

Comprehensive Annual Financial Report

For the Fiscal Years Ended September 30, 2020 and 2019



 **PORT FREEPORTSM**

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**Port Freeport
Freeport, Texas**

Comprehensive Annual Financial Report
For the Fiscal Years Ended
September 30, 2020 and 2019

Prepared by:

Rob Lowe
Chief Financial Officer

Mary Campus
Controller

PORT FREEPORT

Freeport, Texas

Comprehensive Annual Financial Report Fiscal Years Ended September 30, 2020 and 2019

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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, 2019

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 which received a “new start” designation in February 2020, 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.





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STATE OF THE PORT

December 10, 2020

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

Re: Port Freeport leads through uncertain times, charting a bright future

Gentlemen,

Despite the global pandemic, 2020 was all about growth for Port Freeport. The past three years of marketing, construction, and major plant and carrier expansions blossomed into dramatic growth as the port moves forward with constructing a deeper, wider ship channel and continuing terminal expansions. Activity and cargo movements within the Freeport Harbor Channel community remained brisk and normal operations were in effect thanks to the efforts of Port Freeport's tenants, the Brazos Pilots, seafarers, stevedores, the ILA, truckers, and other port workers.

2020 was the port's busiest year yet.

In February 2020, the U.S. Army Corps of Engineers (USACE) announced \$19 million in funding was included for the Freeport Harbor Channel Improvement Project in the USACE FY 2020 Work Plan and named Port Freeport as one of two seaports nationwide to receive a "new start" designation for commencement of construction. On June 25, 2020, a Project Partnership Agreement (PPA) was signed between Port Freeport and the USACE, officially moving the project into the construction phase. On September 14, 2020, the USACE awarded the first dredging contract to Great Lakes Dredge and Dock Corporation in the amount of \$15.4 million. Project dredging of the first segment will commence in January 2021. An additional \$39 million in bonds are set to be issued in 2021 from the \$130 million bond package approved by voters in 2018 for the project, which, combined with federal funds, makes the \$295 million channel project possible. The Port Freeport Commission has honored its commitment to taxpayers to hold the district's property tax rate.

Work on 6-acres of backland stabilization as part of the Velasco Terminal Expansion Project was completed in May 2020 and construction on the Berth 8 buildout is currently underway. Dredging will begin in April 2021. The 925-foot-long berth at completion in 2022 will be able to accommodate post-Panamax cranes and greatly enhance the port's container operations.

Activity in the Freeport Harbor Channel is bustling.

The Freeport Harbor Channel saw more sailings in 2020 than ever before as roll-on roll-off (ro-ro) cargo and LPG and LNG exports grew tremendously. Port Freeport saw 1,136 vessel calls during calendar year 2020, up 10.29% over calendar year 2019.

The ro-ro activity at Port Freeport is thriving, evident of a recovering global economy. The investment in landside multimodal infrastructure, including 20 acres of OEM storage and processing that was placed into service in August 2020, brought the total number of vehicle spaces on Port Freeport property to 10,000. On any given day, those spaces are full or being filled.

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

Freeport LNG brought all three liquefaction trains into commercial operation in 2020. Port Freeport remains, as it has for decades, a hub for imports of green fruit and exports of Texas rice.

Even more remarkable impacts are ahead.

Port Freeport is staying on solid financial ground. The port continues to garner excellent ratings. Moody's Investor Service has maintained an Aa2 rating for Port Freeport while Standard & Poor's raised the port's rating from "A" to "A+". Each year, for over three decades, Port Freeport has been recognized by the Government Finance Officers Association (GFAO) for excellence in financial reporting.

Port Freeport continues to invest in the Brazoria County and Freeport Harbor Channel communities through sponsorships and its two major annual events. The 9th Annual Port Freeport Golf Tournament benefitting Texas Port Ministry netted \$67,600, nearly reaching 2019's fundraising record, for the local nonprofit serving more than 10,000 international seafarers and more than 150,000 truck drivers. In a tough financial and emotional year, those funds will greatly assist Texas Port Ministry in continuing to advocate for the physical, emotional, and spiritual health of our seafarers. The port's 20th Annual Take-A-Child Fishing Tournament was held virtually but received great participation from young anglers and their families. Port Freeport was able to give back to our community in creative ways despite the effects of the ongoing pandemic.

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.

Most appreciatively,

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

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



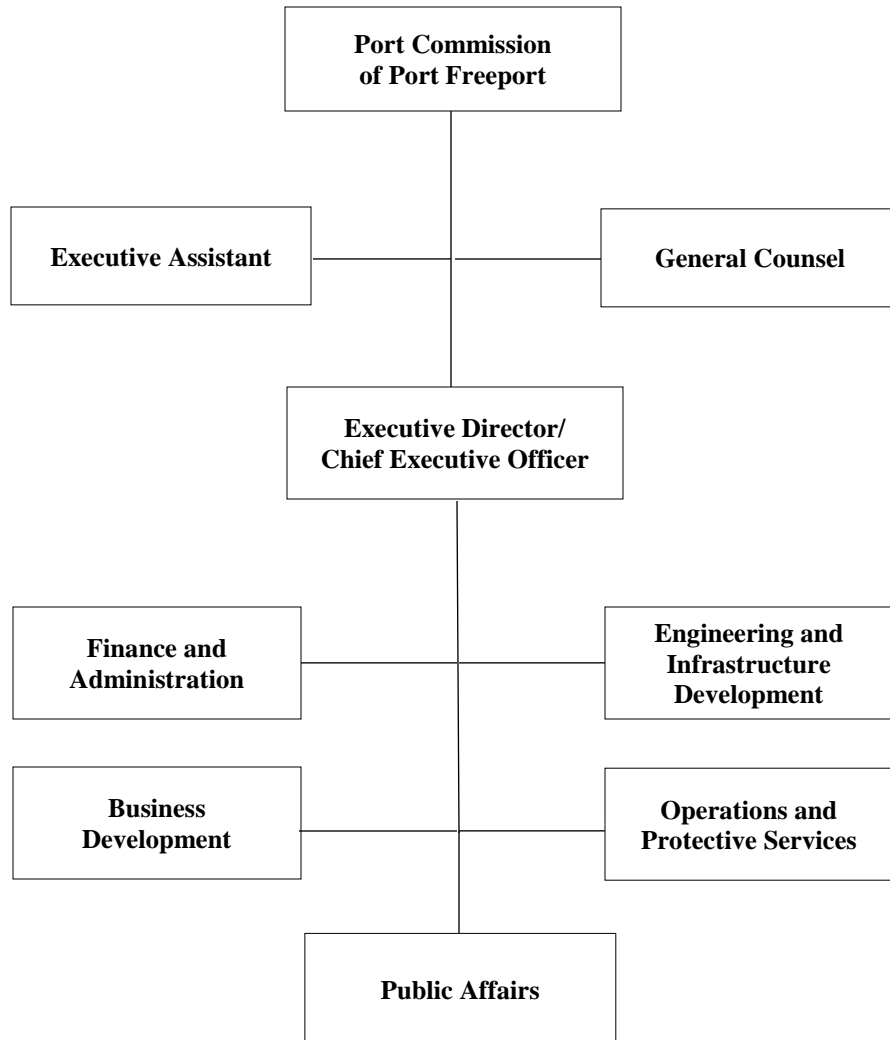
Mike Wilson
Director of Economic Development
and Freight Mobility



Chris Hogan
Director of Protective Services

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Organizational Chart





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LETTER OF TRANSMITTAL

December 10, 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, 2020 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 \$ 121 million of recently completed industrial plants and an estimated \$ 1.8 billion currently under construction. The Brazoria County Index of Leading Economic indicators decreased 8 percent from September 2019 to September 2020. The Leading Economic Index, which is designed to forecast the economic performance of the county over the next three to six-months, has been below the six-month moving average since March 2020. This indicates that the county is likely entering into or is currently experiencing a period of economic contraction. (Brazosport College Economic Forecasting Center, 2020).

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, 2020.

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, 2019. 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-one 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

2020. 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 ranging from 51-56 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 2020 include: construction began on a 925 foot berth extension of the Velasco Terminal; 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 completion 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. The Federal Government's share of the total project cost must be appropriated by Congress with a project New Start designation and the first phase was appropriated and included in the USCOE 2020 workplan and construction is expected to begin in February 2021. 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.

In addition to the construction of the 925 berth extension of Velasco Terminal, Master Planning efforts also recommend the purchase of additional ship to shore gantry cranes and continued development of backland to support berth operations. Costs associated with this further build out is \$ 157 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 2021.

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, 2020 and 2019 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, 2020 and 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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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 December 10, 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
December 10, 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, 2020, 2019 and 2018. 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, 2020

- Total Net Position increased by \$ 6.7 million.
- Total Assets increased by \$ 84.7 million primarily due to an increase in property, plant and equipment of \$ 43.0 million from purchases of land, Port improvements, and equipment, an decrease in cash and cash equivalents of \$ 12.5 million, and an increase in investments of \$ 53.1 million primarily driven from bond proceeds received in advance of associated capital improvement projects.
- Total Liabilities increased by \$ 78.0 million due to the net bond proceeds of \$ 74.7 million, bond premium of \$ 8.1 million, and scheduled payments on capital leases and bonds outstanding.
- Change in Net Position was lower than the prior year primarily due to the increase of non-operating expenses.

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.

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.

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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, 2020, 2019 and 2018, the Port's net position increased by 3 percent, 6 percent, and 6 percent to \$ 240.0 million, \$ 233.3 million, and \$ 220.9 million, respectively.

Net investment in capital assets at September 30, 2020, 2019 and 2018, was \$ 165.6 million, \$ 169.8 million, and \$ 182.4 million, or 69 percent, 73 percent, and 83 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, 2020, 2019 and 2018, is divided into three categories: restricted for debt service, \$ 12.5 million, \$ 6.5 million and \$ 5.3 million; restricted for capital projects and improvements, \$ 20.0 million, \$ 15.7 million and \$ 11.1 million; and unrestricted net position, \$ 41.9 million, \$ 41.3 million and \$ 22.1 million, respectively. Restrictions do not significantly affect the availability of resources for future use.

The Port's total net position increased by 6.7 million in 2020, \$ 12.4 million in 2019, and \$ 11.7 million in 2018. These increases were provided by operating income (including depreciation) of \$ 15.0 million, \$ 10.4 million, and \$ 10.1 million; \$ (8.5) million, \$ 1.9 million and \$ 1.3 million in non-operating net revenues (expenses) including ad valorem taxes of \$ 5.6 million, \$ 5.4 million and \$ 5.2 million and capital contributions of \$ 140 thousand, \$ 96 thousand and \$ 248 thousand, respectively.

Condensed Statements of Net Position (in thousands)

	2020	2019	2018
Current and other assets	\$ 153,489	\$ 111,825	\$ 79,485
Capital assets, net of depreciation	<u>310,473</u>	<u>267,447</u>	<u>255,599</u>
Total assets	<u>463,962</u>	<u>379,272</u>	<u>335,084</u>
Deferred outflows of resources – refunding costs	<u>9</u>	<u>10</u>	<u>11</u>
Total deferred outflows of resources	<u>9</u>	<u>10</u>	<u>11</u>
Current liabilities	19,299	15,291	13,725
Non-current liabilities	<u>204,667</u>	<u>130,700</u>	<u>100,462</u>
Total liabilities	<u>223,966</u>	<u>145,991</u>	<u>114,187</u>
Deferred inflows of resources			
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net investment in capital assets	165,615	169,757	182,375
Restricted for debt service	12,459	6,500	5,267
Restricted for capital projects and improvements	20,035	15,744	11,125
Unrestricted	<u>41,896</u>	<u>41,290</u>	<u>22,141</u>
Total net position	<u>\$ 240,005</u>	<u>\$ 233,291</u>	<u>\$ 220,908</u>

PORT FREEPORT

Management Discussion and Analysis

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

	2020	2019	2018
Operating revenues:			
Harbor operations	\$ 20,176	\$ 13,478	\$ 12,006
Lease income	13,388	14,430	14,044
Miscellaneous	9	37	284
Total operating revenues	<u>33,573</u>	<u>27,945</u>	<u>26,334</u>
Operating expenses:			
Payroll and related	5,068	4,775	4,215
Professional services	2,163	2,095	2,120
Supplies and other	2,111	2,194	1,868
Utilities, maintenance and repairs	1,611	1,720	1,121
Depreciation	7,593	6,798	6,875
Total operating expenses	<u>18,546</u>	<u>17,582</u>	<u>16,199</u>
Operating income	<u>15,027</u>	<u>10,363</u>	<u>10,135</u>
Non-operating revenues (expenses):			
Ad valorem tax, net of collection expenses	5,623	5,401	5,174
Investment income	2,096	2,010	599
Debt interest and fees	(7,862)	(4,641)	(3,166)
Other	(8,310)	(846)	(1,277)
Total non-operating revenues (expenses)	<u>(8,453)</u>	<u>1,924</u>	<u>1,330</u>
Income before capital contributions	6,574	12,287	11,465
Capital contributions - grants	<u>140</u>	<u>96</u>	<u>248</u>
Change in net position	6,714	12,383	11,713
Total net position – beginning	<u>233,291</u>	<u>220,908</u>	<u>209,195</u>
Total net position – ending	<u>\$ 240,005</u>	<u>\$ 233,291</u>	<u>\$ 220,908</u>

Total revenues, including capital contributions, have increased in 2020 comparing to 2019 and increased in 2019 comparing to 2018. Total revenues for 2020, 2019, and 2018, were \$ 41.4 million, \$ 35.5 million, and \$ 32.4 million, respectively. Operating revenues increased by \$ 5.6 million in 2020 to \$ 33.6 million, \$ 1.6 million in 2019 to \$ 27.9 million, and \$ 4.3 million in 2018 to \$ 26.3 million. Harbor operating revenues are primarily driven by commodity tonnages and ship calls. Tonnage overall increased 208 percent to 8.7 million tons in 2020 while ship calls increased 27 percent and barge calls increased 605 percent. 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.

PORT FREEPORT

Management Discussion and Analysis

The following is the detailed tonnage comparison for the fiscal year 2020, 2019, and 2018:

Commodity	Fiscal Year 2020 Tonnage (In thousands)	Change from prior year	Fiscal Year 2019 Tonnage (In thousands)	Change from prior year	Fiscal Year 2018 Tonnage (In thousands)	Change from prior year
Rice	143	11%	129	-14%	150	-30%
Bananas/Misc Fruit	264	-18%	320	-4%	335	10%
Misc./General Cargo	664	10%	606	53%	395	-19%
Dry Bulk Material	653	-32%	967	11%	866	7%
Liquid Bulk Material	6,325	4385%	141	1662%	8	0
Project Cargo	55	816%	6	-82%	33	-17%
Steel Products	309	-18%	379	25%	305	218%
RoRo Cargo	289	5%	274	17%	234	29%
Total	8,702	208%	2,822	21%	2,326	9%

Total lease revenue decreased 7.2 percent in 2020, increased 2.7 percent in 2019 and 5.1 percent in 2018. Ground lease revenue decreased \$ 947 thousand in 2020, increased \$ 385 thousand in 2019, and \$ 693 thousand in 2018. Other leases decreased \$ 95 thousand in 2020, increased \$ 1 thousand in 2019, and \$ 8 thousand in 2018. Lease revenue decreases in 2020 are due to the expiration of a lease and termination of a lease agreement. Lease revenue increases in 2019 and 2018 are due to new customers as well as contractual rate adjustments.

Ad valorem tax revenue was \$ 5.6 million, \$ 5.4 million, and \$ 5.2 million in 2020, 2019 and 2018, respectively. The tax rate was 4.01 cents per hundred-dollar valuation in 2020, 2019 and 2018. Investment income increased by \$ 85 thousand in 2020 as compared to 2019 due to increases in funds available for investment, increased by \$ 1.4 million in 2019 as compared to 2018 due to increases in interest rates and in funds available for investment, and investment income increased by \$ 185 thousand in 2018 as compared to 2017 due to increases in interest rates and in funds available for investment. Grant revenues in 2020 increased to \$ 140 thousand, in 2019 decreased to \$ 96 thousand, and in 2018 increased to \$ 248 thousand. Other non-operating expenses of \$ 8.3 million, \$ 846 thousand, and \$ 1.3 million in 2020, 2019, and 2018 were directly related to contributions to others made by the Port for grant and capital related projects.



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Management Discussion and Analysis

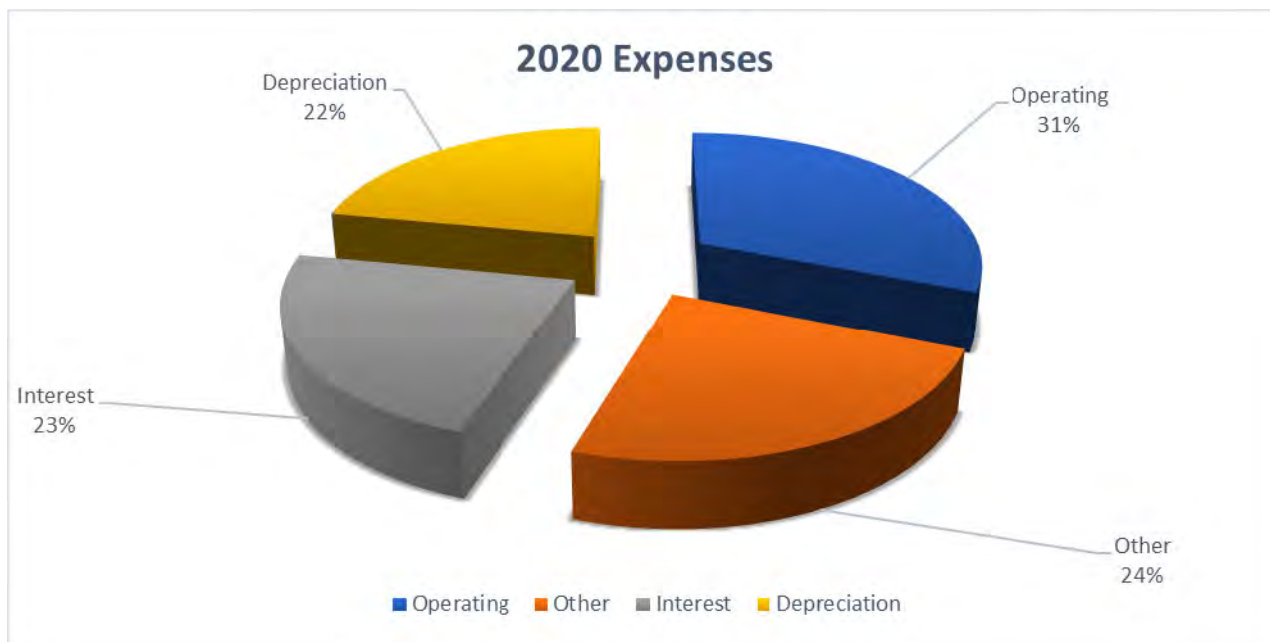


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Management Discussion and Analysis

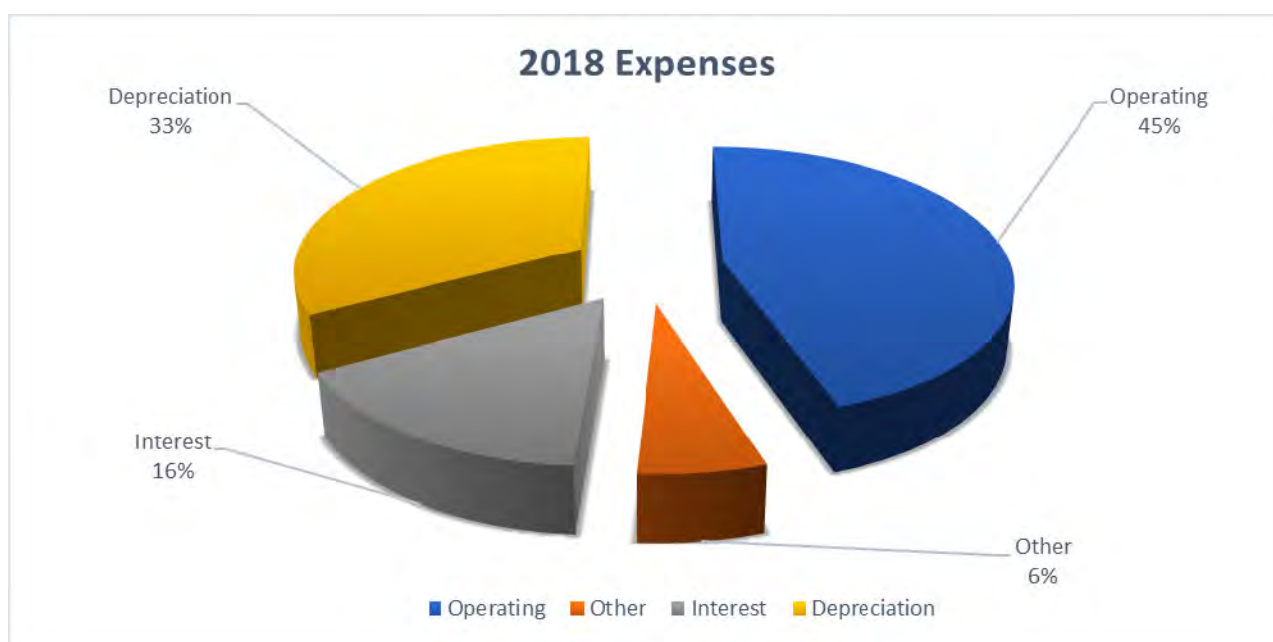
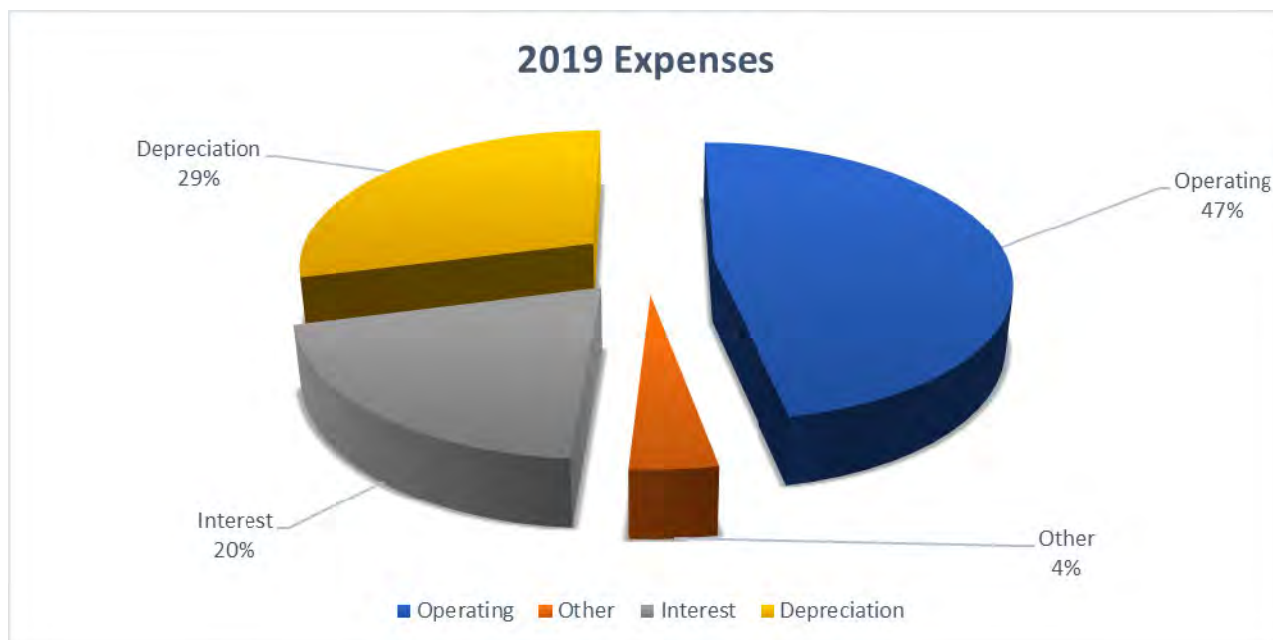
Total expenses increased 50.5 percent to 34.7 million from 23.1 million in 2020, increased 11.8 percent to 23.1 million from 20.6 million in 2019, and decreased 0.4 percent to 20.6 million from 20.7 million in 2018. Operating expenses, including depreciation, were \$ 18.5 million in 2020 increasing \$ 1.0 million or 5.5 percent, \$ 17.6 million in 2019 increasing \$ 1.4 million or 8.5 percent, and \$ 16.2 million in 2018 increasing \$ 222 thousand or 1.4 percent. Payroll and related expenses in 2020 increased by 6.1 percent primarily due to pay rate increase and open job positions which were filled, in 2019 increased by 13.3 percent primarily due to open job positions which were filled in 2019, and in 2018 were consistent with 2017. Professional services expenses in 2020 were consistent with 2019, in 2019 were consistent with 2018, and in 2018 increased \$ 233 thousand or 12.4 percent compared to 2017. Supplies and other expenses in 2020 were consistent with 2019, have increased \$ 326 thousand in 2019 as compared to 2018, and increased \$ 214 thousand in 2018 as compared to 2017. Utilities and maintenance expenses were consistent in 2020 as compared to 2019, were increased \$ 599 thousand in 2019 comparing to 2018, and consistent in 2018 as compared to 2017. Depreciation expenses were increased \$ 795 thousand in 2020, and consistent in 2019 and 2018.

Debt interest and fees were \$ 7.9 million in 2020, \$ 4.6 million in 2019, and \$ 3.2 million in 2018 on outstanding debt payments. Other expenses of \$ 8.3 million in 2020, \$ 846 thousand in 2019, and \$ 1.3 million in 2018 were capital contribution made to others.



PORT FREEPORT

Management Discussion and Analysis



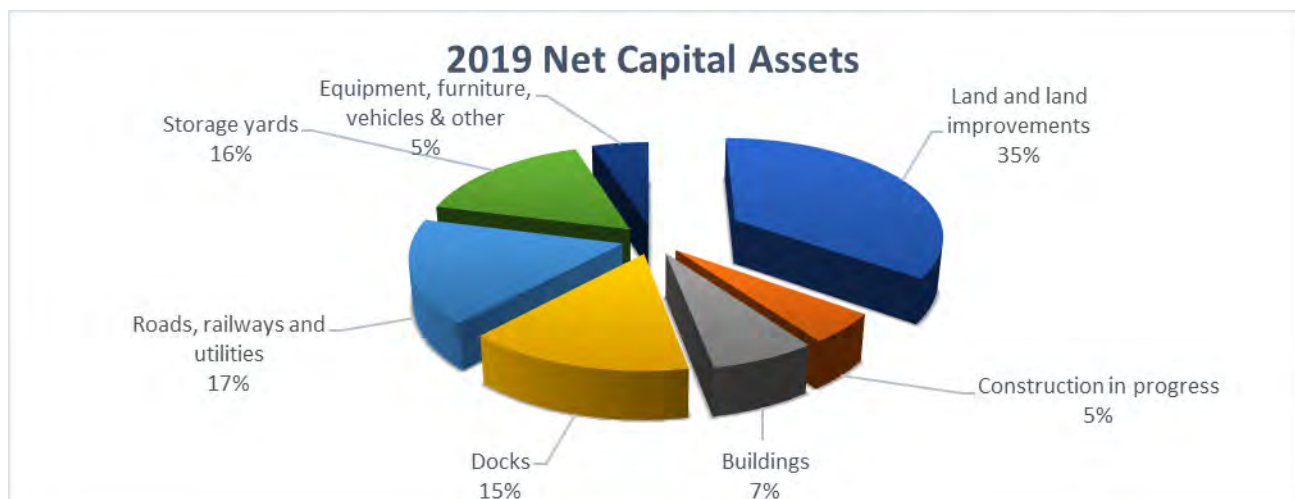
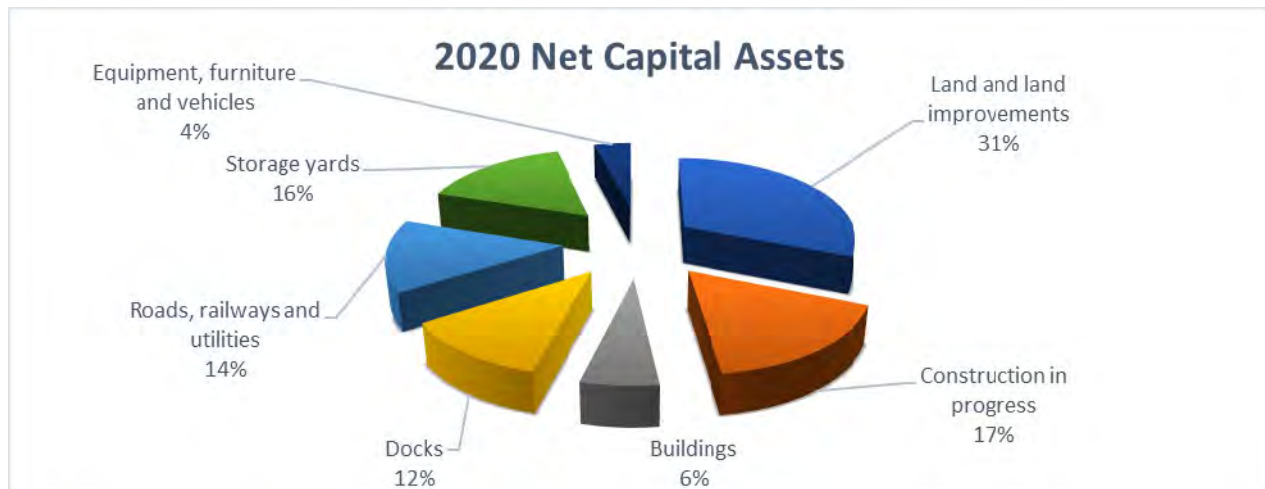
PORT FREEPORT

Management Discussion and Analysis

Capital Assets

The Port's capital assets are \$ 310.5 million, \$ 267.4 million, and \$ 255.6 million, net of depreciation, as of September 30, 2020, 2019 and 2018, 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 2020, 2019 and 2018 there were additions of \$ 50.6 million, \$ 18.6 million, and \$ 20.1 million (net of construction in progress placed in service) with depreciation of \$ 7.6 million, \$ 6.8 million, and \$ 6.9 million, respectively.

Regarding additions, land and improvements additions were \$ 2.0 million in 2020 and \$ 2.1 million in 2019, primarily related land acquisitions of properties adjacent to the Port. Gross additions to construction in progress were \$ 50.4 million in 2020, \$ 18.4 million in 2019, and \$ 19.5 million in 2018 including Freeport Channel improvements and Velasco Terminal improvements. Construction in progress placed in service totaled \$ 11.0 million in 2020, \$ 33.9 million in 2019, and \$ 828 thousand in 2018 which included the completion of Parcel 14 twenty acre open storage yard at a cost of \$ 8.1 million in 2020, and the Parcel 14 Phase I Rail at a cost of \$ 26.5 million in 2019. Road repairs for 2020 and 2019 totaled \$ 528 thousand and \$ 583 thousand. Storage yard additions were \$ 7.9 million in 2020 and \$ 2 million in 2019. Cathodic protection system repairs added \$ 1.4 million in 2019. Equipment, furniture, vehicles and other additions totaled \$ 771 thousand in 2020, \$ 1.2 million in 2019, and \$ 229 thousand in 2018 with the purchase of software, tools and equipment. Additions to the Emergency Operations Center were \$ 1.1 million in building additions in 2018. Additional information on capital assets can be found in Note 4 on pages 47-49 of this report.



PORT FREEPORT

Management Discussion and Analysis



Long Term Debt

Total bonds payable net of bond premium are \$ 191.7 million at September 30, 2020, \$ 122.2 million at September 30, 2019, and \$ 94.8 million at September 30, 2018.

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. Senior Lien Revenue Bonds Series 2019A and Series 2019 B were issued in December 2019. The proceeds of issuances of series 2019A bonds were used to finance all or a portion of (i) the costs of the design, construction, development, improvement and equipment of Port facilities, (ii) making a deposit to a debt service fund for the series 2019A bonds, and (iii) paying the costs of issuing the Bonds. The proceeds of issuances of series 2019B bonds were used to finance all or a portion of (i) the costs of the design, construction, development, improvement and equipment of facilities useful in the operation of the Port's waterways and in aid of navigation of such waterways, (ii) making a deposit to a debt service reserve fund for the series 2019B bonds, and (iii) paying the costs of issuing the Bonds. As of September 30, 2020, the amount outstanding on these revenue bonds was \$ 160.1 million, \$ 90.4 million at September 30, 2019 and \$ 93.7 million at September 30, 2018. The debt service for these bonds is paid from the Port's operating revenues.

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, 2020, the Port had general obligation bonds payable of \$ 31.7 million, \$ 31.8 million at September 30, 2019 and \$ 1.1 million at September 30, 2018. The final maturity for these general obligation bonds is 2049. The debt service for these bonds is paid from ad valorem tax revenue.

PORT FREEPORT

Management Discussion and Analysis

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, 2020 of \$ 6.0 million, at September 30, 2019 of \$ 7.5 million, and at September 30, 2018 of \$ 8.8 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 and Note 6 on pages 49-54 of this report.

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. The Federal government’s share of the total project cost must be appropriated by Congress with a project New Start designation and the first phase was appropriated and included in the USCOE 2020 workplan. The USCOE awarded a contract for dredging of the first phase of the project on September 2020 and construction is expected to begin in January 2021. 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 construction began in first quarter 2020. Costs associated with this plan are \$ 185.3 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 was completed in Fiscal Year 2020 within the new 250 acre multimodal facility at a cost of \$8.1 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.

PORT FREEPORT

Management Discussion and Analysis

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 the necessary permits and necessary funding, construction commenced on three (3) liquefaction train export facilities during 2016. Train 1 delivered its first commissioning shipment on August 30, 2019 and all three trains have since entered commercial operations. This operation has and will continue to provide significant increases to the Port's lease and cargo revenues as operations ramp up.

Lastly, with the expansion of domestic oil and gas production, the Freeport based polymer manufacturers and other petrochemical companies have expanded their production facilities. This creates 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.

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, 2020 and 2019

Assets and Deferred Outflows of Resources

	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash and cash equivalents	\$ 24,815,090	\$ 21,332,841
Investments	21,304,088	23,816,876
Receivables:		
Trade accounts (less allowance for uncollectible accounts - 2020, \$ 38,639; 2019, \$ 33,145)	3,116,699	2,618,458
Property taxes (less allowance for uncollectible accounts - 2020, \$ 35,283; 2019, \$ 37,032)	82,196	80,981
Other	4,413	136,437
Other governments	780,424	641,051
Accrued interest	48,328	50,139
Prepays	728,266	706,381
Inventory	<u>1,015,479</u>	<u>668,554</u>
Total unrestricted current assets	<u>51,894,983</u>	<u>50,051,718</u>
Restricted Current Assets:		
Cash and cash equivalents	41,851,859	57,828,724
Investments	59,539,117	3,895,017
Receivables:		
Property taxes (less allowance for uncollectible accounts - 2020, \$ 10,689; 2019, \$ 11,057)	26,814	24,008
Accrued interest receivable	176,131	25,061
Other	<u>517</u>	<u>331</u>
Total restricted current assets	<u>101,594,438</u>	<u>61,773,141</u>
Total current assets	<u>153,489,421</u>	<u>111,824,859</u>
Land and land improvement, and construction in progress	149,278,859	107,885,807
Property, plant and equipment (less accumulated depreciation - 2020, \$ 85,771,271; 2019, \$ 78,194,211)	<u>161,194,100</u>	<u>159,560,910</u>
Total non-current assets	<u>310,472,959</u>	<u>267,446,717</u>
Total assets	<u>463,962,380</u>	<u>379,271,576</u>
Deferred Outflows of Resources:		
Deferred outflows of resources – Refunding costs	<u>8,930</u>	<u>10,093</u>
Total deferred outflows of resources	<u>8,930</u>	<u>10,093</u>

(continued)

Liabilities, Deferred Inflows of Resources and Net Position

	<u>2020</u>	<u>2019</u>
Current Liabilities:		
Accounts payable and accrued expenses	\$ 5,649,813	\$ 4,288,639
Unearned lease income	4,017,799	4,191,262
Accrued compensated absences	<u>132,971</u>	<u>100,812</u>
Total current liabilities	<u>9,800,583</u>	<u>8,580,713</u>
Current Liabilities Payable from Restricted Assets:		
Accrued bond interest payable	2,462,465	1,562,442
Capital lease	1,455,929	1,423,112
Bonds payable	<u>5,580,492</u>	<u>3,724,264</u>
Total current liabilities payable from restricted assets	<u>9,498,886</u>	<u>6,709,818</u>
Total current liabilities	<u>19,299,469</u>	<u>15,290,531</u>
Non-current Liabilities:		
Capital lease	4,572,343	6,028,271
Bonds payable	199,896,138	124,490,805
Accrued compensated absences	<u>198,601</u>	<u>181,008</u>
Total non-current liabilities	<u>204,667,082</u>	<u>130,700,084</u>
Total liabilities	<u>223,966,551</u>	<u>145,990,615</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	165,615,008	169,756,789
Restricted:		
Debt service	12,458,787	6,500,048
Capital projects and improvements	20,035,165	15,744,220
Unrestricted	<u>41,895,799</u>	<u>41,289,997</u>
Total net position	<u>\$ 240,004,759</u>	<u>\$ 233,291,054</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Harbor Operations:		
Wharfage	\$ 10,853,640	\$ 7,886,541
Dockage	4,181,863	1,958,714
Service, facility use and other fees	5,140,745	3,632,402
Lease income	13,388,187	14,430,007
Miscellaneous	<u>8,880</u>	<u>37,478</u>
Total operating revenues	<u>33,573,315</u>	<u>27,945,142</u>
Operating Expenses:		
Payroll and related	5,068,205	4,775,413
Professional services	2,163,290	2,094,856
Supplies and other	2,111,176	2,194,173
Utilities	636,683	554,231
Maintenance and repairs	973,834	1,165,766
Depreciation	<u>7,592,533</u>	<u>6,797,897</u>
Total operating expenses	<u>18,545,721</u>	<u>17,582,336</u>
Operating income	<u>15,027,594</u>	<u>10,362,806</u>
Non-Operating Revenues (Expenses):		
Ad valorem tax, net of collection expenses	5,623,026	5,400,964
Investment income	2,095,520	2,010,440
Debt interest and fees	(7,862,024)	(4,640,871)
Other	<u>(8,310,244)</u>	<u>(846,159)</u>
Total non-operating revenues (expenses)	<u>(8,453,722)</u>	<u>1,924,374</u>
Income before capital contributions	6,573,872	12,287,180
Capital contributions - grants	<u>139,833</u>	<u>95,541</u>
Change in net position	6,713,705	12,382,721
Total net position – beginning	<u>233,291,054</u>	<u>220,908,333</u>
Total net position – ending	<u>\$ 240,004,759</u>	<u>\$ 233,291,054</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 32,882,379	\$ 27,476,369
Cash paid to suppliers for goods and services	(4,892,619)	(4,573,334)
Cash paid to employees for services and benefits	(5,018,453)	(4,755,185)
Net cash provided by operating activities	<u>22,971,307</u>	<u>18,147,850</u>
Cash Flows from Non-capital Financing Activities:		
Property tax receipts	5,681,938	5,468,253
Property tax collection expenses	(62,933)	(60,873)
Contribution to others	(8,310,244)	(846,159)
Net cash provided (used) by non-capital financing activities	<u>(2,691,239)</u>	<u>4,561,221</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from issuance of bonds	82,822,307	35,345,467
Principal payments under bond obligations	(5,560,746)	(4,531,443)
Principal payments under capital lease obligations	(1,423,111)	(1,391,034)
Interest and fees paid under debt obligations	(6,960,838)	(3,917,082)
Land & equipment purchases	(50,618,775)	(18,645,653)
Grants received	<u>460</u>	<u>110,505</u>
Net cash provided by capital and related financing activities	<u>18,259,297</u>	<u>6,970,760</u>
Cash Flows from Investing Activities:		
Purchase of investments	(157,067,608)	(32,291,086)
Proceeds from sale and maturity of investments	104,457,000	19,510,000
Investment earnings	<u>1,576,627</u>	<u>1,574,330</u>
Net cash used by investing activities	<u>(51,033,981)</u>	<u>(11,206,756)</u>
Change in cash and cash equivalents	(12,494,616)	18,473,075
Cash and cash equivalents, October 1,	<u>79,161,565</u>	<u>60,688,490</u>
Cash and cash equivalents, September 30,	<u>\$ 66,666,949</u>	<u>\$ 79,161,565</u>

(continued)

PORT FREEPORT

Statements of Cash Flows - Continued For the Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 15,027,594	\$ 10,362,806
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	7,592,533	6,797,897
Change in assets and liabilities:		
Accounts receivable	(498,241)	(484,731)
Other receivables	(19,232)	(72,612)
Inventory	(346,925)	(134,889)
Prepaid and other	(21,885)	21,610
Accounts payable and accrued expenses	1,361,174	1,548,971
Unearned lease income	(173,463)	88,570
Accrued compensated absences	<u>49,752</u>	<u>20,228</u>
Net cash provided by operating activities	\$ <u>22,971,307</u>	\$ <u>18,147,850</u>
Non-cash Transactions Affecting Financial Position:		
Change in value of investments – from cost to fair value	\$ <u>520,704</u>	\$ <u>418,506</u>
Net effect of non-cash transactions	\$ <u>520,704</u>	\$ <u>418,506</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, 2020 and 2019

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Notes to Financial Statements
For the Years Ended September 30, 2020 and 2019

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.

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Notes to Financial Statements
For the Years Ended September 30, 2020 and 2019

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 2019 has been reclassified with no resulting change to the total net position.

D. NEW PRONOUNCEMENTS

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, 2019.

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 June 15, 2021.

GASB No. 88 “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements” was issued in April 2018. 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 reporting periods beginning after June 15, 2019.

GASB No. 89 “Accounting for Interest Cost Incurred before the End of a Construction Period” was issued in June 2018. 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, 2019.

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, 2021.

GASB No. 92 “Omnibus 2020” was issued in January 2020. 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 June 15, 2021.

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Notes to Financial Statements
For the Years Ended September 30, 2020 and 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. NEW PRONOUNCEMENTS - Continued

GASB No. 93 “Replacement of Interbank Offered Rates” was issued in March 2020. The management of the Port does not expect the implementation of this standard to have a material effect on the financial statement of the Port. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

GASB No. 94 “Public-Private and Public-Public Partnerships and Availability Payment Arrangements” was issued in March 2020. 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 June 15, 2022.

GASB No. 95 “Postponement of the Effective Dates of Certain Authoritative Guidance” was issued in May 2020. 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 immediately.

GASB No. 96 “Subscription-Based Information Technology Arrangements” was issued in May 2020. 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 June 15, 2022.

GASB No. 97 “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans” was issued in June 2020. 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 June 15, 2021.

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, 2020 and 2019.

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.

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Notes to Financial Statements
For the Years Ended September 30, 2020 and 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G. CAPITAL ASSETS - Continued

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.

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, 2020 and 2019, the Commission levied taxes at a rate of \$ 0.010615 and \$ 0.008649 for debt service and a rate of \$ 0.029485 and \$ 0.031451 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 revenues reserved for use of future capital projects and improvements. 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.

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Notes to Financial Statements
For the Years Ended September 30, 2020 and 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2020 and 2019 were \$ 331,572 and \$ 281,820, 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.

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, 2020 and 2019, are as follows:

<u>September 30, 2020</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	13,639,632	705,207	14,344,839
Local government investment pool	<u>11,174,068</u>	<u>41,146,652</u>	<u>52,320,720</u>
Total cash and temporary investments	<u>\$ 24,815,090</u>	<u>\$ 41,851,859</u>	<u>\$ 66,666,949</u>
Investments:			
Investments held by broker-dealers:			
U.S. agencies	<u>\$ 21,304,088</u>	<u>\$ 59,539,117</u>	<u>\$ 80,843,205</u>
Total investments	<u>\$ 21,304,088</u>	<u>\$ 59,539,117</u>	<u>\$ 80,843,205</u>
<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	5,143,745	190,395	5,334,140
Local government investment pool	<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>

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Notes to Financial Statements
For the Years Ended September 30, 2020 and 2019

NOTE 2. DEPOSITS AND INVESTMENTS - Continued

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, 2020, the carrying amount of the Port's deposits was \$ 16,684,839 while the financial institution balances totaled \$ 16,984,057. Of the financial institution balances, \$ 263,297 was covered by federal deposit insurance, \$ 12,445,618 was covered by the Securities Investor Protection Corporation insurance, and \$ 4,275,142 was covered by collateral held by the Port's agent in the Port's name. 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

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.

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Notes to Financial Statements
For the Years Ended September 30, 2020 and 2019

NOTE 2. DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

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.

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, 2020 and 2019 TexPool had a weighted average maturity of 36 and 33, respectively. Although TexPool portfolios had a weighted average maturity of 36 and 33 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, 2020 and 2019.

September 30, 2020			
Investment Type	Unrestricted	Restricted	Total
Local government investment pool	\$ 11,174,068	\$ 41,146,652	\$ 52,320,720
Certificates of deposit		2,340,000	2,340,000
U.S. Treasuries	21,304,088	56,177,595	77,481,683
U.S. government bonds		1,021,522	1,021,522
Total investments	\$ <u>32,478,156</u>	\$ <u>100,685,769</u>	\$ <u>133,163,925</u>
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>

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Notes to Financial Statements
For the Years Ended September 30, 2020 and 2019

NOTE 2. DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

Unrestricted Funds

As of September 30, 2020, 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	\$ 11,174,068	36
U.S. Treasuries	<u>21,304,088</u>	66
	<u>\$ 32,478,156</u>	56

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

Credit Risk – As of September 30, 2020, the LGIP (which represent approximately 34% of the unrestricted portfolio) is rated AAAM by Standard and Poor's. The remaining portfolio is U.S. Treasuries (which represent approximately 66% of the unrestricted portfolio). 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.

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.

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Notes to Financial Statements
For the Years Ended September 30, 2020 and 2019

NOTE 2. DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

Restricted Funds

As of September 30, 2020, 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	\$ 41,146,652	36
Certificates of deposit	2,340,000	254
U.S. Treasuries	56,177,595	121
U.S. government bonds	<u>1,021,522</u>	187
	<u>\$ 100,685,769</u>	90

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

Credit Risk – As of September 30, 2020, the LGIP (which represents approximately 41% 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 2% of the restricted portfolio), U.S. Treasuries (which represent approximately 56% of the restricted portfolio), and U.S. governmental bonds (which represent approximately 1% of the restricted portfolio). Of the total U.S. government bonds, 100% (\$ 1,021,522) is rated AA+ by Standard and Poor's. 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.

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.

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Notes to Financial Statements
For the Years Ended September 30, 2020 and 2019

NOTE 2. DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

Calculation of the net increase (decrease) in fair value of investments as of September 30, 2020 and 2019 utilizing the aggregate method is as follows:

	2020		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Fair value at September 30, 2020	\$ 21,304,088	\$ 59,539,117	\$ 80,843,205
Add: Proceeds of investments sold	57,051,000	47,406,000	104,457,000
Less: Cost of investments purchased	(54,495,108)	(102,572,500)	(157,067,608)
Less: Fair value at September 30, 2019	<u>(23,816,876)</u>	<u>(3,895,017)</u>	<u>(27,711,893)</u>
Changes in fair value of investments for the year ended September 30, 2020	\$ <u>43,104</u>	\$ <u>477,600</u>	\$ <u>520,704</u>
	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>

These changes in fair value for the years ended September 30, 2020 and 2019 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.

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Notes to Financial Statements
For the Years Ended September 30, 2020 and 2019

NOTE 2. DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

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.

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

Total fair values of investment of \$ 80,843,205 at September 30, 2020 and \$ 27,711,893 at September 30, 2019 were measured by level 1 measurement.

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, 2020 and 2019 was \$ 45,972 and \$ 48,089, 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, 2020 and 2019 was \$ 38,639 and \$ 33,145, respectively.

NOTE 4. CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended September 30, 2020:

	Useful Life in Years	Balance 10-01-19	Additions	Adjustment/ Deletions	Balance 9-30-20
Capital assets, not being depreciated:					
Land & improvements		\$ 94,186,660	\$ 2,010,905	\$	\$ 96,197,565
Construction in progress		<u>13,699,147</u>	<u>50,426,343</u>	<u>(11,044,196)</u>	<u>53,081,294</u>
Total capital assets, not being depreciated		<u>107,885,807</u>	<u>52,437,248</u>	<u>(11,044,196)</u>	<u>149,278,859</u>
Capital assets, being depreciated:					
Buildings	50	30,765,178	12,175		30,777,353
Docks & appurtenances	5-50	59,047,605			59,047,605
Utilities	20-50	22,966,131	387,037		23,353,168
Roads, lots & railways	50	37,201,251	528,229		37,729,480
Storage yards	50	57,185,503	7,914,776		65,100,279
Equipment, furniture & vehicles	5-50	29,141,571	339,096	(15,473)	29,465,194
Other	10-50	<u>1,447,882</u>	<u>44,410</u>		<u>1,492,292</u>
Total capital assets, being depreciated		<u>237,755,121</u>	<u>9,225,723</u>	<u>(15,473)</u>	<u>246,965,371</u>

(continued)

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Notes to Financial Statements
For the Years Ended September 30, 2020 and 2019

NOTE 4. CAPITAL ASSETS – Continued

	Useful Life in Years	Balance 10-01-19	Additions	Adjustments/ Deletions	Balance 9-30-20
Accumulated depreciation:					
Buildings		\$ 12,690,462	\$ 696,790	\$	\$ 13,387,252
Docks & appurtenances		19,055,175	1,356,457		20,411,632
Utilities		10,229,430	1,054,579		11,284,009
Roads, lots & railways		4,544,955	1,063,908		5,608,863
Storage yards		13,471,132	2,148,212		15,619,344
Equipment, furniture & vehicles		17,044,851	1,044,721	(15,473)	18,074,099
Other		<u>1,158,206</u>	<u>227,866</u>		<u>1,386,072</u>
Total accumulated depreciation		<u>78,194,211</u>	<u>7,592,533</u>	<u>(15,473)</u>	<u>85,771,271</u>
Total capital assets, being depreciated, net		<u>159,560,910</u>	<u>1,633,190</u>	<u>-0-</u>	<u>161,194,100</u>
Total capital assets, net		<u>\$ 267,446,717</u>	<u>\$ 54,070,438</u>	<u>\$(11,044,196)</u>	<u>\$310,472,959</u>

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>
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>

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Notes to Financial Statements
For the Years Ended September 30, 2020 and 2019

NOTE 4 CAPITAL ASSETS - Continued

The Port has entered into contracts for construction as of September 30, 2020 as follows:

	Project Authori- zation	Expended To Date	Remaining Commitment	Required Further Financing
Parcel 14 Development	\$ 1,605,580	\$ 1,086,471	\$ 519,109	\$
Velasco Terminal Development	118,669,075	36,954,283	81,714,792	
Freeport Harbor Channel Improvement	42,128,174	3,874,439	38,253,735	
East End Property Acquisition	486,690	362,217	124,473	
Warehouse Improvement	262,000	206,167	55,833	
Dock 1 & 5 Bollard	34,175		34,175	
Professional/Consulting	<u>250,500</u>	<u>181,625</u>	<u>68,875</u>	
Total	<u>\$163,436,194</u>	<u>\$ 42,665,202</u>	<u>\$120,770,992</u>	<u>\$ -0-</u>

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

	Project Authori- zation	Expended To Date	Remaining Commitment	Required Further Financing
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>

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

Non-current liabilities activity for the year ended September 30, 2020 was as follows:

	Balance 10-01-19	Additions	Reductions	Balance 9-30-20	Due Within One Year
General obligation bonds	\$ 31,795,000	\$	\$(130,000)	\$ 31,665,000	\$ 310,000
Revenue bonds	90,400,000	74,680,000	(5,005,000)	160,075,000	4,785,000
Capital lease (Note 6)	7,451,383		(1,423,111)	6,028,272	1,455,929
Premium on bonds	6,020,069	8,142,307	(425,746)	13,736,630	485,492
Compensated absences	<u>281,820</u>	<u>198,601</u>	<u>(148,849)</u>	<u>331,572</u>	<u>132,971</u>
Total non-current liabilities	<u>\$135,948,272</u>	<u>\$ 83,020,908</u>	<u>\$(7,132,706)</u>	<u>\$211,836,474</u>	<u>\$ 7,169,392</u>

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Notes to Financial Statements
For the Years Ended September 30, 2020 and 2019

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

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

	Balance 10-01-18	Additions	Reductions	Balance 9-30-19	Due Within One Year
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>

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, 2020 and 2019, the amount of ad valorem taxes collected for interest and sinking was \$ 1,494,029 and \$ 1,183,417, while the debt service requirements for principal and interest were \$ 1,501,348 and \$ 1,190,800 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
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	710,000	1,202,012	1,912,012
2026-2030	4,040,000	5,519,310	9,559,310
2031-2035	4,955,000	4,604,500	9,559,500
2036-2040	6,000,000	3,557,000	9,557,000
2041-2045	7,275,000	2,283,600	9,558,600
2046-2049	<u>6,940,000</u>	<u>707,600</u>	<u>7,647,600</u>
Total	<u>\$ 31,665,000</u>	<u>\$ 22,887,070</u>	<u>\$ 54,552,070</u>

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Notes to Financial Statements
For the Years Ended September 30, 2020 and 2019

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%.

On December 15, 2019, the Port issued \$ 45,200,000 of Senior Lien Revenue Bonds, Series 2019A and \$ 29,480,000 of Senior Lien Revenue Bonds, Series 2019B. The proceeds of issuances of Series 2019A bonds were used to finance all or a portion of (i) the costs of the design, construction, development, improvement and equipment of Port facilities, (ii) making a deposit to a debt service fund for the series 2019A bonds, and (iii) paying the costs of issuing the series 2019A bonds. The Series 2019A bonds have a final maturity date of June 1, 2049 and bear interest yearly at 4.0% - 5.0%. The proceeds of issuances of Series 2019B bonds were used to finance all or a portion of (i) the costs of the design, construction, development, improvement and equipment of facilities useful in the operation of the Port's waterways and in aid of navigation of such waterways, (ii) making a deposit to a debt service reserve fund for the series 2019B bonds, and (iii) paying the costs of issuing the series 2019B bonds. The Series 2019B bonds have a final maturity date of June 1, 2049 and bear interest yearly at 3.0% - 5.0%.

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Notes to Financial Statements
For the Years Ended September 30, 2020 and 2019

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

Revenue Bonds Payable – Continued

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
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	2,465,000	318,010	2,783,010
2026-2028	<u>7,860,000</u>	<u>489,104</u>	<u>8,349,104</u>
	<u>\$ 19,475,000</u>	<u>\$ 2,794,484</u>	<u>\$ 22,269,484</u>

Series 2015A:

Fiscal Year Ending September 30	Principal	Interest	Total Principal and Interest
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	945,000	1,499,088	2,444,088
2026-2030	5,460,000	6,739,690	12,199,690
2031-2035	6,790,000	5,411,964	12,201,964
2036-2040	8,470,000	3,721,000	12,191,000
2041-2045	<u>10,710,000</u>	<u>1,488,602</u>	<u>12,198,602</u>
	<u>\$ 35,710,000</u>	<u>\$ 25,283,946</u>	<u>\$ 60,993,946</u>

Series 2018:

Fiscal Year Ending September 30	Principal	Interest	Total Principal and Interest
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	680,000	1,309,950	1,989,950
2026-2030	3,935,000	6,005,500	9,940,500
2031-2035	5,020,000	4,918,250	9,938,250
2036-2040	6,400,000	3,544,200	9,944,200
2041-2045	7,870,000	2,073,000	9,943,000
2046-2048	<u>5,520,000</u>	<u>447,200</u>	<u>5,967,200</u>
	<u>\$ 31,830,000</u>	<u>\$ 23,845,650</u>	<u>\$ 55,675,650</u>

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Notes to Financial Statements
For the Years Ended September 30, 2020 and 2019

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

Revenue Bonds Payable - Continued

Series 2019A:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2021	\$ 740,000	\$ 2,033,350	\$ 2,773,350
2022	780,000	1,996,350	2,776,350
2023	820,000	1,957,350	2,777,350
2024	860,000	1,916,350	2,776,350
2025	900,000	1,873,350	2,773,350
2026-2030	5,230,000	8,644,250	13,874,250
2031-2035	6,680,000	7,198,750	13,878,750
2036-2040	8,275,000	5,601,350	13,876,350
2041-2045	10,070,000	3,808,550	13,878,550
2046-2049	<u>9,840,000</u>	<u>1,260,000</u>	<u>11,100,000</u>
	<u>\$ 44,195,000</u>	<u>\$ 36,289,650</u>	<u>\$ 80,484,650</u>

Series 2019B:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2021	\$ 530,000	\$ 1,017,050	\$ 1,547,050
2022	560,000	990,550	1,550,550
2023	585,000	962,550	1,547,550
2024	615,000	933,300	1,548,300
2025	645,000	902,550	1,547,550
2026-2030	3,755,000	3,994,000	7,749,000
2031-2035	4,670,000	3,072,800	7,742,800
2036-2040	5,440,000	2,309,100	7,749,100
2041-2045	6,305,000	1,442,700	7,747,700
2046-2049	<u>5,760,000</u>	<u>438,450</u>	<u>6,198,450</u>
	<u>\$ 28,865,000</u>	<u>\$ 16,063,050</u>	<u>\$ 44,928,050</u>

Total Revenue Bonds:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2021	\$ 4,785,000	\$ 6,746,268	\$ 11,531,268
2022	4,990,000	6,548,970	11,538,970
2023	5,195,000	6,342,670	11,537,670
2024	5,410,000	6,127,464	11,537,464
2025	5,635,000	5,902,948	11,537,948
2026-2030	26,240,000	25,872,544	52,112,544
2031-2035	23,160,000	20,601,764	43,761,764
2036-2040	28,585,000	15,175,650	43,760,650
2041-2045	34,955,000	8,812,852	43,767,852
2046-2049	<u>21,120,000</u>	<u>2,145,650</u>	<u>23,265,650</u>
	<u>\$ 160,075,000</u>	<u>\$ 104,276,780</u>	<u>\$ 264,351,780</u>

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Notes to Financial Statements For the Years Ended September 30, 2020 and 2019

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, 2020, \$ 1,423,111 of lease expenses and \$ 171,829 of interest expenses related to the lease were paid. 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.

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

Fiscal Year Ending September 30	Principal	Interest	Total Principal and Interest
2021	\$ 1,455,929	\$ 139,012	\$ 1,594,941
2022	1,489,503	105,437	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>\$ 6,028,272</u>	<u>\$ 351,489</u>	<u>\$ 6,379,761</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, 2020 or 2019.

NOTE 8. LITIGATION

The Port has been acquiring lots through direct purchases from a 29 block area adjacent to Port property for approximately 20 years. There are approximately 80 residential lots plus two additional tracts totaling 6.1 acres remaining that the Port is continuing to pursue through direct purchase and as necessary, through the condemnation process.

A resident of Freeport, Texas filed a complaint on August 17, 2018, in the US District Court for the Southern District of Texas. The matter against the Port was dismissed by the trial court on November 15, 2019. The plaintiff in that case has appealed the decision to the 5th Circuit and the Port will continue to vigorously defend the case.

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, 2020 and 2019.

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.

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Notes to Financial Statements
For the Years Ended September 30, 2020 and 2019

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, 2020 and 2019 were \$ 11,158 and \$ 11,552, 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 January 2021 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, 2020 and 2019 was \$ 95,458,246 and \$ 87,543,470, respectively, and accumulated depreciation was \$ 34,742,793 and \$ 32,001,138, respectively. Lease revenue for the years ended September 30, 2020 and 2019 was \$ 13,388,187 and \$ 14,430,007, respectively.

Minimum future rentals to be received on noncancelable leases as of September 30, 2020 are as follows:

<u>Fiscal Year Ending September 30</u>	<u>Amount</u>
2021	17,910,151
2022	16,844,176
2023	16,845,443
2024	16,754,170
2025	15,888,691
2026-2030	72,990,809
2031-2035	66,819,059
2036-2040	64,492,560
2041-2046	33,031,470
2047	<u>6,339,000</u>
Total minimum future rentals	<u>\$ 327,915,529</u>

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Notes to Financial Statements
For the Years Ended September 30, 2020 and 2019

NOTE 11. GRANT REVENUE

The following is a schedule of port grant revenue for the years ended September 30, 2020 and 2019.

<u>Agency</u>	<u>Grant Number</u>	<u>Total Entitlement</u>	<u>Pre-2018 Revenues</u>	<u>Revenue 9-30-19</u>	<u>Revenue 9-30-20</u>	<u>Remaining Project 9-30-20</u>
US Department of Homeland Security:						
Port Security Grant	2015-PU-00613-S01	\$ 207,775	\$ 207,775	\$	\$	\$
Port Security Grant	2016-PU-00602-S01	189,793	94,252	95,541		
Public Assistance	PW 4332	29,984	29,524		460	
Public Assistance	PW 4646	<u>139,373</u>			<u>139,373</u>	
Totals		<u>\$ 566,925</u>	<u>\$ 331,551</u>	<u>\$ 95,541</u>	<u>\$ 139,833</u>	<u>\$ -0-</u>

Accounts receivable related to these grants as of September 30, 2020 and 2019 totaled \$ 139,373 and \$ -0-, 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, 2020 and 2019. 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 \$ 180,492 (\$ 39,919 calendar year 2019 and \$ 140,573 for calendar 2020) to the plan for the year ended September 30, 2020. 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, 2019. 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, 2020 and 2019

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 \$ 76,946 and \$ 71,752 to the 457 Plan for the years ended September 30, 2020 and 2019, respectively. Participant contributions for the years ended September 30, 2020 and 2019 totaled \$ 240,097 and \$ 226,314, 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 \$ 175, and the amount of forfeitures was \$ 0 as of September 30, 2020. The amount of plan fees and expenses were \$ 213, and the amount of forfeitures was \$ 0 as of September 30, 2019. There is no outstanding pension liability as of September 30, 2020 and 2019 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, 2020 and 2019

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, 2020 and 2019 are as follows:

<u>Name of Receiving Entity</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Balance Outstanding 9-30-20</u>	<u>Balance Outstanding 9-30-19</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	0	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	\$ 150,000,000	\$ 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, 2020 and 2019 are as follows:

<u>Name of Receiving Entity</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Balance Outstanding 9-30-20</u>	<u>Balance Outstanding 9-30-19</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, 2020 and 2019

NOTE 15. ECONOMIC DEPENDENCY

Operating revenues: During the year ended September 30, 2020, four customers represented approximately 50%, 14%, 6% and 6% of the Port's operating revenue. During the year ended September 30, 2019, three customers represented approximately 41%, 14% 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, 2020 and 2019, one taxpayer represented approximately 19% and 20%, 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, 2020 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%	\$ 13,191,134,120	\$ 5,289,645
Manufacturing	New Construction	Scheduled	3,029,230	1,215
Health Care	New Construction	Scheduled	<u>9,979,460</u>	<u>4,002</u>
Total			<u>\$ 13,204,142,810</u>	<u>\$ 5,294,862</u>

NOTE 17. EVALUATION OF SUBSEQUENT EVENTS

The Port has evaluated subsequent events through December 10, 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 2020, the Freeport Harbor Channel received 1,136 vessel calls, up 10.29% over 2019, transporting approximately 25.1 million tons annually.

Rankings

Port Freeport currently ranks 6th in chemicals, 17th in total foreign waterborne 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.



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<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	68
<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>	
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<i>These schedules contain information to help the reader assess the Port's non-operating revenue source, the property tax.</i>	
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<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, 2011 through 2020

TABLE 1

	Cargo Quantities Short Tons	Percent Total Port Tonnage
Rice	2,007,628	6.58 %
Bananas/Misc. Fruit ②	3,535,925	11.59
Misc./General Cargo ③	4,916,526	16.12
Dry Bulk Material ④	8,340,995	27.35
Liquid Bulk Material ⑤	9,008,265	29.54
Project Cargo ⑥	279,965	0.92
Steel Products	1,154,453	3.79
RoRo ⑧	1,254,546	4.11
	30,498,303	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

⑧ Components: Automobiles, Equipment

Container Traffic Statistics^① Twenty-Foot Equivalent Units (T.E.U.) for the Fiscal Years Ended September 30, 2011 through 2020

TABLE 2

Fiscal Year	Inbound T.E.U.	Outbound T.E.U.	Total	Percent Growth/(Reduction) From Prior Year
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	26.99
2020	56,515	55,876	112,391	0.71

① Source-Port Freeport

PORT FREEPORT

Cargo Traffic Statistics ^①
for the Fiscal Years Ended September 30, 2011 through 2020

	2020			2019			2018			2017		
1. Rice	143,450	2 %		128,993	5 %		150,410	7 %		213,005	10 %	
2. Bananas/Misc. Fruit ^②	264,253	3		320,093	11		335,275	14		305,573	14	
3. Misc./General Cargo ^③	664,259	8		606,247	22		395,046	18		485,095	23	
4. Dry Bulk Material ^④	652,690	7		967,173	34		866,163	37		806,915	38	
5. Liquid Bulk Material ^⑤	6,325,056	73		140,773	5		7,815	0		0	0	
6. Project Cargo ^⑥	54,848	1		6,127	0		33,420	1		39,641	2	
8. Steel Products	308,787	3		378,782	13		305,143	13		95,741	4	
9. RoRo ^⑧	288,857	3		274,224	10		233,675	10		182,505	9	
Annual Port Tonnage ^⑨ -Short Tons	8,702,200	100 %		2,822,412	100 %		2,326,947	100 %		2,128,475	100 %	
Percent Export	81.98 %			31.53 %			24.44 %			32.59 %		
Percent Import	16.59			65.83			71.05			61.91		
Percent Domestic	1.44			2.65			4.51			5.50		

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

⑧ Components: Automobiles, Equipment

⑨ TARE weight not included

TABLE 3

2016			2015			2014			2013			2012			2011		
210,565	8 %		222,055	8 %		170,431	7 %		285,618	14 %		293,234	17 %		189,867	10 %	
344,494	11		340,021	11		371,458	14		451,622	22		412,113	24		391,023	19	
497,968	16		462,244	15	15	495,255	19		473,092	23		409,254	24		428,066	20	
1,405,692	46		1,638,790	55	54	1,195,603	45		455,346	23		196,814	12		155,809	7	
320,478	10		215,451	7		370,130	14		336,061	17		380,706	22		911,795	43	
16,157	1		41,301	1		33,995	1		14,443	1		14,162	1		25,871	1	
41,656	1		24,344	1	0	0	0		0	0		0	0		0	0	
223,735	7		51,550	2		0	0		0	0		0	0		0	0	
3,060,745	100 %		2,995,756	100 %		2,636,872	100 %		2,016,182	100 %		1,706,283	100 %		2,102,431	100 %	
27.67 %			26.84 %			28.79 %			34.69 %			38.73 %			45.73 %		
67.34			69.06			66.95			55.21			48.10			48.12		
5.00			4.10			4.26			10.09			13.17			6.15		

PORT FREEPORT

Net Position by Component For The Years 2011 Through 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u> <u>(Restated)</u>
Net Position:				
Net investment in capital assets	\$ 165,615,008	\$ 169,756,789	\$ 182,374,412	\$ 165,384,639
Restricted:				
Debt Service	12,458,787	6,500,048	5,267,264	3,758,737
Capital Projects	20,035,165	15,744,220	11,125,416	7,091,771
Unrestricted	<u>41,895,799</u>	<u>41,289,997</u>	<u>22,141,241</u>	<u>32,959,629</u>
Total net position	<u>\$ 240,004,759</u>	<u>\$ 233,291,054</u>	<u>\$ 220,908,333</u>	<u>\$ 209,194,776</u>

TABLE 4

2016	2015	2014	2013	2012 (Restated)	2011 (Restated)
\$ 160,808,124	\$ 146,478,032	\$ 149,413,568	\$ 132,423,882	\$ 142,112,999	\$ 141,431,909
997,405	9,133,081	2,762,928	2,767,814	2,471,425	2,677,543
3,456,647	15,202	15,700	16,199	16,698	17,196
37,235,517	44,585,445	42,713,203	53,881,956	35,071,249	33,506,284
<u>\$ 202,497,693</u>	<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>

PORT FREEPORT

Summary of Revenues, Expenses and Changes in Net Position For The Years 2011 Through 2020

	2020	2019	2018	2017 (Restated)
Operating Revenues:				
Harbor Operations:				
Wharfage	\$ 10,853,640	\$ 7,886,541	\$ 7,274,790	\$ 4,847,411
Dockage	4,181,863	1,958,714	1,773,794	1,246,826
Service, facility use and other fees	5,140,745	3,632,402	2,957,490	2,571,349
Lease income	13,388,187	14,430,007	14,044,382	13,359,626
Miscellaneous	8,880	37,478	283,391	58,580
Total operating revenues	33,573,315	27,945,142	26,333,847	22,083,792
Operating Expenses:				
Payroll and related	5,068,205	4,775,413	4,214,936	4,022,319
Professional services	2,163,290	2,094,856	2,119,928	1,886,579
Supplies and other	2,111,176	2,194,173	1,867,377	1,653,856
Utilities	636,683	554,231	490,982	531,284
Maintenance and repairs	973,834	1,165,766	630,215	722,055
Depreciation	7,592,533	6,797,897	6,875,049	7,161,321
Total operating expenses	18,545,721	17,582,336	16,198,487	15,977,414
Operating income (loss)	15,027,594	10,362,806	10,135,360	6,106,378
Non-Operating Revenues (Expenses):				
Ad valorem tax collections, net of collection expenses	5,623,026	5,400,964	5,173,826	4,841,680
Investment income	2,095,520	2,010,440	598,893	414,302
Gain (loss) on sale of capital assets				(25,722)
Debt interest and fees	(7,862,024)	(4,640,871)	(3,165,919)	(2,957,986)
Other	(8,310,244)	(846,159)	(1,276,769)	(1,764,954)
Total non-operating revenues (expenses)	(8,453,722)	1,924,374	1,330,031	507,320
Income (loss) before capital contributions	6,573,872	12,287,180	11,465,391	6,613,698
Capital contributions -grants	139,833	95,541	248,166	83,385
Total capital contributions	139,833	95,541	248,166	83,385
Extraordinary Revenues (Expenses):				
Insurance and other proceeds - Berth 7				
Construction cost - Berth 7				
Legal and expert fees - Berth 7				
Total extraordinary revenues (expenses)	0	0	0	0
Change in net position	\$ 6,713,705	\$ 12,382,721	\$ 11,713,557	\$ 6,697,083

TABLE 5

2016	2015	2014	2013	2012 (Restated)	2011 (Restated)
\$ 4,334,632	\$ 3,567,651	\$ 3,896,689	\$ 3,149,424	\$ 3,236,202	\$ 2,951,064
1,556,143	1,324,691	1,763,042	1,353,107	1,605,188	1,977,324
2,978,082	3,086,171	4,191,757	4,112,112	3,757,046	4,950,088
12,796,464	10,564,284	6,955,488	6,344,343	5,944,957	5,696,372
19,420	47,938	188,619	35,402	228,024	11,583
<u>21,684,741</u>	<u>18,590,735</u>	<u>16,995,595</u>	<u>14,994,388</u>	<u>14,771,417</u>	<u>15,586,431</u>
3,998,844	3,571,566	4,005,446	3,858,186	3,607,483	3,710,206
1,916,292	1,731,553	1,432,875	1,634,189	1,535,977	1,386,515
2,060,069	2,376,075	2,489,337	2,316,959	2,056,434	2,210,135
517,132	563,186	494,540	553,874	546,062	579,698
671,078	998,167	760,060	998,932	571,759	574,300
6,834,913	6,425,843	5,310,409	4,502,480	3,998,418	3,709,807
<u>15,998,328</u>	<u>15,666,390</u>	<u>14,492,667</u>	<u>13,864,620</u>	<u>12,316,133</u>	<u>12,170,661</u>
<u>5,686,413</u>	<u>2,924,345</u>	<u>2,502,928</u>	<u>1,129,768</u>	<u>2,455,284</u>	<u>3,415,770</u>
4,701,307	4,750,726	4,672,390	5,246,302	5,017,130	5,060,167
289,226	116,636	265,046	(59,682)	114,273	142,015
(4,541,318)	3,500		17,965		4,500
(3,165,710)	(1,922,216)	(1,285,213)	(2,163,797)	(2,034,252)	(2,195,700)
(1,035,419)	(836,997)	(1,381,819)	(1,188,604)	122,074	(476,356)
<u>(3,751,914)</u>	<u>2,111,649</u>	<u>2,270,404</u>	<u>1,852,184</u>	<u>3,219,225</u>	<u>2,534,626</u>
1,934,499	5,035,994	4,773,332	2,981,952	5,674,509	5,950,396
<u>351,434</u>	<u>270,367</u>	<u>1,042,216</u>	<u>4,682,926</u>	<u>2,290,517</u>	<u>2,269,196</u>
<u>351,434</u>	<u>270,367</u>	<u>1,042,216</u>	<u>4,682,926</u>	<u>2,290,517</u>	<u>2,269,196</u>
			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)
<u>0</u>	<u>0</u>	<u>0</u>	<u>1,752,602</u>	<u>(5,925,587)</u>	<u>(1,402,227)</u>
\$ <u>2,285,933</u>	\$ <u>5,306,361</u>	\$ <u>5,815,548</u>	\$ <u>9,417,480</u>	\$ <u>2,039,439</u>	\$ <u>6,817,365</u>

PORT FREEPORT

Property Tax Rates^③
Direct and Overlapping Governments
for the Levy Years 2010 through 2019^{①②}

	2019	2018	2017
Port Freeport	\$ 0.040100	\$ 0.040100	\$ 0.040100
<u>Overlapping Governments:</u>			
Alvin I.S.D.	1.397700	1.450000	1.450000
Alvin Community College	0.185862	0.187775	0.180750
Angleton, City of	0.697580	0.697580	0.707598
Angleton Drainage District	0.130352	0.131182	0.146855
Angleton I.S.D.	1.385200	1.455200	1.455200
Angleton-Danbury Hospital	0.242259	0.258328	0.273681
Brazoria, City of	0.680476	0.721976	0.721976
Brazoria County	0.365233	0.367914	0.380234
Brazoria County FWD #1	0.00	0.00	0.00
Brazosport College	0.300177	0.298500	0.303249
Brazosport I.S.D.	1.185300	1.255300	1.255300
Clute, City of	0.625000	0.625000	0.625000
Columbia/Brazoria I.S.D.	1.170340	1.258059	1.269500
Commodore Cove I.D.	0.202349	0.208164	0.204235
Danbury, City of	0.773569	0.816924	0.765672
Brazoria County Drainage District #8 (Danbury)	0.232948	0.252063	0.252063
Danbury I.S.D.	1.468350	1.604700	1.250700
Freeport, City of	0.628005	0.628005	0.628005
Jones Creek, Village of	0.411289	0.462691	0.410000
Lake Jackson, City of	0.348200	0.335200	0.337500
Liverpool, City of	0.189288	0.189288	0.189288
Oak Manor U.D.	0.600000	0.700000	0.500000
Oyster Creek, City of	0.293346	0.258976	0.303816
Quintana, Town of	0.014898	0.014898	0.013830
Richwood, City of	0.670204	0.670204	0.634444
Surfside, Village of	0.353778	0.359506	0.359506
Sweeny, City of	0.747062	0.747062	0.747062
Sweeny Hospital District	0.541299	0.548211	0.516523
Sweeny I.S.D.	1.141700	1.211700	1.211700
Treasure Island M.U.D.	0.450318	0.535735	0.531270
Varner Creek Utility District	0.600000	0.640000	0.650000
Velasco Drainage District	0.084550	0.084120	0.085000
West Brazoria County Drainage District #11	0.020000	0.020000	0.020000
West Columbia, City of	0.820000	0.820000	0.820000

^①Source - Brazoria County Appraisal District

^②Property taxes are levied annually in October.

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

TABLE 6

2016	2015	2014	2013	2012	2011	2010
\$ 0.040100	\$ 0.041304	\$ 0.045000	\$ 0.045000	\$ 0.051500	\$ 0.053500	\$ 0.053500
1.450000	1.417000	1.417000	1.329100	1.329100	1.344100	1.304100
0.191744	0.204009	0.204009	0.199756	0.199756	0.199485	0.199830
0.707598	0.717598	0.723500	0.723500	0.723500	0.723500	0.706000
0.155164	0.166619	0.176597	0.175448	0.176563	0.176563	0.183900
1.455200	1.455200	1.455200	1.455200	1.455200	1.455200	1.455200
0.302817	0.321751	0.346854	0.362678	0.359592	0.299592	0.380692
0.790700	0.790700	0.770700	0.770700	0.762300	0.762300	0.762300
0.457405	0.426000	0.438500	0.432020	0.425900	0.413100	0.403010
0.00	0.00	0.00	0.00	0.250000	0.280000	0.280000
0.285040	0.277510	0.280878	0.267309	0.259436	0.239198	0.190175
1.255300	1.255300	1.255300	1.255300	1.259500	1.241500	1.241500
0.643000	0.659000	0.672000	0.672000	0.672000	0.672000	0.672000
1.284700	1.284700	1.284700	1.296500	1.296500	1.296500	1.296500
0.205984	0.399327	0.439336	0.467538	0.461570	0.475693	0.472234
0.768701	0.799313	0.829169	0.829169	0.826940	0.826940	0.769538
0.276115	0.307812	0.325442	0.349474	0.366000	0.366000	0.366000
1.256600	1.255000	1.240000	1.141081	1.136445	1.137000	1.135400
0.628005	0.645642	0.675586	0.675586	0.700000	0.680000	0.708266
0.410000	0.410000	0.410000	0.410000	0.380000	0.380000	0.380000
0.337500	0.360000	0.387500	0.390000	0.390000	0.390000	0.390000
0.193770	0.215304	0.216473	0.230463	0.230463	0.236850	0.236850
0.500000	0.540000	0.510000	0.520000	0.505000	0.500000	0.480000
0.303816	0.332273	0.476394	0.476394	0.473161	0.431106	0.423154
0.012938	0.013046	0.013046	0.022882	0.023640	0.024413	0.024413
0.672580	0.735680	0.735680	0.735680	0.735680	0.693660	0.693660
0.359506	0.375204	0.397940	0.432601	0.432601	0.402610	0.408801
0.747062	0.842869	0.908000	0.887456	0.844034	0.782818	0.772818
0.527302	0.510351	0.483126	0.470003	0.429109	0.393133	0.279998
1.211700	1.211700	1.211700	1.211700	1.211700	1.211700	1.211700
0.503878	0.518997	0.553152	0.575262	0.551848	0.604590	0.576368
0.710000	0.760000	0.830000	0.890000	0.928000	0.888220	0.858000
0.091501	0.093878	0.098018	0.100226	0.094805	0.094214	0.090907
0.020000	0.020000	0.020000	0.020000	0.020000	0.020000	0.020000
0.830000	0.830000	0.831900	0.831900	0.831900	0.831900	0.831900

PORT FREEPORT

Valuation, Exemptions and General Obligation Debt
for Fiscal Year Ended September 30, 2020
(In Thousands)

TABLE 7

2019 Market Valuation: ^① (excluding totally exempt property)		
Land, Homesite	\$ 1,109,057	
Land, Non Homesite	1,115,089	
Land, Ag and Timber Market	1,195,840	
Improvement, Homesite	5,564,431	
Improvement, Non-Homesite	18,290,605	
Non Real, Personal Property	3,685,495	
Non Real, Mineral	57,352	
Total Market Value Before Exemptions		\$ 31,017,869
Less Exemptions/Reductions at 100% Market Value:		
Homestead Exemptions	\$ 959,260	
Over 65 Homesteads Exemptions	1,230,739	
Disabled Exemptions	181,155	
Abatements	9,694,818	
Freeport Loss	613,724	
Pollution Control	1,565,994	
Productivity Loss	1,155,140	
Tax Exempt	1,634,886	
Other	6,667	
Total Exemptions		\$ 17,042,383
Net 2019 Taxable Valuation		\$ 13,975,486

^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 2011 through 2020
(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				
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
2020	27,275,022	3,742,847	17,042,383	13,975,486	2.95	0.040100
Taxable Valuation 2011-2020					49.93	

^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 2011 through 2020

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
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	155,928	5,105,200	101.73
2013	5,135,924	206,479	4,929,445	5,069,539	98.71	63,585	5,133,124	99.95
2014	4,679,020	118,085	4,560,935	4,632,114	99.00	43,660	4,675,774	99.93
2015	4,767,574	103,877	4,663,697	4,721,937	99.04	48,163	4,770,100	100.05
2016	4,701,834	126,869	4,574,965	4,659,846	99.11	38,060	4,697,906	99.92
2017	4,716,780	141,011	4,575,769	4,806,562	101.90	50,652	4,857,214	102.98
2018	5,040,346	144,429	4,895,917	5,129,495	101.77	50,772	5,180,267	102.78
2019	5,443,667	13,570	5,430,097	5,381,510	98.86	51,852	5,433,362	99.81
2020	5,604,169	37,700	5,641,869	5,590,018	99.75	-	5,590,018	99.75

^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, 2020
(In Thousands)

TABLE 10

Entity	2019 ^② Market Valuation	Percent of Total Market Valuation	2019 Taxable Valuation	Percent of Total Taxable Valuation
Dow Chemical Company	\$ 5,722,796	19.27 %	\$ 2,624,939	18.78 %
Blue Cube Operations LLC	812,795	2.74	607,390	4.35
Phillips 66 Company	2,557,416	8.61	578,387	4.14
Chevron Phillips Chemical Company	1,996,268	6.72	473,778	3.39
BASF Corp. Chemicals Div.	567,428	1.91	287,843	2.06
Seaway Crude Pipeline	292,618	0.99	284,823	2.04
Freeport LNG	730,919	2.46	154,472	1.11
Lex Lake Jackson LP	126,861	0.43	126,861	0.91
Shintech, Inc.	163,430	0.55	109,784	0.79
Centerpoint Energy Inc.	103,334	0.35	103,330	0.74
TOTAL	\$ 13,073,865	44.03 %	\$ 5,351,607	38.31 %

September 30, 2011
(In Thousands)

Entity	2010 ^② Market Valuation	Percent of Total Market Valuation	2010 Taxable Valuation	Percent of Total Taxable Valuation
Dow Chemical Company	\$ 2,950,589	27.11 %	\$ 2,359,084	24.72 %
ConocoPhillips Company	1,184,019	10.88	495,078	5.19
BASF Corp. Chemicals Div.	756,318	6.95	377,619	3.96
Chevron Phillips Chemical Company	395,561	3.64	261,097	2.74
Shintech, Inc.	141,742	1.30	115,276	1.21
Hicorp Energy Co	109,707	1.01	107,288	1.12
Sweeny Cogenerations Ltd	110,770	1.02	103,320	1.08
Centerpoint Energy Inc	79,617	0.73	79,611	0.83
Oyster Creek Limited/Delta Power Co	73,218	0.67	73,218	0.77
SI Group Inc	95,253	0.88	69,015	0.72
TOTAL	\$ 5,896,794	54.19 %	\$ 4,040,606	42.34 %

^① Source - Brazoria County Appraisal District

^② Property taxes levied for the 2020 fiscal year were based on 2019 market valuations.

^③ Property taxes levied for the 2011 fiscal year were based on 2010 market valuations.

PORT FREEPORT

Computation of Direct and Overlapping Bonded Debt of General Obligation Bond Issues September 30, 2020

TABLE 11

Taxing Entity	Net Bonded Debt Amount	As of	Percent Overlapping	Amount Overlapping
Alvin I.S.D.	\$ 906,860,000	9-30-20	6.64 %	\$ 60,215,504
Alvin Community College	28,625,000	9-30-20	6.64	1,900,700
Angleton, City of	27,930,000	9-30-20	100.00	27,930,000
Angleton Drainage District	0	9-30-20	100.00	0
Angleton I.S.D.	140,985,000	9-30-20	69.15	97,491,128
Angleton/Danbury Medical	4,090,000	9-30-20	100.00	4,090,000
Brazoria, City of	4,925,000	9-30-20	100.00	4,925,000
Brazoria County	139,678,313	9-30-20	58.06	81,097,229
Brazosport I.S.D.	343,414,985	9-30-20	100.00	343,414,985
Brazosport College	49,155,000	9-30-20	100.00	49,155,000
Clute, City of	16,035,000	9-30-20	100.00	16,035,000
Columbia/Brazoria I.S.D.	38,520,000	9-30-20	100.00	38,520,000
Danbury, City of	681,000	9-30-20	100.00	681,000
Danbury I.S.D.	18,505,000	9-30-20	100.00	18,505,000
Freeport, City of	8,295,000	9-30-20	100.00	8,295,000
Lake Jackson, City of	34,505,000	9-30-20	100.00	34,505,000
Manvel, City of	22,755,000	9-30-20	2.27	516,539
Oyster Creek, Village of	0	9-30-20	100.00	0
Richwood, City of	8,095,000	9-30-20	100.00	8,095,000
Surfside Beach, Village of	1,708,000	9-30-20	100.00	1,708,000
Sweeny, City of	7,443,000	9-30-20	100.00	7,443,000
Sweeny Hospital District	0	9-30-20	100.00	0
Sweeny I.S.D.	56,480,000	9-30-20	100.00	56,480,000
Varner Creek UD	8,940,000	9-30-20	100.00	8,940,000
West Columbia, City of	0	9-30-20	100.00	0
Sub-total Bonded Debt	\$ 1,867,625,298	Sub-total Overlapping Debt		\$ 869,943,085
Port Freeport	\$ 31,665,000	9-30-20	100.00 %	\$ 31,665,000
Total Direct & Overlapping General Obligation Issue Debt	\$ 1,899,290,298			\$ 901,608,085
Ratio of Overlapping Debt to Direct 2020 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, 2011 through 2020
(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
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
2020	35,071	170,406	6,028	211,505	18,619,928	383	1.1359	552

^① Source Texas State Data Center 2011-2020

PORT FREEPORT

Ratio of Net General Bonded Debt to Taxable Value
and to Net Bonded Debt Per Capita^{①②}
(In Thousands)
For Fiscal Years 2011 through 2020

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
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
2020	13,975,486	35,071	132	34,939	0.0025	383	91

^① Source: 2011-2020 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 2011 through 2020 (In Thousands)

	2020	2019	2018	2017
Operating Revenue	\$ 33,573	\$ 27,945	\$ 26,334	\$ 22,084
Operating Expenses (Net of Depreciation)	(10,953)	(10,784)	(9,323)	(8,816)
Ad Valorem Tax Collections ^③	4,129	4,236	3,992	3,675
Investment Income	601	1,020	596	409
Other Income ^②				
Net Revenues Available for Debt Service On Revenue Obligations	\$ <u>27,350</u>	\$ <u>22,417</u>	\$ <u>21,599</u>	\$ <u>17,352</u>
Annual Revenue Bonded Debt Service	\$ 11,531	\$ 7,204	\$ 6,718	\$ 5,215
Percent of Coverage	237%	311%	322%	333%
Maximum Revenue Bond Debt Service	\$ 11,539	\$ 7,217	\$ 7,217	\$ 5,227
Percent of Coverage ^①	237%	311%	299%	332%

^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 2027.

^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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 21,685	\$ 18,591	\$ 16,996	\$ 14,994	\$ 14,771	\$ 15,586
(9,163)	(9,241)	(9,183)	(9,363)	(8,318)	(8,460)
3,519	3,533	3,320	4,065	3,872	3,923
287	117	265	(59)	114	142
<u>382</u>			<u>13,785</u>	<u>1,334</u>	<u>5,708</u>
\$ <u><u>16,710</u></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>
\$ 5,226	\$ 5,229	\$ 2,834	\$ 15,926	\$ 3,199	\$ 3,199
320%	249%	402%	147%	368%	528%
\$ 5,227	\$ 5,227	\$ 7,376	\$ 15,926	\$ 3,200	\$ 3,200
320%	249%	155%	147%	368%	528%

PORT FREEPORT

Summary of Annual Cash Requirements on Debt Outstanding September 30, 2020

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	Senior Lien Revenue Bonds, Series 2019A	Senior Lien Revenue Bonds, Series 2019B	Capital Lease	Total
2021	\$ 1,599,262	\$ 2,784,830	\$ 2,435,838	\$ 1,990,200	\$ 2,773,350	\$ 1,547,050	\$ 1,594,941	\$ 14,725,471
2022	1,913,762	2,782,532	2,442,338	1,987,200	2,776,350	1,550,550	1,594,940	15,047,672
2023	1,911,762	2,783,232	2,441,588	1,987,950	2,777,350	1,547,550	1,594,940	15,044,372
2024	1,333,262	2,786,776	2,438,838	1,987,200	2,776,350	1,548,300	1,594,940	14,465,666
2025	1,912,012	2,783,010	2,444,088	1,989,950	2,773,350	1,547,550		13,449,960
2026	1,910,712	2,782,088	2,441,838	1,985,950	2,773,350	1,550,300		13,444,238
2027	1,914,212	2,783,856	2,437,338	1,990,450	2,776,100	1,551,300		13,453,256
2028	1,910,712	2,783,160	2,440,588	1,987,950	2,776,350	1,550,550		13,449,310
2029	1,910,462		2,441,088	1,988,700	2,774,100	1,548,050		10,662,400
2030	1,913,212		2,438,838	1,987,450	2,774,350	1,548,800		10,662,650
2031	1,914,300		2,440,838	1,989,200	2,776,850	1,547,550		10,668,738
2032	1,913,800		2,439,276	1,988,700	2,776,350	1,549,300		10,667,426
2033	1,910,600		2,440,650	1,985,950	2,772,850	1,547,000		10,657,050
2034	1,911,000		2,438,062	1,985,950	2,776,350	1,548,950		10,660,312
2035	1,909,800		2,443,138	1,988,450	2,776,350	1,550,000		10,667,738
2036	1,912,000		2,440,450	1,988,200	2,777,550	1,550,150		10,668,350
2037	1,912,400		2,438,700	1,990,200	2,776,350	1,549,400		10,667,050
2038	1,912,600		2,438,200	1,989,200	2,772,750	1,547,750		10,660,500
2039	1,909,800		2,438,700	1,990,200	2,776,750	1,550,200		10,665,650
2040	1,910,200		2,434,950	1,986,400	2,772,950	1,551,600		10,656,100
2041	1,913,600		2,436,950	1,990,600	2,776,550	1,546,950		10,664,650
2042	1,909,800		2,438,976	1,987,400	2,777,150	1,551,400		10,664,726
2043	1,914,000		2,441,950	1,987,000	2,774,750	1,549,650		10,667,350
2044	1,910,800		2,440,650	1,989,200	2,774,350	1,551,850		10,666,850
2045	1,910,400		2,440,076	1,988,800	2,775,750	1,547,850		10,662,876
2046	1,912,600			1,990,800	2,777,000	1,547,800		8,228,200
2047	1,912,200			1,990,000	2,772,750	1,551,550		8,226,500
2048	1,909,200			1,986,400	2,773,000	1,548,950		8,217,550
2049	1,913,600				2,777,250	1,550,150		6,241,000
	\$ 54,552,070	\$ 22,269,484	\$ 60,993,946	\$ 55,675,650	\$ 80,484,650	\$ 44,928,050	\$ 6,379,761	\$ 325,283,611

PORT FREEPORT

Summary of Annual Cash Requirements on General Obligation Debt Outstanding September 30, 2020

TABLE 16

Fiscal Year Ending September 30	General Obligation Bonds Series 2019	Total
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
	\$ 54,552,070	\$ 54,552,070

Authorized But Unissued General Obligation Debt

TABLE 17

Election	Purpose	Voted Authority	Amount Previously Issued	Authorized But Unissued General Obligation Debt
May 5, 2018 (Proposition A)	Freeport Harbor Channel Improvement Project	\$ 130,000,000	\$ 35,000,000	\$ 95,000,000

PORT FREEPORT

General Obligation Bonds, Series 2019 (Non-AMT)
September 30, 2020

TABLE 18

Fiscal Year Ending September 30	Coupon	Interest Due February 1	Interest Due August 1	Principal Due August 1	Total Principal & Interest	Principal Balance
						\$ 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
		\$ 11,443,535	\$ 11,443,535	\$ 31,665,000	\$ 54,552,070	

PORT FREEPORT

Summary of Annual Cash Requirements on Revenue Debt Outstanding September 30, 2020

TABLE 19

Fiscal Year Ending September 30	Senior Lien Revenue Refunding Bonds Series 2013A	Senior Lien Revenue and Refunding Bonds Series 2015A	Senior Lien Revenue Refunding Bonds Series 2018	Senior Lien Revenue Bonds, Series 2019A	Senior Lien Revenue Bonds, Series 2019B	Total
2021	\$ 2,784,830	\$ 2,435,838	\$ 1,990,200	\$ 2,773,350	\$ 1,547,050	\$ 11,531,268
2022	2,782,532	2,442,338	1,987,200	2,776,350	1,550,550	11,538,970
2023	2,783,232	2,441,588	1,987,950	2,777,350	1,547,550	11,537,670
2024	2,786,776	2,438,838	1,987,200	2,776,350	1,548,300	11,537,464
2025	2,783,010	2,444,088	1,989,950	2,773,350	1,547,550	11,537,948
2026	2,782,088	2,441,838	1,985,950	2,773,350	1,550,300	11,533,526
2027	2,783,856	2,437,338	1,990,450	2,776,100	1,551,300	11,539,044
2028	2,783,160	2,440,588	1,987,950	2,776,350	1,550,550	11,538,598
2029		2,441,088	1,988,700	2,774,100	1,548,050	8,751,938
2030		2,438,838	1,987,450	2,774,350	1,548,800	8,749,438
2031		2,440,838	1,989,200	2,776,850	1,547,550	8,754,438
2032		2,439,276	1,988,700	2,776,350	1,549,300	8,753,626
2033		2,440,650	1,985,950	2,772,850	1,547,000	8,746,450
2034		2,438,062	1,985,950	2,776,350	1,548,950	8,749,312
2035		2,443,138	1,988,450	2,776,350	1,550,000	8,757,938
2036		2,440,450	1,988,200	2,777,550	1,550,150	8,756,350
2037		2,438,700	1,990,200	2,776,350	1,549,400	8,754,650
2038		2,438,200	1,989,200	2,772,750	1,547,750	8,747,900
2039		2,438,700	1,990,200	2,776,750	1,550,200	8,755,850
2040		2,434,950	1,986,400	2,772,950	1,551,600	8,745,900
2041		2,436,950	1,990,600	2,776,550	1,546,950	8,751,050
2042		2,438,976	1,987,400	2,777,150	1,551,400	8,754,926
2043		2,441,950	1,987,000	2,774,750	1,549,650	8,753,350
2044		2,440,650	1,989,200	2,774,350	1,551,850	8,756,050
2045		2,440,076	1,988,800	2,775,750	1,547,850	8,752,476
2046			1,990,800	2,777,000	1,547,800	6,315,600
2047			1,990,000	2,772,750	1,551,550	6,314,300
2048			1,986,400	2,773,000	1,548,950	6,308,350
2049				2,777,250	1,550,150	4,327,400
	\$ 22,269,484	\$ 60,993,946	\$ 55,675,650	\$ 80,484,650	\$ 44,928,050	\$ 264,351,780

PORT FREEPORT

Senior Lien Revenue Refunding Bonds, Series 2013A (AMT)
September 30, 2020

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
						\$ 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
		\$ 1,397,242	\$ 1,397,242	\$ 19,475,000	\$ 22,269,484	

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Senior Lien Revenue and Refunding Bonds, Series 2015A (AMT) September 30, 2020

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
						\$ 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
		\$ 12,641,973	\$ 12,641,973	\$ 35,710,000	\$ 60,993,946	

PORT FREEPORT

Senior Lien Revenue Refunding Bonds, Series 2018 (AMT)
September 30, 2020

TABLE 22

Fiscal Year Ending September 30	Coupon	Interest Due December 1	Interest Due June 1	Principal Due June 1	Total Principal & Interest	Principal Balance
						\$ 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
		\$ 11,922,825	\$ 11,922,825	\$ 31,830,000	\$ 55,675,650	

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Senior Lien Revenue Bonds, Series 2019A (AMT)
September 30, 2020

TABLE 23

Fiscal Year Ending September 30	Coupon	Interest Due 1-Dec	Interest Due 1-Jun	Principal Due 1-Jun	Total Principal & Interest	Principal Balance
						\$ 44,195,000
2021	5.000 %	\$ 1,016,675	\$ 1,016,675	\$ 740,000	\$ 2,773,350	43,455,000
2022	5.000	998,175	998,175	780,000	2,776,350	42,675,000
2023	5.000	978,675	978,675	820,000	2,777,350	41,855,000
2024	5.000	958,175	958,175	860,000	2,776,350	40,995,000
2025	5.000	936,675	936,675	900,000	2,773,350	40,095,000
2026	5.000	914,175	914,175	945,000	2,773,350	39,150,000
2027	5.000	890,550	890,550	995,000	2,776,100	38,155,000
2028	5.000	865,675	865,675	1,045,000	2,776,350	37,110,000
2029	5.000	839,550	839,550	1,095,000	2,774,100	36,015,000
2030	5.000	812,175	812,175	1,150,000	2,774,350	34,865,000
2031	5.000	783,425	783,425	1,210,000	2,776,850	33,655,000
2032	5.000	753,175	753,175	1,270,000	2,776,350	32,385,000
2033	5.000	721,425	721,425	1,330,000	2,772,850	31,055,000
2034	5.000	688,175	688,175	1,400,000	2,776,350	29,655,000
2035	4.000	653,175	653,175	1,470,000	2,776,350	28,185,000
2036	4.000	623,775	623,775	1,530,000	2,777,550	26,655,000
2037	4.000	593,175	593,175	1,590,000	2,776,350	25,065,000
2038	4.000	561,375	561,375	1,650,000	2,772,750	23,415,000
2039	4.000	528,375	528,375	1,720,000	2,776,750	21,695,000
2040	4.000	493,975	493,975	1,785,000	2,772,950	19,910,000
2041	4.000	458,275	458,275	1,860,000	2,776,550	18,050,000
2042	4.000	421,075	421,075	1,935,000	2,777,150	16,115,000
2043	4.000	382,375	382,375	2,010,000	2,774,750	14,105,000
2044	4.000	342,175	342,175	2,090,000	2,774,350	12,015,000
2045	5.000	300,375	300,375	2,175,000	2,775,750	9,840,000
2046	5.000	246,000	246,000	2,285,000	2,777,000	7,555,000
2047	5.000	188,875	188,875	2,395,000	2,772,750	5,160,000
2048	5.000	129,000	129,000	2,515,000	2,773,000	2,645,000
2049	5.000	66,125	66,125	2,645,000	2,777,250	0
		\$ 18,144,825	\$ 18,144,825	\$ 44,195,000	\$ 80,484,650	

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Senior Lien Revenue Bonds, Series 2019B (NON-AMT)
September 30, 2020

TABLE 24

Fiscal Year Ending September 30	Coupon	Interest Due 1-Dec	Interest Due 1-Jun	Principal Due 1-Jun	Total Principal & Interest	Principal Balance
						\$ 28,865,000
2021	5.000 %	\$ 508,525	\$ 508,525	\$ 530,000	\$ 1,547,050	28,335,000
2022	5.000	495,275	495,275	560,000	1,550,550	27,775,000
2023	5.000	481,275	481,275	585,000	1,547,550	27,190,000
2024	5.000	466,650	466,650	615,000	1,548,300	26,575,000
2025	5.000	451,275	451,275	645,000	1,547,550	25,930,000
2026	5.000	435,150	435,150	680,000	1,550,300	25,250,000
2027	5.000	418,150	418,150	715,000	1,551,300	24,535,000
2028	5.000	400,275	400,275	750,000	1,550,550	23,785,000
2029	5.000	381,525	381,525	785,000	1,548,050	23,000,000
2030	5.000	361,900	361,900	825,000	1,548,800	22,175,000
2031	5.000	341,275	341,275	865,000	1,547,550	21,310,000
2032	3.000	319,650	319,650	910,000	1,549,300	20,400,000
2033	3.000	306,000	306,000	935,000	1,547,000	19,465,000
2034	3.000	291,975	291,975	965,000	1,548,950	18,500,000
2035	3.000	277,500	277,500	995,000	1,550,000	17,505,000
2036	3.000	262,575	262,575	1,025,000	1,550,150	16,480,000
2037	3.000	247,200	247,200	1,055,000	1,549,400	15,425,000
2038	3.000	231,375	231,375	1,085,000	1,547,750	14,340,000
2039	3.000	215,100	215,100	1,120,000	1,550,200	13,220,000
2040	3.000	198,300	198,300	1,155,000	1,551,600	12,065,000
2041	3.000	180,975	180,975	1,185,000	1,546,950	10,880,000
2042	3.000	163,200	163,200	1,225,000	1,551,400	9,655,000
2043	3.000	144,825	144,825	1,260,000	1,549,650	8,395,000
2044	3.000	125,925	125,925	1,300,000	1,551,850	7,095,000
2045	3.000	106,425	106,425	1,335,000	1,547,850	5,760,000
2046	3.000	86,400	86,400	1,375,000	1,547,800	4,385,000
2047	3.000	65,775	65,775	1,420,000	1,551,550	2,965,000
2048	3.000	44,475	44,475	1,460,000	1,548,950	1,505,000
2049	3.000	22,575	22,575	1,505,000	1,550,150	0
		\$ 8,031,525	\$ 8,031,525	\$ 28,865,000	\$ 44,928,050	

PORT FREEPORT

Capital Lease
September 30, 2020

TABLE 25

Fiscal Year Ending September 30	Coupon	Interest Due Sept. 30	Principal Due Sept. 30	Total Principal & Interest	Principal Balance
2020					\$ 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
		\$ 351,490	\$ 6,028,271	\$ 6,379,761	

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Table 26, 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 *	15 th highest
Port Freeport's Total Foreign Waterborne Tonnage *	30 million
(public and private facilities)	
Port Freeport's Container Handling Ranking	
Among U.S. Ports **	26 th highest
Total Containers *	107,866 TEU
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 trade data for calendar year 2020.

** Port Freeport analysis of U.S. Census Bureau trade data for calendar year 2019.

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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

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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

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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 USACE 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 the Port's 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".

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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 USACE partnering again on significant projects. The Port and the USACE approved the Freeport Placement 1 Containment Dike Raising, which will create significant new capacity for dredge material placement. The USACE and Port also approved a new study as part of the 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. The marine highway offers service routes for container on barge operations and lowers 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 helps 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 in 2017 by approving its first major rail project, adding 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 offer manifest rail services options to our Ro/Ro and petrochemical clients.

In addition to the new rail, the Port will offer 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 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 the 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 reported 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 vessels can service ships arriving to and departing from Port Freeport.

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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.

2020 was a year of great change. In February 2020, the U.S. Army Corps of Engineers announced \$ 19 million in funding was included for the Freeport Harbor Channel Improvement Project in the USACE FY 2020 Work Plan and named Port Freeport as one of two seaports nationwide to receive a "new start" designation for commencement of construction. A Project Partnership Agreement was signed between Port Freeport and the USACE on June 25, 2020. On September 14, 2020, the USACE awarded the first dredging contract to Great Lakes Dredge and Dock Corporation in the amount of \$ 15.4 million.

Port Freeport's Ro/Ro services grew with the arrival of two new services: ACL Grimaldi and Wallenius Wilhelmsen. The Port's investment in landside multimodal infrastructure, which includes 20 acres of OEM storage and processing that was placed into service in August 2020, brought the total number of vehicle spaces on Port property to 10,000.

Freeport LNG began commercial operations and the exporting of natural gas of three liquefaction trains. The first rail cars were delivered to Parcel 14 and, CEMEX, a new partner, established a CO2 transfer facility on Parcel 25 which transports CO2 to Mexico.

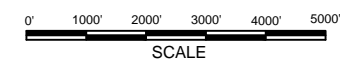
Port Freeport history documents the prior and current commitment of the Brazoria County residents, its industries, the Port Commission, administration and staff members to ensure the continued successful economic impact of the Port.

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

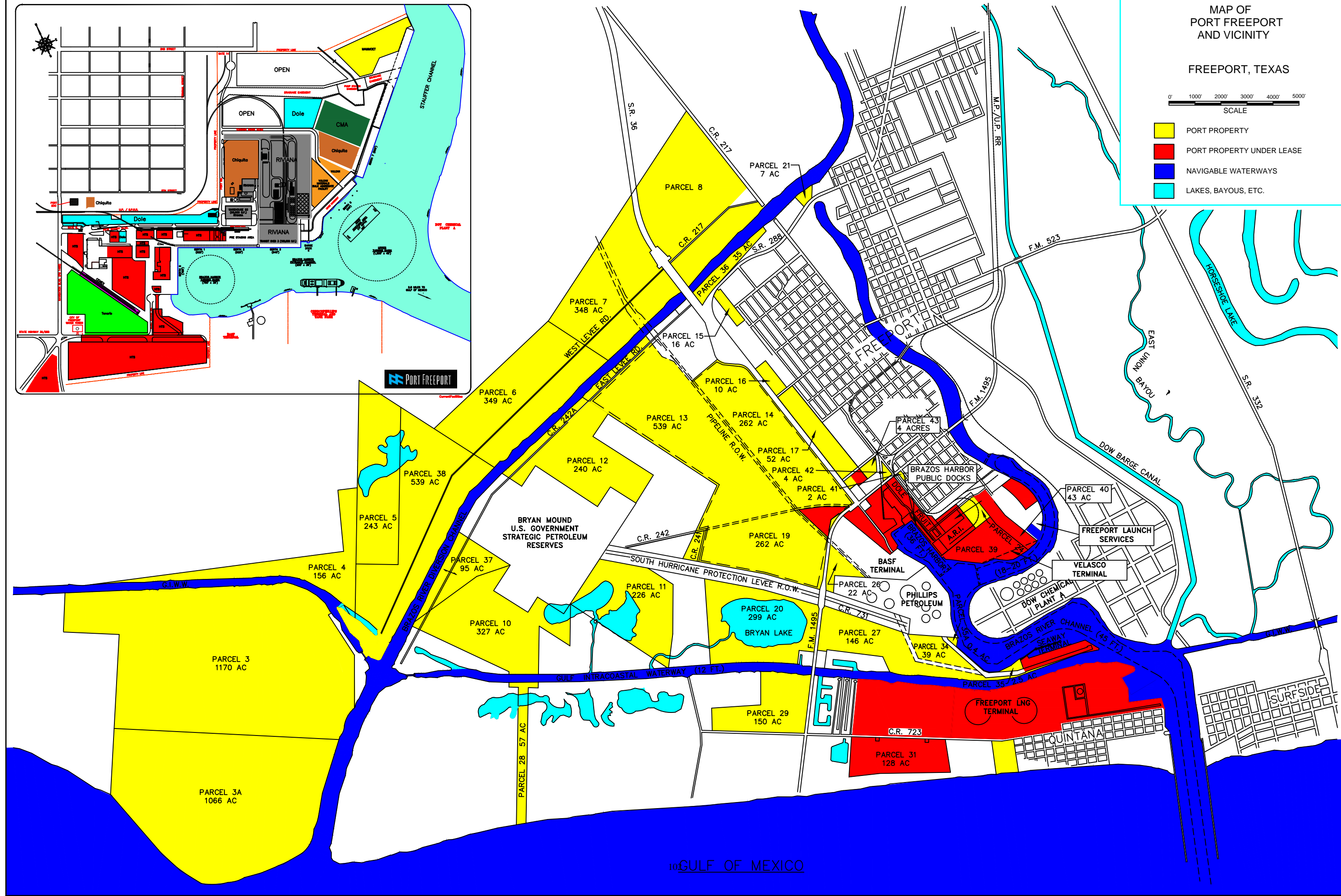


MAP OF
PORT FREEPORT
AND VICINITY

FREEPORT, TEXAS



- PORT PROPERTY
- PORT PROPERTY UNDER LEASE
- NAVIGABLE WATERWAYS
- LAKES, BAYOUS, ETC.





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