

Comprehensive Annual Financial Report

**For The Fiscal Years Ended
September 30, 2019 and 2018**



1100 Cherry Street, Freeport, TX 77541
(979) 233-2667 / FAX (979) 373-0023



**Port Freeport
Freeport, Texas**

Comprehensive Annual Financial Report
For the Fiscal Years Ended
September 30, 2019 and 2018

Prepared by:

Rob Lowe
Chief Financial Officer

Mary Campus
Controller

PORT FREEPORT

Freeport, Texas

Comprehensive Annual Financial Report Fiscal Years Ended September 30, 2019 and 2018

Table of Contents

	Page	Table
Introductory Section		
Certificate of Achievement for Excellence in Financial Reporting	3	
State of the Port Letter by Executive Director/CEO	7-8	
Directory of Officials	9-10	
Organizational Chart	11	
Letter of Transmittal	12-14	
Financial Section		
Independent Auditor's Report	17-18	
Management's Discussion and Analysis	19-29	
Basic Financial Statements:		
Statements of Net Position	30-31	
Statements of Revenues, Expenses, and Changes in Net Position	33	
Statements of Cash Flows	34-35	
Notes to the Financial Statements	36-58	
Statistical Section		
Ten Year Cargo Quantities Analysis	63	1
Container Traffic Statistics	63	2
Cargo Traffic Statistics	64-65	3
Net Position by Component	66-67	4
Summary of Revenues, Expenses and Changes in Net Position	68-69	5
Property Tax Rates - Direct and Overlapping Governments	70-71	6
Valuation, Exemptions and General Obligation Debt	72	7
Taxable and Estimated Valuation of Properties Located Within the Port Taxing District	73	8
Property Tax Levies and Collections	74	9
Principal Taxpayers	75	10
Computation of Direct and Overlapping Bonded Debt of General Obligation Bond Issues	76	11
Ratio of Outstanding Debt by Type	77	12
Ratio of Net General Bonded Debt to Taxable Value and to Net Bonded Debt per Capita	78	13
Pledged Revenue Bond Indebtedness Coverage	80-81	14
Summary of Annual Cash Requirements on Debt Outstanding	82	15
Summary of Annual Cash Requirements on General Obligation Debt Outstanding	83	16
General Obligation Bonds, Series 2019 (Non-AMT)	84	17
Summary of Annual Cash Requirements on Revenue Debt Outstanding	85	18
Senior Lien Revenue Refunding Bonds, Series 2013A (AMT)	86	19
Senior Lien Revenue and Refunding Bonds, Series 2015A (AMT)	87	20
Senior Lien Revenue Refunding Bonds, Series 2018 (AMT)	88	21
Capital Lease	89	22
Miscellaneous Statistical Data	90	23
History of the Port	91-95	
Map of Current Facilities	96	
Map of Port Freeport and Vicinity	97	



Government Finance Officers Association

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

Presented to

**Port Freeport
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2018

Christopher P. Morill

Executive Director/CEO



PORT FREEPORT

Strategic Initiatives

Port Freeport is fully committed to the advancement of four key strategic initiatives:

Freeport Harbor Channel Improvement Project

The Freeport Harbor Channel Improvement Project, a federally authorized project will deepen the Channel from its current 46 feet to depths ranging from 51 to 56 feet mean lower low water, as well as additional widening features to enhance the safe and efficient navigation of the waterway.

Expansion of Velasco Container Terminal

The Velasco Container Terminal at full buildout will feature 2,400 feet of berth equipped with new post-Panamax gantry cranes.

Development of Rail-served Warehousing and Distribution Facilities

The project at full buildout will include a 250-acre multi-modal industrial park with 40,000 feet of rail tracks, vehicle storage and processing areas, warehousing facilities, and distribution centers.

Supporting Development of Inland Transportation Infrastructure

Port Freeport supports the development of efficient transportation solutions to move commerce from Freeport to Texas markets and the heart of the United States.





1100 CHERRY ST. • FREEPORT, TX 77541
(979) 233-2667 • 1 (800) 362-5743 • FAX: (979) 373-0023
WWW.PORTFREEPORT.COM

STATE OF THE PORT

February 13, 2020

**MEMBERS OF THE PORT COMMISSION
PORT FREEPORT
FREEPORT, TEXAS**

Re: Port Freeport's strategic initiatives paying huge dividends

Gentlemen,

Providing nationwide total economic outputs of nearly \$150 billion a year, Port Freeport is clearly demonstrating that its strategic initiatives are paying big dividends. As further terminal expansions and a deeper, wider ship channel advance, Port Freeport is purposefully building upon its impressive contributions to economic wellbeing near and far.

Within Texas alone, the Freeport Harbor Channel was responsible for 150,651 jobs, producing \$9 billion in income, while generating economic output of \$98.8 billion in 2017, according to a 2019 study by the Texas A&M Transportation Institute. The statewide impact figure is more than double that calculated in a similar analysis just five years earlier. The most recent report puts Port Freeport's nationwide impact at \$149 billion, with the port supporting 279,783 U.S. jobs.

Even more remarkable impacts are ahead.

By early summer 2020, initial construction is slated to begin on the Freeport Harbor Channel Improvement Project, to bring the channel to depths ranging from 51-56 feet mean lower low water (MLLW) plus widen certain areas, thus facilitating safer, more efficient movement of larger vessels loaded to greater capacity.

Foresighted port district voters are to be thanked for their invaluable support, with their May 2018 referendum passage having set the stage for a \$130 million bond package, which, combined with federal funds, is making the \$295 million channel project possible. At the same time, the Port Freeport Commission has continued to honor its commitment to hold the district's property tax rate.

Not only is the channel undergoing significant enhancement, but improvements to the port's landside infrastructure are underway as well. Key endeavors include:

- Completion of the first phase and, with the help of a \$6.3 million federal grant, advancement of the second phase of expanded intermodal facilities to ultimately encompass 250 acres of warehousing, packaging and distribution operations along with 45,000 feet of new rail tracks;
- Commencement of expansion of the port's dynamic container terminal, including a 925-foot-long berth extension, to accommodate post-Panamax cranes.

With Port Freeport public docks handling a record 325 vessels and the public and private docks combining to handle more than 1,000 ships, a new vessel dispatch center has come online, in partnership with the Brazos Pilots Association and such petrochemical and energy industry leaders as The Dow Chemical Co., Enterprise Products Partners L.P., Freeport LNG and Phillips 66 providing improved communications and cost-savings from the

PORT COMMISSION

SHANE PIRTLE, CHAIRMAN; PAUL KRESTA, VICE CHAIRMAN; RUDY SANTOS, SECRETARY; JOHN HOSS, ASST. SECRETARY;
RAVI K. SINGHANIA, COMMISSIONER; DAN CROFT, COMMISSIONER; PHYLLIS SAATHOFF, EXECUTIVE DIRECTOR/CEO

efficiency gained in vessels scheduling. This is important as further increases in vessel calls are expected as economic expansion continues in the area.

Sustained growth in cargo volumes, including exported plastic resins, is bolstering activity for global ocean carrier CMA CGM as it enters its second year calling Port Freeport with its weekly Brazex service, offering a direct link with Brazil and vast transshipment opportunities all along the East Coast of South America and throughout the world.

Tenaris, a major supplier of steel products for the energy industry, has not been deterred by tariffs as it continues to ship robust volumes through Port Freeport and along a state-legislature-approved heavyweight truck corridor. Port Freeport remains, as it has for decades, a hub for imports of green fruit and exports of Texas rice.

Port Freeport is staying on very solid financial ground. The first \$32 million in bonds supported by the 2018 referendum, issued in June 2019, earned a stellar rating of Aa2 from Moody's Investors Service. The port continues to garner excellent ratings from Standard & Poor's and each year for three decades has been recognized by the Government Finance Officers Association (GFOA) for excellence in financial reporting.

Port Freeport continues to excel on environmental and community fronts, as well.

Environmental stewardship is a critical aspect of every Port Freeport undertaking, and Tenaris and transport partner Jetco Delivery were recently acknowledged for their use of the heavyweight truck corridor, significantly reducing potential vehicle emissions.

The hemispheric American Association of Port Authorities has bestowed a communications award of excellence upon Port Freeport for its multimedia informational campaign engaging the community in the channel project and bond referendum processes.

Two major annual events remain at the forefront of Port Freeport's community involvement and benevolence. The latest edition of the Port Freeport Golf Tournament netted a record \$69,250 in proceeds for not-for-profit Texas Port Ministry, serving more than 10,000 international seafarers and more than 150,000 truck drivers. Last May, the port's 19th annual Take-A-Child Fishing Tournament brought out an all-time-high 336 young anglers and their families while collecting nearly 500 cans of food for the Brazoria County Dream Center pantry.

Under the insightful guidance of the Port Freeport Commission, the port, in collaboration with its broad spectrum of stakeholders, confidently looks forward to still greater accomplishments, furthering its position as the region's backbone of socioeconomic prosperity for generations to come.

With utmost appreciation and sincerity,

A handwritten signature in black ink, reading "Phyllis Saathoff". The signature is fluid and cursive, with the first name "Phyllis" and last name "Saathoff" clearly distinguishable.

Phyllis Saathoff, CPA, PPM®
Executive Director/CEO

PORT FREEPORT

Directory of Officials

Port Commission



Shane Pirtle
Chairman



Paul Kresta
Vice Chairman



Rudy Santos
Secretary



John Hoss
Assistant Secretary



Ravi K. Singhanian
Commissioner



Dan Croft
Commissioner

PORT FREEPORT

Directory of Officials Executive Staff



Phyllis Saathoff
Executive Director/CEO



Rob Lowe
Chief Financial Officer/
Director of Administration



Jason Miura
Director of Business/
Economic Development



Jason Hull
Director of Engineering



Al Durel
Director of Operations



Mary Campus
Controller



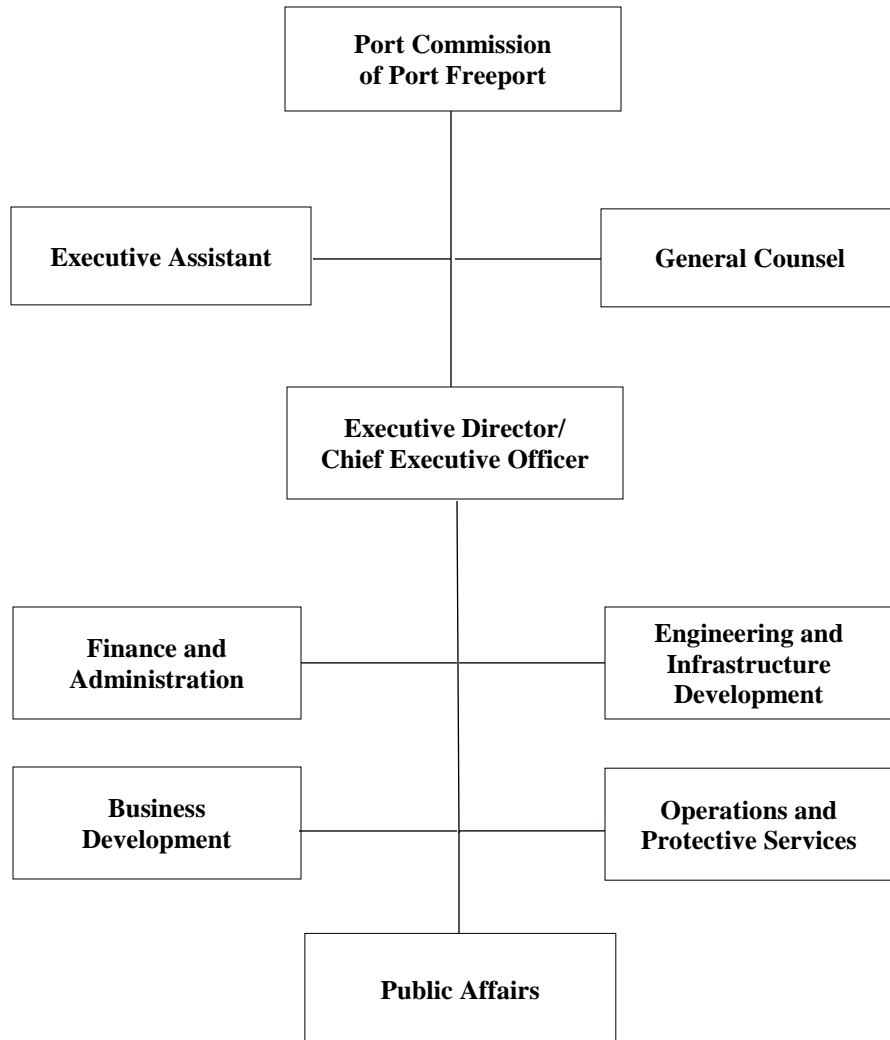
Mike Wilson
Director of Economic Development
and Freight Mobility



Chris Hogan
Director of Protective Services

PORT FREEPORT

Organizational Chart





1100 CHERRY ST. • FREEPORT, TX 77541
(979) 233-2667 • 1 (800) 362-5743 • FAX: (979) 373-0023
WWW.PORTFREEPORT.COM

LETTER OF TRANSMITTAL

February 13, 2020

**MEMBERS OF THE PORT COMMISSION
PORT FREEPORT
FREEPORT, TEXAS**

Gentlemen:

The Comprehensive Annual Financial Report for Port Freeport (Port) for the year ended September 30, 2019 is hereby submitted for your review. Responsibility for both the accuracy of the information contained herein and the completeness and fairness of the presentation, including all disclosures, rests with the administration of the Port. To the best of our knowledge and belief, the enclosed data is accurate in all material aspects and is reported in a manner designed to fairly present the financial position and results of operations of the Port. All disclosures necessary to enable the reader to gain an understanding of the Port's financial activities have been included.

The Port has prepared the Comprehensive Annual Financial Report following the guidelines recommended by the Government Accounting Standards Board (GASB).

GENERAL

Brazoria County is one of Texas' most fertile agricultural areas, one of the region's more prolific fuel and mineral areas, and in recent decades, the location of one of the world's largest chemical manufacturing complexes. The primary economic bases of the county include chemical manufacturing, petroleum and natural gas processing, offshore production maintenance services, diversified manufacturing, biochemical and electronic industries and agriculture. In addition, the area's deep-water channel and port facilities, sport fishing services and tourism are major components of the county's economic base. Since 2004, the northern portion of the county has seen extensive residential, retail and healthcare development with no evidence of slowing in the near term. The southern and western portions of the county are currently experiencing substantial industrial expansion with \$ 17.9 billion of new oil-and-gas-related plants completed and an estimated \$ 6.6 billion coming online in the near future. The Brazoria County Index of Leading Economic indicators decreased 6.25 percent from August 2018 to August 2019. The Leading Economic Index, which is designed to forecast the economic performance of the county over the next three to six-months, has been above the six-month moving average for five of the last seven months. This indicates that the county is likely entering into or is currently experiencing a period of positive economic growth. (Brazosport College Economic Forecasting Center, 2019).

Port Freeport is a political subdivision of the State of Texas encompassing approximately 85 percent of Brazoria County, Texas. The Port exists under the provisions of Article XVI, Section 59 of the Texas State Constitution and related sections of the Revised Civil Statutes of the State of Texas and all amendments thereto. In 2007, the State of Texas passed House Bill 542, which changed the legal name of the Brazos River Harbor Navigation District to "Port Freeport" and the name of the governing body of the Brazos River Harbor Navigation District to "Port Commission" and the name of each member of the Port Commission to "Port Commissioner." The Port, being a political subdivision of the State of Texas, is a separate and distinct entity and operates independently with its own Port Commission as its governing body.

The Port Commission is comprised of six members. Five positions represent a specific geographic area, and one position is at-large. Each Port Commissioner serves a term of six years. The six-year terms are staggered with an election for two commissioner positions held each uneven-numbered year.

The Executive Director/CEO and staff manage the operations of the Port under the auspices of the Port's Commission.

PORT COMMISSION

SHANE PIRTLE, CHAIRMAN; PAUL KRESTA, VICE CHAIRMAN; RUDY SANTOS, SECRETARY; JOHN HOSS, ASST. SECRETARY;
RAVI K. SINGHANIA, COMMISSIONER; DAN CROFT, COMMISSIONER; PHYLLIS SAATHOFF, EXECUTIVE DIRECTOR/CEO

FINANCIAL

The financial statements are prepared using the single enterprise fund model in accordance with GASB 34. The financial reporting entity includes the enterprise fund of the primary government, Port Freeport, as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The Brazos Harbor Industrial Development Corporation (IDC) is a component unit of the Port; however, it is discretely presented and has no assets, liabilities, equities or financial transactions. Financial information for the IDC is limited to the disclosure of revenue bonds issued on behalf of others in the notes to the financial statements.

Discussion and analysis of the financial statements and the Port's financial performance may be found in Management Discussion and Analysis at the beginning of the Financial Section.

Internal Controls. The administration of the Port is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Port are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformance with generally accepted governmental accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of costs and benefits requires estimates and judgments by administration. The Port has adopted practices and procedures measures related to fraud prevention and reporting.

The Port Commission adopts an annual budget in September for the next fiscal year beginning October 1. Management periodically presents statements comparing actual with budget, explaining significant variances.

Other Financial information

The Port has financial policies designed to provide parameters for managing the financial performance of the Port. Two of the Port's more significant financial policies are the cash management and risk management policies.

Cash Management. The Port's investment policy complies with the Public Funds Investment Act and is designed to minimize any risk of loss of principal, while maintaining a competitive yield on the funds it has available for investment. Accordingly, Port cash temporarily idle during the year was invested in money market funds, certificates of deposit and guaranteed governmental securities as authorized by the policy. In addition, all deposits were and continue to be either insured by federal depository insurance or otherwise collateralized. All collateral on deposits in excess of federal depository insurance amounts are held by the Port or by the financial institution's trust department or a Federal Reserve Bank in the Port's name.

Risk Management. The Port's schedule of insurance provides for comprehensive coverage of all areas of risk. The Port has engaged a consultant to assist with risk management issues.

Independent Auditor. The state statutes require an annual audit by independent certified public accountants. KM&L, LLC, the independent certified public accountants selected by the Port Commission, audited the basic financial statements for the year ended September 30, 2019.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for excellence in financial reporting to the Port for its Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 2018. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such comprehensive annual financial reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Port has received this prestigious award for the last thirty consecutive fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

MAJOR INITIATIVES

2019. As a continuation of master planning efforts, the Port has established four (4) critical strategic objectives. These objectives can be summarized as follows:

- The deepening of the Port's navigational channel to the Federal authorized depth of 56 feet as well as making certain identified navigational improvements to promote safe and efficient transit
- The expansion of the Port's container facilities located on Velasco Terminal
- Support the development of efficient transportation solutions to move commerce between Port Freeport Texas markets and the heart of the United States.
- Development of integrated warehousing and rail facilities

Accomplishment of these objectives will be through a phased approach, with a focus on long-term development and reconfiguration of the Port's facilities in order to capture identified addressable market opportunities as well as maintain and grow existing lines of business.

Efforts initiated or continued into 2019 include: the completion of the first phase of construction of the rail development project at a cost of \$ 26.5 million; further development of Velasco Terminal backland areas; the continuation of land acquisition efforts supporting access and expanding operations of the Port's Velasco Terminal; and the construction start on twenty acres of automobile storage on the multimodal industrial park.

Future. With a favorable outcome for both the initial reconnaissance and subsequent feasibility studies, the United States Army Corps of Engineers (USCOE) issued its Chief's Report early in 2013 to the United States Congress recommending the deepening of the Freeport Harbor Channel. Acting on this recommendation, Congress included in the Water Resources Reform and Development Act (WRRDA) of 2014 authorization to move forward with the proposed project funding initial construction planning and design work. During 2014, it was determined additional improvements, beyond those proposed and authorized in WRRDA, were necessary in order to accommodate the safe navigation of the feasibility study's design vessel. The Port actively engaged with the USCOE to develop a process to adjust for these additional requirements, which include bend easing and channel width increases. The General Re-evaluation Report (GRR) approval was received in May 2018. Current estimated totally funded project costs are \$ 295 million, which will be shared between the Federal Government and the Port based on defined cost shares.

Permitting and detailed design work for the expansion of Velasco Terminal has been completed and as recommended in Master Planning efforts, includes the construction of a 925 Berth extension, purchase of additional ship to shore gantry cranes and development of backland to support berth operations. Construction is expected to commence in the first quarter 2020. Costs associated with this further build out is \$ 163.5 million over the next five years and will be funded through a combination of operating income and bond revenues, which includes the acquisition of two (2) additional ship to shore gantry cranes. In addition to the activities associated with the Velasco Terminal, development of a multimodal industrial park will also continue in 2020.

The continued strategy of maintaining long term contracts combined with strong operational growth plans and established financing options will support these projects and initiatives while also enabling continued infrastructure development beyond those specifically noted.

These initiatives as well as others are outlined further in Management's Discussion and Analysis in the Financial Section.

ACKNOWLEDGEMENTS

The preparation of this Comprehensive Annual Report could not have been accomplished without the contributions of the Finance Department and other staff members. They have my sincere appreciation for their dedication and diligence in preparing this report. Thanks and appreciation are extended to the Executive Director/CEO and Commissioners, as well, for their guidance, insight and support throughout the year.

Respectfully Submitted,



Rob Lowe
Chief Financial Officer

PORT FREEPORT

Economic Impact

The results of the 2019 Economic Impact Analysis performed by Texas A&M Transportation Institute estimate the total economic impact that the Freeport Harbor Channel has on local, statewide, and national economies through the operation of and investment in leased and privately-owned terminals.

Statewide Annual Economic Impact

*150,651 jobs
\$3.2 billion federal tax revenues
\$98.8 billion total economic output*

Nationwide Annual Economic Impact

*279,780 jobs
\$5.4 billion federal tax revenues
\$149 billion total economic output*

The impacts of the study are based upon 2017 data and are provided as direct, indirect and induced effects of the operations along the Freeport Harbor Channel and are reported in terms of employment, production, income, and tax revenues.





Independent Auditor's Report

To the Port Commissioners
Port Freeport
Freeport, Texas 77541

Report on the Financial Statements

We have audited the accompanying financial statements of Port Freeport ("the Port") as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 Port, as of September 30, 2019 and 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Lake Jackson
8 W Way Ct.
Lake Jackson, TX 77566
979-297-4075

El Campo
201 W. Webb St.
El Campo, TX 77437
979-543-6836

Angleton
2801 N. Velasco, Suite C
Angleton, TX 77515
979-849-8297

Bay City
2245 Avenue G
Bay City, TX 77414
979-245-9236



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19-29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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 February 13, 2020, on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

KM&L, LLC

Lake Jackson, Texas
February 13, 2020

PORT FREEPORT

Management Discussion and Analysis

The management of Port Freeport (Port) offers readers this narrative overview and analysis of the financial activities for the fiscal years ended September 30, 2019, 2018 and 2017. This section is intended to enhance the clarity and usefulness of the financial statements for citizens, oversight bodies, investors and creditors. The Port's financial activities are being reported under the requirements of Governmental Accounting Standards Board (GASB) Statement 34 as a single enterprise fund.

Financial Highlights

September 30, 2019

- Total Net Position increased by \$ 12.4 million.
- Total Assets increased by \$ 44.2 million primarily due to an increase in property, plant and equipment of \$ 11.8 million from purchases of land, Port improvements, and equipment, an increase in cash and cash equivalents of \$ 18.5 million, and an increase in investments of \$ 13.2 million.
- Total Liabilities increased by \$ 31.8 million due to the net bond proceeds of \$ 35.4 million and scheduled payments on capital leases and bonds outstanding.
- Change in Net Position was higher than the prior year primarily due to the increase of operating revenue.

September 30, 2018

- Total Net Position increased by \$ 11.7 million.
- Total Assets increased by \$ 37.0 million primarily due to an increase in property, plant and equipment of \$ 13.2 million from purchases of land, Port improvements, and equipment and an increase in cash and cash equivalents of \$ 31.5 million, offset by a decrease in investments of \$ 8.4 million.
- Total Liabilities increased by \$ 25.3 million due to the net bond proceeds of \$ 34.2 million and scheduled payments on capital leases and bonds outstanding.
- Change in Net Position was higher than the prior year primarily due to the increase of operating revenue.

September 30, 2017

- Total Net Position increased by \$ 6.7 million.
- Total Assets increased by \$ 1.5 million primarily due to an increase in property, plant and equipment of \$ 2.6 million from purchases of land, improvements and building of storage yards and an increase in cash and cash equivalents of \$ 6.8 million, offset by a decrease in investments of \$ 8.2 million.
- Total Liabilities decreased by \$ 5.2 million due to scheduled payments on capital leases and bonds outstanding.
- Change in Net Position was higher than the prior year primarily due to asset demolition expenses in the prior year.

Overview of Financial Statements

This discussion and analysis serves as an introduction to the Port's basic financial statements. These statements include a statement of net position that is a statement of assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position; a statement of revenues, expenses and changes in net position that reports all revenues and expenses during the year and their net; a statement of cash flows that reports sources and uses of cash; and notes to the financial statements that explain some of the information in the financial statements and provide supporting detail. The basic financial statements are prepared on the accrual basis, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is received or paid.

PORT FREEPORT

Management Discussion and Analysis

Financial Analysis

Over time, increases or decreases in the Port's net position may serve as a useful indicator of whether the Port's financial position is improving or deteriorating. For the years ended September 30, 2019, 2018 and 2017, the Port's net position increased by 6 percent, 6 percent and 3 percent to \$ 233.3 million, \$ 220.9 million and \$ 209.2 million, respectively.

Net investment in capital assets at September 30, 2019, 2018 and 2017, was \$ 131.8 million, \$ 149.4 million and \$ 165.4 million, or 56 percent, 68 percent and 79 percent of total net position, respectively. Net investment in capital assets includes land, buildings, machinery and equipment less any related debt used to acquire these assets. These net capital assets are recorded at historical cost and are net of depreciation. The remaining net position, at September 30, 2019, 2018 and 2017, is divided into three categories: restricted for debt service, \$ 6.5 million, \$ 5.3 million and \$ 3.8 million; restricted for capital projects and improvements, \$ 53.7 million, \$ 44.1 million and \$ 7.1 million; and unrestricted net position, \$ 41.3 million, \$ 22.1 million and \$ 33.0 million, respectively. Restrictions do not significantly affect the availability of resources for future use.

The Port's total net position increased by 12.4 million in 2019, \$ 11.7 million in 2018, and \$ 6.7 million in 2017. These increases were provided by operating income (including depreciation) of \$ 10.4 million, \$ 10.1 million, and \$ 6.1 million; \$ 1.9 million, \$ 1.3 million and \$ 0.5 million in non-operating net revenues (expenses) including ad valorem taxes of \$ 5.4 million, \$ 5.2 million and \$ 4.8 million and capital contributions of \$ 96 thousand, \$ 248 thousand and \$ 83 thousand, respectively.

Condensed Statements of Net Position (in thousands)

	2019	2018	(Restated) 2017
Current and other assets	\$ 111,825	\$ 79,485	\$ 55,675
Capital assets, net of depreciation	<u>267,447</u>	<u>255,599</u>	<u>242,421</u>
Total assets	<u>379,272</u>	<u>335,084</u>	<u>298,096</u>
Deferred outflows of resources – refunding costs	<u>10</u>	<u>11</u>	<u>12</u>
Total deferred outflows of resources	<u>10</u>	<u>11</u>	<u>12</u>
Current liabilities	15,291	13,725	16,931
Non-current liabilities	<u>130,700</u>	<u>100,462</u>	<u>71,982</u>
Total liabilities	<u>145,991</u>	<u>114,187</u>	<u>88,913</u>
Deferred inflows of resources			
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net investment in capital assets	131,790	149,367	165,385
Restricted for debt service	6,500	5,267	3,759
Restricted for capital projects and improvements	53,711	44,133	7,092
Unrestricted	<u>41,290</u>	<u>22,141</u>	<u>32,959</u>
Total net position	<u>\$ 233,291</u>	<u>\$ 220,908</u>	<u>\$ 209,195</u>

PORT FREEPORT

Management Discussion and Analysis

Comparative Statement of Revenues, Expenses and Changes in Net Position (in thousands)

	2019	2018	(Restated) 2017
Operating revenues:			
Harbor operations	\$ 13,478	\$ 12,006	\$ 8,665
Lease income	14,430	14,044	13,360
Miscellaneous	37	284	59
Total operating revenues	<u>27,945</u>	<u>26,334</u>	<u>22,084</u>
Operating expenses:			
Payroll and related	4,775	4,215	4,022
Professional services	2,095	2,120	1,887
Supplies and other	2,194	1,868	1,654
Utilities, maintenance and repairs	1,720	1,121	1,253
Depreciation	6,798	6,875	7,161
Total operating expenses	<u>17,582</u>	<u>16,199</u>	<u>15,977</u>
Operating income	<u>10,363</u>	<u>10,135</u>	<u>6,107</u>
Non-operating revenues (expenses):			
Ad valorem tax, net of collection expenses	5,401	5,174	4,842
Investment income	2,010	599	414
Loss on sale of capital assets and other			(25)
Debt interest and fees	(4,641)	(3,166)	(2,958)
Other	(846)	(1,277)	(1,765)
Total non-operating revenues (expenses)	<u>1,924</u>	<u>1,330</u>	<u>508</u>
Income before capital contributions	12,287	11,465	6,615
Capital contributions - grants	<u>96</u>	<u>248</u>	<u>83</u>
Change in net position	12,383	11,713	6,698
Total net position – beginning	<u>220,908</u>	<u>209,195</u>	<u>202,497</u>
Total net position – ending	<u>\$ 233,291</u>	<u>\$ 220,908</u>	<u>\$ 209,195</u>

Total revenues, including capital contributions, have increased in 2019 comparing to 2018 and increased in 2018 comparing to 2017. Total revenues for 2019, 2018, and 2017, were \$ 35.5 million, \$ 32.4 million, and \$ 27.4 million, respectively. Operating revenues increased by \$ 1.6 million in 2019 to \$ 27.9 million, \$ 4.3 million in 2018 to \$ 26.3 million, and increased by \$ 399 thousand in 2017 to \$ 22.1 million. Harbor operating revenues are primarily driven by commodity tonnages and ship calls. Tonnage overall increased 21 percent to 2.8 million tons in 2019 while ship calls increased 28 percent and barge calls decreased 56 percent. Tonnage overall increased 9 percent to 2.3 million tons in 2018 while ship calls decreased 4 percent and barge calls increased 104 percent. Tonnage overall decreased 30 percent to 2.1 million tons in 2017 while ship calls increased 3 percent and barge calls decreased 23 percent.

PORT FREEPORT

Management Discussion and Analysis

The following is the detailed tonnage comparison for the fiscal year 2019, 2018, and 2017:

Commodity	Fiscal Year 2019 Tonnage (In thousands)	Change from prior year	Fiscal Year 2018 Tonnage (In thousands)	Change from prior year	Fiscal Year 2017 Tonnage (In thousands)	Change from prior year
Rice	129	-14%	150	-30%	213	1%
Bananas/Misc Fruit	320	-4%	335	10%	305	-11%
Misc./General Cargo	606	53%	395	-19%	485	-3%
Dry Bulk Material	967	11%	866	7%	807	-43%
Liquid Bulk Material	141	1662%	8	0	0	-100%
Project Cargo	6	-82%	33	-17%	40	150%
Steel Products	379	25%	305	218%	96	128%
RoRo Cargo	274	17%	234	29%	182	-19%
Total	2,822	21%	2,326	9%	2,128	-30%

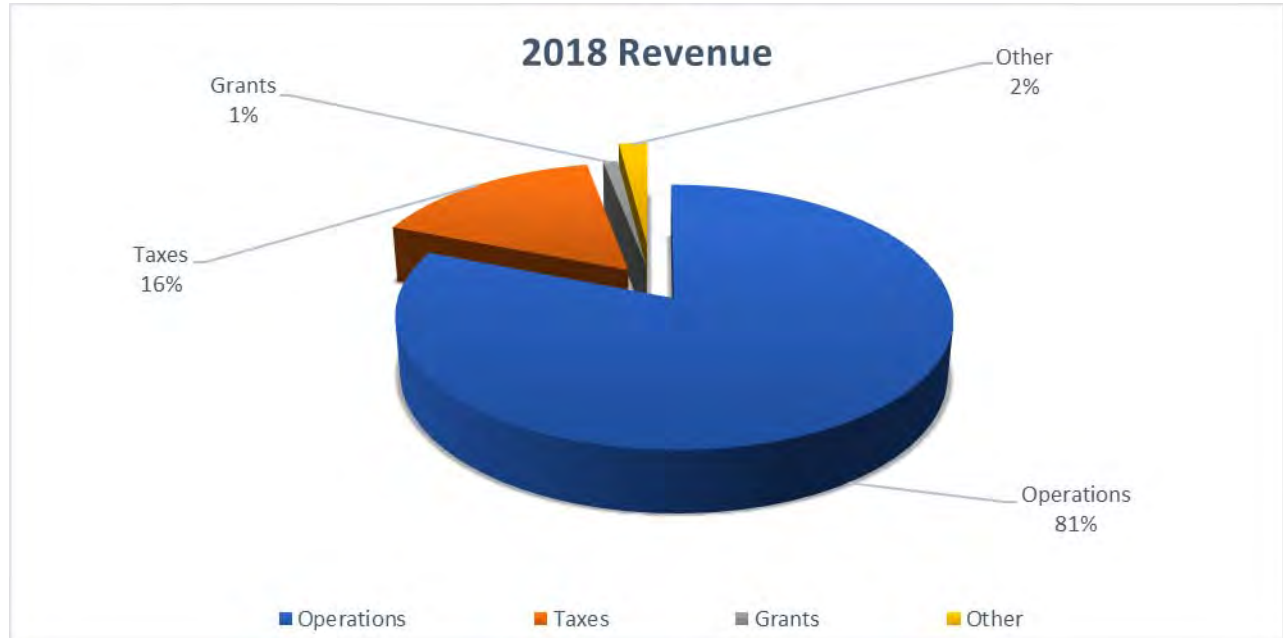
Total lease revenue increased 2.7 percent in 2019, 5.1 percent in 2018, and 4.4 percent in 2017. Ground lease revenue increased \$ 385 thousand in 2019, \$ 693 thousand in 2018, and \$ 0.5 million in 2017. Other leases increased \$ 1 thousand in 2019, \$ 8 thousand in 2018, and \$ 58 thousand in 2017. Lease revenue increases are due to new customers as well as contractual rate adjustments.

Ad valorem tax revenue was \$ 5.4 million, \$ 5.2 million and \$ 4.8 million in 2019, 2018 and 2017, respectively. The tax rate was 4.01 cents per hundred-dollar valuation in 2019 and 2018, reduced from 4.1304 to 4.01 cents per hundred-dollar valuation in 2017. Investment income increased by \$ 1.4 million in 2019 as compared to 2018 due to increases in interest rates and in funds available for investment, investment income increased by \$ 185 thousand in 2018 as compared to 2017 due to increases in interest rates and in funds available for investment, and investment income increased by \$ 125 thousand in 2017 as compared to 2016 due to increases in interest rates and in funds available for investment. Grant revenues in 2019 decreased to \$ 96 thousand, in 2018 increased to \$ 248 thousand, and decreased in 2017 to \$ 83 thousand. Capital contributions in 2019, 2018 and 2017 were directly related to contributions to others made by the Port for grant and capital related projects.



PORT FREEPORT

Management Discussion and Analysis

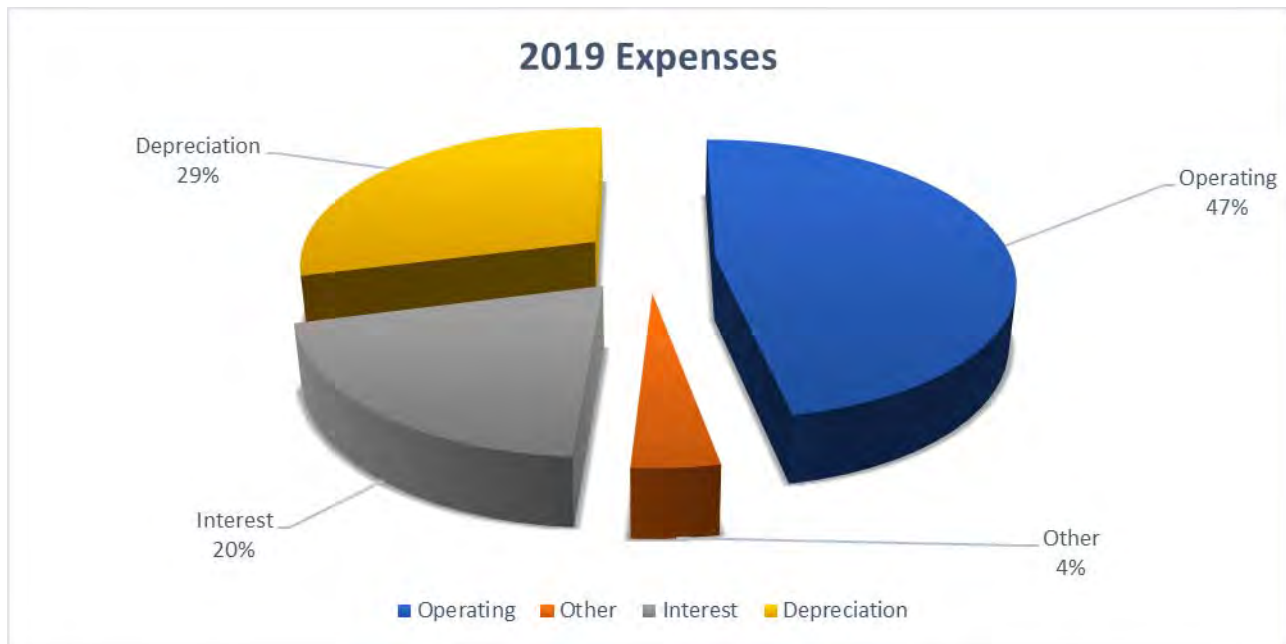


PORT FREEPORT

Management Discussion and Analysis

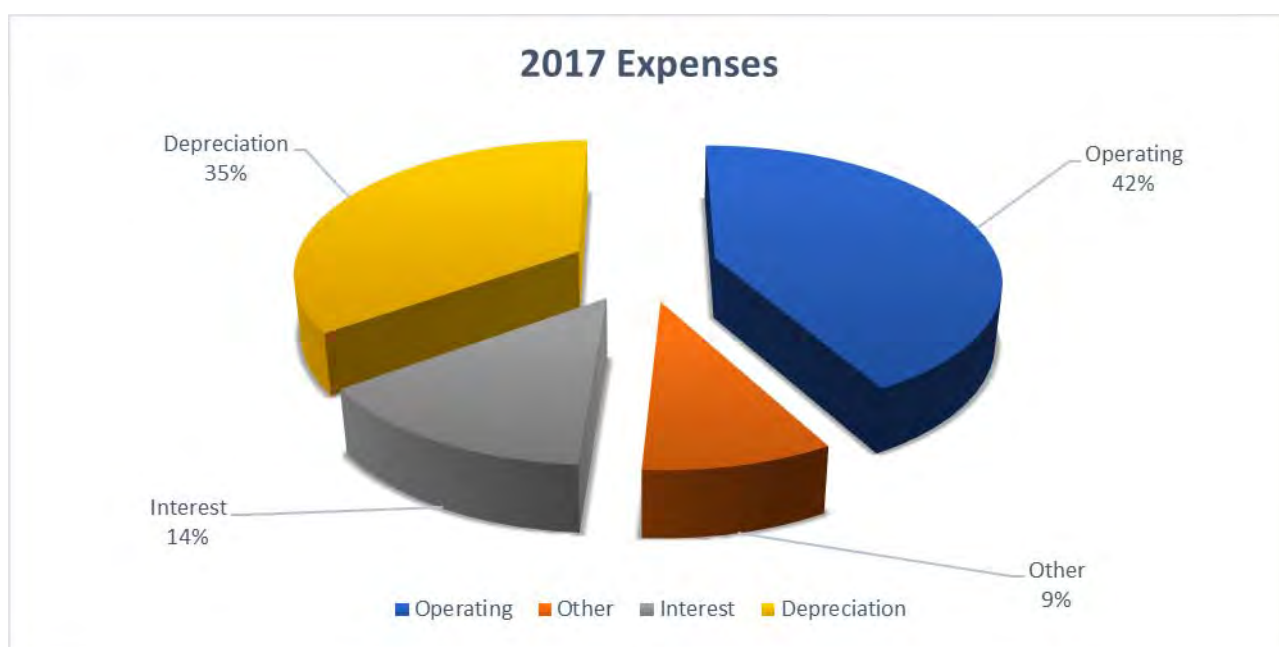
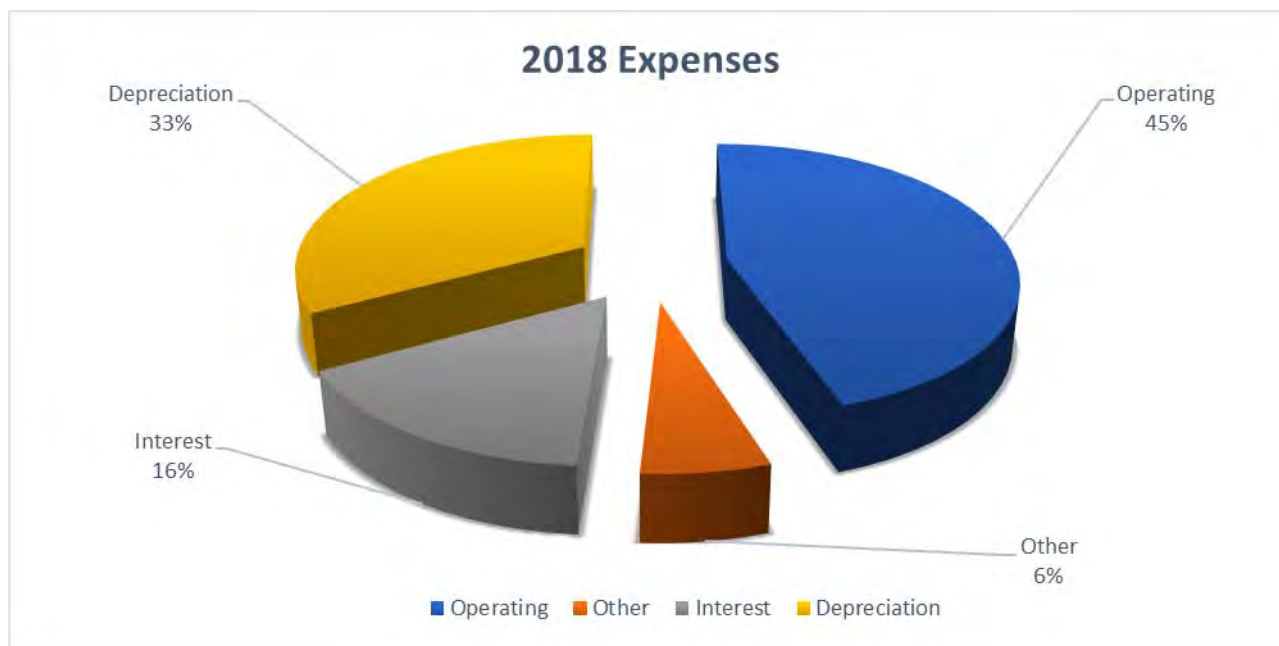
Total expenses increased 11.8 percent to 23.1 million from 20.6 million in 2019, decreased 0.4 percent to 20.6 million from 20.7 million in 2018, and decreased 18 percent to 20.7 million from 25.1 million in 2017. Operating expenses, including depreciation, were \$ 17.6 million in 2019 increasing \$ 1.4 million or 8.5 percent, \$ 16.2 million in 2018 increasing \$ 222 thousand or 1.4 percent, and \$ 16.0 million in 2017 decreasing \$ 21 thousand or 0.1 percent. Payroll and related expenses in 2019 increased by 13.3 percent primarily due to open job positions which were filled in 2019, in 2018 were consistent with 2017, and in 2017 were consistent with 2016. Professional services expenses in 2019 were consistent with 2018, in 2018 increased \$ 233 thousand or 12.4 percent compared to 2017, and in 2017 was consistent with 2016. Supplies and other expenses have increased \$ 326 thousand in 2019 as compared to 2018, increased \$ 214 thousand in 2018 as compared to 2017, and decreased \$ 406 thousand in 2017 as compared to 2016. Utilities and maintenance expenses were increased \$ 599 thousand in 2019 comparing to 2018 and consistent in 2018 and 2017 as compared to the prior years. Depreciation expenses were consistent in 2019, 2018, and 2017.

The Port had no gain or loss on the sale of capital assets in 2019 and 2018, and a small loss on the sale of capital assets in 2017. Debt interest and fees were \$ 4.6 million in 2019, \$3.2 million in 2018, and 3.0 million in 2017 on outstanding debt payments. Other expenses of \$ 846 thousand in 2019, \$ 1.3 million in 2018, and \$ 1.8 million in 2017 were capital contribution made to others.



PORT FREEPORT

Management Discussion and Analysis



PORT FREEPORT

Management Discussion and Analysis

Capital Assets and Long Term Debt

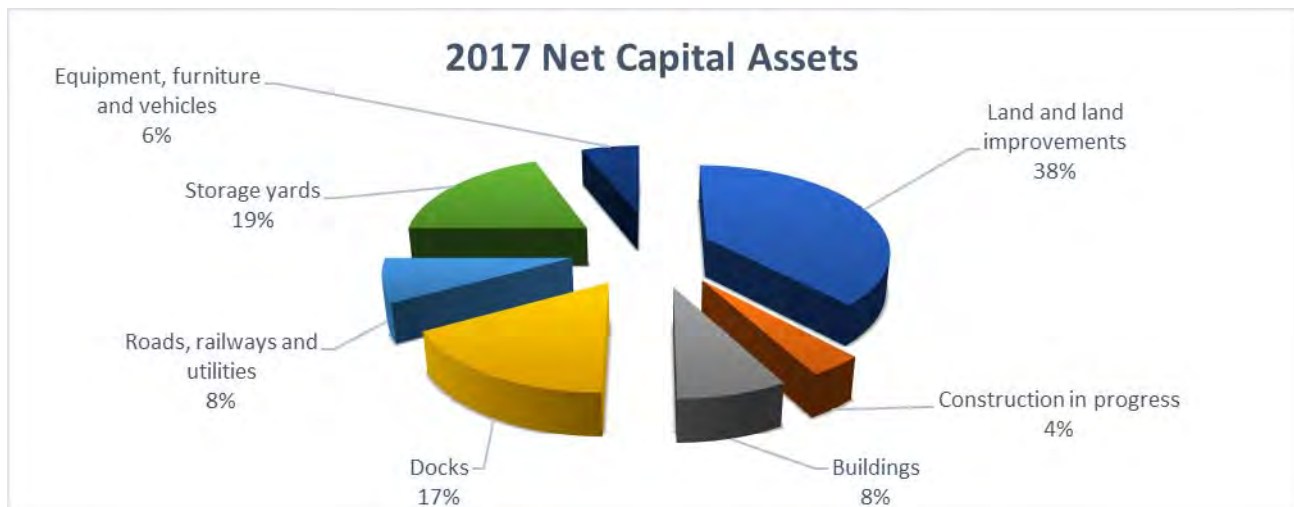
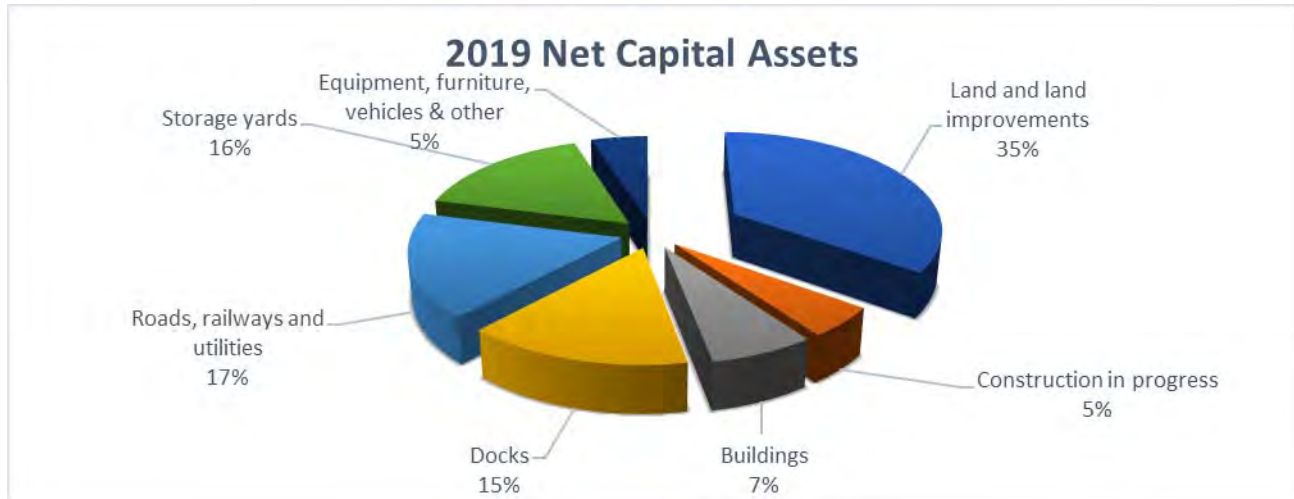
The Port's capital assets are \$ 267.4 million, \$ 255.6 million, and \$ 242.4 million, net of depreciation, as of September 30, 2019, 2018 and 2017, respectively. The capital assets include land and land improvements, docks and appurtenances, buildings, storage yards, equipment, roads and railways, utilities and construction in progress. In 2019, 2018 and 2017 there were additions of \$ 18.6 million, \$ 20.1 million, and \$ 9.5 million (net of construction in progress placed in service) with depreciation of \$ 6.8 million, \$ 6.9 million, and \$ 7.2 million, respectively.

Regarding additions, additions to the Emergency Operations Center were \$ 1.1 million in building additions in 2018. Land and improvements additions were \$ 2.1 million in 2019, and \$ 4.7 million in 2017, primarily related to the Velasco Terminal civil site work, and land acquisitions of properties adjacent to the Port. Cathodic protection system repairs added \$ 1.4 million in 2019. Road repairs for 2019 totaled \$ 583 thousand and for 2017 totaled \$ 30 thousand. Storage yard additions were \$ 2 million in 2019 and \$ 6.7 million in 2017. Equipment, furniture, vehicles and other additions totaled \$ 1.2 million in 2019, \$ 229 thousand in 2018, and \$ 216 thousand in 2017 with the purchase of software, tools and equipment. Gross additions to construction in progress were \$ 18.4 million in 2019, \$ 19.5 million in 2018, and \$ 4.1 million in 2017 including rail development, Freeport Channel improvements and Velasco Terminal improvements. Construction in progress placed in service totaled \$ 33.9 million in 2019 which included the completion of the Parcel 14 Phase I Rail at a cost of \$ 26.5 million, \$ 828 thousand in 2018, and \$ 7.2 million in 2017, respectively. Additional information on capital assets can be found in Note 4 on pages 47-49 of this report.

Total bonds payable are \$ 122.2 million at September 30, 2019, \$ 94.8 million at September 30, 2018, and \$ 65.7 million at September 30, 2017. Senior Lien Revenue Bonds, Series 2013A were issued in June 2013. The 2013A series bonds were issued to refund the 2008 Series bonds, which were set to mature in 2028. Senior Lien Revenue and Refunding Bonds, Series 2015A, were issued in September 2015. The 2015A series bonds were issued to refund the Port's outstanding Senior Lien Revenue Notes, Series 2013B and to provide for financing to acquire, construct and develop repairs and improvements to and equip a container terminal complex and an automobile processing facility. Senior Lien Revenue Bonds, Series 2018 were issued in September 2018. The 2018 series bonds were issued to provide for use to finance all or a portion of (i) the costs of the design, construction, development, improvement and equipment of a storage yard and backland areas to be located at the Velasco Terminal development, (ii) the costs of the design, construction, development, improvement and equipment of a rail yard to be located on Parcel 14, and a rail line connecting the rail yard to the Union Pacific mainline, (iii) the costs of the design, construction, development, improvement and equipment of port facilities and infrastructure (iv) making a deposit to a bond reserve fund and (v) paying the costs of issuing the Bonds. As of September 30, 2019, the amount outstanding on these revenue bonds was \$ 90.4 million, \$ 93.7 million at September 30, 2018 and \$ 63.4 million at September 30, 2017. The debt service for these bonds is paid from the Port's operating revenues. In 2007 the Unlimited Tax Bonds, Series 1998 were partially refunded with Unlimited Tax Refunding Bonds, Series 2006 and in November 2009, were further refunded with the Unlimited Tax Refunding Bonds, Series 2009. In July 2019, General Obligation Bonds, Series 2019 were issued to provide for use to finance improving, constructing, or developing the Freeport Harbor Channel, the construction of related improvements to waterways and adjacent berthing areas and aids to navigation used for navigation-related commerce at the Port, and dredge material placement associated with such activities. As of September 30, 2019, the Port had general obligation bonds payable of \$ 31.8 million, \$ 1.1 million at September 30, 2018 and \$ 2.3 million at September 30, 2017. The final maturity for these general obligation bonds is 2019. The debt service for these bonds is paid from ad valorem tax revenue. On September 30, 2014, the Port entered into a capital lease financing agreement ("Master Lease-Purchase Financing Agreement") with Chase Bank in the amount of \$ 14.1 million with a balance at September 30, 2019 of \$ 7.5 million, at September 30, 2018 of \$ 8.8 million, and at September 30, 2017 of \$ 10.2 million. The agreement calls for annual principal and interest payments beginning on September 30, 2015 and ending on September 30, 2024. The Capital lease represents a refinancing of the two cranes purchased during the year ended September 30, 2014 based on a Reimbursement Agreement (Resolution Expressing Intent to Finance Expenditures Incurred) adopted by the Board of Commissioners' on August 8, 2013. Additional information on long-term debt activity can be found in Note 5 on pages 49-52 of this report.

PORT FREEPORT

Management Discussion and Analysis



PORT FREEPORT

Management Discussion and Analysis

Outlook

There are a number of significant developments known at this time, which will affect the future financial performance of the Port, both in the long- and mid-term time periods. With the opening of the first phase of the Velasco Container Terminal and improvements to existing Port facilities to establish an automobile and heavy equipment-processing terminal, Port Freeport is positioned to continue its growth, creating additional opportunities for existing clientele and offering opportunities for new lines of business.

With the completion of the initial reconnaissance and subsequent feasibility study, The U.S. Army Corps of Engineers (USCOE) issued a Chiefs report in January of 2013 indicating a Federal interest, supported by favorable project economics, to deepen the Port Freeport Navigational Channel to depths ranging from 51-56 feet from the current 46 foot depth. At present, the project is authorized as part of the Water Resources Reform and Development Act of 2014 (WRRDA). During 2014, it was determined additional improvements, beyond those proposed and authorized in WRRDA, were necessary for the safe navigation of the feasibility study's design vessel. Based on these findings, the Port has been actively engaged with the USCOE to produce a General Reevaluation Report (GRR) outlining a process to adjust for these additional requirements, which include bend easing and channel width increases. The GRR approval was received in May 2018. Construction of two increments of the Freeport Harbor Channel Improvement Project including the proposed GRR improvements will begin in 2020 under a memorandum of agreement with the USCOE. Concurrently, the development of the preliminary engineering and design (PED) and the project management plan (PMP) will begin for the remaining project increments. Project construction will be completed over a five year period at an estimated totally funded cost of \$ 295 million to be cost-shared between the Federal government and the Port on a 50-50 basis for depths below 56 feet and on a 75-25 basis for depths less than 51 feet. These planned improvements will allow the Port and other harbor users to bring in larger vessels and a greater volume of ships, providing for a fuller utilization of existing and planned facilities.

Included in the Port's developmental planning efforts is the build-out of Velasco Container Terminal. Designs for the construction of a 925 foot berth expansion as well as development of backland to support the berths has been completed and the permit application has been received from the USCOE. Construction is expected to kick off in first quarter 2020. Costs associated with this plan are \$ 163.5 million, scheduled over the next five years and includes the acquisition of two (2) additional ship to shore gantry cranes as well as additional land acquisitions needed for access and operational support of the expanding container terminal. A combination of operating income and revenue debt issuance is anticipated to fund this project.

Construction of 20 acres of paved parking for additional automotive storage has been initiated within the new 250 acre multimodal facility and will be completed in 2020 at a planned cost of \$8.3 million. Other development plans include the stabilization of additional land for laydown areas for project cargo, automotive and heavy equipment, the construction of warehousing, and rail facilities. Phase I construction of the rail facility was started in 2018 and was completed in 2019 at a cost of \$ 26.5 million. The Port was awarded \$ 6.3 million from the FY 2018 Consolidated Rail Infrastructure and Safety Improvements Grant (CRISI) to fund Phase II of the rail development at a total estimated cost of \$ 10.5 million. The development of warehousing facilities and further stabilization of laydown areas will be funded through a combination of public and private sources.

In 2004 Freeport LNG Development, L.P. (FLNP) received approval from the Federal Energy Regulatory Commission (FERC) for construction of a re-gas facility to receive and store imported liquefied natural gas (LNG), convert the product back to a gas form and transport it to commercial and industrial users via pipeline. This facility was completed and placed in operation in the second quarter of 2008. With the announcement of shale oil and gas plays in Texas and other regions of the United States, FLNG refocused its operations on the exportation of LNG and began the permitting process with FERC in 2010. Having received all of the necessary permits and necessary funding, construction commenced on three (3) liquefaction train export facilities during 2016. Train 1 began commissioning operations in August 2019 and will begin commercial operations in late 2019. Train 2 will begin commercial operations in the first quarter of 2020 followed by Train 3 in the second quarter of 2020. This operation has and will continue to provide significant increases to the Port's lease and cargo revenues as operations ramp up.

PORT FREEPORT

Management Discussion and Analysis

Lastly, with the expansion of domestic oil and gas production, the Freeport based polymer manufacturers and other petrochemical companies continue to develop and expand their production facilities. This continues to create opportunities for increased utilization of the Port's berths, warehouse spaces and cargo lay down areas and supports the ongoing development of the Port's infrastructure. These activities are expected to continue over the next 3-5 years.

Requests for Information

This financial report is designed to provide a general overview of Port Freeport's finances and the Port's accountability for the money it receives. If you have questions about this report or need additional information, contact Rob Lowe, Chief Financial Officer/CFO, at Port Freeport, 1100 Cherry Street, Freeport, Texas 77541.

PORT FREEPORT

Statements of Net Position

September 30, 2019 and 2018

Assets and Deferred Outflows of Resources

	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and cash equivalents	\$ 21,332,841	\$ 13,234,086
Investments	23,816,876	11,765,838
Receivables:		
Trade accounts (less allowance for uncollectible accounts - 2019, \$ 33,145; 2018, \$ 27,885)	2,618,458	2,133,727
Property taxes (less allowance for uncollectible accounts - 2019, \$ 37,032; 2018, \$ 42,600)	80,981	84,770
Other	136,437	76,397
Other governments	641,051	656,015
Accrued interest	50,139	32,705
Prepays	706,381	727,991
Inventory	<u>668,554</u>	<u>533,665</u>
Total unrestricted current assets	<u>50,051,718</u>	<u>29,245,194</u>
Restricted Current Assets:		
Cash and cash equivalents	57,828,724	47,454,404
Investments	3,895,017	2,746,293
Receivables:		
Property taxes (less allowance for uncollectible accounts - 2019, \$ 11,057; 2018, \$ 12,600)	24,008	26,635
Accrued interest receivable	25,061	12,038
Other	<u>331</u>	<u>782</u>
Total restricted current assets	<u>61,773,141</u>	<u>50,240,152</u>
Total current assets	<u>111,824,859</u>	<u>79,485,346</u>
Property, plant and equipment (less accumulated depreciation - 2019, \$78,194,211; 2018, \$ 71,614,143)	<u>267,446,717</u>	<u>255,598,961</u>
Total non-current assets	<u>267,446,717</u>	<u>255,598,961</u>
Total assets	<u>379,271,576</u>	<u>335,084,307</u>
Deferred Outflows of Resources:		
Deferred outflows of resources – Refunding costs	<u>10,093</u>	<u>11,256</u>
Total deferred outflows of resources	<u>10,093</u>	<u>11,256</u>

(continued)

Liabilities, Deferred Inflows of Resources and Net Position

	<u>2019</u>	<u>2018</u>
Current Liabilities:		
Accounts payable and accrued expenses	\$ 4,288,639	\$ 2,739,668
Unearned lease income	4,191,262	4,102,692
Accrued compensated absences	<u>100,812</u>	<u>196,194</u>
Total current liabilities	<u>8,580,713</u>	<u>7,038,554</u>
Current Liabilities Payable from Restricted Assets:		
Accrued bond interest payable	1,562,442	839,816
Capital lease	1,423,112	1,391,034
Bonds payable	<u>3,724,264</u>	<u>4,456,033</u>
Total current liabilities payable from restricted assets	<u>6,709,818</u>	<u>6,686,883</u>
Total current liabilities	<u>15,290,531</u>	<u>13,725,437</u>
Non-current Liabilities:		
Capital lease	6,028,271	7,451,383
Bonds payable	124,490,805	92,945,012
Accrued compensated absences	<u>181,008</u>	<u>65,398</u>
Total non-current liabilities	<u>130,700,084</u>	<u>100,461,793</u>
Total liabilities	<u>145,990,615</u>	<u>114,187,230</u>
Deferred Inflows of Resources:		
Deferred inflows of resources	<u></u>	<u></u>
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>
Net Position:		
Net investment in capital assets	131,790,358	149,366,755
Restricted:		
Debt service	6,500,048	5,267,264
Capital projects and improvements	53,710,651	44,133,073
Unrestricted	<u>41,289,997</u>	<u>22,141,241</u>
Total net position	<u>\$ 233,291,054</u>	<u>\$ 220,908,333</u>

The notes to the financial statements are an integral part of this statement.



PORT FREEPORT

Statements of Revenues, Expenses and Changes in Net Position For the Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Harbor Operations:		
Wharfage	\$ 7,886,541	\$ 7,274,790
Dockage	1,958,714	1,773,794
Service, facility use and other fees	3,632,402	2,957,490
Lease income	14,430,007	14,044,382
Miscellaneous	<u>37,478</u>	<u>283,391</u>
Total operating revenues	<u>27,945,142</u>	<u>26,333,847</u>
Operating Expenses:		
Payroll and related	4,775,413	4,214,936
Professional services	2,094,856	2,119,928
Supplies and other	2,194,173	1,867,377
Utilities	554,231	490,982
Maintenance and repairs	1,165,766	630,215
Depreciation	<u>6,797,897</u>	<u>6,875,049</u>
Total operating expenses	<u>17,582,336</u>	<u>16,198,487</u>
Operating income	<u>10,362,806</u>	<u>10,135,360</u>
Non-Operating Revenues (Expenses):		
Ad valorem tax, net of collection expenses	5,400,964	5,173,826
Investment income	2,010,440	598,893
Debt interest and fees	(4,640,871)	(3,165,919)
Other	<u>(846,159)</u>	<u>(1,276,769)</u>
Total non-operating revenues (expenses)	<u>1,924,374</u>	<u>1,330,031</u>
Income before capital contributions	12,287,180	11,465,391
Capital contributions - grants	<u>95,541</u>	<u>248,166</u>
Change in net position	12,382,721	11,713,557
Total net position – beginning	<u>220,908,333</u>	<u>209,194,776</u>
Total net position – ending	<u>\$ 233,291,054</u>	<u>\$ 220,908,333</u>

The notes to the financial statements are an integral part of this statement.

PORT FREEPORT

Statements of Cash Flows For the Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 27,476,369	\$ 25,959,608
Cash paid to suppliers for goods and services	(4,573,334)	(9,400,141)
Cash paid to employees for services and benefits	(4,755,185)	(4,182,729)
Net cash provided by operating activities	<u>18,147,850</u>	<u>12,376,738</u>
Cash Flows from Non-capital Financing Activities:		
Property tax receipts	5,468,253	5,219,927
Property tax collection expenses	(60,873)	(59,049)
Contribution to others	(846,159)	(1,269,593)
Emergency recovery efforts	<u> </u>	<u>(7,176)</u>
Net cash provided by non-capital financing activities	<u>4,561,221</u>	<u>3,884,109</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from issuance of bonds	35,345,467	34,371,393
Principal payments under bond obligations	(4,531,443)	(3,816,450)
Principal payments under capital lease obligations	(1,391,034)	(1,359,680)
Interest and fees paid under debt obligations	(3,917,082)	(3,191,597)
Land & equipment purchases	(18,645,653)	(20,053,590)
Grants received	<u>110,505</u>	<u>270,159</u>
Net cash provided by capital and related financing activities	<u>6,970,760</u>	<u>6,220,235</u>
Cash Flows from Investing Activities:		
Purchase of investments	(32,291,086)	(9,084,254)
Proceeds from sale and maturity of investments	19,510,000	17,485,000
Investment earnings	<u>1,574,330</u>	<u>612,451</u>
Net cash provided (used) by investing activities	<u>(11,206,756)</u>	<u>9,013,197</u>
Change in cash and cash equivalents	18,473,075	31,494,279
Cash and cash equivalents, October 1,	<u>60,688,490</u>	<u>29,194,211</u>
Cash and cash equivalents, September 30,	<u>\$ 79,161,565</u>	<u>\$ 60,688,490</u>

(continued)

PORT FREEPORT

Statements of Cash Flows - Continued For the Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 10,362,806	\$ 10,135,360
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	6,797,897	6,875,049
Change in assets and liabilities:		
Accounts receivable	(484,731)	(574,127)
Other receivables	(72,612)	32,596
Inventory	(134,889)	(111,373)
Prepaid and other	21,610	(86,423)
Accounts payable and accrued expenses	1,548,971	(4,093,843)
Unearned lease income	88,570	167,292
Accrued compensated absences	<u>20,228</u>	<u>32,207</u>
Net cash provided by operating activities	\$ <u>18,147,850</u>	\$ <u>12,376,738</u>
Non-cash Transactions Affecting Financial Position:		
Change in value of investments – from cost to fair value	\$ <u>418,506</u>	\$(<u>1,938</u>)
Net effect of non-cash transactions	\$ <u>418,506</u>	\$(<u>1,938</u>)

The notes to the financial statements are an integral part of this statement.

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2019 and 2018

Index

Note		Page
1.	Summary of Significant Accounting Policies	37
2.	Deposits and Investments.....	41
3.	Allowance for Uncollectable Accounts.....	47
4.	Capital Assets.....	47
5.	Long-Term Debt & Non-Current Liabilities	49
6.	Capital Lease.....	53
7.	Contingent Liabilities.....	53
8.	Litigation.....	53
9.	Freeport Harbor Improvement Projects.....	53
10.	Leasing Operations.....	54
11.	Grant Revenue.....	55
12.	Risk Management.....	55
13.	Retirement Plans	55
14.	Revenue Bonds Issued on Behalf of Others	56
15.	Economic Dependency.....	58
16.	Tax Abatements	58
17.	Evaluation of Subsequent Events	58

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2019 and 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Port Freeport (the “Port”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units for enterprise funds. Enterprise fund accounting follows all Governmental Accounting Standards Board (GASB) pronouncements, as well as Financial Accounting Standards Board (FASB) codification unless the codification conflicts with or contradicts GASB pronouncements, in which case, GASB prevails. The more significant of the Port’s accounting policies are described below.

A. REPORTING ENTITY

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Port’s reporting entity. Individual financial statements for each component unit can be obtained from the office of Port Freeport.

Included within the reporting entity:

Port Freeport: Port Freeport was created by action of the voters of Brazoria County, Texas, on December 4, 1925. The Port operates under an elected commissioner form of government. Currently six commissioners are authorized by the Texas Legislature.

Brazos Harbor Industrial Development Corporation: In November 1979 the Port authorized the filing of a petition to create the Brazos Harbor Industrial Development Corporation (IDC), a nonprofit corporation organized to issue industrial development bonds and pollution control revenue bonds. Vernon’s Annotated Texas Civil Statutes authorize the creation and administration of industrial development corporations by specified governmental entities for the use in the promotion and development of commercial, industrial and manufacturing enterprises.

The Port Commission appoints a separate board of directors for the IDC. The IDC acts under the authorization and direction of the appointed Board. The IDC negotiates with the user entity to develop the necessary documents for issuing the bonded debt. The bonds are payable solely from the revenues derived from the project.

Additionally, the user entity indemnifies and agrees to hold harmless the IDC from any and all claims relating to the issuance of the bonded debt. None of the Port’s assets or future revenues are pledged to secure these bonds. The Port Commission has the right of refusal on the issuance of bonds by the IDC; therefore, this constitutes financial accountability. The IDC is included in the reporting entity even though the Port does not provide funding to the IDC or have the ability to elect their governing authority or designate their management, and the IDC was incorporated for the benefit of all commercial enterprises in the area. The IDC is a discretely presented component unit, although it has no assets, liabilities, equities or financial transactions. Financial information is limited to the disclosure of revenue bonds issued on behalf of others (Note 14).

B. BASIS OF ACCOUNTING

The Port follows enterprise fund accounting and reporting requirements, including the accrual basis of accounting and application of all GASB pronouncements as well as the Financial Accounting Standards Board (“FASB”) pronouncements issued, unless those pronouncements conflict with or contradict GASB pronouncements.

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2019 and 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. BASIS OF ACCOUNTING - Continued

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Operating revenues and expenses generally result from providing services in connection with ongoing operations. The principal revenues of the Port are charges to customers for sales and services. The Port also recognizes revenue in the form of rents. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. RECLASSIFICATIONS

Net position for 2018 has been reclassified.

D. NEW PRONOUNCEMENTS

GASB No. 83 "Certain Asset Retirement Obligations" was issued in November 2016. The statement was implemented and did not have a material effect on the financial statements of the Port. The requirements of this Statement are effective for periods beginning after June 15, 2018.

GASB No. 84 "Fiduciary Activities" was issued in January 2017. The management of the Port does not expect the implementation of this standard to have a material effect on the financial statements of the Port. The requirements of this Statement are effective for periods beginning after December 15, 2018.

GASB No. 87 "Leases" was issued in June 2017. The management of the Port does not expect the implementation of this standard to have a material effect on the financial statements of the Port. The requirements of this Statement are effective for periods beginning after December 15, 2019.

GASB No. 88 "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements" was issued in April 2018. The management of the Port does not expect the implementation of this standard to have a material effect on the financial statements of the Port. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period" was issued in June 2018. The Port has decided to early adopt GASB 89 therefore the statement was implemented and did not have a material effect on the financial statements of the Port.

GASB No. 90 "Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61" was issued in August 2018. The management of the Port does not expect the implementation of this standard to have a material effect on the financial statements of the Port. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB No. 91 "Conduit Debt Obligations" was issued in May 2019. The management of the Port does not expect the implementation of this standard to have a material effect on the financial statements of the Port. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2019 and 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. CASH AND INVESTMENTS

Cash and temporary investments include amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the Port. For purposes of the cash flow statement, cash and temporary investments are considered cash equivalents. In accordance with GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments are stated at fair value.

F. INVENTORIES

Inventories of supplies are valued at cost and inventories held for resale are valued at the lower of cost or market. There were no inventories held for resale as of September 30, 2019 and 2018.

G. CAPITAL ASSETS

Capital assets are defined by the Port as assets with an initial, individual cost of more than \$ 5,000 and an estimated useful life of greater than one year. Property constructed or acquired by purchase is stated at cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

Depreciation of all exhaustible capital assets is charged as an expense against operations. Accumulated depreciation is reported on the statements of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. Capital equipment leased assets are depreciated over the estimated useful lives of the assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. When property, plant and equipment is sold or otherwise disposed or becomes obsolete, the asset account and related accumulated depreciation account are relieved, and any gain or loss is charged against income.

Capital assets of the Port are depreciated over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Docks & appurtenances	10-50
Utilities	10-50
Roads, lots & railways	40
Storage yards	20-40
Equipment, furniture & vehicles	5-20
Other	10-50

A significant portion of the Port's capital assets are the result of work performed to the Freeport Harbor Channel (the Channel) to increase depths to 45 feet (see Note 9). The maintenance of the Channel depths are the responsibility of the U.S. Army Corp of Engineers; thus, management has capitalized these costs as land and land improvements with an indefinite useful life; as such no depreciation has been recorded against these assets.

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2019 and 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H. INTEREST CAPITALIZATION

The Port adopted GASB No. 89 in 2019. Interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital assets.

I. PROPERTY TAXES

Property taxes are levied by October 1 of each year in conformity with Subtitle E, Texas Property Tax Code. These taxes are due on receipt and are considered delinquent if not paid before February 1 of the year following the year in which imposed. Interest is charged on delinquent property taxes at a rate established by the state property tax code. Collections made on or after July 1 are subject to an additional fifteen percent collection fee. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes. The County Tax Collector bills and collects the property taxes for the Port. Collections made by the County Tax Collector are deposited into an account maintained by the Port.

Property taxes are recognized as revenue in the year they are levied. Property tax receivables and related allowances for uncollectable taxes are split between unrestricted and restricted for debt service based on the percent of the levy available for maintenance and operations, and general obligation bond debt service.

The Commission may levy taxes at an unlimited rate for payment of debt service on the Port's General Obligation Bonds. The Commission may also levy taxes, subject to a \$ 0.10 per \$ 100 assessed valuation limit, for all operation and maintenance expenses of the Port. For the years ended September 30, 2019 and 2018, the Commission levied taxes at a rate of \$ 0.008649 and \$ 0.009173 for debt service and a rate of \$ 0.031451 and \$ 0.030927 for operation and maintenance, for a total tax rate of \$ 0.0401 and \$ 0.0401 per \$ 100 assessed valuation for each year, respectively.

J. RESTRICTED ASSETS

Restricted assets consist of capital and debt service restricted assets. Restricted capital assets consist of net bond proceeds in excess of unspent bond proceeds for unlimited tax improvement bonds. Restricted assets for debt service consist of proceeds available from taxes receivable as well as the revenue dedicated to debt service as stated in applicable bond covenants.

K. COMPENSATED ABSENCES

Vested or accumulated vacation is recorded as an expense and liability as the benefits accrue to employees. The Port's vacation and sick leave policy provides that each employee may carry over unused vacation, not to exceed five days, to subsequent years. Further, unused sick leave may be converted to vacation on a five to one ratio. Benefits payable as of September 30, 2019 and 2018 were \$ 281,820 and \$ 261,592, respectively.

L. LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations are reported as liabilities in the statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as expenses in the current period. Bonds payable are reported net of the applicable bond premium or discount.

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2019 and 2018

NOTE 2. DEPOSITS AND INVESTMENTS

The Port classifies deposits and investments for financial statement purposes as cash and temporary investments and investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose, a temporary investment is one that when purchased had a maturity date of three months or less. Cash and temporary investments and investments, as reported on the statements of net position at September 30, 2019 and 2018, are as follows:

<u>September 30, 2019</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and temporary investments:			
Cash (petty cash accounts)	\$ 1,390	\$	\$ 1,390
Financial institution deposits:			
Demand deposits	5,143,745	190,395	5,334,140
State Treasury Investment Pool:			
Texpool	<u>16,187,706</u>	<u>57,638,329</u>	<u>73,826,035</u>
Total cash and temporary investments	<u>\$ 21,332,841</u>	<u>\$ 57,828,724</u>	<u>\$ 79,161,565</u>
Investments:			
Investments held by broker-dealers:			
U.S. agencies	<u>\$ 23,816,876</u>	<u>\$ 3,895,017</u>	<u>\$ 27,711,893</u>
Total investments	<u>\$ 23,816,876</u>	<u>\$ 3,895,017</u>	<u>\$ 27,711,893</u>
<u>September 30, 2018</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and temporary investments:			
Cash (petty cash accounts)	\$ 1,390	\$	\$ 1,390
Financial institution deposits:			
Demand deposits	2,569,525	1,240,649	3,810,174
State Treasury Investment Pool:			
Texpool	<u>10,663,171</u>	<u>46,213,755</u>	<u>56,876,926</u>
Total cash and temporary investments	<u>\$ 13,234,086</u>	<u>\$ 47,454,404</u>	<u>\$ 60,688,490</u>
Investments:			
Investments held by broker-dealers:			
U.S. agencies	<u>\$ 11,765,838</u>	<u>\$ 2,746,293</u>	<u>\$ 14,512,131</u>
Total investments	<u>\$ 11,765,838</u>	<u>\$ 2,746,293</u>	<u>\$ 14,512,131</u>

Deposits: Custodial Credit Risk – Custodial credit risk is the risk that in the event of a financial institution failure, the Port deposits may not be returned to them. The Port requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

At September 30, 2019, the carrying amount of the Port's deposits was \$ 7,194,140 while the financial institution balances totaled \$ 7,977,189. Of the financial institution balances, \$ 263,690 was covered by federal deposit insurance, \$ 2,037,594 was covered by the Securities Investor Protection Corporation insurance, and \$ 5,675,905 was covered by collateral held by the Port's agent in the Port's name. At September 30, 2018, the carrying amount of the Port's deposits was \$ 5,670,174 while the financial institution balances totaled \$ 6,011,933. Of the financial institution balances, \$ 263,933 was covered by federal deposit insurance, \$ 4,101,937 was covered by the Securities Investor Protection Corporation insurance, and \$ 1,646,063 was covered by collateral held by the Port's agent in the Port's name.

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2019 and 2018

NOTE 2. DEPOSITS AND INVESTMENTS - Continued

Investments: Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the Port to invest its funds under a written investment policy (the “Investment Policy”) that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. The Port’s Investment Policy defines what constitutes the legal list of investments allowed under the policy.

The Port’s deposits and investments are invested pursuant to the Investment Policy, which is approved by the Port Commission. The Investment Policy includes a list of authorized investment instruments and allowable stated maturity of individual investments. In addition they include an “Investment Strategy Statement” that specifically addresses investment options and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the Port will deposit funds is addressed. The Port’s investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The Port’s management believes it complied with the requirements of the PFIA and the Port’s investment policies.

The Port’s Investment Officer submits an investment report each quarter to the Port Commission. The report details the investment positions of the Port and the compliance of the investment portfolio’s as they relate to both the adopted investment strategy statements and Texas State law.

The Port is authorized to invest in the following investment instruments provided that they meet the guidelines of the Investment Policy:

1. U.S. Treasury securities.
2. Short-term obligations of the United States Government agencies and instrumentalities.
3. Texas State, City, County, School and Road District bonds with an investment grade bond rating from Moody’s Investors Services (A and above) and Standard and Poor’s Corporation (A- and above) or that is insured.
4. Fully insured or collateralized certificates of deposits issued by a state or national bank, savings bank or a federal credit union with a main office or bank in Texas.
5. Public funds investment pools as permitted by Texas Government Code 2256.016 – 2256.019.
6. Other securities or obligations as allowed by the Texas Public Funds Investment Act and approved by the Finance Committee and/or full Port Commission.
7. Money market mutual funds as permitted by Texas Government Code 2256.014 and approved by Commission resolution.

The Port participates in Texpool, a Local Government Investment Pool (LGIP). The State Comptroller oversees TexPool, with Federated Investors managing the daily operations of the pool under a contract with the State Comptroller.

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2019 and 2018

NOTE 2. DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

The Port invests in TexPool to provide its liquidity needs. TexPool was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool is a 2(a)7 like fund, meaning that it is structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. TexPool is rated AAAM and must maintain a dollar weighted average maturity not to exceed 60 days. At September 30, 2019 and 2018 TexPool had a weighted average maturity of 33 and 28, respectively. Although TexPool portfolios had a weighted average maturity of 33 and 28 days, respectively, the Port considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

All of the Port's investments are insured, registered, or the Port's agent holds the securities in the Port's name; therefore, the Port is not exposed to custodial credit risk.

The following tables include the portfolio balances of all investment types of the Port at September 30, 2019 and 2018.

September 30, 2019			
Investment Type	Unrestricted	Restricted	Total
Local government investment pool	\$ 16,187,706	\$ 57,638,329	\$ 73,826,035
Certificates of deposit		1,860,000	1,860,000
U.S. Treasuries	11,279,030		11,279,030
U.S. government bonds	<u>12,537,846</u>	<u>2,035,017</u>	<u>14,572,863</u>
Total investments	<u>\$ 40,004,582</u>	<u>\$ 61,533,346</u>	<u>\$ 101,537,928</u>

September 30, 2018			
Investment Type	Unrestricted	Restricted	Total
Local government investment pool	\$ 10,663,171	\$ 46,213,755	\$ 56,876,926
Certificates of deposit		1,860,000	1,860,000
U.S. Treasuries	7,488,900		7,488,900
U.S. government bonds	3,966,830	886,293	4,853,123
Municipal bonds	<u>310,108</u>		<u>310,108</u>
Total investments	<u>\$ 22,429,009</u>	<u>\$ 48,960,048</u>	<u>\$ 71,389,057</u>

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2019 and 2018

NOTE 2. DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

Unrestricted Funds

As of September 30, 2019, the Port's unrestricted funds had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Local government investment pool	\$ 16,187,706	33
U.S. Treasuries	11,279,030	85
U.S. government bonds	<u>12,537,846</u>	69
	<u>\$ 40,004,582</u>	59

As of September 30, 2018, the Port's unrestricted funds had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Local government investment pool	\$ 10,663,171	28
U.S. Treasuries	7,488,900	157
U.S. government bonds	3,966,830	386
Municipal bonds	<u>310,108</u>	1
	<u>\$ 22,429,009</u>	134

Credit Risk – As of September 30, 2019, the LGIP (which represent approximately 41% of the unrestricted portfolio) is rated AAAm by Standard and Poor's. The remaining portfolio is made up of U.S. Treasuries (which represent approximately 28% of the unrestricted portfolio), U.S. government bonds (which represent approximately 31% of the unrestricted portfolio). Of the total U.S. government bonds, 59% (\$ 7,430,226 is rated AA+ by Standard and Poor's and 41% (\$ 5,107,620) is not rated. As of September 30, 2018, the LGIP (which represent approximately 48% of the unrestricted portfolio) is rated AAAm by Standard and Poor's. The remaining portfolio is made up of U.S. Treasuries (which represent approximately 33% of the unrestricted portfolio), U.S. government bonds (which represent approximately 18% of the unrestricted portfolio), and Municipal bonds (which represent approximately 1% of the unrestricted portfolio). Of the total U.S. government bonds, 75% (\$ 2,968,750) is rated AA+ by Standard and Poor's and 25% (\$ 998,080) is not rated.

Interest Rate Risk – As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that individual investments not exceed six years and the overall portfolio maintain a weighted average of less than three years. Quality short-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the Port's cash flow requirements.

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2019 and 2018

NOTE 2. DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

Restricted Funds

As of September 30, 2019, the Port's restricted funds had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Local government investment pool	\$ 57,638,329	33
Certificates of deposit	1,860,000	553
U.S. government bonds	<u>2,035,017</u>	928
	<u>\$ 61,533,346</u>	78

As of September 30, 2018, the Port's restricted funds had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Local government investment pool	\$ 46,213,755	28
Certificates of deposit	1,860,000	918
U.S. government bonds	<u>886,293</u>	1305
	<u>\$ 48,960,048</u>	85

Credit Risk – As of September 30, 2019, the LGIP (which represents approximately 94% of the restricted portfolio) is rated AAAm by Standard and Poor's. The remaining portfolio is made up of certificates of deposits (which represent approximately 3% of the restricted portfolio) and U.S. governmental bonds (which represent approximately 3% of the restricted portfolio). Of the total U.S. government bonds, 100% (\$ 2,035,017) is rated AA+ by Standard and Poor's. As of September 30, 2018, the LGIP (which represents approximately 94% of the restricted portfolio) is rated AAAm by Standard and Poor's. The remaining portfolio is made up of certificates of deposits (which represent approximately 4% of the restricted portfolio) and U.S. governmental bonds (which represent approximately 2% of the restricted portfolio). Of the total U.S. government bonds, 73% (\$ 646,950) is rated AA+ by Standard and Poor's and 27% (\$ 239,343) is not rated.

Interest Rate Risk – As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that individual investments not exceed six years and the overall portfolio maintain a weighted average of less than three years. Quality short-to-medium term securities should be purchased, which compliment each other in a structured manner that minimizes risk and meets the Port's cash flow requirements.

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2019 and 2018

NOTE 2. DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

Calculation of the net increase (decrease) in fair value of investments as of September 30, 2019 and 2018 utilizing the aggregate method is as follows:

	2019		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Fair value at September 30, 2019	\$ 23,816,876	\$ 3,895,017	\$ 27,711,893
Add: Proceeds of investments sold	17,915,000	1,595,000	19,510,000
Less: Cost of investments purchased	(29,571,067)	(2,720,189)	(32,291,256)
Less: Fair value at September 30, 2018	<u>(11,765,838)</u>	<u>(2,746,293)</u>	<u>(14,512,131)</u>
Changes in fair value of investments for the year ended September 30, 2019	<u>\$ 394,971</u>	<u>\$ 23,535</u>	<u>\$ 418,506</u>
	2018		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Fair value at September 30, 2018	\$ 11,765,838	\$ 2,746,293	\$ 14,512,131
Add: Proceeds of investments sold	17,320,000	165,000	17,485,000
Less: Cost of investments purchased	(8,484,764)	(599,490)	(9,084,254)
Less: Fair value at September 30, 2017	<u>(20,597,200)</u>	<u>(2,317,615)</u>	<u>(22,914,815)</u>
Changes in fair value of investments for the year ended September 30, 2018	<u>\$ 3,874</u>	<u>\$ (5,812)</u>	<u>\$ (1,938)</u>

These changes in fair value for the years ended September 30, 2019 and 2018 are reported as investment income.

Fair Value – The Port categorizes its fair value measurements within the fair value hierarchy established by GASB No 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2019 and 2018

NOTE 2. DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Total fair values of investment of \$ 27,711,893 at September 30, 2019 and \$ 14,512,131 at September 30, 2018 were measured by level 1 measurement.

Derivatives

The Port made no direct investments in derivatives during the years ended September 30, 2019 and 2018, and held no direct investments in derivatives at September 30, 2019 and 2018. Derivatives are investment products, which may be a security or contract, which derives its value from another security, currency, commodity, or index, regardless of the source of funds used.

NOTE 3. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Taxes: Ad valorem taxes receivable are reserved based on historical experience and evaluation of collectivity as the lesser of a percentage of the original levy and the current receivable for each levy year. The allowance for uncollectable taxes as of September 30, 2019 and 2018 was \$ 48,089 and \$ 55,200, respectively.

Trade Receivables: The allowance for uncollectable receivables related to Port services is determined based on historical experience and evaluation of collectivity in relation to the aging of customer accounts. The allowance for uncollectable receivables related to Port services at September 30, 2019 and 2018 was \$ 33,145 and \$ 27,885, respectively.

NOTE 4. CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended September 30, 2019:

	Useful Life in Years	Balance 10-01-18	Additions	Adjustment/ Deletions	Balance 9-30-19
Capital assets, not being depreciated:					
Land & improvements		\$ 92,086,498	\$ 2,100,162	\$	\$ 94,186,660
Construction in progress		<u>29,122,773</u>	<u>18,413,927</u>	<u>(33,837,553)</u>	<u>13,699,147</u>
Total capital assets, not being depreciated		<u>121,209,271</u>	<u>20,514,089</u>	<u>(33,837,553)</u>	<u>107,885,807</u>
Capital assets, being depreciated:					
Buildings	50	30,728,194	46,571	(9,587)	30,765,178
Docks & appurtenances	5-50	57,553,385	1,494,220		59,047,605
Utilities	20-50	22,387,705	578,426		22,966,131
Roads, lots & railways	50	10,056,576	27,144,675		37,201,251
Storage yards	50	55,147,338	2,038,165		57,185,503
Equipment, furniture & vehicles	5-50	28,704,252	645,561	(208,242)	29,141,571
Other	10-50	<u>1,426,383</u>	<u>21,499</u>		<u>1,447,882</u>
Total capital assets, being depreciated		<u>206,003,833</u>	<u>31,969,117</u>	<u>(217,829)</u>	<u>237,755,121</u>

(continued)

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2019 and 2018

NOTE 4. CAPITAL ASSETS – Continued

	Useful Life in Years	Balance 10-01-18	Additions	Adjustments/ Deletions	Balance 9-30-19
Accumulated depreciation:					
Buildings		\$ 11,976,215	\$ 723,834	\$(9,587)	\$ 12,690,462
Docks & appurtenances		17,698,718	1,356,457		19,055,175
Utilities		9,203,517	1,025,913		10,229,430
Roads, lots & railways		4,128,455	416,500		4,544,955
Storage yards		11,474,382	1,996,750		13,471,132
Equipment, furniture & vehicles		16,078,087	1,175,006	(208,242)	17,044,851
Other		<u>1,054,769</u>	<u>103,437</u>		<u>1,158,206</u>
Total accumulated depreciation		<u>71,614,143</u>	<u>6,797,897</u>	<u>(217,829)</u>	<u>78,194,211</u>
Total capital assets, being depreciated, net		<u>134,389,690</u>	<u>25,171,220</u>	<u>-0-</u>	<u>159,560,910</u>
Total capital assets, net		<u>\$ 255,598,961</u>	<u>\$ 45,685,309</u>	<u>\$(33,837,553)</u>	<u>\$267,446,717</u>

The following is a summary of capital asset activity for the year ended September 30, 2018:

	Useful Life in Years	Balance 10-01-17	Additions	Adjustment/ Deletions	Balance 9-30-18
Capital assets, not being depreciated:					
Land & improvements		\$ 92,086,498	\$	\$	\$ 92,086,498
Construction in progress		<u>10,464,017</u>	<u>19,486,528</u>	<u>(827,772)</u>	<u>29,122,773</u>
Total capital assets, not being depreciated		<u>102,550,515</u>	<u>19,486,528</u>	<u>(827,772)</u>	<u>121,209,271</u>
Capital assets, being depreciated:					
Buildings	50	29,577,699	1,150,495		30,728,194
Docks & appurtenances	5-50	57,553,385			57,553,385
Utilities	20-50	22,394,579	14,875	(21,749)	22,387,705
Roads, lots & railways	50	10,056,576			10,056,576
Storage yards	50	55,125,589		21,749	55,147,338
Equipment, furniture & vehicles	5-50	28,725,155	229,464	(250,367)	28,704,252
Other	10-50	<u>1,448,195</u>		<u>(21,812)</u>	<u>1,426,383</u>
Total capital assets, being depreciated		<u>204,881,178</u>	<u>1,394,834</u>	<u>(272,179)</u>	<u>206,003,833</u>
Accumulated depreciation:					
Buildings		\$ 11,178,716	\$ 797,499	\$	\$ 11,976,215
Docks & appurtenances		16,439,841	1,258,877		17,698,718
Utilities		8,142,992	1,060,525		9,203,517
Roads, lots & railways		3,721,323	407,132		4,128,455
Storage yards		9,645,166	1,829,216		11,474,382
Equipment, furniture & vehicles		14,931,259	1,410,645	(263,817)	16,078,087
Other		<u>951,976</u>	<u>111,155</u>	<u>(8,362)</u>	<u>1,054,769</u>
Total accumulated depreciation		<u>65,011,273</u>	<u>6,875,049</u>	<u>(272,179)</u>	<u>71,614,143</u>
Total capital assets, being depreciated, net		<u>139,869,905</u>	<u>(5,480,215)</u>	<u>-0-</u>	<u>134,389,690</u>
Total capital assets, net		<u>\$ 242,420,420</u>	<u>\$ 14,006,313</u>	<u>\$(827,772)</u>	<u>\$255,598,961</u>

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2019 and 2018

NOTE 4 CAPITAL ASSETS - Continued

The Port has entered into contracts for construction as of September 30, 2019 as follows:

	<u>Project Authori- zation</u>	<u>Expended To Date</u>	<u>Remaining Commitment</u>	<u>Required Further Financing</u>
Parcel 14 Development	\$ 11,689,797	\$ 2,282,178	\$ 9,407,619	\$
Velasco Terminal Development	8,836,734	2,344,326	6,492,408	
Freeport Harbor Channel Improvement	4,628,120	1,588,711	3,039,409	
East End Property Acquisition	2,927,500	1,519,569	1,407,931	
Warehouse Improvement	262,000	196,686	65,314	
Professional/Consulting	<u>100,000</u>	<u>84,812</u>	<u>15,188</u>	
Total	\$ <u>28,444,151</u>	\$ <u>8,016,282</u>	\$ <u>20,427,869</u>	\$ <u>-0-</u>

The Port has entered into contracts for construction as of September 30, 2018 as follows:

	<u>Project Authori- zation</u>	<u>Expended To Date</u>	<u>Remaining Commitment</u>	<u>Required Further Financing</u>
Professional/Consulting	\$ 210,226	\$ 118,620	\$ 91,606	\$
High mast Lighting Improvements	576,258	277,927	298,331	
Velasco Terminal Area 5 Phase II	1,759,520	1,086,098	673,422	
Parcel 14 and Parcel 19 Development	28,429,113	15,330,062	13,099,051	
Freeport Harbor Channel Improvement	1,929,320	892,311	1,037,009	
East End Property Acquisition	<u>2,927,500</u>	<u>1,391,877</u>	<u>1,535,623</u>	
Total	\$ <u>35,831,937</u>	\$ <u>19,096,895</u>	\$ <u>16,735,042</u>	\$ <u>-0-</u>

NOTE 5. LONG-TERM DEBT AND NON-CURRENT LIABILITIES

Non-current liabilities activity for the year ended September 30, 2019 was as follows:

	<u>Balance 10-01-18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9-30-19</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 1,145,000	\$ 31,795,000	\$(1,145,000)	\$ 31,795,000	\$ 130,000
Revenue bonds	93,655,000		(3,255,000)	90,400,000	3,385,000
Capital lease (Note 6)	8,842,417		(1,391,034)	7,451,383	1,423,112
Premium on bonds	2,601,045	3,550,467	(131,443)	6,020,069	209,264
Compensated absences	<u>261,592</u>	<u>181,007</u>	<u>(160,779)</u>	<u>281,820</u>	<u>100,812</u>
Total non-current liabilities	\$ <u>106,505,054</u>	\$ <u>35,526,474</u>	\$ <u>(6,083,256)</u>	\$ <u>135,948,272</u>	\$ <u>5,248,188</u>

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2019 and 2018

NOTE 5. LONG-TERM DEBT AND NON-CURRENT LIABILITIES - Continued

Non-current liabilities activity for the year ended September 30, 2018 was as follows:

	Balance 10-01-17	Additions	Reductions	Balance 9-30-18	Due Within One Year
General obligation bonds	\$ 2,250,000	\$	\$(1,105,000)	\$ 1,145,000	\$ 1,145,000
Revenue bonds	63,445,000	32,865,000	(2,655,000)	93,655,000	3,255,000
Capital lease (Note 6)	10,202,097		(1,359,680)	8,842,417	1,391,034
Premium on bonds	1,151,102	1,506,393	(56,450)	2,601,045	56,033
Compensated absences	<u>229,385</u>	<u>177,077</u>	<u>(144,870)</u>	<u>261,592</u>	<u>196,194</u>
Total non-current liabilities	\$ <u>77,277,584</u>	\$ <u>34,548,470</u>	\$(<u>5,321,000</u>)	\$ <u>106,505,054</u>	\$ <u>6,043,261</u>

General Obligation Bonds Payable:

The General Obligation Bonds, Series 2019, were issued in 2019 in the amount of \$ 31,795,000 to finance Port capital expansion. The Series 2019 bonds are dated June 15, 2019 with a final maturity of August 1, 2049 and bear interest ranging from 2.125% to 5.0% per annum, payable semi-annually on February 1 and August 1.

The bond resolution for the 2019 Series general obligation bonds obligates the Port annually to assess and cause to be collected property taxes sufficient to pay current principal and interest due on the bonds.

For the years ended September 30, 2019 and 2018, the amount of ad valorem taxes collected for interest and sinking was \$ 1,183,417 and \$ 1,162,200, while the debt service requirements for principal and interest were \$ 1,190,800 and \$ 1,195,000 which utilized a portion of existing net position. The bond resolutions provide no express remedies in the event of default and make no provision for acceleration of maturity of the bonds.

Annual debt service requirements to maturity for General Obligations Bonds are as follows:

Fiscal Year Ending September 30	Principal	Interest	Total Principal and Interest
2020	\$ 130,000	\$ 1,371,348	\$ 1,501,348
2021	310,000	1,289,262	1,599,262
2022	640,000	1,273,762	1,913,762
2023	670,000	1,241,762	1,911,762
2024	125,000	1,208,262	1,333,262
2025-2029	3,860,000	5,698,110	9,558,110
2030-2034	4,775,000	4,787,912	9,562,912
2035-2039	5,780,000	3,776,600	9,556,600
2040-2044	6,995,000	2,563,400	9,558,400
2045-2049	<u>8,510,000</u>	<u>1,048,000</u>	<u>9,558,000</u>
Total	\$ <u>31,795,000</u>	\$ <u>24,258,418</u>	\$ <u>56,053,418</u>

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2019 and 2018

NOTE 5. LONG-TERM DEBT AND NON-CURRENT LIABILITIES – Continued

Revenue Bonds Payable:

On June 13, 2013, the Port issued \$ 33,065,000 of Senior Lien Revenue Refunding Bonds, Series 2013A, for the advance refunding of previously issued outstanding revenue bonds (Series 2008). The Port placed the proceeds of the refunding issue in an escrow fund. The escrow fund is irrevocably pledged to the payment of principal and interest on the issues being refunded. The difference between the cash flow required to service the new debt and complete the refunding at the date of the refunding was \$ 17,516. The economic gain resulting from the transaction was \$ 4,372,600. The funds of the escrow account were used to purchase federal securities which will mature at such times and yield interest sufficient to pay the principal and interest on the Refunded Bonds when due. By this action, the Port has affected the defeasance of the Refunded Bonds. Accordingly, the Refunded Bonds are considered to be extinguished and do not appear as a liability in the statement of net position. The proceeds were used to pay \$ 33,398,166 into an escrow account and later utilized to pay off the refunded bonds.

On June 13, 2013, the Port also issued \$ 13,670,000 of Senior Lien Revenue Notes (Bonds), Series 2013B. The proceeds of the issuances were used to complete the construction of the new Velasco Terminal. The Series 2013B notes were refunded in 2015.

On September 23, 2015, the Port issued \$ 39,635,000 of Senior Lien Revenue and Refunding Bonds, Series 2015A. The proceeds of issuances were used to refund the Port's outstanding Senior Lien Revenue Notes, Series 2013B and to provide for financing to acquire, construct and develop repairs and improvements to and equip a container terminal complex. The Port placed the proceeds of \$ 6,444,282 in an escrow fund for the payment of principal and interest on the issue being refunded. The difference between the reacquisition price and the net carrying amount of the old debt was \$ 4,282 and reported as a deferred outflow of resources. The economic gain resulting from the transaction was not calculated since the transaction was not a refunding for savings. The Series 2015A bonds have a final maturity date of June 1, 2045 and bear interest yearly at 3.0% - 5.0%.

On September 27, 2018, the Port issued \$ 32,865,000 of Senior Lien Revenue Bonds, Series 2018. The proceeds of issuances were used to finance all or a portion of (i) the costs of the design, construction, development, improvement and equipment of a storage yard and backland areas to be located at the Velasco Terminal development, (ii) the costs of the design, construction, development, improvement and equipment of a rail yard to be located on Parcel 14, and a rail line connecting the rail yard to the Union Pacific mainline, (iii) the costs of the design, construction, development, improvement and equipment of port facilities and infrastructure, (iv) making a deposit to a bond reserve fund and (v) paying the costs of issuing the Bonds. The Series 2018 bonds have a final maturity date of June 1, 2048 and bear interest yearly at 4.0% - 5.0%.

Annual debt service requirements to maturity for the revenue bonds are as follows:

Series 2013A:

Fiscal Year Ending September 30	Principal	Interest	Total Principal and Interest
2020	\$ 2,115,000	\$ 664,972	\$ 2,779,972
2021	2,185,000	599,830	2,784,830
2022	2,250,000	532,532	2,782,532
2023	2,320,000	463,232	2,783,232
2024	2,395,000	391,776	2,786,776
2025-2028	<u>10,325,000</u>	<u>807,114</u>	<u>11,132,114</u>
	<u>\$ 21,590,000</u>	<u>\$ 3,459,456</u>	<u>\$ 25,049,456</u>

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2019 and 2018

NOTE 5. LONG-TERM DEBT AND NON-CURRENT LIABILITIES – Continued

Revenue Bonds Payable - Continued

Series 2015A:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2020	\$ 735,000	\$ 1,702,588	\$ 2,437,588
2021	770,000	1,665,838	2,435,838
2022	815,000	1,627,338	2,442,338
2023	855,000	1,586,588	2,441,588
2024	895,000	1,543,838	2,438,838
2025-2029	5,205,000	6,999,940	12,204,940
2030-2034	6,515,000	5,682,664	12,197,664
2035-2039	8,085,000	4,114,188	12,199,188
2040-2044	10,235,000	1,958,476	12,193,476
2045	<u>2,335,000</u>	<u>105,076</u>	<u>2,440,076</u>
	<u>\$ 36,445,000</u>	<u>\$ 26,986,534</u>	<u>\$ 63,431,534</u>

Series 2018:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2020	\$ 535,000	\$ 1,451,600	\$ 1,986,600
2021	560,000	1,430,200	1,990,200
2022	585,000	1,402,200	1,987,200
2023	615,000	1,372,950	1,987,950
2024	645,000	1,342,200	1,987,200
2025-2029	3,750,000	6,193,000	9,943,000
2030-2034	4,780,000	5,157,250	9,937,250
2035-2039	6,110,000	3,836,250	9,946,250
2040-2044	7,565,000	2,375,600	9,940,600
2045-2048	<u>7,220,000</u>	<u>736,000</u>	<u>7,956,000</u>
	<u>\$ 32,365,000</u>	<u>\$ 25,297,250</u>	<u>\$ 57,662,250</u>

Total Revenue Bonds:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2020	\$ 3,385,000	\$ 3,819,160	\$ 7,204,160
2021	3,515,000	3,695,868	7,210,868
2022	3,650,000	3,562,070	7,212,070
2023	3,790,000	3,422,770	7,212,770
2024	3,935,000	3,277,814	7,212,814
2025-2029	19,280,000	14,000,054	33,280,054
2030-2034	11,295,000	10,839,914	22,134,914
2035-2039	14,195,000	7,950,438	22,145,438
2040-2044	17,800,000	4,334,076	22,134,076
2045-2048	<u>9,555,000</u>	<u>841,076</u>	<u>10,396,076</u>
	<u>\$ 90,400,000</u>	<u>\$ 55,743,240</u>	<u>\$ 146,143,240</u>

PORT FREEPORT

Notes to Financial Statements For the Years Ended September 30, 2019 and 2018

NOTE 6. CAPITAL LEASE

On September 30, 2014, the Port entered into a Master Lease-Purchase Financing Agreement with Chase Bank in the amount of \$ 14,100,000 under a lease classified as a capital lease for financing two cranes purchased. The interest rate related to the lease obligation is 2.306% and the maturity date is September 2024. During the year ended September 30, 2019, \$ 1,391,034 of lease expenses and \$ 203,906 of interest expenses related to the lease were paid. During the year ended September 30, 2018, \$ 1,359,680 of lease expenses and \$ 235,260 of interest expenses related to the lease were paid.

The following is a schedule showing the future minimum lease payments:

Fiscal Year Ending <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2020	\$ 1,423,112	\$ 171,829	\$ 1,594,941
2021	1,455,929	139,012	1,594,941
2022	1,489,502	105,438	1,594,940
2023	1,523,850	71,090	1,594,940
2024	<u>1,558,990</u>	<u>35,950</u>	<u>1,594,940</u>
	<u>\$ 7,451,383</u>	<u>\$ 523,319</u>	<u>\$ 7,974,702</u>

NOTE 7. CONTINGENT LIABILITIES

The Port is contingently liable in respect to lawsuits and other claims in the ordinary course of its operations. The potential settlement (if any) of such contingencies under the budgetary process would require appropriation of revenues yet to be realized and would not materially affect the financial position of the Port at September 30, 2019 or 2018.

NOTE 8. LITIGATION

A resident of Freeport Texas filed a complaint on August 17, 2018 in the US District Court for the Southern District of Texas. This matter is being vigorously defended by the Port's attorney and the case was dismissed on November 15, 2019.

NOTE 9. FREEPORT HARBOR IMPROVEMENT PROJECTS

Freeport Harbor, Texas Channel Widening and Deepening project

On November 17, 1986, President Reagan signed into law "The Waterway Development Act of 1986". This Act authorized the funding of the Freeport Harbor, Texas Channel Widening and Deepening project, known as the "45-Foot Project", at a project cost of \$ 87.6 million of which \$ 21.7 million is the Port's non-federal share. The dredging was completed in the early 1990's.

On July 15, 1997, the Port and the Department of the Army approved Modification No. 4 of the agreement referred to above. As part of this modification, the U.S. Army Corps of Engineers agreed to provide specific requirements relating to the modifications to the channel and associated dredged material disposal facilities required for the project, of which funds were advanced and the federal portion payable is due back to the non-federal sponsor. \$ 641,051 was reported as accounts receivable as of September 30, 2019 and 2018.

The Port submitted a request in 2013 for \$ 8,323,715 in Land Easements Relocations Right of Way Disposal Sites (LERRDS) credits that would apply toward the final amount owed to the project of \$ 8,141,903. It is expected that these credits will be accepted and applied to the project and the Port Freeport Harbor 45 ft. Project will be closed.

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2019 and 2018

NOTE 9. FREEPORT HARBOR IMPROVEMENT PROJECTS - Continued

The Port maintains a money market account in an escrow account at a financial institution trust department, which is available for draws by the U.S. Army Corps of Engineers. Once the project is closed and the LERRDS credits are accepted, any funds remaining in the escrow account will be released for unrestricted use only upon the U.S. Army Corps of Engineer's approval. The balances in the Escrow Funds for the year ended September 30, 2019 and 2018 were \$ 11,552 and \$ 11,797, respectively.

Freeport Harbor Channel Improvement Project

In early 2013, the U.S. Army Corps of Engineers issued a Chief's Report to the U.S. Congress recommending the deepening of the Freeport Harbor Channel. Acting on this recommendation, Congress included the project in the Water Resources Reform and Development Act (WRRDA) of 2014 authorization to proceed with the project funding initial construction planning and design work. The Freeport Harbor Channel Improvement Project is a \$ 295 million federal cost-shared project that includes the deepening and partial widening of the Freeport Harbor Channel to depths ranging from 51 feet to 56 feet and related navigation improvements. Federal investment for project construction is expected to total \$ 165 million. Port Freeport's non-federal share of this project is \$ 130 million, which will be funded by the issuance of General Obligation Bonds approved by the Port District voters on May 5th, 2018. It is expected that the project will begin construction in 2020 and be completed in 2025.

NOTE 10. LEASING OPERATIONS

Operating Leases: The Port owns various types of property that are held for lease. There are four types of leases: ground leases, grazing leases, warehouse leases and office space leases, all of which are accounted for as operating leases and are included in current operating income. The terms of the leases expire in various years through 2046. The Port has not determined the cost of the specific tracts of land under lease. The cost of the lease facilities as of September 30, 2019 and 2018 was \$ 87,543,470 and \$ 85,493,393, respectively, and accumulated depreciation was \$ 32,001,138 and \$ 29,394,117, respectively. Lease revenue for the years ended September 30, 2019 and 2018 was \$ 14,430,007 and \$ 14,044,382, respectively.

Minimum future rentals to be received on noncancelable leases as of September 30, 2019 are as follows:

Fiscal Year Ending September 30	Amount
2020	\$ 18,536,593
2021	17,854,589
2022	17,545,776
2023	17,540,609
2024	17,550,557
2025-2029	70,783,847
2030-2034	64,973,825
2035-2039	63,503,705
2040-2045	44,519,948
2046	6,507,000
Total minimum future rentals	\$ 339,316,449

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2019 and 2018

NOTE 11. GRANT REVENUE

The following is a schedule of port grant revenue for the years ended September 30, 2019 and 2018.

<u>Agency</u>	<u>Grant Number</u>	<u>Total Entitlement</u>	<u>Pre-2018 Revenues</u>	<u>Revenue 9-30-18</u>	<u>Revenue 9-30-19</u>	<u>Remaining Project 9-30-19</u>
US Department of Homeland Security:						
Port Security Grant	2015-PU-00613-S01	\$ 207,775	\$ 83,385	\$ 124,390	\$	\$
Port Security Grant	2016-PU-00602-S01	189,793		94,252	95,541	
FEMA Public Assistance		<u>29,524</u>		<u>29,524</u>		
Totals		\$ <u>427,092</u>	\$ <u>83,385</u>	\$ <u>248,166</u>	\$ <u>95,541</u>	\$ <u>-0-</u>

Accounts receivable related to these grants as of September 30, 2019 and 2018 totaled \$ -0- and \$ 14,963, respectively and are included in the receivables from other governments line item in the accompanying Statements of Net Position.

NOTE 12. RISK MANAGEMENT

The Port is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Port maintains commercial insurance for these types of risks. There have been no significant changes in insurance coverage, and no settlements have significantly exceeded insurance coverage for the years ending September 30, 2019 and 2018. The Port provides a commercial medical insurance program for its employees.

NOTE 13. RETIREMENT PLANS

Profit Sharing Plan: The Port provides a flexible, nonstandardized safe harbor profit sharing plan (Plan), defined contribution type, for the benefit of its employees that is administered by MassMutual. The Plan covers all full-time employees, which have worked a twelve (12) consecutive month period. The Plan functions for the benefit of the employees and their beneficiaries. The Port's contribution to the Plan is to be determined from year to year and is limited to the amount allowable under the Internal Revenue Code. The Port's Commission appoints the Plan trustee. The Plan is not reported in the Port's basic financial statements.

The Port Freeport Retirement Plan ("Plan") became effective on December 1, 2000 and maintains a calendar year end. The Port contributed \$ 169,779 (\$ 40,548 calendar year 2018 and \$ 129,231 for calendar 2019) to the plan for the year ended September 30, 2018. The Port contributed \$ 159,802 (\$ 36,552 calendar year 2017 and \$ 123,250 for calendar 2018) to the plan for the year ended September 30, 2018. Participants do not contribute to the plan. The trustees of the plan distribute any benefits provided by the plan from net position available for plan benefits. The participants become fully vested in their account after five years of service (years 1 and 2 at 0%, year 3 at 50%, year 4 at 75%, and year 5 at 100%). All of an employee's years of vesting service with the Port are counted to determine the vesting percentage in the participant's individual account.

An employee must maintain 1,000 hours of service to constitute a year of vesting service, and 500 hours of service must be exceeded to avoid a break in vesting service. The contributions made by the Port are allocated to each participant's account based on the Commission approved percentage. Forfeited invested amounts are allocated first to the payment of the plan's administrative expenses and any excess applied to reduce the Port profit sharing contributions for any plan year subsequent to the plan year for which the forfeitures arise. The normal retirement age under the plan is sixty-five. When a participant retires, terminates employment or becomes disabled, he/she are entitled to receive all amounts in which he/she has a vested interest in either a lump-sum payment, periodic installments, or an annual annuity contract. Participants are allowed to make hardship withdrawals and loans as defined by the plan. The Plan has met the ERISA minimum funding requirements.

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2019 and 2018

NOTE 13. RETIREMENT PLANS - Continued

Deferred Compensation Plan: The Port also offers its employees a deferred compensation plan (457 Plan) created in accordance with Internal Revenue Code Section 457. The 457 Plan is administered by MassMutual and is available to all full time employees which have worked a twelve (12) consecutive month period. The 457 Plan functions for the benefit of the employees and their beneficiaries. Participants may contribute up to the amount allowable under the provisions of the Internal Revenue Code. The Port matches participant contributions up to 3% of the participant's base wages as defined in the 457 Plan. The Port's Commission appoints the Plan trustee. The 457 Plan is not reported in the Port's basic financial statements.

The 457 Plan became effective October 1, 2002 and maintains a calendar year-end. The Port contributed \$ 71,752 and \$ 65,323 to the 457 Plan for the years ended September 30, 2019 and 2018, respectively. Participant contributions for the years ended September 30, 2019 and 2018 totaled \$ 226,314 and \$ 209,068, respectively. The trustee of the plan distributes any benefits provided by the plan from net position available for plan benefits. Contributions made by participants vest immediately in their accounts; however, contributions made by the Port vest in the participants' accounts fully over five years of service (years 1 and 2 at 0%, year 3 at 50%, year 4 at 75% and year 5 at 100%). All of an employee's years of vesting service with the Port are counted to determine the vesting percentage in the participant's individual account. An employee must maintain 1,000 hours of service to constitute a year of vesting service, and 500 hours of service must be exceeded to avoid a break in vesting service. Forfeited invested amounts are allocated first to the payment of the plan's administrative expenses and any excess applied to reduce the Port's discretionary contributions for any plan year subsequent to the plan year for which the forfeitures arise. When a participant retires, terminates employment or becomes disabled, he/she is entitled to receive all amounts in which he/she has a vested interest in either a lump-sum payment, periodic installments, or an annual annuity contract. Participants are allowed to make hardship withdrawals and loans as defined by the 457 Plan. The 457 Plan has met the ERISA minimum funding requirements.

The amount of plan fees and expenses were \$ 213 and the amount of forfeitures was \$ 0 as of September 30, 2019. The amount of plan fees and expenses were \$ 414 and the amount of forfeitures was \$ 0 as of September 30, 2018. There is no outstanding pension liability as of September 30, 2019 and 2018 since the Port made 100% of required contribution during the year.

NOTE 14. REVENUE BONDS ISSUED ON BEHALF OF OTHERS

Pollution Control Revenue Bonds: In 1973, the Texas legislature enacted the Clean Air Financing Act, and among other provisions, the legislature authorized certain governmental entities, including districts organized under Article 16, Section 59 of the Constitution, to issue on behalf of users, negotiable bonds to pay cost related to the acquisition, construction, or improvement of air control facilities, such bonds to be retired by revenues received by the issuer from the user. Further, in 1977, the Texas Legislature enacted the Regional Waste Disposal Act, setting forth the authority and procedures for certain governmental entities, including districts created under Article 16, Section 59, of the Constitution, to issue revenue bonds to pay the costs to acquire, construct, improve, enlarge, extend, operate and maintain disposal systems and such bonds to be secured by pledge of revenue derived from any contract between issuer and user, entered into under the provisions of the Act for financing such costs.

In accordance with the above authorization, Port Freeport has and continues to act as issuer for and on behalf of local industrial users of pollution control revenue bonds to finance the construction of air pollution control facilities, water quality facilities and solid waste disposal facilities. These bonds do not constitute indebtedness of the Port and are not reported in the Port's financial statements. These bonds are secured solely by the revenues of the commercial enterprise on whose behalf they are issued.

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2019 and 2018

NOTE 14. REVENUE BONDS ISSUED ON BEHALF OF OTHERS - Continued

Pollution Control Revenue Bond series issued by Port Freeport on behalf of others with principal still outstanding at September 30, 2019 and 2018 are as follows:

<u>Name of Receiving Entity</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Balance Outstanding 9-30-19</u>	<u>Balance Outstanding 9-30-18</u>
BASF Corporation	1996	2031	25,000,000	25,000,000	25,000,000
BASF Corporation	1997	2032	25,000,000	25,000,000	25,000,000
BASF Corporation	2001	2036	25,000,000	25,000,000	25,000,000
BASF Corporation	2002	2037	25,000,000	25,000,000	25,000,000
Merey Sweeny, L.P.	2000	2020	25,000,000	25,000,000	25,000,000
Merey Sweeny, L.P.	2001	2021	12,500,000	12,500,000	12,500,000
Merey Sweeny, L.P.	2001	2021	12,500,000	12,500,000	12,500,000
Merey Sweeny, L.P.	2002	2021	12,500,000	12,500,000	12,500,000
Merey Sweeny, L.P.	2002	2021	12,500,000	12,500,000	12,500,000
Total			\$ 175,000,000	\$ 175,000,000	\$ 175,000,000

Industrial Development Bonds: In 1979 the Texas Legislature enacted the Development Corporation Act of 1979 which authorized certain governmental entities, including districts organized under Article 16, Section 59, of the Constitution, to authorize the creation of a nonprofit corporation for the purpose of issuing bonds on behalf of the governmental unit for the purpose of financing manufacturing and industrial facilities, transportation facilities (including but not limited to airports, ports, mass commuting facilities and parking facilities), in furtherance of the public purposes of the Act. Brazos Harbor Industrial Development Corporation (IDC) is the financing arm of Port Freeport for the issuance of industrial development bonds on behalf of various users for the financing of the type of facilities above enumerated related to industrial development. Port Freeport's commissioners have the right of refusal on the issuance of bonds by the IDC. These bonds are secured solely by the revenues of the commercial enterprises on whose behalf they are issued.

Industrial Development Bond series issued by the IDC on behalf of others with principal still outstanding at September 30, 2019 and 2018 are as follows:

<u>Name of Receiving Entity</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Balance Outstanding 9-30-19</u>	<u>Balance Outstanding 9-30-18</u>
BASF Corporation	2001	2022	26,500,000	26,500,000	26,500,000
BASF Corporation	2003	2038	25,000,000	25,000,000	25,000,000
BASF Corporation	2006	2036	50,000,000	50,000,000	50,000,000
Total			\$101,500,000	\$ 101,500,000	\$ 101,500,000

PORT FREEPORT

Notes to Financial Statements For the Years Ended September 30, 2019 and 2018

NOTE 15. ECONOMIC DEPENDENCY

Operating revenues: During the year ended September 30, 2019, three customers represented approximately 41%, 14% and 7% of the Port's operating revenue. During the year ended September 30, 2018, three customers represented approximately 38%, 13% and 7% of the Port's operating revenue. The loss of these customers would have a significant impact on the Port's financial position.

Ad valorem taxes: During the years ended September 30, 2019 and 2018, one taxpayer represented approximately 20% and 18%, respectively, of the total assessed valuation.

NOTE 16. TAX ABATEMENTS

The Port enters into property tax abatements with local businesses under the Section 312.206(a) of Subchapter B of the Texas Property Redevelopment and Tax Abatement Act, V.A.T.S. Tax Code, Chapter 312 and other applicable sections of said statute, provide that if property taxes are abated within the taxing jurisdiction of a municipality, the governing body of any other taxing unit in which the property is located may execute a written agreement with such owner of the property.

The Port Commission approves the application after it is determined that the request meets the applicable guidelines and criteria adopted by the Port Commission, which will promote the development of industry within the Port boundaries, provide additional employment, and strengthen the area economy.

Tax abatement agreements as of September 30, 2019 are as follows:

<u>Business Type</u>	<u>Purpose</u>	<u>Percentage of Taxes Abated During the Fiscal Year</u>	<u>Value of Abated Amount</u>	<u>Amount of Taxes Abated During Fiscal Year 2019</u>
Manufacturing	New Construction	100%	\$ 9,689,050,180	\$ 3,885,309
Manufacturing	New Construction	50%	11,935,250	4,786
Manufacturing	New Construction	Scheduled	3,063,870	1,229
Health Care	New Construction	Scheduled	<u>10,037,420</u>	<u>4,025</u>
Total			<u>\$ 9,714,086,720</u>	<u>\$ 3,895,349</u>

NOTE 17. EVALUATION OF SUBSEQUENT EVENTS

The Port has evaluated subsequent events through February 13, 2020, the date which the financial statements were available to be issued. The Port has determined that there have been no events that have occurred that would require adjustments to our financial statement disclosures.

PORT FREEPORT

Key Facts

The Freeport Harbor Channel

The Freeport Harbor Channel is a 7.5-mile deep-draft waterway that serves private and public facilities including the Strategic Petroleum Reserve.

Vessel Activity

In 2019, The Freeport Harbor Channel received more than 1,030 vessel calls transporting approximately 21 million tons annually.

Rankings

Port Freeport currently ranks 10th in chemicals, 19th in total tonnage, and 26th in containers among all U.S. ports.

Cargo

In addition to crude oil, natural gas liquids and chemicals, a variety of cargo is moved through Port Freeport including fresh fruit, steel products, bulk aggregate, rice, breakbulk, vehicles, and heavy machinery.

Foreign Trade Zone #149

Port Freeport is home to Foreign Trade Zone #149 offering duty management services to customers in the region.



PORT FREEPORT

Statistical Section For the Years Ended September 30, 2019 and 2018

Table of Contents

Contents	Page
Operating Information	63
<i>These schedules contain Port cargo traffic data to help the reader understand how the information in the Port's financial report relates to the services the Port provides and the activities it performs.</i>	
Financial Trends	66
<i>These schedules contain trend information to help the reader understand how the Port's financial performance and well-being have changed over time.</i>	
Ad Valorem Tax Information	70
<i>These schedules contain information to help the reader assess the Port's non-operating revenue source, the property tax.</i>	
Debt Capacity	77
<i>These schedules present information to help the reader assess the affordability of the Port's current levels of outstanding debt and the Port's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	90
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Port's financial activities take place.</i>	



PORT FREEPORT

Ten Year Cargo Quantities Analysis^①
for the Fiscal Years Ended September 30, 2010 through 2019

TABLE 1

	Cargo Quantities Short Tons	Percent Total Port Tonnage
Rice	2,001,944	8.48 %
Bananas/Misc. Fruit ②	3,701,019	15.68
Misc./General Cargo ③	4,744,741	20.10
Dry Bulk Material ④	8,070,248	34.19
Liquid Bulk Material ⑤	3,028,296	12.83
Project Cargo ⑥	244,875	1.04
Chemicals ⑦	0	0.00
Steel Products	845,666	3.59
RoRo ⑧	965,689	4.09
	23,602,478	100.00 %

① Source-Port Freeport

② Components: Containerized Fruit/Palletized Fruit

③ Misc./General Cargoes - Components: Roll Paper, Cotton, Empty Containers, Nickel Ore

④ Components: Aggregate

⑤ Components: Liquefied Natural Gas, Liquid Bulk Naptha

⑥ Components: Windpower Components, Industry Project Components

⑦ Chemicals Classification - Components: Misc. Chemicals, Polyethylene, PVC Resin

⑧ Components: Automobiles, Equipment

Container Traffic Statistics^①
Twenty-Foot Equivalent Units (T.E.U.)
for the Fiscal Years Ended September 30, 2010 through 2019

TABLE 2

Fiscal Year	Inbound T.E.U.	Outbound T.E.U.	Total	Percent Growth/(Reduction) From Prior Year
2010	35,416	36,706	72,122	1.39
2011	33,416	33,894	67,310	(6.67)
2012	35,052	35,528	70,580	4.86
2013	50,140	50,676	100,816	42.83
2014	48,733	49,317	98,050	(2.74)
2015	48,456	50,448	98,904	0.87
2016	49,595	50,971	100,566	1.68
2017	48,878	51,065	99,943	(0.62)
2018	43,886	43,992	87,878	(12.07)
2019	55,809	55,793	111,602	23.74

① Source-Port Freeport

PORT FREEPORT

Cargo Traffic Statistics^①
for the Fiscal Years Ended September 30, 2010 through 2019

	2019		2018		2017		2016	
1. Rice	128,993	5 %	150,410	7 %	213,005	10 %	210,565	8 %
2. Bananas/Misc. Fruit ②	320,093	11	335,275	14	305,573	14	344,494	11
3. Misc./General Cargo ③	606,247	22	395,046	18	485,095	23	497,968	16
4. Dry Bulk Material ④	967,173	34	866,163	37	806,915	38	1,405,692	46
5. Liquid Bulk Material ⑤	140,773	5	7,815	0	0	0	320,478	10
6. Project Cargo ⑥	6,127	0	33,420	1	39,641	2	16,157	1
7. Chemicals ⑦	0	0	0	0	0	0	0	0
8. Steel Products	378,782	13	305,143	13	95,741	4	41,656	1
9. RoRo ⑧	274,224	10	233,675	10	182,505	9	223,735	7
Annual Port Tonnage ⑨ -Short Tons	2,822,412	100 %	2,326,947	100 %	2,128,475	100 %	3,060,745	100 %
Percent Export	31.53 %		24.44 %		32.59 %		27.67 %	
Percent Import	65.83		71.05		61.91		67.34	
Percent Domestic	2.65		4.51		5.50		5.00	

① Source-Port Freeport

② Components: Containerized Fruit/Palletized Fruit

③ Misc./General Cargoes - Components: Roll Paper, Cotton, Empty Containers, Nickel Ore

④ Components: Aggregate

⑤ Components: Liquefied Natural Gas, Liquid Bulk Naptha

⑥ Components: Windpower Components, Industry Project Components

⑦ Chemicals Classification - Components: Misc. Chemicals, Polyethylene, PVC Resin

⑧ Components: Automobiles, Equipment

⑨ TARE weight not included

TABLE 3

2015		2014		2013		2012		2011		2010	
222,055	8 %	170,431	7 %	285,618	14 %	293,234	17 %	189,867	10 %	137,766	8 %
340,021	11	371,458	14	451,622	22	412,113	24	391,023	19	429,347	24
462,244	15	495,255	19	473,092	23	409,254	24	428,066	20	492,474	27
1,638,790	55	1,195,603	45	455,346	23	196,814	12	155,809	7	381,943	21
215,451	7	370,130	14	336,061	17	380,706	22	911,795	43	345,087	19
41,301	1	33,995	1	14,443	1	14,162	1	25,871	1	19,758	1
0	0	0	0	0	0	0	0	0	0	0	0
24,344	1	0	0	0	0	0	0	0	0	0	0
51,550	2	0	0	0	0	0	0	0	0	0	0
2,995,756	100 %	2,636,872	100 %	2,016,182	100 %	1,706,283	100 %	2,102,431	100 %	1,806,375	100 %
26.84 %		28.79 %		34.69 %		38.73 %		45.73 %		34.91 %	
69.06		66.95		55.21		48.10		48.12		61.13	
4.10		4.26		10.09		13.17		6.15		3.96	

PORT FREEPORT

Net Position by Component For The Years 2010 Through 2019

	2019	2018	2017 (Restated)	2016
Net Position:				
Net investment in capital assets	\$ 131,790,358	\$ 149,366,755	\$ 165,384,639	\$ 160,808,124
Restricted:				
Debt Service	6,500,048	5,267,264	3,758,737	997,405
Capital Projects	53,710,651	44,133,073	7,091,771	3,456,647
Unrestricted	41,289,997	22,141,241	32,959,629	37,235,517
Total net position	<u>\$ 233,291,054</u>	<u>\$ 220,908,333</u>	<u>\$ 209,194,776</u>	<u>\$ 202,497,693</u>

TABLE 4

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u> <u>(Restated)</u>	<u>2011</u> <u>(Restated)</u>	<u>2010</u>
\$ 146,478,032	\$ 149,413,568	\$ 132,423,882	\$ 142,112,999	\$ 141,431,909	\$ 139,263,051
9,133,081	2,762,928	2,767,814	2,471,425	2,677,543	2,562,125
15,202	15,700	16,199	16,698	17,196	21,495
44,585,445	42,713,203	53,881,956	35,071,249	33,506,284	29,368,269
<u>\$ 200,211,760</u>	<u>\$ 194,905,399</u>	<u>\$ 189,089,851</u>	<u>\$ 179,672,371</u>	<u>\$ 177,632,932</u>	<u>\$ 171,214,940</u>

PORT FREEPORT

Summary of Revenues, Expenses and Changes in Net Position For The Years 2010 Through 2019

	2019	2018	2017 (Restated)	2016
Operating Revenues:				
Harbor Operations:				
Wharfage	\$ 7,886,541	\$ 7,274,790	\$ 4,847,411	\$ 4,334,632
Dockage	1,958,714	1,773,794	1,246,826	1,556,143
Service, facility use and other fees	3,632,402	2,957,490	2,571,349	2,978,082
Lease income	14,430,007	14,044,382	13,359,626	12,796,464
Miscellaneous	37,478	283,391	58,580	19,420
Total operating revenues	<u>27,945,142</u>	<u>26,333,847</u>	<u>22,083,792</u>	<u>21,684,741</u>
Operating Expenses:				
Payroll and related	4,775,413	4,214,936	4,022,319	3,998,844
Professional services	2,094,856	2,119,928	1,886,579	1,916,292
Supplies and other	2,194,173	1,867,377	1,653,856	2,060,069
Utilities	554,231	490,982	531,284	517,132
Maintenance and repairs	1,165,766	630,215	722,055	671,078
Depreciation	6,797,897	6,875,049	7,161,321	6,834,913
Total operating expenses	<u>17,582,336</u>	<u>16,198,487</u>	<u>15,977,414</u>	<u>15,998,328</u>
Operating income (loss)	<u>10,362,806</u>	<u>10,135,360</u>	<u>6,106,378</u>	<u>5,686,413</u>
Non-Operating Revenues (Expenses):				
Ad valorem tax collections, net of collection expenses	5,400,964	5,173,826	4,841,680	4,701,307
Investment income	2,010,440	598,893	414,302	289,226
Gain (loss) on sale of capital assets			(25,722)	(4,541,318)
Debt interest and fees	(4,640,871)	(3,165,919)	(2,957,986)	(3,165,710)
Other	(846,159)	(1,276,769)	(1,764,954)	(1,035,419)
Total non-operating revenues (expenses)	<u>1,924,374</u>	<u>1,330,031</u>	<u>507,320</u>	<u>(3,751,914)</u>
Income (loss) before capital contributions	12,287,180	11,465,391	6,613,698	1,934,499
Capital contributions -grants	95,541	248,166	83,385	351,434
Capital contributions -other	0	0	0	0
Total capital contributions	<u>95,541</u>	<u>248,166</u>	<u>83,385</u>	<u>351,434</u>
Extraordinary Revenues (Expenses):				
Insurance and other proceeds - Berth 7				
Construction cost - Berth 7				
Legal and expert fees - Berth 7				
Total extraordinary revenues (expenses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in net position	<u>\$ 12,382,721</u>	<u>\$ 11,713,557</u>	<u>\$ 6,697,083</u>	<u>\$ 2,285,933</u>

TABLE 5

2015	2014	2013	2012 (Restated)	2011 (Restated)	2010
\$ 3,567,651	\$ 3,896,689	\$ 3,149,424	\$ 3,236,202	\$ 2,951,064	\$ 3,130,735
1,324,691	1,763,042	1,353,107	1,605,188	1,977,324	1,463,269
3,086,171	4,191,757	4,112,112	3,757,046	4,950,088	3,929,599
10,564,284	6,955,488	6,344,343	5,944,957	5,696,372	5,513,072
47,938	188,619	35,402	228,024	11,583	14,571
18,590,735	16,995,595	14,994,388	14,771,417	15,586,431	14,051,246
3,571,566	4,005,446	3,858,186	3,607,483	3,710,206	3,520,049
1,731,553	1,432,875	1,634,189	1,535,977	1,386,515	1,006,587
2,376,075	2,489,337	2,316,959	2,056,434	2,210,135	2,167,854
563,186	494,540	553,874	546,062	579,698	602,286
998,167	760,060	998,932	571,759	574,300	781,548
6,425,843	5,310,409	4,502,480	3,998,418	3,709,807	3,272,302
15,666,390	14,492,667	13,864,620	12,316,133	12,170,661	11,350,626
2,924,345	2,502,928	1,129,768	2,455,284	3,415,770	2,700,620
4,750,726	4,672,390	5,246,302	5,017,130	5,060,167	5,255,410
116,636	265,046	(59,682)	114,273	142,015	674,309
3,500		17,965		4,500	
(1,922,216)	(1,285,213)	(2,163,797)	(2,034,252)	(2,195,700)	(2,354,736)
(836,997)	(1,381,819)	(1,188,604)	122,074	(476,356)	(632,829)
2,111,649	2,270,404	1,852,184	3,219,225	2,534,626	2,942,154
5,035,994	4,773,332	2,981,952	5,674,509	5,950,396	5,642,774
270,367	1,042,216	4,682,926	2,290,517	2,269,196	747,749
0	0	0	0	0	224,703
270,367	1,042,216	4,682,926	2,290,517	2,269,196	972,452
		13,095,000	970,541	5,659,125	
		(9,236,010)	(5,773,285)	(5,946,339)	
		(2,106,388)	(1,122,843)	(1,115,013)	
0	0	1,752,602	(5,925,587)	(1,402,227)	0
\$ 5,306,361	\$ 5,815,548	\$ 9,417,480	\$ 2,039,439	\$ 6,817,365	\$ 6,615,226

PORT FREEPORT

Property Tax Rates^③
Direct and Overlapping Governments
for the Levy Years 2009 through 2018^{①②}

	2018	2017	2016
Port Freeport	\$ 0.040100	\$ 0.040100	\$ 0.040100
<u>Overlapping Governments:</u>			
Alvin I.S.D.	1.450000	1.450000	1.450000
Alvin Community College	0.187775	0.180750	0.191744
Angleton, City of	0.697580	0.707598	0.707598
Angleton Drainage District	0.131182	0.146855	0.155164
Angleton I.S.D.	1.455200	1.455200	1.455200
Angleton-Danbury Hospital	0.258328	0.273681	0.302817
Brazoria, City of	0.721976	0.721976	0.790700
Brazoria County	0.367914	0.380234	0.457405
Brazoria County FWD #1	0.00	0.00	0.00
Brazosport College	0.298500	0.303249	0.285040
Brazosport I.S.D.	1.255300	1.255300	1.255300
Clute, City of	0.625000	0.625000	0.643000
Columbia/Brazoria I.S.D.	1.258059	1.269500	1.284700
Commodore Cove I.D.	0.208164	0.204235	0.205984
Danbury, City of	0.816924	0.765672	0.768701
Brazoria County Drainage District #8 (Danbury)	0.252063	0.252063	0.276115
Danbury I.S.D.	1.604700	1.250700	1.256600
Freeport, City of	0.628005	0.628005	0.628005
Jones Creek, Village of	0.462691	0.410000	0.410000
Lake Jackson, City of	0.335200	0.337500	0.337500
Liverpool, City of	0.189288	0.189288	0.193770
Oak Manor U.D.	0.700000	0.500000	0.500000
Oyster Creek, City of	0.258976	0.303816	0.303816
Quintana, Town of	0.014898	0.013830	0.012938
Richwood, City of	0.670204	0.634444	0.672580
Surfside, Village of	0.359506	0.359506	0.359506
Sweeny, City of	0.747062	0.747062	0.747062
Sweeny Hospital District	0.548211	0.516523	0.527302
Sweeny I.S.D.	1.211700	1.211700	1.211700
Treasure Island M.U.D.	0.535735	0.531270	0.503878
Varner Creek Utility District	0.640000	0.650000	0.710000
Velasco Drainage District	0.084120	0.085000	0.091501
West Brazoria County Drainage District #11	0.020000	0.020000	0.020000
West Columbia, City of	0.820000	0.820000	0.830000

^①Source - Brazoria County Appraisal District

^②Property taxes are levied annually in October.

^③Property tax rates are per \$100 taxable valuation.

TABLE 6

2015	2014	2013	2012	2011	2010	2009
\$ 0.041304	\$ 0.045000	\$ 0.045000	\$ 0.051500	\$ 0.053500	\$ 0.053500	\$ 0.053500
1.417000	1.417000	1.329100	1.329100	1.344100	1.304100	1.304100
0.204009	0.204009	0.199756	0.199756	0.199485	0.199830	0.199830
0.717598	0.723500	0.723500	0.723500	0.723500	0.706000	0.706000
0.166619	0.176597	0.175448	0.176563	0.176563	0.183900	0.183900
1.455200	1.455200	1.455200	1.455200	1.455200	1.455200	1.455200
0.321751	0.346854	0.362678	0.359592	0.299592	0.380692	0.246500
0.790700	0.770700	0.770700	0.762300	0.762300	0.762300	0.728300
0.426000	0.438500	0.432020	0.425900	0.413100	0.403010	0.366286
0.00	0.00	0.00	0.250000	0.280000	0.280000	0.295000
0.277510	0.280878	0.267309	0.259436	0.239198	0.190175	0.175754
1.255300	1.255300	1.255300	1.259500	1.241500	1.241500	1.228500
0.659000	0.672000	0.672000	0.672000	0.672000	0.672000	0.672000
1.284700	1.284700	1.296500	1.296500	1.296500	1.296500	1.296500
0.399327	0.439336	0.467538	0.461570	0.475693	0.472234	0.620318
0.799313	0.829169	0.829169	0.826940	0.826940	0.769538	0.762014
0.307812	0.325442	0.349474	0.366000	0.366000	0.366000	0.366000
1.255000	1.240000	1.141081	1.136445	1.137000	1.135400	1.143900
0.645642	0.675586	0.675586	0.700000	0.680000	0.708266	0.708266
0.410000	0.410000	0.410000	0.380000	0.380000	0.380000	0.340000
0.360000	0.387500	0.390000	0.390000	0.390000	0.390000	0.390000
0.215304	0.216473	0.230463	0.230463	0.236850	0.236850	0.236852
0.540000	0.510000	0.520000	0.505000	0.500000	0.480000	0.451178
0.332273	0.476394	0.476394	0.473161	0.431106	0.423154	0.401142
0.013046	0.013046	0.022882	0.023640	0.024413	0.024413	0.033365
0.735680	0.735680	0.735680	0.735680	0.693660	0.693660	0.693660
0.375204	0.397940	0.432601	0.432601	0.402610	0.408801	0.442056
0.842869	0.908000	0.887456	0.844034	0.782818	0.772818	0.741595
0.510351	0.483126	0.470003	0.429109	0.393133	0.279998	0.349917
1.211700	1.211700	1.211700	1.211700	1.211700	1.211700	1.211700
0.518997	0.553152	0.575262	0.551848	0.604590	0.576368	1.258218
0.760000	0.830000	0.890000	0.928000	0.888220	0.858000	0.858000
0.093878	0.098018	0.100226	0.094805	0.094214	0.090907	0.087130
0.020000	0.020000	0.020000	0.020000	0.020000	0.020000	0.020000
0.830000	0.831900	0.831900	0.831900	0.831900	0.831900	0.831900

PORT FREEPORT

Valuation, Exemptions and General Obligation Debt
for Fiscal Year Ended September 30, 2019
(In Thousands)

TABLE 7

2018 Market Valuation: ^① (excluding totally exempt property)		
Land, Homesite	\$ 1,026,493	
Land, Non Homesite	1,066,429	
Land, Ag and Timber Market	1,114,784	
Improvement, Homesite	5,080,780	
Improvement, Non-Homesite	16,774,829	
Non Real, Personal Property	3,176,367	
Non Real, Mineral	43,673	
Total Market Value Before Exemptions		\$ 28,283,355
Less Exemptions/Reductions at 100% Market Value:		
Homestead Exemptions	\$ 884,390	
Over 65 Homesteads Exemptions	859,935	
Disabled Exemptions	154,150	
Abatements	8,392,048	
Freeport Loss	537,644	
Pollution Control	1,322,914	
Productivity Loss	1,073,884	
Tax Exempt	1,475,786	
Other	7,353	
Total Exemptions		\$ 14,708,104
Net 2018 Taxable Valuation		\$ 13,575,251

^①Source - Brazoria County Appraisal District. Valuations shown are certified taxable values reported to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

PORT FREEPORT

Taxable and Estimated Valuation of Properties Located
Within the Port Taxing District ^① for the Fiscal Years 2010 through 2019
(In Thousands)

TABLE 8

Fiscal Year	Estimated Market Value		Less: Tax-Exempt Property	Taxable Valuation	Percent Growth (Reduction) From Prior Year	Total Direct Tax Rate ^②
	Real Property	Personal Property				
2010	\$ 12,608,414	\$ 2,593,214	\$ 5,580,518	\$ 9,621,110	(8.76) %	\$ 0.053500
2011	12,156,069	2,355,464	5,190,492	9,321,041	(3.12)	0.053500
2012	12,091,652	2,677,361	5,463,411	9,305,602	(0.17)	0.053500
2013	12,063,258	2,886,275	5,377,878	9,571,655	2.86	0.051500
2014	12,381,744	2,842,272	4,719,891	10,504,125	9.74	0.045000
2015	12,843,780	2,923,286	5,403,575	10,363,491	(1.34)	0.045000
2016	14,362,925	2,826,243	6,113,078	11,076,090	6.88	0.041304
2017	16,996,743	2,609,001	7,843,409	11,762,335	6.20	0.040100
2018	20,489,956	2,724,994	10,645,525	12,569,425	6.86	0.040100
2019	25,063,315	3,220,040	14,708,104	13,575,251	8.00	0.040100
Taxable Valuation 2010-2019					41.10	

^①Source - Brazoria County Appraisal District

^②Property tax rates are per \$100 taxable valuation.

PORT FREEPORT

Property Tax Levies and Collections^① for the Fiscal Years 2010 through 2019

TABLE 9

Fiscal Year	Total ^② Levy Amount	Levy Adjustments	Adjusted Levy Amount	Total Current Year Collections	Percent of Current Year Collections	Delinquent Tax Collections	Total Gross Collections	Percent of Total Collections
2010	\$ 5,261,212	\$ 113,918	\$ 5,147,294	\$ 5,178,848	98.43 %	\$ 71,430	\$ 5,250,278	99.79 %
2011	5,139,874	34,583	5,105,291	5,001,518	97.31	95,953	5,097,471	99.18
2012	5,018,556	40,059	4,978,497	4,949,272	98.62	149,544	5,098,816	101.60
2013	5,135,924	206,479	4,929,445	5,069,539	98.71	58,935	5,128,474	99.85
2014	4,679,020	118,085	4,560,935	4,632,114	99.00	38,919	4,671,033	99.83
2015	4,767,574	103,877	4,663,697	4,721,937	99.04	38,784	4,760,721	99.86
2016	4,701,834	126,869	4,574,965	4,659,846	99.11	28,680	4,688,526	99.72
2017	4,716,780	141,011	4,575,769	4,806,562	101.90	34,581	4,841,143	102.64
2018	5,040,346	144,429	4,895,917	5,129,495	101.77	26,415	5,155,910	102.29
2019	5,443,667	13,570	5,430,097	5,381,510	98.86	-	5,381,510	98.86

^①Total Collections are reported on the cash receipt basis. The financial statements are presented using the accrual basis of accounting. Since there is an inherent difference between the two methods of reporting, the collection reported on this schedule will not necessarily represent the total revenue reported in the financial statements

^②Amounts shown are original levy amounts and exclude any subsequent supplemental assessments, and therefore collections may exceed total levy amount

PORT FREEPORT

Principal Taxpayers^① Current Year and Nine Years Ago

September 30, 2019
(In Thousands)

TABLE 10

Entity	2018 ^② Market Valuation	Percent of Total Market Valuation	2018 Taxable Valuation	Percent of Total Taxable Valuation
Dow Chemical Company	\$ 5,247,348	19.33 %	\$ 2,755,833	20.30 %
Blue Cube Operations LLC	804,758	2.96	630,438	4.64
Phillips 66 Company	2,474,789	9.12	571,547	4.21
Chevron Phillips Chemical Company	2,075,990	7.65	523,292	3.85
BASF Corp. Chemicals Div.	557,055	2.05	313,367	2.31
Freeport LNG	511,765	1.89	156,304	1.15
Lex Lake Jackson LP	128,736	0.47	128,736	0.95
Air Liquide Large Industries	116,888	0.43	115,765	0.85
Shintech, Inc.	150,861	0.56	105,807	0.78
Seaway Crude Pipeline	103,955	0.38	96,083	0.71
TOTAL	\$ 12,172,145	44.84 %	\$ 5,397,172	39.75 %

September 30, 2010
(In Thousands)

Entity	2009 ^③ Market Valuation	Percent of Total Market Valuation	2009 Taxable Valuation	Percent of Total Taxable Valuation
Dow Chemical Company	\$ 3,521,494	32.29 %	\$ 2,506,828	26.06 %
ConocoPhillips Company	1,238,555	11.36	581,441	6.04
BASF Corp. Chemicals Div.	847,737	7.77	484,018	5.03
Chevron Phillips Chemical Company	529,160	4.85	273,131	2.84
Shintech, Inc.	164,281	1.51	128,764	1.34
Hicorp Energy Co	108,790	1.00	106,270	1.10
Sweeny Cogenerations Ltd	113,617	1.04	105,945	1.10
Oyster Creek Limited/Delta Power Co	83,317	0.76	83,317	0.87
Centerpoint Energy Inc	77,787	0.71	77,781	0.81
SI Group Inc	93,014	0.85	70,359	0.73
TOTAL	\$ 6,777,752	62.14 %	\$ 4,417,854	45.92 %

^① Source - Brazoria County Appraisal District

^② Property taxes levied for the 2019 fiscal year were based on 2018 market valuations.

^③ Property taxes levied for the 2010 fiscal year were based on 2009 market valuations.

PORT FREEPORT

Computation of Direct and Overlapping Bonded Debt of General Obligation Bond Issues September 30, 2019

TABLE 11

Taxing Entity	Net Bonded Debt Amount	As of	Percent Overlapping	Amount Overlapping
Alvin I.S.D.	\$ 815,705,000	9-30-19	6.64 %	\$ 54,162,812
Alvin Community College	30,615,000	9-30-19	6.64	2,032,836
Angleton, City of	20,760,000	9-30-19	100.00	20,760,000
Angleton Drainage District	0	9-30-19	100.00	0
Angleton I.S.D.	111,465,000	9-30-19	69.15	77,078,048
Angleton/Danbury Medical	5,385,000	9-30-19	100.00	5,385,000
Brazoria, City of	5,055,000	9-30-19	100.00	5,055,000
Brazoria County	69,425,000	9-30-19	58.06	40,308,155
Brazoria Co Toll Road Auth	83,538,313	9-30-19	44.77	37,400,103
Brazosport I.S.D.	371,739,985	9-30-19	100.00	371,739,985
Brazosport College	51,490,000	9-30-19	100.00	51,490,000
Clute, City of	13,515,000	9-30-19	100.00	13,515,000
Columbia/Brazoria I.S.D.	30,655,000	9-30-19	100.00	30,655,000
Danbury, City of	897,000	9-30-19	100.00	897,000
Danbury I.S.D.	15,235,000	9-30-19	100.00	15,235,000
Freeport, City of	1,080,000	9-30-19	100.00	1,080,000
Lake Jackson, City of	37,960,000	9-30-19	100.00	37,960,000
Manvel, City of	20,525,000	9-30-19	2.27	465,918
Oyster Creek, Village of	0	9-30-19	100.00	0
Richwood, City of	8,390,000	9-30-19	100.00	8,390,000
Surfside Beach, Village of	1,834,000	9-30-19	100.00	1,834,000
Sweeny, City of	7,651,000	9-30-19	100.00	7,651,000
Sweeny Hospital District	0	9-30-19	100.00	0
Sweeny I.S.D.	51,440,000	9-30-19	100.00	51,440,000
Varner Creek UD	9,595,000	9-30-19	100.00	9,595,000
West Columbia, City of	0	9-30-19	100.00	0
Sub-total Bonded Debt	\$ 1,763,955,298	Sub-total Overlapping Debt		\$ 844,129,857
Port Freeport	\$ 31,795,000	9-30-19	100.00 %	\$ 31,795,000
Total Direct & Overlapping General Obligation Issue Debt	\$ 1,795,750,298			\$ 875,924,857
Ratio of Overlapping Debt to Direct 2019 Taxable Valuation				0.065 %

^①Source: Municipal Advisory Council of Texas

PORT FREEPORT

Ratio of Outstanding Debt by Type
for the Fiscal Years Ended September 30, 2010 through 2019
(In Thousands)

TABLE 12

Fiscal Year Ending September 30	General Obligation Bonds	Revenue Bonds	Capital Leases	Total	Estimated Personal Income ^①	Estimated County Population ^①	Percentage of Personal Income	Per Capita
2010	\$ 8,825	\$ 37,555	-	\$ 46,380	\$ 6,263,610	313	0.7405 %	\$ 148
2011	8,000	36,215	-	44,215	6,269,896	313	0.7052	141
2012	7,112	34,805	-	41,917	6,328,218	316	0.6624	133
2013	6,248	52,600	-	58,848	6,506,825	325	0.9044	181
2014	5,391	37,710	14,100	57,201	6,526,846	326	0.8764	175
2015	4,375	70,288	12,830	87,493	6,671,478	333	1.3115	263
2016	3,355	67,187	11,531	82,073	6,997,340	350	1.1729	235
2017	2,279	64,567	10,202	77,048	6,997,340	350	1.1011	220
2018	1,159	96,242	8,842	106,243	7,112,480	355	1.4938	299
2019	35,319	92,896	7,451	135,666	12,597,469	376	1.0769	361

^① Source Texas State Data Center 2010-2019

PORT FREEPORT

Ratio of Net General Bonded Debt to Taxable Value
and to Net Bonded Debt Per Capita ^{①②}
(In Thousands)
For Fiscal Years 2010 through 2019

TABLE 13

Fiscal Year	Taxable Valuation	Gross General Bonded Debt	Debt Service Restricted Cash	Net General Bonded Debt	Ratio of Net Bonded Debt to Taxable Value	Estimated Population	Net Bonded Debt Per Capita
2009	\$ 10,544,840	\$ 9,725	\$ 185	\$ 9,540	0.0009	297	\$ 32
2010	9,621,110	8,825	247	8,578	0.0009	313	27
2011	9,321,041	8,000	46	7,954	0.0009	313	25
2012	9,305,602	7,111	34	7,077	0.0008	316	22
2013	9,571,655	6,248	59	6,189	0.0006	325	19
2014	10,504,125	5,391	235	5,156	0.0005	326	16
2015	10,363,491	4,375	219	4,156	0.0004	333	12
2016	11,076,090	3,355	201	3,154	0.0003	350	9
2017	11,762,335	2,279	108	2,171	0.0002	350	6
2018	12,569,425	1,159	115	1,044	0.0001	355	3
2019	13,575,251	35,319	129	35,190	0.0026	376	94

^① Source: 2010-2019 Source: Texas State Data Center

^② The computation of legal debt margin previously included in a separate table is no longer applicable.
Port Freeport is now operating under Article XVI, Section 59 of the Texas Constitution.



PORT FREEPORT

Pledged Revenue Bond Indebtedness Coverage for Fiscal Years 2010 through 2019 (In Thousands)

	2019	2018	2017	2016
Operating Revenue	\$ 27,945	\$ 26,334	\$ 22,084	\$ 21,685
Operating Expenses (Net of Depreciation)	(10,784)	(9,323)	(8,816)	(9,163)
Ad Valorem Tax Collections ^③	4,236	3,992	3,675	3,519
Investment Income	1,995	596	409	287
Other Income ^②				382
Net Revenues Available for Debt Service On Revenue Obligations	\$ <u>23,392</u>	\$ <u>21,599</u>	\$ <u>17,352</u>	\$ <u>16,710</u>
Annual Revenue Bonded Debt Service	\$ 7,204	\$ 6,718	\$ 5,215	\$ 5,226
Percent of Coverage	325%	322%	333%	320%
Maximum Revenue Bond Debt Service	\$ 7,217	\$ 7,217	\$ 5,227	\$ 5,227
Percent of Coverage ^①	324%	299%	332%	320%

^①Indicates the extent to which net revenues available for revenue debt service would provide coverage of maximum annual revenue debt service requirements in any future year. The maximum annual revenue debt service will occur in 2025.

^②Other income included in 2013 was ultimately used to payoff a large portion of the 2013 series bonds.

^③Net of collection expenses and debt service available for General Obligation bonds.

TABLE 14

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 18,591	\$ 16,996	\$ 14,994	\$ 14,771	\$ 15,586	\$ 14,051
(9,241)	(9,183)	(9,363)	(8,318)	(8,460)	(8,078)
3,533	3,320	4,065	3,872	3,923	4,044
117	265	(59)	114	142	674
		<u>13,785</u>	<u>1,334</u>	<u>5,708</u>	<u>232</u>
\$ <u><u>13,000</u></u>	\$ <u><u>11,398</u></u>	\$ <u><u>23,422</u></u>	\$ <u><u>11,773</u></u>	\$ <u><u>16,899</u></u>	\$ <u><u>10,923</u></u>
\$ 5,229	\$ 2,834	\$ 15,926	\$ 3,199	\$ 3,199	\$ 3,195
249%	402%	147%	368%	528%	342%
\$ 5,227	\$ 7,376	\$ 15,926	\$ 3,200	\$ 3,200	\$ 3,200
249%	155%	147%	368%	528%	341%

PORT FREEPORT

Summary of Annual Cash Requirements on Debt Outstanding September 30, 2019

TABLE 15

Fiscal Year Ending September 30	General Obligation Bonds Series 2019	Senior Lien Revenue Refunding Bonds Series 2013A	Senior Lien Revenue and Refunding Bonds Series 2015A	Senior Lien Revenue Refunding Bonds Series 2018	Capital Lease	Total
2020	\$ 1,501,348	\$ 2,779,972	\$ 2,437,588	\$ 1,986,600	\$ 1,594,941	\$ 10,300,449
2021	1,599,262	2,784,830	2,435,838	1,990,200	1,594,941	10,405,071
2022	1,913,762	2,782,532	2,442,338	1,987,200	1,594,940	10,720,772
2023	1,911,762	2,783,232	2,441,588	1,987,950	1,594,940	10,719,472
2024	1,333,262	2,786,776	2,438,838	1,987,200	1,594,940	10,141,016
2025	1,912,012	2,783,010	2,444,088	1,989,950		9,129,060
2026	1,910,712	2,782,088	2,441,838	1,985,950		9,120,588
2027	1,914,212	2,783,856	2,437,338	1,990,450		9,125,856
2028	1,910,712	2,783,160	2,440,588	1,987,950		9,122,410
2029	1,910,462		2,441,088	1,988,700		6,340,250
2030	1,913,212		2,438,838	1,987,450		6,339,500
2031	1,914,300		2,440,838	1,989,200		6,344,338
2032	1,913,800		2,439,276	1,988,700		6,341,776
2033	1,910,600		2,440,650	1,985,950		6,337,200
2034	1,911,000		2,438,062	1,985,950		6,335,012
2035	1,909,800		2,443,138	1,988,450		6,341,388
2036	1,912,000		2,440,450	1,988,200		6,340,650
2037	1,912,400		2,438,700	1,990,200		6,341,300
2038	1,912,600		2,438,200	1,989,200		6,340,000
2039	1,909,800		2,438,700	1,990,200		6,338,700
2040	1,910,200		2,434,950	1,986,400		6,331,550
2041	1,913,600		2,436,950	1,990,600		6,341,150
2042	1,909,800		2,438,976	1,987,400		6,336,176
2043	1,914,000		2,441,950	1,987,000		6,342,950
2044	1,910,800		2,440,650	1,989,200		6,340,650
2045	1,910,400		2,440,076	1,988,800		6,339,276
2046	1,912,600			1,990,800		3,903,400
2047	1,912,200			1,990,000		3,902,200
2048	1,909,200			1,986,400		3,895,600
2049	1,913,600					1,913,600
	\$ 56,053,418	\$ 25,049,456	\$ 63,431,534	\$ 57,662,250	\$ 7,974,702	\$ 210,171,360

PORT FREEPORT

Summary of Annual Cash Requirements on General Obligation Debt Outstanding September 30, 2019

TABLE 16

Fiscal Year Ending September 30	General Obligation Bonds Series 2019	Total
2020	\$ 1,501,348	\$ 1,501,348
2021	1,599,262	1,599,262
2022	1,913,762	1,913,762
2023	1,911,762	1,911,762
2024	1,333,262	1,333,262
2025	1,912,012	1,912,012
2026	1,910,712	1,910,712
2027	1,914,212	1,914,212
2028	1,910,712	1,910,712
2029	1,910,462	1,910,462
2030	1,913,212	1,913,212
2031	1,914,300	1,914,300
2032	1,913,800	1,913,800
2033	1,910,600	1,910,600
2034	1,911,000	1,911,000
2035	1,909,800	1,909,800
2036	1,912,000	1,912,000
2037	1,912,400	1,912,400
2038	1,912,600	1,912,600
2039	1,909,800	1,909,800
2040	1,910,200	1,910,200
2041	1,913,600	1,913,600
2042	1,909,800	1,909,800
2043	1,914,000	1,914,000
2044	1,910,800	1,910,800
2045	1,910,400	1,910,400
2046	1,912,600	1,912,600
2047	1,912,200	1,912,200
2048	1,909,200	1,909,200
2049	1,913,600	1,913,600
	\$ 56,053,418	\$ 56,053,418

PORT FREEPORT

General Obligation Bonds, Series 2019 (Non-AMT)
September 30, 2019

TABLE 17

Fiscal Year Ending September 30	Coupon	Interest Due February 1	Interest Due August 1	Principal Due August 1	Total Principal & Interest	Principal Balance
						\$ 31,795,000
2020	5.000 %	\$ 723,467	\$ 647,881	\$ 130,000	\$ 1,501,348	31,665,000
2021	5.000	644,631	644,631	310,000	1,599,262	31,355,000
2022	5.000	636,881	636,881	640,000	1,913,762	30,715,000
2023	5.000	620,881	620,881	670,000	1,911,762	30,045,000
2024	5.000	604,131	604,131	125,000	1,333,262	29,920,000
2025	3.000	601,006	601,006	710,000	1,912,012	29,210,000
2026	5.000	590,356	590,356	730,000	1,910,712	28,480,000
2027	5.000	572,106	572,106	770,000	1,914,212	27,710,000
2028	5.000	552,856	552,856	805,000	1,910,712	26,905,000
2029	5.000	532,731	532,731	845,000	1,910,462	26,060,000
2030	2.125	511,606	511,606	890,000	1,913,212	25,170,000
2031	5.000	502,150	502,150	910,000	1,914,300	24,260,000
2032	4.000	479,400	479,400	955,000	1,913,800	23,305,000
2033	4.000	460,300	460,300	990,000	1,910,600	22,315,000
2034	4.000	440,500	440,500	1,030,000	1,911,000	21,285,000
2035	4.000	419,900	419,900	1,070,000	1,909,800	20,215,000
2036	4.000	398,500	398,500	1,115,000	1,912,000	19,100,000
2037	3.000	376,200	376,200	1,160,000	1,912,400	17,940,000
2038	4.000	358,800	358,800	1,195,000	1,912,600	16,745,000
2039	4.000	334,900	334,900	1,240,000	1,909,800	15,505,000
2040	4.000	310,100	310,100	1,290,000	1,910,200	14,215,000
2041	4.000	284,300	284,300	1,345,000	1,913,600	12,870,000
2042	4.000	257,400	257,400	1,395,000	1,909,800	11,475,000
2043	4.000	229,500	229,500	1,455,000	1,914,000	10,020,000
2044	4.000	200,400	200,400	1,510,000	1,910,800	8,510,000
2045	4.000	170,200	170,200	1,570,000	1,910,400	6,940,000
2046	4.000	138,800	138,800	1,635,000	1,912,600	5,305,000
2047	4.000	106,100	106,100	1,700,000	1,912,200	3,605,000
2048	4.000	72,100	72,100	1,765,000	1,909,200	1,840,000
2049	4.000	36,800	36,800	1,840,000	1,913,600	0
		\$ 12,167,002	\$ 12,091,416	\$ 31,795,000	\$ 56,053,418	

PORT FREEPORT

Summary of Annual Cash Requirements on Revenue Debt Outstanding September 30, 2019

TABLE 18

Fiscal Year	Senior Lien	Senior Lien	Senior Lien	
Ending	Revenue	Revenue and	Revenue	
September 30	Refunding Bonds	Refunding Bonds	Refunding Bonds	Total
	Series 2013A	Series 2015A	Series 2018	
2020	\$ 2,779,972	\$ 2,437,588	\$ 1,986,600	\$ 7,204,160
2021	2,784,830	2,435,838	1,990,200	7,210,868
2022	2,782,532	2,442,338	1,987,200	7,212,070
2023	2,783,232	2,441,588	1,987,950	7,212,770
2024	2,786,776	2,438,838	1,987,200	7,212,814
2025	2,783,010	2,444,088	1,989,950	7,217,048
2026	2,782,088	2,441,838	1,985,950	7,209,876
2027	2,783,856	2,437,338	1,990,450	7,211,644
2028	2,783,160	2,440,588	1,987,950	7,211,698
2029		2,441,088	1,988,700	4,429,788
2030		2,438,838	1,987,450	4,426,288
2031		2,440,838	1,989,200	4,430,038
2032		2,439,276	1,988,700	4,427,976
2033		2,440,650	1,985,950	4,426,600
2034		2,438,062	1,985,950	4,424,012
2035		2,443,138	1,988,450	4,431,588
2036		2,440,450	1,988,200	4,428,650
2037		2,438,700	1,990,200	4,428,900
2038		2,438,200	1,989,200	4,427,400
2039		2,438,700	1,990,200	4,428,900
2040		2,434,950	1,986,400	4,421,350
2041		2,436,950	1,990,600	4,427,550
2042		2,438,976	1,987,400	4,426,376
2043		2,441,950	1,987,000	4,428,950
2044		2,440,650	1,989,200	4,429,850
2045		2,440,076	1,988,800	4,428,876
2046			1,990,800	1,990,800
2047			1,990,000	1,990,000
2048			1,986,400	1,986,400
2049				-
	\$ 25,049,456	\$ 63,431,534	\$ 57,662,250	\$ 146,143,240

PORT FREEPORT

Senior Lien Revenue Refunding Bonds, Series 2013A (AMT)
September 30, 2019

TABLE 19

Fiscal Year Ending September 30	Coupon	Interest Due December 1	Interest Due June 1	Principal Due June 1	Total Principal & Interest	Principal Balance
2019						\$ 21,590,000
2020	3.08 %	\$ 332,486	\$ 332,486	\$ 2,115,000	\$ 2,779,972	19,475,000
2021	3.08	299,915	299,915	2,185,000	2,784,830	17,290,000
2022	3.08	266,266	266,266	2,250,000	2,782,532	15,040,000
2023	3.08	231,616	231,616	2,320,000	2,783,232	12,720,000
2024	3.08	195,888	195,888	2,395,000	2,786,776	10,325,000
2025	3.08	159,005	159,005	2,465,000	2,783,010	7,860,000
2026	3.08	121,044	121,044	2,540,000	2,782,088	5,320,000
2027	3.08	81,928	81,928	2,620,000	2,783,856	2,700,000
2028	3.08	41,580	41,580	2,700,000	2,783,160	0
		\$ 1,729,728	\$ 1,729,728	\$ 21,590,000	\$ 25,049,456	

PORT FREEPORT

Senior Lien Revenue and Refunding Bonds, Series 2015A (AMT) September 30, 2019

TABLE 20

Fiscal Year Ending September 30	Coupon	Interest Due December 1	Interest Due June 1	Principal Due June 1	Total Principal & Interest	Principal Balance
2019						\$ 36,445,000
2020	5.00 %	\$ 851,294	\$ 851,294	\$ 735,000	\$ 2,437,588	35,710,000
2021	5.00	832,919	832,919	770,000	2,435,838	34,940,000
2022	5.00	813,669	813,669	815,000	2,442,338	34,125,000
2023	5.00	793,294	793,294	855,000	2,441,588	33,270,000
2024	5.00	771,919	771,919	895,000	2,438,838	32,375,000
2025	5.00	749,544	749,544	945,000	2,444,088	31,430,000
2026	5.00	725,919	725,919	990,000	2,441,838	30,440,000
2027	5.00	701,169	701,169	1,035,000	2,437,338	29,405,000
2028	5.00	675,294	675,294	1,090,000	2,440,588	28,315,000
2029	5.00	648,044	648,044	1,145,000	2,441,088	27,170,000
2030	4.00	619,419	619,419	1,200,000	2,438,838	25,970,000
2031	4.13	595,419	595,419	1,250,000	2,440,838	24,720,000
2032	4.13	569,638	569,638	1,300,000	2,439,276	23,420,000
2033	4.25	542,825	542,825	1,355,000	2,440,650	22,065,000
2034	4.25	514,031	514,031	1,410,000	2,438,062	20,655,000
2035	4.25	484,069	484,069	1,475,000	2,443,138	19,180,000
2036	5.00	452,725	452,725	1,535,000	2,440,450	17,645,000
2037	5.00	414,350	414,350	1,610,000	2,438,700	16,035,000
2038	5.00	374,100	374,100	1,690,000	2,438,200	14,345,000
2039	5.00	331,850	331,850	1,775,000	2,438,700	12,570,000
2040	5.00	287,475	287,475	1,860,000	2,434,950	10,710,000
2041	4.50	240,975	240,975	1,955,000	2,436,950	8,755,000
2042	4.50	196,988	196,988	2,045,000	2,438,976	6,710,000
2043	4.50	150,975	150,975	2,140,000	2,441,950	4,570,000
2044	4.50	102,825	102,825	2,235,000	2,440,650	2,335,000
2045	4.50	52,538	52,538	2,335,000	2,440,076	0
		\$ 13,493,267	\$ 13,493,267	\$ 36,445,000	\$ 63,431,534	

PORT FREEPORT

Senior Lien Revenue Refunding Bonds, Series 2018 (AMT)
September 30, 2019

TABLE 21

Fiscal Year Ending September 30	Coupon	Interest Due December 1	Interest Due June 1	Principal Due June 1	Total Principal & Interest	Principal Balance
2019						\$ 32,365,000
2020	4.00 %	\$ 725,800	\$ 725,800	\$ 535,000	\$ 1,986,600	31,830,000
2021	5.00	715,100	715,100	560,000	1,990,200	31,270,000
2022	5.00	701,100	701,100	585,000	1,987,200	30,685,000
2023	5.00	686,475	686,475	615,000	1,987,950	30,070,000
2024	5.00	671,100	671,100	645,000	1,987,200	29,425,000
2025	5.00	654,975	654,975	680,000	1,989,950	28,745,000
2026	5.00	637,975	637,975	710,000	1,985,950	28,035,000
2027	5.00	620,225	620,225	750,000	1,990,450	27,285,000
2028	5.00	601,475	601,475	785,000	1,987,950	26,500,000
2029	5.00	581,850	581,850	825,000	1,988,700	25,675,000
2030	5.00	561,225	561,225	865,000	1,987,450	24,810,000
2031	5.00	539,600	539,600	910,000	1,989,200	23,900,000
2032	5.00	516,850	516,850	955,000	1,988,700	22,945,000
2033	5.00	492,975	492,975	1,000,000	1,985,950	21,945,000
2034	5.00	467,975	467,975	1,050,000	1,985,950	20,895,000
2035	5.00	441,725	441,725	1,105,000	1,988,450	19,790,000
2036	5.00	414,100	414,100	1,160,000	1,988,200	18,630,000
2037	5.00	385,100	385,100	1,220,000	1,990,200	17,410,000
2038	5.00	354,600	354,600	1,280,000	1,989,200	16,130,000
2039	4.00	322,600	322,600	1,345,000	1,990,200	14,785,000
2040	4.00	295,700	295,700	1,395,000	1,986,400	13,390,000
2041	4.00	267,800	267,800	1,455,000	1,990,600	11,935,000
2042	4.00	238,700	238,700	1,510,000	1,987,400	10,425,000
2043	4.00	208,500	208,500	1,570,000	1,987,000	8,855,000
2044	4.00	177,100	177,100	1,635,000	1,989,200	7,220,000
2045	4.00	144,400	144,400	1,700,000	1,988,800	5,520,000
2046	4.00	110,400	110,400	1,770,000	1,990,800	3,750,000
2047	4.00	75,000	75,000	1,840,000	1,990,000	1,910,000
2048	4.00	38,200	38,200	1,910,000	1,986,400	0
		\$ 12,648,625	\$ 12,648,625	\$ 32,365,000	\$ 57,662,250	

PORT FREEPORT

Capital Lease
September 30, 2019

TABLE 22

Fiscal Year Ending September 30	Coupon	Interest Due Sept. 30	Principal Due Sept. 30	Total Principal & Interest	Principal Balance
2019					\$ 7,451,383
2020	2.31 %	\$ 171,829	\$ 1,423,112	\$ 1,594,941	6,028,271
2021	2.31	139,012	1,455,929	1,594,941	4,572,342
2022	2.31	105,438	1,489,502	1,594,940	3,082,840
2023	2.31	71,090	1,523,850	1,594,940	1,558,990
2024	2.31	35,950	1,558,990	1,594,940	0
		\$ 523,319	\$ 7,451,383	\$ 7,974,702	

PORT FREEPORT

Table 23, Miscellaneous Statistical Data

Located in Texas's Central Gulf Coast, Port Freeport currently encompasses approximately 85 percent of Brazoria County. Occupying the only frontal mainland coastline in Brazoria County, it also offers one of Texas's most fertile agricultural areas. The primary economic bases of the county include chemical manufacturing, petroleum processing, offshore oil and gas production and maintenance services, diversified manufacturing, biochemical, electronics, and agriculture. In addition, the area's deepwater transportation waterway, port facilities, sport fishing services and tourism are major components of the county's economic base.

Date of Incorporation	1925
Form of Government.....	A political subdivision of the state of Texas
Number of Employees.....	38
Geographical Location	Southeast Coast of Texas on the Gulf of Mexico Approximately 60 miles South of Houston
Port Owned Property.....	Approximately 774 acres developed Approximately 500 acres environmentally mitigated 1,800 acres identified for industrial development Approximately 8,000 acres undeveloped
Elevation	3-12 feet above sea level
Tidal Range-Inner Harbor	Plus (minus) 2.5 feet
Aerial Clearance.....	No restriction
Climate Type.....	Sub-tropical
Temperature - Annual Average.....	71.6 degrees F.
Precipitation - Annual Average.....	52.17
Number of Public Docks	7 (not including 4 public private partnership docks)
Covered Dry Warehouse Space.....	434,400 square feet
Port Freeport's Total Foreign Tonnage Ranking Among U.S. Ports *.....	19 th highest
Port Freeport's Container Handling Ranking Among U.S. Ports *	26 th highest
Total Containers	111,128 TEU (Calendar Year 2019)
Central America, South America, Middle East, Africa, EU and Asia	
Liquefied Natural Gas, liquefied petroleum gas, crude oil, bulk petrochemicals, natural gas liquids, containerized cargo, refrigerated fresh fruit, rice, new and used automobiles, high and heavy construction equipment, limestone aggregate, project cargo, plastic resins, steel products	
Number of Truck Lines Serving Port Freeport.....	12
Number of Barge Lines Serving Port Freeport.....	3
Number of Railroad Lines Serving Port Freeport	1
Number of Shipping Lines Calling Port Freeport	19
Foreign Trade Zone (FTZ) No. 149	Established in 1988
FTZ 149 service area.....	Brazoria and Ft. Bend County, Texas
Area of County	1,386.4 square miles
Brazoria County's Total Assessed Valuation Among Texas Counties	12th highest without exemptions
Brazoria County's Total Population Ranking Among All Texas Counties	15th highest
Brazoria County's Total Area Ranking Among All Texas Counties	28 th highest
Economic Impact to Region and State	\$98.8 billion total annually / \$9.0 billion personal income, 150,651 jobs economy-wide directly or indirectly supported by operations
Economic Impact to Nation.....	\$149 billion total annually / \$5.4 billion in federal tax revenues, 279,780 jobs economy-wide directly or indirectly supported by operations

* Port Freeport analysis of U.S. Census Bureau data

PORT FREEPORT

History of the Port[®]

The history of navigation in the Brazos River area can be traced to as early as 1528 when the Spanish explorer Cabeza de Vaca first arrived in the “New Land”. In 1821, Stephen F. Austin chose the mouth of the Brazos River as the location of a colony and deepwater port to be developed. Throughout the nineteenth century and beyond, the area’s importance as a trade and shipping area became more viable. A brief chronological history of the development of Port Freeport:

In 1889, Congress authorized the Brazos River and Dock Company to construct, own and operate sufficient jetties as might be necessary to create a navigable channel between the mouth of the Brazos River and the Gulf of Mexico. Granite jetties were constructed by the Brazos River and Dock Company at a cost of \$ 1,449,025.

The Brazos River Harbor Navigation District was created by an action of the voters on the 4th day of December 1925. In 1960, the size of the elected number of Commissioners was increased from three to six positions by an act of the Texas Legislature.

On December 4, 1925, the voters approved the issuance of \$ 989,000 of ad valorem tax bonds to be utilized for the elimination of the river jetty siltation - shoaling problems by diversion of the “live” Brazos River to another course for its final flow to the Gulf of Mexico.

In January 1951, the voters approved the issuance of \$ 2,600,000 of ad valorem tax bonds to be utilized for the purchase of additional land for the construction of the Harbor and District’s first dock and terminal facilities. In June 1957, the voters approved the issuance of \$ 1,500,000 of Port Revenue Bonds for construction of a second transit shed and dock facility.

In 1961, the harbor and channel were first dredged to the original project depth of 36 - feet by the Federal Government. In June 1963, the Interstate Commerce Commission granted the District an all-inclusive equalization of rail rates, placing the Ports of Houston, Galveston and Freeport on an equal rail rate basis. In January 1964, Transit Shed No. 5 was opened for business. This 36,000-square foot cargo storage facility was constructed with retained Port revenues; no bonds were issued for its construction.

In May 1969, the Board of Navigation and Canal Commissioners authorized the issuance of \$ 865,000

of Port Revenue Bonds for the construction of a 60,000-square foot, warehouse, known as Warehouse 53, and modifications and improvements to other District warehouses, transit sheds and dock facilities.

On October 5, 1980, the voters approved the issuance of \$ 20,000,000 of ad valorem tax bonds for the acquisition of 8,700 acres of land for future industrial development and for expenses related to the District’s waterway and jetty system widening and deepening project, construction of additional office and warehouse space and improvements to existing Port facilities.

In 1983, the Board of Navigation and Canal Commissioners entered into a lease agreement with Dole Fresh Fruit Company to construct a trailer marshaling yard and maintenance facility to handle Dole’s weekly-containerized fruit import and commodity export trade. In 1985, the Board of Navigation and Canal Commissioners entered into a lease agreement with American Rice, Inc. to construct the largest state-of-the-art rice milling facility in the United States on a site leased to it by the Port and authorized the issuance of \$ 10,500,000 of Port Revenue Bonds for the construction of an additional berth, 180,000 square feet of transit sheds, a barge unloading facility along with numerous major infrastructure improvements.

On June 2, 1985, then Texas Governor Mark White signed a bill authorizing the Brazos River Harbor Navigation District to apply for and to accept, operate and maintain a Foreign-Trade Zone within its boundaries. The Foreign-Trade Zones Board on June 28, 1988, issued Order No. 385 approving the establishment of Foreign-Trade Zone No. 149 at specific sites located within the jurisdiction of the Brazos River Harbor Navigation District. On July 18, 1988, authorization to “activate” sites of Foreign-Trade Zone No. 149 were issued by the District Director of the U. S. Customs Service and on July 19, 1988, the first goods were received into Foreign-Trade Zone No. 149.

In 1962, the District requested the U. S. Army Corps of Engineers to study the widening and deepening of the Freeport jetty system, channels and harbor to improve navigation and to accommodate the larger ships that were first appearing at this time and were forecasted to be standard fleet size in the near future. Twenty-four years later, on November 17, 1986, President Ronald Reagan signed “The Water

PORT FREEPORT

History of the Port[®]

Resources Development Act of 1986” which authorized the first new waterway construction starts since 1976. The authorization included the Freeport Harbor, Texas, 45-Foot Project, at an estimated total project cost of \$ 88,600,000 of which \$ 29,200,000 was non-federal/local expense. To satisfy the recreational requirements of the project, the District completed the \$ 1,000,000 Surfside Jetty Park Complex in 1994, and through an Interlocal Cooperation Agreement with Brazoria County, turned the park over to the Brazoria County Parks Department for operation and maintenance.

In 1989, the Board of Navigation and Canal Commissioners authorized the purchase of the Canadian Millworks, Inc. leasehold improvements, now known as Warehouse 51, for \$ 350,000. The facility has undergone major upgrades and is presently being utilized for warehousing of domestic cargoes.

On January 1, 1993, the Board of Navigation and Canal Commissioners entered into an Industrial Lease and Docking Agreement with McDermott, Inc. for the pre-and post-mating hook-up and commissioning site for Shell Offshore, Inc.’s “Auger” Tension Leg Platform Project. In conjunction with the lease, the District realized over \$ 580,000 in permanent site improvements to District lands fronting on the Brazos River channel. Additionally, the District contracted for the dredging of a 60-foot deep berthing area in the Upper Turning Basin. In January 1994, the Board of Navigation and Canal Commissioners entered into a lease agreement with Western Towing, Inc. for the construction of a barge fleeting facility located on the Old Brazos River upstream from the Upper Turning Basin.

In June 1995, the Board of Navigation and Canal Commissioners adopted a long-term master plan developed with the assistance from the firm, Vickerman, Zachary and Miller. With input from the Board of Navigation and Canal Commissioners, staff, community leaders and local industry, the District’s Mission Statement and Goals were developed. An update to the Master Plan was adopted in 1999.

In September 1995, the Board of Navigation and Canal Commissioners entered into a lease agreement with Chiquita Brands, Inc. for the construction of a Green Fruit Terminal on leased Port lands. The terminal includes space for up to 200 containers on chassis, interchange and maintenance facilities, as well as modular office units at a total cost of \$ 2.5 million.

Terminal operations commenced in March 1996. \$ 3,265,000 of Port Revenue Bonds were issued to finance the Green Fruit Terminal as well as renovations to Berth No. 1.

In December 1998, the voters approved the issuance of \$ 16,000,000 of ad valorem tax bonds to be utilized for the purchase and commissioning of a \$ 3.1 million mobile harbor crane and 500-foot extension of Berth No. 5 and berthing area improvements at Parcel 39. To facilitate the more efficient handling of containerized and project cargoes and to handle the additional loads from container handling equipment, the dock aprons of Berths No. 1 and No. 2 were widened from 45 – feet to 100 – feet in 1998-1999 by demolition of a portion of the transit sheds. These projects were funded by a combination of Port revenue bonds and retained earnings. In 1998, Warehouse 52, a 36,000-square foot facility, was constructed and is currently being used for domestic warehousing and cargo storage. This project was funded with Port retained earnings.

In 1999, the District acquired two tracts of land adjacent to the Port for future development and expansion. The first is a 2.5-acre tract, formerly occupied by Freeport Welding and Fabrication. The second is a 45-acre tract, formerly owned by Marathon Oil Company, with deep-water frontage on the Old Brazos River.

In 1999, the main Port entrance was rebuilt and widened, the 30-plus year-old pavement west of the rail crossing on Pete Schaff Blvd. was replaced, and the final phase of a 5-acre open storage yard was completed. In 2000, the Deep Berthing Area was dredged to a depth of 70 feet, making it one of only two 70-foot deep berthing areas in the Upper Gulf Coast. The first phase of Berthing Area Improvements, Parcel 39, was completed in 2000, which included dredging a berthing area to 40-foot depth, the installation of monopile breasting/mooring dolphins and extending the Port’s water distribution system. These projects were funded with proceeds from the 1998 bond issuance.

In March 2000, the Board of Navigation and Canal Commissioners entered into a lease agreement with Transit Mix Concrete and Materials, a division of Trinity Industries (now Vulcan Materials), to import limestone for the construction industry. In October, the first self-unloading vessel carrying over 60,000

PORT FREEPORT

History of the Port[®]

tons of limestone discharged at their facility located on the Upper Turning Basin.

In 2000-2001 the Port completed the Berth 5 Extension Project, increasing the number of public deepwater berths from three to four. A harbor tug berthing facility was constructed to provide a home base for harbor tugs serving vessels in Port Freeport. A portion of Transit Shed No. 5 was demolished and the balance renovated to provide for a 100-foot wide dock apron and more efficient handling of cargo. These projects were funded with proceeds from the 1998 bond issuance.

In 2001, the Board of Navigation and Canal Commissioners signed a lease agreement with Parker/Cabett Subsea Products Inc. to construct a state-of-the-art umbilical cable manufacturing facility to serve the offshore oil and gas industry. The facility is located adjacent to the recently completed Berth 5 and manufactured its first cable in early 2002.

In 2002, the Port contracted for the development of a Conceptual Master Plan that provides for the organized expansion of the Port over the next 20 years to serve the marine industry. Also in 2002, the Port started the process of widening and deepening the Freeport Harbor Channel to serve larger vessels and the anticipated increase in vessel traffic. The U. S. Army Corps of Engineers issued the Section 216 Reconnaissance Phase Report that identified a federal interest in the project. In 2003, the Board of Navigation and Canal Commissioners entered into a \$ 6.5 million Feasibility Cost Sharing Agreement with the U.S. Army Corps of Engineers for the Freeport Harbor Improvement Project. The Feasibility Phase of the project was completed and the USCOE issued a Chief's Report to the U.S. Congress recommending the deepening of the Freeport Harbor Channel in 2013.

In 2004, the Port undertook three major projects in its efforts to diversify its cargo base. Construction of a 38,000-square foot Cool Storage Facility to handle palletized fruit as well as other temperature-sensitive commodities was completed in 2005. Design of the Velasco Terminal project was started in late 2004 and construction started in early 2007. The new 800-foot long berth is designed to handle the next generation of gantry cranes and accommodate vessels up to 48-foot draft. The signing of a land lease agreement with Freeport LNG was the first step in the construction of a liquefied natural gas receiving facility. Construction began in early 2005 and was completed in 2008. The

first vessel of liquefied natural gas was received in April 2008.

In 2007, the State of Texas passed House Bill 542, which legally changed the name of the Brazos River Harbor Navigation District to "Port Freeport" and the name of the governing body of the Brazos River Harbor Navigation District to "Port Commission" and the name of each member of the Port Commission to be changed to "Port Commissioner." Development on Parcel 25 began and wind energy units began moving through Port Freeport via Suzlon Wind Energy Corp. and other manufacturers.

The Port completed construction of a 60-acre project cargo area that is being leased for storage of wind power production components in 2009 at Parcel 25. In addition, the first 5-acres of an additional project cargo area at Parcel 19 were completed and the design for the next 10-acres was completed in 2009.

In 2010, Freeport LNG filed an application with the Federal Energy and Regulatory Commission to expand their facility to include re-liquefaction capabilities.

In 2011, the State of Texas passed House Bill 1305, which granted authority to Port Freeport to issue permits for the movement of oversize or overweight vehicles carrying cargo on highways located within a ten-mile radius of Port Freeport.

In 2013, Velasco Terminal Phase 1, Berth 7 was completed and operational. The permit system for the movement of oversize or overweight vehicles carrying cargo on highways located within a ten-mile radius of Port Freeport was implemented.

In 2014, the Port purchased two Post Panamax ship to shore container cranes for Velasco Terminal. Mediterranean Shipping Company, S.A. began servicing the Port in a vessel sharing agreement with Chiquita Brands International. In preparation of its new export facility, Freeport LNG signed an agreement with Port Freeport to widen the Freeport Harbor entrance channel.

In 2015 Hoegh Autoliners joined our family of partners in June of 2015 and has now created the first major OEM Ro/Ro facility at the Port offering all services to ocean carriers moving of all kinds of rolling stock. Port Freeport also signed leases with Zachry for construction staging areas for the construction of Freeport LNGs three new "trains".

PORT FREEPORT

History of the Port[®]

Congress approved the Water Resource Development Act designating the Port as an “authorized project” which placed the GRR and 56 foot channel deepening project as one of the top federal projects considered for funding.

In 2016, the chiller was demolished, making additional open storage area alongside Berth 2 and to facilitate and expedite ro/ro ship discharge and loading operations. Port Freeport also welcomed the first Post-Panamax vessel to call the Port. The MV HOEGH TARGET is the largest Pure Car Pure Truck Carrier in the world with the capacity to carry about 8,500 Car Equivalent Units (CEUs).

Freeport LNG (FLNG) commenced construction of three new export LNG trains and announced plans for an additional fourth train.

During 2016, Port Freeport reached a milestone in its history, surpassing three million tons of cargo handled at the public berths.

2017 was another banner year which saw the Port and the USAC partnering again on significant projects. The Port and the USAC approved the Freeport Placement 1 Containment Dike Raising, which will create significant new capacity for dredge material placement. The USAC and Port also approved a new study as part of our current GRR (General Re-evaluation Review) that would look at navigation enhancements as they relate to widening the current channel.

One of the Port’s newest tenants, Tenaris opened their new seamless pipe manufacturing facility in Bay City Texas. This \$ 1.7 billion-dollar facility’s feedstock began arriving by vessel weekly in August, 2017. Approximately 330,000 tons of steel billets and or steel pipes are expected each year.

The Port also received approval of its’ first M-69 Marine Highway Designation and route from MARAD. This new marine highway will offer service routes for container on barge operations and will lower truck emissions by offering alternative barge services to and from the Port Houston and Port Freeport.

The State Legislature, in 2017, authorized the extension of the Port’s HLC (Heavy-lift Truck Corridor) by adding an additional route from Sweeny Texas to Bay City Texas to its’ list of routes offered to

local industry. This route will help facilitate the delivery of steel products by truck to and from Bay City and Port Freeport, reducing the number of transits by 40 percent.

Port Freeport reached a major milestone this year by approving its’ first major rail project. This project will add 3 x 5,500’ rail lines on Parcel 14, which is a 242-acre site designed for multi-modal operations. The Port and service partner UPRR will be offering manifest rail services options to our Ro/Ro and petrochemical clients.

In addition to the new rail, the Port will soon be offering new warehousing for plastics bagging, container stuffing, and more rail storage/service options for high and heavy cargo such as construction equipment, cranes, and heavy lift project cargo.

In December 2018, Port Freeport was also named to the Top 10 List of Fastest Growing US Ports for Exports by Forbes Magazine.

In 2018, the Port continued with its growth and expansion plans. New service lines were added with Sallam Lines as well as Hoegh Autoliner offered a new service to Australia and New Zealand. CMA\CGM, a global service carrier also started calling Port Freeport with their weekly Brazex service.

The Port celebrated the 30th anniversary of the Foreign Trade Zone 149 which continues to provide economic benefits for users.

On May 5, 2018, the voters approved the issuance of \$ 130 Million General Obligation Bonds for Port’s non-federal sponsor contribution of the Freeport Harbor Channel Improvement Project. The total project is estimated to be \$ 295 million and is expected to start construction in 2019.

2019 delivered continued growth to Port Freeport. The Brazos Pilots Association reports 1,034 total deep draft ship calls in 2019, an approximate 9% increase over 2018.

During 2019, Port Freeport executed 2nd Lease Agreements with two of its existing customers, namely Horizon Terminal Services (now renamed Horizon Auto Liners) and Vulcan Construction Materials. The Port also signed a new Lease Agreement with G&H Towing Company to ensure that technologically advanced, first-class towing

PORT FREEPORT

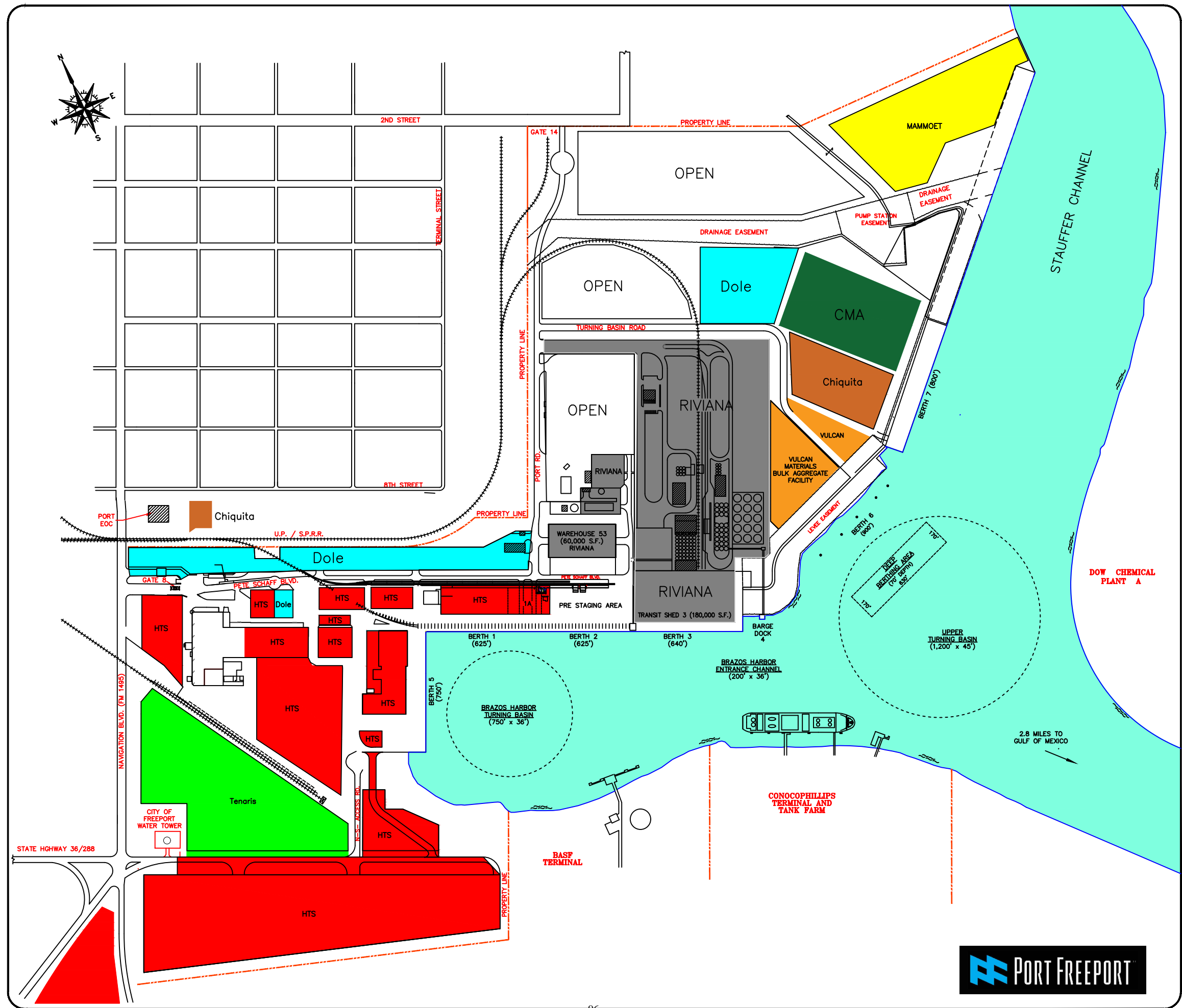
History of the Port^①

vessels are able to service ships arriving to and departing from Port Freeport.

2019 was highlighted with a historic ribbon cutting event. The earlier mentioned \$ 26.5M Phase 1 Rail Infrastructure Project that constructed over 21,000 linear feet of railroad track on the Port's 262-acre Parcel 14 was completed.

Port Freeport history documents the prior and current commitment of the Brazoria County residents, its industries, the Port Commission, administration and staff members to ensure the continued successful economic impact of the Port.





^①Historical data summarized from the previous research of Glenn Heath and Nat Hickey.



FREEPORT, TEXAS

0' 1000' 2000' 3000' 4000' 5000'

SCALE

- | | |
|---|---------------------------|
|  | PORT PROPERTY |
|  | PORT PROPERTY UNDER LEASE |
|  | NAVIGABLE WATERWAYS |
|  | LAKEs, BAYOUs, ETC. |

