
9. Occidental Chemical Corporation	1,768,033
10. TPC Group (formerly Texas Petrochemical)	1,696,312
	<u>\$ 35,876,812</u>

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

The following schedule sets forth the principal and interest requirements on all outstanding bonds payable from revenues of the System for each of the City's fiscal years ending June 30 as shown below, based on footnoted assumptions. The following schedule also does not include Discretionary Debt Service Payments or interest on Commercial Paper notes issued as Third Lien Obligations under the Master Ordinance.

Fiscal Year Ending June 30	Total Payable From System Gross Revenues(1)	Payable From System Net Revenues		Total Payable From System Net Revenues	Total Debt Service (1) (2)
		Previous Ordinance Bonds	First Lien Bonds(2)		
2017	7,204,006		446,557,151	446,557,151	453,761,157
2018	6,398,831		455,145,615	455,145,615	461,544,446
2019	6,384,706		457,054,640	457,054,640	463,439,346
2020	6,380,806	23,520,000	425,964,432	449,484,432	455,865,238
2021	6,397,931	22,405,000	429,776,611	452,181,611	458,579,542
2022	6,376,006	15,480,000	436,684,134	452,164,134	458,540,140
2023	6,355,581	17,345,000	435,442,828	452,787,828	459,143,409
2024	6,350,206	19,005,000	433,746,411	452,751,411	459,101,617
2025	6,338,956	17,990,000	434,980,675	452,970,675	459,309,631
2026	10,782,206	18,155,000	434,218,037	452,373,037	463,155,243
2027	3,378,081	30,815,000	420,820,110	451,635,110	455,013,191
2028	3,378,456	30,810,000	419,243,521	450,053,521	453,431,977
2029	3,404,306	44,095,000	413,439,879	457,534,879	460,939,185
2030	3,400,828		455,492,696	455,492,696	458,893,524
2031	3,396,313		453,967,548	453,967,548	457,363,861
2032	3,386,100		452,737,029	452,737,029	456,123,129
2033	3,381,000		450,900,866	450,900,866	454,281,866
2034	3,376,200		467,818,216	467,818,216	471,194,416
2035	3,381,300		264,773,330	264,773,330	268,154,630
2036			262,114,422	262,114,422	262,114,422
2037			221,348,056	221,348,056	221,348,056
2038			164,118,517	164,118,517	164,118,517
2039			158,409,541	158,409,541	158,409,541
2040			96,509,119	96,509,119	96,509,119
2041			95,786,166	95,786,166	95,786,166
2042			60,984,629	60,984,629	60,984,629
2043			60,983,651	60,983,651	60,983,651
2044			47,941,440	47,941,440	47,941,440
2045			34,455,825	34,455,825	34,455,825
2046			17,355,534	17,355,534	17,355,534
2047					
Total	\$ 99,451,819	\$ 239,620,000	\$ 9,408,770,629	\$ 9,648,390,629	\$ 9,747,842,448

1) Includes CWA Bonds.

(2) \$249,075,000 of the Series 2012C variable rate bond debt service is calculated at the rate of 5.061% through March 2013 and thereafter at the fixed rate payor swap rate of 3.761%. This was refunded to Series 2016C in March 2016. Series 2004B debt service is adjusted to take into account expected payments under the Series 2004B Qualified Hedge Agreements.

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

Revenues and Expenses of the Water and Sewer System

The following schedule sets forth the revenues and expenses (exclusive of certain non-cash transactions, primarily depreciation and amortization of the "Water and Sewer System," as defined in the Coastal Water Authority Official Statements.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u> Corrected	<u>2014</u> Corrected	<u>2015</u>	<u>2016</u>
OPERATING REVENUES										
Sales of Water, net	\$ 308,046	\$ 332,032	\$ 351,608	\$ 356,046	\$ 455,333	\$ 480,676	\$ 485,485	\$ 499,912	\$ 486,517	\$ 529,879
Sewer system user charges, net	295,423	305,748	323,301	320,722	410,941	421,370	426,888	441,300	434,305	462,786
Penalties and Other services and charges	11,996	14,084	12,329	14,370	12,901	15,192	17,455	12,195	6,602	9,917
Total Operating Revenues	615,465	651,864	687,238	691,138	879,175	917,238	929,828	953,407	927,424	1,002,582
NON-OPERATING REVENUES	54,572	37,779	36,405	44,407	40,662	51,144	49,722	76,155	45,595	51,066
TOTAL GROSS REVENUES (A)	670,037	689,643	723,643	735,545	919,837	968,382	979,550	1,029,562	973,019	1,053,648
OPERATING EXPENSES										
Maintenance and Operating Expenses	322,083	318,349	383,056	377,858	373,028	393,413	380,192	387,398	406,601	393,289
Contractual Maintenance and Operating Expenses										
CWA Debt Service	30,653	30,545	28,103	23,117	21,285	20,389	19,663	18,875	18,064	17,684
TRA Debt Service	2,221	2,096	-	-	-	-	-	-	-	-
HAWC Debt Service	8,999	-	-	-	-	-	-	-	-	-
Total Contractual	41,873	32,641	28,103	23,117	21,285	20,389	19,663	18,875	18,064	17,684
TOTAL OPERATING EXPENSES (B)	363,956	350,990	411,159	400,975	394,313	413,802	399,855	406,273	424,665	410,973
NET REVENUES	\$ 306,081	\$ 338,653	\$ 312,484	\$ 334,570	\$ 525,524	\$ 554,580	\$ 579,695	\$ 623,289	\$ 548,354	\$ 642,675
GROSS REVENUES (A) DIVIDED BY TOTAL EXPENSES (B)	1.841	1.965	1.760	1.834	2.333	2.340	2.450	2.534	2.291	2.564

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	2007	2008	2009	2010	2011
Operating Revenues					
Landing area fees	\$ 92,140	\$ 99,017	\$ 82,823	\$ 94,165	\$ 90,384
Building and ground area fees	199,720	211,786	174,433	182,105	181,182
Parking, concession and other revenues	124,278	136,373	128,501	130,309	138,836
Total Operating Revenues	416,138	447,176	385,757	406,579	410,402
Nonoperating Revenues					
Interest income	34,498	42,360	37,507	30,488	9,735
Passenger facility charges	6,530	11,608	32,398	66,383	63,138
Special facility charges	11,152	11,197	10,171	10,981	13,478
Other nonoperating revenues	541	514	1,093	7,525	3,409
Total Nonoperating Revenues	52,721	65,679	81,169	115,377	89,760
Total Revenues	\$ 468,859	\$ 512,855	\$ 466,926	\$ 521,956	\$ 500,162
Total Annual Expenses Last Ten Fiscal Years	2007	2008	2009	2010	2011
Operating Expenses					
Maintenance and operating	\$ 214,611	\$ 229,551	\$ 241,303	\$ 245,051	\$ 284,307
Depreciation	129,544	128,553	139,157	166,788	165,657
Total Operating Expenses	344,155	358,104	380,460	411,839	449,964
Nonoperating Expenses					
Interest expense and others	109,857	112,703	102,074	103,602	97,945
Restatement	(508)	(431)	(38)	3,842	(430)
Interest expense and others	109,349	112,272	102,036	107,444	97,515
Total Nonoperating Expenses	109,349	112,272	102,036	107,444	97,515
Total Expenses	\$ 453,504	\$ 470,376	\$ 482,496	\$ 519,283	\$ 547,479
Contributions	41,865	91,175	70,936	51,457	44,135
Total Change in Net Position	\$ 57,220	\$ 133,654	\$ 55,366	\$ 54,130	\$ (3,182)
Net Position at Year End	2007	2008	2009	2010	2011
Net investment in capital assets	\$ 627,308	\$ 663,004	\$ 768,016	\$ 678,864	\$ 641,087
Restatement	(13,637)	(13,206)	(13,168)	(17,010)	(16,580)
Net investment in capital assets	613,671	649,798	754,848	661,854	624,507
Restricted net assets					
Restricted for debt service	\$ 58,362	\$ 72,333	\$ 82,436	\$ 160,873	\$ 168,841
Restricted for maintenance and operations	39,638	41,048	41,899	42,405	43,320
Restricted for special facility	11,074	12,811	12,353	12,444	15,081
Restricted for renewal and replacement	10,000	10,000	10,000	10,000	10,000
Restricted for capital improvements	438,127	518,536	458,356	526,446	549,091
Unrestricted (deficit)	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total Net Position	\$ 1,170,872	\$ 1,304,526	\$ 1,359,892	\$ 1,414,022	\$ 1,410,840

	2012	2013	2014	2015	2016
\$	86,935	\$ 91,059	\$ 88,342	\$ 93,575	\$ 86,870
	182,320	181,701	186,505	197,039	216,018
	148,295	160,234	177,260	185,668	186,009
	<u>417,550</u>	<u>432,994</u>	<u>452,107</u>	<u>476,282</u>	<u>488,897</u>
	5,636	(1,934)	11,170	7,496	13,260
	63,550	61,195	62,602	85,392	104,230
	15,904	17,104	17,152	17,535	16,417
	4,644	1,978	3,225	7,969	124
	<u>89,734</u>	<u>78,343</u>	<u>94,149</u>	<u>118,392</u>	<u>134,031</u>
\$	<u>507,284</u>	<u>\$ 511,337</u>	<u>\$ 546,256</u>	<u>\$ 594,674</u>	<u>\$ 622,928</u>

	2012	2013	2014	2015	2016
\$	264,060	\$ 272,091	\$ 285,212	\$ 286,529	\$ 315,419
	193,266	173,448	174,825	177,512	179,398
	<u>457,326</u>	<u>445,539</u>	<u>460,037</u>	<u>464,041</u>	<u>494,817</u>
	95,546	94,812	112,350	92,803	86,259
	(1,534)	(1,063)	-	-	-
	94,012	93,749	112,350	92,803	86,259
	94,012	93,749	112,350	92,803	86,259
\$	<u>551,338</u>	<u>\$ 539,288</u>	<u>\$ 572,387</u>	<u>\$ 556,844</u>	<u>\$ 581,076</u>
	15,029	12,761	44,614	36,432	22,542
\$	<u>(29,025)</u>	<u>\$ (15,190)</u>	<u>\$ 18,483</u>	<u>\$ 74,262</u>	<u>\$ 64,394</u>

	2012	2013	2014	2015	2016
\$	595,682	\$ 532,447	\$ 469,971	\$ 466,196	\$ 537,172
	(15,046)	(13,983)	-	-	-
	<u>580,636</u>	<u>518,464</u>	<u>469,971</u>	<u>466,196</u>	<u>537,172</u>
\$	189,966	\$ 213,064	\$ 242,558	\$ 303,371	\$ 333,635
	44,023	46,309	49,736	53,912	54,942
	20,025	26,026	30,986	25,732	26,944
	10,000	10,000	10,000	10,000	10,000
	537,165	552,762	581,857	600,159	561,071
	-	-	-	(178,003)	(178,003)
	-	-	-	-	-
\$	<u>1,381,815</u>	<u>\$ 1,366,625</u>	<u>\$ 1,385,108</u>	<u>\$ 1,281,367</u>	<u>\$ 1,345,761</u>

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

Domestic Passengers

Fiscal Year	Bush Intercontinental		Hobby		Ellington Airport		Total	
	Enplanements	Percentage	Enplanements	Percentage	Enplanements	Percentage	Enplanements	Percentage
	& Deplanements (in thousands)	Change	& Deplanements (in thousands)	Change	& Deplanements (in thousands)	Change	& Deplanements (in thousands)	Change
2007	35,260	3.4%	8,642	2.6%	-	-	43,902	3.2%
2008	35,200	-0.2%	9,097	5.3%	-	-	44,297	0.9%
2009	31,995	-9.1%	8,286	-8.9%	-	-	40,281	-9.1%
2010	32,093	0.3%	8,755	5.7%	-	-	40,848	1.4%
2011	31,666	-1.3%	9,434	7.8%	-	-	41,100	0.6%
2012	31,778	0.4%	10,192	8.0%	-	-	41,970	2.1%
2013	30,830	-3.0%	10,690	4.9%	-	-	41,520	-1.1%
2014	30,832	0.0%	11,609	8.6%	-	-	42,441	2.2%
2015	31,968	3.7%	11,837	2.0%	-	-	43,805	3.2%
2016	31,959	0.0%	12,208	3.1%	-	-	44,167	0.8%

International Passengers

Bush Intercontinental		Hobby		Total		Total Passengers	
Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change
7,555	6.0%	-	-	7,555	6.0%	51,457	3.6%
7,976	5.6%	-	-	7,976	5.6%	52,273	1.6%
7,642	-4.2%	-	-	7,642	-4.2%	47,923	-8.3%
8,138	6.5%	-	-	8,138	6.5%	48,986	2.2%
8,732	7.3%	-	-	8,732	7.3%	49,832	1.7%
8,686	-0.5%	-	-	8,686	-0.5%	50,656	1.7%
8,795	1.3%	-	-	8,795	1.3%	50,315	-0.7%
9,470	7.7%	-	-	9,470	7.7%	51,911	3.2%
10,018	5.8%	4	-	10,022	5.8%	53,827	3.7%
10,901	8.8%	* 519	13819.5%	11,420	14.0%	55,587	3.3%

* The New International Concourse at Hobby opened in October 2015

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
Airline Market Shares
(unaudited)

Airlines	Bush Intercontinental				Hobby			
	Fiscal Year 2015		Fiscal Year 2016		Fiscal Year 2015		Fiscal Year 2016	
	Total Passengers (in thousands)	Market Share	Total Passengers (in thousands)	Market Share	Total Passengers (in thousands)	Market Share	Total Passengers (in thousands)	Market Share
Domestic								
Alaska Airlines	101,142	0.2%	137,433	0.3%	-	0.0%	-	0.0%
Air Tran	-	0.0%	-	0.0%	106,314	0.9%	-	0.0%
American Airlines, Inc.	1,141,830	2.8%	1,475,647	3.5%	-	0.0%	-	0.0%
Envoy (American Eagle) - AA	14,796	0.0%	45,614	0.1%	249,702	2.1%	116,741	0.9%
Atlantic Southeast - DL	197,719	0.5%	15,085	0.0%	20,151	0.2%	63,893	0.5%
Charter Airlines	7,043	0.0%	5,173	0.0%	11,051	0.1%	8,475	0.1%
Chautauqua Airlines - DL	5,648	0.0%	-	0.0%	-	0.0%	-	0.0%
Compass Airlines - AE	15,097	0.0%	139,995	0.3%	-	0.0%	-	0.0%
Compass Airlines - DL	62,976	0.2%	11,335	0.0%	-	0.0%	-	0.0%
Continental	959,920	2.3%	-	0.0%	-	0.0%	-	0.0%
Delta	761,352	1.8%	713,550	1.7%	428,051	3.6%	365,340	2.9%
ExpressJet Airlines, Inc. - AE	-	0.0%	254	0.0%	-	0.0%	44,520	0.3%
ExpressJet Airlines, Inc. - CO	3,300,957	7.9%	-	0.0%	-	0.0%	-	0.0%
ExpressJet Airlines, Inc. - DL	-	0.0%	165,258	0.4%	-	0.0%	-	0.0%
ExpressJet Airlines, Inc. - UA	2,674,562	6.4%	3,894,897	9.1%	-	0.0%	-	0.0%
Frontier	307,506	0.7%	494,804	1.2%	-	0.0%	-	0.0%
GO JET - DL	5,542	0.0%	11,857	0.0%	-	0.0%	-	0.0%
JetBlue	-	0.0%	-	0.0%	165,595	1.4%	165,993	1.3%
Kalitta Charters, LLC	3	0.0%	-	0.0%	15	0.0%	20	0.0%
Mesa Airlines, Inc. - AE	91,200	0.2%	173,746	0.4%	-	0.0%	-	0.0%
Mesa Airlines, Inc. - UA	1,070,096	2.5%	2,290,086	5.2%	-	0.0%	-	0.0%
Mesa Airlines, Inc. - US	113,498	0.3%	16,820	0.0%	79,654	0.7%	171,325	1.3%
Endeavor (Pinnacle Airlines, Inc.) - DL	158,497	0.4%	235,024	0.5%	-	0.0%	-	0.0%
Republic Airlines - AE	170,654	0.4%	147,419	0.3%	-	0.0%	-	0.0%
Republic Airlines - UA	-	0.0%	179,327	0.4%	-	0.0%	-	0.0%
Republic Airlines - US	18,850	0.0%	31,025	0.1%	-	0.0%	-	0.0%
Seaport	-	0.0%	3,195	0.0%	-	0.0%	-	0.0%
Shuttle America Corporation - CO	325,001	0.8%	-	0.0%	-	0.0%	-	0.0%
Shuttle America Corporation - DL	92,382	0.2%	77,399	0.2%	-	0.0%	-	0.0%
Shuttle America Corporation - UA	258,270	0.6%	508,631	1.2%	-	0.0%	-	0.0%
SkyWest Airlines - CO	765,777	1.8%	-	0.0%	-	0.0%	-	0.0%
SkyWest Airlines - DL	165,458	0.4%	230,974	0.6%	-	0.0%	-	0.0%
SkyWest Airlines - UA	840,477	2.0%	1,829,778	4.3%	-	0.0%	-	0.0%
Southwest Airlines Company	-	0.0%	-	0.0%	10,776,574	91.0%	11,271,835	88.5%
Spirit Airlines	1,168,310	2.8%	1,678,712	3.9%	-	0.0%	-	0.0%
Sun Air (EAS)	1,370	0.0%	-	0.0%	-	0.0%	-	0.0%
Trans States - UA	262,808	0.6%	371,322	0.9%	-	0.0%	-	0.0%
United Air Lines Inc.	15,746,938	37.5%	16,487,410	38.5%	-	0.0%	-	0.0%
US Airways	1,162,070	2.8%	587,593	1.4%	-	0.0%	-	0.0%
Total Domestic	31,967,749	76.1%	31,959,363	74.5%	11,837,107	100.0%	12,208,142	95.9%
International								
AeroMexico	274,145	0.7%	255,215	0.5%	-	-	-	0.0%
All Nippon Airways Compant, Ltd. - ANA	7,813	0.0%	140,370	0.3%	-	-	-	0.0%
Jazz Air - AC (Air Canada Jazz)	278,194	0.7%	290,184	0.7%	-	-	-	0.0%
Air China	141,702	0.3%	132,565	0.3%	-	-	-	0.0%
Air France	145,833	0.3%	144,162	0.3%	-	-	-	0.0%
Air New Zealand	-	0.0%	72,132	0.2%	-	-	-	0.0%
American	487	0.0%	545	0.0%	-	-	-	0.0%
Envoy (American Eagle) - AA	104	0.0%	-	0.0%	-	-	-	0.0%
Atlas Air	31,725	0.1%	22,599	0.1%	-	-	-	0.0%
British Airways	264,830	0.6%	243,464	0.6%	-	-	-	0.0%
Charter Airlines	4,059	0.0%	6,634	0.0%	-	-	-	0.0%
Continental	473,474	1.1%	-	0.0%	-	-	-	0.0%
Emirates	221,455	0.6%	253,140	0.6%	-	-	-	0.0%
EVA Airways Corporation	2,866	0.0%	120,942	0.3%	-	-	-	0.0%
ExpressJet Airlines, Inc. - UA	353,311	0.9%	451,177	1.1%	-	-	-	0.0%
ExpressJet Airlines, Inc. - CO	472,373	1.1%	-	0.0%	-	-	-	0.0%
Interjet	46,449	0.1%	132,349	0.3%	-	-	-	0.0%
Kalitta Charters, LLC	-	0.0%	-	0.0%	4	-	3	0.0%
KLM	179,537	0.4%	156,409	0.4%	-	-	-	0.0%
Korean Air lines Co. Ltd.	114,235	0.3%	99,933	0.2%	-	-	-	0.0%
Lufthansa	281,261	0.7%	278,409	0.6%	-	-	-	0.0%
Mesa Airlines, Inc. - AE	49	0.0%	-	0.0%	-	-	-	0.0%
Mesa Airlines, UA	142,233	0.3%	124,619	0.3%	-	-	-	0.0%
Qatar Airways	152,557	0.4%	159,583	0.4%	-	-	-	0.0%
Republic Airlines Inc.-UA	-	0.0%	565	0.0%	-	-	-	0.0%
Scandinavian Airlines	10,556	0.0%	5,090	0.0%	-	-	-	0.0%
Shuttle America Corporation - CO	13,974	0.0%	-	0.0%	-	-	-	0.0%
Shuttle America Corporation - UA	-	0.0%	1,108	0.0%	-	-	-	0.0%
Singapore Airlines	84,057	0.2%	79,342	0.2%	-	-	-	0.0%
Spirit Airlines	23,815	0.1%	217,865	0.5%	-	-	-	0.0%
SkyWest Airlines - UA	175,472	0.4%	645,101	1.5%	-	-	-	0.0%
SkyWest Airlines - CO	91,320	0.2%	-	0.0%	-	-	-	0.0%
Southwest Airlines Company	-	0.0%	-	0.0%	3,728	-	519,473	4.1%
TACA	58,676	0.1%	57,093	0.1%	-	-	-	0.0%
Turkish Airlines	193,257	0.5%	193,892	0.6%	-	-	-	0.0%
United Air Lines Inc.	5,676,300	13.6%	6,467,458	15.1%	-	-	-	0.0%
Viva Aerobus	93,307	0.2%	63,103	0.1%	-	-	-	0.0%
Volaris Airlines	8,436	0.0%	40,550	0.1%	-	-	-	0.0%
WestJet Airlines	-	0.0%	45,055	0.1%	-	-	-	0.0%
Total International	10,017,862	23.9%	10,900,653	25.5%	3,732	0.0%	519,476	4.1%
Total Airlines	41,985,611	100.0%	42,860,016	100.0%	11,840,839	100.0%	12,727,618	100.0%

Ellington Airport				Houston Airport System			
Fiscal Year 2015		Fiscal Year 2016		Fiscal Year 2015		Fiscal Year 2016	
Total Passengers (in thousands)	Market Share	Total Passengers (in thousands)	Market Share	Total Passengers (in thousands)	Market Share	Total Passengers (in thousands)	Market Share
	0.0%		0.0%	101,142	0.2%	137,433	0.2%
	0.0%		0.0%	106,314	0.2%	-	0.0%
	0.0%		0.0%	1,141,830	2.1%	1,475,647	2.7%
	0.0%		0.0%	264,498	0.5%	162,355	0.3%
	0.0%		0.0%	217,870	0.4%	78,978	0.1%
	0.0%		0.0%	18,094	0.0%	13,648	0.0%
	0.0%		0.0%	5,648	0.0%	-	0.0%
	0.0%		0.0%	15,097	0.0%	139,995	0.3%
	0.0%		0.0%	62,976	0.1%	11,335	0.0%
	0.0%		0.0%	959,920	1.8%	-	0.0%
	0.0%		0.0%	1,189,403	2.2%	1,078,890	1.9%
	0.0%		0.0%	-	0.0%	44,774	0.1%
	0.0%		0.0%	3,300,957	6.1%	-	0.0%
	0.0%		0.0%	-	0.0%	165,258	0.3%
	0.0%		0.0%	2,674,562	5.0%	3,894,897	7.0%
	0.0%		0.0%	307,506	0.6%	494,804	0.9%
	0.0%		0.0%	5,542	0.0%	11,857	0.0%
	0.0%		0.0%	165,595	0.3%	165,993	0.2%
	0.0%		0.0%	18	0.0%	20	0.0%
	0.0%		0.0%	91,200	0.2%	173,746	0.3%
	0.0%		0.0%	1,070,096	2.0%	2,290,086	4.1%
	0.0%		0.0%	193,152	0.4%	188,145	0.3%
	0.0%		0.0%	158,497	0.3%	235,024	0.5%
	0.0%		0.0%	170,654	0.3%	147,419	0.2%
	0.0%		0.0%	-	0.0%	179,327	0.3%
	0.0%		0.0%	18,850	0.0%	31,025	0.1%
	0.0%		0.0%	-	0.0%	3,195	0.0%
	0.0%		0.0%	325,001	0.6%	-	0.0%
	0.0%		0.0%	92,382	0.2%	77,399	0.1%
	0.0%		0.0%	258,270	0.5%	508,631	0.9%
	0.0%		0.0%	765,777	1.4%	-	0.0%
	0.0%		0.0%	165,458	0.2%	230,974	0.5%
	0.0%		0.0%	840,477	1.6%	1,829,778	3.3%
	0.0%		0.0%	10,776,574	20.0%	11,271,835	20.3%
	0.0%		0.0%	1,168,310	2.2%	1,678,712	3.1%
	0.0%		0.0%	1,370	0.0%	-	0.0%
	0.0%		0.0%	262,808	0.5%	371,322	0.7%
	0.0%		0.0%	15,746,938	29.3%	16,487,410	29.7%
	0.0%		0.0%	1,162,070	2.2%	587,593	1.1%
<u>0</u>	<u>0.0%</u>	<u>0</u>	<u>0.0%</u>	<u>43,804,856</u>	<u>81.4%</u>	<u>44,167,505</u>	<u>79.5%</u>

Fiscal Year 2015		Fiscal Year 2016		Fiscal Year 2015		Fiscal Year 2016	
Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share
				274,145	0.5%	255,215	0.5%
				7,813	0.0%	140,370	0.3%
				278,194	0.5%	290,184	0.5%
				141,702	0.3%	132,565	0.2%
				145,833	0.3%	144,162	0.3%
				-	0.0%	72,132	0.1%
				487	0.0%	545	0.0%
				104	0.0%	-	0.0%
				31,725	0.1%	22,599	0.0%
				264,830	0.5%	243,464	0.4%
				4,059	0.0%	6,634	0.0%
				473,474	0.9%	-	0.0%
				221,455	0.4%	253,140	0.5%
				2,866	0.0%	120,942	0.2%
				353,311	0.7%	451,177	0.8%
				472,373	0.9%	-	0.0%
				46,449	0.1%	132,349	0.2%
				4	0.0%	3	0.0%
				179,537	0.3%	156,409	0.3%
				114,235	0.2%	99,933	0.2%
				281,261	0.5%	278,409	0.5%
				49	0.0%	-	0.0%
				142,233	0.3%	124,619	0.2%
				152,557	0.3%	159,583	0.3%
				-	0.0%	565	0.0%
				10,556	0.0%	5,090	0.0%
				13,974	0.0%	-	0.0%
				-	0.0%	1,108	0.0%
				84,057	0.2%	79,342	0.1%
				23,815	0.0%	217,865	0.5%
				175,472	0.3%	645,101	1.2%
				91,320	0.2%	-	0.0%
				3,728	0.0%	519,473	0.9%
				58,676	0.1%	57,093	0.1%
				193,257	0.4%	193,892	0.3%
				5,676,300	10.4%	6,467,458	11.6%
				93,307	0.2%	63,103	0.1%
				8,436	0.0%	40,550	0.1%
				-	0.0%	45,055	0.1%
<u>0</u>	<u>0.0%</u>	<u>0</u>	<u>0.0%</u>	<u>10,021,594</u>	<u>18.6%</u>	<u>11,420,129</u>	<u>20.5%</u>
<u>0</u>	<u>0.0%</u>	<u>0</u>	<u>0.0%</u>	<u>53,826,450</u>	<u>100.0%</u>	<u>55,587,634</u>	<u>100.0%</u>

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
Selected Financial Information
Operating Fund Only
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

	2007	2008	2009	2010	2011
Operating Revenues					
Landing Area Fees:					
Landing Fees	\$ 88,933	\$ 95,730	\$ 81,596	\$ 91,443	\$ 87,413
Carrier Incentive Program	-	-	(1,176)	(411)	(250)
Aviation Fuel	1,540	1,522	1,313	1,329	1,378
Aircraft Parking	1,667	1,765	1,090	1,804	1,843
Subtotal	<u>92,140</u>	<u>99,017</u>	<u>82,823</u>	<u>94,165</u>	<u>90,384</u>
Building and Ground Area Revenues:					
Building Space	5,037	5,054	5,017	5,158	5,067
Terminal Space	182,113	193,375	155,396	161,960	160,563
Cargo Building	2,011	2,469	2,374	2,490	2,511
Other Rental	-	-	-	-	-
Hangar Rental	3,394	3,473	4,051	4,920	5,446
Ground Rental	7,165	7,415	7,595	7,577	7,595
Concourse Security	-	-	-	-	-
Subtotal	<u>199,720</u>	<u>211,786</u>	<u>174,433</u>	<u>182,105</u>	<u>181,182</u>
Parking, Concession and other Revenues:					
Terminal Concessions	26,952	29,435	27,003	27,974	34,404
Auto Parking	65,454	72,958	66,565	70,127	70,681
Auto Rental	22,950	24,529	24,389	22,889	23,932
Ground Transportation	4,617	4,806	4,724	4,987	5,946
Special Events	21	19	20	22	22
Vending Machine	-	-	-	-	-
Other Operating Income	4,284	4,626	5,800	4,310	3,851
Subtotal	<u>124,278</u>	<u>136,373</u>	<u>128,501</u>	<u>130,309</u>	<u>138,836</u>
Total Operating Revenues	<u>\$ 416,138</u>	<u>\$ 447,176</u>	<u>\$ 385,757</u>	<u>\$ 406,579</u>	<u>\$ 410,402</u>
Nonoperating Revenues					
Interest on Investments	26,847	30,064	23,664	15,988	12,889
Other	310	90	300	2,504	341
Subtotal	<u>27,157</u>	<u>30,154</u>	<u>23,964</u>	<u>18,492</u>	<u>13,230</u>
Total Gross Revenues	<u>\$ 443,295</u>	<u>\$ 477,330</u>	<u>\$ 409,721</u>	<u>\$ 425,071</u>	<u>\$ 423,632</u>
Operation and Maintenance Expenses					
Personnel and Other Current Expenses	\$ 217,720	\$ 221,309	\$ 242,449	\$ 245,147	\$ 262,668
Bad Debt Expense	-	-	-	-	-
Total Operating and Maintenance Expenses	<u>\$ 217,720</u>	<u>\$ 221,309</u>	<u>\$ 242,449</u>	<u>\$ 245,147</u>	<u>\$ 262,668</u>
Net Revenue	<u>\$ 225,575</u>	<u>\$ 256,021</u>	<u>\$ 167,272</u>	<u>\$ 179,924</u>	<u>\$ 160,964</u>
Total Debt Service	\$ 144,495	\$ 157,246	\$ 150,438	\$ 145,130	\$ 158,682
Less: PFC available for debt service	(1,261)	(2,690)	(15,847)	(27,087)	(38,828)
Less: grant revenue available for debt service	(19,418)	(25,332)	(38,835)	(29,084)	(17,999)
Debt Service Requirement (per Bond Ordinance)	<u>\$ 123,816</u>	<u>\$ 129,224</u>	<u>\$ 95,756</u>	<u>\$ 88,959</u>	<u>\$ 101,855</u>
Coverage of debt Service	<u>1.82</u>	<u>1.98</u>	<u>1.75</u>	<u>2.02</u>	<u>1.58</u>

	2012	2013	2014	2015	2016
\$	83,895	\$ 87,660	\$ 88,392	\$ 94,748	\$ 89,505
	(836)	(749)	(4,294)	(5,322)	(6,802)
	1,382	1,444	1,529	1,521	1,527
	2,494	2,704	2,715	2,628	2,640
	<u>86,935</u>	<u>91,059</u>	<u>88,342</u>	<u>93,575</u>	<u>86,870</u>
	5,394	5,848	6,174	6,252	6,808
	160,247	158,237	163,297	173,392	191,321
	2,473	2,397	2,432	2,506	2,484
	-	-	-	-	-
	6,165	6,675	6,605	6,355	6,577
	8,041	8,544	7,997	8,534	8,828
	-	-	-	-	-
	<u>182,320</u>	<u>181,701</u>	<u>186,505</u>	<u>197,039</u>	<u>216,018</u>
	38,406	41,604	41,434	41,830	35,189
	72,833	77,596	90,173	97,515	101,650
	26,771	29,522	32,783	31,991	30,737
	6,186	6,639	8,301	9,323	10,083
	23	-	10	25	26
	-	-	-	-	-
	4,076	4,873	4,559	4,984	8,324
	<u>148,295</u>	<u>160,234</u>	<u>177,260</u>	<u>185,668</u>	<u>186,009</u>
\$	<u>417,550</u>	<u>432,994</u>	<u>452,107</u>	<u>476,282</u>	<u>488,897</u>
	9,826	7,029	5,499	6,014	6,986
	2,289	1,222	3,162	7,526	(52)
	<u>12,115</u>	<u>8,251</u>	<u>8,661</u>	<u>13,540</u>	<u>6,934</u>
\$	<u>429,665</u>	<u>441,245</u>	<u>460,768</u>	<u>489,822</u>	<u>495,831</u>
\$	255,507	\$ 252,745	\$ 268,745	\$ 283,557	\$ 314,715
	-	-	-	-	-
\$	<u>255,507</u>	<u>252,745</u>	<u>268,745</u>	<u>283,557</u>	<u>314,715</u>
\$	<u>174,158</u>	<u>188,500</u>	<u>192,023</u>	<u>206,265</u>	<u>181,116</u>
\$	151,311	\$ 153,938	\$ 156,424	\$ 163,319	\$ 163,904
	(36,619)	(34,390)	(35,614)	(38,054)	(42,320)
	<u>(7,360)</u>	<u>0</u>	<u>(22,942)</u>	<u>(16,399)</u>	<u>(13,888)</u>
\$	<u>107,332</u>	<u>119,548</u>	<u>97,868</u>	<u>108,866</u>	<u>107,696</u>
	<u>1.62</u>	<u>1.58</u>	<u>1.96</u>	<u>1.89</u>	<u>1.68</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
2007	983	50	5.36%	33,930	1,122	3.42%
2008	974	(9)	-0.88%	34,096	166	0.49%
2009	892	(82)	-8.42%	31,907	(2,189)	-6.42%
2010	858	(34)	-3.86%	31,707	(200)	-0.63%
2011	861	3	0.34%	32,564	857	2.70%
2012	838	(23)	-2.65%	32,844	280	0.86%
2013	799	(39)	-4.62%	33,041	197	0.60%
2014	811	12	1.44%	33,878	837	2.53%
2015	816	6	0.70%	31,894	(1,984)	-5.86%
2016	787	(30)	-3.62%	35,517	3,623	11.36%

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
System Debt Service Schedule
(unaudited)

The following table sets forth the Debt Service Requirements on all Airport Revenue Bonds Outstanding, assuming scheduled mandatory redemption of any term bonds and using rates in effect at year-end for auction rate securities and variable rate demand obligations. The amounts do not include the Airport System's Senior Lien Commercial Paper Notes.

Fiscal Year (ending June 30)	Senior Lien Bonds Debt Service	Subordinate Lien Bonds Debt Service	Total Bonds Debt Service	Inferior Lien Obligations	Bonds plus Inferior Lien Obligations
2017	32,851,744	131,607,401	164,459,145	6,420,863	170,880,008
2018	32,837,619	131,512,117	164,349,736	6,411,600	170,761,336
2019	32,823,619	128,719,798	161,543,417		161,543,417
2020	32,813,369	134,905,087	167,718,456		167,718,456
2021	32,795,619	123,951,412	156,747,031		156,747,031
2022	32,783,994	139,776,088	172,560,082		172,560,082
2023	32,766,994	137,015,987	169,782,981		169,782,981
2024	32,753,119	130,327,235	163,080,354		163,080,354
2025	32,735,744	138,803,933	171,539,677		171,539,677
2026	32,718,244	135,246,598	167,964,842		167,964,842
2027	32,698,869	126,394,132	159,093,001		159,093,001
2028	32,665,459	149,563,715	182,229,174		182,229,174
2029	32,644,981	138,861,111	171,506,092		171,506,092
2030	32,608,156	141,660,990	174,269,146		174,269,146
2031	32,562,213	137,010,021	169,572,234		169,572,234
2032	32,532,300	130,102,959	162,635,259		162,635,259
2033	32,502,163	139,287,491	171,789,654		171,789,654
2034	32,468,500		32,468,500		32,468,500
2035	32,432,875		32,432,875		32,432,875
2036	32,396,575		32,396,575		32,396,575
2037	32,360,613		32,360,613		32,360,613
2038	32,320,863		32,320,863		32,320,863
2039	32,278,063		32,278,063		32,278,063
2040	32,232,675		32,232,675		32,232,675
Total	\$ 782,584,370	\$ 2,294,746,075	\$ 3,077,330,445	\$ 12,832,463	\$ 3,090,162,908

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
	2015	2016	2015	2016
Landing Rates (1) (10)	\$2.803	\$2.812	\$2.113	\$1.835
Terminal Space Rentals (2) (10)	\$21.75 - \$75.45	\$22.41 - \$75.77	\$92.77 - \$95.27	\$87.62 - \$90.12
Apron Rentals (2) (10)	\$2.114 - \$2.597	\$2.326 - \$2.854	\$2.209	\$1.765
Aircraft Parking (per day) (7)	\$100 - \$400	\$100 - \$400	\$100 - \$400	\$100 - \$400
Cargo (per day) (6)	\$200 - \$600	\$200 - \$600	\$200 - \$600	\$200 - \$600
Parking Rates (3)				
Economy (Ecopark)				
Covered (4)	\$8.00	\$8.00		
Uncovered (4)	\$6.00	\$6.00		
Covered (8)	\$0.00	\$5.00		
Ecopark 1 (9)			\$0.00	\$0.00
Ecopark 2 (4)			\$10.00	\$10.00
Structured (5)	\$20.00	\$20.00	\$20.00	\$20.00
Sure Park	\$24.00	\$24.00	n/a	n/a
VALET Premier (5)	\$26.00	\$26.00	\$26.00	\$26.00

(1) Per 1,000 pounds of landing weight

(2) Range per square foot

(3) Maximum per day

(4) New rates effective July 1, 2015

(5) New rates effective May 5, 2014

(6) Daily cargo rates increased on August 1, 2011 at Intercontinental and Hobby to a range of \$200-\$600

(7) Daily aircraft parking rates increased on August 1, 2011 at Intercontinental and Hobby to a range of \$100-\$400

(8) New lot and rate effective May 1, 2016

(9) Economy Ecopark 1 at Hobby closed March 18, 2014

(10) 2007-2015 actual rates provided versus budgeted, as reported in CAFR 2015 & prior, 2016 budgeted rates provided

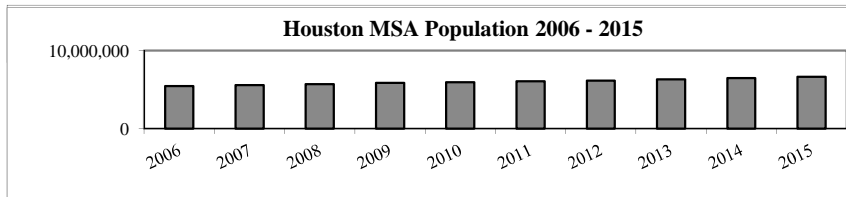
CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
Service Area
(unaudited)

The airport service region for the Houston Airport System consists of (1) the nine county Houston-The Woodlands-Sugar Land Metropolitan Statistical Area (Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery and Waller counties) -- referred to as the Houston MSA, and (2) a large secondary area surrounding the Houston MSA. The limits of this secondary area are generally defined by the range and quality of airline service at other air carrier airports, including Beaumont Jefferson County Airport to the east, Dallas/Fort Worth International Airport and Dallas Love Field to the north, Corpus Christi International Airport to the southwest and Austin-Bergstrom International Airport and San Antonio International Airport to the west.

Houston, the nation's fourth most populous city, is the largest in the South and Southwest. The Houston MSA ranks fifth in population among the nation's metropolitan areas.

Service Area Population

<u>Year</u>	<u>Houston MSA Population</u>
2006	5,484,883
2007	5,597,674
2008	5,726,705
2009	5,867,489
2010	5,946,800
2011	6,086,538
2012	6,177,035
2013	6,313,158
2014	6,490,180
2015	6,656,947



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

CITY OF HOUSTON, TEXAS
SURETY BOND AND INSURANCE COVERAGE
June 30, 2016
(amounts expressed in thousands)
(unaudited)

Policy Number	Insurer	Term of Policy
929624721	Western Surety Company	01-02-2016 to 01-02-2020
929624722	Western Surety Company	01-02-2014 to 01-02-2020
61BSBJ4506	Hartford Casualty Insurance Company	01-27-2016 to 01-27-2017
61BSBJ1564	Hartford Casualty Insurance Company	01-02-2016 to 01-02-2017
106360496	Travelers Casualty Insurance Company	08-04-2015 to 08-04-2016
61BSBGM4960	Hartford Casualty Insurance Company	04-11-2016 to 04-11-2017
6610	Texas Municipal League	05-15-2016 to 05-15-2017
ESP730205801	Arch Specialty Insurance Company	04-01-2016 to 04-01-2017
EAF70044616	Axis Surplus	04-01-2016 to 04-01-2017
44734407001	Chubb Custom Insurance Company	04-01-2016 to 04-01-2017
CPN10008909900	Endurance American Specialty Insurance Company	04-01-2016 to 04-01-2017
MKLX10XP001721	Essex Insurance Company	04-01-2016 to 04-01-2017
CPX100012000	Fair American Select Insurance Company	04-01-2016 to 04-01-2017
T0234451602687	General Security Indemnity Company of Arizona	04-01-2016 to 04-01-2017
CUL60322046	Houston Casualty Company	04-01-2016 to 04-01-2017
017001628	Lexington Insurance Company	04-01-2016 to 04-01-2017
017471603001	Lexington Insurance Company	04-01-2016 to 04-01-2017
01474160301	Lexington Insurance Company	04-01-2016 to 04-01-2017
CUAD13900	Lloyd's London Syndicate 4444	04-01-2016 to 04-01-2017
URS253790416	Lloyd's London Syndicate 3624 - Hiscox	04-01-2016 to 04-01-2017
NHD396161	RSUI Indemnity Company	04-01-2016 to 04-01-2017
SLSTPTY10836216	Starr Surplus Lines Insurance Company	04-01-2016 to 04-01-2017
LCP648088302	Tokio Marine American Insurance Company	04-01-2016 to 04-01-2017
NOGW43253016	Underwriters at Lloyd's	04-01-2016 to 04-01-2017
NOGW43270016	Underwriters at Lloyd's	04-01-2016 to 04-01-2017
NOGW43260015	Underwriters at Lloyd's	04-01-2016 to 04-01-2017
NOGW43255016	Underwriters at Lloyd's	04-01-2016 to 04-01-2017
NOGW43263016	Underwriters at Lloyd's	04-01-2016 to 04-01-2017
NOGW43259016	Underwriters at Lloyd's	04-01-2016 to 04-01-2017
NOGW43261016	Underwriters at Lloyd's	04-01-2016 to 04-01-2017
NOGW43254016	Underwriters at Lloyd's London - Brit Syndicate 2987	04-01-2016 to 04-01-2017
D37362797008	Westchester Fire	04-01-2016 to 04-01-2017
NAP045228903	Westport Insurance Corporation	04-01-2016 to 04-01-2017
NOGW43264016	Underwriters at Lloyd's	04-01-2016 to 04-01-2017
NOGW43265016	Underwriters at Lloyd's	04-01-2016 to 04-01-2017
YB2-L9L-458619-016	Liberty Mutual Fire Insurance Company	03-18-2016 to 03-18-2017
6610	Texas Municipal League	07-01-2015 to 07-01-2016
01-333-42-11-00357	AXA Insurance Company	06-26-2016 to 06-26-2017
CA1556806	Admiral Insurance Company	02-26-2016 to 02-26-2017
73652M160ALI	Torus National Insurance Company	02-26-2016 to 02-26-2017
01-333-42-11-00619	AXA Insurance Company	11-03-2015 to 11-03-2016
105324683	Travelers Casualty & Surety	12-30-2015 to 12-30-2016
014157608	National Union Fire Insurance Company of Pittsburgh, PA	05-29-2016 to 05-29-2017
61BPEAM5075	Hartford Casualty Insurance Company	10-29-2015 to 10-29-2016
61BPEAI9468	Hartford Casualty Insurance Company	02-11-2016 to 02-11-2017
61BPEC12302	Hartford Insurance	07-01-2015 to 07-01-2016
Various (approximately 2,000)	Western Surety Company	Four Year Term per Bond
KK0000020303800	National Casualty Company	06-26-2016 to 07-07-2016
WCX1604890P	Lloyd's of London - Beazley	06-20-2016 to 07-04-2016
SEL064078161	New Hampshire Insurance Company	11-25-2015 to 11-28-2015
US569620	United States Fire Insurance Company	11-20-2015 to 11-28-2015
6610	Texas Municipal League	07-01-2015 to 07-01-2016
VBA437391-00	Covington Specialty Insurance Company	04-01-2016 to 04-01-2017
AAPN11235487 002	ACE Property & Casualty Insurance Company	03-15-2016 to 03-15-2017

Property at Risk	Type of Coverage	Coverage (in thousands)
Mayor	Public Official Bond	\$ 50
City Controller	Public Official Bond	\$ 50
City Treasurer	Public Official Bond	\$ 25
Deputy Controller	Public Official Bond	\$ 25
Municipal Courts	Public Official Bond	\$ 25
Tax Collector	Public Official Bond	\$ 25
City of Houston	Automobile Catastrophe	\$ 1,177
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 7,000
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 *	\$ 7,000
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 25,000
City of Houston	Property Insurance *	\$ 9,000
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 10,000
City of Houston	Property Insurance *	\$ 7,000
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 3,000
City of Houston	Property Insurance *	\$ 4,000
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 3,750
City of Houston	Property Insurance *	\$ 6,000
City of Houston	Property Insurance *	\$ 10,000
City of Houston	Property Insurance *	\$ 7,500
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 5,750
City of Houston	Property Insurance *	\$ 25,000
City of Houston	Terrorism	\$ 100,000
City of Houston	Terrorism	\$ 150,000
City of Houston	Boiler & Machinery	\$ 100,000
City of Houston	HITS Property, Radio Equipment and Towers	\$ 81,245
City of Houston Library	Business Electronic Eq., Valuable Papers, Fine Arts	\$ 11,881
Holcombe Health Lab	Commercial General Liability	\$ 1,000
Holcombe Health Lab	Excess Liability	\$ 5,000
HoustonFirst Corporation	Fine Arts	\$ 12,450
City of Houston	Pole Attachment Bond, Centerpoint	\$ 250
City of Houston	Public Employee Dishonesty/Crime	\$ 2,000
Parks Board	Public Employee Dishonesty	\$ 10
Library Board	Public Employee Dishonesty	\$ 10
Houston Center for Literacy	Employee Dishonesty	\$ 375
Various City of Houston Notaries	Notary Public Bonds	\$ 3
City of Houston	Special Event Commercial General Liability	\$ 1,000
City of Houston	Adverse Weather Event Cancellation	\$ 863
City of Houston	Special Event Commercial General Liability	\$ 1,000
City of Houston	Excess Accident Medical	\$ 50
City of Houston	Property Insurance - Floats	\$ 125
City of Houston HHS Parking Lot	Commercial General Liability	\$ 1,000
City of Houston HAS Ellington Field Fuel Resale	Airport Liability	\$ 500

* The property insurance is provided by insurance carriers that underwrite varying pro-rata shares of coverage that total to the policy loss limit.

CITY OF HOUSTON, TEXAS
SALARIES OF ELECTED OFFICIALS
June 30, 2016
(unaudited)

<u>Name and Title of Official</u>	<u>Authorized Annual Base Salary</u>
Sylvester Turner, Mayor	\$ 236,189
Chris B. Brown, City Controller	157,459
Brenda Stardig, Council Member - District A	62,983
Jerry Davis, Council Member - District B	62,983
Ellen R. Cohen, Council Member - District C	62,983
Dwight A. Boykins, Council Member - District D	62,983
Dave Martin, Council Member - District E	62,983
Steve Le, Council Member - District F	62,983
Greg Travis, Council Member - District G	62,983
Karla Cisneros, Council Member - District H	62,983
Robert Gallegos, Council Member - District I	62,983
Mike Laster, Council Member - District J	62,983
Larry V. Green, Council Member - District K	62,983
Mike Knox, Council Member - At Large Position 1	62,983
David W. Robinson, Council Member - At Large Position 2	62,983
Michael Kubosh, Council Member - At Large Position 3	62,983
Amanda K. Edwards, Council Member - At Large Position 4	62,983
Jack Christie, Council Member - At Large Position 5	62,983

CITY OF HOUSTON, TEXAS
Schedule of Credits
(unaudited)

Comprehensive Annual Financial Report:

Controller's Office

Executive/Administrative Divisions

Chris B. Brown, City Controller
Shannan Nobles, Chief Deputy City Controller
Roger Widmeyer, Director of Communications

Design Oversight and Writing

Financial Reporting Division

Carl Medley, Deputy City Controller
Michael Abbott, Assistant City Controller
Alicia Cai, Assistant City Controller
Rosa Henderson, Assistant City Controller
Larry Liu, Assistant City Controller
Chris Okeagu, Assistant City Controller
Maria G. Perez, Administrative Specialist
Beverly Riggans, Deputy Director
Irma Rodriguez, Assistant City Controller
Courtney Satterwhite, Assistant City Controller
Andrew Vasquez, Deputy Director
Suong "Su" Vu, Assistant City Controller
Dinah Walter, Assistant City Controller
Bonita Wright, Assistant City Controller

Preparation and Coordination

Operations and Technical Services Division

Alexander Obregon, Deputy City Controller
Dora-Lee Arjona, Microcomputer Analyst
Monika De Los Santos, Assistant City Controller
Brenda Jackson, System Support Analyst
Martina Lee, Assistant City Controller
Annie Nguyen, Administrative Supervisor
Daniel Schein, System Support Analyst
Lillie Stewart, Administration Manager
Anthony Tran, LAN Specialist

Consulting and General Support

Treasury Division

Charisse Page Mosely, Deputy City Controller
Han Au, Treasury Manager
Ashlee Brown, Financial Analyst
Sharon Liu, Senior Treasury Analyst
Lillie Nobles, Management Analyst
Asha Patnaik, Debt Manager
Catherine Smith, Senior Treasury Analyst
Asia Speights, Administrative Assistant
Martin Troupe, Assistant City Controller

Debt and Investment Management Disclosures

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

Finance Department

Preparation, Coordination, Analysis and Documentation

Kelly Dowe, Director
Nukola Bayo, Financial Analyst
Greg Carrington, Deputy Assistant Director
Joe Dumas, Division Manager
Isis Mathoslah, Financial Analyst
Beverly McFarlain, Division Manager
Gloria Moreno, Deputy Assistant Director
Vivien Nguyen, Staff Analyst
Bobby Qasim, Division Manager
Arif Rasheed, Deputy Director
Mohsin Raza, Staff Analyst
Adela Rice, Division Manager
Thy-Huyen Ruiz, Division Manager

Administration & Regulatory Affairs Department

Analysis and Supporting Documentation

Tina Paez, Director
Valerie Berry, Deputy Assistant Director
Raymond Bradford, Senior Staff Analyst
Hannah Hoang, Senior Accountant
Bethany Li, Administration Manager
Denejra Milborn, Senior Accountant
Juan Olguin, Assistant Director
Rosalinda Salazar, Senior Staff Analyst
Sreng Ung, Division Manager

Houston Information Technology Services Department

SAP/ ERP Consulting, Support & Development

Lisa Kent, Director
Ron Headley, Division Manager
Sindhu Menon, Assistant Director

Professional Consultants

Project Management and Design

Houston Independent School District Printing Services
Debbie Roberts, Outside Sales Representative

McConnell & Jones LLP/Banks, Finley, White & Co.

Independent Auditors

This schedule by no means gives credit to all of the individuals who have some part in the development and production of this Comprehensive Annual Financial Report. However, we have included the major participants who made the issuance of this document possible.

Photos Courtesy of Mayor's Office of Special Events

Printing by HISD Graphic Services

Design by Susanne Bynum

Concept, Controller's Communications Office

