



Port of Houston Authority

Comprehensive Annual Financial Report

For the Years Ended December 31, 2014 and 2013



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Port of Houston Authority

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Prepared By: Office of the Controller Port of Houston Authority

On the cover: In 2014, the Houston Ship Channel celebrated 100 years as a deep-water port and one of the city's most important economic assets. The road to deep water took enormous public support and perseverance, and the investment has paid off handsomely for Houston, Harris County and Texas.

Port of Houston Authority of Harris County, Texas

**Comprehensive Annual Financial Report
For the Years Ended December 31, 2014 and 2013**

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



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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, 2014. 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 542 active, regular employees as of December 31, 2014 and in addition, utilized 236 full-time equivalent workers throughout the year from local 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 reaches of the Channel. Some of the privately-owned terminals within the Port compete directly with the Authority's terminals, but serve to increase commerce through competitive rates. 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 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 in a manner to achieve maximum utilization of the Authority's assets, including the offering of certain facilities for long term leases.

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 18 acres of heavy duty paved marshaling area with 18 additional acres in development.

Container cargo for the Authority is handled primarily at the Barbours Cut Container Terminal ("BCT") and Bayport Container Terminal ("Bayport"). Today, these terminals combined have 18 wharf cranes, 62 yard cranes and additional heavy-duty tractors and other cargo handling equipment. The Authority handles approximately two-thirds of all the containerized cargo in the U.S. Gulf of Mexico through these container terminals.

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 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 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 Bayport. The Care Terminal is leased to Coastal Cargo of Texas, Inc., facilities at Jacintoport Terminal are leased to Jacintoport International, LLC, Seaboard Corporation and the Bulk Materials Handling Plant is leased to Kinder Morgan Petcoke, L.P. The grain elevator at Woodhouse Terminal is leased to LD

Commodities, LLC and the grain elevator at the Turning Basin Terminal is leased to the Hansen Mueller Company.

In June of 2014 the Authority and Enterprise Products Partners L.P. entered into a 30-year lease and announced that Enterprise will build the world's largest ethane export terminal at the Authority's facilities on the BCT channel adjacent to the container terminal operations.

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.

In addition, the Authority leases land and related improvements and provides railroad rights of way to rail operators and others, licenses pipeline crossings on its upland and submerged property, issues marine construction permits, maintains expansive areas for depositing materials dredged from channels and terminal berths and collects fees for placement area use.

The Authority owns 165 miles of railroad track with operating rights on an additional 10 miles of track, as well as 734 acres of rights of way with ample storage yard capacity for railroad cars near all its facilities. These yards are located on property made available to the Port Terminal Railroad Association, an association of line railroads serving Houston, and the Authority.

The Authority also owns or manages over 11,800 acres of submerged land in the county. The Authority is the non-federal sponsor of the Houston Ship Channel and for development of 3,000 acres of created marsh along the main channel and will assume responsibility for perpetual maintenance of marshes after their establishment.

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 and other operational buildings at Bayport. The Authority also offers a state-of-the-art cruise terminal facility in Pasadena, Texas adjacent to Bayport. Princess Cruise Lines and Norwegian Cruise Line have executed agreements for use of that terminal for several years.

In 2014, the Port Authority secured permits to deepen channels and berths at Bayport and Barbours Cut and the Turning Basin terminals; that work is underway, along with redevelopment of Barbours Cut. In 2015, the U.S. Army Corps of Engineers is expected to assume maintenance of the Jacintoport channel and reassume maintenance of the Bayport and Barbours Cut channels, relieving the Authority from millions of dollars of annual channel maintenance costs.

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 appeared resilient in the fourth quarter of 2014 while the global economy flirted with recession. A decline of over 50% in crude oil prices since June 2014 also dominated news headlines, likely resulting from a supply/demand imbalance. The U.S. now produces nine million barrels per day, an increase of over 80% since 2008, mostly due to fracking technology. At the same time, demand has decreased due to the global economic slowdown, most notably in Chinese manufacturing.

On the positive side, a drop in energy and gasoline prices is generally beneficial for consumers, as it increases their spending power. By most accounts, the U.S. economy seemed to be gathering momentum with real gross domestic product ("GDP") growth of 2.6% in the last quarter of 2014. The Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters released in November 2014 shows real GDP projected to grow 3.0% in 2015, 2.9% in 2016, and 2.7% in 2017.

The annual average U.S. unemployment rate for 2014 was 6.2% according to the Bureau of Labor Statistics, a fall from the 9.6% peak in 2010. The monthly report for December 2014 showed the official unemployment rate dropping to 5.6%, but the labor force participation rate continued its downward trend at 62.7%. In addition, there are indications that wage growth weakness may be the new nature of employment for many Americans.

Aspects of the global economic outlook continue to be generally positive, with forecasts of real GDP growth in 2015 for China, India and Mexico of 6.8%, 6.3% and 3.2%, respectively, per the International Monetary Fund World Economic Update. On the other hand, the outlook for Russia is much weaker, reflecting the impact of lower oil prices and increased geopolitical tensions. Overall, the euro zone is expected to grow 1.2% in 2015.

According to data published by the U.S. Census Bureau through November 2014, Texas is poised to be ranked as the number one exporting state for the thirteenth consecutive year. The greater Houston metropolitan area is now also recognized as the largest export market in the nation, surpassing the New York metropolitan area. The top exporting industries are petroleum and mineral products, chemicals, computer and electronic products, non electrical machinery, and transportation equipment. A significant portion of this 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, although there are concerns that the decline in oil prices may negatively impact the local region; for example, several large energy and oilfield service companies have recently announced layoffs and reductions in capital investments.

Financial Planning

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

In accordance with statutory requirements, the Port Commission reviews and must approve 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 2015, the Authority budgeted total operating revenues of \$264 million. This represents a 6% increase over the 2014 budget of \$249 million, reflecting anticipated growth of import and export container loads. Total operating, general and administrative expenses are budgeted at \$225 million, a 4% increase versus the prior year. Excluding revenues and expenses related to property taxes, the Authority projects net income of \$38 million for 2015, essentially flat compared to 2014. The Authority also expects to generate annual cash flows of \$90-110 million per annum over the next several years.

During 2014, the Authority invested \$105 million in capital improvements, of which \$11 million was funded using proceeds of tax bonds issued in prior years. The balance was funded primarily from the Authority's general fund and also from grant monies received from federal and other governmental programs. The proceeds from tax bonds issued in prior years have now been fully spent.

Infrastructure improvements, including deepening and widening of the Bayport and Barbours Cut channels, are planned and underway to help ensure that the Authority, and the 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 and other factors. 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 2015 capital budget was approved for up to \$275 million for various improvements. Approximately \$228 million relates to continuing development at Bayport and modernization at Barbours Cut, including railroad and channel development projects. Another \$35 million is planned to 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 2015 capital budget covers a variety of projects, including building renovations, and information technology, fire department, and port security improvements.

Major Initiatives

Terminal Improvements

The Authority continues the development of Bayport, including wharf and yard expansion projects scheduled to begin in 2016, following the channel improvements which are expected to be complete by the fall of 2015. The wharf expansion will provide a total of 4,000 feet of

wharf and create the capacity for three additional Super Post Panamax wharf cranes, increasing the terminal total to 12. The Authority was recently 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. Separately, a new container yard will provide 25 additional acres of grounded container marshaling area, and the purchase of nine new rubber tired gantry ("RTG") cranes, scheduled to be awarded by the second quarter of 2015, will provide the necessary equipment to meet volume projections and maintain the highest service levels to the Authority's customers as the terminal footprint continues to expand.

Redevelopment continues for Barbours Cut, where the Authority plans to complete the first phase of wharf redevelopment in mid-2015 with the commissioning of four new ship-to-shore cranes. These four Super Post Panamax wharf cranes, similar to the configuration of those at the Bayport terminal, are a major component to the revitalization of the terminal and provide the capability to service the growing vessel size of the industry. The channel improvements running concurrently with Bayport and expected to be complete in the summer of 2015. The second phase of rehabilitation, of approximately 10 acres of container yard, is also expected to be complete by the second quarter of 2015, providing additional grounded storage capacity to the terminal and increasing the yard density and overall throughput of the facility. The next phases of yard development are under detail design, which will repurpose warehouse and freight handling areas for container stacking, and rebuild aging infrastructure, to support the higher cargo velocities expected as redevelopment continues. These container yard phases each include utility and power upgrades as key elements 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 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. 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. An assessment of docks at the general cargo facilities is ongoing in order to determine if needed repairs are necessary and if potential improvements would enable incremental commerce and provide an economic return for the Authority.

The Authority has committed to partner in a three-year federal study of further improvements of the Bayport and recently Barbours Cut channels, and improvements to the upper reaches of the main Houston Ship Channel – potentially the first modifications of those channel areas in over 50 years.

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 Emergency Management

In 2014, the Health, Safety, Security and Emergency Management ("HSSE") group refined its role to better serve the Port Authority and local community. The Environmental Affairs Department ("EAD") was moved out of HSSE and the Safety Department was given specific emphasis. Using a system of robust safety audits, capturing safety data, and rectifying potential safety hazards, the Port Authority has seen its incident rate drop significantly. The terminal Safety Committees, made up of volunteers from all departments, have made a

significant impact by raising the awareness of safety as a core value for all employees.

The third and final state-of-the-art fireboat arrived in 2014, and was christened at the Port Authority Family Day held in conjunction with the Authority's Centennial celebration.

Environmental

The EAD maintained the Authority's commitment of continuous improvement of pollution prevention and environmental compliance throughout 2014. EAD provided port-wide support to maintain and improve environmental compliance and stewardship and managed the Authority's Environmental Management System ("EMS"), Air and Sediment Quality, Water, Waste Management, Remediation, and Audit Programs.

To ensure that tenants utilizing Authority facilities are held accountable to the terms of their leases, the Authority has created and implemented a Tenant Audit Review Board ("TARB"), which includes Authority staff members from the Environmental Affairs, Operations, Real Estate, and Legal departments. The TARB meets to review reported deficiencies and discuss enforcement actions and corrective measures resulting from environmental compliance audits. In 2014, two tenants were brought before the TARB to discuss deficient environmental compliance and a strategy to move forward to ensure future compliance.

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 2014 the Authority recognized \$1.5 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 controls. 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, 2014 and 2013 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, 2014 and 2013, 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 Authority for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2013. This was the 40th 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 CAFR. 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 report continues to meet the Certificate of Achievement Program's requirements.

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. The Authority was first awarded a certificate of distinction for its investment policy in March 2013. The Authority submitted its latest policy for consideration under this program and received another certificate in March 2015. The GTOT certificate is valid for two years.

The Comptroller of Public Accounts launched the Texas Comptroller Leadership Circle program in 2009 to recognize the efforts of local governments striving to meet a high standard for financial transparency online. The Authority is committed to such financial transparency, and earned Gold Leadership Circle Awards during 2012 and 2013, and a Platinum Level Award in 2014. The award designation is valid for one year until May 2015.

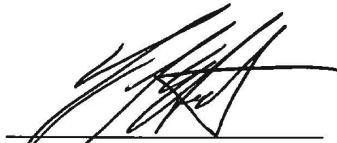
Acknowledgements

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.

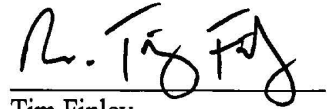
In addition, we would like to thank the members of the Port Commission and the staff of the Authority for their support in planning and conducting the financial affairs of the Authority in a responsible and progressive manner, to ensure fiscal transparency and accountability, and to maintain the Authority's 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

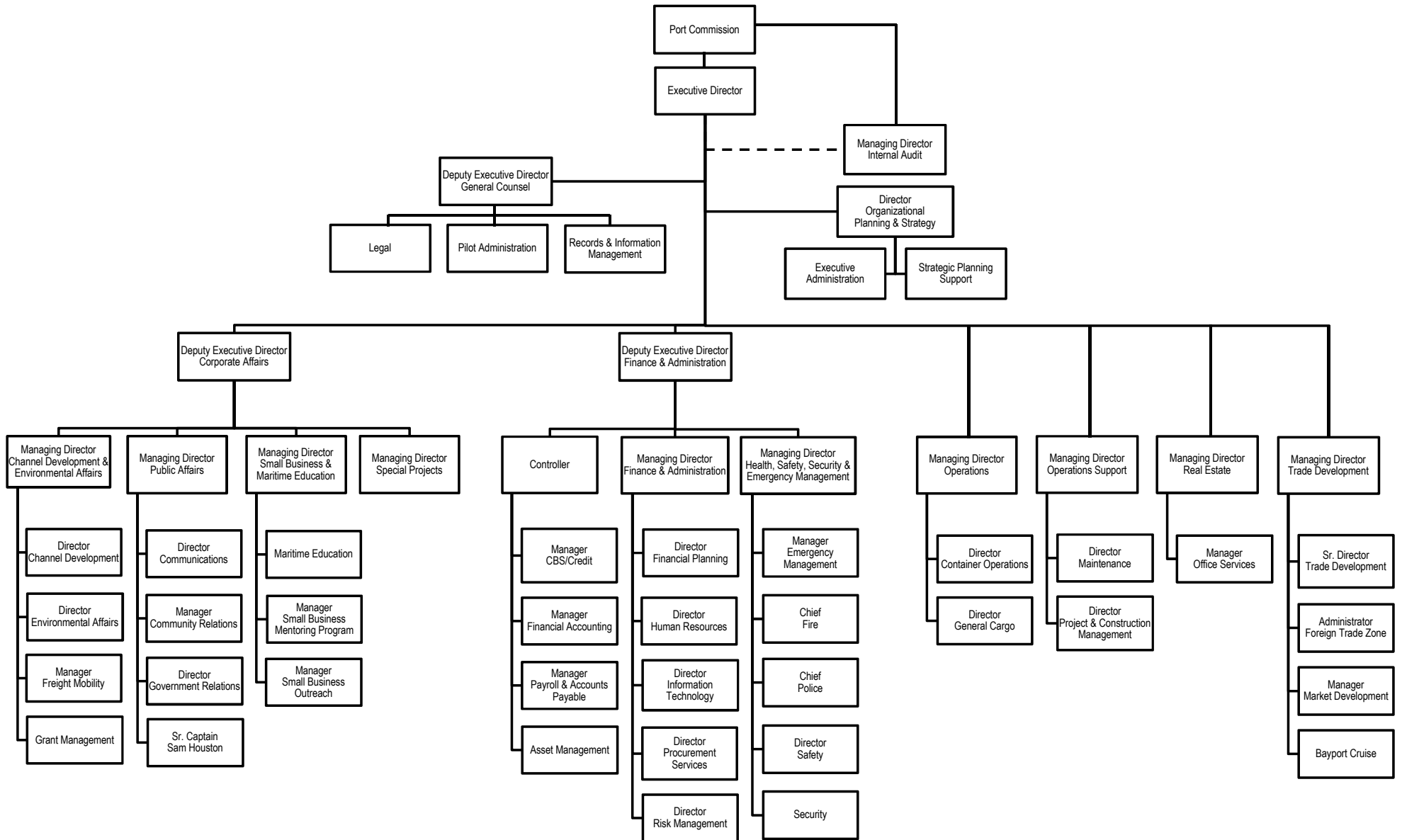
Port of Houston Authority
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

Port of Houston Authority Organization Chart



**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

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To the Port Commission
Port of Houston Authority of Harris County

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, 2014 and 2013, 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 an opinion 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 financial position of the Authority as of December 31, 2014 and 2013, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14-23 and the Port of Houston Authority Restated Retirement Plan Schedule of Funding Progress, the Port of Houston OPEB Trust Schedule of Funding Progress and the Schedule of Employee Contributions on page 65 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

The introductory section and statistical section on pages 1 through 12 and 66 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 21, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Grant Thornton LLP

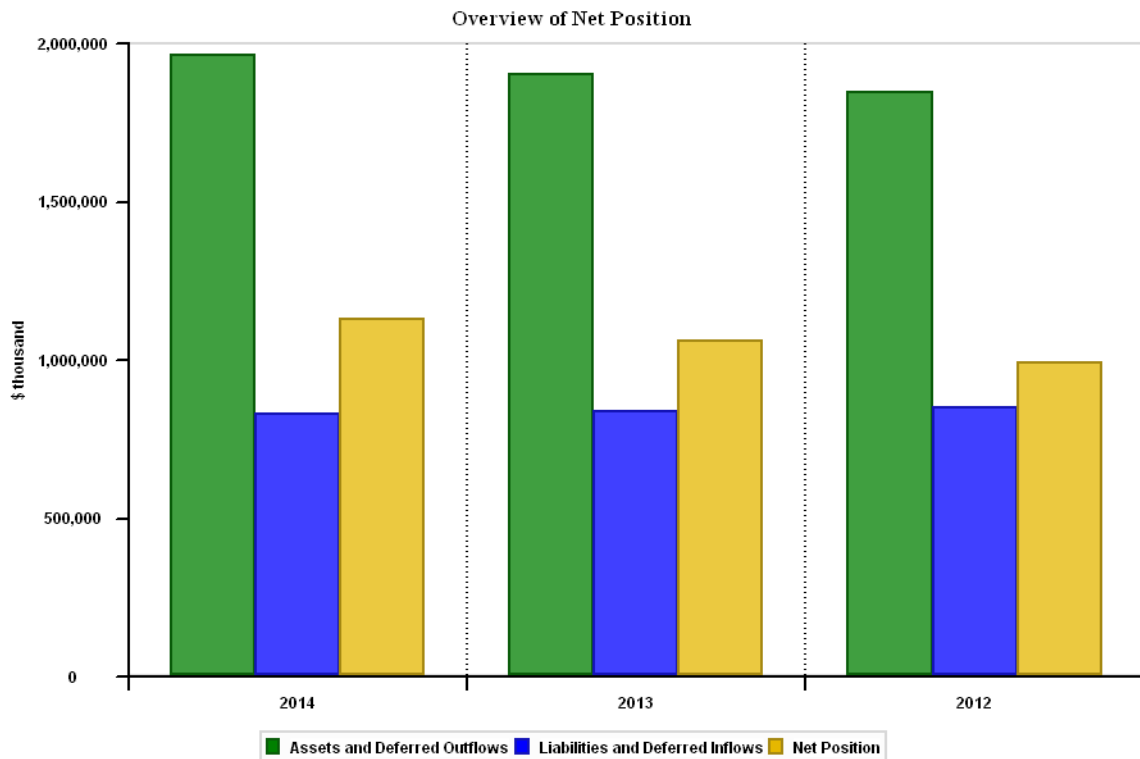
Houston, Texas
April 21, 2015

Port of Houston Authority of Harris County, Texas
Management Discussion and Analysis
For the Years Ended December 31, 2014 and 2013
(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, 2014 and December 31, 2013.

The MD&A supplements the basic financial statements by presenting certain information regarding the statements and an analysis of the Authority's overall financial position and results of operations. Additionally, this section contains information surrounding capital assets and long-term debt activity during the year and concludes with a discussion regarding budgeting and economic factors effecting the Authority.

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.



Net position is the difference between the Authority's assets, deferred outflows of resources and liabilities plus deferred deferred inflows of resources. Over time, increases or decreases in net position may serve as an indicator of whether the Authority's financial position is improving or deteriorating.

Financial highlights for fiscal year 2014

- The net position of the Authority at December 31, 2014 was \$1,131,172, increasing \$69,196 or 7% over the prior year.
- The Authority's total assets and deferred outflows increased by \$61,356 or 3% during the fiscal year ended December 31, 2014. The majority of this change stems from an increase in capital assets of \$47,050 and an increase in other noncurrent assets of \$22,413. These are partially offset by a decrease in current assets of \$7,706.
- The Authority's total liabilities and deferred inflows decreased by \$7,840 or 1%; the majority of this change stems from a decrease of \$18,258 in long-term debt, net of current maturities, and an increase of \$10,021 in other noncurrent liabilities.
- Current assets exceeded current liabilities by \$208,349.
- Net investment in capital assets (net of accumulated depreciation and debt) grew 9% to \$749,755.
- Operating revenues were \$263,897, a new record for the Authority, reflecting growth of 13% over the prior year.
- Total operating expenses were \$219,666, a growth of 9% over the prior year.
- The Authority generated operating income of \$44,231, setting a new record and reflecting growth of 36% over fiscal 2013.

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 Defined Contribution and Other Postemployment Benefits ("OPEB") plans 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.

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 are expected to result in cash flows in future fiscal periods (e.g., uncollected property taxes and earned but unused vacation leave).

The Authority follows enterprise fund accounting and reporting requirements, hence 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 retirement plan and other postemployment benefits. Information on these retirement benefits can be found in the accompanying notes to the financial statements.

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

Financial Analysis

The largest portion of the Authority's net position (66%) 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 (4%) represents resources that are restricted for debt service. 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)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets			
Current and other assets	\$ 477,160	\$ 462,453	\$ 472,380
Capital assets	<u>1,480,184</u>	<u>1,433,134</u>	<u>1,367,251</u>
Total Assets	1,957,344	1,895,587	1,839,631
Deferred Outflows of Resources			
Deferred loss on bond refunding	<u>6,847</u>	<u>7,248</u>	<u>7,650</u>
Total Assets and Deferred Outflows of Resources	<u>1,964,191</u>	<u>1,902,835</u>	<u>1,847,281</u>
Liabilities			
Long-term liabilities (including current portion)	791,442	798,975	819,162
Other liabilities	<u>41,263</u>	<u>41,518</u>	<u>33,418</u>
Total Liabilities	832,705	840,493	852,580
Deferred Inflows of Resources			
Deferred gain on bond refunding	<u>314</u>	<u>366</u>	<u>420</u>
Total Liabilities and Deferred Inflows of Resources	<u>833,019</u>	<u>840,859</u>	<u>853,000</u>
Net Position			
Net investment in capital assets	749,755	685,717	596,224
Restricted	43,290	51,793	77,384
Unrestricted	<u>338,127</u>	<u>324,466</u>	<u>320,673</u>
Total Net Position	<u>\$ 1,131,172</u>	<u>\$ 1,061,976</u>	<u>\$ 994,281</u>

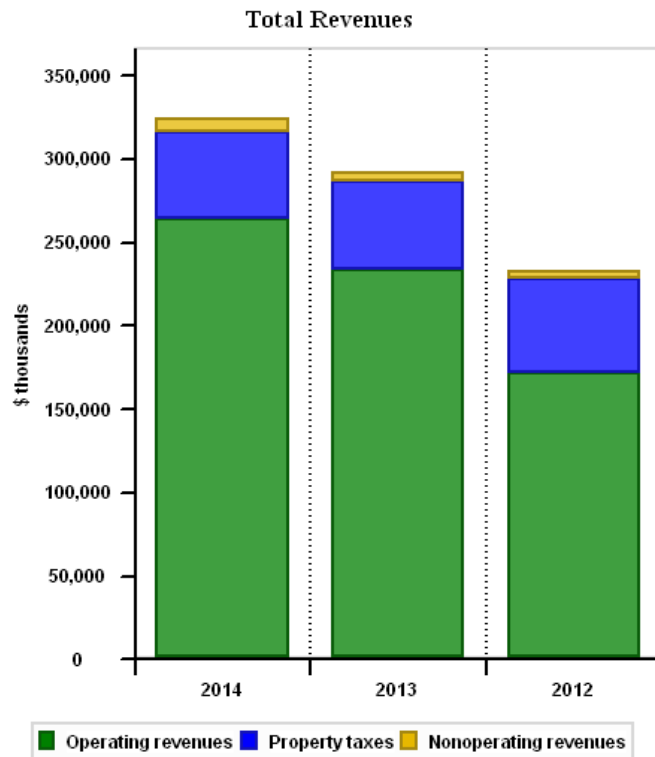
The Authority's net position increased by \$69,196 during the fiscal year ended December 31, 2014. Net investment in capital assets increased \$64,038 resulting from a net increase in capital assets of \$47,050 and a decrease in outstanding bonds payable of \$17,553. During fiscal year 2014, restricted net position decreased \$8,503 mainly as a result of the use of restricted proceeds for construction. Unrestricted net position increased \$13,661.

The Authority's net position increased by \$67,695 during the fiscal year ended December 31, 2013. During fiscal year 2013, net investment in capital assets increased \$89,493 with 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. Unrestricted net position increased \$3,793.

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)

	2014	2013	2012
	<u> </u>	<u> </u>	<u> </u>
Operating revenues:			
Vessel and cargo services	\$ 238,083	\$ 200,101	\$ 190,618
Rental of equipment and facilities	17,763	25,114	23,077
Grain elevator	1,821	592	683
Bulk materials	4,270	2,665	2,485
Other	1,960	5,201	8,512
Nonoperating revenues:			
Investment income (loss)	4,913	(435)	2,410
Contribution in aid of construction	-	5,000	-
Other, net	3,291	683	1,583
Nonoperating revenues related to property taxes:			
Property taxes	51,955	52,534	56,429
Investment income on bond proceeds	162	348	302
Total Revenues	<u>324,218</u>	<u>291,803</u>	<u>286,099</u>
Operating expenses:			
Maintenance and operations of facilities	123,324	103,353	101,095
General and administrative	39,152	41,845	43,875
Depreciation and amortization	57,190	56,057	56,551
Nonoperating expenses:			
Contributions to state and local agencies	1,464	1,949	882
Loss on disposal of assets	1,220	91	3,295
Other, net	-	-	98
Nonoperating expenses related to property taxes:			
Interest expense on unlimited tax bonds	33,459	33,188	33,803
Property tax collection expense	1,175	994	1,091
Other, net	408	477	442
Total Expenses	<u>257,392</u>	<u>237,954</u>	<u>241,132</u>
Income before capital contributions	66,826	53,849	44,967
Capital contributions from federal agencies	<u>2,370</u>	<u>13,846</u>	<u>9,433</u>
Changes in net position	<u>69,196</u>	<u>67,695</u>	<u>54,400</u>
Net position, January 1	<u>1,061,976</u>	<u>994,281</u>	<u>939,881</u>
Net position, December 31	<u>\$ 1,131,172</u>	<u>\$ 1,061,976</u>	<u>\$ 994,281</u>



In 2014, Operating revenues increased \$30,224 or 13% to \$263,897 led by growth in Vessel and cargo services revenues. The Authority's container facilities experienced a record-high 19.4 million tons for the year, an increase of 1% from 2013; total Authority tonnage grew 4% to 47 million tons in 2014. Rental of equipment and facilities decreased from the prior year as a result of a management reporting change to categorize rental revenues associated with operating terminal properties as vessel and cargo services. Other operating revenues decreased \$3,241 or 62% primarily from a reduction in dredge material placement fees.

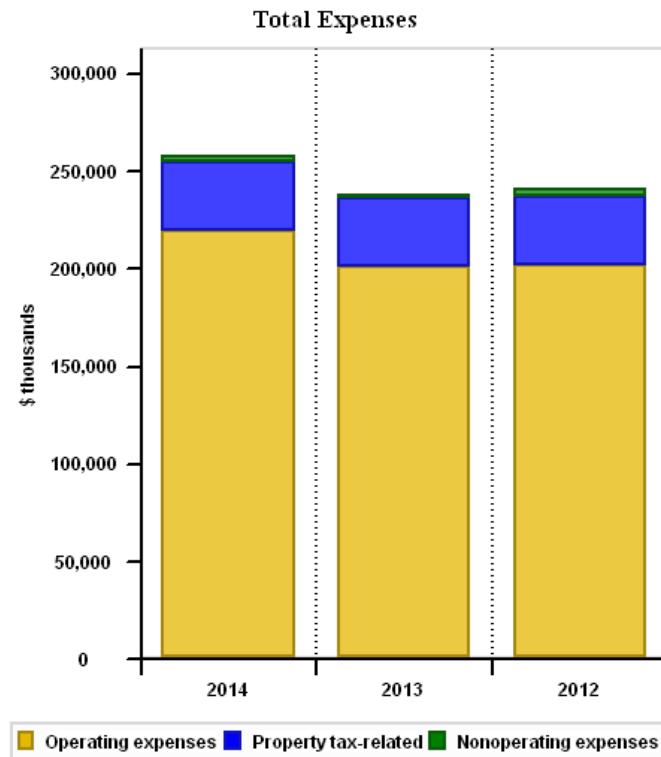
Nonoperating revenues related to property taxes in fiscal 2014 decreased \$579 due to the decreased property tax rate from \$0.01716 in 2013 to \$0.01531 in 2014 per \$100 assessed valuation.

Nonoperating revenues in 2014 increased \$2,956 due primarily to unrealized gains on investments relating to declines in market interest rates.

For fiscal 2013, Operating revenues increased over 2012 by \$8,298 or 4% to \$233,673 led by growth in Vessel and cargo services revenues. The Authority's container facilities handled 19.1 million tons for the year, an increase of 3% from 2012; total Authority tonnage grew 2% to 45 million tons in 2013. Other operating revenues decreased \$3,311 or 39% primarily from the conclusion of a dredge material placement agreement.

Nonoperating revenues related to property taxes in 2013 decreased \$3,849 from fiscal 2012 due to the decreased property tax rate from \$0.01952 in 2012 to \$0.01716 in 2013.

Nonoperating revenues in 2013 increased \$1,255, largely driven by funding provided by a ship channel partner associated with a rail project.



In 2014, Operating expenses increased by \$18,411 or 9%, largely driven by higher maintenance and operation of facilities expenses tied to growth in container and general cargo tonnage. General and administrative expenses decreased 6% from 2013.

Nonoperating expenses related to property taxes, reflecting predominantly interest expense on unlimited tax bonds, increased \$383 over 2013.

Nonoperating expenses in 2014 increased \$644 due in part to loss on disposal of capital assets related to the retirement of rubber tired gantry ("RTG") cranes.

For fiscal 2013, Operating expenses decreased by \$266 from 2012 levels, reflecting a \$2,030 decrease in general and administrative expenses associated with the Authority's organizational realignment, partially offset by higher maintenance and operation of facilities expenses associated with funding of assumption of maintenance studies with the U.S. Army Corps of Engineers.

Nonoperating expenses related to property taxes, reflecting predominantly interest expense on unlimited tax bonds, decreased \$677 from 2012.

Nonoperating expenses in 2013 decreased \$2,235 due primarily to a loss on disposal of capital assets recorded in fiscal 2012.

Capital Assets

The Authority's investment in capital assets as of December 31, 2014 totaled \$1,480,184 (net of accumulated depreciation), an increase of \$47,050 or 3% over the prior year.

Major capital asset activity during 2014 included the following:

- Land and channel improvements and Land use rights increased by \$4,549 primarily due to projects associated with deepening and widening.
- Buildings increased \$1,615 due to construction at Barbours Cut and Turning Basin.
- Improvements other than buildings increased \$57,809 primarily due to reconstruction of Wharf 1 at Barbours Cut and High Level road at the Turning Basin.
- Machinery and equipment net increases totaled \$12,950 in 2014. This includes additions of \$31,729 offset by \$18,779 of retirements. The additions primarily consisted of the purchase of eleven RTG cranes for \$21,690, a fireboat for \$4,960, and a container gate system at Barbours Cut for \$1,566.
- Net capitalized interest of \$1,297 was added to the cost of assets for 2014.
- Construction-in-progress increased \$8,373 in 2014 due primarily to redevelopment at Barbours Cut.
- Accumulated depreciation net of retirements increased by \$38,246 in 2014.

The Authority's investment in capital assets as of December 31, 2013, was \$1,433,134 (net of accumulated depreciation), an increase of \$65,883 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 \$5,580 primarily due to projects associated with deepening and widening.
- Buildings increased \$6,312 due to construction at Jacintoport, Turning Basin, and Bayport.
- Improvements other than buildings increased \$67,224 primarily due to construction of a new container gate at Bayport.
- Machinery and equipment net decreases totaled \$7,488 in 2013. This includes additions of \$15,705 offset by \$23,193 of retirements. The additions primarily consisted of the purchase of two new fireboats for \$9,916, IT network and system equipment for \$3,095, and security equipment for \$1,221.
- Investments in computer software increased \$1,436 primarily due to the implementation of new operating and billing software at Bayport.
- Net capitalized interest of \$2,274 was added to the cost of assets for 2013.
- Construction-in-progress increased \$23,143 in 2013 due primarily to redevelopment at Barbours Cut.
- Accumulated depreciation net of retirements increased by \$30,324 in 2013.

Port of Houston Authority of Harris County, Texas

Capital Assets
(net of depreciation)
(in thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Land and channel improvements	\$ 386,849	\$ 382,629	\$ 377,628
Land use rights - intangible	11,575	11,246	10,667
Buildings	86,671	89,607	87,995
Improvements other than buildings	681,685	654,246	614,810
Railroads	24,657	25,928	27,203
Machinery and equipment	163,659	151,008	153,169
Computer software - intangible	2,732	4,487	4,939
Construction-in-progress	<u>122,356</u>	<u>113,983</u>	<u>90,840</u>
 Total Capital Assets, net	 <u>\$ 1,480,184</u>	 <u>\$ 1,433,134</u>	 <u>\$ 1,367,251</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 2014, the Authority had total debt outstanding of \$736,745 (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 2013, the Authority had total debt outstanding of \$754,298 (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 thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Obligation Bonds			
Unlimited Tax Port Improvement Bonds	\$ 95,268	\$ 95,374	\$ 95,475
Unlimited Tax Refunding Bonds	<u>641,477</u>	<u>658,924</u>	<u>675,654</u>
Total General Obligation Bonds	736,745	754,298	771,129
 Less Current Maturities	 <u>(15,950)</u>	 <u>(15,245)</u>	 <u>(14,345)</u>
 Long-Term Debt (net of unamortized premiums/discounts)	 <u>\$ 720,795</u>	 <u>\$ 739,053</u>	 <u>\$ 756,784</u>

During 2014, the Authority issued no new debt. The Authority's total debt principal outstanding decreased \$15,245 during 2014 due to the scheduled debt service payment. Interest expense for 2014 on the unlimited tax bonds increased by \$271.

During 2013, the Authority issued no new debt. The Authority's total debt principal outstanding decreased \$14,345 during 2013 due to the scheduled debt service payment. Interest expense for 2013 on the unlimited tax bonds decreased by \$615. In 2013, the Authority considered interim financing alternatives for its capital improvement program.

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

Year	<u>Fitch</u>	<u>Moody's</u>	<u>S & P</u>
2014	AAA	Aaa	AAA
2013	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 2015 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 made available on its website, portofhouston.com, as part of its commitment to financial transparency.

The Authority reviews information published by various research and advisory organizations, including the International Monetary Fund World Economic Outlook, the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters, and the Federal Reserve Bank of Dallas' Regional Economic Update.

The U.S. economy continues its recovery with GDP growth of 3.0% expected in 2015. According to the Bureau of Labor Statistics the consumer price index ("CPI") increased 0.8% in 2014 on an unadjusted basis, compared to an average annual increase of 2.2% over the last ten years. Low inflation is expected to continue in 2015 with CPI increasing about 1.8%.

The Texas regional economy continues to expand despite headwinds in the energy industry. Other sectors were generally upbeat with the December 2014 payroll employment data showing a 3.7% annualized increase. The Federal Reserve Bank of Dallas forecasts 2015 employment growth in Texas of 2.2%, in line with the state's long-term average but less than the 3.6% average growth seen in 2014. The regional outlook is for slower growth in 2015, in light of lower oil prices and recent reduction in Texas petrochemical exports.

The Authority's 2015 budget reflects expected growth of export and import loads at 5%, with a 3.5% reduction in empty container volume. Steel tonnage in 2014 increased by 1.9 million tons, or 41% versus prior year, but is expected to decrease by 18% in 2015 due to the decline in oil prices and the slowdown in drilling activity.

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, 2014 and 2013
(in thousands)

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	\$ 37,350	\$ 24,241
Short-term investments	140,915	156,062
Receivables (net of allowance for uncollectibles)	26,749	23,607
Restricted assets		
Cash and cash equivalents	18,413	22,380
Property tax receivables	38,484	44,148
Inventories	16	140
Prepays and other current assets	3,635	2,690
Total Current Assets	<u>265,562</u>	<u>273,268</u>
Noncurrent Assets		
Investments	206,983	174,929
Restricted assets		
Investments	-	9,116
Prepays and other noncurrent assets	4,615	5,140
Capital Assets (net of accumulated depreciation)		
Land and channel improvements	386,849	382,629
Land use rights - intangible	11,575	11,246
Buildings	86,671	89,607
Improvements other than buildings	681,685	654,246
Railroads	24,657	25,928
Machinery and equipment	163,659	151,008
Computer software - intangible	2,732	4,487
Construction-in-progress	122,356	113,983
Total Capital Assets	<u>1,480,184</u>	<u>1,433,134</u>
Total Noncurrent Assets	<u>1,691,782</u>	<u>1,622,319</u>
Total Assets	<u>1,957,344</u>	<u>1,895,587</u>
Deferred Outflows of Resources		
Deferred loss on bond refunding	6,847	7,248
Total Assets and Deferred Outflows of Resources	<u>\$ 1,964,191</u>	<u>\$ 1,902,835</u>

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Net Position
As of December 31, 2014 and 2013
(in thousands)

	2014	2013
	<u> </u>	<u> </u>
Liabilities		
Current Liabilities		
Accounts payable and other current liabilities	\$ 28,317	\$ 25,778
Fees received in advance and other reserves	3,898	2,379
Liabilities payable from restricted assets:		
Current maturities of long-term debt		
Unlimited tax bonds	15,950	15,245
Accrued interest payable		
Unlimited tax bonds	9,048	9,223
Contracts payable and accrued liabilities	<u> -</u>	<u> 4,139</u>
Total current liabilities payable from restricted assets	<u>24,998</u>	<u>28,607</u>
Total Current Liabilities	57,213	56,764
Noncurrent Liabilities		
Long-term debt, net of current maturities	720,795	739,053
Other noncurrent liabilities		
Due in more than one year	<u>54,697</u>	<u>44,676</u>
Total Noncurrent Liabilities	<u>775,492</u>	<u>783,729</u>
Total Liabilities	<u>832,705</u>	<u>840,493</u>
Deferred Inflows of Resources		
Deferred gain on bond refunding	<u>314</u>	<u>366</u>
Total liabilities and deferred inflows of resources	833,019	840,859
Commitments and Contingencies	-	-
Net Position		
Net investment in capital assets	749,755	685,717
Restricted for:		
Capital	-	7,195
Debt Service	43,290	44,598
Unrestricted	<u>338,127</u>	<u>324,466</u>
Total net position	<u>1,131,172</u>	<u>1,061,976</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 1,964,191</u>	<u>\$ 1,902,835</u>

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2014 and 2013
(in thousands)

	2014	2013
Operating revenues		
Vessel and cargo services	\$ 238,083	\$ 200,101
Rental of equipment and facilities	17,763	25,114
Grain elevator	1,821	592
Bulk materials	4,270	2,665
Other	1,960	5,201
Total revenues	263,897	233,673
Operating expenses		
Maintenance and operations of facilities	123,324	103,353
General and administrative	39,152	41,845
Depreciation and amortization	57,190	56,057
Total operating expenses	219,666	201,255
Operating income	44,231	32,418
Nonoperating revenues (expenses)		
Investment income (loss)	4,913	(435)
Contributions to state and local agencies	(1,464)	(1,949)
Contribution in aid of construction	-	5,000
Loss on disposal of assets	(1,220)	(91)
Other, net	3,291	683
Total nonoperating revenues (expenses)	5,520	3,208
Income before nonoperating revenues (expenses) related to property taxes	49,751	35,626
Nonoperating revenues (expenses) related to property taxes		
Property taxes, net of estimated uncollectible amounts	51,955	52,534
Investment income on bond proceeds	162	348
Interest expense on unlimited tax bonds	(33,459)	(33,188)
Property tax collection expense	(1,175)	(994)
Other, net	(408)	(477)
Total nonoperating revenues (expenses) related to property taxes	17,075	18,223
Income before capital contributions	66,826	53,849
Capital contributions from federal agencies	2,370	13,846
Change in net position	69,196	67,695
Net position, January 1	1,061,976	994,281
Net position, December 31	\$ 1,131,172	\$ 1,061,976

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, 2014 and 2013

(in thousands)

	2014	2013
Cash flows from operating activities:		
Cash received from customers	\$ 261,626	\$ 232,438
Cash paid to suppliers for goods and services	(67,735)	(64,512)
Cash paid to employees for services	(64,430)	(62,030)
Cash paid for employee benefits	(23,799)	(21,221)
Cash paid for other services	(2,084)	(1,187)
Cash received for other purposes	3,703	6,650
Net cash provided by operating activities	107,281	90,138
Cash flows from noncapital financing activities:		
Property taxes received	57,801	53,780
Contributions paid to others	(1,464)	(1,949)
Property tax administrative expenses	(2,349)	(2,317)
Net cash provided by noncapital financing activities	53,988	49,514
Cash flows from capital and related financing activities:		
Contributions received from federal agencies	3,070	12,736
Interim financing costs	-	(250)
Repayment of long-term debt	(15,245)	(14,345)
Interest on long-term debt	(36,890)	(37,505)
Acquisition and construction of capital assets	(100,207)	(111,895)
Proceeds from retirement of assets	163	119
Net cash used in capital financing activities	(149,109)	(151,140)
Cash flows from investing activities:		
Purchase of investments	(237,135)	(393,400)
Proceeds from maturities of investments	231,060	350,750
Interest on investments	3,057	2,470
Net cash used in investing activities	(3,018)	(40,180)
Net increase / (decrease) in cash and cash equivalents	9,142	(51,668)
Cash and cash equivalents, January 1	46,621	98,289
Cash and cash equivalents, December 31	\$ 55,763	\$ 46,621
Cash and cash equivalents Unrestricted	\$ 37,350	\$ 24,241
Cash and cash equivalents Restricted	18,413	22,380

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, 2014 and 2013

(in thousands)

	2014	2013
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 44,231	\$ 32,418
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	57,190	56,057
Loss on disposal of assets	(1,220)	(91)
Change in provision for doubtful accounts	523	(61)
Miscellaneous nonoperating income, net	1,913	632
Change in assets and liabilities		
Increase in trade and other receivables	(4,740)	(1,586)
Increase in prepaids and other current assets	(1,250)	(1,243)
Decrease in inventories	124	210
Decrease / (increase) in dredging expenses paid in advance	100	(1,163)
Increase in accounts payable and other liabilities	8,222	4,479
Increase / (decrease) in compensated absences	763	(768)
Increase in revenues received in advance	1,425	1,254
Net cash provided by operating activities	\$ 107,281	\$ 90,138
Noncash investing, capital and financing activities:		
(Increase) / decrease in fair value of investments	\$ (1,852)	\$ 3,467

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas
Statements of Fiduciary Trust Net Position
As of December 31, 2014 and 2013
(in thousands)

	Defined Contribution <u>7/31/2014</u>	Defined Contribution <u>7/31/2013</u>	OPEB <u>12/31/2014</u>	OPEB <u>12/31/2013</u>
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 4,068	\$ 655
Investments	210	41	32,502	26,462
Total Assets	<u>210</u>	<u>41</u>	<u>36,570</u>	<u>27,117</u>
Liabilities				
Administrative fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assets held in trust for pension / OPEB	<u>\$ 210</u>	<u>\$ 41</u>	<u>\$ 36,570</u>	<u>\$ 27,117</u>

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas
Statements of Changes in Fiduciary Trust Net Position
For the Years Ended December 31, 2014 and 2013
(in thousands)

	Defined Contribution <u>7/31/2014</u>	Defined Contribution <u>7/31/2013</u>	OPEB <u>12/31/2014</u>	OPEB <u>12/31/2013</u>
Additions:				
Employer contributions	\$ 161	\$ 39	\$ 10,397	\$ 10,909
Net investment income	<u>8</u>	<u>2</u>	<u>1,443</u>	<u>2,843</u>
Total additions	169	41	11,840	13,752
Deductions:				
Benefit payments and withdrawals	-	-	(2,174)	(2,732)
Administrative expenses	<u>-</u>	<u>-</u>	<u>(213)</u>	<u>(177)</u>
Total deductions	<u>-</u>	<u>-</u>	<u>(2,387)</u>	<u>(2,909)</u>
Net increase in net position	169	41	9,453	10,843
Assets held in trust for pension /				
OPEB, beginning of year	<u>41</u>	<u>-</u>	<u>27,117</u>	<u>16,274</u>
Assets held in trust for pension /				
OPEB, end of year	<u>\$ 210</u>	<u>\$ 41</u>	<u>\$ 36,570</u>	<u>\$ 27,117</u>

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, 2014 and 2013
(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"), 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 unit 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 legally 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 financial 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, 2014 and 2013
(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 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, 2014 and 2013
(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 2014 and 2013 amounted to \$765 and \$2,282, 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 generally in accordance with Harris County Appraisal District rules 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. The Harris County Tax Assessor-Collector 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, 2014 and 2013 were \$1,175 and \$994, 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, 2014 and 2013 were \$0.01531 and \$0.01716, respectively, per one hundred dollars of 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 five thousand dollars 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 assets 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 \$1,297 and \$2,274 in 2014 and 2013, respectively. Depreciation is computed using

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

the straight-line method over the following useful lives:

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

Premiums (Discounts) on Bonds Payable and Issuance Costs

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

Deferred Compensation

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

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Net Position (continued)

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

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for services. 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 and from lease revenues associated with facilities located within the operating terminals. These revenues are recognized and accrued during the period earned. Revenues from rental of equipment and facilities are derived from leases outside of the operating terminal combined with fees associated with 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 agreement terms.

Future Accounting Pronouncements

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

financial statements for fiscal years beginning after June 15, 2014. The Authority plans implementation of this Statement in fiscal year 2015.

In November 2013 the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68."

Statement 68, referred to above, requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

In February 2015 the GASB issued Statement No. 72, "Fair Value Measurement and Application". This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015. The Authority anticipates implementation of the Statement in fiscal year 2016 and has not determined the impact of the implementation.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013
(in thousands)

2. Cash and Investments

The Authority's cash and cash equivalents of \$55,763 and \$46,621 as of December 31, 2014 and 2013, respectively, are maintained in demand accounts, local government investment pools, and money market mutual funds managed by major fund managers. The demand account balance 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 local government 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 2014 or 2013. In April of 2013, the Authority liquidated its investments in local government investment pools as part of its strategy to invest in higher yielding instruments, within its Investment Policy objectives of safety of principal, liquidity, and yield.

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, 2014 included the following securities which comprised more than 5% of the total portfolio (excluding cash and cash equivalents):

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013
(in thousands)

2. Cash and Investments (continued)

Commercial Paper:

Abbey National North America LLC	6%
Deutsche Bank Financial LLC	5%
Credit Agricole North America, Inc.	13%
Natixis U.S. Finance Company, LLC	11%

U.S. Agency Securities:

Federal Home Loan Mortgage Corporation	20%
Federal National Mortgage Association	30%

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.

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, 2014 and 2013, 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, 2014 and 2013
(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, 2014.

Security Type	<u>Ratings</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Agency Securities:			
FHLMC NOTE	AA+/Aaa	\$ 19,915	0.26
FHLMC NOTE	AA+/Aaa	24,646	0.49
FHLMC NOTE	AA+/Aaa	24,935	0.28
FNMA NOTE	AA+/Aaa	19,878	0.29
FNMA NOTE	AA+/Aaa	19,709	0.39
FNMA NOTE	AA+/Aaa	29,715	0.54
FNMA NOTE	AA+/Aaa	<u>34,729</u>	0.48
Total		<u>173,527</u>	
Commercial Paper:			
Abbey Nat'l N America	A-1/P-1	19,966	0.10
Credit Agricole	A-1/P-1	19,979	0.07
Credit Agricole	A-1/P-1	24,968	0.11
Deutsche Bank Financial	A-1/P-2	17,498	0.01
Natixis Finance	A-1/P-1	14,998	0.01
Natixis Finance	A-1/P-1	<u>24,998</u>	0.01
Total		<u>122,407</u>	

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Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013
(in thousands)

2. Cash and Investments (continued)

Security Type	<u>Ratings</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Municipal Bonds:			
City of Carmel, IN Redev Auth	AA+	2,163	0.07
City of Carmel, IN Redev Auth	AA+	2,699	0.11
City of Carmel, IN Redev Auth	AA+	2,806	0.14
Fresno Cty CA Fina Auth Lease Rev	AA-	2,026	0.06
Harris Cty Hou Sports Auth Rev	A-/A2	3,777	0.14
Indiana Bond Bk Rev	AA+	5,001	0.00
Jackson Cty, MO	Aa3	1,076	0.02
Metro Nashville & Davidson Cty TN GO	AA/Aa2	2,011	0.06
N Orange Cty CA CC Dist	AA/Aa1	4,273	0.22
NJ Eco Develop Auth Sch Const	A-1\A2	3,563	0.03
NY ST Dorm Auth Tax Rev	AAA/Aa1	1,501	0.00
NY ST Dorm Auth Tax Rev	AAA/Aa1	1,506	0.03
NY ST Envrnmntl Fac Rev	AAA/Aaa	1,480	0.05
OK Cty Fina Auth Ed Rev	A+	5,034	0.31
PMA WI Levy & Aid	MIGI	7,367	0.12
San Bernardino CA Cmty Clg	AA-/Aa2	1,250	0.06
St. Louis MO Spl Admin Sch Dist	AA+	1,304	0.03
St. Louis MO Spl Admin Sch Dist	AA+	2,126	0.09
State of CT GO	AA/Aa3	<u>1,001</u>	0.03
Total		<u>51,964</u>	
Total Fair Value		<u>\$ 347,898</u>	
Portfolio Weighted Average Maturity			1.79
Total Investments		<u><u>\$ 347,898</u></u>	-

The above calculation of weighted average maturity of the portfolio excludes cash and cash equivalents. As of December 31, 2014, the Authority's weighted average maturity of the overall portfolio as defined in the Investment Policy including cash and cash equivalents is 1.52 years.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013
(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	<u>Ratings</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Agency Securities:			
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
Total		<u>147,031</u>	
Commercial Paper:			
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
Total		<u>149,920</u>	

(Continued on Next Page)

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013
(in thousands)

2. Cash and Investments (continued)

Security Type	<u>Ratings</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Municipal Bonds:			
Baldwin Park USD, GA GO	SP-1/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 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	<u>1,004</u>	0.07
Total		<u>43,154</u>	
Total Fair Value		<u>340,105</u>	
Portfolio Weighted Average Maturity			2.12
Stock received from bankrupt tenant		2	N/A
Total Investments		<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, 2014 and 2013
(in thousands)

3. Receivables

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

	<u>2014</u>	<u>2013</u>
Trade Receivables, Net		
Trade receivables	\$ 27,115	\$ 22,377
Damage claims receivable	296	291
Allowance for doubtful accounts	<u>(1,230)</u>	<u>(707)</u>
Total trade receivables, net	26,181	21,961
Other Receivables		
Interest receivable	563	531
Due from federal agencies	-	1,109
Other	<u>5</u>	<u>6</u>
Total other receivables	<u>568</u>	<u>1,646</u>
Total Receivables, Net	<u>\$ 26,749</u>	<u>\$ 23,607</u>

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013
(in thousands)

4. Capital Assets

Capital asset activity for the year ended December 31, 2014 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	\$ 102,495	\$ -	\$ -	\$ 102,495
Land use rights - intangible	11,246	329	-	11,575
Channel land	280,134	4,220	-	284,354
Construction-in-progress	113,983	104,241	(95,868)	122,356
Total capital assets not being depreciated	<u>507,858</u>	<u>108,790</u>	<u>(95,868)</u>	<u>520,780</u>
Capital assets being depreciated				
Buildings	162,962	1,885	(270)	164,577
Improvements other than buildings	1,027,997	57,809	-	1,085,806
Railroads	59,929	-	-	59,929
Machinery and equipment	336,274	31,729	(18,779)	349,224
Computer software - intangible	9,798	-	-	9,798
Total capital assets being depreciated	<u>1,596,960</u>	<u>91,423</u>	<u>(19,049)</u>	<u>1,669,334</u>
Less accumulated depreciation for				
Buildings	(73,355)	(4,821)	270	(77,906)
Improvements other than buildings	(373,751)	(30,370)	-	(404,121)
Railroads	(34,001)	(1,271)	-	(35,272)
Machinery and equipment	(185,266)	(17,860)	17,561	(185,565)
Computer software - intangible	(5,311)	(1,755)	-	(7,066)
Total accumulated depreciation	<u>(671,684)</u>	<u>(56,077)</u>	<u>17,831</u>	<u>(709,930)</u>
Total capital assets being depreciated, net	<u>925,276</u>	<u>35,346</u>	<u>(1,218)</u>	<u>959,404</u>
Total capital assets, net	<u>\$ 1,433,134</u>	<u>\$ 144,136</u>	<u>\$ (97,086)</u>	<u>\$ 1,480,184</u>

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013
(in thousands)

4. Capital Assets (continued)

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, 2014 and 2013
(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, 2014 and 2013 were \$366 and \$386, respectively. As of December 31, 2014, future minimum rental obligations to be paid by the Authority under noncancelable operating leases are as follows:

Year Ending	Future Minimum Lease Payments
2015	\$ 349
2016	318
2017	277
2018	18
Total	<u>\$ 962</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, 2014, future minimum rentals anticipated to be received by the Authority under the operating leases with initial or remaining noncancelable lease terms in excess of one year are as follows:

Year Ending	Future Minimum Lease Rentals
2015	\$ 27,650
2016	27,537
2017	24,819
2018	22,438
2019	21,315
Thereafter	<u>239,417</u>
Total	<u>\$ 363,176</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, and the changes therein, which comprise the Authority's long-term liabilities for the years ended December 31, 2014 and 2013.

Changes in Long-Term Liabilities - 2014

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable					
Unlimited tax bonds	\$ 717,624	\$ -	\$ (15,245)	\$ 702,379	\$ 15,950
Accreted interest on capital appreciation bonds	154	63	-	217	-
Less unamortized premiums / discounts, net	<u>36,520</u>	<u>-</u>	<u>(2,371)</u>	<u>34,149</u>	<u>-</u>
Total Bonds Payable	<u>754,298</u>	<u>63</u>	<u>(17,616)</u>	<u>736,745</u>	<u>15,950</u>
Other Noncurrent Liabilities					
Net OPEB obligation	32,556	6,395	(11,363)	27,588	-
Compensated absences	4,740	5,324	(4,561)	5,503	566 *
Fees received in advance	5,364	2,397	(2,491)	5,270	1,013 *
Claims liability	3,502	1,267	(924)	3,845	-
Other liabilities	<u>-</u>	<u>14,070</u>	<u>-</u>	<u>14,070</u>	<u>-</u>
Total Other Noncurrent Liabilities	<u>\$ 46,162</u>	<u>\$ 29,453</u>	<u>\$ (19,339)</u>	<u>\$ 56,276</u>	<u>\$ 1,579</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 2014 and 2013, the Authority did not issue or refund any bonds.

Port of Houston Authority of Harris County, Texas

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

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 capital appreciation bonds	102	52	-	154	-
Less unamortized premiums / discounts	<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	6,711	(11,227)	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>\$ 16,293</u>	<u>\$ (20,421)</u>	<u>\$ 46,162</u>	<u>\$ 1,486</u>

* Included in accounts payable and other current liabilities

Port of Houston Authority of Harris County, Texas

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

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

Outstanding Long-Term Debt

	Original Issue	Interest Rate % *	Issue Date	Maturity	December 31	
					2014	2013
General Obligation Bonds						
Unlimited Tax Refunding Bonds						
Series 2004	\$ 9,000	3.00-5.00	12/8/2004	2016	\$ 1,370	\$ 2,075
Series 2005A	36,665	4.25-5.00	9/8/2005	2023	32,745	36,665
Series 2005B	62,485	4.125-5.00	6/8/2005	2023	58,315	58,315
Series 2006A	28,380	5.00	7/19/2006	2017	7,685	10,275
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	18,475	22,205
Series 2010B	22,930	1.00-5.00	2/17/2010	2026	15,940	17,170
Series 2010C	30,254	2.00-5.37	2/3/2010	2033	28,934	29,274
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	22,050	22,330
Series 2011A	47,345	1.00-5.00	10/20/2011	2026	39,990	42,440
					<u>611,734</u>	<u>626,979</u>
Unamortized premiums / (discounts), net					29,526	31,791
Series 2010C and 2010E CAB Accretion, net					217	154
Unlimited Tax Refunding Bonds, net					<u>641,477</u>	<u>658,924</u>
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					<u>90,645</u>	<u>90,645</u>
Unamortized premiums / (discounts), net					4,623	4,729
Unlimited Tax Port Improvement Bonds, net					<u>95,268</u>	<u>95,374</u>
Total Debt					<u>736,745</u>	<u>754,298</u>
Less Current Maturities					<u>(15,950)</u>	<u>(15,245)</u>
Long - Term Debt (net of unamortized premiums / (discounts))					<u>\$ 720,795</u>	<u>\$ 739,053</u>

* 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, 2014 are as follows:

Year Ending December 31	<u>Bond Principal</u> General Obligation	<u>Capital Appreciation Bond</u> Accreted Interest	<u>Bond Interest</u> General Obligation	<u>Total</u>
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	22,420	-	32,709	55,129
2020-2024	118,035	-	146,174	264,209
2025-2029	131,755	-	116,485	248,240
2030-2034	157,894	13,846	77,804	249,544
2035-2039	199,195	4,130	30,926	234,251
	<u>\$ 702,379</u>	<u>\$ 17,976</u>	<u>\$ 544,064</u>	<u>\$ 1,264,419</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-exempt debt subject to the Tax Reform Act through December 31, 2014 and 2013. The estimated liability is updated annually for any tax-exempt issuance or changes in

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)

Arbitrage (continued)

yields until payment of the calculated liability is due.

7. Bayport Facilities

Certain facilities at Bayport were acquired or constructed using the proceeds from the Special Purpose Revenue bonds, Series 1964, and advances from the developer of an adjacent industrial park. The developer also advanced to the Authority amounts necessary to cover bond repayments, and maintenance and operating expenses of these Bayport facilities.

Effective October 27, 1997, the Authority, the developer, and other operators within the Bayport area ("the Bayport operators") entered into an Agreement of Compromise and Settlement (the "Agreement") that resolved various legal disputes in connection with the these arrangements.

Past liabilities under the Agreement were paid in full during fiscal 2012. The Agreement remains in effect with regards to user fees to be paid by the Bayport operators and the Authority, with such funds accumulated by the Authority in order to fund future capital expenditures associated with the Bayport channel.

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"), and contributions are solely made 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) 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, 2014 and 2013 was \$31,377 (69% of the total payroll of \$45,075) and \$33,690 (75% of the total payroll of \$44,693), respectively.

Plan participants become vested after completion of five (5) years of employment. Vested employees are eligible to receive benefits upon Normal Retirement, Early

Port of Houston Authority of Harris County, Texas

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

Defined Benefit Plan Description (continued)

Retirement, or Late Retirement (capitalized terms in this paragraph are from the plan documents). 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
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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, 2014 and 2013, the Plan had the following investments in excess of 5% of net investments:

	<u>2014</u>	<u>2013</u>
Loomis Sayles Inst High Income (Cusip 543495600)	\$ 8,623,444	\$ 7,558,572
Cohen & Steers Inst Realty Shares (Cusip 19247U106)	9,269,614	7,646,908
Causeway International Value - Ins (Cusip 14949P208)	<u>20,591,096</u>	<u>-</u>
Total	<u>\$38,484,154</u>	<u>\$15,205,480</u>

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

Causeway International Value invests in international value stocks. As of December 31, 2014, the fund had net assets of \$6.4 billion and the top holdings represented 28.6% of the portfolio. Cohen & Steers Institutional Realty Shares is a diversified portfolio of real estate securities and REITs. The fund had net assets of \$3.1 billion on December 31, 2014, and the top holdings represented 47.4% of the portfolio. 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, 2014, the fund had net assets of \$657 million.

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
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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, 2014</u>
b) Actuarial Value of Assets	\$164,816
c) Actuarial Accrued Liability (AAL)	\$157,814
d) Unfunded Actuarial Accrued Liability (UAAL) (c-b)	\$(7,002)
e) Funded Ratio (b/c)	104.4%
f) Annual Covered Payroll (Actuarial)	\$31,377
g) UAAL as a % of Covered Payroll (d/f)	(22.3)%

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, 2014.

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, 2014</u>	<u>August 1, 2013</u>	<u>August 1, 2012</u>
Actuarial Valuation Date	Entry Age Normal	Entry Age Normal	Entry Age Normal
Actuarial Cost Method	Level Dollar, (closed)	Level Dollar, (closed)	Level Dollar, (closed)
Amortization Method	Various	Various	Various
Amortization Period in Years	Market Value	Market Value	Market Value
Asset Valuation Method			
Actuarial Assumptions			
Investment Return	7.00%	7.25%	7.25%
Projected Salary Increases	3.0%-7.5%	3.0%-7.5%	3.0%-7.5%
Inflation	2.50%	2.50%	2.75%
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 while components consisting of amendments are amortized over 30 years; lastly, components consisting of revised assumptions are amortized over ten years. The resulting equivalent single amortization base is amortized over a maximum of 30 years. As of the valuation dates August 1, 2014 and August 1, 2013, the equivalent single amortization period decreased to 0 years from 4 years, respectively, with "zero" years reflecting a fully funded position.

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 accrued liability for benefits.

Plan Statistics For Plan Years July 31, 2014, 2013, and 2012

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarial Determined Annual Pension Cost (APC)			
Contribution Made	\$5,278	\$9,870	\$8,133
% of APC Contributed	\$8,282	\$9,870	\$8,133
Net Pension Obligation	156.9%	100%	100%
	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 the Authority's Deputy Executive Director of Finance and Administration 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>Years of Service</u>	<u>% Contribution by the Authority</u>
0 to 5	3.5%
6 to 10	4.5%
11 to 15	5.5%
16 to 20	6.5%
21 or more	7.5%

DC Plan benefits are to be 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 and investment losses. The Authority funds administrative expenses associated with the plan from its general fund.

The Authority contributed \$161 and \$39 during the plan's fiscal year ending July 31, 2014 and 2013, respectively.

9. Postemployment Retiree Benefits

Plan Description

In addition to retirement benefits as described in Note 8, it is the current policy of the Authority to provide certain postemployment health and welfare benefits ("OPEB") to eligible retired employees and their dependents ("OPEB Plan"). At December 31, 2014 and 2013, there were 329 and 328 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. Notwithstanding any accounting and financial reporting characterization herein, 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 includes the OPEB Plan Net Position in the fiduciary fund statements and presents 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

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)

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

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

Effective January 1, 2010, new hires become eligible for 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 Authority's contribution is based on projected pay-as-you-go basis, which is expected to continue. For the years ended December 31, 2014 and 2013, the cost of retiree health benefits, recorded on a pay-as-you-go basis was \$2,034 and \$2,584, respectively. Retiree life-benefit costs for 2014 and 2013 were \$140 and \$148, 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 for current benefits, the Authority has contributed \$32,000 to the trust through December 31, 2014.

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
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9. Postemployment Retiree Benefits (continued)

Investment Valuation and Income Recognition (continued)

market value utilizing pricing obtained from independent pricing services. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Annual OPEB Cost and Net OPEB Obligation

The annual OPEB cost (expense) is calculated based on the annual contribution of the employer ("ARC") 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.

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Notes to the Financial Statements
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9. Postemployment Retiree Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

	<u>2014</u>	<u>2013</u>
Normal Cost at year end	\$ 3,029	\$ 3,029
Amortization of UAAL	<u>3,539</u>	<u>3,879</u>
Annual Required Contribution (ARC)	6,568	6,908
Determination of Net OPEB Obligation		
Annual Required Contribution	6,568	6,908
Interest on prior year Net OPEB Obligation	2,279	2,595
Adjustment to ARC	<u>(2,452)</u>	<u>(2,792)</u>
Annual OPEB Cost	6,395	6,711
Contributions made	<u>(11,363)</u>	<u>(11,227)</u>
Decrease in Net OPEB Obligation	(4,968)	(4,516)
Net OPEB Obligation - beginning of year	<u>32,556</u>	<u>37,072</u>
Net OPEB Obligation - end of year	<u>\$ 27,588</u>	<u>\$ 32,556</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, 2014 *</u>	<u>January 1, 2013</u>	<u>January 1, 2012</u>
a) Actuarial Valuation Date			
b) Actuarial Value of Assets	\$ 27,151	\$ 16,274	\$ -
c) Actuarial Accrued Liability (AAL)	60,737	57,052	56,476
d) Unfunded Actuarial Accrued Liability (UAAL) (c-b)	33,586	40,778	56,476
e) Funded Ratio (b/c)	44.7 %	28.5 %	- %
f) Annual Covered Payroll (Actuarial)	33,690	34,615	34,939
g) UAAL as a % of Covered Payroll (d/f)	99.7 %	117.8 %	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>2014</u>	<u>2013</u>	<u>2012</u>
Annual OPEB cost	\$ 6,395	\$ 6,711	\$ 7,731
Percentage of OPEB Cost Contributed	177.7 %	167.3 %	139.1 %
Net OPEB Obligation	\$ 27,588	\$ 32,556	\$ 37,072

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)

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 healthcare cost trends. These determinations 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 future events. 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 Accrued 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 Accrued Liability is the difference between the Actuarial Accrued 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 with an equivalent single amortization period of 20 years as of the latest measurement. 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,

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
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9. Postemployment Retiree Benefits (continued)

Actuarial Methods and Assumptions (continued)

participation, health care cost trend rates, marriage assumptions, annual retiree claim costs, age slope, and retiree premiums. The effect on the actuarial valuation from revised mortality tables released in October of 2014 has not been determined.

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 rate used for the 2014 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, 2014 and 2013 was \$3,845 and 3,502, respectively.

Plan Year	Beginning of Fiscal Year Liability	Current Year		Balance at Fiscal Year End
		Claims and Changes in Estimates	Claim Payments	
2013	\$ 2,736	\$ 1,595	\$ (829)	\$ 3,502
2014	\$ 3,502	\$ 1,267	\$ (924)	\$ 3,845

As of December 31, 2014 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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013
(in thousands)

10. Risk Management (continued)

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.

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, 2014 and 2013, the Authority had commitments of approximately \$42,745 and \$11,966, 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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013
(in thousands)

11. Commitments and Contingencies (continued)

Litigation and Claims (continued)

plan to freeze the cofferdam and complete the work "in the wet." Zachry also claimed that the Authority wrongfully withheld \$2,600 in liquidated damages. The Authority disputed all of Zachry's contentions.

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

The Authority and Zachry cross-appealed the lower court's judgment. The parties' briefing of this matter concluded in September 2011 and oral argument took place in October 2011.

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 in November 6, 2013.

On August 29, 2014, the Texas Supreme Court rendered its opinion. A majority reversed the Court of Appeals on its rulings (1) (finding that the "no-damages-for-delay" provision was unenforceable) and (3) above. It additionally found that Zachry was entitled to recover \$2,360 withheld by the Authority as liquidated damages. Finally, the Supreme Court remanded the case back to the Court of Appeals for consideration of other issues raised by the Authority.

Due to the continued pendency of the case, the Authority determined that recognition of a loss contingency in the financial statements was appropriate. The Authority intends to continue to vigorously prosecute the appeal.

The Authority is a defendant in a breach of contract action brought by Structural

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013
(in thousands)

11. Commitments and Contingencies (continued)

Litigation and Claims (continued)

Concrete Systems, LLC ("SCS") in Harris County District Court in October 2014. The lawsuit arises out of a contract which the Authority awarded to SCS in December 2012 for the repair of shear walls and installation of rubber fenders along approximately 734 feet of dock on the south side of the Authority's Turning Basin Terminal. The work was originally scheduled to take approximately five months, but SCS ultimately took approximately thirteen months to reach substantial completion.

In the action, SCS claims the Authority actively interfered with SCS's ability to perform the work by failing to fulfill its sequencing and scheduling obligations under the contract. SCS claims it is entitled to \$1,000, plus additional amounts for attorneys' fees, interest, penalties, and costs. The Authority has filed an answer disputing all of SCS's contentions. The parties have exchanged some written discovery, but have yet to schedule any depositions. The action is set for trial on December 7, 2015.

The Authority is not in a position at this time to determine the likelihood of an unfavorable outcome or to estimate the amount or range of potential loss, if any, for this matter. The Authority intends to vigorously contest this matter.

12. Subsequent Event

In February of 2015, the Authority established a new, standalone trust for other postemployment benefits ("OPEB") assets and transferred all holdings from the multiple employer pooled account with PEB Trust of Texas into this new trust with Compass Bank acting as trustee.

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

Port of Houston Authority Restated Retirement Plan
Schedule of Funding Progress

(in thousands)
(unaudited)

	<u>August 1,</u> <u>2014</u>	<u>August 1,</u> <u>2013</u>	<u>August 1,</u> <u>2012</u>
a) Actuarial Valuation Date			
b) Actuarial Value of Assets	\$ 164,816	\$ 151,455	\$ 129,522
c) Actuarial Accrued Liability (AAL)	\$ 157,814	\$ 150,380	\$ 139,259
d) Unfunded Actuarial Accrued Liability (UAAL)			
(c-b)	\$ (7,002)	\$ (1,075)	\$ 9,737
e) Funded Ratio (b/c)	104.4 %	100.7 %	93.0 %
f) Annual Covered Payroll (Actuarial)	\$ 31,377	\$ 33,690	\$ 35,082
g) UAAL as a % of Covered Payroll (d/f)	(22.3)%	(3.2)%	27.8 %

Port of Houston Authority OPEB Trust
Schedule of Funding Progress

(in thousands)
(unaudited)

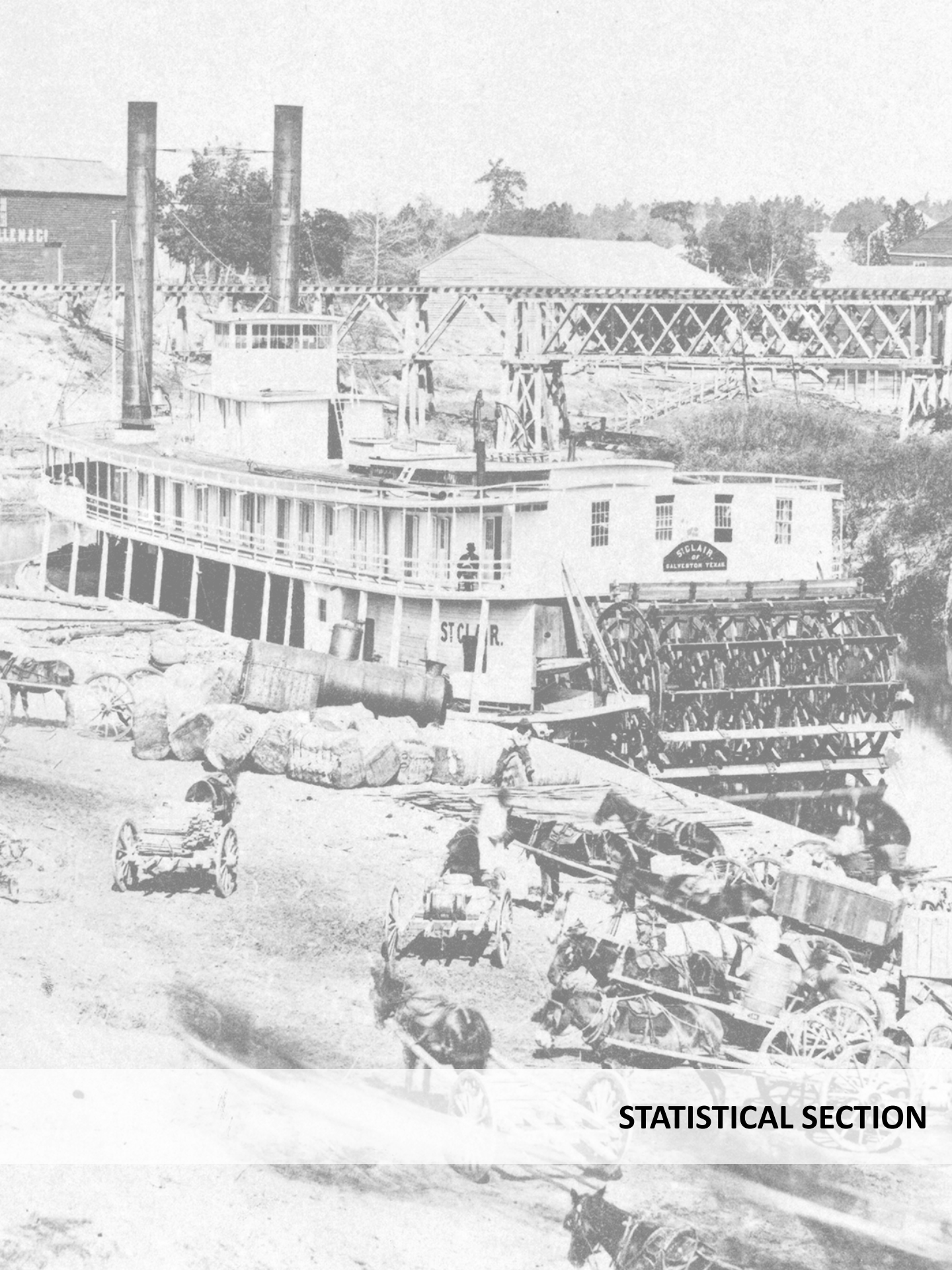
	<u>January 1</u> <u>2014</u>	<u>January 1</u> <u>2013</u>	<u>January 1</u> <u>2012</u>
a) Actuarial Valuation Date			
b) Actuarial Value of Assets	\$ 27,151	\$ 16,274	\$ -
c) Actuarial Accrued Liability (AAL)	\$ 60,737	\$ 57,052	\$ 56,476
d) Unfunded Actuarial Accrued Liability (UAAL)			
(c-b)	\$ 33,586	\$ 40,778	\$ 56,476
e) Funded Ratio (b/c)	44.7 %	28.5 %	- %
f) Annual Covered Payroll (Actuarial)	\$ 33,690	\$ 34,615	\$ 34,939
g) UAAL as a % of Covered Payroll (d/f)	99.7 %	117.8 %	161.6 %

Port of Houston Authority OPEB Trust
Schedule of Employer Contributions

(in thousands)
(unaudited)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Plan Year Ended			
Annual Required Contribution (ARC)	\$ 6,568	\$ 6,908	\$ 7,913
Percentage of ARC Contributed	173 %	163 %	136 %





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
(in thousands)
(unaudited)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net investment in capital assets	\$ 749,755	\$ 685,717	\$ 596,224	\$ 574,224	\$ 571,828	\$ 655,571	\$ 646,777	\$ 676,785	\$ 615,169	\$ 476,709
Restricted										
Capital	-	7,195	29,713	60,204	79,270	8,388	3,978	3,846	24,863	23,841
Debt Service	43,290	44,598	44,916	41,455	44,248	39,072	37,310	28,774	27,909	32,465
Other	-	-	2,755	196	4,302	122	200	181	161	225
Unrestricted	338,127	324,466	320,673	263,802	207,113	191,411	214,139	144,407	145,075	217,194
Total Net Position	<u>\$ 1,131,172</u>	<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>

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating revenues:										
Vessel and cargo services	\$ 238,083	200,101	\$ 190,618	\$ 177,405	\$ 159,799	\$ 144,365	\$ 171,373	\$ 164,230	\$ 143,550	\$ 132,283
Rental of equipment and facilities	17,763	25,114	23,077	22,030	20,346	20,524	19,984	18,872	18,103	17,473
Grain elevator	1,821	592	683	1,923	911	1,155	787	809	717	590
Bulk materials	4,270	2,665	2,485	2,131	2,368	2,243	2,319	2,903	3,221	2,568
Other	1,960	5,201	8,512	3,356	3,272	2,040	2,522	3,679	2,072	2,454
Nonoperating revenues:										
Investment (loss) income	4,913	(435)	2,410	3,123	3,573	4,136	7,154	10,019	11,606	7,478
Contribution in aid of construction	-	5,000	-	1,077	-	-	-	-	-	-
Other, net	3,291	683	1,583	2,765	3,836	4,588	982	6,734	1,060	5,718
Nonoperating revenues related to property taxes:										
Property taxes	51,955	52,534	56,429	49,826	53,833	46,911	48,675	35,819	29,454	29,568
Investment income / (loss) on bond proceeds	162	348	302	657	(47)	165	1,113	2,045	2,077	1,432
Total Revenues:	324,218	291,803	286,099	264,293	247,891	226,127	254,909	245,110	211,860	199,564
Operating expenses:										
Maintenance and operations of facilities	123,324	103,353	101,095	97,461	95,918	88,124	98,026	97,978	80,809	74,901
General and administrative	39,152	41,845	43,875	39,894	51,742	57,827	43,443	40,063	29,527	28,656
Depreciation and amortization	57,190	56,057	56,551	55,661	53,731	48,035	44,016	34,161	28,436	25,383
Nonoperating expenses:										
Interest expense on revenue bonds	-	-	-	-	-	-	-	-	176	328
Contributions to state and local agencies	1,464	1,949	882	1,232	1,742	17,468	4,224	29,017	5,457	8,400
Loss on disposal of assets	1,220	91	3,295	-	3,294	-	-	-	-	-
Other, net	-	-	98	-	-	-	-	-	-	-
Nonoperating expenses related to property taxes:										
Interest expense on unlimited tax bonds	33,459	33,188	33,803	36,843	34,265	26,072	21,344	10,124	10,775	9,580
Property tax collection expense	1,175	994	1,091	996	1,270	506	1,083	480	67	148
Other, net	408	477	442	525	480	901	423	357	360	369
Total Expenses:	257,392	237,954	241,132	232,612	242,442	238,933	212,559	212,180	155,607	147,765
Income before contributions	66,826	53,849	44,967	31,681	5,449	(12,806)	42,350	32,930	56,253	51,799
Capital contributions from federal agencies	2,370	13,827	9,373	1,439	2,944	3,549	6,061	7,886	6,490	7,736
Contributions from federal agency-FEMA	-	19	60	-	3,804	1,417	-	-	-	-
Total Contributions from federal and state agencies	2,370	13,846	9,433	1,439	6,748	4,966	6,061	7,886	6,490	7,736
Change in net position	69,196	67,695	54,400	33,120	12,197	(7,840)	48,411	40,816	62,743	59,535
Net position, January 1	1,061,976	994,281	939,881	906,761	894,564	902,404	853,993	813,177	750,434	690,899
Net position, December 31	\$ 1,131,172	\$ 1,061,976	\$ 994,281	\$ 939,881	\$ 906,761	\$ 894,564	\$ 902,404	\$ 853,993	\$ 813,177	\$ 750,434



REVENUE CAPACITY



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

(amounts in thousands)
(unaudited)

<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>
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
2014	375,147,134	54,650,315	92,526,176	337,271,273	0.01531

- Source: Harris County Appraisal District Property Use Recap as of 12/20/14.
- 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.
- Note (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.

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Harris County										
General Fund	\$ 0.34547	\$ 0.34547	\$ 0.33271	\$ 0.33444	\$ 0.33401	\$ 0.33401	\$ 0.33815	\$ 0.33918	\$ 0.34221	\$ 0.34728
General Bonds Debt Service	0.04802	0.05158	0.04468	0.03825	0.03635	0.03642	0.03192	0.03200	0.03465	0.03047
Total Constitutional Funds	0.39349	0.39705	0.37739	0.37269	0.37036	0.37043	0.37007	0.37118	0.37686	0.37775
County - Wide Road Debt Service	0.02382	0.01750	0.02282	0.01848	0.01769	0.02181	0.01916	0.02121	0.02553	0.02211
Total - Harris County	0.41731	0.41455	0.40021	0.39117	0.38805	0.39224	0.38923	0.39239	0.40239	0.39986
Flood Control District										
Maintenance	0.02620	0.02620	0.02522	0.02727	0.02727	0.02754	0.02754	0.02754	0.02733	0.02733
Debt Service	0.00116	0.00207	0.00287	0.00082	0.00196	0.00168	0.00332	0.00352	0.00508	0.00589
Total - Flood Control	0.02736	0.02827	0.02809	0.02809	0.02923	0.02922	0.03086	0.03106	0.03241	0.03322
Port of Houston Authority										
Debt Service	0.01531	0.01716	0.01952	0.01856	0.02054	0.01636	0.01773	0.01437	0.01302	0.01474
Hospital District										
General	0.17000	0.17000	0.18216	0.19216	0.19216	0.19216	0.19216	0.19216	0.19216	0.19216
Total	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.63998	\$ 0.63998

- Source: Harris County Appraisal District
- Tax rates are stated per \$100 assessed valuation

Port of Houston Authority of Harris County, Texas
Direct and Overlapping Debt and Property Tax Rates
December 31, 2014
(unaudited)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
County-Wide Taxing Jurisdiction										
Harris County	\$ 0.4173	\$ 0.4146	\$ 0.4002	\$ 0.3912	\$ 0.3881	\$ 0.3922	\$ 0.3892	\$ 0.3924	\$ 0.4024	\$ 0.3999
Harris County Flood Control District	0.0274	0.0283	0.0281	0.0281	0.0292	0.0292	0.0309	0.0324	0.0332	0.0332
Port of Houston Authority	0.0153	0.0172	0.0195	0.0186	0.0205	0.0164	0.0177	0.0130	0.0130	0.0167
Harris County Hospital District	0.1700	0.1700	0.1822	0.1922	0.1922	0.1922	0.1922	0.1922	0.1922	0.1902
Total County-wide	<u>\$ 0.6300</u>	<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>
Cities										
Baytown	\$ 0.8220	\$ 0.8220	\$ 0.8220	\$ 0.8220	\$ 0.7870	\$ 0.7870	\$ 0.7370	\$ 0.7370	\$ 0.7370	\$ 0.7370
Bellaire	0.3936	0.3999	0.3999	0.3999	0.3999	0.3759	0.4400	0.4400	0.4700	0.4800
Deer Park	0.7200	0.7200	0.7200	0.7200	0.7050	0.7050	0.7200	0.7200	0.7200	0.7200
Houston	0.6311	0.6388	0.6388	0.6388	0.6388	0.6388	0.6450	0.6450	0.6500	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	0.5970	0.6100	0.6160	0.6300	0.6088	0.6088	0.6275	0.6400
Missouri City	0.5650	0.5738	0.5448	0.5284	0.5284	0.5284	0.4993	0.4945	0.4980	0.5017
Pasadena	0.5769	0.5916	0.5916	0.5916	0.5916	0.5620	0.5670	0.5670	0.5670	0.5670
Pearland	0.7121	0.7051	0.7051	0.6851	0.6651	0.6526	0.6526	0.6527	0.6744	0.6950
Seabrook	0.6400	0.6512	0.6652	0.6500	0.6268	0.5884	0.6203	0.6210	0.6307	0.6196
South Houston	0.6445	0.6699	0.7083	0.6876	0.6732	0.6732	0.6770	0.6588	0.6863	0.7000
Webster	0.2487	0.2696	0.2853	0.2853	0.2575	0.2325	0.2489	0.2575	0.2575	0.2680
West University Place	0.3618	0.3740	0.3741	0.3741	0.3741	0.3588	0.3660	0.4020	0.4300	0.4467
School Districts	1.1967-1.6700	1.1867-1.6700	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

- Source: Harris County Appraisal District jurisdiction information as of 02/24/15; 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	2014			2005		
	2014 Taxable Valuations (a)	Rank	Percentage of Total 2014 Taxable Valuation (b)	2005 Taxable Valuations (a)	Rank	Percentage of Total 2005 Taxable Valuation (c)
ExxonMobilCorp	\$ 3,190,218	1	0.95 %	\$ 3,157,665	1	1.55 %
CenterPoint Energy Inc	2,780,025	2	0.82	2,604,445	2	1.28
Shell Oil Co	2,502,412	3	0.74	1,945,346	3	0.95
Lyondell Chemical Co	2,127,570	4	0.63	1,292,657	4	0.63
Chevron Chemical Co	2,004,198	5	0.59	935,750	8	0.46
BP America Production Co	965,729	6	0.29	-	-	-
Crescent Real Estate	917,216	7	0.27	966,916	7	0.47
Walmart	875,506	8	0.26	-	-	-
Hewlett Packard	855,261	9	0.25	592,359	10	0.29
NOV Wilson LP	829,255	10	0.25	-	-	-
United Airlines	652,102	11	0.19	-	-	-
Busycon	536,990	12	0.16	-	-	-
Palmetto Transoceanic LLC	534,722	13	0.16	-	-	-
Southwestern Bell Telephone	517,939	14	0.15	1,058,278	5	0.52
1000 Louisiana LP	504,064	15	0.15	-	-	-
Texas Tower LTD	499,469	16	0.15	-	-	-
Valero Energy	493,872	17	0.15	-	-	-
Rohm & Hass Co	481,876	18	0.14	499,167	11	0.25
HG Galleria I II III LP	475,503	19	0.14	-	-	-
Four Oaks Place Operating LP	464,134	20	0.14	-	-	-
Equistar Chemicals LP	-	-	-	1,055,374	6	0.52
Hines Interests LTD Partnership	-	-	-	854,380	9	0.42
Anheuser Busch Inc	-	-	-	473,966	12	0.23
Trizechahn	-	-	-	415,503	13	0.20
Calpine	-	-	-	405,130	14	0.20
Oxy Vinyls LP	-	-	-	399,223	15	0.20
Total	\$ 22,208,061		6.58 %	\$ 16,656,159		8.17 %

- Source: Harris County Appraisal District
- Note (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.
- Note (b) Based on the County's total taxable value as of December 19, 2014
- Note (c) Based on the County's total taxable value as of January 1, 2005

Port of Houston Authority of Harris County, Texas
Property Taxes Levies and Collections
For the Years 2005 Through 2014

(in thousands)
(unaudited)

<u>Fiscal Year</u>	<u>Taxes Levied for Fiscal Year</u>	<u>Collections within the Fiscal Year of the Levy</u>		<u>Collections After One Year (a)</u>	<u>Total Collections After One Year (a)</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
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 %	1,911	48,923	98.21 %
2012	54,624	51,755	94.75 %	1,917	53,672	98.26 %
2013	52,289	49,790	95.22 %	1,736	51,526	98.54 %
2014	51,860	49,400	95.26 %	N/A	N/A	N/A

- Source: Harris County Tax Assessor - Collector as of February 28, 2015
- Updates are made to prior years.
- N/A - Not Available
- Note (a) Collections after one year reflect monies collected in the year following the levy and are not updated annually.

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating revenues: (a) (b)										
Vessel and cargo services	\$ 238,083	\$ 200,101	\$ 190,618	\$ 177,405	\$ 159,799	\$ 144,365	\$ 171,373	\$ 164,230	\$ 143,550	\$ 132,283
Rental of equipment and facilities	17,763	25,114	23,077	22,030	20,346	20,524	19,984	18,872	18,103	17,473
Grain elevator	1,821	592	683	1,923	911	1,155	787	809	717	590
Bulk materials	4,270	2,665	2,485	2,131	2,368	2,243	2,319	2,903	3,221	2,568
Other	1,960	5,201	8,512	3,356	3,272	2,040	2,522	3,679	2,072	2,454
Total Operating Revenue	<u>\$ 263,897</u>	<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>
Revenue Tonnage (short tons) (c)										
General Cargo	26,854	24,735	25,278	23,387	20,809	19,681	24,871	23,102	23,657	19,942
Bulk	10,766	11,090	9,781	10,162	10,508	9,184	10,371	10,123	9,696	8,623
Total Revenue Tonnage	<u>37,620</u>	<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>

- Source: The Authority
- Note (a) General cargo tonnage and bulk tonnage generate operating revenues from vessel and cargo services, grain elevator and bulk material.
- Note (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.
- Note (c) Short ton equals 2,000 pounds

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Cargo										
Barbours Cut										
All other	7,689,686	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
Lease	3,410,214	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
	<u>11,099,900</u>	<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>
Bayport Container Terminal	6,977,231	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	128,564	143,132	175,553	124,351	109,713	73,325	115,660	113,567	95,719	121,370
Autos export	11,430	17,905	23,655	26,972	25,844	23,641	32,211	21,585	18,216	24,654
Steel imports	5,397,341	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
All other	607,127	519,978	723,762	1,177,341	778,667	622,113	1,559,870	1,571,635	1,610,654	1,524,844
	<u>6,144,462</u>	<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>
Jacintoport	1,411,724	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
Care Terminal	747,372	649,545	598,914	350,422	188,279	249,001	421,064	438,722	522,501	427,792
Woodhouse	473,389	388,133	608,369	370,436	299,098	221,798	544,590	289,586	638,609	204,494
Galveston	-	-	-	-	-	-	-	-	25,131	77,677
	<u>26,854,078</u>	<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>
Bulk										
Barbours Cut	-	-	-	-	3,136	2,426	4,409	-	-	3,438
Jacintoport	-	-	1,780	553	1,653	10,803	-	626	-	4,529
Care Terminal	82,016	253,942	408,225	359,286	446,801	192,753	756,891	610,965	399,887	388,737
Woodhouse	31,549	14,290	7,547	35,089	31,857	30,468	6,031	45,780	11,003	36,447
Sims Bayou	675,175	700,350	770,395	763,723	783,041	648,650	571,557	860,009	1,108,220	1,292,821
S.J.B. Liquid Facility	493,582	541,227	585,263	474,880	551,405	492,921	428,698	404,359	410,613	364,969
Turning Basin	1,982,330	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
	<u>3,264,652</u>	<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>
Bulk Materials Terminal	5,190,900	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
Grain Elevator #2	2,310,757	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
	<u>10,766,309</u>	<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>
Grand Total	<u>37,620,387</u>	<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>

- Source: The Authority
- Based on information as received from third parties and estimates.
- Revenue tonnage is tonnage from which Authority 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	2014			2005		
	2014 Revenue	Rank	% V&C Revenue	2005 Revenue	Rank	% V&C Revenue
Mediterranean Shipping Inc. SA	\$ 32,337	1	16.16 %	\$ 13,448	2	11.54 %
Hapag-Lloyd AG	26,147	2	13.07	6,764	3	5.81
CMA-CGM (America), Inc	17,198	3	8.59	5,335	4	4.58
Cosco North America, Inc.	14,892	4	7.44	-		-
Hamburg Sud North America	11,999	5	6.00	3,074	10	2.64
Seaboard Marine, Ltd.	5,698	6	2.85	-		-
Hanjin Shipping Company	5,321	7	2.66	-		-
Zim Integrated Shipping	4,870	8	2.43	-		-
Biehl & Company - Vessel	4,866	9	2.43	4,593	6	3.94
Star Shipping	4,852	10	2.42	-		-
CP Ships US Agency, LLC	-		-	17,934	1	15.39
P & O Ned Lloyd Limited	-		-	4,836	5	4.15
Montemar Maritima S.A.	-		-	4,366	7	3.75
APL Limited	-		-	4,256	8	3.65
NYK Line (North America)	-		-	3,263	9	2.80
Total	<u>\$ 128,180</u>		<u>48.57 %</u>	<u>\$ 67,869</u>		<u>43.68 %</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
(in thousands, except per capita)
(unaudited)

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										
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	0.23 %	120
2014	611,734	90,645	-	34,366	736,745	13,854	722,891	0.21 %	114	-	722,891	N/A	114

- 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, 2014
(in thousands)
(unaudited)

	2014	2013	2012	2011	2010	2009	2008	2007	2006*	2005
Gross Revenues										
Operating Revenues (a)										
Vessel and cargo services	\$ 235,929	\$ 197,974	\$ 188,457	\$ 175,297	\$ 157,633	\$ 142,310	\$ 169,584	\$ 162,636	\$ 141,697	\$ 131,007
Rental of equipment and facilities	17,763	25,114	23,077	22,030	20,325	20,451	19,910	18,800	18,033	17,412
Grain Elevator	1,821	592	683	1,923	911	1,155	787	809	717	589
Bulk materials	4,270	2,665	2,485	2,131	2,368	2,243	2,319	2,903	3,221	2,568
Other	1,960	5,201	8,512	3,356	3,272	2,040	2,435	3,630	1,915	2,361
Total	261,743	231,546	223,214	204,737	184,509	168,199	195,035	188,778	165,583	153,937
NonOperating Revenues										
Investment (loss) income	4,881	(452)	2,406	3,126	3,572	4,552	6,736	9,992	11,292	7,427
Other, net	5,661	19,529	11,014	5,358	11,319	9,798	7,198	14,699	8,255	13,660
Total	10,542	19,077	13,420	8,484	14,891	14,350	13,934	24,691	19,547	21,087
Total Gross Revenues	272,285	250,623	236,634	213,221	199,400	182,549	208,969	213,469	185,130	175,024
Operation Expenses										
Maintenance and Operation of Facilities										
Vessel and cargo services	115,341	93,483	91,534	89,547	90,861	77,591	94,473	85,178	73,236	66,918
Rental of port facilities	1,164	1,387	1,174	6,893	3,945	3,774	3,311	4,185	3,560	6,151
Grain Elevator	260	288	219	322	263	221	163	404	557	477
Bulk Materials Handling Plant	9	9	22	46	34	88	94	307	723	435
Other	8,223	9,919	9,958	2,415	2,385	1,796	1,797	1,916	358	919
Total	124,997	105,086	102,907	99,223	97,488	83,470	99,838	91,990	78,434	74,900
General and Administrative										
Total Operating Expenses	39,152	41,845	43,875	39,894	51,487	63,411	41,930	46,029	28,846	28,380
Total Operating Expenses	164,149	146,931	146,782	139,117	148,975	146,881	141,768	138,019	107,280	103,280
Nonoperating Expenses										
Total Expenses	2,694	2,998	3,906	3,350	5,872	18,473	4,461	29,151	5,869	8,550
Total Expenses	166,843	149,929	150,688	142,467	154,847	165,354	146,229	167,170	113,149	111,830
Net Revenues Available For Debt Service on										
First Lien Revenue Bonds										
Average Annual Debt Service on First Lien Revenue Bonds	\$ 105,442	\$ 100,694	\$ 85,946	\$ 70,754	\$ 44,553	\$ 17,195	\$ 62,740	\$ 46,299	\$ 71,981	\$ 63,194
Coverage by Net Revenues	-	-	-	-	-	-	-	-	\$ 4,456	\$ 4,514
	-	-	-	-	-	-	-	-	1,615 %	1,400 %

- * Revenue Bonds were retired during 2006.
- Note (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
(unaudited)

<u>Fiscal Year Ending December 31</u>	<u>Outstanding Debt Service Requirements</u>
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	<u>34,608,000</u>
Total	<u>\$ 1,264,417,989</u>

- The table sets forth the annual debt service requirements on the Authority's ad valorem tax bonds as of December 31, 2014, 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, 2014
(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

<u>Year</u>	<u>National</u>		<u>Total U.S. Exports (c)</u>	<u>Total U.S. Imports (c)</u>	<u>U.S. Rig Count (d)</u>	<u>Oil Price \$/Bbl (e)</u>	<u>PMI (f)</u>
	<u>GDP (a)</u>	<u>Unemployment (b)</u>					
2014	2.6%	5.6%	\$ 2,345.4	\$ 2,850.5	2,003	\$ 59.29	53.5
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

- Note (a) Gross Domestic Product percent change based on 2009 dollars; Source: Bureau of Economic Analysis
- Note (b) Average monthly unemployment rate per year; Source: Bureau of Labor Statistics
- Note (c) Billions of dollars; Source: Customs data from Department of Commerce, U.S. Census Bureau
- Note (d) Annual average total U.S. rig count; Source: Baker Hughes rig count data (RIGDATA)
- Note (e) Cushing, OK WTI spot price; Source: Energy Information Administration (EIA)
- Note (f) Purchasing Managers Index value above 50 means growth; Source: Institute for Supply Management

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

Calendar Year Ending December 31	Population	Unemployment Rate	Personal Income (amounts in thousands)	Per Capital Personal Income
2005	3,693,050	5.4%	\$ 156,920,733	\$ 42,491
2006	3,886,207	4.0%	178,160,838	45,844
2007	3,935,855	4.2%	194,177,877	49,336
2008	3,984,349	5.5%	190,226,395	47,743
2009	4,070,989	8.1%	196,779,227	48,337
2010	4,092,459	8.3%	183,899,347	44,936
2011	4,178,574	7.2%	204,593,455	48,963
2012	4,253,700	6.0%	224,617,980	52,805
2013	4,336,853	5.5%	N/A	N/A
2014	N/A	N/A	N/A	N/A

- Source: Harris County, Texas Comprehensive Annual Financial Report
- N/A - Not Available

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

(amount in thousands)
(unaudited)

Employer	2014			2005		
	Employees	Rank	Percentage of Area Employment	Employees	Rank	Percentage of Area Employment
Memorial Hermann Healthcare Systems	19,500	1	0.66%	11,209	4	0.47%
MD Anderson Cancer Center	19,290	2	0.65%	-	-	-
United Airlines (formerly Continental)	17,000	3	0.57%	-	-	-%
ExxonMobil Chemical Company	13,191	4	0.45%	-	-	-
The Methodist Hospital System	13,000	5	0.44%	7,492	6	0.31%
Shell Oil Company	13,000	6	0.44%	12,200	2	0.51%
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%	6,082	9	0.25%
Halliburton (KBR spun off)	-	-	-	12,168	3	0.51%
Administaff Inc.	-	-	-	16,668	1	0.70%
JP Morgan Chase	-	-	-	6,835	7	0.28%
St. Luke's Episcopal Health System	-	-	-	5,833	10	0.24%
Hewlett Packard	-	-	-	8,000	5	0.33%
SBC Communications	-	-	-	6,343	8	0.26%
	133,750			92,830		

- Source: Greater Houston Partnership / Houston Business Journal and U.S. Department of Labor-Bureau of Labor Statistics.
- * Based on calendar year.
- Note: Combined Houston-Sugar Land-Baytown, TX area employment for 2014 was approximately 2,960,700 and for 2005 was 2,394,000.

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

Harris County Voters in Presidential Elections (b)

	<u>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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Passenger Cars, Small Trucks and Misc.	3,778,534	3,486,077	3,480,675	3,409,411	3,289,327
Large Trucks	32,603	30,307	38,523	36,839	33,136
Total	<u>3,811,137</u>	<u>3,516,384</u>	<u>3,519,198</u>	<u>3,446,250</u>	<u>3,322,463</u>

- Note (a) Source: Department of Commerce, U.S. Census Bureau
- Note (b) Source: Harris County Tax Assessor - Collector and Voter Registrar
- Note (c) Source: Harris County Tax Assessor - Collector and Voter Registrar

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

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

	2014	2013	2012	2011	2010
Baylor College of Medicine	1,582	1,549	1,525	1,483	1,489
Houston Baptist University	3,128	2,910	2,589	2,432	2,597
Houston Community College	47,415	47,699	47,784	51,384	49,717
Lone Star College System	82,818	77,827	70,833	75,680	63,826
Rice University	6,498	6,490	6,402	6,101	5,879
San Jacinto College:					
Central, South, North	27,911	32,627	33,106	32,730	32,105
South Texas College of Law	1,116	1,185	1,230	1,271	1,295
Texas Southern University	9,233	8,619	9,967	10,026	9,557
Texas Woman's University: Houston	1,347	1,262	1,270	1,307	1,308
University of Houston:					
University Park	40,803	39,498	38,758	39,824	38,752
Downtown	14,439	13,353	13,568	12,918	12,900
Clear Lake	8,668	8,260	8,301	8,188	8,099
University of St. Thomas	3,192	3,525	3,626	3,673	3,520
University of Texas: (e)					
Dental Branch	536	522	503	483	473
Graduate School of Biomedical Sciences	472	514	555	575	586
Medical School	1,045	1,062	1,037	1,017	1,025
School of Biomedical Informatics	171	127	140	136	120
School of Nursing	1,072	1,116	956	963	886
School of Public Health	1,260	1,274	1,298	1,425	1,395
Total	<u>252,706</u>	<u>249,419</u>	<u>243,448</u>	<u>251,616</u>	<u>235,529</u>

Number of Employees

	2014	2013	2012	2011	2010
Harris County (f)	15,244	14,557	14,275	14,923	17,270
Flood Control District (f)	300	290	308	335	421
Port of Houston Authority	542	528	542	578	592

- Note (d) Source: Fall 2014 Enrollment Data from Texas Higher Education Coordinating Board and above school websites
- Note (e) Source: University of Texas Office of Registrar (Fact Book 2015)
- Note (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)

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

- * The maximum depth allowable due to federally authorized channel project depths
- **Woodhouse Terminal is the location of Houston Public Grain Elevator No. 2.

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: thirty-two 40 long ton
- Other Cranes: four 20,000-pound lifters for handling empty containers and two 80,000-pound container-handling machines
- Other Equipment: 38 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: thirty 40-long ton
- Other Equipment: 8 heavy-duty terminal tractors and 61 yard chassis; one 80,000-pound container-handling machine; Cruise Terminal passenger gangway

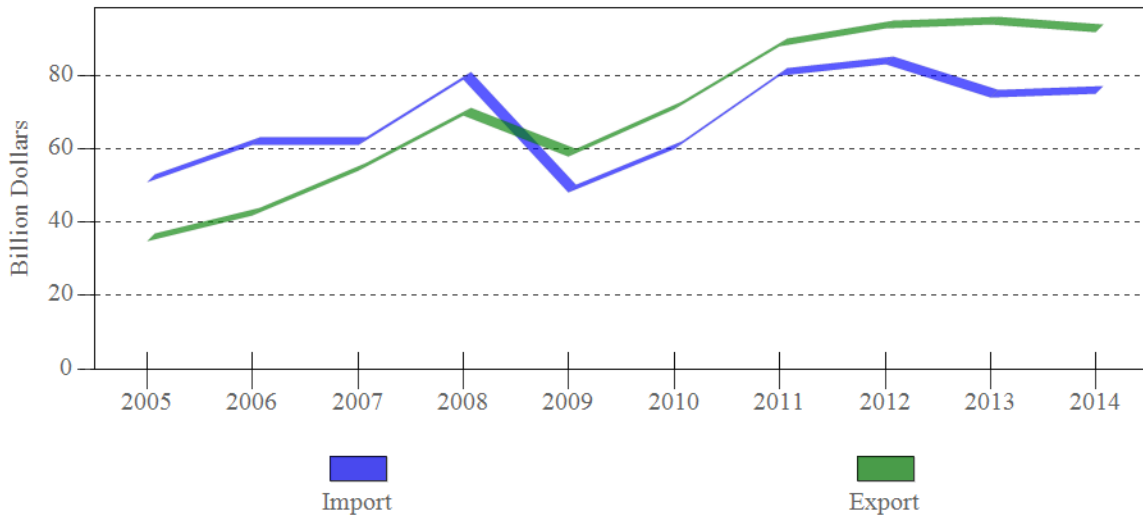
Port of Houston Authority of Harris County, Texas
Freight Traffic Statistics
(in thousands)
(unaudited)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Freight handled by the Authority only (excluding tonnages handled by private terminals) - short tons (a) (d)										
Breakbulk cargo	7,454	5,623	6,688	5,652	3,771	3,768	8,006	6,678	7,546	4,679
Container cargo	19,400	19,112	18,590	17,735	17,038	15,914	16,866	16,425	16,111	15,156
Bulk grain	2,311	2,264	1,294	2,371	2,042	1,560	2,097	1,746	1,606	1,331
Bulk plant	5,191	5,152	4,692	4,209	4,670	4,513	4,521	4,950	4,552	3,561
Other bulk	12,281	12,518	12,771	12,474	12,725	11,032	11,248	10,621	10,622	10,064
Total	46,637	44,669	44,035	42,441	40,246	36,787	42,738	40,420	40,437	34,791
Freight handled by entire Port of Houston (includes tonnage handled by both the Authority and private terminals) - short tons (b) (c) (d)										
Foreign										
Imports	(e)	76,449	83,816	88,889	88,508	84,629	92,019	94,692	106,905	103,190
Exports	(e)	83,102	78,627	78,188	71,053	63,340	54,380	50,650	45,972	41,860
Total Foreign (e)	-	159,551	162,443	167,077	159,561	147,969	146,399	145,342	152,877	145,050
Domestic										
Receipts	(e)	32,442	35,349	32,429	31,091	28,460	28,322	33,409	32,660	28,559
Shipments	(e)	22,116	23,338	22,937	21,389	20,397	22,739	22,665	23,153	23,903
Total Internal (e)	-	54,558	58,687	55,366	52,480	48,857	51,061	56,074	55,813	52,462
Local	(e)	15,137	17,055	15,355	15,092	14,515	14,747	14,648	13,457	14,153
Total	-	229,246	238,185	237,798	227,133	211,341	212,207	216,064	222,147	211,665
Value of foreign trade handled by entire Port of Houston (c)										
Imports	\$ 75,023,441	\$ 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
Exports	92,016,308	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
Total	\$ 167,039,749	\$ 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

- Note (a) Source: The Authority
- Note (b) Source: U.S. Army Corps of Engineers, Waterborne Commerce of the U.S.
- Note (c) Source: Bureau of Census U.S. Department of Commerce
- Note (d) The amounts may have been restated to reflect actual volumes after year-end adjustments.
- Note (e) Amounts not available for 2014

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

Value of foreign freight handled by Port of Houston



Tons of foreign freight handled by Port of Houston



- Note: Foreign tonnage is not available for 2014.

Port of Houston Authority of Harris County, Texas
Cargo Statistics
Last Ten Fiscal Years
(in thousands of short tons)
(unaudited)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total Revenue Tonnage										
Including Bayport companies	46,637	44,669	44,035	42,441	40,246	36,787	42,738	40,420	40,437	37,898
Excluding Bayport companies	37,620	35,825	35,059	33,549	31,317	28,865	35,242	33,225	33,353	28,564
General Cargo (a)	26,854	24,735	25,278	23,387	20,809	19,681	24,871	23,102	23,656	19,942
Bulk Materials Handling Plant	5,191	5,152	4,692	4,210	4,670	4,513	4,521	4,950	4,552	3,561
Grain Elevator #2	2,311	2,264	1,294	2,371	2,042	1,560	2,097	1,746	1,606	1,331
Other Bulk Movements										
Excluding Bayport companies (b)	3,265	3,675	3,796	3,582	3,796	3,110	3,753	3,427	3,538	3,731
Including Bayport companies	9,016	8,843	8,975	8,892	8,929	7,922	7,496	7,194	7,084	6,333
Barbours Cut Terminal										
Bulk (b)	-	-	-	-	3	2	4	-	-	3
General cargo (a)	11,100	10,559	10,117	9,493	9,598	9,420	11,817	14,004	15,226	14,267
Bayport Container Terminal										
General cargo (a)	6,977	7,265	7,355	7,365	6,568	5,803	4,199	1,522	-	-
Steel (a)										
Import	6,343	4,350	5,093	3,674	2,296	2,405	5,976	4,406	5,385	2,559
Export	236	303	391	626	425	251	310	336	243	243
Autos - Turning Basin										
Tons - import (a)	129	143	176	124	110	73	116	114	96	121
Tons - export (a)	13	21	28	27	26	24	32	22	18	25
Units - import	63	71	94	65	59	41	64	61	51	65
Units - export	5	8	11	13	12	12	12	8	7	11
Bagged Goods (a)										
Import	65	53	137	309	50	1	16	44	58	39
Export	57	191	88	198	206	352	346	562	620	526
Container TEU	1,951	1,950	1,935	1,866	1,817	1,799	1,795	1,771	1,608	1,594

- Source: The Authority
- Note (a) Tonnage included in General Cargo above
- Note (b) Tonnage included in Bulk Cargo above

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Houston Ship Channel										
Break bulk	987	1,019	998	914	840	801	891	883	826	772
Bulk carrier	1,003	809	729	702	626	653	920	878	994	858
Containers	1,012	966	1,013	1,037	1,028	953	966	938	998	1,014
Cruise	38	9	-	-	-	-	17	-	-	-
Roll-on/roll-off	9	29	49	49	69	105	130	132	167	164
Tankers	4,746	4,955	4,983	4,885	4,816	4,335	4,595	4,261	4,023	3,923
Tug Tow	386	369	454	355	297	280	411	470	402	164
Vehicle carrier	112	119	138	104	103	75	43	61	50	78
Other	46	16	31	27	70	75	77	80	88	84
Total Vessel Arrivals	8,339	8,291	8,395	8,073	7,849	7,277	8,050	7,703	7,548	7,057
PHA Public Wharves										
Turning Basin										
Ships	1,258	1,121	1,130	1,046	999	962	1,255	1,196	1,177	1,021
Barges	1,016	1,789	1,585	1,528	1,416	1,186	1,546	1,492	1,596	1,556
Bulk Plant, Jacintoport, Care Woodhouse, and HPGE#2										
Ships	597	596	581	613	595	541	669	705	684	710
Barges	611	492	632	586	545	525	485	496	805	635
Barbours Cut and Galveston										
Ships	664	822	771	688	695	704	809	969	1,067	1,122
Barges	113	23	88	51	32	43	46	58	280	517
Bayport Container Terminal										
Ships	356	349	355	374	330	314	225	97	-	-
Barges	107	68	63	59	2	1	1	4	-	-
Bayport Cruise Terminal										
Cruise	38	9	-	-	-	-	17	-	-	-
Layberth	39	42	48	56	49	21	-	-	-	-
Bayport Companies										
Ships	672	732	713	643	704	652	611	632	583	518
Barges	2,145	2,148	2,160	2,206	2,115	1,754	1,657	1,620	1,597	1,597
Total PHA Arrivals										
Ships (a)	3,654	3,661	3,593	3,409	3,372	3,194	3,569	3,599	3,511	3,371
Barges	4,611	4,521	4,533	4,441	4,110	3,509	3,735	3,670	4,278	4,305

- Source: Piers Global Intelligence Solutions
- Note (a) Included in Total Vessel Arrivals for the Houston Ship Channel

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

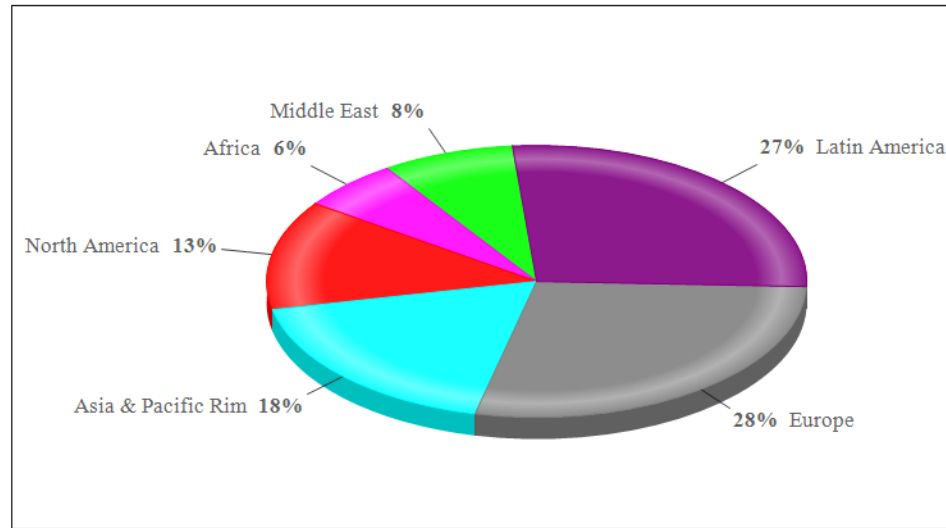
(in thousands)
(short tons) (a)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Cement	-	-	-	-	-	-	-	-	157	179
Coke	3,282	2,712	2,970	3,698	4,673	4,518	4,563	4,979	4,404	3,382
Coal	1,909	2,441	1,729	549	-	-	-	-	-	-
Fertilizer	62	75	18	-	27	26	37	-	-	-
Grain	2,311	2,264	1,286	2,376	2,042	1,560	2,097	1,746	1,606	1,331
Industrial Chemical	10,864	10,563	10,895	10,682	10,989	9,490	8,929	8,957	8,938	8,335
Molasses	253	249	263	241	121	206	234	156	347	283
Petroleum Products	361	581	621	509	549	343	125	43	32	72
Tallow	191	182	251	259	345	320	518	480	419	328
Dry Bulk	356	525	601	555	504	377	964	870	824	995
Vegetable Oil	194	341	105	178	159	252	375	64	-	-
Miscellaneous Bulk	-	-	17	7	28	14	24	23	53	51
Totals	<u>19,783</u>	<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>

- Source: The Authority
- Note (a) Short ton equal 2000 pounds

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

2014 Foreign Trade Through the Port of Houston by Region (\$ Value)

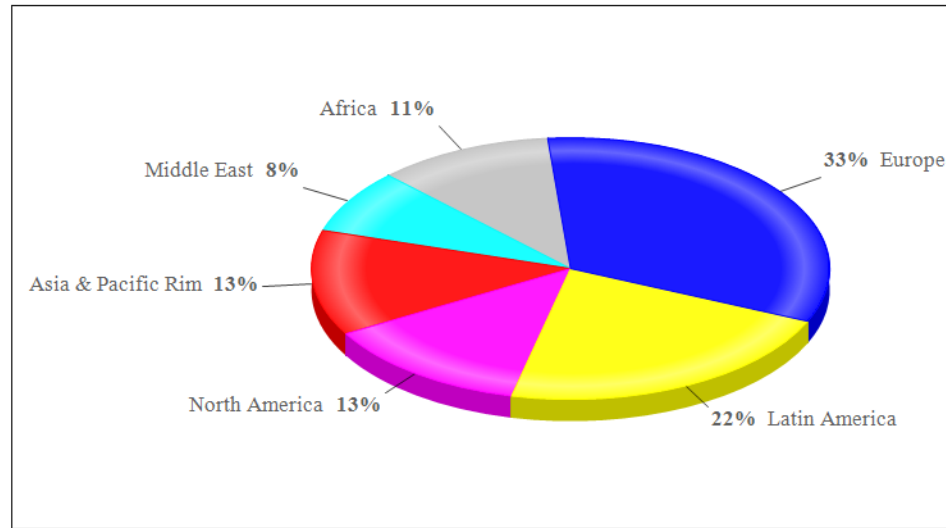


TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2014 (000s)

	<u>Imports</u>	<u>Exports</u>	<u>Total</u>	<u>Percent of World Total</u>
Latin America	\$ 10,715,326	\$ 35,000,081	\$ 45,715,407	27 %
Europe	24,769,416	21,284,869	46,054,285	28 %
Asia & Pacific Rim	15,322,106	14,503,584	29,825,690	18 %
North America	14,235,502	8,189,777	22,425,279	13 %
Middle East	8,363,401	5,517,271	13,880,672	8 %
Africa	1,617,690	7,520,726	9,138,416	6 %
Worldwide Totals	\$ 75,023,441	\$ 92,016,308	\$167,039,749	100 %

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

2005 Foreign Trade Through the Port of Houston by Region (\$ Value)



TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2005 (000s)

	<u>Imports</u>	<u>Exports</u>	<u>Total</u>	<u>Percent of World Total</u>
Europe	\$ 17,704,824	\$ 10,725,890	\$ 28,430,714	33 %
Latin America	9,339,582	9,430,242	18,769,824	22 %
North America	7,702,348	3,870,341	11,572,689	13 %
Asia & Pacific Rim	5,966,125	5,523,744	11,489,869	13 %
Middle East	4,499,046	2,190,178	6,689,224	8 %
Africa	5,980,401	3,068,575	9,048,976	11 %
Worldwide Totals	\$ 51,192,326	\$ 34,808,970	\$ 86,001,296	100 %

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

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Exempt Employees	179	183	182	190	183	182	177	160	146	141
Non Exempt Employees	205	194	206	237	257	253	256	262	260	232
Hourly Employees	158	151	154	151	152	157	162	158	154	147
Total Active Employees	542	528	542	578	592	592	595	580	560	520

- Source: The Authority





PORT OF HOUSTON AUTHORITY

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