



Port of Houston Authority

Comprehensive Annual Financial Report

For the Years Ended December 31, 2015 and 2014

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Prepared By: Office of the Controller Port of Houston Authority

On the cover: The Port of Houston Authority surpassed 2 million twenty-foot equivalent units (TEUs) handled in 2015, setting a new record and solidifying its position as the leading container port on the U.S. Gulf Coast.

Port of Houston Authority of Harris County, Texas

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



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INTRODUCTORY SECTION



April 20, 2016

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, 2015. 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 an independent political subdivision of the state of Texas, operating as a navigation district under Chapter 5007, Texas Special District Local Laws Code, having boundaries generally coterminous with Harris County, Texas. Governance of the activities of the Authority is the responsibility of our Port Commission composed of seven commissioners. Two are appointed by Harris County Commissioners Court, two by the City Council of the City of Houston, one by the City Council of the City of Pasadena 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 583 active, regular employees as of December 31, 2015 and in addition, utilized 297 full-time equivalent workers throughout the year from local longshoremen union halls.



The Port of Houston ("Port") opened as a deep draft port in November 1914. The Houston Ship Channel (the "Channel"), the heart of the Port complex, extends 52 miles inland from the Gulf of Mexico to the City of Houston. The Port consists not only of the Authority's public terminals and wharves, but also includes more than 150 privately-owned facilities along the upper half of the Channel. The Port is host to the world's second largest petrochemical complex and is ranked first in the nation for foreign waterborne tonnage, and second in terms of total tonnage.

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 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, both by direct operations or offering certain facilities for lease.

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 cargo and has 36 acres of heavy-duty paved marshaling area.

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 approximately 3,348 acres of developed properties, including approximately 5 million square feet of improvements, much of which is leased or rented to third parties who independently maintain and operate facilities within 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.

The Maersk, Inc. lease at BCT was terminated in 2015 and Maersk vessels now call at Bayport. 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. The facilities at Jacintoport Terminal are leased to Jacintoport International, LLC, a subsidiary of 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. The

ethane export project is scheduled for completion in 2016. Enterprise successfully reconstructed Wharf 7 at BCT relating to its liquefied petroleum gas export facility and that wharf became operational in November 2015.

Sections of the wharves at BCT, Care Terminal, Jacintoport Terminal, Bulk Materials Handling Plant, Sims Bayou and 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 Authority and private terminal berths and collects fees for placement area use.

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

The Authority also owns or manages over 11,800 acres of submerged land in Harris County. The Authority is the non-federal sponsor of the Houston Ship Channel, responsible primarily 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. In 2011, the Authority opened new administration and operations buildings at Bayport. The Authority also offers a cruise terminal facility in Pasadena, Texas adjacent to Bayport. Princess and Norwegian Cruise Lines have been the primary users of that terminal for several years, but are not expected to call at the terminal after April 2016.

In 2014, the Authority secured permits to deepen channels, berths and turning basins at Bayport and BCT. The Barbours Cut channel improvements were completed in 2015 and the U.S. Army Corps of Engineers officially assumed maintenance of that channel. The Corps also approved assumption of maintenance of the Jacintoport Channel, and is expected to reassume maintenance of the Bayport Channel upon its completion. These federal actions will relieve 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 slowed in 2015. According to an estimate released by the U.S. Department of Commerce, Bureau of Economic Analysis, real gross domestic product ("GDP") grew 1.8% in 2015 (measured from the fourth quarter of the prior year) compared to 2.5% in 2014. Real GDP in the fourth quarter of 2015 primarily reflected positive contributions from personal consumption expenditures, residential fixed investment, and federal government spending that were partly offset by negative contributions from private inventory investment, exports, and nonresidential fixed investment. Imports, a subtraction in the calculation of GDP, increased.

The oil and gas industry continued to face challenges from global oversupply. In early December 2015, after exceeding its production ceiling for 18 consecutive months, the

Organization of Petroleum Exporting Countries ("OPEC") set aside its ineffective production ceiling until its next conference in June 2016. As a result, the price of crude oil dropped below \$30 per barrel. Congress also voted to lift a self-imposed 40-year ban on oil exports.

During 2015, much attention was focused on monetary policy and the timing for the Federal Reserve Bank's first interest rate hike since 2006. Concerns over Greece, China, Puerto Rico and a weak August unemployment report are believed to have delayed its action until December 16, 2015, when the Federal Reserve raised the Fed Funds rate by 0.25% and signaled that further increases were likely. Since that time, Federal Reserve Chair Janet Yellen has acknowledged that financial conditions in the U.S. have become "less supportive of growth." However, recent stock market declines and the damage resulting from the strengthening dollar may cause the Federal Reserve to deviate from its original plan, as China's slowing economy and currency devaluation have "exacerbated concerns about the outlook for global growth" and contributed to the recent decline in oil prices and other commodities. Interest rates remain volatile.

The labor market reported positive news in 2015, with 2.65 million jobs created at U.S. companies. It was the second best year of job growth since 1999. The labor market participation rate rose from 62.5% to 62.6% in December, still near a 37-year low, but headed in the right direction. Unemployment remained at 5.0% for the third straight month.

The U.S. economic outlook for 2016, although somewhat weaker than 2015, is still projected to show real GDP growth of 2.1%, on an annual-average over annual-average basis, according to the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters released in February 2016. The GDP growth estimates for 2017, 2018 and 2019 are also positive at 2.4%, 2.7% and 2.3%, respectively. With regard to the labor market, forecasters predict that the unemployment rate will average 4.8% in 2016, before falling to 4.6% in 2017, 4.6% in 2018, and 4.7% in 2019. In addition, the panelists have revised upward their estimates for job gains in the annual-average level of nonfarm payroll employment, with a monthly rate of 204,300 in 2016 and 165,000 in 2017.

According to the International Trade Report released by the U.S. Census Bureau and the U.S. Bureau of Economic Analysis in February 2016, Texas ranks as the top exporting state in the nation. With exports of over \$251 billion, Texas accounted for more than 16% of U.S. goods exported in 2015. The greater Houston metropolitan area is also recognized as the largest export market in the nation since 2012, when it surpassed the New York metropolitan area. The top exporting industries are petroleum and mineral products, chemicals, computer and electronic products, non-electrical machinery, civilian aircraft, engines and other transportation equipment. A significant portion of this export commerce is accommodated through the Authority's public terminals.

While the energy industry continues to struggle with announced layoffs and reductions in capital investment, the Authority and the local region should continue to experience positive job growth in 2016, due to its diversification. As mentioned in "*The Economy at a Glance*," a publication of the Greater Houston Partnership, nine sectors reported growth, including construction, retail trade, administrative support, educational services, healthcare, arts, entertainment and recreation, accommodations, food services and government.

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, fiscally sound business practices and 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 new 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 2016, the Authority budgeted total operating revenues of \$301 million. This represents a 12% increase over the 2015 budget of \$267 million, primarily reflecting anticipated growth of import and export container loads. Total operating and general and administrative expenses are budgeted at \$246 million, a 7% increase versus the prior year, related to capital investments and container volumes. Excluding revenues and expenses related to property taxes, the Authority projects net income of \$55 million for 2016, or 49% higher than the 2015 budget. The Authority also expects to generate annual cash flows of \$120-\$160 million per annum over the next several years.

During 2015, the Authority invested \$91 million in capital improvements, funded from the Authority's general fund and from grant monies received from federal and other governmental programs. The proceeds from tax bonds issued in prior years have been fully expended.

Infrastructure improvements 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. Replacing aging facilities with more modern equipment and terminals also supports the Authority's mandate to facilitate commerce, navigation, and safe waterways.

In 2016, the Authority expects to commit \$314 million for various capital projects. Approximately \$193 million will be allocated to the container terminals for continuing development of Bayport and modernization at Barbours Cut, \$65 million is designated for channel development projects and another \$34 million relates to improvements at the general cargo and bulk terminals in the Turning Basin area. The remaining 2016 capital budget funds will be used for railroad improvements, port security, building renovations and information technology.

Major Initiatives

Strategic Plan

With sights set to the future, a new strategic plan was approved in 2015 that defines what success looks like for the Authority and creates the goals for the organization as it moves forward. The plan was developed through a collaborative process under the leadership of the Port Commission, with comprehensive engagement by staff, community members, port stakeholders, and industry.

The mission statement conveys the core purpose of the Authority, which is *to Move the World and Drive Regional Prosperity*. The Authority will strategically plan to deliver the vision to become *America's Distribution Hub for the Next Generation*. Throughout 2016 and beyond, staff focus will remain on four key strategic goals, which include investing in people and organizing for success, growing and diversifying the business base, providing and facilitating infrastructure to meet demand and sustaining the business for the long-term. The goals and objectives will help focus the Authority's efforts and resources and guide planning and decision-making by staff to fulfill the vision and mission.

Terminal Improvements

The Authority continues the development of Bayport, including Wharf 2 master planning as well as Container Yard 6 North and South expansion projects taking place throughout 2016. The Authority was awarded a \$10 million Transportation Investment Generating Economic Recovery ("TIGER") grant by the U.S. Department of Transportation to be used toward the Bayport wharf expansion project. When completed, it will provide a total of 4,000 feet of wharf and create the capacity for three additional Super Post Panamax ("SPP") Ship To Shore ("STS") cranes, increasing the terminal total to 12. The channel improvement dredging project, currently underway, is scheduled for completion in 2016. Container Yard 6 North, set for completion in 2016, will consist of 25 acres of grounded container marshaling area and be followed by the delivery of nine new rubber-tired gantry ("RTG") cranes. The first five RTGs are expected to arrive in April and the second four in mid-summer 2016. The additional yard and cranes should provide the necessary space and equipment to meet volume projections and maintain the highest service levels to the Authority's customers as the footprint continues to expand.

Construction of Container Yard 6 South, another 25-acre grounded container marshaling area, is planned to begin in 2016. Related to and in preparation for terminal expansion due to predicted volume increases, eight additional entry gate lanes will be constructed. The project has already begun mobilization with construction beginning in the first half of 2016 and is projected to take six to nine months to complete. To continue to facilitate the expansion of Bayport further south and provide eventual intermodal warehousing and rail access, the construction of a container freight station road is underway with an expected completion date in the fall of 2016. The Authority is also in the final stages of installing an upgraded wireless network at Bayport to provide better connectivity between equipment and the Bayport Terminal operating systems.

Redevelopment continues to progress for BCT. The Authority capped off the Wharf 1 reconstruction and rehabilitation project at the end of 2015 with the commissioning of four new SPP STS cranes. These four cranes, similar to the configuration of those at Bayport, are a major component in the revitalization of the terminal and provide the capability to service growing vessel sizes. The channel improvement dredging project, run in parallel with the Bayport dredging project, was completed in the third quarter of 2015.

The next phase of BCT wharf redevelopment has begun with Wharf 2. Wharf 2 rehabilitation is scheduled for completion in July 2017. When completed, it will consist of 1,000 feet of refurbished berthing and capacity for three new SPP STS cranes, which are currently on order. The three new STS cranes are planned for delivery in 2017 and will bring the total at BCT to seven SPP STS cranes. In preparation for providing the power needed to operate these next generation cranes, an electrical substation is being separately constructed on the west end of the terminal by CenterPoint Energy and is scheduled for completion in the summer of 2017.

The BCT East End Reconstruction project totaling 43 acres is in the final stages of planning and is expected to begin construction in the second quarter of 2016. It will repurpose warehouse and freight handling areas for container stacking, and rebuild aging infrastructure, along with truck bypass lanes, to support the higher cargo velocity in the terminal.

These container yard projects 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 ensure this remains the case, the Barbours Cut Master Plan will undergo updates throughout 2016 to include the property formerly leased by Maersk, Inc.

To add to the economic value of the Authority's Turning Basin operations, construction is underway to recapitalize aging facilities. An additional 18 acres of concrete has been added to the 115-acre East Industrial Park area to expand the ability to handle more project cargo next to Wharf 32, while the roll-on roll-off ramp at the Woodhouse facility was restored to attract more business across its docks. In addition, the Authority has an ongoing project to demolish aged and obsolete assets at the Turning Basin and Woodhouse, for the purpose of redevelopment of prime waterfront property and other real estate. Finally, an assessment of docks at the general cargo facilities is ongoing to determine if needed repairs are necessary and if potential improvements would facilitate 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 Barbours Cut channels, and improvements to the upper reaches of the main Houston Ship Channel – potentially the first modifications of the latter 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

The Health, Safety, Security and Emergency Management Division ("HSSE") continued to keep Authority personnel, visitors and assets safe and secure in 2015. Each department within the division reported success and growth throughout the year. This includes the opening of a new fire station at the Turning Basin, the hiring of a Security Director to fill a newly-created position, a reduction of the Authority's safety incident rate by approximately 30%, the initiation of the "See Something, Hear Something, Do Something" campaign and the implementation of a new emergency notification system.

Over 98% of Authority employees participated in the recently completed Safety Perception Survey, providing feedback for further improvement and completing a strategic goal. In 2016, the Authority also expects the arrival of a new Mobile Command Center, purchased primarily with Port Security Grant funding received from the Department of Homeland Security.

Environmental

The Environmental Affairs Department ("EAD") maintained the Authority's commitment of continuous improvement of pollution prevention and environmental compliance throughout 2015. EAD provided port-wide support to maintain and improve environmental compliance and stewardship, 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 in place 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 2015, a total of 114 environmental compliance audits were conducted at tenant facilities, with 225 audit findings identified. Three 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 nonoperation-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 2015 the Authority recognized \$2.1 million of contributions to state and local agencies in the Nonoperating revenues (expenses) section of the statements.

The integrity and accuracy 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. The Authority's Internal Audit Department ("IAD") enhances focus and provides structure to this function. The IAD adheres to: 1) the Government Auditing Standards (commonly referred to as the "*Yellow Book*") as promulgated by the Government Accountability Office and 2) the International Standards for the Professional Practice of Internal Auditing as issued by the Institute of Internal Auditors (known as the "*Red Book*"). Management utilizes IAD's annual internal audit plan, supported by an enterprise risk assessment, as a tool in fulfilling its responsibility. Management also 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 controls 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 controls, misstatements arising from error or fraud may occur and not be detected. Also, projections of any evaluation of internal controls 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, 2015 and 2014 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, 2015 and 2014, 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, 2014. This was the 41st 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 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 in 2012 and 2013, and Platinum Level Awards in 2014 and 2015. The latest award designation is valid for one year until June 2016.

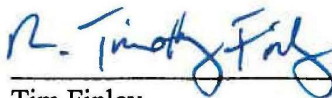
Acknowledgements

The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the staff of the Authority's Finance 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



Tim Finley
Chief Financial Officer



Curtis Duncan
Controller



Government Finance Officers Association

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

Presented to

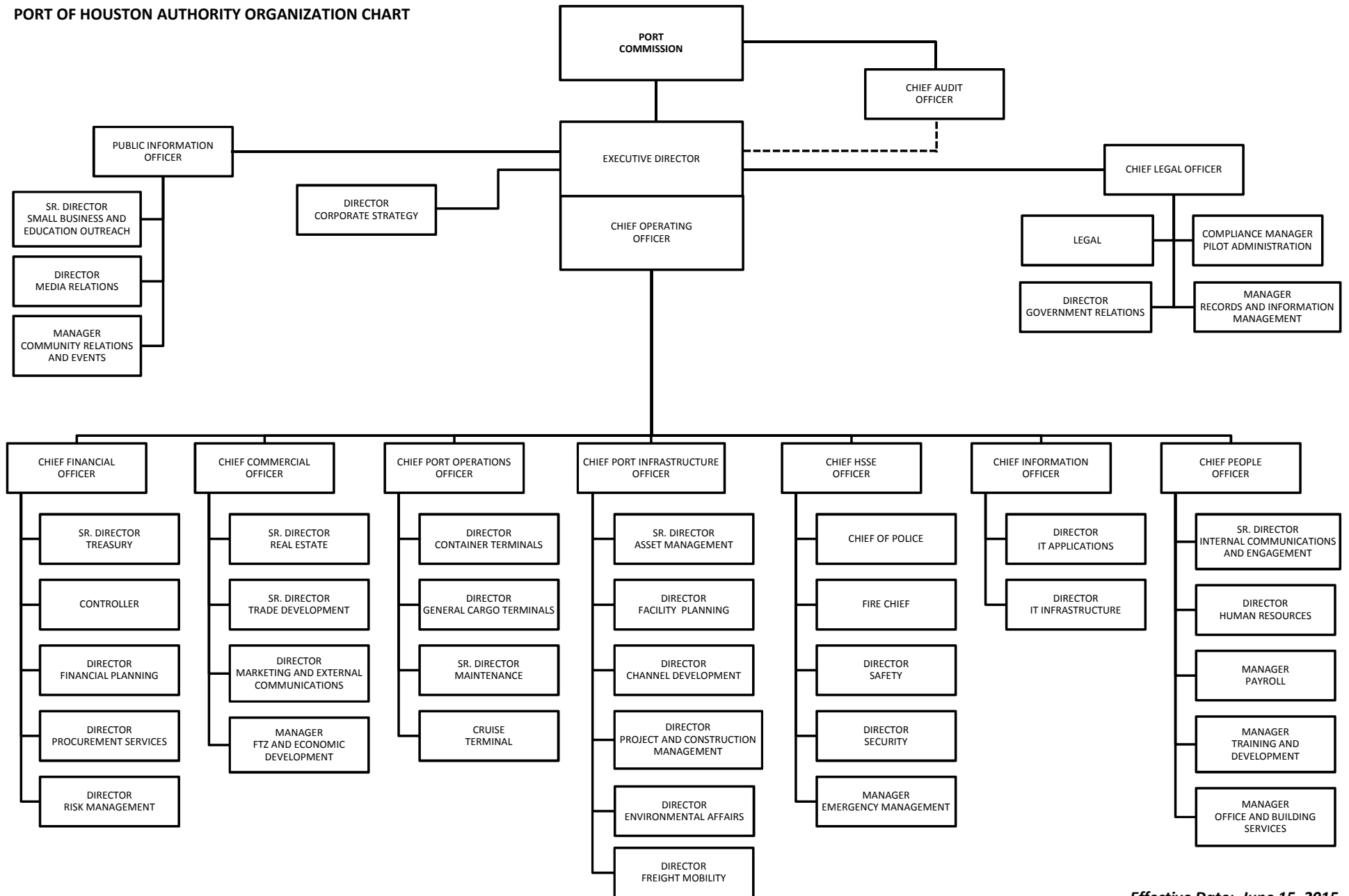
**Port of Houston Authority
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO

PORT OF HOUSTON AUTHORITY ORGANIZATION CHART



Effective Date: June 15, 2015

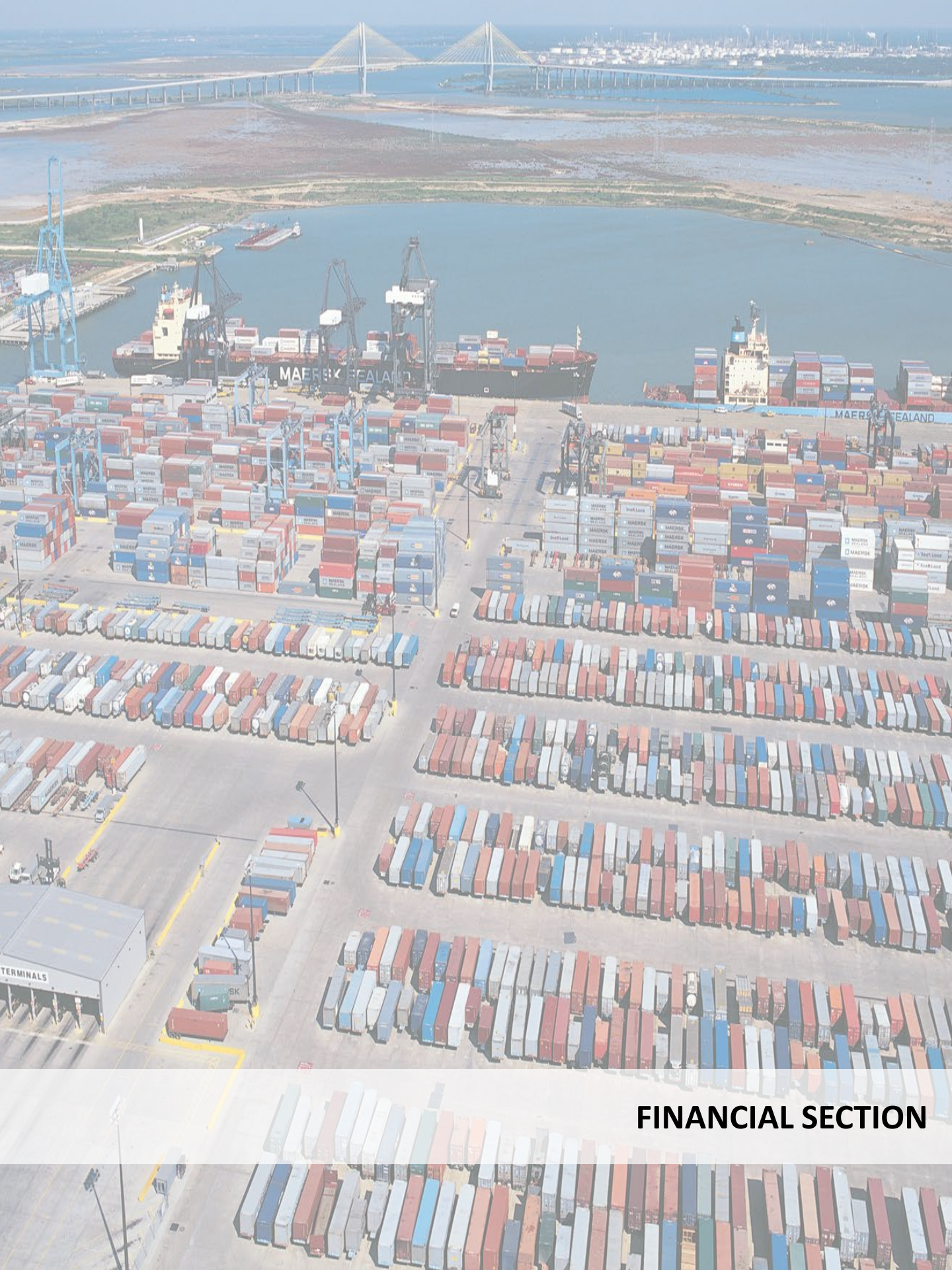
**Port of Houston Authority of Harris County, Texas
Directory of Officials**

Port Commission

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

Other Officials

Roger D. Guenther, Executive Director
Thomas J. Heidt, Chief Operating Officer
Erik A. Eriksson, Chief Legal Officer
Ricky Kunz, Chief Commercial Officer
Jeff Davis, Chief Port Operations Officer
Marcus Woodring, Chief Health, Safety, Security
and Emergency Operations Officer
Charles Thompson, Chief Information Officer
Phyllis Saathoff, Chief People Officer
Tim Finley, Chief Financial Officer
Maxine N. Buckles, Chief Audit Officer
Curtis E. Duncan, Controller
Orlando Sanchez, County Treasurer



FINANCIAL SECTION





REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Port Commission
Port of Houston Authority of Harris County

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700 Milam Street
Suite 300
Houston, TX 77002
T 832-476-3600
www.GrantThornton.com

Report on the financial statements

We have audited the accompanying statements of net position and the related statements of revenues, expenses, and changes in net position, and cash flows, of the Port of Houston Authority of Harris County, Texas (the “Authority”) as of and for the years ended December 31, 2015 and 2014, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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, 2015 and 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a matter

As discussed in Note 1 to the financial statements, the Authority adopted new accounting guidance in 2015 related to the accounting for pensions. Our opinion is not modified with respect to this matter.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Port of Houston Authority Restated Retirement Plan Schedule of Changes in Net Pension Liability and Related Ratios, Port of Houston Authority Restated Retirement Plan Schedule of Port Authority Contributions, Port of Houston OPEB Trust Schedule of Funding Progress, and Port of Houston Authority OPEB Trust Schedule of Employer Contributions as listed in the table of contents 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 74 through 101, 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 19, 2016, 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

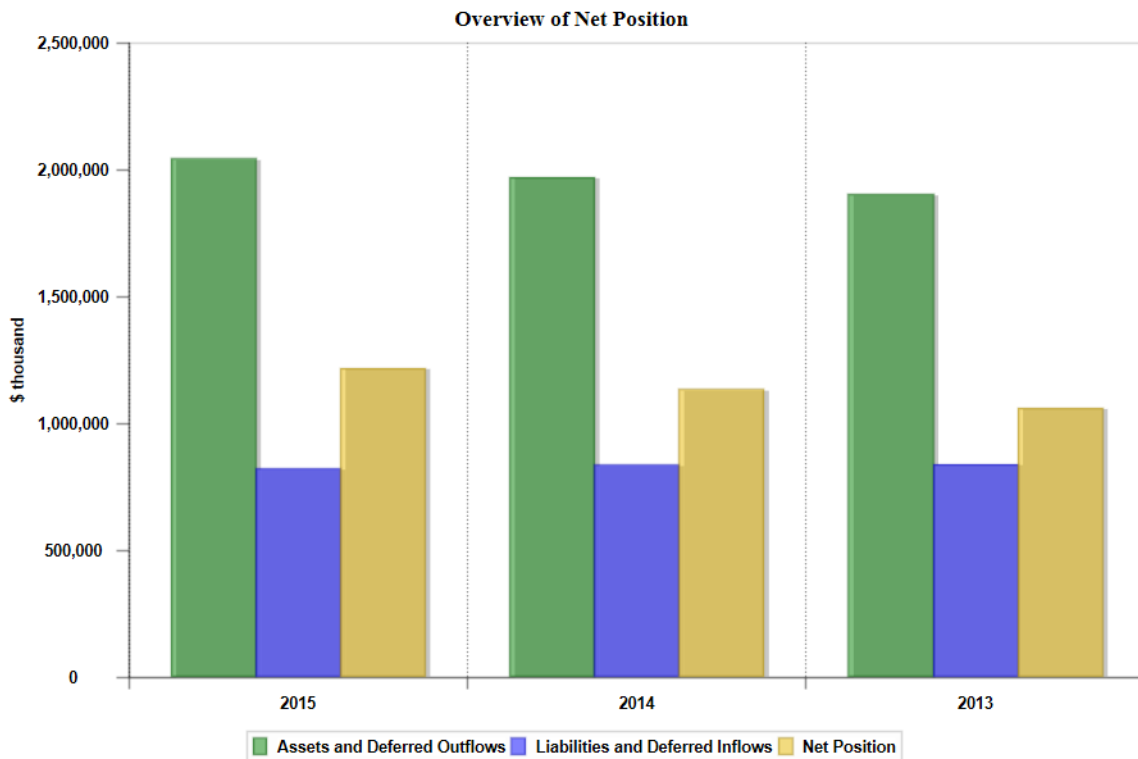
April 20, 2016

Port of Houston Authority of Harris County, Texas
Management's Discussion and Analysis
For the Years Ended December 31, 2015 and 2014
(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, 2015 and 2014.

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 plus deferred outflows of resources and liabilities plus 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 2015

- The net position of the Authority at December 31, 2015 was \$1,219,350, increasing \$85,413 or 8% over the prior year.
- The Authority's total assets and deferred outflows increased by \$71,241 or 4% during the fiscal year ended December 31, 2015. The majority of this change stems from an increase in cash and investments of \$29,601 plus an increase in capital assets of \$25,452.
- The Authority's total liabilities and deferred inflows decreased by \$14,172 or 2%; the majority of this change stems from a decrease of \$19,438 in long-term debt.
- Current assets exceeded current liabilities by \$313,511.
- Net investment in capital assets (net of accumulated depreciation and debt) grew 6% to \$794,075.
- Operating revenues were \$293,736, a new record for the Authority, reflecting growth of 11% over the prior year.
- Total operating expenses were \$225,928, a growth of 4% over the prior year.
- The Authority generated operating income of \$67,808, setting a new record and reflecting growth of 44% over fiscal 2014.

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, including the accrual basis of accounting and application of Governmental Accounting Standards Board ("GASB") pronouncements, 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 retirement plan and other postemployment benefits.

Financial Analysis

The largest portion of the Authority's net position (65%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets. 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 (3%) represents resources that are restricted for debt service. The remaining balance of unrestricted net position (32%) 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)

	2015	2014 Restated	2013
	<u> </u>	<u> </u>	<u> </u>
Assets			
Current and other assets	\$ 518,278	\$ 482,885	\$ 462,453
Capital assets	<u>1,505,636</u>	<u>1,480,184</u>	<u>1,433,134</u>
Total Assets	2,023,914	1,963,069	1,895,587
Deferred Outflows of Resources	<u>18,266</u>	<u>7,870</u>	<u>7,248</u>
Total Assets and Deferred Outflows of Resources	<u>2,042,180</u>	<u>1,970,939</u>	<u>1,902,835</u>
Liabilities			
Long-term liabilities (including current portion)	773,991	791,442	798,975
Other liabilities	<u>44,605</u>	<u>41,263</u>	<u>41,518</u>
Total Liabilities	818,596	832,705	840,493
Deferred Inflows of Resources	<u>4,234</u>	<u>4,297</u>	<u>366</u>
Total Liabilities and Deferred Inflows of Resources	<u>822,830</u>	<u>837,002</u>	<u>840,859</u>
Net Position			
Net investment in capital assets	794,075	749,755	685,717
Restricted	41,853	43,290	51,793
Unrestricted	<u>383,422</u>	<u>340,892</u>	<u>324,466</u>
Total Net Position	<u>\$ 1,219,350</u>	<u>\$ 1,133,937</u>	<u>\$ 1,061,976</u>

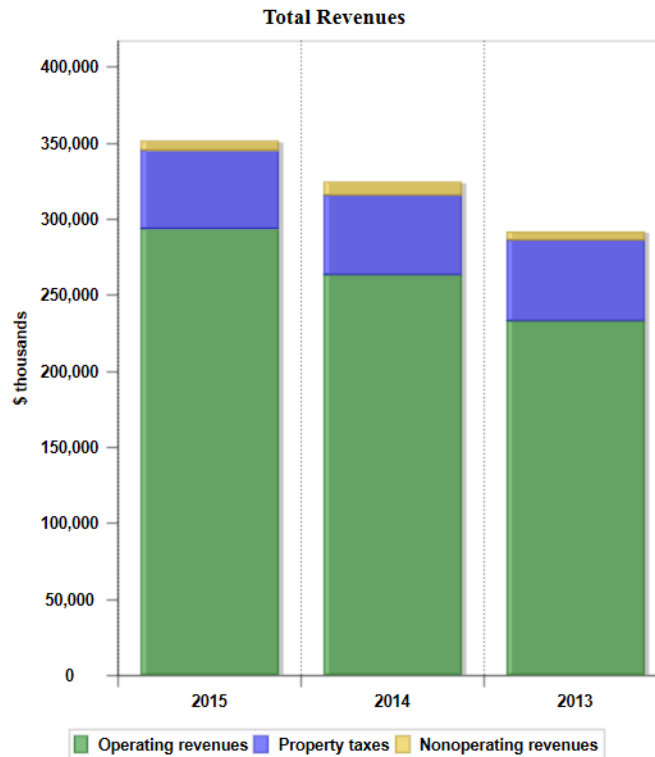
The Authority's net position increased by \$85,413 during the fiscal year ended December 31, 2015. Net investment in capital assets increased \$44,320 resulting from a net increase in capital assets of \$25,452 and a decrease in outstanding bonds payable of \$19,113. During fiscal year 2015, restricted net position decreased \$1,437 while unrestricted net position increased \$42,530.

The Authority's net position increased by \$71,961 during the fiscal year ended December 31, 2014. During fiscal year 2014, net investment in capital assets increased \$64,038 with 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 \$16,426.

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)

	2015	2014 Restated	2013
Operating revenues:			
Vessel and cargo services	\$ 267,277	\$ 238,083	\$ 200,101
Rental of equipment and facilities	17,120	17,763	25,114
Grain elevator	1,567	1,821	592
Bulk materials	4,019	4,270	2,665
Other	3,753	1,960	5,201
Nonoperating revenues:			
Investment income (loss)	4,142	4,913	(435)
Contribution in aid of construction	610	-	5,000
Other	1,279	3,291	683
Nonoperating revenues related to property taxes:			
Property taxes	51,280	51,955	52,534
Investment income on bond proceeds	120	162	348
Total Revenues	351,167	324,218	291,803
Operating expenses:			
Maintenance and operations of facilities	123,433	121,899	103,353
General and administrative	42,297	37,812	41,845
Depreciation and amortization	60,198	57,190	56,057
Nonoperating expenses:			
Contributions to state and local agencies	2,147	1,464	1,949
Loss on disposal of assets	2,849	1,220	91
Other	338	-	-
Nonoperating expenses related to property taxes:			
Interest expense on unlimited tax bonds	33,114	33,459	33,188
Property tax collection expense	1,039	1,175	994
Other	455	408	477
Total Expenses	265,870	254,627	237,954
Income before capital contributions	85,297	69,591	53,849
Capital contributions from federal agencies	116	2,370	13,846
Changes in net position	85,413	71,961	67,695
Net position, January 1	1,133,937	1,061,976	994,281
Net position, December 31	\$ 1,219,350	\$ 1,133,937	\$ 1,061,976



In 2015, Operating revenues increased \$29,839 or 11% to \$293,736 led by growth in Vessel and cargo services revenues. The Authority's container facilities experienced a record-high 2.1 million twenty-foot equivalent units ("TEUs") for the year, an increase of 9% from 2014, though total Authority tonnage declined 3% to 45 million tons in 2015 as steel imports dropped as a result of slowdowns tied to depressed oil prices. Other operating revenues increased \$1,793 or 91% primarily from growth in dredge material placement fees.

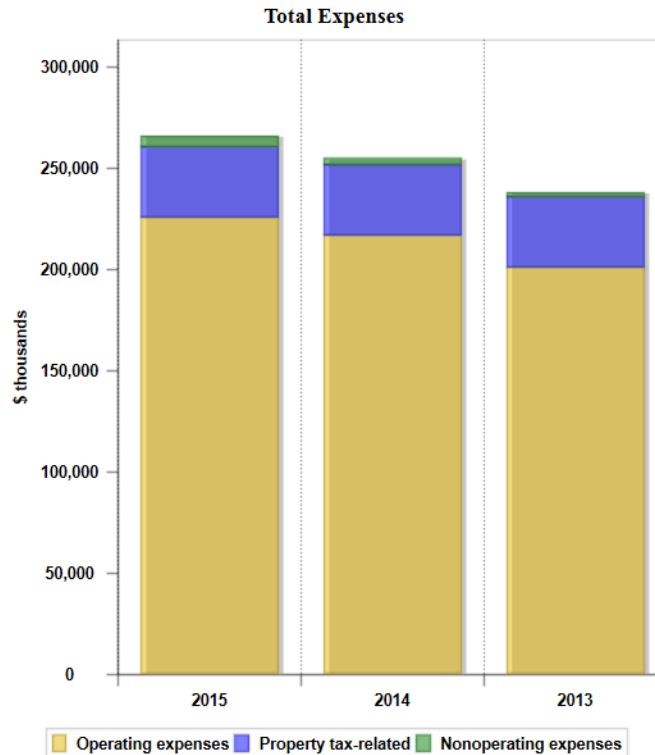
Nonoperating revenues related to property taxes in fiscal 2015 decreased \$717 due to a decrease in the property tax rate from \$0.01531 in 2014 to \$0.01342 in 2015 per \$100 assessed valuation.

Nonoperating revenues in 2015 decreased \$2,173 due primarily to a decline in insurance recoveries and expense reimbursements associated with deepening and widening projects in the prior year.

For fiscal 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 handled 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 2014 decreased \$765 from fiscal 2013 due to the decreased property tax rate from \$0.01716 in 2013 to \$0.01531 in 2014.

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



In 2015, Operating expenses increased by \$9,027 or 4%, largely driven by higher maintenance and operation of facilities expenses tied to growth in container volumes. General and administrative expenses increased by \$4,485 or 12% from 2014 relating primarily to investments in strategic planning and related initiatives. Depreciation increased by \$3,008 or 5% due in large part to recapitalization projects at the container terminals.

Nonoperating expenses related to property taxes, reflecting predominantly interest expense on unlimited tax bonds, decreased \$434 over 2014.

Nonoperating expenses in 2015 increased \$2,650 due in part to higher losses on disposal of assets incurred this year.

For fiscal 2014, Operating expenses increased by \$15,646 or 8%, largely driven by higher maintenance and operation of facilities expenses tied to growth in container and general cargo tonnage. General and administrative expenses decreased 10% from 2013 while Depreciation increased by 2%.

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 a loss on disposal of capital assets related to retirement of rubber-tired gantry ("RTG") cranes.

Capital Assets

The Authority's investment in capital assets as of December 31, 2015 totaled \$1,505,636 (net of accumulated depreciation), an increase of \$25,452 or 2% over the prior year.

Major capital asset activity (before depreciation) during 2015 included the following:

- Land and channel improvements and Land use rights increased by \$7,979 primarily due to projects associated with deepening and widening of the Barbours Cut ship channel.
- Buildings increased \$5,413 due to construction at the Turning Basin.
- Improvements other than buildings increased \$40,534 primarily due to the expansion of the Staging Yard at Industrial Park East and repavement of Middle Yard 4 at Barbours Cut.
- Machinery and equipment net increases totaled \$64,084 in 2015. This includes additions of \$66,858, offset by \$2,774 of retirements. The additions primarily consisted of the purchase of four wharf cranes for \$53,446 at Barbours Cut.
- No net capitalized interest was added to the cost of assets for 2015 as all construction bond funds were expended in 2014.
- Construction-in-progress decreased \$36,969 in 2015 due primarily to the 4 wharf cranes placed in service at Barbours Cut.
- Accumulated depreciation net of retirements increased by \$56,481 in 2015.

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

Major capital asset activity (before depreciation) 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 of the Bayport and Barbours Cut ship channels.
- 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.

Port of Houston Authority of Harris County, Texas

Capital Assets

(net of depreciation)

(in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Land and channel improvements	\$ 394,626	\$ 386,849	\$ 382,629
Land use rights - intangible	11,777	11,575	11,246
Buildings	87,138	86,671	89,607
Improvements other than buildings	689,570	681,685	654,246
Railroads	23,395	24,657	25,928
Machinery and equipment	211,643	163,659	151,008
Computer software - intangible	2,100	2,732	4,487
Construction-in-progress	<u>85,387</u>	<u>122,356</u>	<u>113,983</u>
 Total Capital Assets, net	 <u>\$ 1,505,636</u>	 <u>\$ 1,480,184</u>	 <u>\$ 1,433,134</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 2015, the Authority had total debt outstanding of \$717,632 (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 2014, the Authority had total debt outstanding of \$736,745 (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>2015</u>	<u>2014</u>	<u>2013</u>
General Obligation Bonds			
Unlimited Tax Port Improvement Bonds	\$ 90,202	\$ 95,268	\$ 95,374
Unlimited Tax Refunding Bonds	<u>627,430</u>	<u>641,477</u>	<u>658,924</u>
Total General Obligation Bonds	717,632	736,745	754,298
Less Current Maturities	<u>(16,275)</u>	<u>(15,950)</u>	<u>(15,245)</u>
Long-Term Debt (net of unamortized premiums/discounts)	<u>\$ 701,357</u>	<u>\$ 720,795</u>	<u>\$ 739,053</u>

During 2015, the Authority issued \$115,970 par value of Series 2015A, 2015B and 2015C unlimited tax refunding bonds at a premium. The bond proceeds net of issuance cost, were used to refund \$128,130 in par value relating to Series 2002A, 2005A, 2005B, 2006B and 2006C. Interest expense for 2015 on the unlimited tax bonds decreased by \$345.

The Authority's total debt principal outstanding decreased \$28,110 during 2015. The key factors for this decrease were the scheduled debt service payment of \$15,950 and the refunding of \$128,130 of unlimited tax bonds, partially offset by the issuance of \$115,970 related to Series 2015A, 2015B and 2015C.

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.

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

<u>Year</u>	<u>Fitch</u>	<u>Moody's</u>	<u>S & P</u>
2015	AAA	Aaa	AAA
2014	AAA	Aaa	AAA

In September 2015, the Authority executed a \$300 million note purchase program with a group of banks in order to provide the capability for the Port Commission to continue to award capital projects, as unencumbered operating cash flows were projected to be depleted in fiscal 2016. This form of financing is not considered a long-term solution as any funds actually drawn must be repaid by September 2018, but is an interim measure while decisions are being made regarding financing alternatives. No encumbrances or draw-downs against the program have occurred as of December 31, 2015.

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 2016 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 latest estimates show the U.S. economy continuing its recovery with GDP growth of 2.1% expected in 2016. According to the Bureau of Labor Statistics, the consumer price index ("CPI") increased 0.7% in 2015 on an unadjusted basis, compared to an average annual increase of under 2.2% over the last 16 years. Low inflation is expected to continue in 2016, increasing about 1.9% according to Trading Economics, a global economics research firm.

The Texas regional economy continued its modest growth through the end of 2015 even as the near-term outlook dimmed due to oversupply and falling energy prices. The manufacturing sector experienced softness in 2015, a trend that may continue into 2016 in relation to a higher concentration of energy-related manufacturing present in the durable goods subsectors in Texas. On the upside, the Texas service sector continues to show resilience during this most recent slump in oil prices. The Federal Reserve Bank of Dallas forecasts 2016 employment growth in Texas of 1.1%, in line with modest growth expectations for the regional economy.

The Authority's 2016 budget reflects expected growth of export and import loads of 2.7%, with a 2.5% increase in empty container volume. Steel tonnage is expected to decrease by 12% in 2016 due to the continued decline in oil prices and the slowdown in related 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, 2015 and 2014
(in thousands)

	2015	2014 Restated
	<u> </u>	<u> </u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 59,894	\$ 37,350
Short-term investments	225,710	140,915
Receivables (net of allowance for uncollectibles)	30,318	26,749
Restricted assets		
Cash and cash equivalents	11,078	18,413
Property tax receivables	44,129	38,484
Inventories	-	16
Prepays and other current assets	3,262	3,635
	<u> </u>	<u> </u>
Total Current Assets	<u>374,391</u>	<u>265,562</u>
Noncurrent Assets		
Investments	136,580	206,983
Net pension asset	-	5,725
Prepays and other noncurrent assets	7,307	4,615
Capital Assets (net of accumulated depreciation)		
Land and channel improvements	394,626	386,849
Land use rights - intangible	11,777	11,575
Buildings	87,138	86,671
Improvements other than buildings	689,570	681,685
Railroads	23,395	24,657
Machinery and equipment	211,643	163,659
Computer software - intangible	2,100	2,732
Construction-in-progress	85,387	122,356
	<u> </u>	<u> </u>
Total Capital Assets	<u>1,505,636</u>	<u>1,480,184</u>
Total Noncurrent Assets	<u>1,649,523</u>	<u>1,697,507</u>
Total Assets	<u>2,023,914</u>	<u>1,963,069</u>
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	11,642	1,023
Deferred loss on bond refunding	6,624	6,847
	<u> </u>	<u> </u>
Total Deferred Outflows of Resources	<u>18,266</u>	<u>7,870</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,042,180</u>	<u>\$ 1,970,939</u>

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Net Position As of December 31, 2015 and 2014 (in thousands)

	2015	2014 Restated
Liabilities		
Current Liabilities		
Accounts payable and other current liabilities	\$ 32,287	\$ 28,317
Fees received in advance and other reserves	3,628	3,898
Liabilities payable from restricted assets:		
Current maturities of long-term debt		
Unlimited tax bonds	16,275	15,950
Accrued interest payable		
Unlimited tax bonds	8,690	9,048
Total Current Liabilities Payable from Restricted Assets	24,965	24,998
Total Current Liabilities	60,880	57,213
Noncurrent Liabilities		
Long-term debt, net of current maturities	701,357	720,795
Net pension liability	5,061	-
Other noncurrent liabilities		
Due in more than one year	51,298	54,697
Total Noncurrent Liabilities	757,716	775,492
Total Liabilities	818,596	832,705
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	3,973	3,983
Deferred gain on bond refunding	261	314
Total Deferred Inflows of Resources	4,234	4,297
Total Liabilities and Deferred Inflows of Resources	822,830	837,002
Commitments and Contingencies	-	-
Net Position		
Net investment in capital assets	794,075	749,755
Restricted for:		
Debt Service	41,853	43,290
Unrestricted	383,422	340,892
Total Net Position	1,219,350	1,133,937
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 2,042,180	\$ 1,970,939

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, 2015 and 2014
(in thousands)

	2015	2014 Restated
Operating revenues		
Vessel and cargo services	\$ 267,277	\$ 238,083
Rental of equipment and facilities	17,120	17,763
Grain elevator	1,567	1,821
Bulk materials	4,019	4,270
Other	3,753	1,960
Total operating revenues	293,736	263,897
Operating expenses		
Maintenance and operations of facilities	123,433	121,899
General and administrative	42,297	37,812
Depreciation and amortization	60,198	57,190
Total operating expenses	225,928	216,901
Operating income	67,808	46,996
Nonoperating revenues (expenses)		
Investment income	4,142	4,913
Contributions to state and local agencies	(2,147)	(1,464)
Contribution in aid of construction	610	-
Loss on disposal of assets	(2,849)	(1,220)
Other, net	941	3,291
Total nonoperating revenues (expenses)	697	5,520
Income before nonoperating revenues (expenses) related to property taxes	68,505	52,516
Nonoperating revenues (expenses) related to property taxes		
Property taxes, net of estimated uncollectible amounts	51,280	51,955
Investment income on bond proceeds	120	162
Interest expense on unlimited tax bonds	(33,114)	(33,459)
Property tax collection expense	(1,039)	(1,175)
Other, net	(455)	(408)
Total nonoperating revenues (expenses) related to property taxes	16,792	17,075
Income before capital contributions	85,297	69,591
Capital contributions from federal agencies	116	2,370
Change in net position	85,413	71,961
Net position, January 1	1,133,937	1,061,976
Net position, December 31	\$ 1,219,350	\$ 1,133,937

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, 2015 and 2014

(in thousands)

	2015	2014 Restated
Cash flows from operating activities:		
Cash received from customers	\$ 290,596	\$ 261,626
Cash paid to suppliers for goods and services	(65,743)	(67,735)
Cash paid to employees for services	(73,828)	(64,430)
Cash paid for employee benefits	(32,110)	(23,799)
Cash paid for other services	(3,174)	(2,084)
Cash received for other purposes	4,054	3,703
Net cash provided by operating activities	119,795	107,281
Cash flows from noncapital financing activities:		
Property taxes received	45,725	57,801
Contributions paid to others	(1,430)	(1,464)
Property tax collection expenses paid	(2,054)	(2,349)
Net cash provided by noncapital financing activities	42,241	53,988
Cash flows from capital and related financing activities:		
Contributions received from federal agencies	95	3,070
Proceeds from issuance of long-term debt	115,970	-
Debt issuance and interim financing costs	(1,553)	-
Repayment of long-term debt and funding of escrow	(131,920)	(15,245)
Interest on long-term debt	(35,244)	(36,890)
Acquisition and construction of capital assets	(84,274)	(100,207)
Proceeds from retirement of assets	682	163
Net cash used in capital financing activities	(136,244)	(149,109)
Cash flows from investing activities:		
Purchase of investments	(277,550)	(237,135)
Proceeds from maturities of investments	263,415	231,060
Interest on investments	3,552	3,057
Net cash used in investing activities	(10,583)	(3,018)
Net increase in cash and cash equivalents	15,209	9,142
Cash and cash equivalents, January 1	55,763	46,621
Cash and cash equivalents, December 31	\$ 70,972	\$ 55,763
Cash and cash equivalents Unrestricted	\$ 59,894	\$ 37,350
Cash and cash equivalents Restricted	11,078	18,413

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, 2015 and 2014

(in thousands)

	2015	2014 Restated
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 67,808	\$ 46,996
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	60,198	57,190
Loss on disposal of assets	(2,849)	(1,220)
Provision for doubtful accounts	172	523
Net Pension deferrals	(10,628)	(2,765)
Miscellaneous nonoperating income, net	345	1,913
Change in assets and liabilities		
(Increase) in trade and other receivables	(2,876)	(4,740)
(Increase) in prepaids and other current assets	(404)	(1,250)
Decrease in inventories	16	124
(Decrease) / increase in dredging expenses paid in advance	(3,732)	100
Increase in accounts payable and other liabilities	1,833	8,222
Increase in accrued employee benefits	9,823	763
Increase in revenues received in advance	89	1,425
Net cash provided by operating activities	\$ 119,795	\$ 107,281
Noncash investing, capital and financing activities:		
Increase in fair value of investments	\$ (528)	\$ (1,852)
Capital contributions from federal agencies	21	-

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, 2015 and 2014
(in thousands)

	<u>Defined Contribution 7/31/2015</u>	<u>Defined Contribution 7/31/2014</u>	<u>OPEB 12/31/2015</u>	<u>OPEB 12/31/2014</u>
Assets				
Cash and cash equivalents	\$ 20	\$ -	\$ 1,755	\$ 4,068
Investment Securities				
Domestic Equity	45	17	21,370	16,834
International Equity	6	2	2,078	4,441
Fixed Income	2	5	17,964	11,227
Balanced Funds*	415	186	-	-
Accrued investment income	-	-	162	-
Total Assets	<u>488</u>	<u>210</u>	<u>43,329</u>	<u>36,570</u>
Liabilities				
Administrative fees	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assets held in trust for pension / OPEB	<u>\$ 488</u>	<u>\$ 210</u>	<u>\$ 43,329</u>	<u>\$ 36,570</u>

* Mutual funds that include both equity and fixed income securities.

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, 2015 and 2014

(in thousands)

	Defined Contribution <u>7/31/2015</u>	Defined Contribution <u>7/31/2014</u>	OPEB <u>12/31/2015</u>	OPEB <u>12/31/2014</u>
Additions:				
Employer contributions	\$ 263	\$ 161	\$ 8,000	\$ 10,397
Net investment income	<u>15</u>	<u>8</u>	<u>970</u>	<u>1,443</u>
Total additions	278	169	8,970	11,840
Deductions:				
Benefit payments and withdrawals	-	-	(1,980)	(2,174)
Administrative expenses	<u>-</u>	<u>-</u>	<u>(231)</u>	<u>(213)</u>
Total deductions	<u>-</u>	<u>-</u>	<u>(2,211)</u>	<u>(2,387)</u>
Net increase in net position	278	169	6,759	9,453
Assets held in trust for pension / OPEB, beginning of year	<u>210</u>	<u>41</u>	<u>36,570</u>	<u>27,117</u>
Assets held in trust for pension / OPEB, end of year	<u><u>\$ 488</u></u>	<u><u>\$ 210</u></u>	<u><u>\$ 43,329</u></u>	<u><u>\$ 36,570</u></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, 2015 and 2014
(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, each appoint two commissioners to the Port Commission and jointly appoint the chairman. The 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, the Authority has operational responsibility for the PDC and 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, 2015 and 2014
(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, 2015 and 2014
(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 2015 and 2014 amounted to \$1,035 and \$765, 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, 2015 and 2014 were \$1,039 and \$1,175, 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, 2015 and 2014 were \$0.01342 and \$0.01531, 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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

\$1,297 in 2014; no interest was capitalized in 2015. Depreciation is computed using the straight-line method over the following useful lives:

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

Premiums (Discounts) on Bonds Payable and Issuance Costs

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

Deferred Compensation

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan, which is administered by the Nationwide Trust Company, permits employees to defer income taxation on retirement savings into future years. Amounts deferred under the plan 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.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the statement of net position includes a separate section for deferred outflows and deferred inflows of resources. These separate financial statement elements represent consumption (outflow or asset) or acquisition (inflow or liability) of net position that applies to a future period.

The Authority has several types of deferred outflows of resources that are included in this category: deferred charges on bond refundings, pension contributions made after measurement date, deferred charges on actuarial losses and differences in projected and actual earnings on pension assets. Deferred inflows of resources include: deferred gains on bond refunding, the differences between expected and actual experience and the net difference between projected and actual earnings.

Net Position

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

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for services. 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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Operating Revenues and Expenses (continued)

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 terminals 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.

Current Year Accounting Pronouncements

In June 2012, GASB issued Statement 68, *"Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27"*. This Statement is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics: (1) contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable; (2) pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms; and (3) pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. The Authority implemented this Statement in fiscal year 2015. See the Adoption of New Accounting Standards section for further information on the implication of the new standard.

In November 2013, GASB issued Statement No. 71, *"Pension Transition for Contributions Made Subsequent To the Measurement Date – An Amendment of GASB No. 68."* This Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *"Accounting and Financial Reporting for Pensions."* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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. In addition, Statement 68 requires recognition of deferred

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Current Year Accounting Pronouncements (continued)

outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The Authority implemented this Statement in fiscal 2015. See the Adoption of the New Accounting Standards section for further information on the implication of the new standard.

Future Accounting Pronouncements

In February 2015, GASB issued Statement 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 provisions in Statement 72 are effective for financial statements for reporting periods beginning after June 15, 2015. The Authority anticipates implementation of this statement in fiscal year 2016.

In June 2015, GASB issued Statement No. 73, *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68."* In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The Authority anticipates implementation of this statement in fiscal year 2016.

In June 2015, GASB issued Statement No. 74, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans."* This Statement is intended to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The Authority anticipates implementation of this statement in fiscal year 2017.

In June 2015, GASB issued Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."* This Statement is intended to

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The Authority anticipates implementation of this statement in fiscal year 2018.

In June 2015, GASB issued Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*." This Statement is intended to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. The Authority anticipates implementation of this Statement in fiscal year 2016.

In August 2015, GASB issued Statement No. 77, "*Tax Abatement Disclosures*." This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The Authority has not determined the impact, if any, of the adoption of this standard on its financial position or cash flows.

In December 2015, GASB issued Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*." This Statement is intended to address a practice issue regarding the scope and applicability of Statement

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The Authority has determined that the requirements of GASB 78 are not applicable to the Authority.

In December 2015, GASB issued Statement No. 79, "*Certain External Investment Pools and Pool Participants*." This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26 and 40, which are effective for reporting periods beginning after December 15, 2015. The Authority has determined that the requirements of GASB 79 are not applicable to the Authority.

Adoption of New Accounting Standards

GASB Statement No. 68 provides guidance for improved accounting and financial reporting by state and local governments for pensions. For the Authority, this affected the financial statement presentation by having to restate the 2014 financial statements to reflect a net pension asset (overfunding) and in fiscal year 2015 the Authority reflecting a net pension liability. Employer contributions subsequent to the measurement date of the net pension liability were required to be reported as deferred outflows of resources. The pension expense and deferred outflows of resources and deferred inflows of resources related to pensions that were required to be recognized by an employer primarily result from changes in the components of the net pension liability - that is, changes in the total pension liability and in the pension plan's fiduciary net position.

This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change. For example, changes in the total pension liability resulting from current-period service cost, interest on the total pension liability, and changes of benefit terms are required to be included in pension expense immediately.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(in thousands)

1. Summary of Significant Accounting Policies (continued)

The following accounts as of December 31, 2014 have been restated for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71:

	<u>As previously stated at 12/31/14</u>	<u>GASB 68 Implementation</u>	<u>Restated for 12/31/14</u>
Net Pension Asset	\$ -	\$ 5,725	\$ 5,725
Deferred inflows related to Pensions	-	(3,983)	(3,983)
Deferred outflows related to Pensions	-	1,023	1,023
General and Administrative	39,152	(1,340)	37,812
Maintenance and Operations	123,324	(1,425)	121,899
Net Position	\$ 1,131,172	\$ 2,765	\$ 1,133,937

2. Cash and Investments

The Authority's cash and cash equivalents of \$70,972 and \$55,763 as of December 31, 2015 and 2014, respectively, are maintained in demand accounts 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 2015 or 2014.

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(in thousands)

2. Cash and Investments (continued)

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, 2015 included the following securities which comprised more than 5% of the total portfolio (excluding cash and cash equivalents):

Commercial Paper:

Credit Agricole North America, Inc.	21%
J.P. Morgan Securities LLC	11%
Natixis U.S. Finance Company, LLC	12%

U.S. Agency Securities:

Federal Home Loan Mortgage Corporation	7%
Federal National Mortgage Association	25%

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. See table on following page.

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, 2015 and 2014, 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, 2015 and 2014
(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, 2015.

Security Type	<u>Ratings</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Agency Securities:			
FHLMC NOTE	AA+/Aaa	\$ 24,753	0.52
FNMA NOTE	AA+/Aaa	34,853	0.42
FNMA NOTE	AA+/Aaa	19,923	0.26
FNMA NOTE	AA+/Aaa	19,794	0.42
FNMA NOTE	AA+/Aaa	<u>14,881</u>	0.41
Total		<u>114,204</u>	
Commercial Paper:			
Credit Agricole	A-1/P-1	24,991	0.02
Credit Agricole	A-1/P-1	19,959	0.05
Credit Agricole	A-1/P-1	19,940	0.06
Credit Agricole	A-1/P-1	9,961	0.04
J.P. Morgan Sec	A-1/P-1	24,977	0.04
J.P. Morgan Sec	A-1/P-1	14,989	0.02
Natixis Finance	A-1/P-1	19,988	0.02
Natixis Finance	A-1/P-1	14,941	0.05
Natixis Finance	A-1/P-1	<u>9,928</u>	0.05
Total		<u>159,674</u>	

(Continued on Next Page)

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(in thousands)

2. Cash and Investments (continued)

Security Type	<u>Ratings</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Municipal Bonds:			
AZ School Facilities Board	AAA/Aaa	3,236	0.02
City of Carmel, IN Redev Auth	AA+	2,157	0.01
City of Carmel, IN Redev Auth	AA+	2,697	0.03
City of Carmel, IN Redev Auth	AA+	2,802	0.05
City of Oakland, CA TXBL Trans	SP-1/MIG1	1,000	0.01
FL Hurricane Catastrophe	AA-/Aa3	7,234	0.04
Fresno Cty CA Fina Auth Lease Rev	AA-	1,982	0.01
Harris Cty Hou Sports Auth Rev	A-/A2	3,782	0.04
Hudson County NJ Imprv Auth	SP-1+	10,868	0.11
Indiana Bond Bk Rev	AA+	4,452	0.05
Metro Nashville & Davidson Cty TN GO	AA/Aa2	2,003	0.01
N Orange Cty CA CC Dist	AA/Aa1	4,247	0.08
New York City, NY GO	AA/Aa2	1,954	0.02
NJ Eco Develop Auth Sch Const	A-/A3	2,200	0.00
NY ST Dorm Auth Tax Rev	AAA/Aa1	1,501	0.00
NY ST Dorm Auth Tax Rev	AAA/Aa1	1,481	0.01
OK Cty Fina Auth Ed Rev	A+	4,919	0.12
Passaic County NJ GO	SP-1+	13,046	0.14
PMA WI Levy & Aid	MIG1	8,259	0.07
PMA WI Levy & Aid	MIG1	3,003	0.03
San Bernardino CA Cmty Clg	AA-/Aa2	1,256	0.02
St. Louis MO Spl Admin Sch Dist	AA+	1,261	0.00
St. Louis MO Spl Admin Sch Dist	AA+	2,070	0.03
State of CT GO	AA/Aa3	<u>1,002</u>	0.01
Total		<u>88,412</u>	
Total Fair Value		<u>\$ 362,290</u>	
Portfolio Weighted Average Maturity			1.02
Total Investments		<u><u>\$ 362,290</u></u>	

The above calculation of weighted average maturity of the portfolio excludes cash and cash equivalents. As of December 31, 2015, the Authority's weighted average maturity of the overall portfolio as defined in the Investment Policy including cash and cash equivalents is 0.86 years.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
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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, 2015 and 2014
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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 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	MIG1	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>\$ 347,898</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
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3. Receivables

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

	<u>2015</u>	<u>2014</u>
Trade Receivables, Net		
Trade receivables	\$ 29,995	\$ 27,115
Damage claims receivable	1,182	296
Allowance for doubtful accounts	<u>(1,402)</u>	<u>(1,230)</u>
Total trade receivables, net	29,775	26,181
Other Receivables		
Interest receivable	520	563
Due from federal agencies	21	-
Other	<u>2</u>	<u>5</u>
Total other receivables	<u>543</u>	<u>568</u>
Total Receivables, Net	<u>\$ 30,318</u>	<u>\$ 26,749</u>

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
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4. Capital Assets

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Additions	Retirements / Transfers	Ending Balance
Capital assets not being depreciated				
Land other than channel	\$ 102,495	\$ 1,650	\$ (4,624)	\$ 99,521
Land use rights - intangible	11,575	202	-	11,777
Channel land	284,354	10,751	-	295,105
Construction-in-progress	122,356	76,211	(113,180)	85,387
Total capital assets not being depreciated	520,780	88,814	(117,804)	491,790
Capital assets being depreciated				
Buildings	164,577	5,413	-	169,990
Improvements other than buildings	1,085,806	40,715	(181)	1,126,340
Railroads	59,929	-	-	59,929
Machinery and equipment	349,224	66,858	(2,774)	413,308
Computer software - intangible	9,798	892	-	10,690
Total capital assets being depreciated	1,669,334	113,878	(2,955)	1,780,257
Less accumulated depreciation for				
Buildings	(77,906)	(4,946)	-	(82,852)
Improvements other than buildings	(404,121)	(32,830)	181	(436,770)
Railroads	(35,272)	(1,262)	-	(36,534)
Machinery and equipment	(185,565)	(18,252)	2,152	(201,665)
Computer software - intangible	(7,066)	(1,524)	-	(8,590)
Total accumulated depreciation	(709,930)	(58,814)	2,333	(766,411)
Total capital assets being depreciated, net	959,404	55,064	(622)	1,013,846
Total capital assets, net	\$ 1,480,184	\$ 143,878	\$ (118,426)	\$ 1,505,636

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(in thousands)

4. Capital Assets (continued)

Capital asset activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Additions	Retirements / Transfers	Ending Balance
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	507,858	108,790	(95,868)	520,780
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	1,596,960	91,423	(19,049)	1,669,334
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	(671,684)	(56,077)	17,831	(709,930)
Total capital assets being depreciated, net	925,276	35,346	(1,218)	959,404
Total capital assets, net	\$ 1,433,134	\$ 144,136	\$ (97,086)	\$ 1,480,184

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
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5. Operating Leases

The Authority leases 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, 2015 and 2014 were \$354 and \$366, respectively. As of December 31, 2015, future minimum rental obligations to be paid by the Authority under noncancelable operating leases are as follows:

<u>Year Ending</u>	<u>Future Minimum Lease Payments</u>
2016	\$ 277
2017	277
2018	18
Total	<u>\$ 572</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, 2015, 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:

<u>Year Ending</u>	<u>Future Minimum Lease Rentals</u>
2016	\$ 24,950
2017	23,305
2018	20,082
2019	18,909
2020	15,612
Thereafter	<u>204,736</u>
Total	<u>\$ 307,594</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, 2015 and 2014.

Changes in Long-Term Liabilities - 2015

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable					
Unlimited tax bonds	\$ 702,379	\$ 115,970	\$(144,080)	\$ 674,269	\$ 16,275
Accreted interest on capital appreciation bonds	217	76	-	293	-
Less unamortized premiums / discounts, net	<u>34,149</u>	<u>15,253</u>	<u>(6,332)</u>	<u>43,070</u>	<u>-</u>
Total Bonds Payable	<u>\$ 736,745</u>	<u>\$ 131,299</u>	<u>\$(150,412)</u>	<u>\$ 717,632</u>	<u>\$ 16,275</u>
Net Pension (Asset) Liability	<u>\$ (5,725)</u>	<u>\$ 27,478</u>	<u>\$ (16,692)</u>	<u>\$ 5,061</u>	<u>\$ -</u>
Other Noncurrent Liabilities					
Net OPEB obligation	\$ 27,588	\$ 5,390	\$ (11,202)	\$ 21,776	\$ -
Compensated absences	5,503	5,361	(4,855)	6,009	575 *
Fees received in advance	5,270	3,708	(3,272)	5,706	1,089 *
Claims liability	3,845	1,200	(1,209)	3,836	-
Other liabilities	<u>14,070</u>	<u>1,565</u>	<u>-</u>	<u>15,635</u>	<u>-</u>
Total Other Noncurrent Liabilities	<u>\$ 56,276</u>	<u>\$ 17,224</u>	<u>\$ (20,538)</u>	<u>\$ 52,962</u>	<u>\$ 1,664</u>

* Included in accounts payable and other current liabilities

The Authority's long-term debt consists 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 August of 2015, the Authority issued long-term debt of \$115,970, which was used to extinguish a portion of the long-term debt described herein.

Port of Houston Authority of Harris County, Texas

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

Changes in Long-Term Liabilities - 2014 (Restated)

	<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>
Net Pension (Asset) Liability	<u>\$ -</u>	<u>\$ (5,725)</u>	<u>\$ -</u>	<u>\$ (5,725)</u>	<u>\$ -</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>

Fiscal 2014 Long-Term Liabilities were restated to include the Net Pension (Asset) Liability as a result of the implementation of GASB 68; see the Adoption of New Accounting Standards discussed in Note 1.

* Included in accounts payable and other current liabilities

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
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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	
					2015	2014
General Obligation Bonds						
Unlimited Tax Refunding Bonds						
Series 2004A	\$ 9,000	3.00-5.00	12/8/2004	2016	\$ 680	\$ 1,370
Series 2005A	36,665	4.00-5.00	9/8/2005	2015	-	32,745
Series 2005B	62,485	4.125-5.00	9/8/2005	2015	-	58,315
Series 2006A	28,380	5.00	7/19/2006	2017	5,105	7,685
Series 2006B	47,085	4.75-5.00	10/18/2006	2031	19,640	47,085
Series 2006C	9,160	4.00-5.00	10/18/2006	2016	-	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	14,750	18,475
Series 2010B	22,930	1.00-5.00	2/17/2010	2026	14,670	15,940
Series 2010C	30,254	2.00-5.00	2/3/2010	2038	28,584	28,934
Series 2010D-1	147,940	5.00	8/19/2010	2035	147,940	147,940
Series 2010E	22,330	2.00-5.00	8/19/2010	2038	21,765	22,050
Series 2011A	47,345	1.00-5.00	10/20/2011	2026	37,455	39,990
Series 2015A	62,805	3.125-5.00	8/26/2015	2031	62,805	-
Series 2015B	25,905	5.00	8/26/2015	2023	25,905	-
Series 2015C	27,260	3.054-5.00	8/26/2015	2026	27,260	-
					588,604	611,734
Unamortized premiums / (discounts), net					38,533	29,526
Series 2010C and 2010E CAB Accretion, net					293	217
Unlimited Tax Refunding Bonds, net					627,430	641,477
Unlimited Tax Port Improvement Bonds						
Series 2002A	16,000	3.00-5.00	12/12/2002	2015	-	4,980
Series 2010D-2	85,665	5.00	8/19/2010	2039	85,665	85,665
Total Unlimited Tax Port Improvement Bonds					85,665	90,645
Unamortized premiums / (discounts), net					4,537	4,623
Unlimited Tax Port Improvement Bonds, net					90,202	95,268
Total Debt					717,632	736,745
Less Current Maturities					(16,275)	(15,950)
Long - Term Debt (net of unamortized premiums / (discounts))					\$ 701,357	\$ 720,795

* Interest rate of original issue

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(in thousands)

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

Debt Service Requirements

Total debt service requirements for outstanding bonds as of December 31, 2015 are as follows:

Year Ending December 31	Bond	Capital Appreciation	Bond Interest	Total
	Principal General Obligation	Bond Accreted Interest	General Obligation	
2016	\$ 16,275	\$ -	\$ 34,761	\$ 51,036
2017	19,165	-	33,976	53,141
2018	19,945	-	33,046	52,991
2019	21,185	-	32,062	53,247
2020	21,735	-	31,015	52,750
2021-2025	111,365	-	138,779	250,144
2026-2030	138,595	-	109,226	247,821
2031-2035	162,204	17,976	69,246	249,426
2036-2039	163,800	-	20,540	184,340
	<u>\$ 674,269</u>	<u>\$ 17,976</u>	<u>\$ 502,651</u>	<u>\$ 1,194,896</u>

Bond Refundings

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

At various times the Authority defeased certain bonds by placing the proceeds of new bonds, together with other available funds, in an irrevocable escrow with a trustee to provide for future debt service on the refunded bonds. Accordingly, the trust account assets and the liabilities for the bonds to be defeased are not included in the Authority's financial statements. The outstanding defeased unlimited tax bonds as of December 31, 2015 was \$36,605.

During 2015, the Authority issued Refunding Bonds Series 2015A, 2015B and 2015C to refund \$128,130 in bonds outstanding. The Authority had no other refunding or bond issues during 2015.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(in thousands)

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

Bond Refundings (continued)

The table below illustrates the cash flow effect of and the economic gain on the bond refundings during 2015:

<u>Issue</u>	<u>Types of Refunding</u>	<u>Cash Flow Difference</u>	<u>Economic Gain</u>
2015A Bonds	Advance & Current Refunding	\$ (14,150)	\$ 11,076
2015B Bonds	Current Refunding	(2,965)	2,315
2015C Bonds	Advance Refunding	<u>(2,829)</u>	<u>1,920</u>
		<u>\$ (19,944)</u>	<u>\$ 15,311</u>

Bond Restrictions

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

Note Purchase Program

In September 2015, the Authority executed a \$300 million note purchase program with a group of banks in order to provide the capability for the Port Commission to continue to award capital projects, as unencumbered operating cash flows were projected to be depleted in fiscal 2016. This form of financing is not considered a long-term solution as any funds actually drawn must be repaid by September 2018, but is an interim measure while decisions are being made regarding financing alternatives. No encumbrances or draw-downs against the program have occurred as of December 31, 2015.

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, 2015 and 2014. The estimated liability is updated annually for any tax-exempt issuance or changes in yields until payment of the calculated liability is due.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
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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 Ship 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. 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 ("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.

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

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)

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.

At December 31, 2015, the following employees were covered by the benefits terms:

Retirees and beneficiaries receiving payments	493
Terminated vested participants not yet receiving benefits	228
Disabled participants	8
Active participants	403
Total	<u>1,132</u>

Contributions

Contributions to provide benefits under the Plan are made solely by the Authority. The Authority's funding policy adopted on September 14, 1997 prescribes a contribution equal to 100% of the actuarially determined contribution amount as provided by the plan's actuary and may be amended by the Commission at its discretion. This method and the actuarial assumptions have been designed to provide sufficient funds to pay benefits as they become payable under the Plan.

Net Pension Liability

The Authority's net pension liability was measured as of July 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the July 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	2.5% - 10.0%
Investment rate of return	7.0%

Mortality rates were based on the RP-2014 Mortality for Employees, Healthy

Port of Houston Authority of Harris County, Texas

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

Annuitants, and Disabled Annuitants with generational projection per MP-2015.

The actuarial assumptions used in the July 31, 2015 valuation were based on the results of an actuarial experience study for the period August 1, 2009 – August 1, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future rates of return (expected returns, net of pension plan investment expense) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of arithmetic rates of return for each major asset class included in the Plan's target asset allocation as of July 31, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target allocation</u>	<u>Long-term expected rate of return*</u>
Large Cap Domestic Equity	15.0 %	9.5 %
Mid Cap Domestic Equity	7.5 %	11.0 %
Small Cap Domestic Equity	10.0 %	13.5 %
International Equity	7.5 %	11.0 %
Core Fixed Income	40.0 %	3.8 %
High Yield Fixed Income	5.0 %	8.5 %
Real Estate	5.0 %	8.0 %
Masters Limited Partnerships	10.0 %	11.5 %
Long-term expected (weighted) rate of return:		7.90 %
Actuarial assumed long-term investment rate of return or Discount rate:		7.00 %

*Assumed rates of return utilized by the Plan's investment consultant for the current fiscal period's allocation.

Discount rate. The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that the Authority contributions will be made at rates equal to the actuarially determined contribution. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
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(in thousands)

8. Retirement Plans (continued)

Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset (Liability)
Balances as of July 31, 2014	\$ (159,091)	\$ 164,816	\$ 5,725
Service cost	(3,187)	-	(3,187)
Interest on total pension liability	(10,940)	-	(10,940)
Effect of liability gains or losses	1,278	-	1,278
Effect of assumption changes or inputs	(9,569)	-	(9,569)
Benefit payments	9,591	(9,591)	-
Administrative expenses	-	(808)	(808)
Expected investment income, net of investment expenses	-	11,320	11,320
Investment gains or losses	-	(2,974)	(2,974)
Employer contributions	-	4,094	4,094
Balances as of July 31, 2015	<u>\$ (171,918)</u>	<u>\$ 166,857</u>	<u>\$ (5,061)</u>

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(in thousands)

8. Retirement Plans (continued)

Changes in the Net Pension Liability (continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Authority, calculated using the discount rate of 7.0 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate:

	1% decrease	Current	1% increase
	6.00%	discount rate	8.00%
	<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
Net pension liability (asset)	\$ 25,773	\$ 5,061	\$ (12,311)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Port of Houston Authority Restated Retirement Plan.

Pension Expense and Deferred Outflows / Inflows of Resources

For the year ended December 31, 2015 the Authority recognized pension expense of \$5,104. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows / Inflows of Resources	Deferred	Deferred
	Outflows of	Inflows of
	Resources	Resources
Differences between expected and actual experience	\$ -	\$ 986
Changes of assumptions	7,387	-
Net difference between projected and actual earnings	2,380	2,987
Contributions made subsequent to measurement date	1,875	-
Total	<u>\$ 11,642</u>	<u>\$ 3,973</u>

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(in thousands)

8. Retirement Plans (continued)

Pension Expense and Deferred Outflows / Inflows of Resources (continued)

The \$1,875 reported as deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended</u> <u>July 31</u>		
2016	\$	1,490
2017		1,490
2018		1,490
2019		1,324

Defined Contribution Plan Description

In July of 2012, the Port Commission authorized the 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 Chief Operating Officer 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.

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(in thousands)

8. Retirement Plans (continued)

Defined Contribution Plan Description (continued)

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 \$263 and \$161 during the plan's fiscal year ending July 31, 2015 and 2014, respectively.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(in thousands)

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, 2015 and 2014, there were 323 and 329 retirees, respectively, who were eligible for these benefits. The Authority funds all premiums for retiree life insurance and the majority of 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 offered to active employees. In addition, Medicare-eligible retirees have the option of enrolling in Medicare Risk plans offered by the Authority or in certain circumstances 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 in most instances continue coverage upon the death of the retiree.

Funding Policy

The Authority's contribution is based on a projected pay-as-you-go basis, which is expected to continue. For the years ended December 31, 2015 and 2014, the cost of

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(in thousands)

9. Postemployment Retiree Benefits (continued)

Funding Policy (continued)

retiree health benefits, recorded on a pay-as-you-go basis was \$1,849 and \$2,034, respectively. Retiree life-benefit costs for 2015 and 2014 were \$131 and \$140, respectively.

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. In addition to the pay-as-you-go expenses referenced above for current benefits, the Authority has contributed \$40,000 to the trust through December 31, 2015.

Investment Valuation and Income Recognition

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

Annual OPEB Cost and Net OPEB Obligation

The annual OPEB cost (expense) is calculated based on the annual 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.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(in thousands)

9. Postemployment Retiree Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

	<u>2015</u>	<u>2014</u>
Normal Cost at year end	\$ 2,962	\$ 3,029
Amortization of UAAL	2,575	3,539
Annual Required Contribution (ARC)	<u>5,537</u>	<u>6,568</u>
Determination of Net OPEB Obligation		
Annual Required Contribution	5,537	6,568
Interest on prior year Net OPEB Obligation	1,931	2,279
Adjustment to ARC	<u>(2,078)</u>	<u>(2,452)</u>
Annual OPEB Cost	5,390	6,395
Contributions made	<u>(11,202)</u>	<u>(11,363)</u>
Decrease in Net OPEB Obligation	(5,812)	(4,968)
Net OPEB Obligation - beginning of year	<u>27,588</u>	<u>32,556</u>
Net OPEB Obligation - end of year	<u>\$ 21,776</u>	<u>\$ 27,588</u>

The end of year net OPEB Obligation is included in other noncurrent liabilities on the Statements of Net Position.

The table below reflects the schedule of OPEB Funding Progress.

	<u>January 1, 2015</u>	<u>January 1, 2014</u>	<u>January 1, 2013</u>
a) Actuarial Valuation Date			
b) Actuarial Value of Assets	\$ 36,560	\$ 27,151	\$ 16,274
c) Actuarial Accrued Liability (AAL)*	59,029	60,737	57,052
d) Unfunded Actuarial Accrued Liability (UAAL) (c-b)	22,469	33,586	40,778
e) Funded Ratio (b/c)	61.9 %	44.7 %	28.5 %
f) Annual Covered Payroll (Actuarial)	38,907	33,690	34,615
g) UAAL as a % of Covered Payroll (d/f)	57.8 %	99.7 %	117.8 %

*Actuarial valuations are performed every two years.

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

Plan Year Ended	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual OPEB cost	\$ 5,390	\$ 6,395	\$ 6,711
Percentage of OPEB Cost Contributed	207.8 %	177.7 %	167.3 %
Net OPEB Obligation	\$ 21,776	\$ 27,588	\$ 32,556

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(in thousands)

9. Postemployment Retiree Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and 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 Projected 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 2.50%, 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
For the Years Ended December 31, 2015 and 2014
(in thousands)

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 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 2015 valuation was 6.9% trending down to 4.4% (pre-Medicare) and 7.6% trending down to 4.7% (post-Medicare) over 85 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, 2011, the Authority increased its self insured retention ("SIR") for any workers' compensation claim to \$500 and 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, 2015 and 2014 was \$3,836 and 3,845, respectively.

Plan Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2014	\$ 3,502	\$ 1,267	\$ (924)	\$ 3,845
2015	\$ 3,845	\$ 1,200	\$ (1,209)	\$ 3,836

As of December 31, 2015 the Authority had no liability for workers' compensation, general liability, or auto liability claims which occurred prior to March 1, 2010.

State law limits, or "caps", the Authority's maximum liability exposure for any single occurrence involving general or automobile liability. These limits cap the Authority's liability at \$100 maximum per person for bodily injury or death per occurrence; \$300 maximum for all persons for bodily injury or death per occurrence; and \$100 maximum for property damage per occurrence.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(in thousands)

10. Risk Management (continued)

These claim liabilities include an estimate for incurred but not reported and allocated claims-adjustment expenses and assessment of loss development factors, trend rates, and loss costs. The liability is included in the other noncurrent liabilities of the Statements of Net Position.

Claims liability, if any, is based on the requirements of GASB Statement No. 10, *"Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,"* 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, 2015 and 2014, the Authority had commitments of approximately \$11,198 and \$42,745, respectively, for supplies, services, and the purchase of equipment and the expansion of facilities.

Litigation and Claims

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

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

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(in thousands)

11. Commitments and Contingencies (continued)

Litigation and Claims (continued)

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

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

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

In September 2012, Zachry filed a petition for review with the Texas Supreme Court. Following briefing by the parties, the court granted review on August 23, 2013, and oral argument took place on November 6, 2013.

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.

The parties' renewed briefing of this matter before the Court of Appeals concluded in July 2015 and oral argument took place in December 2015.

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.



Port of Houston Authority of Harris County, Texas

Required Supplementary Information

**Port of Houston Authority Restated Retirement Plan
Schedule of Changes in Net Pension Liability and Related Ratios**

Fiscal Year Ending July 31, 2015 and 2014

(in thousands)

(unaudited)

	<u>July 31, 2015</u>	<u>July 31, 2014</u>
Total Pension Liability:		
Service Cost	\$ 3,186	\$ 3,426
Interest on total pension liability	10,940	10,724
Effect of economic/demographic gains/losses	(1,278)	-
Effects of assumption changes or inputs	9,569	-
Benefit payments	(9,591)	(9,509)
Net change in total pension liability	12,826	4,641
Total pension liability, beginning	159,091	154,451
Total pension liability, ending (a)	171,918	159,091
Fiduciary net position:		
Employer contributions	4,094	8,282
Investment income net of investment expenses	7,886	14,825
Benefit payments	(9,591)	(9,509)
Administrative expenses	(249)	(237)
Net change in fiduciary net position	2,140	13,361
Fiduciary net position, beginning	164,816	151,455
Fiduciary net position, ending (b)	166,857	164,816
Net pension liability (asset), ending = (a) - (b)	5,061	(5,725)
Fiduciary net position as a % of total pension liability	97.06%	103.60%
Covered Payroll	31,377	33,690
Net pension liability (asset) as a % of covered payroll	16.13%	(16.99%)

Per GASB 67, until a 10-year trend is compiled, pension plans may present information for those years for which information is available; information is not available under the GASB 67 methodologies for the fiscal years prior to 2014.

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

Port of Houston Authority Restated Retirement Plan
Schedule of Port Authority Contributions

Last 10 Fiscal Years
(in thousands)
(unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 4,094	\$ 5,278	\$ 9,870	\$ 8,133	\$ 10,809	\$ 9,857	\$ 7,357	\$ 3,929	\$ 6,510	\$ 5,813
Contributions in relation to the actuarially determined contribution	<u>4,094</u>	<u>8,282</u>	<u>9,870</u>	<u>8,133</u>	<u>10,809</u>	<u>9,857</u>	<u>7,357</u>	<u>3,929</u>	<u>6,510</u>	<u>5,813</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (3,004)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 31,377	\$ 33,690	\$ 35,082	\$ 35,571	\$ 34,939	\$ 32,695	\$ 32,270	\$ 28,621	\$ 26,286	\$ 24,113
Contributions as a percentage of covered payroll	13.05%	24.58%	28.14%	22.86%	30.94%	30.15%	22.80%	13.73%	24.77%	24.11%

Notes to Schedule

Valuation timing	Actuarially determined contribution rates are calculated as of July 31 of the fiscal year in which the contributions are reported.
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Remaining amortization period	30 years at August 1, 2015 associated with the Unfunded Actuarial Accrued Liability of \$4,367
Asset valuation method	Market Value
Inflation	2.50%
Salary Increases	Graded from 10% at age 20 to 2.5% at age 66
Investment rate of return	7.00%
Cost of living adjustments	None
Retirement age	Ranging from 10% at age 55 to 100% at age 70
Turnover	Rates from most recent experience study performed in 2015
Mortality	Healthy participants - RP-2014 White Collar Mortality Table (Salaried) or RP-2014 Blue Collar Mortality Table (Hourly). Adjusted backward to 2006 with MP-2014 and projected with Scale MP-2015. Disabled participants - RP-2014 Disabled Mortality Table. Adjusted backward to 2006 with MP-2014 and projected with Scale MP-2015.

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

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

	January 1 2015	January 1 2014	January 1 2013
a) Actuarial Valuation Date			
b) Actuarial Value of Assets	\$ 36,560	\$ 27,151	\$ 16,274
c) Actuarial Accrued Liability (AAL)	\$ 59,029	\$ 60,737	\$ 57,052
d) Unfunded Actuarial Accrued Liability (UAAL)			
(c-b)	\$ 22,469	\$ 33,586	\$ 40,778
e) Funded Ratio (b/c)	61.9 %	44.7 %	28.5 %
f) Annual Covered Payroll (Actuarial)	\$ 38,907	\$ 33,690	\$ 34,615
g) UAAL as a % of Covered Payroll (d/f)	57.8 %	99.7 %	117.8 %

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

Plan Year Ended	2015	2014	2013
Annual Required Contribution (ARC)	\$ 5,537	\$ 6,568	\$ 6,908
Percentage of ARC Contributed	202 %	173 %	163 %





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)

	2015	2014 Restated	2013	2012	2011	2010	2009	2008	2007	2006
Net investment in capital assets	\$ 794,075	\$ 749,755	\$ 685,717	\$ 596,224	\$ 574,224	\$ 571,828	\$ 655,571	\$ 646,777	\$ 676,785	\$ 615,169
Restricted										
Capital	-	-	7,195	29,713	60,204	79,270	8,388	3,978	3,846	24,863
Debt Service	41,853	43,290	44,598	44,916	41,455	44,248	39,072	37,310	28,774	27,909
Other	-	-	-	2,755	196	4,302	122	200	181	161
Unrestricted	<u>383,422</u>	<u>340,892</u>	<u>324,466</u>	<u>320,673</u>	<u>263,802</u>	<u>207,113</u>	<u>191,411</u>	<u>214,139</u>	<u>144,407</u>	<u>145,075</u>
Total Net Position	<u>\$1,219,350</u>	<u>\$1,133,937</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>

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

(in thousands)
(unaudited)

	2015	2014 Restated	2013	2012	2011	2010	2009	2008	2007	2006
Operating revenues:										
Vessel and cargo services	\$ 267,277	238,083	\$ 200,101	\$ 190,618	\$ 177,405	\$ 159,799	\$ 144,365	\$ 171,373	\$ 164,230	\$ 143,550
Rental of equipment and facilities	17,120	17,763	25,114	23,077	22,030	20,346	20,524	19,984	18,872	18,103
Grain elevator	1,567	1,821	592	683	1,923	911	1,155	787	809	717
Bulk materials	4,019	4,270	2,665	2,485	2,131	2,368	2,243	2,319	2,903	3,221
Other	3,753	1,960	5,201	8,512	3,356	3,272	2,040	2,522	3,679	2,072
Nonoperating revenues:										
Investment (loss) income	4,142	4,913	(435)	2,410	3,123	3,573	4,136	7,154	10,019	11,606
Contribution in aid of construction	610	-	5,000	-	1,077	-	-	-	-	-
Other	1,279	3,291	683	1,583	2,765	3,836	4,588	982	6,734	1,060
Nonoperating revenues related to property taxes:										
Property taxes	51,280	51,955	52,534	56,429	49,826	53,833	46,911	48,675	35,819	29,454
Investment income / (loss) on bond proceeds	120	162	348	302	657	(47)	165	1,113	2,045	2,077
Total Revenues:	351,167	324,218	291,803	286,099	264,293	247,891	226,127	254,909	245,110	211,860
Operating expenses:										
Maintenance and operations of facilities	123,433	121,899	103,353	101,095	97,461	95,918	88,124	98,026	97,978	80,809
General and administrative	42,297	37,812	41,845	43,875	39,894	51,742	57,827	43,443	40,063	29,527
Depreciation and amortization	60,198	57,190	56,057	56,551	55,661	53,731	48,035	44,016	34,161	28,436
Nonoperating expenses:										
Interest expense on revenue bonds	-	-	-	-	-	-	-	-	-	176
Contributions to state and local agencies	2,147	1,464	1,949	882	1,232	1,742	17,468	4,224	29,017	5,457
Loss on disposal of assets	2,849	1,220	91	3,295	-	3,294	-	-	-	-
Other	338	-	-	98	-	-	-	-	-	-
Nonoperating expenses related to property taxes:										
Interest expense on unlimited tax bonds	33,114	33,459	33,188	33,803	36,843	34,265	26,072	21,344	10,124	10,775
Property tax collection expense	1,039	1,175	994	1,091	996	1,270	506	1,083	480	67
Other	455	408	477	442	525	480	901	423	357	360
Total Expenses:	265,870	254,627	237,954	241,132	232,612	242,442	238,933	212,559	212,180	155,607
Income before contributions	85,297	69,591	53,849	44,967	31,681	5,449	(12,806)	42,350	32,930	56,253
Capital contributions from federal agencies	56	2,370	13,827	9,373	1,439	2,944	3,549	6,061	7,886	6,490
Contributions from federal agency-FEMA	60	-	19	60	-	3,804	1,417	-	-	-
Total Contributions from federal and state agencies	116	2,370	13,846	9,433	1,439	6,748	4,966	6,061	7,886	6,490
Change in net position	85,413	71,961	67,695	54,400	33,120	12,197	(7,840)	48,411	40,816	62,743
Net position, January 1	1,133,937	1,061,976	994,281	939,881	906,761	894,564	902,404	853,993	813,177	750,434
Net position, December 31	\$ 1,219,350	\$ 1,133,937	\$ 1,061,976	\$ 994,281	\$ 939,881	\$ 906,761	\$ 894,564	\$ 902,404	\$ 853,993	\$ 813,177



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)

Year Levied	Real Property	Personal Property	Less: Exemptions (a)	Total Taxable Assessed Value	Total Direct Tax Rate
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
2015	420,143,010	57,162,124	100,360,569	376,944,565	0.01342

- Source: Harris County Appraisal District Property Use Recap as of 12/20/15

- Note: Property is assessed at actual value and is reassessed each year. 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)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Harris County										
General Fund	\$ 0.34547	\$ 0.34547	\$ 0.34547	\$ 0.33271	\$ 0.33444	\$ 0.33401	\$ 0.33401	\$ 0.33815	\$ 0.33918	\$ 0.34221
General Bonds Debt Service	0.05237	0.04802	0.05158	0.04468	0.03825	0.03635	0.03642	0.03192	0.03200	0.03465
Total Constitutional Funds	0.39784	0.39349	0.39705	0.37739	0.37269	0.37036	0.37043	0.37007	0.37118	0.37686
County - Wide Road Debt Service	0.02139	0.02382	0.01750	0.02282	0.01848	0.01769	0.02181	0.01916	0.02121	0.02553
Total - Harris County	0.41923	0.41731	0.41455	0.40021	0.39117	0.38805	0.39224	0.38923	0.39239	0.40239
Flood Control District										
Maintenance	0.02620	0.02620	0.02620	0.02522	0.02727	0.02727	0.02754	0.02754	0.02754	0.02733
Debt Service	0.00113	0.00116	0.00207	0.00287	0.00082	0.00196	0.00168	0.00332	0.00352	0.00508
Total - Flood Control	0.02733	0.02736	0.02827	0.02809	0.02809	0.02923	0.02922	0.03086	0.03106	0.03241
Port of Houston Authority										
Debt Service	0.01342	0.01531	0.01716	0.01952	0.01856	0.02054	0.01636	0.01773	0.01437	0.01302
Hospital District										
General	0.17000	0.17000	0.17000	0.18216	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	\$ 0.62998	\$ 0.63998

- Source: Harris County Appraisal District

- Note: 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, 2015
(unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
County-Wide Taxing Jurisdiction										
Harris County	\$ 0.4192	\$ 0.4173	\$ 0.4146	\$ 0.4002	\$ 0.3912	\$ 0.3881	\$ 0.3922	\$ 0.3892	\$ 0.3924	\$ 0.4024
Harris County Flood Control District	0.0274	0.0274	0.0283	0.0281	0.0281	0.0292	0.0292	0.0309	0.0324	0.0332
Port of Houston Authority	0.0134	0.0153	0.0172	0.0195	0.0186	0.0205	0.0164	0.0177	0.0130	0.0130
Harris County Hospital District	0.1700	0.1700	0.1700	0.1822	0.1922	0.1922	0.1922	0.1922	0.1922	0.1922
Total County-wide	\$ 0.6300	\$ 0.6300	\$ 0.6301	\$ 0.6300	\$ 0.6301	\$ 0.6300	\$ 0.6300	\$ 0.6300	\$ 0.6300	\$ 0.6408
Cities										
Baytown	\$ 0.8220	\$ 0.8220	\$ 0.8220	\$ 0.8220	\$ 0.8220	\$ 0.7870	\$ 0.7870	\$ 0.7370	\$ 0.7370	\$ 0.7370
Bellaire	0.3805	0.3936	0.3999	0.3999	0.3999	0.3999	0.3759	0.4400	0.4400	0.4700
Deer Park	0.7144	0.7200	0.7200	0.7200	0.7200	0.7050	0.7050	0.7200	0.7200	0.7200
Houston	0.6011	0.6311	0.6388	0.6388	0.6388	0.6388	0.6388	0.6450	0.6450	0.6500
La Porte	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100
League City	0.5735	0.5970	0.5970	0.5970	0.6100	0.6160	0.6300	0.6088	0.6088	0.6275
Missouri City	0.5447	0.5650	0.5738	0.5448	0.5284	0.5284	0.5284	0.4993	0.4945	0.4980
Pasadena	0.5754	0.5769	0.5916	0.5916	0.5916	0.5916	0.5620	0.5670	0.5670	0.5670
Pearland	0.7053	0.7121	0.7051	0.7051	0.6851	0.6651	0.6526	0.6526	0.6527	0.6744
Seabrook	0.6126	0.6400	0.6512	0.6652	0.6500	0.6268	0.5884	0.6203	0.6210	0.6307
South Houston	0.6995	0.6445	0.6699	0.7083	0.6876	0.6732	0.6732	0.6770	0.6588	0.6863
Webster	0.2345	0.2487	0.2696	0.2853	0.2853	0.2575	0.2325	0.2489	0.2575	0.2575
West University Place	0.3318	0.3618	0.3740	0.3741	0.3741	0.3741	0.3588	0.3660	0.4020	0.4300
School Districts	1.1967-1.6700	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

- Source: Harris County Appraisal District jurisdiction information as of 02/22/16; 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	2015			2006		
	2015 Taxable Valuations (a)	Rank	Percentage of Total 2015 Taxable Valuation (b)	2006 Taxable Valuations (a)	Rank	Percentage of Total 2006 Taxable Valuation (c)
ExxonMobilCorp	\$ 3,369,508	1	0.89 %	\$ 4,602,425	1	2.04 %
CenterPoint Energy Inc	2,706,997	2	0.72	2,631,941	3	1.17
Shell Oil Co	2,336,677	3	0.62	2,587,325	2	1.15
Chevron Chemical Co	2,207,658	4	0.59	1,160,997	5	0.52
Equistar Chemicals LP	1,465,850	5	0.39	1,189,311	6	0.53
Palmetto Transoceanic LLC	1,130,070	6	0.30	-		-
National Oilwell Inc	998,661	7	0.26	-		-
Crescent Real Estate	939,427	8	0.25	957,102	8	0.42
Walmart	904,217	9	0.24	634,476	11	0.28
United Airlines	795,237	10	0.21	-		-
Hewlett Packard	743,924	11	0.20	736,262	10	0.33
Lyondell Chemical Co	612,806	12	0.16	1,877,381	4	0.83
Valero Energy	522,457	13	0.14	-		-
Amoco Chemical Co	517,017	14	0.14	-		-
HG Galleria I II III LP	508,215	15	0.13	-		-
Busycon	505,450	16	0.13	-		-
1000 Louisiana LP	499,000	17	0.13	-		-
Kroger Co	498,714	18	0.13	-		-
Southwestern Bell Telephone	481,973	19	0.13	1,023,759	7	0.45
Baker Hughes	480,288	20	0.13	-		-
Rohm & Hass Co	-		-	558,171	12	0.25
Hines Interests LTD Partnership	-		-	815,157	9	0.36
Houston Pipeline Co LP	-		-	537,619	13	0.24
Anheuser Busch Inc	-		-	470,566	14	0.21
Weingarten Realty	-		-	402,078	15	0.18
Total	<u>\$ 22,224,146</u>		<u>5.89 %</u>	<u>\$ 20,184,570</u>		<u>8.96 %</u>

- 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 18, 2015

- Note (c) Based on the County's total taxable value as of January 1, 2007

Port of Houston Authority of Harris County, Texas
Property Taxes Levies and Collections
For the Years 2006 Through 2015

(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>
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 %	1,468	50,868	98.09 %
2015	50,796	48,208	94.91 %	N/A	N/A	N/A

- Source: Harris County Tax Assessor - Collector as of February 29, 2016
- Updates are made to prior years, other than Note (a).
- Note (a) Collections after one year reflect monies collected in the year following the levy and are not updated annually.
- N/A - Not Available

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

(in thousands)
(unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Operating revenues: (a) (b) (c)										
Vessel and cargo services	\$ 267,277	\$ 238,083	\$ 200,101	\$ 190,618	\$ 177,405	\$ 159,799	\$ 144,365	\$ 171,373	\$ 164,230	\$ 143,550
Rental of equipment and facilities	17,120	17,763	25,114	23,077	22,030	20,346	20,524	19,984	18,872	18,103
Grain elevator	1,567	1,821	592	683	1,923	911	1,155	787	809	717
Bulk materials	4,019	4,270	2,665	2,485	2,131	2,368	2,243	2,319	2,903	3,221
Other	3,753	1,960	5,201	8,512	3,356	3,272	2,040	2,522	3,679	2,072
Total Operating Revenue	<u>\$ 293,736</u>	<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>
Revenue Tonnage (Short Tons)*										
General Cargo	27,360	26,854	24,735	25,278	23,387	20,809	19,681	24,871	23,102	23,657
Bulk	8,384	10,766	11,090	9,781	10,162	10,508	9,184	10,371	10,123	9,696
Total Revenue Tonnage	<u>35,744</u>	<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>

- Source: The Authority
- Note (a) Vessel and cargo services, grain elevator and bulk material revenues are generated by general cargo and bulk tonnage.
- 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) Excludes Port Development Corporation and Port of Houston Authority International Corporation
- * Short ton equals 2,000 pounds

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Cargo										
Barbours Cut										
All other	9,322,892	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
Lease	2,072,132	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
	11,395,024	11,099,900	10,559,128	10,116,984	9,492,849	9,598,179	9,420,491	11,817,479	14,003,894	15,226,217
Bayport Container Terminal	8,588,556	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	167,383	128,564	143,132	175,553	124,351	109,713	73,325	115,660	113,567	95,719
Autos export	13,240	11,430	17,905	23,655	26,972	25,844	23,641	32,211	21,585	18,216
Steel imports	3,800,730	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
All other	707,345	607,127	519,978	723,762	1,177,341	778,667	622,113	1,559,870	1,571,635	1,610,654
	4,688,698	6,144,462	4,294,460	5,170,380	4,522,507	2,919,883	2,914,807	6,669,552	5,338,150	5,931,306
Jacintoport	1,751,839	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
Care Terminal	562,217	747,372	649,545	598,914	350,422	188,279	249,001	421,064	438,722	522,501
Woodhouse	373,497	473,389	388,133	608,369	370,436	299,098	221,798	544,590	289,586	638,609
Galveston	-	-	-	-	-	-	-	-	-	25,131
Total General Cargo	27,359,831	26,854,078	24,735,058	25,277,757	23,386,895	20,808,923	19,681,460	24,871,286	23,102,039	23,656,481
Bulk										
Barbours Cut	-	-	-	-	-	3,136	2,426	4,409	-	-
Jacintoport	1,100	-	-	1,780	553	1,653	10,803	-	626	-
Care Terminal	18,298	82,016	253,942	408,225	359,286	446,801	192,753	756,891	610,965	399,887
Woodhouse	6,882	31,549	14,290	7,547	35,089	31,857	30,468	6,031	45,780	11,003
Sims Bayou	624,278	675,175	700,350	770,395	763,723	783,041	648,650	571,557	860,009	1,108,220
S.J.B. Liquid Facility	428,895	493,582	541,227	585,263	474,880	551,405	492,921	428,698	404,359	410,613
Turning Basin	2,046,714	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
	3,126,167	3,264,652	3,674,689	3,795,702	3,582,266	3,796,304	3,110,270	3,752,831	3,427,391	3,538,408
Bulk Materials Terminal	2,908,018	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
Grain Elevator #2	2,350,374	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
Total Bulk Cargo	8,384,559	10,766,309	11,090,392	9,781,607	10,162,464	10,508,259	9,183,786	10,370,528	10,123,473	9,696,448
Grand Total	35,744,390	37,620,387	35,825,450	35,059,364	33,549,359	31,317,182	28,865,246	35,241,814	33,225,512	33,352,929

- Source: The Authority

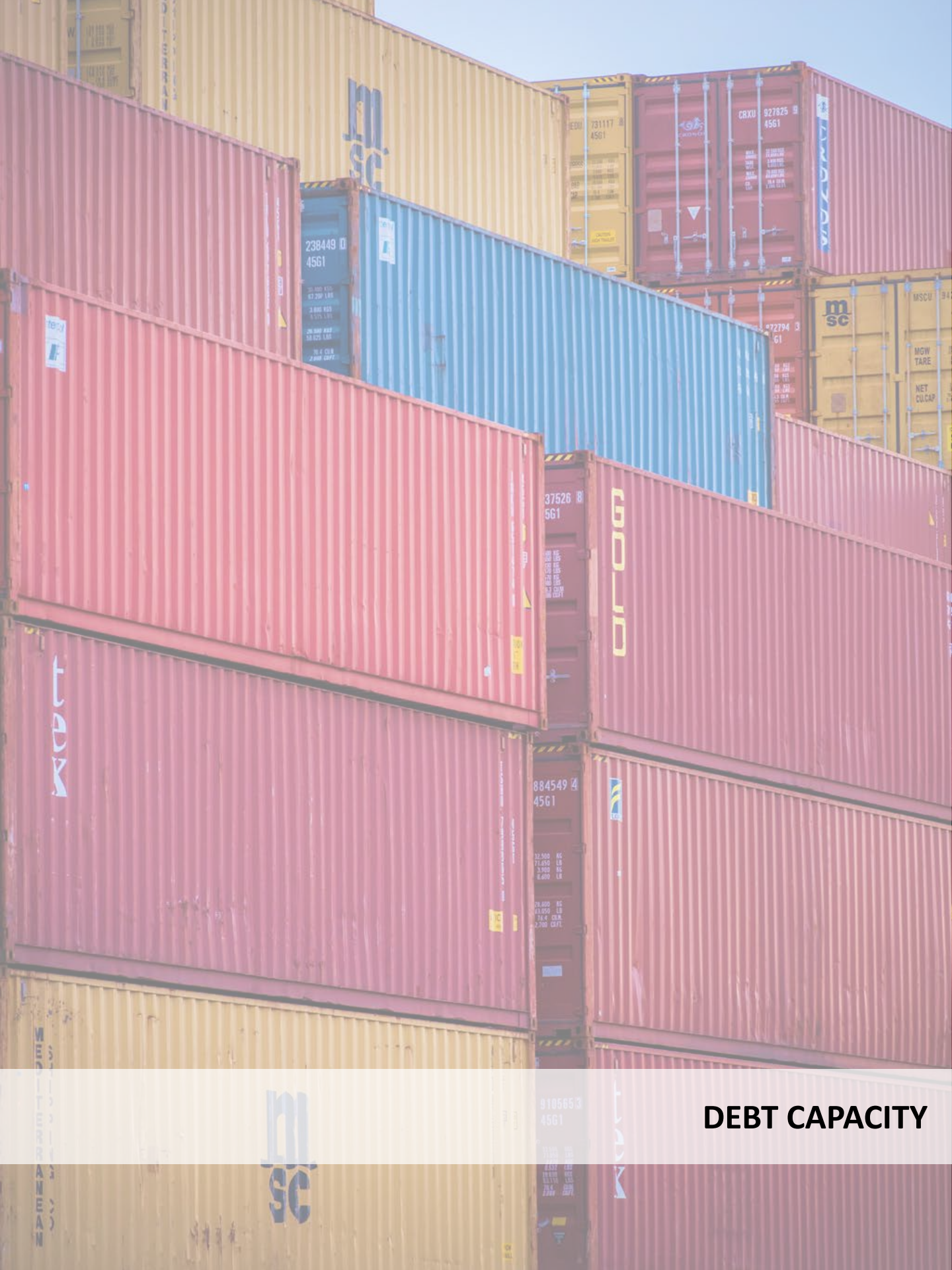
- Revenue tonnage is tonnage from which Authority revenues are derived; does not include non-Authority tonnage figures.

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	2015			2006		
	2015 Revenue	Rank	% V&C Revenue	2006 Revenue	Rank	% V&C Revenue
Mediterranean Shipping Inc. SA	\$ 30,204	1	11.31 %	\$ 16,950	1	11.81 %
CMA-CGM (America), Inc	29,812	2	11.16	9,471	3	6.60
Hapag-Lloyd AG	28,253	3	10.58	12,329	2	8.59
Cosco North America, Inc.	15,212	4	5.69	-		-
Hamburg Sud North America	13,570	5	5.08	4,792	6	3.34
Seaboard Marine, Ltd.	6,008	6	2.25	-		-
Biehl & Company - Vessel	5,658	7	2.12	6,252	5	4.36
Hanjin Shipping Company	5,652	8	2.12	-		-
Zim Integrated Shipping	4,809	9	1.80	3,415	8	2.38
Star Shipping	3,790	10	1.42	-		-
CP Ships US Agency, LLC	-		-	7,957	4	5.54
APL Limited	-		-	4,180	7	2.91
Transco Shipping (USA)	-		-	2,678	9	1.87
Norton Lilly International	-		-	2,422	10	1.69
Total	<u>\$ 142,968</u>		<u>53.53 %</u>	<u>\$ 70,446</u>		<u>49.09 %</u>

- Source: The Authority



238449 0
45G1

23,800 KG
52,700 LBS
2.600 CBM
11.011 CU FT
20.000 HGT
58.120 LBS
76.4 CLR
2.700 CWT

37526 8
5G1

37,500 KG
82,650 LBS
2.600 CBM
11.011 CU FT
20.000 HGT
58.120 LBS
76.4 CLR
2.700 CWT

884549 4
45G1

32,500 KG
71,650 LBS
3,900 CBM
13,690 CU FT

26,000 KG
57,300 LBS
76.4 CLR
2.700 CWT

910565 3
45G1

33,000 KG
72,750 LBS
4,537 CBM
16,000 CU FT
20.000 HGT
58.120 LBS
76.4 CLR
2.700 CWT

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)

General Obligation Bonds						Less Debt Service Funds Cash	Net General Bonded Debt	Percentage of Actual Property Value	GOB Debt per Capita	Total Outstanding Debt	Percentage of Personal Income	Total Debt Per Capita
Fiscal Year	Unlimited Tax Refunding Bonds	Unlimited Tax Port Improvement Bonds	Unlimited Tax Commercial Paper	Premiums (Discounts)	General Bonded Debt							
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 %	179	762,345	0.34 %	179
2013	626,979	90,645	-	36,674	754,298	9,672	744,626	0.25 %	172	744,626	0.32 %	172
2014	611,734	90,645	-	34,366	736,745	13,854	722,891	0.21 %	163	722,891	0.29 %	163
2015	588,604	85,665	-	43,363	717,632	6,414	711,218	0.19 %	159	711,218	N/A	159

- Additional information on the Authority's debt can be found in the accompanying notes to the financial statements.
- Premiums (Discounts) are inclusive of accreted interest on capital appreciation bonds.
- Updates are made to prior years.
- 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, 2015

(in thousands)
(unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006*
Gross Revenues										
Operating Revenues (a)										
Vessel and cargo services	\$ 266,305	\$ 235,929	\$ 197,974	\$ 188,457	\$ 175,297	\$ 157,633	\$ 142,310	\$ 169,584	\$ 162,636	\$ 141,697
Rental of equipment and facilities	17,120	17,763	25,114	23,077	22,030	20,325	20,451	19,910	18,800	18,033
Grain Elevator	1,567	1,821	592	683	1,923	911	1,155	787	809	717
Bulk materials	4,019	4,270	2,665	2,485	2,131	2,368	2,243	2,319	2,903	3,221
Other	3,753	1,960	5,201	8,512	3,356	3,272	2,040	2,435	3,630	1,915
Total	292,764	261,743	231,546	223,214	204,737	184,509	168,199	195,035	188,778	165,583
NonOperating Revenues										
Investment (loss) income	4,100	4,881	(452)	2,406	3,126	3,572	4,552	6,736	9,992	11,292
Other, net	2,004	5,661	19,529	11,014	5,358	11,319	9,798	7,198	14,699	8,255
Total	6,104	10,542	19,077	13,420	8,484	14,891	14,350	13,934	24,691	19,547
Total Gross Revenues	298,868	272,285	250,623	236,634	213,221	199,400	182,549	208,969	213,469	185,130
Operation Expenses										
Maintenance and Operation of Facilities										
Vessel and cargo services	115,757	115,341	93,483	91,534	89,547	90,861	77,591	94,473	85,178	73,236
Rental of port facilities	1,130	1,164	1,387	1,174	6,893	3,945	3,774	3,311	4,185	3,560
Grain Elevator	293	260	288	219	322	263	221	163	404	557
Bulk Materials Handling Plant	11	9	9	22	46	34	88	94	307	723
Other	7,114	8,223	9,919	9,958	2,415	2,385	1,796	1,797	1,916	358
Total	124,305	124,997	105,086	102,907	99,223	97,488	83,470	99,838	91,990	78,434
General and Administrative										
Total Operating Expenses	42,297	39,152	41,845	43,875	39,894	51,487	63,411	41,930	46,029	28,846
Total Operating Expenses	166,602	164,149	146,931	146,782	139,117	148,975	146,881	141,768	138,019	107,280
Nonoperating Expenses										
Total Expenses	5,673	2,694	2,998	3,906	3,350	5,872	18,473	4,461	29,151	5,869
Total Expenses	172,275	166,843	149,929	150,688	142,467	154,847	165,354	146,229	167,170	113,149
Net Revenues Available For Debt Service on First Lien										
Revenue Bonds										
Average Annual Debt Service on First Lien Revenue Bonds	\$ 126,593	\$ 105,442	\$ 100,694	\$ 85,946	\$ 70,754	\$ 44,553	\$ 17,195	\$ 62,740	\$ 46,299	\$ 71,981
Coverage by Net Revenues	-	-	-	-	-	-	-	-	-	\$ 4,456
	-	-	-	-	-	-	-	-	-	1,615 %

- * 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>
2016	\$ 51,036,286
2017	53,140,961
2018	52,991,411
2019	53,247,486
2020	52,750,461
2021	52,729,373
2022	52,070,673
2023	47,793,873
2024	48,775,098
2025	48,773,930
2026	48,771,084
2027	49,645,600
2028	49,801,100
2029	49,802,106
2030	49,800,694
2031	49,794,056
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>\$ 1,194,895,755</u>

- The table sets forth the annual debt service requirements on the Authority's ad valorem tax bonds as of December 31, 2015, 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, 2015
(unaudited)

Port of Houston Authority Facts:

Date of Establishment: 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>GDP (a)</u>	<u>National Unemployment (b)</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>
2015	0.7%	5.2%	\$ 2,230.3	\$ 2,761.8	738	\$ 37.21	48.2
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

- 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 Capita Personal Income
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%	230,462,963	53,141
2014	4,441,370	4.0%	N/A	N/A
2015	N/A	N/A	N/A	N/A

- Source: Harris County, Texas Comprehensive Annual Financial Report for the Fiscal Year Ended February 28, 2015
- 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	2015			2006		
	Employees	Rank	Percentage of Area Employment	Employees	Rank	Percentage of Area Employment
Memorial Hermann Healthcare Systems	24,000	1	0.80%	12,561	3	0.50%
MD Anderson Cancer Center	20,000	2	0.66%	-	-	-
United Airlines (formerly Continental)	15,000	3	0.50%	-	-	-
The Methodist Hospital System	14,985	4	0.49%	7,969	6	0.32%
ExxonMobil Corporation	13,000	5	0.43%	-	-	-
UTMB Health	12,448	6	0.41%	-	-	-
Kroger Company	12,000	7	0.40%	-	-	-
Shell Oil Company	11,892	8	0.39%	11,621	4	0.46%
National Oilwell Varco	11,563	9	0.38%	-	-	-
Schlumberger Limited	10,000	10	0.33%	-	-	-
Halliburton (KBR spun off)	-	-	-	11,217	5	0.44%
Administaff Inc.	-	-	-	19,851	1	0.79%
JP Morgan Chase	-	-	-	6,749	7	0.27%
St. Luke's Episcopal Health System	-	-	-	5,647	8	0.22%
Texas Childrens's Integrated Delivery System	-	-	-	5,355	9	0.21%
Wal-Mart Stores Inc.	-	-	-	12,957	2	0.51%
HEB	-	-	-	5,225	10	0.21%
	144,888		4.79%	99,152		3.93%

- Source: Greater Houston Partnership, Houston Business Journal and U.S. Department of Labor-Bureau of Labor Statistics

- Note: Combined Houston-Sugar Land-Woodlands, TX area employment for 2015 was approximately 3,015,800 and for 2006 was 2,520,600.

- * Based on calendar year

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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Passenger Cars, Small Trucks and Misc.	3,750,880	3,778,534	3,486,077	3,480,675	3,409,411
Large Trucks	34,797	32,603	30,307	38,523	36,839
Total	<u>3,785,677</u>	<u>3,811,137</u>	<u>3,516,384</u>	<u>3,519,198</u>	<u>3,446,250</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)

	2015	2014	2013	2012	2011
Baylor College of Medicine	1,564	1,582	1,549	1,525	1,483
Houston Baptist University	3,160	3,128	2,910	2,589	2,432
Houston Community College	46,344	47,415	47,699	47,784	51,384
Lone Star College System	74,160	82,818	77,827	70,833	75,680
Rice University	6,719	6,498	6,490	6,402	6,101
San Jacinto College:					
Central, South and North	32,346	27,911	32,627	33,106	32,730
South Texas College of Law	1,038	1,116	1,185	1,230	1,271
Texas Southern University	8,965	9,233	8,619	9,967	10,026
Texas Woman's University: Houston	1,365	1,347	1,262	1,270	1,307
University of Houston:					
University Park	42,704	40,803	39,498	38,758	39,824
Downtown	14,255	14,439	13,353	13,568	12,918
Clear Lake	8,906	8,668	8,260	8,301	8,188
University of St. Thomas	3,343	3,192	3,525	3,626	3,673
University of Texas: (e)					
Dental Branch	548	536	522	503	483
Graduate School of Biomedical Sciences	437	472	514	555	575
Medical School	1,060	1,045	1,062	1,037	1,017
School of Biomedical Informatics	245	171	127	140	136
School of Nursing	1,247	1,072	1,116	956	963
School of Public Health	1,274	1,260	1,274	1,298	1,425
Total	<u>249,680</u>	<u>252,706</u>	<u>249,419</u>	<u>243,448</u>	<u>251,616</u>

Number of Employees

	2015	2014	2013	2012	2011
Harris County (f)	15,761	15,244	14,557	14,275	14,923
Flood Control District (f)	291	300	290	308	335
Port of Houston Authority	583	542	528	542	578

- Note (d) Source: Fall 2015 Enrollment Data from Texas Higher Education Coordinating Board and above school websites
- Note (e) Source: University of Texas Office of Registrar (Fact Book 2016)
- 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)

	Berth Lengths (Feet)	Water Depth Below Mean Low Tide (Feet)	Paved Marshalling Area (Acres)	Covered Storage (Sq. Feet)
Turning Basin				
36 general Cargo Wharves	376-600	27-36*	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 (RoRo Dock)	1,250	35	-	93,489
Grain Dock**	600	42	-	-
Dry Bulk Cargo Facility				
Wharf 1	800	42	-	-
Wharf 2	400	42	-	-
Jacintoport				
Wharves 1 - 3	1,830	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	36	-	-
Container Berths 1 - 6	6,000	45	235	1,550,000
Passenger Berth	900	36	-	-
Bayport				
Container Berths 3 - 5	3,300	40	193	-
Cruise Terminal	1,000	33	-	-

* The maximum depth allowable due to federally authorized channel project depths

** Woodhouse Terminal is the location of Houston Public Grain Elevator No. 2.

EQUIPMENT: (a)

Turning Basin

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

Barbours Cut Terminal

Container Cranes:

- Ship to Shore (STS) = 13 total (4 SPP, 5 PP, 4 P)
- Rubber-Tire Gantry (RTG) = 42
- Empty Handling (Pencil/Side-pick) = 12
- Other load handling equipment (Top Loader) = 3

Other Equipment:

- Heavy-duty yard tractors (UTR/PIT) = 52
- Heavy-duty yard Chassis = 100

Bayport

Container Cranes:

- Ship to Shore (STS) = 9 total (3 SPP, 6 PP)
- Rubber-Tire Gantry (RTG) = 30
- Empty Handling (Pencil/Side-pick) = 0 (empty containers handled on terminal by 3rd party)
- Other load handling equipment (Top Loader) = 1

Other Equipment:

- Heavy-duty yard tractors (UTR/PIT) = 18
- Heavy-duty yard Chassis (Bucket) = 87

(a) SPP=Super Post Panamax, PP=Post Panamax, P=Panamax, UTR=Utility Truck, PIT=Powered Industrial Truck

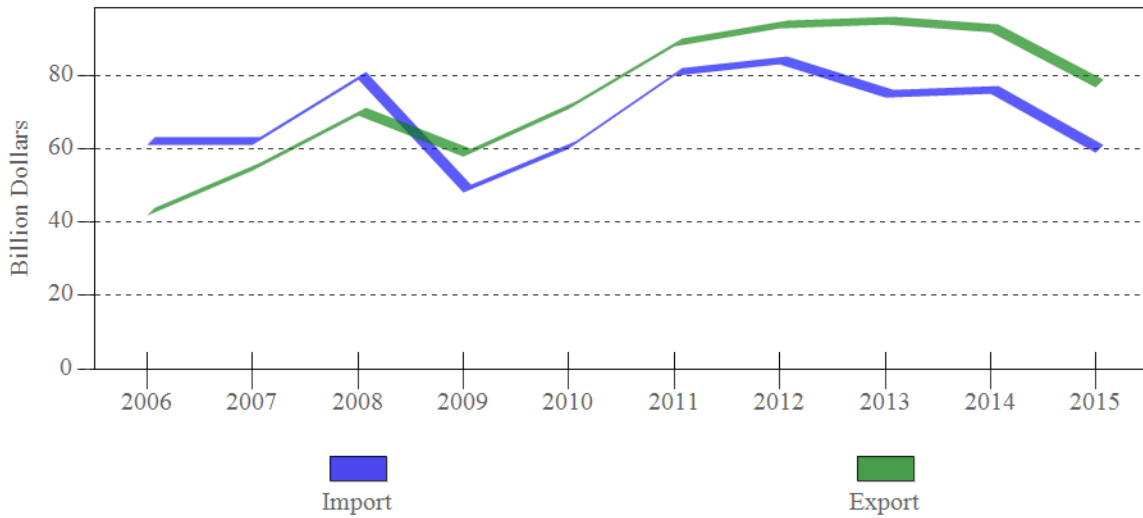
Port of Houston Authority of Harris County, Texas
Freight Traffic Statistics
(in thousands)
(unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Freight handled by the Authority only (excluding tonnages handled by private terminals) - short tons (a) (d)										
Breakbulk cargo	5,796	7,454	5,623	6,688	5,652	3,771	3,768	8,006	6,678	7,546
Container cargo	21,564	19,400	19,112	18,590	17,735	17,038	15,914	16,866	16,425	16,111
Bulk grain	2,350	2,311	2,264	1,294	2,371	2,042	1,560	2,097	1,746	1,606
Bulk plant	2,908	5,191	5,152	4,692	4,209	4,670	4,513	4,521	4,950	4,552
Other bulk	12,550	12,281	12,518	12,771	12,474	12,725	11,032	11,248	10,621	10,622
Total	45,168	46,637	44,669	44,035	42,441	40,246	36,787	42,738	40,420	40,437
Freight handled by entire Port of Houston (includes tonnages handled by both the Authority and private terminals) - short tons (b) (c) (d)										
Foreign										
Imports	(e)	76,688	76,449	83,816	88,889	88,508	84,629	92,019	94,692	106,905
Exports	(e)	83,849	83,102	78,627	78,188	71,053	63,340	54,380	50,650	45,972
Total Foreign (e)	-	160,537	159,551	162,443	167,077	159,561	147,969	146,399	145,342	152,877
Domestic										
Receipts	(e)	34,267	32,442	35,349	32,429	31,091	28,460	28,322	33,409	32,660
Shipments	(e)	23,194	22,116	23,338	22,937	21,389	20,397	22,739	22,665	23,153
Total Domestic (e)	-	57,461	54,558	58,687	55,366	52,480	48,857	51,061	56,074	55,813
Local	(e)	16,306	15,137	17,055	15,355	15,092	14,515	14,747	14,648	13,457
Total	-	234,304	229,246	238,185	237,798	227,133	211,341	212,207	216,064	222,147
Value of foreign trade handled by entire Port of Houston (c)										
Imports	\$ 59,493,988	\$ 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
Exports	76,535,738	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
Total	\$136,029,726	\$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

- 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) Prior year amounts may have been restated to reflect actual volumes after year-end adjustments.
- Note (e) Amounts not available for 2015

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 2015.

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total Revenue Tonnage										
Including Bayport companies	45,168	46,637	44,669	44,035	42,441	40,246	36,787	42,738	40,420	40,437
Excluding Bayport companies	35,744	37,620	35,825	35,059	33,549	31,317	28,865	35,242	33,225	33,353
General Cargo (a)	27,360	26,854	24,735	25,278	23,387	20,809	19,681	24,871	23,102	23,656
Bulk Materials Handling Plant	2,908	5,191	5,152	4,692	4,210	4,670	4,513	4,521	4,950	4,552
Grain Elevator #2	2,350	2,311	2,264	1,294	2,371	2,042	1,560	2,097	1,746	1,606
Other Bulk Movements										
Excluding Bayport companies (b)	3,126	3,265	3,675	3,796	3,582	3,796	3,110	3,753	3,427	3,538
Including Bayport companies	9,424	9,016	8,843	8,975	8,892	8,929	7,922	7,496	7,194	7,084
Barbours Cut Terminal										
Bulk (b)	-	-	-	-	-	3	2	4	-	-
General cargo (a)	11,395	11,100	10,559	10,117	9,493	9,598	9,420	11,817	14,004	15,226
Bayport Container Terminal										
General cargo (a)	8,589	6,977	7,265	7,355	7,365	6,568	5,803	4,199	1,522	-
Steel (a)										
Import	4,643	6,343	4,350	5,093	3,674	2,296	2,405	5,976	4,406	5,385
Export	141	236	303	391	626	425	251	310	336	243
Autos - Turning Basin										
Tons - import (a)	168	129	143	176	124	110	73	116	114	96
Tons - export (a)	14	13	21	28	27	26	24	32	22	18
Units - import	82	63	71	94	65	59	41	64	61	51
Units - export	6	5	8	11	13	12	12	12	8	7
Bagged Goods (a)										
Import	167	65	53	137	309	50	1	16	44	58
Export	46	57	191	88	198	206	352	346	562	620
Container TEU	2,131	1,951	1,950	1,935	1,866	1,817	1,799	1,795	1,771	1,608

- 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)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Houston Ship Channel										
Break bulk	883	987	1,019	998	914	840	801	891	883	826
Bulk carrier	873	1,003	809	729	702	626	653	920	878	994
Containers	1,003	1,012	966	1,013	1,037	1,028	953	966	938	998
Cruise	-	38	9	-	-	-	-	17	-	-
Roll-on/roll-off	12	9	29	49	49	69	105	130	132	167
Tankers	5,047	4,746	4,955	4,983	4,885	4,816	4,335	4,595	4,261	4,023
Tug Tow	384	386	369	454	355	297	280	411	470	402
Vehicle carrier	111	112	119	138	104	103	75	43	61	50
Other	12	46	16	31	27	70	75	77	80	88
Total Vessel Arrivals	8,325	8,339	8,291	8,395	8,073	7,849	7,277	8,050	7,703	7,548
PHA Public Wharves										
Turning Basin										
Ships	1,066	1,258	1,121	1,130	1,046	999	962	1,255	1,196	1,177
Barges	971	1,016	1,789	1,585	1,528	1,416	1,186	1,546	1,492	1,596
Bulk Plant, Jacintoport, Care Woodhouse, and HPGE#2										
Ships	502	597	596	581	613	595	541	669	705	684
Barges	424	611	492	632	586	545	525	485	496	805
Barbours Cut and Galveston										
Ships	581	664	822	771	688	695	704	809	969	1,067
Barges	98	113	23	88	51	32	43	46	58	280
Bayport Container Terminal										
Ships	856	356	349	355	374	330	314	225	97	-
Barges	119	107	68	63	59	2	1	1	4	-
Bayport Cruise Terminal										
Cruise	48	38	9	-	-	-	-	17	-	-
Layberth	42	39	42	48	56	49	21	-	-	-
Bayport Companies										
Ships	856	672	732	713	643	704	652	611	632	583
Barges	2,166	2,145	2,148	2,160	2,206	2,115	1,754	1,657	1,620	1,597
Total PHA Arrivals										
Ships (a)	3,528	3,654	3,661	3,593	3,409	3,372	3,194	3,569	3,599	3,511
Barges	4,348	4,611	4,521	4,533	4,441	4,110	3,509	3,735	3,670	4,278

- 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

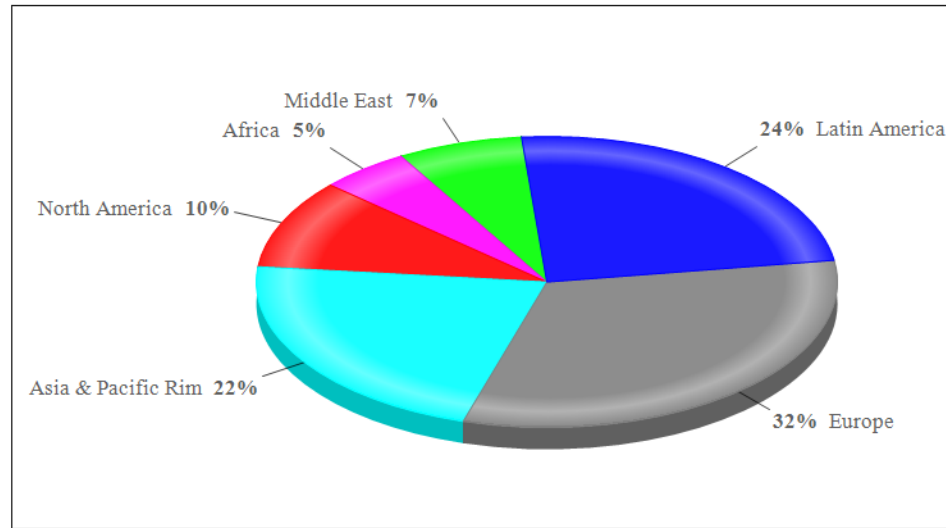
(in thousands)
(short tons)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Cement	-	-	-	-	-	-	-	-	-	157
Coke	2,809	3,282	2,712	2,970	3,698	4,673	4,518	4,563	4,979	4,404
Coal	100	1,909	2,441	1,729	549	-	-	-	-	-
Fertilizer	51	62	75	18	-	27	26	37	-	-
Grain	2,350	2,311	2,264	1,286	2,376	2,042	1,560	2,097	1,746	1,606
Industrial Chemical	11,240	10,864	10,563	10,895	10,682	10,989	9,490	8,929	8,957	8,938
Molasses	255	253	249	263	241	121	206	234	156	347
Petroleum Products	458	361	581	621	509	549	343	125	43	32
Tallow	154	191	182	251	259	345	320	518	480	419
Dry Bulk	242	356	525	601	555	504	377	964	870	824
Vegetable Oil	150	194	341	105	178	159	252	375	64	-
Miscellaneous Bulk	-	-	-	17	7	28	14	24	23	53
Totals	17,809	19,783	19,933	18,756	19,054	19,437	17,106	17,866	17,318	16,780

- Source: The Authority

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

2015 Foreign Trade Through the Port of Houston by Region (\$ Value)

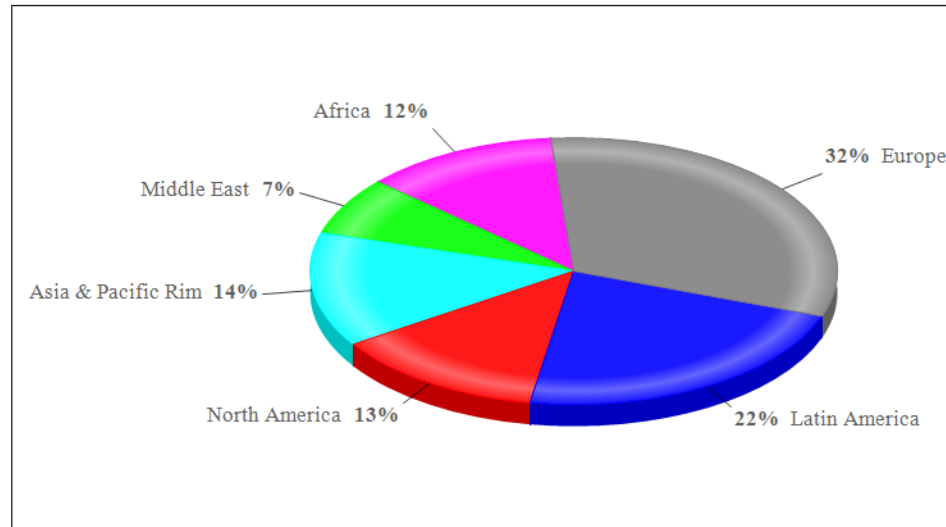


TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2015 (000s)

	Imports	Exports	Total	Percent of World Total
Latin America	\$ 7,773,320	\$ 24,955,867	\$ 32,729,187	24 %
Europe	23,857,422	19,103,690	42,961,112	32 %
Asia & Pacific Rim	16,273,599	13,704,860	29,978,459	22 %
North America	6,416,296	7,761,215	14,177,511	10 %
Middle East	3,688,219	5,449,464	9,137,683	7 %
Africa	1,485,132	5,560,642	7,045,774	5 %
Worldwide Totals	\$ 59,493,988	\$ 76,535,738	\$ 136,029,726	100 %

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

2006 Foreign Trade Through the Port of Houston by Region (\$ Value)



TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2006 (000s)

	Imports	Exports	Total	Percent of World Total
Europe	\$ 19,613,868	\$ 13,537,513	\$ 33,151,381	32 %
Latin America	10,786,532	11,592,371	22,378,903	22 %
North America	9,399,214	4,064,398	13,463,612	13 %
Asia & Pacific Rim	8,457,703	6,001,049	14,458,752	14 %
Middle East	4,137,854	2,699,911	6,837,765	7 %
Africa	8,632,597	4,039,139	12,671,736	12 %
Worldwide Totals	\$ 61,027,768	\$ 41,934,381	\$ 102,962,149	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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Exempt Employees	199	179	183	182	190	183	182	177	160	146
Non Exempt Employees	169	205	194	206	237	257	253	256	262	260
Hourly Employees	215	158	151	154	151	152	157	162	158	154
Total Active Employees	583	542	528	542	578	592	592	595	580	560

- Source: The Authority



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT
AUDITING STANDARDS***

To the Port Commission
Port of Houston Authority of Harris County

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We have audited, 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, the 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, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements as listed in the table of content, and have issued our report thereon dated April 20, 2016.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (“internal control”) to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, related to the proper accounting for the components of non-routine debt related transactions that we consider to be a significant deficiency in the Authority’s internal control.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Authority's response to findings

The Authority's response to our findings, which is included in the internal control deficiency letter was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the Authority's response.

Intended purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Houston, Texas
April 20, 2016



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