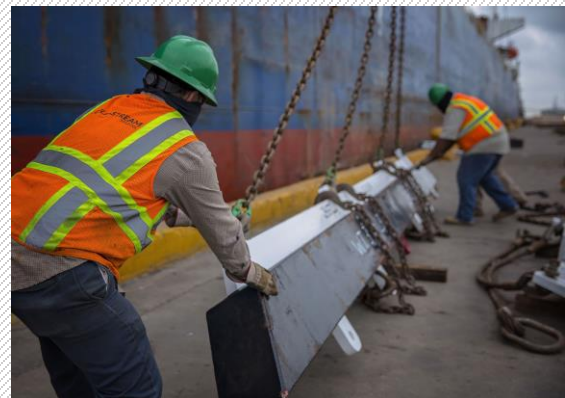


# 2016

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

PREPARED BY  
THE BROWNSVILLE NAVIGATION DISTRICT  
FINANCE DEPARTMENT



**Brownsville Navigation District**  
**OF CAMERON COUNTY, TEXAS**

**Comprehensive Annual Financial Report**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**Prepared By:**  
**The Finance and Administration Department**  
**Brownsville Navigation District**



# BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

### TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
Letter of Transmittal.....	1-12
Principal Officials.....	13
Organizational Chart.....	14
Certificate of Achievement for Excellence in Financial Reporting.....	15
FINANCIAL SECTION	
Independent Auditors' Report.....	19-21
Management's Discussion and Analysis.....	23-29
Basic Financial Statements:	
Statement of Net Position.....	30-31
Statement of Revenues, Expenses and Changes in Net Position.....	32-33
Statement of Cash Flows.....	34-35
Notes to the Financial Statements.....	38-71
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the Employer's Net Pension Liability and Related Ratios.....	75
Schedule of Employer Contributions.....	76
OTHER SUPPLEMENTAL INFORMATION	
Schedule of Operating Expenses.....	78
STATISTICAL INFORMATION (Unaudited)	
Financial Trend:	
Net Position by Component.....	85
Changes in Net Position.....	86
Revenue Capacity:	
Ad Valorem Property Taxes.....	89
Ten Principal Taxpayers.....	90
Operating Revenue and Expenses by Type.....	91
Vessel Services Revenue.....	92-93
Principal Customers for Vessel Services.....	94
Lease Rental Revenues.....	95

(Continued)

**BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**TABLE OF CONTENTS - CONTINUED**

	<u>PAGE</u>
STATISTICAL INFORMATION (Unaudited) – Continued	
Revenue Capacity: – Continued	
Principal Customers for Lease Rentals.....	96
Debt Capacity:	
Ratios of Outstanding Debt by Type.....	99
Revenue Bond Debt Service Requirements.....	100
Net Revenues Available for Debt Service on Revenue Bonds.....	101
Revenue Bond Debt Service Requirements.....	102
Demographic and Economic Information	
Miscellaneous Statistical Data.....	105
Demographic and Economic Statistics .....	106
Ten Principal Employers .....	107
Operational Information:	
Table of Physical Characteristics of the Port Facilities .....	111
Cargo Statistics.....	112-113
Vessel Calls by Type of Vessel.....	114
Annual Employment.....	115
 COMPLIANCE SECTION	
 Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i> .....	119-120

## **INTRODUCTORY SECTION**

This page intentionally left blank.



May 31, 2017

Board of Navigation and Canal Commissioners  
Brownsville Navigation District of Cameron County, Texas  
1000 Foust Road  
Brownsville, Texas

We are pleased to present the Comprehensive Annual Financial Report (“CAFR”) of the Brownsville Navigation District of Cameron County, Texas (“District”) for the year ended December 31, 2016. The responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the District. To the best of our knowledge and belief, 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 District. All disclosures necessary to enable the reader to gain an understanding of the District’s financial activities have been included.

Certain demographic information and miscellaneous statistics included in the CAFR do not come from the accounting records of the District but are presented for the reader’s information.

### **Introduction**

The District was created in 1929 by a special act of the Texas Legislature for the purpose of dredging a channel from Brazos-Santiago Pass to a point five miles from the City of Brownsville, constructing a turning basin and developing and operating a port facility. As created in 1929, the District contains 368 square miles located entirely within and encompassing approximately 41.7% of Cameron County. The District includes the Cities of Brownsville and Los Fresnos and the Townships of Rancho Viejo and Indian Lake.

The District is a political subdivision of the State of Texas, and is an independent governmental entity. A Board of Navigation and Canal Commissioners, which establishes the policies, rules, rates and regulations of the Port of Brownsville, approve all contractual obligations and govern the activities of the District. The Board consists of five Commissioners elected at large by place for four-year, staggered terms. The Board elects its own Chairman, Vice Chairman and Secretary. The District had 99 employees as of December 31, 2016.



## **Mission Statement**

It is the mission of the Port of Brownsville (Brownsville Navigation District) to be a leader in business development by providing state of the art infrastructure expansion, developing economic opportunities, providing the best transportation facilities possible, and exhibiting high standards of public administration with the ultimate goal being to improve the quality of life and create employment opportunities, gain the public's trust and confidence in order to increase growth development and establish the Port of Brownsville as a world class port.

## **Location**

The District governs the Port of Brownsville, which is located at the southernmost tip of Texas at the westernmost terminus of a seventeen-mile channel from the Gulf of Mexico at the Brazos Santiago Pass. The City of Brownsville is two miles to the southwest adjacent to the Rio Grande River, providing a convenient gateway to Mexico and beyond via four international bridges.

The Entrance Channel is protected by two rock jetties each over 5,000 feet in length and 1,200 feet apart and has no bridges or other obstructions for the entire length of the waterway. Currently the Channel has a depth of 42 feet to within .85 miles of the Turning Basin, and a depth of 36 feet to and through the Turning Basin. The Channel has a controlling (or minimum) width of 250 feet with 1,200 feet at the Turning Basin. The District has completed the study phase and has received the U. S. Corps of Engineers' Chief's Report to deepen the Channel to 52 feet. The District's Deepening Project was included in the Water Resources Development Act of 2016 passed by the United States Senate. The District is continuing to seek funding, including public/private partnerships, to help defray the District's matching share of this \$200,000,000 plus project once the federal share is funded.

## **Business of the District**

The District owns a diverse group of facilities designed for handling any type of cargo, including general cargo, containers, dry and liquid bulk, and project and heavy-lift cargo. In addition, the District leases land and easements to others, grants easements for pipeline crossings of its property and maintains areas for depositing dredged materials. The District purchases potable water from the Brownsville Public Utilities Board for its own use and for distribution to its lessees and operates three wastewater treatment plants. The District is also the grantee for Foreign Trade Zone No. 62 and has been authorized by the Texas Department of Transportation to issue overweight permits for transit over a road corridor from the Port of Brownsville to the international crossing into Mexico.

### ***Vessel Services***

The Main Harbor consists of a Turning Basin and Approach, containing over five miles of improved frontage. The Turning Basin is 3,500 feet long and 1,200 feet wide and contains ten General Cargo Docks aggregating 5,200 lineal feet. Four Oil Docks, a 400 foot Bulk Cargo

Dock serving the Grain Elevator and Limestone Plant, a Liquid Cargo Dock, and two 600 by 280 foot deep-water General Cargo Dock are located at the Turning Basin which is 7,000 feet long with a 650 foot bank width, and 500 foot controlling bottom width. Forty-seven miles of railroad trackage and mechanical freight handling equipment augment the Port of Brownsville's ability to handle a wide variety of cargos.

### ***Fishing Harbor***

A complete Fishing Harbor, separate and apart from the main harbor, was completed and placed in service in mid-summer 1953. A second phase was finished in December, 1968. All docks were completely rebuilt in a project that was completed in 1993. Located four miles east of the main Turning Basin, with a protected entrance to the Ship Channel, this basin measures 2,100 by 1,600 feet overall with two 300 by 1,200 foot peninsulas in the center. The channel connecting with the Ship Channel is 200 feet wide and 600 feet long. Controlling depth in the Fishing Harbor is 14 feet. This basin provides 12,000 lineal feet of dock space for trawlers, tugs and other small craft. In addition, support industries for the Port of Brownsville's oil rig construction facility have located in the Fishing Harbor.

### ***Terminal Operations***

All waterfront facilities on the Brownsville Ship Channel, at the Main Harbor and the Fishing Harbor, are owned by the Brownsville Navigation District. Certain small craft facilities are leased to private operators, but all deep-water facilities at the Main Harbor are operated as public facilities. Vessels and agents are assigned berths at the discretion of the District. Vessel loading and discharge is performed by stevedoring contractors. Rail car and truck loading and unloading is customarily performed by stevedoring contractors.

Around-the-clock supervision of vessels and vehicle traffic at the Port of Brownsville is provided by the Navigation District. The Harbormaster's Office schedules vessel arrivals and departures, maintains radio contact with the pilot boat of the Brazos-Santiago Pilots' Association and provides up-to-the-minute information on schedules useful to agents, stevedores, tugboats, line-runners and the general public. Vessels can call on Channel 12 or 16 twenty-four hours a day.

All General Cargo Sheds have hose stations and fire extinguishers suitable for the type of cargo normally handled through the particular shed. Fire hydrants are located on wharf aprons and throughout the Port's storage facilities. Water supply is from a 16-inch main connecting with the City of Brownsville Public Utilities Board's distribution system. The District owns and operates one 500,000 gallon and one 1,000,000 gallon elevated water storage tanks. The District also provides wastewater services within the District's boundaries.

The Brownsville Navigation District's Administration Offices are located at the Port of Brownsville. These offices handle inquiries on trade and industrial development, environmental issues, accounting, purchasing, credit, traffic, personnel and engineering. While the District's permanent offices are being reconstructed and expanded, District administrative offices have

been temporarily relocated to facilities at Keppel Amfels. The District expects the new offices to be completed in mid-2018.

All docks at the Port of Brownsville are equipped with electricity and fresh water and most docks are also served by rail. Wastewater and ballast facilities are available. All of the facilities are operated for hire on a first-come, first-serve basis.

The dry dock *Los Alamos* was signed over to the District by the U. S. Navy. It was re-christened the *Solomon P. Ortiz* and was originally leased to Keppel AMFELS for operation as a dry dock to repair drilling rigs. Keppel AMFELS subsequently exercised their option to purchase the *Solomon P. Ortiz*. The dry dock was placed into service by Keppel AMFELS in May of 1996.

The District owns and controls approximately 40,000 acres of land adjoining the Turning Basin and Ship Channel, and approximately 18,000 acres of this land has been developed with additional land available for development. Developed and undeveloped sites are available for lease for cargo facilities, industrial sites, expansion, relocation, manufacturing, greenfield projects, and more.

In recent years, the Port has seen substantial industrial development including tank farms, heavy and light manufacturing, and steel fabrication. Plant sites of virtually any size, with access to the deep-water harbor, rail connections, paved highways, and utilities may be rented on long-term leases at attractive prices from the District.

The District derives its operating revenues from charges for lease rentals, wharfage, storage, vessel dockage, and the sale of various port services such as utilities.

### ***Foreign Trade Zone***

On October 20, 1980, the Foreign Trade Zone Board created Foreign Trade Zone (“FTZ”) Number 62 with the District as the Grantee and operator. There is a total of 2,300 acres available for FTZ status at the Port of Brownsville, the Brownsville/South Padre Island International Airport, the Harlingen Industrial Park, the Los Indios Industrial Park/FINSA Industrial Park and the NAFTA Industrial Park. The District receives fees from tenants utilizing the District’s zone status. There are currently seven Foreign Trade Zone tenants operating within the FTZ at the Port with general purpose warehousing and liquid bulk storage available. Additional information regarding cargo traffic and vessel services revenues may be found in the Statistical Section – Tables 6 and 7.

Table 1 – Waterborne Cargo Tonnage for The Port of Brownsville

Calendar Year	Inbound Tonnage	Outbound Tonnage	Total Tonnage	Number of Vessels <sup>(1)</sup>	Foreign Trade Zone Value(1,000's) <sup>(2)</sup>
1995	1,088,436	1,090,575	2,179,011	3,140	1,900,000
1996	1,539,939	700,321	2,240,260	3,104	2,300,000
1997	1,958,241	509,831	2,468,072	1,325	2,300,000
1998	3,019,916	226,839	3,246,755	1,298	3,200,000
1999	2,615,330	283,592	2,898,922	1,592	2,300,000
2000	2,957,703	234,372	3,192,075	1,385	808,000
2001	3,588,261	367,565	3,955,826	1,542	387,000
2002	4,101,985	488,285	4,590,270	1,257	966,000
2003	2,999,209	633,568	3,632,777	1,265	243,562
2004	2,843,044	915,679	3,758,723	1,186	528,296
2005	3,587,753	902,622	4,490,375	1,104	1,777,317
2006	4,078,795	682,858	4,761,653	794	2,526,370
2007	3,274,110	1,045,754	4,319,864	1,059	801,257
2008	4,458,308	870,369	5,328,677	1,099	2,833,498
2009	3,098,930	663,079	3,762,009	651	1,181,260
2010	3,718,906	920,506	4,639,412	986	1,168,344
2011	4,178,817	1,221,890	5,400,707	1,237	3,154,609
2012	4,440,890	1,092,380	5,533,270	1,083	3,868,081
2013	3,868,117	1,462,747	5,330,864	1,059	3,221,802
2014	4,865,468	1,378,157	6,243,626	1,059	2,896,317
2015	5,616,936	1,458,518	7,075,454	1,140	3,219,785
2016	5,719,732	1,235,014	6,954,746	1,091	2,796,318

Source: Brownsville Navigation District Harbormaster and Foreign Trade Zone No. 62

<sup>(1)</sup> Includes domestic shrimp boat activity through 1996 only. Domestic shrimp boat activity is no longer recorded.

<sup>(2)</sup> September Fiscal year ending

***Brownsville & Rio Grande International Railway and Industrial Park Development OmniTRAX/BROE Group Franchise Agreement.***

On August 12, 2014 the District entered into a thirty year agreement with OmniTRAX, Inc. in which the District granted OmniTRAX a franchise to develop certain real estate assets within the Port of Brownsville and to operate the Brownsville and Rio Grande Railway. A major reason the District entered into this agreement with OmniTRAX and its parent company, The BROE Group was to develop an industrial park and to operate rail service. This was based on the BROE Group's experience and success in developing and operating industrial parks, its rail operations and its knowledge of port operations based on its current management of a port. The District believes that with the BROE Group's expertise, resources and existing successful business relationships will result in significant economic development opportunities for the District. The agreement has performance requirements on both parties that, if not met, could result in the termination of the agreement.

**Port of Brownsville Infrastructure**

The District owns and operates the following General Cargo and Liquid Cargo docks.

<b>Dock Number</b>	<b>Type of Cargo/Storage</b>	<b>Vessels Accommodated</b>	<b>Location</b>
Dock No. 1	General Cargo/Covered Storage	Light Draft Vessels	North Side-Turning Basin
Dock No. 2	General Cargo/Covered Storage	Light Draft Vessels	North Side-Turning Basin
Dock No. 3	General Cargo/Open Storage	Light Draft Vessels	West Side-Turning Basin
Dock No. 4	General Cargo/Covered Storage	Light Draft Vessels	North Side-Turning Basin
Dock No. 7	General Cargo/Covered Storage	Light Draft Vessels	North Side-Turning Basin
Dock No. 8	General Cargo/Covered Storage	Light Draft Vessels	North Side-Turning Basin
Dock No. 10	General Cargo/Open Storage	Light Draft Vessels	South Side-Turning Basin
Dock No. 11	General Cargo/Open Storage	Light Draft Vessels	South Side-Turning Basin
Dock No. 12	General Cargo/Covered Storage	Light Draft Vessels	South Side-Turning Basin
Dock No. 13	General Cargo/Covered Storage	Light Draft Vessels	South Side-Turning Basin
Dock No. 15	General Cargo/Covered Storage	Deep Draft Vessels	South Side-TB Approach
Dock No. 16	General Cargo/Covered Storage	Deep Draft Vessels	South Side-TB Approach
Oil Docks 1,2&3	Liquid Cargos	Mixed Draft Vessels	North Side-TB Approach
Oil Dock 5	Liquid Cargos	Deep Draft Vessels	North Side-TB Approach
Bulk Cargo Dock	Elevated Cargos/Bulk Cargos	Mixed Draft Vessels	South Side-TB Approach
Liquid Cargo Dock	Liquid Cargos	Mixed Draft Vessels	South Side-TB Approach
Small Craft Pier	Not for Cargo	Small Crafts	West Side-Turning Basin
Small Craft Harbor	Fishing Harbor	Small Crafts	North Side-4 miles East
Open Storage Areas	General Cargo-Off-Dock Storage		Various Locations

(Additional information regarding the facilities at the Port of Brownsville may be found in Table 17.)

***Industrial Development***

The objective of the Industrial Development Department of the District is to use the District’s available land in the best manner possible, to attract industries that create jobs for the area and tonnage for the Port, and to earn enough income to pay interest and principal on regular revenue bonds used to improve all Port facilities. To this end, the District currently has about 13,000 acres under lease or lease option which generated over \$7,500,000 in revenue for fiscal year 2016.

Over the last few years the District has become a major location for companies applying for U.S. Department of Energy Permits to construct Natural Gas Liquefaction Plants. As of December 31, 2016 the Port had land lease options with three companies for 2,829 acres resulting in total land lease option payments of \$1,653,659 for the year ended December 31, 2016.

District-owned land is valued for leasing purposes with the assistance of a Real Estate Advisory Committee. Changes in valuations are done on a port-wide basis and not on an individual lease basis. Lease rental rates for land are set at 10% of the valuation on an annual basis. For District-owned buildings, the rental rates are set at 15% of the valuation on an annual basis. The current table of land rental rates is as follows:

**Land Rental Rates**

Lease Type	Current Rates
<b>TURNING BASIN LEASES</b>	
Waterfront Property	\$5,874 per acre/year
Highway Frontage	\$3,839 per acre/year
Port Entrance Sites	\$3,421 per acre/year
Inside Port/Off Waterfront	\$2,036 per acre/year
Remote Sites	Negotiated Rates
Grazing Leases	\$2.27/acre/year
Tower Sites	\$17,085/site/year
Sign Sites	\$101 - \$201/site/year
Fish Camps	\$503/camp/year
Billboards	Market Rate
<b>FISHING HARBOR LEASES</b>	
Water Front	\$4,517 per acre/year
Off-Water	\$4,177 per acre/year
Fishing Harbor Dock	\$1.26 per linear ft./month
Unimproved Bank Space	\$ .76 per front ft. per month

Additional information regarding operating leases may be found in Note 3. F, and information regarding lease rates and lease revenues may be found in the Statistical Section – Tables 8 and 9. Additional information regarding principal leasing customers can be found in the Statistical Section – Table 9.

Lease terms of up to 50 years are permitted for ground lease rentals under Texas law. Lease terms in excess of 50 years are available if advertised for competitive bidding. The District offers several advantages to industries interested in locating in the Brownsville area. Property taxes are charged against improvements on Port property and on the value of the leasehold to the tenant. There are no city property taxes assessed against improvements on District land. All modes of transportation are available to businesses that choose to locate at the Port: water transportation (both deep-sea and through the Intracoastal Waterway System), rail, truck, air and pipeline. The land rental rates are some of the most competitive in the area. Adding these inducements to those already inherent in the Brownsville area (a solid, available labor force, optimal climate, proximity to the Mexican labor force and markets, dependable utilities, and a progressive industrial development commitment by the area's local governments) makes promoting the Port of Brownsville to prospective tenants a successful endeavor.



### ***Overweight Permit Program***

The District has been granted authorization by the Texas Legislature, under the auspices of the Texas Department of Transportation, to operate an Overweight Permit program. This program has been in place since 1998, and provides the users of the Port of Brownsville with the ability to carry loads that, while they would comply with legal load limitations in Mexico, are in excess of legal load limitations in Texas. The permit fee of \$30 allows the truck to be loaded to a total gross weight of approximately 119,000 pounds and to travel between the Port of Brownsville and the Mexican border crossing along a specified route, the "corridor". The proceeds of the sale of the permits are remitted to TxDOT and are dedicated to the maintenance of the corridor. Through the end of December, 2016, a total of 591,626 overweight permits have been sold, generating \$15,086,463 in funds for TxDOT. Of the \$30 permit fee, TxDOT receives 85% or \$25.50 with the Port retaining the other \$4.50 for administrative costs. This program is now being implemented in other locations in Texas.

### ***Transportation Reinvestment Zone***

On December 20, 2013, the Brownsville Navigation District Board of Commissioners approved the implementation of a Transportation Reinvestment Zone as authorized by the Texas Transportation Code to support the development of various port projects including channel deepening, dock construction, road construction and utility improvements. The District's Transportation Reinvestment Zone covers all of the District's taxing jurisdiction. The revenue from the TRZ will come from property tax revenue generated from the District's tax rate placed on the incremental increase in value within the boundaries of District. As of December 31, 2016 there was \$191,733 in the District's Transportation Reinvestment account.

### ***Cameron County***

Cameron County was created in 1848 and it is the southernmost county in Texas. According to the 2010 U. S. Census, the population of the County is 406,220, an increase of 56% over 1990, and an increase of 99% over 1980. The area of the County is approximately 906 square miles, comprising the Brownsville-Harlingen-San Benito Metropolitan Area. The largest city in the County is Brownsville, which serves as the county seat. The economy is based on agricultural production, fishing industries, industrial and manufacturing plants, tourism, health care and educational services. Major agricultural crops include oranges, grapefruit, cotton, grains and sugar cane. Principal manufacturing products include off-shore drilling platforms, fiberglass products and electrical equipment. Tourism attractions include South Padre Island, Laguna-Atascosa Wildlife Refuge, Sabal Palms Sanctuary and the Gladys Porter Zoo.

### ***City of Brownsville, Texas***

The City of Brownsville is the county seat of Cameron County. It is the southernmost city in Texas and the largest city in the lower Rio Grande Valley. The City is located about 25 miles inland from the Gulf of Mexico on the north bank of the Rio Grande River, directly across from Matamoros, Mexico. The City is joined by four international bridges and serves as a trade center for much of the lower Rio Grande Valley.

From 1980 to 2010, the City of Brownsville doubled in population, from a City of approximately 85,000 to a population of 175,023. The dynamics of this rapid growth has resulted in a very young population compared to the rest of the United States, with approximately one-third of Brownsville's population in the kinder to 12<sup>th</sup> grade age group. Within the next 10 years, nearly 50,000 people will enter the local workforce from the City's educational system alone.

### ***Matamoros, Mexico***

Matamoros, Mexico, is located on the south bank of the Rio Grande River, directly across from Brownsville. The two cities are related historically, culturally and economically. Economic cooperation dates back to the American Civil War when the two cities served as an import area for vital Civil War supplies and an export area for the South's cotton. In 1970, the city had a population of 137,383. By 1990, the city's population was 303,392, and by 2010, the City's official population was 489,193. Matamoros has a "shadow" population not included in its census count that is estimated to increase the city's population to approximately 700,000.

The Mexican In-Bond Industrialization Program offers foreign manufacturers an opportunity to set up foreign-owned Mexican manufacturing companies in order to utilize their more competitive labor rates. The finished goods are required to be exported from Mexico. This, accordingly, has allowed U. S. manufacturers an opportunity to manufacture offshore, but adjacent to their major market of the U. S.

These new industries represent manufacturing of electronics/electrical products, automotive components, hydrochloric acid, apparel, oil field drill bits, construction and mining equipment, shrimp processing, industrial gloves, shopping bags, fiberglass products, automotive products, plastic injection molded products, appliances, rubber seals, tool and die, plastic covers, stuffed toys and fiberglass tape.

Surplus labor, climate, proximity to the United States and the Port of Brownsville have led to the rapid development of the area. A technological institute to train engineers, plus a medical school and vocational and technological schools in Matamoros, train the labor force for the varying skills required by the newly located companies.

### **Major Initiatives and Accomplishments**

- **2016 Revenue Bond Sale / \$28,000,000 Deposited Into District Project Funds**  
On February 9, 2016 the District sold bonds with a par amount of \$27,580,000 with a net premium of \$1,901,070 with a net to project funds of \$28,000,000 after issuance costs, underwriters discount, insurance and required reserve funds. The bonds were issued to provide for acquiring, constructing, enlarging, extending, repairing, maintaining, operating or developing District Facilities. The bond proceeds should provide most all of the funding necessary for the construction of a new liquid cargo dock #6, reconstruction of liquid cargo dock #3 and for the reconstruction and expansion of the District's Administrative Office Complex.



- New Administrative Office Complex.**  
 On December 22, 2016, ZIWA Corporation was given the notice of award to construct the Administration Complex Rehabilitation and Building additions at an award amount of \$7,106,000. The award is for the rehabilitation of two existing buildings, construction of two new buildings and installation of parking, landscaping and other appurtenant features. Upon completion, expected around May of 2018, District office space will increase from about 14,570 square feet to about 27,290 square feet. District Administrative offices have been temporarily relocated to the Keppel Amfels facility located at the Port off Highway 48 until the District's new administrative complex is completed.
- Liquid Cargo Dock 6 Construction, Liquid Cargo Dock 3 Fender System Replacement and Facility Enhancements and Maintenance Dredging.**  
 On December 22, 2016, Triton Marine Construction Corp. was given the notice of award to proceed on the construction of new Liquid Cargo Dock 6, Liquid Cargo Dock 3 Fender Replacement System and other enhancements and maintenance dredging at an award amount of \$23,649,530. The new dock and improvements to Liquid Cargo Dock 3 will allow the Port to handle larger ships and to be able to handle more ships which is critical as Port tenants are rapidly increasing their liquid cargo handling storage capacity and allows the Port to accommodate new or expanded liquid cargo terminal operations.
- Cameron County Regional Mobility Authority Roads Projects** –The Brownsville Navigation District has worked in cooperation with the CCRMA on a number of projects that enhance the landward access to the Port of Brownsville. The CCRMA and the District are in the planning stages for the “East Loop” project which will re-route truck traffic between the Port of Brownsville and the international bridges away from heavily traffic-congested areas. This project will improve the accessibility to the Port by its trucking industry and will provide seamless access for truck traffic from northern points, through the Port of Brownsville and on to the international bridge crossings into Mexico.
- Cargo Revenues** – The District derives approximately 43.3% of its operating revenues from Vessel and Cargo Operations at the Port of Brownsville. For 2016 cargo revenue totaled to \$8,489,466 out of total District operating revenues of \$19,595,514. These revenues include charges for vessel fees, cargo wharfage and cargo storage. The District continues to investigate new opportunities to expand its mix of cargo, as well as working with its existing customers to increase their usage of the Port, to increase its vessel and cargo-related revenues. Waterborne cargo totaled 6,954,746 metric tons for 2016 which was just slightly behind 2015's record year of 7,075,454 metric tons.
- Homeland Security Enhancements** – Homeland Security has placed a number of requirements for enhanced security in the Port of Brownsville in the past few years. The District has applied for eight annual grant awards over the last eight years and has been awarded seven grants totaling \$11,781,499 of federal funds with a District match of

\$4,232,683 for a federal share and District share total of \$16,014,182. These projects included security lighting, security fencing, surveillance cameras and other security related purchases. As new grants are announced, the District will continue to apply to help fund needed security enhancements.

- **New Cargo Storage Areas / Wind Energy Towers and Turbines**

During the years 2014 through 2016, the District has been continuously clearing and stabilizing new cargo storage areas. The District has been able to put these new cargo storage areas to use to accommodate shipments of wind tower components and an increase in steel slab shipments. In 2016 the District received a record 163 complete wind energy towers and turbines.

- **Port Grain Elevator**

The Port Grain Elevator has had limited use for more than twenty years. On May 4, 2016, the BND Board unanimously approved a lease with West Plains LLC. for the modernization and reactivation of one of the Port's most iconic buildings. On December 15, 2016, the Grain Elevator had its grand reopening. The 50 year old grain elevator had handled millions of tons of grain passing through the Port and with its modernization it is equipped for high speed handling of grain through truck, rail and vessel loading and unloading and will provide storage for nearly 3,000,000 bushels of grain.

### **Financial Information**

The accounting policies of the District and this report conform to accounting principles generally accepted in the United States of America for local governmental units as prescribed by the Government Accounting Standards Board. A summary of significant accounting policies can be found in Note 1 to the financial statements.

The integrity and objectivity of data in these financial statements and supplemental schedules, including estimates and judgments to matters not concluded at year-end, are the responsibility of the District. We direct the reader's attention to the Management's Discussion and Analysis (MD&A) immediately following the Independent Auditors' Report which provides an analytical overview of the District's financial activities and serves as an introduction to the basic financial statements.

### **Independent Audit**

The financial statements for the year ended December 31, 2016 listed in the foregoing Table of Contents have been audited by independent auditors selected by the Board of Navigation and Canal Commissioners. The Independent Auditors' Report, rendered by Carr, Riggs & Ingram LLC, is included in the financial section of this report.

## Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded Certificate of Achievements for Excellence in Financial Reporting to Brownsville Navigation District for its comprehensive annual financial report for the fiscal years ended December 31, 2011 through December 31, 2015. The December 31, 2011 award was the first time the District had received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

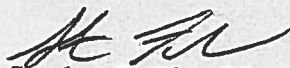
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

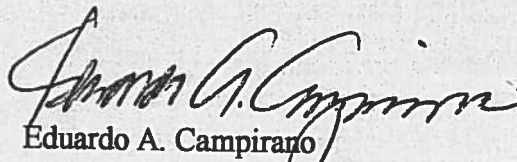
## Acknowledgements

The preparation of this report could not have been accomplished without the dedicated services of the District's accounting staff. We express our appreciation to them, particularly to those who contributed directly to the preparation of this report.

In closing, we would like to thank the members of the Board of Navigation and Canal Commissioners and all the officials of the District for their support in the planning and conducting the financial affairs of the District in a responsible and progressive manner.

Sincerely,

  
Stephen B. Fitzgibbons  
Director of Finance

  
Eduardo A. Campirano  
Port Director and CEO

**Brownsville Navigation District of Cameron County, Texas**

**DIRECTORY OF OFFICIALS**

**NAVIGATION AND CANAL COMMISSIONERS**

<b>John Wood</b>	<b>Chairman</b>
<b>John Reed</b>	<b>Vice Chairman</b>
<b>Sergio T. Lopez</b>	<b>Secretary</b>
<b>Carlos R. Masso</b>	<b>Asst. Secretary</b>
<b>Ralph Cowen</b>	<b>Asst. Secretary</b>

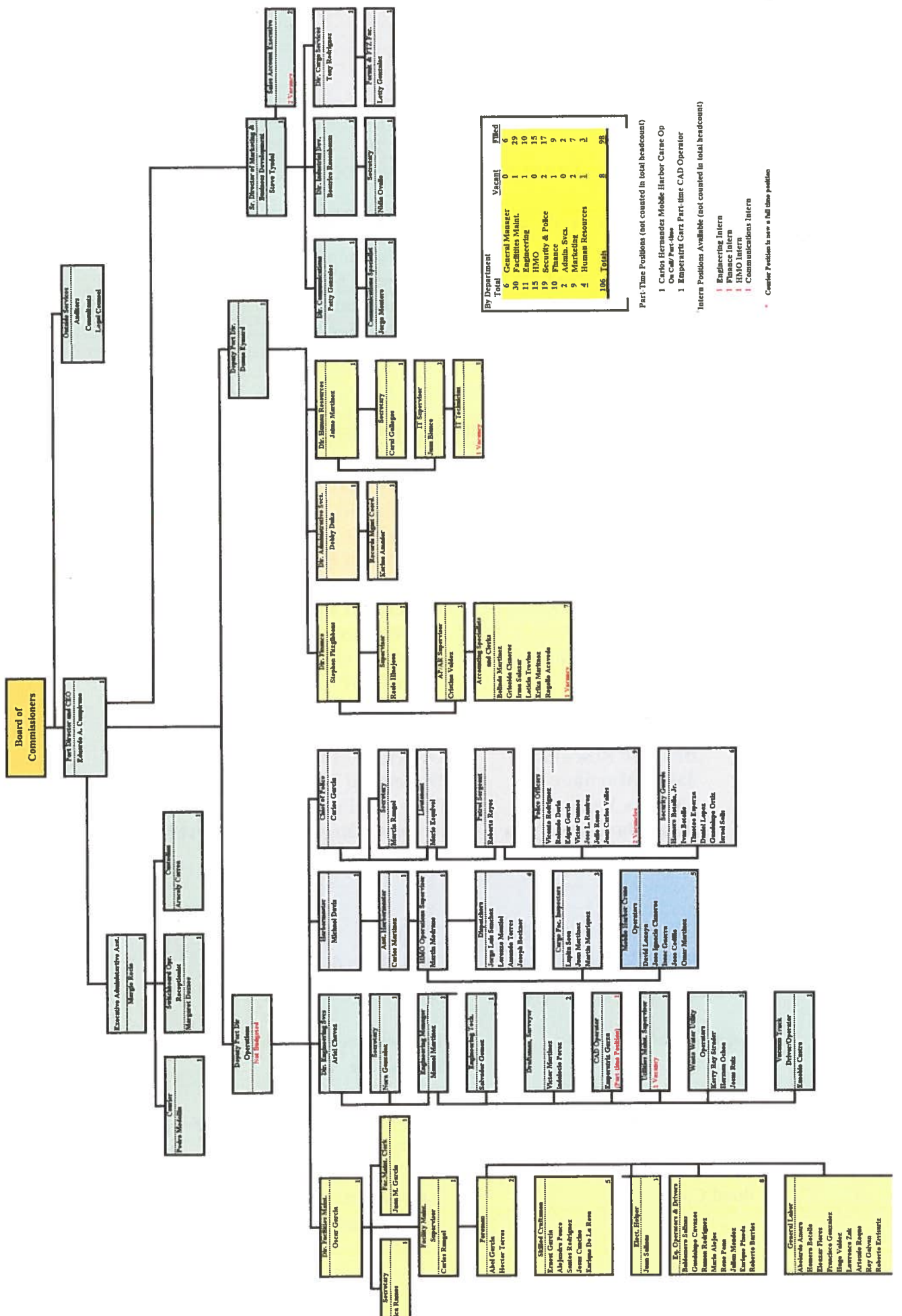
**ADMINISTRATION**

<b>Eduardo A. Campirano</b>	<b>Port Director and CEO</b>
<b>Donna Eymard</b>	<b>Deputy Port Director</b>
<b>Steve Tyndal</b>	<b>Sr. Director of Marketing &amp; Business Development</b>
<b>Stephen B. Fitzgibbons</b>	<b>Director of Finance</b>
<b>Deborah Lee Duke</b>	<b>Director of Administration</b>
<b>Ariel A. Chavez</b>	<b>Director of Engineering Services</b>
<b>Michael Davis</b>	<b>Harbormaster</b>
<b>Chief Carlos Garcia</b>	<b>Chief of Police</b>
<b>Oscar Garcia</b>	<b>Director of Facilities Maintenance</b>
<b>Patricia Gonzales</b>	<b>Director of Communications</b>
<b>Antonio Rodriguez</b>	<b>Director of Cargo Services</b>
<b>Beatrice Rosenbaum</b>	<b>Director of Industrial Development</b>
<b>Jaime Martinez</b>	<b>Director of Human Resources</b>
<b>Cristina Valdez</b>	<b>Accounts Payable Supervisor</b>
<b>Rosa Maria Hinojosa</b>	<b>Accounts Receivable Supervisor</b>

**ADMINISTRATION**

<b>Certified Public Accountants</b>	<b>Carr, Riggs &amp; Ingram, LLC Brownsville, Texas</b>
<b>Legal Counsel</b>	<b>The Rentfro Law Firm Brownsville, Texas</b>
<b>Financial Advisor</b>	<b>Estrada Hinojosa &amp; Company Dallas, Texas</b>
<b>Bond Counsel</b>	<b>Winstead PC San Antonio, Texas</b>

Brownsville Navigation District Organizational Chart  
December 31, 2016





Government Finance Officers Association

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

Presented to

**Brownsville Navigation District  
of Cameron County, Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2015**

Executive Director/CEO

This page intentionally left blank.

**FINANCIAL SECTION**



This page intentionally left blank.

## **INDEPENDENT AUDITORS' REPORT**

Board of Navigation and Canal Commissioners  
Brownsville Navigation District of Cameron County, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Brownsville Navigation District of Cameron County, Texas (the "District"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District'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.

### ***Auditors' Responsibility***

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the employer's net pension liability and related ratios, and schedule of employer contributions on pages 23 through 29, 75, and 76 be presented to supplement the basic financial statements. Such information, although not a 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The introductory section, schedule of operating expenses, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of operating expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operating expenses is fairly stated, in all material respects, in relation to the financial statements as a whole.

The introductory and statistical sections have 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 them.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2017, on our consideration of the District'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 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 District's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, LLC*

CARR, RIGGS & INGRAM, LLC

Brownsville, Texas

May 31, 2017

This page intentionally left blank.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**This page intentionally left blank.**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Brownsville Navigation District of Cameron County, Texas, we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with the financial statements following this section and the notes to the financial statements.

### FINANCIAL HIGHLIGHTS

For 2016, the financial position of the District improved significantly. District income for 2016 before depreciation was \$8,450,058 dropping to \$3,257,030 after a depreciation charge of \$5,193,028. District's 2016 operating revenue totaled \$19,595,514, a decrease of \$123,748 or .63% from the 2015 record operating revenues of \$19,719,262. Operating expenses for 2016 of \$11,145,456 before depreciation increased \$1,175,799 over 2015 operating expenses before depreciation of \$9,969,657.

District operating revenue is comprised of Vessel Services, Lease Rentals at the Turning Basin and Fishing Harbor, Other Lease Rentals and Other Operating Income. Vessel Services revenues of \$8,489,466 for 2016 decreased \$744,948 from \$9,234,414 in 2015, a decrease of 8.1%.

Lease rentals at the Turning Basin and Fishing Harbor totaled \$7,500,955, a decrease of \$35,381 from the prior year amount of \$7,536,336. Other Lease Rentals totaled \$1,808,744, an increase of \$383,146 from the prior year amount of \$1,425,598, resulting in 2016 total lease revenue of \$9,309,699, an increase of \$347,735 over 2015 total lease revenue of \$8,961,934.

Non-operating income for 2016 totaled \$2,368,326, a decrease of \$419,445 from 2015 non-operating income of \$2,787,771. This decrease resulted from an increase of Other Non-Operating Income (Expense) with the 2016 total of \$517,363 increasing \$476,299 over the 2015 total of \$41,064. This large increase was the result of amortization of debt service increasing from \$0 in 2015 to \$485,252 in 2016 which resulted from the 2016 Revenue Bond issue. For 2016, the District received \$3,035,097 in property tax of which \$2,569,248 was for general obligation bond debt and \$465,849 was for maintenance and operations. The District also received \$107,227 in penalties and interest for a combined 2016 tax, penalty and interest total of \$3,142,324 which is a reduction of \$81,209 from 2015 combined totals. For 2016, the District reduced its tax rate from 4.0667 cents per \$100 of valuation to a rate of 3.5920 cents per \$100 of valuation, a reduction of 11.7%. The 2016 District tax rate reduction was the District's twenty-third consecutive tax rate reduction.

### OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's basic financial statements consist of the following: Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, and Notes to the Financial Statements.



The Statement of Net Position presents information on the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as useful indicators as to whether the District's financial health is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected leases and earned unused vacation leave).

The Statement of Cash Flows reports how the District's cash and cash equivalents were used in and provided by its operating, non-capital financing, capital and related financing, and investing activities during the periods reported. The net of these activities is added to the beginning year cash balance to reconcile to the cash and cash equivalent balances as of December 31, 2016. These statements are prepared on a cash basis and only present cash receipts and cash disbursement information. The District uses the direct method of presenting cash flows, which includes a reconciliation of operating activities to operating income.

Notes to the Financial Statements provide an in-depth discussion of many items disclosed in the District's basic financial statements. The financial statement disclosures are an integral part of the financial statements. Such disclosures are essential to a full understanding of the information provided in the basic financial statements. These notes can be found on pages 36-67.

## **FINANCIAL ANALYSIS**

District total assets plus deferred outflows of resources at the close of the 2016 fiscal year were \$220,625,052, an increase of \$31,609,336 or 16.7% over the 2015 total of \$189,015,716. Total 2016 assets plus deferred outflows of \$220,625,052 exceeded total liabilities plus deferred inflows of resources of \$61,014,294 by \$159,610,758, an increase of \$5,999,557 or 3.9% over the 2015 total of \$153,611,201. Operating income before depreciation for 2016 totaled \$8,450,058 with total operating income of \$3,257,030 after 2016 depreciation of \$5,193,028.

The District's financial health is reflected in the current year financial statements. The fiscal year ending December 31, 2016 showed total net position of \$159,610,758 which is summarized as follows:

**Condensed Statement of Net Position**

	2016	2015
Current and Other Assets	\$ 69,258,057	\$ 39,373,870
Capital Assets	150,256,637	148,786,113
Deferred outflows of resources	<u>1,110,358</u>	<u>1,254,976</u>
Total Assets and Deferred Outflows of Resources	<u><u>220,625,052</u></u>	<u><u>189,414,959</u></u>
Long-Term liabilities outstanding	48,411,017	22,472,861
Other liabilities	9,604,306	9,771,610
Deferred inflows of resources	<u>2,998,971</u>	<u>3,160,045</u>
Total Liabilities and Deferred Inflows of Resources	61,014,294	35,404,516
Net Position		
Invested in capital assets, net of related debt	129,439,065	131,432,039
Restricted for:		
Revenue bond debt retirement and contingency	7,852,103	3,333,159
General obligation bond debt service	3,565,749	3,777,243
Unrestricted	<u>18,753,841</u>	<u>15,468,002</u>
Total Net Position	<u><u>\$ 159,610,758</u></u>	<u><u>\$ 154,010,443</u></u>

Additional information can be found in pages 30-31.

Changes in net position for the two prior years are summarized as follows:

**Statements of Revenues, Expenses, and Changes in Net Position**

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Operating revenues			
Vessel services	\$ 8,489,466	\$ 9,234,414	\$ (744,948)
Lease rentals			
Port System	7,500,955	7,536,336	(35,381)
Other lease rentals	1,808,744	1,425,598	383,146
Other operating revenue	<u>1,796,349</u>	<u>1,522,914</u>	<u>273,435</u>
Total operating revenues	19,595,514	19,719,262	(123,748)
Operating expenses			
Wages and employee expenses	5,702,872	4,749,151	953,721
Maintenance and operation of facilities	1,965,162	2,106,233	(141,071)
General and administrative expenses	<u>3,477,422</u>	<u>2,706,043</u>	<u>771,379</u>
Total operating expenses	11,145,456	9,561,427	1,584,029
Income from operations before depreciation	<u>8,450,058</u>	<u>10,157,835</u>	<u>(1,707,777)</u>
Depreciation and Amortization	<u>5,193,028</u>	<u>3,982,459</u>	<u>1,210,569</u>
Operating income (loss)	3,257,030	6,175,376	(2,918,346)
Non-operating income (expense)			
Interest income on investments and direct financing leases - port system	327,437	285,865	41,572
Interest income - other	714	251	463
Tax income - net of bad debt and collection expenses			
General obligation bond debt service	2,569,248	2,521,259	47,989
Maintenance and operations	465,849	583,784	(117,935)
Penalties and interest	107,227	127,430	(20,203)
Interest expense and other bond issuance costs	(580,386)	(685,559)	105,173
Bond service fees	(4,400)	(5,150)	750
Other non-operating income (expense)	<u>(517,363)</u>	<u>(40,109)</u>	<u>(477,254)</u>
Total non-operating income (expense)	2,368,326	2,787,771	(419,445)
Income before capital contributions	5,625,356	8,963,147	(3,337,791)
Capital contributions	374,201	7,111,680	(6,737,479)
Special item - franchise revenue	-	9,342	(9,342)
	<u>374,201</u>	<u>7,121,022</u>	<u>(6,746,821)</u>
Increase (decrease) in net position	5,999,557	16,084,169	(10,084,612)
Net Position - beginning	153,611,201	141,345,167	12,266,034
Prior period adjustment	-	(3,418,893)	3,418,893
Net Position - ending	<u>\$ 159,610,758</u>	<u>\$ 154,010,443</u>	<u>\$ 5,600,315</u>

## CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets and outstanding debt for the two prior years are summarized as follows:

	<u>Capital Assets</u>	
	<u>2016</u>	<u>2015</u>
Inland channel, turning basin, & jetties	\$ 56,317,039	\$ 56,317,039
Land	9,934,753	9,934,753
Easements	20,760	20,760
Docks and appurtenances	71,646,596	71,599,283
Water and sewer systems	11,166,579	10,557,672
Railroads	11,273,946	11,273,945
Land improvements and roads	37,953,626	35,716,660
Administration building	751,354	751,355
Industrial equipment	9,944,147	9,565,810
Furniture and equipment	1,237,675	1,176,696
Intangible Assets	5,895,274	5,895,274
Construction in progress	6,697,388	3,375,332
Total	<u>\$ 222,839,137</u>	<u>\$ 216,184,579</u>

Additional information on the District's Capital Assets can be found in Note 3.D. on page 47.

	<u>Outstanding Debt</u>	
	<u>2016</u>	<u>2015</u>
Revenue bonds, net	\$ 41,746,147	\$ 13,270,000
General obligation bonds, net	5,887,756	8,287,480
Total	<u>\$ 47,633,903</u>	<u>\$ 21,557,480</u>

Additional information on the District's long-term debt can be found in Note 3. E. on pages 52-54 of this report.

## REQUEST FOR INFORMATION

This financial report is designed to provide the reader with a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 1000 Foust Road, Brownsville, Texas 78521.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**STATEMENT OF NET POSITION**

December 31, 2016

**ASSETS**

Current Assets - Unrestricted:

Cash and cash equivalents	\$ 30,369,169
Accounts receivable, net of allowance	1,121,112
Note and capital lease receivable, current	451,462
Taxes receivable, net of estimated uncollectible taxes	239,927
Other receivables and accrued interest	221,342
Inventories	4,140
Prepaid expenses	274,926
<b>Total Current Assets - Unrestricted</b>	<u>32,682,078</u>

Current Assets - Restricted:

Cash - revenue bond fund	7,852,103
Cash - general obligation bond fund	2,471,670
Cash - overweight permits	4,351
Investments	22,900,000
Taxes Receivable - G.O., net	1,094,079
<b>Total Current Assets - Restricted</b>	<u>34,322,203</u>

**Total Current Assets**

67,004,281

Capital Assets:

Property, plant, and equipment	222,839,137
Less: accumulated depreciation and amortization	<u>(72,582,500)</u>
	<u>150,256,637</u>

Other Noncurrent Assets:

Note receivable, non-current	1,460,388
Capital lease receivable, non-current	427,267
Other assets	366,121
<b>Total Other Noncurrent Assets</b>	<u>2,253,776</u>

**Total Noncurrent Assets**

152,510,413

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows related to pensions	1,077,046
Deferred charges on refunding	33,312
<b>Total Deferred Outflows of Resources</b>	<u>1,110,358</u>

**Total Assets and Deferred Outflows of Resources**

\$ 220,625,052

(continued)

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

STATEMENT OF NET POSITION - CONTINUED

December 31, 2016

**LIABILITIES**

Current Liabilities - Unrestricted:

Accounts payable	\$ 1,573,859
Accrued liabilities	924,697
Unearned lease rentals	<u>3,460,750</u>

Total Current Liabilities - Unrestricted	<u>5,959,306</u>
--	------------------

Current Liabilities - Restricted:

Current maturities of long-term debt - bonds	<u>3,645,000</u>
--	------------------

Total Current Liabilities	<u>9,604,306</u>
---------------------------	------------------

Noncurrent Liabilities:

Revenue bonds	40,247,834
General obligation bonds	3,741,069
Net pension liability	<u>4,422,114</u>
Total Noncurrent Liabilities	<u>48,411,017</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows related to pensions	34,565
Deferred property tax revenue	<u>2,964,406</u>
Total Deferred Inflows of Resources	<u>2,998,971</u>

<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>61,014,294</u>
--	-------------------

**NET POSITION**

Net investment in capital assets	129,439,065
Restricted for:	
Revenue bond debt retirement and contingency	7,852,103
General obligation bond debt service	3,565,749
Unrestricted	<u>18,753,841</u>
Total Net Position	<u>159,610,758</u>

<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<u><u>\$ 220,625,052</u></u>
---	------------------------------

See accompanying notes to financial statements.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION**

For the Year Ended December 31, 2016

**OPERATING REVENUES**

Vessel services	\$ 8,489,466
Lease rentals	
Port system	7,500,955
Other lease rentals	1,808,744
Other operating revenue	1,796,349
Total Operating Revenues	<u>19,595,514</u>

**OPERATING EXPENSES, OTHER THAN  
DEPRECIATION**

Wages and employee expenses	5,702,872
Maintenance and operation of facilities	1,965,162
General and administrative expenses	3,477,422
Total Operating Expenses	<u>11,145,456</u>

Income from operations before depreciation	<u>8,450,058</u>
--	------------------

Depreciation	<u>5,193,028</u>
--------------	------------------

<b>OPERATING INCOME</b>	3,257,030
-------------------------	-----------

**NON-OPERATING INCOME (EXPENSE)**

Interest income on investments and direct financing leases - port system	327,437
Interest income - other	714
Taxes - net of bad debt and collection expenses	
Penalties and interest	107,227
Maintenance and operations	465,849
General obligation bond debt service	2,569,248
Interest expense	(580,386)
Bond service fees	(4,400)
Other non-operating income (expense)	(517,363)
Total Non-Operating Income (Expense)	<u>2,368,326</u>

(continued)

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION - CONTINUED**

For the Year Ended December 31, 2016

Income Before Contributions and Special Items	5,625,356
Capital contributions	<u>374,201</u>
Increase in net position	5,999,557
Net position at beginning of year	<u>153,611,201</u>
Net position at end of year	<u><u>\$ 159,610,758</u></u>

See accompanying notes to financial statements.



BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2016

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Receipts from customers	\$ 19,359,033
Payment to suppliers	(5,329,866)
Payment to employees	(5,015,783)
Net cash provided by operating activities	<u>9,013,384</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Collections of M&O taxes and interest, net of discounts and collection expense	<u>452,302</u>
Net cash provided by noncapital financing activities	<u>452,302</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Collections of G.O. taxes and interest, net of discounts and collection expense	2,403,341
Proceeds from capital debt	27,580,000
Capital contributions	374,201
Purchase and construction of capital assets	(5,443,996)
Principal paid on capital debt	(3,170,456)
Interest paid on capital debt	(1,029,299)
Net cash provided by capital and related financing activities	<u>20,713,791</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest received	321,741
Principal received on notes and capital leases receivable	507,897
Purchase of investments	(22,900,000)
Net cash used in investing activities	<u>(22,070,362)</u>

Net increase in cash and cash equivalents 8,109,115

Cash and cash equivalents at beginning of year	<u>32,588,178</u>
Cash and cash equivalents at end of year	<u>\$ 40,697,293</u>

Cash and cash equivalents - unrestricted	\$ 30,369,169
Cash - revenue bond fund - restricted	7,852,103
Cash - general obligation bond fund - restricted	2,471,670
Cash - overweight permits - restricted	4,351
Total cash and cash equivalents - restricted and unrestricted	<u>\$ 40,697,293</u>

(Continued)

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**STATEMENT OF CASH FLOWS - CONTINUED**

For the Year Ended December 31, 2016

<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 3,257,030
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	5,193,028
Allowance for doubtful accounts	311,113
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	585,252
(Increase) decrease in taxes receivable	(27,127)
(Increase) decrease in inventories	(1,640)
(Increase) decrease in prepaid expenses	148,638
(Increase) decrease in other assets	8,391
Increase (decrease) in accounts payable	(189,032)
Increase (decrease) in accrued liabilities	343,665
Increase (decrease) in deferred lease rentals and other credits	(541,644)
Decrease (increase) in deferred outflows related to pensions	110,289
Decrease (increase) in deferred outflows related to refunding	34,329
Increase (decrease) in deferred inflows related to pensions	(16,699)
Increase (decrease) in deferred inflows related to tax revenues	(202,209)
Net cash provided by operating activities	<u>\$ 9,013,384</u>

See accompanying notes to financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

Description	Page Nos.
Note 1 – Summary of Significant Accounting Policies	
A. The Reporting Entity	38
B. Measurement Focus, Basis of Accounting and Financial Statement Presentation	38
C. Budgetary Policy	39
D. Assets and Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources and Net Position	
1. Cash and Cash Equivalents	39
2. Investments	39-40
3. Allowance for Uncollectible Accounts	40
4. Inventories	40
5. Restricted Assets	41
6. Capital Assets	41
7. Compensated Absences	42
8. Deferred Compensation Plan	42
9. Net Position Flow Assumption	42
10. Pensions	43
11. Deferred Outflows/Inflows of Resources	43
E. Revenues and Expenses	
1. Operating Revenues and Expenses	44
2. Property Taxes	44
3. Advertising Costs	44
F. Current Year GASB Statement Implementation	45
Note 2 – Stewardship, Compliance, and Accountability	45

## NOTES TO THE FINANCIAL STATEMENTS

<u>Description</u>	<u>Page Nos.</u>
Note 3 – Detailed Notes on All Activities	
A. Deposits and Investments	45-47
B. Receivables	47-48
C. Restricted Assets	49-50
D. Capital Assets	51
E. Long-term Debt	52-54
F. Operating Leases	55
G. Pension Plan	55-68
H. Capital Leases	69
I. Related Party Transactions	69-70
J. Risk Management	70
K. Construction and Other Significant Commitments	71
L. Contingencies	71

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the Brownsville Navigation District's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

**A. THE REPORTING ENTITY**

The Brownsville Navigation District of Cameron County, Texas (the "District") is an independent public body created under the statutes of the State of Texas for the purpose of developing and operating a deepwater seaport for the Brownsville, Texas area. A seventeen mile deepwater channel connects the port with the Gulf of Mexico. The channel and port facilities, comprised of approximately 40,000 acres of land, docks, warehouses, utility systems and cargo handling equipment, have been financed by contributions from the federal government, sales of general obligation bonds, sales of special revenue bonds collateralized by revenues derived from leasing the improvements and facilities constructed with the proceeds of the bonds, and unrestricted revenues in excess of operating expenses. The District derives its operating revenues from charges for lease rentals, wharfage, storage, vessel dockage, and the sale of various port services such as utilities and security.

The locally-elected Board of Navigation and Canal Commissioners is exclusively responsible for all public decisions and accountable for the decisions it makes. The Board of Navigation and Canal Commissioners appoints the Director/General Manager of the District. The activities under the purview of the Director are within the scope of the reporting entity and the management is accountable to the Board of Navigation and Canal Commissioners for the activities being managed. The Board of Navigation and Canal Commissioners has the statutory authority to significantly influence operations. This authority includes but is not limited to, adoption of the budget, control over all assets, including facilities and properties, short-term borrowing, and signing contracts. The responsibility and accountability over all funds is vested to the Board of Navigation and Canal Commissioners.

**B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The District is reported as a special-purpose government engaged in business-type activities. The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units in conjunction with the "Water District's Financial Management Guide" published by the Texas Commission on Environmental Quality. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions of events for recognition in the financial statements.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. BUDGETARY POLICY

The District's budget is prepared on the accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America. An annual operating and capital improvement budget are adopted prior to the beginning of each year. Budget control is maintained at the departmental level. Actions which change the annual budget must be authorized by the Board of Navigation and Canal Commissioners.

D. ASSETS AND DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

1. Cash and Cash Equivalents

Cash includes amounts in demand deposits as well as short-term investments with a maturity date of three months or less of the date acquired by the District. For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less, when purchased, to be cash equivalents.

The District invests funds in accordance with its policy, bond indentures, and the Texas Public Funds Investment Act. The District's investment policy authorizes the District to invest in obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies; other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; and certificates of deposit issued by state and national banks domiciled in this state that are guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor.

2. Investments

The District adopted the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* ("Statement"). Those provisions require that certain investments be reported at fair value, rather than at cost or amortized cost, and that the changes in the fair value of investments be recognized as investment revenue. The Statement further provides that the District has the option of continuing to report certain investments at cost or amortized cost but must disclose its policy in this regard.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. ASSETS AND DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES, AND NET POSITION– CONTINUED

2. Investments – Continued

In accordance with GASB Statement No. 31, the District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure unless the fair value of those contracts has been significantly impaired. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposits are examples of nonparticipating interest-earning investment contracts. Fair value determinations of all securities are made on a monthly basis.

3. Allowance for Uncollectible Accounts

The determination of the balance in the allowance for doubtful accounts consists of the combination of (a) an amount which in management's judgment, is adequate to provide for potential losses from the trade accounts receivable, and (b) an amount recorded as reserve for lease rental receivables which, in management's judgment, represents the total amount of charges which are doubtful of collection. The amount of the reserve for lease rentals represents lease charges which are not recognized as revenue until collected from the lessee. The balance in the allowance for doubtful accounts is \$146,741 as of December 31, 2016. The balance in the reserve for lease rentals is \$66,446 as of December 31, 2016.

The determination of the balance in the estimated uncollectible taxes receivable is based on an analysis of the taxes receivable and reflects an amount which, in management's judgment, represents those taxes doubtful of collection. The allowance for doubtful taxes receivable balance as of December 31, 2016, is \$7,884 and \$40,212 for maintenance and operations and debt service respectively, for a total of \$48,096.

4. Inventories

Inventories of materials and supplies are stated at cost utilizing the FIFO (first-in, first-out) valuation costing method.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. ASSETS AND DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES, AND NET POSITION– CONTINUED

5. Restricted Assets

Certain proceeds of revenue and general obligation bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet, since their use is limited by applicable bond covenants. Proceeds from the issuance of overweight permits are also classified as restricted assets on the balance sheet, since their use is limited by contract with the State of Texas.

6. Capital Assets

Capital assets, which include property, plant, and equipment, are stated at cost. They are defined as assets with an initial, individual cost of more than \$5,000.

Depreciation of plant and facilities is computed using the straight-line method. Land, channel, turning basin, and jetties are not depreciated since they are considered to have an indefinite useful life. The following estimated useful lives are used for depreciation purposes:

<u>Classification</u>	<u>Life</u>
Docks and appurtenances	40 years
Water and sewer systems	10 – 30 years
Railroads	40 years
Land improvements and roads	10 years
Administration building	40 years
Industrial equipment	5 – 10 years
Furniture and equipment	5 years

Expenses for maintenance and repairs are charged to operations as incurred. Expenses for replacement and betterments are capitalized. Costs of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts, and the resulting gains or losses on disposal of the assets are recognized in current operations.

The District's policy is to capitalize interest costs related to construction projects in accordance with the requirements of GASB No. 62. Interest expense and interest income generated from borrowings used for construction projects in progress are capitalized through the date the project is substantially complete and ready for its intended use.



NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**D. ASSETS AND DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES, AND NET POSITION– CONTINUED**

**7. Compensated Absences**

Compensated absences, which include unpaid accrued vacation and sick leave, are accumulated during employment and are accrued when incurred. Employees can earn vacation at rates of 12 to 18 days per year depending on the length of employment, and may accumulate no more than 30 days at year end. Upon termination or retirement, employees are paid for any unused accumulated vacation days at their current rate of pay up to the 30 day maximum. Unused sick leave at termination or retirement is not paid to the employee.

**8. Deferred Compensation Plan**

The District offers a separate deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan, available to all District employees permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Amendments to the laws governing Section 457(b) deferred compensation plans substantially became effective January 1, 1997. The District approved plan amendments such that plan assets are held in trust, with Nationwide Services Corp. and Valic as trustees, for the exclusive benefit of the plan participants and their beneficiaries. The assets will not be diverted to any other purpose.

The District does not have legal access to the resources of the deferred compensation plan, as such, the plan is not reported in the District's financial statements.

**9. Net Position Flow Assumption**

Net position represent the residual interest in the District'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. Net investment in capital assets is reported net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when constraints are imposed by third parties. The remaining net position that does not meet the definition of net investment in capital assets or restricted are classified as unrestricted.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources, as they are needed.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. ASSETS AND DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES, AND NET POSITION– CONTINUED

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Retirement Plan for Employees of Brownsville Navigation District and additions to/deductions from the Retirement Plan for Employees of Brownsville Navigation District's fiduciary net position have been determined on the same basis as they are reported by the Retirement Plan for Employees of Brownsville Navigation District. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Other items include contributions made after the measurement date in the 2016 fiscal year and deferrals of pension expense.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has items that qualify for reporting in this category. One item is the deferred property tax revenue reported in the statement of net position. The District also reports deferrals of pension expense in this category.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. REVENUES AND EXPENSES

1. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the entity's ongoing operations. The District's operating revenues for vessel and cargo services are collected from charges assessed pursuant to its tariffs. These revenues are recognized and accrued during the period earned. Revenues from rental of equipment and facilities are derived from leases of land, a use agreement with respect to railroad rights-of-way, and pipeline licenses. These revenues are recognized during the period earned by accrual or prepayment amortization, as appropriate pursuant to lease agreement terms. Operating expenses include the cost of services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

2. Property Taxes

Property taxes are levied in October in conformity with Subtitle E, Texas Property Tax Code for the year in which assessed. Property is appraised, and a lien on such property becomes enforceable, as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Property taxes become delinquent February 1 of the following year and are subject to interest and penalty charges. Cameron County bills and collects property taxes of the District for a fee and remits collections to the District. Property tax revenues are considered available when they become due or past due and receivable within the current period.

3. Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense at December 31, 2016 was \$140,000.

(This space intentionally left blank)

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**F. CURRENT YEAR GASB STATEMENT IMPLEMENTATION**

In fiscal year 2016, the District implemented the following GASB statement:

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, became effective for the fiscal year ending December 31, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment qualifies for that reporting if it meets all of the applicable criteria established in this Statement. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes.

This Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

The District is not legally required to adopt a budget; therefore, comparative statements of budgeted to actual expenses are not included within the financial statements.

**NOTE 3. DETAILED NOTES ON ALL ACTIVITIES**

**A. DEPOSITS AND INVESTMENTS**

Cash and Cash Equivalents

The District cash and cash equivalents of \$40,697,293 are maintained in demand accounts. The amount on deposit in demand accounts is fully covered by the federal deposit insurance through the FDIC or collateralized by a FHLB Letter of Credit.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES - CONTINUED

A. DEPOSITS AND INVESTMENTS – CONTINUED

Investments

On June 15, 2016, the District's Commissioners approved a revised Policy and Investment Strategies statement. Investments shall be made in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of the District and conforming to all applicable statutes, bond ordinance requirements, GASB standards, and state statutes. The primary objectives of the District's investment policy are the security of principal, liquidity, diversification and yield. Permissible instruments include obligations of the United States or agencies and instrumentalities; fully insured or collateralized certificates of deposit from a bank doing business in Texas; no-load, SEC-registered, money market funds; Texas local Government Investment Pools. The District adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, and the Investment Policy has been revised to fully reflect all requirements in GASB Statement No. 40. The language requirements for this statement are fully formalized in writing.

All deposits with financial institutions are carried at cost. At December 31, 2016, the District had the following investments:

Unrestricted Cash:	
Checking	\$ 8,135,278
Savings	116,654
CD	<u>22,117,237</u>
Total Unrestricted Cash	<u>\$ 30,369,169</u>
Restricted Cash:	
Revenue Bonds	\$ 7,852,103
GO Bonds	2,471,670
Overweight Permits	<u>4,351</u>
Total Restricted Cash	<u>\$ 10,328,124</u>
Local Government Investment Pool:	
TexasTERM	<u>\$ 22,900,000</u>

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES - CONTINUED

A. DEPOSITS AND INVESTMENTS – CONTINUED

As of December 31 2016, the District's external investment pools meets the criteria described in GASB Statement No. 79 and measures all of their investments at amortized cost; therefore, the District has also measured their investments in these external investment pools at amortized cost for financial reporting purposes. In addition, the pools do not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity or redemption gates.

*Interest Rate Risk* - In accordance with the District's Investment Policy the weighted average to maturity limits the maximum allowable maturity to two years by not exceeding the anticipated cash flow requirements.

*Custodial Credit Risk – Deposits* – In accordance with the District's Investment Policy, the financial institution must collateralize all funds with a minimum of 102% of the market value of the principal portion. The District seeks to control the risk of loss due to the failure of a security issuer or grantor. Such risk shall be controlled by investing only in the safest types of securities as defined in the Investment Policy.

The District signed an agreement with its financial institution pledging funds to 102% minimum of the market value of the principal and accrued interest. At December 31, 2016, all deposits are entirely insured or collateralized by a FHLB Letter of Credit.

B. RECEIVABLES

Trade and Lease Rentals Receivable

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

Accounts receivable – trade	\$ 1,092,645
Less: allowance for uncollectible accounts	(146,741)
Accounts receivable – lease rentals	241,654
Less: reserve for lease rentals	(66,446)
	<u>\$ 1,121,112</u>
Accounts receivable – other	<u>\$ 221,342</u>

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

B. RECEIVABLES – CONTINUED

Taxes Receivable

The determination of the balance in the reserve for uncollectible taxes receivable is based on an analysis of the taxes receivable and reflects an amount which, in management's judgment, represents those taxes doubtful of collection.

	<u>Maintenance &amp; Operation (M&amp;O)</u>	<u>Debt Service</u>
Taxes receivable, gross	\$ 247,811	\$ 1,134,291
Reserve for uncollectible taxes	( 7,884)	( 40,212)
Taxes receivable, net	<u>\$ 239,927</u>	<u>\$ 1,094,079</u>

Notes Receivable

Notes receivable as of December 31, 2016 consist of the following:

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Issue Matures</u>	<u>Original Issue</u>	<u>Unpaid Principal</u>
Note receivable, City of Brownsville, collateralized by Deed of Trust on 279.84 acre tract of land	5.50%	10/10/2001	2021	\$4,990,000	\$ 1,783,099
Less: Current Maturities					<u>(322,711)</u>
Long-term Notes Receivable					<u>\$ 1,460,388</u>

Approximate maturities of notes receivable subsequent to December 31, 2016 are as follows:

<u>Year</u>	<u>City of Brownsville</u>
2017	322,711
2018	337,061
2019	355,600
2020	375,158
2021	<u>392,569</u>
	<u>\$ 1,783,099</u>

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

C. RESTRICTED ASSETS

Bond Restrictions

The revenue bond and general obligation bond resolutions require that during the period in which the bonds are outstanding the District must create and maintain certain accounts or "funds" to receive the proceeds from the sale of the bonds and the net revenues, as defined, from the operations of the port. These assets can then be used for any legal purpose and also, in accordance with the terms of the bond resolutions, to pay the costs of enlarging, extending, or improving the District and to pay debt service costs of the related bonds.

Contract Restrictions

On February 25, 1998 the District entered into an agreement with the State of Texas for authority to issue permits for the movement of overweight or oversize vehicles on State Highway 48/State Highway 4 between the Gateway International Bridge and the entrance to the Port and on State Highway 48/State Highway 4 between the Veterans International Bridge at Los Tomates and the entrance to the Port of Brownsville. The agreement authorizes the District to collect a permit fee in an amount not to exceed \$80 for each permit issued and allows the District to retain a percentage of such permit fee for administrative costs and the balance shall be used to make payments to the State for expenses incurred to maintain and repair State Highway 48 and State Highway 4.

At December 31, 2016, the following assets are restricted assets:

Revenue Bond Funds (all cash accounts)

Debt reserve fund	\$ 2,469,772
Contingencies fund	291,207
Construction fund	191,734
Bond project fund	2,882,340
Interest and redemption fund	<u>2,017,050</u>
Total Revenue Bond Fund Assets	<u>7,852,103</u>



BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

C. RESTRICTED ASSETS – CONTINUED

General Obligation Bond Fund

Debt service fund	
Cash	2,471,670
Taxes receivable, net of allowance for doubtful accounts	<u>1,094,079</u>
Total General Obligation Bond Fund Assets	<u>3,565,749</u>

Overweight Permit Assets

Cash	<u>4,351</u>
------	--------------

Capital Projects Fund

Investments	<u>22,900,000</u>
Total Restricted Assets - District Obligations	<u>\$ 34,322,203</u>

(This space intentionally left blank)

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

D. CAPITAL ASSETS

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

	Balance January 1, 2016	Additions	Deletions	Reclas- sifications	Balance December 31, 2016
Capital assets, not being depreciated:					
Inland channel and turning basin	\$ 15,324,008	\$ -	\$ -	\$ -	\$ 15,324,008
Jetties and jetty channel	40,036,406	-	-	-	40,036,406
Land	9,934,753	-	-	-	9,934,753
Easements	20,760	-	-	-	20,760
Construction in progress	3,375,332	5,824,780	(14,437)	(2,485,674)	6,700,001
Total capital assets, not being depreciated	<u>68,691,259</u>	<u>5,824,780</u>	<u>(14,437)</u>	<u>(2,485,674)</u>	<u>72,015,928</u>
Capital assets, being depreciated:					
Docks and appurtenances	72,555,908	39,811	-	7,502	72,603,221
Water and sewer systems	10,557,673	326,343	-	282,562	11,166,578
Railroads	7,542,279	-	-	-	7,542,279
Railway from component unit	3,731,666	-	-	-	3,731,666
Land improvements and roads	35,716,659	38,745	-	2,195,610	37,951,014
Administration building	751,354	-	-	-	751,354
Industrial equipment	9,565,810	378,337	-	-	9,944,147
Furniture and equipment	1,176,696	60,980	-	-	1,237,676
Intangible assets	5,895,274	-	-	-	5,895,274
Total capital assets, being depreciated	<u>147,493,319</u>	<u>844,216</u>	<u>-</u>	<u>2,485,674</u>	<u>150,823,209</u>
Less accumulated depreciation for:					
Docks and appurtenances	(30,111,792)	(1,472,805)	-	-	(31,584,597)
Water and sewer systems	(7,669,631)	(256,105)	-	-	(7,925,736)
Railroads	(4,011,060)	(183,037)	-	-	(4,194,097)
Railway from component unit	(169,396)	(95,161)	-	-	(264,557)
Land improvements and roads	(15,061,022)	(2,216,853)	-	-	(17,277,875)
Administration building	(655,771)	(18,784)	-	-	(674,555)
Industrial equipment	(4,563,275)	(765,050)	-	-	(5,328,325)
Furniture and equipment	(707,523)	(185,235)	-	-	(892,758)
Intangible assets	(4,440,000)	-	-	-	(4,440,000)
Total accumulated depreciation	<u>(67,389,470)</u>	<u>(5,193,030)</u>	<u>-</u>	<u>-</u>	<u>(72,582,500)</u>
Total capital assets, being depreciated, net	<u>80,103,849</u>	<u>(4,348,814)</u>	<u>-</u>	<u>2,485,674</u>	<u>78,240,709</u>
Total capital assets, net	<u>\$ 148,795,108</u>	<u>\$ 1,475,966</u>	<u>\$ (14,437)</u>	<u>\$ -</u>	<u>\$ 150,256,637</u>

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

E. LONG-TERM DEBT

Changes in long-term obligations for the year ended December 31, 2016 are as follows:

	Balance Outstanding January 1, 2016	Additions	Deletions	Balance Outstanding December 31, 2016	Due Within One Year
<b>Bonds Payable:</b>					
Revenue Bonds - First Lien	\$ 13,270,000	\$ 27,580,000	\$ (805,000)	\$ 40,045,000	\$ 1,465,000
Plus: Premium on Series 2016	-	1,835,062	-	1,835,062	-
Less: Unamortized discounts	-	(167,228)	-	(167,228)	-
General Obligation Bonds	8,280,000	-	(2,360,000)	5,920,000	2,180,000
Plus: Premium on capital appreciation bonds	7,480	-	(6,411)	1,069	-
Total bonds payable	<u>21,557,480</u>	<u>29,247,834</u>	<u>(3,171,411)</u>	<u>47,633,903</u>	<u>3,645,000</u>
Accrued Compensated Absences	234,151	14,871	(9,483)	239,539	239,539 <sup>(1)</sup>
Total long-term debt	<u>\$ 21,791,631</u>	<u>\$ 29,262,705</u>	<u>\$ (3,180,894)</u>	<u>\$ 47,873,442</u>	<u>\$ 3,884,539</u>

<sup>(1)</sup> included in accrued liabilities of \$924,697

Revenue Bonds

	Interest Rates	Issue Date	Issue Matures	Original Issue	Unpaid Principal
Series 2002A	3.38% - 4.80%	07-10-02	2022	\$ 1,790,000	\$ 735,000
Series 2002B	3.38% - 4.80%	07-10-02	2022	1,900,000	765,000
Series 2011	3.01%	10-24-11	2021	2,390,000	1,400,000
Series 2012	3.19%	12-27-12	2038	10,000,000	9,565,000
Series 2016	5.00%	02-09-16	2040	27,580,000	<u>27,580,000</u>
					\$40,045,000
Plus: Premium on Series 2016					1,835,062
Less: Unamortized discounts					(167,228)
Less: Current maturities					<u>(1,465,000)</u>
					<u>\$40,247,834</u>

The series 2002A, 2002B, 2011, and 2012 are parity issues of first lien revenue bonds. All of the net revenues of the District (defined as gross revenues from operations of the District facilities, excluding any rentals--except for ground rentals--from net rent leases which are pledged under other debt instruments, and funds derived from taxes levied to pay debt service on general obligation bonds of the District, less expenses incurred in the operation and maintenance of the port facilities) are pledged for the payment of the bond principal and interest of these revenue bonds.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

E. LONG-TERM DEBT – CONTINUED

Revenue Bonds – Continued

If certain conditions are met, additional bonds may be issued. One of these conditions is that average annual net revenues for the preceding two fiscal years, or for the twenty-four month period ending not more than sixty days prior to the adopting of the resolution authorizing the issuance of the additional bonds, were at least one and one-half times the average annual principal and interest requirements of all revenue bonds then outstanding and of the bonds then proposed to be issued.

On February 9, 2016, the District issued \$27,580,000 in Senior Lien Revenue Bonds, Series 2016. Proceeds from the sale of the bonds will be used to (i) provide funds for acquiring constructing, enlarging, extending, repairing, maintaining, operating, or developing of District facilities, (ii) make a deposit to a bond reserve fund, and (iii) pay costs related to the issuance of the Bonds.

General Obligation Bonds

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Issue Matures</u>	<u>Original Issue</u>	<u>Unpaid Principal</u>
Series 2007A	3.91% - 4.32%	09-04-07	2017	\$ 2,750,000	\$ 370,000
Series 2008A	3.42%	05-01-08	2018	5,145,000	1,015,000
Series 2011	3.40%	12-02-11	2020	4,805,000	1,785,000
Series 2013	1.89%	03-11-13	2023	3,830,000	<u>2,750,000</u>
					\$ 5,920,000
Plus: Premium on Capital Appreciation Bonds					<u>1,069</u>
					5,921,069
Less: Current maturities					<u>(2,180,000)</u>
					<u>\$ 3,741,069</u>

The District was authorized by its voters in an election held in October 1991 to issue general obligation bonds, in three or more series or issues, in the aggregate principal amount of \$43,000,000. The proceeds of the bonds are to be used as follows:

“... the issuance of \$21,000,000 for the construction of an international bridge, \$17,000,000 for the deepening of the ship channel, and \$5,000,000 for wharf and dock improvements.”

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

E. LONG-TERM DEBT – CONTINUED

General Obligation Bonds – Continued

Authorized and unissued general obligation bonds at December 31, 2016 are as follows:

<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued To-Date</u>	<u>Unissued</u>
Bridge construction	\$21,000,000	\$13,000,000	\$8,000,000

The bonds are to be collateralized by ad valorem taxes levied by the District, which are irrevocably pledged without limit as to rate or amount, and these taxes are to be used for no other purpose than to pay the principal and interest of the bonds as they mature. In addition, any net revenues which are actually deposited in the debt service fund become pledged for payment of bond principal and interest.

Annual maturities of debt subsequent to December 31, 2016, are as follows:

<u>Year Ending December 31,</u>	<u>Revenue Bonds</u>		<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,465,000	\$ 1,512,059	\$ 2,180,000	\$ 127,303
2018	1,530,000	1,456,771	780,000	80,804
2019	1,605,000	1,398,830	855,000	58,736
2020	1,665,000	1,338,312	880,000	35,130
2021	1,730,000	1,275,238	1,225,000	35,012
2022-2026	6,965,000	5,479,410	-	-
2027-2031	7,785,000	3,858,751	-	-
2032-2036	9,495,000	2,273,629	-	-
2037-2041	7,805,000	494,672	-	-
Total	<u>\$ 40,045,000</u>	<u>\$ 19,087,672</u>	<u>\$ 5,920,000</u>	<u>\$ 336,985</u>

All bonds may be redeemed prior to their maturities in accordance with provisions of the various bond resolutions. The redemption prices for some of the bonds include premiums ranging downward from 4%.

Interest Expense

Port system interest expense is as follows:

Revenue bonds	\$ 369,952
General obligation bonds	<u>210,434</u>
	<u>\$ 580,386</u>

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

F. OPERATING LEASES

The District leases certain assets to others. These leases pertain to land, buildings, and improvements and rail spurs. Cost of the assets under lease totaled \$4,900,173, consisting of \$1,137,378 in buildings and improvements, \$148,187 in rail spurs, and \$3,614,608 of land. Current year depreciation on these assets was \$51,608. As of December 31, 2016, future minimum rentals anticipated to be received by the District under the operating leases with initial or remaining non-cancellable lease terms in excess of one year are as follows:

<u>Year Ending</u>	<u>Future Minimum Lease Rentals</u>
2017	\$ 6,122,076
2018	\$ 6,212,749
2019	\$ 6,304,783
2020	\$ 6,304,783
2021	\$ 6,784,783

The District's Leasing Policies provide for annual increases in lease rental rates that correspond to the annual Consumer Price Index (CPI).

G. PENSION PLAN

Plan Description

Brownsville Navigation District sponsors a public single employer defined benefit pension plan for eligible employees. Brownsville Navigation District serves as plan administrator. The plan's assets are invested in a trust fund overseen by named individual co-trustees with Morgan Stanley serving as trust custodian and investment advisor. Amendments to the plan are made only with the authority of the Board of Commissioners. The plan does not issue a stand-alone financial report. However, an annual actuarial valuation report is available from Brownsville Navigation District. That report may be obtained by writing Brownsville Navigation District at 1000 Faust Road, Brownsville, Texas 78521.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

G. PENSION PLAN – CONTINUED

Plan Description – Continued

The Board of Commissioners of Brownsville Navigation District has sole authority to establish or amend the obligations to contribute to the plan by participants or the employer.

Benefits Provided

The Retirement Plan for Employees of Brownsville Navigation District provides retirement, disability, and death benefits. Amended pre-2010 retirement benefit provisions for grandfathered employees provide retirement benefits which are calculated as 1.05% of the employee's 5-year average compensation as of December 31, 2009 times the employee's years of service as of December 31, 2009. Post-2009 cash balance plan provisions for non-grandfathered participants provide retirement benefits which are calculated as the sum of the employee's Beginning Balance Subaccount, Employee Contribution Subaccount, Employer Matching Subaccount, and Cash Balance Conversion Retirement Supplement Account. Grandfathered employees are those who were not an employee after 2009. Participants with 10 years of service are eligible to retire at age 55. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately with an actuarial reduction. Death benefits are determined in the same manner as retirement benefits but are payable immediately with an actuarial reduction. An employee who leaves the employer's service may withdraw his or her contributions, plus an accumulated interest.

Employees Covered by Benefit Terms

As of January 1, 2016, the following numbers of employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	42
Active employees	<u>97</u>
	168

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2016

**NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED**

**G. PENSION PLAN – CONTINUED**

Contributions

The Board of Commissioners has the sole authority to establish and amend the contribution requirements of the active employees. The required employer contributions are based on an actuarially-determined rate recommended by an independent actuary. The actuarially-determined employer contribution rate is the established amount necessary to finance the costs of employer provided benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the actuarially-determined employer contribution rate apart from the contribution rate of employees. For the employer fiscal year ended December 31, 2015, the average active employee contribution rate (for the period between the two most recent measurement dates) was 4.00% of annual pay, and the employer's actuarially-determined contribution rate was 10.25% of annual payroll.

The employer contribution is presently 10.25% of annual participant payroll and will remain at that level as long as the amount is sufficient to pay the Employer Normal Cost and amortize the Unfunded Actuarial Liability (Net Pension Liability) over a period of not more than 25 years. The contribution policy for the plan is as follows:

The plan will experience economic and demographic gains and losses over time that may affect the employer contribution rate. In addition, the employer contribution rate may be affected by material changes made to plan provisions or valuation assumptions from time to time. To help mitigate the frequency at which a change in the employer contribution rate would be required due to gains and losses or changes in valuation assumptions, based on the methodology first adopted by the District beginning with the 2003 plan year for determining recommended plan funding requirements, the plan's actuary will not recommend that the District change the scheduled employer contribution rate for the plan until: (i) there is a change in the actuarial liability cost method, (ii) the plan's trust does not have sufficient assets to pay the plan's normal cost plus expected benefit payments for the year, (iii) the plan is amended, or (iv) the scheduled employer contribution rate is no longer sufficient to both fund the plan's normal cost and amortize the plan's unfunded actuarial liability over a period between 10 years and 25 years. If one of these events occur, the adopted methodology would require the employer contribution rate to be "reset" so that the unfunded actuarial liability is amortized over a period of 15 years beginning in that valuation year. The prevailing employer contribution rate is applied to Total District Payroll for the year (as estimated by the District) to determine the total employer contribution for the year.



BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

G. PENSION PLAN – CONTINUED

Pension Plan Investments

Investment policy decisions are established and maintained by Brownsville Navigation District in consultation with the plan’s investment advisors.

The annual money weighted rate of return on pension plan investments, net of expenses, which expresses net investment performance adjusted for changing amounts actually invested each month was (0.5)% for the 12 months ended December 31, 2015.

The returns, computed as above, for the preceeding 10 years\*, is shown in the table below:

<u>12 Months Ended</u>	<u>Annual Money Weighted Net Rate of Return</u>
12/31/2015	(0.5)%
12/31/2014	2.8%
12/31/2013	17.1%
12/31/2012	9.9%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Net Pension Liability

The Employer’s net pension liability reported for the fiscal year ending December 31, 2016 was measured as of January 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that same date.

1. Actuarial Assumptions

The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	4.5%, including inflation
Investment rate of return	Net of pension plan investment expenses, including inflation
	- Pre-decrement 6.75%
	- Post-decrement 6.00%

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

G. PENSION PLAN – CONTINUED

1. *Actuarial Assumptions* – Continued

Mortality rates were based on the Society of Actuaries RP-2014 Blue Collar Mortality Tables (adjusted from the 2006 base year) and projected using Scale MP-2016 mortality improvement rates.

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the period 2006-2014.

The Statement of Investment Policy for the pension plan trust creates two subaccounts in the Cash Balance Investments Subaccount and the Annuity Financing Investment Subaccount. Each subaccount has its own goals, investment guidelines and asset allocation guidelines.

For each investment subaccount, the long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.00%). In addition, the final assumption reflects a reduction of 1.00% for investment expenses. For each investment subaccount, the target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following tables:

Cash Balance Investment Subaccount		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	70%	5.57%
Fixed income	20%	4.15%
Cash	10%	1.25%
Total Weighted Average	100%	4.83%

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

G. PENSION PLAN – CONTINUED

1. Actuarial Assumptions – Continued

Annuity Financing Investment Subaccount		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	0%	5.57%
Fixed income	95%	4.15%
Cash	5%	1.00%
Total Weighted Average	100%	3.99%

2. Discount Rate

The discount rate used to measure the total pension liability was 6.75% pre-decrement and 6.00% post-decrement, resulting in an effective discount rate of 6.19% based on the January 1, 2016 plan census and actuarial assumptions. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. 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 active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(This space intentionally left blank)

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES -- CONTINUED

G. PENSION PLAN -- CONTINUED

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2015 <sup>1</sup>	\$ 7,845,746	\$ 3,765,365	\$ 4,080,381
Changes for the year:			
Service cost	243,138		243,138
Interest	516,790		516,790
Differences between expected and actual experience	157,515		157,515
Contributions - employer		442,949	(442,949)
Contributions - employee		161,269	(161,269)
Net investment income <sup>2</sup>		(18,286)	18,286
Benefit payments, including refunds of employee contributions	(330,541)	(330,541)	-
Assumption changes	10,222	-	10,222
Net changes	597,124	255,391	341,733
Balances at December 31, 2016 <sup>3</sup>	\$ 8,442,870	\$ 4,020,756	\$ 4,422,114

<sup>1</sup> Information for the fiscal year ended December 31, 2015 was taken as of the measurement date of January 1, 2015 as permitted by Paragraph No. 20 of GASB No. 68.

<sup>2</sup> Net of investment expense but not administrative expense per Q/A #82 of GASB No. 68 Guide to Implementation.

<sup>3</sup> Information for the fiscal year ended December 31, 2016 was taken as of the measurement date of January 1, 2016 as permitted by Paragraph No. 20 of GASB No. 68.

(This space intentionally left blank)

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

G. PENSION PLAN – CONTINUED

Changes in the Net Pension Liability

1. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Employer, calculated using an effective discount rate of 6.19% (based on pre-decrement and post-decrement assumptions of 6.75%/6.00% and the January 1, 2016 plan census and actuarial assumptions), as well as what the Employer's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.19%) or 1-percentage-point higher (7.19%) than the current rate:

	1% Decrease (5.19%)	Current Effective Discount Rate (6.19%)	1% Increase (7.19%)
Employer's Net Pension Liability	\$ 5,409,104	\$ 4,422,114	\$ 3,606,989

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2016, the Employer recognized pension expense of \$498,714.

1. Components of Pension Expense for the Fiscal Year Ended December 31, 2016

Service cost	\$ 243,138
Interest on the total pension liability	516,790
Amortization of differences between expected and actual experience <sup>1</sup>	22,002
Amortization of changes of assumptions <sup>1</sup>	74,501
Employee contributions	(161,269)
Projected earnings on pension plan investments	(286,117)
Amortization of differences between projected and actual earnings on plan investments <sup>2</sup>	89,669
Total pension expense	<u>\$ 498,714</u>

At December 31, 2016<sup>3</sup>, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources listed on the next page.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

G. PENSION PLAN – CONTINUED

1. Components of Pension Expense for the Fiscal Year Ended December 31, 2016 – Continued

<sup>1</sup> Per Paragraph No 33.a. of GASB No. 68, amortized over a straight-line closed period equal to the average remaining service period for all employees (active and inactive) who are provided with benefits through the pension plan. (4.07 years as of January 1, 2015 and 4.14 years as of January 1, 2016.)

<sup>2</sup> Per Paragraph No. 33.b. of GASB No. 68, amortized over a straight-line closed 5-year period.

<sup>3</sup> Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

2. Balances as Deferred Outflows of Resources and Deferred Inflows of Resources as of December 31, 2016

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 118,814	\$ 34,565
Changes of assumptions	156,726	-
Net difference between projected and actual earnings on pension plan investments	329,884	-
Total excluding post-measurement date contributions	<u>\$ 605,424</u>	<u>\$ 34,565</u>
Contributions made between measurement date and end of reporting period	471,622	-
Total including post-measurement date contributions	<u><u>\$ 1,077,046</u></u>	<u><u>\$ 34,565</u></u>

(This space intentionally left blank)

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

G. PENSION PLAN – CONTINUED

3. Changes in Deferred Outflows of Resources and Deferred Inflows of Resources

	Change in Deferred Outflows of Resources	Change in Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 118,814	\$ (16,699)
Changes of assumptions	(64,279)	-
Net difference between projected and actual earnings on pension plan investments	214,734	-
Total	<u>\$ 269,269</u>	<u>\$ (16,699)</u>

4. Change in Balance Sheet Items

Change in Net Pension Liability	\$ 341,733
Change in deferred outflows	(269,269)
Change in deferred inflows	(16,699)
Employer contributions	442,949
Total pension expense	<u>\$ 498,714</u>

*Contributions made after the measurement date of January 1, 2016 and before the Fiscal Year End of December 31, 2016 totalled \$471,622 and are illustrated on table 2. Those amounts are to be recognized as deferred outflows. Those amounts are not reflected in table 3 & 4 above, as these tables illustrate changes between the two measurements dates, than contributions made subsequent to the measurement date.*

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

G. PENSION PLAN – CONTINUED

Amounts reported as Deferred Outflows/(Inflows) of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Amount
2017	\$ 186,172
2018	186,172
2019	134,751
2020	63,764

Payable to the Pension Plan

At December 31, 2016 the Employer reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2016.

Actuarial Methods

1. Actuarial Funding Method

The entry Age Normal actuarial funding method is used in determining the Total Pension Liability for the plan. This is a cost method under which the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the Service Cost (or Normal Cost). The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the total Pension Liability.

2. Market Value of Assets (Plan Fiduciary Net Position)

Market Value of Assets as of the valuation date equals Fair Value plus any receivable contributions made or to be made for a prior plan year.



BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

G. PENSION PLAN – CONTINUED

Actuarial Assumptions

1. Mortality: The active and retired participants of the plan are expected to exhibit mortality in accordance with the following published mortality tables:
  - a. Pre-retirement Mortality: RP-2014 Blue Collar Table projected to 2006 and projected using the Scale MP-2016 mortality improvement rates
  - b. Post-retirement Mortality: RP-2014 Blue Collar Table projected to 2006 and projected using the Scale MP-2016 mortality improvement rates
  - c. Post-disability Mortality: RP-2014 Disabled Retiree Table adjusted to 2006 and projected using Scale MP-2016 mortality improvement rates
2. Withdrawal: The active participants are assumed to terminate their employment for causes other than death, disability or retirement in accordance with annual rates as illustrated below.

<u>Attained Age</u>	<u>Terminations per 1,000 Participants</u>
25	172
30	158
35	137
40	113
45	84
50	51

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

G. PENSION PLAN – CONTINUED

3. Investment Return: Current and future plan assets in the Trust’s Investment Subaccounts are assumed to reflect an investment return net of expenses as follows:
  - a. Cash Balance Investment Subaccount: 6.75%
  - b. Annuity Financing Investment Subaccount: 6.00%
4. Expected Plan-Related Expenses: Plan-related expenses, which are accounted for by a reduction in the Cash Balance Interest Crediting Rate, are expected to be equal to an amount that represents a 100-basis point reduction in the gross investment return for the Cash Balance Investment Subaccount.
5. Assumed Cash Balance Interest Crediting Rate: The annual rate of gross investment return for the Trust’s Cash Balance Investment Subaccount reduced for expected plan-related expenses.
6. Earnings Progression: The increase in the levels of participant compensation is assumed to occur in accordance with normal rates as illustrated below:

<u>Attained Age</u>	<u>Rate of Increase</u>
20	6.00%
25	6.00%
30	5.50%
35	5.00%
40	4.50%
45	4.00%
50	3.50%
55	3.25%
60+	3.00%

7. Retirement Age: A participant is assumed to retire at the attainment of his normal retirement age. Any participant who has attained his expected retirement age and is still working is assumed to retire immediately.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

G. PENSION PLAN – CONTINUED

Actuarial Methods – Continued

8. *Disability*: Active participants are expected to become disabled as defined under the plan in accordance with annual rates as illustrated below:

<u>Attained Age</u>	<u>Disabilities per 1,000 Participants</u>
20	1.3
25	1.6
30	2.2
40	4.3
50	11.8
60	26.0

9. *Recognition of IRC Section 415 Limitations*: The limitations under IRC Section 401(a)(17) and 415(b) have been reflected in the determination of plan costs.

10. *Growth in Aggregate Participant Payroll*: 4.50% per year.

11. *Assumed Form of Payment*:

Decrement	Cash Balance Subaccount			
	Beginning Balance	Employee Contribution	Employer Match	Retirement Supplement
Retirement	50% Immediate Annuity/50% Lump Sum	50% Immediate Annuity/50% Lump Sum	Immediate Annuity	
Disability	Lump Sum			
Preretirement Death	Lump Sum			
Vested Termination	40% Deferred Annuity/60% Lump Sum	40% Deferred Annuity/60% Lump Sum	Deferred Annuity	N/A
Non-Vested Termination	N/A	Lump Sum	N/A	

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

H. CAPITAL LEASES

The District entered into a capital lease agreement in 2014 as lessor for financing certain real estate assets previously owned by their dissolved component unit (BRG) that was sold to a privately owned company. The lease agreement qualified as a capital lease for accounting purposes and, therefore, had been recorded at the net present value of future minimum lease payments receivable at the inception of the lease.

The net present value of these minimum lease payments as of December 31, 2016, were as follows:

<u>Year</u>	
2017	\$ 128,751
2018	128,751
2019	128,751
2020	128,751
2021	<u>85,714</u>
Total minimum lease payments receivable	600,718
Less: interest amount	<u>(44,700)</u>
Present value of lease payments receivable	<u>\$ 556,018</u>

I. RELATED PARTY TRANSACTIONS

The District is a member of the Southmost Regional Water Authority (“Authority”). The Authority is a conservation and reclamation district created pursuant to Article XVI, Section 59, of the Texas Constitution and the Act of June 12, 1981, 67<sup>th</sup> Leg., Ch. 511, 1981 Tex. Gen. Laws 2196.

The Authority was established to investigate the feasibility of developing a source of water from brackish groundwater. The District is under contractual obligation with the Authority to receive 2.1% of the monthly treated potable water production. On October 15, 2003, the District’s Board approved a Memorandum of Understanding with the Authority whereas the District’s percentage participation was set at 2.1%. Billings from the Authority in the amounts of \$89,524 for expenses for fiscal year ended September 20, 2016 were paid by the District. These amounts were used by the Authority to cover its debt service and maintenance and operating expenses and as such were expensed by the District in the current year.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

I. RELATED PARTY TRANSACTIONS – CONTINUED

Operations and maintenance costs of the Authority are funded through guaranteed water supply contracts with the participating entities. The Authority's acquisition and construction of capital assets was funded through the sale of bonds with the entities guaranteeing the debt service payments, notes, and obligations issued under indenture. The Authority's debt obligations outstanding for the fiscal year ended September 30, 2016, were \$41,395,770.

J. RISK MANAGEMENT

The District is exposed to risk of financial loss from fire, windstorm, explosion and other perils that could damage or destroy assets and properties and cause loss of income should assets and properties be shut down for an extended period of time. The District is also exposed to third-party bodily injury and property damage claims arising from the operation and ownership of its properties. The District is a member of the Texas Municipal League Risk Pool to protect itself from these types of losses and carries windstorm coverage through the Texas windstorm Insurance Association of the State of Texas. Exposure risks also include risk of losses resulting from on-the-job injuries sustained by employees; the District carries coverage for these losses through the Texas Municipal League Risk Pool.

1. Workers' Compensation Program

The District has a workers' compensation plan through its participation in the Texas Municipal League Risk Pool. This plan provides medical and indemnity payments as required by law for on-the-job injuries. The District pays an annual premium which is based on estimated payrolls and is subject to an audit and adjustment at the end of each year. There is no liability for workers' compensation claims outside of the payment of the premium for the coverage.

2. Health Insurance Program

The District provides a group health insurance plan through a commercial insurance company for all its full-time employees. Coverage under the plan for employees' dependents is available, but is not provided by the District. There is no liability for health claims outside of the payment of the premium for coverage. Amounts of settlements did not exceed insurance coverage in each of the past three years.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

K. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Construction Commitments

The District has active construction projects and commitments as of December 31, 2016. These projects commitments include the following:

Projects	Spent to Date	Commitment Remaining
New Liquid Cargo Dock #6	\$ 329,898	\$ 21,923,471
Liquid Cargo Dock #3 Repl. Fender System	-	124,200
Liquid Cargo Dock #3 Enhancements	392,037	2,286,171
Minatenance Dredging	110,634	933,374
Administrative Building Rehab.	271,297	7,631,000
Port Entrance Canopy/Foust Road	674,640	74,960
Liquid Cargo Dock	393,864	739,590
TXDOT Roads Project	71,465	2,000,000
Total	\$ 2,243,835	\$ 35,712,766

L. CONTINGENCIES

The District participates in various federal grant programs which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the District's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the District anticipates such amounts, if any will be immaterial.

The District is currently involved in various claims and litigation. It is the opinion of management and counsel that potential claims against the District not covered by insurance resulting from litigation would not materially affect the financial position or operations of the District.

**This page intentionally left blank.**

**REQUIRED SUPPLEMENTARY INFORMATION**



This page intentionally left blank.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**SCHEDULE OF CHANGES IN THE EMPLOYER'S  
NET PENSION LIABILITY AND RELATED RATIOS  
LAST 10 FISCAL YEARS<sup>1,2</sup>  
(Dollar amounts in thousands)  
BROWNSVILLE NAVIGATION DISTRICT**

	2016	2015
<b>1 Total Pension Liability<sup>3</sup></b>		
a. Service cost	\$ 243	\$ 205
b. Interest	517	496
c. Changes in benefit terms	-	-
d. Differences between expected and actual experience	158	(68)
e. Changes of assumptions	10	293
f. Benefit payments, including refunds of employee contributions	(330)	(375)
g. <b>Net Change in total Pension Liability</b>	<u>598</u>	<u>551</u>
h. <b>Total Pension Liability - Beginning</b>	7,845	7,294
i. <b>Total Pension Liability - Ending</b>	<u>8,443</u>	<u>7,845</u>
<b>2 Plan Fiduciary Net Position</b>		
a. Contributions - employer	443	408
b. Contributions - employee	161	148
c. Net investment income	(18)	102
d. Benefit payments, including refunds of employee contributions	(330)	(375)
g. <b>Net Change in Plan Fiduciary Net Position</b>	<u>256</u>	<u>283</u>
h. <b>Plan Fiduciary Net Position - Beginning</b>	3,765	3,482
i. <b>Plan Fiduciary Net Position - Ending</b>	<u>4,021</u>	<u>3,765</u>
<b>3 Employer's Net Pension Liability - Ending [Item 1(i) - 2(i)]</b>	<u>\$ 4,422</u>	<u>\$ 4,080</u>
<b>4 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	47.63%	47.99%
<b>5 Covered-Employee Payroll<sup>4</sup></b>	\$ 4,289	\$ 3,789
<b>6 Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll</b>	103.10%	107.68%

Notes to Schedule:

- <sup>1</sup> This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.
- <sup>2</sup> Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.
- <sup>3</sup> Information is presented using a January 1, 2016 measurement date as permitted under Paragraph No. 20 of GASB No. 68.
- <sup>3</sup> Changes in assumptions in 2016 include (a) a mortality update to reflect the adoption of the Society of Actuaries RP-2014 Mortality Table with Projection Scale Mp-2016 and (b) a change in the investment return for the Cash Balance Subaccount decreased from 7.5% to 6.75%.
- <sup>4</sup> Total compensation (not just pensionable compensation, if different) based on census used in the valuation.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Last 10 Fiscal Years<sup>1</sup>

*(Dollar amounts in thousands)*

	FYE 2016	FYE 2015	FYE 2014
1 Actuarially determined contribution	\$ 468	\$ 440	\$ 400
2 Contributions in Relation to the Actuarially Contribution	<u>472</u>	<u>443</u>	<u>408</u>
3 Contribution Deficiency/(Excess)	<u>(4)</u>	<u>(3)</u>	<u>(8)</u>
4 Covered-Employee <sup>2</sup>	\$ 4,569	\$ 4,297	\$ 3,898
5 Contributions as a Percentage of Covered-Employee Payroll	10.33%	10.31%	10.47%

Notes to Schedule for current fiscal year:

Valuation Date: January 1, 2016

Actuarially determined contributions rates are calculated as of January 1, 2016, which is the most recent valuation date prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization peirod	17.5 years
Asset valuation method	5-year smoothed market
Inflation	3.0%
Salary increases	4.5%, average, including inflation
Investment rate of return	Net of pension plan investment expenses, including inflation
	- pre-decrement 6.75%
	- post-decrement 6.00%
Retirement age	65
Mortality	RP-2014 Blue Collar Total Employee Mortality Table (adjusted from the 2006 base year) and projected using Scale MP-2016 mortality
	Improvement rates

<sup>1</sup> This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

<sup>2</sup> Estimated payroll provided by Brownsville Navigation District as of the beginning of the fiscal year.

**OTHER SUPPLEMENTARY INFORMATION**

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**SCHEDULE OF OPERATING EXPENSES**  
*(Depreciation expense omitted)*  
**For the Year Ended December 31, 2016**

Wages	\$	4,218,815
Payroll taxes		341,754
Net pension expense		498,714
Services		356,976
Materials		813,761
Utility		794,425
Insurance		1,268,947
Dues		67,152
Legal and auditing		288,459
Consulting fees		605,990
Supplies		73,734
Computer expense		375,280
Employee expense		115,118
Other expense		262,696
Contract rental and repairs		40,320
Travel		170,115
Advertising		140,000
Safety		25,383
Doubtful accounts		311,113
Shop cost of sales		214,913
Land lease		18,225
Retirement		29,757
Promotional expenses		113,809
	\$	<u>11,145,456</u>

**STATISTICAL INFORMATION**  
**(Unaudited)**

This page intentionally left blank.

## Statistical Section

This part of the Brownsville Navigation District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosure, and required supplementary information says about the District's overall financial health.

<u>CONTENTS</u>	<u>PAGE</u>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the District's financial performance and well being has changed over a period of time.	85 – 86
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the District's local revenue source.	89 – 96
<b>Debt Capacity</b> These schedules present information to help the reader assess the District's debt burden and its ability to issue additional debt in the future.	99 – 102
<b>Demographic and Economic Information</b> This schedule offers demographic and economic indicators to help the reader understand the environment in which the District's financial activities take place.	105 – 107
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	111 – 115

Source: Unless otherwise noted, the information in these schedules was obtained from the basic financial statements for the relevant years.

This is the fourth year the Brownsville Navigation District prepared a Comprehensive Annual Financial Report that includes statistical information. The District has reported ten years of information whenever the data was readily available.



**This page intentionally left blank.**

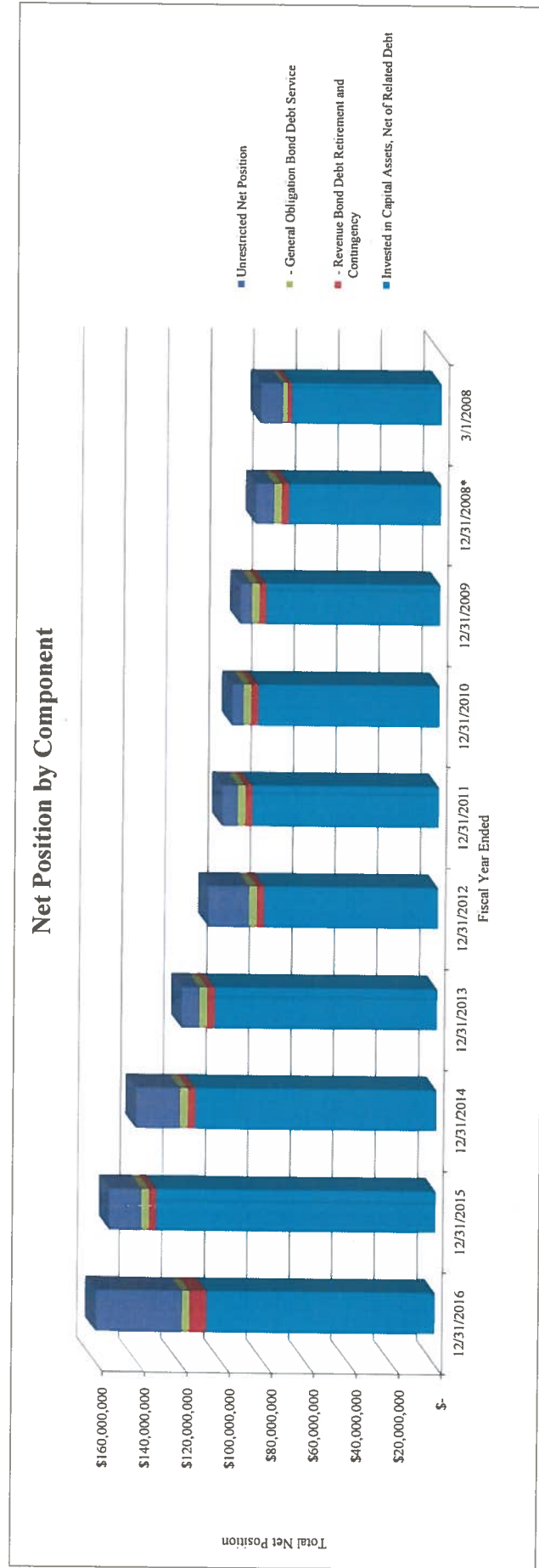
## **Financial Trends**

**This page intentionally left blank.**

**Brownsville Navigation District of Cameron County, Texas**  
**Net Position by Component**

Last Ten Fiscal Years  
 (Accrual Basis of Accounting)  
 (Unaudited)

	Fiscal Year Ended									
	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008*	3/1/2008
<b>Enterprise Fund</b>										
Invested in Capital Assets, Net of Related Debt	\$ 107,709,645	\$ 131,432,039	\$ 113,617,071	\$ 104,822,625	\$ 81,820,846	\$ 87,750,239	\$ 85,432,090	\$ 81,853,912	\$ 71,486,406	\$ 70,503,901
Restricted Net Position for:										
- Revenue Bond Debt Retirement and Contingency	7,852,103	3,333,159	3,362,698	3,477,755	3,295,001	3,187,128	3,143,836	3,071,700	3,391,345	2,294,246
- General Obligation Bond Debt Service	3,565,749	3,777,243	3,750,580	3,755,986	3,818,754	3,700,291	3,722,999	3,665,627	3,612,104	1,996,856
Unrestricted Net Position	40,483,261	15,068,760	20,614,818	8,260,167	19,177,471	7,394,664	5,406,303	5,585,275	8,524,353	10,155,915
<b>Total Enterprise Fund Net Position</b>	<b>\$ 159,610,758</b>	<b>\$ 153,611,201</b>	<b>\$ 141,345,167</b>	<b>\$ 120,316,533</b>	<b>\$ 108,112,072</b>	<b>\$ 102,032,322</b>	<b>\$ 97,705,228</b>	<b>\$ 94,174,514</b>	<b>\$ 87,014,208</b>	<b>\$ 84,950,918</b>



\*Fiscal year changed from a March 1 year-ending to a December 31 year-ending in 2008. Fiscal year-ended 12/31/2008 was for 10 months only.

**Brownsville Navigation District of Cameron County, Texas**  
**Changes in Net Position**

Last Ten Fiscal Years  
(Accrual Basis of Accounting)  
(Unaudited)

	Fiscal Year Ended									
	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008*	3/1/2008
<b>Operating Revenues</b>										
Vessel services	\$ 8,489,466	\$ 9,234,414	\$ 7,018,584	\$ 6,082,195	\$ 7,400,081	\$ 6,071,290	\$ 4,598,057	\$ 5,510,892	\$ 5,600,029	\$ 6,148,619
Lease rentals	7,500,955	7,536,336	5,701,527	5,412,480	4,836,398	4,213,406	4,103,159	3,766,022	3,331,357	3,563,295
Port system	1,808,744	1,425,598	2,405,471	1,029,854	1,352,983	939,247	907,461	883,031	980,953	1,396,295
Other lease rentals	1,796,349	1,522,914	1,410,718	1,429,862	1,664,116	1,747,094	1,422,137	1,619,902	1,153,747	1,509,749
Other operating revenue	19,595,514	19,719,262	16,536,299	13,954,391	15,253,578	12,971,037	11,030,814	11,779,847	11,066,086	12,617,958
<b>Total Operating Revenues</b>	<b>11,145,456</b>	<b>9,969,657</b>	<b>9,533,067</b>	<b>8,462,386</b>	<b>8,634,582</b>	<b>8,435,659</b>	<b>8,455,421</b>	<b>8,030,279</b>	<b>7,206,580</b>	<b>8,369,931</b>
<b>Operating Expenses, Other Than Depreciation &amp; Amortization</b>										
Income from Operations Before Depreciation & Amortization	8,450,058	9,749,605	7,003,232	5,492,005	6,618,996	4,535,378	2,575,393	3,749,568	3,859,506	4,248,027
Amortization	5,193,028	3,982,459	3,604,738	2,650,096	1,110,000	1,110,000	1,110,000	1,110,000	1,761,528	2,085,111
Depreciation	3,257,030	5,767,146	3,398,494	2,841,909	3,118,676	941,921	(816,106)	503,954	2,097,978	2,162,916
<b>Operating Income (Loss)</b>	<b>327,437</b>	<b>285,865</b>	<b>260,285</b>	<b>282,271</b>	<b>261,865</b>	<b>351,411</b>	<b>411,473</b>	<b>577,825</b>	<b>705,344</b>	<b>788,460</b>
<b>Non-Operating Income (Expense)</b>										
Interest income on investments and direct financing leases - port system	714	251	43,916	76,745	81,941	86,833	91,518	98,341	94,581	131,310
Tax income - net of bad debt and collection expenses										
Penalties and Interest	107,227	127,430	138,101	129,320	132,695	125,130	129,549	130,902	113,986	153,506
Maintenance and Operations	465,849	583,784	581,854	562,939	559,115	571,669	612,400	602,150	436,847	550,779
General Obligation Debt Service	2,569,248	2,521,259	2,582,176	2,597,205	2,561,060	2,597,205	2,543,903	2,555,778	2,276,470	2,787,618
Interest expense and bond cost	(380,386)	(684,604)	(873,275)	(1,081,611)	(932,669)	(1,248,819)	(1,450,407)	(1,602,304)	(1,452,131)	(2,070,626)
Bond issuance costs	(4,400)	(5,150)	(4,150)	(137,136)	(58,946)	(69,752)	(69,752)	(66,264)	(57,682)	(78,266)
Bond service fees	(517,363)	(41,064)	(29,104)	(5,900)	(5,000)	(7,300)	(7,000)	(6,500)	(5,265)	(13,500)
Impairment loss on Bridge Project	2,368,326	2,787,771	2,621,205	2,373,080	2,568,798	2,329,667	2,512,308	2,368,131	2,074,355	(41,975)
Other non-operating income (expense)	5,625,356	8,554,917	6,019,699	5,214,989	5,687,474	3,271,588	1,696,202	2,872,085	4,172,333	(2,568,298)
<b>Total Other Income (Expense)</b>	<b>374,201</b>	<b>7,120,668</b>	<b>4,905,648</b>	<b>7,157,780</b>	<b>417,180</b>	<b>102,465</b>	<b>1,834,512</b>	<b>2,623,213</b>	<b>360,394</b>	<b>259,041</b>
<b>Income (Loss) Before Contributions and Extraordinary Items</b>	<b>5,999,557</b>	<b>15,684,927</b>	<b>21,138,257</b>	<b>12,372,769</b>	<b>6,104,654</b>	<b>3,374,053</b>	<b>3,530,714</b>	<b>5,495,298</b>	<b>4,532,727</b>	<b>(2,309,257)</b>
Capital contributions	153,611,201	141,345,167	120,316,533	108,112,072	102,032,322	97,705,228	94,174,514	87,014,208	84,950,918	87,260,175
Special Item - contribution of net assets	-	(3,418,893)	(69,678)	(168,308)	(118,210)	953,041	-	1,665,008	(2,469,436)	-
Special Item - franchise revenue	153,611,201	137,926,274	120,246,855	107,943,764	101,914,112	98,658,269	94,174,514	88,679,216	82,481,482	87,260,175
Extraordinary items	-	-	-	-	-	-	-	-	-	-
<b>Increase (decrease) in net position</b>	<b>5,999,557</b>	<b>15,684,927</b>	<b>21,138,257</b>	<b>12,372,769</b>	<b>6,104,654</b>	<b>3,374,053</b>	<b>3,530,714</b>	<b>5,495,298</b>	<b>4,532,727</b>	<b>(2,309,257)</b>
<b>Net position at beginning of year</b>	<b>153,611,201</b>	<b>141,345,167</b>	<b>120,316,533</b>	<b>108,112,072</b>	<b>102,032,322</b>	<b>97,705,228</b>	<b>94,174,514</b>	<b>87,014,208</b>	<b>84,950,918</b>	<b>87,260,175</b>
Prior period adjustments	-	-	-	-	-	-	-	-	-	-
<b>Net position at beginning of year - as restated</b>	<b>153,611,201</b>	<b>137,926,274</b>	<b>120,246,855</b>	<b>107,943,764</b>	<b>101,914,112</b>	<b>98,658,269</b>	<b>94,174,514</b>	<b>88,679,216</b>	<b>82,481,482</b>	<b>87,260,175</b>
<b>Net position at end of year</b>	<b>\$ 159,610,758</b>	<b>\$ 153,611,201</b>	<b>\$ 141,385,112</b>	<b>\$ 120,316,533</b>	<b>\$ 108,019,766</b>	<b>\$ 102,032,322</b>	<b>\$ 97,705,228</b>	<b>\$ 94,174,514</b>	<b>\$ 87,014,209</b>	<b>\$ 84,950,918</b>

\*Fiscal year change from a March 1 year ending to a December 31 year ending in 2008. Fiscal year ended 12/31/2008 was for 10 months only.

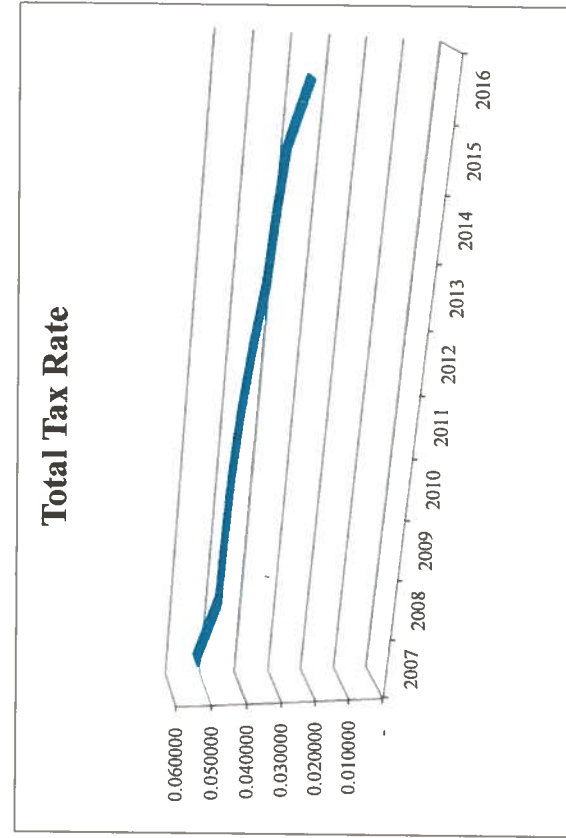
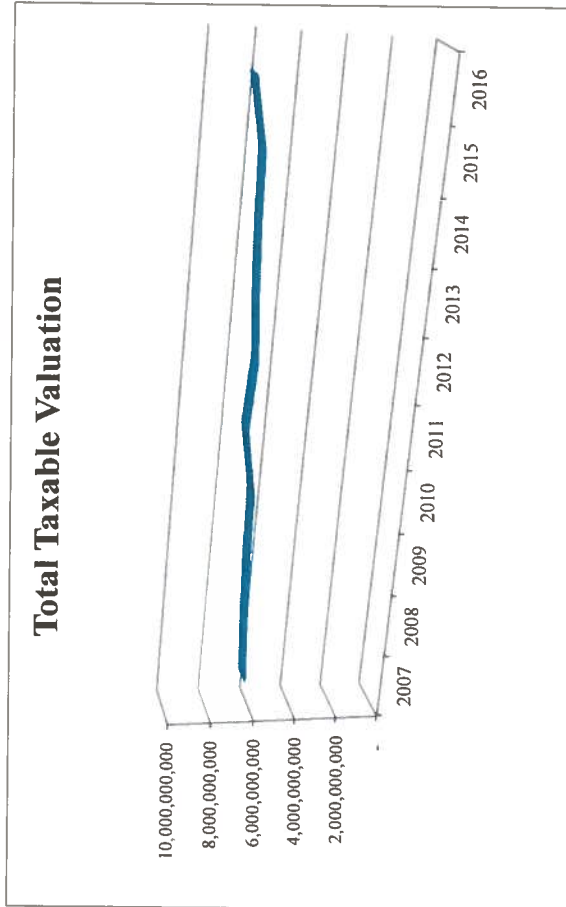
## **Revenue Capacity**

This page intentionally left blank.

**Brownsville Navigation District of Cameron County, Texas  
Ad Valorem Property Taxes**

Last Ten Tax Years  
(Accrual Basis of Accounting)  
(Unaudited)

Tax Year	Assessed Valuation			Adopted Tax Rates			Assessed Levy			Collected in the First Year of the Levy			Collections in Subsequent Years		Total Collections To Date	
	Assessed Value	Taxable Value	Total Rate	M&O Rate	G.O. Rate	Total Rate	M&O Levy	G.O. Levy	Total Levy	Amount	Percentage of Levy	Amount	Percentage of Levy	Years	Amount	Percentage of Levy
2016	9,313,207,153	8,252,793,196	0.006524	0.006524	0.029396	0.035920	538,336	2,426,070	2,964,406	2,080,573	70.19%	2,080,573	70.19%	-	2,080,573	70.19%
2015	8,642,364,710	7,644,482,406	0.006256	0.006256	0.034411	0.040667	478,239	2,630,542	3,108,781	2,254,659	72.53%	2,254,659	72.53%	741,523	2,996,182	96.38%
2014	8,533,232,826	7,539,555,606	0.007900	0.007900	0.034100	0.042000	595,625	2,570,990	3,166,615	2,293,099	72.41%	2,293,099	72.41%	817,989	3,111,089	98.25%
2013	8,314,802,420	7,368,557,604	0.008100	0.008100	0.034900	0.043000	576,855	2,571,636	3,148,492	2,251,662	71.52%	2,251,662	71.52%	856,902	3,108,564	98.73%
2012	8,020,807,724	7,119,854,819	0.008100	0.008100	0.037100	0.045200	576,697	2,641,479	3,218,177	2,299,853	71.46%	2,299,853	71.46%	885,515	3,185,368	98.98%
2011	7,819,215,942	7,283,310,136	0.008430	0.008430	0.038400	0.046830	580,593	2,644,694	3,225,287	3,035,813	94.13%	3,035,813	94.13%	161,946	3,197,759	99.15%
2010	7,645,015,630	6,755,307,381	0.008628	0.008628	0.039200	0.047828	583,941	2,653,047	3,236,988	3,030,740	93.63%	3,030,740	93.63%	181,156	3,211,896	99.22%
2009	7,632,032,815	6,676,131,020	0.009353	0.009353	0.038900	0.048253	628,527	2,614,109	3,242,636	3,034,357	93.58%	3,034,357	93.58%	185,584	3,219,941	99.30%
2008	7,546,736,522	6,543,368,909	0.009353	0.009353	0.039144	0.048497	622,869	2,606,820	3,229,689	3,027,704	93.75%	3,027,704	93.75%	181,768	3,209,472	99.37%
2007	7,243,157,088	6,351,998,091	0.008843	0.008843	0.044766	0.053609	561,579	2,841,930	3,403,509	3,182,035	93.49%	3,182,035	93.49%	201,783	3,383,818	99.42%





## Brownsville Navigation District of Cameron County, Texas Ten Principal Taxpayers in Cameron County

Current Year and Nine Years Ago  
(Unaudited)

No.	Taxpayer	Type of Activity	Fiscal Year 2016 Assessed		Fiscal Year 2007 Assessed		Percentage of Assessed Valuation
			Value	Percentage of Assessed Valuation	Value	Percentage of Assessed Valuation	
1	AEP Texas Central Co.	Electrical Utility	\$ 164,105,469	1.03%	\$ 88,204,300	0.91%	
2	Panasonic Automotive Electronics	Manufacturing	103,190,524	0.65%	26,034,212	0.27%	
3	VHS Harlingen Hospital Company	Health Care	73,853,442	0.46%	-	0.00%	
4	GLH LP		58,007,000	0.36%	-	0.00%	
5	Union Pacific Rail Road	Rail Road	50,722,644	0.32%	-	0.00%	
6	Los Vientos Windpower, LLC	Electrical Utility	48,414,790	0.30%	-	0.00%	
7	Cross Valley Project Entity		46,485,990	0.29%	-	0.00%	
8	CBL/Sunrise Commons, L.P.	Retail Mall	43,425,055	0.27%	38,922,610	0.40%	
9	Wal-Mart Stores, Inc.	Retail	33,554,449	0.21%	37,286,260	0.38%	
10	Trico Products Corporation	Manufacturing	33,365,715	0.21%	36,442,904	0.37%	
<b>Total Assessed Valuation</b>			<b>\$ 655,125,078</b>	<b>4.10%</b>	<b>\$ 226,890,286</b>	<b>2.33%</b>	

\*Due to mergers, closing of plants and diversification of companies, the current top ten taxpayers were not always listed in the top ten and therefore the data was not available in prior years.

Source - Cameron County, Texas CAFR

**Brownsville Navigation District of Cameron County, Texas**  
**Operating Revenue and Expenses by Type**  
 Last Ten Fiscal Years  
 (Accrual Basis of Accounting)  
 (Unaudited)

	Fiscal Year Ended									
	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008*	3/1/2008
<b>Operating Revenues</b>										
Vessel Services	8,489,466	9,234,414	7,018,584	6,082,195	7,400,081	6,071,290	4,598,057	5,510,892	5,600,029	6,148,619
Lease Rentals - Port System	7,500,955	7,536,336	5,701,527	5,412,480	4,636,398	4,213,406	4,103,159	3,766,022	3,331,357	3,563,295
Other Lease Rentals	1,808,744	1,425,598	2,405,471	1,029,854	1,352,983	939,247	907,461	883,031	980,953	1,396,295
Other Operating Revenue	1,796,349	1,522,914	1,410,718	1,429,862	1,664,116	1,747,094	1,422,137	1,619,902	1,537,747	1,509,749
<b>Total Operating Revenue</b>	<b>19,595,514</b>	<b>19,719,262</b>	<b>16,536,299</b>	<b>13,954,391</b>	<b>15,253,578</b>	<b>12,971,037</b>	<b>11,030,814</b>	<b>11,779,847</b>	<b>11,066,085</b>	<b>12,617,958</b>
<b>Operating Expenses</b>										
Wages	4,218,815	3,970,272	3,653,667	3,383,096	3,414,677	3,462,861	3,300,810	3,315,291	2,523,191	2,722,408
Payroll Taxes	341,754	299,604	294,504	260,275	281,092	276,655	250,004	228,782	179,876	193,171
Net Pension Expense	498,714	391,411								
Services	356,976	443,671	301,181	340,792	293,763	322,115	250,076	263,071	218,886	411,941
Materials	813,761	892,166	678,128	689,755	820,675	581,740	666,179	596,943	539,951	650,752
Utilities	794,425	770,396	845,664	813,577	750,961	751,295	675,562	601,574	601,574	756,520
Insurance	1,268,947	1,243,392	1,132,852	995,831	1,062,878	1,092,838	1,108,981	1,068,276	905,686	1,099,060
Fuels	67,152	62,863	106,926	119,047	83,525	88,278	87,663	78,281	30,016	45,392
Legal & Auditing	288,459	311,246	307,378	212,009	145,854	205,955	149,751	165,656	160,159	507,009
Consultant Fees	605,990	678,711	762,120	646,883	553,655	530,469	564,257	856,223	600,201	838,489
Supplies	73,734	102,299	71,486	85,482	70,462	69,946	63,848	85,719	73,759	77,447
Computer Expense	375,280	206,827	174,345	99,618	129,528	105,473	88,588	55,548	40,634	40,132
Employee Expenses	115,118	87,863	62,416	63,235	74,202	66,660	57,902	82,436	53,869	59,301
Other Expense	262,696	99,275	197,773	86,455	109,161	97,345	181,960	40,809	148,107	113,036
Contracts Rental & Repairs	40,320	21,660	6,394	27,289	36,996	23,742	21,961	29,690	19,390	31,158
Travel	170,115	158,886	148,543	146,002	128,731	145,674	149,128	119,789	124,533	113,086
Advertising	140,000	24,764	28,851	28,851	39,073	44,009	34,159	67,363	145,180	99,123
Safety	25,383	20,992	9,198	15,602	12,512	10,455	9,796	7,623	2,643	695
Doubtful Accounts	311,113		171,417				208,794	(153,429)	114,165	125,443
Shop cost of sales	214,913	60,028	61,940							
Land Lease and Rental Robotic	18,225	17,820	17,415	17,010	163,348	42,963	137,347	159,513	466,953	248,330
Retirement	29,757		445,506	351,109	380,174	383,919	402,541	273,856	175,000	211,443
Promotional	113,809	74,602	59,447	80,468	83,314	133,267	46,105	40,906	82,808	25,996
<b>Total Operating Expenses</b>	<b>11,145,456</b>	<b>9,969,657</b>	<b>9,533,067</b>	<b>8,462,386</b>	<b>8,634,582</b>	<b>8,435,659</b>	<b>8,455,421</b>	<b>8,030,280</b>	<b>7,206,579</b>	<b>8,369,931</b>
<b>Net Operating Income before Depreciation and Amortization</b>	<b>8,450,058</b>	<b>9,749,605</b>	<b>7,003,232</b>	<b>5,492,005</b>	<b>6,618,996</b>	<b>4,535,378</b>	<b>2,575,393</b>	<b>3,749,568</b>	<b>3,859,506</b>	<b>4,248,027</b>
<b>Non-Operating Income (Expense)</b>										
Interest Inc. on investments and direct leases	327,437	285,865	260,285	282,271	343,807	438,244	502,991	676,166	705,344	788,460
Interest Income other	714	251	43,916	76,745						
Tax income - net of bad debt and collection exp										
Penalty and interest										
Maintenance and operations	107,227	127,430	138,101	129,320	132,695	125,130	129,549	130,902	113,986	153,506
General Obligation Bond Debt Service	465,849	583,784	581,854	562,939	559,115	571,669	612,400	602,150	436,847	550,779
Interest Expense and Bond Costs	2,569,248	2,521,259	2,503,579	2,582,176	2,561,060	2,597,205	2,543,903	2,555,778	2,276,470	2,787,618
Capital contributions	(580,386)	(684,604)	(873,275)	(1,224,647)	(996,615)	(1,325,871)	(1,527,159)	(1,675,068)	(1,515,078)	(2,162,392)
Special Item - contribution on net assets	374,201	7,120,668	4,905,648	7,157,780	417,180	102,465	1,061,585	1,869,900		
Special Item - franchise revenue			9,787,478							
Impairment Loss on Bridge Project		9,342	425,431							
Bond service fees	(4,400)	(5,150)	(4,150)							(6,938,520)
Other Non-Operating Income (Expense)	(517,363)	(41,064)	(29,104)	(35,724)	(31,264)	(76,710)	250,624	78,203	56,786	89,335
<b>Net Non-Operating Income (Expense)</b>	<b>2,742,527</b>	<b>9,917,782</b>	<b>17,739,764</b>	<b>9,530,860</b>	<b>2,985,978</b>	<b>2,432,132</b>	<b>3,573,893</b>	<b>4,238,031</b>	<b>2,074,355</b>	<b>(4,731,214)</b>
<b>Amortization</b>										
	\$ 11,192,585	\$ 19,667,386	\$ 24,742,996	\$ 15,022,866	\$ 9,604,974	\$ 6,967,510	\$ 6,149,286	\$ 7,987,599	\$ 5,933,861	\$ (483,187)

\*Fiscal year change from a March 1 year ending to a December 31 year ending in 2008. Fiscal year ending 12 31 2008 was for 10 months only.

**Brownsville Navigation District of Cameron County, Texas  
Vessel Services Revenues at the Port of Brownsville**

Last Ten Fiscal Years  
(Accrual Basis of Accounting)  
(Unaudited)

*Summary information on vessel and cargo traffic is presented in these tables, complete information on vessel and cargo traffic may be found in the Cargo Statistics that are published by the Port of Brownsville.*

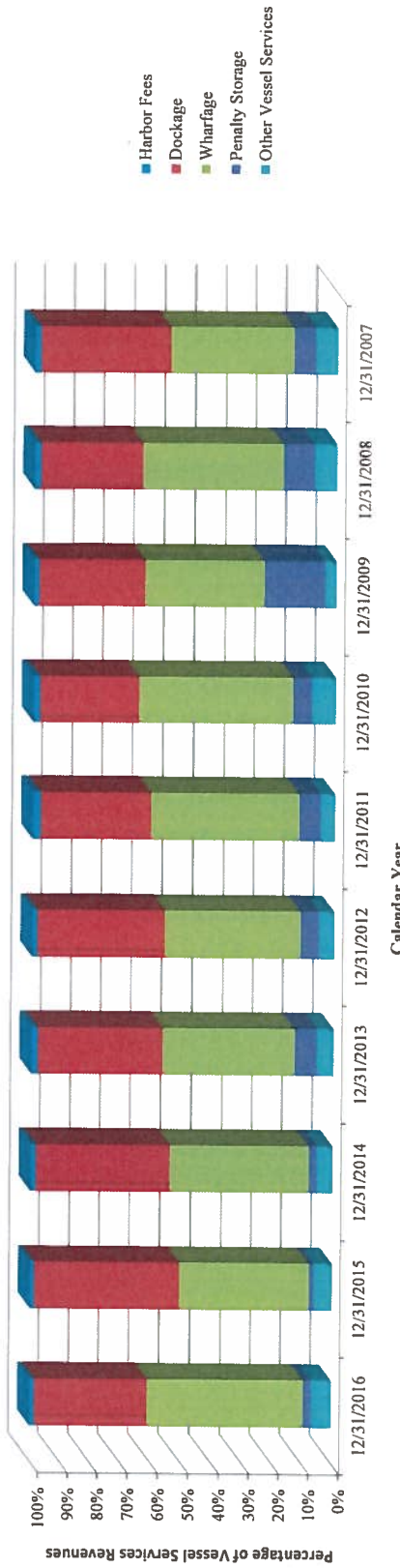
Port Calls by Vessel Type	Calendar Year									
	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007
Deep Sea Vessels	566	508	426	431	376	379	329	277	348	275
River Barges	525	632	633	628	707	859	657	506	733	760
Mexican Fishing Vessels	-	-	-	-	-	-	-	-	18	24
<b>Total</b>	<b>1,091</b>	<b>1,140</b>	<b>1,059</b>	<b>1,059</b>	<b>1,083</b>	<b>1,238</b>	<b>986</b>	<b>783</b>	<b>1,099</b>	<b>1,059</b>
<b>Waterborne Cargo Traffic (metric tons)</b>										
Petroleum and Coal Products	3,969,746	3,847,525	3,250,587	3,165,361	2,870,526	2,863,803	2,732,112	2,455,046	2,204,631	1,803,935
Primary Metal Products	2,243,315	2,277,559	2,400,368	1,631,151	2,053,063	1,636,080	1,354,076	1,212,640	2,036,858	1,914,316
Non-Metallic Minerals	653,142	933,470	457,538	332,346	364,257	493,777	267,319	552,215	822,158	266,114
Waste and Scrap Materials	35,962	48,221	115,192	188,633	229,612	274,774	131,334	115,707	120,676	109,330
Other Cargos	58,622	47,350	24,204	17,376	19,232	103,217	125,259	71,149	121,988	188,314
<b>Total Cargo Traffic</b>	<b>6,960,787</b>	<b>7,154,125</b>	<b>6,247,890</b>	<b>5,334,868</b>	<b>5,536,689</b>	<b>5,371,651</b>	<b>4,610,100</b>	<b>4,406,757</b>	<b>5,306,311</b>	<b>4,282,009</b>

*Charges for vessel services are specified in the current edition of the Tariff. Rates, Rules and Regulations Governing the Brownsville Ship Channel and the Public Wharves, Piers, Docks and Equipment. Selected information regarding rates for vessel services are presented here, complete information is contained in the Tariff, which is published by the Port of Brownsville.*

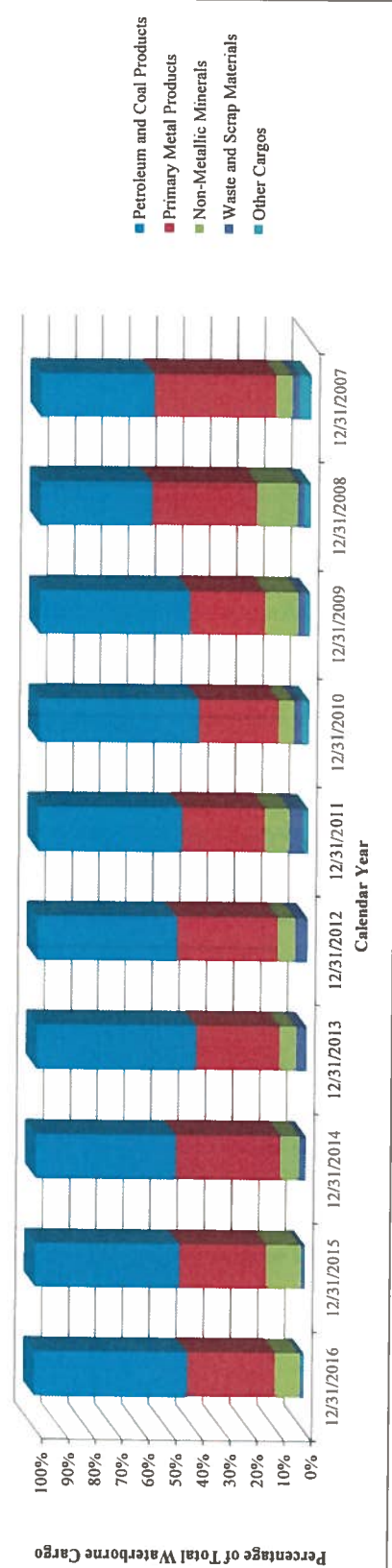
<b>Harbor Fees (per Port Call)</b>												
Deep Sea Vessels	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00
Deep Sea Vessels at the Bulk Cargo Dock	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00
River Barges	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Mexican Fishing Vessels	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00
<b>Dockage (rate for Gross Registered Ton/day)</b>												
Dockage - General Cargo Docks	0.16	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Dockage - Bulk Cargo Dock	0.16	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Dockage - Oil Docks/Liquid Cargo Docks/Express Dock	0.16	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Dockage - Fitting for grain	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Dockage - Layberth	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Dockage - Scrap vessels and Drilling Rigs	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Dockage - River Barges (per day)	80.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00
<b>Wharfage - Major Commodities</b>												
Petroleum and Coal Products (per barrel)	0.065	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Primary Metal Products (per metric ton)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Primary Metal Products - Volume Incentive (per metric ton)	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46
Non-Metallic Minerals - Aggregates (per metric ton)	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
Non-Metallic Minerals - Covered Storage (per metric ton)	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37
Non-Metallic Minerals - Open Storage (per metric ton)	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09
Waste and Scrap Materials (per metric ton)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Miscellaneous Cargos - Not Otherwise Specified	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37
<b>Free Time and Penalty Storage (per metric ton/day)</b>												
Covered Storage - General Cargo Sheds	0.1103	0.1103	0.1103	0.1103	0.1103	0.1103	0.1103	0.1103	0.1103	0.1103	0.1103	0.1103
Open Docks and Patis	0.0221	0.0221	0.0221	0.0221	0.0221	0.0221	0.0221	0.0221	0.0221	0.0221	0.0221	0.0221

Vessel Revenue by Major Component	Calendar Year										
	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007	
Harbor Fees	\$ 133,100	\$ 133,300	\$ 125,750	\$ 125,213	\$ 130,725	\$ 160,166	\$ 104,525	\$ 95,423	\$ 136,782	\$ 123,916	
Dockage	3,189,883	4,439,440	3,105,870	2,528,683	3,125,720	2,227,647	1,507,551	1,936,903	2,126,184	2,636,962	
Wharfage	4,407,624	3,999,989	3,259,144	2,662,134	3,338,674	2,982,673	2,351,775	2,175,995	2,934,204	2,513,859	
Penalty Storage	219,957	141,345	179,013	449,104	454,799	429,412	284,822	1,113,225	641,365	444,220	
Other Vessel Services	538,902	520,340	348,807	317,061	350,163	271,393	349,384	189,346	456,020	425,329	
Total Vessel Services	\$ 8,489,466	\$ 9,234,414	\$ 7,018,584	\$ 6,082,195	\$ 7,400,081	\$ 6,071,292	\$ 4,598,057	\$ 5,510,892	\$ 6,294,555	\$ 6,144,286	

Vessel Revenue by Major Component



Major Waterborne Cargoes



**Brownsville Navigation District of Cameron County, Texas  
Principal Customers for Vessel Services at the Port of Brownsville**

Current Year and Nine Years Ago  
(Unaudited)

	Fiscal Year Ending					
	2016			2007		
Customer	2016 Revenues	Rank	Total Percentage	2007 Revenues	Rank	Total Percentage
Gulf Stream Marine	\$ 1,949,928	1	23%	\$ 1,047,891	2	20%
Dix Agency Brownsville, LLP	1,881,511	2	22%	1,506,180	1	28%
Frontera Brownsville, LLC	1,509,637	3	18%			
Admiral Steamship Agency	605,865	4	7%	341,029	5	6%
Schaefer Stevedoring	573,244	5	7%	605,788	3	11%
T. Parker Host Gulf, Inc.	359,272	6	4%			
Moran Shipping Agency of Texas, Inc.	248,258	7	3%			
Maverick Fuel Oil Terminal, LLC	232,246	8	3%			
ISS Marine Services, Inc.	211,589	9	2%			
Gulf Harbor Shipping, LLC	165,860	10	2%	114,861	9	2%
Vulcan Construction Materials	160,738	11	2%	77,617	11	1%
Transmontaigne Operating Co. LP	126,175	12	1%	524,741	4	10%
Norton Lilly International	92,706	13	1%			
Kirby Inland Marine, Inc.	92,650	14	1%			
Interlube Corp., Inc.	63,160	15	1%			
Biehl & Company, Inc.				307,460	6	6%
Esco Marine, Inc.				222,443	7	4%
Bedoli Group, Inc.				119,853	8	2%
NSA Agencies, Inc.				111,152	10	2%
Inchcape Shipping Services				39,275	12	1%
American Commercial Barge				34,917	13	1%
905 Logistics, LLC				33,318	14	1%
Transforma Marine Corp.				31,202	15	1%
<b>Total Vessel Revenues</b>	<b>\$ 8,489,466</b>		<b>97%</b>	<b>\$ 5,352,218</b>		<b>96%</b>

**Brownsville Navigation District of Cameron County, Texas**  
**Lease Rental Revenues**  
 Last Ten Fiscal Years  
 (Accrual Basis of Accounting)  
 (Unaudited)

Summary information on lease rental rates is presented in these tables, complete information on lease rental rates at the Port of Brownsville may be found in the Leasing Policies that are published by the Port of Brownsville.

**Selected rates from the TABLE OF LEASE RENTAL RATES**

	Fiscal Year									
	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009	*12/31/2008	3/1/2008
<b>Turning Basin Leases (per acre/year)</b>										
Waterfront	\$ 5,874	\$ 5,844	\$ 5,844	\$ 5,844	\$ 5,844	\$ 5,844	\$ 5,844	\$ 3,600	\$ 3,600	\$ 3,600
Highway Frontage	3,839	3,819	3,819	3,819	3,819	3,819	3,819	2,400	2,400	2,400
Port Entrance Sites	3,421	3,403	3,403	3,403	3,403	3,403	3,403	-	-	-
Commercial Property	-	-	-	-	-	-	-	-	-	-
Inside Port/Off-Waterfront	2,036	2,025	2,025	2,025	2,025	2,025	2,025	2,000	2,000	2,000
<b>Fishing Harbor Leases</b>										
Rate is calculated per linear foot of street frontage/month until 2010, when the rate was changed to a per acre/year basis.)										
Waterfront	4,517	4,494	4,494	4,494	4,494	4,494	4,494	1	1	1
Off-Water	4,177	4,156	4,156	4,156	4,156	4,156	4,156	1	1	1

An increase to the Table of Lease Rental Rates was adopted by the Board in December, 2010. New leases had been negotiated at the 2010 lease rates beginning in 2008, and the new lease rates began to be implemented for current lessees at December 1, 2010 on July 1, 2011, with a 5-year phase-in.

**Rental Rates for Railroad Track Established by Contract Between the Brownsville Navigation District and the Brownsville & Rio Grande International Railroad**

Railroad Track Rental (per car)	20	20	20	20	20	20	20	20	20	15
Lease Rental Revenues	\$ 9,309,699	\$ 8,961,934	\$ 8,106,998	\$ 6,442,334	\$ 6,189,381	\$ 5,152,653	\$ 5,010,620	\$ 4,649,053	\$ 4,312,310	\$ 4,959,590

\*Fiscal year change from a March 1 year ending to a December 31 year ending in 2008. Fiscal year ended 12/31/2008 was for 10 months only.

**Brownsville Navigation District of Cameron County, Texas**  
**Principal Customers for Lease Rentals**

Current Year and Nine Years Ago

(Unaudited)

Customer	Fiscal Year Ended					
	2016			2017		
	2016 Revenues	Rank	Total Percentage 2016	2017 Revenues	Rank	Total Percentage 2017
Transmontaigne Operating Co LP	\$ 978,412	1	11%	\$ 429,338	2	9%
Esco Marine, Inc.	631,428	2	7%	174,413	6	4%
Next Decade, LLC	584,400	3	6%			
Bedoli Group, Inc.	515,967	4	6%	69,121	12	2%
Annova LNG LLC	393,871	5	4%			
Texas LNG Brownsville, LLC	365,250	6	4%			
International Shipbreaking LTD	362,224	7	4%	219,816	5	5%
Brownsville Rio Grande International Railway	324,451	8	3%	733,804	1	16%
Citigo Petroleum Corporation	239,545	9	3%	242,790	4	5%
Bay Bridge Texas, LLC	227,324	10	2%			
Keppel Amfels, Inc.	218,824	11	2%	387,992	3	9%
Dix Industries, Inc.	210,600	12	2%			
Fortune Ferrous, Inc.	177,813	13	2%			
Gulf Stream Marine, Inc.	141,166	14	2%			
Vestas-American Wind	121,000	15	1%			
Brownsville Public Utilities Board				112,000	7	2%
Rio Vista Operating				111,413	8	2%
Transforma Marine Corporation				99,792	9	2%
Valero Logistics Operations LP				98,663	10	2%
Brownsville Gulfside Warehouse				85,772	11	2%
Sanchez Oil & Gas Corporation				66,788	13	1%
RTW Properties, LP				59,266	14	1%
Gulf Facilities, Inc.				56,556	15	1%
<b>Total Lease Rental Revenues</b>	<b>\$ 9,309,699</b>		<b>59%</b>	<b>\$ 4,524,712</b>		<b>65%</b>

## **Debt Capacity**



This page intentionally left blank.

**Brownsville Navigation District of Cameron County, Texas**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
 (Accrual Basis of Accounting)  
 (Unaudited)

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Loans</u>	<u>Capital Leases</u>	<u>Total Debt Outstanding</u>	<u>Assets Restricted for Debt Service</u>	<u>Total Net Outstanding Debt</u>
2007	23,791,278	15,509,210	-	1,687,770	40,988,258	7,781,421	33,206,837
2008	22,126,006	14,209,934	-	1,416,065	37,752,005	7,639,453	30,112,552
2008a <sup>2</sup>	22,108,332	14,214,703	-	1,180,040	37,503,075	10,123,183	27,379,892 <sup>1</sup>
2009	20,447,614	12,850,428	-	884,780	34,182,822	9,400,848	24,781,974 <sup>1</sup>
2010	18,696,847	11,686,151	-	575,822	30,958,820	9,412,853	21,545,967 <sup>1</sup>
2011	16,783,171	10,456,874	-	252,530	27,492,575	9,452,674	18,039,901 <sup>1</sup>
2012	14,771,088	19,157,598	-	-	33,928,686	19,257,202	14,671,484 <sup>1</sup>
2013	12,674,005	17,783,322	-	-	30,457,327	17,052,000	13,405,326 <sup>1</sup>
2014	10,583,891	14,669,045	-	-	25,252,936	12,842,436	12,410,500 <sup>1</sup>
2015	8,287,480	13,270,000	-	-	21,557,480	7,110,402	14,447,078 <sup>1</sup>
2016	5,887,756	41,880,061	-	-	47,767,817	-	47,767,817 <sup>1</sup>

<u>Fiscal Year</u>	<u>Taxable Property Valuation</u>	<u>Outstanding Debt as a Percentage of Taxable Property Value</u>	<u>Cameron County Population</u>	<u>Per Capita Debt</u>	<u>Per Capita Income</u>	<u>Outstanding Debt as a Percentage of Per Capita Income</u>
2007	6,351,998,091	0.47%	387,717	165	13,293	1.24%
2008	6,543,368,909	0.42%	387,717	150	12,511	1.20%
2008a <sup>2</sup>	6,543,368,909	0.38%	387,717	136	12,511	1.09%
2009	6,676,131,020	0.32%	387,717	118	13,377	0.88%
2010	6,755,307,381	0.27%	406,220	94	13,474	0.70%
2011	7,283,310,136	0.20%	406,220	77	13,474	0.57%
2012	7,119,854,819	0.19%	406,220	70	14,183	0.49%
2013	7,368,557,604	0.17%	415,557	63	14,405	0.44%
2014	7,539,555,606	0.19%	417,296 <sup>3</sup>	74	14,405 <sup>3</sup>	0.51%
2015	7,644,482,406	0.19%	420,392 <sup>4</sup>	73	14,898 <sup>4</sup>	0.49%
2016	8,252,793,196	0.58%	422,156 <sup>5</sup>	240	15,105 <sup>5</sup>	1.59%

<sup>1</sup> Prior to Fiscal Year 2008a, the District's fiscal year coincided with the debt service payments, resulting in a minimal balance in the debt service accounts at the end of the fiscal year. The change from a March 1st fiscal year-end to a December 31st fiscal year-end has resulted in the bulk of the debt service remaining in the debt service accounts at the end of the fiscal year, with the principal payments and six month's of interest payments to be made in the second month of the following fiscal year.

<sup>2</sup> Fiscal year 2008a was a transitional fiscal year between a March 1st year-end and a December 31st year end. This fiscal year was 10-months in length, and subsequently, there was only one debt service payment date in Fiscal 2008a, on September 1, 2008, for interest-only payments.

<sup>3</sup> Data from the Cameron County 2014 CAFR

<sup>4</sup> Data from the Cameron County 2015 CAFR

<sup>5</sup> Data from the Cameron County 2015 CAFR

Notes: Details regarding the District's outstanding debt can be found in the Notes to the Financial Statements.

See Table 3 for property value data

Population data can be found in Table 15

**Brownsville Navigation District of Cameron County, Texas**  
**Revenue Bond Debt Service Requirements**  
**Last Ten Fiscal Years**  
 (Accrual Basis of Accounting)  
 (Unaudited)

	Fiscal Year Ended									
	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008*	3/1/2008
<b>First Lien Revenue Bond - Series 1993</b>										
Principal Maturity	-	-	-	-	-	-	-	-	-	190,000
Interest Payments	-	-	-	-	-	-	-	-	-	10,640
Total Bond Requirement	-	-	-	-	-	-	-	-	-	200,640
<b>First Lien Revenue Bond - Series 1996</b>										
Principal Maturity	-	-	-	-	-	-	680,000	640,000	-	410,000
Interest Payments	-	-	-	-	-	-	19,380	178,965	159,585	342,130
Total Bond Requirement	-	-	-	-	-	-	699,380	818,965	159,585	752,130
<b>First Lien Revenue Bond - Series 2000</b>										
Principal Maturity	-	-	-	-	200,000	190,000	185,000	175,000	-	165,000
Interest Payments	-	-	-	-	5,100	142,183	151,465	162,123	84,124	180,623
Total Bond Requirement	-	-	-	-	205,100	332,183	336,465	337,123	84,124	345,623
<b>First Lien Revenue Bond - Series 2002A</b>										
Principal Maturity	105,000	100,000	95,000	90,000	85,000	85,000	80,000	75,000	-	75,000
Interest Payments	10,064	11,374	12,620	13,800	34,186	56,000	59,858	64,334	33,479	69,333
Total Bond Requirement	115,064	111,374	107,620	103,800	119,186	141,000	139,858	139,334	33,479	144,333
<b>First Lien Revenue Bond - Series 2002B</b>										
Principal Maturity	110,000	105,000	105,000	100,000	95,000	90,000	85,000	80,000	-	80,000
Interest Payments	10,480	11,853	13,195	14,503	36,140	59,260	63,352	68,107	35,447	74,406
Total Bond Requirement	120,480	116,853	118,195	114,503	131,140	149,260	148,352	148,107	35,447	154,406
<b>First Lien Revenue Bond - Series 2009</b>										
Principal Maturity	-	900,000	855,000	815,000	775,000	740,000	10,000	-	-	-
Interest Payments	-	21,825	64,384	104,881	143,439	180,179	198,367	83,304	-	-
Total Bond Requirement	-	921,825	919,384	919,881	918,439	920,179	208,367	83,304	-	-
<b>First Lien Revenue Bond - Series 2011</b>										
Principal Maturity	255,000	245,000	240,000	235,000	15,000	-	-	-	-	-
Interest Payments	45,978	53,503	60,802	67,951	61,122	-	-	-	-	-
Total Bond Requirement	300,978	298,503	300,802	302,951	76,122	-	-	-	-	-
<b>First Lien Revenue Bond - Series 2012</b>										
Principal Maturity	335,000	50,000	50,000	-	-	-	-	-	-	-
Interest Payments	310,467	316,608	318,203	216,211	-	-	-	-	-	-
Total Bond Requirement	645,467	366,608	368,203	216,211	-	-	-	-	-	-
<b>First Lien Revenue Bond - Series 2016</b>										
Principal Maturity	-	-	-	-	-	-	-	-	-	-
Interest Payments	588,186	-	-	-	-	-	-	-	-	-
Total Bond Requirement	588,186	-	-	-	-	-	-	-	-	-
<b>Junior Lien Revenue Bond - Series 2002</b>										
Principal Maturity	-	-	-	-	-	-	-	275,000	-	265,000
Interest Payments	-	-	-	-	-	-	-	7,219	7,219	28,350
Total Bond Requirement	-	-	-	-	-	-	-	282,219	7,219	293,350
<b>Junior Lien Revenue Bond - Series 2003</b>										
Principal Maturity	-	-	-	140,000	135,000	130,000	130,000	125,000	-	120,000
Interest Payments	-	-	-	78,495	83,584	88,404	93,035	97,185	49,530	102,960
Total Bond Requirement	-	-	-	218,495	218,584	218,404	223,035	222,185	49,530	222,960
<b>Total Revenue Bonds</b>										
Principal Maturity	805,000	1,400,000	1,345,000	1,380,000	1,305,000	1,235,000	1,170,000	1,370,000	-	1,305,000
Interest Payments	965,175	415,163	469,204	495,840	363,571	526,026	585,457	661,237	369,384	808,442
<b>Annual Revenue Bond Debt Service</b>	\$ 1,770,175	\$ 1,815,163	\$ 1,814,204	\$ 1,875,840	\$ 1,668,571	\$ 1,761,026	\$ 1,755,457	\$ 2,031,237	\$ 369,384	\$ 2,113,442
<b>Net Revenues Available for Debt Service on Revenue Bonds (See Table 12)</b>	\$ 9,468,720	\$ 17,389,618	\$ 22,505,299	\$ 12,894,088	\$ 7,683,277	\$ 5,107,834	\$ 5,182,971	\$ 7,069,737	\$ 4,398,776	\$ (1,929,929)
<b>Coverage Ratio (Net Revenues Available for Debt Service/Annual Debt Service)</b>	3.82	23.96	28.09	12.76	7.88	3.02	2.12	2.69	2.46	(0.95)

All of the net revenues of the District are pledged for the payment of the bond principal and interest of the First Lien Revenue Bonds - See Note 9

\*Fiscal year change from a March 1 year ending to a December 31 year ended in 2008. Fiscal year ended 12/31/2008 was for 10 months only.

**Brownsville Navigation District of Cameron County, Texas**  
**Net Revenues Available for Debt Service on Revenue Bonds**  
 Last Ten Fiscal Years  
 (Accrual Basis of Accounting)  
 (Unaudited)

	Fiscal Year Ended									
	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008*	3/1/2008
<b>Gross Revenues</b>										
<b>Operating Revenues</b>										
Wharf Operations	\$ 8,296,515	\$ 8,839,423	\$ 6,734,176	\$ 5,785,934	\$ 7,183,128	\$ 5,824,799	\$ 4,286,523	\$ 5,353,121	\$ 5,229,445	\$ 5,721,209
Industrial Development	8,709,256	8,702,288	7,969,720	6,403,675	6,031,971	5,101,059	4,973,262	4,613,875	4,269,036	4,918,890
Foreign Trade Zone	430,387	412,423	411,863	402,739	451,418	431,554	410,851	379,367	302,347	446,652
Facilities Maintenance	239,041	121,647	70,178	34,800	(6,968)	289,228	261,382	194,017	310,499	288,249
Mobile Harbor Crane	499,537	433,065	263,173	202,306	285,306	-	-	-	-	-
Security	656,067	559,112	439,378	412,988	468,276	411,157	342,220	360,054	328,985	352,062
Environmental Services	-	-	-	-	-	-	-	-	95,740	181,072
Engineering & Utilities	647,808	544,724	571,709	625,974	754,329	831,452	668,698	589,249	530,033	685,363
Water Plant & Distribution System	116,904	106,580	76,101	87,176	86,117	81,789	87,878	290,165	-	-
<b>Total</b>	<b>19,595,514</b>	<b>19,719,262</b>	<b>16,536,299</b>	<b>13,955,592</b>	<b>15,253,578</b>	<b>12,971,038</b>	<b>11,030,814</b>	<b>11,779,847</b>	<b>11,066,085</b>	<b>12,593,497</b>
<b>Non-Operating Revenues</b>										
Interest on Investments	321,026	279,454	296,834	352,605	337,396	454,763	526,175	595,089	810,406	791,686
Other	909,634	7,789,952	15,782,778	7,796,071	1,150,884	782,889	2,761,105	3,549,185	480,950	981,228
<b>Total</b>	<b>1,230,660</b>	<b>8,069,407</b>	<b>16,079,612</b>	<b>8,148,676</b>	<b>1,488,279</b>	<b>1,237,652</b>	<b>3,287,280</b>	<b>4,144,274</b>	<b>1,291,356</b>	<b>1,772,914</b>
<b>Total Gross Revenues</b>	<b>20,826,174</b>	<b>27,788,668</b>	<b>32,615,911</b>	<b>22,104,268</b>	<b>16,741,857</b>	<b>14,208,690</b>	<b>14,318,094</b>	<b>15,924,122</b>	<b>12,357,441</b>	<b>14,366,411</b>
<b>Operating Expenses</b>										
<b>Maintenance and Operation of Facilities</b>										
Wharf Operations	654,467	649,775	646,906	566,147	578,499	592,424	485,461	428,895	392,403	190,589
Industrial Development	224,962	190,057	223,301	253,317	369,220	248,855	321,895	340,451	614,445	454,389
Foreign Trade Zone	224,799	112,953	113,774	112,322	131,757	121,390	114,655	108,078	102,969	149,212
Facilities Maintenance	2,129,819	2,098,057	1,940,721	1,776,528	1,787,394	1,984,724	2,007,620	1,980,035	1,533,101	1,913,880
Harbor Mobile Crane	407,787	320,189	290,959	299,191	356,054	-	-	-	-	-
Security	1,313,392	1,069,513	1,118,256	1,037,642	1,032,737	972,004	1,010,961	966,646	760,921	1,038,367
Environmental Services	-	-	-	-	-	1,716	1,990	23,609	37,433	53,472
Engineering & Utilities	1,463,137	1,346,258	1,348,238	1,213,823	1,262,570	1,330,182	1,231,092	1,175,697	943,752	1,050,321
Water Plant & Distribution System	89,524	48,777	132,644	139,016	132,952	109,930	108,745	105,752	98,381	188,568
<b>Total</b>	<b>6,507,887</b>	<b>5,835,580</b>	<b>5,814,800</b>	<b>5,397,987</b>	<b>5,651,184</b>	<b>5,361,225</b>	<b>5,282,420</b>	<b>5,129,163</b>	<b>4,483,406</b>	<b>5,038,798</b>
<b>General and Administrative Expenses</b>	<b>4,637,569</b>	<b>4,134,077</b>	<b>3,718,267</b>	<b>3,064,398</b>	<b>2,983,398</b>	<b>3,080,737</b>	<b>3,149,308</b>	<b>2,896,954</b>	<b>2,723,173</b>	<b>3,313,422</b>
<b>Total Operating Expenses</b>	<b>11,145,456</b>	<b>9,969,657</b>	<b>9,533,067</b>	<b>8,462,386</b>	<b>8,634,582</b>	<b>8,441,962</b>	<b>8,431,727</b>	<b>8,026,117</b>	<b>7,206,580</b>	<b>8,352,221</b>
<b>Non-Operating Expenses</b>										
Interest Expense	369,952	396,750	503,519	580,539	333,915	526,309	599,496	662,889	663,770	877,406
Other Expense	28,895	32,644	74,026	167,256	90,083	132,585	103,900	165,378	88,314	7,066,714
<b>Total Non-Operating Expense</b>	<b>398,848</b>	<b>429,394</b>	<b>577,546</b>	<b>747,794</b>	<b>423,998</b>	<b>658,895</b>	<b>703,395</b>	<b>828,267</b>	<b>752,085</b>	<b>7,944,120</b>
<b>Total Expenses</b>	<b>11,544,303</b>	<b>10,399,051</b>	<b>10,110,613</b>	<b>9,210,180</b>	<b>9,058,580</b>	<b>9,100,856</b>	<b>9,135,123</b>	<b>8,854,385</b>	<b>7,958,664</b>	<b>16,296,340</b>
<b>Net Revenues Available For Debt Service on Revenue Bonds</b>	<b>\$ 9,281,871</b>	<b>\$ 17,389,618</b>	<b>\$ 22,505,299</b>	<b>\$ 12,894,088</b>	<b>\$ 7,683,277</b>	<b>\$ 5,107,834</b>	<b>\$ 5,182,971</b>	<b>\$ 7,069,737</b>	<b>\$ 4,398,776</b>	<b>\$ (1,929,929)</b>
<b>Average Annual Debt Service on Revenue Bonds</b>	<b>\$ 2,481,562</b>	<b>\$ 725,668</b>	<b>\$ 801,300</b>	<b>\$ 1,010,611</b>	<b>\$ 974,741</b>	<b>\$ 1,691,389</b>	<b>\$ 2,441,384</b>	<b>\$ 2,630,077</b>	<b>\$ 1,788,097</b>	<b>\$ 2,030,301</b>
<b>Coverage by Net Revenues</b>	<b>3.74</b>	<b>23.96</b>	<b>28.09</b>	<b>12.76</b>	<b>7.88</b>	<b>3.02</b>	<b>2.12</b>	<b>2.69</b>	<b>2.46</b>	<b>(0.95)</b>

\*Fiscal year change from a March 1 year ending to a December 31 year ended in 2008. Fiscal year ended 12/31/2008 was for 10 months only.

**Brownsville Navigation District of Cameron County, Texas**  
**Revenue Bond Debt Service Requirements**  
(Unaudited)

*This table sets forth the annual debt service requirements on the District's Revenue Bonds as of December 31, 2015, excluding bonds that have been refunded and defeased.*

<u>Fiscal Year Ending December 31</u>	<u>Outstanding Debt Service Requirements</u>
2017	2,992,599
2018	3,006,930
2019	3,022,708
2020	3,020,831
2021	3,021,403
2022	2,723,862
2023	2,451,003
2024	2,448,321
2025	2,447,989
2026	2,449,805
2027	2,340,396
2028	2,339,718
2029	2,345,811
2030	2,353,392
2031	2,353,776
2032	2,361,912
2033	2,367,098
2034	2,369,248
2035	2,373,248
2036	2,378,829
2037	2,387,754
2038	2,390,651
2039	1,804,800
2040	1,805,400
<b>Total</b>	<b>\$ <u>59,557,482</u></b>

## **Demographic and Economic Information**

This page intentionally left blank.

**Brownsville Navigation District of Cameron County, Texas**  
**Miscellaneous Statistical Data**

Last Ten Years

(Unaudited)

**Brownsville Navigation District Facts:**

**Date of Incorporation:** 1936  
**Form of Government:** A political subdivision of the State of Texas  
**Area:** 40,000 acres  
**Altitude:** 8 feet to 15 feet above mean sea level

<u>Year</u>	<u>GDP (a)</u>	<u>National Unemployment (b)</u>	<u>Total U.S. Exports (c)</u>	<u>Total U.S. Imports (c)</u>	<u>U.S. Rig Count (d)</u>	<u>Oil Price \$/Bbl (e)</u>	<u>PMI (f)</u>
2016	4.2%	4.9%	\$ 1,469.8	\$ 2,209.9	517	\$ 51.97	52.7
2015	3.4%	5.3%	1,510.3	2,272.9	714	37.19	50.9
2014	3.9%	6.2%	1,623.4	2,314.0	1,882	59.29	52.3
2013	4.1%	7.4%	1,578.8	2,239.8	1,771	97.63	54.0
2012	3.1%	8.1%	1,546.5	2,251.0	1,784	111.67	50.2
2011	3.0%	8.9%	1,480.5	2,186.9	1,875	111.26	53.4
2010	2.8%	9.6%	1,277.5	1,912.1	1,546	79.48	57.3
2009	-1.6%	9.3%	1,056.0	1,559.6	1,089	61.95	46.2
2008	0.0%	5.8%	1,287.4	2,103.6	1,879	99.67	45.5
2007	1.9%	4.6%	1,148.2	1,957.0	1,768	72.34	51.1

(a) Gross Domestic Product percent changed based on 2009 dollars. Source: Bureau of Economic Analysis

(b) Annual average unemployment rate per year. Source: Bureau of Labor Statistics

(c) Billions of dollars. Source: Customs data from Department of Commerce, U.S. Census Bureau

(d) Annual average total U.S. rig count. Source: Baker Hughes rig count data

(e) Cushing, OK WTI spot price. Source: Energy Information Administration (EIA)

(f) Purchasing Managers Index value above 50 means growth. Source: Institute for Supply Management



## Brownsville Navigation District of Cameron County, Texas Demographic and Economic Statistics for Cameron County

Last Ten Calendar Years  
(Unaudited)

Fiscal Year	Population	Per Capita Income	Median Age	School Enrollment	Unemployment Rate	Personal Income
2016	422,156	15,105	31.2	101,992	6.9%	26,826
2015	420,392	14,898	31.0	103,585	6.9%	25,211
2014	417,296	14,405	30.6	103,585	8.5%	24,802
2013	415,557	14,405	30.6	103,585	10.5%	23,236
2012	406,220	14,183	30.6	101,477	10.2%	23,236
2011	406,220	13,474	29.1	101,832	11.9%	18,550
2010	406,220	13,474	29.1	101,832	11.1%	18,550
2009	387,717	13,377	29.0	100,165	9.9%	18,275
2008	387,717	12,511	28.8	99,713	7.5%	18,200
2007	387,717	13,293	29.6	93,180	5.8%	18,250

Source: Cameron County, Texas CAFR

**Brownsville Navigation District of Cameron County, Texas  
Ten Principal Employers**  
(Unaudited)

**Port of Brownsville Employers**

No.	Employer	Type of Activity	2016 Estimated No. of Employees	% of Total Port of Brownsville Employment	2007 Estimated No. of Employees
1	KeppelAMFELS	Manufacturer	343	10.17%	2,621
2	International Shipbreaking Limited	Ship Breaking/Scrap	239	7.09%	250
3	Bedoli Group, Inc.	Scrap Recycling	143	4.24%	-
4	Cumberworth Investments, Inc.	Trucking	130	3.85%	-
5	Gulf Stream Marine Inc.	Stevedoring	110	3.26%	-
6	Duro Standard Products Co. L.L.C.	Paper Products	110	3.26%	152
7	Brownsville Navigation District	Vessel/Rental Services	100	2.96%	-
8	Port Warehouse Properties, LP	Warehousing	93	2.76%	-
9	Transmontaigne Product Services, Inc.	Bulk Liquid Storage	81	2.40%	79
10	Esco Marine, Inc.	Scrap Recycling	72	2.13%	391

Source: Brownsville Navigation District Industrial Development Department

**Cameron County, Texas Employers**

No.	Employer	Type of Activity	2016 Estimated No. of Employees	% of Total Cameron County Employment	2007** Estimated No. of Employees
1	Brownsville ISD	Education	7,670	30.47%	7,625
2	Valley Baptist Medical Center	Health Care	3,971	13.19%	3,000
3	Harlingen CISD	Education	3,321	12.85%	2,500
4	Cameron County	Government	1,950	7.75%	1,528
5	UTRGV	Education	1,734	6.89%	2,077
6	KeppelAMFELS	Manufacturer	1,650	6.65%	2,278
7	San Benito ISD	Education	1,734	6.55%	1,638
8	Wal-Mart	Retail	1,413	5.61%	1,735
9	Abundant Life Home Health	Medical/Health Care	1,300	5.16%	-
10	City of Brownsville	Government	1,227	4.87%	2,104

\*\* First year reporting data

Source: Cameron County, Texas CAFR

This page intentionally left blank.

## **Operating Information**

This page intentionally left blank.

**Brownsville Navigation District of Cameron County, Texas**  
**Table of Physical Characteristics of the Port Facilities of the Port of Brownsville**  
(Unaudited)

		<b>Berth Length (Feet)</b>	<b>Berth Width (feet)</b>	<b>Height (feet)</b>	<b>Depth Alongside (feet)</b>	<b>Available Rail</b>
<b>General Cargo Docks</b>						
Dock No. 1	General Cargo	420	165	14.8	32	Double depressed track
Dock No. 2	General Cargo	420	165	14.8	32	Double depressed track
Dock No. 3	General Cargo	440	165	14.8	32	Double depressed track
Dock No. 4	General Cargo	470	165	14.8	32	Double depressed track
Dock No. 7	General Cargo	500	140	12.8	27	Double depressed track
Dock No. 8	General Cargo	500	140	12.8	26	Double depressed track
Dock No. 10	Light Draft Vessels	650	280	12	16	(1) Apron Track (2) Double depressed track
Dock No. 11	Deep sea-Open Dock	626	280	12	32	Apron Track
Dock No. 12	General Cargo	550	280	12	32	Double depressed track
Dock No. 13	General Cargo	550	280	12	32	Double depressed track
Dock No. 15	Heavy Duty/Multi purpose open dock	600	145	12	42	
Dock No. 16	Heavy Duty/Multi purpose open dock	600	145	12	42	
<b>Liquid Cargo Docks</b>						
Liquid Cargo Dock		30	60		36	
Oil Dock No. 1		420	120	14.8	33	
Oil Dock No. 2		420	120	14.8	31	
Oil Dock No. 3		420	120	14.8	30	
Oil Dock No. 5		1100	220	16.6	42	
Bulk Cargo (Grain Elevator) Dock		400	43	12	36	
<b>Cargo Storage Facilities</b>						
Covered Storage Areas		635,000 square feet				
Open Storage Areas		3 + million square feet				
Tank Storage (private terminals)		3,400,0000 barrels				
<b>Cargo Handling Equipment</b>						
(2) Mobile Harbor Cranes		Gottwald 100-ton mobile harbor cranes located on Docks 15 & 16				

Mobile cranes and additional cargo-handling equipment are owned by the licensed stevedores and freight handlers operating at the Port of Brownsville.

**Brownsville Navigation District of Cameron County, Texas**  
**Cargo Statistics for the Port of Brownsville**  
 Reported in Metric Tons  
 Last Ten Years  
 (Unaudited)

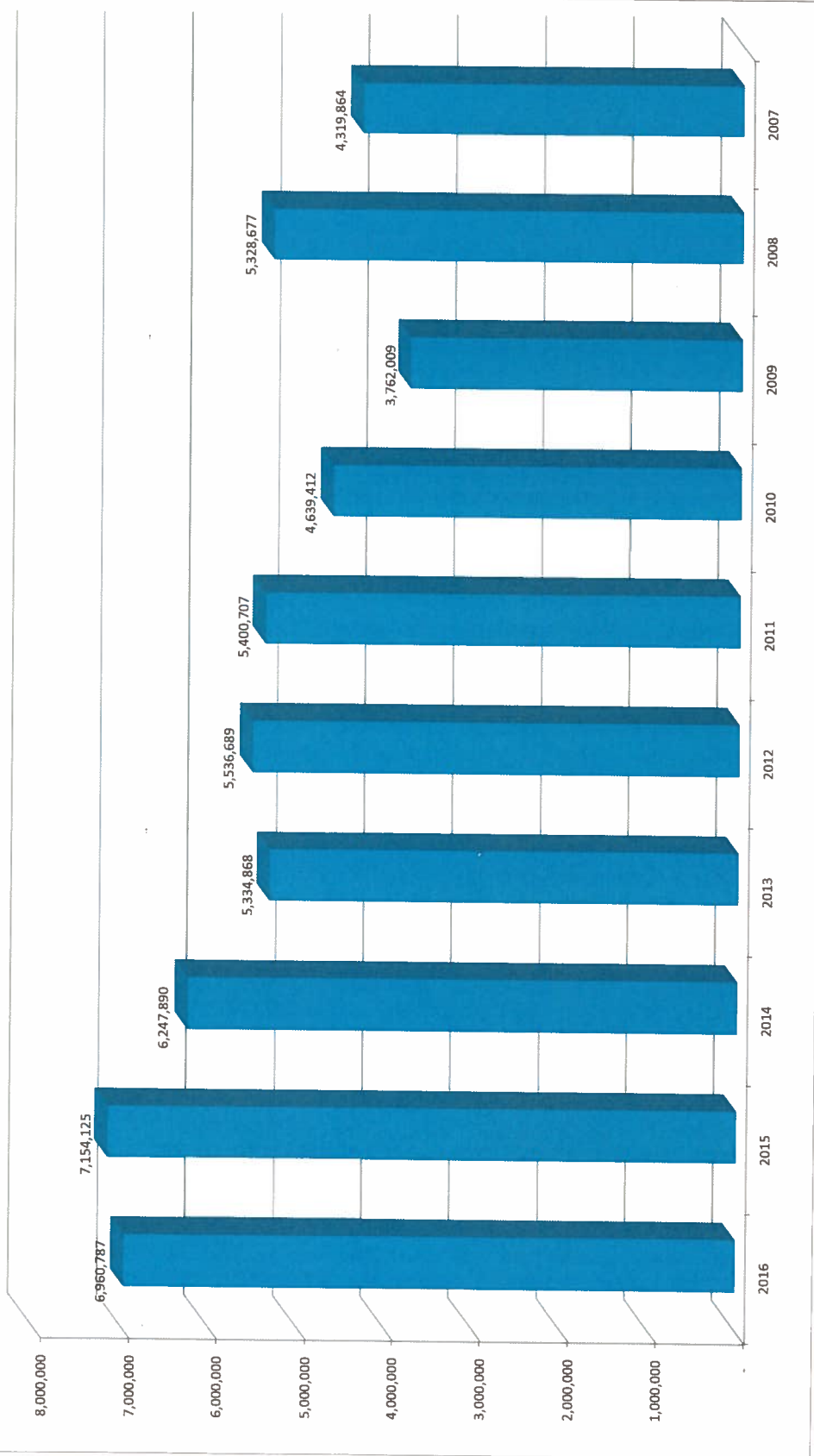
	Calendar Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Farm Products	-	-	-	-	-	-	11,709	-	-	45,839
Forest Products	-	20	-	-	-	11,911	49,786	12,081	36,179	43,863
Metallic Ores	5,980	20,754	66,876	54,608	35,061	-	13,603	-	1,345	-
Coal	-	-	-	-	-	-	267,319	550,864	822,158	266,114
Nonmetallic Minerals, Except Fuels	653,142	933,470	457,538	332,346	364,257	493,777	2,414	3,118	1,967	12,679
Food and Kindred Products	-	-	-	10,493	-	5,110	9,996	-	8,467	55,377
Chemicals and Allied Products	63,554	23,679	29,705	49,366	45,240	28,311	2,784,654	2,084,578	2,268,068	1,849,832
Petroleum and Coal Products	3,906,192	3,823,846	3,220,882	3,115,995	2,825,286	2,932,034	-	19	-	-
Rubber and Miscellaneous Plastic Products	-	-	-	-	-	-	-	-	-	-
Stone, Clay and Concrete Products	252	-	-	-	-	-	-	-	2,914	-
Primary Metal Products	2,237,335	2,256,784	2,333,491	1,576,543	2,018,001	1,648,311	1,358,982	999,004	2,036,628	1,914,316
Fabricated Metal Products	43,309	37,545	11,977	-	8,220	-	1,347	-	724	2,004
Lumber and Wood Products	372	-	-	-	-	-	-	-	-	-
Machinery	252	1,004	4,472	-	-	309	158	124	776	3,627
Special Items	8,112	3,127	3,270	2,878	7,592	1,954	1,677	12,581	5,350	4,060
Transportation Equipment	535	586	222	-	-	-	384	223	379	-
Miscellaneous Products of Manufacturing	-	-	-	-	-	-	-	254	-	-
Waste and Scrap Materials	35,962	48,221	115,192	188,633	229,612	273,209	131,334	94,092	120,676	109,330
Water	5,790	5,089	4,264	4,004	3,420	5,781	6,049	5,072	23,045	12,823
<b>Total</b>	<b>6,960,787</b>	<b>7,154,125</b>	<b>6,247,890</b>	<b>5,334,868</b>	<b>5,536,689</b>	<b>5,400,707</b>	<b>4,639,412</b>	<b>3,762,009</b>	<b>5,328,677</b>	<b>4,319,864</b>

	Calendar Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Foreign</b>										
Imports	3,069,005	3,651,992	2,912,016	1,995,829	2,805,683	2,800,164	2,400,429	2,541,299	3,295,768	2,364,431
Exports	495,349	687,250	247,007	271,498	125,565	456,067	345,284	167,746	289,582	433,616
<b>Total Foreign</b>	<b>3,564,354</b>	<b>4,339,242</b>	<b>3,159,023</b>	<b>2,267,327</b>	<b>2,931,248</b>	<b>3,256,231</b>	<b>2,745,713</b>	<b>2,709,044</b>	<b>3,585,350</b>	<b>2,798,047</b>
<b>Coastwise</b>										
Receipts	1,690,879	1,238,634	1,237,280	1,333,951	918,999	614,069	645,230	164,403	318,599	1,672
Shipments	544,982	426,847	622,411	646,736	406,378	88,237	15,569	11,711	58,684	39,646
<b>Total Coastwise</b>	<b>2,235,861</b>	<b>1,665,481</b>	<b>1,859,691</b>	<b>1,980,687</b>	<b>1,325,377</b>	<b>702,306</b>	<b>660,799</b>	<b>176,114</b>	<b>377,283</b>	<b>41,318</b>
<b>Intercoastal</b>										
Receipts	959,848	761,379	716,173	538,336	716,208	764,584	675,247	393,227	845,941	908,007
Shipments	200,724	388,024	513,004	548,518	563,857	677,586	559,652	483,624	522,103	572,492
<b>Total Intercoastal</b>	<b>1,160,572</b>	<b>1,149,402</b>	<b>1,229,176</b>	<b>1,086,854</b>	<b>1,280,064</b>	<b>1,442,170</b>	<b>1,232,899</b>	<b>876,851</b>	<b>1,366,044</b>	<b>1,480,499</b>
<b>Total Imports</b>	<b>3,069,005</b>	<b>3,651,992</b>	<b>2,912,016</b>	<b>1,995,829</b>	<b>2,805,683</b>	<b>2,800,164</b>	<b>2,400,429</b>	<b>2,541,299</b>	<b>3,295,768</b>	<b>2,364,431</b>
<b>Total Exports</b>	<b>495,349</b>	<b>687,250</b>	<b>247,007</b>	<b>271,498</b>	<b>125,565</b>	<b>456,067</b>	<b>345,284</b>	<b>167,746</b>	<b>289,582</b>	<b>433,616</b>
<b>Total Receipts</b>	<b>2,650,727</b>	<b>2,000,012</b>	<b>1,953,453</b>	<b>1,872,288</b>	<b>1,635,207</b>	<b>1,378,653</b>	<b>1,318,477</b>	<b>557,631</b>	<b>1,162,540</b>	<b>909,679</b>
<b>Total Shipments</b>	<b>745,706</b>	<b>814,871</b>	<b>1,135,415</b>	<b>1,195,253</b>	<b>970,234</b>	<b>765,823</b>	<b>575,221</b>	<b>495,334</b>	<b>580,787</b>	<b>612,138</b>
<b>Total</b>	<b>6,960,787</b>	<b>7,154,125</b>	<b>6,247,890</b>	<b>5,334,868</b>	<b>5,536,689</b>	<b>5,400,707</b>	<b>4,639,412</b>	<b>3,762,009</b>	<b>5,328,677</b>	<b>4,319,864</b>

Source - Cargo Statistics Report published by the Port of Brownsville

**Total Waterborne Cargo at the Port of Brownsville by Year**





**Brownsville Navigation District of Cameron County, Texas  
Vessel Calls by Type of Vessel at the Port of Brownsville**

Last Ten Years  
(Unaudited)

	Calendar Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Barges	525	632	653	618	707	858	657	419	733	760
Cargo Vessels	29	131	118	102	124	110	77	80	158	140
Deck Barges	-	3	-	8	5	-	1	1	1	-
Drilling Rig	12	19	3	4	3	10	4	2	5	11
Fishing Vessels	-	-	-	-	-	-	-	-	18	24
Miscellaneous	322	177	127	91	62	84	77	12	39	35
Ocean Barges	123	51	51	111	78	46	55	42	23	12
Scrap Vessels / Barges	6	9	15	27	32	37	36	20	29	11
Tankers	74	118	92	69	72	92	79	75	93	66
Total	1,091	1,140	1,059	1,030	1,083	1,237	986	651	1,099	1,059

**Brownsville Navigation District of Cameron County, Texas**  
**Annual Employment**  
 Last Ten Calendar Years  
 (Unaudited)

	Calendar Year Ended									
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Hourly/Salaried Employees</b>										
Hourly Employees (Non-Exempt)	74	74	75	73	74	73	73	71	67	54
Salaried Employees (Exempt)	25	24	21	19	19	16	19	18	18	19
	99	98	96	92	93	89	92	89	85	73
<b>Operations Employees</b>										
Hourly Employees (Non-Exempt)	58	56	58	57	58	58	60	59	56	44
Salaried Employees (Exempt)	9	9	10	6	5	3	6	6	6	7
	67	65	68	63	63	61	66	65	62	51
<b>Administrative Employees</b>										
Hourly Employees (Non-Exempt)	16	18	17	16	16	15	13	12	11	10
Salaried Employees (Exempt)	16	15	11	13	14	13	13	12	12	12
	32	33	28	29	30	28	26	24	23	22

This page intentionally left blank.

## **COMPLIANCE SECTION**

**This page intentionally left blank.**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Navigation and Canal Commissioners  
Brownsville Navigation District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Brownsville Navigation District, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Brownsville Navigation District's basic financial statements and have issued our report thereon dated May 31, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Brownsville Navigation District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Brownsville Navigation District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Brownsville Navigation District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

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

## Purpose of this Report

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

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Brownsville, Texas  
May 31, 2017

**PORT OF**   
**BROWNSVILLE**  
• WORLD CLASS •



BROWNSVILLE NAVIGATION DISTRICT  
1000 FOUST ROAD  
PH: 956.831.4592 ■ FAX: 956.831.5001  
[www.portofbrownsville.com](http://www.portofbrownsville.com)