



Port of Houston Authority

Comprehensive Annual Financial Report

For the Year Ended December 31, 2012



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Port of Houston Authority of Harris County, Texas

**Comprehensive Annual Financial Report
For the Years Ended December 31, 2012 and 2011**

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Introductory Section



PORT OF HOUSTON AUTHORITY

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, 2012. This report is presented in three sections: Introductory, Financial and Statistical. The Introductory Section includes this letter of transmittal, organizational chart and list of principal officials. The Financial Section, beginning with the independent auditor's report, contains management's discussion and analysis ("MD&A"), financial statements and the accompanying notes to the financial statements. The Statistical Section includes selected financial, economic and demographic data, some of which is provided by external resources. Dollar amounts within this letter of transmittal are rounded to the nearest million and to the nearest thousand in the MD&A, financial statements and the accompanying notes to the financial statements.

Responsibility for both the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with management of the Authority. To the best of our knowledge the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Authority. We have included disclosures necessary to enable the reader to gain an understanding of the Authority's financial position.

Profile of the Authority

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

Commission is jointly appointed by the governing bodies of Harris County and the City of Houston. The Authority had 542 active employees as of December 31, 2012 and during 2012 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, coal, 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, certain areas in terminals 5 and 6 at Fentress Bracewell Barbours 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 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 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 in the Statistical Section of this CAFR, under Operating Information (Schedule 18).

Economic Outlook

The U.S. and global economies are still feeling the effects of the financial crisis and recession of 2007-2009. Based on the latest available data, inflation-adjusted U.S. economic growth averaged 2.1% during the first nine months of 2012. While this growth rate is slightly ahead of the 1.8% rate in 2011, it is relatively slow compared to 2.4% in 2010.

According to the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters released in November 2012, real gross domestic product ("GDP") is projected to grow at 2.1% in 2013 and 2.7% in 2014, which is not high by historical standards. Other projections from bank economists peg growth at 1.7% and 2.4% for 2013 and 2014, respectively.

The fiscal cliff was forestalled at year end, with the "sequester" automatic spending cuts and the debt ceiling debates postponed a few months. Since Federal taxation and spending have a large impact on the economy, this lack of fiscal policy direction is adding to uncertainty about the economic outlook for 2013. Absent meaningful deficit reduction, there is substantial risk of another U.S. sovereign rating downgrade.

The annual average U.S. unemployment rate for 2012 was 8.1% according to the Bureau of Labor Statistics, a fall from the 9.6% peak in 2010. The latest monthly report in December 2012 showed unemployment at 7.8%. Further downward momentum appears limited, as a Bloomberg News survey of 86 economists in December 2012 resulted in a median forecast of 7.8%, 7.75%, 7.7% and 7.55% over the next four quarters.

The global economy is also recovering slowly. A survey by the European Central Bank forecasts that Europe will likely emerge from its recession, with the Eurozone economy growing by 0.3% in 2013 after shrinking 0.5% in 2012. Growth should accelerate again in 2013 for China, India and Brazil, among other nations, according to the International Monetary Fund World Economic Update.

It is worth noting that domestic crude oil production is crowding out imports, such that the U.S. was a net exporter of petroleum products for the second straight year, a feat unmatched since World War II. While this has resulted in record levels of commodities in storage and depressed domestic pricing of various energy commodities, the impact on the petrochemical industry along the Houston Ship Channel has generally been positive.

Barring any extraordinary events, the Authority should continue to benefit from the gradual recovery of the U.S. and global economies. The pace of recovery in key trading partners will influence the size of future growth opportunities for the Authority.

Financial Planning

Promoting sustainable trade and delivering economic prosperity to the region and the nation are part of the Authority's mission. To achieve those goals, management places a high value on transparency and fiscally sound business practices, along with prudent evaluation of risks and opportunities. Managing and preserving liquidity has become even more important in light of the significant infrastructure investments that must be made in the next several years.

For 2013, the Authority budgeted total operating revenues of \$226 million. This represents a 5% increase over the 2012 budget of \$215 million, primarily due to growth of import and export loads and a 3% general tariff increase effective February 1, 2013. Total operating, general and administrative expenses are budgeted at \$210 million, essentially flat versus the prior year budget as the Authority continues to focus on expense management and creating efficiencies. Excluding revenues and expenses related to property taxes, the Authority projects net income of almost \$34 million for 2013, compared to \$10 million budgeted in 2012. This increase stems primarily from the expected volume growth mentioned above plus an increase in grant reimbursements from federal and state agencies. Our operations are expected to generate annual cash flows of \$70-90 million over the next several years.

The Authority invested \$65 million in capital improvements during 2012, of which \$29 million was funded using proceeds of tax bonds issued in prior years. The balance was funded from the Authority's general fund, including grant monies received from federal and other governmental programs. The Authority plans to seek interim debt financing in 2013 in order to further develop and enhance its capital assets in the next two to three years, with debt service for such interim financing covered by the revenues of the Authority and not funded from ad valorem taxes.

Infrastructure improvements, including approximately \$120 - \$130 million to deepen and widen the Bayport and Barbours Cut channels, will be required in the next several years to ensure that the Authority and the Port of Houston are better prepared to accommodate the larger vessels that carriers are building for their shipping fleets, as well as the increased cargo resulting from the pending Panama Canal expansion in 2015 and expected future demographic growth in the region. Replacing aging facilities with more modern equipment and terminals supports our mandate to facilitate commerce, navigation and safe waterways.

In 2013, the Authority expects to commit \$220 million for various capital projects. Approximately \$142 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 approximately \$9 million for maintenance dredging and related improvements. The remaining 2013 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 continues to develop its Bayport container terminal, with expected completion of its Phase 3 gate facility in the second quarter of 2013. The new gate will increase overall truck throughput capacity and provide an opportunity to implement new state of the art terminal operating software, SPARCS N4. Designs have been finalized for additional container yard capacity and for the completion of Wharf 2, which will provide a total of 4,000 feet of wharf at the terminal creating dock capacity for 3 additional wharf cranes.

Redevelopment planning continues for the Barbours Cut terminal, where the Authority began offering a new direct service from China in May of 2012. Updating the terminal to the latest standards will include redevelopment of container yards to increase capacity, refurbishment of 1,300 feet of existing wharf, larger wharf cranes necessary for today's larger vessel sizes and increase both terminal efficiency and flexibility. Proper phasing of the redevelopment will allow the terminal to maintain current operating capacity during construction. Completion of these first phases of redevelopment is expected during 2014, allowing the Authority to meet

existing demand for larger vessels.

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

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

Health, Safety, Security and Environmental

During 2012 the Port Security and Emergency Operations Division expanded to include the Safety and Environmental Departments, forming the "Health, Safety, Security, and Environmental" group ("HSSE"). Building on the expansion in 2011, the HSSE now efficiently combines the critical response and preventative services of Police, Fire, Safety, Environmental, Emergency Management and Facility Security.

The Port of Houston Authority was renewed for international certifications in Environmental Management (ISO 14001) and Security Management (ISO 28000) in recognition of its striving for excellence "above and beyond" in these critical areas. These certifications demonstrate not only conformance to rigid standards, but also a strong record of continual improvement in environmental stewardship and perimeter security.

In 2013, the HSSE group looks to finalize establishment of a robust Safety Department, begin construction of a new Fire Station at the Turning Basin, complete expansion of the Port Coordination Center, implement a new Visitor Management System to better serve our customers, upgrade our Emergency Operations Center and work with tenants and stakeholders to minimize our environmental footprint for a sustainable future.

Utilizing a Port Security Grant from the Department of Homeland Security, three new fireboats are under construction in the Great Lakes. The first two new 70-foot fire boats are expected to be delivered in the spring and summer of 2013. 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 are triple the speed of the current fleet for greatly reduced response times in the nation's largest petrochemical complex.

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 Position. Accordingly, during 2012 the Authority recognized \$1 million from sale of property to a local college 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.

Financial Transparency

The Comptroller of Public Accounts launched the Texas Comptroller Leadership Circle program in 2009 to recognize the efforts of local governments across Texas striving to meet a high standard for financial transparency online. The Authority is committed to financial transparency and has earned a Gold Leadership Circle Award during 2012. The award designation is valid for one year until June 25, 2013. The program requirements include online posting of budget information, check registers and annual financial reports.

Internal Control

Management, with oversight from the Audit Task Force (renamed the Audit Committee in February 2013) of the Port Commission, is responsible for establishing and maintaining internal control. To enhance focus and provide structure to this function, a new Internal Audit department was established in January 2013. 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 internal audit reviews and 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, 2012 and 2011 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, 2012 and 2011, are included in the financial section of this report.

Certificates of Achievement

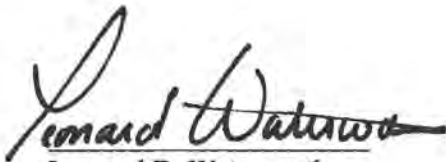
The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Port of Houston Authority of Harris County, Texas for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2011. This was the 38th 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.

The Government Treasurers' Organization of Texas (“GTOT”) sponsors an Investment Policy Certification Program designed to provide assistance to local governments in developing policies that fully comply with the Texas Public Funds Investment Act, and to recognize outstanding examples of written investment policies. In December 2012, the Authority submitted its investment policy for consideration under this program, and was awarded a certificate of distinction in March 2013. The GTOT certificate is valid for two years, and may be renewed upon review.

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.

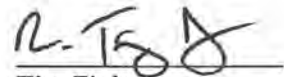
In closing, we would like to thank the members of the Port Commission and all the officials and staff of the Authority for their support in planning and conducting the financial affairs of the Authority in a responsible and progressive manner, to ensure fiscal transparency and accountability, and to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



Leonard D. Waterworth
Executive Director



Thomas J. Heidt
Deputy Executive Director
Finance & Administration



Tim Finley
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, 2011

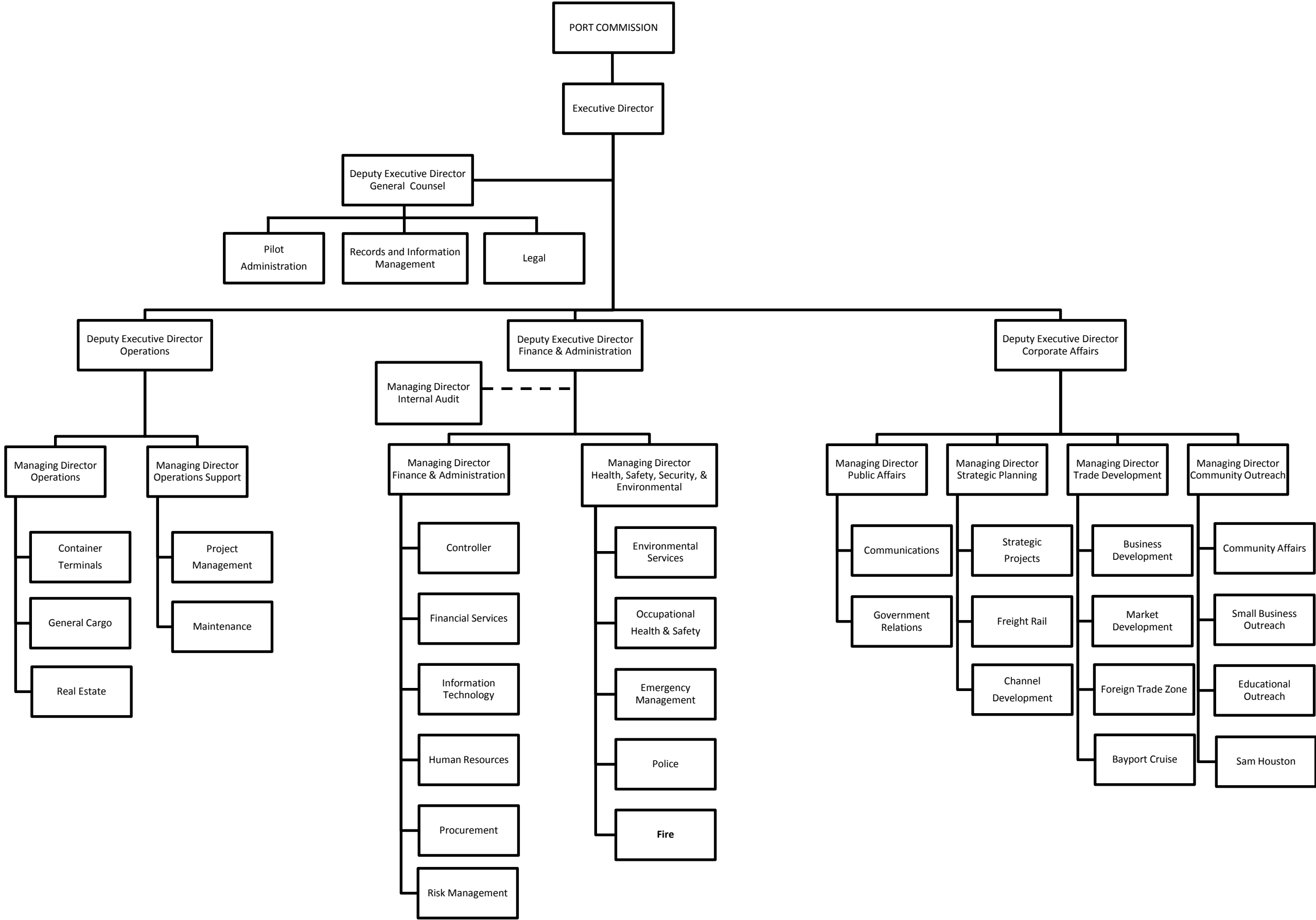
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



Christopher P. Moynell
President

Jeffrey R. Enev
Executive Director

Port of Houston Authority - Organization Chart



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

Port Commission

Janiece Longoria, Chairman
Stephen L. Phelps, Commissioner
James W. Fonteno Jr., Commissioner
Kase L. Lawal, Commissioner
Jimmy A. Burke, Commissioner
John D. Kennedy, Commissioner
Dean E. Corgey, Commissioner

Other Officials

Leonard D. Waterworth, Executive Director
Erik A. Eriksson, Deputy Executive Director, General Counsel
Roger Guenther, Deputy Executive Director, Operations
Thomas J. Heidt, Deputy Executive Director, Finance & Administration
Phyllis Saathoff, Deputy Executive Director, Corporate Affairs
Maxine N. Buckles, Managing Director, Internal Audit
Tim Finley, 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

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Report on the financial statements

We have audited the accompanying statements of net position and the related statements of revenues, expenses, and changes in net position and cash flows of the Port of Houston Authority of Harris County, Texas (the "Authority") as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Authority adopted new accounting guidance in 2012 related to the accounting for bond issuance costs as current period expenditures and deferred gains and losses on refunding of debt as deferred inflows and deferred outflows of resources. This new accounting guidance required retrospective application to prior periods and therefore, the 2011 amounts previously reported have been adjusted to reflect the impact of the application of this guidance as if it were in effect as of January 1, 2011. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Port of Houston Authority Restated Retirement Plan Schedule of Funding Progress, and the Port of Houston OPEB Obligation Schedule of Funding Progress on pages 13 through 21 and 65 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 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 accepted in the United States of America. 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.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated April 16, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Grant Thornton LLP

Houston, Texas
April 16, 2013

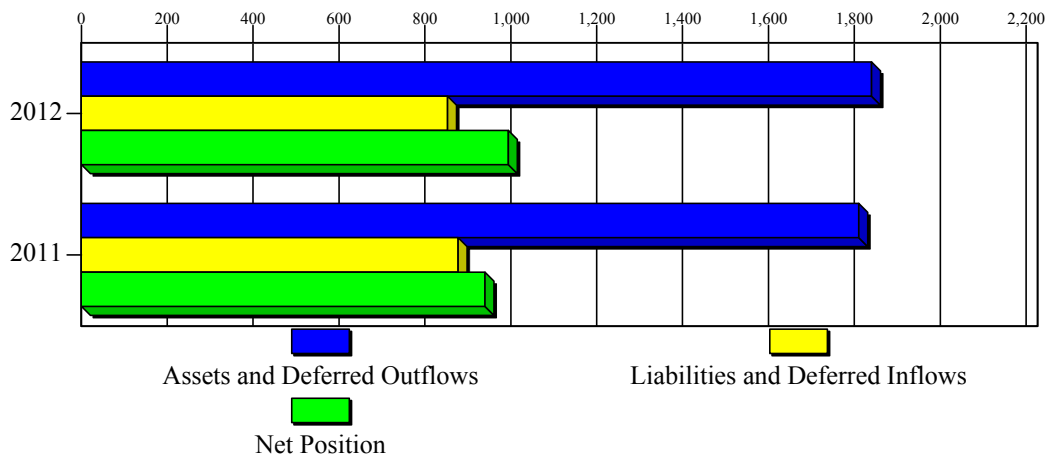
Port of Houston Authority of Harris County, Texas
Management Discussion and Analysis
For the Years Ended December 31, 2012 and 2011
(unaudited)

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, 2012 and December 31, 2011. 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

(\$M)



- The net position of the Authority at December 31, 2012 was \$994,281. Of this amount, \$320,673 is considered unrestricted net position.
- The Authority’s net position increased by \$54,400 for the fiscal year ended December 31, 2012.
- The Authority’s total assets and deferred outflows increased by \$29,548 during the fiscal year ended December 31, 2012. The majority of this change stems from an increase in current and non-current assets of \$24,874 and an increase in capital assets of \$5,074.
- The Authority’s total liabilities and deferred inflows decreased by \$24,852; the majority of this change stems from a decrease of \$17,324 in long-term debt, net of current maturities, and a decrease of \$4,086 in other non-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”) pronouncements.

Overview of the Financial Statements

The Authority’s basic financial statements consist of the following: 1) statements of net position, 2) statements of revenues, expenses, and changes in net position, 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 position present information on all of the Authority’s assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position present information showing how the Authority’s net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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 in this MD&A section. 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 required 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 position (60%) 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 unspent 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 position (8%) represents resources that are subject

to external restrictions on how they may be used. The remaining balance of unrestricted net position (32%) may be used to meet the Authority's ongoing obligations.

To improve the comparability of the financial statements in this section, 2010 has been restated to reflect the GASB implementation addressed in Note 1 to the financial statements.

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

	2012	2011 As Restated	2010 As Restated
	<u> </u>	<u> </u>	<u> </u>
Assets			
Current and other assets	\$ 472,380	\$ 447,506	\$ 423,177
Capital assets	<u>1,367,251</u>	<u>1,362,177</u>	<u>1,374,600</u>
Total assets	1,839,631	1,809,683	1,797,777
Deferred Outflows of Resources			
Deferred loss on bond refunding	<u>7,650</u>	<u>8,050</u>	<u>8,451</u>
Total assets and deferred outflows of resources	<u>1,847,281</u>	<u>1,817,733</u>	<u>1,806,228</u>
Liabilities			
Long-term liabilities (including current portion)	819,162	840,132	864,608
Other liabilities	<u>33,418</u>	<u>37,246</u>	<u>34,585</u>
Total liabilities	852,580	877,378	899,193
Deferred Inflows of Resources			
Deferred gain on bond refunding	<u>420</u>	<u>474</u>	<u>274</u>
Total liabilities and deferred inflows of resources	<u>853,000</u>	<u>877,852</u>	<u>899,467</u>
Net investment in capital assets	596,224	574,224	571,828
Restricted	77,384	101,855	127,820
Unrestricted	<u>320,673</u>	<u>263,802</u>	<u>207,113</u>
Total net position	<u>\$ 994,281</u>	<u>\$ 939,881</u>	<u>\$ 906,761</u>

The Authority's net position increased by \$54,400 during the fiscal year ended December 31, 2012. Net investment in capital assets increased \$22,000 with a net increase in capital assets of \$5,074 and a decrease in outstanding debt of \$16,884. During fiscal year 2012, restricted net position decreased \$24,471 mainly as a result of increased tax receipts offset by the use of restricted proceeds for construction. Unrestricted net position increased \$56,871.

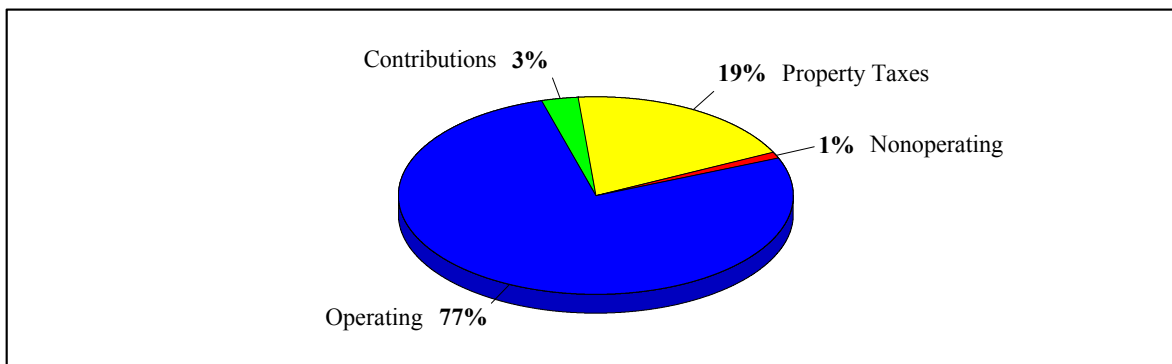
The Authority's net position increased by \$33,120 during the fiscal year ended December 31, 2011. During fiscal year 2011, net investment in capital assets increased \$2,396 with a net decrease in capital assets of \$12,423 and a decrease in outstanding debt of \$14,782. During fiscal year 2011, restricted net position decreased \$25,965 mainly as a result of the use of restricted proceeds for construction. Unrestricted net position increased \$56,689.

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

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

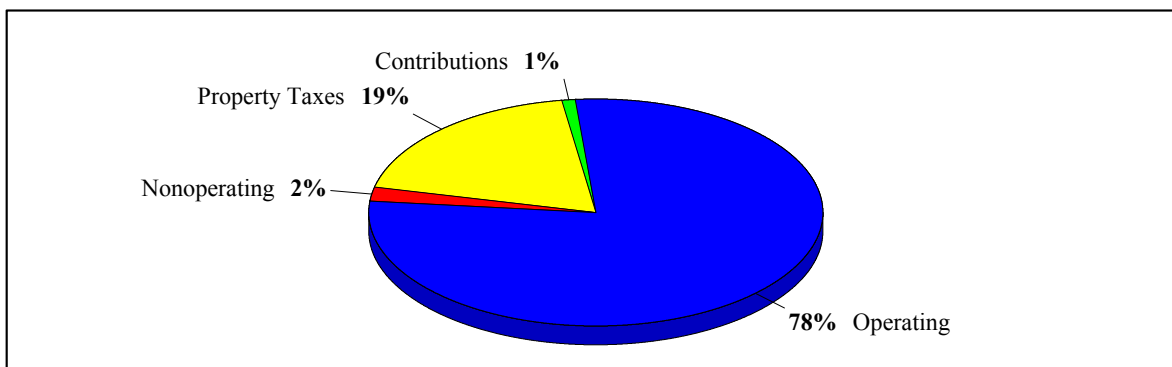
	2012	2011 As Restated	2010 As Restated
Operating revenues:			
Vessel and cargo services	\$ 190,618	\$ 177,405	\$ 159,799
Rental of equipment and facilities	23,077	22,030	20,346
Grain elevator	683	1,923	911
Bulk materials	2,485	2,131	2,368
Other	8,512	3,356	3,272
Nonoperating revenues:			
Investment income	2,410	3,123	3,573
Contribution in aid of construction	-	1,077	-
Other, net	1,583	2,765	3,836
Nonoperating revenues related to property taxes:			
Property taxes	56,429	49,826	53,833
Investment income / (loss) on bond proceeds	302	657	(47)
Total Revenues	<u>286,099</u>	<u>264,293</u>	<u>247,891</u>
Operating expenses:			
Maintenance and operations of facilities	101,095	97,461	95,918
General and administrative	43,875	39,894	51,742
Depreciation and amortization	56,551	55,661	53,731
Nonoperating expenses:			
Contribution to state and local agencies	882	1,232	1,742
Loss on disposal of assets	3,295	-	3,294
Other, net	98	-	-
Nonoperating expenses related to property taxes:			
Interest expense on unlimited tax bonds	33,803	36,843	34,265
Property tax expense	1,091	996	1,270
Other, net	442	525	480
Total Expenses	<u>241,132</u>	<u>232,612</u>	<u>242,442</u>
Income before contributions	44,967	31,681	5,449
Contribution from federal agencies	9,433	1,439	6,748
Changes in net position	<u>54,400</u>	<u>33,120</u>	<u>12,197</u>
Net position, January 1	<u>939,881</u>	<u>906,761</u>	<u>894,564</u>
Net position, December 31	<u>\$ 994,281</u>	<u>\$ 939,881</u>	<u>\$ 906,761</u>

2012 Revenues



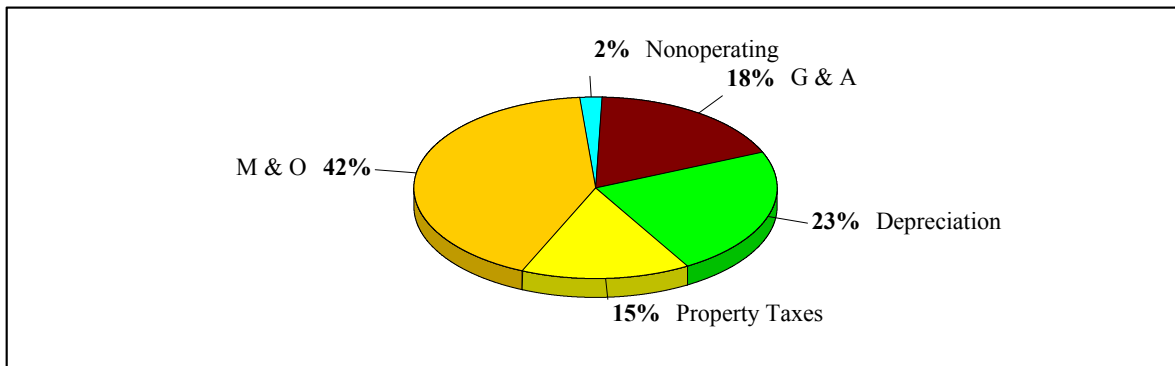
Vessel and cargo services revenues increased \$13.2 million or 7% in 2012 to \$190.6 million. There were no increases in tariff rates in 2012. Authority facilities experienced record-setting tonnage throughput with 1.2 million container units and 8,395 vessels visiting Port of Houston docks. Volumes increased in general cargo (8%) and decreased in bulk materials (2%). Total Authority tonnage of 44 million tons increased 4% from 2011. Other operating revenues increased \$5.2 million or 154% primarily from a dredge material placement agreement. Nonoperating revenues related to investment income in 2012 decreased \$0.7 million due to the continued low interest rate environment and higher yielding investments being called prior to maturity. Nonoperating revenues related to property taxes in 2012 increased approximately \$6.6 million. This was due to the increased property tax rate from \$0.01856 in fiscal year 2011 to \$0.01952 in fiscal year 2012 per \$100 assessed valuation combined with a 4% increase in assessed property valuations. Contributions from federal agencies in fiscal 2012 increased by \$8.0 million over the prior year as a result of increased grant funding related to Port Security projects.

2011 Revenues



Vessel and cargo services revenues increased in 2011 to \$177.4 million. Tariff rates were increased in 2011 over 2010 an average of between 2% and 3%. Volumes increased in general cargo (12%) and decreased in bulk materials (2%). 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 falling interest rates. Nonoperating revenues related to property taxes in 2011 decreased approximately \$4.0 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.

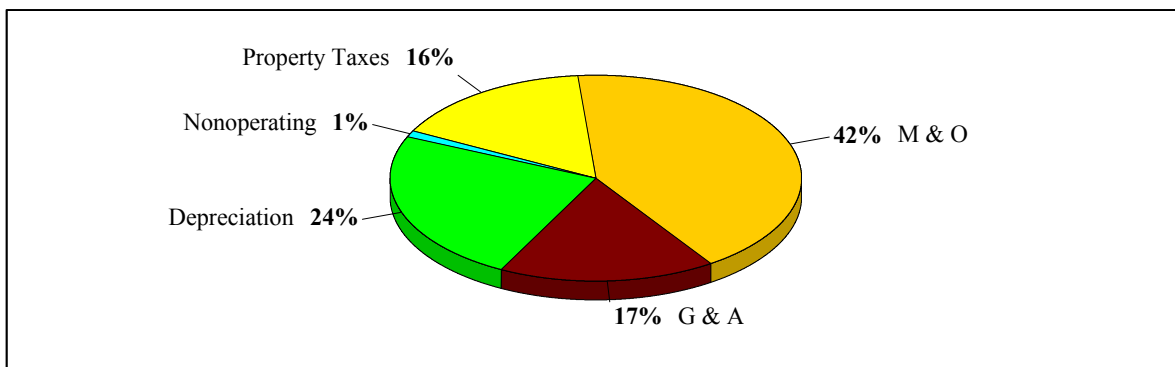
2012 Expenses



In 2012, expenses for maintenance and operation of facilities increased by \$3.6 million (4%) to \$101.1 million from 2011. The majority of the increase was due to start-up costs associated with two new cruise lines and other maintenance expenses.

General and administrative expenses increased by \$4.0 million (10%) from 2011. This is primarily due to lower allocations to the operational departments.

2011 Expenses



In 2011, maintenance and operation of facilities expenses increased by \$1.5 million (2%) to \$97.5 million from 2010. The majority of the increase was due to a rise in repair and maintenance costs and contract labor.

General and administrative expenses decreased by \$11.8 million (23%) from 2010. The majority of the change was due to declines in legal fees and employee taxes and benefits.

Capital Asset and Debt Administration

Capital Assets

The Authority's investment in capital assets as of December 31, 2012 totaled \$1,367.3 million (net of accumulated depreciation), an increase of \$5.1 million or 0.4% over the prior year.

Major capital asset activity during 2012 included the following:

- Buildings decreased \$1.2 million due to closeout of 2011 construction projects and the reclassifying of final project costs from Buildings to Improvements other than buildings.
- Improvements other than buildings increased \$14.4 million primarily due to construction at Turning Basin and Bayport.
- Machinery and equipment net increases totaled \$11.0 million in 2012. The increases primarily consisted of the purchase of \$1.3 million in equipment for new buildings at Bayport, security equipment of \$7.0 million and a telephone system upgrade at Turning Basin and the container terminals for \$0.7 million.
- Investments in computer software increased \$2.3 million primarily due to implementation of new payroll and human resources software, \$1.4 million.
- Net capitalized interest of \$1.5 million was added to the cost of assets for 2012.
- Construction-in-progress increased \$29.2 million in 2012 due primarily to the construction of a new gate at Bayport.
- Accumulated depreciation net of retirements increased by \$51.0 million in 2012.
- A loss on disposal of assets for \$3.3 million was recorded in order to reconcile the sub ledger to the general ledger for Land and Channel Improvements.

The Authority's investment in capital assets as of December 31, 2011, was \$1,362.2 million (net of accumulated depreciation). The total net decrease in the Authority's investment in capital assets for fiscal year 2011 was \$12.4 million or 0.9%.

Major capital asset events 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 the Turning Basin.
- Machinery and equipment net additions totaled approximately \$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 totaling \$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 increased \$47.3 million net of retirements in 2011.

PORT OF HOUSTON AUTHORITY

Capital Assets

(net of depreciation)

(in thousands)

	2012	2011	2010
Land and Channel Improvements	\$ 377,628	\$ 377,885	\$ 373,467
Land Use Rights - Intangible	10,667	10,167	10,155
Buildings	87,995	93,482	62,606
Improvements other than buildings	614,810	627,910	637,743
Railroads	27,203	28,487	28,922
Machinery and equipment	153,169	158,426	174,041
Computer Software - Intangible	4,939	4,228	4,507
Construction-in-progress	90,840	61,592	83,159
	<u>\$ 1,367,251</u>	<u>\$ 1,362,177</u>	<u>\$ 1,374,600</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 2012, the Authority had total debt outstanding of \$771.1 million (net of premiums/discounts), 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 approved by Harris County taxpayers, 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 2011, the Authority had total debt outstanding of \$788.0 million (net of premiums/discounts), consisting of General Obligation Bonds.

Outstanding Debt

General Obligation Bonds

(net of premiums/discounts)

(in millions)

	2012	2011	2010
	<u>2012</u>	<u>As Restated</u>	<u>As Restated</u>
General Obligation Bonds			
Unlimited Tax Port Improvement Bonds	\$ 95.5	\$ 96.0	\$ 152.2
Unlimited Tax Refunding Bonds	675.6	692.0	650.6
Total General Obligation Bonds	771.1	788.0	802.8
Less Current Maturities	<u>(14.3)</u>	<u>(13.9)</u>	<u>(12.9)</u>
Long-Term Debt (net of unamortized premiums/discounts)	<u>\$ 756.8</u>	<u>\$ 774.1</u>	<u>\$ 789.9</u>

During 2012, the Authority issued no new debt. The Authority's total debt principal outstanding decreased \$13.9 million during 2012 due to the scheduled debt service payment. Interest expense for 2012 on the unlimited tax bonds decreased by \$3.0 million from the prior

year due primarily to certain bond refundings in 2011 and additional capitalized interest on projects in 2012.

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 outstanding 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.

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

Year	<u>Fitch</u>	<u>Moody's</u>	<u>S & P</u>
2012	AAA	Aaa	AAA
2011	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

A number of factors were considered in preparing the Authority's budget for the 2013 fiscal year, including the global economy, the Authority's tonnage statistics and expected growth in domestic and international trade. For example, a leading research and advisory organization for the maritime sector projects 6% annual growth in global container trade through 2017. Our 2013 budget reflects growth of export and import loads at 5%, with no growth in empty container movements.

The U.S. economy continues its gradual recovery from the recession with moderate gross domestic product ("GDP") growth of 2.0% expected in 2013 versus 2.2% in 2012. According to the Bureau of Labor Statistics the consumer price index ("CPI") increased 1.7% in 2012 on an unadjusted basis. Low inflation is expected to continue in 2013 with CPI increasing about 2.2%.

In December 2012, the Federal Reserve Bank of Dallas reported Texas job growth at 3.2% year-to-date annualized, compared to 1.4% in the U.S. overall. While energy activity has certainly supported the regional economy, growth is likely to ease in 2013 as natural gas prices remain at historically low levels.

During 2012, the Authority experienced strong financial performance with 9% growth in operating revenues and 72% growth in net operating income despite no general tariff increase. Total tonnage was 3% higher versus 2011, including a 26% year-over-year increase in steel tonnage.

Requests for Information

The financial report is designed to provide an overview of the Authority's finances for those with an interest in the Authority's finances. Questions concerning 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 Position As of December 31, 2012 and 2011 (in thousands)

	2012	2011 As Restated
Assets		
Current Assets		
Cash and cash equivalents	\$ 58,132	\$ 200,520
Short-term Investments	178,752	30,072
Receivables (net of allowance for uncollectibles)	20,627	24,051
Restricted assets		
Cash and cash equivalents	40,157	71,561
Short-term Investments	-	5,008
Property tax receivables	45,508	40,398
Inventories	350	390
Prepays and other current assets	3,524	4,479
Total Current Assets	347,050	376,479
Non-current Assets		
Investments	112,079	65,197
Restricted assets		
Investments	9,165	-
Prepays and other noncurrent assets	4,086	5,830
Capital Assets (net of accumulated depreciation)		
Land and Channel Improvements	377,628	377,885
Land Use Rights - Intangible	10,667	10,167
Buildings	87,995	93,482
Improvements other than buildings	614,810	627,910
Railroads	27,203	28,487
Machinery and equipment	153,169	158,426
Computer Software - Intangible	4,939	4,228
Construction-in-progress	90,840	61,592
Total Capital Assets	1,367,251	1,362,177
Total Non-current assets	1,492,581	1,433,204
Total Assets	1,839,631	1,809,683
Deferred Outflows of Resources		
Deferred loss on bond refunding	7,650	8,050
Total assets and deferred outflows of resources	\$ 1,847,281	\$ 1,817,733

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Net Position As of December 31, 2012 and 2011 (in thousands)

	<u>2012</u>	<u>2011</u> As Restated
Liabilities		
Current Liabilities		
Accounts payable and other current liabilities	16,357	22,314
Fees received in advance and other reserves	2,297	1,470
Liabilities payable from restricted assets:		
Current maturities of long-term debt		
Unlimited tax bonds	14,345	13,905
Accrued interest payable		
Unlimited tax bonds	9,377	9,396
Contracts payable and accrued liabilities	<u>5,387</u>	<u>4,066</u>
Total current liabilities payable from restricted assets	<u>29,109</u>	<u>27,367</u>
Total Current Liabilities	47,763	51,151
Non-current Liabilities		
Long-term debt, net of current maturities	756,784	774,108
Other non-current liabilities		
Due in more than one year	<u>48,033</u>	<u>52,119</u>
Total Non-current Liabilities	<u>804,817</u>	<u>826,227</u>
Total Liabilities	<u>852,580</u>	<u>877,378</u>
Deferred Inflows of Resources		
Deferred gain on bond refunding	<u>420</u>	<u>474</u>
Total liabilities and deferred inflows of resources	853,000	877,852
Commitments and Contingencies (See Note 11)		
Net Position		
Net investment in capital assets	596,224	574,224
Restricted for:		
Capital	29,713	60,204
Debt Service	44,916	41,455
Other	2,755	196
Unrestricted	<u>320,673</u>	<u>263,802</u>
Total net position	<u>994,281</u>	<u>939,881</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 1,847,281</u>	<u>\$ 1,817,733</u>

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2012 and 2011
(in thousands)

	<u>2012</u>	<u>2011</u> As Restated
Operating revenues		
Vessel and cargo services	\$ 190,618	\$ 177,405
Rental of equipment and facilities	23,077	22,030
Grain elevator	683	1,923
Bulk materials	2,485	2,131
Other	<u>8,512</u>	<u>3,356</u>
Total	<u>225,375</u>	<u>206,845</u>
Operating expenses		
Maintenance and operations of facilities	101,095	97,461
General and administrative	43,875	39,894
Depreciation and amortization	<u>56,551</u>	<u>55,661</u>
Total	201,521	193,016
Operating income	<u>23,854</u>	<u>13,829</u>
Nonoperating revenues (expenses)		
Investment income	2,410	3,123
Contribution to state and local agencies	(882)	(1,232)
Contribution in aid of construction	-	1,077
Loss on disposal of assets	(3,295)	-
Other, net	<u>1,485</u>	<u>2,765</u>
Total	<u>(282)</u>	<u>5,733</u>
Income before nonoperating revenues (expenses) related to property taxes	23,572	19,562
Nonoperating revenues (expenses) related to property taxes		
Property taxes, net of estimated uncollectible amounts	56,429	49,826
Investment income on bond proceeds	302	657
Interest expense on unlimited tax bonds	(33,803)	(36,843)
Property tax expense	(1,091)	(996)
Other, net	<u>(442)</u>	<u>(525)</u>
Total	<u>21,395</u>	<u>12,119</u>
Income before contributions	44,967	31,681
Contribution from federal agencies	<u>9,433</u>	<u>1,439</u>
Change in net position	54,400	33,120
Net position, January 1 (as restated)	939,881	906,761
Net position, December 31	<u>\$ 994,281</u>	<u>\$ 939,881</u>

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Cash Flows

For the Years Ended December 31, 2012 and 2011

(in thousands)

	2012	2011
Cash flows from operating activities:		
Cash received from customers	\$ 229,269	\$ 209,494
Cash paid to suppliers for goods and services	(67,012)	(36,190)
Cash paid to employees for services	(61,309)	(58,865)
Cash paid for employee benefits	(26,984)	(29,502)
Cash received / (paid) for other services	1,274	(7,479)
Cash received / (paid) for other purposes	781	(7,232)
Net cash provided by operating activities	76,019	70,226
Cash flows from noncapital financing activities:		
Repayment of advances from developer	(1,551)	(1,621)
Property taxes received	49,006	54,098
Contributions paid to others	(882)	(1,232)
Property tax collection expenses paid	(2,148)	(1,537)
Net cash provided by noncapital financing activities	44,425	49,708
Cash flows from capital and related financing activities:		
Contributions received from federal and state agencies	9,433	1,439
Proceeds from issuance of long-term debt	-	47,345
Long-term debt issuance benefits	-	1,308
Repayment of long-term debt and funding of escrow	(13,905)	(65,090)
Interest on long-term debt	(38,325)	(37,073)
Acquisition and construction of capital assets	(55,634)	(37,393)
(Loss) / proceeds from retirement of assets	(872)	249
Net cash used in capital financing activities	(99,303)	(89,215)
Cash flows from investing activities:		
Purchase of investments	(453,500)	(200,000)
Proceeds from maturities of investments	253,545	350,800
Interest on investments	5,022	3,597
Net cash (used in) / provided by investing activities	(194,933)	154,397
Net (decrease) increase in cash and cash equivalents	(173,792)	185,116
Cash and cash equivalents, January 1	272,081	86,965
Cash and cash equivalents, December 31	\$ 98,289	\$ 272,081
Cash and cash equivalents Unrestricted	\$ 58,132	\$ 200,520
Cash and cash equivalents Restricted	40,157	71,561

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, 2012 and 2011

(in thousands)

	2012	2011
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 23,854	\$ 13,829
Adjustments to reconcile operating income to Net cash provided by operating activities:		
Depreciation and amortization	56,551	55,661
Loss on disposal of assets	(3,295)	-
Provision for doubtful accounts	5	227
Miscellaneous nonoperating income, net	1,973	2,820
Change in assets and liabilities		
Decrease in trade and other receivables	3,727	1,450
Increase in prepaids and other current assets	(2,011)	(3,425)
Decrease in inventories	40	59
Decrease in dredging expenses paid in advance	1,542	3,228
Decrease in accounts payable and other liabilities	(6,574)	(3,697)
(Increase) decrease in compensated absences	(153)	201
Increase (decrease) in revenues received in advance	360	(127)
Net cash provided by operating activities	\$ 76,019	\$ 70,226
Noncash investing, capital and financing activities:		
Decrease in fair value of investments	\$ (116)	\$ (120)
Contributions to others	882	1,232

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of OPEB Trust Net Assets

As of December 31, 2012 and 2011

(in thousands)

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 7,099	\$ 8,000
Investments	<u>9,175</u>	<u>-</u>
Total Assets	<u>16,274</u>	<u>8,000</u>
LIABILITIES		
Administrative and investment fees*	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
Net Assets	<u>\$ 16,274</u>	<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

Statements of Changes in OPEB Trust Net Assets

For the Years Ended December 31, 2012 and 2011

(in thousands)

	<u>2012</u>	<u>2011</u>
ADDITIONS:		
Employer Contributions	\$ 8,000	\$ 8,000
Net investment income	274	-
Total additions	<u>8,274</u>	<u>8,000</u>
DEDUCTIONS:**		
Benefit payments	-	-
Administrative expenses	-	-
Total deductions	<u>-</u>	<u>-</u>
Net increase in net assets	<u>\$ 8,274</u>	<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 Position 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, 2012 and 2011
(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 of the State of Texas, operating as a navigation district 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. 61, “The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34.” There has been no activity for PDC since 2007.

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(in thousands)

Note 1. Summary of Significant Accounting Policies (continued)

Blended Component Units (continued)

employment, commerce and economic development in the local region and the nation. 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.

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 classified herein as cash and cash equivalents. Certificates of deposit with maturities over three months are considered time deposits.

Investments

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(in thousands)

Note 1. Summary of Significant Accounting Policies (continued)

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.

Maintenance 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 prepaid and other current assets and amortized over three years. Amortization for 2012 and 2011 amounted to \$3,214 and \$3,224, respectively, and is included in depreciation and amortization in the statements of revenues, expenses and changes in net position.

Property Taxes

Property taxes (net of collection expenses) are used to pay debt service on General Obligation bonds outstanding. Property is appraised, and a lien on such property becomes enforceable, as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Property taxes are generally levied in October or November for the year in which assessed. Taxes become delinquent February 1 of the following year and are subject to interest and penalty charges. Harris County bills and collects property taxes of the Authority for a fee and remits collections to the Authority. Property tax collection expenses incurred by the Authority for the years ended December 31, 2012 and 2011 were \$1,091 and \$996, respectively. These expenses are included in property tax expense in the statements of revenues, expenses and changes in net position. The tax rates levied on behalf of the Authority for the years ended December 31, 2012 and 2011 were \$0.01952 and \$0.01856, respectively, per \$100 assessed valuation.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(in thousands)

Note 1. Summary of Significant Accounting Policies (continued)

Restricted Assets

Assets whose use is restricted to specific purposes by bond indenture or otherwise are segregated on the statements of net 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 \$1,471 and \$594 in 2012 and 2011, 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

Premiums (Discounts) on Bonds Payable and Issuance Costs

Bond premiums and discounts are amortized using the effective interest method. Bond issuance costs are expensed as incurred. Bonds payable are reported net of the applicable bond premium or discount.

Deferred Compensation

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan, which is administered by the Nationwide Trust Company, permits employees to defer income taxation on retirement savings into future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(in thousands)

Note 1. Summary of Significant Accounting Policies (continued)

Compensated Absences

Compensated absences, which include unpaid accrued vacation and sick leave, are accumulated during employment and are accrued at the beginning of the calendar year. 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 Position

Net position represents the residual interest in the Authority's assets and deferred outflows after liabilities and deferred inflows are deducted and consist of three sections: net investment in capital assets; restricted and unrestricted. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. Net position is reported as restricted when constraints are imposed by third parties and consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The remaining net position that does not meet the definition of net investment in capital assets or restricted is 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.

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(in thousands)

Note 1. Summary of Significant Accounting Policies (continued)

Operating Revenues and Expenses (continued)

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.

Current Year Accounting Pronouncements

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 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 elected to early adopt this standard and implemented this statement in fiscal year 2012.

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 implemented this statement in fiscal year 2012; this had no effect on the financial statements.

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(in thousands)

Note 1. Summary of Significant Accounting Policies (continued)

Current Year Accounting Pronouncements (continued)

December 15, 2011. The Authority implemented the changes put forth in this statement during fiscal 2012. See the Adoption of New Accounting Standards section for further information on the implication of the new standard.

In March 2012, the GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities." This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflow of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term "deferred" in financial statement presentations. Though GASB 65 is effective for periods beginning after December 15, 2012, the Authority has chosen to early adopt this statement given its relation to Statement No. 63, which is effective for fiscal year 2012. See the Adoption of New Accounting Standards section for further information on the implication of the new standard.

Also in March of 2012, the GASB issued Statement No. 66, "Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62." The objective of this statement is to improve accounting and financial reporting for a government financial reporting entity by resolving conflicting guidance that resulted from issuance of two pronouncements, Statements No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The Authority implemented this statement in fiscal year 2012; this had no effect on the financial statements.

Future Accounting Pronouncements

In June of 2012, the GASB issued Statement No. 67, "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25." This statement is intended to improve financial reporting by state and local governmental pension plans and replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 50, "Pension Disclosures." This statement is effective for financial statements for fiscal years beginning after June 15, 2013. The Authority anticipates implementation of this statement in fiscal year 2014.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(in thousands)

Note 1. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

Also in June of 2012, the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27." The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It replaces the requirements of Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" as well as the requirements of Statement No. 50, "Pension Disclosures." This statement is effective for financial statements for fiscal years beginning after June 15, 2014. The Authority anticipates implementation of this statement in fiscal year 2015.

Adoption of New Accounting Standards

GASB Statement No. 63 provides guidance which distinguishes deferred outflows of resources from assets and deferred inflows of resources from liabilities. In essence, these deferred items represent a consumption (debit) or acquisition (credit) of net assets applicable to a future reporting period. GASB 65 further clarifies which financial statement items should continue to be presented as assets and liabilities and which should be reclassified as deferred outflows and deferred inflows on the Statements of Net Position. For the Authority, this affects the financial statement presentation of deferred gains or losses from refunding of debt. Fiscal 2011 has been restated to reflect these new classifications.

Additionally, in accordance with GASB 63, for fiscal 2012 the Authority has renamed the "Statements of Net Assets" the "Statements of Net Position" and the "Statements of Revenues, Expenses and Changes in Net Assets" the "Statements of Revenues, Expenses and Changes in Net Position."

GASB 65 provides additional specificity to GASB 63 by clarifying items which should be treated as current period expenditures or current period inflows on the Statements of Revenues, Expenses and Changes in Net Position. For the Authority, this affects the presentation of debt issuance costs, which previously were capitalized on the Statements of Net Position. Debt issuance costs of \$6.8 million, incurred in 2011 and prior years, were adjusted in the beginning Net Position for 2011 and costs of \$442 related to the 2011 refunding are now presented within the Nonoperating revenues (expenses) section of the 2011 Statement of Revenues, Expenses and Changes in Net Position.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(in thousands)

Note 1. Summary of Significant Accounting Policies (continued)

Reclassifications and Presentation

Certain reclassifications of prior years' balances have been made to conform with the current year presentation. For fiscal 2012, the Authority has reflected property tax revenue net of estimated uncollectible amounts and reclassified the 2011 uncollectible amounts to conform with the current year.

Note 2. Cash and Investments

The Authority's cash and cash equivalents of \$98,289 and \$272,081 as of December 31, 2012 and 2011, 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, 2012 and 2011 was \$105,499 and \$274,866, respectively, of which the amount on deposit in demand accounts is fully covered by the Federal Deposit Insurance Corporation ("FDIC") or collateralized with securities deposited by the Authority's depository institution in safekeeping at the Federal Reserve Bank in the Authority's name. The mutual funds are invested primarily in direct obligations of the U.S. government or its agencies.

In accordance with 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, municipal and state obligations, commercial paper, money market mutual funds, collateralized mortgage obligations, the underlying security for which is guaranteed by an agency of the United States, and fully collateralized repurchase agreements. Repurchase agreements must be purchased pursuant to a master repurchase agreement which specifies the rights and obligations of both parties and requires that the securities involved in the transactions be held in a safekeeping account subject to the control and custody of the Authority. Investments in security repurchase agreements may only be placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the state of Texas. The Authority did not invest in repurchase agreements during 2012 or 2011.

External Investment Pool - During 2012 and 2011, the Authority invested in the Texas Local Government Investment Pool ("TexPool"), Texas Local Government Investment Pool Prime ("TexPool Prime") and the Texas Short Term Asset Reserve Program ("TexSTAR"). These three programs are organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. Investments in TexPool, TexPool Prime and TexSTAR are marked to market daily using the fair value method and are included in cash and cash equivalents in the Authority's statements of net position. None of these programs are considered "2a7-like pools" as

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(in thousands)

Note 2. Cash and Investments (continued)

defined by GASB Statements No. 31 and No. 59, as they do not follow the requirements of SEC Rule 2a7, which includes valuation at amortized cost as an approximation of fair value.

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 or an equivalent rating.

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, 2012 included the following securities which comprised more than 5% of the total portfolio (excluding cash and cash equivalents):

Commercial Paper:

Deutsche Bk	7%
FCAR Owner Trust	21%
ING Funding LLC	7%
Toyota Credit Puerto Rico	8%
Toyota Mtr Cr	16%

U.S. Agency Securities:

Federal Farm Credit Bureau	17%
Federal Home Loan Bank	12%

These securities meet the diversification and credit quality requirements specified in the Investment Policy.

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(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, 2012.

Security Type	<u>Ratings</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Agency Securities:			
FFCB NOTE	AA+/Aaa	\$ 50,076	1.89
FHLB NOTE	AA+/Aaa	15,036	0.51
FHLB NOTE	AA+/Aaa	19,998	0.75
FNMA NOTE	AA+/Aaa	<u>12,025</u>	0.45
Total		<u>97,135</u>	
Commercial Paper:			
Deutsche Bk	A-1/P-1	19,972	0.07
FCAR Owner Trust	A-1+/P-1	14,991	0.02
FCAR Owner Trust	A-1+/P-1	19,986	0.04
FCAR Owner Trust II	A-1/P-1	13,990	0.03
FCAR Owner Trust II	A-1/P-1	14,979	0.05
ING Funding LLC	A-1/P-1	21,970	0.07
Toyota Credit Puerto Rico	A-1+/P-1	24,986	0.04
Toyota Mtr Cr	A-1+/P-1	22,746	0.01
Toyota Mtr Cr	A-1+/P-1	<u>24,995</u>	0.02
Total		<u>178,615</u>	

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(in thousands)

Note 2. Cash and Investments (continued)

Security Type	<u>Ratings</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Municipal Bonds:			
Baldwin Park USD, GA GO	SP-1	4,232	0.28
Baldwin Park USD, GA GO	SP-1	1,718	0.11
City of Carmel, IN Redev Auth	AA+	2,148	0.32
City of Carmel, IN Redev Auth	AA+	2,683	0.46
City of Carmel, IN Redev Auth	AA+	2,793	0.54
Fresno Cty CA Fina Auth Rev	AA-	2,068	0.31
Jackson Cty, MO	Aa3	1,101	0.13
Metro Nashville & Dav Cty TN	AA/Aa1	2,012	0.29
NY St Dorm Auth Tax Rev	AAA/AA	1,504	0.20
NY St Dorm Auth Tax Rev	AAA/AA	1,501	0.13
NY St Envrnmntl Fac Rev	AAA/Aaa	1,486	0.24
State of CT GO	AA/Aa3	<u>998</u>	0.16
Total		<u>24,244</u>	
Total Fair Value		<u>\$ 299,994</u>	
Portfolio Weighted Average Maturity			1.63
Stock received from bankrupt tenant		<u>2</u>	N/A
Total Investments		<u>\$ 299,996</u>	-

N/A - not applicable

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(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, 2011.

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

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, 2012 and 2011, 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, 2012 and 2011
(in thousands)

Note 3. Receivables

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

	<u>2012</u>	<u>2011</u>
Trade receivables, net		
Trade receivables	\$ 20,560	\$ 23,120
Damage claims receivable	135	393
Allowance For Doubtful Accounts	<u>(768)</u>	<u>(902)</u>
Trade accounts, net	19,927	22,611
Other receivables		
Interest receivable	308	241
Due from federal agencies	392	1,189
Other	<u>-</u>	<u>10</u>
Total other receivables	<u>700</u>	<u>1,440</u>
Total receivables, net	<u>\$ 20,627</u>	<u>\$ 24,051</u>

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(in thousands)

Note 4. Capital Assets

Capital asset activity for the year ended December 31, 2012 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	\$ 102,564	\$ 2	\$ (979)	\$ 101,587
Land Use Rights - Intangible	10,167	500	-	10,667
Channel land	275,322	3,035	(2,316)	276,041
Construction-in-progress	61,592	64,321	(35,073)	90,840
Total capital assets not being depreciated	<u>449,645</u>	<u>67,858</u>	<u>(38,368)</u>	<u>479,135</u>
Capital assets being depreciated				
Buildings	157,850	5,839	(7,039)	156,650
Improvements other than buildings	946,338	8,625	5,810	960,773
Railroads	59,929	-	-	59,929
Machinery and equipment	332,746	11,997	(981)	343,762
Computer Software - Intangible	6,072	2,290	-	8,362
Total capital assets being depreciated	<u>1,502,935</u>	<u>28,751</u>	<u>(2,210)</u>	<u>1,529,476</u>
Less accumulated depreciation for				
Buildings	(64,368)	(4,287)	-	(68,655)
Improvements other than buildings	(318,428)	(27,535)	-	(345,963)
Railroads	(31,443)	(1,283)	-	(32,726)
Machinery and equipment	(174,320)	(18,304)	2,031	(190,593)
Computer Software - Intangible	(1,844)	(1,579)	-	(3,423)
Total accumulated depreciation	<u>(590,403)</u>	<u>(52,988)</u>	<u>2,031</u>	<u>(641,360)</u>
Total capital assets being depreciated, net	<u>912,532</u>	<u>(24,237)</u>	<u>(179)</u>	<u>888,116</u>
Total capital assets, net	<u>\$ 1,362,177</u>	<u>\$ 43,621</u>	<u>\$ (38,547)</u>	<u>\$ 1,367,251</u>

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(in thousands)

Note 4. Capital Assets (continued)

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)
Improvements 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, 2012 and 2011
(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.

In prior periods, the Authority experienced a decline in the utility of the Bayport Cruise Terminal and evaluated the impairment to be temporary in nature as of December 31, 2011. In late fiscal 2012, the Authority executed agreements with two cruise lines for their use of the Bayport Cruise Terminal and related assets with a service offering beginning in November 2013.

In light of the agreements to utilize the Bayport Cruise Terminal and related assets, the Authority has concluded that an analysis or test for impairment of the assets is not warranted. The carrying value of the assets (original cost less accumulated depreciation) at December 31, 2012 was \$95,157.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(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, 2012 and 2011 were \$202 and \$247, respectively. As of December 31, 2012, future minimum rental obligations to be paid by the Authority under noncancelable operating leases are as follows:

Year Ending	Future Minimum Lease Payments
2013	\$ 356
2014	245
2015	181
Total	<u>\$ 782</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 \$115,688 consisting of \$16,766 in buildings, \$61,235 in improvements, \$3,828 of machinery and equipment and \$33,859 of railroads with a total net book value of \$53,137 and current year depreciation of \$3,601. As of December 31, 2012, future minimum rentals anticipated to be received by the Authority under the operating leases with initial or remaining noncancelable lease terms in excess of one year are as follows:

Year Ending	Future Minimum Lease Rentals
2013	\$ 20,952
2014	20,572
2015	16,249
2016	14,487
2017	10,947
Thereafter	74,254
Total	<u>\$ 157,461</u>

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(in thousands)

Note 6. Long-Term Debt and Non-Current Liabilities

The following is a summary of bonds payable and other non-current liabilities which comprise the Authority's long-term liabilities for the years ended December 31, 2012 and 2011.

Changes in Long-Term Liabilities - 2012

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable					
Unlimited tax bonds	\$ 745,874	\$ -	\$ (13,905)	\$ 731,969	\$ 14,345
Accreted interest on unlimited tax bonds	60	42	-	102	-
Less unamortized premiums / discounts	<u>42,079</u>	<u>-</u>	<u>(3,021)</u>	<u>39,058</u>	<u>-</u>
Total bonds payable	<u>788,013</u>	<u>42</u>	<u>(16,926)</u>	<u>771,129</u>	<u>14,345</u>
Other non-current liabilities					
Net OPEB obligation	40,096	4,976	(8,000)	37,072	-
Compensated absences	5,661	5,298	(5,451)	5,508	460 *
Fees received in advance	4,473	1,517	(1,016)	4,974	1,797 *
Advances from developer	1,551	-	(1,551)	-	-
Claims liability	<u>1,665</u>	<u>1,151</u>	<u>(80)</u>	<u>2,736</u>	<u>-</u>
Total other non-current liabilities	<u>\$ 53,446</u>	<u>\$ 12,942</u>	<u>\$ (16,098)</u>	<u>\$ 50,290</u>	<u>\$ 2,257</u>

* Included in accounts payable and other current liabilities

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
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Note 6. Long-Term Debt and Non-Current Liabilities (continued)

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	<u>39,152</u>	<u>5,446</u>	<u>(2,519)</u>	<u>42,079</u>	<u>-</u>
Total bonds payable	<u><u>802,795</u></u>	<u><u>52,827</u></u>	<u><u>(67,609)</u></u>	<u><u>788,013</u></u>	<u><u>13,905</u></u>
Other non-current liabilities					
Net OPEB obligation	42,710	5,386	(8,000)	40,096	-
Compensated absences	5,810	5,197	(5,346)	5,661	499 *
Fees received in advance	4,417	1,590	(1,534)	4,473	828 *
Advances from developer	9,361	2,240	(10,050)	1,551	-
Claims liability	<u>819</u>	<u>1,754</u>	<u>(908)</u>	<u>1,665</u>	<u>-</u>
Total other non-current liabilities	<u><u>\$ 63,117</u></u>	<u><u>\$ 16,167</u></u>	<u><u>\$ (25,838)</u></u>	<u><u>\$ 53,446</u></u>	<u><u>\$ 1,327</u></u>

* 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 General Obligation 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, 2012 and 2011
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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	
					2012	2011
General Obligation Bonds						
Unlimited Tax Refunding Bonds						
Series 2002B	\$ 7,060	4.12-5.50	12/12/2002	2013	\$ 490	\$ 990
Series 2004	9,000	3.00-5.00	12/8/2004	2016	2,790	3,520
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	60,670	62,485
Series 2006A	28,380	5.00	7/19/2006	2017	12,875	15,485
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	25,940	29,680
Series 2010B	22,930	1.00-5.00	2/17/2010	2026	18,885	20,010
Series 2010C	30,254	2.00-5.37	2/3/2010	2033	29,609	29,934
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	47,345	1.00-5.00	10/20/2011	2026	44,840	47,345
					641,324	654,674
Unamortized premiums / discounts, net					34,228	37,263
Series 2010C and 2010E CAB Accretion, net					102	60
Unlimited Tax Refunding Bonds, net					675,654	691,997
Unlimited Tax Port Improvement Bonds						
Series 2002A	16,000	3.00-5.00	12/12/2002	2027	4,980	5,535
Series 2010D-2	85,665	5.00	8/19/2010	2039	85,665	85,665
Total Unlimited Tax Port Improvement Bonds					90,645	91,200
Unamortized Premiums/(Discounts), net					4,830	4,816
Unlimited Tax Port Improvement Bonds, Net					95,475	96,016
Total Debt					771,129	788,013
Less Current Maturities					(14,345)	(13,905)
Long - Term Debt (net of unamortized premiums/discounts)					\$ 756,784	\$ 774,108

* Interest rate of original issue

Due to the implementation of GASB Statements No. 63 and No. 65, deferred losses and gains from refunding transactions have been reclassified from a liability to a deferred outflow and inflow of resources, respectively, and are no longer presented in the Changes in Long-Term Liabilities - 2011 and Outstanding Long-Term Debt tables. Additionally, \$2,254 in unamortized debt issuance costs that were previously included in these tables has been expensed.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(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, 2012 are as follows:

Year Ending December 31	Bond Principal	Capital Appreciation Bond	Bond Interest	Total
	General Obligation	Accreted Interest	General Obligation	
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	19,720	-	34,617	54,337
2018-2022	117,550	-	157,673	275,223
2023-2027	118,065	-	128,882	246,947
2028-2032	150,420	4,855	94,278	249,553
2033-2037	185,129	13,121	51,293	249,543
2038-2039	78,820	-	5,700	84,520
	<u>\$ 731,969</u>	<u>\$ 17,976</u>	<u>\$ 618,457</u>	<u>\$ 1,368,402</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, 2012 and 2011 were \$0 and \$7,045, respectively. During 2012, there were no bond refundings.

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.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(in thousands)

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

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, 2012 and 2011. 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 \$0 and \$1,551 at December 31, 2012 and 2011, respectively.

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, \$0 and \$6,189 through December 31, 2012 and 2011, 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.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(in thousands)

Note 7. Bayport Facilities (continued)

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, 2012 and 2011 were approximately \$1,551 and \$7,810, respectively.

Note 8. Retirement Plans

Defined Benefit 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 hired prior to August 1, 2012. The Plan is now closed to new participants. Employees hired on or after that date are covered by the Port of Houston Authority Defined Contribution Plan described below. 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, Attention: Controller. The Authority's payroll for employees covered by the Plan for the plan fiscal years ended July 31, 2012 and 2011 was \$35,082 (76% of the total payroll of \$46,112) and \$35,571 (79% of the total payroll of \$44,841), respectively.

Employees hired prior to August 1, 2012 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.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(in thousands)

Note 8. Retirement Plans (continued)

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.

As of July 31, 2012 and 2011, the Plan had the following investments in excess of 5% of net investments:

	<u>2012</u>	<u>2011</u>
Loomis Sayles Inst High Inc (Cusip 543495600)	\$ 6,411,488	\$ - *
Cohen & Steers Inst Realty Shares (Cusip 19247U106)	7,058,844	- *
Meridian Growth Fund Inc. (Cusip 589619105)	15,961,756	16,770,922
Total	<u>\$ 29,432,088</u>	<u>\$ 16,770,922</u>

* These investments were purchased in Plan fiscal year 2012.

The above investments are diversified mutual funds with distinctly different investment objectives.

Loomis Sayles Institutional High Income Fund seeks high returns primarily by investing in high yield bonds, convertible securities, preferred stocks and equities which provide a combination of current income and capital appreciation. As of December 31, 2012, the fund had net assets of \$626 million and the top 10 holdings represented 13.4% of the portfolio. Cohen & Steers Institutional Realty Shares is a diversified portfolio of real estate securities and REITs. The fund had net assets of \$2.3 billion on December 31, 2012, and the top 10 holdings represented 47.4% of the portfolio. The Meridian Growth Fund invests in a combination of small cap and mid cap growth stocks. As of September 30, 2012, the fund had net assets of approximately \$2.3 billion and the top 10 holdings represented 26.5% of the portfolio. The Authority fully liquidated its investment in the Meridian Growth Fund in December 2012.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(in thousands)

Note 8. Retirement Plans (continued)

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.

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

a) Actuarial Valuation Date	<u>August 1, 2012</u>
b) Actuarial Value of Assets	\$129,522
c) Actuarial Accrued Liability (AAL)	\$139,259
d) Unfunded Actuarial Accrued Liability (UAAL) (c-b)	\$9,737
e) Funded Ratio (b/c)	93.0%
f) Annual Covered Payroll (Actuarial)	\$35,082
g) UAAL as a % of Covered Payroll (d/f)	27.8%

For financial reporting purposes, the projection of benefits does not explicitly incorporate the potential effects of legal or contractual funding limitation, of which none exist as of December 31, 2012.

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

	<u>August 1, 2012</u>	<u>August 1, 2011</u>	<u>August 1, 2010</u>
Actuarial Valuation Date	Entry Age Normal	Entry Age Normal	Entry Age Normal
Actuarial Cost Method	Level Dollar, (closed)	Level Dollar, (closed)	Level Dollar, (closed)
Amortization Method	Various	Various	Various
Amortization Period in Years	Market Value	Market Value	Market Value
Asset Valuation Method			
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	2.75%	3.5%	3.5%
Cost of Living Adjustment	None	None	None

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(in thousands)

Note 8. Retirement Plans (continued)

Actuarially Determined Contribution Requirements and Contributions Made (continued)

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, 2012, 2011, and 2010

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarial Determined Annual Pension Cost (APC)	\$8,133	\$10,809	\$9,857
Contribution Made	\$8,133	\$10,809	\$9,857
% of APC Contributed	100%	100%	100%
Net Pension Obligation	None	None	None

Defined Contribution Plan Description

In July of 2012, the Port Commission authorized creation of the Port of Houston Authority Defined Contribution Plan (“DC Plan”), a contributory benefit plan covering all permanent, full-time employees hired on or after August 1, 2012. The Authority manages the operation and administration of the DC Plan and serves as the trustee. The Port Commission maintains the authority to amend the DC Plan provisions, including amending the contribution requirements and investment alternatives offered to employees.

The DC Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions on behalf of employees are tax deferred until time of withdrawal.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(in thousands)

Note 8. Retirement Plans (continued)

Defined Contribution Plan Description (continued)

Contributions from the Authority to an employee's account are based on a percentage of base salary:

<u>Years of Service</u>	<u>% Contribution by the Authority</u>
0 to 5	3.5%
6 to 10	4.5%
11 to 15	5.5%
16 to 20	6.5%
21 or more	7.5%

DC Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Contributions on behalf of each employee are invested in accordance with the employee's instructions, entirely in one fund or in any combination of funds offered. Individual accounts are maintained for each DC Plan participant. If applicable, each employee's account is credited with the Authority's contribution and investment earnings and charged with withdrawals, administrative expenses and investment losses. Under the provisions of the DC Plan, employees are not required to make contributions.

The Authority contributed \$3 thousand during fiscal 2012, reflecting 3.5% of the covered payroll.

Note 9. Post Employment Retiree Benefits

Plan Description

In addition to retirement benefits as described in Note 8, the Authority provides certain post employment health care benefits ("OPEB") to eligible retired employees and their dependents under an agent multiple-employer defined benefit plan. At December 31, 2012 and 2011, there were 288 and 275 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 OPEB Plan does not issue standalone financial reports, but presents the Plan net assets in the fiduciary fund statements and includes the Net OPEB Obligation in the non-current liabilities section of the statement of net position.

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(in thousands)

Note 9. Post Employment Retiree Benefits (continued)

Plan Description (continued)

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, 2012 and 2011, the cost of retiree health benefits, recorded on a pay-as-you-go basis was \$1,908 and \$1,638, respectively. Retiree life benefit costs for 2012 and 2011 were \$105 and \$127, respectively.

During 2011, the Authority entered a multiple employer pooled account trust arrangement designed to prefund post-retirement benefits for the Authority's eligible retired employees and their eligible dependents. The PEB Trust Board of Trustees serves as the trustee for the assets. In addition to the pay-as-you-go expenses referenced above, the Authority had contributed \$16,000 through December 31, 2012.

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.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(in thousands)

Note 9. Post Employment Retiree Benefits (continued)

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
For the Years Ended December 31, 2012 and 2011
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Note 9. Post Employment Retiree Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

	<u>2012</u>	<u>2011</u>
Normal Cost at year end	\$ 3,034	\$ 3,034
Amortization of UAAL	<u>4,879</u>	<u>5,081</u>
Annual Required Contribution (ARC)	7,913	8,115
Determination of Net OPEB Obligation		
Annual Required Contribution	7,913	8,115
Interest on prior year Net OPEB Obligation	2,907	3,096
Adjustment to ARC	<u>(3,089)</u>	<u>(3,290)</u>
Annual OPEB Cost	7,731	7,921
Contributions made	<u>(10,755)</u>	<u>(10,535)</u>
Decrease in Net OPEB Obligation	(3,024)	(2,614)
Net OPEB Obligation - beginning of year	<u>40,096</u>	<u>42,710</u>
Net OPEB Obligation - end of year	<u>\$ 37,072</u>	<u>\$ 40,096</u>

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

The table below reflects the schedule of OPEB Funding Progress.

	<u>January 1, 2012*</u>	<u>January 1, 2011</u>	<u>January 1, 2010</u>
a) Actuarial Valuation Date			
b) Actuarial Value of Assets	\$ -	\$ -	\$ -
c) Actuarial Accrued Liability (AAL)	56,476	56,476	118,692
d) Unfunded Actuarial Accrued Liability (UAAL) (c-b)	56,476	56,476	118,692
e) Funded Ratio (b/c)	- %	- %	- %
f) Annual Covered Payroll (Actuarial)	34,939	34,939	32,310
g) UAAL as a % of Covered Payroll (d/f)	161.6 %	161.6 %	367.4 %

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

Plan Year Ended	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual OPEB cost	\$ 7,731	\$ 7,921	\$ 14,147
Percentage of OPEB Cost Contributed	139.1 %	133.0 %	20.5 %
Net OPEB Obligation	\$ 37,072	\$ 40,096	\$ 42,710

*Actuarial valuations are performed every two years; the last update was in 2011 and the next will be in fiscal 2013.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(in thousands)

Note 9. Post Employment Retiree Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

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

Actuarial Methods and Assumptions

The actuarial cost method used to determine the OPEB obligation is computed using the 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
For the Years Ended December 31, 2012 and 2011
(in thousands)

Note 9. Post Employment Retiree Benefits (continued)

Actuarial Methods and Assumptions (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 was 7.5% trending down to 4.7% (pre-Medicare) and 5.7% trending down to 4.7% (post-Medicare) over 72 years.

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. It has unlimited excess coverage for any workers' compensation claim that exceeds its SIR. The Authority maintains \$20,000 in excess coverage above its \$350 SIR for general and automobile liability claims. The balance in the self insurance fund at December 31, 2012 and 2011 was \$2,705 and \$1,659, respectively.

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, 2012, the Authority had no liability for workers' compensation, general liability nor auto liability claims which occurred prior to March 1, 2010. The estimated liability for workers' compensation, general and auto liability claims for the periods March 1, 2010 to February 28, 2013 is \$2,736. These claim liabilities include an estimate for allocated claims adjustment expenses and are based on actuarial assessment of loss development factors, trend rates and loss costs. The liability is included in the Non-current Liabilities section of the statements of net position.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(in thousands)

Note 10. Risk Management (continued)

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 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, 2012 and 2011, the Authority recognized insurance recoveries of \$125 for physical damages to a fireboat and \$3,350 relating to fire damage on insured property, respectively. These recoveries are included in Non-operating revenues – other, net in the statements of revenues, expenses and changes in net position.

Note 11. Commitments and Contingencies

Commitments

At December 31, 2012 and 2011, the Authority had commitments of approximately \$13,458 and \$11,372, 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, and may become involved in other disputes arising in the normal course of business; it cannot predict the results of such matters. 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 matters 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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(in thousands)

Note 11. Commitments and Contingencies (continued)

Litigation and Claims (continued)

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.

On August 9, 2012, the court of appeals rendered its opinion. A majority made the following rulings: (1) Zachry's breach of contract claim is barred by the "no-damages-for-delay" provision in the contract because all of Zachry's damages are delay damages; (2) the evidence was factually and legally sufficient to support the \$970 offset that the Authority obtained for Zachry's work on the wharf fenders; and (3) the award of \$10,500 in attorneys' fees to the Authority is supported by factually sufficient evidence.

In September 2012, Zachry filed a petition for review with the Texas Supreme Court; the Authority's reply brief was filed in February 2013 and Zachry's response was filed March 26, 2013. The Authority filed its sur-reply on March 28, 2013, and Zachry responded on April 1, 2013.

Due to the continued pendency of the case, the Authority has determined that its financial statements should not reflect the rulings in favor of the Authority by the court of appeals. The Authority intends to continue to vigorously prosecute the appeal.

The Authority is a defendant in two related suits brought by approximately 70 residents of the La Porte and Shoreacres community in November 2010. In the action in Harris County Civil Court at Law, plaintiffs claim the Authority has committed an unconstitutional taking of plaintiffs' property and an intentional nuisance in connection with its operation of the Bayport Terminal. In the related District Court matter, plaintiffs' claim the Authority committed negligence and negligence per se pursuant to the Texas Tort Claims Act in connection with its operation of the Bayport Terminal. Both matters complain of the sound impacts of terminal operations, and

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011
(in thousands)

Note 11. Commitments and Contingencies (continued)

Litigation and Claims (continued)

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.

On June 6, 2012, the trial judge granted both of the Authority's Pleas to the Jurisdiction and dismissed the case with prejudice. After Plaintiffs filed a notice of appeal, the case was assigned to the First Court of Appeals. Plaintiffs filed their brief on January 8, 2013 and the Authority expects to file the Authority's brief on April 11, 2013.

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 appealed, and this case was also assigned to the First Court of Appeals. Briefing in the case is complete, and the case has been set for oral argument on April 16, 2013.

The Authority has determined that its financial statements should not reflect any liability in these matters as it is not probable that a loss contingency will occur. The Authority intends to continue to vigorously prosecute the appeals.

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)

	<u>August 1,</u> <u>2012</u>	<u>August 1,</u> <u>2011</u>	<u>August 1,</u> <u>2010</u>
a) Actuarial Valuation Date			
b) Actuarial Value of Assets	\$ 129,522	\$ 123,763	\$ 105,871
c) Actuarial Accrued Liability (AAL)	\$ 139,259	\$ 132,495	\$ 128,584
d) Unfunded Actuarial Accrued Liability (UAAL)			
(c-b)	\$ 9,737	\$ 8,732	\$ 22,713
e) Funded Ratio (b/c)	93.0 %	93.4 %	82.3 %
f) Annual Covered Payroll (Actuarial)	\$ 35,082	\$ 35,571	\$ 34,939
g) UAAL as a % of Covered Payroll (d/f)	27.8 %	24.5 %	65.0 %

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

	<u>January 1</u> <u>2012</u>	<u>January 1</u> <u>2011</u>	<u>January 1</u> <u>2010</u>
a) Actuarial Valuation Date			
b) Actuarial Value of Assets	\$ -	\$ -	\$ -
c) Actuarial Accrued Liability (AAL)	\$ 56,476	\$ 56,476	\$ 118,692
d) Unfunded Actuarial Accrued Liability (UAAL)			
(c-b)	\$ 56,476	\$ 56,476	\$ 118,692
e) Funded Ratio (b/c)	- %	- %	- %
f) Annual Covered Payroll (Actuarial)	\$ 34,939	\$ 34,939	\$ 32,310
g) UAAL as a % of Covered Payroll (d/f)	161.6 %	161.6 %	367.4 %

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

Plan Year Ended	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual Required Contribution (ARC)	\$ 7,913	\$ 8,115	\$ 14,580
Percentage of ARC Contributed	136 %	130 %	20 %

Statistical Section

Statistical Section

This part of the Authority's comprehensive annual financial report presents detailed information as a context to better understand what the information in the financial statements, note disclosures, and required supplementary information discloses concerning 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.

Financial Trends Information

Port of Houston Authority of Harris County, Texas
Net Position by Component
Last Ten Fiscal Years
 (accrual basis of accounting)
 (unaudited)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
		As Restated	As Restated							
Net investment in capital assets	\$ 596,224	\$ 574,224	\$ 571,828	\$ 655,571	\$ 646,777	\$ 676,785	\$ 615,169	\$ 476,709	\$ 431,595	\$ 397,063
Restricted										
Capital	29,713	60,204	79,270	8,388	3,978	3,846	24,863	23,841	24,012	22,874
Debt Service	44,916	41,455	44,248	39,072	37,310	28,774	27,909	32,465	35,391	34,970
Other	2,755	196	4,302	122	200	181	161	225	206	531
Unrestricted	<u>320,673</u>	<u>263,802</u>	<u>207,113</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>
Total Net Position	<u>\$ 994,281</u>	<u>\$ 939,881</u>	<u>\$ 906,761</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>

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
		As Restated	As Restated							
Operating revenues:										
Vessel and cargo services	\$ 190,618	177,405	\$ 159,799	\$ 144,365	\$ 171,373	\$ 164,230	\$ 143,550	\$ 132,283	\$ 116,506	\$ 101,085
Rental of equipment and facilities	23,077	22,030	20,346	20,524	19,984	18,872	18,103	17,473	15,878	14,977
Grain elevator	683	1,923	911	1,155	787	809	717	590	835	840
Bulk materials	2,485	2,131	2,368	2,243	2,319	2,903	3,221	2,568	2,348	2,978
Other	8,512	3,356	3,272	2,040	2,522	3,679	2,072	2,454	1,246	1,022
Nonoperating revenues:										
Investment income	2,410	3,123	3,573	4,136	7,154	10,019	11,606	7,478	2,963	3,243
Contribution in aid of construction	-	1,077	-	-	-	-	-	-	-	-
Other, net	1,583	2,765	3,836	4,588	982	6,734	1,060	5,718	5,106	8,207
Nonoperating revenues related to property taxes:										
Property taxes	56,429	49,826	53,833	46,911	48,675	35,819	29,454	29,568	33,088	37,396
Investment income / (loss) on bond proceeds	302	657	(47)	165	1,113	2,045	2,077	1,432	346	(286)
Total Revenues:	<u>286,099</u>	<u>264,293</u>	<u>247,891</u>	<u>226,127</u>	<u>254,909</u>	<u>245,110</u>	<u>211,860</u>	<u>199,564</u>	<u>178,316</u>	<u>169,462</u>
Operating expenses:										
Maintenance and operations of facilities	101,095	97,461	95,918	88,124	98,026	97,978	80,809	74,901	65,535	63,735
General and administrative	43,875	39,894	51,742	57,827	43,443	40,063	29,527	28,656	31,856	26,776
Depreciation and amortization	56,551	55,661	53,731	48,035	44,016	34,161	28,436	25,383	24,448	23,499
Nonoperating expenses:										
Interest expense on revenue bonds	-	-	-	-	-	-	176	328	808	1,176
Contribution to state and local agencies	882	1,232	1,742	17,468	4,224	29,017	5,457	8,400	-	-
Loss on disposal of assets	3,295	-	3,294	-	-	-	-	-	-	-
Other, net	98	-	-	-	-	-	-	-	-	-
Nonoperating expenses related to property taxes:										
Interest expense on unlimited tax bonds	33,803	36,843	34,265	26,072	21,344	10,124	10,775	9,580	8,217	7,639
Property tax expense	1,091	996	1,270	506	1,083	480	67	148	715	931
Other, net	442	525	480	901	423	357	360	369	391	431
Total Expenses:	<u>241,132</u>	<u>232,612</u>	<u>242,442</u>	<u>238,933</u>	<u>212,559</u>	<u>212,180</u>	<u>155,607</u>	<u>147,765</u>	<u>131,970</u>	<u>124,187</u>
Income before contributions	44,967	31,681	5,449	(12,806)	42,350	32,930	56,253	51,799	46,346	45,275
Contribution from federal agencies	9,373	1,439	2,944	3,549	6,061	7,886	6,490	7,736	2,909	870
Contribution from federal agency-FEMA	60	-	3,804	1,417	-	-	-	-	-	-
Total Contribution from federal and state agencies	<u>9,433</u>	<u>1,439</u>	<u>6,748</u>	<u>4,966</u>	<u>6,061</u>	<u>7,886</u>	<u>6,490</u>	<u>7,736</u>	<u>2,909</u>	<u>870</u>
Change in net position	54,400	33,120	12,197	(7,840)	48,411	40,816	62,743	59,535	49,255	46,145
Net position, January 1	<u>939,881</u>	<u>906,761</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>
Net position, December 31	<u>\$ 994,281</u>	<u>\$ 939,881</u>	<u>\$ 906,761</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>

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>
2003	\$ 188,724,992	\$ 30,104,266	\$ 34,561,745	\$ 175,973,699	\$ 0.02000
2004	198,837,806	32,119,652	37,273,945	184,267,513	0.01673
2005	225,099,703	37,135,876	58,291,042	193,683,513	0.01474
2006	245,978,734	34,366,780	62,806,433	203,944,537	0.01302
2007	276,832,919	40,024,020	69,264,770	217,539,081	0.01437
2008	303,289,718	41,639,012	76,330,731	247,592,169	0.01773
2009	311,188,647	45,005,241	80,505,070	268,597,999	0.01636
2010	300,557,174	43,837,867	80,137,056	275,688,818	0.02054
2011	306,488,194	43,891,522	82,109,248	264,257,985	0.01856
2012	317,458,948	47,105,465	85,096,445	279,467,968	0.01952

(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 12/23/12

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)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Harris County										
General Fund (b)	\$ 0.33271	\$ 0.33444	\$ 0.33401	\$ 0.33401	\$ 0.33815	\$ 0.33918	\$ 0.34221	\$ 0.34728	\$ 0.33117	\$ 0.34490
General Bonds Debt Service	0.04468	0.03825	0.03635	0.03642	0.03192	0.03200	0.03465	0.03047	0.04303	0.01889
Total Constitutional Funds	0.37739	0.37269	0.37036	0.37043	0.37007	0.37118	0.37686	0.37775	0.37420	0.36379
County - Wide Road Debt Service	0.02282	0.01848	0.01769	0.02181	0.01916	0.02121	0.02553	0.02211	0.02566	0.02424
	0.40021	0.39117	0.38805	0.39224	0.38923	0.39239	0.40239	0.39986	0.39986	0.38803
Flood Control District										
Maintenance	0.02522	0.02727	0.02727	0.02754	0.02754	0.02754	0.02733	0.02733	0.02553	0.02981
Debt Service	0.00287	0.00082	0.00196	0.00168	0.00332	0.00352	0.00508	0.00589	0.00765	0.01193
	0.02809	0.02809	0.02923	0.02922	0.03086	0.03106	0.03241	0.03322	0.03318	0.04174
Port of Houston Authority										
Debt Service	0.01952	0.01856	0.02054	0.01636	0.01773	0.01437	0.01302	0.01474	0.01673	0.02000
Hospital District										
General	0.18216	0.19216	0.19216	0.19216	0.19216	0.19216	0.19216	0.19216	0.19021	0.19021
Total	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 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, 2012
(unaudited)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
County - Wide Taxing Jurisdiction										
Harris County	\$ 0.4002	\$ 0.3912	\$ 0.3881	\$ 0.3922	\$ 0.3924	\$ 0.4024	\$ 0.3999	\$ 0.3999	\$ 0.3880	\$ 0.3881
Harris County Flood Control District	0.0281	0.0281	0.0292	0.0292	0.0311	0.0324	0.0332	0.0332	0.0417	0.0417
Port of Houston Authority	0.0195	0.0186	0.0205	0.0164	0.0144	0.0130	0.0147	0.0167	0.0200	0.0198
Harris County Hospital District	0.1822	0.1922	0.1922	0.1922	0.1922	0.1922	0.1922	0.1902	0.1902	0.1902
	<u>\$ 0.6300</u>	<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>
Cities										
Baytown	\$ 0.8220	\$ 0.8220	\$ 0.7870	\$ 0.7870	\$ 0.7370	\$ 0.7370	\$ 0.7370	\$ 0.7370	\$ 0.7370	\$ 0.7370
Bellaire	0.3999	0.3999	0.3999	0.3759	0.4400	0.4400	0.4700	0.4800	0.4800	0.4900
Deer Park	0.7200	0.7200	0.7050	0.7050	0.7200	0.7200	0.7200	0.7200	0.7000	0.6990
Houston	0.6388	0.6388	0.6388	0.6388	0.6450	0.6450	0.6500	0.6550	0.6550	0.6550
La Porte	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100
League City	0.5970	0.6100	0.6160	0.6300	0.6088	0.6088	0.6275	0.6400	0.6400	0.6625
Missouri City	0.5448	0.5284	0.5284	0.5284	0.4993	0.4945	0.4980	0.5017	0.5100	0.5330
Pasadena	0.5916	0.5916	0.5916	0.5620	0.5670	0.5670	0.5670	0.5670	0.5670	0.5670
Pearland	0.7051	0.6851	0.6651	0.6526	0.6526	0.6527	0.6744	0.6950	0.6960	0.6860
Seabrook	0.6652	0.6500	0.6268	0.5884	0.6203	0.6210	0.6307	0.6196	0.6082	0.6006
South Houston	0.7083	0.6876	0.6732	0.6732	0.6770	0.6588	0.6863	0.7000	0.7000	0.6950
Webster	0.2853	0.2853	0.2575	0.2325	0.2489	0.2575	0.2575	0.2680	0.2510	0.2400
West University Place	0.3741	0.3741	0.3741	0.3588	0.3660	0.4020	0.4300	0.4467	0.4467	0.4300
School Districts	1.1567-1.5700	.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

Source: Harris County Appraisal District Jurisdiction Information as of 03/05/13

(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	2012			2003		
	2012 Taxable Valuations (a)	Rank	Percentage of Total 2012 Taxable Valuation (b)	2003 Taxable Valuations (a)	Rank	Percentage of Total 2003 Taxable Valuation (c)
EXXON MOBIL CORP	\$ 3,033,470	1	1.09 %	\$ 2,763,577	1	1.49 %
CENTERPOINT ENERGY INC	2,458,242	2	0.88	2,249,887	2	1.22
SHELL OIL CO	2,146,430	3	0.77	1,420,247	3	0.77
CHEVRON CHEMICAL CO	1,559,725	4	0.56	478,043	10	0.26
HINES INTERESTS LTD PTNRSP	1,393,328	5	0.50	989,539	6	0.53
CRESCENT REAL ESTATE	1,222,765	6	0.44	494,650	8	0.27
EQUISTAR CHEMICALS LP	907,181	7	0.32	1,071,332	4	0.58
WALMART	815,968	8	0.29	-	-	-
BP AMERICA	800,308	9	0.29	-	-	-
HOUSTON REFINING	762,242	10	0.27	-	-	-
AT&T	758,853	11	0.27	1,038,554	5	0.56
HEWLETT PACKARD	712,177	12	0.25	437,850	11	0.24
HALLIBURTON COMPANY	678,610	13	0.24	-	-	-
LYONDELL CHEMICAL CO	630,803	14	0.23	721,264	7	0.39
VALERO ENERGY CORP	571,888	15	0.20	-	-	-
NATIONAL OILWELL INC	570,449	16	0.20	-	-	-
CONTINENTAL AIRLINES INC	476,269	17	0.17	377,673	13	0.20
TPG 2101 CITYWEST 1 & 2 LP	413,119	18	0.15	-	-	-
ROHM & HAAS CO	391,835	19	0.14	-	-	-
OXY VINYL LP	385,700	20	0.14	402,430	12	0.22
CHEVRON PHILLIPS CHEMICAL COMPANY	-	-	-	463,732	11	0.26
LYONDELL- CITGO REFINING CO	-	-	-	367,029	14	0.20
ANHUESER BUSCH INC	-	-	-	485,179	9	0.26
CONOCO PHILLIPS COMPANY	-	-	-	343,348	15	0.19
Total	\$ 20,689,362		7.40 %	\$ 14,104,334		7.64 %

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, 2012.
- (c) Based on the County's total taxable value as of January 1, 2003.

Port of Houston Authority of Harris County, Texas
Property Taxes Levies and Collections
For the Years 2003 Through 2012

(unaudited)
(in thousands)

Fiscal Year	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
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 %
2011	49,814	47,012	94.38 %	2,275	49,287	98.94 %
2012	54,624	51,755	94.75 %	N/A	N/A	N/A

Source: Harris County Tax Assessor - Collector as of February 28, 2013.

(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)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Operating revenues: (a) (b) (c)										
Vessel and cargo services	\$ 190,618	\$ 177,405	\$ 159,799	\$ 144,365	\$ 171,373	\$ 164,230	\$ 143,550	\$ 132,283	\$ 116,506	\$ 101,085
Rental of equipment and facilities	23,077	22,030	20,346	20,524	19,984	18,872	18,103	17,473	15,878	14,977
Grain elevator	683	1,923	911	1,155	787	809	717	590	835	840
Bulk materials	2,485	2,131	2,368	2,243	2,319	2,903	3,221	2,568	2,348	2,978
Other	8,512	3,356	3,272	2,040	2,522	3,679	2,072	2,454	1,246	1,022
Total Operating Revenue	<u>\$ 225,375</u>	<u>\$ 206,845</u>	<u>\$ 186,696</u>	<u>\$ 170,327</u>	<u>\$ 196,985</u>	<u>\$ 190,493</u>	<u>\$ 167,663</u>	<u>\$ 155,368</u>	<u>\$ 136,813</u>	<u>\$ 120,902</u>
Revenue Tonnage (short tons) (d)										
General Cargo	25,278	23,387	20,809	19,681	24,871	23,102	23,657	19,942	18,441	15,184
Bulk	9,781	10,162	10,508	9,184	10,371	10,123	9,696	8,623	7,909	9,012
Total Revenue Tonnage	<u>35,059</u>	<u>33,549</u>	<u>31,317</u>	<u>28,865</u>	<u>35,242</u>	<u>33,225</u>	<u>33,353</u>	<u>28,565</u>	<u>26,350</u>	<u>24,196</u>

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) Short ton equals 2,000 pounds

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Cargo										
Barbours Cut										
All other	6,177,766	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
Lease	3,939,218	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
	<u>10,116,984</u>	<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>
Bayport Container Terminal	7,354,870	7,365,318	6,567,986	5,802,758	4,198,520	1,522,186	-	-	-	-
Turning Basin										
Autos Import	175,553	124,351	109,713	73,325	115,660	113,567	95,719	121,370	114,124	142,706
Autos Export	23,655	26,972	25,844	23,641	32,211	21,585	18,216	24,654	20,901	14,222
Steel Imports	4,247,410	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
All other	723,762	1,177,341	778,667	622,113	1,559,870	1,571,635	1,610,654	1,524,844	1,185,115	1,038,280
	<u>5,170,380</u>	<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>
Jacintoport	1,428,240	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
Care Terminal	598,914	350,422	188,279	249,001	421,064	438,722	522,501	427,792	552,025	373,560
Woodhouse	608,369	370,436	299,098	221,798	544,590	289,586	638,609	204,494	274,128	164,597
Galveston	-	-	-	-	-	-	25,131	77,677	149,251	100,777
	<u>25,277,757</u>	<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>
Bulk										
Barbours Cut	-	-	3,136	2,426	4,409	-	-	3,438	1,110	1,346
Jacintoport	1,780	553	1,653	10,803	-	626	-	4,529	-	-
Care Terminal	408,225	359,286	446,801	192,753	756,891	610,965	399,887	388,737	312,168	185,787
Woodhouse	7,547	35,089	31,857	30,468	6,031	45,780	11,003	36,447	11,525	30,181
Sims Bayou	770,395	763,723	783,041	648,650	571,557	860,009	1,108,220	1,292,821	996,984	865,383
S.J.B. Liquid Facility	585,263	474,880	551,405	492,921	428,698	404,359	410,613	364,969	309,205	217,285
Turning Basin	2,022,492	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
	<u>3,795,702</u>	<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>
Bulk Materials Terminal	4,691,785	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
Grain Elevator #2	1,294,120	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
	<u>9,781,607</u>	<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>
Grand Total	<u>35,059,364</u>	<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>

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)

Customer	2012			2003		
	2012 Revenue	Rank	% V&C Revenue	2003 Revenue	Rank	% V&C Revenue
Mediterranean Shipping Inc. SA	\$ 29,269	1	15.35 %	\$ 8,531	2	8.44 %
Hapag-Lloyd AG	20,948	2	10.99	5,574	4	5.51
CMA-CGM (America), Inc	15,147	3	7.95	-		-
Hamburg Sud North America	9,430	4	4.95	-		-
Cosco North America	5,365	5	2.81	-		-
Seaboard Marine, Ltd.	5,130	6	2.69	2,068	9	2.05
Biehl & Company - Vessel	5,001	7	2.62	3,597	6	3.56
Compania Sudamericana de Vapores SA	4,740	8	2.49	-		-
Star Shipping	3,780	9	1.98	-		-
Inchcape Shipping Services	3,772	10	1.98	-		-
CP Ships US Agency, LLC	-		-	15,073	1	14.91
P & O Ned Lloyd Limited	-		-	8,126	3	8.04
APL Limited	-		-	3,763	5	3.72
Libra De Navegacao S.A.	-		-	2,459	7	2.43
Kerr Norton Strachan Agency	-		-	2,368	8	2.34
OOCL(USA) Inc.	-		-	1,501	10	1.48
Total	<u>\$ 102,582</u>		<u>53.81 %</u>	<u>\$ 53,060</u>		<u>52.48 %</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	GOB Debt per Capita	Revenue Bonds	Special Purpose Revenue Bonds	Total Outstanding Debt	Percentage of Personal Income	Total Debt Per Capita
	Unlimited Tax Refunding Bonds	Unlimited Tax Port Improvement Bonds	Unlimited Tax Commercial Paper										
2003	\$ 34,685	\$ 271,560	\$ -	\$ 306,245	\$ 8	\$ 306,237	0.2	\$ 85	\$ 12,935	\$ 80	\$ 319,252	0.2	\$ 89
2004	37,975	249,925	6,800	294,700	11	294,689	0.2	81	8,620	-	303,309	0.2	83
2005	130,620	184,085	21,034	335,739	7	335,732	0.2	91	4,363	-	340,095	0.2	92
2006	211,100	146,005	21,744	378,849	7	378,842	0.2	97	-	-	378,842	0.2	97
2007	204,935	139,030	113,478	457,443	5	457,438	0.2	116	-	-	457,438	0.2	116
2008	431,065	131,950	-	563,015	7	563,008	0.2	141	-	-	563,008	0.3	141
2009	422,665	124,750	70,245	617,660	6	617,654	0.2	153	-	-	617,654	0.4	153
2010	616,814	146,805	-	763,619	11	763,608	0.3	186	-	-	763,608	0.4	186
2011	654,674	91,200	-	745,874	10	745,864	0.3	178	-	-	745,864	0.4	178
2012	641,324	90,645	-	731,969	9	731,960	0.3	169	-	-	731,960	N/A	169

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 - Revenue Obligations
For each of the Ten Years in the Period Ended December 31, 2012

(unaudited)
(in thousands)

	2012	2011	2010	2009	2008	2007*	2006	2005	2004	2003
Gross Revenues										
Operating Revenues										
Vessel and Cargo Services	\$ 188,457	\$ 175,297	\$ 157,633	\$ 142,310	\$ 169,584	\$ 162,636	\$ 141,697	\$ 131,007	\$ 114,915	\$ 99,655
Rental of equipment and facilities	23,077	22,030	20,325	20,451	19,910	18,800	18,033	17,412	15,817	14,929
Grain Elevator	683	1,923	911	1,155	787	809	717	589	835	840
Bulk materials	2,485	2,131	2,368	2,243	2,319	2,903	3,221	2,568	2,348	2,978
Other	8,512	3,356	3,272	2,040	2,435	3,630	1,915	2,361	1,036	971
Total	223,214	204,737	184,509	168,199	195,035	188,778	165,583	153,937	134,951	119,373
Nonoperating Revenues										
Investment Income	2,406	3,126	3,572	4,552	6,736	9,992	11,292	7,427	3,500	3,713
Other, net	11,014	5,358	11,319	9,798	7,198	14,699	8,255	13,660	8,172	9,611
Total	13,420	8,484	14,350	13,934	24,691	19,547	21,087	11,672	13,324	6,111
Total Gross Revenues	236,634	213,221	199,400	182,549	208,969	213,469	185,130	175,024	146,623	132,697
Operation Expenses										
Maintenance and Operation of Facilities										
Vessel and Cargo Services	91,534	89,547	90,861	77,591	94,473	85,178	73,236	66,918	60,906	58,506
Rental of Port Facilities	1,174	6,893	3,945	3,774	3,311	4,185	3,560	6,151	2,954	2,962
Grain Elevator	219	322	263	221	163	404	557	477	197	221
Bulk Materials Handling Plant	22	46	34	88	94	307	723	435	589	268
Other	9,958	2,415	2,385	1,796	1,797	1,916	358	919	888	899
Total	102,907	99,223	97,488	83,470	99,838	91,990	78,434	74,900	65,534	62,856
General and administrative	43,875	39,894	51,487	63,411	41,930	46,029	28,846	28,380	31,316	26,250
Total Operating Expenses	146,782	139,117	148,975	146,881	141,768	138,019	107,280	103,280	96,850	89,106
Nonoperating Expenses	3,906	3,350	5,872	18,473	4,461	29,151	5,869	8,550	686	1,053
Total Expenses	150,688	142,467	154,847	165,354	146,229	167,170	113,149	111,830	97,536	90,159
Net Revenues Available For Debt Service on										
First Lien Revenue Bonds	\$ 85,946	\$ 70,754	\$ 44,553	\$ 17,195	\$ 62,740	\$ 46,299	\$ 71,981	\$ 63,194	\$ 49,087	\$ 42,538
Average Annual Debt Service on First Lien Revenue Bonds	-	-	-	-	-	-	\$ 4,456	\$ 4,514	\$ 4,619	\$ 4,938
Coverage by Net Revenues	-	-	-	-	-	-	1,615 %	1,400 %	1,063 %	861 %

* Revenue Bonds were retired during 2007

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

Fiscal Year Ending December 31	Outstanding Debt Service Requirements
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
Total	<u>\$ 1,368,403,002</u>

(a) The table sets forth the annual debt service requirements on the Authority's ad valorem tax bonds as of December 31, 2012, 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, 2012
(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	National		Total U.S. Exports (c)	Total U.S. Imports (c)	U.S. Rig Count (d)	Oil Price \$/Bbl (e)	PMI (f)
	GDP (a)	Unemployment (b)					
2012	1.7%	7.6%	\$ 1,564.1	\$ 2,299.4	1,734	\$ 94.05	50.2
2011	5.5%	8.9%	1,497.4	2,235.7	2,003	94.88	52.9
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	-%	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

(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)

	<u>Population</u>	<u>Unemployment Rate</u>	<u>Personal Income (amounts in thousands)</u>	<u>Per Capital Personal Income</u>
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	4,034,860	7.6%	176,992,085	43,866
2010	4,109,362	8.2%	188,994,227	45,991
2011	4,180,894	7.8%	204,593,455	48,935
2012*	4,331,406	6.1%	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

* Estimated per Bureau of the Census

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

(amount in thousands)
(unaudited)

Employer	2012			2003		
	Employees	Rank	Percentage of Area Employment	Employees	Rank	Percentage of Area Employment
Memorial Hermann Healthcare Systems	19,500	1	0.72%	14,000	1	0.62%
MD Anderson Cancer Center	19,290	2	0.72%	-	-	-
United Airlines	17,000	3	0.63%	-	-	-
ExxonMobil Chemical Company	15,000	4	0.56%	-	-	-
Shell Oil Company	13,000	5	0.48%	7,920	8	0.35%
The Methodist Hospital System	13,000	6	0.48%	7,571	9	0.33%
Kroger Food Stores	12,000	7	0.45%	12,000	3	0.53%
National Oilwell Varco	10,000	8	0.37%	-	-	-
Schlumberger Limited	10,000	9	0.37%	-	-	-
BP America	9,537	10	0.35%	-	-	-
Halliburton (KBR spun off)	-	-	-	13,000	2	0.57%
HCA Affiliated Hospitals	-	-	-	9,000	7	0.40%
CenterPoint Energy (spun off from Reliant Energy)	-	-	-	9,500	6	0.42%
Compaq Computer	-	-	-	11,000	4	0.48%
Wal-Mart	-	-	-	9,700	5	0.43%
Southwestern Bell/SWB	-	-	-	7,342	10	0.32%
	<u>138,327</u>			<u>101,033</u>		

*Based on calendar year.

Source: Greater Houston Partnership/HBJ and U.S. Department of Labor-Bureau of Labor Statistics

Note: Combined Houston-Sugar Land-Baytown, TX area employment for 2012 was approximately 2,691,400 and for 2003 was 2,270,300.

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

Regional Population (a)

Year	City of Houston	Harris County	Year	City of Houston	Harris County
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)

	2012	2008	2004	2000	1996
Registered Voters	1,942,566	1,974,177	1,876,296	1,886,661	1,597,211
Votes Cast	1,204,167	1,188,731	1,088,793	995,631	871,656
Percentage of Registered Voters Voting	61.99 %	60.21 %	58.03 %	52.77 %	54.57 %

Motor Vehicle Registration (c)

	2012	2011	2010	2009	2008
Passenger Cars, Small Trucks and Misc.	3,480,675	3,409,411	3,289,327	3,341,255	3,207,888
Large Trucks	38,523	36,839	33,136	31,418	32,468
Total	<u>3,519,198</u>	<u>3,446,250</u>	<u>3,322,463</u>	<u>3,372,673</u>	<u>3,240,356</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)

	2012	2011	2010	2009	2008
Baylor College of Medicine	1,525	1,483	1,489	1,431	1,385
Houston Baptist University	2,589	2,432	2,597	2,710	2,564
Houston Community College	47,784	51,384	49,717	42,104	61,396
Lone Star College System	70,833	75,680	63,826	55,491	51,483
Rice University	6,402	6,101	5,879	5,663	5,132
San Jacinto College:					
Central, South, North	33,106	32,730	32,105	27,011	24,616
South Texas College of Law	1,230	1,271	1,295	1,272	1,267
Texas Southern University	9,967	10,026	9,557	9,394	9,102
Texas Woman's University: Houston	1,270	1,307	1,308	1,252	1,184
University of Houston:					
University Park	38,758	39,824	38,752	37,000	36,104
Downtown	13,568	12,918	12,900	12,742	12,283
Clear Lake	8,301	8,188	8,099	7,643	7,658
University of St. Thomas	3,626	3,673	3,520	3,132	3,246
University of Texas:					
Dental Branch	503	483	473	474	471
Graduate School of Biomedical Sciences	555	575	586	593	570
Medical School	1,037	1,017	1,025	1,009	963
School of Biomedical Informatics	140	136	120	103	99
School of Nursing	956	963	886	765	759
School of Public Health	1,298	1,425	1,395	1,025	1,003
Total	<u>243,448</u>	<u>251,616</u>	<u>235,529</u>	<u>210,814</u>	<u>221,285</u>

Number of Employees

	2012	2011	2010	2009	2008
Harris County (e)	14,275	14,923	17,270	15,809	15,693
Flood Control District (e)	308	335	421	382	326
Port of Houston Authority	542	578	592	592	595

(d) Source: Texas Higher Education Coordinating Board (Fall 2012 Enrollment Data)

(e) Source: Harris County Fiscal Year 2011-12 Annual Budget

Operating Information

Port of Houston Authority of Harris County, Texas
Table of Physical Characteristics of the Port Facilities of the Authority
(unaudited)

	<u>Berth Lengths (Feet)</u>	<u>Water Depth Below Mean Low Tide (Feet)</u>	<u>Paved Marshalling Area (Acres)</u>	<u>Covered Storage (Sq. Feet)</u>
Turning Basin				
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	-
Woodhouse Terminal**				
Wharf 1	660	39	2	-
Wharf 2 and 3	1250	35	-	231,750
Grain Dock**	600	42	-	-
Dry Bulk Cargo Facility				
Wharf 1	800	42	-	-
Wharf 2	400	42	-	-
Jacintoport				
Wharves 1 - 3	1830	40	8	82,500
Care Terminal				
Wharf 1	500	36	10	45,000
Wharf 2	618	38	4	-
Sims Bayou Liquid Bulk Facility				
Berths	320	40	-	-
San Jacinto Barge Terminal				
Berth	200 - 700	16	-	-
Barbours Cut Terminal				
LASH Berth	810	40	-	-
Container Berths 1 - 6	6000	40	230	2,555,000
Passenger Berth	900	36	30	-
Bayport				
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

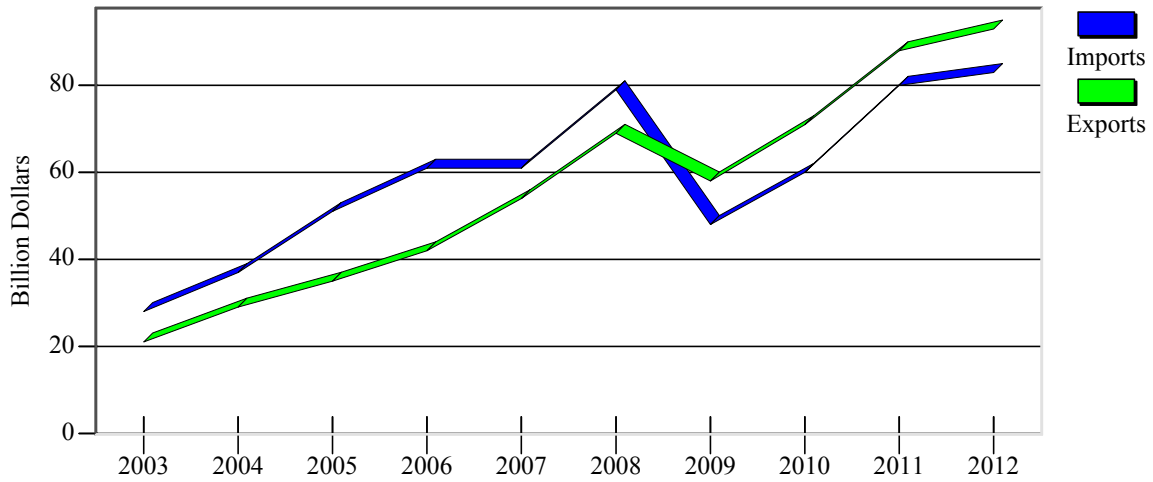
Port of Houston Authority of Harris County, Texas
Freight Traffic Statistics
(unaudited)
(in thousands)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Freight handled by the Authority only (excluding tonnages handled by private terminals) - short tons (a) (d)										
Breakbulk Cargo	6,688	5,652	3,771	3,768	8,006	6,678	7,546	4,679	4,481	3,244
Container Cargo	18,590	17,735	17,038	15,914	16,866	16,425	16,111	15,156	13,960	11,941
Bulk Grain	1,294	2,371	2,042	1,560	2,097	1,746	1,606	1,331	1,050	1,351
Bulk Plant	4,692	4,209	4,670	4,513	4,521	4,950	4,552	3,561	3,694	4,808
Other Bulk	12,771	12,474	12,725	11,032	11,248	10,621	10,622	10,064	9,588	8,675
Total	<u>44,035</u>	<u>42,441</u>	<u>40,246</u>	<u>36,787</u>	<u>42,738</u>	<u>40,420</u>	<u>40,437</u>	<u>34,791</u>	<u>32,773</u>	<u>30,019</u>
Freight handled by entire Port of Houston (includes tonnage handled by both the Authority and private terminals) - short tons (b) (c) (d)										
Foreign										
Imports		88,889	88,508	84,629	92,019	94,692	106,905	103,190	97,713	90,335
Exports		78,188	71,053	63,340	54,380	50,650	45,972	41,860	39,824	36,558
Total Foreign (e)	-	<u>167,077</u>	<u>159,561</u>	<u>147,969</u>	<u>146,399</u>	<u>145,342</u>	<u>152,877</u>	<u>145,050</u>	<u>137,537</u>	<u>126,893</u>
Domestic										
Receipts		32,429	31,091	28,460	28,322	33,409	32,660	28,559	28,378	27,956
Shipments		22,937	21,389	20,397	22,739	22,665	23,153	23,903	23,283	23,754
Total Internal (e)	-	<u>55,366</u>	<u>52,480</u>	<u>48,857</u>	<u>51,061</u>	<u>56,074</u>	<u>55,813</u>	<u>52,462</u>	<u>51,661</u>	<u>51,710</u>
Local		15,355	15,092	14,515	14,747	14,648	13,457	14,153	12,848	12,320
Total	-	<u>237,798</u>	<u>227,133</u>	<u>211,341</u>	<u>212,207</u>	<u>216,064</u>	<u>222,147</u>	<u>211,665</u>	<u>202,046</u>	<u>190,923</u>
Value of foreign trade handled by entire Port of Houston (c)										
Imports	\$ 83,252,965	\$ 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
Exports	93,407,834	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
Total	<u>\$ 176,660,799</u>	<u>\$ 168,299,306</u>	<u>\$ 130,836,192</u>	<u>\$ 106,262,249</u>	<u>\$ 147,656,898</u>	<u>\$ 114,781,654</u>	<u>\$ 102,990,144</u>	<u>\$ 86,001,296</u>	<u>\$ 65,899,054</u>	<u>\$ 49,909,448</u>

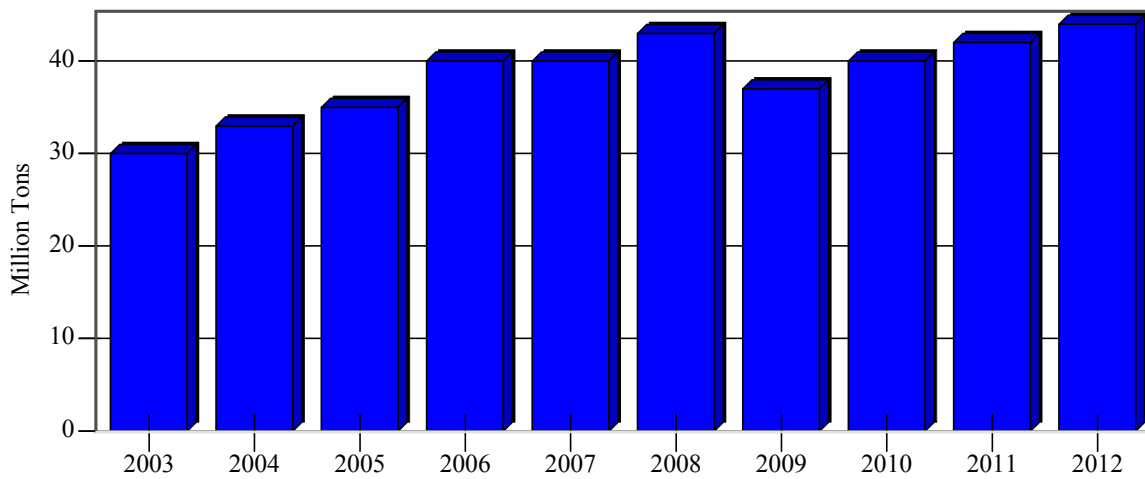
- (a) Source Annual Review published by the Authority
(b) Source U.S. Army Corps of Engineers, Waterborne Commerce of the U.S.
(c) Source Bureau of Census U.S. Department of Commerce
(d) The amounts are restated to reflect actual volumes after year - end adjustments
(e) Amounts not available for 2012

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)



Port of Houston Authority of Harris County, Texas
Cargo Statistics

Last Ten Fiscal Years

(in thousands)

(in short tons)

(unaudited)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Total Revenue Tonnage										
Including Bayport Companies	44,035	42,441	40,246	36,787	42,738	40,420	40,437	37,898	32,773	30,019
Excluding Bayport Companies	35,059	33,549	31,317	28,865	35,242	33,225	33,353	28,564	26,350	24,196
General Cargo (a)	25,278	23,387	20,809	19,681	24,871	23,102	23,656	19,942	18,441	1,584
Bulk Materials Handling Plant	4,692	4,210	4,670	4,513	4,521	4,950	4,552	3,561	3,694	4,808
Grain Elevator #2	1,294	2,371	2,042	1,560	2,097	1,746	1,606	1,331	1,050	1,351
Other Bulk Movements										
Bulk (Excluding Bayport Companies) (b)	3,796	3,582	3,796	3,110	3,753	3,427	3,538	3,731	3,164	2,852
Bulk Bayport Companies	8,975	8,892	8,929	7,922	7,496	7,194	7,084	6,333	6,423	5,823
Barbours Cut Terminal										
Bulk (b)	-	-	3	2	4	-	-	3	1	1
General Cargo (a)	10,117	9,493	9,598	9,420	11,817	14,004	15,226	14,267	12,955	11,127
Bayport Container Terminal										
General Cargo (a)	7,355	7,365	6,568	5,803	4,199	1,522	-	-	-	-
Steel (a)										
Import	5,093	3,674	2,296	2,405	5,976	4,406	5,385	2,559	2,618	1,403
Export	391	626	425	251	310	336	243	243	180	178
Autos - Turning Basin										
Tons - Import (a)	176	124	110	73	116	114	96	121	114	143
Tons - Export (a)	28	27	26	24	32	22	18	25	20	14
Units - Import	94	65	59	41	64	61	51	65	63	81
Units - Export	11	13	12	12	12	8	7	11	9	7
Bagged Goods (a)										
Import	137	309	50	1	16	44	58	39	59	66
Export	88	198	206	352	346	562	620	526	569	590
Container TEU	1,935	1,866	1,817	1,799	1,795	1,771	1,608	1,594	1,440	1,244

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)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Houston Ship Channel										
Break Bulk	998	914	840	801	908	883	826	772	693	729
Bulk Carrier	729	702	626	653	920	878	994	858	848	681
Containers	1,013	1,037	1,028	953	966	938	998	1,014	925	883
Roll-On/Roll-Off	49	49	69	105	130	132	167	164	181	146
Tankers	4,983	4,885	4,816	4,335	4,595	4,261	4,023	3,923	3,566	3,327
Tug Tow	454	355	297	280	411	470	402	164	165	384
Vehicle Carrier	138	104	103	75	43	61	50	78	54	86
Other	31	27	70	75	77	80	88	84	107	65
Total Vessel Arrivals	8,395	8,073	7,849	7,277	8,050	7,703	7,548	7,057	6,539	6,301
PHA Public Wharves										
Turning Basin										
Ships	1,130	1,046	999	962	1,255	1,196	1,177	1,021	911	832
Barges	1,585	1,528	1,416	1,186	1,546	1,492	1,596	1,556	1,391	1,052
Bulk Plant, Jacintoport, Care Woodhouse, and HPGE#2										
Ships	581	613	595	541	669	705	684	710	624	622
Barges	632	586	545	525	485	496	805	635	704	998
Barbours Cut and Galveston										
Ships	771	688	695	704	809	969	1,067	1,122	1,010	927
Barges	88	51	32	43	46	58	280	517	471	409
Bayport Container Terminal										
Ships	398	419	379	335	225	97	-	-	-	-
Barges	68	70	2	1	1	4	-	-	-	-
Bayport Companies										
Ships	713	643	704	652	611	632	583	518	466	494
Barges	2,160	2,206	2,115	1,754	1,657	1,620	1,597	1,597	1,483	1,305
Total PHA Arrivals										
Ships (a)	3,593	3,409	3,372	3,194	3,569	3,599	3,511	3,371	3,011	2,875
Barges	4,533	4,441	4,110	3,509	3,735	3,670	4,278	4,305	4,049	3,764

Source: Piers Global Intelligence Solutions

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

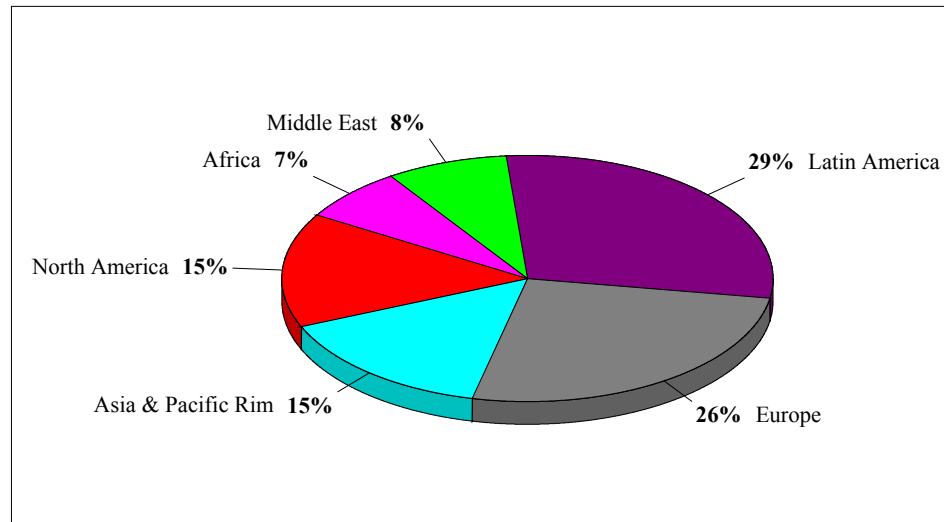
Port of Houston Authority of Harris County, Texas
Bulk Commodity Statistics
Last 10 Fiscal Years
(in thousands)
(short tons)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Cement	-	-	-	-	-	-	157	179	-	-
Coke	2,970	3,698	4,673	4,518	4,563	4,979	4,404	3,382	3,660	4,808
Coal	1,729	549	-	-	-	-	-	-	-	-
Cotton Seed Oil	-	-	-	-	-	-	-	-	-	6
Fertilizer	18	-	27	26	37	-	-	-	3	-
Grain	1,286	2,376	2,042	1,560	2,097	1,746	1,606	1,331	1,050	1,351
Industrial Chemical	10,895	10,682	10,989	9,490	8,929	8,957	8,938	8,335	7,986	7,319
Molasses	263	241	121	206	234	156	347	283	330	344
Petroleum Products	621	509	549	343	125	43	32	72	71	73
Tallow	251	259	345	320	518	480	419	328	402	382
Dry Bulk	601	555	504	377	964	870	824	995	737	496
Vegetable Oil	105	178	159	252	375	64	-	-	-	-
Miscellaneous Bulk	17	7	28	14	24	23	53	51	93	56
Totals	<u>18,756</u>	<u>19,054</u>	<u>19,437</u>	<u>17,106</u>	<u>17,866</u>	<u>17,318</u>	<u>16,780</u>	<u>14,956</u>	<u>14,332</u>	<u>14,835</u>

Source: The Authority

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

2012 Foreign Trade Through the Port of Houston by Region (\$ Value)

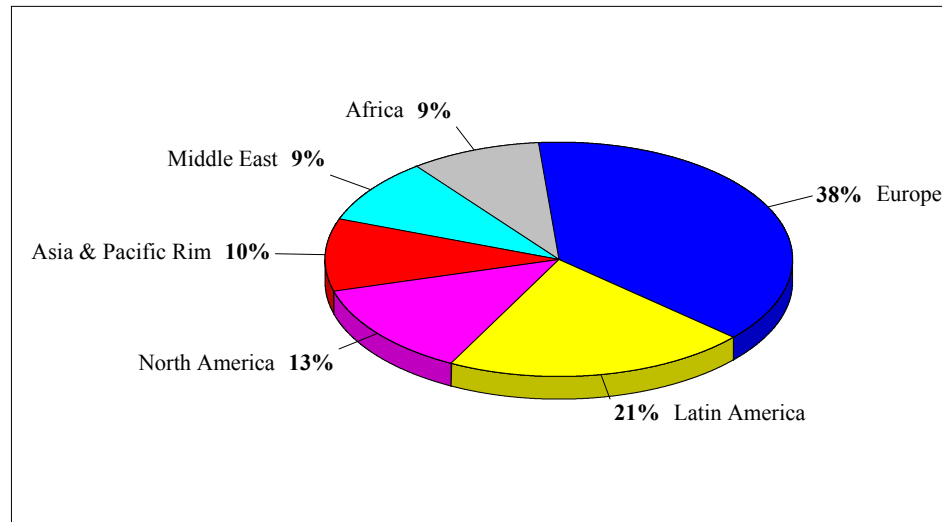


TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2012 (000s)

	<u>Imports</u>	<u>Exports</u>	<u>Total</u>	<u>Percent of World Total</u>
Latin America	\$ 12,839,070	\$ 37,937,637	\$ 50,776,707	29 %
Europe	23,854,542	21,306,954	45,161,496	26 %
Asia & Pacific Rim	15,111,990	12,235,731	27,347,721	15 %
North America	15,775,284	9,931,560	25,706,844	15 %
Middle East	9,274,180	5,329,956	14,604,136	8 %
Africa	6,397,899	6,665,996	13,063,895	7 %
Worldwide Totals	\$ 83,252,965	\$ 93,407,834	\$ 176,660,799	100 %

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

2003 Foreign Trade Through the Port of Houston by Region (\$ Value)



TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2003 (000s)

	<u>Imports</u>	<u>Exports</u>	<u>Total</u>	<u>Percent of World Total</u>
Europe	\$ 11,679,522	\$ 7,276,675	\$ 18,956,197	38 %
Latin America	4,746,186	5,730,982	10,477,168	21 %
North America	4,663,489	1,919,343	6,582,832	13 %
Asia & Pacific Rim	1,974,237	3,262,791	5,237,028	10 %
Middle East	2,980,645	1,423,018	4,403,663	9 %
Africa	2,410,239	1,842,321	4,252,560	9 %
Worldwide Totals	\$ 28,454,318	\$ 21,455,130	\$ 49,909,448	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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Exempt Employees	182	190	183	182	177	160	146	141	130	127
Non-Exempt Employees	206	237	257	253	256	262	260	232	232	232
Hourly Employees	154	151	152	157	162	158	154	147	135	133
Total Active Employees	542	578	592	592	595	580	560	520	497	492

Source: The Authority



PORT OF HOUSTON AUTHORITY

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