



# Port of Houston Authority

## Comprehensive Annual Financial Report

For the Years Ended December 31, 2013 and 2012



### **Port of Houston Authority**

111 East Loop North  
Houston, Texas 77029  
Phone: 713.670.2400  
Fax: 713.670.2554  
[www.portofhouston.com](http://www.portofhouston.com)

Prepared By: Office of the Controller Port of Houston Authority

**On the cover:** The Port of Houston Authority's newly acquired *Fireboat #1* is pictured in front of the Statute of Liberty as it passes through New York Harbor on its maiden voyage from the construction shipyard on the Great Lakes to its new home in Houston. As she departed New York Harbor, the crew of FDNY's Marine Company 6 and the *Bravest*, FDNY's newest fireboat, captured this photograph of *Fireboat #1* testing her fire pumps near the iconic Statute of Liberty. (Photo Credit: FDNY)

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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, 2013. This report is presented in three sections: Introductory, Financial and Statistical. The Introductory Section consists of this letter of transmittal, an organizational chart and a list of principal officials of the Authority. 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 sources. 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 the accuracy of the data and the completeness and fairness of presentation, as well as 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**

Originally constituted in 1911, 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 City Council of the City of Houston, Texas; one by the City Council of the City of Pasadena, Texas; 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 528 active employees as of December 31, 2013 and during 2013 employed 215 full-time equivalent casual positions 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 public terminals and wharves, but also includes more than 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 Port of Houston is ranked first in the nation for foreign waterborne tonnage, and second in terms of total tonnage. The Authority owns a diverse group of facilities designed to accommodate a variety of cargo, including general cargo, containers, grain, coal, pet coke, 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. The Authority handles approximately 70 percent of all the containerized cargo in the U.S. Gulf of Mexico through its container handling facilities.

The Authority's Turning Basin Terminal in the upper Channel area is a multipurpose complex of breakbulk and general cargo wharves with substantial dockside facilities, as well as 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 almost 20 acres of heavy-duty paved marshaling area.

In addition, the Authority leases land and provides railroad rights-of-way to others, licenses pipeline crossings on its property and maintains areas for depositing dredged materials.

The Manchester Terminal, considered part of the Turning Basin Terminal, is a liquid bulk facility on 16 acres under lease to Valero Refining Texas, L.P., Westway Terminal Company LLC, South Coast Terminals, Inc., and Huntsman International LLC.

Certain areas in Terminals 5 and 6 at the Fentress Bracewell Barbours Cut Container Terminal (“Barbours Cut” or “BCT”) are leased to Maersk, Inc. Empty container storage yards at BCT are leased to Integrated Marine Services LLC while Terminal Link, LLC and Houston Terminal, LLC lease similar yards at the Bayport Container Terminal (“Bayport”). The Care Terminal is leased to Coastal Cargo of Texas, Inc., facilities at Jacintoport Terminal are leased to Seaboard Corporation and Jacintoport International, LLC 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 an affiliate of 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 165 miles of railroad track with operating rights on an additional 10 miles

of track, as well as 7,341 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 owns over 3,600 acres of undeveloped properties and manages 3,348 acres of developed properties, much of which is leased or rented to third parties that independently maintain and operate facilities on the leased premises. The Authority 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 Bayport. The Authority also offers a state-of-the-art cruise terminal facility adjacent to Bayport. Princess Cruise Lines and Norwegian Cruise Line have executed agreements for use of that terminal for the next several years.

For additional information, please refer to 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. economy continued its gradual improvement in 2013, with broad expectations among industry experts that the momentum will extend into 2014. The Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters released in November 2013 shows real gross domestic product ("GDP") projected to grow at 1.7% in 2013, 2.6% in 2014, and 2.8% in 2015.

The annual average U.S. unemployment rate for 2013 was 7.4% according to the Bureau of Labor Statistics, a fall from the 9.6% peak in 2010. The monthly report for December 2013 showed the official unemployment rate dropping to 6.7%, but upon further analysis the change was primarily due to the exit of 525,000 employees from the labor force.

The global economic outlook is also improving, with forecasts of real GDP growth in 2014 for China, India and Brazil of 7.3%, 5.1% and 2.5%, respectively, per the International Monetary Fund World Economic Update. In December 2013, a survey by the European Central Bank provided evidence that interest rate cuts were having positive effects. Although it expects economic output in the 17 countries comprising the euro zone to collectively shrink 0.4% for 2013, the forecast for growth next year was lifted to 1.1%.

In 2012 Texas was ranked as the number one exporting state for the 11th year in a row, and the greater Houston metropolitan area was recognized as the largest export market in the nation, according to 2012 annual trade data released in June 2013 by the U.S. Department of Commerce. The top exporting industries were petroleum and coal products, chemicals, computer and electronic products, non-electrical machinery, and transportation equipment. A significant portion of Texas export commerce is accommodated through the Authority's public terminals.

The Authority and the local region should continue to benefit from the gradual recovery of the U.S. and global economies. Moreover, the rise in domestic oil production should continue to have a positive impact on the petrochemical industry along the Houston Ship Channel.

## **Financial Planning**

The Authority's mission includes promotion of sustainable trade and commerce, as well as delivery of economic prosperity to the local region, Texas, and the nation. Management considers transparency, fiscally sound business practices, and prudent evaluation of risks and opportunities to be necessary elements for achieving such goals. In addition, a greater focus on financial planning and liquidity management is considered essential, in light of significant infrastructure investments required in the next few years. Expense management and creating operating efficiencies also continue as major objectives for the Authority.

In accordance with statutory requirements, the Port Commission approves an annual budget and a one-year capital plan. The Authority also develops a five-year forecast and a long-range plan addressing goals, strategies and priorities.

For 2014, the Authority budgeted total operating revenues of \$249 million. This represents an 8% increase over the 2013 budget of \$230 million, reflecting anticipated growth of import and export loads and a 3% general tariff increase effective January 1, 2014. Total operating, general and administrative expenses are budgeted at \$218 million, a 4% increase versus the prior year. Excluding revenues and expenses related to property taxes, the Authority projects net income of almost \$36 million for 2014, essentially flat compared to 2013. The Authority also expects to generate annual cash flows of \$90-110 million per annum over the next several years.

During 2013, the Authority invested \$115 million in capital improvements, of which \$24 million was funded using proceeds of tax bonds issued in prior years. The balance was funded from the Authority's general fund and grant monies received from federal and other governmental programs. The proceeds from tax bonds issued in prior years have now been fully committed.

Infrastructure improvements, including deepening and widening of the Bayport and Barbours Cut channels, are planned to help ensure that the Authority, which serves as local sponsor of the federal Houston Ship Channel, and over 150 private sector entities comprising 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 volumes resulting from future demographic growth in the region. Replacing aging facilities with more modern equipment and terminals also supports the Authority's mandate to facilitate commerce, navigation and safe waterways.

The Authority's 2014 capital budget was approved for up to \$325 million for various improvements. Approximately \$283 million relates to continuing development at Bayport and modernization at Barbours Cut, including railroad and channel development projects. Another \$26 million will likely be used for concrete repair, wharf rehabilitation, and other projects at the general cargo and bulk terminals in the Turning Basin area. The balance of the 2014 capital budget covers a variety of projects, including building renovations, information technology, fire department, and port security.

## **Major Initiatives**

### ***Terminal Improvements***

The Authority continues the development of Bayport, with construction of another wharf and

container yard planned to commence by 2015, after substantial completion of its dredging projects expected to occur in 2014. The wharf expansion will provide a total of 4,000 feet of wharf and create the capacity for an additional three wharf cranes, increasing the terminal total to 12. The new container yard will provide 25 additional acres of grounded container marshaling area. The Authority was awarded a \$10 million Transportation Investment Generating Economic Recovery ("TIGER") grant by the U.S. Department of Transportation to be used toward the Bayport wharf expansion project. Three new rubber-tired gantry ("RTG") cranes are expected to arrive in the second quarter of 2014 and will provide the necessary equipment to meet volume projections and maintain the highest service levels to the Authority's customer base.

Redevelopment continues for Barbours Cut, where the Authority plans to complete the first phase of wharf redevelopment in late 2014. This project will provide the necessary infrastructure for four Super-Post Panamax wharf cranes, similar to the Bayport terminal's configuration, which will arrive as wharf redevelopment progresses. This segment of wharf is projected to be placed into service in early 2015. Rehabilitation of approximately 10 acres of container yard is also expected to be completed by the second quarter of 2014, providing additional grounded storage capacity to the terminal. After this area is placed into service, an additional 10 acres will be scheduled for similar rehabilitation, offering incremental throughput capacity for the terminal. This project includes future utility and power upgrades as a key element of the Barbours Cut redevelopment. Proper phasing of the redevelopment allows the terminal to maintain current operating capacity during construction activities.

To add to the economic value of the Authority's Turning Basin operations, construction is underway to improve access to these facilities with reconstruction of the Upper Level Road, to repurpose aging facilities, and to expand capacity at the 115-acre East Industrial Park area. The Authority has commenced work to add an additional 18 acres of concrete laydown yard next to Wharf 32, as well as improvements to its existing entrance gates, and a new exit gate at East Industrial Park. The Authority has also begun work to demolish aged and obsolete assets at the Turning Basin for the purpose of redevelopment of prime waterfront property and other real estate assets.

The Authority continuously evaluates its strategic plans to ensure a competitive position in the market, with an emphasis on leading the market with high service levels to carriers and customers, by optimizing expansion and redevelopment activities.

### ***Health, Safety, Security and Environmental***

During 2013, the Health, Safety, Security, and Environmental ("HSSE") group, which includes police, fire, and emergency management personnel, continued to refine its organizational structure to better serve the needs of the Authority and the local region. A Safety Department has been established, with Safety committees at each terminal, to foster and promote safety initiatives. Other HSSE achievements in 2013 include upgrades to the Visitor Management System, expansion of the Port Coordination Center building, and the build-out of an Emergency Operations Center.

Utilizing partial funding from a Department of Homeland Security port security grant, the Authority is upgrading its firefighting fleet to the most technologically advanced in the world. Two new fireboats were acquired and placed into service in 2013. A third fireboat will be delivered in the spring of 2014. In addition to upgraded pumping capacity, the new fireboats include side scan sonar, radiation detection, air monitoring equipment, and jet drive

technology, and are triple the speed of the prior vessels, for greatly reduced response times in the nation's largest petrochemical complex. The Authority's firefighters are highly trained professionals, certified by the state of Texas for Structure, Marine, Hazardous Materials, and as Emergency Medical Technicians.

Initiatives in the coming years also include an environmental focus on clean air and vehicles.

### **Financial Information**

The accounting policies of the Authority and this report conform to accounting principles generally accepted in the United States 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 nonoperations-related sources of income and expense outside of the Operating income section of the Statements of Revenues, Expenses and Changes in Net Position. Accordingly, during 2013 the Authority recognized \$1.9 million of contributions to state and local agencies 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 Harris County Treasurer serves as the treasurer of the Authority with certain responsibilities related to bank accounts and funds of the Authority, and any tax bonds issued by the Authority.

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

### **Internal Control**

Management, with oversight from the Audit Committee 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. By statute, the Authority's chief audit executive is hired by the Port Commission and reports to the Audit Committee. In fulfilling its responsibility, management utilizes its best estimates and judgment 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, adequately safeguard assets and provide reasonable assurance of properly recorded financial transactions.

### **Independent Audit**

The financial statements for the years ended December 31, 2013 and 2012 listed in the foregoing Table of Contents were audited by an independent audit firm appointed by the Port Commission. The audit opinions, rendered by Grant Thornton LLP for December 31, 2013 and 2012, 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, 2012. This was the 39th 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. Management believes the current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and plans to submit this year’s CAFR to the GFOA for consideration of eligibility for another certificate.


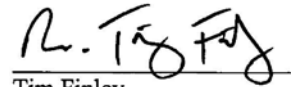
The Government Treasurers' Organization of Texas (“GTOT”) sponsors an Investment Policy Certification Program designed to provide assistance to local governments in developing policies that fully comply with the Texas Public Funds Investment Act, and to recognize outstanding examples of written investment policies. A certificate of distinction is awarded for those policies that meet established criteria, including requirements relating to ethics disclosures, conflicts of interest, investment training, suitable and authorized investments, annual review by the governing board, as well as diversification and investment strategies. 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.

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 earned its second Gold Leadership Circle Award during 2013. The award designation is valid for one year until July 1, 2014. The program requirements include online posting of budget information, check registers and annual financial reports.

## Acknowledgements

The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the staff of the Authority's Finance and Administration Division and many other departments. We express our appreciation to all who assisted and contributed to the preparation of this report.

In addition, we would like to thank the members of the Port Commission and the 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.

  
\_\_\_\_\_  
Roger Guenther  
Executive Director  
\_\_\_\_\_  
Thomas J. Heidt  
Deputy Executive Director  
Finance and Administration  
\_\_\_\_\_  
Tim Finley  
Controller



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

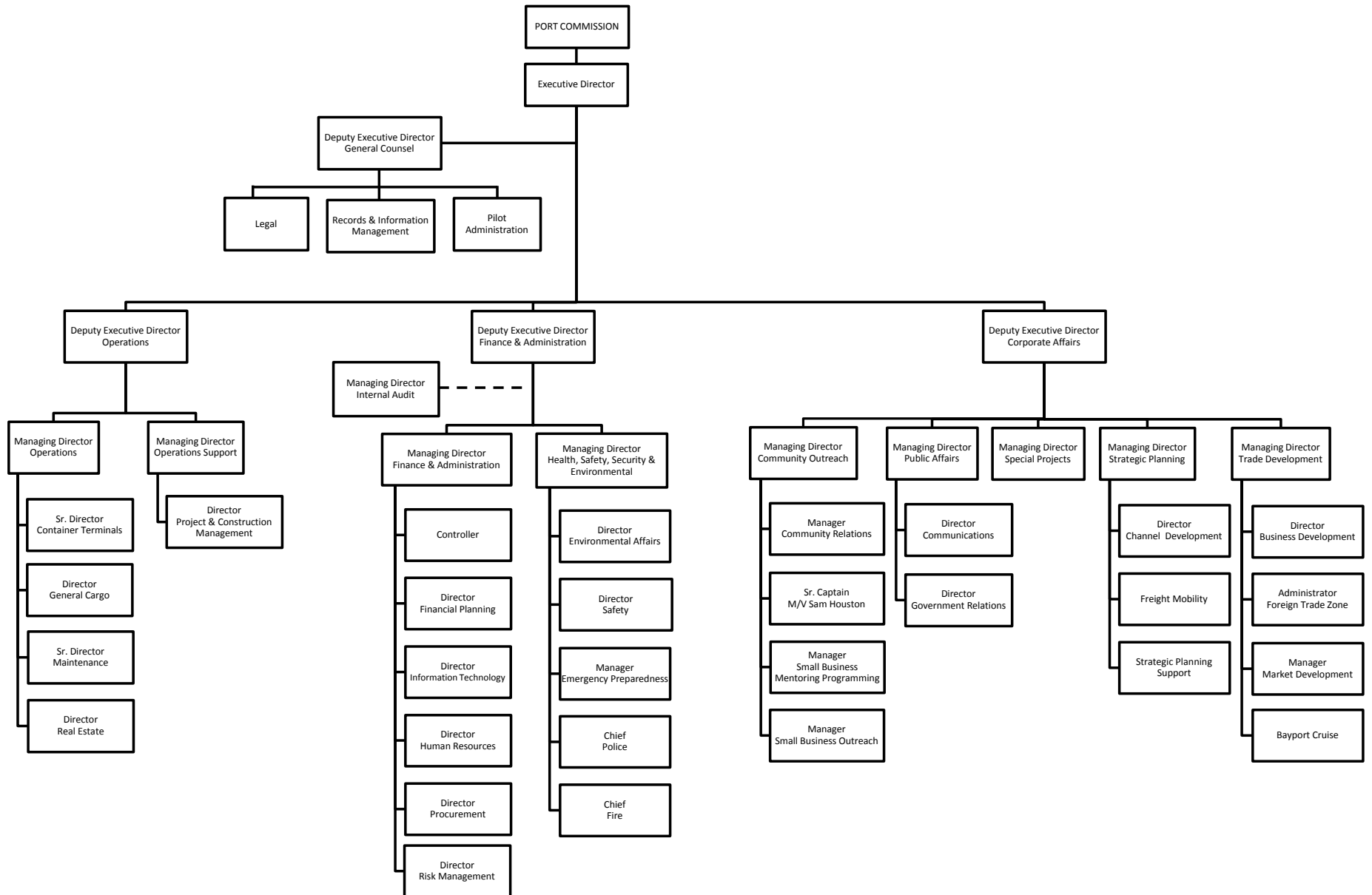
**Port of Houston Authority  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2012**

Executive Director/CEO

# Port of Houston Authority



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

**Port Commission**

Janiece Longoria, Chairman  
John D. Kennedy, Commissioner  
Dean E. Corgey, Commissioner  
Clyde Fitzgerald, Commissioner  
Theldon R. Branch III, Commissioner  
Stephen H. DonCarlos, Commissioner  
Roy D. Mease, Commissioner

**Other Officials**

Roger D. Guenther, Executive Director  
Erik A. Eriksson, Deputy Executive Director, General Counsel  
Thomas J. Heidt, Deputy Executive Director, Finance and Administration  
Phyllis Saathoff, Deputy Executive Director, Corporate Affairs  
Ramon Yi, Managing Director, Finance and Administration  
Tim Finley, Controller  
Maxine N. Buckles, Managing Director, Internal Audit  
Orlando Sanchez, County Treasurer







## FINANCIAL SECTION





## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Port Commission  
Port of Houston Authority of Harris County

Grant Thornton LLP  
700 Milam Street  
Suite 300  
Houston, TX 77002  
T 832-476-3600  
[www.GrantThornton.com](http://www.GrantThornton.com)

### **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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's responsibility for the financial statements**

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

### **Auditor's responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other matters****Required supplementary information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Port of Houston Authority Restated Retirement Plan Schedule of Funding Progress, the Port of Houston OPEB Obligation Schedule of Funding Progress and the Port of Houston Authority OPEB Obligations Schedule of Employer Contributions on pages 14 through 23 and 64 respectively 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 information**

The introductory section and statistical information on pages 1 through 8 and 65 through 92, respectively are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other reporting required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report, dated April 15, 2014 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.

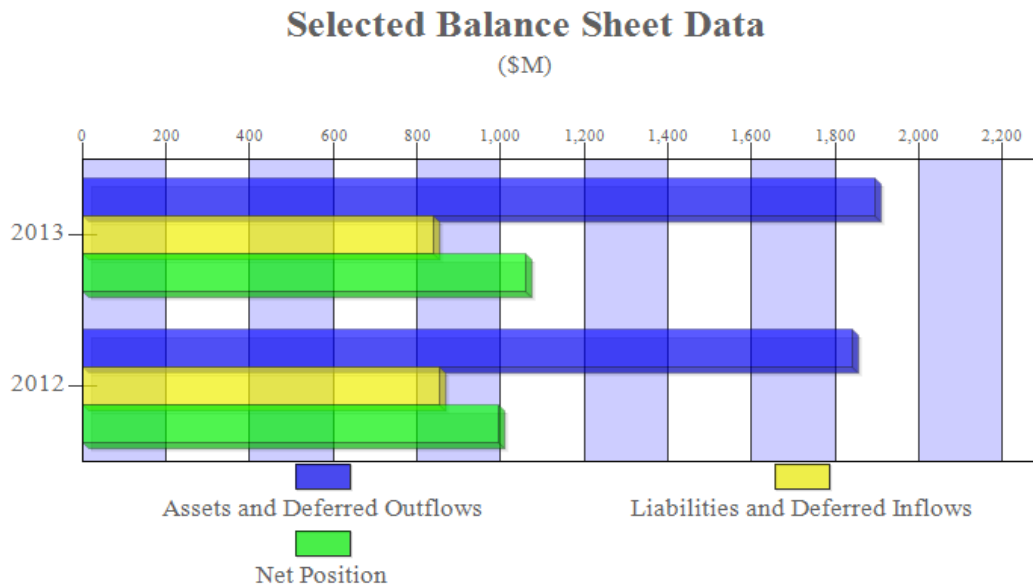


Houston, Texas  
April 15, 2014

**Port of Houston Authority of Harris County, Texas**  
**Management Discussion and Analysis**  
**For the Years Ended December 31, 2013 and 2012**  
(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, 2013 and December 31, 2012. The MD&A presents certain required supplementary information regarding capital assets and long-term debt activity during the year, including commitments made for capital expenditures. The information contained in this MD&A has been prepared by management and should be considered in conjunction with the financial statements and the accompanying notes which follow this section and are integral to the data contained in the financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

**Financial Highlights**



- The net position of the Authority at December 31, 2013 was \$1,061,976. Of this amount, \$324,466 is considered unrestricted net position. The Authority's net position increased by \$67,695 for the fiscal year ended December 31, 2013.
- The Authority's total assets and deferred outflows increased by \$55,554 during the fiscal year ended December 31, 2013. The majority of this change stems from an increase in capital assets of \$65,883 and an increase in other noncurrent assets of \$63,855. These are partially offset by a decrease in current assets of \$73,782.
- The Authority's total liabilities and deferred inflows decreased by \$12,141; the majority of this change stems from a decrease of \$17,731 in long-term debt, net of current maturities, and a decrease of \$3,357 in other noncurrent liabilities. These are partially offset by an increase in current liabilities of \$9,001.

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. Fiduciary fund statements associated with the Authority's Other Postemployment Benefits (“OPEB”) plan are included as well. 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).

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 and other postemployment benefits. Additional information on the Authority's retirement benefits can be found in Notes 8 and 9 in the accompanying notes to the financial statements.

### **Financial Analysis**

The largest portion of the Authority’s net position (65%) 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 (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (30%) may be used to meet the Authority’s ongoing obligations.



**Port of Houston Authority of Harris County, Texas**  
**Condensed Statements of Net Position**  
(in thousands)

	2013	2012	2011
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets</b>			
Current and other assets	\$ 462,453	\$ 472,380	\$ 447,506
Capital assets	<u>1,433,134</u>	<u>1,367,251</u>	<u>1,362,177</u>
Total Assets	1,895,587	1,839,631	1,809,683
<b>Deferred Outflows of Resources</b>			
Deferred loss on bond refunding	<u>7,248</u>	<u>7,650</u>	<u>8,050</u>
Total Assets and Deferred Outflows of Resources	<u>1,902,835</u>	<u>1,847,281</u>	<u>1,817,733</u>
<b>Liabilities</b>			
Long-term liabilities (including current portion)	798,975	819,162	840,132
Other liabilities	<u>41,518</u>	<u>33,418</u>	<u>37,246</u>
Total Liabilities	840,493	852,580	877,378
<b>Deferred Inflows of Resources</b>			
Deferred gain on bond refunding	<u>366</u>	<u>420</u>	<u>474</u>
Total Liabilities and Deferred Inflows of Resources	<u>840,859</u>	<u>853,000</u>	<u>877,852</u>
Net investment in capital assets	685,717	596,224	574,224
Restricted	51,793	77,384	101,855
Unrestricted	<u>324,466</u>	<u>320,673</u>	<u>263,802</u>
Total Net Position	<u>\$ 1,061,976</u>	<u>\$ 994,281</u>	<u>\$ 939,881</u>

The Authority's net position increased by \$67,695 during the fiscal year ended December 31, 2013. Net investment in capital assets increased \$89,493 resulting from a net increase in capital assets of \$65,883 and a decrease in outstanding debt of \$16,831. During fiscal year 2013, restricted net position decreased \$25,591 mainly as a result of the use of restricted proceeds for construction, partially offset by increased tax receipts. Unrestricted net position increased \$3,793.

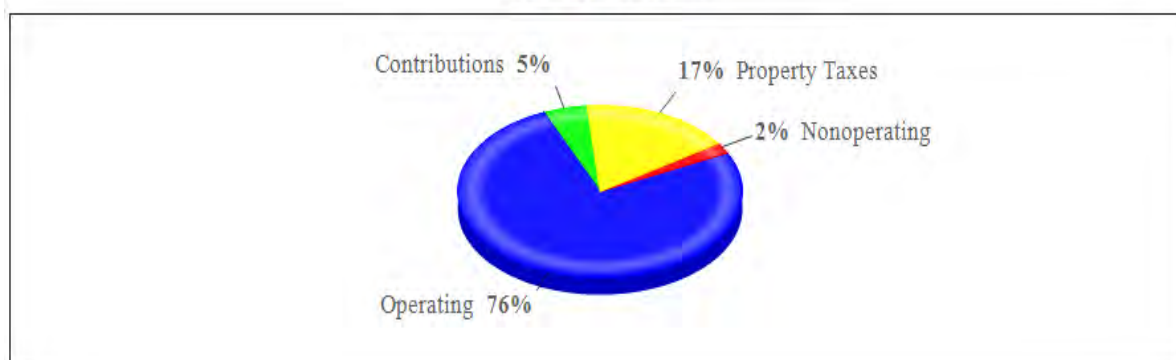
The Authority's net position increased by \$54,400 during the fiscal year ended December 31, 2012. During fiscal year 2012, net investment in capital assets increased \$22,000 with a net increase in capital assets of \$5,074 and a decrease in outstanding debt of \$16,884. During fiscal year 2012, restricted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

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 of Harris County, Texas**  
**Changes in Net Position**  
(in thousands)

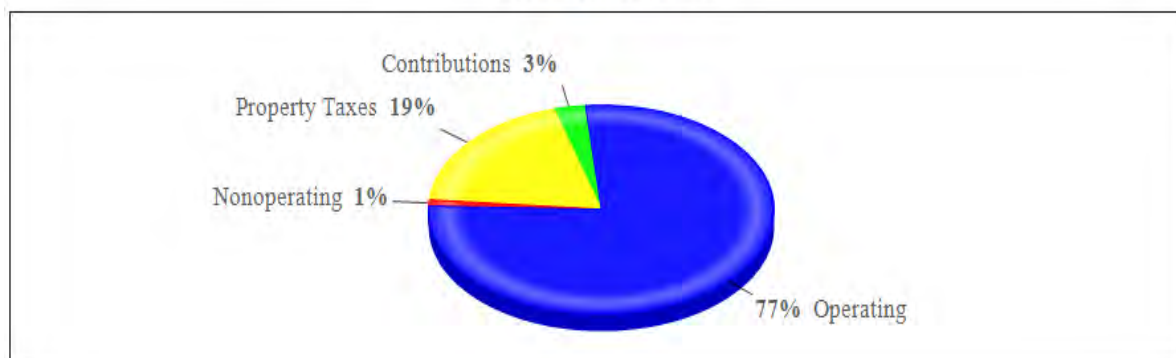
	2013	2012	2011
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Operating revenues:</b>			
Vessel and cargo services	\$ 200,101	\$ 190,618	\$ 177,405
Rental of equipment and facilities	25,114	23,077	22,030
Grain elevator	592	683	1,923
Bulk materials	2,665	2,485	2,131
Other	5,201	8,512	3,356
<b>Nonoperating revenues:</b>			
Investment (loss) income	(435)	2,410	3,123
Contribution in aid of construction	5,000	-	1,077
Other, net	683	1,583	2,765
<b>Nonoperating revenues related to property taxes:</b>			
Property taxes	52,534	56,429	49,826
Investment income on bond proceeds	348	302	657
<b>Total Revenues</b>	<u>291,803</u>	<u>286,099</u>	<u>264,293</u>
<b>Operating expenses:</b>			
Maintenance and operations of facilities	103,353	101,095	97,461
General and administrative	41,845	43,875	39,894
Depreciation and amortization	56,057	56,551	55,661
<b>Nonoperating expenses:</b>			
Contributions to state and local agencies	1,949	882	1,232
Loss on disposal of assets	91	3,295	-
Other, net	-	98	-
<b>Nonoperating expenses related to property taxes:</b>			
Interest expense on unlimited tax bonds	33,188	33,803	36,843
Property tax collection expense	994	1,091	996
Other, net	477	442	525
<b>Total Expenses</b>	<u>237,954</u>	<u>241,132</u>	<u>232,612</u>
<b>Income before capital contributions</b>	53,849	44,967	31,681
Capital contributions from federal agencies	13,846	9,433	1,439
<b>Changes in net position</b>	<u>67,695</u>	<u>54,400</u>	<u>33,120</u>
<b>Net position, January 1</b>	<u>994,281</u>	<u>939,881</u>	<u>906,761</u>
<b>Net position, December 31</b>	<u>\$ 1,061,976</u>	<u>\$ 994,281</u>	<u>\$ 939,881</u>

## 2013 Revenues



Vessel and cargo services revenues increased \$9.5 million or 5% in 2013 to \$200.1 million. The Authority's container facilities experienced a record-high 19 million tons for the year, an increase of 3% from 2012. A total of 8,282 vessels visited Port of Houston docks, including Port Authority facilities. Volumes decreased 2% in general cargo and increased 6% in bulk materials. Total Authority tonnage of 45 million tons increased 1% from 2012. Tariff rates were increased in 2013 over 2012 an average of 3%. Other operating revenues decreased \$3.3 million or 39% primarily from the conclusion of a dredge material placement agreement. Nonoperating revenues related to investment income in 2013 decreased \$2.8 million due to an unrealized loss on investment valuation relating to the rise in interest rates. Nonoperating revenues associated with contributions in aid of construction increased \$5.0 million relating to funding provided by a ship channel partner for a rail project. Nonoperating revenues related to property taxes in 2013 decreased approximately \$3.9 million. This was due to the decreased property tax rate from \$0.01952 in fiscal year 2012 to \$0.01716 in fiscal year 2013 per \$100 assessed valuation. Capital contributions from federal agencies in fiscal 2013 increased by \$4.4 million over the prior year as a result of increased grant funding related to Port Security projects.

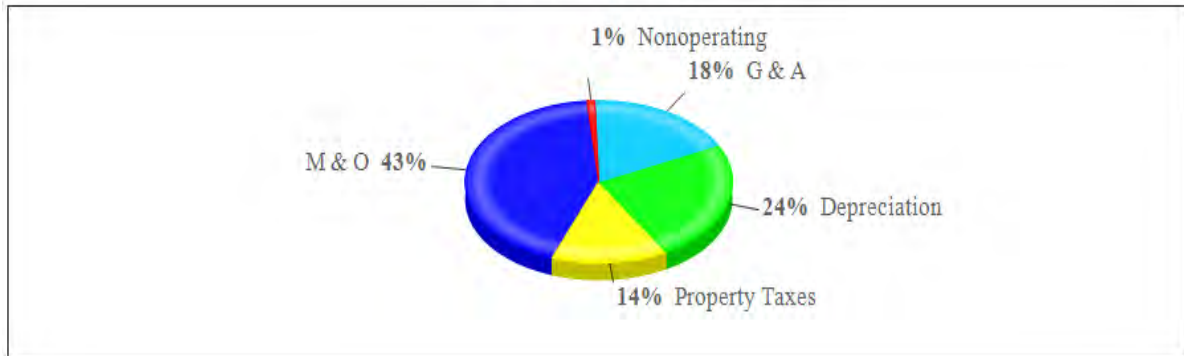
## 2012 Revenues



Vessel and cargo services revenues increased \$13.2 million or 7% in 2012 to \$190.6 million. Authority facilities experienced record-setting tonnage throughput of 1.2 million container units and 8,395 vessels visiting Port of Houston docks, including Port Authority facilities. Volumes increased in general cargo by 8% and decreased 2% in bulk materials. Total Authority tonnage of 44 million tons increased 4% from 2011. There were no increases in tariff rates in 2012. 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. Capital 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.

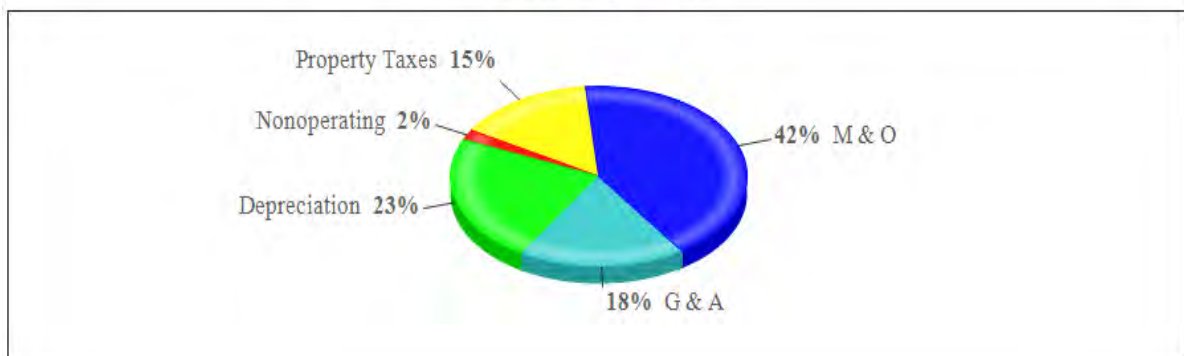
### 2013 Expenses



In 2013, expenses for maintenance and operation of facilities increased by \$2.2 million or 2% to \$103.4 million from 2012. The majority of the increase was due to fees and services relating to funding of assumption of maintenance studies with the U.S. Army Corps of Engineers for the Bayport and Barbours Cut channels, costs associated with the make-ready of the Bayport Cruise Terminal, and other volume-related maintenance costs.

General and administrative expenses decreased by \$2.0 million or 5% from 2012. The majority of the decrease was due to lower salaries and employee benefits resulting from the Authority's organizational realignment, and lower actuarially required contributions as compared to prior year for pension and other retirement benefits.

### 2012 Expenses



In 2012, expenses for maintenance and operation of facilities increased by \$3.6 million or 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 capital projects by Project Management and to the maintenance and operations departments from general and administrative groups.

## **Capital Asset and Debt Administration**

### **Capital Assets**

The Authority's investment in capital assets as of December 31, 2013 totaled \$1,433.1 million (net of accumulated depreciation), an increase of \$65.9 million or 5% over the prior year.

Major capital asset activity during 2013 included the following:

- Land and channel improvements and Land use rights increased by \$5.6 million primarily due to projects associated with deepening and widening.
- Buildings increased \$6.3 million due to construction at Jacintoport, Turning Basin, and Bayport.
- Improvements other than buildings increased \$67.2 million primarily due to construction of a new gate at Bayport.
- Machinery and equipment net decreases totaled \$7.5 million in 2013. This includes additions of \$15.7 million offset by \$23.2 million of retirements. The additions primarily consisted of the purchase of two new fireboats for \$9.9 million, IT network and system equipment for \$3.1 million and security equipment for \$1.2 million.
- Investments in computer software increased \$1.4 million primarily due to the implementation of new operating and billing software at Bayport.
- Net capitalized interest of \$2.3 million was added to the cost of assets for 2013.
- Construction-in-progress increased \$23.0 million in 2013 due primarily to redevelopment at Barbours Cut.
- Accumulated depreciation net of retirements increased by \$30.3 million in 2013.

The Authority's investment in capital assets as of December 31, 2012, was \$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.

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

**Capital Assets**

(net of depreciation)

(in thousands)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Land and channel improvements	\$ 382,629	\$ 377,628	\$ 377,885
Land use rights - intangible	11,246	10,667	10,167
Buildings	89,607	87,995	93,482
Improvements other than buildings	654,246	614,810	627,910
Railroads	25,928	27,203	28,487
Machinery and equipment	151,008	153,169	158,426
Computer software - intangible	4,487	4,939	4,228
Construction-in-progress	<u>113,983</u>	<u>90,840</u>	<u>61,592</u>
Total Capital Assets, net	<u>\$ 1,433,134</u>	<u>\$ 1,367,251</u>	<u>\$ 1,362,177</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 2013, the Authority had total debt outstanding of \$754.3 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 2012, the Authority had total debt outstanding of \$771.1 million (net of premiums/discounts), consisting of General Obligation Bonds.

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

**Outstanding Debt**

**General Obligation Bonds**

(net of premiums/discounts)

(in millions)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Obligation Bonds			
Unlimited Tax Port Improvement Bonds	\$ 95.4	\$ 95.5	\$ 96.0
Unlimited Tax Refunding Bonds	<u>658.9</u>	<u>675.6</u>	<u>692.0</u>
Total General Obligation Bonds	754.3	771.1	788.0
Less Current Maturities	<u>(15.2)</u>	<u>(14.3)</u>	<u>(13.9)</u>
Long-Term Debt (net of unamortized premiums/discounts)	<u>\$ 739.1</u>	<u>\$ 756.8</u>	<u>\$ 774.1</u>



During 2013, the Authority issued no new debt. The Authority's total debt principal outstanding decreased \$14.3 million during 2013 due to the scheduled debt service payment. Interest expense for 2013 on the unlimited tax bonds decreased by \$0.6 million. In 2013, the Authority considered interim financing alternatives for its capital improvement program.

During 2012, the Authority issued no new debt. During 2012, the Authority's total debt principal outstanding decreased \$13.9 million 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.

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

Year	Fitch	Moody's	S & P
2013	AAA	Aaa	AAA
2012	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 operating budget for the 2014 fiscal year, including the global economy, tonnage statistics and expected growth in domestic and international trade. The Authority's budgets and other financial information are available on its website (<http://www.portofhouston.com/financial-information-and-transparency>).

A leading research and advisory organization for the maritime sector has projected 6% annual growth in global container trade through 2017. The Authority's 2014 budget reflects growth of export and import loads at 5%, with no growth in empty container movements. Steel volumes will be affected by a slowdown in new oil and gas drilling activity, resulting in a budgeted year-over-year decrease of 19%.

The U.S. economy continues its gradual recovery with moderate gross domestic product ("GDP") growth of 1.7% expected in 2013, increasing to 2.6% in 2014. According to the Bureau of Labor Statistics the consumer price index ("CPI") increased 1.5% in 2013 on an unadjusted basis. This is lower than the 2.4% average annual increase over the last ten years. Low inflation is expected to continue in 2014 with CPI increasing about 2.2%.

The Texas economy has continued to outpace the U.S. as whole. Texas has ranked as the number one exporting state for 11 years in a row, according to trade data released in February 2013 by the U.S. Department of Commerce. In December 2013, the Federal Reserve Bank of Dallas reported Texas job growth at an annualized rate of 2.5%, compared to under 2.0% in the U.S. overall. Going into 2014, Texas remains poised for moderate job growth of about 2.5%, similar to 2013. Energy activity has contributed significantly to the regional economy in recent years, but may begin to level off.

During 2013, the Authority experienced strong financial performance with 4% growth in operating revenues and 36% growth in operating income. Net income was also 24% higher than prior year, and the Authority had record cash flows from operating activities of \$90 million.

**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, 2013 and 2012 (in thousands)

	2013	2012
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 24,241	\$ 58,132
Short-term investments	156,062	178,752
Receivables (net of allowance for uncollectibles)	23,607	20,627
Restricted assets		
Cash and cash equivalents	22,380	40,157
Property tax receivables	44,148	45,508
Inventories	140	350
Prepays and other current assets	2,690	3,524
Total Current Assets	<u>273,268</u>	<u>347,050</u>
<b>Noncurrent Assets</b>		
Investments	174,929	112,079
Restricted assets		
Investments	9,116	9,165
Prepays and other noncurrent assets	5,140	4,086
<b>Capital Assets (net of accumulated depreciation)</b>		
Land and channel improvements	382,629	377,628
Land use rights - intangible	11,246	10,667
Buildings	89,607	87,995
Improvements other than buildings	654,246	614,810
Railroads	25,928	27,203
Machinery and equipment	151,008	153,169
Computer software - intangible	4,487	4,939
Construction-in-progress	113,983	90,840
Total Capital Assets	<u>1,433,134</u>	<u>1,367,251</u>
Total Noncurrent Assets	<u>1,622,319</u>	<u>1,492,581</u>
Total Assets	<u>1,895,587</u>	<u>1,839,631</u>
<b>Deferred Outflows of Resources</b>		
Deferred loss on bond refunding	7,248	7,650
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 1,902,835</u>	<u>\$ 1,847,281</u>

See accompanying notes to the financial statements.

# Port of Houston Authority of Harris County, Texas

## Statements of Net Position As of December 31, 2013 and 2012 (in thousands)

	2013	2012
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities	\$ 25,778	\$ 16,357
Fees received in advance and other reserves	2,379	2,297
Liabilities payable from restricted assets:		
Current maturities of long-term debt		
Unlimited tax bonds	15,245	14,345
Accrued interest payable		
Unlimited tax bonds	9,223	9,377
Contracts payable and accrued liabilities	4,139	5,387
Total current liabilities payable from restricted assets	28,607	29,109
Total Current Liabilities	56,764	47,763
<b>Noncurrent Liabilities</b>		
Long-term debt, net of current maturities	739,053	756,784
Other noncurrent liabilities		
Due in more than one year	44,676	48,033
Total Noncurrent Liabilities	783,729	804,817
Total Liabilities	840,493	852,580
<b>Deferred Inflows of Resources</b>		
Deferred gain on bond refunding	366	420
Total liabilities and deferred inflows of resources	840,859	853,000
<b>Commitments and Contingencies (See Note 11)</b>		
<b>Net Position</b>		
Net investment in capital assets	685,717	596,224
Restricted for:		
Capital	7,195	29,713
Debt Service	44,598	44,916
Other	-	2,755
Unrestricted	324,466	320,673
Total net position	1,061,976	994,281
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 1,902,835</b>	<b>\$ 1,847,281</b>

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, 2013 and 2012**  
(in thousands)

	2013	2012
<b>Operating revenues</b>		
Vessel and cargo services	\$ 200,101	\$ 190,618
Rental of equipment and facilities	25,114	23,077
Grain elevator	592	683
Bulk materials	2,665	2,485
Other	5,201	8,512
Total revenues	<u>233,673</u>	<u>225,375</u>
<b>Operating expenses</b>		
Maintenance and operations of facilities	103,353	101,095
General and administrative	41,845	43,875
Depreciation and amortization	56,057	56,551
Total operating expenses	<u>201,255</u>	<u>201,521</u>
<b>Operating income</b>	<u>32,418</u>	<u>23,854</u>
<b>Nonoperating revenues (expenses)</b>		
Investment (loss) income	(435)	2,410
Contributions to state and local agencies	(1,949)	(882)
Contribution in aid of construction	5,000	-
Loss on disposal of assets	(91)	(3,295)
Other, net	683	1,485
Total nonoperating revenues (expenses)	<u>3,208</u>	<u>(282)</u>
<b>Income before nonoperating revenues (expenses) related to property taxes</b>	35,626	23,572
<b>Nonoperating revenues (expenses) related to property taxes</b>		
Property taxes, net of estimated uncollectible amounts	52,534	56,429
Investment income on bond proceeds	348	302
Interest expense on unlimited tax bonds	(33,188)	(33,803)
Property tax collection expense	(994)	(1,091)
Other, net	(477)	(442)
Total nonoperating revenues (expenses) related to property taxes	<u>18,223</u>	<u>21,395</u>
<b>Income before capital contributions</b>	53,849	44,967
<b>Capital contributions from federal agencies</b>	<u>13,846</u>	<u>9,433</u>
<b>Change in net position</b>	67,695	54,400
<b>Net position, January 1</b>	994,281	939,881
<b>Net position, December 31</b>	<u><u>\$ 1,061,976</u></u>	<u><u>\$ 994,281</u></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, 2013 and 2012

(in thousands)

	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 232,438	\$ 229,269
Cash paid to suppliers for goods and services	(64,512)	(67,012)
Cash paid to employees for services	(62,030)	(61,309)
Cash paid for employee benefits	(21,221)	(26,984)
Cash (paid) / received for other services	(1,187)	1,274
Cash received for other purposes	<u>6,650</u>	<u>781</u>
Net cash provided by operating activities	<u>90,138</u>	<u>76,019</u>
<b>Cash flows from noncapital financing activities:</b>		
Repayment of advances from developer	-	(1,551)
Property taxes received	53,780	49,006
Contributions paid to others	(1,949)	(882)
Property tax administrative expenses	<u>(2,317)</u>	<u>(2,148)</u>
Net cash provided by noncapital financing activities	<u>49,514</u>	<u>44,425</u>
<b>Cash flows from capital and related financing activities:</b>		
Contributions received from federal agencies	12,736	9,433
Interim financing costs	(250)	-
Repayment of long-term debt	(14,345)	(13,905)
Interest on long-term debt	(37,505)	(38,325)
Acquisition and construction of capital assets	(111,895)	(55,634)
Proceeds / (loss) from retirement of assets	<u>119</u>	<u>(872)</u>
Net cash used in capital financing activities	<u>(151,140)</u>	<u>(99,303)</u>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(393,400)	(453,500)
Proceeds from maturities of investments	350,750	253,545
Interest on investments	<u>2,470</u>	<u>5,022</u>
Net cash used in investing activities	<u>(40,180)</u>	<u>(194,933)</u>
<b>Net decrease in cash and cash equivalents</b>	(51,668)	(173,792)
<b>Cash and cash equivalents, January 1</b>	<u>98,289</u>	<u>272,081</u>
<b>Cash and cash equivalents, December 31</b>	<u>\$ 46,621</u>	<u>\$ 98,289</u>
<b>Cash and cash equivalents Unrestricted</b>	\$ 24,241	\$ 58,132
<b>Cash and cash equivalents Restricted</b>	22,380	40,157

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, 2013 and 2012

(in thousands)

	<u>2013</u>	<u>2012</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 32,418	\$ 23,854
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	56,057	56,551
Loss on disposal of assets	(91)	(3,295)
Change in provision for doubtful accounts	(61)	5
Miscellaneous nonoperating income, net	632	1,973
Change in assets and liabilities		
(Increase) / decrease in trade and other receivables	(1,586)	3,727
(Increase) in prepaids and other current assets	(1,243)	(2,011)
Decrease in inventories	210	40
(Increase) / decrease in dredging expenses paid in advance	(1,163)	1,542
Increase / (decrease) in accounts payable and other liabilities	4,479	(6,574)
(Decrease) in compensated absences	(768)	(153)
Increase in revenues received in advance	1,254	360
<b>Net cash provided by operating activities</b>	<u><u>\$ 90,138</u></u>	<u><u>\$ 76,019</u></u>
Noncash investing, capital and financing activities:		
Decrease / (Increase) in fair value of investments	\$ 3,467	\$ (116)
Contributions to others	1,949	882

See accompanying notes to the financial statements.



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

Statements of OPEB Trust Net Position

As of December 31, 2013 and 2012

(in thousands)

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 655	\$ 7,099
Investments	<u>26,462</u>	<u>9,175</u>
Total Assets	<u>27,117</u>	<u>16,274</u>
<b>Liabilities</b>		
Administrative and investment fees*	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
<b>Net Position</b>	<u>\$ 27,117</u>	<u>\$ 16,274</u>

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

See accompanying notes to the financial statements.

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

**Statements of Changes in OPEB Trust Net Position**

**For the Years Ended December 31, 2013 and 2012**

**(in thousands)**

	<u>2013</u>	<u>2012</u>
<b>Additions:</b>		
Employer contributions	\$ 8,000	\$ 8,000
Net investment income	<u>2,843</u>	<u>274</u>
Total additions	10,843	8,274
<b>Deductions:**</b>		
Benefit payments	-	-
Administrative expenses	<u>-</u>	<u>-</u>
Total deductions	<u>-</u>	<u>-</u>
Net increase in net assets	10,843	8,274
<b>Net position, January 1</b>	<u>16,274</u>	<u>8,000</u>
<b>Net position, December 31</b>	<u>\$ 27,117</u>	<u>\$ 16,274</u>

\*\*The Authority is responsible for funding the expenses related to the OPEB Trust Net Position and will continue to fund Benefit payments on a pay-as-you-go basis from the Authority's general fund. 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, 2013 and 2012  
(in thousands)

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

### **Reporting Entity**

The Port of Houston Authority of Harris County, Texas (“Authority”) is an independent political subdivision of the State of Texas, operating as a navigation district pursuant to Chapter 5007 of the Texas Special District Laws Code. 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 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 Unit**

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.

### **Basis of Accounting**

The Authority follows enterprise fund accounting and reporting requirements, including the accrual basis of accounting and application of GASB pronouncements.

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

Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012  
(in thousands)

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

### **Use of Estimates**

The preparation of the Authority's financial statements, in conformity with accounting principles generally accepted in the United States, 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.

### **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.

### **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.

### **Prepaid Items**

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

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

Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012  
(in thousands)

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

### **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 2013 and 2012 amounted to \$2,282 and \$3,214, 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, 2013 and 2012 were \$994 and \$1,091, respectively. These expenses are reflected as 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, 2013 and 2012 were \$0.01716 and \$0.01952, respectively, per \$100 assessed valuation.

### **Restricted Assets**

Assets whose use is restricted to specific purposes by bond indenture or otherwise are segregated on the Statements of 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 weighted average interest expense applied to average cumulative expenditures. Capitalized interest increased the cost of assets constructed by the Authority by \$2,274 and \$1,471 in 2013 and 2012, respectively. Depreciation is computed using the straight-line method over the following useful lives:

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

Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012  
(in thousands)

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

### **Capital Assets (continued)**

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.

### **Compensated Absences**

Compensated absences, which include unpaid accrued vacation and sick leave, are accumulated during employment and are accrued over the first nine months 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

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

Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012  
(in thousands)

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

### **Net Position (continued)**

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. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing activities and result from nonexchange transactions or ancillary activities.

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

### **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.

Also in June of 2012, the GASB issued Statement No. 68, "Accounting and Financial

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

Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012  
(in thousands)

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

### **Future Accounting Pronouncements (continued)**

Reporting for Pensions – an amendment of GASB Statement No. 27.” This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. 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.

In January of 2013, the GASB issued Statement No. 69, “Government Combinations and Disposals of Government Operations.” This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations.

As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. A disposal of a government’s operations results in the removal of specific activities of a government. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. The Authority has had no combinations or disposals for the period beginning after December 15, 2013 and thus anticipates the Statement will have no effect on the financial statements.

In April of 2013, the GASB issued Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees.” This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. Additionally, this Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Through December 31, 2013, the Authority had not entered any financial guarantee transactions and anticipates no



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

Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012  
(in thousands)

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

### **Future Accounting Pronouncements (continued)**

impact upon its financial statements in relation to this Statement.

## **2. Cash and Investments**

The Authority's cash and cash equivalents of \$46,621 and \$98,289 as of December 31, 2013 and 2012, 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, 2013 and 2012 was \$49,924 and \$105,499, 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 its Investment Policy and the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code ("PFIA"), 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, guaranteed investment contracts, bankers' acceptances, collateralized mortgage obligations, the underlying security for which is guaranteed by an agency of the United States, and investment pools. The Authority may also invest in fully collateralized repurchase agreements as authorized by the PFIA under a master repurchase agreement which includes appropriate provisions regarding delivery, substitution, margin maintenance, margin amounts, seller representations, and governing law. The Authority held no investments in guaranteed investment contracts, bankers' acceptances or repurchase agreements during 2013 or 2012.

*External Investment Pool* - During 2013 and 2012, 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 PFIA. 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 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 April of 2013, the Authority liquidated its investments in TexPool, TexPool Prime and TexSTAR as part of its strategy to invest in higher yielding instruments, within its Investment Policy objectives of safety of principal, liquidity and yield.

## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012  
(in thousands)

### 2. Cash and Investments (continued)

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, 2013 included the following securities which comprised more than 5% of the total portfolio (excluding cash and cash equivalents):

**Commercial Paper:**

Abbey National North America LLC	15%
Societe Generale North America, Inc.	12%
Credit Agricole North America, Inc.	9%
Natixis U.S. Finance Company, LLC	9%

**U.S. Agency Securities:**

Federal Home Loan Mortgage Corporation	13%
Federal National Mortgage Association	31%

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, 2013 and 2012  
(in thousands)

## 2. Cash and Investments (continued)

The following table details the U.S. Dollar holdings and their weighted average maturity as of December 31, 2013.

Security Type	Ratings	Fair Value	Weighted Average Maturity
<b>Agency Securities:</b>			
FHLMC NOTE	AA+/Aaa	\$ 19,890	0.44
FHLMC NOTE	AA+/Aaa	24,371	0.73
FNMA NOTE	AA+/Aaa	34,409	0.80
FNMA NOTE	AA+/Aaa	19,670	0.47
FNMA NOTE	AA+/Aaa	29,266	0.82
FNMA NOTE	AA+/Aaa	<u>19,425</u>	0.59
<b>Total</b>		<u>147,031</u>	
<b>Commercial Paper:</b>			
Abbey Nat'l N America	A-1/P-1	14,999	0.00
Abbey Nat'l N America	A-1/P-1	14,999	0.01
Abbey Nat'l N America	A-1/P-1	19,988	0.05
Credit Agricole	A-1/P-1	9,987	0.04
Credit Agricole	A-1/P-1	9,986	0.05
Credit Agricole	A-1/P-1	9,986	0.05
Natixis Finance	A-1/P-1	19,999	0.01
Natixis Finance	A-1/P-1	9,999	0.00
Societe Generale	A-1/P-1	24,987	0.06
Societe Generale	A-1/P-1	<u>14,990</u>	0.04
<b>Total</b>		<u>149,920</u>	

# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012  
(in thousands)

## 2. Cash and Investments (continued)

Security Type	Ratings	Fair Value	Weighted Average Maturity
<b>Municipal Bonds:</b>			
Baldwin Park USD, CA GO	SP-1/A+	6,051	0.08
City of Carmel, IN Redev Auth	AA+	2,144	0.13
City of Carmel, IN Redev Auth	AA+	2,628	0.19
City of Carmel, IN Redev Auth	AA+	2,723	0.23
Fresno Cty CA Fina Auth Lease Rev	AA-	2,058	0.13
Indiana Bond Bk Rev	AA+	5,016	0.12
Jackson Cty, MO	Aa3	1,098	0.05
Metro Nashville & Davidson Cty TN GO	AA/Aa1	1,992	0.12
N Orange Cty CA CC Dist	AA/Aa1	4,213	0.36
NY ST Dorm Auth Tax Rev	AAA/AA	1,494	0.07
NY ST Dorm Auth Tax Rev	AAA/AA	1,497	0.04
NY ST Envrnmntl Fac Rev	AAA/Aaa	1,470	0.10
OK Cty Fina Auth Ed Rev	A+	5,102	0.50
San Bernardino CA Cmty Clg	AA-/Aa2	1,213	0.10
St. Louis MO Spl Admin Sch Dist	AA+	1,323	0.07
St. Louis MO Spl Admin Sch Dist	AA+	2,128	0.16
State of CT GO	AA/Aa3	1,004	0.07
<b>Total</b>		<u>43,154</u>	
<b>Total Fair Value</b>		<u>\$ 340,105</u>	
<b>Portfolio Weighted Average Maturity</b>			2.12
<b>Stock received from bankrupt tenant</b>		<u>2</u>	N/A
<b>Total Investments</b>		<u>\$ 340,107</u>	-

N/A - not applicable

The above calculation of weighted average maturity of the portfolio excludes cash and cash equivalents. As of December 31, 2013, the Authority's weighted average maturity of the overall portfolio as defined in the Investment Policy including cash and cash equivalents is 1.85 years.

# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012  
(in thousands)

## 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>
<b>Agency Securities:</b>			
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
<b>Total</b>		<u>97,135</u>	
<b>Commercial Paper:</b>			
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
<b>Total</b>		<u>178,615</u>	

# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012  
(in thousands)

## 2. Cash and Investments (continued)

Security Type	<u>Ratings</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
<b>Municipal Bonds:</b>			
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
<b>Total</b>		<u>24,244</u>	
<b>Total Fair Value</b>		<u>299,994</u>	
<b>Portfolio Weighted Average Maturity</b>			1.63
<b>Stock received from bankrupt tenant</b>		2	N/A
<b>Total Investments</b>		<u>\$ 299,996</u>	-

N/A - not applicable

*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, 2013 and 2012, 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, 2013 and 2012  
(in thousands)

## 3. Receivables

Receivables as of December 31 including the applicable allowances for uncollectible accounts are as follows:

	<u>2013</u>	<u>2012</u>
<b>Trade Receivables, Net</b>		
Trade receivables	\$ 22,377	\$ 20,560
Damage claims receivable	291	135
Allowance for doubtful accounts	<u>(707)</u>	<u>(768)</u>
Trade accounts, net	21,961	19,927
<b>Other Receivables</b>		
Interest receivable	531	308
Due from federal agencies	1,109	392
Other	<u>6</u>	<u>-</u>
Total other receivables	<u>1,646</u>	<u>700</u>
<b>Total Receivables, Net</b>	<u>\$ 23,607</u>	<u>\$ 20,627</u>

# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012  
(in thousands)

## 4. Capital Assets

Capital asset activity for the year ended December 31, 2013 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	\$ 101,587	\$ 908	\$ -	\$ 102,495
Land use rights - intangible	10,667	579	-	11,246
Channel land	276,041	4,093	-	280,134
Construction-in-progress	90,840	117,687	(94,544)	113,983
Total capital assets not being depreciated	<u>479,135</u>	<u>123,267</u>	<u>(94,544)</u>	<u>507,858</u>
Capital assets being depreciated				
Buildings	156,650	6,312	-	162,962
Improvements other than buildings	960,773	67,224	-	1,027,997
Railroads	59,929	-	-	59,929
Machinery and equipment	343,762	15,705	(23,193)	336,274
Computer software - intangible	8,362	1,436	-	9,798
Total capital assets being depreciated	<u>1,529,476</u>	<u>90,677</u>	<u>(23,193)</u>	<u>1,596,960</u>
Less accumulated depreciation for				
Buildings	(68,655)	(4,700)	-	(73,355)
Improvements other than buildings	(345,963)	(27,788)	-	(373,751)
Railroads	(32,726)	(1,275)	-	(34,001)
Machinery and equipment	(190,593)	(17,775)	23,102	(185,266)
Computer Software - Intangible	(3,423)	(1,888)	-	(5,311)
Total accumulated depreciation	<u>(641,360)</u>	<u>(53,426)</u>	<u>23,102</u>	<u>(671,684)</u>
Total capital assets being depreciated, net	<u>888,116</u>	<u>37,251</u>	<u>(91)</u>	<u>925,276</u>
Total capital assets, net	<u>\$ 1,367,251</u>	<u>\$ 160,518</u>	<u>\$ (94,635)</u>	<u>\$ 1,433,134</u>



# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012  
(in thousands)

## 4. Capital Assets (continued)

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, 2013 and 2012  
(in thousands)

## 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, 2013 and 2012 were \$386 and \$202, respectively. As of December 31, 2013, future minimum rental obligations to be paid by the Authority under noncancelable operating leases are as follows:

<b>Year Ending</b>	<b>Future Minimum Lease Payments</b>
2014	\$ 372
2015	308
2016	277
2017	277
2018	18
Total	<u>\$ 1,252</u>

Additionally, the Authority leases certain assets to others. These leases pertain to land, buildings and improvements, and cargo handling equipment. As of December 31, 2013, 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:

<b>Year Ending</b>	<b>Future Minimum Lease Rentals</b>
2014	\$ 19,489
2015	17,288
2016	15,424
2017	11,676
2018	8,419
Thereafter	76,003
Total	<u>\$ 148,299</u>

# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
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## 6. Long-Term Debt and Noncurrent Liabilities

The following is a summary of bonds payable and other noncurrent liabilities which comprise the Authority's long-term liabilities for the years ended December 31, 2013 and 2012.

### Changes in Long-Term Liabilities - 2013

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable					
Unlimited tax bonds	\$ 731,969	\$ -	\$ (14,345)	\$ 717,624	\$ 15,245
Accreted interest on unlimited tax bonds	102	52	-	154	-
Less unamortized premiums / discounts, net	<u>39,058</u>	<u>-</u>	<u>(2,538)</u>	<u>36,520</u>	<u>-</u>
Total Bonds Payable	<u>771,129</u>	<u>52</u>	<u>(16,883)</u>	<u>754,298</u>	<u>15,245</u>
Other Noncurrent Liabilities					
Net OPEB obligation	37,072	3,484	(8,000)	32,556	-
Compensated absences	5,508	4,007	(4,775)	4,740	473 *
Fees received in advance	4,974	3,972	(3,582)	5,364	1,013 *
Claims liability	<u>2,736</u>	<u>1,603</u>	<u>(837)</u>	<u>3,502</u>	<u>-</u>
Total Other Noncurrent Liabilities	<u>\$ 50,290</u>	<u>\$ 13,066</u>	<u>\$ (17,194)</u>	<u>\$ 46,162</u>	<u>\$ 1,486</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. During 2013 and 2012, the Authority did not issue or refund any bonds.

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

Notes to the Financial Statements  
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## **6. Long-Term Debt and Noncurrent Liabilities (continued)**

### **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 Noncurrent 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 Noncurrent 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

Due to the implementation in fiscal 2012 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 and Outstanding Long-Term Debt tables.

# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012  
(in thousands)

## 6. Long-Term Debt and Noncurrent Liabilities (continued)

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

### Outstanding Long-Term Debt

					December 31	
	Original Issue	Interest Rate % *	Issue Date	Maturity	2013	2012
General Obligation Bonds						
Unlimited Tax Refunding Bonds						
Series 2002B	\$ 7,060	4.12-5.50	12/12/2002	2013	\$ -	\$ 490
Series 2004	9,000	3.00-5.00	12/8/2004	2016	2,075	2,790
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	58,315	60,670
Series 2006A	28,380	5.00	7/19/2006	2017	10,275	12,875
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	22,205	25,940
Series 2010B	22,930	1.00-5.00	2/17/2010	2026	17,170	18,885
Series 2010C	30,254	2.00-5.37	2/3/2010	2033	29,274	29,609
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	42,440	44,840
					626,979	641,324
Unamortized premiums / (discounts), net					31,791	34,228
Series 2010C and 2010E CAB Accretion, net					154	102
Unlimited Tax Refunding Bonds, net					658,924	675,654
Unlimited Tax Port Improvement Bonds						
Series 2002A	16,000	3.00-5.00	12/12/2002	2027	4,980	4,980
Series 2010D-2	85,665	5.00	8/19/2010	2039	85,665	85,665
Total Unlimited Tax Port Improvement Bonds					90,645	90,645
Unamortized premiums / (discounts), net					4,729	4,830
Unlimited Tax Port Improvement Bonds, net					95,374	95,475
Total Debt					754,298	771,129
Less Current Maturities					(15,245)	(14,345)
Long - Term Debt (net of unamortized premiums / (discounts))					\$ 739,053	\$ 756,784

\* Interest rate of original issue

# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
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## 6. Long-Term Debt and Noncurrent Liabilities (continued)

### Debt Service Requirements

Total debt service requirements for outstanding bonds as of December 31, 2013 are as follows:

Year Ending December 31	Bond Principal	Capital Appreciation Bond	Bond Interest	
	General Obligation	Accreted Interest	General Obligation	Total
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	20,685	-	33,730	54,415
2019-2023	118,170	-	151,905	270,075
2024-2028	124,645	-	122,945	247,590
2029-2033	153,689	4,855	91,006	249,550
2034-2038	199,835	13,121	36,592	249,548
2039	32,960	-	1,649	34,609
	<u>\$ 717,624</u>	<u>\$ 17,976</u>	<u>\$ 580,953</u>	<u>\$ 1,316,553</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.

### Bond Restrictions

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

### Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the U.S. Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment, if applicable, for each issue every five years. There was no arbitrage liability for tax-

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

Notes to the Financial Statements  
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(in thousands)

### **6. Long-Term Debt and Noncurrent Liabilities (continued)**

#### **Arbitrage (continued)**

exempt debt subject to the Tax Reform Act through December 31, 2013 and 2012. The estimated liability is updated annually for any tax-exempt issuance or changes in yields until payment of the calculated liability is due.

### **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 was paid in full during fiscal 2012.

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 were 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 limited repayments to the developer to the sum of \$21,500 (plus any additional advances made by the developer) and also provided that all repayment obligations of the Authority to the developer would 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 contained various other provisions, including provisions addressing allocation of maintenance costs for the Bayport Channel and Turning Basin among the Authority, the developer and private operators at Bayport. The Agreement superseded all prior agreements between the Authority and developer and was contingent upon the U.S. Corps of Engineers' approval of offshore disposal of Bayport dredge material. Such approval was received in October of 1998.

The Authority recorded \$19,900 in advances from the developer at the time the new

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

Notes to the Financial Statements  
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### **7. Bayport Facilities (continued)**

agreement was signed and recorded an additional \$16,847 since 1997. The repayments during the years ended December 31, 2013 and 2012 were \$0 and \$1,551, respectively. Repayment obligations under the Agreement to the developer terminated as intended on July 13, 2013.

### **8. Retirement Plans**

#### **Defined Benefit Plan Description**

The Authority sponsors the Port of Houston Authority Restated Retirement Plan ("Plan"), a single-employer defined benefit plan covering eligible employees hired prior to August 1, 2012. Employees hired on or after that date are covered by the Port of Houston Authority Defined Contribution Plan described below. The Plan is a governmental plan not subject to the federal Employee Retirement Income Security Act of 1974 ("ERISA") with contributions made solely by the Authority. The Port Commission maintains the authority to amend the Plan and Plan's investment policy. Compass Bank (the "Trustee") serves as trustee of the Plan. The Plan issues a stand-alone financial report that is available on the Authority's website ([www.portofhouston.com](http://www.portofhouston.com)) and may also 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 fiscal years ended July 31, 2013 and 2012 was \$33,690 (75% of the total payroll of \$44,693) and \$35,082 (76% of the total payroll of \$46,112), respectively.

Plan participants become vested after completion of five (5) years of employment. Vested employees are eligible to receive benefits upon Normal Retirement, Early Retirement, or Late Retirement. The Plan also provides for disability and survivor death benefits. The Normal Retirement Benefit (equal to 2.3% of the Average Monthly Compensation multiplied by the years of benefit service not to exceed 30.435 years) is payable monthly for a minimum of five years certain and for life thereafter, with other payment options available, if an employee retires on the Normal Retirement Date after attaining age 65. The Early Retirement Benefit is available 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 for both Early Retirement and Late Retirement. Vested employees whose employment ends for reasons other than for retirement, disability or death, receive a pension benefit upon reaching the Normal Retirement Date or Early Retirement Date.



## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012  
(in thousands)

### 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, 2013 and 2012, the Plan had the following investments in excess of 5% of net investments:

	2013	2012
Loomis Sayles Inst High Income (Cusip 543495600)	\$ 7,558,572	\$ 6,411,488
Cohen & Steers Inst Realty Shares (Cusip 19247U106)	7,646,908	7,058,844
Meridian Growth Fund Inc. (Cusip 589619105)	-	15,961,756
Total	<u>\$ 15,205,480</u>	<u>\$ 29,432,088</u>

The above investments are diversified mutual funds with distinctly different investment objectives, and fully comply with the Plan's investment policy.

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, 2013, the fund had net assets of \$667 million and the top 10 holdings represented 15.0% of the portfolio. Cohen & Steers Institutional Realty Shares is a diversified portfolio of real estate securities and REITs. The fund had net assets of \$2.4 billion on December 31, 2013, and the top 10 holdings represented 50.1% of the portfolio.

#### 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 of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012  
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## 8. Retirement Plans (continued)

### Funding Policy (continued)

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

a) Actuarial Valuation Date	<u>August 1, 2013</u>
b) Actuarial Value of Assets	\$151,455
c) Actuarial Accrued Liability (AAL)	\$150,380
d) Unfunded Actuarial Accrued Liability (UAAL) (c-b)	\$(1,075)
e) Funded Ratio (b/c)	100.7%
f) Annual Covered Payroll (Actuarial)	\$33,690
g) UAAL as a % of Covered Payroll (d/f)	(3.2)%

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, 2013.

### 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, 2013</u>	<u>August 1, 2012</u>	<u>August 1, 2011</u>
Actuarial Valuation Date	Entry Age Normal	Entry Age Normal	Entry Age Normal
Actuarial Cost Method	Level Dollar,	Level Dollar,	Level Dollar,
	(closed)	(closed)	(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%	7.25%
Projected Salary Increases	3.0%-7.5%	3.0%-7.5%	3.0%-7.5%
Inflation	2.50%	2.75%	3.50%
Cost of Living Adjustment	None	None	None

Components of the unfunded actuarial liability are amortized as level dollar amounts using closed basis amortization. The closed basis amortization method amortizes actuarial bases over a fixed number of years with a defined beginning and end.

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

Notes to the Financial Statements  
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## **8. Retirement Plans (continued)**

### **Actuarially Determined Contribution Requirements and Contributions Made (continued)**

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 following the notes to the financial statements 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, 2013, 2012, and 2011**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarial Determined			
Annual Pension			
Cost (APC)	\$9,870	\$8,133	\$10,809
Contribution Made	\$9,870	\$8,133	\$10,809
% 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 trustee. The Port Commission maintains the authority to amend the DC Plan provisions, including revisions in 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 are tax deferred until time of withdrawal. Under the provisions of the DC Plan, employees do not contribute to the DC Plan and are not permitted to rollover any distributions from other qualified plans or individual retirement accounts to the DC Plan. The Authority, as Plan Sponsor, may make Employer Contributions to the DC Plan at its discretion.

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

Notes to the Financial Statements  
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### **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><b>Years of Service</b></u>	<u><b>% Contribution by the Authority</b></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 are paid to employees with at least five (5) years of service, or to their beneficiaries. Contributions on behalf of each employee are invested in accordance with the employee's instructions, entirely in one fund or in any combination of the investment options 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.

The Authority contributed \$85 thousand during fiscal 2013, reflecting 3.5% of the covered payroll.

### **9. Postemployment Retiree Benefits**

#### **Plan Description**

In addition to retirement benefits as described in Note 8, the Authority provides certain postemployment health and welfare benefits ("OPEB") to eligible retired employees and their dependents ("OPEB Plan"). The Authority participates in a multiple-employer trust to accumulate assets designated for funding its OPEB costs and obligations. At December 31, 2013 and 2012, there were 328 and 288 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 to the trust are dependent on periodic authorization by the Port Commission.

The OPEB Plan does not issue stand-alone financial reports, but presents the OPEB Plan Net Position in the fiduciary fund statements and includes the Net OPEB Obligation in the noncurrent liabilities section of the Statements 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  
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### **9. Postemployment 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 Postemployment Benefits after completion of 12 years of employment and upon retirement from the Authority. Employees hired prior to that date who reach their Early or Normal Retirement date and retire from the Authority are eligible for Postemployment 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, 2013 and 2012, the cost of retiree health benefits, recorded on a pay-as-you-go basis was \$2,584 and \$1,908, respectively. Retiree life benefit costs for 2013 and 2012 were \$148 and \$105, respectively.

During 2011, the Authority entered a multiple employer pooled account trust designed to prefund postemployment benefits for the Authority's eligible retired employees and their eligible dependents. The PEB Trust Board of Trustees serves as the trustee for the trust assets. In addition to the pay-as-you-go expenses referenced above, the Authority contributed \$24,000 to the trust through December 31, 2013.

#### **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, 2013 and 2012**

**(in thousands)**

### **9. Postemployment 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  
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## 9. Postemployment Retiree Benefits (continued)

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

	<u>2013</u>	<u>2012</u>
Normal Cost at year end	\$ 3,029	\$ 3,034
Amortization of UAAL	<u>3,879</u>	<u>4,879</u>
Annual Required Contribution (ARC)	6,908	7,913
Determination of Net OPEB Obligation		
Annual Required Contribution	6,908	7,913
Interest on prior year Net OPEB Obligation	2,595	2,907
Adjustment to ARC	<u>(2,792)</u>	<u>(3,089)</u>
Annual OPEB Cost	6,711	7,731
Contributions made	<u>(11,227)</u>	<u>(10,755)</u>
Decrease in Net OPEB Obligation	(4,516)	(3,024)
Net OPEB Obligation - beginning of year	<u>37,072</u>	<u>40,096</u>
Net OPEB Obligation - end of year	<u><u>\$ 32,556</u></u>	<u><u>\$ 37,072</u></u>

The end of year net OPEB Obligation is shown as a noncurrent liability on the Statements of Net Position.

The table below reflects the schedule of OPEB Funding Progress.

	<u>January 1, 2013 *</u>	<u>January 1, 2012</u>	<u>January 1, 2011</u>
a) Actuarial Valuation Date			
b) Actuarial Value of Assets	\$ 16,274	\$ -	\$ -
c) Actuarial Accrued Liability (AAL)	57,052	56,476	56,476
d) Unfunded Actuarial Accrued Liability (UAAL) (c-b)	40,778	56,476	56,476
e) Funded Ratio (b/c)	28.5 %	- %	- %
f) Annual Covered Payroll (Actuarial)	34,615	34,939	34,939
g) UAAL as a % of Covered Payroll (d/f)	117.8 %	161.6 %	161.6 %

\*Actuarial valuations are performed every two years.

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

Plan Year Ended	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual OPEB cost	\$ 6,711	\$ 7,731	\$ 7,921
Percentage of OPEB Cost Contributed	167.3 %	139.1 %	133.0 %
Net OPEB Obligation	\$ 32,556	\$ 37,072	\$ 40,096

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

Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012  
(in thousands)

### **9. Postemployment 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 7.00% compounded annually, inflation rate of 2.75%, investment return of 7.00%, 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, 2013 and 2012  
(in thousands)

## 9. Postemployment 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 2013 valuation was 6.0% trending down to 4.7% (pre-Medicare) and 6.0% trending down to 5.1% (post-Medicare) over 72 years.

## 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 workers' compensation and liability claim. 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 liability claims. The balance of claim liabilities at December 31, 2013 and 2012 was \$3,502 and \$2,736, respectively.

<u>Plan Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2012	\$ 1,665	\$ 1,589	\$ (518)	\$ 2,736
2013	\$ 2,736	\$ 1,595	\$ (829)	\$ 3,502

As of December 31, 2013 the Authority had no liability for workers' compensation, general liability, or auto liability claims which occurred prior to March 1, 2010.

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.

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

Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012  
(in thousands)

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

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 Noncurrent Liabilities section of the Statements of Net Position.

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.

### **11. Commitments and Contingencies**

#### **Commitments**

At December 31, 2013 and 2012, the Authority had commitments of approximately \$11,966 and \$13,458, 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 disputed all of Zachry's contentions.

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

Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012  
(in thousands)

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

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

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. Following briefing by the parties, the court granted review on August 23, 2013, and oral argument took place on November 6, 2013. The parties anticipate a decision by the court in fiscal 2014.

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.

**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)

	<b>August 1, 2013</b>	<b>August 1, 2012</b>	<b>August 1, 2011</b>
a) Actuarial Valuation Date			
b) Actuarial Value of Assets	\$ 151,455	\$ 129,522	\$ 123,763
c) Actuarial Accrued Liability (AAL)	\$ 150,380	\$ 139,259	\$ 132,495
d) Unfunded Actuarial Accrued Liability (UAAL)			
(c-b)	\$ (1,075)	\$ 9,737	\$ 8,732
e) Funded Ratio (b/c)	100.7 %	93.0 %	93.4 %
f) Annual Covered Payroll (Actuarial)	\$ 33,690	\$ 35,082	\$ 35,571
g) UAAL as a % of Covered Payroll (d/f)	(3.2)%	27.8 %	24.5 %

**Port of Houston Authority OPEB Obligation**  
**Schedule of Funding Progress**

(in thousands)  
(unaudited)

	<b>January 1 2013</b>	<b>January 1 2012</b>	<b>January 1 2011</b>
a) Actuarial Valuation Date			
b) Actuarial Value of Assets	\$ 16,274	\$ -	\$ -
c) Actuarial Accrued Liability (AAL)	\$ 57,052	\$ 56,476	\$ 56,476
d) Unfunded Actuarial Accrued Liability (UAAL)			
(c-b)	\$ 40,778	\$ 56,476	\$ 56,476
e) Funded Ratio (b/c)	28.5 %	- %	- %
f) Annual Covered Payroll (Actuarial)	\$ 34,615	\$ 34,939	\$ 34,939
g) UAAL as a % of Covered Payroll (d/f)	117.8 %	161.6 %	161.6 %



**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**



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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Net investment in capital assets</b>	<u>\$ 685,717</u>	<u>\$ 596,224</u>	<u>\$ 574,224</u>	<u>\$ 571,828</u>	<u>\$ 655,571</u>	<u>\$ 646,777</u>	<u>\$ 676,785</u>	<u>\$ 615,169</u>	<u>\$ 476,709</u>	<u>\$ 431,595</u>
<b>Restricted</b>										
Capital	7,195	29,713	60,204	79,270	8,388	3,978	3,846	24,863	23,841	24,012
Debt Service	44,598	44,916	41,455	44,248	39,072	37,310	28,774	27,909	32,465	35,391
Other	-	2,755	196	4,302	122	200	181	161	225	206
<b>Unrestricted</b>	<u>324,466</u>	<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>
<b>Total Net Position</b>	<u><u>\$ 1,061,976</u></u>	<u><u>\$ 994,281</u></u>	<u><u>\$ 939,881</u></u>	<u><u>\$ 906,761</u></u>	<u><u>\$ 894,564</u></u>	<u><u>\$ 902,404</u></u>	<u><u>\$ 853,993</u></u>	<u><u>\$ 813,177</u></u>	<u><u>\$ 750,434</u></u>	<u><u>\$ 690,899</u></u>

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Operating revenues:</b>										
Vessel and cargo services	\$ 200,101	190,618	\$ 177,405	\$ 159,799	\$ 144,365	\$ 171,373	\$ 164,230	\$ 143,550	\$ 132,283	\$ 116,506
Rental of equipment and facilities	25,114	23,077	22,030	20,346	20,524	19,984	18,872	18,103	17,473	15,878
Grain elevator	592	683	1,923	911	1,155	787	809	717	590	835
Bulk materials	2,665	2,485	2,131	2,368	2,243	2,319	2,903	3,221	2,568	2,348
Other	5,201	8,512	3,356	3,272	2,040	2,522	3,679	2,072	2,454	1,246
<b>Nonoperating revenues:</b>										
Investment (loss) income	(435)	2,410	3,123	3,573	4,136	7,154	10,019	11,606	7,478	2,963
Contribution in aid of construction	5,000	-	1,077	-	-	-	-	-	-	-
Other, net	683	1,583	2,765	3,836	4,588	982	6,734	1,060	5,718	5,106
<b>Nonoperating revenues related to property taxes:</b>										
Property taxes	52,534	56,429	49,826	53,833	46,911	48,675	35,819	29,454	29,568	33,088
Investment income / (loss) on bond proceeds	348	302	657	(47)	165	1,113	2,045	2,077	1,432	346
<b>Total Revenues:</b>	<u>291,803</u>	<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>
<b>Operating expenses:</b>										
Maintenance and operations of facilities	103,353	101,095	97,461	95,918	88,124	98,026	97,978	80,809	74,901	65,535
General and administrative	41,845	43,875	39,894	51,742	57,827	43,443	40,063	29,527	28,656	31,856
Depreciation and amortization	56,057	56,551	55,661	53,731	48,035	44,016	34,161	28,436	25,383	24,448
<b>Nonoperating expenses:</b>										
Interest expense on revenue bonds	-	-	-	-	-	-	-	176	328	808
Contributions to state and local agencies	1,949	882	1,232	1,742	17,468	4,224	29,017	5,457	8,400	-
Loss on disposal of assets	91	3,295	-	3,294	-	-	-	-	-	-
Other, net	-	98	-	-	-	-	-	-	-	-
<b>Nonoperating expenses related to property taxes:</b>										
Interest expense on unlimited tax bonds	33,188	33,803	36,843	34,265	26,072	21,344	10,124	10,775	9,580	8,217
Property tax collection expense	994	1,091	996	1,270	506	1,083	480	67	148	715
Other, net	477	442	525	480	901	423	357	360	369	391
<b>Total Expenses:</b>	<u>237,954</u>	<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>
<b>Income before contributions</b>	<u>53,849</u>	<u>44,967</u>	<u>31,681</u>	<u>5,449</u>	<u>(12,806)</u>	<u>42,350</u>	<u>32,930</u>	<u>56,253</u>	<u>51,799</u>	<u>46,346</u>
<b>Capital contributions from federal agencies</b>	<u>13,827</u>	<u>9,373</u>	<u>1,439</u>	<u>2,944</u>	<u>3,549</u>	<u>6,061</u>	<u>7,886</u>	<u>6,490</u>	<u>7,736</u>	<u>2,909</u>
<b>Contributions from federal agency-FEMA</b>	<u>19</u>	<u>60</u>	<u>-</u>	<u>3,804</u>	<u>1,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Contributions from federal and state agencies</b>	<u>13,846</u>	<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>
<b>Change in net position</b>	<u>67,695</u>	<u>54,400</u>	<u>33,120</u>	<u>12,197</u>	<u>(7,840)</u>	<u>48,411</u>	<u>40,816</u>	<u>62,743</u>	<u>59,535</u>	<u>49,255</u>
<b>Net position, January 1</b>	<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>
<b>Net position, December 31</b>	<u>\$ 1,061,976</u>	<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>



**REVENUE CAPACITY**



**Port of Houston Authority of Harris County, Texas**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

(unaudited)  
(amounts in thousands)

<u>Year Levied</u>	<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>
2004	\$ 198,837,806	\$ 32,119,652	\$ 37,273,945	\$ 193,683,513	\$ 0.01673
2005	225,099,703	37,135,876	58,291,042	203,944,537	0.01474
2006	245,978,734	34,366,780	62,806,433	217,539,081	0.01302
2007	276,832,919	40,024,020	69,264,770	247,592,169	0.01437
2008	303,289,718	41,639,012	76,330,731	268,597,999	0.01773
2009	311,188,647	45,005,241	80,505,070	275,688,818	0.01636
2010	300,557,174	43,837,867	80,137,056	264,257,985	0.02054
2011	306,488,194	43,891,522	82,109,248	268,270,468	0.01856
2012	317,458,948	47,105,465	85,096,445	279,467,968	0.01952
2013	338,787,938	51,399,961	86,415,967	303,771,932	0.01716

(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 12/20/13

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

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Harris County</b>										
General Fund	\$ 0.34547	\$ 0.33271	\$ 0.33444	\$ 0.33401	\$ 0.33401	\$ 0.33815	\$ 0.33918	\$ 0.34221	\$ 0.34728	\$ 0.33117
General Bonds Debt Service	0.05158	0.04468	0.03825	0.03635	0.03642	0.03192	0.03200	0.03465	0.03047	0.04303
Total Constitutional Funds	0.39705	0.37739	0.37269	0.37036	0.37043	0.37007	0.37118	0.37686	0.37775	0.37420
County - Wide Road Debt Service	0.01750	0.02282	0.01848	0.01769	0.02181	0.01916	0.02121	0.02553	0.02211	0.02566
	0.41455	0.40021	0.39117	0.38805	0.39224	0.38923	0.39239	0.40239	0.39986	0.39986
<b>Flood Control District</b>										
Maintenance	0.02620	0.02522	0.02727	0.02727	0.02754	0.02754	0.02754	0.02733	0.02733	0.02553
Debt Service	0.00207	0.00287	0.00082	0.00196	0.00168	0.00332	0.00352	0.00508	0.00589	0.00765
	0.02827	0.02809	0.02809	0.02923	0.02922	0.03086	0.03106	0.03241	0.03322	0.03318
<b>Port of Houston Authority</b>										
Debt Service	0.01716	0.01952	0.01856	0.02054	0.01636	0.01773	0.01437	0.01302	0.01474	0.01673
<b>Hospital District</b>										
General	0.17000	0.18216	0.19216	0.19216	0.19216	0.19216	0.19216	0.19216	0.19216	0.19021
Total	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 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, 2013  
(unaudited)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>County - Wide Taxing Jurisdiction</b>										
Harris County	\$ 0.4146	\$ 0.4002	\$ 0.3912	\$ 0.3881	\$ 0.3922	\$ 0.3892	\$ 0.3924	\$ 0.4024	\$ 0.3999	\$ 0.3999
Harris County Flood Control District	0.0283	0.0281	0.0281	0.0292	0.0292	0.0309	0.0324	0.0332	0.0332	0.0332
Port of Houston Authority	0.0172	0.0195	0.0186	0.0205	0.0164	0.0177	0.0130	0.0130	0.0167	0.0167
Harris County Hospital District	0.1700	0.1822	0.1922	0.1922	0.1922	0.1922	0.1922	0.1922	0.1902	0.1902
	<u>\$ 0.6301</u>	<u>\$ 0.6300</u>	<u>\$ 0.6301</u>	<u>\$ 0.6300</u>	<u>\$ 0.6300</u>	<u>\$ 0.6300</u>	<u>\$ 0.6300</u>	<u>\$ 0.6408</u>	<u>\$ 0.6400</u>	<u>\$ 0.6400</u>
<b>Cities</b>										
Baytown	\$ 0.8220	\$ 0.8220	\$ 0.8220	\$ 0.7870	\$ 0.7870	\$ 0.7370	\$ 0.7370	\$ 0.7370	\$ 0.7370	\$ 0.7370
Bellaire	0.3999	0.3999	0.3999	0.3999	0.3759	0.4400	0.4400	0.4700	0.4800	0.4800
Deer Park	0.7200	0.7200	0.7200	0.7050	0.7050	0.7200	0.7200	0.7200	0.7200	0.7000
Houston	0.6388	0.6388	0.6388	0.6388	0.6388	0.6450	0.6450	0.6500	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	0.5970	0.6100	0.6160	0.6300	0.6088	0.6088	0.6275	0.6400	0.6400
Missouri City	0.5738	0.5448	0.5284	0.5284	0.5284	0.4993	0.4945	0.4980	0.5017	0.5100
Pasadena	0.5916	0.5916	0.5916	0.5916	0.5620	0.5670	0.5670	0.5670	0.5670	0.5670
Pearland	0.7051	0.7051	0.6851	0.6651	0.6526	0.6526	0.6527	0.6744	0.6950	0.6960
Seabrook	0.6512	0.6652	0.6500	0.6268	0.5884	0.6203	0.6210	0.6307	0.6196	0.6082
South Houston	0.6699	0.7083	0.6876	0.6732	0.6732	0.6770	0.6588	0.6863	0.7000	0.7000
Webster	0.2696	0.2853	0.2853	0.2575	0.2325	0.2489	0.2575	0.2575	0.2680	0.2510
West University Place	0.3740	0.3741	0.3741	0.3741	0.3588	0.3660	0.4020	0.4300	0.4467	0.4467
<b>School Districts</b>	1.67-1.18	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

Source: Harris County Appraisal District Jurisdiction Information as of 02/19/14

(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	2013			2004		
	2013 Taxable Valuations (a)	Rank	Percentage of Total 2013 Taxable Valuation (b)	2004 Taxable Valuations (a)	Rank	Percentage of Total 2004 Taxable Valuation (c)
ExxonMobil Corp	\$ 3,576,288	1	1.18 %	\$ 2,887,139	1	1.49 %
CenterPoint Energy Inc	2,934,118	2	0.97	2,325,222	2	1.20
Shell Oil Co	2,226,750	3	0.73	1,421,282	3	0.73
Chevron Chemical Co	1,834,747	4	0.60	598,246	7	0.31
Crescent Real Estate	1,426,420	5	0.47	441,402	10	0.23
Equistar Chemicals LP	942,883	6	0.31	976,266	5	0.50
Hewlett Packard	739,693	7	0.24	346,036	14	0.18
Valero Energy	607,550	8	0.20	-	-	-
National Oilwell Inc	1,038,569	9	0.34	-	-	-
Lyondell Chemical Co	856,194	10	0.28	582,262	8	0.30
WalMart	854,073	11	0.28	-	-	-
Houston Refining	501,870	12	0.17	-	-	-
Continental Airlines Inc	514,868	13	0.17	351,538	13	0.18
Rohm & Haas Co	452,532	14	0.15	333,377	15	0.17
BP America Production Co	523,017	15	0.17	-	-	-
OxyVinyls LP	394,870	16	0.13	383,015	11	0.20
Kroger Co	428,401	17	0.14	-	-	-
HG Galleria I II III LP	385,055	18	0.13	-	-	-
TPG 2101 Citywest 1 & 2 LP	336,384	19	0.11	-	-	-
AT & T Mobility LLC	226,661	20	0.07	-	-	-
Southwestern Bell Telephone	-	-	-	1,009,651	4	0.52
Hines Interests LTD Partnership	-	-	-	867,174	6	0.45
Anheuser Busch Inc	-	-	-	482,235	9	0.25
Lyondell- Citgo Refining Company	-	-	-	356,395	12	0.18
Total	<u>\$ 20,800,943</u>		<u>6.84 %</u>	<u>\$ 13,361,240</u>		<u>6.89 %</u>

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 20, 2013

(c) Based on the County's total taxable value as of January 1, 2004

**Port of Houston Authority of Harris County, Texas**  
**Property Taxes Levies and Collections**  
**For the Years 2004 Through 2013**  
(unaudited)  
(in thousands)

<b>Fiscal Year</b>	<b>Taxes Levied for Fiscal Year</b>	<b>Collections within the Fiscal Year of the Levy</b>		<b>Collections After One Year (a)</b>	<b>Total Collections After One Year (a)</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
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 %	2,339	54,094	99.03 %
2013	52,289	49,790	95.22 %	N/A	N/A	N/A

Source: Harris County Tax Assessor - Collector as of February 28, 2014.

(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)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Operating revenues: (a) (b) (c)</b>										
Vessel and cargo services	\$ 200,101	\$ 190,618	\$ 177,405	\$ 159,799	\$ 144,365	\$ 171,373	\$ 164,230	\$ 143,550	\$ 132,283	\$ 116,506
Rental of equipment and facilities	25,114	23,077	22,030	20,346	20,524	19,984	18,872	18,103	17,473	15,878
Grain elevator	592	683	1,923	911	1,155	787	809	717	590	835
Bulk materials	2,665	2,485	2,131	2,368	2,243	2,319	2,903	3,221	2,568	2,348
Other	5,201	8,512	3,356	3,272	2,040	2,522	3,679	2,072	2,454	1,246
Total Operating Revenue	<u>\$ 233,673</u>	<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>
<b>Revenue Tonnage (short tons) (d)</b>										
General Cargo	24,735	25,278	23,387	20,809	19,681	24,871	23,102	23,657	19,942	18,441
Bulk	11,090	9,781	10,162	10,508	9,184	10,371	10,123	9,696	8,623	7,909
Total Revenue Tonnage	<u>35,825</u>	<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>

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

(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)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>General Cargo</b>										
Barbours Cut										
All other	7,010,712	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
Lease	3,548,416	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
	<u>10,559,128</u>	<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>
Bayport Container Terminal	7,264,595	7,354,870	7,365,318	6,567,986	5,802,758	4,198,520	1,522,186	-	-	-
Turning Basin										
Autos import	143,132	175,553	124,351	109,713	73,325	115,660	113,567	95,719	121,370	114,124
Autos export	17,905	23,655	26,972	25,844	23,641	32,211	21,585	18,216	24,654	20,901
Steel imports	3,613,445	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
All other	519,978	723,762	1,177,341	778,667	622,113	1,559,870	1,571,635	1,610,654	1,524,844	1,185,115
	<u>4,294,460</u>	<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>
Jacintoport	1,579,197	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
Care Terminal	649,545	598,914	350,422	188,279	249,001	421,064	438,722	522,501	427,792	552,025
Woodhouse	388,133	608,369	370,436	299,098	221,798	544,590	289,586	638,609	204,494	274,128
Galveston	-	-	-	-	-	-	-	25,131	77,677	149,251
	<u>24,735,058</u>	<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>
<b>Bulk</b>										
Barbours Cut	-	-	-	3,136	2,426	4,409	-	-	3,438	1,110
Jacintoport	-	1,780	553	1,653	10,803	-	626	-	4,529	-
Care Terminal	253,942	408,225	359,286	446,801	192,753	756,891	610,965	399,887	388,737	312,168
Woodhouse	14,290	7,547	35,089	31,857	30,468	6,031	45,780	11,003	36,447	11,525
Sims Bayou	700,350	770,395	763,723	783,041	648,650	571,557	860,009	1,108,220	1,292,821	996,984
S.J.B. Liquid Facility	541,227	585,263	474,880	551,405	492,921	428,698	404,359	410,613	364,969	309,205
Turning Basin	2,164,880	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
	<u>3,674,689</u>	<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>
Bulk Materials Terminal	5,151,720	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
Grain Elevator #2	2,263,983	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
	<u>11,090,392</u>	<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>
<b>Grand Total</b>	<u>35,825,450</u>	<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>

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	2013			2004		
	2013 Revenue	Rank	% V&C Revenue	2004 Revenue	Rank	% V&C Revenue
Mediterranean Shipping Inc. SA	\$ 28,793	1	14.39 %	\$ 11,446	2	9.82 %
Hapag-Lloyd AG	21,280	2	10.63	6,011	4	5.16
CMA-CGM (America), Inc	15,389	3	7.69	2,427	10	2.08
Cosco North America, Inc.	11,193	4	5.59	-		-
Hamburg Sud North America	10,911	5	5.45	-		-
Seaboard Marine, Ltd.	5,555	6	2.78	2,556	7	2.19
Hanjin Shipping Company	4,533	7	2.27	-		-
Compania Sudamericana de Vapores	4,472	8	2.23	-		-
Biehl & Company - Vessel	3,949	9	1.97	3,581	6	3.07
Star Shipping	3,790	10	1.89	-		-
CP Ships US Agency, LLC	-		-	16,215	1	13.92
P & O Ned Lloyd Limited	-		-	7,180	3	6.16
APL Limited	-		-	4,538	5	3.90
Libra De Navegacao S.A.	-		-	2,431	9	2.09
Kerr Norton Strachan Agency	-		-	2,541	8	2.18
Total	<u>\$ 109,865</u>		<u>54.89 %</u>	<u>\$ 58,926</u>		<u>50.57 %</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			Premiums (Discounts)	General Bonded Debt	Less Debt Service Funds Cash	Net General Bonded Debt	Percentage of Actual Property Value	GOB Debt per Capita	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										
2004	\$ 37,975	\$ 249,925	\$ 6,800	\$ 4,717	\$ 299,417	\$ 11,415	\$ 288,002	0.15 %	\$ 79	\$ 8,620	\$ 296,622	0.21 %	\$ 81
2005	130,620	184,085	21,034	8,229	343,968	6,897	337,071	0.17 %	91	4,363	341,434	0.22 %	92
2006	211,100	146,005	21,744	9,848	388,697	7,000	381,697	0.18 %	98	-	381,697	0.21 %	98
2007	204,935	139,030	113,478	6,345	463,788	5,000	458,788	0.19 %	117	-	458,788	0.24 %	117
2008	431,065	131,950	-	8,340	571,355	7,000	564,355	0.21 %	142	-	564,355	0.30 %	142
2009	422,665	124,750	70,245	7,769	625,429	6,000	619,429	0.22 %	154	-	619,429	0.35 %	154
2010	616,814	146,805	-	28,629	792,248	10,900	781,348	0.30 %	190	-	781,348	0.41 %	190
2011	654,674	91,200	-	42,139	788,013	10,456	777,557	0.29 %	186	-	777,557	0.38 %	186
2012	641,324	90,645	-	39,160	771,129	8,784	762,345	0.27 %	176	-	762,345	0.24 %	176
2013	626,979	90,645	-	36,674	754,298	9,672	744,626	0.25 %	120	-	744,626	N/A	120

## Notes:

Additional information on the Authority's debt can be found in Note 6 in the accompanying 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, 2013**  
(unaudited)  
(in thousands)

	2013	2012	2011	2010	2009	2008	2007	2006*	2005	2004
<b>Gross Revenues</b>										
<b>Operating Revenues (a)</b>										
Vessel and cargo services	\$ 197,974	\$ 188,457	\$ 175,297	\$ 157,633	\$ 142,310	\$ 169,584	\$ 162,636	\$ 141,697	\$ 131,007	\$ 114,915
Rental of equipment and facilities	25,114	23,077	22,030	20,325	20,451	19,910	18,800	18,033	17,412	15,817
Grain Elevator	592	683	1,923	911	1,155	787	809	717	589	835
Bulk materials	2,665	2,485	2,131	2,368	2,243	2,319	2,903	3,221	2,568	2,348
Other	5,201	8,512	3,356	3,272	2,040	2,435	3,630	1,915	2,361	1,036
Total	231,546	223,214	204,737	184,509	168,199	195,035	188,778	165,583	153,937	134,951
<b>NonOperating Revenues</b>										
Investment (loss) income	(452)	2,406	3,126	3,572	4,552	6,736	9,992	11,292	7,427	3,500
Other, net	19,529	11,014	5,358	11,319	9,798	7,198	14,699	8,255	13,660	8,172
Total	19,077	13,420	8,484	14,891	14,350	13,934	24,691	19,547	21,087	11,672
Total Gross Revenues	250,623	236,634	213,221	199,400	182,549	208,969	213,469	185,130	175,024	146,623
<b>Operation Expenses</b>										
<b>Maintenance and Operation of Facilities</b>										
Vessel and cargo services	93,483	91,534	89,547	90,861	77,591	94,473	85,178	73,236	66,918	60,906
Rental of port facilities	1,387	1,174	6,893	3,945	3,774	3,311	4,185	3,560	6,151	2,954
Grain Elevator	288	219	322	263	221	163	404	557	477	197
Bulk Materials Handling Plant	9	22	46	34	88	94	307	723	435	589
Other	9,919	9,958	2,415	2,385	1,796	1,797	1,916	358	919	888
Total	105,086	102,907	99,223	97,488	83,470	99,838	91,990	78,434	74,900	65,534
<b>General and Administrative</b>	41,845	43,875	39,894	51,487	63,411	41,930	46,029	28,846	28,380	31,316
Total Operating Expenses	146,931	146,782	139,117	148,975	146,881	141,768	138,019	107,280	103,280	96,850
<b>Nonoperating Expenses</b>	2,998	3,906	3,350	5,872	18,473	4,461	29,151	5,869	8,550	686
Total Expenses	149,929	150,688	142,467	154,847	165,354	146,229	167,170	113,149	111,830	97,536
<b>Net Revenues Available For Debt Service on</b>										
<b>First Lien Revenue Bonds</b>	\$ 100,694	\$ 85,946	\$ 70,754	\$ 44,553	\$ 17,195	\$ 62,740	\$ 46,299	\$ 71,981	\$ 63,194	\$ 49,087
<b>Average Annual Debt Service on First</b>										
<b>Lien Revenue Bonds</b>	-	-	-	-	-	-	-	\$ 4,456	\$ 4,514	\$ 4,619
<b>Coverage by Net Revenues</b>	-	-	-	-	-	-	-	1,615 %	1,400 %	1,063 %

\* Revenue Bonds were retired during 2006

(a) The Bayport user fees described in Note 7 were excluded from this calculation as per the bond documents.

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

<b>Fiscal Year Ending December 31</b>	<b>Outstanding Debt Service Requirements</b>
2014	\$ 52,135,469
2015	52,144,219
2016	52,149,969
2017	54,337,144
2018	54,415,094
2019	55,129,169
2020	55,492,394
2021	55,470,806
2022	54,715,731
2023	49,267,056
2024	49,263,444
2025	49,256,606
2026	49,249,556
2027	49,910,044
2028	49,910,794
2029	49,912,581
2030	49,911,631
2031	49,910,188
2032	49,907,888
2033	49,908,025
2034	49,905,806
2035	49,910,275
2036	49,909,275
2037	49,910,113
2038	49,912,181
2039	34,608,000
<b>Total</b>	<b><u>\$ 1,316,553,458</u></b>

(a) The table sets forth the annual debt service requirements on the Authority's ad valorem tax bonds as of December 31, 2013, 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, 2013

(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

<b>Year</b>	<b>GDP (a)</b>	<b>National Unemployment (b)</b>	<b>Total U.S. Exports (c)</b>	<b>Total U.S. Imports (c)</b>	<b>U.S. Rig Count (d)</b>	<b>Oil Price \$/Bbl (e)</b>	<b>PMI (f)</b>
2013	3.2%	7.4%	\$ 2,272.3	\$ 2,743.9	1,862	\$ 97.63	57.0
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

(a) Gross Domestic Product percent change based on 2009 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 (RIGDATA)

(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)

<b>Calendar Year Ending December 31</b>	<b>Population</b>	<b>Unemployment Rate</b>	<b>Personal Income (amounts in thousands)</b>	<b>Per Capital Personal Income</b>
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%	315,055,631	51,004
2013*	6,204,161	5.5%	N/A	N/A

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

Unemployment Rate - Bureau of Labor Statistics - December 2013

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	2013			2004		
	Employees	Rank	Percentage of Area Employment	Employees	Rank	Percentage of Area Employment
Memorial Hermann Healthcare Systems	19,500	1	0.66%	11,013	6	0.48%
MD Anderson Cancer Center	19,290	2	0.65%	-	-	-
United Airlines (formerly Continental)	17,000	3	0.57%	14,579	3	0.64%
ExxonMobil Chemical Company	13,191	4	0.45%	-	-	-
The Methodist Hospital System	13,000	5	0.44%	7,362	10	0.32%
Shell Oil Company	13,000	6	0.44%	18,015	1	0.79%
National Oilwell Varco	10,000	7	0.34%	-	-	-
Schlumberger Limited	10,000	8	0.34%	-	-	-
BP America	9,537	9	0.32%	-	-	-
Baylor College of Medicine	9,232	10	0.31%	7,692	8	0.34%
Halliburton (KBR spun off)	-	-	-	13,650	4	0.60%
Administaff Inc.	-	-	-	16,615	2	0.73%
Hewlett Packard Co.	-	-	-	8,000	7	0.35%
Kroger Food Stores	-	-	-	7,675	9	0.34%
Wal-Mart	-	-	-	11,627	5	0.51%
	<u>133,750</u>			<u>116,228</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 2013 was approximately 2,960,533 and for 2004 was 2,285,800.

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

**Regional Population (a)**

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

**Harris County Voters in Presidential Elections (b)**

	<u>2012</u>	<u>2008</u>	<u>2004</u>	<u>2000</u>	<u>1996</u>
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)**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Passenger Cars, Small Trucks and Misc.	3,486,077	3,480,675	3,409,411	3,289,327	3,341,255
Large Trucks	<u>30,307</u>	<u>38,523</u>	<u>36,839</u>	<u>33,136</u>	<u>31,418</u>
Total	<u><u>3,516,384</u></u>	<u><u>3,519,198</u></u>	<u><u>3,446,250</u></u>	<u><u>3,322,463</u></u>	<u><u>3,372,673</u></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)

	2013	2012	2011	2010	2009
Baylor College of Medicine	1,549	1,525	1,483	1,489	1,431
Houston Baptist University	2,910	2,589	2,432	2,597	2,710
Houston Community College	47,699	47,784	51,384	49,717	42,104
Lone Star College System	77,827	70,833	75,680	63,826	55,491
Rice University	6,490	6,402	6,101	5,879	5,663
San Jacinto College:					
Central, South, North	32,627	33,106	32,730	32,105	27,011
South Texas College of Law	1,185	1,230	1,271	1,295	1,272
Texas Southern University	8,619	9,967	10,026	9,557	9,394
Texas Woman's University: Houston	1,262	1,270	1,307	1,308	1,252
University of Houston:					
University Park	39,498	38,758	39,824	38,752	37,000
Downtown	13,353	13,568	12,918	12,900	12,742
Clear Lake	8,260	8,301	8,188	8,099	7,643
University of St. Thomas	3,525	3,626	3,673	3,520	3,132
University of Texas: (e)					
Dental Branch	522	503	483	473	474
Graduate School of Biomedical Sciences	514	555	575	586	593
Medical School	1,062	1,037	1,017	1,025	1,009
School of Biomedical Informatics	127	140	136	120	103
School of Nursing	1,116	956	963	886	765
School of Public Health	1,274	1,298	1,425	1,395	1,025
Total	<u>249,419</u>	<u>243,448</u>	<u>251,616</u>	<u>235,529</u>	<u>210,814</u>

Number of Employees

	2013	2012	2011	2010	2009
Harris County (f)	14,557	14,275	14,923	17,270	15,809
Flood Control District (f)	290	308	335	421	382
Port of Houston Authority	528	542	578	592	592

(d) Source: Texas Higher Education Coordinating Board (Fall 2013 Enrollment Data)

(e) Source: University of Texas Office of Registrar (Fact Book 2014)

(f) Source: Harris County Auditor's Office





## **OPERATING INFORMATION**



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

	<b>Berth Lengths (Feet)</b>	<b>Water Depth Below Mean Low Tide (Feet)</b>	<b>Paved Marshalling Area (Acres)</b>	<b>Covered Storage (Sq. Feet)</b>
<b>Turning Basin</b>				
36 general Cargo Wharves	376-600	27-37*	36	1,150,000
5 Liquid Bulk Wharves	226 - 570	33 - 36	-	-
Wharf - 32 Project Cargo	800	37*	20	-
<b>Woodhouse Terminal**</b>				
Wharf 1	660	39	2	-
Wharf 2 and 3	1250	35	-	231,750
Grain Dock**	600	42	-	-
<b>Dry Bulk Cargo Facility</b>				
Wharf 1	800	42	-	-
Wharf 2	400	42	-	-
<b>Jacintoport</b>				
Wharves 1 - 3	1830	40	8	82,500
<b>Care Terminal</b>				
Wharf 1	500	36	10	45,000
Wharf 2	618	38	4	-
<b>Sims Bayou Liquid Bulk Facility</b>				
Berths	320	40	-	-
<b>San Jacinto Barge Terminal</b>				
Berth	200 - 700	16	-	-
<b>Barbours Cut Terminal</b>				
LASH Berth	810	40	-	-
Container Berths 1 - 6	6000	40	230	2,555,000
Passenger Berth	900	36	30	-
<b>Bayport</b>				
Container Berths 3 - 5	3300	33	60	-
Cruise Terminal	1000	40	167	-
		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; Cruise terminal Passenger gangway

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Freight handled by the Authority only (excluding tonnages handled by private terminals) - short tons (a) (d)</b>										
Breakbulk cargo	5,623	6,688	5,652	3,771	3,768	8,006	6,678	7,546	4,679	4,481
Container cargo	19,112	18,590	17,735	17,038	15,914	16,866	16,425	16,111	15,156	13,960
Bulk grain	2,264	1,294	2,371	2,042	1,560	2,097	1,746	1,606	1,331	1,050
Bulk plant	5,152	4,692	4,209	4,670	4,513	4,521	4,950	4,552	3,561	3,694
Other bulk	12,518	12,771	12,474	12,725	11,032	11,248	10,621	10,622	10,064	9,588
Total	44,669	44,035	42,441	40,246	36,787	42,738	40,420	40,437	34,791	32,773
<b>Freight handled by entire Port of Houston (includes tonnage handled by both the Authority and private terminals) - short tons (b) (c) (d)</b>										
<b>Foreign</b>										
Imports	(e)	83,816	88,889	88,508	84,629	92,019	94,692	106,905	103,190	97,713
Exports	(e)	78,627	78,188	71,053	63,340	54,380	50,650	45,972	41,860	39,824
Total Foreign (e)	-	162,443	167,077	159,561	147,969	146,399	145,342	152,877	145,050	137,537
<b>Domestic</b>										
Receipts	(e)	35,349	32,429	31,091	28,460	28,322	33,409	32,660	28,559	28,378
Shipments	(e)	23,338	22,937	21,389	20,397	22,739	22,665	23,153	23,903	23,283
Total Internal (e)	-	58,687	55,366	52,480	48,857	51,061	56,074	55,813	52,462	51,661
Local	(e)	17,055	15,355	15,092	14,515	14,747	14,648	13,457	14,153	12,848
Total	-	238,185	237,798	227,133	211,341	212,207	216,064	222,147	211,665	202,046
<b>Value of foreign trade handled by entire Port of Houston (c)</b>										
Imports	\$ 74,287,778	\$ 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
Exports	94,050,299	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
Total	\$ 168,338,077	\$ 176,660,799	\$ 168,299,306	\$ 130,836,192	\$ 106,262,249	\$ 147,656,898	\$ 114,781,654	\$ 102,990,144	\$ 86,001,296	\$ 65,899,054

- (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 2013

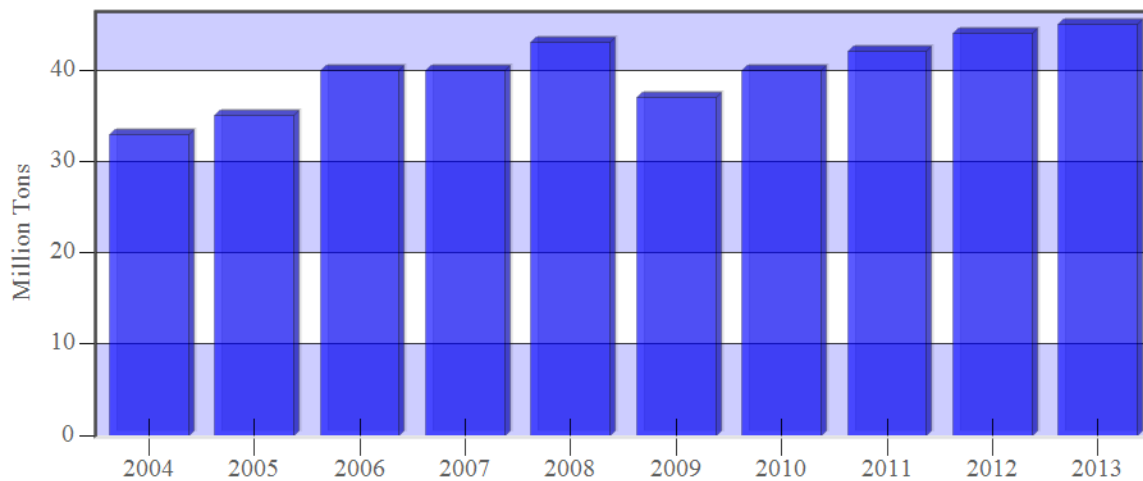


**Port of Houston Authority of Harris County, Texas**  
**Freight Traffic Statistics Graph**  
**Last Ten Years**

**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)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Total Revenue Tonnage</b>										
Including Bayport companies	44,669	44,035	42,441	40,246	36,787	42,738	40,420	40,437	37,898	32,773
Excluding Bayport companies	35,825	35,059	33,549	31,317	28,865	35,242	33,225	33,353	28,564	26,350
<b>General Cargo (a)</b>	24,735	25,278	23,387	20,809	19,681	24,871	23,102	23,656	19,942	18,441
<b>Bulk Materials Handling Plant</b>	5,152	4,692	4,210	4,670	4,513	4,521	4,950	4,552	3,561	3,694
<b>Grain Elevator #2</b>	2,264	1,294	2,371	2,042	1,560	2,097	1,746	1,606	1,331	1,050
<b>Other Bulk Movements</b>										
Excluding Bayport companies (b)	3,675	3,796	3,582	3,796	3,110	3,753	3,427	3,538	3,731	3,164
Including Bayport companies	8,843	8,975	8,892	8,929	7,922	7,496	7,194	7,084	6,333	6,423
<b>Barbours Cut Terminal</b>										
Bulk (b)	-	-	-	3	2	4	-	-	3	1
General cargo (a)	10,559	10,117	9,493	9,598	9,420	11,817	14,004	15,226	14,267	12,955
<b>Bayport Container Terminal</b>										
General cargo (a)	7,265	7,355	7,365	6,568	5,803	4,199	1,522	-	-	-
<b>Steel (a)</b>										
Import	4,350	5,093	3,674	2,296	2,405	5,976	4,406	5,385	2,559	2,618
Export	303	391	626	425	251	310	336	243	243	180
<b>Autos - Turning Basin</b>										
Tons - import (a)	143	176	124	110	73	116	114	96	121	114
Tons - export (a)	21	28	27	26	24	32	22	18	25	20
Units - import	71	94	65	59	41	64	61	51	65	63
Units - export	8	11	13	12	12	12	8	7	11	9
<b>Bagged Goods (a)</b>										
Import	53	137	309	50	1	16	44	58	39	59
Export	191	88	198	206	352	346	562	620	526	569
<b>Container TEU</b>	1,950	1,935	1,866	1,817	1,799	1,795	1,771	1,608	1,594	1,440

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)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Houston Ship Channel</b>										
Break bulk	1,019	998	914	840	801	908	883	826	772	693
Bulk carrier	809	729	702	626	653	920	878	994	858	848
Containers	966	1,013	1,037	1,028	953	966	938	998	1,014	925
Roll-on/roll-off	29	49	49	69	105	130	132	167	164	181
Tankers	4,955	4,983	4,885	4,816	4,335	4,595	4,261	4,023	3,923	3,566
Tug Tow	369	454	355	297	280	411	470	402	164	165
Vehicle carrier	119	138	104	103	75	43	61	50	78	54
Other	16	31	27	70	75	77	80	88	84	107
<b>Total Vessel Arrivals</b>	<b>8,282</b>	<b>8,395</b>	<b>8,073</b>	<b>7,849</b>	<b>7,277</b>	<b>8,050</b>	<b>7,703</b>	<b>7,548</b>	<b>7,057</b>	<b>6,539</b>
<b>PHA Public Wharves</b>										
<b>Turning Basin</b>										
Ships	1,121	1,130	1,046	999	962	1,255	1,196	1,177	1,021	911
Barges	1,789	1,585	1,528	1,416	1,186	1,546	1,492	1,596	1,556	1,391
<b>Bulk Plant, Jacintoport, Care Woodhouse, and HPGE#2</b>										
Ships	596	581	613	595	541	669	705	684	710	624
Barges	492	632	586	545	525	485	496	805	635	704
<b>Barbours Cut and Galveston</b>										
Ships	822	771	688	695	704	809	969	1,067	1,122	1,010
Barges	23	88	51	32	43	46	58	280	517	471
<b>Bayport Container Terminal</b>										
Ships	349	355	374	330	314	225	97	-	-	-
Barges	68	63	59	2	1	1	4	-	-	-
<b>Bayport Cruise Terminal</b>										
Cruise	9	-	-	-	-	17	-	-	-	-
Layberth	42	48	56	49	21	-	-	-	-	-
<b>Bayport Companies</b>										
Ships	732	713	643	704	652	611	632	583	518	466
Barges	2,148	2,160	2,206	2,115	1,754	1,657	1,620	1,597	1,597	1,483
<b>Total PHA Arrivals</b>										
Ships (a)	3,661	3,593	3,409	3,372	3,194	3,569	3,599	3,511	3,371	3,011
Barges	4,521	4,533	4,441	4,110	3,509	3,735	3,670	4,278	4,305	4,049

Source: Piers Global Intelligence Solutions

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

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

(in thousands)  
(short tons) (a)

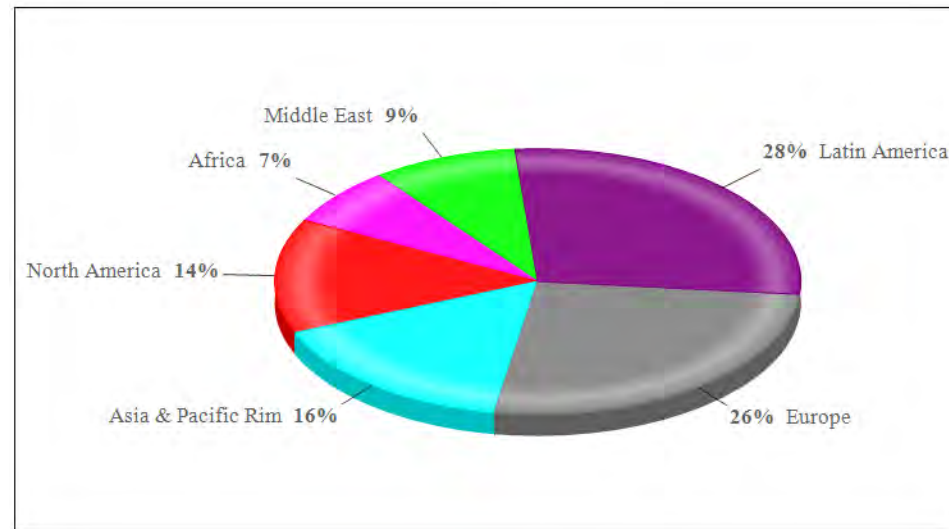
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Cement</b>	-	-	-	-	-	-	-	157	179	-
<b>Coke</b>	2,712	2,970	3,698	4,673	4,518	4,563	4,979	4,404	3,382	3,660
<b>Coal</b>	2,441	1,729	549	-	-	-	-	-	-	-
<b>Fertilizer</b>	75	18	-	27	26	37	-	-	-	3
<b>Grain</b>	2,264	1,286	2,376	2,042	1,560	2,097	1,746	1,606	1,331	1,050
<b>Industrial Chemical</b>	10,563	10,895	10,682	10,989	9,490	8,929	8,957	8,938	8,335	7,986
<b>Molasses</b>	249	263	241	121	206	234	156	347	283	330
<b>Petroleum Products</b>	581	621	509	549	343	125	43	32	72	71
<b>Tallow</b>	182	251	259	345	320	518	480	419	328	402
<b>Dry Bulk</b>	525	601	555	504	377	964	870	824	995	737
<b>Vegetable Oil</b>	341	105	178	159	252	375	64	-	-	-
<b>Miscellaneous Bulk</b>	-	17	7	28	14	24	23	53	51	93
<b>Totals</b>	<u>19,933</u>	<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>

(a) Short tons equal 2000 pounds

Source: The Authority

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

**2013 Foreign Trade Through the Port of Houston by Region (\$ Value)**

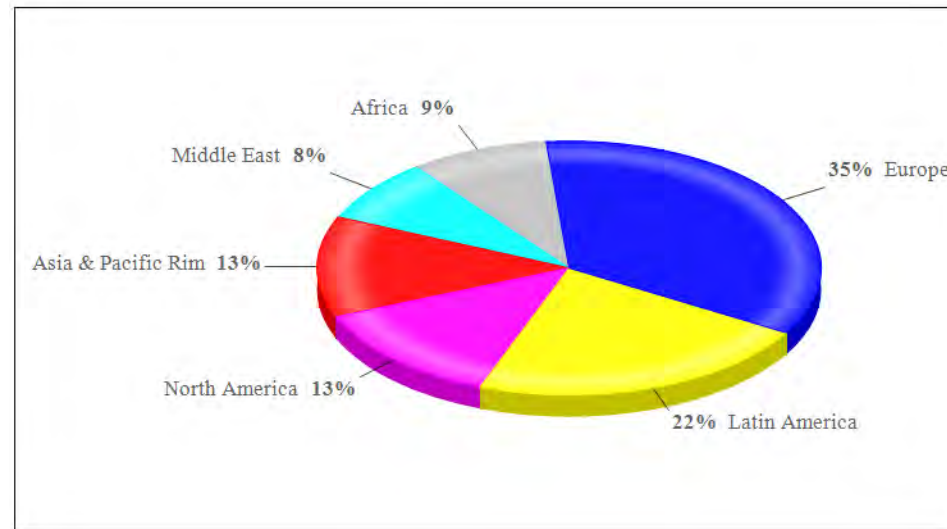


**TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2013 (000s)**

	Imports	Exports	Total	Percent of World Total
Latin America	\$ 11,057,699	\$ 35,622,796	\$ 46,680,495	28 %
Europe	22,813,335	21,690,360	44,503,695	26 %
Asia & Pacific Rim	13,113,444	14,168,392	27,281,836	16 %
North America	13,624,794	9,331,025	22,955,819	14 %
Middle East	10,034,682	5,474,785	15,509,467	9 %
Africa	3,643,824	7,762,941	11,406,765	7 %
Worldwide Totals	\$ 74,287,778	\$ 94,050,299	\$ 168,338,077	100 %

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

**2004 Foreign Trade Through the Port of Houston by Region (\$ Value)**



**TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2004 (000s)**

	Imports	Exports	Total	Percent of World Total
Europe	\$ 13,689,339	\$ 9,049,726	\$ 22,739,065	35 %
Latin America	6,952,462	7,437,187	14,389,649	22 %
North America	5,515,744	2,722,718	8,238,462	13 %
Asia & Pacific Rim	3,350,676	5,386,938	8,737,614	13 %
Middle East	3,603,738	2,109,322	5,713,060	8 %
Africa	3,723,398	2,357,806	6,081,204	9 %
Worldwide Totals	\$ 36,835,357	\$ 29,063,697	\$ 65,899,054	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**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Exempt Employees	183	182	190	183	182	177	160	146	141	130
Non Exempt Employees	194	206	237	257	253	256	262	260	232	232
Hourly Employees	151	154	151	152	157	162	158	154	147	135
Total Active Employees	528	542	578	592	592	595	580	560	520	497

Source: The Authority









**PORT OF HOUSTON AUTHORITY**

111 East Loop North  
Houston, Texas 77029

Phone: 713.670.2400  
Fax: 713.670.2554

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