



**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012  
TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT**

**FMW** **FUNCHESS, MILLS,  
WHITE & CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND TAX CONSULTANTS**

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b><i>INDEPENDENT AUDITORS' REPORT</i></b>	1 - 2
<b><i>MANAGEMENT'S DISCUSSION AND ANALYSIS</i></b>	3 - 6
<b><i>FINANCIAL STATEMENTS</i></b>	
Balance Sheets	7
Statements of Revenues and Expenses	8
Statements of Retained Earnings	9
Statements of Cash Flows	10 - 11
Notes to Financial Statements	12 - 25
<b><i>FEDERAL FINANCIAL ASSISTANCE</i></b>	
Schedule of Expenditures of Federal Awards	26
Notes to Schedule of Expenditures of Federal Awards	27
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	28 - 29
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	30 - 31
Schedule of Findings and Questioned Costs	32 - 33
<b><i>SUPPLEMENTARY INFORMATION</i></b>	
Statements of Revenues and Expenses - Actual and Budget	34
General Long-Term Debt Service Requirements by Years	35 - 39

**INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Port of Beaumont Navigation District of Jefferson County, Texas

***Report on the Financial Statements***

We have audited the accompanying financial statements of Port of Beaumont Navigation District of Jefferson County, Texas, which comprise the balance sheet as of August 31, 2013 and 2012, and the related statements of revenues and expenses, retained earnings, and cash flows for the years then ended and the related notes to the financial statements.

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

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

***Auditors' Responsibility***

Our responsibility is to express an opinion 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Port of Beaumont Navigation District of Jefferson County, Texas, as of August 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 34 to 39 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2013, on our consideration of Port of Beaumont Navigation District of Jefferson County, Texas' 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 Port of Beaumont Navigation District of Jefferson County, Texas' internal control over financial reporting and compliance.

*Funchess, Mills, White & Co., P.C.*

Beaumont, Texas  
December 17, 2013

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

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended August 31, 2013

As management of the Port of Beaumont Navigation District of Jefferson County, Texas (the "Port") we offer readers of the Port's financial statements this narrative overview and analysis of the financial activities of the Port for the fiscal year ended August 31, 2013. We encourage readers to consider the information presented here in conjunction with the financial statements and notes thereto, which follow this section.

***FINANCIAL HIGHLIGHTS***

- The retained earnings for the Port at August 31, 2013 was \$86,680,449.
- The Port's retained earnings increased by \$1,124,477, the net income, for the year ended August 31, 2013.
- Net cash and cash equivalents decreased by \$906,797 for the year ended August 31, 2013 due to capital improvement expenditures.
- Total capital improvement expenditures were \$3,719,329 for the year ended August 31, 2013.
- Total operating revenues decreased by \$3,276,539 and total operating expenses decreased by \$2,688,437 for the year ended August 31, 2013. The major contributing factor for the changes was a decrease of \$3,146,969 in customer requested services revenue, with a corresponding decrease of \$2,699,191 in expenses related to providing those services.
- Net operating income decreased by \$588,102. Net operating income before depreciation and amortization was \$103,435 for the year ended August 31, 2013.

***OVERVIEW OF THE FINANCIAL STATEMENTS***

This discussion and analysis is intended to serve as an introduction to the Port's financial statements. The Port's financial statements are comprised of the following: 1) balance sheet, 2) statement of revenues and expenses, 3) statement of retained earnings, 4) statement of cash flows, and 5) notes to the financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

The balance sheet presents information of all of the Port's assets and liabilities, with the difference between the two reported as retained earnings. Over time, increases or decreases in retained earnings may serve as a useful indicator of whether the financial position of the Port is improving or deteriorating.

The statement of revenues and expenses and the statement of retained earnings presents information showing how the Port's retained earnings changed during the fiscal year. All changes in retained earnings are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (i.e. uncollected accounts receivable and earned but unused vacation leave).

Since the Port follows enterprise fund accounting and reporting requirements, a statement of cash flows is included as part of the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

- Continued -

***FINANCIAL ANALYSIS***

The largest portion of the Port's total assets (89%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment). The Port uses these assets to provide services to its customers; consequently these assets are not available for future spending.

	<b>2013</b>	<b>2012</b>
<b><i>Assets</i></b>		
Current, restricted and other assets	\$ 12,982,846	\$ 13,441,869
Capital assets	105,932,695	107,615,895
Total Assets	\$ 118,915,541	\$ 121,057,764
<b><i>Liabilities</i></b>		
Long-term liabilities	\$ 28,210,502	\$ 31,003,254
Other liabilities	4,024,590	4,498,538
Total Liabilities	\$ 32,235,092	\$ 35,501,792
<b><i>Retained Earnings</i></b>		
Unreserved	\$ 86,680,449	\$ 85,555,972

The following provides a summary of the Port's operation for the year ended August 31, 2013 with comparative totals for the year ended August 31, 2012.

	<b>2013</b>	<b>2012</b>
Operating revenues	\$ 10,993,745	\$ 14,270,284
Operating expenses	16,356,071	19,044,508
Operating income (loss)	(5,362,326)	(4,774,224)
Non-operating revenues	7,878,245	12,249,197
Non-operating expenses	1,391,442	1,551,277
Net income	1,124,477	5,923,696
Retained earnings - beginning of year	85,555,972	79,632,276
Retained earnings - end of year	\$ 86,680,449	\$ 85,555,972

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

- Continued -

***FINANCIAL ANALYSIS (Continued)***

The following provides a summary of the Port's tonnage activity by commodity for the year ended August 31, 2013 with comparative totals for the year ended August 31, 2012.

	<i>2013</i>	<i>2012</i>
Bagged goods	34,819	-
Forest products	45,352	83,488
Liquid bulk	119	-
Metal articles	159,306	153,731
Military	165,521	203,377
Projects	5,257	11,274
Bulk - Aggregate	612,030	633,962
Bulk - Potash	94,909	90,901
Bulk - Grain	1,962,194	1,156,339
All other	724	5,640
Total	3,080,231	2,338,712

***CAPITAL ASSETS***

The Port's investment in capital assets as of August 31, 2013, amounts to \$105,932,695 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements, infrastructure and construction in process. The total decrease in the Port's investment in capital assets for the current fiscal year was 1.6%.

Major capital asset events during the current fiscal year included the following:

- Land increased by \$1,090
- Facilities and equipment increased by \$16,405,501.
- Construction-in-progress decreased by \$12,772,294
- Accumulated depreciation increased by \$5,317,497 to \$86,219,588.

**Capital Assets at Year-End  
Net of Accumulated Depreciation**

	<i>2013</i>	<i>2012</i>
Land	\$ 8,429,270	\$ 8,428,180
Facilities & equipment	82,872,960	71,784,956
Construction in progress	14,630,465	27,402,759
Total	\$ 105,932,695	\$ 107,615,895

Additional information on the Port's capital assets can be found in the notes to the financial statements.



**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
- Continued -

***DEBT ADMINISTRATION***

At the end of the current fiscal year, the Port had outstanding general obligation bonds of \$7,605,000, a \$3,305,000 decrease from 2012 due to scheduled principal payments.

At the end of the current fiscal year, the Port had outstanding revenue bonds of \$22,315,000, a \$785,000 decrease from 2012 due to scheduled payments.

**Outstanding Debt at Year End  
Bonds Payable**

	<i>2013</i>	<i>2012</i>
General Obligation Bonds	\$ 7,605,000	\$ 10,910,000
Revenue Bonds	22,315,000	23,100,000
Total	\$ 29,920,000	\$ 34,010,000

The Port's General Obligation Bond and Revenue Bond ratings are listed below.

	Moody's Investor Service	Standard & Poor's	Fitch
General Obligation Bonds	A1	not rated	AA-
Revenue Bonds	A2	not rated	A

Additional information on the Port's bonds can be found in the notes to the financial statements.

***REQUEST FOR INFORMATION***

The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the Port's finances. If you have questions about this report or need any additional information, contact the Department of Finance, Attn: Director of Finance and Administration, at P.O. Drawer 2297 Beaumont, Texas, U.S.A. 77704, call (409) 835-5367, or e-mail [tm@portofbeaumont.com](mailto:tm@portofbeaumont.com)

***FINANCIAL STATEMENTS***

## **BALANCE SHEETS**

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**BALANCE SHEETS**  
August 31, 2013 and 2012

	<i>2013</i>	<i>2012</i>
<u><i>Assets</i></u>		
<b><i>Current Assets</i></b>		
Cash	\$ 5,375,066	\$ 5,495,916
Accounts receivable	3,153,568	3,291,592
Grants receivable	947,547	282,613
Prepaid expenses	362,925	323,295
Total Current Assets	9,839,106	9,393,416
<b><i>Restricted Assets</i></b>		
General obligation bond debt service - Cash	208,512	1,199,481
Revenue bond debt service and reserve account - Cash	2,150,674	1,945,652
Total Restricted Assets	2,359,186	3,145,133
<b><i>Property and Equipment</i></b>		
Land	8,429,270	8,428,180
Facilities and equipment	169,092,548	152,687,047
Construction in progress	14,630,465	27,402,759
	192,152,283	188,517,986
Less: Accumulated depreciation	(86,219,588)	(80,902,091)
Total Property and Equipment	105,932,695	107,615,895
<b><i>Other Assets</i></b>		
Amortizable assets	593,827	671,498
Other	190,727	231,822
Total Other Assets	784,554	903,320
Total Assets	\$ 118,915,541	\$ 121,057,764

The accompanying notes are an integral part of these financial statements.

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**BALANCE SHEETS**  
August 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b><u>Liabilities and Retained Earnings</u></b>		
<b><i>Current Liabilities</i></b>		
Accounts payable	\$ 1,759,697	\$ 1,062,422
Accrued liabilities	144,893	131,116
Total Current Liabilities	<u>1,904,590</u>	<u>1,193,538</u>
<b><i>Current Liabilities (Payable from restricted funds)</i></b>		
Current maturities of bonds payable	<u>2,120,000</u>	<u>3,305,000</u>
<b><i>Long-Term Liabilities</i></b>		
General obligation bonds, net of current portion	5,485,000	7,605,000
Revenue bonds, net of current portion	22,315,000	23,100,000
Other post employment benefits payable	410,502	298,254
Total Long-Term Liabilities	<u>28,210,502</u>	<u>31,003,254</u>
Total Liabilities	32,235,092	35,501,792
<b><i>Retained Earnings</i></b>		
Unreserved	<u>86,680,449</u>	<u>85,555,972</u>
Total Liabilities and Retained Earnings	<u>\$ 118,915,541</u>	<u>\$ 121,057,764</u>

The accompanying notes are an integral part of these financial statements.

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**STATEMENTS OF REVENUES AND EXPENSES**  
For Years Ended August 31, 2013 and 2012

	<i>2013</i>	<i>2012</i>
<b><i>Operating Revenues</i></b>		
Wharf and dock service	\$ 8,750,788	\$ 12,461,370
Grain elevator rental and service	405,073	435,380
Rental of facilities	1,837,884	1,373,534
Total Operating Revenues	10,993,745	14,270,284
<b><i>Operating Expenses</i></b>		
Maintenance and operating	6,887,937	9,940,750
General and administrative	4,002,373	3,608,787
Depreciation and amortization	5,465,761	5,494,971
Total Operating Expenses	16,356,071	19,044,508
Operating Income (Loss)	(5,362,326)	(4,774,224)
<b><i>Non-operating Revenues</i></b>		
Property taxes	6,332,726	6,210,191
Interest	39,308	54,518
Grants	1,506,211	5,929,991
Other	-	54,497
Total Non-operating Revenues	7,878,245	12,249,197
<b><i>Non-operating Expenses</i></b>		
Interest on general obligation bonds	310,550	405,119
Interest on revenue bonds	1,076,686	1,146,158
Other	4,206	-
Total Non-operating Expenses	1,391,442	1,551,277
Net Income	\$ 1,124,477	\$ 5,923,696

The accompanying notes are an integral part of these financial statements.

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**STATEMENTS OF RETAINED EARNINGS**  
For Years Ended August 31, 2013 and 2012

	<u>Unreserved</u>	<u>Reserved</u>		<u>Total</u>
		<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	
Balance - August 31, 2011	\$ 79,632,276	\$ -	\$ -	\$ 79,632,276
Net income for the year ended August 31, 2012	<u>5,923,696</u>	<u>-</u>	<u>-</u>	<u>5,923,696</u>
Balance - August 31, 2012	85,555,972	-	-	85,555,972
Net income for the year ended August 31, 2013	<u>1,124,477</u>	<u>-</u>	<u>-</u>	<u>1,124,477</u>
Balance - August 31, 2013	<u>\$ 86,680,449</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,680,449</u>

The accompanying notes are an integral part of these financial statements.

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**STATEMENTS OF CASH FLOWS**  
For the Year Ended August 31, 2013 and 2012

	<i>2013</i>	<i>2012</i>
<b><i>Cash Flows from Operating Activities</i></b>		
Cash received from customers	\$ 11,131,769	\$ 13,376,605
Cash paid to suppliers for goods and services	(5,712,306)	(9,778,921)
Cash paid to employees for salaries, wages, and benefits	(4,353,239)	(3,574,996)
Net Cash Provided (Used) by Operating Activities	1,066,224	22,688
<b><i>Cash Flows from Capital and Related Financing Activities</i></b>		
Payments on long-term debt	(4,090,000)	(8,200,000)
Proceeds from long-term debt	-	4,765,000
Reimbursement (Payments) on issuance of bonds	8,039	48,887
Interest paid	(1,387,236)	(1,551,277)
Proceeds from sale of autos	6,400	-
Net Cash Provided (Used) by Capital Financing Activities	(5,462,797)	(4,937,390)
<b><i>Cash Flows from Non-capital Financing Activities</i></b>		
Property tax revenues	6,332,726	6,210,191
Grants	841,277	5,684,629
Other	(4,206)	54,521
Net Cash Provided (Used) by Non-capital Financing Activities	7,169,797	11,949,341
<b><i>Cash Flows from Investing Activities</i></b>		
Payments on construction in progress	(3,562,090)	(14,701,003)
Purchase of land, facilities and equipment	(157,239)	(37,651)
Interest revenue	39,308	54,494
Net Cash Provided (Used) by Investing Activities	(3,680,021)	(14,684,160)
Net Increase (Decrease) in Cash and Cash Equivalents	(906,797)	(7,649,521)
<b><i>Cash and Cash Equivalents - September 1</i></b>	8,641,049	16,290,570
<b><i>Cash and Cash Equivalents - August 31</i></b>	\$ 7,734,252	\$ 8,641,049

The accompanying notes are an integral part of these financial statements.



**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**STATEMENTS OF CASH FLOWS**  
- Continued -

	<i>2013</i>	<i>2012</i>
<b><i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</i></b>		
Operating income (loss)	\$ (5,362,326)	\$ (4,774,224)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities -		
Depreciation and amortization	5,465,761	5,494,971
(Increase) decrease in -		
Accounts receivable	138,024	(893,679)
Prepaid expenses	(39,630)	(28,202)
Increase (decrease) in -		
Accounts payable and accrued expenses	864,395	223,822
Net Cash Provided (Used) by Operating Activities	\$ 1,066,224	\$ 22,688

The accompanying notes are an integral part of these financial statements.

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**NOTES TO FINANCIAL STATEMENTS**  
August 31, 2013

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

***A. Financial Reporting Entity -***

The Port of Beaumont Navigation District of Jefferson County, Texas (“the Port”) is a self-supporting enterprise similar to a commercial entity organized for profit. The Port is governed by a six-member board of commissioners. The Port is not included in any other governmental “reporting entity” as the board of commissioners is elected by the public and has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

***B. Basis of Accounting -***

The Port is accounted for on a flow of economic resources measurement focus. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units using the accrual basis of accounting. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port has applied all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the statements and interpretations of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 that are not in conflict with GASB pronouncements.

***C. Using Estimates -***

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

***D. Cash Flows -***

For the purposes of the statement of cash flows, the Port considers all restricted and unrestricted demand deposit accounts and short-term time deposit accounts to be cash and cash equivalents.

***E. Property and Equipment -***

Property and equipment is stated at cost. Interest costs incurred during construction are capitalized as part of the cost of the related assets. Expenditures for maintenance, repairs, renewals and improvements which do not significantly extend useful lives of assets are expensed as incurred. Depreciation is computed using the straight-line method over the estimated lives which are 30 years for buildings; 5 - 20 years for machinery and equipment and 5 - 40 years for wharves, docks, railroads, trackage and roadways. Depreciation expense was \$5,396,129 and \$5,421,494 for each of the years ended August 31, 2013 and 2012, respectively.

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**NOTES TO FINANCIAL STATEMENTS**

- Continued -

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

***F. Property Taxes -***

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year. Property tax revenues are recognized when they become available. Delinquent taxes are considered uncollectible and therefore are unavailable for expenditure purposes. One taxpayer accounts for approximately 25% of the total assessed value.

***G. Bond Issue Costs -***

Bond issue costs are being amortized on the straight-line basis over the length of the bond issue. Amortization expense for these assets was \$69,632 and \$73,477 for each of the years ended August 31, 2013 and 2012, respectively.

***H. Budget -***

The Port is required by state law to adopt an annual budget. The nonappropriated budget is prepared by the Port Director and his administrative staff on the accrual basis of accounting which is consistent with generally accepted accounting principles, except that certain non-operating revenues and expenses are not considered. The budget is approved by the board of commissioners generally before September 1, and once approved, can be amended only by subsequent approval of the board of commissioners.

***I. Operating and Non-Operating Revenues -***

Fees for services, rents and charges for the use of Port facilities, and other revenues generated from operations are reported as operating revenue. Property tax levy revenues, non-operating grants, and other revenues generated from non-operating sources are classified as non-operating.

***J. Date of Management's Review -***

Management has evaluated subsequent events through December 17, 2013, the date the financial statements were available to be issued.

***NOTE 2 - CASH AND INVESTMENTS***

At August 31, 2013 and 2012, the cash balances of the Port are covered by federal depository insurance or collateralized by pledged securities held by the depository bank in the name of the Port and the depository bank.

State statute and bond indentures authorize the Port to invest in obligations of the federal government and its agencies and insured time deposits issued by banks domiciled in Texas.

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**NOTES TO FINANCIAL STATEMENTS**

- Continued -

**NOTE 3 - CAPITAL ASSETS**

Capital assets consist of the following at August 31, 2013:

	<u><i>Balance at Beginning of Year</i></u>	<u><i>Additions</i></u>	<u><i>Retirements</i></u>	<u><i>Adjustments</i></u>	<u><i>Balance at End of Year</i></u>
<i>Land</i>	\$ 8,428,180	\$ 1,090	\$ -	\$ -	\$ 8,429,270
<i>Facilities and Equipment -</i>					
Buildings and attachments	25,000,712	-	-	-	25,000,712
Equipment	17,450,156	-	-	-	17,450,156
Office furniture and fixtures	2,042,021	-	(1,575)	-	2,040,446
Other port expansion	7,426,096	-	-	631,624	8,057,720
Roadways and railroads	8,473,495	-	-	15,041,714	23,515,209
Trucks and autos	454,985	126,442	(16,000)	-	565,427
Warehouse and premises	23,526,283	29,707	-	-	23,555,990
Wharves and docks	68,313,299	-	(67,457)	661,046	68,906,888
Total Facilities and Equipment	<u>152,687,047</u>	<u>156,149</u>	<u>(85,032)</u>	<u>16,334,384</u>	<u>169,092,548</u>
<i>Construction in progress</i>	<u>27,402,759</u>	<u>3,562,090</u>	<u>-</u>	<u>(16,334,384)</u>	<u>14,630,465</u>
Total Property, and Equipment	<u>\$ 188,517,986</u>	<u>\$ 3,719,329</u>	<u>\$ (85,032)</u>	<u>\$ -</u>	<u>\$ 192,152,283</u>
<i>Accumulated Depreciation</i>	<u>\$ 80,902,091</u>	<u>\$ 5,396,129</u>	<u>\$ (78,632)</u>	<u>\$ -</u>	<u>\$ 86,219,588</u>

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**NOTES TO FINANCIAL STATEMENTS**  
- Continued -

**NOTE 4 - LONG-TERM DEBT**

	<u>Beginning Balance</u>	<u>Debt Issued</u>	<u>Principal (Payments)</u>	<u>Ending Balance</u>
<b>General Obligation Bonds</b>				
Dated 2/1/98, due 3/1/13; interest varies to 6.75%	\$ 525,000	\$ -	\$ (525,000)	\$ -
Dated 6/1/99, due 3/1/13; interest varies to 6.5%	300,000	-	(300,000)	-
Dated 6/16/09, due 3/1/18; interest varies to 4.0%	<u>10,085,000</u>	<u>-</u>	<u>(2,480,000)</u>	<u>7,605,000</u>
	<u>10,910,000</u>	<u>-</u>	<u>(3,305,000)</u>	<u>7,605,000</u>
<b>Revenue Bonds</b>				
Dated 7/15/02, due 9/1/13; interest varies to 4.2%	225,000	-	(225,000)	-
Dated 12/19/07, due 9/1/32; interest varies to 5.25%	9,130,000	-	(215,000)	8,915,000
Dated 9/1/08, due 9/1/33; interest varies to 6.625%	9,140,000	-	(210,000)	8,930,000
Dated 6/20/12, due 9/1/23; interest at 2.040%	<u>4,605,000</u>	<u>-</u>	<u>(135,000)</u>	<u>4,470,000</u>
	<u>23,100,000</u>	<u>-</u>	<u>(785,000)</u>	<u>22,315,000</u>
	34,010,000	<u>\$ -</u>	<u>\$ (4,090,000)</u>	
Less: Current maturities	<u>(3,305,000)</u>			<u>(2,120,000)</u>
<b>Long-term Portion</b>	<u>\$ 30,705,000</u>			<u>\$ 27,800,000</u>
General obligation bonds	\$ 7,605,000			\$ 5,485,000
Revenue bonds	<u>23,100,000</u>			<u>22,315,000</u>
Total	<u>\$ 30,705,000</u>			<u>\$ 27,800,000</u>

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**NOTES TO FINANCIAL STATEMENTS**

- Continued -

**NOTE 4 - LONG-TERM DEBT (Continued)**

Scheduled debt service requirements of long-term debt for years ending August 31 are as follows -

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,120,000	\$ 651,072	\$ 2,771,072
2015	2,110,000	1,234,766	3,344,766
2016	2,175,000	1,166,466	3,341,466
2017	2,285,000	1,082,513	3,367,513
2018	2,350,000	995,214	3,345,214
2019 - 2023	5,005,000	4,177,486	9,182,486
2024 - 2028	4,625,000	3,198,469	7,823,469
2029 - 2033	7,505,000	1,606,498	9,111,498
2034	1,745,000	57,803	1,802,803
	<u>\$ 29,920,000</u>	<u>\$ 14,170,287</u>	<u>\$ 44,090,287</u>

Interest costs of \$1,387,236 and \$1,551,277 were incurred in 2013 and 2012 respectively.

**NOTE 5 - LEASE ON GRAIN ELEVATOR**

The Port leases its grain elevator facilities to a private company under the terms of a lease agreement which has been extended and will expire May 31, 2025. The lease provides for rentals to be paid based upon the volume of grain exported from the Texas Gulf each year. Total rentals received during the years ended August 31, 2013 and 2012 were \$405,072 and \$435,380 respectively.

**NOTE 6 - RETIREMENT PLAN**

**Plan Description -**

The Port provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 618 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**NOTES TO FINANCIAL STATEMENTS**

- Continued -

***NOTE 6 - RETIREMENT PLAN (Continued)***

***Plan Description - (continued)***

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

***Funding Policy -***

The employer has elected the annually determined contribution rate (variable-rate) plan under the provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The rate contributed for the months of the accounting year in 2012 was 14.00% and was 14.00% for the months of the accounting year in 2013. The deposit rate payable by the employee members for calendar year 2013 is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

***Annual Pension Cost -***

For the employer's accounting year ended August 31, 2013, the annual pension contribution for the TCDRS plan by its employees was \$176,596 and the employer cost was \$353,194.

The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2012 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4 percent. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2012 was 9.4 years.

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**NOTES TO FINANCIAL STATEMENTS**  
- Continued -

**NOTE 6 - RETIREMENT PLAN (Continued)**

**Annual Pension Cost - (continued)**

The following schedule of actuarial valuation information presents multi-year information about the actuarial assumptions used as the basis for determining the contribution rates over a three year period.

**ACTUARIAL VALUATION INFORMATION**

Actuarial valuation date	12/31/10	12/31/11	12/31/12
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period in years	9.9	11.0	9.4
Asset valuation method	SAF: 10 yr smoothed value ESF: Fund value	SAF: 10 yr smoothed value ESF: Fund value	SAF: 10 yr smoothed value ESF: Fund value
<i>Assumptions:</i>			
Investment return <sup>1</sup>	8.0%	8.0%	8.0%
Projected salary increases <sup>1</sup>	5.4%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost of living adjustments	0.0%	0.0%	0.0%

Employer annual pension costs (APC), actual contributions, and the net pension obligation (asset) (NPO) are as follows. The NPO (asset) is the cumulative difference between the APC and the contributions actually made.

---

<sup>1</sup> Includes inflation at the stated rate.



**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**NOTES TO FINANCIAL STATEMENTS**  
- Continued -

**NOTE 6 - RETIREMENT PLAN (Continued)**

*Annual Pension Cost - (continued)*

**TREND INFORMATION**  
**FOR THE RETIREMENT PLAN FOR THE EMPLOYEES OF**  
**PORT OF BEAUMONT NAVIGATION DISTRICT**

<i>Accounting Year Ended</i>	<i>Annual Pension Cost (APC)</i>	<i>Actual Contribution</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
8/31/11	\$ 319,865	\$ 319,865	100%	\$ -
8/31/12	328,454	328,454	100%	-
8/31/13	353,194	353,194	100%	-

As of December 31, 2012, the most recent actuarial valuation date, the plan was 87.26 percent funded. The actuarial accrued liability for benefits was \$9,104,978, and the actuarial value of assets was \$7,945,376, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,159,602. The covered payroll (annual payroll of active employees covered by the plan) was \$2,462,987, and the ratio of the UAAL to the covered payroll was 47.94 percent.

The following schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**SCHEDULE OF FUNDING PROGRESS**  
**FOR THE RETIREMENT PLAN FOR THE EMPLOYEES OF**  
**PORT OF BEAUMONT NAVIGATION DISTRICT**

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets (a)</i>	<i>Actuarial Accrued Liability (AAL) (b)</i>	<i>Unfunded AAL (UAAL) (b - a)</i>	<i>Funded Ratio (a / b)</i>	<i>Annual Covered Payroll<sup>2</sup> (c)</i>	<i>UAAL as a Percentage of Covered Payroll [(b - a) / c]</i>
12/31/10	\$ 6,929,960	\$ 8,022,074	\$ 1,092,114	86.39%	\$ 2,277,954	47.94%
12/31/11	7,483,532	8,662,162	1,178,630	86.39	2,295,549	51.34
12/31/12	7,945,376	9,104,978	1,159,602	87.26	2,462,987	47.08

<sup>2</sup> The annual covered payroll is based on the employee contributions received by TCDRS for the year ending with the valuation date.

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**NOTES TO FINANCIAL STATEMENTS**  
- Continued -

**NOTE 7 - OTHER POST EMPLOYMENT BENEFITS**

The Port provides certain postretirement health care benefits to eligible retired employees and their spouses. At August 31, 2013, and 2012, there were two (2) and three (3) retirees, respectively, who were eligible for these benefits.

Retirees receive a monthly stipend toward their personal coverage. The stipend amount shall not exceed 85% of the employee only premium and 50% of the difference between the employee only and couple rate for retiree's spouse.

To be eligible for this benefit an employee must be at least 55 years of age and the sum of the retiree's age plus years of service must equal or be greater than 75. All coverage terminates upon the retiree's eligibility for Medicare/Medicaid.

**Funding Policy -**

The retiree medical plan is operated on a Pay-As-You-Go basis. There are no assets that have been segregated and restricted to provide for retiree medical benefits. For the years ended August 31, 2013 and 2012, the cost of retiree health benefits, recorded on a pay-as-you-go basis was \$9,446 and \$11,006, respectively.

**Annual OPEB Cost and Net OPEB Obligation -**

The annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Port's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Port's net OPEB obligation.

	<u>2013</u>	<u>2012</u>
Determination of Net OPEB Obligation		
Annual required contribution	\$ 127,520	\$ 110,782
Interest on net OPEB obligations	8,948	-
Adjustment to annual required contribution	<u>(14,774)</u>	<u>-</u>
Annual OPEB cost (expense)	121,694	110,782
Contributions made	<u>(9,446)</u>	<u>(11,006)</u>
Increase in Net OPEB Obligation	112,248	99,776
Net OPEB Obligation - beginning of year	<u>298,254</u>	<u>198,478</u>
Net OPEB Obligation - end of year	<u>\$ 410,502</u>	<u>\$ 298,254</u>

The end of year net OPEB is shown as a non-current liability on the Balance Sheet.

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**NOTES TO FINANCIAL STATEMENTS**  
- Continued -

**NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (Continued)**

**Trend Information -**

<i>Accounting Year Ended</i>	<i>Annual OPEB Cost</i>	<i>Actual Employer Contributions</i>	<i>Percentage Contributed</i>	<i>Net Ending OPEB Obligation</i>
8/31/11	\$ 110,782	\$ 15,802	14.26%	\$ 198,478
8/31/12	110,782	11,006	9.93	298,254
8/31/13	121,694	9,446	7.76	410,502

**Funded Status and Funding Progress -**

The following schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**SCHEDULE OF FUNDING PROGRESS  
FOR THE OTHER POST EMPLOYMENT BENEFITS FOR THE  
EMPLOYEES OF PORT OF BEAUMONT NAVIGATION DISTRICT**

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets (a)</i>	<i>Actuarial Accrued Liability (AAL) (b)</i>	<i>Unfunded AAL (UAAL) (b - a)</i>	<i>Funded Ratio (a / b)</i>	<i>Annual Covered Payroll (c)</i>	<i>UAAL as a Percentage of Covered Payroll [(b - a) / c]</i>
10/1/10	\$ -	\$ 1,093,437	\$ 1,093,437	-%	\$ -	-%
10/1/11*	-	1,093,437	1,093,437	-%	-	-%
9/1/12	-	1,236,424	1,236,424	-%	-	-%

\*Actuarial valuations are performed every three years; the last update was in 2012 and the next will be in 2015.

**Actuarial Methods and Assumptions -**

Actuarial valuations for an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates are made about the future. Although the valuation results are based on values the Port's actuarial consultant believes are reasonable assumptions, the valuation result is only an estimate of what future costs may actually be and reflect a long-term perspective. Deviations in any of several factors, such as future interest rate discounts, medical cost inflation, Medicare coverage risk, and changes in marital status, could result in actual costs being greater or less than estimated.

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**NOTES TO FINANCIAL STATEMENTS**  
- Continued -

***NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (Continued)***

***Actuarial Methods and Assumptions - (continued)***

The actuarial cost method used to determine the OPEB obligation is computed using the Projected Unit Credit Method which consists of the following cost components:

1. The Normal Cost is the Actuarial Present Value of benefits allocated to the valuation year.
2. The Actuarial Liability is the Actuarial Present Value of benefits accrued as of the valuation date.
3. Valuation Assets are equal to the market value of assets as of the valuation date, if any.
4. Unfunded Actuarial Liability is the difference between the Actuarial Liability and the Valuation Assets. The UAAL is being amortized as a level dollar amount over the maximum of 30 years, as permissible under GASB 45.

Projection of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial valuation for the Plan used the unit credit actuarial cost method. The actuarial assumptions included a discount rate of 3.0%, mortality table, termination rates, retirement rates, participation, health care cost trend rates, and retiree premiums. The UAAL will be amortized as a level dollar amount over the maximum of 30 years, as permissible under GASB Statement No. 45.

***NOTE 8 - ACCOUNT CREATED BY THE GENERAL OBLIGATION BOND INDENTURES***

The general obligation bond indentures established the "Interest and Sinking Fund Account" solely for paying the interest and principal of said bonds. The ad valorem taxes relating to the general obligation bonds collected by the Tax Assessor-Collector of Jefferson County are deposited into this account. This account is classified on the balance sheet as a restricted asset.

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**NOTES TO FINANCIAL STATEMENTS**  
- Continued -

***NOTE 9 - ACCOUNTS CREATED BY THE REVENUE BOND AND REVENUE REFUNDING BOND  
INDENTURES***

Included in current assets as cash on the balance sheet -

**Revenue Account**

All gross revenues of the Port are to be deposited in the revenue account and then transfers are to be made to the Interest and Sinking Fund Account and the Reserve Account as first charges against the gross revenues. After these transfers are made, the operating expenses of the Port shall be paid from the revenue account, retaining in the revenue account estimated operating expenses for a three-month period. Any moneys that are not required for the above purpose shall be transferred to the renewal replacement and surplus account.

**Renewal, Replacement and Surplus Account**

Moneys in said account shall be used for renewals, replacements and extraordinary maintenance of the Port or for any other lawful purpose.

Included in restricted assets as investments on the balance sheet -

**Interest and Sinking Fund Account**

The amounts to be deposited in the interest and sinking fund account during each year are to be equal to 100% of the amounts required to meet principal and interest on all revenue bonds as they mature and come due.

**Reserve Account**

Moneys in the reserve account shall be used solely for the purpose of retiring the last of any revenue bonds as they become due or for the payment of principal and interest on any revenue bonds where the amounts in the interest and sinking fund account are insufficient. The reserve account shall be maintained in an amount equal to the average annual principal and interest requirements of the outstanding revenue bonds.

***NOTE 10 - CONSTRUCTION IN PROGRESS***

During the year ended August 31, 2013, the Port incurred costs of \$3,562,090 on capital improvement projects relating to port expansion. Anticipated completion costs of approximately \$15,757,000 will be funded during future years from port operation, grants, and bond revenues.

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**NOTES TO FINANCIAL STATEMENTS**

- Continued -

**NOTE 11 - REVENUE BONDS RATE COVENANT**

The Port covenants that it will provide “net revenues” as defined in the related bond indentures, in an amount equal to at least 1.25 times the largest annual principal and interest installments outstanding on its revenue bonds. The computation to show compliance with these covenants is as follows -

	<i>2013</i>	<i>2012</i>
<b><i>Operating revenues</i></b>		
Wharf and dock	\$ 8,750,788	\$ 12,461,370
Grain elevator	405,073	435,381
Rental of facilities	1,837,884	1,373,535
Total Revenues	10,993,745	14,270,286
<b><i>Non-Operating revenues</i></b>		
M&O tax collections	3,712,152	3,405,698
Interest earned	39,308	54,494
Grants	1,506,211	5,929,991
Other	-	54,521
Total Non-Operating Revenues	5,257,671	9,444,704
<b><i>Operating Expenditures (excludes depreciation)</i></b>		
Maintenance and operating	6,887,937	9,940,749
General and administrative	4,002,373	3,608,786
Total Expenditures	10,890,310	13,549,535
Net Revenue Available for Debt Service	\$ 5,361,106	\$ 10,165,455
Average annual principal and interest required 2014 - 2034	\$ 1,705,196	\$ 1,712,309
Coverage of average requirements net available for debt service	3.14:1:00	5.94:1:00

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**NOTES TO FINANCIAL STATEMENTS**  
- Continued -

**NOTE 12 - CASH AND CASH EQUIVALENTS**

For purposes of presentation in the statement of cash flows, cash and cash equivalents includes the following -

	<i>2013</i>	<i>2012</i>
<b><i>Current Assets</i></b>		
Cash	\$ 5,375,066	\$ 5,495,916
Investments	-	-
<b><i>Restricted Assets</i></b>		
General obligation bond debt service -		
Cash	208,512	1,199,481
Investments	-	-
Revenue bond debt service and reserve account -		
Cash	2,150,674	1,945,652
Investments	-	-
	<b>\$ 7,734,252</b>	<b>\$ 8,641,049</b>

**NOTE 13 - LITIGATION**

The Port is a party to various claims and legal actions arising in the ordinary course of operations. In the opinion of management, all such matters are adequately covered by insurance or if not so covered, are without merit, or involve such amounts that unfavorable disposition would not have a material effect on the operations of the Port.

***FEDERAL FINANCIAL ASSISTANCE***



**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended August 31, 2013

<u><i>Federal Grantor / Pass-through Grantor / Program Title</i></u>	<u><i>Federal CFDA Number</i></u>	<u><i>Agency Number</i></u>	<u><i>Federal Expenditures</i></u>
<i>U.S. Department of Transportation / Texas Department of Transportation</i>			
Highway Planning and Conservation (Federal-Aid Highway Program)	20.205		\$ 947,547
<i>U.S. Department of Homeland Security</i>			
Port Security Grant Program	97.056		\$ 558,664

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended August 31, 2013

***NOTE A - BASIS OF PRESENTATION***

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Port of Beaumont Navigation District of Jefferson County, Texas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because this schedule presents only a selected portion of the operations of Port of Beaumont Navigation District of Jefferson County, Texas, it is not intended to and does not present the financial position, changes in retained earnings, or cash flows of Port of Beaumont Navigation District of Jefferson County, Texas.

***NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

To the Board of Commissioners  
Port of Beaumont Navigation District of Jefferson County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Port of Beaumont Navigation District of Jefferson County, Texas (the "Port"), which comprise the balance sheet as of August 31, 2013, and the related statements of revenues and expenses, retained earnings, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2013.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

*Furness, Mills, White & Co., P.C.*

Beaumont, Texas  
December 17, 2013

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

To the Board of Commissioners  
Port of Beaumont Navigation District of Jefferson County, Texas

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

We have audited Port of Beaumont Navigation District of Jefferson County, Texas' (the "Port"), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Port's major federal programs for the year ended August 31, 2013. The Port's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

The Port's management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

***Auditors' Responsibility***

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

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

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

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

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

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

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

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

### ***Purpose of this Report***

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

*Funchess, Mills, White & Co., P.C.*

Beaumont, Texas  
December 17, 2013

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended August 31, 2013

**A. Summary of Audit Results**

1. The auditors' report expresses an unqualified opinion on the financial statements of Port of Beaumont Navigation District of Jefferson County, Texas.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Port of Beaumont Navigation District of Jefferson County, Texas were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award program of Port of Beaumont Navigation District of Jefferson County, Texas expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as a major program included:

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency Number</u>	<u>Federal Expenditures</u>
<i>U.S. Department of Transportation / Texas Department of Transportation</i>			
Highway Planning and Construction (Federal-Aid Highway Program)	20.205		\$ 947,547
 <i>U.S. Department of Homeland Security</i>			
Port Security Grant Program	97.056		\$ 558,664

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Port of Beaumont Navigation District of Jefferson County, Texas did not qualify as a low-risk auditee.

**B. Findings - Financial Statements Audit**

None

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended August 31, 2013

***C. Findings and Questioned Costs - Major Federal Award Programs Audit***

None



***SUPPLEMENTARY INFORMATION***

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**SUPPLEMENTARY INFORMATION**  
**STATEMENTS OF REVENUES AND EXPENSES - ACTUAL AND BUDGET**  
For Years Ended August 31, 2013 and 2012

	<u>2013</u>		<u>2012</u>	
	<u>Actual<sup>1</sup></u>	<u>Budget</u>	<u>Actual<sup>1</sup></u>	<u>Budget</u>
<b><i>Operating Revenues</i></b>				
Wharf and dock services	\$ 4,680,881	\$ 5,552,500	\$ 5,396,228	\$ 6,007,500
Grain elevator rental and services	405,073	365,000	435,380	865,000
Rental of facilities	1,837,884	1,550,000	1,373,534	1,550,000
Total Operating Revenues	<u>6,923,838</u>	<u>7,467,500</u>	<u>7,205,142</u>	<u>8,422,500</u>
<b><i>Operating Expenses</i></b>				
Maintenance and operating	2,818,030	2,928,907	2,875,608	2,847,120
General and administrative	4,002,373	3,837,811	3,608,787	3,499,468
Depreciation and amortization	5,465,761	5,800,000	5,494,971	5,500,000
Total Operating Expenses	<u>12,286,164</u>	<u>12,566,718</u>	<u>11,979,366</u>	<u>11,846,588</u>
Operating Income (Loss)	<u>(5,362,326)</u>	<u>(5,099,218)</u>	<u>(4,774,224)</u>	<u>(3,424,088)</u>
<b><i>Non-operating Revenues</i></b>				
Property taxes	6,332,726	7,115,550	6,210,191	6,125,119
Interest	39,308	50,000	54,497	50,000
Grant	1,506,211	-	5,929,991	-
Other	(4,206)	50,000	54,518	50,000
Total Non-operating Revenues	<u>7,874,039</u>	<u>7,215,550</u>	<u>12,249,197</u>	<u>6,225,119</u>
<b><i>Non-operating Expenses</i></b>				
Interest on general obligation bonds	310,550	310,550	405,119	405,119
Interest on revenue bonds	1,076,686	1,076,686	1,146,158	1,242,227
Total Non-operating Expenses	<u>1,387,236</u>	<u>1,387,236</u>	<u>1,551,277</u>	<u>1,647,346</u>
Net Income	<u>\$ 1,124,477</u>	<u>\$ 729,096</u>	<u>\$ 5,923,696</u>	<u>\$ 1,153,685</u>

<sup>1</sup> Some accounts have been reclassified to conform with budgetary reporting of the Port.

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**SUPPLEMENTARY INFORMATION**  
**GENERAL LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS**

August 31, 2013

- Continued -

<u>Year Ending</u> <u>August 31,</u>	<i>General Obligation Bonds, Series 2009</i>		
	<i>Principal</i> <i>Due</i> <i>03/01</i>	<i>Interest</i> <i>Due</i> <i>3/01, 09/01</i>	<i>Total</i>
2014	\$ 2,120,000	\$ 129,725	\$ 2,249,725
2015	1,295,000	206,450	1,501,450
2016	1,330,000	167,600	1,497,600
2017	1,410,000	114,400	1,524,400
2018	1,450,000	58,000	1,508,000
	\$ 7,605,000	\$ 676,175	\$ 8,281,175

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**SUPPLEMENTARY INFORMATION**  
**GENERAL LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS**  
August 31, 2013  
- Continued -

<i>Year Ending August 31,</i>	<i>Revenue Bonds, Series 2007</i>		
	<i>Principal Due 09/01</i>	<i>Interest Due 3/01, 09/01</i>	<i>Total</i>
2014	\$ -	\$ 197,775	\$ 197,775
2015	175,000	390,956	565,956
2016	190,000	381,375	571,375
2017	195,000	371,269	566,269
2018	205,000	362,050	567,050
2019	210,000	353,750	563,750
2020	220,000	345,150	565,150
2021	225,000	336,250	561,250
2022	240,000	326,590	566,590
2023	250,000	316,055	566,055
2024	255,000	305,198	560,198
2025	270,000	293,910	563,910
2026	75,000	286,493	361,493
2027	800,000	267,480	1,067,480
2028	835,000	231,919	1,066,919
2029	875,000	194,289	1,069,289
2030	910,000	154,573	1,064,573
2031	950,000	112,950	1,062,950
2032	995,000	69,188	1,064,188
2033	1,040,000	23,400	1,063,400
	<u>\$ 8,915,000</u>	<u>\$ 5,320,620</u>	<u>\$ 14,235,620</u>

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**SUPPLEMENTARY INFORMATION**  
**GENERAL LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS**

August 31, 2013

- Continued -

<u>Year Ending</u> <u>August 31,</u>	<u>Revenue Construction Bonds, Series 2008</u>		
	<u>Principal</u> <u>Due</u> <u>09/01</u>	<u>Interest</u> <u>Due</u> <u>3/01, 09/01</u>	<u>Total</u>
2014	\$ -	\$ 277,978	\$ 277,978
2015	220,000	550,456	770,456
2016	230,000	539,206	769,206
2017	245,000	527,331	772,331
2018	255,000	514,576	769,576
2019	270,000	500,656	770,656
2020	280,000	485,526	765,526
2021	300,000	469,061	769,061
2022	315,000	450,986	765,986
2023	335,000	431,486	766,486
2024	355,000	410,520	765,520
2025	375,000	387,885	762,885
2026	395,000	363,724	758,724
2027	425,000	337,681	762,681
2028	450,000	309,681	759,681
2029	480,000	279,681	759,681
2030	510,000	247,506	757,506
2031	545,000	212,946	757,946
2032	580,000	175,821	755,821
2033	620,000	136,144	756,144
2034	1,745,000	57,803	1,802,803
	<u>\$ 8,930,000</u>	<u>\$ 7,666,654</u>	<u>\$ 16,596,654</u>

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**SUPPLEMENTARY INFORMATION**  
**GENERAL LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS**

August 31, 2013

- Continued -

<u>Year Ending August 31,</u>	<i>Revenue Bonds, Series 2012</i>		
	<i>Principal Due 09/01</i>	<i>Interest Due 3/01, 09/01</i>	<i>Total</i>
2014	\$ -	\$ 45,594	\$ 45,594
2015	420,000	86,904	506,904
2016	425,000	78,285	503,285
2017	435,000	69,513	504,513
2018	440,000	60,588	500,588
2019	455,000	51,459	506,459
2020	460,000	42,126	502,126
2021	475,000	32,589	507,589
2022	480,000	22,848	502,848
2023	490,000	12,954	502,954
2024	390,000	3,978	393,978
	\$ 4,470,000	\$ 506,838	\$ 4,976,838

**PORT OF BEAUMONT NAVIGATION DISTRICT**  
of Jefferson County, Texas

**SUPPLEMENTARY INFORMATION**  
**GENERAL LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS**

August 31, 2013

- Continued -

<i>Year Ending August 31,</i>	<i>Annual Requirements for All Series</i>		
	<i>Principal Due 03/01, 09/01</i>	<i>Interest Due 3/01, 09/01</i>	<i>Total</i>
2014	\$ 2,120,000	\$ 651,072	\$ 2,771,072
2015	2,110,000	1,234,766	3,344,766
2016	2,175,000	1,166,466	3,341,466
2017	2,285,000	1,082,513	3,367,513
2018	2,350,000	995,214	3,345,214
2019	935,000	905,865	1,840,865
2020	960,000	872,802	1,832,802
2021	1,000,000	837,900	1,837,900
2022	1,035,000	800,424	1,835,424
2023	1,075,000	760,495	1,835,495
2024	1,000,000	719,696	1,719,696
2025	645,000	681,795	1,326,795
2026	470,000	650,217	1,120,217
2027	1,225,000	605,161	1,830,161
2028	1,285,000	541,600	1,826,600
2029	1,355,000	473,970	1,828,970
2030	1,420,000	402,079	1,822,079
2031	1,495,000	325,896	1,820,896
2032	1,575,000	245,009	1,820,009
2033	1,660,000	159,544	1,819,544
2034	1,745,000	57,803	1,802,803
	<u>\$ 29,920,000</u>	<u>\$ 14,170,287</u>	<u>\$ 44,090,287</u>