PRELIMINARY OFFICIAL STATEMENT
Dated July 16, 2020

Rating:
S&P: "AA-"
(See "OTHER INFORMATION - RATING" herein)

NEW ISSUE – BOOK-ENTRY-ONLY

In the opinion of Bond Counsel (defined below), assuming continuing compliance by the District (defined below) after the date of initial delivery of the Bonds (defined below) with certain covenants described in the Bond Order (defined below) and subject to the matter described herein under "TAX MATTERS", interest on the Bonds under existing statutes, regulations, published rulings and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under section 103 of the Code (defined herein) and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals (see "TAX MATTERS" herein).

THE BONDS WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

$35,000,000*
PORT OF BEAUMONT NAVIGATION DISTRICT OF JEFFERSON COUNTY, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2020

Dated Date: July 15, 2020 **Due: March 1, as shown on the inside cover page**
Interest Accrues from the Date of Initial Delivery (defined below)

PAYMENT TERMS . . . Interest on the $35,000,000* Port of Beaumont Navigation District of Jefferson County, Texas, General Obligation Bonds, Series 2020 (the "Bonds") will accrue from the Date of Initial Delivery, defined below, and will be payable March 1 and September 1 of each year commencing March 1, 2021, until maturity, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is UMB Bank, n.a., Austin, Texas (see "THE BONDS – PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapter 147, Acts of the 51st Legislature of Texas, Regular Session, 1949, as amended (the "Prior Act"); Chapter 5010, Special District Local Laws Code (Act of September 1, 2019, 86th State Legislature Regular Session, HB 4666 (the "Modernization Act"), Chapter 1371, Texas Government Code, as amended, an election held within the District on November 7, 2017 (the "Election"), an order adopted by the Board of Port Commissioners of the Port of Beaumont Navigation District of Jefferson County, Texas (the "District") and the pricing certificate of the Pricing Officer approving the sale terms of the Bonds as authorized by the order adopted on June 29, 2020 (the "Bond Order"). The Bonds are direct obligations of the District payable from a continuing ad valorem tax levied on all taxable property within the District, legally unlimited as to rate or amount, as provided in the Bond Order (see "THE BONDS – AUTHORITY FOR ISSUANCE" and "THE BONDS – SECURITY AND SOURCE OF PAYMENT").

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of acquiring, purchasing, constructing, improving and developing wharves, docks, warehouses, other storage facilities, terminal facilities, rail facilities and other facilities or aids to navigation consistent with or necessary to the operation or development of ports or waterways within said port, including the acquisition of necessary lands, together with all expenses incident thereto. See "THE BONDS – PURPOSE".

CUSIP PREFIX: 733590
MATURITY SCHEDULE, INTEREST RATES, PRICES AND OTHER TERMS
SEE INSIDE FRONT COVER

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchaser (the "Bond Purchaser") and subject to the approving opinion of the Attorney General of Texas and the opinion of Germer PLLC, Bond Counsel, Beaumont, Texas (see "APPENDIX C – FORM OF BOND COUNSEL'S OPINION").

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on August 18, 2020 (the "Date of Initial Delivery").

BIDS DUE ON THURSDAY, JULY 23, 2020, BY 9:00 AM, CENTRAL TIME

*See "CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS" in the Notice of Sale. Preliminary, subject to change.

CUSIP Prefix [(1)]: 733590

MATURITY SCHEDULE*

Maturity Date March 1	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix [(1)]
2021	$ 800,000			
2022	1,025,000			
2023	1,050,000			
2024	1,075,000			
2025	1,100,000			
2026	1,130,000			
2027	1,155,000			
2028	1,185,000			
2029	1,215,000			
2030	1,245,000			
2031	1,275,000			
2032	1,310,000			
2033	1,350,000			
2034	1,390,000			
2035	1,435,000			
2036	1,480,000			
2037	1,525,000			
2038	1,580,000			
2039	1,630,000			
2040	1,690,000			
2041	1,745,000			
2042	1,805,000			
2043	1,870,000			
2044	1,935,000			
2045	2,000,000			

(Interest Accrues from the Date of Initial Delivery)

*See "CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS" in the Notice of Sale Preliminary, subject to change.

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are included herein solely for the convenience of the owners of the Bonds. None of the District, the Financial Advisor or the Bond Purchaser shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after March 1, 2031, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

For purposes of compliance with Rule 15c2-12 of the United States Securities Exchange Commission ("SEC"), this document constitutes a Preliminary Official Statement of the District with respect to the Bonds that has been deemed "final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the District to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SEC AND, CONSEQUENTLY, HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, OR EXEMPTED, SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NEITHER THE DISTRICT NOR THE FINANCIAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

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The cover and inside cover pages hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE DISTRICT.................................. The Port of Beaumont Navigation District of Jefferson County, Texas (the "District") is a political subdivision located in Jefferson County operating pursuant to the general laws of the State of Texas. The District was created pursuant to Chapter 147, Acts of the 51st Legislature of Texas, Regular Session, 1949, as amended (the "Prior Act"); Chapter 5010, Special District Local Laws Code (Act of September 1, 2019, 86th State Legislature Regular Session, HB 4666 (the "Modernization Act"). The District is directed by a six member Board of Port Commissioners (the "Board") who are elected to six year staggered terms. The Commissioners hire a Port Director which is the chief executive officer. The Board formulates operating policies for the District while the Director implements the policies and directives of the Board.

The District covers an area of approximately 150 square miles including the City of Beaumont, Texas. The District's port facility is located approximately 42 miles up the federally maintained Sabine-Neches Waterway from the Gulf of Mexico. The river channel is 400 feet wide and 40 feet deep and is connected to the Intercoastal Waterway (see "INTRODUCTION - Description of the District").

THE BONDS..................................... The $35,000,000* General Obligation Bonds, Series 2020 (the "Bonds") are issued as serial bonds maturing on March 1 in the years 2021 through and including 2045 unless any maturities are designated by the Bond Purchaser as Term Bonds. See "THE BONDS – Description of the Bonds".

PAYMENT OF INTEREST .... Interest on the Bonds will accrue from the respective Date of Initial Delivery and is payable March 1, 2021, and each September 1 and March 1 thereafter until maturity (see "THE BONDS – GENERAL" and "THE BONDS – OPTIONAL REDEMPTION").

AUTHORITY FOR ISSUANCE .... The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapter 147, Acts of the 51st Legislature of Texas, Regular Session, 1949, as amended (the "Prior Act"); Chapter 5010, Special District Local Laws Code (Act of September 1, 2019, 86th State Legislature Regular Session, HB 4666 (the "Modernization Act"), Chapter 1371, Texas Government Code, as amended, an election held within the District on November 7, 2017 (the "Election"), an order adopted by the Board of Port Commissioners of the Port of Beaumont Navigation District of Jefferson County, Texas (the "District") and the pricing certificate of the Pricing Officer approving the sale terms of the Bonds as authorized by the order adopted on June 29, 2020 (the "Bond Order"). The Bonds are direct obligations of the District payable from a continuing ad valorem tax levied on all taxable property within the District, legally unlimited as to rate or amount, as provided in the Bond Order (see "THE BONDS – AUTHORITY FOR ISSUANCE" and "THE BONDS – SECURITY AND SOURCE OF PAYMENT").

SECURITY FOR THE BONDS .... The Bonds constitute direct obligations of the District payable from the levy and collection of a direct and continuing ad valorem tax levied, without legal limit as to rate or amount, on all taxable property located within the District, as provided in the Bond Order.

OPTIONAL REDEMPTION .... The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after March 1, 2031, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

TAX EXEMPTION............................ In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under the caption "TAX MATTERS" herein.

*See "CONDITIONS OF THE SALE – BASIS FOR AWARD" in the Notice of Sale. Preliminary, subject to change.

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used for the purpose of acquiring, purchasing, constructing, improving and developing wharves, docks, warehouses, other storage facilities, terminal facilities, rail facilities and other facilities or aids to navigation consistent with or necessary to the operation or development of ports or waterways within said port, including the acquisition of necessary lands, together with all expenses incident thereto.
See "THE BONDS – PURPOSE".

RATING .... The Bonds are rated "AA-" by S&P Global Ratings ("S&P") (see "OTHER INFORMATION – RATING").

BOOK-ENTRY-ONLY SYSTEM .... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS – BOOK-ENTRY-ONLY SYSTEM").

PAYMENT RECORD .... The District has never defaulted on payment of its debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 8/31	Estimated Population (1)	Taxable Assessed Valuation (2)	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita	% Total Collections
2016	118,000	$9,084,349,714	$ 76,986	$2,860,000	0.03%	$ 24	99.64%
2017	118,000	9,278,740,738	78,633	1,450,000	0.02%	12	99.22%
2018	118,000	9,416,281,304	79,799	48,655,000	0.52%	412	99.37%
2019	118,000	9,547,689,985	80,913	45,640,000	0.48%	387	98.70%
2020	118,000	10,175,704,065	86,235	77,330,000 (3)	0.76%	655	97.29% (4)

(1) Source: District Officials.
(2) As reported by the Jefferson County Appraisal District; subject to change during the ensuing year.
(3) Projected; includes the Bonds. Preliminary, subject to change.
(4) Partial collections as of May 31, 2020.

For additional information regarding the District, please contact:

Mr. David C. Fisher Port Director and CEO Port of Beaumont Navigation District 1225 Main Street Beaumont, Texas 77704 Phone: (409) 835-5367 ext. 222	or	Mr. Steven A. Adams Mr. Paul N. Jasin Specialized Public Finance Inc. 4925 Greenville Avenue, Suite 1350 Dallas, Texas 75206 Phone: (214) 373-3911

DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Commissioners	Length of Service	Term Expires	Occupation
Louis M. Broussard, Jr. President	2001	2023	President, Beaumont Rice Mills
Georgine Guillory Vice President	2003	2023	Self-Employed
Pat Anderson Secretary-Treasurer	2013	2025	Sales Executive, Becker Printing
Bill C. Darling Commissioner	2013	2021	Market President, Hancock Whitney
Dr. David Willard Commissioner	2019	2025	Dean of Students, All Saints Episcopal School
Lee E. Smith Commissioner	2002	2021	Retired

APPOINTED OFFICIALS

Name	Position	Employment in Current Position	Initial Employment with Port
David C. Fisher	Port Director and CEO	2002	1981
Ernest L. Bezdek	Director of Trade Development	2002	1998
Kirby Dartez	Director of Operations	2002	1985
Tracy Mills	Director of Finance and Administration	2011	2011
Randal Ogrydziak	Director of Security, Facilities & Regulatory Compliance	2017	2017
Brandon Bergeron	Director of Engineering	2018	2018

CONSULTANTS AND ADVISORS

Auditors .... Funchess, Mills, White & Co., P.C.
Beaumont, Texas

Bond Counsel .... Germer PLLC
Beaumont, Texas

Financial Advisor.......... Specialized Public Finance Inc.
Dallas, Texas

PRELIMINARY OFFICIAL STATEMENT
RELATING TO

$35,000,000*
PORT OF BEAUMONT NAVIGATION DISTRICT OF JEFFERSON COUNTY, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2020

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the $35,000,000* Port of Beaumont Navigation District of Jefferson County, Texas General Obligation Bonds, Series 2020 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the order (the "Bond Order"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Financial Advisor, Specialized Public Finance Inc., Dallas, Texas, by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Bonds will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the District's undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE DISTRICT . . . The Port of Beaumont Navigation District of Jefferson County, Texas (the "District") is a political subdivision located in Jefferson County existing and operating under the provisions of Chapter 147, Acts of the 51st Legislature of Texas, Regular Session, 1949, as amended (the "Prior Act"); Chapter 5010, Special District Local Laws Code (Act of September 1, 2019, 86th State Legislature Regular Session, HB 4666 (the "Modernization Act"), as amended, and related statutes of the State of Texas, as amended, The District is governed by a six member Board of Port Commissioners (the "Board") who are elected to six-year staggered terms. The Commissioners hire a Port Executive Director/CEO which is the chief executive officer. The Board formulates operating policies for the Port while the Director implements the policies and directives of the Board. The District covers an area of approximately 150 square miles including the City of Beaumont, Texas. The Port facility is located approximately 42 miles up the federally maintained Sabine-Neches Waterway from the Gulf of Mexico. The river channel is 400 feet wide and 40 feet deep and is connected to the Intercoastal Waterway.

THE BONDS

GENERAL . . . The Bonds are dated July 15, 2020, and mature on March 1 in each of the years and in the amounts shown on the inside cover page. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable March 1 and September 1 of each year commencing March 1, 2021 until maturity, and will accrue from the Date of Initial Delivery.

After delivery of the Initial Bond to the Bond Purchaser named in the Pricing Certificate, definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the book-entry-only system described herein (the "Book-Entry-Only System"). **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapter 147, Acts of the 51st Legislature of Texas, Regular Session, 1949, as amended (the "Prior Act"); Chapter 5010, Special District Local Laws Code (Act of September 1, 2019, 86th State Legislature Regular Session, HB 4666 (the "Modernization Act"), Chapter 1371, Texas Government Code, as amended, an election held within the District on November 7, 2017 (the "Election"), an order adopted by the Port of Board Commissioners of the Port of Beaumont Navigation District of Jefferson County, Texas (the "District") and the pricing certificate of the Pricing Officer approving the sale terms of the Bonds as authorized by the order adopted on June 29, 2020 (the "Bond Order"). The Bonds are direct obligations of the District payable from a continuing ad valorem tax levied on all taxable property within the District, legally unlimited as to rate or amount, as provided in the Bond Order.

SECURITY AND SOURCE OF PAYMENT . . . All taxable property within the District is subject to a continuing direct annual ad valorem tax levied by the District sufficient to provide for the payment of principal of and interest on all Bonds, without limitation as to rate or amount for payment of debt service. The District is limited to a tax rate of $0.10 per $100 in assessed valuation for operating and maintenance expenses.

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*See "CONDITIONS OF THE SALE – BASIS FOR AWARD." Preliminary, subject to change.

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after March 1, 2031, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District may select the maturities of the Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bond, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND ANY OTHER CONDITION TO REDEMPTION SATISFIED, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DTC REDEMPTION PROVISIONS . . . The Paying Agent/Registrar and the District so long as a book-entry-only system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bond Order or other notices with respect to the Bonds to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant or Indirect Participant to notify the beneficial owner, shall not affect the validity of the redemption of the bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the District or the Paying/Agent Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or persons for whom DTC Participants, or beneficial owners of the selection of portions of the Bonds for redemption.

DEFEASANCE . . . *General.* The Bond Order provides for the defeasance of the Bonds and the termination of the pledge of taxes and all other general covenants in the Bond Order under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding ("Defeased Bond") within the meaning of the Bond Order, except to the extent provided below for the Paying Agent/Registrar to continue payments and for the District to retain the right to call Defeased Bonds to be paid at maturity, when the payment of all principal and interest payable with respect to such Defeased Bonds to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (1) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (2) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or a commercial bank or trust company for such payment (a) lawful money of the United States of America sufficient to make such payment, (b) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the District with the Paying Agent/Registrar for the payment of its services until after all Defeased Bonds shall have become due and payable or (c) any combination of (a) and (b). At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes levied and pledged as provided in the Bond Order, and such principal and interest shall be payable solely from such money or Defeasance Securities and thereafter the District will have no further responsibility with respect to amounts available to such Paying Agent/Registrar (or other financial institution permitted by applicable law) for the payment of such Defeased Bond, including any insufficiency therein caused by the failure of the Paying Agent/Registrar (or other financial institution permitted by law) to receive payment when due on the Defeased Securities.

The deposit under clause (2) above shall be deemed a payment of a Bond when proper notice of redemption of such Bonds shall have been given, in accordance with the Bond Order. Any money so deposited with the Paying Agent/Registrar or a commercial bank or trust company may at the discretion of the District also be invested in Defeasance Securities, as hereinafter defined, maturing in the amounts and at the times as set forth in the Bond Order, and all income from such Defeasance Securities received by the Paying Agent/Registrar or a commercial bank or trust company that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be remitted to the District.

All money or Defeasance Securities set aside and held in trust pursuant to the provisions of the Bond Order for the payment of principal of the Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar or a commercial bank or trust company shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the District shall make proper arrangements to provide and pay for such services as required by the Bond Order.

If money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or a commercial bank or trust company for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the defeasance provisions of the Bond Order shall be made without the consent of the registered owner of each Bond affected thereby.

*Retention of Right*s. To the extent that, upon the defeasance of any Defeased Bonds to be paid at its maturity, the District retains the right under State law to later call any Defeased Bonds which is subject to redemption (i.e. the Bonds) in accordance with the provisions of the Bond Order, the District may call such Defeased Bonds for redemption upon complying with the provisions of State law and upon the satisfaction of the provisions set forth above regarding such Defeased Bonds as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bonds and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bonds.

*Investment*s. Any escrow agreement or other instrument entered into between the District and the Paying Agent/Registrar or a commercial bank or trust company pursuant to which money and/or Defeasance Securities are held by the Paying Agent/Registrar or a commercial bank or trust company for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent/Registrar or a commercial bank or trust company which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, will be remitted to the District.

"Defeasance Securities" means (i) Federal Securities, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Port Commissioners adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Port Commissioners adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rates as to investment quality by a nationally recognized investment rating firm no less than "AAA" or its equivalent and (iv) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds. The foregoing notwithstanding and pursuant to this Order, the Pricing Officer may elect in the Pricing Certificate to modify the definition of "Defeasance Securities" by eliminating any securities or obligations set forth in the preceding sentence upon determining that it is in the best interests of the Port to do so.

The District may modify the categories of Defeasance Securities that are eligible to defease the Bonds to accommodate requests from potential investors.

There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

BOOK-ENTRY-ONLY SYSTEM . . . This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.
The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District does not take any responsibility for the accuracy thereof.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . . In reading this Official Statement it should be understood that while the Bonds are in the book-entry-only system, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

Information concerning DTC and the book-entry-only system has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District, the Financial Advisor, or the respective Purchaser.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is UMB Bank, n.a., Austin, Texas. In the Bond Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . If the book-entry-only system should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer.

Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT. . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the 15th day of the preceding month. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each owner of an Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

BONDHOLDERS' REMEDIES . . . The Bond Order establishes specific events of default with respect to the Bonds. If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Bond Order, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the District, the Bond Order provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions.

The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Bond Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

The Bond Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 819 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's governmental immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or covenants in the Bond Order. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds.

Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

AMENDMENTS TO THE ORDER . . . In the Bond Order, the District has reserved the right to amend the Bond Order without the consent of any owners for the purpose of amending or supplementing such Bond Order to (1) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the owners, (2) grant additional rights or security for the benefit of the owners, (3) add events of default as shall not be inconsistent with the provisions of the Bond Order that do not materially adversely affect the interests of the owners, (4) qualify the Bond Order under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (5) make such other provisions in regard to matters or questions arising under the Bond Order that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the District, do not materially adversely affect the interest of the owners.

The Bond Order further provides that the owners of the respective Bonds aggregating in principal amount 51% of the outstanding Bonds shall have the right from time to time to approve any amendment not described above to the Bond Order if it is deemed necessary or desirable by the District; provided, however, that without the consent of 100% of the owners in original principal amount of the then outstanding Bonds no amendment may be made of the purpose of: (1) making any change in the maturity of any of the outstanding Bonds; (2) reducing the rate of interest borne by any of the outstanding Bonds; (3) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (4) modifying the terms of payment of principal or of interest or redemption premium on outstanding Bonds, or imposing any condition with respect to such payment; or (5) changing the minimum percentage of principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Bond Order for further provisions relating to the amendment thereof.

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of acquiring, purchasing, constructing, improving and developing wharves, docks, warehouses, other storage facilities, terminal facilities, rail facilities and other facilities or aids to navigation consistent with or necessary to the operation or development of ports or waterways within said port, including the acquisition of necessary lands, together with all expenses incident thereto.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds	
Par Amount of Bonds	$ -
Net Reoffering Premium	-
Total Sources	$ -
Uses of Funds	
Deposit to Project Construction Fund	$ -
Costs of Issuance/Rounding Amount	-
Total Uses	$ -

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the District is the responsibility of the Jefferson County Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the State's Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used.

State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by the appraisal office or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The District may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the District by petition filed with the Appraisal Review Board.

Reference is made to the Texas Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the Texas Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant: (1) An exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision; (2) An exemption of up to 20% of the market value of residence homesteads. The minimum exemption under this provision is $5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

The District and the other taxing bodies within its territory may agree to jointly create tax increment financing zones, under which the tax values on property in the zone are "frozen" at the value of the property at the time of creation of the zone. The District also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The District in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

Other exemptions apply with regard to pollution control facilities, low income housing, alternative energy devices, and property exempt by federal law.

Public Hearing and Maintenance and Operations Tax Rate Limitations . . . The following terms as used in this section have the meanings provided below:

> "adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.
>
> "de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.
>
> "no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).
>
> "special taxing unit" means a public entity for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.
>
> "unused increment rate" means the cumulative difference between a Port voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a Port tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.
>
> "voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate."

The Port's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the Port must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the Port to the Port Commissioners by March 1 or as soon as practicable thereafter.

The Port must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the Port and the Jefferson County Tax Assessor-Collector. The Port must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If the Port fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the Port for the preceding tax year. As described below, the Property Tax Code provides that if the Port adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its "de minimis rate", an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

The Port may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until the appraisal district has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the Port has held a public hearing on the proposed tax increase.

If the adopted tax rate for any tax year exceeds the voter-approval tax rate, the Port must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

If the Port is located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year, the Port may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

THE CALCULATIONS OF THE NO-NEW-REVENUE TAX RATE AND VOTER-APPROVAL TAX RATE DO NOT LIMIT OR IMPACT THE PORT'S ABILITY TO SET A DEBT SERVICE TAX RATE IN EACH YEAR SUFFICIENT TO PAY DEBT SERVICE ON ALL OF THE PORT'S TAX-SUPPORTED DEBT OBLIGATIONS, INCLUDING THE BONDS.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

Property Assessment and Tax Payment . . . Property within the District is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first installment due before February 1 of each year and the final installment due before August 1.

Penalties and Interest . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the District's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

District Application of Tax Code . . . The District grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $40,000; the disabled are also granted an exemption of $3,000.

The District has granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of $5,000.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the District against the exempt value of residence homesteads for the payment of debt.

The District does not tax nonbusiness personal property; and the Jefferson County Tax Assessor-Collector collects taxes for the District.

The District does permit split payments, and discounts are not allowed.

The District has adopted a Uniform Tax Abatement Policy with the stated purpose of providing incentives to develop, redevelop or improve eligible facilities. It provides for limited special exemptions from ad valorem taxes assessed by the District.

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TABLE 1 – VALUATION, EXEMPTIONS AND AD VALOREM TAX DEBT

2019/2020 Market Valuation Established by Jefferson County Appraisal District (excluding totally exempt property)		$ 13,669,200,682
Less Exemptions/Reductions at 100% Market Value:		
Residence Homestead	$ 544,449,324	
Residence Homesteads (Over-65)	33,621,678	
Local Option Disabled	33,437,419	
Disabled Veterans	46,499,373	
Abatements	2,145,605,069	
Pollution Control	197,682,302	
Other	492,201,452	$ 3,493,496,617
2019/2020 Taxable Assessed Valuation		$ 10,175,704,065 (1)
General Obligation Debt Payable from Ad Valorem Taxes as of 5/31/2020		$ 42,330,000
The Bonds		35,000,000 (2)
		$ 77,330,000
General Obligation Debt Service Fund as of 5/31/2020		$ 1,598,178
Ratio General Obligation Tax Debt to Net Taxable Assessed Valuation		0.76%

2020 Estimated Population - 118,000

Per Capita Taxable Assessed Valuation - $86,235

Per Capita General Obligation Debt Payable from Ad Valorem Taxes - $655

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(1) The 2020/2021 Preliminary Taxable Assessed Valuation is $10,195,438,104.

(2) See "CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS" in the Notice of Sale. Preliminary, subject to change.

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TABLE 2 – TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended August 31,					
	2020		2019		2018	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential Single Family	$ 3,878,736,571	28.38%	$3,715,199,342	30.14%	$3,746,084,064	32.23%
Real, Residential Multi-Family	420,720,730	3.08%	401,980,552	3.26%	364,170,167	3.13%
Real, Vacant Lots/Tracts	121,101,762	0.89%	115,345,605	0.94%	113,380,286	0.98%
Real, Acreage (Land Only)	88,145,102	0.64%	85,108,330	0.69%	88,687,848	0.76%
Real, Farm and Ranch Improvements	84,971,650	0.62%	84,475,858	0.69%	83,477,640	0.72%
Real, Commercial and Industrial	6,340,327,348	46.38%	5,291,883,433	42.93%	4,505,412,508	38.76%
Real, Oil, Gas and Other Minerals	13,289,582	0.10%	18,601,675	0.15%	34,703,741	0.30%
Good In Transit	1,880,880	0.01%	-	0.00%	-	0.00%
Real and Tangible Personal, Utilities	437,308,520	3.20%	380,858,960	3.09%	371,364,070	3.19%
Personal, Commercial and Industrial	2,220,490,917	16.24%	2,169,559,218	17.60%	2,253,936,970	19.39%
Tangible Personal, Other	5,379,530	0.04%	3,031,870	0.02%	4,173,080	0.04%
Real Property, Inventory	7,481,380	0.05%	7,598,920	0.06%	9,978,160	0.09%
Special Inventory Tax	49,366,710	0.36%	52,156,680	0.42%	48,246,150	0.42%
Total Appraised Value Before Exemptions	13,669,200,682	100.00%	12,325,800,443	100.00%	11,623,614,684	100.00%
Less: Total Exemptions/Reductions	3,493,496,617		2,778,110,458		2,207,333,380	
Taxable Assessed Value	$ 10,175,704,065		$9,547,689,985		$9,416,281,304	

	Taxable Appraised Value for Fiscal Year Ended August 31,			
	2017		2016	
Category	Amount	% of Total	Amount	% of Total
Real, Residential Single Family	$ 3,639,982,709	33.65%	$3,552,689,510	33.52%
Real, Residential Multi-Family	342,505,347	3.17%	312,492,878	2.95%
Real, Vacant Lots/Tracts	110,882,976	1.03%	100,395,089	0.95%
Real, Acreage (Land Only)	78,912,068	0.73%	67,440,139	0.64%
Real, Farm and Ranch Improvements	85,108,448	0.79%	79,976,582	0.75%
Real, Commercial and Industrial	4,024,576,426	37.21%	3,831,262,391	36.15%
Real, Oil, Gas and Other Minerals	27,505,728	0.25%	34,810,205	0.33%
Good in Transit	28,710	0.00%	31,437,470	0.30%
Real and Tangible Personal, Utilities	366,478,120	3.39%	374,387,440	3.53%
Personal, Commercial and Industrial	2,080,736,536	19.24%	2,153,081,224	20.32%
Tangible Personal, Other	4,338,790	0.04%	4,490,050	0.04%
Real Property, Inventory	8,099,050	0.07%	11,182,300	0.11%
Special Inventory Tax	46,747,690	0.43%	44,107,960	0.42%
Total Appraised Value Before Exemptions	10,815,902,598	100.00%	10,597,753,238	100.00%
Less: Total Exemptions/Reductions	1,537,161,860		1,513,403,524	
Taxable Assessed Value	$ 9,278,740,738		$9,084,349,714	

Note: Valuations shown are certified taxable assessed values reported by the Jefferson County Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

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TABLE 3 – VALUATION AND AD VALOREM TAX DEBT HISTORY

Fiscal Year Ended 8/31	Estimated Population [(1)]	Taxable Assessed Valuation [(2)]	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2016	118,000	$ 9,084,349,714	$ 76,986	$2,860,000	0.03%	$ 24
2017	118,000	9,278,740,738	78,633	1,450,000	0.02%	12
2018	118,000	9,416,281,304	79,799	48,655,000	0.52%	412
2019	118,000	9,547,689,985	80,913	45,640,000	0.48%	387
2020	118,000	10,175,704,065	86,235	77,330,000 [(3)]	0.76%	655

(1) Source: District Officials.
(2) As reported by the Jefferson County Appraisal District; subject to change during the ensuing year.
(3) Projected; includes the Bonds. Preliminary, subject to change.

TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 8/31	Tax Rate	Distribution General Fund	Distribution Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2016	$0.0673	$ 0.0517	$ 0.0156	$6,109,564	98.18%	99.64%
2017	0.0673	0.0514	0.0159	6,139,133	98.08%	99.22%
2018	0.0665	0.0534	0.0131	6,247,487	98.26%	99.37%
2019	0.1147	0.0594	0.0553	10,889,830	98.15%	98.70%
2020	0.1147	0.0590	0.0557	11,668,887	96.70% [(1)]	97.29% [(1)]

(1) Partial collections as of May 31, 2020.

TABLE 5 – TEN LARGEST TAXPAYERS [(1)]

Name of Taxpayer	2019/2020 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Exxon Mobil Corp.	$2,230,726,335	21.92%
Entergy (Gulf States Utilities)	208,421,760	2.05%
Enterprise Texas Pipeline LLC	140,266,350	1.38%
Enterprise Beaumont Marine West	136,699,751	1.34%
Arkema Inc	108,122,821	1.06%
OCI Beaumont LLC	107,902,441	1.06%
Lucite International	86,080,300	0.85%
Martin Marine Inc	84,886,100	0.83%
BASF Corp	78,770,290	0.77%
Centana Intrastate Pipeline Co	76,986,876	0.76%
	$3,258,863,024	32.03%

(1) As shown in Table 5 above, the District's ten largest taxpayers currently account for approximately 32.03% of the District's tax base. Adverse developments in economic conditions, especially in the oil, natural gas and energy industries, could adversely impact the businesses that own such properties in the District and the tax values in the District, resulting in less local tax revenue. If any major taxpayer were to default in the payment of taxes, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or, perhaps, to sell tax anticipation notes until such amounts could be collected, if ever.

TABLE 6 – ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the District.

Taxing Jurisdiction	Total Tax Supported Debt as of 5/31/2020	Estimated % Applicable	Overlapping Tax Supported Debt as of 5/31/2020
Port of Beaumont Navigation District	$ 77,330,000	100.00%	$ 77,330,000 (1)
Beaumont ISD	296,485,000	92.66%	274,723,001
Beaumont, City of	191,688,000	98.02%	187,892,578
Hamshire-Fannett ISD	22,098,887	0.07%	15,469
Jefferson County	39,685,000	42.95%	17,044,708
Nederland ISD	95,305,000	0.17%	162,019
Total Direct and Overlapping Tax Supported Debt			$ 557,167,774
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation			5.48%
Per Capita Overlapping Tax Supported Debt			$ 4,722

(1) Includes the Bonds. Preliminary, subject to change.

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DEBT INFORMATION

TABLE 7 – PRO-FORMA DEBT SERVICE REQUIREMENTS

Year Ended 12/31	Outstanding Debt Principal	Outstanding Debt Interest	Outstanding Debt Total	The Bonds [1] Principal	The Bonds [1] Interest	The Bonds [1] Total	Total Debt Service Requirements
2020	$ 3,310,000	$ 1,764,681	$ 5,074,681	$ -	$ -	$ -	$ 5,074,681
2021	1,260,000	1,650,431	2,910,431	800,000	1,069,432	1,869,432	4,779,863
2022	1,145,000	1,590,306	2,735,306	1,025,000	1,009,925	2,034,925	4,770,231
2023	1,205,000	1,531,556	2,736,556	1,050,000	985,025	2,035,025	4,771,581
2024	1,270,000	1,469,681	2,739,681	1,075,000	959,525	2,034,525	4,774,206
2025	1,330,000	1,404,681	2,734,681	1,100,000	933,425	2,033,425	4,768,106
2026	1,400,000	1,336,431	2,736,431	1,130,000	906,665	2,036,665	4,773,096
2027	1,470,000	1,264,681	2,734,681	1,155,000	879,245	2,034,245	4,768,926
2028	1,550,000	1,189,181	2,739,181	1,185,000	851,165	2,036,165	4,775,346
2029	1,630,000	1,109,681	2,739,681	1,215,000	822,365	2,037,365	4,777,046
2030	1,695,000	1,043,506	2,738,506	1,245,000	792,845	2,037,845	4,776,351
2031	1,745,000	990,816	2,735,816	1,275,000	761,968	2,036,968	4,772,783
2032	1,800,000	935,425	2,735,425	1,310,000	726,380	2,036,380	4,771,805
2033	1,860,000	877,075	2,737,075	1,350,000	686,480	2,036,480	4,773,555
2034	1,930,000	808,250	2,738,250	1,390,000	645,380	2,035,380	4,773,630
2035	2,010,000	729,450	2,739,450	1,435,000	601,929	2,036,929	4,776,379
2036	2,090,000	647,450	2,737,450	1,480,000	556,018	2,036,018	4,773,468
2037	2,170,000	567,675	2,737,675	1,525,000	508,689	2,033,689	4,771,364
2038	2,245,000	490,413	2,735,413	1,580,000	457,810	2,037,810	4,773,223
2039	2,325,000	410,438	2,735,438	1,630,000	403,240	2,033,240	4,768,678
2040	2,410,000	326,069	2,736,069	1,690,000	346,800	2,036,800	4,772,869
2041	2,500,000	237,075	2,737,075	1,745,000	288,405	2,033,405	4,770,480
2042	2,595,000	144,728	2,739,728	1,805,000	228,055	2,033,055	4,772,783
2043	2,695,000	48,847	2,743,847	1,870,000	165,580	2,035,580	4,779,427
2044	-	-	-	1,935,000	100,895	2,035,895	2,035,895
2045	-	-	-	2,000,000	34,000	2,034,000	2,034,000
	$ 45,640,000	$ 22,568,528	$ 68,208,528	$ 35,000,000	$ 15,721,245	$ 50,721,245	$ 118,929,773

(1) Interest on the Bonds has been calculated at an assumed rate as of the posted date of the Preliminary Official Statement for purposes of illustration. Preliminary, subject to change.

TABLE 8 – INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending August 31, 2020		$5,157,431
Debt Service Fund as of August 31, 2019	$ 323,680	
Debt Service Fund Tax Levy @ 98% Collection	5,553,812	$5,877,492
Estimated Balance, August 31, 2020		$ 720,061

TABLE 9 – AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Heretofore Issued	Authorization Being Used (1)	Unissued Balance
Port Improvements	11/7/2017	$ 85,000,000	$ 50,000,000	$ 35,000,000	$ -

(1) Preliminary, subject to change.

ISSUANCE OF ADDITIONAL DEBT . . . The District does not anticipate the issuance of additional general obligation debt within the next twelve months.

OTHER OBLIGATIONS

Series 2016 bond issue -

The Port entered into a facilities lease agreement with Jefferson Railport Terminal II, LLC ("the lessee") on February 1, 2016. The Port of Beaumont Navigation District of Jefferson County, Texas, issued Dock and Wharf Facility Revenue Bonds, Series 2016, in the amount of $144,200,000, to be used for the development, construction and acquisition of these facilities for the transport, loading, unloading and storage of petroleum products on behalf of the Port.

Series 2019 bond issue -

The Port entered into a facilities lease agreement with Allegiant Industrial Island Park, LLC ("the lessee") on February 1, 2019. The Port of Beaumont Navigation District of Jefferson County, Texas, issued Dock and Wharf Facility Revenue Bonds, Series 2019, in the amount of $25,000,000, to be used for the development, construction, rehabilitation and acquisition of certain dock and wharf and related facilities of the District, including the reimbursement to Allegiant Industrial Island Park, LLC for such costs. The bonds will also be used to pay capitalized interest of $3,772,222, establish a debt service reserve fund of $2,500,000 and to pay the costs of issuance of $690,739 for the Series 2019 bonds.

For detailed information, see APPENDIX B – "EXCERPTS FROM THE PORT OF BEAUMONT NAVIGATION DISTRICT OF JEFFERSON COUNTY, TEXAS ANNUAL FINANCIAL REPORT" – Note 9.

Lease on grain elevator -

The Port leases its grain elevator facilities to a private company under the terms of a lease agreement which has been extended and will expire May 31, 2025. The lease provides for rentals to be paid based upon the volume of grain exported from the Texas Gulf each year. Total rent revenue for the years ended August 31, 2019 and 2018 was $652,463 and $564,776, respectively.

Army Corps of Engineers Building -

The Port leases a building to the Army Corps of Engineers. The cost of the building was $5,720,924 and the carrying amount at August 31, 2019 and 2018 was $3,813,961 and $4,004,658, respectively. The lease rent is received monthly and the lease renews annually, total rent revenue for the year ended August 31, 2019 and 2018 was $626,340 and $580,200, respectively.

Dock and Wharf Ground Leases -

Jefferson Terminal Logistics, LLC

The Port leases a portion of its land to Jefferson Terminal Logistics, LLC. The lease term commenced on April 1, 2015 and terminates March 31, 2025 with the option to renew for two additional terms of 10 years each with final termination on March 31, 2045. Total rent revenue for each of the years ended August 31, 2019 and 2018 was $1,680,000.

Allegiant Industrial Island Park. LLC

The Port leases a portion of its land to Allegiant Industrial Island Park, LLC. The lease term commenced on January 1, 2019 and terminates June 30, 2039 with the option to renew for additional terms of 10 years each with final termination on July 1, 2068 and the term shall not exceed 80% of the useful life on any Bond Financed Property. Total rent revenue for the year ended August 31, 2019 was $720,000.

For detailed information, see APPENDIX B – "EXCERPTS FROM THE PORT OF BEAUMONT NAVIGATION DISTRICT OF JEFFERSON COUNTY, TEXAS ANNUAL FINANCIAL REPORT" – Note 10.

RETIREMENT PLAN

PLAN DESCRIPTION . . . The Port provides retirement, disability, and death benefits for al1 of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 677 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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

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

Funding Policy. The employer has elected the annually determined contribution rate (variable-rate) plan under the provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The monthly rate contributed for both fiscal years ending August 31, 2019 and 2018 was 21.00%. The monthly deposit rate payable by the employee members was 7% for both 2019 and 2018 as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TC DRS Act.

Contributions. The required contribution was determined as part of the December 31, 2018 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2018 included (a) 8.10 percent investment rate of return (gross of administrative expenses), and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of2.75 percent.

For the employer's accounting year ended August 31, 2019, the annual pension contribution for the TCDRS plan by its employees was $249,516 and the employer cost was $748,548. Contributions payable at August 31, 2019 for the employer portion of the pension expense was $140,627 and the employee portion was $46,876.

OTHER POST-EMPLOYMENT BENEFITS

The Port provides certain post-retirement health care benefits to eligible retired employees and their spouses. The plan is a single-employer defined benefit plan and is administered by the Port.

Retirees receive a monthly stipend toward their personal coverage. The stipend amount shall not exceed 85% of the employee only premium and 50% of the difference between the employee only and couple rate for retiree's spouse. Effective October 1, 2011, the stipend for active employees only shall not exceed 90% of the employee only premium and 80% of the dependent coverage. No change occurred to the current retirees.

To be eligible for this benefit an employee must be at least 55 years of age and have at least 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. All coverage terminates upon the retiree's eligibility for Medicare/Medicaid.

Funding Policy. The retiree medical plan is operated on a Pay-As-You-Go basis. There are no assets that have been segregated and restricted to provide for retiree medical benefits. For the year ended August 31, 2019 and 2018, the cost of retiree health benefits, recorded on a pay-as-you-go basis was $41,739 and $26,381, respectively.

FINANCIAL INFORMATION

TABLE 10 – CHANGE IN NET POSITION

	Fiscal Year Ended August 31,				
Operating Revenues:	2019	2018	2017	2016	2015
Wharf & Dock	$ 18,444,991	$ 15,173,011	$ 14,706,238	$ 11,816,700	$ 12,112,911
Grain Elevator	652,463	564,776	915,878	547,963	669,383
Rental of Facilities	3,972,440	3,029,571	3,067,693	2,986,975	2,347,162
Total Operating Revenues	$ 23,069,894	$ 18,767,358	$ 18,689,809	$ 15,351,638	$ 15,129,456
Operating Expenditures:					
Maintenance & Operating	$ 8,424,906	$ 9,320,342	$ 9,165,288	$ 8,010,474	$ 8,492,912
General & Administration	5,990,160	5,039,201	7,116,517	4,735,682	4,169,688
Depreciation	5,701,876	5,640,343	5,952,906	5,900,534	6,069,608
Total Operating Expenditures	20,116,942	19,999,886	22,234,711	18,646,690	18,732,208
Net Profit (Loss)	$ 2,952,952	$ (1,232,528)	$ (3,544,902)	$ (3,295,052)	$ (3,602,752)
Non-Operating Revenues:					
Property Taxes	$ 10,834,759	$ 6,266,445	$ 6,153,186	$ 6,156,025	$ 6,026,896
Interest on Investments	1,261,887	151,395	64,871	46,100	29,285
Grants	947,367	581,611	142,628	225,814	378,157
Other	13,065,749	11,331,380	10,057,680	2,556,228	1,071,653
Total Non-Operating Revenues	$ 26,109,762	$ 18,330,831	$ 16,418,365	$ 8,984,167	$ 7,505,991
Non-Operating Expenses:					
Interest on G.O. Bonds	$ 1,899,512	$ 5,328	$ 68,306	$ 139,466	$ 187,025
Debt Issuance costs	-	882,375	-	-	-
Interest on lease revenue bonds	10,454,500	10,454,500	9,283,897	-	-
Interest on Revenue Bonds	570,271	1,119,667	982,892	1,014,254	1,013,939
Other	36,136	52,419	41,117	1,868,617	-
Total Non-Operating Expenses	$ 12,960,419	$ 12,514,289	$ 10,376,212	$ 3,022,337	$ 1,200,964
Net Income	$ 16,102,295	$ 4,584,014	$ 2,497,251	$ 2,666,778	$ 2,702,275

Source: Port of Beaumont Navigation District of Jefferson County, Texas Annual Financial Reports.

FINANCIAL POLICIES . . . For a summary of significant accounting policies, See APPENDIX B – "EXCERPTS FROM THE PORT OF BEAUMONT NAVIGATION DISTRICT OF JEFFERSON COUNTY, TEXAS ANNUAL FINANCIAL REPORT" – Note 1.

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PORT SYSTEM

General Information Regarding the Port System

The Port of Beaumont (the "Port") is located approximately 18 miles up the Neches River at the terminus of the federally maintained Sabine-Neches Waterway and 43 miles by deep water channel from the Gulf of Mexico. The Port is approximately 292 miles west of New Orleans and 72 miles east of the Galveston-Houston area. Ocean vessels approach the Port of Beaumont via the Port Arthur Canal and the Sabine-Neches Canal (both 400 foot wide waterways having depths of 40 feet) to the entrance of the Neches River. The river channel is 400 feet wide and is maintained at a depth of 40 feet.

The Intracoastal Waterway and the Mississippi River provide a connecting route between Beaumont and the vast inland waterway system serving such cities as Minneapolis, Chicago, St. Louis, Kansas City, Louisville, Omaha and Memphis.

According to the United States Army Corps of Engineers' official report for the calendar year 2016, the total annual tonnage handled in the Beaumont Sabine-Neches Waterway was 84,528,063 tons, making it the fifth busiest Port area in the nation by tonnage. The "Sabine-Neches Navigation District" is a separate entity from the Port of Beaumont and has the responsibility for providing the necessary channel widening and deepening as required for the maintenance of the Sabine-Neches Waterway through the Corps of Engineers.

Present facilities include 7,836 lineal feet of harbor front with eight ship berths, two barge berths and a roll-on roll-off berth affording wide concrete aprons and a constant minimum water depth at the ship berths of 36 to 40 feet, which can accommodate panamax, post panamax and aframax size vessels.

The Port of Beaumont public port facilities are comprised of five terminals; Main Street Terminal, Harbor Island Marine Terminal, Carroll Street Terminal, the Grain Elevator Terminal and the Orange County Terminal.

- **Main Street Terminal** wharves consists of Wharves 1 and 7, the "Layberth Terminals" and Wharves 5 and 6, including 2,028 linear feet of dock space with 208,560 square feet of transit shed space and 10 acres of open cargo staging lots;
- **Harbor Island Terminal** consists of three transit sheds totaling 245,000 square feet, 1,880 linear feet of dock space, a roll-on/roll-off dock and a barge dock with 30 acres of open storage lots;
- **Carroll Street Terminal** consists of two transit sheds totaling 108,900 square feet, 1,435 linear feet of dock space and 45 acres of open cargo staging lots. The Carroll Street Terminal also includes a 13 acre Dry Bulk Terminal.
- **Grain Elevator Terminal** includes a three and a half million bushel capacity elevator with three loading towers, a deep water berth and a 240-railcar storage yard.
- The Main Street Terminal, Harbor Island Marine Terminal, Carroll Street Terminal and Grain Elevator Terminal are all rail served with loading/unloading rail tracks on each terminal and supported by two railcar interchange yards totaling approximately 18 miles of rail track.
- **Orange County Terminal** is a 220-acre liquid bulk and general cargo terminal with 2.1 million barrels of tank storage capacity, three railcar loading/unloading systems, two truck loading/unloading stations, a barge dock and a deep water liquid bulk/general cargo berth supported by approximately 20 miles of rail loop tracks.

Several companies lease property/facilities from the Port of Beaumont for various operations. Lessees include Louis Dreyfus Commodities, which leases and operates the Port's Grain Elevator Terminal; Kinder Morgan Energy Partners, which leases and operates the Dry Bulk Terminal, handling construction aggregate rock and other dry bulk materials; Eastex Berthing, which leases the Layberth Terminals for homeporting three MARAD Ready Reserve Force Fleet vessels; the Department of Defense, which leases its military transportation headquarters building for the 842nd Transportation Battalion of the Surface Deployment and Distribution Command (SDDC), which manages all military cargo moving through the Gulf of Mexico; and Jefferson Energy Companies, which leases and operates the Orange County Terminal, which handles light and heavy crude oil, gasoline, diesel and ethanol.

The Island Park Terminal was purchased and placed in service in 2018. The Island Park Terminal is a 75-acre industrial site with approximately one million square feet of shed space and barge berthing capabilities. The site was leased and developed through a public/private partnership with Allegiant Industrial.

Heavy lift capability at the Port is provided by a 220-ton capacity mobile truck crane ("The American"); two 130-ton crawler cranes; a 80,000-pound capacity lift machine ("Big Red"); and a state-of-the-art Liebherr 500 140-ton capacity Mobile Harbor Crane ("The Liebherr"), which is the largest of its kind operating in Gulf ports.

More than 100 steamship lines, representing nearly all the nations of the free world, offer frequent sailings from the Port of Beaumont to most of the world's ports; and the services of forwarders, brokers, stevedores, chandlers, suppliers, ship repairers and other related maritime firms are available in the immediate area.

The Seafarers' Center of Beaumont operates in a Port-owned building adjacent to the wharves and provides free and wholesome recreation for all visiting seamen.

The Port of Beaumont is served by three major rail carriers: The Burlington Northern/Santa Fe Railway Company (BNSF); Kansas City Southern Railway Company and Union Pacific Railroad Company, which provides the Port with excellent rail connections to a majority of the United States, Canada and Mexico.

Interchanging railcars between the class 1 railroads and the Port and switching railcars between Port wharves and main line tracks and loading/unloading tracks is performed by the Port's switching contractor, Trans Global Solutions, which provides switching services 24 hours a day, seven days a week.

Rail tracks extending into spacious, well-lighted and ventilated wharf sheds permit day or night all-weather cargo handling and dock- side marginal rail tracks provide direct rail-to-ship capability.

The Port is located on main local highway access routes and is adjacent to Interstate Highway 10. Thus, trucks move freely to the Port from any direction and after discharging or loading their export, import or domestic commodities, depart without delay. Trucks handing general cargo enjoy some of the quickest turnaround times available at any major port, which expedites movement of cargo to and from the Port, minimizing overland transportation costs.

RECENT PORT IMPROVEMENTS

Since 2007 the Port has completed capital improvements in excess of $85,000,000. The projects were outlined in the Port's 2006 and 2014 Master Facilities Plan. The Port also completed a $27,000,000 expansion of its Harbor Island Terminal in 2002. Through public a private partnership with Jefferson Energy Companies, approximately $500 million in improvements on the Port's Orange County Terminal have been made. These improvements are collectively referred to as the "Jefferson Energy Projects". Recent major project completions are as follows:

Orange County Dock #1 (OC1) - $20 million

As part of the Port's 2006 Master Plan, the Port began development of the Orange County Terminal with the construction of Orange County Dock #1. Construction of this dock was funded through revenue bonds issued in 2007 and 2008 at approximately $10 million for each issue. The OC1 Dock is a 650 ft. general purpose dock with 1,200 lbs. per sq. ft. deck capacity. Mooring dolphins at each end of the dock allow for vessels over 1,000 feet long berth at this dock. In operation since 2009, OC1 handles both liquid bulk and general breakbulk cargoes.

Orange County Access Road and Overpass - $16.5 million

The Orange County Access Road was part of the Port's 2006 Master Plan. This access road improved access into the Orange County Terminal down to Orange County Dock #1. This $4.5 million project was funded by Port revenues, supplemented by a federal SAFETEA-LU grant. In the Port's 2014 Master Plan the Port further expanded this access project through the addition of a grade separation overpass to allow traffic to/from the Orange County Terminal to "fly over" numerous mainline and industry rail tracks serving the area. This project was a $12 million project funded by Port revenues and supplemented by a USDOT CMAQ grant. The project was completed and placed in service in 2019.

Orange County Rail Loop Track and Rail Access - $13 million

As part of the 2006 Master Plan and to further develop the Port's Orange County Terminal, the Port constructed a general purpose rail loop and improved rail access to the terminal. The rail loop is capable of handling 120 –railcar unit trains and has direct access to three class 1 railroads (BNSF, KCS and UPRR). The project was completed in 2014 at a cost of approximately $13 million. The project was funded by Port revenues, supplemented by an Economic Development Administration grant.

Rail Expansion Program - $16 million

The Rail Expansion Program, also part of the 2006 Master Plan, called for improved rail access to the Port's Main Street, Harbor Island, Carroll Street, Dry Bulk and Grain Elevator terminals (Jefferson County Terminals). The project cost of approximately $16 million was funded by Port revenues, supplemented by SAFETEA-LU and USDOT CMAQ grants. This project was completed in 2013 and provides a new interchange rail yard within the secure confines of the port facility, increased the Port's cargo handling capacity for roll-on/roll-off ("roro") and other cargoes by approximately 50% and added approximately 400 additional railcar spaces to service Port customers.

Military Headquarters Building - $5.5 million

This project was part of 2006 Master Plan and called for the construction of a headquarters office building for the 842nd Transportation Battalion of the Surface Deployment and Distribution Command (SDDC) of USTRANSCOM DOD. Upon its completion in 2008, this building was leased to the DOD through the U.S. Army Corp. of Engineers for the 842nd TB headquarters building.

Liebherr Mobile Harbor Crane - $5.5 million

Also part of the 2006 Master Plan, a Liebherr 140 metric ton mobile harbor crane was purchased and placed in operation to handle various Port cargoes in 2009. This multi-purpose mobile harbor crane is the largest of its kind in the Gulf and it is designed to have an extended reach to handle heavy cargoes to/from vessels and also provides for efficient multi-purpose crane operations in the Port terminal.

Old Highway 90 Widening Project - $900,000

A right turn lane off Old Highway 90 was added to widen the highway serving the entrance to the Port's Orange County Terminal and new overpass. A $550,000 grant from the State of Texas was awarded to the Port to assist in funding the project. This project improves safety and transportation efficiency in and out of the Orange County Terminal. The project was completed and placed in service in 2018.

32 Acres of Lot Improvements and Other Improvements - $7.6 million

The Port has also made other facility improvements, including improvement and hard surfacing of approximately 22 acres of outside cargo stowage lots in recent years for expanded and improved cargo handling. These lots include Port Lots 1 and 2 (7 acres), Lot 10 (8.5 acres), Lots 11 and 12 (7 acres) and Lot 14a (12 acres).

Harbor Island Wharf Extension and New Transit Shed - $15.7 million

In 1999 the Port issued $27,000,000 in general obligation bonds to finance improvements and expansion projects. This is the largest of all of the projects in the 1999 Port Improvements Program. Valued at $11 million, the project was completed in the summer of 2002. The wharf extension boosted the terminal's length by 680 feet. The wharf has a load capacity of 1,200 pounds per square foot, marginal rail tracks linked to the terminal rail switching system, state-of-the-art fender system and future capacity for a rail-mounted wharf crane. The wharf extension was funded through 1997 issued general obligation bonds and in 2001, the Port issued $4,700,000 in Revenue Bonds for the construction of the Port of Beaumont's new, state-of-the-art transit shed. The new state-of-the-art 106,000 square foot shed is adjacent to the Port's new Harbor Island Wharf Extension, which opened in the summer of 2001. The new shed was designated Harbor Island Shed C. The $4.7 million shed increased the Port's covered cargo capacity by 20 percent and has been heavily utilized since its opening. This new shed was completed and operational in 2002. The Harbor Island Wharf Extension and Transit Project totaled approximately $15.7 million.

Jefferson Energy Companies Projects

The Port's private partner and lessee of the Orange County Terminal has invested approximately $500 million into the Orange County Terminal. These improvements include thirteen liquid bulk tanks with 2.1 million barrels of tank storage capacity; three railcar loading/unloading systems for light crude, heavy crude, gasoline, diesel and ethanol; two truck liquid bulk loading/unloading stations; a barge dock; and a approximately 18 miles of rail loop tracks. In addition to direct private investment from Jefferson Energy Companies, as part of the $500 million in improvement, the Port issued special project obligations denominated as the Port of Beaumont Navigation District of Jefferson County, Texas Dock and Wharf Facility Revenue Bonds, Series 2016 (the "Jefferson Energy Companies Project" or "Project"), in the principal amount of $144,200,000 (the "2016 Bonds"), pursuant to a Trust Indenture and Security Agreement, dated as of February 1, 2016 (the "Indenture"), by and between the District and The Bank of New York Mellon Trust Company, National Association, as Trustee (the "Trustee").

The proceeds of the 2016 Bonds have been applied to (i) pay for the development, construction and acquisition of certain facilities for the transport, loading, unloading, and storage of petroleum products on behalf of the Port (the "Facilities"); (ii) pay capitalized interest on a portion of the 2016 Bonds; and (iii) pay certain costs of issuance of the 2016 Bonds. Certain Facilities have been or will be constructed on behalf of the Port through Jefferson Railport Terminal II, LLC, a Delaware limited liability company ("Jefferson Railport"), acting as Construction Manager/Agent for the Port, and a portion of the proceeds of the 2016 Bonds applied to reimburse Jefferson Railport for Project expenditures. The Facilities have been or will be constructed on property leased by the Port to Jefferson Railport pursuant to a First Amended and Restated Agreement and Lease, dated as of February 1, 2016 (the "Ground Lease"), by and between Jefferson Railport, as successor to Port of Beaumont Petroleum Transload Terminal II, LLC, and the Port. All Facilities have been leased by the Port to Jefferson Railport pursuant to a Lease and Development Agreement (Facilities Lease), dated as of February 1, 2016 (the "Facilities Lease"), by and between the District and Jefferson Railport.

The 2016 Bonds are special limited obligations of the District payable solely out of and secured by (a) certain pledged revenues (as defined in the 2016 Bonds), which includes Facilities Lease Rent (as defined in the 2016 Bonds), and (b) except as limited in the Indenture, any other assets constituting part of the Trust Estate established pursuant to the Indenture, including money in the funds and accounts established thereunder. The pledged revenue of the 2016 Bonds are not revenues derived from the Port Facilities System and the 2016 are not Previously Issued Bonds nor Additional Parity Bonds.

The 2016 Bonds are subject to mandatory tender for purchase, and must be purchased in whole from and to the extent of proceeds of a remarketing or funds advanced under the Standby Bond Purchase Agreement described below, on February 13, 2020 (the "Initial Bonds Remarketing Date"), at a purchase price equal to the principal amount of the 2016 Bonds plus accrued and unpaid interest to, but not including, the date of purchase (the "Purchase Price"). The 2016 Bonds are subject to optional redemption, in whole or in part, on the dates stated in the 2016 Bonds.

In the event all of the 2016 Bonds are not repurchased from proceeds of a remarketing or redeemed, or defeased to a date, on or before the Initial Bonds Remarketing Date, Jefferson Railport and Jefferson Railport Terminal II Holdings, LLC ("Jefferson Holdings"), a Delaware limited liability company and parent of Jefferson Railport, have agreed to purchase the 2016 Bonds from the Holders thereof on the Initial Bonds Remarketing Date at the Purchase Price, pursuant to a Standby Bond Purchase Agreement, dated as of February 1, 2016 (the "Standby Purchase Agreement"), by and between the District, the Trustee (for the benefit of the 2016 Bondholders), Jefferson Railport and Jefferson Holdings. In addition, pursuant to the Standby Purchase Agreement, Jefferson Holdings will guarantee the payment of all Rent (as defined in the Facilities Lease) and all principal of and premium (if any) and interest on the 2016 Bonds payable prior to repurchase of the 2016 Bonds from proceeds of a remarketing or redemption of the Bonds or defeasance of the 2016 Bonds to a date, in each case, on or prior to the Initial Bonds Remarketing Date as specified in the 2016 Bonds.

The proceeds of the Series 2020 Bonds will be applied to: (a) refund, redeem and defease the Series 2016 Bonds (as defined herein); (b) in the case of the Series 2020A Bonds, pay for or reimburse the cost of development, construction and acquisition of certain facilities (the "Tax-Exempt Facilities") for the transport, loading, unloading, and storage of petroleum products, including new tanks, train infrastructure and other eligible infrastructure projects on behalf of the Issuer (the "Series 2020A Project"); (c) in the case of the Taxable Series 2020B Bonds, pay for or reimburse the cost of development, construction and acquisition of certain facilities (the "Jefferson-Owned Facilities") for the transport, loading, unloading, and storage of petroleum products, including certain tank, train and other infrastructure projects on behalf of Jefferson (as defined below) (the "Taxable Series 2020B Project"); (d) fund certain reserve and funded interest accounts; and (e) pay for or reimburse certain costs of issuance of the Series 2020 Bonds. Jefferson also plans to construct other assets, including new crude and refined products common carrier pipelines to connect the Tax-Exempt Facilities and the Jefferson-Owned Facilities with other delivery points (the "Pipelines Project", and together with the Series 2020A Project and the Taxable Series 2020B Project, the "Project").

The Jefferson terminal is undergoing an expansion, which will be funded (or reimbursed) with a portion of the proceeds of the Series 2020 Bonds and amounts available under the FTAI Credit Agreement. The expansion consists of the addition of 1.4 million barrels of crude storage, the construction of three new pipeline projects, and the addition of 4.7 additional miles of rail tracks. The expansion also considers the retrofit of four existing ethanol tanks into crude oil or refined product service. The expansion projects are intended to increase non-rail throughput via the construction of the three new pipelines. It is expected that approximately 75% of inbound product will travel by pipeline post-expansion.

A portion of the proceeds of the Series 2020 Bonds, together with amounts available under the FTAI Credit Agreement, will be used to fund or reimburse, in part, the construction and completion of the following expansion assets:

1) Southern Star Pipeline
2) Crude Phase II Storage Tanks
3) Ethanol-to-Crude Conversion
4) Cross Channel Pipeline
5) Electrical Substation
6) Jefferson Cushing-Permian Basin Crude Connector
7) Rail Improvements

Better Utilizing Investment to Leverage Development (BUILD) Grant Award

The Port of Beaumont was the recipient for an $18 million Better Utilizing Investment to Leverage Development (BUILD) grant for three significant infrastructure projects. The grant will fund a portion of the Main Street Terminal 1 dock rehabilitation project, the addition of a second rail track and the rehabilitation of the Grain Dock. The total cost of the three projects is $101.2 million, $83.2 million of which the Port of Beaumont will fund.

The Main Street Terminal 1 dock rebuild is a $79 million project that will restore dock service at the former Wharves 2, 3 and 4, which failed in 2011. The new 1,150 square foot dock will be capable of handling breakbulk, heavy lift, military and project cargoes and will increase general cargo handling capacity at the Port of Beaumont by 25%. Activities generated from the new dock are expected to support approximately 3,158 direct, indirect, induced and related user jobs.

The Buford Rail Yard Interchange Track is a $13.2 million project that will provide two additional unit-train "slots" within the Port of Beaumont that will alleviate current rail capacity challenges. The project includes the addition of 16,000 linear feet of new rail track and realigning/upgrading 4,275 ft. of existing rail track. The Port is serviced by the BNSF, UP, and KCS Railroads, and currently there is only one track trains can use to enter and exit the Port, which causes congestion and delays. The construction of the second rail track will also serve to remove idling trains, waiting to enter the Port, from city streets.

The Grain Dock rehabilitation is a $16.5 million project that is a continuation of the current Port of Beaumont Master Plan and will ensure continuity and reliability of service at the Port's grain elevator. The completion of this project will provide the Port with a new grain dock, upgraded to modern standards, with increased structural capacity that will make the facility more resilient following severe weather events.

The projects supported by the grant will bring facilities to a state of good repair and improve resiliency, promote trade in energy resources, promote exports of agriculture and other goods; and advance technology-supported safety and design efficiency improvements by incorporating innovative approaches. Year-over-year, the Port of Beaumont experienced a 106.9% increase in liquid bulk cargo, 59.6% increase in dry bulk cargo, 36.4% increase in bulk grain, 23.9% increase in bagged goods, 68% increase in forest products, 104.9% increase in metal articles, and a 53% increase in project cargo, resulting in a 71.6% increase in tonnage overall. The projects being funded will create the added capacity needed to sustain this level of growth.

THE PROJECT

The November 2017 election authorized the issuance of $85,000,000 in General Obligation bonds to finance the majority of improvements at the new Main Street Terminal One (approximately $79,000,000 project cost) and Carroll Street overpass (approximately $9,000,000 project cost). A $5,000,000 grant from the State of Texas has been secured for a portion of the Carroll Street Overpass project.

Main Street Terminal One Project: The purpose for this project is to remove the deteriorated older structures and to replace them with a new dock structure that will return that important area of the waterfront to useful service, however the apron width will be increased by approximately 100 feet. The new berth will be capable of being dredged to 48 feet dockside water depth when the Sabine Neches ship channel is dredged to that depth. This project will add over 1,000 lineal feet of state-of-the-art heavy general cargo wharves to the Port's Main Street Terminal complex.

Carroll Street Overpass: This project will provide a grade separation entrance to the Port of Beaumont from the south end storage lots and main transportation routes. The new overpass will tie into the south end lots near Carroll Street and will ascend to an elevated viaduct over Buford Street and the existing and proposed new Buford Yard Interchange Tracks. This will improve safety and transportation efficiency at the South end of the Port's property by providing a grade separation at the Carroll Street entrance. The project will also improve the roadway connectivity to an additional 30 acres the Port is acquiring for expansion of its open cargo lot capabilities.

Rail Interchange Yard Expansion: This project will add an additional interchange track for interchanging railcars between the Port and the class 1 railroads. The project will expand the Port's railcar handling capacity and improve rail transportation efficiency.

Main Street Terminal One (Phase A & B) and Carroll Street: Approximately $18,000,000 of the Series 2018 bonds will be used for Phase A, $28,000,000 for Phase B and $4,000,000 for the Carroll Street Overpass. The Rail Interchange Yard Expansion project will be financed with any remaining Series 2018 bond funds utilizing Port revenues as needed to complete the project. The remaining portion of Phase B is currently being financed in the amount of approximately $35,000,000, which will exhaust authorized unissued bonds.

During fiscal year 2019, a total of 6,583,014 tons of cargo have been moved through the Port of Beaumont. The following is a breakdown of the commodities shipped and movement summary of that cargo.

CARGO TONNAGE SUMMARY

	Fiscal Year Ended August 31,				
	2019	2018	2017	2016	2015
Bulk Grain	780,545	572,101	1,029,082	1,139,881	1,575,548
Aggregate	2,086,806	1,307,208	1,366,994	827,562	1,142,732
Forest Products	369,209	219,726	299,403	270,628	174,720
Iron & Steel	70,482	34,406	35,346	119,296	63,860
Liquid Bulk	3,088,874	1,489,609	548,977	531,190	735,141
Military	116,320	163,996	138,762	98,715	118,874
Bagged Goods	4,801	3,875	12,982	66,495	44,404
Other/Project	65,977	41,423	75,145	81,896	44,566
Total	6,583,014	3,832,344	3,506,691	3,135,663	3,899,845

CARGO MOVEMENT SUMMARY

	Fiscal Year Ended August 31,				
	2019	2018	2017	2016	2015
Export	1,781,696	1,177,875	1,161,003	1,309,049	1,720,882
Import	2,533,858	1,606,467	1,685,454	1,299,058	1,397,464
Domestic	2,267,460	1,048,002	660,234	527,556	781,499
Total	6,583,014	3,832,344	3,506,691	3,135,663	3,899,845

LABOR

Labor to accomplish cargo handling and ship loading/unloading at the Port is provided by a loading/unloading contractor and six stevedore firms. These firms obtain their labor from three International Longshoremen's Association (ILA) locals having a total membership of approximately 600 persons. Additional labor is available from neighboring ports to meet workload surges. Labor is regarded as experienced and productive by the Port, contractors and Port customers. Labor is dependable and relationships are sound. There have been no significant labor stoppages or concessions in many years.

WEATHER EVENTS

The Port is located near the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by rain events, hurricanes, tropical storms, and other tropical disturbances. If a weather-related event were to significantly damage all or part of the improvements within the Port, the assessed value of property within the Port could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate and increase the Port's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the Port will be covered by insurance (or property owners will choose to carry flood insurance), any insurance company will fulfill its obligations to provide insurance proceeds or that insurance proceeds will be used to rebuild or repair damaged improvements within the Port. Even if insurance proceeds are available and improvements are rebuilt, there could be a period of time in which assessed values within the Port would be adversely affected.

The Port was negatively impacted by Tropical Storms Harvey (2017) and Imelda (2019). The Port remained operational, and Port finances showed no long-term negative impacts from the storms.

If a future weather event significantly damages all or part of the improvements within the Port, the assessed value of property within the Port could be significantly reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the Port's tax rate subject to date limitations imposed by State law. Further, there can be no assurance that a casualty loss to taxable property within the Port will be covered by Port insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the Port. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the Port could be adversely affected.

POTENTIAL IMPACT OF COVID-19 VIRUS

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation which, among other measures, temporarily close school districts throughout the state. In addition, Jefferson County, within which the Port is located, has issued "Stay at Home" orders for most citizens except when engaged in specified essential businesses and essential government functions.

The outbreak of COVID-19 has adversely affected travel, commerce, and financial markets locally and globally, with particular adverse effects on international trade and energy-related industries. The outbreak is widely expected to adversely affect economic output for the near future. Such adverse economic conditions, if they continue, could result in declines in demand for residential and commercial property in the Port, resulting in declines in taxable values in the Port. The Port cannot predict with certainty the effect of the outbreak, if any, on the Port operations or the local or national economy or the duration of conditions related to the virus, but the effect could be material and adverse. The financial information contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the current financial condition or future prospects of the Port.

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INVESTMENTS

The District invests its investible funds in investments authorized by State law in accordance with investment policies approved by the Board of Port Commissioners. Both State law and the District's investment policies are subject to change.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT . . . Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) certificates of deposit (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (7) or in any other manner and amount provided by law for District deposits or, (ii) where (a) the funds are invested by the District through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the District as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the District; (iii) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District; (iv) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (v) the District appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission (the "SEC") and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit issued for the account of the District; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a contribution of cash and obligations described in clause (1) which are pledged to the District, and in the District's name and deposited at the time the univested is made with the District or with a third party selected and approved by the District and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (7) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (7) above, clauses (12) through (14) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (11) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the SEC and complies with SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7); and (13) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the District may enter into securities lending programs if (i) the value of the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (7) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (7) above, clauses (12) through (14) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

An eligible political subdivision such as the District may enter into hedging transactions, including hedging contracts, related security, credit, and insurance agreements in connection with commodities used the political subdivision in its general operations, with the acquisition or construction of a capital project, or with an eligible project. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the SEC. The political subdivision may pledge to such contracts or agreements any general or special revenues or funds it is authorized by law to pledge to the payment of any other obligations.

The political subdivision's cost under such contract or agreement may be considered an operations and maintenance expense, an acquisition costs, a project cost, or a construction expense.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Texas Public Funds Investment Act. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board of Port Commissioners detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Board of Port Commissioners.

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements and (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer.

TABLE 11 – CURRENT INVESTMENTS

As of May 31, 2020 the District's investable funds were invested in the following categories:

Investments	Market Value
Cash-Unrestricted	$ 37,983,639
Cash-Restricted	46,535,162
Total	$ 84,518,801

TAX MATTERS

OPINION . . . On the date of initial delivery of the Bonds, Germer PLLC, Beaumont, Texas Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX C – FORM OF BOND COUNSEL'S OPINION."

In rendering its opinion, Bond Counsel will rely upon (a) the District's federal tax certificate and (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the District to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with the covenants and the requirements described in the preceding paragraph, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . . The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM RECENTLY ENACTED LEGISLATION OR FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of non-U.S. holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

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CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreements for the benefit of the respective registered and beneficial owners of the Bonds. The District is required to observe the agreements for so long as it remains obligated to advance funds to pay the Bonds. Under the agreements, the District will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB currently makes this information publicly available on its Electronic Municipal Market Access System ("EMMA") at http://emma.msrb.org/. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 11 and in APPENDIX B. The District will update and provide this information within 6 months after the end of each fiscal year ending in and after 2020.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the SEC, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements of the type described in the preceding paragraph by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District's current fiscal year end is August 31. Accordingly, it must provide updated information by last day of February in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

EVENT NOTICES . . . The District will also provide to the MSRB notices of certain events on a timely basis no later than 10 business days after the event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. For the purposes of the above describe event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

LIMITATIONS AND AMENDMENTS . . . The District has agreed to update information and to provide notices of certain events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreements or from any statement made pursuant to its agreements, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreements.

The District may amend its continuing disclosure agreements from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (i) the agreements, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered and beneficial owners of the Bonds.

The District may also amend or repeal the provisions of its continuing disclosure agreements if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the District also may amend the provisions of its continuing disclosure agreements in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (i) such provisions as so amended and (ii) any amendments or interpretations of the Rule.

If the District so amends its continuing disclosure agreements as described in this section, it has agreed to include with the next financial information and operating data provided in accordance with its agreements described above under "ANNUAL REPORTS" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OTHER INFORMATION

RATING . . . The Bonds are rated "AA-" by S&P. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The rating reflects only the respective views of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of any of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION . . . The District is a defendant in various tort claims and lawsuits involving general liability, civil rights actions, and various contractual matters. In the opinion of the District's management and the District Attorney's office, the outcome of the pending litigation will not have a material adverse effect on the District's financial position or operations of the District.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE . . . The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Under the Texas Public Security Procedures Act, Chapter 1201, Texas Government Code, as amended, the Bonds (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (3) are legal and authorized investments for (a) an insurance company, (b) a fiduciary or trustee, or (c) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2236, Texas Government Code, as amended, the Bonds may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See "OTHER INFORMATION – RATING" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. No review has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

The District has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The District has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Legal Opinions and No-Litigation Certificate . . . Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied by the District, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Germer PLLC, Bond Counsel, to the matters set forth in "TAX MATTERS."

The obligations of the purchaser to take and pay for the Bonds, and of the District to deliver such Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Official Statement.

The District will furnish the purchaser a certificate, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or non-encumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Financial Advisor . . . Specialized Public Finance Inc. is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Specialized Public Finance Inc., in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the District has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Forward-Looking Statements . . . The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. It is important to note that the District's actual results could differ materially from those in such forward-looking statements. The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

Initial Purchaser . . . After requesting competitive bids for the Bonds, the District accepted the bid of _______________________ (the "Bond Purchaser") to purchase the Bonds at the interest rates shown on page 2 of the Official Statement at a price of approximately _________% of par. The Bond Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the District to the Bond Purchaser. The District has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Bond Purchaser.

Miscellaneous . . . The financial data and other information contained herein have been obtained from the District's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Bond Order authorizing the issuance of the Bonds approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the respective Purchaser.

CERTIFICATION AS TO OFFICIAL STATEMENT . . . The District, acting by and through its Board of Port Commissioners in its official capacity hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. Except as set forth in "CONTINUING DISCLOSURE OF INFORMATION" herein, the District has no obligation to disclose any changes in the affairs of the District and other matters described in this Official Statement subsequent to the "end of the underwriting period" which shall end when the District delivers the Bonds to the respective Purchaser at closing, unless extended by the respective Purchaser. All information with respect to the resale of the Bonds subsequent to the "end of the underwriting period" is the responsibility of the respective Purchaser.

This Official Statement has been approved by the Board of Port Commissioners for distribution in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12.

____
Pricing Officer
Port of Beaumont Navigation District

APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

THE DISTRICT

LOCATION AND SIZE . . . Jefferson County, Texas was created in 1836 and organized in 1837. It is a component of the Beaumont-Port Arthur Metropolitan Statistical area ("MSA") comprised of Jefferson, Hardin and Orange Counties. Principal cities in the County are Beaumont, the county seat, Port Arthur, Nederland and Port Neches.

- Situated 84 miles east of Houston and 270 miles west of New Orleans, the Port of Beaumont is accessible from the Gulf of Mexico and Intracoastal Waterway via the federally maintained Sabine-Neches Ship Channel, 42 miles upstream from the Gulf.
- The Sabine-Neches Channel is a minimum of 400 feet wide and maintained at a depth of 40 feet. Air draft is 136 feet.
- The Intracoastal Waterway and Mississippi River connect Beaumont with a vast inland waterway system serving such cities as Minneapolis, Chicago, St. Louis, Kansas City, Louisville, Omaha and Memphis.

CITY OF BEAUMONT, TEXAS - POPULATION ESTIMATES

2019	116,825
2018	118,428
2017	119,266
2016	119,109
2015	118,591

Source: U.S. Census Bureau.

ECONOMY . . . The economy of the Beaumont-Port Arthur MSA is based primarily upon petroleum refining; the production and processing of petrochemicals and other chemicals, the fabrication of steel and steel products, shipping activity, the manufacture of wood, pulp, and food and feed products and agriculture, and health care services. Transportation, communications and public utilities account for about 30% of area employment.

MAJOR EMPLOYERS

The City of Beaumont's leading job providing segments are healthcare, educational services, construction, accommodation and food services, chemicals, professional, scientific and technical services; and the government. Management, professional and related occupations comprise about 29% of the labor force. Approximately 21% of the labor force is employed in sales and office occupations. The following are the major employers located within the City of Beaumont:

Company
Cai, LP
Exxon Mobil Oil Corporation
Christus St. Elizabeth Hospital
Baptists Hospitals of Southeast Texas
Memorial Hermann Baptist Hospital
Beaumont Independent School District
City of Beaumont
Lamar University
Jefferson County
ENGlobal Corporation

Source: City Town Info.

LABOR FORCE - BEAUMONT-PORT ARTHUR METROPOLITAN STATISTICAL AREA

		Annual Averages			
	April, 2020	2019	2018	2017	2016
Civilian Labor Force	162,652	173,859	174,287	174,924	174,125
Total Employment	133,190	164,271	163,772	162,564	162,138
Unemployment	29,462	9,588	10,515	12,360	11,987
Percent Unemployment	18.1%	5.5%	6.0%	7.1%	6.9%

Source: Texas Labor Market Information.

NON AGRICULTURAL EMPLOYMENT BY INDUSTRY - BEAUMONT-PORT ARTHUR METROPOLITAN STATISTICAL AREA

Industry	April, 2020	April, 2019	Yearly Change
Mining, Logging, and Construction	17,700	19,300	(1,600)
Manufacturing	19,900	21,600	(1,700)
Trade, Transportation, and Utilities	31,700	32,300	(600)
Wholesale Trade	5,600	5,200	400
Retail Trade	19,500	20,500	(1,000)
General Merchandise Stores	4,000	4,200	(200)
Transportation, Warehousing, and Utilities	6,600	6,600	0
Information	900	1,100	(200)
Financial Activities	5,700	5,700	0
Professional and Business Services	11,800	14,800	(3,000)
Administrative and Support and Waste Management and Remediation Services	5,500	7,600	(2,100)
Educational and Health Services	20,900	21,000	(100)
Leisure and Hospitality	7,000	16,400	(9,400)
Other Services	5,200	6,800	(1,600)
Government	25,400	24,700	700

Source: Texas Labor Market Information.

APPENDIX B

EXCERPTS FROM THE
PORT OF BEAUMONT NAVIGATION DISTRICT OF JEFFERSON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2019

The information contained in this APPENDIX consists of excerpts from the Port of Beaumont Navigation District of Jefferson County, Texas Annual Financial Report for the Year Ended August 31, 2019, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

FMW, P.C.
Certified Public Accountants

David E. White, CPA
Terry S. Whiddon, CPA
Ryan C. Harkey, CPA
Jeffrey R. Davis, CPA

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying statements of net position of Port of Beaumont Navigation District of Jefferson County, Texas, (the "Port") as of and for the years ended August 31, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position, and cash flows and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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409-838-3755 • 1-888-FMW-CPAS (369-2727) • Fax 409-838-1491 • www.fmwcpas.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Port of Beaumont Navigation District of Jefferson County, Texas, as of August 31, 2019 and 2018, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions and Schedule of Changes in OPEB Liability and Related Ratios on pages 4 - 8, 45, 46 - 47, 48, and 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port of Beaumont Navigation District of Jefferson County, Texas' basic financial statements. The accompanying General Long-Term Debt Service Requirements by Years are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The General Long-Term Debt Service Requirements by Years on pages 50 - 55 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated December 10, 2019, on our consideration of the Port of Beaumont Navigation District of Jefferson County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port of Beaumont Navigation District of Jefferson County, Texas' 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 Port of Beaumont Navigation District of Jefferson County, Texas' internal control over financial reporting and compliance.

FMW, P.C.

Beaumont, Texas
December 10, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

PORT OF BEAUMONT NAVIGATION DISTRICT
of Jefferson County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2019

As management of the Port of Beaumont Navigation District of Jefferson County, Texas (the "Port") we offer readers of the Port's financial statements this narrative overview and analysis of the financial activities of the Port for the fiscal year ended August 31, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements and notes thereto, which follow this section.

FINANCIAL HIGHLIGHTS

- The net position for the Port at August 31, 2019 was $119,027,255.
- The Port's net position increased by $16,102,295 for the year ended August 31, 2019.
- Net cash and cash equivalents increased by $9,815,665 for the year ended August 31, 2019 because property tax and other non-operating revenues increased.
- Total capital improvement expenditures were $5,484,682 for the year ended August 31, 2019.
- Total operating revenues increased by $4,302,536 and total operating expenses increased by $117,056 for the year ended August 31, 2019.
- Net operating income increased by $4,185,480. Net operating income before depreciation was $8,654,828 for the year ended August 31, 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

PORT OF BEAUMONT NAVIGATION DISTRICT
of Jefferson County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2019

FINANCIAL ANALYSIS

Of the Port's total assets 31% reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) and 47% reflects its net investment in a direct financing lease. The Port uses these assets to provide services to its customers and its lessee; consequently, these assets are not available for future spending.

	2019	*2018*
Assets		
Current, restricted, and other assets	$ 78,747,495	$ 66,237,387
Net investment in direct financing lease	169,200,000	144,200,000
Capital assets	110,132,353	110,349,547
Total Assets	$ 358,079,848	$ 320,786,934
Deferred Outflows of Resources		
Deferred pension and other benefit related outflows	$ 1,749,150	$ 670,530
Deferred refunding charges	311,710	347,846
Total Deferred Outflows of Resources	$ 2,060,860	$ 1,018,376
Liabilities		
Long-term liabilities	$ 235,678,257	$ 213,345,063
Other liabilities	4,430,643	4,512,589
Total Liabilities	$ 240,108,900	$ 217,857,652
Deferred Inflows of Resources		
Deferred rent	$ 900,000	$ 540,000
Deferred pension and other benefit related inflows	104,553	482,698
Total Deferred Inflows of Resources	$ 1,004,553	$ 1,022,698
Net Position		
Net investment in capital assets	$ 45,336,581	$ 41,533,571
Restricted for capital projects	48,079,758	50,027,877
Restricted for debt service	1,845,395	1,618,733
Restricted for TRZ	919,190	410,581
Unrestricted	22,846,331	9,334,198
Total Net Position	$ 119,027,255	$ 102,924,960

FINANCIAL ANALYSIS (Continued)

The following provides a summary of the Port's operation for the year ended August 31, 2019 with comparative totals for the year ended August 31, 2018.

	2019	*2018*
Operating revenues	$ 23,069,894	$ 18,767,358
Operating expenses	20,116,942	19,999,886
Operating income (loss)	2,952,952	(1,232,528)
Non-operating revenues	26,109,762	18,330,831
Non-operating expenses	12,960,419	12,514,289
Change in Net Position	16,102,295	4,584,014
Net position - beginning of year, as originally stated	102,924,960	98,801,257
Prior period adjustment	-	(460,311)
Net position - beginning of year, as restated	102,924,960	98,340,946
Net position - end of year	$ 119,027,255	$ 102,924,960

The following provides a summary of the Port's tonnage activity by commodity for the year ended August 31, 2019 with comparative totals for the year ended August 31, 2018.

	2019	*2018*
Bagged goods	4,801	3,875
Forest products	369,209	219,726
Liquid bulk	3,088,874	1,489,609
Metal articles	70,482	34,406
Military	116,320	163,996
Projects	61,789	40,373
Bulk - Aggregate	2,086,806	1,307,208
Bulk - Grain	780,545	572,101
All other	4,188	1,050
Total	6,583,014	3,832,344

CAPITAL ASSETS

The Port's investment in capital assets as of August 31, 2019, amounts to $110,132,353 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements, infrastructure and construction in process. The total decrease in the Port's investment in capital assets for the current fiscal year was 0.2%.

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

- Land increased by $206,137.
- Facilities and equipment increased by $4,549,209. This resulted from additions of $37,460, capitalization of $4,567,460 of construction-in-progress, and retirements of $55,711.
- Construction-in-progress increased by $673,625. This resulted from additions of $5,241,085, while $4,567,460 of construction-in-process was completed and capitalized.
- Accumulated depreciation increased by $5,646,165 to $120,063,658.

Capital Assets at Year-End
Net of Accumulated Depreciation

	2019	*2018*
Land	$ 17,248,614	$ 17,042,477
Facilities & equipment	78,565,600	79,662,556
Construction in progress	14,318,139	13,644,514
Total	$ 110,132,353	$ 110,349,547

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

DEBT ADMINISTRATION

At the end of the current fiscal year, the Port had outstanding general obligation bonds of $47,531,189, a $3,093,800 decrease from 2018 due to scheduled principal payments and premium accretion.

At the end of the current fiscal year, the Port had outstanding revenue bonds of $17,264,583, a $926,404 decrease from 2018 due to scheduled payments and amortization and accretion of discounts and premiums.

At the end of the current fiscal year, the Port had outstanding 2016 Dock and Wharf Facility Revenue Bonds, of $144,200,000 and 2019 Dock and Wharf Facility Revenue Bonds, of $25,000,000, totaling $169,200,000. The purpose of the bonds is to finance expansion projects related to certain dock and wharf facilities. The bonds are payable solely from revenue derived from the leasing of the facilities financed with the proceeds of the bonds. The related leases are recorded as restricted assets in the Statement of Net Position in the amount of $169,200,000.

DEBT ADMINISTRATION (Continued)

Outstanding Debt at Year End
Bonds Payable

	2019	*2018*
General Obligation Bonds	$ 47,531,189	$ 50,624,989
Revenue Bonds	17,264,583	18,190,987
Dock and Wharf Facility Revenue Bonds	169,200,000	144,200,000
Total	$ 233,995,772	$ 213,015,976

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

	Moody's Investor Service	Standard & Poor's	Fitch
General Obligation Bonds	not rated	AA-	not rated
Revenue Bonds	A2	not rated	AA-
Dock and Wharf Facility Revenue Bonds	not rated	not rated	not rated

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

During the year ended August 31, 2019, the Port issued Dock and Wharf Facility Revenue Bonds (Allegiant Industrial Island Park Project) Series 2019, in the amount of $25,000,000, to be used for the development, construction, rehabilitation and acquisition of certain Orange County dock and wharf facilities of the district. The bonds are payable solely from revenue derived from the leasing of the facilities financed with the proceeds of the bonds.

Subsequent to year end, the Port received an $18 million federal grant to help fund the reconstruction of three wharves at its Main Street Terminal, add 16,000 feet of track along with a new rail exchange and replace its grain dock facility. The estimated cost for the design and construction of all three projects is $101 million.

REQUEST FOR INFORMATION

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

FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

PORT OF BEAUMONT NAVIGATION DISTRICT
of Jefferson County, Texas

STATEMENTS OF NET POSITION
August 31, 2019 and 2018

	2019	2018
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	$ 21,180,780	$ 10,152,267
Cash and cash equivalents - restricted for capital projects	48,079,758	50,027,877
Cash and cash equivalents - restricted for TRZ	919,190	410,581
Accrued interest receivable	424,714	-
Accounts receivable	5,381,323	3,718,029
Grants receivable	633,325	-
Prepaid expenses	283,010	309,900
Total Current Assets	76,902,100	64,618,654
Non-Current Assets		
Cash and cash equivalents - restricted for debt service	1,845,395	1,618,733
Net investment in direct financing lease - restricted	169,200,000	144,200,000
Capital assets:		
Land, non-depreciable	17,248,614	17,042,477
Construction in progress, non-depreciable	14,318,139	13,644,514
Facilities and equipment, net of accumulated depreciation	78,565,600	79,662,556
Total Non-Current Assets	281,177,748	256,168,280
Total Assets	358,079,848	320,786,934
Deferred Outflows of Resources		
Deferred pension and other benefit related outflows	1,749,150	670,530
Deferred refunding charges	311,710	347,846
Total deferred outflows of resources	2,060,860	1,018,376
Total Assets and Deferred Outflows of Resources	$ 360,140,708	$ 321,805,310

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

PORT OF BEAUMONT NAVIGATION DISTRICT
of Jefferson County, Texas

STATEMENTS OF NET POSITION
August 31, 2019 and 2018

Liabilities, Deferred Inflows of Resources and Net Position	***2019***	***2018***
Current Liabilities		
Payable from unrestricted assets:		
Accounts payable	$ 664,744	$ 1,049,649
Compensated absences	214,029	224,874
Accrued other liabilities	46,669	27,862
Total Payable From Unrestricted Assets	925,442	1,302,385
Payable from restricted assets:		
Current maturities of bonds payable	3,505,201	3,210,204
Total Payable From Restricted Assets	3,505,201	3,210,204
Total Current Liabilities	4,430,643	4,512,589
Long-Term Liabilities		
General obligation bonds, net of current portion	44,142,390	47,531,189
Revenue bonds, net of current portion	17,148,181	18,074,583
Dock and wharf facility revenue bonds, net of current portion	169,200,000	144,200,000
Other post-employment benefits payable	1,515,223	1,425,639
Net pension liabilities	3,672,463	2,113,652
Total Long-Term Liabilities	235,678,257	213,345,063
Total Liabilities	240,108,900	217,857,652
Deferred Inflows of Resources		
Deferred rent	900,000	540,000
Deferred pension and other benefit related inflows	104,553	482,698
Total Deferred Inflows of Resources	1,004,553	1,022,698
Net Position		
Net investment in capital assets	45,336,581	41,533,571
Restricted for capital projects	48,079,758	50,027,877
Restricted for debt service	1,845,395	1,618,733
Restricted for TRZ	919,190	410,581
Unrestricted	22,846,331	9,334,198
Total Net Position	$ 119,027,255	$ 102,924,960

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

PORT OF BEAUMONT NAVIGATION DISTRICT
of Jefferson County, Texas

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended August 31, 2019 and 2018

	2019	*2018*
Operating Revenues		
Wharf and dock service	$ 18,444,991	$ 15,173,011
Grain elevator rental and service	652,463	564,776
Rental of facilities	3,972,440	3,029,571
Total Operating Revenues	23,069,894	18,767,358
Operating Expenses		
Maintenance and operating	8,424,906	9,320,342
General and administrative	5,990,160	5,039,201
Depreciation	5,701,876	5,640,343
Total Operating Expenses	20,116,942	19,999,886
Operating Income (Loss)	2,952,952	(1,232,528)
Non-operating Revenues		
Property taxes	10,834,759	6,266,445
Investment in direct financing leases	10,454,500	10,454,500
Interest income	1,261,887	151,395
Grants	947,367	581,611
Other	2,611,249	876,880
Total Non-operating Revenues	26,109,762	18,330,831
Non-operating Expenses		
Debt issuance costs on revenue bonds	-	882,375
Interest expense:		
Interest on facility lease revenue bonds	10,454,500	10,454,500
Interest on general obligation bonds	1,899,512	5,328
Interest on revenue bonds	570,271	1,119,667
Other	36,136	52,419
Total Non-operating Expenses	12,960,419	12,514,289
Change in Net Position	16,102,295	4,584,014
Total Net Position, Beginning, as originally stated	102,924,960	98,801,257
Prior period adjustment	-	(460,311)
Total Net Position, Beginning, as restated	102,924,960	98,340,946
Total Net Position, Ending	$ 119,027,255	$ 102,924,960

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

PORT OF BEAUMONT NAVIGATION DISTRICT
of Jefferson County, Texas

STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2019 and 2018

	2019	*2018*
Cash Flows from Operating Activities		
Cash received from customers	$ 21,766,600	$ 21,203,852
Cash paid to suppliers for goods and services	(8,015,889)	(8,819,335)
Cash paid to employees for salaries, wages, and benefits	(6,557,600)	(5,724,087)
Net Cash Provided (Used) by Operating Activities	7,193,111	6,660,430
Cash Flows from Capital and Related Financing Activities		
Principal payments under bond obligations	(3,825,000)	(18,100,000)
Proceeds on issuance of bonds	-	66,697,793
Interest paid under debt obligations	(2,664,987)	(1,118,969)
Payments on issuance of bonds	-	(882,375)
Construction in progress purchases	(5,241,085)	(7,263,787)
Land, facilities and equipment purchases	(243,597)	(8,374,976)
Net Cash Provided (Used) by Capital Financing Activities	(11,974,669)	30,957,686
Cash Flows from Non-capital Financing Activities		
Property tax revenues	10,834,759	6,266,445
Grants	314,042	581,611
Other	2,611,249	876,880
Net Cash Provided (Used) by Non-capital Financing Activities	13,760,050	7,724,936
Cash Flows from Investing Activities		
Interest revenue	837,173	151,395
Net Cash Provided (Used) by Investing Activities	837,173	151,395
Net Increase (Decrease) in Cash and Cash Equivalents	9,815,665	45,494,447
Cash and Cash Equivalents - September 1	62,209,458	16,715,011
Cash and Cash Equivalents - August 31	$ 72,025,123	$ 62,209,458

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

PORT OF BEAUMONT NAVIGATION DISTRICT
of Jefferson County, Texas

STATEMENTS OF CASH FLOWS
- Continued -

	2019	2018
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	$ 2,952,952	$ (1,232,528)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities -		
Depreciation	5,701,876	5,640,343
(Increase) decrease in -		
Accounts receivables	(1,663,294)	1,896,494
Prepaid expenses	26,890	13,919
Deferred outflows	(1,078,620)	728,090
Increase (decrease) in -		
Accounts payable	(384,905)	(266,571)
Compensated absences	(10,845)	30,777
Other post-employment benefits payable	89,584	84,392
Net pension liabilities	1,558,811	(925,581)
Accrued other liabilities	18,807	11,806
Deferred inflows	(18,145)	679,289
Net Cash Provided (Used) by Operating Activities	$ 7,193,111	$ 6,660,430
Non-cash Transactions Affecting Financial Position:		
Amortization of bond discounts and premiums	$ -	$ 273,495
Bond refunding charges	-	(267,469)
Amortization of bond refunding charges	36,136	52,419
Net effect of non-cash transactions	$ 36,136	$ 58,445

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Financial Reporting Entity -*
The Port of Beaumont Navigation District of Jefferson County, Texas ("the Port") is a political subdivision located in Jefferson County operating pursuant to the general laws of the State of Texas. The Port was created pursuant to Chapter 147, Acts of the 51st Legislature of Texas Regular Session, 1949, as amended (the "Enabling Act"). The Port is directed by a six member Board of Port Commissioners (the "Board") who are elected to six year staggered terms. The Commissioners hire a Port Director which is the chief executive officer. The Board formulates operating policies for the Port while the Director implements the policies and directives of the Board.

The Port covers an area of approximately 150 square miles including the City of Beaumont, Texas. The Port's port facility is located approximately 42 miles up the federally maintained Sabine-Neches Waterway from the Gulf of Mexico. The river channel is 400 feet wide and 40 feet deep and is connected to the Intercoastal Waterway.

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

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

D. *Cash and Cash Equivalents -*
The Port considers both restricted and unrestricted demand deposit accounts and short-term time deposit accounts to be cash and cash equivalents for the purpose of the statements of cash flows.

Restricted cash includes cash restricted by bond indentures for debt service and capital projects and cash restricted by enabling legislation for Transportation Reinvestment Zone (TRZ) activities. It is the Port's policy to first apply restricted resources when an expense is incurred for which both restricted and unrestricted net position are available.

PORT OF BEAUMONT NAVIGATION DISTRICT
of Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents - (Continued)

	2019	*2018*
Statements of Net Position		
Cash and cash equivalents	$ 21,180,780	$ 10,152,267
Cash and cash equivalents - restricted for capital projects	48,079,758	50,027,877
Cash and cash equivalents - restricted for TRZ	919,190	410,581
Cash and cash equivalents - restricted for debt service	1,845,395	1,618,733
Statements of Cash Flows	$ 72,025,123	$ 62,209,458

E. Property and Equipment -

The Port's assets are capitalized at historical cost. Port policy has set the capitalization threshold for reporting capital assets at $5,000. Interest costs incurred during construction are capitalized as part of the cost of the related assets. Expenditures for maintenance, repairs, renewals and improvements which do not significantly extend useful lives of assets are expensed as incurred. Depreciation is computed using the straight-line method over the estimated lives which are 30 years for buildings; 5 - 20 years for machinery and equipment and 5 - 40 years for wharves, docks, railroads, trackage and roadways. Depreciation expense was $5,701,876 and $5,640,343 for the years ended August 31, 2019 and 2018, respectively.

F. Property Taxes -

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year. Property tax revenues are recognized when they become available. Delinquent taxes are considered uncollectible and therefore are unavailable for expenditure purposes. One taxpayer accounts for approximately 23% of the total assessed value.

G. Long-Term Debt -

Bonds payable are reported as liabilities in the financial statements net of applicable bond premiums or discounts. Bond premiums and discounts are amortized on the straight-line basis over the length of the bond issue. Bond issue costs are reported as an expense of the current period. Refunding of debt may result in deferred gains or losses and are reported as deferred inflows and outflows of resources. The difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense using the straight-line method.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences -

Compensated absences represent a current liability for employee vacation pay. Employees of the Port earn vacation benefits as of January 1 of each year and are entitled to these benefits until December 31 of the same calendar year, after which they are lost. At fiscal year-end, August 31, 2019 and 2018, the Port accrued compensated absences of $214,029 and $224,874, respectively.

I. Deferred Outflows and Inflows of Resources -

Deferred outflows of resources represent a consumption of net position that applies to a future period, and is therefore deferred until that time. Deferred refunding charges result from the difference in the carrying value of the refunded debt and the reacquisition price. Deferred outflows of resources related to pensions and other post employment benefits are also recognized by the Port.

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and is therefore deferred until that time. The Port recognizes deferred inflows of resources related to rent, pensions and other post employment benefits.

J. Retirement Plan -

Financial reporting information pertaining to the Port's participation in the Texas County and District Retirement System (TCDRS) was prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and as amended by GASB Statement No. 82, *Pension Issues*.

K. Budget -

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

L. Operating and Non-Operating Revenues -

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

M. Date of Management's Review -

Management has evaluated subsequent events through December 10, 2019, the date the financial statements were available to be issued.

NOTE 2 - CASH AND INVESTMENTS

At August 31, 2019 and 2018, the cash balances of the Port were covered by federal depository insurance or collateralized by pledged securities held by the depository bank in the name of the Port and the depository bank.

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

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

NOTE 3 - CAPITAL ASSETS

Capital assets consist of the following at August 31, 2019:

	Balance at Beginning of Year	***Additions***	***Retirements***	***Adjustments***	***Balance at End of Year***
Land, non-depreciable	$ 17,042,477	$ 206,137	$ -	$ -	$ 17,248,614
Construction in progress, non-depreciable	13,644,514	5,241,085	-	(4,567,460)	14,318,139
Facilities and Equipment -					
Buildings and attachments	25,000,712	-	-	-	25,000,712
Equipment	17,217,654	9,999	-	3,107,242	20,334,895
Office furniture and fixtures	2,179,294	-	-	-	2,179,294
Other port expansion	9,544,856	-	-	168,838	9,713,694
Roadways and railroads	43,033,814	-	-	-	43,033,814
Trucks and autos	646,936	27,461	(55,711)	-	618,686
Warehouse and premises	24,218,690	-	-	1,291,380	25,510,070
Wharves and docks	72,238,093	-	-	-	72,238,093
Total Facilities and Equipment	194,080,049	37,460	(55,711)	4,567,460	198,629,258
Total Property, and Equipment	$ 224,767,040	$ 5,484,682	$ (55,711)	$ -	$ 230,196,011
Accumulated Depreciation	$ 114,417,493	$ 5,701,876	$ (55,711)	$ -	$ 120,063,658

NOTE 4 - CONSTRUCTION IN PROGRESS

During the year ended August 31, 2019, the Port incurred costs of $5,241,085 on capital improvement projects relating to port expansion. Anticipated completion costs of approximately $71,610,000 will be funded during future years from port operations, grants, and bond proceeds.

NOTE 5 - LONG-TERM DEBT

Bonds as of August 31, 2019 consist of the following individual issues:

	Original Borrowing	*Rates*	*Maturities*	*Ending Balance*	*Current*	*Non-Current*
General Obligation Bonds						
Series 2018	$ 48,655,000	3.00% to 5.00%	2019 - 2043	$ 45,640,000	$ 3,310,000	$ 42,330,000
Premium				1,891,189	78,799	1,812,390
Total General Obligation Bonds				$ 47,531,189	$ 3,388,799	$ 44,142,390
Revenue Bonds						
Refunding series 2012	$ 4,765,000	2.04%	2012 - 2023	$ 1,835,000	$ -	$ 1,835,000
Refunding series 2017	$ 14,155,000	2.00% to 5.00%	2019 - 2033	13,740,000	-	13,740,000
				15,575,000	-	15,575,000
Discount				(24,418)	(6,026)	(18,392)
Premium				1,714,001	122,428	1,591,573
Total Revenue Bonds				$ 17,264,583	$ 116,402	$ 17,148,181
Dock and Wharf Facility Revenue Bonds						
Series 2016	$ 144,200,000	7.25%	2021 - 2036	$ 144,200,000	-	144,200,000
Series 2019	$ 25,000,000	8.00%	2022 - 2039	25,000,000	-	25,000,000
Total Dock and Wharf Facility Revenue Bonds				$ 169,200,000	$ -	$ 169,200,000
Total				$ 233,995,772	$ 3,505,201	$ 230,490,571

NOTE 5 - LONG-TERM DEBT (Continued)

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

	Principal	*Interest*	*Total*
2020	$ 3,310,000	$ 13,628,861	$ 16,938,861
2021	7,040,000	14,580,340	21,620,340
2022	7,990,000	14,094,912	22,084,912
2023	8,530,000	13,551,217	22,081,217
2024	9,125,000	12,966,772	22,091,772
2025 - 2029	56,075,000	54,302,992	110,377,992
2030 - 2034	78,300,000	31,985,368	110,285,368
2035 - 2039	49,845,000	7,199,118	57,044,118
2040 - 2043	10,200,000	756,719	10,956,719
	230,415,000	$ 163,066,299	$ 393,481,299
Premium	3,605,190		
Discount	(24,418)		
	$ 233,995,772		

Long-term liability activity for the year ended August 31, 2019 was as follows:

	Beginning Balance	*Additions*	*Reductions*	*Ending Balance*	*Current*
Bonds payable:					
General obligation bonds	$ 48,655,000	$ -	$ (3,015,000)	$ 45,640,000	$ 3,310,000
Bond premium	1,969,989	-	(78,800)	1,891,189	78,799
Total general obligation bonds	50,624,989	-	(3,093,800)	47,531,189	3,388,799
Revenue bonds	16,385,000	-	(810,000)	15,575,000	-
Bond discount	(30,443)	-	6,025	(24,418)	(6,026)
Bond premium	1,836,430	-	(122,429)	1,714,001	122,428
Total revenue bonds	18,190,987	-	(926,404)	17,264,583	116,402
Dock and wharf facility revenue bonds	144,200,000	25,000,000	-	169,200,000	-
Total dock and wharf facility revenue bonds	144,200,000	25,000,000	-	169,200,000	-
Total bonds payable	213,015,976	25,000,000	(4,020,204)	233,995,772	3,505,201
Other post employment benefits	1,425,639	132,129	(42,545)	1,515,223	-
Net pension liabilities	2,113,652	2,554,530	(995,719)	3,672,463	-
Total	$ 216,555,267	$ 27,686,659	$ (5,058,468)	$ 239,183,458	$ 3,505,201

NOTE 6 - ACCOUNT CREATED BY THE GENERAL OBLIGATION BOND INDENTURES

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

The general obligation bond indentures established a construction account to be used solely for capital projects. This account is classified on the Statement of Net Position as cash and cash equivalents - restricted for capital projects.

NOTE 7 - ACCOUNTS CREATED BY THE REVENUE BOND AND REVENUE REFUNDING BOND INDENTURES

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

Revenue Account

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

Renewal, Replacement and Surplus Account

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

Included in cash and cash equivalents - restricted for debt service on the Statement of Net Position -

Interest and Sinking Fund Account

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

Reserve Account

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

NOTE 8 - REVENUE BONDS RATE COVENANT

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

	2019	*2018*
Operating revenues		
Wharf and dock	$ 18,444,991	$ 15,173,011
Grain elevator	652,463	564,776
Rental of facilities	3,972,440	3,029,571
Total Revenues	23,069,894	18,767,358
Non-Operating revenues		
M&O tax collections	5,629,547	5,023,211
Interest earned	1,261,887	151,395
Grants	947,367	581,611
Other	2,611,249	876,880
Total Non-Operating Revenues	10,450,050	6,633,097
Operating Expenditures (excludes depreciation)		
Maintenance and operating	8,424,906	9,320,342
General and administrative	5,990,160	5,039,201
Total Expenditures	14,415,066	14,359,543
Net Revenue Available for Debt Service	$ 19,104,878	$ 11,040,912
Average annual principal and interest required 2020 - 2034	$ 1,408,707	$ 1,414,205
Coverage of average requirements net available for debt service	13.56:1.0	7.81:1.0

NOTE 9 - DIRECT FINANCING LEASE AND DOCK AND WHARF FACILITY LEASE REVENUE BONDS

Series 2016 bond issue -
The Port entered into a facilities lease agreement with Jefferson Railport Terminal II, LLC ("the lessee") on February 1, 2016. The Port of Beaumont Navigation District of Jefferson County, Texas, issued Dock and Wharf Facility Revenue Bonds, Series 2016, in the amount of $144,200,000, to be used for the development, construction and acquisition of these facilities for the transport, loading, unloading and storage of petroleum products on behalf of the Port.

NOTE 9 - DIRECT FINANCING LEASE AND DOCK AND WHARF FACILITY LEASE REVENUE BONDS (Continued)

Series 2016 bond issue (continued) -
The bonds were issued as "initial bonds" and bear interest at an initial rate of 7.25% through the initial rate period of March 1, 2016 - February 13, 2020, the "initial bonds remarketing date," at which time they will be subject to mandatory tender for purchase. It is anticipated that the purchase price of the bonds on the "initial remarketing date" will be paid using proceeds from the remarketing of the Series 2016 bonds, however, should they not be successfully remarketed, the lessee has agreed to provide for the purchase of the bonds on the "initial bonds remarketing date."

Interest on the Series 2016 bonds shall be payable on each February 1 and August 1, commencing on August 1, 2016, and the "initial bonds remarketing date," until maturity or prior redemption. The bonds were purchased at Par of $144,200,000 less an underwriter's discount of $2,163,000 for a total of $142,037,000.

The facilities lease is subject to a separate ground lease and shall terminate on July 31, 2063. The facilities lease is accounted for as a direct financing lease. The debt service requirements and all third party costs, expenses and fees related to the Series 2016 bonds represent lease payments to be paid by the lessee and are recorded as an asset "Net investment in direct financing lease - restricted" and the bonds outstanding are recorded as a liability "Dock and wharf facility revenue bonds," in the accompanying statement of net position.

Net investments in direct financing lease at August 31, 2019 consisted of the following:

Cash and securities with bond fund trustee	$ -
Receivable from lessee, net of unearned interest of $109,853,088	144,200,000
	$ 144,200,000

Minimum lease payments over the next five years and through bond maturity are as follows:

	Dock and Wharf Facility Revenue Bonds, Series 2016		*Direct Financing Lease*
Year Ending August 31,	**Bond Principal**	**Bond Interest**	**Minimum Lease Payment**
2020	$ -	$ 10,454,500	$ 10,454,500
2021	4,950,000	10,275,063	15,225,063
2022	5,320,000	9,902,775	15,222,775
2023	5,720,000	9,502,575	15,222,575
2024	6,155,000	9,072,106	15,227,106
2025 - 2029	38,445,000	37,679,881	76,124,881
2030 - 2034	55,255,000	20,873,294	76,128,294
2035 - 2036	28,355,000	2,092,894	30,447,894
	$ 144,200,000	$ 109,853,088	$ 254,053,088

NOTE 9 - DIRECT FINANCING LEASE AND DOCK AND WHARF FACILITY LEASE REVENUE BONDS (Continued)

Series 2019 bond issue -

The Port entered into a facilities lease agreement with Allegiant Industrial Island Park, LLC ("the lessee") on February 1, 2019. The Port of Beaumont Navigation District of Jefferson County, Texas, issued Dock and Wharf Facility Revenue Bonds, Series 2019, in the amount of $25,000,000, to be used for the development, construction, rehabilitation and acquisition of certain dock and wharf and related facilities of the District, including the reimbursement to Allegiant Industrial Island Park, LLC for such costs. The bonds will also be used to pay capitalized interest of $3,772,222, establish a debt service reserve fund of $2,500,000 and to pay the costs of issuance of $690,739 for the Series 2019 bonds.

Interest on the Series 2019 bonds shall be payable on each February 1 and August 1, commencing on August 1, 2019, until maturity at February 1, 2039 or prior redemption. The bonds were purchased at Par of $25,000,000 less an underwriter's discount of $328,180 for a total of $24,671,820.

The facilities lease is subject to a separate ground lease and shall terminate on July 2, 2068. The facilities lease is accounted for as a direct financing lease. The debt service requirements and all third party costs, expenses and fees related to the Series 2019 bonds represent lease payments to be paid by the lessee and are recorded as an asset "Net investment in direct financing lease - restricted" and the bonds outstanding are recorded as a liability "Dock and wharf facility revenue bonds," in the accompanying statement of net position.

Net investments in direct financing lease at August 31, 2019 consisted of the following:

Cash and securities with bond fund trustee	$ 8,374,080
Receivable from lessee, net of unearned interest of $23,012,800	16,625,920
	$ 25,000,000

Minimum lease payments over the next five years and through bond maturity are as follows:

	Dock and Wharf Facility Revenue Bonds, Series 2019		***Direct Financing Lease***	
Year Ending August 31,	**Bond Principal**	**Bond Interest**	**Credit for Capitalized Interest**	**Minimum Lease Payment**
2020	$ -	$ 2,000,000	$ (2,000,000)	$ -
2021	-	2,000,000	(1,000,000)	1,000,000
2022	670,000	1,973,200	-	2,643,200
2023	720,000	1,917,600	-	2,637,600
2024	780,000	1,857,600	-	2,637,600
2025 - 2029	4,935,000	8,205,800	-	13,140,800
2030 - 2034	7,245,000	5,797,800	-	13,042,800
2035 - 2039	10,650,000	2,260,800	-	12,910,800
	$ 25,000,000	$ 26,012,800	$ (3,000,000)	$ 48,012,800

NOTE 10 - OPERATING LEASES

Lease on grain elevator -
The Port leases its grain elevator facilities to a private company under the terms of a lease agreement which has been extended and will expire May 31, 2025. The lease provides for rentals to be paid based upon the volume of grain exported from the Texas Gulf each year. Total rent revenue for the years ended August 31, 2019 and 2018 was $652,463 and $564,776, respectively.

Army Corps of Engineers Building -
The Port leases a building to the Army Corps of Engineers. The cost of the building was $5,720,924 and the carrying amount at August 31, 2019 and 2018 was $3,813,961 and $4,004,658, respectively. The lease rent is received monthly and the lease renews annually, total rent revenue for the year ended August 31, 2019 and 2018 was $626,340 and $580,200, respectively.

Dock and Wharf Ground Leases -

Jefferson Terminal Logistics, LLC
The Port leases a portion of its land to Jefferson Terminal Logistics, LLC. The lease term commenced on April 1, 2015 and terminates March 31, 2025 with the option to renew for two additional terms of 10 years each with final termination on March 31, 2045. Total rent revenue for each of the years ended August 31, 2019 and 2018 was $1,680,000.

Allegiant Industrial Island Park, LLC
The Port leases a portion of its land to Allegiant Industrial Island Park, LLC. The lease term commenced on January 1, 2019 and terminates June 30, 2039 with the option to renew for additional terms of 10 years each with final termination on July 1, 2068 and the term shall not exceed 80% of the useful life on any Bond Financed Property. Total rent revenue for the year ended August 31, 2019 was $720,000.

Minimum lease payments of the dock and wharf ground leases over the next five years are as follows:

Year Ending August 31,	Jefferson Terminal Logistics, LLC	Allegiant Industrial Island Park, LLC	Total
2020	$ 1,680,000	$ 1,080,000	$ 2,760,000
2021	1,680,000	1,080,000	2,760,000
2022	1,680,000	1,080,000	2,760,000
2023	1,680,000	1,080,000	2,760,000
2024	1,680,000	1,080,000	2,760,000
After 2025	7,700,000	16,020,000	23,720,000
	$ 16,100,000	$ 21,420,000	$ 37,520,000

NOTE 11 - RETIREMENT PLAN

Plan Description -

The Port provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 677 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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

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

Funding Policy -

The employer has elected the annually determined contribution rate (variable-rate) plan under the provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The monthly rate contributed for both fiscal years ending August 31, 2019 and 2018 was 21.00%. The monthly deposit rate payable by the employee members was 7% for both 2019 and 2018 as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Contributions -

The required contribution was determined as part of the December 31, 2018 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2018 included (a) 8.10 percent investment rate of return (gross of administrative expenses), and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of 2.75 percent.

NOTE 11 - RETIREMENT PLAN (Continued)

For the employer's accounting year ended August 31, 2019, the annual pension contribution for the TCDRS plan by its employees was $249,516 and the employer cost was $748,548. Contributions payable at August 31, 2019 for the employer portion of the pension expense was $140,627 and the employee portion was $46,876.

Net Pension Liability/(Asset) -

	December 31, 2017	December 31, 2018
Total pension liability	$ 20,366,429	$ 21,609,704
Fiduciary net position	18,252,777	17,937,242
Net pension liability/(asset)	2,113,652	3,672,463
Fiduciary net position as a % of total pension liability	89.62%	83.01%
Pensionable covered payroll(1)	$ 3,052,485	$ 3,545,800
Net pension liability as a % of covered payroll	69.24%	103.57%

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

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

(1) Payroll is calculated based on contributions as reported to TCDRS

Discount Rate -

	December 31, 2017	December 31, 2018
Discount rate(2)	**8.10%**	**8.10%**
Long-term expected rate of return, net of investment expense(2)	**8.10%**	**8.10%**
Municipal bond rate(3)	N/A	N/A

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

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

NOTE 11 - RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions Used for GASB Calculations -

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

Valuation Timing	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry age normal(1)
Amortization Method	
Recognition of economic/ demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumption changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	4.9%
Investment Rate of Return	8.10% (Gross of administrative expenses)
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Port of Beaumont Navigation District are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	60 and above
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.

NOTE 11 - RETIREMENT PLAN (Continued)

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

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

Mortality	
Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

(1) Individual entry age normal cost method, as required by GASB 68, used for GASB calculations.

Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

Long-term Expected Rate of Return -

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2019 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 - December 31, 2016 for more details.

NOTE 11 - RETIREMENT PLAN (Continued)

Long-term Expected Rate of Return - (Continued)

Asset Class	*Benchmark*	*Target[1] Allocation*	*Geometric Real Rate of Return [2]*
US Equities	Dow Jones U.S. Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index[3]	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
International Equities- Developed Markets	MSCI World Ex USA (net) Index	10.00%	5.40%
International Equities- Emerging Markets	MSCI Emerging Markets (net) Index	7.00%	5.90%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Associates Distressed Securities Index[4]	2.00%	7.20%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index[5]	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%

[1] *Target* asset *allocation adopted at the April 2019 TCDRS Board meeting.*

[2] *Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.70%, per Cliffwater's 2019 capital market assumptions.*

[3] *Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.*

[4] *Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.*

[5] *Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.*

NOTE 11 - RETIREMENT PLAN (Continued)

Changes in Net Pension Liability/(Asset) -

	Total Pension Liability (a)	***Increases/ Decreases Fiduciary Net Position (b)***	***Net Pension Liability/ (Asset) (a) - (b)***
Balances as of December 31, 2017	$ 20,366,429	$ 18,252,777	$ 2,113,652
Changes for the year:			
Service cost	450,223	-	450,223
Interest on total pension liability[1]	1,648,137	-	1,648,137
Effect of plan changes[2]	-	-	-
Effect of economic/demographic gains or losses	102,115	-	102,115
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(71,642)	(71,642)	-
Benefit payments	(885,557)	(885,557)	-
Administrative expenses	-	(14,407)	14,407
Member contributions	-	248,206	(248,206)
Net investment income	-	(339,648)	339,648
Employer contributions	-	744,618	(744,618)
Other[3]	-	2,895	(2,895)
Balances as of December 31, 2018	$ 21,609,705	$ 17,937,242	$ 3,672,463

[1] *Reflects the change in the liability due* to *the time value of money. TCDRS does not charge fees* or *interest.*
[2] *No plan changes valued.*
[3] *Relates* to *allocation of system-wide items.*

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

	1% Decrease 7.10%	***Current Discount Rate*** 8.10%	***1% Increase*** 9.10%
Total pension liability	$ 23,905,808	$ 21,609,705	$ 19,603,166
Fiduciary net position	17,937,242	17,937,242	17,937,242
Net pension liability/(asset)	$ 5,968,566	$ 3,672,463	$ 1,665,924

NOTE 11 - RETIREMENT PLAN (Continued)

Pension Expense/Income -

		January 1, 2018 to December 31, 2018
Service cost	$	450,223
Interest on total pension liability[1]		1,648,137
Effect of plan changes		-
Administrative expenses		14,407
Member contributions		(248,206)
Expected investment return net of investment expenses		(1,479,433)
Recognition of deferred inflows/outflows of resources		
Recognition of economic/demographic gains or losses		(44,942)
Recognition of assumption changes or inputs		64,354
Recognition of investment gains or losses		449,055
Other[2]		(2,895)
Pension expense/income	$	850,700

[1] *Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.*
[2] *Relates to allocation of system-wide items.*

Deferred Outflows of Resources -

As of December 31, 2018, the deferred inflows and outflows of resources are as follows:

		Deferred Inflows of Resources		*Deferred Outflows of Resources*
Differences between expected and actual experience	$	104,058	$	135,254
Changes of assumptions		-		94,097
Net difference between projected and actual earnings		-		1,111,662
Contributions made subsequent to measurement date		N/A		408,137

NOTE 11 - RETIREMENT PLAN (Continued)

Deferred Outflows of Resources - (Continued)

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

Year ended December 31:

2019	$	793,362
2020		253,979
2021		233,935
2022		363,816
2023		-
Thereafter[1]		-

[1] Total remaining balance to be recognized in future years, if any.
Note that additional future deferred inflows and outflows of resources may impact these numbers.

NOTE 12 - OTHER POST EMPLOYMENT BENEFITS

The Port provides certain post-retirement health care benefits to eligible retired employees and their spouses. The plan is a single-employer defined benefit plan and is administered by the Port.

Retirees receive a monthly stipend toward their personal coverage. The stipend amount shall not exceed 85% of the employee only premium and 50% of the difference between the employee only and couple rate for retiree's spouse. Effective October 1, 2011, the stipend for active employees only shall not exceed 90% of the employee only premium and 80% of the dependent coverage. No change occurred to the current retirees.

To be eligible for this benefit an employee must be at least 55 years of age and have at least 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. All coverage terminates upon the retiree's eligibility for Medicare/Medicaid.

At August 31, 2019 and 2018, the following employees were covered by the benefit terms:

	2019	*2018*
Inactive employees or beneficiaries currently receiving benefit payments	3	3
Inactive employees entitled to but not yet receiving benefit payments	0	0
Active employees	40	40

NOTE 12 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Funding Policy -
The retiree medical plan is operated on a Pay-As-You-Go basis. There are no assets that have been segregated and restricted to provide for retiree medical benefits. For the year ended August 31, 2019 and 2018, the cost of retiree health benefits, recorded on a pay-as-you-go basis was $41,739 and $26,381, respectively.

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

The Port's total OPEB liability for health care benefits was measured as of August 31, 2018, and was determined by an actuarial valuation as of September 1, 2018. The valuation includes all active employees and current retirees and their spouses who are currently receiving benefits under the retiree medical plan.

The total OPEB liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry age actuarial cost method
Investment Rate of Return	20-year return on AA municipal bonds 3.1%
Mortality	RP-2014 mortality fully generational using projection scale MP-2019
Annual Termination Rates	Age 22 - 22.5%, Age 32 - 10.8%, Age 42 - 6.5%, Age 52 - 4.3%, Age 62 and over - 0.0%
New Employees	None
Disability Rate	N/A
Annual Retirement Rates	Age 55 to 59 - 10.0%, Age 60 to 64 - 25.0%, Age 65 and over - 100.0%
Salary Increases	3% annually
Health care cost trends	2019 to 2020 - 8.0%, 2021 to 2022 - 7.0%, 2023 to 2024 - 6.0%, 2025 & later - 5.0%

NOTE 12 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions - (Continued)

Assumed Rate of Return on Plan Assets	N/A
Monthly Premium	Employee $772.67, Couple $1,622.59
Retiree Contribution	Retiree pays balance of premium not covered by stipend.
Attribution Period	The attribution Period is the portion of a participant's service to which the expected postretirement benefit obligation is assigned. The beginning of the attribution period is the date of hire and the end of the attribution period is the earliest eligibility date.

Changes in Total OPEB Liability -

	Total OPEB Liability
Balances as of August 31, 2018	$ 1,425,639
Changes for the year:	
Service cost	86,034
Interest	46,201
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	-
Benefit payments	(42,651)
Administrative expense	-
Net Changes	89,584
Balances as of August 31, 2019	$ 1,515,223

NOTE 12 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Sensitivity of the total OPEB liability to changes in the discount rate -
The following presents the total OPEB liability of the employer, calculated using the discount rate of 3.10%, as well as what the Port of Beaumont Navigation District total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.10%) or 1 percentage point higher (4.10%) than the current rate.

	1% Decrease	*Current Discount Rate*	*1% Increase*
	2.10%	3.10%	4.10%
Total OPEB liability	$ 1,615,718	$ 1,515,223	$ 1,421,329

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates -
The following presents the total OPEB liability of the employer, calculated using the healthcare cost trend rate of 8.00%, as well as what the Port of Beaumont Navigation District total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate.

	1% Decrease	*Current Discount Rate*	*1% Increase*
	7.00%	8.00%	9.00%
Total OPEB liability	$ 1,392,722	$ 1,515,223	$ 1,652,783

OPEB Expense	***September 1, 2018 to August 31, 2019***
Service cost	$ 86,034
Interest	46,201
Expected return on investments	-
Recognition of difference between expected and actual experience	(106)
Recognition of changes in assumptions or other inputs	-
OPEB expense	$ 132,129

NOTE 12 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Deferred Outflows of Resources -

As of August 31, 2019, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 495	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	-

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year ended August 31:	
2020	$ 106
2021	106
2022	106
2023	106
2024	71
Thereafter	-

NOTE 13 - DEFERRED COMPENSATION PLAN

Employees of the Port may participate in a defined contribution plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The Port of Beaumont Deferred Compensation Plan is available to all employees of the Port. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency.

The Port of Beaumont Deferred Compensation Plan is administered by an unrelated financial institution (Nationwide Retirement Solutions, Inc.). Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the Port subject only to the claims of the Port's general creditors. In addition, the participants in the plan have rights equal to those of the general creditors of the Port, and each participant's rights are equal to his or her share of the fair market value of the plan assets. The Port believes that it is unlikely that plan assets will be needed to satisfy claims of general creditors that might arise.

NOTE 13 - DEFERRED COMPENSATION PLAN (Continued)

As part of its fiduciary role, the Port has an obligation of due care in selecting the third-party administrator. In the opinion of the Port's management, the Port has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

Since the employer makes contributions to the TCDRS plan, it does not contribute to this plan. Assets held in the plan at August 31, 2019 and 2018 totaled $1,373,139 and $1,186,520, respectively, and employee contributions to the plan were $112,963 and $104,096, respectively.

NOTE 14 - LITIGATION

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

NOTE 15 - HURRICANE HARVEY

During the last week of August 2017, Hurricane Harvey caused flooding along the Neches River damaging the Port of Beaumont river embankments. Completed repair costs were $1,200,680 and $703,630 for the years ended August 31, 2018 and August 31, 2019, respectively, for a total of $1,904,310 expected to be reimbursed by FEMA. During the year ended August 31, 2019, $686,248 was approved for reimbursement and the remainder of $1,218,062 was pending approval. FEMA paid $113,110 of the approved claims and $573,138 was receivable at year end August 31, 2019.

NOTE 16 - PRIOR PERIOD ADJUSTMENT

During fiscal year end August 31, 2018, the Port adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* GASB 75 requires governments to report the unfunded actuarial accrued liability for the plan on the balance sheet. Formerly it was reported in the notes to the financial statements only. The effect of this change was to decrease beginning net assets by $460,311.

NOTE 17 - SUBSEQUENT EVENT

During November 2019, the Port received an $18 million federal grant to help fund the reconstruction of three wharves at its Main Street Terminal, add 16,000 feet of track along with a new rail exchange and replace its grain dock facility. The estimated cost for the design and construction of all three projects is $101 million.

FEDERAL FINANCIAL ASSISTANCE

PORT OF BEAUMONT NAVIGATION DISTRICT
of Jefferson County, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended August 31, 2019

Federal Grantor/Pass-through Grantor/ Program Title	***Federal CFDA Number***	***Contract Number***	***Federal Expenditures***
U.S. Department of Homeland Security/ Texas Department of Public Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA DR-4332-TX	**$ 686,248**
U.S. Department of Homeland Security			
2016 Port Security Grant Program	97.056	EMW-2016-PU-00090	255,727
			$ 941,975
Reconciliation to grant revenue			
Cost estimate adjustment			5,392
Grant revenue			$ 947,367

PORT OF BEAUMONT NAVIGATION DISTRICT
of Jefferson County, Texas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended August 31, 2019

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Port of Beaumont Navigation District of Jefferson County, Texas under programs of the federal government for the year ended August 31, 2019, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Port of Beaumont Navigation District of Jefferson County, Texas, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Port of Beaumont Navigation District of Jefferson County, Texas.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Port of Beaumont Navigation District of Jefferson County, Texas, has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C - CONTINGENCIES

These federal and state programs are subject to financial and compliance audits by grantor agencies, which, if instances of material noncompliance are found, may result in disallowed expenditures, and affect the Port's continued participation in specific programs. The amount of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the Port expects such amounts, if any, to be immaterial.

NOTE D - DISASTER GRANTS

Non-Federal entities must record expenditures on the Schedule of Expenditures of Federal Awards (SEFA) only after the award is both approved and expended under CFDA 97.036. Of the $686,248 reported on the SEFA, $686,248 was expended during the prior fiscal year ended August 31, 2018.

FMW
FMW, P.C.
Certified Public Accountants

David E. White, CPA
Terry S. Whiddon, CPA
Ryan C. Harkey, CPA
Jeffrey R. Davis, CPA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of net position of the Port of Beaumont Navigation District of Jefferson County, Texas (the Port), as of and for the year ended August 31, 2019, and the related statements of revenues, expenses, and changes in net position and cash flows and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated December 10, 2019.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

FMW, P.C.

Beaumont, Texas
December 10, 2019

DAVID E. WHITE, CPA
TERRY S. WHIDDON, CPA
RYAN C. HARKEY, CPA
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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Port of Beaumont Navigation District of Jefferson County, Texas' (the Port), compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Port's major federal programs for the year ended August 31, 2019. The Port's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Port's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

Report on Internal Control over Compliance

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

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

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

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

FMW, P.C.

Beaumont, Texas
December 10, 2019

PORT OF BEAUMONT NAVIGATION DISTRICT
of Jefferson County, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For Year Ended August 31, 2019

A. Summary of Audit Results

1. The auditors' report expresses an unmodified opinion on the financial statements of the Port of Beaumont Navigation District of Jefferson County, Texas.

2. No reportable conditions were reported during the audit of the financial statements.

3. No instances of noncompliance material to the financial statements of the Port of Beaumont Navigation District of Jefferson County, Texas were disclosed during the audit.

4. No reportable conditions relating to the audit of the major federal award programs were reported during the audit.

5. The auditors' report on compliance for the major federal award programs of the Port of Beaumont Navigation District of Jefferson County, Texas expresses an unmodified opinion on its major programs.

6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this Schedule.

7. The programs tested as major programs included:

Federal Grantor/ Pass-through Grantor/Program Title	*Federal CFDA Number*	*Federal Expenditures*
U.S. Department of Homeland Security/ Texas Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	$ 686,248

8. The threshold for distinguishing Types A and B programs was $750,000.

9. The Port of Beaumont Navigation District of Jefferson County, Texas did not qualify as a low-risk auditee.

B. Findings - Financial Statements Audit

None

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

None

PORT OF BEAUMONT NAVIGATION DISTRICT
of Jefferson County, Texas

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For Year Ended August 31, 2019

U.S. Department of Homeland Security/Texas Department of Public Safety

None

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

GERMER
ATTORNEYS AT LAW

AUSTIN **BEAUMONT** HOUSTON
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GUY N. GOODSON
Principal

Direct Dial: (409) 654-6730
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____________, 2020

Re: Port of Beaumont Navigation District of Jefferson County, Texas – $35,000,000* General Obligation Bonds, Series 2020 (the “Bonds”)

Ladies and Gentlemen:

AS BOND COUNSEL FOR THE PORT OF BEAUMONT NAVIGATION DISTRICT OF JEFFERSON COUNTY, TEXAS (the "Issuer") of the Bonds described above, we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the Bonds, until maturity or redemption, at the rates and payable on the dates as stated in the Bonds, and maturing subject to redemption on the dates specified in the Bonds, all in accordance with the terms and conditions stated in the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond T-1). In rendering the opinions herein, we rely upon (1) original or certified copies of the proceedings of the Issuer in connection with the issuance of the Bonds, including the Order; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the Issuer, and such matters of law as we deed relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized, issued and delivered in accordance with law; that the Bonds constitute valid and legally binding general obligations of the Issuer in accordance with their terms except as the enforceability thereof may be limited by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion; and the Bonds are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property located within the Issuer, which taxes have been pledged irrevocably to pay the principal of and the interest on the Bonds.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under §57(a)(5) of the Internal

Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on and assume continuing compliance with, certain representations contained in the federal tax certificate of the Issuer and covenants set forth in the order adopted by the Issuer to authorize the issuance of the Bonds, relating to, among other matters, the use of the project and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of a result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Except as stated above, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

In connection with the issuance of the Bonds, the undersigned as Bond Counsel for the Issuer, and, in that capacity, has been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of the Issuer and the assessed valuation of taxable property within the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Yours very truly,

GERMER PLLC