

## **Brownsville Navigation District**

**OF CAMERON COUNTY, TEXAS** 

## **Comprehensive Annual Financial Report**

FOR THE YEAR ENDED DECEMBER 31, 2018

Prepared By: The Finance Department Brownsville Navigation District

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

#### COMPREHENSIVE ANNUAL FINANCIAL REPORT

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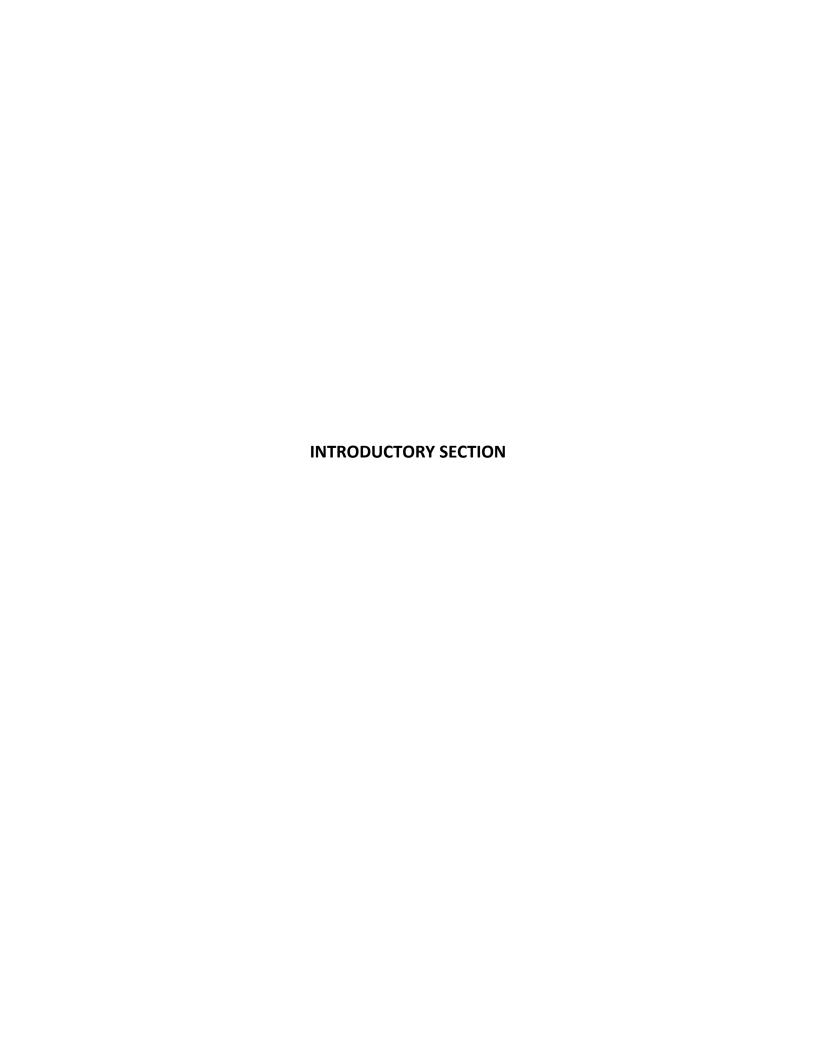
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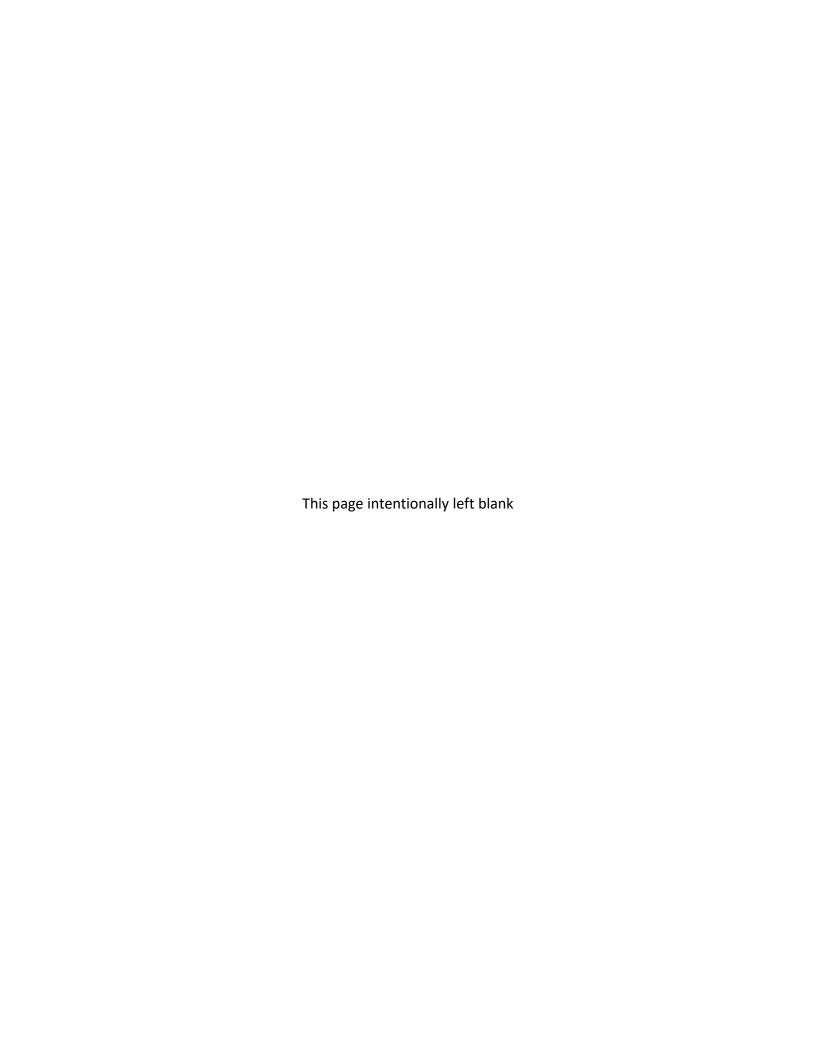
## **BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS**

#### COMPREHENSIVE ANNUAL FINANCIAL REPORT

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June 26, 2019

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, 2018. The responsibility for both the accuracy of the data and the completeness and fairness of the information contained in this report, including all disclosures, rests with the management of the District. Management is responsible to ensure that the District has internal controls in place that provide a reasonable, but not absolute assurance, that assets are safeguarded, transactions are authorized and properly recorded and that material errors are either prevented or would be detected in a timely manner. The District is continually seeking to improve the effectiveness of its systems of internal financial controls. 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 portions of the City of Brownsville, all of 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 104 employees as of December 31, 2018.

#### **Mission Statement**

The Port of Brownsville will be a leader in developing economic opportunities, improving the quality of life, creating the best transportation facilities possible, and exhibiting high standards of public administration — all with the goal of making the Brownsville area a great place to live and do business.

#### Location

The District governs the Port of Brownsville, which is located at the southernmost tip of Texas at the westernmost terminus of a 17-mile channel from the Gulf of Mexico at the Brazos Santiago Pass. The City of Brownsville is two miles to the southwest adjacent to the Rio Grande River, providing a convenient gateway to Mexico and beyond via four international bridges.

The Entrance Channel is protected by two rock jetties each over 5,000 feet in length and 1,200 feet apart and has no bridges or other obstructions for the entire length of the waterway. Currently, the Channel has a depth of 42 feet to within .85 miles of the Turning Basin, and a depth of 36 feet to and through the Turning Basin. The Channel has a controlling (or minimum) width of 250 feet with 1,200 feet at the Turning Basin. The District has completed the project feasibility study and has received the U. S. Corps of Engineers' Chief's Report to deepen the Channel to 52 feet. The District's Deepening Project was included in the Water Resources Development Act of 2016 passed by the United States Senate. The District is continuing to seek funding, including public/private partnerships, to help defray the estimated project cost of \$350,000,000. The project is expected to start in the first half of 2020, with completion in 2023.

#### **Business of the District**

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

#### **Vessel Services**

The Main Harbor consists of the Turning Basin Approach, containing about 4-1/2 miles of improved frontage. The Turning Basin is 3,500 feet long and 1,200 feet wide and contains ten General Cargo Docks aggregating 3,600 lineal feet. Four Oil Docks and one additional Oil Dock under construction, a 400-foot Bulk Cargo Dock serving the Grain Elevator and Limestone Plant, a Liquid Cargo Dock, and two 600 by 280-foot deep-water General Cargo Docks are located in the Turning Basin Approach which is 7,000 feet long with a 650 foot bank width and a 400 foot controlling bottom width. Additionally, 45 miles of railroad trackage and two Gotwald Mobile Harbor Cranes augment the Port of Brownsville's ability to handle a wide variety of cargos.

#### Fishing Harbor

A complete Fishing Harbor, separate and apart from the Main Harbor, was completed and placed in service in mid-summer 1953. A second phase was finished in December 1968. All docks were completely rebuilt in a project that was completed in 1993. Located five 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 drilling platform construction facility are located in the Fishing Harbor.

#### **Terminal Operations**

All waterfront facilities on the 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 District. The District's Harbormaster Department 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 Brownsville Public Utilities Board's distribution system. The District owns and operates one 500,000 gallon and one 1,000,000 gallon elevated water storage tanks. The District also provides wastewater services within the District's boundaries.

The Brownsville Navigation District's Administration Offices are located at the Port of Brownsville. These offices handle inquiries on trade and industrial development, environmental issues, accounting, purchasing, credit, traffic, personnel and engineering. In August 2018, the District's permanent offices were reconstructed and expanded to a total of nearly 26,500 square feet.

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 Keppel AMFELS for operation as a dry dock to repair drilling rigs. Keppel AMFELS subsequently exercised their option to purchase the *Solomon P. Ortiz*. The dry dock was placed into service by Keppel AMFELS in May of 1996.

The District owns and controls approximately 40,000 acres of land adjoining the Turning Basin and Ship Channel. 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, liquid terminals, 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, crane services, 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. In 2018, 4 new FTZ operators were activated for a total of 14 tenants operating within the FTZ at the Port in general purpose warehousing and liquid bulk storage.

Additional information regarding cargo traffic and vessel service revenues may be found in the Statistical Section – Tables 6 and 7.

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Table 1 – Waterborne Cargo Tonnage for The Port of Brownsville

Fiscal Year <sup>(2)</sup>	Inbound Tonnage (Metric Tons)	Outbound Tonnage (Metric Tons)	Total Tonnage (Metric Tons)	Number of Vessels <sup>(1)</sup>	Foreign Trade Zone Value(1,000's) <sup>(2)</sup>
1996	1,539,939	700,321	2,240,260	3,104	\$ 2,300,000
1997	1,958,241	509,831	2,468,072	1,325	2,300,000
1998	3,019,916	226,839	3,246,755	1,298	3,200,000
1999	2,615,330	283,592	2,898,922	1,592	2,300,000
2000	2,957,703	234,372	3,192,075	1,385	808,000
2001	3,588,261	367,565	3,955,826	1,542	387,000
2002	4,101,985	488,285	4,590,270	1,257	966,000
2003	2,999,209	633,568	3,632,777	1,265	243,562
2004	2,843,044	915,679	3,758,723	1,186	528,296
2005	3,587,753	902,622	4,490,375	1,104	1,777,317
2006	4,078,795	682,858	4,761,653	794	2,526,370
2007	3,274,110	1,045,754	4,319,864	1,059	801,257
2008	4,458,308	870,369	5,328,677	1,099	2,833,498
2009	3,098,930	663,079	3,762,009	651	1,181,260
2010	3,718,906	920,506	4,639,412	986	1,168,344
2011	4,178,817	1,221,890	5,400,707	1,237	3,154,609
2012	4,440,890	1,092,380	5,533,270	1,083	3,868,081
2013	3,868,117	1,462,747	5,330,864	1,059	3,221,802
2014	4,865,468	1,378,157	6,243,626	1,059	2,896,317
2015	5,616,936	1,458,518	7,075,454	1,140	3,219,785
2016	5,719,732	1,235,014	6,954,746	1,091	2,796,318
2017	6,194,867	1,137,640	7,332,507	1,317	3,693,770
2018	7,204,403	1,068,820	8,273,223	1,306	3,863,908

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

# Brownsville and Rio Grande International Railway and Industrial Park Development OmniTRAX/BROE Group Franchise Agreement

On August 12, 2014, the District entered into a thirty-year agreement with Brownsville and Rio Grande International Railway, LLC ("BRGIR"), an affiliate of OmniTRAX, Inc., in which the District granted BRGIR a franchise to develop certain real estate assets within the Port of Brownsville and to operate the BRG Railway. A major reason the District entered into this agreement with BRGIR 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 BRGIR will result in significant economic development opportunities for the District. The agreement has performance requirements on both parties that, if not met, could result in the termination of the agreement.

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

<sup>(2)</sup> Fiscal year changed from a March 1 to December 31 year ending in 2008. Fiscal year ended December 31, 2008 was for 10 months only.

#### Port of Brownsville Infrastructure

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

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

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

#### **Industrial Development**

The objective of the Industrial Development Department of the District is to use the District's available land in the best manner possible, to attract industries that create jobs for the area and tonnage for the Port, and to earn income to pay interest and principal on regular revenue bonds used to improve all Port facilities. The District had about 13,000 acres under lease or lease options which generated \$8,192,581 in revenue for fiscal year 2018.

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, 2018, the Port had land lease options with three companies for about 2,200 acres resulting in total land lease option payments of \$1,382,244.

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 20% of the valuation on an annual basis for five years with title to the improvements transferred to the lessee after five years.

The current table of land rental rates is as follows:

#### **Lease Rental Rates**

Site Description	7/1/2018 Rates
TURNING BASIN LEASES	
Waterfront Property	\$6,165 per acre/year
Highway Frontage	\$4,030 per acre/year
Port Entrance Sites	\$3,591 per acre/year
Street Frontage	\$2,137 per acre/year
Remote Sites	Negotiated Rates
Grazing Leases	\$2.39/acre/year
Tower Sites	\$17,933/site/year
Sign Sites	\$106 - \$211/site/year
Fish Camps	\$528/camp/year
Billboards	Market Rate
FISHING HARBOR LEASES	
Water Front	\$4,742 per acre/year
Off-Water	\$4,384 per acre/year
Fishing Harbor Dock	\$1.33 per linear ft./month
Unimproved Bank Space	\$ .80 per front ft./month

Additional information regarding operating leases may be found in Note 2.(F), and information regarding lease rates, lease revenues and principal leasing customers may be found in the Statistical Section – Tables 8 and 9.

Lease terms of up to 50 years are permitted for ground lease rentals under Texas law. Lease terms in excess of 50 years are available if advertised for competitive bidding. The District offers several advantages to industries interested in locating in the Brownsville area. Property taxes are charged against improvements on Port property and on the value of the leasehold to the tenant. There are no city property taxes assessed against improvements on District land. All modes of transportation are available to businesses that choose to locate at the Port: water transportation (both deep-sea and through the Intracoastal Waterway System), rail, truck, and pipeline. 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 ("TxDOT"), 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. For the fiscal year ended December 31, 2018, a total of 34,680 overweight permits have been sold, generating \$884,340 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.

#### **Economic Conditions and Outlook**

#### **Cameron County**

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

#### City of Brownsville, Texas

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

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

#### Matamoros, Mexico

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

The Mexican In-Bond Industrialization Program offers foreign manufacturers an opportunity to set up foreignowned 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, 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.

#### **Long Term Financial Planning**

The following is a schedule of the District's five-year capital project expenditures. These projects are expected to be funded by federal and state funding, private sector contributions, District capital funds and new District debt. For the \$350,000,000 channel deepening, the District is pursuing capital contributions from the U.S. Corps of Engineers and private sector partners. In 2019, the District was awarded \$18,900,000 from Texas Department of Transportation (TxDOT) for road improvements and construction of the South Port Connector Road.

# BROWNSVILLE NAVIGATION DISTRICT CAPITAL IMPROVEMENT PLAN

<b>Expenditure Description</b>	FY 2019	<u>FY 2020</u>		FY 2021 FY 2022		FY 2023		<u>Total</u>
Channel Deepening	\$ -	\$ 5	55,000,000	\$ 120,000,000	\$ 120,000,000	\$	55,000,000	\$ 350,000,000
Docks 6 and Maintenance Dredging	5,700,000		-	-	-		-	5,700,000
Patio Expansion	1,500,000		1,000,000	1,000,000	1,000,000		1,000,000	5,500,000
Road Improvements	2,800,000		2,800,000	-	2,000,000		-	7,600,000
Bulk Cargo Dock	4,300,000		-	-	-		-	4,300,000
Sewer System Improvements	250,000		3,000,000	1,500,000	-		-	4,750,000
Water System Improvements	1,000,000		1,000,000	1,000,000	1,000,000		-	4,000,000
Purchase (2) Mobile Cranes	5,000,000		-	-	-		-	5,000,000
Levee Improvements	2,500,000		1,000,000	-	-		-	3,500,000
South Port Connector Road	2,400,000	1	16,600,000	1,000,000	-		-	20,000,000
Public Vessel Assembly and Erection Pad	5,400,000		-	-	-		-	5,400,000
Total	\$ 30,850,000	\$ 8	80,400,000	\$ 124,500,000	\$ 124,000,000	\$	56,000,000	\$ 415,750,000

#### **Major Initiatives and Accomplishments**

#### 2016 Revenue Bond Sale / \$28,000,000 Deposited into District Project Funds

On February 9, 2016, the District sold bonds with a par amount of \$27,580,000 with a net premium of \$1,901,070 with net funds of \$28,000,000 after issuance costs, underwriters discount, insurance and required reserve funds. The bonds were issued to provide for acquiring, constructing, enlarging, extending, repairing, maintaining, operating or developing District facilities. The bond proceeds provided most of the funding necessary for the construction of a new Liquid Cargo Dock No. 6, reconstruction of Liquid Cargo Dock No. 3 and for the reconstruction and expansion of the District's Administrative Office Complex.

#### New Administrative Office Complex

In August 2018, the District finalized the construction of two new buildings, the rehabilitation of two existing buildings and installation of parking, landscaping and other appurtenant features at an estimated cost of \$8,000,000. Office space increased from about 14,570 square feet to about 26,500 square feet.

# Liquid Cargo Dock No. 6 Construction, Liquid Cargo Dock No. 3 Fender System Replacement and Facility Enhancements and Maintenance Dredging

In early 2017, construction began of the new Liquid Cargo Dock No. 6, enhancement of Liquid Cargo Dock No. 3 and other maintenance dredging at an estimated cost of \$29,000,000. The 2018 completed enhancements to Liquid Cargo Dock No. 3 and the current construction of Liquid Cargo No. Dock 6 will allow the Port to handle larger ships which is critical as Port tenants are rapidly increasing their liquid cargo handling storage capacity. These dock capital expenditures will also allow the Port to accommodate new or expanded liquid cargo terminal operations.

#### South Port Connector Road Project

The District has worked in cooperation with the Cameron County Regional Mobility Authority ("CCRMA") on a number of projects that enhance the landward access to the Port of Brownsville. CCRMA, TxDOT and the District are entering the construction stage for the "South Port Connector Road" project which will provide a South side entry to the Port from R.L. Ostos Rd to Texas State Highway No. 4. TxDOT awarded the Port a \$1.5 million Rider 45 Texas Mobility Fund grant and \$16.5 million in Category 7 and 10 funds, with the District matching the remaining funds of the estimated \$20,000,000 total construction cost. The connector road, in conjunction with the East Loop, will re-route truck traffic between the Port of Brownsville and the international bridges away from heavily traffic-congested areas. This project will improve the accessibility to the Port by its trucking industry and will provide seamless access for truck traffic from northern points, through the Port of Brownsville and on to the international bridge crossings into Mexico.

#### 2018 Record Cargo and Total Operating Revenues

The Port set new records in tonnage and total operating revenues for its fiscal year ended December 31, 2018 with \$12,160,767, about 50.23% of its \$24,209,767 operating revenues derived from Vessel and Cargo operations. These revenues include charges for vessel fees, cargo wharfage, mobile crane services, and security fees. The District continues to seek 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 8,273,223 metric tons for 2018 which surpassed 2017's record year of 7,332,507 metric tons.

#### **Homeland Security Enhancements**

Homeland Security has placed a number of requirements for enhanced security in the Port of Brownsville. Over the past few years, the District was awarded grants totaling \$11,924,777 of federal funds with a District match of \$4,280,442 for a total of \$16,205,219. These projects included security lighting, security fencing, surveillance cameras and other security related purchases. As new grants are announced, the District will continue to apply to help fund needed security enhancements.

#### New Cargo Storage Areas / Wind Energy Towers and Turbines

During the years 2014 through 2018, the District has been continuously clearing and stabilizing new cargo storage areas. The District has been able to put these new cargo storage areas to use to accommodate shipments of wind

tower components and an increase in steel slab shipments. In 2018, the District received about 5,918 windmill component units such as blades, nacelles and hubs.

#### Port Grain Elevator

The Port Grain Elevator had limited use for more than twenty years until 2016, when the District's Board unanimously approved a lease with West Plains LLC. for the modernization and reactivation of the Port Grain Elevator, one of the Port's most iconic buildings. The 50-year-old Port Grain Elevator had handled millions of tons of grain passing through the Port and with its modernization it is equipped for high speed handling of grain through truck, rail and vessel loading and unloading and will provide storage for nearly 3,000,000 bushels of grain. In 2018, the District further invested in the Port Grain Elevator's success by partnering with West Plains LLC to improve the maritime access and operational capacity of the Bulk Cargo Dock at an estimated cost of \$5,500,000.

#### **Public Vessel Assembly & Erection Pad**

The U.S. Economic Development Administration ("EDA") awarded the Port up to \$1,800,000 in grant funds with District and private contributions up to \$4,637,200 for an estimated \$6,437,200 dedicated to the construction of a Public Vessel Assembly & Erection Pad. The Port's investment in this infrastructure project further advances its partnership with Keppel AmFels, traditionally the Port's leading employer, as Keppel AmFels enters into the domestic shipbuilding business with a potential of 700 new jobs. The Port is the only location in Texas where deep-draft vessels are being built.

#### **Financial Information**

The financial statements of the District are presented in conformity with generally accepted accounting principles (GAAP) applicable to local governmental units as prescribed by the Government Accounting Standards Board (GASB). 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, notes and supplemental schedules, including estimates and judgments to matters not concluded at year-end, are the responsibility of the District. We direct the reader's attention to the Management's Discussion and Analysis (MD&A), immediately following the Independent Auditors' Report, which provides an analytical overview of the District's financial activities and serves as an introduction to the basic financial statements.

#### **Investment Policy**

It is the District's policy to administer investments in a manner which will provide the maximum security of principal invested through limitations and diversification. Investments are chosen with four primary objectives 1) security of principal, 2) liquidity, 3) diversification, 4) and yield.

In 2016, the District amended its Investment Policy to allow investment of its 2016 Revenue Bond issue and other available funds in non-constant dollar investment pools which is consistent with other local governments and as authorized by the Texas Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

#### Independent Audit

The District's financial statements for the year ended December 31, 2018 listed in the foregoing Table of Contents were audited by independent auditors selected by the Board of Navigation and Canal Commissioners. The audit opinion, rendered by Carr, Riggs & Ingram 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 a Certificate of Achievement for Excellence in Financial Reporting to the Brownsville Navigation District for its comprehensive annual financial report for the fiscal year ended December 31, 2017. This was the seventh consecutive year that the government has achieved 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 finance 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.

Lorena Hernandez, CPA,

Director of Finance

Eduardo A. Campirano

Port Director and CEO

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

#### **DIRECTORY OF OFFICIALS**

#### **NAVIGATION AND CANAL COMMISSIONERS**

John Reed Chairman
Sergio T. Lopez Vice Chairman
Ralph Cowen Secretary
John Wood Commissioner
Esteban Guerra Commissioner

#### **ADMINISTRATION**

Eduardo A. Campirano **Port Director and CEO Donna Eymard Deputy Port Director** Steve Tyndal, PPM Sr. Director of Marketing & **Business Development** Lorena Hernandez, CPA **Director of Finance Deborah Lee Duke Director of Administrative Services** Ariel A. Chavez, PE/RPLS **Director of Engineering Services Michael Davis Harbor Master Chief Carlos Garcia Chief of Police & Security** Oscar Garcia, MM **Director of Facilities Maintenance** Jorge I. Montero **Director of Communications Antonio Rodriguez Director of Cargo Services & FTZ Jaime Martinez Director of Human Resources Director of Special Projects** Jose Herrera Karina Franco, CPA **Assistant Director of Finance** 

Certified Public Accountants Carr, Riggs & Ingram, LLC

**Brownsville, Texas** 

Senior Accountant Supervisor Accounts Receivable Coordinator

Legal Counsel Rentfro, Irwin & Irwin, PLLC

**Brownsville**, Texas

Financial Advisor Estrada Hinojosa & Company

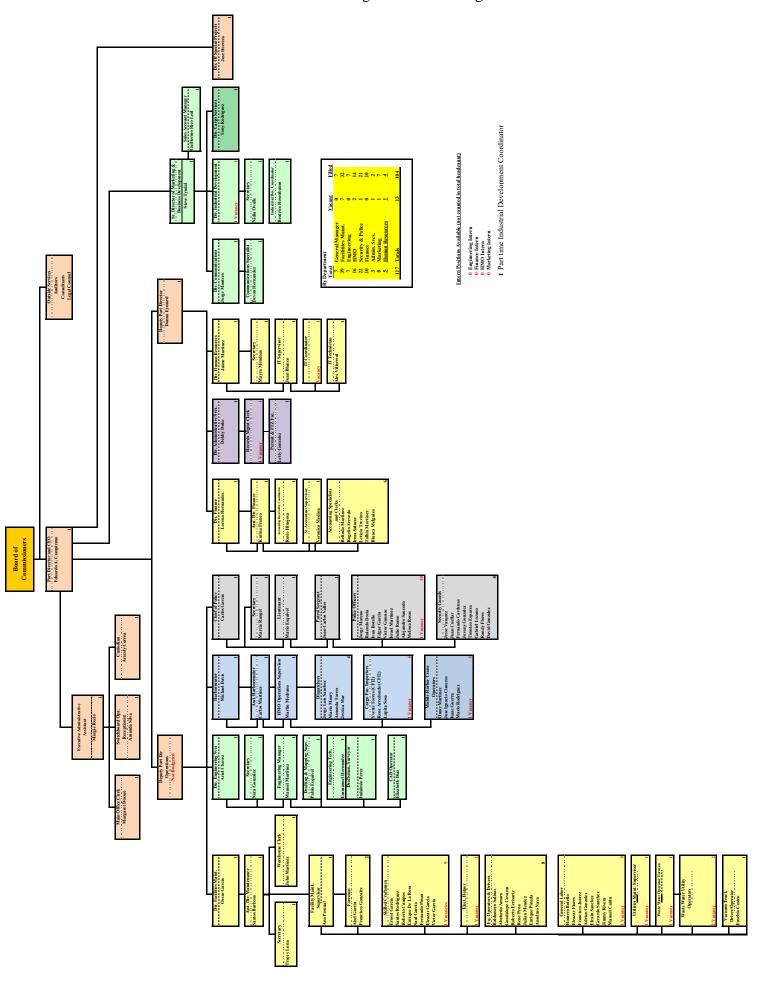
Dallas, Texas

Bond Counsel Winstead PC

Veronica Medina

Rosa Maria Hinojosa

San Antonio, Texas





Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

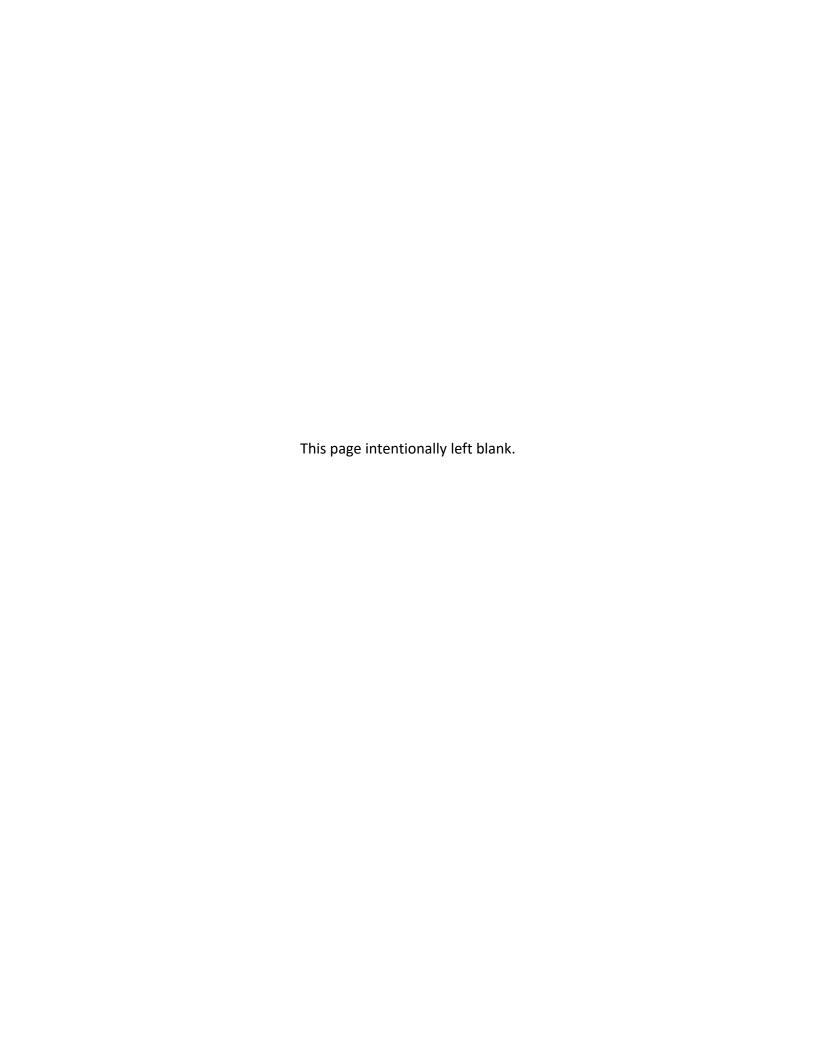
# **Brownsville Navigation District** of Cameron County, Texas

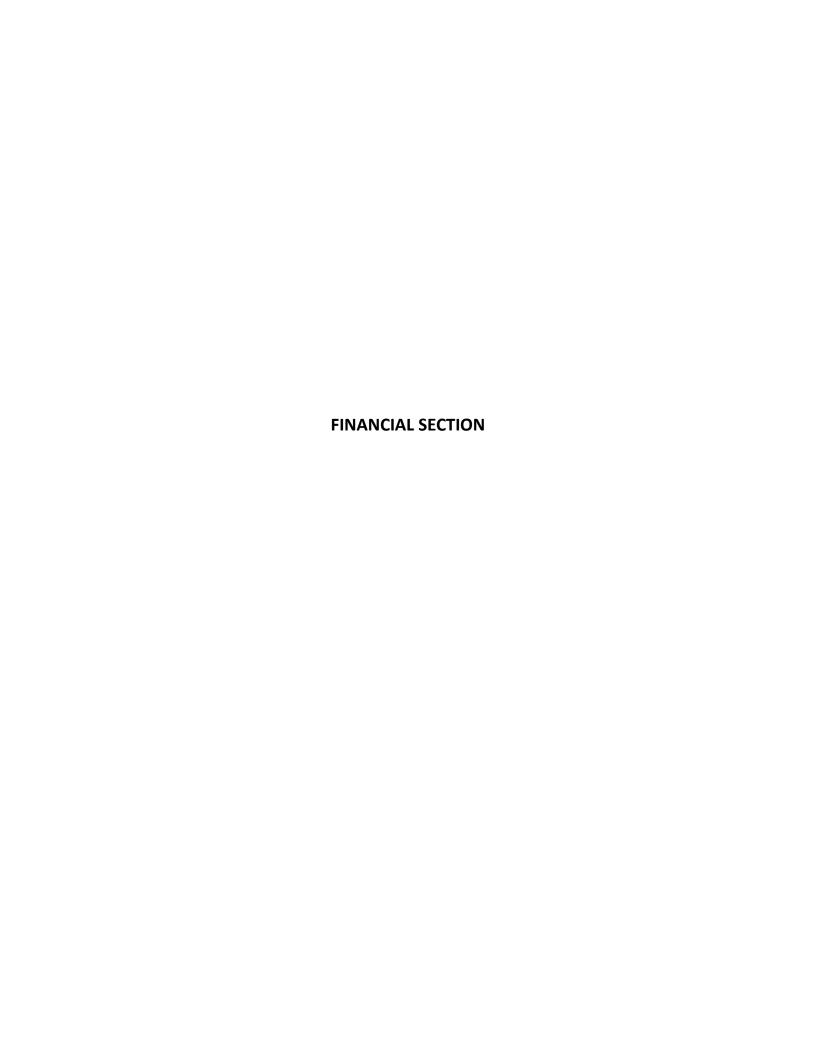
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill

Executive Director/CEO











(956) 546-1655 (956) 546-0377 (fax) CRIcpa.com

#### INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Brownsville Navigation District of Cameron County, Texas (the "District"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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 and the aggregate remaining fund information of the District, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Emphasis of Matter**

As discussed in Note 2(L) to the financial statements, the District reported prior period adjustments totaling \$357,078 to reflect corrections of errors in prior year financial statement amounts. Our opinion is not modified with respect to this matter.

#### **Other Matters**

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the employer's net pension liability and related ratios, and schedule of employer contributions on pages 19 through 24, 71, and 72 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section, schedule of operating expenses, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of operating expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operating expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on effectiveness of District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CARR, RIGGS & INGRAM, LLC

Caux Rigge & Ingram, L.L.C.

Brownsville, Texas June 26, 2019







#### 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, 2018. The MD&A should be read in conjunction with the letter of transmittal found in the introductory section of this report and the District's financial statements and related notes which follow this section.

#### **FINANCIAL HIGHLIGHTS**

- The total net position of the District at December 31, 2018 was \$179,119,590, increasing \$10,091,904 or 6.0% over the prior year.
- District's net operating income before depreciation increased by 8.0% over the prior year, totaling \$11,849,027 for 2018 and decreasing to \$6,359,426 after a depreciation charge of \$5,489,601.
- District 2018 operating revenues totaled \$24,209,767, an increase of \$904,212, or 3.9%, from the 2017 operating revenues of \$23,305,555. The Port set new records in tonnage and total operating revenues for 2018, with its waterborne cargo of 8,273,223 metric tons surpassing its previous record of 7,332,507 metric tons total for 2017.
- Operating expenses for 2018 of \$12,360,740, before depreciation, decreased \$16,067 or 0.1% over 2017 operating expenses before depreciation of \$12,376,807.
- District operating revenue is comprised of Vessel and Cargo Services, Lease Rentals at the Turning Basin and Fishing Harbor, Other Lease Rentals and Other Operating Revenues. Vessel and Cargo Services revenues of \$12,160,646 for 2018 increased \$1,431,717 from \$10,728,929 in 2017, an increase of 13.3%.
- Lease rentals at the Turning Basin and Fishing Harbor totaled \$8,192,581, an increase of \$273,826 from the prior year amount of \$7,918,755. Other Lease Rentals totaled \$2,414,979, a decrease of \$996,908 from the prior year amount of \$3,411,887, resulting in a 2018 total lease revenue of \$10,607,560, a decrease of \$723,082 from 2017 total lease revenue of \$11,330,642. The decrease over the prior year in Other Lease Rentals was primarily attributed to the District granting a pipeline easment that generated a one-time fee of \$1.5 million in 2017.
- Non-operating income for 2018 totaled \$2,507,074, a decrease of \$600,717 from 2017 non-operating income of \$3,107,791. For 2018, the District received \$2,827,760 in property tax, net of tax collection and discount expenses, of which \$894,619 was for general obligation bond debt and \$1,933,141 was for maintenance and operations. The District also received \$96,330 in penalties and interest for a combined 2018 tax, including penalty and interest, total of \$2,924,090 which is a reduction of \$24,502 from 2017 combined totals of \$2,948,592. 2018 is the twenty-fifth consecutive year the District has not raised its tax rate.

#### **OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

The financial report is prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

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. Fiduciary fund statements associated with the Retirement Plan for Employees of Brownsville Navigation District are included as well. In addition to the basic financial statements and acompanying notes, this report includes required supplementary information concerning the District's retirement plan.

The Statement of Net Position presents the financial position of the District on a full accrual, historical cost basis. The Statement of Net Position presents information on the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents the results of the business-type activities over the course of the fiscal year and 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 period 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, 2018. 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 income to net cash provided by operating activities.

Notes to the Financial Statements provide required disclosures and other information that is essential to a full understanding of the data found in these financial statements, and should be read in conjunction with the MD&A and the basic financial statements. These notes can be found on pages 33-70.

The District is the trustee, or fiduciary, of the Retirement Plan for Employees of Brownsville Navigation District. This activity is reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position on pages 31 and 32, respectively. These activities are not included with the District's enterprise fund financial information since the District cannot use these assets to finance its operations. The District is responsible for ensuring that these funds are used for their intended purpose.

#### **FINANCIAL ANALYSIS**

#### **Summary of Net Position**

The District's financial health is reflected in the current year financial statements. 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 District's total assets plus deferred outflows of resources at the close of the 2018 fiscal year were \$238,908,060, an increase of \$7,932,523, or 3.4%, over the 2017 fiscal year total of \$230,975,537. At December 31, 2018, total assets plus deferred outflows of resources exceeded total liabilities plus deferred inflows of resources by \$179,119,590. The District's total net position for the years ended December 31, 2018 and 2017 were \$179,119,590 and \$169,027,686, respectively. The largest component of the District's net position (\$139,686,649 or about 78.0% and \$134,087,674 or about 79.3% for fiscal years 2018 and 2017, respectively) reflects its net investment in capital assets. The District uses these capital assets to provide services to its customers and therefore are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position of \$6,556,738 and \$7,588,733 for fiscal years 2018 and 2017, respectively, is subject to external restrictions on how it may be used. The remaining balances of unrestricted net position totaling \$32,876,203 and \$27,351,279 for fiscal years 2018 and 2017, respectively, may be used to meet the District's ongoing obligations to employees and creditors.

The following condensed Statement of Net Position provides an overview of the District's net position as of December 31, 2018 and 2017:

#### Condensed Statements of Net Position December 31, 2018 and 2017

	2018	2017		
		Restated		
Current assets	\$ 55,588,697	\$ 63,708,977		
Capital assets, net	180,968,624	164,470,908		
Other non-current assets	1,414,129	1,843,725		
Total assets	237,971,450	230,023,610		
Deferred outflows of resources	936,610	951,927		
Total assets and deferred outflows of resources	238,908,060	230,975,537		
Current liabilities	12,935,175	12,760,917		
Non-current liabilities	43,265,835	46,166,929		
Total liabilities	56,201,010	58,927,846		
Deferred inflows of resources	3,587,460	3,020,005		
Total liabilities and deferred inflows of resources	59,788,470	61,947,851		
Net Position:				
Net investment in capital assets	139,686,649	134,087,674		
Restricted	6,556,738	7,588,733		
Unrestricted	32,876,203	27,351,279		
Total net position	\$ 179,119,590	\$ 169,027,686		

#### Changes in Net Position

The Statement of Revenues, Expenses, and Change in Net Position serve as a measure to determine how successful the District was in recovering its costs through its user fees and other charges, as well as its profitability. The District's net position as of December 31, 2018 increased by \$10,091,904 or 6.0% compared to the previous fiscal year. However, due to a prior period adjustment of \$357,078, the overall net position of business-type activities increased by \$9,734,826 for an ending balance of \$179,119,590. See Note 2.(L) on page 70 for additional information.

The \$904,212 increase in Operating revenues from \$23,305,555 in 2017 to the \$24,209,767 in 2018 was primarily due to a 13.3% increase in vessel revenue from \$10,728,929 in 2017 to \$12,160,646 in 2018. The District implemented a three year plan to increase its Dockage rates and liquid cargo Wharfage rates for the fiscal years 2016 through 2018.

Operating expenses were relatively the same as the prior year with a \$16,067 decrease from the \$12,376,807 in 2017 to the \$12,360,740 in 2018. Other non-operating income was \$41,448 and \$24,343, for 2018 and 2017, respectively. No bonds were issued in 2018.

The following table summarizes the changes in net position of the District for the fiscal years ended December 31, 2018 and 2017:

Changes in Net Position
For Fiscal Years Ended December 31, 2018 and 2017

	2018		2017 Restated	Variance
Revenues				
Operating revenues:				
Vessel and cargo services	\$	12,160,646	\$ 10,728,929	\$ 1,431,717
Lease rentals		10,607,560	11,330,642	(723,082)
Other operating revenue		1,441,561	1,245,984	195,577
Total operating revenues		24,209,767	23,305,555	904,212
Interest income		981,612	528,729	452,883
Amortization of debt premiums		66,389	67,458	(1,069)
Grant revenue		18,602	148,302	(129,700)
Gain on disposal of capital assets		26,000	-	26,000
Property taxes, net		2,924,090	2,948,592	(24,502)
Other non-operating income		41,448	24,343	17,105
Total Revenues		28,267,908	27,022,979	1,244,929
Expenses Operating expenses:				
Wages and employee expenses		5,702,657	5,593,043	109,614
Maintenance and operation of facilities		2,582,463	2,093,449	489,014
General and administrative expenses		4,075,620	4,690,315	(614,695)
Depreciation		5,489,601	 5,474,008	15,593
Total operating expenses		17,850,341	17,850,815	(474)
Interest expense		1,546,417	604,983	941,434
Bond service fees		4,650	4,650	-
<b>Total Expenses</b>		19,401,408	 18,460,448	940,960
Income before capital contributions		8,866,500	8,562,531	303,969
Capital contributions	,	1,225,404	379,041	846,363
Change in net position		10,091,904	8,941,572	1,150,332
Net position - beginning of year as restated		169,027,686	 160,086,114	8,941,572
Net position - end of year	\$	179,119,590	\$ 169,027,686	\$ 10,091,904

#### **CAPITAL ASSETS**

At the end of fiscal year 2018 and 2017, the District's total net capital assets reflected an increase of \$16,497,716 or 10.0% over the prior year. The following table summarizes the District's capital assets as of December 31, 2018 and 2017:

Capital Assets
December 31, 2018 and 2017

	2018		2017
Inland channel, turning basin, & jetties	\$ 55,360,414	\$	55,360,414
Land	9,936,584		9,936,584
Easements	20,760		20,760
Docks and appurtenances	76,669,980		72,603,221
Water and sewer systems	11,961,006		11,483,805
Railroads	11,273,945		11,273,943
Land improvements and roads	45,943,804		39,527,791
Administration building	8,462,201		751,354
Industrial equipment	11,301,696		10,679,557
Furniture and equipment	1,660,027		1,367,437
Intangible Assets	5,895,274		5,895,274
Construction in progress	 25,287,397		23,597,751
Total capital assets	\$ 263,773,088	\$	242,497,891
Less: Accumulated depreciation	 (82,804,464)		(78,026,983)
Net capital assets	\$ 180,968,624	\$	164,470,908
	 •		

The District's 2018 major capital asset activity, before depreciation, included the completed \$4,066,759 Liquid Cargo Dock No. 3 enhancements and about \$8 million for the new Administrative Office Complex construction and furnishing. At December 31, 2018, the District had contractual obligations totaling approximately \$21,159,112 for expansion and improvement of the port, waterways, roads and facilities. Funding of these amounts will come from available revenues of the District and restricted funds.

Additional information on the District's Capital Assets can be found in Note 2. D. – Capital Assets on page 53.

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#### **DEBT ADMINISTRATION**

The District, in prior years, has issued revenue and general obligation bonds for the purposes of acquiring land and acquiring, purchasing, constructing, enlarging, extending, repairing or developing the District's facilities. The bonds are secured by the pledged revenues from the operation of port facilities after the deduction of maintenance and operating expenses other than those related to depreciation or the interest expense on bonds. As of December 31, 2018, the District had long-term debt outstanding of \$40,010,000.

The following table summarizes the District's long-term debt outstanding as of December 31, 2018 and 2017:

	2018	2017
Revenue bonds	\$ 37,050,000	\$ 38,580,000
General obligation bonds	 2,960,000	3,740,000
Total long-term debt	\$ 40,010,000	\$ 42,320,000

The District maintains an A2 and Aa3 ratings from Moody's Investor Service for its Revenue and General Obligation bonds, respectively. In 2018, Standard and Poor's Corporation upgraded the District's Revenue bonds rating from an A to A+ and maintained an A+ for the District's General and Obligation bonds.

The District considers its credit rating strong and will enhance it with insurance when it's in its best interest. In 2016, the District purchased insurance to enhance its 2016 Revenue bond issuance rating for Standard and Poor's Coorporating to AA and Moody's Investor Service rating to A2.

Additional information on the District's long-term debt can be found in Note 2. E. – Long-term Debt on pages 54-56 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.



# STATEMENT OF NET POSITION

December 31, 2018

# **ASSETS**

Current Assets - Unrestricted:	
Cash and cash equivalents	\$ 14,353,662
Investments	28,674,086
Accounts receivable, net of allowance for uncollectible accounts	3,002,828
Note and capital lease receivables, current	484,171
Taxes receivable - M&O, net of estimated uncollectible taxes	940,462
Other receivables and accrued interest	497,016
Inventories	4,476
Prepaids	673,720
Total Current Assets - Unrestricted	48,630,421
Current Assets - Restricted:	
Cash - revenue bond fund	5,194,254
Cash - general obligation bond fund	1,052,776
Cash - TRZ construction fund	400,453
Cash - overweight permits	1,085
Taxes receivable - G.O., net of estimated uncollectible taxes	309,708
Total Currrent Assets - Restricted	6,958,276
Total Current Assets	55,588,697
Non-current Assets	
Non-depreciable capital assets	90,605,155
Depreciable capital assets	173,167,933
Less: accumulated depreciation and amortization	(82,804,464)
Total Capital Assets, net	180,968,624
Other Non-current Assets:	
Note receivable, non-current	770,949
Capital lease receivable, non-current	199,424
Other assets	443,756
Total Other Non-current Assets	 1,414,129
Total Other Non-Current Assets	1,414,123
Total Non-current Assets	182,382,753
Total Assats	227.074.450
Total Assets	 237,971,450
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	 936,610
Total Deferred Outflows of Resources	936,610
Total Assets and Deferred Outflows of Resources	\$ 238,908,060
	 ,,

# **STATEMENT OF NET POSITION - CONTINUED**

December 31, 2018

LIABII	LITIES
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Current Liabilities - Unrestricted:	
Accounts payable \$	3,852,395
Accrued liabilities	3,798,662
Unearned lease rentals	2,824,118
Total Current Liabilities - Unrestricted	10,475,175
Current Liabilities - Restricted:	
Current maturities of long-term debt - bonds	2,460,000
Total Current Liabilities	12,935,175
Non-current Liabilities:	
Revenue bonds, net of unamortized premium	37,130,615
General obligation bonds	2,105,000
Net pension liability	4,030,220
Total Non-current Liabilities	43,265,835
Total Liabilities	56,201,010
DEFENDED INTLOWS OF RECOURSES	
DEFERRED INFLOWS OF RESOURCES	420 422
Deferred preparty tay revenue	428,132
Deferred property tax revenue  Total Deferred Inflows of Resources	3,159,328
Total Deferred Illinows of Resources	3,587,460
Total Liabilities and Deferred Inflows of Resources	59,788,470
NET POSITION	
Net investment in capital assets	139,686,649
Restricted for:	133,000,013
Revenue bond debt retirement and contingency	5,194,254
General obligation bond debt service	1,362,484
Unrestricted	32,876,203
Total Net Position	179,119,590
Total Liabilities Deferred Inflows of Resources	
Total Liabilities, Deferred Inflows of Resources, and Net Position	238,908,060

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

For the Year Ended December 31, 2018

OPERATING REVENUES	
Vessel and cargo services	\$ 12,160,646
Lease rentals	
Port system	8,192,581
Other lease rentals	2,414,979
Other operating revenue	1,441,561
Total Operating Revenues	24,209,767
OPERATING EXPENSES, OTHER THAN	
DEPRECIATION	
Wages and employee expenses	5,702,657
Maintenance and operation of facilities	2,582,463
General and administrative expenses	4,075,620
Total Operating Expenses	12,360,740
Income from operations before depreciation	11,849,027
Depreciation	5,489,601
OPERATING INCOME	6,359,426
NON-OPERATING INCOME (EXPENSE)	
Interest income on deposits and investments	894,582
Interest income on notes and direct	
financing leases - port system	87,030
Grant revenue	18,602
Gain on disposal of capital assets	26,000
Property taxes - net of discounts, bad debt and collection expenses	
Penalties and interest	96,330
Maintenance and operations	1,933,141
General obligation bond debt service	894,619
Interest expense	(1,546,417)
Amortization of debt premiums and prepaid bond insurance	66,389
Bond service fees	(4,650)
Other non-operating income	41,448
Total Non-Operating Income (Expense)	\$ 2,507,074

See accompanying notes to financial statements.

(continued)

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

For the Year Ended December 31, 2018

\$ 8,866,500
1,225,404
10,091,904
169,384,764
(357,078)
169,027,686
\$ 179,119,590

# STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 22,645,374
Payments to suppliers for goods or services	(6,111,708)
Payments to employees	(5,543,939)
Other receipts	41,448
Net cash provided by operating activities	11,031,175
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Collections of M&O taxes and interest, net of discounts and collection expense	2,764,678
Net cash provided by noncapital financing activities	2,764,678
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Collections of G.O. taxes and interest, net of discounts and collection expenses	351,597
Contributions received from federal agencies	141,745
Capital contributions	1,225,404
Acquisition and construction of capital assets	(21,961,317)
Principal paid on long-term debt	(2,310,000)
Interest paid on long-term debt	(1,557,497)
Other (payments)	(4,650)
Net cash used by capital and related financing activities	(24,114,718)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	894,582
Interest received on note and capital lease receivables	93,208
Principal received on note and capital lease receivables	452,922
Purchase of investments	(15,506,540)
Net cash used by investing activities	 (14,065,828)
Net decrease in cash and cash equivalents	(24,384,693)
Cash and cash equivalents at beginning of year	45,386,923
Cash and cash equivalents at end of year	\$ 21,002,230
	_
Cash and cash equivalents - unrestricted	\$ 14,353,662
Cash - revenue bond fund - restricted	5,194,254
Cash - general obligation bond fund - restricted	1,052,776
Cash -TRZ construction fund - restricted	400,453
Cash - overweight permits - restricted	 1,085
Total cash and cash equivalents - restricted and unrestricted	\$ 21,002,230

(continued)

# **STATEMENT OF CASH FLOWS - CONTINUED**

For the Year Ended December 31, 2018

# Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 6,359,426
Adjustments to reconcile operating income to net cash provided by operating activities:	
Nonoperating income	41,448
Depreciation	5,489,601
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(523,728)
(Increase) decrease in other receivables and accrued interest	(336,277)
(Increase) decrease in other assets	(34,012)
(Increase) decrease in inventories	(1,269)
(Increase) decrease in prepaids	(16,513)
Increase (decrease) in accounts payable	554,188
Increase (decrease) in accrued liabilities	478,593
Increase (decrease) in unearned lease rentals and other credits	(982,394)
Decrease (increase) in deferred outflows related to pension	15,317
Increase (decrease) in deferred inflows related to pension	366,894
Increase (decrease) in net pension liability	(380,099)
Net cash provided by operating activities	\$ 11,031,175

# STATEMENT OF FIDUCIARY NET POSITION

December 31, 2018

# **ASSETS**

Cash and cash equivalents	\$ 384,158
Investments at fair value	4,505,990
Total Assets	4,890,148
FIDUCIARY NET POSITION	

# STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended December 31, 2018

# **ADDITIONS**

Contributions:	
Employer contributions	\$ 524,680
Employee contributions	185,964
Total contributions	710,644
Net Investment income (loss):	
Interest and Dividends	94,482
Net depreciation in fair value of investments	(353,801)
Less: investment expenses	(52,870)
Total investment income (loss), net	(312,189)
Other income:	
Bank interest	4,786
Total other income	4,786
Total Additions	403,241
DEDUCTIONS	
Benefit payments and refunds	595,597
Total Deductions	595,597
Total Deductions	233,237
Net decrease in fiduciary net position	(192,356)
Fiduciary net position, beginning of year	5,082,504
Fiduciary net position, end of year	\$ 4,890,148

# **NOTES TO THE FINANCIAL STATEMENTS**

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#### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

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

The financial statements of the Brownsville Navigation District of Cameron County, Texas (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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. A summary of the District's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

#### A. THE REPORTING ENTITY

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

The locally-elected Board of Navigation and Canal Commissioners is exclusively responsible for all public decisions and accountable for the decisions it makes. The Board of Navigation and Canal Commissioners appoints the Port Director and CEO of the District. The activities under the purview of the Port Director are within the scope of the reporting entity and 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.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth in Section 2100 of the <u>GASB Codification of Governmental Accounting and Financial Reporting Standards</u>. GASB defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Since the District does not exercise financial accountability over other entities, it has no component units.

#### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

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

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

The District's operations are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is to recover the cost of operations through user charges. A proprietary fund is accounted for on the "economic resources" measurement focus using the accrual basis of accounitng, under which revenues are recognized in the accounting period in which they are earned and the related expenses are recorded in the accounting period incurred, regardless of the timing of cash flows.

The statement of net position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources represents the District's net position. Net position is segregated into amounts of net investment in capital assets, amounts restricted for capital activity, debt service pursuant to bond indentures, and other contractual restrictions, and amounts which are unrestricted.

The statement of revenues, expenses, and changes in net position demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues.

The statement of cash flows presents the District's relevant information about the cash receipts and cash payments during the period.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. The District is the trustee, or fiduciary, of the Retirement Plan for Employees of Brownsville Navigation District Fund. These activities are not included with the District's enterprise fund financial information since the District cannot use these assets to finance its operations. The District is reponsible for ensuring that these funds are used for their intended purposes.

#### C. BUDGETARY INFORMATION

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. 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.

#### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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

#### D. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ.

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

# 1. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents are considered to be cash on hand, cash held on deposit with financial institutions in demand deposit accounts, and short-term investments with original maturities of three months or less from the date of acquisition.

#### 2. Investments

The District's investments are accounted for in accordance with Section I50 of the <u>GASB Codification of Governmental Accounting and Financial Reporting Standards</u>. Investments are recorded at fair value based upon quoted market prices in active or inactive markets for similar assets with the difference between the purchase price and market price being recorded as investment income. Gains or losses due to market valuation changes as well as realized gains or losses are recognized in the Statement of Revenues, Expenses and Changes in Net Position.

#### 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 determination of the balance in the estimated uncollectible taxes receivable is based on an analysis of the taxes receivable and historical collection rates and reflects an amount which, in management's judgment, represents those taxes doubtful of collection.

#### 4. Inventories

Inventories of materials and supplies are stated at cost utilizing the FIFO (first-in, first-out) valuation costing method. The cost of such inventories are recorded as expenses when consumed rather than when purchased.

#### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

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

E. ASSETS AND DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES, AND NET POSITION— CONTINUED

# 5. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items are recorded as expenses when consumed rather than when purchased.

# 6. 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 statement of net position, since their use is limited by applicable bond covenants. Proceeds from the issuance of overweight permits are also classified as restricted assets on the statement of net position, since their use is limited by contract with the State of Texas.

#### 7. Capital Assets

The District's policy defines capital assets as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of one year. Property, plant, and equipment constructed or acquired by purchase is stated at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession agreement are stated at acquisition value as of the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life 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.

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

Classification	<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

#### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

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

E. ASSETS AND DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES, AND NET POSITION— CONTINUED

# 8. <u>Compensated Absences</u>

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. Bond Premiums, Discounts and Bond Insurance Costs

Bond premiums and discounts, as well as bond insurance costs on issuance, are deferred and amortized over the life of the bonds. Outstanding bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

# 10. Deferred Compensation Plan

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

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

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

#### 11. Pensions

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

#### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

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

E. ASSETS AND DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES, AND NET POSITION— CONTINUED

# 12. <u>Deferred Outflows/Inflows of Resources</u>

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District reports deferred outflows of resources related to pension in this section. Deferred outflows related to pension consist of the following items:

- Pension contributions after the measurement date These contributions are deferred and recognized the following fiscal year.
- Difference in projected and actual earnings on pension assets This difference is deferred and amortized over a period of five years.
- Difference in expected and actual pension experience This difference is deferred and recognized over the average remaining service life for all active, inactive, and retired members.
- Changes in actuarial assumptions used to determine pension liability This difference is deferred and recognized over the average remaining service life for all active, inactive, and retired members.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred revenue from property taxes as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts are due.

The District also reports deferred inflows of resources related to pension that consists of the following items:

- Difference in projected and actual earnings on pension assets This difference is deferred and amortized over a period of five years.
- Difference in expected and actual pension experience This difference is deferred and recognized over the average remaining service life for all active, inactive, and retired members.
- Changes in actuarial assumptions used to determine pension liability This difference is deferred and recognized over the average remaining service life for all active, inactive, and retired members.

#### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

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

E. ASSETS AND DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES, AND NET POSITION— CONTINUED

#### 13. Net Position Flow Assumption

Net position represents the residual interest in the District's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consist of three sections: Net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of net position that is subject to a legally enforceable restriction on their use. The remaining net position that does not meet the definition of "net invesment in capital assets" or "restricted" is classified as unrestricted.

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

#### F. REVENUES AND EXPENSES

#### 1. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the District's on-going principal operations. The District's operating revenues for vessel and cargo services are collected from charges assessed pursuant to its tarriffs. 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, administative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### 2. Property Taxes

Property taxes are levied on October 1 in conformity with Subtitle E, Texas Property Tax Code. Property is appraised, and a lien on such property becomes enforceable, as of January 1 of the following year, 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.

#### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

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

#### F. REVENUES AND EXPENSES—CONTINUED

# 2. Property Taxes – Continued

Property tax revenues are considered available when they become due or past due and receivable within the current period. Deferred property tax revenue reported in the deferred inflows section of the statement of net position represents the property taxes levied on October 1, 2018 for the 2019 fiscal year. The amount will be recognized as revenue on January 1, 2019 when such property taxes are due and attach as an enforceable lien on the property.

# 3. Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense at December 31, 2018 was \$143,189.

# G. CURRENT YEAR GASB STATEMENT IMPLEMENTATION

During 2018, the District adopted and implemented the following new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). The adoption of this Statement had no impact on the District's net position.
- GASB Statement No. 81, Irrevocable Split-Interest Agreements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situation in which a government is a beneficiary of the agreement. The adoption of this Statement had no impact on the District's net position.
- GASB Statement No. 85, Omnibus 2017. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The adoption of this Statement had no impact on the District's net position.

#### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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

#### G. CURRENT YEAR GASB STATEMENT IMPLEMENTATION—CONTINUED

- GASB Statement No. 86, Certain Debt Extinguishment Issues. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in-substance. The adoption of this Statement had no impact on the District's net position.
- GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in an enterprise fund. This statement is effective for fiscal years beginning after December 15, 2019 but was adopted and early implemented as allowed by GASB. The adoption of this Statement had no impact on the District's net position.

#### H. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

As of December 31, 2018, the GASB had issued statements not yet implemented by the District. The statements being evaluated for financial statement impact are as follows:

• In November 2016, the GASB issued GASB Statement No. 83, Certain Asset Retirement Obligations, effective for fiscal years beginning after June 15, 2018. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. Management is evaluating the effects that the full implementation of GASB Statement No. 83 will have on its financial statements for the year ended December 31, 2019.

#### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

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

#### H. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS - CONTINUED

- In January 2017, the GASB issued GASB Statement No. 84, Fiduciary Activities, effective for fiscal years beginning after December 15, 2018. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. Management is evaluating the effects that the full implementation of GASB Statement No. 84 will have on its financial statements for the year ended December 31, 2019.
- In June 2017, the GASB issued GASB Statement No. 87, Leases, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended December 31, 2020.
- In April 2018, the GASB issued GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, effective for fiscal years beginning after June 15, 2018. This Statement will improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Management is evaluating the effects that the full implementation of GASB Statement No. 88 will have on its financial statements for the year ended December 31, 2019.
- In August 2018, the GASB issued GASB Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61, effective for fiscal years beginning after December 15, 2018. The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Management is evaluating the effects that the full implementation of GASB Statement No. 90 will have on its financial statements for the year ended December 31, 2019.

#### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

#### **NOTE 2. DETAILED NOTES ON ALL ACTIVITIES**

#### A. DEPOSITS AND INVESTMENTS

It is the District's policy for deposits plus accrued interest thereon to be 102% secured by collateral valued at fair value, less the amount of the Federal Deposit Insurance Corporation insurance. At December 31, 2018, the District's deposits were entirely covered by federal deposit insurance or were secured by collateral held by the District's agent pursuant to the District's investment policy and its depository agreement.

Unrestricted cash and cash equivalents are composed of the following at December 31, 2018:

Cash on hand	\$ 2,230
Demand deposits	14,351,432
Total Unrestricted Cash and Cash Equivalents	\$ 14,353,662

Restricted cash and cash equivalents are composed of the following at December 31, 2018:

Demand deposits - Revenue bond funds		5,194,254
Demand deposits - General obligation bond funds		1,052,776
Demand deposits - TRZ construction funds		400,453
Demand deposits - Overweight permits		1,085
Total Restricted Cash and Cash Equivalents	\$	6,648,568

On February 20, 2019, the District's Commissioners approved a revised Investment and Investment Strategies Policy. 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 and Investment Strategies Policy are the security of principal, liquidity, diversification and yield.

In accordance with its Investment and Investment Strategies Policy and the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code (PFIA), the District may invest in obligations of the United States or its agencies and instrumentalities (not to exceed two years to stated maturity), no-load, SEC-registered money market mutual funds (each approved specifically before use by the District's Board of Commissioners), fully insured or collateralized certificates of deposit from a bank doing business in the State of Texas, Texas local government investment pools as defined by the PFIA having a rating not less than AAA or AAA-m, and A1 or P1 rated commercial paper (stated maturity date of 270 days or fewer from the date of its issuance).

Investments are composed of the following at December 31, 2018:

Local Government Investment Pool (TexasTerm/TexasDaily)	\$	28,674,086
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#### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

#### NOTE 2. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

#### A. DEPOSITS AND INVESTMENTS – CONTINUED

<u>TexasTERM/TexasDaily</u> – The District participates in TexasTERM/TexasDaily, a local government investment pool. Administrative and investment services to the pool are provided by PFM Asset Management LLC, under an agreement with the TexasTERM Advisory Board and act on behalf of the pool participants. At December 31, 2018, TexasTERM/TexasDaily was rated AAAm by Standard & Poor's. The pool's investments had a weighted average maturity of 36 days.

TexasTERM/TexasDaily meets the criteria of a "qualifying external investment pool" as set forth in Section In5 of the GASB Codification of the Governmental Accounting and Financial Reporting Standards and measures all of their investments at amortized cost; therefore, for financial reporting purposes, the District has also measured their investment in this external investment pool at amortized cost in accordance with Section I50 of the GASB Codification of the Governmental Accounting and Financial Reporting Standards. In addition, the pool does not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The pool does not impose any liquidity or redemption gates.

Interest Rate Risk - In accordance with the District's Investment and Investement Strategies 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 and Investment Strategies Policy, the financial institution must collateralize all funds with a minimum of 102% of the fair 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 and Investment Strategies Policy.

#### Retirement Plan for Employees of Brownsville Navigation District (Fiduciary Fund) Investments

The primary objective of the Investment and Investment Strategies Policy of the Retirement Plan for Employees of Brownsville Navigation District (the "Plan") as administered by the District, is the preservation of principal while emphasizing relative total returns without overexposure to paricular investment sectors and securities and to maintain sufficient liquidity in order to pay monthly benefits.

#### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

#### NOTE 2. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

#### A. DEPOSITS AND INVESTMENTS – CONTINUED

# Retirement Plan for Employees of Brownsville Navigation District (Fiduciary Fund) Investments - Continued

The Plan's investments are recorded at fair value. Investments at December 31, 2018 consist of the following:

	2018					
		Fair	Percentage			
		Value	of Total			
Cash and Cash Equivalents	\$	104,220	2.31%			
Fixed Income:						
Mutual Fund		470,029	10.43%			
U.S. Treasury Notes		854,242	18.96%			
Federal Agencies		138,079	3.06%			
Total Fixed Income		1,462,350	32.45%			
Equity Securities:						
Common Stocks		2,939,420	65.23%			
Total Investments	\$	4,505,990	100%			

Fair Value Measurements - The Plan categorizes its fair value measurements within the fair value hierarchy established by U.S. generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Fixed income and equity securities are valued using prices quoted in active markets for those securities. The Plan has the following fair value measurements as of December 31, 2018:

	2018		Level 1		Level 2		Level 3
Cash & Equivalents	\$ 104,220	\$	104,220	\$	-	\$	-
Fixed Income	1,462,350		1,462,350		-		-
<b>Equity Securities</b>	2,939,420		2,939,420		-		-
Total	\$ 4,505,990	\$	4,505,990	\$	-	\$	-

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Plan, and are held by either the counterparty or the counterparty's trust department or agent but no in the Plan's name. At December 31, 2018, none of the Plan's security investments were subject to custodial credit risk.

#### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

#### NOTE 2. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

#### A. DEPOSITS AND INVESTMENTS – CONTINUED

# Retirement Plan for Employees of Brownsville Navigation District (Fiduciary Fund) Investments - Continued

Interest rate risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The following table details the Plan's investments by type, with their fair value and duration as of December 31, 2018:

			Duration
Investment Type	F	air Value	in Years
U.S. Treasury Notes	\$	854,242	0.08
Federal Agencies		138,079	2.43
Total Fair Value	\$	992,321	

Credit risk - Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize this risk, the Plan's investment policy mandates assets be invested only in investment grade bonds rated AA (or equivalent) or better, in commercial paper rated A1 (or equivalent) or better, and money market funds that contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poors, and/or Moody's. Securities are considered investment grade if they are rated Baa3 or higher by Moody's Investor Service, or BBB- or higher by Standard and Poor's (S&P). In the case of convertible bonds and convertible preferred stocks, the average credit quality of the total convertible portfolio will be at least investment grade (BBB).

The Plan's exposure to investment credit risk in fixed income securities as of December 31, 2018, were as follows:

2010

	2018				
		Percentage	Percentage Quality		
Investment Type	Fair Value	of Holdings	Moody's	S&P	
Mutual Fund	\$ 470,029	10.43%	Aaa-mf	AAAm	
U.S. Treasury Notes	854,242	18.96%	AAA	-	
Federal Agencies	138,079	3.06%	AAA	AA+	
Total Fair Value	\$ 1,462,350	32.45%			

#### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

#### NOTE 2. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

#### A. DEPOSITS AND INVESTMENTS – CONTINUED

# Retirement Plan for Employees of Brownsville Navigation District (Fiduciary Fund) Investments - Continued

Concentration of Credit Risk - Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investment policy establishes a minimum and maximum percentage allocation for each classification of investments.

The following is the Plan's adopted asset allocation ranges as of December 31, 2018:

	Percent of Total Fund Allocation				
Asset Class	Minimum	Maximum			
Cash & Equivalents	0%	20%			
Fixed Income	10%	60%			
Equity Securities	40%	90%			

At December 31, 2018, the Plan had the following investment that exceeded 5 percent of the total Plan investments:

	2018
Invesco Premier Portfolio; Institutional	\$ 470,029

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. Realized and unrealized gains and losses on investment which result from changes in foreign currency exchange rates have been included in the net appreciation (depreciation) in fair value of investments.

Rate of Return - The annual money-weighted rate of return on the Plan's investments, net of pension plan investment expense, for the Plan years ended December 31, 2018 and 2017 were -6.00 percent and 17.00 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

#### NOTE 2. DETAILED NOTES ON ALL ACTIVITIES - CONTINUED

# **B. RECEIVABLES**

# **Trade and Utility Receivables**

Receivables of the District as of December 31, 2018 including the applicable allowances for uncollectible accounts are as follows:

Accounts receivable - trade	\$ 2,871,783
Accounts receivable - utility	278,768
Less: allowance for uncollectible accounts	(147,723)
Accounts receivable, net	\$ 3,002,828

# <u>Taxes Receivable</u>

The determination of the balance in the reserve for uncollectible taxes receivable is based on an analysis of the taxes receivable and reflects an amount which, in management's judgment, represents those taxes doubtful of collection. Taxes receivable, net of estimated uncollectible taxes as of December 31, 2018 consist of the following:

	Maintenance &		Debt			
	Oper	ation (M&O)	Ser	vice (G.O.)		
Taxes receivable	\$	973,279	\$	325,441		
Reserve for uncollectible taxes		(32,817)		(15,733)		
Taxes receivable, net	\$	940,462	\$	309,708		

# Notes Receivable

The note receivable as of December 31, 2018 consists of the following:

	Interest Rate	Issue Date	Maturity Date	Original Issue	Unpaid Principal
Note receivable, City of Brownsville, collateralized by Deed of Trust on 297.84 acre tract of land	5.50%	10/10/2001	2021	\$ 4,990,000	\$ 1,126,549
Less: current maturities					(355,600)
Long-term Notes Receivable					\$ 770,949

#### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

#### NOTE 2. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

#### B. RECEIVABLES – CONTINUED

Approximate maturities of the note receivable subsequent to December 31, 2018 are as follows:

	P	Principal					
Year		Due					
2019	\$	355,600					
2020		375,158					
2021		395,791					
Total	\$	1,126,549					

# Capital Lease Receivable

The District entered into a capital lease agreement in 2014 as lessor for financing certain real estate assets previously owned by its dissolved component unit (Brownsville and Rio Grande International Railroad). The lease agreement qualified as a capital lease for accounting purposes and, therefore, had been recorded at the net present value of future minimum lease payments receivable at the inception of the lease.

The net present value of these minimum lease payments as of December 31, 2018, are as follows:

Year	
2019	\$ 128,571
2020	128,571
2021	85,714
Total minimum lease payments receivable	342,856
Less: interest amount	(14,861)
Present value of lease payments receivable	\$ 327,995

#### C. RESTRICTED ASSETS

# **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 oversized 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.

#### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

# NOTE 2. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

# C. RESTRICTED ASSETS – CONTINUED

#### **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.

At December 31, 2018, the following assets are restricted assets:

Revenue Bond Funds (all cash accounts)	
Debt service fund	\$ 2,127,263
Debt reserve fund	297,534
Contingencies fund	246,025
Bond project fund	2,523,432
Total restricted revenue bond fund assets	5,194,254
General Obligation Bond Funds	
Cash	1,052,776
Taxes receivable - G.O., net of estimated uncollectible taxes	309,708
Total restricted general obligation bond fund assets	1,362,484
Overweight Permit Assets	
Cash	1,085
Capital Projects Fund	
TRZ Construction fund	400,453
Total Restricted Assets	\$ 6,958,276

# NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

# NOTE 2. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

# D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance				Balance
	January 1,			Reclass-	December 31,
	2018	Additions	Deletions	ifications	2018
Capital assets, not being depreciated:					
Inland channel and turning basin	\$ 15,324,008	\$ -	\$ -	\$ -	\$ 15,324,008
Jetties and jetty canal	40,036,406	-	-	-	40,036,406
Land	9,936,584	-	-	-	9,936,584
Easements	20,760	-	-	-	20,760
Construction in progress	23,597,749	21,072,588	-	(19,382,940)	25,287,397
Total capital assets, not being depreciated	88,915,507	21,072,588	-	(19,382,940)	90,605,155
Capital assets, being depreciated and amortized:					
Docks and appurtenances	72,603,222	-	-	4,066,758	76,669,980
Water and sewer systems	11,483,806	-	-	477,200	11,961,006
Railroads and Railway	11,273,945	-	-	-	11,273,945
Land improvements and roads	39,527,791	-	-	6,416,013	45,943,804
Administration building	751,354	-	(712,122)	8,422,969	8,462,201
Industrial equipment	10,679,556	622,140	-	-	11,301,696
Furniture and equipment	1,367,437	292,590	-	-	1,660,027
Intangible assets	5,895,274	-	-	-	5,895,274
Total capital assets, being depreciated and amortized:	153,582,385	914,730	(712,122)	19,382,940	173,167,933
Less accumulated depreciation and amortization for:					
Docks and appurtenances	(32,994,318)	(1,397,354)	-	-	(34,391,672)
Water and sewer systems	(8,210,405)	(298,738)	-	-	(8,509,143)
Railroads and Railway	(4,657,126)	(196,876)	-	-	(4,854,002)
Land improvements and roads	(19,779,330)	(2,575,491)	-	-	(22,354,821)
Administration building	(693,338)	(18,784)	712,122	-	-
Industrial equipment	(6,149,513)	(867,464)	-	-	(7,016,977)
Furniture and equipment	(1,102,955)	(134,894)	-	-	(1,237,849)
Intangible assets	(4,440,000)	-	-	-	(4,440,000)
Total accumulated depreciation and amortization:	(78,026,985)	(5,489,601)	712,122	-	(82,804,464)
Total capital assets, being depreciated and amortized, net	75,555,400	(4,574,871)	-	19,382,940	90,363,469
Total capital assets, net	\$ 164,470,907	\$ 16,497,717	\$ -	\$ -	\$ 180,968,624

#### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

# NOTE 2. DETAILED NOTES ON ALL ACTIVITIES - CONTINUED

#### E. LONG-TERM DEBT

Changes in long-term obligations for the year ended December 31, 2018 are as follows:

		Balance Outstanding	Additions	Deletions		Balance Outstanding	Due Within
Bonds Payable:	Jar	nuary 1, 2018	Additions	Deletions	Dec	ember 31, 2018	One Year
Revenue Bonds - First Lien	\$	38,580,000	\$ -	\$ (1,530,000)	\$	37,050,000	\$ 1,605,000
Plus: Premium		1,761,658	-	(76,043)		1,685,615	-
General Obligation Bonds		3,740,000	-	(780,000)		2,960,000	855,000
Total bonds payable		44,081,658	-	(2,386,043)		41,695,615	2,460,000
Accrued Compensated Absences		246,732	248,560	(223,816)		271,476	271,476 <sup>(1)</sup>
Total long-term debt	\$	44,328,390	\$ 248,560	\$ (2,609,859)	\$	41,967,091	\$ 2,731,476

<sup>(1)</sup> included in accrued liabilities of \$3,798,662

# **Revenue Bonds**

	Interest	Issue	Maturity	Original	Unpaid
Revenue Bonds	Rate	Date	Date	Issue	Principal
Series 2002A	3.38 - 4.80%	7/10/2002	2022	\$ 1,790,000	\$ 510,000
Series 2002B	3.38 - 4.80%	7/10/2002	2022	\$ 1,900,000	530,000
Series 2011	3.01%	10/24/2011	2021	\$ 2,390,000	870,000
Series 2012	3.19%	12/27/2012	2038	\$ 10,000,000	8,865,000
Series 2016	5.00%	2/9/2016	2040	\$ 27,580,000	26,275,000
Total unpaid principal					37,050,000
Plus: Premium					1,685,615
Less: current maturities					(1,605,000)
Total revenues bonds outstanding	•		•		\$ 37,130,615

The series 2002A, 2002B, 2011, 2012 and 2016 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.

#### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

#### NOTE 2. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

#### E. LONG-TERM DEBT – CONTINUED

# Revenue Bonds - Continued

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

# **General Obligation Bonds**

	Interest	Issue	Maturity	Original	Unpaid
General Obligation Bonds	Rate	Date	Date	Issue	Principal
Series 2011	3.40%	12/2/2011	2020	\$ 4,805,000	\$ 955,000
Series 2013	1.89%	3/11/2013	2023	\$ 3,830,000	2,005,000
Total unpaid principal					2,960,000
Less: current maturities					(855,000)
Total general obligation bonds outstanding	<u> </u>				\$ 2,105,000

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, 2018 are as follows:

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

#### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

#### NOTE 2. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

#### E. LONG-TERM DEBT – CONTINUED

# General Obligation Bonds - Continued

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

Annual maturities of debt subsequent to December 31, 2018, are as follows:

Year Ending	Revenu	e Bo	onds	General Obli	gati	on Bonds
December 31,	Principal		Interest	Principal		Interest
2019	\$ 1,605,000	\$	1,417,708	\$ 855,000	\$	58,736
2020	1,665,000		1,355,831	880,000		35,130
2021	1,730,000		1,291,403	400,000		19,373
2022	1,495,000		1,228,862	410,000		11,718
2023	1,280,000		1,171,003	415,000		3,922
2024-2028	7,085,000		4,941,228	-		-
2029-2033	8,485,000		3,296,989	-		-
2034-2038	10,235,000		1,664,730	-		-
2039-2041	3,470,000		140,200	-		-
Total	\$ 37,050,000	\$	16,507,954	\$ 2,960,000	\$	128,879

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%.

At December 31, 2018, the District reported interest expense of \$1,546,417 as follows:

Interest	Expense
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Revenue bonds	\$ 1,457,670
General Obligation bonds	88,747
Total	\$ 1,546,417

#### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

#### NOTE 2. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

#### F. OPERATING LEASES

The District leases its property, buildings, and rail spurs to various tenants under operating lease agreements. As of December 31, 2018, 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:

Year Ending	<b>Future Minimum</b>					
December 31,	Lease Rentals					
2019	\$	8,947,970				
2020	\$	7,319,787				
2021	\$	7,436,904				
2022	\$	7,555,984				
2023	\$	7,676,789				

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**

The District sponsors the Retirement Plan for Employees of Brownsville Navigation District (the "Plan"), a public single employer defined benefit Cash Balance pension plan for eligible District employees. The District serves as the Plan administrator. The Plan's assets are invested in a trust fund overseen by named individual co-trustees with Morgan Stanley serving as trust custodian and investment advisor. Amendments to the Plan are made only with the authority of the District's Board of Commissioners. The Plan issues a stand-alone financial report. That report may be obtained by writing Brownsville Navigation District at 1000 Foust Road, Brownsville, Texas 78521.

The Board of Commissioners of Brownsville Navigation District has sole authority to establish or amend the participants' and the employer's obligations to contribute to the Plan.

#### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

#### NOTE 2. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

#### G. PENSION PLAN - CONTINUED

# **Benefits Provided**

The Plan provides retirement, disability, and death benefits. Amended pre-2010 retirement benefit provisions for grandfathered employees provide retirement benefits which are calculated as 1.05% of the employee's 5-year average compensation as of December 31, 2009 times the employee's years of service as of December 31, 2009. Post-2009 cash balance plan provisions provide retirement benefits which are calculated as the sum of the employee's Beginning Balance Subaccount, Employee Contribution Subaccount, Employer Matching Subaccount, and Cash Balance Conversion Retirement Supplement Subaccount. Only participants who were active participants under the prior Plan, employed by the Employer on December 31, 2009, and had attained their 14<sup>th</sup> anniversary of full-time employment with the Employer prior to January 1, 2010 shall have a Conversion Retirement Supplement Subaccount. Only participants of the prior Plan and employed by the Employer on December 31, 2009 shall have a Beginning Balance Subaccount. Participants with 10 years of service are eligible to retire at age 55. Death and Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately with an actuarial reduction. An employee who leaves the employer's service may withdraw his or her contributions, plus any accumulated interest.

# **Employees Covered by Benefit Terms**

As of January 1, 2018, the following numbers of employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	55
Active employees	101
Total	192

# Contributions

The Board of Commissioners has the sole authority to establish and amend the contribution requirements of active Distict employees. The required employer contributions are based on an actuarially-determined rate recommended by an indepenent actuary. The actuarially-determined employer contribution rate is the established amount necessary to finance the costs of employer provided benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the actuarially-determined employer contribution rate apart from the contribution rate of employees. For the fiscal year ended December 31, 2018, the average active employee contribution rate (for the period between the two most recent measurement dates) was 4.00% of annual pay, and the employer's actuarially-determined contribution rate was 10.25% of annual payroll.

#### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

# NOTE 2. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

G. PENSION PLAN – CONTINUED

#### <u>Contributions</u> – Continued

The employer contribution is presently 10.25% of annual participant payroll and will remain at that level as long as the amount is sufficient to pay the Employer Normal Cost and amortize the Unfunded Actuarial Liability (Net Pension Liability) over a period of not less than 10 years nor more than 25 years. The contribution policy for the plan is as follows:

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

# Pension Plan Investments

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

The annual money weighted rate of return on pension plan investments, net of investment expenses, which expresses net investment performance adjusted for changing amounts actually invested each month was 17.04% for the 12 months ended December 31, 2017.

### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

### NOTE 2. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

### G. PENSION PLAN - CONTINUED

### Pension Plan Investments - Continued

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

### **Annual Money Weighted**

12 Months Ended	Net Rate of Return
12/31/2017	17.04%
12/31/2016	3.90%
12/31/2015	-0.50%
12/31/2014	2.80%
12/31/2013	17.10%
12/31/2012	9.90%

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

### Net Pension Liability

The Employer's net pension liability reported for the fiscal year ending December 31, 2018 was measured as of January 1, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that same date.

### 1. Actuarial Assumptions

The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 3% Salary increases 4.5% <sup>1</sup>

Investment rate of return Net of pension plan investment expenses

- pre-decrement 6.75% <sup>1</sup>
- post-decrement 6.00% <sup>1</sup>

Mortality rates were based on the Society of Actuaries RP-2014 Blue Collar Mortality Tables (adjusted from the 2006 base year) and projected using Scale MP-2018 mortality improvement rates.

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the period 2006-2014.

<sup>&</sup>lt;sup>1</sup>- Includes inflation.

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

### NOTE 2. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

### G. PENSION PLAN - CONTINUED

### 1. Actuarial Assumptions - Continued

The mortality assumptions have been updated since the prior year valuation. See item 12, Change in Actuarial Assumptions, included in the <u>Detailed Actuarial Assumptions</u> section of this note disclosure.

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

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

### **Cash Balance Investment Subaccount**

		Long-term
	Target	<b>Expected Real</b>
Asset Class	Alllocation	Rate of Return
Equity	70%	5.57% <sup>1</sup>
Fixed income	20%	4.15%
Cash	10%	1.00%
Total	100%	
Weighted Average		4.83%

### **Annuity Financing Investment Subaccount**

		Long-term
	Target	<b>Expected Real</b>
Asset Class	Alllocation	Rate of Return
Equity	0%	5.57% <sup>1</sup>
Fixed income	95%	4.15%
Cash	5%	1.00%
Total	100%	
Weighted Average		3.99%

<sup>&</sup>lt;sup>1</sup> - Reflects 5.75% return assumption for Developed Country Equity and 4.00% return assumption for Emerging Markets Equity and approximatly a 90%/10% split in Developed/Emerging equities within the total equity allocation.

### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

### NOTE 2. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

### G. PENSION PLAN - CONTINUED

### 2. Discount Rate

The discount rate used to measure the total pension liability was 6.75% pre-decrement and 6.00% post-decrement, resulting in an effective discount rate of 6.15% based on the January 1, 2018 plan census and actuarial assumptions. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Changes in the Net Pension Liability

	Increase (Decrease)					
	To	tal Pension	Pla	an Fiduciary	N	et Pension
		Liability	N	et Position		Liability
		(a)		(b)		(a) - (b)
Balance at January 1, 2017 <sup>1</sup>	\$	8,754,967	\$	4,344,648	\$	4,410,319
Changes for the year:						
Service cost		315,160		-		315,160
Interest		540,430		-		540,430
Differences between expected and actual experience		190,029		-		190,029
Contributions - employer		-		455,766		(455,766)
Contributions - employee		-		177,956		(177,956)
Net investment income <sup>2</sup>		-		735,843		(735,843)
Benefit payments, including refunds of employee						
contributions		(631,710)		(631,710)		-
Assumption changes		(56,153)		-		(56,153)
Net changes		357,756		737,855		(380,099)
Balances at January 1, 2018 <sup>3</sup>	\$	9,112,723	\$	5,082,503	\$	4,030,220

<sup>1-</sup> Information for the fiscal year ended December 31, 2017 was taken as of the measurement date of January 1, 2017 as permitted by GASB Cod. Sec. 1500.

<sup>&</sup>lt;sup>2</sup> - Net of investment expense but not administrative expense per GASB Cod. Sec. 1500.

<sup>&</sup>lt;sup>3</sup> - Information for the fiscal year ended December 31, 2018 was taken as of the measurement date of January 1, 2018 as permitted by GASB Cod. Sec. 1500.

### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

### NOTE 2. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

### G. PENSION PLAN - CONTINUED

Changes in the Net Pension Liability - Continued

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

The following presents the net pension liability of the Employer, calculated using an effective discount rate of 6.15% (based on pre-decrement and post-decrement assumptions of 6.75%/6.00% and the January 1, 2018 plan census and actuarial assumptions), as well as what the Employer's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.15%) or 1-percentage-point higher (7.15%) than the current rate:

		Current	
		Effective	
	1% Decrease	Discount	1% Increase
	(5.15%)	Rate (6.15%)	(7.15%)
Employer's Net Pension Liablity	\$ 5,100,194	\$ 4,030,220	\$ 3,164,239

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

For the year ended December 31, 2018, the Employer recognized pension expense of \$526,792.

### 1. Components of Pension Expense for the Fiscal Year Ended December 31, 2018

Service cost	\$ 315,160
Interest on the total pension liability	540,430
Amortization of differences between expected and actual experience <sup>1</sup>	56,176
Amortization of changes of assumptions <sup>1</sup>	60,321
Employee contributions	(177,956)
Projected earnings on pension plan investments	(291,552)
Amortization of differences between expected and actual earnings on plan investments <sup>2</sup>	24,213
Total pension expense	\$ 526,792

<sup>&</sup>lt;sup>1</sup> - GASB Cod. Sec. 1500. amortized over a straight-line closed period equal to the average remaining service period for all employees (active and inactive) who are provided with benefits through the pension plan. (4.14 years as of January 1, 2016, 3.96 years as of January 1, 2017, and 3.89 years as of January 1, 2018)

<sup>&</sup>lt;sup>2</sup> - GASB Cod. Sec. 1500. amortized over a straight-line closed 5-year period.

### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

### NOTE 2. DETAILED NOTES ON ALL ACTIVITIES - CONTINUED

### G. PENSION PLAN - CONTINUED

### 2. <u>Balances as Deferred Outflows of Resources and Deferred Inflows of Resources as of December 31, 2018</u>

At December 31, 2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources listed in the table below.

	Deferred Outflows of		20.0	
	R	esources	R	esources
Differences between expected and actual experience	\$	183,454	\$	30,726
Changes of assumptions		7,724		41,973
Net difference between projected and actual earnings				
on pension plan investments		220,752		355,433
Total excluding post-measurement date contributions		411,930		428,132
Contributions made between the measurement date				
and end of reporting period		524,680		-
Total including post-measurement date contributions	\$	936,610	\$	428,132

### 3. <u>Changes in Deferred Outflows of Resources and Deferred Inflows of Resources</u>

	O.	hange in Deferred Itflows of esources	l Ir	Change in Deferred Inflows of Resources
Differences between expected and actual experience	<u> </u>	103,341	Ś	(30,512)
Changes of assumptions	•	(74,501)	•	41,973
Net difference between projected and actual earnings		, , ,		
on pension plan investments		(113,071)		355,433
Total excluding post-measurement date transactions		(84,231)		366,894
Prior year post-measurement date transactions		(455,766)		N/A
Current year post-measurement date transactions		524,680		N/A
Total including post-measurement date transactions	\$	440,449	\$	366,894

### 4. Change in Balance Sheet Items

Change in Net Pension Liability	\$ (380,099)
Change in deferred outflows excluding post-measurement date transactions	84,231
Change in deferred inflows excluding post-measurement date transactions	366,894
Employer contributions	455,766
Total pension expense	\$ 526,792

### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

### NOTE 2. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

### G. PENSION PLAN - CONTINUED

Contributions made after the measurement date of January 1, 2018 and before the fiscal year end of December 31, 2018 totaled \$524,680. This amount will be recognized as a reduction of the net pension liability for the year ending December 31, 2019. Other amounts reported as Deferred Outflows/(Inflows) of resources related to pension will be recognized in pension expense as follows:

Year Ending		
December 31,	Α	mount
2019	\$	89,289
2020		18,302
2021		(34,934)
2022		(88,859)
2023		-
Thereafter	\$	-

### Payable to the Pension Plan

At December 31, 2018, the Employer does not have any required contributions payable to the pension plan for the 2018 plan year.

### **Actuarial Methods**

### 1. Actuarial Funding Method

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

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

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

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

### NOTE 2. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

G. PENSION PLAN - CONTINUED

### **Detailed Actuarial Assumptions**

1. <u>Mortality</u>: The active and retired participants of the Plan are expected to exhibit mortality in accordance with the following published mortality tables:

a. Pre-retirement Mortality: RP-2014 Blue Collar Employee Sex Distinct Tables

adjusted to 2006 and projected using the Scale

MP-2018 mortality improvement rates

b. Post-retirement Mortality: RP-2014 Blue Collar Healthy Annuitant Sex Distinct

Tables adjusted to 2006 and projected using the Scale

MP-2018 mortality improvement rates

c. Post-disability Mortality: RP-2014 Disabled Annuitant Sex Distinct Tables

adjusted to 2006 and projected using Scale MP-2018

mortality improvement rates

2. <u>Withdrawal</u>: 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.

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

3. <u>Investment Return</u>: Current and future Plan assets in the Trust's Investment Subaccounts are assumed to reflect an investment return net of expenses as follows:

a. Cash Balance Investment Subaccount: 6.75%b. Annuity Financing Investment Subaccount: 6.00%

4. <u>Expected Plan-Related Expenses</u>: Plan-related expenses, which are accounted for by a reduction in the Cash Balance Interest Crediting Rate, are expected to be equal to an amount that represents a 100-basis point reduction in the gross investment return for the Cash Balance Investment Subaccount.

### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

### NOTE 2. DETAILED NOTES ON ALL ACTIVITIES - CONTINUED

G. PENSION PLAN – CONTINUED

### Detailed Actuarial Assumptions – Continued

- 5. <u>Assumed Cash Balance Interest Crediting Rate</u>: The annual rate of gross investment return for the Trust's Cash Balance Investment Subaccount reduced for expected plan-related expenses. The net investment return reflected in Item 3.a. above already reflects this reduction for expected plan-related expenses.
- 6. <u>Earnings Progression</u>: The increase in the levels of participant compensation is assumed to occur in accordance with normal rates as illustrated below:

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

- 7. <u>Retirement Age</u>: 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.
- 8. <u>Disability</u>: Active participants are expected to become disabled as defined under the plan in accordance with annual rates as illustrated below:

	Disabilities per
<b>Attained Age</b>	1,000 Participants
25	1.3
30	1.6
35	2.2
40	4.3
45	11.8
50	26.0

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

### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

### NOTE 2. DETAILED NOTES ON ALL ACTIVITIES - CONTINUED

G. PENSION PLAN - CONTINUED

**Detailed Actuarial Assumptions – Continued** 

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

### 11. Assumed Form of Payment:

		Cash Balance Subacco	ount	
	Beginning	Employee	Employer	Retirement
Decrement	Balance	Contribution	Match	Supplement
	50% Immediate	50% Immediate		
Retirement	Annuity*/50% Lump	Annuity*/50% Lump	Immediate	e Annuity*
	Sum	Sum		
Disability		Lump Sum		
Preretirement		Lump Sum		
Death		Lump Jum		
Vested	40% Deferred	40% Deferred	Deferred	
	Annuity*/60% Lump	Annuity*/60% Lump		N/A
Termination	Sum	Sum	Annuity*	
Non-Vested	N/A	Lump Sum	N	/A
Termination	IN/ A	Lullip Julii	IN,	/ ^

<sup>\* -</sup> Annuities are assumed to be paid in the Normal Form of Payment (i.e., a Life Annuity with 10 year certain).

### 12. Change in Actuarial Assumptions:

### Mortality:

a. Current valuation: See item 1. above

b. Prior valuation:

Pre-retirement Mortality: RP-2014 Blue Collar Table projected using the Scale

MP-2016 mortality improvement rates

Post-retirement Mortality: RP-2014 Blue Collar Table projected using the Scale

MP-2016 mortality improvement rates

Post-disability Mortality: RP-2014 Disable Retiree Table projected using

Scale MP-2016 mortality improvement rates

This change was made to reflect the actuary's best expectations for future plan experience.

### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

### NOTE 2. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

### H. RELATED PARTY TRANSACTIONS

The District is a member of the Southmost Regional Water Authority (the "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 amount of \$145,250 for expenses for the fiscal year ended September 30, 2018 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, 2018, were \$27,105,000.

### I. RISK MANAGEMENT

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

### 1. Workers' Compensation Program

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

### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018

### NOTE 2. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

### I. RISK MANAGEMENT – CONTINUED

### 2. Health Insurance Program

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

### J. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The District has active construction projects and commitments as of December 31, 2018. These project commitments include the following:

		Amount			C	ommitment
Projects	(	Committed	Sp	ent to Date	I	Remaining
Port Road Improvements - Phase II	\$	2,401,764	\$	-	\$	2,401,764
Public Vessel Assembly & Erection Pad		5,376,826		-		5,376,826
Bulk Cargo Dock Improvements						
and Maintenance		5,435,613		736,448		4,699,165
New Liquid Cargo Dock No. 6 Dredging						
and Maintenance Dredging		29,372,347		20,690,990		8,681,357
Total	\$	42,586,550	\$	21,427,438	\$	21,159,112

### K. CONTINGENCIES

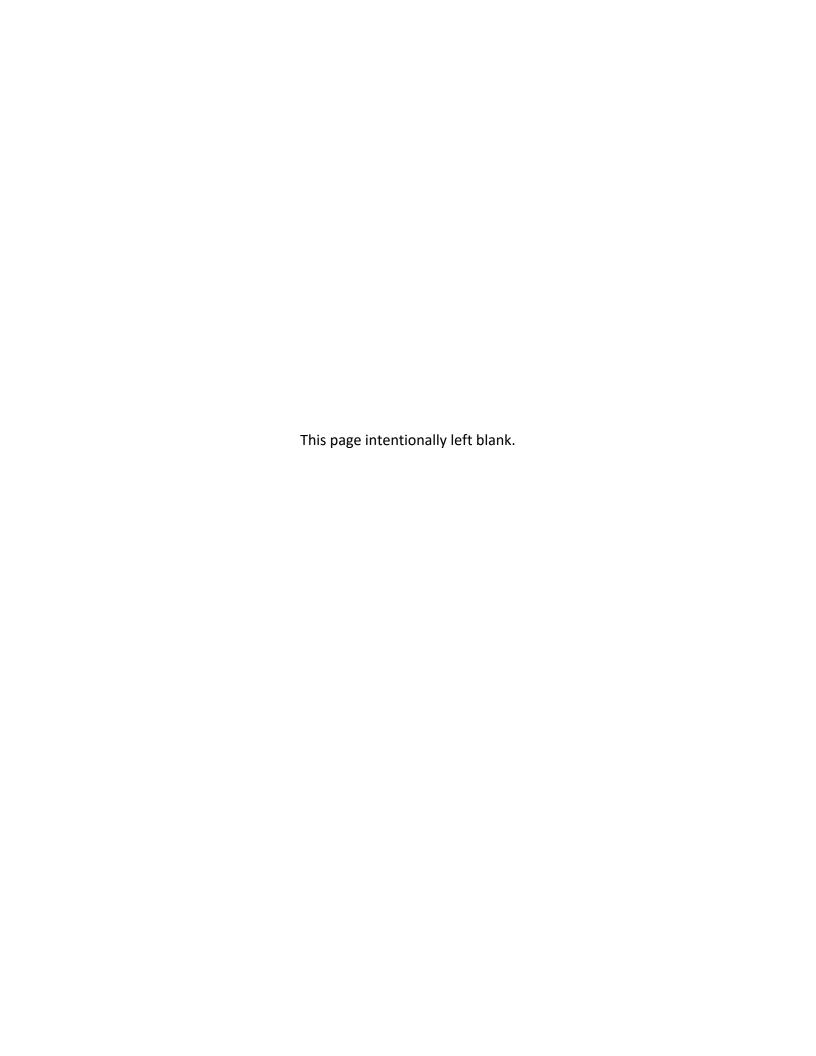
The District is currently involved in various claims and litigation. It is the opinion of management and counsel that potential claims against the District not covered by insurance resulting from litigation would not materially affect the financial position or operations of the District.

### L. PRIOR PERIOD ADJUSTMENT

The beginning net position reflects a net decrease of \$357,078 to correct a prior year overstatement of lease rental revenues and the related understatement of unearned rentals associated with January 2018 lease rents billed in December 2017.







### SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS LAST 10 FISCAL YEARS<sup>1</sup>

(Dollar amounts in thousands)

	2	2018 <sup>2,3</sup>	2017	2016	2015
1 Total Pension Liability <sup>3</sup>					
a. Service cost	\$	315	\$ 324	\$ 243	\$ 205
b. Interest		541	528	517	496
c. Changes in benefit terms		-	-	-	-
d. Differences between expected and actual experience		190	(57)	158	(68)
e. Changes of assumptions		(56)	-	10	293
f. Benefit payments, including refunds of employee contributions		(632)	(483)	(330)	(375)
g. Net Change in Total Pension Liability		358	312	598	551
h. Total Pension Liability - Beginning		8,755	8,443	7,845	7,294
i. Total Pension Liability - Ending		9,113	8,755	8,443	7,845
2 Plan Fiduciary Net Position					
a. Contributions - employer		456	472	443	408
b. Contributions - employee		178	174	161	148
c. Net investment income		736	161	(18)	102
d. Benefit payments, including refunds of employee contributions		(632)	(483)	(330)	(375)
g. Net Change in Plan Fiduciary Net Position		738	324	256	283
h. Plan Fiduciary Net Position - Beginning		4,345	4,021	3,765	3,482
i. Plan Fiduciary Net Position - Ending		5,083	4,345	4,021	3,765
3 Employer's Net Pension Liability - Ending [Item 1(i) - 2(i)]	\$	4,030	\$ 4,410	\$ 4,422	\$ 4,080
Plan Fiduciary Net Position as a Percentage of the Total Pension 4 Liability		55.78%	49.63%	47.63%	47.99%
5 Covered Payroll <sup>4</sup>	\$	4,368	\$ 4,018	\$ 4,289	\$ 3,789
6 Employer's Net Pension Liability as a Percentage of Covered Payroll		92.26%	109.76%	103.10%	107.68%

### Notes to Schedule:

- <sup>1</sup> This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.
- <sup>2</sup> Information is presented using a January 1, 2018 measurement date as permitted under GASB Cod. Sec. 1500.
- Mortality updated to reflect the adoption of the Society of Actuaries RP-2014 Mortality Table with Projection Scale MP-2018.
- <sup>4</sup> Total compensation (not just pensionable compensation, if different) based on census used in the valuation.

### SCHEDULE OF EMPLOYER CONTRIBUTIONS Last 10 Fiscal Years<sup>1</sup>

### (Dollar amounts in thousands)

	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014
1 Actuarially determined contribution	\$ 471	\$ 455	\$ 468	\$ 440	\$ 400
2 Contributions in Relation to the Actuarially Contribution	525 <sup>2</sup>	456	472	443	408
3 Contribution Deficiency/(Excess)	(54)	(1)	(4)	(3)	(8)
4 Covered Payroll	\$ 4,600	\$ 4,438	\$ 4,569	\$ 4,297	\$ 3,898
5 Contributions as a Percentage of Covered-Employee Payroll	11.41%	10.27%	10.33%	10.31%	10.47%

Notes to Schedule for current fiscal year:

Valuation Date: January 1, 2018

Actuarially determined contribution rates are calculated as of January 1, 2018, which is the most recent valuation date prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age

Amortization method Level percentage of payroll, open

Remaining amortization peirod 20 years

Asset valuation method 5-year smoothed market

Inflation 3.0%

Salary increases 4.5%, average, including inflation

pre-decrement 6.75%post-decrement 6.00%

Retirement age 65

Mortality RP-2014 Blue Collar Total Employee Mortality Table (adjusted from the

2006 base year) and projected using Scale MP-2018 mortality

Improvement rates

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

<sup>&</sup>lt;sup>2</sup> Contributions made after the measurement date of January 1, 2018 and before the Fiscal Year End of December 31, 2018.





### SCHEDULE OF OPERATING EXPENSES (Depreciation expense omitted) For the Year Ended December 31, 2018

Wages	\$ 4,670,636
Payroll taxes	367,691
Net pension expense	526,792
Services	410,568
Materials	1,258,775
Utilities	913,120
Insurance	1,334,478
Dues	105,784
Legal and auditing	406,251
Consulting fees	735,783
Supplies	110,379
Computer expense	431,359
Employee expense	137,538
Other expense	187,469
Contract rental and repairs	16,244
Travel	226,088
Advertising	143,189
Safety	32,854
Shop cost of sales	45,536
Land lease	158,393
Promotional expenses	 141,813
Total Operating Expenses	\$ 12,360,740



STATISTICAL SECTION (Unaudited)

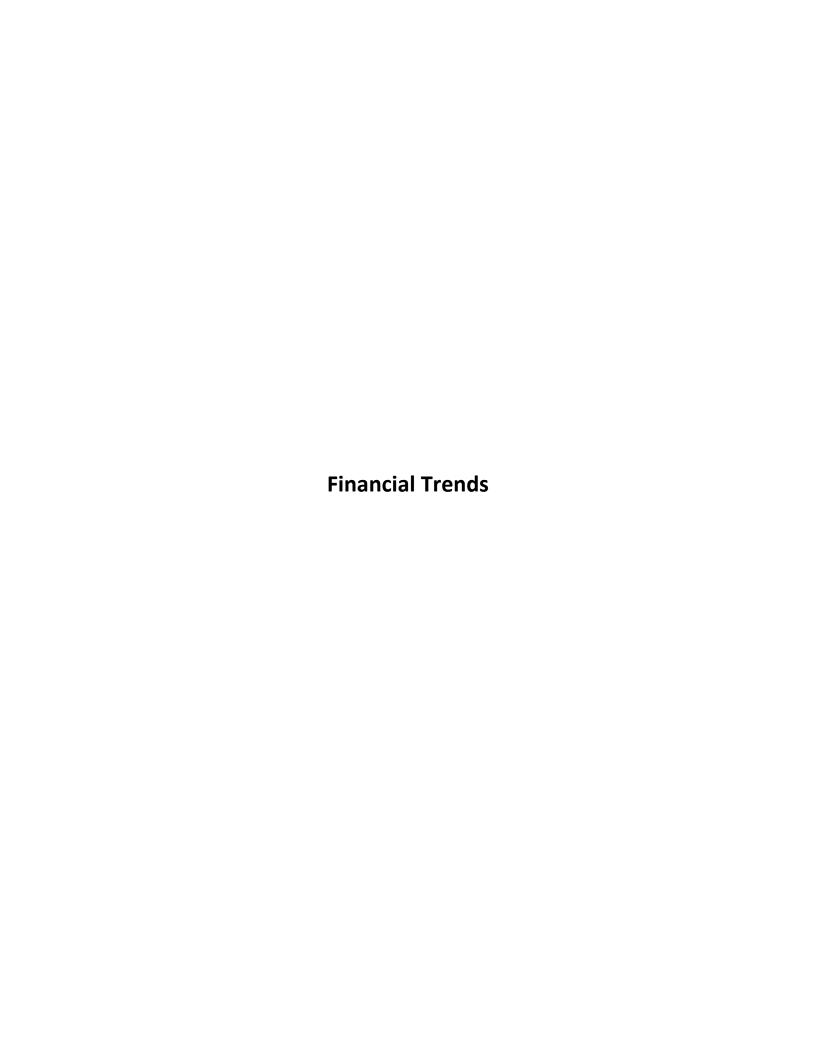
### **Statistical Section**

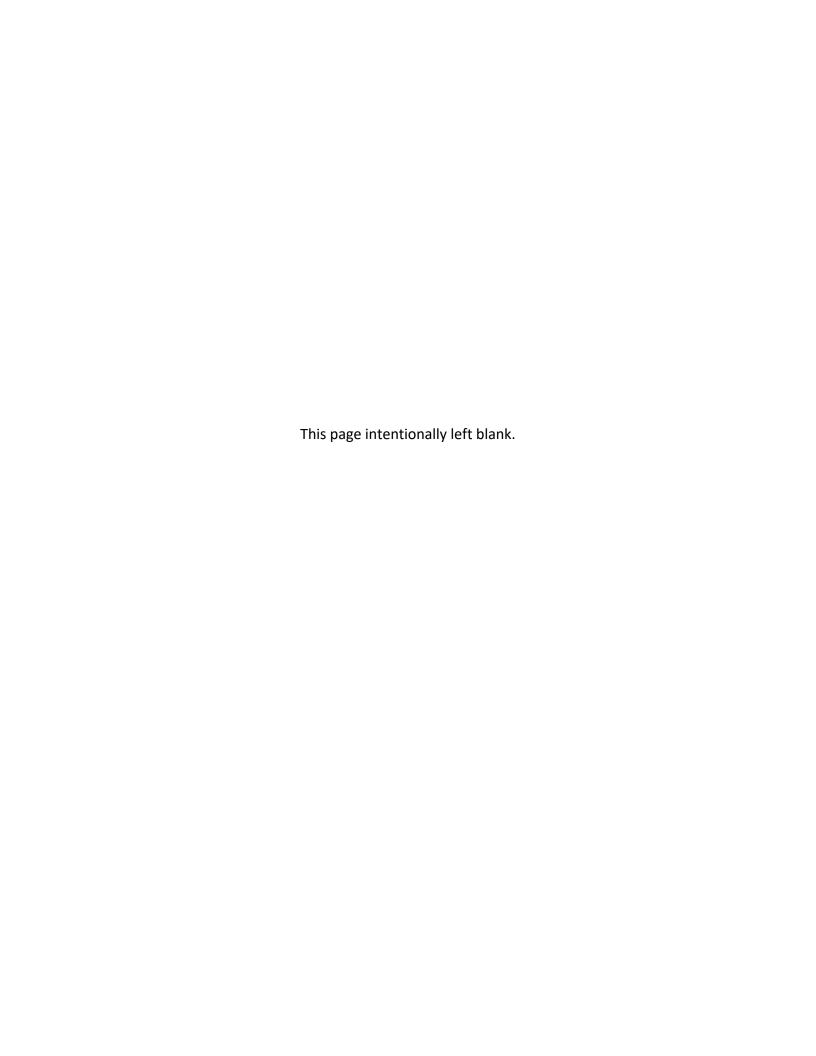
This section of the Brownsville Navigation District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosure, and required supplementary information says about the District's overall financial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

CONTENTS	PAGE
Financial Trends  These schedules contain trend information to help the reader understand how the District's financial performance has changed over a period of time.	75 – 76
Revenue Capacity  These schedules contain information to help the reader assess the District's local revenue source.	77 – 84
Debt Capacity  These schedules present information to help the reader assess the District's debt burden and its ability to issue additional debt in the future.	85 – 88
Demographic and Economic Information  These schedules offer demographic and economic indicators to help the reader understand the environment in which the District's financial activities take place.	89 – 91
Operating Information  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.	92 – 96

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

This is the eighth year the Brownsville Navigation District prepared a Comprehensive Annual Financial Report that includes statistical information. The District will report ten years of information whenever the data is readily available.





■ Net Investment in Capital Assets

12/31/2009

12/31/2010

12/31/2011

12/31/2012

12/31/2014 12/31/2013 Fiscal Year Ended

12/31/2015

12/31/2016

12/31/2017

12/31/2018

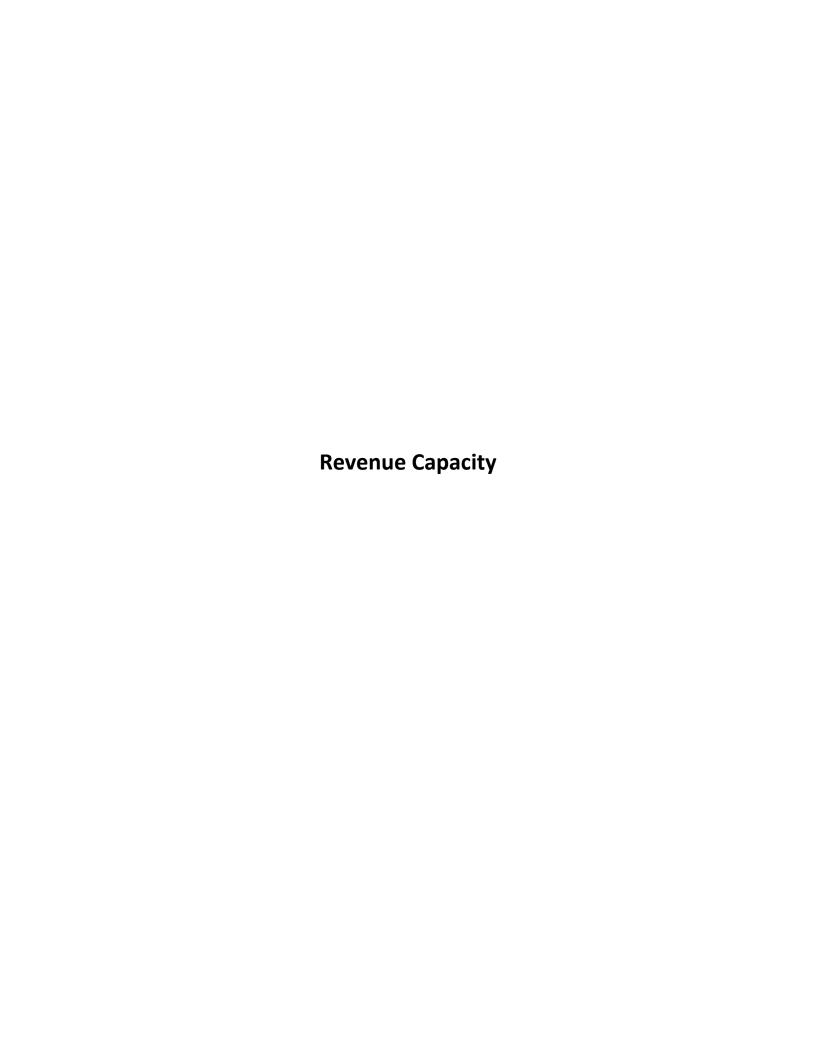
\$40,000,000 \$20,000,000 \$

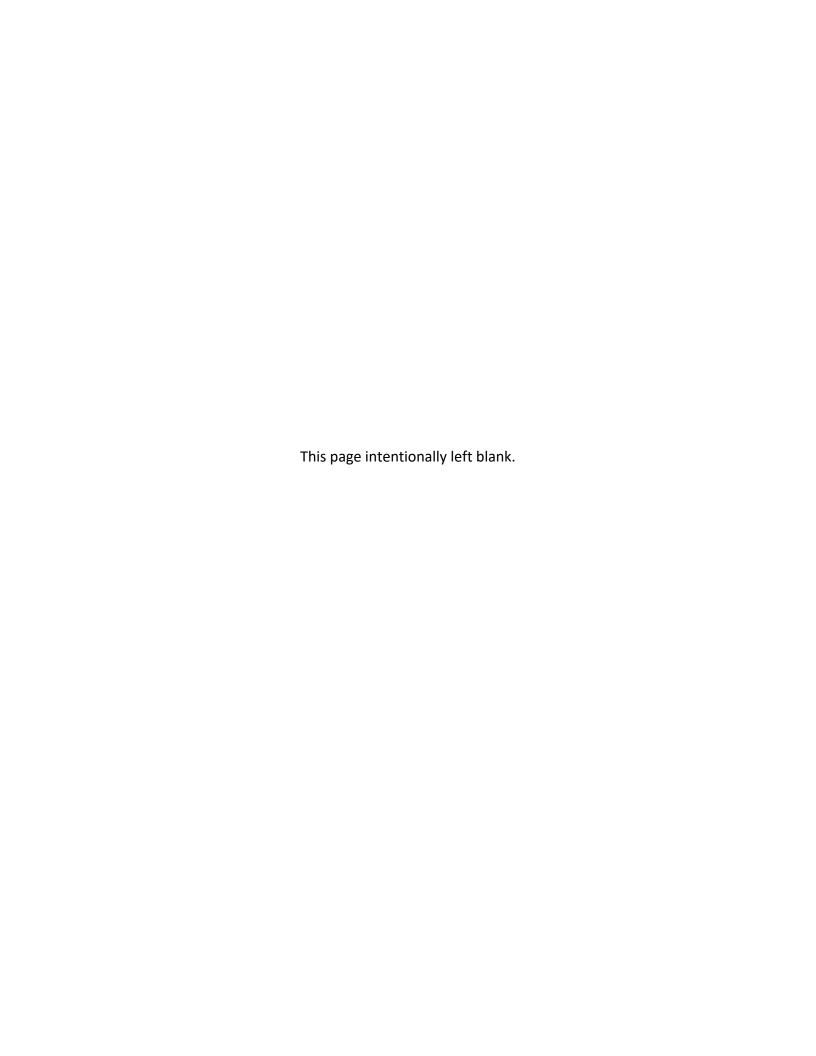
## Brownsville Navigation District of Cameron County, Texas Net Position by Component Last Ten Fiscal Years (Accrual Basis of Accounting) (Unaudited)

	12	12/31/2018	6		<u>12/31/2015</u>	12/31/2014	12/31/2013	12	2	12	12/31/2009
Net investment in Capital Assets Restricted Net Position for: - Revenue Bond Debt Retirement and Continuency	A	5 194 254	5 4707,13	7.852.103	3 3 3 3 1 5 9	3 362 698	3 477 755	-			3 071 700
- General Obligation Bond Debt Service		1,362,484	2,106,020	3,565,749	3,777,243	3,750,580	3,755,986	3,818,754	3,700,291	3,722,999	3,665,627
		32,876,203	27,708,357	18,753,841	15,068,760	20,614,818	8,260,167		7,394,664	5,406,303	5,583,275
Total Enterprise Fund Net Position	99	8 065,011,071	169,384,764	159,610,758	153,611,201	141,345,167	120,316,533 \$	108,112,072	\$ 102,032,322 <b>\$</b>	97,705,228	94,174,514
				Net Pos	Net Position by Component	ponent					
								I	Unrestrict	■ Unrestricted Net Position	
									- General	- General Obligation Bond Debt Service	f Service
									■ - Revenue B Contingency	<ul> <li>Revenue Bond Debt Retirement and Contingency</li> </ul>	nt and
									•		_

# Brownsville Navigation District of Cameron County, Texas Changes in Net Position Last Ten Fiscal Years (Accrual Basis of Accounting) (Unaudited)

					Fiscal Year Ended	nded				
	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009
Operating Revenues										
Vessel and cargo services	\$ 12,160,646	\$ 10,728,929	\$ 9,058,547 \$	9,704,726 \$	7,373,004	\$ 6,372,998	\$ 7,745,023 \$	\$ 6,360,066 \$	4,828,184 \$	5,760,468
Lease rentals										
Port system	8,192,581	8,275,833	7,500,955	7,536,336	5,701,527	5,412,480	4,836,398	4,213,406	4,103,159	3,766,022
Other lease rentals	2,414,979	3,411,887	1,533,842	1,243,951	2,284,910	958,784	1,276,720	841,718	820,971	803,100
Other operating revenue	1,441,561	1,245,984	1,502,170	1,234,249	1,176,859	1,210,129	1,395,437	1,555,847	1,278,500	1,450,257
Total Operating Revenues	24,209,767	23,662,633	19,595,514	19,719,262	16,536,299	13,954,391	15,253,578	12,971,037	11,030,814	11,779,847
Operating Expenses. Other Than Depreciation	12.360.740	12.376.807	11.145.456	6.969.657	9.533.067	8.462.386	8.634.582	8.435.659	8.455.421	8.030.279
& Amortization		`	`			`				`
Income from Operations Before Depreciation	11,849,027	11,285,826	8,450,058	9,749,605	7,003,232	5,492,005	6,618,996	4,535,378	2,575,393	3,749,568
& Amortization										
Amortization	1	1 (	1 (	1 -	1 1	1 (	1,110,000	1,110,000	1,110,000	1,110,000
Depreciation	5,489,601	5,474,008	5,193,028	3,982,459	3,604,738	2,650,096	2,390,320	2,483,457	2,281,499	2,135,614
Operating Income (Loss)	6,359,426	5,811,818	3,257,030	5,767,146	3,398,494	2,841,909	3,118,676	941,921	(816,106)	503,954
Non-Operating Income (Expense)										
Interest income on denosits and investments	894,582	420,106	192,575	133,080	146,645	185,252	157,655	259,307	293,597	464,190
Interest income on notes and direct financing leases	87.030	108.623	129.165	146.625	151.145	167.353	179.741	172.526	202.982	205,564
Grant revenue	18,602	148,302	374,201	7,120,668	4,905,649	7,157,780	417,180	102,465	1,834,512	2,623,213
Gain (Loss) on disposal of assets	26,000		1		(39,946)		93,306	(23,750)	(20,000)	(1,581)
Property Tax - net of discounts, bad debt and collection expenses										
Penalties and Interest	96,330	101,673	107,227	127,430	138,100	129,320	132,695	125,130	129,549	130,903
Maintenance and Operations	1,933,141	475,770	455,446	574,011	569,975	551,095	547,750	560,380	501,344	590,389
General Obligation Debt Service	894,619	2,371,149	2,522,306	2,467,569	2,452,305	2,531,127	2,509,006	2,545,783	2,493,698	2,506,857
Interest expense	(1,546,417)	(604,983)	(580,386)	(684,604)	(867,551)	(1,081,611)	(932,669)	(1,248,819)	(1,450,407)	(1,602,303)
Bond costs & amort. of premiums & prepaid bond ins.	68,389	67,458	(478,841)	5,456	289	(130,726)	(52,535)	(63,341)	(63,341)	(59,854)
Bond service fees	(4,650)	(4,650)	(4,400)	(5,150)	(4,150)	(5,900)	(5,000)	(7,300)	(7,000)	(6,500)
Other non-operating income	41,448	24,343	25,234	23,355	34,050	27,171	32,155	9,751	291,886	140,466
Total Non-Operating Income	2,507,074	3,107,791	2,742,527	9,908,439	7,486,909	9,530,860	3,079,284	2,432,132	4,206,820	4,991,344
Income Before Contributions and Special Items	8,866,500	8,919,609	5,999,557	15,675,585	10,885,403	12,372,769	6,197,960	3,374,053	3,390,714	5,495,298
Capital contributions	1,225,404	379,041	1	ı	ı	ı	ı	ı	ı	ı
Special Item - contribution of net assets	1	ı	ı	1	9,787,478	ı	1	ı	ı	ı
Special Item - franchise revenue				9,342	425,431			'	1	1
Increase in net position	10,091,904	9,298,650	5,999,557	15,684,927	21,098,312	12,372,769	6,197,960	3,374,053	3,390,714	5,495,298
Net position at beginning of year	169,384,764	159,610,758	153,611,201	141,345,167	120,316,533	108,112,072	102,032,322	97,705,228	94,174,514	87,014,208
Prior period adjustments	(357,078)	475,356	,	(3,418,893)	(69,678)	(168,308)	(118,210)	953,041	'	1,665,008
Net position at beginning of year - as restated	169,027,686	160,086,114	153,611,201	137,926,274	120,246,855	107,943,764	101,914,112	98,658,269	94,174,514	88,679,216
Net position at end of year	\$ 179,119,590	\$ 169,384,764	\$ 159,610,758	153,611,201	141,345,167	\$ 120,316,533	\$ 108,112,072	\$ 102,032,322 \$	97,565,228	94,174,514

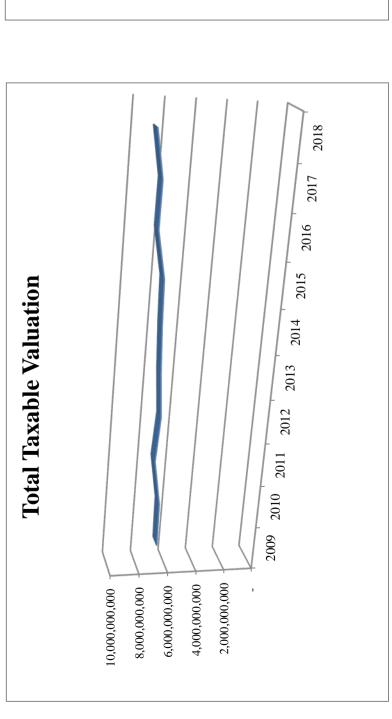


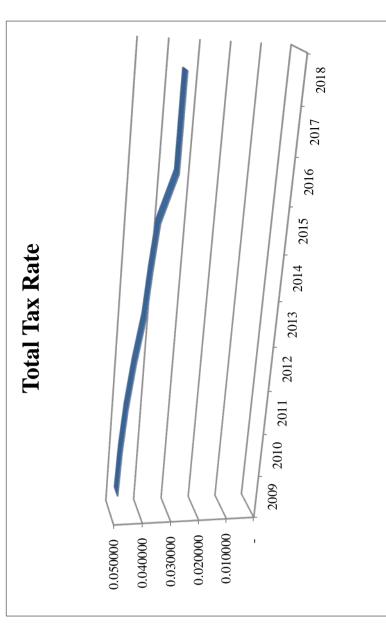


### Brownsville Navigation District of Cameron County, Texas Ad Valorem Property Taxes Last Ten Tax Years (Unaudited)

ns To Date Percentage of	Levy	73.35%	96.71%	98.46%	%62.86	99.14%	99.20%	99.28%	99.39%	99.40%	99.43%
Total Collections To Date Percentage	Amount	\$ 2,317,517	2,861,423	2,918,861	3,071,048	3,139,302	3,123,389	3,195,049	3,205,601	3,217,505	3,224,066
Collections in Subsequent	Years	1	748,558	838,288	816,389	846,203	871,726	895,196	169,788	186,765	189,709
First Year <u>evy</u> Percentage of	Levy	73.35%	71.41%	70.19%	72.53%	72.41%	71.52%	71.46%	94.13%	93.63%	93.58%
Collected in the First Year  of the Levy  Percentage	Amount	\$ 2,317,517	2,112,865	2,080,573	2,254,659	2,293,099	2,251,662	2,299,853	3,035,813	3,030,740	3,034,357
	Total Levy	\$ 3,159,328	2,958,767	2,964,406	3,108,781	3,166,615	3,148,492	3,218,177	3,225,287	3,236,988	3,242,636
Assessed Levy	G.O, Levy	- \$	908,933	2,426,070	2,630,542	2,570,990	2,571,636	2,641,479	2,644,694	2,653,047	2,614,109
	M&O Levy	\$ 3,159,328	2,049,834	538,336	478,239	595,625	576,855	576,697	580,593	583,941	628,527
<u>sə</u>	Total Rate	\$0.035920	0.035920	0.035920	0.040667	0.042000	0.043000	0.045200	0.046830	0.047828	0.048253
Adopted Tax Rates	G.O. Rate	• ,	0		0.034411	0.034100	0.034900		0.038400	0.039200	0.038900
Ad	M&O Rate	\$0.035920	0.024885	0.006524	0.006256	0.007900	0.008100	0.008100	0.008430	0.008628	0.009353
<u>Valuation</u>	Taxable Value	\$ 8,795,447,856	8,237,094,816	8,252,793,196	7,644,482,406	7,539,555,606	7,368,557,604	7,119,854,819	7,283,310,136	6,755,307,381	6,676,131,020
Assessed Valuation	Assessed Value	\$ 9,954,458,488	9,273,577,046	9,313,207,153	8,642,364,710	8,533,232,826	8,314,802,420	8,020,807,724	7,819,215,942	7,645,015,630	7,632,032,815
Tax	Year	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009

- Note: Tax rates are per \$100 of Taxable Value





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

Current Year and Nine Years Ago (Unaudited)

			Fiscal Year	Percentage	Fiscal Year	Percentage
			2018 Assessed	of Assessed	2009 Assessed	of Assessed
No.	Taxpayer	Type of Activity	Value	Valuation	Value	Valuation
-	AEP Texas Central Co.	Electrical Utility	\$ 224,943,337	28.80%	\$ 99,569,341	56.03%
7	San Roman Wind I LLC	Wind Farm	122,312,910	15.66%	•	0.00%
$\varepsilon$	Valley Crossing Pipeline LLC	Transportation Services	79,237,680	10.14%	•	0.00%
4	VHS Harlingen Hospital Company	Healthcare	70,147,279	8.98%		0.00%
5	Union Pacific RR	Rail Road	66,829,194	8.56%		0.00%
9	Sharyland Utilities LP	Electric Transmission Utility	59,629,160	7.63%		0.00%
7	Los Vientos Windpower LLC	Electrical Utility	45,382,140	5.81%	•	0.00%
∞	CBL SM Brownsville LLC	Retail Mall	42,662,896	5.46%	38,904,042	21.89%
6	7-Eleven Inc	Retail	36,730,736	4.70%		0.00%
10	Wal-Mart Stores, Inc.	Retail	33,257,501	4.26%	39,247,002	22.08%
	Total Assessed Valuation		\$ 781,132,833	100.00%	\$ 177,720,385	100.00%

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

Source - Cameron County, Texas CAFR

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

					Fiscal Year Ended	eq				
1	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009
Operating Revenues										
Vessel and Cargo Services	\$ 12,160,646	\$ 10,728,929 \$	9,058,547	\$ 9,704,726	\$ 7,373,004	\$ 6,372,998	\$ 7,745,023	\$ 6,360,066	\$ 4,828,184	\$ 5,760,468
Lease Rentals - Port System	8,192,581	8,275,833	7,500,955	7,536,336	5,701,527	5,412,480	4,836,398	4,213,406	4,103,159	3,766,022
Other Lease Rentals	2,414,979	3,411,887	1,533,842	1,243,951	2,284,910	958,784	1,276,720	841,718	820,971	803,100
Other Operating Revenue	1,441,561	1,245,984	1,502,170	1,234,249	1,176,859	1,210,129	1,395,437	1,555,847	1,278,500	1,450,257
Total Operating Revenues	24,209,767	23,662,633	19,595,514	19,719,262	16,536,299	13,954,391	15,253,578	12,971,037	11,030,814	11,779,847
Operating Expenses, Other Than Depreciation and Amortization	Amortization									
Wages	4,670,636	4,536,140	4,218,815	3,970,272	3,653,667	3,383,096	3,414,677	3,462,861	3,300,810	3,315,291
Payroll Taxes	367.691	342,292	341.754	299,604	294,504	260.275	281.092	276.655	250.004	228.782
Net Pension Expense	526.792	595.763	498.714	391.411	'	•	,			. ,
Services	410,568	347.596	356.976	443,671	301.181	340.792	293.763	322,115	250.076	263.071
Materials	1 258 775	829,442	813.761	892.166	678.128	689.755	820,675	581.740	666.179	596.943
Utilities	913,120	916,411	794.425	770.396	845.664	813.577	750.961	751.295	675,562	647.933
Insurance	1 334 478	1 370 712	1 268 947	1 243 392	1 132 852	995 831	1 062 878	1 092 838	1 108 981	1 068 276
Dues	105.784	65.108	67.152	62.863	106.926	119,047	83.525	88.278	87.663	78.281
Lesal & Anditino	406.251	508,004	288.459	311.246	307.378	212,009	145.854	205,955	149.751	165.656
Consultant Fees	735,783	690.283	605,990	678.711	762.120	646,883	553,655	530.469	564,257	856,225
Supplies	110.379	75.099	73.734	102.299	71.486	85.482	70.462	69,946	63.848	85.719
Committee Expense	431 359	494 385	375 280	206 827	174 345	99 618	129 528	105 473	88 588	55 548
Funlovee Expense	137 538	118 848	115 118	87.863	62 416	63.235	74 202	66,660	57 902	82,2,5
Other Evnence	187.469	70.036	267,611	977 00	197 773	86.455	100 161	97 345	181 960	40.809
Contracts Rental & Renairs	16.244	17.605	40.320	21,27,27	6 304	27.289	36 996	23,742	21 961	79,690
Contracts Neutral & Nepairs Travel	726.088	101,002	170 115	158 886	148 543	146,002	128 731	145,674	149 128	119 789
Idvel	143 180	100 356	140,000	136,660	146,743	140,002	30 073	143,074	24 150	67 363
Auvelusing	143,169	12,010	140,000	570,00	24,704	15,031	39,073	44,009	94,139	605,70
Safety Doubtful Accounts	32,034	13,910	23,383	766,07	9,198	700,01	715,21	10,433	9,790	7,023
Chan good of color	75 536	002 07	211,115	3CU U9	1/1,41/	'	,		200,194	(133,429)
Strop cost of sales I and I age and Dental Debate	43,330	42,129	214,913	00,028	01,940	17.010	163 348	17 063	137 347	150 513
Land Leave and Nemai Newale Retirement	1.06,07.1	730,220	797 00	17,620	614,71	351 100	380 174	383 010	157,547	273.856
Promotional	141.813	104.425	113.809	74.602	59,447	80.468	83.314	133.267	46.105	40.906
	012,017	E00 2EC C1	11 145 457	200,17	0 533 067	0 163 306	0 734 503	0 435 750	0 455 431	000 000 0
Total Operating Expenses	12,360,740	12,3/6,80/	11,145,456	7,50,406,6	9,533,067	8,402,380	8,634,582	8,435,659	8,455,421	8,030,280
Income from Operations before Depreciation and Amortization	11,849,027	11,285,826	8,450,057	9,749,605	7,003,233	5,492,005	6,618,996	4,535,378	2,575,393	3,749,567
Non-Operating Income (Expense)										
Interest income on deposits and investments	894,582	420,106	192,575	133,080	146,645	185,252	157,655	259,307	293,597	464,190
Interest income on notes and direct financing leases	87,030	108,623	129,165	146,625	151,145	167,353	179,741	172,526	202,982	205,564
Grant Revenue	18,602	148,302	374,201	7,120,668	4,905,649	7,157,780	417,180	102,465	1,834,512	2,623,213
Gain (Loss) on disposal of assets	26,000	1	•	•	(39,946)	•	93,306	(23,750)	(20,000)	(1,581)
Property Tax - net of discounts, bad debt and collection exp										
Penalty and interest	96,330	101,673	107,227	127,430	138,101	129,320	132,695	125,130	129,549	130,903
Maintenance and operations	1,933,141	475,770	455,446	574,011	569,975	551,095	547,750	560,380	501,344	590,389
General Obligation Bond Debt Service	894,619	2,371,149	2,522,306	2,467,569	2,452,305	2,531,127	2,509,006	2,545,783	2,493,698	2,506,857
Interest Expense	(1,546,417)	(604,983)	(580,386)	(684,604)	(867,551)	(1,081,611)	(932,669)	(1,248,819)	(1,450,407)	(1,602,303)
Capital contributions	1,225,404	379,041	•	•		•	•		•	
Special Item - contribution on net assets	•	•	•	•	9,787,478	•	•	•	•	•
Special Item - franchise revenue	•	•	•	9,342	425,431	•	•	•	•	•
Bond costs & amort. premiums and prepaid bond ins	68,389	67,458	(478,841)	5,456	289	(130,726)	(52,535)	(63,341)	(63,341)	(59,854)
Bond service fees	(4,650)	(4,650)	(4,400)	(5,150)	(4,150)	(5,900)	(5,000)	(7,300)	(7,000)	(6,500)
Omer Non-Operating income	41,448	24,343	467,67	55,55	34,030	27,171	52,155	9,731	291,880	140,400
Total Non-Operating Income	3,732,478	3,486,832	2,742,527	9,917,782	17,699,819	9,530,861	3,079,284	2,432,132	4,206,820	4,991,344
Amortization	\$ 15.581.505	\$ 14.772.658 \$	11.192.585	\$ 19.667.387	\$ 24.703.051	\$ 15.022.866	\$ 9.698.280	\$ 6.967.510	\$ 6.782.213	\$ 8.740.911
Annot the announ	and today		2026-126-1				Ш			

## Brownsville Navigation District of Cameron County, Texas Vessel and Cargo Services Revenue at the Port of Brownsville

Last Ten Fiscal Years
(Accrual Basis of Accounting

(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.

	•			)	Fiscal Year Ended	lded	•		,	
	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009
Port Calls by Vessel Type										
Deep Sea Vessels	503	576	999	508	426	431	376	379	329	277
River Barges	803	741	525	632	633	628	707	859	657	506
	1,306	1,317	1,091	1,140	1,059	1,059	1,083	1,238	986	783
Waterborne Cargo Traffic (metric tons)										
Petroleum and Coal Products	4,743,266	4,336,415	3,969,746	3,847,525	3,250,587	3,165,361	2,870,526	2,863,803	2,732,112	2,455,046
Primary Metal Products	2,849,125	2,180,770	2,243,315	2,277,559	2,400,368	1,631,151	2,053,063	1,636,080	1,354,076	1,212,640
Non-Metallic Minerals	333,977	534,921	653,142	933,470	457,538	332,346	364,257	493,777	267,319	552,215
Waste and Scrap Materials	135,771	71,316	35,962	48,221	115,192	188,633	229,612	274,774	131,334	115,707
Other Cargos	219,179	214,888	58,622	47,350	24,204	17,376	19,232	103,217	125,259	71,149
Total Cargo Traffic	8,281,319	7,338,310	6,960,787	7,154,125	6,247,890	5,334,868	5,536,689	5,371,651	4,610,100	4,406,757

Charges for vessel and cargo 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 and cargo services are presented here, complete information is contained in the Tariff, which is published by the Port of Brownsville.

Harbor Fees (per Port Call)											
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	2	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00
River Barges	<u> </u>	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Mexican Fishing Vessels		65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00
Dockage (rate for Gross Registered Ton/day)											
Dockage - General Cargo Docks		0.18	0.17	0.16	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Dockage - Bulk Cargo Dock		0.25	0.25	0.25	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Dockage - Oil Docks/Liquid Cargo Docks/Express Dock		0.18	0.17	0.16	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Dockage - Fitting for grain		0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Dockage - Layberth		60.0	60.0	0.09	60.0	60.0	0.09	60.0	60.0	0.09	0.00
Dockage - Scrap vessels and Drilling Rigs		60.0	0.09	0.09	60.0	0.09	0.09	60.0	60.0	0.09	0.00
Dockage - River Barges (per day)		00.06	85.00	80.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00
Wharfage - Major Commodities											
Petroleum and Coal Products (per barrel)		0.095	0.080	0.065	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	0.46
Non-Metallic Minerals - Aggregates (per metric ton)		0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
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 Cargos - Not Otherwise Specified		1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37
Free Time and Penalty Storage (per metric ton/day)											
Covered Storage - General Cargo Sheds		0.1103	0.1103	0.1103	0.1103	0.1103	0.1103	0.1103	0.1103	0.1103	0.1103
Open Docks and Patios		0.0221	0.0221	0.0221	0.0221	0.0221	0.0221	0.0221	0.0221	0.0221	0.0221

12/31/2014 12/31/2013 12/31/2012 **Fiscal Year Ended** 

Second by Major Component		0100100100	F100/10/07	7500150161	1,000,000	Fiscal Year Ended	ded	C100/10/01	12/24/2004	0100/10/01	0000110101
154-00   154-00   155200   155200   155200   155200   15520   155200   15520   155200   155200   155200   155200   1	Cargo Revenue by Major Component	12/51/2018	17/21/2017	12/21/2010	<u> </u>	12/31/2014	2/31/2013	7107/15/71	17/21/2011	12/31/2010	12/31/2009
ange (13700) 5.46(38) 4.654(38) 2.55(58) 1.55(54) 2.55(64) 2.55(64) 2.55(64) 2.55(64) 2.55(75	Harbor Fees										\$ 95,423
1231/2006   1231/2006   1231/2006   1231/2006   1231/2006   1231/2006   1231/2006   1231/2006   1331	Dockage	4,238,338	3,831,793	3,189,883	4,439,440	3,105,870	2,528,683	3,125,720	2,227,647	1,507,551	1,936,903
1231201   1231201   1231201   1231201   1231201   1231201   1231200   1231	Wharfage	6,137,069	5,446,130	4,407,624	3,999,989	3,259,144	2,662,134	3,338,674	2,982,673	2,351,775	2,175,995
17-25 -2017   12-31-2016   12-31-2016   12-31-2017   12	Security Surcharge	732,310		563,981	465,437	348,870	288,378	342,493	283,374	224,402	240,476
\$ 12,160,066 S 10,728,029 S 9,968,547 S 9,704,726 S 7,375,004 \$ 6,372,999 \$ 7,745,023 \$ 6,360,066 S 4,828,184 S 5 \$ 7,745,023	Penalty Storage	379,719		219,957	141,345	179,013	449,104	454,799	429,412	284,822	1,113,225
Vessel and Cargo Revenue by Major Component	Other Vessel and Cargo Services	518,310		544,001	525,216	354,357	319,487	352,612	276,793	355,109	198,446
Vessel and Cargo Revenue by Major Component   Separation   1251/2016   1251/	Fotal Vessel and Cargo Services		10	6	6		\$ 6,372,999	\$ 7,745,023	\$ 6,360,066		5.
1281/2018   1281/2010   1281			and	Cargo Re		Major C	ompone	nt			
1231/2018   1231/2017   1231/2016   1231/2014   1231/2013   1231/2013   1231/2010   1231/2009   1231/2010   1231/2009   1231/2010   1231/2009   1231/2010   1231/2009   1231/2010   1231/2010   1231/2009   1231/2010   1231	%001										
1231/2018   1231/2017   1231/2016   1231/2014   1231/2013   1231/2011   1231/2010   1231/2009   Pksal Year Ended   Pksal Year	2000										
1231/2018 1231/2017 1231/2016 1231/2014 1231/2013 1231/2011 1231/2010 1231/2009    Piscal Year Ended	%08 %08										
1231/2018 1231/2017 1231/2016 1231/2014 1231/2013 1231/2011 1231/2000 1231/2009  Fiscal Year Ended  Major Waterborne Cargoes  10% 10% 10% 10% 10% 10% 10% 10% 10% 10	70%								Sec	urity Surcharge	
1231/2018 1231/2017 1231/2016 1231/2014 1231/2014 1231/2011 1231/2010 1231/2009  Fiscal Year Ended  Major Waterborne Cargoes  Major Waterborne Cargoes  100% 100% 100% 100% 100% 100% 100% 10	%09								Haı	bor Fees	
1231/2018 1231/2017 1231/2016 1231/2014 1231/2013 12/31/2010 12/31/2009  Fiscal Vear Ended  Wajor Waterborne Cargoes  No. 80%  10%  10%  10%  10%  10%  10%  10%	20%							1	■ Doc	ckage	
1231/2018   1231/2017   12/31/2016   12/31/2015   12/31/2013   12/31/2010   12/31	40%								Wh	arfage	
1231/2018   1231/2017   12/31/2016   12/31/2016   12/31/2013   12/31/2012   12/31/2010   12/31/2009   Fiscal Year Ended	30%									iarty Storage ier Vessel and Ca	rgo Services
1231/2018 12/31/2017 12/31/2016 12/31/2014 12/31/2013 12/31/2012 12/31/2010 1	70%0							H. H.			
231/2018 12/31/2016 12/31/2014 12/31/2013 12/31/2011 12/31/2010 12/31/2009  Fiscal Year Ended  Major Waterborne Cargoes  Major Waterborne Cargoes		-									
Major Waterborne Cargoes  Major Waterborne Cargoes				12/31/2013		12/31/2011	12/31/2010	12/31/2009			
Major Waterborne Cargoes			Fiscal Y	ear Ended							
			Maior	. Waterbo	۱	oes					
									ı		
	100%								1		
	%06								1 1		
	20%					*			ľ	Petroleum and C	oal Products
	%09									Primary Metal P	roducts
	20%						ì			Non-Metallic M	inerals
	30%								•	Waste and Scrap	Materials
	20%								I N		
		ŀ				$\cdot$		0000,10			

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

Current Year and Ten Years Ago

			Fiscal Year							
		2018			2009					
			Total			Total				
			Percentage			Percentage				
Customer	2018 Revenues	Rank	2018	2009 Revenues	Rank	2009				
Frontera Brownsville, LLC	\$ 2,310,575	1	19%							
Dix Agency Brownsville, LLP	2,121,870	2	17%	\$ 885,014	3	15%				
Gulf Stream Marine	2,118,681	3	17%	688,561	4	12%				
Schaefer Stevedoring	779,456	4	6%	570,572	5	10%				
Moran Shipping Agency of Texas, Inc.	554,065	5	5%							
T. Parker Host Gulf, Inc.	549,998	6	5%							
Norton Lilly International	439,606	7	4%							
Admiral Steamship Agency	426,056	8	4%	153,279	10	3%				
Maverick Fuel Oil Terminal, LLC	379,480	9	3%							
Transmontaigne Operating Co. LP	276,791	10	2%	1,020,053	1	18%				
Dix Industries, Inc	245,024	11	2%	926,313	2	16%				
Bluewing One, LLC	231,905	12	2%							
ISS Marine Services, Inc.	158,511	13	1%	128,106	11	2%				
Interlube Corp., Inc.	136,813	14	1%							
Vulcan Construction Materials	127,578	15	1%	185,153	8	3%				
General Steamship Corporation				43,182	14	1%				
American Commercial Barge				53,581	13	1%				
NSA Agencies, Inc.				154,304	9	3%				
Gulf Harbor Shipping LLC				308,499	7	5%				
Esco Marine, Inc.				69,994	12	1%				
Florida Marine Transport				36,544	15	1%				
Keppel Amfels, Inc.				356,680	6	6%				
<b>Total Vessel and Cargo Revenue</b>	s \$ 12,160,646		89%	\$ 5,760,468		97%				

# 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 Ended	Ended				
	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009
Turning Basin Leases (per acre/year)										
Waterfront	\$ 6,165	<del>\$</del>	<del>\$</del>	\$ 5,844	\$ 5,844 \$	5,844	5,844	\$ 5,844	\$ 5,844	\$ 3,600
Highway Frontage	4,030	3,954	3,839		3,819	3,819	3,819	3,819	3,819	2,400
Port Entrance Sites	3,591				3,403	3,403	3,403	3,403	3,403	1
Commercial Property	1	1		1	1	•	1	1	1	2,000
Inside Port/Off Waterfront	2,137	2,097	2,036	2,025	2,025	2,025	2,025	2,025	2,025	1,800
FISHING HAFDOF LEASES (per acre/year)										
Rate is calculated per linear foot of street frontage/month until 2010, when the rate was changed to a per acre/year basis.	nth until 2010, when	the rate was chan	ged to a per acre/)	ear basis.						
Waterfront	4,742	4,653	4,517	4,494	4,494	4,494	4,494	4,494	4,494	1
Off-Water	4,384	4,302	4,177	4,156	4,156	4,156	4,156	4,156	4,156	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, 2011, with a 5-year phase-in.

5,055,124 \$ 4,924,130 \$ 4,569,122 6,113,118 \$ <del>∽</del> 6,371,264 ઝ 7,986,437 ❤ 8,780,287 ઝ 9,034,797 \$ 10,607,560 \$ 11,687,720 \$ Lease Rental Revenues

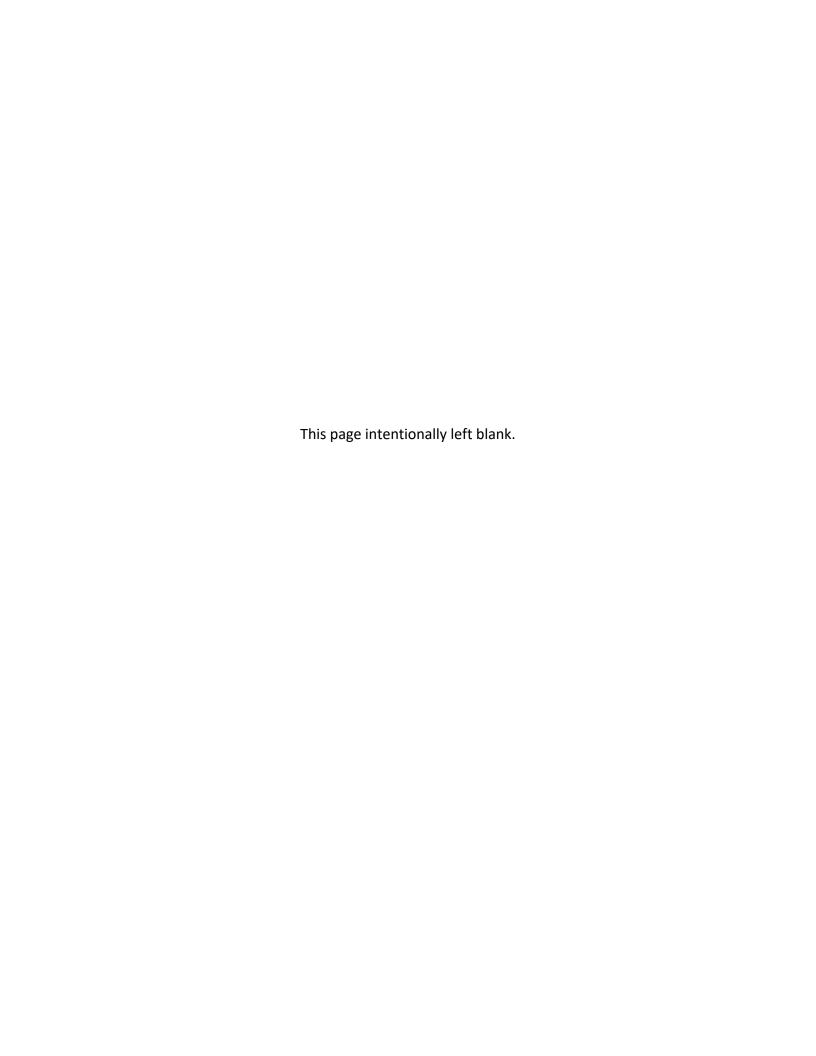
### Brownsville Navigation District of Cameron County, Texas Principal Customers for Lease Rentals

Current Year and Nine Years Ago (Unaudited)

Fiscal	$\mathbf{V}_{\mathbf{P}^{\mathbf{Q}}}$	r

			2018				2009	_
Customer	201	8 Revenues	Rank	Total Percentage 2018	2009	9 Revenues	Rank	Total Percentage 2009
Transmontaigne Operating Co. LP	\$	955,860	1	9%	\$	613,694	1	13%
Next Decade, LLC		632,723	2	6%				
Bedoli Group, Inc.		515,967	3	5%		150,362	5	3%
Brownsville Acquisition		459,909	4	4%				
CMG Brownsville II, LLC		450,160	5	4%				
Annova LNG LLC		382,599	6	4%				
Texas LNG Brownsville, LLC		366,922	7	3%				
International Shipbreaking LTD		360,641	8	3%		155,520	4	3%
Valley Crossing Pipeline LLC		303,465	9	3%				
Bay Bridge Texas, LLC		245,570	10	2%				
Keppel Amfels, Inc.		216,324	11	2%		208,824	3	5%
Fortune Ferrous, Inc.		215,622	12	2%				
Dix Industries, Inc		183,600	13	2%				
Bluewing One, LLC		150,727	14	1%				
Sugaright, LLC		144,000	15	1%				
Esco Marine, Inc.						426,620	2	9%
Sanchez, Oil & Gas Corp						125,176	6	3%
Deep SouthTex Terminal, LP						120,146	7	3%
Marine Metal, Inc						99,576	8	2%
Brownsville Public Utilities Board						95,080	9	2%
Brownsville Gulfside Warehouse						88,272	10	2%
Pull Apart						86,882	11	2%
905 Logistics, LLC						69,984	12	2%
Rio Grande Shredding Co, LLC						64,296	13	1%
Firebird						49,156	14	1%
M - I, LLC						47,510	15	1%
<b>Total Lease Rental Revenues</b>	\$	10,607,560		53%	\$	4,569,122		46%





### Brownsville Navigation District of Cameron County, Texas Ratios of Outstanding Debt by Type

### **Last Ten Fiscal Years**

(Accrual Basis of Accounting) (Unaudited)

Fiscal Year	Ger	neral Obligation Bonds	Revenue Bonds	 Loans		Capital Leases	Total Debt Outstanding	Res	Assets tricted for ot Service	Total Net Outstanding Debt
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	1	9,257,201	14,671,484
2013		12,674,005	17,783,322	-		-	30,457,327	1	6,779,159	13,405,326
2014		10,481,922	14,669,045	-		-	25,150,967	1	2,842,435	12,410,500
2015		8,287,480	13,270,000	-		-	21,557,480		7,110,402	14,447,078
2016		5,921,069	41,712,834	-		-	47,633,903	1	1,417,852	36,216,051
2017		3,740,000	40,341,658	-		-	44,081,658		7,588,733	36,492,925
2018		2,960,000	38,735,615	-		-	41,695,615		6,556,738	35,138,877
Fiscal Year	Ta	xable Property Valuation	Outstanding Debt as a Percentage of Taxable Property Value	Cameron County opulation	Pe	er Capita Debt			r Capita (ncome	Outstanding Debt as a Percentage of Per Capita Income
2009	\$	6,676,131,020	0.32%	387,717		118		\$	13,377	0.88%
2010		6,755,307,381	0.27%	406,220		94			13,474	0.70%
2011		7,283,310,136	0.20%	406,220		77			13,474	0.57%
2012		7,119,854,819	0.19%	406,220		70			14,183	0.49%
2013		7,368,557,604	0.17%	415,557		63			14,405	0.44%
2014		7,539,555,606	0.19%	417,296		74			14,405	0.51%
2015		7,644,482,406	0.19%	420,392		73			14,898	0.49%
2016		8,252,793,196	0.44%	422,156		182			15,105	1.20%
2017		8,237,094,816	0.44%	422,135		184			15,457	1.19%

<sup>1</sup> Data from the Cameron County 2018 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)

	12/31/2018	12/31/2017	12/31/2016	12/31/2015	Fiscal Y 12/31/2014	ear Ended 12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009
First Lien Revenue Bond - Series 1996										
Principal Maturity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 680,000	
Interest Payments									19,380	178,965
Total Bond Requirement	-	-	-	-	-	-	-	-	699,380	818,965
First Lien Revenue Bond - Series 2000										
Principal Maturity	-	-	-	-	-	-	200,000	190,000	185,000	175,000
Interest Payments							5,100	142,183	151,465	162,123
Total Bond Requirement	-	-	-	-	-	-	205,100	332,183	336,465	337,123
First Lien Revenue Bond - Series 2002A										
Principal Maturity	115,000	110,000	105,000	100,000	95,000	90,000	85,000	85,000	80,000	75,000
Interest Payments	11,659	11,117	10,064	11,374	12,620	13,800	34,186	56,000	59,858	64,334
Total Bond Requirement	126,659	121,117	115,064	111,374	107,620	103,800	119,186	141,000	139,858	139,334
First Lien Revenue Bond - Series 2002B										
Principal Maturity	120,000	115,000	110,000	105,000	105,000	100,000	95,000	90,000	85,000	80,000
Interest Payments	12,121	11,565	10,480	11,853	13,195	14,503	36,140	59,260	63,352	68,107
Total Bond Requirement	132,121	126,565	120,480	116,853	118,195	114,503	131,140	149,260	148,352	148,107
First Lien Revenue Bond - Series 2009										
Principal Maturity	_	_	_	900,000	855,000	815,000	775,000	740,000	10,000	_
Interest Payments				21,825	64,384	104,881	143,439	180,179	198,367	83,304
Total Bond Requirement	-	-	-	921,825	919,384	919,881	918,439	920,179	208,367	83,304
First Lien Revenue Bond - Series 2011										
Principal Maturity	270,000	260,000	255,000	245,000	240,000	235,000	15,000	_	_	_
Interest Payments	30,251	38,227	45,978	53,503	60,802	67,951	61,122	-	-	-
Total Bond Requirement	300,251	298,227	300,978	298,503	300,802	302,951	76,122	-	-	-
First Lien Revenue Bond - Series 2012										
Principal Maturity	355,000	345,000	335,000	50,000	50,000	-	-	-	_	-
Interest Payments	288,456	299,407	310,467	316,608	318,203	216,211				
Total Bond Requirement	643,456	644,407	645,467	366,608	368,203	216,211	-	-	-	-
First Lien Revenue Bond - Series 2016										
Principal Maturity	670,000	635,000	_	_	_	_	_	_	_	_
Interest Payments	1,134,444	1,167,069	588,186							
Total Bond Requirement	1,804,444	1,802,069	588,186	-	-	-	-	-	-	-
Junior Lien Revenue Bond - Series 2002										
Principal Maturity	_	_	_	_	_	_	_	_	_	275,000
Interest Payments	-	-	-	-	-	-	-	-	-	7,219
Total Bond Requirement	-	-	-	-	-	-	-	-	-	282,219
Junior Lian Payanua Pand Carias 2002										
Junior Lien Revenue Bond - Series 2003 Principal Maturity	_	_	_	_	_	140,000	135,000	130,000	130,000	125,000
Interest Payments	-	-	-	-	-	78,495	83,584	88,404	93,035	97,185
Total Bond Requirement	-	-	-	-	-	218,495	218,584	218,404	223,035	222,185
Total Revenue Bonds										
Principal Maturity	1,530,000	1,465,000	805,000	1,400,000	1,345,000	1,380,000	1,305,000	1,235,000	1,170,000	1,370,000
Interest Payments	1,476,931	1,527,385	965,175	415,163	469,204	495,840	363,571	526,026	585,457	661,237
<b>Annual Revenue Bond Debt Service</b>	\$ 3,006,931	\$ 2,992,385	\$ 1,770,175	\$ 1,815,163	\$ 1,814,204	\$ 1,875,840	\$ 1,668,571	\$ 1,761,026		\$ 2,031,237
Net Revenues Available for Debt Service on Revenue Bonds (See Table 12)	\$ 14,725,189	\$ 12,444,201	\$ 9,281,871	\$ 17,389,618	\$ 22,505,299	\$ 12,894,088	\$ 7,683,277	\$ 5,107,834	\$ 5,182,971	\$ 7,069,737
Coverage Ratio (Net Revenues Available for Debt Service/Annual Debt Service)	6.05	5.28	3.74	23.96	28.09	12.76	7.88	3.02	2.12	2.69

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 Notes to the Financial Statements

### 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 Y	Yea	r Ended								
	12/31/2018	12/31/2017	12/31/2016	12	/31/2015	12	2/31/2014		12/31/2013	1	2/31/2012	1	2/31/2011	1	12/31/2010	1	2/31/2009
<b>Gross Revenues</b>																	
<b>Operating Revenues</b>																	
Wharf Operations	\$ 11,619,061	\$ 10,588,550	\$ 8,296,515	\$	8,839,423	\$	6,734,176	\$	5,785,934	\$	7,183,128	\$	5,824,799	\$	4,286,523	\$	5,353,121
Industrial Development	10,012,998	10,890,045	8,709,256		8,702,288		7,969,720		6,403,675		6,031,971		5,101,059		4,973,262		4,613,875
Foreign Trade Zone	488,355	452,708	430,387		412,423		411,863		402,739		451,418		431,554		410,851		379,367
Facilities Maintenance	52,762	63,112	239,041		121,647		70,178		34,800		(6,968)		289,228		261,382		194,017
Mobile Harbor Crane	466,776	304,281	499,537		433,065		263,173		202,306		285,306		-		-		-
Security	811,422	724,360	656,067		559,112		439,378		412,988		468,276		411,157		342,220		360,054
Communications & Public Relations	46,245	34,556	-		-		-		-		-		-		-		-
Engineering & Utilities	583,901	480,479	647,808		544,724		571,709		625,974		754,329		831,452		668,698		589,249
Water Plant & Distribution System	128,247	124,542	116,903		106,580		76,101	_	87,176		86,117		81,789		87,878		290,165
Total	24,209,767	23,662,633	19,595,514		19,719,262		16,536,299		13,955,592		15,253,578		12,971,038		11,030,814		11,779,847
Non-Operating Revenues																	
Interest on Investments	981,612	528,729	321,740		279,705		296,834		352,605		337,396		454,763		526,175		595,089
Other	3,456,383	1,191,372	908,920		7,789,701		15,782,778		7,796,071		1,150,884		782,889		2,761,105		3,549,185
Total	4,437,995	1,720,101	1,230,660		8,069,407		16,079,612		8,148,676		1,488,279		1,237,652		3,287,280		4,144,274
<b>Total Gross Revenues</b>	28,647,762	25,382,734	20,826,174	2	27,788,668	:	32,615,911		22,104,268		16,741,857		14,208,690		14,318,094		15,924,122
Operating Expenses, Other than I	Denreciation &	k Amortizatio	1														
Maintenance and Operation of Facilities	sepreciation e		-														
Wharf Operations	692,611	676,739	654,467		649,775		646,906		566,147		578,499		592,424		485,461		428,895
Industrial Development	259,279	1,192,156	224,962		190,057		223,301		253,317		369,220		248,855		321,895		340,451
Foreign Trade Zone	250,243	260,632	224,799		112,953		113,774		112,322		131,757		121,390		114,655		108,078
Facilities Maintenance	2,689,567	2,168,024	2,129,819		2,098,057		1,940,721		1,776,528		1,787,394		1,984,724		2,007,620		1,980,035
Utility Service	156,369	41,146	2,123,013		-		-		-		-		-		-		-
Harbor Mobile Crane	413,465	351,379	407,787		320,189		290,959		299,191		356,054		_		_		_
Security	1,477,297	1,470,316	1,313,392		1,069,513		1,118,256		1,037,642		1,032,737		972,004		1,010,961		966,646
Environmental Services	-	-	-		-		-		-		-		1,716		1,990		23,609
Communications & Public Relations	28,061	24,555	-		-		_		-		_		-		-		-
Engineering & Utilities	1,400,003	1,514,183	1,463,137		1,346,258		1,348,238		1,213,823		1,262,570		1,330,182		1,231,092		1,175,697
Water Plant & Distribution System	145,250	142,411	89,524		48,777		132,644		139,016		132,952		109,930		108,745		105,752
Total	7,512,145	7,841,541	6,507,887		5,835,580		5,814,800		5,397,987		5,651,184		5,361,225		5,282,420		5,129,163
General and Administrative Expenses	4,846,479	4,535,266	4,637,569		4,134,077		3,718,267		3,064,398		2,983,398	_	3,080,737		3,149,308		2,896,954
<b>Total Operating Expenses</b>	12,358,624	12,376,807	11,145,456		9,969,657		9,533,067		8,462,386		8,634,582		8,441,962		8,431,727		8,026,117
Non-Operating Expenses																	
Interest	1,457,670	483,595	369,952		396,750		503,519		580,539		333,915		526,309		599,496		662,889
Other	106,280	78,131	28,895		32,644		74,026		167,256		90,083		132,585		103,900		165,378
<b>Total Non-Operating Expenses</b>	1,563,950	561,726	398,847		429,394		577,546		747,794		423,998		658,895		703,395		828,267
<b>Total Expenses</b>	13,922,574	12,938,533	11,544,303		10,399,051		10,110,613	_	9,210,180	_	9,058,580	_	9,100,856		9,135,123		8,854,385
Net Revenues Available For Debt																	
Service on Revenue Bonds	\$ 14,725,188	\$ 12,444,201	\$ 9.281.871	\$	17,389,618	\$ 2	22,505,299	\$	12,894,088	\$	7,683,277	\$	5,107,834	\$	5,182,971	\$	7,069,737
2 222	<del>+ 21,120,100</del>	+,::1,=01	+ -,201,011	<u>*                                     </u>	_,,,,,,,,,,,	4 '		Ψ	,0> 1,000	Ψ	.,000,211	<u>~</u>	2,207,004	<u>*</u>	-,20 <b>-</b> 9711	*	.,,
Average Annual Debt Service on Revenue Bonds	\$ 2,434,452	¢ 2256 970	\$ 2,481,562	¢	725,668	¢	801,300	¢	1,010,611	Φ	974,741	¢	1,691,389	¢	2,441,384	\$	2,630,077
	ψ <i>Δ</i> ,τυτ,τυΔ	Ψ 2,550,070	Ψ 2,701,302	Ψ	,	Ψ	JV1,JUV	ψ	1,010,011	Ψ	71 <b>4</b> ,1 <b>41</b>	Ψ	1,071,009	Ψ	2,771,304	Ψ	<b>2</b> ,050,077
<b>Coverage by Net Revenues</b>	6.05	5.28	3.74		23.96		28.09	_	12.76	_	7.88	_	3.02	_	2.12		2.69

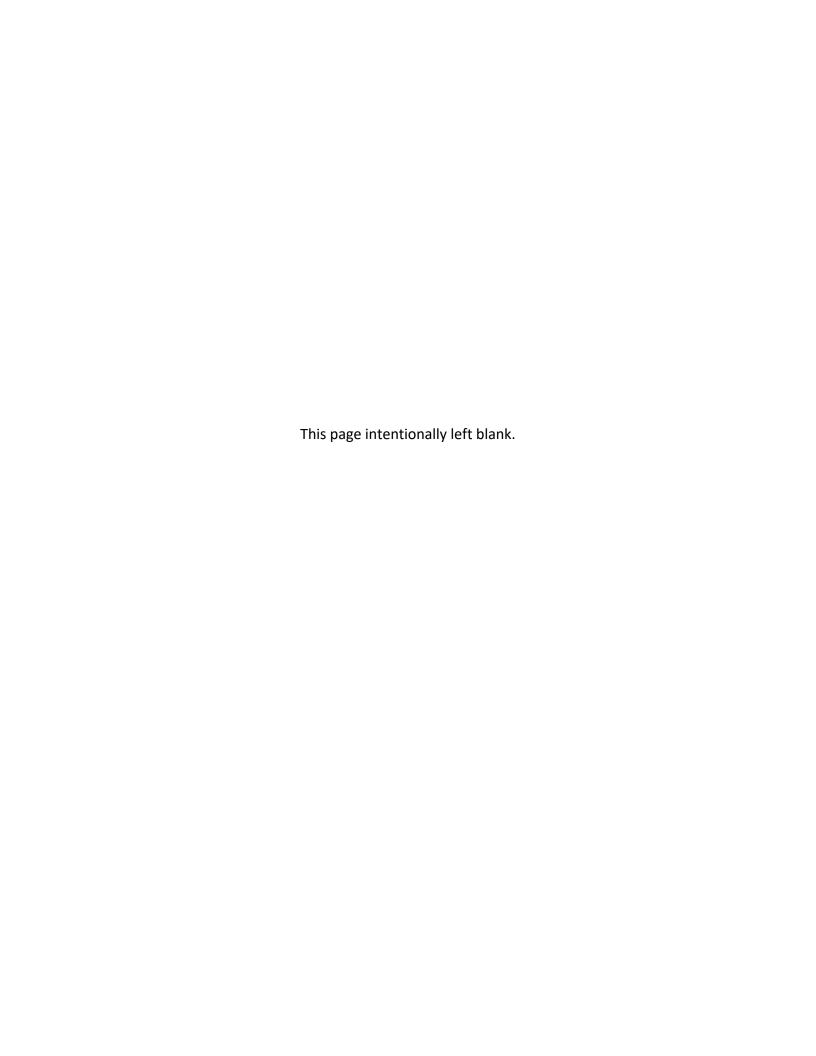
### Brownsville Navigation District of Cameron County, Texas Revenue Bond Debt Service Requirements

(Unaudited)

This table sets forth the annual debt sevice requirements on the District's Revenue Bonds as of December 31, 2018, excluding bonds that have been refunded and defeased.

Fiscal Year Ending December 31	ding Debt Service
2019	\$ 3,022,708
2020	3,020,831
2021	3,021,403
2022	2,723,862
2023	2,451,003
2024	2,448,321
2025	2,447,989
2026	2,449,805
2027	2,340,396
2028	2,339,718
2029	2,345,811
2030	2,353,392
2031	2,353,776
2032	2,361,912
2033	2,367,098
2034	2,369,248
2035	2,373,248
2036	2,378,829
2037	2,387,754
2038	2,390,651
2039	1,804,800
2040	 1,805,400
Total	\$ 53,557,953

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:

A political subdivision of the State of Texas Form of Government:

40,000 acres Area:

8 feet to 15 feet above mean sea level Altitude:

Year	GDP (a)	National Unemployment (b)	Total U.S. Exports (c)	Total U.S. Imports (c)	U.S. Kig Count (d)	Oil Price \$/Bbl (e)	PMI (f)
2018	2.9%	3.9%	\$ 1,672.33		I		54.3
2017	2.2%	4.4%	1,553.38				59.3
2016	1.6%	4.9%	1,456.96				52.7
2015	2.9%	5.3%	1,511.38				50.9
2014	2.5%	6.2%	1,635.56				52.3
2013	1.8%	7.4%	1,593.70				54.0
2012	2.2%	8.1%	1,562.63				50.2
2011	1.6%	8.9%	1,498.89				53.4
2010	2.6%	%9.6	1,290.28				57.3
2009	-2.5%	9.3%	1,070.33				46.2

Gross Domestic Product percent changed based on 2012 dollars. Source: Bureau of Economic Analysis 

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

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

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

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

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

Demographic and Economic Statistics for Cameron County

Last Ten Fiscal Years

(Unaudited) Brownsville Navigation District of Cameron County, Texas

Fiscal		Per	. Capita		School	Unemployment	Pe	ersonal
Year	Population		ncome	Median Age	Enrollment	Rate	I.	ncome
2018	423,725		15,457	31.3	060,66	%6.9	S	27,055
2017	422,135		15,457	31.3	100,731	6.4%		27,055
2016	422,156		15,105	31.2	101,992	%6.9		26,826
2015	420,392		14,898	31.0	103,585	%6.9		25,211
2014	417,296		14,405	30.6	103,585	8.5%		24,802
2013	415,557		14,405	30.6	103,585	10.5%		23,236
2012	406,220		14,183	30.6	101,477	10.2%		23,236
2011	406,220		13,474	29.1	101,832	11.9%		18,550
2010	406,220		13,474	29.1	101,832	11.1%		18,550
2009	387,717		13,377	29.0	100,165	%6.6		18,275

Source: Cameron County, Texas CAFR

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

## Port of Brownsville Employers

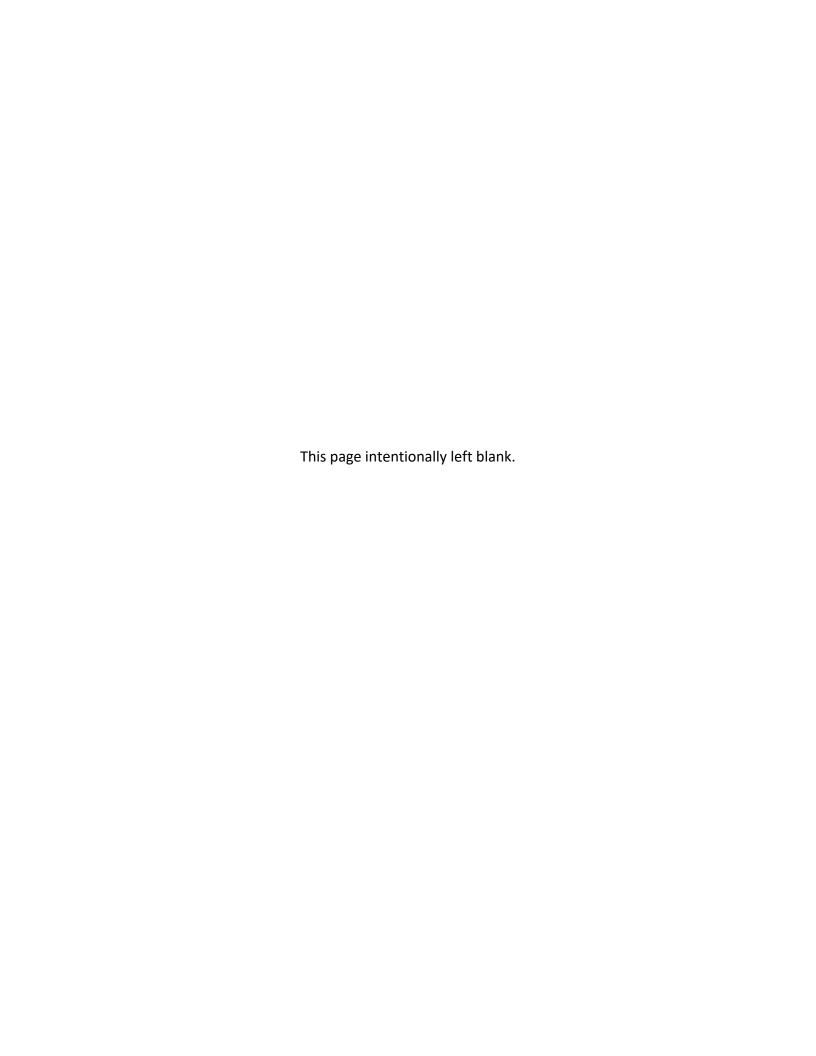
			2018 Estimated	% of Total Port	2009	
			No. of	of Brownsville	Estimated No.	
No.	Employer	Type of Activity	Employees	Employment	of Employees	
1	Keppel AmFELS, Inc.	Manufacturer	447	14.24%	1,776	
2	Brownsville Acquisition, Inc.	Scrap Recycling	277	8.82%	•	
3	International Shipbreaking Limited, LLC	Ship Breaking/Scrap	268	8.54%	129	
4	Bedoli Group, Inc.	Scrap Recycling	205	6.53%	87	
5	Gulf Stream Marine	Stevedoring	120	3.82%	100	
9	Duro Standard Products Co., LLC	Paper Products	115	3.66%	129	
7	Brownsville Navigation District	Vessel/Rental Services	104	3.31%	68	
∞	Cumberworth Investments, Inc.	Trucking	88	2.80%	4	
6	International Longshoremen	Union	71	2.26%	50	
10	TransMontaigne Operating Company, L.P.	Terminal	70	2.23%	119	

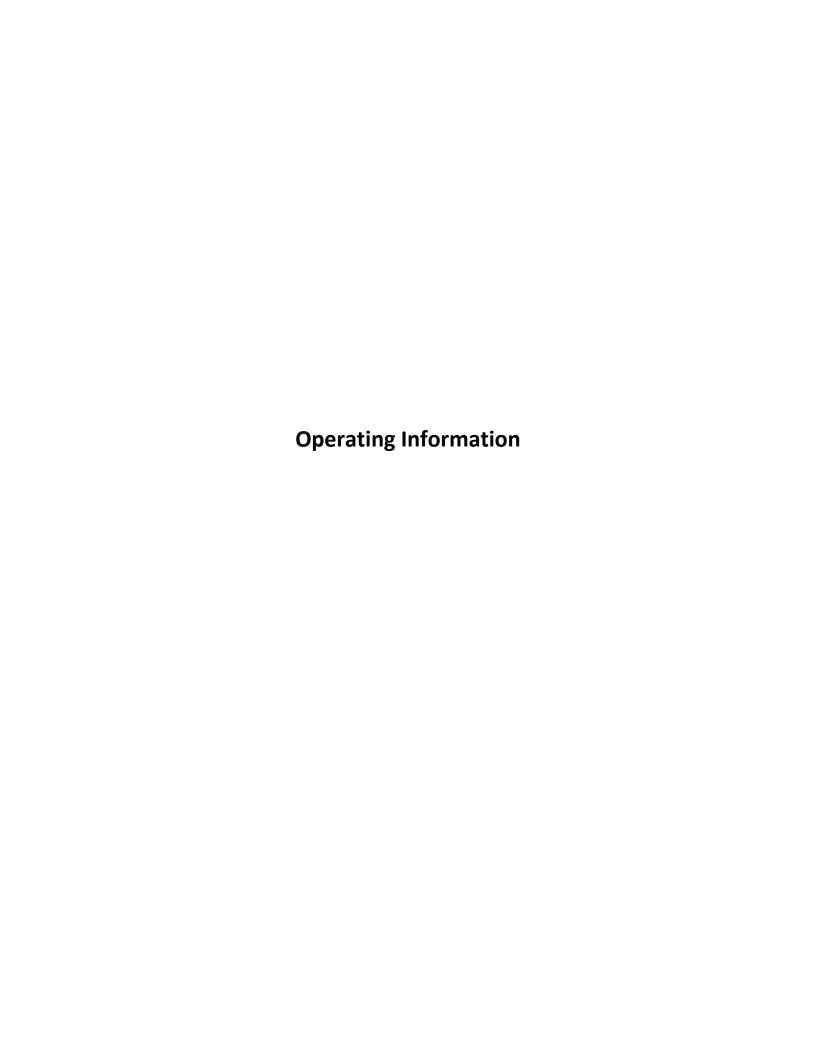
Source: Brownsville Navigation District Industrial Development Department

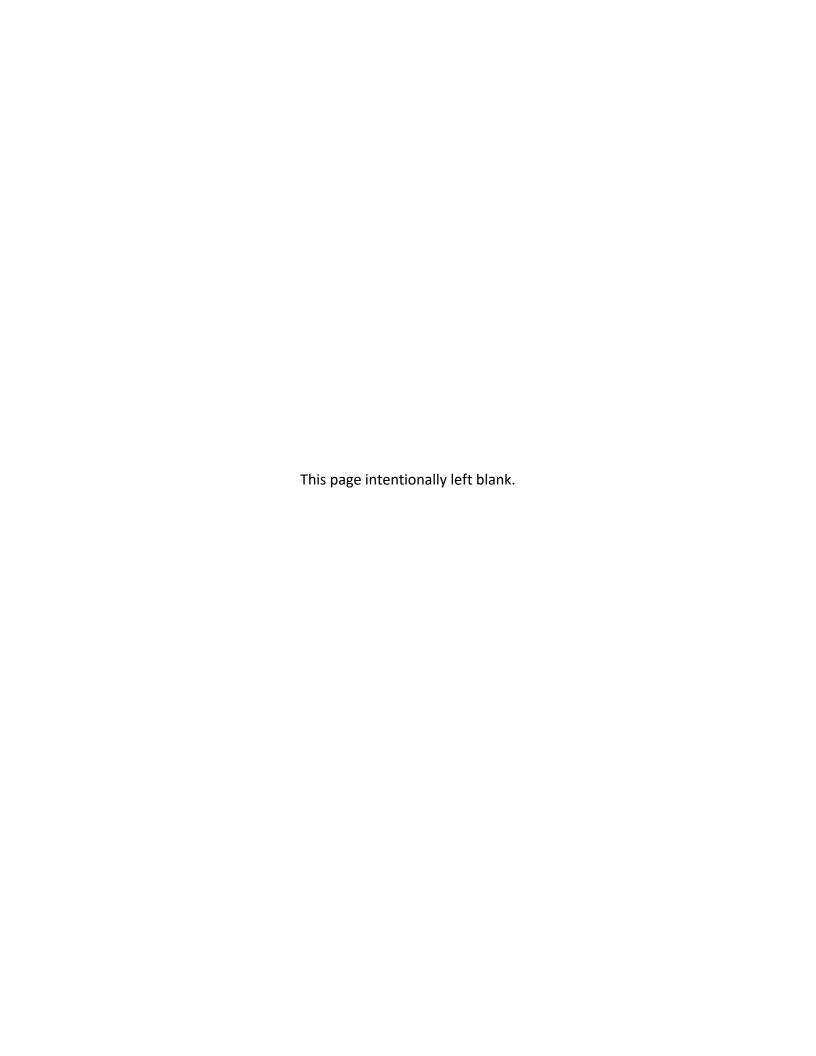
# Cameron County, Texas Employers

Ş		Two of Activity	2018 Estimated No. of	% of Total Cameron County Francount	2009 Estimated No.
-	Inproyer	Education	Sa Goldman	70 OC OC	
_	Brownsville ISD	Education	0/0//	%/8.87%	(,025
2	Valley Baptist Medical Center	Health Care	3,971	14.94%	3,000
3		Education	3,331	12.54%	2,500
4	Cameron County	Government	1,950	7.34%	1,528
2	UTRGV	Education	1,734	6.43%	2,077
9	Wal-Mart Associates Inc	Retail	1,708	6.53%	1,735
7	San Benito CISD	Education	1,675	6.30%	1,638
∞	Amfels	Manufacturer	1,650	6.21%	2,278
6	H-E-B Grocery	Retail	1,582	5.95%	ı
10	Abundant Life Home Health	Medical/Healthcare	1,300	4.89%	•

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)

		Berth Length	Berth Width	Height	Vessel Draft	10ft. Off Dock Special Fendering	
General Cargo Docks		(feet)	(feet)	(feet)	(feet)	(feet)	Available Rail
Dock No. 1	General Cargo	420	165	14.8	27	31	Double depressed track
Dock No. 2	General Cargo	420	165	14.8	27	31	Double depressed track
Dock No. 3	General Cargo	440	165	14.8	32	36	Double depressed track
Dock No. 4	General Cargo	470	165	14.8	27	31	Double depressed track
Dock No. 7	General Cargo	500	140	12.8	23	25	Double depressed track
Dock No. 8	General Cargo	500	140	12.8	23	25	Double depressed track
Dock No. 10	Light Draft Vessels	650	280	12	14	18	(1) Apron Track (2) Double depressed track
Dock No. 11	Deep Sea-Open Dock	626	280	12	36		(1) Apron Track (2) Double depressed track
Dock No. 12	General Cargo	550	280	12	36		Double railroad track on shipside apron; Double depressed track
Dock No. 13	General Cargo	550	280	12	36		Double railroad track on shipside apron; Double depressed track
Dock No. 15	Heavy Duty/Multi purpose Open Dock	600	145	12	40		Two-rail siding along warehouse
Dock No. 16	Heavy Duty/Multi purpose Open Dock	600	145	12	40		Two-rail siding along warehouse
Liquid Cargo Docks							
Liquid Cargo Dock		30	60		39.5	40	
Dock No. 1		420	120	14.8	28	32	
Dock No. 2		420	120	14.8	27	32	
Dock No. 3		420	120	14.8	35	38	
Dock No. 5		1100	220	16.6	40		
Dock No. 6	Under construction	1345	324	16.6			
Bulk Cargo (Grain I	Elevator) Dock	400	43	12	39	40	
Cargo Storage Faciliti	es						

### **Cargo Storage Facilities**

Covered Storage Areas 1 + million square feet Open Storage Areas 3 + million square feet

### **Cargo Handling Equipment**

(2) Mobile Harbor Cranes

Gottwald 100- short ton mobile harbor cranes located on Docks 15 & 16

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

### **Fishing Harbor**

Location 5 miles east of Turning Basin on Ship Channel

Vessle Draft 14 ft

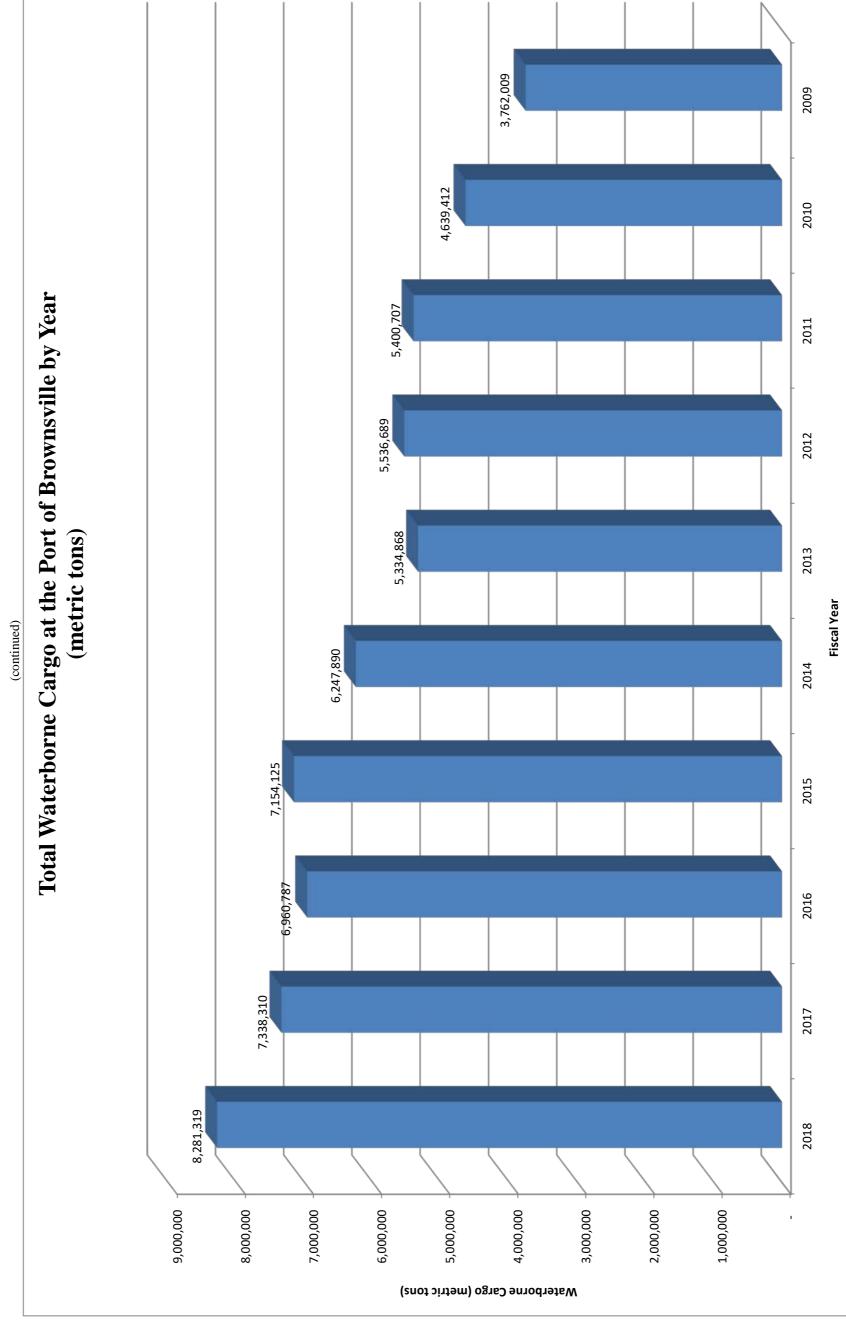
Docks 8,657 linear ft of marginal docks

Three 40 ft finger piers

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

	<b>I</b>	Sreakdown of	Waterborne (	Breakdown of Waterborne Cargo by Product		Classification (metric tons)				
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Farm Products	1,841	ı	ı	1	ı	1	ı	ı	11,709	1
Forest Products	1	1	1	20	1	1	1	1	1	ı
Metallic Ores	5,908	6,063	5,980	20,754	66,876	54,608	35,061	11,911	49,786	12,081
Coal	ı	ı	ı		1	•	1	1	13,603	1
Nonmetallic Minerals, Except Fuels	333,977	534,921	653,142	933,470	457,538	332,346	364,257	493,777	267,319	550,864
Food and Kindred Products	96,130	68,420	1	1	1	10,493	1	5,110	2,414	3,118
Chemicals and Allied Products	13,934	6,032	63,554	23,679	29,705	49,366	45,240	28,311	966'6	ı
Petroleum and Coal Products	4,729,332	4,330,383	3,906,192	3,823,846	3,220,882	3,115,995	2,825,286	2,932,034	2,784,654	2,084,578
Rubber and Miscellaneous Plastic Products	1	ı	ı	ı	ı	1	ı	ı	1	19
Stone, Clay and Concrete Products	71,569	14,001	252	1	ı	1	ı	ı	ı	1
Primary Metal Products	2,843,217	2,174,706	2,237,335	2,256,784	2,333,491	1,576,543	2,018,001	1,648,311	1,358,982	999,004
Fabricated Metal Products	39,485	46,608	43,309	37,545	11,977	ı	8,220	ı	1,347	ı
Lumber and Wood Products	ı	79,158	372	•	1	•	ı	ı	ı	
Machiners	296	ı	252	1,004	4,472		1	309	158	124
Special Items	1,290	818	8,112	3,127	3,270	2,878	7,592	1,954	1,677	12,581
Transportation Equipment	474	81	535	586	222	1	ı	ı	384	223
Miscellaneous Prducts of Manufacturing	ı	ı	ı		1	•	1	1	1	254
Waste and Scrap Materials	135,771	71,316	35,962	48,221	115,192	188,633	229,612	273,209	131,334	94,092
Water	8,095	5,803	5,790	5,089	4,264	4,004	3,420	5,781	6,049	5,072
Total	8,281,319	7,338,310	6,960,787	7,154,125	6,247,890	5,334,868	5,536,689	5,400,707	4,639,412	3,762,009
		Summary of	of Waterborne	Summary of Waterborne Cargo by Mover	vement Type (metric tons)	netric tons)				
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Foreign										
Imports	4,053,342	3,148,009	3,069,005	3,651,992	2,912,016	1,995,829	2,805,683	2,800,164	2,400,429	2,541,299
Exports	805,210	798,782	495,349	687,250	247,007	271,498	125,565	456,067	345,284	167,746
Total Foreign	4,858,552	3,946,791	3,564,354	4,339,242	3,159,023	2,267,327	2,931,248	3,256,231	2,745,713	2,709,044
Coastwise										
Receipts	1,474,048	1,589,505	1,690,879	1,238,634	1,237,280	1,333,951	918,999	614,069	645,230	164,403
Shipments	63,234	115,522	544,982	426,847	622,411	646,736	406,378	88,237	15,569	11,711
Total Coastwise	1,537,282	1,705,027	2,235,861	1,665,481	1,859,691	1,980,687	1,325,377	702,306	660,799	176,114
Interncoastal										
Receipts	1,655,435	1,457,353	959,848	761,379	716,173	538,336	716,208	764,584	673,247	393,227
Shipments	230,050	229,139	200,724	388,024	513,004	548,518	563,857	677,586	559,652	483,624
Total Intercoastal	1,885,485	1,686,492	1,160,572	1,149,402	1,229,176	1,086,854	1,280,064	1,442,170	1,232,899	876,851
Total Imports	4,053,342	3,148,009	3,069,005	3,651,992	2,912,016	1,995,829	2,805,683	2,800,164	2,400,429	2,541,299
Total Exports	805,210	798,782	495,349	687,250	247,007	271,498	125,565	456,067	345,284	167,746
Total Receipts	3,129,483	3,046,858	2,650,727	2,000,012	1,953,453	1,872,288	1,635,207	1,378,653	1,318,477	557,631
Total Shipments	293,284	344,661	745,706	814,871	1,135,415	1,195,253	970,234	765,823	575,221	495,334
Total	8,281,319	7,338,310	6,960,787	7,154,125	6,247,890	5,334,868	5,536,689	5,400,707	4,639,412	3,762,009

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



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

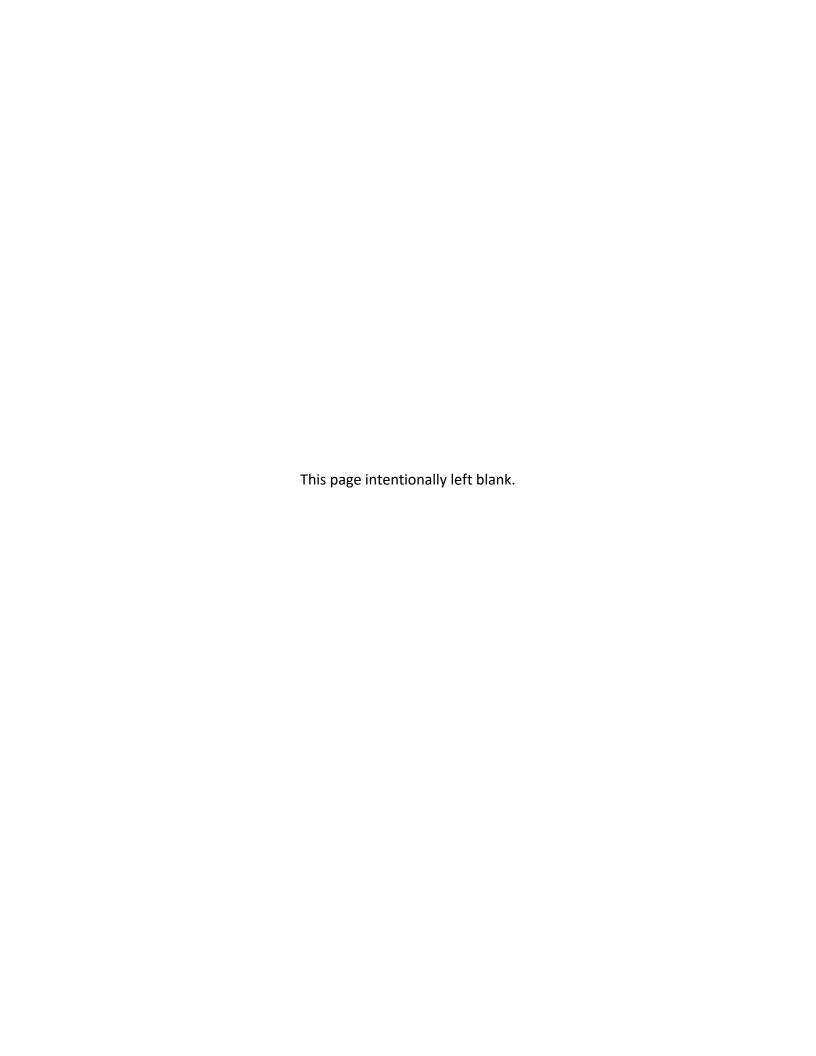
Last Ten Fiscal Years

(Unaudited)

•					Fiscal Year	/ear				
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Barges	803	741	525	632	653	618	707	858	657	419
Cargo Vessels	29	44	29	131	118	102	124	110	77	80
Deck Barges	1	1	1	3	1	∞	5	ı	1	1
Drilling Rig	S	9	12	19	3	4	3	10	4	2
Miscellaneous	267	340	322	177	127	91	62	84	77	12
Ocean Barges	46	92	123	51	51	111	78	46	55	42
Scrap Vessels / Barges	12	7	9	6	15	27	32	37	36	20
Tankers	106	98	74	118	92	69	72	92	62	75
Total	1,306	1,317	1,091	1,140	1,059	1,030	1,083	1,237	986	651

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

					Fiscal Year					
	<u>2018</u>	2017	<u>2016</u>	<u>2015</u>	2014	<u>2013</u>	$\underline{2012}$	2011	$\underline{2010}$	2009
Hourly/Salaried Employees Hourly Employees (Non-Exempt)	92	92	74	74	75	73	74	73	73	71
Salaried Employees (Exempt)	28	25	25	24	21	19	19	16	19	18
	104	101	66	86	96	92	93	68	92	68
Operations Employees										
Hourly Employees (Non-Exempt)	59	58	58	56	58	57	58	58	09	59
Salaried Employees (Exempt)	111	6	6	6	10	9	5	3	9	9
	70	<i>L</i> 9	<i>L</i> 9	65	89	63	63	61	99	99
Administrative Employees										
Hourly Employees (Non-Exempt)	17	18	16	18	17	16	16	15	13	12
Salaried Employees (Exempt)	17	16	16	15	111	13	14	13	13	12
	34	34	32	33	28	29	30	28	26	24









Carr, Riggs & Ingram, LLC 3125 Central Boulevard Brownsville, Texas 78520

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

Board of Navigation and Canal Commissioners Brownsville Navigation District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of the Brownsville Navigation District, as of and for the year ended December 31, 2018, 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 June 26, 2019.

### **Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

CARR, RIGGS & INGRAM, LLC

Caux Rigge & Ingram, L.L.C.

Brownsville, Texas June 26, 2019



the port that works

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