



COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE YEAR ENDED DECEMBER 31, 2012

**BROWNSVILLE NAVIGATION DISTRICT
OF CAMERON COUNTY, TEXAS**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2012

Prepared by:

Department of Finance

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

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INTRODUCTION SECTION



May 8, 2013

Board of Navigation and Canal Commissioners
Brownsville Navigation District of Cameron County, Texas
1000 Foust Road
Brownsville, Texas

Dear Commissioners:

Presented herewith is the Comprehensive Annual Financial Report (“CAFR”) of the Brownsville Navigation District of Cameron County, Texas (“District”) for the year ended December 31, 2012. The responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District’s financial activities have been included.

Certain demographic information and miscellaneous statistics included in the CAFR do not come from the accounting records of the District but are presented for the reader’s information.

Introduction

The District was created in 1929 by a special act of the Texas Legislature for the purpose of dredging a channel from Brazos-Santiago Pass to a point five miles from the City of Brownsville, constructing a turning basin and developing and operating a port facility. As created in 1929, the District contains 368 square miles located entirely within and encompassing approximately 41.7% of Cameron County. The District includes the Cities of Brownsville and Los Fresnos and the Townships of Rancho Viejo and Indian Lake.

The District is a political subdivision of the State of Texas, and is an independent governmental entity. A Board of Navigation and Canal Commissioners, which establishes the policies, rules, rates and regulations of the Port of Brownsville and approves all contractual obligations, govern the activities of the District. The Board consists of five Commissioners elected at large by place for four-year, staggered terms. The Board elects its own Chairman, Vice Chairman and Secretary. The District had 89 employees as of December 31, 2012.

Mission Statement

It is the mission of the Port of Brownsville (Brownsville Navigation District) to be a leader in business development by providing state of the art infrastructure expansion, developing economic opportunities, providing the best transportation facilities possible, and exhibiting high standards of public administration with the ultimate goal being to improve the quality of life and create employment opportunities, gain the public's trust and confidence in order to increase growth development and establish the port as a world class port.

Location

The District governs the Port of Brownsville, which is located at the southernmost tip of Texas at the westernmost terminus of a seventeen-mile channel that flows into the Gulf of Mexico at the Brazos Santiago Pass. The City of Brownsville is two miles to the southwest and lies adjacent to the Rio Grande River, providing a convenient gateway to Mexico and beyond via four international bridges.

The Entrance Channel is protected by two rock jetties each over 5,000 feet in length and 1,200 feet apart. The 17-mile ship channel has no bridges or other obstructions for the entire length of this virtually straight waterway. Currently the channel has a depth 42 feet to within .85 mile of the Turning Basin, and a depth of 36 feet to and through the Turning Basin. The channel has a controlling (or minimum) width of 250 feet. The Turning Basin has a width of 1,200 feet. The District is currently completing the study phase in conjunction with the U. S. Corps of Engineers to deepen the easternmost section of the channel to a depth of up to 50 feet and to widen the controlling width to 350 feet.

Business of the District

The District owns a diverse group of facilities designed for handling any type of cargo, including general cargo, containers, grain, dry and liquid bulk, and project and heavy-lift cargo. In addition, the District leases land and easements to others, grants easements for pipeline crossings of its property and maintains areas for depositing dredged materials. The District purchases potable water from the Brownsville Public Utilities Board for its own use and for distribution to its lessees and operates three wastewater treatment plants. The District is also the grantee for FTZ No. 62 and has been authorized by TxDOT to issue overweight permits for transit over a corridor from the Port of Brownsville to the international crossing into Mexico.

Vessel Services

The Main Harbor consists of the Turning Basin and Approach, containing over five miles of improved frontage. The Turning Basin is 3,500 feet long and 1,200 feet wide and contains ten General Cargo Docks aggregating 5,200 lineal feet plus a 30-foot small craft dock. Four Oil Docks, a 400 foot Bulk Cargo Dock serving the Grain Elevator and Bulk Plant, a Liquid Cargo Dock, and a 600 by 280 foot deepwater General Cargo Dock are located in the Turning Basin

Approach which is 7,000 feet long with a 650 foot bank width and a 500 foot controlling bottom width. A privately-owned 3,750,000 bu. capacity grain elevator as well as corrugated iron, sprinklered, cargo transfer sheds; open-surface storage yards; 43 miles of railroad trackage and mechanical freight handling equipment augment the Port of Brownsville's ability to handle a wide variety of cargos.

The District has purchased and put into operation a mobile harbor crane, located at the deepwater General Cargo Dock (Dock 15). This crane, as well as container cargo has proven its worth in the efficient handling of steel and bulk products. The District has been awarded a \$12,000,000 TIGER Grant and has sold \$10,000,000 in revenue bonds to construct a second, deepwater General Cargo Dock (Dock 16) adjacent Dock 15 and other improvements. Estimated total project cost is \$26,700,000 with construction estimated to be completed by early 2015. While the mobile harbor crane would be able to service both docks, the District plans to acquire another crane.

Fishing Harbor

A complete Fishing Harbor, separate and apart from the main harbor, was completed and placed in service in mid-summer 1953. A second phase was finished in December, 1968. All docks were completely rebuilt in a project that was completed in 1993. Located four miles east of the main Turning Basin, with a protected entrance to the Ship Channel, this basin measures 2,100 by 1,600 feet overall with two 300 by 1,200 foot peninsulas in the center. The channel connecting with the Ship Channel is 200 feet wide and 600 feet long. Controlling depth in the Fishing Harbor is 14 feet. This basin provides 12,000 lineal feet of dock space for trawlers, tugs and other small craft, and is equipped with facilities for handling and processing fish and shrimp, as well as maintaining and servicing shrimp vessels. In addition, support industries for the Port of Brownsville's oil rig construction facility have located in the Fishing Harbor.

Terminal Operations

All waterfront facilities on the Brownsville Ship Channel, at the Main Harbor and the Fishing Harbor, are owned by the Brownsville Navigation District. Certain small craft facilities are leased to private operators, but all deep-water facilities at the Main Harbor are operated as public facilities. Vessels and agents are assigned berths at the discretion of the District. Vessel loading and discharge is performed by stevedoring contractors. Rail car and truck loading and unloading is customarily performed by stevedoring contractors.

Around-the-clock supervision of vessels and vehicle traffic at the Port of Brownsville is provided by the Navigation District. The Harbormaster's Office schedules vessel arrivals and departures, maintains radio contact with the pilot boat of the Brazos-Santiago Pilots' Association and provides up-to-the-minute information on schedules useful to agents, stevedores, tugboats, line-runners and the general public. Vessels can call on Channel 12 or 16 twenty-four hours a day.

All General Cargo Sheds, except Shed No. 2, are protected with automatic fire sprinkler systems, hose stations, and fire extinguishers suitable for the type of cargo normally handled through the

particular shed. Fire hydrants are located on wharf aprons and throughout the Port's storage facilities. Water supply is from a 16-inch main connecting with the City of Brownsville Public Utilities Board's distribution system. Storage capacity and pressure equalization are provided by one 500,000 gallon and one 1,000,000 gallon elevated water storage tank.

The Brownsville Navigation District's Administration Offices are located at the Port of Brownsville. These offices handle inquiries on trade and industrial development, environmental issues, accounting, purchasing, credit, traffic, personnel and engineering.

All docks at the Port of Brownsville are equipped with electric lights, light and power lines, and fresh water. All docks are served by rail. Wastewater and ballast facilities are available. All of the facilities are operated for hire on a first-come, first-served basis.

The dry dock *Los Alamos* was signed over to the District by the U. S. Navy. It was re-christened the *Solomon P. Ortiz* and was originally leased to KeppelAMFELS for operation as a dry dock to repair drilling rigs. KeppelAMFELS subsequently exercised their option to purchase the *Solomon P. Ortiz*. The dry dock was placed into service by KeppelAMFELS in May, 1996, and is now one of the few dry docks on the Gulf Coast carrying out oil rig repairs.

The District owns and controls approximately 40,000 acres of land adjoining the Turning Basin and Ship Channel, and approximately 18,000 acres of this land have been developed as an industrial park with additional land available for development. Developed and undeveloped sites are available for lease for cargo facilities, industrial sites, expansion, relocation, manufacturing, greenfield projects, and more.

In recent years, over \$150 million worth of industrial development has been located on Port property, including petro-chemical plants, tank farms, heavy and light manufacturing, and steel fabrication. Plant sites of virtually any size, with access to the deep-water harbor, rail connections, paved highways, and utilities may be rented on long-term leases at attractive prices from the District.

The District derives its operating revenues from charges for lease rentals, wharfage, storage, vessel dockage, and the sale of various port services such as utilities.

Foreign Trade Zone

On October 20, 1980, Foreign Trade Zone Board created Foreign Trade Zone ("FTZ") Number 62 with the District as the Grantee and operator. There is a total of 2,300 acres available for FTZ status at the Port of Brownsville, the Brownsville/South Padre Island International Airport, the Harlingen Industrial Park, the Los Indios Industrial Park/FINSA Industrial Park and the NAFTA Industrial Park. The District receives fees from tenants utilizing the District's zone status. There are currently seven Foreign Trade Zone tenants operating within the FTZ with general purpose warehousing and liquid bulk storage available. Additional information regarding cargo traffic and vessel services revenues may be found in the Statistical Section – Tables 6 and 7.

Table 1 – Waterborne Cargo Tonnage for The Port of Brownsville

Calendar Year ¹	Inbound Tonnage	Outbound Tonnage	Total Tonnage	Number of Vessels ⁽¹⁾	Foreign Trade Zone Value(1,000's) ⁽²⁾
1991	1,904,852	236,806	2,141,658	3,346	2,387,046
1992	1,615,230	364,370	1,979,600	3,180	2,570,000
1993	1,863,115	385,954	2,249,069	3,325	2,720,000
1994	2,206,041	340,725	2,546,766	2,852	3,182,000
1995	1,088,436	1,090,575	2,179,011	3,140	1,900,000
1996	1,539,939	700,321	2,240,260	3,104	2,300,000
1997	1,958,241	509,831	2,468,072	1,325	2,300,000
1998	3,019,916	226,839	3,246,755	1,298	3,200,000
1999	2,615,330	283,592	2,898,922	1,592	2,300,000
2000	2,957,703	234,372	3,192,075	1,385	808,000
2001	3,588,261	367,565	3,955,826	1,542	387,000
2002	4,101,985	488,285	4,590,270	1,257	966,000
2003	2,999,209	633,568	3,632,777	1,265	243,562
2004	2,843,044	915,679	3,758,723	1,186	528,296
2005	3,587,753	902,622	4,490,375	1,104	1,777,317
2006	4,078,795	682,858	4,761,653	794	2,526,370
2007	3,274,110	1,045,754	4,319,864	1,059	801,257
2008	4,458,308	870,369	5,328,677	1,099	2,833,498
2009	3,098,930	663,079	3,762,009	651	1,181,260
2010	3,718,906	920,506	4,639,412	986	1,168,344
2011	4,178,817	1,221,890	5,400,707	1,237	3,154,609
2012	4,440,890	1,092,380	5,533,270	1,083	1,108,070

Source: Brownsville Navigation District Harbormaster and Foreign Trade Zone No. 62

⁽¹⁾ Includes domestic shrimp boat activity through 1996 only. Domestic shrimp boat activity is no longer recorded.

⁽²⁾ September Fiscal year ending

Brownsville & Rio Grande International Railroad

The Brownsville and Rio Grande International Railroad (“BRG”) is a component unit of the District. Under an agreement between the Boards of the District and the BRG, excess revenues earned by the BRG are transferred to the District annually. On May 17, 2010, the two Boards entered into an agreement whereby these funds may be used by the BRG for capital improvements to the rail system in the Port of Brownsville with the consent of the District’s Board of Commissioners. Annually, a joint meeting of the District Board and the BRG Board is held to establish the list of capital projects to be funded out of excess revenues. Excess revenues not used for approved capital projects by the BRG are retained by the District. Excess revenues generated by the BRG to date are:

Fiscal Year 2008	\$ 747,554
Fiscal Year 2009	753,311
Fiscal Year 2010	772,925
Fiscal Year 2011	\$ 0
Fiscal Year 2012	\$ 0
Total	\$ 2,273,790

Projects completed by the BRG with these excess revenues have included the construction of new rail including the North Rail Yard, the rehabilitation of existing rail and rail crossings, the installation of a new rail scale and improvements to the maintenance facility buildings of the BRG. Total capital expenditures were \$2,273,790, with no remaining balance. These funds were transferred to the District in 2011 and 2012. An agreement was executed by the two Boards on April 20, 2011 which dedicated the entire remaining balance of excess cash from fiscal years 2008 and 2009, all of the excess cash from fiscal year 2010, and enough of the excess cash from 2011 as is required to complete the project, the construction of a new "North Yard". There were no excess funds to be transferred to the District for fiscal year 2011 and fiscal year 2012. The District has reserved the funds received from the BRG for this purpose, and work on this project has begun in the first quarter of 2012, and was completed in late of 2012. Further information regarding the BRG may be found in Note 13.

Port of Brownsville Infrastructure

The District owns and operates the following General Cargo and Liquid Cargo docks at the Port of Brownsville:

Dock Number	Type of Cargo/Storage	Vessels Accommodated	Location
Dock No. 1	General Cargo/Covered Storage	Light Draft Vessels	North Side-Turning Basin
Dock No. 2	General Cargo/Covered Storage	Light Draft Vessels	North Side-Turning Basin
Dock No. 3	General Cargo/Open Storage	Light Draft Vessels	West Side-Turning Basin
Dock No. 4	General Cargo/Covered Storage	Light Draft Vessels	North Side-Turning Basin
Dock No. 7	General Cargo/Covered Storage	Light Draft Vessels	North Side-Turning Basin
Dock No. 8	General Cargo/Covered Storage	Light Draft Vessels	North Side-Turning Basin
Dock No. 10	General Cargo/Open Storage	Light Draft Vessels	South Side-Turning Basin
Dock No. 11	General Cargo/Open Storage	Light Draft Vessels	South Side-Turning Basin
Dock No. 12	General Cargo/Covered Storage	Light Draft Vessels	South Side-Turning Basin
Dock No. 13	General Cargo/Covered Storage	Light Draft Vessels	South Side-Turning Basin
Dock No. 15	General Cargo/Covered Storage	Deep Draft Vessels	South Side-TB Approach
Oil Docks 1,2&3	Liquid Cargos	Light Draft Vessels	North Side-TB Approach
Oil Dock 5	Liquid Cargos	Deep Draft Vessels	North Side-TB Approach
Bulk Cargo Dock	Elevated Cargos/Bulk Cargos	Light Draft Vessels	South Side-TB Approach
Liquid Cargo Dock	Liquid Cargos	Light Draft Vessels	South Side-TB Approach
Small Craft Pier	Not for Cargo	Small Crafts	West Side-Turning Basin
Small Craft Harbor	Fishing Harbor	Small Crafts	North Side-4 miles East of Turning Basin
Open Storage Areas	General Cargo-Off-Dock Storage		Various Locations

Additional information regarding the facilities at the Port of Brownsville may be found in Table 17.

Capital Improvements Program

In an election held on October 19, 1991, voters in the District authorized, by a margin of 90%, commencement of a major capital improvements program. The \$63 million project was designed to expand and modernize the Port facilities and increase capabilities by: (1) construction of a Port of Brownsville/Matamoros cargo bridge including access and Port of Entry facilities (\$21 million); (2) widening and deepening the ship channel from 36 to 42 feet (\$17 million); and (3) improvements to Port dock and wharf space (\$5 million). The federal government authorized \$20 million for the U. S. Army Corps of Engineers to spend on the channel deepening project.

In the October 1, 1991 election, District voters approved the following:

Bonds Authorized	Purpose	For	Against	Balance Authorized but Unissued
\$21,000,000	International Bridge Project	2,373	242	8,000,000
\$17,000,000	Channel Deepening	2,348	247	-0-
\$5,000,000	Waterfront Improvement	2,346	254	-0-

The Channel Deepening Project was completed, on budget and on time, in April of 1995. The Waterfront Improvement project provided a new, deep-water liquid cargo dock, Oil Dock 5, as well as maintenance to other waterfront facilities. The International Bridge Project has received its United States Presidential Permit, and is currently awaiting a similar permit from the Republic of Mexico before construction may begin.

In 1996, the District issued \$7,250,000 in revenue bonds to finance the construction of a new, deep-water General Cargo Dock, General Cargo Dock No. 15. These funds were combined with a grant from the EDA to construct a \$12,000,000 facility that is one of the premier docks on the Gulf Coast today. The District has recently completed construction of a 100,000 square foot warehouse, a 60,000 square foot warehouse with overhead cranes on the dock as well as two rail spurs to serve the dock.

In 2000, the District issued \$4,000,000 in tax bonds to reimburse the District for costs incurred in connection with the construction of an international bridge across the Rio Grande River. In 2000, the District also issued \$4,000,000 in revenue bonds to acquire 3,000 acres of land for the expansion of the System. In 2002, the District issued \$1,790,000 in revenue bonds and \$1,900,000 in revenue bonds subject to alternative minimum tax (AMT) to finance improvements at the Port.

The District continually works to diversify the cargo mix at the Port of Brownsville. The forecast for steel and liquid products for 2013 is optimistic, and the District has added in excess of 10 acres of open cargo storage area to prepare for the increase in cargo volumes. These storage areas were put into service in 2012.

Industrial Development

The objective of the Industrial Development Department of the District is to use the District's available land in the best manner possible, to attract industries that create jobs for the area and tonnage for the Port, and to earn enough income to pay interest and principal on regular revenue bonds used to improve all Port facilities. To this end, the District currently has 12,000 acres under lease, generating a total annual revenue of \$6,189,380.

District-owned land is valued for leasing purposes with the assistance of a Real Estate Advisory Committee. Changes in valuations are done on a port-wide basis and not on an individual lease basis. Lease rental rates for land are set at 10% of the valuation on an annual basis and for District-owned buildings, the rental rates are set at 15% of the valuation on an annual basis. The current table of land rental rates is as follows:

Land Rental Rates

Lease Type	Current Rates
TURNING BASIN LEASES	
Waterfront Property	\$5,844 per acre/year
Highway Frontage	\$3,819 per acre/year
Port Entrance Sites	\$3,403 per acre/year
Inside Port/Off Waterfront	\$2,025 per acre/year
Remote Sites	Negotiated Rates
Grazing Leases	\$2.25/acre/year
Tower Sites	\$17,000/site/year
Sign Sites	\$110 - \$200/site/year
Fish Camps	\$500/camp/year
Billboards	Market Rate
FISHING HARBOR LEASES	
Water Front	\$4,494 per acre/year
Off-Water	\$4,156 per acre/year
Fishing Harbor Dock	\$1.25 per linear ft./month
Unimproved Bank Space	\$.75 per front ft. per month

Additional information regarding operating leases may be found in Note 11, and information regarding lease rates and lease revenues may be found in the Statistical Section – Tables 8 and 9. Additional information regarding principal leasing customers can be found in the Statistical Section – Table 9.

Lease terms of up to 35 years are permitted for ground lease rentals under Texas law. Lease terms in excess of 35 years are available if advertised for competitive bidding. The District offers several advantages to industries interested in locating in the Brownsville area for the benefits the area provides. Property taxes are charged against improvements on Port property and on the value of the leasehold to the tenant. There are no city property taxes assessed against improvements on District land. All modes of transportation are available to businesses that choose to locate at the Port: water transportation (both deep-sea and through the Intracoastal

Waterway System), rail, truck, air and pipeline. The land rental rates are some of the most competitive in the area. Adding these inducements to those already inherent in the Brownsville area (a solid, available labor force, optimal climate, proximity to the Mexican labor force and markets, dependable utilities, and a progressive industrial development commitment by the area's local governments) makes promoting the Port of Brownsville to prospective tenants a successful endeavor.

Overweight Permit Program

The District has been granted authorization by the Texas Legislature, under the auspices of the Texas Department of Transportation, to operate an Overweight Permit program. This program has been in place since 1998, and provides the users of the Port of Brownsville with the ability to carry loads that, while they would comply with legal load limitations in Mexico, are in excess of legal load limitations in the U. S. The permit fee of \$30 allows the truck to be loaded to a total gross weight of approximately 119,000 pounds and to travel between the Port of Brownsville and the Mexican border crossing along a specified route, (the "corridor"). The proceeds of the sale of the permits are remitted to TxDOT and are dedicated to the maintenance of the corridor. Through the end of December, 2012, a total of 486,074 overweight permits have been sold, generating \$12,467,231 in funds for TxDOT. Of the \$30 permit fee, TxDot receives 85% or \$25.50 with the Port retaining the other \$4.50 for administrative costs.

This program is now being implemented in other locations in Texas.

Cameron County

Cameron County was created in 1848 and it is the southernmost county in Texas. According to the 2010 U. S. Census, the population of the County is 406,220, an increase of 56% over 1990, and an increase of 99% over 1980. The area of the County is approximately 906 square miles, comprising the Brownsville-Harlingen-San Benito Metropolitan Area. The largest city in the County is Brownsville, which serves as the county seat. The economy is well-diversified, based on agricultural production, fishing industries, manufacturing plants, and tourism. Major agricultural crops include oranges, grapefruit, cotton, grains and sugar cane. Principal manufacturing products include off-shore drilling platforms, fiberglass products, dairy products, clothing, electric equipment, and frozen foods. The County is the only port of entry from Mexico that provides all four methods of transportation – sea, air, highway, and rail. Tourism attractions include South Padre Island, Laguna-Atascosa Wildlife Refuge, the Confederate Air Force Flying Museum, and the Gladys Porter Zoo.

City of Brownsville, Texas

The City of Brownsville is the county seat of Cameron County. It is the southernmost city in Texas and the largest city in the lower Rio Grande Valley. The City is located about 25 miles inland from the Gulf of Mexico on the north bank of the Rio Grande River, directly across from Matamoros, Mexico, which it joins by four international bridges. The City serves as a trade center for much of the lower Rio Grande Valley.

From 1980 to 2010, the City of Brownsville doubled in population, from a City of approximately 85,000 to a population of 175,023. The dynamics of this rapid growth has resulted in a very young population compared to the rest of the United States, with approximately one-third of Brownsville's population in the Kinder to 12th grade age group. Within the next 10 years, nearly 50,000 people will enter the local workforce from the City's educational system alone.

The City of Brownsville and the Port of Brownsville are collaborating in the critical effort to ensure that the future local economy can create the quality jobs that will be required. In addition to improving the education of the local workforce, they recognize that they must address the prevention and wellness initiatives that will help create a local workforce with true competitive advantages to attract and retain businesses.

Matamoros, Mexico

Matamoros, Mexico, is located on the south bank of the Rio Grande River, directly across from Brownsville. The two cities are related historically, culturally and economically. Economic cooperation dates back to the American Civil War when the two cities served as an import area for vital Civil War supplies and an export area for the South's cotton. In 1970, the city had a population of 137,383. By 1990, the city's population was 303,392, and by 2010, the City's official population was 489,193. Matamoros has a floating population not included in its census count that is estimated to increase the city's population to approximately 700,000.

The Mexican In-Bond Industrialization Program offers foreign manufacturers an opportunity to set up foreign-owned Mexican manufacturing companies in order to utilize their more competitive labor rates. The finished goods are required to be exported from Mexico. This, accordingly, has allowed U. S. manufacturers an opportunity to manufacture offshore, but adjacent to their major market of the U. S.

These new industries represent manufacturing of electronics/electrical products, automotive components, hydrochloric acid, apparel, oil field drill bits, construction and mining equipment, shrimp processing, industrial gloves, shopping bags, fiberglass products, automotive products, plastic injection molded products, appliances, rubber seals, tool and die, plastic covers, stuffed toys and fiberglass tape.

Surplus labor, climate, proximity to the United States and the Port of Brownsville have led to the rapid development of the area. A technological institute to train engineers, plus a medical school and vocational and technological schools in Matamoros, train the labor force for the varying skills required by the newly located companies.

Major Initiatives and Accomplishments

- **Marine Highway** – One of the District's major accomplishments during 2010 was to be selected to receive the U. S. Department of Transportation's designation of its Cross Gulf Container Expansion Project as a Marine Highway corridor, the "M-10". The Marine

Highway initiative's purpose is to alleviate congestion on America's roadways by moving more cargo on its waterways. The Cross Gulf Container Expansion Project is a container-on-barge service that connects the Port of Brownsville directly with Port Manatee in Florida. The project was awarded a \$3.34 million grant by the Department of Transportation for infrastructure improvements and equipment at both the ports of Brownsville and Manatee. The Port is actively working with its Marine Highway partners at the U. S. Maritime Administration (MARAD) and Port Manatee to secure an operator for the Cross-Gulf Container Expansion Project.

- **Cameron County Regional Mobility Authority Roads Projects** – In 2004, Governor Perry approved Cameron County's request for the creation of the Cameron County Regional Mobility Authority (CCRMA). The purpose of the CCRMA is to provide Cameron County with an opportunity to accelerate needed transportation projects and have a local entity in place to make decisions on these projects that will be of benefit to its service area. The focus of the CCRMA is to enhance the economic vitality of the lower Rio Grande Valley. The Brownsville Navigation District has worked in cooperation with the CCRMA on a number of projects that enhance the landward access to the Port of Brownsville. The widening of FM 511 between Expressway 77/83 and the Port of Brownsville was completed in early 2010. This was followed by the initiation of two companion projects, the construction of a new truck route, SH 550, to bring truck traffic to the Port of Brownsville, and the construction of a connector road between an existing Port road and the terminus of SH 550. The connector road was completed in 2011, with the completion of the new truck route in 2013. The CCRMA is also in the planning stages for the "East Loop" project which will re-route truck traffic between the Port of Brownsville and the international bridges, away from heavily traffic-congested areas of the City. These projects coordinated with the District's internal road rehabilitation project, which is now complete, to improve the accessibility to the Port by its trucking industry. The final piece of this transportation system improvement package, that of the direct connection of SH 550 to Expressway 77/83, was let for construction in mid-2012. This is all part of a transportation system that will provide seamless access for truck traffic from northern points, through the Port of Brownsville and on to the international bridge crossings into Mexico.
- **Lease Rental Rate Increase** – The Brownsville Navigation District has approximately 5,000 acres developed for industrial use. The various sites within the Port are leased to its customers for their commercial use; in the past, land has not been sold by the District for industrial development. In 2007, the District's Board of Commissioners commissioned a study of the lease rental rates at the Port of Brownsville as a part of its master planning process. These rates had not been adjusted since 1982. As a result of the study, new lease rental rates have been established, and were officially adopted by the Board of Commissioners on December 1, 2010. These rates have already been implemented for new leases, and began to be phased in for existing tenants in July, 2011. The new rates will be fully implemented by 2016. At that point, the lease rental rates at the Port of Brownsville will be subject to an annual adjustment based on the Consumer Price Index. In 2012, the Port approved lease rental increases to be implemented over a

five year period. These additional revenues were earmarked for capital improvements. These increases generated additional revenue of \$188,259 in 2012 and a total of \$343,287 since implemented in 2011.

- **Cargo Revenues** – The District derives approximately 49% of its operating revenues from Vessel and Cargo Operations at the Port of Brownsville. For 2012 cargo revenue totaled to \$7,400,080. These revenues include charges for vessel fees, cargo wharfage and cargo storage. The District continues to investigate new opportunities to expand its mix of cargo, as well as working with its existing customers to increase their usage of the Port, to increase its vessel and cargo-related revenues. Waterborne cargo totaled 5,536,689 metric tons, up 165,484 metric tons or 3.1% over 2011 metric tons of 5,371,205.
- **Bridge Project Impairment** - The District is recording an amortization of \$1,110,000 against the plans and specifications prepared for the Port Bridge Project. That project was deemed to be impaired in prior fiscal years, and the cost of the impairment was charged to Net Assets. The costs to obtain the U. S. Presidential Permit were capitalized as a component of the land that the Permit authorized for the project, and the cost of the plans and specifications delivered by the engineer on the project will be amortized over four years at \$1,110,000 per year. Fiscal year 2012 is the fourth and final year to be affected by this amortization expense.
- **TIGER Grant Funding Projects** – As a part of the ARRA economic stimulus, the Federal government had a grant program for transportation projects entitled the Transportation Investment Generating Economic Recovery (TIGER) Grant Program. This grant program was specified for “shovel-ready” projects. The District applied for funding of a comprehensive transportation project that centered on the construction of a new deep draft cargo dock. The District’s grant application was approved in the amount of \$12,000,000. The Port also sold \$10,000,000 in revenue bonds and will use other operational funds to construct Cargo Dock 16 and related improvements at an estimated cost of \$26,700,000.
- **Homeland Security Enhancements** – Homeland Security has placed a number of requirements for enhanced security in the Port of Brownsville in the past several years. The District has applied for project funding under four grant offerings, receiving awards of a total of \$10,921,174 which require a funding match by the District of \$2,805,302. These projects are underway, and are providing security enhancements at the Port of Brownsville. As new grants are announced, the District will continue to apply for the funding provided.
- **New Cargo Storage Areas** - During the years 2007 through 2012, the District invested in upgrading its mobile equipment. This new fleet of equipment has been put to use in increasing the District’s capacity by clearing and stabilizing new cargo storage areas. The District has been able to put these new cargo storage areas to use to accommodate shipments of wind tower components and an increase in steel slab shipments through the Port of Brownsville.

- **Rolling Stock and Heavy Equipment Purchases** – In 2012, the District purchased and received 8 new pickup trucks, a motor grader, a tractor with a shredder, and a striping machine. The total of these purchases was \$494,455.

Financial Information

The accounting policies of the District and this report conform to accounting principles generally accepted in the United States of America for local governmental units as prescribed by the Government Accounting Standards Board. A summary of significant accounting policies can be found in Note 1 to the financial statements.

The integrity and objectivity of data in these financial statements and supplemental schedules, including estimates and judgments to matters not concluded at year-end, are the responsibility of the District.

We direct the reader's attention to the Management's Discussion and Analysis (MD&A) immediately following the Audit Opinion letter which provides an analytical overview of the District's financial activities and serves as an introduction to the basic financial statements.

Independent Audit

The financial statements for the year ended December 31, 2012 listed in the foregoing Table of Contents was audited by independent auditors selected by the Board of Navigation and Canal Commissioners. The audit opinion, rendered by Long Chilton, LLP, is included in the financial section of this report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Brownsville Navigation District for its comprehensive annual financial report for the fiscal year ended December 31, 2011. This is the first time the District has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

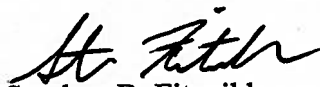
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.


Acknowledgements

The preparation of this report could not have been accomplished without the dedicated services of the District's accounting staff. We express our appreciation to them, particularly to those who contributed directly to the preparation of this report.

In closing, we would like to thank the members of the Board of Navigation and Canal Commissioners and all the officials of the District for their support in the planning and conducting the financial affairs of the District in a responsible and progressive manner.

Sincerely,


Stephen B. Fitzgibbons
Director of Finance


Eduardo A. Campirano
Port Director and CEO

Brownsville Navigation District of Cameron County, Texas

DIRECTORY OF OFFICIALS

NAVIGATION AND CANAL COMMISSIONERS

Sergio Tito Lopez	Chairman
Carlos R. Masso	Vice Chairman
Martin C. Arambula	Secretary
John Reed	Asst. Secretary
Ralph Cowen	Asst. Secretary

ADIMINISTRATION

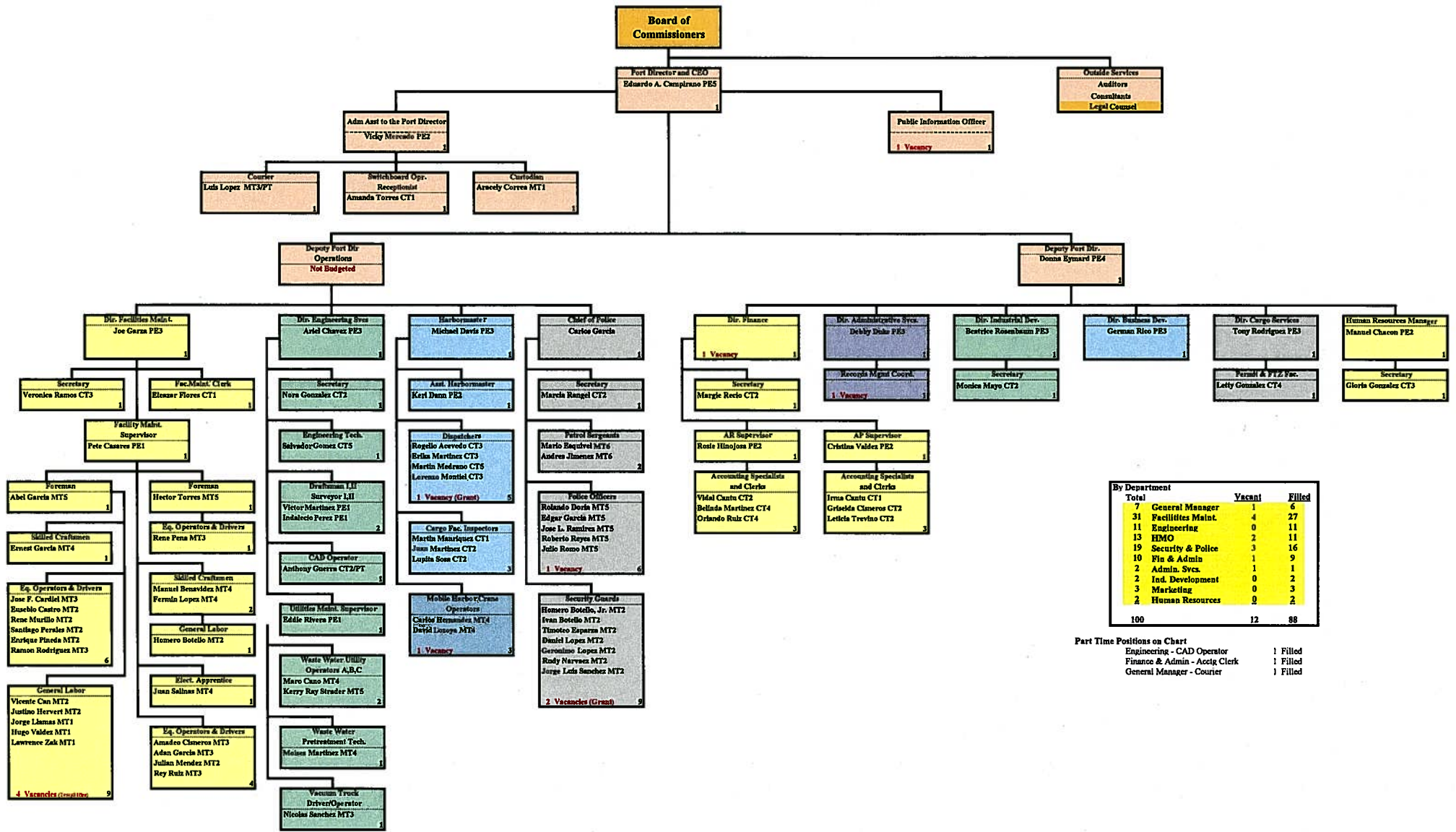
Eduardo A. Campirano	Port Director and CEO
Donna Eymard	Deputy Port Director
Stephen B. Fitzgibbons	Director of Finance
Deborah Lee Duke	Director of Administration
Ariel Chavez, II	Director of Engineering Services
Michael Davis	Harbormaster
Chief Carlos L. Garcia	Chief of Police
Jose G. Garza, Jr.	Director of Facilities Maintenance
German Rico	Director of Business Development
Antonio Rodriguez	Director of Cargo Services
Beatrice Rosenbaum	Director of Industrial Development
Cristina Valdez	Accounts Payable Supervisor
Rosa Maria Hinojosa	Accounts Receivable Supervisor

ADIMINISTRATION

Certified Public Accounts	Long Chilton, L.L.P Brownsville, Texas
Legal Counsel	The Rentfro Law Firm Brownsville, Texas
Financial Advisor	Estrada Hinojosa & Company Dallas, Texas
Bond Counsel	Winstead PC San Antonio, Texas

**Brownsville Navigation District Organizational Chart
as of December 31, 2012**

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By Department			
Total	Vacant	Filled	
7	1	6	General Manager
31	4	27	Facilities Maint.
11	0	11	Engineering
13	2	11	HMO
19	3	16	Security & Police
10	1	9	Fin & Admin
2	1	1	Admin. Svcs.
2	0	2	Ind. Development
3	0	3	Marketing
2	0	2	Human Resources
100	12	88	

Part Time Positions on Chart
 Engineering - CAD Operator 1 Filled
 Finance & Admin - Accg Clerk 1 Filled
 General Manager - Courier 1 Filled

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Brownsville Navigation District
of Cameron County, Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morill

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Navigation and Canal Commissioners
Brownsville Navigation District of Cameron County, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Brownsville Navigation District of Cameron County, Texas ("District"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used

and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the District, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 23 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section, Schedule of Operating Expenses, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Operating Expenses is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Operating Expenses is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



LONG CHILTON, LLP
Certified Public Accountants

Brownsville, Texas
May 8, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Brownsville Navigation District of Cameron County, Texas, we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with the financial statements following this section and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

For 2012, the financial position of the District improved in virtually all operational areas. Operating revenue for 2012 totaled \$15,253,578, an increase of \$2,282,540 or 17.6% over 2011 operating revenue of \$12,971,038. Operating expenses for 2012 of \$12,134,902 increased \$105,786 or .9% over 2011 expenses of \$12,029,116. Operating expenses for 2012, excluding depreciation and amortization, totaled \$8,634,582 which was \$1,353,440 less than the 2012 budgeted amount of \$9,988,022. Wages and employee expense of \$3,769,972 was \$107,331 under the budget of \$3,877,303. For 2012, general and administrative expenses totaled \$3,013,445 which was \$1,041,969 under the budgeted amount of \$4,055,414. The District saw positive variances in the areas of election expense (\$273,000), consultant fees (\$179,000), doubtful accounts (\$133,000) and various other general and administrative expense categories.

District operating revenue is comprised of Vessel Services, Lease Rentals at the Turning Basin and Fishing Harbor, Other Lease Rentals and Other Operating Income. Vessel Services revenues for 2012 were \$7,400,080, an increase of about \$1,329,000 or 22% over the 2011 total of \$6,071,291. For 2012, tonnage increased from 5,371,206 metric tons in 2011 to 5,533,535 metric tons in 2012, mostly from an increase in cargo vessels from 110 to 124. Dockage revenue for 2012 totaled \$3,125,720, an increase of about \$900,000 over 2011 dockage of \$2,227,647. Dockage charges for rig repair at Keppel Amfels increased from \$200,000 in 2011 to \$874,000 in 2012, an increase of \$674,000 with the increase in cargo ships generating the remaining increase in dockage. Wharfage revenues for 2012 totaled \$3,338,673, an increase of \$356,000 or 11.9% over 2011. This increase was mostly due to steel coils and slabs increasing from 1,636,058 metric tons in 2011 to 2,018,000 metric tons in 2012.

Lease rentals at the Turning Basin and Fishing Harbor totaled \$4,836,397, an increase of \$622,991 or 14.8% over the prior year amount of \$4,213,406. This increase was a result of a five year phased lease rate increase that generated an additional \$188,000, a new option to lease 500 acres at an annual cost of \$292,000 and additional leases. Other Lease Rentals totaled \$1,352,983, an increase of \$413,736 or 44% over the prior year amount of \$939,247. This increase was due to onetime payments of about \$130,000 each for storage shed leases and wind turbine storage as well as increased pipeline transmission lease revenue.

Non-operating income for 2012 totaled \$2,662,103 an increase of \$332,436 over 2011 non-operating income of \$2,329,667. This increase resulted from a \$329,256 reduction in interest expense and other bond issuance costs. For 2012, almost 90% of non-operating income was from property tax and penalty and interest. For 2012, the District received \$3,120,175 in property tax of which \$2,561,060 was for general obligation bond debt and \$559,115 was for maintenance and operations. The District also received \$132,695 in penalties and interest for a combined tax

and penalties and interest total of \$3,252,870. For 2011 the District received a total of \$3,294,000 in tax and penalty and interest. For 2012, the District dropped its tax rate to 4.52 cents per \$100 of valuation, a drop of 3.5% from the 2011 tax rate of 4.683 cents per \$100 of valuation.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's financial statements include a discrete presentation of the financial statements of the District's only component unit, the Brownsville and Rio Grande International Railroad. The District's basic financial statements consist of the following: Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, and Notes to the Financial Statements.

The Statement of Net Position presents information on the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as useful indicators as to whether the District's financial health is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected leases and earned, but unused vacation leave).

The Statement of Cash Flows reports how the District's cash and cash equivalents were used in and provided by its operating, non-capital financing, capital and related financing, and investing activities during the periods reported. The net of these activities is added to the beginning year cash balance to reconcile to the cash and cash equivalent balances at December 31, 2012. These statements are prepared on a cash basis and only present cash receipts and cash disbursement information. The District uses the direct method of presenting cash flows, which includes a reconciliation of operating activities to operating income.

Notes to the Financial Statements provide an in-depth discussion of many items disclosed in the District's basic financial statements. The financial statement disclosures are an integral part of the financial statements. Such disclosures are essential to a full understanding of the information provided in the basic financial statements. These notes can be found on pages 39-73.

FINANCIAL ANALYSIS

District total assets at the close of the fiscal year were \$149,354,751, an increase of \$7,873,320 or 5.6% over prior year total assets of \$141,481,431. An additional \$10,000,000 was added to restricted assets reflecting the proceeds of a revenue bond sale while \$4,600,000 in restricted assets used by others was removed. Cash and cash equivalents increased about \$1,000,000 and capital assets after depreciation and amortization increased about \$1,600,000. For 2012, total assets of \$149,354,751 exceeded total liabilities of \$41,242,683 by \$108,112,071 which was an

increase of \$6,079,749 or 6% over 2011 net position of \$102,032,322. Of this net position amount, \$19,177,471 were unrestricted net assets an increase of \$6,197,959 or 47.8% over prior year adjusted unrestricted net position of \$12,979,512.

Operating income before depreciation for 2012 was \$6,618,996, an increase of \$2,083,618 or 45.9% over 2011 operating income of \$4,535,378. Operating income, after amortization and depreciation, for 2012 was \$3,118,676, an increase of \$2,176,747 or about 231% over 2011 operating income of \$941,929.

Non-operating income, net of non-operating expenses, was \$2,662,103 for 2012, an increase of \$229,971 or 9.5% over 2011 non-operating income of \$2,432,132. The major reason for this increase in non-operating income was \$300,000 less in interest expense.

In 2012, the Port sold \$10,000,000 in revenue bonds at an effective interest rate of 3.19% to help fund the construction of dock 16 and other District improvements at an estimated total cost of \$26,700,000.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Brownsville Navigation District for its comprehensive annual financial report for the fiscal year ended December 31, 2011. This is the first time the District has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The District's financial health is reflected in the current year financial statements. The fiscal year ending December 31, 2012 showed total net assets of \$108,112,072, which are summarized as on the following page:

Condensed Statement of Net Position

	12/31/2012	12/31/2011
Current and Other Assets	\$ 40,925,403	\$ 34,663,314
Capital Assets	<u>108,429,352</u>	<u>106,818,117</u>
Total Assets	<u>149,354,755</u>	<u>141,481,431</u>
Long-Term liabilities outstanding	30,746,999	24,410,300
Other liabilities	<u>10,495,684</u>	<u>15,038,809</u>
Total Liabilities	41,242,683	39,449,109
Net Position		
Net investment in capital assets	81,820,846	87,750,238
Restricted for:		
Revenue bond debt retirement and contingency	3,295,001	3,187,128
General obligation bond debt service	3,818,754	3,700,291
Unrestricted	<u>19,177,471</u>	<u>7,394,664</u>
Total Net Assets	<u>\$ 108,112,072</u>	<u>\$ 102,032,321</u>

Key elements of the analysis of net position reflect the following:

- The \$6,262,088 increase in current and other assets during fiscal year 2012 mostly resulted from an increase in total cash of \$10,872,762 comprised of \$9,891,106 in Cargo Dock 16 construction fund from bond sale revenues and other activities including an increase of \$1,114,760 in operational funding for Dock 16. Total restricted assets were reduced \$4,600,000 as a result of final payment for Union Carbide Pollution Control Bonds.
- The increase in outstanding debt is due to the issuance of a new bond. In December, 2012, the District issued \$10,000,000 First Lien Revenue Bonds, Series 2012 at an effective interest rate of 3.19% to help fund the construction of Cargo Dock 16, with a principle debt payment of \$7,945,000. This increased net revenue bond debt to \$19,157,598 from the 2011 total of \$10,454,874. Net General Obligation debt decreased \$2,012,083 from \$16,783,171 to \$14,771,088. The Pollution Control Bond Series A was paid off with a 2011 payment of \$4,600,000 and capital lease obligations were paid off with a payment of \$252,530.

Changes in net position are summarized as follows:

	<u>Changes in Net Position</u>		
	<u>Fiscal 2012</u>	<u>Fiscal 2011</u>	<u>Change</u>
Operating revenues			
Vessel services	\$ 7,400,081	\$ 6,071,290	\$ 1,328,791
Lease rentals			
Port System	4,836,398	4,213,406	622,992
Other lease rentals	1,352,983	939,247	413,736
Other operating revenue	1,664,116	1,747,094	(82,978)
Total operating revenues	<u>15,253,578</u>	<u>12,971,037</u>	<u>2,282,541</u>
Operating expenses			
Wages and employee expenses	3,769,972	4,200,550	(430,578)
Maintenance and operation of facilities	1,851,165	1,994,619	(143,454)
General and administrative expenses	3,013,445	2,240,490	772,955
Depreciation and Amortization	3,500,320	3,593,457	(93,137)
Total operating expenses	<u>12,134,902</u>	<u>12,029,116</u>	<u>105,786</u>
Operating income (loss)	3,118,676	941,921	2,176,755
Non-operating income (expense)			
Interest income	343,807	438,244	(94,437)
Tax income - net of bad debt and collection expenses			
General obligation bond debt service	2,561,060	2,597,205	(36,145)
Maintenance and operations	559,115	571,669	(12,554)
Penalties and interest	132,695	125,130	7,565
Interest expense and other bond issuance costs	(996,615)	(1,325,871)	329,256
Gain (loss) on disposal of assets	93,305	-	93,305
Other non-operating income (expense)	(31,264)	(76,710)	45,446
Total non-operating income (expense)	<u>2,662,103</u>	<u>2,329,667</u>	<u>332,436</u>
Income before capital contributions	5,780,779	3,271,588	2,509,191
Capital contributions	417,180	102,465	314,715
Increase (decrease) in net position	6,197,959	3,374,053	2,823,906
Net Position - beginning	102,032,322	97,705,228	4,327,094
Prior period adjustment	(118,210)	953,041	(1,071,251)
Net Position - ending	<u>\$ 108,112,071</u>	<u>\$ 102,032,322</u>	<u>\$ 6,079,749</u>

The District's net position at December 31, 2012 increased to \$108,112,071, an increase of \$6,079,749 over the prior 2011 year. Operating revenue increased \$2,176,755 over 2011 to \$3,118,676, due mainly to a large increase in vessel services revenue consisting of dockage revenue and wharfage revenue in the current year. The District also saw an increase in lease rental revenue over prior year. Additionally, the District experienced an increase of capital contributions due mainly to grant contributions from FEMA. Expenses remained relatively stable from 2011. More detailed analysis of the the increased revenues are described in the Financial Highlights on page 23 of the Management Discussion and Analysis.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

	<u>12/31/2012</u>	<u>12/31/2011</u>
Inland channel, turning basin, & jetties	\$ 52,116,637	\$ 52,116,635
Land	9,934,753	9,935,027
Easements	20,760	20,760
Docks and appurtenances	44,944,301	44,944,301
Water and sewer systems	8,240,892	8,232,881
Railroads	7,542,279	6,546,130
Land improvements and roads	16,281,566	14,411,876
Administration building	751,355	751,355
Industrial equipment	5,059,827	4,823,832
Furniture and equipment	507,038	507,038
Intangible Assets	5,895,274	5,895,274
Construction in progress	14,682,496	12,940,810
Total	<u>\$ 165,977,178</u>	<u>\$ 161,125,919</u>

Prior to 2008, the District had not kept up with facility maintenance and equipment replacement. During late 2008 and continuing through fiscal 2011 the District has had an aggressive capital improvement program. For 2012, the District increased its capital improvement efforts to unprecedented levels. Federal funding is playing a major role in the District's capital improvement activities as a result of the District aggressively identifying and pursuing federal funding for needed projects. Major capital asset transactions during the fiscal year ended December 31, 2012 include the following:

- Tiger Grant Dock 16 - Gulf Marine Highway** - The District's Phase II application for a TIGER Discretionary Grant to expand inter-port and regional shipping over the U.S. D.O.T designated M10 Marine Highway Corridor was submitted and approved in 2012. The grant will provide \$12,000,000 in funding toward a total estimated cost of \$26,700,000 that will provide numerous District improvements including the construction of Cargo Dock 16. This new dock will be 600 feet long that will serve as a foundation for expanding the District's container operations and provide priority berthing for the Cross Gulf Container Expansion project and provide berthing for large deep-draft vessels. In addition to the \$12,000,000 TIGER grant, other funding will come from a \$10,000,000 revenue bond and District operating funds.
- Corps of Engineers Channel Deepening and Widening Feasibility Study** - This is a long term project to investigate the feasibility of deepening and/or widening the Port of Brownsville Ship Channel. This project is ongoing with the District paying 50% of the cost of the study. In 2012, the District paid the Corps of Engineers \$1,139,615 as the District's 50% share bringing total District 50% cost share to the Corps to \$3,770,893 since the start of the project in 2006. In 2012, the District also paid \$130,277 to HDR Engineering, URS Corporation and District in-kind costs for economic benefit analysis and other information involving justification for channel expansion. These costs are included in the District's 50% match share. The feasibility study is scheduled to be

completed in 2013. Preliminary indications show the cost benefit of deepening the channel, particularly to 52 feet, is positive. A positive economic benefit determination is necessary for eligibility for federal funding. Channel deepening is believed to be critical to the District's future growth and development.

- **Turning Basin Road Rehabilitation Project** - In 2012 the District completed the rehabilitation of about 9.4 miles of roads in the Turning Basin. Funding for this project was 80% federal funding and a 20% District match for the grant eligible portions of the project. The District advanced funded to TXDOT as the Project Administrator \$1,143,230 which was used to match at 20% eligible project costs and was used at 100% for non-eligible project costs. The District also directly purchased materials and paid engineering and utility relocation and other costs increasing the District share of this project to approximately \$2,000,000. Federal funding for this project totaled \$2,510,818 for a total project cost of approximately \$4,500,000.
- **Water Tower Rehabilitation** - In 2012 the District contracted with TMI Coatings Inc. at a bid price of \$1,548,000 for the rehabilitation of the District's 1,000,000 gallon north side water tower. For a number of years this water tower has only been able to hold a small percentage of its original rated capacity due to structural problems. These repairs will significantly increase water system pressure and storage capacity for existing users and provide the capacity for future growth. Repairs should be complete by mid-2013.
- **Expansion of the District's Existing Wide Area Surveillance System and Access Control** - This project involves the security system design, installation and integration services for the expansion of the District's existing area wide surveillance system and expansion of the District's access control infrastructure. These projects will cost an estimated \$3,300,000 and are funded by Port Security Grants Rounds 8, 9 and 10. Port match is 25% on Rounds 8 and 9, with Round 10 funded 100% by federal funds. The District estimated cost for these improvements is about \$600,000.
- **Port Security Operations Center** - The District is in the process of remodeling an existing office complex to be the new home of the Command Center, Port Police and Security Departments and to provide office space to the United States Coast Guard Marine Safety Division. Funding of \$1,000,000 in Port Security Grant Program Round 9 is being used for the project. The District has a 25% match on this project up to \$1,333,333 with the District responsible for all funding above that amount. The project is estimated to cost \$1,750,000 with estimated District funding of \$750,000. This facility is expected to be operation in early summer 2013.
- **High Mast Lighting at Selected Docks and Patios** - This project will provide 23 high mast lighting fixtures and required electric infrastructure for docks 10 through 13 and adjacent patios. In addition to enhanced security, this project will provide the availability of increased operational hours and increased safety through enhanced lighting. The bid price for this work was \$1,157,930 with funding through Port Security Grant Round 8 with a District match of 25% or about \$290,000. This project is expected to be complete in late 2013.

- **Partnership with Cameron County, and AMFELS for Highway 48 Traffic Light** - In 2012 the District partnered with Keppel Amfels and Cameron County to contract with TXDOT for the placement of a traffic light on Highway 48 by the Keppel Amfels gate. The District's 1/3 cost share of the traffic light was \$33,737 comprised of \$9,333 for the warrant study and engineering costs and \$24,404 for construction costs. This project addressed a major traffic safety concern.
- **LNG lease Option** - In January of 2012 the District entered into an option to lease agreement for 500 acres with an LNG company at an option to lease fee of \$292,000. The potential for an LNG terminal at the Port, if realized, would involve the largest capital investment in the history of the Brownsville area and would create thousands of construction jobs and would have a significant impact on economic development throughout the entire region.

The District's outstanding debt is summarized as follows:

	<u>Outstanding Debt</u>	
	<u>12/31/2012</u>	<u>12/31/2011</u>
Revenue bonds, net	\$ 19,157,598	\$ 10,456,874
General obligation bonds, net	14,771,088	16,783,171
Notes payable	-	4,600,000
Capital lease obligations	-	252,530
Total	<u>\$ 33,928,686</u>	<u>\$ 32,092,575</u>

The increase in outstanding debt is due to the issuance of a new bond. In December, 2012, the District issued \$10,000,000 First Lien Revenue Bonds, Series 2012 at an effective interest rate of 3.19% to help fund the construction of Cargo Dock 16, with a principle debt payment of \$7,945,000.

Subsequent to year end the District issued Series 2013 Unlimited Tax Refunding Bonds in the amount of \$3,830,000. The proceeds of this bond will be used to refund the District's Series 2003 Unlimited Tax Bonds in the amount of \$3,830,000.

Additional information on the District's long-term debt can be found in Note 3.F. on pages 53-56 of this report.

REQUEST FOR INFORMATION

This financial report is designed to provide the reader with a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 1000 Foust Road, Brownsville, Texas 78521.

BASIC FINANCIAL STATEMENTS

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

STATEMENT OF NET POSITION

December 31, 2012

	Primary Government Enterprise Fund	Component Unit BRG International Railroad	Total Reporting Entity
ASSETS			
Current Assets - Unrestricted:			
Cash and cash equivalents	\$ 15,622,779	\$ 2,883,860	\$ 18,506,639
Accounts receivable, net of allowance for doubtful receivables	1,243,615	479,339	1,722,954
Notes receivable, current	257,897	-	257,897
Taxes receivable, net of estimated uncollectible taxes	271,144	-	271,144
Other receivables and accrued interest	470,667	-	470,667
Due from Brownsville Navigation District	-	323,313	323,313
Inventories	6,872	76,129	83,001
Prepaid expenses	283,385	43,081	326,466
Total Current Assets - Unrestricted	18,156,359	3,805,722	21,962,081
Current Assets - Restricted:			
Cash - revenue bond fund	13,640,114	-	13,640,114
Cash - general obligation bond fund	2,586,499	-	2,586,499
Cash - overweight permits	2,761	-	2,761
Taxes Receivable - G.O., net	1,232,255	-	1,232,255
Bond Proceeds Receivable - BRG	1,798,333	-	1,798,333
Total Current Assets - Restricted	19,259,962	-	19,259,962
Capital Assets:			
Property, plant, and equipment	165,977,178	11,129,868	177,107,046
Less: accumulated depreciation and amortization	(57,547,826)	(4,986,202)	(62,534,028)
	108,429,352	6,143,666	114,573,018
Other Noncurrent Assets:			
Notes receivable, non-current	2,645,061	-	2,645,061
Deferred charges	519,782	115,518	635,300
Other assets	344,239	-	344,239
Total Other Noncurrent Assets	3,509,082	115,518	3,624,600
Total Assets	\$ 149,354,755	\$ 10,064,906	\$ 159,419,661

(Continued)

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

STATEMENT OF NET POSITION - CONTINUED

December 31, 2012

	Primary Government Enterprise Fund	Component Unit BRG International Railroad	Total Reporting Entity
LIABILITIES			
Current Liabilities - Unrestricted:			
Accounts payable	\$ 1,662,132	\$ 437,184	\$ 2,099,316
Accrued liabilities	555,344	-	555,344
Deferred lease rentals	1,549,612	-	1,549,612
Deferred property tax revenue	3,218,176	-	3,218,176
Total Current Liabilities - Unrestricted	<u>6,985,264</u>	<u>437,184</u>	<u>7,422,448</u>
Current Liabilities - Restricted:			
Current maturities of long-term debt - bonds	<u>3,505,000</u>	-	<u>3,505,000</u>
Total Current Liabilities - Restricted:			
Noncurrent Liabilities:			
Revenue bonds	17,777,598	-	17,777,598
General obligation bonds	12,646,088	-	12,646,088
Due to Brownsville Navigation District	-	1,798,333	1,798,333
Due to BRG International Railroad	328,733	-	328,733
Total Noncurrent Liabilities	<u>30,752,419</u>	<u>1,798,333</u>	<u>32,550,752</u>
Total Liabilities	<u>41,242,683</u>	<u>2,235,517</u>	<u>43,478,200</u>
NET POSITION			
Net investment in capital assets	81,820,846	4,228,666	86,049,512
Restricted for:			
Revenue bond debt retirement and contingency	3,295,001	363,797	3,658,798
General obligation bond debt service	3,818,754	-	3,818,754
Unrestricted	19,177,471	3,236,926	22,414,397
Total Net Position	<u>\$ 108,112,072</u>	<u>\$ 7,829,389</u>	<u>\$ 115,941,461</u>

See accompanying notes to financial statements.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION**

For the Year Ended December 31, 2012

	Primary Government <u>Enterprise Fund</u>	<u>Component Unit BRG International Railroad</u>	Total Reporting Entity
OPERATING REVENUES			
Vessel services	\$ 7,400,081	\$ -	\$ 7,400,081
Lease rentals			
Port system	4,836,398	-	4,836,398
Other lease rentals	1,352,983	-	1,352,983
Other operating revenue	1,664,116	84,097	1,748,213
Switching	-	7,166,482	7,166,482
Incidental	-	144,108	144,108
Car repair	-	130,052	130,052
Demurrage	-	336,485	336,485
Total Operating Revenues	<u>15,253,578</u>	<u>7,861,224</u>	<u>23,114,802</u>
OPERATING EXPENSES, OTHER THAN DEPRECIATION & AMORTIZATION			
Wages and employee expenses	3,769,972	-	3,769,972
Maintenance and operation of facilities	1,851,165	4,613,089	6,464,254
General and administrative expenses	3,013,445	2,657,185	5,670,630
	<u>8,634,582</u>	<u>7,270,274</u>	<u>15,904,856</u>
Income from operations before depreciation and amortization	<u>6,618,996</u>	<u>590,950</u>	<u>7,209,946</u>
Amortization	1,110,000	-	1,110,000
Depreciation	2,390,320	357,812	2,748,132
OPERATING INCOME (LOSS)	3,118,676	233,138	3,351,814

(Continued)

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - CONTINUED**

For the Year Ended December 31, 2012

	Primary Government Enterprise Fund	Component Unit BRG International Railroad	Total Reporting Entity
NON-OPERATING INCOME (EXPENSE)			
Interest income on investments and direct financing leases - port system	261,866	9,464	271,330
Interest income - other	81,941	-	81,941
Taxes - net of bad debt and collection expenses			
Penalties and interest	132,695	-	132,695
Maintenance and operations	559,115	-	559,115
General obligation bond debt service	2,561,060	-	2,561,060
Interest expense	(932,669)	(81,941)	(1,014,610)
Gain (loss) on disposal of assets	93,305	18,904	112,209
Amortization of bond issuance costs	(58,946)	-	(58,946)
Bond service fees	(5,000)	-	(5,000)
Other non-operating income (expense)	(31,264)	165,843	134,579
Total Other Income (Expense)	<u>2,662,103</u>	<u>112,270</u>	<u>2,774,373</u>
Income (Loss) Before Contributions and Extraordinary Items	5,780,779	345,408	6,126,187
Capital contributions	417,180	-	417,180
Increase (decrease) in net position	6,197,959	345,408	6,543,367
Net position at beginning of year	102,032,322	7,483,981	109,516,303
Prior period adjustments	(118,210)	-	(118,210)
Net position at beginning of year - as restated	<u>101,914,112</u>	<u>7,483,981</u>	<u>109,398,093</u>
Net position at end of year	<u>\$ 108,112,071</u>	<u>\$ 7,829,389</u>	<u>\$ 115,941,460</u>

See accompanying notes to financial statements.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012

	Primary Government <u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 14,754,792
Payment to suppliers	(4,752,292)
Payment to employees	(3,695,770)
Net cash provided by operating activities	<u>6,306,730</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Collections of M&O taxes and interest, net of discounts and collection expense	<u>573,322</u>
Net cash provided by noncapital financing activities	<u>573,322</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Collections of G.O. taxes and interest, net of discounts and collection expense	2,616,129
Proceeds from capital debt	10,000,000
Capital contributions	417,180
Purchase and construction of capital assets	(5,067,736)
Principal paid on capital debt	(3,462,530)
Principal received on notes receivable	244,452
Interest paid on capital debt	(990,204)
Net cash provided in capital and related financing activities	<u>3,757,291</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	<u>337,396</u>
Net cash provided in investing activities	<u>337,396</u>
 Net increase (decrease) in cash and cash equivalents	10,974,739
 Cash and cash equivalents at beginning of year	<u>20,877,414</u>
Cash and cash equivalents at end of year	<u>\$ 31,852,153</u>
 Cash and cash equivalents presented on the Statement of Net Position consist of:	
Cash and cash equivalents - unrestricted	\$ 15,622,779
Cash - revenue bond fund - restricted	13,640,114
Cash - general obligation bond fund - restricted	2,586,499
Cash - overweight permits - restricted	2,761
	<u>\$ 31,852,153</u>

(Continued)

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

STATEMENT OF CASH FLOWS - CONTINUED

For the Year Ended December 31, 2012

	Primary Government <u>Enterprise Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 3,118,676
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,390,320
Amortization	1,110,000
Payments for sale of surplus	-
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(47,395)
(Increase) decrease in taxes receivable	20,474
(Increase) decrease in inventories	(118)
(Increase) decrease in prepaid expenses	19,491
(Increase) decrease in other assets	(326,715)
Increase (decrease) in accounts payable	150,405
Increase (decrease) in accrued liabilities	(66,573)
Increase (decrease) in deferred lease rentals and other credits	31,470
Net cash provided by operating activities	<u>\$ 6,306,730</u>

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Brownsville Navigation District's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

A. THE REPORTING ENTITY

The Brownsville Navigation District of Cameron County, Texas (the "District") is an independent public body created under the statutes of the State of Texas for the purpose of developing and operating a deepwater seaport for the Brownsville, Texas area. A seventeen mile deepwater channel connects the port with the Gulf of Mexico. The channel and port facilities, comprised of approximately 40,000 acres of land, docks, warehouses, utility systems and cargo handling equipment, have been financed by contributions from the federal government, sales of general obligation bonds, sales of special revenue bonds collateralized by revenues derived from leasing the improvements and facilities constructed with the proceeds of the bonds, and unrestricted revenues in excess of operating expenses. (See Note 14 for operations of the Railroad). The District derives its operating revenues from charges for lease rentals, wharfage, storage, vessel dockage, and the sale of various port services such as utilities and security.

The reporting entity of the District consists of the primary government (in this case, the District) and a discretely presented component unit, Brownsville and Rio Grande International Railroad ("Railroad"). The Railroad is a component unit of the District as defined in GASB Statement No. 14, *The Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. On June 1, 1983, the District issued Junior Lien Railroad Revenue Bonds which created the Brownsville and Rio Grande International Railroad ("Railroad"). The Railroad is operated and maintained as a separate and distinct entity from the District. The District must continue to pay the debt service of these Junior Lien Revenue Bonds regardless of whether the Railroad reimburses the District and must meet reasonable and necessary expenses of operating and maintaining the District and the system, including the Railroad. The Railroad is reported in a separate column in the District's financial statements to emphasize that it is legally separate from the government.

The locally-elected Board of Navigation and Canal Commissioners is exclusively responsible for all public decisions and accountable for the decisions it makes. The Board of Navigation and Canal Commissioners appoints the Director/General Manager of the District. The activities under the purview of the Director are within the scope of the reporting entity and the management is accountable to the Board of Navigation and Canal Commissioners for the activities being managed. The Board of Navigation and Canal Commissioners has the statutory authority to significantly influence operations. This authority includes but is not limited to, adoption of the budget, control over all assets, including facilities and properties, short-term borrowing, and signing contracts. The responsibility and accountability over all funds is vested to the Board of Navigation and Canal Commissioners.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units in conjunction with the "Water District's Financial Management Guide" published by the Texas Commission on Environmental Quality. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions of events for recognition in the financial statements.

The District is reported as a special-purpose government engaged in business-type activities. During the year the District implemented the requirements of GASB Statement No. 63. However, the District does not have any items that would qualify as deferred inflows or deferred outflows as defined in this statement. The financial statements of the District measure and report all assets, deferred outflows of resources, liabilities and deferred inflows of resources, revenues, expenditures, and gains and losses using the economic resources measurement focus and accrual basis of accounting.

C. BUDGETARY POLICY

The District's budget is prepared on the accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America. An annual operating and capital improvement budget are adopted prior to the beginning of each year. Budget control is maintained at the departmental level. Actions which change the annual budget must be authorized by the Board of Navigation and Canal Commissioners.

D. ASSETS, LIABILITIES AND NET POSITION

1. Cash and Cash Equivalents

Cash includes amounts in demand deposits as well as short-term investments with a maturity date of three months or less of the date acquired by the District. For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less, when purchased, to be cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. ASSETS, LIABILITIES AND NET POSITION – Continued

2. Investments

The District invests funds in accordance with its policy, bond indentures, and the Texas Public Funds Investment Act. The District's investment policy authorizes the District to invest in obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies; other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; and certificates of deposit issued by state and national banks domiciled in this state that are guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor.

The District adopted the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* ("Statement"). Those provisions require that certain investments be reported at fair value, rather than at cost or amortized cost, and that the changes in the fair value of investments be recognized as investment revenue. The Statement further provides that the District has the option of continuing to report certain investments at cost or amortized cost but must disclose its policy in this regard.

In accordance with GASB Statement No. 31, the District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure unless the fair value of those contracts has been significantly impaired. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposits are examples of nonparticipating interest-earning investment contracts. Fair value determinations of all securities are made on a monthly basis.

3. Allowance for Uncollectible Accounts

The determination of the balance in the allowance for doubtful accounts consists of the combination of (a) an amount which in management's judgment, is adequate to provide for potential losses from the trade accounts receivable, and (b) an amount recorded as reserve for lease rental receivables which, in management's judgment, represents the total amount of charges which are doubtful of collection. The amount of the reserve for lease rentals represents lease charges which are not recognized as revenue until

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. ASSETS, LIABILITIES AND NET POSITION – Continued

3. Allowance for Uncollectible Accounts – Continued

collected from the lessee. The balance in the allowance for doubtful accounts is \$121,399 as of December 31, 2012. The balance in the reserve for lease rentals is \$78,890 as of December 31, 2012.

The determination of the balance in the estimated uncollectible taxes receivable is based on an analysis of the taxes receivable and reflects an amount which, in management's judgment, represents those taxes doubtful of collection. The allowance for doubtful taxes receivable balance as of December 31, 2012, is \$11,298 and \$51,344 for maintenance and operations and debt service respectively, for a total of \$62,642.

4. Inventories

Inventories of materials and supplies are stated at cost utilizing the FIFO (first-in, first-out) valuation costing method.

5. Restricted Assets

Certain proceeds of revenue and general obligation bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet, since their use is limited by applicable bond covenants. Proceeds from the issuance of overweight permits are also classified as restricted assets on the balance sheet, since their use is limited by contract with the State of Texas.

6. Capital Assets

Capital assets, which include property, plant, and equipment, are stated at cost. They are defined as assets with an initial, individual cost of more than \$5,000, or the project was a betterment, or the project creates a new asset.

Depreciation of plant and facilities is computed using the straight-line method over the useful lives of the assets. Land, channel, turning basin, and jetties are not depreciated since they are considered to have an indefinite useful life. The following estimated useful lives are used for depreciation purposes:

<u>Classification</u>	<u>Life</u>
Docks and appurtenances	40 years
Water and sewer systems	10 – 30 years
Railroads	40 years

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. ASSETS, LIABILITIES AND NET POSITION – Continued

6. Capital Assets – Continued

<u>Classification</u>	<u>Life</u>
Land improvements and roads	10 years
Administration building	40 years
Industrial equipment	5 – 10 years
Furniture and equipment	5 years

Expenses for maintenance and repairs are charged to operations as incurred. Expenses for replacement and betterments are capitalized. Costs of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts, and the resulting gains or losses on disposal of the assets are recognized in current operations.

The District's policy is to capitalize interest costs related to construction projects in accordance with the requirements of GASB No. 62. Interest expense and interest income generated from borrowings used for construction projects in progress are capitalized through the date the project is substantially complete and ready for its intended use.

7. Deferred Debt Expense

The expenses related to approval and sale of the revenue bonds series 2002 and 2011, and the general obligation bonds series 2003, 2007, 2008 and 2011 are amortized on a straight-line basis over the period during which the bonds are outstanding.

The expenses related to approval and sale of the 2003 Junior Lien Railroad Revenue Bonds, certain organizational expenses and the cost of acquiring the railroad switching yard (west yard) are amortized by the Railroad on a straight-line basis over the period the bonds are outstanding.

8. Compensated Absences

Compensated absences, which include unpaid accrued vacation and sick leave, are accumulated during employment and are accrued when incurred. Employees can earn vacation at rates of 12 to 18 days per year depending on the length of employment, and may accumulate no more than 30 days at year end. Upon termination or retirement, employees are paid for any unused accumulated vacation days at their current rate of pay up to the 30 day maximum. Unused sick leave at termination or retirement is not paid to the employee.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. ASSETS, LIABILITIES AND NET POSITION – Continued

9. Deferred Compensation Plans

The District offers a separate deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan, available to all District employees permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Amendments to the laws governing Section 457(b) deferred compensation plans substantially became effective January 1, 1997. The District approved plan amendments such that plan assets are held in trust, with Nationwide Services Corp. and Valic as trustees, for the exclusive benefit of the plan participants and their beneficiaries. The assets will not be diverted to any other purpose.

The District does not have legal access to the resources of the deferred compensation plan, as such, the plan is not reported in the District's financial statements.

10. Net Position Flow Assumption

Net position represent the residual interest in the District's assets after liabilities are deducted and consist of three sections: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets is reported net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when constraints are imposed by third parties. The remaining net position that does not meet the definition of net investment in capital assets or restricted are classified as unrestricted.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources, as they are needed.

E. REVENUES AND EXPENSES

1. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items, Operating revenues and expenses generally result from providing services in connection with the entity's ongoing operations. The District's operating revenues for vessel and cargo services are collected from charges assessed pursuant to its tariffs. These revenues are recognized and accrued during the period earned. Revenues from rental of equipment and facilities are derived from leases of land, a use agreement with

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. REVENUES AND EXPENSES – Continued

1. Operating Revenues and Expenses – Continued

respect to railroad rights-of-way, and pipeline licenses. These revenues are recognized during the period earned by accrual or prepayment amortization, as appropriate pursuant to lease agreement terms. Operating expenses include the cost of services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

2. Property Taxes

Property taxes are levied in October in conformity with Subtitle E, Texas Property Tax Code for the year in which assessed. Property is appraised, and a lien on such property becomes enforceable, as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Property taxes become delinquent February 1 of the following year and are subject to interest and penalty charges. Cameron County bills and collects property taxes of the District for a fee and remits collections to the District. Property tax revenues are considered available when they become due or past due and receivable within the current period.

3. Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense at December 31, 2012 was \$39,073.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The District is not legally required to adopt a budget; therefore, comparative statements of budgeted to actual expenses are not included within the financial statements.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES

A. DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents

The District and the Railroad's cash and cash equivalents of \$31,852,153 and \$2,883,860 respectively, are maintained in demand accounts. The amount on deposit in demand accounts is fully covered by the federal deposit insurance through the FDIC or collateralized by either a FHLB Letter of Credit (District) or by pledged securities held in the entity's name (Railroad).

Investments

On August 15, 2012, the District's Commissioners approved a revised Policy and Investment Strategies statement. Investments shall be made in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of the District and conforming to all applicable statutes, bond ordinance requirements, GASB standards, and state statutes. The primary objectives of the District's investment policy are the security of principal, liquidity, diversification and yield. Permissible instruments include obligations of the United States or agencies and instrumentalities; fully insured or collateralized certificates of deposit from a bank doing business in Texas; no-load, SEC-registered, money market funds; Texas local Government Investment Pools. The District adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, and the Investment Policy has been revised to fully reflect all requirements in GASB Statement No. 40. The language requirements for this statement are fully formalized in writing.

All deposits with financial institutions were carried at cost. At December 31, 2012, the District and the Railroad had the following investments:

Investment Type:	District:	Railroad:
Unrestricted cash:		
Checking	\$ 1,581,434	\$ 441,130
Savings	14,041,341	2,442,730
	\$ 15,622,775	\$ 2,883,860
Restricted cash:		
Checking - Revenue Bonds	\$ 9,897,125	\$ -
Savings - Revenue Bonds	3,742,989	-
	\$ 13,640,114	\$ -
Checking - GO Bonds	\$ 355,187	\$ -
Savings - GO Bonds	2,231,312	-
	\$ 2,586,499	\$ -
Checking - Overweight Permits	\$ 2,761	\$ -
	\$ 2,761	\$ -

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

A. CASH AND INVESTMENTS – Continued

Investments – Continued

Interest Rate Risk - In accordance with the District's Investment Policy the weighted average to maturity limits the maximum allowable maturity to two years by not exceeding the anticipated cash flow requirements.

Custodial Credit Risk – Deposits – In accordance with the District's Investment Policy, the financial institution must collateralize all funds with a minimum of 102% of the market value of the principal portion. The District seeks to control the risk of loss due to the failure of a security issuer or grantor. Such risk shall be controlled by investing only in the safest types of securities as defined in the Investment Policy.

The District signed an agreement with its financial institution pledging funds to 102% minimum of the market value of the principal and accrued interest. At December 31, 2012, all deposits are entirely insured or collateralized by a FHLB Letter of Credit.

B. RECEIVABLES

Trade and Lease Rentals Receivable

Receivables as of year-end including the applicable allowances for uncollectible accounts are as follows:

District:

Accounts receivable – trade	\$ 1,333,415
Less: allowance for uncollectible accounts	(121,399)
Accounts receivable – lease rentals	110,489
Less: reserve for lease rentals	(78,890)
	<u>\$ 1,243,615</u>
Accounts receivable – other	<u>\$ 470,667</u>

Railroad:

Accounts receivable – trade	\$ 489,339
Less: allowance for uncollectible accounts	(10,000)
	<u>\$ 479,339</u>

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

B. RECEIVABLES – Continued

Taxes Receivable

The determination of the balance in the estimated uncollectible taxes receivable is based on an analysis of the taxes receivable and reflects an amount which, in management's judgment, represents those taxes doubtful of collection.

	<u>Maintenance & Operation (M&O)</u>	<u>Debt Service</u>
Taxes receivable, gross	\$ 282,442	\$ 1,283,599
Allowance for uncollectible taxes	(11,298)	(51,344)
Taxes receivable, net	<u>\$ 271,144</u>	<u>\$ 1,232,255</u>

Notes receivable

Notes receivable as of December 31, 2012 consist of the following:

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Issue Matures</u>	<u>Original Issue</u>	<u>Unpaid Principal</u>
Note receivable, City of Brownsville, collateralized by Deed of Trust on 279.84 acre tract of land	5.50%	10/10/2001	2021	\$4,990,000	\$ 2,902,958
Less: Current Maturities					<u>(257,897)</u>
Long-term Notes Receivable					<u>\$ 2,645,061</u>
Due from Brownsville & Rio Grande International Railroad – 2003 Junior Lien Revenue Bond	2.5% - 4.5%	2/19/2003	2023	3,000,000	1,915,000
Less: Current Maturities paid to date					<u>(116,667)</u>
Long-term Notes Receivable					<u>\$ 1,798,333</u>

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

B. RECEIVABLES – Continued

Notes receivable – Continued

Approximate maturities of notes receivable subsequent to December 31, 2012 are as follows:

<u>Year</u>	<u>City of Brownsville</u>	<u>Railroad</u>
2013	\$ 257,897	\$ 140,000
2014	272,082	145,000
2015	287,046	155,000
2016	302,834	160,000
2017	319,489	165,000
2018-2022	1,463,610	935,000
2023-2027	-	215,000
	<u>\$ 2,902,958</u>	<u>1,915,000</u>
Less: principal payments received by December 31, 2012		<u>(116,667)</u>
		<u>\$ 1,798,333</u>

The next principal payment for the Series 2003 Junior Lien Revenue Bond is due March 1, 2013. The Railroad sends monthly payments in amounts equal to one-twelve the principal payment to the District. As such, the Railroad and the District have already recognized ten monthly payments, or \$116,667, to reduce the net amount of the receivable to \$1,798,333 at December 31, 2012.

C. INTRA-ENTITY RECEIVABLES/PAYABLES

<u>District:</u>		<u>Railroad:</u>	
Notes (Bonds) Receivable	\$ 1,915,000	Notes (Bonds) Payable	\$ 1,915,000
Less: pymts made by BRG thru December 31	<u>(116,667)</u>	Less: pymts made to BND thru December 31	<u>(116,667)</u>
Bonds Proceeds Receivable	<u>\$ 1,798,333</u>	Bonds Proceeds Payable	<u>\$ 1,798,333</u>
Due to BRG:		Due from BND:	
Interest Reserve	(76,853)	Interest Reserve	76,853
Bond Reserve	<u>(247,130)</u>	Bond Reserve	<u>247,130</u>
Total Due to BRG	<u>\$ (323,313)</u>	Due from BND	<u>\$ 323,313</u>

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

D. RESTRICTED ASSETS

Bond Restrictions

The revenue bond and general obligation bond resolutions require that during the period in which the bonds are outstanding the District must create and maintain certain accounts or "funds" to receive the proceeds from the sale of the bonds and the net revenues, as defined, from the operations of the port. These assets can then be used for any legal purpose and also, in accordance with the terms of the bond resolutions, to pay the costs of enlarging, extending, or improving the District and to pay debt service costs of the related bonds.

Contract Restrictions

On February 25, 1998 the District entered into an agreement with the State of Texas for authority to issue permits for the movement of overweight or oversize vehicles on State Highway 48/State Highway 4 between the Gateway International Bridge and the entrance to the Port and on State Highway 48/State Highway 4 between the Veterans International Bridge at Los Tomates and the entrance to the Port of Brownsville. The agreement authorizes the District to collect a permit fee in an amount not to exceed \$80 for each permit issued and allows the District to retain a percentage of such permit fee for administrative costs and the balance shall be used to make payments to the State for expenses incurred to maintain and repair State Highway 48 and State Highway 4.

At December 31, 2012, the following assets are restricted assets:

Revenue Bond Funds

Debt reserve fund	
Cash	\$ 1,604,137
Contingencies fund	
Cash	286,099
Construction fund	
Cash	9,891,106
Railroad bond fund	
Cash	472,434
Interest and redemption fund	
Cash	<u>1,386,338</u>
	13,640,114
Railroad bond fund	
Bond proceeds receivable - net of allowance	<u>1,798,333</u>
Total Revenue Bond Fund Assets	<u>\$ 15,438,447</u>

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

D. RESTRICTED ASSETS – Continued

Contract Restrictions – Continued

General Obligation Bond Fund

Debt service fund

Cash \$ 2,586,499

Taxes receivable, less estimated uncollectible taxes
of \$(24,295) 1,232,255

Total General Obligation Bond Fund Assets \$ 3,818,754

Overweight Permit Assets

Cash \$ 2,761

Total Restricted Assets - District Obligations \$ 19,259,962

E. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

Primary Government:

	Balance December 31, 2011	Additions	Deletions	Reclas- sifications	Balance December 31, 2012
Capital assets, not being depreciated:					
Inland channel and turning basin	\$ 15,324,008	\$ -	\$ -	\$ -	\$ 15,324,008
Jetties and jetty channel	35,836,003	-	-	-	35,836,003
Land	9,935,027	-	(274)	-	9,934,753
Construction in progress	12,940,810	4,608,451	-	(2,866,766)	14,682,495
Easements	20,760	-	-	-	20,760
Total capital assets, not being depreciated	<u>74,056,608</u>	<u>4,608,451</u>	<u>(274)</u>	<u>(2,866,766)</u>	<u>75,798,019</u>
Capital assets, being depreciated:					
Docks and appurtenances	45,900,925	-	-	-	45,900,925
Water and sewer systems	8,232,882	-	-	8,011	8,240,893
Railroads	6,546,130	-	-	996,150	7,542,280
Land improvements and roads	14,411,876	7,084	-	1,862,605	16,281,565
Administration building	751,354	-	-	-	751,354
Industrial equipment	4,823,832	496,290	(260,295)	-	5,059,827
Furniture and equipment	507,038	-	-	-	507,038
Intangible assets	5,895,277	-	-	-	5,895,277
Total capital assets, being depreciated	<u>87,069,314</u>	<u>503,374</u>	<u>(260,295)</u>	<u>2,866,766</u>	<u>90,179,159</u>

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

E. CAPITAL ASSETS – Continued

Primary Government: Continued

	Balance December 31, 2011	Additions	Deletions	Reclas- sifications	Balance December 31, 2012
Less accumulated depreciation for:					
Docks and appurtenances	(26,474,532)	(985,136)	-	-	(27,459,668)
Water and sewer systems	(6,784,235)	(238,956)	-	-	(7,023,191)
Railroads	(3,304,334)	(158,134)	-	-	(3,462,468)
Land improvements and roads	(9,666,200)	(544,219)	-	-	(10,210,419)
Administration building	(580,636)	(18,784)	-	-	(599,420)
Industrial equipment	(3,660,828)	(445,089)	260,295	-	(3,845,622)
Furniture and equipment	(507,038)	-	-	-	(507,038)
Intangible assets	(3,330,000)	(1,110,000)	-	-	(4,440,000)
Total accumulated depreciation	<u>(54,307,803)</u>	<u>(3,500,318)</u>	<u>260,295</u>	<u>-</u>	<u>(57,547,826)</u>
Total capital assets, being depreciated, net	<u>32,761,511</u>	<u>(2,996,944)</u>	<u>-</u>	<u>2,866,766</u>	<u>32,631,333</u>
Total capital assets, net	<u>\$ 106,818,119</u>	<u>\$ 1,611,507</u>	<u>\$ (274)</u>	<u>\$ -</u>	<u>\$ 108,429,352</u>

Capital asset activity for the year ended December 31, 2012 was as follows:

Discretely Presented Component Unit:

	Balance December 31, 2011	Additions	Deletions	Reclas- sifications	Balance December 31, 2012
Capital assets, not being depreciated:					
Work in process	\$ -	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets, being depreciated:					
Buildings	958,147	6,763	(10,001)	-	954,909
Machinery and equipment	3,510,763	433,298	(167,601)	-	3,776,460
Railroad system and leasehold improvements	5,736,271	662,228	-	-	6,398,499
Total capital assets being depreciated	<u>10,205,181</u>	<u>1,102,289</u>	<u>(177,602)</u>	<u>-</u>	<u>11,129,868</u>

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

E. CAPITAL ASSETS – Continued

Discretely Presented Component Unit: Continued

	Balance December 31, 2011	Additions	Deletions	Reclas- sifications	Balance December 31, 2012
Less accumulated depreciation for:					
Buildings	(347,874)	(26,948)	10,001	-	(364,821)
Machinery and equipment	(2,409,205)	(216,369)	167,601	-	(2,457,973)
Less accumulated depreciation for:					
Railroad system and leasehold improvements	(2,048,913)	(114,495)	-	-	(2,163,408)
Total accumulated depreciation	<u>(4,805,992)</u>	<u>(357,812)</u>	<u>177,602</u>	<u>-</u>	<u>(4,986,202)</u>
Total capital assets, being depreciated, net	5,399,189	744,477	-	-	6,143,666
Capital assets, net	<u>\$ 5,399,189</u>	<u>\$ 744,477</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,143,666</u>

F. LONG-TERM DEBT

Changes in long-term obligations for the year ended December 31, 2012 are as follows:

	Balance Outstanding January 1, 2012	Additions	Deletions	Balance Outstanding December 31, 2012	Due Within One Year
Bonds Payable:					
Pollution Control Bond Series A	\$ 4,600,000	\$ -	\$ 4,600,000	\$ -	\$ -
Revenue Bonds - First Lien	8,425,000	10,000,000	(1,170,000)	17,255,000	1,240,000
Revenue Bonds - Junior Lien	2,050,000	-	(135,000)	1,915,000	140,000
Less: Unamortized discounts	(18,126)	-	5,724	(12,402)	-
General Obligation Bonds	16,955,000	-	(2,040,000)	14,915,000	2,125,000
Plus: Premium on capital appreciation bonds	33,124	-	(6,411)	26,713	-
Less: Deferred amounts on refunding	(204,953)	-	34,328	(170,625)	-
Total bonds payable	<u>31,840,045</u>	<u>10,000,000</u>	<u>1,288,641</u>	<u>33,928,686</u>	<u>3,505,000</u>
Compensable Absences	206,618	\$ 43,049	(26,407)	223,260	43,049
Capital lease obligations	252,530	-	(252,530)	-	-
Total long-term debt	<u>\$ 32,299,193</u>	<u>\$10,043,049</u>	<u>\$ 1,009,704</u>	<u>\$ 34,151,946</u>	<u>\$ 3,548,049</u>

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES - CONTINUED

F. LONG-TERM DEBT - Continued

Revenue Bonds

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Issue Matures</u>	<u>Original Issue</u>	<u>Unpaid Principal</u>
Series 2002A	3.38% - 4.80%	07-10-02	2022	\$ 1,790,000	\$ 1,125,000
Series 2002B	3.38% - 4.80%	07-10-02	2022	1,900,000	1,185,000
Series 2003	2.50% - 4.50%	03-11-03	2023	3,000,000	1,915,000
Series 2009	4.85%	04-01-09	2015	4,095,000	2,570,000
Series 2011	3.01%	10-24-11	2021	2,390,000	2,375,000
Series 2012	3.19%	12-27-12	2038	10,000,000	<u>10,000,000</u>
					\$19,170,000
Less: Unamortized discount					<u>(12,402)</u>
					19,157,598
Less: Current maturities					<u>(1,380,000)</u>
					<u>\$17,777,598</u>

The series 2002A, 2002B, 2009, 2011, and 2012 are parity issues of first lien revenue bonds. All of the net revenues of the District (defined as gross revenues from operations of the District facilities, excluding any rentals--except for ground rentals--from net rent leases which are pledged under other debt instruments, and funds derived from taxes levied to pay debt service on general obligation bonds of the District, less expenses incurred in the operation and maintenance of the port facilities) are pledged for the payment of the bond principal and interest of these revenue bonds.

During 2003, the District issued Junior Lien Revenue Bonds. Such bonds are secured by a lien on net revenues (as defined above) junior to the lien securing the first lien revenue bonds and were issued for the purpose of acquiring and financing port-related railroad facilities.

If certain conditions are met, additional bonds may be issued. One of these conditions is that average annual net revenues for the preceding two fiscal years, or for the twenty-four month period ending not more than sixty days prior to the adopting of the resolution authorizing the issuance of the additional bonds, were at least one and one-half times the average annual principal and interest requirements of all revenue bonds then outstanding and of the bonds then proposed to be issued.

On December 27, 2012 the District issued \$10,000,000 First Lien Revenue Bonds, Series 2012. Proceeds of the bond will be used for capital construction.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

F. LONG-TERM DEBT – Continued

General Obligation Bonds – District Obligations

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Issue Matures</u>	<u>Original Issue</u>	<u>Unpaid Principal</u>
Series 2003	2.50% - 4.50%	03-11-03	2023	\$ 6,500,000	\$ 4,140,000
Series 2007A	3.91% - 4.32%	09-04-07	2017	2,750,000	1,665,000
Series 2008A	3.42%	05-01-08	2018	5,145,000	4,340,000
Series 2011	3.40%	12-02-11	2020	4,805,000	<u>4,770,000</u>
					\$14,915,000
Less: Unamortized deferred amount on refunding					(170,625)
Plus: Premium on Capital Appreciation Bonds					<u>26,713</u>
					14,771,088
Less: Current maturities					<u>(2,125,000)</u>
					<u>\$12,646,088</u>

The District was authorized by its voters in an election held in October 1991 to issue general obligation bonds, in three or more series or issues, in the aggregate principal amount of \$43,000,000. The proceeds of the bonds are to be used as follows:

“... the issuance of \$21,000,000 for the construction of an international bridge, \$17,000,000 for the deepening of the ship channel, and \$5,000,000 for wharf and dock improvements.”

Authorized and unissued general obligation bonds at December 31, 2012 are as follows:

<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued To-Date</u>	<u>Unissued</u>
Bridge construction	\$21,000,000	\$18,145,000	\$2,855,000

The bonds are to be collateralized by ad valorem taxes levied by the District, which are irrevocably pledged without limit as to rate or amount, and these taxes are to be used for no other purpose than to pay the principal and interest of the bonds as they mature. In addition, any net revenues which are actually deposited in the debt service fund become pledged for payment of bond principal and interest.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

F. LONG-TERM DEBT – Continued

General Obligation Bonds – District Obligations – Continued

Annual maturities of debt subsequent to December 31, 2012, are as follows:

Year Ending December 31,	Revenue Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 1,380,000	\$ 495,836	\$ 2,125,000	\$ 552,151
2014	1,490,000	542,310	2,185,000	476,874
2015	1,555,000	482,337	2,260,000	399,285
2016	965,000	437,706	2,340,000	318,101
2017	995,000	409,636	2,165,000	233,397
2018-2022	5,250,000	1,590,474	3,380,000	471,034
2023-2027	2,335,000	1,000,757	460,000	20,700
2028-2032	2,065,000	670,618	-	-
2033-2037	2,555,000	302,970	-	-
2038	580,000	9,251	-	-
Total	<u>\$ 19,170,000</u>	<u>\$ 5,941,895</u>	<u>\$ 14,915,000</u>	<u>\$ 2,471,542</u>

All bonds may be redeemed prior to their maturities in accordance with provisions of the various bond resolutions. The redemption prices for some of the bonds include premiums ranging downward from 4%.

Interest Expense

Port system interest expense is as follows:

Revenue bonds	\$ 247,310
General obligation bonds	680,695
Other	4,664
	<u>\$ 932,669</u>

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

G. OPERATING LEASES

The District leases certain assets to others. These leases pertain to land, buildings and improvements and rail spurs. Costs of the assets under lease totaled \$4,742,282, consisting of \$1,133,329 in buildings and improvements, \$179,996 in rail spurs, and \$3,428,957 of land with a net book value of \$3,889,558. Current year depreciation on these assets was \$42,850. As of December 31, 2012, future minimum rentals anticipated to be received by the District under the operating leases with initial or remaining non-cancellable lease terms in excess of one year are as follows:

<u>Year Ending</u>	<u>Future Minimum Lease Rentals</u>
2013	\$ 5,160,005
2014	5,563,756
2015	5,967,506
2016	6,206,206
2017	6,206,206

The District’s Leasing Policies provide for annual increases in lease rental rates that correspond to the annual Consumer Price Index (CPI).

H. PENSION PLAN

Plan Description

Brownsville Navigation District (the “District”) sponsors a single-employer defined benefit pension plan for all eligible employees. The plan provides retirement, withdrawal, disability and certain death benefits. Amendments to the plan are made only with the authority of the District. The plan was converted to a cash balance pension plan design effective January 1, 2010. The plan does not issue a stand-alone financial report. However, an annual actuarial valuation report is available from Brownsville Navigation District and may be obtained by writing Brownsville Navigation District, 1000 Foust Road, Brownsville, Texas 78521.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

H. PENSION PLAN – Continued

Funding Policy – Continued

Brownsville Navigation District has sole authority to establish or amend the obligations to contribute to the plan by participants or the employer. The employer is not subject to any explicit legal or contractual contribution rate.

Effective January 1, 2010, employees are required to contribute 4% of gross compensation to the Plan. The District makes contributions based upon a recommended contribution rate as a percentage of total estimated District payroll for each plan year (ending December 31). The recommended contribution rate is actuarially determined to pay the plan's normal cost (determined as a level percentage of total participant compensation) using the frozen initial liability actuarial cost method plus an amount that will amortize the unfunded actuarial liability over a period between 10 and 25 years. In the event that plan changes and/or unexpected gains or losses cause the amortization period to be less than 10 years or greater than 25 years in a future valuation year, the adopted methodology would require the District to reset the recommended contribution rate so that the unfunded actuarial liability is amortized over a period of 15 years

Beginning in that valuation year. The recommended contribution rate times the total estimated District payroll for a given plan year is the recommended contribution amount and the GASB Statement No. 27 compliant amount. The District may contribute a percentage of actual total District payroll each plan year that is expected to be equal to the recommended contribution amount.

Annual Pension Cost

For the fiscal year commencing January 1, 2012 and ending December 31, 2012, the District's Annual Required Contribution is \$348,405, which was the recommended contribution determined in the January 1, 2012 actuarial valuation. This was determined as 10.25% of expected 2012 District payroll.

The District's employer contributions deposited during the 12-month period ending on December 31, 2012 were \$349,740. The net pension asset (or negative NPO) is: (i) increased by \$8,861 for interest on the prior year's NPO, and (ii) reduced by \$8,131 for both an amortized recognition of the prior year's NPO and the difference between actual and expected contributions. In combination, the net pension asset (or negative NPO) will increase by \$730 (\$8,861 - \$8,131). Changes in NPO affect the current year Annual Pension Cost as shown in the required NPO disclosure below. The Annual Pension Cost for the 12-month fiscal year ending December 31, 2012 is \$349,010.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

H. PENSION PLAN – Continued

Annual Pension Cost – Continued

		<u>Net Pension Obligation (NPO)</u>	
1	Annual Required Contribution (ARC)	\$	348,405
2	Interest on Prior End of Year NPO		(7,526)
3	Adjustment to ARC		<u>8,131</u>
4	Annual Pension Cost (APC)	\$	349,010
5	Actual Contributions Made		(349,740)
6	Shortfall due to short-term timing differences		<u>-</u>
7	Change in NPO	\$	(730)
8	NPO Beginning of Year		<u>(100,884)</u>
9	NPO End of Year	\$	<u>(101,614)</u>

The required contribution for the 2012 plan year was based on the results of the actuarial valuation as of January 1, 2012, using the frozen initial liability actuarial cost method and was in compliance with the GASB Statement No. 27 parameters. The actuarial assumptions for this valuation included (a) an 8.0% gross investment rate of return for the Cash Balance Investment Subaccount of the trust and 7.0% gross investment return for the Annuity Financing Investment Subaccount of the trust and (b) projected salary increases of 5.0% per year on average. Both (a) and (b) included an inflation component of 3.25%. The plan does not provide for any postretirement benefit increases. The actuarial value of plan assets equals market value less deferred net asset gains plus deferred net asset losses. Assets gains and losses are recognized over a 5-year period in 20% increments. The actuarial value of assets is adjusted as to not be in excess of 130% of market value nor to be less than 70% of market value. The interest on prior end of year NPO was determined using the equivalent single investment return rate assumption (7.46%) that would result in approximately the same actuarial accrued liability used in determining the ARC, reflecting the assumed forms of payment and the 8.0% and 7.0% assumptions for separate trust investment subaccounts. The unfunded actuarial liability was being amortized on a level percentage of payroll basis over a 15-year period for the January 1, 2012 actuarial valuation.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

H. PENSION PLAN – Continued

Analysis of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Unfunded Actuarial Liability (UAL) ¹	(3) Actuarial Liability ¹ [(1)+(2)]	(4) Funded Ratio [(1)/(3)]	(5) Present Value of Future Employer Normal Costs ¹	(6) Annual Covered Payroll ²	(7) Unfunded Actuarial Liability as a Percentage of Covered Payroll [(2)/(6)]
January 1, 2003 ³	\$ 1,245,026	\$ 1,417,598	\$ 2,662,624	46.8%	\$ 392,662	\$ 1,896,270	74.8%
January 1, 2004	1,706,332	1,332,074	3,038,406	56.2%	257,349	2,035,409	65.4%
January 1, 2005	1,648,812	1,273,994	2,922,806	56.4%	380,927	2,126,130	59.9%
January 1, 2006	1,647,634	1,287,247	2,934,881	56.1%	643,419	2,287,387	56.3%
January 1, 2007	1,793,079	1,253,801	3,046,880	58.8%	781,654	2,304,396	54.4%
January 1, 2008	1,980,444	1,232,781	3,213,225	61.6%	728,977	2,373,987	51.9%
January 1, 2009	1,782,364	1,205,153	2,987,517	59.7%	1,523,654	2,680,091	45.0%
January 1, 2010 ⁴	2,161,639	2,698,269	4,859,908	44.5%	881,599	3,225,493	83.7%
January 1, 2011	2,443,350	2,682,968	5,126,318	47.7%	953,497	3,491,014	76.8%
January 1, 2012 ⁵	2,650,734	2,902,628	5,553,362	47.7%	777,113	3,076,504	94.3%

¹ Based on Frozen Initial Liability Funding Method. Initial liability was established under the Individual Entry Age Normal cost method prior to 2010 and under the Unit Credit cost method after 2009.

² Projected for the plan year following the valuation date based on payroll data collected as of the preceding calendar year.

³ Effective January 1, 2003, the actuarial methodology for determining the actuarial value of assets was changed. Under the Funding Method this requires a redetermination of the UAL (established using the Individual Entry Age Normal actuarial cost method), which resulted in a larger UAL and a smaller Present Value of Future Normal Cost than the prior year.

⁴ Effective January 1, 2010, the plan was converted to a cash balance plan design. Under the Funding Method this requires a redetermination of the UAL (established using the Unit Credit actuarial cost method effective January 1, 2010 due to the new plan design which reflects benefits based on career pay instead of final pay), which resulted in a larger UAL and a smaller Present Value of Future Normal Cost than the prior year.

⁵ In accordance to the plan's funding method, the UAL was redetermined based on the Unit Credit actuarial cost method effective January 1, 2012 due to changes in assumptions.

Three-Year Trend Information

The three-year trend information is presented as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
12/31/2010	343,813	101%	(107,338)
12/31/2011	366,382	98%	(100,884)
12/31/2012	349,010	100%	(101,614)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

H. PENSION PLAN – Continued

Significant Assumptions Used

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective.

1. Actuarial Funding Method

The Frozen Initial Liability (Unit Credit) actuarial funding method is used in developing the contribution requirements for the plan. The actuarial funding method is the procedure by which the actuary annually identifies a series of annual contributions which, along with current assets and future investment earnings, will fund the expected plan benefits. The Frozen Initial Liability funding method compares the excess of the present value of expected future plan benefits over the current value of plan assets. This difference represents the expected present value of current and future contributions that will be paid into the plan. The contributions are divided into two components: an annual normal cost (or current cost) and an annual amortization charge for the unfunded frozen initial liability.

The unfunded frozen initial liability is redetermined whenever changes in plan benefits, or actuarial methods are made or when a positive unfunded liability reemerges after the plan has completely amortized a prior unfunded frozen initial liability. When the unfunded frozen initial liability is determined or redetermined, it is set equal to the excess of the plan's accrued liability over the value of current plan assets, if any. This accrued liability is determined under the Unit Credit actuarial funding method and is the sum of the individually determined accrued liability for each active participant plus the present value of future benefits for all retirees and vested terminated participants. Each active participant's accrued liability is determined as the present value of accrued benefits based on pay and service as of the valuation date. In years when the accrued liability is not redetermined, the unfunded frozen initial liability is based on an expected (projected) unfunded accrued liability.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

H. PENSION PLAN – Continued

1. Actuarial Funding Method

The plan's normal cost is the current contribution in a series of annual amounts which represent the excess of the present value of future projected benefits over the sum of the current actuarial value of assets and the unfunded frozen initial liability. If the unfunded frozen initial liability has been completely amortized, the present value of future normal costs will be the excess of the present value of expected future projected benefits over the current actuarial value of assets. The normal cost has been calculated to be a level percent per year of active participant compensation, and is determined on an aggregate (average) basis for all active participants. Experience gains and losses do not affect the unfunded frozen initial liability, rather they are included in the present value of future normal costs.

2. Actuarial Value of Assets

Market Value of Assets as of the valuation date equals Fair Value plus any receivable contributions made or to be made for a prior plan year. Actuarial Value of Assets equals Market Value less deferred net asset gains plus deferred net asset losses. Market Value gains or losses are recognized over a 5-year period at a rate of 20% per year. Actuarial Value of Assets shall be adjusted as to not be in excess of 130% of Market Value nor to be less than 70% of Market Value.

3. Actuarial Assumptions

a. Mortality: The active and retired participants of the plan are expected to exhibit mortality in accordance with the following published mortality tables:

- i. Pre-retirement Mortality: Sex Distinct RP-2000 Combined Healthy Mortality Table
Projected to the valuation date with Scale AA
- ii. Post-retirement Mortality: Sex Distinct RP-2000 Combined Healthy Mortality Table
Projected to the valuation date with Scale AA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

H. PENSION PLAN – Continued

3. Actuarial Assumptions – Continued

- b. Withdrawal: The active participants are assumed to terminate their employment for causes other than death, disability, or retirement in accordance with annual rates as illustrated below:

<u>Attained Age</u>	<u>Terminations per 1,000 Participants</u>
25	172
30	158
35	137
40	113
45	84
50	51

- c. Investment Return: Current and future plan assets are assumed to reflect an annual gross investment return as follows:

- i. Cash Balance Investment Subaccount 8.0%.
- ii. Annually Financing Investment Subaccount 7.0%.

- d. Expected Plan-Related Expenses: Plan-related expenses are paid from the Trust’s Cash Balance Investment Subaccount and are expected to be equal to an amount that represents a 100 basis point reduction in the gross investment return for the Cash Balance Investment Subaccount.

e. Annual Cash Balance Interest Crediting Rates

The annual rate of gross investment return for the Trust’s Cash Balance Investment Subaccount reduced for expected plan-related expenses.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

H. PENSION PLAN – Continued

3. Actuarial Assumptions – Continued

f. Earnings Progression: The increase in the levels of participant compensation is assumed to occur in accordance with normal rates as illustrated below:

<u>Attained Age</u>	<u>Rate of Increase</u>
20	6.00%
25	6.00
30	5.00
35	5.00
40	4.50
45	4.00
50	3.50
55	3.25
60+	3.00

g. Retirement Age: A participant is assumed to retire at the attainment of his normal retirement age. Any participant who has attained his expected retirement age and is still working is assumed to retire immediately.

h. Disability: Active participants are expected to become disabled as defined under the plan in accordance with annual rates as illustrated below:

<u>Attained Age</u>	<u>Disabilities per 1,000 Participants</u>
20	1.3
25	1.6
30	2.2
40	4.3
50	11.8
60	26.0

i. Expenses: Administration and investment expenses necessary to the operation of this plan are assumed to be paid from plan assets and are offset against expected investment returns in the Cash Balance Investment Subaccount when establishing the annual cash balance interest crediting rate.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

H. PENSION PLAN – Continued

3. Actuarial Assumptions – Continued

j. Recognition of IRC Section 415 Limitations: The limitations under IRC Section 401 (a)(17) and 415(b) have been reflected in the determination of plan costs.

k. Assumed Form of Payment:

Decrement	Cash Balance Subaccount			
	Beginning Balance	Employee Contribution	Employer Match	Retirement Supplement
Retirement	50% Immediate Annuity/50% Lump Sum	50% Immediate Annuity/50% Lump Sum	Immediate Annuity	
Disability	Lump Sum			
Preretirement Death	Lump Sum			
Vested Termination	40% Deferred Annuity/60% Lump Sum	40% Deferred Annuity/60% Lump Sum	Deferred Annuity	N/A
Non-Vested Termination	N/A	Lump Sum	N/A	

4. Changes in Assumptions or Methods since prior Valuation:

a. Mortality: Change based on current requirements for private pension plans.

Prior Valuation:

- i. Pre-retirement Mortality: Sex Distinct RP-2000 Combined Healthy Mortality Table
Projected to the valuation date with Scale AA
- ii. Post-retirement Mortality: Sex Distinct RP-2000 Combined Healthy Mortality Table
Projected to the valuation date with Scale AA

Current Valuation: as illustrated in Item 3.a. above

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

H. PENSION PLAN – Continued

4. Changes in Assumptions of Methods since prior Valuation – Continued

b. Earnings Progression: Change based on current requirements for private pension plans.

Prior Valuation:

<u>Attained Age</u>	<u>Rate of Increase</u>
20	6.50%
25	6.50
30	6.00
35	5.50
40	5.00
45	4.50
50	4.00
55	3.50
60+	3.00

Current Valuation: as illustrated in Item 3.f. above

c. Assumed Form of Payment: Change based on current requirements for private pension plans.

Prior Valuation:

Decrement	Cash Balance Subaccount			
	Beginning Balance	Employee Contribution	Employer Match	Retirement Supplement
Retirement	70% Immediate Annuity/30% Lump Sum	Lump Sum	Immediate Annuity	
Disability	Lump Sum			
Preretirement Death	Lump Sum			
Vested Termination	15% Deferred Annuity/85% Lump Sum	Lump Sum	Deferred Annuity	N/A
Non-Vested Termination	N/A	Lump Sum	N/A	

Current Valuation: As illustrated in Item 3.k. above

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

I. RAILROAD RETIREMENT SYSTEM

The Brownsville and Rio Grande Railroad provides pension benefits of its full-time employees through the Railroad Retirement System. The Railroad Retirement System (RRS), unlike any other pension plan covering private-sector employees, has provisions set by federal statute and is administered by the U.S. government. Thus, changes in RRS benefits or finances affect the federal budget. The RRS, which currently provides mandatory pension coverage for employees of approximately 1,000 railroad companies, requires annual outlays of some \$20.0 billion. At present, about 234,000 railroad workers and their employers support nearly 760,000 beneficiaries, of whom something over half are spouses and survivors.

Since the inception of the system in 1935 (that is, before the establishment of Social Security), the Congress has repeatedly revised RRS benefits and financial provisions. The most recent statutory amendments, enacted in the summer of 1981, raised the total RRS taxes that partially finance the system from about 19 percent to some 22 percent of total payroll; they also modified benefits and authorized the RRS to borrow from the general fund of the U.S. Treasury. Without the 1981 legislation, the RRS program would have become insolvent by 1985. But as amended, the system should maintain a positive financial condition through 1990 provided employment in the industry does not decline precipitously.

Today, RRS remains independent of the Social Security program, although the two systems now have many common features and do coordinate coverage. In 1975, the RRS was restructured to resemble the two-part retirement available to most private-sector employees: a Tier I component that not only substitutes for Social Security but also provides extra benefits; and a corporate-type component, Tier II, which in some instances may be augmented by a longevity supplement and a "windfall," or dual, payment earned by nonrailroad employment prior to 1975.

About 62 percent of RRS revenues come from the payroll taxes that railroad employees and employers pay, and about 28 percent come from a transfer payment from Social Security. (The intent of the transfer payment was to assure that neither the RRS nor the Social Security program is better or worse off financially because of their independence. The transfer currently works to the advantage of RRS, because past declines in railroad employment have resulted in smaller payroll tax revenues to support Social Security-type benefits now being paid by RRS.) The remaining RRS revenue comes mainly from interest and federal appropriations, which finance windfall payments.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

I. RAILROAD RETIREMENT SYSTEM – Continued

The plan provisions for the Brownsville and Rio Grande Railroad are as follows:

<u>Step</u>	<u>As of 6/30/2012</u>
A Net Benefit charge for 12 calendar quarters	\$ 30,113.96
B 3-year compensation base	\$ 2,118,017.44
C Benefit Ratio (A divided by B) rounded	0.0142
D Net cumulative contribution balance	\$ 159,370.14
E Cumulative benefit balance	\$ 75,636.00
F Reserve balance (D minus E)	\$ 83,734.14
G 1-year compensation base	\$ 519,260.00
H Reserve Ratio (F divided by G) rounded)	0.0613
I Basic contribution rate	14.71-%
(C minus H minus Pooled Credit Ratio) x 100	
J Basic contribution rate adjusted for minimum	0.00%
(maximum of I or zero)	
K Administrative fund charge (fixed rate)	0.65%
L Surcharge rate	0.00%
M Compared contribution rate	0.65%
(J+K+L+Pooled Charge Ratio)	
N Contribution rate adjusted for maximum or new	0.65%

1. Annual Proclamation

The following system level information is used in calculating the rate. This system level information is the same for all employers for this year.

The following system level information applies to the Railroad Unemployment Insurance Account as of June 30, 2012:

• RUI Account Balance	\$ 184,918,694.78
• System Compensation Base	\$ 3,792,951,628.64
• Cumulative System Unallocated Charge Balance	\$ (348,280,856.36)

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

I. RAILROAD RETIREMENT SYSTEM – Continued

1. Annual Proclamation – Continued

This information pertains to the calendar year beginning January 1, 2012:

• System Pooled Credit Ratio	0.00
• System Pooled Charge Ratio	0.00
• Administrative Fund Charge (Fixed Rate)	0.65%
• System Surcharge Rate	0.00%
• Maximum Contribution Rate	12.00%
• Contribution Rate for New Employers	3.69%

J. BROWNSVILLE AND RIO GRANDE INTERNATIONAL RAILROAD

On June 1, 1983, the District issued Junior Lien Railroad Revenue Bonds which created the Brownsville and Rio Grande International Railroad ("Railroad"). Subsequently, on January 1, 1994, the District issued the Junior Lien Railroad Revenue Refunding Bonds Series 1994 for the purpose of refunding the Series 1983 Junior Lien Railroad Revenue Bonds. As of March 1, 2005 the Series 1994 bonds have been paid off entirely. On December 19, 2001, the District issued the Junior Lien Railroad Revenue Bonds, Series 2002 to construct and improve railroad tracks; to purchase a building, a locomotive, and equipment; and to finance other extensions and improvements to the system. The Series 2002 bonds have been paid off entirely. Additionally, on March 11, 2003, the District issued the Junior Lien Railroad Revenue Bonds, Series 2003 to construct and improve railroad tracks and to finance other extensions and improvements to the system. The Railroad is operated and maintained as a separate and distinct entity. The District transferred the proceeds, less the reserve funds required by the Bond Indenture (See Note 3.D.) and amounts representing the cost of assets acquired for the benefit of the Railroad, to the Railroad for use as operating funds and to acquire and finance port-related railroad facilities. Therefore, according to provisions of the Bond Indenture, the Railroad is liable to the District for reimbursement of the total bond debt service of these Junior Lien Revenue Bonds.

The District must continue to pay the debt service of these Junior Lien Revenue Bonds regardless of whether the Railroad reimburses the District and must meet reasonable and necessary expenses of operating and maintaining the District and the System, including the Railroad. The District expenses debt service costs and costs of operations and maintenance of the rail system as incurred. Reimbursements by the Railroad for costs of operations and maintenance are credited to those costs while reimbursement of the debt service costs are recognized as interest income by the District and a reduction of bond proceeds receivable. For the year ended December 31, 2012, the Railroad reimbursed the District debt service costs of \$82,941.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

J. BROWNSVILLE AND RIO GRANDE INTERNATIONAL RAILROAD – Continued

As indicated in Note 3.C., the District has recorded bond proceeds receivable from the Railroad for \$1,798,333 which represents the net principal amount due the District from the Railroad on the 2003 Revenue Bonds. No reserve for possible loss on this receivable is recorded for the year ended December 31, 2012, because the Railroad's approximate realizable value of tangible net assets is greater than the bond proceeds receivable of \$1,798,333. The bond resolution requires, among other things, that a reserve fund be equal to the average principal and interest requirements on all Junior Lien Bonds. In accordance with the bond resolution, the Railroad is transferring funds into the reserve fund in approximately equal monthly installments to fully fund the reserve fund. Accordingly, \$247,130 of the proceeds from the issuance of the 2003 Bonds together with installments made are held by the Railroad and have been classified in the accompanying statement of net assets as prepaid bond principal. Such amounts are to be used to retire the last of the bonds outstanding.

The District leases to the Railroad its railroad track system, a 3.70 acre site that houses the Railroad's administrative offices and mail railroad operations, and a maintenance yard site.

The financial data of the Brownsville and Rio Grande International Railroad is discretely presented as a separate column in the financial statements.

The District's assets (with the corresponding liability) held at December 31, 2012, for the benefit of the Brownsville and Rio Grande International Railroad, are as follows:

Railroad operating fund	\$ 5,420
Railroad bond fund cash	434,560
Bond proceeds receivable	<u>1,798,333</u>
Total Assets	<u>\$ 2,238,313</u>
Junior Lien Railroad Revenue Bonds, Series 2003	1,915,000
Due to BRG International Railroad	<u>323,313</u>
Total Liabilities	<u>\$ 2,238,313</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

K. RELATED PARTY TRANSACTIONS

The District is a member of the Southmost Regional Water Authority (“Authority”). The Authority is a conservation and reclamation district created pursuant to Article XVI, Section 59, of the Texas Constitution and the Act of June 12, 1981, 67th Leg., Ch. 511, 1981 Tex. Gen. Laws 2196.

The Authority was established to investigate the feasibility of developing a source of water from brackish groundwater. The District is under contractual obligation with the Authority to receive 2.1% of the monthly treated potable water production. On October 15, 2003, the District’s Board approved a Memorandum of Understanding with the Authority whereas the District’s percentage participation was set at 2.1%. Billings from the Authority in the amounts of \$115,942 for expenses for fiscal year ending September 20, 2012 were paid by the District. These amounts were used by the Authority to cover its debt service and maintenance and operating expenses and as such were expensed by the District in the current year.

Operations and maintenance costs of the Authority are funded through guaranteed water supply contracts with the participating entities. The Authority’s acquisition and construction of capital assets was funded through the sale of bonds with the entities guaranteeing the debt service payments, notes, and obligations issued under indenture. The Authority’s debt obligations outstanding for the fiscal year ended September 30, 2012, were \$36,605,000.

In 2012, the District sold its share of the production from the Authority to the Brownsville Public Utilities Board for \$86,117.

L. RISK MANAGEMENT

The District is exposed to risk of financial loss from fire, windstorm, explosion and other perils that could damage or destroy assets and properties and cause loss of income should assets and properties be shut down for an extended period of time. The District is also exposed to third-party bodily injury and property damage claims arising from the operation and ownership of its properties. The District is a member of the Texas Municipal League Risk Pool to protect itself from these types of losses and carries windstorm coverage through the Texas windstorm Insurance Association of the State of Texas. Exposure risks also include risk of losses resulting from on-the-job injuries sustained by employees; the District carries coverage for these losses through the Texas Municipal League Risk Pool.

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

L. RISK MANAGEMENT – Continued

Workers' Compensation Program

The District has a workers' compensation plan through its participation in the Texas Municipal League Risk Pool. This plan provides medical and indemnity payments as required by law for on-the-job injuries. The District pays an annual premium which is based on estimated payrolls and is subject to an audit and adjustment at the end of each year. There is no liability for workers' compensation claims outside of the payment of the premium for the coverage.

Health Insurance Program

The District provides a group health insurance plan through a commercial insurance company for all its full-time employees. Coverage under the plan for employees' dependents is available, but is not provided by the District. There is no liability for health claims outside of the payment of the premium for coverage.

M. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Construction Commitments

The District has active construction projects and commitments as of December 31, 2012. These projects commitments include the following:

<u>Projects</u>	<u>Spent to Date</u>	<u>Commitment Remaining</u>
Channel Deepening & Wildening Feasibility Study	\$ 3,770,893	\$ 250,000
Construction of Cargo Dock #16	2,041,679	22,361,325
Rehab - North Elevated Water Storage Tank	21,829	1,777,628
Expansion of Port's Existing Wide Area Surveillance System and Port's Access Control Infrastructure	35,625	3,316,317
Port Security Command & Control Center	138,424	1,764,162
SH 550 - Port Entrance Canopy	63,800	839,200
High-Mast Lighting at Selected Cargo Docks & Patios	-	1,157,930

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES – CONTINUED

N. CONTINGENCIES

The District participates in various federal grant programs which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the District's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the District anticipates such amounts, if any will be immaterial.

The District is currently involved in various claims and litigation. It is the opinion of management and counsel that potential claims against the District not covered by insurance resulting from litigation would not materially affect the financial position or operations of the District.

O. PRIOR PERIOD ADJUSTMENT

The District recorded the following prior period adjustments:

Expenses recorded in the current year belonging to prior year	(\$5,329)
Revenues recorded in the current year belonging to prior year	<u>123,539</u>
Total adjustment to net position of the District	<u>\$118,210</u>

P. SUBSEQUENT EVENT

On March 11, 2013, the District issued Unlimited Tax Refunding Bonds, Series 2013 for \$3,830,000 for the purpose of refunding existing obligations.

REQUIRED SUPPLEMENTARY INFORMATION

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

**THE RETIREMENT PLAN FOR EMPLOYEES OF
BROWNSVILLE NAVIGATION DISTRICT**

Analysis of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Actuarial Liability¹</u>	<u>Actuarial Liability¹ [(1)+(2)]</u>	<u>Funded Ratio [(1)/(3)]</u>	<u>Present Value of Future Normal Costs¹</u>	<u>Annual Covered Payroll²</u>	<u>Unfunded Actuarial Liability as a Percentage of Covered Payroll [(2)/(6)]</u>
Jan. 1, 2003 ³	1,245,026	1,417,598	2,662,624	46.8%	392,662	1,896,270	74.8%
Jan. 1, 2004	1,706,332	1,332,074	3,038,406	56.2%	257,349	2,035,409	65.4%
Jan. 1, 2005	1,648,812	1,273,994	2,922,806	56.4%	380,927	2,126,130	59.9%
Jan. 1, 2006	1,647,634	1,287,247	2,934,881	56.1%	643,419	2,287,387	56.3%
Jan. 1, 2007	1,793,079	1,253,801	3,046,880	58.8%	781,654	2,304,396	54.4%
Jan. 1, 2008	1,980,444	1,232,781	3,213,225	61.6%	728,977	2,373,987	51.9%
Jan. 1, 2009	1,782,364	1,205,153	2,987,517	59.7%	1,523,654	2,680,091	45.0%
Jan. 1, 2010 ⁴	2,161,639	2,698,269	4,859,908	44.5%	881,599	3,225,493	83.7%
Jan. 1, 2011	2,443,350	2,682,968	5,126,318	47.7%	953,497	3,491,014	76.8%
Jan. 1, 2012 ⁵	2,650,734	2,902,628	5,553,362	47.7%	777,113	3,074,504	94.3%

¹ Based on Frozen Initial Liability Funding Method. Initial liability was established under the Individual Entry Age Normal cost method prior to 2010 and under the Unit Credit cost method after 2009.

² Projected for the plan year following the valuation date based on payroll data collected as of the preceding calendar year.

³ Effective January 1, 2003, the actuarial methodology for determining the actuarial value of assets was changed. Under the Funding Method this requires a redetermination of the UAL (established using the Individual Entry Age Normal actuarial cost method), which resulted in a larger UAL and a smaller Present Value of Future Normal Cost than the prior year.

⁴ Effective January 1, 2010, the plan was converted to a cash balance plan design. Under the Funding Method this requires a redetermination of the UAL (established using the Unit Credit actuarial cost method effective January 1, 2010 due to the new plan design which reflects benefits based on career pay instead of final pay), which resulted in a larger UAL and a smaller Present Value of Future Normal Cost than the prior year.

⁵ In accordance to the plan's funding method, the UAL was redetermined based on the Unit Credit actuarial cost method effective January 1, 2012 due to changes in assumptions.

OTHER SUPPLEMENTAL INFORMATION

BROWNSVILLE NAVIGATION DISTRICT OF CAMERON COUNTY, TEXAS

SCHEDULE OF OPERATING EXPENSES
For the Year Ended December 31, 2012

	Primary Government	Component Unit	Total Reporting Entity
		BRG International Railroad	
Wages	\$ 3,414,679	\$ 961,753	\$ 4,376,432
Payroll taxes	281,091	209,073	490,164
Services	293,763	-	293,763
Materials	806,441	-	806,441
Utility	750,961	103,394	854,355
Insurance	1,062,877	368,442	1,431,319
Dues	83,525	10,822	94,347
Legal and auditing	145,854	20,055	165,909
Consulting fees	553,655	41,370	595,025
Supplies	70,462	28,731	99,193
Computer expense	129,527	140,246	269,773
Employee expense	74,202	18,153	92,355
Other expense	109,162	257,773	366,935
Contract rental and repairs	36,996	40,823	77,819
Travel	128,732	28,884	157,616
Advertising	39,073	6,893	45,966
Safety	12,511	36,820	49,331
Doubtful accounts	-	70	70
Shop cost of sales	14,234	26,071	40,305
Land lease and rental rebate	163,348	-	163,348
Retirement	380,174	-	380,174
Railway operating	-	4,518,457	4,518,457
Roadway operating	-	452,444	452,444
Promotional expenses	83,315	-	83,315
	<u>\$ 8,634,582</u>	<u>\$ 7,270,274</u>	<u>\$ 15,904,856</u>

STATISTICAL INFORMATION
(Unaudited)

Statistical Section

This part of the Brownsville Navigation District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosure, and required supplementary information says about the District's overall financial health.

<u>CONTENTS</u>	<u>PAGE</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well being has changed over a period of time.	80 – 82
Revenue Capacity These schedules contain information to help the reader assess the District's local revenue source.	83 – 90
Debt Capacity These schedules present information to help the reader assess the District's debt burden and its ability to issue additional debt in the future.	91 – 94
Demographic and Economic Information This schedule offers demographic and economic indicators to help the reader understand the environment in which the District's financial activities take place.	95 – 98
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	99 – 102

Source: Unless otherwise noted, the information in these schedules was obtained from the basic financial statements for the relevant years.

This is the second year the Brownsville Navigation District prepared a Comprehensive Annual Financial Report that includes statistical information. The District has reported ten years of information whenever the data was readily available.

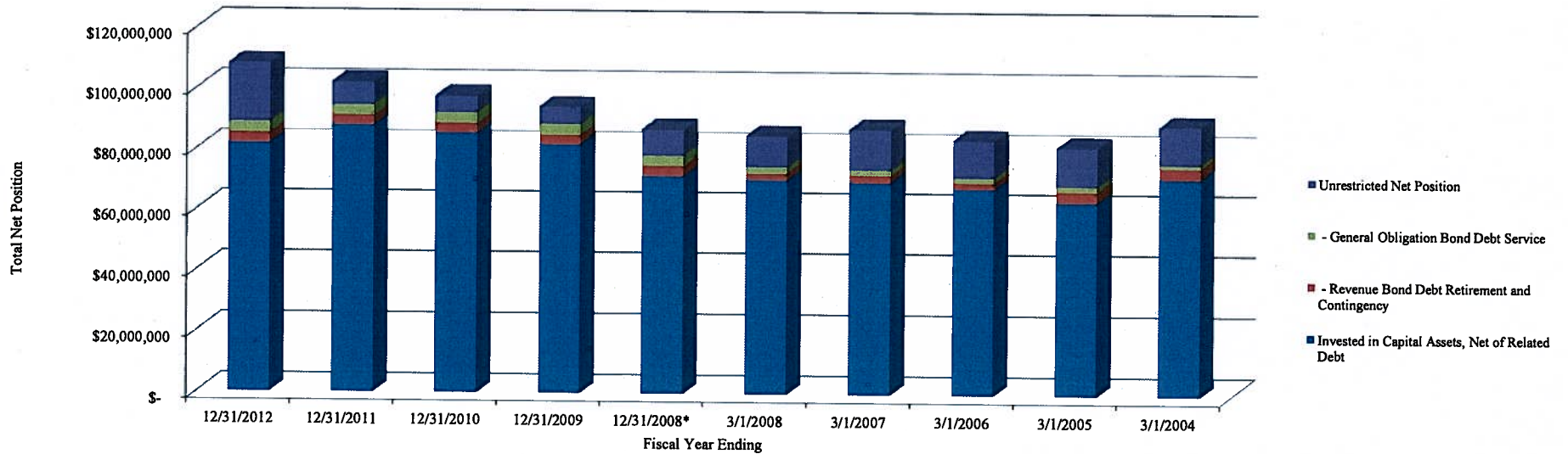
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Financial Trends

Brownsville Navigation District of Cameron County, Texas
Net Position by Component
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)
 (Unaudited)

	Fiscal Year Ending									
	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008*	3/1/2008	3/1/2007	3/1/2006	3/1/2005	3/1/2004
Enterprise Fund										
Invested in Capital Assets, Net of Related Debt	\$ 81,820,846	\$ 87,750,239	\$ 85,432,090	\$ 81,853,912	\$ 71,486,406	\$ 70,503,901	\$ 69,907,583	\$ 67,861,715	\$ 63,569,817	\$ 71,464,462
Restricted Net Position for:										
- Revenue Bond Debt Retirement and Contingency	3,295,001	3,187,128	3,143,836	3,071,700	3,391,345	2,294,246	2,201,867	2,109,461	3,698,962	3,554,673
- General Obligation Bond Debt Service	3,818,754	3,700,291	3,722,999	3,665,627	3,612,104	1,996,856	1,874,004	1,744,651	1,666,197	1,415,279
Unrestricted Net Position	19,177,471	7,394,664	5,406,303	5,583,275	8,524,353	10,155,915	13,276,721	12,230,638	12,710,812	12,331,329
Total Enterprise Fund Net Position	\$ 108,112,072	\$ 102,032,322	\$ 97,705,228	\$ 94,174,514	\$ 87,014,208	\$ 84,950,918	\$ 87,260,175	\$ 83,946,465	\$ 81,645,788	\$ 88,765,743

Net Position by Component



*Fiscal year changed from a March 1 year-ending to a December 31 year-ending in 2008. Fiscal year-ending 12/31/2008 was for 10 months only.

Brownsville Navigation District of Cameron County, Texas
Changes in Net Position
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)
 (Unaudited)

	Fiscal Year Ending									
	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008*	3/1/2008	3/1/2007	3/1/2006	3/1/2005	3/1/2004
Operating Revenues										
Vessel services	\$ 7,400,081	\$ 6,071,290	\$ 4,598,057	\$ 5,510,892	\$ 5,600,029	\$ 6,148,619	\$ 5,352,218	\$ 5,441,043	\$ 4,485,610	\$ 4,797,112
Lease rentals										
Port system	4,836,398	4,213,406	4,103,159	3,766,022	3,331,357	3,563,295	3,361,075	3,159,169	2,661,348	2,844,917
Other lease rentals	1,352,983	939,247	907,461	883,031	980,953	1,396,295	1,163,637	1,180,196	977,072	803,646
Other operating revenue	1,664,116	1,747,094	1,422,137	1,619,902	1,153,747	1,509,749	1,161,896	1,100,710	832,836	919,745
Total Operating Revenues	15,253,578	12,971,037	11,030,814	11,779,847	11,066,086	12,617,958	11,038,826	10,881,118	8,956,866	9,365,420
Operating Expenses, Other Than Depreciation & Amortization	8,634,582	8,435,659	8,455,421	8,030,279	7,206,580	8,369,931	7,786,597	7,740,327	7,087,212	6,853,047
Income from Operations Before Depreciation & Amortization	6,618,996	4,535,378	2,575,393	3,749,568	3,859,506	4,248,027	3,252,229	3,140,791	1,869,654	2,512,373
Amortization	1,110,000	1,110,000	1,110,000	1,110,000						
Depreciation	2,390,320	2,483,457	2,281,499	2,135,614	1,761,528	2,085,111	2,118,256	2,086,318	2,418,082	2,531,438
Operating Income (Loss)	3,118,676	941,921	(816,106)	503,954	2,097,978	2,162,916	1,133,973	1,054,473	(548,428)	(19,065)
Non-Operating Income (Expense)										
Interest income on investments and direct financing leases - port system	261,865	351,411	411,473	577,825	705,344	788,460	675,579	682,271	732,013	681,370
Interest income - other	81,941	86,833	91,518	98,341	94,581	131,310	148,410	161,965	175,173	181,759
Tax income - net of bad debt and collection expenses										
Penalties and Interest	132,695	125,130	129,549	130,902	113,986	153,506	158,359	155,788	137,149	129,678
Maintenance and Operations	559,115	571,669	612,400	602,150	436,847	550,779	516,662	481,305	476,331	493,993
General Obligation Debt Service	2,561,060	2,597,205	2,543,903	2,555,778	2,276,470	2,787,618	2,890,311	2,855,553	2,854,571	2,594,581
Interest expense	(932,669)	(1,248,819)	(1,450,407)	(1,602,304)	(1,452,131)	(2,070,626)	(2,186,526)	(2,423,680)	(2,017,165)	(2,664,391)
Gain (Loss) on disposal of assets	93,305							(303,006)	7,329	74,999
Amortization of bond issuance costs	(58,946)	(69,752)	(69,752)	(66,264)	(57,682)	(78,266)	(74,375)	(81,275)	(78,866)	(81,659)
Bond service fees	(5,000)	(7,300)	(7,000)	(6,500)	(5,265)	(13,500)	(14,000)	(12,289)	(11,099)	(12,138)
Impairment loss on Bridge Project						(6,938,520)	-	-	(9,200,000)	-
Other non-operating income (expense)	(31,264)	(76,710)	250,624	78,203	(37,795)	(41,975)	63,645	78,571	38,542	651,380
Total Other Income (Expense)	2,662,103	2,329,667	2,512,308	2,368,131	2,074,355	(4,731,214)	2,178,065	1,595,203	(6,886,022)	2,049,572
Income (Loss) Before Contributions and Extraordinary Items	5,780,779	3,271,588	1,696,202	2,872,085	4,172,333	(2,568,298)	3,312,038	2,649,676	(7,434,450)	2,030,507
Capital contributions	417,180	102,465	1,834,512	2,623,213	360,394	259,041	28,169	1,000	284,152	-
Extraordinary items	-	-	-	-	-	-	-	(350,000)	-	-
Increase (decrease) in net position	6,197,959	3,374,053	3,530,714	5,495,298	4,532,727	(2,309,257)	3,340,207	2,300,676	(7,150,298)	2,030,507
Net position at beginning of year	102,032,322	97,705,228	94,174,514	87,014,208	84,950,918	87,260,175	83,946,465	81,645,789	88,765,743	86,735,236
Prior period adjustments	(118,210)	953,041	-	1,665,008	(2,469,436)	-	(26,497)	-	30,343	-
Net position at beginning of year - as restated	101,914,112	98,658,269	94,174,514	88,679,216	82,481,482	87,260,175	83,919,968	81,645,789	88,796,086	86,735,236
Net position at end of year	\$ 108,112,071	\$ 102,032,322	\$ 97,705,228	\$ 94,174,514	\$ 87,014,209	\$ 84,950,918	\$ 87,260,175	\$ 83,946,465	\$ 81,645,788	\$ 88,765,743

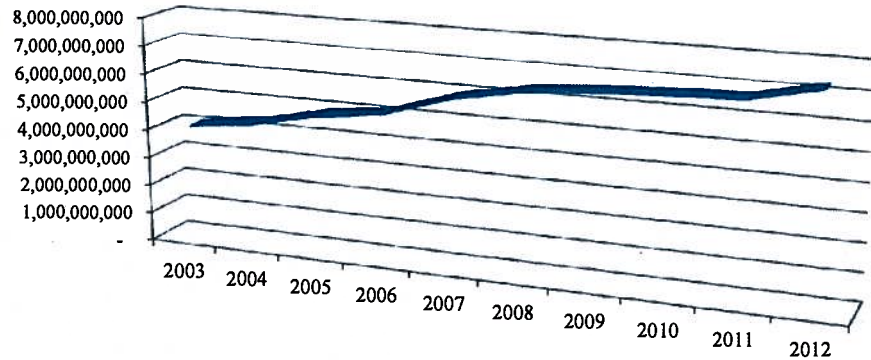
*Fiscal year change from a March 1 year ending to a December 31 year ending in 2008. Fiscal year ending 12/31/2008 was for 10 months only.

Revenue Capacity

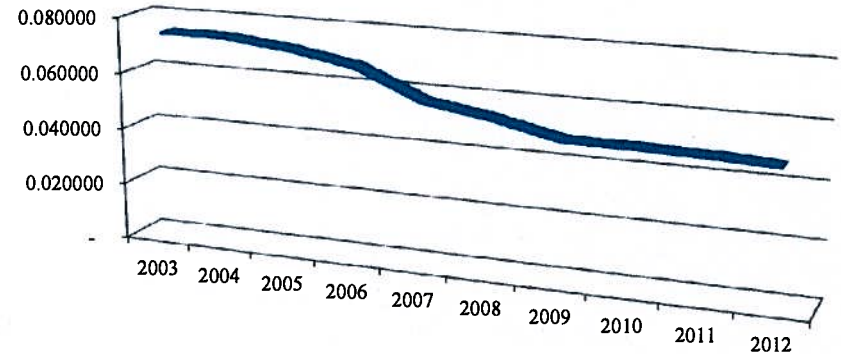
Brownsville Navigation District of Cameron County, Texas
Ad Valorem Property Taxes
 Last Ten Tax Years
 (Accrual Basis of Accounting)
 (Unaudited)

Tax Year	Assessed Valuation		Adopted Tax Rates			Assessed Levy			Collected in the First Year of the Levy		Collections in Subsequent Years	Total Collections To Date	
	Assessed Value	Taxable Value	M&O Rate	G.O. Rate	Total Rate	M&O Levy	G.O. Levy	Total Levy	Amount	Percentage of Levy		Amount	Percentage of Levy
2012	8,020,807,724	7,119,854,819	0.008100	0.037100	0.045200	576,697	2,641,479	3,218,177	2,299,853	71.46%	-	2,299,853	71.46%
2011	7,819,215,942	7,283,310,136	0.008430	0.038400	0.046830	580,593	2,644,694	3,225,287	3,035,813	94.13%	32,756	3,068,569	95.14%
2010	7,645,015,630	6,755,307,381	0.008628	0.039200	0.047828	583,941	2,653,047	3,236,988	3,030,740	93.63%	117,847	3,148,587	97.27%
2009	7,632,032,815	6,676,131,020	0.009353	0.038900	0.048253	628,527	2,614,109	3,242,636	3,034,357	93.58%	146,998	3,181,355	98.11%
2008	7,546,736,522	6,543,368,909	0.009353	0.039144	0.048497	622,869	2,606,820	3,229,689	3,027,704	93.75%	157,190	3,184,894	98.61%
2007	7,243,157,088	6,351,998,091	0.008843	0.044766	0.053609	561,579	2,841,930	3,403,509	3,182,035	93.49%	183,727	3,365,762	98.89%
2006	6,399,437,985	5,908,277,454	0.008470	0.048770	0.057240	506,529	2,870,329	3,376,858	3,143,974	93.10%	201,513	3,345,487	99.07%
2005	5,850,202,872	5,165,304,549	0.009683	0.057617	0.067300	500,060	2,975,518	3,475,578	3,231,861	92.99%	215,368	3,447,229	99.18%
2004	5,467,038,388	4,866,549,970	0.010229	0.061181	0.071410	497,800	2,977,408	3,475,208	3,220,456	92.67%	228,503	3,448,959	99.24%
2003	4,920,603,000	4,331,426,055	0.012007	0.061928	0.073935	512,055	2,688,287	3,200,342	2,967,044	92.71%	209,400	3,176,444	99.25%

Total Taxable Valuation



Total Tax Rate



Brownsville Navigation District of Cameron County, Texas
Ten Principal Taxpayers in Cameron County
 Current Year and Nine Years Ago
 (Unaudited)

<u>No.</u>	<u>Taxpayer</u>	<u>Type of Activity</u>	<u>Fiscal Year</u>	<u>Percentage</u>	<u>Fiscal Year</u>	<u>Percentage</u>
			<u>2012 Assessed</u>	<u>of Assessed</u>	<u>2003 Assessed</u>	<u>of Assessed</u>
			<u>Value</u>	<u>Valuation</u>	<u>Value</u>	<u>Valuation</u>
1	AEP Texas Central Co.	Electrical Utility	\$ 105,251,223	0.64%	\$ 91,806,586	1.22%
2	VHS Harlingen Hospital Company	Health Care	82,442,845	0.50%	-	0.00%
3	CBL/Sunrise Commons, L.P.	Retail Mall	40,670,345	0.25%	30,350,833	0.40%
4	Wal-Mart Stores, Inc.	Retail	39,631,529	0.24%	-	0.00%
5	United Launch Alliance, L.L.C.	Space Launch Services	38,271,757	0.23%	-	0.00%
6	Southwestern Bell Telephone	Telephone Company	38,237,900	0.23%	69,549,976	0.92%
7	Sapphire VP LP	Real Estate	37,335,237	0.23%	-	0.00%
8	Union Pacific Rail Road	Rail Road	34,433,140	0.21%	-	0.00%
9	Trico Products Company	Manufacturing	31,918,780	0.19%	30,379,707	0.40%
10	VHS Brownsville Hospital Company	Health Care	30,265,723	0.18%	-	0.00%
Total Assessed Valuation			\$ 478,458,479	2.90%	\$ 222,087,102	2.94%

**Due to mergers, closing of plants and diversification of companies, the current top ten taxpayers were not always listed in the top ten and therefore the data was not available in prior years.*

Source - Cameron County, Texas CAFR

Brownsville Navigation District of Cameron County, Texas
Operating Revenue and Expenses by Type

Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ending									
	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008*	3/1/2008	3/1/2007	3/1/2006	3/1/2005	3/1/2004
Operating Revenues										
Vessel Services	\$ 7,400,081	\$ 6,071,290	\$ 4,598,057	\$ 5,510,892	\$ 5,600,029	\$ 6,148,619	\$ 5,352,218	\$ 5,441,043	\$ 4,485,610	\$ 4,797,112
Lease Rentals - Port System	4,836,398	4,213,406	4,103,159	3,766,022	3,331,357	3,563,295	3,361,075	3,159,169	2,661,348	2,844,917
Other Lease Rentals	1,352,983	939,247	907,461	883,031	980,953	1,396,295	1,163,637	1,180,196	977,072	803,646
Other Operating Revenue	1,664,116	1,747,094	1,422,137	1,619,902	1,153,747	1,509,749	1,161,896	1,100,710	832,836	919,745
Total Operating Revenue	15,253,578	12,971,037	11,030,814	11,779,847	11,066,085	12,617,958	11,038,826	10,881,118	8,956,866	9,365,420
Operating Expenses										
Materials	820,675	581,740	666,179	596,943	539,951	650,752	761,927	481,062	402,979	387,220
Services	293,763	322,115	250,076	263,071	218,886	411,941	443,672	399,520	364,917	382,838
Contracts Rental & Repairs	36,996	23,742	21,961	29,690	19,390	31,158	103,443	139,810	183,660	93,064
Wages	3,414,677	3,462,861	3,300,810	3,315,291	2,523,191	2,722,408	2,721,681	2,502,585	2,373,398	2,454,305
Payroll Taxes	281,092	276,655	250,004	228,782	179,876	193,171	216,226	180,003	192,125	176,246
Retirement & Life	380,174	383,919	402,551	273,856	175,000	211,443	246,281	231,435	239,133	294,890
Employee Expenses	74,202	66,660	57,902	82,436	53,869	59,301	73,066	50,432	48,000	546,978
Safety	12,512	10,455	9,796	7,623	2,643	695	3,740	6,527	3,653	2,224
Land Lease and Rental Rebate	163,348	42,963	137,347	159,513	466,953	248,330	81,688	238,322	188,760	156,360
Utilities	750,961	751,295	675,562	647,933	601,574	756,520	623,232	514,458	542,698	428,112
Insurance	1,062,878	1,092,838	1,108,981	1,068,276	905,686	1,099,060	1,054,238	935,557	894,153	380,997
Dues & Subscription	83,525	88,278	87,663	78,281	30,016	45,392	47,000	55,263	43,472	32,182
Legal & Auditing	145,854	205,955	149,751	165,656	160,159	507,009	263,121	608,268	516,463	183,291
Consultant Fees	553,655	530,469	564,257	856,225	600,201	838,489	400,928	451,544	522,079	516,641
Office Supplies	70,462	69,946	63,848	85,719	73,759	77,447	74,921	77,544	51,404	64,887
Computer Expense	129,528	105,473	88,588	55,548	40,634	40,132	57,992	59,747	71,447	75,608
Travel	128,731	145,674	149,128	119,789	124,533	113,086	144,934	119,566	90,573	131,979
Advertising	39,073	44,009	34,159	67,363	145,180	99,123	112,494	76,428	125,215	95,059
Promotional	83,314	133,267	46,105	40,906	82,808	25,996	57,659	162,420	69,050	289,223
Doubtful Accounts	-	-	208,794	(153,429)	114,165	125,443	222,276	346,319	83,126	97,711
Other Expense	109,161	97,345	181,960	40,809	148,107	113,036	76,078	103,518	80,909	63,231
Total Operating Expenses	8,634,582	8,435,659	8,455,421	8,030,280	7,206,579	8,369,931	7,786,597	7,740,325	7,087,214	6,853,047
Net Operating Income before Depreciation and Amortization	6,618,996	4,535,378	2,575,393	3,749,568	3,859,506	4,248,027	3,252,229	3,140,793	1,869,652	2,512,374
Non-Operating Income (Expense)										
Interest Inc. on investments and direct leases	343,807	438,244	502,991	676,166	705,344	788,460	675,579	682,271	732,013	681,370
Tax income - net of bad debt and collection exp.										
Penalty and interest	132,695	125,130	129,549	130,902	113,986	153,506	158,359	155,788	137,149	129,678
Maintenance and operations	559,115	571,669	612,400	602,150	436,847	550,779	516,662	481,305	476,331	493,993
General Obligation Bond Debt Service	2,561,060	2,597,205	2,543,903	2,595,778	2,276,470	2,787,618	2,890,311	2,855,553	2,854,571	2,594,581
Interest Expense and Bond Costs	(996,615)	(1,325,871)	(1,527,159)	(1,675,068)	(1,515,078)	(2,162,392)	(2,274,901)	(2,517,244)	(2,107,130)	(2,758,188)
Gain(loss) on disposal of assets	93,305	-	-	-	-	-	-	-	-	-
Capital contributions	417,180	102,465	1,061,585	1,869,900	-	-	-	(303,006)	7,329	74,999
Impairment Loss on Bridge Project	-	-	-	-	-	(6,938,520)	-	-	(9,200,000)	-
Other Non-Operating Income (Expense)	(31,264)	(76,710)	250,624	78,203	56,786	89,335	212,055	240,536	213,715	833,139
Net Non-Operating Income (Expense)	3,079,283	2,432,132	3,573,893	4,238,031	2,074,355	(4,731,214)	2,178,065	1,595,203	(6,886,022)	2,049,572
Net Income before Depreciation and Amortization	\$ 9,698,279	\$ 6,967,510	\$ 6,149,286	\$ 7,987,599	\$ 5,933,861	\$ (483,187)	\$ 5,430,294	\$ 4,735,996	\$ (5,016,370)	\$ 4,561,946

*Fiscal year change from a March 1 year ending to a December 31 year ending in 2008. Fiscal year ending 12/31/2008 was for 10 months only.

Brownsville Navigation District of Cameron County, Texas
Vessel Services Revenues at the Port of Brownsville

Last Ten Fiscal Years
 (Accrual Basis of Accounting)
 (Unaudited)

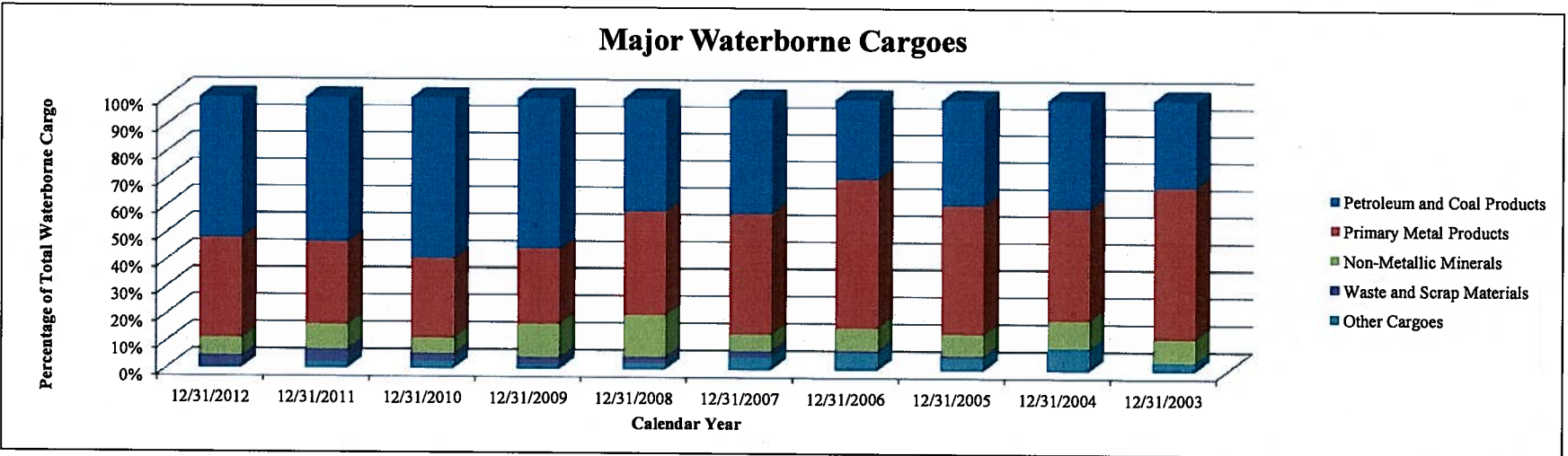
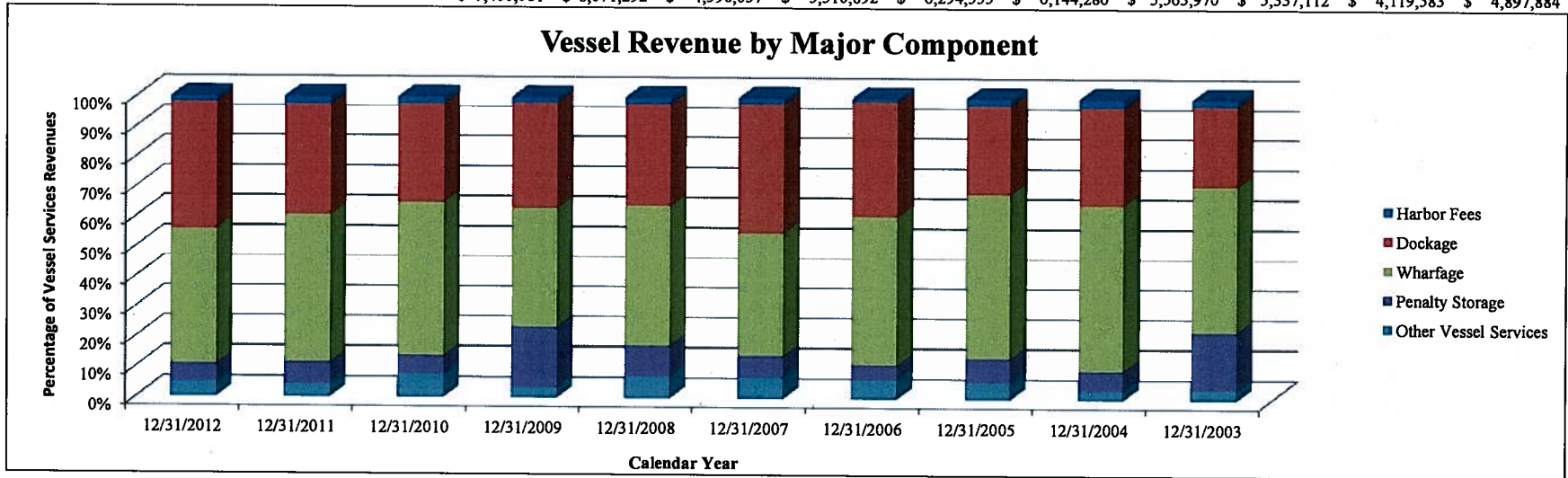
Summary information on vessel and cargo traffic is presented in these tables, complete information on vessel and cargo traffic may be found in the Cargo Statistics that are published by the Port of Brownsville.

	Calendar Year									
	<u>12/31/2012</u>	<u>12/31/2011</u>	<u>12/31/2010</u>	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2007</u>	<u>12/31/2006</u>	<u>12/31/2005</u>	<u>12/31/2004</u>	<u>12/31/2003</u>
Port Calls by Vessel Type										
Deep Sea Vessels	376	379	329	277	348	275	309	281	215	238
River Barges	707	859	657	506	733	760	463	757	825	638
Mexican Fishing Vessels	-	-	-	-	18	24	22	66	145	278
	<u>1,083</u>	<u>1,238</u>	<u>986</u>	<u>783</u>	<u>1,099</u>	<u>1,059</u>	<u>794</u>	<u>1,104</u>	<u>1,185</u>	<u>1,154</u>
Waterborne Cargo Traffic (metric tons)										
Petroleum and Coal Products	2,870,526	2,863,803	2,732,112	2,455,046	2,204,631	1,803,935	1,397,195	1,739,108	1,506,113	1,165,888
Primary Metal Products	2,053,063	1,636,080	1,354,076	1,212,640	2,036,858	1,914,316	2,608,864	2,135,918	1,542,634	2,040,032
Non-Metallic Minerals	364,257	493,777	267,319	552,215	822,158	266,114	411,309	359,441	400,515	322,670
Waste and Scrap Materials	229,612	274,774	131,334	115,707	120,676	109,330	35,254	28,743	-	-
Other Cargoes	<u>19,232</u>	<u>103,217</u>	<u>125,259</u>	<u>71,149</u>	<u>121,988</u>	<u>188,314</u>	<u>306,603</u>	<u>213,112</u>	<u>309,461</u>	<u>120,403</u>
Total Cargo Traffic	<u>5,536,689</u>	<u>5,371,651</u>	<u>4,610,100</u>	<u>4,406,757</u>	<u>5,306,311</u>	<u>4,282,009</u>	<u>4,759,225</u>	<u>4,476,322</u>	<u>3,758,723</u>	<u>3,648,993</u>

Charges for vessel services are specified in the current edition of the Tariff: Rates, Rules and Regulations Governing the Brownsville Ship Channel and the Public Wharves, Piers, Docks and Equipment. Selected information regarding rates for vessel services are presented here, complete information is contained in the Tariff, which is published by the Port of Brownsville.

Harbor Fees (per Port Call)											
Deep Sea Vessels	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00
Deep Sea Vessels at the Bulk Cargo Dock	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00
River Barges	100.00	100.00	100.00	100.00	100.00	100.00	100.00	65.00	65.00	65.00	65.00
Mexican Fishing Vessels	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00
Dockage (rate for Gross Registered Ton/day)											
Dockage - General Cargo Docks	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Dockage - Bulk Cargo Dock	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.25	0.25	0.25	0.25
Dockage - Oil Docks/Liquid Cargo Docks/Express Dock	0.15	0.15	0.15	0.15	0.15	0.15	0.09	0.09	0.09	0.09	0.09
Dockage - Fitting for grain	0.05	0.05	0.05	0.05	0.05	0.05	0.03	0.03	0.03	0.03	0.03
Dockage - Layberth	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Dockage - Scrap vessels and Drilling Rigs	0.09	0.09	0.09	0.09	0.09	0.09	N/A	N/A	N/A	N/A	N/A
Dockage - River Barges (per day)	75.00	75.00	75.00	75.00	75.00	75.00	50.00	50.00	50.00	50.00	50.00
Wharfage - Major Commodities											
Petroleum and Coal Products (per barrel)	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Primary Metal Products (per metric ton)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Primary Metal Products - Volume Incentive (per metric ton)	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.50	0.50	0.50	0.50
Non-Metallic Minerals - Aggregates (per metric ton)	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
Non-Metallic Minerals - Covered Storage (per metric ton)	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37
Non-Metallic Minerals - Open Storage (per metric ton)	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09
Waste and Scrap Materials (per metric ton)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Miscellaneous Cargoes - Not Otherwise Specified	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37
Free Time and Penalty Storage (per metric ton/day)											
Covered Storage - General Cargo Sheds	0.1103	0.1103	0.1103	0.1103	0.1103	0.1103	0.1000	0.1000	0.1000	0.1000	0.1000
Open Docks and Patios	0.0221	0.0221	0.0221	0.0221	0.0221	0.0221	0.0200	0.0200	0.0200	0.0200	0.0200

Vessel Revenue by Major Component	Calendar Year									
	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Harbor Fees	\$ 130,725	\$ 160,166	\$ 104,525	\$ 95,423	\$ 136,782	\$ 123,916	\$ 64,438	\$ 113,723	\$ 110,615	\$ 104,605
Dockage	3,125,720	2,227,647	1,507,551	1,936,903	2,126,184	2,636,962	2,120,730	1,573,304	1,334,561	1,296,371
Wharfage	3,338,674	2,982,673	2,351,775	2,175,995	2,934,204	2,513,859	2,759,732	2,924,780	2,279,058	2,386,945
Penalty Storage	454,799	429,412	284,822	1,113,225	641,365	444,220	258,489	428,810	260,760	933,164
Other Vessel Services	350,163	271,393	349,384	189,346	456,020	425,329	360,581	296,495	134,589	176,799
Total Vessel Services	\$ 7,400,081	\$ 6,071,292	\$ 4,598,057	\$ 5,510,892	\$ 6,294,555	\$ 6,144,286	\$ 5,563,970	\$ 5,337,112	\$ 4,119,583	\$ 4,897,884



Brownsville Navigation District of Cameron County, Texas
Principal Customers for Vessel Services at the Port of Brownsville
 Current Year and Nine Years Ago
 (Unaudited)

Customer	Fiscal Year Ending					
	2012			2003		
	2012 Revenues	Rank	Total Percentage 2012	2003 Revenues	Rank	Total Percentage 2003
Dix Agency Brownsville	\$ 1,894,536	1	26%	\$ 1,213,397	1	27%
Gulf Stream Marine	1,060,113	2	14%	825,711	2	18%
Frontera Brownsville, LLC	947,496	3	13%			
Keppel Amfels, Inc.	865,743	4	12%			
Schaefer Stevedoring	732,553	5	10%	635,993	3	14%
Admiral Steamship Agency	527,987	6	7%	233,659	6	5%
ISS Marine Service	191,977	7	3%			
Elite Fuels, Inc.	153,651	8	2%			
Esco Marine, Inc.	141,743	9	2%			
Bedoli Group, Inc.	101,584	10	1%			
Gulf Harbor Shipping	90,172	11	1%			
Vulcan Construction Materials	63,308	12	1%			
AEP River Operations	62,275	13	1%			
American Commercial Barge	58,400	14	1%	32,310	13	1%
T. Parker Host Gulf, Inc.	48,315	15	1%			
Citgo Petroleum				259,791	4	6%
Transmontaigne Products, Inc.				237,954	5	4%
Biehl & Company, Inc.				204,788	7	2%
Fillette, Green Shipping Service				79,089	8	1%
Global Stone, LC				65,703	9	1%
Navios Ship Agencies, Inc.				65,689	10	1%
Thyssenkrupp Steel				60,620	11	1%
RTW Properties, LP				43,142	12	1%
Interlube Corporation				24,222	14	1%
Hollywood Marine, Inc.				22,935	15	1%
Total Vessel Revenues	\$ 7,400,081		94%	\$ 4,468,572		85%

Brownsville Navigation District of Cameron County, Texas
Lease Rental Revenues

Last Ten Fiscal Years
 (Accrual Basis of Accounting)
 (Unaudited)

Summary information on lease rental rates is presented in these tables, complete information on lease rental rates at the Port of Brownsville may be found in the Leasing Policies that are published by the Port of Brownsville.

Selected rates from the TABLE OF LEASE RENTAL RATES

	Fiscal Year									
	<u>12/31/2012</u>	<u>12/31/2011</u>	<u>12/31/2010</u>	<u>12/31/2009</u>	<u>*12/31/2008</u>	<u>3/1/2008</u>	<u>3/1/2007</u>	<u>3/1/2006</u>	<u>3/1/2005</u>	<u>3/1/2004</u>
Turning Basin Leases (per acre/year)										
Waterfront	\$ 5,844	\$ 5,844	\$ 5,844	\$ 3,600	\$ 3,600	\$ 3,600	\$ 3,600	\$ 3,600	\$ 3,600	\$ 3,600
Highway Frontage	3,819	3,819	3,819	2,400	2,400	2,400	2,400	2,400	2,400	2,400
Port Entrance Sites	3,403	3,403	3,403	-	-	-	-	-	-	-
Commercial Property	-	-	-	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Inside Port/Off Waterfront	2,025	2,025	2,025	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Fishing Harbor Leases										
<i>Rate is calculated per linear foot of street frontage/month until 2010, when the rate was changed to a per acre/year basis.)</i>										
Waterfront	4,494	4,494	4,494	1	1	1	1	1	1	1
Off-Water	4,156	4,156	4,156	1	1	1	1	1	1	1

An increase to the Table of Lease Rental Rates was adopted by the Board in December, 2010. New leases had been negotiated at the 2010 lease rates beginning in 2008, and the new lease rates began to be implemented for current lessees at December 1, 2010 on July 1, 2011, with a 5-year phase-in.

Rental Rates for Railroad Track Established by Contract Between the Brownsville Navigation District and the Brownsville & Rio Grande International Railroad

Railroad Track Rental (per car)	20	20	20	20	20	15	15	15	15	15
Lease Rental Revenues	\$ 6,189,381	\$ 5,152,653	\$ 5,010,620	\$ 4,649,053	\$ 4,312,310	\$ 4,959,590	\$ 4,524,712	\$ 4,339,365	\$ 3,638,420	\$ 3,648,563

*Fiscal year change from a March 1 year ending to a December 31 year ending in 2008. Fiscal year ending 12/31/2008 was for 10 months only.

Brownsville Navigation District of Cameron County, Texas
Principal Customers for Lease Rentals
 Current Year and Nine Years Ago
 (Unaudited)

Customer	Fiscal Year Ending					
	2012			2003		
	2012 Revenues	Rank	Total Percentage 2012	2003 Revenues	Rank	Total Percentage 2003
Transmontaigne Operating Co LP	\$ 912,674	1	15%	\$ 303,674	3	9%
Brownsville & Rio Grande International Railroad	564,132	2	9%	496,540	1	14%
Esco Marine, Inc.	478,314	3	8%	88,659	7	3%
Bedoli Group, Inc.	294,481	4	5%			
Gulf Coast LNG Exports, LLC	292,200	5	5%			
Keppel Amfels, Inc.	213,824	6	3%	385,743	2	11%
Bay Bridge Texas, LLC	209,975	7	3%			
International Shipbreaking	199,824	8	3%	96,264	6	3%
Citgo Pretroleum Corporation	193,263	9	3%	-		
Logistica US Terminals LLC	140,020	10	2%			
Deep SouthTex Terminal L.P.	123,505	11	2%			
Southern Recycling, LLC	120,164	12	2%			
Dix Industries, Inc.	120,000	13	2%			
Brownsville Public Utilities Board	114,184	14	2%	46,548	14	1%
Marine Metals, Inc.	106,144	15	2%			
Penn Octane				101,230	5	3%
Rio Grande Royalty Co., Inc.				137,800	4	4%
Brownsville Gulfside Warehouse				85,772	8	2%
Gulf Facilities, Inc.				68,366	9	2%
Transforma Marine Corp.				60,084	10	2%
Gulf Stream Marine, Inc.				53,855	11	2%
PMI Services North America				50,000	12	1%
New Process Steel, LP				49,156	13	1%
Port Elevator-Brownsville, Inc.				43,320	15	1%
Total Lease Rental Revenues	\$ 6,189,381		66%	\$ 3,510,382		59%

Debt Capacity

Brownsville Navigation District of Cameron County, Texas
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
 (Accrual Basis of Accounting)
 (Unaudited)

Fiscal Year	General				Total Debt Outstanding	Assets	Total Net Outstanding Debt
	Obligation Bonds	Revenue Bonds	Loans	Capital Leases		Restricted for Debt Service	
2004	\$ 28,633,893	\$ 19,022,039	\$ 617,077	\$ -	\$ 48,273,009	\$ 9,795,203	\$ 38,477,806
2005	27,101,688	17,907,763	473,022	-	45,482,473	9,791,471	35,691,002
2006	25,476,164	16,743,487	-	1,947,428	44,167,079	8,033,786	36,133,293
2007	23,791,278	15,509,210	-	1,687,770	40,988,258	7,781,421	33,206,837
2008	22,126,006	14,209,934	-	1,416,065	37,752,005	7,639,453	30,112,552
2008a **	22,108,332	14,214,703	-	1,180,040	37,503,075	10,123,183	27,379,892
2009	20,447,614	12,850,428	-	884,780	34,182,822	9,400,848	24,781,974
2010	18,696,847	11,686,151	-	575,822	30,958,820	9,412,853	21,545,967
2011	16,783,171	10,456,874	-	252,530	27,492,575	9,452,674	18,039,901
2012	14,771,088	19,157,598	-	-	33,928,686	19,257,202	14,671,484

Fiscal Year	Taxable Property Valuation	Outstanding Debt as a Percentage of Taxable Property Value	Cameron County Population	Per Capita Debt	Per Capita Income	Outstanding Debt as a Percentage of Per Capita Income
2005	5,165,304,549	0.69%	371,825	204	16,313	1.25%
2006	5,908,277,454	0.61%	385,618	199	17,374	1.15%
2007	6,351,998,091	0.52%	387,717	182	13,293	1.37%
2008	6,543,368,909	0.46%	387,717	165	12,511	1.32%
2008a **	6,543,368,909	0.42%	387,717	150	12,511	1.20%
2009	6,676,131,020	0.37%	387,717	136	13,377	1.02%
2010	6,755,307,381	0.32%	406,220	113	13,474	0.84%
2011	7,283,310,136	0.25%	406,220	94	13,474	0.70%
2012	7,119,854,819	0.21%	406,220	77	14,183	0.54%

*Prior to Fiscal Year 2008a, the District's fiscal year coincided with the debt service payments, resulting in a minimal balance in the debt service accounts at the end of the fiscal year. The change from a March 1st fiscal year-end to a December 31st fiscal year-end has resulted in the bulk of the debt service remaining in the debt service accounts at the end of the fiscal year, with the principal payments and six month's of interest payments to be made in the second month of the following fiscal year.

**Fiscal year 2008a was a transitional fiscal year between a March 1st year-end and a December 31st year end. This fiscal year was 10-months in length, and subsequently, there was only one debt service payment date in Fiscal 2008a, on September 1, 2008, for interest-only payments.

Notes: Details regarding the District's outstanding debt can be found in the Notes to the Financial Statements.
 See Table 3 for property value data
 Population data can be found in Table 15

Brownsville Navigation District of Cameron County, Texas
Revenue Bond Debt Service Requirements
Last Ten Fiscal Years
 (Accrual Basis of Accounting)
 (Unaudited)

	12/31/2012	12/31/2011	12/31/2010	12/31/2009	Fiscal Year Ending		3/1/2007	3/1/2006	3/1/2005	3/1/2004
					12/31/2008*	3/1/2008				
First Lien Revenue Bond - Series 1973										
Principal Maturity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250,000	\$ 225,000
Interest Payments	-	-	-	-	-	-	-	-	14,688	27,907
Total Bond Requirement	-	-	-	-	-	-	-	-	264,688	252,907
First Lien Revenue Bond - Series 1993										
Principal Maturity	-	-	-	-	-	190,000	145,000	145,000	145,000	100,000
Interest Payments	-	-	-	-	-	10,640	18,615	26,445	34,130	39,330
Total Bond Requirement	-	-	-	-	-	200,640	163,615	171,445	179,130	139,330
First Lien Revenue Bond - Series 1996										
Principal Maturity	-	-	680,000	640,000	-	410,000	420,000	390,000	110,000	145,000
Interest Payments	-	-	19,380	178,965	159,585	342,130	367,750	393,490	400,750	410,320
Total Bond Requirement	-	-	699,380	818,965	159,585	752,130	787,750	783,490	510,750	555,320
First Lien Revenue Bond - Series 2000										
Principal Maturity	200,000	190,000	185,000	175,000	-	165,000	155,000	145,000	135,000	125,000
Interest Payments	5,100	142,183	151,465	162,123	84,124	180,623	192,248	203,123	213,248	222,623
Total Bond Requirement	205,100	332,183	336,465	337,123	84,124	345,623	347,248	348,123	348,248	347,623
First Lien Revenue Bond - Series 2002A										
Principal Maturity	85,000	85,000	80,000	75,000	-	75,000	70,000	65,000	65,000	65,000
Interest Payments	34,186	56,000	59,858	64,334	33,479	69,333	69,050	71,689	74,146	76,343
Total Bond Requirement	119,186	141,000	139,858	139,334	33,479	144,333	139,050	136,689	139,146	141,343
First Lien Revenue Bond - Series 2002B										
Principal Maturity	95,000	90,000	85,000	80,000	-	80,000	75,000	70,000	70,000	70,000
Interest Payments	36,140	59,260	63,352	68,107	35,447	74,406	73,194	76,036	78,682	81,048
Total Bond Requirement	131,140	149,260	148,352	148,107	35,447	154,406	148,194	146,036	148,682	151,048
First Lien Revenue Bond - Series 2009										
Principal Maturity	775,000	740,000	10,000	-	-	-	-	-	-	-
Interest Payments	143,439	180,179	198,367	83,304	-	-	-	-	-	-
Total Bond Requirement	918,439	920,179	208,367	83,304	-	-	-	-	-	-
First Lien Revenue Bond - Series 2011										
Principal Maturity	15,000	-	-	-	-	-	-	-	-	-
Interest Payments	61,122	-	-	-	-	-	-	-	-	-
Total Bond Requirement	76,122	-	-	-	-	-	-	-	-	-
Junior Lien Revenue Bond - Series 2002										
Principal Maturity	-	-	-	275,000	-	265,000	260,000	240,000	235,000	225,000
Interest Payments	-	-	-	7,219	7,219	28,350	42,000	52,680	63,138	73,150
Total Bond Requirement	-	-	-	282,219	7,219	293,350	302,000	292,680	298,138	298,150
Junior Lien Revenue Bond - Series 2003										
Principal Maturity	135,000	130,000	130,000	125,000	-	120,000	115,000	115,000	110,000	105,000
Interest Payments	83,584	88,404	93,035	97,185	49,530	102,960	106,410	109,285	112,035	119,756
Total Bond Requirement	218,584	218,404	223,035	222,185	49,530	222,960	221,410	224,285	222,035	224,756
Total Revenue Bonds										
Principal Maturity	1,290,000	1,235,000	1,170,000	1,370,000	-	1,305,000	1,240,000	1,170,000	1,120,000	1,060,000
Interest Payments	302,449	526,026	585,457	661,237	369,384	808,442	869,267	932,748	990,816	1,050,477
Annual Revenue Bond Debt Service	\$ 1,592,449	\$ 1,761,026	\$ 1,755,457	\$ 2,031,237	\$ 369,384	\$ 2,113,442	\$ 2,109,267	\$ 2,102,748	\$ 2,110,816	\$ 2,110,477
Net Revenues Available for Debt Service on Revenue Bonds (See Table 12)	\$ 7,683,277	\$ 5,107,834	\$ 5,182,971	\$ 7,069,737	\$ 4,398,776	\$ (1,929,929)	\$ 3,710,373	\$ 3,049,551	\$ (6,790,749)	\$ 3,292,644
Coverage Ratio (Net Revenues Available for Debt Service/Annual Debt Service)	7.91	2.90	2.95	3.48	11.91	(0.91)	1.76	1.45	(3.22)	1.56

All of the net revenues of the District are pledged for the payment of the bond principal and interest of the First Lien Revenue Bonds - See Note 9

*Fiscal year change from a March 1 year ending to a December 31 year ending in 2008. Fiscal year ending 12/31/2008 was for 10 months only.

Brownsville Navigation District of Cameron County, Texas
Net Revenues Available for Debt Service on Revenue Bonds
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)
 (Unaudited)

	Fiscal Year Ending									
	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008*	3/1/2008	3/1/2007	3/1/2006	3/1/2005	3/1/2004
Gross Revenues										
Operating Revenues										
Wharf Operations	\$ 7,183,128	\$ 5,824,799	\$ 4,286,523	\$ 5,353,121	\$ 5,229,445	\$ 5,721,209	\$ 4,956,768	\$ 5,103,525	\$ 4,378,389	\$ 4,578,860
Industrial Development	6,031,971	5,101,059	4,973,262	4,613,875	4,269,036	4,918,890	4,415,401	4,293,210	3,540,666	3,773,768
Foreign Trade Zone	451,418	431,554	410,851	379,367	302,347	446,652	202,066	244,904	214,260	205,255
Facilities Maintenance	(6,968)	289,228	261,382	194,017	310,499	288,249	291,837	218,724	158,384	221,241
Harbor Mobile Crane	285,306	-	-	-	-	-	-	-	-	-
Security	468,276	411,157	342,220	360,054	328,985	352,062	294,579	265,130	107,005	325
Environmental Services	-	-	-	-	95,740	181,072	190,313	111,898	-	-
Engineering & Utilities	754,329	831,452	668,698	589,249	530,033	685,363	687,862	643,727	558,162	570,974
Water Plant & Distribution System	86,117	81,789	87,878	290,165	-	-	-	-	-	-
Total	15,253,578	12,971,038	11,030,814	11,779,847	11,066,085	12,593,497	11,038,826	10,881,118	8,956,866	9,350,423
Non-Operating Revenues										
Interest on Investments	337,396	454,763	526,175	595,089	810,406	791,686	835,330	814,016	864,105	812,970
Other	1,150,884	782,889	2,761,105	3,549,185	480,950	981,228	663,737	583,266	825,291	1,229,148
Total	1,488,279	1,237,652	3,287,280	4,144,274	1,291,356	1,772,914	1,499,066	1,397,282	1,689,396	2,042,118
Total Gross Revenues	16,741,857	14,208,690	14,318,094	15,924,122	12,357,441	14,366,411	12,537,892	12,278,400	10,646,262	11,392,541
Operating Expenses										
Maintenance and Operation of Facilities										
Wharf Operations	578,499	592,424	485,461	428,895	392,403	190,589	202,430	245,014	202,743	528,038
Industrial Development	369,220	248,855	321,895	340,451	614,445	454,389	242,215	358,462	307,103	839,033
Foreign Trade Zone	131,757	121,390	114,655	108,078	102,969	149,212	78,833	57,854	49,843	166,786
Facilities Maintenance	1,787,394	1,984,724	2,007,620	1,980,035	1,533,101	1,913,880	2,092,226	1,691,147	1,497,438	1,420,576
Harbor Mobile Crane	356,054	-	-	-	-	-	-	-	-	-
Security	1,032,737	972,004	1,010,961	966,646	760,921	1,038,367	993,080	864,701	794,772	662,985
Environmental Services	-	1,716	1,990	23,609	37,433	53,472	69,432	(12,100)	77,524	87,844
Engineering & Utilities	1,262,570	1,330,182	1,231,092	1,175,697	943,752	1,050,321	1,208,745	1,065,359	1,079,699	683,894
Water Plant & Distribution System	132,952	109,930	108,745	105,752	98,381	188,568	-	-	-	-
Total	5,651,184	5,361,225	5,282,420	5,129,163	4,483,406	5,038,798	4,886,962	4,270,438	4,009,121	4,389,156
General and Administrative Expenses	2,983,398	3,080,737	3,149,308	2,896,954	2,723,173	3,313,422	2,899,804	3,447,036	3,078,518	2,452,049
Total Operating Expenses	8,634,582	8,441,962	8,431,727	8,026,117	7,206,580	8,352,221	7,786,765	7,717,474	7,087,639	6,841,205
Non-Operating Expenses										
Interest Expense	333,915	526,309	599,496	662,889	663,770	877,406	954,244	1,074,644	1,047,523	1,208,075
Other Expense	90,083	132,585	103,900	165,378	88,314	7,066,714	86,511	436,732	9,301,850	50,617
Total Non-Operating Expe	423,998	658,895	703,395	828,267	752,085	7,944,120	1,040,754	1,511,375	10,349,372	1,258,692
Total Expenses	9,058,580	9,100,856	9,135,123	8,854,385	7,958,664	16,296,340	8,827,520	9,228,849	17,437,011	8,099,897
Net Revenues Available For Debt Service on Revenue Bonds	\$ 7,683,277	\$ 5,107,834	\$ 5,182,971	\$ 7,069,737	\$ 4,398,776	\$ (1,929,929)	\$ 3,710,373	\$ 3,049,551	\$ (6,790,749)	\$ 3,292,644
Average Annual Debt Service on Revenue Bonds	\$ 971,741	\$ 1,691,389	\$ 2,441,384	\$ 2,630,077	\$ 1,788,097	\$ 2,030,301	\$ 2,037,242	\$ 2,046,568	\$ 2,298,277	\$ 2,275,936
Coverage by Net Revenues	7.91	3.02	2.12	2.69	2.46	(0.95)	1.82	1.49	(2.95)	1.45

*Fiscal year change from a March 1 year-ending to a December 31 year-ending in 2008. Fiscal year ending 12/31/2008 was for 10 months only.

Brownsville Navigation District of Cameron County, Texas
Revenue Bond Debt Service Requirements
(Unaudited)

This table sets forth the annual debt service requirements on the District's Revenue Bonds as of December 31, 2012, excluding bonds that have been refunded and defeased.

<u>Fiscal Year Ending December 31</u>	<u>Outstanding Debt Service Requirements</u>
2013	1,875,836
2014	2,032,310
2015	2,037,337
2016	1,402,706
2017	1,404,636
2018	1,410,518
2019	1,430,011
2020	1,428,354
2021	1,430,581
2022	1,141,012
2023	866,647
2024	643,252
2025	644,295
2026	644,861
2027	536,702
2028	534,899
2029	542,617
2030	549,698
2031	551,220
2032	557,184
2033	562,510
2034	567,198
2035	571,248
2036	574,660
2037	582,354
2038	589,251
Total	\$ <u>25,111,895</u>

Demographic and Economic Information

Brownsville Navigation District of Cameron County, Texas
Miscellaneous Statistical Data
 Last Ten Years
 (Unaudited)

Brownsville Navigation District Facts:

Date of Incorporation: 1936
Form of Government: A political subdivision of the State of Texas
Area: 40,000 acres
Altitude: 8 feet to 15 feet above mean sea level

<u>Year</u>	<u>GDP (a)</u>	<u>National Unemployment (b)</u>	<u>Total U.S. Exports (c)</u>	<u>Total U.S. Imports (c)</u>	<u>U.S. Rig Count (d)</u>	<u>Oil Price \$/Bbl (e)</u>	<u>PMI (f)</u>
2012	3.1%	8.1%	\$ -	\$ -	\$ 1,784	\$ 111.67	50.2
2011	3.0%	8.9%	1,480.5	2,186.9	1,875	111.26	53.4
2010	2.8%	9.6%	1,277.5	1,912.1	1,546	79.48	57.3
2009	-1.6%	9.3%	1,056.0	1,559.6	1,089	61.95	46.2
2008	0.0%	5.8%	1,287.4	2,103.6	1,879	99.67	45.5
2007	1.9%	4.6%	1,148.2	1,957.0	1,768	72.34	51.1
2006	2.7%	4.6%	1,026.0	1,853.9	1,649	66.05	53.1
2005	3.1%	5.1%	901.1	1,673.5	1,383	56.64	54.4
2004	3.6%	5.5%	814.9	1,469.7	1,192	41.51	59.1
2003	2.5%	6.0%	724.8	1,257.1	1,032	31.08	51.7

(a) *Gross Domestic Product percent changed based on 2005 dollars. Source: Bureau of Economic Analysis*

(b) *Annual average unemployment rate per year. Source: Bureau of Labor Statistics*

(c) *Billions of dollars. Figures for 2012 are not available at the time of the printing of this report. Source: Customs data from Department of Commerce, U.S. Census Bureau*

(d) *Annual average total U.S. rig count. Source: Baker Hughes rig count data*

(e) *Cushing, OK WTI spot price. Source: Energy Information Administration (EIA)*

(f) *Purchasing Managers Index value above 50 means growth. Source: Institute for Supply Management*

Brownsville Navigation District of Cameron County, Texas
Demographic and Economic Statistics for Cameron County
 Last Ten Calendar Years
 (Unaudited)

Fiscal Year	Population (a)	Per Capita Income (a)	Median Age (a)	School Enrollment (b)	Unemployment Rate (c)	Personal Income (c)
2012	406,220	\$ 14,183	30.6	101,477	10.2%	\$ 23,236
2011	406,220	13,474	29.1	101,832	11.9%	18,550
2010	406,220	13,474	29.1	101,832	11.1%	18,550
2009	387,717	13,377	29.0	100,165	9.9%	18,275
2008	387,717	12,511	28.8	99,713	7.5%	18,200
2007	387,717	13,293	29.6	93,180	5.8%	18,250
2006	385,618	17,374	29.6	92,485	6.2%	18,313
2005	374,825	16,313	28.9	90,485	6.9%	17,410
2004	371,825	16,308	28.9	87,286	8.0%	16,783
2003	362,372	16,308	28.6	86,333	9.2%	16,783

Sources: (a) U. S. Census estimates
 (b) Region One
 (c) U.S. Department of Labor - Bureau of Labor Statistics

Brownsville Navigation District of Cameron County, Texas
Ten Principle Employers
(Unaudited)

Port of Brownsville Employers

<u>No.</u>	<u>Employer</u>	<u>Type of Activity</u>	<u>2012 Estimated No. of Employees</u>	<u>% of Total Port of Brownsville Employment</u>	<u>2003 Estimated No. of Employees</u>
1	KeppelAMFELS	Manufacturer	2,400	62.83%	2,218
2	ESCO Marine, Inc.	Ship Breaking/Scrap	458	11.99%	50
3	Southern Recycling, LLC	Scrap Recycling	217	5.68%	-
4	International Shipbreaking, L.L.C.	Ship Breaking/Scrap	157	4.11%	100
5	Duro Standard Products Co. L.L.C.	Paper Products	129	3.38%	174
6	Bedoli Group, Inc.	Scrap Recycling	120	3.14%	43
7	Cumberworth Investments, Inc.	Trucking	100	2.62%	100
8	Gulf Stream Marine Inc.	Stevedoring	90	2.36%	100
9	Sea Horse Transportation, Inc.	Trucking	80	2.09%	-
10	Transmontaigne Product Services, Inc.	Bulk Liquid Storage	69	1.81%	64

Source: Brownsville Navigation District Industrial Development Department

Cameron County, Texas Employers

<u>No.</u>	<u>Employer</u>	<u>Type of Activity</u>	<u>2012 Estimated No. of Employees</u>	<u>% of Total Cameron County Employment</u>	<u>2006* Estimated No. of Employees</u>
1	Brownsville ISD	Education	7,708	31.46%	7,625
2	Harlingen CISD	Education	2,848	11.62%	2,500
3	Valley Baptist Medical Center	Health Care	2,668	10.89%	3,000
4	The University of Texas at Brownsville	Education	2,343	9.56%	2,077
5	Cameron County	Government	2,040	8.33%	1,528
6	KeppelAMFELS	Manufacturer	1,650	6.73%	2,278
7	San Benito CISD	Education	1,400	5.71%	1,638
8	Wal-Mart Associates, Inc.	Retail	1,392	5.68%	1,735
9	Advance Call Center Tech	Service Center	1,250	5.10%	-
10	City of Brownsville	Government	1,200	4.90%	2,104

*2006 is the first year data was collected

Source: Cameron County, Texas CAFR

Brownsville Navigation District of Cameron County, Texas
Table of Physical Characteristics of the Port Facilities of the Port of Brownsville
(Unaudited)

		Berth Length (Feet)	Berth Width (feet)	Height (feet)	Depth Alongside (feet)	Available Rail
General Cargo Docks						
Dock No. 1	General Cargo	420	165	14.8	32	Double depressed track
Dock No. 2	General Cargo	420	165	14.8	32	Double depressed track
Dock No. 3	General Cargo	440	165	14.8	32	Double depressed track
Dock No. 4	General Cargo	470	165	14.8	32	Double depressed track
Dock No. 7	General Cargo	500	140	12.8	27	Double depressed track
Dock No. 8	General Cargo	500	140	12.8	26	Double depressed track
Dock No. 10	Light Draft Vessels	650	280	12	16	(1) Apron Track (2) Double depressed track
Dock No. 11	Deep sea-Open Dock	626	280	12	32	Apron Track
Dock No. 12	General Cargo	550	280	12	32	Double depressed track
Dock No. 13	General Cargo	550	280	12	32	Double depressed track
Dock No. 15	Heavy Duty/Multi purpose open dock	600	145	12	42	
Liquid Cargo Docks						
Liquid Cargo Dock		30	60			
Oil Dock No. 1		420	120	14.67	33	
Oil Dock No. 2		420	120	14.67	31	
Oil Dock No. 3		420	120	14.67	30	
Oil Dock No. 5		1100	220	16.42	42	
Bulk Cargo (Grain Elevator) Dock		400	43	12	36	
Cargo Storage Facilities						
Covered Storage Areas		571,065 square feet				
Open Storage Areas		2,850,000 square feet				
Tank Storage (private terminals)		3,400,0000 barrels				
Cargo Handling Equipment						
Mobile Harbor Crane		Gottwald 300-ton mobile harbor crane located on Dock 15				

Mobile cranes and additional cargo-handling equipment are owned by the licensed stevedores and freight handlers operating at the Port of Brownsville.

Operating Information

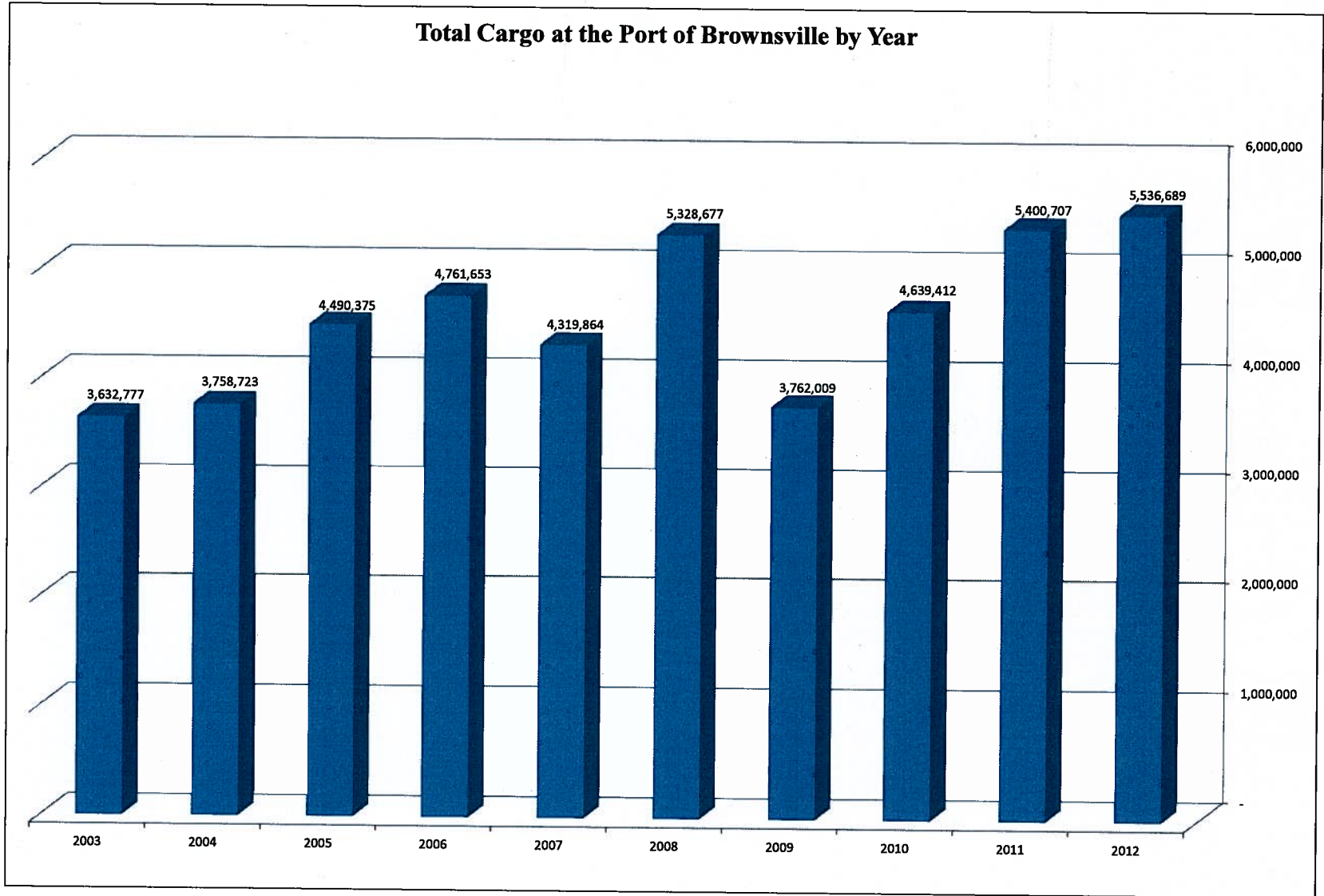
Brownsville Navigation District of Cameron County, Texas
Cargo Statistics for the Port of Brownsville
 Reported in Metric Tons
 Last Ten Years
 (Unaudited)

Breakdown of Waterborne Cargo by Product Classification

	Calendar Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Farm Products	-	-	11,709	-	-	45,839	-	12,080	9,506	33,049
Metallic Ores	35,061	11,911	49,786	12,081	36,179	43,863	52,193	58,754	54,343	412,794
Coal	-	-	13,603	-	1,345	-	33,373	5,144	-	-
Nonmetallic Minerals, Except Fuels	364,257	493,777	267,319	550,864	822,158	266,114	411,309	367,677	223,103	253,575
Food and Kindred Products	-	5,110	2,414	3,118	1,967	12,679	-	2,323	27,053	41,030
Chemicals and Allied Products	45,240	28,311	9,996	-	8,467	55,377	55,861	78,205	21,444	29,514
Petroleum and Coal Products	2,825,286	2,932,034	2,784,654	2,084,578	2,268,068	1,849,832	1,521,479	1,782,067	1,833,111	1,164,939
Rubber and Miscellaneous Plastic Products	-	-	-	19	-	-	-	-	-	-
Stone, Clay and Concrete Products	-	-	-	-	2,914	-	-	4,366	-	16,187
Primary Metal Products	2,018,001	1,648,311	1,358,982	999,004	2,036,628	1,914,316	2,608,864	2,135,918	1,533,404	1,645,713
Fabricated Metal Products	8,220	-	1,347	-	724	2,004	514	-	-	188
Machiners	-	309	158	124	776	3,627	3,006	220	3,657	3,797
Special Items	7,592	1,954	1,677	12,581	5,350	4,060	-	-	-	88
Transportation Equipment	-	-	384	223	379	-	-	1,419	1,809	734
Miscellaneous Products of Manufacturing	-	-	-	254	-	-	22,306	-	-	16,596
Waste and Scrap Materials	229,612	273,209	131,334	94,092	120,676	109,330	35,254	28,743	46,603	6,744
Water	3,420	5,781	6,049	5,072	23,045	12,823	17,495	13,459	4,691	7,827
Total	5,536,689	5,400,707	4,639,412	3,762,009	5,328,677	4,319,864	4,761,653	4,490,375	3,758,723	3,632,777

Summary of Waterborne Cargo by Movement Type

	Calendar Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Foreign										
Imports	2,805,683	2,800,164	2,400,429	2,541,299	3,295,768	2,364,431	3,390,762	2,476,194	1,735,236	1,651,052
Exports	125,565	456,067	345,284	167,746	289,582	433,616	268,242	382,433	238,828	486,370
Total Foreign	2,931,248	3,256,231	2,745,713	2,709,044	3,585,350	2,798,047	3,659,005	2,858,627	1,974,065	2,137,422
Coastwise										
Receipts	918,999	614,069	645,230	164,403	318,599	1,672	17,550	28,275	14,487	106,858
Shipments	406,378	88,237	15,569	11,711	58,684	39,646	-	17,970	33,440	89,891
Total Coastwise	1,325,377	702,306	660,799	176,114	377,283	41,318	17,550	46,245	47,927	196,749
Interncoastal										
Receipts	716,208	764,584	673,247	393,227	843,941	908,007	670,483	1,083,284	1,093,321	1,241,299
Shipments	563,857	677,586	559,652	483,624	522,103	572,492	414,616	502,219	643,410	57,307
Total Intercoastal	1,280,064	1,442,170	1,232,899	876,851	1,366,044	1,480,499	1,085,099	1,585,503	1,736,731	1,298,607
Total Imports	2,805,683	2,800,164	2,400,429	2,541,299	3,295,768	2,364,431	3,390,762	2,476,194	1,735,236	1,651,052
Total Exports	125,565	456,067	345,284	167,746	289,582	433,616	268,242	382,433	238,828	486,370
Total Receipts	1,635,207	1,378,653	1,318,477	557,631	1,162,540	909,679	688,033	1,111,559	1,107,808	1,348,157
Total Shipments	970,234	765,823	575,221	495,334	580,787	612,138	414,616	520,189	676,850	147,198
Total	5,536,689	5,400,707	4,639,412	3,762,009	5,328,677	4,319,864	4,761,653	4,490,375	3,758,723	3,632,777



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Brownsville Navigation District of Cameron County, Texas
Vessel Calls by Type of Vessel at the Port of Brownsville

Last Ten Years
(Unaudited)

	Calendar Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Barges	707	858	657	419	733	760	463	757	825	712
Cargo Vessels	124	110	77	80	158	140	180	213	203	210
Deck Barges	5	-	1	1	1	-	-	-	-	-
Drilling Rig	3	10	4	2	5	11	6	5	-	-
Fishing Vessels	-	-	-	-	18	24	22	66	145	338
Miscellaneous	62	84	77	12	39	35	11	12	13	5
Ocean Barges	78	46	55	42	23	12	-	-	-	-
Scrap Vessels / Barges	32	37	36	20	29	11	13	51	-	-
Tankers	72	92	79	75	93	66	99	-	-	-
Total	1,083	1,237	986	651	1,099	1,059	794	1,104	1,186	1,265

Brownsville Navigation District of Cameron County, Texas
Annual Employment
 Last Ten Calendar Years
 (Unaudited)

	Calendar Year Ending									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Hourly/Salaried Employees										
Hourly Employees (Non-Exempt)	74	73	73	71	67	54	56	55	54	55
Salaried Employees (Exempt)	19	16	19	18	18	19	19	21	20	23
	93	89	92	89	85	73	75	76	74	78
Operations Employees										
Hourly Employees (Non-Exempt)	58	58	60	59	56	44	45	43	42	43
Salaried Employees (Exempt)	5	3	6	6	6	7	7	7	7	8
	63	61	66	65	62	51	52	50	49	51
Administrative Employees										
Hourly Employees (Non-Exempt)	16	15	13	12	11	10	11	12	12	12
Salaried Employees (Exempt)	14	13	13	12	12	12	12	14	13	15
	30	28	26	24	23	22	23	26	25	27

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

Independent Auditor's Report

**Board of Navigation and Canal Commissioners
Brownsville Navigation District of Cameron County, Texas**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the Brownsville Navigation District ("District") of Cameron County, Texas, as of and for the year ended December 31, 2012, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated May 8, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



LONG CHILTON, LLP
Certified Public Accountants

Brownsville, Texas
May 8, 2013



PORT OF
BROWNSVILLE
• WORLD CLASS •



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