



**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014  
TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT**

**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 - 8
<b><i>FINANCIAL STATEMENTS</i></b>	
Statements of Net Position	9
Statements of Revenues and Expenses	10
Statements of Changes in Net Position	11
Statements of Cash Flows	12 - 13
Notes to Financial Statements	14 - 31
<b><i>SUPPLEMENTARY INFORMATION</i></b>	
Statements of Revenues and Expenses - Actual and Budget	32
Schedule of Changes in Net Pension Liability and Related Ratios	33 - 34
Schedule of Employer Contributions	35
General Long-Term Debt Service Requirements by Years	36 - 40

## **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 statements of net position of Port of Beaumont Navigation District of Jefferson County, Texas, (the "Port") as of and for the years ended August 31, 2015 and 2014, and the related statements of revenues and expenses, and changes in net position, and cash flows 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.

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Port of Beaumont Navigation District of Jefferson County, Texas, as of August 31, 2015 and 2014, and the respective changes in financial position 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, budgetary comparison information, Schedule of Changes in Net Pension Liability and Related Ratios, and Schedule of Employer Contributions on pages 3 - 8, 32, 33 - 34, and 35 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 basic financial statements as a whole. The accompanying General Long-Term Debt Service Requirements by Years are presented for purposes of additional analysis and are not a required part of the financial statements.

The General Long-Term Debt Service Requirements by Years 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.

***FMW, P.C.***

Beaumont, Texas  
December 9, 2015

***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, 2015

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, 2015. 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 net position for the Port at August 31, 2015 was \$93,637,228.
- The Port's net position increased by \$2,702,275, the change in net position, for the year ended August 31, 2015.
- Net cash and cash equivalents decreased by \$455,179 for the year ended August 31, 2015 due to capital improvement expenditures.
- Total capital improvement expenditures were \$4,694,382 for the year ended August 31, 2015.
- Total operating revenues increased by \$2,587,761 and total operating expenses increased by \$2,150,899 for the year ended August 31, 2015. The major contributing factor for the increase in operating revenues was increased activity of the wharf and dock services.
- Net operating loss decreased by \$436,862. Net operating income before depreciation and amortization was \$2,466,856 for the year ended August 31, 2015.

***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) statements of net position, 2) statements of revenues and expenses, 3) statements of changes in net position, 4) statements 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 statement of net position presents information of all of the Port's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Port is improving or deteriorating.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended August 31, 2015

***OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)***

The statement of revenues and expenses and the statement of changes in net position present information showing how the Port's net position changed during the fiscal year. All changes in net position 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.

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Current, restricted, and other assets	\$ 12,627,981	\$ 10,758,524
Capital assets	107,215,075	108,537,702
Total Assets	<u>\$ 119,843,056</u>	<u>\$ 119,296,226</u>
<b>Deferred Outflows of Resources</b>		
Deferred outflows of resources - pension related	<u>\$ 521,322</u>	<u>\$ 374,958</u>
<b>Liabilities</b>		
Long-term liabilities	\$ 24,147,629	\$ 26,209,402
Other liabilities	2,579,521	2,526,829
Total Liabilities	<u>\$ 26,727,150</u>	<u>\$ 28,736,231</u>
<b>Net Position</b>		
Net investment in capital assets	\$ 82,370,075	\$ 81,552,702
Restricted for debt service	2,247,882	2,271,265
Unrestricted	9,019,271	7,110,986
Total Net Position	<u>\$ 93,637,228</u>	<u>\$ 90,934,953</u>

The following provides a summary of the Port's operation for the year ended August 31, 2015 with comparative totals for the year ended August 31, 2014.

	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 15,129,456	\$ 12,541,695
Operating expenses	<u>18,732,208</u>	<u>16,581,309</u>
Operating income (loss)	<u>(3,602,752)</u>	<u>(4,039,614)</u>
Non-operating revenues	7,505,991	9,569,912
Non-operating expenses	<u>1,200,964</u>	<u>1,275,794</u>
Change in Net Position	2,702,275	4,254,504
Net position - beginning of year	<u>90,934,953</u>	<u>86,680,449</u>
Net position - end of year	<u>\$ 93,637,228</u>	<u>\$ 90,934,953</u>



**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, 2015 with comparative totals for the year ended August 31, 2014.

	<u>2015</u>	<u>2014</u>
Bagged goods	44,404	50,622
Forest products	174,720	114,387
Dry bulk	14,621	-
Liquid bulk	735,141	229,411
Metal articles	63,860	125,102
Military	118,874	113,132
Projects	29,442	8,386
Bulk - Aggregate	1,142,732	926,272
Bulk - Grain	1,575,548	1,836,696
All other	<u>503</u>	<u>676</u>
Total	<u><u>3,899,845</u></u>	<u><u>3,404,684</u></u>

***CAPITAL ASSETS***

The Port's investment in capital assets as of August 31, 2015, amounts to \$107,215,075 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements, infrastructure and construction in process. The total increase in the Port's investment in capital assets for the current fiscal year was 2.3%.

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

- Land increased by \$29,424
- Facilities and equipment increased by \$2,939,671. This resulted from additions of \$81,641, disposals of the \$15,178, and capitalization of \$2,773,208 of construction-in-progress.
- Construction-in-progress increased by \$1,810,109. This resulted from additions of \$4,583,317, while \$2,773,208 of construction-in-process was completed and capitalized.
- Accumulated depreciation increased by \$6,001,831 to \$204,281,704.

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

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

***CAPITAL ASSETS (Continued)***

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

	<i>2015</i>	<i>2014</i>
Land	\$ 8,484,662	\$ 8,455,238
Facilities & equipment	92,153,231	95,315,391
Construction in progress	6,577,182	4,767,073
Total	\$ 107,215,075	\$ 108,537,702

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

***DEBT ADMINISTRATION***

At the end of the current fiscal year, the Port had outstanding general obligation bonds of \$5,485,000, a \$1,295,000 decrease from 2014 due to scheduled principal payments.

At the end of the current fiscal year, the Port had outstanding revenue bonds of \$21,500,000, an \$845,000 decrease from 2014 due to scheduled payments.

**Outstanding Debt at Year End  
Bonds Payable**

	<i>2015</i>	<i>2014</i>
General Obligation Bonds	\$ 4,190,000	\$ 5,485,000
Revenue Bonds	20,655,000	21,500,000
Total	\$ 24,845,000	\$ 26,985,000

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

	<u>Moody's Investor Service</u>	<u>Standard &amp; Poor's</u>	<u>Fitch</u>
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.

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

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

***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***

**STATEMENTS OF NET POSITION**

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

**STATEMENTS OF NET POSITION**  
August 31, 2015 and 2014

	<i>2015</i>	<i>2014</i>
<b><u>Assets and Deferred Outflows of Resources</u></b>		
<b><i>Current Assets</i></b>		
Cash	\$ 4,735,909	\$ 5,167,705
Accounts receivable	4,464,958	2,062,544
Grants receivable	93,848	58,097
Prepaid expenses	346,483	353,602
Total Current Assets	9,641,198	7,641,948
<b><i>Restricted Assets</i></b>		
General obligation bond debt service -		
Cash	258,765	177,420
Revenue bond debt service and reserve account -		
Cash	1,989,117	2,093,845
Total Restricted Assets	2,247,882	2,271,265
<b><i>Property and Equipment</i></b>		
Land	8,484,662	8,455,238
Facilities and equipment	189,219,860	186,380,189
Construction in progress	6,577,182	4,767,073
	204,281,704	199,602,500
Less: Accumulated depreciation	(97,066,629)	(91,064,798)
Total Property and Equipment	107,215,075	108,537,702
<b><i>Other Assets</i></b>		
Amortizable assets	497,822	550,421
Other	144,013	161,457
Net pension assets	97,066	133,433
Total Other Assets	738,901	845,311
<b><i>Deferred Outflows of Resources</i></b>		
Deferred outflows of resources - pension related	521,322	374,958
Total Assets	120,364,378	119,671,184

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

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

**STATEMENTS OF NET POSITION**  
August 31, 2015 and 2014

	<i>2015</i>	<i>2014</i>
<b><i>Liabilities, Deferred Inflows of Resources and Net Position</i></b>		
<b><i>Current Liabilities</i></b>		
Accounts payable	\$ 1,070,800	\$ 1,078,849
Accrued liabilities	178,721	152,980
Total Current Liabilities	1,249,521	1,231,829
<b><i>Current Liabilities (Payable from restricted funds)</i></b>		
Current maturities of bonds payable	1,330,000	1,295,000
<b><i>Long-Term Liabilities</i></b>		
General obligation bonds, net of current portion	2,860,000	4,190,000
Revenue bonds, net of current portion	20,655,000	21,500,000
Other post employment benefits payable	632,629	519,402
Total Long-Term Liabilities	24,147,629	26,209,402
Total Liabilities	26,727,150	28,736,231
<b><i>Deferred Inflows of Resources</i></b>		
	-	-
<b><i>Net Position</i></b>		
Net investment in capital assets	82,370,075	81,552,702
Restricted for debt service	2,247,882	2,271,265
Unrestricted	9,019,271	7,110,986
Total Net Position	\$ 93,637,228	\$ 90,934,953

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, 2015 and 2014

	<i>2015</i>	<i>2014</i>
<b><i>Operating Revenues</i></b>		
Wharf and dock service	\$ 12,112,911	\$ 9,496,172
Grain elevator rental and service	669,383	1,057,200
Rental of facilities	2,347,162	1,988,323
Total Operating Revenues	15,129,456	12,541,695
<b><i>Operating Expenses</i></b>		
Maintenance and operating	8,492,912	7,158,802
General and administrative	4,169,688	3,699,136
Depreciation and amortization	6,069,608	5,723,371
Total Operating Expenses	18,732,208	16,581,309
Operating Income (Loss)	(3,602,752)	(4,039,614)
<b><i>Non-operating Revenues</i></b>		
Property taxes	6,026,896	6,342,973
Interest	29,285	41,920
Grants	378,157	3,105,206
Other	1,071,653	79,813
Total Non-operating Revenues	7,505,991	9,569,912
<b><i>Non-operating Expenses</i></b>		
Interest on general obligation bonds	187,025	232,950
Interest on revenue bonds	1,013,939	1,042,844
Total Non-operating Expenses	1,200,964	1,275,794
Change in Net Position	\$ 2,702,275	\$ 4,254,504

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



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

**STATEMENTS OF CHANGES IN NET POSITION**  
For Years Ended August 31, 2015 and 2014

		<i>Reserved</i>		
	<i>Unreserved</i>	<i>General Obligation Bonds</i>	<i>Revenue Bonds</i>	<i>Total</i>
Balance - August 31, 2013	\$ 86,680,449	\$ -	\$ -	\$ 86,680,449
Change in Net Position for the year ended August 31, 2014	3,746,113	-	-	3,746,113
Balance - August 31, 2014	90,426,562	-	-	90,426,562
Adjustments to Net Position Change in accounting principal (Note 6)	508,391	-	-	508,391
Balance as restated - August 31, 2014	90,934,953	-	-	90,934,953
Change in Net Position for the year ended August 31, 2015	2,702,275	-	-	2,702,275
Balance - August 31, 2015	\$ 93,637,228	\$ -	\$ -	\$ 93,637,228

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, 2015 and 2014

	<b>2015</b>	<b>2014</b>
<b><i>Cash Flows from Operating Activities</i></b>		
Cash received from customers	\$ 12,727,042	\$ 13,632,719
Cash paid to suppliers for goods and services	(7,712,963)	(6,694,250)
Cash paid to employees for salaries, wages, and benefits	(4,904,152)	(5,197,347)
Net Cash Provided (Used) by Operating Activities	109,927	1,741,122
<b><i>Cash Flows from Capital and Related Financing Activities</i></b>		
Principal payments under bond obligations	(2,140,000)	(2,935,000)
Interest paid under debt obligations	(1,200,964)	(1,275,794)
Construction in progress purchases	(4,583,317)	(8,160,353)
Land, facilities and equipment purchases	(111,065)	(325,256)
Proceeds from the sale of capital assets	1,742	120,000
Net Cash Provided (Used) by Capital Financing Activities	(8,033,604)	(12,576,403)
<b><i>Cash Flows from Non-capital Financing Activities</i></b>		
Property tax revenues	6,026,896	6,342,973
Grants	342,406	3,994,656
Other	1,069,911	160,450
Net Cash Provided (Used) by Non-capital Financing Activities	7,439,213	10,498,079
<b><i>Cash Flows from Investing Activities</i></b>		
Interest revenue	29,285	41,920
Net Cash Provided (Used) by Investing Activities	29,285	41,920
Net Increase (Decrease) in Cash and Cash Equivalents	(455,179)	(295,282)
<b><i>Cash and Cash Equivalents - September 1</i></b>	7,438,970	7,734,252
<b><i>Cash and Cash Equivalents - August 31</i></b>	\$ 6,983,791	\$ 7,438,970

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>2015</i>	<i>2014</i>
<b><i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</i></b>		
Operating income (loss)	\$ (3,602,752)	\$ (4,039,614)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities -		
Depreciation and amortization	6,069,608	5,723,371
Net pension asset changes	36,367	(133,433)
Deferred outflow of resources changes	(146,364)	(374,958)
(Increase) decrease in -		
Accounts receivable	(2,402,414)	1,091,024
Prepaid expenses	7,119	9,323
Increase (decrease) in -		
Accounts payable and accrued expenses	148,363	(534,591)
Net Cash Provided (Used) by Operating Activities	\$ 109,927	\$ 1,741,122
 <b><i>Non-cash Transactions Affecting Financial Position:</i></b>		
Loss on the sale of capital assets	\$ -	\$ (80,637)
Net effect of non-cash transactions	\$ -	\$ (80,637)

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, 2015

***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 -***

The Port’s assets are capitalized at historical cost. Port policy has set the capitalization threshold for reporting capital assets at \$5,000. 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 \$6,001,831 and \$5,679,965 for each of the years ended August 31, 2015 and 2014, 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 22% 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 \$52,599 and \$43,406 for each of the years ended August 31, 2015 and 2014, respectively.

**H. Retirement Plan -**

Financial reporting information pertaining to the Port's participation in the Texas County and District Retirement System (TCDRS) prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

**I. 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.

**J. 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.

**K. Reclassifications -**

Certain amounts for 2014 have been reclassified to conform to the 2015 presentation.

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

Management has evaluated subsequent events through December 9, 2015, the date the financial statements were available to be issued.

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

**NOTES TO FINANCIAL STATEMENTS**  
- Continued -

**NOTE 2 - CASH AND INVESTMENTS**

At August 31, 2015 and 2014, 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.

All of the Port's deposits and any 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 risk.

**NOTE 3 - CAPITAL ASSETS**

Capital assets consist of the following at August 31, 2015:

	<i><b>Balance at Beginning of Year</b></i>	<i><b>Additions</b></i>	<i><b>Retirements</b></i>	<i><b>Adjustments</b></i>	<i><b>Balance at End of Year</b></i>
<i><b>Land</b></i>	\$ 8,455,238	\$ 29,424	\$ -	\$ -	\$ 8,484,662
<i><b>Facilities and Equipment -</b></i>					
Buildings and attachments	25,000,712	-	-	-	25,000,712
Equipment	16,709,884	-	-	-	16,709,884
Office furniture and fixtures	2,090,321	-	-	-	2,090,321
Other port expansion	8,191,588	-	-	1,335,268	9,526,856
Roadways and railroads	40,959,450	13,896	-	371,901	41,345,247
Trucks and autos	569,595	52,495	(15,178)	-	606,912
Warehouse and premises	23,555,990	15,250	-	-	23,571,240
Wharves and docks	69,302,649	-	-	1,066,039	70,368,688
Total Facilities and Equipment	<u>186,380,189</u>	<u>81,641</u>	<u>(15,178)</u>	<u>2,773,208</u>	<u>189,219,860</u>
<i><b>Construction in progress</b></i>	<u>4,767,073</u>	<u>4,583,317</u>	<u>-</u>	<u>(2,773,208)</u>	<u>6,577,182</u>
Total Property, and Equipment	<u>\$ 199,602,500</u>	<u>\$ 4,694,382</u>	<u>\$ (15,178)</u>	<u>\$ -</u>	<u>\$ 204,281,704</u>
<i><b>Accumulated Depreciation</b></i>	<u>\$ 91,064,798</u>	<u>\$ 6,017,009</u>	<u>\$ (15,178)</u>	<u>\$ -</u>	<u>\$ 97,066,629</u>

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

**NOTES TO FINANCIAL STATEMENTS**

- Continued -

**NOTE 4 - LONG-TERM DEBT**

	<i>Beginning Balance</i>	<i>Debt Issued</i>	<i>Principal (Payments)</i>	<i>Ending Balance</i>
<b>General Obligation Bonds</b>				
Dated 6/16/09, due 3/1/18; interest varies to 4.0%	5,485,000	\$ -	\$ (1,295,000)	\$ 4,190,000
	5,485,000	-	(1,295,000)	4,190,000
<b>Revenue Bonds</b>				
Dated 12/19/07, due 9/1/32; interest varies to 5.25%	8,740,000	-	(190,000)	8,550,000
Dated 9/1/08, due 9/1/33; interest varies to 6.625%	8,710,000	-	(230,000)	8,480,000
Dated 6/20/12, due 9/1/23; interest at 2.040%	4,050,000	-	(425,000)	3,625,000
	21,500,000	-	(845,000)	20,655,000
		\$ -	\$ (2,140,000)	
Less: Current maturities	(1,295,000)			(1,330,000)
<b>Long-term Portion</b>	\$ 25,690,000			\$ 23,515,000
General obligation bonds	\$ 4,190,000			\$ 2,860,000
Revenue bonds	21,500,000			20,655,000
Total	\$ 25,690,000			\$ 23,515,000

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

	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2016	\$ 1,330,000	\$ 575,697	\$ 1,905,697
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 - 2025	4,755,000	3,800,310	8,555,310
2026 - 2030	5,755,000	2,673,027	8,428,027
2031 - 2034	6,475,000	788,252	7,263,252
	\$ 24,845,000	\$ 11,693,680	\$ 36,538,680

Interest costs of \$1,200,964 and \$1,275,794 were incurred in 2015 and 2014 respectively.

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

**NOTES TO FINANCIAL STATEMENTS**  
- Continued -

**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, 2015 and 2014 were \$669,383 and \$1,057,200 respectively.

**NOTE 6 - CHANGE IN ACCOUNTING PRINCIPLE**

**Net Position -**

Net position as of August 31, 2014 has been restated as follows for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71.

Net position earnings as previously reported at August 31, 2014	<u>\$ 90,426,562</u>
Prior period adjustment:	
Net pension asset (measurement date as of August 31, 2014)	133,433
Deferred outflows:	
Contributions made after the initial measurement date	<u>374,958</u>
Total prior period adjustment	<u>\$ 508,391</u>
Net position as restated, August 31, 2014	<u><u>\$ 90,934,953</u></u>

**NOTE 7 - 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 677 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.

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.



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

**NOTES TO FINANCIAL STATEMENTS**  
- Continued -

**NOTE 7 - RETIREMENT PLAN (Continued)**

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 both 2015 and 2014 was 14.00%. The deposit rate payable by the employee members for the months of the accounting year in both 2015 and 2014 was 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.

**Contributions -**

The required contribution was determined as part of the December 31, 2014 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2014 included (a) 8.1 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.

For the employer's accounting year ended August 31, 2015, the annual pension contribution for the TCDRS plan by its employees was \$195,226 and the employer cost was \$390,452. Contributions payable at August 31, 2015 for the employer portion of the pension expense was \$30,982 and the employee portion was \$15,491.

**Net Pension Liability / (Asset) -**

	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2014</u>
Total pension liability	\$ 13,664,253	\$ 14,743,265
Fiduciary net position	13,797,686	14,840,331
Net pension liability / (asset)	(133,433)	(97,066)
Fiduciary net position as a % of total pension liability	100.98%	100.66%
Pensionable covered payroll <sup>(1)</sup>	\$ 2,505,792	\$ 2,678,283
Net pension liability as a % of covered payroll	(5.32%)	(3.62%)

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

**NOTES TO FINANCIAL STATEMENTS**  
- Continued -

**NOTE 7 - RETIREMENT PLAN (Continued)**

**Net Pension Liability / (Asset) - (Continued)**

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below:

*Note: Rounding differences may exist above or in other tables in this report*

<sup>(1)</sup> Payroll is calculated based on contributions as reported to TCDRS

**Discount Rate -**

Discount rate <sup>(2)</sup>	8.10%	8.10%
Long-term expected rate of return, net of investment expense <sup>(2)</sup>	8.10%	8.10%
Municipal bond rate <sup>(3)</sup>	N/A	N/A

<sup>(2)</sup> This rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68.

<sup>(3)</sup> The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

**Actuarial Methods and Assumptions Used for GASB Calculations -**

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2014 funding valuation except as noted below and throughout this report. Please see the employer summary actuarial valuation report as of December 31, 2014 for further details.

Following are the key assumptions and methods used in this GASB analysis -

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry age normal <sup>(1)</sup>
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3.5%
Salary Increases	5.4%
Investment Rate of Return	8.10%

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

**NOTES TO FINANCIAL STATEMENTS**  
- Continued -

**NOTE 7 - RETIREMENT PLAN (Continued)**

***Actuarial Methods and Assumptions Used for GASB Calculations - (Continued)***

Key assumptions and methods used in this GASB analysis - (Continued)

Cost-of-Living Adjustments	Cost-of-Living Adjustments for Port of Beaumont Navigation District are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	60 and above
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	
Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.

*(1) Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.*

***Long-term Expected Rate of Return -***

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2015 information for a 7-10 year time horizon.

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

**NOTES TO FINANCIAL STATEMENTS**

- Continued -

**NOTE 7 - RETIREMENT PLAN (Continued)**

**Long-term Expected Rate of Return - (Continued)**

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2009 - December 31, 2013 for more details.

<i>Asset Class</i>	<i>Benchmark</i>	<i>Target<sup>(1)</sup> Allocation</i>	<i>Geometric Real Rate of Return (Expected minus Inflationary)<sup>(2)</sup></i>
US Equities	Dow Jones U.S. Total Stock Market Index	16.50%	5.35%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(3)</sup>	12.00%	8.35%
Global Equities	MSCI World (net) Index	1.50%	5.65%
International Equities- Developed	50% MSCI World Ex USA (net)+ 50% MSCI World Ex USA 100% Hedged to USD (net) Index	11.00%	5.35%
International Equities- Emerging	50% MSCI EM Standard (net) Index + 50% I EM MSCI 100% Hedged to USD (net) Index	9.00%	6.35%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.55%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.75%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	5.00%	5.54%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.80%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	6.75%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.00%
Commodities	Bloomberg Commodities Index	2.00%	-0.20%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(4)</sup>	3.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.15%

<sup>(1)</sup> Target asset allocation adopted at the April 2015 TCDRS Board meeting.

<sup>(2)</sup> Geometric real rates of return in addition to assumed Inflation of 1.7%, per Cliffwater's 2015 capital market assumptions.

<sup>(3)</sup> Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

<sup>(4)</sup> Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

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

**NOTES TO FINANCIAL STATEMENTS**  
- Continued -

**NOTE 7 - RETIREMENT PLAN (Continued)**

**Changes in Net Pension Liability / (Asset) -**

	<b>Total Pension Liability (a)</b>	<b>Increases / Decreases Fiduciary Net Position (b)</b>	<b>Net Pension Liability / (Asset) (a) - (b)</b>
Balances as of December 31, 2013	\$ 13,664,253	\$ 13,797,686	\$ (133,433)
Changes for the year:			
Service cost	329,754	-	329,754
Interest on total pension liability <sup>(1)</sup>	1,100,081	-	1,100,081
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	148,247	-	148,247
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(2,731)	(2,731)	-
Benefit payments	(496,339)	(496,339)	-
Administrative expenses	-	(11,023)	11,023
Member contributions	-	187,480	(187,480)
Net investment income	-	951,153	(951,153)
Employer contributions	-	374,960	(374,960)
Other <sup>(2)</sup>	-	39,145	(39,145)
Balances as of December 31, 2014	<u>\$ 14,743,265</u>	<u>\$ 14,840,331</u>	<u>\$ (97,066)</u>

<sup>(1)</sup> Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

<sup>(2)</sup> Relates to allocation of system-wide items.

**Sensitivity Analysis -**

The following presents the net pension liability of the county/district, calculated using the discount rate of 8.10%, as well as what the Port of Beaumont Navigation District net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	7.10%	8.10%	9.10%
Total pension liability	\$ 16,376,122	\$ 14,743,265	\$ 13,362,009
Fiduciary net position	14,840,331	14,840,331	14,840,331
Net pension liability / (asset)	<u>\$ 1,535,791</u>	<u>\$ (97,066)</u>	<u>\$ (1,478,322)</u>

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

**NOTES TO FINANCIAL STATEMENTS**  
- Continued -

**NOTE 7 - RETIREMENT PLAN (Continued)**

***Pension Expense / Income -***

	<u>January 1, 2014</u> <i>to</i> <u>December 31, 2014</u>
Service cost	\$ 329,754
Interest on total pension liability <sup>(1)</sup>	1,100,081
Effect of plan changes	-
Administrative expenses	11,023
Member contributions	(187,480)
Expected investment return net of investment expenses	(1,132,269)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	29,649
Recognition of assumption changes or inputs	-
Recognition of investment gains or losses	36,223
Other <sup>(2)</sup>	(39,145)
Pension expense / income	\$ 147,837

<sup>(1)</sup> Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

<sup>(2)</sup> Relates to allocation of system-wide items.

***Deferred Outflows of Resources -***

As of December 31, 2014, the deferred inflows and outflows of resources are as follows:

	<i>Deferred Inflows of Resources</i>	<i>Deferred Outflows of Resources</i>
Differences between expected and actual experience	\$ -	\$ 118,597
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	144,892
Contributions made subsequent to measurement date	N/A	257,832

Amounts currently reported as deferred outflows of resources and relate to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

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

**NOTES TO FINANCIAL STATEMENTS**  
- Continued -

**NOTE 7 - RETIREMENT PLAN (Continued)**

***Deferred Outflows of Resources - (Continued)***

Year ended December 31:

2015	\$	65,872
2016		65,872
2017		65,872
2018		65,872
2019		-
Thereafter <sup>(1)</sup>		-

<sup>(1)</sup> Total remaining balance to be recognized in future years, if any.

Note that additional future deferred inflows and outflows of resources may impact these numbers.

**NOTE 8 - OTHER POST EMPLOYMENT BENEFITS**

The Port provides certain postretirement health care benefits to eligible retired employees and their spouses. At August 31, 2015, and 2014, there were two (2) retirees 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. Effective October 1, 2011, the stipend for active employees only shall not exceed 90% of the employee only premium and 80% of the dependent coverage. No change occurred to the current retirees.

To be eligible for this benefit an employee must be at least 55 years of age and have at least 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. 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, 2015 and 2014, the cost of retiree health benefits, recorded on a pay-as-you-go basis was \$8,466 and \$12,794, respectively.

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

**NOTES TO FINANCIAL STATEMENTS**  
- Continued -

**NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)**

**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.

	<b>2015</b>	<b>2014</b>
Determination of Net OPEB Obligation		
Annual required contribution	\$ 127,520	\$ 127,520
Interest on net OPEB obligations	8,948	8,948
Adjustment to annual required contribution	(14,774)	(14,774)
Annual OPEB cost (expense)	121,694	121,694
Contributions made	(8,466)	(12,794)
Increase in Net OPEB Obligation	113,228	108,900
Net OPEB Obligation - beginning of year	519,402	410,502
Net OPEB Obligation - end of year	\$ 632,630	\$ 519,402

The end of year net OPEB is shown as a non-current liability on the Statement of Net Position.

**Trend Information -**

<b>Accounting Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Actual Employer Contributions</b>	<b>Percentage Contributed</b>	<b>Net Ending OPEB Obligation</b>
8/31/13	\$ 121,694	\$ 9,446	7.76%	\$ 410,502
8/31/14	121,694	12,794	10.51	519,402
8/31/15	121,694	8,466	6.96	632,630



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

**NOTES TO FINANCIAL STATEMENTS**  
- Continued -

**NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)**

**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>
10/1/12*	\$ -	\$ 1,236,424	\$ 1,236,424	-%	\$ -	-%
10/1/12*	-	1,236,424	1,236,424	-%	-	-%
10/1/12*	-	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.

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.

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

**NOTES TO FINANCIAL STATEMENTS**

- Continued -

***NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)***

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

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 9 - 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 Statement of Net Position as a restricted asset.

***NOTE 10 - ACCOUNTS CREATED BY THE REVENUE BOND AND REVENUE REFUNDING BOND INDENTURES***

Included in current assets as cash on the Statement of Net Position -

**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.

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

**NOTES TO FINANCIAL STATEMENTS**  
- Continued -

***NOTE 10 - ACCOUNTS CREATED BY THE REVENUE BOND AND REVENUE REFUNDING BOND  
INDENTURES - (Continued)***

Included in restricted assets as investments on the Statement of Net Position -

**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 11 - CONSTRUCTION IN PROGRESS***

During the year ended August 31, 2015, the Port incurred costs of \$4,583,317 on capital improvement projects relating to port expansion. Anticipated completion costs of approximately \$8,875,000 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 12 - 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>2015</i>	<i>2014</i>
<i>Operating revenues</i>		
Wharf and dock	\$ 12,112,911	\$ 9,496,172
Grain elevator	669,383	1,057,200
Rental of facilities	2,347,162	1,988,323
Total Revenues	15,129,456	12,541,695
<i>Non-Operating revenues</i>		
M&O tax collections	4,465,187	4,022,918
Interest earned	29,285	41,920
Grants	378,157	3,105,206
Total Non-Operating Revenues	4,872,629	7,170,044
<i>Operating Expenditures (excludes depreciation)</i>		
Maintenance and operating	8,492,912	7,158,802
General and administrative	4,169,688	3,699,136
Total Expenditures	12,662,600	10,857,938
Net Revenue Available for Debt Service	\$ 7,339,485	\$ 8,853,801
Average annual principal and interest required 2016 - 2034	\$ 1,689,078	\$ 1,697,571
Coverage of average requirements net available for debt service	4.35:1.0	5.22:1.0

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

**NOTES TO FINANCIAL STATEMENTS**  
- Continued -

**NOTE 13 - CASH AND CASH EQUIVALENTS**

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

	<i>2015</i>	<i>2014</i>
<b><i>Current Assets</i></b>		
Cash	\$ 4,735,909	\$ 5,167,705
Investments	-	-
<b><i>Restricted Assets</i></b>		
General obligation bond debt service -		
Cash	258,765	177,420
Investments	-	-
Revenue bond debt service and reserve account -		
Cash	1,989,117	2,093,845
Investments	-	-
	<u>\$ 6,983,791</u>	<u>\$ 7,438,970</u>

**NOTE 14 - 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.

***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, 2015 and 2014

	2015		2014	
	<i>Actual<sup>1</sup></i>	<i>Budget</i>	<i>Actual<sup>1</sup></i>	<i>Budget</i>
<b><i>Operating Revenues</i></b>				
Wharf and dock services	\$ 7,267,759	\$ 5,221,000	\$ 5,460,199	\$ 5,092,500
Grain elevator rental and services	669,383	610,000	1,057,200	510,000
Rental of facilities	2,347,162	2,250,000	1,988,323	2,000,000
Total Operating Revenues	10,284,304	8,081,000	8,505,722	7,602,500
<b><i>Operating Expenses</i></b>				
Maintenance and operating	3,647,760	3,014,058	3,122,829	3,031,675
General and administrative	4,169,688	4,306,955	3,699,136	4,000,749
Depreciation and amortization	6,069,608	5,500,000	5,723,371	5,800,000
Total Operating Expenses	13,887,056	12,821,013	12,545,336	12,832,424
Operating Income (Loss)	(3,602,752)	(4,740,013)	(4,039,614)	(5,229,924)
<b><i>Non-operating Revenues</i></b>				
Property taxes	6,026,896	5,232,025	6,342,973	6,102,950
Interest	29,285	40,000	41,920	40,000
Grant	378,157	-	3,105,206	-
Other	1,071,653	50,000	79,813	50,000
Total Non-operating Revenues	7,505,991	5,322,025	9,569,912	6,192,950
<b><i>Non-operating Expenses</i></b>				
Interest on general obligation bonds	187,025	187,025	232,950	232,950
Interest on revenue bonds	1,013,939	1,013,938	1,042,844	1,042,334
Total Non-operating Expenses	1,200,964	1,200,963	1,275,794	1,275,284
Change in Net Position	\$ 2,702,275	\$ (618,951)	\$ 4,254,504	\$ (312,258)

<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**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

August 31, 2015

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b><u>Total Pension Liability</u></b>									
Service cost	\$ 329,754	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	1,100,081	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic / demographic (gains) or losses	148,247	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments /refunds of contributions	<u>(499,069)</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	1,079,012	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	<u>13,664,253</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	<u>\$ 14,743,265</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A



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

**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

August 31, 2015  
- Continued -

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b><u>Fiduciary Net Position</u></b>									
Employer contributions	\$ 374,960	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	187,480	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	951,153	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(499,069)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(11,023)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	<u>39,145</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	1,042,645	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	<u>13,797,686</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	<u>\$ 14,840,331</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability/asset, ending = (a) - (b)	<u>\$ (97,066)</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of a total pension liability	100.66%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	\$ 2,678,283	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	(3.62%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

*This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented*

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

**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

August 31, 2015

<i><b>Year Ending December 31</b></i>	<i><b>Actuarially Determined Contribution</b></i>	<i><b>Actual Employer Contribution</b></i>	<i><b>Contribution Deficiency (Excess)</b></i>	<i><b>Pensionable Covered Payroll <sup>(1)</sup></b></i>	<i><b>Actual Contribution as a % of Covered Payroll</b></i>
2005	N/A	N/A	N/A	N/A	N/A
2006	\$ 168,615	\$ 226,582	\$ (57,967)	\$ 1,888,185	12.0%
2007	163,983	241,448	(77,464)	2,012,064	12.0%
2008	247,002	257,965	(10,964)	2,149,711	12.0%
2009	259,690	273,118	(13,428)	2,275,982	12.0%
2010	276,316	318,914	(42,598)	2,277,954	14.0%
2011	276,155	321,377	(45,222)	2,295,549	14.0%
2012	298,268	344,818	(46,550)	2,462,987	14.0%
2013	313,725	350,811	(37,086)	2,505,792	14.0%
2014	326,751	374,960	(48,209)	2,678,283	14.0%

<sup>(1)</sup> Payroll is calculated based on contributions as reported to TCDRS.

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

**SUPPLEMENTARY INFORMATION**  
**GENERAL LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS**  
August 31, 2015

<u>Year Ending</u> <u>August 31,</u>	<i>General Obligation Bonds, Series 2009</i>		
	<u>Principal</u> <u>Due</u> <u>03/01</u>	<u>Interest</u> <u>Due</u> <u>3/01, 09/01</u>	<u>Total</u>
2016	\$ 1,330,000	\$ 83,800	\$ 1,413,800
2017	1,410,000	114,400	1,524,400
2018	1,450,000	58,000	1,508,000
	\$ 4,190,000	\$ 256,200	\$ 4,446,200

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

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

August 31, 2015

- 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>
2016	\$ -	\$ 188,194	\$ 188,194
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
	\$ 8,550,000	\$ 4,538,708	\$ 13,088,708

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

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

August 31, 2015

- 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>
2016	\$ -	\$ 266,728	\$ 266,728
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>\$ 8,480,000</u>	<u>\$ 6,565,742</u>	<u>\$ 15,045,742</u>

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

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

August 31, 2015

- Continued -

<i>Year Ending August 31,</i>	<i>Revenue Bonds, Series 2012</i>		
	<i>Principal Due 09/01</i>	<i>Interest Due 3/01, 09/01</i>	<i>Total</i>
2016	\$ -	\$ 36,975	\$ 36,975
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
	<u>\$ 3,625,000</u>	<u>\$ 333,030</u>	<u>\$ 3,958,030</u>

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

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

August 31, 2015

- Continued -

<u>Year Ending</u> <u>August 31,</u>	<i>Annual Requirements for All Series</i>		
	<i>Principal</i> <i>Due</i> <i>03/01, 09/01</i>	<i>Interest</i> <i>Due</i> <i>3/01, 09/01</i>	<i>Total</i>
2016	\$ 1,330,000	\$ 575,697	\$ 1,905,697
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
	\$ 24,845,000	\$ 11,693,680	\$ 36,538,680