

# Annual Comprehensive Financial Report

## For the Fiscal Years Ended

### September 30, 2023 and 2022



**PORT FREEPORT**<sup>SM</sup>

1100 Cherry St., Freeport, TX 77541

979-233-2667

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**Port Freeport  
Freeport, Texas**

Annual Comprehensive Financial Report  
For the Fiscal Years Ended  
September 30, 2023 and 2022

Prepared by:

Rob Lowe  
Chief Financial Officer

Mary Campus  
Controller

# PORT FREEPORT

Freeport, Texas

## Annual Comprehensive Financial Report Fiscal Years Ended September 30, 2023 and 2022

### Table of Contents

	Page	Table
<b>Introductory Section</b>		
Certificate of Achievement for Excellence in Financial Reporting .....	4	
State of the Port Letter by Executive Director/CEO .....	7-8	
Directory of Officials .....	9-10	
Organizational Chart .....	11	
Letter of Transmittal .....	12-14	
<b>Financial Section</b>		
Independent Auditor's Report .....	17-19	
Management's Discussion and Analysis .....	20-30	
<b>Basic Financial Statements:</b>		
Statements of Net Position.....	32-33	
Statements of Revenues, Expenses, and Changes in Net Position .....	35	
Statements of Cash Flows.....	36-37	
Notes to the Financial Statements .....	38-61	
<b>Statistical Section</b>		
Ten Year Cargo Quantities Analysis .....	67	1
Container Traffic Statistics.....	67	2
Cargo Traffic Statistics.....	68-69	3
Net Position by Component .....	70-71	4
Summary of Revenues, Expenses and Changes in Net Position .....	72-73	5
Property Tax Rates - Direct and Overlapping Governments .....	74-75	6
Valuation, Exemptions and General Obligation Debt .....	76	7
Taxable and Estimated Valuation of Properties Located Within the Port Taxing District .....	77	8
Property Tax Levies and Collections .....	78	9
Principal Taxpayers.....	79	10
Computation of Direct and Overlapping Bonded Debt of General Obligation Bond Issues .....	80	11
Ratio of Outstanding Debt by Type .....	81	12
Ratio of Net General Bonded Debt to Taxable Value and to Net Bonded Debt per Capita .....	82	13
Pledged Revenue Bond Indebtedness Coverage .....	84-85	14
Summary of Annual Cash Requirements on Debt Outstanding.....	86-87	15
Summary of Annual Cash Requirements on General Obligation Debt Outstanding.....	88	16
General Obligation Bonds, Series 2019 (Non-AMT).....	89	17
General Obligation Bonds, Series 2021 (Non-AMT).....	90	18
General Obligation Bonds, Series 2023 (Non-AMT)	91	19
Summary of Annual Cash Requirements on Revenue Debt Outstanding.....	92	20
Senior Lien Revenue Refunding Bonds, Series 2013A (AMT).....	93	21
Senior Lien Revenue and Refunding Bonds, Series 2015A (AMT).....	94	22
Senior Lien Revenue Refunding Bonds, Series 2018 (AMT).....	95	23
Senior Lien Revenue Bonds, Series 2019A (AMT).....	96	24
Senior Lien Revenue Bonds, Series 2019B (Non-AMT).....	97	25
Senior Lien Revenue Bonds, Series 2021 (AMT).....	98	26
Purchase Financing Note .....	99	27
Miscellaneous Statistical Data .....	100	28
History of the Port .....	101-105	
Map of Current Facilities .....	107	
Map of Port Freeport and Vicinity .....	108	

# PORT FREEPORT

Freeport, Texas

## Annual Comprehensive Financial Report Fiscal Years Ended September 30, 2023 and 2022

### Table of Contents (Continued)

	<b>Page</b>	<b>Table</b>
<b>Federal Award Section</b>		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	111-112	
Report on Compliance with Requirements That Would Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A – 133	113-115	
Schedule of Findings and Questioned Costs	116	
Schedule of Status of Prior Findings	117	
Corrective Action Plan	118	
Schedule of Expenditures of Federal Awards	119	
Notes on Accounting Policies for Federal Awards	120	



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Port Freeport  
Texas**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

September 30, 2022

*Christopher P. Morill*

Executive Director/CEO

# **PORT FREEPORT**

## **Strategic Initiatives**

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

### ***Freeport Harbor Channel Improvement Project***

*The Freeport Harbor Channel Improvement Project, a federally authorized project which received a “new start” designation in February 2020, will deepen the Channel from its current 46 feet to depths ranging from 51 to 56 feet mean lower low water, as well as additional widening features to enhance the safe and efficient navigation of the waterway.*

### ***Expansion of Velasco Container Terminal***

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

### ***Development of Rail-served Warehousing, Processing, and Distribution Facilities***

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

### ***Supporting Development of Inland Transportation Infrastructure***

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





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## STATE OF THE PORT

February 14, 2024

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

#### Re: **Port Freeport's infrastructure advances and pays off with customer investments**

Ladies and Gentlemen,

With advancement of key strategic infrastructure enhancements, led by the channel deepening project, Port Freeport is attracting significant customer investments that bode to increase diverse cargo volumes and further add to economic impacts already exceeding \$157 billion a year.

New long-term agreements with Volkswagen Group of America Inc. and Fresh Del Monte Produce Inc. are anticipated to combine to bring Port Freeport nearly 100 additional vessel calls annually, while a 20-year lease with Freeport Warehouse LLC will deliver an 80,000-square-foot, temperature-controlled cross-docking facility capable of handling 52,000 cargo containers annually.

The Port Freeport Commission's newly formed Environmental, Social, Governance and Sustainability Committee is helping ensure this growth proceeds in a most responsible and sustainable manner. The Port experienced record revenue and operating income. These positive cash flows are being immediately reinvested in the infrastructure expansion projects at the Port reducing debt financing and interest costs.

Given the rising revenues and sound financial position of the Port, the Port Commission was able to reduce the tax rate by 54 percent to 1.6007 cents which is strictly for debt service payments on the voter approved bonds for the Freeport Harbor Channel Improvement Project. The maintenance and operations tax was eliminated.

The channel project builds upon nearly a century of progress since the visionary decision of Brazoria County voters in 1925 to approve formation of the navigation district. With construction started in 2021, the project is on track for completion in 2025, bringing channel depths to between 51 feet and 56 feet. The \$295 million endeavor is supported by \$207 million in federal funding and is on track to come in within budget.

Landside improvements completed in 2023 are highlighted by a 927-foot-long berth extension and addition of an 85-foot roll-on/roll-off platform at Port Freeport's container terminal. Two larger super post-Panamax gantry cranes are on order to support the expanded berthing capacity. The \$146 million berth project plus the doubling of the container terminal's gantry contingent combine with the channel deepening and widening to position Port Freeport to efficiently accommodate the increasingly large deep-draft vessels of today and tomorrow.

Volkswagen Group of America is on target to begin operations in early 2024 at its new consolidated Gulf Coast hub for vehicle logistics on a 125-acre Port Freeport parcel. The facility is designed to handle annual throughput of 140,000 vehicles, including imports from Europe of Porsche, Audi, Lamborghini and Bentley models. Most of the Volkswagen units will arrive by rail from Mexico. The activity is projected to more than double the number of new vehicles moving through Port Freeport.

#### PORT COMMISSION

RAVI K. SINGHANIA, CHAIRMAN; ROB GIESECKE, VICE CHAIRMAN; BARBARA FRATILA, SECRETARY; KIM KINCANNON, ASST. SECRETARY;  
DAN CROFT, COMMISSIONER; RUDY SANTOS, COMMISSIONER; PHYLLIS SAATHOFF, EXECUTIVE DIRECTOR/CEO

Supporting greater vehicle rail volumes, a \$9.9 million expansion of port rail facilities has added four more parallel tracks, bringing the total to seven tracks encompassing more than 7 miles. Propelled by \$6.3 million in federal grant funding, the rail project moves Port Freeport toward completion of a rail-served multimodal industrial park.

On the green fruit front, Port Freeport is poised to become the only U.S. port serving each of the three biggest multinational banana importers when Del Monte's logistics arm, Network Shipping, begins weekly calls from Latin America in 2024. Del Monte's investment includes the placement of more than 500 refrigerated plugs at Port Freeport's container terminal. Del Monte joins Dole Fresh Fruit Co., which in 2023 celebrated 40 years of Port Freeport operations, and Chiquita Fresh N.A. in importing green fruit into Freeport's seaport.

Further reflective of the diversity of Port Freeport's cargo mix, pipe products manufacturer Tenaris moved a record amount of steel through the port in the fiscal year ended Sept. 30, 2023, while liquefied natural gas exporter Freeport LNG has resumed safe operations and the port continues to be a leading export hub for Texas rice.

Port Freeport's community impacts extend beyond the impressive figures reported in early 2023 by the Texas A&M Transportation Institute, which put the port's total contributions to the nation's economy at \$157.3 billion a year, with support of 266,300 jobs nationwide. Port Freeport's 23rd annual Take-A-Child Fishing Tournament brought joy to 300 young anglers and their families, while the 12th annual Port Freeport Golf Tournament continues to support the service to seafarers, truckers, and port workers through Texas Port Ministry.

The Port is excited to welcome our new tenants in the new year and to support the growth of our long-standing port partners. With the investments that have been made, Port Freeport can continue expanding its role in regional and global commerce that will spur further investment and jobs in the community. We look forward to working together towards a strong, prosperous future for all.

With utmost appreciation,

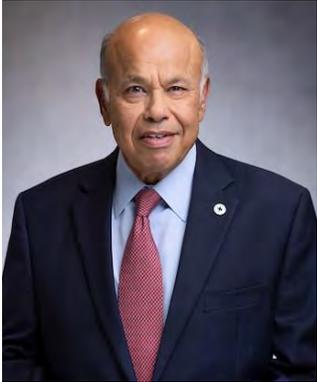
A handwritten signature in black ink, reading "Phyllis Saathoff". The signature is written in a cursive, flowing style.

Phyllis Saathoff, CPA, PPM®  
Executive Director/CEO

# PORT FREEPORT

## Directory of Officials

### Port Commission



Ravi K. Singhania  
Chairman



Rob Giesecke  
Vice Chairman



Barbara Fratila  
Secretary



Kim Kincannon  
Assistant Secretary



Rudy Santos  
Commissioner



Dan Croft  
Commissioner

# PORT FREEPORT

## Directory of Officials Executive Staff



Phyllis Saathoff  
Executive Director/CEO



Rob Lowe  
Chief Financial Officer/  
Director of Administration



Jason Miura  
Director of Business/  
Economic Development



Jason Hull  
Director of Engineering



Al Durel  
Director of Operations



Mary Campus  
Controller



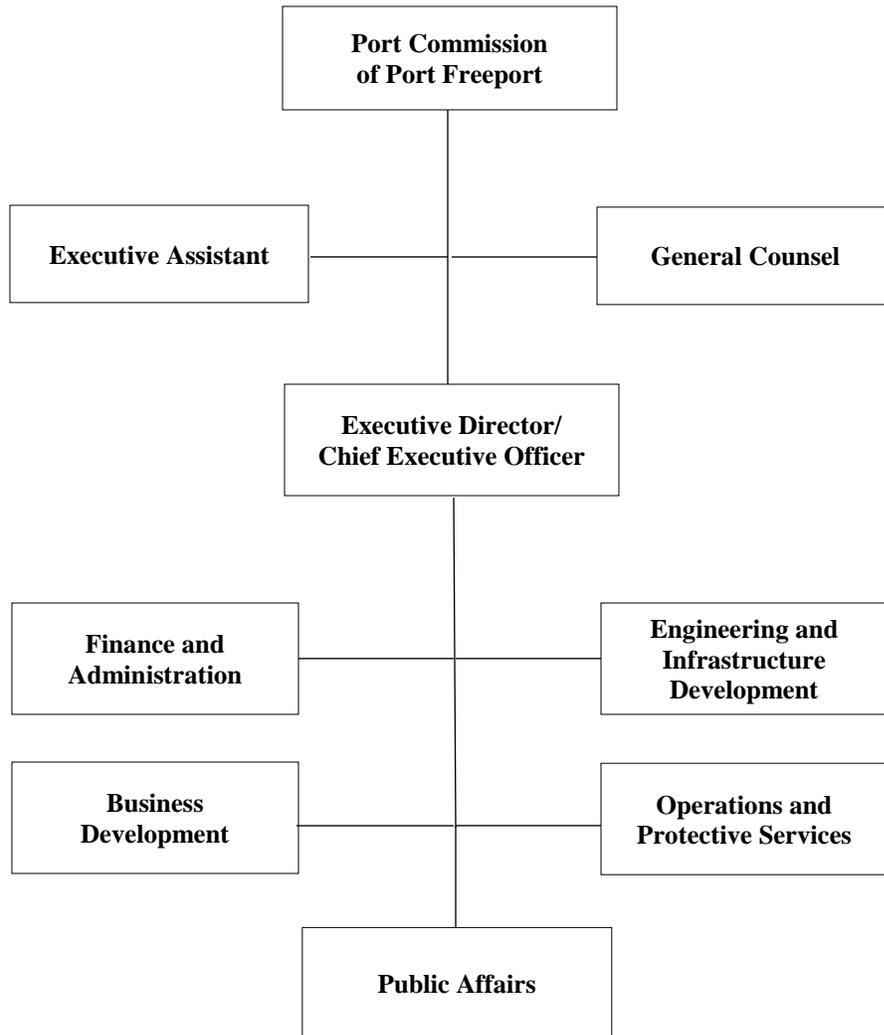
Chris Hogan  
Director of Protective Services



Brandon Robertson  
Director of Information  
Technology

# PORT FREEPORT

## Organizational Chart





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## LETTER OF TRANSMITTAL

February 14, 2024

### **COMMISSIONERS AND CITIZENS OF PORT FREEPORT PORT FREEPORT FREEPORT, TEXAS**

The Annual Comprehensive Financial Report for Port Freeport (Port) for the year ended September 30, 2023, is hereby submitted for your review. Responsibility for both the accuracy of the information contained herein and the completeness and fairness of the presentation, including all disclosures, rests with the administration of the Port. To the best of our knowledge and belief, the enclosed data is accurate in all material aspects and is reported in a manner designed to fairly present the financial position and results of operations of the Port. All disclosures necessary to enable the reader to gain an understanding of the Port's financial activities have been included.

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

### **GENERAL**

Brazoria County is one of Texas' most fertile agricultural areas, one of the region's more prolific fuel and mineral areas, and in recent decades, the location of one of the world's largest chemical manufacturing complexes. The primary economic bases of the county include chemical manufacturing, petroleum and natural gas processing, offshore production maintenance services, diversified manufacturing, biochemical, electronic industries, and agriculture. In addition, the area's deep-water channel and port facilities, sport fishing services and tourism are major components of the county's economic base. Since 2004, the northern portion of the county has seen extensive residential, retail and healthcare development with no evidence of slowing in the near term. The southern and western portions of the county are experiencing continued industrial expansion with \$ 2.623 billion of completed projects in the last five years of industrial plants and an estimated \$ 455 million currently under construction. In addition, there has been \$ 983 million in construction starts of solar energy farms and \$30-35 million in battery farms. The Brazoria County Index of Leading Economic indicators decreased 2.28 percent from August 2022 to August 2023. The Leading Economic Index, which is designed to forecast the economic performance of the county over the next three to six-months, has been above the six-month moving average for the last three months. This indicates that the county is likely entering into or is currently experiencing a period of economic growth. (Brazosport College Economic Forecasting Center, 2023). The Port enters into property tax abatements with local businesses. The Port Commission approves the application after it is determined that the request meets the applicable guidelines and criteria adopted by the Port Commission, which will promote the development of industry within the Port boundaries, provide additional area employment, and strengthen the District's economy. Details of tax abatement agreements can be found in Note 15 on page 60.

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

### **PORT COMMISSION**

**RAVI K. SINGHANIA, CHAIRMAN; ROB GIESECKE, VICE CHAIRMAN; BARBARA FRATILA, SECRETARY; KIM KINCANNON, ASST. SECRETARY;  
DAN CROFT, COMMISSIONER; RUDY SANTOS, COMMISSIONER; PHYLLIS SAATHOFF, EXECUTIVE DIRECTOR/CEO**

The Port Commission is comprised of six members. Five positions represent a specific geographic area, and one position is at-large. Each Port Commissioner serves a term of six years. The six-year terms are staggered with an election for two commissioner positions held each uneven-numbered year. The Executive Director/CEO and staff manage the operations of the Port under the auspices of the Port's Commission.

## **FINANCIAL**

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

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

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

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

### **Other Financial information**

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

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

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

**Independent Auditor.** The state statutes require an annual audit by independent certified public accountants. KM&L, LLC, the independent certified public accountants selected by the Port Commission, audited the basic financial statements for the year ended September 30, 2023.

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for excellence in financial reporting to the Port for its Annual Comprehensive Financial Report for the Fiscal Year ended September 30, 2022. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

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

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

## MAJOR INITIATIVES

**2023.** As a continuation of master planning efforts, the Port has established four (4) critical strategic objectives. These objectives can be summarized as follows:

- The deepening of the Port’s navigational channel to the Federal authorized depth of ranging from 51-56 feet as well as making certain identified navigational improvements to promote safe and efficient transit.
- The expansion of the Port’s container facilities located on Velasco Terminal.
- Support the development of efficient transportation solutions to move commerce between Port Freeport Texas markets and the heart of the United States.
- Development of integrated, rail served warehousing, processing, and distribution facilities.

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

Construction of the 927’ berth extension and associated Roll-On/Roll-Off ramp on Velasco Terminal were completed in FY2023. Phase II of the Port’s rail expansion project was also completed .

**Future.** With a favorable outcome for both the initial reconnaissance and subsequent feasibility studies, the United States Army Corps of Engineers (USCOE) issued its Chief’s Report early in 2013 to the United States Congress recommending the deepening of the Freeport Harbor Channel. Acting on this recommendation, Congress included in the Water Resources Reform and Development Act (WRRDA) of 2014 authorization to move forward with the proposed project funding initial construction planning and design work. During 2014, it was determined additional improvements, beyond those proposed and authorized in WRRDA, were necessary in order to accommodate the safe navigation of the feasibility study’s design vessel. The Port actively engaged with the USCOE to develop a process to adjust for these additional requirements, which include bend easing and channel width increases. The General Re-evaluation Report (GRR) approval was received in May 2018. The Federal Government’s share of the total project cost must be appropriated by Congress with a project New Start designation and the first phase was appropriated and included in the USCOE 2020 workplan and construction began in April 2021. Additional Federal Government funding has been appropriated and all voter authorized bond issuances have been made providing the combined funds to fund the project to completion. Current estimated totally funded project costs are \$ 295 million, which will be shared between the Federal Government and the Port based on defined cost shares. The final contract has been awarded by the USCOE and the project is on schedule to be completed in 2025.

Two super post panamax ship to shore gantry cranes have been ordered with a planned delivery of FY2025. Backland development to support the recently completed berth extension at Velasco Terminal will continue with costs associated with this phase of the build out estimated at \$ 129 million over the next five years. These projects will be funded through a combination of operating income, grants, and bond revenues. In addition to the activities associated with the Velasco Terminal, a 125 acre vehicle importation and processing facility is nearing completion. The cost associated with the 125 acre vehicle importation and processing facility will be borne by the developer.

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

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

## ACKNOWLEDGEMENTS

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

Respectfully Submitted,



Rob Lowe

# **PORT FREEPORT**

## **Economic Impact**

*The results of the 2022 Economic Impact Analysis performed by Texas A&M Transportation Institute estimate the total economic impact that the Freeport Harbor Channel has on local, statewide, and national economies through the operation of and investment in leased and privately-owned terminals.*

### ***Statewide Annual Economic Impact***

*109,800 jobs  
\$8.8 billion state and local tax revenues  
\$84.3 billion total economic output*

### ***Nationwide Annual Economic Impact***

*266,300 jobs  
\$5.4 billion federal tax revenues  
\$157.3 billion total economic output*

*The impacts of the study are based upon 2021 data and are provided as direct, indirect and induced effects of the operations along the Freeport Harbor Channel and are reported in terms of employment, production, income, and tax revenues.*





Independent Auditor's Report

To the Port Commissioners  
Port Freeport  
Freeport, Texas 77541

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of Port Freeport (“the Port”), as of and for the year ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Port’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Port, as of September 30, 2023 and 2022 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Port and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Change in Accounting Principle**

As discussed in Note 10 to the financial statements, in 2022 the Port adopted new accounting guidance, *GASBS No. 87, Lease*. Our opinions are not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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979-245-9236



### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Port's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 20-30 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2023 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Port's internal control over financial reporting and compliance.

***KM&L, LLC***

Lake Jackson, Texas  
February 14, 2024

# PORT FREEPORT

## Management Discussion and Analysis

The management of Port Freeport (Port) offers readers this narrative overview and analysis of the financial activities for the fiscal years ended September 30, 2023, 2022 and 2021. This section is intended to enhance the clarity and usefulness of the financial statements for citizens, oversight bodies, investors, and creditors. The Port's financial activities are being reported under the requirements of Governmental Accounting Standards Board (GASB) Statement 34 as a single enterprise fund.

### Financial Highlights

#### September 30, 2023

- Total Net Position increased by \$ 8.1 million.
- Total Assets increased by \$ 35.9 million primarily due to an increase in property, plant and equipment of \$ 30.0 million from purchases of land, Port improvements, and equipment, an increase in cash and cash equivalents of \$ 18.2 million and a decrease in investments of \$ 2.8 million primarily driven from bonds issued and cost paid for non-federal share of Freeport Harbor Channel Improvement Project.
- Total Liabilities increased by \$ 39.1 million mainly due to bonds issued.
- Increase in Net Position was primarily due to grant funds received and reduction in amount paid for non-federal share of Freeport Harbor Channel Improvement Project.

#### September 30, 2022

- Total Net Position decreased by \$ 20.9 million.
- Total Assets increased by \$ 149.8 million primarily due to an increase in property, plant and equipment of \$ 40.3 million from purchases of land, Port improvements, and equipment, a decrease in cash and cash equivalents of \$ 45.1 million and in investments of \$ 29.2 million primarily driven from cost paid for non-federal share of Freeport Harbor Channel Improvement Project, and an increase in lease receivable of \$ 180.4 million due to the implementation of GASB No. 87.
- Total Liabilities decreased by \$ 4.8 million mainly due to scheduled payments on note and bonds outstanding.
- An increase in deferred inflow of resources of \$ 175.6 million was due to the implementation of GASB No. 87.
- Decrease in Net Position was primarily due to cost paid for non-federal share of Freeport Harbor Channel Improvement Project.

#### September 30, 2021

- Total Net Position increased by \$ 3.3 million.
- Total Assets increased by \$ 76.0 million primarily due to an increase in property, plant and equipment of \$ 66.1 million from purchases of land, Port improvements, and equipment, an increase in cash and cash equivalents of \$ 42.9 million, and a decrease in investments of \$ 34.9 million primarily driven from bond proceeds received in advance of associated Freeport Harbor Channel improvement project.
- Total Liabilities increased by \$ 72.7 million due to the net bond proceeds of \$ 67.0 million, bond premium of \$ 8.8 million, and scheduled payments on note and bonds outstanding.
- Change in Net Position was lower than the prior year primarily due to the increase of non-operating expenses.

### Overview of Financial Statements

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

# PORT FREEPORT

## Management Discussion and Analysis

### Financial Analysis

Over time, increases or decreases in the Port's net position may serve as a useful indicator of whether the Port's financial position is improving or deteriorating. For the years ended September 30, 2023, 2022 and 2021, the Port's net position increased by 4 percent, decreased by 9 percent, and 1 percent to \$ 232.1 million, \$ 224.0 million, and \$ 245.0 million, respectively.

Net investment in capital assets at September 30, 2023, 2022 and 2021, was \$ 256.7 million, \$ 219.4 million, and \$ 190.7 million, or 98 percent, 78 percent, and 72 percent of total net position, respectively. Net investment in capital assets includes land, buildings, machinery, and equipment less any related debt used to acquire these assets. These net capital assets are recorded at historical cost and are net of depreciation. The remaining net position, at September 30, 2023, 2022 and 2021, is divided into four categories: restricted for debt service, \$ 14.6 million, \$ 13.0 million, and \$ 13.8 million; contribution, \$ 43.3 million, \$ 6.6 million, and \$ 52.5 million; restricted for capital projects, \$ 12 thousand, \$ 12 thousand, and \$ 13 thousand; and unrestricted net position, deficit of \$ 82.5 million, deficit of \$ 15.0 million, and deficit of \$ 12.0 million, respectively. Restrictions do not significantly affect the availability of resources for future use. As the non-federal sponsor of the Freeport Harbor Channel, the Port is responsible to fund the non-federal share of the Freeport Harbor Channel Improvement Project. The non-federal sponsor share is funded by the issuance of General Obligation Bonds. As a result, the Port has recognized substantial liabilities in the financial statements for these bonds. As of September 30, 2023, 2022, and 2021 the Port had project related outstanding bonds of \$ 43.3 million, \$ 73.2 million and \$ 74.1 million (included premium), which has caused the deficit balances in the unrestricted net position.

The Port's total net position increased by \$ 8.1 million in 2023, decreased by \$ 21.0 million in 2022 and increased by \$ 3.3 million in 2021. These changes were provided by operating income (including depreciation) of \$ 23.1 million, \$ 27.2 million, and \$ 20.3 million; \$ (20.4) million, \$ (48.1) million and \$ (17.0) million in non-operating net revenues (expenses) including ad valorem taxes of \$ 6.6 million, \$ 6.4 million, and \$ 6.2 million and capital contributions of \$ 5.5 million, \$ 143 thousand, and \$ 11 thousand, respectively.

#### Condensed Statements of Net Position (in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current assets	\$ 278,729	\$ 272,887	\$ 163,395
Capital assets, net of depreciation	<u>448,546</u>	<u>418,538</u>	<u>378,196</u>
Total assets	<u>727,275</u>	<u>691,425</u>	<u>541,591</u>
Deferred outflows of resources – refunding costs	<u>5</u>	<u>7</u>	<u>8</u>
Total deferred outflows of resources	<u>5</u>	<u>7</u>	<u>8</u>
Current liabilities	18,113	27,643	23,806
Non-current liabilities	<u>312,852</u>	<u>264,230</u>	<u>272,835</u>
Total liabilities	<u>330,965</u>	<u>291,873</u>	<u>296,641</u>
Deferred inflows of resources	<u>164,200</u>	<u>175,561</u>	<u>-</u>
Total deferred inflows of resources – lease related	<u>164,200</u>	<u>175,561</u>	<u>-</u>
Net investment in capital assets	256,736	219,425	190,667
Restricted for debt service	14,584	12,960	13,774
Restricted for contributions	43,285	6,581	52,492
Restricted for capital projects	12	12	13
Unrestricted	<u>( 82,501 )</u>	<u>( 14,980 )</u>	<u>( 11,988 )</u>
Total net position	<u>\$ 232,116</u>	<u>\$ 223,998</u>	<u>\$ 244,958</u>

# PORT FREEPORT

## Management Discussion and Analysis

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

	2023	2022	2021
Operating revenues:			
Harbor operations	\$ 26,315	\$ 25,549	\$ 26,685
Lease income	17,676	17,211	12,970
Miscellaneous	<u>2,111</u>	<u>4,524</u>	<u>8</u>
Total operating revenues	<u>46,102</u>	<u>47,284</u>	<u>39,663</u>
Operating expenses:			
Payroll and related	5,713	4,946	5,110
Professional services	3,135	2,764	2,213
Supplies and other	3,161	2,678	2,215
Utilities, maintenance and repairs	2,135	1,829	1,648
Depreciation	<u>8,883</u>	<u>7,914</u>	<u>8,193</u>
Total operating expenses	<u>23,027</u>	<u>20,131</u>	<u>19,379</u>
Operating income	<u>23,075</u>	<u>27,153</u>	<u>20,284</u>
Non-operating revenues (expenses):			
Ad valorem tax, net of collection expenses	6,611	6,430	6,190
Investment income	4,186	153	88
Dredge material placement fees	-	-	246
Gain on sale of capital assets and other	44	272	461
Debt interest and fees	( 10,955)	( 9,300)	( 8,795)
Other	<u>( 20,330)</u>	<u>( 45,619)</u>	<u>( 15,152)</u>
Total non-operating revenues (expenses)	<u>( 20,444)</u>	<u>( 48,064)</u>	<u>( 16,962)</u>
Income before capital contributions and extraordinary expenses	2,631	( 20,911)	3,322
Capital contributions - grants	5,487	143	11
Extraordinary expenses - emergency recovery expenses	<u>-</u>	<u>( 192)</u>	<u>( 9)</u>
Change in net position	8,118	( 20,960)	3,324
Total net position - beginning	<u>223,998</u>	<u>244,958</u>	<u>241,634</u>
Total net position - ending	<u>\$ 232,116</u>	<u>\$ 223,998</u>	<u>\$ 244,958</u>

Total revenues, including capital contributions, have increased in 2023 compared to 2022 and increased in 2022 compared to 2021. Total revenues for 2023, 2022, and 2021, were \$ 62.4 million, \$ 54.3 million, and \$ 46.7 million, respectively. Operating revenues decreased by \$ 1.2 million in 2023 to \$ 46.1 million, and increased \$ 7.6 million in 2022 to \$ 47.3 million, and \$ 6.1 million in 2021 to \$ 39.7 million. Harbor operating revenues are primarily driven by commodity tonnages and ship calls. Tonnage overall decreased 12 percent to 11.4 million tons in 2023 while ship calls decreased 12 percent and barge calls remained the same. Tonnage overall decreased 23.7 percent to 13 million tons in 2022 while ship calls decreased 14 percent and barge calls increased 112 percent. Tonnage overall increased 96 percent to 17 million tons in 2021 while ship calls increased 29 percent and barge calls decreased 17 percent. Miscellaneous revenues decreased in 2023 by \$ 2.4 million, increased by \$ 4.5 million in 2022 both due to business interruption insurance claim proceeds, and in 2022 was \$ 8 thousand.

# PORT FREEPORT

## Management Discussion and Analysis

The following is the detailed tonnage comparison for the fiscal year 2023, 2022, and 2021:

Commodity	Fiscal Year 2023 Tonnage (In thousands)	Change from prior year	Fiscal Year 2022 Tonnage (In thousands)	Change from prior year	Fiscal Year 2021 Tonnage (In thousands)	Change from prior year
Rice	254	-8%	276	134%	118	-17%
Bananas/Misc. Fruit	399	9%	365	29%	283	7%
Misc./General Cargo	386	8%	356	-24%	471	-29%
Dry Bulk Material	280	-38%	448	2%	441	-32%
Liquid Bulk Material	8,892	-14%	10,331	-31%	14,878	135%
Project Cargo	11	-84%	68	518%	11	-80%
Steel Products	797	8%	736	74%	423	37%
RoRo Cargo	401	-3%	415	1%	411	42%
Total	11,420	-12%	12,995	-24%	17,036	96%

Total lease revenue increased 2.7 percent in 2023, increased 32.7 percent in 2022, and decreased 3.1 percent in 2021. Ground lease revenue increased \$ 1 million in 2023, increased \$ 4.2 million in 2022, and decreased \$ 321 thousand in 2021. Other leases increased \$ 16 thousand in 2023, increased \$ 99 thousand in 2022, and decreased \$ 97 thousand in 2021. Lease revenue increases in 2022 are due to the implementation of GASB No. 87 which resulted in recognized interest income related to the leases. Lease revenue decreases in 2021 are due to the expiration of a lease termination agreement.

Ad valorem tax revenue was \$ 6.6 million, \$ 6.4 million, and \$ 6.2 million in 2023, 2022 and 2021, respectively. The tax rate was 3.50 cents per hundred-dollar valuation in 2023, 4.00 cents per hundred-dollar valuation in 2022 and 4.01 cents in 2021. Investment income increased by \$ 4.0 million in 2023 as compared to 2022 due to a change in interest rate and fair value, increased by \$ 65 thousand in 2022 as compared to 2021 due to a change in fair value, increased by \$ 2 million in 2021 as compared to 2020 due to increases in funds available for investment. Grant revenues in 2023 increased to \$ 5.6 million, in 2022 increased to \$ 144 thousand, in 2021 decreased to \$ 11 thousand. Other non-operating expenses of \$ 20.3 million, \$ 45.6 million, and \$ 15.2 million in 2023, 2022, and 2021 were mainly related to contributions of non-federal share of Freeport Harbor Channel Improvement Project.



# PORT FREEPORT

## Management Discussion and Analysis



# PORT FREEPORT

## Management Discussion and Analysis

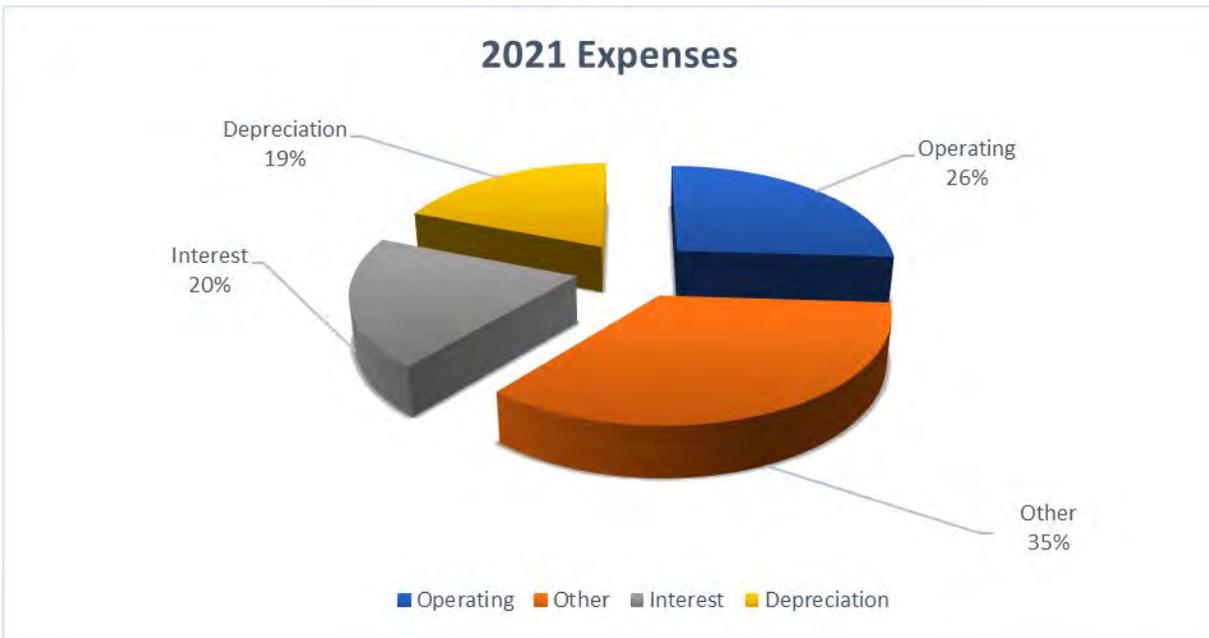
Total expenses decreased 27.8 percent to 54.3 million from 75.2 million in 2023, increased 73.6 percent to 75.2 million from 43.3 million in 2022, and increased 31.0 percent to 43.3 million from 33.1 million in 2021. Operating expenses, including depreciation, were \$ 23.0 million in 2023 increasing \$ 2.9 million or 14.4 percent, \$ 20.1 million in 2022 increasing \$ 752 thousand or 3.9 percent, and \$ 19.4 million in 2021 increasing \$ 833 thousand or 4.5 percent. Payroll and related expenses in 2023 were consistent with 2022 and 2021 with the addition of salary increases. Professional services expenses in 2023 were increased \$ 371 thousand compared to 2022, in 2022 were increased \$ 551 thousand compared to 2021, and in 2021 were consistent with 2020. Supplies and other expenses in 2023 increased \$ 483 thousand or 18.0 percent compared to 2022, in 2022 increased \$ 463 thousand or 20.9 percent comparing with 2021, and in 2021 were consistent with 2020. Utilities and maintenance expenses increased \$ 306 thousand in 2023 compared to 2022, increased \$ 181 thousand in 2022 as compared to 2022, and were consistent in 2021 as compared to 2020. Depreciation expenses increased \$ 969 thousand in 2023, decreased \$ 279 thousand in 2022, and increased \$ 600 thousand in 2021.

Debt interest and fees were \$ 10.9 million in 2023, \$ 9.3 million in 2022, and \$ 8.8 million in 2021 on outstanding debt payments. Other expenses of \$ 20.3 million in 2023, \$ 45.6 million in 2022, \$ 15.2 million in 2021 were capital contributions made for the non-federal share of the Freeport Harbor Channel Improvement Project.



# PORT FREEPORT

## Management Discussion and Analysis



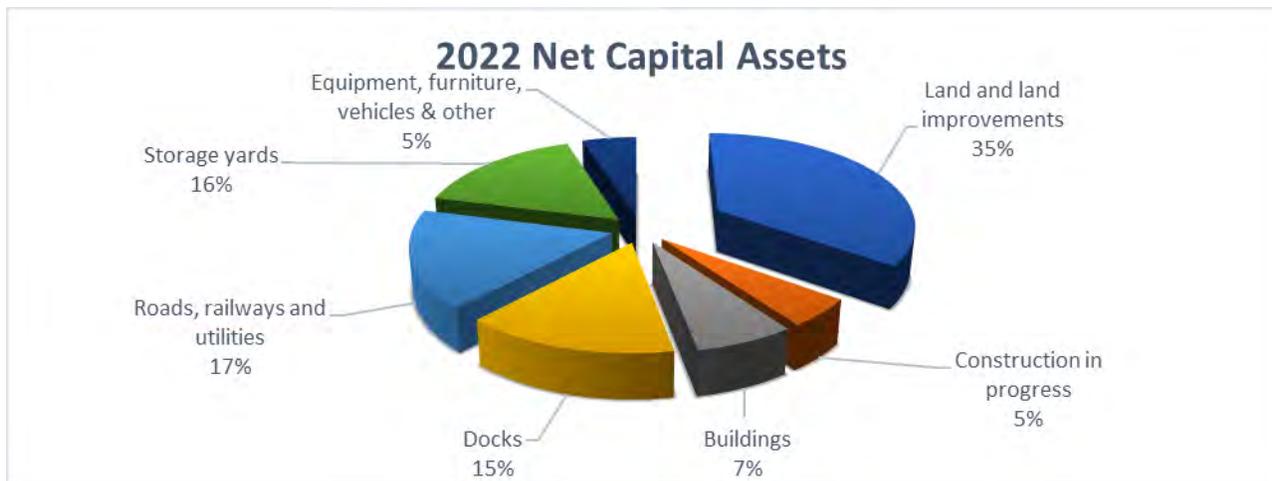
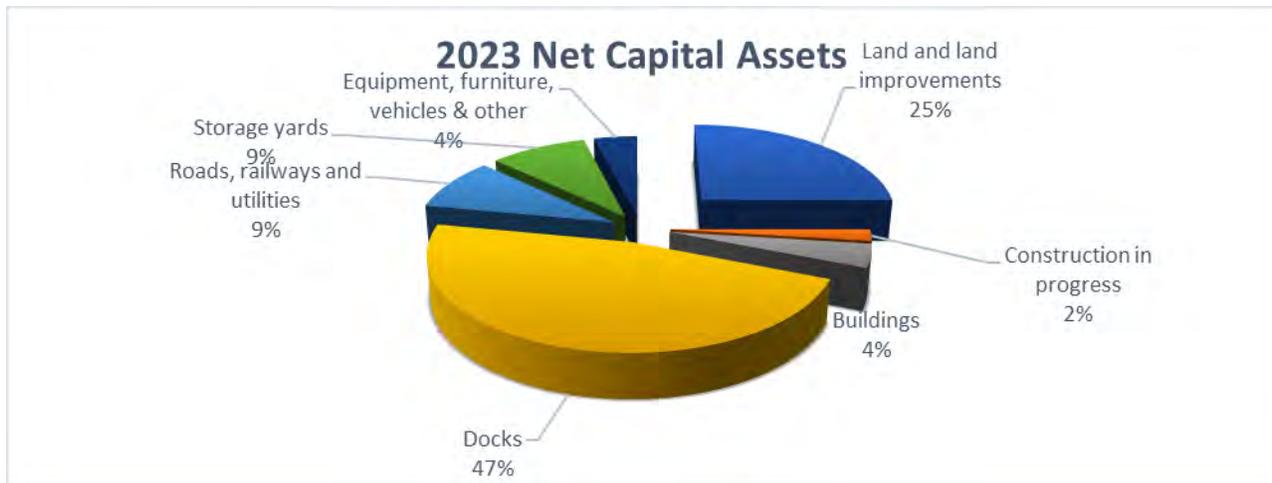
# PORT FREEPORT

## Management Discussion and Analysis

### Capital Assets

The Port's capital assets are \$ 448.5 million, \$ 418.5 million, and \$ 378.2 million, net of depreciation, as of September 30, 2023, 2022 and 2021, respectively. The capital assets include land and land improvements, docks and appurtenances, buildings, storage yards, equipment, roads and railways, utilities, and construction in progress. In 2023, 2022 and 2021 there were additions of \$ 38.9 million, \$ 48.4 million, and \$ 74.3 million (net of construction in progress placed in service) with depreciation of \$ 8.9 million, \$ 7.9 million, and \$ 8.2 million, respectively.

Regarding additions, land and improvements additions were \$ 7.9 million in 2023, \$ 5.3 million in 2022, and \$ 3.5 million in 2021, primarily related to land acquisitions of properties adjacent to the Port. Gross additions to construction in progress were \$ 2.1 million in 2023, \$ 42.1 million in 2022, and \$ 70.5 million in 2021, including Freeport Channel improvements and Velasco Terminal improvements. Construction in progress placed in service totaled \$ 125.1 million in 2023, \$ 31.4 million in 2022, and \$ 2.1 million in 2021, which included the completion of Berth 8 and the Roro ramp in 2023, at a cost of \$ 143.8 million, the levee stabilization project at a cost of \$ 31 million in 2022 and Parcel 14 drainage and utilities cost of \$ 1.9 million in 2021. Roads, lots and railways had additions of \$ 9.3 million in 2023, while docks and appurtenances had additions of \$ 19.2 million in 2023 from Berth 5 expansion and Velasco Terminal backlands improvements. Equipment, furniture, vehicles, and other additions totaled \$ 364 thousand in 2023, \$ 592 thousand in 2022, and \$ 771 thousand in 2021 with the purchase of software, tools and equipment. Additional information on capital assets can be found in Note 4 on pages 49-51 of this report.



# PORT FREEPORT

## Management Discussion and Analysis



### Long Term Debt

Total bonds payable are \$ 298.0 million at September 30, 2023, \$ 248.0 million at September 30, 2022, and \$ 253.7 million at September 30, 2021.

Senior Lien Revenue Bonds, Series 2013A were issued in June 2013. The 2013A series bonds were issued to refund the 2008 Series bonds, which were set to mature in 2028. Senior Lien Revenue and Refunding Bonds, Series 2015A, were issued in September 2015. The 2015A series bonds were issued to refund the Port's outstanding Senior Lien Revenue Notes, Series 2013B and to provide for financing to acquire, construct and develop repairs and improvements to and equip a container terminal complex and an automobile processing facility. Senior Lien Revenue Bonds, Series 2018 were issued in September 2018. The 2018 series bonds were issued to provide for use to finance all or a portion of (i) the costs of the design, construction, development, improvement and equipment of a storage yard and backland areas to be located at the Velasco Terminal development, (ii) the costs of the design, construction, development, improvement and equipment of a rail yard to be located on Parcel 14, and a rail line connecting the rail yard to the Union Pacific mainline, (iii) the costs of the design, construction, development, improvement and equipment of port facilities and infrastructure (iv) making a deposit to a bond reserve fund and (v) paying the costs of issuing the Bonds. Senior Lien Revenue Bonds Series 2019A and Series 2019 B were issued in December 2019. The proceeds of issuances of series 2019A bonds were used to finance all or a portion of (i) the costs of the design, construction, development, improvement, and equipment of Port facilities, (ii) making a deposit to a debt service fund for the series 2019A bonds, and (iii) paying the costs of issuing the Bonds. The proceeds of issuances of series 2019B bonds were used to finance all or a portion of (i) the costs of the design, construction, development, improvement, and equipment of facilities useful in the operation of the Port's waterways and in aid of navigation of such waterways, (ii) making a deposit to a debt service reserve fund for the series 2019B bonds, and (iii) paying the costs of issuing the Bonds. Senior Lien Revenue Bonds, Series 2021 were issued in July 2021. The Series 2021 bonds were issued to finance all or a portion of (i) the costs of the design, construction, development, improvement, and equipment of Port Facilities, including a 925-foot expansion of a berth at the Port's container handling facility, (ii) make a deposit to a debt service reserve account, and (iii) pay the costs of issuing the Bonds.

As of September 30, 2023, the amount outstanding on these revenue bonds was \$ 175.0 million, \$ 180.2 million at September 30, 2022 and \$ 185.2 million at September 30, 2021. The debt service for these bonds is paid from the Port's operating revenues.

# PORT FREEPORT

## Management Discussion and Analysis

In 2019, General Obligation Bonds, Series 2019 were issued to provide for use to finance the contribution of non-federal share for improving, constructing, or developing the Freeport Harbor Channel, the construction of related improvements to waterways and adjacent berthing areas and aids to navigation used for navigation-related commerce at the Port, and dredge material placement associated with such activities (Freeport Harbor Channel Improvement Project). In 2021, General Obligation Bonds, Series 2021, and in 2023, General Obligation Bonds, Series 2023 were issued for the next phase of the Freeport Harbor Channel Improvement Project. As of September 30, 2023, the Port had general obligation bonds payable of \$ 123.0 million, \$ 67.9 million at September 30, 2022 and \$ 68.5 million at September 30, 2021. The final maturity for these general obligation bonds is 2051. The debt service for these bonds is paid from ad valorem tax revenue.

On September 30, 2014, the Port entered into a purchase financing agreement (“Master Lease-Purchase Financing Agreement”) with Chase Bank in the amount of \$ 14.1 million with a balance at September 30, 2023 of \$ 1.6 million, at September 30, 2022 of \$ 3.1 million, and at September 30, 2021 of \$ 4.6 million. The agreement calls for annual principal and interest payments beginning on September 30, 2015 and ending on September 30, 2024. The purchase agreement represents a refinancing of the two cranes purchased during the year ended September 30, 2014 based on a Reimbursement Agreement (Resolution Expressing Intent to Finance Expenditures Incurred) adopted by the Board of Commissioners on August 8, 2013. Additional information on long-term debt activity can be found in Note 5 and Note 6 on pages 51-56 of this report.

### **Outlook**

Significant developments continue at the port which will affect the future financial performance, both in the near and long -term time periods. With the opening of the second berth of the Velasco Container Terminal and improvements to existing Port facilities Port Freeport is positioned to continue its growth, creating additional opportunities for existing tenants and offering opportunities for new lines of business.

With the completion of the initial reconnaissance and subsequent feasibility study, The U.S. Army Corps of Engineers (USCOE) issued a Chiefs report in January of 2013 indicating a Federal interest, supported by favorable project economics, to deepen the Port Freeport Navigational Channel to depths ranging from 51-56 feet from the current 46-foot depth. At present, the project is authorized as part of the Water Resources Reform and Development Act of 2014 (WRRDA). During 2014, it was determined additional improvements, beyond those proposed and authorized in WRRDA, were necessary for the safe navigation of the feasibility study’s design vessel. Based on these findings, the Port actively engaged with the USCOE to produce a General Reevaluation Report (GRR) outlining a process to adjust for these additional requirements, which include bend easing and channel width increases. The GRR approval was received in May 2018. A New Start designation was granted, and the first phase was appropriated by Congress and included in the USCOE 2020 workplan. The USCOE awarded a contract for dredging of the first phase of the project on September 2020 and construction began in April 2021. Federal funding through fiscal year end totaled \$ 207.7 million providing the g federal funding needed to complete the project. As non-federal sponsor, Port Freeport is contributing \$ 130 million, funded by the 2018 voter-approved bond package. A \$ 55.8 million issuance was executed in March 2023 that when combined with previous issuances of \$ 74.2 million will fully fund the port’s planned non-federal share. Project construction will be completed over a five-year period with originally estimated totally funded cost of \$ 295 million to be cost-shared between the Federal government and the Port on a 50-50 basis for depths below 56 feet and on a 75-25 basis for depths less than 51 feet. These planned improvements will allow the Port and other harbor users to bring in larger vessels and a greater volume of ships, providing for a fuller utilization of existing and planned facilities.

# PORT FREEPORT

## Management Discussion and Analysis

Included in the Port's developmental planning efforts is the continued build-out of Velasco Container Terminal. Construction of the 927-foot berth expansion with an additional 85-foot Roll-On/Roll-off ramp is complete as well as development of backland to support the berths. Estimated future costs associated with the completion of the backland development and landside access are \$ 127 million, scheduled over the next five years and includes the acquisition of two (2) additional ship to shore gantry cranes which have been ordered. A combination of operating income and revenue debt issuance is anticipated to fund this project.

Future development plans include the stabilization of additional land for laydown areas for project cargo, automotive and heavy equipment, the construction of warehousing, processing, and distribution facilities. The Port was awarded \$ 6.3 million from the FY 2018 Consolidated Rail Infrastructure and Safety Improvements Grant (CRISI) to fund Phase II of the rail development at a total estimated cost of \$ 9.5 million in which the construction was completed in 2023. A 125-acre vehicle importation and processing facility is expected to begin operations in February 2024 that will more than double the volume of vehicles processed through the port annually. The cost of this development is being borne by the developer.

Lastly, with the expansion of domestic oil and gas production, the Freeport based polymer manufacturers and other petrochemical companies have expanded their production facilities. This creates opportunities for increased utilization of the Port's berths, warehouse spaces and cargo lay down areas and supports the ongoing development of the Port's infrastructure.

### **Requests for Information**

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



# PORT FREEPORT

## Statements of Net Position

September 30, 2023 and 2022

	2023	2022
<u>Assets:</u>		
Current Assets:		
Cash and cash equivalents	\$ 18,278,111	\$ 48,789,463
Investments	-	9,986,124
Receivables:		
Trade accounts (less allowance for uncollectible accounts - 2023, \$ 40,466; 2022, \$ 31,560)	5,339,302	3,475,052
Property taxes (less allowance for uncollectible accounts - 2023, \$ 34,107; 2022, \$ 35,582)	71,807	72,018
Lease	173,300,168	180,406,546
Other	59,474	4,927,330
Other governments	646,158	641,487
Accrued interest	-	626
Prepaid items	1,397,947	1,033,776
Inventory	1,277,492	1,091,309
Total unrestricted current assets	200,370,459	250,423,731
Restricted Current Assets:		
Cash and cash equivalents	64,421,726	15,694,844
Investments	13,861,881	6,706,873
Receivables:		
Property taxes (less allowance for uncollectible accounts - 2023, \$ 12,073; 2022, \$ 11,770)	52,034	38,709
Accrued interest receivable	22,473	22,473
Other	589	683
Total restricted current assets	78,358,703	22,463,582
Total current assets	278,729,162	272,887,313
Land and land improvement, and construction in progress	123,752,526	238,842,811
Property, plant and equipment (less accumulated depreciation - 2023, \$ 106,504,142; 2022, \$ 97,893,835)	324,793,489	179,695,348
Total non-current assets	448,546,015	418,538,159
Total assets	727,275,177	691,425,472
<u>Deferred Outflows of Resources:</u>		
Deferred outflows of resources – Refunding costs	5,441	6,604
Total deferred outflows of resources	5,441	6,604

(continued)

	<u>2023</u>	<u>2022</u>
<u>Liabilities:</u>		
<u>Current Liabilities:</u>		
Accounts payable and accrued expenses	\$ 2,479,613	\$ 12,250,775
Unearned lease income	4,425,897	4,236,646
Accrued compensated absences	<u>74,535</u>	<u>76,055</u>
Total current liabilities	<u>6,980,045</u>	<u>16,563,476</u>
<u>Current Liabilities Payable from Restricted Assets:</u>		
Accrued bond interest payable	3,235,533	2,910,569
Note payable	1,558,990	1,523,850
Bonds payable	<u>6,338,750</u>	<u>6,644,837</u>
Total current liabilities payable from restricted assets	<u>11,133,273</u>	<u>11,079,256</u>
Total current liabilities	<u>18,113,318</u>	<u>27,642,732</u>
<u>Non-current Liabilities:</u>		
Note payable	-	1,558,990
Bonds payable	312,787,707	262,612,517
Accrued compensated absences	<u>63,780</u>	<u>58,546</u>
Total non-current liabilities	<u>312,851,487</u>	<u>264,230,053</u>
Total liabilities	<u>330,964,805</u>	<u>291,872,785</u>
<u>Deferred Inflows of Resources:</u>		
Deferred inflows of resources – lease related	<u>164,199,722</u>	<u>175,560,971</u>
Total deferred inflows of resources	<u>164,199,722</u>	<u>175,560,971</u>
<u>Net Position:</u>		
Net investment in capital assets	256,735,808	219,424,654
<u>Restricted:</u>		
Debt service	14,583,736	12,959,784
Capital projects	12,274	12,346
Contributions	43,285,348	6,580,882
Unrestricted	<u>( 82,501,075 )</u>	<u>( 14,979,346 )</u>
Total net position	<u>\$ 232,116,091</u>	<u>\$ 223,998,320</u>

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



# PORT FREEPORT

## Statements of Revenues, Expenses and Changes in Net Position For the Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues:		
Harbor Operations:		
Wharfage	\$ 13,826,006	\$ 11,642,336
Dockage	5,854,458	6,927,659
Service, facility use and other fees	6,635,363	6,978,611
Lease income	17,675,895	17,211,374
Business interruption claim	2,000,000	4,500,000
Miscellaneous	<u>110,261</u>	<u>24,289</u>
Total operating revenues	<u>46,101,983</u>	<u>47,284,269</u>
Operating Expenses:		
Payroll and related	5,712,967	4,945,664
Professional services	3,134,753	2,764,373
Supplies and other	3,160,549	2,678,568
Utilities	959,634	719,222
Maintenance and repairs	1,176,459	1,109,624
Depreciation	<u>8,882,682</u>	<u>7,914,177</u>
Total operating expenses	<u>23,027,044</u>	<u>20,131,628</u>
Operating income	<u>23,074,939</u>	<u>27,152,641</u>
Non-Operating Revenues (Expenses):		
Ad valorem tax, net of collection expenses	6,610,936	6,430,433
Investment income	4,185,741	153,341
Gain on sale of capital assets	44,503	271,813
Debt interest and fees	( 10,954,604)	( 9,300,161)
Other	<u>( 20,330,383)</u>	<u>( 45,619,399)</u>
Total non-operating revenues (expenses)	<u>( 20,443,807)</u>	<u>( 48,063,973)</u>
Income (loss) before capital contributions and extraordinary expenses	2,631,132	( 20,911,332)
Capital contributions - grants	5,486,639	143,492
Extraordinary expenses - emergency recovery	<u>-</u>	<u>( 192,001)</u>
Change in net position	8,117,771	( 20,959,841)
Total net position - beginning	<u>223,998,320</u>	<u>244,958,161</u>
Total net position - ending	<u>\$ 232,116,091</u>	<u>\$ 223,998,320</u>

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

# PORT FREEPORT

## Statements of Cash Flows For the Years Ended September 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Cash received from customers	\$ 45,027,525	\$ 39,550,367
Cash paid to suppliers for goods and services	( 18,757,582)	( 4,605,077)
Cash paid to employees for services and benefits	( 5,689,203)	( 5,144,582)
Emergency recovery expenses	-	( 192,001)
Net cash provided by operating activities	20,580,740	29,608,707
Cash Flows from Non-capital Financing Activities:		
Property tax receipts	6,597,822	6,478,181
Property tax collection expenses	( 70,818)	( 69,616)
Contribution to others	( 20,330,383)	( 45,619,399)
Net cash used by non-capital financing activities	( 13,803,379)	( 39,210,834)
Cash Flows from Capital and Related Financing Activities:		
Proceeds from issuance of bonds	55,800,000	-
Principal payments under bond obligations	( 5,865,000)	( 6,409,888)
Principal payments under purchase financing note obligations	( 1,523,850)	( 1,489,502)
Interest and fees paid under debt obligations	( 10,630,243)	( 9,084,087)
Land & equipment purchases	( 38,890,537)	( 48,233,055)
Grants received	5,486,639	154,148
Proceeds from the sale of capital assets	44,503	248,387
Net cash used by capital and related financing activities	4,421,512	( 64,813,997)
Cash Flows from Investing Activities:		
Purchase of investments	( 44,575,859)	( 17,260,621)
Proceeds from sale and maturity of investments	48,496,000	45,380,000
Investment earnings	3,096,516	1,242,061
Net cash provided by investing activities	7,016,657	29,361,440
Change in cash and cash equivalents	18,215,530	( 45,054,684)
Cash and cash equivalents, October 1,	64,484,307	109,538,991
Cash and cash equivalents, September 30,	\$ 82,699,837	\$ 64,484,307

(continued)

# PORT FREEPORT

Statements of Cash Flows - Continued  
For the Years Ended September 30, 2023 and 2022

	2023	2022
Reconciliation of Operating Income to Net Cash Provided		
by Operating Activities:		
Operating income	\$ 23,074,939	\$ 27,152,641
Adjustments to Reconcile Operating Income to Net		
Cash Provided by Operating Activities:		
Depreciation	8,882,682	7,914,177
Emergency recovery expenses	-	( 192,001)
Change in assets and liabilities:		
Accounts receivable	2,990,588	1,567,343
Lease receivable	7,106,376	( 180,406,546)
Other receivables	( 4,671)	( 4,677,237)
Inventory	( 186,183)	( 121,248)
Prepaid and other	( 364,171)	( 105,621)
Deferred inflow of resource	( 11,361,249)	175,560,971
Accounts payable and accrued expenses	( 9,750,536)	2,893,579
Unearned lease income	189,251	221,567
Accrued compensated absences	3,714	( 198,918)
Net cash provided by operating activities	\$ 20,580,740	\$ 29,608,707
Non-cash Transactions Affecting Financial Position:		
Change in value of investments – from cost to fair value	\$ 1,089,025	\$( 1,089,346)
Net effect of non-cash transactions	\$ 1,089,025	\$( 1,089,346)

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

# PORT FREEPORT

Notes to Financial Statements  
For the Years Ended September 30, 2023 and 2022

## Index

<b>Note</b>		<b>Page</b>
1.	Summary of Significant Accounting Policies .....	39
2.	Deposits and Investments.....	44
3.	Allowance for Uncollectable Accounts.....	49
4.	Capital Assets.....	49
5.	Long-Term Debt & Non-Current Liabilities .....	51
6.	Purchase Financing Note.....	56
7.	Contingent Liabilities.....	56
8.	Litigation.....	57
9.	Freeport Harbor Improvement Projects.....	57
10.	Leasing Operations.....	58
11.	Grant Revenue.....	58
12.	Risk Management.....	59
13.	Retirement Plans .....	59
14.	Economic Dependency.....	60
15.	Tax Abatements .....	60
16.	Evaluation of Subsequent Events .....	61

# PORT FREEPORT

Notes to Financial Statements  
For the Years Ended September 30, 2023 and 2022

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### A. REPORTING ENTITY

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

Included within the reporting entity:

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

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

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

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

### B. BASIS OF ACCOUNTING

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

# PORT FREEPORT

Notes to Financial Statements  
For the Years Ended September 30, 2023 and 2022

## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

### **B. BASIS OF ACCOUNTING - Continued**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

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

### **C. RECLASSIFICATIONS**

No reclassifications noted.

### **D. NEW PRONOUNCEMENTS**

GASB Statement No. 91 “Conduit Debt Obligations” was issued in May 2019. The statement was implemented and did not have a material effect on the financial statements of the Port. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 94 “Public-Private and Public-Public Partnerships and Availability Payment Arrangements” was issued in March 2020. The statement was implemented and did not have a material effect on the financial statements of the Port. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 96 “Subscription-Based Information Technology Arrangements” was issued in May 2020. The statement was implemented and did not have a material effect on the financial statements of the Port. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 99 “Omnibus 2022” was issued in April 2022. The statement was implemented and did not have a material effect on the financial statements of the Port. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 100 “Accounting Changes and Error Corrections - an amendment to GASB Statement No. 62” was issued in June 2022. The management of the Port does not expect the implementation of this standard to have a material effect on the financial statements of the Port. The requirements of this statement are effective for reporting periods beginning after June 15, 2023.

GASB Statement No. 101 “Compensated Absences” was issued in June 2022. The management of the Port does not expect the implementation of this standard to have a material effect on the financial statements of the Port. The requirements of this statement are effective for reporting periods beginning after December 15, 2023.

GASB Statement No. 102 “Certain Risk Disclosures” was issued in December 2023. The management of the Port does not expect the implementation of this standard to have a material effect on the financial statements of the Port. The requirements of this statement are effective for reporting periods beginning after June 15, 2024.

# PORT FREEPORT

Notes to Financial Statements  
For the Years Ended September 30, 2023 and 2022

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### E. CASH AND INVESTMENTS

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

### F. INVENTORIES AND PREPAID ITEMS

Inventories of supplies are valued at cost and inventories held for resale are valued at the lower of cost or market. There were no inventories held for resale as of September 30, 2023 and 2022.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenses when consumed rather than when purchased

### G. CAPITAL ASSETS

Capital assets are defined by the Port as assets with an initial, individual cost of more than \$ 5,000 and an estimated useful life of greater than one year. Property constructed or acquired by purchase is stated at cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. Depreciation of all exhaustible capital assets is charged as an expense against operations. Accumulated depreciation is reported on the statements of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. Capital equipment leased assets are depreciated over the estimated useful lives of the assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. When property, plant and equipment is sold or otherwise disposed or becomes obsolete, the asset account and related accumulated depreciation account are relieved, and any gain or loss is charged against income.

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

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

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

# PORT FREEPORT

Notes to Financial Statements  
For the Years Ended September 30, 2023 and 2022

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### H. INTEREST CAPITALIZATION

Interest cost incurred before the end of a construction period are recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital assets.

### I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position includes a separate section for *deferred outflows of resources*. Deferred outflows of resources represent a consumption of net assets that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then. The Port has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement of net position.

In addition to liabilities, the statement of financial position includes a separate section for *deferred inflows of resources*. Deferred inflows of resources represent an acquisition of net assets that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The Port has one item that qualifies for reporting in this category. It is the deferred amount related to leases as lessor.

### J. NET POSITION

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted. *Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation. *Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

### K. COMPENSATED ABSENCES

Vested or accumulated vacation is recorded as an expense and liability as the benefits accrue to employees. The Port's vacation and sick leave policy provides that each employee may carry over unused vacation, not to exceed five days, to subsequent years. Further, unused sick leave may be converted to vacation on a five to one ratio. Benefits payable as of September 30, 2023 and 2022 were \$ 138,315 and \$ 134,601, respectively.

### L. LONG-TERM OBLIGATIONS

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

# PORT FREEPORT

Notes to Financial Statements  
For the Years Ended September 30, 2023 and 2022

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### M. LEASES

**Lessor:** The Port is a lessor for noncancellable leases of various types of property. The Port recognizes a lease receivable and a deferred inflow of resources in the financial statements.

The Port will not recognize a lease receivable and a deferred inflow of resources for leases with a non-cancellable term of less than 12 months, and income is recognized as earned in the period received.

At the commencement of a lease, the Port initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Port determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Port uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Port monitors changes in circumstances that would require remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

### N. PROPERTY TAXES

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

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

The Commission may levy taxes at an unlimited rate for payment of debt service on the Port's General Obligation Bonds. The Commission may also levy taxes, subject to a \$ 0.10 per \$ 100 assessed valuation limit, for all operation and maintenance expenses of the Port. For the years ended September 30, 2023 and 2022, the Commission levied taxes at a rate of \$ 0.016856 and \$ 0.016606 for debt service and a rate of \$ 0.018144 and \$ 0.023394 for operation and maintenance, for a total tax rate of \$ 0.035 and \$ 0.04 per \$ 100 assessed valuation for each year, respectively.

# PORT FREEPORT

Notes to Financial Statements  
For the Years Ended September 30, 2023 and 2022

## NOTE 2. DEPOSITS AND INVESTMENTS

The Port classifies deposits and investments for financial statement purposes as cash and temporary investments and investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose, a temporary investment is one that when purchased had a maturity date of three months or less. Cash and temporary investments and investments, as reported on the statements of net position at September 30, 2023 and 2022, are as follows:

<u>September 30, 2023</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and temporary investments:			
Cash (petty cash accounts)	\$ 1,390	\$ -	\$ 1,390
Financial institution deposits	3,328,398	6,343,586	9,671,984
Local government investment pool	<u>14,948,323</u>	<u>58,078,140</u>	<u>73,026,463</u>
Total cash and temporary investments	<u>\$ 18,278,111</u>	<u>\$ 64,421,726</u>	<u>\$ 82,699,837</u>
Investments:			
Investments held by broker-dealers:			
U.S. agencies	\$ -	\$ 13,861,881	\$ 13,861,881
Total investments	<u>\$ -</u>	<u>\$ 13,861,881</u>	<u>\$ 13,861,881</u>
<u>September 30, 2022</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and temporary investments:			
Cash (petty cash accounts)	\$ 1,390	\$ -	\$ 1,390
Financial institution deposits	5,062,078	139,649	5,201,727
Local government investment pool	<u>43,725,995</u>	<u>15,555,195</u>	<u>59,281,190</u>
Total cash and temporary investments	<u>\$ 48,789,463</u>	<u>\$ 15,694,844</u>	<u>\$ 64,484,307</u>
Investments:			
Investments held by broker-dealers:			
U.S. agencies	\$ 9,986,124	\$ 6,706,873	\$ 16,692,997
Total investments	<u>\$ 9,986,124</u>	<u>\$ 6,706,873</u>	<u>\$ 16,692,997</u>

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

At September 30, 2023, the carrying amount of the Port’s deposits was \$ 9,671,984 while the financial institution balances totaled \$ 11,023,734. Of the financial institution balances, \$ 262,274 was covered by federal deposit insurance, \$ 6,331,312 was covered by the Securities Investor Protection Corporation insurance, and \$ 4,430,148 was covered by collateral held by the Port’s agent in the Port’s name. At September 30, 2022, the carrying amount of the Port’s deposits was \$ 5,201,727 while the financial institution balances totaled \$ 5,666,044. Of the financial institution balances, \$ 262,346 was covered by federal deposit insurance, \$ 132,759 was covered by the Securities Investor Protection Corporation insurance, and \$ 5,270,939 was covered by collateral held by the Port’s agent in the Port’s name.

# PORT FREEPORT

Notes to Financial Statements  
For the Years Ended September 30, 2023 and 2022

## NOTE 2. DEPOSITS AND INVESTMENTS - Continued

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

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

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

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

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

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

The Port invests in TexPool to provide its liquidity needs. TexPool was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool is a 2(a)7 like fund, meaning that it is structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. TexPool is rated AAAM and must maintain a dollar weighted average maturity not to exceed 60 days. At September 30, 2023 and 2022 TexPool had a weighted average maturity of 28 and 25, respectively. Although TexPool portfolios had a weighted average maturity of 28 and 25 days, respectively, the Port considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder unless there has been a significant change in value.

# PORT FREEPORT

Notes to Financial Statements  
For the Years Ended September 30, 2023 and 2022

## NOTE 2. DEPOSITS AND INVESTMENTS - Continued

### Investments - Continued

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

The following tables include the portfolio balances of all investment types of the Port at September 30, 2023 and 2022.

	September 30, 2023		
Investment Type	Unrestricted	Restricted	Total
Local government investment pool	\$ 14,948,323	\$ 58,078,140	\$ 73,026,463
U.S. Treasuries	-	11,578,606	11,578,606
U.S. government bonds	-	2,283,275	2,283,275
Total investments	\$ 14,948,323	\$ 71,940,021	\$ 86,888,344

	September 30, 2022		
Investment Type	Unrestricted	Restricted	Total
Local government investment pool	\$ 43,725,995	\$ 15,555,195	\$ 59,281,190
U.S. Treasuries	9,986,124	4,484,499	14,470,623
U.S. government bonds	-	2,222,374	2,222,374
Total investments	\$ 53,712,119	\$ 22,262,068	\$ 75,974,187

### Unrestricted Funds

As of September 30, 2023, the Port's unrestricted funds had the following investments:

	Fair Value	Weighted Average Maturity (Days)
Local government investment pool	\$ 14,948,323	28
	\$ 14,948,323	28

As of September 30, 2022, the Port's unrestricted funds had the following investments:

	Fair Value	Weighted Average Maturity (Days)
Local government investment pool	\$ 43,725,995	25
U.S. Treasuries	9,986,124	164
	\$ 53,712,119	51

# PORT FREEPORT

Notes to Financial Statements  
For the Years Ended September 30, 2023 and 2022

## NOTE 2. DEPOSITS AND INVESTMENTS - Continued

### Unrestricted Funds - Continued

Credit Risk - As of September 30, 2023, the LGIP (which represent approximately 100% of the unrestricted portfolio) is rated AAAM by Standard and Poor's. As of September 30, 2022, the LGIP (which represent approximately 81% of the unrestricted portfolio) is rated AAAM by Standard and Poor's. The remaining portfolio is U.S. Treasuries (which represent approximately 19% of the unrestricted portfolio).

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

### Restricted Funds

As of September 30, 2023, the Port's restricted funds had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Local government investment pool	\$ 58,078,140	28
U.S. Treasuries	11,578,605	619
U.S. government bonds	2,283,275	1,228
	\$ 71,940,020	161

As of September 30, 2022, the Port's restricted funds had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Local government investment pool	\$ 15,555,195	25
U.S. Treasuries	4,484,499	924
U.S. government bonds	2,222,374	660
	\$ 22,262,068	269

Credit Risk - As of September 30, 2023, the LGIP (which represents approximately 81% of the restricted portfolio) is rated AAAM by Standard and Poor's. The remaining portfolio is made up of U.S. Treasuries (which represent approximately 16% of the restricted portfolio), and U.S. governmental bonds (which represent approximately 3% of the restricted portfolio). Of the total U.S. government bonds, 100% is rated AA+ by Standard and Poor's. As of September 30, 2022, the LGIP (which represents approximately 70% of the restricted portfolio) is rated AAAM by Standard and Poor's. The remaining portfolio is made up of U.S. Treasuries (which represent approximately 20% of the restricted portfolio), and U.S. governmental bonds (which represent approximately 10% of the restricted portfolio). Of the total U.S. government bonds, 100% is rated AA+ by Standard and Poor's.

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

# PORT FREEPORT

Notes to Financial Statements  
For the Years Ended September 30, 2023 and 2022

## NOTE 2. DEPOSITS AND INVESTMENTS - Continued

### Investments - Continued

Calculation of the net increase (decrease) in fair value of investments as of September 30, 2023 and 2022 utilizing the aggregate method is as follows:

	2023		
	Unrestricted	Restricted	Total
Fair value at September 30, 2023	\$ -	\$ 13,861,881	\$ 13,861,881
Add: Proceeds of investments sold	24,496,000	24,000,000	48,496,000
Less: Cost of investments purchased	(14,163,090)	(30,412,769)	(44,575,859)
Less: Fair value at September 30, 2022	<u>( 9,986,124)</u>	<u>( 6,706,873)</u>	<u>(16,692,997)</u>
Changes in fair value of investments for the year ended September 30, 2023	<u>\$ 346,786</u>	<u>\$ 742,239</u>	<u>\$ 1,089,025</u>
	2022		
	Unrestricted	Restricted	Total
Fair value at September 30, 2022	\$ 9,986,124	\$ 6,706,873	\$ 16,692,997
Add: Proceeds of investments sold	6,030,000	39,350,000	45,380,000
Less: Cost of investments purchased	(16,028,381)	( 1,232,240)	(17,260,621)
Less: Fair value at September 30, 2021	<u>-</u>	<u>(45,901,722)</u>	<u>(45,901,722)</u>
Changes in fair value of investments for the year ended September 30, 2022	<u>\$ ( 12,257)</u>	<u>\$ (1,077,089)</u>	<u>\$ (1,089,346)</u>

These changes in fair value for the years ended September 30, 2023 and 2022 are reported as investment income.

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

Level 1    Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2    Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

# PORT FREEPORT

Notes to Financial Statements  
For the Years Ended September 30, 2023 and 2022

## NOTE 2. DEPOSITS AND INVESTMENTS - Continued

### Investments - Continued

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

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

Total fair values of investments of \$ 13,861,881 at September 30, 2023 and \$ 16,692,997 at September 30, 2022 were measured by level 1 measurement.

## NOTE 3. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

**Taxes:** Ad valorem taxes receivable are reserved based on historical experience and evaluation of collectivity as the lesser of a percentage of the original levy and the current receivable for each levy year. The allowance for uncollectable taxes as of September 30, 2023 and 2022 was \$ 46,180 and \$ 47,352, respectively.

**Trade Receivables:** The allowance for uncollectable receivables related to Port services is determined based on historical experience and evaluation of collectivity in relation to the aging of customer accounts. The allowance for uncollectable receivables related to Port services at September 30, 2023 and 2022 was \$ 40,466 and \$ 31,560, respectively.

## NOTE 4. CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended September 30, 2023:

	Useful Life in Years	Balance 10-01-22	Additions	Adjustment/ Deletions	Balance 9-30-23
<b>Capital assets, not being depreciated:</b>					
Land & improvements		\$ 104,989,336	\$ 7,908,924	\$ -	\$ 112,898,260
Construction in progress		<u>133,853,475</u>	<u>2,082,643</u>	<u>(125,081,852)</u>	<u>10,854,266</u>
Total capital assets, not being depreciated		<u>238,842,811</u>	<u>9,991,567</u>	<u>(125,081,852)</u>	<u>123,752,526</u>
<b>Capital assets, being depreciated:</b>					
Buildings	50	31,571,092		-	31,571,092
Docks & appurtenances	5-50	90,080,037	19,151,917	124,897,725	234,129,679
Utilities	20-50	25,348,414	21,738	-	25,370,154
Roads, lots & railways	50	37,729,480	9,338,680	184,127	47,252,287
Storage yards	50	65,100,279	-	-	65,100,279
Equipment, furniture & vehicles	5-50	26,290,964	363,779	( 272,375)	26,382,368
Other	10-50	<u>1,468,917</u>	<u>22,856</u>	<u>-</u>	<u>1,491,773</u>
Total capital assets, being depreciated		<u>277,589,183</u>	<u>28,898,970</u>	<u>124,809,477</u>	<u>431,297,630</u>

(continued)

# PORT FREEPORT

Notes to Financial Statements  
For the Years Ended September 30, 2023 and 2022

## NOTE 4. CAPITAL ASSETS – Continued

	Useful Life in Years	Balance 10-01-22	Additions	Adjustments/ Deletions	Balance 9-30-23
<b>Accumulated depreciation:</b>					
Buildings		\$ 14,828,448	\$ 773,134	\$ -	\$ 15,601,582
Docks & appurtenances		23,127,604	2,389,310	-	25,516,914
Utilities		13,485,952	1,111,351	-	14,597,303
Roads, lots & railways		7,824,079	1,060,381	-	8,884,460
Storage yards		20,538,609	2,282,074	-	22,820,683
Equipment, furniture & vehicles		16,675,841	1,238,914	( 272,375)	17,642,380
Other		<u>1,413,302</u>	<u>27,518</u>	<u>-</u>	<u>1,440,820</u>
Total accumulated depreciation		<u>97,893,835</u>	<u>8,882,682</u>	<u>( 272,375)</u>	<u>106,504,142</u>
Total capital assets, being depreciated, net		<u>179,695,348</u>	<u>20,016,288</u>	<u>125,081,852</u>	<u>324,793,488</u>
Total capital assets, net		<u>\$ 418,538,159</u>	<u>\$ 30,007,855</u>	<u>\$ -</u>	<u>\$ 448,546,016</u>

The following is a summary of capital asset activity for the year ended September 30, 2022:

	Useful Life in Years	Balance 10-01-21	Additions	Adjustment/ Deletions	Balance 9-30-22
<b>Capital assets, not being depreciated:</b>					
Land & improvements		\$ 99,745,968	\$ 5,338,275	\$( 94,907)	\$ 104,989,336
Construction in progress		<u>123,141,778</u>	<u>42,066,266</u>	<u>(31,354,569)</u>	<u>133,853,475</u>
Total capital assets, not being depreciated		<u>222,887,746</u>	<u>47,404,541</u>	<u>(31,449,476)</u>	<u>238,842,811</u>
<b>Capital assets, being depreciated:</b>					
Buildings	50	30,891,884	679,208	-	31,571,092
Docks & appurtenances	5-50	59,083,480	30,996,557	-	90,080,037
Utilities	20-50	25,336,177	12,237	-	25,348,414
Roads, lots & railways	50	37,729,480	-	-	37,729,480
Storage yards	50	65,100,279	-	-	65,100,279
Equipment, furniture & vehicles	5-50	25,722,011	592,379	( 23,426)	26,290,964
Other	10-50	<u>1,447,882</u>	<u>21,035</u>	<u>-</u>	<u>1,468,917</u>
Total capital assets, being depreciated		<u>245,311,193</u>	<u>32,301,416</u>	<u>( 23,426)</u>	<u>277,589,183</u>
<b>Accumulated depreciation:</b>					
Buildings		14,087,884	740,564	-	14,828,448
Docks & appurtenances		21,770,315	1,357,289	-	23,127,604
Utilities		12,367,439	1,118,513	-	13,485,952
Roads, lots & railways		6,759,122	1,064,957	-	7,824,079
Storage yards		18,079,277	2,459,332	-	20,538,609
Equipment, furniture & vehicles		15,589,956	1,109,311	( 23,426)	16,675,841
Other		<u>1,349,091</u>	<u>64,211</u>	<u>-</u>	<u>1,413,302</u>
Total accumulated depreciation		<u>90,003,084</u>	<u>7,914,177</u>	<u>( 23,426)</u>	<u>97,893,835</u>
Total capital assets, being depreciated, net		<u>155,308,109</u>	<u>24,387,239</u>	<u>-</u>	<u>179,695,348</u>
Total capital assets, net		<u>\$ 378,195,855</u>	<u>\$ 71,791,780</u>	<u>\$(31,449,476)</u>	<u>\$418,538,159</u>

# PORT FREEPORT

Notes to Financial Statements  
For the Years Ended September 30, 2023 and 2022

## NOTE 4 CAPITAL ASSETS - Continued

The Port has entered into contracts for construction as of September 30, 2023 as follows:

	<u>Project Authori- zation</u>	<u>Expended To Date</u>	<u>Remaining Commitment</u>	<u>Required Further Financing</u>
Velasco Terminal Development	\$ 1,638,852	\$ 246,258	\$ 1,392,594	\$ -
Freeport Harbor Channel Improvement	7,220,000	7,128,223	91,777	-
Portwide Pavement Repairs	4,755,422	1,303,439	3,451,983	-
Other	<u>1,605,010</u>	<u>359,422</u>	<u>1,245,588</u>	<u>-</u>
Total	<u>\$ 15,219,284</u>	<u>\$ 9,037,342</u>	<u>\$ 6,181,942</u>	<u>\$ -</u>

The Port has entered into contracts for construction as of September 30, 2022 as follows:

	<u>Project Authori- zation</u>	<u>Expended To Date</u>	<u>Remaining Commitment</u>	<u>Required Further Financing</u>
Velasco Terminal Development	\$144,311,336	\$122,780,274	\$ 21,531,062	\$ -
Freeport Harbor Channel Improvement	7,386,107	7,100,580	285,527	-
Parcel 14 Rail Expansion	399,662	176,377	223,285	-
Other	<u>789,750</u>	<u>292,191</u>	<u>497,559</u>	<u>-</u>
Total	<u>\$152,886,855</u>	<u>\$130,349,422</u>	<u>\$ 22,537,433</u>	<u>\$ -</u>

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

Non-current liabilities activity for the year ended September 30, 2023 was as follows:

	<u>Balance 10-01-22</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9-30-23</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 67,850,000	\$ 55,800,000	\$ 670,000	\$122,980,000	\$ 125,000
Revenue bonds	180,185,000	-	5,195,000	174,990,000	5,410,000
Purchase financing note (Note 6)	3,082,840	-	1,523,850	1,558,990	1,558,990
Premium on bonds	21,222,354	726,112	792,009	21,156,457	803,750
Compensated absences	<u>134,601</u>	<u>150,796</u>	<u>147,082</u>	<u>138,315</u>	<u>74,535</u>
Total non-current liabilities	<u>\$272,474,795</u>	<u>\$ 56,676,908</u>	<u>\$ 8,327,941</u>	<u>\$320,823,762</u>	<u>\$ 7,972,275</u>

# PORT FREEPORT

Notes to Financial Statements  
For the Years Ended September 30, 2023 and 2022

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

Non-current liabilities activity for the year ended September 30, 2022 was as follows:

	Balance 10-01-21	Additions	Reductions	Balance 9-30-22	Due Within One Year
General obligation bonds	\$ 68,490,000	\$ -	\$ 640,000	\$ 67,850,000	\$ 670,000
Revenue bonds	185,175,000	-	4,990,000	180,185,000	5,195,000
Purchase financing note (Note 6)	4,572,342	-	1,489,502	3,082,840	1,523,850
Premium on bonds	22,002,242	-	779,888	21,222,354	779,837
Compensated absences	<u>333,519</u>	<u>195,296</u>	<u>394,214</u>	<u>134,601</u>	<u>76,055</u>
Total non-current liabilities	<u>\$280,573,103</u>	<u>\$ 195,296</u>	<u>\$ 8,293,604</u>	<u>\$272,474,795</u>	<u>\$ 8,244,742</u>

### General Obligation Bonds Payable:

The General Obligation Bonds, Series 2019, were issued in 2019 in the amount of \$ 31,795,000 to finance the contribution of the non-federal share for the Freeport Harbor Channel Improvement Project. The Series 2019 bonds are dated June 15, 2019 with a final maturity of August 1, 2049 and bear interest ranging from 2.125% to 5.0% per annum, payable semi-annually on February 1 and August 1.

The General Obligation Bonds, Series 2021, were issued in 2021 in the amount of \$ 37,135,000 to finance the contribution of the non-federal share for the Freeport Harbor Channel Improvement Project with a final maturity of August 1, 2051 and bear interest ranging from 2.0% to 4.0% per annum, payable annually on August 1.

The General Obligation Bonds, Series 2023, were issued in 2023 in the amount of \$ 55,800,000 to finance the contribution of the non-federal share for the Freeport Harbor Channel Improvement Project with a final maturity of August 1, 2053 and bear interest ranging from 4.0% to 5.50% per annum, payable annually on August 1.

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

For the years ended September 30, 2023 and 2022, the amount of ad valorem taxes collected for interest and sinking was \$ 3,113,787 and \$ 2,591,178, while the debt service requirements for principal and interest were \$ 2,806,012 and \$ 2,803,397 which utilized a portion of existing net position. The bond resolutions provide no express remedies in the event of default and make no provision for acceleration of maturity of the bonds.

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

Fiscal Year Ending September 30	Principal	Interest	Total Principal and Interest
2024	\$ 125,000	\$ 4,529,200	\$ 4,654,200
2025	1,090,000	4,522,950	5,612,950
2026	1,725,000	4,480,750	6,205,750
2027	2,860,000	4,389,524	7,249,524
2028	2,995,000	4,251,674	7,246,674
2029-2033	17,090,000	19,141,984	36,231,984
2034-2038	20,805,000	15,421,360	36,226,360
2039-2043	24,665,000	11,557,110	36,222,110
2044-2048	29,130,000	7,088,610	36,218,610
2049-2053	<u>22,495,000</u>	<u>2,214,900</u>	<u>24,709,900</u>
Total	<u>\$ 122,980,000</u>	<u>\$ 77,598,062</u>	<u>\$ 200,578,062</u>

# PORT FREEPORT

Notes to Financial Statements  
For the Years Ended September 30, 2023 and 2022

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

### Revenue Bonds Payable:

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

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

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

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

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

On July 26, 2021, the Port issued \$ 29,885,000 of Senior Lien Revenue Bonds, Series 2021. The proceeds of issuances of Series 2021 bonds were used to finance all or a portion of (i) the costs of the design, construction, development, improvement, and equipment of Port Facilities, including a 925-foot expansion of a berth at the Port's container handling facility, (ii) make a deposit to a debt service reserve account, and (iii) pay the costs of issuing the Bonds. The Series 2021 bonds have a final maturity date of June 1, 2051 and bear interest yearly at 3.79%.

# PORT FREEPORT

Notes to Financial Statements  
For the Years Ended September 30, 2023 and 2022

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

### Revenue Bonds Payable – Continued

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

Series 2013A:

Fiscal Year Ending September 30	Principal	Interest	Total Principal and Interest
2024	\$ 2,395,000	\$ 391,776	\$ 2,786,776
2025	2,465,000	318,010	2,783,010
2026	2,540,000	242,088	2,782,088
2027	2,620,000	163,856	2,783,856
2028	<u>2,700,000</u>	<u>83,160</u>	<u>2,783,160</u>
	<u>\$ 12,720,000</u>	<u>\$ 1,190,890</u>	<u>\$ 13,918,890</u>

Series 2015A:

Fiscal Year Ending September 30	Principal	Interest	Total Principal and Interest
2024	\$ 895,000	\$ 1,543,838	\$ 2,438,838
2025	945,000	1,499,088	2,444,088
2026	990,000	1,451,838	2,441,838
2027	1,035,000	1,402,338	2,437,338
2028	1,090,000	1,350,588	2,440,588
2029-2033	6,250,000	5,950,690	12,200,690
2034-2038	7,720,000	4,478,550	12,198,550
2039-2043	9,775,000	2,416,526	12,191,526
2044-2045	<u>4,570,000</u>	<u>310,726</u>	<u>4,680,726</u>
	<u>\$ 33,270,000</u>	<u>\$ 20,404,182</u>	<u>\$ 53,674,182</u>

Series 2018:

Fiscal Year Ending September 30	Principal	Interest	Total Principal and Interest
2024	\$ 645,000	\$ 1,342,200	\$ 1,987,200
2025	680,000	1,309,950	1,989,950
2026	710,000	1,275,950	1,985,950
2027	750,000	1,240,450	1,990,450
2028	785,000	1,202,950	1,987,950
2029-2033	4,555,000	5,385,000	9,940,000
2034-2038	5,815,000	4,127,000	9,942,000
2039-2043	7,275,000	2,666,600	9,941,500
2044-2048	<u>8,855,000</u>	<u>1,090,200</u>	<u>9,945,200</u>
	<u>\$ 30,070,000</u>	<u>\$ 19,640,300</u>	<u>\$ 49,710,300</u>

# PORT FREEPORT

Notes to Financial Statements  
For the Years Ended September 30, 2023 and 2022

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

### Revenue Bonds Payable - Continued

Series 2019A:

Fiscal Year Ending September 30	Principal	Interest	Total Principal and Interest
2024	\$ 860,000	\$ 1,916,350	\$ 2,776,350
2025	900,000	1,873,350	2,773,350
2026	945,000	1,828,350	2,773,350
2027	995,000	1,781,100	2,776,100
2028	1,045,000	1,731,350	2,776,350
2029-2033	6,055,000	7,819,500	13,874,500
2034-2038	7,640,000	6,239,350	13,879,350
2039-2043	9,310,000	4,568,150	13,878,150
2044-2048	11,460,000	2,412,850	13,872,850
2049	<u>2,645,000</u>	<u>132,250</u>	<u>2,777,250</u>
	<u>\$ 41,855,000</u>	<u>\$ 30,302,600</u>	<u>\$ 72,157,600</u>

Series 2019B:

Fiscal Year Ending September 30	Principal	Interest	Total Principal and Interest
2024	\$ 615,000	\$ 933,300	\$ 1,548,300
2025	645,000	902,550	1,547,550
2026	680,000	870,300	1,550,300
2027	715,000	836,300	1,551,300
2028	750,000	800,550	1,550,550
2029-2033	4,320,000	3,420,700	7,740,700
2034-2038	5,125,000	2,621,250	7,746,250
2039-2043	5,945,000	1,804,800	7,749,800
2044-2048	6,890,000	858,000	7,748,000
2049	<u>1,505,000</u>	<u>45,150</u>	<u>1,550,150</u>
	<u>\$ 27,190,000</u>	<u>\$ 13,092,900</u>	<u>\$ 40,282,900</u>

Series 2021:

Fiscal Year Ending September 30	Principal	Interest	Total Principal and Interest
2024	\$ -	\$ 1,326,850	\$ 1,326,850
2025	-	1,326,850	1,326,850
2026	-	1,326,850	1,326,850
2027	-	1,326,850	1,326,850
2028	-	1,326,850	1,326,850
2029-2033	4,070,000	6,247,250	10,317,250
2034-2038	5,275,000	5,108,250	10,383,250
2039-2043	6,645,000	3,678,450	10,323,450
2044-2048	8,170,000	2,150,800	10,320,800
2049-2051	<u>5,725,000</u>	<u>463,800</u>	<u>6,188,800</u>
	<u>\$ 29,885,000</u>	<u>\$ 24,282,800</u>	<u>\$ 54,167,800</u>

# PORT FREEPORT

Notes to Financial Statements  
For the Years Ended September 30, 2023 and 2022

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

**Revenue Bonds Payable - Continued**

Total Revenue Bonds:

Fiscal Year Ending <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2024	\$ 5,410,000	\$ 7,454,314	\$ 12,864,314
2025	5,635,000	7,229,798	12,864,798
2026	5,865,000	6,995,376	12,860,376
2027	6,115,000	6,750,894	12,865,894
2028	6,370,000	6,495,448	12,865,448
2029-2033	25,250,000	28,823,140	54,073,140
2034-2038	31,575,000	22,574,400	55,149,400
2039-2043	38,950,000	15,134,526	54,084,526
2044-2048	39,945,000	6,822,576	46,767,576
2049-2051	<u>9,875,000</u>	<u>641,200</u>	<u>10,516,200</u>
	<u>\$ 174,990,000</u>	<u>\$ 108,921,672</u>	<u>\$ 283,911,672</u>

**NOTE 6. PURCHASE FINANCING NOTE**

On September 30, 2014, the Port entered into a Master Purchase Financing Agreement with Chase Bank in the amount of \$ 14,100,000 for financing two cranes purchased. The interest rate related to the note is 2.306% and the maturity date is September 2024. During the year ended September 30, 2023, \$ 1,523,850 of principal and \$ 71,090 of interest expenses related to the note were paid. During the year ended September 30, 2022, \$ 1,489,502 of principal and \$ 105,438 of interest expenses related to the note were paid.

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

Fiscal Year Ending <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2024	\$ <u>1,558,990</u>	\$ <u>35,950</u>	\$ <u>1,594,940</u>
	<u>\$ 1,558,990</u>	<u>\$ 35,950</u>	<u>\$ 1,594,940</u>

**NOTE 7. CONTINGENT LIABILITIES**

The Port is contingently liable in respect to lawsuits and other claims in the ordinary course of its operations. The potential settlement (if any) of such contingencies under the budgetary process would require appropriation of revenues yet to be realized and would not materially affect the financial position of the Port at September 30, 2023 or 2022.

# PORT FREEPORT

Notes to Financial Statements  
For the Years Ended September 30, 2023 and 2022

## NOTE 8. LITIGATION

The Port began acquiring lots through direct purchases from a 29 block area adjacent to Port property over 20 years ago. The Port has pursued approximately 50 residential lots plus one additional tract totaling 2.6 acres through the condemnation process. The Port is continuing to address appeals filed on 2 properties. .

## NOTE 9. FREEPORT HARBOR IMPROVEMENT PROJECTS

### Freeport Harbor, Texas Channel Widening and Deepening project

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

On July 15, 1997, the Port and the Department of the Army approved Modification No. 4 of the agreement referred to above. As part of this modification, the U.S. Army Corps of Engineers agreed to provide specific requirements relating to the modifications to the channel and associated dredged material disposal facilities required for the project, of which funds were advanced and the federal portion payable is due back to the non-federal sponsor. \$ 641,051 was reported as accounts receivable as of September 30, 2023 and 2022.

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

The Port maintains a money market account in an escrow account at a financial institution trust department, which is available for draws by the U.S. Army Corps of Engineers. Once the project is closed and the LERRDS credits are accepted, any funds remaining in the escrow account will be released for unrestricted use only upon the U.S. Army Corps of Engineer’s approval. The balances in the Escrow Funds for the year ended September 30, 2023 and 2022 were \$ 10,134 and \$ 10,206, respectively.

### Freeport Harbor Channel Improvement Project

In early 2013, the U.S. Army Corps of Engineers issued a Chief’s Report to the U.S. Congress recommending the deepening of the Freeport Harbor Channel. Acting on this recommendation, Congress included the project in the Water Resources Reform and Development Act (WRRDA) of 2014 authorization to proceed with the project funding initial construction planning and design work. The Freeport Harbor Channel Improvement Project is a \$ 295 million federal cost-shared project that includes the deepening and partial widening of the Freeport Harbor Channel to depths ranging from 51 feet to 56 feet and related navigation improvements. Federal investment for project construction is expected to total \$ 165 million. Port Freeport’s non-federal share of this project is \$ 130 million, which will be funded by the issuance of General Obligation Bonds approved by the Port District voters on May 5<sup>th</sup>, 2018. Construction commenced in April 2021.

# PORT FREEPORT

Notes to Financial Statements  
For the Years Ended September 30, 2023 and 2022

## NOTE 10. LEASING OPERATIONS

**Leases Receivable:** The Port owns various types of property that are held for lease. There are four types of leases: ground leases, grazing leases, warehouse leases and office space leases. The terms of the leases expire in various years through 2055. The Port has not determined the cost of the specific tracts of land under lease. The cost of the lease facilities as of September 30, 2023 and 2022 was \$ 95,775,175 and \$ 95,458,246, respectively, and accumulated depreciation was \$ 43,730,526 and \$ 40,852,652, respectively.

As of September 30, 2023, the Port's receivable for lease payments was \$ 173,300,168 and the balance of the deferred inflow of resources associated with these leases was \$164,199,722. The deferred inflow of resources associated with these leases will be recognized as revenue over the lease term. The Port recognized \$ 11,494,096 in lease revenue and \$ 5,211,086 in interest revenue during the fiscal year 2023 related to these leases. As of September 30, 2022, the Port's receivable for lease payments was \$ 180,406,546 and the balance of the deferred inflow of resources associated with these leases was \$175,560,971. The deferred inflow of resources associated with these leases will be recognized as revenue over the lease term. The Port recognized \$ 11,501,383 in lease revenue and \$ 5,399,952 in interest revenue during the fiscal year 2022 related to these leases..

Minimum future rentals to be received on noncancelable leases as of September 30, 2023 are as follows:

Fiscal Year Ending <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2024	7,448,335	4,988,348	12,436,683
2025	7,005,482	4,771,267	11,776,749
2026	6,164,234	4,587,941	10,752,175
2027	6,591,070	4,404,706	10,995,776
2028	6,898,498	4,209,780	11,108,278
2029-2033	36,871,340	18,967,005	55,838,345
2034-2038	45,704,186	13,326,654	59,030,840
2039-2043	52,103,342	6,191,581	58,294,923
2044-2048	1,569,936	659,140	2,229,076
2049-2053	2,111,522	330,273	2,441,795
2054-2055	<u>832,223</u>	<u>45,348</u>	<u>877,571</u>
	<u>\$ 173,300,168</u>	<u>\$ 62,482,043</u>	<u>\$ 235,782,211</u>

## NOTE 11. GRANT REVENUE

The following is a schedule of port grant revenue for the years ended September 30, 2023 and 2022.

<u>Agency</u>	<u>Grant Number</u>	<u>Total Entitlement</u>	<u>Pre-2021 Revenues</u>	<u>Revenue 9-30-22</u>	<u>Revenue 9-30-23</u>	<u>Remaining Project 9-30-23</u>
US Department of Transportation: Consolidated Rail Infrastructure and Safety Improvements	FRCRS0070220100	\$ 5,481,532	\$ -	\$ -	\$ 5,481,532	\$ -
US Department of Homeland Security: Port Security	2020-PU-00466	202,395	11,692	22,810	5,107	162,786
Port Security	2021-PU-00533	148,000	-	109,068	-	38,932
Public Assistance	PW 4332 & 4646	<u>180,971</u>	<u>169,357</u>	<u>11,614</u>	<u>-</u>	<u>-</u>
Totals		<u>\$ 6,012,898</u>	<u>\$ 181,049</u>	<u>\$ 143,492</u>	<u>\$ 5,486,639</u>	<u>\$ 201,718</u>

Accounts receivable related to these grants as of September 30, 2023 and 2022 totaled \$ 5,107 and \$ 436, respectively and are included in the receivables from other governments line item in the accompanying Statements of Net Position.

# PORT FREEPORT

Notes to Financial Statements  
For the Years Ended September 30, 2023 and 2022

## NOTE 12. RISK MANAGEMENT

The Port is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Port maintains commercial insurance for these types of risks. There have been no significant changes in insurance coverage, and no settlements have significantly exceeded insurance coverage for the past three years, in respect of, the fiscal years ending September 30, 2023 and 2022, respectively. The Port provides a commercial medical insurance program for its employees.

## NOTE 13. RETIREMENT PLANS

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

The Port Freeport Retirement Plan ("Plan") became effective on December 1, 2000 and maintains a calendar year end. The Port contributed \$ 202,980 (\$ 62,830 calendar year 2022 and \$ 148,348 for calendar 2023) to the plan for the year ended September 30, 2023. The Port contributed \$ 191,266 (\$ 52,632 calendar year 2021 and \$ 138,634 for calendar 2022) to the plan for the year ended September 30, 2022. Participants do not contribute to the plan. The trustees of the plan distribute any benefits provided by the plan from net position available for plan benefits. The participants become fully vested in their account after five years of service (years 1 and 2 at 0%, year 3 at 50%, year 4 at 75%, and year 5 at 100%). All of an employee's years of vesting service with the Port are counted to determine the vesting percentage in the participant's individual account.

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

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

# PORT FREEPORT

Notes to Financial Statements  
For the Years Ended September 30, 2023 and 2022

## NOTE 13. RETIREMENT PLANS - Continued

The 457 Plan became effective October 1, 2002 and maintains a calendar year-end. The Port contributed \$ 85,662 and \$ 80,644 to the 457 Plan for the years ended September 30, 2023 and 2022, respectively. Participant contributions for the years ended September 30, 2023 and 2022 totaled \$ 274,591 and \$ 250,505, respectively. The trustee of the plan distributes any benefits provided by the plan from net position available for plan benefits. Contributions made by participants vest immediately in their accounts; however, contributions made by the Port vest in the participants' accounts fully over five years of service (years 1 and 2 at 0%, year 3 at 50%, year 4 at 75% and year 5 at 100%). All of an employee's years of vesting service with the Port are counted to determine the vesting percentage in the participant's individual account. An employee must maintain 1,000 hours of service to constitute a year of vesting service, and 500 hours of service must be exceeded to avoid a break in vesting service. Forfeited invested amounts are allocated first to the payment of the plan's administrative expenses and any excess applied to reduce the Port's discretionary contributions for any plan year subsequent to the plan year for which the forfeitures arise. When a participant retires, terminates employment, or becomes disabled, he/she is entitled to receive all amounts in which he/she has a vested interest in either a lump-sum payment, periodic installments, or an annual annuity contract. Participants are allowed to make hardship withdrawals and loans as defined by the 457 Plan. The 457 Plan has met the ERISA minimum funding requirements

**Fees and Forfeitures:** The amount of plan fees and expenses were \$ 1,200, and the amount of forfeitures was \$ 8,440 as of September 30, 2023. The amount of plan fees and expenses were \$ 1,200, and the amount of forfeitures was \$ 31,969 as of September 30, 2022. There is no outstanding pension liability as of September 30, 2023 and 2022 since the Port made 100% of required contribution during the year.

## NOTE 14. ECONOMIC DEPENDENCY

**Operating revenues:** During the year ended September 30, 2023, five customers represented approximately 52%, 16%, 8%, 7% and 6% of the Port's operating revenue. During the year ended September 30, 2022, five customers represented approximately 41%, 13%, 6%, 5% and 5% of the Port's operating revenue. The loss of these customers would have a significant impact on the Port's financial position.

**Ad valorem taxes:** During the years ended September 30, 2023 and 2022, one taxpayer represented approximately 17% and 15%, respectively, of the total assessed valuation.

## NOTE 15. TAX ABATEMENTS

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

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

# PORT FREEPORT

Notes to Financial Statements  
For the Years Ended September 30, 2023 and 2022

**NOTE 15. TAX ABATEMENTS - Continued**

Tax abatement agreements as of September 30, 2023 are as follows:

<u>Business Type</u>	<u>Purpose</u>	<u>Percentage of Taxes Abated During the Fiscal Year</u>	<u>Value of Abated Amount</u>	<u>Amount of Taxes Abated During Fiscal Year 2023</u>
Manufacturing	New Construction	100%	\$ <u>15,477,272,500</u>	\$ <u>5,417,045</u>
Total			\$ <u>15,477,272,500</u>	\$ <u>5,417,045</u>

**NOTE 16. EVALUATION OF SUBSEQUENT EVENTS**

The Port has evaluated subsequent events through February 14, 2024, the date which the financial statements were available to be issued. Port Freeport had an ongoing business interruption claim from 2022 that as of September 30, 2023, had not been finalized. In February of 2024 a verbal settlement of \$1.4 million was reached and funds are expected to be posted to fiscal year 2024.



# **PORT FREEPORT**

## **Key Facts**

### ***The Freeport Harbor Channel***

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

### ***Vessel Activity***

*In FY 2023, the Freeport Harbor Channel received 1,095 vessel arrivals, transporting approximately 29.2 million tons.*

### ***Rankings***

*Port Freeport currently ranks 6<sup>th</sup> in chemicals, 17<sup>th</sup> in total foreign waterborne export tonnage, and 26<sup>th</sup> in containers among all U.S. ports.*

### ***Cargo***

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

### ***Foreign Trade Zone #149***

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



# PORT FREEPORT

## Statistical Section For the Years Ended September 30, 2022 and 2021

### Table of Contents

<b>Contents</b>	<b>Page</b>
Operating Information .....	67
<i>These schedules contain Port cargo traffic data to help the reader understand how the information in the Port's financial report relates to the services the Port provides and the activities it performs.</i>	
Financial Trends .....	70
<i>These schedules contain trend information to help the reader understand how the Port's financial performance and well-being have changed over time.</i>	
Ad Valorem Tax Information .....	74
<i>These schedules contain information to help the reader assess the Port's non-operating revenue source, the property tax.</i>	
Debt Capacity .....	80
<i>These schedules present information to help the reader assess the affordability of the Port's current levels of outstanding debt and the Port's ability to issue additional debt in the future.</i>	
Demographic and Economic Information .....	100
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Port's financial activities take place.</i>	



# PORT FREEPORT

Ten Year Cargo Quantities Analysis<sup>①</sup>  
for the Fiscal Years Ended September 30, 2014 through 2023

TABLE 1

	Cargo Quantities Short Tons	Percent Total Port Tonnage
Rice	1,886,551	2.85 %
Bananas/Misc. Fruit ②	3,326,714	5.03
Misc./General Cargo ③	4,819,100	7.29
Dry Bulk Material ④	8,702,460	13.16
Liquid Bulk Material ⑤	41,480,520	62.73
Project Cargo ⑥	315,359	0.48
Steel Products	3,111,334	4.71
RoRo ⑧	2,481,875	3.75
	66,123,913	100.00 %

- ① Source-Port Freeport
- ② Components: Containerized Fruit/Palletized Fruit
- ③ Misc./General Cargoes - Components: Roll Paper, Cotton, Empty Containers, Nickel Ore
- ④ Components: Aggregate
- ⑤ Components: Liquefied Natural Gas, Liquid Bulk Naptha
- ⑥ Components: Windpower Components, Industry Project Components
- ⑧ Components: Automobiles, Equipment

Container Traffic Statistics<sup>①</sup>  
Twenty-Foot Equivalent Units (T.E.U.)  
for the Fiscal Years Ended September 30, 2014 through 2023

TABLE 2

Fiscal Year	Inbound T.E.U.	Outbound T.E.U.	Total	Percent Growth/(Reduction) From Prior Year
2014	48,733	49,317	98,050	(2.74)
2015	48,456	50,448	98,904	0.87
2016	49,595	50,971	100,566	1.68
2017	48,878	51,065	99,943	(0.62)
2018	43,886	43,992	87,878	(12.07)
2019	55,809	55,793	111,602	26.99
2020	56,515	55,876	112,391	0.71
2021	43,191	44,583	87,774	(21.90)
2022	41,268	44,362	85,630	(23.81)
2023	46,720	49,286	96,006	12.12

- ① Source-Port Freeport

# PORT FREEPORT

Cargo Traffic Statistics <sup>①</sup>  
for the Fiscal Years Ended September 30, 2014 through 2023

	2023		2022		2021		2020	
1. Rice	254,006	2 %	275,988	2 %	117,648	1 %	143,450	2 %
2. Bananas/Misc. Fruit <sup>②</sup>	398,573	4	364,390	3	282,584	2	264,253	3
3. Misc./General Cargo <sup>③</sup>	385,931	3	355,983	3	471,072	3	664,259	8
4. Dry Bulk Material <sup>④</sup>	279,819	2	448,346	3	441,269	3	652,690	7
5. Liquid Bulk Material <sup>⑤</sup>	8,892,135	78	10,331,027	80	14,877,655	87	6,325,056	73
6. Project Cargo <sup>⑥</sup>	11,092	0	67,962	0	10,816	0	54,848	1
7. Steel Products	797,446	7	735,992	6	423,443	2	308,787	3
8. RoRo <sup>⑧</sup>	400,814	4	415,073	3	411,442	2	288,857	3
<b>Annual Port Tonnage <sup>⑨</sup> -Short Tons</b>	<b>11,419,816</b>	<b>100 %</b>	<b>12,994,761</b>	<b>100 %</b>	<b>17,035,929</b>	<b>100 %</b>	<b>8,702,200</b>	<b>100 %</b>
Percent Export	83.23 %		83.87 %		41.87 %		81.98 %	
Percent Import	15.04		14.55		8.47		16.59	
Percent Domestic	1.73		1.59		0.73		1.44	

① Source-Port Freeport

② Components: Containerized Fruit/Palletized Fruit

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

④ Components: Aggregate

⑤ Components: Liquefied Natural Gas, Liquid Bulk Naptha

⑥ Components: Windpower Components, Industry Project Components

⑧ Components: Automobiles, Equipment

⑨ TARE weight not included

TABLE 3

2019		2018		2017		2016		2015		2014	
128,993	5 %	150,410	7 %	213,005	10 %	210,565	8 %	222,055	8 %	170,431	7 %
320,093	11	335,275	14	305,573	14	344,494	11	340,021	11	371,458	14
606,247	22	395,046	18	485,095	23	497,968	16	462,244	15	495,255	19
967,173	34	866,163	37	806,915	38	1,405,692	46	1,638,790	55	1,195,603	45
140,773	5	7,815	0	0	0	320,478	10	215,451	7	370,130	14
6,127	0	33,420	1	39,641	2	16,157	1	41,301	1	33,995	1
378,782	13	305,143	13	95,741	4	41,656	1	24,344	1	0	0
274,224	10	233,675	10	182,505	9	223,735	7	51,550	2	0	0
2,822,412	100 %	2,326,947	100 %	2,128,475	100 %	3,060,745	100 %	2,995,756	100 %	2,636,872	100 %
31.53 %		24.44 %		32.59 %		27.67 %		26.84 %		28.79 %	
65.83		71.05		61.91		67.34		69.06		66.95	
2.65		4.51		5.50		5.00		4.10		4.26	

# PORT FREEPORT

## Net Position by Component For The Years 2014 Through 2023

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	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u> <u>(Restated)</u>
Net Position:				
Net investment in capital assets	\$ 256,735,808	\$ 219,424,654	\$ 190,667,139	\$ 173,876,773
Restricted:				
Debt Service	14,583,736	12,959,784	13,774,098	12,458,787
Capital Projects	12,274	12,346	12,799	13,297
For contribution to others	43,285,348	6,580,882	52,492,096	28,010,264
Unrestricted	<u>(82,501,075)</u>	<u>(14,979,346)</u>	<u>(11,987,971)</u>	<u>27,274,650</u>
Total net position	<u>\$ 232,116,091</u>	<u>\$ 223,998,320</u>	<u>\$ 244,958,161</u>	<u>\$ 241,633,771</u>

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TABLE 4

2019	2018	2017 (Restated)	2016	2015	2014
\$ 169,756,789	\$ 182,374,412	\$ 165,384,639	\$ 160,808,124	\$ 146,478,032	\$ 149,413,568
6,500,048	5,267,264	3,758,737	997,405	9,133,081	2,762,928
15,744,220	11,125,416	7,091,771	3,456,647	15,202	15,700
41,289,997	22,141,241	32,959,629	37,235,517	44,585,445	42,713,203
<u>\$ 233,291,054</u>	<u>\$ 220,908,333</u>	<u>\$ 209,194,776</u>	<u>\$ 202,497,693</u>	<u>\$ 200,211,760</u>	<u>\$ 194,905,399</u>

# PORT FREEPORT

## Summary of Revenues, Expenses and Changes in Net Position For The Years 2014 Through 2023

	2023	2022	2021	2020 (Restated)
<b>Operating Revenues:</b>				
<b>Harbor Operations:</b>				
Wharfage	\$ 13,826,006	\$ 11,642,336	\$ 13,526,823	\$ 10,853,640
Dockage	5,854,458	6,927,659	7,356,823	4,181,863
Service, facility use and other fees	6,635,363	6,978,611	5,800,876	5,140,745
Lease income	17,675,895	17,211,374	12,970,196	13,388,187
Miscellaneous	2,110,261	4,524,289	8,303	8,880
Total operating revenues	46,101,983	47,284,269	39,663,021	33,573,315
<b>Operating Expenses:</b>				
Payroll and related	5,712,967	4,945,664	5,109,892	5,068,205
Professional services	3,134,753	2,764,373	2,212,827	2,163,290
Supplies and other	3,160,549	2,678,568	2,214,841	2,111,176
Utilities	959,634	719,222	741,203	636,683
Maintenance and repairs	1,176,459	1,109,624	907,606	973,834
Depreciation	8,882,682	7,914,177	8,192,602	7,592,533
Total operating expenses	23,027,044	20,131,628	19,378,971	18,545,721
Operating income (loss)	23,074,939	27,152,641	20,284,050	15,027,594
<b>Non-Operating Revenues (Expenses):</b>				
Ad valorem tax collections, net of collection expenses	6,610,936	6,430,433	6,190,447	5,623,026
Investment income	4,185,741	153,341	87,667	2,095,520
Gain (loss) on sale of capital assets	44,503	271,813	460,696	
Debt interest and fees	( 10,954,604)	( 9,300,161)	( 8,794,637)	( 7,862,024)
Other	( 20,330,383)	( 45,619,399)	( 14,906,065)	( 6,681,232)
Total non-operating revenues (expenses)	( 20,443,807)	( 48,063,973)	( 16,961,892)	( 6,824,710)
Income (loss) before capital contributions	2,631,132	(20,911,332)	3,322,158	8,202,884
Capital contributions -grants	5,486,639	143,492	11,092	139,833
Total capital contributions	5,486,639	143,492	11,092	139,833
<b>Extraordinary Revenues (Expenses):</b>				
Emergency Recovery	0	( 192,001)	( 8,860)	0
Total extraordinary revenues (expenses)	0	( 192,001)	( 8,860)	0
Change in net position	\$ 8,117,771	\$ (20,959,841)	\$ 3,324,390	\$ 8,342,717

TABLE 5

	2019	2018	2017 (Restated)	2016	2015	2014
\$	7,886,541	\$ 7,274,790	\$ 4,847,411	\$ 4,334,632	\$ 3,567,651	\$ 3,896,689
	1,958,714	1,773,794	1,246,826	1,556,143	1,324,691	1,763,042
	3,632,402	2,957,490	2,571,349	2,978,082	3,086,171	4,191,757
	14,430,007	14,044,382	13,359,626	12,796,464	10,564,284	6,955,488
	37,478	283,391	58,580	19,420	47,938	188,619
	<u>27,945,142</u>	<u>26,333,847</u>	<u>22,083,792</u>	<u>21,684,741</u>	<u>18,590,735</u>	<u>16,995,595</u>
	4,775,413	4,214,936	4,022,319	3,998,844	3,571,566	4,005,446
	2,094,856	2,119,928	1,886,579	1,916,292	1,731,553	1,432,875
	2,194,173	1,867,377	1,653,856	2,060,069	2,376,075	2,489,337
	554,231	490,982	531,284	517,132	563,186	494,540
	1,165,766	630,215	722,055	671,078	998,167	760,060
	<u>6,797,897</u>	<u>6,875,049</u>	<u>7,161,321</u>	<u>6,834,913</u>	<u>6,425,843</u>	<u>5,310,409</u>
	<u>17,582,336</u>	<u>16,198,487</u>	<u>15,977,414</u>	<u>15,998,328</u>	<u>15,666,390</u>	<u>14,492,667</u>
	<u>10,362,806</u>	<u>10,135,360</u>	<u>6,106,378</u>	<u>5,686,413</u>	<u>2,924,345</u>	<u>2,502,928</u>
	5,400,964	5,173,826	4,841,680	4,701,307	4,750,726	4,672,390
	2,010,440	598,893	414,302	289,226	116,636	265,046
			( 25,722)	( 4,541,318)	3,500	
	( 4,640,871)	( 3,165,919)	( 2,957,986)	( 3,165,710)	( 1,922,216)	( 1,285,213)
	( 846,159)	( 1,276,769)	( 1,764,954)	( 1,035,419)	( 836,997)	( 1,381,819)
	<u>1,924,374</u>	<u>1,330,031</u>	<u>507,320</u>	<u>( 3,751,914)</u>	<u>2,111,649</u>	<u>2,270,404</u>
	12,287,180	11,465,391	6,613,698	1,934,499	5,035,994	4,773,332
	<u>95,541</u>	<u>248,166</u>	<u>83,385</u>	<u>351,434</u>	<u>270,367</u>	<u>1,042,216</u>
	<u>95,541</u>	<u>248,166</u>	<u>83,385</u>	<u>351,434</u>	<u>270,367</u>	<u>1,042,216</u>
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
\$	<u>12,382,721</u>	<u>11,713,557</u>	<u>6,697,083</u>	<u>2,285,933</u>	<u>5,306,361</u>	<u>5,815,548</u>

# PORT FREEPORT

Property Tax Rates<sup>③</sup>  
 Direct and Overlapping Governments  
 for the Levy Years 2013 through 2022<sup>①②</sup>

	2022	2021	2020
Port Freeport	\$ 0.035000	\$ 0.040000	\$ 0.040100
<u>Overlapping Governments:</u>			
Alvin I.S.D.	1.377700	1.397700	1.397700
Alvin Community College	0.164145	0.183211	0.183443
Angleton, City of	0.618760	0.633041	0.665144
Angleton Drainage District	0.070000	0.091153	0.109962
Angleton I.S.D.	1.229600	1.267000	1.331300
Angleton-Danbury Hospital	0.160943	0.192505	0.205909
Brazoria, City of	0.680476	0.680476	0.680476
Brazoria County	0.341106	0.336530	0.342017
Brazoria County FWD #1	0.00	0.00	0.00
Brazoria County MUD #32	1.350000	1.350000	1.350000
Brazosport College	0.285895	0.309341	0.297866
Brazosport I.S.D.	1.133000	1.178700	1.181700
Clute, City of	0.594799	0.625000	0.595392
Columbia/Brazoria I.S.D.	1.054940	1.072340	1.088140
Commodore Cove I.D.	0.155157	0.208800	0.201468
Danbury, City of	0.584277	0.659094	0.697258
Brazoria County Drainage District #8 (Danbury)	0.170000	0.209000	0.209378
Danbury I.S.D.	1.273800	1.291200	1.392720
Freeport, City of	0.600000	0.600000	0.615859
Jones Creek, Village of	0.394925	0.440000	0.440000
Lake Jackson, City of	0.323121	0.339000	0.328977
Liverpool, City of	0.142600	0.147730	0.164649
Oak Manor U.D.	0.410000	0.540000	0.540000
Oyster Creek, City of	0.217576	0.238518	0.238518
Quintana, Town of	0.015711	0.015423	0.013426
Richwood, City of	0.606810	0.652278	0.627470
Surfside, Village of	0.334846	0.334846	0.334846
Sweeny, City of	0.730954	0.747062	0.701553
Sweeny Hospital District	0.441100	0.537930	0.541299
Sweeny I.S.D.	1.016300	1.036400	1.036400
Treasure Island M.U.D.	0.302952	0.382272	0.423660
Varner Creek Utility District	0.480000	0.530000	0.570000
Velasco Drainage District	0.074490	0.083553	0.078150
West Brazoria County Drainage District #11	0.017991	0.019887	0.019695
West Columbia, City of	0.715000	0.770000	0.731770

① Source - Brazoria County Appraisal District  
 ② Property taxes are levied annually in October.  
 ③ Property tax rates are per \$100 taxable valuation.

TABLE 6

	2019	2018	2017	2016	2015	2014	2013
\$	0.040100	\$ 0.040100	\$ 0.040100	\$ 0.040100	\$ 0.041304	\$ 0.045000	\$ 0.045000
	1.397700	1.450000	1.450000	1.450000	1.417000	1.417000	1.329100
	0.185862	0.187775	0.180750	0.191744	0.204009	0.204009	0.199756
	0.697580	0.697580	0.707598	0.707598	0.717598	0.723500	0.723500
	0.130352	0.131182	0.146855	0.155164	0.166619	0.176597	0.175448
	1.385200	1.455200	1.455200	1.455200	1.455200	1.455200	1.455200
	0.242259	0.258328	0.273681	0.302817	0.321751	0.346854	0.362678
	0.680476	0.721976	0.721976	0.790700	0.790700	0.770700	0.770700
	0.365233	0.367914	0.380234	0.457405	0.426000	0.438500	0.432020
	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	1.350000	1.350000	0.00	0.00	0.00	0.00	0.00
	0.300177	0.298500	0.303249	0.285040	0.277510	0.280878	0.267309
	1.185300	1.255300	1.255300	1.255300	1.255300	1.255300	1.255300
	0.625000	0.625000	0.625000	0.643000	0.659000	0.672000	0.672000
	1.170340	1.258059	1.269500	1.284700	1.284700	1.284700	1.296500
	0.202349	0.208164	0.204235	0.205984	0.399327	0.439336	0.467538
	0.773569	0.816924	0.765672	0.768701	0.799313	0.829169	0.829169
	0.232948	0.252063	0.252063	0.276115	0.307812	0.325442	0.349474
	1.468350	1.604700	1.250700	1.256600	1.255000	1.240000	1.141081
	0.628005	0.628005	0.628005	0.628005	0.645642	0.675586	0.675586
	0.411289	0.462691	0.410000	0.410000	0.410000	0.410000	0.410000
	0.348200	0.335200	0.337500	0.337500	0.360000	0.387500	0.390000
	0.189288	0.189288	0.189288	0.193770	0.215304	0.216473	0.230463
	0.600000	0.700000	0.500000	0.500000	0.540000	0.510000	0.520000
	0.293346	0.258976	0.303816	0.303816	0.332273	0.476394	0.476394
	0.014898	0.014898	0.013830	0.012938	0.013046	0.013046	0.022882
	0.670204	0.670204	0.634444	0.672580	0.735680	0.735680	0.735680
	0.353778	0.359506	0.359506	0.359506	0.375204	0.397940	0.432601
	0.747062	0.747062	0.747062	0.747062	0.842869	0.908000	0.887456
	0.541299	0.548211	0.516523	0.527302	0.510351	0.483126	0.470003
	1.141700	1.211700	1.211700	1.211700	1.211700	1.211700	1.211700
	0.450318	0.535735	0.531270	0.503878	0.518997	0.553152	0.575262
	0.600000	0.640000	0.650000	0.710000	0.760000	0.830000	0.890000
	0.084550	0.084120	0.085000	0.091501	0.093878	0.098018	0.100226
	0.020000	0.020000	0.020000	0.020000	0.020000	0.020000	0.020000
	0.820000	0.820000	0.820000	0.830000	0.830000	0.831900	0.831900

# PORT FREEPORT

Valuation, Exemptions and General Obligation Debt  
for Fiscal Year Ended September 30, 2023  
(In Thousands)

TABLE 7

<hr/>		
2022 Market Valuation: <sup>①</sup> (excluding totally exempt property)		
Land, Homesite	\$ 1,768,070	
Land, Non Homesite	1,856,774	
Land, Ag and Timber Market	1,902,184	
Improvement, Homesite	7,714,508	
Improvement, Non-Homesite	24,389,117	
Non Real, Personal Property	4,394,678	
Non Real, Mineral	40,557	
Total Market Value Before Exemptions	\$ 42,065,888	
Less Exemptions/Reductions at 100% Market Value:		
Homestead Exemptions	\$ 1,760,666	
Over 65 Homesteads Exemptions	1,585,419	
Disabled Exemptions	243,616	
Abatements	13,042,378	
Freeport Loss	788,670	
Pollution Control	2,251,217	
Productivity Loss	1,863,499	
Tax Exempt	2,045,735	
Other	11,814	
Total Exemptions	\$ 23,593,014	
Net 2022 Taxable Valuation		\$ 18,472,874
<hr/>		

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

# PORT FREEPORT

Taxable and Estimated Valuation of Properties Located  
 Within the Port Taxing District <sup>①</sup> for the Fiscal Years 2014 through 2023  
 (In Thousands)

TABLE 8

Fiscal Year	Estimated Market Value		Less: Tax-Exempt Property	Taxable Valuation	Percent Growth (Reduction) From Prior Year	Total Direct Tax Rate <sup>②</sup>
	Real Property	Personal Property				
2014	\$ 12,381,744	\$ 2,842,272	\$ 4,719,891	\$ 10,504,125	2.86 %	\$ 0.045000
2015	12,843,780	2,923,286	5,403,575	10,363,491	(1.34)	0.045000
2016	14,362,925	2,826,243	6,113,078	11,076,090	6.88	0.041304
2017	16,996,743	2,609,001	7,843,409	11,762,335	6.20	0.040100
2018	20,489,956	2,724,994	10,645,525	12,569,425	6.86	0.040100
2019	25,063,315	3,220,040	14,708,104	13,575,251	8.00	0.040100
2020	27,275,022	3,742,847	17,042,383	13,975,486	2.95	0.040100
2021	32,561,006	4,056,672	21,679,903	14,937,775	6.89	0.040100
2022	33,670,681	3,955,198	22,120,276	15,505,603	3.80	0.040000
2023	37,671,210	4,394,678	23,593,014	18,472,874	19.14	0.035000
Taxable Valuation 2014-2023					75.86	

<sup>①</sup> Source - Brazoria County Appraisal District

<sup>②</sup> Property tax rates are per \$100 taxable valuation.

# PORT FREEPORT

## Property Tax Levies and Collections<sup>①</sup> for the Fiscal Years 2014 through 2023

TABLE 9

Fiscal Year	Total <sup>②</sup> Levy Amount	Levy Adjustments	Adjusted Levy Amount	Total Current Year Collections	Percent of Current Year Collections	Delinquent Tax Collections	Total Gross Collections	Percent of Total Collections
2014	\$ 4,679,020	\$ 118,085	\$ 4,560,935	\$ 4,632,114	99.00 %	\$ 55,124	\$ 4,687,238	100.18 %
2015	4,767,574	103,877	4,663,697	4,721,937	99.04	61,372	4,783,309	100.33
2016	4,701,834	126,869	4,574,965	4,659,846	99.11	55,133	4,714,979	100.28
2017	4,716,780	141,011	4,575,769	4,806,562	101.90	72,516	4,879,078	103.44
2018	5,040,346	144,429	4,895,917	5,129,495	101.77	77,864	5,207,359	103.31
2019	5,443,667	13,570	5,430,097	5,381,510	98.86	92,899	5,474,409	100.56
2020	5,604,169	37,700	5,641,869	5,590,018	99.75	80,342	5,670,360	101.18
2021	5,990,048	230,845	6,220,893	6,172,165	103.04	71,823	6,243,988	104.24
2022	6,202,346	243,024	6,445,370	6,386,489	102.97	23,459	6,409,948	103.35
2023	6,468,833	171,508	6,565,734	6,577,440	101.68	74,607	6,652,047	102.83

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

<sup>②</sup>Amounts shown are original levy amounts and exclude any subsequent supplemental assessments, and therefore collections may exceed total levy amount.

# PORT FREEPORT

## Principal Taxpayers<sup>①</sup> Current Year and Nine Years Ago

September 30, 2023  
(In Thousands)

TABLE 10

Entity	2021 Market Valuation	Percent of Total Market Valuation	2021 <sup>②</sup> Taxable Valuation	Percent of Total Taxable Valuation
Dow Chemical Company	\$ 5,242,771	12.46 %	\$ 3,076,389	16.65 %
Phillips 66 Company	3,627,598	8.62	1,103,256	5.97
Olin Chlorine #7 LLC	672,647	1.60	654,578	3.54
Blue Cube Operations LLC	796,539	1.89	580,507	3.14
Chevron Phillips Chemical Company	2,054,252	4.88	408,691	2.21
Seaway Crude Pipeline	317,241	0.75	309,313	1.67
BASF Corp. Chemicals Div.	489,275	1.16	286,545	1.55
Centerpoint Energy Inc.	175,045	0.42	175,041	0.95
Freeport LNG	1,321,097	3.14	169,137	0.92
BG Woodward LLC	126,861	0.30	126,861	0.69
<b>TOTAL</b>	<b>\$ 14,823,326</b>	<b>35.22 %</b>	<b>\$ 6,890,318</b>	<b>37.29 %</b>

September 30, 2014  
(In Thousands)

Entity	2013 <sup>③</sup> Market Valuation	Percent of Total Market Valuation	2013 Taxable Valuation	Percent of Total Taxable Valuation
Dow Chemical Company	\$ 2,719,749	17.86 %	\$ 2,178,208	21.49 %
Phillips 66 Company	1,213,181	7.97	661,534	6.53
BASF Corp. Chemicals Div.	704,178	4.63	551,085	5.44
Chevron Phillips Chemical Company	544,671	3.58	437,471	4.32
Freeport LNG	238,906	1.57	183,733	1.81
Freeport Energy Center	128,044	0.84	128,044	1.26
Shintech, Inc.	152,570	1.00	124,114	1.22
Sweeny Cogenerations Ltd	102,750	0.67	95,991	0.95
Centerpoint Energy Inc	91,115	0.60	91,111	0.90
Braskem America Inc.	78,518	0.52	71,191	0.70
<b>TOTAL</b>	<b>\$ 5,973,682</b>	<b>39.24 %</b>	<b>\$ 4,522,482</b>	<b>44.62 %</b>

<sup>①</sup>Source - Brazoria County Appraisal District

<sup>②</sup>Property taxes levied for the 2023 fiscal year were based on 2022 taxable valuations.

<sup>③</sup>Property taxes levied for the 2014 fiscal year were based on 2013 taxable valuations.

# PORT FREEPORT

Computation of Direct and Overlapping  
Bonded Debt of General Obligation Bond Issues  
September 30, 2023

TABLE 11

Taxing Entity	Net Bonded Debt Amount	As of	Percent Overlapping	Amount Overlapping
Alvin I.S.D.	\$ 936,195,000	9-30-23	9.53 %	\$ 89,219,384
Alvin Community College	21,940,000	9-30-23	9.04	1,983,376
Alvin, City Of	36,085,000	9-30-23	0.39	140,732
Angleton, City of	36,135,000	9-30-23	100.00	36,135,000
Angleton I.S.D.	223,230,000	9-30-23	62.11	138,648,153
Brazoria, City of	4,505,000	9-30-23	100.00	4,505,000
Brazoria County	207,948,313	9-30-23	58.17	120,963,534
Brazoria County MUD #32	34,280,000	9-30-23	80.24	27,506,272
Brazosport I.S.D.	343,640,000	9-30-23	100.00	343,640,000
Brazosport College	40,710,000	9-30-23	100.00	40,710,000
Clute, City of	12,455,000	9-30-23	100.00	12,455,000
Columbia/Brazoria I.S.D.	69,030,000	9-30-23	100.00	69,030,000
Danbury, City of	0	9-30-23	100.00	0
Danbury I.S.D.	17,275,000	9-30-23	100.00	17,275,000
Freeport, City of	11,670,000	9-30-23	100.00	11,670,000
Iowa Colony, City of	13,785,000	9-30-23	39.88	5,497,458
Lake Jackson, City of	34,110,000	9-30-23	100.00	34,110,000
Manvel, City of	51,495,000	9-30-23	1.58	813,621
Richwood, City of	8,720,000	9-30-23	100.00	8,720,000
Surfside Beach, Village of	1,365,000	9-30-23	100.00	1,365,000
Sweeny, City of	8,887,000	9-30-23	100.00	8,887,000
Sweeny I.S.D.	41,855,000	9-30-23	75.78	31,717,719
Varner Creek UD	6,805,000	9-30-23	100.00	6,805,000
Velasco Drainage District	4,200,000	9-30-23	100.00	4,200,000
West Columbia, City of	5,655,000	9-30-23	100.00	5,655,000
<b>Sub-total Bonded Debt</b>	<b>\$ 2,171,975,313</b>	<b>Sub-total Overlapping Debt</b>		<b>\$ 1,021,652,249</b>
Port Freeport	\$ 122,980,000	9-30-23	100.00 %	\$ 122,980,000
<b>Total Direct &amp; Overlapping General Obligation Issue Debt</b>	<b>\$ 2,294,955,313</b>			<b>\$ 1,144,632,249</b>
Ratio of Overlapping Debt to Direct 2022 Taxable Valuation				0.062 %

<sup>①</sup>Source: Municipal Advisory Council of Texas

# PORT FREEPORT

Ratio of Outstanding Debt by Type  
for the Fiscal Years Ended September 30, 2014 through 2023  
(In Thousands)

TABLE 12

Fiscal Year Ending September 30	General Obligation Bonds	Revenue Bonds	Purchase Financing Note	Total	Estimated Personal Income <sup>①</sup>	Estimated County Population <sup>②</sup>	Percentage of Personal Income	Per Capita
2014	\$ 5,391	\$ 37,710	14,100	\$ 57,201	\$ 6,526,846	326	0.8764 %	\$ 175
2015	4,375	70,288	12,830	87,493	6,671,478	333	1.3115	263
2016	3,355	67,187	11,531	82,073	6,997,340	350	1.1729	235
2017	2,279	64,567	10,202	77,048	6,997,340	350	1.1011	220
2018	1,159	96,242	8,842	106,243	7,112,480	355	1.4938	299
2019	35,319	92,896	7,451	135,666	12,597,469	376	1.0769	361
2020	35,071	170,406	6,028	211,505	18,092,612	372	1.1690	569
2021	74,054	201,613	4,572	280,239	14,225,736	383	1.9699	732
2022	73,220	196,037	3,083	272,340	13,183,663	372	2.0657	732
2023	128,870	190,257	1,559	320,686	13,846,250	372	2.3160	862

<sup>①</sup> Source United States Census Bureau

<sup>②</sup> Source Texas State Data Center

# PORT FREEPORT

Ratio of Net General Bonded Debt to Taxable Value  
and to Net Bonded Debt Per Capita<sup>①②</sup>  
(In Thousands)  
For Fiscal Years 2014 through 2023

TABLE 13

Fiscal Year	Taxable Valuation	Gross General Bonded Debt	Debt Service Restricted Cash	Net General Bonded Debt	Ratio of Net Bonded Debt to Taxable Value	Estimated Population	Net Bonded Debt Per Capita
2014	\$ 10,504,125	\$ 5,391	\$ 235	\$ 5,156	0.0005	326	\$ 16
2015	10,363,491	4,375	219	4,156	0.0004	333	12
2016	11,076,090	3,355	201	3,154	0.0003	350	9
2017	11,762,335	2,279	108	2,171	0.0002	350	6
2018	12,569,425	1,159	115	1,044	0.0001	355	3
2019	13,575,251	35,319	129	35,190	0.0026	376	94
2020	13,975,486	35,071	132	34,939	0.0025	372	94
2021	14,937,775	74,054	249	73,805	0.0049	383	193
2022	15,505,603	73,220	74	73,146	0.0047	372	197
2023	18,472,874	128,870	1,033	127,837	0.0069	372	344

<sup>①</sup>Source: Texas State Data Center

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



# PORT FREEPORT

## Pledged Revenue Bond Indebtedness Coverage for Fiscal Years 2014 through 2023 (In Thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenue	\$ 46,102	\$ 47,284	\$ 39,663	\$ 33,573
Operating Expenses (Net of Depreciation)	( 14,144)	( 12,217)	( 11,186)	( 10,953)
Ad Valorem Tax Collections <sup>③</sup>	3,409	3,779	4,167	4,129
Investment Income	1,417	344	36	601
Other Income	<u>5,487</u>	<u>144</u>	<u>257</u>	
Net Revenues Available for Debt Service On Revenue Obligations	<u>\$ 42,271</u>	<u>\$ 39,334</u>	<u>\$ 32,937</u>	<u>\$ 27,350</u>
Annual Revenue Bonded Debt Service	\$ 12,864	\$ 12,864	\$ 12,578	\$ 11,531
Percent of Coverage	329%	306%	262%	237%
Maximum Revenue Bond Debt Service	\$ 12,866	\$ 12,866	\$ 12,866	\$ 11,539
Percent of Coverage <sup>①</sup>	329%	306%	256%	237%

<sup>①</sup>Indicates the extent to which net revenues available for revenue debt service would provide coverage of maximum annual revenue debt service requirements in any future year. The maximum annual revenue debt service will occur in 2027.

<sup>③</sup>Net of collection expenses and debt service available for General Obligation bonds.

TABLE 14

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 26,334	\$ 22,084	\$ 21,685	\$ 18,591	\$ 16,996
( 9,323)	( 8,816)	( 9,163)	( 9,241)	( 9,183)
3,992	3,675	3,519	3,533	3,320
596	409	287	117	265
		382		
<u>\$ 21,599</u>	<u>\$ 17,352</u>	<u>\$ 16,710</u>	<u>\$ 13,000</u>	<u>\$ 11,398</u>
\$ 6,718	\$ 5,215	\$ 5,226	\$ 5,229	\$ 2,834
322%	333%	320%	249%	402%
\$ 7,217	\$ 5,227	\$ 5,227	\$ 5,227	\$ 7,376
299%	332%	320%	249%	155%

# PORT FREEPORT

## Summary of Annual Cash Requirements on Debt Outstanding September 30, 2023

Fiscal Year Ending September 30	General Obligation Bonds Series 2019	General Obligation Bonds Series 2021	General Obligation Bonds Series 2023	Senior Lien Revenue Refunding Bonds Series 2013A	Senior Lien Revenue and Refunding Bonds Series 2015A	Senior Lien Revenue Refunding Bonds Series 2018
2024	\$ 1,333,262	\$ 894,250	\$ 2,426,688	\$ 2,786,776	\$ 2,438,838	\$ 1,987,200
2025	1,912,012	894,250	2,806,688	2,783,010	2,444,088	1,989,950
2026	1,910,712	894,250	3,400,788	2,782,088	2,441,838	1,985,950
2027	1,914,212	1,934,250	3,401,063	2,783,856	2,437,338	1,990,450
2028	1,910,712	1,932,650	3,403,313	2,783,160	2,440,588	1,987,950
2029	1,910,462	1,934,450	3,402,813		2,441,088	1,988,700
2030	1,913,212	1,929,450	3,399,563		2,438,838	1,987,450
2031	1,914,300	1,932,850	3,403,563		2,440,838	1,989,200
2032	1,913,800	1,934,250	3,399,313		2,439,276	1,988,700
2033	1,910,600	1,931,300	3,402,063		2,440,650	1,985,950
2034	1,911,000	1,932,300	3,401,313		2,438,062	1,985,950
2035	1,909,800	1,932,100	3,402,063		2,443,138	1,988,450
2036	1,912,000	1,929,500	3,404,063		2,440,450	1,988,200
2037	1,912,400	1,931,400	3,402,063		2,438,700	1,990,200
2038	1,912,600	1,932,700	3,401,063		2,438,200	1,989,200
2039	1,909,800	1,933,400	3,403,863		2,438,700	1,990,200
2040	1,910,200	1,933,500	3,398,663		2,434,950	1,986,400
2041	1,913,600	1,933,000	3,400,663		2,436,950	1,990,600
2042	1,909,800	1,931,900	3,399,463		2,438,976	1,987,400
2043	1,914,000	1,930,200	3,400,063		2,441,950	1,987,000
2044	1,910,800	1,932,900	3,402,263		2,440,650	1,989,200
2045	1,910,400	1,929,900	3,400,863		2,440,076	1,988,800
2046	1,912,600	1,931,300	3,400,863			1,990,800
2047	1,912,200	1,932,000	3,402,063			1,990,000
2048	1,909,200	1,932,000	3,399,263			1,986,400
2049	1,913,600	1,931,300	3,402,463			
2050		1,929,900	3,402,788			
2051		1,927,800	3,403,369			
2052			3,399,000			
2053			3,399,681			
	\$ 49,127,284	\$ 50,979,050	\$100,471,738	\$ 13,918,890	\$ 53,674,182	\$ 49,710,300

# PORT FREEPORT

TABLE 15

Senior Lien Revenue Bonds, Series 2019A	Senior Lien Revenue Bonds, Series 2019B	Senior Lien Revenue Bonds, Series 2021	Purchase Financing Note	Total
\$ 2,776,350	\$ 1,548,300	\$ 1,326,850	\$ 1,594,940	\$ 19,113,454
2,773,350	1,547,550	1,326,850		18,477,748
2,773,350	1,550,300	1,326,850		19,066,126
2,776,100	1,551,300	1,326,850		20,115,419
2,776,350	1,550,550	1,326,850		20,112,123
2,774,100	1,548,050	2,061,850		18,061,513
2,774,350	1,548,800	2,065,100		18,056,763
2,776,850	1,547,550	2,061,350		18,066,501
2,776,350	1,549,300	2,065,850		18,066,839
2,772,850	1,547,000	2,063,100		18,053,513
2,776,350	1,548,950	2,123,350		18,117,275
2,776,350	1,550,000	2,073,350		18,075,251
2,777,550	1,550,150	2,063,350		18,065,263
2,776,350	1,549,400	2,061,350		18,061,863
2,772,750	1,547,750	2,061,850		18,056,113
2,776,750	1,550,200	2,064,600		18,067,513
2,772,950	1,551,600	2,064,350		18,052,613
2,776,550	1,546,950	2,066,100		18,064,413
2,777,150	1,551,400	2,064,600		18,060,689
2,774,750	1,549,650	2,063,800		18,061,413
2,774,350	1,551,850	2,065,800		18,067,813
2,775,750	1,547,850	2,065,400		18,059,039
2,777,000	1,547,800	2,062,600		15,622,963
2,772,750	1,551,550	2,062,400		15,622,963
2,773,000	1,548,950	2,064,600		15,613,413
2,777,250	1,550,150	2,064,000		13,638,763
		2,065,600		7,398,288
		2,059,200		7,390,369
				3,399,000
				3,399,681
<b>\$ 72,157,600</b>	<b>\$ 40,282,900</b>	<b>\$ 54,167,800</b>	<b>\$ 1,594,940</b>	<b>\$ 486,084,684</b>

# PORT FREEPORT

## Summary of Annual Cash Requirements on General Obligation Debt Outstanding September 30, 2023

TABLE 16

Fiscal Year Ending September 30	General Obligation Bonds Series 2019	General Obligation Bonds Series 2021	General Obligation Bonds Series 2023	Total
2024	\$ 1,333,262	\$ 894,250	\$ 2,426,688	\$ 4,654,200
2025	1,912,012	894,250	2,806,688	5,612,950
2026	1,910,712	894,250	3,400,788	6,205,750
2027	1,914,212	1,934,250	3,401,063	7,249,525
2028	1,910,712	1,932,650	3,403,313	7,246,675
2029	1,910,462	1,934,450	3,402,813	7,247,725
2030	1,913,212	1,929,450	3,399,563	7,242,225
2031	1,914,300	1,932,850	3,403,563	7,250,713
2032	1,913,800	1,934,250	3,399,313	7,247,363
2033	1,910,600	1,931,300	3,402,063	7,243,963
2034	1,911,000	1,932,300	3,401,313	7,244,613
2035	1,909,800	1,932,100	3,402,063	7,243,963
2036	1,912,000	1,929,500	3,404,063	7,245,563
2037	1,912,400	1,931,400	3,402,063	7,245,863
2038	1,912,600	1,932,700	3,401,063	7,246,363
2039	1,909,800	1,933,400	3,403,863	7,247,063
2040	1,910,200	1,933,500	3,398,663	7,242,363
2041	1,913,600	1,933,000	3,400,663	7,247,263
2042	1,909,800	1,931,900	3,399,463	7,241,163
2043	1,914,000	1,930,200	3,400,063	7,244,263
2044	1,910,800	1,932,900	3,402,263	7,245,963
2045	1,910,400	1,929,900	3,400,863	7,241,163
2046	1,912,600	1,931,300	3,400,863	7,244,763
2047	1,912,200	1,932,000	3,402,063	7,246,263
2048	1,909,200	1,932,000	3,399,263	7,240,463
2049	1,913,600	1,931,300	3,402,463	7,247,363
2050		1,929,900	3,402,788	5,332,688
2051		1,927,800	3,403,369	5,331,169
2052			3,399,000	3,399,000
2053			3,399,681	3,399,681
	\$ 49,127,284	\$ 50,979,050	\$ 100,471,738	\$ 200,578,072

# PORT FREEPORT

General Obligation Bonds, Series 2019 (Non-AMT)  
September 30, 2023

TABLE 17

Fiscal Year Ending September 30	Coupon	Interest Due February 1	Interest Due August 1	Principal Due August 1	Total Principal & Interest	Principal Balance
						\$ 30,045,000
2024	5.000 %	\$ 604,131	\$ 604,131	\$ 125,000	\$ 1,333,262	29,920,000
2025	3.000	601,006	601,006	710,000	1,912,012	29,210,000
2026	5.000	590,356	590,356	730,000	1,910,712	28,480,000
2027	5.000	572,106	572,106	770,000	1,914,212	27,710,000
2028	5.000	552,856	552,856	805,000	1,910,712	26,905,000
2029	5.000	532,731	532,731	845,000	1,910,462	26,060,000
2030	2.125	511,606	511,606	890,000	1,913,212	25,170,000
2031	5.000	502,150	502,150	910,000	1,914,300	24,260,000
2032	4.000	479,400	479,400	955,000	1,913,800	23,305,000
2033	4.000	460,300	460,300	990,000	1,910,600	22,315,000
2034	4.000	440,500	440,500	1,030,000	1,911,000	21,285,000
2035	4.000	419,900	419,900	1,070,000	1,909,800	20,215,000
2036	4.000	398,500	398,500	1,115,000	1,912,000	19,100,000
2037	3.000	376,200	376,200	1,160,000	1,912,400	17,940,000
2038	4.000	358,800	358,800	1,195,000	1,912,600	16,745,000
2039	4.000	334,900	334,900	1,240,000	1,909,800	15,505,000
2040	4.000	310,100	310,100	1,290,000	1,910,200	14,215,000
2041	4.000	284,300	284,300	1,345,000	1,913,600	12,870,000
2042	4.000	257,400	257,400	1,395,000	1,909,800	11,475,000
2043	4.000	229,500	229,500	1,455,000	1,914,000	10,020,000
2044	4.000	200,400	200,400	1,510,000	1,910,800	8,510,000
2045	4.000	170,200	170,200	1,570,000	1,910,400	6,940,000
2046	4.000	138,800	138,800	1,635,000	1,912,600	5,305,000
2047	4.000	106,100	106,100	1,700,000	1,912,200	3,605,000
2048	4.000	72,100	72,100	1,765,000	1,909,200	1,840,000
2049	4.000	36,800	36,800	1,840,000	1,913,600	0
		\$ 9,541,142	\$ 9,541,142	\$ 30,045,000	\$ 49,127,284	

# PORT FREEPORT

General Obligation Bonds, Series 2021 (Non-AMT)  
September 30, 2023

TABLE 18

Fiscal Year Ending September 30	Coupon	Interest Due February 1	Interest Due August 1	Principal Due August 1	Total Principal & Interest	Principal Balance
						\$ 37,135,000
2024		\$ 447,125	\$ 447,125	\$ -	\$ 894,250	37,135,000
2025		447,125	447,125	-	894,250	37,135,000
2026		447,125	447,125	-	894,250	37,135,000
2027	4.000 %	447,125	447,125	1,040,000	1,934,250	36,095,000
2028	4.000	426,325	426,325	1,080,000	1,932,650	35,015,000
2029	4.000	404,725	404,725	1,125,000	1,934,450	33,890,000
2030	4.000	382,225	382,225	1,165,000	1,929,450	32,725,000
2031	4.000	358,925	358,925	1,215,000	1,932,850	31,510,000
2032	3.000	334,625	334,625	1,265,000	1,934,250	30,245,000
2033	3.000	315,650	315,650	1,300,000	1,931,300	28,945,000
2034	3.000	296,150	296,150	1,340,000	1,932,300	27,605,000
2035	2.000	276,050	276,050	1,380,000	1,932,100	26,225,000
2036	2.000	262,250	262,250	1,405,000	1,929,500	24,820,000
2037	2.000	248,200	248,200	1,435,000	1,931,400	23,385,000
2038	2.000	233,850	233,850	1,465,000	1,932,700	21,920,000
2039	2.000	219,200	219,200	1,495,000	1,933,400	20,425,000
2040	2.000	204,250	204,250	1,525,000	1,933,500	18,900,000
2041	2.000	189,000	189,000	1,555,000	1,933,000	17,345,000
2042	2.000	173,450	173,450	1,585,000	1,931,900	15,760,000
2043	2.000	157,600	157,600	1,615,000	1,930,200	14,145,000
2044	2.000	141,450	141,450	1,650,000	1,932,900	12,495,000
2045	2.000	124,950	124,950	1,680,000	1,929,900	10,815,000
2046	2.000	108,150	108,150	1,715,000	1,931,300	9,100,000
2047	2.000	91,000	91,000	1,750,000	1,932,000	7,350,000
2048	2.000	73,500	73,500	1,785,000	1,932,000	5,565,000
2049	2.000	55,650	55,650	1,820,000	1,931,300	3,745,000
2050	2.000	37,450	37,450	1,855,000	1,929,900	1,890,000
2051	2.000	18,900	18,900	1,890,000	1,927,800	0
		\$ 6,922,025	\$ 6,922,025	\$ 37,135,000	\$ 50,979,050	

# PORT FREEPORT

General Obligation Bonds, Series 2023 (Non-AMT)  
September 30, 2023

TABLE 19

Fiscal Year Ending September 30	Coupon	Interest Due February 1	Interest Due August 1	Principal Due August 1	Total Principal & Interest	Principal Balance
						\$ 55,800,000
2024	5.500 %	\$ 1,213,344	\$ 1,213,344	\$ -	\$ 2,426,688	55,800,000
2025	5.500	1,213,344	1,213,344	380,000	2,806,688	55,420,000
2026	5.500	1,202,894	1,202,894	995,000	3,400,788	54,425,000
2027	5.500	1,175,531	1,175,531	1,050,000	3,401,063	53,375,000
2028	5.000	1,146,656	1,146,656	1,110,000	3,403,313	52,265,000
2029	5.000	1,118,906	1,118,906	1,165,000	3,402,813	51,100,000
2030	5.000	1,089,781	1,089,781	1,220,000	3,399,563	49,880,000
2031	5.000	1,059,281	1,059,281	1,285,000	3,403,563	48,595,000
2032	5.000	1,027,156	1,027,156	1,345,000	3,399,313	47,250,000
2033	5.000	993,531	993,531	1,415,000	3,402,063	45,835,000
2034	5.000	958,156	958,156	1,485,000	3,401,313	44,350,000
2035	5.000	921,031	921,031	1,560,000	3,402,063	42,790,000
2036	5.000	882,031	882,031	1,640,000	3,404,063	41,150,000
2037	5.000	841,031	841,031	1,720,000	3,402,063	39,430,000
2038	4.000	798,031	798,031	1,805,000	3,401,063	37,625,000
2039	4.000	761,931	761,931	1,880,000	3,403,863	35,745,000
2040	4.000	724,331	724,331	1,950,000	3,398,663	33,795,000
2041	4.000	685,331	685,331	2,030,000	3,400,663	31,765,000
2042	4.000	644,731	644,731	2,110,000	3,399,463	29,655,000
2043	4.000	602,531	602,531	2,195,000	3,400,063	27,460,000
2044	4.000	558,631	558,631	2,285,000	3,402,263	25,175,000
2045	4.000	512,931	512,931	2,375,000	3,400,863	22,800,000
2046	4.000	465,431	465,431	2,470,000	3,400,863	20,330,000
2047	4.000	416,031	416,031	2,570,000	3,402,063	17,760,000
2048	4.000	364,631	364,631	2,670,000	3,399,263	15,090,000
2049	4.125	311,231	311,231	2,780,000	3,402,463	12,310,000
2050	4.125	253,894	253,894	2,895,000	3,402,788	9,415,000
2051	4.125	194,184	194,184	3,015,000	3,403,369	6,400,000
2052	4.125	132,000	132,000	3,135,000	3,399,000	3,265,000
2053	4.125	67,341	67,341	3,265,000	3,399,681	-
		\$ 22,335,869	\$ 22,335,869	\$ 55,800,000	\$ 100,471,738	

# PORT FREEPORT

## Summary of Annual Cash Requirements on Revenue Debt Outstanding September 30, 2023

TABLE 20

Fiscal Year Ending September 30	Senior Lien Revenue Refunding Bonds Series 2013A	Senior Lien Revenue and Refunding Bonds Series 2015A	Senior Lien Revenue Refunding Bonds Series 2018	Senior Lien Revenue Bonds, Series 2019A	Senior Lien Revenue Bonds, Series 2019B	Senior Lien Revenue Bonds, Series 2021	Total
2024	\$ 2,786,776	\$ 2,438,838	\$ 1,987,200	\$ 2,776,350	\$ 1,548,300	\$ 1,326,850	12,864,314
2025	2,783,010	2,444,088	1,989,950	2,773,350	1,547,550	1,326,850	12,864,798
2026	2,782,088	2,441,838	1,985,950	2,773,350	1,550,300	1,326,850	12,860,376
2027	2,783,856	2,437,338	1,990,450	2,776,100	1,551,300	1,326,850	12,865,894
2028	2,783,160	2,440,588	1,987,950	2,776,350	1,550,550	1,326,850	12,865,448
2029		2,441,088	1,988,700	2,774,100	1,548,050	2,061,850	10,813,788
2030		2,438,838	1,987,450	2,774,350	1,548,800	2,065,100	10,814,538
2031		2,440,838	1,989,200	2,776,850	1,547,550	2,061,350	10,815,788
2032		2,439,276	1,988,700	2,776,350	1,549,300	2,065,850	10,819,476
2033		2,440,650	1,985,950	2,772,850	1,547,000	2,063,100	10,809,550
2034		2,438,062	1,985,950	2,776,350	1,548,950	2,123,350	10,872,662
2035		2,443,138	1,988,450	2,776,350	1,550,000	2,073,350	10,831,288
2036		2,440,450	1,988,200	2,777,550	1,550,150	2,063,350	10,819,700
2037		2,438,700	1,990,200	2,776,350	1,549,400	2,061,350	10,816,000
2038		2,438,200	1,989,200	2,772,750	1,547,750	2,061,850	10,809,750
2039		2,438,700	1,990,200	2,776,750	1,550,200	2,064,600	10,820,450
2040		2,434,950	1,986,400	2,772,950	1,551,600	2,064,350	10,810,250
2041		2,436,950	1,990,600	2,776,550	1,546,950	2,066,100	10,817,150
2042		2,438,976	1,987,400	2,777,150	1,551,400	2,064,600	10,819,526
2043		2,441,950	1,987,000	2,774,750	1,549,650	2,063,800	10,817,150
2044		2,440,650	1,989,200	2,774,350	1,551,850	2,065,800	10,821,850
2045		2,440,076	1,988,800	2,775,750	1,547,850	2,065,400	10,817,876
2046			1,990,800	2,777,000	1,547,800	2,062,600	8,378,200
2047			1,990,000	2,772,750	1,551,550	2,062,400	8,376,700
2048			1,986,400	2,773,000	1,548,950	2,064,600	8,372,950
2049				2,777,250	1,550,150	2,064,000	6,391,400
2050						2,065,600	2,065,600
2051						2,059,200	2,059,200
	\$ 13,918,890	\$ 53,674,182	\$ 49,710,300	\$ 72,157,600	\$ 40,282,900	\$ 54,167,800	\$ 283,911,672

# PORT FREEPORT

Senior Lien Revenue Refunding Bonds, Series 2013A (AMT)  
September 30, 2023

TABLE 21

Fiscal Year Ending September 30	Coupon	Interest Due December 1	Interest Due June 1	Principal Due June 1	Total Principal & Interest	Principal Balance
						\$ 12,720,000
2024	3.08 %	\$ 195,888	\$ 195,888	\$ 2,395,000	\$ 2,786,776	10,325,000
2025	3.08	159,005	159,005	2,465,000	2,783,010	7,860,000
2026	3.08	121,044	121,044	2,540,000	2,782,088	5,320,000
2027	3.08	81,928	81,928	2,620,000	2,783,856	2,700,000
2028	3.08	41,580	41,580	2,700,000	2,783,160	0
		\$ 599,445	\$ 599,445	\$ 12,720,000	\$ 13,918,890	

# PORT FREEPORT

Senior Lien Revenue and Refunding Bonds, Series 2015A (AMT)  
September 30, 2023

TABLE 22

Fiscal Year Ending September 30	Coupon	Interest Due December 1	Interest Due June 1	Principal Due June 1	Total Principal & Interest	Principal Balance
						\$ 33,270,000
2024	5.00 %	\$ 771,919	\$ 771,919	\$ 895,000	\$ 2,438,838	32,375,000
2025	5.00	749,544	749,544	945,000	2,444,088	31,430,000
2026	5.00	725,919	725,919	990,000	2,441,838	30,440,000
2027	5.00	701,169	701,169	1,035,000	2,437,338	29,405,000
2028	5.00	675,294	675,294	1,090,000	2,440,588	28,315,000
2029	5.00	648,044	648,044	1,145,000	2,441,088	27,170,000
2030	4.00	619,419	619,419	1,200,000	2,438,838	25,970,000
2031	4.13	595,419	595,419	1,250,000	2,440,838	24,720,000
2032	4.13	569,638	569,638	1,300,000	2,439,276	23,420,000
2033	4.25	542,825	542,825	1,355,000	2,440,650	22,065,000
2034	4.25	514,031	514,031	1,410,000	2,438,062	20,655,000
2035	4.25	484,069	484,069	1,475,000	2,443,138	19,180,000
2036	5.00	452,725	452,725	1,535,000	2,440,450	17,645,000
2037	5.00	414,350	414,350	1,610,000	2,438,700	16,035,000
2038	5.00	374,100	374,100	1,690,000	2,438,200	14,345,000
2039	5.00	331,850	331,850	1,775,000	2,438,700	12,570,000
2040	5.00	287,475	287,475	1,860,000	2,434,950	10,710,000
2041	4.50	240,975	240,975	1,955,000	2,436,950	8,755,000
2042	4.50	196,988	196,988	2,045,000	2,438,976	6,710,000
2043	4.50	150,975	150,975	2,140,000	2,441,950	4,570,000
2044	4.50	102,825	102,825	2,235,000	2,440,650	2,335,000
2045	4.50	52,538	52,538	2,335,000	2,440,076	0
		\$ 10,202,091	\$ 10,202,091	\$ 33,270,000	\$ 53,674,182	

# PORT FREEPORT

Senior Lien Revenue Refunding Bonds, Series 2018 (AMT)  
September 30, 2023

TABLE 23

Fiscal Year Ending September 30	Coupon	Interest Due December 1	Interest Due June 1	Principal Due June 1	Total Principal & Interest	Principal Balance
						\$ 30,070,000
2024	5.00 %	\$ 671,100	\$ 671,100	\$ 645,000	\$ 1,987,200	29,425,000
2025	5.00	654,975	654,975	680,000	1,989,950	28,745,000
2026	5.00	637,975	637,975	710,000	1,985,950	28,035,000
2027	5.00	620,225	620,225	750,000	1,990,450	27,285,000
2028	5.00	601,475	601,475	785,000	1,987,950	26,500,000
2029	5.00	581,850	581,850	825,000	1,988,700	25,675,000
2030	5.00	561,225	561,225	865,000	1,987,450	24,810,000
2031	5.00	539,600	539,600	910,000	1,989,200	23,900,000
2032	5.00	516,850	516,850	955,000	1,988,700	22,945,000
2033	5.00	492,975	492,975	1,000,000	1,985,950	21,945,000
2034	5.00	467,975	467,975	1,050,000	1,985,950	20,895,000
2035	5.00	441,725	441,725	1,105,000	1,988,450	19,790,000
2036	5.00	414,100	414,100	1,160,000	1,988,200	18,630,000
2037	5.00	385,100	385,100	1,220,000	1,990,200	17,410,000
2038	5.00	354,600	354,600	1,280,000	1,989,200	16,130,000
2039	4.00	322,600	322,600	1,345,000	1,990,200	14,785,000
2040	4.00	295,700	295,700	1,395,000	1,986,400	13,390,000
2041	4.00	267,800	267,800	1,455,000	1,990,600	11,935,000
2042	4.00	238,700	238,700	1,510,000	1,987,400	10,425,000
2043	4.00	208,500	208,500	1,570,000	1,987,000	8,855,000
2044	4.00	177,100	177,100	1,635,000	1,989,200	7,220,000
2045	4.00	144,400	144,400	1,700,000	1,988,800	5,520,000
2046	4.00	110,400	110,400	1,770,000	1,990,800	3,750,000
2047	4.00	75,000	75,000	1,840,000	1,990,000	1,910,000
2048	4.00	38,200	38,200	1,910,000	1,986,400	0
		\$ 9,820,150	\$ 9,820,150	\$ 30,070,000	\$ 49,710,300	

# PORT FREEPORT

Senior Lien Revenue Bonds, Series 2019A (AMT)  
September 30, 2023

TABLE 24

Fiscal Year Ending September 30	Coupon	Interest Due 1-Dec	Interest Due 1-Jun	Principal Due 1-Jun	Total Principal & Interest	Principal Balance
						\$ 41,855,000
2024	5.000 %	\$ 958,175	\$ 958,175	\$ 860,000	\$ 2,776,350	40,995,000
2025	5.000	936,675	936,675	900,000	2,773,350	40,095,000
2026	5.000	914,175	914,175	945,000	2,773,350	39,150,000
2027	5.000	890,550	890,550	995,000	2,776,100	38,155,000
2028	5.000	865,675	865,675	1,045,000	2,776,350	37,110,000
2029	5.000	839,550	839,550	1,095,000	2,774,100	36,015,000
2030	5.000	812,175	812,175	1,150,000	2,774,350	34,865,000
2031	5.000	783,425	783,425	1,210,000	2,776,850	33,655,000
2032	5.000	753,175	753,175	1,270,000	2,776,350	32,385,000
2033	5.000	721,425	721,425	1,330,000	2,772,850	31,055,000
2034	5.000	688,175	688,175	1,400,000	2,776,350	29,655,000
2035	4.000	653,175	653,175	1,470,000	2,776,350	28,185,000
2036	4.000	623,775	623,775	1,530,000	2,777,550	26,655,000
2037	4.000	593,175	593,175	1,590,000	2,776,350	25,065,000
2038	4.000	561,375	561,375	1,650,000	2,772,750	23,415,000
2039	4.000	528,375	528,375	1,720,000	2,776,750	21,695,000
2040	4.000	493,975	493,975	1,785,000	2,772,950	19,910,000
2041	4.000	458,275	458,275	1,860,000	2,776,550	18,050,000
2042	4.000	421,075	421,075	1,935,000	2,777,150	16,115,000
2043	4.000	382,375	382,375	2,010,000	2,774,750	14,105,000
2044	4.000	342,175	342,175	2,090,000	2,774,350	12,015,000
2045	5.000	300,375	300,375	2,175,000	2,775,750	9,840,000
2046	5.000	246,000	246,000	2,285,000	2,777,000	7,555,000
2047	5.000	188,875	188,875	2,395,000	2,772,750	5,160,000
2048	5.000	129,000	129,000	2,515,000	2,773,000	2,645,000
2049	5.000	66,125	66,125	2,645,000	2,777,250	0
		\$ 15,151,300	\$ 15,151,300	\$ 41,855,000	\$ 72,157,600	

# PORT FREEPORT

Senior Lien Revenue Bonds, Series 2019B (NON-AMT)  
September 30, 2023

TABLE 25

Fiscal Year Ending September 30	Coupon	Interest Due 1-Dec	Interest Due 1-Jun	Principal Due 1-Jun	Total Principal & Interest	Principal Balance
						\$ 27,190,000
2024	5.000 %	\$ 466,650	\$ 466,650	\$ 615,000	\$ 1,548,300	26,575,000
2025	5.000	451,275	451,275	645,000	1,547,550	25,930,000
2026	5.000	435,150	435,150	680,000	1,550,300	25,250,000
2027	5.000	418,150	418,150	715,000	1,551,300	24,535,000
2028	5.000	400,275	400,275	750,000	1,550,550	23,785,000
2029	5.000	381,525	381,525	785,000	1,548,050	23,000,000
2030	5.000	361,900	361,900	825,000	1,548,800	22,175,000
2031	5.000	341,275	341,275	865,000	1,547,550	21,310,000
2032	3.000	319,650	319,650	910,000	1,549,300	20,400,000
2033	3.000	306,000	306,000	935,000	1,547,000	19,465,000
2034	3.000	291,975	291,975	965,000	1,548,950	18,500,000
2035	3.000	277,500	277,500	995,000	1,550,000	17,505,000
2036	3.000	262,575	262,575	1,025,000	1,550,150	16,480,000
2037	3.000	247,200	247,200	1,055,000	1,549,400	15,425,000
2038	3.000	231,375	231,375	1,085,000	1,547,750	14,340,000
2039	3.000	215,100	215,100	1,120,000	1,550,200	13,220,000
2040	3.000	198,300	198,300	1,155,000	1,551,600	12,065,000
2041	3.000	180,975	180,975	1,185,000	1,546,950	10,880,000
2042	3.000	163,200	163,200	1,225,000	1,551,400	9,655,000
2043	3.000	144,825	144,825	1,260,000	1,549,650	8,395,000
2044	3.000	125,925	125,925	1,300,000	1,551,850	7,095,000
2045	3.000	106,425	106,425	1,335,000	1,547,850	5,760,000
2046	3.000	86,400	86,400	1,375,000	1,547,800	4,385,000
2047	3.000	65,775	65,775	1,420,000	1,551,550	2,965,000
2048	3.000	44,475	44,475	1,460,000	1,548,950	1,505,000
2049	3.000	22,575	22,575	1,505,000	1,550,150	0
		\$ 6,546,450	\$ 6,546,450	\$ 27,190,000	\$ 40,282,900	

# PORT FREEPORT

Senior Lien Revenue Bonds, Series 2021 (AMT)  
September 30, 2023

TABLE 26

Fiscal Year Ending September 30	Coupon	Interest Due December 1	Interest Due June 1	Principal Due June 1	Total Principal & Interest	Principal Balance
						\$ 29,885,000
2024	5.000 %	\$ 663,425	\$ 663,425	\$ -	\$ 1,326,850	29,885,000
2025	5.000	663,425	663,425	-	1,326,850	29,885,000
2026	5.000	663,425	663,425	-	1,326,850	29,885,000
2027	5.000	663,425	663,425	-	1,326,850	29,885,000
2028	5.000	663,425	663,425	-	1,326,850	29,885,000
2029	5.000	663,425	663,425	735,000	2,061,850	29,150,000
2030	5.000	645,050	645,050	775,000	2,065,100	28,375,000
2031	5.000	625,675	625,675	810,000	2,061,350	27,565,000
2032	5.000	605,425	605,425	855,000	2,065,850	26,710,000
2033	5.000	584,050	584,050	895,000	2,063,100	25,815,000
2034	5.000	561,675	561,675	1,000,000	2,123,350	24,815,000
2035	5.000	536,675	536,675	1,000,000	2,073,350	23,815,000
2036	5.000	511,675	511,675	1,040,000	2,063,350	22,775,000
2037	5.000	485,675	485,675	1,090,000	2,061,350	21,685,000
2038	5.000	458,425	458,425	1,145,000	2,061,850	20,540,000
2039	5.000	429,800	429,800	1,205,000	2,064,600	19,335,000
2040	5.000	399,675	399,675	1,265,000	2,064,350	18,070,000
2041	5.000	368,050	368,050	1,330,000	2,066,100	16,740,000
2042	4.000	334,800	334,800	1,395,000	2,064,600	15,345,000
2043	4.000	306,900	306,900	1,450,000	2,063,800	13,895,000
2044	4.000	277,900	277,900	1,510,000	2,065,800	12,385,000
2045	4.000	247,700	247,700	1,570,000	2,065,400	10,815,000
2046	4.000	216,300	216,300	1,630,000	2,062,600	9,185,000
2047	4.000	183,700	183,700	1,695,000	2,062,400	7,490,000
2048	4.000	149,800	149,800	1,765,000	2,064,600	5,725,000
2049	4.000	114,500	114,500	1,835,000	2,064,000	3,890,000
2050	4.000	77,800	77,800	1,910,000	2,065,600	1,980,000
2051	4.000	39,600	39,600	1,980,000	2,059,200	0
		\$ 12,141,400	\$ 12,141,400	\$ 29,885,000	\$ 54,167,800	

# PORT FREEPORT

Purchase Financing Note  
September 30, 2023

TABLE 27

Fiscal Year Ending September 30	Coupon	Interest Due Sept. 30	Principal Due Sept. 30	Total Principal & Interest	Principal Balance
2024	2.31 %	\$ 35,950	\$ 1,558,990	\$ 1,594,940	\$ 1,558,990
		\$ 35,950	\$ 1,558,990	\$ 1,594,940	-

# PORT FREEPORT

Table 28, Miscellaneous Statistical Data

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

Date of Incorporation .....	1925
Form of Government.....	A political subdivision of the state of Texas
Number of Employees .....	42
Geographical Location.....	Southeast Coast of Texas on the Gulf of Mexico Approximately 60 miles South of Houston
Port Owned Property.....	Approximately 900 acres developed Approximately 350 acres environmentally mitigated 1,800 acres identified for industrial development
Elevation .....	3-12 feet above sea level
Tidal Range-Inner Harbor.....	Plus (minus) 2.5 feet
Aerial Clearance.....	No restriction
Climate Type.....	Sub-tropical
Temperature - Annual Average.....	71.6 degrees F.
Precipitation - Annual Average.....	57.24
Number of Public Docks.....	7 (not including 4 public private partnership docks)
Covered Dry Warehouse Space .....	434,400 square feet
Port Freeport’s Total Foreign Tonnage Ranking	
Among U.S. Ports ① .....	11 <sup>th</sup> highest
Port Freeport’s Total Foreign Waterborne Tonnage①.....	34.6 million
(public and private facilities)	
Port Freeport’s Container Handling Ranking	
Among U.S. Ports ②.....	26 <sup>th</sup> highest
Total Containers.....	96,086TEU
Central America, South America, Middle East, Africa, EU, and Asia	
Liquefied Natural Gas, liquefied petroleum gas, crude oil, bulk petrochemicals, natural gas liquids, containerized cargo, refrigerated fresh fruit, rice, new and used automobiles, high and heavy construction equipment, limestone aggregate, project cargo, plastic resins, steel products	
Number of Truck Lines Serving Port Freeport .....	12
Number of Barge Lines Serving Port Freeport .....	3
Number of Railroad Lines Serving Port Freeport .....	1
Number of Shipping Lines Calling Port Freeport .....	19
Foreign Trade Zone (FTZ) No. 149 .....	Established in 1988
FTZ 149 service area.....	Brazoria and Ft. Bend County, Texas
Area of County.....	1,386.4 square miles
Brazoria County’s Total Assessed Valuation	
Among Texas Counties ④.....	11 <sup>th</sup> highest without exemptions
Brazoria County’s Total Population Ranking	
Among All Texas Counties ③.....	14 <sup>th</sup> highest
Brazoria County’s Total Area Ranking	
Among All Texas Counties ③.....	27 <sup>th</sup> highest
Economic Impact to Region and State	\$98.8 billion total annually / \$9.0 billion personal income, 150,651 jobs economy-wide directly or indirectly supported by operations
Economic Impact to Nation.....	\$149 billion total annually / \$5.4 billion in federal tax revenues, 279,780 jobs economy-wide directly or indirectly supported by operations

①Source - Port Freeport analysis of U.S. Census Bureau trade data for calendar year 2020.

②Source - Port Freeport analysis of U.S. Census Bureau trade data for calendar year 2020.

③Source - Texas Demographic Center

④ Source - Brazoria County Appraisal District

# PORT FREEPORT

## History of the Port<sup>①</sup>

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

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

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

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

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

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

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

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

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

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

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

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

# PORT FREEPORT

## History of the Port<sup>®</sup>

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

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

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

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

In September 1995, the Board of Navigation and Canal Commissioners entered into a lease agreement with Chiquita Brands, Inc. for the construction of a Green Fruit Terminal on leased Port lands. The terminal includes space for up to 200 containers on chassis, interchange, and maintenance facilities, as well as modular office units at a total cost of \$ 2.5 million. Terminal operations commenced in March 1996. \$

3,265,000 of Port Revenue Bonds were issued to finance the Green Fruit Terminal as well as renovations to Berth No. 1.

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

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

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

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

# PORT FREEPORT

## History of the Port<sup>®</sup>

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

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

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

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

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

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

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

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

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

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

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

# PORT FREEPORT

## History of the Port<sup>®</sup>

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

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

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

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

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

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

The Port also received approval for its first M-69 Marine Highway Designation and route from MARAD. The marine highway offers service routes for container on barge operations and lowers truck emissions by offering alternative barge services to and from Port Houston and Port Freeport.

The State Legislature, in 2017, authorized the extension of the Port’s HLC (Heavy-lift Truck Corridor) by adding a route from Sweeny, Texas to Bay City, Texas to its list of routes offered to local industry. This route helps facilitate the delivery of steel products by truck to and from Bay City and Port

Freeport, reducing the number of transits by 40 percent.

Port Freeport reached a major milestone in 2017 by approving its first major rail project, adding 3 x 5,500’ rail lines on Parcel 14, which is a 242-acre site designed for multi-modal operations. The Port and service partner UPRR will offer manifest rail services options to our Ro/Ro and petrochemical clients.

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

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

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

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

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

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

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

# PORT FREEPORT

## History of the Port<sup>①</sup>

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

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

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

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

In 2021, Liberty Global Logistics joined our family of tenants, adding new RO/RO cargo and sailings to our portfolio. Freeport LNG's exports arrived and added 192 sailings of LNG to our cargo mix. Vulcan Materials opened their new facility on Parcel 14 and this new facility has added one unit train of limestone a week to rail traffic.

In December of 2021, Port Freeport achieved another major milestone with the arrival of the M/V ZHONG GU FU a Trans far Shipping PTE. LTD., arriving from Singapore, making it the first direct all-water sailing from Asia to Port Freeport.

The Freeport Harbor Channel Improvement Project, which will deepen and widen the channel, started in 2021. The first two phases have been completed and the project is scheduled for completion in 2025.

In 2022 NYK Line, the largest RORO carrier in the world joined the Port Freeport family of carriers with the arrival of the M/V Opal Leader. The new monthly service will call Mexico, Panama, Colombia, and Brazil.

2023 brought with it a great deal of growth in several areas. First, TxDOT is widening both SH36 and CR523/1495 which are our 2 main entrances.

The \$ 9.5 million expansion of Port Freeport's rail terminal on the Parcel 14 multimodal site was completed. This 2<sup>nd</sup> phase of the rail terminal expansion added 4 ladder tracks to the existing 3 providing Port Freeport over 7 miles of total track.

This year also was a great year for growth in our RO/RO cargo with the signing of a multi-year agreement with Volkswagen Group of America who is constructing a 120-acre facility along SH 36 west. This facility will be completed by early 2024, and over time could deliver 140,000 new cars and trucks to Port Freeport.

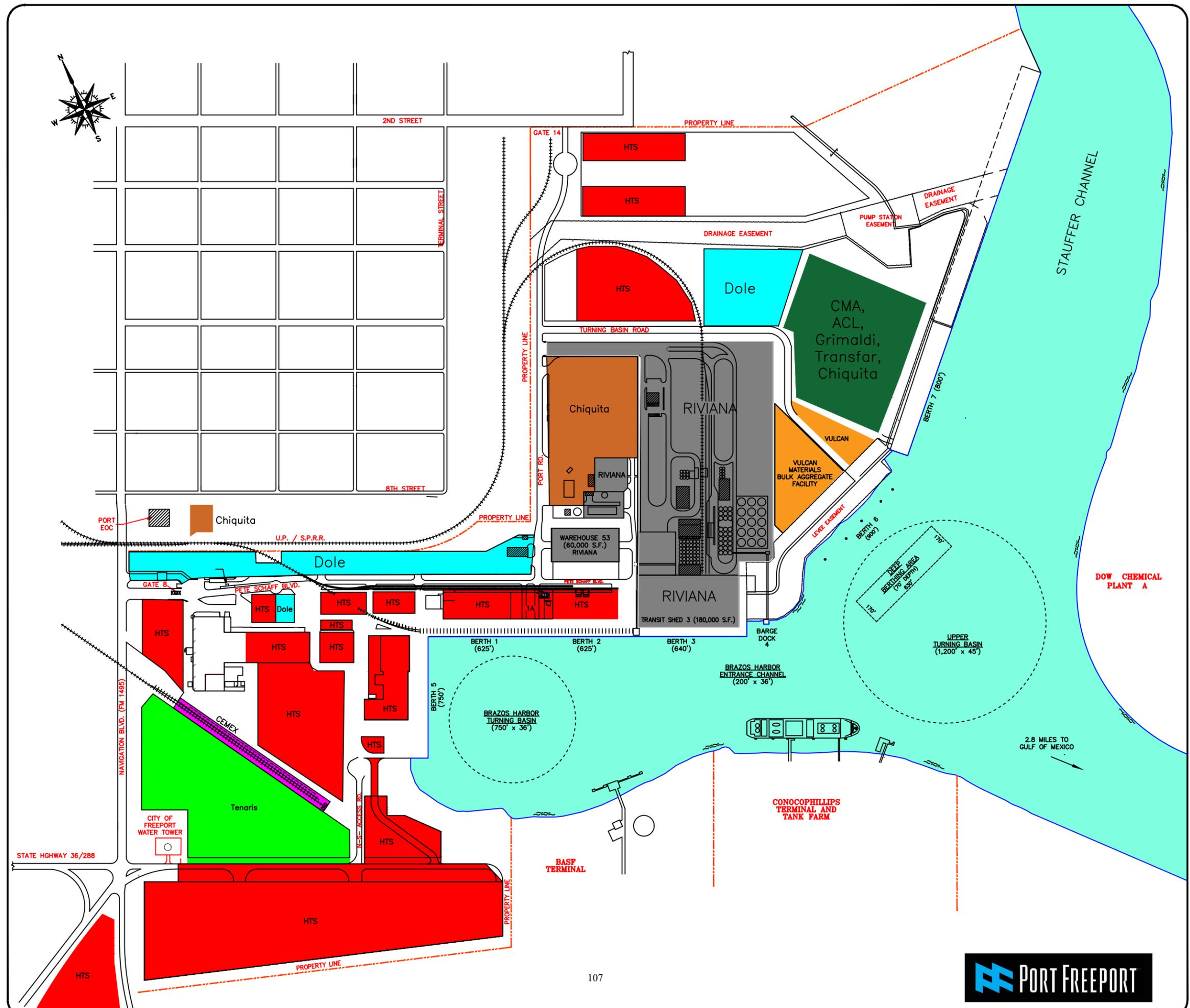
Port Freeport is also gaining ground with our new Berth 8. The new dock construction completed in May 2023. Berth 8 added 927 liner feet of dock plus an 85-foot RORO platform to provide Port Freeport 1,812 total linear feet of dock at Velasco Container Terminal. The new berth was designed to accommodate the largest ship-to-shore gantry cranes available today.

The Port entered a long-term agreement with Del Monte Fresh Produce in 2023 and Del Monte will begin providing weekly container service at Port Freeport's Velasco Terminal in 2024 and solidifies Port Freeport's position as a leading Port for the import of green fruit with the only Port to have the top three fruit importers (Dole, Chiquita and Del Monte) in the United States of Americas.

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

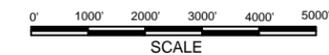
<sup>①</sup>Historical data summarized from the previous research of Glenn Heath and Nat Hickey



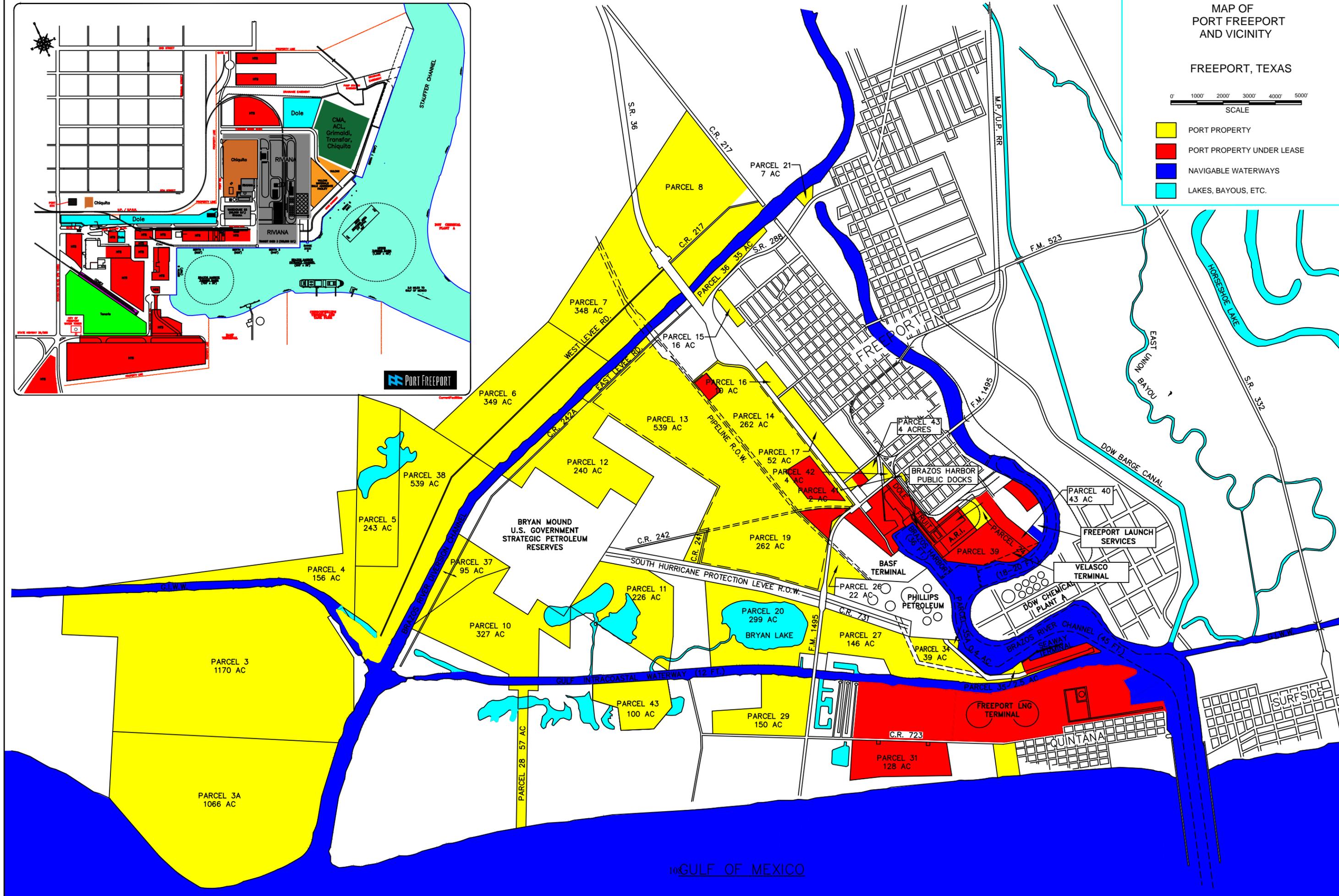
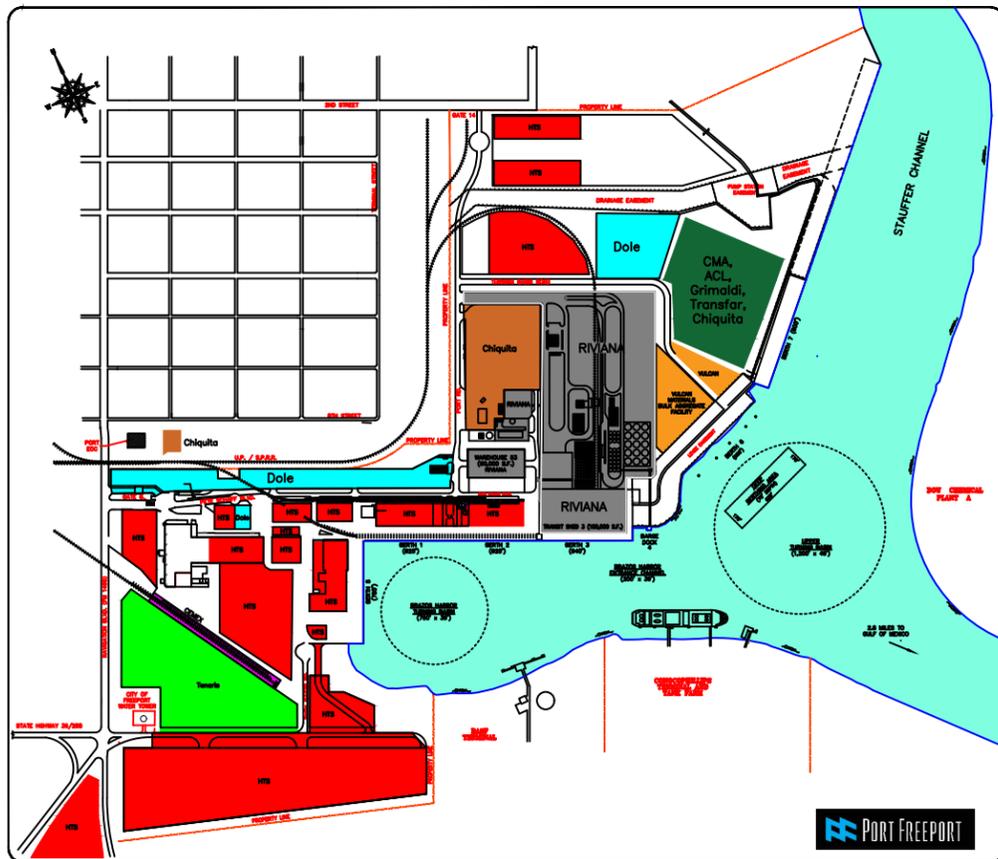


MAP OF  
PORT FREEPORT  
AND VICINITY

FREEPORT, TEXAS



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



## **FEDERAL AWARD SECTION**





Independent Auditor's 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 Port Commissioners  
Port Freeport  
Freeport, 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 the business-type activities of the Port Freeport (the "Port") as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated February 14, 2024.

### 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 opinions 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### Compliance and Other Matters

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

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**Purpose of this Report**

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

***KM&L, LLC***

Lake Jackson, Texas  
February 14, 2024



## Independent Auditor's Report

On Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Port Commissioners  
Port Freeport  
Freeport, Texas 77541

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

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

We have audited Port Freeport's (the "Port") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Port's major federal programs for the year ended September 30, 2023. The Port's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 September 30, 2023.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Port and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Port's compliance with the compliance requirements referred to above.

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### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Port's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Port's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Port's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Port's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Port's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

***KM&L, LLC***

Lake Jackson, Texas  
February 14, 2023

## **PORT FREEPORT**

### *Schedule of Findings and Questioned Costs For the Year Ended September 30, 2023*

#### I. Summary of auditor's results:

1. Type of auditor's report issued on the financial statements: Unmodified.
2. No internal control findings, required to be reported in this schedule, were disclosed in the audit of the financial statements.
3. Noncompliance, which is material to the financial statements: None
4. No internal control findings, required to be reported in this schedule, were disclosed in the audit of the major programs.
5. Type of auditor's report on compliance for major programs: Unmodified.
6. Did the audit disclose findings, which are required to be reported in accordance with 2 CFR 200.516(a): No.
7. Major programs include:
  - Consolidated Rail Infrastructure and Safety Improvements – ALN 20.325
5. Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000.
6. Low risk auditee: No.

#### II. Findings related to the financial statements

The audit disclosed no findings required to be reported.

#### III. Findings and questioned costs related to the federal awards

The audit disclosed no findings required to be reported.

**PORT FREEPORT**

Schedule of Status of Prior Findings  
Year Ended September 30, 2023

PRIOR YEAR'S FINDING/NONCOMPLIANCE

None.

**PORT FREEPORT**

Corrective Action Plan  
Year Ended September 30, 2023

None.

## PORT FREEPORT

### Schedule of Expenditures of Federal Awards Year Ended September 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Expenditures Indirect Costs or Award Amount</u>
U.S. Department of Transportation Direct Program:			
Consolidated Rail Infrastructure and Safety Improvements	20.325	FRCRS0070220100	\$ <u>5,481,532</u>
TOTAL DEPARTMENT OF TRANSPORTATION			<u>5,481,532</u>
U. S. Department of Homeland Security Direct Program:			
Port Security Grant	97.056	2020-PU-00466	<u>5,107</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>5,107</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 5,486,639</u>

See notes to supplement Schedule of Expenditures of Federal Awards.

## PORT FREEPORT

### Notes on Accounting Policies for Federal Awards Year Ended September 30, 2023

1. The Port is reported as a single enterprise fund and accordingly follows all the requirements set forth in enterprise fund accounting and reporting, including the accrual basis of accounting and application of all GASB pronouncements as well as the Financial Accounting Standards Board (“FASB”) pronouncements issued on or before November 30, 1989, unless those pronouncement conflict with or contradict GASB pronouncements. Federal financial assistance for the benefiting enterprise operations is accounted for in the single Enterprise Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.
2. The Enterprise Fund Type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (net total assets) is segregated into net investment in capital assets, and restricted or unrestricted net position. Enterprise fund type operating statements present increases (revenues) and decreases (expenses) in net total assets. Federal grant funds were accounted for in the Enterprise Fund.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. Matching Expenses - The Port Security Grants Program require local matching expenditures. Matching expenses for the year ended September 30, 2023 were as follows:

	<u>Assistance Listing Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program Required Matching</u>	<u>Direct Matching Expenses Year Ended September 30, 2023</u>
Consolidated Rail Infrastructure and Safety Improvements	20.325	FRCRS0070220100	\$ 4,208,423	\$ 3,654,355
Port Security Grant	97.056	2020-PU-00466	<u>67,465</u>	<u>1,702</u>
			<u>\$ 4,275,888</u>	<u>\$ 3,656,057</u>

4. Indirect Cost Rate - The Port did not elect to use the 10 percent de minimis indirect cost rate as covered in 2.CFR.200.414. Uniform guidance 200.510(6) requires the Port to disclose whether or not it elected to use the 10 percent de minimis cost rate that 200.414(f) allows for nonfederal entities that have never received a negotiated indirect cost rate.



# PORT FREEPORT<sup>SM</sup>

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