

Annual Comprehensive Financial Report For the Fiscal Years Ended September 30, 2022 and 2021



PORT FREEPORTSM

1100 Cherry St., Freeport, TX 77541

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**Port Freeport
Freeport, Texas**

Annual Comprehensive Financial Report
For the Fiscal Years Ended
September 30, 2022 and 2021

Prepared by:

Rob Lowe
Chief Financial Officer

Mary Campus
Controller

PORT FREEPORT

Freeport, Texas

Annual Comprehensive Financial Report Fiscal Years Ended September 30, 2022 and 2021

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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, 2021

Christopher P. Morill

Executive Director/CEO



PORT FREEPORT

Strategic Initiatives

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

Freeport Harbor Channel Improvement Project

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

Expansion of Velasco Container Terminal

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

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

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

Supporting Development of Inland Transportation Infrastructure

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





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STATE OF THE PORT

February 14, 2023

MEMBERS OF THE PORT COMMISSION PORT FREEPORT FREEPORT, TEXAS

Re: Port Freeport achieves remarkable successes and signs new tenant bringing investment and jobs to the community

Gentlemen,

The past few years have presented unique challenges, from the COVID-19 pandemic, winter storm Uri to the global supply chain crisis. This year, the concerns over possible rail strikes, the drought on the Mississippi River, and the incident at the Freeport LNG facility had commercial impacts. It is with immense pride to report that Port Freeport has continued to realize extraordinary achievements, from advancement of vital channel improvements and terminal expansion to signing a long-term contract with a new customer, all while upholding our dedication to the community we serve.

In its fiscal year ended September 30, 2022, Port Freeport reached several all-time highs including record operating revenue, but also saw an unexpected reduction in liquefied natural gas exports. Hosting 307 inner harbor vessel calls, 134 calls were by roll-on/roll-off ships. These ro/ro vessels moved 90,912 automobiles along with flourishing volumes of high-and-heavy equipment. Spearheaded by imports for Tenaris, a major supplier of pipe products for the energy industry, Port Freeport handled a record 735,991 tons of steel (up 73.8 percent from the record fiscal 2021) with unprecedented volumes moving by rail and barge from U.S. locations in addition to the normal vessel imports. The on-port liquefied natural gas facility of Freeport LNG was on a record-setting pace with 149 LNG vessels exporting 10.3 million tons of LNG through the first week of June. The Freeport LNG operations were ceased after the June 8, 2022 incident involving an over-pressurization causing a release of gas and damage to the system. Freeport LNG is working diligently to make all necessary and recommended repairs and obtain regulatory approvals to resume safe operations. Approvals are expected early 2023 for resumption of partial operations. All the while, the diverse port remains a leading hub for imports of green fruit and exports of Texas rice.

This steadfast activity has significantly boosted labor hours and wages paid to working families in our communities, a driving force behind Port Freeport's combined local, state and national economic impacts of \$157 billion annually and the 266,300 jobs supported nationally as reported in 2022 by the Texas A&M Transportation Institute. It should also be noted that employees directly employed by Port Freeport completed another year without a recordable injury, bringing the total hours without injury to 1,367.

The selection by Volkswagen Group of America to make Port Freeport its Gulf Coast hub to serve more than 300 dealerships delivers on Port Freeport's commitment to port expansion that bolsters labor hours and investment in our community. A new 125-acre vehicle importation and processing facility is being constructed by PRP KDC Freeport Development LLP on the Port's rail-served Parcel 14. This \$122 million investment will support the import of 140,000 vehicles annually by vessel and rail. Port Freeport will expand the Parcel 14 rail storage using a \$6.3 million U.S. Department of Transportation grant. Volkswagen Group of America operations are expected to commence in 2024.

Underscoring Port Freeport's regional, state and national significance, the latest report from U.S. Census Bureau ranks Port Freeport 11th among all U.S. ports in total foreign waterborne tonnage handled. Port Freeport's future looks even brighter as the Freeport Harbor Channel Improvement Project continues to move forward, promising to deepen the port's navigational channel to between 51 feet and 56 feet while widening it to facilitate safe passage for increasingly large vessels of today and tomorrow. In 2021, Port Freeport celebrated a milestone with a ceremonial groundbreaking for the \$295 million endeavor. A third federal allocation in 2022, for \$73.1 million, has brought it to \$117 million, the total federal funding to date. Subsequent to the fiscal year end, an additional \$90.6 federal allocation was made providing the remaining federal funds needed to complete the project. As a non-federal sponsor, Port Freeport is contributing \$130 million, funded by the 2018 voter-approved bond

PORT COMMISSION

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

package. To date, \$74.2 million in bonds have been issued. A planned final issuance of \$55.8 million will proceed in early 2023.

Completion of a second contract widening the Reach 2 portion of the channel is giving larger vessels unrestricted, 24-hour access to Port Freeport berths. A third contract initiated to excavate soil in the bend of Reach 2 will further enhance safe navigation in Reach 2. The expectation for a final contract award and commencement next year, deepening the remaining reaches of the Freeport Channel, is setting sights to a 2025 project completion.

Port Freeport's container terminal, which is undergoing substantial expansion, including the addition of 927 feet of further berthing plus an 85-foot ro/ro platform is set to be completed and placed into service in June 2023. The Port Freeport container terminal has a depth of 51 feet along-side with access for larger vessels via the already completed Reach 3 portion of the channel.

Furthermore, the Port Freeport Commission honored its longstanding commitment to taxpayers by reducing the navigation district tax rate by 12.5 percent, lowering it to below the "No New Revenue Tax Rate," while expanding exemptions for those who are 65 or older and/or disabled. The tax rate of \$0.035 is Port Freeport's lowest tax rate in decades.

Not surprisingly, Port Freeport continues to maintain and even improve its stellar financial ratings, with Standard & Poor's reaffirming its rating on the port's outstanding senior lien revenue bonds of "A+" with a stable outlook and Moody's retaining an Aa2 rating for the port's offerings of general obligation bonds supported by the 2018 referendum. Furthermore, our excellence in annual financial reporting was recognized for the 33rd consecutive year by the Government Finance Officers Association of the United States and Canada.

Two major events remain at the forefront for Port Freeport's community engagement. The 2022 Port Freeport Golf Tournament benefiting Texas Port Ministry brought in a record \$83,200 to help support the well-being of international seafarers who live and work on ships calling Port Freeport terminals, as well as truck drivers essential to delivering goods. Port Freeport also hosted the 22nd annual Take-A-Child Fishing Tournament, bringing together 301 local young anglers and their families for a delightful day that generated fun and prizes for participants plus a bounty of canned foods donated for our community.

Thanks to the foresightedness of our port commissioners, community leaders and navigation district voters and the unwavering commitments of scores of port partners and stakeholders, Port Freeport continues to fortify its strength as a present and future driver of prosperity for our community, our state, and our nation.

In sincerest appreciation of the opportunity to serve,

A handwritten signature in black ink, reading "Phyllis Saathoff". The signature is fluid and cursive, with the first name "Phyllis" written in a larger, more prominent script than the last name "Saathoff".

Phyllis Saathoff, CPA, PPM®
Executive Director/CEO

PORT FREEPORT

Directory of Officials

Port Commission



John Hoss
Chairman



Rudy Santos
Vice Chairman



Dan Croft
Secretary



Rob Giesecke
Assistant Secretary



Ravi K. Singhanian
Commissioner



Shane Pirtle
Commissioner

PORT FREEPORT

Directory of Officials **Executive Staff**



Phyllis Saathoff
Executive Director/CEO



Rob Lowe
Chief Financial Officer/
Director of Administration



Jason Miura
Director of Business/
Economic Development



Jason Hull
Director of Engineering



Al Durel
Director of Operations



Mary Campus
Controller



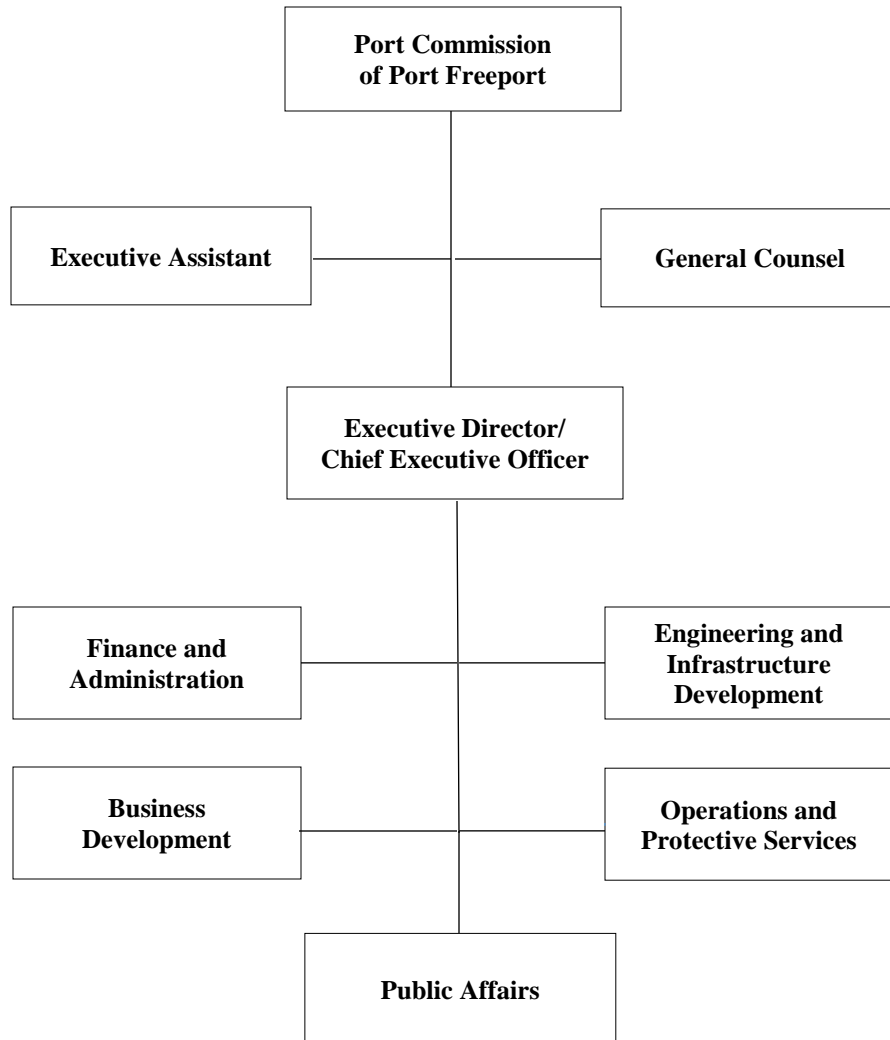
Mike Wilson
Director of Economic Development
and Freight Mobility



Chris Hogan
Director of Protective Services

PORT FREEPORT

Organizational Chart





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LETTER OF TRANSMITTAL

February 14, 2023

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

Gentlemen:

The Annual Comprehensive Financial Report for Port Freeport (Port) for the year ended September 30, 2022, 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 currently experiencing substantial industrial expansion with \$ 3.438 billion of completed projects in the last five years of industrial plants and an estimated \$ 7.35 million currently under construction. In addition, there has been \$ 623 million in construction starts of solar energy farms and \$30-35 million in battery farms. The Brazoria County Index of Leading Economic indicators increased .54 percent from August 2021 to August 2022. The Leading Economic Index, which is designed to forecast the economic performance of the county over the next three to six-months, has been below the six-month moving average for the last three months. This indicates that the county is likely entering into or is currently experiencing a period of slower economic growth. (Brazosport College Economic Forecasting Center, 2022). 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 62.

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

JOHN HOSS, CHAIRMAN; RUDY SANTOS, VICE CHAIRMAN; DAN CROFT, SECRETARY; ROB GIESECKE, ASST. SECRETARY;
RAVI K. SINGHANIA, COMMISSIONER; SHANE PIRTLE, 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, 2022.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for excellence in financial reporting to the Port for its Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 2021. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. The Port has received this prestigious award for the last thirty-three 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

2022. 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.

Efforts initiated or continued into 2022 include: ongoing construction of a 925-foot berth extension and Roll-On/Roll-Off ramp of the Velasco Terminal; further development of Velasco Terminal backland areas; and the continuation of land acquisition efforts supporting access and expanding operations of the Port's Velasco Terminal.

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 bond issuances are in progress to allow completion of the project. 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.

Construction of the 925' berth extension and associated Roll-On/Roll-Off ramp on Velasco Terminal are on track to be completed in FY2023. Master Planning efforts also recommend the purchase of additional ship to shore gantry cranes and continued development of backland to support berth operations. Costs associated with this phase of the build out is estimated at \$ 130 million over the next five years and will be funded through a combination of operating income and bond revenues. In addition to the activities associated with the Velasco Terminal, a 125 acre vehicle importation and processing facility is being developed along with Phase II of the port's rail expansion project. The cost associated with the 125 acre vehicle importation and processing facility will be borne by the developer while the rail expansion will be funded through a combination of port operating revenues and grant funds.

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
\$1.8 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, 2022 and 2021, 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, 2022 and 2021 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 17 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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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.

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, 2023

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, 2022, 2021 and 2020. 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, 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.

September 30, 2020

- Total Net Position increased by \$ 8.3 million.
- Total Assets increased by \$ 86.3 million primarily due to an increase in property, plant, and equipment of \$ 44.7 million from purchases of land, Port improvements, and equipment, a decrease in cash and cash equivalents of \$ 12.5 million, and an increase in investments of \$ 53.1 million primarily driven from bond proceeds received in advance of associated capital improvement projects.
- Total Liabilities increased by \$ 78.0 million due to the net bond proceeds of \$ 74.7 million, bond premium of \$ 8.1 million, and scheduled payments on 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, 2022, 2021 and 2020, the Port's net position decreased by 9 percent, 1 percent, and 4 percent to \$ 224.0 million, \$ 245.0 million, and \$ 241.6 million, respectively.

Net investment in capital assets at September 30, 2022, 2021 and 2020, was \$ 219.4 million, \$ 190.7 million, and \$ 173.9 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, 2022, 2021 and 2020, is divided into four categories: restricted for debt service, \$ 13.0 million, \$ 13.8 million, and \$ 12.5 million; contribution, \$ 6.6 million, \$ 52.5 million, and \$ 28.0 million; restricted for capital projects, \$ 12 thousand, \$ 13 thousand, and \$ 13 thousand; and unrestricted net position, deficit of \$ 15.0 million, deficit of \$ 12.0 million, and \$ 27.3 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, 2022 and 2021, the Port had these project related outstanding bonds of \$ 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 decreased by \$ 21.0 million in 2022, increased by \$ 3.3 million in 2021 and \$ 8.3 million in 2020. These changes were provided by operating income (including depreciation) of \$ 27.2 million, \$ 20.3 million, and \$ 15.0 million; \$ (48.1) million, \$ (17.0) million and \$ (6.8) million in non-operating net revenues (expenses) including ad valorem taxes of \$ 6.4 million, \$ 6.2 million, and \$ 5.6 million and capital contributions of \$ 143 thousand, \$ 11 thousand, and \$ 140 thousand, respectively.

Condensed Statements of Net Position (in thousands)

	2022	2021	(Restated) 2020
Current assets	\$ 272,887	\$ 163,395	\$ 153,489
Capital assets, net of depreciation	<u>418,538</u>	<u>378,196</u>	<u>312,102</u>
Total assets	<u>691,425</u>	<u>541,591</u>	<u>465,591</u>
Deferred outflows of resources – refunding costs	<u>7</u>	<u>8</u>	<u>9</u>
Total deferred outflows of resources	<u>7</u>	<u>8</u>	<u>9</u>
Current liabilities	27,643	23,806	19,299
Non-current liabilities	<u>264,230</u>	<u>272,835</u>	<u>204,667</u>
Total liabilities	<u>291,873</u>	<u>296,641</u>	<u>223,966</u>
Deferred inflows of resources	<u>175,561</u>	-	-
Total deferred inflows of resources	<u>175,561</u>	-	-
Net investment in capital assets	219,425	190,667	173,877
Restricted for debt service	12,960	13,774	12,459
Restricted for contributions	6,581	52,492	28,010
Restricted for capital projects	12	13	13
Unrestricted	<u>(14,980)</u>	<u>(11,988)</u>	<u>27,275</u>
Total net position	<u>\$ 223,998</u>	<u>\$ 244,958</u>	<u>\$ 241,634</u>

PORT FREEPORT

Management Discussion and Analysis

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

	2022	2021	(Restated) 2020
Operating revenues:			
Harbor operations	\$ 25,549	\$ 26,685	\$ 20,176
Lease income	17,211	12,970	13,388
Miscellaneous	4,524	8	9
Total operating revenues	<u>47,284</u>	<u>39,663</u>	<u>33,573</u>
Operating expenses:			
Payroll and related	4,946	5,110	5,068
Professional services	2,764	2,213	2,163
Supplies and other	2,678	2,215	2,111
Utilities, maintenance and repairs	1,829	1,648	1,611
Depreciation	7,914	8,193	7,593
Total operating expenses	<u>20,131</u>	<u>19,379</u>	<u>18,546</u>
Operating income	<u>27,153</u>	<u>20,284</u>	<u>15,027</u>
Non-operating revenues (expenses):			
Ad valorem tax, net of collection expenses	6,430	6,190	5,623
Investment income	153	88	2,096
Gain (loss) on sale of capital assets and other	272	461	-
Dredge material placement fees	-	246	-
Debt interest and fees	(9,300)	(8,795)	(7,862)
Other	(45,619)	(15,152)	(6,681)
Total non-operating revenues (expenses)	<u>(48,064)</u>	<u>(16,962)</u>	<u>(6,824)</u>
Income before capital contributions and extraordinary expenses	(20,911)	3,322	8,203
Capital contributions - grants	143	11	140
Extraordinary expenses - emergency recovery expenses	(192)	(9)	-
Change in net position	(20,960)	3,324	8,343
Total net position - beginning	<u>244,958</u>	<u>241,634</u>	<u>233,291</u>
Total net position - ending	<u>\$ 223,998</u>	<u>\$ 244,958</u>	<u>\$ 241,634</u>

Total revenues, including capital contributions, have increased in 2022 compared to 2021 and increased in 2021 compared to 2020. Total revenues for 2022, 2021, and 2020, were \$ 54.3 million, \$ 46.7 million, and \$ 41.4 million, respectively. Operating revenues increased by \$ 7.6 million in 2022 to \$ 47.3 million, \$ 6.1 million in 2021 to \$ 39.7 million, and \$ 5.6 million in 2020 to \$ 33.6 million. Harbor operating revenues are primarily driven by commodity tonnages and ship calls. 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. Tonnage overall increased 208 percent to 8.7 million tons in 2020 while ship calls increased 27 percent and barge calls increased 605 percent. Miscellaneous revenues increased by \$ 4.5 million in 2022 due to business interruption insurance claim proceeds, and remained steady for 2021 and 2020.

PORT FREEPORT

Management Discussion and Analysis

The following is the detailed tonnage comparison for the fiscal year 2022, 2021, and 2020:

Commodity	Fiscal Year 2022 Tonnage (In thousands)	Change from prior year	Fiscal Year 2021 Tonnage (In thousands)	Change from prior year	Fiscal Year 2020 Tonnage (In thousands)	Change from prior year
Rice	276	134%	118	-17%	143	11%
Bananas/Misc. Fruit	365	29%	283	7%	264	-18%
Misc./General Cargo	356	-24%	471	-29%	664	10%
Dry Bulk Material	448	2%	441	-32%	653	-32%
Liquid Bulk Material	10,331	-31%	14,878	135%	6,325	4385%
Project Cargo	68	518%	11	-80%	55	816%
Steel Products	736	74%	423	37%	309	-18%
RoRo Cargo	415	1%	411	42%	289	5%
Total	12,995	-24%	17,036	96%	8,702	208%

Total lease revenue increased 32.7 percent in 2022, decreased 3.1 percent in 2021, and decreased 7.2 percent in 2020. Ground lease revenue increased \$ 4.2 million in 2022, decreased \$ 321 thousand in 2021, and decreased \$ 947 thousand in 2020. Other leases increased \$ 99 thousand in 2022, decreased \$ 97 thousand in 2021, and decreased \$ 95 thousand in 2020. 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. Lease revenue decreases in 2020 are due to the expiration of a lease and termination of a lease agreement.

Ad valorem tax revenue was \$ 6.4 million, \$ 6.2 million, and \$ 5.6 million in 2022, 2021 and 2020, respectively. The tax rate was 4.00 cents per hundred-dollar valuation in 2022, 4.01 cents per hundred-dollar valuation in 2021 and 2020. Investment income increased by \$ 66 thousand in 2022 as compared to 2021 due to a change in interest rate and market value, increased by \$ 2.0 million in 2021 as compared to 2020 due to a change in market value, increased by \$ 85 thousand in 2020 as compared to 2019 due to increases in funds available for investment. Grant revenues in 2022 increased to \$ 144 thousand, in 2021 decreased to \$ 11 thousand, in 2020 increased to \$ 140 thousand. Other non-operating expenses of \$ 54.5 million, \$ 15.2 million, and \$ 6.7 million in 2022, 2021, and 2020 were mainly related to contributions of non-federal share of Freeport Harbor Channel Improvement Project.



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Management Discussion and Analysis

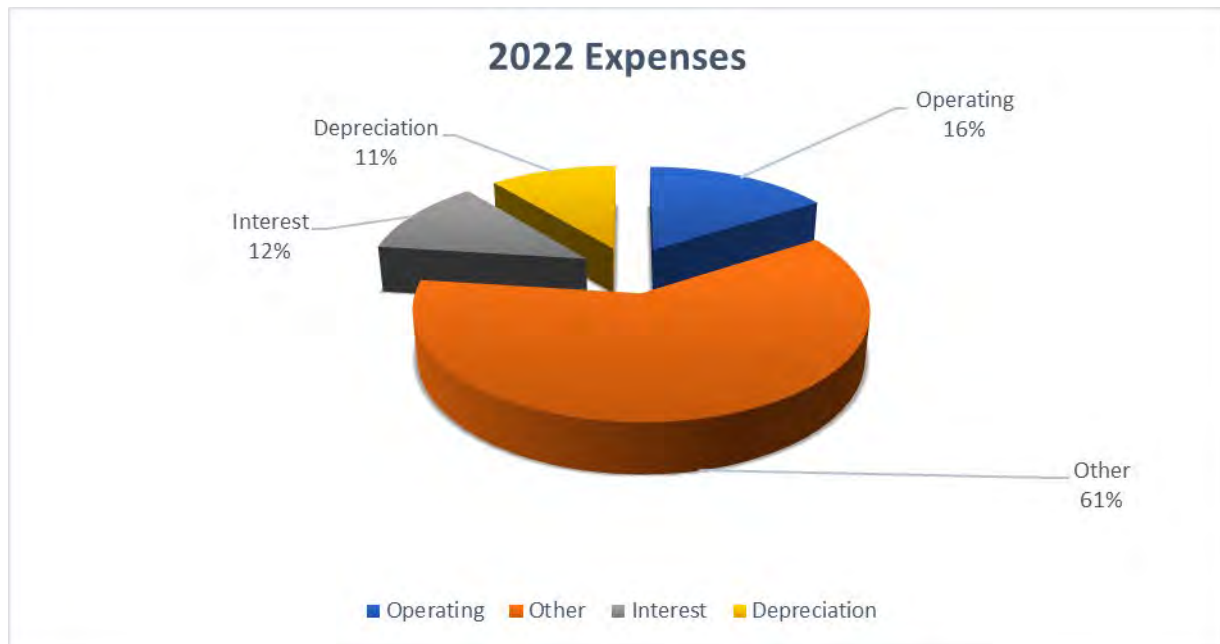


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Management Discussion and Analysis

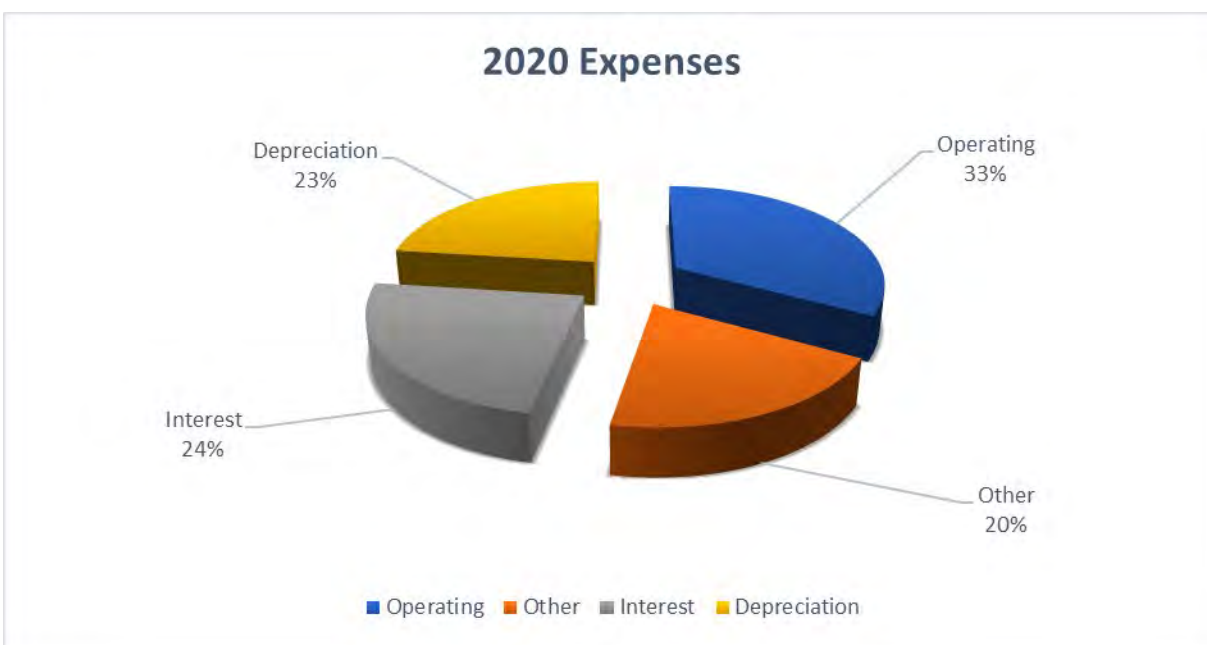
Total expenses increased 73.6 percent to 75.2 million from 43.3 million in 2022, increased 31.0 percent to 43.3 million from 33.1 million in 2021, and increased 43.4 percent to 33.1 million from 23.1 million in 2020. Operating expenses, including depreciation, were \$ 20.1 million in 2022 increasing \$ 752 thousand or 3.9 percent, \$ 19.4 million in 2021 increasing \$ 833 thousand or 4.5 percent, and \$ 18.5 million in 2020 increasing \$ 1.0 million or 5.5 percent. Payroll and related expenses in 2022 were consistent with 2020, in 2021 were consistent with 2020, and in 2020 increased by 6.1 percent primarily due to pay rate increase and open job positions which were filled. Professional services expenses in 2022 were increased \$ 551 thousand compared to 2021, in 2021 were consistent with 2020, and in 2020 were consistent with 2019. Supplies and other expenses in 2022 increased \$ 463 thousand or 20.9 percent compared to 2021, in 2021 increased \$ 104 thousand or 4.9 percent comparing with 2020, and in 2020 were consistent with 2019. Utilities and maintenance expenses increased \$ 181 thousand in 2022 compared to 2021, consistent in 2021 as compared to 2020, and were consistent in 2020 as compared to 2019. Depreciation expenses decreased \$ 279 thousand in 2022, increased \$ 600 thousand in 2021, and \$ 795 thousand in 2020.

Debt interest and fees were \$ 9.3 million in 2022, \$ 8.8 million in 2021, and \$ 7.9 million in 2020 on outstanding debt payments. Other expenses of \$ 45.6 million in 2022, \$ 15.2 million in 2021, \$ 6.7 million in 2020 were capital contribution made for the non-federal share of the Freeport Harbor Channel Improvement Project.



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Management Discussion and Analysis



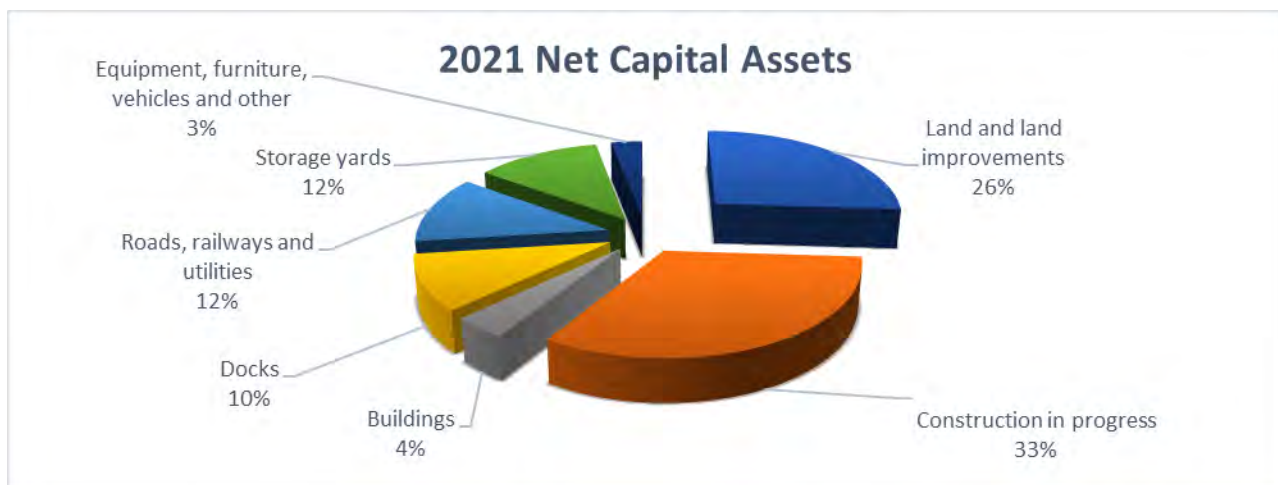
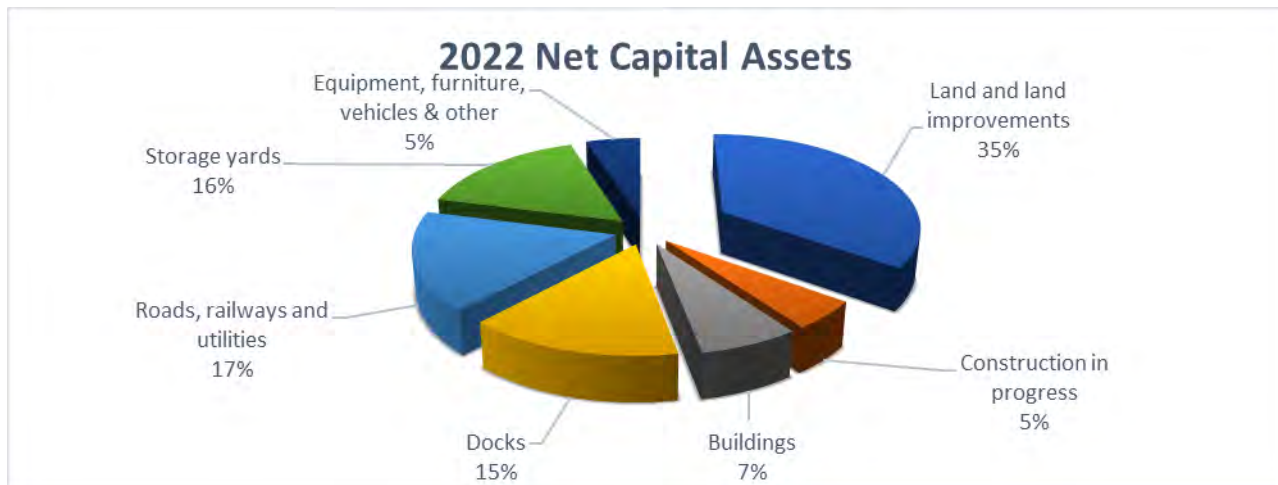
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Management Discussion and Analysis

Capital Assets

The Port's capital assets are \$ 418.5 million, \$ 378.2 million, and \$ 312.1 million, net of depreciation, as of September 30, 2022, 2021 and 2020, 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 2022, 2021 and 2020 there were additions of \$ 48.4 million, \$ 74.3 million, and \$ 52.2 million (net of construction in progress placed in service) with depreciation of \$ 7.9 million, \$ 8.2 million, and \$ 7.6 million, respectively.

Regarding additions, land and improvements additions were \$ 5.3 million in 2022, \$ 3.5 million in 2021, and \$ 2.0 million in 2020, primarily related to land acquisitions of properties adjacent to the Port. Gross additions to construction in progress were \$ 42.1 million in 2022, \$ 70.5 million in 2021, and \$ 52.1 million in 2020, including Freeport Channel improvements and Velasco Terminal improvements. Construction in progress placed in service totaled \$ 31.5 million in 2022, \$ 2.1 million in 2021, and \$ 11.0 million in 2020, which included the completion of the levee stabilization project at a cost of \$ 31 million in 2022, Parcel 14 drainage and utilities at a cost of \$ 1.9 million in 2021, and the Parcel 14 twenty-acre open storage yard at a cost of \$ 8.1 million in 2020. Road repairs for 2020 totaled \$ 528 thousand. Storage yard additions were \$ 7.9 million in 2020. Equipment, furniture, vehicles, and other additions totaled \$ 592 thousand in 2022, \$ 771 thousand in 2021, and \$ 771 thousand in 2020 with the purchase of software, tools and equipment. Additional information on capital assets can be found in Note 4 on pages 50-52 of this report.



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Management Discussion and Analysis



Long Term Debt

Total bonds payable are \$ 248.0 million at September 30, 2022, \$ 253.7 million at September 30, 2021, and \$ 191.7 million at September 30, 2020.

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, 2022, the amount outstanding on these revenue bonds was \$ 180.2 million, \$ 185.2 million at September 30, 2021 and \$ 160.1 million at September 30, 2020. The debt service for these bonds is paid from the Port's operating revenues.

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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, were issued for the next phase of the Freeport Harbor Channel Improvement Project. As of September 30, 2022, the Port had general obligation bonds payable of \$ 67.9 million, \$ 68.5 million at September 30, 2021 and \$ 31.7 million at September 30, 2020. 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, 2022 of \$ 3.1 million, at September 30, 2021 of \$ 4.6 million, and at September 30, 2020 of \$ 6.0 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 52-57 of this report.

Outlook

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

With the completion of the initial reconnaissance and subsequent feasibility study, The U.S. Army Corps of Engineers (USCOE) issued a Chiefs report in January of 2013 indicating a Federal interest, supported by favorable project economics, to deepen the Port Freeport Navigational Channel to depths ranging from 51-56 feet from the current 46-foot depth. At present, the project is authorized as part of the Water Resources Reform and Development Act of 2014 (WRRDA). During 2014, it was determined additional improvements, beyond those proposed and authorized in WRRDA, were necessary for the safe navigation of the feasibility study’s design vessel. Based on these findings, the Port 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 \$117 million and an additional \$90.6 federal allocation was made subsequent to fiscal year end providing the remaining 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. To date, \$74.2 million in bonds have been issued. A planned final issuance of \$55.8 million will proceed in early 2023. Project construction will be completed over a five-year period at an estimated totally funded cost of \$ 295 million to be cost-shared between the Federal government and the Port on a 50-50 basis for depths below 56 feet and on a 75-25 basis for depths less than 51 feet. These planned improvements will allow the Port and other harbor users to bring in larger vessels and a greater volume of ships, providing for a fuller utilization of existing and planned facilities.

Included in the Port’s developmental planning efforts is the build-out of Velasco Container Terminal. Designs for the construction of a 925-foot berth expansion as well as development of backland to support the berths has been completed and construction began in first quarter 2020. In 2021, the addition of a \$25 million Roll-On/Roll-Off ramp to the 925-foot berth expansion was approved. Estimated costs associated with the backland development are \$ 130 million, scheduled over the next five years and includes the acquisition of two (2) additional ship to shore gantry cranes as well as additional land acquisitions needed for access and operational support of the expanding container terminal. A combination of operating income and revenue debt issuance is anticipated to fund this project.

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Management Discussion and Analysis

Future development plans include the stabilization of additional land for laydown areas for project cargo, automotive and heavy equipment, the construction of warehousing, processing, distribution, and rail 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 \$ 10.5 million with construction slated to begin in 2023. A 125 acre vehicle importation and processing facility is being developed with the cost being borne by the developer.

In 2004 Freeport LNG Development, L.P. (FLNP) received approval from the Federal Energy Regulatory Commission (FERC) for construction of a re-gas facility to receive and store imported liquefied natural gas (LNG), convert the product back to a gas form and transport it to commercial and industrial users via pipeline. This facility was completed and placed in operation in the second quarter of 2008. With the announcement of shale oil and gas plays in Texas and other regions of the United States, FLNG refocused its operations on the exportation of LNG and began the permitting process with FERC in 2010. Having received all the necessary permits and necessary funding, construction commenced on three (3) liquefaction train export facilities during 2016. Train 1 delivered its first commissioning shipment on August 30, 2019, and all three trains have since entered commercial operations. This operation has and will continue to provide significant increases to the Port's lease and cargo revenues as operations ramp up.

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

Requests for Information

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



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Statements of Net Position

September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>Assets:</u>		
Current Assets:		
Cash and cash equivalents	\$ 48,789,463	\$ 68,076,536
Investments	9,986,124	-
Receivables:		
Trade accounts (less allowance for uncollectible accounts - 2022, \$ 31,560; 2021, \$ 42,715)	3,475,052	5,042,395
Property taxes (less allowance for uncollectible accounts - 2022, \$ 35,582; 2021, \$ 42,707)	72,018	62,864
Lease	180,406,546	-
Other	4,927,330	40,029
Other governments	641,487	652,143
Accrued interest	626	-
Prepaid items	1,033,776	928,155
Inventory	<u>1,091,309</u>	<u>970,061</u>
Total unrestricted current assets	<u>250,423,731</u>	<u>75,772,183</u>
Restricted Current Assets:		
Cash and cash equivalents	15,694,844	41,462,455
Investments	6,706,873	45,901,722
Receivables:		
Property taxes (less allowance for uncollectible accounts - 2022, \$ 11,770; 2021, \$ 13,421)	38,709	25,995
Accrued interest receivable	22,473	232,719
Other	<u>683</u>	<u>501</u>
Total restricted current assets	<u>22,463,582</u>	<u>87,623,392</u>
Total current assets	<u>272,887,313</u>	<u>163,395,575</u>
Land and land improvement, and construction in progress	238,842,811	222,887,746
Property, plant and equipment (less accumulated depreciation - 2022, \$ 97,893,835; 2021, \$ 90,003,084)	<u>179,695,348</u>	<u>155,308,109</u>
Total non-current assets	<u>418,538,159</u>	<u>378,195,855</u>
Total assets	<u>691,425,472</u>	<u>541,591,430</u>
<u>Deferred Outflows of Resources:</u>		
Deferred outflows of resources – Refunding costs	<u>6,604</u>	<u>7,767</u>
Total deferred outflows of resources	<u>6,604</u>	<u>7,767</u>

(continued)

	<u>2022</u>	<u>2021</u>
<u>Liabilities:</u>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 12,250,775	\$ 9,357,196
Unearned lease income	4,236,646	4,015,079
Accrued compensated absences	<u>76,055</u>	<u>133,408</u>
Total current liabilities	<u>16,563,476</u>	<u>13,505,683</u>
Current Liabilities Payable from Restricted Assets:		
Accrued bond interest payable	2,910,569	2,695,658
Note payable	1,523,850	1,489,502
Bonds payable	<u>6,644,837</u>	<u>6,115,492</u>
Total current liabilities payable from restricted assets	<u>11,079,256</u>	<u>10,300,652</u>
Total current liabilities	<u>27,642,732</u>	<u>23,806,335</u>
Non-current Liabilities:		
Note payable	1,558,990	3,082,840
Bonds payable	262,612,517	269,551,750
Accrued compensated absences	<u>58,546</u>	<u>200,111</u>
Total non-current liabilities	<u>264,230,053</u>	<u>272,834,701</u>
Total liabilities	<u>291,872,785</u>	<u>296,641,036</u>
<u>Deferred Inflows of Resources:</u>		
Deferred inflows of resources	<u>175,560,971</u>	<u>-</u>
Total deferred inflows of resources	<u>175,560,971</u>	<u>-</u>
<u>Net Position:</u>		
Net investment in capital assets	219,424,654	190,667,139
Restricted:		
Debt service	12,959,784	13,774,098
Capital projects	12,346	12,799
Contributions	6,580,882	52,492,096
Unrestricted	<u>(14,979,346)</u>	<u>(11,987,971)</u>
Total net position	<u>\$ 223,998,320</u>	<u>\$ 244,958,161</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues:		
Harbor Operations:		
Wharfage	\$ 11,642,336	\$ 13,526,823
Dockage	6,927,659	7,356,823
Service, facility use and other fees	6,978,611	5,800,876
Lease income	17,211,374	12,970,196
Business interruption claim	4,500,000	-
Miscellaneous	<u>24,289</u>	<u>8,303</u>
Total operating revenues	<u>47,284,269</u>	<u>39,663,021</u>
Operating Expenses:		
Payroll and related	4,945,664	5,109,892
Professional services	2,764,373	2,212,827
Supplies and other	2,678,568	2,214,841
Utilities	719,222	741,203
Maintenance and repairs	1,109,624	907,606
Depreciation	<u>7,914,177</u>	<u>8,192,602</u>
Total operating expenses	<u>20,131,628</u>	<u>19,378,971</u>
Operating income	<u>27,152,641</u>	<u>20,284,050</u>
Non-Operating Revenues (Expenses):		
Ad valorem tax, net of collection expenses	6,430,433	6,190,447
Investment income	153,341	87,667
Dredge material placement fees	-	246,000
Gain on sale of capital assets	271,813	460,696
Debt interest and fees	(9,300,161)	(8,794,637)
Other	<u>(45,619,399)</u>	<u>(15,152,065)</u>
Total non-operating revenues (expenses)	<u>(48,063,973)</u>	<u>(16,961,892)</u>
Income (loss) before capital contributions and extraordinary expenses	(20,911,332)	3,322,158
Capital contributions - grants	143,492	11,092
Extraordinary expenses - emergency recovery	<u>(192,001)</u>	<u>(8,860)</u>
Change in net position	(20,959,841)	3,324,390
Total net position - beginning	<u>244,958,161</u>	<u>241,633,771</u>
Total net position - ending	<u>\$ 223,998,320</u>	<u>\$ 244,958,161</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 39,550,367	\$ 37,642,417
Cash paid to suppliers for goods and services	(4,605,077)	(2,523,565)
Cash paid to employees for services and benefits	(5,144,582)	(5,107,945)
Emergency recovery expenses	(192,001)	(8,860)
Dredge Material placement fees	<u>-</u>	<u>246,000</u>
Net cash provided by operating activities	<u>29,608,707</u>	<u>30,248,047</u>
Cash Flows from Non-capital Financing Activities:		
Property tax receipts	6,478,181	6,277,883
Property tax collection expenses	(69,616)	(67,285)
Contribution to others	<u>(45,619,399)</u>	<u>(15,152,065)</u>
Net cash used by non-capital financing activities	<u>(39,210,834)</u>	<u>(8,941,467)</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from issuance of bonds	-	75,841,584
Principal payments under bond obligations	(6,409,888)	(5,650,972)
Principal payments under capital note obligations	(1,489,502)	(1,455,930)
Interest and fees paid under debt obligations	(9,084,087)	(8,560,281)
Land & equipment purchases	(48,233,055)	(74,310,255)
Grants received	154,148	139,373
Proceeds from the sale of capital assets	<u>248,387</u>	<u>484,465</u>
Net cash used by capital and related financing activities	<u>(64,813,997)</u>	<u>(13,512,016)</u>
Cash Flows from Investing Activities:		
Purchase of investments	(17,260,621)	(82,501,948)
Proceeds from sale and maturity of investments	45,380,000	117,038,000
Investment earnings	<u>1,242,061</u>	<u>541,426</u>
Net cash provided by investing activities	<u>29,361,440</u>	<u>35,077,478</u>
Change in cash and cash equivalents	(45,054,684)	42,872,042
Cash and cash equivalents, October 1,	<u>109,538,991</u>	<u>66,666,949</u>
Cash and cash equivalents, September 30,	<u>\$ 64,484,307</u>	<u>\$ 109,538,991</u>

(continued)

PORT FREEPORT

Statements of Cash Flows - Continued For the Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of Operating Income to Net Cash Provided		
by Operating Activities:		
Operating income	\$ 27,152,641	\$ 20,284,050
Adjustments to Reconcile Operating Income to Net		
Cash Provided by Operating Activities:		
Depreciation	7,914,177	8,192,602
Emergency recovery expenses	(192,001)	(8,860)
Dredge Material placement fees	-	246,000
Change in assets and liabilities:		
Accounts receivable	1,567,343	(1,925,696)
Lease receivable	(180,406,546)	-
Other receivables	(4,677,237)	(92,188)
Inventory	(121,248)	45,418
Prepaid and other	(105,621)	(199,889)
Accounts payable and accrued expenses	2,893,579	3,707,383
Unearned lease income	221,567	(2,720)
Deferred inflow of resource	175,560,971	-
Accrued compensated absences	(198,918)	1,947
Net cash provided by operating activities	\$ <u>29,608,707</u>	\$ <u>30,248,047</u>
Non-cash Transactions Affecting Financial Position:		
Change in value of investments – from cost to fair value	\$ <u>1,089,346</u>	\$ <u>405,431</u>
Net effect of non-cash transactions	\$ <u>1,089,346</u>	\$ <u>405,431</u>

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

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2022 and 2021

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Notes to Financial Statements
For the Years Ended September 30, 2022 and 2021

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, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. BASIS OF ACCOUNTING - Continued

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

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

C. RECLASSIFICATIONS

Net position for 2021 has been reclassified.

D. NEW PRONOUNCEMENTS

GASB No. 87 “Leases” was issued in June 2017. The statement was implemented and had a material effect on the financial statements of the Port. The requirements of this Statement are effective for periods beginning after June 15, 2021.

GASB No. 89 “Accounting for Interest Cost Incurred before the End of a Construction Period” was issued in June 2018. The statement was implemented and did not have a material effect on the financial statements of the Port.

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

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

GASB No. 93 “Replacement of Interbank Offered Rates” 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, 2021.

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

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

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. NEW PRONOUNCEMENTS - Continued

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

GASB No. 98 “The Annual Comprehensive Financial Report” was issued in October 2021. The statement was implemented and did not have a material effect on the financial statements of the Port.

GASB No. 99 “Omnibus 2022” was issued in April 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, 2022.

GASB 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 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.

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, 2022 and 2021.

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.

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G. CAPITAL ASSETS - Continued

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

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

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

H. INTEREST CAPITALIZATION

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 RESOURCE

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 qualify 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.

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

K. COMPENSATED ABSENCES

Vested or accumulated vacation is recorded as an expense and liability as the benefits accrue to employees. The Port's vacation and sick leave policy provides that each employee may carry over unused vacation, not to exceed five days, to subsequent years. Further, unused sick leave may be converted to vacation on a five to one ratio. Benefits payable as of September 30, 2022 and 2021 were \$ 134,601 and \$ 333,519, 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.

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.

PORT FREEPORT

Notes to Financial Statements For the Years Ended September 30, 2022 and 2021

N. PROPERTY TAXES - Continued

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, 2022 and 2021, the Commission levied taxes at a rate of \$ 0.016606 and \$ 0.013443 for debt service and a rate of \$ 0.023394 and \$ 0.026657 for operation and maintenance, for a total tax rate of \$ 0.04 and \$ 0.0401 per \$ 100 assessed valuation for each year, respectively.

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, 2022 and 2021, are as follows:

<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	<u>\$ 9,986,124</u>	<u>\$ 6,706,873</u>	<u>\$ 16,692,997</u>
Total investments	<u>\$ 9,986,124</u>	<u>\$ 6,706,873</u>	<u>\$ 16,692,997</u>
 <u>September 30, 2021</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	8,855,294	411,205	9,266,499
Local government investment pool	<u>59,219,852</u>	<u>41,051,250</u>	<u>100,271,102</u>
Total cash and temporary investments	<u>\$ 68,076,536</u>	<u>\$ 41,462,455</u>	<u>\$ 109,538,991</u>
Investments:			
Investments held by broker-dealers:			
U.S. agencies	<u>\$ -</u>	<u>\$ 45,901,722</u>	<u>\$ 45,901,722</u>
Total investments	<u>\$ -</u>	<u>\$ 45,901,722</u>	<u>\$ 45,901,722</u>

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2022 and 2021

NOTE 2. DEPOSITS AND INVESTMENTS - Continued

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

At September 30, 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. At September 30, 2021, the carrying amount of the Port's deposits was \$ 10,421,499 while the financial institution balances totaled \$ 18,045,201. Of the financial institution balances, \$ 262,799 was covered by federal deposit insurance, \$ 1,554,229 was covered by the Securities Investor Protection Corporation insurance, and \$ 16,228,173 was covered by collateral held by the Port's agent in the Port's name.

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

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

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

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

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

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2022 and 2021

NOTE 2. DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

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

The Port invests in TexPool to provide its liquidity needs. TexPool was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool is a 2(a)7 like fund, meaning that it is structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. TexPool is rated AAAM and must maintain a dollar weighted average maturity not to exceed 60 days. At September 30, 2022 and 2021 TexPool had a weighted average maturity of 25 and 37, respectively. Although TexPool portfolios had a weighted average maturity of 25 and 37 days, respectively, the Port considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder unless there has been a significant change in value.

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

The following tables include the portfolio balances of all investment types of the Port at September 30, 2022 and 2021.

	<u>September 30, 2022</u>		
<u>Investment Type</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
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	<u>\$ 53,712,119</u>	<u>\$ 22,262,068</u>	<u>\$ 75,974,187</u>

	<u>September 30, 2021</u>		
<u>Investment Type</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Local government investment pool	\$ 59,219,852	\$ 41,051,250	\$ 100,271,102
Certificates of deposit	-	1,155,000	1,155,000
U.S. Treasuries	-	42,390,857	42,390,857
U.S. government bonds	-	2,355,865	2,355,865
Total investments	<u>\$ 59,219,852</u>	<u>\$ 86,952,972</u>	<u>\$ 146,172,824</u>

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2022 and 2021

NOTE 2. DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

Unrestricted Funds

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

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

As of September 30, 2021, the Port's unrestricted funds had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Local government investment pool	\$ <u>59,219,852</u>	37
	<u>\$ 59,219,852</u>	37

Credit Risk - 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). As of September 30, 2021, the LGIP (which represent approximately 100% of the unrestricted portfolio) is rated AAAM 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 complement each other in a structured manner that minimizes risk and meets the Port's cash flow requirements.

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Notes to Financial Statements
For the Years Ended September 30, 2022 and 2021

NOTE 2. DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

Restricted Funds

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

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

As of September 30, 2021, the Port's restricted funds had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Local government investment pool	\$ 41,051,250	37
Certificates of deposit	1,155,000	83
U.S. Treasuries	42,390,857	349
U.S. government bonds	<u>2,355,865</u>	1,031
	<u>\$ 86,952,972</u>	217

Credit Risk - 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. As of September 30, 2021, the LGIP (which represents approximately 47% of the restricted portfolio) is rated AAAm by Standard and Poor's. The remaining portfolio is made up of certificates of deposits (which represent approximately 1% of the restricted portfolio), U.S. Treasuries (which represent approximately 49% 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.

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

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Notes to Financial Statements
For the Years Ended September 30, 2022 and 2021

NOTE 2. DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

Calculation of the net increase (decrease) in fair value of investments as of September 30, 2022 and 2021 utilizing the aggregate method is as follows:

	2022		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
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>
	2021		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Fair value at September 30, 2021	\$ -	\$ 45,901,722	\$ 45,901,722
Add: Proceeds of investments sold	38,499,000	78,539,000	117,038,000
Less: Cost of investments purchased	(17,224,282)	(65,277,667)	(82,501,949)
Less: Fair value at September 30, 2020	<u>(21,304,088)</u>	<u>(59,539,117)</u>	<u>(80,843,205)</u>
Changes in fair value of investments for the year ended September 30, 2021	<u>\$ (29,370)</u>	<u>\$ (376,062)</u>	<u>\$ (405,432)</u>

These changes in fair value for the years ended September 30, 2022 and 2021 are reported as investment income.

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

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

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Notes to Financial Statements
For the Years Ended September 30, 2022 and 2021

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 \$ 16,692,997 at September 30, 2022 and \$ 45,901,722 at September 30, 2021 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, 2022 and 2021 was \$ 47,352 and \$ 56,128, 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, 2022 and 2021 was \$ 31,560 and \$ 42,715, respectively.

NOTE 4. CAPITAL ASSETS

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
Capital assets, not being depreciated:					
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>
Capital assets, being depreciated:					
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>

(continued)

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Notes to Financial Statements
For the Years Ended September 30, 2022 and 2021

NOTE 4. CAPITAL ASSETS – Continued

	Useful Life in Years	Balance 10-01-21	Additions	Adjustments/ Deletions	Balance 9-30-22
Accumulated depreciation:					
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>

The following is a summary of capital asset activity for the year ended September 30, 2021:

	Useful Life in Years	Balance 10-01-20	Additions	Adjustment/ Deletions	Balance 9-30-21
Capital assets, not being depreciated:					
Land & improvements		\$ 96,197,565	\$ 3,548,403	\$ -	\$ 99,745,968
Construction in progress		<u>54,710,306</u>	<u>70,515,527</u>	<u>(2,084,055)</u>	<u>123,141,778</u>
Total capital assets, not being depreciated		<u>150,907,871</u>	<u>74,063,930</u>	<u>(2,084,055)</u>	<u>222,887,746</u>
Capital assets, being depreciated:					
Buildings	50	30,777,353	114,531		30,891,884
Docks & appurtenances	5-50	59,047,605	35,875		59,083,480
Utilities	20-50	23,353,168	1,983,009		25,336,177
Roads, lots & railways	50	37,729,480			37,729,480
Storage yards	50	65,100,279			65,100,279
Equipment, furniture & vehicles	5-50	29,509,604	196,965	(3,984,558)	25,722,011
Other	10-50	<u>1,447,882</u>	<u></u>	<u></u>	<u>1,447,882</u>
Total capital assets, being depreciated		<u>246,965,371</u>	<u>2,330,380</u>	<u>(3,984,558)</u>	<u>245,311,193</u>

Accumulated depreciation:

Buildings	\$ 13,387,252	\$ 700,632	\$ -	\$ 14,087,884
Docks & appurtenances	20,411,632	1,358,683		21,770,315
Utilities	11,284,009	1,083,430		12,367,439
Roads, lots & railways	5,608,863	1,150,259		6,759,122
Storage yards	15,619,344	2,459,933		18,079,277
Equipment, furniture & vehicles	18,204,502	1,346,243	(3,960,789)	15,589,956
Other	<u>1,255,669</u>	<u>93,422</u>	<u></u>	<u>1,349,091</u>
Total accumulated depreciation	<u>85,771,271</u>	<u>8,192,602</u>	<u>(3,960,789)</u>	<u>90,003,084</u>
Total capital assets, being depreciated, net	<u>161,194,100</u>	<u>(5,862,222)</u>	<u>(23,769)</u>	<u>155,308,109</u>
Total capital assets, net	<u>\$ 312,101,971</u>	<u>\$ 68,201,708</u>	<u>\$(2,107,824)</u>	<u>\$378,195,855</u>

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Notes to Financial Statements
For the Years Ended September 30, 2022 and 2021

NOTE 4 CAPITAL ASSETS - Continued

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

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

The Port has entered into contracts for construction as of September 30, 2021 as follows:

	Project Authori- zation	Expended To Date	Remaining Commitment	Required Further Financing
Velasco Terminal Development	\$144,311,336	\$ 81,595,694	\$ 62,715,642	\$ -
Freeport Harbor Channel Improvement	42,288,174	34,991,392	7,296,782	-
East End Property Acquisition	99,066	73,150	25,916	-
Warehouse Improvement	395,466	218,176	177,290	-
Professional/Consulting	<u>17,990</u>	<u>8,005</u>	<u>9,985</u>	<u>-</u>
Total	<u>\$187,112,032</u>	<u>\$116,886,417</u>	<u>\$ 70,225,615</u>	<u>\$ -</u>

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

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>

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Notes to Financial Statements
For the Years Ended September 30, 2022 and 2021

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

Non-current liabilities activity for the year ended September 30, 2021 was as follows:

	Balance 10-01-20	Additions	Reductions	Balance 9-30-21	Due Within One Year
General obligation bonds	\$ 31,665,000	\$ 37,135,000	\$(310,000)	\$ 68,490,000	\$ 640,000
Revenue bonds	160,075,000	29,885,000	(4,785,000)	185,175,000	4,990,000
Purchase financing note (Note 6)	6,028,272		(1,455,930)	4,572,342	1,489,502
Premium on bonds	13,736,630	8,821,584	(555,972)	22,002,242	485,492
Compensated absences	<u>331,572</u>	<u>150,796</u>	<u>(148,849)</u>	<u>333,519</u>	<u>133,408</u>
Total non-current liabilities	<u>\$211,836,474</u>	<u>\$ 75,992,380</u>	<u>\$(7,255,751)</u>	<u>\$280,573,103</u>	<u>\$ 7,738,402</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 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, 2022 and 2021, the amount of ad valorem taxes collected for interest and sinking was \$ 2,591,178 and \$ 2,023,661, while the debt service requirements for principal and interest were \$ 2,803,397 and \$ 2,132,783 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
2023	\$ 670,000	\$ 2,136,012	\$ 2,806,012
2024	125,000	2,102,512	2,227,512
2025	710,000	2,096,262	2,806,262
2026	730,000	2,074,962	2,804,962
2027	1,810,000	2,038,462	3,848,462
2028-2032	10,255,000	8,971,136	19,226,136
2033-2037	12,225,000	6,987,400	19,212,400
2038-2042	14,090,000	5,130,500	19,220,500
2043-2047	16,280,000	2,936,300	19,216,300
2048-2051	<u>10,955,000</u>	<u>588,800</u>	<u>11,543,800</u>
Total	<u>\$ 67,850,000</u>	<u>\$ 35,062,346</u>	<u>\$ 102,912,346</u>

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Notes to Financial Statements
For the Years Ended September 30, 2022 and 2021

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%.

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Notes to Financial Statements
For the Years Ended September 30, 2022 and 2021

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:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2023	\$ 2,320,000	\$ 463,232	\$ 2,783,232
2024	2,395,000	391,776	2,786,776
2025	2,465,000	318,010	2,783,010
2026	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>\$ 15,040,000</u>	<u>\$ 1,662,122</u>	<u>\$ 16,702,122</u>

Series 2015A:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2023	\$ 855,000	\$ 1,586,588	\$ 2,441,588
2024	895,000	1,543,838	2,438,838
2025	945,000	1,499,088	2,444,088
2026	990,000	1,451,838	2,441,838
2027	1,035,000	1,402,338	2,437,338
2028-2032	5,985,000	6,215,628	12,200,628
2033-2037	7,385,000	4,816,000	12,201,000
2038-2042	9,325,000	2,862,776	12,187,776
2043-2045	<u>6,710,000</u>	<u>612,676</u>	<u>7,322,676</u>
	<u>\$ 34,125,000</u>	<u>\$ 21,990,770</u>	<u>\$ 56,115,770</u>

Series 2018:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2023	\$ 615,000	\$ 1,372,950	\$ 1,987,950
2024	645,000	1,342,200	1,987,200
2025	680,000	1,309,950	1,989,950
2026	710,000	1,275,950	1,985,950
2027	750,000	1,240,450	1,990,450
2027-2031	4,340,000	5,602,000	9,942,000
2032-2036	5,535,000	4,403,750	9,938,750
2037-2041	6,985,000	2,958,800	9,943,800
2042-2046	8,515,000	1,430,800	9,945,800
2047-2048	<u>1,910,000</u>	<u>76,400</u>	<u>1,986,400</u>
	<u>\$ 30,685,000</u>	<u>\$ 21,013,250</u>	<u>\$ 51,698,250</u>

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Notes to Financial Statements
For the Years Ended September 30, 2022 and 2021

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

Revenue Bonds Payable - Continued

Series 2019A:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2023	\$ 820,000	\$ 1,957,350	\$ 2,777,350
2024	860,000	1,916,350	2,776,350
2025	900,000	1,873,350	2,773,350
2026	945,000	1,828,350	2,773,350
2027	995,000	1,781,100	2,776,100
2028-2032	5,770,000	8,108,000	13,878,000
2033-2037	7,320,000	6,559,450	13,879,450
2038-2042	8,950,000	4,926,150	13,876,150
2043-2047	10,955,000	2,919,600	13,874,600
2048-2049	<u>5,160,000</u>	<u>390,250</u>	<u>5,550,250</u>
	<u>\$ 42,675,000</u>	<u>\$ 32,259,950</u>	<u>\$ 74,934,950</u>

Series 2019B:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2023	\$ 585,000	\$ 962,550	\$ 1,547,550
2024	615,000	933,300	1,548,300
2025	645,000	902,550	1,547,550
2026	680,000	870,300	1,550,300
2027	715,000	836,300	1,551,300
2028-2032	4,135,000	3,609,250	7,744,250
2033-2037	4,975,000	2,770,500	7,745,500
2038-2042	5,770,000	1,977,900	7,747,900
2043-2047	6,690,000	1,058,700	7,748,700
2048-2049	<u>2,965,000</u>	<u>134,100</u>	<u>3,099,100</u>
	<u>\$ 27,775,000</u>	<u>\$ 14,055,450</u>	<u>\$ 43,830,450</u>

Series 2021:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2023	\$	\$ 1,326,850	\$ 1,326,850
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
2028-2032	3,175,000	6,406,000	9,581,000
2033-2037	5,025,000	5,359,500	10,384,500
2038-2042	6,340,000	3,981,500	10,321,500
2043-2047	7,855,000	2,465,000	10,320,000
2048-2051	<u>7,490,000</u>	<u>763,400</u>	<u>8,253,400</u>
	<u>\$ 29,885,000</u>	<u>\$ 25,609,650</u>	<u>\$ 55,494,650</u>

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2022 and 2021

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

Revenue Bonds Payable - Continued

Total Revenue Bonds:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2023	\$ 5,195,000	\$ 7,669,520	\$ 12,864,520
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
2028-2032	26,105,000	30,024,038	56,129,038
2033-2037	30,240,000	23,909,200	54,149,200
2038-2042	37,370,000	16,707,126	54,077,126
2043-2047	40,725,000	8,486,776	49,211,776
2048-2051	<u>17,525,000</u>	<u>1,364,150</u>	<u>18,889,150</u>
	<u>\$ 180,185,000</u>	<u>\$ 116,591,192</u>	<u>\$ 296,776,192</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, 2022, \$ 1,489,502 of principal and \$ 105,438 of interest expenses related to the note were paid. During the year ended September 30, 2021, \$ 1,455,930 of principal and \$ 139,012 of interest expenses related to the note were paid.

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

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2023	\$ 1,523,850	\$ 71,090	\$ 1,594,940
2024	<u>1,558,990</u>	<u>35,950</u>	<u>1,594,940</u>
	<u>\$ 3,082,840</u>	<u>\$ 107,040</u>	<u>\$ 3,189,880</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, 2022 or 2021.

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2022 and 2021

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 8 lots and the one additional tract.

A resident of Freeport, Texas filed a complaint on August 17, 2018, in the U.S. District Court for the Southern District of Texas. The matter against the Port was dismissed by the trial court on November 15, 2019. The plaintiff in that case appealed the decision to the 5th Circuit and on September 20, 2021, the 5th Circuit issued a judgement affirming the decision of the U.S. District Court.

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, 2022 and 2021.

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, 2022 and 2021 were \$ 10,206 and \$ 10,659, respectively.

Freeport Harbor Channel Improvement Project

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

PORT FREEPORT

Notes to Financial Statements
For the Years Ended September 30, 2022 and 2021

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, 2022 and 2021 was \$ 95,458,246 and \$ 95,458,246, respectively, and accumulated depreciation was \$ 40,852,652 and \$ 37,794,747, respectively.

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. Lease revenue for the year ended September 30, 2021 was \$ 12,970,196.

Minimum future rentals to be received on noncancelable leases as of September 30, 2022 are as follows:

Fiscal Year Ending September 30	Principal	Interest	Total Principal and Interest
2023	\$ 7,224,622	\$ 5,199,623	\$ 12,424,245
2024	7,438,918	4,988,325	12,427,243
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
2028-2032	36,040,742	18,967,005	55,007,747
2033-2037	43,394,049	13,326,654	56,720,703
2038-2042	56,566,348	6,191,581	62,757,929
2043-2047	6,797,952	659,140	7,457,092
2048-2052	1,994,754	330,273	2,325,027
2053-2055	<u>1,188,375</u>	<u>45,348</u>	<u>1,233,723</u>
	<u>\$ 180,406,546</u>	<u>\$ 63,471,863</u>	<u>\$ 243,878,409</u>

NOTE 11. GRANT REVENUE

The following is a schedule of port grant revenue for the years ended September 30, 2022 and 2021.

Agency	Grant Number	Total Entitlement	Pre-2020 Revenues	Revenue 9-30-21	Revenue 9-30-22	Remaining Project 9-30-22
US Department of Transportation: Consolidated Rail Infrastructure and Safety Improvements	FRCRS0070220100	\$ 6,312,634	\$ -	\$ -	\$ -	\$ 6,312,634
US Department of Homeland Security: Port Security	2020-PU-00466	202,395	-	11,092	22,810	168,493
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>-</u>	<u>11,614</u>	<u>-</u>
Totals		<u>\$ 6,844,000</u>	<u>\$ 169,357</u>	<u>\$ 11,092</u>	<u>\$ 143,492</u>	<u>\$ 6,520,059</u>

Accounts receivable related to these grants as of September 30, 2022 and 2021 totaled \$ 436 and \$ 11,092, 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, 2022 and 2021

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, 2022 and 2021, 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 \$ 191,266 (\$ 52,632 calendar year 2021 and \$ 138,634 for calendar 2022) to the plan for the year ended September 30, 2022. The Port contributed \$ 196,550 (\$ 55,298 calendar year 2020 and \$ 141,252 for calendar 2021) to the plan for the year ended September 30, 2021. 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, 2022 and 2021

NOTE 13. RETIREMENT PLANS - Continued

The 457 Plan became effective October 1, 2002 and maintains a calendar year-end. The Port contributed \$ 80,644 and \$ 80,148 to the 457 Plan for the years ended September 30, 2022 and 2021, respectively. Participant contributions for the years ended September 30, 2022 and 2021 totaled \$ 250,505 and \$ 252,633, 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 \$ 31,969 as of September 30, 2022. The amount of plan fees and expenses were \$ 1,200, and the amount of forfeitures was \$ 0 as of September 30, 2021. There is no outstanding pension liability as of September 30, 2022 and 2021 since the Port made 100% of required contribution during the year.

NOTE 14. ECONOMIC DEPENDENCY

Operating revenues: During the year ended September 30, 2022, five customers represented approximately 41%, 13%, 6%, 5% and 5% of the Port's operating revenue. During the year ended September 30, 2021, four customers represented approximately 58%, 13%, 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, 2022 and 2021, one taxpayer represented approximately 15% and 17%, respectively, of the total assessed valuation.

PORT FREEPORT

Notes to Financial Statements For the Years Ended September 30, 2022 and 2021

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.

Tax abatement agreements as of September 30, 2022 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 2022</u>
Manufacturing	New Construction	100%	\$ <u>12,894,250,560</u>	\$ <u>5,157,700</u>
Total			\$ <u>12,894,250,560</u>	\$ <u>5,157,700</u>

NOTE 16. EVALUATION OF SUBSEQUENT EVENTS

The Port has evaluated subsequent events through February 14, 2023, the date which the financial statements were available to be issued. The Port has determined that there have been no events that have occurred that would require adjustments to our financial statement disclosures.

NOTE 17. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT

During the current fiscal year, the Port implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the Port's financial statements and had no effect on the beginning net position. The Port recognized \$ 187,062,354 in leases receivable as lessor at October 1, 2021, due to the implementation of GASB Statement No. 87; however, the amounts were offset by deferred inflows of resources for related leases. The Port elected not to restate the comparative period of 2021 because it was not reasonably practical.

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 2022, the Freeport Harbor Channel received 1,189 vessel arrivals, transporting approximately 31.2 million tons.

Rankings

Port Freeport currently ranks 6th in chemicals, 11th in total foreign waterborne export tonnage, and 26th in containers among all U.S. ports.

Cargo

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

Foreign Trade Zone #149

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



PORT FREEPORT

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

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<i>These schedules contain Port cargo traffic data to help the reader understand how the information in the Port's financial report relates to the services the Port provides and the activities it performs.</i>	
Financial Trends	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	98
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Port's financial activities take place.</i>	



PORT FREEPORT

Ten Year Cargo Quantities Analysis^①
for the Fiscal Years Ended September 30, 2013 through 2022

TABLE 1

	Cargo Quantities Short Tons	Percent Total Port Tonnage
Rice	1,918,163	3.38 %
Bananas/Misc. Fruit ②	3,379,763	5.96
Misc./General Cargo ③	4,906,261	8.65
Dry Bulk Material ④	8,877,987	15.65
Liquid Bulk Material ⑤	32,924,446	58.05
Project Cargo ⑥	318,710	0.56
Steel Products	2,313,888	4.08
RoRo ⑧	2,081,061	3.67
	56,720,279	100.00 %

① Source-Port Freeport

② Components: Containerized Fruit/Palletized Fruit

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

④ Components: Aggregate

⑤ Components: Liquefied Natural Gas, Liquid Bulk Naptha

⑥ Components: Windpower Components, Industry Project Components

⑧ Components: Automobiles, Equipment

Container Traffic Statistics^①
Twenty-Foot Equivalent Units (T.E.U.)
for the Fiscal Years Ended September 30, 2013 through 2022

TABLE 2

Fiscal Year	Inbound T.E.U.	Outbound T.E.U.	Total	Percent Growth/(Reduction) From Prior Year
2013	50,140	50,676	100,816	42.83
2014	48,733	49,317	98,050	(2.74)
2015	48,456	50,448	98,904	0.87
2016	49,595	50,971	100,566	1.68
2017	48,878	51,065	99,943	(0.62)
2018	43,886	43,992	87,878	(12.07)
2019	55,809	55,793	111,602	26.99
2020	56,515	55,876	112,391	0.71
2021	43,191	44,583	87,774	(21.90)
2022	41,268	44,362	85,630	(2.44)

① Source-Port Freeport

PORT FREEPORT

Cargo Traffic Statistics^①
for the Fiscal Years Ended September 30, 2013 through 2022

	2022			2021			2020			2019		
1. Rice	275,988	2 %		117,648	1 %		143,450	2 %		128,993	5 %	
2. Bananas/Misc. Fruit ②	364,390	3		282,584	2		264,253	3		320,093	11	
3. Misc./General Cargo ③	355,983	3		471,072	3		664,259	8		606,247	22	
4. Dry Bulk Material ④	448,346	3		441,269	3		652,690	7		967,173	34	
5. Liquid Bulk Material ⑤	10,331,027	80		14,877,655	87		6,325,056	73		140,773	5	
6. Project Cargo ⑥	67,962	0		10,816	0		54,848	1		6,127	0	
7. Steel Products	735,992	6		423,443	2		308,787	3		378,782	13	
8. RoRo ⑧	415,073	3		411,442	2		288,857	3		274,224	10	
Annual Port Tonnage ⑨ -Short Tons	12,994,761	100 %		17,035,929	100 %		8,702,200	100 %		2,822,412	100 %	
Percent Export	83.87 %			41.87 %			81.98 %			31.53 %		
Percent Import	14.55			8.47			16.59			65.83		
Percent Domestic	1.59			0.73			1.44			2.65		

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

2018		2017		2016		2015		2014		2013	
150,410	7 %	213,005	10 %	210,565	8 %	222,055	8 %	170,431	7 %	285,618	14 %
335,275	14	305,573	14	344,494	11	340,021	11	371,458	14	451,622	22
395,046	18	485,095	23	497,968	16	462,244	15	495,255	19	473,092	23
866,163	37	806,915	38	1,405,692	46	1,638,790	55	1,195,603	45	455,346	23
7,815	0	0	0	320,478	10	215,451	7	370,130	14	336,061	17
33,420	1	39,641	2	16,157	1	41,301	1	33,995	1	14,443	1
305,143	13	95,741	4	41,656	1	24,344	1	0	0	0	0
233,675	10	182,505	9	223,735	7	51,550	2	0	0	0	0
2,326,947	100 %	2,128,475	100 %	3,060,745	100 %	2,995,756	100 %	2,636,872	100 %	2,016,182	100 %
24.44 %		32.59 %		27.67 %		26.84 %		28.79 %		34.69 %	
71.05		61.91		67.34		69.06		66.95		55.21	
4.51		5.50		5.00		4.10		4.26		10.09	

PORT FREEPORT

Net Position by Component For The Years 2013 Through 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u> <u>(Restated)</u>	<u>2019</u>
Net Position:				
Net investment in capital assets	\$ 219,424,654	\$ 190,667,139	\$ 173,876,773	\$ 169,756,789
Restricted:				
Debt Service	12,959,784	13,774,098	12,458,787	6,500,048
Capital Projects	12,346	12,799	13,297	15,744,220
For contribution to others	6,580,882	52,492,096	28,010,264	
Unrestricted	<u>(14,979,346)</u>	<u>(11,987,971)</u>	<u>27,274,650</u>	<u>41,289,997</u>
Total net position	<u>\$ 223,998,320</u>	<u>\$ 244,958,161</u>	<u>\$ 241,633,771</u>	<u>\$ 233,291,054</u>

TABLE 4

2018	2017 (Restated)	2016	2015	2014	2013
\$ 182,374,412	\$ 165,384,639	\$ 160,808,124	\$ 146,478,032	\$ 149,413,568	\$ 132,423,882
5,267,264	3,758,737	997,405	9,133,081	2,762,928	2,767,814
11,125,416	7,091,771	3,456,647	15,202	15,700	16,199
22,141,241	32,959,629	37,235,517	44,585,445	42,713,203	53,881,956
<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>	<u>\$ 189,089,851</u>

PORT FREEPORT

Summary of Revenues, Expenses and Changes in Net Position For The Years 2013 Through 2022

	2022	2021	2020 (Restated)	2019
Operating Revenues:				
Harbor Operations:				
Wharfage	\$ 11,642,336	\$ 13,526,823	\$ 10,853,640	\$ 7,886,541
Dockage	6,927,659	7,356,823	4,181,863	1,958,714
Service, facility use and other fees	6,978,611	5,800,876	5,140,745	3,632,402
Lease income	17,211,374	12,970,196	13,388,187	14,430,007
Miscellaneous	4,524,289	8,303	8,880	37,478
Total operating revenues	47,284,269	39,663,021	33,573,315	27,945,142
Operating Expenses:				
Payroll and related	4,945,664	5,109,892	5,068,205	4,775,413
Professional services	2,764,373	2,212,827	2,163,290	2,094,856
Supplies and other	2,678,568	2,214,841	2,111,176	2,194,173
Utilities	719,222	741,203	636,683	554,231
Maintenance and repairs	1,109,624	907,606	973,834	1,165,766
Depreciation	7,914,177	8,192,602	7,592,533	6,797,897
Total operating expenses	20,131,628	19,378,971	18,545,721	17,582,336
Operating income (loss)	27,152,641	20,284,050	15,027,594	10,362,806
Non-Operating Revenues (Expenses):				
Ad valorem tax collections, net of collection expenses	6,430,433	6,190,447	5,623,026	5,400,964
Investment income	153,341	87,667	2,095,520	2,010,440
Gain (loss) on sale of capital assets	271,813	460,696		
Debt interest and fees	(9,300,161)	(8,794,637)	(7,862,024)	(4,640,871)
Other	(45,619,399)	(14,906,065)	(6,681,232)	(846,159)
Total non-operating revenues (expenses)	(48,063,973)	(16,961,892)	(6,824,710)	1,924,374
Income (loss) before capital contributions	(20,911,332)	3,322,158	8,202,884	12,287,180
Capital contributions -grants	143,492	11,092	139,833	95,541
Total capital contributions	143,492	11,092	139,833	95,541
Extraordinary Revenues (Expenses):				
Emergency Recovery	(192,001)	(8,860)		
Insurance and other proceeds - Berth 7				
Construction cost - Berth 7				
Legal and expert fees - Berth 7				
Total extraordinary revenues (expenses)	(192,001)	(8,860)	0	0
Change in net position	\$ (20,959,841)	\$ 3,324,390	\$ 8,342,717	\$ 12,382,721

TABLE 5

2018	2017 (Restated)	2016	2015	2014	2013
\$ 7,274,790	\$ 4,847,411	\$ 4,334,632	\$ 3,567,651	\$ 3,896,689	\$ 3,149,424
1,773,794	1,246,826	1,556,143	1,324,691	1,763,042	1,353,107
2,957,490	2,571,349	2,978,082	3,086,171	4,191,757	4,112,112
14,044,382	13,359,626	12,796,464	10,564,284	6,955,488	6,344,343
283,391	58,580	19,420	47,938	188,619	35,402
<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>	<u>14,994,388</u>
4,214,936	4,022,319	3,998,844	3,571,566	4,005,446	3,858,186
2,119,928	1,886,579	1,916,292	1,731,553	1,432,875	1,634,189
1,867,377	1,653,856	2,060,069	2,376,075	2,489,337	2,316,959
490,982	531,284	517,132	563,186	494,540	553,874
630,215	722,055	671,078	998,167	760,060	998,932
<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>4,502,480</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>13,864,620</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>	<u>1,129,768</u>
5,173,826	4,841,680	4,701,307	4,750,726	4,672,390	5,246,302
598,893	414,302	289,226	116,636	265,046	(59,682)
	(25,722)	(4,541,318)	3,500		17,965
(3,165,919)	(2,957,986)	(3,165,710)	(1,922,216)	(1,285,213)	(2,163,797)
(1,276,769)	(1,764,954)	(1,035,419)	(836,997)	(1,381,819)	(1,188,604)
<u>1,330,031</u>	<u>507,320</u>	<u>(3,751,914)</u>	<u>2,111,649</u>	<u>2,270,404</u>	<u>1,852,184</u>
11,465,391	6,613,698	1,934,499	5,035,994	4,773,332	2,981,952
248,166	83,385	351,434	270,367	1,042,216	4,682,926
<u>248,166</u>	<u>83,385</u>	<u>351,434</u>	<u>270,367</u>	<u>1,042,216</u>	<u>4,682,926</u>
					13,095,000
					(9,236,010)
					(2,106,388)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,752,602</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>	\$ <u>9,417,480</u>

PORT FREEPORT

Property Tax Rates^③
Direct and Overlapping Governments
for the Levy Years 2012 through 2021^{①②}

	2021	2020	2019
Port Freeport	\$ 0.040000	\$ 0.040100	\$ 0.040100
<u>Overlapping Governments:</u>			
Alvin I.S.D.	1.397700	1.397700	1.397700
Alvin Community College	0.183211	0.183443	0.185862
Angleton, City of	0.633041	0.665144	0.697580
Angleton Drainage District	0.091153	0.109962	0.130352
Angleton I.S.D.	1.267000	1.331300	1.385200
Angleton-Danbury Hospital	0.192505	0.205909	0.242259
Brazoria, City of	0.680476	0.680476	0.680476
Brazoria County	0.336530	0.342017	0.365233
Brazoria County FWD #1	0.00	0.00	0.00
Brazoria County MUD #32	1.350000	1.350000	1.350000
Brazosport College	0.309341	0.297866	0.300177
Brazosport I.S.D.	1.178700	1.181700	1.185300
Clute, City of	0.625000	0.595392	0.625000
Columbia/Brazoria I.S.D.	1.072340	1.088140	1.170340
Commodore Cove I.D.	0.208800	0.201468	0.202349
Danbury, City of	0.659094	0.697258	0.773569
Brazoria County Drainage District #8 (Danbury)	0.209000	0.209378	0.232948
Danbury I.S.D.	1.291200	1.392720	1.468350
Freeport, City of	0.600000	0.615859	0.628005
Jones Creek, Village of	0.440000	0.440000	0.411289
Lake Jackson, City of	0.339000	0.328977	0.348200
Liverpool, City of	0.147730	0.164649	0.189288
Oak Manor U.D.	0.540000	0.540000	0.600000
Oyster Creek, City of	0.238518	0.238518	0.293346
Quintana, Town of	0.015423	0.013426	0.014898
Richwood, City of	0.652278	0.627470	0.670204
Surfside, Village of	0.334846	0.334846	0.353778
Sweeny, City of	0.747062	0.701553	0.747062
Sweeny Hospital District	0.537930	0.541299	0.541299
Sweeny I.S.D.	1.036400	1.036400	1.141700
Treasure Island M.U.D.	0.382272	0.423660	0.450318
Varner Creek Utility District	0.530000	0.570000	0.600000
Velasco Drainage District	0.083553	0.078150	0.084550
West Brazoria County Drainage District #11	0.019887	0.019695	0.020000
West Columbia, City of	0.770000	0.731770	0.820000

^①Source - Brazoria County Appraisal District

^②Property taxes are levied annually in October.

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

TABLE 6

2018	2017	2016	2015	2014	2013	2012
\$ 0.040100	\$ 0.040100	\$ 0.040100	\$ 0.041304	\$ 0.045000	\$ 0.045000	\$ 0.051500
1.450000	1.450000	1.450000	1.417000	1.417000	1.329100	1.329100
0.187775	0.180750	0.191744	0.204009	0.204009	0.199756	0.199756
0.697580	0.707598	0.707598	0.717598	0.723500	0.723500	0.723500
0.131182	0.146855	0.155164	0.166619	0.176597	0.175448	0.176563
1.455200	1.455200	1.455200	1.455200	1.455200	1.455200	1.455200
0.258328	0.273681	0.302817	0.321751	0.346854	0.362678	0.359592
0.721976	0.721976	0.790700	0.790700	0.770700	0.770700	0.762300
0.367914	0.380234	0.457405	0.426000	0.438500	0.432020	0.425900
0.00	0.00	0.00	0.00	0.00	0.00	0.250000
1.350000	0.00	0.00	0.00	0.00	0.00	0.00
0.298500	0.303249	0.285040	0.277510	0.280878	0.267309	0.259436
1.255300	1.255300	1.255300	1.255300	1.255300	1.255300	1.259500
0.625000	0.625000	0.643000	0.659000	0.672000	0.672000	0.672000
1.258059	1.269500	1.284700	1.284700	1.284700	1.296500	1.296500
0.208164	0.204235	0.205984	0.399327	0.439336	0.467538	0.461570
0.816924	0.765672	0.768701	0.799313	0.829169	0.829169	0.826940
0.252063	0.252063	0.276115	0.307812	0.325442	0.349474	0.366000
1.604700	1.250700	1.256600	1.255000	1.240000	1.141081	1.136445
0.628005	0.628005	0.628005	0.645642	0.675586	0.675586	0.700000
0.462691	0.410000	0.410000	0.410000	0.410000	0.410000	0.380000
0.335200	0.337500	0.337500	0.360000	0.387500	0.390000	0.390000
0.189288	0.189288	0.193770	0.215304	0.216473	0.230463	0.230463
0.700000	0.500000	0.500000	0.540000	0.510000	0.520000	0.505000
0.258976	0.303816	0.303816	0.332273	0.476394	0.476394	0.473161
0.014898	0.013830	0.012938	0.013046	0.013046	0.022882	0.023640
0.670204	0.634444	0.672580	0.735680	0.735680	0.735680	0.735680
0.359506	0.359506	0.359506	0.375204	0.397940	0.432601	0.432601
0.747062	0.747062	0.747062	0.842869	0.908000	0.887456	0.844034
0.548211	0.516523	0.527302	0.510351	0.483126	0.470003	0.429109
1.211700	1.211700	1.211700	1.211700	1.211700	1.211700	1.211700
0.535735	0.531270	0.503878	0.518997	0.553152	0.575262	0.551848
0.640000	0.650000	0.710000	0.760000	0.830000	0.890000	0.928000
0.084120	0.085000	0.091501	0.093878	0.098018	0.100226	0.094805
0.020000	0.020000	0.020000	0.020000	0.020000	0.020000	0.020000
0.820000	0.820000	0.830000	0.830000	0.831900	0.831900	0.831900

PORT FREEPORT

Valuation, Exemptions and General Obligation Debt
for Fiscal Year Ended September 30, 2022
(In Thousands)

TABLE 7

2021 Market Valuation: ^① (excluding totally exempt property)		
Land, Homesite	\$ 1,382,823	
Land, Non Homesite	1,481,680	
Land, Ag and Timber Market	1,542,464	
Improvement, Homesite	6,466,833	
Improvement, Non-Homesite	22,796,881	
Non Real, Personal Property	3,926,215	
Non Real, Mineral	28,983	
Total Market Value Before Exemptions		\$ 37,625,879
Less Exemptions/Reductions at 100% Market Value:		
Homestead Exemptions	\$ 1,176,727	
Over 65 Homesteads Exemptions	1,522,287	
Disabled Exemptions	207,890	
Abatements	13,259,997	
Freeport Loss	653,185	
Pollution Control	2,011,826	
Productivity Loss	1,504,110	
Tax Exempt	1,776,941	
Other	7,313	
Total Exemptions		\$ 22,120,276
Net 2021 Taxable Valuation		\$ 15,505,603

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

PORT FREEPORT

Taxable and Estimated Valuation of Properties Located
Within the Port Taxing District ^① for the Fiscal Years 2013 through 2022
(In Thousands)

TABLE 8

Fiscal Year	Estimated Market Value		Less: Tax-Exempt Property	Taxable Valuation	Percent Growth (Reduction) From Prior Year	Total Direct Tax Rate ^②
	Real Property	Personal Property				
2013	\$ 12,063,258	\$ 2,886,275	\$ 5,377,878	\$ 9,571,655	2.86 %	\$ 0.053500
2014	12,381,744	2,842,272	4,719,891	10,504,125	9.74	0.045000
2015	12,843,780	2,923,286	5,403,575	10,363,491	(1.34)	0.045000
2016	14,362,925	2,826,243	6,113,078	11,076,090	6.88	0.041304
2017	16,996,743	2,609,001	7,843,409	11,762,335	6.20	0.040100
2018	20,489,956	2,724,994	10,645,525	12,569,425	6.86	0.040100
2019	25,063,315	3,220,040	14,708,104	13,575,251	8.00	0.040100
2020	27,275,022	3,742,847	17,042,383	13,975,486	2.95	0.040100
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
Taxable Valuation 2013-2022					62.00	

^①Source - Brazoria County Appraisal District

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

PORT FREEPORT

Property Tax Levies and Collections^① for the Fiscal Years 2013 through 2022

TABLE 9

Fiscal Year	Total ^② Levy Amount	Levy Adjustments	Adjusted Levy Amount	Total Current Year Collections	Percent of Current Year Collections	Delinquent Tax Collections	Total Gross Collections	Percent of Total Collections
2013	\$ 5,135,924	\$ 206,479	\$ 4,929,445	\$ 5,069,539	98.71 %	\$ 71,702	\$ 5,141,241	100.10 %
2014	4,679,020	118,085	4,560,935	4,632,114	99.00	51,431	4,683,545	100.10
2015	4,767,574	103,877	4,663,697	4,721,937	99.04	58,006	4,779,943	100.26
2016	4,701,834	126,869	4,574,965	4,659,846	99.11	50,929	4,710,775	100.19
2017	4,716,780	141,011	4,575,769	4,806,562	101.90	67,541	4,874,103	103.34
2018	5,040,346	144,429	4,895,917	5,129,495	101.77	72,093	5,201,588	103.20
2019	5,443,667	13,570	5,430,097	5,381,510	98.86	87,000	5,468,510	100.46
2020	5,604,169	37,700	5,641,869	5,590,018	99.75	72,243	5,662,261	101.04
2021	5,990,048	230,845	6,220,893	6,172,165	103.04	58,881	6,231,046	104.02
2022	6,202,346	243,024	6,445,370	6,386,489	102.97	-	6,386,489	102.97

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

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

PORT FREEPORT

Principal Taxpayers^① Current Year and Nine Years Ago

September 30, 2022 (In Thousands)				TABLE 10
Entity	2021 Market Valuation	Percent of Total Market Valuation	2021 ^② Taxable Valuation	Percent of Total Taxable Valuation
Dow Chemical Company	\$ 5,098,870	13.55 %	\$ 2,303,234	14.85 %
Phillips 66 Company	3,096,981	8.23	717,259	4.63
Olin Chlorine #7 LLC	646,247	1.72	646,247	4.17
Blue Cube Operations LLC	778,360	2.07	582,826	3.76
Chevron Phillips Chemical Company	1,888,445	5.02	396,124	2.55
Seaway Crude Pipeline	315,193	0.84	307,784	1.98
BASF Corp. Chemicals Div.	456,516	1.21	276,527	1.78
Freeport LNG	1,222,252	3.25	171,809	1.11
Centerpoint Energy Inc.	132,697	0.35	132,694	0.86
BG Woodward LLC	126,861	0.34	126,861	0.82
TOTAL	\$ 13,762,422	36.58 %	\$ 5,661,365	36.51 %

September 30, 2013 (In Thousands)				
Entity	2012 Market Valuation	Percent of Total Market Valuation	2012 ^③ Taxable Valuation	Percent of Total Taxable Valuation
Dow Chemical Company	\$ 2,860,295	26.15 %	\$ 2,174,179	22.71 %
ConocoPhillips Company	1,358,858	12.42	657,258	6.87
BASF Corp. Chemicals Div.	754,300	6.90	385,762	4.03
Chevron Phillips Chemical Company	455,781	4.17	289,277	3.02
Freeport Energy Center	140,767	1.29	140,767	1.47
Shintech, Inc.	169,644	1.55	134,184	1.40
Sweeny Cogenerations Ltd	105,341	0.96	98,204	1.03
Centerpoint Energy Inc	81,275	0.74	81,271	0.85
Braskem America Inc.	100,340	0.92	76,788	0.80
Air Liquide Large Industries US LP	121,150	1.11	70,704	0.74
TOTAL	\$ 6,147,751	56.21 %	\$ 4,108,394	42.92 %

^①Source - Brazoria County Appraisal District

^②Property taxes levied for the 2022 fiscal year were based on 2021 taxable valuations.

^③Property taxes levied for the 2013 fiscal year were based on 2012 taxable valuations.

PORT FREEPORT

Computation of Direct and Overlapping Bonded Debt of General Obligation Bond Issues September 30, 2022

TABLE 11

Taxing Entity	Net Bonded Debt Amount	As of	Percent Overlapping	Amount Overlapping
Alvin I.S.D.	\$ 968,580,000	9-30-22	8.45 %	\$ 81,845,010
Alvin Community College	24,305,000	9-30-22	8.13	1,975,997
Alvin, City Of	32,780,000	9-30-22	0.40	131,120
Angleton, City of	38,420,000	9-30-22	100.00	38,420,000
Angleton I.S.D.	165,535,000	9-30-22	60.93	100,860,476
Angleton/Danbury Medical	1,425,000	9-30-22	100.00	1,425,000
Brazoria, City of	4,650,000	9-30-22	100.00	4,650,000
Brazoria County	213,253,313	9-30-22	59.08	125,990,057
Brazoria County MUD #32	29,305,000	9-30-22	75.70	22,183,885
Brazosport I.S.D.	373,700,000	9-30-22	100.00	373,700,000
Brazosport College	43,340,000	9-30-22	100.00	43,340,000
Clute, City of	13,690,000	9-30-22	100.00	13,690,000
Columbia/Brazoria I.S.D.	33,315,000	9-30-22	100.00	33,315,000
Danbury, City of	232,000	9-30-22	100.00	232,000
Danbury I.S.D.	17,705,000	9-30-22	100.00	17,705,000
Freeport, City of	12,190,000	9-30-22	100.00	12,190,000
Iowa Colony, City of	14,225,000	9-30-22	34.39	4,891,978
Lake Jackson, City of	37,905,000	9-30-22	100.00	37,905,000
Manvel, City of	20,015,000	9-30-22	1.86	372,279
Richwood, City of	9,215,000	9-30-22	100.00	9,215,000
Surfside Beach, Village of	1,484,000	9-30-22	100.00	1,484,000
Sweeny, City of	0	9-30-22	100.00	0
Sweeny I.S.D.	47,875,000	9-30-22	73.21	35,049,288
Varner Creek UD	7,545,000	9-30-22	100.00	7,545,000
Velasco Drainage District	4,400,000	9-30-22	100.00	4,400,000
West Columbia, City of	5,785,000	9-30-22	100.00	5,785,000
Sub-total Bonded Debt	\$ 2,120,874,313	Sub-total Overlapping Debt		\$ 978,301,090
Port Freeport	\$ 67,850,000	9-30-22	100.00 %	\$ 67,850,000
Total Direct & Overlapping General Obligation Issue Debt	\$ 2,188,724,313			\$ 1,046,151,090
Ratio of Overlapping Debt to Direct 2021 Taxable Valuation				0.067 %

^①Source: Municipal Advisory Council of Texas

PORT FREEPORT

Ratio of Outstanding Debt by Type
for the Fiscal Years Ended September 30, 2013 through 2022
(In Thousands)

TABLE 12

Fiscal Year Ending September 30	General Obligation Bonds	Revenue Bonds	Purchase Financing Note	Total	Estimated Personal Income ^①	Estimated County Population ^②	Percentage of Personal Income	Per Capita
2013	\$ 6,248	\$ 52,600	-	\$ 58,848	\$ 6,506,825	0	0.9044 %	\$ 181
2014	5,391	37,710	14,100	57,201	6,526,846	326	0.8764	175
2015	4,375	70,288	12,830	87,493	6,671,478	333	1.3115	263
2016	3,355	67,187	11,531	82,073	6,997,340	350	1.1729	235
2017	2,279	64,567	10,202	77,048	6,997,340	350	1.1011	220
2018	1,159	96,242	8,842	106,243	7,112,480	355	1.4938	299
2019	35,319	92,896	7,451	135,666	12,597,469	376	1.0769	361
2020	35,071	170,406	6,028	211,505	18,092,612	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

^① Source United States Census Bureau

^② Source Texas State Data Center

PORT FREEPORT

Ratio of Net General Bonded Debt to Taxable Value
and to Net Bonded Debt Per Capita ^{①②}
(In Thousands)
For Fiscal Years 2013 through 2022

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
2013	\$ 9,571,655	\$ 6,248	\$ 59	\$ 6,189	0.0006	325	\$ 19
2014	10,504,125	5,391	235	5,156	0.0005	326	16
2015	10,363,491	4,375	219	4,156	0.0004	333	12
2016	11,076,090	3,355	201	3,154	0.0003	350	9
2017	11,762,335	2,279	108	2,171	0.0002	350	6
2018	12,569,425	1,159	115	1,044	0.0001	355	3
2019	13,575,251	35,319	129	35,190	0.0026	376	94
2020	13,975,486	35,071	132	34,939	0.0025	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

^① Source: Texas State Data Center

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



PORT FREEPORT

Pledged Revenue Bond Indebtedness Coverage for Fiscal Years 2013 through 2022 (In Thousands)

	2022	2021	2020	2019
Operating Revenue	\$ 47,284	\$ 39,663	\$ 33,573	\$ 27,945
Operating Expenses (Net of Depreciation)	(12,217)	(11,186)	(10,953)	(10,784)
Ad Valorem Tax Collections ^③	3,779	4,167	4,129	4,236
Investment Income	344	36	601	1,020
Other Income ^②	144	257		
Net Revenues Available for Debt Service On Revenue Obligations	\$ <u>39,334</u>	\$ <u>32,937</u>	\$ <u>27,350</u>	\$ <u>22,417</u>
Annual Revenue Bonded Debt Service	\$ 12,864	\$ 12,578	\$ 11,531	\$ 7,204
Percent of Coverage	306%	262%	237%	311%
Maximum Revenue Bond Debt Service	\$ 12,866	\$ 12,866	\$ 11,539	\$ 7,217
Percent of Coverage ^①	306%	256%	237%	311%

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

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

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

TABLE 14

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 26,334	\$ 22,084	\$ 21,685	\$ 18,591	\$ 16,996	\$ 14,994
(9,323)	(8,816)	(9,163)	(9,241)	(9,183)	(9,363)
3,992	3,675	3,519	3,533	3,320	4,065
596	409	287	117	265	(59)
		382			13,785
<u>\$ 21,599</u>	<u>\$ 17,352</u>	<u>\$ 16,710</u>	<u>\$ 13,000</u>	<u>\$ 11,398</u>	<u>\$ 23,422</u>
\$ 6,718	\$ 5,215	\$ 5,226	\$ 5,229	\$ 2,834	\$ 15,926
322%	333%	320%	249%	402%	147%
\$ 7,217	\$ 5,227	\$ 5,227	\$ 5,227	\$ 7,376	\$ 15,926
299%	332%	320%	249%	155%	147%

PORT FREEPORT

Summary of Annual Cash Requirements on Debt Outstanding September 30, 2022

TABLE 15

Fiscal Year Ending September 30	General Obligation Bonds Series 2019	General Obligation Bonds Series 2021	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	Purchase Financing Note	Total
2023	\$ 1,911,762	\$ 894,250	\$ 2,783,232	\$ 2,441,588	\$ 1,987,950	\$ 2,777,350	\$ 1,547,550	\$ 1,326,850	\$ 1,594,940	\$ 17,265,472
2024	1,333,262	894,250	2,786,776	2,438,838	1,987,200	2,776,350	1,548,300	1,326,850	1,594,940	16,686,766
2025	1,912,012	894,250	2,783,010	2,444,088	1,989,950	2,773,350	1,547,550	1,326,850		15,671,060
2026	1,910,712	894,250	2,782,088	2,441,838	1,985,950	2,773,350	1,550,300	1,326,850		15,665,338
2027	1,914,212	1,934,250	2,783,856	2,437,338	1,990,450	2,776,100	1,551,300	1,326,850		16,714,356
2028	1,910,712	1,932,650	2,783,160	2,440,588	1,987,950	2,776,350	1,550,550	1,326,850		16,708,810
2029	1,910,462	1,934,450		2,441,088	1,988,700	2,774,100	1,548,050	2,061,850		14,658,700
2030	1,913,212	1,929,450		2,438,838	1,987,450	2,774,350	1,548,800	2,065,100		14,657,200
2031	1,914,300	1,932,850		2,440,838	1,989,200	2,776,850	1,547,550	2,061,350		14,662,938
2032	1,913,800	1,934,250		2,439,276	1,988,700	2,776,350	1,549,300	2,065,850		14,667,526
2033	1,910,600	1,931,300		2,440,650	1,985,950	2,772,850	1,547,000	2,063,100		14,651,450
2034	1,911,000	1,932,300		2,438,062	1,985,950	2,776,350	1,548,950	2,123,350		14,715,962
2035	1,909,800	1,932,100		2,443,138	1,988,450	2,776,350	1,550,000	2,073,350		14,673,188
2036	1,912,000	1,929,500		2,440,450	1,988,200	2,777,550	1,550,150	2,063,350		14,661,200
2037	1,912,400	1,931,400		2,438,700	1,990,200	2,776,350	1,549,400	2,061,350		14,659,800
2038	1,912,600	1,932,700		2,438,200	1,989,200	2,772,750	1,547,750	2,061,850		14,655,050
2039	1,909,800	1,933,400		2,438,700	1,990,200	2,776,750	1,550,200	2,064,600		14,663,650
2040	1,910,200	1,933,500		2,434,950	1,986,400	2,772,950	1,551,600	2,064,350		14,653,950
2041	1,913,600	1,933,000		2,436,950	1,990,600	2,776,550	1,546,950	2,066,100		14,663,750
2042	1,909,800	1,931,900		2,438,976	1,987,400	2,777,150	1,551,400	2,064,600		14,661,226
2043	1,914,000	1,930,200		2,441,950	1,987,000	2,774,750	1,549,650	2,063,800		14,661,350
2044	1,910,800	1,932,900		2,440,650	1,989,200	2,774,350	1,551,850	2,065,800		14,665,550
2045	1,910,400	1,929,900		2,440,076	1,988,800	2,775,750	1,547,850	2,065,400		14,658,176
2046	1,912,600	1,931,300			1,990,800	2,777,000	1,547,800	2,062,600		12,222,100
2047	1,912,200	1,932,000			1,990,000	2,772,750	1,551,550	2,062,400		12,220,900
2048	1,909,200	1,932,000			1,986,400	2,773,000	1,548,950	2,064,600		12,214,150
2049	1,913,600	1,931,300				2,777,250	1,550,150	2,064,000		10,236,300
2050		1,929,900						2,065,600		3,995,500
2051		1,927,800						2,059,200		3,987,000
	\$ 51,039,046	\$ 51,873,300	\$ 16,702,122	\$ 56,115,770	\$ 51,698,250	\$ 74,934,950	\$ 41,830,450	\$ 55,494,650	\$ 3,189,880	\$ 402,878,418

PORT FREEPORT

Summary of Annual Cash Requirements on General Obligation Debt Outstanding September 30, 2022

TABLE 16

Fiscal Year Ending September 30	General Obligation Bonds Series 2019	General Obligation Bonds Series 2021	Total
2023	\$ 1,911,762	\$ 894,250	\$ 2,806,012
2024	1,333,262	894,250	2,227,512
2025	1,912,012	894,250	2,806,262
2026	1,910,712	894,250	2,804,962
2027	1,914,212	1,934,250	3,848,462
2028	1,910,712	1,932,650	3,843,362
2029	1,910,462	1,934,450	3,844,912
2030	1,913,212	1,929,450	3,842,662
2031	1,914,300	1,932,850	3,847,150
2032	1,913,800	1,934,250	3,848,050
2033	1,910,600	1,931,300	3,841,900
2034	1,911,000	1,932,300	3,843,300
2035	1,909,800	1,932,100	3,841,900
2036	1,912,000	1,929,500	3,841,500
2037	1,912,400	1,931,400	3,843,800
2038	1,912,600	1,932,700	3,845,300
2039	1,909,800	1,933,400	3,843,200
2040	1,910,200	1,933,500	3,843,700
2041	1,913,600	1,933,000	3,846,600
2042	1,909,800	1,931,900	3,841,700
2043	1,914,000	1,930,200	3,844,200
2044	1,910,800	1,932,900	3,843,700
2045	1,910,400	1,929,900	3,840,300
2046	1,912,600	1,931,300	3,843,900
2047	1,912,200	1,932,000	3,844,200
2048	1,909,200	1,932,000	3,841,200
2049	1,913,600	1,931,300	3,844,900
2050		1,929,900	1,929,900
2051		1,927,800	1,927,800
	\$ 51,039,046	\$ 51,873,300	\$ 102,912,346

Authorized But Unissued General Obligation Debt September 30, 2022

TABLE 17

Election	Purpose	Voted Authority	Amount Previously Issued ①	Authorized But Unissued General Obligation Debt
May 5, 2018 (Proposition A)	Freeport Harbor Channel Improvement Project	\$ 130,000,000	\$ 74,200,000	\$ 55,800,000

① Includes premium counted against voted authorization

PORT FREEPORT

General Obligation Bonds, Series 2019 (Non-AMT)
September 30, 2022

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
						\$ 30,715,000
2023	5.000 %	\$ 620,881	\$ 620,881	\$ 670,000	\$ 1,911,762	30,045,000
2024	5.000	604,131	604,131	125,000	1,333,262	29,920,000
2025	3.000	601,006	601,006	710,000	1,912,012	29,210,000
2026	5.000	590,356	590,356	730,000	1,910,712	28,480,000
2027	5.000	572,106	572,106	770,000	1,914,212	27,710,000
2028	5.000	552,856	552,856	805,000	1,910,712	26,905,000
2029	5.000	532,731	532,731	845,000	1,910,462	26,060,000
2030	2.125	511,606	511,606	890,000	1,913,212	25,170,000
2031	5.000	502,150	502,150	910,000	1,914,300	24,260,000
2032	4.000	479,400	479,400	955,000	1,913,800	23,305,000
2033	4.000	460,300	460,300	990,000	1,910,600	22,315,000
2034	4.000	440,500	440,500	1,030,000	1,911,000	21,285,000
2035	4.000	419,900	419,900	1,070,000	1,909,800	20,215,000
2036	4.000	398,500	398,500	1,115,000	1,912,000	19,100,000
2037	3.000	376,200	376,200	1,160,000	1,912,400	17,940,000
2038	4.000	358,800	358,800	1,195,000	1,912,600	16,745,000
2039	4.000	334,900	334,900	1,240,000	1,909,800	15,505,000
2040	4.000	310,100	310,100	1,290,000	1,910,200	14,215,000
2041	4.000	284,300	284,300	1,345,000	1,913,600	12,870,000
2042	4.000	257,400	257,400	1,395,000	1,909,800	11,475,000
2043	4.000	229,500	229,500	1,455,000	1,914,000	10,020,000
2044	4.000	200,400	200,400	1,510,000	1,910,800	8,510,000
2045	4.000	170,200	170,200	1,570,000	1,910,400	6,940,000
2046	4.000	138,800	138,800	1,635,000	1,912,600	5,305,000
2047	4.000	106,100	106,100	1,700,000	1,912,200	3,605,000
2048	4.000	72,100	72,100	1,765,000	1,909,200	1,840,000
2049	4.000	36,800	36,800	1,840,000	1,913,600	0
		\$ 10,162,023	\$ 10,162,023	\$ 30,715,000	\$ 51,039,046	

PORT FREEPORT

General Obligation Bonds, Series 2021 (Non-AMT)
September 30, 2022

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
						\$ 37,135,000
2023		\$ 447,125	\$ 447,125	\$ -	\$ 894,250	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
		\$ 7,369,150	\$ 7,369,150	\$ 37,135,000	\$ 51,873,300	

PORT FREEPORT

Summary of Annual Cash Requirements on Revenue Debt Outstanding September 30, 2022

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
2023	\$ 2,783,232	\$ 2,441,588	\$ 1,987,950	\$ 2,777,350	\$ 1,547,550	\$ 1,326,850	\$ 12,864,520
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
	\$ 16,702,122	\$ 56,115,770	\$ 51,698,250	\$ 74,934,950	\$ 41,830,450	\$ 55,494,650	\$ 296,776,192

PORT FREEPORT

Senior Lien Revenue Refunding Bonds, Series 2013A (AMT)
September 30, 2022

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
						\$ 15,040,000
2023	3.08 %	\$ 231,616	\$ 231,616	\$ 2,320,000	\$ 2,783,232	12,720,000
2024	3.08	195,888	195,888	2,395,000	2,786,776	10,325,000
2025	3.08	159,005	159,005	2,465,000	2,783,010	7,860,000
2026	3.08	121,044	121,044	2,540,000	2,782,088	5,320,000
2027	3.08	81,928	81,928	2,620,000	2,783,856	2,700,000
2028	3.08	41,580	41,580	2,700,000	2,783,160	0
		\$ 831,061	\$ 831,061	\$ 15,040,000	\$ 16,702,122	

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Senior Lien Revenue and Refunding Bonds, Series 2015A (AMT)
September 30, 2022

TABLE 22

Fiscal Year		Interest	Interest	Principal	Total	
Ending		Due	Due	Due	Principal &	Principal
September 30	Coupon	December 1	June 1	June 1	Interest	Balance
						\$ 34,125,000
2023	5.00 %	\$ 793,294	\$ 793,294	\$ 855,000	\$ 2,441,588	33,270,000
2024	5.00	771,919	771,919	895,000	2,438,838	32,375,000
2025	5.00	749,544	749,544	945,000	2,444,088	31,430,000
2026	5.00	725,919	725,919	990,000	2,441,838	30,440,000
2027	5.00	701,169	701,169	1,035,000	2,437,338	29,405,000
2028	5.00	675,294	675,294	1,090,000	2,440,588	28,315,000
2029	5.00	648,044	648,044	1,145,000	2,441,088	27,170,000
2030	4.00	619,419	619,419	1,200,000	2,438,838	25,970,000
2031	4.13	595,419	595,419	1,250,000	2,440,838	24,720,000
2032	4.13	569,638	569,638	1,300,000	2,439,276	23,420,000
2033	4.25	542,825	542,825	1,355,000	2,440,650	22,065,000
2034	4.25	514,031	514,031	1,410,000	2,438,062	20,655,000
2035	4.25	484,069	484,069	1,475,000	2,443,138	19,180,000
2036	5.00	452,725	452,725	1,535,000	2,440,450	17,645,000
2037	5.00	414,350	414,350	1,610,000	2,438,700	16,035,000
2038	5.00	374,100	374,100	1,690,000	2,438,200	14,345,000
2039	5.00	331,850	331,850	1,775,000	2,438,700	12,570,000
2040	5.00	287,475	287,475	1,860,000	2,434,950	10,710,000
2041	4.50	240,975	240,975	1,955,000	2,436,950	8,755,000
2042	4.50	196,988	196,988	2,045,000	2,438,976	6,710,000
2043	4.50	150,975	150,975	2,140,000	2,441,950	4,570,000
2044	4.50	102,825	102,825	2,235,000	2,440,650	2,335,000
2045	4.50	52,538	52,538	2,335,000	2,440,076	0
		\$ 10,995,385	\$ 10,995,385	\$ 34,125,000	\$ 56,115,770	

PORT FREEPORT

Senior Lien Revenue Refunding Bonds, Series 2018 (AMT)
September 30, 2022

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
						\$ 30,685,000
2023	5.00 %	\$ 686,475	\$ 686,475	\$ 615,000	\$ 1,987,950	30,070,000
2024	5.00	671,100	671,100	645,000	1,987,200	29,425,000
2025	5.00	654,975	654,975	680,000	1,989,950	28,745,000
2026	5.00	637,975	637,975	710,000	1,985,950	28,035,000
2027	5.00	620,225	620,225	750,000	1,990,450	27,285,000
2028	5.00	601,475	601,475	785,000	1,987,950	26,500,000
2029	5.00	581,850	581,850	825,000	1,988,700	25,675,000
2030	5.00	561,225	561,225	865,000	1,987,450	24,810,000
2031	5.00	539,600	539,600	910,000	1,989,200	23,900,000
2032	5.00	516,850	516,850	955,000	1,988,700	22,945,000
2033	5.00	492,975	492,975	1,000,000	1,985,950	21,945,000
2034	5.00	467,975	467,975	1,050,000	1,985,950	20,895,000
2035	5.00	441,725	441,725	1,105,000	1,988,450	19,790,000
2036	5.00	414,100	414,100	1,160,000	1,988,200	18,630,000
2037	5.00	385,100	385,100	1,220,000	1,990,200	17,410,000
2038	5.00	354,600	354,600	1,280,000	1,989,200	16,130,000
2039	4.00	322,600	322,600	1,345,000	1,990,200	14,785,000
2040	4.00	295,700	295,700	1,395,000	1,986,400	13,390,000
2041	4.00	267,800	267,800	1,455,000	1,990,600	11,935,000
2042	4.00	238,700	238,700	1,510,000	1,987,400	10,425,000
2043	4.00	208,500	208,500	1,570,000	1,987,000	8,855,000
2044	4.00	177,100	177,100	1,635,000	1,989,200	7,220,000
2045	4.00	144,400	144,400	1,700,000	1,988,800	5,520,000
2046	4.00	110,400	110,400	1,770,000	1,990,800	3,750,000
2047	4.00	75,000	75,000	1,840,000	1,990,000	1,910,000
2048	4.00	38,200	38,200	1,910,000	1,986,400	0
		\$ 10,506,625	\$ 10,506,625	\$ 30,685,000	\$ 51,698,250	

PORT FREEPORT

Senior Lien Revenue Bonds, Series 2019A (AMT)
September 30, 2022

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
						\$ 42,675,000
2023	5.000 %	\$ 978,675	\$ 978,675	\$ 820,000	\$ 2,777,350	41,855,000
2024	5.000	958,175	958,175	860,000	2,776,350	40,995,000
2025	5.000	936,675	936,675	900,000	2,773,350	40,095,000
2026	5.000	914,175	914,175	945,000	2,773,350	39,150,000
2027	5.000	890,550	890,550	995,000	2,776,100	38,155,000
2028	5.000	865,675	865,675	1,045,000	2,776,350	37,110,000
2029	5.000	839,550	839,550	1,095,000	2,774,100	36,015,000
2030	5.000	812,175	812,175	1,150,000	2,774,350	34,865,000
2031	5.000	783,425	783,425	1,210,000	2,776,850	33,655,000
2032	5.000	753,175	753,175	1,270,000	2,776,350	32,385,000
2033	5.000	721,425	721,425	1,330,000	2,772,850	31,055,000
2034	5.000	688,175	688,175	1,400,000	2,776,350	29,655,000
2035	4.000	653,175	653,175	1,470,000	2,776,350	28,185,000
2036	4.000	623,775	623,775	1,530,000	2,777,550	26,655,000
2037	4.000	593,175	593,175	1,590,000	2,776,350	25,065,000
2038	4.000	561,375	561,375	1,650,000	2,772,750	23,415,000
2039	4.000	528,375	528,375	1,720,000	2,776,750	21,695,000
2040	4.000	493,975	493,975	1,785,000	2,772,950	19,910,000
2041	4.000	458,275	458,275	1,860,000	2,776,550	18,050,000
2042	4.000	421,075	421,075	1,935,000	2,777,150	16,115,000
2043	4.000	382,375	382,375	2,010,000	2,774,750	14,105,000
2044	4.000	342,175	342,175	2,090,000	2,774,350	12,015,000
2045	5.000	300,375	300,375	2,175,000	2,775,750	9,840,000
2046	5.000	246,000	246,000	2,285,000	2,777,000	7,555,000
2047	5.000	188,875	188,875	2,395,000	2,772,750	5,160,000
2048	5.000	129,000	129,000	2,515,000	2,773,000	2,645,000
2049	5.000	66,125	66,125	2,645,000	2,777,250	0
		\$ 16,129,975	\$ 16,129,975	\$ 42,675,000	\$ 74,934,950	

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Senior Lien Revenue Bonds, Series 2019B (NON-AMT)
September 30, 2022

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
						\$ 27,775,000
2023	5.000 %	\$ 481,275	\$ 481,275	\$ 585,000	\$ 1,547,550	27,190,000
2024	5.000	466,650	466,650	615,000	1,548,300	26,575,000
2025	5.000	451,275	451,275	645,000	1,547,550	25,930,000
2026	5.000	435,150	435,150	680,000	1,550,300	25,250,000
2027	5.000	418,150	418,150	715,000	1,551,300	24,535,000
2028	5.000	400,275	400,275	750,000	1,550,550	23,785,000
2029	5.000	381,525	381,525	785,000	1,548,050	23,000,000
2030	5.000	361,900	361,900	825,000	1,548,800	22,175,000
2031	5.000	341,275	341,275	865,000	1,547,550	21,310,000
2032	3.000	319,650	319,650	910,000	1,549,300	20,400,000
2033	3.000	306,000	306,000	935,000	1,547,000	19,465,000
2034	3.000	291,975	291,975	965,000	1,548,950	18,500,000
2035	3.000	277,500	277,500	995,000	1,550,000	17,505,000
2036	3.000	262,575	262,575	1,025,000	1,550,150	16,480,000
2037	3.000	247,200	247,200	1,055,000	1,549,400	15,425,000
2038	3.000	231,375	231,375	1,085,000	1,547,750	14,340,000
2039	3.000	215,100	215,100	1,120,000	1,550,200	13,220,000
2040	3.000	198,300	198,300	1,155,000	1,551,600	12,065,000
2041	3.000	180,975	180,975	1,185,000	1,546,950	10,880,000
2042	3.000	163,200	163,200	1,225,000	1,551,400	9,655,000
2043	3.000	144,825	144,825	1,260,000	1,549,650	8,395,000
2044	3.000	125,925	125,925	1,300,000	1,551,850	7,095,000
2045	3.000	106,425	106,425	1,335,000	1,547,850	5,760,000
2046	3.000	86,400	86,400	1,375,000	1,547,800	4,385,000
2047	3.000	65,775	65,775	1,420,000	1,551,550	2,965,000
2048	3.000	44,475	44,475	1,460,000	1,548,950	1,505,000
2049	3.000	22,575	22,575	1,505,000	1,550,150	0
		\$ 7,027,725	\$ 7,027,725	\$ 27,775,000	\$ 41,830,450	

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Senior Lien Revenue Bonds, Series 2021 (AMT)
September 30, 2022

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
2023	5.000 %	\$ 663,425	\$ 663,425	\$ -	\$ 1,326,850	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
		\$ 12,804,825	\$ 12,804,825	\$ 29,885,000	\$ 55,494,650	

PORT FREEPORT

Purchase Financing Note September 30, 2022

TABLE 27

Fiscal Year Ending September 30	Coupon	Interest Due Sept. 30	Principal Due Sept. 30	Total Principal & Interest	Principal Balance
					\$ 3,082,840
2023	2.31 %	\$ 71,090	\$ 1,523,850	\$ 1,594,940	1,558,990
2024	2.31	35,950	1,558,990	1,594,940	0
		\$ 107,040	\$ 3,082,840	\$ 3,189,880	

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	38
Geographical Location	Southeast Coast of Texas on the Gulf of Mexico
	Approximately 60 miles South of Houston
Port Owned Property	Approximately 770 acres developed
	Approximately 262 acres environmentally mitigated
	1,800 acres identified for industrial development
	Approximately 8,000 acres undeveloped
Elevation	3-12 feet above sea level
Tidal Range-Inner Harbor	Plus (minus) 2.5 feet
Aerial Clearance	No restriction
Climate Type	Sub-tropical
Temperature - Annual Average	71.6 degrees F.
Precipitation - Annual Average	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 th 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 th highest
Total Containers	87,774 TEU
Central America, South America, Middle East, Africa, EU, and Asia	
Liquefied Natural Gas, liquefied petroleum gas, crude oil, bulk petrochemicals, natural gas liquids, containerized cargo, refrigerated fresh fruit, rice, new and used automobiles, high and heavy construction equipment, limestone aggregate, project cargo, plastic resins, steel products	
Number of Truck Lines Serving Port Freeport	12
Number of Barge Lines Serving Port Freeport	3
Number of Railroad Lines Serving Port Freeport	1
Number of Shipping Lines Calling Port Freeport	19
Foreign Trade Zone (FTZ) No. 149	Established in 1988
FTZ 149 service area	Brazoria and Ft. Bend County, Texas
Area of County	1,386.4 square miles
Brazoria County's Total Assessed Valuation	
Among Texas Counties ④	11th highest without exemptions
Brazoria County's Total Population Ranking	
Among All Texas Counties ③	14th highest
Brazoria County's Total Area Ranking	
Among All Texas Counties ③	27 th highest
Economic Impact to Region and State	\$98.8 billion total annually / \$9.0 billion personal income, 150,651 jobs economy-wide directly or indirectly supported by operations
Economic Impact to Nation	\$149 billion total annually / \$5.4 billion in federal tax revenues, 279,780 jobs economy-wide directly or indirectly supported by operations

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[®]

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[®]

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.

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History of the Port[®]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 Sallam Lines as well as Hoegh Autoliner offered a new service to Australia and New Zealand. CMA\CGM, a global service carrier also started calling Port Freeport with their weekly Brazex service.

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

On May 5, 2018, the voters approved the issuance of \$ 130 million General Obligation Bonds for the Port’s non-federal sponsor contribution 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 2nd Lease Agreements with two of its existing customers, namely Horizon Terminal Services (now renamed Horizon Auto Liners) and Vulcan Construction Materials. The Port also signed a new Lease Agreement with G&H Towing Company to ensure that technologically advanced, first-class towing vessels can service ships arriving to and departing from Port Freeport.

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2019 was highlighted with a historic ribbon-cutting event. The earlier mentioned \$ 26.5M Phase 1 Rail Infrastructure Project that constructed over 21,000 linear feet of 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.

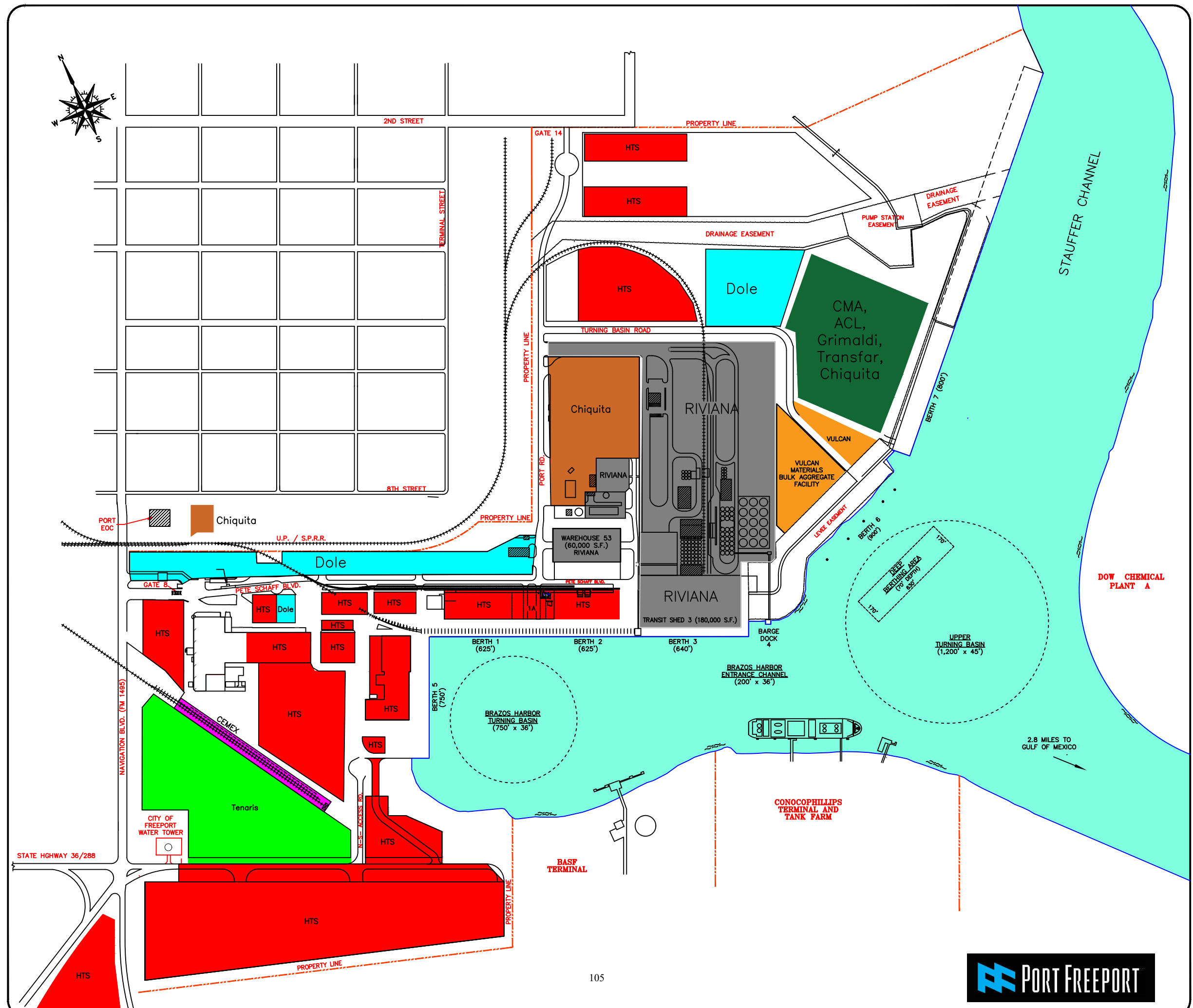
The Freeport Harbor Channel Improvement Project, which will deepen and widen the channel, started in 2021. The first two phases have been completed and the project is scheduled for completion in 2025.

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.

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.

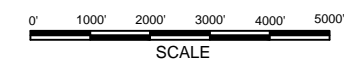
^①Historical data summarized from the previous research of Glenn Heath and Nat Hickey



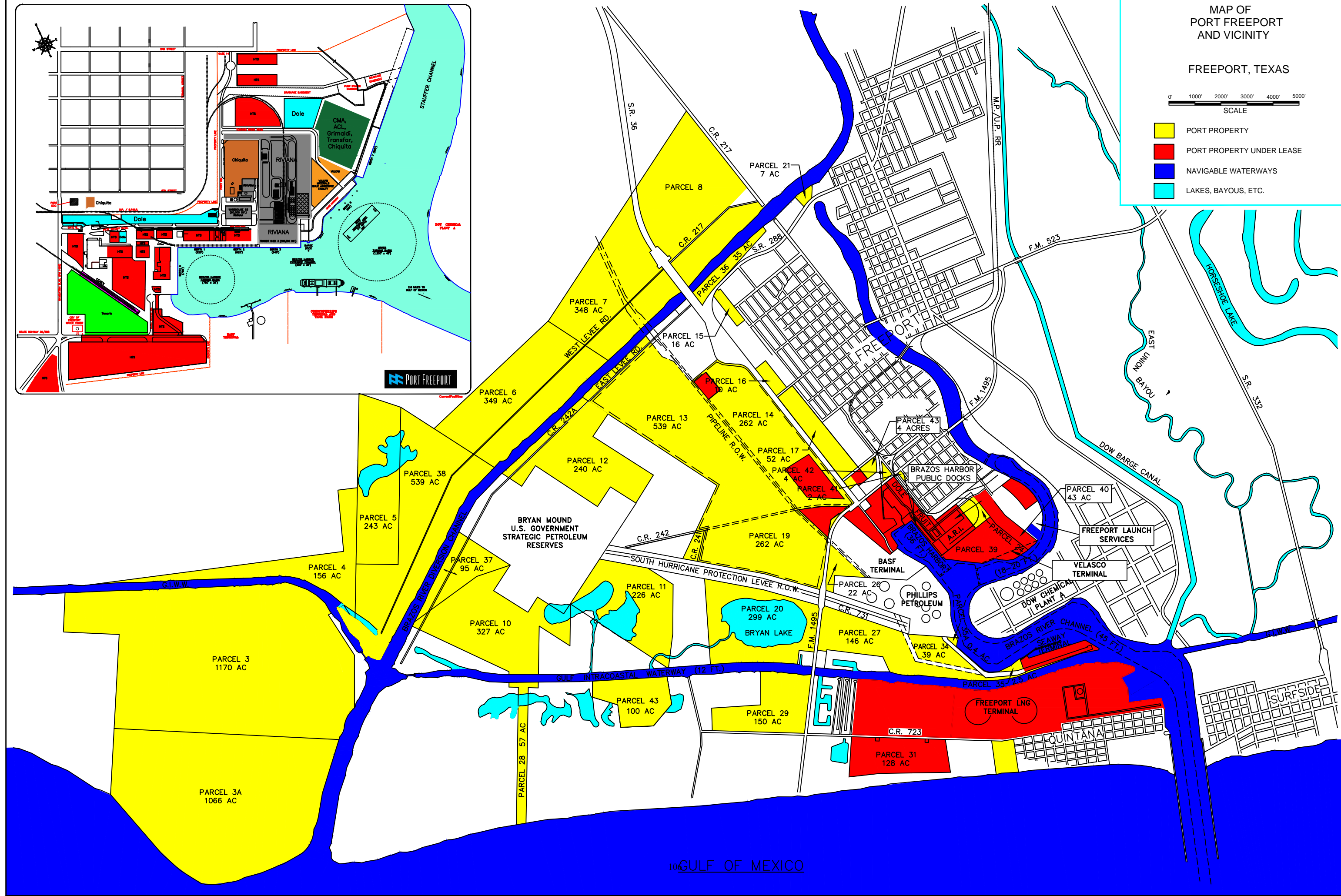


MAP OF
PORT FREEPORT
AND VICINITY

FREEPORT, TEXAS



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





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