Port of Houston Authority

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Years Ended December 31, 2017 and 2016

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Prepared By: Office of the Controller Port of Houston Authority

On the cover: The Authority's Barbours Cut Container Terminal celebrated 40 years of operation during 2017. Redevelopment of the terminal's infrastructure continues in order to provide capacity for larger vessels and sustained growth in container volumes at the port.

Port of Houston Authority of Harris County, Texas

Comprehensive Annual Financial Report
For the Years Ended December 31, 2017 and 2016

Prepared By:
Office of the Controller
Port of Houston Authority

PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

Port of Houston Authority of Harris County, Texas
Comprehensive Annual Financial Report
For the Years Ended December 31, 2017 and 2016

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PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

Port of **Houston** Authority
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April 10, 2018

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, 2017. Dollar amounts within this letter of transmittal are rounded to the nearest million and to the nearest thousand in the Management's Discussion and Analysis ("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 a 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 620 active, regular employees as of December 31, 2017 and in addition, utilized 379 full-time equivalent workers throughout the year hired from local longshoremen union halls.

The greater 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 continues to make improvements to the wharfs. These improvements include 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. The Port's terminals are operated 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 marshalling area.

Container cargo is handled by the Authority at the Barbours Cut Container Terminal ("BCT") and Bayport Container Terminal ("Bayport"). Today, these terminals combined have 23 operating wharf cranes, 80 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 3,400 acres of undeveloped properties and manages approximately 3,548 acres of developed properties. The Authority's revenues derive in large part from operations of the container terminals. However, its other assets are a source of revenues as well, including those 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 complex on 16 acres under lease to Valero Refining Texas, L.P., Contanda Terminals LLC, South Coast Terminals, Inc., and Huntsman International LLC.

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. In 2016 Houston Fuel Oil Terminal Company elected to exercise its option for a 30-year lease on property next to the Care Terminal for construction and operation of a liquid bulk dock. The dock is nearing completion and expected to become operational in July 2018. The facilities at Jacintoport Terminal are leased to Jacintoport International, LLC, a subsidiary of Seaboard Corporation. The Bulk Materials Handling Plant is leased to Kinder Morgan Petcoke, L.P. The grain elevator at Woodhouse Terminal is currently 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 intended to build the world's largest ethane export complex at the BCT Terminal adjacent to the container terminal operations. Enterprise successfully reconstructed Wharf 7 and Wharf 8 which became operational in November 2015 and December 2016 respectively.

In 2016, the Authority signed a 50-year lease with Agro Merchants LLC for a 217,000 square foot cold storage warehouse at Bayport Industrial Park 1. The facility is intended to be used primarily for import and export of chilled and frozen meat, poultry, seafood, fruits and vegetables. The Authority also signed a 50-year lease with Ridge Development for a 450,000 square foot warehouse at the Bayport Industrial Park 1. The facility is intended to be used for packaging and shipping resin and exports to various regions in the world. Both projects are in the feasibility phase and lease commitments are subject to the commencement of construction.

In October 2016, the Authority executed a 50-year lease with LBC Houston, L.P. for 16.3 acres adjoining the north side of the Bayport channel. The property is subleased to Seabrook Logistics LLC, a joint venture between LBC Houston L.P. and Magellan Midstream Partners L.P., which was formed to construct and operate a liquid bulk dock to handle crude oil and condensate.

In 2015, the Authority entered into a lease with Frontier Logistics, LP for an initial term of 29 years and four months, and four extension options of five years each, for approximately 55 acres at the Authority’s North L Street property that is being developed into a rail-served warehouse and resin packaging facility at the Barbours Cut Container Terminal. The property received its benchmark plat approval from the City of La Porte, Texas and commenced clearing of the property in 2016. In February of 2018, the project will receive its full non-objection letter from the Authority to commence construction. The project is scheduled for completion in early 2019.

In April 2016, the Authority entered into a Memorandum of Understanding (“MOU”) with Galveston County, Texas to explore development of a new vehicular bridge and potential freight rail bridge connecting Pelican Island and Galveston Island, for the benefit of landowners, academic interests and commercial stakeholders. The MOU recognizes that the most feasible alignment for the bridge may be located on the Authority’s 1,112-acre Pelican Island property, and certain rights-of-way on that property may be required for connectivity to Seawolf Parkway and the existing road system. A significant amount of construction funds have been secured by Galveston County from the Texas Department of Transportation clearing the way for construction of the bridge.

In October 2017, the Authority executed a 50-year lease agreement with Contanda Wah Chang Terminals LLC for approximately 386 acres at the Authority's Bulk Materials Handling Plant and Wah Chang Properties. The lease contains a multi-year feasibility and construction period for development of a chemical and petrochemical storage and export facility.

Sections of the wharves at BCT, Care Terminal, Jacintoport Terminal, Bulk Materials Handling Plant, Sims Bayou, Turning Basin Terminal and Woodhouse Terminals are subject to preferential, but not exclusive berthing arrangements.

The Authority also leases land, provides railroad rights-of-way to rail operators, licenses pipeline crossings, issues marine construction permits, and maintains expansive areas for dredged material.

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 12,750 acres of submerged land in Harris County. As the Non-Federal Sponsor of the Houston Ship Channel, the Authority has provided to the U.S. Army Corps of Engineers (Corps) over 7,000 acres of land in Harris County and Galveston Bay as dredge material placement areas, and sponsors the development of 3,000 acres of created marsh in Galveston Bay for which the Authority will have perpetual maintenance responsibility. The Authority performs environmental management and operational oversight of its placement areas and bird sanctuaries through professional service and maintenance contracts the cost of which has been reduced by 30-60% over the past five years.

In 2016, the Authority completed deepening of the Bayport and Barbours Cut ship channels and berths without federal funds. This work accelerated the availability of the channels to receive the deeper draft and larger vessels that are necessary to maintain competitiveness in shipping. Soon after completion, the channel improvements were accepted by the federal government and the Corps resumed maintenance at full federal cost. The completed assumption of maintenance will relieve the Authority of millions of dollars associated with annual channel maintenance dredging costs. Annualized national economic development benefits for the channel improvements completed by the Authority were estimated by the Corps to be over $32 million.

2018 will mark the midpoint of the four-year cost-shared federal study which is considering the feasibility of further improvements to the Houston Ship channel and its tributaries. The tentatively selected plan will enable deeper draft and generally larger ships to call further upstream in the heart of the channel petrochemical reach and allow for more efficient transportation up through the Turning Basin Terminal. Additional widening of the ship channels up to and including the container terminals will assure the capability of those channels to satisfy the growing demand for containerized cargo for the next 20-50 years. The Port Authority’s 50% cost share of the study is approximately $5 million.

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 experienced solid growth in 2017. According to an initial estimate released by the U.S. Department of Commerce, Bureau of Economic Analysis, real gross domestic product ("GDP") grew 2.5% in 2017 (measured from the fourth quarter of the prior year) compared to 1.8% in 2016, and modestly above the 2.2% average pace since the end of the Great Recession. Real GDP in the fourth quarter of 2017 reflected positive contributions from personal consumption expenditures, residential and nonresidential fixed investment, exports and state, local and federal government spending that were partly offset by negative contributions from private inventory investment. Imports, a subtraction in the calculation of GDP, increased.

On December 13, 2017, the Federal Reserve ("Fed") raised the federal funds rate by a quarter point, to a target range of 1.25% to 1.50%. Additional rate hikes are expected, with the overnight rates projected at 2.10% this year and 2.70% by 2019. With higher global economic growth and the Fed tightening, U.S. short-term yields rose sharply. The two-year Treasury note closed the year at 1.88%, a 79-basis point advance on the year, and reached as high as 2.16% in early February 2018.

On December 22, 2017, after much wrangling in Congress, President Donald J. Trump signed the Tax Cuts and Jobs Act into law. Prominent among the features of this legislation is the reduction of the corporate tax rate from a maximum rate of 35% to a flat rate of 21%. For individuals, the top tax rate was reduced from 39.6% to 37%, although this reduction is temporary and currently expires at the end of 2025. Changes in certain deductions available under current law may potentially offset this benefit to taxpayers, including the reduction of the mortgage interest deduction from $1 million to $750,000 for married filers, and the new $10,000 cap for deduction of state and local taxes.

The Consumer Price Index ("CPI") for all items increased 2.1% in 2017. The holiday shopping season was reportedly the best since 2010, although retail sales data since December 2017 appear to show some weakness in consumer spending. Rising energy prices contributed significantly to gains in inflation, with West Texas Intermediate ("WTI") crude oil prices increasing 12% to close the year at $60.42 per barrel. The stock markets continued to rally in 2017, with the Dow Jones Industrial Average reaching 24,719 at year-end, an increase of 25.1%. Equity markets have been very volatile in early 2018. Unemployment held steady at a 17-year low of 4.1% in December 2017.

The U.S. economic outlook for 2018 appears stronger with projected real GDP growth of 2.8%, on an annual-average over annual-average basis, according to the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters released in February 2018. The GDP growth estimates for 2019, 2020 and 2021 are also positive at 2.5%, 2.0% and 1.7%, respectively. With regard to the labor market, forecasters predict that the unemployment rate will average 4.0% in 2018, before falling to 3.8% in 2019, 3.9% in 2020, and 4.0% in 2021. In addition, the forecasters point to a brighter outlook for job gains in the annual-average level of nonfarm payroll employment, with a monthly rate of 175,100 in 2018 and 150,300 in 2019.

According to the International Trade Report released by the U.S. Census Bureau and the U.S. Bureau of Economic Analysis in February 2018, Texas ranks as the top exporting state in the nation. With exports of over $264 billion, Texas accounted for 17% of U.S. goods exported in 2017. In the last five years, the greater Houston metropolitan area has been ranked as the first or second largest export market in the nation based on dollar value of goods and services. 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 terminals.

While the Texas energy industry has struggled in recent years, the Authority and the local region should continue to benefit from positive job growth in 2018 and rising demand for crude oil. According to a Bloomberg report, lifting the 40-year old ban on U.S. oil exports in 2015 and the explosive growth of shale production have changed the flow of petroleum around the world. Shipments from U.S. ports have increased from about 100,000 barrels a day in 2013 to over 1.5 million in 2017, traveling as far as China, the United Kingdom and even the Middle East. The United Arab Emirates may not be the most obvious customer for Texan oil, but it is interesting that a cargo of American condensate was shipped from the Port of Houston and arrived at the Port of Ruwais in Abu Dhabi in January 2018. Such exports contribute to a positive balance of trade for the U.S. in this global economy.

Financial Planning

The Authority's mandate is to advance sustainable maritime trade and commerce, ensure navigable waterways, and promote job creation, economic development and opportunity for the local region, Texas and the nation. Transparency, fiscally sound and safe business practices, and prudent evaluation of risks and opportunities are necessary elements for achieving such goals. In addition, a strong focus on financial planning and liquidity management is considered essential, in light of extensive infrastructure investments expected to be required in the next number of years. Expense management and creating 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 2018, the Authority has budgeted operating revenues of $368 million. This represents an 18% increase over the 2017 budget of $312 million, reflecting growth in container volumes (especially export loads), and an increase in channel development revenues (primarily dredge management placement fees and leases of submerged lands). Non-operating revenues in 2018 reflect an expected decrease in federal grant reimbursements, and reduced interest income as cash balances continue to be expended for capital infrastructure projects. Total expenses are budgeted at $284 million, a 7% increase versus the prior year, due primarily to higher terminal operating and union labor resulting from increased volumes, as well as depreciation and amortization, asset maintenance, and general and administrative expenses. Excluding revenues and expenses related to property taxes, the Authority projects net income of $90 million for 2018, or 57% higher than the 2017 budget. The Authority also expects to generate cash flows of over $150 million per annum over the next several years.

During 2017, the Authority invested $165 million in capital improvements, funded primarily from the Authority's general fund and in part from grant monies received from federal and other governmental programs. The proceeds from tax bonds issued in prior years were fully spent by 2014.

Infrastructure improvements, including deepening and widening of the Houston Ship Channel, help ensure that the Authority and the private sector entities comprising the Port of Houston are better prepared to accommodate the larger vessels that carriers are building for their shipping fleets, as well as the increased cargo volumes resulting from future demographic growth in the region and other factors. Replacing aging facilities with more modern equipment and terminals also supports the Authority's goals to facilitate commerce, navigation, and safe waterways.

In 2018, the Authority expects to commit $275 million for various capital projects. Approximately $183 million will be allocated to its container terminals for continuing development of Bayport and modernization at BCT, while $14 million is designated for channel development projects, and another $24 million relates to improvements at the general cargo and bulk terminals in the Turning Basin Terminal area. The remaining 2018 capital budget funds will be used for railroad improvements, port security, building renovations and information technology.

Major Initiatives

Strategic Plan

The Strategic Plan, developed in 2015, is a 5 year roadmap designed to help the Authority realize its vision of becoming *America's Distribution Hub for the Next Generation*. Throughout 2017, the Authority's staff continued to execute strategic goals by 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. These goals help focus resources, guide staff decision-making and planning, and promote continued successes that allow the Authority to maintain a sustainable competitive advantage.

Terminal Improvements

The Authority evaluates its strategic plans to ensure a competitive position in the global marketplace. This can only be accomplished by focusing on increased service levels to carriers and customers, optimizing expansion and redevelopment activities, and investing in terminal infrastructure to meet demand.

Development at Bayport Terminal continued throughout 2017 with the Wharf 2 and Container Yard 6 South expansion projects. 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 Wharf 2 expansion project. It will complete construction in January 2018 and provides a total of 4,000 feet of wharf area and creates the capacity for three additional Super Post Panamax ("SPP") Ship-To-Shore ("STS") cranes, increasing the terminal total to twelve. These STS cranes will be delivered in the third quarter of 2018. Construction of Container Yard 6, which includes 50 acres of grounded container marshaling area, continued throughout all of 2017. Container Yard 6 North was completed and turned over at the end of 2016 and Container yard 6 South will be complete in the first quarter of 2018.

Also currently under construction is a tenant-operated yard being built by the tenant Terminal Link Texas ("TLT"). When completed it will consist of 25 acres of empty container and freight handling areas. This is part of a long-term lease agreement with the tenant and is scheduled to complete construction in the third quarter of 2018.

Another project completed at Bayport in 2017 included the installation of an upgraded Gate Operating System ("GOS") to provide better connectivity and increased throughput in and out of the container terminal.

Redevelopment at Barbours Cut Terminal ("BCT") continues to progress as well. The Port Authority capped off the Wharf 2 reconstruction and rehabilitation project in 2017. The commissioning of the three new SPP STS cranes, built, delivered and commissioned by ZPMC North America Inc., is in its final stages and will be fully operational soon. These three cranes, similar to the configuration of the four already in operation at BCT, are a major component in the revitalization of the terminal and provide the capability to service growing vessel sizes. It brings the total SPP STS cranes to seven at BCT. In addition, to provide the necessary power to operate these next-generation cranes and growing STS fleet, an electrical substation was constructed on the west end of the terminal by CenterPoint Energy and is now operational.

A project to reconstruct 43 acres at the east end of BCT began in the second quarter of 2016 and the first phase was completed in October of 2017. The second and final phase of the project is scheduled for completion in the third quarter of 2018. The objective is to repurpose warehouse and freight handling areas for container stacking, rebuild aging infrastructure, and add truck bypass lanes to support higher cargo velocity within the terminal.

Proper phasing of the BCT redevelopment is critical to ensure the terminal maintains current operating capacity during construction activities. Utility and power upgrades are considered as key elements in modernizing this facility. During 2017, the BCT Master Plan began to undergo updates to ensure we are in line with future capacity needs and obligations. The updates continue and should be finalized in 2018.

In order to enhance the value of the Authority's general cargo operations, a number of projects are contemplated to restore aging infrastructure and facilitate incremental commerce at those terminals. Some obsolete assets at the Turning Basin and Woodhouse are being demolished for the purpose of redevelopment of prime waterfront property. Aging storm water drains on the south side of the Turning Basin have been repaired by widening a pass-through area. Several projects stem from ongoing dock assessments used to determine what repairs may be necessary, including a new fender system for City Dock 17 and the rehabilitation of City Dock 23. New cleats and bollards have been installed to improve the safety and security of the Turning Basin wharves.

Health, Safety, Security and Emergency Management

The Health, Safety, Security and Emergency Management Division (HSSE) continued to support operations under its divisional mission statement of "Safely Secure People and Commerce". In 2017, the Security Department led HSSE in obtaining full recertification to the ISO 28000 Supply Chain Security Standard, while adding Woodhouse Terminal to the certification. The Authority remains the only Port Authority in the United States to hold this certification.

Our Emergency Manager, was named the "Emergency Manager of the Year" by the Emergency Management Association of Texas, in part for his efforts during the multi-agency response to a downed Apache helicopter at the Bayport Terminal in January 2017. Our Safety team continued to lower the Lost Time Incident Frequency Rate, down from 1.11 to 0.97 in 2017, which is outstanding compared to an industry average of 3.5.

The Police and Fire Departments saved several lives and mitigated several potentially dangerous events. In August, Port Police observed a motorcycle stopped on the 610 Bridge and saw the motorcyclist climb over the rail, preparing to jump off the bridge. Assisted by other officers, he was able to prevent a potential suicide. The Fire Department fireboats responded to several shipboard fires along the ship channel in 2017, capably utilizing their state-of-the-art fireboats as one of the premier marine firefighting departments in the nation.

Hurricane Harvey was obviously a devastating blow to the Houston area. The entire HSSE staff responded, assisting with the safety and security of our terminals, while also assisting many others in the community. As a result, our facilities were relatively undamaged and we were ready to return to operations when the ship channel re-opened, receiving one of the first ships into port.

Environmental

The Environmental Affairs Division manages the Authority's environmental impacts through the administration of an environmental management system ("EMS") and various environmental programs, including air quality, waste management, drinking water, storm water, wastewater, remediation and compliance auditing. In 2016, as recipient of the Galveston Bay Foundation's Guardian of the Bay Award, the Authority was recognized as a maritime industry leader in environmental stewardship. In addition, the Authority became the world's first publicly-owned port to certify its EMS under the newest international standard, ISO 14001:2015, a rigorous standard that requires a culture of environmental awareness to succeed.

Tenants operating on Authority property were generally audited at least annually for compliance with the environmental terms of their leases. In 2017, the Authority conducted 52 compliance audits of tenant and PHA facilities. A total of 27 audit findings were identified. Tenant audit summaries were reported at the Tenant Audit Review Board ("TARB"), a collaborative process which included Authority staff members from the Environmental Affairs, Operations, Real Estate and Legal departments.

Technology

The Technology division, ("IT") operates with the divisional mission to "Be the Trusted Advisor for IT Goods and Services" and a principal responsibility to support port wide applications, infrastructure and information security. The IT Master Plan for 2017 – 2019 is the blueprint for the division as an internal service provider. The goals of the division are: (1) Be the Trusted Advisor for IT Goods and Services; (2) Recruit, Retain and Grow IT Staff Competencies; (3) Support Operations and the Revenue They Deliver; (4) Implement Information and Cybersecurity into Every Asset and Service. After receiving Port Security Grants for Cybersecurity and security camera replacements, multi-project programs are in flight. All efforts are completely aligned to the Authority's Strategic Plan.

Financial Information

The accounting policies of the Authority and this report conform to accounting principles generally accepted in the United States of America for local governmental units as prescribed by the Governmental Accounting Standards Board. A summary of significant accounting policies can be found in Note 1 of 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 2017 the Authority recognized $4.2 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. However, 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 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, 2017 and 2016 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, 2017 and 2016, 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, 2016. This was the 43nd consecutive year that the Authority has achieved this 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 additional certificates in 2015 and 2017. The GTOT certificate is valid for two years.

The Texas Comptroller of Public Accounts launched the Leadership Circle program in 2009 to encourage local governments to meet high standards for online financial transparency. The Authority is committed to such transparency, and earned Gold Leadership Circle Awards in 2012 and 2013, and Platinum Level Awards in 2014 and 2015. In 2016, the Comptroller’s office announced a new Transparency Stars program, recognizing local governments for going above and beyond in their transparency efforts to provide clear and meaningful financial information through summaries, visualizations, and downloadable data. The Authority was awarded two Transparency Stars in December 2016 in the areas of Traditional Finances and Debt Obligations, and a third Star in the area of Public Pensions in November 2017.

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

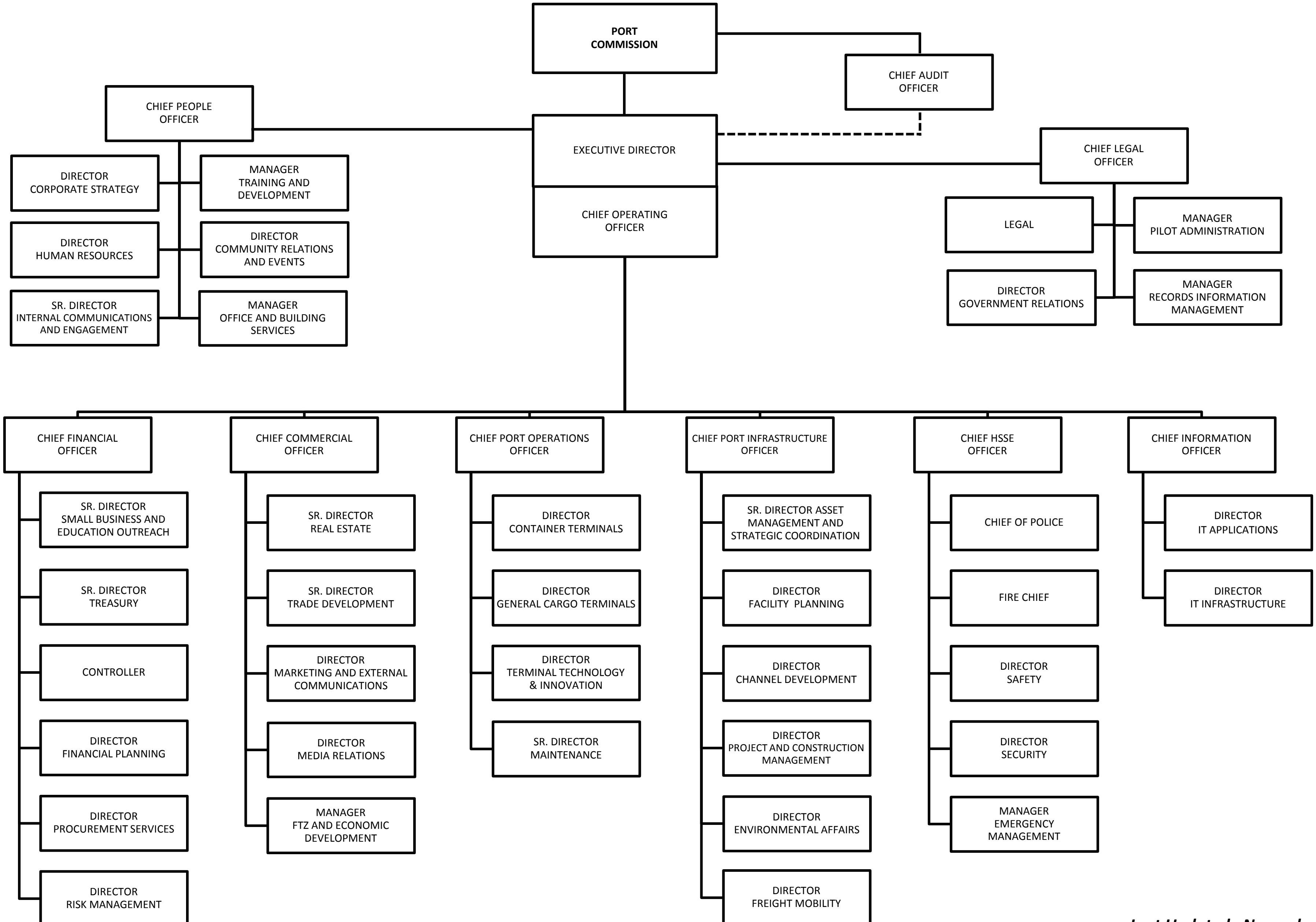
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrill

Executive Director/CEO

PORT OF HOUSTON AUTHORITY ORGANIZATION CHART



Last Updated: November 13, 2017

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
Rich Byrnes, Chief Port Infrastructure Officer
Jeff Davis, Chief Port Operations Officer
Erik A. Eriksson, Chief Legal Officer
Tim Finley, Chief Financial Officer
Ricky Kunz, Chief Commercial Officer
Jessica Shaver, Chief People Officer
Charles Thompson, Chief Information Officer
Marcus Woodring, Chief Health, Safety, Security
and Emergency Operations Officer
Maxine N. Buckles, Chief Audit Officer
Curtis E. Duncan, Controller
Orlando Sanchez, County Treasurer

FINANCIAL SECTION

PORT OF HOUSTON AUTHORITY

PHA

HOUSTON, TEXAS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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To the Port Commission
Port of Houston Authority of Harris County, Texas

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, 2017 and 2016, 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, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Restated Retirement Plan Schedule of Changes in Net Pension Liability and Related Ratios, Restated Retirement Plan Schedule of Port Authority Contributions, OPEB Plan Schedule of Changes in Net OPEB Liability and Related Ratios, OPEB Plan Schedule of Actuarially Determined Contributions, OPEB Plan Schedule of Money Weighted Rate of Return, OPEB Trust Schedule of Funding Progress, and OPEB Trust Schedule of Employer Contributions 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 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 10, 2018, 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 solely 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 the Authority's 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 10, 2018

PORT OF HOUSTON AUTHORITY

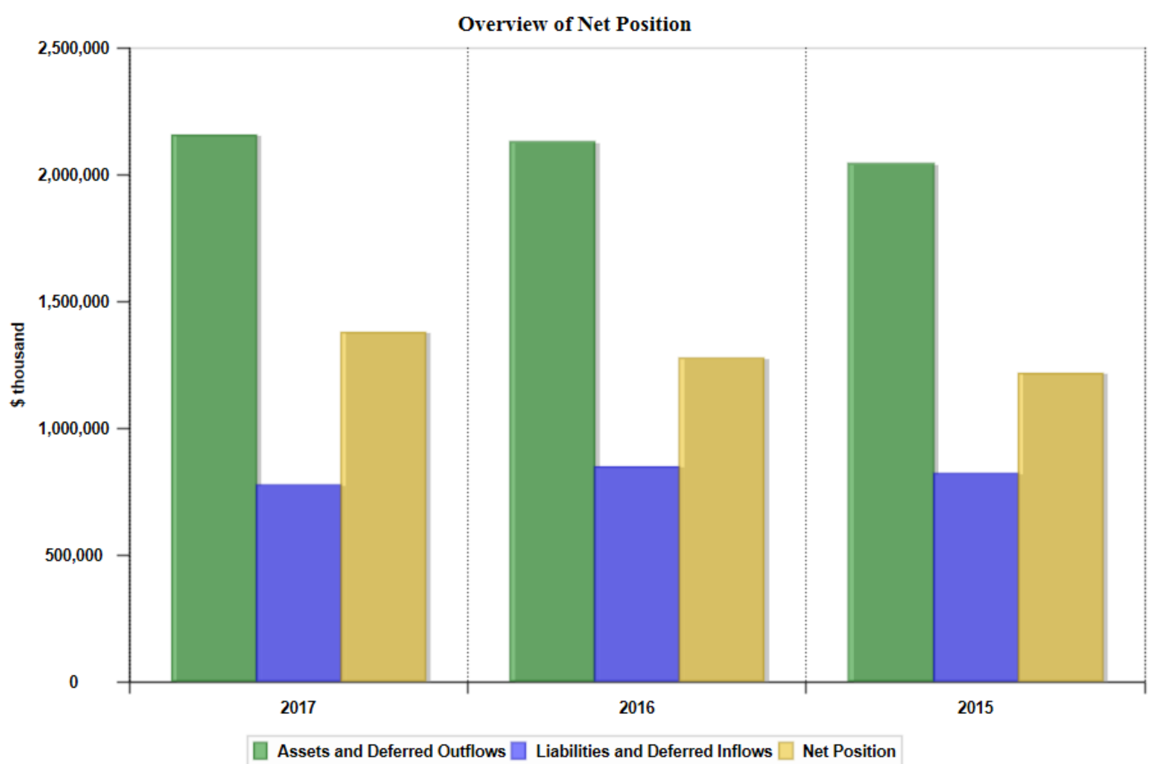
PHA

HOUSTON, TEXAS

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, 2017 and 2016.

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 2017

- The net position of the Authority at December 31, 2017 was $1,380,327, increasing $103,082 or 8% over the prior year.
- The Authority's total assets and deferred outflows increased by $29,167 or 1% during the fiscal year ended December 31, 2017. The majority of this change stems from a decrease in cash and investments of $45,464, offset by an increase in capital assets of $81,547.
- The Authority's total liabilities and deferred inflows decreased by $73,915 or 9%; the majority of this change stems from a decrease of $17,672 in accounts payable and other current liabilities, a decrease in other noncurrent liabilities due in more than one year of $26,583 and a decrease in long-term debt, net of current maturities of $24,005.
- Current assets exceeded current liabilities by $318,346.
- Net investment in capital assets (net of accumulated depreciation and debt) grew 11% to $1,023,578.
- Operating revenues were $332,873, reflecting growth of 15% over the prior year.
- Total operating expenses were $261,076, a decrease of 2% over the prior year.
- The Authority generated operating income of $71,797, reflecting growth of 186% from fiscal 2016.

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.

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. 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 plans and other postemployment benefits.

Financial Analysis

The largest portion of the Authority's net position (74%) reflects its net 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 (23%) 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)

	2017	2016	2015
Assets			
Current and other assets	$ 446,776	$ 494,692	$ 518,278
Capital assets	1,693,043	1,611,496	1,505,636
Total Assets	2,139,819	2,106,188	2,023,914
Deferred Outflows of Resources	17,438	21,902	18,266
Total Assets and Deferred Outflows of Resources	2,157,257	2,128,090	2,042,180
Liabilities			
Long-term liabilities (including current portion)	715,730	768,733	773,991
Other liabilities	60,197	78,693	44,605
Total Liabilities	775,927	847,426	818,596
Deferred Inflows of Resources	1,003	3,419	4,234
Total Liabilities and Deferred Inflows of Resources	776,930	850,845	822,830
Net Position			
Net investment in capital assets	1,023,578	919,177	794,075
Restricted	45,622	45,705	41,853
Unrestricted	311,127	312,363	383,422
Total Net Position	$ 1,380,327	$ 1,277,245	$ 1,219,350

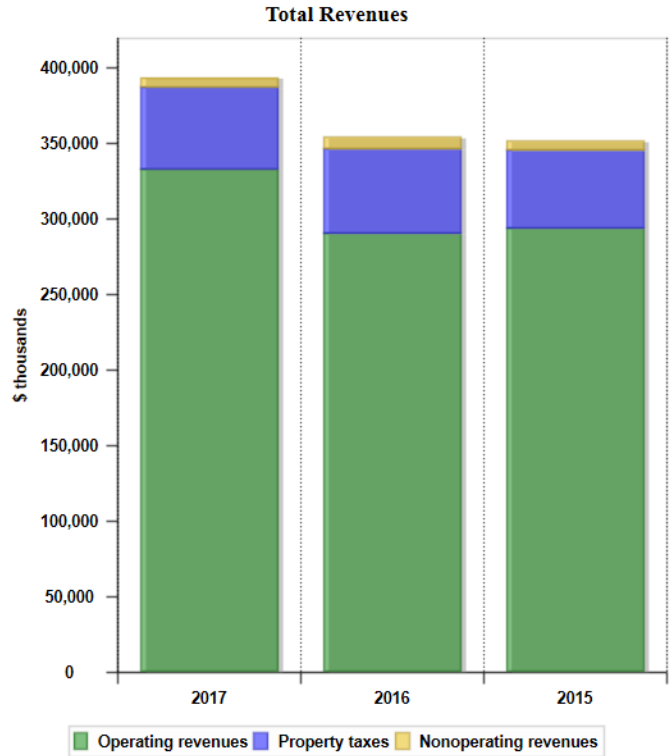
The Authority's net position increased by $103,082 during the fiscal year ended December 31, 2017. Net investment in capital assets increased $104,401 resulting from a net increase in capital assets of $81,547 and a decrease in outstanding bonds payable of $23,225. During fiscal year 2017, restricted net position decreased $83 while unrestricted net position decreased $1,236.

The Authority's net position increased by $57,895 during the fiscal year ended December 31, 2016. Net investment in capital assets increased $125,102 resulting from a net increase in capital assets of $105,860 and a decrease in outstanding bonds payable of $20,509. During fiscal year 2016, restricted net position increased $3,852, while unrestricted net position decreased $71,059.

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)

	2017	2016	2015
Operating revenues:			
Vessel and cargo services	$ 309,058	$ 266,703	$ 267,277
Rental of equipment and facilities	15,976	15,869	17,120
Grain elevator	902	1,199	1,567
Bulk materials	4,004	3,941	4,019
Other	2,933	2,514	3,753
Nonoperating revenues:			
Investment income	4,553	4,896	4,142
Contribution in aid of construction	-	-	610
Other	1,703	2,690	1,279
Nonoperating revenues related to property taxes:			
Property taxes	53,842	55,749	51,280
Investment income on bond proceeds	264	119	120
Total Revenues	393,235	353,680	351,167
Operating expenses:			
Maintenance and operations of facilities	152,166	141,102	123,433
General and administrative	42,423	44,286	42,297
Depreciation and amortization	66,487	64,601	60,198
Impairment of Capital Assets	-	15,114	-
Nonoperating expenses:			
Contributions to state and local agencies	4,243	2,127	2,147
(Gain) \ Loss on disposal of assets	33	(2,976)	2,849
Other	2,187	1,033	338
Nonoperating expenses related to property taxes:			
Interest expense on unlimited tax bonds	30,010	31,548	33,114
Property tax collection expense	1,100	1,100	1,039
Other	400	303	455
Total Expenses	299,049	298,238	265,870
Income before capital contributions	94,186	55,442	85,297
Capital contributions from federal agencies	8,896	2,453	116
Changes in net position	103,082	57,895	85,413
Net position, January 1	1,277,245	1,219,350	1,133,937
Net position, December 31	$ 1,380,327	$ 1,277,245	$ 1,219,350



In 2017, Operating revenues increased $42,647 or 15% to $332,873 due primarily to an increase in Vessel and cargo services revenue. The Authority's container facilities' volume increased to 2.5 million twenty-foot equivalent units ("TEUs") for the year, an increase of 13% from 2016, while total Authority tonnage declined 2% to 44.3 million tons in 2017. Other operating revenues increased $419 or 17% primarily from growth in dredge material placement fees.

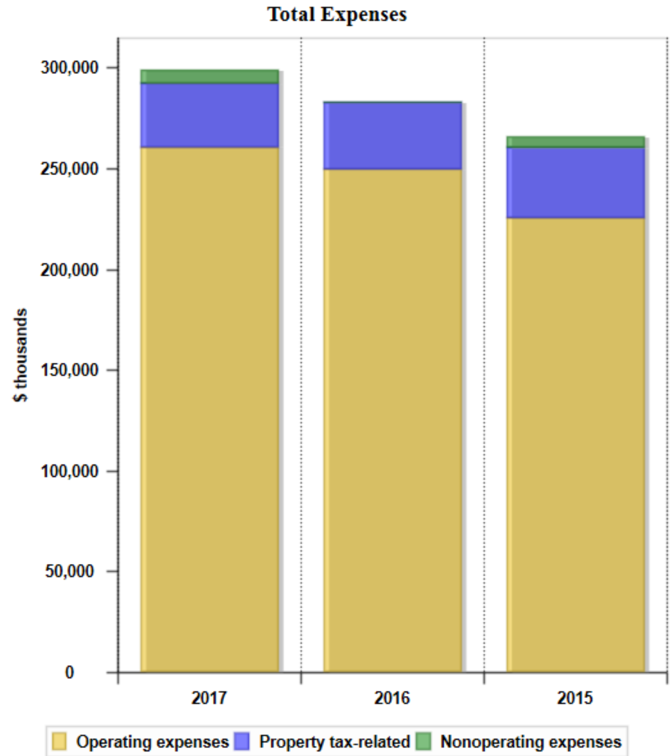
Nonoperating revenues related to property taxes in fiscal 2017 decreased $1,762 due to the decreased property tax rate from $0.01334 in 2016 to $0.01256 in 2017 per $100 assessed valuation.

Nonoperating revenues in 2017 decreased $1,330 due primarily to lower Port Terminal Railroad Association loaded rail car fees versus 2016.

In 2016, Operating revenues decreased $3,510 or 1% to $290,226 due primarily to a continued slowdown in steel imports and related cargo activities. The Authority's container facilities' volume increased to 2.2 million TEUs for the year, an increase of 2% from 2015, while total Authority tonnage declined 2% to 44.8 million tons in 2016, as steel imports continued to drop as a result of slowdowns tied to depressed oil prices. Other operating revenues decreased $1,239 or 33% driven mainly by a decrease in Dredge Material Area (DMA) fees related to the conclusion of placement contracts.

Nonoperating revenues related to property taxes in fiscal 2016 increased $4,468 due to an increase in property valuations, though tax rates declined from $0.01342 in 2015 to $0.01334 in 2016 per $100 assessed valuation.

Nonoperating revenues in 2016 increased $1,555 due primarily to a rise in revenues from the Port Terminal Railroad Association for loaded rail car fees.



For fiscal 2017, Operating expenses decreased by $4,027 or 2%, primarily due to an impairment charge to the Cruise Terminal in 2016 of $15,114, offset by higher maintenance and operation of facilities expenses tied to growth in container volumes. General and administrative expenses decreased by $1,863 or 4% primarily due to investments in strategic planning and related initiatives in 2016 with lower comparable spend in 2017. Depreciation increased by $1,886 or 3% due primarily to new assets at the container terminals.

Nonoperating expenses related to property taxes, reflecting predominantly interest expense on unlimited tax bonds, decreased $1,441 over 2016.

Nonoperating expenses in 2017 increased $6,279 due primarily to gains recorded in 2016 on asset dispositions with no comparable gain in 2017.

For fiscal 2016, Operating expenses increased by $39,174 or 17%, largely driven by higher maintenance and operation of facilities expenses tied to growth in container volumes. An impairment charge associated with the Cruise Terminal resulted in an increase of $15,114. General and administrative expenses increased by $1,989 or 5% from 2015 relating primarily to investments in strategic planning and related initiatives. Depreciation increased by $4,403 or 7% due primarily to new assets at the container terminals.

Nonoperating expenses related to property taxes, reflecting predominantly interest expense on unlimited tax bonds, decreased $1,657 over 2015.

Nonoperating expenses in 2016 decreased $5,152 due primarily to gains recorded this year on asset dispositions.

Capital Assets

The Authority's investment in capital assets as of December 31, 2017 totaled $1,693,043 (net of accumulated depreciation), an increase of $81,547 or 5% over the prior year.

Major capital asset activity (before depreciation) during 2017 included the following:

- Land and channel improvements and land use rights increased by $62,159 primarily due to projects associated with deepening and widening of the Bayport ship channel.
- Improvements other than buildings increased $90,873 primarily due to Wharf 2 construction at Bayport and Wharf 2 construction at Barbours Cut.
- Buildings increased $784 due to construction of the Stevedore Support Building #2 at Barbours Cut.
- Machinery and equipment net increase totaled $4,875 in 2017. This increase primarily consisted of the purchase of cloud data storage, mobile command center and port vehicles.
- Intangible assets increased $339 due to the JD Edwards upgrade.
- Construction-in-progress decreased $12,620 in 2017 due to the completion of various projects.
- Accumulated depreciation net of retirements increased by $64,863 in 2017.

The Authority's investment in capital assets as of December 31, 2016, was $1,611,496 (net of accumulated depreciation), an increase of $105,860 or 7% over the prior year.

Major capital asset activity (before depreciation) during 2016 included the following:

- Land and channel improvements and Land use rights increased by $10,085 primarily due to projects associated with deepening and widening of the Barbours Cut ship channel.
- Buildings increased $629 due to construction of the guardhouse at Industrial Park East.
- Improvements other than buildings increased $8,352 primarily due to repavement of Container Freight Station road at Bayport.
- Machinery and equipment net increase totaled $21,101 in 2016. This includes additions of $23,087, offset by $1,986 of retirements. The additions primarily consisted of the purchase of 9 RTG cranes for Bayport.
- No net capitalized interest was added to the cost of assets for 2016 as all construction funds were expended in 2014.
- Construction-in-progress increased $138,750 in 2016 due to various projects at Bayport and Barbours Cut.
- Accumulated depreciation net of retirements increased by $75,759 in 2016.

Port of Houston Authority of Harris County, Texas
Capital Assets
(net of depreciation)
(in thousands)

	2017	2016	2015
Land and channel improvements	$ 466,114	$ 404,711	$ 394,626
Land use rights - intangible	12,533	11,777	11,777
Buildings	71,931	76,089	87,138
Improvements other than buildings	711,001	656,115	689,570
Railroads	20,896	22,144	23,395
Machinery and equipment	196,233	212,935	211,643
Computer software - intangible	2,818	3,588	2,100
Construction-in-progress	211,517	224,137	85,387
Total Capital Assets, net	$ 1,693,043	$ 1,611,496	$ 1,505,636

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 2017, the Authority had total debt outstanding of $673,898 (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 2016, the Authority had total debt outstanding of $697,123 (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)

	2017	2016	2015
General Obligation Bonds			
Unlimited Tax Port Improvement Bonds	$ 89,960	$ 90,084	$ 90,202
Unlimited Tax Refunding Bonds	583,938	607,039	627,430
Total General Obligation Bonds	673,898	697,123	717,632
Less Current Maturities	(19,945)	(19,165)	(16,275)
Long-Term Debt (net of unamortized premiums/discounts)	$ 653,953	$ 677,958	$ 701,357

During 2017, the Authority issued no new debt. The Authority's total debt principal outstanding decreased $19,165 during 2017 due to the scheduled debt service payment. Interest expense for 2017 on the unlimited tax bonds decreased by $1,538.

During 2016, the Authority issued no new debt. The Authority's total debt principal outstanding decreased $16,275 during 2016 due to the scheduled debt service payment. Interest expense for 2016 on the unlimited tax bonds decreased by $1,566.

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

Year	Fitch	Moody's	S & P
2017	AA	Aaa	AAA
2016	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, 2017.

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 2018 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, porthouston.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 ("IMF") World Economic Outlook, the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters, and the Federal Reserve Bank of Dallas Regional and U.S. Economic Updates.

Acknowledging that global economic activity continues to firm up, the latest IMF estimates show global growth forecasts for 2018 and 2019 revised upward to 3.9%. The revision reflects the expected impact of the recently approved U.S. tax policy changes, with U.S. GDP growth of 2.7% and 2.5% expected in 2018 and 2019, respectively. According to the Bureau of Labor Statistics, the consumer price index ("CPI") increased 2.1% in 2017 on an unadjusted basis, the same increase as in 2016, but larger than the average annual increase of 1.6% over the last 10 years. Inflation is expected to increase to 2.5% by the fourth quarter of 2018 according to Trading Economics, a global economics research firm.

The Texas economy continues its broad expansion, benefiting from oil prices above $60 per barrel, rising exports, and business optimism due to the impact of federal tax reform. On the other hand, uncertainty regarding the North American Free Trade Agreement renegotiations, a tight labor market, mounting price pressures and the recently announced tariffs on steel and aluminum imports may serve to dampen economic growth. Texas added jobs at a 2.4% rate in 2017, ranking fourth in the nation, after falling below the national average in 2015 and 2016 due to layoffs in the energy sector. Texas job growth during the fourth quarter of 2017 was especially robust and far reaching across all major metropolitan areas and industries. The Houston economy rebounded from Hurricane Harvey’s decline in the third quarter, with the metropolitan area finishing the year with 1.4% job growth after two years of flat employment. The Federal Reserve Bank of Dallas forecasts 2018 employment growth in Texas of 2.8%.

The Authority's 2018 budget reflects expected growth of export loads at 15.5% and import loads at 3.0%, with a 5.8% increase in empty container volume. Steel tonnage is expected to increase modestly by 3.2% in 2018, while general cargo growth will be modest at under 1% after rising 8% in 2017.

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, 2017 and 2016
(in thousands)

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	$ 75,522	$ 39,356
Short-term investments	228,527	290,711
Receivables (net of allowance for uncollectibles)	31,029	31,930
Restricted assets		
Cash and cash equivalents	19,576	16,149
Property tax receivables	40,295	47,216
Prepaid and other current assets	3,539	2,418
Total Current Assets	398,488	427,780
Noncurrent Assets		
Investments	37,850	60,723
Prepaid and other noncurrent assets	10,438	6,189
Capital Assets (net of accumulated depreciation)		
Land and channel improvements	466,114	404,711
Land use rights - intangible	12,533	11,777
Buildings	71,931	76,089
Improvements other than buildings	711,001	656,115
Railroads	20,896	22,144
Machinery and equipment	196,233	212,935
Computer software - intangible	2,818	3,588
Construction-in-progress	211,517	224,137
Total Capital Assets	1,693,043	1,611,496
Total Noncurrent Assets	1,741,331	1,678,408
Total Assets	2,139,819	2,106,188
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	12,341	16,500
Deferred loss on bond refunding	5,097	5,402
Total Deferred Outflows of Resources	17,438	21,902
Total Assets and Deferred Outflows of Resources	$ 2,157,257	$ 2,128,090

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Net Position
As of December 31, 2017 and 2016
(in thousands)

	2017	2016
Liabilities		
Current Liabilities		
Accounts payable and other current liabilities	$ 44,590	$ 62,262
Fees received in advance and other reserves	7,345	7,937
Liabilities payable from restricted assets:		
Current maturities of long-term debt		
Unlimited tax bonds	19,945	19,165
Accrued interest payable		
Unlimited tax bonds	8,262	8,494
Total Current Liabilities Payable from Restricted Assets	28,207	27,659
Total Current Liabilities	80,142	97,858
Noncurrent Liabilities		
Long-term debt, net of current maturities	653,953	677,958
Net pension liability	10,277	13,472
Other noncurrent liabilities		
Due in more than one year	31,555	58,138
Total Noncurrent Liabilities	695,785	749,568
Total Liabilities	775,927	847,426
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	843	3,210
Deferred gain on bond refunding	160	209
Total Deferred Inflows of Resources	1,003	3,419
Total Liabilities and Deferred Inflows of Resources	776,930	850,845
Commitments and Contingencies	-	-
Net Position		
Net investment in capital assets	1,023,578	919,177
Restricted for:		
Debt Service	45,622	45,705
Unrestricted	311,127	312,363
Total Net Position	1,380,327	1,277,245
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 2,157,257	$ 2,128,090

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, 2017 and 2016
(in thousands)

	2017	2016
Operating revenues		
Vessel and cargo services	$ 309,058	$ 266,703
Rental of equipment and facilities	15,976	15,869
Grain elevator	902	1,199
Bulk materials	4,004	3,941
Other	2,933	2,514
Total operating revenues	332,873	290,226
Operating expenses		
Maintenance and operations of facilities	152,166	141,102
General and administrative	42,423	44,286
Depreciation and amortization	66,487	64,601
Impairment of Capital Assets	-	15,114
Total operating expenses	261,076	265,103
Operating income	71,797	25,123
Nonoperating revenues (expenses)		
Investment income	4,553	4,896
Contributions to state and local agencies	(4,243)	(2,127)
Gain \ (Loss) on disposal of assets	(33)	2,976
Other, net	(484)	1,657
Total nonoperating revenues (expenses)	(207)	7,402
Income before nonoperating revenues (expenses) related to property taxes	71,590	32,525
Nonoperating revenues (expenses) related to property taxes		
Property taxes, net of estimated uncollectible amounts	53,842	55,749
Investment income on bond proceeds	264	119
Interest expense on unlimited tax bonds	(30,010)	(31,548)
Property tax collection expense	(1,100)	(1,100)
Other, net	(400)	(303)
Total nonoperating revenues related to property taxes	22,596	22,917
Income before capital contributions	94,186	55,442
Capital contributions from federal agencies	8,896	2,453
Change in net position	103,082	57,895
Net position, January 1	1,277,245	1,219,350
Net position, December 31	$ 1,380,327	$ 1,277,245

See accompanying notes to the financial statements.

PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

Port of Houston Authority of Harris County, Texas

Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016
in thousands

	2017	2016
Cash flows from operating activities:		
Cash received from customers	$ 331,485	$ 296,173
Cash paid to suppliers for goods and services	(106,349)	(44,512)
Cash paid to employees for services	(81,855)	(82,102)
Cash paid for employee benefits	(51,348)	(21,812)
Cash (paid) / received for other services	(4,229)	813
Cash (paid) / received for other purposes	(923)	6,888
Net cash provided by operating activities	86,781	155,448
Cash flows from noncapital financing activities:		
Property taxes received	60,611	53,165
Contributions paid to others	(4,243)	(2,127)
Property tax collection expenses paid	(1,475)	(1,995)
Other non operating revenue	475	-
Net cash provided by noncapital financing activities	55,368	49,043
Cash flows from capital and related financing activities		
Contributions received from federal agencies	7,948	927
Interim Financing Costs	(1,099)	(1,081)
Repayment of long-term debt and funding of escrow	(19,165)	(16,275)
Interest on long-term debt	(33,976)	(34,759)
Acquisition and construction of capital assets	(146,486)	(183,958)
Proceeds from retirement of assets	942	324
Net cash used in capital financing activities	(191,836)	(234,822)
Cash flows from investing activities:		
Purchase of investments	(244,294)	(389,036)
Proceeds from maturities of investments	329,073	400,195
Interest on investments	4,501	3,705
Net cash provided by investing activities	89,280	14,864
Net cash increase (decrease) in cash and cash equivalents	39,593	(15,467)
Cash and cash equivalents, January 1	55,505	70,972
Cash and cash equivalents, December 31	$ 95,098	$ 55,505
Cash and cash equivalents Unrestricted	$ 75,522	$ 39,356
Cash and cash equivalents Restricted	19,576	16,149

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, 2017 and 2016
in thousands

		2017		2016
Reconciliation of net income to net cash provided by operating activities:				
Operating Income	$	71,797	$	25,123
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization		66,487		64,601
Impairment of capital assets		-		15,114
Gain on disposal of assets		-		2,976
Provision for doubtful accounts		946		139
Net Pension deferrals		389		(5,623)
Miscellaneous nonoperating income, net		-		3,625
Changes in assets and liabilities				
Decrease / (increase) in trade and other receivables		420		(786)
(Increase) / decrease in prepaids and other current assets		(752)		8
(Increase) / decrease in dredging expenses paid in advance		(4,614)		798
(Decrease) / increase in accounts payable and other liabilities		(39,889)		36,581
(Decrease) / increase in net pension liability and compensated absences		(7,144)		8,643
(Decrease) / increase in revenues received in advance		(859)		4,249
Net cash provided by operating activities	$	86,781	$	155,448
Noncash investing, capital and financing activities				
Increase in fair value of investments	$	343	$	(615)
Capital contributions from federal agencies		1,329		1,547

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, 2017 and 2016
(in thousands)

	Defined Contribution 7/31/2017	Defined Contribution 7/31/2016	OPEB 12/31/2017	OPEB 12/31/2016
Assets				
Cash and cash equivalents	$ 44	$ 29	$ 1,196	$ 1,518
Investment Securities				
Domestic Equity	145	95	33,625	26,601
International Equity	23	12	3,441	2,394
Fixed Income	11	6	26,101	22,372
Balanced Funds*	1,426	821	-	-
Accrued investment income	-	-	216	181
Total Assets	1,649	963	64,579	53,066
Liabilities				
Administrative fees	-	-	7	17
Investment Expenses	-	-	39	57
Total Liabilities	-	-	46	74
Assets held in trust for pension / OPEB	$ 1,649	$ 963	$ 64,533	$ 52,992

* 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, 2017 and 2016
(in thousands)

	Defined Contribution 7/31/2017	Defined Contribution 7/31/2016	OPEB 12/31/2017	OPEB 12/31/2016
Additions:				
Employer contributions	$ 528	$ 444	$ 5,800	$ 5,300
Net investment income	158	31	7,923	6,758
Total additions	686	475	13,723	12,058
Deductions:				
Benefit payments and withdrawals	-	-	(2,175)	(2,378)
Administrative expenses	-	-	(7)	(17)
Total deductions	-	-	(2,182)	(2,395)
Net increase in net position	686	475	11,541	9,663
Assets held in trust for pension / OPEB, beginning of year	963	488	52,992	43,329
Assets held in trust for pension / OPEB, end of year	$ 1,649	$ 963	$ 64,533	$ 52,992

See accompanying notes to the financial statements.

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 based on satisfying 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.

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 of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are used to record certain transactions, such as other postemployment benefits, allowances for doubtful accounts, loss contingencies, and insurance recoveries. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash, highly liquid time deposits, investments in local government investment pools, money market mutual funds, and short-term investments with original maturities of three months or less when purchased are classified herein as cash and cash equivalents.

The requirements of GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants,*" are applicable to the Authority with regard to investments made in 2017 in two Texas local government investment pools. GASB 79 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, and further outlines additional note disclosure requirements for governmental entities that participate in those pools.

GASB 79 delinks money market local government investment pools from Securities and Exchange Commission Rule 2a-7, enabling such pools to continue to utilize amortized cost for valuation and financial reporting so that the $1.00 per unit value they pursue will not need to change to a fluctuating price. As a prerequisite to continued use of amortized cost, GASB 79 puts forth risk-mitigating measures such as limits on certain repo collateral investments, daily and weekly liquidity buckets, and “Know Your Customer” provisions, among others.

1. Summary of Significant Accounting Policies (continued)

Investments

The Authority's cash equivalents and investments are recorded at fair value based upon quoted market prices in active or inactive markets for similar assets 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.

Prepaid Items

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

Maintenance Dredging

The cost of periodic maintenance dredging of berthing areas adjacent to the Authority's wharves, and of certain ship channels not maintained by the federal government, is capitalized in prepaid and other current assets and amortized over three years. Amortization for 2017 and 2016 amounted to $1,258 and $1,270, 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, 2017 and 2016 were $1,100 and $1,100,

(in thousands)

1. Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

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, 2017 and 2016 were $0.01256 and $0.01334, 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, which may include cash and investments, 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. No interest was capitalized in 2017 and 2016.

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

1. Summary of Significant Accounting Policies (continued)

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.

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.

1. Summary of Significant Accounting Policies (continued)

Net Position

Net position represents the residual interest in the Authority's assets and deferred outflows of resources after liabilities and deferred inflows of resources 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 non-exchange transactions or ancillary activities.

The Authority's operating revenues for vessel and cargo services are collected from charges assessed pursuant to its tariffs and from lease revenues associated with facilities located within the operating terminals. These revenues are recognized and accrued during the period earned. Revenues from rental of equipment and facilities are derived from leases outside of the operating 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 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

1. Summary of Significant Accounting Policies (continued)

Current Year Accounting Pronouncements (continued)

plans for making decisions and assessing accountability. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The Authority implemented this standard in 2017. See Note 9.

In March 2016, GASB issued Statement No. 81, *"Irrevocable Split-Interest Agreements."* This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged. The Authority has determined that the requirements of GASB 81 are not applicable to the Authority.

In March 2016, GASB issued Statement No. 82, *"Pension Issues – Amendment of GASB Statements No.67, No. 68, and No.73."* The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement also clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of

1. Summary of Significant Accounting Policies (continued)

Current Year Accounting Pronouncements (continued)

assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The Authority implemented this standard in 2017.

Future Accounting Pronouncements

In June 2015, GASB issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*." This Statement is intended to 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 November 2016, GASB issued Statement No. 83, *"Certain Asset Retirement Obligations."* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Authority anticipates implementation of this statement in fiscal year 2019.

In January 2017, GASB issued Statement No. 84, *"Fiduciary Activities."* The objective of this Statement is to improve guidance regarding the identification of

1. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

fiduciary activities for accounting and financial reporting purposes and how those activities should be reported

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Authority anticipates implementation of this statement in fiscal year 2019.

In March 2017, GASB issued Statement No. 85, *"Omnibus2017."* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and "negative" goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning

1. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

investment contracts at amortized cost

- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The Authority anticipates implementation of this statement in fiscal year 2018.

In May 2017, GASB issued Statement No. 86, *"Certain Debt Extinguishment Issues."* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The Authority anticipates implementation of this statement in fiscal year 2018.

In June 2017, GASB issued Statement No. 87, *"Leases."* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a

1. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Authority anticipates implementation of this statement in fiscal year 2020.

2. Cash and Investments

The Authority's cash and cash equivalents of $95,098 and $55,505 as of December 31, 2017 and 2016, respectively, are maintained in demand deposit accounts, local government investment pools and money market mutual funds. Pursuant to the Texas Public Funds Collateral Act, Chapter 2257, Texas Government Code, the demand deposit account balances are fully covered by the Federal Deposit Insurance Corporation ("FDIC") or collateralized with securities deposited by the Authority's depository institution in a safekeeping account at the Federal Reserve Bank in the Authority's name and under the Authority's control. The mutual funds are invested primarily in direct obligations of the U.S. government or its agencies, and are managed by major fund managers.

In 2017, the Authority made investments in the Local Government Investment Cooperative ("LOGIC") and the Texas Local Government Investment Pool ("TexPool Prime"). These local government investment pools are subject to the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code ("PFIA"), which requires the pools to have the following investment objectives, in order of priority: (i) preservation and safety of principal; (ii) liquidity; and (iii) yield. The investment policies for the two pools specify that they will seek to maintain (i) a stable net asset value of $1.00 per unit to preserve the principal of all participants, (ii) a credit rating no lower than "AAA" or its equivalent by at least one nationally recognized rating service, and (iii) a dollar weighted average maturity of 60 days or less. As they offer daily liquidity similar to money market mutual funds, both pools are classified as cash and cash equivalents. Deposits in the investment pools are not insured or guaranteed by any government or government agency. Authorized investments include U.S. government and agency securities, repurchase agreements, certain mutual funds, commercial paper, and certificates of deposit.

LOGIC assets are valued using the amortized cost valuation technique, which generally approximates the market value of the assets and has been deemed to be a proxy for fair value. It should be noted, however, that for financial reporting purposes, LOGIC has elected to measure its investments at fair value, even though it may meet all criteria under GASB Statement No. 79, *"Certain External Investment*

2. Cash and Investments (continued)

Pools and Pool Participants" ("GASB 79"), to report at amortized cost. This is an accounting election and LOGIC has been using fair value reporting for financial statement presentation since its 2011 fiscal year annual audit.

The TexPool Prime uses amortized cost to value portfolio assets, consistent with the criteria and guidance established by GASB 79. Generally, it seeks to preserve principal and minimize market and credit risks by investing in a diversified pool of assets of high credit quality, with adequate collateralization and use of delivery versus payment procedures. The maturities of the investments are distributed such that there is a continuing stream of securities maturing at frequent intervals. At December 31, 2017, the Authority had investments in LOGIC and TexPool Prime of $27,526 and $29,527, respectively.

In accordance with its Investment Policy and the 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’s Investment Policy is formally reviewed and approved at least annually by the Port Commission. The policy emphasizes safety of principal and liquidity, outlines investment strategies by fund group, and includes guidelines for diversification, risk tolerance, yield, and maturity of investments. All investment transactions, except for demand and time deposits, investment pools and mutual funds, are settled on a delivery versus payment basis, with safekeeping at the Authority’s custodian, JPMorgan Chase Bank N.A. A copy of the Investment Policy is available for download from the Authority’s website (http://porthouston.com).

In accordance with GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*," the Authority's financial statements are required to address credit risk, concentration of credit risk, interest rate risk, and foreign currency risk of investments.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize this risk, the Authority's Investment Policy establishes minimum acceptable credit ratings for fixed income securities of "A" or its equivalent. U.S. government and agency securities are currently rated "AA+" by Standard & Poor's and "Aaa" by Moody's Investors Service. Commercial paper must be rated not less than "A-1", "P-1", or the equivalent by at least two nationally recognized credit rating organizations or must be rated at least "A-1", "P-1" or the equivalent by at least one nationally recognized credit rating

2. Cash and Investments (continued)

agency and be fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof.

Obligations of states, agencies, counties, cities, and other political subdivisions of any state must be rated not less than single "A" or its equivalent. Ratings of "SP-1" by Standard & Poor’s or "MIG-1" by Moody’s Investors Service are acceptable, as those are the highest ratings assigned to short-term municipal securities. Money market mutual funds and public funds investment pools must be rated "AAA" or its equivalent by at least one nationally recognized rating firm.

Concentration of Credit Risk – Concentration of credit risk exists when investments are concentrated in the securities of a few issuers. The Authority mitigates such risks by emphasizing the importance of a diversified portfolio. The Authority's investments at December 31, 2017 included the following securities which comprised more than 5% of the total portfolio (excluding cash and cash equivalents):

Commercial Paper:	
ING Funding	6%
J.P. Morgan Sec	15%
Landesbank Baden-Wurtt	9%
U.S. Agency Securities:	
Federal National Mortgage Association	13%
Municipal Bonds:	
City of Jersey City NJ GO	6%
Hudson Cty NJ Imprv Auth Rev	5%
Nassau Cty NY BANS	6%

These securities meet the diversification and credit quality requirements specified in the Investment Policy, including provisions requiring that no more than 20% of the overall portfolio may be invested in a single municipal security or commercial paper issuer, and no more than 30% in a single government agency issuer.

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. Generally speaking, the fair value of longer-dated securities have greater sensitivity to changes in market interest rates. The Authority minimizes its exposure to this risk by purchasing a mix of shorter-term investments and longer-term securities with maturities largely staggered to avoid undue concentration of assets in a specific maturity sector, and by structuring the portfolio to provide for stability of income and reasonable liquidity necessary to meet operational and capital needs.

2. Cash and Investments (continued)

The Investment Policy includes a general objective to hold investments to maturity, with final maturity of up to five years for certain instruments, and no more than 40% of the portfolio invested beyond two years at the time of purchase. The maximum weighted average maturity of the overall portfolio shall not exceed two years. See the tables on the following page showing fair value and weighted average maturity of the Authority's investments for the fiscal years ended December 31, 2017 and 2016.

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, 2017 and 2016, the Authority had no foreign currency risk as all of its investments were denominated in U.S. dollars.

The Authority has estimated the fair value of financial instruments in accordance with the guidance provided in GASB Statement No. 72. Significant financial instruments consist of cash and cash equivalents, and investment securities. The carrying amounts for cash and cash equivalents approximate fair value due to the short-term nature of these items.

Determining the level at which an asset falls within the hierarchy requires significant judgment considering the lowest level input that is significant to the fair value measurement as a whole. The hierarchy consists of three broad levels, as follows, with Level 1 being the most observable:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities.
- Level 2 - Quoted market prices in active or inactive markets for similar assets or liabilities and inputs other than quoted prices that are observable.
- Level 3 - Unobservable inputs for an asset or liability, which reflect those that market participants would use.

The tables on following page present information about the Authority's investments that are measured at fair value as of December 31, 2017 and 2016, and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value:

(in thousands)

2. Cash and Investments (continued)

Security Type	Level 1 12/31/17	Level 2 12/31/17	Level 3 12/31/17	Total
U.S. Agency Securities	$ -	$ 34,873	$ -	$ 34,873
Commercial Paper	-	95,598	-	95,598
Municipal Bonds	-	135,906	-	135,906
Total	$ -	$ 266,377	$ -	$ 266,377

Security Type	Level 1 12/31/16	Level 2 12/31/16	Level 3 12/31/16	Total
U.S. Agency Securities	$ -	$ 34,892	$ -	$ 34,892
Commercial Paper	-	200,255	-	200,255
Municipal Bonds	-	116,287	-	116,287
Total	$ -	$ 351,434	$ -	$ 351,434

(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, 2017.

Security Type	Ratings	Fair Value	Weighted Average Maturity (In Years)
Agency Securities:			
FNMA NOTE	AA+/Aaa	$ 19,964	0.22
FNMA NOTE	AA+/Aaa	14,909	0.46
Total		34,873	
Commercial Paper:			
BNP Paribas NY	A-1/P-1	4,983	0.01
Credit Agricole	A-1/P-1	9,974	0.02
ING Funding	A-1/P-1	14,922	0.05
J.P. Morgan Sec	A-1/P-1	19,932	0.05
J.P. Morgan Sec	A-1/P-1	9,950	0.03
J.P. Morgan Sec	A-1/P-1	10,939	0.04
Landesbank Baden-Wurtt	P-1	24,898	0.07
Total		95,598	

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(in thousands)

2. Cash and Investments (continued)

Security Type	Ratings	Fair Value	Weighted Average Maturity (In Years)
Municipal Bonds:			
Borough of Lodi, NJ BANS	SP-1+	5,372	0.01
City of Dallas, TX GO	AA-/A1	1,227	0.00
City of Johnstown, NY BANS	SP-1+	6,753	0.03
City of Wausau, WI Rev	Aa3	3,655	0.11
City of Worcester, MA	MIG1	10,003	0.00
Cranford Township, NJ GO	MIG1	9,997	0.01
FL SBA Rev	AA/Aa3	9,978	0.11
Gloucester City, NJ GO	SP-1+	2,162	0.00
Gloucester City, NJ GO	SP-1+	2,742	0.00
Houston Cmty Clg, TX Rev	AA-/Aa2	1,296	0.00
Hudson Cty, NJ Imprv Auth Rev	SP-1+	4,240	0.01
Hudson Cty, NJ Imprv Auth Rev	SP-1+	8,004	0.03
Jersey City, NJ GO	SP-1+	6,959	0.02
City of Jersey City, NJ GO	SP-1+	9,737	0.07
Nassau Cty, NY BANS	SP-1/A2	14,950	0.10
Oklahoma Cty Fina Auth Ed Rev	A+	4,669	0.01
Oneida Cty, NY BANS	MIG1	7,747	0.02
Oneida Cty, NY GO	AA-/A1	746	0.01
Passaic Cty, NJ GO	SP-1+	10,010	0.07
Racine Cnty, WI	MIG1	7,970	0.17
State of CT GO	A+/A1	995	0.01
Town of W Bridgewater, MA	SP-1+	2,192	0.01
Village of Ocean Beach, NY	SP-1+	4,502	0.01
Total		135,906	
Total Investment Fair Value		$ 266,377	
Portfolio Weighted Average Maturity			0.61

The above calculation of weighted average maturity of the portfolio excludes cash and cash equivalents. As of December 31, 2017, the Authority's weighted average maturity of the overall portfolio as defined in the Investment Policy including cash and cash equivalents was 0.47 years.

(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, 2016.

Security Type	Ratings	Fair Value	Weighted Average Maturity (In Years)
Agency Securities:			
FNMA NOTE	AA+/Aaa	$ 14,924	0.89
FNMA NOTE	AA+/Aaa	19,968	0.79
Total		34,892	
Commercial Paper:			
Abbey Nat'l Treas Srvc	A-1/P-1	19,927	0.04
Abbey Nat'l Treas Srvc	A-1/P-1	9,917	0.04
Bk of Tokyo Mitsubishi NY	A-1/P-1	9,981	0.01
Bk of Tokyo Mitsubishi NY	A-1/P-1	9,977	0.01
Bk of Tokyo Mitsubishi NY	A-1/P-1	19,944	0.03
Bk of Tokyo Mitsubishi NY	A-1/P-1	10,926	0.03
BNP Paribas NY	A-1/P-1	19,865	0.06
BNP Paribas Fortis SA/NY	A-1/P-1	14,945	0.03
Credit Agricole	A-1/P-1	9,988	0.01
J.P. Morgan Sec	A-1/P-1	14,965	0.02
Mitsubishi Intl Corp	A-1/P-1	19,992	0.01
Natixis NY	A-1/P-1	9,988	0.01
Natixis NY	A-1/P-1	24,874	0.06
Natixis NY	A-1/P-1	4,966	0.02
Total		200,255	

(Continued on Next Page)

(in thousands)

2. Cash and Investments (continued)

Security Type	Ratings	Fair Value	Weighted Average Maturity (In Years)
Municipal Bonds:			
Bergen County, NJ GO	MIG1	2,410	0.02
Township of Bloomfield, NJ GO	MIG1	1,073	0.01
Bloomfield NJ Pkg Auth Rev	MIG1	3,058	0.02
City of Carmel, IN Redev Auth	AA+	2,695	0.00
City of Carmel, IN Redev Auth	AA+	2,804	0.01
Clinton Cty NY BANS	MIG1	10,061	0.04
FL SBA Rev	AA/Aa3	10,069	0.22
Haverstraw Village, NY GO	MIG1	5,718	0.05
Houston TX Cmty Clg Rev	AA-/Aa2	1,301	0.01
Hudson Cty NJ Imprv Auth Rev	SP-1+	12,153	0.03
Hudson County NJ Improve Auth GO	SP-1+	10,025	0.07
IN Bond Bk Rev	AA+	4,455	0.00
City of Jersey City, NJ GO	SP-1+	10,054	0.08
Mount Holly Township NJ GO	SP-1+	6,030	0.05
N Orange Cty CA CC Dist	AA+/Aa1	4,248	0.02
OK Cty FIna Auth Ed Rev	A+	4,785	0.05
Cty of Oneida NY GO	SP-1+	1,912	0.01
Passaic Cty, NJ GO	SP-1+	10,042	0.08
St. Louis MO Spl Admin Sch Dist	AA+	2,014	0.00
San Bernardino CA Cmty Clg	AA-/Aa2	1,253	0.01
Worcester, MA BANS	MIG1	10,127	0.09
Total		116,287	
Total Fair Value		$ 351,434	
Portfolio Weighted Average Maturity			0.66

The above calculation of weighted average maturity of the portfolio excludes cash and cash equivalents. As of December 31, 2016, the Authority's weighted average maturity of the overall portfolio as defined in the Investment Policy including cash and cash equivalents is 0.58 years.

(in thousands)

3. Receivables

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

	2017	2016
Trade Receivables, Net		
Trade receivables	$ 30,346	$ 30,786
Damage claims receivable	294	337
Allowance for doubtful accounts	(2,407)	(1,542)
Total trade receivables, net	28,233	29,581
Other Receivables		
Interest receivable	1,399	804
Due from federal agencies	1,337	1,547
Other	60	(2)
Total other receivables	2,796	2,349
Total Receivables, Net	$ 31,029	$ 31,930

(in thousands)

4. Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Retirements / Transfers	Ending Balance
Capital assets not being depreciated				
Land other than channel	$ 104,335	$ 3,939	$ (7)	$ 108,267
Land use rights - intangible	11,777	756	-	12,533
Channel land	300,376	57,471	-	357,847
Construction-in-progress	224,137	163,874	(176,494)	211,517
Total capital assets not being depreciated	640,625	226,040	(176,501)	690,164
Capital assets being depreciated				
Buildings	170,619	784	-	171,403
Improvements other than buildings	1,134,692	90,873	-	1,225,565
Railroads	59,929	-	-	59,929
Machinery and equipment	434,409	4,930	(55)	439,284
Computer software - intangible	13,392	339	-	13,731
Total capital assets being depreciated	1,813,041	96,926	(55)	1,909,912
Less accumulated depreciation for				
Buildings	(94,530)	(4,942)	-	(99,472)
Improvements other than buildings	(478,577)	(35,987)	-	(514,564)
Railroads	(37,785)	(1,248)	-	(39,033)
Machinery and equipment	(221,474)	(21,594)	17	(243,051)
Computer software - intangible	(9,804)	(1,109)	-	(10,913)
Total accumulated depreciation	(842,170)	(64,880)	17	(907,033)
Total capital assets being depreciated, net	970,871	32,046	(38)	1,002,879
Total capital assets, net	$ 1,611,496	$ 258,086	$ (176,539)	$ 1,693,043

(in thousands)

4. Capital Assets (continued)

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Retirements / Transfers	Ending Balance
Capital assets not being depreciated				
Land other than channel	$ 99,521	$ 190	$ 4,624	$ 104,335
Land use rights - intangible	11,777	-	-	11,777
Channel land	295,105	5,271	-	300,376
Construction-in-progress	85,387	179,156	(40,406)	224,137
Total capital assets not being depreciated	491,790	184,617	(35,782)	640,625
Capital assets being depreciated				
Buildings	169,990	629	-	170,619
Improvements other than buildings	1,126,340	10,306	(1,954)	1,134,692
Railroads	59,929	-	-	59,929
Machinery and equipment	413,308	23,130	(2,029)	434,409
Computer software - intangible	10,690	2,702	-	13,392
Total capital assets being depreciated	1,780,257	36,767	(3,983)	1,813,041
Less accumulated depreciation for				
Buildings	(82,852)	(11,678)	-	(94,530)
Improvements other than buildings	(436,770)	(42,202)	395	(478,577)
Railroads	(36,534)	(1,251)	-	(37,785)
Machinery and equipment	(201,665)	(21,749)	1,940	(221,474)
Computer software - intangible	(8,590)	(1,214)	-	(9,804)
Total accumulated depreciation	(766,411)	(78,094)	2,335	(842,170)
Total capital assets being depreciated, net	1,013,846	(41,327)	(1,648)	970,871
Total capital assets, net	$ 1,505,636	$ 143,290	$ (37,430)	$ 1,611,496

4. Capital Assets (continued)

Pursuant to GASB Statement No. 42, *"Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,"* the Authority performed a review of significant capital assets to evaluate the existence of any impairment. One such asset was identified during the 2016 fiscal year. The service utility of the Cruise Terminal building located at Bayport was deemed impaired due to minimal interest from cruise lines as a destination stop. It was determined that securing any new cruise lines as customers was not feasible and the building should be repurposed. Based on application of Service Units method used in the event of changes in the manner or duration of use, the Authority determined that the revised carrying value of the asset was less than its current book value and therefore an impairment charge was necessary. The impairment loss of $15,114 was included in operating expenses in the Statements of Revenues, Expenses and Changes in Net Position in 2016.

(in thousands)

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, 2017 and 2016 were $334 and $298, respectively. As of December 31, 2017, future minimum rental obligations to be paid by the Authority under noncancelable operating leases are as follows:

Year Ending	Future Minimum Lease Payments
2018	$ 243
2019	225
2020	225
2021	225
2022	169
Total	$ 1,087

Additionally, the Authority leases certain assets to others. These leases pertain to land, buildings and improvements, and cargo handling equipment. As of December 31, 2017, future minimum rentals anticipated to be received by the Authority under the operating leases with initial or remaining noncancelable lease terms in excess of one year are as follows:

Year Ending	Future Minimum Lease Rentals
2018	$ 22,670
2019	21,233
2020	17,909
2021	15,974
2022	14,952
Thereafter	218,786
Total	$ 311,524

(in thousands)

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, 2017 and 2016.

Changes in Long-Term Liabilities - 2017

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	
Bonds Payable						
Unlimited tax bonds	$ 657,994	$ -	$ (19,165)	$ 638,829	$ 19,945	
Accreted interest on capital appreciation bonds	388	116	-	504	-	
Less unamortized premiums / discounts, net	38,741	-	(4,176)	34,565	-	
Total Bonds Payable	$ 697,123	$ 116	$ (23,341)	$ 673,898	$ 19,945	
Net Pension Liability	$ 13,472	$ 10,285	$ (13,480)	$ 10,277	$ -	
Other Noncurrent Liabilities						
Net OPEB obligation	$ 18,669	$ 1,633	$ (5,800)	$ 14,502	$ -	
Compensated absences	6,242	4,664	(4,446)	6,460	-	
Fees received in advance	5,659	1,013	(1,396)	5,276	1,015	*
Claims liability	4,307	1,725	(1,014)	5,018	-	
Other liabilities	24,363	10,508	(33,557)	1,314	-	
Total Other Noncurrent Liabilities	$ 59,240	$ 19,543	$ (46,213)	$ 32,570	$ 1,015	

* Included in Fees received in advance and other reserves

The Authority's long-term debt consists of Unlimited Tax Port Improvement Bonds and Unlimited Tax Refunding Bonds (collectively, the "General Obligation Bonds"). Repayment of the outstanding principal of these General Obligation Bonds and interest thereon is made solely from property taxes and not from the Authority's general funds. Additional information on property taxes can be found in Note 1 in the accompanying notes to the financial statements.

The Authority had no long-term, capital leases outstanding during 2017 or 2016.

(in thousands)

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

Changes in Long-Term Liabilities - 2016

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	
Bonds Payable						
Unlimited tax bonds	$ 674,269	$ -	$ (16,275)	$ 657,994	$ 19,165	
Accreted interest on capital appreciation bonds	293	95	-	388	-	
Less unamortized premiums / discounts, net	43,070	-	(4,329)	38,741	-	
Total Bonds Payable	$ 717,632	$ 95	$ (20,604)	$ 697,123	$ 19,165	
Net Pension Liability	$ 5,061	$ 16,083	$ (7,672)	$ 13,472	$ -	
Other Noncurrent Liabilities						
Net OPEB obligation	$ 21,776	$ 2,193	$ (5,300)	$ 18,669	$ -	
Compensated absences	6,009	6,041	(5,808)	6,242	-	
Fees received in advance	5,706	1,826	(1,873)	5,659	1,102	*
Claims liability	3,836	1,533	(1,062)	4,307	-	
Other liabilities	15,635	8,728	-	24,363	-	
Total Other Noncurrent Liabilities	$ 52,962	$ 20,321	$ (14,043)	$ 59,240	$ 1,102	

* Included in Fees received in advance and other reserves

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 2017	December 31 2016
General Obligation Bonds						
Unlimited Tax Refunding Bonds						
Series 2006A	$ 28,380	5.00	7/19/2006	2017	$ -	$ 2,545
Series 2006B	47,085	4.75-5.00	10/18/2006	2031	19,640	19,640
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	7,340	11,035
Series 2010B	22,930	1.00-5.00	2/17/2010	2026	11,965	13,345
Series 2010C	30,254	2.00-5.00	2/3/2010	2038	27,854	28,224
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	21,175	21,475
Series 2011A	47,345	1.00-5.00	10/20/2011	2026	32,035	34,805
Series 2015A	62,805	3.125-5.00	8/26/2015	2031	62,805	62,805
Series 2015B	25,905	5.00	8/26/2015	2023	15,295	21,210
Series 2015C	27,260	3.054-5.00	8/26/2015	2026	25,070	27,260
					553,164	572,329
Unamortized premiums / (discounts), net					30,270	34,322
Series 2010C and 2010E CAB Accretion, net					504	388
Unlimited Tax Refunding Bonds, net					583,938	607,039
Unlimited Tax Port Improvement Bonds						
Series 2010D-2	85,665	5.00	8/19/2010	2039	85,665	85,665
Total Unlimited Tax Port Improvement Bonds					85,665	85,665
Unamortized premiums / (discounts), net					4,295	4,419
Unlimited Tax Port Improvement Bonds, net					89,960	90,084
Total Debt					673,898	697,123
Less Current Maturities					(19,945)	(19,165)
Long - Term Debt (net of unamortized premiums / (discounts))					$ 653,953	$ 677,958

* Interest rate of original issue

(in thousands)

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

Debt Service Requirements

Total debt service requirements for outstanding bonds as of December 31, 2017 are as follows:

	Bond Principal	Capital Appreciation Bond	Bond Interest	
Year Ending December 31	**General Obligation**	**Accreted Interest**	**General Obligation**	**Total**
2018	$ 19,945	$ -	$ 33,046	$ 52,991
2019	21,185	-	32,063	53,248
2020	21,735	-	31,015	52,750
2021	22,790	-	29,939	52,729
2022	23,260	-	28,811	52,071
2023-2027	115,840	-	127,920	243,760
2028-2032	150,125	4,855	94,126	249,106
2033-2037	185,129	13,121	51,294	249,544
2038-2039	78,820	-	5,700	84,520
	$ 638,829	$ 17,976	$ 433,914	$ 1,090,719

General Obligation Bonds

Although the Authority's cash flows from operations fully support day-to-day operating needs and a significant portion of its capital infrastructure investments, the Authority's operating revenues alone have not been considered by the Authority sufficient to sustain the pace of market driven port infrastructure required to maintain the flow of cargo, job creation and positive economic impact for the region. At times, when the projected cash flow is inadequate to fully cover the capital improvement plan, the Authority has obtained approval from voters at a bond election for issuance of unlimited ad valorem tax General Obligation Bonds or unlimited ad valorem tax short-term commercial paper notes to supply the shortfall.

The proceeds of past General Obligation Bond issuances have been applied towards dredging of the Houston Ship Channel, acquisition of wharf cranes and other major equipment, as well as construction of docks, wharves and container facilities. The support of taxpayers, industry partners, and many other stakeholders have made these capital improvements possible. Such investments contribute to the Authority's mandate for economic development.

The following table lists the Authority's bonds outstanding as of December 31, 2017, along with the stated purpose for which the debt was issued:

(in thousands)

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

General Obligation Bonds (continued)

Outstanding Bond Issue	Use of Proceeds
Unlimited Tax Refunding Bonds, Series 2006B (AMT)	Refund a portion of the outstanding ad valorem tax commercial paper notes
Unlimited Tax Refunding Bonds, Series 2008A (AMT)	Refund all of the outstanding ad valorem tax commercial paper notes
Unlimited Tax Refunding Bonds, Series 2010A (AMT)	Refund and defease a portion of the Unlimited Tax Port Improvement Bonds, Series 1998A (AMT)
Unlimited Tax Refunding Bonds, Series 2010B (Non-AMT)	Refund a portion of the Unlimited Tax Port Improvement Bonds, Series 1997A (Non-AMT), Series 2001A (Non-AMT) and Series 2002A (Non-AMT)
Unlimited Tax Refunding Bonds, Series 2010C (Non-AMT)	Refund a portion of the Unlimited Tax Refunding Bonds, Series 2008A (AMT)
Unlimited Tax Refunding Bonds, Series 2010D-1 (Non-AMT)	Refund all of the outstanding ad valorem tax commercial paper notes
Unlimited Tax Port Improvement Bonds, Series 2010D-2 (Non-AMT)	Pay costs of projects to acquire, purchase, construct, enlarge, extend, repair or develop facilities or aids incident to or useful or necessary in the operation or development of the Authority's ports and waterways or in aid of navigation and commerce thereon
Unlimited Tax Refunding Bonds, Series 2010E (Non-AMT)	Refund a portion of the Unlimited Tax Refunding Bonds, Series 2008A (AMT)
Unlimited Tax Refunding Bonds, Series 2011A (AMT)	Refund a portion of the Unlimited Tax Port Improvement Bonds, Series 2001B (AMT)
Unlimited Tax Refunding Bonds, Series 2015A (Tax Exempt Non-AMT)	Refund the Unlimited Tax Port Improvement Bonds, Series 2002A (Non-AMT), Unlimited Tax Refunding Bonds, Series 2005B (Non-AMT), and Unlimited Tax Refunding Bonds, Series 2006C (Non-AMT)
Unlimited Tax Refunding Bonds, Series 2015B (AMT)	Refund the Unlimited Tax Refunding Bonds, Series 2005A (AMT)
Unlimited Tax Refunding Bonds, Series 2015C (Taxable)	Refund a portion of the Unlimited Tax Refunding Bonds, Series 2006B (AMT)

Bond Refundings

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

Bond Restrictions

The bond resolutions require that during the period in which the bonds are outstanding, the Authority must create and maintain certain segregated accounts or

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

Bond Restrictions (continued)

funds to receive the proceeds from the sale of the bonds and the ad valorem taxes levied and collected. 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 three-year $300 million note purchase program with a group of banks in order to provide for liquidity and the capability for the Port Commission to continue to award capital projects, as unencumbered operating cash flows were projected to be depleted. 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, 2017.

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, 2017 and 2016. The estimated liability is updated annually for any tax-exempt issuance or changes in yields until payment of the calculated liability is due.

Impact of Tax Legislation

President Donald Trump signed the Tax Cuts and Jobs Act on December 22, 2017, which permanently reduced the corporate tax rate to 21%, and lowered individual tax rates on a temporary basis through 2025. It is expected to fuel the economy in the near-term at an estimated cost of $1.5 trillion over 10 years. Interest rates on tax exempt bonds will also rise due to the decrease in the value of the tax-exemption.

It is too early to determine the full extent of how the income tax rate reductions will affect the public finance industry, but it is likely that interest rates on tax-exempt bonds will increase due to the decrease in the value of the tax-exemption. This is especially true with regard to corporate investors that are now subject to a much lower tax rate.

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

Impact of Tax Legislation (continued)

Fortunately for the Authority, the final bill retained all categories of tax-exempt private activity bonds ("PAB's"), including bonds issued for airports, docks, wharves, and ports, sewage and solid waste facilities. Most of the Authority's outstanding ad valorem tax bonds are considered PAB's.

The legislation also eliminated the alternative minimum tax ("AMT") for corporations for tax years beginning after December 31, 2017, and temporarily increased the AMT exemption amount for individuals for tax years beginning after December 31, 2017, but before January 1, 2026. Previously, despite being tax-exempt, interest earnings on PAB's were treated as an item of tax preference includable in alternative minimum taxable income for purposes of determining the AMT imposed on individuals and corporations. As a result, purchasers of PAB's generally demanded higher interest rates than they would for tax-exempt governmental bonds. With tax reform, this may no longer be the case.

The Tax Cuts and Jobs Act also curtailed the ability of governmental issuers and issuers of qualified 501(c)(3) bonds to benefit from issuing advance refunding bonds (i.e., bonds issued more than 90 days prior to redemption of the refunded bonds) on a tax-exempt basis. Effective January 1, 2018, the elimination of tax-exempt advance refundings severely limits the flexibility of issuers and borrowers to achieve debt service savings or to restructure to improve the terms and conditions of a financing vis-à-vis the entity's needs. The municipal bond market will likely develop alternative arrangements to simulate the economics of advance refundings, but they may not be as efficient for issuers.

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

7. Bayport Facilities (continued)

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 (porthouston.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 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.

(in thousands)

8. Retirement Plans (continued)

Defined Benefit Plan Description (continued)

At December 31, 2017, the following participants were covered under the Plan:

Retirees and beneficiaries receiving payments	530
Terminated vested participants not yet receiving benefits	191
Disabled participants	12
Active participants	370
Total	1,103

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. The funding policy was revised on July 28, 2015 to allow flexibility to fund the Plan throughout the year for an aggregate amount not to exceed 105% of the amount calculated by the actuary. The policy may be further 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, 2017, 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 August 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Investment rate of return	6.75%

Mortality rates were based on the RP-2014 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per MP-2015.

The actuarial assumptions used in the July 31, 2017 valuation were based on the results of an actuarial experience study for the period August 1, 2009 – August 1, 2015.

(in thousands)

8. Retirement Plans (continued)

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, 2017 are summarized in the following table:

Asset Class	Target allocation	Long-term expected rate of return*
Core Fixed Income	40.0 %	2.5 %
High Yield Fixed Income	5.0 %	2.5 %
Large Cap US Equity	15.0 %	7.5 %
Mid Cap US Equity	7.5 %	7.5 %
Small Cap US Equity	10.0 %	7.5 %
Developed Foreign Equity	7.5 %	8.5 %
Real Estate (REITs)	5.0 %	4.5 %
Masters Limited Partnerships	10.0 %	7.5 %
Long-term expected (weighted) rate of return:		5.10 %
Actuarial assumed long-term investment rate of return or discount rate:		6.75 %

*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 6.75 percent. The projection of cash flows used to determine the discount rate assumed that the Authority's 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 6.75 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Actuarial audit. Pursuant to the requirements of Chapter 802, Texas Government Code, the actuarial assumptions employed by the Authority’s retained actuary are to be audited by a separate independent actuary once every five years. The Authority’s actuarial assumptions as of August 1, 2017 were audited and determined to be reasonable.

(in thousands)

8. Retirement Plans (continued)

Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Liability)
Balances as of December 31, 2016	$ (176,783)	$ 163,311	$ (13,472)
Service cost	(3,198)	-	(3,198)
Interest on total pension liability	(12,251)	-	(12,251)
Effect of liability gains or losses	116	-	116
Effect of assumption changes or inputs	(5,012)	-	(5,012)
Benefit payments	9,858	(9,858)	-
Administrative expenses	-	(280)	(280)
Expected investment income, net of investment expenses	-	11,413	11,413
Investment gains or losses	-	2,807	2,807
Employer contributions	-	9,600	9,600
Balances as of December 31, 2017	$ (187,270)	$ 176,993	$ (10,277)

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 6.75 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 (5.75 percent) or 1-percentage point higher (7.75 percent) than the current rate:

	1% decrease 5.75%	Current discount rate 6.75%	1% increase 7.75%
Net pension liability (asset)	$ 32,683	$ 10,277	$ (8,548)

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.

(in thousands)

8. Retirement Plans (continued)

Pension Expense and Deferred Outflows / Inflows of Resources

For the year ended December 31, 2017 the Authority recognized pension expense of $8,197. At December 31, 2017, 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 Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 843
Changes of assumptions	6,734	-
Net difference between projected and actual earnings	3,507	-
Contributions made subsequent to measurement date	2,100	-
Total	$ 12,341	$ 843

The $2,100 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended July 31	
2018	$ 3,881
2019	3,713
2020	2,365
2021	(561)
Total	$ 9,398

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"). The DC Plan is a single-employer, defined contribution plan covering a single class of members, namely, all permanent, full-time employees of the Authority hired on or after August 1, 2012.

The Authority manages the operation and administration of the DC Plan, with third party custody, recordkeeping and other administrative services provided by Nationwide Retirement Solutions. The Authority's Chief Operating Officer serves as trustee. The Port Commission maintains the authority to terminate the DC Plan or amend its provisions, including revisions in contribution requirements and investment alternatives offered to employees.

(in thousands)

8. Retirement Plans (continued)

Defined Contribution Plan Description (continued)

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:

Years of Service	% Contribution by the Authority
0 to 5	3.5%
Greater than 5 up to 10	4.5%
Greater than 10 up to 15	5.5%
Greater than 15 up to 20	6.5%
Greater than 20	7.5%

DC Plan benefits are to be paid to employees with at least five (5) years of service, or to their beneficiaries. Contributions on behalf of each employee are invested in accordance with the employee's instructions, entirely in one fund or in any combination of the investment options offered. Individual accounts are maintained for each DC Plan participant. If applicable, each employee's account is credited with the Authority's contribution and investment earnings and charged with withdrawals and investment losses. The Authority funds administrative expenses associated with the DC Plan from its general fund.

The DC Plan does not issue stand-alone financial reports, but includes the DC Plan Net Position in the fiduciary fund statements.

The DC Plan's assets, contributions and participants as of the last two fiscal years are as follows:

	July 31, 2017	July 31, 2016
Total assets	$ 1,649	$ 963
Contributions during the year	528	444
Number of participants	320	264

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"). This is a single-employer irrevocable trust and the Port Commission is responsible for the administration of the Trust and for the investment of the Trust's assets. At December 31, 2017 and 2016, there were 334 and 322 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 limited 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 also elect coverage for his or her eligible dependents, provided that such election is made at the time of the employee’s retirement and not thereafter.

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.

9. Postemployment Retiree Benefits (continued)

Funding Policy

Historically, the Authority's OPEB contribution has been based on a projected pay-as-you-go basis. For the years ended December 31, 2017 and 2016, the cost of retiree health benefits, recorded on a pay-as-you-go basis was $2,037 and $2,239, respectively. Retiree life-benefit costs for 2017 and 2016 were $138 and $139, respectively.

In February 2015, the Authority established a new, stand-alone trust for the OPEB Plan with Compass Bank as trustee. All asset holdings previously held in a multiple-employer pooled account with PEB Trust of Texas were transferred into the new trust. In addition to the pay-as-you-go expenses referenced above for current benefits, the Authority has contributed $51,100 to the OPEB trust through December 31, 2017.

In July 2015, the Commission approved a revised funding policy that allows flexibility to fund the OPEB trust throughout the year for an aggregate amount not to exceed 105% of the annually required contribution amount ("ARC") as calculated by the Authority's actuary. The policy may be further amended by the Commission at its discretion. For more information on the ARC, please refer to the section "Annual OPEB Cost and Net OPEB Obligation" below.

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 table on the following page 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.

(in thousands)

9. Postemployment Retiree Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

	2017	2016
Normal Cost at year end	$ 3,211	$ 3,102
Amortization of UAAL	2,191	2,696
Annual Required Contribution (ARC)	5,402	5,798
Determination of Net OPEB Obligation		
Annual Required Contribution	5,402	5,798
Interest on prior year Net OPEB Obligation	1,260	1,470
Adjustment to ARC	(1,374)	(1,603)
Annual OPEB Cost	5,288	5,665
Contributions made	(9,455)	(8,772)
Decrease in Net OPEB Obligation	(4,167)	(3,107)
Net OPEB Obligation - beginning of year	18,669	21,776
Net OPEB Obligation - end of year	$ 14,502	$ 18,669

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.

a) Actuarial Valuation Date	January 1, 2017	January 1, 2016	January 1, 2015
b) Actuarial Value of Assets	$ 53,066	$ 43,167	$ 36,560
c) Actuarial Accrued Liability (AAL)*	68,911	64,907	59,029
d) Unfunded Actuarial Accrued Liability (UAAL) (c-b)	15,845	21,740	22,469
e) Funded Ratio (b/c)	77.0 %	66.5 %	61.9 %
f) Annual Covered Payroll (Actuarial)	40,287	38,907	38,907
g) UAAL as a % of Covered Payroll (d/f)	39.3 %	55.9 %	57.8 %

*Actuarial valuations are performed every two years.

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

Plan Year Ended	2017	2016	2015
Annual OPEB Cost	$ 5,288	$ 5,665	$ 5,390
Percentage of OPEB Cost Contributed	178.8 %	154.9 %	207.8 %
Net OPEB Obligation	$ 14,502	$ 18,669	$ 21,776

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 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 multi-year 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 6.75% compounded annually, inflation rate of 2.50%, investment return of 7.00%, mortality table, withdrawal rates, disability rates, retirement rates, participation, health care cost trend rates, marriage assumptions, annual retiree claim

(in thousands)

9. Postemployment Retiree Benefits (continued)

Actuarial Methods and Assumptions (continued)

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 2017 valuation was 8.1% trending down to 4.4% (pre-Medicare) and 7.6% trending down to 4.7% (post-Medicare) over 85 years.

GASB 74 Disclosure

The Authority implemented GASB 74, ***Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans***, in 2017 to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB). This disclosure includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans. Currently the Authority holds no positions in any single organization that represents 5% or more of the OPEB plan's fiduciary net position. At December 31, 2017, the following participants were covered under the plan:

Actives	524
Retired and disabled members	357
Covered spouses of retirees	199
	1,080

Annual Net OPEB Liability

The table on the following page shows the components of the Authority's total annual OPEB liability, fiduciary net position and net OPEB Liability.

(in thousands)

9. Postemployment Retiree Benefits (continued)

Annual Net OPEB Liability (continued)

	January 1, 2017	December 31, 2017
Total OPEB liability	$ 66,759	$ 70,779
Fiduciary net position	53,066	64,580
Net OPEB liability	13,693	6,199
Fiduciary net position as a % of total OPEB liability	79.49 %	91.24 %
Covered payroll	38,907	40,287
Net OPEB liability as a % of covered payroll	35.20 %	15.39 %

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumption below, and was then projected forward to the measurement date. There have been no significant changes between the valuation date and the fiscal year end. Any significant changes during this period must be reflected as prescribed by GASB 74.

Discount Rate

Discount rate	6.75 %	6.75 %
Long-term expected rate of return, net of investment expense	6.75 %	6.75 %

The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total OPEB liability is equal to the long-term expected rate of return.

Annual Money-Weighted Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return on the OPEB trust investments, net of investment expense, was 10.9%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. The following table shows the money-weighted rate of return since the inception of GASB 74.

Fiscal Year Ending December 31	Net Money-Weighted Rate of Return
2016	10.50%
2017	10.90%

(in thousands)

9. Postemployment Retiree Benefits (continued)

Other Key Actuarial Assumptions

The actuarial assumptions that determined the total OPEB liability as of December 31, 2017 were based on the results of an actuarial experience study for the period July 1, 2007 - July 1, 2012.

Valuation date	January 1, 2017
Measurement date	December 31, 2017
Inflation	2.50%
Salary increases including inflation	Age based
Mortality	RP-2006 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale MP-2016
Actuarial cost method	Entry Age Normal

The health care cost trend rate used for the 2017 valuation was 8.1% trending down to 4.4% (pre-Medicare) and 7.6% trending down to 4.7% (post-Medicare) over 85 years.

Long-Term Expected Rate of Return

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of December 31, 2017.

(in thousands)

9. Postemployment Retiree Benefits (continued)

Long-Term Expected Rate of Return (continued)

Asset Class	Index	Target Allocation*	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
Core Fixed Income	Barclays Aggregate	40.00 %	1.60 %	1.49 %
High Yield Bonds	Barclays High Yield	5.00 %	4.11 %	3.59 %
Large Cap US Equities	S&P 500	15.00 %	4.14 %	2.98 %
Mid Cap US Equities	Russell Microcaps	7.50 %	4.49 %	2.96 %
Small Cap US Equities	Russell 2000	10.00 %	5.18 %	3.29 %
Developed Foreign Equities	MSCI EAFE NR	7.50 %	4.96 %	3.38 %
Private Equity	Cambridge Associates	10.00 %	4.08 %	2.73 %
Real Estate (REITS)	FTSE NAREIT Equity REIT	5.00 %	4.73 %	3.00 %
Assumed Inflation - Mean			2.30 %	2.30 %
Assumed Inflation - Standard Deviation			1.85 %	1.85 %
Portfolio Real Mean Return			3.34 %	2.90 %
Portfolio Nominal Mean Return			5.65 %	5.26 %
Portfolio Standard Deviation			9.36 %	2.08 %
Long-Term Expected Rate of Return				**6.75 %**

Sensitivity Analysis

The following presents the net OPEB liability of the Authority, calculated using the discount rate of 6.75%, as well as what the Port of Houston's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate.

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net OPEB liability	$ 15,119	$ 6,199	$ (1,184)

(in thousands)

9. Postemployment Retiree Benefits (continued)

Sensitivity Analysis (continued)

The following presents the net OPEB liability of the Authority, calculated using the current healthcare cost trend rates as well as what the Port of Houston's net OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB liability	$ (2,492)	$ 6,199	$ 16,944

10. Risk Management

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

Effective March 1, 2010, the Authority began self-insuring and the Authority's current self-insured retention (SIR) limit is $350 for Liability claims and $500 for Workers Compensation claims; Police and Fire is $750. The Authority has unlimited excess coverage for any workers' compensation claim that exceeds its SIR. The balance of claim liabilities at December 31, 2017 and 2016 was $5,018 and $4,307, respectively.

Plan Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2016	$ 3,836	$ 1,533	$ (1,062)	$ 4,307
2017	$ 4,307	$ 1,725	$ (1,014)	$ 5,018

The Texas Tort Claims Act limits the liability of monetary damages for any single occurrence involving motor-driven vehicles or equipment. 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.

These claim liabilities include an estimate for incurred but not reported and allocated claims-adjustment expenses and assessment of loss development factors, trend rates,

10. Risk Management (continued)

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, 2017 and 2016, the Authority had commitments of approximately $23,587 and $44,342, 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.

Orion Construction, LP ("Orion") has asserted claims against the Authority stemming from downtime and delays Orion claims to have incurred in connection with its May 2014 contract for the improvement of the Barbours Cut Ship Channel and Bayport Ship Channel. As of February 2018, Orion has claimed damages in the amount of $28,212. The Authority does not intend to pay this amount and intends to vigorously contest Orion's claims; however, it has not reached any judgment as to the likely outcome or the range of potential loss in the event of litigation.

Trans-Global Solutions, Inc. ("TGS") has asserted claims against the Authority stemming from delays TGS claims to have incurred in connection with its December 2014 contract for the construction of a container yard at the Authority's Bayport Terminal. As of February 2018, TGS has claimed damages in the amount of $6,873. The Authority does not intend to pay the amount sought by TGS and intends to vigorously contest TGS's claims; however, it has not reached any judgment as to the

11. Commitments and Contingencies (continued)

Litigation and Claims (continued)

likely outcome or the range of potential loss in the event of litigation.

12. Tax Abatement

GASB Statement 77 defines a tax abatement as a reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forego tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement was entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

GASB 77 states, "governments should disclose in the notes to financial statements the following information related to tax abatement agreements that are entered into by other governments and that reduce the reporting government's tax revenues." The Port is subject to tax abatements granted by Harris County under the Economic Development Opportunity Act (EDOA).

For year ending 2017, Harris County's gross tax and abated values were $418,283 and $42,707, respectively. Therefore, under agreements entered into by Harris County, the Authority's property tax revenues were reduced by $5.

PHA

PORT OF HOUSTON AUTHORITY

HOUSTON, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

PHA

PORT OF HOUSTON AUTHORITY

HOUSTON, TEXAS

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, 2017, 2016, 2015 and 2014
in thousands
(unaudited)

	July 31, 2017	July 31, 2016	July 31, 2015	July 31, 2014
Total Pension Liability:				
Service cost	$ 3,198	$ 3,229	$ 3,186	$ 3,425
Interest on total pension liability	12,251	11,883	10,940	10,724
Effect of economic/demographic gains/losses	(116)	(695)	(1,278)	-
Effects of assumption changes or inputs	5,012	-	9,569	-
Benefit payments	(9,858)	(9,552)	(9,590)	(9,509)
Net change in total pension liability	10,487	4,865	12,827	4,640
Total pension liability - beginning	176,783	171,918	159,091	154,451
Total pension liability - ending (a)	187,270	176,783	171,918	159,091
Fiduciary net position:				
Employer contributions	9,600	4,500	4,094	8,282
Investment income net of investment expenses	14,220	1,741	7,786	14,825
Benefit payments	(9,858)	(9,552)	(9,590)	(9,509)
Administrative expenses	(280)	(235)	(249)	(237)
Net change fiduciary net position	13,682	(3,546)	2,041	13,361
Fiduciary net position, beginning	163,311	166,857	164,816	151,455
Fiduciary net position, ending (b)	176,993	163,311	166,857	164,816
Net pension liability (asset), ending = (a) - (b)	$ 10,277	$ 13,472	$ 5,061	$ (5,725)
Fiduciary net position as a % of total pension liability	94.51 %	92.38 %	97.06 %	103.60 %
Covered Payroll	$ 30,210	$ 30,412	$ 31,377	$ 33,690
Net pension liability (asset) as a % of covered payroll	34.02 %	44.30 %	16.13 %	(16.99)%

Per GASB 68, until a 10-year trend is compiled, pension plans may present information for those years for which information available; information is not available under the GASB 68 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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	$ 5,153	$ 4,481	$ 4,094	$ 5,278	$ 9,870	$ 8,133	$ 10,809	$ 9,857	$ 7,357	$ 3,929
Contributions in relation to the actuarially determined contribution	9,600	4,500	4,094	8,282	9,870	8,133	10,809	9,857	7,357	3,929
Contribution deficiency (excess)	$ (4,447)	$ (19)	$ -	$ (3,004)	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 30,210	$ 30,412	$ 31,377	$ 33,690	$ 35,082	$ 35,571	$ 34,939	$ 32,695	$ 32,270	$ 28,621
Contributions as a percentage of covered payroll	31.78 %	14.80 %	13.05 %	24.58 %	28.14 %	22.86 %	30.94 %	30.15 %	22.80 %	13.73 %

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	1 year at July 31, 2017, resulting from a net pension liability of $10,277
Asset valuation method	Market value
Inflation	2.50%
Salary Increases	Graded from 7.5% at age 20 to 3.0% at age 60
Investment rate of return	6.75%
Cost of living adjustments	None
Retirement age	Ranging from 5% at age 55 to 100% at age 70
Turnover	Rates from most recent assumption study performed August 1, 2015
Mortality	RP-2014 Mortality for Employees, Healthy Annuitants and Disabled Annuitants with generational projection per MP–2015

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

a) Actuarial Valuation Date	January 1 2017	January 1 2016	January 1 2015
b) Actuarial Value of Assets	$ 53,066	$ 43,167	$ 36,560
c) Actuarial Accrued Liability (AAL)	$ 68,911	$ 64,907	$ 59,029
d) Unfunded Actuarial Accrued Liability (UAAL) (c-b)	$ 15,845	$ 21,740	$ 22,469
e) Funded Ratio (b/c)	77.0 %	66.5 %	61.9 %
f) Annual Covered Payroll (Actuarial)	$ 40,287	$ 38,907	$ 38,907
g) UAAL as a % of Covered Payroll (d/f)	39.3 %	55.9 %	57.8 %

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

Plan Year Ended	2017	2016	2015
Annual Required Contribution (ARC)	$ 5,402	$ 5,798	$ 5,537
Percentage of ARC Contributed	175 %	151 %	202 %

Port of Houston Authority OPEB Trust
Schedule of Annual Money-Weighted Rate of Return
(unaudited)

Fiscal Year Ending December 31,	**Net Money-Weighted Rate of Return**
2016	10.50%
2017	10.90%

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

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

Port of Houston Authority OPEB Plan
Schedule of Changes in Net OPEB Liability and Related Ratios
Fiscal Year Ending December 31, 2017
in thousands
(unaudited)

	2017
Total OPEB Liability	
Service cost	$ 3,081
Interest on total OPEB liability	4,593
Benefit payments	(3,654)
Net change in total OPEB liability	4,020
Total OPEB liability - beginning	66,759
Total OPEB liability - ending (a)	70,779
Fiduciary Net Position	
Employer contributions	9,454
Net investment income	5,714
Benefit payments	(3,654)
Net change in plan fiduciary net position	11,514
Fiduciary net position - beginning	53,066
Fiduciary net position - ending (b)	64,580
Net OPEB liability - ending (a) - (b)	$ 6,199
Fiduciary net position as a % of total OPEB liability	91.24 %
Covered payroll	$ 40,287
Net OPEB liability as a % of covered payroll	15.39 %

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

Port of Houston Authority of Harris County, Texas

Required Supplementary Information

Port of Houston Authority OPEB Plan

Schedule of Actuarially Determined Contributions

Last Ten Fiscal Years
in thousands
(unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	$ 5,217	$ 5,798	$ 5,537	$ 6,568	$ 6,909	$ 7,913	$ 8,115	$ 14,580	$ 14,580	$ 12,290
Contributions in relation to the actuarially determined contribution	9,454	8,772	11,203	11,363	11,226	10,776	10,536	2,897	2,373	2,784
Contribution deficiency (excess)	$ (4,237)	$ (2,974)	$ (5,666)	$ (4,795)	$ (4,317)	$ (2,863)	$ (2,421)	$ 11,683	$ 12,207	$ 9,506
Covered payroll	$ 40,287	$ 38,907	$ 38,907	$ 33,690	$ 34,615	$ 34,939	$ 34,939	$ 32,310	$ 32,310	$ 26,286
Contributions as a percentage of covered payroll	23.47 %	22.55 %	28.79 %	33.73 %	32.43 %	30.84 %	30.16 %	8.97 %	7.34 %	10.59 %

Notes to Schedule

Valuation timing	Actuarial valuations for funding purposes are performed biennially as of January 1. The most recent valuation was performed as of January 1, 2017
Actuarial cost method	Entry Age Normal
Amortization method	
Level percent or level dollar	Level dollar
Closed, open, or layered periods	Open
Amortization period at January 1, 2017	10 years
Asset valuation method	Market Value
Inflation	2.50%
Salary Increases	Age based
Discount Rate	6.75%
Healthcare Cost Trend Rates	8.1% for 2017, gradually decreasing to an ultimate rate of 4.4% for 2071 and beyond
Mortality	RP-2006 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale MP-2016

PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

STATISTICAL SECTION

PORT OF HOUSTON AUTHORITY

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HOUSTON, TEXAS

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.

PORT OF HOUSTON AUTHORITY
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HOUSTON, TEXAS

FINANCIAL TRENDS

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PORT OF HOUSTON AUTHORITY

HOUSTON, TEXAS

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net investment in capital assets	$1,023,578	$ 919,177	$ 794,075	$ 749,755	$ 685,717	$596,224	$ 574,224	$ 571,828	$ 655,571	$ 646,777
Restricted										
Capital	-	-	-	-	7,195	29,713	60,204	79,270	8,388	3,978
Debt Service	45,622	45,705	41,853	43,290	44,598	44,916	41,455	44,248	39,072	37,310
Other	-	-	-	-	-	2,755	196	4,302	122	200
Unrestricted	311,127	312,363	383,422	340,892	324,466	320,673	263,802	207,113	191,411	214,139
Total Net Position	$1,380,327	$1,277,245	$1,219,350	$1,133,937	$1,061,976	$994,281	$ 939,881	$ 906,761	$ 894,564	$ 902,404

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

(in thousands)
(unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating revenues:										
Vessel and cargo services	$ 309,058	266,703	$ 267,277	$ 238,083	$ 200,101	$ 190,618	$ 177,405	$ 159,799	$ 144,365	$ 171,373
Rental of equipment and facilities	15,976	15,869	17,120	17,763	25,114	23,077	22,030	20,346	20,524	19,984
Grain elevator	902	1,199	1,567	1,821	592	683	1,923	911	1,155	787
Bulk materials	4,004	3,941	4,019	4,270	2,665	2,485	2,131	2,368	2,243	2,319
Other	2,933	2,514	3,753	1,960	5,201	8,512	3,356	3,272	2,040	2,522
Nonoperating revenues:										
Investment (loss) income	4,553	4,896	4,142	4,913	(435)	2,410	3,123	3,573	4,136	7,154
Contribution in aid of construction	-	-	610	-	5,000	-	1,077	-	-	-
Other	1,703	2,690	1,279	3,291	683	1,583	2,765	3,836	4,588	982
Nonoperating revenues related to property taxes:										
Property taxes	53,842	55,749	51,280	51,955	52,534	56,429	49,826	53,833	46,911	48,675
Investment income / (loss) on bond proceeds	264	119	120	162	348	302	657	(47)	165	1,113
Total Revenues:	393,235	353,680	351,167	324,218	291,803	286,099	264,293	247,891	226,127	254,909
Operating expenses:										
Maintenance and operations of facilities	152,166	141,102	123,433	121,899	103,353	101,095	97,461	95,918	88,124	98,026
General and administrative	42,423	44,286	42,297	37,812	41,845	43,875	39,894	51,742	57,827	43,443
Depreciation and amortization	66,487	64,601	60,198	57,190	56,057	56,551	55,661	53,731	48,035	44,016
Impairment of Capital Assets	-	15,114	-	-	-	-	-	-	-	-
Nonoperating expenses:										
Contributions to state and local agencies	4,243	2,127	2,147	1,464	1,949	882	1,232	1,742	17,468	4,224
Loss on disposal of assets	33	(2,976)	2,849	1,220	91	3,295	-	3,294	-	-
Other	2,187	1,033	338	-	-	98	-	-	-	-
Nonoperating expenses related to property taxes:										
Interest expense on unlimited tax bonds	30,010	31,548	33,114	33,459	33,188	33,803	36,843	34,265	26,072	21,344
Property tax collection expense	1,100	1,100	1,039	1,175	994	1,091	996	1,270	506	1,083
Other	400	303	455	408	477	442	525	480	901	423
Total Expenses:	299,049	298,238	265,870	254,627	237,954	241,132	232,612	242,442	238,933	212,559
Income before contributions	94,186	55,442	85,297	69,591	53,849	44,967	31,681	5,449	(12,806)	42,350
Capital contributions from federal agencies	8,896	2,453	56	2,370	13,827	9,373	1,439	2,944	3,549	6,061
Contributions from federal agency-FEMA	-	-	60	-	19	60	-	3,804	1,417	-
Total Contributions from federal and state agencies	8,896	2,453	116	2,370	13,846	9,433	1,439	6,748	4,966	6,061
Change in net position	103,082	57,895	85,413	71,961	67,695	54,400	33,120	12,197	(7,840)	48,411
Net position, January 1	1,277,245	1,219,350	1,133,937	1,061,976	994,281	939,881	906,761	894,564	902,404	853,993
Net position, December 31	$ 1,380,327	$ 1,277,245	$ 1,219,350	$ 1,133,937	$1,061,976	$ 994,281	$ 939,881	$ 906,761	$ 894,564	$ 902,404

REVENUE CAPACITY

PORT OF HOUSTON AUTHORITY

PHA

HOUSTON, TEXAS

Schedule 3

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
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
2016	467,478,230	51,201,800	109,296,383	409,383,647	0.01334
2017	486,904,155	48,036,665	109,150,988	425,789,832	0.01256

- Source: Harris County Appraisal District Property Use Recap as of 12/22/17
- 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.

Schedule 4

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Harris County										
General Fund	$ 0.34500	$ 0.34500	$ 0.34547	$ 0.34547	$ 0.34547	$ 0.33271	$ 0.33444	$ 0.33401	$ 0.33401	$ 0.33815
General Bonds Debt Service	0.05234	0.05111	0.05237	0.04802	0.05158	0.04468	0.03825	0.03635	0.03642	0.03192
Total Constitutional Funds	0.39734	0.39611	0.39784	0.39349	0.39705	0.37739	0.37269	0.37036	0.37043	0.37007
County - Wide Road Debt Service	0.02067	0.02045	0.02139	0.02382	0.01750	0.02282	0.01848	0.01769	0.02181	0.01916
Total - Harris County	0.41801	0.41656	0.41923	0.41731	0.41455	0.40021	0.39117	0.38805	0.39224	0.38923
Flood Control District										
Maintenance	0.02736	0.02745	0.02620	0.02620	0.02620	0.02522	0.02727	0.02727	0.02754	0.02754
Debt Service	0.00095	0.00084	0.00113	0.00116	0.00207	0.00287	0.00082	0.00196	0.00168	0.00332
Total - Flood Control	0.02831	0.02829	0.02733	0.02736	0.02827	0.02809	0.02809	0.02923	0.02922	0.03086
Port of Houston Authority										
Debt Service	0.01256	0.01334	0.01342	0.01531	0.01716	0.01952	0.01856	0.02054	0.01636	0.01773
Hospital District										
General	0.17000	0.17000	0.17000	0.17000	0.17000	0.18216	0.19216	0.19216	0.19216	0.19216
Debt Service	0.00110	0.00179	-	-	-	-	-	-	-	-
Total Hospital District	0.17110	0.17179	0.17000	0.17000	0.17000	0.18216	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	$ 0.62998

- 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, 2017
(unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
County-Wide Taxing Jurisdiction										
Harris County	$ 0.41801	$ 0.41656	$ 0.41923	$ 0.41731	$ 0.41455	$ 0.40021	$ 0.39117	$ 0.38805	$ 0.39224	$ 0.38923
Harris County Flood Control District	0.02831	0.02829	0.02733	0.02736	0.02827	0.02809	0.02809	0.02923	0.02922	0.03086
Port of Houston Authority	0.01256	0.01334	0.01342	0.01531	0.01716	0.01952	0.01856	0.02054	0.01636	0.01773
Harris County Hospital District	0.17110	0.17179	0.17000	0.17000	0.17000	0.18216	0.19216	0.19216	0.19216	0.19216
Total County-wide	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998
Cities										
Baytown	$ 0.82203	$ 0.82203	$ 0.82203	$ 0.82203	$ 0.82203	$ 0.82203	$ 0.82202	$ 0.78703	$ 0.78700	$ 0.73703
Bellaire	0.41590	0.38740	0.38050	0.39360	0.39990	0.39990	0.39990	0.39990	0.37590	0.44000
Deer Park	0.72000	0.72000	0.71435	0.72000	0.72000	0.72000	0.72000	0.70500	0.70500	0.72000
Houston	0.58421	0.58642	0.60112	0.63108	0.63875	0.63875	0.63875	0.63875	0.63880	0.64500
La Porte	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000
League City	0.56500	0.57000	0.57350	0.59700	0.59700	0.59700	0.61000	0.61600	0.63000	0.60880
Missouri City	0.60000	0.56010	0.54468	0.56500	0.57375	0.54480	0.52840	0.52840	0.52840	0.49930
Pasadena	0.57539	0.57539	0.57539	0.57690	0.59159	0.59159	0.59159	0.59159	0.56200	0.56700
Pearland	0.68506	0.68120	0.70530	0.71210	0.70510	0.70510	0.68510	0.66510	0.65260	0.65260
Seabrook	0.57491	0.56518	0.61261	0.64003	0.65123	0.66523	0.64998	0.62681	0.58840	0.62030
South Houston	0.64330	0.63221	0.69954	0.64453	0.66988	0.70825	0.68755	0.67316	0.67320	0.67700
Webster	0.31725	0.28450	0.23447	0.24874	0.26960	0.28528	0.28528	0.25750	0.23250	0.24890
West University Place	0.31680	0.31680	0.33179	0.36179	0.37400	0.37411	0.37411	0.37411	0.35880	0.36600
School Districts	1.2067-1.6700	1.2067-1.6700	1.1967-1.6700	1.1967-1.6700	1.1867-1.6700	1.1567-1.5700	.0972-1.5400	.0922-1.54000	.1101-1.5266	.1144-1.6450

- Source: Harris County Appraisal District jurisdiction information as of 12/31/17; includes all tax bonds.

Schedule 6

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

	2017			2008		
Tax Payers	2017 Taxable Valuations (a)	Rank	Percentage of Total 2017 Taxable Valuation (b)	2008 Taxable Valuations (a)	Rank	Percentage of Total 2008 Taxable Valuation (c)
CenterPoint Energy Inc.	$ 3,344,794	1	0.79 %	$ 2,484,393	3	0.88 %
EXXON Mobil Corp.	3,263,728	2	0.77	4,041,151	1	1.43
Chevron Chemical Co.	2,814,440	3	0.66	1,484,564	4	0.53
Shell Oil Co.	1,625,656	4	0.38	2,714,716	2	0.96
Palmetto Transoceanic LLC	1,296,880	5	0.30	-		-
Equistar Chemicals LP	1,296,073	6	0.30	-		-
National Oilwell Inc.	987,145	7	0.23	476,910	15	0.17
Crescent HC and 4HC Investors LP	873,921	8	0.21	-		-
Walmart	869,096	9	0.20	736,663	10	0.26
One Two and Three Allen Center Co LLC	857,457	10	0.20	-		-
Valero Energy	841,934	11	0.20	646,305	12	0.23
Cousins Greenway	715,139	12	0.17	-		-
Celanese LTD	715,012	13	0.17	-		-
HG Galleria I II III LP	679,041	14	0.16	-		-
Liberty Property	625,960	15	0.15	-		-
HEB Grocery Co LP	610,054	16	0.14	-		-
Kroger Co.	588,473	17	0.14	-		-
Shell Services Co.	548,998	18	0.13	-		-
Lyondell Chemical Co.	534,397	19	0.13	-		-
Kinder Morgan	521,965	20	0.12	-		-
Hines Interests LTD Partnership	-		-	1,248,633	5	0.44
Crescent Real Estate	-		-	1,218,690	6	0.43
AT&T Mobility LLC	-		-	999,732	7	0.35
Hewlett Packard	-		-	806,530	8	0.29
Cullen Allen Holdings LP	-		-	740,183	9	0.26
BP Amoco	-		-	706,808	11	0.25
Rohm & Haas Co.	-		-	602,639	13	0.21
TGP Towers I, II, III and San Felipe Pipe	-		-	522,827	14	0.19
Total	$ 23,610,163		5.55 %	$ 19,430,744		6.88 %

- 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 22, 2017;
- Note (c) Based on the County's total taxable value as of February 28, 2009.

Port of Houston Authority of Harris County, Texas
Property Taxes Levies and Collections
For the Years 2008 through 2017
(in thousands)
(unaudited)

		Collections within the Fiscal Year of the Levy			Total Collections After One Year (a)	
Fiscal Year	Taxes Levied for Fiscal Year	Amount	Percentage of Levy	Collections After One Year (a)	Amount	Percentage of Levy
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 %	1,654	51,054	98.45 %
2015	50,796	48,208	94.91 %	1,767	49,975	98.38 %
2016	54,806	51,946	94.78 %	1,981	53,926	98.39 %
2017	53,652	50,738	94.57 %	N/A	N/A	N/A

- Source: Harris County Tax Assessor - Collector as of February 28, 2018
- Note (a) Collections after one year reflect monies collected in the year following the levy and are not updated annually.
- N/A - Not Available

Schedule 8

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating revenues: (a) (b) (c)										
Vessel and cargo services	$ 309,058	$ 266,703	$ 267,277	$ 238,083	$ 200,101	$ 190,618	$ 177,405	$ 159,799	$ 144,365	$ 171,373
Rental of equipment and facilities	15,976	15,869	17,120	17,763	25,114	23,077	22,030	20,346	20,524	19,984
Grain elevator	902	1,199	1,567	1,821	592	683	1,923	911	1,155	787
Bulk materials	4,004	3,941	4,019	4,270	2,665	2,485	2,131	2,368	2,243	2,319
Other	2,933	2,514	3,753	1,960	5,201	8,512	3,356	3,272	2,040	2,522
Total Operating Revenue	$ 332,873	$ 290,226	$ 293,736	$ 263,897	$ 233,673	$ 225,375	$ 206,845	$ 186,696	$ 170,327	$ 196,985
Revenue Tonnage (Short Tons)*										
General Cargo	28,878	25,226	27,360	26,854	24,735	25,278	23,387	20,809	19,681	24,871
Bulk	9,396	9,621	8,384	10,766	11,090	9,781	10,162	10,508	9,184	10,371
Total Revenue Tonnage	38,274	34,847	35,744	37,620	35,825	35,059	33,549	31,317	28,865	35,242

- 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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Cargo										
Barbours Cut										
All other	9,811,047	9,470,902	9,322,892	7,689,686	7,010,712	6,177,766	5,605,703	5,709,735	5,571,883	7,592,527
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
	9,811,047	9,470,902	11,395,024	11,099,900	10,559,128	10,116,984	9,492,849	9,598,179	9,420,491	11,817,479
Bayport Container Terminal	13,026,783	10,854,617	8,588,556	6,977,231	7,264,595	7,354,870	7,365,318	6,567,986	5,802,758	4,198,520
Turning Basin										
Autos import	119,081	161,246	167,383	128,564	143,132	175,553	124,351	109,713	73,325	115,660
Autos export	3,396	4,744	13,240	11,430	17,905	23,655	26,972	25,844	23,641	32,211
Steel imports	2,988,636	1,823,357	3,800,730	5,397,341	3,613,445	4,247,410	3,193,843	2,005,659	2,195,728	4,961,811
All other	474,629	492,551	707,345	607,127	519,978	723,762	1,177,341	778,667	622,113	1,559,870
	3,585,742	2,481,898	4,688,698	6,144,462	4,294,460	5,170,380	4,522,507	2,919,883	2,914,807	6,669,552
Jacintoport	1,737,072	1,883,785	1,751,839	1,411,724	1,579,197	1,428,240	1,285,363	1,235,498	1,072,605	1,220,081
Care Terminal	603,271	457,294	562,217	747,372	649,545	598,914	350,422	188,279	249,001	421,064
Woodhouse	113,888	77,299	373,497	473,389	388,133	608,369	370,436	299,098	221,798	544,590
Total General Cargo	28,877,803	25,225,795	27,359,831	26,854,078	24,735,058	25,277,757	23,386,895	20,808,923	19,681,460	24,871,286
Bulk										
Barbours Cut	-	-	-	-	-	-	-	3,136	2,426	4,409
Jacintoport	9,758	692	1,100	-	-	1,780	553	1,653	10,803	-
Care Terminal	162,014	130,545	18,298	82,016	253,942	408,225	359,286	446,801	192,753	756,891
Woodhouse	20,224	12,981	6,882	31,549	14,290	7,547	35,089	31,857	30,468	6,031
Sims Bayou	1,157,368	624,280	624,278	675,175	700,350	770,395	763,723	783,041	648,650	571,557
S.J.B. Liquid Facility	522,019	552,752	428,895	493,582	541,227	585,263	474,880	551,405	492,921	428,698
Turning Basin	2,154,936	2,097,919	2,046,714	1,982,330	2,164,880	2,022,492	1,948,735	1,978,411	1,732,249	1,985,245
	4,026,319	3,419,169	3,126,167	3,264,652	3,674,689	3,795,702	3,582,266	3,796,304	3,110,270	3,752,831
Bulk Materials Terminal	3,230,116	3,329,834	2,908,018	5,190,900	5,151,720	4,691,785	4,209,509	4,669,560	4,513,258	4,520,962
Grain Elevator #2	2,139,655	2,871,965	2,350,374	2,310,757	2,263,983	1,294,120	2,370,689	2,042,395	1,560,258	2,096,735
Total Bulk Cargo	9,396,090	9,620,968	8,384,559	10,766,309	11,090,392	9,781,607	10,162,464	10,508,259	9,183,786	10,370,528
Grand Total	38,273,893	34,846,763	35,744,390	37,620,387	35,825,450	35,059,364	33,549,359	31,317,182	28,865,246	35,241,814

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

Schedule 10

Port of Houston Authority of Harris County, Texas
Top Ten Vessel and Cargo Customers
Current Year and Ten Years Ago
(amounts in thousands)
(unaudited)

	2017			2008		
Customer	2017 Revenue	Rank	% V&C Revenue	2008 Revenue	Rank	% V&C Revenue
Mediterranean Shipping Inc. SA	$ 41,832	1	15.71 %	$ 24,951	1	15.19 %
Maersk Line	37,188	2	13.97	-		-
CMA-CGM (America), Inc	29,791	3	11.19	13,027	3	7.93
Hapag-Lloyd AG	29,755	4	11.17	22,893	2	13.94
Cosco North America, Inc.	22,284	5	8.37	-		-
Hamburg Sud North America	11,946	6	4.49	6,505	4	3.96
Zim Integrated Shipping	6,590	7	2.47	6,212	6	3.78
Seaboard Marine, Ltd.	5,430	8	2.04	4,019	8	2.45
Biehl & Company - Vessel	4,245	9	1.59	6,315	5	3.85
OOCL(USA) Inc.	3,944	10	1.48	-		-
Compania Libra de Navegacion	-		-	5,690	7	3.46
Norton Lilly International	-		-	3,954	9	2.41
ISS-RioMar, LLC	-		-	3,626	10	2.21
Total	$ 193,005		72.48 %	$ 97,192		59.18 %

- Source: The Authority

DEBT CAPACITY

PHA

PORT OF HOUSTON AUTHORITY

HOUSTON, TEXAS

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											
Fiscal Year	Unlimited Tax Refunding Bonds	Unlimited Tax Port Improvement Bonds	Unlimited Tax Commercial Paper	Premiums (Discounts)	General Bonded Debt	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
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	157	711,218	0.28 %	157
2016	572,329	85,665	-	39,129	697,123	6,983	690,140	0.17	150	690,140	N/A	150
2017	553,164	85,665	-	35,069	673,898	13,589	660,309	0.16	N/A	660,309	N/A	N/A

- 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

Schedule 12

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, 2017
(in thousands)
(unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Gross Revenues										
Operating Revenues (a)										
Vessel and cargo services	$ 309,058	$ 266,266	$ 266,305	$ 235,929	$ 197,974	$ 188,457	$ 175,297	$ 157,633	$ 142,310	$ 169,584
Rental of equipment and facilities	15,976	15,869	17,120	17,763	25,114	23,077	22,030	20,325	20,451	19,910
Grain Elevator	902	1,199	1,567	1,821	592	683	1,923	911	1,155	787
Bulk materials	4,004	3,941	4,019	4,270	2,665	2,485	2,131	2,368	2,243	2,319
Other	2,933	2,514	3,753	1,960	5,201	8,512	3,356	3,272	2,040	2,435
Total	332,873	289,789	292,764	261,743	231,546	223,214	204,737	184,509	168,199	195,035
NonOperating Revenues										
Investment (loss) income	4,425	4,850	4,100	4,881	(452)	2,406	3,126	3,572	4,552	6,736
Other, net	10,599	5,144	2,004	5,661	19,529	11,014	5,358	11,319	9,798	7,198
Total	15,024	9,994	6,104	10,542	19,077	13,420	8,484	14,891	14,350	13,934
Total Gross Revenues	347,897	299,783	298,868	272,285	250,623	236,634	213,221	199,400	182,549	208,969
Operation Expenses										
Maintenance and Operation of Facilities										
Vessel and cargo services	141,857	131,998	115,757	115,341	93,483	91,534	89,547	90,861	77,591	94,473
Rental of port facilities	2,093	2,140	1,130	1,164	1,387	1,174	6,893	3,945	3,774	3,311
Grain Elevator	275	330	293	260	288	219	322	263	221	163
Bulk Materials Handling Plant	26	8	11	9	9	22	46	34	88	94
Other	7,915	7,107	7,114	8,223	9,919	9,958	2,415	2,385	1,796	1,797
Total	152,166	141,583	124,305	124,997	105,086	102,907	99,223	97,488	83,470	99,838
General and Administrative	42,423	44,286	42,297	39,152	41,845	43,875	39,894	51,487	63,411	41,930
Total Operating Expenses	194,589	185,869	166,602	164,149	146,931	146,782	139,117	148,975	146,881	141,768
Nonoperating Expenses	6,533	259	5,673	2,694	2,998	3,906	3,350	5,872	18,473	4,461
Total Expenses	201,122	186,128	172,275	166,843	149,929	150,688	142,467	154,847	165,354	146,229
Net Revenues Available For Debt Service on First Lien Revenue Bonds	$ 146,775	$ 113,655	$ 126,593	$ 105,442	$ 100,694	$ 85,946	$ 70,754	$ 44,553	$ 17,195	$ 62,740

- 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)

Fiscal Year Ending December 31	Outstanding Debt Service Requirements
2018	$ 52,991,411
2019	53,247,486
2020	52,750,461
2021	52,729,374
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	34,608,000
Total	**$ 1,090,718,509**

- The table sets forth the annual debt service requirements on the Authority's ad valorem tax bonds as of December 31, 2017, 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, 2017
(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

Year	GDP (a)	National Unemployment (b)	Total U.S. Exports (c)	Total U.S. Imports (c)	U.S. Rig Count (d)	Oil Price $/Bbl (e)	PMI (f)
2017	2.6%	4.4%	2,329.3	2,895.3	989	57.88	59.1
2016	1.9%	4.9%	2,209.4	2,711.7	672	51.97	56.0
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

- 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
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%	252,694,912	56,896
2015	4,538,028	4.6%	249,989,494	55,088
2016	4,589,928	5.3%	N/A	N/A
2017	N/A	N/A	N/A	N/A

- Source: Harris County, Texas Comprehensive Annual Financial Report for the Fiscal Year Ended February 28, 2017
- 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)

	2017			2008		
Employer	Employees	Rank	Percentage of Area Employment	Employees	Rank	Percentage of Area Employment
Memorial Hermann Healthcare Systems	26,000	1	0.84%	-		-
HEB	23,732	2	0.77%	-		-
The Methodist Hospital System	21,195	3	0.69%	-		-
MD Anderson Cancer Center	20,113	4	0.65%	-		-
Kroger	17,000	5	0.55%	-		-
UTMB Health	12,939	6	0.42%	-		-
Landry's	10,800	7	0.35%	-		-
Harris Health System	9,174	8	0.30%	-		-
Baylor College of Medicine	9,071	9	0.29%	-		-
UT Health	8,600	10	0.28%	-		-
Administaff Inc.	-		-	22,475	1	0.84%
Wal-Mart Stores Inc.	-		-	17,260	2	0.65%
United Airlines (formerly Continental)	-		-	15,522	3	0.58%
ExxonMobil Corporation	-		-	15,340	4	0.58%
CenterPoint Energy	-		-	8,568	5	0.32%
Baker Hughes	-		-	8,500	6	0.32%
National Oilwell Varco	-		-	7,400	7	0.28%
AT&T Inc.	-		-	7,018	8	0.26%
Chevron/Texaco	-		-	7,011	9	0.26%
JP Morgan Chase	-		-	5,900	10	0.22%
	158,624		5.14%	114,994		4.31%

- 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 2017 was approximately 3,082,000 and for 2008 was 2,664,000.
- * Based on calendar year

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

Regional Population (a)

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

Harris County Voters in Presidential Elections (b)

	2016	2012	2008	2004	2000
Registered Voters	2,182,980	1,942,566	1,974,177	1,876,296	1,886,661
Votes Cast	99,507	1,204,167	1,188,731	1,088,793	995,631
Percentage of Registered Voters Voting	61.33 %	61.99 %	60.21 %	58.03 %	52.77 %

Motor Vehicle Registration (c)

	2017	2016	2015	2014	2013
Passenger Cars, Small Trucks and Misc.	3,629,194	3,748,343	3,750,880	3,778,534	3,486,077
Large Trucks	46,076	31,247	34,797	32,603	30,307
Total	3,675,270	3,779,590	3,785,677	3,811,137	3,516,384

- Note (a) Source: Department of Commerce, U.S. Census Bureau
- Note (b) Source: Harris County Clerk - Elections Division/Harris County Clerk's Website
- 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)

	2017	2016	2015	2014	2013
Baylor College of Medicine	1,575	1,562	1,564	1,582	1,549
Houston Baptist University	3,325	3,270	3,160	3,128	2,910
Houston Community College	49,782	47,197	46,344	47,415	47,699
Lone Star College System	69,452	77,109	74,160	82,818	77,827
Rice University	7,052	6,883	6,719	6,498	6,490
San Jacinto College:					
Central, South and North	35,455	33,183	32,346	27,911	32,627
South Texas College of Law	931	969	1,038	1,116	1,185
Texas Southern University	10,237	8,862	8,965	9,233	8,619
Texas Woman's University: Houston	1,281	1,361	1,365	1,347	1,262
University of Houston:					
University Park	45,364	43,774	42,704	40,803	39,498
Downtown	13,913	14,245	14,255	14,439	13,353
Clear Lake	8,542	8,669	8,906	8,668	8,260
University of St. Thomas	3,151	3,224	3,343	3,192	3,525
University of Texas: (e)					
Dental Branch	565	560	548	536	522
Graduate School of Biomedical Sciences	406	425	437	472	514
Medical School	1,077	1,075	1,060	1,045	1,062
School of Biomedical Informatics	289	291	245	171	127
School of Nursing	1,647	1,477	1,247	1,072	1,116
School of Public Health	1,257	1,223	1,274	1,260	1,274
Total	255,301	255,359	249,680	252,706	249,419

Number of Employees

	2017	2016	2015	2014	2013
Harris County (f)	16,488	16,166	15,761	15,244	14,557
Flood Control District (f)	293	287	291	300	290
Port of Houston Authority	620	597	583	542	528

- Note (d) Source: Fall 2017 Enrollment Data from Texas Higher Education Coordinating Board and above school websites
- Note (e) Source: University of Texas Office of Registrar (Fact Book 2018)
- Note (f) Source: Harris County Auditor's Office

PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

OPERATING INFORMATION

PORT OF HOUSTON AUTHORITY

PHA

HOUSTON, TEXAS

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	28.5-37.5	36	1,150,000
5 Liquid Bulk Wharves	226-570	34.5-37.5	-	-
Wharf - 32 Project Cargo	800	37.5	20	-
Woodhouse Terminal**				
Wharf 1	660	40.5	2	-
Wharf 2 and 3 (RoRo Dock)	1,250	36.5	-	112,740
Grain Dock**	600	43.5	-	-
Dry Bulk Cargo Facility				
Wharf 1	800	43.5	-	-
Wharf 2	400	43.5	-	-
Jacintoport				
Wharves 1 - 3	1,830	41.5	8	82,500
Care Terminal				
Wharf 1	500	40.5	10	45,000
Wharf 2	618	41.5	4	-
Sims Bayou Liquid Bulk Facility				
Berths	320	35.5-41.5	-	-
San Jacinto Barge Terminal				
Berth	200-700	17.5*	-	-
Barbours Cut Terminal				
LASH Berth	810	41.5	-	-
Container Berths 1 - 6	6,000	46.5	190	-
Bayport				
Container Berths 2 - 5	3964	46.5	165	-
BPT Auto Terminal	1,000	34.5	-	-

* 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)
<u>Turning Basin</u>
- Privately-owned mobile cranes and additional cargo handling equipment are available for hire on an hourly basis.

<u>Barbours Cut Terminal</u>
Container Cranes:
- Ship to Shore (STS) = 15 total (7 SPP, 5 PP, 2 P, and 1 training crane)
- 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

<u>Bayport</u>
Container Cranes:
- Ship to Shore (STS) = 9 total (3 SPP, 6 PP)
- Rubber-Tire Gantry (RTG) = 38
- 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

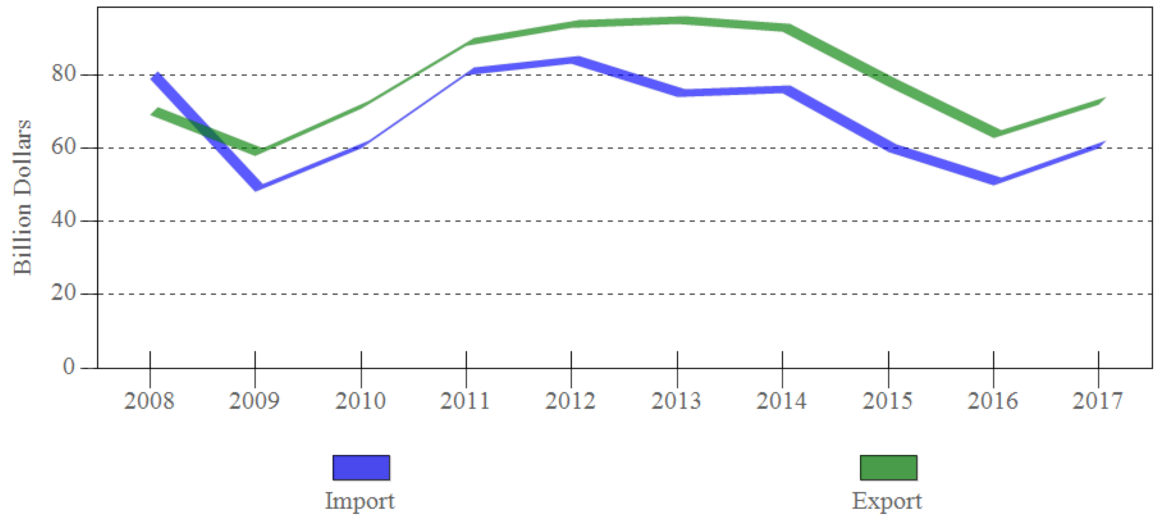
Port of Houston Authority of Harris County, Texas
Freight Traffic Statistics
(in thousands)
(unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Freight handled by the Authority only (excluding tonnages handled by private terminals) - short tons (a) (d)										
Breakbulk cargo	4,587	3,423	5,796	7,454	5,623	6,688	5,652	3,771	3,768	8,006
Container cargo	24,291	21,960	21,564	19,400	19,112	18,590	17,735	17,038	15,914	16,866
Bulk grain	2,140	2,872	2,350	2,311	2,264	1,294	2,371	2,042	1,560	2,097
Bulk plant	3,230	3,330	2,905	5,191	5,152	4,692	4,209	4,670	4,513	4,521
Other bulk	10,033	13,254	12,550	12,281	12,518	12,771	12,474	12,725	11,032	11,248
Total	44,281	44,839	45,165	46,637	44,669	44,035	42,441	40,246	36,787	42,738
Freight handled by entire Port of Houston (includes tonnage handled by both the Authority and private terminals) - short tons (b) (c) (d)										
Foreign										
Imports	(e)	69,110	71,388	76,688	76,449	83,816	88,889	88,508	84,629	92,019
Exports	(e)	94,876	92,024	83,849	83,102	78,627	78,188	71,053	63,340	54,380
Total Foreign (e)	-	163,986	163,412	160,537	159,551	162,443	167,077	159,561	147,969	146,399
Domestic										
Receipts	(e)	36,417	36,010	34,267	32,442	35,349	32,429	31,091	28,460	28,322
Shipments	(e)	26,635	24,375	23,194	22,116	23,338	22,937	21,389	20,397	22,739
Total Domestic (e)	-	63,052	60,385	57,461	54,558	58,687	55,366	52,480	48,857	51,061
Local	(e)	20,944	17,136	16,306	15,137	17,055	15,355	15,092	14,515	14,747
Total	-	247,982	240,933	234,304	229,246	238,185	237,798	227,133	211,341	212,207
Value of foreign trade handled by entire Port of Houston (c)										
Imports	$ 59,594,077	$ 49,616,268	$ 59,493,988	$ 75,023,441	$ 74,287,778	$ 83,252,965	$ 80,221,005	$ 60,110,140	$ 48,427,840	$ 78,873,301
Exports	71,905,598	63,303,533	76,535,738	92,016,308	94,050,299	93,407,834	88,078,301	70,726,052	57,834,409	68,783,597
Total	$131,499,675	$112,919,801	$136,029,726	$167,039,749	$168,338,077	$176,660,799	$168,299,306	$130,836,192	$106,262,249	$147,656,898

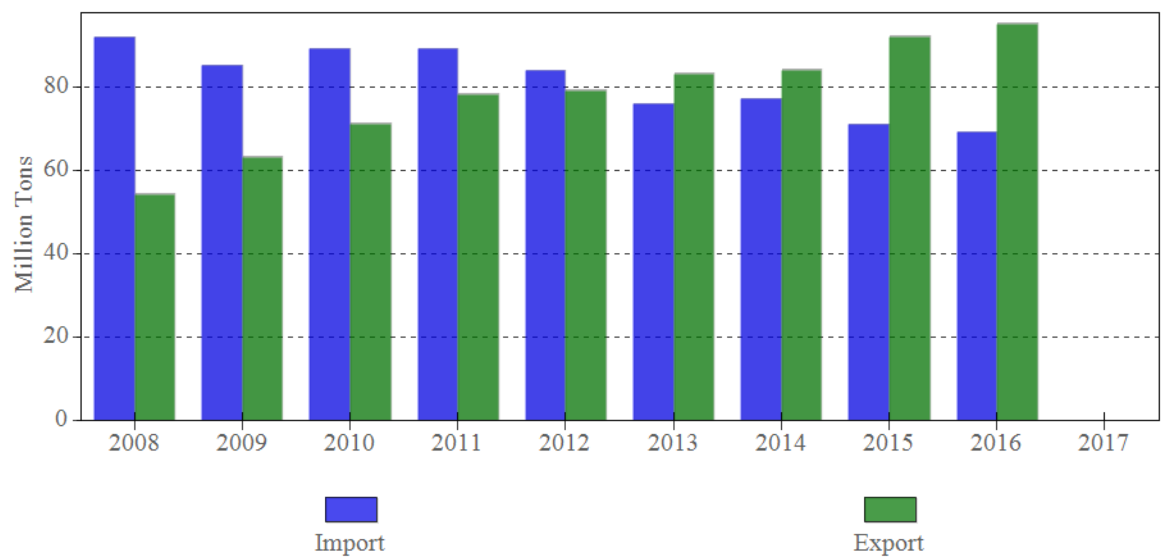
- Note (a) Source: The Authority
- Note (b) Source: U.S. Army Corps of Engineers, Waterborne Commerce of the U.S.
- Note (c) Source: Bureau of Census U.S. Department of Commerce
- Note (d) Prior year amounts may have been restated to reflect actual volumes after year-end adjustments.
- Note (e) Amounts not available for 2017.

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 2017.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Revenue Tonnage										
Including Bayport companies	44,281	44,839	45,168	46,637	44,669	44,035	42,441	40,246	36,787	42,738
Excluding Bayport companies	38,274	34,847	35,744	37,620	35,825	35,059	33,549	31,317	28,865	35,242
General Cargo (a)	28,878	25,226	27,360	26,854	24,735	25,278	23,387	20,809	19,681	24,871
Bulk Materials Handling Plant	3,230	3,330	2,908	5,191	5,152	4,692	4,210	4,670	4,513	4,521
Grain Elevator #2	2,140	2,872	2,350	2,311	2,264	1,294	2,371	2,042	1,560	2,097
Other Bulk Movements										
Excluding Bayport companies (b)	4,026	3,419	3,126	3,265	3,675	3,796	3,582	3,796	3,110	3,753
Including Bayport companies	6,007	9,992	9,424	9,016	8,843	8,975	8,892	8,929	7,922	7,496
Barbours Cut Terminal										
Bulk (b)	3	3	-	-	-	-	-	3	2	4
General cargo (a)	9,808	9,467	11,395	11,100	10,559	10,117	9,493	9,598	9,420	11,817
Bayport Container Terminal										
General cargo (a)	13,027	10,855	8,589	6,977	7,265	7,355	7,365	6,568	5,803	4,199
Steel (a)										
Import	3,626	2,288	4,643	6,343	4,350	5,093	3,674	2,296	2,405	5,976
Export	68	80	141	236	303	391	626	425	251	310
Autos - Turning Basin										
Tons - import (a)	141	161	168	129	143	176	124	110	73	116
Tons - export (a)	3	8	14	13	21	28	27	26	24	32
Units - import	74	83	82	63	71	94	65	59	41	64
Units - export	1	2	6	5	8	11	13	12	12	12
Bagged Goods (a)										
Import	232	168	167	65	53	137	309	50	1	16
Export	45	40	46	57	191	88	198	206	352	346
Container TEU	2,459	2,183	2,131	1,951	1,950	1,935	1,866	1,817	1,799	1,795

- 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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Houston Ship Channel										
Break bulk	667	744	883	987	1,019	998	914	840	801	891
Bulk carrier	860	827	876	1,003	809	729	702	626	653	920
Containers	912	940	1,003	1,012	966	1,013	1,037	1,028	953	966
Cruise	-	31	48	38	9	-	-	-	-	17
Roll-on/roll-off	30	35	12	9	29	49	49	69	105	130
Tankers	4,851	5,129	5,047	4,746	4,955	4,983	4,885	4,816	4,335	4,595
Tug Tow	503	448	384	386	369	454	355	297	280	411
Vehicle carrier	110	109	111	112	119	138	104	103	75	43
Other	13	6	12	46	16	31	27	70	75	77
Total Vessel Arrivals	7,946	8,269	8,376	8,339	8,291	8,395	8,073	7,849	7,277	8,050
PHA Public Wharves										
Turning Basin										
Ships	839	864	1,066	1,258	1,121	1,130	1,046	999	962	1,255
Barges	1,063	935	971	1,016	1,789	1,585	1,528	1,416	1,186	1,546
Bulk Plant, Jacintoport, Care, Woodhouse, and HPGE#2										
Ships	872	517	502	597	596	581	613	595	541	669
Barges	443	504	424	611	492	632	586	545	525	485
Barbours Cut and Galveston										
Ships	500	560	581	664	822	771	688	695	704	809
Barges	33	36	98	113	23	88	51	32	43	46
Bayport Container Terminal										
Ships	463	490	494	356	349	355	374	330	314	225
Barges	164	175	119	107	68	63	59	2	1	1
Bayport Cruise Terminal										
Cruise	-	31	48	38	9	-	-	-	-	17
Layberth	-	-	42	39	42	48	56	49	21	-
Bayport Companies										
Ships	777	793	856	672	732	713	643	704	652	611
Barges	1,679	2,402	2,166	2,145	2,148	2,160	2,206	2,115	1,754	1,657
Total PHA Arrivals										
Ships (a)	3,027	3,248	3,528	3,654	3,661	3,593	3,409	3,372	3,194	3,569
Barges	4,153	4,693	4,348	4,611	4,521	4,533	4,441	4,110	3,509	3,735

- 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)

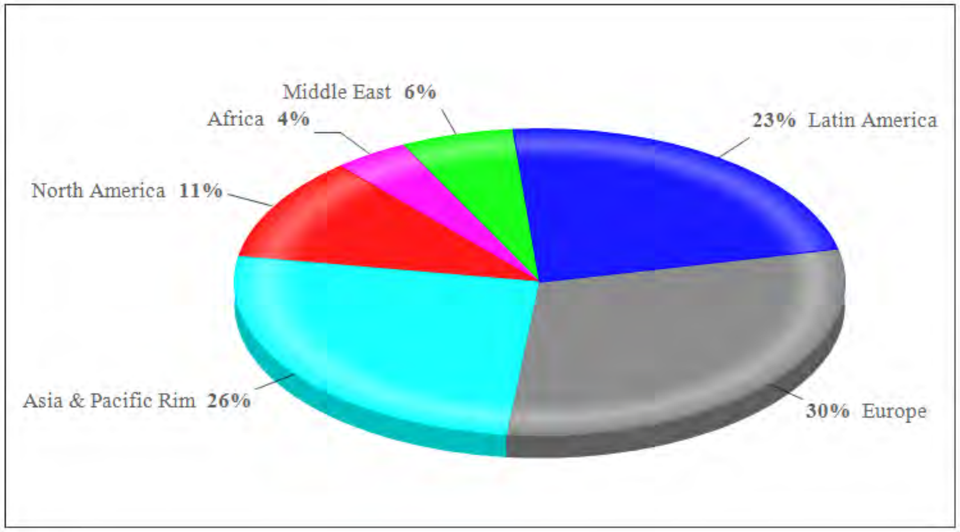
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Coke	2,898	3,313	2,809	3,282	2,712	2,970	3,698	4,673	4,518	4,563
Coal	333	16	100	1,909	2,441	1,729	549	-	-	-
Fertilizer	71	90	51	62	75	18	-	27	26	37
Grain	2,140	2,872	2,350	2,311	2,264	1,286	2,376	2,042	1,560	2,097
Industrial Chemical	8,451	11,957	11,240	10,864	10,563	10,895	10,682	10,989	9,490	8,929
Molasses	242	243	255	253	249	263	241	121	206	234
Petroleum Products	554	508	458	361	581	621	509	549	343	125
Tallow	275	152	154	191	182	251	259	345	320	518
Dry Bulk	269	287	242	356	525	601	555	504	377	964
Vegetable Oil	170	175	150	194	341	105	178	159	252	375
Miscellaneous Bulk	-	-	-	-	-	17	7	28	14	24
Totals	15,403	19,613	17,809	19,783	19,933	18,756	19,054	19,437	17,106	17,866

- Source: The Authority

Schedule 23

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

2017 Foreign Trade Through the Port of Houston by Region ($ Value)

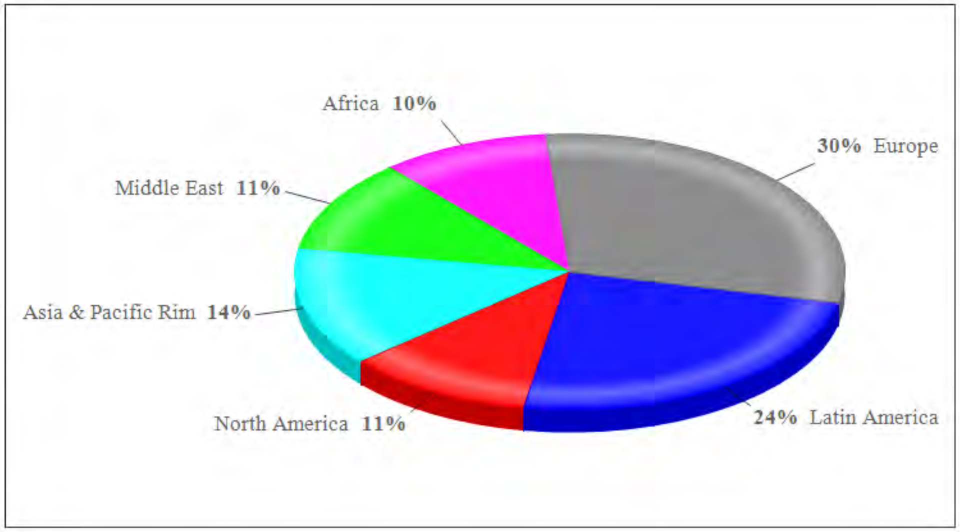


TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2017 (000s)

	Imports	Exports	Total	Percent of World Total
Europe	$ 22,391,216	$ 16,882,156	$ 39,273,372	30 %
Asia & Pacific Rim	17,531,368	16,638,758	34,170,126	26 %
Latin America	7,862,376	21,828,805	29,691,181	23 %
North America	6,252,546	8,849,797	15,102,343	11 %
Middle East	4,429,822	3,875,621	8,305,443	6 %
Africa	1,126,749	3,830,461	4,957,210	4 %
Worldwide Totals	$ 59,594,077	$ 71,905,598	$ 131,499,675	100 %

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

2008 Foreign Trade Through the Port of Houston by Region ($ Value)



TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2008 (000s)

	Imports	Exports	Total	Percent of World Total
Europe	$ 22,997,219	$ 21,093,023	$ 44,090,242	30 %
Latin America	12,644,687	22,804,897	35,449,584	24 %
Asia & Pacific Rim	12,675,624	8,755,491	21,431,115	14 %
North America	11,081,807	5,027,068	16,108,875	11 %
Middle East	10,863,523	4,905,190	15,768,713	11 %
Africa	8,621,301	6,213,530	14,834,831	10 %
Worldwide Totals	$ 78,884,161	$ 68,799,199	$ 147,683,360	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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Exempt Employees	215	207	199	179	183	182	190	183	182	177
Non Exempt Maintenance	215	171	169	205	194	206	237	257	253	256
Non Exempt Employees	190	219	215	158	151	154	151	152	157	162
Total Active Employees	620	597	583	542	528	542	578	592	592	595

- Source: The Authority

PORT OF HOUSTON AUTHORITY

PHA

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