

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

**PORT OF  
BROWNSVILLE**  
the port that works



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

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

**Comprehensive Annual Financial Report**  
**For the Year Ended December 31, 2019**

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

# BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

### TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
Letter of Transmittal.....	1-12
Directory of Officials.....	13
Organizational Chart.....	14
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	15
FINANCIAL SECTION	
Independent Auditors' Report.....	16-18
Management's Discussion and Analysis (Unaudited).....	19-24
Basic Financial Statements:	
Statement of Net Position.....	25-26
Statement of Revenues, Expenses and Changes in Net Position.....	27-28
Statement of Cash Flows.....	29-30
Statement of Fiduciary Net Position.....	31
Statement of Changes in Fiduciary Net Position.....	32
Notes to the Financial Statements.....	33-74
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the Employer's Net Pension Liability and Related Ratios.....	75
Schedule of Employer Contributions.....	76
Schedule of Annual Money-Weighted Rate of Return.....	77
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Operating Expenses.....	78
STATISTICAL SECTION (Unaudited)	
Financial Trends:	
Net Position by Component.....	80
Changes in Net Position.....	81
Revenue Capacity:	
Ad Valorem Property Taxes.....	82
Ten Principal Taxpayers in Cameron County.....	83
Operating Revenue and Expenses by Type.....	84
Vessel and Cargo Service Revenues.....	85-86
Principal Customers for Vessel and Cargo Services.....	87

# BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

### TABLE OF CONTENTS - CONTINUED

	<u>PAGE</u>
STATISTICAL SECTION (Unaudited) – Continued	
Revenue Capacity: – Continued	
Lease Rental Revenues.....	88
Principal Customers for Lease Rentals.....	89
Debt Capacity:	
Ratios of Outstanding Debt by Type.....	90
Revenue Bond Debt Service Requirements.....	91
Net Revenues Available for Debt Service on Revenue Bonds.....	92
Revenue Bond Debt Service Requirements.....	93
Demographic and Economic Information	
Miscellaneous Statistical Data.....	94
Demographic and Economic Statistics for Cameron County.....	95
Ten Principal Employers .....	96
Operating Information:	
Table of Physical Characteristics of the Port Facilities .....	97
Cargo Statistics.....	98-99
Vessel Calls by Type of Vessel.....	100
Annual Employment.....	101
SINGLE AUDIT SECTION	
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i> .....	102-103
Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control Over Compliance required by the Uniform Guidance.....	104-105
Schedule of Findings and Questioned Costs.....	106-107
Schedule of Expenditures of Federal Awards.....	108
Notes to Schedule of Expenditures of Federal Awards.....	109

## **INTRODUCTORY SECTION**

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July 1, 2020

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, 2019. The responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the District. 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 Cameron County, Texas. The District includes portions of the City of Brownsville, all of the City 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 employed 101 administrative and operations staff members as of December 31, 2019.

## **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 Port of Brownsville is the only deep-water seaport directly on the U.S.-Mexico border, and the largest land-owning public port authority in the nation with 40,000 acres of land. It 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 adjacent to the southwest adjacent to the Rio Grande River, providing a convenient gateway to Mexico and beyond via three international bridges.

The Entrance Channel is protected by two rock jetties, each over 4,000 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. Plans to deepen its ship channel to 52 feet began in 2007. In 2014, the District completed its project feasibility study and received the U. S. Corps of Engineers' Chief's Report to deepen the Channel to 52 feet. The District's Brazos Island Harbor (BIH) Channel Deepening Project was included in the Water Resources Development Act of 2016 passed by the United States Congress and on June 2019 received the USACE's permit to advance on its construction phase. The District is continuing to seek funding, including public/private partnerships and federal funds, to help defray the estimated project cost of \$301,500,000. The project is expected to commence by 2021, with completion in 2024.

## **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 (TxDOT) to issue overweight permits for transit over a road corridor from the Port of Brownsville to the international crossing into Mexico.

The Brownsville Navigation District's Administration Offices are located at the entrance of the Port of Brownsville. These offices handle inquiries on trade and industrial development, environmental issues, accounting, purchasing, traffic, personnel and engineering. In August 2018, the District's administration complex was remodeled and expanded for a total cost of \$8 million with office space nearly 26,500 square feet.

The District derives its operating revenues from charges for vessel harbor, dockage and security surcharge fees, lease rentals, easements, wharfage, storage, crane services, permits and the sale of various port services such as utilities.



### ***Vessel Services***

The Main Harbor consists of the Turning Basin Approach, containing about 4-1/2 miles of improved water 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 terminal, 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, more than 45 miles of railroad trackage and 3 Gottwald 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 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 derived from a 16-inch main connecting with the Brownsville Public Utilities Board's potable water 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 collection and treatment services within the District's boundaries.

All docks at the Port of Brownsville are equipped with electricity and fresh water and most docks are also served by rail. Wastewater facilities are available. All public 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.

### ***Real Estate***

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.

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

On October 20, 1980, the Foreign Trade Zone Board created Foreign Trade Zone (“FTZ”) Number 62 with the District as the grantee and operator. There is a total of 2,300 acres available for FTZ status at the Port of Brownsville, the Brownsville/South Padre Island International Airport, the Harlingen Industrial Park, the Los Indios Industrial Park/FINSA Industrial Park and the NAFTA Industrial Park. The District receives fees from tenants utilizing the District’s zone status. In 2019, 1 new FTZ operator was activated for a total of 15 tenants operating within the FTZ No. 62 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
2019	5,620,456	958,943	6,579,399	1,566	4,385,555

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

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

<sup>(2)</sup> 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

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

The District has a Franchise Agreement with Brownsville and Rio Grande International Railway, LLC ("BRGIR"), an affiliate of the OmniTRAX/BROE Group, to operate the Port's BRG International Railroad. The District believes the Franchise Agreement with BRGIR will result in significant economic development opportunities for the District due to the BROE Group's expertise, resources and existing successful business relationships. The agreement has performance requirements on both parties that, if not met, could result in the termination of the agreement.

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### ***Port of Brownsville Infrastructure***

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

<b>Dock Number</b>	<b>Type of Cargo/Storage</b>	<b>Vessels Accommodated</b>	<b>Location</b>
Dock No. 1	General Cargo/Covered Storage	Light Draft Vessels	North Side-Turning Basin
Dock No. 2	General Cargo/Covered Storage	Light Draft Vessels	North Side-Turning Basin
Dock No. 3	General Cargo/Open Storage	Light Draft Vessels	West Side-Turning Basin
Dock No. 4	General Cargo/Covered Storage	Light Draft Vessels	North Side-Turning Basin
Dock No. 7	General Cargo/Covered Storage	Light Draft Vessels	North Side-Turning Basin
Dock No. 8	General Cargo/Covered Storage	Light Draft Vessels	North Side-Turning Basin
Dock No. 10	General Cargo/Open Storage	Light Draft Vessels	South Side-Turning Basin
Dock No. 11	General Cargo/Open Storage	Light Draft Vessels	South Side-Turning Basin
Dock No. 12	General Cargo/Covered Storage	Light Draft Vessels	South Side-Turning Basin
Dock No. 13	General Cargo/Covered Storage	Light Draft Vessels	South Side-Turning Basin
Dock No. 15	General Cargo/Covered Storage	Deep Draft Vessels	South Side-TB Approach
Dock No. 16	General Cargo/Covered Storage	Deep Draft Vessels	South Side-TB Approach
Oil Docks 1,2&3	Liquid Cargos	Mixed Draft Vessels	North Side-TB Approach
Oil Dock 5	Liquid Cargos	Deep Draft Vessels	North Side-TB Approach
Oil Dock 6	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 Real Estate Services Department 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 14,000 acres under lease or lease options which generated over \$10,404,294 in revenue for fiscal year 2019.

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. The Port had land lease options with three companies for about 2,340 acres resulting in total revenues of \$3.5 million for the fiscal year 2019.

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 District-owned buildings 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.

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The current table of land rental rates is as follows:

<b>Lease Rental Rates</b>	
<b>Site Description</b>	<b>7/1/2019 Rates</b>
<b>TURNING BASIN LEASES</b>	
Waterfront Property	\$6,233 per acre/year
Highway Frontage	\$4,075 per acre/year
Port Entrance Sites	\$3,631 per acre/year
Street Frontage	\$2,161 per acre/year
Remote Sites	Negotiated Rates
Grazing Leases	\$2.42/acre/year
Tower Sites	\$18,131/site/year
Sign Sites	\$108 - \$214/site/year
Fish Camps	\$534/camp/year
Billboards	Market Rate
<b>FISHING HARBOR LEASES</b>	
Water Front	\$4,795 per acre/year
Off-Water	\$4,433 per acre/year
Fishing Harbor Dock	\$1.34 per linear ft./month
Unimproved Bank Space	\$.81per 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." A percentage of the sale of overweight permits are remitted to TxDOT and are dedicated to the maintenance of the corridor. For the fiscal year 2019, of the \$30 permit fee, TxDOT receives 85% or \$25.50, a total of \$1,040,120 from the 40,789

permits sold, with the Port retaining the other \$4.50 for administrative costs, a total of \$183,551. 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. The 2010 U.S. Census reported the population of the County at 406,220, an increase of 56% over 1990 . The County for its September 30, 2019, Comprehensive Annual Financial Report reported a population of 423,908 in its Demographic Statistics. The area of the County is approximately 906 square miles of land and 371 square miles of rivers, estuaries, lagoons, bays and ocean water, 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. The County offers highway connections to deep water ports, airports, railways all with direct connection to international crossings. Tourism attractions include South Padre Island, Laguna-Atascosa Wildlife Refuge, Sabal Palms Sanctuary and the Gladys Porter Zoo. Senate Bill 24, passed on the Texas Legislature in May 2013, created The University of Texas Rio Grande Valley (“UTRGV”) and School of Medicine which offers the County with unique access to educational and healthcare opportunities.

### ***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 17 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 three international bridges and serves as a trade center for much of the lower Rio Grande Valley.

According to the 2010 U.S. Census, the City of Brownsville had a population of 175,023. Its demographics can be described as a young and motivated workforce, with the median age at 30 years.

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

Matamoros, Mexico, is located on the south bank of the Rio Grande River, directly across from the City of 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. The leading manufactured product of the Maquiladora Programs in the State of Tamaulipas is in the electronics division followed by metallic products, auto parts, chemicals and plastics. The Maquila Industry has given international businesses the ability to remain competitive with other foreign markets.



## Long Term Financial Planning

The following is a schedule of the District's five-year projected capital outlays. These projects are expected to be funded by federal and state grants, private sector contributions, District capital funds and new District debt. The District is pursuing contributions from the public-private partnership (P3) program to fund the estimated \$301,500,000 construction of the BIH channel deepening project. The South Port Connector Road Project, another infrastructure investment of the District, in collaboration with the Cameron County Regional Mobility Authority (CCRMA), Cameron County and Texas Department of Transportation (TxDOT) was awarded \$24.9 million in Rider 45 and Category 7 & 10 federal and state funds to commence its construction in 2020.

### BROWNSVILLE NAVIGATION DISTRICT CAPITAL IMPROVEMENTS

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>Total</u>
Channel Deepening	\$ -	\$ 30,750,000	\$ 120,000,000	\$ 120,000,000	\$ 30,750,000	\$ 301,500,000
Patio Expansion	1,500,000	1,000,000	1,000,000	1,000,000	1,000,000	5,500,000
Road Improvements	2,750,000	2,000,000	2,000,000	-	-	6,750,000
Sewer System Improvements	1,500,000	3,000,000	1,500,000	-	-	6,000,000
Water System Improvements	1,000,000	1,000,000	1,000,000	1,000,000	-	4,000,000
(2) Mobile Cranes	3,900,000	-	-	-	-	3,900,000
Oil Dock Cranes & Support Enhancements	1,235,000	-	-	-	-	1,235,000
Levee Improvements	-	2,500,000	1,000,000	-	-	3,500,000
South Port Connector	8,600,000	17,000,000	-	-	-	25,600,000
Total	<u>\$ 20,485,000</u>	<u>\$ 57,250,000</u>	<u>\$ 126,500,000</u>	<u>\$ 122,000,000</u>	<u>\$ 31,750,000</u>	<u>\$ 357,985,000</u>

### Major Initiatives and Accomplishments

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

On February 9, 2016, the District sold bonds with a par amount of \$27,580,000 and a net premium of \$1,901,070 with net funds of \$28,000,000 after issuance costs, underwriters discount, insurance and required reserve funds to provide for most of the funding necessary for the construction of Liquid Cargo Dock No. 6, maintenance dredging, reconstruction of Liquid Cargo Dock No. 3 and reconstruction and expansion of its Administrative Office Complex. The completed liquid cargo dock enhancements and new Dock No. 6 pipe bridges will allow the Port to handle larger vessels which is critical as Port tenants are rapidly increasing their liquid cargo handling storage capacity. The Port will also be able to accommodate new and 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. In 2020, CCRMA, TxDOT and the District will be entering the construction stage of 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. The project was awarded \$24.9 million in Rider 45 and Category 7 & 10 federal and state construction funds, with the District matching the remaining funds of the total estimated \$26.3 million inclusive of engineering, direct state costs, environmental and construction costs. The South Port Connector Road, in conjunction with the CCRMA East Loop, will re-route traffic between the Port of Brownsville and the international bridges away from heavily traffic-congested areas. This project will also improve the accessibility to the Port by adding another entry and exit to and from the Port and provide direct access to commercial lanes at Veterans International Bridge thereby enhancing domestic and international trade throughout the Rio Grande Valley.

### ***Brazos Island Harbor (BIH) Channel Improvement Project***

In 2019, the Port achieved several milestones in its channel deepening project: 1) it received the U.S. Army Corps of Engineers (USACE) construction permit, 2) all three natural gas liquefaction plants at the Port received approval from the Federal Energy Regulatory Commission (FERC) on their proposals, and 3) NextDecade Corp., owner of the proposed Rio Grande LNG, agreed to pay 100 percent of the deepening project from outside the jetties (entrance of channel) to its lease site, more than half of the BIH channel deepening project. Other partnerships are expected to join the public-private partnership (P3) program and share on costs of deepening the channel. The next step in this crucial Port infrastructure project is for the three LNG plants to secure their final investment decisions (FID). By deepening its channel from 42 to 52 feet, the Port will be able to accommodate deeper draft cargo vessels, attract new business, allow existing Port companies to expand their services, and add thousands of job opportunities to the region.

### ***Homeland Security Enhancements***

Homeland Security has placed a number of requirements for enhanced security in the Port of Brownsville. In the past few years, the District has been awarded \$11 million in federal grants with a District match of \$4 million. 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 2020, the District has been continuously clearing and stabilizing new Patio cargo storage areas. The District has been able to put these new cargo storage areas to use to accommodate shipments of wind energy components and an increase in steel slab shipments. In 2019, the District received about 3,059 wind energy component units such as blades, turbines 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 District further invested in the Port Grain Elevator’s success by partnering with West Plains LLC to finalize the \$5.5 million rehabilitation of the Grain Elevator’s Bulk Cargo Dock in 2020. The 50-year-old Port Grain Elevator with its modernization is equipped for high speed handling of grain through truck, rail and will provide storage for nearly 3,000,000 bushels of grain.

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

The U.S. Economic Development Administration (“EDA”) awarded the Port \$1.8 million in federal grant funds with District matching \$3.6 million for a total \$5.4 million construction cost of its Public Vessel Assembly & Erection Pad located at Keppel AmFELS. 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 the domestic deep-draft shipbuilding business with a potential of 700 new jobs. The assembly pad will be used to assemble Jones Act deep draft vessels to transport cargo along the U.S. coast. The Port is the only location in Texas where deep-draft vessels are being built, introducing a new industry to the state of Texas. Delivery of the first two containerships is expected in 2020 and will join the Pasha Hawaii’s fleet and serve the Hawaii / U.S. trade lane.

### ***New Mobile Harbor Cranes***

In early 2020, the Port purchased two new Gottwald Model 6 mobile harbor cranes with a maximum lifting capacity of 125 metric tons and an outreach of up to 167 feet. The Port will now operate a total of 3 mobile harbor cranes furthering its capabilities to handle a variety of cargo including breakbulk, dry-bulk, heavy project cargo and steel products keeping the region competitive in the global market.

## **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.

The District participates in Texas Local Government Investment Pools as authorized by the Texas Public Funds Investment Act, Chapter 2256 of the Texas Government Code (PFIA).

## **Independent Audit**

The District’s financial statements for the year ended December 31, 2019 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, 2018. This was the eight consecutive year that the District 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.

Sincerely,

A handwritten signature in blue ink, reading "Lorena Hernandez".

Lorena Hernandez, CPA  
Director of Finance

A handwritten signature in blue ink, reading "Eduardo A. Campirano".  
Eduardo A. Campirano  
Port Director and CEO

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

**DIRECTORY OF OFFICIALS**

**PORT COMMISSIONERS**

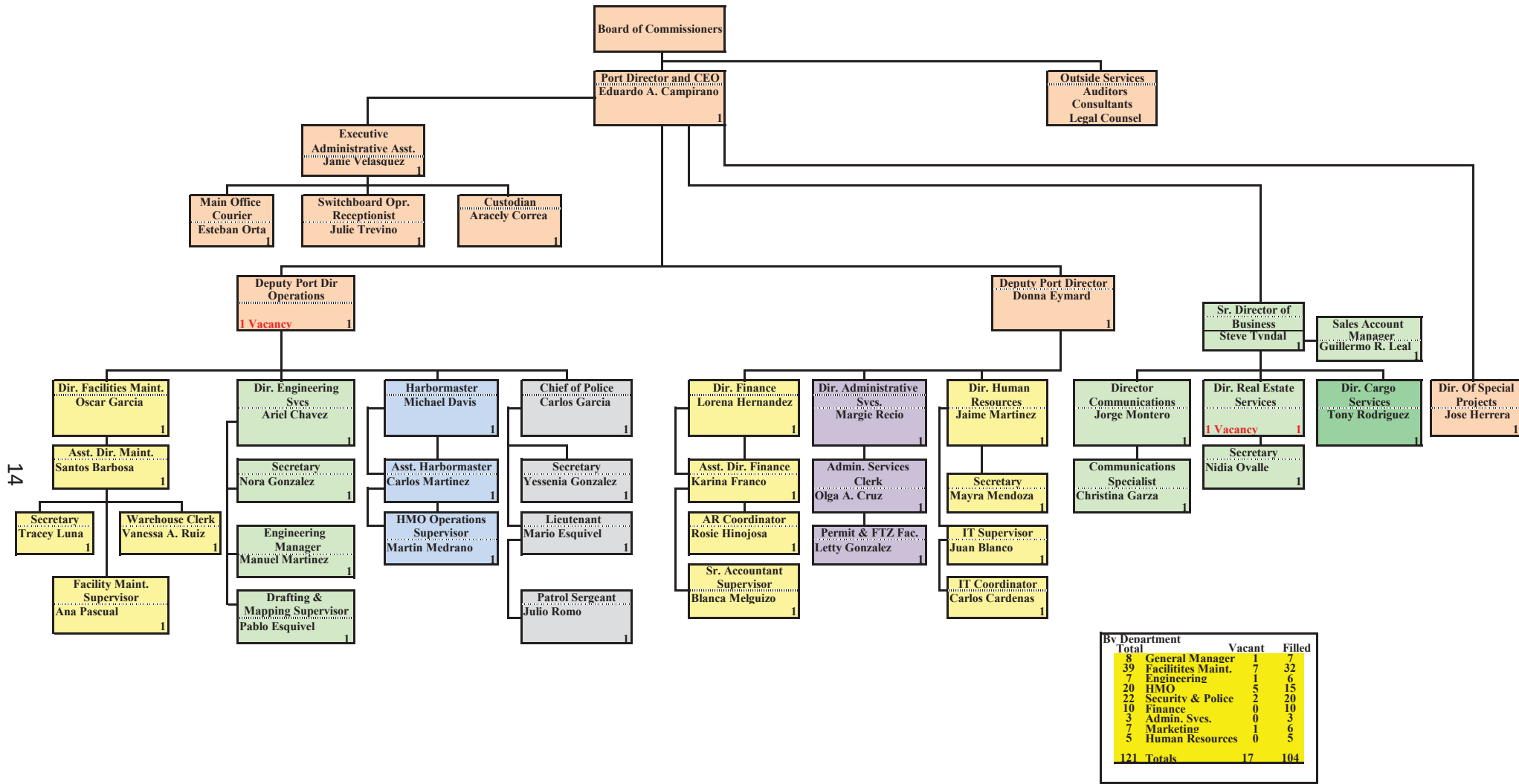
<b>John Reed</b>	<b>Chairman</b>
<b>Sergio T. Lopez</b>	<b>Vice Chairman</b>
<b>Ralph Cowen</b>	<b>Secretary</b>
<b>John Wood</b>	<b>Commissioner</b>
<b>Esteban Guerra</b>	<b>Commissioner</b>

**ADMINISTRATION**

<b>Eduardo A. Campirano</b>	<b>Port Director and CEO</b>
<b>Donna Eymard</b>	<b>Deputy Port Director</b>
<b>Steve Tyndal, PPM</b>	<b>Sr. Director of Marketing &amp; Business Development</b>
<b>Lorena Hernandez, CPA</b>	<b>Director of Finance</b>
<b>Margarita S. Recio</b>	<b>Director of Administrative Services</b>
<b>Ariel A. Chavez, PE/RPLS</b>	<b>Director of Engineering Services</b>
<b>Michael Davis</b>	<b>Harbor Master</b>
<b>Chief Carlos Garcia</b>	<b>Chief of Police &amp; Security</b>
<b>Oscar Garcia, MM</b>	<b>Director of Facilities Maintenance</b>
<b>Jorge I. Montero</b>	<b>Director of Communications</b>
<b>Antonio Rodriguez</b>	<b>Director of Cargo Services &amp; FTZ</b>
<b>Jaime Martinez</b>	<b>Director of Human Resources</b>
<b>Jose Herrera</b>	<b>Director of Special Projects</b>
<b>Vacant</b>	<b>Director of Real Estate Services</b>
<b>Karina Franco, CPA</b>	<b>Assistant Director of Finance</b>
<b>Blanca Melguizo</b>	<b>Senior Accountant Supervisor</b>
<b>Rosa Maria Hinojosa</b>	<b>Accounts Receivable Coordinator</b>

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

# Brownsville Navigation District Organizational Chart



Intern Positions Available (not counted in total headcount)

- 0 Engineering Intern
- 0 Finance Intern
- 0 HMO Intern
- 0 Marketing Intern

1 Part time Waste Water Operator





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, 2018**

*Christopher P. Morrell*

Executive Director/CEO

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## **FINANCIAL SECTION**

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## **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, 2019, 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, 2019, 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.

## ***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, schedule of employer contributions, and schedule of annual money-weighted rate of return on pages 19 through 24, 75, 76, and 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's 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 expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of operating expenses and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 and the schedule of expenditures of federal awards are 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 July 1, 2020, 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 the 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, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Brownsville, Texas  
July 1, 2020

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

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

As management of the Brownsville Navigation District of Cameron County, Texas, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2019. 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, 2019 was \$193,204,284, increasing \$14,084,694 or 7.9% over the prior year.
- District's net operating income before depreciation increased by 7.4% over the prior year, totaling \$12,721,298 for 2019 and decreasing to \$6,362,195 after a depreciation charge of \$6,359,103.
- District 2019 operating revenues totaled \$25,436,507, an increase of \$1,226,740, or 5.1%, from the 2018 operating revenues of \$24,209,767. The Port recorded total waterborne cargo of 6,579,399 metric tons for 2019.
- Operating expenses for 2019 of \$12,715,209, before depreciation, increased \$354,469 or 2.9% over 2018 operating expenses before depreciation of \$12,360,740.
- 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 \$10,827,761 for 2019 decreased \$1,332,885 from \$12,160,646 in 2018, a decrease of 11.0%.
- Lease rentals at the Turning Basin and Fishing Harbor totaled \$10,404,294, an increase of \$2,211,713 from the prior year amount of \$8,192,581. Other Lease Rentals totaled \$2,622,935, an increase of \$207,956 from the prior year amount of \$2,414,979, resulting in a 2019 total lease revenue of \$13,027,229, an increase of \$2,419,669 from 2018 total lease revenue of \$10,607,560. The increase over prior year rentals was primarily attributed to the three natural gas liquefaction plants entering option fees at 100% of lease rental rates beginning about the last 2 months of the fiscal year 2019 and onward.
- Non-operating income for 2019 totaled \$2,645,502, an increase of \$138,428 from 2018 non-operating income of \$2,507,074. For 2019, the District received \$3,018,175 in property tax, net of tax collection and discount expenses. The District also received \$85,193 in penalties and interest for a combined 2019 tax, including penalty and interest, total of \$3,103,368 which is an increase of \$179,278 from 2018 combined totals of \$2,924,090. Year 2019 is the twenty-sixth consecutive year the District has not raised its adopted 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 accompanying 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, 2019. 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 33-74.

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 2019 fiscal year were \$247,898,176, an increase of \$8,990,116, or 3.8%, over the 2018 fiscal year total of \$238,908,060. At December 31, 2019, total assets plus deferred outflows of resources exceeded total liabilities plus deferred inflows of resources by \$193,204,284. The District's total net position for the years ended December 31, 2019 and 2018

were \$193,204,284 and \$179,119,590, respectively. The largest component of the District's net position (\$158,475,706 or about 82.0% and \$139,686,649 or about 78.0% for fiscal years 2019 and 2018, 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 \$6,669,321 and \$6,556,738 for fiscal years 2019 and 2018, respectively, is subject to external restrictions on how it may be used. The remaining balances of unrestricted net position totaling \$28,059,257 and \$32,876,203 for fiscal years 2019 and 2018, 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, 2019 and 2018:

**Condensed Statements of Net Position  
December 31, 2019 and 2018**

	2019	2018
Current assets	\$ 47,205,901	\$ 55,588,697
Capital assets, net	198,497,473	180,968,624
Other non-current assets	953,648	1,414,129
Total assets	<u>246,657,022</u>	<u>237,971,450</u>
Deferred outflows of resources	1,241,154	936,610
<b>Total assets and deferred outflows of resources</b>	<u><u>247,898,176</u></u>	<u><u>238,908,060</u></u>
Current liabilities	10,139,156	12,935,175
Non-current liabilities	40,876,033	43,265,835
Total liabilities	<u>51,015,189</u>	<u>56,201,010</u>
Deferred inflows of resources	3,678,703	3,587,460
<b>Total liabilities and deferred inflows of resources</b>	<u><u>54,693,892</u></u>	<u><u>59,788,470</u></u>
<b>Net Position:</b>		
Net investment in capital assets	158,475,706	139,686,649
Restricted	6,669,321	6,556,738
Unrestricted	<u>28,059,257</u>	<u>32,876,203</u>
<b>Total net position</b>	<u><u>\$ 193,204,284</u></u>	<u><u>\$ 179,119,590</u></u>

Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position serves 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, 2019 increased by \$14,084,694 or 7.9% compared to the previous fiscal year.

The \$1,226,740 increase in Operating revenues from \$24,209,767 in 2018 to the \$25,436,507 in 2019 was primarily due to a 23% increase in total lease rentals from \$10,607,560 in 2018 to \$13,027,229 in 2019. These lease rentals increases were driven by additional storage agreements for windmill components, which increased from \$654,900 in 2018 to \$803,736 in 2019, and by the \$2,229,817 increase in Turning Basin lease rentals

primarily due to the three LNG plants entering option fees at 100% of lease rental rates beginning about the last 2 months of the fiscal year 2019.

Operating expenses were relatively the same as the prior year with a \$354,469 increase from the \$12,360,740 in 2018 to the \$12,715,209 in 2019. Total other non-operating income was \$2,507,074 and \$2,645,502, for 2019 and 2018, respectively. No bonds were issued in either year.

The following table summarizes the changes in net position of the District for the fiscal years ended December 31, 2019 and 2018:

**Changes in Net Position**  
**For Fiscal Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>	<u>Variance</u>
<b>Revenues</b>			
Operating revenues:			
Vessel and cargo services	\$ 10,827,761	\$ 12,160,646	\$ (1,332,885)
Lease rentals	13,027,229	10,607,560	2,419,669
Other operating revenue	1,581,517	1,441,561	139,956
Total operating revenues	<u>25,436,507</u>	<u>24,209,767</u>	<u>1,226,740</u>
Interest income	869,645	981,612	(111,967)
Amortization of debt premiums	66,389	66,389	-
Grant revenue	-	18,602	(18,602)
Gain on disposal of capital assets	6,000	26,000	(20,000)
Property taxes, net	3,103,368	2,924,090	179,278
Other non-operating income	52,991	41,448	11,543
<b>Total Revenues</b>	<u>29,534,900</u>	<u>28,267,908</u>	<u>1,266,992</u>
<b>Expenses</b>			
Operating expenses:			
Wages and employee expenses	5,555,422	5,702,657	(147,235)
Maintenance and operation of facilities	2,152,679	2,582,463	(429,784)
General and administrative expenses	5,007,108	4,075,620	931,488
Depreciation	6,359,103	5,489,601	869,502
Total operating expenses	<u>19,074,312</u>	<u>17,850,341</u>	<u>1,223,971</u>
Interest expense	1,448,441	1,546,417	(97,976)
Bond service fees	4,450	4,650	(200)
<b>Total Expenses</b>	<u>20,527,203</u>	<u>19,401,408</u>	<u>1,125,795</u>
<b>Income before capital contributions</b>	9,007,697	8,866,500	141,197
Capital contributions	2,409,459	1,225,404	1,184,055
Capital contributions from grants	2,667,538	-	2,667,538
Change in net position	<u>14,084,694</u>	<u>10,091,904</u>	<u>3,992,790</u>
Net position - beginning of year as restated	179,119,590	169,027,686	19,033,476
Net position - end of year	<u>\$ 193,204,284</u>	<u>\$ 179,119,590</u>	<u>\$ 14,084,694</u>



## CAPITAL ASSETS

At the end of fiscal years 2019 and 2018, the District's total net capital assets reflected an increase of \$17,528,849 or 9.7% over the prior year. The following table summarizes the District's capital assets as of December 31, 2019 and 2018:

<b>Capital Assets</b>		
<b>December 31, 2019 and 2018</b>		
	<b>2019</b>	<b>2018</b>
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	116,127,493	76,669,980
Water and sewer systems	11,961,006	11,961,006
Railroads	11,343,430	11,273,945
Land improvements and roads	49,752,179	45,943,804
Administration building	8,526,535	8,462,201
Industrial equipment	11,367,662	11,301,696
Furniture and equipment	1,680,212	1,660,027
Intangible Assets	5,895,274	5,895,274
Construction in progress	5,673,646	25,287,397
Total capital assets	\$ 287,645,195	\$ 263,773,088
Less: Accumulated depreciation	(89,147,722)	(82,804,464)
Net capital assets	\$ 198,497,473	\$ 180,968,624

The District's 2019 major capital asset activity, before depreciation, included the \$27.3 million Liquid Cargo Dock No. 6 construction, \$1.1 million of maintenance dredging, \$5.5 million Grain Elevator – Bulk Cargo Dock rehabilitation and \$5.4 million Public Assembly & Erection Pad construction. At December 31, 2019, the District had contractual obligations totaling approximately \$6,012,006 for improvement of port facilities, waterways, roads and equipment purchases. 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 55.

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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 purchasing, constructing, repairing or developing 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. For 2019 and 2018, the District issued no new debt.

The following table summarizes the District's long-term debt outstanding as of December 31, 2019 and 2018:

	2019	2018
Revenue bonds	\$ 35,445,000	\$ 37,050,000
General obligation bonds	2,105,000	2,960,000
Total long-term debt	<u>\$ 37,550,000</u>	<u>\$ 40,010,000</u>

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. In late March 2020, in response to economic and market conditions caused by the COVID-19 pandemic, S&P revised nearly all long term debt ratings of U.S. Transportation Infrastructure Issuers to a negative outlook to indicate the likelihood of downward rating. The District's previous outlook had been rated stable.

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 Cooperating 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 56-58 of this report.

## ECONOMIC FACTORS

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant impact on the operating activities and results of the District during 2020.

## 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.

## **BASIC FINANCIAL STATEMENTS**

## BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

## STATEMENT OF NET POSITION

December 31, 2019

**ASSETS**

## Current Assets - Unrestricted:

Cash and cash equivalents	\$ 10,325,880
Investments	22,243,824
Accounts receivable, net of allowance for uncollectible accounts	1,552,373
Note and capital lease receivables, current	498,790
Taxes receivable - M&O, net of estimated uncollectible taxes	777,975
Other receivables and accrued interest	1,467,500
Other assets	1,732,206
Prepays	883,163
<b>Total Current Assets - Unrestricted</b>	<b>39,481,711</b>

## Current Assets - Restricted:

Cash - revenue bond fund	5,293,227
Cash - general obligation bond fund	839,658
Cash - TRZ construction fund	1,031,664
Cash - overweight permits	23,205
Taxes receivable - G.O., net of estimated uncollectible taxes	536,436
<b>Total Current Assets - Restricted</b>	<b>7,724,190</b>

<b>Total Current Assets</b>	<b>47,205,901</b>
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## Non-current Assets:

Non-depreciable capital assets	70,991,404
Depreciable capital assets	216,653,791
Less: accumulated depreciation and amortization	(89,147,722)
<b>Total Capital Assets, net</b>	<b>198,497,473</b>

## Other Non-current Assets:

Note receivable, non-current	395,791
Capital lease receivable, non-current	84,679
Other assets	473,178
<b>Total Other Non-current Assets</b>	<b>953,648</b>

<b>Total Non-current Assets</b>	<b>199,451,121</b>
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<b>Total Assets</b>	<b>246,657,022</b>
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**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows related to pension	1,241,154
<b>Total Deferred Outflows of Resources</b>	<b>1,241,154</b>

<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 247,898,176</b>
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See accompanying notes to financial statements.

(continued)

## BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**STATEMENT OF NET POSITION - CONTINUED**

December 31, 2019

**LIABILITIES**

## Current Liabilities:

Accounts payable	\$ 2,060,344
Accrued liabilities	3,384,057
Unearned lease rentals	1,902,514
Compensated absences	247,241
Current maturities of long-term debt - bonds	2,545,000
<b>Total Current Liabilities</b>	<b>10,139,156</b>

## Non-current Liabilities:

Compensated absences	23,450
Revenue bonds, net of unamortized premium	35,389,572
General obligation bonds	1,225,000
Net pension liability	4,238,011
<b>Total Non-current Liabilities</b>	<b>40,876,033</b>

<b>Total Liabilities</b>	<b>51,015,189</b>
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**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows related to pension	280,852
Deferred property tax revenue	3,397,851
<b>Total Deferred Inflows of Resources</b>	<b>3,678,703</b>

<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>54,693,892</b>
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**NET POSITION**

Net investment in capital assets	158,475,706
Restricted for:	
Revenue bond debt retirement and contingency	5,293,227
General obligation bond debt service	1,376,094
Unrestricted	28,059,257
<b>Total Net Position</b>	<b>193,204,284</b>

<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 247,898,176</b>
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See accompanying notes to financial statements.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

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

For the Year Ended December 31, 2019

**OPERATING REVENUES**

Vessel and cargo services	\$ 10,827,761
Lease rentals	
Port system	10,404,294
Other lease rentals	2,622,935
Other operating revenue	1,581,517
<b>Total Operating Revenues</b>	<b>25,436,507</b>

**OPERATING EXPENSES, OTHER THAN  
DEPRECIATION**

Wages and employee expenses	5,555,422
Maintenance and operation of facilities	2,152,679
General and administrative expenses	5,007,108
<b>Total Operating Expenses</b>	<b>12,715,209</b>

Income from operations before depreciation	12,721,298
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Depreciation	6,359,103
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<b>OPERATING INCOME</b>	<b>6,362,195</b>
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**NON-OPERATING INCOME (EXPENSE)**

Interest income on deposits and investments	805,316
Interest income on notes and direct financing leases - port system	64,329
Gain on disposal of capital assets	6,000
Property taxes - net of discounts, bad debt and collection expenses	
Maintenance and operations	3,050,647
General obligation bond debt service	(32,472)
Penalties and interest	85,193
Interest expense - bonds	(1,448,441)
Amortization of debt premiums and prepaid bond insurance	66,389
Bond service fees	(4,450)
Other non-operating income	52,991
<b>Total Non-Operating Income</b>	<b>\$ 2,645,502</b>

See accompanying notes to financial statements.

(continued)

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

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

For the Year Ended December 31, 2019

Income Before Contributions and Special Items	\$ 9,007,697
Capital contributions	2,409,459
Capital contributions from grants	2,667,538
<hr/>	
Increase in net position	14,084,694
Net position at beginning of year	179,119,590
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Net position at end of year	\$ 193,204,284
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See accompanying notes to financial statements.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2019

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Receipts from customers	\$ 24,599,197
Payments to suppliers for goods or services	(10,351,710)
Payments to employees	(5,665,709)
Net cash provided by operating activities	<u>8,581,778</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Collections of M&O taxes and interest, net of discounts and collection expense	2,456,927
Other receipts	52,991
Net cash provided by noncapital financing activities	<u>2,509,918</u>

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

Collections of G.O. taxes and interest, net of discounts and collection expenses	820,723
Contributions received from grants	2,230,635
Capital contributions	2,409,459
Acquisition and construction of capital assets	(23,881,954)
Principal paid on long-term debt	(2,460,000)
Interest paid on long-term debt	(1,476,415)
Other (payments)	(4,450)
Net cash used by capital and related financing activities	<u>(22,362,002)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Investment income	805,316
Interest received on note and capital lease receivables	70,848
Principal received on note and capital lease receivables	475,284
Proceeds from sales and maturities of investments	7,000,000
Purchase of investments	(569,738)
Net cash provided by investing activities	<u>7,781,710</u>

Net decrease in cash and cash equivalents	(3,488,596)
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Cash and cash equivalents at beginning of year	21,002,230
Cash and cash equivalents at end of year	<u>\$ 17,513,634</u>

Cash and cash equivalents - unrestricted	\$ 10,325,880
Cash - revenue bond fund - restricted	5,293,227
Cash - general obligation bond fund - restricted	839,658
Cash - TRZ construction fund - restricted	1,031,664
Cash - overweight permits - restricted	23,205
Total cash and cash equivalents - restricted and unrestricted	<u>\$ 17,513,634</u>

See accompanying notes to financial statements.

(continued)



**STATEMENT OF CASH FLOWS - CONTINUED**

For the Year Ended December 31, 2019

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

Operating income	\$ 6,362,195
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	6,359,103
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	1,450,455
(Increase) decrease in other receivables and accrued interest	(540,100)
(Increase) decrease in other assets	(1,761,628)
(Increase) decrease in prepaid expenses	(214,619)
Increase (decrease) in accounts payable	(1,792,051)
Increase (decrease) in accrued liabilities	(115,155)
Increase (decrease) in unearned lease rentals and other credits	(921,604)
Increase (decrease) in compensated absences	(785)
Decrease (increase) in deferred outflows related to pension	(659,977)
Increase (decrease) in deferred inflows related to pension	208,153
Increase (decrease) in net pension liability	207,791
Net cash provided by operating activities	\$ 8,581,778

See accompanying notes to financial statements.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**STATEMENT OF FIDUCIARY NET POSITION**

December 31, 2019

**ASSETS**

Cash and cash equivalents	\$	479,300
Investments:		
Cash, Bank Deposit Program, & Money Market Funds		398,157
Mutual Funds		489,693
U.S. Treasury Notes		894,781
Federal Agencies		69,959
Common Stock		3,614,320
Total Assets		5,946,210

**FIDUCIARY NET POSITION**

Net position restricted for pension	\$	5,946,210
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See accompanying notes to financial statements.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

For the Year Ended December 31, 2019

**ADDITIONS**

Contributions:

Employer contributions	\$	779,847
Employee contributions		183,979
Total contributions		963,826

Net Investment income (loss):

Interest and Dividends	108,274
Net appreciation in fair value of investments	653,707
Less: investment expenses	(51,063)
Total investment income, net	710,918

Other income:

Bank interest	6,570
Total other income	6,570

Total Additions	1,681,314
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**DEDUCTIONS**

Benefit payments and refunds	625,252
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Total Deductions	625,252
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Net increase in fiduciary net position	1,056,062
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<b>Fiduciary net position, beginning of year</b>	4,890,148
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<b>Fiduciary net position, end of year</b>	\$ 5,946,210
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See accompanying notes to financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

Description	Page Nos.
Note 1 – Summary of Significant Accounting Policies	
A. The Reporting Entity	35
B. Measurement Focus, Basis of Accounting and Financial Statement Presentation	36
C. Budgetary Information	36
D. Use of Estimates	37
E. Assets and Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources and Net Position	
1. Cash and Cash Equivalents	37
2. Investments	37
3. Allowance for Uncollectible Accounts	37
4. Prepaid Items	37
5. Restricted Assets	38
6. Capital Assets	38
7. Compensated Absences	39
8. Bond Premiums, Discounts and Bond Insurance Costs	39
9. Deferred Compensation Plan	39
10. Pensions	39
11. Deferred Outflows/Inflows of Resources	40
12. Net Position Flow Assumption	41

## NOTES TO THE FINANCIAL STATEMENTS

Description	Page Nos.
F. Revenues and Expenses	
1. Operating Revenues and Expenses	41
2. Property Taxes	41-42
3. Advertising Costs	42
G. Current Year GASB Statement Implementation	42-44
H. Recently Issued Accounting Pronouncements	45-46
I. Subsequent Events	46
Note 2 – Detailed Notes on All Activities	
A. Deposits and Investments	47-51
B. Receivables	52-53
C. Restricted Assets	53-54
D. Capital Assets	55
E. Long-term Debt	56-58
F. Operating Leases	59
G. Pension Plan	59-71
H. Related Party Transactions	72
I. Risk Management	72-73
J. Construction and Other Significant Commitments	73
K. Contingencies	73
L. Subsequent Events	74

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

**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. The more significant accounting policies used by the District are described below.

**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.

GASB defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. 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: *Defining the Financial Reporting Entity* of the GASB Codification of Governmental Accounting and Financial Reporting Standards. Using these criteria, no legally separate organizations met the necessary conditions for inclusion as component units in the accompanying financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

**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 accounting, 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 responsible 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, 2019

**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 150: *Investments* of the GASB Codification of Governmental Accounting and Financial Reporting Standards. Investments are reported at fair value (generally based upon quoted market prices) except for the position in the TexasTerm/Texas Daily investment pool. The TexasTerm/Texas Daily investment pool meets all of the specified criteria in Section 150: *Investments* to qualify to elect to measure their investments at amortized cost. Accordingly, the fair value of the District's position in the pool is equal to the value of the pooled shares.

**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. 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.



**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

**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. 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, because 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. In December 2013, the District created a Transportation Reinvestment Zone (TRZ). The incremental increase in property tax revenue collected each year inside the zone is restricted to finance approved projects in the zone.

**6. 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 are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at their estimated acquisition value at the date of donation. 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:

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

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

**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**

**7. Compensated Absences**

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

**8. 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 and recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section 130: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

**9. 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.

**10. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Retirement 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, 2019

**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**

**11. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District reports deferred outflows of resources related to pension in this section. Deferred outflows related to pension are an aggregate of items related to pension as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided Through Trusts that Meet Specified Criteria*. The deferred outflows related to pensions will be recognized as follows:

- *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 has two (2) items that qualify for reporting as deferred inflows of resources. 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. Deferred inflows related to pension are an aggregate of items related to pension as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided Through Trusts that Meet Specified Criteria*. The deferred outflows related to pensions will be recognized as follows:

- *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, 2019

**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. 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 categories: 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 investment in capital assets" or "restricted" is classified as unrestricted.

In order to calculate the amounts reported for each net position category, a flow assumption must be made about the order in which the resources are considered to be applied. 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 tariffs. These revenues are recognized and accrued during the period earned. Revenues from rental of equipment and facilities are derived from leases of land, a use agreement with respect to railroad rights-of-way, and pipeline licenses. These revenues are recognized during the period earned by accrual or prepayment amortization, as appropriate pursuant to lease agreement terms. Operating expenses include the cost of services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as 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, 2019

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

**F. REVENUES AND EXPENSES– CONTINUED**

**2. Property Taxes – Continued**

Deferred property tax revenue reported in the deferred inflows section of the statement of net position represents the property taxes levied on October 1, 2019 for the 2020 fiscal year. The amount will be recognized as revenue on January 1, 2020 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, 2019 was \$151,840.

**G. CURRENT YEAR GASB STATEMENT IMPLEMENTATION**

During 2019, the District adopted and implemented the following new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance of this statement.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. As of 2019, the implementation of this Statement had no impact on the District' financial statements.

- GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District implemented this standard in 2019 and has included the Pension Trust as a fiduciary component unit of the District.

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

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

**G. CURRENT YEAR GASB STATEMENT IMPLEMENTATION– CONTINUED**

- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to 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.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The District implemented this standard in 2019. See Note 2(E). The implementation of this Statement did not result in any change in the District's financial statements.

- GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. 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. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management has determined that the requirements of this Statement are not applicable to the District.

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

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

**G. CURRENT YEAR GASB STATEMENT IMPLEMENTATION– CONTINUED**

- In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, effective immediately. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

As previously noted, the District implemented Statements Nos. 83, 84, 88 and 90 during the current year. Statement No. 89 was implemented in 2018.



**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

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

**H. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

As of December 31, 2019, the GASB had issued statements not yet implemented by the District. The statements being evaluated for financial statement impact are as follows:

- In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Management is evaluating the potential effects that the full implementation of GASB Statement No. 87 will have on its financial statements.
- In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, effective for reporting periods beginning after December 15, 2020. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements. Management is evaluating the potential effects that the full implementation of GASB Statement No. 91 will have on its financial statements.



**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

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

**H. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS– CONTINUED**

- In January 2020, GASB issued Statement No. 92, *Omnibus 2020*, effective for reporting periods beginning after June 15, 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Omnibus addresses eight recent pronouncements, including GASB No. 87 – Leases, GASB No. 84 – Fiduciary Activities, and GASB No. 83 – Asset Retirement Obligations. Management is evaluating the potential effects that the full implementation of GASB Statement No. 92 will have on its financial statements.
- In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, effective for reporting periods ending after December 31, 2021. This Statement establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. Management is evaluating the potential effects that the full implementation of GASB Statement No. 93 will have on its financial statements.
- In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for reporting periods beginning after June 15, 2022. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). Management is evaluating the potential effects that the full implementation of GASB Statement No. 94 will have on its financial statements.

**I. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, July 1, 2020. See Note 2(L) for relevant disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

**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, 2019, 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 comprised of the following at December 31, 2019:

Cash on hand	\$	1,600
Demand deposits		10,324,280
<b>Total Unrestricted Cash and Cash Equivalents</b>	<b>\$</b>	<b>10,325,880</b>

Restricted cash and cash equivalents are comprised of the following at December 31, 2019:

Demand deposits - Revenue bond funds	\$	5,293,227
Demand deposits - General obligation bond funds		839,658
Demand deposits - TRZ construction funds		1,031,664
Demand deposits - Overweight permits		23,205
<b>Total Restricted Cash and Cash Equivalents</b>	<b>\$</b>	<b>7,187,754</b>

The District's Investment Policy and Investment Strategies are formally reviewed and approved at least annually by the District's Commissioners. On February 20, 2019, the District's Commissioners approved a revised Investment Policy and Investment Strategies. 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 Policy and Investment Strategies 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, 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 (investments in eligible pools must be authorized by the Board of Commissioners), and A1 or P1 rated commercial paper (stated maturity date of 180 days or fewer from the date of its issuance).

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

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

**A. DEPOSITS AND INVESTMENTS – CONTINUED**

Investments are comprised of the following at December 31, 2019:

Local Government Investment Pool ( <i>TexasTerm/TexasDaily</i> )	\$ 22,243,824
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*TexasTERM/TexasDaily* – 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, 2019, TexasTERM/TexasDaily was rated AAAM by Standard & Poor’s. The pool’s investments had a weighted average maturity of 29 days. The fair value of the District’s position in the pool is equal to the value of the pooled shares or net asset value.

TexasTERM/TexasDaily meets the criteria of a “qualifying external investment pool” as set forth in GASB Codification Section In5: *Investment Pools (External)* and measures all of their investments at amortized cost. Under GASB Codification Section 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notices periods, maximum transaction amounts, and the qualifying external investment pool’s authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of December 31, 2019, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the District’s access to 100 percent of their account value in the external investment pool.

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

*Custodial Credit Risk – Deposits* – In accordance with the District’s Investment Policy and Investment Strategies, 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 Policy and Investment Strategies.

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

The primary objective of the Investment Policy Statement 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 particular investment sectors and securities and to maintain sufficient liquidity in order to pay monthly benefits.

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

**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, 2019 consist of the following:

	<b>2019</b>	
	<b>Fair Value</b>	<b>Percentage of Total</b>
Cash, Bank Deposit Program, & Money Market Funds	\$ 398,157	7.28%
Fixed Income:		
Mutual Fund	489,693	8.96%
U.S. Treasury Notes	894,781	16.37%
Federal Agencies	69,959	1.28%
Total Fixed Income	1,454,433	26.60%
Equity Securities:		
Common Stocks	3,614,320	66.11%
Total Investments	\$ 5,466,910	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, 2019:

	<b>2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash & Equivalents	\$ 398,157	\$ 398,157	\$ -	\$ -
Fixed Income	1,454,433	1,454,433	-	-
Equity Securities	3,614,320	3,614,320	-	-
Total	\$ 5,466,910	\$ 5,466,910	\$ -	\$ -

*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 not in the Plan's name. At December 31, 2019, none of the Plan's security investments were subject to custodial credit risk.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

## 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, 2019:

Investment Type	Fair Value	Duration in Years
U.S. Treasury Notes	\$ 894,781	2.43
Federal Agencies	69,959	0.08
Total Fair Value	\$ 964,740	

*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 updated Investment Policy Statement, adopted on December 18, 2019, mandates assets be invested only in investment grade bonds rated B+ (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, 2019, were as follows:

2019				
Investment Type	Fair Value	Percentage of Holdings	Quality Rating	
			Moody's	S&P
Mutual Fund	\$ 489,693	8.96%	Aaa-mf	AAAm
U.S. Treasury Notes	894,781	16.37%	AAA	-
Federal Agencies	69,959	1.28%	AAA	AA+
Total Fair Value	\$ 1,454,433	26.60%		

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

**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 statement 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, 2019:

<b>Asset Class</b>	<b>Percent of Total Fund Allocation</b>	
	<b>Minimum</b>	<b>Maximum</b>
Cash & Equivalents	0%	15%
Fixed Income	10%	30%
Equity Securities	60%	80%

At December 31, 2019, the Plan had the following investment that exceeded 5 percent of the total Plan investments:

	<b>2019</b>
Invesco Premier Portfolio; Institutional	\$ 489,693

*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. The Plan has no foreign currency risk as all investments are in U.S. dollars.

*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, 2019 and 2018 were 14.20 percent and -6.00 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

**NOTE 2. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED****B. RECEIVABLES**Trade and Utility Receivables

Receivables of the District as of December 31, 2019 including the applicable allowances for uncollectible accounts are as follows:

Accounts receivable - trade	\$	1,435,256
Accounts receivable - utility		264,840
Less: allowance for uncollectible accounts		(147,723)
Accounts receivable, net	\$	1,552,373

Taxes Receivable

The determination of the balance in the reserve for uncollectible taxes receivable is based on an analysis of the taxes receivable and reflects an amount which, in management's judgment, represents those taxes doubtful of collection. Taxes receivable, net of estimated uncollectible taxes as of December 31, 2019 consist of the following:

	<b>Maintenance &amp; Operation (M&amp;O)</b>	<b>Debt Service (G.O.)</b>
Taxes receivable	\$ 807,497	\$ 545,338
Reserve for uncollectible taxes	(29,522)	(8,902)
Taxes receivable, net	\$ 777,975	\$ 536,436

Note Receivable

The note receivable as of December 31, 2019 consists of the following:

	<b>Interest Rate</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Original Issue</b>	<b>Unpaid Principal</b>
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	\$ 770,949
Less: current maturities					(375,158)
Long-term Note Receivable					\$ 395,791

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

**NOTE 2. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED****B. RECEIVABLES – CONTINUED**Note Receivable - Continued

Approximate maturities of the note receivable subsequent to December 31, 2019 are as follows:

<b>Year</b>	<b>Principal Due</b>
2020	\$ 375,158
2021	395,791
<b>Total</b>	<b>\$ 770,949</b>

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 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, 2019, are as follows:

<b>Year</b>	
2020	128,571
2021	85,714
Total minimum lease payments receivable	214,285
Less: interest amount	(5,974)
Present value of lease payments receivable	<b>\$ 208,311</b>

**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, 2019

**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.

**Transportation Reinvestment Zone**

The demand for transportation infrastructure has far outpaced the resources of federal, state and local governments. As such, Texas Legislature has established innovative methods of developing and financing transportation projects. One such tool local entities can use to advance transportation projects is a transportation reinvestment zone (TRZ). The local governing body designates a zone in which it will promote transportation projects. Once the zone is created, a base year is established, and the incremental increase in property tax revenue collected inside the zone is used to finance approved projects in the zone. The District created such a zone in December 2013.

At December 31, 2019, the following assets are restricted assets:

**Revenue Bond Funds (all cash accounts)**

Debt service fund	\$	2,176,022
Debt reserve fund		302,405
Contingencies fund		250,053
Bond project fund		2,564,747
Total restricted revenue bond fund assets		5,293,227

**General Obligation Bond Funds**

Cash		839,658
Taxes receivable - G.O., net of estimated uncollectible taxes		536,436
Total restricted general obligation bond fund assets		1,376,094

**Overweight Permit Assets**

Cash		23,205
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**Capital Projects Fund**

TRZ Construction fund		1,031,664
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Total Restricted Assets	\$	7,724,190
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BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

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

**D. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance January 1, 2019	Additions	Deletions	Reclass- ifications	Balance December 31, 2019
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	25,287,397	23,766,137	(49,000)	(43,330,888)	5,673,646
Total capital assets, not being depreciated	90,605,155	23,766,137	(49,000)	(43,330,888)	70,991,404
Capital assets, being depreciated and amortized:					
Docks and appurtenances	76,669,980	-	-	39,457,513	116,127,493
Water and sewer systems	11,961,006	-	-	-	11,961,006
Railroads and Railway	11,273,945	-	-	69,485	11,343,430
Land improvements and roads	45,943,804	68,820	-	3,739,556	49,752,180
Administration building	8,462,201	-	-	64,334	8,526,535
Industrial equipment	11,301,696	81,810	(15,845)	-	11,367,661
Furniture and equipment	1,660,027	20,185	-	-	1,680,212
Intangible assets	5,895,274	-	-	-	5,895,274
Total capital assets, being depreciated and amortized:	173,167,933	170,815	(15,845)	43,330,888	216,653,791
Less accumulated depreciation and amortization for:					
Docks and appurtenances	(34,391,672)	(1,645,380)	-	-	(36,037,052)
Water and sewer systems	(8,509,143)	(268,481)	-	-	(8,777,624)
Railroads and Railway	(4,854,002)	(197,780)	-	-	(5,051,782)
Land improvements and roads	(22,354,821)	(3,220,908)	-	-	(25,575,729)
Administration building	-	(213,992)	-	-	(213,992)
Industrial equipment	(7,016,977)	(697,337)	15,845	-	(7,698,469)
Furniture and equipment	(1,237,849)	(115,225)	-	-	(1,353,074)
Intangible assets	(4,440,000)	-	-	-	(4,440,000)
Total accumulated depreciation and amortization:	(82,804,464)	(6,359,103)	15,845	-	(89,147,722)
Total capital assets, being depreciated and amortized, net	90,363,469	(6,188,288)	-	43,330,888	127,506,069
Total capital assets, net	\$ 180,968,624	\$ 17,577,849	\$ (49,000)	\$ -	\$ 198,497,473

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BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

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

**E. LONG-TERM DEBT**

Changes in long-term obligations for the year ended December 31, 2019 are as follows:

	Balance Outstanding January 1, 2019	Additions	Deletions	Balance Outstanding December 31, 2019	Due Within One Year
Bonds Payable:					
Revenue Bonds	\$ 37,050,000	\$ -	\$ (1,605,000)	\$ 35,445,000	\$ 1,665,000
Plus: Premium	1,685,615	-	(76,043)	1,609,572	-
General Obligation Bonds	2,960,000	-	(855,000)	2,105,000	880,000
Total bonds payable	41,695,615	-	(2,536,043)	39,159,572	2,545,000
Accrued Compensated Absences	271,476	269,880	(270,665)	270,691	247,241
Net Pension Liability	4,030,220	207,791	-	4,238,011	-
Total long-term liabilities	\$ 45,997,311	\$ 477,671	\$ (2,806,708)	\$ 43,668,274	\$ 2,792,241

Revenue Bonds

Revenue Bonds	Interest Rate	Issue Date	Maturity Date	Original Issue	Unpaid Principal
Series 2002A	3.38 - 4.80%	7/10/2002	2022	\$ 1,790,000	\$ 390,000
Series 2002B	3.38 - 4.80%	7/10/2002	2022	\$ 1,900,000	405,000
Series 2011	3.01%	10/24/2011	2021	\$ 2,390,000	585,000
Series 2012	3.19%	12/27/2012	2038	\$ 10,000,000	8,495,000
Series 2016	5.00%	2/9/2016	2040	\$ 27,580,000	25,570,000
Total unpaid principal					35,445,000
Plus: Premium					1,609,572
Less: current maturities					(1,665,000)
Total revenues bonds outstanding					\$ 35,389,572

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.

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**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

**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

<b>General Obligation Bonds</b>	<b>Interest Rate</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Original Issue</b>	<b>Unpaid Principal</b>
Series 2011	3.40%	12/2/2011	2020	\$ 4,805,000	\$ 485,000
Series 2013	1.89%	3/11/2013	2023	\$ 3,830,000	1,620,000
Total unpaid principal					2,105,000
Less: current maturities					(880,000)
Total general obligation bonds outstanding					\$ 1,225,000

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, 2019 are as follows:

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

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**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

**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, 2019, are as follows:

<b>Year Ending December 31,</b>	<b>Revenue Bonds</b>		<b>General Obligation Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
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	1,335,000	1,113,321	-	-
2025-2029	7,305,000	4,618,719	-	-
2030-2034	8,825,000	2,980,426	-	-
2035-2039	10,040,000	1,295,282	-	-
2040-2041	1,770,000	35,400	-	-
<b>Total</b>	<b>\$ 35,445,000</b>	<b>\$ 15,090,247</b>	<b>\$ 2,105,000</b>	<b>\$ 70,143</b>

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, 2019, the District reported interest expense of \$1,448,441 as follows:

<b>Interest Expense</b>	
Revenue bonds	1,397,700
General Obligation bonds	50,741
<b>Total</b>	<b>\$ 1,448,441</b>

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**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

**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, 2019, 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:

<b>Year Ending December 31,</b>	<b>Future Minimum Lease Rentals</b>
2020	\$ 21,501,942
2021	\$ 9,192,521
2022	\$ 7,188,530
2023	\$ 7,309,622
2024	\$ 7,432,755

The District's Leasing Policy provides for annual increases in lease rental rates that correspond to the annual Consumer Price Index (CPI). The decrease in Year 2021, is due to the exclusion of major lease options which may not renew in subsequent years.

**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. Stand-alone financial report information under GASB No. 67 is prepared separately for the Plan. In addition, a complete annual actuarial valuation report is available from the District. Both reports 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.

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**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

**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. Normal retirement for participants is age 65 with 5 years of service. 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. There have been no changes to the plan provisions since the prior valuation was prepared for this plan.

Employees Covered by Benefit Terms

As of January 1, 2019, 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	62
Active employees	104
<b>Total</b>	<b>202</b>

Contributions

The Board of Commissioners has the sole authority to establish and amend the contribution requirements of active District employees. The required employer contributions are based on an actuarially-determined rate recommended by an independent actuary. The actuarially-determined employer contribution rate is the established amount necessary to finance the costs of employer provided benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the actuarially-determined employer contribution rate apart from the contribution rate of employees. For the fiscal year ended December 31, 2019, 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, 2019

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

**G. PENSION PLAN – CONTINUED**

Contributions – 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 amortized over a period of 15 years beginning in that valuation year. The prevailing employer contribution rate is applied to Total District Payroll for the year (as estimated by the District) to determine the total employer contribution for the year.

In accordance with Texas Legislature Senate Bill No. 2224 (SB 2224), the District adopted a formal Pension Plan funding policy on January 22, 2020. This funding policy is intended to meet the requirements of SB 2224 and the guidelines set forth by the Texas Pension Review Board. SB 2224 mandates that the governing body of a public retirement system adopt a written funding policy that details the plan to achieve a funded ratio that is equal to or greater than 100%. The provisions in this funding policy cancel and supersede any conflicting provisions previously adopted by the Port Commission relating to funding of the Plan.

Pension Plan Investments

Investment policy decisions are established and maintained by the 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 (5.99)% for the 12 months ended December 31, 2018.



**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

**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:

<b>12 Months Ended</b>	<b>Annual Money Weighted Net Rate of Return</b>
12/31/2018	-5.99%
12/30/2017	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%

\* This table is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District is presenting 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, 2019 was measured as of January 1, 2019, 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, 2019 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>

<sup>1</sup> - Includes inflation.

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.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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

## G. PENSION PLAN – CONTINUED

1. Actuarial Assumptions – Continued

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the period 2006-2014. There have been no changes to the actuarial assumptions since the prior year valuation.

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

## 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, 2019 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)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2018 <sup>1</sup>	\$ 9,112,723	\$ 5,082,503	\$ 4,030,220
Changes for the year:			
Service cost	366,125	-	366,125
Interest	564,908	-	564,908
Differences between expected and actual experience	(320,001)	-	(320,001)
Contributions - employer	-	524,680	(524,680)
Contributions - employee	-	185,964	(185,964)
Net investment income <sup>2</sup>	-	(307,403)	307,403
Benefit payments, including refunds of employee contributions	(595,596)	(595,596)	-
Assumption changes	-	-	-
Net changes	15,436	(192,355)	207,791
Balances at December 31, 2019 <sup>3</sup>	\$ 9,128,159	\$ 4,890,148	\$ 4,238,011

<sup>1</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.

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

<sup>3</sup> - Information for the fiscal year ended December 31, 2019 was taken as of the measurement date of January 1, 2019 as permitted by GASB Cod. Sec. 1500.

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

**NOTE 2. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED****G. PENSION PLAN – CONTINUED**Changes in the Net Pension Liability – Continued

On August 7, 2019, a plan amendment was adopted, which (1) changes the cash balance interest crediting rate for periods beginning on or after January 1, 2020 to a fixed rate of 5% per year, (2) adds a 12-month waiting period to plan entry for eligible employees hired on or after August 7, 2019, and (3) introduces a 7-year vesting schedule for participants hired on or after August 7, 2019. In addition, it is anticipated that the discount rate for all purposes will be revised to 6.75% to reflect the investment allocation outlined in the Plan's updated Investment Policy Statement, adopted on December 18, 2019, which eliminates the Annuity Financing Investment Subaccount and invests all funds with the same target asset allocation presently applied to the Cash Balance Investment Subaccount. These changes are estimated to decrease the net pension liability by \$900,000.

*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, 2019 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:

	<b>1% Decrease (5.15%)</b>	<b>Current Effective Discount Rate (6.15%)</b>	<b>1% Increase (7.15%)</b>
Employer's Net Pension Liability	\$ 5,328,086	\$ 4,238,011	\$ 3,345,420

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## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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

## G. PENSION PLAN – CONTINUED

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

For the year ended December 31, 2019, the Employer recognized pension expense of \$535,814.

1. Components of Pension Expense for the Fiscal Year Ended December 31, 2019

Service cost	\$	366,125
Interest on the total pension liability		564,908
Amortization of differences between expected and actual experience <sup>1</sup>		(10,980)
Amortization of changes of assumptions <sup>1</sup>		(6,630)
Employee contributions		(185,964)
Projected earnings on pension plan investments		(346,671)
Amortization of differences between expected and actual earnings on plan investments <sup>2</sup>		155,026
Total pension expense	\$	535,814

<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, 3.87 years as of January 1, 2018 and 3.75 years as of January 1, 2019).

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

2. Balances as Deferred Outflows of Resources and Deferred Inflows of Resources as of December 31, 2019

At December 31, 2019, 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 Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 96,766	\$ 253,059
Changes of assumptions	174	27,793
Net difference between projected and actual earnings on pension plan investments	364,367	-
<b>Total excluding post-measurement date contributions</b>	461,307	280,852
Contributions made between the measurement date and end of reporting period	779,847	-
<b>Total including post-measurement date contributions</b>	<b>\$ 1,241,154</b>	<b>\$ 280,852</b>

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

**NOTE 2. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED****G. PENSION PLAN – CONTINUED****3. Changes in Deferred Outflows of Resources and Deferred Inflows of Resources**

	<b>Change in Deferred Outflows of Resources</b>	<b>Change in Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ (86,688)	\$ 222,333
Changes of assumptions	(7,550)	(14,180)
Net difference between projected and actual earnings on pension plan investments	499,048	-
<b>Total excluding post-measurement date transactions</b>	<b>404,810</b>	<b>208,153</b>
Prior year post-measurement date transactions	(524,680)	N/A
Current year post-measurement date transactions	779,847	N/A
<b>Total including post-measurement date transactions</b>	<b>\$ 659,977</b>	<b>\$ 208,153</b>

**4. Change in Balance Sheet Items**

Change in Net Pension Liability	\$ 207,791
Change in deferred outflows excluding post-measurement date transactions	(404,810)
Change in deferred inflows excluding post-measurement date transactions	208,153
Employer contributions	524,680
<b>Total pension expense</b>	<b>\$ 535,814</b>

Contributions made after the measurement date of January 1, 2019 and before the fiscal year end of December 31, 2019 totaled \$779,847. This amount will be recognized as a reduction of the net pension liability for the year ending December 31, 2020. Other amounts reported as Deferred Outflows/(Inflows) of resources related to pension will be recognized in pension expense as follows:

<b>Year Ending December 31,</b>	<b>Amount</b>
2020	\$ 66,429
2021	13,193
2022	(29,981)
2023	130,814
2024	-
Thereafter	\$ -

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

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

**G. PENSION PLAN – CONTINUED**

Payable to the Pension Plan

At December 31, 2019, the Employer does not have any required contributions payable to the pension plan for the 2019 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.

Detailed Actuarial Assumptions

1. Mortality: The active and retired participants of the Plan are expected to exhibit mortality in accordance with the following published mortality tables:
  - a. Pre-retirement Mortality: RP-2014 Blue Collar 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

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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

## G. PENSION PLAN – CONTINUED

Detailed Actuarial Assumptions – Continued

2. Withdrawal: The active participants are assumed to terminate their employment for causes other than death, disability or retirement in accordance with annual rates as illustrated below.

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

3. Investment Return: Current and future Plan assets in the Trust's Investment Subaccounts are assumed to reflect an annual investment return, net of expenses, as follows:
- a. Cash Balance Investment Subaccount: 6.75%
  - b. Annuity Financing Investment Subaccount: 6.00%
4. Expected Plan-Related Expenses: Plan-related expenses, which are accounted for by a reduction in the Cash Balance Interest Crediting Rate, are expected to be equal to an amount that represents a 100-basis point reduction in the gross investment return for the Cash Balance Investment Subaccount.
5. Assumed Cash Balance Interest Crediting Rate: The annual rate of gross investment return for the Trust's Cash Balance Investment Subaccount reduced for expected plan-related expenses. The net investment return reflected in Item 3.a. above already reflects this reduction for expected plan-related expenses.

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## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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

## G. PENSION PLAN – CONTINUED

Detailed Actuarial Assumptions – Continued

6. Earnings Progression: The increase in the levels of participant compensation is assumed to occur in accordance with normal rates as illustrated below:

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

7. Retirement Age: A participant is assumed to retire at the attainment of his normal retirement age. Any participant who has attained his expected retirement age and is still working is assumed to retire immediately.
8. Disability: Active participants are expected to become disabled as defined under the plan in accordance with annual rates as illustrated below:

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

9. Recognition of IRC Section 415 Limitations: The limitations under IRC Section 401(a)(17) and 415(b) have been reflected in the determination of plan costs.
10. Growth in Aggregate Participant Payroll: 4.50% per year.

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

**NOTE 2. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED****G. PENSION PLAN – CONTINUED**Detailed Actuarial Assumptions – Continued11. Assumed Form of Payment:

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

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

12. No Change in Actuarial Assumptions: This valuation reflects the same actuarial assumptions used in the prior valuation prepared for this plan.

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**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

**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 \$145,058 for expenses for the fiscal year ended September 30, 2019 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, 2019, were \$25,680,000.

**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, 2019

**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.

**J. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

The District has active construction projects and commitments as of December 31, 2019. These project commitments include the following:

<b>Projects</b>	<b>Amount Committed</b>	<b>Spent to Date</b>	<b>Commitment Remaining</b>
Bulkhead between Oil Dock 2 & 5	\$ 465,030	\$ 47,252	\$ 417,778
South Port Connector - BND Local Portion	1,563,064	275,055	1,288,009
Ostos Road Truck Staging	293,336	-	293,336
Oil Dock #3 Crane	274,134	82,201	191,933
Two Mobile Harbor Cranes	5,458,500	1,637,550	3,820,950
<b>Total</b>	<b>\$ 8,054,064</b>	<b>\$ 2,042,058</b>	<b>\$ 6,012,006</b>

**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.

The District participates in a number of grant programs funded by State and Federal agencies. These programs are subject to compliance audits by the grantor agencies or their representatives. Accordingly, the District's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District anticipates such amounts, if any, will be immaterial.

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

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

**L. SUBSEQUENT EVENTS**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant impact on the operating activities and results of the District. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

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

	2019 <sup>2</sup>	2018 <sup>3</sup>	2017	2016	2015
<b>1 Total Pension Liability<sup>3</sup></b>					
a. Service cost	\$ 366	\$ 315	\$ 324	\$ 243	\$ 205
b. Interest	565	541	528	517	496
c. Changes in benefit terms	-	-	-	-	-
d. Differences between expected and actual experience	(320)	190	(57)	158	(68)
e. Changes of assumptions	-	(56)	-	10	293
f. Benefit payments, including refunds of employee contributions	(596)	(632)	(483)	(330)	(375)
<b>g. Net Change in Total Pension Liability</b>	<b>15</b>	<b>358</b>	<b>312</b>	<b>598</b>	<b>551</b>
<b>h. Total Pension Liability - Beginning</b>	<b>9,113</b>	<b>8,755</b>	<b>8,443</b>	<b>7,845</b>	<b>7,294</b>
<b>i. Total Pension Liability - Ending</b>	<b>9,128</b>	<b>9,113</b>	<b>8,755</b>	<b>8,443</b>	<b>7,845</b>
<b>2 Plan Fiduciary Net Position</b>					
a. Contributions - employer	525	456	472	443	408
b. Contributions - employee	186	178	174	161	148
c. Net investment income	(308)	736	161	(18)	102
d. Benefit payments, including refunds of employee contributions	(596)	(632)	(483)	(330)	(375)
<b>g. Net Change in Plan Fiduciary Net Position</b>	<b>(193)</b>	<b>738</b>	<b>324</b>	<b>256</b>	<b>283</b>
<b>h. Plan Fiduciary Net Position - Beginning</b>	<b>5,083</b>	<b>4,345</b>	<b>4,021</b>	<b>3,765</b>	<b>3,482</b>
<b>i. Plan Fiduciary Net Position - Ending</b>	<b>4,890</b>	<b>5,083</b>	<b>4,345</b>	<b>4,021</b>	<b>3,765</b>
<b>3 Employer's Net Pension Liability - Ending [Item 1(i) - 2(i)]</b>	<b>\$ 4,238</b>	<b>\$ 4,030</b>	<b>\$ 4,410</b>	<b>\$ 4,422</b>	<b>\$ 4,080</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension</b>					
<b>4 Liability</b>	<b>53.57%</b>	<b>55.78%</b>	<b>49.63%</b>	<b>47.63%</b>	<b>47.99%</b>
<b>5 Covered Payroll<sup>4</sup></b>	<b>\$ 4,343</b>	<b>\$ 4,368</b>	<b>\$ 4,018</b>	<b>\$ 4,289</b>	<b>\$ 3,789</b>
<b>6 Employer's Net Pension Liability as a Percentage of Covered Payroll</b>	<b>97.58%</b>	<b>92.26%</b>	<b>109.76%</b>	<b>103.10%</b>	<b>107.68%</b>

Notes to Schedule:

- <sup>1</sup> GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for only the 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, 2019 measurement date as permitted under GASB Cod. Sec. 1500.
- <sup>3</sup> 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.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

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

***(Dollar amounts in thousands)***

	<b>FYE 2019</b>	<b>FYE 2018</b>	<b>FYE 2017</b>	<b>FYE 2016</b>	<b>FYE 2015</b>	<b>FYE 2014</b>
1 Actuarially determined contribution	\$ 504	\$ 471	\$ 455	\$ 468	\$ 440	\$ 400
2 Contributions in Relation to the Actuarially Contribution	780 <sup>2</sup>	525	456	472	443	408
3 Contribution Deficiency/(Excess)	(276)	(54)	(1)	(4)	(3)	(8)
4 Covered Payroll	\$ 4,913	\$ 4,600	\$ 4,438	\$ 4,569	\$ 4,297	\$ 3,898
5 Contributions as a Percentage of Covered Payroll	15.88%	11.41%	10.27%	10.33%	10.31%	10.47%

**Notes to Schedule for current fiscal year:**

Valuation Date: January 1, 2019

Actuarially determined contribution rates are calculated as of January 1, 2019, 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 period	20 years
Asset valuation method	5-year smoothed market
Inflation	3.0%
Salary increases	4.5%, average, including inflation
Investment rate of return	Net of pension plan investment expenses, including inflation
	- pre-decrement 6.75%
	- post-decrement 6.00%
Retirement age	65
Mortality	RP-2014 Blue Collar Total Employee Mortality Table (adjusted from the 2006 base year) and projected using Scale MP-2018 mortality improvement rates

<sup>1</sup> GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for only the years for which information is available.

<sup>2</sup> Contributions made after the measurement date of January 1, 2019 and before the Fiscal Year End of December 31, 2019.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE OF RETURN<sup>1</sup>**

<b>Fiscal Year Ending December,</b>	<b>Annual Money Weighted Net Rate of Return</b>
2019	14.20%
2018	-5.99%
2017	17.04%
2016	3.90%
2015	-0.50%
2014	2.80%
2013	17.10%
2012	9.90%

Notes to Schedule:

- <sup>1</sup> This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported. Additional years will be reported as they become available.

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## **OTHER SUPPLEMENTARY INFORMATION**

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BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**SCHEDULE OF OPERATING EXPENSES**  
*(Depreciation expense omitted)*  
**For the Year Ended December 31, 2019**

Wages	\$	4,561,288
Payroll taxes		351,720
Net pension expense		535,814
Services		253,790
Materials		981,594
Utilities		917,295
Insurance		1,605,493
Dues		120,479
Legal and auditing		623,607
Consulting fees		815,134
Supplies		90,415
Computer expense		377,931
Employee expense		106,600
Other expense		164,221
Contract rental and repairs		6,916
Travel		208,961
Advertising		151,840
Safety		14,026
Shop cost of sales		65,931
Land lease		83,936
Promotional expenses		156,248
Settlement with contractor		521,970
<b>Total Operating Expenses</b>	<b>\$</b>	<b>12,715,209</b>

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**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 disclosures, and required supplementary information says about the District's overall financial health.

CONTENTS	PAGE
<b>Financial Trends</b>	80 – 81
These schedules contain trend information to help the reader understand how the District's financial performance has changed over a period of time.	
<b>Revenue Capacity</b>	82 – 89
These schedules contain information to help the reader assess the District's local revenue source.	
<b>Debt Capacity</b>	90 – 93
These schedules present information to help the reader assess the District's debt burden and its ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	94 – 96
These schedules offer demographic and economic indicators to help the reader understand the environment in which the District's financial activities take place.	
<b>Operating Information</b>	97 – 101
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.	

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

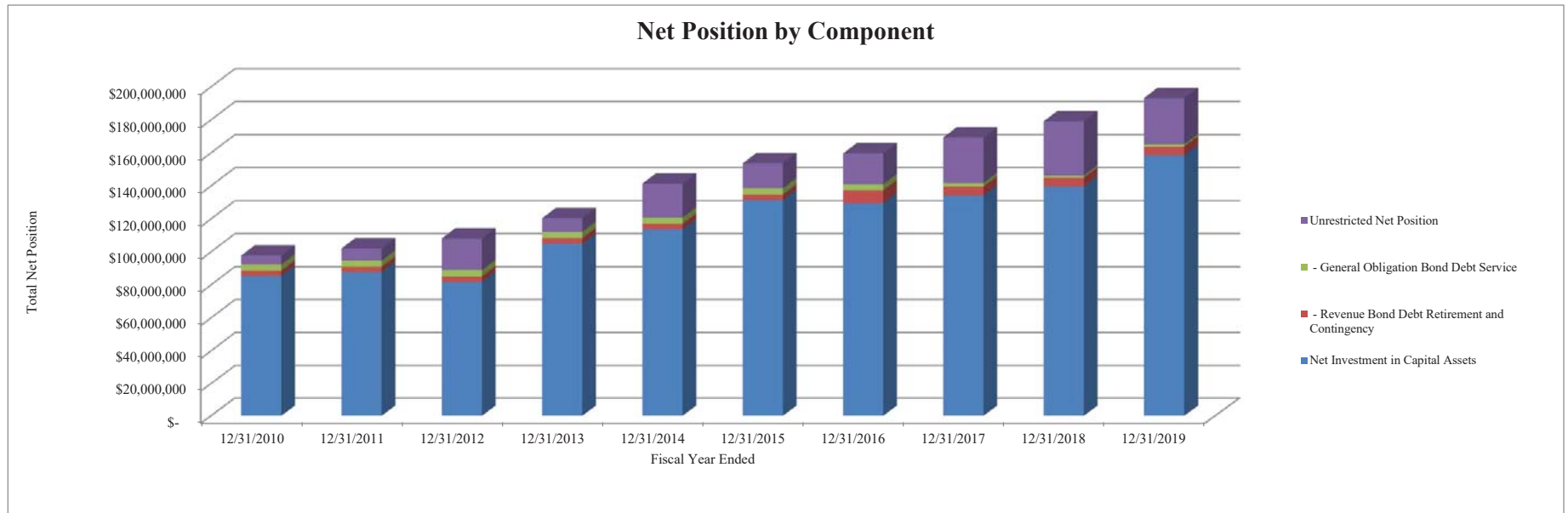
This is the ninth year the Brownsville Navigation District prepared a Comprehensive Annual Financial Report that includes statistical information. The District will report ten years of information whenever the data is readily available.

## Financial Trends

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

	Fiscal Year Ended									
	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
<b>Enterprise Fund</b>										
Net Investment in Capital Assets	\$ 85,432,090	\$ 87,750,239	\$ 81,820,846	\$ 104,822,625	\$ 113,617,071	\$ 131,432,039	\$ 129,439,065	\$ 134,087,674	\$ 139,686,649	\$ 158,475,706
Restricted Net Position for:										
- Revenue Bond Debt Retirement and Contingency	3,143,836	3,187,128	3,295,001	3,477,755	3,362,698	3,333,159	7,852,103	5,482,713	5,194,254	5,293,227
- General Obligation Bond Debt Service	3,722,999	3,700,291	3,818,754	3,755,986	3,750,580	3,777,243	3,565,749	2,106,020	1,362,484	1,376,094
Unrestricted Net Position	5,406,303	7,394,664	19,177,471	8,260,167	20,614,818	15,068,760	18,753,841	27,708,357	32,876,203	28,059,257
<b>Total Enterprise Fund Net Position</b>	<b>\$ 97,705,228</b>	<b>\$ 102,032,322</b>	<b>\$ 108,112,072</b>	<b>\$ 120,316,533</b>	<b>\$ 141,345,168</b>	<b>\$ 153,611,200</b>	<b>\$ 159,610,758</b>	<b>\$ 169,384,764</b>	<b>\$ 179,119,590</b>	<b>\$ 193,204,284</b>



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

	Fiscal Year Ended									
	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
<b>Operating Revenues</b>										
Vessel and cargo services	\$ 4,828,184	\$ 6,360,066	\$ 7,745,023	\$ 6,372,998	\$ 7,373,004	\$ 9,704,726	\$ 9,058,547	\$ 10,728,929	\$ 12,160,646	\$ 10,827,761
Lease rentals										
Port system	4,103,159	4,213,406	4,836,398	5,412,480	5,701,527	7,536,336	7,500,955	8,275,833	8,192,581	10,404,294
Other lease rentals	820,971	841,718	1,276,720	958,784	2,284,910	1,243,951	1,533,842	3,411,887	2,414,979	2,622,935
Other operating revenue	1,278,500	1,555,847	1,395,437	1,210,129	1,176,859	1,234,249	1,502,170	1,245,984	1,441,561	1,581,517
<b>Total Operating Revenues</b>	<b>11,030,814</b>	<b>12,971,037</b>	<b>15,253,578</b>	<b>13,954,391</b>	<b>16,536,299</b>	<b>19,719,262</b>	<b>19,595,514</b>	<b>23,662,633</b>	<b>24,209,767</b>	<b>25,436,507</b>
<b>Operating Expenses, Other Than Depreciation &amp; Amortization</b>	<b>8,455,421</b>	<b>8,435,659</b>	<b>8,634,582</b>	<b>8,462,386</b>	<b>9,533,067</b>	<b>9,969,657</b>	<b>11,145,456</b>	<b>12,376,807</b>	<b>12,360,740</b>	<b>12,715,209</b>
<b>Income from Operations Before Depreciation &amp; Amortization</b>	<b>2,575,393</b>	<b>4,535,378</b>	<b>6,618,996</b>	<b>5,492,005</b>	<b>7,003,232</b>	<b>9,749,605</b>	<b>8,450,058</b>	<b>11,285,826</b>	<b>11,849,027</b>	<b>12,721,298</b>
Amortization	1,110,000	1,110,000	1,110,000	-	-	-	-	-	-	-
Depreciation	2,281,499	2,483,457	2,390,320	2,650,096	3,604,738	3,982,459	5,193,028	5,474,008	5,489,601	6,359,103
<b>Operating Income (Loss)</b>	<b>(816,106)</b>	<b>941,921</b>	<b>3,118,676</b>	<b>2,841,909</b>	<b>3,398,494</b>	<b>5,767,146</b>	<b>3,257,030</b>	<b>5,811,818</b>	<b>6,359,426</b>	<b>6,362,195</b>
<b>Non-Operating Income (Expense)</b>										
Interest income on deposits and investments	293,597	259,307	157,655	185,252	146,645	133,080	192,575	420,106	894,582	805,316
Interest income on notes and direct financing leases	202,982	172,526	179,741	167,353	151,145	146,625	129,165	108,623	87,030	64,329
Grant revenue	1,834,512	102,465	417,180	7,157,780	4,905,649	7,120,668	374,201	148,302	18,602	-
Gain (Loss) on disposal of assets	(20,000)	(23,750)	93,306	-	(39,946)	-	-	-	26,000	6,000
Property Tax - net of discounts, bad debt and collection expenses										
Penalties and Interest	129,549	125,130	132,695	129,320	138,100	127,430	107,227	101,673	96,330	85,193
Maintenance and Operations	501,344	560,380	547,750	551,095	569,975	574,011	455,446	475,770	1,933,141	3,050,647
General Obligation Debt Service	2,493,698	2,545,783	2,509,006	2,531,127	2,452,305	2,467,569	2,522,306	2,371,149	894,619	(32,472)
Interest expense	(1,450,407)	(1,248,819)	(932,669)	(1,081,611)	(867,551)	(684,604)	(580,386)	(604,983)	(1,546,417)	(1,448,441)
Bond costs & amort. of premiums & prepaid bond ins.	(63,341)	(63,341)	(52,535)	(130,726)	687	5,456	(478,841)	67,458	66,389	66,389
Bond service fees	(7,000)	(7,300)	(5,000)	(5,900)	(4,150)	(5,150)	(4,400)	(4,650)	(4,650)	(4,450)
Other non-operating income	291,886	9,751	32,155	27,171	34,050	23,355	25,234	24,343	41,448	52,991
<b>Total Non-Operating Income</b>	<b>4,206,820</b>	<b>2,432,132</b>	<b>3,079,284</b>	<b>9,530,860</b>	<b>7,486,909</b>	<b>9,908,439</b>	<b>2,742,527</b>	<b>3,107,791</b>	<b>2,507,074</b>	<b>5,313,040</b>
<b>Income Before Contributions and Special Items</b>	<b>3,390,714</b>	<b>3,374,053</b>	<b>6,197,960</b>	<b>12,372,769</b>	<b>10,885,403</b>	<b>15,675,585</b>	<b>5,999,557</b>	<b>8,919,609</b>	<b>8,866,500</b>	<b>11,675,235</b>
Capital contributions	-	-	-	-	-	-	-	379,041	1,225,404	5,076,997
Special Item - contribution of net assets	-	-	-	-	9,787,478	-	-	-	-	-
Special Item - franchise revenue	-	-	-	-	425,431	9,342	-	-	-	-
<b>Increase in net position</b>	<b>3,390,714</b>	<b>3,374,053</b>	<b>6,197,960</b>	<b>12,372,769</b>	<b>21,098,312</b>	<b>15,684,927</b>	<b>5,999,557</b>	<b>9,298,650</b>	<b>10,091,904</b>	<b>14,084,694</b>
<b>Net position at beginning of year</b>	<b>94,174,514</b>	<b>97,705,228</b>	<b>102,032,322</b>	<b>108,112,072</b>	<b>120,316,533</b>	<b>141,345,167</b>	<b>153,611,201</b>	<b>159,610,758</b>	<b>169,384,764</b>	<b>179,119,590</b>
Prior period adjustments	-	953,041	(118,210)	(168,308)	(69,678)	(3,418,893)	-	475,356	(357,078)	-
<b>Net position at beginning of year - as restated</b>	<b>94,174,514</b>	<b>98,658,269</b>	<b>101,914,112</b>	<b>107,943,764</b>	<b>120,246,855</b>	<b>137,926,274</b>	<b>153,611,201</b>	<b>160,086,114</b>	<b>169,027,686</b>	<b>179,119,590</b>
<b>Net position at end of year</b>	<b>\$ 97,565,228</b>	<b>\$ 102,032,322</b>	<b>\$ 108,112,072</b>	<b>\$ 120,316,533</b>	<b>\$ 141,345,167</b>	<b>\$ 153,611,201</b>	<b>\$ 159,610,758</b>	<b>\$ 169,384,764</b>	<b>\$ 179,119,590</b>	<b>\$ 193,204,284</b>

## **Revenue Capacity**

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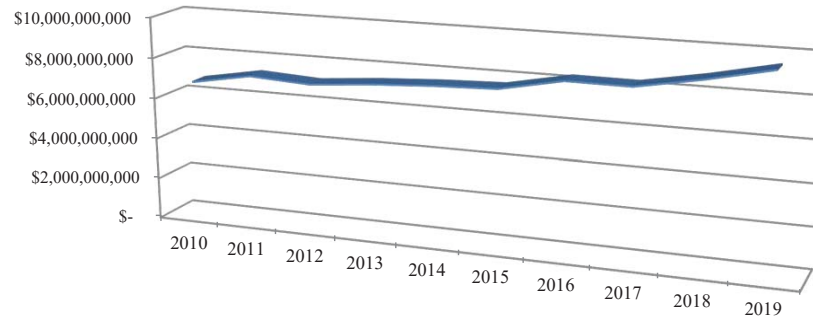


**Brownsville Navigation District of Cameron County, Texas**  
**Ad Valorem Property Taxes**  
 Last Ten Tax Years  
 (Unaudited)

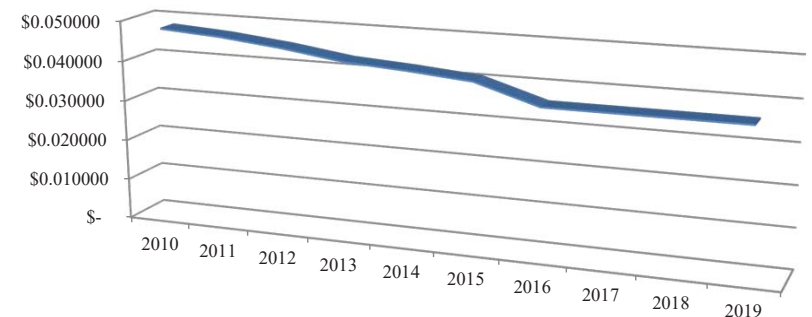
Tax Year	<u>Assessed Valuation</u>		<u>Adopted Tax Rates</u>			<u>Assessed Levy</u>			<u>Collected in the First Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections To Date</u>	
	<u>Assessed Value</u>	<u>Taxable Value</u>	<u>M&amp;O Rate</u>	<u>G.O. Rate</u>	<u>Total Rate</u>	<u>M&amp;O Levy</u>	<u>G.O. Levy</u>	<u>Total Levy</u>	<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2010	\$ 7,645,015,630	\$ 6,755,307,381	\$0.008628	\$0.039200	\$0.047828	\$ 583,941	\$ 2,653,047	\$ 3,236,988	\$ 3,030,740	93.63%	\$ 188,110	\$ 3,218,850	99.44%
2011	7,819,215,942	7,283,310,136	0.008430	0.038400	0.046830	580,593	2,644,694	3,225,287	3,035,813	94.13%	171,251	3,207,064	99.43%
2012	8,020,807,724	7,119,854,819	0.008100	0.037100	0.045200	576,697	2,641,479	3,218,177	2,299,853	71.46%	897,589	3,197,442	99.36%
2013	8,314,802,420	7,368,557,604	0.008100	0.034900	0.043000	576,855	2,571,636	3,148,492	2,251,662	71.52%	875,162	3,126,825	99.31%
2014	8,533,232,826	7,539,555,606	0.007900	0.034100	0.042000	595,625	2,570,990	3,166,615	2,293,099	72.41%	851,074	3,144,173	99.29%
2015	8,642,364,710	7,644,482,406	0.006256	0.034411	0.040667	478,239	2,630,542	3,108,781	2,254,659	72.53%	825,141	3,079,800	99.07%
2016	9,313,207,153	8,252,793,196	0.006524	0.029396	0.035920	538,336	2,426,070	2,964,406	2,080,573	70.19%	853,204	2,933,777	98.97%
2017	9,273,577,046	8,237,094,816	0.024885	0.011035	0.035920	2,049,834	908,933	2,958,767	2,112,865	71.41%	799,805	2,912,670	98.44%
2018	9,954,458,488	8,795,447,856	0.035920	-	0.035920	3,159,328	-	3,159,328	2,317,517	73.35%	743,634	3,061,151	96.89%
2019	10,699,182,488	9,459,485,076	0.024788	0.011132	0.035920	2,344,820	1,053,031	3,397,851	2,495,428	73.44%	-	2,495,428	73.44%

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

**Total Taxable Valuation**



**Total Tax Rate**



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

Current Year and Nine Years Ago  
(Unaudited)

<u>No.</u>	<u>Taxpayer</u>	<u>Type of Activity</u>	<u>Fiscal Year 2019 Assessed Value</u>	<u>Percentage of Assessed Valuation</u>	<u>Fiscal Year 2010 Assessed Value</u>	<u>Percentage of Assessed Valuation</u>
1	AEP Texas Central Co.	Electrical Utility	\$ 291,551,593	1.59%	\$ 111,123,891	0.73%
2	Valley Crossing Pipeline LLC	Transportation Services	182,572,520	1.00%	-	0.00%
3	San Roman Wind I LLCX	Wind Farm	122,312,910	0.67%	-	0.00%
4	Sharyland Utilities LP	Electric Transmission Utility	97,934,250	0.53%	-	0.00%
5	Union Pacific RR	Rail Road	69,090,761	0.38%	28,147,250	0.18%
6	VHS Harlingen Hospital Company	Healthcare	67,323,693	0.37%		0.00%
7	CBL SM Brownsville LLC	Retail Mall	49,578,482	0.27%	38,869,962	0.26%
8	Los Vientos Windpower LLC	Electrical Utility	45,382,140	0.25%		0.00%
9	7-Eleven Inc	Retail	35,460,635	0.19%		0.00%
10	H E Butt Grocery Co.	Retail	34,930,625	0.19%		0.00%
<b>Total Assessed Valuation</b>			<b>\$ 996,137,609</b>	<b>5.44%</b>	<b>\$ 178,141,103</b>	<b>1.17%</b>

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

*Source - Cameron County, Texas CAFR*

# **Brownsville Navigation District of Cameron County, Texas** **Operating Revenue and Expenses by Type**

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

	Fiscal Year Ended									
	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
<b>Operating Revenues</b>										
Vessel and Cargo Services	\$ 4,828,184	\$ 6,360,066	\$ 7,745,023	\$ 6,372,998	\$ 7,373,004	\$ 9,704,726	\$ 9,058,547	\$ 10,728,929	\$ 12,160,646	\$ 10,827,761
Lease Rentals - Port System	4,103,159	4,213,406	4,836,398	5,412,480	5,701,527	7,536,336	7,500,955	8,275,833	8,192,581	10,404,294
Other Lease Rentals	820,971	841,718	1,276,720	958,784	2,284,910	1,243,951	1,533,842	3,411,887	2,414,979	2,622,935
Other Operating Revenue	1,278,500	1,555,847	1,395,437	1,210,129	1,176,859	1,234,249	1,502,170	1,245,984	1,441,561	1,581,517
<b>Total Operating Revenues</b>	<b>11,030,814</b>	<b>12,971,037</b>	<b>15,253,578</b>	<b>13,954,391</b>	<b>16,536,299</b>	<b>19,719,262</b>	<b>19,595,514</b>	<b>23,662,633</b>	<b>24,209,767</b>	<b>25,436,507</b>
<b>Operating Expenses, Other Than Depreciation and Amortization</b>										
Wages	3,300,810	3,462,861	3,414,677	3,383,096	3,653,667	3,970,272	4,218,815	4,536,140	4,670,636	4,561,288
Payroll Taxes	250,004	276,655	281,092	260,275	294,504	299,604	341,754	342,292	367,691	351,720
Net Pension Expense	402,551	383,919	380,174	351,109	445,506	391,411	528,471	595,763	526,792	535,814
Services	250,076	322,115	293,763	340,792	301,181	443,671	356,976	347,596	410,568	253,790
Materials	666,179	581,740	820,675	689,755	678,128	892,166	813,761	829,442	1,258,775	981,594
Utilities	675,562	751,295	750,961	813,577	845,664	770,396	794,425	916,411	913,120	917,294
Insurance	1,108,981	1,092,838	1,062,878	995,831	1,132,852	1,243,392	1,268,947	1,370,712	1,334,478	1,605,493
Dues	87,663	88,278	83,525	119,047	106,926	62,863	67,152	65,108	105,784	120,479
Legal & Auditing	149,751	205,955	145,854	212,009	307,378	311,246	288,459	508,004	406,251	623,607
Consultant Fees	564,257	530,469	553,655	646,883	762,120	678,711	605,990	690,283	735,783	815,134
Supplies	63,848	69,946	70,462	85,482	71,486	102,299	73,734	75,099	110,379	90,415
Computer Expense	88,588	105,473	129,528	99,618	174,345	206,827	375,280	494,385	431,359	377,931
Employee Expense	57,902	66,660	74,202	63,235	62,416	87,863	115,118	118,848	137,538	106,600
Other Expense	181,960	97,345	109,161	86,455	197,773	99,275	262,696	70,936	187,469	686,190
Contracts Rental & Repairs	21,961	23,742	36,996	27,289	6,394	21,660	40,320	17,605	16,244	6,916
Travel	149,128	145,674	128,731	146,002	148,543	158,886	170,115	191,537	226,088	208,961
Advertising	34,159	44,009	39,073	28,851	24,764	55,673	140,000	109,356	143,189	151,840
Safety	9,796	10,455	12,512	15,602	9,198	20,992	25,383	13,910	32,854	14,026
Doubtful Accounts	208,794	-	-	-	171,417	-	311,113	-	-	-
Shop cost of collectables	-	-	-	-	61,940	60,028	214,913	42,729	45,536	65,931
Land Lease and Rental Rebate	137,347	42,963	163,348	17,010	17,415	17,820	18,225	936,226	158,393	83,936
Promotional	46,105	133,267	83,314	80,468	59,447	74,602	113,809	104,425	141,813	156,248
<b>Total Operating Expenses</b>	<b>8,455,421</b>	<b>8,435,659</b>	<b>8,634,582</b>	<b>8,462,386</b>	<b>9,533,067</b>	<b>9,969,657</b>	<b>11,145,456</b>	<b>12,376,807</b>	<b>12,360,740</b>	<b>12,715,207</b>
<b>Income from Operations before Depreciation and Amortization</b>	<b>2,575,393</b>	<b>4,535,378</b>	<b>6,618,996</b>	<b>5,492,005</b>	<b>7,003,233</b>	<b>9,749,605</b>	<b>8,450,057</b>	<b>11,285,826</b>	<b>11,849,027</b>	<b>12,721,300</b>
<b>Non-Operating Income (Expense)</b>										
Interest income on deposits and investments	293,597	259,307	157,655	185,252	146,645	133,080	192,575	420,106	894,582	805,316
Interest income on notes and direct financing leases	202,982	172,526	179,741	167,353	151,145	146,625	129,165	108,623	87,030	64,329
Grant Revenue	1,834,512	102,465	417,180	7,157,780	4,905,649	7,120,668	374,201	148,302	18,602	2,667,538
Gain (Loss) on disposal of assets	(20,000)	(23,750)	93,306	-	(39,946)	-	-	-	26,000	6,000
Property Tax - net of discounts, bad debt and collection exp.										
Penalty and interest	129,549	125,130	132,695	129,320	138,101	127,430	107,227	101,673	96,330	85,193
Maintenance and operations	501,344	560,380	547,750	551,095	569,975	574,011	455,446	475,770	1,933,141	3,050,647
General obligation bond debt service	2,493,698	2,545,783	2,509,006	2,531,127	2,452,305	2,467,569	2,522,306	2,371,149	894,619	(32,472)
Interest Expense	(1,450,407)	(1,248,819)	(932,669)	(1,081,611)	(867,551)	(684,604)	(580,386)	(604,983)	(1,546,417)	(1,448,441)
Capital contributions	-	-	-	-	-	-	-	379,041	1,225,404	2,409,459
Special Item - contribution on net assets	-	-	-	-	9,787,478	-	-	-	-	-
Special Item - franchise revenue	-	-	-	-	425,431	9,342	-	-	-	-
Bond costs & amort. premiums and prepaid bond ins.	(63,341)	(63,341)	(52,535)	(130,726)	687	5,456	(478,841)	67,458	66,389	66,389
Bond service fees	(7,000)	(7,300)	(5,000)	(5,900)	(4,150)	(5,150)	(4,400)	(4,650)	(4,650)	(4,450)
Other Non-Operating Income	291,886	9,751	32,155	27,171	34,050	23,355	25,234	24,343	41,448	52,991
<b>Total Non-Operating Income</b>	<b>4,206,820</b>	<b>2,432,132</b>	<b>3,079,284</b>	<b>9,530,861</b>	<b>17,699,819</b>	<b>9,917,782</b>	<b>2,742,527</b>	<b>3,486,832</b>	<b>3,732,478</b>	<b>7,722,499</b>
<b>Net Income before Depreciation and Amortization</b>	<b>\$ 6,782,213</b>	<b>\$ 6,967,510</b>	<b>\$ 9,698,280</b>	<b>\$ 15,022,866</b>	<b>\$ 24,703,051</b>	<b>\$ 19,667,387</b>	<b>\$ 11,192,585</b>	<b>\$ 14,772,658</b>	<b>\$ 15,581,505</b>	<b>\$ 20,443,799</b>

**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)  
(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.*

	<b>Fiscal Year Ended</b>									
	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>
<b>Port Calls by Vessel Type</b>										
Deep Sea Vessels	329	379	376	431	426	508	566	576	503	696
River Barges	657	859	707	628	633	632	525	741	803	870
	<u>1,306</u>	<u>1,306</u>	<u>1,306</u>	<u>1,306</u>	<u>1,306</u>	<u>1,306</u>	<u>1,306</u>	<u>1,306</u>	<u>1,306</u>	<u>1,566</u>
<b>Waterborne Cargo Traffic (metric tons)</b>										
Petroleum and Coal Products	2,732,112	2,863,803	2,870,526	3,165,361	3,250,587	3,847,525	3,969,746	4,336,415	4,743,266	3,482,989
Primary Metal Products	1,354,076	1,636,080	2,053,063	1,631,151	2,400,368	2,277,559	2,243,315	2,180,770	2,849,125	2,247,038
Non-Metallic Minerals	267,319	493,777	364,257	332,346	457,538	933,470	653,142	534,921	333,977	560,430
Waste and Scrap Materials	131,334	274,774	229,612	188,633	115,192	48,221	35,962	71,316	135,771	86,075
Other Cargos	<u>125,259</u>	<u>103,217</u>	<u>19,232</u>	<u>17,376</u>	<u>24,204</u>	<u>47,350</u>	<u>58,622</u>	<u>214,888</u>	<u>219,179</u>	<u>208,725</u>
Total Cargo Traffic	4,610,100	5,371,651	5,536,689	5,334,868	6,247,890	7,154,125	6,960,787	7,338,310	8,281,319	6,585,256

*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.*

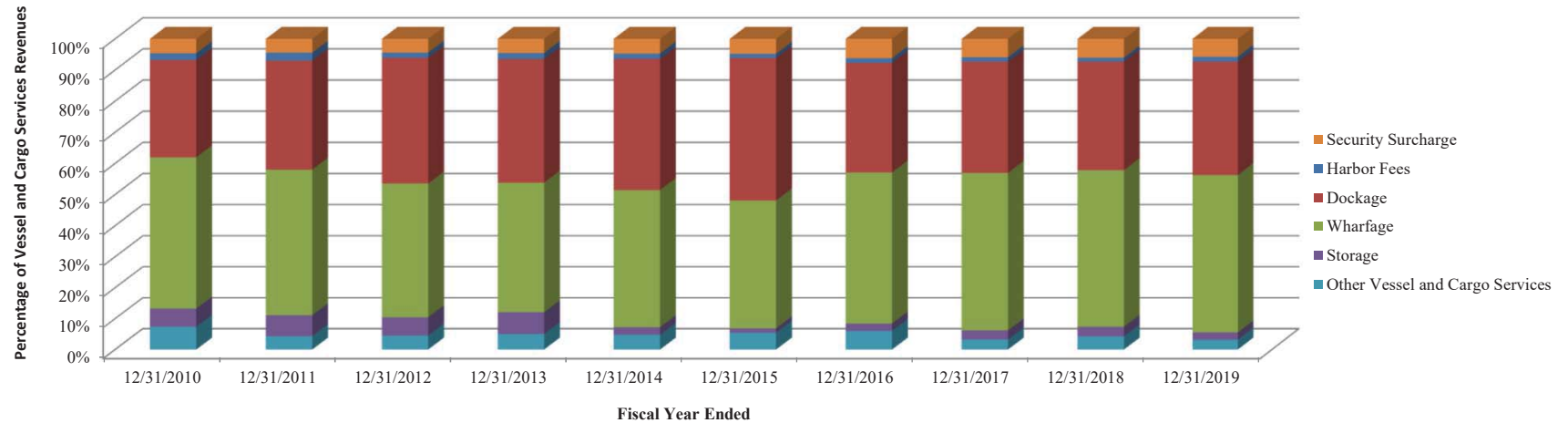
*Selected information regarding rates for vessel and cargo services are presented here, complete information is contained in the Tariff, which is published by the Port of Brownsville.*

<b>Harbor Fees (per Port Call)</b>													
Deep Sea Vessels	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00
Deep Sea Vessels at the Bulk Cargo Dock	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00
River Barges	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Mexican Fishing Vessels	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00
<b>Dockage (rate for Gross Registered Ton/day)</b>													
Dockage - General Cargo Docks	0.15	0.15	0.15	0.15	0.15	0.15	0.16	0.17	0.18	0.18	0.18	0.18	0.18
Dockage - Bulk Cargo Dock	0.15	0.15	0.15	0.15	0.15	0.15	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Dockage - Oil Docks/Liquid Cargo Docks/Express Dock	0.15	0.15	0.15	0.15	0.15	0.15	0.16	0.17	0.18	0.18	0.18	0.18	0.18
Dockage - Fitting for grain	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Dockage - Layberth	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Dockage - Scrap vessels and Drilling Rigs	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Dockage - River Barges (per day)	75.00	75.00	75.00	75.00	75.00	75.00	80.00	85.00	90.00	90.00	90.00	90.00	90.00
<b>Wharfage - Major Commodities</b>													
Petroleum and Coal Products (per barrel)	0.05	0.05	0.050	0.050	0.050	0.05	0.07	0.08	0.10	0.10	0.10	0.10	0.10
Primary Metal Products (per metric ton)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Primary Metal Products - Volume Incentive (per metric ton)	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46
Non-Metallic Minerals - Aggregates (per metric ton)	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
Non-Metallic Minerals - Covered Storage (per metric ton)	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37
Non-Metallic Minerals - Open Storage (per metric ton)	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09
Waste and Scrap Materials (per metric ton)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Miscellaneous Cargos - Not Otherwise Specified	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37
<b>Free Time and Penalty Storage (per metric ton/day)</b>													
Covered Storage - General Cargo Sheds	0.1103	0.1103	0.1103	0.1103	0.1103	0.1103	0.1103	0.1103	0.1103	0.1103	0.1103	0.1103	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	0.0221	0.0221	0.0221

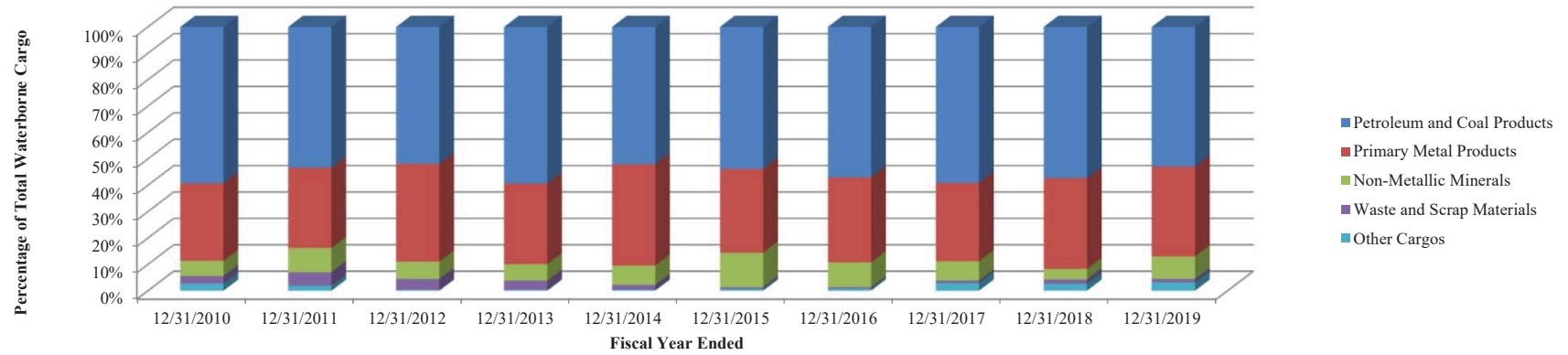
## Vessel and Cargo Revenue by Major Component

	Fiscal Year Ended									
	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
Harbor Fees	\$ 104,525	\$ 160,166	\$ 130,725	\$ 125,213	\$ 125,750	\$ 133,300	\$ 133,100	\$ 153,250	\$ 154,900	\$ 168,195
Dockage	1,507,551	2,227,647	3,125,720	2,528,683	3,105,870	4,439,440	3,189,883	3,831,793	4,238,338	3,946,002
Wharfage	2,351,775	2,982,673	3,338,674	2,662,134	3,259,144	3,999,989	4,407,624	5,446,130	6,137,069	5,490,494
Security Surcharge	224,402	283,374	342,493	288,378	348,870	465,437	563,981	634,628	732,310	623,245
Storage	284,822	429,412	454,799	449,104	179,013	141,345	219,957	318,552	379,719	254,405
Other Vessel and Cargo Services	355,109	276,793	352,612	319,487	354,357	525,216	544,001	344,576	518,310	345,420
Total Vessel and Cargo Services	\$ 4,828,184	\$ 6,360,066	\$ 7,745,023	\$ 6,372,999	\$ 7,373,004	\$ 9,704,726	\$ 9,058,547	\$ 10,728,929	\$ 12,160,646	\$ 10,827,761

## Vessel and Cargo Revenue by Major Component



## Major Waterborne Cargoes



**Brownsville Navigation District of Cameron County, Texas**  
**Principal Customers for Vessel and Cargo Services**  
Current Year and Ten Years Ago  
(Unaudited)

Customer	Fiscal Year					
	2019			2010		
	2019 Revenues	Rank	Total Percentage 2019	2010 Revenues	Rank	Total Percentage 2010
Dix Agency Brownsville, LLP	\$ 1,599,668	1	15%	\$ 850,215	2	18%
Gulf Stream Marine	1,376,092	2	13%	712,002	3	15%
Dix Industries, Inc	1,299,380	3	12%	482,221	4	10%
Frontera Brownsville, LLC	1,002,337	4	9%			
Schaefer Stevedoring	612,402	5	6%	447,152	5	9%
Norton Lilly International	507,716	6	5%			
Transmontaigne Operating Co. LP	467,474	7	4%	1,124,384	1	23%
ISS Marine Services, Inc.	433,988	8	4%	112,583	9	2%
Admiral Steamship Agency	361,123	9	3%	250,012	6	5%
Bluewing One, LLC	310,504	10	3%			
T. Parker Host Gulf, Inc.	292,936	11	3%			
Maverick Fuel Oil Terminal, LLC	285,798	12	3%			
Moran Shipping Agency of Texas, Inc.	222,797	13	2%			
Vulcan Construction Materials	211,516	14	2%	98,162	10	2%
Interlube Corp., Inc.	197,230	15	2%			
Esco Marine, Inc.				119,909	7	2%
Gulf Harbor Shipping LLC				115,246	8	2%
American Commercial Barge				89,463	11	2%
NSA Agencies, Inc.				81,582	12	2%
Bedoli Group, Inc.				51,875	13	1%
Biehl & Co.				42,258	14	1%
Florida Marine Transport				31,849	15	1%
<b>Total Vessel and Cargo Revenues</b>	<b>\$ 10,827,761</b>		<b>85%</b>	<b>\$ 4,828,184</b>		<b>95%</b>

**Brownsville Navigation District of Cameron County, Texas**  
**Lease Rental Revenues**

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

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

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

	Fiscal Year Ended									
	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>
<b>Turning Basin Leases (per acre/year)</b>										
Waterfront	\$ 5,844	\$ 5,844	\$ 5,844	\$ 5,844	\$ 5,844	\$ 5,844	\$ 5,874	\$ 6,050	\$ 6,165	\$ 6,233
Highway Frontage	3,819	3,819	3,819	3,819	3,819	3,819	3,839	3,954	4,030	4,075
Port Entrance Sites	3,403	3,403	3,403	3,403	3,403	3,403	3,421	3,524	3,591	3,631
Inside Port/Off Waterfront	2,025	2,025	2,025	2,025	2,025	2,025	2,036	2,097	2,137	2,161
<b>Fishing Harbor Leases (per acre/year)</b>										
Waterfront	4,494	4,494	4,494	4,494	4,494	4,494	4,517	4,653	4,742	4,795
Off-Water	4,156	4,156	4,156	4,156	4,156	4,156	4,177	4,302	4,384	4,433

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

<b>Lease Rental Revenues</b>	<b>\$ 4,924,130</b>	<b>\$ 5,055,124</b>	<b>\$ 6,113,118</b>	<b>\$ 6,371,264</b>	<b>\$ 7,986,437</b>	<b>\$ 8,780,287</b>	<b>\$ 9,034,797</b>	<b>\$ 11,687,720</b>	<b>\$ 10,607,560</b>	<b>\$ 13,027,229</b>
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**Brownsville Navigation District of Cameron County, Texas**  
**Principal Customers for Lease Rentals**

Current Year and Nine Years Ago

(Unaudited)

Customer	Fiscal Year					
	2019			2010		
	2019 Revenues	Rank	Total Percentage 2019	2010 Revenues	Rank	Total Percentage 2010
Rio Grande LNG, LLC	1,938,300	1	15%			
Annova LNG LLC	1,074,800	2	8%			
Transmontaigne Operating Co. LP	949,119	3	7%	620,649	1	13%
Keppel Amfels, Inc.	816,324	4	6%	213,824	4	4%
Bedoli Group, Inc.	518,829	5	4%	241,626	3	5%
Brownsville Acquisition	501,696	6	4%			
Texas LNG Brownsville, LLC	500,700	7	4%			
CMG Brownsville II, LLC	465,583	8	4%			
International Shipbreaking LTD	372,428	9	3%	170,537	6	3%
Valley Crossing Pipeline LLC	255,570	10	2%			
Esco Marine, Inc.				458,620	2	9%
Bay Bridge Texas, LLC				171,783	5	3%
Deep SouthTex Terminal, LP				120,146	7	2%
Brownsville Public Utilities Board				106,725	8	2%
Marine Metal, Inc				99,576	9	2%
Pull Apart				86,882	10	2%
<b>Total Lease Rental Revenues</b>	<b>\$ 13,027,229</b>		<b>57%</b>	<b>\$ 4,924,130</b>		<b>43%</b>



## **Debt Capacity**

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

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Revenue Bonds</b>	<b>Loans</b>	<b>Capital Leases</b>	<b>Total Debt Outstanding</b>	<b>Assets Restricted for Debt Service</b>	<b>Total Net Outstanding Debt</b>
2010	18,696,847	11,686,151	-	575,822	30,958,820	9,412,853	21,545,967
2011	16,783,171	10,456,874	-	252,530	27,492,575	9,452,674	18,039,901
2012	14,771,088	19,157,598	-	-	33,928,686	19,257,201	14,671,484
2013	12,674,005	17,783,322	-	-	30,457,327	16,779,159	13,405,326
2014	10,481,922	14,669,045	-	-	25,150,967	12,842,435	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	11,417,852	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
2019	2,105,000	37,054,573	-	-	39,159,573	6,669,321	32,490,252

<b>Fiscal Year</b>	<b>Taxable Property Valuation</b>	<b>Outstanding Debt as a Percentage of Taxable Property Value</b>	<b>Cameron County Population</b> <sup>1</sup>	<b>Net Bonded Debt Per Capita</b>	<b>Per Capita Income</b> <sup>1</sup>	<b>Outstanding Debt as a Percentage of Per Capita Income</b>
2010	6,755,307,381	0.27%	406,220	53	13,474	0.39%
2011	7,283,310,136	0.20%	406,220	44	13,474	0.33%
2012	7,119,854,819	0.19%	406,220	36	14,183	0.25%
2013	7,368,557,604	0.17%	415,557	32	14,405	0.22%
2014	7,539,555,606	0.19%	417,296	30	14,405	0.21%
2015	7,644,482,406	0.19%	420,392	34	14,898	0.23%
2016	8,252,793,196	0.44%	422,156	86	15,105	0.57%
2017	8,237,094,816	0.44%	422,135	86	15,457	0.56%
2018	8,795,447,856	0.40%	423,725	83	15,457	0.54%
2019	9,459,485,076	0.34%	423,908	77	16,587	0.46%

<sup>1</sup> Data from the Cameron County 2019 CAFR

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

See Table 3 for property value data

Population data can be found in Table 15

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

	Fiscal Year Ended									
	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
<b>First Lien Revenue Bond - Series 1996</b>										
Principal Maturity	\$ 680,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Payments	19,380	-	-	-	-	-	-	-	-	-
Total Bond Requirement	699,380	-	-	-	-	-	-	-	-	-
<b>First Lien Revenue Bond - Series 2000</b>										
Principal Maturity	185,000	190,000	200,000	-	-	-	-	-	-	-
Interest Payments	151,465	142,183	5,100	-	-	-	-	-	-	-
Total Bond Requirement	336,465	332,183	205,100	-	-	-	-	-	-	-
<b>First Lien Revenue Bond - Series 2002A</b>										
Principal Maturity	80,000	85,000	85,000	90,000	95,000	100,000	105,000	110,000	115,000	120,000
Interest Payments	59,858	56,000	34,186	13,800	12,620	11,374	10,064	11,117	11,659	9,245
Total Bond Requirement	139,858	141,000	119,186	103,800	107,620	111,374	115,064	121,117	126,659	129,245
<b>First Lien Revenue Bond - Series 2002B</b>										
Principal Maturity	85,000	90,000	95,000	100,000	105,000	105,000	110,000	115,000	120,000	125,000
Interest Payments	63,352	59,260	36,140	14,503	13,195	11,853	10,480	11,565	12,121	9,604
Total Bond Requirement	148,352	149,260	131,140	114,503	118,195	116,853	120,480	126,565	132,121	134,604
<b>First Lien Revenue Bond - Series 2009</b>										
Principal Maturity	10,000	740,000	775,000	815,000	855,000	900,000	-	-	-	-
Interest Payments	198,367	180,179	143,439	104,881	64,384	21,825	-	-	-	-
Total Bond Requirement	208,367	920,179	918,439	919,881	919,384	921,825	-	-	-	-
<b>First Lien Revenue Bond - Series 2011</b>										
Principal Maturity	-	-	15,000	235,000	240,000	245,000	255,000	260,000	270,000	285,000
Interest Payments	-	-	61,122	67,951	60,802	53,503	45,978	38,227	30,251	21,898
Total Bond Requirement	-	-	76,122	302,951	300,802	298,503	300,978	298,227	300,251	306,898
<b>First Lien Revenue Bond - Series 2012</b>										
Principal Maturity	-	-	-	-	50,000	50,000	335,000	345,000	355,000	370,000
Interest Payments	-	-	-	216,211	318,203	316,608	310,467	299,407	288,456	276,892
Total Bond Requirement	-	-	-	216,211	368,203	366,608	645,467	644,407	643,456	646,892
<b>First Lien Revenue Bond - Series 2016</b>										
Principal Maturity	-	-	-	-	-	-	-	635,000	670,000	705,000
Interest Payments	-	-	-	-	-	-	588,186	1,167,069	1,134,444	1,100,069
Total Bond Requirement	-	-	-	-	-	-	588,186	1,802,069	1,804,444	1,805,069
<b>Junior Lien Revenue Bond - Series 2003</b>										
Principal Maturity	130,000	130,000	135,000	140,000	-	-	-	-	-	-
Interest Payments	93,035	88,404	83,584	78,495	-	-	-	-	-	-
Total Bond Requirement	223,035	218,404	218,584	218,495	-	-	-	-	-	-
<b>Total Revenue Bonds</b>										
Principal Maturity	1,170,000	1,235,000	1,305,000	1,380,000	1,345,000	1,400,000	805,000	1,465,000	1,530,000	1,605,000
Interest Payments	585,457	526,026	363,571	495,840	469,204	415,163	965,175	1,527,385	1,476,931	1,417,708
<b>Annual Revenue Bond Debt Service</b>	<b>\$ 1,755,457</b>	<b>\$ 1,761,026</b>	<b>\$ 1,668,571</b>	<b>\$ 1,875,840</b>	<b>\$ 1,814,204</b>	<b>\$ 1,815,163</b>	<b>\$ 1,770,175</b>	<b>\$ 2,992,385</b>	<b>\$ 3,006,931</b>	<b>\$ 3,022,708</b>
<b>Net Revenues Available for Debt Service on Revenue Bonds (See Table 12)</b>	<b>\$ 5,182,971</b>	<b>\$ 5,107,834</b>	<b>\$ 7,683,277</b>	<b>\$ 12,894,088</b>	<b>\$ 22,505,299</b>	<b>\$ 17,389,618</b>	<b>\$ 9,281,871</b>	<b>\$ 12,444,201</b>	<b>\$ 14,725,189</b>	<b>\$ 20,500,869</b>
<b>Coverage Ratio (Net Revenues Available for Debt Service/Annual Debt Service)</b>	<b>2.12</b>	<b>3.02</b>	<b>7.88</b>	<b>12.76</b>	<b>28.09</b>	<b>23.96</b>	<b>3.74</b>	<b>5.28</b>	<b>6.05</b>	<b>8.52</b>

**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 Year Ended									
	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
<b>Gross Revenues</b>										
<b>Operating Revenues</b>										
Wharf Operations	\$ 4,286,523	\$ 5,824,799	\$ 7,183,128	\$ 5,785,934	\$ 6,734,176	\$ 8,839,423	\$ 8,296,515	\$ 10,588,550	\$ 11,619,061	\$ 10,698,211
Industrial Development	4,973,262	5,101,059	6,031,971	6,403,675	7,969,720	8,702,288	8,709,256	10,890,045	10,012,998	12,375,541
Foreign Trade Zone	410,851	431,554	451,418	402,739	411,863	412,423	430,387	452,708	488,355	49,792
Administrative Services /Permits	-	-	-	-	-	-	-	-	-	483,725
Facilities Maintenance	261,382	289,228	(6,968)	34,800	70,178	121,647	239,041	63,112	52,762	87,658
Mobile Harbor Crane	-	-	285,306	202,306	263,173	433,065	499,537	304,281	466,776	312,545
Security	342,220	411,157	468,276	412,988	439,378	559,112	656,067	724,360	811,422	708,268
Communications & Public Relations	-	-	-	-	-	-	-	34,556	46,245	50,710
Utilities Services	668,698	831,452	754,329	625,974	571,709	544,724	647,808	480,479	583,901	540,144
Water Plant & Distribution System	87,878	81,789	86,117	87,176	76,101	106,580	116,903	124,542	128,247	129,913
Total	11,030,814	12,971,038	15,253,578	13,955,592	16,536,299	19,719,262	19,595,514	23,662,633	24,209,767	25,436,507
<b>Non-Operating Revenues</b>										
Interest on Investments	526,175	454,763	337,396	352,605	296,834	279,705	321,740	528,729	981,612	869,644
Other	2,761,105	782,889	1,150,884	7,796,071	15,782,778	7,789,701	908,920	1,191,372	3,456,383	8,430,601
Total	3,287,280	1,237,652	1,488,279	8,148,676	16,079,612	8,069,407	1,230,660	1,720,101	4,437,995	9,300,245
<b>Total Gross Revenues</b>	<b>14,318,094</b>	<b>14,208,690</b>	<b>16,741,857</b>	<b>22,104,268</b>	<b>32,615,911</b>	<b>27,788,668</b>	<b>20,826,174</b>	<b>25,382,734</b>	<b>28,647,762</b>	<b>34,736,752</b>
<b>Operating Expenses, Other than Depreciation &amp; Amortization</b>										
Maintenance and Operation of Facilities										
Wharf Operations	485,461	592,424	578,499	566,147	646,906	649,775	654,467	676,739	692,611	1,263,550
Industrial Development	321,895	248,855	369,220	253,317	223,301	190,057	224,962	1,192,156	259,279	249,296
Foreign Trade Zone	114,655	121,390	131,757	112,322	113,774	112,953	224,799	260,632	250,243	128,347
Facilities Maintenance	2,007,620	1,984,724	1,787,394	1,776,528	1,940,721	2,098,057	2,129,819	2,168,024	2,689,567	2,393,847
Utility Services	-	-	-	-	-	-	-	41,146	156,369	1,014,020
Harbor Mobile Crane	-	-	356,054	299,191	290,959	320,189	407,787	351,379	413,465	375,051
Security	1,010,961	972,004	1,032,737	1,037,642	1,118,256	1,069,513	1,313,392	1,470,316	1,477,297	1,433,296
Environmental Services	1,990	1,716	-	-	-	-	-	-	-	-
Communications & Public Relations	-	-	-	-	-	-	-	24,555	28,061	41,838
Engineering & Utilities	1,231,092	1,330,182	1,262,570	1,213,823	1,348,238	1,346,258	1,463,137	1,514,183	1,400,003	532,261
Water Plant & Distribution System	108,745	109,930	132,952	139,016	132,644	48,777	89,524	142,411	145,250	145,060
Total	5,282,420	5,361,225	5,651,184	5,397,987	5,814,800	5,835,580	6,507,887	7,841,541	7,512,145	7,576,566
General and Administrative Expenses	3,149,308	3,080,737	2,983,398	3,064,398	3,718,267	4,134,077	4,637,569	4,535,266	4,846,479	5,138,641
<b>Total Operating Expenses</b>	<b>8,431,727</b>	<b>8,441,962</b>	<b>8,634,582</b>	<b>8,462,386</b>	<b>9,533,067</b>	<b>9,969,657</b>	<b>11,145,456</b>	<b>12,376,807</b>	<b>12,358,624</b>	<b>12,715,207</b>
<b>Non-Operating Expenses</b>										
Interest	599,496	526,309	333,915	580,539	503,519	396,750	369,952	483,595	1,457,670	1,397,700
Other	103,900	132,585	90,083	167,256	74,026	32,644	28,895	78,131	106,280	122,976
<b>Total Non-Operating Expenses</b>	<b>703,395</b>	<b>658,895</b>	<b>423,998</b>	<b>747,794</b>	<b>577,546</b>	<b>429,394</b>	<b>398,847</b>	<b>561,726</b>	<b>1,563,950</b>	<b>1,520,676</b>
<b>Total Expenses</b>	<b>9,135,123</b>	<b>9,100,856</b>	<b>9,058,580</b>	<b>9,210,180</b>	<b>10,110,613</b>	<b>10,399,051</b>	<b>11,544,303</b>	<b>12,938,533</b>	<b>13,922,574</b>	<b>14,235,883</b>
<b>Net Revenues Available For Debt Service on Revenue Bonds</b>	<b>\$ 5,182,971</b>	<b>\$ 5,107,834</b>	<b>\$ 7,683,277</b>	<b>\$ 12,894,088</b>	<b>\$ 22,505,299</b>	<b>\$ 17,389,618</b>	<b>\$ 9,281,871</b>	<b>\$ 12,444,201</b>	<b>\$ 14,725,188</b>	<b>\$ 20,500,869</b>
<b>Average Annual Debt Service on Revenue Bonds</b>	<b>\$ 2,441,384</b>	<b>\$ 1,691,389</b>	<b>\$ 974,741</b>	<b>\$ 1,010,611</b>	<b>\$ 801,300</b>	<b>\$ 725,668</b>	<b>\$ 2,481,562</b>	<b>\$ 2,356,870</b>	<b>\$ 2,434,452</b>	<b>\$ 2,406,440</b>
<b>Coverage by Net Revenues</b>	<b>2.12</b>	<b>3.02</b>	<b>7.88</b>	<b>12.76</b>	<b>28.09</b>	<b>23.96</b>	<b>3.74</b>	<b>5.28</b>	<b>6.05</b>	<b>8.52</b>

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

*This table sets forth the annual debt service requirements on the District's Revenue Bonds as of December 31, 2019, excluding bonds that have been refunded and defeased.*

Fiscal Year Ending December 31	Outstanding Debt Service Requirements
2020	\$ 3,020,831
2021	3,021,403
2022	2,723,862
2023	2,451,003
2024	2,448,321
2025	2,447,989
2026	2,449,805
2027	2,340,396
2028	2,339,718
2029	2,345,811
2030	2,353,392
2031	2,353,776
2032	2,361,912
2033	2,367,098
2034	2,369,248
2035	2,373,248
2036	2,378,829
2037	2,387,754
2038	2,390,651
2039	1,804,800
2040	1,805,400
<b>Total</b>	<b>\$ 50,535,246</b>

## **Demographic and Economic Information**

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**Brownsville Navigation District of Cameron County, Texas**  
**Miscellaneous Statistical Data**  
 Last Ten Years  
 (Unaudited)

**Brownsville Navigation District Facts:**

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

<u>Year</u>	<u>GDP (a)</u>	<u>National Unemployment (b)</u>	<u>Total U.S. Exports (c)</u>	<u>Total U.S. Imports (c)</u>	<u>U.S. Rig Count (d)</u>	<u>Oil Price \$/Bbl (e)</u>
2010	2.6%	9.6%	\$ 1,288.70	\$ 1,934.60	1,546	\$ 79.48
2011	1.6%	8.9%	1,497.40	2,235.70	1,875	94.88
2012	2.2%	8.1%	1,564.10	2,299.40	1,784	94.05
2013	1.8%	7.4%	2,272.30	2,743.90	1,771	97.98
2014	2.5%	6.2%	2,345.40	2,850.50	1,882	93.17
2015	2.9%	5.3%	2,230.30	2,761.80	714	48.66
2016	1.6%	4.9%	2,209.40	2,711.70	517	43.29
2017	2.2%	4.4%	2,329.30	2,895.30	875	50.80
2018	2.9%	3.9%	2,500.00	3,121.00	1,125	65.23
2019	2.1%	3.7%	2,499.80	3,116.50	944	57.00

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

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

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

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

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

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

Last Ten Fiscal Years

(Unaudited)

<b>Fiscal Year</b>	<b>Population</b>	<b>Per Capita Income</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>	<b>Personal Income</b>
2010	406,220	\$ 13,474	29.1	101,832	11.1%	\$ 18,550
2011	406,220	13,474	29.1	101,832	11.9%	18,550
2012	406,220	14,183	30.6	101,477	10.2%	23,236
2013	415,557	14,405	30.6	103,585	10.5%	23,236
2014	417,296	14,405	30.6	103,585	8.5%	24,802
2015	420,392	14,898	31.0	103,585	6.9%	25,211
2016	422,156	15,105	31.2	101,992	6.9%	26,826
2017	422,135	15,457	31.3	100,731	6.4%	27,055
2018	423,725	15,457	31.3	99,090	6.9%	27,055
2019	423,908	16,587	31.4	97,701	6.2%	28,756

*Source: Cameron County, Texas CAFR*

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

**Port of Brownsville Employers**

<b>No.</b>	<b>Employer</b>	<b>Type of Activity</b>	<b>2019 Estimated No. of Employees</b>	<b>% of Total Port of Brownsville Employment</b>	<b>2010 Estimated No. of Employees</b>
1	Keppel AmFELS, Inc.	Manufacturer	1,290	37.20%	1,675
2	Brownsville Acquisition, Inc.	Scrap Recycling	186	5.36%	-
3	International Shipbreaking Limited, LLC	Ship Breaking/Scrap	140	4.04%	306
4	Bedoli Group, Inc.	Scrap Recycling	125	3.60%	-
5	Gulf Stream Marine	Stevedoring	120	3.46%	67
6	Duro Standard Products Co., LLC	Paper Products	115	3.32%	134
7	Brownsville Navigation District	Vessel/Rental Services	101	2.91%	92
8	TransMontaigne Operating Company, L.P.	Terminal	80	2.31%	77
9	Seahorse Transportation	Transport	67	1.93%	-
10	Marcelino Ochoa	Fishing	64	1.85%	-

*Source: Brownsville Navigation District Real Estate Services Department*

**Cameron County, Texas Employers**

<b>No.</b>	<b>Employer</b>	<b>Type of Activity</b>	<b>2019 Estimated No. of Employees</b>	<b>% of Total Cameron County Employment</b>	<b>2010 Estimated No. of Employees</b>
1	Brownsville ISD	Education	6,842	25.96%	7,434
2	Valley Baptist Medical Center	Health Care	4,061	15.41%	2,647
3	Harlingen CISD	Education	3,331	12.64%	2,848
4	Southwest Key	Service	3,142	11.92%	-
5	H-E-B Grocery	Retail	1,932	7.33%	-
6	Cameron County	Government	1,843	6.99%	2,076
7	San Benito CISD	Education	1,634	6.20%	1,638
8	City of Brownsville	Government	1,237	4.69%	1,178
9	Schlitterbahn Beach Waterpark	Water Park/Resort	1,211	4.60%	-
10	Wal-Mart Associates, Inc.	Retail	1,118	4.24%	1,174

*Source: Cameron County, Texas CAFR*

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## **Operating Information**

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

		Berth Length (feet)	Berth Width (feet)	Height (feet)	Vessel Draft (feet)	10ft. Off Dock Special Fendering (feet)	Available Rail
<b>General Cargo Docks</b>							
Dock No. 1	General Cargo	420	165	14.8	26.4	31	Double depressed track
Dock No. 2	General Cargo	420	165	14.8	25.5	30	Double depressed track
Dock No. 3	General Cargo	440	165	14.8	32.5	32.5	Double depressed track
Dock No. 4	General Cargo	470	165	14.8	26	30	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	13.7	17.1	(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	34		Double railroad track on shipside apron; Double depressed track
Dock No. 15	Heavy Duty/Multi purpose Open Dock	600	145	12	39		Two-rail siding along warehouse
Dock No. 16	Heavy Duty/Multi purpose Open Dock	600	145	12	39		Two-rail siding behind patio
Bulk Cargo (Grain Elevator) Dock		400	43	12	39	39	
<b>Liquid Cargo Docks</b>							
Liquid Cargo Dock		30	60		39	39	
Dock No. 1		420	120	14.8	27.5	31	
Dock No. 2		420	120	14.8	27	32	
Dock No. 3		420	120	14.8	38	38	
Dock No. 5		1100	220	16.6	39		
Dock No. 6		1345	324	16.6			
<b>Cargo Storage Facilities</b>							
Covered Storage Areas		1 + million square feet					
Open Storage Areas		3 + million square feet					
<b>Cargo Handling Equipment</b>							
(3) 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.							
<b>Fishing Harbor</b>							
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)

**Breakdown of Waterborne Cargo by Product Classification (metric tons)**

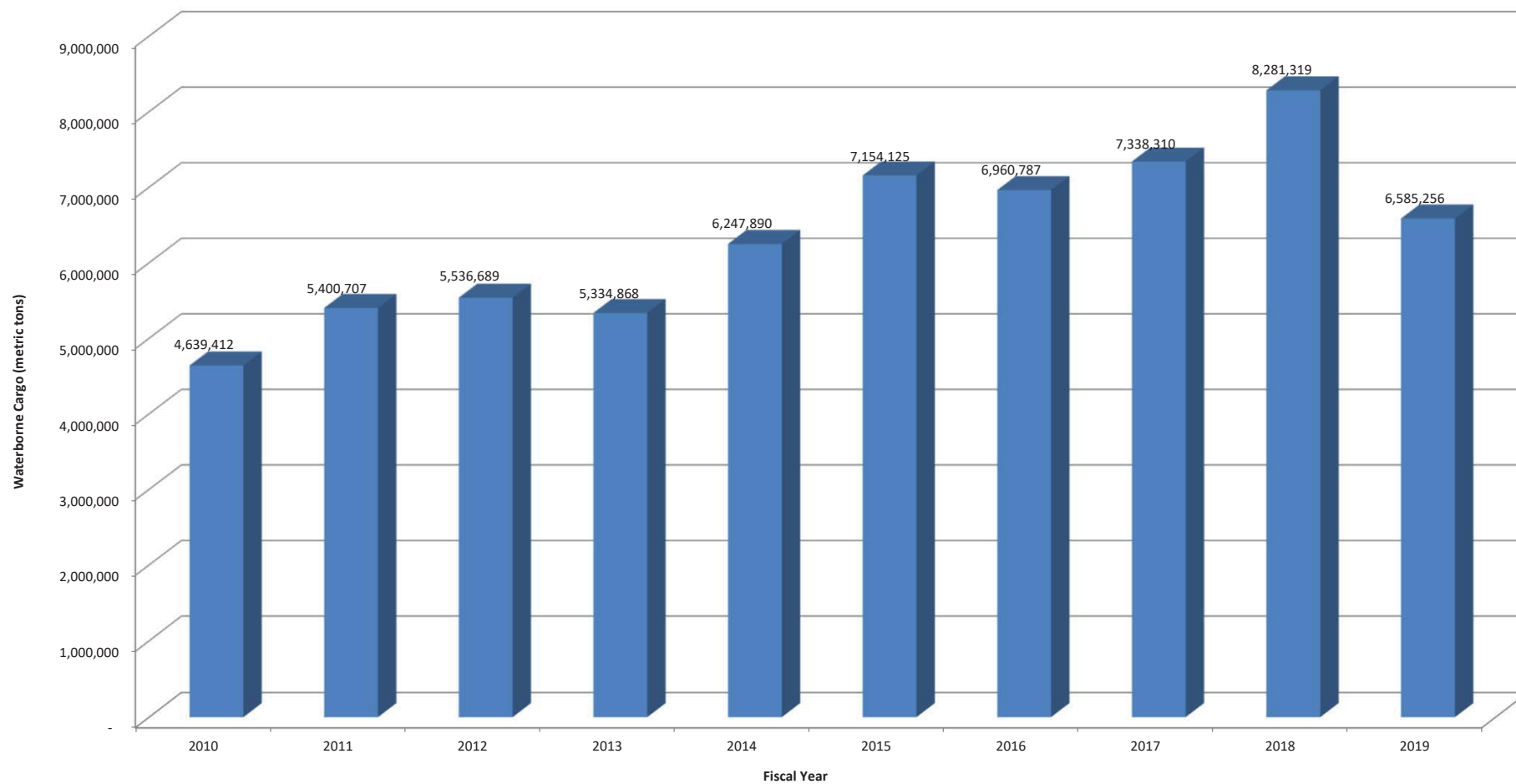
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Farm Products	11,709	-	-	-	-	-	-	-	1,841	2,776
Forest Products	-	-	-	-	-	20	-	-	-	-
Metallic Ores	49,786	11,911	35,061	54,608	66,876	20,754	5,980	6,063	5,908	22,830
Coal	13,603	-	-	-	-	-	-	-	-	-
Nonmetallic Minerals, Except Fuels	267,319	493,777	364,257	332,346	457,538	933,470	653,142	534,921	333,977	560,430
Food and Kindred Products	2,414	5,110	-	10,493	-	-	-	68,420	96,130	7,203
Chemicals and Allied Products	9,996	28,311	45,240	49,366	29,705	23,679	63,554	6,032	13,934	-
Petroleum and Coal Products	2,784,654	2,932,034	2,825,286	3,115,995	3,220,882	3,823,846	3,906,192	4,330,383	4,729,332	3,482,989
Stone, Clay and Concrete Products	-	-	-	-	-	-	252	14,001	71,569	99,530
Primary Metal Products	1,358,982	1,648,311	2,018,001	1,576,543	2,333,491	2,256,784	2,237,335	2,174,706	2,843,217	2,224,208
Fabricated Metal Products	1,347	-	8,220	-	11,977	37,545	43,309	46,608	39,485	82,682
Lumber and Wood Products	-	-	-	-	-	-	372	79,158	-	-
Machineries	158	309	-	-	4,472	1,004	252	-	296	100
Special Items	1,677	1,954	7,592	2,878	3,270	3,127	8,112	818	1,290	10,528
Transportation Equipment	384	-	-	-	222	586	535	81	474	49
Waste and Scrap Materials	131,334	273,209	229,612	188,633	115,192	48,221	35,962	71,316	135,771	86,075
Water	6,049	5,781	3,420	4,004	4,264	5,089	5,790	5,803	8,095	5,858
<b>Total</b>	<b>4,639,412</b>	<b>5,400,707</b>	<b>5,536,689</b>	<b>5,334,868</b>	<b>6,247,890</b>	<b>7,154,125</b>	<b>6,960,787</b>	<b>7,338,310</b>	<b>8,281,319</b>	<b>6,585,256</b>

**Summary of Waterborne Cargo by Movement Type (metric tons)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Foreign</b>										
Imports	2,400,429	2,800,164	2,805,683	1,995,829	2,912,016	3,651,992	3,069,005	3,148,009	4,053,342	3,176,426
Exports	345,284	456,067	125,565	271,498	247,007	687,250	495,349	798,782	805,210	760,521
<b>Total Foreign</b>	<b>2,745,713</b>	<b>3,256,231</b>	<b>2,931,248</b>	<b>2,267,327</b>	<b>3,159,023</b>	<b>4,339,242</b>	<b>3,564,354</b>	<b>3,946,791</b>	<b>4,858,552</b>	<b>3,936,947</b>
<b>Coastwise</b>										
Receipts	645,230	614,069	918,999	1,333,951	1,237,280	1,238,634	1,690,879	1,589,505	1,474,048	854,620
Shipments	15,569	88,237	406,378	646,736	622,411	426,847	544,982	115,522	63,234	39,479
<b>Total Coastwise</b>	<b>660,799</b>	<b>702,306</b>	<b>1,325,377</b>	<b>1,980,687</b>	<b>1,859,691</b>	<b>1,665,481</b>	<b>2,235,861</b>	<b>1,705,027</b>	<b>1,537,282</b>	<b>894,099</b>
<b>Intercoastal</b>										
Receipts	673,247	764,584	716,208	538,336	716,173	761,379	959,848	1,457,353	1,655,435	1,584,289
Shipments	559,652	677,586	563,857	548,518	513,004	388,024	200,724	229,139	230,050	169,922
<b>Total Intercoastal</b>	<b>1,232,899</b>	<b>1,442,170</b>	<b>1,280,064</b>	<b>1,086,854</b>	<b>1,229,176</b>	<b>1,149,402</b>	<b>1,160,572</b>	<b>1,686,492</b>	<b>1,885,485</b>	<b>1,754,211</b>
Total Imports	2,400,429	2,800,164	2,805,683	1,995,829	2,912,016	3,651,992	3,069,005	3,148,009	4,053,342	3,176,426
Total Exports	345,284	456,067	125,565	271,498	247,007	687,250	495,349	798,782	805,210	760,521
Total Receipts	1,318,477	1,378,653	1,635,207	1,872,288	1,953,453	2,000,012	2,650,727	3,046,858	3,129,483	2,438,908
Total Shipments	575,221	765,823	970,234	1,195,253	1,135,415	814,871	745,706	344,661	293,284	209,402
<b>Total</b>	<b>4,639,412</b>	<b>5,400,707</b>	<b>5,536,689</b>	<b>5,334,868</b>	<b>6,247,890</b>	<b>7,154,125</b>	<b>6,960,787</b>	<b>7,338,310</b>	<b>8,281,319</b>	<b>6,585,256</b>



### Total Waterborne Cargo at the Port of Brownsville (metric tons)



**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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Barges	657	858	707	618	653	632	525	741	803	870
Cargo Vessels	77	110	124	102	118	131	29	44	67	30
Deck Barges	1	-	5	8	-	3	-	1	-	1
Drilling Rig	4	10	3	4	3	19	12	6	5	7
Fishing vessels	-	-	-	-	-	-	-	-	-	294
Miscellaneous	77	-	-	-	-	13	123	98	109	134
Ocean Barges	55	46	78	111	51	51	123	92	46	50
Scrap Vessels / Barges	36	37	32	27	15	9	6	7	12	7
Tugs	-	84	62	91	127	164	199	242	158	112
Tankers	79	92	72	69	92	118	74	86	106	61
Total	986	1,237	1,083	1,030	1,059	1,140	1,091	1,317	1,306	1,566

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

		<b>Fiscal Year</b>									
		<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
<b>Hourly/Salaried Employees</b>											
Hourly Employees (Non-Exempt)		73	73	74	73	75	74	74	76	76	70
Salaried Employees (Exempt)		<u>19</u>	<u>16</u>	<u>19</u>	<u>19</u>	<u>21</u>	<u>24</u>	<u>25</u>	<u>25</u>	<u>28</u>	<u>31</u>
		92	89	93	92	96	98	99	101	104	101
<b>Operations Employees</b>											
Hourly Employees (Non-Exempt)		60	58	58	57	58	56	58	58	59	55
Salaried Employees (Exempt)		<u>6</u>	<u>3</u>	<u>5</u>	<u>6</u>	<u>10</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>11</u>	<u>9</u>
		66	61	63	63	68	65	67	67	70	64
<b>Administrative Employees</b>											
Hourly Employees (Non-Exempt)		13	15	16	16	17	18	16	18	17	15
Salaried Employees (Exempt)		<u>13</u>	<u>13</u>	<u>14</u>	<u>13</u>	<u>11</u>	<u>15</u>	<u>16</u>	<u>16</u>	<u>17</u>	<u>22</u>
		26	28	30	29	28	33	32	34	34	37

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## **SINGLE AUDIT SECTION**

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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 (the "District"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 1, 2020.

**Internal Control over Financial Reporting**

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

## Purpose of this Report

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

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

CARR, RIGGS & INGRAM, LLC

Brownsville, Texas

July 1, 2020



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Navigation and Canal Commissioners  
Brownsville Navigation District

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

We have audited Brownsville Navigation District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of District's major federal programs for the year ended December 31, 2019. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

### **Report on Internal Control over Compliance**

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

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

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

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

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

Brownsville, Texas  
July 1, 2020

**Schedule of Findings and Questioned Costs**

For the year ended December 31, 2019

**SECTION I—SUMMARY OF AUDITORS' RESULTS***Financial Statements*

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(es) identified? ☐ yes ☒ none noted

Noncompliance material to financial statements noted?

☐ yes ☒ no*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(es) identified? ☐ yes ☒ none noted

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200.516(a)?

☐ yes ☒ none noted

Identification of major federal programs:

Federal CFDA Number	Federal Program or Cluster
11.300	Investments for Public Works and Economic Development Facilities (Economic Development Cluster)
20.205	Highway Planning and Construction (Highway Planning and Construction Cluster)

Dollar threshold used to distinguish between type A and B programs was \$750,000 for major federal programs.

Auditee qualified as a low-risk auditee for federal purposes?

☐ yes ☒ no

**Schedule of Findings and Questioned Costs (Continued)**

For the year ended December 31, 2019

**SECTION II—FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**SECTION IV- PRIOR FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

N/A

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**Schedule of Expenditures of Federal Awards**  
For the year ended December 31, 2019

<b>Federal Grantor Pass-Through Grantor Program/Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Contract/Grant Number</b>	<b>Federal Expenditures(\$)</b>	<b>Payments to Subrecipients</b>
<b>Department of Commerce</b>				
Direct Program				
Economic Development Cluster				
Investments for Public Works and Economic Development				
Facilities	11.300		\$ 1,800,000	\$ -
Total Economic Development Cluster			1,800,000	-
<b>Total Department of Commerce</b>			1,800,000	-
<b>Department of Transportation</b>				
Passed through Texas Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	CSJ - 0921-06-275	867,538	-
Total Highway Planning and Construction Cluster			867,538	-
<b>Total Department of Transportation</b>			867,538	-
<b>Total Expenditures of Federal Awards</b>			\$ 2,667,538	\$ -

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**Notes to the Schedule of Expenditures of Federal Awards**

For the year ended December 31, 2019

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of presentation***

The accompanying schedule of expenditures of federal awards includes the federal spending of the Brownsville Navigation District of Cameron County, Texas (the "District") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not represent the financial position of the District.

**Note 2: INDIRECT COST RATE**

The Uniform Guidance allows an organization to elect a 10% de minimis indirect cost rate. For the year ended December 31, 2019, the District did not elect to use this rate.

**Note 3: LOAN / LOAN GUARANTEE OUTSTANDING BALANCES**

The District did not have any federal loans or loan guarantees outstanding during the year ended December 31, 2019.

**NOTE 4: SUB-RECIPIENTS**

During the year ended December 31, 2019, the District had no sub-recipients.

**Note 5: NONCASH ASSISTANCE AND OTHER**

The District did not receive any noncash assistance or federally funded insurance during the year ended December 31, 2019.

**Note 6: CONTINGENCIES**

Grant monies received and disbursed by the District are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon experience, the District does not believe that such disallowance, if any, would have a material effect on the financial position of the District.

**Note 7: FEDERAL PASS-THROUGH FUNDS**

The District is also the sub-recipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as pass-through are considered to be direct.

**Note 8: SUBSEQUENT EVENTS**

On February 26, 2020, upon request by the District, the grantor for CFDA 11.300, Investments for Public Works and Economic Development Facilities increased their reimbursement rate to 32.93% from the original rate of 27.96%. The expense amount shown on the Schedule of Expenditures of Federal Awards has been adjusted to reflect the updated rate.



BROWNSVILLE NAVIGATION DISTRICT  
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