



Port of Houston Authority

Comprehensive Annual Financial Report

For the Year Ended December 31, 2010

Port of Houston Authority

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Prepared By: Office of the Controller Port of Houston Authority

Port of Houston Authority of Harris County, Texas

**Comprehensive Annual Financial Report
For the Year Ended December 31, 2010**

**Prepared By:
Office of the Corporate Controller
Port of Houston Authority**

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Introductory Section



PORT OF HOUSTON AUTHORITY

August 3, 2011

Port Commissioners
Port of Houston Authority of Harris County, Texas
Houston, Texas

Dear Commissioners:

We are pleased to present the Comprehensive Annual Financial Report ("CAFR") of the Port of Houston Authority of Harris County, Texas ("Authority") for the year ended December 31, 2010. This report is presented in three sections: Introductory, Financial and Statistical. The Introductory Section includes this letter of transmittal, organizational chart and list of principal officials. The Financial Section, beginning with the independent auditor's report, contains management's discussion and analysis ("MD&A"), financial statements and the accompanying notes to the financial statements. The Statistical Section includes selected financial, economic and demographic data, some of which is provided by external resources. Dollar amounts within this letter of transmittal are rounded to the nearest million and to the nearest thousand in the MD&A, financial statements and the accompanying notes to the financial statements.

Responsibility for both the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with management of the Authority. To the best of our knowledge 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 Authority. We have included disclosures necessary to enable the reader to gain an understanding of the Authority's financial position.

Profile of the Authority

The Authority is a navigation district and a political subdivision of the state of Texas, having boundaries generally coterminous with Harris County, Texas. It is an independent governmental entity and governance of the activities of the Authority is the responsibility of a Port Commission composed of seven commissioners. Two are appointed by the Harris County Commissioners Court; two by the Houston City Council; one by the Pasadena City Council; and one by the Harris County Mayors and Councils Association. The chairman of the Port Commission is jointly appointed by the governing bodies of Harris County and the City of

Houston. The Authority had 592 regular employees as of December 31, 2010 and during 2010 employed 184 full-time equivalent casual employees from various longshoremen union halls.

The Port of Houston ("Port") has been a deep draft port since 1914. The Houston Ship Channel (the "Channel"), the heart of the Port complex, extends 52 miles inland and links the City of Houston with the Gulf of Mexico. The Port consists not only of the Authority's wharves, but also a large number of privately owned wharves. Some of the privately owned terminals within the Port compete directly with the Authority's terminals. The Authority neither regulates the tariffs charged by, nor derives any revenues from any of the privately owned terminals, except for Harbor Fees and certain payments from private terminals located at the Bayport Industrial complex.

Business of the Authority

The Authority owns a diverse group of facilities designed for handling any type of cargo including general cargo, containers, grain, dry and liquid bulk and project and heavy-lift cargo. These facilities are operated for hire on a first-come, first-served basis except for certain facilities that are on long-term leases. In addition, the Authority leases land and provides railroad rights-of-way to others, licenses pipeline crossings of its property and maintains areas for depositing dredged materials.

Most significantly, Wharves 5 and 6 and certain associated container yards at Fentress Bracewell Barbour's Cut Terminal ("BCT") are leased to Maersk, Inc., and empty container storage yards at BCT and Bayport Container Terminal ("Bayport") are leased to Terminal Link LLC and Houston Terminal LLC. The Care Terminal is leased to Coastal Cargo of Texas, facilities at Jacintoport are leased to Jacintoport International, LLC and Seaboard Corporation and the Bulk Materials Handling Plant is leased to Kinder Morgan Petcoke, L.P. The grain elevator at Woodhouse Terminal is leased to Louis Dreyfus Corporation and the grain elevator at the Turning Basin Terminal is leased to Hansen-Mueller Company.

Sections of the wharf at BCT, the Care Terminal, Jacintoport Terminal, the Bulk Materials Handling Plant and the Woodhouse Terminal are subject to preferential, but not exclusive, berthing arrangements.

The Authority owns general cargo wharves at the Turning Basin Terminal in the upper channel area. Each wharf can berth one or more ships depending on the length of the vessel. These wharves have substantial dockside facilities, including open and enclosed short-term storage space. Wharf 32, located within this terminal, was specifically designed for handling project and heavy-lift cargoes and has eighteen and one-half acres of heavy-duty paved area.

In addition to these facilities, the Authority owns 164.5 miles of railroad track with operating rights on an additional 10.0 miles of track. It owns 734.1 acres of rights-of-way with ample storage yard capacity for railroad cars near all its facilities. These yards are located on property made available to the Port Terminal Railroad Association, an association of line railroads serving Houston and the Authority. The Authority also owns a 315-acre industrial park adjacent to the Turning Basin Terminal that also includes undeveloped channel frontage. Much of this property is leased or rented to private parties that independently maintain and operate these facilities. The Authority also owns a four-story office building located in the Turning Basin Terminal which houses the Authority's executive offices and much of the Authority's administrative staff, and other administrative and operational buildings.

See the Table of Physical Characteristics of the Port Facilities of the Authority (Schedule 18) in the Statistical Section of this CAFR, under Operating Information.

Economic Outlook

The National Bureau of Economic Research officially declared an end in June 2009 to the “Great Recession” that began in December 2007 and lasted 18 months. While this declaration was welcome news, the U.S. economy continues to grow at a slow pace due to low levels of consumer confidence and frugal spending.

U.S. real gross domestic product or GDP increased at an annual rate of 3.1 percent for the fourth quarter of 2010. The average unemployment rate for 2010 was 9.6 percent, an increase of 0.3 percent from 2009. Housing starts have declined by 13.8 percent in the third quarter of 2010 compared to the third quarter of 2009.

However, the Leading Indicators Index published by The Conference Board, which attempts to forecast how the economy will be performing in the coming months, has been generally positive. This implies possible continued growth in the overall economy as well as the maritime industry. Personal consumption increased by 20 percent in December 2010 from the previous year which could lead to restocking of inventory levels and hence growth in U.S. imports. Corporate profits are showing sharp year-over-year increases. The U.S. unemployment rate declined in early 2011, and is now under 9 percent. U.S. imports increased by 13.9 percent in December 2010 from a year earlier and U.S. exports increased by 18.9 percent in December 2010 from a year earlier.

Moderate economic growth is anticipated during 2011 as the U.S. continues its recovery from the recession. As a result the Authority anticipates a moderate increase in revenue during 2011 from the prior year.

Financial Planning

Nevertheless, the sluggish economy continues to challenge the Authority to evaluate and assess its activities, and management continues to seek additional revenue generation and cost-saving opportunities. With this in mind, the Authority’s fiscal budget for 2011 anticipates no staffing increases. For 2011, the Authority budgeted total operating revenues of \$198.5 million. This represents a 7.8% increase over the 2010 budget of \$184.2 million. Total operating expenses are budgeted at \$150.9 million, an 11.1% increase over the 2010 budget of \$135.8 million. General and administrative expenses are budgeted at \$49.9 million, a 16.7% decrease over the 2010 budget of \$58.2 million as the Authority continues to place downward pressure on discretionary spending. Net Operating Income (“NOI”) before Depreciation and OPEB is budgeted at \$67.4 million, 12.5% higher than the 2010 budget of \$59.9 million. Depreciation expense is budgeted at \$57.8 million, an increase of \$1.2 million over the 2010 budget. NOI after Depreciation and Other Post Employment Benefits (“OPEB”) increased by \$7.3 million from the 2010 budget.

The Authority invested \$152.3 million in capital improvements during 2010, which reflects its continuing commitment to development, expansion and renewal of Authority facilities while promoting economic vitality throughout the region. Approximately \$112.7 million of the capital improvements were funded with proceeds from commercial paper and unlimited tax bonds issued in 2010, with the balance paid from the Authority’s general fund. The Authority may

seek additional debt financing in the near future, in order to further develop and enhance the Authority's capital assets.

Major Initiatives

Terminal Improvements

Despite the sluggish economy, the Authority accomplished major initiatives in 2010 including the completion of the Administration, Maintenance and Repair, and Marine Emergency buildings at Bayport, as well as the completion of Bayport's Wharf 3, and 50 new acres of container yard, construction of three new wharf cranes, and acquisition of nine new rubber tyred gantries ("RTG's"). In addition, the Authority made improvements to the gate complexes at BCT and Bayport by implementing an Optical Character Recognition ("OCR") system.

The completion of Wharf 3 at Bayport expands the terminal to 3,300 feet of contiguous dock. This meets the growing demand for berthing area as vessel calls increase in frequency and size, with ships capable of handling 8,000+ twenty-foot equivalent units ("TEU") arriving in the near future. The container yard expansion raises Bayport's yard area to 155 acres. This expansion provides the acreage needed to support the 6% increase in total vessel lifts expected in 2011. The new wharf cranes increase the total at Bayport to nine, continuing to follow the Master Plan of three per vessel berthing area. There are 27 RTG's available at Bayport to accommodate the increase in loads as well as the associated vessel and yard support activities. OCR at the gate at both BCT and Bayport has had a dramatic effect on the operation of the gate facilities, decreasing operating costs while improving the service we provide to our carriers. The OCR software allows 50-60% of trucks to free flow through the gate with transaction verification. This process has led to a decrease in truck idling time, expediting truck visits and shortening overall turn times.

The next step is to expand the OCR system to the entrance gate at Bayport with the phase 3 gate expansion. This will be tied in with the SPARCS N4 terminal operating system upgrade that will migrate to BCT after the Bayport implementation.

Evaluation of the strategic plans will dictate where the next expansions/redevelopments occur, ensuring a competitive advantage and high service levels to carriers and customers.

Air Quality Program

The Authority continually recognizes the importance of integrating emerging emission reduction technologies into maritime operations. For example, in 2010, the Authority participated in a demonstration of new diesel-electric hybrid truck technology, helping support its use as a viable strategy for future emission reduction measures.

The Authority partnered with two shipping lines on a study to demonstrate the feasibility of low sulfur diesel fuel switching for ocean-going vessels and in conjunction with EPA's Office of International Affairs ("OIA"). Maersk and Hamburg Süd agreed to participate in fuel switching at ports in Progreso, Vera Cruz and Altamira, Mexico, as well as in Houston. The results of the study are documented in an EPA OIA report available on EPA's website. This pilot project and study should help Mexican government officials develop an Emission Control Area ("ECA") strategy for future implementation through the International Maritime Organization. The Authority participated in fuel switching activities at the Port of Santos, Brazil in late August 2010 highlighting fuel switching to Brazil port and governmental officials. The Authority

understands that Hamburg Süd is evaluating additional fuel switching operations in European ports of call in the near future, following its experience in Houston.

These demonstrations received national and international attention and were instrumental in the EPA's grant award to the Authority for a fuel switching program through 2012.

Environmental Stewardship

In 2010, using American Recovery and Reinvestment Act ("ARRA") Diesel Emissions Reduction Act ("DERA") funds, the Authority repowered the Sam Houston tour boat and purchased 15 new yard tractors. As a result, on an annual basis the Authority has significantly reduced emissions: 15 tons of Nitrogen Oxide ("NOx"), 1.31 tons of volatile organic compounds ("VOC"), 3.85 tons of Carbon Dioxide ("CO₂"), 0.60 tons of particulate matter ("PM") PM₁₀ and 0.59 tons of PM_{2.5}. The Authority has been reimbursed by EPA by approximately \$0.5 million for these activities and will evaluate other engine replacements, repowers or retrofits using the remaining ARRA-DERA funding during 2011.

In addition to the Authority's use of ARRA-DERA grants described above, the Authority partnered with four private parties and obtained funding to repower, replace or retrofit 55 pieces of equipment. Grant monies totaling approximately \$1.0 million were awarded and received as of December 31, 2010 in recognition of these efforts.

Employee Commuter Program

The Authority's vanpool program is part of the METROVan program, sponsored by the Houston Metropolitan Transportation Authority ("METRO") and the Houston-Galveston Area Council ("H-GAC"). In 2010, H-GAC recognized the Authority as a "Best Workplace for Commuters" employer for offering the options of carpooling, vanpooling, flextime workweeks and the use of pool cars for carpool riders. H-GAC also named the Authority a "Clean Air Champion" based upon its commitment to clean air measures. Annual benefits of the vanpool program include:

- Approximately 715,000 fewer miles driven by employees
- Reduction of NOx by 0.37 tons, VOC by 0.38 tons, and CO₂ by 392 tons
- 34,500 less gallons of gasoline consumed

International Organization for Standardization ("ISO") Certifications

The foundation for the Authority's sustainability activities is the Environmental Management System. The Authority's Environmental Management System has been certified to the ISO 14001:2004 Standard since 2002, and continues to improve and expand each year. Following an extensive review by the independent third-party auditor Det Norske Veritas in 2010, the Marine Department, consisting of 6 distinct facilities and 5 vessels, was added to the Authority's certification.

In March 2008, the Authority's Port Police Department, Barbour's Cut, and Bayport Container Terminals were certified to the ISO 28000 Standard for Supply Chain Security for its Perimeter Security. In 2010, Manchester Terminal was added to this certification.

In March 2011, ABS-Quality Evaluations, the ISO certifying agency, re-certified the Authority's Port Police Department, Manchester, Barbour's Cut, and Bayport Container Terminals to the ISO 28000 Standard – demonstrating not only conformance to the standard, but also a strong record of continual improvement in its perimeter security function.

These initiatives support the Authority's practiced mission of facilitating commerce and maintaining navigation of safe and secure waterways to promote sustainable trade and generate economic development for Houston, Texas, and the nation, while being a model environmental steward, community-focused and fiscally responsible.

Financial Information

The accounting policies of the Authority and this report conform to accounting principles generally accepted in the United States of America for local governmental units as prescribed by the Governmental Accounting Standards Board. A summary of significant accounting policies can be found in Note 1 to the financial statements.

The integrity and objectivity of data in these financial statements and supplemental schedules, including estimates and judgments relating to matters not concluded at year-end, are the responsibility of the management of the Authority. By state statute, the county auditor of Harris County, Texas is the auditor of the Authority. The Harris County auditor maintains staff at the Authority to carry out the statutory duties required of the auditor. Also by state statute, the county treasurer serves as the treasurer of the Authority.

We direct the reader's attention to the MD&A section immediately following the Audit Opinion letter which provides an analytical overview of the Authority's financial activities and serves as an introduction to the basic financial statements.

Internal Control

Management is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls. In developing and evaluating the Authority's accounting system, consideration is given to the adequacy of internal accounting controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

All internal control evaluations occur within the above framework. Management believes the Authority's financial accounting controls, with ongoing independent internal audit functions performed by the Harris County auditor, adequately safeguard assets and provide reasonable assurance of properly recorded financial transactions.

Independent Audit

The financial statements for the years ended December 31, 2010 and 2009 listed in the foregoing Table of Contents were audited by independent auditors selected by the Port Commission. The audit opinion, rendered by Grant Thornton LLP for December 31, 2010, is included in the

financial section of this report. The financial statements for the year ended December 31, 2009 were audited by other auditors.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Port of Houston Authority of Harris County, Texas for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2009. This was the 36th consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

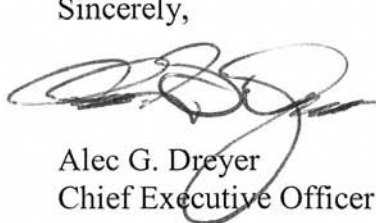
A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and plan to submit this year’s CAFR to the GFOA for consideration of eligibility for another certificate.

Acknowledgments

The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the financial and management personnel of the Authority’s Finance and Administration Division. We express our appreciation to all who assisted and contributed to the preparation of this report.

In closing, we would like to thank the members of the Port Commission and all the officials of the Authority for their support in planning and conducting the financial affairs of the Authority in a responsible and progressive manner, to ensure fiscal transparency and accountability, and to maintain the Authority’s financial statements in conformance with the highest professional standards.


Sincerely,



Alec G. Dreyer
Chief Executive Officer



Thomas J. Heidt
Vice President
Finance & Administration



Maxine N. Buckles
Corporate Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

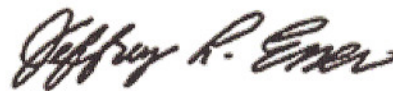
Port of Houston Authority
of Harris County, Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2009

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



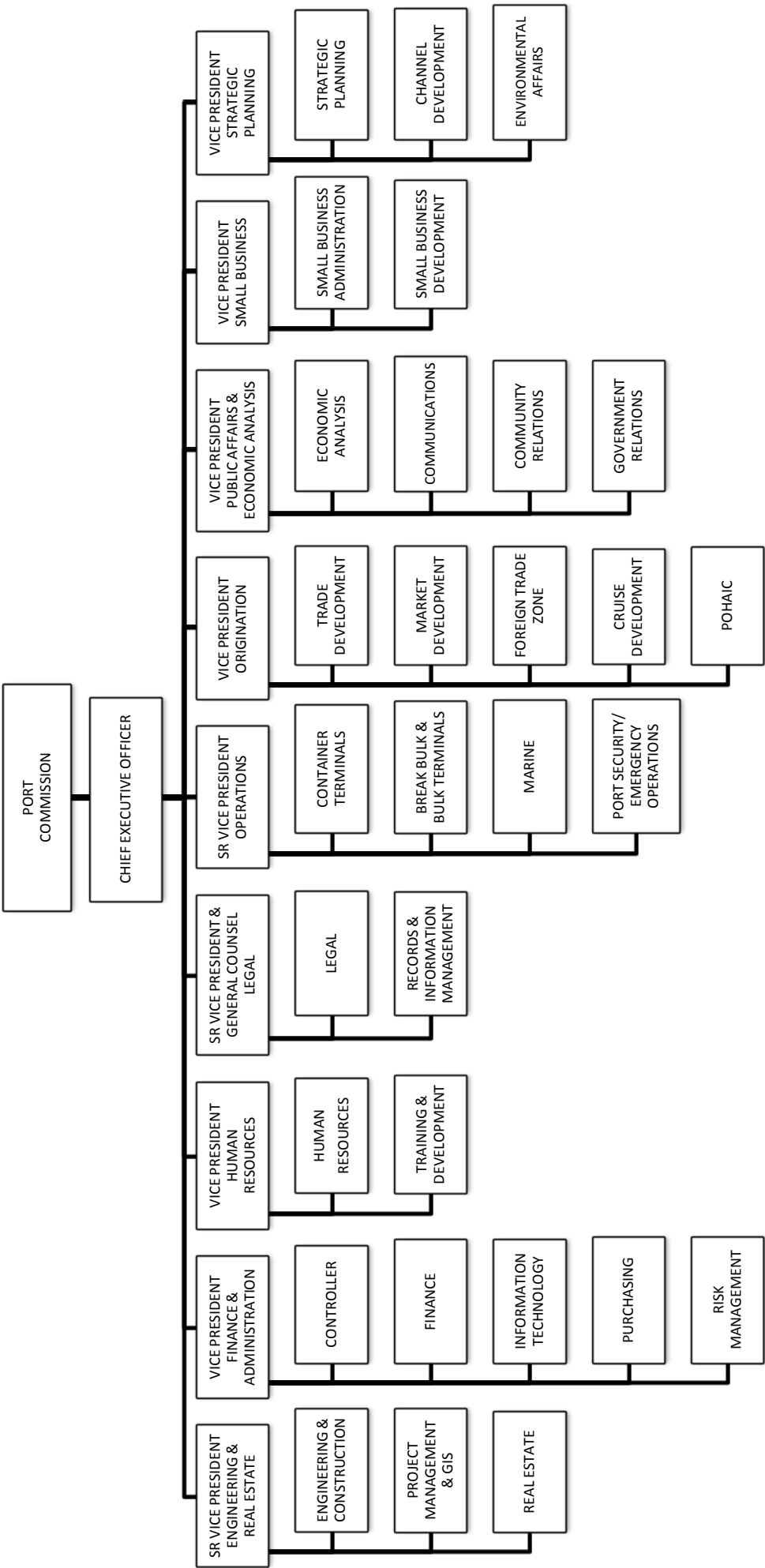
President



Executive Director

PORT OF HOUSTON AUTHORITY

ORGANIZATIONAL CHART



**Port of Houston Authority of Harris County, Texas
Directory of Officials**

Port Commission

James T. Edmonds, Chairman
Stephen L. Phelps, Commissioner
James W. Fonteno Jr., Commissioner
Kase L. Lawal, Commissioner
Jimmy A. Burke, Commissioner
Janiece Longoria, Commissioner
Elyse Lanier, Commissioner

Other Officials

Alec G. Dreyer, Chief Executive Officer
Erik A. Eriksson, Senior Vice President & General Counsel
James B. Jackson, Senior Vice President of Engineering & Real Estate
Jimmy M. Jamison, Senior Vice President of Operations
Roger Guenther, Vice President of Container Terminals
Thomas J. Heidt, Vice President of Finance & Administration
Charles D. Jenkins, Vice President of Strategic Planning
Ricky W. Kunz, Vice President of Origination
Gilda Ramirez, Vice President of Small Business
Olga Rodriguez, Vice President of Public Affairs & Economic Analysis
Melanie Sherman, Vice President of Human Resources
Maxine N. Buckles, Corporate Controller
Orlando Sanchez, County Treasurer
Barbara Schott, CPA, County Auditor

Financial Section

Audit • Tax • Advisory

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Report of Independent Certified Public Accountants

Port Commission
Port of Houston Authority of Harris County, Texas

We have audited the accompanying statements of net assets of the Port of Houston Authority of Harris County, Texas (the Authority), and the related statements of revenues, expenses and changes in net assets and cash flows as of and for the year ended December 31, 2010, which collectively comprise the Authority's basic financial statements. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority as of and for the year ended December 31, 2009 were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated June 25, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants 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 basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of December 31, 2010, and the respective changes in its financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2011 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that

Port Commission
Port of Houston Authority of Harris County, Texas
Page 2

testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

We have also audited the adjustment described in Note 5 to the financial statements that was applied to restate the 2009 financial statements to correct an error. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2009 financial statements of the Authority other than with respect to such adjustment and, accordingly we do not express an opinion or any other form of assurance on the 2009 financial statements taken as a whole.

The management's discussion and analysis, Port of Houston Authority Restated Retirement Plan Schedule of Funding Progress and the Port of Houston OPEB Obligation Schedule of Funding Progress on pages 13 through 21 and 58 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying introductory section and statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Grant Thornton LLP

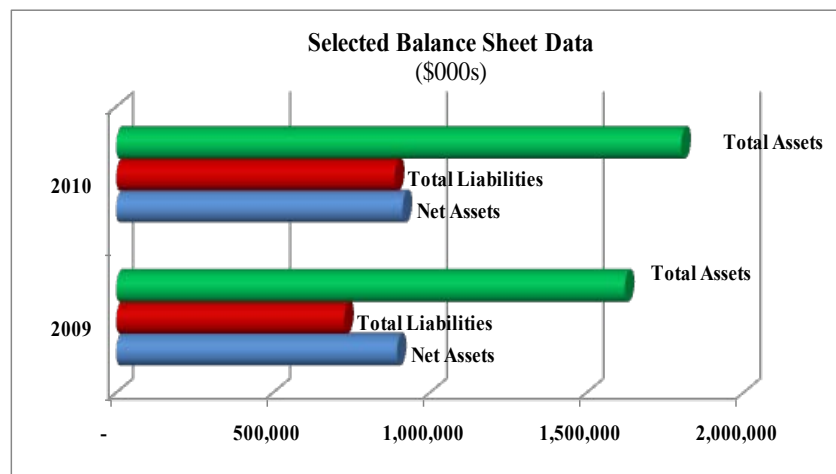
Houston, Texas
August 3, 2011

Port of Houston Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(unaudited)

The following Management's Discussion and Analysis ("MD&A") of the Port of Houston Authority of Harris County, Texas ("Authority") provides an overview of the activities and financial performance for the fiscal years ended December 31, 2010 and December 31, 2009. The MD&A presents certain required supplementary information regarding capital assets and long-term debt activity during the year, including commitments made for capital expenditures. The information contained in this MD&A has been prepared by management and should be considered in conjunction with the financial statements and the accompanying notes which follow this section and are integral to the data contained in the financial statements. All amounts, unless otherwise indicated, are expressed in *thousands of dollars*.

Financial Highlights

- The net assets of the Authority at December 31, 2010 were \$913,140. Of this amount, \$202,968 is considered unrestricted net assets.
- The Authority's net assets increased by \$18,576 for the fiscal year ended December 31, 2010.
- The Authority's total assets increased by \$180,270 during the fiscal year ended December 31, 2010. The major components of this change were the increase in current assets of \$144,187 and an increase in capital assets of \$93,600, offset by a decrease in non-current assets of \$57,517.
- The Authority's total liabilities increased by \$161,694 during the fiscal year ended December 31, 2010. The major components in this change were the increase of \$332,744 in long term debt, net of current maturities, and an increase of \$18,234 in other non-current liabilities, offset by a decrease of \$189,284 in current liabilities.
- The Authority follows enterprise fund accounting and reporting requirements, including the accrual basis of accounting and application of Governmental Accounting Standards Board ("GASB") as well as Financial Accounting Standards Board ("FASB") pronouncements.



Overview of Financial Statements

The Authority's basic financial statements consist of the following: 1) statements of net assets, 2) statements of revenues, expenses, and changes in net assets, 3) statements of cash flows and 4) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

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

The statements of revenues, expenses, and changes in net assets present information showing how the Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected property taxes and earned but unused vacation leave).

The basic financial statements include not only the Port of Houston Authority (known as the primary government), but also two legally separate blended component units, Port Development Corporation ("PDC") and Port of Houston Authority International Corporation ("POHAIC"). Financial information for these component units is reported in conjunction with the primary government.

Since the Authority follows enterprise fund accounting and reporting requirements, there are statements of cash flows included as part of the basic financial statements.

In addition to the basic financial statements and accompanying notes, this report includes supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits and Other Post Employment Benefits ("OPEB"). See Notes to the Financial Statements, numbers 10 and 11, for additional information.

Financial Analysis

By far, the largest portion of the Authority's net assets (64%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets, and excluding any outstanding debt proceeds. The Authority uses these assets to provide services to its customers; consequently these assets are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Authority's net assets (14%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (22%) may be used to meet the Authority's ongoing obligations to employees and creditors.

Port of Houston Authority Condensed Statements of Net Assets
(in thousands)

	2010	2009	2008
	<u> </u>	<u>As restated</u>	<u> </u>
Current and other assets	\$ 427,185	\$ 340,515	\$ 366,256
Capital assets	<u>1,374,600</u>	<u>1,281,000</u>	<u>1,187,033</u>
Total assets	<u>1,801,785</u>	<u>1,621,515</u>	<u>1,553,289</u>
Long-term liabilities (including current portion)	854,060	669,007	601,951
Other liabilities	<u>34,585</u>	<u>57,944</u>	<u>48,934</u>
Total liabilities	<u>888,645</u>	<u>726,951</u>	<u>650,885</u>
Invested in capital assets, net of related debt	582,352	655,571	646,777
Restricted net assets	127,820	47,582	41,488
Unrestricted net assets	<u>202,968</u>	<u>191,411</u>	<u>214,139</u>
Total net assets	<u><u>\$ 913,140</u></u>	<u><u>\$ 894,564</u></u>	<u><u>\$ 902,404</u></u>

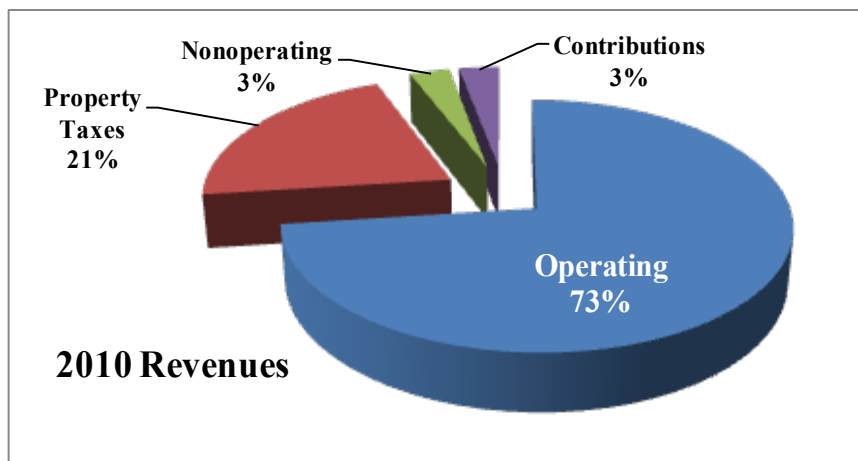
The Authority's net assets increased by \$18,576 during the fiscal year ended December 31, 2010. Net assets invested in capital assets net of related debt decreased \$73,219 with a net increase in capital assets of \$93,600 and an increase in outstanding debt of \$166,819. During fiscal year 2010, restricted net assets increased \$80,238 mainly as a result of increased tax receipts offset by the use of restricted proceeds for construction. Unrestricted net assets increased \$11,557.

The Authority's net assets decreased by \$7,840 during the fiscal year ended December 31, 2009. During fiscal year 2009, net assets invested in capital assets net of related debt increased \$8,794 with a net increase in capital assets of \$93,967 and an increase in outstanding debt of \$54,074. During fiscal year 2009, restricted net assets increased \$6,094 mainly as a result of increased tax receipts offset by the use of restricted proceeds for construction. Unrestricted net assets decreased \$22,728.

Key elements of this increase are identified in the following schedule of changes in net assets and related explanations.

Port of Houston Authority
Changes in Net Assets
(in thousands)

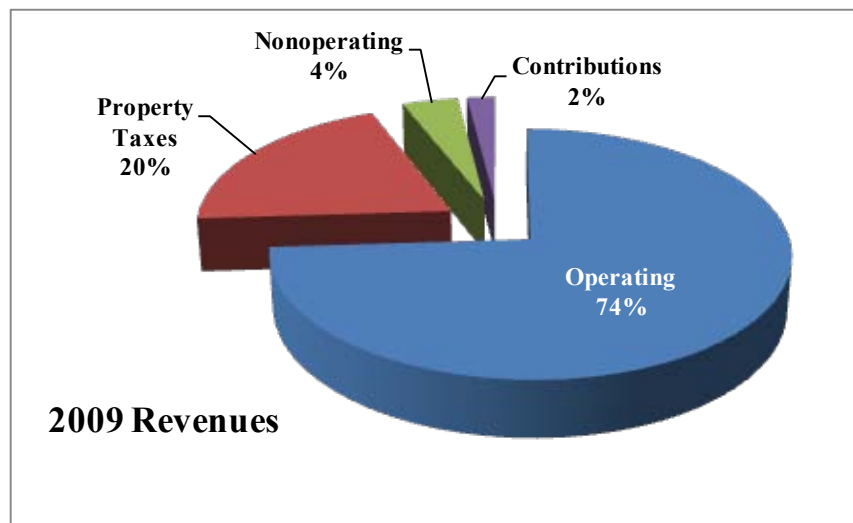
	2010	2009	2008
	<u> </u>	<u>As restated</u>	<u> </u>
Operating revenues:			
Vessel and cargo services	\$ 159,799	\$ 144,365	\$ 171,373
Rental of equipment & facilities	20,346	20,524	19,984
Grain elevator	911	1,155	787
Bulk materials	2,368	2,243	2,319
Other	3,272	2,040	2,522
Nonoperating revenues:			
Investment income	3,573	4,136	7,154
Other, net	3,836	4,588	982
Nonoperating revenues related to property taxes:			
Property taxes	54,919	46,911	48,675
Investment income (loss) on unlimited tax bonds	(47)	165	1,113
Total Revenues	<u>248,977</u>	<u>226,127</u>	<u>254,909</u>
Operating expenses:			
Maintenance and operation of facilities	95,918	88,124	98,026
General and administrative	51,742	57,827	43,443
Depreciation and amortization	53,731	48,035	44,016
Nonoperating expenses:			
Contribution to federal and state agency	1,742	17,468	4,224
Loss on disposal of assets	3,294	-	-
Nonoperating expenses related to property taxes:			
Interest expense on unlimited tax bonds	27,886	26,072	21,344
Property tax expense	2,356	506	1,083
Other, net	480	901	423
Total Expenses	<u>237,149</u>	<u>238,933</u>	<u>212,559</u>
Income before contributions	11,828	(12,806)	42,350
Contributions from federal and state agencies	<u>6,748</u>	<u>4,966</u>	<u>6,061</u>
Changes in net assets	18,576	(7,840)	48,411
Net assets, January 1	<u>894,564</u>	<u>902,404</u>	<u>853,993</u>
Net assets, December 31	<u>\$ 913,140</u>	<u>\$ 894,564</u>	<u>\$ 902,404</u>



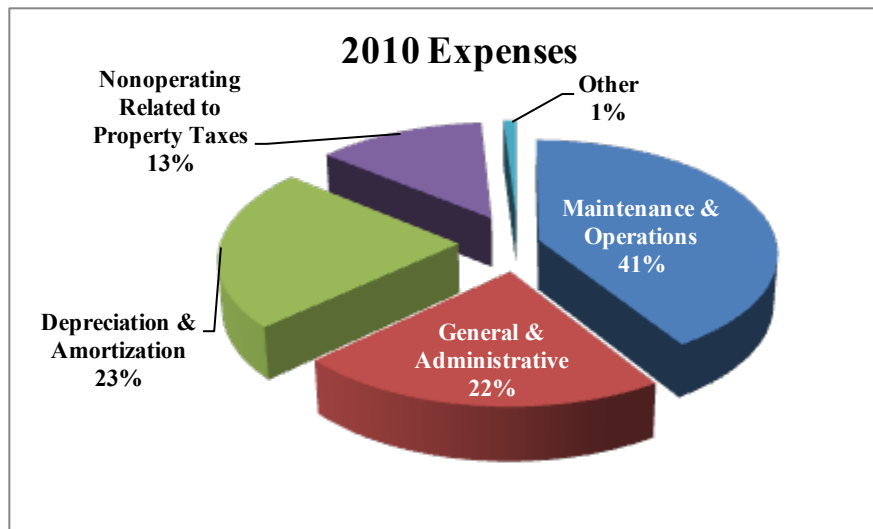
Vessel and cargo services revenues increased 10.7% in 2010 to \$159,799. Tariff rates were increased in 2010 over 2009 on average of between 2% and 3%. Tariffs for steel increased to \$2.02 per short ton, which was a \$0.04 per short ton increase from 2009. Volumes increased in general cargo (6%) and

bulk grain (31%). Total Authority tonnage of 40 million tons increased 9% from 2009. Nonoperating revenues related to investment income in 2010 decreased \$0.6 million due to smaller investment balances and falling interest rates. Nonoperating revenues related to property taxes in 2010 increased approximately \$8.0 million. This was due primarily to the increased property tax rate from \$0.01636 in fiscal year 2009 to \$0.02054 in fiscal year 2010 per \$100 assessed valuation.

Vessel and cargo services revenues decreased 15.8% in 2009 to \$144,365. Tariff rates were increased in 2009 over 2008 an average of 5%. Tariffs for steel increased to \$1.98 per short ton, which was a \$.13 per short ton increase from 2008. Volumes decreased in general cargo (21%) and bulk grain (26%). Total Authority tonnage of 36.8 million tons decreased 14% from 2008. Nonoperating



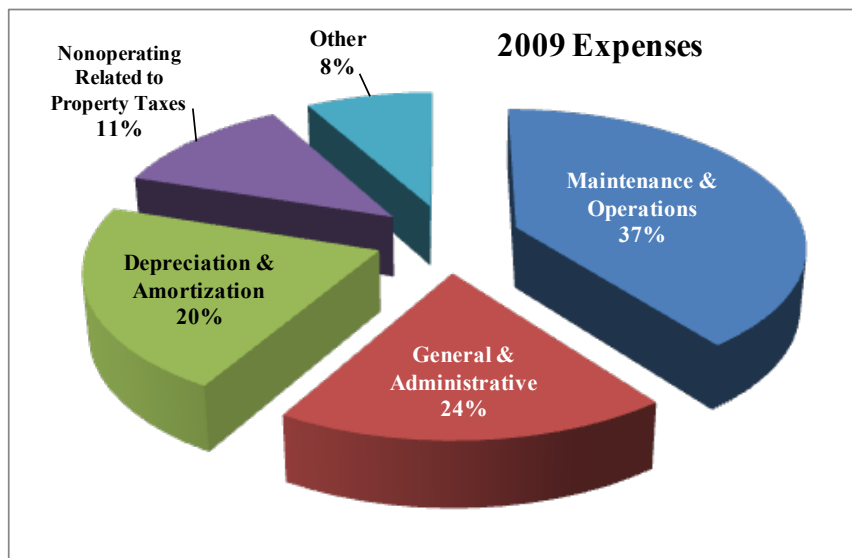
revenues related to investment income in 2009 decreased \$3 million due to smaller investment balances and falling interest rates. Nonoperating revenues related to property taxes in 2009 decreased approximately \$1.8 million. This was due primarily to a decrease in the property tax rate in 2009 partially offset by an increase in property valuations.



In 2010, maintenance and operations of facilities expenses increased by \$7.8 million (8.8%) from 2009. The majority of the increase was due to the following: a) an increase of \$3.1 million in salaries and wages; b) an increase of \$2.2 million in other expenses; c) an increase of \$2.1 million in repairs and maintenance; d) an increase of \$1.1 million in employee taxes and

benefits offset by e) a decrease of \$0.7 million in utilities. General and administrative expenses decreased by \$6.1 million (10.5%) from 2009. The majority of the decrease included the following: a) a decrease of \$9.7 million in legal, consulting and professional fees, (b) a decrease of \$0.5 million in repairs & maintenance offset by c) an increase of \$3.5 million in employee taxes & benefits and d) an increase of \$0.7 million in salary and wages. Depreciation and amortization increased \$5.7 million. The majority of the increases consisted of the following: a) an increase of \$3.1 million in depreciation of capital assets and b) a one-time impairment charge of \$1.8 million.

In 2009, maintenance and operations of facilities expenses decreased by \$9.9 million (10.1%) from 2008. The majority of the decreases were made up of the following: a) a decrease of \$3.7 million in salaries and wages; b) a decrease of \$1.4 million in other expenses; c) a decrease of \$0.8 million in repairs and maintenance; d) a decrease of \$0.6 million in utilities; e) a decrease of \$0.6 million in legal and professional fees and f) a decrease of \$0.6 million in employee taxes and benefits. General and administrative expenses increased by \$14.4 million (33.1%) from 2008 primarily related to an increase of \$15.6 million in legal, consulting and professional fees offset by a decrease in salaries and benefits of \$1.0 million. Depreciation and amortization increased \$4.0 million due to an increase in depreciation of capital assets.



Capital Asset and Debt Administration

Capital assets: The Authority's investment in capital assets as of December 31, 2010, totaled \$1,374.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, railroads, machinery and equipment, and construction-in-progress. The total net increase in the Authority's investment in capital assets for the current fiscal year was \$93.6 million or 7.3%.

Major capital asset activity during 2010 included the following:

- Land and Channel Improvements increased by \$10.7 million due primarily to Bayport Terminal expansion and Houston Ship Channel projects.
- Improvements other than buildings increased \$156.9 million primarily due to construction of Bayport.
- Machinery and equipment net additions totaled \$48.0 million in 2010. The additions primarily consisted of the purchase of two (2) wharf cranes for Bayport Terminal for \$33.8 million, and nine (9) RTG cranes for Bayport for \$15.8 million, security equipment for \$1.6 million, and other machinery and equipment totaling \$5.9 million.
- Net capitalized interest of \$4.6 million was added to the cost of assets for 2010.
- Construction-in-progress decreased \$90.7 million in 2010 due primarily to the completion of construction projects at Bayport.
- Accumulated depreciation net of retirements increased by \$42.2 million in 2010.

The Authority's investment in capital assets as of December 31, 2009, was \$1,281.0 million (net of accumulated depreciation). This investment in capital assets included land, buildings, improvements other than buildings, railroads, machinery and equipment, and construction-in-progress. The total increase in the Authority's investment in capital assets for the 2009 fiscal year was \$94.0 million or 7.9%.

Major capital asset events during 2009 included the following:

- Land and Channel Improvements increased by \$30.0 million due primarily to Bayport Terminal expansion and Houston Ship Channel projects.
- Buildings increased \$16.8 million due primarily to construction of Bayport.
- Machinery and equipment net additions totaled approximately \$12.7 million in 2009. The additions primarily consisted of security and telecommunications equipment for \$7.0 million, gate facility equipment for \$2.4 million, and other machinery and equipment totaling \$3.3 million.
- Improvements other than buildings increased \$7.4 million primarily due to various security enhancements of \$3.4 million, Turning Basin wharf improvements of \$2.8 million, and additional improvements other than buildings of \$1.8 million.
- Railroads increased \$1.8 million.
- Net capitalized interest totaling \$3.9 million was added to the cost of assets for 2009.
- Construction-in-progress increased \$65.6 million in 2009 due primarily to the construction of various projects at Bayport.
- Accumulated depreciation increased \$45.6 million net of retirements in 2009.

PORT OF HOUSTON AUTHORITY Capital Assets

(net of depreciation)

(in thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Land and Channel Improvements	\$ 373,467	\$ 362,774	\$ 332,805
Land use rights - Intangible	10,155	-	-
Buildings	62,606	64,357	50,736
Improvements other than buildings	637,743	505,543	520,549
Railroads	28,922	30,204	29,747
Machinery and equipment	173,845	138,515	144,207
Computer Software - Intangible	4,703	1,114	-
Construction-in-progress	83,159	178,493	108,989
	<u>\$ 1,374,600</u>	<u>\$ 1,281,000</u>	<u>\$ 1,187,033</u>

Additional information on the Authority's capital assets can be found in Note 5 in the accompanying notes to the financial statements.

Debt:

At the end of 2010, the Authority had total debt outstanding of \$792.2 million (net of deferred amounts), consisting of Unlimited Tax Port Improvement Bonds and Unlimited Tax Refunding Bonds (collectively, the "General Obligation Bonds"), for which debt service is funded from ad valorem taxes levied by the Harris County Commissioners Court and collected by the Harris County Tax Assessor-Collector.

At the end of 2009, the Authority had total debt outstanding of \$625.4 million (net of deferred amounts), consisting of \$555.2 million in General Obligation Bonds and \$70.2 million of Commercial Paper Notes. The debt service due on these General Obligation Bonds and the Commercial Paper Notes was also funded from ad valorem taxes.

Outstanding Debt

General Obligation, Revenue Bonds and Commercial Paper

(net of deferred amounts)

(in millions)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Obligation Bonds			
Unlimited Tax Port Improvement Bonds	\$ 152.2	\$ 124.9	\$ 132.1
Unlimited Tax Refunding Bonds	<u>640.0</u>	<u>430.3</u>	<u>439.2</u>
Total General Obligation Bonds	792.2	555.2	571.3
Commercial Paper	<u>-</u>	<u>70.2</u>	<u>-</u>
Total Debt	792.2	625.4	571.3
Less Current Maturities	<u>(12.9)</u>	<u>(178.8)</u>	<u>(15.6)</u>
Long-Term Debt (net of deferred amounts)	<u>\$ 779.3</u>	<u>\$ 446.6</u>	<u>\$ 555.7</u>

During 2010, the Authority issued \$89.8 million of Series A (NON-AMT) Commercial Paper Notes and \$347.2 million par value of Series 2010 A, B, C, D-1, D-2 and E unlimited tax bonds at a premium. The unlimited tax bonds consisted of \$85.7 million par value of capital improvement bonds and \$261.5 million par value of refunding bonds. The proceeds of the refunding bonds, including premiums and net of issuance costs, were used to repay \$160.0 million of Series A (NON-AMT) Commercial Paper Notes, and \$116.4 million relating to Series 1997A and 1998A improvement bonds and Series 2001A, 2002A and 2008A improvement and refunding bonds.

The Authority's total debt increased \$166.8 million during 2010. The key factors in this increase were the issuance of \$375.1 million including premiums and net of issuance costs related to the Series 2010 A, B, C, D-1, D-2 and E unlimited tax bonds and the issuance of an additional \$89.8 million in Commercial Paper Notes, offset by the refunding of \$116.4 million of unlimited tax bonds, the repayment of \$160.0 million of Commercial Paper Notes, and debt service payments of \$14.7 million.

During 2009, the Authority issued \$70.2 million of Series A (NON-AMT) Commercial Paper Notes.

A summary of the Authority's General Obligation bond ratings is provided in the table below:

<u>Year</u>	<u>Fitch</u>	<u>Moody's</u>	<u>S&P</u>
2010	AAA	Aaa	AAA
2009	AA+	Aa1	AAA

Additional information on the Authority's short-term and long-term debt can be found in Notes 7 and 8 in the accompanying notes to the financial statements.

Economic Factors

During 2010, the Authority experienced moderate growth in its operations. The U.S. economy continues to grow at this pace due to low levels of consumer confidence and frugal spending.

- According to the Bureau of Labor Statistics inflation during 2010 was approximately 1.6%. An upward trend is expected to continue in 2011.
- The Authority's operations experienced moderate growth in 2010 as the total number of ships calling on ship channel docks increased in 2010 (7,849) versus 2009 (7,277).
- Overall container tonnage improved during the year as container ships that called at the Authority's docks carried more tons in 2010 (17,038) versus 2009 (15,914).

The above factors were considered in preparing the Authority's budget for the 2011 fiscal year. Moderate economic growth is anticipated during 2011 as the U.S continues its recovery from the recession. The Authority increased tariff rates 2-5% effective January 2011, which is estimated to increase operating revenues for 2011.

Requests for Information

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Office of the Controller, Port of Houston Authority, 111 East Loop North, Houston, Texas 77029.

Port of Houston Authority of Harris County, Texas

Statements of Net Assets

For the Years Ended December 31, 2010 and 2009

(in thousands)

	2010	2009
		<u>As restated</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 43,896	\$ 35,879
Investments	90,800	10,000
Receivables (net of allowance for uncollectibles)	26,317	18,217
Restricted assets:		
Cash and cash equivalents	43,069	27,521
Investments	25,000	-
Property tax receivables	44,615	40,064
Inventories	449	288
Prepays	4,715	2,705
	<u>278,861</u>	<u>134,674</u>
Total Current Assets		
	<u>278,861</u>	<u>134,674</u>
Non-current Assets		
Investments	100,198	199,077
Restricted assets:		
Investments	34,710	-
Deferred charges	13,416	6,764
Capital Assets (net of accumulated depreciation):		
Land and Channel Improvements	373,467	362,774
Land use rights - Intangible	10,155	-
Buildings	62,606	64,357
Improvements other than buildings	637,743	505,543
Railroads	28,922	30,204
Machinery and equipment	173,845	138,515
Computer software - Intangible	4,703	1,114
Construction-in-progress	83,159	178,493
	<u>1,374,600</u>	<u>1,281,000</u>
Total Capital Assets		
	<u>1,374,600</u>	<u>1,281,000</u>
Total Non-current assets		
	<u>1,522,924</u>	<u>1,486,841</u>
Total Assets	<u>\$ 1,801,785</u>	<u>\$ 1,621,515</u>

See accompanying notes to the financial statements

Port of Houston Authority of Harris County, Texas
Statements of Net Assets
For the Years Ended December 31, 2010 and 2009
(in thousands)

	2010	2009 <u>As restated</u>
Liabilities		
Current Liabilities		
Accounts payable and other current liabilities	\$ 17,412	\$ 35,424
Deferred revenue	1,537	6,075
Liabilities payable from restricted assets:		
Current maturities of long-term debt		
Commercial Paper	-	70,245
Unlimited tax bonds	12,900	108,580
Accrued interest payable		
Unlimited tax bonds	11,288	7,298
Contracts payable and accrued liabilities	4,348	9,147
Total current liabilities payable from restricted assets	28,536	195,270
Total Current Liabilities	47,485	236,769
Non-current Liabilities		
Long-term debt, net of current maturities	779,348	446,604
Other non-current liabilities		
Due in more than one year	61,812	43,578
Total Non-current Liabilities	841,160	490,182
Total liabilities	888,645	726,951
Commitments and Contingencies (Note 11)		
Net Assets		
Invested in capital assets, net of related debt	582,352	655,571
Restricted for:		
Capital	79,270	8,388
Debt Service	44,248	39,072
Other	4,302	122
Unrestricted	202,968	191,411
Total net assets	913,140	894,564
Total Liabilities and Net Assets	\$ 1,801,785	\$ 1,621,515

See accompanying notes to the financial statements

Port of Houston Authority of Harris County, Texas
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2010 and 2009
(in thousands)

	2010	2009 <u>As restated</u>
Operating revenues:		
Vessel and cargo services	\$ 159,799	\$ 144,365
Rental of equipment and facilities	20,346	20,524
Grain elevator	911	1,155
Bulk materials	2,368	2,243
Other	3,272	2,040
Total	<u>186,696</u>	<u>170,327</u>
Operating expenses:		
Maintenance and operation of facilities	95,918	88,124
General and administrative	51,742	57,827
Depreciation and amortization	53,731	48,035
Total	<u>201,391</u>	<u>193,986</u>
Operating loss	<u>(14,695)</u>	<u>(23,659)</u>
Nonoperating revenues (expenses):		
Investment income	3,573	4,136
Contributions to federal and state agencies	(1,742)	(17,468)
Loss on disposal of capital assets	(3,294)	-
Other, net	3,836	4,588
Total	<u>2,373</u>	<u>(8,744)</u>
Loss before nonoperating revenues (expenses) related to property taxes	<u>(12,322)</u>	<u>(32,403)</u>
Nonoperating revenues (expenses) related to property taxes:		
Property taxes	54,919	46,911
Investment income on unlimited tax bonds proceeds	(47)	165
Interest expense on unlimited tax bonds	(27,886)	(26,072)
Property tax expense	(2,356)	(506)
Other, net	(480)	(901)
Total	<u>24,150</u>	<u>19,597</u>
Income before contributions	11,828	(12,806)
Contribution from federal and state agencies	<u>6,748</u>	<u>4,966</u>
Changes in net assets	18,576	(7,840)
Net assets, January 1	<u>894,564</u>	<u>902,404</u>
Net assets, December 31	<u>\$ 913,140</u>	<u>\$ 894,564</u>

See accompanying notes to the financial statements

Port of Houston Authority of Harris County, Texas
Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009
(in thousands)

	2010	2009
	<u> </u>	<u>As restated</u>
Cash Flows from operating activities:		
Cash received from customers	\$ 178,276	\$ 171,197
Cash paid to suppliers for goods and services	(81,902)	(69,704)
Cash paid to employees for services	(58,155)	(32,036)
Cash paid for employee benefits	(18,815)	(26,882)
Cash paid for other services	(8,117)	(4,535)
Cash from other services	1,770	1,258
Cash received for other purposes	3,759	6,336
Net cash provided by operating activities	<u>16,816</u>	<u>45,634</u>
Cash flows from noncapital financing activities:		
Repayment of advances from developer	(735)	(1,969)
Property taxes received	48,742	47,080
Contributions paid to others	(1,742)	(8,547)
Property tax collection expenses paid	(1,438)	(923)
Net cash provided by noncapital financing activities	<u>44,827</u>	<u>35,641</u>
Cash flows from capital and related financing activities:		
Contributions received from state and federal agencies	6,748	4,966
Proceeds from issuance of long-term debt	459,037	70,257
Issuance costs of long-term debt	(3,577)	(136)
Repayment of long-term debt and funding of escrow	(291,687)	(16,183)
Interest on long-term debt	(27,846)	(25,936)
Acquisition and construction of capital assets	(143,631)	(147,194)
Proceeds from retirement of assets	123	13
Net cash used in capital financing activities	<u>(833)</u>	<u>(114,213)</u>
Cash flows from investing activities:		
Purchase of investments	(410,386)	(307,041)
Proceeds from maturities of investments	368,760	208,855
Interest on investments	4,381	3,616
Net cash used in investing activities	<u>(37,245)</u>	<u>(94,570)</u>
Net increase/(decrease) in cash and cash equivalents	23,565	(127,508)
Cash and cash equivalents, January 1	<u>63,400</u>	<u>190,908</u>
Cash and cash equivalents, December 31	<u>\$ 86,965</u>	<u>\$ 63,400</u>
Current cash and cash equivalents	\$ 43,896	\$ 35,879
Restricted cash and cash equivalents	\$ 43,069	\$ 27,521

See accompanying notes to the financial statements

Port of Houston Authority of Harris County, Texas
Statements of Cash Flows - continued
For the Years Ended December 31, 2010 and 2009
(in thousands)

	2010	2009
	<u> </u>	<u>As restated</u>
Reconciliation of operating loss to		
net cash provided by operating activities:		
Operating loss	\$ (14,695)	\$ (23,659)
Adjustments to reconcile operating loss to		
Net cash provided by operating activities:		
Depreciation and amortization	51,962	48,035
Impairment of capital assets	1,769	-
Provision for doubtful accounts	13	79
Miscellaneous nonoperating income (expense), net	3,956	4,716
Change in assets and liabilities:		
Increase in receivables, net of allowance for uncollectibles	(8,563)	(2,778)
Increase in deferred charges	(4,571)	(900)
Increase in prepaids	(4,206)	(2,123)
Increase in inventories	(161)	(17)
Increase in accounts payable and other liabilities	(4,951)	16,909
Increase/(decrease) in compensated absences	442	(133)
Increase/(decrease) in deferred revenue	(4,179)	5,505
	<u>\$ 16,816</u>	<u>\$ 45,634</u>
Net cash provided by operating activities		
Noncash investing, capital, and financing activities:		
Increase (decrease) in fair value of investments	(121)	416
Contributions to others	1,742	8,921

See accompanying notes to the financial statements

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

(in thousands)

1. Summary of Significant Accounting Policies

Reporting Entity

The Port of Houston Authority of Harris County, Texas ("Authority") is an independent political subdivision created pursuant to Article XVI, section 59 of the Constitution of the State of Texas. The Port Commission, composed of seven commissioners, governs the Authority. Harris County, Texas ("County") and the City of Houston, Texas ("City of Houston") each appoint two commissioners to the Port Commission and jointly appoint the chairman. The City of Pasadena, Texas ("City of Pasadena") and the Harris County Mayors and Councils Association ("Association"), representing the other County cities, each appoint one commissioner. Under state law, the County auditor serves as the auditor of the Authority and the County treasurer serves as the treasurer of the Authority. The Authority is not a component unit of the County, the City of Houston, the City of Pasadena or the Association since none of these entities exercises financial control over the Authority. The Authority is considered a primary government entity since it satisfies all of the following criteria: (a) no entity appoints a voting majority of its governing body; (b) it is legally separate from other entities; and (c) it is fiscally independent of other state and local governments.

The financial statements of the Authority include operations and activities of the Authority and its blended component units for which the Port Commission has financial accountability as defined below. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

Blended Component Units

The Port Development Corporation ("PDC") was organized by the Authority under the State of Texas Development Corporation Act of 1979. PDC is a nonprofit corporation that has issued industrial development revenue bonds to promote and develop commercial, industrial and manufacturing enterprises and to promote and encourage employment and public welfare, and is currently active. PDC is considered a blended component unit of the Authority as the governing boards of the Authority and PDC are the same, and the Authority is able to impose its will on PDC, as defined in Governmental Accounting Standards Board ("GASB") Statement No. 14, "The Financial Reporting Entity."

The Port of Houston Authority International Corporation ("POHAIC"), was organized during fiscal year 2002 for the purpose of aiding, assisting and acting on behalf of the Authority in the performance of its governmental functions to promote the common good and general welfare of the Authority by providing consulting services to international port authorities and private businesses, and to promote, develop, encourage and maintain employment, commerce and economic development in the Authority. POHAIC is considered a blended component unit of the Authority under the provisions of GASB Statement No. 14 as the Authority (1) appoints a voting majority of POHAIC's board, (2) is able to impose its will on POHAIC and (3) the board of the Authority and POHAIC are

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

(in thousands)

the same. Subsequent to December 31, 2010, the Port Commission, acting on behalf of the Authority, and as the board of POHAIC, approved the dissolution of POHAIC.

Basis of Accounting

The Authority follows enterprise fund accounting and reporting requirements, including the accrual basis of accounting and application of GASB pronouncements as well as the Financial Accounting Standards Board ("FASB") pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Use of Estimates

The preparation of the Authority's financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are used to record certain transactions, such as other postemployment benefits, allowances for doubtful accounts, loss contingencies, and insurance recoveries. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and highly liquid time deposits and short-term investments with original maturities of three months or less when purchased are considered to be cash equivalents. Certificates of deposit with maturities over three months are considered time deposits.

Investments

Investments are recorded at fair value based upon quoted market prices with the difference between the purchase price and market price being recorded as investment income. Gains or losses due to market valuation changes as well as realized gains or losses are recognized in the statements of revenues, expenses, and changes in net assets.

Accounts Receivable

Trade receivables are shown net of an allowance for uncollectible accounts. Allowances are estimated at approximately 5% of total accounts receivable, based on historical experience. Bad debts are written off against the accounts receivable allowance when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of general and administrative expenses when received.

Inventory

Inventory consists of materials and supplies and is stated at cost, determined on an average cost method.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

(in thousands)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Deferred Dredging

The cost of periodic maintenance dredging of berthing areas adjacent to the Authority's wharves and of certain ship channels not maintained by the federal government is capitalized in deferred charges and amortized over three years. Amortization for 2010 and 2009 amounted to \$2.2 and \$1.6 million, respectively, and is included in depreciation and amortization in the statements of revenues, expenses and changes in net assets.

Property Taxes

Property taxes (net of collection expenses) are used to pay debt service of the unlimited tax bonds and any commercial paper. Property is appraised, and a lien on such property becomes enforceable, as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Property taxes are generally levied in October or November for the year in which assessed. Taxes become delinquent February 1 of the following year and are subject to interest and penalty charges. Harris County bills and collects property taxes of the Authority for a fee and remits collections to the Authority. Property tax collection expenses incurred by the Authority for the years ended December 31, 2010 and 2009 were \$1,270 and \$720, respectively. These expenses are included in property tax expense in the statements of revenues, expenses and changes in net assets.

The tax rates levied on behalf of the Authority for the years ended December 31, 2010 and 2009 were \$.02054 and \$.01636, respectively, per \$100 assessed valuation.

Restricted Assets

Assets whose use is restricted to specific purposes by bond indenture or otherwise are segregated on the statements of financial position. These assets are primarily restricted for construction and debt service purposes.

Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5 thousand and an estimated useful life of three years or greater. Property constructed or acquired by purchase is stated at cost. Property received as a contribution is stated at estimated fair value on the date received.

The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are expensed. The Authority capitalizes, as a cost of its constructed assets, the interest expense of related borrowings less the interest earned on temporary investment of the proceeds of those borrowings from the date of borrowing.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

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Capitalized interest increased the cost of assets constructed by the Authority by \$4,567 and \$3,943 in 2010 and 2009, respectively.

Depreciation is computed using the straight-line method over the following useful lives:

Railroads	25-40 years
Buildings	20-40 years
Improvements other than buildings	20-50 years
Machinery and equipment	3-20 years
Computer software – Intangible	5 years

Premiums (Discounts) on Bonds Payable and Issuance Costs

Bond issuance costs, premiums and discounts are amortized over the term of the related debt using the straight-line method, which does not materially differ from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Compensated Absences

Compensated absences, which include unpaid accrued vacation and sick leave, are accumulated during employment and are accrued when incurred. Employees earn vacation at rates of 10 to 25 days per year and may accumulate a maximum of 20 to 50 days, depending on their length of employment. Upon termination or retirement, employees are paid for any unused accumulated vacation days at their current pay rate. Employees earn sick leave at the rate of 12 days per year. Upon termination or retirement, employees are paid for any unused sick leave days at their current pay rate up to a maximum of 60 days. With sufficient accruals, employees are allowed to receive payments at year-end of up to a maximum of 12 days of their unused sick leave, at their current pay rate.

Net Assets

Net assets represent the residual interest in the Authority's assets after liabilities are deducted and consist of three sections: invested in capital assets, net of related debt; restricted and unrestricted. Net assets invested in capital assets, net of related debt include capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when constraints are imposed by third parties. All remaining net assets that do not meet the definition of invested in capital net of related debt or restricted are classified as unrestricted.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first and then unrestricted resources, as they are needed.

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Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities.

The Authority's operating revenues for vessel and cargo services are collected from charges assessed pursuant to its tariffs. These revenues are recognized and accrued during the period earned. Revenues from rental of equipment and facilities are derived from leases of land, a use agreement with respect to railroad rights-of-way, and pipeline licenses. These revenues are recognized during the period earned by accrual or prepayment amortization, as appropriate pursuant to lease agreement terms.

New Accounting Pronouncements

In June 2007, the GASB issued Statement No. 51 ("GASB No. 51"), "Accounting and Financial Reporting for Intangible Assets," which provides comprehensive guidance on identifying, accounting for, and reporting intangible assets. This statement establishes a specified-conditions approach for recognizing internally generated intangible assets. It also provides guidance on recognizing internally generated computer software and establishes specific guidance for the amortization of intangible assets. Retroactive reporting is required except for intangible assets with indefinite useful lives or those that were internally generated prior to the effective date of the statement. This statement is effective for periods beginning after June 15, 2009. In compliance with the requirements of GASB No. 51, the Authority did not retroactively report internally generated intangible assets and intangible assets with indefinite useful lives prior to 2009. Upon adoption of GASB No. 51, the Authority identified intangible assets recorded as capital assets. The amounts reclassified to intangible assets, net of accumulated depreciation as of December 31, 2010 and 2009 were \$14,858 and \$1,114, respectively. See Note 5 for additional information.

In June 2008, GASB issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This Statement is effective for financial statements for periods beginning after June 15, 2009. The adoption of this statement currently does not have an effect on the Authority's financial statements as it currently does not have any derivative instruments.

In March 2009, GASB issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definition. The definitions of the general fund, special revenue fund type, capital projects type, debt service fund type and permanent fund type are clarified by provisions

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(in thousands)

in this Statement. The fund balance classification approach in this Statement will require governments to classify amounts consistently. This Statement is effective for periods beginning after June 15, 2010. The Authority has determined that requirements of GASB No. 54 are not applicable to the Authority.

In March 2009, GASB issued Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments." The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The Statement is intended to improve financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source. This Statement is effective immediately and does not result in a change in current practice.

In March 2009, GASB issued Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards." The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards. This Statement is intended to improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This statement is effective immediately and does not have a significant impact on the Authority's financial statements.

In December 2009, the GASB issued Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." The Statement is intended to improve consistency in the measurement and financial reporting of OPEB such as retiree health insurance. GASB No. 57 addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. (In agent multiple-employer plans, separate liabilities are calculated and separate asset accounts are kept for each participating government, rather than being administered and accounted for as a single plan as is done in a cost-sharing plan.) GASB No. 57 amends GASB No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and GASB No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. Portions of this Statement are effective immediately and the remaining sections are effective for periods beginning after June 15, 2011. The Authority has determined that requirements of GASB No. 57 are not applicable to the Authority.

In December 2009, the GASB issued Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies." Statement No. 58 is intended to improve consistency in the measurement and financial reporting of the effects of municipal bankruptcy and provides guidance for governments that have petitioned for protection from creditors by filing under Chapter 9 of the United States Bankruptcy Code. It

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements

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(in thousands)

establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs. This Statement is effective for financial statements for periods beginning after June 15, 2009. The Authority has determined that requirements of GASB No. 58 are not applicable to the Authority.

In June 2010, the GASB issued Statement No. 59, "Financial Instruments Omnibus." This Statement updates and is intended to improve existing standards regarding financial reporting of certain financial instruments and external investment pools. The Statement is effective for financial statements prepared by state and local governments for periods beginning after June 15, 2010 with earlier application encouraged. The Authority has not determined the impact, if any, of the adoption of this standard on its financial position, results of operations or cash flows.

In December 2010, the GASB issued Statement No. 61, "The Financial Reporting Entity: Omnibus – an amendment of GASB No. 14 and No. 34." This Statement is intended to improve financial reporting for a governmental financial reporting entity. The requirements of this Statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This Statement provides amendments to GASB No. 14, "The Financial Reporting Entity, and GASB No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." The requirements of this Statement are effective for fiscal periods beginning after June 15, 2012. The Authority will implement this Statement in fiscal year 2013. The Authority has not determined the impact, if any, of the adoption of this standard on its financial position, results of operations or cash flows.

In December 2010, the GASB issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This Statement is intended to improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This requirement will bring the authoritative accounting and financial reporting literature together in one place. This Statement will eliminate the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, resulting in more consistent application of applicable guidance. The requirements of this Statement are effective for fiscal periods beginning after December 15, 2011. The Authority will implement this Statement in fiscal year 2012.

Reclassifications and Presentation

Certain reclassifications of prior years' balances have been made to conform with the current year presentation. The overall effect of these changes is presented below.

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(in thousands)

	<u>2009 reported</u>	<u>Reclassifications</u>	<u>2009 Reclassified</u>
Vessel and cargo services revenues	\$ 145,781	\$ (1,416)	\$ 144,365
Maintenance and operation of facilities expenses	(83,758)	(4,366)	(88,124)
General and administrative expenses	(48,183)	5,782	(42,401)
Cash and cash equivalents	36,001	(122)	35,879
Restricted cash and cash equivalents	27,399	122	27,521
Prepays	3,002	(297)	2,705
Construction-in-progress	193,622	297	193,919
Deferred revenue	9,301	(3,226)	6,075
Other non-current liabilities	40,352	3,226	43,578
Invested in capital assets, net of related debt	669,843	297	670,140
Unrestricted net assets	191,830	(297)	191,533

Such reclassifications affected total current and long-term assets and liabilities, net assets invested in capital assets as well as total operating revenues and total operating expenses. There was no effect on operating loss, changes in net assets or net cash provided by operating activities.

2. Cash and Investments

The Authority's cash and cash equivalents of \$86,965 and \$63,400 as of December 31, 2010 and 2009, respectively, are maintained in demand accounts and mutual funds managed by major fund managers. The demand account balance at December 31, 2010 and 2009 was \$91,013 and \$65,727, respectively, of which the amount on deposit in demand accounts is fully covered by the federal deposit insurance through the FDIC or collateralized with securities held by the Authority's depository institution in joint safekeeping at the Federal Reserve Bank of New York in the Authority's name. The mutual funds are invested primarily in direct obligations of the U.S. government or its agencies.

In accordance with authorized state statutes, the Authority invests in fully collateralized or insured time deposits, direct debt securities of the United States or its agencies, commercial paper, money market mutual funds, collateralized mortgage obligations, the underlying security for which is guaranteed by an agency of the United States, and fully collateralized repurchase agreements. Repurchase agreements must be purchased pursuant to a master repurchase agreement which specifies the rights and obligations of both parties and requires that the securities involved in the transactions be held in a safekeeping account subject to the control and custody of the Authority. Investments in security repurchase agreements may be made only with the Authority's depository bank

Port of Houston Authority of Harris County, Texas

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For the Years Ended December 31, 2010 and 2009

(in thousands)

or with state or national banks domiciled in the state of Texas. The Authority did not invest in repurchase agreements during 2010 or 2009.

External Investment Pool - During 2010 and 2009, the Authority invested in the Texas Local Government Investment Pool (“TexPool”) and the Texas Short Term Asset Reserve Program (“TexSTAR”). Investments in TexPool and TexSTAR are reported at amortized cost and are included in cash and cash equivalents in the statements of net assets.

In accordance with GASB Statement No. 40, “Deposit and Investment Risk Disclosures,” the Authority’s financial statements are required to address credit risk, concentration of credit risk, interest rate risk and foreign currency risk of investments.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize this risk, the Authority’s Investment Policy does not allow any fixed income securities below the rating of A. U. S. Agencies are rated AAA by Standard & Poor’s and Aaa by Moody’s Investors Service. Commercial Paper must be rated at least A-1 or better by Standard & Poor’s or P-1 or better by Moody’s Investors Service.

Concentration of Credit Risk – Concentration of credit risk exists when investments are concentrated in securities of a few issuers. The Authority’s investments at December 31, 2010 included the following securities which comprised more than 5% of the total portfolio:

Federal Home Loan Mortgage Corporation Notes	24%
Federal National Mortgage Association Discount Notes	14%
Ford Motor Credit Company commercial paper	11%
General Electric Capital Corp. commercial paper	11%
Toyota Motor Credit Corp. commercial paper	7%

All of these securities meet the diversification and credit quality requirements specified in the Investment Policy.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Authority’s investments. The Authority minimizes this risk by generally holding long-term fixed-rate securities to maturity.

The following table details the U.S. Dollar holdings and their weighted average maturity as of December 31, 2010.

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(in thousands)

<u>Security Type</u>	<u>Ratings</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u> (years)
Agency Securities:			
FHLMC NOTE	AAA/Aaa	\$ 14,901	0.31
FHLMC NOTE	AAA/Aaa	4,981	0.12
FHLMC STEP NOTE	AAA/Aaa	9,875	0.28
FHLMC NOTE	AAA/Aaa	25,090	0.48
FHLMC STEP NOTE	AAA/Aaa	25,002	0.48
FNMA STEP NOTE	AAA/Aaa	20,000	0.30
FNMA NOTE	AAA/Aaa	24,968	0.50
FAMCA NOTE	Aa1/AA-	<u>10,268</u>	0.04
Total		<u>135,085</u>	2.51
Commercial Paper:			
FCAR CP	A-1+/P-1	11,769	0.05
FCAR CP	A-1+/P-1	23,934	0.10
GE CP	A-1+/P-1	34,968	0.10
TOYOTA CP	A-1+/P-1	24,955	0.11
TOYOTA CP	A-1+/P-1	<u>9,969</u>	0.07
Total		<u>105,595</u>	0.43
Municipal Bonds:			
NY ST DORM AUTH	AAA/AA	4,998	0.61
NY, NY General Obligation Bond	AA/Aa2	<u>5,030</u>	0.89
Total		<u>10,028</u>	1.50
Total Fair Value		<u>\$ 250,708</u>	
Portfolio Weighted Average Maturity			1.59

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The following table details the U.S. Dollar holdings and their weighted average maturity as of December 31, 2009.

<u>Security Type</u>	<u>Ratings</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u> (years)
Agency Securities:			
FHLMC NOTE	AAA/Aaa	\$ 5,011	0.03
FHLMC NOTE	AAA/Aaa	20,084	0.30
FHLMC NOTE	AAA/Aaa	10,048	0.13
FAMCA NOTE	AAA/Aaa	10,559	0.10
FNMA NOTE	AAA/Aaa	20,056	0.14
FNMA STEP NOTE	AAA/Aaa	20,047	0.28
FHLMC STEP NOTE	AAA/Aaa	13,557	0.21
FHLB STEP NOTE	AAA/Aaa	15,049	0.24
FHLB STEP NOTE	AAA/Aaa	19,979	0.34
FHLB STEP NOTE	AAA/Aaa	9,902	0.17
FHLB NOTE	AAA/Aaa	<u>24,790</u>	0.44
Total		<u>169,082</u>	2.38
Commercial Paper:			
FCAR CP	A-1+/P-1	<u>10,000</u>	0.01
Total		<u>10,000</u>	0.01
Municipal Bonds:			
Harris County, TX Revenue Bond	AAA/Aaa	24,996	0.53
NY, NY General Obligation Bond	AA/Aa2	<u>4,999</u>	0.46
Total		<u>29,995</u>	0.99
Total Fair Value		<u><u>\$ 209,077</u></u>	
Portfolio Weighted Average Maturity			2.07

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. As of December 31, 2010 and 2009, the Authority had no foreign currency risk.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

(in thousands)

3. Receivables

Receivables as of year-end including the applicable allowances for uncollectible accounts are as follows:

	2010	2009
Trade receivables, net:		
Trade accounts	\$ 24,476	\$ 16,763
Damage claims	228	595
Less allowance for doubtful accounts	<u>(574)</u>	<u>(975)</u>
Trade accounts, net	24,130	16,383
Other receivables:		
Accrued interest	826	1,277
Due from federal/state agency	1,360	448
Other	<u>1</u>	<u>109</u>
Total other receivables	<u>2,187</u>	<u>1,834</u>
Total receivables, net	<u><u>\$ 26,317</u></u>	<u><u>\$ 18,217</u></u>

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

(in thousands)

4. Capital Assets

The Authority adopted GASB Statement No. 51 ("GASB No. 51"), "Accounting and Financial Reporting for Intangible Assets," during the 2010 fiscal year. Pursuant to the adoption of GASB No. 51, the Authority reviewed its capital assets and identified intangible assets (computer software) previously recorded as machinery and equipment. The Authority reclassified these intangible assets, net of accumulated depreciation from Machinery and Equipment as of December 31, 2010 and 2009 in the amount of \$4,703 and \$1,114, respectively.

The Authority also identified easements acquired in 2010 as non-depreciable intangible assets in the amount of \$10,155 as of December 31, 2010. There were no acquisitions of this nature in 2009. These easements have been included in land use rights in the capital asset activity table.

Pursuant to GASB Statement No. 42 ("GASB No. 42"), "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries," the Authority performed a review of significant capital assets to evaluate the existence of any impairment. One such asset was identified during the 2010 fiscal year. The Bardella Wharf Crane located in the Turning Basin Terminal was evaluated and its service utility was determined to be impaired due to technological changes in the shipping industry toward larger container vessels which operate more efficiently at BCT and Bayport terminals. Based on application of the Service Units method – Cost of Remaining Units calculation the Authority determined that the revised carrying value of the asset was less than its current net book value and therefore an impairment charge was necessary. The impairment charge of \$1,769 is included in depreciation and amortization in the statements of revenues, expenses and changes in net assets.

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Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

(in thousands)

Capital asset activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Additions	Retirements / Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 94,760	\$ 727	\$ (979)	\$ 94,508
Land use rights - Intangible	-	10,155	-	10,155
Channel improvements	268,014	13,260	(2,315)	278,959
Construction-in-progress	178,493	144,156	(239,490)	83,159
Total capital assets, not being depreciated:	541,267	168,298	(242,784)	466,781
Capital assets, being depreciated:				
Buildings	125,729	1,514	-	127,243
Improvements other than buildings	772,756	156,868	-	929,624
Railroads	59,065	-	-	59,065
Machinery and equipment	281,716	57,114	(9,073)	329,757
Computer software - Intangible	1,341	3,894	-	5,235
Total capital assets, being depreciated:	1,240,607	219,390	(9,073)	1,450,924
Less accumulated depreciation for:				
Buildings	(61,372)	(3,265)	-	(64,637)
Improvements other than buildings	(267,213)	(24,668)	-	(291,881)
Railroads	(28,861)	(1,282)	-	(30,143)
Machinery and equipment	(143,201)	(21,740)	9,029	(155,912)
Computer software - Intangible	(227)	(305)	-	(532)
Total accumulated depreciation	(500,874)	(51,260)	9,029	(543,105)
Total capital assets, being depreciated, net	739,733	168,130	(44)	907,819
Total capital assets, net	<u>\$ 1,281,000</u>	<u>\$ 336,428</u>	<u>\$ (242,828)</u>	<u>\$ 1,374,600</u>

Port of Houston Authority of Harris County, Texas

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Capital asset activity for the year ended December 31, 2009, as restated was as follows:

	Beginning Balance	Additions	Retirements / Transfers	Ending Balance As restated
Capital assets, not being depreciated:				
Land	\$ 90,631	\$ 4,129	\$ -	\$ 94,760
Channel improvements	242,174	25,840	-	268,014
Construction-in-progress	108,989	138,682	(69,178)	178,493
Total capital assets, not being depreciated:	441,794	168,651	(69,178)	541,267
Capital assets, being depreciated:				
Buildings	108,900	16,829	-	125,729
Improvements other than buildings	765,349	8,020	(613)	772,756
Railroads	57,234	1,831	-	59,065
Machinery and equipment	269,066	12,752	(102)	281,716
Computer software - Intangible	-	1,341	-	1,341
Total capital assets, being depreciated:	1,200,549	40,773	(715)	1,240,607
Less accumulated depreciation for:				
Buildings	(58,164)	(3,208)	-	(61,372)
Improvements other than buildings	(244,800)	(23,026)	613	(267,213)
Railroads	(27,487)	(1,374)	-	(28,861)
Machinery and equipment	(124,859)	(18,444)	102	(143,201)
Computer software - Intangible	-	(227)	-	(227)
Total accumulated depreciation	(455,310)	(46,279)	715	(500,874)
Total capital assets, being depreciated, net	745,239	(5,506)	-	739,733
Total capital assets, net	<u>\$ 1,187,033</u>	<u>\$ 163,145</u>	<u>\$ (69,178)</u>	<u>\$ 1,281,000</u>

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements

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(in thousands)

5. Restatement

During the preparation of the 2010 financial statements, the Authority identified an error in the accounting treatment of costs related to legal defense of a disputed construction contract which were previously reported in capital asset amounts. In fiscal year 2009, capital assets, net of accumulated depreciation were overstated by \$14,569 in the statement of net assets. In addition, general and administrative expenses were under reported by \$15,426 and depreciation and amortization expenses were overstated by \$857 in the statement of revenues, expenses and changes in net assets.

The overall effect of these corrections is presented in the table below.

	<u>2009 as Reclassified</u>	<u>Correction</u>	<u>2009 as Restated</u>
General and administrative expenses	\$ (42,401)	\$ (15,426)	\$ (57,827)
Depreciation and amortization	(48,892)	857	(48,035)
Improvements other than buildings	504,686	857	505,543
Construction-in-progress	193,919	(15,426)	178,493
Invested in capital assets, net of related debt	670,140	(14,569)	655,571

6. Operating Leases

The Authority leases temporary office buildings and office equipment under a variety of agreements. Operating lease payments are recorded as expenses during the life of the lease. Rental expenses related to operating leases for the year ended December 31, 2010 and 2009 were \$245 and \$250, respectively. As of December 31, 2010, future minimum rental obligations to be paid by the Authority under noncancelable operating leases are as follows:

<u>Year Ending</u>	<u>Future Minimum Lease Payments</u>
2011	\$ 113
2012	113
2013	103
2014	29
Total	<u>\$ 358</u>

Port of Houston Authority of Harris County, Texas

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For the Years Ended December 31, 2010 and 2009

(in thousands)

Additionally, the Authority leases certain assets to others. These leases pertain to land, buildings and improvements and cargo handling equipment. Cost of the assets under lease totaled \$105,419 consisting of \$16,766 in buildings, \$52,758 in improvements, \$2,900 of machinery and equipment and \$32,995 of railroads with a total net book value of \$53,468 and current year depreciation of \$3,467. As of December 31, 2010, future minimum rentals anticipated to be received by the Authority under the operating leases with initial or remaining noncancellable lease terms in excess of one year are as follows:

<u>Year Ending</u>	<u>Future Minimum Lease Rentals</u>
2011	\$ 16,302
2012	15,486
2013	14,470
2014	14,316
2015	11,739
Thereafter	<u>78,687</u>
Total	<u>\$ 151,000</u>

7. Short-Term Debt

The Authority operates as a navigation district pursuant to Article XVI, Section 59 of the State Constitution and in accordance with such constitutional provisions and applicable statutes has periodically issued short-term and long-term debt for the purpose of improving the assets of the Authority, including security facilities and environmental enhancements. There is no legal debt margin prescribed in such constitutional provisions as to the issuance of such debt. Harris County voters approved issuance of \$387,000 and \$250,000 in debt instruments for these purposes in November 1999 and November 2007, respectively.

As of December 31, 2009, \$70,245 in Commercial Paper ("Notes") had been issued and remained outstanding. In February 2010, the Authority issued \$89,755 in additional Notes. On August 19, 2010, the outstanding Notes of \$160,000 were fully extinguished. See Note 8 for additional information.

Port of Houston Authority of Harris County, Texas

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(in thousands)

Changes in Short-Term Debt

Commercial Paper Notes*

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
2010	\$ 70,245	\$ 89,755	\$ (160,000)	\$ -
2009	-	70,245	-	70,245

* Commercial paper is issued at various dates, and has various interest rates and maturities.

8. Long-Term Debt and Non-Current Liabilities

The following is a summary of bonds payable, OPEB obligation, compensated absences, deferred pipeline revenue, advances from developer, and other activities which make up the Authority's long-term liabilities for the years ended December 31, 2010 and 2009.

Changes in Long-Term Liabilities – 2010

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable					
Unlimited tax bonds	\$ 547,415	\$ 347,214	\$ (131,010)	\$ 763,619	\$ 12,900
Accreted interest on unlimited tax bonds	-	24	-	24	-
Less unamortized premiums / (discounts) and deferred loss	7,769	22,068	(1,232)	28,605	-
Total bonds payable	<u>555,184</u>	<u>369,306</u>	<u>(132,242)</u>	<u>792,248</u>	<u>12,900</u>
Other non-current liabilities:					
OPEB obligation	31,460	11,250	-	42,710	-
Compensated absences	5,368	5,922	(5,480)	5,810	473 (1)
Deferred pipeline revenue	3,943	1,012	(538)	4,417	832 (1)
Advances from developer	3,793	8,429	(2,861)	9,361	-
Other	156	777	(114)	819	-
Total other non-current liabilities	<u>\$ 44,720</u>	<u>\$ 27,390</u>	<u>\$ (8,993)</u>	<u>\$ 63,117</u>	<u>\$ 1,305</u>

(1) Included in accounts payable and other current liabilities

Port of Houston Authority of Harris County, Texas

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(in thousands)

Changes in Long-Term Liabilities – 2009

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds payable					
Unlimited tax bonds	\$ 563,015	\$ -	\$ (15,600)	\$ 547,415	\$ 108,580
Less unamortized premiums / (discounts) and deferred loss	8,346	-	(577)	7,769	-
Total bonds payable	<u>571,361</u>	<u>-</u>	<u>(16,177)</u>	<u>555,184</u>	<u>108,580</u>
Other non-current liabilities:					
OPEB obligation	19,521	11,939	-	31,460	-
Compensated absences	5,500	4,558	(4,690)	5,368	425 (1)
Deferred pipeline revenue	-	4,645	(702)	3,943	717 (1)
Advances from developer	5,762	-	(1,969)	3,793	-
Other	156	-	-	156	-
Total other non-current liabilities	<u>\$ 30,939</u>	<u>\$ 21,142</u>	<u>\$ (7,361)</u>	<u>\$ 44,720</u>	<u>\$ 1,142</u>

(1) Included in accounts payable and other current liabilities

The Authority's long-term debt consists primarily of tax-exempt General Obligation ("GO") bonds. Repayment of the outstanding principal of these GO bonds and interest thereon is made from property taxes.

The Authority issued long-term debt of \$91,279 in February 2010 and \$255,935 in August 2010, a portion of which was used to extinguish the short-term debt described in Note 6.

Port of Houston Authority of Harris County, Texas

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(in thousands)

Long-term debt is summarized as follows (in thousands):

Outstanding Long Term Debt						
	Original	Interest	Issue		December 31	
	Issue	Rate % *	Date	Maturity	2010	2009
General Obligation Bonds:						
Unlimited Tax Refunding Bonds:						
Series 1997	31,365	4.75 - 5.00	10/23/1997	2013	\$ -	\$ 3,445
Series 2000B	8,700	4.55 - 5.50	10/15/2000	2011	710	1,430
Series 2002B	7,060	5.50 - 4.25	12/12/2002	2013	1,500	2,025
Series 2004	9,000	3.00 - 5.00	12/8/2004	2016	4,260	5,010
Series 2005A	36,665	4.25 - 5.00	9/8/2005	2023	36,665	36,665
Series 2005B	62,485	4.125 - 5.00	6/8/2005	2023	62,485	62,485
Series 2006A	28,380	5	7/19/2006	2017	18,105	20,730
Series 2006B	47,085	4.75 - 5.00	10/18/2006	2031	47,085	47,085
Series 2006C	9,160	4.00 - 5.00	10/18/2006	2031	9,160	9,160
Series 2008A	234,630	5.625-6.25	7/24/2008	2038	182,045	234,630
Series 2010A	38,095	1.00 - 5.00	2/17/2010	2019	33,485	-
Series 2010B	22,930	1.00 - 5.00	2/17/2010	2026	20,790	-
Series 2010C	30,254	2.00 - 5.37	2/3/2010	2033	30,254	-
Series 2010D-1	147,940	5	8/19/2010	2035	147,940	-
Series 2010E	22,330	2.00 - 5.00	8/19/2010	2038	22,330	-
					616,814	422,665
Unamortized Premiums/(Discounts) and Deferred Loss					23,227	7,639
Series 2010C and 2010E CAB Accretion, net					24	-
Unlimited Tax Refunding Bonds, Net					640,065	430,304
Unlimited Tax Port Improvement Bonds:						
Series 1998A	81,000	3.80 - 5.00	11/17/1998	2019	-	40,500
Series 2001A	17,300	5	11/1/2001	2026	580	13,920
Series 2001B	70,000	4.00 - 5.00	11/1/2001	2026	54,490	56,695
Series 2002A	16,000	3.00 - 5.00	12/12/2002	2027	6,070	13,635
Series 2010D-2	85,665	5	8/19/2010	2039	85,665	-
Total Unlimited Tax Port Improvement Bonds					146,805	124,750
Unamortized Premiums/(Discounts)					5,378	130
Unlimited Tax Port Improvement Bonds, Net					152,183	124,880
Total Debt					792,248	555,184
Less Current Maturities					(12,900)	(108,580)
Long - Term Debt (net of unamortized premium/(discounts) and deferred loss)					\$ 779,348	\$ 446,604

* Interest rate of original issue

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Notes to the Financial Statements

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Debt Service Requirements

Total debt service requirements for outstanding bonds as of December 31, 2010 are as follows:

Year Ending December 31	Bond Principal	Capital Appreciaion Bond	Bond Interest
	General Obligation	Accreted Interest	General Obligation
2011	\$ 12,900	\$ -	\$ 40,656
2012	13,805	-	38,655
2013	14,460	-	38,003
2014	15,425	-	37,322
2015	16,175	-	36,579
2016-2020	104,955	-	169,598
2021-2025	119,895	-	141,280
2026-2030	139,900	-	109,652
2031-2035	162,304	17,976	69,262
2036-2039	163,800	-	20,540
	<u>\$ 763,619</u>	<u>\$ 17,976</u>	<u>\$ 701,547</u>

Bond Refundings

Bonds generally mature serially based on stated maturity dates. However, bonds may be redeemed prior to their maturities if provided for under the applicable bond indenture.

At various times the Authority defeased certain bonds by placing the proceeds of new bonds, together with other available funds, in an irrevocable escrow with a trustee to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the liabilities for the bonds to be defeased are not included in the Authority's financial statements. The outstanding defeased unlimited tax bonds as of December 31, 2010 and 2009 were \$19,830 and \$9,250, respectively.

During 2010 the Authority issued Refunding Bonds Series 2010A, 2010B and 2010C to refund \$94,030 in bonds outstanding as of December 31, 2009. During 2010, the Authority also issued Refunding Bonds Series 2010D-1, which refunded \$160,000 in commercial paper, and Refunding Bonds Series 2010E, which refunded \$22,330 of bonds outstanding as of December 31, 2009. The Authority had no refunding or other bonds issued during 2009.

Port of Houston Authority of Harris County, Texas

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(in thousands)

The table below illustrates the cash flow effect and the economic gain on the bond refundings during 2010:

Refunding Issues

Bond Series	Types of Refunding	Cash Flow Difference (Decrease)	Economic Gain
2010A Bonds	Current Refunding	\$ (4,045)	\$ 2,689
2010B Bonds	Advance & Current Refunding	(1,598)	792
2010C Bonds	Current Refunding	(3,298)	1,615
2010E Bonds	Current Refunding	(2,558)	1,805
		<u>\$ (11,499)</u>	<u>\$ 6,901</u>

Bond Restrictions

The bond resolutions require that during the period in which the bonds are outstanding, the Authority must create and maintain certain accounts (“funds”) to receive the proceeds from the sale of the bonds and ad valorem taxes levied. These assets can be used only in accordance with the terms of the bond resolutions to pay the capital costs of enlarging, extending or improving the Authority’s facilities or to pay the debt service cost of the related bonds.

Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the U.S. Treasury of investment income received at yields that exceed the issuer’s tax-exempt borrowing rates. The U.S. Treasury requires payment, if applicable, for each issue every five years. There was no arbitrage liability for tax-exempt debt subject to the Tax Reform Act through December 31, 2010 and 2009. The estimated liability is updated annually for any tax-exempt issuance or changes in yields until payment of the calculated liability is due.

9. Bayport Facilities

Certain land and port facilities of the Bayport division were acquired or constructed using the proceeds from the Special Purpose Revenue bonds, Series 1964, and interest-free advances (including the interest earnings on the invested portions thereof) from the developer of an adjacent industrial park. The developer also agreed to advance to the Authority amounts necessary to cover maintenance and operating expenses of the Bayport facilities if, and to the extent that, gross revenues from the operations of the Bayport facilities were insufficient. The liability for construction and operating advances amounted to approximately \$9,361 and \$3,793 at December 31, 2010 and 2009, respectively. All such advances are to be repaid only from net revenues, if any, of the Bayport division earned through the year 2013.

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Effective October 27, 1997, the Authority, the developer, and the Bayport operators entered into an Agreement of Compromise and Settlement (the "Agreement") that resolved various legal disputes in connection with the Authority's property at Bayport, including disputes as to reimbursement of the developer for amounts previously advanced. The Agreement provided for an increased user fee (from 22¢ per ton of liquid to 24¢) to be credited to the Bayport reimbursement account through July 31, 2013. All proceeds of this fee are used for payment of amounts then due upon the Special Purpose Revenue Bonds, Series 1964, for payment of certain of the Authority's operating expenses relating to Bayport, and for the repayment of amounts advanced to the Authority by the developer.

The Agreement limits repayments to the developer to the sum of \$21,500 (plus any additional advances made by the developer, \$10,658 and \$4,469 through December 31, 2010 and 2009, respectively) and also provides that all repayment obligations of the Authority to the developer shall terminate by July 13, 2013. The Agreement provided for the payment of \$2,232 by the Authority to the developer in exchange for the developer's final release of all of the developer's rights concerning the Authority's property at Bayport. The Agreement contains various other provisions, including provisions addressing allocation of maintenance costs for the Bayport Channel and Turning Basin among the Authority, the developer and private operators at Bayport. The Agreement superseded all prior agreements between the Authority and developer and was contingent upon the U.S. Corps of Engineers' approval of offshore disposal of Bayport dredge material. Such approval was received in October of 1998.

The Authority recorded \$19,900 in advances from the developer at the time the new agreement was signed and recorded an additional \$10,658 since 1997. The repayments during the years ended December 31, 2010 and 2009 were approximately \$735 and \$1,969, respectively.

10. Retirement Plan

Plan Description

The Port of Houston Authority Restated Retirement Plan ("Plan") is a single-employer noncontributory defined benefit retirement plan covering all permanent, full-time employees after the completion of one year of employment. The Authority controls and manages the operation and administration of the Plan. The Port Commission maintains the authority to amend the Plan provisions and the investment policy as necessary. Compass Bank (the "Trustee") serves as the trustee of the Plan. The Plan issues a stand-alone financial report that may be obtained by requesting such report from the Port of Houston Authority of Harris County, P.O. Box 2562, Houston, TX 77252, and Attention: Controller. The Authority's payroll for employees covered by the Plan for the plan fiscal years ended July 31, 2010 and 2009 was \$34,939 (83% of the total payroll of \$42,299) and \$32,695 (77% of total payroll of \$42,509), respectively.

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Employees become participants in the plan after completion of one year of employment and become vested after five (5) years. Vested employees are eligible to receive a normal pension benefit if they retire on the Normal Retirement date at age 65. This Normal Retirement Benefit is payable monthly for a minimum of five years certain (other options are available) and for life thereafter. It is an amount equal to 2.3% of the Average Monthly Compensation multiplied by the years of benefit service not to exceed 30.435 years. The plan provides for Early Retirement upon completion of 30 years or more of vesting service, attainment of age 62, or when the sum of the employee's age and years of service equals 85 or more and the employee has attained the age of 55 or more. Late Retirement commences when an employee works beyond the Normal Retirement Date. Benefits are adjusted accordingly for both Early Retirement and Late Retirement. The plan also provides for disability and death benefits. Terminated employees, other than for retirement, disability or death, receive a pension benefit when that former employee reaches the Normal Retirement date.

Investment Valuation and Income Recognition

Investments are stated at fair value. If available, quoted market prices are used to value investments. In the case of any unlisted asset, the Trustee will determine the market value utilizing pricing obtained from independent pricing services. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Concentration of Credit Risk

Concentration of credit risk exists when investments are concentrated in one issuer. The Plan's investment policy limits the amount that may be invested in any one issuer.

As of July 31, 2010 and 2009, the Plan had the following investments in excess of 5% of net investments.

	<u>2010</u>	<u>2009</u>
Goldman Sachs Financial Square Prime Obligations Fund (Cusip 38141W364)	<u>\$ 9,519,178</u>	<u>\$ 6,931,288</u>
Total	<u><u>\$ 9,519,178</u></u>	<u><u>\$ 6,931,288</u></u>

Funding Policy

The Authority's funding policy is to make cash contributions to the Plan in amounts computed by the Plan's independent actuary using the entry age normal cost method and includes amortization of the unfunded accrued liability over a 30-year period. This method and the actuarial assumptions have been designed to provide sufficient funds to pay benefits as they become payable under the Plan.

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Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

(in thousands)

**Port of Houston Authority Restated Retirement Plan
Schedule of Funding Progress**

a)	Actuarial Valuation Date	August 1, 2010	August 1, 2009	August 1, 2008
b)	Actuarial Value of Assets	\$105,871	\$ 93,179	\$ 96,724
c)	Actuarial Accrued Liability (AAL)	\$128,584	\$122,093	\$117,731
d)	Unfunded Actuarial Accrued Liability (UALL) (c-b)	\$ 22,713	\$ 28,914	\$ 21,007
e)	Funded Ratio (b/c)	82.3%	76.3%	82.2%
f)	Annual Covered Payroll (Actuarial)	\$ 34,939	\$ 32,695	\$ 32,270
g)	UAAL as a % of Covered Payroll (d/f)	65.0%	88.4%	65.1%

Actuarially Determined Contribution Requirements and Contributions Made

The Authority's funding policy provides for actuarially determined annual contributions, which include the normal cost and amortization of the unfunded actuarial accrued liability.

Actuarial Valuation Method

Actuarial Valuation Date	August 1, 2010	August 1, 2009	August 1, 2008
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar, (closed)	Level Dollar, (closed)	Level Dollar, (closed)
Amortization Period in Years	Various	Various	Various
Asset Valuation Method	Market Value	Market Value	Market Value
Actuarial Assumptions:			
Investment Return	7.25%	7.5%	7.5%
Projected Salary Increases	3.0% - 7.5%	3.0% - 8.0%	3.0% - 8.0%
Inflation	3.5%	3.5%	3.5%
Cost of Living Adjustment	None	None	None

Components of the unfunded actuarial liability are amortized as level dollar amounts using closed basis amortization. The closed basis amortization method amortizes actuarial bases over a fixed number of years with a defined beginning and end. Components consisting of actuarial gains and losses are amortized over five years. Components consisting of amendments are amortized over 30 years. Components consisting of revised assumptions are amortized over ten years. The resulting equivalent single amortization base is amortized over a maximum of 30 years.

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Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009
(in thousands)

Plan Statistics
For Plan Years July 31, 2010, 2009, and 2008

	<u>2010</u>	<u>% Covered Payroll</u>	<u>2009</u>	<u>% Covered Payroll</u>	<u>2008</u>	<u>% Covered Payroll</u>
Actuarial Determined						
Employer Contribution						
Normal Cost	\$3,929	11.2%	\$3,347	10.2%	\$3,278	10.2%
Annual Required Contribution	\$9,857		\$7,357		\$3,929	
% of ARC Contributed	100%		100%		100%	
Net Pension Obligation	None		None		None	

11. Post Employment Retiree Benefits

The Authority provides certain post employment health care benefits to eligible retired employees and their dependents. In addition, life insurance benefits are provided to all retired employees. At December 31, 2010 and 2009, there were 268 and 259 retirees, respectively, who were eligible for these benefits. The Authority funds all of the premiums for retiree life insurance and the majority of the health insurance premiums. Continuation of these benefits and the Authority's contributions are dependent on periodic authorization by the Port Commission.

The health insurance benefits provided to pre-Medicare retirees are the same as those offered to active employees. In addition, Medicare eligible retirees have the option of enrolling in Medicare Risk plans offered by the Authority or securing their own insurance and receiving a monthly reimbursement from the Authority for a portion of the cost. The supplied benefits include hospital, doctor and prescription drug charges.

Basic life insurance coverage provided to retirees is based upon the retirees' annual compensation at retirement and is valued at a flat \$5, \$10 or \$15.

Effective January 1, 2010, new hires become eligible for Post Employment Benefits after completion of 12 years of employment and upon retirement from the Authority. Prior to that, employees who reach their Early or Normal Retirement date and retire from the Authority are eligible for Post Employment Benefits. An eligible employee may elect coverage for his or her dependents.

Disabled employees are covered in the Port of Houston Authority Group Health Plan from the date of disability.

The widow/widower of a retiree who has health care coverage through the Authority may continue coverage upon the death of the retiree.

Funding Policy

The required contribution is based on projected pay-as-you-go basis which is expected to continue. For the years ended December 31, 2010 and 2009, the cost of retiree health

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

(in thousands)

benefits, recorded on a pay-as-you-go basis was \$1,419 and \$1,466, respectively. Retiree life benefit costs for 2010 and 2009 were \$120 and \$91, respectively.

Annual OPEB Cost and Net OPEB Obligation.

The annual OPEB cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation.

	<u>2010</u>	<u>2009</u>
Normal Cost at year end	\$ 7,073	\$ 7,073
Amortization of UAAL	<u>7,507</u>	<u>7,507</u>
Annual Required Contribution (ARC)	14,580	14,580
Determination of Net OPEB Obligation		
Annual Required Contribution	14,580	14,580
Interest on prior year Net OPEB Obligation	1,415	877
Adjustment to ARC	<u>(1,848)</u>	<u>(1,146)</u>
Annual OPEB Cost	14,147	14,311
Contributions made	<u>(2,897)</u>	<u>(2,372)</u>
Increase in Net OPEB Obligation	11,250	11,939
Net OPEB Obligation - beginning of year	31,460	19,521
Net OPEB Obligation - end of year	<u>\$ 42,710</u>	<u>\$ 31,460</u>

The end of year net OPEB Obligation is shown as a non-current liability on the statement of net assets.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements

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(in thousands)

The table below reflects the schedule of OPEB Funding Progress.

	January 1, 2010	January 1, 2009	January 1, 2008
a) Actuarial Valuation Date			
b) Actuarial Value of Assets	\$ -	\$ -	\$ -
c) Actuarial Accrued Liability (AAL)	\$118,692	\$118,692	\$107,292
d) Unfunded Actuarial Accrued Liability (UALL) (c-b)	\$118,692	\$118,692	\$107,292
e) Funded Ratio (b/c)	0.00%	0.00%	0.00%
f) Annual Covered Payroll (Actuarial)	\$32,310	\$32,310	\$26,286
g) UAAL as a % of Covered Payroll (d/f)	367.40%	367.40%	408.20%

The following table shows the annual OPEB cost and net OPEB obligation assuming the plan is not prefunded.

Plan Year Ended	2010	2009	2008
Annual OPEB cost	\$14,147	\$14,312	\$12,721
Percentage of OPEB Cost Contributed	20.5%	16.6%	21.9%
Net OPEB Obligation	\$42,710	\$31,460	\$19,521

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

The actuarial cost method used to determine the OPEB obligation is computed using the Unprojected Unit Credit Actuarial Cost Method which consists of the following cost components:

- 1) The Normal Cost is the Actuarial Present Value of benefits allocated to the valuation year.
- 2) The Actuarial Liability is the Actuarial Present Value of benefits accrued as of the valuation date.
- 3) Valuation Assets are equal to the market value of assets as of the valuation date, if any.

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(in thousands)

- 4) Unfunded Actuarial Liability is the difference between the Actuarial Liability and the Valuation Assets. The UAAL is being amortized as a level dollar amount over the maximum of 30 years, as permissible under GASB 45.

Projections of benefits for financial reporting purposes are based on the plan as understood by the Authority and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Authority and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. The actuarial valuation used a closed amortization period. Actuarial assumptions used included a discount rate of 4.5% compounded annually, inflation rate of 3.5%, investment return of 4.5%, mortality table, withdrawal rates, disability rates, retirement rates, participation, health care cost trend rates, marriage assumptions, annual retiree claim costs, age slope and retiree premiums.

The health care cost trend rates assume claim costs in future years equal the starting claim costs adjusted for the assumed ongoing cost trends. Such trends are based on the health care cost trend rate adjusted for the impact of plan design, cost containment features and Medicare coordination. The health care cost trend rates used for the 2010 valuation were 7.5% trending down to 4.7% (pre-Medicare) and 5.7% trending down to 4.7% (post-Medicare) over 72 years. The health care cost trend rates used for the 2009 & 2008 valuation were 7.1% trending down to 4.5% (pre-Medicare) and 7.4% trending down to 4.5% (post-Medicare) over 68 years.

12. Risk Management

The Authority is exposed to risk of financial loss from fire, windstorm, explosion and other perils that could damage or destroy assets and properties and cause loss of income should assets and properties be shut down for an extended period of time. The Authority is also exposed to third-party bodily injury and property damage claims arising from the operation and ownership of its properties and from losses resulting from on-the-job injuries sustained by employees.

Effective March 1, 2010, the Authority began self insuring the initial \$350 of any claim for workers' compensation, general liability and automobile liability. The Authority has \$20 Million in excess coverage above its \$350 self-insured retention (SIR). State law caps the Authority's liability at \$100 maximum per person for bodily injury or death per occurrence; \$300 maximum for all persons for bodily injury or death per occurrence; or \$100 maximum for property damage per occurrence.

As of December 31, 2010, the Authority had approximately \$588 in claims liability due to 10 open workers' compensation claims for the policy periods March 1, 2005 to February 28, 2010 included in accounts payable and other current liabilities, and \$777 in claims liability due to open claims for the period March 1, 2010 thru December 31, 2010 included in other non-current liabilities. Claims liability, if any, is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be

Port of Houston Authority of Harris County, Texas

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(in thousands)

reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Such liability is based upon actual reserves and is not considered material.

For the years ended December 31, 2010 and 2009, the Authority recognized \$3,500 and \$4,018 in insurance recoveries for damage caused by Hurricane Ike. These recoveries are included in non-operating revenues – other, net in the statements of revenues, expenses and changes in net assets.

13. Commitments and Contingencies

Commitments

At December 31, 2010 and 2009, the Authority had committed approximately \$27,957 and \$65,746, respectively, for supplies, services, and the purchase of equipment and the expansion of facilities.

Litigation and Claims

The Authority is a defendant in various legal actions arising in the normal course of business; it cannot predict the results of such litigation. However, based on consultation with outside counsel, the Authority generally believes the outcome of such matters will not materially affect its financial position, except that it cannot reach such conclusion at this time regarding the lawsuits described below.

The Authority is a defendant in a breach of contract action brought by Zachry Construction Corporation (“Zachry”) in November 2006. The lawsuit arises out of a contract which the Authority entered with Zachry in June 2004 for the construction of the initial 1,660 feet of dock at Bayport. A change order later added an additional 332 feet of dock. Zachry originally intended to construct the dock “in the dry” behind an earthen cofferdam, which was to be made rigid and water impermeable through soil freezing technology.

In general, Zachry sought to fault the Authority for Zachry’s decision to abandon the plan to freeze the cofferdam and complete the work “in the wet.” Zachry also claimed that the Authority wrongfully withheld \$2,600 in liquidated damages. The Authority disputed all of Zachry’s contentions.

The case proceeded to a jury trial on October 20, 2009 and ended with an adverse jury verdict returned on January 21, 2010 after 35 days of evidence. On April 28, 2010, judgment was entered by the trial court in favor of Zachry on its claims totaling \$19,993, with prejudgment interest totaling \$3,451. The trial court denied the Authority’s motions for judgment *non obstante veredicto* and for new trial, and sustained the Authority’s objections to Zachry’s notice to obtain additional “taxable costs” in addition to the judgment.

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Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

(in thousands)

The Authority and Zachry have now cross-appealed the lower court's judgment. The parties' briefing of this matter is expected to conclude in September 2011, with oral argument and a ruling by the appeals court thereafter. The Authority intends to continue to vigorously contest the matter.

The Authority is a defendant in two related suits brought by approximately 70 residents of the La Porte and Shoreacres community in November 2010. In the action in Harris County Civil Court at Law, plaintiffs claim the Authority has committed an unconstitutional taking of plaintiffs' property and an intentional nuisance in connection with its operation of the Bayport Terminal. In the related District Court matter, plaintiffs claim the Authority committed negligence and negligence per se pursuant to the Texas Tort Claims Act in connection with its operation of the Bayport Terminal. Both matters complain of the sound impacts of terminal operations, and alleged light and chemical pollution. As of August 3, 2011, there has been no discovery and a trial date is set for October 24, 2011 in the Harris County Civil Court at Law matter. As of August 3, 2011, there has been no discovery and a trial date is set for February 27, 2012 in the District Court matter. The Authority disputes the claims in these matters and intends to vigorously contest them.

14. Subsequent Event

In April 2011, the Port Commission acting on behalf of the Authority, and as the Board of POHAIC, approved the dissolution of POHAIC, a blended component unit of the Authority. This dissolution will not have a material impact on the Authority's results of operations, statements of net assets or statements of revenues, expenses and changes in net assets.

Port of Houston Authority of Harris County, Texas
Required Supplementary Information

Port of Houston Authority Restated Retirement Plan
Schedule of Funding Progress

(in thousands)
(unaudited)

	August 1, 2010	August 1, 2009	August 1, 2008
a) Actuarial Valuation Date			
b) Actuarial Value of Assets	\$ 105,871	\$ 93,179	\$ 96,724
c) Actuarial Accrued Liability (AAL)	\$ 128,584	\$ 122,093	\$ 117,731
d) Unfunded Actuarial Accrued Liability (UALL) (c-b)	\$ 22,713	\$ 28,914	\$ 21,007
e) Funded Ratio (b/c)	82.3%	76.3%	82.2%
f) Annual Covered Payroll (Actuarial)	\$ 34,939	\$ 32,695	\$ 32,270
g) UAAL as a % of Covered Payroll (d/f)	65.0%	88.4%	65.1%

Port of Houston Authority OPEB Obligation
Schedule of Funding Progress

(in thousands)
(unaudited)

	January 1, 2010	January 1, 2009	January 1, 2008
a) Actuarial Valuation Date			
b) Actuarial Value of Assets	\$ -	\$ -	\$ -
c) Actuarial Accrued Liability (AAL)	\$ 118,692	\$ 118,692	\$ 107,292
d) Unfunded Actuarial Accrued Liability (UALL) (c-b)	\$ 118,692	\$ 118,692	\$ 107,292
e) Funded Ratio (b/c)	0.0%	0.0%	0.0%
f) Annual Covered Payroll (Actuarial)	\$ 32,310	\$ 32,310	\$ 26,286
g) UAAL as a % of Covered Payroll (d/f)	367.4%	367.4%	408.2%

Statistical Section

Statistical Section

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

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Authority's two most significant revenue sources, operating revenues and property taxes.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Authority implemented GASB Statement 34 in 2002; schedules presenting financial information begin in that year.

Financial Trends Information

Port of Houston Authority
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)

	2010	2009 <i>As restated</i>	2008	2007	2009	2005	2004	2003	2002	2001
Invested in capital, net of related debt	\$ 582,352	\$ 655,571	\$ 646,777	\$ 676,785	\$ 615,169	\$ 476,709	\$ 431,595	\$ 397,063	\$ 359,244	\$ 337,229
Restricted										
Capital	79,270	8,388	3,978	3,846	24,863	23,841	24,012	22,874	30,683	26,872
Debt Service	44,248	39,072	37,310	28,774	27,909	32,465	35,391	34,970	26,245	26,152
Other	4,302	122	200	181	161	225	206	531	180	126
Unrestricted	202,968	191,411	214,139	144,407	145,075	217,194	199,695	186,206	179,147	170,612
Total Net Assets	\$ 913,140	\$ 894,564	\$ 902,404	\$ 853,993	\$ 813,177	\$ 750,434	\$ 690,899	\$ 641,644	\$ 595,499	\$ 560,991

Port of Houston Authority
Changes in Net Assets
Last Ten Fiscal Years
(in thousands)
(unaudited)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
		As restated								
Operating revenues:										
Vessel and cargo services	\$ 159,799	\$ 144,365	* \$ 171,373	* \$ 164,230	* \$ 143,550	\$ 132,283	\$ 116,506	101,085	88,923	86,906
Rental of equipment & facilities	20,346	20,524	19,984	18,872	18,103	17,473	15,878	14,977	15,340	15,510
Grain elevator	911	1,155	787	809	717	590	835	840	838	1,511
Bulk materials	2,368	2,243	2,319	2,903	3,221	2,568	2,348	2,978	2,662	2,134
Other	3,272	2,040	2,522	3,679	2,072	2,454	1,246	1,022	568	2,278
Nonoperating revenues:										
Investment income	3,573	4,136	7,154	10,019	11,606	7,478	2,963	3,243	5,650	9,481
Other	3,836	4,588	982	6,734	1,060	5,718	5,106	8,207	226	786
Nonoperating revenues related to property taxes:										
Property taxes	54,919	46,911	48,675	35,819	29,454	29,568	33,088	37,396	35,447	30,922
Investment income on unlimited tax bonds	(47)	165	1,113	2,045	2,077	1,432	346	(286)	2,179	1,174
Total Revenues	248,977	226,127	254,909	245,110	211,860	199,564	178,316	169,462	151,833	150,702
Operating expenses:										
Maintenance and operation of facilities	95,918	88,124	* 98,026	* 97,978	* 80,809	74,901	65,535	63,735	55,713	51,257
General and administrative	51,742	57,827	* 43,443	40,063	29,527	28,656	31,856	26,776	28,494	22,504
Depreciation and amortization	53,731	48,035	44,016	34,161	28,436	25,383	24,448	23,499	22,580	21,757
Nonoperating expenses:										
Interest expense on revenue bonds	-	-	-	-	176	328	808	1,176	1,541	1,816
Contribution to federal and state agencies	1,742	17,468	4,224	29,017	5,457	8,400	-	-	-	-
Loss on disposal of assets	3,294	-	-	-	-	-	-	-	-	-
Nonoperating expenses related to property taxes:										
Interest expense on unlimited tax bonds	27,886	26,072	21,344	10,124	10,775	9,580	8,217	7,639	7,344	7,729
Property tax expense	2,356	506	1,083	480	67	148	715	931	1,329	1,030
Other, Net	480	901	423	357	360	369	391	431	338	123
Total Expenses	237,149	238,933	212,559	212,180	155,607	147,765	131,970	124,187	117,339	106,216
Income before contributions	11,828	(12,806)	42,350	32,930	56,253	51,799	46,346	45,275	34,494	44,486
Contribution from federal and state agencies	2,944	3,549	6,061	7,886	6,490	7,736	2,909	870	14	3,513
Contribution from federal and state agencies-FEMA	3,804	1,417	-	-	-	-	-	-	-	-
Total Contribution from federal and state agencies	6,748	4,966	6,061	7,886	6,490	7,736	2,909	870	14	3,513
Changes in net assets	18,576	(7,840)	48,411	40,816	62,743	59,535	49,255	46,145	34,508	47,999
Net assets, January 1	894,564	902,404	853,993	813,177	750,434	690,899	641,644	595,499	560,991	512,992
Net assets, December 31	\$ 913,140	\$ 894,564	\$ 902,404	\$ 853,993	\$ 813,177	\$ 750,434	\$ 690,899	\$ 641,644	\$ 595,499	\$ 560,991

* Reclassifications of prior years' balances have been made to conform with the current year presentation.

Revenue Capacity Information

Port of Houston Authority of Harris County, Texas
Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years

(Unaudited)

(amounts in thousands)

Year Levied	Real Property	Personal Property	Less Exemptions(a)	Total	
				Taxable Assessed Value	Direct Tax Rate
2001	166,766,060	29,648,949	28,562,178	167,852,831	0.01826
2002	177,384,368	30,086,451	31,497,120	175,973,699	0.01989
2003	188,724,992	30,104,266	34,561,745	184,267,513	0.02000
2004	198,837,806	32,119,652	37,273,945	193,683,513	0.01673
2005	225,099,703	37,135,876	58,291,042	203,944,537	0.01474
2006	245,978,734	34,366,780	62,806,433	217,539,081	0.01302
2007	276,832,919	40,024,020	69,264,770	247,592,169	0.01437
2008	303,289,718	41,639,012	76,330,731	268,597,998	0.01773
2009	311,188,647	45,005,241	80,505,070	275,688,818	0.01636
2010	300,557,174	43,837,867	80,137,056	264,257,985	0.02054

(a) Exemptions are primarily made up of the homestead property exemption of 20%. In addition, persons 65 years of age or older receive an exemption up to a maximum individual amount of \$160,000.

Source: Harris County Appraisal District Property Use Recap as of 12/23/10

Note: Property in the county is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$100 of assessed value.

Port of Houston Authority of Harris County, Texas
County - Wide Ad Valorem Tax Rates (a)
Last Ten Fiscal Years
Year Levied
(Unaudited)

Purpose	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Harris County										
General Fund (b)	\$0.33401	\$0.33401	\$0.33815	\$0.33918	\$0.34221	\$0.34728	\$0.33117	\$0.34490	\$0.33538	\$0.33606
General Bonds Debt Service	0.03635	0.03642	0.03192	0.03200	0.03465	0.03047	0.04303	0.01889	0.03056	0.02368
Total Constitutional Funds	0.37036	0.37043	0.37007	0.37118	0.37686	0.37775	0.37420	0.36379	0.36594	0.35974
County - Wide Road Debt Service	0.01769	0.02181	0.01916	0.02121	0.02553	0.02211	0.02566	0.02424	0.02220	0.02419
	0.38805	0.39224	0.38923	0.39239	0.40239	0.39986	0.39986	0.38803	0.38814	0.38393
Flood Control District										
Maintenance	0.02727	0.02754	0.02754	0.02754	0.02733	0.02733	0.02553	0.02981	0.02853	0.02853
Debt Service	0.00196	0.00168	0.00332	0.00352	0.00508	0.00589	0.00765	0.01193	0.01321	0.01905
	0.02923	0.02922	0.03086	0.03106	0.03241	0.03322	0.03318	0.04174	0.04174	0.04758
Port of Houston Authority										
Debt Service	0.02054	0.01636	0.01773	0.01437	0.01302	0.01474	0.01673	0.02000	0.01989	0.01826
Hospital District										
General	0.19216	0.19216	0.19216	0.19216	0.19216	0.19216	0.19021	0.19021	0.19021	0.19021
Total	\$0.62998	\$0.62998	\$0.62998	\$0.62998	\$0.63998	\$0.63998	\$0.63998	\$0.63998	\$0.63998	\$0.63998

Source: Harris County Appraisal District

(a) Tax rates are stated per \$100 assessed valuation.

(b) For the 1995 through 2001 tax years, the tax levied by Harris County for General Fund purposes includes Jury Fund & Road & Bridge Fund purposes.

Port of Houston Authority of Harris County, Texas
Direct and Overlapping Debt and Property Tax Rates (a)
 December 31, 2010
 (Unaudited)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
County - Wide Taxing Jurisdiction										
Harris County	\$0.3881	\$0.3922	\$0.3924	\$0.4024	\$0.3999	\$0.3999	\$0.3880	\$0.3881	\$0.3839	\$0.3590
Harris County Flood Control District	0.0292	0.0292	0.0311	0.0324	0.0332	0.0332	0.0417	0.0417	0.0475	0.0617
Port of Houston Authority	0.0205	0.0164	0.0144	0.0130	0.0147	0.0167	0.0200	0.0198	0.0183	0.0183
Harris County Hospital District	0.1922	0.1922	0.1922	0.1922	0.1922	0.1902	0.1902	0.1902	0.1902	0.2027
	\$0.6300	\$0.6300	\$0.6301	\$0.6400	\$0.6400	\$0.6400	\$0.6399	\$0.6398	\$0.6399	\$0.6417
Cities										
Baytown	0.7870	0.7870	0.7370	0.7370	0.7370	0.7370	0.7370	0.7370	0.7370	0.7370
Bellaire	0.3999	0.3759	0.4400	0.4400	0.4700	0.4800	0.4800	0.4900	0.4900	0.4900
Deer Park	0.7050	0.7050	0.7200	0.7200	0.7200	0.7200	0.7000	0.6990	0.7000	0.7000
Houston	0.6388	0.6388	0.6450	0.6450	0.6500	0.6550	0.6550	0.6550	0.6650	0.6650
La Porte	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100
League City	0.6160	0.6300	0.6088	0.6088	0.6275	0.6400	0.6400	0.6625	0.6700	0.6700
Missouri City	0.5284	0.5284	0.4993	0.4945	0.4980	0.5017	0.5100	0.5330	0.5200	0.5503
Pasadena	0.5916	0.5620	0.5670	0.5670	0.5670	0.5670	0.5670	0.5670	0.5790	0.5790
Pearland	0.6651	0.6526	0.6526	0.6527	0.6744	0.6950	0.6960	0.6860	0.6860	0.6950
Seabrook	0.6268	0.5884	0.6203	0.6210	0.6307	0.6196	0.6082	0.6006	0.6010	0.5840
South Houston	0.6732	0.6732	0.6770	0.6588	0.6863	0.7000	0.7000	0.0000	0.6950	0.6910
Webster	0.2575	0.2325	0.2489	0.2575	0.2575	0.2680	0.2510	0.2400	0.2600	0.2600
West University Place	0.3741	0.3588	0.3660	0.4020	0.4300	0.4467	0.4467	0.4300	0.4200	0.4000
School Districts	.0922-1.5400	.1101-1.5266	.1144-1.6450	.1167-1.8150	.1207-2.000	.1145-2.000	.1145-1.970	.1055-1.940	.0110-1.920	.110-1.868

Source: Harris County Appraisal District Jurisdiction Information as of 03/01/11

(a) Includes all Tax Bonds.

HARRIS COUNTY, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
(amounts in thousands)
(Unaudited)

Taxpayers	2010			2001		
	2010 Taxable Valuations (a)	Rank	Percentage of Total 2010 Taxable Valuation (b)	2001 Taxable Valuations (a)	Rank	Percentage of Total 2001 Taxable Valuation (c)
EXXON MOBIL CORP	\$ 2,664,569	1	1.01	\$ 2,992,441	1	1.78
CENTERPOINT ENERGY INC	2,396,880	2	0.91			
SHELL OIL CO	1,863,832	3	0.71	1,375,098	3	0.82
CHEVRON CHEMICAL CO	1,206,070	4	0.46			
HINES INTERESTS LTD PTNRSP	1,071,150	5	0.41	988,014	6	0.59
HOUSTON REFINING	953,784	6	0.36			
AT&T MOBILITY LLC	871,744	7	0.33	1,310,877	5	0.78
EQUISTAR CHEMICALS LP	788,660	8	0.30	1,324,082	4	0.79
CRESCENT REAL ESTATE	740,434	9	0.28	498,717	10	0.30
WAL MART	733,661	10	0.28			
HEWLETT PACKARD	639,066	11	0.24	608,117	8	0.36
CULLEN ALLEN HOLDINGS LF	632,089	12	0.24			
COMCAST OF HOUSTON LLC	588,773	13	0.22			
NATIONAL OILWELL INC	552,545	14	0.21			
AMOCO CHEMICAL CO	550,776	15	0.21			
LYONDELL CHEMICAL CO	525,146	16	0.20	836,735	7	0.50
DOW CHEMICAL	518,229	17	0.20			
KROGER CO	431,249	18	0.16			
TPG 2101 CITYWEST 1 & 2 LP	425,711	19	0.16			
AIR LIQUIDE	413,949	20	0.16			
HOUSTON LIGHTING & POWER CO.				2,059,774	2	1.23
OXY VINYLs LP				538,048	9	0.32
CELANESE LTD				456,686	11	0.27
CRESCENT REAL ESTATE EQUITIES				439,936	12	0.26
LYONDELL- CITGO REFINING CO.				438,053	13	0.26
ANHUESER BUSCH INC.				410,640	14	0.25
TRIZECHAHN ALLEN CENTER LP				408,965	15	0.24
Total	\$ 18,568,318		7.03%	\$ 14,686,183		8.75%

Source: Harris County Appraisal District.

(a) Amounts shown for these taxpayers do not include taxable valuations, which may be substantial, attributable to certain subsidiaries and affiliates which are not grouped on the tax rolls with the taxpayers shown.

(b) Based on the County's total taxable value as of December 31, 2010.

(c) Based on the County's total taxable value as of January 1, 2002.

Port of Houston Authority of Harris County, Texas
Property Tax Levies and Collections
For the Years 2001 Through 2010
(Unaudited)
(in thousands)

Fiscal Year	Taxes levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections After One Year (a)	Total Collections After One Year (a)	
		Amount	Percentage of Levy		Amount	Percent of Levy
2001	\$ 30,659	\$ 28,574	93.20%	\$ 825	\$ 29,399	95.89%
2002	34,904	32,558	93.28%	887	33,445	95.82%
2003	36,923	34,417	93.21%	1,990	36,407	98.60%
2004	32,403	30,064	92.78%	1,633	31,697	97.82%
2005	29,689	26,805	90.29%	2,217	29,022	97.75%
2006	28,671	26,131	91.14%	1,961	28,092	97.98%
2007	35,566	32,795	92.21%	2,109	34,904	98.14%
2008	48,288	43,622	90.34%	3,926	47,548	98.47%
2009	45,086	41,875	92.88%	2,400	44,274	98.20%
2010	54,364	50,650	93.17%	N/A	N/A	N/A

Source: Harris County Tax Assessor - Collector as of February 28, 2011

(a) Taxes collected after one year were updated for collection through fiscal year 2010 for the fiscal year 2003 tax levy and thereafter.

Port of Houston Authority
Operating Revenues by Type
Last Ten Fiscal Years
(unaudited)
(in thousands)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Operating revenues: (a) (b) (c)										
Vessel and cargo services	\$ 159,799	\$ 144,365	\$ 171,373	\$ 164,230	\$ 143,550	\$ 132,283	\$ 116,506	\$ 101,085	\$ 88,923	\$ 86,906
Rental of equipment & facilities	20,346	20,524	19,984	18,872	18,103	17,473	15,878	14,977	15,340	15,510
Grain elevator	911	1,155	787	809	717	590	835	840	838	1,511
Bulk materials	2,368	2,243	2,319	2,903	3,221	2,568	2,348	2,978	2,662	2,134
Other	3,272	2,040	2,522	3,679	2,072	2,454	1,246	1,022	568	2,278
	\$ 186,696	\$ 170,327	\$ 196,985	\$ 190,493	\$ 167,663	\$ 155,368	\$ 136,813	\$ 120,902	\$ 108,331	\$ 108,339
Revenue Tonnage (d) (e)										
General Cargo	20,809	19,681	24,871	23,102	23,657	19,942	18,441	15,184	14,704	14,091
Bulk	10,508	9,184	10,371	10,123	9,696	8,623	7,909	9,012	8,637	7,890
	31,317	28,865	35,242	33,225	33,353	28,565	26,350	24,196	23,341	21,981

* Reclassifications of prior years' balance have been made to conform with the current year presentation.

Source: The Authority

(a) General cargo tonnage and bulk tonnage generate operating revenues from vessel and cargo services, grain elevator and bulk material.

(b) Revenues are defined by tariffs based upon terminal and type of services. Some units of measure used (depending on type of service) are units, weight, number of days and gallons.

(c) Excludes Port Development Corporation and Port of Houston Authority International Corporation.

(d) Based on information as received as estimates.

(e) Revenue tonnage is tonnage from which PHIA revenues are derived. Does not include non Authority tonnage figures.

**Port of Houston Authority
Revenue Tonnage (a)
Last Ten Fiscal Years**
(unaudited)
(in short tons)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Cargo										
Barbours Cut										
All other	5,709,735	5,571,883	7,592,527	10,044,562	9,550,199	8,897,900	8,103,018	7,382,472	6,620,054	5,983,853
Lease	3,888,444	3,848,608	4,224,952	3,959,332	5,676,018	5,369,441	4,852,423	3,744,455	3,564,903	3,021,031
	9,598,179	9,420,491	11,817,479	14,003,894	15,226,217	14,267,341	12,955,441	11,126,927	10,184,957	9,004,884
Bayport Container Terminal	6,567,986	5,802,758	4,198,520	1,522,186	-	-	-	-	-	-
Turning Basin										
Autos Import	109,713	73,325	115,660	113,567	95,719	121,370	114,124	142,706	132,056	123,235
Autos Export	16,148	23,641	32,211	21,585	18,216	24,654	20,901	14,222	10,479	12,768
Steel Imports	2,005,659	2,195,728	4,961,811	3,631,363	4,206,717	2,008,066	1,861,318	1,104,480	1,510,864	1,837,728
All other	788,363	622,113	1,559,870	1,571,635	1,610,654	1,524,844	1,185,115	1,038,280	942,259	813,373
	2,919,883	2,914,807	6,669,552	5,338,150	5,931,306	3,678,934	3,181,458	2,299,688	2,595,658	2,787,104
Jacintoport	1,235,498	1,072,605	1,220,081	1,509,501	1,312,717	1,285,578	1,328,490	1,118,457	1,003,913	1,007,195
Care Terminal	188,279	249,001	421,064	438,722	522,501	427,792	552,025	373,560	402,195	354,885
Woodhouse	299,098	221,798	544,590	289,586	638,609	204,494	274,128	164,597	243,710	312,355
Galveston	-	-	-	-	25,131	77,677	149,251	100,777	274,048	624,969
	20,808,923	19,681,460	24,871,286	23,102,039	23,656,481	19,941,816	18,440,793	15,184,006	14,704,481	14,091,392
Bulk										
Barbours Cut	3,136	2,426	4,409	-	-	3,438	1,110	1,346	-	-
Galveston	-	-	-	-	-	-	-	-	-	-
Jacintoport	1,653	10,803	-	626	-	4,529	-	-	-	298,206
Care Terminal	446,801	192,753	756,891	610,965	399,887	388,737	312,168	185,787	194,457	2,756
Woodhouse	31,857	30,468	6,031	45,780	11,003	36,447	11,525	30,181	38,318	82,308
Sims Bayou	783,041	648,650	571,557	860,009	1,108,220	1,292,821	996,984	865,383	917,982	968,014
S.J.B. Liquid Facility	551,405	492,921	428,698	404,359	410,613	364,969	309,205	217,285	264,269	194,953
Turning Basin	1,978,411	1,732,249	1,985,245	1,505,652	1,608,685	1,640,084	1,533,430	1,551,894	1,436,370	1,373,977
	3,796,304	3,110,270	3,752,831	3,427,391	3,538,408	3,731,025	3,164,422	2,851,876	2,851,396	2,920,214
Bulk Materials Terminal	4,669,560	4,513,258	4,520,962	4,949,954	4,551,697	3,561,052	3,694,483	4,808,372	3,846,720	2,979,139
Grain Elevator #2	2,042,395	1,560,258	2,096,735	1,746,128	1,606,343	1,330,575	1,050,119	1,351,313	1,938,668	1,990,476
	10,508,259	9,183,786	10,370,528	10,123,473	9,696,448	8,622,652	7,909,024	9,011,561	8,636,784	7,889,829
Grand Total	31,317,182	28,865,246	35,241,814	33,225,512	33,352,929	28,564,468	26,349,817	24,195,567	23,341,265	21,981,221

Based on information as received and estimates.

Source: The Authority

(a) Revenue tonnage is tonnage from which PHA revenues are derived. Does not include non Authority tonnage figures

Port of Houston Authority
Top Ten Vessel and Cargo Customers
Current Year and Ten Years Ago

(amounts in thousands)

(Unaudited)

Taxpayers	2010			2001		
	Customers	Rank	Percentage of Total 2010 Revenue	Customers	Rank	Percentage of Total 2001 Revenue
Mediterranean Shipping Inc. SA	\$ 29,696	1	15.76%	5,768	3	5.32%
Hapag-Lloyd AG	21,597	2	11.46	3,464	4	3.20
CMA-CGM (America), Inc	14,418	3	7.65			
Hamburg Sud North America	7,889	4	4.19			
Cia Libra de Navegacao	5,732	5	3.04			
Zim Integrated Shipping	5,532	6	2.94			
Seaboard Marine, Ltd.	4,187	7	2.22			
Biehl & Company - Vessel	3,293	8	1.75	3,059	6	2.82
OOCL(USA) Inc./	2,420	9	1.28			
Biehl & Company - SSA Line	2,127	10	1.13			
CP Ships US Agency, LLC				9,890	1	9.13
P & O Ned Lloyd Limited				6,049	2	5.58
Kerr Norton Strachan Agency				3,303	5	3.05
APL Limited				2,868	7	2.65
Libra De Navegacao S.A.				1,605	8	1.48
Cosco North America, Inc.				1,567	9	1.45
Biehl & Co. - CLB Line				1,560	10	1.44
Total	\$ 96,891		51.42%	39,133		36.12%

Source: The Authority

Debt Capacity Information

Port of Houston Authority of Harris County, Texas
Ratios of net General Bonded Debt by Type
Last Ten Fiscal Years
(unaudited)
(in thousands, except per capita)

General Obligation Bonds									
Fiscal Year	Unlimited Tax Refunding Bonds	Unlimited Tax Port Improvement Bonds	Commercial Paper	Gross General Bonded Debt	Less Debt Service Funds Cash	Net General Bonded Debt	Percentage of Actual Property Value		Per Capita
2001	38,135	286,570	-	324,705	9	324,696	0.19		94
2002	40,495	291,160	-	331,655	7	331,648	0.19		93
2003	34,685	271,560	-	306,245	8	306,237	0.17		85
2004	37,975	249,925	6,800	294,700	11	294,689	0.15		81
2005	130,620	184,085	21,034	335,739	7	335,732	0.16		91
2006	211,100	146,005	21,744	378,849	7	378,842	0.17		97
2007	204,935	139,030	113,478	457,443	5	457,438	0.18		116
2008	431,065	131,950	-	563,015	7	563,008	0.21		141
2009	422,665	124,750	70,245	617,660	6	617,654	0.22		152
2010	616,814	146,805	-	763,619	11	763,608	0.29		187

Fiscal Year	Special Purpose Revenue Bonds	Total Outstanding Debt	Percentage of Personal Income	Per Capita
2001	22,125	347,061	2.68	100
2002	17,175	348,983	2.72	98
2003	12,935	319,252	2.39	89
2004	8,620	303,309	2.11	83
2005	4,363	340,095	2.17	92
2006	-	378,842	2.13	97
2007	-	457,438	2.36	116
2008	-	563,008	2.96	141
2009	-	617,654	N/A	152
2010	-	763,608	N/A	187

Notes: Details regarding the Authority's outstanding debt can be found in the notes to the financial statements
See Schedule 3 for property value data
Population data can be found in Schedule 15
N/A - Not Available

Port of Houston Authority of Harris County, Texas
Net Revenues Available for Debt Service on First - Lien Revenue Bonds
For Each of the Ten Years in the Period Ended December 31, 2010
(Unaudited)
(in thousands)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Gross Revenues										
Operating Revenues										
Vessel and Cargo Services	\$157,633	\$142,310	\$169,584	\$162,636	\$141,697	\$131,007	\$114,915	\$99,655	\$87,666	\$85,575
Rental of Port Facilities	20,325	20,451	19,910	18,800	18,033	17,412	15,817	14,929	15,294	15,497
Grain Elevator	911	1,155	787	809	717	589	835	840	838	1,511
Bulk Materials Handling Plant	2,368	2,243	2,319	2,903	3,221	2,568	2,348	2,978	2,662	2,133
Other	3,272	2,040	2,435	3,630	1,915	2,361	1,036	971	548	2,279
Total	184,509	168,199	195,035	188,778	165,583	153,937	134,951	119,373	107,008	106,995
Nonoperating Revenues										
Interest on Investments	3,451	4,552	6,736	9,992	11,292	7,427	3,500	3,713	5,472	9,267
Other	11,319	9,798	7,198	14,699	8,255	13,660	8,172	9,611	639	4,638
Total	14,770	14,350	13,934	24,691	19,547	21,087	11,672	13,324	6,111	13,905
Total Gross Revenues	199,279	182,549	208,969	213,469	185,130	175,024	146,623	132,697	113,119	120,900
Operation Expenses										
Maintenance and Operation of Facilities										
Vessel and Cargo Services	90,861	77,591	94,473	85,178	73,236	66,918	60,906	58,506	51,837	47,878
Rental of Port Facilities	3,945	3,774	3,311	4,185	3,560	6,151	2,954	2,962	3,059	2,618
Grain Elevator	263	221	163	404	557	477	197	221	412	123
Bulk Materials Handling Plant	34	88	94	307	723	435	589	268	265	230
Other	2,385	1,796	1,797	1,916	358	919	888	899	865	407
Total	97,488	83,470	99,838	91,990	78,434	74,900	65,534	62,856	56,438	51,256
General and Administrative Expenses	51,487	63,411	41,930	46,029	28,846	28,380	31,316	26,250	28,360	22,504
Total Operating Expenses	148,975	146,881	141,768	138,019	107,280	103,280	96,850	89,106	84,798	73,760
Nonoperating Expenses	5,750	18,473	4,461	29,151	5,869	8,550	686	1,053	269	122
Total Expenses	154,725	165,354	146,229	167,170	113,149	111,830	97,536	90,159	85,067	73,882
Net Revenues Available For Debt Service on First Lien Revenue Bonds	\$44,554	\$17,195	\$62,740	\$46,299	\$71,981	\$63,194	\$49,087	\$42,538	\$28,052	\$47,018
Average Annual Debt Service on First Lien Revenue Bonds	\$ -	\$ -	\$ -	\$ -	\$4,456	\$4,514	\$4,619	\$4,938	\$5,675	\$5,225
Coverage by Net Revenues	N/A	N/A	N/A	N/A	1615%	1400%	1063%	861%	494%	900%

Port of Houston Authority of Harris County, Texas
Table of Bonded Debt Service Requirements (a)
(unaudited)

<u>Fiscal Year Ending December 31</u>	<u>Outstanding Debt Service Requirements</u>
2011	53,555,949
2012	52,459,529
2013	52,462,561
2014	52,747,161
2015	52,754,261
2016	52,759,961
2017	54,945,136
2018	55,019,111
2019	55,732,161
2020	56,097,011
2021	56,077,174
2022	55,362,849
2023	49,912,974
2024	49,911,691
2025	49,910,454
2026	49,907,014
2027	49,910,044
2028	49,910,794
2029	49,912,581
2030	49,911,631
2031	49,910,188
2032	49,907,888
2033	49,908,025
2034	49,905,806
2035	49,910,275
2036	49,909,275
2037	49,910,113
2038	49,912,181
2039	34,608,000
Total	<u>\$ 1,483,141,798</u>

(a) The table sets forth the annual debt service requirements on the Authority's ad valorem tax bonds as of December 31, 2010, excluding bonds that have been refunded and defeased.

Demographic and Economic Information

Port of Houston Authority of Harris County, Texas

Miscellaneous Statistical Data

December 31, 2010

(Unaudited)

Port of Houston Authority Facts:**Date of Incorporation:** 1911**Form of Government:** A political subdivision of the State of Texas**Area :** 1,778 Square Miles**Altitude:** Harris County (generally coterminous with Port of Houston Authority) - Sea level to 310 feet
City of Houston - Center of downtown area - 41 feet**Selected Economic Statistics**

Year	GDP (a)	National Unemployment (b)		Total U.S. Exports (c)		Total U.S. Imports (c)		U.S. Rig Count (d)		Oil Price \$/Bbl (e)		PMI (f)
2010	2.8%		9.6%	\$ 1,277.5	\$ 1,912.1	\$ 1,546	\$ 79.48					57.3
2009	-2.6%		9.3%	\$ 1,056.0	\$ 1,559.6	1,089	\$ 61.95					46.2
2008	0.0%		5.8%	\$ 1,287.4	\$ 2,103.6	1,879	\$ 99.67					45.5
2007	1.9%		4.6%	\$ 1,148.2	\$ 1,957.0	1,768	\$ 72.34					51.1
2006	2.7%		4.6%	\$ 1,026.0	\$ 1,853.9	1,649	\$ 66.05					53.1
2005	3.1%		5.1%	\$ 901.1	\$ 1,673.5	1,383	\$ 56.64					54.4
2004	3.6%		5.5%	\$ 814.9	\$ 1,469.7	1,192	\$ 41.51					59.1
2003	2.5%		6.0%	\$ 724.8	\$ 1,257.1	1,032	\$ 31.08					51.7
2002	1.8%		5.8%	\$ 693.1	\$ 1,161.4	830	\$ 26.18					50.8
2001	1.1%		4.7%	\$ 729.1	\$ 1,141.0	1,156	\$ 25.95					43.4

(a) Gross Domestic Product percent change based on 2005 dollars. **Source:** Bureau of Economic Analysis(b) Average monthly unemployment rate per year. **Source:** Bureau of Labor Statistics(c) Billions of dollars. **Source:** Customs data from Department of Commerce, U.S. Census Bureau(d) Annual average total U.S. rig count. **Source:** Baker Hughes rig count data(e) Cushing, OK WTI spot price. **Source:** Energy Information Administration (EIA)(f) Purchasing Managers Index value above 50 means growth. **Source:** Institute for Supply Management

Port of Houston Authority of
Harris County, Texas
Demographic and Economic Statistics
Last Ten Calendar Years
(Unaudited)

Calendar Year	Population	Unemployment Rate	Personal Income (amounts in thousands)	Per Capita Personal Income
2001	3,460,589	5.7%	\$ 129,728,437	\$ 37,165
2002	3,557,055	5.4%	128,298,585	35,919
2003	3,596,086	6.3%	133,463,543	36,719
2004	3,644,285	5.9%	143,417,824	38,810
2005	3,693,050	5.4%	156,920,733	41,703
2006	3,886,207	4.5%	178,160,838	45,961
2007	3,935,855	4.2%	194,177,877	49,634
2008	3,984,349	4.6%	190,226,395	47,788
2009	4,070,989	7.6%	N/A	N/A
2010	4,092,459	8.2%	N/A	N/A

Sources: Population - Bureau of the Census
Unemployment Rate - Texas Workforce Commission
Personal Income - Bureau of Economic Analysis
N/A - Not Available

HARRIS COUNTY, TEXAS
PRINCIPAL CORPORATE EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO*
(amounts in thousands)
(Unaudited)

	2010				2001			
	Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment	
Continental Airlines (merger pending w/ United Airlines)		14,792	1	0.56%	17,010	1	0.74%	
Exxon Mobil		13,500	2	0.51%				
Shell Oil Company		12,700	3	0.48%	6,933	9	0.30%	
National Oilwell Varco Inc.		8,500	4	0.32%				
Chevron Companies		7,000	5	0.26%				
JP Morgan Chase		6,750	6	0.25%	6,295	10	0.27%	
Jacobs Technology		6,500	7	0.25%				
AT&T Inc. (acquired SWB)		6,214	8	0.23%				
Halliburton (KBR spun off)		5,675	9	0.21%	15,704	2	0.68%	
CenterPoint Energy (spun off from Reliant Energy)		4,744	10	0.18%				
Compaq Computer					12,996	3	0.56%	
Wal-Mart					9,700	4	0.42%	
Kroger Food Stores					9,689	5	0.42%	
Reliant Energy Inc					8,091	6	0.35%	
Southwestern Bell/SWB					7,342	7	0.32%	
Enron					7,311	8	0.32%	
		86,375			101,071			

* Based on calendar year.

Source: Houston Business Journal, Business First Survey/Greater Houston Partnership/HBJ

Note: Total County Employment for 2010 was approximately 2,650,000 and for 2001 was 2,307,099.

Port of Houston Authority of Harris County, Texas
Harris County Population Statistical Data
 December 31, 2010
 (Unaudited)

Regional Population (a)

<u>Year</u>	<u>City of Houston</u>	<u>Harris County</u>	<u>Year</u>	<u>City of Houston</u>	<u>Harris County</u>
1880	16,513	27,985	1950	596,163	806,701
1890	27,557	37,249	1960	938,219	1,243,158
1900	44,633	63,786	1970	1,232,802	1,741,912
1910	78,800	115,693	1980	1,594,086	2,409,544
1920	138,276	186,667	1990	1,632,833	2,818,199
1930	292,352	359,328	2000	1,953,631	3,400,578
1940	384,514	528,961	2010	2,099,451	4,092,459

Harris County Voters in Presidential Elections (b)

	<u>2008</u>	<u>2004</u>	<u>2000</u>	<u>1996</u>	<u>1992</u>
Registered Voters	1,974,777	1,876,296	1,886,661	1,597,211	1,337,405
Votes Cast	1,188,731	1,088,793	995,631	871,656	958,234
Percentage of Registered Voters Voting	60.20%	58.03%	52.78%	54.60%	71.60%

Motor Vehicle Registration (c)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Passenger Cars, Small					
Trucks and Misc.	3,289,327	3,341,255	3,207,888	2,814,918	2,814,918
Large Trucks	33,136	31,418	32,468	22,367	22,367
Total	<u>3,322,463</u>	<u>3,372,673</u>	<u>3,240,356</u>	<u>2,837,285</u>	<u>2,837,285</u>

(a) Source: Department of Commerce, U.S. Census Bureau

(b) Source: Harris County Tax Assessor - Collector and Voter Registrar

(c) Source: Harris County Tax Assessor - Collector and Voter Registrar

Port of Houston Authority
Miscellaneous Statistical Data
 December 31, 2010
 (Unaudited)

Students enrolled in colleges and universities located within Harris County (d)

	2010	2009	2008	2007	2006
Baylor College of Medicine	1,489	1,431	1,385	1,398	1,358
Houston Baptist University	2,597	2,710	2,564	2,339	2,143
Houston Community College	49,717	42,104	61,396	57,457	57,168
Lone Star College System	63,826	55,491	51,483	49,253	46,048
Rice University	5,879	5,663	5,132	5,243	5,119
San Jacinto College:					
Central, South, North	32,105	27,011	24,616	25,556	26,712
South Texas College of Law	1,295	1,272	1,267	1,252	1,237
Texas Southern University	9,557	9,394	9,102	9,540	11,224
Texas Woman's University: Houston	1,308	1,252	1,184	1,223	1,184
University of Houston:					
University Park	38,752	37,000	36,104	34,663	34,334
Downtown	12,900	12,742	12,283	11,793	11,449
Clear Lake	8,099	7,643	7,658	7,522	7,706
University of St. Thomas	3,520	3,132	3,246	3,350	3,607
University of Texas:					
Dental Branch	473	474	471	452	439
Graduate School of Biomedical Sciences	586	593	570	578	544
Medical School	1,025	1,009	963	935	912
School of Biomedical Informatics	120	103	99	80	73
School of Nursing	886	765	759	771	753
School of Public Health	1,395	1,025	1,003	959	930
Total	<u>235,529</u>	<u>210,814</u>	<u>221,285</u>	<u>214,364</u>	<u>212,940</u>

Number of Employees

	2010	2009	2008	2007	2006
Harris County (e)	17,270	15,809	15,693	15,237	15,313
Flood Control District (e)	421	382	326	339	346
Port of Houston Authority	592	592	595	580	560

(d) Source: Texas Higher Education Coordinating Board (Fall 2010 Enrollment Data)

(e) Source: Harris County Fiscal Year 2009-10 Annual Budget

Operating Information

Port of Houston Authority

Table of Physical Characteristics of the Port Facilities of the Authority
(Unaudited)

	Berth Lengths (Feet)	Water Depth Below Mean Low Tide (Feet)	Paved Marshalling Area (Acres)	Covered Storage (Sq. Feet)
Turning Basin				
36 general Cargo Wharves	376 - 600	27 - 37*	36.0	1,150,000
5 Liquid Bulk Wharves	226 - 570	33 - 36	-	-
Wharf - 32 Project Cargo	800	37*	20.2	-
Woodhouse Terminal**				
Wharf 1	660	39	2.2	-
Wharves 2 and 3	1,250	35	-	231,750
Grain Dock**	600	42	-	-
Dry Bulk Cargo Facility				
Wharf 1	800	42		-
Wharf 2	400	42	-	-
Jacintoport				
Wharves 1 - 3	1,830	40	7.5	82,500
Care Terminal				
Wharf 1	500	36	9.6	45,000
Wharf 2	618	38	4	-
Sims Bayou Liquid Bulk Facility				
Berths	320	40	-	-
San Jacinto Barge Terminal				
Berth	200 - 700	16	-	-
Barbours Cut Terminal				
LASH Berth	810	36		
Container Berths 1 - 6	6,000	40	230	255,000
Passenger Berth	900	36	30	
Bayport		40	60	-
Container Berths 4 & 5	3,300	40	160	

* The maximum depth allowable due to Channel Project depths.

** Woodhouse Terminal is the location of Houston Public Grain Elevator No. 2, a 6,000,000-bushel capacity grain elevator having an average loading capacity of 80,000 bushels per hour.

EQUIPMENT

Turning Basin One 40-long ton capacity container crane which serves 9 berths on a rental basis. Privately owned mobile cranes and additional cargo handling equipment are available for hire on an hourly basis.

Barbours Cut Terminal

Container Cranes: six 40 long ton, four 50 long ton

Yard Cranes: forty 40 long ton

Other Cranes: four 20,000-pound lifters for handling empty containers and two 80,000-pound container handling machines

Other Equipment: 33 heavy duty yard tractors and 125 heavy duty yard chassis are available for rent from the Authority. Private firms also provide this equipment as well as heavy lift equipment.

Bayport

Container Cranes: nine 65-long ton

Yard Cranes: eighteen 40-long ton

Other Equipment: 6 heavy duty terminal tractors and 20 yard chassis
one 80,000-pound container handling machine

Port of Houston Authority
Freight Traffic Statistics
(unaudited)
(in thousands)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Freight handled by the Authority only (excluding tonnages handled by private terminals) - short tons (2,000 lbs.) (a) (d)										
Breakbulk Cargo	3,771	3,768	8,006	6,678	7,545	4,679	4,481	3,244	3,697	3,971
Container Cargo	17,038	15,914	16,866	16,425	16,111	15,156	13,960	11,941	11,007	10,120
Bulk Grain	2,042	1,560	2,097	1,746	1,606	1,331	1,050	1,351	1,939	1,991
Bulk Plant	4,670	4,513	4,521	4,950	4,552	3,561	3,694	4,808	3,847	2,979
Other Bulk	12,725	11,032	11,248	10,621	10,622	10,064	9,588	8,675	8,170	8,399
Total	40,246	36,787	42,738	40,420	40,437	34,791	32,773	30,019	28,660	27,460
Freight handled by entire Port of Houston (includes tonnage handled by both the Authority and private terminals) - short tons (2,000 lbs.) (b) (c) (d)										
Foreign										
Imports	(e)	84,629	92,019	94,692	106,905	103,190	97,713	90,335	80,027	85,485
Exports	(e)	63,340	54,380	50,650	45,972	41,860	39,824	36,558	35,161	35,108
Total Foreign		147,969	146,399	145,342	152,877	145,051	137,537	126,893	115,188	120,593
Coastwise										
Receipts	(e)	(f)	3,143	4,182	4,625	3,045	2,064	2,901	2,659	3,324
Shipments	(e)	(f)	4,909	4,717	5,366	6,789	6,450	7,791	9,622	8,207
Total Coastwise			8,052	8,899	9,991	9,834	8,514	10,692	12,281	11,531
Internal										
Receipts	(e)	28,460	25,179	29,227	28,035	25,514	26,314	25,055	22,230	22,921
Shipments	(e)	20,397	17,830	17,948	17,787	17,114	16,833	15,963	14,923	16,255
Total Internal		48,857	43,009	47,175	45,822	42,628	43,147	41,018	37,153	39,176
Local	(e)	14,515	14,747	14,648	13,457	14,153	12,848	12,320	12,939	13,750
Total		211,341	212,207	216,064	222,147	211,666	202,046	190,923	177,561	185,050
Value of foreign trade handled by entire Port of Houston (c)										
Imports	\$ 60,132,809	\$ 48,435,089	\$ 78,873,336	\$ 78,873,336	\$ 61,005,734	\$ 61,032,718	\$ 52,172,024	\$ 36,835,357	\$ 28,454,318	\$ 22,545,812
Exports	70,784,680	57,866,051	68,821,466	68,821,466	53,805,807	41,957,426	34,266,240	29,063,697	21,455,130	19,395,811
Total	\$ 130,917,489	\$ 106,301,140	\$ 147,694,802	\$ 147,694,802	\$ 114,811,541	\$ 102,990,144	\$ 86,438,264	\$ 65,899,054	\$ 49,909,448	\$ 41,941,623

(a) Source: Annual Review published by the Authority.

(b) Source: U. S. Army Corps of Engineers, Waterborne Commerce of the U. S.

(c) Source: Bureau of Census, U.S. Department of Commerce.

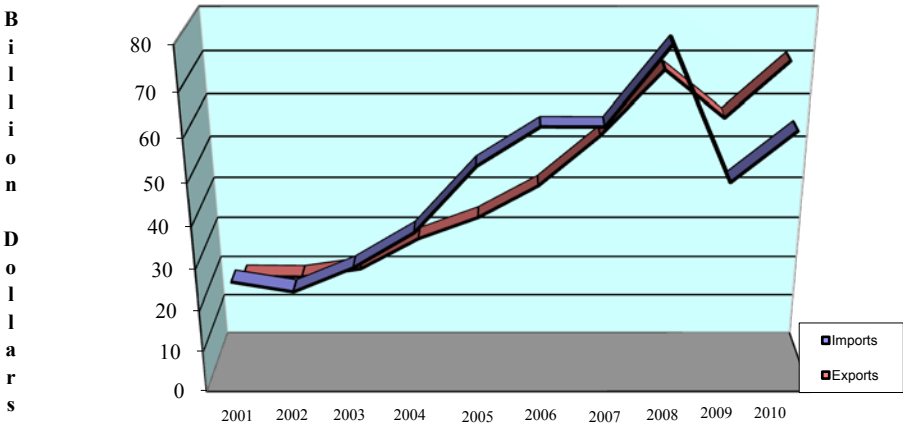
(d) The amounts are restated to reflect actual volumes after year - end adjustments.

(e) Amounts not available.

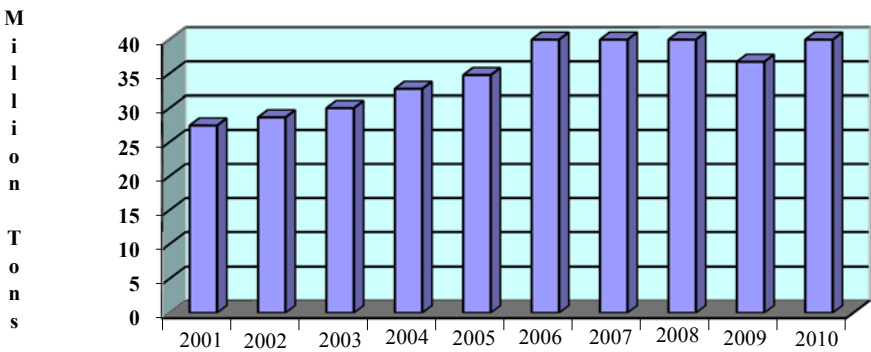
(f) Amounts no longer provided.

PORT OF HOUSTON AUTHORITY
OF HARRIS COUNTY, TEXAS
FREIGHT STATISTICS
LAST TEN YEARS

**VALUE OF FOREIGN TRADE HANDLED
BY ENTIRE PORT**



**FREIGHT HANDLED BY THE AUTHORITY
(Excludes Private Terminals)**



See Freight Traffic Statistics on Page 79

Port of Houston Authority

Cargo Statistics

Last Ten Fiscal Years

(in thousands)

(in short tons)

(unaudited)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Total Revenue Tonnage										
Including Bayport Companies	40,246	36,787	42,738	40,420	40,437	34,898	32,773	30,019	28,660	27,460
Excluding Bayport Companies	31,317	28,865	35,242	33,225	33,353	28,564	26,350	24,196	23,341	21,981
General Cargo (a)	20,809	19,681	24,871	23,102	23,656	19,942	18,441	1,584	14,704	14,091
Bulk Materials Handling Plant										
	4,670	4,513	4,521	4,950	4,552	3,561	3,694	4,808	3,847	2,979
Grain Elevator #2	2,042	1,560	2,097	1,746	1,606	1,331	1,050	1,351	1,939	1,990
Other Bulk Movements										
Bulk (Excluding Bayport Companies) (b)	3,796	3,110	3,753	3,427	3,538	3,731	3,164	2,852	2,851	2,920
Bulk Bayport companies	8,929	7,922	7,496	7,194	7,084	6,333	6,423	5,823	5,319	5,479
Barbours Cut Terminal										
Bulk (b)	3	2	4	-	-	3	1	1	-	-
General Cargo (a)	9,598	9,420	11,817	14,004	15,226	14,267	12,955	11,127	10,185	9,005
Bayport Container Terminal										
General Cargo (a)	6,568	5,803	4,199	1,522	-	-	-	-	-	-
Steel (a)										
Import	2,296	2,405	5,976	4,406	5,385	2,559	2,618	1,403	1,970	2,367
Export	425	251	310	336	243	243	180	178	107	115
Autos - Turning Basin										
Tons - Import (a)	110	73	116	114	96	121	114	143	132	122
Export (a)	16	24	32	22	18	25	20	14	10	11
Units - Import	59	41	64	61	51	65	63	81	81	76
Export	7	12	12	8	7	11	9	7	4	4
Bagged Goods (a)										
Import	50	1	16	44	58	39	59	66	142	37
Export	206	352	346	562	620	526	569	590	540	376
Container TEU	1,817	1,799	1,795	1,771	1,608	1,594	1,440	1,244	1,147	1,058

Source: The Authority

(a) Tonnage included in General Cargo above

(b) Tonnage included in Bulk Cargo above

Houston Ship Channel Including Port of Houston Authority

Vessel Arrivals
(unaudited)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
American Flag										
Break Bulk	29	20	15	17	24	15	34	24	23	16
Bulk Carrier	20	15	18	13	15	14	10	18	16	11
Containers	155	118	130	139	139	148	166	174	168	159
Roll-On/Roll-Off	4	3	9	7	13	10	12	9	22	15
Tankers	64	144	199	175	191	220	208	210	219	335
Tug Tow	298	280	410	470	402	164	165	384	457	382
Vehicle Carrier	6	2	4	12	16	12	4	7	3	3
Other	6	3	7	18	7	4	5	3	7	3
	582	585	792	851	807	587	604	829	915	924
Foreign Flag										
Break Bulk	812	781	893	866	802	757	659	705	754	948
Bulk Carrier	606	638	902	865	979	844	838	663	698	729
Containers	873	835	836	799	859	866	759	709	738	670
Roll-On/Roll-Off	65	102	129	125	154	154	169	137	176	396
Tankers	4,750	4,191	4,396	4,086	3,832	3,703	3,358	3,117	2,977	2,793
Tug Tow	-	-	1	-	-	-	-	-	-	-
Vehicle Carrier	97	73	39	49	34	66	50	79	81	57
Other	64	72	70	62	81	80	102	62	75	96
	7,267	6,692	7,266	6,852	6,741	6,470	5,935	5,472	5,499	5,689
Total Vessel Arrivals	7,849	7,277	8,058	7,703	7,548	7,057	6,539	6,301	6,414	6,613

Source: Piers Global Intelligence Solutions

Port of Houston Authority

PHA Public Wharves

Vessel Arrivals (continued)

(unaudited)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Turning Basin										
Ships	999	962	1,255	1,196	1,177	1,021	911	832	910	979
Barges	1,416	1,186	1,546	1,492	1,596	1,556	1,391	1,052	1,092	1,279
Bulk Plant, Jacintoport, Care Woodhouse, and HPG#2										
Ships	595	541	669	705	684	710	624	622	609	631
Barges	545	525	485	496	805	635	704	998	709	518
Barbours Cut and Galveston										
Ships	695	704	809	969	1,067	1,122	1,010	927	943	970
Barges	32	43	46	58	280	517	471	409	286	167
Bayport Container Terminal										
Ships	379	335	225	97	-	-	-	-	-	-
Barges	2	1	1	4	-	-	-	-	-	-
Bayport Companies										
Ships	704	652	611	632	583	518	466	494	511	480
Barges	2,115	1,754	1,657	1,620	1,597	1,597	1,483	1,305	1,241	1,223
Total PHA Arrivals										
Ships (a)	3,372	3,194	3,569	3,599	3,511	3,371	3,011	2,875	2,973	3,060
Barges	4,110	3,509	3,735	3,670	4,278	4,305	4,049	3,764	3,328	3,187

(a) Included in Total of Vessel Arrivals for the Houston Ship Channel

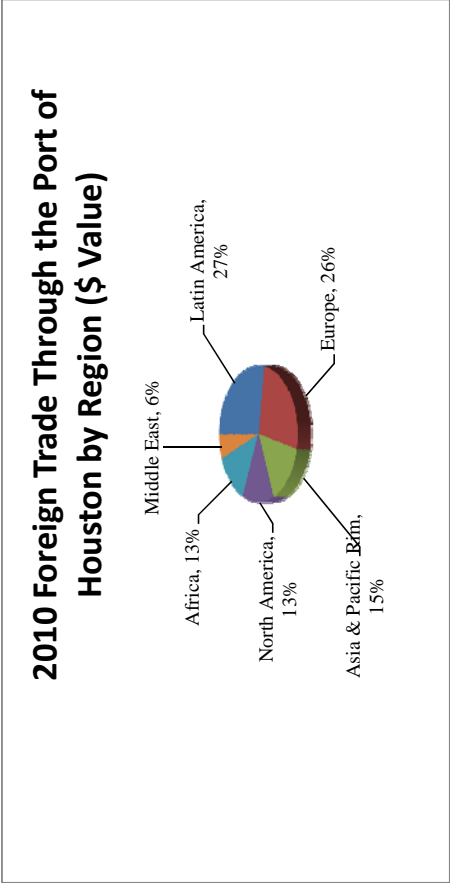
Port of Houston Authority
Bulk Commodity Statistics
 Last Ten Fiscal Years
 (in thousands)
 (short tons) (a)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Cement	-	-	-	-	158	179	-	-	-	-
Coke	4,673	4,518	4,563	4,979	4,404	3,382	3,660	4,808	3,835	2,970
Cotton Seed Oil	-	-	-	-	-	-	-	6	-	5
Fertilizer	27	26	37	-	-	-	3	-	24	-
Grain	2,042	1,560	2,097	1,746	1,606	1,331	1,050	1,351	1,939	1,990
Industrial Chemical	10,989	9,490	8,929	8,957	8,938	8,335	7,986	7,319	6,807	6,709
Molasses	121	206	234	156	347	283	330	344	281	464
Petroleum Products	549	343	125	43	32	72	71	73	53	156
Tallow	345	320	518	480	419	328	402	382	423	319
Dry Bulk	504	377	964	870	824	995	737	496	562	719
Vegetable Oil	159	252	375	64	-	-	-	-	-	-
Miscellaneous Bulk	28	14	24	23	53	51	93	56	31	36
Totals	19,437	17,106	17,866	17,318	16,780	14,956	14,332	14,834	13,955	13,368

Source: The Authority
 (a) Short tons equal 2000 pounds

Houston's Foreign Seaborne Trade by Region

Europe and Latin America are Houston's top seaborne trading partners.

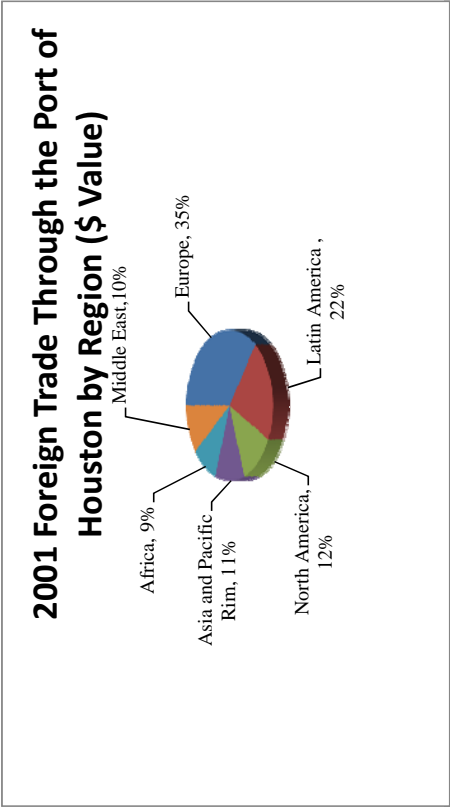


Latin America was Houston's top seaborne trading region in 2010, accounting for 27 percent of total foreign shipments through the Port of Houston. The countries of Europe account for 26 percent, making the region Houston's second largest trading area.

TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2010 (000s)				
	Imports	Exports	Total	Percent of World Total
Latin America	9,396,824	26,410,027	35,806,851	27%
Europe	17,246,379	16,957,158	34,203,537	26%
Asia & Pacific Rim	7,655,405	11,973,929	19,629,334	15%
North America	11,249,611	6,059,505	17,309,116	13%
Africa	10,624,700	5,737,960	16,362,660	13%
Middle East	3,937,221	3,587,473	7,524,694	6%
Worldwide Total	60,110,140	70,726,052	130,836,192	100%
Source: U.S. Dept. of Commerce, Bureau of Census				

Houston's Foreign Seaborne Trade by Region

Europe and Latin America are Houston's top seaborne trading partners.



Europe was Houston's top seaborne trading region in 2001, accounting for 35 percent of total foreign shipments through the Port of Houston. The countries of Latin America account for 22 percent, making the region Houston's second largest trading area.

TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2001 (000s)				
	Imports	Exports	Total	Percent of World Total
Europe	9,497,346	6,131,622	15,628,968	35%
Latin America	3,971,163	5,949,005	9,920,168	22%
North America	3,545,896	1,811,531	5,357,427	12%
Asia & Pacific Rim	2,509,188	2,303,260	4,812,448	11%
Middle East	3,265,805	1,401,133	4,666,938	10%
Africa	2,177,497	1,925,111	4,102,608	9%
Worldwide Total	24,966,895	19,521,662	44,488,557	100%
Source: U.S. Dept. of Commerce, Bureau of Census				

Port of Houston Authority
Number of Authority Employees by Type
 Last Ten Fiscal Years
 (unaudited)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Exempt Employees	183	182	177	160	146	141	130	127	125	107
Non-Exempt Employees	409	410	418	420	414	379	367	365	356	366
Total Employees	<u>592</u>	<u>592</u>	<u>595</u>	<u>580</u>	<u>560</u>	<u>520</u>	<u>497</u>	<u>492</u>	<u>481</u>	<u>473</u>
Hourly Employees (in above)	152	157	162	158	154	147	135	133	130	135
Operations Staff	143	143	148	143	140	127	112	111	110	112
General & Administrative Staff	400	400	403	382	360	337	329	324	314	303

Source: The Authority

