



# Port of Houston Authority

## Comprehensive Annual Financial Report

For the Year Ended December 31, 2011



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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 Years Ended December 31, 2011 and 2010**

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



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**Comprehensive Annual Financial Report**  
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## **Introductory Section**







## PORT OF HOUSTON AUTHORITY

April 18, 2012

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, 2011. 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 auditors' 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 578 regular employees as of December 31, 2011 and during 2011 employed 206 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 includes over 150 privately owned facilities along the upper half of the channel. 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. Empty container storage yards at BCT are leased to Integrated Marine Services while Terminal Link, LLC and Houston Terminal, LLC lease similar yards at Bayport Container Terminal ("Bayport"). 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 includes undeveloped channel frontage. Much of this property is leased or rented to companies and other 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 in 2011 opened new Administration, Maintenance and Repair and Marine Emergency buildings at the Bayport Terminal.

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 U.S. and global economies are gradually recovering from the impact of the Great Recession, which lasted from December 2007 to June 2009 according to the National Bureau of Economic Research.

In 2011 the U.S. economy grew 1.7% after adjusting for inflation and has been accelerating since the first quarter of 2011. According to the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters released in February 2012, real GDP (gross domestic product) is projected to grow at 2.3% in 2012 and 2.7% in 2013, which is not high by historical standards.

The labor market is also showing improvement. The annual average U.S. unemployment rate for 2011 was 8.9% according to the Bureau of Labor Statistics, a fall from the 9.6% average in 2010. The rate continues to trend downwards. According to the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters, the unemployment rate is forecast to continue to decline, reaching 6.7% by 2015.

However, the global economy is not faring as well as the domestic economy; Europe may already be in a recession. The European Central Bank Survey of Professional Forecasters released in February 2012 forecasts that the Eurozone economy will shrink by 0.1% in 2012. Most other countries in the world will experience slowing economic growth in 2012, including China, India, Canada and Mexico, according to the International Monetary Fund World Economic Update and begin to improve again in 2013.

The Authority should benefit from the strengthening U.S. economy, but may be negatively impacted by the weakening global economy. The net effect on the Authority in 2012 is uncertain. However, the positive outlook for 2013 and beyond should set the groundwork for sustained growth.

### **Financial Planning**

Although the U.S. economy appears to be gaining momentum, the financial crisis in Europe and slower growth in Asia may impact international trade and global markets in the near term. It is prudent for the Authority to continue to evaluate and assess its risks and opportunities. Management will be challenged to hold down discretionary spending to preserve liquidity, and also pursue activities that generate additional revenues and positive cash flows.

For 2012, the Authority budgeted total operating revenues of \$214.8 million. This represents an 8% increase over the 2011 budget of \$198.5 million, primarily due to growth of import and export loads and a 9% increase in certain security fees. There is no general tariff increase reflected in the 2012 budget. Total operating, general and administrative expenses are budgeted at \$210.5 million, an increase of 5% versus the prior year budget of \$200.8 million,

driven primarily by increases in International Longshoremen's Association ("ILA") contract wages, rising medical and life insurance costs, as well as replacing normal staff attrition. There is no general salary increase approved for 2012. Excluding revenues and expenses related to property taxes, the Authority projects net income of \$9.7 million for 2012, compared to \$3.5 million budgeted in 2011. Our operations are expected to generate annual cash flows of \$60-80 million over the next several years.

The Authority invested \$45.5 million in capital improvements during 2011, of which \$19.7 million was funded using proceeds of tax bonds issued in prior years. The balance of \$25.8 million was covered from the Authority's general fund. The Authority plans to seek additional debt financing in 2012 in order to further develop and enhance its capital assets.

Significant infrastructure improvements will be required in the next few years to ensure that the Authority and the Port of Houston can accommodate the advent of larger vessels and increased cargo resulting from changes in shipping fleets, the pending Panama Canal expansion in 2014, as well as the expected future demographic growth in the region. Maintaining and improving efficiency at the public terminals through more modern facilities and equipment is essential to meeting one of our mandates – to promote and facilitate commerce to benefit not only our local partners, but also Texas and the nation.

In 2012, the Authority expects to commit \$206 million for various capital projects. Approximately \$146 million will be allocated to our container terminals for continuing development of Bayport and modernization at Barbours Cut. In addition, as local sponsor of the Houston Ship Channel, we will reserve about \$5 million for maintenance dredging and related improvements. The remaining 2012 capital budget will be used primarily for projects at the general cargo and bulk terminals in the Turning Basin area and for port security.

## **Major Initiatives**

### ***Terminal Improvements***

The Authority completed several major initiatives in 2011 including the opening of the Administration, Maintenance and Repair and Marine Emergency buildings at Bayport as well as implementation of the Phase 2 expansion of Port Road at Bayport, substantial completion of Stevedore Support Buildings 2 and 3 at Bayport and installation of wharf crane cameras. Also in 2011 the Barbours Cut Master Plan and wharf rehabilitation efforts began and the first 8,000 plus TEU (twenty foot equivalent units) vessels called at Bayport.

The completion of Port Road at Bayport expands the road to four lanes, two in each direction, allowing for better traffic flow and access in and out of the terminal. This meets the growing demand of trucks visiting the terminal for container delivery/receipt as overall volumes increase. The Stevedore Support Buildings, constructed of reused containers, provide a working office area for stevedore management of vessel operations as well as a break room and congregation area for ILA employees at the terminal. Cameras were installed on all wharf cranes at Bayport providing live video feeds of vessel operations. These video feeds provide Operations with better visibility of vessel operations, allowing for better management of resources, improving vessel productivity, as well as assisting Maintenance with technical issues and troubleshooting for repairs. The highlight of 2011 was the arrival of 8,000 plus TEU vessels at Bayport. These ships are the largest container vessels to call at the Port of Houston. This class of ships is expected to be the 'workhorse' carrier of containerized traffic through the region for the coming years.

The next stage of expansion is the Phase 3 gate facility at Bayport, scheduled to be completed in late 2012. This will facilitate the implementation of SPARCS N4, the new terminal operating system, which will migrate to BCT after successful Bayport implementation.

The year 2011 also marked the beginning of the Barbours Cut Master Plan Redevelopment Program which includes wharf rehabilitation, allowing for larger, more advanced wharf cranes. This redevelopment will preserve BCT as a first class container facility.

Recognizing the economic value of the Authority's Turning Basin operations, plans are underway to improve access to these facilities with reconstruction of the Upper Level Road, to demolish underutilized storage facilities and expand capacity at the East Industrial Park.

The Authority continuously evaluates its strategic plans to ensure a competitive advantage and high service levels to carriers and customers by optimizing expansion and redevelopment activities.

### ***Port Security and Emergency Operations***

In July 2011, the Port Security and Emergency Operations Division was established, including Emergency Operations, the Marine Department (including the Port Fire Department), Credentialing and the Port Police. An Emergency Management Coordinator was hired to guide Port Authority preparedness for any contingency. The combination of these services under one Division better establishes and clarifies the critical focus on safety and security required to maintain the flow of commerce.

In March 2011, ABS Quality Evaluations, Inc., the ISO certifying agency, recertified the Authority's Port Police Department, Manchester, Barbours Cut and Bayport Container Terminals to the ISO 28000 Standard for Supply Chain Security. This demonstrates not only conformance to the standard, but also a strong record of continual improvement in its perimeter security function. Efforts to add the Turning Basin Terminal to the standard are ongoing.

Another major initiative was the ordering of three state-of-the-art fire boats, utilizing a Port Security Grant from the Department of Homeland Security, to replace the aging fleet currently in use. The first new fire boat is expected to be delivered in late 2012. In addition to upgraded pumping capacity for fire fighting, the new fire boats include side scan sonar, radiation detection, air monitoring equipment, jet drive technology, and triple the speed of the current fleet for greatly reduced response times in the nation's largest petrochemical complex.

### ***Air Quality Program***

The Authority continued to build upon its successes and received accolades for its stakeholder partnerships designed to achieve clean air goals in 2011. As a result of those stakeholder partnerships, we received the distinguished 2011 Environmental Protection Agency ("EPA") Gulf of Mexico Gulf Guardian Award (first place) in the bi-national category for fuel switching programs in international ports. The project partners included the EPA Office of International Affairs ("OIA"), Maersk Line, Hamburg Süd and the Authority.

The Authority leveraged its fuel switching experience with Maersk Line and was awarded a Diesel Emission Reduction Act ("DERA") grant in 2010 for \$1.5 million to fund the incremental cost of lower sulfur fuel versus bunker fuel for Maersk vessels calling within 24 nautical miles of the Port of Houston. The Authority successfully completed its fuel switching program with Maersk in 2011, where a rotation of 26 different vessels made a total

of 163 calls at the Authority's Barbours Cut Container Terminal, reducing 35 tons of Nitrogen Oxide ("NOx"), 1,353 tons of Sulfur Dioxide ("SO2"), 50 tons of particulate matter ("PM") PM10, 46 tons of PM2.5 and 441 tons of Carbon Dioxide ("CO2") during the project.

In 2011, the Authority was awarded a second DERA grant for fuel switching activities in the amount of \$ 0.9 million. The Authority has been working with shipping lines to find a viable candidate to participate in this program in 2012-2013. It should be noted that both the Maersk fuel switching project and the future fuel switching grant project involve the use of low sulfur fuel (0.1% sulfur) years before compliance with the North America Emission Control Area of 2015.

### ***Environmental Stewardship***

The Houston-Galveston Area Council ("H-GAC") and the Texas Commission on Environmental Quality ("TCEQ") awarded the Port Authority a \$66,500 Solid Waste Grant to address the ongoing challenge of floating debris. The objective of the grant was to prevent litter and promote recycling at the Authority's terminals by independent truckers, stevedores, tenants, users, employees and visitors. The effort goes beyond educational materials and includes the purchase of heavy-duty trash and recycling bins that were strategically placed at Turning Basin, Barbours Cut, and Bayport Terminals.

### ***Employee Commuter Program***

The Authority and its employees are an advocate for commuter solutions through its voluntary vanpool program, which is part of the METROVan program, sponsored by the Houston Metropolitan Transportation Authority ("METRO") and recognized by H-GAC as a "Clean Air Champion".

Annual benefits of the vanpool program, which has a total of 9 vans and 57 riders, include:

- Approximately 675,000 fewer miles driven by employees
- Reduction of NOx by 0.35 tons, Volatile Organic Compounds ("VOC") by 0.40 tons, and CO2 by 369 tons
- 32,800 less gallons of gasoline consumed

### ***International Organization for Standardization ("ISO") Certifications***

The foundation for the Authority's sustainability activities is the Environmental Management System, which 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.

As mentioned above, in 2011 ABS Quality Evaluations, Inc., the ISO certifying agency, recertified the Authority's Port Police Department, Manchester, Barbours Cut, and Bayport Container Terminals to the ISO 28000 Standard for Supply Chain Security relating to Perimeter Security.

These initiatives support the Authority's mission of facilitating commerce and maintaining safe and secure waterways to promote sustainable trade and generate economic development for the local region, Texas, and the nation. The Authority seeks to be a model environmental steward and a community-focused and fiscally responsible organization.

## **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.

It is the policy of the Authority to record non recurring, non operations related sources of income outside of the Operating income / (loss) section of the Statements of Revenues, Expenses and Changes in Net Assets. Accordingly, during 2011 the Authority recognized \$3.3 million in insurance recoveries for fire damage caused by an insured property loss in the Nonoperating revenues (expenses) section of the 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, with oversight from the Audit Task Force of the Port Commission, 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. Due to inherent limitations in any internal control, misstatements arising from 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 statutory 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, 2011 and 2010 listed in the foregoing Table of Contents were audited by independent auditors selected by the Port Commission. The audit opinions, rendered by Grant Thornton LLP for December 31, 2011 and 2010, are included in the financial section of this report.

## Certificate of Achievement

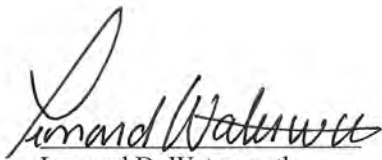
The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Port of Houston Authority of Harris County, Texas for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2010. This was the 37th 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.


### Acknowledgements

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 and other departments. We express our appreciation to all who assisted and contributed to the preparation of this report.

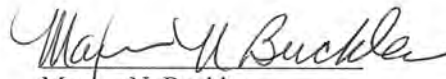
In closing, we would like to thank the members of the Port Commission and all the officials of the Authority for their support in planning and conducting the financial affairs of the Authority in a responsible and progressive manner, to ensure fiscal transparency and accountability, and to maintain the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



Leonard D. Waterworth  
Interim Executive Director



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  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2010

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.



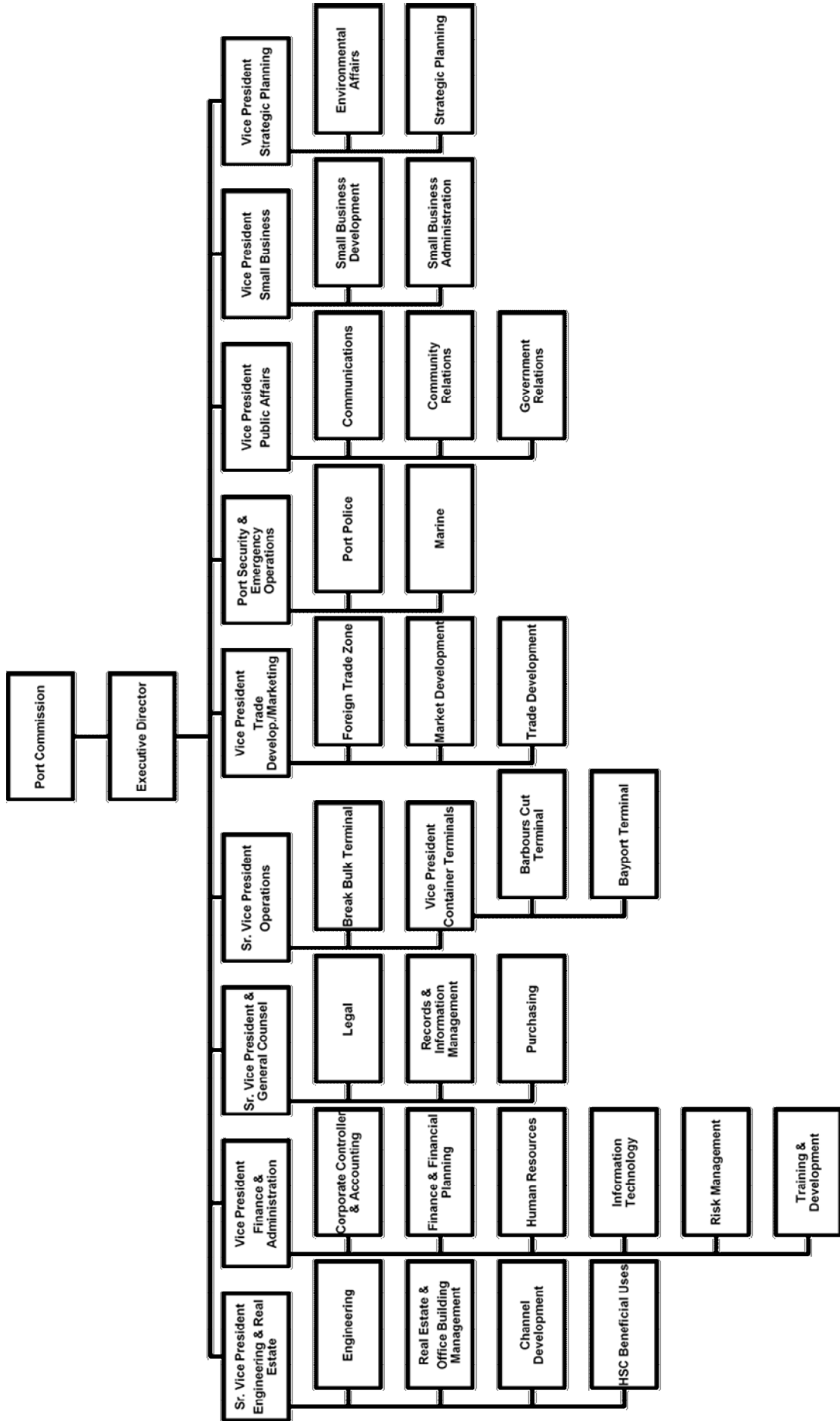
*Linda C. Davidson*

President

*Jeffrey R. Emer*

Executive Director

# Port of Houston Authority Organization 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**

Leonard Waterworth, Interim Executive Director  
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 Trade Development & Marketing  
Gilda Ramirez, Vice President of Small Business  
Olga Rodriguez, Vice President of Public Affairs  
Marcus Woodring, Senior Director, Port Security and Emergency Operations  
Maxine N. Buckles, Corporate Controller  
Orlando Sanchez, County Treasurer  
Barbara J. Schott, CPA, County Auditor



## **Financial Section**





## Report of Independent Certified Public Accountants

Port Commission  
Port of Houston Authority of Harris County, Texas

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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 years ended December 31, 2011 and 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 audits provide 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, 2011, 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.

Accounting principles generally accepted in the United States of America require that 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 14 through 22 and 63 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally

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

accepted in the United States of America established by the American Institute of Certified Public Accountants. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were 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 section have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on them.

*Grant Thornton LLP*

Houston, Texas  
April 18, 2012

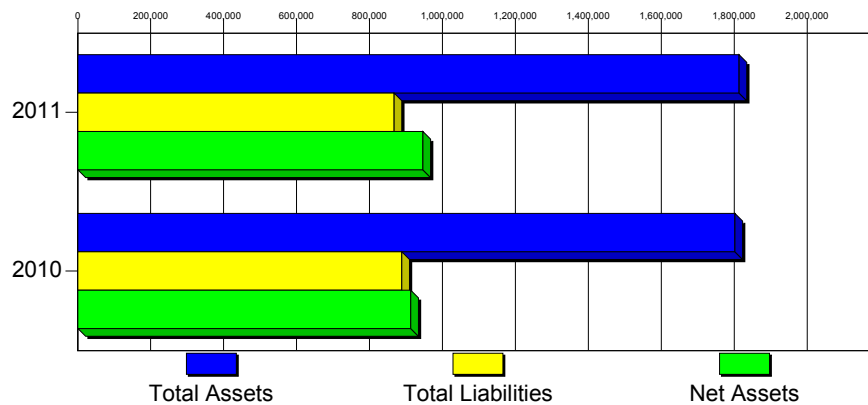


**Port of Houston Authority of Harris County, Texas**  
**Management Discussion and Analysis**  
**For the Years Ended December 31, 2011 and 2010**  
(unaudited)

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, 2011 and December 31, 2010. 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**

**Selected Balance Sheet Data**  
(\$000)



- The net assets of the Authority at December 31, 2011 were \$946,146. Of this amount, \$260,331 is considered unrestricted net assets.
- The Authority’s net assets increased by \$33,006 for the fiscal year ended December 31, 2011.
- The Authority’s total assets increased by \$11,943 during the fiscal year ended December 31, 2011. The major components of this change were the net increase in current and other assets of \$24,366 and a decrease in capital assets of \$12,423.
- The Authority’s total liabilities decreased by \$21,063 during the fiscal year ended December 31, 2011. The major components in this change were the decrease of \$15,036 in long term debt, net of current maturities, and a decrease of \$9,693 in other non-current liabilities, offset by an increase of \$3,666 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 issued prior to November 30, 1989.

### **Overview of the 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”), which is included in 2010 only. Financial information for these component units is reported in conjunction with the primary government. In April 2011, the Port Commission acting on behalf of the Authority, and as the Board of POHAIC, approved the dissolution of POHAIC.

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 8 and 9 to the Financial Statements for additional information.

### **Financial Analysis**

The largest portion of the Authority’s net assets (61.7%) 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 (10.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (27.5%) may be used to meet the Authority’s ongoing obligations to

employees and creditors.

**Port of Houston Authority Condensed Statement of Net Assets**  
(in thousands)

	2011	2010	2009
Current and other assets	\$ 451,551	\$ 427,185	\$ 340,515
Capital assets	<u>1,362,177</u>	<u>1,374,600</u>	<u>1,281,000</u>
Total assets	<u>1,813,728</u>	<u>1,801,785</u>	<u>1,621,515</u>
Long-term liabilities (including current portion)	830,336	854,060	669,007
Other liabilities	<u>37,246</u>	<u>34,585</u>	<u>57,944</u>
Total liabilities	<u>867,582</u>	<u>888,645</u>	<u>726,951</u>
Invested in capital assets, net of related debt	583,960	582,352	655,571
Restricted net assets	101,855	127,820	47,582
Unrestricted	<u>260,331</u>	<u>202,968</u>	<u>191,411</u>
Total net assets	<u>\$ 946,146</u>	<u>\$ 913,140</u>	<u>\$ 894,564</u>

The Authority's net assets increased by \$33,006 during the fiscal year ended December 31, 2011. Net assets invested in capital assets net of related debt increased \$1,608 with a net decrease in capital assets of \$12,423 and an increase in outstanding debt of \$14,031. During fiscal year 2011, restricted net assets decreased \$25,965 mainly as a result of increased tax receipts offset by the use of restricted proceeds for construction. Unrestricted net assets increased \$57,363.

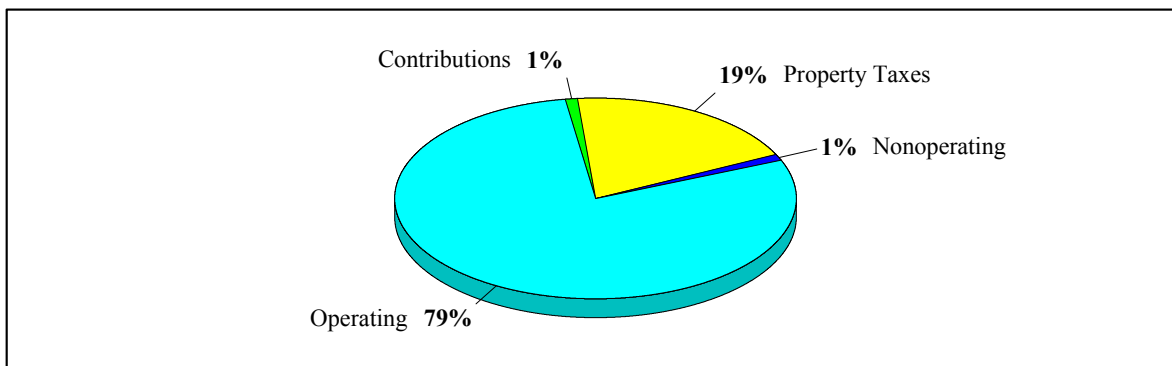
The Authority's net assets increased by \$18,576 during the fiscal year ended December 31, 2010. During fiscal year 2010, net assets invested in capital assets net of related debt decreased \$73,219 with a net increase in capital assets of \$93,600 and an increase in outstanding debt of \$166,819. During 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.

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

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

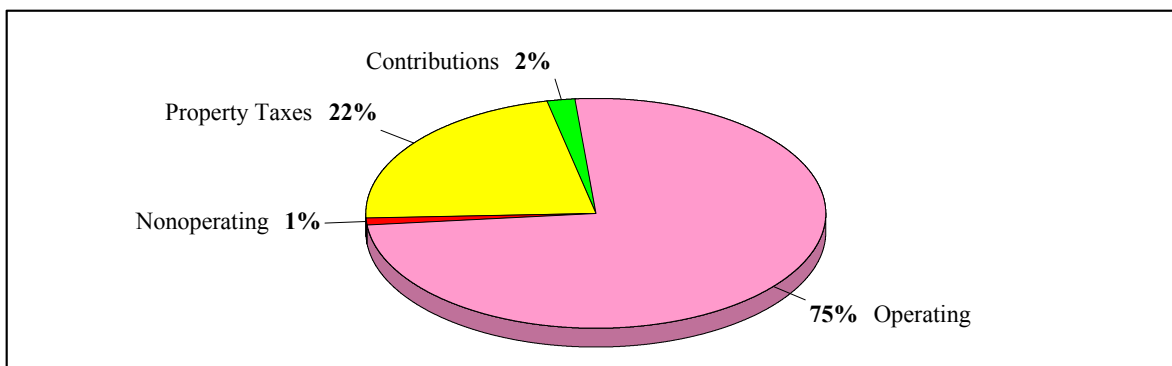
	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Operating revenues:</b>			
Vessel and cargo services	\$ 177,405	\$ 159,799	\$ 144,365
Rental of equipment and facilities	22,030	20,346	20,524
Grain elevator	1,923	911	1,155
Bulk materials	2,131	2,368	2,243
Other	3,356	3,272	2,040
<b>Nonoperating revenues:</b>			
Investment income	3,123	3,573	4,136
Contribution in aid of construction	1,077	-	-
Other, net	2,765	3,836	4,588
<b>Nonoperating revenues related to property taxes:</b>			
Property taxes	50,573	54,919	46,911
Investment income / (loss) on bond proceeds	657	(47)	165
<b>Total Revenues</b>	<u>265,040</u>	<u>248,977</u>	<u>226,127</u>
<b>Operating expenses:</b>			
Maintenance and operations of facilities	97,461	95,918	88,124
General and administrative	39,894	51,742	57,827
Depreciation and amortization	55,661	53,731	48,035
<b>Nonoperating expenses:</b>			
Contribution to federal and state agencies	1,232	1,742	17,468
Loss on Disposal of Assets	-	3,294	-
<b>Nonoperating expenses related to property taxes:</b>			
Interest expense on unlimited tax bonds	36,957	27,886	26,072
Property tax expense	1,743	2,356	506
Other, net	525	480	901
<b>Total Expenses</b>	<u>233,473</u>	<u>237,149</u>	<u>238,933</u>
<b>Income before contributions</b>	31,567	11,828	(12,806)
Contribution from federal and state agencies	1,439	6,748	4,966
<b>Changes in net assets</b>	<u>33,006</u>	<u>18,576</u>	<u>(7,840)</u>
<b>Net assets, January 1</b>	<u>913,140</u>	<u>894,564</u>	<u>902,404</u>
<b>Net assets, December 31</b>	<u>\$ 946,146</u>	<u>\$ 913,140</u>	<u>\$ 894,564</u>

## 2011 Revenues



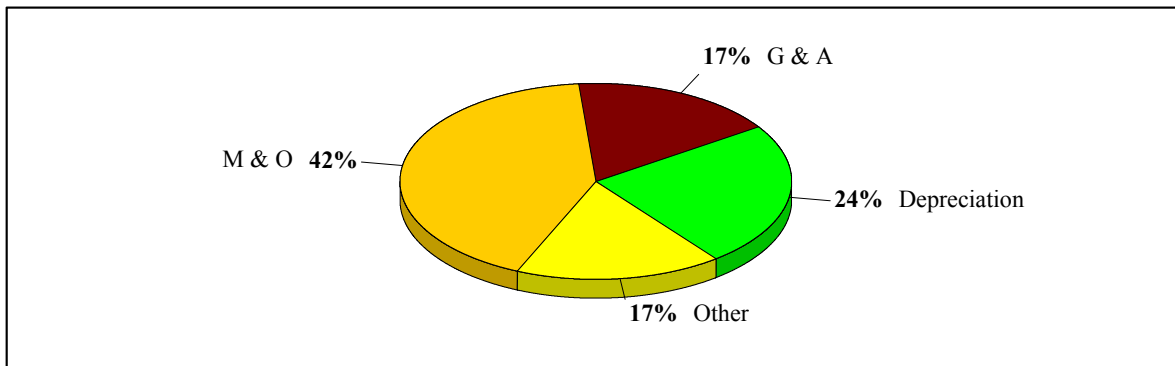
Vessel and cargo services revenues increased 11.0% in 2011 to \$177,405. Tariff rates were increased in 2011 over 2010 on average of between 2% and 3%. Volumes increased in general cargo (12%) and bulk grain (16%). Total Authority tonnage of 42 million tons increased 5% from 2010. Nonoperating revenues related to investment income in 2011 decreased \$0.5 million due to smaller investment balances and continued falling interest rates. Nonoperating revenues related to property taxes in 2011 decreased approximately \$4.3 million. This was due primarily to the decreased property tax rate from \$0.02054 in fiscal year 2010 to \$0.01856 in fiscal year 2011 per \$100 assessed valuation.

## 2010 Revenues



Vessel and cargo services revenues increased 10.7% in 2010 to \$159,799. Tariff rates were increased in 2010 over 2009 an 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 40.0 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 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.

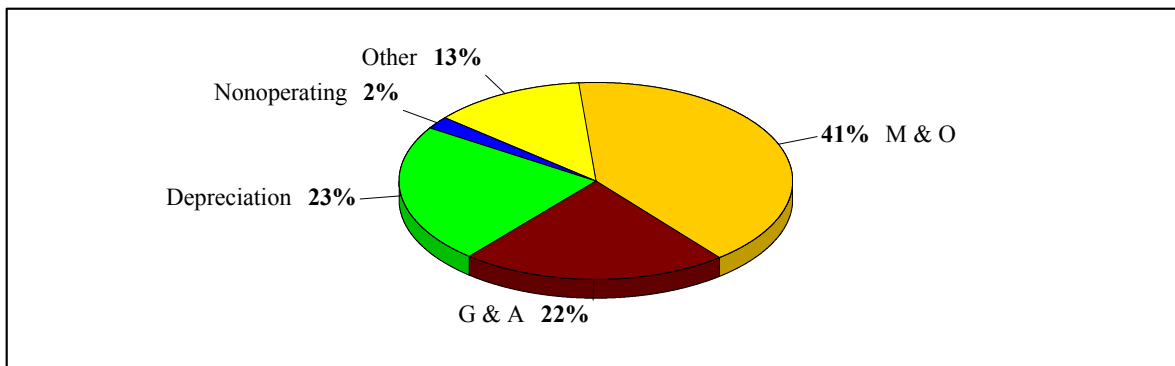
## 2011 Expenses



In 2011, maintenance and operations of facilities expenses increased by \$1.5 million (1.6%) from 2010. The majority of the increase was due to the following: a) an increase of \$3.2 million in contract labor; b) an increase of \$1.1 million in repairs and maintenance; c) an increase of \$0.5 million in utilities costs; and d) an increase of \$0.4 million in salary and wages offset by e) a decrease of \$2.2 million in employee taxes and benefits and f) a decrease of \$1.8 million in Other.

General and administrative expenses decreased by \$11.8 million (22.9%) from 2010. The majority of the decrease included the following: a) a decrease of \$5.0 million in employee taxes and benefits; b) a decrease of \$3.8 million in legal, consulting and professional fees; c) a decrease of \$0.9 million in advertising and promotion; and d) a decrease of \$0.5 million in contract labor and a decrease of \$1.1 million in various other categories. Depreciation and amortization increased \$1.9 million.

## 2010 Expenses



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.

## **Capital Asset and Debt Administration**

### **Capital assets**

The Authority's investment in capital assets as of December 31, 2011 totaled \$1,362.2 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 decrease in the Authority's investment in capital assets for the current fiscal year was \$12.4 million or 1.0%.

Major capital asset activity during 2011 included the following:

- Land and Channel Improvements increased by \$4.4 million due primarily to Bayport Terminal expansion and Houston Ship Channel projects.
- Buildings increased \$30.6 million due primarily to construction of Bayport.
- Improvements other than buildings increased \$16.7 million primarily due to construction at Turning Basin.
- Machinery and equipment net additions totaled \$3.0 million in 2011. The additions primarily consisted of the purchase of furniture for new buildings at Bayport and renovations at Turning Basin for \$0.9 million, IT network security for \$0.3 million, two (2) chiller units at Turning Basin for \$0.2 million and other machinery and equipment totaling \$0.6 million.
- Net capitalized interest of \$0.6 million was added to the cost of assets for 2011.
- Construction-in-progress decreased \$21.6 million in 2011 due primarily to the completion of construction projects at Bayport.
- Accumulated depreciation net of retirements increased by \$47.3 million in 2011.

The Authority's investment in capital assets as of December 31, 2010, was \$1,374.6 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 net increase in the Authority's investment in capital assets for 2010 fiscal year was \$93.6 million or 7.3%.

Major capital asset events 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.
- Machinery and equipment net additions totaled approximately \$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.
- Improvements other than buildings increased \$156.9 million primarily due to construction of Bayport.
- Net capitalized interest totaling \$4.6 million was added to the cost of assets for 2010.
- Construction-in-progress decreased \$95.3 million in 2010 due primarily to the

- completion of construction projects at Bayport.
- Accumulated depreciation increased \$42.2 million net of retirements in 2010.

**PORT OF HOUSTON AUTHORITY Capital Assets**  
(net of depreciation)  
(in thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Land and Channel Improvements	\$ 377,885	\$ 373,467	\$ 362,774
Land Use Rights - Intangible	10,167	10,155	-
Buildings	93,482	62,606	64,357
Improvements other than buildings	627,910	637,743	505,543
Railroads	28,487	28,922	30,204
Machinery and equipment	158,426	174,041	138,515
Computer Software - Intangible	4,228	4,507	1,114
Construction-in-progress	61,592	83,159	178,493
	<u>\$ 1,362,177</u>	<u>\$ 1,374,600</u>	<u>\$ 1,281,000</u>

Additional information on the Authority's capital assets can be found in Note 4 in the accompanying notes to the financial statements.

**Debt**

At the end of 2011, the Authority had total debt outstanding of \$778.2 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 on behalf of the Authority and collected by the Harris County Tax Assessor-Collector.

At the end of 2010, the Authority had total debt outstanding of \$792.2 million (net of deferred amounts), consisting of General Obligation Bonds.

**Outstanding Debt**  
**General Obligation, Bonds and Commercial Paper**  
(net of deferred amounts)  
(in millions)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Obligation Bonds			
Unlimited Tax Port Improvement Bonds	\$ 96.0	\$ 152.2	\$ 124.9
Unlimited Tax Refunding Bonds	<u>682.2</u>	<u>640.0</u>	<u>430.3</u>
Total General Obligation Bonds	778.2	792.2	555.2
Commercial Paper	<u>-</u>	<u>-</u>	<u>70.2</u>
Total Debt	778.2	792.2	625.4
Less Current Maturities	<u>(13.9)</u>	<u>(12.9)</u>	<u>(178.8)</u>
Long-Term Debt (net of deferred amounts)	<u>\$ 764.3</u>	<u>\$ 779.3</u>	<u>\$ 446.6</u>



During 2011, the Authority issued \$47.3 million par value of Series 2011A unlimited tax refunding bonds at a premium. The proceeds of the refunding bonds, including premiums and net of issuance cost, were used to fully repay \$52.2 million par value of Series 2001B improvement bonds.

The Authority's total debt principal decreased \$17.7 million during 2011. The key factors in this decrease were the debt service payment of \$12.9 million and the \$4.8 million reduction due to the issuance of the Series 2011A bonds to refund Series 2001B bonds.

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.

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 &amp; P</u>
2011	AAA	Aaa	AAA
2010	AAA	Aaa	AAA

Additional information on the Authority's debt can be found in Note 6 in the accompanying notes to the financial statements.

**Economic Factors**

During 2011, 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 the consumer price index ("CPI") increased 3.0% in 2011 on an unadjusted basis. An upward trend is expected to continue in 2012.
- The Authority's operations experienced moderate growth in 2011 as the total number of ships calling on ship channel docks increased in 2011 (8,073) versus 2010 (7,849).
- Overall container tonnage improved during the year as container ships that called at the Authority's docks carried more tons in 2011 (17,735) versus 2010 (17,038).

The above factors were considered in preparing the Authority's budget for the 2012 fiscal year. Moderate economic growth is anticipated during 2012 as the U.S continues its recovery from the recession.

**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, 2011 and 2010

(in thousands)

	2011	2010
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 200,520	\$ 47,457
Short-term Investments	30,072	90,800
Receivables (net of allowance for uncollectibles)	24,051	26,317
Restricted assets		
Cash and cash equivalents	71,561	39,508
Short-term Investments	5,008	25,000
Property tax receivables	40,398	44,615
Inventories	390	449
Prepays and deferred charges	4,479	4,715
Total Current Assets	376,479	278,861
<b>Non-current Assets</b>		
Investments Long-Term	65,197	100,198
Restricted assets		
Investments LT	-	34,710
Deferred charges	9,875	13,416
<b>Capital Assets (net of accumulated depreciation)</b>		
Land and Channel Improvements	377,885	373,467
Land Use Rights - Intangible	10,167	10,155
Buildings	93,482	62,606
Improvements other than buildings	627,910	637,743
Railroads	28,487	28,922
Machinery and equipment	158,426	174,041
Computer Software - Intangible	4,228	4,507
Construction-in-progress	61,592	83,159
Total Capital Assets	1,362,177	1,374,600
Total Non-current assets	1,437,249	1,522,924
Total Assets	\$ 1,813,728	\$ 1,801,785

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, 2011 and 2010

(in thousands)

	2011	2010
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities	22,314	17,412
Deferred revenue	1,470	1,537
Liabilities payable from restricted assets:		
Current maturities of long-term debt		
Unlimited tax bonds	13,905	12,900
Accrued interest payable		
Unlimited tax bonds	9,396	11,288
Contracts payable and accrued liabilities	4,066	4,348
Total current liabilities payable from restricted assets	27,367	28,536
Total Current Liabilities	51,151	47,485
<b>Non-current Liabilities</b>		
Long-term debt, net of current maturities	764,312	779,348
Other non-current liabilities		
Due in more than one year	52,119	61,812
Total Non-current Liabilities	816,431	841,160
Total liabilities	867,582	888,645
<b>Commitments and Contingencies (Note 11)</b>		
<b>Net Assets</b>		
Invested in capital assets, net of related debt	583,960	582,352
Restricted for:		
Capital	60,204	79,270
Debt Service	41,455	44,248
Other	196	4,302
Unrestricted	260,331	202,968
Total net assets	946,146	913,140
Total Liabilities and Net Assets	\$ 1,813,728	\$ 1,801,785

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, 2011 and 2010**  
(in thousands)

	2011	2010
<b>Operating revenues</b>		
Vessel and cargo services	\$ 177,405	\$ 159,799
Rental of equipment and facilities	22,030	20,346
Grain elevator	1,923	911
Bulk materials	2,131	2,368
Other	3,356	3,272
Total	206,845	186,696
<b>Operating expenses</b>		
Maintenance and operations of facilities	97,461	95,918
General and administrative	39,894	51,742
Depreciation and amortization	55,661	53,731
Total	193,016	201,391
<b>Operating income / (loss)</b>	13,829	(14,695)
<b>Nonoperating revenues (expenses)</b>		
Investment income	3,123	3,573
Contribution to federal and state agencies	(1,232)	(1,742)
Contribution in Aid Construction	1,077	-
Loss on Disposal of Assets	-	(3,294)
Other, net	2,765	3,836
Total	5,733	2,373
<b>Income / (loss) before nonoperating revenues (expenses) related to property taxes</b>	19,562	(12,322)
<b>Nonoperating revenues (expenses) related to property taxes</b>		
Property taxes	50,573	54,919
Investment income / (loss) on bond proceeds	657	(47)
Interest expense on unlimited tax bonds	(36,957)	(27,886)
Property tax expense	(1,743)	(2,356)
Other, net	(525)	(480)
Total	12,005	24,150
<b>Income before contributions</b>	31,567	11,828
<b>Contribution from federal and state agencies</b>	1,439	6,748
<b>Change in net assets</b>	33,006	18,576
<b>Net Assets, January 1</b>	913,140	894,564
<b>Net assets, December 31</b>	\$ 946,146	\$ 913,140

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, 2011 and 2010

(in thousands)

	2011	2010
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 209,494	\$ 178,276
Cash paid to suppliers for goods and services	(36,190)	(81,902)
Cash paid to employees for services	(58,865)	(58,155)
Cash paid for employee benefits	(29,502)	(18,815)
Cash paid for other services	(7,479)	(8,117)
Cash from other services	-	1,770
Cash (paid) / received for other purposes	(7,232)	3,759
Net cash provided by operating activities	70,226	16,816
<b>Cash flows from noncapital financing activities:</b>		
Repayment of advances from developer	(1,621)	(735)
Property taxes received	54,098	48,742
Contributions paid to others	(1,232)	(1,742)
Property tax collection expenses paid	(1,537)	(1,438)
Net cash provided by noncapital financing activities	49,708	44,827
<b>Cash flows from capital and related financing activities:</b>		
Contributions received from state and federal agencies	1,439	6,748
Proceeds from issuance of long-term debt	47,345	459,037
Long-term debt issuance benefits (costs)	1,308	(3,577)
Repayment of long-term debt and funding of escrow	(65,090)	(291,687)
Interest on long-term debt	(37,073)	(27,846)
Acquisition and construction of capital assets	(37,393)	(143,631)
Proceeds from retirement of assets	249	123
Net cash used in capital financing activities	(89,215)	(833)
<b>Cash flows from investing activities:</b>		
Purchase of investments	(200,000)	(410,386)
Proceeds from maturities of investments	350,800	368,760
Interest on investments	3,597	4,381
Net cash provided by / (used in) investing activities	154,397	(37,245)
<b>Net increase in cash and cash equivalents</b>	185,116	23,565
<b>Cash and cash equivalents, January 1</b>	86,965	63,400
<b>Cash and cash equivalents, December 31</b>	272,081	86,965
<b>Cash and cash equivalents Unrestricted</b>	200,520	47,457
<b>Cash and cash equivalents Restricted</b>	71,561	39,508

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, 2011 and 2010

(in thousands)

	2011	2010
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating income (loss)	13,829	(14,695)
Adjustments to reconcile operating loss to Net cash provided by operating activities:		
Depreciation and amortization	55,661	51,962
Impairment of capital assets	-	1,769
Provision for doubtful accounts	227	13
Miscellaneous nonoperating income (expense), net	2,820	3,956
Change in assets and liabilities		
Decrease/(increase) in trade and other receivables	1,450	(8,563)
Increase in prepaids and deferred charges	(3,425)	(4,206)
Decrease (increase) in inventories	59	(161)
Decrease (increase) in deferred charges	3,228	(4,571)
Decrease in accounts payable and other liabilities	(3,697)	(4,951)
Increase in compensated absences	201	442
Decrease in deferred revenue	(127)	(4,179)
Net cash provided by operating activities	<u>\$ 70,226</u>	<u>\$ 16,816</u>
Noncash investing, capital and financing activities:		
Decrease in fair value of investments	(120)	(121)
Contributions to others	\$ 1,232	\$ 1,742

See accompanying notes to the financial statements.

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

Statement of OPEB Trust Net Assets  
For the Year Ended December 31, 2011  
(in thousands)

	<u>2011</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 8,000
Investments	-
Accrued investment income	-
Total Assets	<u>8,000</u>
<b>LIABILITIES</b>	
Administrative and investment expenses*	-
Total Liabilities	<u>-</u>
Net Assets	<u>\$ 8,000</u>

\* The Authority is responsible for funding the expenses related to the OPEB Trust Net Assets.

See accompanying notes to the financial statements.

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

Statement of Changes in OPEB Trust Net Assets

For the Year Ended December 31, 2011

(in thousands)

	<u>2011</u>
<b>ADDITIONS:</b>	
Employer Contributions	\$ 8,000
Net investment income (loss)	<u>-</u>
Total additions	<u>8,000</u>
<b>DEDUCTIONS:**</b>	
Benefit payments	-
Administrative expenses	<u>-</u>
Total deductions	<u>-</u>
Net increase in net assets	<u>\$ 8,000</u>

\*\*The Authority is responsible for funding the expenses related to the OPEB Trust Net Assets and will continue to fund Benefit payments on a pay-as-you-go basis. These deductions are included in the Statements of Revenues, Expenses and Changes in Net Assets and Statements of Cash Flows of the Authority.

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, 2011 and 2010  
(in thousands)

### **Note 1. Summary of Significant Accounting Policies**

#### **Reporting Entity**

The Port of Houston Authority of Harris County, Texas (“Authority”) is an independent political subdivision organized 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 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 local region and the nation.

## **Port of Houston Authority of Harris County, Texas**

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
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### **Note 1. Summary of Significant Accounting Policies (continued)**

#### **Blended Component Units (continued)**

As of December 31, 2010, POHAIC was considered a blended component unit of the Authority under the provisions of GASB Statement No. 14 as the Authority appoints a voting majority of POHAIC's board, is able to impose its will on POHAIC and the board of the Authority and POHAIC are the same. In April 2011, the Port Commission acting on behalf of the Authority, and as the Board of POHAIC, approved the dissolution of POHAIC. As of December 31, 2011 POHAIC is no longer presented as a blended component unit of the Authority.

#### **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, 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.

## **Port of Houston Authority of Harris County, Texas**

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
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### **Note 1. Summary of Significant Accounting Policies (continued)**

#### **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 4% 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.

#### **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 2011 and 2010 amounted to \$3.2 and \$2.2 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 unlimited tax commercial paper notes. 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

# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
(in thousands)

## Note 1. Summary of Significant Accounting Policies (continued)

### Property Taxes (continued)

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, 2011 and 2010 were \$996 and \$1,271, 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, 2011 and 2010 were \$0.01856 and \$0.02054, 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. Capitalized interest increased the cost of assets constructed by the Authority by \$594 and \$4,567 in 2011 and 2010, respectively.

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

Railroads	25-40 years
Buildings	10-40 years
Improvements other than buildings	10-50 years
Machinery and equipment	3-20 years
Computer software - Intangible	5 years

## **Port of Houston Authority of Harris County, Texas**

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
(in thousands)

### **Note 1. Summary of Significant Accounting Policies (continued)**

#### **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.

#### **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.

## **Port of Houston Authority of Harris County, Texas**

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
(in thousands)

### **Note 1. Summary of Significant Accounting Policies (continued)**

#### **Operating Revenues and Expenses (continued)**

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 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 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 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. The Authority has determined that requirements of GASB No. 57 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 adoption of this statement does not have an effect on the financial statements.

In December 2010, the GASB issued Statement No. 61, "The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34." This Statement is intended to improve financial reporting for a governmental financial

# **Port of Houston Authority of Harris County, Texas**

Notes to the Financial Statements  
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(in thousands)

## **Note 1. Summary of Significant Accounting Policies (continued)**

### **New Accounting Pronouncements (continued)**

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.

In June 2011, the GASB issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This statement is intended to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. 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.

## **Port of Houston Authority of Harris County, Texas**

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
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### **Note 1. Summary of Significant Accounting Policies (continued)**

#### **New Accounting Pronouncements (continued)**

In June 2011, the GASB issued Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53." This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This Statement is effective for financial statements for periods beginning after June 15, 2011. As with Statement No. 53, 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.

#### **Reclassifications and Presentation**

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

### **Note 2. Cash and Investments**

The Authority's cash and cash equivalents of \$272,081 and \$86,965 as of December 31, 2011 and 2010, respectively, are maintained in demand accounts, local government investment pools and money market mutual funds managed by major fund managers. The demand account balance at December 31, 2011 and 2010 was \$274,866 and \$91,013, respectively, of which the amount on deposit in demand accounts is fully covered by the Federal Deposit Insurance Corporation ("FDIC") or collateralized with securities held by the Authority's depository institution in 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 2011, many of the Authority's investments in U.S. government agency securities were called due to the low interest rate environment. The Authority invested a significant amount of such proceeds in cash and cash equivalents (including interest bearing bank deposits and local government investment pools), pending reassessment of its investment horizon and strategy.

In accordance with the Texas Public Funds Investment Act, the Authority may invest 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



## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
(in thousands)

### Note 2. Cash and Investments (continued)

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 or with state or national banks domiciled in the state of Texas. The Authority did not invest in repurchase agreements during 2011 or 2010.

*External Investment Pool* - During 2011 and 2010, 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 AA+ 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, 2011 included the following security which comprised more than 5% of the total portfolio (excluding cash and cash equivalents):

Toyota Motor Credit Corp. Commercial Paper	25%
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This security meets 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, 2011.

## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
(in thousands)

### Note 2. Cash and Investments (continued)

Security Type	<u>Ratings</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
<b>Agency Securities:</b>			
FHLMC NOTE	AA+/Aaa	\$ 15,014	0.51
FNMA NOTE	AA+/Aaa	<u>50,180</u>	1.81
<b>Total</b>		<u>65,194</u>	
<b>Commercial Paper:</b>			
TOYOTA CP	A-1+/P-1	<u>24,953</u>	0.43
<b>Total</b>		<u>24,953</u>	
<b>Equity Investment:</b>			
LyondellBasell Industries N.V.		72	-
<b>Municipal Bonds:</b>			
NY ST DORM AUTH	AAA/AA	5,008	0.10
NY, NY General Obligation Bond	AA/Aa2	<u>5,050</u>	0.38
<b>Total</b>		<u>10,058</u>	
<b>Total Fair Value</b>		<u>\$ 100,277</u>	
<b>Portfolio Weighted Average Maturity</b>			1.67

## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
(in thousands)

### Note 2. Cash and Investments (continued)

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

Security Type	<u>Ratings</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
<b>Agency Securities:</b>			
FHLMC NOTE	AAA/Aaa	\$ 14,901	0.31
FHLMC NOTE	AAA/Aaa	4,981	0.12
FHLMC NOTE	AAA/Aaa	25,090	0.48
FAMCA NOTE	Aa1/AA-	10,268	0.04
FNMA NOTE	AAA/Aaa	24,968	0.50
FNMA STEP NOTE	AAA/Aaa	20,000	0.30
FHLMC STEP NOTE	AAA/Aaa	9,875	0.28
FHLMC STEP NOTE	AAA/Aaa	<u>25,002</u>	0.48
<b>Total</b>		<u>135,085</u>	-
<b>Commercial Paper:</b>			
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	9,969	0.07
<b>Total</b>		<u>105,595</u>	-
<b>Municipal Bonds:</b>			
NY ST DORM AUTH	AAA/Aaa	4,998	0.61
NY, NY General Obligation Bond	AA/Aa2	<u>5,030</u>	0.89
<b>Total</b>		<u>10,028</u>	-
<b>Total Fair Value</b>		<u>\$ 250,708</u>	
<b>Portfolio Weighted Average Maturity</b>			1.60

*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, 2011 and 2010, 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, 2011 and 2010  
(in thousands)

## Note 3. Receivables

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

	<u>2011</u>	<u>2010</u>
<b>Trade receivables, net</b>		
Trade receivables	\$ 23,120	\$ 24,476
Damage claims receivable	393	228
Allowance For Doubtful Accounts	<u>(902)</u>	<u>(574)</u>
Trade accounts, net	22,611	24,130
<b>Other receivables</b>		
Interest receivable	241	826
Due from federal/state agency	1,189	1,360
Other	<u>10</u>	<u>1</u>
Total other receivables	<u>1,440</u>	<u>2,187</u>
<b>Total receivables, net</b>	<u>\$ 24,051</u>	<u>\$ 26,317</u>

## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
(in thousands)

### Note 4. Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements / Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land other than channel	\$ 102,380	\$ 184	\$ -	\$ 102,564
Land Use Rights - Intangible	10,155	12	-	10,167
Channel land	271,088	4,234	-	275,322
Construction-in-progress	83,159	38,545	(60,112)	61,592
	<u>466,782</u>	<u>42,975</u>	<u>(60,112)</u>	<u>449,645</u>
Total capital assets not being depreciated				
Capital assets being depreciated				
Buildings	127,243	35,599	(4,992)	157,850
Improvements other than buildings	929,624	16,865	(151)	946,338
Railroads	59,065	864	-	59,929
Machinery and equipment	329,757	2,797	192	332,746
Computer Software - Intangible	5,235	837	-	6,072
	<u>1,450,924</u>	<u>56,962</u>	<u>(4,951)</u>	<u>1,502,935</u>
Total capital assets being depreciated				
Less accumulated depreciation for				
Buildings	(64,637)	(4,562)	4,831	(64,368)
Improv other than buildings	(291,881)	(26,698)	151	(318,428)
Railroads	(30,144)	(1,299)	-	(31,443)
Machinery and equipment	(155,716)	(18,412)	(192)	(174,320)
Computer Software - Intangible	(728)	(1,116)	-	(1,844)
	<u>(543,106)</u>	<u>(52,087)</u>	<u>4,790</u>	<u>(590,403)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>907,818</u>	<u>4,875</u>	<u>(161)</u>	<u>912,532</u>
Total capital assets, net	<u>\$ 1,374,600</u>	<u>\$ 47,850</u>	<u>\$ (60,273)</u>	<u>\$ 1,362,177</u>

# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
(in thousands)

## Note 4. Capital Assets (continued)

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements / Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land other than channel	\$ 94,760	\$ 8,599	\$ (979)	\$ 102,380
Land Use Rights - Intangible	-	10,155	-	10,155
Channel land	268,015	5,388	(2,315)	271,088
Construction-in-progress	178,493	144,156	(239,490)	83,159
	<u>541,268</u>	<u>168,298</u>	<u>(242,784)</u>	<u>466,782</u>
Total capital assets not being depreciated				
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
	<u>1,240,607</u>	<u>219,390</u>	<u>(9,073)</u>	<u>1,450,924</u>
Total capital assets being depreciated				
Less accumulated depreciation for				
Buildings	(61,372)	(3,265)	-	(64,637)
Improv other than buildings	(267,213)	(24,668)	-	(291,881)
Railroads	(28,862)	(1,282)	-	(30,144)
Machinery and equipment	(143,201)	(21,544)	9,029	(155,716)
Computer Software - Intangible	(227)	(501)	-	(728)
	<u>(500,875)</u>	<u>(51,260)</u>	<u>9,029</u>	<u>(543,106)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>739,732</u>	<u>168,130</u>	<u>(44)</u>	<u>907,818</u>
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

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
(in thousands)

### Note 4. Capital Assets (continued)

GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries," requires that assets identified through events or changes in circumstances that are prominent and that denote the presence of indicators of impairment should have tests performed to determine whether the circumstance or change in condition results in an impairment as defined in the Statement.

While the utility of the Bayport Cruise Terminal has declined significantly and was unexpected, the Authority believes this impairment to be temporary in nature though the assets, specifically the Cruise Terminal building, have been idle for a period of time. The Authority will continue to review the productivity of these assets during 2012 for potential permanent impairment. The carrying value of the assets (original cost less accumulated depreciation) at December 31, 2011 was \$98,130.

During fiscal 2010, the Bardella Wharf Crane located in the Turning Basin Terminal was evaluated and its service utility determined to be permanently impaired due to technological changes in the shipping industry. An impairment charge of \$1,769 was included in the 2010 statements of revenues, expenses and changes in net assets.

## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
(in thousands)

### Note 5. 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, 2011 and 2010 were \$247 and \$245, respectively. As of December 31, 2011, future minimum rental obligations to be paid by the Authority under noncancelable operating leases are as follows:

<b>Year Ending</b>	<b>Future Minimum Lease Payments</b>
2012	\$ 167
2013	153
2014	41
Total	<u>\$ 361</u>

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 \$115,653 consisting of \$16,766 in buildings, \$61,189 in improvements, \$3,839 of machinery and equipment and \$33,859 of railroads with a total net book value of \$56,696 and current year depreciation of \$3,643. As of December 31, 2011, 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:

<b>Year Ending</b>	<b>Future Minimum Lease Rentals</b>
2012	\$ 18,214
2014	17,730
2015	14,733
2016	13,464
Thereafter	84,290
Total	<u>\$ 148,431</u>



## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
(in thousands)

### Note 6. 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, 2011 and 2010.

#### Changes in Long-Term Liabilities - 2011

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable					
Unlimited tax bonds	\$ 763,619	\$ 47,345	\$ (65,090)	\$ 745,874	\$ 13,905
Accreted interest on unlimited tax bonds	24	36	-	60	-
Less unamortized premiums / (discounts) and deferred loss	<u>28,605</u>	<u>5,693</u>	<u>(2,015)</u>	<u>32,283</u>	<u>-</u>
Total bonds payable	<u>792,248</u>	<u>53,074</u>	<u>(67,105)</u>	<u>778,217</u>	<u>13,905</u>
Other non-current liabilities					
OPEB obligation	42,710	5,386	(8,000)	40,096	-
Compensated absences	5,810	5,197	(5,346)	5,661	499 (1)
Deferred pipeline revenue	4,417	1,590	(1,534)	4,473	828 (1)
Advances from developer	9,361	2,240	(10,050)	1,551	-
Other	<u>819</u>	<u>1,754</u>	<u>(908)</u>	<u>1,665</u>	<u>-</u>
Total other non-current liabilities	<u>\$ 63,117</u>	<u>\$ 16,167</u>	<u>\$ (25,838)</u>	<u>\$ 53,446</u>	<u>\$ 1,327</u>

(1) Included in accounts payable and other current liabilities

The Authority issued long-term debt of \$47,345 in October 2011 which was used to refinance \$52,190 of higher interest rate bonds to lower the overall debt service cost of the outstanding debt.

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

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
(in thousands)

**Note 6. Long-Term Debt and Non-Current Liabilities (continued)**

**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 in unlimited tax bonds	-	24	-	24	-
Less unamortized premiums / (discounts) and deferred loss	<u>7,769</u>	<u>22,068</u>	<u>(1,232)</u>	<u>28,605</u>	<u>-</u>
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	<u>156</u>	<u>777</u>	<u>(114)</u>	<u>819</u>	<u>-</u>
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

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

# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
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## Note 6. Long-Term Debt and Non-Current Liabilities (continued)

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

### Outstanding Long Term Debt

	Original Issue	Interest Rate % *	Issue Date	Maturity	December 31	
					2011	2010
<b>General Obligation Bonds</b>						
<b>Unlimited Tax Refunding Bonds</b>						
Series 2000B	\$ 8,700	4.55-5.50	10/15/2000	2011	\$ -	\$ 710
Series 2002B	7,060	4.25-5.50	12/12/2002	2013	990	1,500
Series 2004	9,000	3.00-5.00	12/8/2004	2016	3,520	4,260
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	5.00	7/19/2006	2017	15,485	18,105
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	182,045
Series 2010A	38,095	1.00-5.00	2/17/2010	2019	29,680	33,485
Series 2010B	22,930	1.00-5.00	2/17/2010	2026	20,010	20,790
Series 2010C	30,254	2.00-5.37	2/3/2010	2033	29,934	30,254
Series 2010D-1	147,940	5.00	8/19/2010	2035	147,940	147,940
Series 2010E	22,330	2.00-5.00	8/19/2010	2038	22,330	22,330
Series 2011A	47,348	1.00-5.00	10/20/2011	2026	47,345	-
					654,674	616,814
Unamortized Premiums/(Discounts) and Deferred Loss, Net					27,502	23,227
Series 2010C and 2010E CAB Accretion, net					60	24
Unlimited Tax Refunding Bonds, Net					682,236	640,065
<b>Unlimited Tax Port Improvement Bonds</b>						
Series 2001A	17,300	5.00	11/1/2001	2026	-	580
Series 2001B	70,000	4.00-5.00	11/1/2001	2026	-	54,490
Series 2002A	16,000	3.00-5.00	12/12/2002	2027	5,535	6,070
Series 2010D-2	85,665	5.00	8/19/2010	2039	85,665	85,665
Total Unlimited Tax Port Improvement Bonds					91,200	146,805
Unamortized Premiums/(Discounts), Net					4,781	5,378
Unlimited Tax Port Improvement Bonds, Net					95,981	152,183
Total Debt					778,217	792,248
Less Current Maturities					(13,905)	(12,900)
<b>Long - Term Debt (net of unamortized premium/(discounts) and deferred loss)</b>					<b>\$ 764,312</b>	<b>\$ 779,348</b>

\* Interest rate of original issue

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

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
(in thousands)

**Note 6. Long-Term Debt and Non-Current Liabilities (continued)**

**Debt Service Requirements**

Total debt service requirements for outstanding bonds as of December 31, 2011 are as follows:

Year Ending December 31	<b>Bond Principal</b>	<b>Capital Appreciation Bond</b>	<b>Bond Interest</b>	<b>Total</b>
	<b>General Obligation</b>	<b>Accreted Interest</b>	<b>General Obligation</b>	
2012	\$ 13,905	\$ -	\$ 37,936	\$ 51,841
2013	14,345	-	37,505	51,850
2014	15,245	-	36,890	52,135
2015	15,950	-	36,194	52,144
2016	16,725	-	35,425	52,150
2017-2021	111,750	-	163,095	274,845
2022-2026	117,120	-	134,632	251,752
2027-2031	147,365	-	102,190	249,555
2032-2036	171,074	17,976	60,491	249,541
2037-2039	122,395	-	12,035	134,430
	<u>\$ 745,874</u>	<u>\$ 17,976</u>	<u>\$ 656,393</u>	<u>\$ 1,420,243</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, 2011 and 2010 were \$7,045 and \$19,830, respectively.

During 2011 the Authority issued Refunding Bonds Series 2011A to refund \$52,190 in bonds outstanding as of October 1, 2011. The Authority had no refunding or other bonds issued during 2011.

The table below illustrates the cash flow effect and the economic gain on bond refundings during 2011:

## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
(in thousands)

### Note 6. Long-Term Debt and Non-Current Liabilities (continued)

#### Bond Refundings (continued)

Bond Series	Refunding Issues		
	Types of Refunding	Cash Flow Difference (Decrease)	Economic Gain
2011A Bonds	Current Refunding	\$ (9,342)	\$ 7,281

#### 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 fund 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, 2011 and 2010. The estimated liability is updated annually for any tax-exempt issuance or changes in yields until payment of the calculated liability is due.

### Note 7. Bayport Facilities

Certain land and port facilities of the Bayport Container Terminal 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 \$1,551 and \$9,361 at December 31, 2011 and 2010, respectively. All such advances are to be repaid only from net revenues, if any, of the Bayport Container Terminal earned through the year 2013.

## **Port of Houston Authority of Harris County, Texas**

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
(in thousands)

### **Note 7. Bayport Facilities (continued)**

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, \$6,189 and \$10,658 through December 31, 2011 and 2010, 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 \$16,847 since 1997. The repayments during the years ended December 31, 2011 and 2010 were approximately \$7,810 and \$735, respectively.

### **Note 8. 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, P.O. Box 2562, Houston, TX 77252,

## **Port of Houston Authority of Harris County, Texas**

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
(in thousands)

### **Note 8. Retirement Plan (continued)**

#### **Plan Description (continued)**

Attention: Controller. The Authority's payroll for employees covered by the Plan for the plan fiscal years ended July 31, 2011 and 2010 was \$35,571 (79% of the total payroll of \$44,841) and \$34,939 (83% of the total payroll of \$42,299), respectively.

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 securities of a few issuers. The Plan's investment policy limits the amount that may be invested in any one issuer.

## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
(in thousands)

### Note 8. Retirement Plan (continued)

#### Concentration of Credit Risk (continued)

As of July 31, 2011 and 2010, the Plan had the following investments in excess of 5% of net investments.

	<u>2011</u>	<u>2010</u>
Goldman Sachs Financial Square Prime Obligations Fund (Cusip 38141W364)	\$ -	\$ 9,519,178
Meridian Growth Fund Inc. (Cusip 589619105)	16,770,922	- *
Total	<u>\$ 16,770,922</u>	<u>\$ 9,519,178</u>

\* Investment held did not exceed 5% of net investments.

It should be noted that the above investments are mutual funds that mitigate their credit risk by diversifying their holdings. The Goldman Sachs Financial Square Prime Obligations Fund is a money market mutual fund operating in accordance with Rule 2a-7 of the Investment Company Act of 1940. As such, it may only invest in U.S. dollar-denominated securities that are determined to present minimal credit risk and meet certain other criteria relating to maturity, portfolio diversification, portfolio liquidity and credit quality. The Meridian Growth Fund had net assets of approximately \$2.5 billion at December 31, 2011, with U.S. government obligations (4.1%) comprising the highest concentration in a single issuer, and the common stock of Mohawk Industries, Inc. (2.6%) ranked second highest.

#### 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.

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

a) Actuarial Valuation Date	<u>August 1, 2011</u>
b) Actuarial Value of Assets	\$123,763
c) Actuarial Accrued Liability (AAL)	\$132,495
d) Unfunded Actuarial Accrued Liability (UAAL) (c-b)	\$8,732
e) Funded Ratio (b/c)	93.4%
f) Annual Covered Payroll (Actuarial)	\$35,571
g) UAAL as a % of Covered Payroll (d/f)	24.5%



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

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
(in thousands)

**Note 8. Retirement Plan (continued)**

**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 Methods and Assumptions**

Actuarial Valuation Date	August 1, 2011	August 1, 2010	August 1, 2009
Actuarial Cost Method	Every 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%	7.25%	7.5%
Projected Salary Increases	3.0%-7.5%	3.0%-7.5%	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.

The required schedule of funding progress immediately follows the Notes to the Financial Statements and presents multi-year information regarding the actuarial value of plan assets relative to the actuarial liability for benefits.

**Plan Statistics  
For Plan Years July 31, 2011, 2010, and 2009**

	2011	2010	2009
Actuarial Determined Annual Pension Cost (APC)	\$10,809	\$9,857	\$7,357
Contribution Made	\$10,809	\$9,857	\$7,357
% of APC Contributed	100%	100%	100%
Net Pension Obligation	None	None	None

## **Port of Houston Authority of Harris County, Texas**

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
(in thousands)

### **Note 9. Post Employment Retiree Benefits**

#### **Plan Description**

In addition to pension benefits as described in Note 8, the Authority provides certain post employment health care benefits to eligible retired employees and their dependents under an agent multiple-employer defined benefit plan. At December 31, 2011 and 2010, there were 275 and 268 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, 2011 and 2010, the cost of retiree health benefits, recorded on a pay-as-you-go basis was \$1,638 and \$1,419, respectively. Retiree life benefit costs for 2011 and 2010 were \$127 and \$120, respectively.

During 2011 the Authority entered a multiple employer pooled account trust arrangement designed to prefund post-retirement benefits for the Authority's eligible

## **Port of Houston Authority of Harris County, Texas**

Notes to the Financial Statements  
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### **Note 9. Post Employment Retiree Benefits (continued)**

#### **Funding Policy (continued)**

retired employees and their eligible dependents. The PEB Trust Board of Trustees serves as the trustee for the assets. At December 31, 2011 the Authority had contributed \$8,000 in addition to the pay-as-you-go expenses referenced above.

#### **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.

#### **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 No. 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.

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

Notes to the Financial Statements  
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(in thousands)

**Note 9. Post Employment Retiree Benefits (continued)**

**Annual OPEB Cost and Net OPEB Obligation (continued)**

	<u>2011</u>	<u>2010</u>
Normal Cost at year end	\$ 3,034	\$ 7,073
Amortization of UAAL	<u>5,081</u>	<u>7,507</u>
Annual Required Contribution (ARC)	8,115	14,580
Determination of Net OPEB Obligation		
Annual Required Contribution	8,115	14,580
Interest on prior year Net OPEB Obligation	3,096	1,415
Adjustment to ARC	<u>(3,290)</u>	<u>(1,848)</u>
Annual OPEB Cost	7,921	14,147
Contributions made	<u>(10,535)</u>	<u>(2,897)</u>
Increase/ (decrease) in Net OPEB Obligation	(2,614)	11,250
Net OPEB Obligation - beginning of year	<u>42,710</u>	<u>31,460</u>
Net OPEB Obligation - end of year	<u>\$ 40,096</u>	<u>\$ 42,710</u>

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

The table below reflects the schedule of OPEB Funding Progress.

	<u>January 1, 2011</u>	<u>January 1, 2010</u>	<u>January 1, 2009</u>
a) Actuarial Valuation Date			
b) Actuarial Value of Assets	\$ -	\$ -	\$ -
c) Actuarial Accrued Liability (AAL)	56,476	118,692	118,692
d) Unfunded Actuarial Accrued Liability (UAAL) (c-b)	56,476	118,692	118,692
e) Funded Ratio (b/c)	- %	- %	- %
f) Annual Covered Payroll (Actuarial)	34,939	32,310	32,310
g) UAAL as a % of Covered Payroll (d/f)	161.6 %	367.4 %	367.4 %

The following table shows the annual OPEB cost and net OPEB obligation.

Plan Year Ended	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual OPEB cost	\$ 7,921	\$ 14,147	\$ 14,312
Percentage of OPEB Cost Contributed	133.0 %	20.5 %	16.6 %
Net OPEB Obligation	\$ 40,096	\$ 42,710	\$ 31,460

Actuarial valuations of an ongoing plan involve estimates of the value of reported

## **Port of Houston Authority of Harris County, Texas**

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
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### **Note 9. Post Employment Retiree Benefits (continued)**

#### **Annual OPEB Cost and Net OPEB Obligation (continued)**

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.
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 7.25% compounded annually, inflation rate of 2.75%, investment return of 7.25%, 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.

## **Port of Houston Authority of Harris County, Texas**

Notes to the Financial Statements  
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### **Note 9. Post Employment Retiree Benefits (continued)**

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 2011 valuation and 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 required schedule of funding progress immediately follows the Notes to the Financial Statements and presents multi-year information regarding the actuarial value of plan assets relative to the actuarial liability for benefits.

### **Note 10. Risk Management**

The Authority is exposed to risk of financial loss from property and casualty exposures. Property exposures include potential losses due to fire, windstorm, and other perils that could damage or destroy assets and result in loss of income should specific assets be shut down for an extended period of time. Casualty exposures include potential losses resulting from third-party claims for bodily injury and/or property damage arising from the Authority's operations and/or ownership of its assets, as well as workers' compensation claims.

Effective March 1, 2010, the Authority began self insuring the initial \$350 of any claim for workers' compensation, general liability and automobile liability. Effective March 1, 2011, the Authority increased its self-insured retention ("SIR") for any workers' compensation claim to \$500. The Authority maintains \$20 Million in excess coverage above its \$350 SIR for general and automobile liability claims. It has unlimited excess coverage for any workers' compensation claim that exceeds its SIR. State law limits, or "caps", the Authority's maximum liability exposure for any single occurrence involving general or automobile liability. These limits cap 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; and \$100 maximum for property damage per occurrence.

As of December 31, 2011, the Authority had no liability for workers' compensation, general liability, and auto liability claims which occurred prior to March 1, 2010 and \$182 in liability for open workers' compensation claims for the periods March 1, 2010 to December 31, 2011. The liability is included in accounts payable and other current liabilities.

Claims liability, if any, is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the

## **Port of Houston Authority of Harris County, Texas**

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
(in thousands)

### **Note 10. Risk Management (continued)**

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, 2011 and 2010, the Authority recognized \$3,350 and \$3,500 in insurance recoveries for fire damage cause by an insured property loss in 2011 and damage caused by Hurricane Ike in 2008. These recoveries are included in Non-operating revenues – other, net in the statements of revenues, expenses and changes in net assets.

## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
(in thousands)

### Note 11. Commitments and Contingencies

#### Commitments

At December 31, 2011 and 2010, the Authority had commitments of approximately \$11,372 and \$27,957, 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.

The Authority and Zachry cross-appealed the lower court’s judgment. The parties’ briefing of this matter concluded in September 2011 and oral argument took place in October 2011; a ruling by the appeals court is expected in the near future. 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



## **Port of Houston Authority of Harris County, Texas**

Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010  
(in thousands)

### **Note 11. Commitments and Contingencies (continued)**

#### **Litigation and Claims (continued)**

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.

In the action in Harris County Civil Court at Law, during February 2012 the Authority filed two Pleas to the Jurisdiction arguing that it is immune from plaintiffs' suit, based on (i) the community damages principle, (ii) plaintiffs' failure to demonstrate that their homes are uninhabitable. A hearing for both motions is set for May 8, 2012, and according to the agreed scheduling order signed by the judge, a trial date in this matter will be scheduled 150 to 180 days after the discovery deadline, which however has not been set at this time.

Regarding the District Court matter, in February 2012 the Authority filed (i) an Amended Plea to the Jurisdiction, arguing the Tort Claims Act does not waive the Authority's immunity in this case, and (ii) a Motion to Abate, arguing that this case should be abated until a decision is made in the county court action, or that plaintiffs be allowed to nonsuit their case and join it with the county court case. The motions were heard on April 9, 2012, with the result that the trial judge denied the Authority's motions. The Authority expects to take an immediate appeal in this matter, which is permitted on an "interlocutory" basis under the circumstances. Trial in this matter is set for August 27, 2012, but the Authority's appeal would be expected to have an impact on that schedule.

The Authority disputes the claims in these matters and intends to vigorously contest them.

**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, 2011	August 1, 2010	August 1, 2009
a) Actuarial Valuation Date			
b) Actuarial Value of Assets	\$ 123,763	\$ 105,871	\$ 93,179
c) Actuarial Accrued Liability (AAL)	\$ 132,495	\$ 128,584	\$ 122,093
d) Unfunded Actuarial Accrued Liability (UAAL)			
(c-b)	\$ 8,732	\$ 22,713	\$ 28,914
e) Funded Ratio (b/c)	93.4 %	82.3 %	76.3 %
f) Annual Covered Payroll (Actuarial)	\$ 35,571	\$ 34,939	\$ 32,695
g) UAAL as a % of Covered Payroll (d/f)	24.5 %	65.0 %	88.4 %

**Port of Houston Authority OPEB Obligation**  
**Schedule of Funding Progress**  
(in thousands)  
(unaudited)

	January 1 2011	January 1 2010	January 1 2009
a) Actuarial Valuation Date			
b) Actuarial Value of Assets	\$ -	\$ -	\$ -
c) Actuarial Accrued Liability (AAL)	\$ 56,476	\$ 118,692	\$ 118,692
d) Unfunded Actuarial Accrued Liability (UAAL)			
(c-b)	\$ 56,476	\$ 118,692	\$ 118,692
e) Funded Ratio (b/c)	- %	- %	- %
f) Annual Covered Payroll (Actuarial)	\$ 34,939	\$ 32,310	\$ 32,310
g) UAAL as a % of Covered Payroll (d/f)	161.6 %	367.4 %	367.4 %

**Port of Houston Authority OPEB Obligation**  
**Schedule of Employer Contributions**  
(in thousands)  
(unaudited)

Plan Year Ended	2011	2010	2009
Annual Required Contribution (ARC)	\$ 8,115	\$ 14,580	\$ 14,580
Percentage of ARC Contributed	130 %	20 %	16 %

**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 of Harris County, Texas**  
**Net Assets by Component**  
**Last Ten Fiscal Year**  
 (accrual basis of accounting)  
 (unaudited)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Invested in capital assets, net of related debt</b>	\$ 583,960	\$ 582,352	\$ 655,571	\$ 646,777	\$ 676,785	\$ 615,169	\$ 476,709	\$ 431,595	\$ 397,063	\$ 359,244
<b>Restricted</b>										
Capital	60,204	79,270	8,388	3,978	3,846	24,863	23,841	24,012	22,874	30,683
Debt Service	41,455	44,248	39,072	37,310	28,774	27,909	32,465	35,391	34,970	26,245
Other	196	4,302	122	200	181	161	225	206	531	180
<b>Unrestricted</b>	<u>260,331</u>	<u>202,968</u>	<u>191,411</u>	<u>214,139</u>	<u>144,407</u>	<u>145,075</u>	<u>217,194</u>	<u>199,695</u>	<u>186,206</u>	<u>179,147</u>
<b>Total Net Assets</b>	<u>\$ 946,146</u>	<u>\$ 913,140</u>	<u>\$ 894,564</u>	<u>\$ 902,404</u>	<u>\$ 853,993</u>	<u>\$ 813,177</u>	<u>\$ 750,434</u>	<u>\$ 690,899</u>	<u>\$ 641,644</u>	<u>\$ 595,499</u>

**Port of Houston Authority of Harris County, Texas**  
**Changes in Net Assets**  
**Last Ten Fiscal Years**  
(in thousands)  
(unaudited)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Operating revenues:</b>										
Vessel and cargo services	\$ 177,405	159,799	\$144,365	\$171,373	\$ 164,230	\$ 143,550	\$ 132,283	\$ 116,506	\$ 101,085	\$ 88,923
Rental of equipment and facilities	22,030	20,346	20,524	19,984	18,872	18,103	17,473	15,878	14,977	15,340
Grain elevator	1,923	911	1,155	787	809	717	590	835	840	838
Bulk materials	2,131	2,368	2,243	2,319	2,903	3,221	2,568	2,348	2,978	2,662
Other	3,356	3,272	2,040	2,522	3,679	2,072	2,454	1,246	1,022	568
<b>Nonoperating revenues:</b>										
Investment income	3,123	3,573	4,136	7,154	10,019	11,606	7,478	2,963	3,243	5,650
Contribution in aid of construction	1,077	-	-	-	-	-	-	-	-	-
Other, net	2,765	3,836	4,588	982	6,734	1,060	5,718	5,106	8,207	226
<b>Nonoperating revenues related to property taxes:</b>										
Property taxes	50,573	54,919	46,911	48,675	35,819	29,454	29,568	33,088	37,396	35,447
Investment income / (loss) on bond proceeds	657	(47)	165	1,113	2,045	2,077	1,432	346	(286)	2,179
<b>Total Revenues:</b>	<b>265,040</b>	<b>248,977</b>	<b>226,127</b>	<b>254,909</b>	<b>245,110</b>	<b>211,860</b>	<b>199,564</b>	<b>178,316</b>	<b>169,462</b>	<b>151,833</b>
<b>Operating expenses:</b>										
Maintenance and operations of facilities	97,461	95,918	88,124	98,026	97,978	80,809	74,901	65,535	63,735	55,713
General and administrative	39,894	51,742	57,827	43,443	40,063	29,527	28,656	31,856	26,776	28,494
Depreciation and amortization	55,661	53,731	48,035	44,016	34,161	28,436	25,383	24,448	23,499	22,580
<b>Nonoperating expenses:</b>										
Interest expense on revenue bonds	-	-	-	-	-	176	328	808	1,176	1,541
Contribution to federal and state agencies	1,232	1,742	17,468	4,224	29,017	5,457	8,400	-	-	-
Loss on Disposal of Assets	-	3,294	-	-	-	-	-	-	-	-
<b>Nonoperating expenses related to property taxes:</b>										
Interest expense on unlimited tax bonds	36,957	27,886	26,072	21,344	10,124	10,775	9,580	8,217	7,639	7,344
Property tax expense	1,743	2,356	506	1,083	480	67	148	715	931	1,329
Other, net	525	480	901	423	357	360	369	391	431	338
<b>Total Expenses:</b>	<b>233,473</b>	<b>237,149</b>	<b>238,933</b>	<b>212,559</b>	<b>212,180</b>	<b>155,607</b>	<b>147,765</b>	<b>131,970</b>	<b>124,187</b>	<b>117,339</b>
<b>Income before contributions</b>	<b>31,567</b>	<b>11,828</b>	<b>(12,806)</b>	<b>42,350</b>	<b>32,930</b>	<b>56,253</b>	<b>51,799</b>	<b>46,346</b>	<b>45,275</b>	<b>34,494</b>
<b>Contribution from federal and state agencies</b>	<b>1,439</b>	<b>2,944</b>	<b>3,549</b>	<b>6,061</b>	<b>7,886</b>	<b>6,490</b>	<b>7,736</b>	<b>2,909</b>	<b>870</b>	<b>14</b>
<b>Contribution from federal and state agencies-FEMA</b>	<b>-</b>	<b>3,804</b>	<b>1,417</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Contribution from federal and state agencies</b>	<b>1,439</b>	<b>6,748</b>	<b>4,966</b>	<b>6,061</b>	<b>7,886</b>	<b>6,490</b>	<b>7,736</b>	<b>2,909</b>	<b>870</b>	<b>14</b>
<b>Change in net assets</b>	<b>33,006</b>	<b>18,576</b>	<b>(7,840)</b>	<b>48,411</b>	<b>40,816</b>	<b>62,743</b>	<b>59,535</b>	<b>49,255</b>	<b>46,145</b>	<b>34,508</b>
<b>Net assets, January 1</b>	<b>913,140</b>	<b>894,564</b>	<b>902,404</b>	<b>853,993</b>	<b>813,177</b>	<b>750,434</b>	<b>690,899</b>	<b>641,644</b>	<b>595,499</b>	<b>560,991</b>
<b>Net assets, December 31</b>	<b>\$ 946,146</b>	<b>\$ 913,140</b>	<b>\$ 894,564</b>	<b>\$ 902,404</b>	<b>\$ 853,993</b>	<b>\$ 813,177</b>	<b>\$ 750,434</b>	<b>\$ 690,899</b>	<b>\$ 641,644</b>	<b>\$ 595,499</b>

## **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	<u>Real Property</u>	<u>Personal Property</u>	<u>Less: Exemptions(a)</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
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	268,597,999	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
2011	306,488,194	43,891,522	82,109,248	268,270,468	0.01856

(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 12/23/11

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 Year**  
**Year Levied**  
(unaudited)

Purpose	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Harris County</b>										
General Fund (b)	\$ 0.33444	\$ 0.33401	\$ 0.33401	\$ 0.33815	\$ 0.33918	\$ 0.34221	\$ 0.34728	\$ 0.33117	\$ 0.34490	\$ 0.33538
General Bonds Debt Service	0.03825	0.03635	0.03642	0.03192	0.03200	0.03465	0.03047	0.04303	0.01889	0.03056
Total Constitutional Funds	0.37269	0.37036	0.37043	0.37007	0.37118	0.37686	0.37775	0.37420	0.36379	0.36594
County - Wide Road Debt Service	0.01848	0.01769	0.02181	0.01916	0.02121	0.02553	0.02211	0.02566	0.02424	0.02220
	0.39117	0.38805	0.39224	0.38923	0.39239	0.40239	0.39986	0.39986	0.38803	0.38814
<b>Flood Control District</b>										
Maintenance	0.02727	0.02727	0.02754	0.02754	0.02754	0.02733	0.02733	0.02553	0.02981	0.02853
Debt Service	0.00082	0.00196	0.00168	0.00332	0.00352	0.00508	0.00589	0.00765	0.01193	0.01321
	0.02809	0.02923	0.02922	0.03086	0.03106	0.03241	0.03322	0.03318	0.04174	0.04174
<b>Port of Houston Authority</b>										
Debt Service	0.01856	0.02054	0.01636	0.01773	0.01437	0.01302	0.01474	0.01673	0.02000	0.01989
<b>Hospital District</b>										
General	0.19216	0.19216	0.19216	0.19216	0.19216	0.19216	0.19216	0.19021	0.19021	0.19021
Total	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.63998	\$ 0.63998	\$ 0.63998	\$ 0.63998	\$ 0.63998

Source: Harris County Appraisal District  
(a) Tax rates are stated per \$100 assessed valuation.

**Port of Houston Authority of Harris County, Texas**  
**Direct and Overlapping Debt and Property Tax Rates (a)**

December 31, 2011  
(unaudited)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>County - Wide Taxing Jurisdiction</b>										
Harris County	0.3912	0.3881	0.3922	0.3924	0.4024	0.3999	0.3999	0.3880	0.3881	0.3839
Harris County Flood Control District	0.0281	0.0292	0.0292	0.0311	0.0324	0.0332	0.0332	0.0417	0.0417	0.0475
Port of Houston Authority	0.0186	0.0205	0.0164	0.0144	0.0130	0.0147	0.0167	0.0200	0.0198	0.0183
Harris County Hospital District	0.1922	0.1922	0.1922	0.1922	0.1922	0.1922	0.1902	0.1902	0.1902	0.1902
	<u>0.6301</u>	<u>0.6300</u>	<u>0.6300</u>	<u>0.6301</u>	<u>0.6400</u>	<u>0.6400</u>	<u>0.6400</u>	<u>0.6399</u>	<u>0.6398</u>	<u>0.6399</u>
<b>Cities</b>										
Baytown	0.8220	0.7870	0.7870	0.7370	0.7370	0.7370	0.7370	0.7370	0.7370	0.7370
Bellaire	0.3999	0.3999	0.3759	0.4400	0.4400	0.4700	0.4800	0.4800	0.4900	0.4900
Deer Park	0.7200	0.7050	0.7050	0.7200	0.7200	0.7200	0.7200	0.7000	0.6990	0.7000
Houston	0.6388	0.6388	0.6388	0.6450	0.6450	0.6500	0.6550	0.6550	0.6550	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	0.6100	0.6160	0.6300	0.6088	0.6088	0.6275	0.6400	0.6400	0.6625	0.6700
Missouri City	0.5284	0.5284	0.5284	0.4993	0.4945	0.4980	0.5017	0.5100	0.5330	0.5200
Pasadena	0.5916	0.5916	0.5620	0.5670	0.5670	0.5670	0.5670	0.5670	0.5670	0.5790
Pearland	0.6851	0.6651	0.6526	0.6526	0.6527	0.6744	0.6950	0.6960	0.6860	0.6860
Seabrook	0.6500	0.6268	0.5884	0.6203	0.6210	0.6307	0.6196	0.6082	0.6006	0.6010
South Houston	0.6876	0.6732	0.6732	0.6770	0.6588	0.6863	0.7000	0.7000	-	0.6950
Webster	0.2853	0.2575	0.2325	0.2489	0.2575	0.2575	0.2680	0.2510	0.2400	0.2600
West University Place	0.3741	0.3741	0.3588	0.3660	0.4020	0.4300	0.4467	0.4467	0.4300	0.4200
<b>School Districts</b>	.0972-1.5400	.0922-1.5400	.1101-1.5266	.1144-1.6450	.1167-1.8150	.1207-2.000	.1145-2.000	.1145-1.970	.1055-1.940	.1010-1.920

Source: Harris County Appraisal District Jurisdiction Information as of 03/01/12

(a) Includes all Tax Bonds

**Port of Houston Authority of Harris County, Texas**  
**Principal Property Tax Payers**  
**Current Year and Nine Years Ago**  
(amounts in thousands)  
(unaudited)

Tax Payers	2011			2002		
	2011 Taxable Valuations (a)	Rank	Percentage of Total 2011 Taxable Valuation (b)	2002 Taxable Valuations (a)	Rank	Percentage of Total 2002 Taxable Valuation (c)
EXXON MOBIL CORP	\$ 2,825,727	1	1.05	3,046,389	1	1.73
CENTERPOINT ENERGY INC	2,393,467	2	0.89	-	-	-
SHELL OIL CO	2,319,116	3	0.86	1,287,819	4	0.73
CHEVRON CHEMICAL CO	1,378,299	4	0.51	463,732	11	0.26
HINES INTERESTS LTD PTNRSP	1,180,205	5	0.44	976,536	6	0.55
CRESCENT REAL ESTATE	1,076,212	6	0.40	495,025	9	0.28
HOUSTON REFINING	948,896	7	0.35	-	-	-
EQUISTAR CHEMICALS LP	905,828	8	0.34	1,103,139	5	0.63
WALMART	808,079	9	0.30	-	-	-
AT&T MOBILITY LLC	780,563	10	0.29	-	-	-
HEWLETT PACKARD	715,249	11	0.27	-	-	-
LYONDELL CHEMICAL CO	637,554	12	0.24	759,179	7	0.43
AMOCO CHEMICAL CO	577,210	13	0.22	-	-	-
NATIONAL OILWELL INC	460,058	14	0.17	-	-	-
TPG 2101 CITYWEST 1 & 2 LP	451,086	15	0.17	-	-	-
KROGER Co.	440,439	16	0.16	-	-	-
CONTINENTAL AIRLINES INC	436,454	17	0.16	-	-	-
VALERO ENERGY CORP	412,938	18	0.15	-	-	-
ROHM & HAAS CO	392,305	19	0.15	-	-	-
OXY VINYL LP	368,331	20	0.14	519,389	8	0.30
HOUSTON LIGHTING & POWER CO	-	-	-	2,012,039	2	1.14
COMPAQ COMPUTER	-	-	-	482,200	10	0.27
SOUTHWESTERN BELL TELEPHONE	-	-	-	1,428,158	3	0.81
CRESCENT REAL ESTATE EQUITIES	-	-	-	363,755	13	0.21
LYONDELL- CITGO REFINING CO	-	-	-	354,337	15	0.20
ANHUESER BUSCH INC	-	-	-	436,378	12	0.25
TRIZECHAHN ALLEN CENTER LP	-	-	-	360,627	14	0.20
<b>Total</b>	<b>\$ 19,508,016</b>		<b>7.26 %</b>	<b>14,088,702</b>		<b>7.99 %</b>

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 23, 2011.

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



**Port of Houston Authority of Harris County, Texas**  
**Property Taxes Levies and Collections**  
**For the Years 2002 Through 2011**  
(unaudited)  
(in thousands)

<b>Fiscal Year</b>	Taxes Levied for Fiscal Year	Collections within the Fiscal Year of the Levy		Collections After One Year (a)	Total Collection After One Year (a)	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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 %	2,180	44,055	97.71 %
2010	54,364	50,650	93.17 %	2,669	53,319	98.08 %
<b>2011</b>	49,814	47,012	94.38 %	N/A	N/A	N/A

Source: Harris County Tax Assessor - Collector as of February 28, 2012.

(a) Collections after one year reflect monies collected in the year following the levy and are not updated annually.

N/A - Information is not available.

**Port of Houston Authority of Harris County, Texas**  
**Operating Revenues by Type**  
**Last Ten Fiscal Years**

(unaudited)  
(in thousands)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Operating revenues: (a) (b) (c)</b>										
Vessel and cargo services	\$ 177,405	\$ 159,799	\$ 144,365	\$ 171,373	\$ 164,230	\$ 143,550	\$ 132,283	\$ 116,506	\$ 101,085	\$ 88,923
Rental of equipment and facilities	22,030	20,346	20,524	19,984	18,872	18,103	17,473	15,878	14,977	15,340
Grain elevator	1,923	911	1,155	787	809	717	590	835	840	838
Bulk materials	2,131	2,368	2,243	2,319	2,903	3,221	2,568	2,348	2,978	2,662
Other	3,356	3,272	2,040	2,522	3,679	2,072	2,454	1,246	1,022	568
<b>Total Operating Revenue</b>	<b>\$ 206,845</b>	<b>\$ 186,696</b>	<b>\$ 170,327</b>	<b>\$ 196,985</b>	<b>\$ 190,493</b>	<b>\$ 167,663</b>	<b>\$ 155,368</b>	<b>\$ 136,813</b>	<b>\$ 120,902</b>	<b>\$ 108,331</b>
<b>Revenue Tonnage (d) (e)</b>										
General Cargo	23,387	20,809	19,681	24,871	23,102	23,657	19,942	18,441	15,184	14,704
Bulk	10,162	10,508	9,184	10,371	10,123	9,696	8,623	7,909	9,012	8,637
<b>Total Revenue Tonnage</b>	<b>33,549</b>	<b>31,317</b>	<b>28,865</b>	<b>35,242</b>	<b>33,225</b>	<b>33,353</b>	<b>28,565</b>	<b>26,350</b>	<b>24,196</b>	<b>23,341</b>

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 PHA revenues are derived. Does not include non Authority tonnage figures.

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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>General Cargo</b>										
Barbours Cut										
All other	5,605,703	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
Lease	3,887,146	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
	<u>9,492,849</u>	<u>9,598,179</u>	<u>9,420,491</u>	<u>11,817,479</u>	<u>14,003,894</u>	<u>15,226,217</u>	<u>14,267,341</u>	<u>12,955,441</u>	<u>11,126,927</u>	<u>10,184,957</u>
Bayport Container Terminal	7,365,318	6,567,986	5,802,758	4,198,520	1,522,186	-	-	-	-	-
Turning Basin										
Autos Import	124,351	109,713	73,325	115,660	113,567	95,719	121,370	114,124	142,706	132,056
Autos Export	26,972	16,148	23,641	32,211	21,585	18,216	24,654	20,901	14,222	10,479
Steel Imports	3,193,843	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
All other	1,177,341	788,363	622,113	1,559,870	1,571,635	1,610,654	1,524,844	1,185,115	1,038,280	942,259
	<u>4,522,507</u>	<u>2,919,883</u>	<u>2,914,807</u>	<u>6,669,552</u>	<u>5,338,150</u>	<u>5,931,306</u>	<u>3,678,934</u>	<u>3,181,458</u>	<u>2,299,688</u>	<u>2,595,658</u>
Jacintoport	1,285,363	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
Care Terminal	350,422	188,279	249,001	421,064	438,722	522,501	427,792	552,025	373,560	402,195
Woodhouse	370,436	299,098	221,798	544,590	289,586	638,609	204,494	274,128	164,597	243,710
Galveston	-	-	-	-	-	25,131	77,677	149,251	100,777	274,048
	<u>23,386,895</u>	<u>20,808,923</u>	<u>19,681,460</u>	<u>24,871,286</u>	<u>23,102,039</u>	<u>23,656,481</u>	<u>19,941,816</u>	<u>18,440,793</u>	<u>15,184,006</u>	<u>14,704,481</u>
<b>Bulk</b>										
Barbours Cut	-	3,136	2,426	4,409	-	-	3,438	1,110	1,346	-
Jacintoport	553	1,653	10,803	-	626	-	4,529	-	-	-
Care Terminal	359,286	446,801	192,753	756,891	610,965	399,887	388,737	312,168	185,787	194,457
Woodhouse	35,089	31,857	30,468	6,031	45,780	11,003	36,447	11,525	30,181	38,318
Sims Bayou	763,723	783,041	648,650	571,557	860,009	1,108,220	1,292,821	996,984	865,383	917,982
S.J.B. Liquid Facility	474,880	551,405	492,921	428,698	404,359	410,613	364,969	309,205	217,285	264,269
Turning Basin	1,948,735	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
	<u>3,582,266</u>	<u>3,796,304</u>	<u>3,110,270</u>	<u>3,752,831</u>	<u>3,427,391</u>	<u>3,538,408</u>	<u>3,731,025</u>	<u>3,164,422</u>	<u>2,851,876</u>	<u>2,851,396</u>
Bulk Materials Terminal	4,209,509	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
Grain Elevator #2	2,370,689	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
	<u>10,162,464</u>	<u>10,508,259</u>	<u>9,183,786</u>	<u>10,370,528</u>	<u>10,123,473</u>	<u>9,696,448</u>	<u>8,622,652</u>	<u>7,909,024</u>	<u>9,011,561</u>	<u>8,636,784</u>
<b>Grand Total</b>	<u>33,549,359</u>	<u>31,317,182</u>	<u>28,865,246</u>	<u>35,241,814</u>	<u>33,225,512</u>	<u>33,352,929</u>	<u>28,564,468</u>	<u>26,349,817</u>	<u>24,195,567</u>	<u>23,341,265</u>

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 of Harris County, Texas**  
**Top Ten Vessel and Cargo Customers**  
**Current Year and Ten Years Ago**

(amounts in thousands)  
(unaudited)

Taxpayers	2011			2002		
	Customers	Rank	2011Revenue	Customer	Rank	2002Revenue
Mediterranean Shipping Inc. SA	\$ 30,827	1	16.36 %	\$ 7,407	2	6.84 %
Hapag-Lloyd AG	21,617	2	11.47	3,747	4	3.46
CMA-CGM (America), Inc	17,269	3	9.16	-	-	-
Hamburg Sud North America	8,349	4	4.43	-	-	-
Compania Libra de Navegacao	5,297	5	2.81	-	-	-
Seaboard Marine, Ltd.	4,625	6	2.45	-	-	-
Compania Sudamericana de Vapores SA	4,494	7	2.38	-	-	-
Biehl & Company - Vessel	3,601	8	1.91	3,432	5	3.17
Star Shipping	3,238	9	1.72	-	-	-
OOCL(USA) Inc.	2,990	10	1.59	1,579	10	-
CP Ships US Agency, LLC	-	-	-	11,984	1	11.06
P & O Ned Lloyd Limited	-	-	-	6,086	3	5.62
Kerr Norton Strachan Agency	-	-	-	3,022	7	2.79
APL Limited	-	-	-	3,321	6	3.07
Libra De Navegacao S.A.	-	-	-	1,633	9	1.51
Biehl & Co. - CLB Line	-	-	-	1,659	8	1.53
Total	<u>\$ 102,307</u>		<u>49.46 %</u>	<u>\$ 43,870</u>		<u>40.50 %</u>

Source: The Authority

**Debt Capacity**



**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)

Fiscal Year	General Obligation Bonds			Gross General Bonded Debt	Less Debt Service Funds Cash	Net General Bonded Debt	Percentage of Actual Property Value	Debt per Capita	Revenue Bonds	Special Purpose Revenue Bonds	Total Outstanding Debt	Percentage of Personal Income	Per Capita
	Unlimited Tax Refunding Bonds	Unlimited Tax Port Improvement Bonds	Commercial Paper										
2002	40,495	291,160	-	331,655	7	331,648	0.2	93	17,175	160	348,983	3	98
2003	34,685	271,560	-	306,245	8	306,237	0.2	85	12,935	80	319,252	2	89
2004	37,975	249,925	6,800	294,700	11	294,689	0.2	81	8,620	-	303,309	2	83
2005	130,620	184,085	21,034	335,739	7	335,732	0.2	91	4,363	-	340,095	2	92
2006	211,100	146,005	21,744	378,849	7	378,842	0.2	97	-	-	378,842	2	97
2007	204,935	139,030	113,478	457,443	5	457,438	0.2	116	-	-	457,438	2	116
2008	431,065	131,950	-	563,015	7	563,008	0.2	141	-	-	563,008	3	141
2009	422,665	124,750	70,245	617,660	6	617,654	0.2	152	-	-	617,654	3	152
2010	616,814	146,805	-	763,619	11	763,608	0.3	187	-	-	763,608	N/A	187
2011	654,674	91,200	-	745,874	10	745,864	0.3	179	-	-	745,864	N/A	179

## 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, 2011**

(unaudited)  
(in thousands)

	2011	2010	2009	2008	2007*	2006	2005	2004	2003	2002
<b>Gross Revenues</b>										
<b>Operating Revenues</b>										
Vessel and Cargo Services	\$ 175,297	\$ 157,633	\$ 142,310	\$ 169,584	\$ 162,636	\$ 141,697	\$ 131,007	\$ 114,915	\$ 99,655	\$ 87,666
Rental of equipment and facilities	22,030	20,325	20,451	19,910	18,800	18,033	17,412	15,817	14,929	15,294
Grain elevator	1,923	911	1,155	787	809	717	589	835	840	838
Bulk materials	2,131	2,368	2,243	2,319	2,903	3,221	2,568	2,348	2,978	2,662
Other	3,356	3,272	2,040	2,435	3,630	1,915	2,361	1,036	971	548
<b>Total</b>	<b>204,737</b>	<b>184,509</b>	<b>168,199</b>	<b>195,035</b>	<b>188,778</b>	<b>165,583</b>	<b>153,937</b>	<b>134,951</b>	<b>119,373</b>	<b>107,008</b>
<b>Nonoperating Revenues</b>										
Investment Income	3,126	3,572	4,552	6,736	9,992	11,292	7,427	3,500	3,713	5,472
Other, net	5,358	11,319	9,798	7,198	14,699	8,255	13,660	8,172	9,611	639
<b>Total</b>	<b>8,484</b>	<b>14,891</b>	<b>14,350</b>	<b>13,934</b>	<b>24,691</b>	<b>19,547</b>	<b>21,087</b>	<b>11,672</b>	<b>13,324</b>	<b>6,111</b>
<b>Total Gross Revenues</b>	<b>213,221</b>	<b>199,400</b>	<b>182,549</b>	<b>208,969</b>	<b>213,469</b>	<b>185,130</b>	<b>175,024</b>	<b>146,623</b>	<b>132,697</b>	<b>113,119</b>
<b>Operation Expenses</b>										
<b>Maintenance and Operation of Facilities</b>										
Vessel and Cargo Services	89,547	90,861	77,591	94,473	85,178	73,236	66,918	60,906	58,506	51,837
Rental of Port Facilities	6,893	3,945	3,774	3,311	4,185	3,560	6,151	2,954	2,962	3,059
Grain Elevator	322	263	221	163	404	557	477	197	221	412
Bulk Materials Handling Plant	46	34	88	94	307	723	435	589	268	265
Other	2,415	2,385	1,796	1,797	1,916	358	919	888	899	865
<b>Total</b>	<b>99,223</b>	<b>97,488</b>	<b>83,470</b>	<b>99,838</b>	<b>91,990</b>	<b>78,434</b>	<b>74,900</b>	<b>65,534</b>	<b>62,856</b>	<b>56,438</b>
<b>General and administrative</b>										
<b>Total Operating Expenses</b>	<b>39,894</b>	<b>51,487</b>	<b>63,411</b>	<b>41,930</b>	<b>46,029</b>	<b>28,846</b>	<b>28,380</b>	<b>31,316</b>	<b>26,250</b>	<b>28,360</b>
<b>Total Operating Expenses</b>	<b>139,117</b>	<b>148,975</b>	<b>146,881</b>	<b>141,768</b>	<b>138,019</b>	<b>107,280</b>	<b>103,280</b>	<b>96,850</b>	<b>89,106</b>	<b>84,798</b>
<b>Nonoperating Expenses</b>										
<b>Total Expenses</b>	<b>3,350</b>	<b>5,872</b>	<b>18,473</b>	<b>4,461</b>	<b>29,151</b>	<b>5,869</b>	<b>8,550</b>	<b>686</b>	<b>1,053</b>	<b>269</b>
<b>Total Expenses</b>	<b>142,467</b>	<b>154,847</b>	<b>165,354</b>	<b>146,229</b>	<b>167,170</b>	<b>113,149</b>	<b>111,830</b>	<b>97,536</b>	<b>90,159</b>	<b>85,067</b>
<b>Net Revenues Available For Debt Service on</b>										
<b>First Lien Revenue Bonds</b>										
<b>Average Annual Debt Service on First Lien Revenue Bonds</b>	<b>\$ 70,754</b>	<b>\$ 44,553</b>	<b>\$ 17,195</b>	<b>\$ 62,740</b>	<b>\$ 46,299</b>	<b>\$ 71,981</b>	<b>\$ 63,194</b>	<b>\$ 49,087</b>	<b>\$ 42,538</b>	<b>\$ 28,052</b>
<b>Coverage by Net Revenues</b>	-	-	-	-	-	1,615 %	1,400 %	1,063 %	861 %	494 %

\* Revenue Bonds were retired during 2007



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

<b>Fiscal Year Ending December 31</b>	<b>Outstanding Debt Service Requirements</b>
2012	\$ 51,841,316
2013	51,849,544
2014	52,135,469
2015	52,144,219
2016	52,149,969
2017	54,337,144
2018	54,415,094
2019	55,129,169
2020	55,492,394
2021	55,470,806
2022	54,715,731
2023	49,267,056
2024	49,263,444
2025	49,256,606
2026	49,249,556
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
<b>Total</b>	<b>\$ 1,420,244,318</b>

(a) The table sets forth the annual debt service requirements on the Authority's ad valorem tax bonds as of December 31, 2011, 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, 2011  
(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)
2011	5.5%	8.9%	\$ 1,497.4	\$ 2,235.7	2,003	\$ 94.88	55.2
2010	2.8%	9.6%	\$ 1,288.7	\$ 1,934.6	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

(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	<u>Population</u>	<u>Unemployment Rate</u>	Personal Income (amounts in thousands)	Per Capital Personal Income
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%	196,779,000	48,337
2010	4,092,459	8.2%	N/A	51,444
2011	4,176,561	7.8%	N/A	N/A

Sources: Population - Bureau of the Census and Texas Department of State Health Services

Unemployment Rate - Texas Workforce Commission

Personal Income - Bureau of Economic Analysis

N/A - Not Available

**Port of Houston Authority of Harris County, Texas**  
**Principal Corporate Employers**  
**Current Year and Nine Years Ago\***

(amount in thousands)  
(unaudited)

Employer	2011			2002		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Memorial Herman Healthcare Systems	19,500	1	0.52%	14,000	1	0.74%
Shell Oil Company	13,000	2	0.41%	7,920	8	-
The Methodist Hospital System	12,000	3	0.38%	7,571	9	0.30%
Baylor College of Medicine	9,232	4	0.27%	-	-	-
Chevron Companies	8,000	5	0.26%	-	-	-
JP Morgan Chase	5,000	6	0.25%	-	-	0.27%
Jacobs Technology	6,500	7	0.25%	-	-	-
Halliburton (KBR spun off)	5,748	8	0.22%	13,000	2	-
HCA Affiliated Hospitals	7,855	9	0.19%	9,000	7	0.68%
CenterPoint Energy (spun off from Reliant Energy)	5,000	10	0.18%	9,500	6	-
Compaq Computer	-	-	-	11,000	4	0.56%
Wal-Mart	-	-	-	9,700	5	0.42%
Kroger Food Stores	-	-	-	12,000	3	0.42%
Reliant Energy Inc	-	-	-	9,500	6	0.35%
Southwestern Bell/SWB	-	-	-	7,342	10	0.32%
	<u>91,835</u>			<u>110,533</u>		

\*Based on calendar year.

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

Note: Total County Employment for 2011 was 2,004,248 and for 2002 was 1,835,377.

**Port of Houston Authority of Harris County, Texas**  
**Harris County Population Statistical Data**  
(unaudited)

**Regional Population (a)**

Year	<u>City of Houston</u>	<u>Harris County</u>	Year	<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	1,974,177	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	60.21 %	58.03 %	52.77 %	54.57 %	71.65 %

**Motor Vehicle Registration (c)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Passenger Cars, Small Trucks and Misc.	3,409,411	3,289,327	3,341,255	3,207,888	2,814,918
Large Trucks	36,839	33,136	31,418	32,468	22,367
Total	<u>3,446,250</u>	<u>3,322,463</u>	<u>3,372,673</u>	<u>3,240,356</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 of Harris County, Texas**  
**Miscellaneous Statistical Data**  
(unaudited)

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

	2011	2010	2009	2008	2007
Baylor College of Medicine	1,483	1,489	1,431	1,385	1,398
Houston Baptist University	2,432	2,597	2,710	2,564	2,339
Houston Community College	51,384	49,717	42,104	61,396	57,457
Lone Star College System	75,680	63,826	55,491	51,483	49,253
Rice University	6,101	5,879	5,663	5,132	5,243
San Jacinto College:					
Central, South, North	32,730	32,105	27,011	24,616	25,556
South Texas College of Law	1,271	1,295	1,272	1,267	1,252
Texas Southern University	10,026	9,557	9,394	9,102	9,540
Texas Woman's University: Houston	1,307	1,308	1,252	1,184	1,223
University of Houston:					
University Park	39,824	38,752	37,000	36,104	34,663
Downtown	12,918	12,900	12,742	12,283	11,793
Clear Lake	8,188	8,099	7,643	7,658	7,522
University of St. Thomas	3,673	3,520	3,132	3,246	3,350
University of Texas:					
Dental Branch	483	473	474	471	452
Graduate School of Biomedical Sciences	575	586	593	570	578
Medical School	1,017	1,025	1,009	963	935
School of Biomedical Informatics	136	120	103	99	80
School of Nursing	963	886	765	759	771
School of Public Health	1,425	1,395	1,025	1,003	959
Total	<u>251,616</u>	<u>235,529</u>	<u>210,814</u>	<u>221,285</u>	<u>214,364</u>

## Number of Employees

	2011	2010	2009	2008	2007
Harris County (e)	14,923	17,270	15,809	15,693	15,237
Flood Control District (e)	335	421	382	326	339
Port of Houston Authority	578	592	592	595	580

(d) Source: Texas Higher Education Coordinating Board (Fall 2011 Enrollment Data)

(e) Source: Harris County Fiscal Year 2010-11 Annual Budget



## **Operating Information**



**Port of Houston Authority of Harris County, Texas**  
**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)
<b>Turning Basin</b>				
36 general Cargo Wharves	376-600	27-37*	36	1,150,000
5 Liquid Bulk Wharves	226 - 570	33 - 36	-	-
Wharf - 32 Project Cargo	800	37*	20	-
<b>Woodhouse Terminal**</b>				
Wharf 1	660	39	2	-
Wharf 2 and 3	1250	35	-	231,750
Grain Dock**	600	42	-	-
<b>Dry Bulk Cargo Facility</b>				
Wharf 1	800	42	-	-
Wharf 2	400	42	-	-
<b>Jacintoport</b>				
Wharves 1 - 3	1830	40	8	82,500
<b>Care Terminal</b>				
Wharf 1	500	36	10	45,000
Wharf 2	618	38	4	-
<b>Sims Bayou Liquid Bulk Facility</b>				
Berths	320	40	-	-
<b>San Jacinto Barge Terminal</b>				
Berth	200 - 700	16	-	-
<b>Barbours Cut Terminal</b>				
LASH Berth	810	40	-	-
Container Berths 1 - 6	6000	40	230	2,555,000
<b>Passenger Berth</b>				
	900	36	30	-
<b>Bayport</b>				
Container Berths 3 - 5	3300	40	167	-
Cruise Terminal	1000	32	-	-

\* 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:** Privately owned mobile cranes and additional cargo handling equipment are available for hire on an hourly basis.

Barbours Cut Terminal

**Container Cranes:** five 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 77 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:** twenty seven 40-long ton

**Other Equipment:** 14 heavy duty terminal tractors and 60 yard chassis one 80,000-pound container handling machine

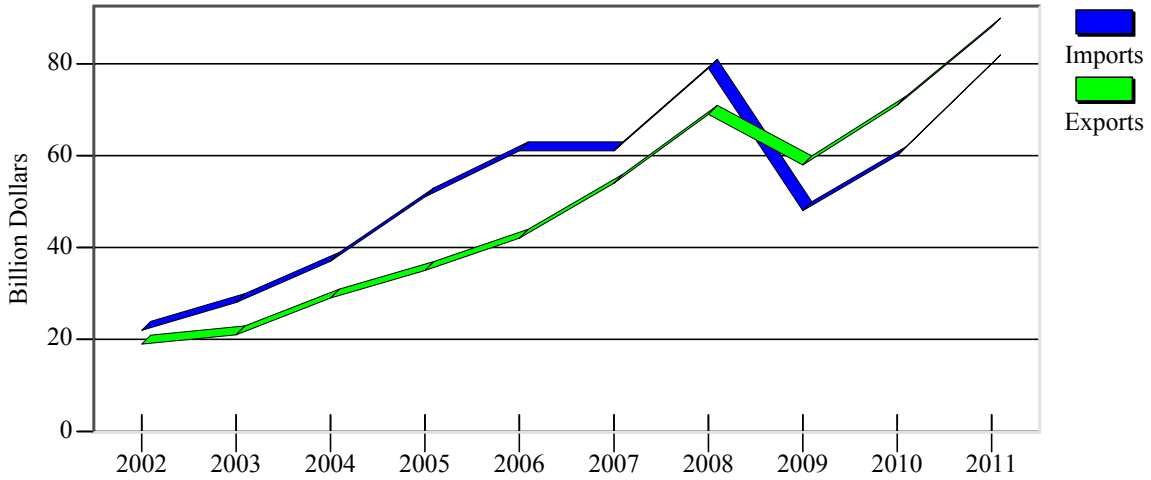
**Port of Houston Authority of Harris County, Texas**  
**Freight Traffic Statistics**  
(unaudited)  
(in thousands)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	
<b>Freight handled by the Authority only</b>											
<b>(excluding tonnages handled by private terminals) - short tons (2,000 lbs.) (a) (d)</b>											
Breakbulk Cargo	5,652	3,771	3,768	8,006	6,678	7,546	4,679	4,481	3,244	3,697	
Container Cargo	17,735	17,038	15,914	16,866	16,425	16,111	15,156	13,960	11,941	11,007	
Bulk Grain	2,371	2,042	1,560	2,097	1,746	1,606	1,331	1,050	1,351	1,939	
Bulk Plant	4,209	4,670	4,513	4,521	4,950	4,552	3,561	3,694	4,808	3,847	
Other Bulk	12,474	12,725	11,032	11,248	10,621	10,622	10,064	9,588	8,675	8,170	
Total	42,441	40,246	36,787	42,738	40,420	40,436	34,791	32,773	30,019	28,660	
<b>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)</b>											
<b>Foreign</b>											
Imports	(e)	88,508	84,629	92,019	94,692	106,905	103,190	97,713	90,335	80,027	
Exports	(e)	71,053	63,340	54,380	50,650	45,972	41,860	39,824	36,558	35,161	
Total Foreign	-	159,561	147,969	146,399	145,342	152,877	145,050	137,537	126,893	115,188	
<b>Domestic</b>											
Receipts	(e)	31,091	28,460	25,179	29,227	28,035	25,514	26,314	25,055	22,230	
Shipments	(e)	21,389	20,397	17,830	17,948	17,787	17,114	16,833	15,963	14,923	
Total Internal	-	52,480	48,857	43,009	47,175	45,822	42,628	43,147	41,018	37,153	
Local	(e)	15,092	14,515	14,747	14,648	13,457	14,153	12,848	12,320	12,939	
Total	-	227,133	211,341	212,207	216,064	222,147	211,665	202,046	190,923	177,561	
<b>Value of foreign trade handled by entire Port of Houston (c)</b>											
Imports	\$	80,221,005	\$ 60,110,140	\$ 48,427,840	\$ 78,873,301	\$ 61,004,983	\$ 61,032,718	\$ 51,192,326	\$ 36,835,357	\$ 28,454,318	\$ 22,168,566
Exports		88,078,301	70,726,052	57,834,409	68,783,597	53,776,671	41,957,426	34,808,970	29,063,697	21,455,130	19,262,668
Total	\$	168,299,306	\$ 130,836,192	\$ 106,262,249	\$ 147,656,898	\$ 114,781,654	\$ 102,990,144	\$ 86,001,296	\$ 65,899,054	\$ 49,909,448	\$ 41,431,234

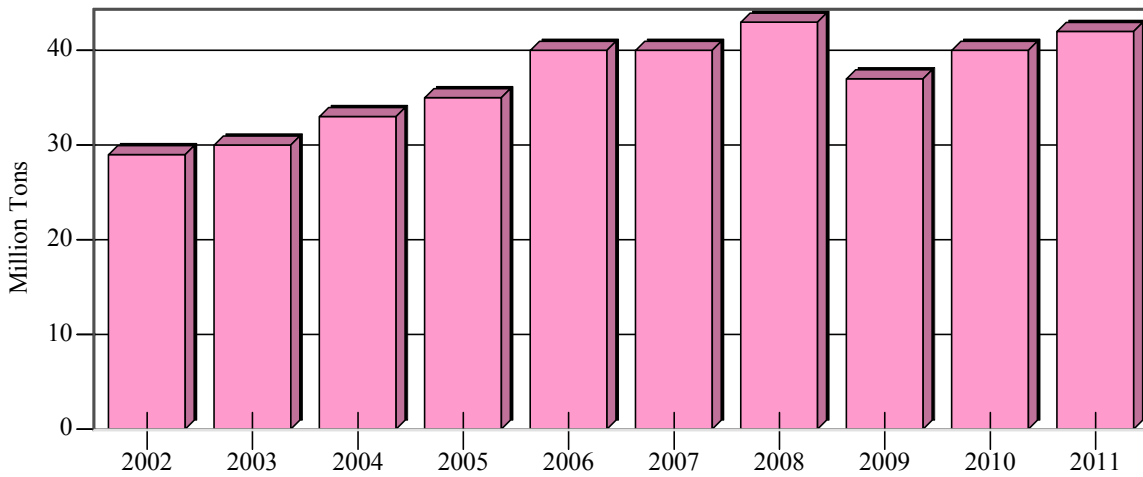
- (a) Source Annual Review published by the Authority  
(b) Source U.S. Army Corps of Engineers, Waterborne Commerce of the U.S.  
(c) Source Bureau of Census U.S. Department of Commerce  
(d) The amounts are restated to reflect actual volumes after year - end adjustments  
(e) Amounts not available

## Port of Houston Authority of Harris County, Texas Freight Traffic Statistics Graph 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 85

**Port of Houston Authority of Harris County, Texas**  
**Cargo Statistics**

**Last Ten Fiscal Years**

(in thousands)

(in short tons)

(unaudited)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Total Revenue Tonnage</b>										
Including Bayport Companies	42,441	40,246	36,787	42,738	40,420	40,437	37,898	32,773	30,019	28,660
Excluding Bayport Companies	33,549	31,317	28,865	35,242	33,225	33,353	28,564	26,350	24,196	23,341
<b>General Cargo (a)</b>	23,387	20,809	19,681	24,871	23,102	23,656	19,942	18,441	1,584	14,704
<b>Bulk Materials Handling Plant</b>	4,210	4,670	4,513	4,521	4,950	4,552	3,561	3,694	4,808	3,847
<b>Grain Elevator #2</b>	2,371	2,042	1,560	2,097	1,746	1,606	1,331	1,050	1,351	1,939
<b>Other Bulk Movements</b>										
Bulk (Excluding Bayport Companies) (b)	3,582	3,796	3,110	3,753	3,427	3,538	3,731	3,164	2,852	2,851
Bulk Bayport Companies	8,892	8,929	7,922	7,496	7,194	7,084	6,333	6,423	5,823	5,319
<b>Barbours Cut Terminal</b>										
Bulk (b)	-	3	2	4	-	-	3	1	1	-
General Cargo (a)	9,493	9,598	9,420	11,817	14,004	15,226	14,267	12,955	11,127	10,185
<b>Bayport Container Terminal</b>										
General Cargo (a)	7,365	6,568	5,803	4,199	1,522	-	-	-	-	-
<b>Steel (a)</b>										
Import	3,674	2,296	2,405	5,976	4,406	5,385	2,559	2,618	1,403	1,970
Export	626	425	251	310	336	243	243	180	178	107
<b>Autos - Turning Basin</b>										
Tons - Import (a)	124	110	73	116	114	96	121	114	143	132
Tons - Export (a)	27	26	24	32	22	18	25	20	14	10
Units - Import	65	59	41	64	61	51	65	63	81	81
Units - Export	13	12	12	12	8	7	11	9	7	4
<b>Bagged Goods (a)</b>										
Import	309	50	1	16	44	58	39	59	66	142
Export	198	206	352	346	562	620	526	569	590	540
<b>Container TEU</b>	1,866	1,817	1,799	1,795	1,771	1,608	1,594	1,440	1,244	1,147

Source: The Authority

(a) Tonnage included in General Cargo above

(b) Tonnage included in Bulk Cargo above



**Port of Houston Authority of Harris County, Texas**  
**Vessel Arrivals**  
(unaudited)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Houston Ship Channel</b>										
Break Bulk	914	840	801	908	883	826	772	693	729	777
Bulk Carrier	702	626	653	920	878	994	858	848	681	714
Containers	1,037	1,028	953	966	938	998	1,014	925	883	906
Roll-On/Roll-Off	49	69	105	130	132	167	164	181	146	198
Tankers	4,885	4,816	4,335	4,595	4,261	4,023	3,923	3,566	3,327	3,196
Tug Tow	355	297	280	411	470	402	164	165	384	457
Vehicle Carrier	104	103	75	43	61	50	78	54	86	84
Other	27	70	75	77	80	88	84	107	65	82
<b>Total Vessel Arrivals</b>	<b>8,073</b>	<b>7,849</b>	<b>7,277</b>	<b>8,058</b>	<b>7,703</b>	<b>7,548</b>	<b>7,057</b>	<b>6,539</b>	<b>6,301</b>	<b>6,414</b>
<b>PHA Public Wharves</b>										
<b>Turning Basin</b>										
Ships	1,046	999	962	1,255	1,196	1,177	1,021	911	832	910
Barges	1,528	1,416	1,186	1,546	1,492	1,596	1,556	1,391	1,052	1,092
<b>Bulk Plant, Jacintoport, Care Woodhouse, and HPGE#2</b>										
Ships	613	595	541	669	705	684	710	624	622	609
Barges	586	545	525	485	496	805	635	704	998	709
<b>Barbours Cut and Galveston</b>										
Ships	688	695	704	809	969	1,067	1,122	1,010	927	943
Barges	51	32	43	46	58	280	517	471	409	286
<b>Bayport Container Terminal</b>										
Ships	419	379	335	225	97	-	-	-	-	-
Barges	70	2	1	1	4	-	-	-	-	-
<b>Bayport Companies</b>										
Ships	643	704	652	611	632	583	518	466	494	511
Barges	2,206	2,115	1,754	1,657	1,620	1,597	1,597	1,483	1,305	1,241
<b>Total PHA Arrivals</b>										
Ships (a)	3,409	3,372	3,194	3,569	3,599	3,511	3,371	3,011	2,875	2,973
Barges	4,441	4,110	3,509	3,735	3,670	4,278	4,305	4,049	3,764	3,328

Source: Piers Global Intelligence Solutions

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

**Port of Houston Authority of Harris County, Texas**  
**Bulk Commodity Statistics**  
**Last 10 Fiscal Years**

(in thousands)  
(short tons) (a)

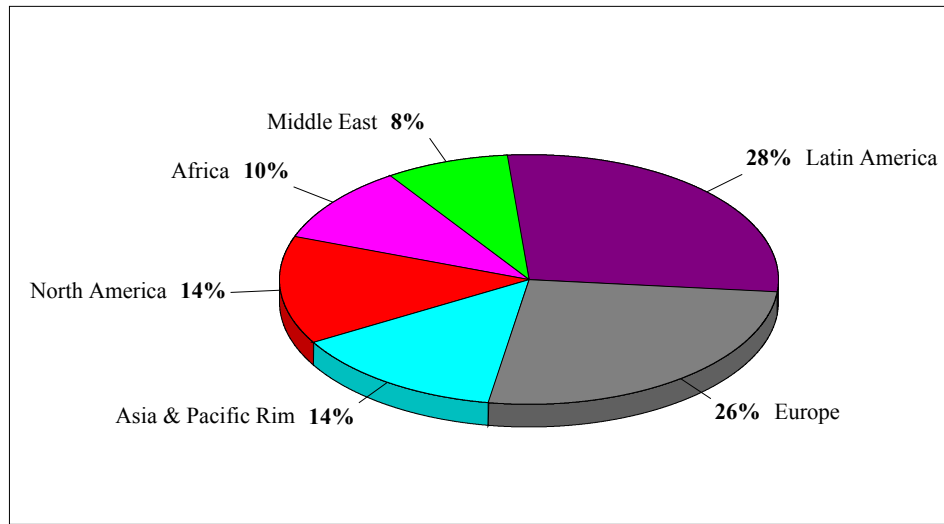
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Cement</b>	-	-	-	-	-	157	179	-	-	-
<b>Coke</b>	3,698	4,673	4,518	4,563	4,979	4,404	3,382	3,660	4,808	3,835
<b>Coal</b>	549	-	-	-	-	-	-	-	-	-
<b>Cotton Seed Oil</b>	-	-	-	-	-	-	-	-	6	-
<b>Fertilizer</b>	-	27	26	37	-	-	-	3	-	24
<b>Grain</b>	2,376	2,042	1,560	2,097	1,746	1,606	1,331	1,050	1,351	1,939
<b>Industrial Chemical</b>	10,682	10,989	9,490	8,929	8,957	8,938	8,335	7,986	7,319	6,807
<b>Molasses</b>	241	121	206	234	156	347	283	330	344	281
<b>Petroleum Products</b>	509	549	343	125	43	32	72	71	73	53
<b>Tallow</b>	259	345	320	518	480	419	328	402	382	423
<b>Dry Bulk</b>	555	504	377	964	870	824	995	737	496	562
<b>Vegetable Oil</b>	178	159	252	375	64	-	-	-	-	-
<b>Miscellaneous Bulk</b>	7	28	14	24	23	53	51	93	56	31
<b>Totals</b>	<u>19,054</u>	<u>19,437</u>	<u>17,106</u>	<u>17,866</u>	<u>17,318</u>	<u>16,781</u>	<u>14,956</u>	<u>14,332</u>	<u>14,835</u>	<u>13,955</u>

Source: The Authority

(a) Short tons equal 2,000 pounds

**Port of Houston Authority of Harris County, Texas  
Foreign Trade through the Port of Houston**

**2011 Foreign Trade Through the Port of Houston by Region (\$ Value)**

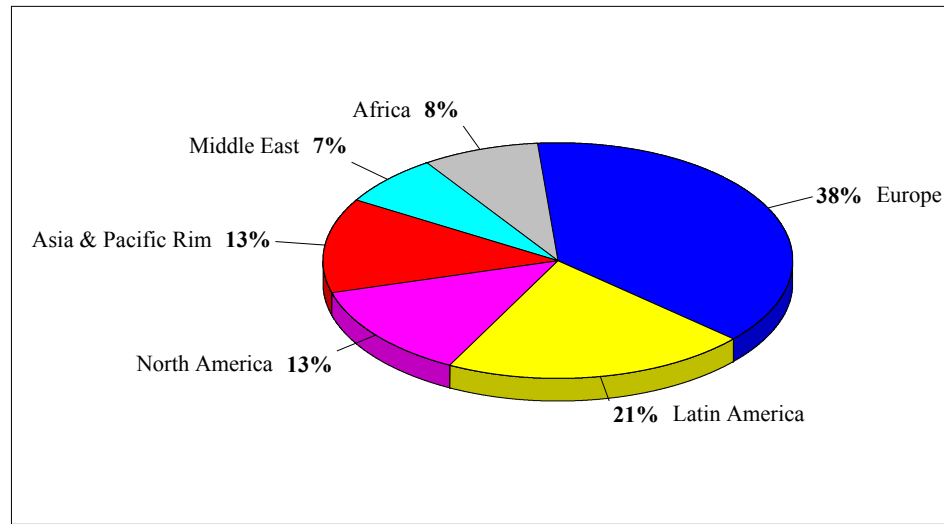


**TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2011 (000s)**

	Imports	Exports	Total	Percent of World Total
Latin America	\$ 13,193,745	\$ 33,928,637	\$ 47,122,382	28 %
Europe	22,823,032	21,378,497	44,201,529	26 %
Asia & Pacific Rim	11,065,983	12,791,115	23,857,098	14 %
North America	14,033,071	9,144,287	23,177,358	14 %
Africa	10,800,556	6,246,436	17,046,992	10 %
Middle East	8,304,618	4,589,329	12,893,947	8 %
<b>Worldwide Totals</b>	<b>\$ 80,221,005</b>	<b>\$ 88,078,301</b>	<b>\$ 168,299,306</b>	<b>100 %</b>

## Port of Houston Authority of Harris County, Texas Foreign Trade through the Port of Houston

**2002 Foreign Trade Through the Port of Houston by Region (\$ Value)**



**TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2002 (000s)**

	Imports	Exports	Total	Percent of World Total
Europe	\$ 9,469,995	\$ 6,437,180	\$ 15,907,175	38 %
Latin America	3,528,040	5,124,073	8,652,113	21 %
North America	3,766,463	1,804,777	5,571,240	13 %
Asia & Pacific Rim	2,343,355	2,867,221	5,210,576	13 %
Middle East	1,517,428	1,341,000	2,858,428	7 %
Africa	1,543,285	1,688,417	3,231,702	8 %
Worldwide Totals	<u>\$ 22,168,566</u>	<u>\$ 19,262,668</u>	<u>\$ 41,431,234</u>	100 %

Source: U.S. Dept. of Commerce, Bureau of Census

**Port of Houston Authority of Harris County, Texas**  
**Number of Authority Employees by Type**  
**Last Ten Fiscal Years**

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Exempt Employees	190	183	182	177	160	146	141	130	127	125
Non-Exempt Employees	237	257	253	256	262	260	232	232	232	226
Hourly Employees	151	152	157	162	158	154	147	135	133	130
Total Employees	578	592	592	595	580	560	520	497	492	481

Source: The Authority





**PORT OF HOUSTON AUTHORITY**

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Houston, Texas 77029

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[www.portofhouston.com](http://www.portofhouston.com)