ANNUAL COMPREHENSIVE FINANCIAL REPORT

THE AIRPORT SYSTEM FUND
AN ENTERPRISE FUND OF THE CITY OF HOUSTON, TEXAS

FOR THE FISCAL YEARS ENDED
JUNE 30, 2021 and JUNE 30, 2020

AIRPORT SYSTEM FUND

An Enterprise Fund of the

City of Houston, Texas

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Years Ended June 30, 2021 and June 30, 2020

Prepared by:

Office of City Controller

Chris Brown
City Controller

Beverly Riggans
Deputy City Controller

Houston Airport System

J'Maine Chubb
Chief Financial Officer

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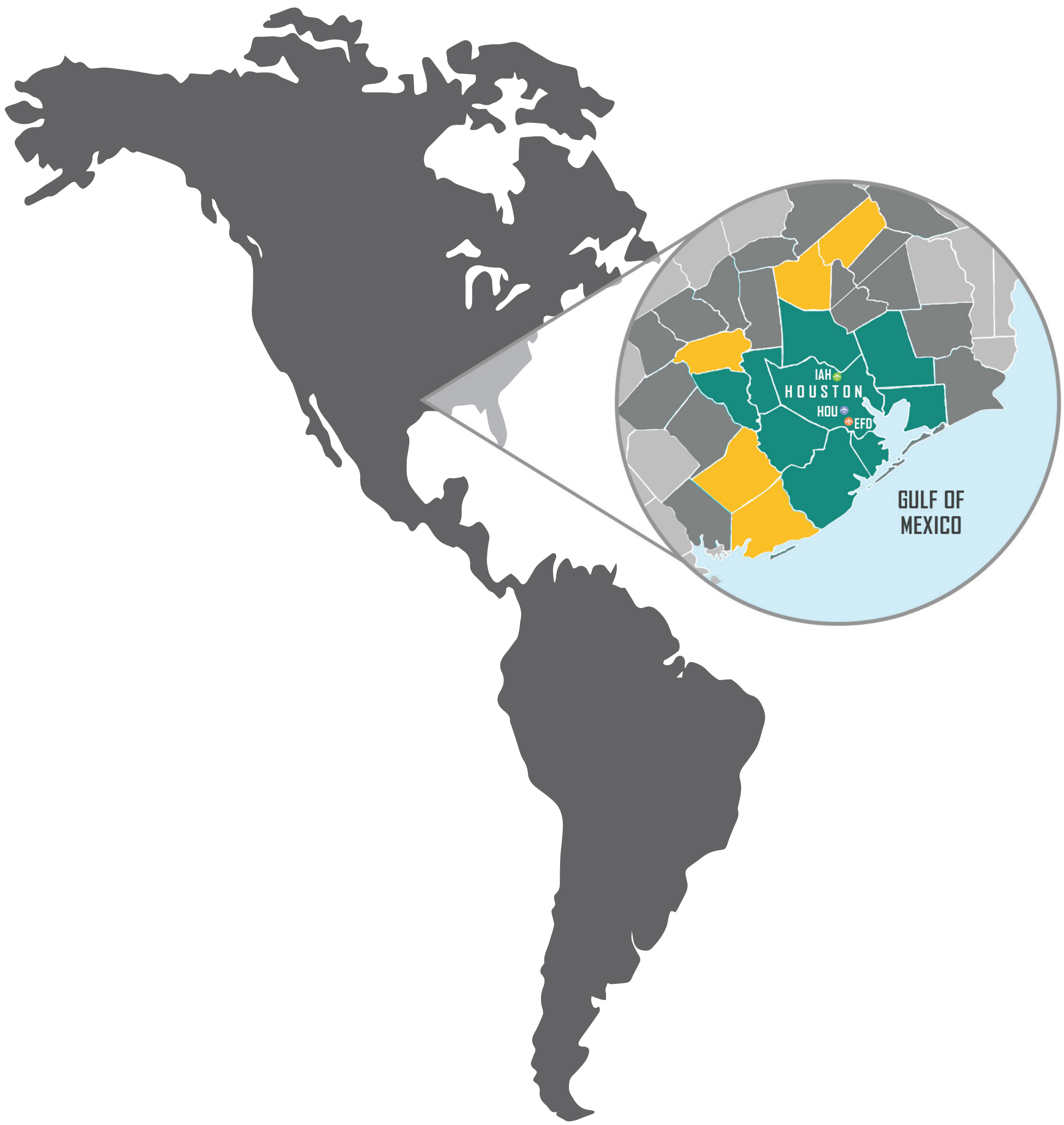
INTRODUCTORY SECTION (UNAUDITED)

ANNUAL COMPREHENSIVE FINANCIAL REPORT

IAH Terminal Redevelopment Program (ITRP)
Site preparation for future construction of
West Pier at Terminal D

Introductory section photo credit: Conrad Lin

HOUSTON AIRPORT SYSTEM



Metropolitan Statistical Area (MSA) of Houston-The Woodlands-Sugar Land, TX includes 9 counties.

Consolidated Statistical Area (CSA) of Houston-The Woodlands, TX adds Matagorda, Trinity, Walker, Washington, and Wharton counties.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Houston, Texas
Airport System Fund

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON, TEXAS

CHRIS B. BROWN

December 10, 2021

To the Citizens, Mayor and Members of the City Council of the City of Houston, Texas:

I am pleased to present you with the Annual Comprehensive Financial Report (the "Financial Report") for the City of Houston, Texas (the "City"), Airport System Fund (the "Fund") for the fiscal years ended June 30, 2021 and June 30, 2020, including the independent auditors' report. The Controller's Office and the Houston Airport System ("HAS") share responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Fund.

The Financial Report includes four sections: Introductory, Financial, Statistical, and Compliance. The Introductory Section includes this transmittal letter, a list of principal officials, and the HAS' organizational chart. The Financial Section includes Management's Discussion and Analysis ("MD&A"), financial statements with accompanying notes, required supplementary information, as well as the independent auditors' report on the financial statements. The Statistical Section includes selected financial trends, revenue capacity, debt capacity, demographic, economic, and operating information, generally presented on a ten-year basis. The Compliance Section includes the independent auditors' report on HAS' compliance with the requirements of the Federal Aviation Administration (the "FAA") Passenger Facility Charge ("PFC") Program.

The Financial Section described above is prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for governments as prescribed by the Governmental Accounting Standards Board. The MD&A offers readers an overview and analysis of the financial activities of the Fund and should be read as an introduction to the financial statements. In addition, the notes to the financial statements offer additional important information and are essential to a full understanding of the financial statements.

THE REPORTING ENTITY

The Fund is an enterprise fund of the City and is included in the City's Annual Comprehensive Financial Report. An enterprise fund is used to account for services provided to the general public on a continuing basis with costs recovered primarily through user charges. HAS, under the administrative control of the Mayor, manages and operates the Fund. The City Controller, as the chief financial officer of the City, maintains the book of accounts, prepares financial statements, and, with the Mayor, co-signs all warrants, contracts, and orders for payment of any public funds or money relating to the Fund.

HAS OVERVIEW

HAS consists of three airports: George Bush Intercontinental Airport ("IAH"), William P. Hobby Airport ("HOU"), and Ellington Airport ("EFD"). United Airlines ("United") is the dominant air carrier operating at IAH, and Southwest Airlines ("Southwest") is the dominant air carrier operating at HOU.

IAH is the nation's 12th busiest airport, as measured by enplaned passengers in calendar year 2020, and is classified as a "large hub airport" by the FAA. IAH serves as an international gateway airport and a primary connecting point in the national air transportation system and was the second busiest hub for United in calendar year 2020. Additionally, IAH is the primary air cargo airport for the region and ranked no. 19 in the nation, as measured by cargo landed weight. Furthermore, the U.S. Transportation Security Administration has named IAH as its 2020 airport of the year. HOU is the nation's 33rd busiest airport, as measured by enplaned passengers in calendar year 2020, and is classified as a "medium hub airport" by the FAA. HOU is one of the major operating bases for Southwest, which offers domestic service and international service, including destinations in Mexico, Central America, and the Caribbean. EFD is primarily used for general aviation, military, and the National Aeronautics and Space Administration's ("NASA") space operations, and currently has no commercial passenger service. In June 2015, HAS obtained a spaceport license from the FAA for EFD, allowing EFD to accommodate horizontal-launch commercial spaceflight operations.

ECONOMIC CONDITIONS AND MAJOR INITIATIVES

The City is the nation's fourth most populous city and lies within the fifth largest metropolitan statistical area in the United States - the nine-county, Houston-The Woodlands-Sugar Land metropolitan statistical area (the "MSA"). The City and the MSA continue to see year-over-year population growth. For the year ended December 31, 2020, the estimated population increased to 7.15 million from 7.06 million on December 31, 2019. In addition, overall business environment and available workforce in the State of Texas continues to attract multi-national enterprises and supporting industries to Texas. The MSA is home to several Fortune 500 companies, including Phillips 66, Sysco, ConocoPhillips, and Group 1 Automotive. As a result, the primary service region for HAS entertains a diverse economic base. Leading industries include energy, petrochemical, engineering and construction, real estate, aerospace, medicine and health care, transportation, biotechnology, and computer technology.

Widely recognized as the "Energy Capital of the World," the City is a global center for virtually every segment of the oil-and-gas industry. The City is also home to the Texas Medical Center, the world's largest concentration of biomedical research and healthcare institutions, and to the Lyndon B. Johnson Space Center, NASA's center for human spaceflight training, research, and flight control. The deep-water Port of Houston is the nation's busiest port as ranked by foreign tonnage and the second-busiest port as ranked by total tonnage.

Fiscal Year 2021 in Review

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The outbreak has adversely affected domestic and international travel as well as travel-related industries during the third and fourth quarter of fiscal year 2020 and continued to have significant effect throughout the fiscal year ended June 30, 2021. Airports and airlines around the world have been acutely impacted by the reductions in passenger volumes and flights, as well as by the broader economic shutdowns and continued restrictions. In response, airlines have reduced flight frequency and aircraft size to attempt to match capacity to the reduced demand for air travel.

Signed into law on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") provided $10 billion of assistance to U.S. airports, which was apportioned among such airports based on various formulas, through the FAA. HAS is eligible to receive approximately a total of $200.2 million of CARES Act funds - $149.2 million, $50.9 million, and $0.1 million for IAH, HOU, and EFD, respectively, over a four-year period per the CARES Act. COVID-19 has had a material impact on aircraft operations, passenger volumes, and revenues at IAH and HOU during fiscal year 2021. HAS implemented multiple actions in response to these conditions, including reductions in operating and financing costs. HAS received a total of $187.4 million from the FAA during the year ended June 30, 2021, which it used to pay eligible operating expenses and debt service in an amount necessary to offset lost operating revenues and PFCs. As of June 30, 2021, HAS had approximately $4.8 million of remaining CARES Act funds to be used in a similar manner in fiscal year 2022 through 2024.

In addition, on December 27, 2020, the United States Congress passed the Coronavirus Response and Relief Supplemental Appropriation Act ("CRRSA Act") with the purpose of relief to airports to prevent, prepare for, and respond to the COVID-19 pandemic, including relief from rent and minimum annual guarantees for eligible airport concessions at various airports. HAS is eligible to receive approximately a total of $45.8 million of CRRSA Act funds over a four-year period. As of June 30, 2021, no CRRSA Act funds have been expended.

On March 11, 2021, the American Rescue Plan Act of 2021 ("ARP Act") was signed into law by the President of the United States. ARP Act includes $8 billion in funds to be awarded as economic assistance to eligible U.S. airports to prevent, prepare for, and respond to the COVID-19 pandemic. To distribute these funds, the FAA has established the Airport Rescue Grants. Primary commercial service airports, those with more than 10,000 passenger boardings, share nearly $6.5 billion based on the number of annual boardings. Furthermore, primary commercial service airports share an additional $800 million based on the number of annual boardings, and these funds will then be available for these airports to provide relief from rent and minimum annual guarantees to eligible in-terminal airport concessions. In total, HAS is eligible to receive approximately $181.0 million and $24.8 million for operations and airport concessions, respectively. None of the funds have been expended or received during the year ended June 30, 2021.

COVID-19 had a significant impact on IAH and HOU passengers and aircraft operations in fiscal year 2021. Total number of passengers (enplanements and deplanements) for fiscal year 2021 was 29.7 million, a 13.9 million (-31.9%) decrease from 43.6 million in fiscal year 2020 or a 29.8 million (-50.1%) decrease from 59.5 million in fiscal year 2019. Aircraft operations decreased by 112,000 (-17.9%) from 624,000 in fiscal year 2020 to 512,000 in fiscal year 2021.

HAS provided financial relief to airlines by agreeing to defer approximately $10.6 million of terminal rents, as of June 30, 2021, payable in monthly installments over agreed-upon time periods.

Key factors that will affect future airline traffic and passenger volume at HAS include (1) the ability of the U.S. and other nations to recover from the COVID-19 pandemic; (2) growth in the population and economy of the service region; (3) national and international economic and political conditions; (4) airline economics and airfares; (5) the price of aviation fuel; (6) airline service decisions; (7) the capacity of the air traffic control system; and (8) the capacity of HAS airports.

Capital Improvement Program

The HAS five-year Capital Improvement Plan ("CIP") for fiscal years 2022-2026 contains appropriation requirements of approximately $1.4 billion as of June 30, 2021. This CIP was developed in connection with master planning studies for all three system airports. Future improvements will be funded with airport earnings, proceeds from new bond issues, proceeds from the FAA and other grantors, and with PFCs. The CIP excludes projects funded by airline tenants under the terms of special facilities leases. HAS continually reviews and updates its CIP to address changing economic conditions and air traffic demand levels, changing operating conditions, and facility conditions.

At IAH, HAS continues with design and construction activities for the IAH Terminal Redevelopment Program (the "ITRP"). This program includes a new six-widebody gate concourse that will become the West Concourse of the Mickey Leland International Terminal (the "MLIT") which is underway with most of the site and civil work already completed. The ITRP also includes the demolition of the Terminal D/E parking garage to make way for a new centralized ticketing hall for the MLIT. The garage was closed in March 2021; demolition started shortly thereafter and is expected to be completed before end of summer 2022. The expansion of the terminal facilities will also necessitate an enlargement of certain components of the existing federal inspection services facility as well as related improvements to aircraft parking aprons and roadways. The MLIT will be used by United and all foreign carriers serving IAH upon completion of the ITRP.

A roadway and curbside component of the modernization and expansion of Terminal A is a part of this CIP along with several taxiways at IAH. Helping to drive the need for the expansion of domestic gate capacity at IAH, Southwest Airlines returned to the IAH market in April 2021 and currently serves nine cities with non-stop service including Chicago Midway, Dallas Love Field, Denver, Nashville, New Orleans, Las Vegas, Orlando, Phoenix, and Tampa Bay.

At HOU, capital improvements are planned for the airfield as required by the FAA, as well as normal pavement management and customer service enhancements for the HOU Central Concourse.

At EFD, HAS completed the first phase, 153 acres of vital infrastructure, of the 400-acre Houston Spaceport (the "Spaceport") in December 2020. The Spaceport will be the home to the world's first commercial space station builder, Axiom Space, which announced its plans to create a 14-acre headquarters campus located in the Spaceport. In addition, included in the CIP, a $118 million budget for the construction of taxiway L.

As HAS continues to review its CIP for changes necessary to "right-size" its facilities and to accommodate the growth in passenger volume at its airports, management has committed to financial targets intended to optimize use of resources and to expand facilities in a financially responsible manner. More specifically, financial targets set in the strategic plan for fiscal years 2020-2024 include the following:

FINANCIAL METRIC	TARGET	FY21 ACTUAL
Total debt per enplaned passenger*	$120 or Less	$168.79*
Debt service coverage ratio (net of PFC offset)	1.5 or Greater	N/A**
Days of cash on-hand for operations	450 or Greater	690 days

*Note – Total debt excludes special facility/conduit debt. Results impacted by COVID-19 pandemic.

**Note – Debt per enplaned passenger increased significantly in fiscal year 2021 due to the loss of enplanements caused by the COVID-19 pandemic. HAS paid all debt service in fiscal year 2021 from PFC and CARES Act proceeds.

FINANCIAL INFORMATION

The Fund's financial accounting system utilizes the accrual basis of accounting. Management of HAS and the City are responsible for establishing and maintaining internal controls designed to ensure that the assets of the Fund are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for preparation of the Financial Report in conformity with GAAP.

HAS controls current expenses at all division levels. HAS' Deputy Directors are responsible for the expenses approved by the Division Managers reporting to them; in turn, Division Managers are responsible for budgetary items that are controllable at their organizational level. Budgetary control is maintained at the expenditure category level (e.g., personnel services, supplies, other services, and capital outlay), through the encumbrance of estimated purchase amounts prior to the release of purchase orders or contracts to the vendors. This is accomplished primarily through an automated encumbrance and accounts payable system.

However, the Fund as a whole is not budgeted. The City Council approves the Fund's annual budget for operational expenses and authorizes capital project expenditures through individual appropriation ordinances based on a five-year CIP that is proposed by the Mayor and HAS Director. City Council can legally appropriate only those amounts of money that the City Controller has certified to be available for appropriation.

OTHER INFORMATION

Independent Audit

A joint venture of two independent accounting firms, McConnell & Jones, LLP and Banks, Finley, White & Co., performed the audits of the Fund's financial statements for the years ended June 30, 2021 and 2020. The financial section of this report includes the independent auditors' report on the basic financial statements. The compliance section of this report includes the independent auditors' report on HAS' compliance, and internal control over compliance, applicable to the PFC Program instituted by the FAA.

The City, as a whole, is also required to undergo an annual compliance audit in conformity with the provisions of Title 2 of the U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State of Texas *Uniform Grants Management Standards*. This audit is conducted in conjunction with the City's annual financial statements audit. Information related to this compliance audit, including the schedule of expenditures of federal and state awards and related notes, and the schedule of findings, and questioned costs, are included in the City's Single Audit Report.

Awards/Acknowledgments

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting ("COA") to the City of Houston, Texas, Airport System Fund for its Financial Report submitted for the fiscal year ended June 30, 2020. This was the 27th consecutive year that the Fund has achieved this prestigious award. In order to be awarded a COA, a governmental unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both GAAP and applicable legal requirements.

A COA is valid for a period of one year. We believe our current Financial Report continues to conform to the COA program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this Annual Comprehensive Financial Report was made possible by the dedicated service of the Finance Department of HAS and the City Controller's Office.

Respectfully submitted,

DocuSigned by:
Chris Brown
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Chris B. Brown

City Controller

ELECTED OFFICIALS
CITY OF HOUSTON

AS OF JUNE 30, 2021:

Mayor	Sylvester Turner
Controller	Chris Brown
Councilmember, At-Large, Position 1	Mike Knox
Councilmember, At-Large, Position 2	David Robinson
Councilmember, At-Large, Position 3	Michael Kubosh
Councilmember, At-Large, Position 4	Letitia Plummer
Councilmember, At-Large, Position 5	Sallie Alcorn
Councilmember, District A	Amy Peck
Councilmember, District B	Tarsha Jackson
Councilmember, District C	Abbie Kamin
Councilmember, District D	Carolyn Evans-Shabazz
Councilmember, District E	Dave Martin
Councilmember, District F	Tiffany Thomas
Councilmember, District G	Greg Travis
Councilmember, District H	Karla Cisneros
Councilmember, District I	Robert Gallegos
Councilmember, District J	Edward Pollard
Councilmember, District K	Martha Castex-Tatum

PRINCIPAL OFFICIALS
HOUSTON AIRPORT SYSTEM (A department of the City of Houston)

AS OF JUNE 30, 2021:

Mario C. Diaz
Director of Aviation

In alphabetical order:

Saba Abashawl
Chief External Affairs Officer

Arturo Machuca
General Manager
Ellington Airport
Houston Spaceport

Tanya Acevedo
**Chief Technology Officer

Liliana Rambo
Chief Terminal Management Officer
George Bush Intercontinental Airport
William P. Hobby Airport

J'Maine Chubb
Chief Financial Officer

Steve Runge
*Interim Chief of Operations

Harleen Hines Smith
Chief Human Resources Officer

Jarrett Simmons
Chief Development Officer

Jocelyn Labove
Chief Aviation Risk and Regulatory Compliance Officer

Molly Waits
Chief Marketing, Air Service Development & Communications Officer
***Interim Chief Commercial Officer

*As of July 19, 2021, Steve Runge was named Chief of Operations
**As of September 20, 2021, Darryl Daniel was named Chief Technology Officer
***As of September 20, 2021, Charlene V. Reynolds was named Chief Commercial Officer

2021 SKYTRAX WORLD AIRPORT AWARDS

Houston is the only U.S. city to have two airports in the BEST AIRPORTS IN NORTH AMERICA and CLEANEST AIRPORTS categories

IAH

#1 U.S. Airport

George Bush Intercontinental Airport (IAH), received the highest ranking among U.S. airports in the Top 100 World Airports category and placed second best airport in North America, achieving both honors for the second consecutive year.

Globally, IAH climbed six spots to finish at rank 25 up from rank 31 in 2020 and from rank 38 in 2019.

#1 Cleanest U.S. Airport

Bush Airport also ranked as the cleanest airport in the U.S and finished fourth in the rankings for Best U.S. Airport Staff.

IAH also received the COVID-19 Airport Excellence Award. Since the early onset of the pandemic, Houston Airports implemented FlySafe Houston, an internationally accredited passenger and employee-focused safety and health initiative that helps reduce the spread of COVID-19 at Houston Airports.

HOU

#1 Most Improved U.S. Airport

William P. Hobby Airport (HOU), ranked third among Best Regional Airports in North America for the second consecutive year.

Globally, HOU climbed to rank 49, up from rank 67 in 2020, and from rank 85 in 2019.

HOU also ranked in the TOP 10 Cleanest Airports in North America and the TOP 10 Best Airports in North America Categories.

GOVERNMENT FINANCE OFFICERS ASSOCIATION

The City of Houston Airport System Fund was awarded the Certificate of Achievement for Excellence in Financial Reporting for the 27th consecutive year for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2020.

ANNUAL TELLY AWARDS

Houston Airports' FlySafe Houston Communications Campaign Receives Double Honors at the 42nd Annual Telly Awards. The Houston Airports' FlySafe campaign video, which was written, produced and edited by the Houston Airports communications team, was awarded in two categories: Silver Telly Winner in Branded Content: Writing and Bronze Telly Winner in Branded Content: Public Interest/Awareness.

TSA 2020 AIRPORT AWARDS

The Transportation Security Administration (TSA), has named George Bush Intercontinental Airport (IAH), in Houston, as its 2020 Airport of the Year, making this the 2nd consecutive year IAH has received this recognition. The TSA in partnership with the Houston Airport System and the City of Houston Police Department ensure the safe traveling of the public and freedom of movement of passengers and commerce.

ACI INTERNATIONAL HEALTH ACCREDITATION

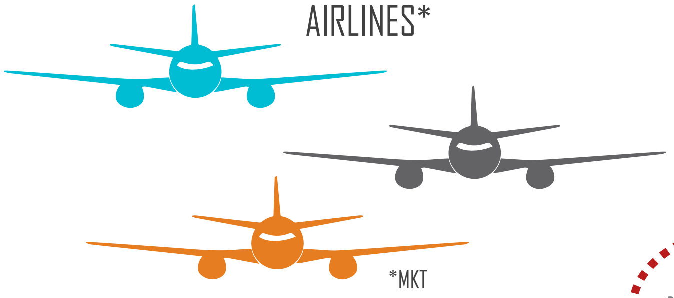
Airports Council International (ACI), has designated George Bush Intercontinental (IAH) and William P. Hobby (HOU) airports as safe and secure airports for the traveling public. ACI's Airport Health Accreditation program recognizes airports around the world for prioritizing health and safety measures to curb the COVID-19 pandemic. Houston's airports are the first in Texas to be given this accreditation.

J.D. POWER

Houston's Airports Score Among the Best in J.D. Power North America Airport Satisfaction Study. William P. Hobby Airport (HOU) ranks fourth among large airports in North America and George Bush Intercontinenal Airport (IAH) ranks 13th among mega airports. Both airports showcasing double-digit improvements from 2019.

31 (A)

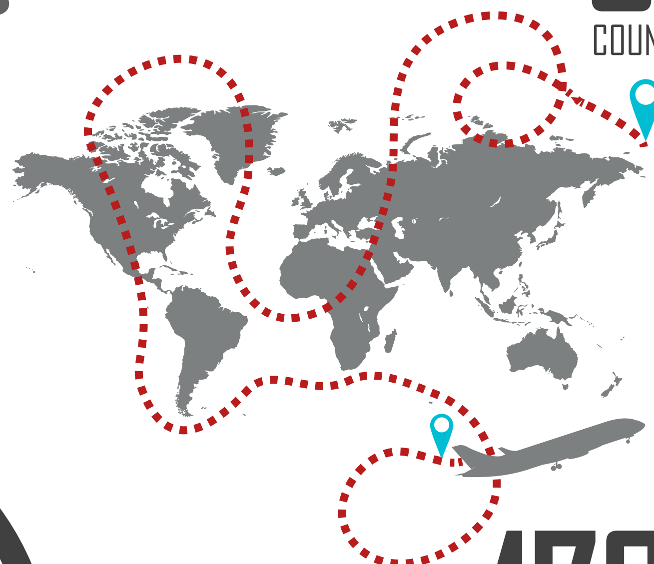
AIRLINES*



*MKT

32 (A)

COUNTRIES



179 (A)

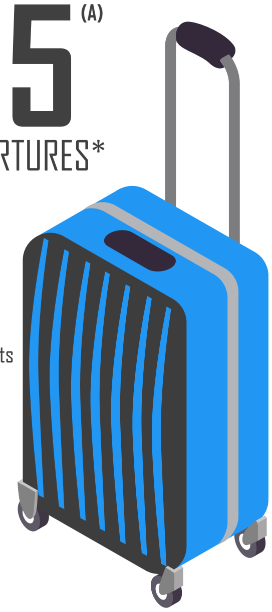
NON-STOP DESTINATIONS

7.4 MILLION

POPULATION SERVICE AREA

505 (A)

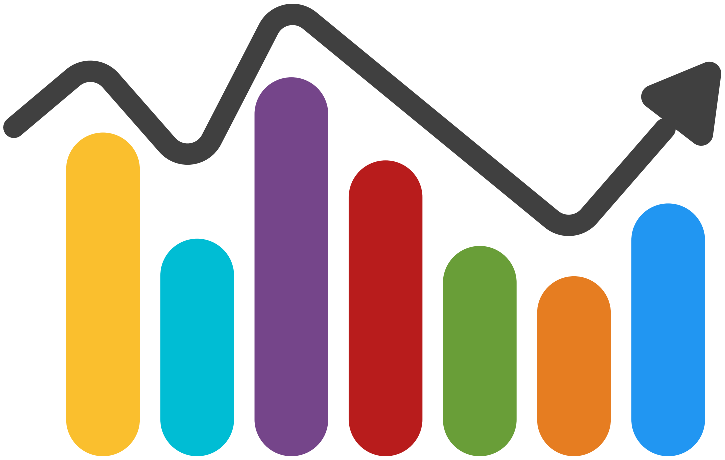
DAILY DEPARTURES*



*AVG flights

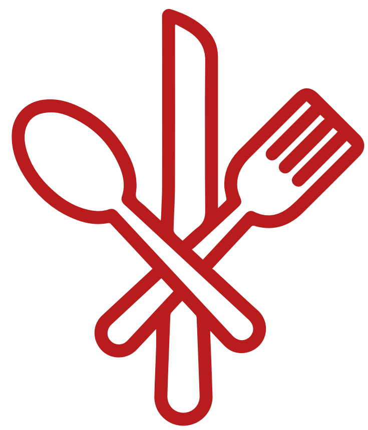
(A) Data presented for the Houston Airport System as a whole, not by airport; for fiscal year 2021

SNAPSHOT OF THE HOUSTON AIRPORTS



$319M
OPERATING REVENUE

166,119 sq ft
CONCESSION SPACE



32,305
PUBLIC PARKING SPACES

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM FUND

ORGANIZATIONAL CHART AS OF JUNE 30, 2021

- Citizens Of Houston, Texas
  - City Council
  - Mayor
    - Houston Airport System
      Office of the Director
      Director of Aviation
      Chief Operating Officer
      - Chief Commercial Officer
      - Chief of Operations
      - Chief Development Officer
      - Chief Risk & Regulatory Compliance Officer
      - Chief External Affairs Officer
      - Chief Technology Officer
      - Chief Financial Officer
      - Chief Terminal Management Officer
      - Chief Human Resources Officer
      - Spaceport General Manager
      - Chief Marketing, Air Service Development & Communications Officer
  - City Controller

FINANCIAL SECTION

ANNUAL COMPREHENSIVE FINANCIAL REPORT

IAH construction of early baggage storage system with Terminal E in the background

Financial section photo credit: Conrad Lin

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Airport System Fund of the City of Houston, Texas as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport System Fund of the City of Houston, Texas, as of June 30, 2021 and 2020, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statement presents only the Airport System Fund and do not purport, to and do not present fairly the financial position of the City of Houston, Texas as of June 30, 2021 and 2020, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principles

As described in Note 12 to the financial statements, for the year ended June 30, 2021, the Airport System Fund of the City of Houston, Texas, adopted new accounting guidance, GASBS No. 87, *Leases*. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the Fund's leasing activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 4 through 14) and the Pension System Supplementary Information and Other Post-Employment Benefits Supplementary Information (page 67 through 72) be presented to supplement the basic financials 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 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 Airport System Fund of the City of Houston, Texas's basic financial statements. The Introductory Section, the Statistical Section and Compliance Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Passenger Facility Charge Revenues and Disbursements Schedule and accompanying notes on pages 98 through 100 are the responsibility of management and were derived from, and relate directly to the underlying accounting and other records used to prepare the financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Passenger Facility Charge Revenues and Disbursements Schedule is fairly stated in all material respects in relation to the 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2021, on our consideration of the Airport System Fund 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 solely 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 the effectiveness of the Airport System Fund, City of Houston, Texas 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 Airport System Fund of the City of Houston, Texas's internal control over financial reporting and compliance.

McConnell & Jones LLP Banks, Finley, White & Co.

December 10, 2021

The Houston Airport System ("HAS") is an independent, financially self-sufficient department of the City of Houston, Texas (the "City") that owns George Bush Intercontinental Airport ("IAH"), William P. Hobby Airport ("HOU"), and Ellington Airport ("EFD"). The Airport System Fund (the "Fund") is an enterprise fund of the City. HAS, under the administrative control of the Mayor, manages and operates the Fund. Management of HAS offers readers of the Fund's financial statements this overview and analysis of the financial activities for the fiscal years ended June 30, 2021 ("FY2021") and June 30, 2020 ("FY2020"). This discussion and analysis should be read in conjunction with the Fund's financial statements that begin on page 16.

Operational and Financial Highlights

Impact of COVID-19

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global health pandemic and recommended containment and mitigation measures worldwide. Many state and local governments in the United States issued "stay-at-home" or "shelter-in-place" orders, which severely restricted movement and limited businesses and activities to essential functions. The COVID-19 outbreak and resulting restrictions have severely disrupted, and continue to disrupt, the economies of the United States and other countries. The outbreak has adversely affected both domestic and international travel and travel-related industries. Airports and airlines have been acutely impacted by the reductions in passenger volumes and flights, as well as by the broader economic shutdowns and continued restrictions. In response, airlines have reduced flight frequency and aircraft size to attempt to match capacity to the reduced demand for air travel.

The United States government, the Federal Reserve Board, and foreign governments took regulatory actions and implemented other measures to mitigate the broad disruptive effects of the COVID-19 outbreak on the U.S. and global economies.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") signed into law on March 27, 2020 provided $10 billion of assistance to U.S. airports, which was apportioned among such airports based on various formulas. HAS is eligible to receive a total of $200.2 million of CARES Act funds, on a reimbursement basis, through the Federal Aviation Administration (the "FAA") over a four-year period per the CARES Act. In addition, the Coronavirus Response and Relief Supplemental Appropriation Act ("CRRSA Act"), passed by the U.S. Congress on December 27, 2020, provided relief to airports to prevent, prepare for, and respond to the COVID-19 pandemic, including relief from rent and minimum annual guarantees for eligible airport concessions at various airports. HAS and its airport concessions are eligible to receive approximately $45.8 million and $6.2 million, respectively, of CRRSA Act funds on a reimbursement basis over a four-year period. Furthermore, the American Rescue Plan Act of 2021 ("ARP Act") was signed into law by the President of the United States on March 11, 2021 to provide additional financial assistance to the airports. HAS and its concessions are eligible to receive approximately a total of $181.0 million and $24.8 million, respectively, of ARP Act funds, on a reimbursement basis, over a 4-year period. As of and for the year ended June 30, 2021, no CRRSA Act or ARP Act funds were expended by HAS.

COVID-19 has had a material impact on aircraft operations, passenger volumes, and revenues at IAH and HOU for FY2020 and FY2021. During FY2021, HAS received a total $187.4 million of CARES Act funds. In addition, HAS received approximately $8.0 million in CARES Act proceeds during FY2020. The proceeds were used to pay debt service as well as to pay for eligible operating and maintenance expenses in accordance with the grant agreements. A summary of proceeds received from March 27, 2020 through June 30, 2021 and related expenditures are as follows:

($ in thousands)

	Year Ended June 30, 2021	March 27, 2020 to June 30, 2020
Debt service	$157,034	$8,057
Operation and maintenance expenses	30,335	-
Total	$187,369	$8,057

In addition, HAS provided financial relief to airlines by agreeing to extend payment terms on a portion of terminal rents during FY2021 and/or into the year ending June 30, 2022. These amounts are recorded as a revenue and accounts receivable in the accompanying financial statements. As of June 30, 2021, the amount of outstanding terminal rents with extended payment terms included in accounts receivable was approximately $10.6 million.

Key Performance Indicators

The following table highlights changes in some of HAS' operating and financial key performance indicators for the years ended June 30, 2021, 2020, and 2019. Additional detail can be found in the Statistical section of this Annual Comprehensive Financial Report in the Operational Information sub-section.

For Years Ended	June 30, 2021	June 30, 2020	June 30, 2019
Total passengers (in millions)	29.7	43.6	59.5
Aircraft operations (in thousands)	511.7	623.8	752.4
Passenger landed weight (in millions of pounds)	21,159.3	27,872.1	34,953.8
Cargo landed weight (in millions of pounds)	2,278.9	2,473.2	2,256.1
Cargo metric tons (in thousands)	460.7	484.4	511.2

Adoption of New Accounting Standards - Leases

The Fund implemented Government Accounting Standards Board Statement No. 87, Leases ("GASBS 87"), for the fiscal year beginning July 1, 2020. Upon adoption of the new lease standard, the Fund recognized right-of-use assets and lease liabilities totaling $0.4 million and lease receivable and deferred inflows of resources totaling $264.6 million. See Notes 1, 4, and 12 for disclosures on significant accounting policies, detailed description of leases, and information on estimated future lease payments.

Overview of the Financial Statements

This discussion and analysis is an introduction to the Fund's financial statements, which consists of the following components: management's discussion and analysis ("MD&A"), financial statements, notes to the financial statements, and required supplementary information. The notes are essential to a full understanding of the financial statements. A statistical section is included for further analysis.

A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. An enterprise fund is used to account for a business-like activity within a government. The Fund is an enterprise fund of the City; thus, it is included in the City's Annual Comprehensive Financial Report.

The Statements of Net Position present information on the Fund's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these sections reported as net position. Changes in net position from year to year may serve as useful indicators of whether the financial position of the Fund is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Position present information showing how the Fund's net position changed during the two most recent fiscal years. 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.

The Statements of Cash Flows report how much cash was provided by or used for the Fund's operations, investing activities, non-capital financing activities, and capital and related financing activities.

The financial statements also include note disclosures as well as required supplementary information that provide additional explanations and details on significant accounting policies and significant financial statement line items.

NET POSITION
JUNE 30, 2021, JUNE 30, 2020, and JUNE 30, 2019
(in thousands)

	June 30, 2021	June 30, 2020	June 30, 2019
Assets			
Current assets	$ 681,939	$ 547,960	$ 543,415
Noncurrent assets	1,442,828	999,035	971,210
Net capital assets	2,745,216	2,731,583	2,765,308
Total assets	4,869,983	4,278,578	4,279,933
Deferred outflows of resources	31,340	44,948	37,388
Liabilities			
Current liabilities	228,190	218,481	216,428
Noncurrent liabilities	2,698,330	2,470,138	2,470,516
Total liabilities	2,926,520	2,688,619	2,686,944
Deferred inflows of resources	341,420	30,925	32,121
Net Position			
Net investment in capital assets	495,497	514,164	542,125
Restricted net position	1,128,325	1,204,076	1,194,487
Unrestricted (deficit)	9,561	(114,258)	(138,356)
Total net position	$ 1,633,383	$ 1,603,982	$ 1,598,256

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Total net position at June 30, 2021 was $1,633.4 million, a $29.4 million or 1.8% increase from June 30, 2020. Total net position at June 30, 2020 was $1,604.0 million, a $5.7 million or 0.4% increase from June 30, 2019.

Approximately a third of the Fund's total net position, 30.3% and 32.1% as of June 30, 2021 and 2020, respectively, reflects net investment in capital assets (e.g., land, buildings, runways, equipment and infrastructure), net of related outstanding debt used to acquire those assets, offset by bond proceeds remaining in cash and investment accounts at fiscal year-end.

FY2021

Total assets increased by $591.4 million or 13.8% from $4,278.6 million at June 30, 2020 to $4,870.0 million at June 30, 2021. Increases in unrestricted and restricted cash and cash & cash equivalents by $128.0 million or 31.4% and investments by $152.9 million or 14.6% compared to June 30, 2020 mainly due to a draw on the commercial paper up to the maximum available credit in May 2021. The outstanding balance on commercial paper was subsequently refunded in June 2021 by the issuance of 2021A series subordinate lien revenue refunding bonds. As travel demand started to recover during the second half of FY2021, accounts receivable decreased by $19.8 million or 26.2% compared to the balance at the end of FY2020. Restricted receivables for Passenger Facility Charges ("PFC") and Customer Facility Charges ("CFC") increased by $12.8 million or 489.6% due to higher travel demand during the fourth quarter of FY2021 and the timing between charges and collections by the airlines and rental car companies. In addition, as described in the Adoption of New Accounting Standards - Leases section above, the Fund established lease receivable as of July 1, 2020 and had an outstanding balance of $276.3 million at June 30, 2021. See Note 4 to the financial statements for additional discussion on the leases. Balance due from other governments increased by $27.1 million or 555.5% compared to June 30, 2020 as HAS requested reimbursements from the FAA for eligible capital expenditures under the Airport Improvement Program ("AIP") as well as eligible expenditures under CARES Act. Furthermore, construction in progress increased by $154.6 million or 60.6% due to costs capitalized for expansion and renovation projects during FY2021, offset by a decrease in buildings and improvements of $60.0 million or 1.1% for early retirement of garage D/E at IAH. See Capital Assets section in this MD&A for further discussion and analysis on current and future capital projects.

Deferred outflows of resources decreased by $13.6 million or 30.3% mainly attributable to a decrease of $25.9 million or 100.0% in pension related deferred outflows as prior year deferred amounts were fully amortized by the end of FY2021. The decrease was offset by a $5.0 million or 28.7% increase in debt refunding related deferred outflows for the refunding in October 2020. In addition, due to actuarial changes of assumptions for the other post-employment benefits – health benefit plan ("OPEB-HB"), deferred outflows increased by $7.3 million or 28.7% compared to FY2020.

Total liabilities increased by $238.0 million or 8.8% compared to June 30, 2020 due to an increase in bonds payable of $404.3 million or 20.0% for the issuance of 2020A, 2020B, 2020C, and 2021A series subordinate lien revenue refunding bonds during FY2021, offset by a $113.0 million or 85% decrease in commercial paper and a $6.2 million or 8.3% decrease in special facility bonds for principal payments made during FY2021. Contracts and retainages payable increased by $27.1 million or 67.5% as significant construction work being performed at all HAS airports. Notes payable increased by $13.9 million or 4,280.9% as HAS drew down available funds from the two loans with the Texas State Energy Conservation Office. Net pension liability decreased by $96.7 million or 37.4% due to a significant increase in fiduciary net position for the pension plan from $2.9 billion to $3.9 billion mainly as a result of net appreciation in investments at fair value. The decrease in net pension liability was offset by an increase of $11.6 million or 16.4% for OPEB-HB due to actuarial changes of assumptions.

Total deferred inflows of resources increased by $310.5 million or 1,004.0% mainly due to the adoption of GASBS 87. In addition, deferred inflows related to pension plan increased by $52.9 million or 1,544.5% compared to June 30, 2020 mainly due to appreciation in fair value of plan investments greatly exceeded projected earnings for FY2021. Deferred inflows for OPEB-HB decreased by $11.3 million or 41.4% due to FY2021 amortization of prior year deferred amounts.

FY2020

Total assets decreased by $1.4 million or less than 0.1% from $4,280.0 million at June 30, 2019 to $4,278.6 at June 30, 2020. Unrestricted and restricted cash and cash & cash equivalents increased by $213.2 million or 109.5% compared to June 30, 2019 due to a decrease in unrestricted and restricted investments of $214.9 million or 17.0% as investments were liquidated to meet short-term operational needs. In addition, as a result of COVID-19 pandemic, accounts receivable increased by $44.7 million or 145.5% compared to June 30, 2019 as air carriers, auto rental companies, and concessionaires experienced significant disruption in their operations and cash flows. Balance due from other governments decreased by $13.5 million or 73.5% compared to June 30, 2019 as reimbursements were received from the FAA for eligible capital expenditures made during fiscal year ended June 30, 2019. In addition, buildings, improvements, and construction in progress increased by $134.4 million or 2.34% due to certain expansion and renovation projects during FY2020. See Capital Assets section in this MD&A for further discussion and analysis on current and future capital projects.

Deferred outflows of resources increased by $7.5 million or 20.0% mainly attributable to an increase of $8.2 million or 46.0% in pension related deferred outflows for the difference recognized between actual and projected earnings for FY2020 from pension trust assets.

Total liabilities increased by $1.7 million or 0.1% compared to June 30, 2019 due to a decrease in bonds payable of $97.0 million or 4.6% for principal payments made during FY2020, offset by a $84.5 million or 174.3% increase in outstanding commercial paper balance to fund ongoing capital projects and a $28.5 million or 12.4% increase in net pension liability due to a loss on investments recognized by the pension plan for FY2020.

CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2021, JUNE 30, 2020, and JUNE 30, 2019
(in thousands)

	June 30, 2021	June 30, 2020	June 30, 2019
Operating revenues	$ 318,555	$ 471,912	$ 498,464
Operating expenses	489,388	546,003	511,743
Operating loss	(170,833)	(74,091)	(13,279)
Nonoperating revenues	271,280	154,316	173,881
Nonoperating expenses	95,803	85,426	84,458
Nonoperating income	175,477	68,890	89,423
Income (loss) before capital contributions	4,644	(5,201)	76,144
Capital contributions	24,757	10,927	16,599
Change in net position	29,401	5,726	92,743
Total net position, July 1	1,603,982	1,598,256	1,505,513
Total net position, June 30	$ 1,633,383	$ 1,603,982	$ 1,598,256

Changes in Net Position

For FY2021 and FY2020, net position of the Fund increased by $29.4 million or 1.8% and $5.7 million or 0.4%, respectively.

TOTAL REVENUES AND CAPITAL CONTRIBUTION
YEARS ENDED JUNE 30, 2021, JUNE 30, 2020, and JUNE 30, 2019
(in thousands)

	June 30, 2021	June 30, 2020	June 30, 2019
Operating Revenues			
Landing area fees	$ 70,578	$ 95,862	$ 87,767
Rentals, building and ground areas	155,598	223,301	211,323
Parking and concessions	85,908	146,910	193,251
Other operating revenues	6,471	5,839	6,123
Nonoperating Revenues			
Passenger Facility Charges	62,541	78,418	111,155
Customer Facility Charges	8,769	13,320	17,439
Investment income	1,523	43,701	45,067
CARES Act grant	187,369	8,057	-
Other nonoperating revenues	11,078	10,820	220
Total revenues	589,835	626,228	672,345
Capital contributions	24,757	10,927	16,599
Total revenues and capital contributions	$ 614,592	$ 637,155	$ 688,944

FY2021

Operating revenues decreased by $153.4 million or 32.5% as total enplaned and deplaned passenger volume at IAH and HOU decreased by 31.9% due to the COVID-19 pandemic compared to FY2020. Airline landing fees decreased by $25.3 million or 26.4% compared to FY2020, and rental revenues decreased by $67.7 million or 30.3% mainly due to a significantly lower number of enplaned passengers for FY2021. In addition, garage parking rates were reduced throughout FY2021, in conjunction with a lower number of enplaned passengers, which resulted a decrease in parking revenues by $37.4 million or 46.0% compared to FY2020. Concession revenues also decreased by $23.6 million or 36.0% due to the pandemic.

Nonoperating revenues increased by $117.0 million or 75.8% mainly due to an increase in CARES Act grant of $179.3 million or 2,225.4%, offset by a decrease of $42.2 million or 96.5% in investment income due to low interest rates for investments as well as depreciation in fair value (unrealized loss). In addition, PFC decreased by $15.9 million or 20.2% due to lower number of passengers compared to FY2020.

Capital contributions from the FAA increased by $13.8 million or 126.6% as HAS continue with various renovation and expansion projects at IAH and HOU.

FY2020

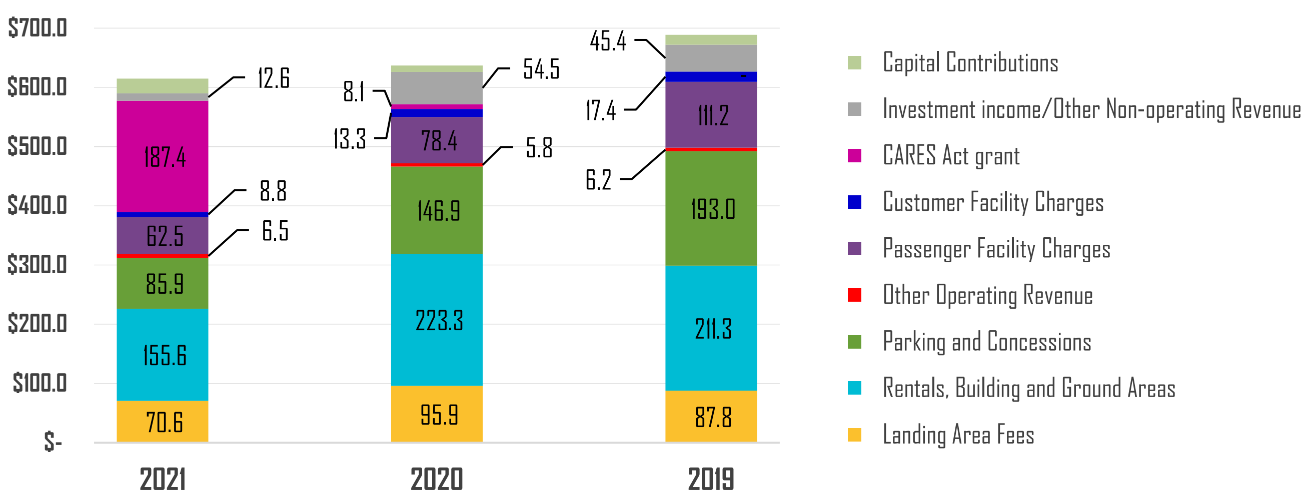
Operating revenues decreased by $26.6 million or 5.3% as total enplaned and deplaned passenger volume at IAH and HOU decreased by 26.8% due to the COVID-19 pandemic. In FY2020 at IAH, there was a 6.3% rate decrease in landing fees from $2.704 to $2.533 per 1,000 pounds. At HOU, there was an 8.4% rate increase in landing fees from $1.857 to $2.049 per 1,000 pounds. In addition, garage parking rates remained at $24 per day during most of FY2020 until April 2020 when it was first decreased to $5 per day and subsequently increased to $10 per day in May. Rental revenues increased by $12.0 million or 5.7% due to increase in rates, while concessions decreased by $17.4 million or 20.9% due to the pandemic.

Nonoperating revenues decreased $19.6 million or 11.3% mainly due to a $32.7 million or 29.5% decrease in PFC, a $4.1 million or 23.6% decrease in CFC, and a $1.4 million or 3% decrease in investment income, offset by a $10.6 million or 4,788.1% increase in other revenue and a $8.1 million reimbursement received from the FAA under CARES Act. Decreases in PFC and CFC mainly caused by the COVID-19 pandemic as domestic and international air traffic dropped significantly during the fourth quarter of FY2020.

Capital contributions from the FAA and the Transportation Security Administration (the "TSA") decreased by $5.7 million or 34.2% due to timing of expenditures by HAS and reimbursements from the FAA and TSA.

TOTAL REVENUES and CAPITAL CONTRIBUTIONS

(in millions)



TOTAL EXPENSES
YEARS ENDED JUNE 30, 2021, JUNE 30, 2020, and JUNE 30, 2019
(in thousands)

	June 30, 2021	June 30, 2020	June 30, 2019
Operating Expenses			
Maintenance and operating	$ 318,568	$ 370,430	$ 337,477
Depreciation and amortization	170,820	175,573	174,266
Interest expense	62,107	74,533	81,575
Other nonoperating expenses	33,696	10,893	2,883
Total expenses	$ 585,191	$ 631,429	$ 596,201

FY2021

Total operating expenses decreased by $56.6 million or 10.4% primarily attributable to a decrease of $39.8 million or 179.4% in pension and OPEB-HB expenses, offset by an increase in regular salary of $4.2 million or 6.81%. Significant appreciation in fair value of pension plan assets in FY2021 resulted a large amount of deferred inflows to be amortized over 5 years, including FY2021. Expenses for professional services (construction related) increased by $13.8 million or 81% compared to FY2020. During FY2020, HAS made a one-time $36.5 million lease buyout payment associated with the IAH Terminal Redevelopment Program; thus, other operating expenses decreased by $33.4 million or 91.2% in FY2021 compared to FY2020. Depreciation expense decreased by $4.8 million or 2.7% mainly due to early retirement of garage D/E at IAH.

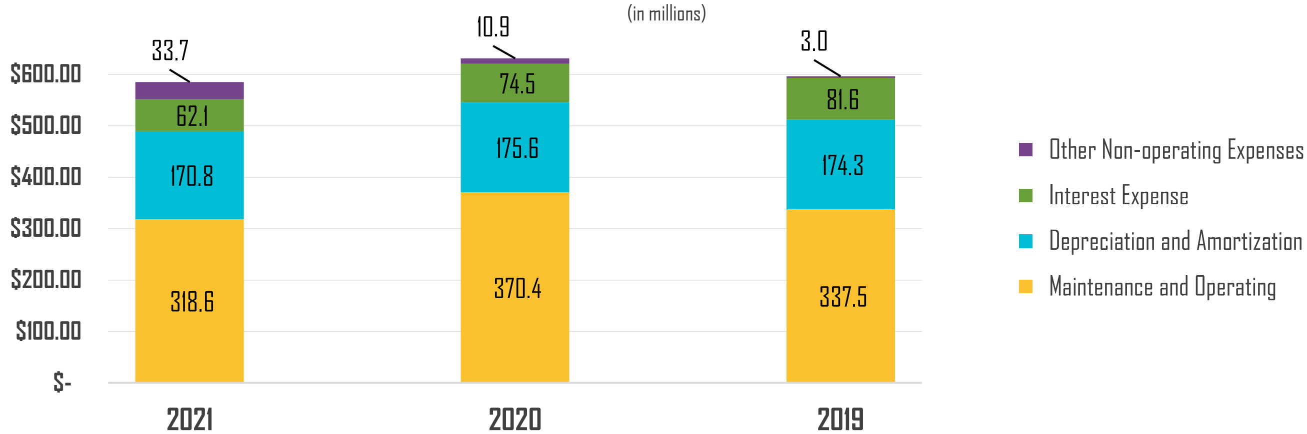
Interest expense decreased by $12.4 million or 16.7% compared to FY2020 due to additional savings realized from the 2020 series refunding bonds. However, loss on disposal of assets increased by $16.7 million or 154.2% due to early retirement of garage D/E at IAH.

FY2020

Total operating expenses increased by $34.3 million or 6.7% due to an increase of $33.0 million or 9.8% in maintenance and operating expenses, and depreciation expense increased by $1.3 million or 0.8%. The increase in maintenance and operating expenses of $33.0 million was primarily attributable to a $36.5 million lease buyout associated with the IAH Terminal Redevelopment Program, and the increase in depreciation expense was due to a $9.1 million increase in the renewal and replacement of depreciable property. The increases were partially offset by a $6.0 million decrease in building maintenance services, a $3.7 million decrease in management consulting services, and a $0.9 million decrease in advertising services.

Interest expense decreased by $7.0 million or 8.6% compared to the fiscal year ended June 30, 2019 due to savings realized from the 2018 series refunding bonds. In addition, a $10.9 million loss on disposal of assets was recognized for replacement of taxiway Ws at IAH.

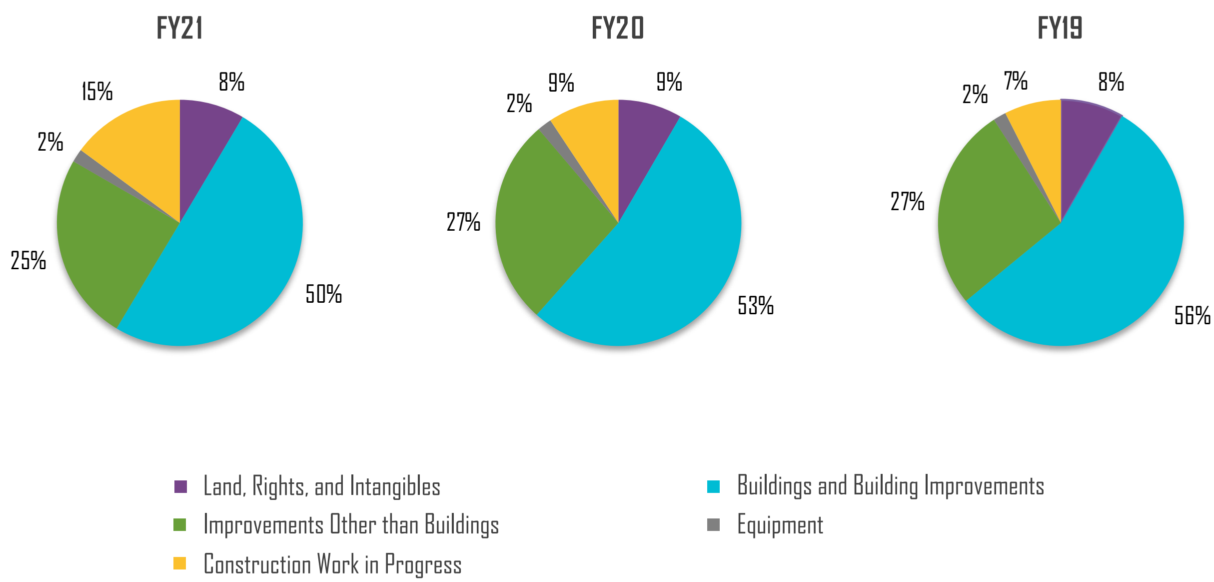
TOTAL EXPENSES
(in millions)



Capital Assets

CAPITAL ASSETS
JUNE 30, 2021, JUNE 30, 2020, and JUNE 30, 2019
(Net of Depreciation and Amortization)
(in thousands)

	June 30, 2021	June 30, 2020	June 30, 2019
Land	$ 216,100	$ 216,100	$ 216,100
Rights and intangibles	18,333	13,406	12,926
Buildings and building improvements	1,374,518	1,452,751	1,542,612
Improvements other than buildings	678,694	742,419	739,766
Equipment	47,891	51,837	47,217
Construction work in progress	409,680	255,070	206,687
	$ 2,745,216	$ 2,731,583	$ 2,765,308



The Fund's investment in capital assets, net of accumulated depreciation and amortization, amounted to $2.75 billion at June 30, 2021, an increase of $13.6 million or 0.5% compared to June 30, 2020. At the end of March 2021, HAS closed one of the garages at IAH as part of the IAH Terminal Redevelopment Program (the "ITRP"). Due to early retirement of the garage, the Fund derecognized $111.4 million of historic costs associated with the garage and $83.8 million of accumulated depreciation, which resulted a loss on disposal of approximately $27.6 million. During FY2021, the Fund added approximately $154.6 million, net of transfers, to its construction work in progress balance. The additions were mainly related to the ITRP with more than $100 million in additions, $30.2 million for taxiway Ws at IAH, as well as $26.6 million renovation projects at IAH's terminal A. FY2021 depreciation expense was approximately $170.6 million.

The Fund's investment in capital assets, net of accumulated depreciation and amortization, amounted to $2.73 billion at June 30, 2020, a decrease of $33.7 million or 1.2% compared June 30, 2019. Additions to construction work in progress, net of transfers, totaled approximately $48.4 million. Significant additions during FY2020 included $68.6 million for the ITRP, $23.3 million for taxiway Ws at IAH, $17.2 million for the Spaceport at EFD, and $10.8 million for energy efficient equipment upgrades at IAH and HOU. Retirement of capital assets during FY2020 mainly consisted of $17.3 million related to rehabilitation of taxiway Ws at IAH, with a loss on disposal of approximately $10.9 million. FY2020 depreciation expense totaled approximately $175.6 million.

Capital Improvement Program ("CIP")

The City updates and adopts annually a rolling five-year comprehensive plan that determines and prioritizes its capital and infrastructure needs, including HAS. Management of HAS continuously monitors and adjusts the CIP based upon financial capacity, air travel demand, and airline industry developments. Due to COVID-19, major projects and estimated costs/budget in the CIP for the years ending June 30, 2022 through 2026 were continuously updated throughout FY2021. As of June 30, 2021, the CIP includes projects totaling approximately $1.4 billion. Major projects, greater than $100 million individually, are as follows:

1. IAH – IAH Terminal Redevelopment Program: $681 million
2. IAH – Runway, taxiway, and airfield projects: $190 million
3. IAH – Central plant and other infrastructure improvements: $111 million
4. EFD – Taxiway L: $118 million

The remainder of the budget consists of improvement and rehabilitation of infrastructure for IAH, HOU, and EFD/Spaceport.

In addition, on August 25, 2021 (fiscal year 2022), the City issued Special Facilities Bonds in the approximate aggregate principal amount of $289.5 million to finance improvements to the baggage handling system at IAH, which will include an early baggage storage system, and other terminal facilities. These Special Facilities Bonds will be limited special obligations of the City and not secured by the Fund's Net Revenues. Additional information on conduit debt obligations are disclosed in Notes 10 and 13 to the financial statements.

Debt

HAS funds major projects like terminal expansion/renovations, runway improvements, and other expansion projects through the issuance of debt, net of available FAA discretionary funding. Minor renewals and replacements are generally funded out of the Fund's "Renewal & Replacement Fund" and "Airports Improvement Fund." HAS continuously monitors the cash flow and contracting requirements for all approved capital projects.

OUTSTANDING DEBT
JUNE 30, 2021, JUNE 30, 2020, AND JUNE 30, 2019
(in thousands)

	June 30, 2021	June 30, 2020	June 30, 2019
Senior Lien Debt			
Commercial paper	$ 20,000	$ 132,973	$ 48,473
Total senior lien debt	20,000	132,973	48,473
Subordinate Lien Debt			
Revenue bonds	2,209,245	1,855,340	1,935,450
Unamortized discount and premium	212,761	162,351	179,252
Total subordinate lien debt	2,422,006	2,017,691	2,114,702
Other Debt			
Direct placement debt	14,421	324	-
Pension obligation bonds	2,006	2,006	2,006
Special facility revenue bonds			
Consolidated rental car facility	68,185	74,425	80,385
Total other debt	84,612	76,755	82,391
Total outstanding debt	$ 2,526,618	$ 2,227,419	$ 2,245,566
Deferred Outflows of Resources			
Deferred outflows from debt refunding	$ (22,218)	$ (17,263)	$ (19,572)

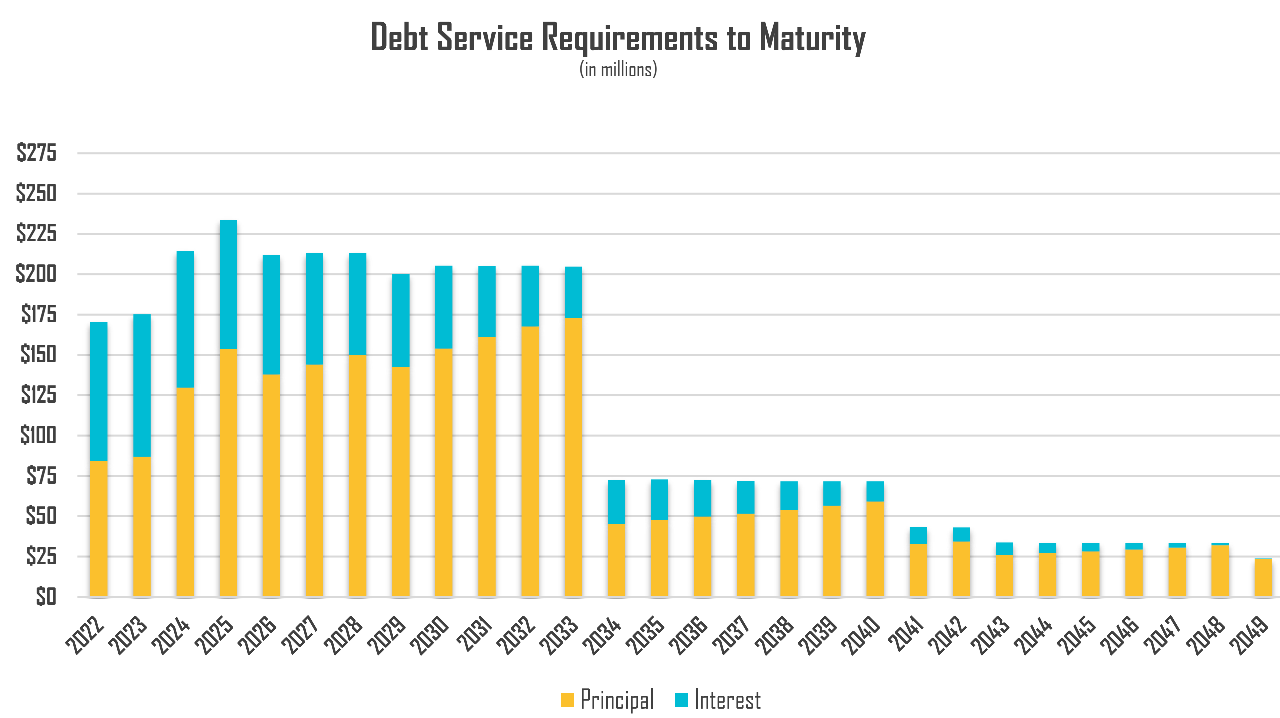
At June 30, 2021 and 2020, the Fund's outstanding senior lien and subordinate lien debt, net of unamortized discount and premium totaled $2.44 billion and $2.15 billion, respectively. In addition, the Fund is responsible for other debt totaling $84.6 million and $76.8 million as summarized in the above table at June 30, 2021 and 2020, respectively.

During FY2021, HAS issued Series 2020A, 2020B, 2020C, and 2021A Airport System Subordinate Lien Revenue Refunding Bonds. Series 2020A was issued for $131.6 million for the purpose of refund $151.0 million of Commercial Paper Notes and pay related costs of issuance. Series 2020B was issued for $71.6 million for the purpose of fully refund $91.9 million of Subordinate Lien Revenue Refunding Bonds Series 2010 and pay related costs of issuance. Series 2020C was issued for $660.5 million for the purpose of refund and defease $614.8 million of Subordinate Lien Revenue Refunding Bonds Series 2000B, 2011A, 2011B, 2012A, and 2012B and pay related costs of issuance. Net present value savings related to the Series 2020 bonds was approximately $94.8 million, and debt service was reduced by approximately $98.2 million. In addition, Series 2021A was issued for $286.0 million for the purpose of refund $345.8 million of Commercial Paper Notes and pay related costs of issuance.

In FY2020, HAS entered into two loan agreements with the Texas State Energy Conservation Office to build or acquire energy efficient equipment or assets. During FY2021 and FY2020, HAS borrowed approximately $14.1 million and $0.3 million, respectively, at a fixed interest rate of 2% per annum. Upon completion of the projects, expected during the year ending June 30, 2022, repayments will commence and be made over 10 and 15 years.

During FY2020, no bonds were issued. HAS mainly utilized the Commercial Paper Notes for short-term financing and liquidity needs. The outstanding balance of the Commercial Paper Notes was subsequently refunded through the issuance of Series 2020A bonds as described above.

The graph below represents the required principal and interest payments on outstanding debt through the year ending June 30, 2049.



The underlying ratings of the Fund's obligations at June 30, 2021 are as follows:

	Senior Lien	Subordinate Lien	Consolidated Rental Car SFRB
Fitch's Bond Rating:	No bonds outstanding	A	A-
Moody's Bond Rating:	No bonds outstanding	A1	A3
Standard & Poor's Bond Rating:	No bonds outstanding	AA-	BBB+

Additional information on long-term capital asset activity and debt activity are disclosed in Notes 3 and 5 to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the City of Houston, Texas, Airport System Fund's finances for all of those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Department, Houston Airport System, 16930 JFK Boulevard, Houston, Texas 77032.

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STATEMENTS OF NET POSITION (in thousands)
JUNE 30, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	$ 275,677	$ 149,223
Restricted cash and cash equivalents	260,168	258,643
Investments	10,260	20,353
Restricted investments	7,783	27,834
Accounts receivable (net of allowance for doubtful accounts of $7,731 and $2,707 in 2021 and 2020, respectively)	55,708	75,502
Restricted accounts receivable	15,415	2,615
Lease receivable	15,687	-
Due from City of Houston	1,523	1,746
Inventory	2,079	2,002
Prepaids	5,705	5,171
Due from other governments - grants receivable	31,934	4,871
Total current assets	681,939	547,960
Noncurrent assets		
Investments	6,084	15,972
Restricted investments	1,175,761	982,879
Prepaids	173	184
Lease receivable, non-current	260,575	-
Lease right-of-use assets, net of accumulated amortization	235	-
Capital assets		
Land	216,100	216,100
Rights and intangibles	23,030	18,091
Buildings, improvements and equipment	5,558,736	5,618,769
Construction in progress	409,680	255,070
Total capital assets	6,207,546	6,108,030
Less accumulated depreciation and amortization	(3,462,330)	(3,376,447)
Net capital assets	2,745,216	2,731,583
Total noncurrent assets	4,188,044	3,730,618
Total assets	4,869,983	4,278,578
Deferred outflows of resources		
Deferred outflows from debt refunding	22,218	17,263
Deferred outflows from pensions	2	25,876
Deferred outflows from OPEB health benefits	8,827	1,492
Deferred outflows from OPEB LTD	293	317
Total deferred outflows of resources	$ 31,340	$ 44,948

The accompanying notes are an integral part of these financial statements.

(continued)

STATEMENTS OF NET POSITION (in thousands)
JUNE 30, 2021 and 2020

	2021	2020
Liabilities		
Current liabilities		
Accounts payable	$ 10,383	$ 12,191
Accrued payroll liabilities	4,161	3,551
Due to City of Houston	99	646
Due to other governments	1,846	-
Advances and deposits	2,320	1,636
Unearned revenue	8,278	8,267
Claims for workers' compensation	903	928
Compensated absences	5,477	5,681
Revenue bonds payable	75,580	89,090
Special facility revenue bonds payable	7,505	6,240
Notes payable	1,068	-
Accrued interest payable	41,334	47,201
Contracts and retainages payable	67,161	40,085
Lease liabilities	128	-
Other current liabilities	1,947	2,965
Total current liabilities	228,190	218,481
Noncurrent liabilities		
Revenue bonds payable, net of current portion	2,346,426	1,928,601
Special facility revenue bonds payable, net of current portion	60,680	68,185
Commercial paper payable	20,000	132,973
Pension obligation bonds payable	2,006	2,006
Lease liabilities, net of current portion	111	-
Notes payable, net of current portion	13,353	324
Claims for workers' compensation	2,174	593
Compensated absences	8,541	7,612
Accrued arbitrage rebate liability	-	109
Net pension liability	161,545	258,223
Other post employment benefits - health benefits	82,344	70,738
Other post employment benefits - LTD	1,150	774
Total noncurrent liabilities	2,698,330	2,470,138
Total liabilities	2,926,520	2,688,619
Deferred inflows of resources		
Deferred inflows from leases	268,881	-
Deferred inflows from pensions	56,331	3,425
Deferred inflows from OPEB - health benefits	16,075	27,422
Deferred inflows from OPEB LTD	133	78
Total deferred inflows of resources	341,420	30,925
Net Position		
Net investment in capital assets	495,497	514,164
Restricted net position		
Restricted for debt service	384,267	464,280
Restricted for maintenance and operations	54,232	54,807
Restricted for special facility	52,362	55,105
Restricted for renewal and replacement	10,000	10,000
Restricted for capital improvements	627,464	619,884
Unrestricted (deficit)	9,561	(114,258)
Total net position	$ 1,633,383	$ 1,603,982

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (in thousands)
FOR YEARS ENDED JUNE 30, 2021 and 2020

	2021	2020
Operating revenues		
Landing area fees	$ 70,578	$ 95,862
Rentals, building, and ground area	155,598	223,301
Parking	43,815	81,173
Concessions	42,093	65,737
Other	6,471	5,839
Total operating revenues	318,555	471,912
Operating expenses		
Maintenance and operating	318,568	370,430
Depreciation and amortization	170,820	175,573
Total operating expenses	489,388	546,003
Operating loss	(170,833)	(74,091)
Nonoperating revenues (expenses)		
Investment income	1,523	43,701
Interest expense	(62,107)	(74,533)
Loss on disposal of assets	(27,601)	(10,856)
Passenger Facility Charges	62,541	78,418
Customer Facility Charges	8,769	13,320
Special facility cost	(75)	(37)
Cost of issuance for debt	(6,020)	-
CARES Act grant	187,369	8,057
Other revenues	11,078	10,820
Total nonoperating revenues (expenses), net	175,477	68,890
Loss before capital contributions	4,644	(5,201)
Capital contributions	24,757	10,927
Change in net position	29,401	5,726
Total net position, July 1	1,603,982	1,598,256
Total net position, June 30	$ 1,633,383	$ 1,603,982

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASHFLOWS (in thousands)
FOR YEARS ENDED JUNE 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Receipts from customers	$ 327,039	$ 407,437
Payments to employees	(106,283)	(103,654)
Payments to suppliers	(168,061)	(183,762)
Interfund activity payments to other funds	(69,604)	(70,139)
Other receipts	6,470	5,839
Net cash (used for) provided by operating activities	(10,439)	55,721
Cash Flows from Investing Activities		
Sale of investments	2,066,830	1,954,537
Purchase of investments	(2,233,546)	(1,723,912)
Investment income	15,388	28,019
Net cash (used for) provided by investing activities	(151,328)	258,644
Cash Flows from Noncapital Financing Activities		
CARES Act grant	180,867	8,057
Net cash provided by noncapital financing activities	180,867	8,057
Cash Flows from Capital and Related Financing Activities		
Proceeds from issuance of revenue bonds	1,216,043	-
Retirement of revenue bonds	(795,780)	(80,110)
Interest expense on debt	(99,233)	(100,304)
Proceeds from issuance of commercial paper	383,800	84,500
Proceeds from SECO loans	14,097	324
Retirement of commercial paper	(496,773)	-
Retirement of special facility bonds	(6,240)	(5,960)
Cost of issuance for revenue bonds	(6,020)	-
Passenger Facility Charges	50,319	92,773
Customer Facility Charges	8,191	14,281
Grant receipts	4,197	24,447
Acquisition of capital assets	(174,533)	(149,989)
Lease liabilities	(192)	-
Other income items	11,078	10,820
Special facility cost	(75)	(37)
Net cash provided by (used for) capital and related financing activities	108,879	(109,255)
Net increase in cash and cash equivalents	127,979	213,167
Cash and cash equivalents, beginning of year	407,866	194,699
Cash and Cash Equivalents, End of the Year	$ 535,845	$ 407,866
Cash and cash equivalents	$ 275,677	$ 149,223
Restricted cash and cash equivalents	260,168	258,643
Cash and Cash Equivalents, End of the Year	$ 535,845	$ 407,866

The accompanying notes are an integral part of these financial statements.

(continued)

STATEMENTS OF CASHFLOWS (in thousands)
FOR YEARS ENDED JUNE 30, 2021 and 2020

	2021	2020
Reconciliation of Operating Loss to Net Cash (Used for) Provided by Operating Activities		
Operating loss	$ (170,833)	$ (74,091)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	170,820	175,573
Changes in assets and liabilities		
Accounts receivable, net of allowance	19,794	(61,182)
Due from City of Houston	223	(1,260)
Inventory and prepaids	(600)	(539)
Lease receivable	(11,649)	-
Accounts payable	(1,808)	(3,383)
Accrued payroll liabilities	610	384
Other current and non-current liabilities	841	5,181
Due to City of Houston and other governments	(548)	400
Advances and deposits	685	(804)
Other post-employment benefits and deferred amounts	(6,623)	(2,891)
Pension related payables and deferred amounts	(17,899)	17,936
Deferred inflows - leases	4,268	-
Claims for workers' compensation	1,555	(286)
Compensated absences	725	683
Net cash (used for) provided by operating activities	$ (10,439)	$ 55,721

Noncash Transactions

	2021	2020
Capitalized interest expense	$ 10,248	$ 9,150
Capital additions in payables	$ (67,161)	$ (40,085)
Amortization of premium and discount	$ (15,948)	$ (16,901)
Loss on disposal of assets	$ (27,601)	$ (10,856)
Unrealized gain and (loss) on investments	$ (13,865)	$ 15,683

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Airport System Fund (the "Fund"), an enterprise fund of the City of Houston (the "City"), is responsible for the operations, maintenance, and development of the City's Airport System. The Airport System consists of George Bush Intercontinental Airport ("IAH" or "Intercontinental"), William P. Hobby Airport ("HOU" or "Hobby") and Ellington Airport ("EFD" or "Ellington").

The Mayor and City Council members serve as the governing body that oversees operation of the Fund. The Fund is operated by the Houston Airport System ("HAS") as a self-sufficient enterprise and is administered by the HAS Director, who reports to the Mayor.

The Fund is not financially accountable for any other operations of the City, and accordingly, is accounted for as a single major enterprise fund. The Fund is included in the City's Annual Comprehensive Financial Report ("Financial Report"), which is a matter of public record.

Basis of Accounting

The City accounts for the Fund as a proprietary fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the City is that the cost of operations, including depreciation, be financed or recovered through user charges. The Fund is accounted for on a cost of services or "economic resources" measurement focus using the accrual basis of accounting, under which revenues are recognized in the accounting period in which they are earned and the related expenses are recorded in the accounting period incurred, if measurable. All assets and liabilities, current and noncurrent, as well as deferred outflows and inflows of resources are included on the statements of net position.

The financial statements presented in this report conform to the reporting requirements of the Governmental Accounting Standards Board ("GASB") which establishes combined statements ("GASBS") as the required level for governmental entities that present financial statements in accordance with generally accepted accounting principles ("GAAP"). The Fund defines operating revenues as receipts from customers and other receipts that do not result from transactions defined as capital and related financing, non-capital financing, or investing activities. All other revenue is recognized as non-operating. The Fund defines operating expenses as personnel and supply costs, utilities and other charges for service, the purchase of furniture and equipment with a value of less than $5,000, and other expenses that do not result from transactions defined as capital or related financing, non-capital financing, or investing activities. All other expense is recognized as non-operating.

Recent Accounting Pronouncements

In May 2020, the GASB has issued Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance." Effective immediately, this statement postpones the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later in light of the COVID-19 pandemic. The adoption of Statement No. 95 resulted in postponing effective dates of following announcements by one year.

- **Statement No. 84**, Fiduciary Activities
- **Statement No. 89**, Accounting for Interest Cost Incurred before the End of a Construction Period
- **Statement No. 90**, Majority Equity Interests
- **Statement No. 91**, Conduit Debt Obligations
- **Statement No. 92**, Omnibus 2020 – excluding paragraphs 4, 5, 11, and 13
- **Statement No. 93**, Replacement of Interbank Offered Rates

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

In June 2017, the GASB issued Statement No. 87, "Leases". This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of Statement No. 87 originally are effective for financial statements for periods beginning after December 15, 2019, prior to the issuance of Statement No. 95. The City and the Fund have implemented Statement No. 87 in this annual report.

In June 2018, the GASB issued Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period". This statement will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and will simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. The City and the Fund are evaluating the effect that Statement No. 89 will have on the financial statements.

In May 2019, the GASB issued Statement No. 91, "Conduit Debt Obligations". This statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. The City and the Fund are evaluating the effect that Statement No. 91 will have on the financial statements.

In January 2020, the GASB issued Statement No. 92, "Omnibus 2020". This statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The City and the Fund are evaluating the effect that Statement No. 92 will have on the financial statements.

In March 2020, the GASB issued Statement No. 93, "Replacement of Interbank Offered Rates". This Statement establishes accounting and financial reporting requirements related to the replacement of interbank offered rate in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this statement are effective for reporting periods ending after December 31, 2021. The City and the Fund are evaluating the effect that Statement No. 93 will have on the financial statements.

In March 2020, the GASB issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". This Statement establishes standards of accounting and financial reporting for Public-Public Partnerships and Availability Payment Arrangements for governments. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The City and the Fund are evaluating the effect that Statement No. 94 will have on the financial statements.

The GASB has issued Statement No. 96, "Subscription-Based Information Technology Arrangements." Effective for financial statements for fiscal years beginning after June 15, 2022, this statement (1) defines subscription-based information technology arrangements (SBITAs); (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset— and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The City and the Fund are evaluating the effect that Statement No. 96 will have on the financial statements.

The GASB has issued Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans." Paragraph 4 and 5 are effective immediately and paragraphs 6 to 9 are effective for fiscal years beginning after June 15, 2021. All other requirements of this statement are effective for financial statements for reporting periods beginning after June 15, 2021. This statement (1) clarifies rules related to reporting of fiduciary activities under Statements No. 14 and No. 84; (2) mitigate costs for defined contribution plans; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting of Code section 457 plans that meet the definition of a pension plan. The requirements in paragraphs 4 and 5 are effective upon issuance. The City and the Fund are evaluating the effect that Statement No. 97 will have on the financial statements.

In October 2021, the GASB issued Statement No. 98, "The Annual Comprehensive Financial Report" to establish the term annual comprehensive financial report and its acronym ACFR. The City and the Fund elected to early adopt the new standard as of June 30, 2021.

Operating and Nonoperating Revenues and Expenses

The Fund distinguishes between operating revenues and expenses and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with HAS' principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. HAS derives its operating revenues primarily from landing fees, terminal space rental, auto parking, and concessions. HAS' major operating expenses include salaries and employee benefits, fees for contractual services including professional services, parking operations and shuttle services, and other expenses including depreciation and amortization, maintenance, insurance, and utilities.

Non-operating revenues, such as interest income, passenger facility charges ("PFC"), and customer facility charges ("CFC"), result from non-exchange transactions or ancillary activities. Non-operating expenses primarily consist of the interest expense on revenue bonds.

Passenger Facility Charges

The Federal Aviation Administration ("FAA") approved a $3.00 PFC per enplaned passenger to be used for the construction of FAA approved airport capital assets at IAH effective December 1, 2008 and at HOU effective November 1, 2006. On January 20, 2015, the FAA approved an amendment to the existing PFC at both IAH and HOU increasing the rate from $3.00 to $4.50 per enplaned passenger effective March 1, 2015. On April 20, 2016, a second PFC application was approved for HOU with an earliest collection date of August 1, 2017. On September 24, 2020, a second PFC application was approved for IAH with an earliest collection date of January 1, 2028. The collection expiration dates are estimated to be April 1, 2039 for IAH and September 1, 2038 for HOU. The airlines collect and remit this revenue to HAS. See Compliance Section for further information.

Federal Grants

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a grant receivable and as nonoperating revenue (operating grants) or capital grant contributions in the statements of revenues, expenses, and changes in net position.

Cash, Cash Equivalents, and Investments

The Fund's cash, cash equivalents, investments, and a significant portion of its restricted cash and investments are maintained as part of the City's pool of cash and investments. The Fund's portion of the pool is presented on the statements of net position as 'Cash and Cash Equivalents' and 'Investments.' Interest earned on such pooled investments is allocated to the participating City funds based on each fund's average daily cash balance during the allocation period. The Fund considers its unrestricted and restricted cash and investments held in the City treasury as demand deposits and/or investments. The Fund also has funds that are held by fiscal agents. Investments with maturities of three months or less at the time of purchase are considered cash equivalents. Investments are recorded at fair value. Investment income and expenses, including changes in the fair value of the investments, are recognized in the Statements of Revenues, Expenses, and Changes in Net Position.

Accounts Receivable

Receivables are reported at their gross value when earned. The Fund's collection terms are 30 days. The allowance for uncollectible accounts is based on specific identification of past due accounts and balances. As a customer's balance is deemed uncollectible, the receivable is cleared and the amount is written off. If the balance is subsequently collected, such payments are applied to the allowance account. The allowance for doubtful accounts was approximately $7.7 million and $2.7 million as of June 30, 2021 and 2020, respectively. This allowance is netted against the accounts receivable balance. For the years ended June 30, 2021 and 2020, no accounts receivable balance was written off.

Inventories of Material and Supplies

Inventories of material and supplies are valued at average cost and charged to expense as used. Fuel is carried at the lower of average cost or market.

Capital Assets

The Fund defines capital assets as assets with an initial cost of $5,000 or more and a useful life of more than one year. Acquired or constructed property is recorded at historical cost or estimated historical cost. Donated property is recorded at the fair value on the date received. Construction costs (excluding land and equipment) are added to construction work-in-progress until the assets are placed in service and are depreciated following completion. Depreciation on equipment begins on the date it is placed in service. Interest costs on funds borrowed to finance the construction of capital assets are capitalized based on the weighted average interest rate of the outstanding debt applied to the average on-going construction in progress during the fiscal year. For the years ended June 30, 2021 and 2020, $10.2 million and $9.2 million, respectively, of interest costs was capitalized.

Depreciation on buildings and improvements is computed using the straight-line method on the component asset base over the estimated useful life, ranging from fifteen (15) to fifty (50) years. Depreciation on equipment is computed using the straight-line method over the estimated useful life, ranging from three (3) to fifteen (15) years. Depreciation on depreciable intangibles is computed using the straight-line method over a useful life that is dependent on the nature of the individual asset.

Leases

HAS as Lessee

The Fund recognizes a lease liability and an intangible right-of-use lease asset at the beginning of a lease, unless the lease is considered a short-term lease or transfers ownership of the underlying assets. Right-of-use lease asset is measured based on the net present value of the payment, using the HAS' weighted average cost of capital ("WACC"), which approximates HAS' incremental borrowing rate, required to the lessor under long-term lease contracts. Remeasurement of lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability.

HAS calculates amortization of the discount on the lease liability and report that amount as outflow of resources in that period. Payments are allocated first to accrued interest liability and then to the lease liability. Variable lease payments based on the usage of the underlying assets are not included in the lease liability calculations and are recognized as outflows of resources in the periods in which the obligation for the payments are incurred.

HAS as Lessor

The Fund recognizes a lease receivable, measured using a present value of lease payments - based on a discount rate that HAS charges the lessee or HAS' WACC - to be received for the lease term, and a deferred inflow of receivables at the beginning of the lease term. Periodic amortization of the discount on the receivable are reported as interest revenue for that period. Deferred inflows of resources are recognized as inflows on a straight-line basis over the term of the lease. This recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. Any initial direct costs are reported as an outflow of resources for that period. Remeasurement of lease receivable occurs when there are modifications, including but not limited to changes in the contract price, lease term, and adding or removing an underlying asset to the lease agreements. In the case of a partial or full lease termination, the Fund will reduce the carrying value of the lease receivable and the related deferred inflow of resources and include a gain or loss for the difference.

For lease contracts that are short-term, the Fund recognizes short-term lease payments as inflows of resources (revenues) based on the payment provisions of the lease contract. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

Regulated Leases

The leases between HAS and air carriers and other aeronautical users are subject to external laws and regulations. As permitted by GASBS No. 87, paragraph 43, the Fund recognizes inflows of resources based on the payment provisions of the lease contract, and the accounting policies under "HAS as Lessor" do not apply to regulated leases. Additional disclosures regarding regulated leases are in Note 4.

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 hired after December 31, 1999). Upon termination or retirement, full-time 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 paid 60 days of employment. Part-time and temporary employees (those working less than 30 hours per week) are not eligible for vacation or sick leave benefits.

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

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 provide that time not used will be paid in cash. Only classified employees and civilian employees in certain pay grades routinely earn compensatory time.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Vacation and other compensatory time benefits are accrued as liabilities as the benefits are earned, to the extent that the Fund's obligation is attributable to employees' services already rendered, and it is probable that the Fund will compensate the employees for the benefits through paid time off or some other means, such as cash payments.

Self-Insurance/Risk Management

The City is self-insured for general liability, workers' compensation, and unemployment compensation. The accrued liability for the various types of claims represents an estimate by management of the eventual loss on the claims. Estimated expenses and recoveries are based on a case by case review.

Environmental Remediation Expenses and Recoveries

HAS incurs costs associated with environmental remediation activities, which arise during the normal course of business. These costs are recorded as a liability when HAS is required to perform the remediation and if the costs can be reasonably estimated. HAS records environmental remediation cost recoveries as nonoperating revenues in the financial statements. See Note 11 for 'Environmental Liabilities.'

Bond Premiums, Discounts, and Issuance Costs

Bond premiums, discounts, and prepaid bond insurance are amortized over the term of the bonds using effective interest method for fixed rate bonds and straight-line method for variable rate bonds. Debt issuance costs are recognized as expense when incurred.

Net Pension Liability

For the purposes of measuring net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the Houston Municipal Employees' Pension System, and additions to/deductions from the pension system's fiduciary net position have been determined on the same basis as they are reported by the pension system. For this purpose, benefit payments (including refunds of employee contribution) are recognized when due and payable in accordance with the benefit terms. Additional information regarding net pension liability can be found in Note 6.

Other Postemployment Liability

For purposes of measuring total/net other postemployment liability (OPEB), deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Additional information regarding total/net other postemployment liability can be found in Note 7.

Deferred Inflows/Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The deferred charge on refunding recorded on the statements of net position results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred inflows and outflows have been recognized for the net difference between the projected and actual investment earnings, this amount is deferred and amortized over a period of five years. In addition, deferred inflows and outflows have been recognized for the differences between the actuarial expectation and the actual economic experience and changes in actuarial assumptions related to the defined benefit pension plan and the other post-retirement benefit plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. See Note 6 and Note 7 for additional information on deferred inflows and outflows related to the pension plan and the other post-retirement benefits plans, respectively.

Accounting policies for deferred inflows and outflows related to leases are described under the caption – 'Leases' in Note 1.

Net Position Classification

Net position is displayed in three separate categories based on the accessibility of the underlying assets: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets includes all capital assets, however acquired, including accumulated depreciation, and the outstanding debt and deferred resources used to finance the construction, acquisition, or improvement of capital assets.

Restricted net position includes assets, net of related liabilities, which are limited as to the timing or purpose for which they may be used. Restrictions reported by the Fund are imposed either by other governments, as in grants or passenger facility charges, or through legally enforceable City ordinances passed by City Council as a protection to HAS' bondholders.

Net Position Flow Assumption

Sometimes the Fund will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. The Fund's policy is to consider restricted net position to have been depleted before unrestricted net position is applied.

Restricted Net Position – Restricted for Debt Service

This category includes net position in the interest and sinking funds, debt service funds, and debt reserve funds that pay principal and interest for the revenue bonds, commercial paper notes, inferior lien contract, and special facility revenue bonds. Unexpended PFC are also included in this category as they are primarily held, through agreements with the FAA, for the repayment of capital financing.

Restricted Net Position – Restricted for Maintenance and Operations

This category primarily consists of a reserve fund dedicated to operating and maintenance expense, mandated by the various City ordinances which authorized the issuance of revenue and revenue refunding bonds. At fiscal year end the reserve fund is required to hold a balance representing at least 60 days of operating expenses, based on the annual operating budget authorized by City Council for the next fiscal year.

Restricted Net Position – Restricted for Special Facility

This category holds CFC dedicated to administrative costs and facility improvements for the Consolidated Rental Car Facility ("CRCF"). These funds are held by The Bank of New York Mellon Trust Company, under a trust indenture authorized by City Council in conjunction with the issuance of the Special Facility Revenue Bonds and Revenue Refunding Bonds - CRCF Project.

Restricted Net Position – Restricted for Renewal and Replacement

The Renewal and Replacement Fund (the "R&R") was created by the various City ordinances which authorized the issuance of airport revenue and revenue refunding bonds. The R&R is intended to replace depreciable assets, and to make major repairs and renovations. Net revenue is transferred to this fund if it is not needed for maintenance and operations, for the debt service reserve funds, or for the operating and maintenance reserve fund. The R&R fund can also be used for operations or debt service, if other funds are exhausted. If the R&R does not have a net position of at least $10 million at the end of each fiscal year, then additional revenue funding must be transferred in during the next fiscal year. If the R&R has a net position that is greater than $10 million, then the excess is restricted for capital improvements.

Restricted Net Position – Restricted for Capital Improvements

This category consists primarily of the Airport Improvement Fund (the "AIF"), created by the various City ordinances which authorized the issuance of revenue bonds. After maintenance and operating expenses are paid, and after all other transfers mandated by City ordinances are made, any net revenue remaining is required to be transferred to the AIF. The AIF is intended for capital expenditures, but it can also be used to cure deficiencies in the R&R. If the unappropriated AIF balance is (1) sufficient to cover the capital improvement program for 24 months, or (2) $50 million, whichever is greater, then the AIF may be used by the City for any lawful purpose not inconsistent with the terms of any federal grants or aid or any contracts to which the City is a party. Net position restricted for capital improvements also includes grant or contract funds received from the FAA or Transportation Security Administration ("TSA") for the construction or acquisition of capital assets. Unspent proceeds from debt issuance are included in this category, along with an allocated portion of the associated unpaid debt, if the debt was issued for capital construction, improvement, or acquisition.

Net Position – Unrestricted (Deficit)

This category is defined as any portion of net position that is not classified as either net investment in capital assets or restricted net position. The Fund's Master Ordinance for the Issuance of Revenue Obligations requires that system revenue not used for specific defined purposes be restricted for capital improvement.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the recorded amounts of revenue and expenditures during the period. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. This reclassification had no effect on previously reported change in net position.

Deposits

The City's investment policy (the "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 as of and during the years ended June 30, 2021 and 2020.

Cash and Investments

The City maintains a cash and investment pool (the "Pool") that is available for use by all funds and City departments. Participation in the Pool is limited to normal operating activities of the Fund and other activities that are restricted due to contractual considerations. Petty cash and change funds are included in non-pooled cash. The Fund's balance in pooled and non-pooled accounts at June 30, 2021 and 2020 are as follows:

Fiscal Year	Pooled Cash and Cash Equivalents	Pooled Investments	Total Pooled Cash and Investment	Non-pooled cash	Total Cash and Investments
2021	$ 484,805,017	$ 1,199,888,433	$ 1,684,693,450	$ 51,039,974	$ 1,735,733,424
2020	$ 353,283,655	$ 1,047,037,571	$ 1,400,321,226	$ 54,582,024	$ 1,454,903,250

Investments and Risk Disclosures

The following describes the investment positions of the City's operating funds as of June 30, 2021 and June 30, 2020. On these dates, the City had $5.2 billion and $4.8 billion, respectively, in high grade, fixed income investments. All investments are governed by state law and the 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 Note 6 as well as the City's Financial Report. The Pool consists of all working capital, construction, and debt service funds which are not subject to yield restriction under Internal Revenue Service arbitrage regulations. The funds of the City's enterprise systems, which include the Fund, as well as the general fund, are commingled in this pool in order to gain operational efficiency. Approximately 98.6% and 98.5% of the City's total investable funds are contained in this portfolio on June 30, 2021 and June 30, 2020, respectively.

2. DEPOSITS AND INVESTMENTS, continued:

City of Houston Investment	(1)(2) FY2021 & FY2020 Credit Quality Ratings	June 30, 2021 Fair Value ($ in millions)	June 30, 2021 WAM* (years)	June 30, 2020 Fair Value ($ in millions)	June 30, 2020 WAM* (years)
U.S. Treasury Securities	AAA	$ 1,605.40	2.513	$ 1,715.83	1.121
Government Agency Securities (3)	AAA	1,116.87	2.233	874.98	2.473
Government Agency Securities (State of Israel Bond)	AA	10.00	0.088	10.00	1.088
Government Agency Securities (3) (4)	Not Rated	400.61	2.260	498.28	2.706
Government Mortgaged Backed Securities (3) (4)	Not Rated	1.63	0.970	3.40	1.251
MMF - TexSTAR Cash Reserves (5)	AAA Short Term	708.02	0.101	681.39	0.085
Commercial Paper	A-1/P-1 Short Term	969.55	0.273	619.50	0.260
Municipal Securities	AAA Long Term	191.43	2.228	199.70	1.861
Municipal Securities	AA Long Term	181.49	2.144	192.08	1.824
Total Investments		$ 5,185.00		$ 4,795.16	

* 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 S1 volatility rating to the City's General Investment Pool. The AAA signifies the highest level of credit protection, and the S1 rating signifies volatility consistent with a portfolio of government securities maturing from one to three years.

(2) All credit ratings shown are either actual 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.

(5) For additional disclosures and program information, visit texstar.org/ProgramInformation.aspx.

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 Policy limits this investment portfolio's dollar-weighted average maturity to 2.5 years maximum. As of June 30, 2021 and 2020, this investment portfolio's dollar-weighted average maturity was 1.65 years and 1.33 years, respectively. Modified duration was 1.63 and 1.23 years at June 30, 2021 and 2020, respectively. 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 1.63 years would experience approximately a 1.63% 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 are issued by government sponsored enterprises but are not direct obligations of the U.S. Government. The money market mutual funds are rated AAA. Municipal securities are rated at least AA. The Policy limits investments in the 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 365 days. The Pool's 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; money market mutual funds up to 25%; Certificates of Deposit up to 15%; and commercial paper up to 20%.

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, 2021 and 2020, 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, the counterparty's trust department or agent. As of June 30, 2021 and 2020, none of the City's investments in the Pool 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 investments in the Pool are limited by the Policy to US dollar denominated investments and not subject to this risk.

Fair Value Measurements

To the extent available, the City's investments are recorded at fair value as of December 31, 2021 and 2020. GASBS No. 72 — "Fair Value Measurement and Application," defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis.

The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

2. DEPOSITS AND INVESTMENTS, continued:

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Board has the ability to access at the measurement date.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

TexSTAR uses the fair value method to determine the Net Asset Value ("NAV") per unit of the Cash Reserve Fund. 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 instances 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.

TexSTAR Cash Reserve Fund has not been classified in the fair value hierarchy table. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of net position.

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

	FAIR VALUE MEASUREMENTS USING ($ in millions)							
Investments by Fair Value Level	**Total June 30, 2021**	**Level 1**	**Level 2**	**Level 3**	**Total June 30, 2020**	**Level 1**	**Level 2**	**Level 3**
U.S. Treasury Securities	$ 1,605.40	$ 1,605.40	$ -	$ -	$ 1,715.83	$ 1,715.83	$ -	$ -
Government Agency Securities	1,517.48	-	1,517.48	-	1,373.26	-	1,373.26	-
Government Agency Securities (State of Israel Bd)	10.00	-	-	10.00	10.00	-	-	10.00
Government Mortgaged Backed Securities	1.63	-	1.63	-	3.40	-	3.40	-
Municipal Securities	372.92	-	372.92	-	391.78	-	391.78	-
Commercial Paper	969.55	-	969.55	-	619.50	-	619.50	-
Total Investments by Fair Value Level	4,476.98	$ 1,605.40	$ 2,861.58	$ 10.00	4,113.77	$ 1,715.83	$ 2,387.94	$ 10.00
Investments Measured at NAV								
MMF - TexSTAR Cash Reserves	708.02				681.39			
Total investments measured at NAV	708.02				681.39			
Total investments measured at fair value and NAV	$ 5,185.00				$ 4,795.16			

Restricted Cash and Cash Equivalents - Miscellaneous Money Market Accounts

In addition to the Pool, the City maintains several money market accounts for various purposes. These accounts are considered cash and cash equivalents on the Statements of Cash Flows because they maintain a weighted average maturity of less than three months. The Fund's portion of these is as follows:

	Fair Value June 30, 2021 ($ in millions)	Credit Quality Ratings	Fair Value June 30, 2020 ($ in millions)	Credit Quality Ratings	FY2021 & FY2020 Weighted Average Maturity
Blackrock Federal Institutional Fund: Balances held for Consolidated Rental Car Facility operations, improvements, debt service	$ 51.024	AAA	$ 50.616	AAA	< 60 days
First American US Treasury Money Market Fund: Balance held for commercial paper debt service	0.010	AAA	0.004	AAA	< 60 days
TOTAL FAIR VALUE - MONEY MARKET ACCOUNTS	$ 51.034		$ 50.620		

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, 2021, 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.

Fair Value Measurements – Money Market Accounts

The money market accounts have not been classified in the fair value hierarchy table. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of net position.

A summary of investments under the requirements of the fair value hierarchy follows:

FAIR VALUE MEASUREMENTS USING ($ in millions)

Investments Measured at NAV	Total June 30, 2021	Total June 30, 2020
BlackRock FedFund-Institutional	$ 51.024	$ 50.616
First American US Treasury MMF	0.010	0.004
Total Investments Measured at NAV	$ 51.034	$ 50.620

Summaries of changes in capital assets for the years ended June 30, 2021 and June 30, 2020 are as follows (in thousands):

	Balance June 30, 2020	Additions	Retirements	Transfers	Balance June 30, 2021
Capital assets not being depreciated:					
Land	$ 216,100	-	-	-	$ 216,100
Rights & Intangibles - Non-Amortizable	13,394	-	-	4,939	18,333
Construction work in progress	255,070	202,807	-	(48,197)	409,680
Total capital assets not being depreciated	484,564	202,807	-	(43,258)	644,113
Other capital assets:					
Buildings and building improvements	3,076,131	49	(68,380)	28,487	3,036,287
Improvements other than buildings	2,248,793	164	(43,214)	12,255	2,217,998
Equipment	293,845	8,838	(748)	2,516	304,451
Rights & Intangibles - Amortizable	4,697	-	-	-	4,697
Total other capital asset	5,623,466	9,051	(112,342)	43,258	5,563,433
Less accumulated depreciation for:					
Buildings and building improvements	(1,623,380)	(95,299)	56,909	-	(1,661,770)
Improvements other than buildings	(1,506,375)	(60,015)	27,084	-	(1,539,306)
Equipment	(242,007)	(15,298)	748	-	(256,557)
Rights & Intangibles	(4,685)	(12)	-	-	(4,697)
Total accumulated depreciation	(3,376,447)	(170,624)	84,741	-	(3,462,330)
Other capital assets, net	2,247,019	(161,573)	(27,601)	43,258	2,101,103
Total capital assets, net	$ 2,731,583	$ 41,234	$ (27,601)	$ -	$ 2,745,216

	Balance June 30, 2019	Additions	Retirements	Transfers	Balance June 30, 2020
Capital assets not being depreciated:					
Land	$ 216,100	$ -	$ -	$ -	$ 216,100
Rights & Intangibles - Non-Amortizable	12,774	-	-	620	13,394
Construction work in progress	206,687	146,824	-	(98,441)	255,070
Total capital assets not being depreciated	435,561	146,824	-	(97,821)	484,564
Other capital assets:					
Buildings and building improvements	3,066,213	281	-	9,637	3,076,131
Improvements other than buildings	2,192,230	144	(17,356)	73,775	2,248,793
Equipment	274,303	5,489	(356)	14,409	293,845
Rights & Intangibles - Amortizable	4,697	-	-	-	4,697
Total other capital asset	5,537,443	5,914	(17,712)	97,821	5,623,466
Less accumulated depreciation for:					
Buildings and building improvements	(1,523,601)	(99,319)	-	(460)	(1,623,380)
Improvements other than buildings	(1,452,465)	(60,376)	6,467	-	(1,506,374)
Equipment	(227,086)	(15,737)	355	460	(242,008)
Rights & Intangibles	(4,544)	(141)	-	-	(4,685)
Total accumulated depreciation	(3,207,696)	(175,573)	6,822	-	(3,376,447)
Other capital assets, net	2,329,747	(169,659)	(10,890)	97,821	2,247,019
Total capital assets, net	$ 2,765,308	$ (22,835)	$ (10,890)	$ -	$ 2,731,583

Interest expenses and capitalized interest for the years ended June 30, 2021 and June 30, 2020 are as follows (in thousands):

Interest Cost	2021	2020
Total Interest Cost	$ 72,355	$ 83,683
Capitalized Interest	(10,248)	(9,150)
Interest Expense	$ 62,107	$ 74,533

HAS as Lessee

HAS' operating leases are primarily for equipment. The terms and conditions for these leases vary by the type of underlying asset. All leases have fixed, periodic, payments over the lease term, which ranges between 36 and 72 months, and do not contain variable payments or guaranteed residual values in the lease agreements. These operating leases are cancellable by the lessors or HAS with an advance notice or non-cancellable.

At June 30, 2021, HAS' operating leases consisted of the following (in thousands):

	2021
Total right-of-use assets	$ 431
Less: accumulated amortization	(196)
Right-of-use assets, net	$ 235

For the year ended June 30, 2021, no variable or other payments were made by HAS other than the periodic rental payments in accordance with the lease agreements. In addition, there were no commitments under leases prior to the commencement of the lease term, and no impairment related loss were recognized by the Fund.

Principal and interest requirement to maturity for the lease liability at June 30, 2021 are as follows (in thousands):

Year ending June 30	Principal	Interest	Total
2022	$ 128	$ 6	$ 134
2023	77	2	79
2024	34	1	35
Total	$ 239	$ 9	$ 248

HAS as Lessor

HAS leases terminal space (except for regulated leases), aircraft maintenance and overhaul facilities, cargo facilities, hangars, and other structures to air carriers and other tenants under various operating leases, a majority of which is non-cancellable and terminate no later than July 2058. Certain provisions of the leases provide for fixed and variable rental payments, and all are generally designed to allow HAS to meet its debt service requirements and recover certain operating and maintenance costs. In addition, certain of the agreements under which HAS receives revenue from the operation of concessions at IAH and HOU provide for the payment of a fee based on the greater of an aggregated percentage of gross receipts or a guaranteed minimum.

For the year ended June 30, 2021, the Fund recognized the following balances related to the leases (in thousands):

	Fixed Payments		Variable Payments	
Rentals, Building, and Ground Area	$	20,621	$	-
Concessions (Hotel and Auto Rental)	$	1,608	$	16,637
Interest Revenue	$	10,193	$	-

Expected future payments, which are included in the measurement of the lease receivable, at June 30, 2021 are as follows (in thousands):

Year ending June 30	Principal		Interest		Total	
2022	$	15,687	$	9,776	$	25,463
2023		13,859		9,237		23,096
2024		11,495		8,775		20,270
2025		11,025		8,365		19,390
2026		11,062		7,968		19,030
2027 - 2031		42,447		34,632		77,079
2032 - 2036		33,059		28,062		61,121
2037 - 2041		39,239		21,589		60,828
2042 - 2046		36,836		14,372		51,208
2047 - 2051		40,800		7,467		48,267
2052 - 2056		19,279		1,495		20,774
2057 - 2059		1,474		46		1,520
Total	$	276,262	$	151,784	$	428,046

Regulated Leases

The City and United Airlines ("United"), Southwest Airlines ("Southwest"), Delta Air Lines, American Airlines, Spirit Airlines, and Air Canada (collectively, the "Signatory Airlines") entered into Airport Use and Lease agreements ("Regulated Leases"), for usage of IAH and HOU facilities for the purpose of conducting business as air transportation businesses. These agreements are non-cancellable and terminate no later than 2042, with options to extend, or month-to-month and cancellable with 30 days' notice. Under the terms of these agreements, Signatory Airlines pay HAS monthly based on the annual rental rate/fee schedule. Rate calculations are based on total estimates of costs and expenses, estimates of passengers and total landed weight, and other factors. Final settlements are made each year after the audit of the Fund's Financial Report. Other airlines operating at IAH and HOU are billed at rates established by the City ordinances.

Under the agreements with United, United has exclusive and preferential use of certain space and facilities of terminals A, B, C, and E at IAH and preferential use of certain apron areas. And under these agreements, all or part of the concession revenues and related costs generated from terminals B, C, and E of IAH are excluded from the Fund's concession revenues and operating expenses on the statements of revenues, expenses, and changes in net position, as United operates, retains revenues, and pay related costs of operations for those concessions in accordance with the agreements. In addition, one of the agreements with Southwest grants Southwest preferential use of West Terminal/West Concourse, boarding gates, and other areas at HOU. Another agreement grants Southwest exclusive and preferential use of certain terminal areas of terminal A at IAH. No other airlines have exclusive or preferential use of more than ten (10) percent of terminal space or other areas of HAS as of June 30, 2021. See Note 9 for major customers of HAS. Exclusive and preferential use of space are summarized as follows:

IAH

	United		Southwest		Total IAH	
Terminal areas - leasable airline space (in thousands)	1,941	sq. ft.	32	sq. ft.	3,216	sq. ft.
Apron - leasable airline space (in thousands)	2,728	sq. ft.	85	sq. ft.	3,871	sq. ft.
Number of gates and remote stands	96		3		135	

HOU

	Southwest		Total HOU	
Terminal areas - leasable airline space (in thousands)	381	sq. ft.	467	sq. ft.
Apron - leasable airline space (in thousands)	516	sq. ft.	815	sq. ft.
Number of gates and remote stands	24		30	

For the year ended June 30, 2021, the Fund recognized the following balances related to Regulated Leases (in thousands):

	Fixed Payments		Variable Payments	
United	$	73,107	$	24,064
Southwest	$	19,720	$	16,839
Other Signatory Airlines	$	12,842	$	6,099

4. LEASES, continued:

Expected future minimum lease payments from Regulated Leases at June 30, 2021 are as follows (in thousands), projected by management of HAS using the following assumptions: 1) revenues earned from the Signatory Airlines during the year ended June 30, 2021, 2) through the expiration of the agreements with the Signatory Airlines or the next five (5) years, whichever is longer, 3) compounded at three (3) percent per annum without considering possible effect of the ongoing COVID-19 pandemic, and 4) without considering future expansion and changes in operations by HAS or the Signatory Airlines:

Year ending June 30		Total
2022	$	156,812
2023		161,516
2024		166,362
2025		171,352
2026		176,493
2027 - 2031		842,007
2032 - 2036		976,117
2037 - 2041		1,067,198
2042 - 2046		180,767
Total	$	3,898,624

HAS' senior lien and subordinate lien revenue refunding bonds are secured by net revenues earned from the airlines. See additional disclosures in Note 5, Security for Airport Debt.

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Changes in long-term liabilities for the years ended June 30, 2021 and 2020 are summarized as follows (in thousands):

	Balance June 30, 2020	Additions	Reduction	Balance June 30, 2021	Due within One Year
Revenue bonds payable	$ 1,855,340	$ 1,149,685	$ (795,780)	$ 2,209,245	$ 75,580
Plus: unamortized premium	162,949	101,783	(51,469)	213,263	-
Less: unamortized discount	(598)	-	96	(502)	-
Revenue Bonds Payable, Net	2,017,691	1,251,468	(847,153)	2,422,006	75,580
Special facility bonds payable	74,425	-	(6,240)	68,185	7,505
Commercial paper payable	132,973	383,800	(496,773)	20,000	-
Pension obligation bonds	2,006	-	-	2,006	-
Notes payable	324	14,097	-	14,421	1,068
Claims for workers compensation	1,521	2,457	(901)	3,077	903
Compensated absences	13,293	6,122	(5,397)	14,018	5,477
Accrued arbitrage rebate liability	109	-	(109)	-	-
Net pension liability	258,223	-	(96,678)	161,545	-
Other post employment benefits - health	70,738	13,571	(1,965)	82,344	-
Other post employment benefits - LTD	774	376	-	1,150	-
Total Long Term Liabilities	$ 2,572,077	$ 1,671,891	$ (1,455,216)	$ 2,788,752	$ 90,533

	Balance June 30, 2019	Additions	Reduction	Balance June 30, 2020	Due within One Year
Revenue bonds payable	$ 1,935,450	$ -	$ (80,110)	$ 1,855,340	$ 89,090
Plus: unamortized premium	179,927	-	(16,978)	162,949	-
Less: unamortized discount	(675)	-	77	(598)	-
Revenue Bonds Payable, Net	2,114,702	-	(97,011)	2,017,691	89,090
Special facility bonds payable	80,385	-	(5,960)	74,425	6,240
Commercial paper payable	48,473	84,500	-	132,973	-
Pension obligation bonds	2,006	-	-	2,006	-
Notes payable	-	324		324	
Claims for workers compensation	1,806	642	(927)	1,521	928
Compensated absences	12,609	10,020	(9,336)	13,293	5,681
Accrued arbitrage rebate liability	-	109	-	109	-
Net pension liability	229,757	28,466	-	258,223	-
Other post employment benefits - health	73,286	-	(2,548)	70,738	-
Other post employment benefits - LTD	586	188	-	774	-
Total Long Term Liabilities	$ 2,563,610	$ 124,249	$ (115,782)	$ 2,572,077	$ 101,939

Revenue Bonds

A summary of revenue bonds outstanding as of June 30, 2021 and 2020 are as follows (in thousands):

	Maturity Year	Original Interest Rate Range	Face Value Outstanding June 30, 2021	Face Value Outstanding June 30, 2020
Airport System Subordinate Revenue Bonds				
Series 2000B, $269,240,000 original principal	2024	5.45%-5.7%	$ 38,315	$ 44,515
Series 2002A, $200,050,000 original principal	2032	5%-5.625%	20,005	20,005
Series 2002B, $274,455,000 original principal	2032	5%-5.5%	27,450	27,450
Airport System Subordinate Lien Revenue Refunding Bonds				
Series 2011A, $449,975,000 original principal	2026	3%-5%	28,600	172,540
Series 2011B, $116,930,000 original principal	2026	3%-5%	1,550	58,550
Series 2012A, $286,585,000 original principal	2032	5%	13,820	267,355
Series 2012B, $217,135,000 original principal	2032	5%	9,775	217,135
Series 2018A, $130,550,000 original principal	2041	5%	124,090	127,400
Series 2018B, $285,220,000 original principal	2048	5%	266,785	276,220
Series 2018C, $212,820,000 original principal	2032	5%	194,860	206,025
Series 2018D, $356,290,000 original principal	2039	5%	334,310	346,040
Series 2020A, $131,620,000 original principal	2047	4%-5%	131,620	-
Series 2020B, $71,565,000 original principal	2030	5%	71,565	-
Series 2020C, $660,490,000 original principal	2032	0.883%-2.485%	660,490	-
Series 2021A, $286,010,000 original principal	2048	4%-5%	286,010	-
Variable Rate Debt Obligations				
Series 2010, $93,730,000 original principal	2030	N/A	-	92,105
Total Principal			2,209,245	1,855,340
Less: Total current maturities			(75,580)	(89,090)
Unamortized discount			(502)	(598)
Unamortized premium			213,263	162,949
Total Revenue Bonds Payable - Long Term			$ 2,346,426	$ 1,928,601

Senior Lien Revenue Bonds

At June 30, 2021 and 2020, there were no senior lien revenue bonds issued and outstanding.

Subordinate Lien Revenue Bonds

On October 20, 2020, HAS issued $863,675,000 in Airport System Subordinate Lien Revenue Refunding Bonds in three series: Series 2020A (AMT) in the amount of $131,620,000, 2020B (NON-AMT) in the amount of $71,565,000, and 2020C (Taxable) in the amount of $660,490,000, with interest rates at 0.883% to 5.0%. The proceeds were used for the purpose of generating resources for debt service payments of the refunded and defeased portions of Series: 2010 (AMT), 2000B (NON-AMT), 2011A (AMT), 2011B (AMT), 2012A (AMT), 2012B (NON-AMT); to refund $150,973,000 of Airport System Commercial Paper Notes; and to pay costs of issuance of the bonds. A deferred refunding loss of $18,004,617 was recognized for this refunding transaction. The bonds mature in varying amounts from year 2022 to 2047. Net present value savings related to the bond refundings totaled $94,799,712 and reduced future debt service by $98,213,180. In addition, as of June 30, 2021, $596,585,000 of defeased bonds are still outstanding.

On June 22, 2021, HAS issued Series 2021A (AMT) Airport System Subordinate Lien Revenue Refunding Bonds in the amount of $286,010,000 with interest rates at 4.0% to 5.0%. The proceeds were used for the purpose of refunding $345,800,000 of Houston Airport System Commercial Paper Notes and to pay costs of issuance of the bonds. No deferred gain or loss was recognized for this refunding transaction. The bonds mature in varying amounts from year 2023 to 2048.

Arbitrage Rebate

Arbitrage rebate rules, under the Internal Revenue Code Section 148 and related Treasury Regulations, require generally that a tax-exempt bond issuer forward to the federal government any profits made from investing bond proceeds at a yield above the bond yield, when investing in a taxable market. Payments based on cumulative profits earned by bonds are due, in general, every five years. At June 30, 2021 and 2020, a yield restriction/arbitrage rebate of $0 and $109,028, respectively, was accrued.

Commercial Paper

During the year ended June 30, 2013, the City authorized up to $150 million in Airport System Commercial Paper Notes ("Commercial Paper"). On November 20, 2013, the City re-authorized and amended the Series A and B Commercial Paper. A new direct pay letter of credit was issued on December 18, 2013, covering $150 million in face value of Series A and B Commercial Paper, plus $11.1 million in respect of 270 days accrued interest computed at 10%. This letter of credit expired on December 16, 2016 and was replaced by a letter of credit for the same amount issued by Sumitomo Mitsui Banking Corporation ("SMBC"), which expires on December 15, 2021. Any advances made under the letter of credit and not repaid within 90 days will be converted to term loans payable in twenty quarterly installments, subject to the greater of several options for interest rates. The maximum interest rate permitted under the ordinance is 15%.

On April 1, 2020, the agreement with SMBC was expanded to $350 million, plus interest. During the year ended June 30, 2020, HAS drew down $84.5 million, bringing the total outstanding balance at June 30, 2020 to $133.0 million, with interest rates ranging from 0.20% to 1.40%.

On Oct 20, 2020 and June 22, 2021, the outstanding balance of Commercial Paper in the amount of $151.0 million and $345.8 million was refunded by the issuance of Series 2020A and Series 2021A bonds, respectively. At June 30, 2021, the outstanding balance of Commercial Paper was $20.0 million, with interest rate of 0.11%, and the available limit for additional borrowings was approximately $330.0 million.

Pension Obligation Bonds

In 2005, the Fund was assigned the responsibility to pay principal and interest on a portion of the City's Pension Obligation Bonds, Series 2005 (Taxable), with a par value of $2,005,656, a coupon rate of 5.31%, and final maturity on March 1, 2035. The annual interest payment for the Pension Obligation Bonds is $106,500.

Security for Airport Debt

To the extent it legally may do so, as described in the Master Bond Ordinance, HAS may charge rates for use of the airports in order that, for each fiscal year, the net revenues will be not less than 125% of the debt service requirements for Senior Lien Revenue Bonds and 110% of the debt service requirements for Subordinate Lien Revenue Bonds. Generally, the bonds may be redeemed prior to their maturities in accordance with the bond ordinances and at prices which include premiums ranging downward from 1%.

The Fund presently has three outstanding Senior Lien Debt Service Reserve Fund Surety Policies issued by Financial Guaranty Insurance Corporation ("FGIC") and reinsured by National Public Finance Guarantee Corporation for any outstanding Senior Lien Revenue Bonds and Commercial Paper. These policies have an aggregate maximum amount of $12,374,996 and terminate on October 25, 2023 and July 1, 2030.

The Fund has also purchased Subordinate Lien Debt Service Reserve Fund Surety Policies that unconditionally guarantee the payment of the current principal and interest on all outstanding subordinate lien issues. The surety policies have termination dates ranging from July 1, 2022 to July 1, 2032. Each of the draws made against the surety policies 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 policies were issued by (1) FGIC in the aggregate maximum amount of $102,949,865, reinsured by National Public Finance Guarantee Corporation; and (2) Assured Guarantee Municipal Corporation in the aggregate maximum amount of $31,921,384. The Fund also has a cash reserve of $83,960,003 and $68,960,003 in the Subordinate Lien Bond Reserve Fund as of June 30, 2021 and June 2020, respectively.

Pledged Revenues

The Fund has pledged its revenues, net of operation and maintenance expenses, ("Net Revenue") to pay principal and interest on outstanding Commercial Paper, Senior Lien Revenue Bonds, Subordinate Lien Revenue Bonds, and Inferior Lien Revenue Bonds.

Pledged revenues exclude any bond proceeds, replacement proceeds, investment income earned by bond proceeds, fair value adjustments, PFC, grants or gifts for construction or acquisition, insurance proceeds, revenue from special facilities pledged to Special Facility Bonds, taxes collected for others, and proceeds from the sale of properties.

For the years ended June 30, 2021 and 2020, Net Revenues totaled $77.3 million and $177.5 million, respectively. In addition to PFC and grants totaling $145.3 million and $69.2 million for the years ended June 30, 2021 and 2020, respectively, were available to pay debt service. The resulting debt service coverage ratio (Net Revenue to debt service) was 1.59 times for the year ended June 30, 2020. For the year ended June 30, 2021, debt service coverage ratio was not calculated as the debt service was entirely funded by PFC and grants.

Special Facility Bonds

The Airport System Special Facilities Taxable Revenue Bonds, (CRCF Project), Series 2001, original par value $130,250,000, financed the design and construction 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 at Intercontinental. The City holds legal title to the completed 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 CFC 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, 2021 and 2020, the daily usage charge per customer is set at $4.00. The trust indenture determines when and how the City is responsible for changing the rate, which under the Bond covenants must be set to provide a debt service coverage ratio of at least 125%. The bonds are limited special obligations of the City, payable solely from and secured by pledged CFC. There is no pledge of car rental company revenues, or of any general revenue of the City.

On September 4, 2014, the City issued $38,225,000 in Airport System Special Facilities Taxable Revenue Refunding Bonds (CRCF Project), Series 2014, at coupons ranging from 0.40% to 2.99%. The bonds mature in varying amounts from 2015 to 2021. Proceeds of the bonds were used to refund $37,245,000 of the City's outstanding Airport System Special Facilities Taxable Revenue Bonds (CRCF), Series 2001, and to pay costs of issuance. Net present value savings related to the refunded bonds totaled $5,078,199 and reduced total debt service by $6,110,108. The bonds are limited special obligations of the City, payable solely from and secured by pledged CFC. These bonds do not constitute a debt or pledge of the faith or credit of the City or the Fund.

At June 30, 2021 and June 30, 2020, special facilities revenue and refunding bonds (CRCF) outstanding totaled $68.2 million and $74.4 million, respectively.

Forward Delivery Bond Purchase Agreement

On October 21, 2015, the City authorized up to $450 million in Airport System Inferior Lien Revenue Bonds, in one or more series. On November 5, 2015 the City authorized execution of a forward delivery purchase agreement with the Royal Bank of Canada, to expire November 5, 2022, for the issuance of $450 million in Inferior Lien Revenue Bonds. City Council must reauthorize this liquidity arrangement annually. For the years ended June 30, 2021 and 2020, no Inferior Lien Revenue Bonds have been issued and outstanding.

Direct Placement Loans

During the year ended June 30, 2020, HAS began to borrow and incur interest on two loans obtained from the State Energy Conservation Office ("SECO"), a segment within the State of Texas Comptroller. The SECO program affords low-rate 2% loans for borrowers approved to build or acquire energy efficient equipment or other assets.

HAS entered into two reimbursement loan agreements with SECO, each with a SECO-approved list of projects to be completed within approximately eighteen months, and with the initial repayment to commence shortly thereafter. After HAS has incurred the construction or acquisition costs, it submits the charges to SECO for reimbursement. Upon reimbursement by SECO, interest expense accrues at two percent.

Loan No. 1 has a maximum amount of $8.0 million to be repaid over approximately ten years, with repayment to commence once all projects are completed. Loan #2 has a maximum amount of $7.5 million, and similar terms to Loan No. 1. At June 30, 2021 and 2020, HAS has a total of $14.4 million and $0.3 million, respectively, loan balance outstanding. The replacement projects continued throughout the year ended June 30, 2021 and have not completed as of June 30, 2021.

There are no unique default provisions, payment provisions, or collateral pledged to either of these loans. In the event of default, such as failing to make timely payments in accordance with the agreements, the outstanding balances, including accrued interest, may become due immediately. As of June 30, 2021 and 2020, HAS is in compliance with terms and conditions of these loan agreements.

Debt Service Requirements to Maturity

Aggregate future debt service payments to maturity as of June 30, 2021 are as follows (in thousands):

Year Ending June 30	Airport System Total Future Requirements		
	Principal	Interest	Total
2022	$ 84,153	$ 86,234	$ 170,387
2023	86,954	88,145	175,099
2024	129,691	84,524	214,215
2025	153,688	79,914	233,602
2026	137,951	73,864	211,815
2027-2031	751,589	285,218	1,036,807
2032-2036	483,906	143,742	627,648
2037-2041	254,320	75,604	329,924
2042-2046	145,485	32,412	177,897
2047-2049	86,120	5,037	91,157
Total	$ 2,313,857	$ 954,694	$ 3,268,551

Year Ending June 30	SECO Direct Placement	
	Principal	Interest
2022	$ 1,068	288
2023	1,089	267
2024	1,111	245
2025	1,133	223
2026	1,156	200
2027-2031	6,134	646
2032-2036	2,730	166
2037-2041	-	-
2042-2046	-	-
2047-2049	-	-
Total	$ 14,421	$ 2,035

Year Ending June 30	Airport System Subordinate Lien Revenue Bonds	
	Principal	Interest
2022	$ 75,580	$ 78,788
2023	77,700	81,237
2024	119,710	78,193
2025	122,925	74,809
2026	126,350	71,218
2027-2031	720,960	281,622
2032-2036	480,095	143,439
2037-2041	254,320	75,604
2042-2046	145,485	32,412
2047-2049	86,120	5,037
Total	$ 2,209,245	$ 922,359

Year Ending June 30	Airport System Commercial Paper	
	Principal	Interest
2022	$ -	$ 2,360
2023	-	2,360
2024	-	2,367
2025	20,000	1,772
2026	-	-
2027-2031	-	-
2032-2036	-	-
2037-2041	-	-
2042-2046	-	-
2047-2049	-	-
Total	$ 20,000	$ 8,859

Year Ending June 30	Airport System Special Facility Bonds - Rental Car Facility	
	Principal	Interest
2022	$ 7,505	$ 4,691
2023	8,165	4,175
2024	8,870	3,613
2025	9,630	3,003
2026	10,445	2,340
2027-2031	23,570	2,465
2032-2036	-	-
2037-2041	-	-
2042-2046	-	-
2047-2049	-	-
Total	$ 68,185	$ 20,287

Year Ending June 30	Airport System Pension Obligations	
	Principal	Interest
2022	$ -	$ 107
2023	-	106
2024	-	106
2025	-	107
2026	-	106
2027-2031	925	485
2032-2036	1,081	137
2037-2041	-	-
2042-2046	-	-
2047-2049	-	-
Total	$ 2,006	$ 1,154

As a department of the City, HAS participates in the Houston Municipal Employees' Pension System ("HMEPS" or the "Plan"), which publishes its separate financial statements and is a blended component unit of the City. A complete copy of the summary plan description and the stand-alone financial reports can be obtained from HMEPS at 1201 Louisiana St., Suite 900, Houston, Texas 77002-5608 or via http://www.hmeps.org.

A. General Information

Plan Description

HMEPS is a single employer, defined benefit pension plan, which covers all eligible municipal employees of the City, including all employees of HAS. HMEPS was created under Chapter 358, Acts of the 48th Texas Legislature, Regular Session, 1943 (Article 6243g, Vernon's Texas Civil Statutes) and reenacted and continued under HB1573, 77th Texas Legislature, Article 6243h, Vernon's Texas Civil Statutes, (the "Pension Statute") as amended. An independent Board of Trustees administers the Plan. The fiscal year of HMEPS ends June 30. In this Financial Report, the Fund reports separately from the City and is required to report as a cost-sharing plan since the Fund is allocated a proportionate share of the net pension liability ("NPL"). The schedules of Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources show the Fund's proportionate share of the Plan.

Benefits Provided

HMEPS includes three contributory groups, groups A, B, and D, 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 credited service, as defined in the Pension Statute. Pension benefits are adjusted annually for a fixed cost of living adjustment of between 0% and 2% depending on investment returns. The maximum pension benefit is 90% of the participant's average monthly salary. A Deferred Retirement Option Plan (DROP) is available to eligible members.

Contributions

For HMEPS, employer and employee obligations to contribute, as well as employee contribution rates, are included in the Pension Statute, and 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 amounts agreed to in meet and confer agreements.

All active participants are required to contribute to the Plan. Effective July 2017, group A participants contribute 7% of salary, group B participants contribute 2% of salary, and group D participants contribute 2% of salary. Effective July 2018, group A and group B participants contribute 8% and 4%, respectively. Beginning in January of 2018, group D participants contributed an additional 1% of salary.

As a result of Senate Bill 2190 of the 85th Texas Legislature ("SB 2190"), beginning in fiscal year 2018, the City is required to contribute the "Total City Contribution" to the Plan, which consists of the sum of (a) an actuarially determined percentage of payroll ("City Contribution Rate") multiplied by actual payroll and (b) a fixed dollar amount ("City Contribution Amount") which is based on the Unfunded Actuarial Accrued Liability as of July 1, 2016 ("Legacy Liability"). The Legacy Liability payment is amortized over 30 years, beginning on July 1, 2017 and grows at 2.75% per year regardless of the actual payroll growth rate.

The City as a whole and for the years ended June 30, 2021 and 2020, the City Contribution Rate was 8.36% and 8.32% of payroll, respectively, and the City Contribution Amount was $134,546,835 and $130,945,824, respectively.

Also, SB 2190 required a one-time payment of $250 million to the Plan in Pension Obligation Bond proceeds during the year ended June 30, 2018.

As of the most recent measurement date, June 30, 2021, of the net pension liability, membership data for the Plan are as follows:

Retirees and beneficiaries currently receiving benefits	11,373
Former members entitled to benefits but not yet receiving them	7,059
Active members	11,594
Total participants	30,026

B. Net Pension Liability

The Fund's proportionate share of NPL in the Plan was allocated and reported on the accompanying statements of net position.

NPL is the difference between the "Total Pension Liability" ("TPL") and the Plan's "Fiduciary Net Position" ("FNP"). 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. 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 TPL to the extent they are substantively automatic. FNP is determined on the same basis used by the Plan. NPL and certain sensitivity information are based on an actuarial valuation performed as of July 1, 2020 and 2019. TPL was rolled forward from that valuation date to the measurement date of June 30, 2021 and 2020 using generally accepted actuarial principles. A Schedule of Net Pension Liability, including multi-year trend information (beginning with the year ended June 30, 2015), is presented in the Required Supplementary Information section of the Financial Report.

Net Pension Liability (in thousands)

	June 30, 2021		June 30, 2020	
	Municipal Employees' Pension	The Fund's proportionate share of NPL	Municipal Employees' Pension	The Fund's proportionate share of NPL
Total pension liability	$ 5,440,062	$ 558,694	$ 5,332,865	$ 561,822
Less: Fiduciary net position	(3,867,087)	(397,149)	(2,881,788)	(303,599)
Net pension liability	$ 1,572,975	$ 161,545	$ 2,451,077	$ 258,223

The Fund's proportionate percentage of NPL is 10.27% and 10.54% for the years ended June 30, 2021 and 2020, respectively.

C. Schedule of Changes in Net Pension Liability (in thousands)

	June 30, 2021			June 30, 2020		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Service cost	$ 78,564	$ -	$ 78,564	$ 77,819	$ -	$ 77,819
Interest on the total pension liability	363,611	-	363,611	356,430	-	356,430
Difference between expected and actual experience	(20,427)	-	(20,427)	(28,865)	-	(28,865)
Employer contributions	-	184,762	(184,762)	-	176,430	(176,430)
Employees contributions	-	33,325	(33,325)	-	32,582	(32,582)
Pension plan net investment income	-	1,084,388	(1,084,388)	-	(115,165)	115,165
Benefit payments	(314,149)	(314,149)	-	(308,002)	(308,002)	-
Refunds	(402)	(402)	-	(650)	(650)	-
Administrative expense	-	(3,111)	3,111	-	(4,891)	4,891
Other	-	486	(486)	-	485	(485)
Net change	107,197	985,299	(878,102)	96,732	(219,211)	315,943
Net pension liability beginning	5,332,865	2,881,788	2,451,077	5,236,133	3,100,999	2,135,134
Net pension liability ending	$ 5,440,062	$ 3,867,087	$ 1,572,975	$ 5,332,865	$ 2,881,788	$ 2,451,077

D. Schedule of Assumptions

Inflation	2.25%
Salary changes	3.00% to 5.25% including inflation
Investment rate of return	7.00%
Valuation date	July 1, 2020 and 2019
Actuarial cost method	Entry Age Normal Cost
Amortization method	Level Percent of Payroll, Open
Remaining amortization period	27 and 28 years
Asset valuation method	5 Year smoothed market, direct offset of deferred gains and losses
Mortality assumption	RP-2000 Table scaled by 125% for males and 112% for females
	The rates are then projected on a fully generational basis by scale BB

NOTES TO FINANCIAL STATEMENTS

6. DEFINED BENEFIT PENSION PLAN, continued:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The actuary utilized the forward-looking return expectations developed by twelve investment consulting firms that work with pension systems similar to HMEPS. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The Plan's target asset allocation and actual allocation as of June 30, 2021 and 2020 are summarized as follows:

	June 30, 2021		June 30, 2020	
Asset Class	Target Allocation	Actual Allocation	Target Allocation	Actual Allocation
Global equity	32.5 %	31.2 %	32.5 %	31.6 %
Private equity	17.0	28.8	17.0	26.5
Fixed income	10.0	8.1	10.0	11.5
Real estate	12.5	9.9	12.5	11.2
Absolute return	8.0	3.8	8.0	4.6
Inflation linked	15.0	13.0	15.0	11.3
Private credit	5.0	2.5	5.0	2.8
Cash/liquidation	-	2.7	-	0.5
	100.0 %	100.0 %	100.0 %	100.0 %

E. Pension Expense

For the years ended June 30, 2021 and June 30, 2020, the City recognized pension expense as follows (in thousands):

	June 30, 2021	June 30, 2020
Service cost	$ 78,564	$ 77,819
Interest	363,611	356,430
Difference between expected and actual experience	(12,474)	(15,934)
Assumption changes	8,104	140,258
Differences between projected and actual earnings on plan investments	(144,415)	65,915
Member contributions	(33,325)	(32,582)
Project earnings on plan investments	(198,257)	(213,428)
Administrative expense	3,111	4,891
Other	(487)	(484)
Total pension expense	$ 64,432	$ 382,885

The Fund's proportionate shares of pension expense are $6.6 million and $36.2 million for the years ended June 30, 2021 and June 30, 2020, respectively.

F. Schedule of Deferred Outflows and Inflows of Resources

Deferred outflows of resources and deferred inflows of resources by source reported by the Fund at June 30, 2021 and June 30, 2020 (in thousands):

	June 30, 2021			June 30, 2020		
	Deferred Outflows of Resources	Deferred Inflows of Resources	Total Fund	Deferred Outflows of Resources	Deferred Inflows of Resources	Total Fund
Differences between expected and actual experience	$ 2	$ 3,100	$ (3,098)	$ -	$ 2,273	$ (2,273)
Changes of assumptions	-	-	-	25,210	-	25,210
Net difference between projected and actual earnings on pension plan investments	-	53,231	(53,231)	-	1,152	(1,152)
Contributions after measurement date	-	-	-	666	-	666
Total	$ 2	$ 56,331	$ (56,329)	$ 25,876	$ 3,425	$ 22,451

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2021 will be recognized in pension expense as follows (in thousands):

Year Ending June 30	
2022	$ (13,914)
2023	(12,437)
2024	(11,778)
2025	(18,200)
2026	-
Thereafter	-
Total	$ (56,329)

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

The following presents TPL and NPL, calculated using the current discount rate, as well as what the Fund's TPL and NPL would have been if they were calculated using a discount rate that is 1-percent-point lower and 1-percent-point higher than the current rate (in thousands):

June 30, 2021	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Municipal Employees' Pension	$ 2,143,095	$ 1,572,975	$ 1,095,299
The Fund's proportionate share of NPL	$ 220,096	$ 161,545	$ 112,487

June 30, 2020	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Municipal Employees' Pension	$ 3,016,679	$ 2,451,078	$ 1,977,637
The Fund's proportionate share of NPL	$ 317,810	$ 258,223	$ 208,346

A. Retiree Health Insurance Benefits

Pursuant to a City Ordinance, the City provides certain Other Postemployment Benefits ("OPEB") for retired employees. Substantially all employees become eligible for these benefits if they reach normal retirement age while working for the City. The City is not required by law or contractual agreement to provide funding for OPEB other than the pay-as-you-go amounts necessary to provide current benefits to retirees, eligible dependent, and beneficiaries. The cost of retiree health care premiums incurred by the City (employer and subscriber) amounted to approximately $62.4 million and $45.8 million for the years ended June 30, 2021 and 2020, respectively. Retiree health care is accounted for in the Health Benefits Fund, an Internal Service Fund for the City. At June 30, 2021 and 2020, there were 10,726 and 11,663 retirees including active survivors eligible to receive benefits. Effective August 1, 2011, all Medicare eligible retirees must enroll in an insured Medicare Advantage Program Plan.

The City's 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. As a department of the City, HAS participates in the OPEB plan of the City. A separate accounting is not done for the Fund's portion. It is allocated its share of expense on an annual basis. For the years ended June 30, 2021 and 2020, the Fund made "pay-as-you-go" payments totaling approximately $2.0 million and $1.7 million, respectively, for the OPEB plan.

1. Membership

As of the most recent actuarial valuation of the net OPEB liability, membership data is as follows:

	City
Retirees and beneficiaries currently receiving benefits	10,726
Active members:	21,057
Total participants	31,783

2. Schedule of Assumptions

The total OPEB liability is based on an actuarial valuation as of June 30, 2020 and 2018 using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary Increases	Municipal: Service-based table ranging from 3.00% to 5.25% Fire: Age-based table ranging from 3.00% to 7.00% Police: Service-based table ranging from 2.75% to 22.75%
Discount Rate	2.21% at June 30, 2020 and 3.5% at June 30, 2019
Measurement Date	June 30, 2020 and 2019
Healthcare Costs Trend Rates:	
Medicare	7.00% trending down to 4.50%
Prescription Drug	8.00% trending down to 4.50%
Medicare Advantage	6.00% trending down to 4.5%
Medicare Supplement	6.00% trending down to 4.5%
Administrative Costs	June 30, 2020: $258 per participant increasing at 2.00% each year thereafter June 30, 2019: $293 per participant increasing at 3.00% each year thereafter
Healthy Mortality Rates	Rates that vary by job classification and employee status. The rates are consistent with the pension plans valuation assumptions for the same employees.

3. Net OPEB Liability

The total OPEB liability was measured as of June 30, 2020 and 2019. The total OPEB liability was determined from an actuarial valuation as of June 30, 2020 and 2018. The net OPEB liability is the total OPEB liability less the plan fiduciary net position. The total OPEB liability is the present value of all future benefit payments for current retirees and active employees, considering assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions.

The Fund's Net OPEB Liability (in thousands)

Measurement Date: **June 30, 2020 and 2019**

Reporting Date: **June 30, 2021 and 2020**

	2021	2020
Total OPEB liability	$ 82,344	$ 70,738
Less: Fiduciary net position	-	-
Net OPEB liability	$ 82,344	$ 70,738

The Fund's proportionate share of the net OPEB liability at June 30, 2021 and 2020 was 3.15% and 3.19%, respectively. A schedule of net OPEB liability, in addition to the information above, includes multi-year trend information (beginning with fiscal year 2018) and is presented in the Required Supplementary Information section.

4. Schedule of Changes in Net OPEB Liability

Change in Net OPEB Liability (in thousands)	2021	2020
Service cost	$ 115,672	$ 118,901
Interest	80,598	90,952
Change of benefit terms	-	(17,819)
Difference between expected and actual experience	(64,790)	(17,603)
Assumptions changes	326,935	(164,752)
Benefit payments	(62,373)	(45,811)
Net change	396,042	(36,132)
Net OPEB liability beginning	2,218,057	2,254,189
Net OPEB liability ending	$ 2,614,099	$ 2,218,057

5. OPEB Expense

For the years ended June 30, 2021 and 2020, the City recognized OPEB expense of $114.9 million and $73.2 million, respectively. The Fund recognized OPEB expense of $3.6 million and $2.3 million for the years ended June 30, 2021 and 2020, respectively. Components of OPEB expense are as follows (in thousands):

Components of OPEB Expense	2021	2020
Service Cost	$ 115,672	$ 118,901
Interest	80,598	90,952
Expensed portion of current-period benefit changes	-	(17,819)
Expensed portion of current difference in experience	(9,256)	(2,515)
Expensed Portion of current period changes of assumptions	46,705	(23,536)
Amortization of beginning of year deferred amounts	(118,832)	(92,781)
OPEB expense	$ 114,887	$ 73,202

6. Schedule of Deferred Outflows and Inflows of Resources

Deferred inflows and outflows of resources related to the OPEB plan reported by the Fund at June 30, 2021 and 2020 are as follows (in thousands):

	Deferred Outflows and Inflows of Resources (in thousands)			
	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 8,827	$ (11,933)	$ -	$ (22,885)
Difference between expected and actual experience	-	(4,142)	-	(4,537)
Contributions made subsequent to measurement date and prior to reporting date	-	-	1,492	-
Total	$ 8,827	$ (16,075)	$ 1,492	$ (27,422)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to net OPEB liability at June 30, 2021 will be recognized in OPEB expense as follows (in thousands):

Year Ending June 30	HAS
2022	$ (2,564)
2023	(2,564)
2024	(2,564)
2025	(1,096)
2026	359
Thereafter	1,181
Total	$ (7,248)

7. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Trend

The following presents the net OPEB liability, calculated using the discount rate, as well as what the Fund's net OPEB liability would have been if it were calculated using a discount rate that is 1 percentage point lower and 1 percentage point higher than the current rate (in thousands):

	1% Decrease	Current Discount Rate	1% Increase
June 30, 2021	1.21%	2.21%	3.21%
Net OPEB liability	$ 98,096	$ 82,344	$ 70,178

	1% Decrease	Current Discount Rate	1% Increase
June 30, 2020	2.50%	3.50%	4.50%
Net OPEB liability	$ 82,314	$ 70,738	$ 61,475

7. OTHER EMPLOYEE BENEFITS, continued:

The following presents the net OPEB liability calculated using the current healthcare cost trend rate as of June 30, 2020 and 2019, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower and 1 percentage point higher than the current rate (in thousands):

June 30, 2021	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability	$ 68,381	$ 82,344	$ 101,059

June 30, 2020	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability	$ 60,358	$ 70,738	$ 84,038

B. Long-Term Disability Plan (LTD)

The long-term disability plan (the “LTD”), accounted for as an internal service fund of the City, is a part of the Income Protection Plan implemented on September 1, 1985 (renamed to the Compensable Sick Leave Plan (“CSL”) in October 1996) and is provided at no cost to City employees who are CSL members. Coverage is effective 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 pay plus longevity when combined with income benefits available from other sources. The LTD benefits may be payable after all CSL scheduled sick leave benefits, including frozen sick leave days, have been used, however, not before six months of absence from work. The LTD is administered by Reed Group, which is reimbursed by the internal service fund as claims are paid, plus an administrative services fee. As a department of the City, HAS participates in the LTD.

Actuarially Determined Contribution and Total Claim Liability

For the years ended June 30, 2021 and 2020, there were a decrease and an increase of $147 thousand and $528 thousand, respectively, in the amount of disabled life reserves.

	June 30, 2021	June 30, 2020
Total claim liability at beginning of period	$ 7,248	$ 6,720
Changes due to assumption changes	19	494
Increase attributable to additions	771	1,354
Decrease attributable to terminations	(357)	(379)
Change attributable to passage of time and adjustments	(580)	(941)
Net change	$ (147)	$ 528
Total Claim Liability at End of Period	$ 7,101	$ 7,248

1. Changes in Total OPEB Liability

Total OPEB Liability - LTD	June 30,2021		June 30,2020	
Beginning balance	$	15,568	$	12,892
Changes for the year:				
Service cost		1,436		719
Interest		365		461
Experience		(914)		(1,079)
Employer contributions		-		-
Benefit payments		(942)		(901)
Assumption changes		33		3,476
Net changes		(22)		2,676
Ending Balance	$	15,546	$	15,568

The Fund's proportionate share of the total OPEB liability for the LTD at June 30, 2021 and 2020 was $1,150 thousand and $774 thousand, respectively.

2. OPEB LTD Expense Components

LTD OPEB Expense Components	June 30, 2021		June 30, 2020	
Service cost	$	1,436	$	719
Interest on total OPEB liability		365		461
Differences between expected and actual experience		(63)		28
Changes in assumptions		354		351
Total OPEB Expense	$	2,092	$	1,559

For the years ended June 30, 2021 and 2020, the Fund recognized expense of $155 thousand and $111 thousand, respectively, related to the LTD.

3. Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2021 and 2020, the Fund reports deferred outflows of resources and deferred inflows of resources related to the LTD from the following sources:

	June 30, 2021				June 30, 2020			
	Deferred Outflows of Resources		Deferred Inflows of Resources		Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	71	$	126	$	78	$	70
Changes in assumptions		222		7		239		8
	$	293	$	133	$	317	$	78

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the LTD will be recognized in OPEB expense by the Fund as follows:

Deferred Outflows and Inflows of Resources		
Year Ending June 30		
2022	$	22
2023		22
2024		22
2025		22
2026		22
Thereafter		50
Total	$	160

4. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability - LTD, calculated using the discount rate of 2.16% and 3.50%, at June 30, 2021 and 2020, respectively, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate (in thousands):

June 30, 2021	1% Decrease 1.16%	Current Discount Rate 2.16%	1% Increase 3.16%
Net OPEB Liability	$ 1,198	$ 1,150	$ 1,027

June 30, 2020	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Decrease 4.50%
Net OPEB Liability	$ 808	$ 774	$ 739

C. Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the “DCP”), created in accordance with Internal Revenue Code Section 457 as a separately administered trust. The DCP is available to all City employees and permits employees to defer a portion of their salary until future years. The City does not make any matching or discretionary contributions to the DCP. The deferred compensation funds are not available until termination, retirement, death or unforeseeable emergency. However, the DCP offers loans, at the lesser of 50% of account balance or $50,000 minus the highest outstanding loan balance in the last 12 months, to participating employees. The minimum loan amount is $1,000. The DCP’s assets are not subject to the City’s general creditors and are not included in these financial statements.

D. Workers' Compensation Self-Insurance Plan

The City has established a Workers' Compensation Self-Insurance Plan (the "WCSP"), accounted for within the various operating funds. The WCSP is administered by Tristar Insurance Group, Inc. Funds are wire-transferred to Tristar as needed to pay claims.

At June 30, 2021 and 2020, the City has an accumulated liability of approximately $135.5 million and $114.2 million, respectively, covering estimates for approved but unpaid claims and incurred but not reported claims recorded in the City's government-wide statements of net position. The amount of liability is based on an actuarial study each year. The Fund's share of the liability totaled approximately $2.2 million and $0.6 million at June 30, 2021 and 2020, respectively.

Schedule of Changes in Liability
(in thousands)

	June 30, 2021		June 30, 2020	
Beginning actuarial estimate of claims liability, July 1	$	114,216	$	98,734
Incurred claims for fiscal year		34,284		23,603
Payments on claims		(27,318)		(22,501)
Actuarial adjustment		14,338		14,380
Ending actuarial estimate of claims liability, June 30	$	135,520	$	114,216

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Interfund Services

The City charges the Fund for certain services performed by other City funds on behalf of HAS. Such charges were as follows for the years ended June 30, 2021 and 2020 (in thousands):

	June 30, 2021	June 30, 2020
Police services	$ 32,196	$ 32,111
Fire services	20,039	19,593
Indirect support services	3,063	3,018
Water and sewer services	2,860	3,602
Other	11,121	10,884
Total	$ 69,279	$ 69,208

Indirect costs are incurred in connection with the general administration of City affairs, which cannot be directly associated with specific funds. Such costs include finance, materials management, legal, human resources, and administration. These costs are allocated to the Fund each year based on an annual indirect cost study.

The Fund also pays for services provided by other City departments and funds, including the Combined Utility Fund for water and wastewater services and the internal service funds for risk financing activities.

In addition, HAS performs administrative work for vendors seeking airport related permits. Per a Memorandum of Understanding between HAS and Houston Public Works ("HPW"), HAS receives revenues for permits from HPW. HAS received $920,608 and $522,258 in permit fees as a result of this agreement for the years ended June 30, 2021 and 2020, respectively.

Due to and Due from the City of Houston

Amounts due to and due from other funds of the City at June 30, 2021 and 2020 are as follows (in thousands):

	June 30, 2021		June 30, 2020	
	Due to	Due from	Due to	Due from
Combined Utility System	$ -	$ 29	$ -	$ -
General Fund	98	1,389	646	1,746
Nonmajor Governmental Funds	1	6	-	-
Recovery Fund	-	99	-	-
Total	$ 99	$ 1,523	$ 646	$ 1,746

9. MAJOR CUSTOMERS

For the years ended June 30, 2021 and 2020, the Fund earned 46.1% and 45.8%, respectively, of its operating revenues from two major customers, United and Southwest. No other companies individually represent more than 5.0% of total operating revenues. The two major companies and their respective percentage of outstanding receivable (billed receivable) and revenue as of and for the years ended June 30, 2021 and 2020 are as follows:

	Percentage of Operating Revenue	
	2021	2020
United	35.5%	36.0%
Southwest	10.6%	9.8%

	Percentage of Accounts Receivable	
	2021	2020
United	58.0%	46.0%
Southwest	0.0%	30.0%

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10. CONDUIT DEBT OBLIGATIONS

The City has authorized various issues of Special Facilities Bonds to enable United (formerly known as Continental Airlines, Inc.), a publicly traded company, to construct facilities at Intercontinental ("Special Facilities") that were deemed to be in the public interest. 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. Collected pledged revenues are remitted directly to a trustee by United. Under the terms of the related lease agreements, United operates, maintains, and insures the terminals, 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 United through long-term leases, and the Fund will enjoy no direct financial benefit from these facilities for the term of the lease agreements. Accordingly, the Fund accounts for the 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.

Conduit Debt Outstanding at June 30, 2021 and 2020 (in thousands)	June 30, 2021	June 30, 2020
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	$ 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	274,480	274,480
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	176,650
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Technical Operations Center), Series 2018 (AMT), $90,650,000 original principal, matures in 2028	90,650	90,650
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2018C (AMT), $46,425,000 original principal, matures in 2028	46,425	46,425
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2020A (AMT), $34,165,000 original principal, matures in 2027	34,165	34,165
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2020B-2 (AMT), $47,470,000 original principal, matures in 2027	47,470	47,470
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2020C (AMT), $66,890,000 original principal, matures in 2027	66,890	66,890
Total Conduit Debt Outstanding	$ 850,035	$ 850,035

On June 29, 2020, the City issued $34,165,000 in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2020A (AMT) on behalf of United, to refund certain outstanding Special Facilities Revenue Bonds, and to pay the Series 2020A costs of issuance. The bonds were issued as a 5% Term Bond due July 1, 2027, with a yield of 4.375%.

On June 29, 2020, the City issued $47,470,000 in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2020B-2 (AMT) on behalf of United, to refund certain outstanding Special Facilities Revenue Bonds, and to pay the Series 2020B-2 costs of issuance. The bonds were issued as a 5% Term Bond due July 15, 2027, with a yield of 4.375%.

On June 29, 2020, the City issued $66,890,000 in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2020C (AMT) on behalf of United, to refund certain outstanding Special Facilities Revenue Bonds, and to pay the Series 2020C costs of issuance. The bonds were issued as a 5% Term Bond due July 15, 2027, with a yield of 4.625%.

On February 20, 2018, the City issued $90,650,000 in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Technical Operations Center Project), Series 2018 (AMT) on behalf of United, to finance the construction of a technical operations center and related facilities at IAH. The bonds were issued as a 5% Term Bond due July 15, 2028, with a yield of 3.60%.

On February 20, 2018, the City issued $46,425,000 in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2018C (AMT) on behalf of United, to finance the improvement, renovation, expansion and repair of certain special facilities at IAH, including improvements to an existing aircraft maintenance hangar facility, construction of an aircraft shops facility, and renovation of a maintenance and parts storage facility. The bonds were issued as a 5% Term Bond due July 15, 2028, with a yield of 3.60%.

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, 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.

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, at coupon rates ranging from 4.50% to 5.00%. The bonds mature in varying amounts from 2020 to 2029. 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.

On November 17, 2011, the City issued $113,305,000 in Airport System Special Facilities Revenue Bonds (Continental Airlines, Inc. Terminal Improvement Projects), Series 2011 (AMT), at coupon rates ranging from 6.50% to 6.625%, to finance the replacement of two flight stations at Terminal B, with a new South Concourse building to serve United Airlines' regional jet operations.

Environmental Liabilities

The Fund recorded a $2.2 million environmental liability for the year ended June 30, 2020, for pollution remediation at IAH. The scope of work includes disposal of contaminated soils at the Mickey Leland International Terminal. At June 30, 2021, the outstanding balance is $2.2 million and is recorded as other current liabilities in the accompanying financial statements.

The Fund recorded a $10 million environmental liability for the year ended June 30, 2017, for pollution remediation associated with a hangar addition project at IAH. The scope of work encompasses vapor intrusion mitigation and soil & groundwater remediation. During the years ended June 30, 2020 and 2019, $0.3 million and $8.9 million, respectively, of this environmental liability was realized. At June 30, 2020 the remaining environmental liability was $0.8 million. The Fund is expected to recover the $10 million through a Customer Facility Charge on rental car transactions at William P. Hobby Airport beginning January 2021, following the approval by the City Council on March 20, 2019. The Fund recorded a $10 million receivable as June 30, 2020. The outstanding balance of the receivable at June 30, 2021 was $8.5 million.

In addition, HAS has received results for supplemental site testing from an independent study that will result in additional environmental remediation costs associated with the afore-mentioned hangar addition project. Additional cost of approximately $5.0 million has been estimated. No additional pollution remediation liability has been recorded in these financial statements in accordance with GASBS No. 49 as the Fund is expected to recover the full $5.0 million from United.

Management of HAS is aware of additional sites polluted by asbestos, mold, and soil contamination. The assessment and remediation of asbestos, mold and groundwater contamination are ongoing and included in the costs of the capital project at the time it becomes an obligating event under GASBS No. 49. Management has determined the costs of this additional remediation for which the Fund is ultimately liable would not be material in these financial statements.

Federal Grants

HAS has received federal grants for specific purposes under Airport Improvement Program that are subject to review and audit by the grantor agency. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. In the opinion of management of HAS, disallowed costs, if any, would not be material.

Commitments for Capital Facilities

At June 30, 2021 and 2020, the Fund had contracted for, but not spent, approximately $786.4 million and $548.4 million, respectively, for capital projects.

Litigation and Claims

The City is the 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. These matters affecting the Fund are primarily contract and real property disputes. The status of such litigation ranges from early discovery to various levels of appeal, against which the City will continue to vigorously defend itself. Additionally, there are also various personal injury claims filed against HAS which will also be vigorously defended. The amount of damages is limited in certain cases under the Texas Torts Claim Act and is subject to appeal. Management has determined the amounts of loss, if any, would not be material in these financial statements.

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 sub-limit for flood is $175 million. The commercial 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 $15 million maximum deductible; and 3% of the damaged insured value for flood, subject to a $2.5 million minimum and a $15 million maximum deductible. Should a named storm event occur that involves both perils of windstorm and flood, the maximum deductible is $15 million.

The City has a separate terrorism policy which covers insured property value. The policy insures up to $250 million aggregate loss limit (including $25 million sub-limit for nuclear, chemical, biological, and biochemical coverage) with a $500,000 deductible on all claims except a 48-hour waiting period deductible on business interruption.

Electricity Futures Contracts

On July 1, 2020, the City entered into an electricity supply agreement with Reliant Energy Retail Services, Inc. for a 5-year term with two 1-year options, with locked rates for the duration of the contract terms. The total committed price is approximately $634 million for expected usage of the potentially 7-year contract.

On November 13, 2015, the City entered into a solar energy supply agreement with ENGIE to supply solar power to the City from a facility located in Alpine, Texas, for a 20-year term starting in April 2017. The contract value is approximately $124.7 million.

Risk and Uncertainties Related to COVID-19 Pandemic

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world.

The Pandemic has negatively affected travel, commerce, and financial markets globally and is widely expected to continue negatively affecting economic growth and financial markets worldwide. The City continues to monitor the Pandemic and work with local, State, and national agencies to address its potential impact on the City. The impact of COVID-19 had and continue to have a negative financial impact on local, State, and national economies.

The City and HAS have identified several funding sources to assist with expenses related to the COVID-19 outbreak. HAS is eligible to receive up to $200.2 million, on a reimbursement basis, from the FAA as part of the CARES Act’s attempt to help offset the negative impact on major airports’ revenue due to the reduction in passenger traffic. For the years ended June 30, 2021 and 2020, the Fund received $187.4 million and $8.1 million, respectively, from the FAA and applied against its subordinate lien bond debt service as well as eligible operating expenses. At June 30, 2021, the available award balance for future operating expenses and debt service is approximately $4.8 million.

12. CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2020, the City and the Fund adopted GASBS No. 87 – Leases, using the facts and circumstances that existed at the beginning of the period of implementation. As an enterprise fund of the City, the Fund adopted the new standards with the same effective date as other funds of the City, which do not present comparative financial statements. There was no impact to the Fund's beginning net position upon adoption of the new accounting standard.

At July 1, 2020, the Fund recognized the following balances related to the leases (in thousands):

		July 1, 2020
HAS as lessee		
Right-of-use assets	$	431
Lease Liabilities	$	431
HAS as lessor		
Lease receivable	$	264,613
Deferred inflows of resources - Leases	$	264,613

For the year ended June 30, 2021, the Airports recognized the following balances related to the leases, excluding Regulated Leases, as described in Note 4 (in thousands):

		June 30, 2021
HAS as lessee		
Amortization of right-of-use assets	$	196
Interest Expense	$	12
HAS as lessor		
Rental revenues	$	22,229
Interest income	$	10,193

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 10, 2021, and determined that the following items require disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

CARES Act, CRRSA Act, and ARP Act Federal Assistance

For the period from July 1, 2021 through December 10, 2021, HAS received no additional CARES Act reimbursements.

On December 27, 2020, the United States Congress passed the Coronavirus Response and Relief Supplemental Appropriation Act ("CRRSA Act") with the purpose of relief to airports to prevent, prepare for, and respond to the COVID-19 pandemic, including relief from rent and minimum annual guarantees for eligible airport concessions at various airports. Under the CRRSA Act, the FAA provides funding through the Airport Coronavirus Relief Grant Program ("ACRGP").

On April 21, 2021, the City, for and on behalf of HAS, executed a ACRGP Grant with the FAA and is eligible to receive a total of $45.7 million. This grant may be used for costs related to eligible operating expenses and debt service payment.

On May 20, 2021, the City, for and on behalf of HAS, executed a ACRGP Concessions Relief Addendum with the FAA and is eligible to receive a total of $6.2 million. This grant may be used to provide credit relief to eligible concessions based on criteria established by the FAA. A portion of these funds, up to two (2) percentage, may be used to reimburse HAS for administrative costs.

On March 11, 2021, the American Rescue Plan Act of 2021 ("ARP Act") was signed into law by the President of the United States. ARP Act includes $8 billion in funds to be awarded as economic assistance to eligible U.S. airports to prevent, prepare for, and respond to the COVID-19 pandemic. To distribute these funds, the FAA has established the Airport Rescue Grants ("ARG").

On August 19, 2021, the City, for and on behalf of HAS, executed a ARG Grant with the FAA and is eligible to receive a total of $181.0 million. This grant may be used for costs related to eligible operating expenses and debt service payment.

For the period from July 1, 2021 through December 10, 2021, HAS received approximately a total of $34.4 million and $7.8 million in ACRGP and ARG reimbursements, respectively.

Fitch Ratings

On August 3, 2021, Fitch Ratings affirmed the ratings of 'A' for HAS' subordinate lien revenue bonds and revised the Rating Outlooks to Stable from Negative.

Conduit Debt

On August 25, 2021, the City issued $70,175,000 and $219,320,000 in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Terminal E Project and Terminal Improvement Projects), Series 2021A and 2021B-1, respectively, on behalf of United, for the purpose of 1) financing the costs of development, construction, and acquisition of a new multi-terminal baggage handling system and other infrastructure improvements at IAH and 2) paying related costs of issuance. Interest rate for both series is 4% per annum. Maturity dates are July 1, 2041 and July 15, 2041 for Series 2021A and 2021B-1, respectively.

Houston Spaceport Development Corporation, Inc.

On September 15, 2021, the City Council authorized the creation of the Houston Spaceport Development Corporation, Inc., a local government corporation. HAS' management is currently working on the formation of the development corporation and will incorporate the financial position and activities to the Fund's financial statements for the year ending June 30, 2022, as applicable.

Schedule of Changes in the Fund's Net Pension Liability and Related Ratios
For Fiscal Years Ended June 30
(in thousands)

	2021	2020	2019	2018	2017	2016	2015
The Fund's proportionate percentage	10.27%	10.54%	10.76%	10.87%	10.79%	10.74%	10.76%
Total pension liability (TPL)	$ 558,694	$ 561,822	$ 563,449	$ 555,982	$ 535,376	$ 540,464	$ 512,642
Plan fiduciary net position	(397,149)	(303,599)	(333,692)	(324,983)	(280,956)	(257,653)	(264,294)
Net pension liability (NPL)	$ 161,545	$ 258,223	$ 229,757	$ 230,999	$ 254,420	$ 282,811	$ 248,348
Covered Payroll	66,028	65,881	61,076	61,638	61,881	67,704	65,542
The Fund's proportionate share of NPL as a percentage of covered payroll	244.66%	391.95%	376.18%	374.76%	411.15%	417.72%	378.92%
Plan fiduciary net position as a percentage of TPL	71.09%	54.04%	59.22%	58.45%	52.48%	47.67%	51.56%

Schedule of City Contributions for Municipal Pension Plans
For Fiscal Years Ended June 30
(in thousands)

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 188,295	$ 182,950	$ 178,256	$ 423,989	$ 184,733	$ 162,230	$ 155,299
Contributions in relation to the actuarially determined contribution	184,762	176,430	176,261	421,562	182,558	159,959	145,007
Contribution deficiency (excess)	$ 3,533	$ 6,520	$ 1,995	$ 2,427	$ 2,175	$ 2,271	$ 10,292
Covered payroll	642,917	625,056	614,451	611,493	604,895	640,529	624,205
Contributions as a percentage of covered payroll	28.7%	28.2%	28.7%	68.9%	30.2%	25.0%	23.2%

Schedule of the Fund's Contributions for Municipal Pension Plans
For Fiscal Years Ended June 30
(in thousands)

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 19,338	$ 19,283	$ 17,719	$ 42,738	$ 18,898	$ 17,148	$ 16,306
Contributions in relation to the actuarially determined contribution	18,975	18,596	17,520	42,493	18,676	16,908	15,226
Contribution deficiency (excess)	$ 363	$ 687	$ 198	$ 245	$ 223	$ 240	$ 1,081
Covered payroll	66,028	65,881	61,076	61,638	61,881	67,704	65,542
Contributions as a percentage of covered payroll	28.7%	28.2%	28.7%	68.9%	30.2%	25.0%	23.2%

Schedule of the Fund's Investment Returns
For Fiscal Years Ended June 30
(in thousands)

	2021	2020	2019	2018	2017	2016	2015
Annual Return	38.6%	-3.7%	6.2%	8.7%	12.2%	90.0%	3.5%

Schedules are intended to show information for 10 years. Additional years will be included as they become available.

CITY OF HOUSTON, TEXAS

AIRPORT SYSTEM FUND

REQUIRED PENSION SUPPLEMENTARY INFORMATION

HOUSTON MUNICIPAL PENSION SYSTEM SUPPLEMENTARY INFORMATION (Unaudited)

Schedule of Changes in the Municipal Net Pension Liability and Related Ratios
For Fiscal Years Ended June 30

(in thousands)

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	$ 78,564	$ 77,819	$ 77,175	$ 78,149	$ 75,961	$ 68,968	$ 65,810
Interest	363,611	356,430	349,592	341,276	331,166	379,781	361,007
Changes of benefit terms	-	-	-	-	(724,683)	-	-
Differences between expected and actual experience	(20,427)	(28,865)	(11,538)	19,158	(38,387)	(16,194)	(23,380)
Changes of assumptions	-	-	-	-	562,237	91,248	-
Benefit payments including refunds of employee contributions	(314,149)	(308,002)	(291,060)	(283,928)	(280,456)	(253,178)	(234,955)
Refunds	(402)	(650)	(1,394)	(807)	(718)	(1,105)	(1,549)
Net change in total pension liability	107,197	96,732	122,775	153,848	(74,880)	269,520	166,933
Total pension liability - beginning	5,332,865	5,236,133	5,113,358	4,959,510	5,034,390	4,764,870	4,597,937
Total pension liability - ending (a)	5,440,062	5,332,865	5,236,133	5,113,358	4,959,510	5,034,390	4,764,870
Plan Fiduciary Net Position							
Contributions-employer	184,762	176,430	176,261	421,562	182,558	159,958	145,007
Contributions-employee	33,325	32,582	32,536	27,905	15,902	15,874	16,198
Net investment income	1,084,388	(115,165)	200,445	231,815	290,911	27,639	73,370
Benefit payments, including refunds of employee contributions	(314,150)	(308,002)	(291,060)	(283,928)	(280,456)	(253,178)	(234,955)
Administrative expense	(3,111)	(4,891)	(1,394)	(807)	(718)	(1,105)	(1,549)
Refunds	(402)	(650)	(5,363)	(6,442)	(6,827)	(7,360)	(7,007)
Other	487	484	710	(3,905)	1,272	1,651	1,041
Net change in plan fiduciary net position	985,299	(219,212)	112,135	386,200	202,642	(56,521)	(7,895)
Plan fiduciary net position - beginning	2,881,788	3,101,000	2,988,865	2,602,665	2,400,023	2,456,544	2,464,439
Plan fiduciary net position - ending (b)	3,867,087	2,881,788	3,101,000	2,988,865	2,602,665	2,400,023	2,456,544
City's Net Pension Liability-Ending (a)-(b)	$ 1,572,975	$ 2,451,077	$ 2,135,133	$ 2,124,493	$ 2,356,845	$ 2,634,367	$ 2,308,326
Plan fiduciary net position as percentage of the total pension Liability	71.09%	54.04%	59.22%	58.45%	52.48%	47.67%	51.56%
Covered payroll	$ 642,917	$ 625,056	$ 614,451	$ 611,493	$ 604,895	$ 640,529	$ 624,205
Net pension liability as a percentage of covered payroll	244.66%	392.14%	347.49%	347.43%	389.63%	411.28%	369.80%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Notes to Required Pension Supplementary Information

Valuation Date:	July 1, 2020 and 2019
Notes:	Actuarially determined contribution rates are calculated as of July 1, which is 12 months prior to the beginning of the fiscal year in which they are contributed. The assumptions shown below apply to the Actuarially Determined Employer Contribution for fiscal year 2021 and 2020 which was determined by the July 1, 2019 and 2018 actuarial valuation. These assumptions are the same as those used to determine the Net Pension Liability as of June 30, 2021 and 2020.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method:	Entry Age Normal
Amortization method:	Level Percentage of Payroll, Open
Remaining amortization period:	27 years as of July 1, 2020
Assets valuation method:	5 year smoothed market, direct offset of deferred gains and losses
Inflation:	2.25%
Salary increases:	3.00% to 5.25% including inflation
Investment rate of return:	7.00%
Retirement age:	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2009 – 2014.
Mortality:	RP-2000 Mortality Table scaled by 125% for males and 112% for females. The rates are then projected on a fully generational basis by scale BB.
Other information:	1. The actuarially determined contribution includes the Legacy Liability payment as specified by the January 1, 2017 Risk Sharing Valuation and a calculated employer rate equal to the normal cost and the amortization of any new unfunded liabilities over a closed 30 year period from the valuation date the liability base was created. 2. Investment rate of return was lowered from 8.50% to 8.00% as of July 1, 2015 and subsequently lowered to 7.00% as of July 1, 2017. 3. Salary increases were changed as of July 1, 2016 from 3.25% - 6.00%, including inflation, to 3.25% - 5.50%, including inflation.

Schedule of the Fund's Proportionate Share of OPEB Liability and Related Ratios
(in thousands)

	Health Benefits				Long Term Disability			
	2021	2020	2019	2018	2021	2020	2019	2018
Total OPEB liability	$ 82,344	$ 70,738	$ 73,286	$ 89,450	$ 1,150	$ 774	$ 586	$ 457
Plan fiduciary net position	-	-	-	-	-	-	-	-
Net OPEB liability	$ 82,344	$ 70,738	$ 73,286	$ 89,450	$ 1,150	$ 774	$ 586	$ 457
Fund's proportion of TOPEBL	3.15%	3.19%	3.25%	3.67%	7.40%	4.97%	6.94%	4.14%
Fund's covered payroll	$ 65,881	$ 61,076	$ 61,638	$ 61,881	$ 66,028	$ 65,881	$ 61,076	$ 61,638
Total OPEB liability as a percentage of the Fund's covered payroll	124.99%	115.82%	118.90%	144.55%	1.74%	1.17%	0.96%	0.74%

Schedule of Changes in the City's Total OPEB Liability and Related Ratios
(in thousands)

	Health Benefits				Long Term Disability			
	2021	2020	2019	2018	2021	2020	2019	2018
Total OPEB Liability								
Service cost	$ 115,672	$ 118,901	$ 110,793	$ 139,332	$ 1,436	$ 719	$ 776	$ 730
Interest	80,598	90,952	90,245	73,306	365	461	409	379
Changes of benefit terms	-	(17,819)	(5,007)	-	-	-	-	-
Differences between expected and actual experience	(64,790)	(17,603)	(99,153)	(15,727)	(914)	(1,079)	1,369	(14)
Changes of assumptions	326,935	(164,752)	(224,161)	(310,431)	33	3,476	255	(158)
Benefit payments including refunds of employee contributions	(62,373)	(45,811)	(57,100)	(39,820)	(942)	(901)	(957)	(975)
Net change	396,042	(36,132)	(184,383)	(153,340)	(22)	2,676	1,862	(38)
Total OPEB liability - beginning	2,218,057	2,254,189	2,438,572	2,591,912	15,568	12,892	11,030	11,068
City's Total OPEB Liability-Ending	$ 2,614,099	$ 2,218,057	$ 2,254,189	$ 2,438,572	$ 15,546	$ 15,568	$ 12,892	$ 11,030
Plan fiduciary net position as percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	$ 1,308,459	$ 1,332,000	$ 1,285,000	$ 1,235,000	$ 794,600	$ 777,400	$ 833,500	$ 788,500
Total OPEB liability as a percentage of covered payroll	199.78%	166.52%	175.42%	197.46%	1.96%	2.00%	1.55%	1.40%

Schedules are intended to show information for 10 years. Additional years will be included as they become available.

Notes to Required Other Post-Employment Benefits Supplementary Information

Retiree Health Insurance Benefits

Note: There are no assets in a trust compliant with GASB codification P22.101 or P52.101 to pay related benefits.

Measurement Date: June 30, 2020 for reporting date as of June 30, 2021.

Benefit Changes:

Reflected June 30, 2020

No changes.

Reflected June 30, 2019

Effective May 1, 2019:
For Cigna Limited Network Plan:
• Deductible increased from $150 / $450 (individual / family) to $200 / $600.
• OOP maximum increased from $4,500 / $9,000 to $7,900 / $15,800.
• Prescription Drug deductible increased from $100 /$300 to $150 /$450.
For Cigna Open Access Plan:
• Deductible increased from $750 / $1,500 (individual / family) to $850 / $1,700
• OOP maximum increased from $6,840 / $13,700 to $7,900 / $15,800.
For Consumer Driven Plan:
• OOP maximum increased from $6,840 / $13,700 to $7,900 / $15,800.
Retirees of Texas plan has been discontinued.

Effective May 1, 2020:
For Cigna Limited Network Plan:
• OOP Maximum increased from $7,900 to $15,800 to $8,150/$16,300.
For Cigna Open Access Plan:
• OOP Maximum increased from $7,900 to $15,800 to $8,150/$16,300.
For Consumer Driven Health Plan:
• OOP Maximum increased from $7,900 to $15,800 to $8,150/$16,300 in network and $12,000/$24,000 to $16,000/$32,000 out of network.
• Prescription coinsurance increased from 40% to 60%.

For Kelsey Care Advantage:
• Specialist copay increased from $15 to $20.
For Cigna Health Spring
• Emergency Room Copay increased from $100 to $120.
• Non-preferred generic pharmacy copay increased from $10 to $45.
• Mail order prescription drugs moved to two times retail for all tiers.
Aetna PPO:
• Inpatient copay increased from $80 to $250 for in network and from $80 to 20% per stay for out of network.
• Non-preferred generic pharmacy copay increased from $20 to $40 for out of network.
• Preferred brand name pharmacy copay increased from $40 to $80 for out of network.

Reflected June 30, 2018

• KelseyCare Advantage HMO – Specialty Drug copay increased to $75
• Texas Plus – Inpatient copay increased to $325, emergency room copay rates to $100, prescription drug copays increased to $10/$15/$40/$55/$75.
• Cigna HealthSpring – Emergency room copay increased to $100, mail order prescription drugs move to two times retail for all tiers.

Notes to Required Other Post-Employment Benefits Supplementary Information, continued:

Changes of Assumptions:

Effective June 30, 2020

- Medical and prescription drug claims costs and trend rates were updated to reflect recent experience.
- The basis for the discount rate remained the same (20-year, general obligation, municipal bond index), resulting in a change in discount rate to 2.21 compared to 3.50% in prior year.
- Active participation rates upon retirement were updated to reflect recent experience.
- Life insurance to be fully retiree paid and is no longer being valued.

Effective June 30, 2019

- The excise tax regulation was repealed by Congress in December 2019.
- The basis for the discount rate remained the same (20-year, general obligation, municipal bond index), resulting in a change in the discount rate to 3.50% compared to 3.87% in the prior year.
- Post-Medicare starting costs were adjusted for the actual premiums charged. Similar adjustments were made for contribution rates.
- Prescription drug trend rates were changed to reflect future expectations by extending the number of years until the ultimate trend is reached.

Reflected June 30, 2018

- Medical, prescription drug, Medicare Plan, and administrative expected claims and payments were changed, based on experience through June 30, 2018.
- Medical, prescription drug, Medicare Plan, and administrative trend rates were changed to reflect future expectations.
- Demographic changes included mortality changes for all participants, changes to the salary scale for
- Municipal and Police participants, and changes to the retirement rates for Police and Fire participants.
- The basis for the discount rate remained the same (20-year, general obligation, municipal bond index), resulting in a change in the discount rate to 3.87% compared to 3.58% in the prior year.

Long Term Disability

Note: There are no assets in a trust compliant with GASB codification P22.101 or P52.101 to pay related benefits.

Measurement Date: June 30, 2021 for reporting date as of June 30, 2021.

Changes of Assumptions: Discount rate - FY2021: 2.16%; FY2020: 3.50%; FY2019: 3.50%; FY2018: 3.87%.

Employees Covered: Houston Fire Department is covered by this LTD Plan in addition to all municipal employees. Houston Police Department is not covered by this LTD Plan.

STATISTICAL SECTION (UNAUDITED)

ANNUAL COMPREHENSIVE FINANCIAL REPORT

IAH construction of early baggage storage system with Terminal C in the background

Statistical section photo credit: Conrad Lin

STATISTICAL SECTION

This section contains statistical information and differs from the financial statements because it usually covers more than one fiscal year and may present non-accounting data.

This information is presented in five categories:

FINANCIAL TREND – intended to assist users in understanding and assessing how the Houston Airport System's financial position has changed over time.

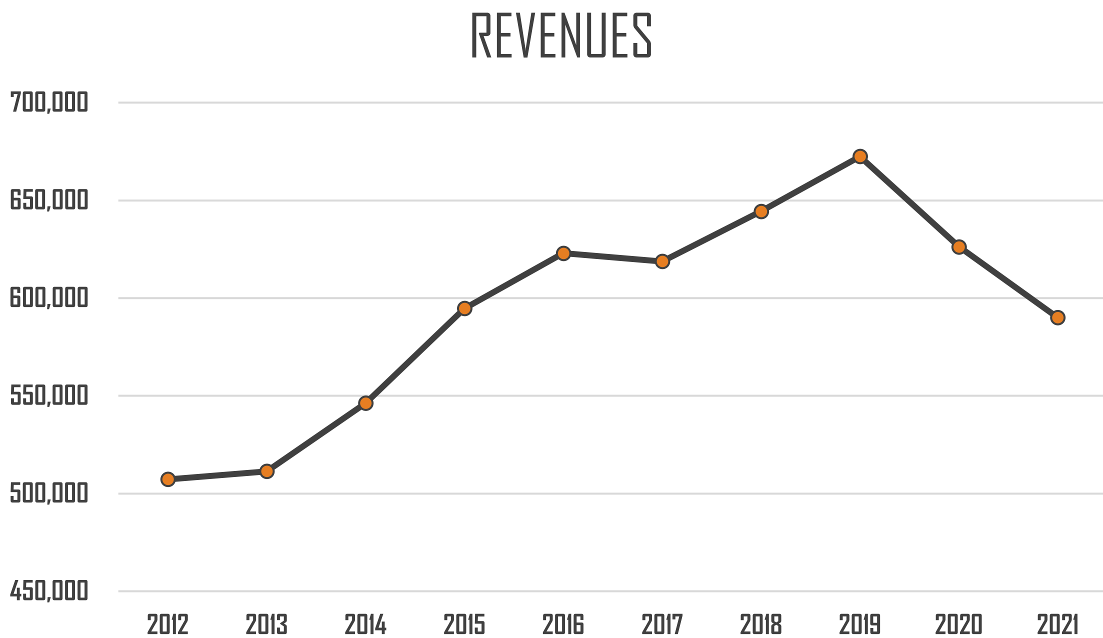
REVENUE CAPACITY – intended to assist users in understanding and assessing the factors affecting the Houston Airport System's ability to generate its own sources of revenues.

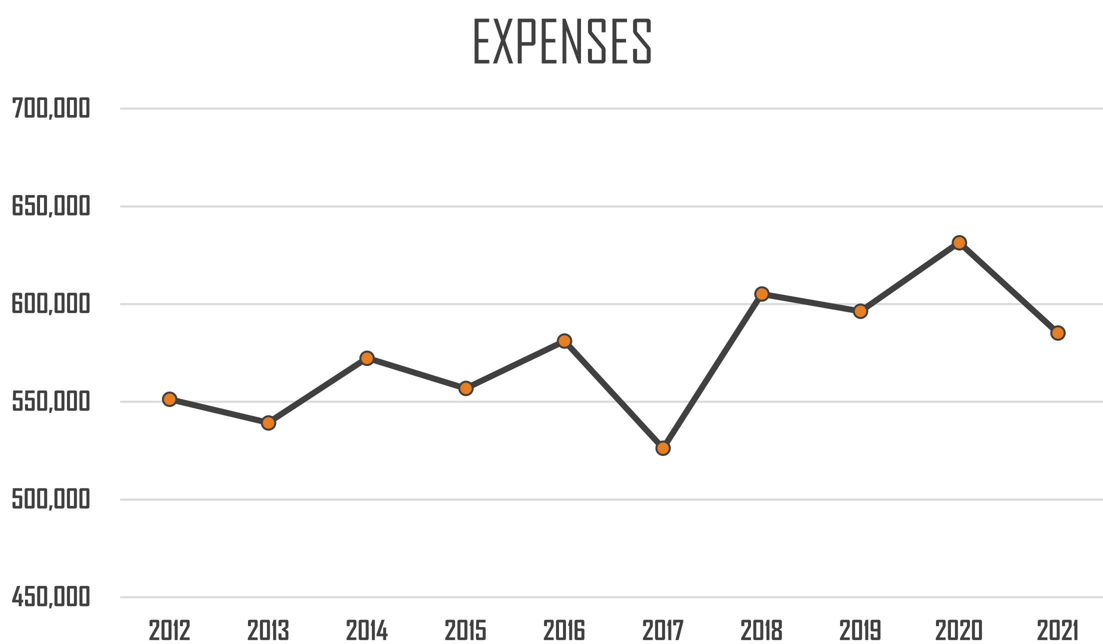
DEBT CAPACITY – intended to assist users in understanding and assessing the Houston Airport System's debt burden and its ability to cover and issue additional debt.

OPERATIONAL INFORMATION – intended to provide contextual information about the Houston Airport System's operations and resources to assist readers in using financial statement information to understand and assess the Houston Airport System economic condition.

DEMOGRAPHIC AND ECONOMIC – intended to assist users in understanding the socioeconomic environment within which the Houston Airport System operates and to provide information that facilitates comparisons of financial statement information over time and among similiar entities.

TOTAL ANNUAL REVENUES AND EXPENSES (in thousands)





STATISTICS

SOURCE: Houston Airport System

TOTAL ANNUAL REVENUES AND EXPENSES (in thousands)

CHANGE IN NET POSITION	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating Revenues										
Landing area fees	$ 86,935	$ 91,059	$ 88,342	$ 93,575	$ 86,870	$ 88,046	$ 95,779	$ 87,767	$ 95,862	$ 70,578
Building and ground area fees	182,320	181,701	186,505	197,039	216,018	221,181	220,214	211,323	223,301	155,598
Concession, parking, and other revenues	148,295	160,234	177,260	185,668	186,009	184,814	194,871	199,374	152,749	92,379
Total Operating Revenues	417,550	432,994	452,107	476,282	488,897	494,041	510,864	498,464	471,912	318,555
Nonoperating Revenues										
Investment income (loss)	5,636	(1,934)	11,170	7,496	13,260	3,403	8,591	45,067	43,701	1,523
Passenger Facility Charges	63,550	61,195	62,602	85,392	104,230	101,539	109,021	111,155	78,418	62,541
Customer Facility Charges	15,904	17,104	17,152	17,535	16,417	14,200	17,374	17,439	13,320	8,769
Other nonoperating revenues	4,644	1,978	3,225	7,969	124	5,596	(1,420)	340	18,877	198,447
Total Nonoperating Revenues	89,734	78,343	94,149	118,392	134,031	124,738	133,566	174,001	154,316	271,280
TOTAL REVENUES	507,284	511,337	546,256	594,674	622,928	618,779	644,430	672,465	626,228	589,835
Operating Expenses										
Maintenance and operating										
Personnel costs	107,532	104,162	108,520	114,947	123,872	56,721	133,253	119,841	119,481	84,653
Supplies	7,290	7,344	8,823	7,933	8,140	7,794	5,219	8,390	8,223	7,176
Services	139,612	140,019	149,957	159,577	177,677	184,032	184,826	196,608	204,811	222,047
Non-capital outlay	9,626	14,052	10,202	4,072	5,730	5,912	8,806	12,638	37,915	4,692
Impairment to capital assets	-	6,514	7,710	-	-		-	-		
Total M & O expenses	264,060	272,091	285,212	286,529	315,419	254,459	335,104	337,477	370,430	318,568
Depreciation expense	193,266	173,448	174,825	177,512	179,398	184,203	176,053	174,266	175,573	170,820
Total Operating Expenses	457,326	445,539	460,037	464,041	494,817	438,662	511,157	511,743	546,003	489,388
Nonoperating Expenses										
Interest expense and others	94,012	93,749	112,350	92,803	86,259	87,574	94,061	84,578	85,426	95,803
Total Nonoperating Expenses	94,012	93,749	112,350	92,803	86,259	87,574	94,061	84,578	85,426	95,803
TOTAL EXPENSES	551,338	539,288	572,387	556,844	581,076	526,236	605,218	596,321	631,429	585,191
Contributions	15,029	12,761	44,614	36,432	22,542	35,513	13,784	16,599	10,927	24,757
TOTAL CHANGE IN NET POSITION	$ (29,025)	$ (15,190)	$ 18,483	$ 74,262	$ 64,394	$ 128,056	$ 52,996	$ 92,743	$ 5,726	$ 29,401

SOURCE: Houston Airport System

(continued)

CITY OF HOUSTON, TEXAS

AIRPORT SYSTEM FUND

CHANGES IN NET POSITION AND PASSENGER FACILITY CHARGE COLLECTIONS (in thousands)

NET POSITION AT YEAR END	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net investment in capital assets	$ 580,636	$ 518,464	$ 469,971	$ 466,196	$ 537,172	$ 542,363	$ 531,232	$ 542,125	$ 514,164	$ 495,497
Restricted net position										
Restricted for debt service	189,966	213,064	242,558	303,371	333,635	287,858	357,588	428,856	464,280	384,267
Restricted for maintenance and operations	44,023	46,309	49,736	53,912	54,942	54,805	56,891	60,525	54,807	54,232
Restricted for special facility	20,025	26,026	30,986	25,732	26,944	29,369	36,049	43,442	55,105	52,362
Restricted for renewal and replacement	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Restricted for capital improvement	537,165	552,762	581,857	600,159	561,071	676,360	657,050	651,664	619,884	627,464
Unrestricted (deficit)	-	-	-	(178,003)	(178,003)	(126,938)	(143,297)	(138,356)	(114,258)	9,561
TOTAL NET POSITION	$ 1,381,815	$ 1,366,625	$ 1,385,108	$ 1,281,367	$ 1,345,761	$ 1,473,817	$ 1,505,513	$ 1,598,256	$ 1,603,982	$ 1,633,383

PASSENGER FACILITY CHARGE COLLECTIONS (in thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Intercontinental	$ 50,358	$ 47,464	$ 48,181	$ 66,491	$ 80,574	$ 77,351	$ 83,220	$ 85,167	$ 61,120	$ 46,994
Hobby	13,192	13,731	14,421	18,901	23,656	24,188	25,801	25,988	17,298	15,547
Total	$ 63,550	$ 61,195	$ 62,602	$ 85,392	$ 104,230	$ 101,539	$ 109,021	$ 111,155	$ 78,418	$ 62,541
Year-over-Year Change	0.65%	-3.71%	2.30%	36.40%	22.06%	-2.58%	7.37%	1.96%	-29.45%	-20.25%

SOURCE: Houston Airport System

PLEDGED REVENUES (in thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
OPERATING REVENUES										
Landing area fees										
Landing fees	$ 83,059	$ 86,911	$ 84,098	$ 89,426	$ 82,703	$ 84,036	$ 91,258	$ 83,318	$ 91,271	$ 65,550
Aviation fuel	1,382	1,444	1,529	1,521	1,527	1,350	1,679	1,554	1,249	1,302
Aircraft parking	2,494	2,704	2,715	2,628	2,640	2,660	2,842	2,895	3,343	3,726
Subtotal	86,935	91,059	88,342	93,575	86,870	88,046	95,779	87,767	95,863	70,578
Building and ground area revenues										
Terminal space rentals	160,247	158,237	163,297	173,392	191,321	196,162	195,198	185,943	196,844	129,527
Cargo building rentals	2,473	2,397	2,432	2,506	2,484	2,448	2,390	2,391	2,378	2,164
Other rentals	5,394	5,848	6,174	6,252	6,808	6,453	6,460	6,454	6,574	6,256
Hangar rental	6,165	6,675	6,605	6,355	6,577	6,813	6,691	6,530	6,821	6,339
Ground rental	8,041	8,544	7,997	8,534	8,828	9,305	9,475	10,005	10,684	11,312
Subtotal	182,320	181,701	186,505	197,039	216,018	221,181	220,214	211,323	223,301	155,598
Parking, concession, and other revenues										
Retail concessions	38,429	41,604	41,444	41,855	35,215	39,999	41,245	41,521	32,265	14,584
Auto parking	72,833	77,596	90,173	97,515	101,650	99,752	103,961	110,136	81,172	43,815
Auto rental concession	26,771	29,522	32,783	31,991	30,737	28,735	28,767	28,949	23,400	20,596
Ground transportation	6,186	6,639	8,301	9,323	10,083	10,402	11,062	12,645	10,072	6,913
Other operating revenues	4,076	4,873	4,559	4,984	8,324	5,926	9,836	6,123	5,839	6,471
Subtotal	148,295	160,234	177,260	185,668	186,009	184,814	194,871	199,374	152,748	92,379
TOTAL OPERATING REVENUES	$ 417,550	$ 432,994	$ 452,107	$ 476,282	$ 488,897	$ 494,041	$ 510,864	$ 498,464	$ 471,912	$ 318,555

Gross revenues include all operating revenue of the Airport Fund, and all nonoperating revenue except for revenue with legal spending restrictions. Maintenance and operating expenses include all operating expenses of the system except for depreciation and capital expenses. Net revenues in each fiscal year are required to be at least equal to the larger of either: (1) the debt service and reserve transfer requirements of each fiscal year or; (2) 125%, 110% and 100% of the debt service requirements for such fiscal year of the Senior Lien Bonds (or Commercial Paper assumed to be refinanced as Senior Lien Revenue Bonds), Subordinate Lien Revenue Bonds and Inferior Lien debt, respectively.

SOURCE: Houston Airport System

(continued)

CITY OF HOUSTON, TEXAS

AIRPORT SYSTEM FUND

PLEDGED REVENUES (in thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
NET REVENUE										
Operating revenue	$ 417,550	$ 432,994	$ 452,107	$ 476,282	$ 488,897	$ 494,041	$ 510,864	$ 498,464	$ 471,912	$ 318,555
Interest on investments - revenue fund	9,826	7,029	5,499	6,014	6,986	9,306	13,348	19,681	19,503	10,403
Other nonoperating revenues	2,289	1,222	3,162	7,526	(52)	7,177	(1,805)	47	122	152
Gross revenues	429,665	441,245	460,768	489,822	495,831	510,524	522,407	518,192	491,537	329,110
Less: Maintenance and operating expenses	(255,507)	(252,745)	(268,745)	(283,557)	(314,715)	* (254,506)	(326,889)	** (315,153)	(314,034)	(251,830)
Net pledged revenue	$ 174,158	$ 188,500	$ 192,023	$ 206,265	$ 181,116	$ 256,018	$ 195,518	$ *** 203,039	$ 177,503	$ 77,280
DEBT SERVICE										
Principal	$ 59,575	$ 56,800	$ 60,419	$ 71,999	$ 79,093	$ 82,707	$ 81,137	$ 80,110	$ 89,090	$ 75,580
Interest	91,736	97,138	96,005	91,320	84,811	92,316	93,319	96,202	91,641	69,769
	151,311	153,938	156,424	163,319	163,904	175,023	174,456	176,312	180,731	145,349
Less PFC revenue available for debt service	(36,619)	(34,390)	(35,614)	(38,054)	(42,320)	(54,673)	(50,642)	(60,646)	(55,040)	(56,365)
Less grant revenue available for debt service	(7,360)	-	(22,942)	(16,399)	(13,888)	-	-	-	(14,169)	(88,984)
Total debt service	$ 107,332	$ 119,548	$ 97,868	$ 108,866	$ 107,696	$ 120,350	$ 123,814	$ 115,666	$ 125,691	$ -
COVERAGE OF DEBT SERVICE	1.62	1.58	1.96	1.89	1.68	2.13	1.58	*** 1.76	1.41	(1)
Net Required revenue per bond rate covenant	$ 119,343	$ 133,552	$ 108,369	$ 122,822	$ 120,125	$ 134,348	$ 137,474	$ 127,430	$ 122,935	$ -
RATIO OF REQUIRED REVENUE	1.46	1.41	1.77	1.68	1.51	1.91	1.42	*** 1.59	1.44	(1)

(1) Calculations not performed for the year ended 6/30/21 as HAS paid all debt service in fiscal year 2021 from PFC's and CARES Act proceeds.

Debt service requirements is equal to interest expense (excluding amortization of bond discount and amounts provided for payment of interest by bond proceeds and other sources and deposited into a restricted fund for that purpose) for each respective fiscal year ended June 30, plus principal payment payable on the next July 1. Certain grant revenue and passenger facility charge revenue is available to cover net required revenue and required debt service. In Fiscal Year 2016, $6,250,000 in remaining series 2009A proceeds were used to pay senior lien bond debt service.

Net revenues in each fiscal year are required to be at least equal to the larger of either: (1) the debt service and reserve transfer requirements of each fiscal year or; (2) 125%, 110% and 100% of the debt service requirements for such fiscal year of the Senior Lien Bonds (or Commercial Paper assumed to be refinanced as Senior Lien Revenue Bonds), Subordinate Lien Revenue Bonds and Inferior Lien debt, respectively.

Revenues and expenses cannot be included in net pledged revenue if they are accounted for outside of the Airport Revenue Fund, and do not affect amounts available for transfer to debt service funds.

* Maintenance and operating expense for debt coverage calculations decreased by $60.2 million between Fiscal Year 2017 and Fiscal Year 2016, primarily due to a $67.4 million decrease in pension expense associated with pension reform enacted in 2017. Without the effects of pension reform, it is estimated that debt service coverage would have been 1.63.

** Fiscal Year 2019 maintenance and operating expenses is updated due to allowable exclusions in the definition of maintenance and operating expense in the Master Bond Ordinance.

*** Fiscal Year 2019 Net pledged revenue, coverage of debt service and ratio of required revenue are updated accordingly.

SOURCE: Houston Airport System

RECONCILIATION OF HISTORIAL FINANCIAL RESULTS (in thousands)

	2021 (1)	2020	2019
Net Revenues under Bond Resolution			
Revenues	$ -	$ 491,537	$ 518,192
Operation and Maintenance Expenses	-	(314,034)	(315,152)
Net Revenues under Bond Resolution	(1) Not calculated	177,503	203,040
Reconciliation of Change in Net Assets to Bond Resolution Net Revenues			
Change in Net Assets	-	5,726	92,743
Exclusion:			
Passenger Facility Charge Revenues Collected	-	78,418	111,155
Interest Income - Total	-	43,701	45,067
Interest Expenses	-	(74,533)	(81,575)
Gain/(Loss) on Disposal of Assets	-	(10,856)	119
Customer Facility Charges	-	13,320	17,439
Specialist Facility Cost	-	(37)	(43)
Cost of Issuance for Debt	-	-	(2,960)
Other Revenue (Expenses)	-	10,820	221
Capital Contributions	-	18,984	16,599
Total Exclusion	(1) Not calculated	79,817	106,022
Inclusion:			
Net Expense Adjustment under Bond Resolution			
Operating Expenses Exc. Depreciation & Amortization in other funds			
Fund 8000 HAS Grants	-	-	994
Fund 8010 Renewal & Replacement Fund	-	19,310	10,189
Fund 8011 Airport Improvement Fund	-	56	9,437
Fund 8037 HAS - O&M Grants	-	425	636
Fund 8044 HAS Disaster Recovery O&M	-	-	15
Fund 8051 HAS State Energy Conservation Loan CL311	-	214	-
Fund 8052 HAS State Energy Conservation Loan CL312	-	110	-
Fund 8207 HAS Consolidated ITRP AMT Construction	-	36,500	1,165
Miscellaneous	-	(219)	(111)
Total Inclusion	(1) Not calculated	56,396	22,325
Changes in Net Assets less Exclusion plus Inclusion	-	(17,695)	9,046
Depreciation & Amortization	-	175,573	174,266
Interest on investments - Eligible per Bond Resolution	-	19,503	19,681
Other revenues - Eligible per Bond Resolution	-	122	47
Net Revenues Per Bond Resolution	(1) Not calculated	$ 177,503	$ 203,040

(1) Calculations not performed for the year ended June 30, 2021 as HAS paid all debt service in fiscal year 2021 from PFC and CARES Act proceeds.

	2021	2020	2019
Operations and Maintenance Expense Reconciliation			
Operations and Maintenance Expense per Financial Statement	$ -	$ 546,003	$ 511,743
Exclusion:			
Depreciation & Amortization	-	(175,573)	(174,266)
Allowable Exclusions per Bond Resolution			
Fund 8000 HAS Grants	-	-	(994)
Fund 8010 Renewal & Replacement Fund	-	(19,310)	(10,189)
Fund 8011 Airport Improvement Fund	-	(56)	(9,437)
Fund 8037 HAS - O&M Grants	-	(425)	(636)
Fund 8044 HAS Disaster Recovery O&M	-	-	(15)
Fund 8051 HAS State Energy Conservation Loan CL311	-	(214)	-
Fund 8052 HAS State Energy Conservation Loan CL312	-	(110)	-
Fund 8207 HAS Consolidated ITRP AMT Construction	-	(36,500)	(1,165)
Miscellaneous	-	219	111
Total Operation and Maintenance Expense per Bond Resolution	$ -	$ 314,034	$ 315,152

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

The Airport System's operation and maintenance expense per our Statement of Revenues, Expenditures and Changes in Net Position (financial statement) and our Master Bond Ordinance (bond resolution) differ due to allowable exclusions in the definition of operation and maintenance expense in the Master Bond Ordinance. The Operations and Maintenance Expense Reconciliation above provides a listing of allowable exclusions by fund.

SOURCE: Houston Airport System

STATISTICS

CITY OF HOUSTON, TEXAS

AIRPORT SYSTEM FUND

PLEDGED REVENUES FOR CONSOLIDATED RENTAL CAR FACILITY

(not rounded to the nearest thousand)

For Years Ended December 31:										
Resources Available for Debt Service	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Customer facility charge collections	$ 14,596,573	$ 16,444,942	$ 17,317,058	$ 17,451,368	$ 17,359,920	$ 14,822,377	$ 15,669,757	$ 17,311,972	$ 17,615,108	$ 8,761,929
Interest income	475	318	731	785	3,840	29,003	56,976	131,162	167,666	36,807
Transfers from Rate Stabilization Account	-	-	-	-	-	-	-	-	-	11,250,000
Transfers from Coverage Account	3,169,143	3,169,143	3,169,143	3,169,143	3,169,143	3,169,143	3,169,143	3,169,143	3,169,143	3,169,143
Total Resources Available for Debt Service	$ 17,766,191	$ 19,614,403	$ 20,486,932	$ 20,621,296	$ 20,532,903	$ 18,020,523	$ 18,895,876	$ 20,612,277	$ 20,951,917	$ 23,217,879
Annual Debt Service										
Special Facility Revenue Bonds, Series 2001:										
Principal	$ 2,960,000	$ 3,260,000	$ 3,590,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest	7,944,033	7,759,329	7,552,645	6,006,288	4,691,128	4,691,128	4,691,128	4,691,128	4,691,128	4,691,128
Subtotal Series 2001	10,904,033	11,019,329	11,142,645	6,006,288	4,691,128	4,691,128	4,691,128	4,691,128	4,691,128	4,691,128
Special Facility Refunding Bonds, Series 2014:										
Principal	-	-	-	4,355,000	5,160,000	5,305,000	5,490,000	5,715,000	5,960,000	6,240,000
Interest	-	-	-	230,243	691,019	652,835	584,082	478,893	346,534	186,389
Subtotal Series 2014	-	-	-	4,585,243	5,851,019	5,957,835	6,074,082	6,193,893	6,306,534	6,426,389
Total Annual Debt Service	$ 10,904,033	$ 11,019,329	$ 11,142,645	$ 10,591,531	$ 10,542,147	$ 10,648,963	$ 10,765,210	$ 10,885,021	$ 10,997,662	$ 11,117,517
DEBT SERVICE COVERAGE RATIO	1.63	1.78	1.84	1.95	1.95	1.69	1.76	1.89	1.91	2.09

Customer Facility Charges are used first to pay debt service on the Airport System Special Facilities Taxable Revenue Bonds (Consolidated Rental Car Facility Project), Series 2001 and on the Airport System Special Facilities Taxable Revenue Refunding Bonds (Consolidated Rental Car Facility Project), Series 2014. Additional collections are used to pay administrative costs for the special facility agreement, and then for capital improvements and major repairs on the special facility. Customer facility charges are kept and invested separately by BNYMellon Bank as trustee, and cannot be used for any other City or Airport Fund purpose as long as any Special Facility Revenue Bonds (CRCF) remain outstanding.

No other City or Airport Fund revenues are pledged toward the payment of Special Facility Revenue Bonds (CRCF).

The Special Facilities Revenue Bond (CRCF) covenants require the Airport Fund to maintain a debt service coverage ratio of at least 125%

The City imposed a $3.00 Customer Facility Charge as of April 1, 2001, which was increased to $3.50 effective July 1, 2003, reduced to $3.25 effective April 1, 2005, reduced to $3.00 effective July 1, 2006, increased to $3.75 effective November 1, 2009, increased to $4.25 effective April 1, 2011, reduced to $4.00 effective April 1, 2013, and reduced again to $3.00 effective April 1, 2016, and increased to $4.00 effective April 1, 2017.

For purposes of coverage calculation, collections are considered available for debt service when they are received by the trustee.

For purposes of coverage calculation, interest and principal is calculated on the accrual basis, for instance, in 2008, funding is accumulated for payments due on 7/1/2008 and 1/1/2009.

For more information on the Consolidated Rental Car Facility assets and debt, see Notes 1 and 5.

SOURCE: Houston Airport System

OUTSTANDING DEBT (in thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
OUTSTANDING DEBT BY TYPE (1)										
Senior lien revenue bonds, fixed rate	$ 449,660	$ 449,660	$ 449,660	$ 449,660	$ 440,385	$ 430,645	$ 420,420	$ -	$ -	$ -
Subordinate lien revenue bonds, fixed rate	1,464,905	1,419,125	1,376,505	1,331,765	1,284,860	1,232,585	1,331,795	1,843,145	1,763,235	2,209,245
Subordinate lien revenue bonds, periodic auction rate	305,425	298,525	286,300	276,275	266,925	254,475	242,275	-	-	-
Subordinate lien revenue bonds, variable rate	93,630	93,505	93,305	93,105	92,905	92,705	92,505	92,305	92,105	-
Subtotal, revenue bonds payable	2,313,620	2,260,815	2,205,770	2,150,805	2,085,075	2,010,410	2,086,995	1,935,450	1,855,340	2,209,245
Unamortized discount	(4,176)	(3,905)	(3,619)	(3,317)	(3,016)	(2,717)	(2,422)	(675)	(598)	(502)
Unamortized premium	96,928	89,587	82,318	75,141	68,118	61,302	112,362	179,927	162,949	213,263
Revenue bonds payable, net	2,406,372	2,346,497	2,284,469	2,222,629	2,150,177	2,150,177	2,068,995	2,196,935	2,114,702	2,422,006
Senior lien commercial paper payable	-	-	1,200	49,500	87,000	87,000	21,473	48,473	132,973	20,000
Inferior lien contract payable	32,895	28,115	23,075	17,760	12,155	6,240	-	-	-	-
Pension obligation bonds payable (2)	2,006	2,006	2,006	2,006	2,006	2,006	29,616	2,006	2,006	2,006
Note payable (3)	-	-	-	-	120,439	115,421	-	-	-	-
Direct placement loans (4)	-	-	-	-	-	-	-	-	324	14,421
Special facilities revenue bonds, rental car (5)	112,280	109,020	105,430	102,055	96,895	91,590	86,100	80,385	74,425	68,185
TOTAL OUTSTANDING DEBT PAYABLE	$ 2,553,553	$ 2,485,638	$ 2,416,180	$ 2,393,950	$ 2,468,672	$ 2,452,434	$ 2,206,184	$ 2,327,799	$ 2,324,430	$ 2,526,618
Total enplaned passengers	25,303,825	25,132,792	25,944,623	26,903,969	27,813,447	27,364,057	27,712,788	29,807,599	21,828,420	14,969,109
Outstanding debt per enplaned passenger	$ 100.92	$ 98.90	$ 93.13	$ 88.98	$ 88.76	$ 89.62	$ 79.61	$ 78.09	$ 106.49	$ 168.79
OUTSTANDING CONDUIT DEBT										
Special facilities revenue bonds (6)	$ 565,500	$ 565,090	$ 561,470	$ 711,790	$ 711,790	$ 711,790	$ 848,865	$ 848,865	$ 850,035	$ 850,035

(1) Includes both current and long-term liabilities.

(2) A portion of the City of Houston Taxable General Obligation Pension Bonds, Series 2005 and Series 2017, have been allocated to the Airport Fund for payment. Series 2017 was paid on March 1, 2019.

(3) A Note payable to Southwest Airlines for the construction of the Hobby International Terminal project was paid with Revenue and Refunding Bond Series 2018A proceeds on March 20, 2018.

(4) Two flex loans were executed in 2019 with the Texas State Energy Conservation Office (SECO). These 2% loans are capped at $7.9 and $7.5 million, payable over 14.6 and 10 years starting in 2022.

(5) The Special Facilities Revenue and Refunding Bonds (Consolidated Rental Car Facility), Series 2001 and Series 2014, are included in the Airport Fund financial statements (See Note 5).

(6) These Special Facilities Revenue Bonds are conduit debt secured solely by lease payments from United Airlines. No revenues of the Airport System Fund are pledged to pay these bonds.

SOURCE: Houston Airport System

CITY OF HOUSTON, TEXAS

AIRPORT SYSTEM FUND

SUMMARY OF CERTAIN FEES AND CHARGES

IAH	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Landing Rates (1) (3)	2.743	2.85	2.844	2.803	2.635	2.571	2.763	2.561	3.108	4.560
Terminal Space Rentals (2) (3)	21.38-79.14	21.67-78.25	20.77-72.51	21.75-75.45	22.88-76.08	22.95-72.46	24.26-72.69	24.02 - 69.27	24.63 - 68.98	20.71 - 52.92
Apron Rentals (2) (3)	1.712-2.612	1.927-2.702	2.051-2.576	2.114-2.597	2.155-2.703	2.236-2.649	2.453-2.780	2.697 - 2.984	2.447 - 2.675	2.749 - 2.854
Aircraft Parking (per day)	100.00-400.00	100.00-400.00	100.00-400.00	100.00-400.00	100.00-400.00	100.00-400.00	100.00-400.00	100.00-400.00	100.00 - 400.00	100.00 - 400.00
Cargo (per day)	200.00-600.00	200.00-600.00	200.00-600.00	200.00-600.00	200.00-600.00	200.00-600.00	200.00-600.00	200.00-600.00	200.00 - 600.00	200.00 - 600.00
Parking Rates (4)										
Economy (Ecopark) Uncovered (5)	5.00	5.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Economy (Ecopark) Covered (5)	7.00	7.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Economy (Ecopark2) Covered (6)	-	-	-	-	5.00	6.00	6.00	7.00	7.00	7.00
Structured (7)	17.00	17.00	19.00	19.00	20.00	22.00	22.00	24.00	10.00	15.00
Sure Park (8) (11)	20.00	20.00	23.00	23.00	24.00	24.00	24.00	26.00	26.00	26.00
Valet (8)	-	23.00	25.00	25.00	26.00	26.00	26.00	28.00	28.00	28.00

HOU	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Landing Rates (1) (3)	1.941	1.925	1.768	2.113	1.835	1.982	2.013	2.000	2.722	5.143
Terminal Space Rentals (2) (3)	90.77-93.27	85.95-88.45	87.73-90.23	92.77-95.27	87.62-90.12	64.79-67.29	48.10-68.15	54.33 - 73.42	55.04 - 66.46	41.89 - 45.86
Apron Rentals (2) (3)	1.787	1.815	1.891	2.209	1.765	1.652-1.853	1.791-1.848	1.874 - 1.924	2.139 - 2.149	1.852 - 1.890
Aircraft Parking (per day)	100.00-400.00	100.00-400.00	100.00-400.00	100.00-400.00	100.00-400.00	100.00-400.00	100.00-400.00	100.00-400.00	100.00 - 400.00	100.00 - 400.00
Cargo (per day)	200.00-600.00	200.00-600.00	200.00-600.00	200.00-600.00	200.00-600.00	200.00-600.00	200.00-600.00	200.00-600.00	200.00 - 600.00	200.00 - 600.00
Parking Rates (4)										
Economy (Ecopark) (9)	10.00	10.00	12.00	-	-	-	-	-	-	-
Economy (Ecopark2) (10)	6.00	6.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Structured (7)	17.00	17.00	19.00	19.00	20.00	22.00	22.00	24.00	10.00	15.00
Valet (8)	-	23.00	25.00	25.00	26.00	26.00	26.00	28.00	28.00	28.00

(1) Per 1,000 pounds of landing weight
(2) Range per square foot
(3) 2012-2020 actual rates provided versus budgeted; 2021 budgeted rates provided.
(4) Maximum per day
(5) New rates effective September 1, 2013
(6) New rates effective December 3, 2018
(7) Covid 19 Temporary rates March 20 - May 30, 2020 $5.00/Day; June 1 - June 30, 2020 $10.00/Day; December 1, 2020 - June 30, 2021 $15.00/Day
(8) New rates effective February 4, 2019
(9) Ecopark 1 at Hobby closed March 18, 2014
(10) New rates effective May 5, 2014
(11) Sure Park ceased as an offered product in March 2021

SOURCE: Houston Airport System

PASSENGER STATISTICS
LAST TEN YEARS

DOMESTIC PASSENGERS

Fiscal Year	IAH Enplanements & Deplanements (in thousands)	IAH Percentage Change	HOU Enplanements & Deplanements (in thousands)	HOU Percentage Change	EFD Enplanements & Deplanements (in thousands)	EFD Percentage Change	Domestic Total Enplanements & Deplanements (in thousands)	Domestic Total Percentage Change
2012	31,778	0.4%	10,192	8.0%	-	-	41,970	2.2%
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	31,967	3.7%	11,837	2.0%	-	-	43,804	3.2%
2016	31,959	-0.0%	12,209	3.1%	-	-	44,168	0.8%
2017	30,809	-3.6%	12,423	1.8%	-	-	43,232	-2.1%
2018	31,102	1.0%	12,864	3.5%	-	-	43,966	1.7%
2019	33,972	9.2%	13,629	5.9%	-	-	47,601	8.3%
2020	25,068	-26.2%	9,998	-26.6%	-	-	35,066	-26.3%
2021	17,648	-29.6%	7,738	-22.6%	-	-	25,386	-27.6%

INTERNATIONAL PASSENGERS / HAS PASSENGERS

Fiscal Year	IAH Enplanements & Deplanements (in thousands)	IAH Percentage Change	HOU Enplanements & Deplanements (in thousands)	HOU Percentage Change	International Total Enplanements & Deplanements (in thousands)	International Total Percentage Change	GRAND TOTAL Enplanements & Deplanements (in thousands)	GRAND TOTAL Percentage Change
2012	8,686	-0.5%	-	-	8,686	-0.5%	50,656	1.7%
2013	8,795	1.3%	-	-	8,795	1.3%	50,315	-0.7%
2014	9,470	7.7%	-	-	9,470	7.7%	51,911	3.2%
2015	10,018	5.8%	4	-	10,022	5.8%	53,826	3.7%
2016	10,904	8.8%	519	12875.0%	11,423	14.0%	55,591	3.3%
2017	10,662	-2.2%	860	65.7%	11,522	0.9%	54,754	-1.5%
2018	10,404	-2.4%	957	11.3%	11,361	-1.4%	55,327	1.0%
2019	10,939	5.1%	965	0.8%	11,904	4.8%	59,505	7.6%
2020	7,969	-27.2%	591	-38.8%	8,560	-28.1%	43,626	-26.7%
2021	3,885	-51.2%	421	-28.8%	4,306	-49.7%	29,692	-31.9%

SOURCE: Houston Airport System

CITY OF HOUSTON, TEXAS

AIRPORT SYSTEM FUND

PASSENGER STATISTICS BY CARRIER

LAST TEN YEARS

MAJOR AIRLINE MARKET SHARE

CARRIER	FY2021	%	FY2020	%	FY2019	%	FY2018	%	FY2017	%
United Airlines	14,864,106	50.1%	25,081,324	57.5%	34,793,301	58.5%	32,094,388	58.0%	32,130,930	58.7%
Southwest Airlines	7,829,259	26.4%	9,994,165	22.9%	13,674,536	23.0%	12,893,987	23.3%	12,344,834	22.5%
Spirit Airlines	1,869,558	6.3%	1,948,341	4.5%	2,426,727	4.1%	2,144,740	3.9%	1,889,818	3.5%
American Airlines	1,383,845	4.7%	1,992,113	4.6%	2,764,225	4.6%	2,592,345	4.7%	2,542,485	4.6%
Delta Airlines	1,050,260	3.5%	1,567,170	3.6%	2,024,867	3.4%	1,963,878	3.5%	1,922,778	3.5%
Frontier Airlines	314,269	1.1%	297,303	0.7%	192,057	0.3%	285,337	0.5%	421,754	0.8%
Lufthansa	52,200	0.2%	186,610	0.4%	290,560	0.5%	279,421	0.5%	291,713	0.5%
British Airways	12,858	0.0%	160,264	0.4%	239,024	0.4%	226,636	0.4%	240,874	0.4%
Emirates	53,558	0.2%	177,930	0.4%	261,321	0.4%	207,496	0.4%	202,812	0.4%
Air Canada	12,833	0.0%	231,407	0.5%	329,540	0.6%	349,571	0.6%	353,721	0.6%
Other Airlines	2,252,847	7.5%	1,989,713	4.5%	2,508,936	4.2%	2,289,531	4.2%	2,412,279	4.5%
	29,695,593	**100.0%**	**43,626,340**	**100.0%**	**59,505,094**	**100.0%**	**55,327,330**	**100.0%**	**54,753,998**	**100.0%**

CARRIER	FY2016	%	FY2015	%	FY2014	%	FY2013	%	FY2012	%
United Airlines	33,251,479	59.8%	33,603,263	62.4%	32,963,901	64%	33,275,496	66.1%	35,047,482	69.2%
Southwest Airlines	11,791,308	21.2%	10,886,616	20.2%	10,720,872	21%	9,910,216	19.7%	9,203,937	18.2%
Spirit Airlines	1,896,577	3.4%	1,192,125	2.2%	675,458	1%	292,159	0.6%	0	0.0%
American Airlines	2,951,244	5.3%	3,057,991	5.7%	2,898,507	6%	2,784,328	5.5%	2,496,729	4.9%
Delta Airlines	1,889,715	3.4%	1,897,776	3.5%	1,772,122	3%	1,700,158	3.4%	1,577,466	3.1%
Frontier Airlines	494,804	0.9%	307,506	0.6%	236,060	1%	152,663	0.3%	200,467	0.4%
Lufthansa	278,409	0.5%	281,261	0.5%	300,824	1%	305,906	0.6%	207,739	0.4%
British Airways	243,464	0.4%	264,830	0.5%	281,057	1%	270,814	0.5%	255,237	0.5%
Emirates	253,140	0.5%	221,455	0.4%	199,903	0%	186,130	0.4%	234,842	0.5%
Air Canada	293,193	0.5%	278,194	0.5%	251,713	1%	238,810	0.5%	247,680	0.5%
Other Airlines	2,247,663	4.1%	1,835,436	3.5%	1,610,928	3.0%	1,198,682	2.4%	1,184,245	2.3%
	55,590,996	**100.0%**	**53,826,453**	**100.0%**	**51,911,345**	**100.0%**	**50,315,362**	**100.0%**	**50,655,824**	**100.0%**

SOURCE: Houston Airport System

CARRIERS BY AIRPORT
AS OF JUNE 30, 2021

IAH			HOU		
Mainline Carriers	Regional Carriers	Cargo Carriers	Mainline Carriers	Regional Carriers	Cargo Carriers
Aeromexico	Champlain Enterprises	Air France Cargo	Allegiant Air	Envoy Air*	
Air Canada	Envoy Air	AirBridgeCargo*	American Airlines	Mesa Airlines	
Air France	ExpressJet Airlines*	Atlas Air/ Southern Air	Delta Airlines	Skywest Airlines*	
Alaska Airlines	Mesa Airlines	C.A.L Cargo	Southwest Airlines		
All Nippon Airways	PSA Airlines	Cargolux			
American Airlines	Republic Airlines	Cathay Pacific Cargo			
AVIANCA S.A.	Sky Regional*	DHL			
Boutique Air*	Skywest Airlines	Emirates Sky Cargo			
British Airways		Federal Express			
Delta Airlines		Lufthansa Cargo			
Emirates		Qatar Airways Cargo			
EVA Air		Turkish Cargo			
Frontier Airlines		UPS			
JetBlue Airways					
KLM Royal Dutch Airlines					
Lufthansa					
Qatar Airways					
Southwest Airlines					
Spirit Airlines					
Sun Country					
Turkish Airlines					
United Airlines					
VivaAerobus					
Volaris					

*Flights are discontinued or suspended at the end of 6/30/21

SOURCE: Houston Airport System

ORIGINATING PASSENGER ENPLANEMENTS

IAH

Fiscal Year	Originating Enplanements	Connecting Enplanements	Total Enplaned Passengers	Originating Enplanement Percentage
2012	9,926,431	10,249,285	20,175,716	49.2%
2013	9,235,098	10,521,105	19,756,203	46.7%
2014	9,653,120	10,452,170	20,105,290	48.0%
2015	10,453,670	10,504,885	20,958,555	49.9%
2016	11,130,370	10,301,326	21,431,696	51.9%
2017	11,127,432	9,602,708	20,730,140	53.7%
2018	11,332,305	9,443,423	20,775,728	54.5%
2019	12,410,801	10,067,653	22,478,454	55.2%
2020	9,274,821	7,252,407	16,527,228	56.1%
2021	6,416,622	4,444,726	10,861,348	59.1%

HOU

Fiscal Year	Originating Enplanements	Connecting Enplanements	Total Enplaned Passengers	Originating Enplanement Percentage
2012	3,906,900	1,221,209	5,128,109	76.2%
2013	3,959,666	1,416,922	5,376,588	73.6%
2014	4,134,726	1,701,165	5,835,891	70.8%
2015	4,271,166	1,674,247	5,945,413	71.8%
2016	4,695,633	1,687,702	6,383,335	73.6%
2017	4,852,811	1,807,446	6,660,257	72.9%
2018	4,829,823	2,107,238	6,937,061	69.6%
2019	4,996,510	2,332,635	7,329,145	68.2%
2020	3,656,831	1,644,721	5,301,552	69.0%
2021	2,710,793	1,396,968	4,107,761	66.0%

Houston Airport System

Fiscal Year	Originating Enplanements	Connecting Enplanements	Total Enplaned Passengers	Originating Enplanement Percentage
2012	13,833,331	11,470,494	25,303,825	54.7%
2013	13,194,764	11,938,027	25,132,791	52.5%
2014	13,787,846	12,153,335	25,941,181	53.2%
2015	14,724,836	12,179,132	26,903,968	54.7%
2016	15,826,003	11,989,028	27,815,031	56.9%
2017	15,980,243	11,410,154	27,390,397	58.3%
2018	16,162,128	11,550,661	27,712,789	58.3%
2019	17,407,311	12,400,288	29,807,599	58.4%
2020	12,931,652	8,897,128	21,828,780	59.2%
2021	9,127,415	5,841,694	14,969,109	61.0%

SOURCE: Houston Airport System

AIRCRAFT OPERATIONS, LANDING WEIGHT AND CARGO ACTIVITY

	AIRCRAFT OPERATIONS (in thousands)			AIRCRAFT LANDED WEIGHT (in million pounds)		
Fiscal Year	Total	Increase (Decrease)	Percentage Change	Total	Increase (Decrease)	Percentage Change
2012	838	(23)	-2.67%	32,841	305	0.94%
2013	799	(39)	-4.65%	33,044	203	0.62%
2014	811	12	1.50%	33,881	837	2.53%
2015	816	5	0.62%	34,969	1,088	3.21%
2016	787	(29)	-3.55%	35,519	550	1.57%
2017	760	(27)	-3.43%	34,648	(871)	-2.45%
2018	735	(25)	-3.29%	34,814	166	0.48%
2019	752	17	2.31%	37,210	2,396	6.88%
2020	624	(128)	-17.02%	30,345	(6,865)	-18.45%
2021	512	(112)	-17.95%	23,438	(6,907)	-22.76%

CARGO ACTIVITY
(in metric tons)

Fiscal Year	Domestic Freight	International Freight	Mail	Total Cargo	Year-over-Year Change
2012	203,042	216,893	33,253	453,188	1.2%
2013	203,082	216,693	27,142	446,917	-1.4%
2014	193,776	225,400	27,333	446,509	-0.1%
2015	192,331	252,876	30,026	475,233	6.4%
2016	195,644	205,361	25,713	426,718	-10.2%
2017	209,343	224,226	24,983	458,552	7.5%
2018	231,670	234,384	23,790	489,844	6.8%
2019	270,965	240,260	23,413	534,638	9.1%
2020	303,119	181,244	19,857	504,220	-5.7%
2021	331,151	129,560	21,197	481,908	-4.4%

SOURCE: Houston Airport System

CITY OF HOUSTON, TEXAS

AIRPORT SYSTEM FUND

PERFORMANCE MEASURES

PERFORMANCE MEASURES	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue per Enplaned Passenger	$ 20.05	$ 20.35	$ 21.06	$ 22.10	$ 22.40	$ 22.59	$ 23.25	$ 22.56	$ 28.69	$ 39.40
Maintenance and Operations Expenses per Enplaned Passenger	$ 10.44	$ 10.83	$ 10.99	$ 10.65	$ 11.34	$ 9.29	$ 12.09	$ 11.32	$ 16.97	$ 21.28
Debt Service per Enplaned Passenger	$ 6.43	$ 6.58	$ 6.47	$ 6.54	$ 6.69	$ 7.06	$ 6.77	$ 6.33	$ 8.83	$ 11.31
Outstanding Debt per Enplaned Passenger (1)	$ 97.25	$ 95.49	$ 90.11	$ 86.31	$ 86.41	$ 84.43	$ 80.26	$ 69.32	$ 94.60	$ 154.58
Intercontinental Budgeted Airline Cost per Est. Enplaned Passenger (2)	$ 10.79	$ 10.72	$ 11.21	$ 11.28	$ 10.94	$ 11.31	$ 11.38	$ 11.57	$ 10.48	$ 19.28
Intercontinental Actual Airline Cost per Enplaned Passenger (2)	$ 10.39	$ 10.52	$ 10.61	$ 10.56	$ 10.62	$ 11.08	$ 11.39	$ 10.48	$ 14.19	$ 14.50
Hobby Budgeted Airline Cost per Est. Enplaned Passenger (2)	$ 7.24	$ 7.34	$ 7.37	$ 6.99	$ 6.76	$ 6.48	$ 6.22	$ 6.52	$ 6.44	$ 13.92
Hobby Actual Airline Cost per Enplaned Passenger (2)	$ 6.63	$ 6.64	$ 6.19	$ 6.43	$ 7.15	$ 6.15	$ 6.40	$ 6.64	$ 9.21	$ 9.58

(1) The calculation of outstanding debt per enplaned passenger does not include unamortized discount and premium.

(2) Airline Costs include terminal building charges, aircraft parking apron charges, and landing fees only for passenger carriers. The costs are calculated during the rates and charges process based on budget and estimate of passengers. They are then recalculated, after the annual audit, during the rates and charges reconciliation process. The estimated costs utilized are based on projected results and are subjected to change.

SOURCE: Houston Airport System

CASH AVAILABLE BY DAYS FUNDED (in thousdands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Airport System Revenue Fund (1) (2)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$	$ 74,384
Operating & Maintenance Reserve	43,630	46,397	49,633	50,754	51,615	51,807	52,686	55,845	55,845	55,845
Renewal & Replacement Fund (3)	20,876	11,822	11,822	10,011	10,001	10,514	11,483	18,770	(15,378)	15,628
Airport Improvement Fund (3)	455,030	460,634	487,974	396,631	449,768	417,930	444,464	410,795	384,169	330,419
Total cash available for operations	$ 519,536	$ 518,853	$ 549,429	$ 457,396	$ 511,384	$ 480,251	$ 508,633	$ 485,410	$ 424,636	$ 476,276
Maintenance and operating expense (4) (5)	$ 255,507	$ 252,745	$ 268,745	$ 283,557	$ 314,715	$ 254,506	$ 326,889	$ * 315,153	$ 314,034	$ 251,945
Days in fiscal year	366	365	365	365	366	365	365	365	366	365
Daily cash requirement	$ 698	$ 692	$ 736	$ 777	$ 860	$ 697	$ 896	$ ** 863	$ 858	$ 690
Days funded	744	749	746	589	595	689	568	** 562	495	690
TOTAL AIRPORT SYSTEM CASH AND INVESTMENTS	$ 1,034,122	$ 1,087,394	$ 1,139,956	$ 1,222,307	$ 1,248,346	$ 1,259,622	$ 1,362,459	$ 1,456,679	$ 1,454,903	$ 1,727,514

(1) The funds are listed in order of availability; each fund must be fully depleted before the next can be used. In 2021, includes CARES money

(2) Available funding in the Airport System Revenue Fund on June 30th is transferred to the Airports Improvement Fund to comply with airport bond ordinances.

(3) Excludes cash required for accrued liabilities and capital appropriations.

(4) Excludes capital asset impairments and retirements, and expense incurred on cancelled capital projects. Includes interest expense for the Series 2005 pension obligation bonds and the debt service on the note payable to Southwest Airlines.

(5) Maintenance and operating expense funded by cash available for operations decreased by $60.2 million between Fiscal Year 2017 and Fiscal Year 2016, primarily due to a $67.4 million decrease in pension expense associated with pension reform enacted in 2017. Without the reform, it is estimated that days funded at June 30, 2017 would be 557.

* Fiscal Year 2019 maintenance and operating expenses is updated due to allowable exclusions in the definition of maintenance and operating expense in the Master Bond Ordinance.

** Fiscal Year 2019 daily cash requirement and days funded are updated accordingly.

SOURCE: Houston Airport System

CITY OF HOUSTON, TEXAS

AIRPORT SYSTEM FUND

AIRPORT INFORMATION

	IAH		HOU		EFD (1)	
LOCATION	22 miles N of downtown Houston		7 miles SE of downtown Houston		15 miles SE of downtown Houston	
AREA	10,125 acres		1,502 acres		1,945 acres	
ELEVATION	97 MSL		46 MSL		32 MSL	
AIRPORT CODE	IAH		HOU		EFD	
RUNWAYS	8R-26L	9,402x150 ft	13L-31R	5,148x100 ft	17L-35R	4,609x80 ft
	9-27	10,000x150 ft	13R-31L	7,602x150 ft	17R-35L	9,001x150 ft
	15L-33R	12,001x150 ft	4-22	7,602x150 ft	4-22	8,001x150 ft
	15R-33L	9,999x150 ft				
	8L-26R	9,000x150 ft				
TERMINAL SPACE	Airlines	3,219,284 sf	Airlines	531,197 sf	n/a	
	Tenants	201,134 sf	Tenants	63,672 sf		
	Public/Common	674,391 sf	Public/Common	152,648 sf		
	Mechanical	262,016 sf	Mechanical	115,815 sf		
	Other	265,318 sf	Other	47,615 sf		
	Total	4,622,143 sf	Total	910,947 sf		
NUMBER OF GATES/HARDSTAND POSITIONS	128/7		30/n/a		n/a	
COMMERCIAL AIRLINES APRON	3,871,192 sf		815,239 sf		n/a	
RENTAL CAR FACILITY	9 Rental Car Agencies		10 Rental Car Agencies		1 Rental Car Agency	
PARKING SPACES	S-T Hourly	14,154	S-T Hourly	5,611		
	L-T ECO	8,612	L-T ECO	958		
	Employee	3,019	Employee	1281	Employee	27
	Total	25,785	Total	7,850	Total	27

(1) No scheduled commercial flights

SOURCE: Houston Airport System

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

EMPLOYER	June 30, 2021 Employees	Rank	Percentage of Total City Employment	June 30, 2012 Employees	Rank	Percentage of Total City Employment
Memorial Hermann Health System	35,360	1	1.16%	19,500	1	0.71%
Walmart	29,797	2	0.98%			
HEB	29,657	3	0.97%			
Houston Methodist	26,098	4	0.86%	13,000	5	0.47%
The University of Texas MD Anderson Cancer Center	21,576	5	0.71%			
HCA Houston Healthcare	15,000	6	0.49%			
Kroger	14,868	7	0.49%	12,000	6	0.44%
ExxonMobil	13,000	8	0.43%	15,000	3	0.55%
United Airlines	11,900	9	0.39%	17,000	2	0.62%
Shell Oil Company	11,700	10	0.38%	13,000	4	0.47%
Schlumberger Limited				10,000	7	0.36%
National Oilwell Varco				10,000	8	0.36%
BP America, Inc.				9,537	9	0.35%
Baylor College of Medicine				9,232	10	0.34%
TOTAL	208,956		6.87%	128,269		4.66%

SOURCE: GHP Houston Facts - 2021; Houston newcommerguides.com; U.S. Bureau of Labor Statistics.

Notes to the schedule:

Employers excludes school districts and city, county, state and federal governments.

Employee numbers are for the nine-county region, and employee may live outside the City of Houston.

Total Houston area employees on nonfarm payrolls (The Nine-County Houston Metropolitan Statistical Area):

June 2021, Employees on nonfarm payrolls by industry supersector, Bureau of Labor Statistics.	2021	3,047,300
June 2012, Employees on nonfarm payrolls by industry supersector, Bureau of Labor Statistics.	2012	2,751,800

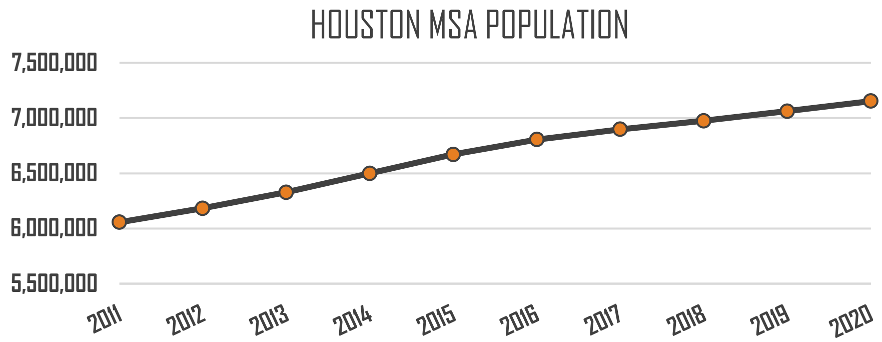
SERVICE AREA AND SERVICE AREA POPULATION/CAREER SERVICE EMPLOYEES

The primary service region for the Houston Airport System, the 9-county Houston-The Woodlands-Sugar Land Metropolitan Statistical Area (MSA), has a diverse economic base and is recognized as a major national and international energy, financial, medical, transportation, retail, and distribution center. The MSA extends out five additional counties of Matagorda, Trinity, Walker, Washington, and Wharton for the broader The Houston-The Woodlands Combined Statistical Area (CSA). According to U.S. Bureau of the Census, the population estimate was 7.15 million for the MSA and 7.34 million for the CSA as of July 1, 2020.

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

As of July 1,	Houston MSA Population
2011	6,056,008
2012	6,183,119
2013	6,327,622
2014	6,499,375
2015	6,670,803
2016	6,806,315
2017	6,898,912
2018	6,974,948
2019	7,063,400
2020	7,154,478



SOURCE: Greater Houston Partnership and U.S. Census Bureau.

CAREER SERVICE EMPLOYEES
Last Ten Years

Fiscal Year	Total Employees
2012	1,361
2013	1,268
2014	1,294
2015	1,234
2016	1,191
2017	1,141
2018	1,113
2019	1,091
2020	1,110
2021	1,147

SOURCE: Houston Airport System

DEMOGRAPHIC AND ECONOMIC

Fiscal Year	City of Houston, Texas Population (1)	Personal Income (in Millions) (2)	Per Capita Personal Income (2)	Real Gross Domestic Product (in Millions) (2)	Average Unemployment Rate (3)	Educational Attainment, High School Graduate or Higher (4)	Educational Attainment, Bachelor's Degree or Higher (4)
2012	2,123,298	$ 321,413	$ 51,979	$ 402,854	7.2 %	Not available	Not available
2013	2,158,700	$ 326,059	$ 51,525	$ 421,245	6.6 %	Not available	Not available
2014	2,196,367	$ 354,014	$ 54,462	$ 427,613	5.4 %	Not available	Not available
2015	2,238,653	$ 361,017	$ 54,111	$ 453,758	4.8 %	78.9 %	32.9 %
2016	2,283,616	$ 345,852	$ 50,812	$ 445,887	5.6 %	78.9 %	32.9 %
2017	2,306,360	$ 372,722	$ 54,017	$ 451,900	5.2 %	78.9 %	32.9 %
2018	2,313,079	$ 398,716	$ 57,154	$ 463,518	4.7 %	78.9 %	32.9 %
2019	2,314,478	$ 416,122	$ 58,890	$ 472,105	4.0 %	78.9 %	32.9 %
2020	2,315,720	Not available	Not available	Not available	11.6 %	Not available	Not available
2021	2,316,120	Not available	Not available	Not available	7.4 %	Not available	Not available

(1) SOURCE: U.S. Census Bureau - City and Town Populations, Subcounty Resident Population Estimates: April 1, 2011 to July 1, 2019 and July 1, 2020, for the City of Houston, Texas.

(2) SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis. Amounts as of year ended December 31 for the nine-county Metropolitan Statistical Area (MSA). Information for the years ended December 31, 2021 and 2020 are not yet available.

(3) SOURCE: U.S. Bureau of Labor Statistics. Information as of June each year for the nine-county Metropolitan Statistical Area (MSA).

(4) SOURCE: U.S. Census Bureau - Quick Facts of the City of Houston, Texas. Information as of September 2021 and for years 2015 - 2019. Percent of persons age 25 years and above.


HOUSTON
AIRPORTS

COMPLIANCE SECTION

ANNUAL COMPREHENSIVE FINANCIAL REPORT

HOUSTON SPACEPORT
Phase I construction at EFD

CITY OF HOUSTON
TEXAS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH REQUIREMENTS ISSUED BY THE FEDERAL AVIATION ADMINISTRATION

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

Report on Compliance

We have audited the City of Houston, Texas' ("the City") compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration* ("the Guide"), that could have a direct and material effect on its Passenger Facility Charge ("PFC") Program for the year ended June 30, 2021.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its PFC.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's PFC program based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the PFC program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the PFC program; however, our audit does not provide a legal determination on the City's compliance.

Opinion

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the PFC program for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the PFC program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the PFC program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or to detect and correct, noncompliance with a type of compliance requirement of the Guide on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the Guide will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a PFC program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Passenger Facility Charge Revenues and Disbursements Schedules

We have audited the basic financial statements of the City, as of and for the year ended June 30, 2021, and have issued our report thereon dated December 10, 2021, which contained an unmodified opinion on those financial statements and a reference to other auditors. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole.

The accompanying passenger facility charge revenues and disbursements schedules are presented for purposes of additional analysis as required by the Guide and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

McConnell & Jones LLP Banks, Finley, White & Co.

December 10, 2021

CITY OF HOUSTON, TEXAS

AIRPORT SYSTEM FUND

PASSENGER FACILITY CHARGE REVENUES AND DISBURSEMENTS SCHEDULE

GEORGE BUSH INTERCONTINENTAL AIRPORT **(IAH)**

FOR THE YEAR ENDED JUNE 30, 2021

	Fiscal Year 2020 Program Total	Quarter 1 Jul-Sept	Quarter 2 Oct-Dec	Quarter 3 Jan-Mar	Quarter 4 Apr-Jun	Fiscal Year 2021 Total	Fiscal Year 2021 Program Total
REVENUES							
Collections (Note 3)	$ 724,855,706	3,018,065	9,413,076	8,432,087	15,749,935	36,613,163	$ 761,468,869
Other revenue-insurance (Note 3)	2,059,629	-	-	-	-	-	2,059,629
Interest	18,533,060	1,001,269	641,839	456,984	436,848	2,536,940	21,070,000
Total Revenues	745,448,395	4,019,334	10,054,915	8,889,071	16,186,783	39,150,103	784,598,498
DISBURSEMENTS							
1.01 Automated People Mover System	$ 212,412,943	-	4,855,191	-	13,375,072	18,230,263	$ 230,643,206
1.02 Terminal B Expansion & Improvemts	98,193,535	-	25,311,038	-	1,924,082	27,235,120	125,428,655
1.03 Central FIS Facility	101,770,687	-	5,856,882	-	7,800,790	13,657,672	115,428,359
1.04 North Parallel Runway 8L/26R	34,369,251	-	798,617	-	1,794,262	2,592,879	36,962,130
1.05 Administrative Costs	112,917	-	-	-	-	-	112,917
1.06 Central Plant HVAC Upgrades	16,938,488	-	361,932	-	706,790	1,068,722	18,007,210
1.07 Terminal A/B South Taxiways	16,952,900	-	356,282	-	980,729	1,337,011	18,289,911
Total Disbursements	480,750,721	-	37,539,942	-	26,581,725	64,121,667	544,872,388
2.01 Mickey Leland International Terminal (MLIT), Rehabilitation and Expansion	-	-	40,305,309	-	-	40,305,309	$ 40,305,309
2.02 Federal Inspection Services (FIS) Rehabilitation and Expansion	-	-	7,049,153	-	-	7,049,153	7,049,153
2.03 Terminal Facilities Utilities (Enabling Utilities Landside)	-	-	306,706	-	-	306,706	306,706
2.04 IAH Terminal Roadway Reconstruction	-	-	-	-	-	-	-
2.05 Terminal A Baggage Handling System	-	-	-	-	-	-	-
2.06 IAH Roadway Signage Replacement	-	-	14,738,134	-	-	14,738,134	14,738,134
2.07 Terminal A Restroom Rehabilitation	-	-	-	-	-	-	-
2.08 Terminal D Restroom Rehabilitation	-	-	-	-	-	-	-
Total Disbursements	-	-	62,399,302	-	-	62,399,302	62,399,302
Net PFC Revenues	$ 264,697,674	4,019,334	(89,884,329)	8,889,071	(10,394,942)	(87,370,866)	$ 177,326,808
PFC Account Balance	$ 264,697,674	268,717,008	178,832,679	187,721,750	177,326,808	177,326,808	$ 177,326,808

Please see Notes to the Passenger Facility Charge Revenues and Disbursements Schedules

CITY OF HOUSTON, TEXAS

PASSENGER FACILITY CHARGE REVENUES AND DISBURSEMENTS SCHEDULE

WILLIAM P. HOBBY AIRPORT **(HOU)**

FOR THE YEAR ENDED JUNE 30, 2021

	Fiscal Year 2020 Program Total	Quarter 1 Jul-Sept	Quarter 2 Oct-Dec	Quarter 3 Jan-Mar	Quarter 4 Apr-Jun	Fiscal Year 2021 Total	Fiscal Year 2021 Program Total
REVENUES							
Collections (Note 3)	$ 227,405,946	1,514,962	2,817,655	3,250,550	6,122,218	13,705,385	$ 241,111,331
Other revenue-insurance (Note 3)	755,196	-	-	-	-	-	755,196
Interest	5,017,720	130,761	110,778	79,097	81,203	401,839	5,419,559
Total Revenues	233,178,862	1,645,723	2,928,433	3,329,647	6,203,421	14,107,224	247,286,086
DISBURSEMENTS							
1.01 Rehab Runways	3,722,645	-	21,256	-	180,260	201,516	3,924,161
1.02 Rehab & Modification to Taxiways	15,309,318	-	55,782	-	390,880	446,662	15,755,980
1.03 Expand Taxiway Electrical System	3,220,026	-		-	-	-	3,220,026
1.04 Arpt Drainage & Stormwater Improvs	4,669,672	-	229,873	-	252,713	482,586	5,152,258
1.05 Acquire Runway 17 Protection Zone	638,732	-	6,629	-	30,232	36,861	675,593
1.06 Airfield Lighting & Control	7,390,033	-	27,215	-	54,319	81,534	7,471,567
1.07 Central Terminal Expansion	31,257,457	-	243,553	-	1,230,564	1,474,117	32,731,574
1.08 Conduct Master Plan	393,948	-	-	-	-	-	393,948
1.09 Central Concourse Equipment	13,635,631	-	96,162	-	200,851	297,013	13,932,644
1.10 Apron Reconstruction	3,707,920	-	118,568	-	215,291	333,859	4,041,779
1.11 Taxiway & Taxilane Reconstruction	7,762,112	-	248,209	-	450,688	698,897	8,461,009
1.12 Overlay Runway 12R/30L	5,329,650	-	29,527	-	49,487	79,014	5,408,664
1.13 Perimeter Fencing & Obstruction	1,520,034	-	1,130	-	1,894	3,024	1,523,058
1.14 Access Controls & Telecom	797,997	-	33,272	-	55,763	89,035	887,032
1.15 Environmental Impact Statement	279,982	-	5,648	-	11,496	17,144	297,126
1.16 Land Acquisition RW4 RPZ	613,971	-	1,445	-	10,126	11,571	625,542
1.17 Drainage/Stormwater Plan	1,375,000	-	-	-	-	-	1,375,000
1.18 PFC Consulting, Admin, Audit	97,621	-	-	-	-	-	97,621
Subtotal HOU 1.00 Projects	101,721,749	-	1,118,269	-	3,134,564	4,252,833	105,974,582
2.01 International Terminal Expansion	14,118,377	-	2,315,148	-	4,678,745	6,993,893	21,112,270
2.02 International Terminal - Apron	2,278,335	-	373,604	-	755,027	1,128,631	3,406,966
2.03 International Terminal - Roadways	4,885,324	-	297,638	-	482,643	780,281	5,665,605
2.04 Elevated passenger walkway	969,628	-	96,965	-	157,946	254,911	1,224,539
2.05 Satellite utilities plant - Phase I	3,464,778	-	328,906	-	664,827	993,733	4,458,511
2.06 Passenger walkway canopy	-	-	-	-		-	-
2.07 Central concourse expansion	65,503,736	-	2,764,565	-	7,594,819	10,359,384	75,863,120
2.08 Explosive detection baggage equip.	5,295,282	-	-	-		-	5,295,282
2.09 Partial reconstruction R/W 4-22	594,624	-	732,042	-	(650,677)	81,365	675,989
2.10 Partial reconstruction Taxiway C	150,750	-	201,093	-	(135,424)	65,669	216,419
2.11 Partial reconstruct NE perimeter rd	92,126	-	122,890	-	(82,759)	40,131	132,257
2.12 Air units - central concourse	-	-	-	-	-	-	-
Subtotal HOU 2.00 Projects	97,352,960	-	7,232,851	-	13,465,147	20,697,998	118,050,958
Total Disbursements	199,074,709	-	8,351,120	-	16,599,711	24,950,831	224,025,540
Net PFC Revenues	$ 34,104,153	1,645,723	(5,422,687)	3,329,647	(10,396,290)	(10,843,607)	$ 23,260,546
PFC Account Balance	$ 34,104,153	35,749,876	30,327,189	33,656,836	23,260,546	23,260,546	$ 23,260,546

Please see Notes to the Passenger Facility Charge Revenues and Disbursements Schedules

NOTE 1 – Passenger Facility Charge Program

The Passenger Facility Charge ("PFC'') was established by Title 49, United States Code ("U.S.C."), Section 40117, which authorizes the Secretary of Transportation (further delegated to the FAA Administrator) to approve the local imposition of an airport PFC of $1, $2, $3, $4, or $4.50 per enplaned passenger for use on certain airport projects. Under Part 158, public agencies (as defined in the statute and regulation) controlling commercial service airports can apply to the FAA for authority to impose a PFC for use on eligible projects.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Accounting - The accompanying passenger facility charge revenues and disbursements schedules present revenues received on a cash basis, while expenditures are reported based upon the allocation of costs to approved projects.

NOTE 3 – Reconciliation to Statement of Revenues, Expenses and Changes in Net Position

Passenger facility charges are reported on an accrual basis in the City of Houston Airport System Fund Statement of Revenues, Expenses and changes in Net Position in the Annual Comprehensive Financial Report. Reporting standards adopted by the FAA require for purposes of the PFC Revenues and Disbursements Schedule such charges be reported on a cash basis. A reconciliation between cash collections and revenue reported on the accrual basis is as follows:

Fiscal Year 2021	HOU	IAH	HAS Total
Passenger Facility Charges			
Amounts per Statement of Revenues, Expenses and Changes in Net Position and collection amounts per Passenger Facility Charge Revenue and Disbursement Schedule	$ 15,529,496	$ 47,011,372	$ 62,540,868
Add prior year accrual	760,129	1,321,688	2,081,817
Less current year accrual	(2,584,240)	(11,719,897)	(14,304,137)
Actual collection on Cash Basis	$ 13,705,385	$ 36,613,163	$ 50,318,548

COMPLIANCE

PASSENGER FACILITY CHARGE PROGRAM AUDIT SUMMARY

FOR THE YEAR ENDED JUNE 30, 2021

1.	Type of report issued on PFC financial statements.	Unmodified	
2.	Type of report on PFC compliance.	Unmodified	
3.	Quarterly Revenues and Disbursements reconcile with submitted quarterly reports and reported un-liquidated revenue matches actual amounts.	X Yes	___ No
4.	PFC Revenues and Interest are accurately reported.	X Yes	___ No
5.	The Public Agency maintains a separate financial accounting record for each application.	X Yes	___ No
6.	Funds disbursed were for PFC-eligible items as identified in the FAA Decision to pay only for the allowable costs of the projects.	X Yes	___ No
7.	Monthly carrier receipts were reconciled with quarterly carrier reports.	X Yes	___ No
8.	PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds.	X Yes	___ No
9.	Serving carriers were notified of PFC program actions/changes approved by the FAA.	X Yes	___ No
10.	Quarterly Reports were transmitted (or available via website) to remitting carriers.	X Yes	___ No
11.	The Public Agency is in compliance with Assurances 5, 6, 7 and 8.	X Yes	___ No
12.	Project design and implementation are carried out in accordance with Assurance 9.	X Yes	___ No
13.	Program administration is carried out in accordance with Assurance 10.	X Yes	___ No
14.	For those public agencies with excess revenue, a plan for the use of this revenue has been submitted to the FAA for review and concurrence.	X Yes	___ No

PASSENGER FACILITY CHARGE PROGRAM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2021

A. Summary of Auditors' Results

1) There were no material weaknesses identified during the audit of the passenger facility charge program.

2) There were no significant deficiencies identified during the audit of the passenger facility charge program.

3) The auditors' report on compliance for the passenger facility charge program expresses an unmodified opinion.

B. Findings and Questioned Costs

None reported

HOUSTON AIRPORTS

HOUSTON SPACEPORT