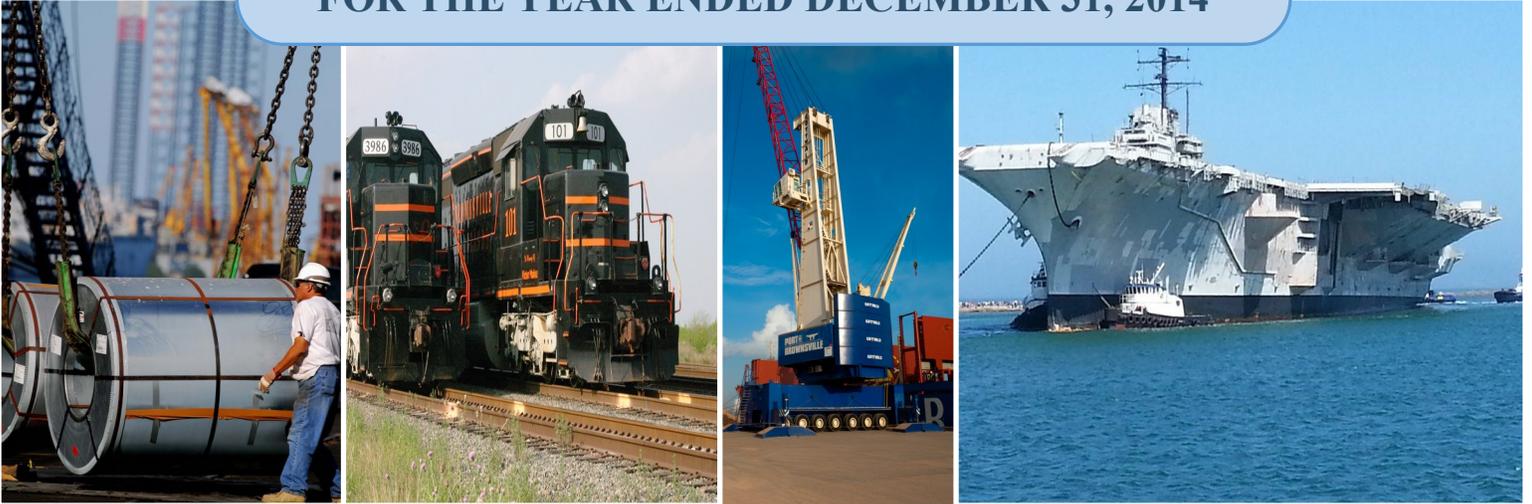


# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2014**



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**PREPARED BY THE BROWNSVILLE NAVIGATION DISTRICT**

**FINANCE DEPARTMENT**

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2014

Prepared by:

Department of Finance

# BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

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# BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

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## **INTRODUCTORY SECTION**



May 8, 2015

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

Dear Commissioners:

Presented herewith is the Comprehensive Annual Financial Report (“CAFR”) of the Brownsville Navigation District of Cameron County, Texas (“District”) for the year ended December 31, 2014. 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 and approves all contractual obligations, 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 96 employees as of December 31, 2014.

## **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 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 that flows into the Gulf of Mexico at the Brazos Santiago Pass. The City of Brownsville is two miles to the southwest and lies 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. The 17-mile ship channel has no bridges or other obstructions for the entire length of this virtually straight waterway. Currently the channel has a depth 42 feet to within .85 mile 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. The Turning Basin has a width of 1,200 feet. The District has completed the study phase in conjunction with the U. S. Corps of Engineers to deepen the channel to a depth of up to 52 feet and is pursuing funding options.

## **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 FTZ No. 62 and has been authorized by TxDOT to issue overweight permits for transit over a corridor from the Port of Brownsville to the international crossing into Mexico.

## ***Vessel Services***

The Main Harbor consists of the 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 a 600 by 280 foot deepwater General Cargo Dock are located in the Turning Basin which is 7,000 feet long with a 650 foot bank width and a 500 foot controlling bottom width. A 3,200,000 bushel

capacity grain elevator as open-surface storage yards; 47 miles of railroad trackage and mechanical freight handling equipment augment the Port of Brownsville's ability to handle a wide variety of cargos.

The District has purchased and put into operation a mobile harbor crane, located at the deepwater General Cargo Dock (Dock 15). This crane has proven its worth in the efficient handling of steel and bulk products and containers. The District has been awarded a \$12,000,000 TIGER Grant and has sold \$10,000,000 in revenue bonds to construct a second, deepwater General Cargo Dock (Dock 16) adjacent to Dock 15. The construction for this dock was awarded to Shoreline Foundation Inc. at a contract price of \$20,924,230 which was approximately \$1,000,000 under the engineer's estimate. Estimated total project cost is \$24,000,000 with construction scheduled to be completed by Summer 2015. While the District's current mobile harbor crane would be able to service both docks, the District is planning on acquiring another crane for increased capacity.

### ***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. Storage capacity and pressure equalization are provided by one 500,000 gallon and one 1,000,000 gallon elevated water storage tanks.

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.

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-served 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 KeppelAMFELS for operation as a dry dock to repair drilling rigs. KeppelAMFELS subsequently exercised their option to purchase the *Solomon P. Ortiz*. The dry dock was placed into service by KeppelAMFELS in May, 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, 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 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>
1993	1,863,115	385,954	2,249,069	3,325	2,720,000
1994	2,206,041	340,725	2,546,766	2,852	3,182,000
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

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.***

The Brownsville and Rio Grande International Railroad (“BRG”) is a component unit of the District. 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 Railroad. A major reason the District entered into this agreement with OmniTRAX and its parent company, The BROE Group, to develop an industrial park and to operate rail 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 that the Franchise Agreement with OmniTRAX could result in significant economic development opportunities for the District. The Agreement guarantees the District increased railroad revenues with the possibility of substantially increased revenues and job creation based on increased railroad operations, additional district tenants and increased waterborne operations.

The agreement has performance requirements on both parties that, if not met, could result in the termination of the agreement.

The agreement, among other things, requires OmniTRAX to contribute consideration of not less than \$8,500,000 of direct capital investment to develop real estate assets within five years. On rail operations OmniTRAX payments to the District to retire BRG bond debt and interest, equipment buyout, five year track rental and property leases payments to the District totaled over \$6,900,000. Adding bank transfers from the BRG, the District received over \$10,200,000 in BRG Franchise related revenue. Further information regarding the franchise agreement may be found in Note 3, I.

### **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
Oil Docks 1,2&3	Liquid Cargos	Light 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	Light Draft Vessels	South Side-TB Approach
Liquid Cargo Dock	Liquid Cargos	Light 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.

### ***Capital Improvements Program***

In an election held on October 19, 1991, voters in the District authorized, by a margin of 90%, commencement of a major capital improvements program. The \$63 million bond election was designed to expand and modernize the Port facilities and increase capabilities by: (1) construction of a Port of Brownsville/Matamoros cargo bridge including access and Port of Entry facilities (\$21 million); (2) widening and deepening the ship channel from 36 to 42 feet (\$17

million); and (3) improvements to Port dock and wharf space (\$5 million). The federal government authorized \$20 million for the U. S. Army Corps of Engineers to spend on the channel deepening project.

In the October 19, 1991 election, District voters approved the following:

Bonds Authorized	Purpose	For	Against	Balance Authorized but Unissued
\$21,000,000	International Bridge Project	2,373	242	\$8,000,000
\$17,000,000	Channel Deepening	2,348	247	-0-
\$5,000,000	Waterfront Improvement	2,346	254	-0-

The Channel Deepening Project was completed, on budget and on time, in April of 1995. The Waterfront Improvement project provided a new, deep-water liquid cargo dock, Oil Dock 5, as well as maintenance to other waterfront facilities. The International Bridge Project has received its United States Presidential Permit, and is currently awaiting a similar permit from the Republic of Mexico before construction may begin.

In 1996, the District issued \$7,250,000 in revenue bonds to finance the construction of a new, deep-water General Cargo Dock, General Cargo Dock No. 15. These funds were combined with a grant from the EDA to construct a \$12,000,000 facility that is one of the premier docks on the Gulf Coast today. The District also completed construction of a 100,000 square foot warehouse, a 60,000 square foot warehouse with overhead cranes on the dock as well as two rail spurs to serve the dock.

In 2000, the District issued \$4,000,000 in tax bonds to reimburse the District for costs incurred in connection with the construction of an international bridge across the Rio Grande River. In 2000, the District also issued \$4,000,000 in revenue bonds to acquire 3,000 acres of land for the expansion of the Port. In 2002, the District issued \$1,790,000 in revenue bonds and \$1,900,000 in revenue bonds subject to alternative minimum tax (AMT) to finance improvements at the Port.

The District continually works to diversify the cargo mix at the Port of Brownsville. The District has added in excess of 10 acres of open cargo storage area to prepare for the increase in cargo volumes. These storage areas were put into service in 2012.

***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 will generate over \$7,000,000 in revenue for fiscal year 2015.

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, 2014 the Port had land lease options with five companies for 2,829 acres resulting in total land lease option payments of \$1,653,659 for the year ended December 31, 2014.

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 and 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	\$5,844 per acre/year
Highway Frontage	\$3,819 per acre/year
Port Entrance Sites	\$3,403 per acre/year
Inside Port/Off Waterfront	\$2,025 per acre/year
Remote Sites	Negotiated Rates
Grazing Leases	\$2.25/acre/year
Tower Sites	\$17,000/site/year
Sign Sites	\$110 - \$200/site/year
Fish Camps	\$500/camp/year
Billboards	Market Rate
<b>FISHING HARBOR LEASES</b>	
Water Front	\$4,494 per acre/year
Off-Water	\$4,156 per acre/year
Fishing Harbor Dock	\$1.25 per linear ft./month
Unimproved Bank Space	\$ .75 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 30 years are permitted for ground lease rentals under Texas law. Lease terms in excess of 30 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, 2014, a total of 537,416 overweight permits have been sold, generating \$13,704,108 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.

### ***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, the Confederate Air Force Flying Museum 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.

The City of Brownsville and the Port of Brownsville are collaborating in the critical effort to ensure that the future local economy can create the quality jobs that will be required. In addition to improving the education of the local workforce, they recognize that they must address the prevention and wellness initiatives that will help create a local workforce with true competitive advantages to attract and retain businesses.

### ***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**

- **Marine Highway** – One of the District's major accomplishments during 2010 was to be selected to receive the U. S. Department of Transportation's designation of its Cross Gulf Container Expansion Project as a Marine Highway corridor, the "M-10". The Marine Highway initiative's purpose is to alleviate congestion on America's roadways by moving more cargo on its waterways. The Cross Gulf Container Expansion Project is a container-on-barge service that connects the Port of Brownsville directly with other Gulf ports. The project was awarded a \$3.34 million grant by the Department of Transportation for infrastructure improvements and equipment at both the ports of

Brownsville and Manatee. Since Manatee is no longer involved in the project, the Port is actively working with its Marine Highway partners at the U. S. Maritime Administration (MARAD) and other ports to secure an operator for the Cross-Gulf Container Expansion Project.

- **Cameron County Regional Mobility Authority Roads Projects** – In 2004, Governor Perry approved Cameron County’s request for the creation of the Cameron County Regional Mobility Authority (CCRMA). The purpose of the CCRMA is to provide Cameron County with an opportunity to accelerate needed transportation projects and have a local entity in place to make decisions on these projects that will be of benefit to its service area. The focus of the CCRMA is to enhance the economic vitality of the lower Rio Grande Valley. 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 widening of FM 511 between Expressway 77/83 and the Port of Brownsville was completed in early 2010. This was followed by the initiation of two companion projects, the construction of a new truck route, SH 550, to bring truck traffic to the Port of Brownsville, and the construction of a connector road between an existing Port road and the terminus of SH 550. The connector road was completed in 2011, with the completion of the new truck route in 2013. The CCRMA is also 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 of the City. These projects coordinated with the District’s internal road rehabilitation project, which is now complete, to improve the accessibility to the Port by its trucking industry. The final piece of this transportation system improvement package, that of the direct connection of SH 550 to Expressway 77/83, was let for construction in mid-2012. This is all part of a transportation system that will provide seamless access for truck traffic from northern points, through the Port of Brownsville and on to the international bridge crossings into Mexico.
- **Lease Rental Rate Increase** – The Brownsville Navigation District has approximately 5,000 acres available for industrial use. The various sites within the Port are leased to its customers for their commercial use; in the past, land has not been sold by the District for industrial development. In 2007, the District’s Board of Commissioners commissioned a study of the lease rental rates at the Port of Brownsville as a part of its master planning process. These rates had not been adjusted since 1982. As a result of the study, new lease rental rates have been established, and were officially adopted by the Board of Commissioners on December 1, 2010. These rates have already been implemented for new leases, and began to be phased in for existing tenants in July, 2011. The new rates will be fully implemented by 2016. At that point, the lease rental rates at the Port of Brownsville will be subject to an annual adjustment based on the Consumer Price Index. In 2011, the Port approved lease rental increases to be implemented over a five year period. These additional revenues were earmarked for capital improvements. These

increases generated additional revenue of \$294,424 in 2014 and a total of \$827,551 since implemented in 2011.

- **Cargo Revenues** – The District derives approximately 42.4% of its operating revenues from Vessel and Cargo Operations at the Port of Brownsville. For 2014 cargo revenue totaled to \$7,018,584 and increase of \$936,389 or 15.4% over 2013 cargo revenues of \$6,082,195. 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 6,247,890 metric tons, an increase of 913,022 metric tons or 17.1% more than 2013 metric tons of 5,334,868.
- **TIGER Grant Funding Projects** – As a part of the ARRA economic stimulus, the Federal government has a grant program for transportation projects entitled the Transportation Investment Generating Economic Recovery (TIGER) Grant Program. This grant program was specified for “shovel-ready” projects. The District applied for funding for the construction of a new deep draft cargo dock. The District’s grant application was approved in the amount of \$12,000,000. The Port also sold \$10,000,000 in revenue bonds and will use other operational funds to construct Cargo Dock 16 and related improvements at an estimated cost of \$24,000,000. Construction began on Cargo Dock 16 in the fall of 2013 with completion scheduled for the summer of 2015.
- **Homeland Security Enhancements** – Homeland Security has placed a number of requirements for enhanced security in the Port of Brownsville in the past several years. The District has applied for project funding under four grant offerings, receiving awards of a total of \$11,195,082 which require a funding match by the District of \$3,881,560. These projects are complete and are providing security enhancements at the Port of Brownsville. As new grants are announced, the District will continue to apply for the funding provided.
- **New Cargo Storage Areas** - During the years 2007 through 2014, the District invested in upgrading its mobile equipment. This new fleet of equipment has been put to use in increasing the District’s capacity by 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 through the Port of Brownsville.

### **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 Audit Opinion letter 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, 2014 listed in the foregoing Table of Contents was audited by independent auditors selected by the Board of Navigation and Canal Commissioners. The audit opinion, rendered by Long Chilton, LLP, 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 December 31, 2012 and December 31, 2013. The December 31, 2011 award was the first time the District has 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.

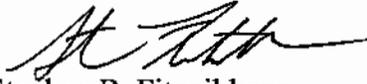
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **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**

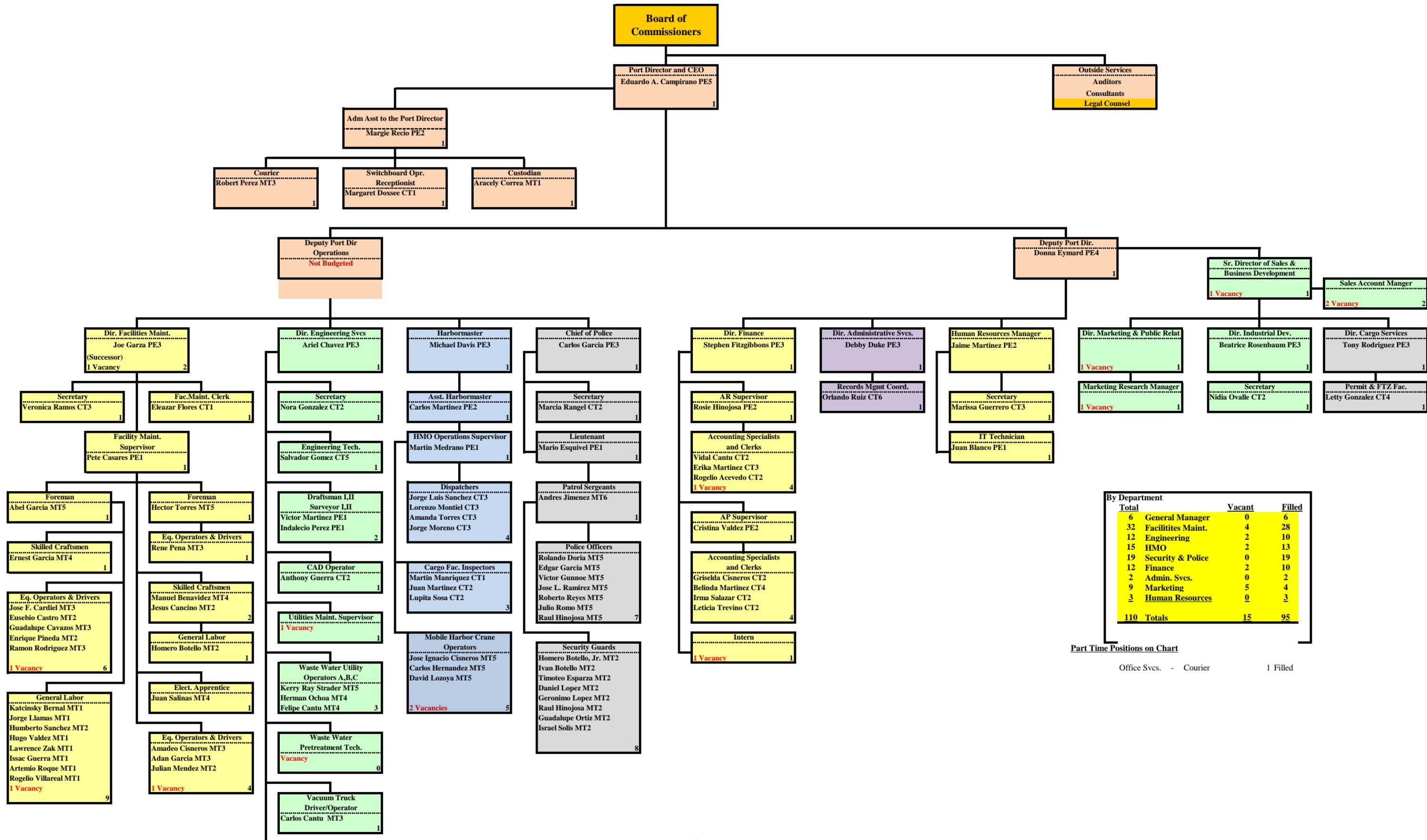
<b>Ralph Cowen</b>	<b>Chairman</b>
<b>Carlos R. Masso</b>	<b>Vice Chairman</b>
<b>John Reed</b>	<b>Secretary</b>
<b>Sergio T. Lopez</b>	<b>Asst. Secretary</b>
<b>John Wood</b>	<b>Asst. Secretary</b>

**ADMINISTRATION**

<b>Eduardo A. Campirano</b>	<b>Port Director and CEO</b>
<b>Donna Eymard</b>	<b>Deputy Port Director</b>
<b>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>Jose G. Garza, Jr.</b>	<b>Director of Facilities Maintenance</b>
<b>Antonio Rodriguez</b>	<b>Director of Cargo Services</b>
<b>Beatrice Rosenbaum</b>	<b>Director of Industrial Development</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>Long Chilton, L. L. P 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>



By Department		
Total	Vacant	Filled
6	0	6
32	4	28
12	2	10
15	2	13
19	0	19
12	2	10
2	0	2
9	5	4
3	0	3
110	15	95

Part Time Positions on Chart

Office Svcs. - Courier 1 Filled



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
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Presented to

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

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2013**

Executive Director/CEO

**FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S 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, 2014, and the discretely presented component unit as of and for the seven month and eleven day period ended August 11, 2014, 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2014, and the discretely presented component unit as of August 11, 2014, and the respective changes in financial position and cash flows for the District for the year then ended and for the discretely presented component unit for the seven month and eleven day period ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 23 through 29 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 as a whole. 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 expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of operating expenses and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 and schedule of expenditures of federal awards are 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.

### **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2015, 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 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.

A handwritten signature in black ink that reads "Long Chilton LLP". The signature is written in a cursive, flowing style.

**LONG CHILTON, LLP**  
*Certified Public Accountants*

Brownsville, Texas  
May 8, 2015

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## 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, 2014. 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 2014, the financial position of the District improved significantly. District income for 2014 before depreciation was \$7,003,332 dropping to \$3,398,494 after a depreciation charge of \$3,604,738. Income before depreciation increased \$1,511,327 or 27.5% above 2013 income of \$5,492,005. District 2014 operating revenue totaled \$16,536,299, an increase of \$2,581,908, or 18.5%, above 2013 operating revenue of \$13,954,391. Operating expenses for 2014 of \$13,137,805 were \$2,025,323 more than 2013 operating expenses of \$11,112,482. Of this \$2,025,323 increase, \$954,642 was a result of increased depreciation. Operating expenses for 2014, excluding depreciation and amortization, totaled \$9,533,067 which was \$990,484 less than the 2014 budgeted operating expenses of \$10,523,551.

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 \$7,018,584 for 2014 increased \$936,389 from \$6,082,195 in 2013, an increase of 15.4%. The 1,059 vessels visiting the Port in 2014 was the same number that visited the Port in 2013. However, the increase in tonnage and revenue was mainly due to more visits by larger ships in 2014. Tanker visits in 2014 increased from 69 to 92 while ocean going cargo vessel visits increased from 102 to 118.

Lease rentals at the Turning Basin and Fishing Harbor totaled \$5,701,527, an increase of \$289,047 or 5.3% over the prior year amount of \$5,412,480. This increase was a result of the fourth year of a five year phased lease rate increase that generated an additional \$294,424. Other Lease Rentals totaled \$2,405,471, an increase of \$1,375,617 from the prior year amount of \$1,029,854. This increase was mostly due to BRG revenue collections of \$1,191,181.

Non-operating income for 2014 totaled \$2,581,261, an increase of \$208,181 or 8.8% from 2013 non-operating income of \$2,373,080. This increase resulted almost entirely from a \$208,336 reduction in interest expense. For 2014, the District received \$3,085,433 in property tax of which \$2,503,579 was for general obligation bond debt and \$581,854 was for maintenance and operations. The District also received \$138,100 in penalties and interest for a combined 2014 tax, penalty and interest total of \$3,223,533. For 2013 the District received a total of \$3,274,435 in tax, penalty and interest. For 2014, the District reduced its tax rate to 4.2 cents per \$100 of valuation, a reduction of 2.4% from the 2013 tax rate of 4.3 cents per \$100 of valuation.

## **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 financial statements include a discrete presentation of the financial statements of the District's only component unit, the Brownsville and Rio Grande International Railroad. 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 liabilities, 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, 2014. 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 38-69.

## **FINANCIAL ANALYSIS**

District total assets plus deferred outflows of resources at the close of the fiscal year were \$179,253,239, an increase of \$20,759,314 or 13.1% over prior year total assets plus deferred outflows of resources of \$158,493,925. Total 2014 assets plus deferred outflows of resources of \$179,253,239 exceeded total liabilities plus deferred inflows of resources of \$37,908,072 by \$141,345,167 which was an increase of \$21,028,634 or 17.5% over the 2013 net position of \$120,316,533.

Operating income before depreciation for 2014 was \$7,003,232, an increase of \$1,511,227 or 27.5% over 2013 operating income of \$5,492,005. Operating income for 2014, after depreciation, totaled \$3,398,494, an increase of \$556,585 or 19.6% from 2013 operating income of \$2,841,909 after depreciation.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Brownsville Navigation District for its comprehensive annual financial report for the fiscal year ended December 31, 2013. This is the third year in a row that the District has received this prestigious award. In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. 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.

The District's financial health is reflected in the current year financial statements. The fiscal year ending December 31, 2014 showed total net position of \$141,345,167, which is summarized as follows:

**Condensed Statement of Net Position**

	12/31/2014	12/31/2013
Current and Other Assets	\$ 44,324,012	\$ 39,203,906
Capital Assets	134,827,258	119,153,722
Deferred charges on refunding	<u>101,969</u>	<u>136,297</u>
Total Assets	<u>179,253,239</u>	<u>158,493,925</u>
Long-Term liabilities outstanding	21,562,936	27,207,579
Other liabilities	13,178,521	7,801,322
Deferred property tax revenue	<u>3,166,615</u>	<u>3,168,491</u>
Total Liabilities	37,908,072	38,177,392
Net Position		
Invested in capital assets, net of related debt	113,617,071	104,822,625
Restricted for:		
Revenue bond debt retirement and contingency	3,362,698	3,477,755
General obligation bond debt service	3,750,580	3,755,986
Unrestricted	<u>20,614,818</u>	<u>8,260,167</u>
Total Net Position	<u>\$ 141,345,167</u>	<u>\$ 120,316,533</u>

The \$21,028,634 increase in Total Net Position is primarily from an increase of \$15,118,557 in capital costs of projects with substantial TIGER grant reimbursements for the construction of a Cargo Dock, FEMA reimbursements through Port Security Grants and payments and assets transferred resulting from the BRG Franchise Agreement.

Changes in net position are summarized as follows:

	<u>Changes in Net Position</u>		
	<u>Fiscal 2014</u>	<u>Fiscal 2013</u>	<u>Change</u>
Operating revenues			
Vessel services	\$ 7,018,584	\$ 6,082,195	\$ 936,389
Lease rentals			
Port System	5,701,527	5,412,480	289,047
Other lease rentals	2,405,471	1,029,854	1,375,617
Other operating revenue	1,410,717	1,429,862	(19,145)
Total operating revenues	<u>16,536,299</u>	<u>13,954,391</u>	<u>2,581,908</u>
Operating expenses			
Wages and employee expenses	4,010,589	3,706,606	303,983
Maintenance and operation of facilities	1,824,973	1,833,632	(8,659)
General and administrative expenses	3,697,505	2,922,148	775,357
Total operating expenses	<u>9,533,067</u>	<u>8,462,386</u>	<u>1,070,681</u>
Income from operations before depreciation	<u>7,003,232</u>	<u>5,492,005</u>	<u>1,511,227</u>
Depreciation and Amortization	<u>3,604,738</u>	<u>2,650,096</u>	<u>954,642</u>
Operating income (loss)	3,398,494	2,841,909	556,585
Non-operating income (expense)			
Interest income on investments and direct financing leases - port system	260,285	282,271	(21,986)
Interest income - other	43,916	76,745	(32,829)
Tax income - net of bad debt and collection expenses			
General obligation bond debt service	2,503,579	2,582,176	(78,597)
Maintenance and operations	581,854	562,939	18,915
Penalties and interest	138,100	129,320	8,780
Interest expense and other bond issuance costs	(873,275)	(1,081,611)	208,336
Gain (loss) on disposal of assets	(39,944)	-	(39,944)
Bond issuance costs	-	(137,136)	137,136
Bond service fees	(4,150)	(5,900)	1,750
Other non-operating income (expense)	(29,104)	(35,724)	6,620
Total non-operating income (expense)	<u>2,581,261</u>	<u>2,373,080</u>	<u>208,181</u>
Income before capital contributions	5,979,755	5,214,989	764,766
Capital contributions	4,905,648	7,157,780	(2,252,132)
Special item - contribution of net assets	9,787,478	-	9,787,478
Special item - franchise revenue	425,431	-	425,431
	<u>15,118,557</u>	<u>7,157,780</u>	<u>7,960,777</u>
Increase (decrease) in net position	21,098,312	12,372,769	8,725,543
Net Position - beginning	120,316,533	108,112,072	12,204,461
Prior period adjustment	(69,678)	(168,308)	98,630
Net Position - ending	<u>\$ 141,345,167</u>	<u>\$ 120,316,533</u>	<u>\$ 21,028,634</u>

The District's net position on December 31, 2014 increased 21,028,634 over 2013. Of this total, \$5,979,755 is income before capital contribution plus \$15,118,557 as a capital contribution made up of \$479,714 from FEMA reimbursements for Port Security Grants, \$4,425,934 from a U.S. D.O.T. TIGER grant reimbursement for Cargo Dock 16 construction and \$10,212,909 from the BRG Franchise Agreement.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

	<u>Capital Assets</u>	
	<u>12/31/2014</u>	<u>12/31/2013</u>
Inland channel, turning basin, & jetties	\$ 52,116,635	\$ 52,116,635
Land	9,934,753	9,934,753
Easements	20,760	20,760
Docks and appurtenances	45,800,709	45,761,255
Water and sewer systems	10,534,059	8,383,765
Railroads	11,273,945	7,542,279
Land improvements and roads	30,786,480	29,356,054
Administration building	751,355	751,355
Industrial equipment	6,215,879	5,936,102
Furniture and equipment	1,176,696	610,129
Intangible Assets	5,895,274	5,895,274
Construction in progress	23,887,078	12,978,456
Total	<u>\$ 198,393,623</u>	<u>\$ 179,286,817</u>

Prior to 2008, the District had not kept up with facility maintenance and equipment replacement. During late 2008 and continuing through fiscal 2013, the District has had an aggressive capital improvement program. For 2014, the District increased its capital improvement efforts. Federal funding is playing a major role in the District's capital improvement activities as a result of the District aggressively identifying and pursuing federal funding for needed projects. As shown in the Capital Assets and Debt Administration chart, from 2013 to 2014, Construction in progress increased almost \$11,000,000 and water and sewer improvements increased over \$2,000,000. Cargo Dock 16 and water tower improvements were the bulk of these increases.

Major capital asset transactions during the fiscal year ended December 31, 2014 include the following:

- Tiger Grant Dock 16 - Gulf Marine Highway** - The District's Phase II application for a TIGER Discretionary Grant to expand inter-port and regional shipping over the U.S. D.O.T designated M10 Marine Highway Corridor was submitted and approved in 2012. The grant will provided \$12,000,000 in funding toward a total estimated cost of \$24,000,000 for the construction of Cargo Dock 16. This new dock will be 600 feet long that will serve as a foundation for expanding the District's container operations and provide priority berthing for the Cross Gulf Container Expansion project and provide berthing for large deep-draft vessels. In addition to the \$12,000,000 TIGER grant, other funding will come from a \$10,000,000 revenue bond and District operating funds. Construction of Dock 16 began in the fall of 2013 with completion scheduled for the Summer of 2015.

- **Corps of Engineers Channel Deepening and Widening Feasibility Study** - This is a long term project to investigate the feasibility of deepening and/or widening the Port of Brownsville Ship Channel. The study was completed in 2014 with the District paying 50% of the cost of the study. In 2014, the District paid the Corps of Engineers \$49,833 as the District's 50% share bringing total District 50% cost share to the Corps to \$4,200,403 since the start of the project in 2006. These costs are included in the District's 50% match share. Preliminary indications show the cost benefit of deepening the channel, particularly to 52 feet, is positive. A positive economic benefit determination is necessary for eligibility for federal funding. Channel deepening is believed to be critical to the District's future growth and development.
- **Levee Improvements** - Major Levee work was begun in 2014 for Placement Area 2, Placement Area 4 and Placement Area 5A. These contracts totalled about \$3,600,000 with approximately half the work remaining to be completed in 2015. This work is critical to allow the Corps of Engineers to dredge the channel beginning in 2015.
- **Enhanced Security Projects** – Enhanced security projects for 2014 included continuing efforts to put in place security fencing and security lighting throughout the Port. For 2014, more than \$1,000,000 was expended or encumbered for security fencing, security lighting and security equipment with approximately 75% of these funds provided by grants from the United States Department of Homeland Security.

The District's outstanding debt is summarized as follows:

	<u>Outstanding Debt</u>	
	<u>12/31/2014</u>	<u>12/31/2013</u>
Revenue bonds, net	\$ 14,669,045	\$ 17,783,322
General obligation bonds, net	10,583,891	12,810,302
 Total	 <u>\$ 25,252,936</u>	 <u>\$ 30,593,624</u>

The decrease in outstanding debt is due to payments on existing bonds without the issuance of a new bonds, as well as the payoff of \$1,630,000 on BRG bonds as part of the franchise agreement with OmniTRAX.

Additional information on the District's long-term debt can be found in Note 3. E. on pages 51-54 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.

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## **BASIC FINANCIAL STATEMENTS**

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

STATEMENT OF NET POSITION

December 31, 2014

	Primary Government Enterprise Fund	Component Unit BRG International Railroad	Total Reporting Entity
<b>ASSETS</b>			
<b>Current Assets - Unrestricted:</b>			
Cash and cash equivalents	\$ 25,108,691	\$ -	\$ 25,108,691
Accounts receivable, net of allowance	1,411,978	-	1,411,978
Note and capital lease receivable, current	392,443	-	392,443
Taxes receivable, net of estimated uncollectible taxes	259,478	-	259,478
Other receivables and accrued interest	757,906	-	757,906
Inventories	6,111	-	6,111
Prepaid expenses	372,657	-	372,657
<b>Total Current Assets - Unrestricted</b>	<b>28,309,264</b>	<b>-</b>	<b>28,309,264</b>
<b>Current Assets - Restricted:</b>			
Cash - revenue bond fund	9,091,855	-	9,091,855
Cash - general obligation bond fund	2,616,834	-	2,616,834
Cash - overweight permits	11,536	-	11,536
Taxes Receivable - G.O., net	1,133,746	-	1,133,746
<b>Total Current Assets - Restricted</b>	<b>12,853,971</b>	<b>-</b>	<b>12,853,971</b>
<b>Total Current Assets</b>	<b>41,163,235</b>	<b>-</b>	<b>41,163,235</b>
<b>Capital Assets:</b>			
Property, plant, and equipment	198,393,623	-	198,393,623
Less: accumulated depreciation and amortization	(63,566,365)	-	(63,566,365)
	134,827,258	-	134,827,258
<b>Other Noncurrent Assets:</b>			
Note receivable, non-current	2,085,933	-	2,085,933
Capital lease receivable, non-current	655,684	-	655,684
Other assets	419,160	-	419,160
<b>Total Other Noncurrent Assets</b>	<b>3,160,777</b>	<b>-</b>	<b>3,160,777</b>
<b>Total Noncurrent Assets</b>	<b>137,988,035</b>	<b>-</b>	<b>137,988,035</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding	101,969	-	101,969
<b>Total Deferred Outflows of Resources</b>	<b>101,969</b>	<b>-</b>	<b>101,969</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 179,253,239</b>	<b>\$ -</b>	<b>\$ 179,253,239</b>

(Continued)

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

STATEMENT OF NET POSITION - CONTINUED

December 31, 2014

	Primary Government Enterprise Fund	Component Unit BRG International Railroad	Total Reporting Entity
<b>LIABILITIES</b>			
<b>Current Liabilities - Unrestricted:</b>			
Accounts payable	\$ 4,556,969	\$ -	\$ 4,556,969
Accrued liabilities	539,708	-	539,708
Unearned lease rentals	4,391,844	-	4,391,844
	<u>9,488,521</u>	<u>-</u>	<u>9,488,521</u>
<b>Current Liabilities - Restricted:</b>			
Current maturities of long-term debt - bonds	3,690,000	-	3,690,000
<b>Total Current Liabilities</b>	<u>13,178,521</u>	<u>-</u>	<u>13,178,521</u>
<b>Noncurrent Liabilities:</b>			
Revenue bonds	13,269,045	-	13,269,045
General obligation bonds	8,293,891	-	8,293,891
<b>Total Noncurrent Liabilities</b>	<u>21,562,936</u>	<u>-</u>	<u>21,562,936</u>
<b>Total Noncurrent Liabilities</b>	<u>21,562,936</u>	<u>-</u>	<u>21,562,936</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property tax revenue	3,166,615	-	3,166,615
<b>Total Deferred Inflows of Resources</b>	<u>3,166,615</u>	<u>-</u>	<u>3,166,615</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>37,908,072</u>	<u>-</u>	<u>37,908,072</u>
<b>NET POSITION</b>			
Net investment in capital assets	113,617,071	-	113,617,071
<b>Restricted for:</b>			
Revenue bond debt retirement and contingency	3,362,698	-	3,362,698
General obligation bond debt service	3,750,580	-	3,750,580
<b>Unrestricted</b>	<u>20,614,818</u>	<u>-</u>	<u>20,614,818</u>
<b>Total Net Position</b>	<u>141,345,167</u>	<u>-</u>	<u>141,345,167</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<u>\$ 179,253,239</u>	<u>\$ -</u>	<u>\$ 179,253,239</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, 2014

	Primary Government Enterprise Fund	Component Unit BRG International Railroad	Total Reporting Entity
<b>OPERATING REVENUES</b>			
Vessel services	\$ 7,018,584	\$ -	\$ 7,018,584
Lease rentals			
Port system	5,701,527	-	5,701,527
Other lease rentals	2,405,471	-	2,405,471
Other operating revenue	1,410,717	20,098	1,430,815
Switching	-	6,473,068	6,473,068
Incidental	-	168,700	168,700
Car repair	-	93,890	93,890
Demurrage	-	358,475	358,475
Total Operating Revenues	<u>16,536,299</u>	<u>7,114,231</u>	<u>23,650,530</u>
<b>OPERATING EXPENSES, OTHER THAN DEPRECIATION</b>			
Wages and employee expenses	4,010,589	-	4,010,589
Maintenance and operation of facilities	1,824,973	4,319,031	6,144,004
General and administrative expenses	3,697,505	2,109,723	5,807,228
	<u>9,533,067</u>	<u>6,428,754</u>	<u>15,961,821</u>
Income from operations before depreciation	<u>7,003,232</u>	<u>685,477</u>	<u>7,688,709</u>
Depreciation	<u>3,604,738</u>	<u>225,004</u>	<u>3,829,742</u>
<b>OPERATING INCOME</b>	3,398,494	460,473	3,858,967

(Continued)

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

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

For the Year Ended December 31, 2014

	Primary Government Enterprise Fund	Component Unit BRG International Railroad	Total Reporting Entity
<b>NON-OPERATING INCOME (EXPENSE)</b>			
Interest income on investments and direct financing leases - port system	260,285	5,382	265,667
Interest income - other	43,916	-	43,916
Taxes - net of bad debt and collection expenses			
Penalties and interest	138,100	-	138,100
Maintenance and operations	581,854	-	581,854
General obligation bond debt service	2,503,579	-	2,503,579
Interest expense	(873,275)	(42,425)	(915,700)
Gain (loss) on disposal of assets	(39,944)	-	(39,944)
Bond service fees	(4,150)	-	(4,150)
Other non-operating income (expense)	(29,104)	61,710	32,606
Total Other Income	<u>2,581,261</u>	<u>24,667</u>	<u>2,605,928</u>
Income Before Contributions and Special Items	5,979,755	485,140	6,464,895
Capital contributions	4,905,648	-	4,905,648
Special item - contribution of net assets	9,787,478	(8,924,388)	863,090
Special item - franchise revenue	425,431	-	425,431
	<u>15,118,557</u>	<u>(8,924,388)</u>	<u>6,194,169</u>
Increase (decrease) in net position	21,098,312	(8,439,248)	12,659,064
Net position at beginning of year	120,316,533	8,439,248	128,755,781
Prior period adjustments	(69,678)	-	(69,678)
Net position at beginning of year - as restated	<u>120,246,855</u>	<u>8,439,248</u>	<u>128,686,103</u>
Net position at end of year	<u>\$ 141,345,167</u>	<u>\$ -</u>	<u>\$ 141,345,167</u>

See accompanying notes to financial statements.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2014

	Primary Government <u>Enterprise Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 19,268,133
Payment to suppliers	(1,758,513)
Payment to employees	(4,393,678)
Net cash provided by operating activities	<u>13,115,942</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Collections of M&O taxes and interest, net of discounts and collection expense	614,059
Net cash provided by noncapital financing activities	<u>614,059</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Collections of G.O. taxes and interest, net of discounts and collection expense	2,630,941
Proceeds from franchise revenue	425,431
Capital contributions	4,905,648
Purchase and construction of capital assets	(10,920,689)
Principal paid on capital debt	(5,340,688)
Interest paid on capital debt	(836,686)
Net cash provided in capital and related financing activities	<u>(9,136,043)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received	297,790
Principal received on notes and capital leases receivable	1,969,164
Net cash provided in investing activities	<u>2,266,954</u>
 Net increase (decrease) in cash and cash equivalents	 6,860,912
Cash and cash equivalents at beginning of year	<u>29,968,004</u>
Cash and cash equivalents at end of year	<u>\$ 36,828,916</u>
 Cash and cash equivalents presented on the Statement of Net Position consist of:	
Cash and cash equivalents - unrestricted	\$ 25,108,691
Cash - revenue bond fund - restricted	9,091,855
Cash - general obligation bond fund - restricted	2,616,834
Cash - overweight permits - restricted	11,536
Total cash and cash equivalents - restricted and unrestricted	<u>\$ 36,828,916</u>

(Continued)

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

STATEMENT OF CASH FLOWS - CONTINUED

For the Year Ended December 31, 2014

	Primary Government <u>Enterprise Fund</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 3,398,494
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	3,604,738
(Gain)/Loss on sale of assets	39,944
Allowance for doubtful accounts	171,417
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	575,219
(Increase) decrease in taxes receivable	15,007
(Increase) decrease in inventories	729
(Increase) decrease in prepaid expenses	(30,409)
(Increase) decrease in other assets	(56,396)
Increase (decrease) in accounts payable	2,457,184
Increase (decrease) in accrued liabilities	(62,981)
Increase (decrease) in deferred lease rentals and other credits	3,002,996
Net cash provided by operating activities	<u>\$ 13,115,942</u>

See accompanying notes to financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

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## NOTES TO THE FINANCIAL STATEMENTS

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BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

**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 reporting entity of the District consists of the primary government (in this case, the District) and a discretely presented component unit, Brownsville and Rio Grande International Railroad (the "Railroad"). The Railroad was a component unit of the District as defined in GASB Statement No. 61. On June 1, 1983, the District issued Junior Lien Railroad Revenue Bonds which created the Brownsville and Rio Grande International Railroad. The District transferred the proceeds, less reserve funds, to the Railroad for use as operating funds and to finance port-related railroad facilities. The Railroad was fiscally dependent on the District for issuance of the bonded debt and subsequent refunding of the debt. The District also had the ability to unilaterally abolish the entity, as they did during 2014. The Railroad was operated and maintained as a separate and distinct entity from the District. In August 2014, the District sold the operations of the Railroad to a private company, at which time, the Junior Lien Railroad Revenue Bond was extinguished. The operations of the Railroad is reported in a separate column in the District's financial statements to emphasize that it is legally separate from the government through the date of the sale. More detailed information regarding the specifics of the sale of operations of the Railroad are discussed in Note 3-I.

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.

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2014

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

**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.

**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, LIABILITIES 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.

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2014

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

**D. ASSETS, LIABILITIES AND NET POSITION – Continued**

**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.

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 \$292,816 as of December 31, 2014. The balance in the reserve for lease rentals is \$159,798 as of December 31, 2014.

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, 2014, is \$12,227 and \$53,422 for maintenance and operations and debt service respectively, for a total of \$65,649.

**4. Inventories**

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

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2014

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

**D. ASSETS, LIABILITIES 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, or the project was a betterment, or the project creates a new asset.

Depreciation of plant and facilities is computed using the straight-line method over the useful lives of the assets. 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, 2014

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

**D. ASSETS, LIABILITIES AND NET POSITION – Continued**

**7. Deferred Debt Expense**

The expenses related to approval and sale of the revenue bonds series 2002 and 2011, and the general obligation bonds series 2007, 2008 and 2011 are amortized on a straight-line basis over the period during which the bonds are outstanding.

**8. 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.

**9. Deferred Compensation Plans**

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.

**10. Net Position Flow Assumption**

Net position represent the residual interest in the District's assets after liabilities 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.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. ASSETS, LIABILITIES AND NET POSITION – Continued

10. Net Position Flow Assumption - Continued

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.

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, 2014 was \$24,764.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

**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 \$37,996,456 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.

Investments

On October 1, 2014, 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 were carried at cost. At December 31, 2014, the District had the following investments:

Unrestricted Cash:	
Checking	\$ 22,416,880
Savings	<u>2,691,811</u>
Total Unrestricted Cash	<u>\$ 25,108,691</u>

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2014

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

A. DEPOSITS AND INVESTMENTS – Continued

Investments – Continued

Restricted Cash:	
Revenue Bonds	\$ 9,091,855
GO Bonds	2,616,834
Overweight Permits	<u>11,536</u>
Total Restricted Cash	<u>\$ 11,720,225</u>

*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, 2014, 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	\$ 1,802,919
Less: allowance for uncollectible accounts	(292,816)
Accounts receivable – lease rentals	61,673
Less: reserve for lease rentals	<u>(159,798)</u>
	<u>\$ 1,411,978</u>
Accounts receivable – other	<u>\$ 757,906</u>

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

Taxes Receivable

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.

	<u>Maintenance &amp; Operation (M&amp;O)</u>	<u>Debt Service</u>
Taxes receivable, gross	\$ 271,705	\$ 1,187,168
Allowance for uncollectible taxes	( 12,227)	( 53,422)
Taxes receivable, net	<u>\$ 259,478</u>	<u>\$ 1,133,746</u>

Notes Receivable

Notes receivable as of December 31, 2014 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	\$ 2,372,979
Less: Current Maturities					<u>(287,046)</u>
Long-term Notes Receivable					<u>\$ 2,085,933</u>

Approximate maturities of notes receivable subsequent to December 31, 2014 are as follows:

<u>Year</u>	<u>City of Brownsville</u>
2015	287,046
2016	302,834
2017	319,489
2018	337,061
2019	355,600
2020-2023	<u>770,949</u>
	<u>\$ 2,372,979</u>

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

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, 2014, the following assets are restricted assets:

Revenue Bond Funds (all cash accounts)

Debt reserve fund	\$ 1,636,953
Contingencies fund	288,595
Construction fund	5,729,157
Interest and redemption fund	<u>1,437,150</u>
Total Revenue Bond Fund Assets	\$ <u>9,091,855</u>

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

C. RESTRICTED ASSETS – Continued

*General Obligation Bond Fund*

Debt service fund	
Cash	\$ 2,616,834
Taxes receivable, less estimated uncollectible taxes of \$(53,422)	<u>1,133,746</u>
Total General Obligation Bond Fund Assets	<u>\$ 3,750,580</u>
Overweight Permit Assets	
Cash	<u>\$ 11,536</u>
Total Restricted Assets - District Obligations	<u>\$ 12,853,971</u>

D. CAPITAL ASSETS

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

	Balance January 1, 2014	Additions	Deletions	Reclas- sifications	Balance December 31, 2014
Capital assets, not being depreciated:					
Inland channel and turning basin	\$ 15,324,008	\$ -	\$ -	\$ -	\$ 15,324,008
Jetties and jetty channel	35,836,003	-	-	-	35,836,003
Land	9,934,753	-	-	-	9,934,753
Construction in progress	12,978,456	15,723,037	(176,431)	(4,637,982)	23,887,080
Easements	20,760	-	-	-	20,760
Total capital assets, not being depreciated	<u>74,093,980</u>	<u>15,723,037</u>	<u>(176,431)</u>	<u>(4,637,982)</u>	<u>85,002,604</u>
Capital assets, being depreciated:					
Docks and appurtenances	46,717,878	-	-	39,454	46,757,332
Water and sewer systems	8,383,766	-	-	2,150,294	10,534,060
Railroads	7,542,279	-	-	-	7,542,279
Railway from component unit	-	3,731,666	-	-	3,731,666
Land improvements and roads	29,356,054	-	-	1,430,425	30,786,479
Administration building	751,354	-	-	-	751,354
Industrial equipment	5,936,102	-	(171,465)	451,242	6,215,879
Furniture and equipment	610,129	-	-	566,567	1,176,696
Intangible assets	5,895,274	-	-	-	5,895,274
Total capital assets, being depreciated	<u>105,192,836</u>	<u>3,731,666</u>	<u>(171,465)</u>	<u>4,637,982</u>	<u>113,391,019</u>

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

D. CAPITAL ASSETS – Continued

	Balance January 1, 2014	Additions	Deletions	Reclas- sifications	Balance December 31, 2014
Less accumulated depreciation for:					
Docks and appurtenances	(28,373,762)	(878,118)	-	-	(29,251,880)
Water and sewer systems	(7,197,364)	(195,755)	-	-	(7,393,119)
Railroads	(3,644,984)	(183,038)	-	-	(3,828,022)
Railway from component unit	-	(49,824)	-	-	(49,824)
Land improvements and roads	(11,260,801)	(1,864,678)	-	-	(13,125,479)
Administration building	(618,203)	(18,784)	-	-	(636,987)
Industrial equipment	(4,090,942)	(399,284)	171,465	-	(4,318,761)
Furniture and equipment	(507,038)	(15,255)	-	-	(522,293)
Intangible assets	(4,440,000)	-	-	-	(4,440,000)
Total accumulated depreciation	<u>(60,133,094)</u>	<u>(3,604,736)</u>	<u>171,465</u>	<u>-</u>	<u>(63,566,365)</u>
Total capital assets, being depreciated, net	<u>45,059,742</u>	<u>126,930</u>	<u>-</u>	<u>4,637,982</u>	<u>49,824,654</u>
Total capital assets, net	<u>\$ 119,153,722</u>	<u>\$ 15,849,967</u>	<u>\$ (176,431)</u>	<u>\$ -</u>	<u>\$ 134,827,258</u>

E. LONG-TERM DEBT

Changes in long-term obligations for the year ended December 31, 2014 are as follows:

	Balance Outstanding January 1, 2014	Additions	Deletions	Balance Outstanding December 31, 2014	Due Within One Year
Bonds Payable:					
Revenue Bonds - First Lien	\$ 16,015,000	\$ -	\$ (1,345,000)	\$ 14,670,000	\$ 1,400,000
Revenue Bonds - Junior Lien	1,775,000	-	(1,775,000)	-	-
Less: Unamortized discounts	(6,678)	-	5,723	(955)	-
General Obligation Bonds	12,790,000	-	(2,220,000)	10,570,000	2,290,000
Plus: Premium on capital appreciation bonds	20,302	-	(6,411)	13,891	-
Total bonds payable	<u>30,593,624</u>	<u>-</u>	<u>(5,340,688)</u>	<u>25,252,936</u>	<u>3,690,000</u>
Compensated Absences	230,197	211,787	(215,808)	226,176	226,176 <sup>(1)</sup>
Total long-term debt	<u>\$ 30,823,821</u>	<u>\$ 211,787</u>	<u>\$ (5,556,496)</u>	<u>\$ 25,479,112</u>	<u>\$ 3,916,176</u>

<sup>(1)</sup> included in accrued liabilities of \$539,708

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES - CONTINUED

E. LONG-TERM DEBT - Continued

Revenue Bonds

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Issue Matures</u>	<u>Original Issue</u>	<u>Unpaid Principal</u>
Series 2002A	3.38% - 4.80%	07-10-02	2022	\$ 1,790,000	\$ 940,000
Series 2002B	3.38% - 4.80%	07-10-02	2022	1,900,000	980,000
Series 2009	4.85%	04-01-09	2015	4,095,000	900,000
Series 2011	3.01%	10-24-11	2021	2,390,000	1,900,000
Series 2012	3.19%	12-27-12	2038	10,000,000	<u>9,950,000</u>
					\$14,670,000
Less: Unamortized discount					<u>(955)</u>
					14,669,045
Less: Current maturities					<u>(1,400,000)</u>
					<u>\$13,269,045</u>

The series 2002A, 2002B, 2009, 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.

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.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

E. LONG-TERM DEBT – Continued

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	\$ 1,045,000
Series 2008A	3.42%	05-01-08	2018	5,145,000	2,740,000
Series 2011	3.40%	12-02-11	2020	4,805,000	3,310,000
Series 2013	1.89%	03-11-13	2023	3,830,000	<u>3,475,000</u>
					\$10,570,000
Less: Unamortized deferred amount on refunding					(101,969)
Plus: Premium on Capital Appreciation Bonds					<u>13,891</u>
					10,481,922
Less: Current maturities					<u>(2,290,000)</u>
					<u>\$ 8,191,922</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.”

Authorized and unissued general obligation bonds at December 31, 2014 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.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

E. LONG-TERM DEBT – Continued

General Obligation Bonds – Continued

Annual maturities of debt subsequent to December 31, 2014, are as follows:

Year Ending December 31,	Revenue Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2015	1,400,000	415,159	2,290,000	278,765
2016	805,000	376,981	2,360,000	202,263
2017	830,000	355,574	2,180,000	127,303
2018	860,000	333,494	780,000	80,804
2019	900,000	310,511	855,000	58,736
2020-2024	3,405,000	1,230,780	2,105,000	70,143
2025-2029	2,040,000	863,374	-	-
2030-3034	2,255,000	532,810	-	-
3035-3039	2,175,000	142,513	-	-
Total	<u>\$ 14,670,000</u>	<u>\$ 4,561,196</u>	<u>\$ 10,570,000</u>	<u>\$ 818,014</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	\$ 451,590
General obligation bonds	<u>415,961</u>
	<u>\$ 867,551</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2014

**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. Costs of the assets under lease totaled \$4,788,433, consisting of \$861,554 in buildings and improvements, \$307,196 in rail spurs, and \$3,619,683 of land with a net book value of \$4,554,390. Current year depreciation on these assets was \$52,050. As of December 31, 2014, 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>Lease Rentals</u>
2015	\$ 5,944,728
2016	6,032,742
2017	6,122,076
2018	6,212,749
2019	6,304,783
2020	6,304,783

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 (the "District") sponsors a single-employer defined benefit pension plan for all eligible employees. The plan provides retirement, withdrawal, disability and certain death benefits. Amendments to the plan are made only with the authority of the District. The plan was converted to a cash balance pension plan design effective January 1, 2010. The plan does not issue a stand-alone financial report. However, an annual actuarial valuation report is available from Brownsville Navigation District and may be obtained by writing Brownsville Navigation District, 1000 Foust Road, Brownsville, Texas 78521.

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2014

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

G. PENSION PLAN – Continued

Funding Policy – Continued

Brownsville Navigation District has sole authority to establish or amend the obligations to contribute to the plan by participants or the employer. The employer is not subject to any explicit legal or contractual contribution rate.

Effective January 1, 2010, employees are required to contribute 4% of gross compensation to the Plan. The District makes contributions based upon a recommended contribution rate as a percentage of total estimated District payroll for each plan year (ending December 31). The recommended contribution rate is actuarially determined to pay the plan's normal cost (determined as a level percentage of total participant compensation) using the frozen initial liability actuarial cost method plus an amount that will amortize the unfunded actuarial liability over a period between 10 and 25 years. In the event that plan changes and/or unexpected gains or losses cause the amortization period to be less than 10 years or greater than 25 years in a future valuation year, the adopted methodology would require the District to reset the recommended contribution rate so that the unfunded actuarial liability is amortized over a period of 15 years beginning in that valuation year. The recommended contribution rate times the total estimated District payroll for a given plan year is the recommended contribution amount and the GASB Statement No. 27 compliant amount. The District may contribute a percentage of actual total District payroll each plan year that is expected to be equal to the recommended contribution amount.

Annual Pension Cost

For the fiscal year commencing January 1, 2014 and ending December 31, 2014, the District's Annual Required Contribution is \$399,520, which was the recommended contribution determined in the January 1, 2014 actuarial valuation. This was determined as 10.25% of expected 2014 District payroll.

The District's employer contributions deposited during the 12-month period ending on December 31, 2014 were \$408,296. The net pension asset (or negative NPO) is: (i) increased by \$6,912 for interest on the prior year's NPO, and (ii) reduced by \$5,973 for an amortized recognition of the prior year's NPO, and (iii) increased by \$8,776 for actual employer contributions in excess of expected. In combination, the net pension asset (or negative NPO) will increase in magnitude by \$9,715 (\$6,912 - \$5,973 + \$8,776). Changes in NPO affect the current year Annual Pension Cost as shown in the required NPO disclosure below. The Annual Pension Cost for the 12-month fiscal year ending December 31, 2014 is \$398,581.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

G. PENSION PLAN – Continued

Annual Pension Cost – Continued

		Net Pension Obligation (NPO)	
1	Annual Required Contribution (ARC)	\$	399,520
2	Interest on Prior End of Year NPO		(6,912)
3	Adjustment to ARC		5,973
4	Annual Pension Cost (APC)	\$	398,581
5	Actual Contributions Made		(408,296)
6	Shortfall due to short-term timing differences		-
7	Change in NPO	\$	(9,715)
8	NPO Beginning of Year		(101,953)
9	NPO End of Year	\$	(111,668)

The required contribution for the 2014 plan year was based on the results of the actuarial valuation as of January 1, 2014, using the frozen initial liability actuarial cost method and was in compliance with the GASB Statement No. 27 parameters. The actuarial assumptions for this valuation included (a) an 8.0% gross investment rate of return for the Cash Balance Investment Subaccount of the trust and 6.0% gross investment return for the Annuity Financing Investment Subaccount of the trust and (b) projected salary increases of 5.0% per year on average. Both (a) and (b) included an inflation component of 3.25%. The plan does not provide for any postretirement benefit increases. The actuarial value of plan assets equals market value less deferred net asset gains plus deferred net asset losses. Assets gains and losses are recognized over a 5-year period in 20% increments. The actuarial value of assets is adjusted as to not be in excess of 130% of market value nor to be less than 70% of market value. The interest on prior end of year NPO was determined using the equivalent single investment return rate assumption (6.78%) that would result in approximately the same actuarial accrued liability used in determining the ARC, reflecting the assumed forms of payment and the 8.0% and 6.0% assumptions for separate trust investment subaccounts. The unfunded actuarial liability was being amortized on a level percentage of payroll basis over a 21-year period for the January 1, 2014 actuarial valuation under the plan's funding policy.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

G. PENSION PLAN – Continued

Analysis of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Unfunded Actuarial Liability (UAL) <sup>1</sup>	(3) Actuarial Liability <sup>1</sup> [(1)+(2)]	(4) Funded Ratio [(1)/(3)]	(5) Present Value of Future Employer Normal Costs <sup>1</sup>	(6) Annual Covered Payroll <sup>2</sup>	(7) Unfunded Actuarial Liability as a Percentage of Covered Payroll [(2)/(6)]
January 1, 2005	1,648,812	1,273,994	2,922,806	56.4%	380,927	2,126,130	59.9%
January 1, 2006	1,647,634	1,287,247	2,934,881	56.1%	643,419	2,287,387	56.3%
January 1, 2007	1,793,079	1,253,801	3,046,880	58.8%	781,654	2,304,396	54.4%
January 1, 2008	1,980,444	1,232,781	3,213,225	61.6%	728,977	2,373,987	51.9%
January 1, 2009	1,782,364	1,205,153	2,987,517	59.7%	1,523,654	2,680,091	45.0%
January 1, 2010 <sup>3</sup>	2,161,639	2,698,269	4,859,908	44.5%	881,599	3,225,493	83.7%
January 1, 2011	2,443,350	2,682,968	5,126,318	47.7%	953,497	3,491,014	76.8%
January 1, 2012 <sup>4</sup>	2,650,734	2,902,628	5,553,362	47.7%	777,113	3,076,504	94.3%
January 1, 2013	2,845,515	3,298,679	6,144,194	46.3%	1,169,248	3,155,424	104.5%
January 1, 2014	3,270,172	3,324,349	6,594,521	49.6%	1,277,988	3,371,098	98.6%

<sup>1</sup> Based on Frozen Initial Liability Funding Method. Initial liability was established under the Individual Entry Age Normal cost method prior to 2010 and under the Unit Credit cost method after 2009.

<sup>2</sup> Projected for the plan year following the valuation date based on payroll data collected as of the preceding calendar year.

<sup>3</sup> Effective January 1, 2010, the plan was converted to a cash balance plan design. Under the Funding Method this requires a redetermination of the UAL (established using the Unit Credit actuarial cost method effective January 1, 2010 due to the new plan design which reflects benefits based on career pay instead of final pay), which resulted in a larger UAL and a smaller Present Value of Future Normal Cost than the prior year.

<sup>4</sup> In accordance with the plan's funding method in existence prior to January 1, 2012, the UAL incurred for service rendered prior to January 1, 2012, was redetermined due to changes in assumptions and the plan's funding method, which will no longer require the redetermination of UAL for a change in assumptions after January 1, 2012.

Three-Year Trend Information

The three-year trend information is presented as follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
12/31/2012	349,010	100%	(101,614)
12/31/2013	383,817	100%	(101,953)
12/31/2014	398,581	102%	(111,668)

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2014

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

G. PENSION PLAN – Continued

Significant Assumptions Used

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective.

1. Actuarial Funding Method

The Frozen Initial Liability (Unit Credit) actuarial funding method is used in developing the contribution requirements for the plan. The actuarial funding method is the procedure by which the actuary annually identifies a series of annual contributions which, along with current assets and future investment earnings, will fund the expected plan benefits. The Frozen Initial Liability funding method compares the excess of the present value of expected future plan benefits over the current value of plan assets. This difference represents the expected present value of current and future contributions that will be paid into the plan. The contributions are divided into two components: an annual normal cost (or current cost) and an annual amortization charge for the unfunded frozen initial liability.

The unfunded frozen initial liability is redetermined whenever changes in plan benefits, or actuarial methods are made or when a positive unfunded liability reemerges after the plan has completely amortized a prior unfunded frozen initial liability. When the unfunded frozen initial liability is determined or redetermined, it is set equal to the excess of the plan's accrued liability over the value of current plan assets, if any. This accrued liability is determined under the Unit Credit actuarial funding method and is the sum of the individually determined accrued liability for each active participant plus the present value of future benefits for all retirees and vested terminated participants. Each active participant's accrued liability is determined as the present value of accrued benefits based on pay and service as of the valuation date. In years when the accrued liability is not redetermined, the unfunded frozen initial liability is based on an expected (projected) unfunded accrued liability.

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2014

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

G. PENSION PLAN – Continued

1. Actuarial Funding Method - Continued

The plan's normal cost is the current contribution in a series of annual amounts which represent the excess of the present value of future projected benefits over the sum of the current actuarial value of assets and the unfunded frozen initial liability. If the unfunded frozen initial liability has been completely amortized, the present value of future normal costs will be the excess of the present value of expected future projected benefits over the current actuarial value of assets. The normal cost has been calculated to be a level percent per year of active participant compensation, and is determined on an aggregate (average) basis for all active participants. Experience gains and losses do not affect the unfunded frozen initial liability, rather they are included in the present value of future normal costs.

2. Actuarial Value of Assets

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. Actuarial Value of Assets equals Market Value less deferred net asset gains plus deferred net asset losses. Market Value gains or losses are recognized over a 5-year period at a rate of 20% per year. Actuarial Value of Assets shall be adjusted as to not be in excess of 130% of Market Value nor to be less than 70% of Market Value.

3. Actuarial Assumptions

- a. Mortality: The active and retired participants of the plan are expected to exhibit mortality in accordance with the following published mortality tables:
  - i. Pre-retirement Mortality: Sex Distinct RP-2000 Combined Healthy Mortality Table  
Projected to the valuation date with Scale AA
  - ii. Post-retirement Mortality: Sex Distinct RP-2000 Combined Healthy Mortality Table  
Projected to the valuation date with Scale AA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

G. PENSION PLAN – Continued

3. Actuarial Assumptions – Continued

b. 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

c. Investment Return: Current and future plan assets are assumed to reflect an annual gross investment return as follows:

- i. Cash Balance Investment Subaccount 8.0%.
- ii. Annually Financing Investment Subaccount 6.0%.

d. Expected Plan-Related Expenses: Plan-related expenses are paid from the Trust’s Cash Balance Investment Subaccount and 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.

e. Annual Cash Balance Interest Crediting Rates

The annual rate of gross investment return for the Trust’s Cash Balance Investment Subaccount reduced for expected plan-related expenses.

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2014

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

G. PENSION PLAN – Continued

3. Actuarial Assumptions – Continued

f. 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

g. 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.

h. 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

i. 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.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

G. PENSION PLAN – Continued

3. Actuarial Assumptions – Continued

j. 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	

H. CAPITAL LEASES

During the year, the District entered into a capital lease agreement as lessor for financing certain real estate assets previously owned by their component unit that was sold to a privately owned company. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the net present value of future minimum lease payments receivable as of the inception of the lease. For more details on the sale transaction of the component unit, refer to Note 3.I.

The net present value of these minimum lease payments as of December 31, 2014, were as follows:

<u>Year</u>	
2015	\$ 128,751
2016	128,751
2017	128,751
2018	128,751
2019	128,751
2020	128,751
2021	<u>73,923</u>
Total minimum lease payments receivable	846,429
Less: interest amount	<u>(85,347)</u>
Present value of lease payments receivable	<u>\$ 761,082</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

I. BROWNSVILLE AND RIO GRANDE INTERNATIONAL RAILROAD

On June 1, 1983, the District issued Junior Lien Railroad Revenue Bonds which created the Brownsville and Rio Grande International Railroad ("Railroad"). The Railroad was reported as a discretely presented component unit of the District until such time the operations of the Railroad were sold to a privately owned company in August 2014.

In 2014, the Brownsville Navigation District entered into an agreement with Omnitrax, Inc. in which the District granted Omnitrax a franchise to develop certain real estate assets in and around the Port of Brownsville and to operate the Brownsville and Rio Grande Railroad, the component unit of the District. The effective date of this transaction was August 12, 2014. Upon consideration of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, it was determined the transaction between the entities was not a merger, since the operations as the component unit of the District would not continue.

The first event to occur was the distribution of the component unit's assets and liabilities at their book value. The values were obtained from the component unit's audited financial statements through the date of the franchise agreement. The District in turn recorded these assets and liabilities at fair value. The main differences in the amounts recorded are the capital assets of the component unit.

The capital assets of the component unit were broken into three categories. Category 1 was recorded as a capital lease per the agreement with the franchisee, Omnitrax. These assets were recorded by the District at the net present value of the capital lease, with a corresponding lease receivable recorded. Net present value of \$803,997 approximates fair market value. No gain or loss was recorded. The difference in book value and fair value is shown as a reduction of the contribution of net assets by the District from the component unit. Category 2 capital assets were purchased by Omnitrax for \$2.5 million paid on the date of the agreement. These assets were recorded by the District at the fair value of \$2.5 million. The difference in book value and fair value is shown as increase of the contribution of net assets by the District from the component unit. Simultaneously, a transaction to sell the assets was recorded. The District recognized no gain or loss on the transaction. Category 3 capital assets are assets that will be retained by the District and will continue to be depreciated. The fair value of the assets in this category is not readily determinable and was recorded at book value in the amount of \$3,731,666 (net of depreciation). It was determined that book value is the more conservative amount and best estimation of current value.

Also as part of the agreement, Omnitrax remitted to the District an amount equal to the principal and interest balance of the Junior Lien Railroad Revenue Bond, Series 2003. The District immediately thereafter surrendered those funds to extinguish the debt. The District recorded no gain or loss as a result of this transaction. However, the District first applied funds that were in reserve accounts established when the bond was created. Therefore, the excess of the principal and interest received from Omnitrax is recorded as franchise revenue. This debt created the component unit of the District. With the

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

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

**I. BROWNSVILLE AND RIO GRANDE INTERNATIONAL RAILROAD – Continued**

extinguishment of the debt, and franchise agreement in place, the component unit as it was known, ceased to exist.

Another part of the agreement stated that the franchisee would guarantee an amount to the District of \$550,000 for five years. The District received \$2.75 million on the date of the agreement. The District has recognized as track rental revenue from the date of the sale through December 31, 2014 in the amount of \$211,425. The remainder of the \$2.75 million is recorded as unearned lease rentals, and will be amortized each month for the remainder of the five years.

The District will lease certain real estate and improvements to Omnitrax for a term of thirty years. This is considered an operating lease, and the accounting records have and will continue to report these transactions as such. The lease is subject to earlier termination as provided in the lease. Rent for the buildings and locomotive pit for a period of seven years has been recorded as a capital lease in the transaction above for the capital assets identified as Category 1. Upon payment of seven years of rent for these assets, Omnitrax will own free and clear all rights and title to those assets stated in the agreement. The District has recorded these assets at the net present value of the lease.

**J. 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 \$139,016 for expenses for fiscal year ending September 20, 2014 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.

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, 2014, were \$32,760,000.

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2014

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

**K. 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.

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.

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.

**L. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

Construction Commitments

The District has active construction projects and commitments as of December 31, 2014. These projects commitments include the following:

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

L. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS – Continued

**Construction Commitments:**

<u>Projects</u>	<u>Spent to Date</u>	<u>Commitment Remaining</u>
Construction of Cargo Dock #16	\$ 16,290,551	\$ 8,935,997
Rehab - Placement Area 2 Levee	626,068	306,115
Rehab - Placement Area 4 Levee	475,847	1,791,500
Rehab - Placement Area 5a Levee	647,735	65,000

M. 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.

N. PRIOR PERIOD ADJUSTMENT

The District recorded the following prior period adjustments:

Several expenses relating to the previous fiscal year were reclassified decreasing net position by \$69,678.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

O. PENDING GASB'S

Statement No. 68 – Accounting and Financial Reporting for Pensions (amendment of GASB No. 27) – The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Statement No. 69 – Government Combinations and Disposals of Government Operations – The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term *operations* for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations.

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2014

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

**O. PENDING GASB'S – Continued**

A disposal of a government's operations results in the removal of specific activities of a government. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold.

This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this Statement are effective for periods beginning after December 15, 2013, and should be applied on a prospective basis. This Statement was considered for the current year sale transaction of the District's component unit.

*Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date (amendment of GASB No. 68)* – The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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

The District's management has not yet determined the effect Statements No. 68 and 71 will have on the entities' financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**THE RETIREMENT PLAN FOR EMPLOYEES OF  
BROWNSVILLE NAVIGATION DISTRICT**

**Analysis of Funding Progress**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Actuarial Valuation Date	Actuarial Value of Assets	Unfunded Actuarial Liability <sup>1</sup>	Actuarial Liability <sup>1</sup> [(1)+(2)]	Funded Ratio [(1)/(3)]	Present Value of Future Normal Costs <sup>1</sup>	Annual Covered Payroll <sup>2</sup>	Unfunded Actuarial Liability as a Percentage of Covered Payroll [(2)/(6)]
Jan. 1, 2005	1,648,812	1,273,994	2,922,806	56.4%	380,927	2,126,130	59.9%
Jan. 1, 2006	1,647,634	1,287,247	2,934,881	56.1%	643,419	2,287,387	56.3%
Jan. 1, 2007	1,793,079	1,253,801	3,046,880	58.8%	781,654	2,304,396	54.4%
Jan. 1, 2008	1,980,444	1,232,781	3,213,225	61.6%	728,977	2,373,987	51.9%
Jan. 1, 2009	1,782,364	1,205,153	2,987,517	59.7%	1,523,654	2,680,091	45.0%
Jan. 1, 2010 <sup>3</sup>	2,161,639	2,698,269	4,859,908	44.5%	881,599	3,225,493	83.7%
Jan. 1, 2011	2,443,350	2,682,968	5,126,318	47.7%	953,497	3,491,014	76.8%
Jan. 1, 2012 <sup>4</sup>	2,650,734	2,902,628	5,553,362	47.7%	777,113	3,074,504	94.3%
Jan. 1, 2013	2,845,515	3,298,679	6,144,194	46.3%	1,169,248	3,155,424	104.5%
Jan. 1, 2014	3,270,172	3,324,349	6,594,521	49.6%	1,277,988	3,371,098	98.6%

<sup>1</sup> Based on Frozen Initial Liability Funding Method. Initial liability was established under the Individual Entry Age Normal cost method prior to 2010 and under the Unit Credit cost method after 2009.

<sup>2</sup> Projected for the plan year following the valuation date based on payroll data collected as of the preceding calendar year.

<sup>3</sup> Effective January 1, 2010, the plan was converted to a cash balance plan design. Under the Funding Method this requires a redetermination of the UAL (established using the Unit Credit actuarial cost method effective January 1, 2010 due to the new plan design which reflects benefits based on career pay instead of final pay), which resulted in a larger UAL and a smaller Present Value of Future Normal Cost than the prior year.

<sup>4</sup> In accordance with the plan's funding method in existence prior to January 1, 2012, the UAL incurred for service rendered prior to January 1, 2012, was redetermined due to changes in assumptions and the plan's funding method, which will no longer require the redetermination of UAL for a change in assumptions after January 1, 2012.

**OTHER SUPPLEMENTAL INFORMATION**

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**SCHEDULE OF OPERATING EXPENSES**  
*(Depreciation expense omitted)*  
**For the Year Ended December 31, 2014**

	Primary Government	Component Unit	Total Reporting Entity
		BRG International Railroad	
Wages	\$ 3,653,667	\$ 646,390	\$ 4,300,057
Payroll taxes	294,505	150,792	445,297
Services	301,181	-	301,181
Materials	678,127	7,559	685,686
Utility	845,665	57,784	903,449
Insurance	1,132,852	496,187	1,629,039
Dues	106,927	7,942	114,869
Legal and auditing	307,378	49,454	356,832
Consulting fees	762,120	27,614	789,734
Supplies	71,486	11,219	82,705
Computer expense	174,345	122,666	297,011
Employee expense	62,417	10,698	73,115
Other expense	197,773	221,538	419,311
Contract rental and repairs	6,394	17,255	23,649
Travel	148,543	23,825	172,368
Advertising	24,764	500	25,264
Safety	9,199	20,211	29,410
Doubtful accounts	171,417	-	171,417
Shop cost of sales	61,940	13,085	75,025
Land lease and rental rebate	17,415	-	17,415
Retirement	445,506	-	445,506
Railway operating	-	4,222,993	4,222,993
Roadway operating	-	321,042	321,042
Promotional expenses	59,446	-	59,446
	<u>\$ 9,533,067</u>	<u>\$ 6,428,754</u>	<u>\$ 15,961,821</u>

Information for the BRG Railroad obtained from their 2014 audited financial statements for the seven month and eleven day period ended August 11, 2014.

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

## 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.	77 – 78
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the District's local revenue source.	79 – 86
<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.	87 – 90
<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.	91 – 94
<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.	95 – 98

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.

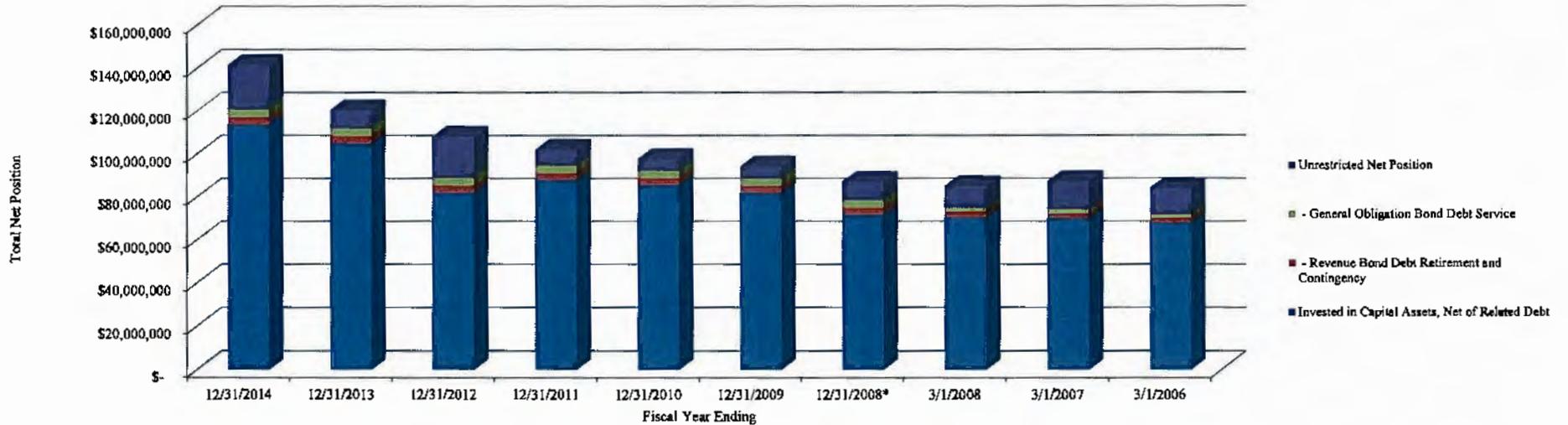
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## **Financial Trends**

**Brownsville Navigation District of Cameron County, Texas**  
**Net Position by Component**  
 Last Ten Fiscal Years  
 (Accrual Basis of Accounting)  
 (Unaudited)

	Fiscal Year Ending									
	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008*	3/1/2008	3/1/2007	3/1/2006
<b>Enterprise Fund</b>										
Invested in Capital Assets, Net of Related Debt	\$ 113,617,071	\$ 104,822,625	\$ 81,820,846	\$ 87,750,239	\$ 85,432,090	\$ 81,853,912	\$ 71,486,406	\$ 70,503,901	\$ 69,907,583	\$ 67,861,715
Restricted Net Position for:										
- Revenue Bond Debt Retirement and Contingency	3,362,698	3,477,755	3,295,001	3,187,128	3,143,836	3,071,700	3,391,345	2,294,246	2,201,867	2,109,461
- General Obligation Bond Debt Service	3,750,580	3,755,986	3,818,754	3,700,291	3,722,999	3,665,627	3,612,104	1,996,856	1,874,004	1,744,651
Unrestricted Net Position	20,614,818	8,260,167	19,177,471	7,394,664	5,406,303	5,583,275	8,524,353	10,155,915	13,276,721	12,230,638
<b>Total Enterprise Fund Net Position</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>	<b>\$ 83,946,465</b>

**Net Position by Component**



\*Fiscal year changed 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**  
**Changes in Net Position**  
 Last Ten Fiscal Years  
 (Accrual Basis of Accounting)  
 (Unaudited)

	Fiscal Year Ending									
	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008*	3/1/2008	3/1/2007	3/1/2006
<b>Operating Revenues</b>										
Vessel services	\$ 7,018,584	\$ 6,082,195	\$ 7,400,081	\$ 6,071,290	\$ 4,598,057	\$ 5,510,892	\$ 5,600,029	\$ 6,148,619	\$ 5,352,218	\$ 5,441,043
Lease rentals										
Port system	5,701,527	5,412,480	4,836,398	4,213,406	4,103,159	3,766,022	3,331,357	3,563,295	3,361,075	3,159,169
Other lease rentals	2,405,471	1,029,854	1,352,983	939,247	907,461	883,031	980,953	1,396,295	1,163,637	1,180,196
Other operating revenue	1,410,718	1,429,862	1,664,116	1,747,094	1,422,137	1,619,902	1,153,747	1,509,749	1,161,896	1,100,710
<b>Total Operating Revenues</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>11,066,086</b>	<b>12,617,958</b>	<b>11,038,826</b>	<b>10,881,118</b>
<b>Operating Expenses, Other Than Depreciation &amp; Amortization</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>7,786,597</b>	<b>7,740,327</b>
<b>Income from Operations Before Depreciation &amp; Amortization</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>3,252,229</b>	<b>3,140,791</b>
Amortization	-	-	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000
Depreciation	3,604,738	2,650,096	2,390,320	2,483,457	2,281,499	2,135,614	1,761,528	2,085,111	2,118,256	2,086,318
<b>Operating Income (Loss)</b>	<b>3,398,494</b>	<b>2,841,909</b>	<b>3,118,676</b>	<b>941,921</b>	<b>(816,106)</b>	<b>503,954</b>	<b>2,097,978</b>	<b>2,162,916</b>	<b>1,133,973</b>	<b>1,054,473</b>
<b>Non-Operating Income (Expense)</b>										
Interest income on investments and direct financing leases - port system	260,285	282,271	261,865	351,411	411,473	577,825	705,344	788,460	675,579	682,271
Interest income - other	43,916	76,745	81,941	86,833	91,518	98,341	94,581	131,310	148,410	161,965
Tax income - net of bad debt and collection expenses										
Penalties and Interest	138,101	129,320	132,695	125,130	129,549	130,902	113,986	153,506	158,359	155,788
Maintenance and Operations	581,854	562,939	559,115	571,669	612,400	602,150	436,847	550,779	516,662	481,305
General Obligation Debt Service	2,503,579	2,582,176	2,561,060	2,597,205	2,543,903	2,555,778	2,276,470	2,787,618	2,890,311	2,855,553
Interest expense	(873,275)	(1,081,611)	(932,669)	(1,248,819)	(1,450,407)	(1,602,304)	(1,452,131)	(2,070,626)	(2,186,526)	(2,423,680)
Gain (Loss) on disposal of assets	(39,944)	-	93,305	-	-	-	-	-	-	(303,006)
Bond issuance costs	-	(137,136)	(58,946)	(69,752)	(69,752)	(66,264)	(57,682)	(78,266)	(74,375)	(81,275)
Bond service fees	(4,150)	(5,900)	(5,000)	(7,300)	(7,000)	(6,500)	(5,265)	(13,500)	(14,000)	(12,289)
Impairment loss on Bridge Project	-	-	-	-	-	-	-	(6,938,520)	-	-
Other non-operating income (expense)	(29,104)	(35,724)	(31,264)	(76,710)	250,624	78,203	(37,795)	(41,975)	63,645	78,571
<b>Total Other Income (Expense)</b>	<b>2,581,261</b>	<b>2,373,080</b>	<b>2,662,103</b>	<b>2,329,667</b>	<b>2,512,308</b>	<b>2,368,131</b>	<b>2,074,355</b>	<b>(4,731,214)</b>	<b>2,178,065</b>	<b>1,595,203</b>
<b>Income (Loss) Before Contributions and Extraordinary Items</b>	<b>5,979,755</b>	<b>5,214,989</b>	<b>5,780,779</b>	<b>3,271,588</b>	<b>1,696,202</b>	<b>2,872,085</b>	<b>4,172,333</b>	<b>(2,568,298)</b>	<b>3,312,038</b>	<b>2,649,676</b>
Capital contributions	4,905,648	7,157,780	417,180	102,465	1,834,512	2,623,213	360,394	259,041	28,169	1,000
Special Item - contribution of net assets	9,787,478									
Special Item - franchise revenue	425,431									
Extraordinary items	-	-	-	-	-	-	-	-	-	(350,000)
<b>Increase (decrease) in net position</b>	<b>21,098,312</b>	<b>12,372,769</b>	<b>6,197,959</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>3,340,207</b>	<b>2,300,676</b>
<b>Net position at beginning of year</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>	<b>83,946,465</b>	<b>81,645,789</b>
Prior period adjustments	(69,678)	(168,308)	(118,210)	953,041	-	1,665,008	(2,469,436)	-	(26,497)	-
<b>Net position at beginning of year - as restated</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>83,919,968</b>	<b>81,645,789</b>
<b>Net position at end of year</b>	<b>\$ 141,345,167</b>	<b>\$ 120,316,533</b>	<b>\$ 108,112,071</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>	<b>\$ 87,260,175</b>	<b>\$ 83,946,465</b>

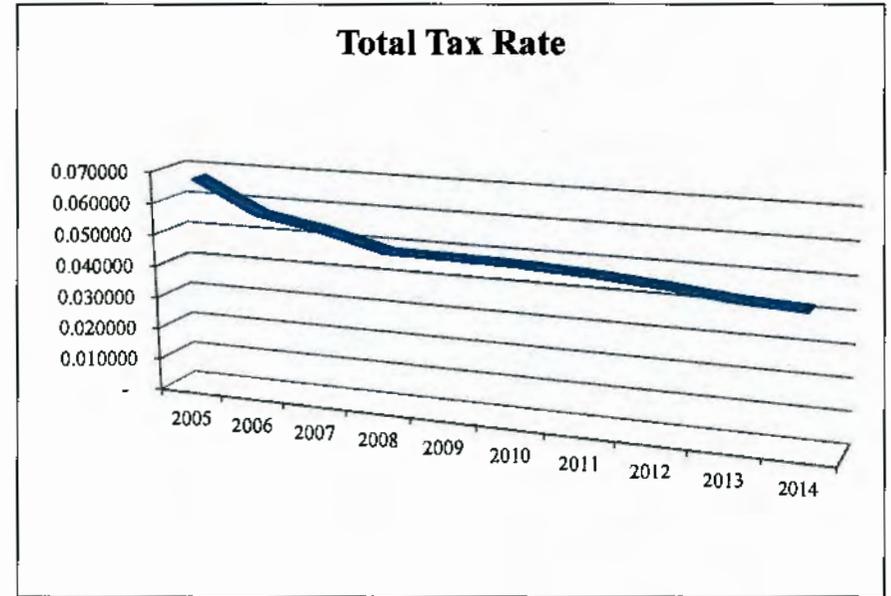
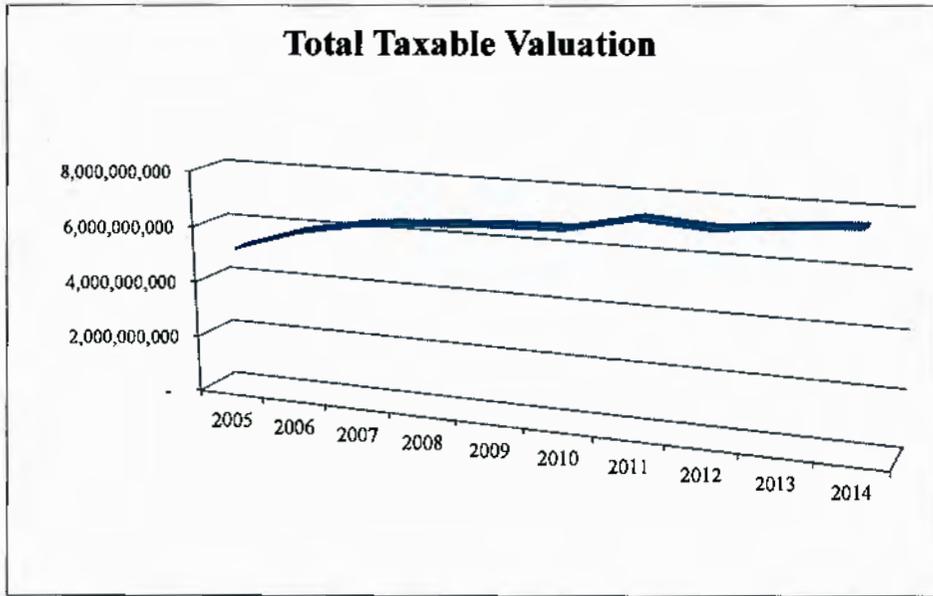
\*Fiscal year change from a March 1 year ending to a December 31 year ending in 2008. Fiscal year ending 12/31/2008 was for 10 months only.

## **Revenue Capacity**

**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	M&O Rate	G.O. Rate	Total Rate	M&O Levy	G.O. Levy	Total Levy	Amount	Percentage of Levy		Amount	Percentage of Levy
2014	8,533,232,826	7,539,555,606	0.007900	0.034100	0.042000	595,625	2,570,990	3,166,615	2,293,099	72.41%	-	-	-
2013	8,314,802,420	7,368,557,604	0.008100	0.034900	0.043000	576,855	2,571,636	3,148,492	2,251,662	71.52%	774,282	3,025,944	96.11%
2012	8,020,807,724	7,119,854,819	0.008100	0.037100	0.045200	576,697	2,641,479	3,218,177	2,299,853	71.46%	845,530	3,145,383	97.74%
2011	7,819,215,942	7,283,310,136	0.008430	0.038400	0.046830	580,593	2,644,694	3,225,287	3,035,813	94.13%	140,758	3,176,571	98.49%
2010	7,645,015,630	6,755,307,381	0.008628	0.039200	0.047828	583,941	2,653,047	3,236,988	3,030,740	93.63%	165,519	3,196,259	98.74%
2009	7,632,032,815	6,676,131,020	0.009353	0.038900	0.048253	628,527	2,614,109	3,242,636	3,034,357	93.58%	175,723	3,210,080	99.00%
2008	7,546,736,522	6,543,368,909	0.009353	0.039144	0.048497	622,869	2,606,820	3,229,689	3,027,704	93.75%	174,345	3,202,049	99.14%
2007	7,243,157,088	6,351,998,091	0.008843	0.044766	0.053609	561,579	2,841,930	3,403,509	3,182,035	93.49%	195,828	3,377,863	99.25%
2006	6,399,437,985	5,908,277,454	0.008470	0.048770	0.057240	506,529	2,870,329	3,376,858	3,143,974	93.10%	209,607	3,353,581	99.31%
2005	5,850,202,872	5,165,304,549	0.009683	0.057617	0.067300	500,060	2,975,518	3,475,578	3,231,861	92.99%	221,602	3,453,463	99.36%

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**Brownsville Navigation District of Cameron County, Texas**  
**Ten Principal Taxpayers in Cameron County**  
 Current Year and Nine Years Ago  
 (Unaudited)

<u>No.</u>	<u>Taxpayer</u>	<u>Type of Activity</u>	<u>Fiscal Year</u>	<u>Percentage</u>	<u>Fiscal Year</u>	<u>Percentage</u>
			<u>2014 Assessed</u>	<u>of Assessed</u>	<u>2005 Assessed</u>	<u>of Assessed</u>
			<u>Value</u>	<u>Valuation</u>	<u>Value</u>	<u>Valuation</u>
1	AEP Texas Central Co.	Electrical Utility	\$ 147,889,603	0.92%	\$ 104,875,630	1.08%
2	Panasonic Automotive Electronics	Manufacturing	83,394,789	0.52%	36,105,821	0.37%
3	VHS Harlingen Hospital Company	Health Care	76,296,561	0.48%	35,014,370	0.36%
4	Los Vientos Windpower, LLC	Electrical Utility	50,020,650	0.31%	-	0.00%
5	Comcast Corporation	Broadcasting	46,784,056	0.29%	-	0.00%
6	Union Pacific Rail Road	Rail Road	42,827,010	0.27%	-	0.00%
7	Wal-Mart Stores, Inc.	Retail	40,957,104	0.26%	34,532,873	0.36%
8	CBL/Sunrise Commons, L.P.	Retail Mall	40,643,073	0.25%	38,706,222	0.40%
9	GLH LP		39,746,878	0.25%	-	0.00%
10	Southwestern Bell Telephone	Telephone Company	33,904,150	0.21%	72,344,960	0.74%
<b>Total Assessed Valuation</b>			<b>\$ 602,463,874</b>	<b>3.76%</b>	<b>\$ 321,579,876</b>	<b>3.31%</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 Ending									
	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008*	3/1/2008	3/1/2007	3/1/2006
<b>Operating Revenues</b>										
Vessel Services	\$ 7,018,584	\$ 6,082,195	\$ 7,400,081	\$ 6,071,290	\$ 4,598,057	\$ 5,510,892	\$ 5,600,029	\$ 6,148,619	\$ 5,352,218	\$ 5,441,043
Lease Rentals - Port System	5,701,527	5,412,480	4,836,298	4,213,406	4,103,159	3,766,022	3,331,357	3,563,295	3,361,075	3,159,169
Other Lease Rentals	2,405,471	1,029,854	1,352,983	939,247	907,461	883,031	980,953	1,396,295	1,163,637	1,180,196
Other Operating Revenue	1,410,718	1,429,862	1,664,116	1,747,094	1,422,137	1,619,902	1,153,747	1,509,749	1,161,896	1,100,710
<b>Total Operating Revenue</b>	<b>16,536,399</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>11,038,026</b>	<b>10,881,118</b>
<b>Operating Expenses</b>										
Wages	3,652,667	3,383,096	3,414,677	3,462,861	3,300,810	3,315,291	2,523,191	2,722,408	2,721,681	2,502,585
Payroll Taxes	294,504	260,275	281,092	276,655	250,004	228,782	179,876	193,171	216,226	180,003
Services	301,181	340,792	293,763	322,115	250,076	263,071	218,886	411,941	443,672	399,520
Materials	678,128	689,755	820,675	581,740	666,179	596,943	539,951	650,752	761,927	481,062
Utilities	845,664	813,377	750,961	751,295	675,562	647,933	601,574	756,520	623,232	514,458
Insurance	1,132,852	995,831	1,062,878	1,092,838	1,108,981	1,068,276	905,686	1,099,060	1,054,238	935,557
Dues & Subscription	106,926	119,047	83,525	88,278	87,663	78,281	30,016	45,292	47,000	55,263
Legal & Auditing	307,378	212,009	145,854	205,955	149,751	165,656	160,159	507,009	263,121	608,268
Consultant Fees	762,120	646,883	553,655	530,469	564,257	856,225	600,201	838,489	400,928	451,544
Office Supplies	71,486	85,482	70,462	69,946	63,848	85,719	73,759	77,447	74,921	77,544
Computer Expense	174,345	99,618	129,528	105,473	88,588	55,548	40,634	40,132	57,992	59,747
Employee Expenses	62,416	63,235	74,202	66,660	57,902	82,436	59,301	73,066	50,432	50,432
Other Expense	197,773	86,455	109,161	97,345	181,960	40,809	148,107	113,036	76,078	103,518
Contracts Rental & Repairs	6,394	27,289	36,996	23,742	21,961	29,690	19,390	31,158	103,443	139,810
Travel	148,543	146,002	128,731	145,674	149,128	119,789	124,533	113,086	144,934	119,566
Advertising	24,764	28,851	39,073	44,009	34,159	67,363	145,180	99,123	112,494	76,428
Safety	9,198	15,602	12,512	10,455	9,796	7,623	2,643	695	3,740	6,527
Doubtful Accounts	171,417	-	-	-	208,794	(153,429)	114,165	125,443	222,276	346,319
Shop cost of sales	61,940	-	-	-	-	-	-	-	-	-
Land Lease and Rental Rebate	17,415	17,010	163,348	42,963	137,347	159,513	466,953	248,330	81,688	238,322
Retirement & Life	445,506	351,109	380,174	383,919	402,551	273,856	175,000	211,443	246,281	231,435
Promotional	59,447	80,468	83,314	133,267	46,105	40,906	82,808	25,996	57,659	162,420
<b>Total Operating Expenses</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>8,030,180</b>	<b>7,206,379</b>	<b>8,369,931</b>	<b>7,786,597</b>	<b>7,740,325</b>
<b>Net Operating Income before Depreciation and Amortization</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>3,749,668</b>	<b>3,859,706</b>	<b>4,248,027</b>	<b>3,252,229</b>	<b>3,140,793</b>
<b>Non-Operating Income (Expense)</b>										
Interest Inc. on investments and direct leases	260,285	282,271	343,807	438,244	502,991	676,166	705,344	788,460	675,579	682,271
Interest Income other	43,916	76,745	-	-	-	-	-	-	-	-
Tax income - net of bad debt and collection exp										
Penalty and interest	138,101	129,320	132,695	125,130	129,549	130,902	113,986	153,506	158,359	155,788
Maintenance and operations	581,854	562,939	559,115	571,669	612,400	602,150	436,847	550,779	516,662	481,305
General Obligation Bond Debt Service	2,503,579	2,582,176	2,561,060	2,597,205	2,543,903	2,555,778	2,276,470	2,787,618	2,890,311	2,855,553
Interest Expense and Bond Costs	(873,275)	(1,224,647)	(996,615)	(1,325,871)	(1,527,159)	(1,675,068)	(1,515,078)	(2,162,392)	(2,274,901)	(2,517,244)
Gain(loss) on disposal of assets	(39,944)	-	93,305	-	-	-	-	-	-	(303,006)
Capital contributions	4,905,648	7,157,780	417,180	102,465	1,061,585	1,869,900	-	-	-	-
Special Item - contribution on net assets	9,787,478	-	-	-	-	-	-	-	-	-
Special Item - franchise revenue	425,431	-	-	-	-	-	-	-	-	-
Impairment Loss on Bridge Project	-	-	-	-	-	-	-	(6,938,520)	-	-
Bond services fees	(4,150)	-	-	-	-	-	-	-	-	-
Other Non-Operating Income (Expense)	(29,104)	(25,724)	(31,264)	(76,710)	250,624	78,203	56,786	89,335	212,055	240,536
<b>Net Non-Operating Income (Expense)</b>	<b>17,699,820</b>	<b>9,530,860</b>	<b>3,079,283</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>2,178,065</b>	<b>1,895,203</b>
<b>Net Income before Depreciation and Amortization</b>	<b>\$ 24,703,052</b>	<b>\$ 15,022,866</b>	<b>\$ 9,698,279</b>	<b>\$ 6,967,510</b>	<b>\$ 6,149,286</b>	<b>\$ 7,987,599</b>	<b>\$ 5,933,061</b>	<b>\$ (483,187)</b>	<b>\$ 5,430,294</b>	<b>\$ 4,735,996</b>

\*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.*

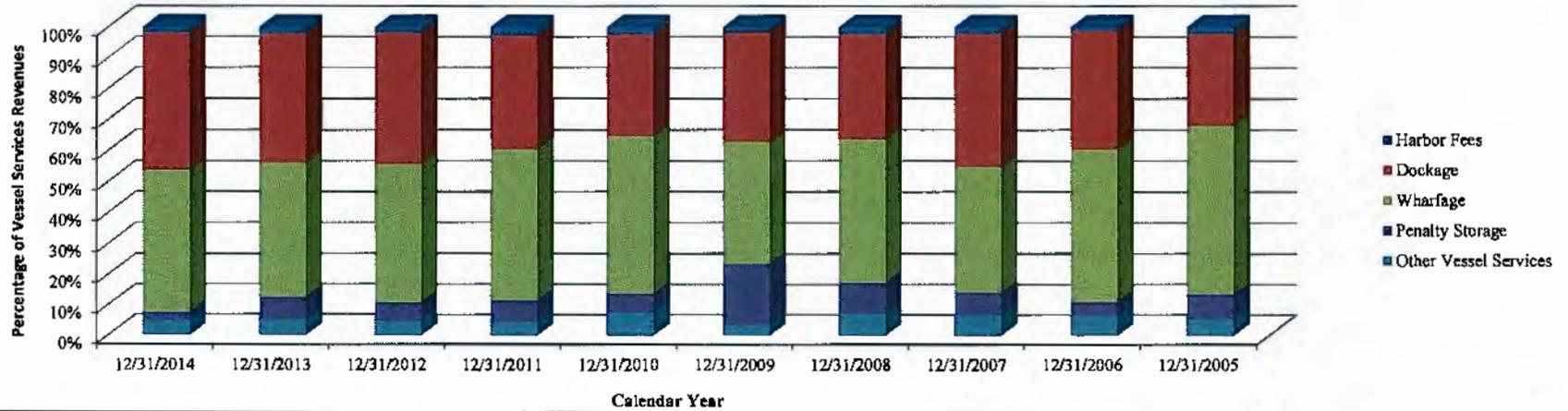
	Calendar Year									
	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006	12/31/2005
<b>Port Calls by Vessel Type</b>										
Deep Sea Vessels	426	431	376	379	329	277	348	275	309	281
River Barges	633	628	707	859	657	506	733	760	463	757
Mexican Fishing Vessels	-	-	-	-	-	-	18	24	22	66
	<u>1,059</u>	<u>1,059</u>	<u>1,083</u>	<u>1,238</u>	<u>986</u>	<u>783</u>	<u>1,099</u>	<u>1,059</u>	<u>794</u>	<u>1,104</u>
<b>Waterborne Cargo Traffic (metric tons)</b>										
Petroleum and Coal Products	3,250,587	3,165,361	2,870,526	2,863,803	2,732,112	2,455,046	2,204,631	1,803,935	1,397,195	1,739,108
Primary Metal Products	2,400,368	1,631,151	2,053,063	1,636,080	1,354,076	1,212,640	2,036,858	1,914,316	2,608,864	2,135,918
Non-Metallic Minerals	457,538	332,346	364,257	493,777	267,319	552,215	822,158	266,114	411,309	359,441
Waste and Scrap Materials	115,192	188,633	229,612	274,774	131,334	115,707	120,676	109,330	35,254	28,743
Other Cargoes	<u>24,204</u>	<u>17,376</u>	<u>19,232</u>	<u>103,217</u>	<u>125,259</u>	<u>71,149</u>	<u>121,988</u>	<u>188,314</u>	<u>306,603</u>	<u>213,112</u>
Total Cargo Traffic	<u>6,247,890</u>	<u>5,334,868</u>	<u>5,536,689</u>	<u>5,371,651</u>	<u>4,610,100</u>	<u>4,406,757</u>	<u>5,306,311</u>	<u>4,282,009</u>	<u>4,759,225</u>	<u>4,476,322</u>

*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.*

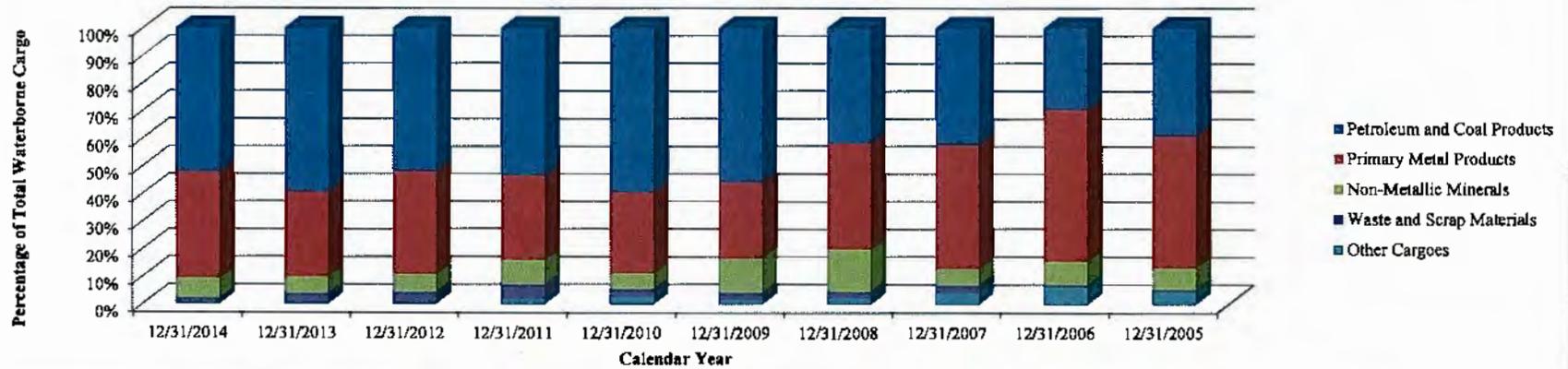
<b>Harbor Fees (per Port Call)</b>										
Deep Sea Vessels	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00
Deep Sea Vessels at the Bulk Cargo Dock	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00
River Barges	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	65.00	65.00
Mexican Fishing Vessels	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	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Dockage - Bulk Cargo Dock	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.25	0.25
Dockage - Oil Docks/Liquid Cargo Docks/Express Dock	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.09	0.09
Dockage - Fitting for grain	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.03	0.03
Dockage - Layberth	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	N/A	N/A
Dockage - River Barges (per day)	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	50.00	50.00
<b>Wharfage - Major Commodities</b>										
Petroleum and Coal Products (per barrel)	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
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	0.50
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
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
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
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
Miscellaneous Cargoes - Not Otherwise Specified	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	0.1000	0.1000
Open Docks and Patios	0.0221	0.0221	0.0221	0.0221	0.0221	0.0221	0.0221	0.0221	0.0200	0.0200

Vessel Revenue by Major Component	Calendar Year									
	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006	12/31/2005
Harbor Fees	\$ 125,750	\$ 125,213	\$ 130,725	\$ 160,166	\$ 104,525	\$ 95,423	\$ 136,782	\$ 123,916	\$ 64,438	\$ 113,723
Dockage	3,105,870	2,528,683	3,125,720	2,227,647	1,507,551	1,936,903	2,126,184	2,636,962	2,120,730	1,573,304
Wharfage	3,259,144	2,662,134	3,338,674	2,982,673	2,351,775	2,175,995	2,934,204	2,513,859	2,759,732	2,924,780
Penalty Storage	179,013	449,104	454,799	429,412	284,822	1,113,225	641,365	444,220	258,489	428,810
Other Vessel Services	348,807	317,061	350,163	271,393	349,384	189,346	456,020	425,329	360,581	296,495
<b>Total Vessel Services</b>	<b>\$ 7,018,584</b>	<b>\$ 6,082,195</b>	<b>\$ 7,400,081</b>	<b>\$ 6,071,292</b>	<b>\$ 4,598,057</b>	<b>\$ 5,510,892</b>	<b>\$ 6,294,555</b>	<b>\$ 6,144,286</b>	<b>\$ 5,563,970</b>	<b>\$ 5,337,112</b>

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)

Customer	Fiscal Year Ending					
	2014			2005		
	2014 Revenues	Rank	Total Percentage 2014	2005 Revenues	Rank	Total Percentage 2005
Dix Agency Brownsville	\$ 2,617,752	1	37%	\$ 919,118	1	20%
Frontera Brownsville, LLC	992,155	2	14%			
Gulf Stream Marine	970,158	3	14%	848,319	2	19%
Schaefer Stevedoring	403,076	4	6%	719,125	3	16%
Transmontaigne Operating Co.	272,646	5	4%	491,340	4	11%
Admiral Steamship Agency	248,512	6	4%	159,562	7	4%
ISS Marine Services, Inc.	162,310	7	2%			
T. Parker Host Gulf, Inc.	158,603	8	2%			
International Shipbreaking LTD	136,637	9	2%			
Vulcan Construction Materials	121,608	10	2%	69,323	10	2%
Gulf Harbor Shipping LLC	88,528	11	1%			
American Commercial Barge	74,509	12	1%	43,225	12	1%
General Steamship Corporation	73,297	13	1%			
Fillette Green Shipping Service	71,528	14	1%			
Keppel Amfels, Inc.	68,554	15	1%	93,196	8	2%
Biehl & Company, Inc.				298,332	5	7%
Citgo Petroleum				205,582	6	5%
NSA Agencies, Inc.				74,523	9	2%
Kirby Inland Marine, Inc.				47,650	11	1%
ISS RioMar, LLC				40,754	13	1%
905 Logistics, LLC				37,200	14	1%
Diamond Offshore, Inc.				30,796	15	1%
<b>Total Vessel Revenues</b>	<b>\$ 7,018,584</b>		<b>92%</b>	<b>\$ 4,485,610</b>		<b>91%</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									
	<u>12/31/2014</u>	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>12/31/2011</u>	<u>12/31/2010</u>	<u>12/31/2009</u>	<u>*12/31/2008</u>	<u>3/1/2008</u>	<u>3/1/2007</u>	<u>3/1/2006</u>
<b>Turning Basin Leases (per acre/year)</b>										
Waterfront	\$ 5,844	\$ 5,844	\$ 5,844	\$ 5,844	\$ 5,844	\$ 3,600	\$ 3,600	\$ 3,600	\$ 3,600	\$ 3,600
Highway Frontage	3,819	3,819	3,819	3,819	3,819	2,400	2,400	2,400	2,400	2,400
Port Entrance Sites	3,403	3,403	3,403	3,403	3,403	-	-	-	-	-
Commercial Property	-	-	-	-	-	2,000	2,000	2,000	2,000	2,000
Inside Port/Off Waterfront	2,025	2,025	2,025	2,025	2,025	1,800	1,800	1,800	1,800	1,800
<b>Fishing Harbor Leases</b>										
<i>Rate is calculated per linear foot of street frontage/month until 2010, when the rate was changed to a per acre/year basis.)</i>										
Waterfront	4,494	4,494	4,494	4,494	4,494	1	1	1	1	1
Off-Water	4,156	4,156	4,156	4,156	4,156	1	1	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	15	15	15
<b>Lease Rental Revenues</b>	<b>\$ 8,106,998</b>	<b>\$ 6,442,334</b>	<b>\$ 6,189,381</b>	<b>\$ 5,152,653</b>	<b>\$ 5,010,620</b>	<b>\$ 4,649,053</b>	<b>\$ 4,312,310</b>	<b>\$ 4,959,590</b>	<b>\$ 4,524,712</b>	<b>\$ 4,339,365</b>

\*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**  
**Principal Customers for Lease Rentals**  
 Current Year and Nine Years Ago  
 (Unaudited)

Customer	Fiscal Year Ending					
	2014			2005		
	2014 Revenues	Rank	Total Percentage 2014	2005 Revenues	Rank	Total Percentage 2005
Transmontaigne Operating Co LP	\$ 901,223	1	11%	\$ 418,139	2	11%
Brownsville & Rio Grande International Railroad	655,763	2	8%	455,533	1	13%
Esco Marine, Inc.	488,973	3	6%	156,650	4	4%
Annavo LNG, LLC	432,758	4	5%			
International Shipbreaking	377,299	5	5%	132,264	5	4%
Bedoli Group, Inc.	292,434	6	4%			
Gulf Coast LNG Exports, LLC	292,200	7	4%			
Bay Bridge Texas, LLC	239,233	8	3%			
Citgo Pretroleum Corporation	224,214	9	3%			
Keppel Amfels, Inc.	213,824	10	3%	369,392	3	10%
Next Decade, LLC	170,450	11	2%			
Deep Southtex Terminal LP	141,595	12	2%			
Fortune Ferrous, Inc.	116,880	13	1%			
Brownsville Public Utility Board	106,564	14	1%			
Brownsville Gulfside Warehouse	92,701	15	1%	85,772	6	2%
Gulf Facilities, Inc.				60,866	7	2%
Transforma Marine Corp.				60,084	8	2%
Rio Vista Operating				56,528	9	2%
Gulf Stream Marine, Inc.				55,295	10	2%
RTW Properties, LP				51,085	11	1%
Penn Octane				50,935	12	1%
New Processing Steel, LP				49,156	13	1%
Port Elevator-Brownsville, Inc.				43,320	14	1%
Duro Standard Products Co. LLC				39,680	15	1%
<b>Total Lease Rental Revenues</b>	<b>\$ 8,106,998</b>		<b>59%</b>	<b>\$ 3,638,420</b>		<b>57%</b>

## **Debt Capacity**

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

Fiscal Year	General				Total Debt Outstanding	Assets		Total Net Outstanding Debt
	Obligation Bonds	Revenue Bonds	Loans	Capital Leases		Restricted for Debt Service		
2005	\$ 27,101,688	\$ 17,907,763	\$ 473,022	\$ -	\$ 45,482,473	\$ 9,791,471	\$ 35,691,002	
2006	25,476,164	16,743,487	-	1,947,428	44,167,079	8,033,786	36,133,293	
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 **	22,108,332	14,214,703	-	1,180,040	37,503,075	10,123,183	27,379,892	
2009	20,447,614	12,850,428	-	884,780	34,182,822	9,400,848	24,781,974	
2010	18,696,847	11,686,151	-	575,822	30,958,820	9,412,853	21,545,967	
2011	16,783,171	10,456,874	-	252,530	27,492,575	9,452,674	18,039,901	
2012	14,771,088	19,157,598	-	-	33,928,686	19,257,202	14,671,484	
2013	12,674,005	17,783,322	-	-	30,457,327	17,052,000	13,405,326	
2014	10,481,922	14,669,045	-	-	25,150,967	12,842,436	12,308,532	

Fiscal Year	Taxable Property Valuation	Outstanding Debt as a Percentage of Taxable Property Value	Cameron County Population	Per Capita Debt	Per Capita Income	Outstanding Debt as a Percentage of Per Capita Income
2005	\$ 5,165,304,549	0.69%	\$ 371,825	\$ 204	\$ 16,313	1.25%
2006	5,908,277,454	0.61%	385,618	199	17,374	1.15%
2007	6,351,998,091	0.52%	387,717	182	13,293	1.37%
2008	6,543,368,909	0.46%	387,717	165	12,511	1.32%
2008a **	6,543,368,909	0.42%	387,717	150	12,511	1.20%
2009	6,676,131,020	0.37%	387,717	136	13,377	1.02%
2010	6,755,307,381	0.32%	406,220	113	13,474	0.84%
2011	7,283,310,136	0.25%	406,220	94	13,474	0.70%
2012	7,119,854,819	0.21%	406,220	77	14,183	0.54%
2013	7,368,557,604	0.18%	415,557	68	14,405	0.47%
2014	7,539,555,606	0.16%	417,296 ***	63	14,405 ***	0.44%

\*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.

\*\*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.

\*\*\*Data from the Cameron County 2014 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)

	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	Fiscal Year Ending		3/1/2008	3/1/2007	3/1/2006
						12/31/2009	12/31/2008*			
<b>First Lien Revenue Bond - Series 1973</b>										
Principal Maturity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Payments	-	-	-	-	-	-	-	-	-	-
<b>Total Bond Requirement</b>	-	-	-	-	-	-	-	-	-	-
<b>First Lien Revenue Bond - Series 1993</b>										
Principal Maturity	-	-	-	-	-	-	-	190,000	145,000	145,000
Interest Payments	-	-	-	-	-	-	-	10,640	18,615	26,445
<b>Total Bond Requirement</b>	-	-	-	-	-	-	-	200,640	163,615	171,445
<b>First Lien Revenue Bond - Series 1996</b>										
Principal Maturity	-	-	-	-	680,000	640,000	-	410,000	420,000	390,000
Interest Payments	-	-	-	-	19,380	178,965	159,585	342,130	367,750	392,490
<b>Total Bond Requirement</b>	-	-	-	-	699,380	818,965	159,585	752,130	787,750	782,490
<b>First Lien Revenue Bond - Series 2000</b>										
Principal Maturity	-	-	200,000	190,000	185,000	175,000	-	165,000	155,000	145,000
Interest Payments	-	-	5,100	142,183	151,465	162,123	84,124	180,623	192,248	203,123
<b>Total Bond Requirement</b>	-	-	205,100	332,183	336,465	337,123	84,124	345,623	347,248	348,123
<b>First Lien Revenue Bond - Series 2002A</b>										
Principal Maturity	95,000	90,000	85,000	85,000	80,000	75,000	-	75,000	70,000	65,000
Interest Payments	12,620	13,800	34,186	56,000	59,858	64,534	33,479	69,333	69,050	71,689
<b>Total Bond Requirement</b>	107,620	103,800	119,186	141,000	139,858	139,534	33,479	144,333	139,050	136,689
<b>First Lien Revenue Bond - Series 2002B</b>										
Principal Maturity	105,000	100,000	95,000	90,000	85,000	80,000	-	80,000	75,000	70,000
Interest Payments	13,195	14,503	36,140	59,260	63,252	68,107	35,447	74,406	73,194	76,036
<b>Total Bond Requirement</b>	118,195	114,503	131,140	149,260	148,252	148,107	35,447	154,406	148,194	146,036
<b>First Lien Revenue Bond - Series 2009</b>										
Principal Maturity	855,000	815,000	775,000	740,000	10,000	-	-	-	-	-
Interest Payments	64,284	104,881	143,439	180,179	198,367	83,304	-	-	-	-
<b>Total Bond Requirement</b>	919,284	919,881	918,439	920,179	208,367	83,304	-	-	-	-
<b>First Lien Revenue Bond - Series 2011</b>										
Principal Maturity	240,000	235,000	15,000	-	-	-	-	-	-	-
Interest Payments	60,802	67,951	61,122	-	-	-	-	-	-	-
<b>Total Bond Requirement</b>	300,802	302,951	76,122	-	-	-	-	-	-	-
<b>First Lien Revenue Bond - Series 2012</b>										
Principal Maturity	50,000	-	-	-	-	-	-	-	-	-
Interest Payments	318,203	216,211	-	-	-	-	-	-	-	-
<b>Total Bond Requirement</b>	368,203	216,211	-	-	-	-	-	-	-	-
<b>Junior Lien Revenue Bond - Series 2002</b>										
Principal Maturity	-	-	-	-	-	275,000	-	265,000	260,000	240,000
Interest Payments	-	-	-	-	-	7,219	7,219	28,350	42,000	52,680
<b>Total Bond Requirement</b>	-	-	-	-	-	282,219	7,219	293,350	302,000	292,680
<b>Junior Lien Revenue Bond - Series 2003</b>										
Principal Maturity	-	140,000	135,000	130,000	130,000	125,000	-	120,000	115,000	115,000
Interest Payments	-	78,495	83,584	88,404	93,035	97,185	49,530	102,960	106,410	109,285
<b>Total Bond Requirement</b>	-	218,495	218,584	218,404	223,035	222,185	49,530	222,960	221,410	224,285
<b>Total Revenue Bonds</b>										
Principal Maturity	1,345,000	1,380,000	1,290,000	1,235,000	1,170,000	1,370,000	-	1,305,000	1,240,000	1,170,000
Interest Payments	469,204	495,840	302,449	526,026	585,437	661,337	369,384	808,442	869,267	932,748
<b>Annual Revenue Bond Debt Service</b>	\$ 1,814,204	\$ 1,875,840	\$ 1,592,449	\$ 1,761,026	\$ 1,755,437	\$ 2,031,237	\$ 369,384	\$ 2,113,442	\$ 2,109,267	\$ 2,102,748
<b>Net Revenues Available for Debt Service on Revenue Bonds (See Table 12)</b>	\$ 22,505,299	\$ 12,894,068	\$ 7,683,277	\$ 5,107,834	\$ 5,182,971	\$ 7,069,737	\$ 4,298,776	\$ (1,929,929)	\$ 3,710,373	\$ 3,049,551
<b>Coverage Ratio (Net Revenues Available for Debt Service/Annual Debt Service)</b>	28.09	12.76	7.88	3.02	2.12	2.69	2.46	(0.95)	1.82	1.49

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 ending in 2008. Fiscal year ending 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 Ending									
	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008*	3/1/2008	3/1/2007	3/1/2006
<b>Gross Revenues</b>										
<b>Operating Revenues</b>										
Wharf Operations	\$ 6,734,176	\$ 5,785,934	\$ 7,183,128	\$ 5,824,799	\$ 4,286,523	\$ 5,353,121	\$ 5,229,445	\$ 5,721,209	\$ 4,956,768	\$ 5,103,525
Industrial Development	7,969,720	6,403,675	6,031,971	5,101,059	4,973,262	4,613,875	4,269,036	4,918,890	4,415,401	4,293,210
Foreign Trade Zone	411,863	402,739	451,418	431,554	410,851	379,367	302,347	446,652	202,066	244,904
Facilities Maintenance	70,178	34,800	(6,968)	289,228	261,382	194,017	310,499	288,249	291,837	218,724
Harbor Mobile Crane	263,173	202,306	285,306	-	-	-	-	-	-	-
Security	439,378	412,988	468,276	411,157	342,220	360,054	328,985	352,062	294,579	265,130
Environmental Services	-	-	-	-	-	-	95,740	181,072	190,313	111,898
Engineering & Utilities	571,709	625,974	754,329	831,452	668,698	589,249	530,033	685,363	687,862	643,727
Water Plant & Distribution System	76,101	87,176	86,117	81,789	87,878	290,165	-	-	-	-
<b>Total</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>11,038,826</b>	<b>10,881,118</b>
<b>Non-Operating Revenues</b>										
Interest on Investments	296,834	352,605	337,396	454,763	526,175	595,089	810,406	791,686	835,330	814,016
Other	15,782,778	7,796,071	1,150,884	782,889	2,761,105	3,549,185	480,950	981,228	663,737	583,266
<b>Total</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>1,499,066</b>	<b>1,397,282</b>
<b>Total Gross Revenues</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>12,537,892</b>	<b>12,278,400</b>
<b>Operating Expenses</b>										
<b>Maintenance and Operation of Facilities</b>										
Wharf Operations	646,906	566,147	578,499	592,424	485,461	428,895	392,403	190,589	202,430	245,014
Industrial Development	223,301	253,317	369,220	248,855	321,895	340,451	614,445	454,389	242,215	358,462
Foreign Trade Zone	113,774	112,322	131,757	121,390	114,655	108,078	102,969	149,212	78,833	57,854
Facilities Maintenance	1,940,721	1,776,528	1,787,394	1,984,724	2,007,620	1,980,035	1,533,101	1,913,880	2,092,226	1,691,147
Harbor Mobile Crane	290,959	299,191	356,054	-	-	-	-	-	-	-
Security	1,118,256	1,037,642	1,032,737	972,004	1,010,961	966,646	760,921	1,038,367	993,080	864,701
Environmental Services	-	-	-	1,716	1,990	23,609	37,433	53,472	69,432	(12,100)
Engineering & Utilities	1,348,238	1,213,823	1,262,570	1,330,182	1,231,092	1,175,697	943,752	1,050,321	1,208,745	1,065,359
Water Plant & Distribution System	132,644	139,016	132,952	109,930	108,745	105,752	98,381	188,568	-	-
<b>Total</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>4,886,962</b>	<b>4,270,438</b>
<b>General and Administrative Expenses</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>2,899,804</b>	<b>3,447,036</b>
<b>Total Operating Expenses</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>7,786,765</b>	<b>7,717,474</b>
<b>Non-Operating Expenses</b>										
Interest Expense	503,519	580,539	333,915	526,309	599,496	662,889	663,770	877,406	954,244	1,074,644
Other Expense	74,026	167,256	90,083	132,585	103,900	165,378	88,314	7,066,714	86,511	436,732
<b>Total Non-Operating Expense</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>1,040,754</b>	<b>1,511,375</b>
<b>Total Expenses</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>6,827,520</b>	<b>9,228,849</b>
<b>Net Revenues Available For Debt Service on Revenue Bonds</b>	<b>\$ 12,505,299</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>\$ 3,710,373</b>	<b>\$ 3,049,551</b>
<b>Average Annual Debt Service on Revenue Bonds</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>\$ 2,037,242</b>	<b>\$ 2,046,568</b>
<b>Coverage by Net Revenues</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>	<b>1.82</b>	<b>1.49</b>

\*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**  
**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, 2014, excluding bonds that have been refunded and defeased.*

<b>Fiscal Year Ending December 31</b>	<b>Outstanding Debt Service Requirements</b>
2015	1,815,159
2016	1,181,981
2017	1,185,574
2018	1,193,493
2019	1,210,511
2020	1,211,701
2021	1,212,294
2022	921,724
2023	646,809
2024	643,252
2025	644,295
2026	644,861
2027	536,702
2028	534,899
2029	542,617
2030	549,698
2031	551,220
2032	557,184
2033	562,510
2034	567,198
2035	571,248
2036	574,660
2037	582,354
2038	589,251
<b>Total</b>	<b>\$ <u>19,231,194</u></b>

## **Demographic and Economic Information**

**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>
2014	3.9%	6.2%			\$ 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
2006	2.7%	4.6%	1,026.0	1,853.9	1,649	66.05	53.1
2005	3.1%	5.1%	901.1	1,673.5	1,383	56.64	54.4

(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. Figures for 2014 are not available at the time of the printing of this report. 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)

<b>Fiscal Year</b>	<b>Population</b>	<b>Per Capita Income</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>	<b>Personal Income</b>
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
2006	385,618	17,374	29.6	92,485	6.2%	18,313
2005	374,825	16,313	28.9	90,485	6.9%	17,410

*Source: Cameron County, Texas CAFR*

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

**Port of Brownsville Employers**

<b>No.</b>	<b>Employer</b>	<b>Type of Activity</b>	<b>2014 Estimated No. of Employees</b>	<b>% of Total Port of Brownsville Employment</b>	<b>2005 Estimated No. of Employees</b>
1	KeppelAMFELS	Manufacturer	1,140	28.77%	1,486
2	Bedoli Group, Inc.	Scrap Recycling	440	11.10%	60
3	ESCO Marine, Inc.	Ship Breaking/Scrap	283	7.14%	100
4	Southern Recycling, LLC	Scrap Recycling	173	4.37%	-
5	Cumberworth Investments, Inc.	Trucking	130	3.28%	-
6	Duro Standard Products Co. L.L.C.	Paper Products	110	2.78%	170
7	Gulf Stream Marine Inc.	Stevedoring	110	2.78%	106
8	Port Warehouse Properties, LP	Warehousing	93	2.35%	-
9	Transmontaigne Product Services, Inc.	Bulk Liquid Storage	81	2.04%	-
10	Seahorse Transportation, Inc.	Transportation Yard	66	1.67%	-

Source: Brownsville Navigation District Industrial Development Department

**Cameron County, Texas Employers**

<b>No.</b>	<b>Employer</b>	<b>Type of Activity</b>	<b>2014 Estimated No. of Employees</b>	<b>% of Total Cameron County Employment</b>	<b>2006* Estimated No. of Employees</b>
1	Brownsville ISD	Education	7,708	29.70%	7,625
2	Harlingen CISD	Education	3,321	12.80%	2,500
3	Valley Baptist Medical Center	Health Care	3,234	12.46%	3,000
4	Caring for You Home Health	Health Care	2,635	10.15%	-
5	Cameron County	Government	2,040	7.86%	1,528
6	UTRGV	Education	1,625	6.26%	-
7	KeppelAMFELS	Manufacturer	1,400	5.39%	2,278
8	San Benito ISD	Education	1,400	5.39%	1,638
9	Wal-Mart	Retail	1,392	5.36%	1,735
10	City of Brownsville	Government	1,200	4.62%	2,104

\*2006 is the first year data was collected

Source: Cameron County, Texas CAFR

**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 Alonside (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	Currently Under Construction	600	145	12	42	
<b>Liquid Cargo Docks</b>						
Liquid Cargo Dock		30	60			
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		571,065 square feet				
Open Storage Areas		2,850,000 square feet				
Tank Storage (private terminals)		3,400,0000 barrels				
<b>Cargo Handling Equipment</b>						
Mobile Harbor Crane		Gottwald 300-ton mobile harbor crane located on Dock 15				

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

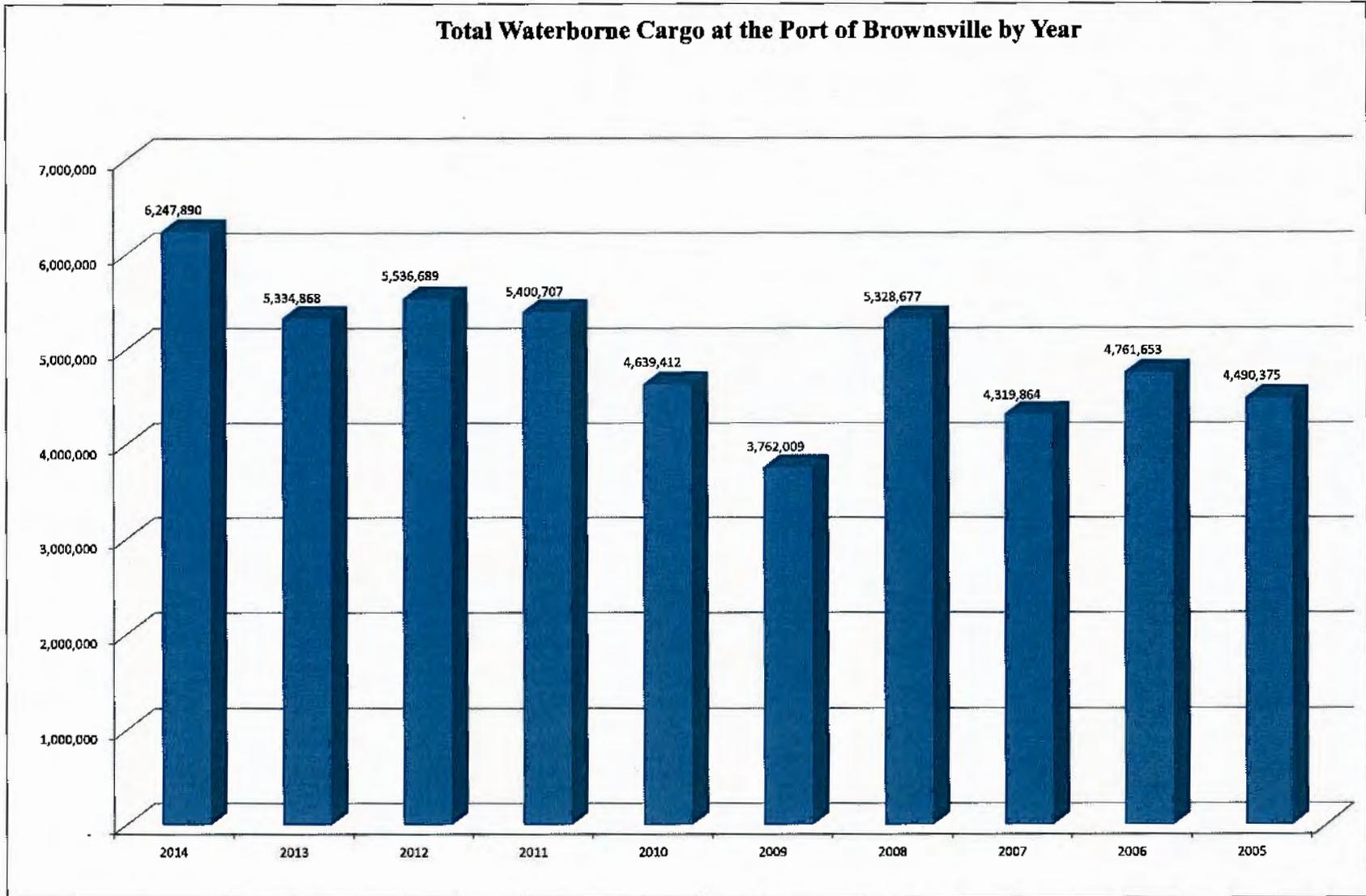
**Brownsville Navigation District of Cameron County, Texas**  
**Cargo Statistics for the Port of Brownsville**  
 Reported in Metric Tons  
 Last Ten Years  
 (Unaudited)

**Breakdown of Waterborne Cargo by Product Classification**

	Calendar Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Farm Products	-	-	-	-	11,709	-	-	45,839	-	12,080
Metallic Ores	66,876	54,608	35,061	11,911	49,786	12,081	36,179	43,863	52,193	58,754
Coal	-	-	-	-	13,603	-	1,345	-	33,373	5,144
Nonmetallic Minerals, Except Fuels	457,538	332,346	364,257	493,777	267,319	550,864	822,158	266,114	411,309	367,677
Food and Kindred Products	-	10,493	-	5,110	2,414	3,118	1,967	12,679	-	2,323
Chemicals and Allied Products	29,705	49,366	45,240	28,311	9,996	-	8,467	55,377	55,861	78,205
Petroleum and Coal Products	3,220,882	3,115,995	2,825,286	2,932,034	2,784,654	2,084,578	2,268,068	1,849,832	1,521,479	1,782,067
Rubber and Miscellaneous Plastic Products	-	-	-	-	-	19	-	-	-	-
Stone, Clay and Concrete Products	-	-	-	-	-	-	2,914	-	-	4,366
Primary Metal Products	2,333,491	1,576,543	2,018,001	1,648,311	1,358,982	999,004	2,036,628	1,914,316	2,608,864	2,135,918
Fabricated Metal Products	11,977	-	8,220	-	1,347	-	724	2,004	514	-
Machinery	4,472	-	-	309	158	124	776	3,627	3,006	220
Special Items	3,270	2,878	7,592	1,954	1,677	12,581	5,350	4,060	-	-
Transportation Equipment	222	-	-	-	384	223	379	-	-	1,419
Miscellaneous Products of Manufacturing	-	-	-	-	-	254	-	-	22,306	-
Waste and Scrap Materials	115,192	188,633	229,612	273,209	131,334	94,092	120,676	109,330	35,254	28,743
Water	4,264	4,004	3,420	5,781	6,049	5,072	23,045	12,823	17,495	13,459
<b>Total</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>	<b>4,761,653</b>	<b>4,490,375</b>

**Summary of Waterborne Cargo by Movement Type**

	Calendar Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Foreign</b>										
Imports	2,912,016	1,995,829	2,805,683	2,800,164	2,400,429	2,541,299	3,295,768	2,364,431	3,390,762	2,476,194
Exports	247,007	271,498	125,565	456,067	345,284	167,746	289,582	433,616	268,242	382,433
<b>Total Foreign</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>3,659,005</b>	<b>2,858,627</b>
<b>Coastwise</b>										
Receipts	1,237,280	1,333,951	918,999	614,069	645,230	164,403	318,599	1,672	17,550	28,275
Shipments	622,411	646,736	406,378	88,237	15,569	11,711	58,684	39,646	-	17,970
<b>Total Coastwise</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>17,550</b>	<b>46,245</b>
<b>Intercoastal</b>										
Receipts	716,173	538,336	716,208	764,584	673,247	393,227	843,941	908,007	670,483	1,083,284
Shipments	513,004	548,518	563,857	677,586	559,652	483,624	522,103	572,492	414,616	502,219
<b>Total Intercoastal</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>1,085,099</b>	<b>1,585,503</b>
<b>Total Imports</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>3,390,762</b>	<b>2,476,194</b>
<b>Total Exports</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>268,242</b>	<b>382,433</b>
<b>Total Receipts</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>688,033</b>	<b>1,111,559</b>
<b>Total Shipments</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>414,616</b>	<b>520,189</b>
<b>Total</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>	<b>4,761,653</b>	<b>4,490,375</b>



**Brownsville Navigation District of Cameron County, Texas**  
**Vessel Calls by Type of Vessel at the Port of Brownsville**  
 Last Ten Years  
 (Unaudited)

	Calendar Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Barges	653	618	707	858	657	419	733	760	463	757
Cargo Vessels	118	102	124	110	77	80	158	140	180	213
Deck Barges	-	8	5	-	1	1	1	-	-	-
Drilling Rig	3	4	3	10	4	2	5	11	6	5
Fishing Vessels	-	-	-	-	-	-	18	24	22	66
Miscellaneous	127	91	62	84	77	12	39	35	11	12
Ocean Barges	51	111	78	46	55	42	23	12	-	-
Scrap Vessels / Barges	15	27	32	37	36	20	29	11	13	51
Tankers	92	69	72	92	79	75	93	66	99	-
Total	1,059	1,030	1,083	1,237	986	651	1,099	1,059	794	1,104

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

	Calendar Year Ending									
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Hourly/Salaried Employees</b>										
Hourly Employees (Non-Exempt)	75	73	74	73	73	71	67	54	56	55
Salaried Employees (Exempt)	21	19	19	16	19	18	18	19	19	21
	96	92	93	89	92	89	85	73	75	76
<b>Operations Employees</b>										
Hourly Employees (Non-Exempt)	58	57	58	58	60	59	56	44	45	43
Salaried Employees (Exempt)	10	6	5	3	6	6	6	7	7	7
	68	63	63	61	66	65	62	51	52	50
<b>Administrative Employees</b>										
Hourly Employees (Non-Exempt)	17	16	16	15	13	12	11	10	11	12
Salaried Employees (Exempt)	11	13	14	13	13	12	12	12	12	14
	28	29	30	28	26	24	23	22	23	26

**SINGLE AUDIT**

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**INDEPENDENT AUDITOR'S 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 and the discretely presented component unit of the Brownsville Navigation District, as of and for the year ended December 31, 2014, 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 8, 2015.

**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.

A handwritten signature in cursive script that reads "Long Chilton LLP".

**LONG CHILTON, LLP**  
*Certified Public Accountants*

Brownsville, Texas  
May 8, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

Board of Navigation and Canal Commissioners  
Brownsville Navigation District

**Report on Compliance for Each Major Federal Program**

We have audited the Brownsville Navigation District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Brownsville Navigation District's major federal programs for the year ended December 31, 2014. Brownsville Navigation District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Brownsville Navigation District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Brownsville Navigation District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Brownsville Navigation District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Brownsville Navigation District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

## Report on Internal Control over Compliance

Management of the Brownsville Navigation District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Brownsville Navigation District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Brownsville Navigation District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



**LONG CHILTON, LLP**  
*Certified Public Accountants*

Brownsville, Texas  
May 8, 2015

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

Schedule of Expenditures of Federal Awards By Grant  
For the Year Ended December 31, 2104

<i>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA #</i>	<i>Pass-through Entity Identifying</i>	<i>Federal Expenditures(\$)</i>	
<b><i>Other Programs</i></b>				
Department of Homeland Security Direct Programs				
Port Security Grant Program	97.056			
FY2013 Port Security Grant Program -			\$ 8,000	
FY2014 Port Security Grant Program -			5,000	
FY2010 Port Security Grant Program -			184,670	
FY2012 Port Security Grant Program -			291,200	\$ 488,870
<i>Total Department of Homeland Security</i>				<u>\$ 488,870</u>
Department of Transportation Direct Programs				
TIGER Discretionary Grant	20.933			
<i>Total Department of Transportation</i>			<u>\$ 4,853,434</u>	<u>\$ 4,853,434</u>
<b><i>Total Expenditures of Federal Awards</i></b>				<u>\$ 5,342,304</u>

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended December 31, 2014

**NOTE 1 - GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal expenditures of programs of the Brownsville Navigation District of Cameron County, Texas (the "District"). The District's reporting entity is defined in Note 1(A) to the basic financial statements.

**NOTE 2 - BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting for federal awards reflected in the District's business-type activities.

**NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS**

Federal award expenditures as reported in the accompanying schedule of expenditures of federal awards are reflected in the District's financial statements as expenses or capital asset additions with respect to business-type activities.

**NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying schedule may not agree with the amounts reported in the related Federal financial reports filed with the grantor agencies because of the effect of accruals made in the schedule.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended December 31, 2014

**I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None Reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

*Federal/State Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_ Yes      X   No

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes      X   No

	<u>Type A Program</u>		<u>Type B Program</u>	
	<u>Federal</u>	<u>State</u>	<u>Federal</u>	<u>State</u>
Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000	\$ 300,000	\$ 100,000	\$ 100,000

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED  
Year Ended December 31, 2014

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS - CONTINUED

Identification of major programs:

<u>CFDA #:</u>	<u>Grant #:</u>	<u>Federal or State Grant:</u>	<u>Name of Program or Cluster:</u>
20.933	DTMA-91-G-2013-0003	Federal	FY 2012 Tiger

II. FINANCIAL STATEMENT FINDINGS

None.

III. FEDERAL AWARD FINDINGS

None.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**CORRECTIVE ACTION PLAN**

Year Ended December 31, 2014

**II. FINANCIAL STATEMENT FINDINGS**

Not applicable.

**III. FEDERAL AWARD FINDINGS**

Not applicable.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

Year Ended December 31, 2014

II. FINANCIAL STATEMENT FINDINGS

Not applicable.

III. FEDERAL AWARD FINDINGS

**DEPARTMENT OF HOMELAND SECURITY**

FAF 2013-01

Port Security Grant Program – CFDA #97.056

Grant #2010-PU-T0-0018 and Grant #2009-PU-T9-0124

Criteria: Per 46 U.S.C 70107, all Port Security Grant Program recipients are required to follow the requirements of the Davis-Bacon Act for each construction project. The grant recipient must ensure that contractors and subcontractors performing on federal contracts in excess of \$2,000 pay laborers and mechanics not less than prevailing wage rates and fringe benefits as would be paid on similar projects in the area.

Condition: The Brownsville Navigation District did not comply with the Davis-Bacon requirements for grant years 2009 and 2010. Our audit testing did not identify any payroll reporting documentation or Statements of Compliance that construction contractors paid the applicable prevailing wages.

Cause and Effect: The District did not implement the necessary internal controls governing their construction projects to ensure compliance with the Davis-Bacon Act. Contractors and subcontractors that do not comply with the Davis-Bacon Act are subject to debarment.

Perspective Information: Based on our audit tests for the District's other federal grant projects received from the Department of Transportation, it appears that the District is in compliance with the Davis-Bacon requirement for this grant.

Recommendation: The District should ensure that the controls governing compliance with the Davis-Bacon Act are unilaterally implemented for all applicable grants.

Response:

The BND recognizes that Davis Bacon Act requirements and contract provisions were not specifically cited in the applicable FY2009 and 2010 project contracts. The BND did however include language in both contracts identifying the requirement for all bidders to incorporate the local Cameron County prevailing wage as a requirement when preparing their project budgets. The language included in the contracts is provided in the following bullet.

- *"The most recent wage rate determination from the U.S. Department of Labor for Cameron County as locally adopted by the BND is a part of these specifications and controls the minimum wage, hour and any fringe benefits."*

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED**

Year Ended December 31, 2014

III. FEDERAL AWARD FINDINGS – CONTINUED

**DEPARTMENT OF HOMELAND SECURITY – CONTINUED**

FAF 2013-01

Port Security Grant Program – CFDA #97.056

Grant #2010-PU-T0-0018 and Grant #2009-PU-T9-0124

Response: (Continued)

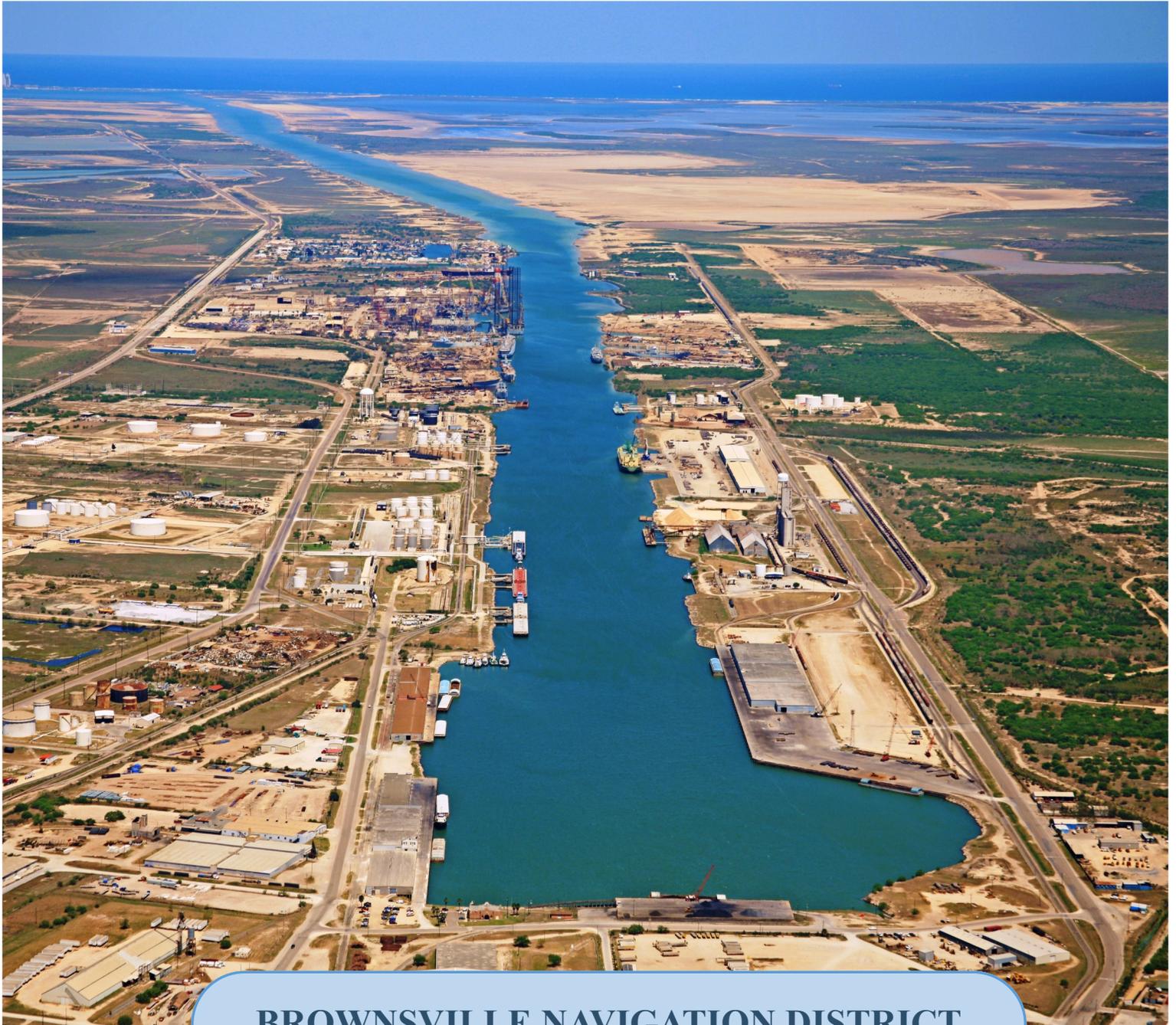
The BND confirmed compliance with this contractual requirement through the receipt of *Davis Bacon Act Wage Rate Requirements Certification Letters* from contractors actively engaged in the applicable projects. While letters were received, the BND did not physically conduct site inspections or receive certified payroll. FEMA did a Desk Review and did not have any findings.

The BND did attempt to receive guidance from the Federal Emergency Management Agency (FEMA) assigned Program Manager and the Port Security Grant Program (PSGP) Section Chief. The guidance received indicated that the projects did not meet the requirements for “construction” under the PSGP. This information led the BND to consider the two projects outside of the Davis Bacon Act requirements. During the audit process the BND again requested guidance from FEMA on the Davis Bacon Act requirement. After requesting information from FEMA internal counsel the BND’s assigned program manager indicated the projects would likely fall under Davis Bacon. Once this guidance was received the BND requested that applicable contractors provide the BND with letters certifying their compliance with the Cameron County prevailing wage (General Decision Number: TX140005 01/03/2014 TX5). All certification letters were received and are on file.

The BND will in the future identify all projects that must comply with the Davis Bacon Act prior to the procurement process. All required contract provisions will be included in the bid documents and resulting contracts. Additionally, BND will identify personnel to manage the ongoing Davis Bacon Act compliance process during the life of the contract.

Status: The Brownsville Navigation District has applied the procedures identified in prior year Single Audit and is currently monitoring all projects that encompass Davis Bacon compliance.

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



**BROWNSVILLE NAVIGATION DISTRICT**

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