
SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT



Charles E. Reed & Associates, P.C.

Certified Public Accountants & Consultants

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Commissioners
Sabine-Neches Navigation District - Jefferson County, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sabine-Neches Navigation District - Jefferson County, Texas (the District), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Sabine-Neches Navigation District, as of September 30, 2021, and the respective changes in financial position for the year 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 and required supplementary information on pages 3 through 8 and 43 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Texas Supplementary Information on pages 47 to 55 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Texas Supplementary Information has 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 it.

Charles E. Reed & Associates, P.C.

Charles E. Reed and Associates, P.C.
Certified Public Accountants and Consultants
Port Arthur, Texas

March 16, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021

As management of the Sabine-Neches Navigation District, Jefferson County, Texas (the "District"), we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with the financial statements and notes thereto, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of the following: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information of all of the District's assets, and deferred outflows and deferred inflows of resources 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 District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (i.e., uncollected property taxes).

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Sabine-Neches Navigation District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the District's basic services are included in the governmental fund, which focus on how resources flow in and out with the balances remaining at the year-end that are available for spending. The governmental funds statements provide a detailed short-term view to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's activities. Because this information does not encompass the additional long-term focus of the government-wide statements, we describe the relationship between governmental activities and governmental funds through the reconciliations and in the notes to the financial statements.

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

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021

FINANCIAL HIGHLIGHTS

- The net position for the District at September 30, 2021 was \$139,099,877.
- The District's net position increased by \$16,596,697 for the year ended September 30, 2021.
- The District continues to fund the Sabine-Neches Waterway Security Operations in conjunction with the Jefferson County Sherriff's Office. Upon request by the office of Homeland Security through the office of the U.S. Coast Guard Captain of the Port of Port Arthur, the Jefferson County Sherriff's Office and the Sabine-Neches Navigation District cooperate to provide and enhance services for the enforcement of maritime safety and security zones of the Sabine-Neches Waterway (SNWW). The District levies a security service fee on cargo-tonnage delivered to SNWW terminals to fund security operations.
- The District continues to act as non-Federal sponsor for the Sabine-Neches waterway to the U.S. Army Corps of Engineers (USACE). Under the Partner Cooperation Agreement, Congressionally authorized in 1962 between the District and USACE, the Sabine-Neches Navigation District funds 100% of dredge material placement area maintenance and acquisition of lands, as well as the local share of the federal ship channel project.

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021

FINANCIAL ANALYSIS

A portion of the District's total net position (9.93%) reflects its investment in capital assets (e.g., land, structures, and furniture and equipment) net of related debt. The District uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. The restricted portion of the District's total net position (76.23%) is restricted for debt service, special revenue (waterway security), capital projects, and promotion and development.

	<i>2021</i>	<i>2020</i>
<i>Assets</i>		
Current and other assets	\$ 132,074,831	\$ 112,876,370
Capital assets, net	22,185,116	23,068,116
Total Assets	\$ 154,259,947	\$ 135,944,486
<i>Deferred Outflows of Resources</i>		
Deferred pension and other benefit related outflows	\$ 310,055	\$ 163,952
<i>Liabilities</i>		
Long-term liabilities	\$ 8,840,949	\$ 9,473,359
Other liabilities	6,340,589	3,875,312
Total Liabilities	\$ 15,181,538	\$ 13,348,671
<i>Deferred Inflows of Resources</i>		
Deferred pension and other benefit related inflows	\$ 288,587	\$ 256,587
<i>Net Position</i>		
Invested in capital assets	\$ 13,820,116	\$ 14,008,116
Restricted	106,031,893	92,458,787
Unrestricted	19,247,868	16,036,277
Total Net Position	\$ 139,099,877	\$ 122,503,180

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021

FINANCIAL ANALYSIS (Continued)

The following provides a summary of the District's operations for the year ended September 30, 2021 with comparative totals for the year ended September 30, 2020.

	<u>2021</u>	<u>2020</u>
<i>Revenues</i>		
Property taxes	\$ 21,753,554	\$ 22,098,244
Investment earnings	143,449	1,119,889
Placement area usage	6,161,102	3,828,157
Waterway security fees	2,820,451	2,921,767
Waterway user fees	9,097,342	-
Other	2,792,610	2,817,329
Total Revenues	<u>42,768,508</u>	<u>32,785,386</u>
<i>Expenditures/Expenses</i>		
Service operations	24,978,006	18,385,702
Interest	250,245	416,417
Depreciation	883,000	943,445
Other	60,560	1,075
Total Expenses	<u>26,171,811</u>	<u>19,746,639</u>
Change in Net Position	\$ 16,596,697	\$ 13,038,747
Net position - beginning of year	<u>122,503,180</u>	<u>111,684,423</u>
Net position - end of year	<u>\$ 139,099,877</u>	<u>\$ 122,503,180</u>

ANALYSIS OF INDIVIDUAL FUNDS

Debt Service Fund - There was no change in fund balance.

Special Revenue Fund - Revenues increased \$8,996,026 due to implementation of waterway user fee collections. Expenses increased by \$341,302 due to Marine Division expenditures. Fund balance increased by \$9,100,256.

Capital Projects - Fund balance increased by \$4,473,572 mostly due to transfer from general fund.

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021

ANALYSIS OF CHANGES IN CAPITAL ASSETS AND LONG-TERM DEBT

The District's investment in capital assets as of September 30, 2021, amounts to \$22,185,116 (net of accumulated depreciation).

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

- Accumulated depreciation increased by \$883,000.

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

	<i>2021</i>	<i>2020</i>
Land and easements, net	\$ 7,465,778	\$ 7,476,402
Structures, net	14,519,112	15,335,223
Furniture and equipment, net	200,226	256,491
Total	\$ 22,185,116	\$ 23,068,116

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

On February 9, 2021, the board of directors passed a resolution to issue contract revenue bonds in the amount of \$9,120,000 to advance refund the "Refunded 2010-A Bonds" and the "Refunded 2011 Bonds" and to pay costs relating to the issuance of bonds. See Note 6 - Long-Term Debt for further detail.

At the end of the current fiscal year, the District had outstanding contract revenue refunding bonds of \$8,365,000. Additional information on the District's long-term debt can be found in the notes to the financial statements.

**Outstanding Debt at Year-End
Notes Payable**

	<i>2021</i>	<i>2020</i>
Revenue bonds	\$ -	\$ 9,060,000
Revenue refunding bonds	8,365,000	-
Total	\$ 8,365,000	\$ 9,060,000

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021

ANALYSIS OF CHANGES IN CAPITAL ASSETS AND LONG-TERM DEBT (Continued)

The District's Revenue Bond ratings are listed below:

	<u><i>Moody's Investor Service</i></u>	<u><i>Standard & Poor's</i></u>	<u><i>Fitch</i></u>
Revenue Bonds	Aaa	Not rated	AAA

THE BUDGET, ECONOMIC ENVIRONMENT, AND RATES

The original budget of the General Fund projected a \$139,199 net of transfers, increase in fund balance. The original budget was amended with \$2,148,148 increase in expenditures related to materials and supplies, miscellaneous services, and repairs and maintenance. The final budget of the General Fund projected a \$2,008,949, net of transfers, decrease in fund balance.

The main differences between the final budget and actual results are briefly summarized as follows:

- Actual tax revenues were over budgeted by \$581,395, placement area usage revenues were over budgeted by \$4,063,478, and actual revenue exceeded budgeted revenue by \$3,148,142.
- Total expenditures were under budgeted amounts by \$3,395,668 mainly because the District's anticipation of completing placement area maintenance projects in the current fiscal year.
- The District set its 2021 tax rate at \$0.092067 per \$100 of appraised property value with a 20% homestead exemption.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the District's finances. If you have questions about this report or need any additional information, contact the Department of Finance, Sabine-Neches Navigation District at 8180 Anchor Drive, Port Arthur, Texas, U.S.A. 77627, or call (409) 729-4588.

BASIC FINANCIAL STATEMENTS

**STATEMENT OF NET POSITION AND GOVERNMENTAL FUND
BALANCE SHEET -
ASSETS**

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

**STATEMENT OF NET POSITION AND GOVERNMENTAL FUND
BALANCE SHEET -
ASSETS**
September 30, 2021

	<i>General Fund</i>	<i>Debt Service Fund</i>
<i><u>Assets</u></i>		
<i>Cash</i>		
Checking accounts	\$ 19,936,680	\$ -
Restricted cash	142,984	-
<i>Accounts Receivable</i>		
Accounts receivable	807,736	-
Delinquent taxes, net	498,903	-
Due from other funds	84,000	-
<i>Capital Assets</i>		
Land and easements, net	-	-
Structures, net	-	-
Furniture and equipment, net	-	-
Total Assets	<u>\$ 21,470,303</u>	<u>\$ -</u>
 <i><u>Deferred Outflows of Resources</u></i>		
<i>Deferred Outflows of Resources</i>		
Differences between expected and actual experience	-	-
Changes in assumptions	-	-
Contributions made subsequent to measurement date	-	-
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ -</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 21,470,303</u>	<u>\$ -</u>

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

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

**STATEMENT OF NET POSITION AND GOVERNMENTAL FUND
BALANCE SHEET -
ASSETS**
September 30, 2021

<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ -	\$ -	\$ 19,936,680	\$ -	\$ 19,936,680
12,402,172	95,132,476	107,677,632	-	107,677,632
3,069,880	-	3,877,616	-	3,877,616
-	-	498,903	-	498,903
-	-	84,000	-	84,000
-	-	-	7,465,778	7,465,778
-	-	-	14,519,112	14,519,112
-	-	-	200,226	200,226
<u>\$ 15,472,052</u>	<u>\$ 95,132,476</u>	<u>\$ 132,074,831</u>	<u>\$ 22,185,116</u>	<u>\$ 154,259,947</u>
-	-	-	70,354	70,354
-	-	-	173,793	173,793
-	-	-	65,908	65,908
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 310,055</u>	<u>\$ 310,055</u>
<u>\$ 15,472,052</u>	<u>\$ 95,132,476</u>	<u>\$ 132,074,831</u>	<u>\$ 22,495,171</u>	<u>\$ 154,570,002</u>

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

**STATEMENT OF NET POSITION AND GOVERNMENTAL FUND
BALANCE SHEET -
LIABILITIES AND FUND BALANCE/NET POSITION**

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

**STATEMENT OF NET POSITION AND GOVERNMENTAL FUND
BALANCE SHEET -
LIABILITIES AND FUND BALANCE/NET POSITION**
September 30, 2021

	<i>General Fund</i>	<i>Debt Service Fund</i>
<u>Liabilities</u>		
Accounts payable	\$ 704,716	\$ -
Accrued interest payable	-	-
Other current liabilities	20,178	-
Long-term liabilities		
Due within one year	-	-
Due after one year	-	-
Total Liabilities	724,894	-
<u>Deferred Inflows of Resources</u>		
<i>Deferred Inflows of Resources</i>		
Deferred revenue - delinquent taxes	498,903	-
Unearned revenue	807,736	-
Difference between pension and other benefit - related inflows	-	-
Expected and actual experience	-	-
Net difference between projected and actual earnings	-	-
Total Deferred Inflows of Resources	1,306,639	-
<u>Fund Balances/Net Position</u>		
<i>Fund Balances</i>		
Restricted for special revenue	-	-
Restricted for promotion and development	142,984	-
Assigned for capital projects	-	-
Assigned for operating reserve	6,227,879	-
Unrestricted	13,067,907	-
Total Fund Balances	19,438,770	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 21,470,303	\$ -
<i>Net Position</i>		
Invested in capital assets, net		
Restricted for operations		
Restricted for capital projects		
Restricted for promotion and development		
Unrestricted		
Total Net Position		

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

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

**STATEMENT OF NET POSITION AND GOVERNMENTAL FUND
BALANCE SHEET -
LIABILITIES AND FUND BALANCE/NET POSITION**
September 30, 2021

<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 30,138	\$ 3,798,924	\$ 4,533,778	\$ -	\$ 4,533,778
-	-	-	20,076	20,076
886,557	-	906,735	-	906,735
-	-	-	-	-
-	-	-	880,000	880,000
-	-	-	8,840,949	8,840,949
<u>916,695</u>	<u>3,798,924</u>	<u>5,440,513</u>	<u>9,741,025</u>	<u>15,181,538</u>
-	-	498,903	(498,903)	-
-	-	807,736	(807,736)	-
-	-	-	203,629	203,629
-	-	-	26,120	26,120
-	-	-	58,838	58,838
<u>-</u>	<u>-</u>	<u>1,306,639</u>	<u>(1,018,052)</u>	<u>288,587</u>
14,555,357	-	14,555,357	(14,555,357)	-
-	-	142,984	(142,984)	-
-	91,333,552	91,333,552	(91,333,552)	-
-	-	6,227,879	(6,227,879)	-
-	-	13,067,907	(13,067,907)	-
<u>14,555,357</u>	<u>91,333,552</u>	<u>125,327,679</u>	<u>(125,327,679)</u>	<u>-</u>
<u>\$ 15,472,052</u>	<u>\$ 95,132,476</u>	<u>\$ 132,074,831</u>		
			13,820,116	13,820,116
			14,555,357	14,555,357
			91,333,552	91,333,552
			142,984	142,984
			<u>19,247,868</u>	<u>19,247,868</u>
			<u>\$ 139,099,877</u>	<u>\$ 139,099,877</u>

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

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL
FUND REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION**

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL
FUND REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION**
For Year Ended September 30, 2021

	<i>General Fund</i>	<i>Debt Service Fund</i>
Revenues		
Current taxes	\$ 21,361,797	\$ -
Delinquent taxes	350,020	-
Investment earnings	143,449	-
Placement area usage	5,563,478	-
Waterway security fees	-	-
Waterway user fees	-	-
Chenier LNG	1,023,000	-
Golden Pass income	-	-
Other	9,610	-
Total Revenues	28,451,354	-
Expenditures/Expenses		
Service Operations:		
Salaries and wages	1,025,900	-
Fringe benefits	541,368	-
Maintenance and repairs	176,027	-
Materials and supplies	90,844	-
Utilities	51,009	-
Miscellaneous services	904,876	-
Construction and maintenance	5,702,715	-
Marine Division expenditures	-	-
SNND administrative	-	-
Depreciation	-	-
Debt Service:		
Principal	-	755,000
Interest	-	295,826
Bond Fees	-	60,560
Total Expenditures/Expenses	8,492,739	1,111,386
Excess (Deficiency) of Revenues Over Expenses	19,958,615	(1,111,386)
Other Financing Sources/Uses:		
Transfers - internal activities	(17,269,201)	1,051,386
Flow Through In - Corp of Engineers	1,237,590	-
Flow Through Out Port of Port Arthur	(1,237,590)	-
Proceeds from bonds refunding	-	9,120,000
Payment to refunded bond escrow agent	-	(9,060,000)
Excess (Deficiency) of Revenues and Other Transfers In Over Expenditures and Transfers Out	2,689,414	1,111,386
Change in Net Position	-	-
Fund Balances/Net Position		
Beginning of the year	16,749,356	-
End of the year	\$ 19,438,770	\$ -

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

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL
FUND REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION**
For Year Ended September 30, 2021

<i>Special Revenue Fund</i>	<i>Capital Projects Fund</i>	<i>Total</i>	<i>Adjustments</i>	<i>Statement of Activities</i>
\$ -	\$ -	\$ 21,361,797	\$ -	\$ 21,361,797
-	-	350,020	41,737	391,757
-	-	143,449	-	143,449
-	-	5,563,478	597,624	6,161,102
2,820,451	-	2,820,451	-	2,820,451
9,097,342	-	9,097,342	-	9,097,342
-	-	1,023,000	-	1,023,000
-	1,760,000	1,760,000	-	1,760,000
-	-	9,610	-	9,610
<u>11,917,793</u>	<u>1,760,000</u>	<u>42,129,147</u>	<u>639,361</u>	<u>42,768,508</u>
-	-	1,025,900	-	1,025,900
-	-	541,368	163,487	704,855
-	-	176,027	-	176,027
-	-	90,844	-	90,844
-	-	51,009	-	51,009
-	-	904,876	-	904,876
-	13,504,243	19,206,958	-	19,206,958
2,762,764	-	2,762,764	-	2,762,764
54,773	-	54,773	-	54,773
-	-	-	883,000	883,000
-	-	755,000	(755,000)	-
-	-	295,826	(45,581)	250,245
-	-	60,560	-	60,560
<u>2,817,537</u>	<u>13,504,243</u>	<u>25,925,905</u>	<u>245,906</u>	<u>26,171,811</u>
9,100,256	(11,744,243)	16,203,242	-	-
-	16,217,815	-	-	-
-	-	1,237,590	-	1,237,590
-	-	(1,237,590)	-	(1,237,590)
-	-	9,120,000	-	9,120,000
-	-	(9,060,000)	(60,000)	(9,120,000)
-	16,217,815	60,000	(60,000)	-
9,100,256	4,473,572	16,263,242	(16,263,242)	-
-	-	-	16,596,697	16,596,697
<u>5,455,101</u>	<u>86,859,980</u>	<u>109,064,437</u>	<u>13,438,743</u>	<u>122,503,180</u>
<u>\$ 14,555,357</u>	<u>\$ 91,333,552</u>	<u>\$ 125,327,679</u>	<u>\$ 13,712,198</u>	<u>\$ 139,099,877</u>

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

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**
For Year Ended September 30, 2021

Governmental fund balances as reported on the balance sheet for governmental funds	\$ 125,327,679
<p>When capital assets that are to be used in governmental funds are purchased, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the District.</p>	
Cost of capital assets, net of accumulated depreciation	22,185,116
<p>Long-term liabilities of the District's governmental activities are not due and payable in the current period, therefore are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.</p>	
General obligation bonds payable	(8,365,000)
Accrued interest expense	(20,076)
Pension Liability	(148,593)
Other post-employment benefits obligation	(1,207,356)
<p>Deferred Outflows/Inflows of resources related to pension and other post-employment benefits are not due and payable in the current period, therefore are not reported in the funds. However, they are reported in the Statement of Net Position.</p>	
Pension related deferred outflows	283,831
Pension related deferred inflows	(138,633)
Other post-employment benefits deferred inflows	(149,954)
Other post-employment benefits deferred outflows	26,224
<p>Deferred property tax revenue, waterway security fee revenue, and placement area usage revenue is recorded as a liability in the governmental funds. However, that revenue should have been recognized when reported using full accrual.</p>	
Unearned revenues	807,736
Deferred property tax revenues	<u>498,903</u>
Total net position as reported on the Statement of Net Position for governmental activities	<u>\$ 139,099,877</u>

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

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET POSITION TO THE STATEMENT OF ACTIVITIES**
For Year Ended September 30, 2021

Net change in fund balances for total governmental funds	\$ 16,263,242
<p>Certain pension contributions and changes in the pension plan net position are reported as deferred outflows of resources in the government-wide financial statements. Additional pension expense is reported in the government-wide financial statements as the deferred outflows are amortized and the net pension liability changes from year to year.</p>	(32,877)
<p>When capital assets that are to be used in governmental funds are purchased, those costs are reported as expenditures in the governmental funds. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives.</p>	
Current year capital asset purchase costs	-
Current year depreciation expense	(883,000)
<p>The issuance of debt provides current resources to governmental funds while, the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, the governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities</p>	
Principal paid	755,000
Bond principal retirement	(60,000)
<p>Other post-employee benefits are not due and payable in the current period and, accordingly, are not reported as current period expenditures.</p>	(130,610)
<p>Interest expense on long-term liabilities of governmental debt is not due and payable in the current period and accordingly is not reported as current period expenditures. However, interest expense on the long-term debt of the governmental activities is accrued in the Statement of Activities.</p>	
Accrued interest on bonds payable - prior year	65,657
Accrued interest on bonds payable - current year	(20,076)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>	
Collections on prior year levies	(457,166)
Collections due from current levy	498,903
Unearned revenue	597,624
Change in net position of governmental activities	<u>\$ 16,596,697</u>

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

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity -

The District was created July 12, 1909, following a favorable election held July 3, 1909 pursuant to the provisions of Article 3, Section 52 of the Texas Constitution. The creation is recorded in Volume 5, Page 244, of Minutes of Commissioners' Court of Jefferson County. During 1987, the name of the District was changed from Beaumont Navigation District of Jefferson County to Jefferson County Navigation District. Pursuant to legislation passed in 2001, the District's name was changed to Jefferson County Waterway and Navigation District and following a favorable election, the district changed to an Article 16, Section 59 Texas Constitution District with boundaries co-extensive with Jefferson County, Texas, along with all powers given to such a district pursuant to Chapters 49, 60, and 62 of the Texas Water Code. Effective September 1, 2008, the District's name was changed to Sabine-Neches Navigation District of Jefferson County, Texas, pursuant to House Bill No. 3634 enacted by the Legislature of the State of Texas. At the times of the District's name changes, all debt documents of the District were also changed to reflect the new names.

The accounting and reporting policies of the District relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the District are described below.

The District's financial statements include the accounts of all District operations. The criteria for including organizations as component units with the District reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether -

- the organization is legally separate (can sue and be sued in their own name).
- the District holds the corporate powers of the organization.
- the District appoints a voting majority of the organization's board.
- the District is able to impose its will on the organization.
- the organization has the potential to impose a financial benefit/burden on the District.
- there is fiscal dependency by the organization on the District.

Based on the aforementioned criteria, the District has no component units.

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation -

The government-wide financial statements (the statement of net position and governmental funds balance sheet and statement of activities and governmental funds revenues, expenditures and changes in fund balance) report information on all of the activities of the District. They include all funds of the District.

Governmental funds are those funds through which most governmental functions are typically financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds.

General Fund - The general fund is the main operating fund of the District. This fund is used to account for all financial resources devoted to financing the general services that the District performs. General tax revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund. The fund is charged with all costs of operating the District for which a separate fund has not been established.

Special Revenue Fund - The special revenue fund is used to provide waterway security services for businesses along the Sabine-Neches Waterway. The District collects fees from the various businesses based on tonnage shipped each month. The District contracts the waterway security services out to the Jefferson County Sheriff's department.

Debt Service Fund - The debt service fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the District. The fund balance of the debt service fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Capital Projects Fund - The capital projects fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

C. Measurement Focus/Basis of Accounting -

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, deferred outflows and deferred inflows of resources, and liabilities (whether current or non-current) are included on the statement of net position and the statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred. As a rule, the effect of interfund activity has been eliminated.

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting - (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, generally, 60 days is considered available. General property taxes and nontax revenues are recorded when received and investment earnings are recorded when earned. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures and expenditures related to compensated absences are recorded when paid for governmental funds.

D. 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 as of the date of the balance sheet and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

E. Date of Management's Review -

Management has evaluated subsequent events through March 16, 2022, the date the financial statements were available to be issued.

F. Capital Assets -

Capital assets are defined by the District as assets with an initial individual cost of \$5,000 or more and an estimated life in excess of one year. Capital assets include property, plant, and equipment, infrastructure assets (e.g., roads, bridges, sidewalks, drainage and similar items), and intangible assets (i.e., internally generated computer software) and are reported in the government-wide financial statements. Property and equipment acquired or constructed for general governmental operations are recorded as expenditures in the fund making the expenditure and capitalized at cost in the government-wide financial statements.

All capital assets are valued at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market values at the date of transfer. Depreciation has been calculated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Life</u>
Structures	25 to 40 years
Furniture and equipment	5 to 20 years

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Budgetary Control/Budget Basis of Accounting -

The District follows these procedures in establishing the budgetary data reflected in the financial statements -

1. During midsummer, the District prepares a proposed budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Any revisions of the budget that alter the expenditures of any funds must be approved by the District's Board of Commissioners.
3. Formal budgetary integration is employed as a management control device during the year for the General and Debt Service Funds.
4. Budgets for the General Fund are adopted on a cash basis of accounting. The Budgetary Comparison Schedule - General Fund presents a comparison of budgetary data to actual results, as well as a reconciliation between the budgetary basis and GAAP basis of accounting. Budgeted amounts are as originally adopted or as amended by the District.
5. A budget has not been adopted for the special revenue fund because it is not legally required to do so.

H. Encumbrances -

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances outstanding at year-end are provided for in the subsequent year's budget. There were no encumbrances outstanding at September 30, 2021.

I. Investments -

Investments are principally government securities. Government securities are stated at cost which approximates fair value at September 30, 2021. There were no investments as of September 30, 2021.

J. Allowance for Doubtful Accounts -

An allowance has been recorded for property taxes which are estimated to be uncollectible, as required by generally accepted accounting principles.

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interest Capitalization -

The District follows the policy of capitalizing interest as a component of the cost of property and equipment constructed for its own use.

L. Interfund Balances and Transfers -

Interfund receivables, payables, and transfers arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. Generally, interfund transactions pertain to debt service and capital outlay.

M. Adjustments -

The main components of the adjustments to the statement of net position are as follows:

Capital assets - Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.

Long-term liabilities - Long-term liabilities that are not due and payable in the current period are not included in governmental funds.

Deferred Outflows/Inflows of Resources - Adjustments to net position are required for pension and other post-employment benefits. These adjustments are not included in governmental funds.

The main components of the adjustments to the statement of activities are as follows:

Capital assets - Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Long-term liabilities - Governmental funds report principal payments and debt as expenditures. However, the payments should not be reported as expense in the statement of activities, but as a reduction of debt in the statement of net position. Change in compensated absences does not require (or provide) the use of current financial resources and, therefore, is not reported as expenditure in governmental funds.

Deferred Outflows/Inflows of Resources - Change in compensated absences and OPEB obligations does not require (or provide) the use of current financial resources and, therefore, is not reported as expenditure in governmental funds.

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balances/Net Position -

As of these financial statements, the District has adopted GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable -

Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted -

Amounts that are restricted to specific purposes externally imposed by creditors, grantors, contributors, or imposed by the laws or regulations of other governments.

Committed -

Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (District Board). To be reported as committed amounts cannot be used for any other purpose unless the District takes the highest level action to remove or change the constraint.

Assigned -

Amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned -

Amounts that have not been restricted, committed, or assigned to specific purposes or other funds.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution and formal action of the Board. This is done through adoption and amendment of the budget.

In the government-wide financial statements, net position represents the difference between 1) assets and deferred outflows of resources and 2) liabilities and deferred inflows of resources. Net position invested in capital assets are reduced by accumulated depreciation and by outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use by the board of directors, designation, or through the enabling legislations adopted by the District or through external restriction imposed by creditors, grantors or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Retirement Plan and Other Post-Employment Benefits -

Financial reporting information pertaining to the District'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*.

Financial reporting information pertaining to the District's post-retirement healthcare and death benefits were prepared in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

NOTE 2 - CASH AND INVESTMENTS

The District invests funds that are not immediately needed in certificates of deposit or government securities. The Jefferson County Treasurer has been designated to make all investments for the District based on policies established by the District's Board of Commissioners. Deposits in financial institutions are required by statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and be held in safekeeping by the Federal Reserve Bank for the benefit of the District and the market value of the pledged securities must total at all times the value of the deposits placed in the institutions less the amount protected by federal depository insurance. As of September 30, 2021, the deposits at Wells Fargo Bank were entirely insured by federal depository coverage and pledged securities.

A. Deposits -

At year-end, District's bank balances totaled \$127,903,567 and the carrying amount of these accounts was \$127,614,312.

B. Restricted Cash -

At year end, the District's General Fund had restricted cash in the amount of \$142,984. Cash was restricted for the following:

Waterway use fee	\$ 6,298,932
Waterway security fee	6,103,240
Total	<u>\$ 12,402,172</u>

At year end, the District's Special Revenue Fund had restricted cash in the amount of \$12,402,172. Cash was restricted for use only for Special Revenue expenses.

At year end, the District's Capital Projects Fund had restricted cash in the amount of \$95,132,476. Of this cash, \$20,644,591 was restricted for levee construction, \$210,499 was restricted for the District's Office Building, and \$74,277,386 was restricted for the Deepening project.

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

C. Investments -

The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below -

- Category 1 -** Insured or registered or securities held by the District or its agent in the District's name.
- Category 2 -** Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.
- Category 3 -** Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

As of September 30, 2021 all of the District's investments were classified as Category 1, as described above.

The District had no investments as of September 30, 2021.

Interest Rate Risk -

Fair value fluctuates with interest rates and increasing rates may cause fair value to decline below cost. In compliance with the District's Investment Policy, the District minimized interest rate risk by limiting the weighted average maturity of the portfolio to 1,096 days with a stated final maturity date not to exceed 3 years from the date of purchase. In addition, the portfolio is structured so that securities mature to meet cash flow requirements, thereby avoiding the need to sell securities prior to maturity and below the original cost.

Credit Risk -

In compliance with the District's investment policy, as of September 30, 2021, all of the District's purchased investments in U.S. Agency Securities were rated AA+ and Aaa by Standard & Poor's and Moody's, respectively.

Concentration Risk -

The District's investment policy is to diversify its portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of investment.

NOTE 3 - PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and payable by January 31 of the following year. Property values are assessed by the Jefferson County Appraisal District and taxes are collected by the County Tax Collector. The tax rate for 2020 was set at \$0.090426 per \$100 of appraised property value with a 20% homestead exemption and the tax rate for 2021 has been set at \$0.092067 per \$100 of appraised property value with a 20% homestead exemption. District property tax revenues are recognized when actually received. The amount of billed but uncollected taxes is included on the balance sheet with an offsetting "contra" account entitled "Deferred Revenue."

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 3 - PROPERTY TAXES (Continued)

Property taxes receivable as of September 30, 2021, were comprised of the following -

<u>Year of Levy</u>	<u>General Fund</u>
2020	\$ 312,236
2019	216,092
2018	159,557
2017	126,387
2016	107,085
Before 2016	320,313
Total property taxes receivable	<u>1,241,670</u>
Less: Allowance for uncollectibles	<u>(742,767)</u>
	<u>\$ 498,903</u>

NOTE 4 - CAPITAL ASSETS

The District completed the Taylor's Bayou paving project and is in the preliminary engineering and development phase of the Deepening Project for the Sabine-Neches Waterway. Disposals consist of obsolete assets either salvaged or scrapped during the year.

Activity for capital assets is summarized below -

	<u>Balance 10/01/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 09/30/21</u>
Land and easements	\$ 7,567,121	\$ -	\$ -	\$ 7,567,121
Structures	28,729,532	-	-	28,729,532
Furniture and equipment	902,500	-	-	902,500
	<u>\$ 37,199,153</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,199,153</u>
Accumulated depreciation	14,131,037	883,000	-	15,014,037
Capital assets, net	<u>\$ 23,068,116</u>	<u>\$ (883,000)</u>	<u>\$ -</u>	<u>\$ 22,185,116</u>

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 5 - RETIREMENT PLAN

Plan Description -

The District 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 more than 700 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 10 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 rate contributed for the months of the accounting years 2020 and 2021 was 9.63% and 9.29%, respectively. The deposit rate payable by the employee members for the months of the accounting year in both 2021 and 2020 was 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Contributions -

The required contribution was determined as part of the December 31, 2020 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2020 included (a) 8.00 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of 3.5 percent.

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 5 - RETIREMENT PLAN

Contributions - (Continued)

For the employer's accounting year ended September 30, 2021, the annual pension contribution for the TCDRS plan by its employees was \$66,250 and the employer cost was \$88,729. Contributions payable at September 31, 2021 for the employer portion of the pension expense was \$7,327 and the employee portion was \$5,521.

Net Pension Liability/ (Asset) -

	December 31, 2019	December 31, 2020
Total pension liability	\$ 1,965,151	\$ 2,441,265
Fiduciary net position	1,939,060	2,292,672
Net pension liability/(asset)	26,091	148,593
Fiduciary net position as a % of total pension liability	98.67%	93.91%
Pensionable covered payroll ⁽¹⁾	\$ 854,914	\$ 924,637
Net pension liability/(asset) as a % of covered payroll	3.05%	16.07%

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 -

Discount rate ⁽²⁾	8.10%	7.60%
Long-term expected rate of return, net of investment expense ⁽²⁾	8.10%	7.60%
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.

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 5 - RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions Used for GASB Calculations -

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2020 funding valuation, except as noted below and throughout this report. Please see the Sabine-Neches Navigation District of Jefferson County Texas December 31, 2020 Summary Valuation Report for further details.

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

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry age normal ⁽¹⁾
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-line amortization over expected working life
Recognition of assumptions changes or inputs	Straight-line amortization over expected working life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.50%
Salary Increases	4.6%
Investment Rate of Return	7.60% (Gross of administrative expenses)
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Jefferson County Sabine-Neches 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.

⁽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.

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 5 - RETIREMENT PLAN (Continued)

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

Key assumptions and methods used in this GASB analysis -

Retirement Age	60 and above
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
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.

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 2021 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 long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 5 - RETIREMENT PLAN (Continued)

Long-term Expected Rate of Return - (Continued)

<u>Asset Class</u>	<u>Benchmark</u>	<u>Target Allocation⁽¹⁾</u>	<u>Geometric Real Rate of Return (Expected minus Inflationary)⁽²⁾</u>
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.25%
Global Equities	MSCI World (net) Index	2.50%	4.55%
International Equities- Developed Markets	MSCI World Ex USA (net) Index	5.00%	4.25%
International Equities- Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.75%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	(0.85%)
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	2.11%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.70%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽³⁾	4.00%	5.70%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.45%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.10%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	6.00%	4.90%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽⁵⁾	25.00%	7.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.85%
Cash Equivalents	90-day U. S. Treasury	2.00%	(0.75%)

⁽¹⁾ Target asset allocation adopted at the March 2021 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.00%, per Cliffwater's 2021 capital market assumptions.

⁽³⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 5 - 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, 2019	\$ 1,965,151	\$ 1,939,060	\$ 26,091
Changes for the year:			
Service cost	122,450	-	122,450
Interest on total pension liability ⁽¹⁾	168,947	-	168,947
Effect of economic/demographic gains or losses	26,621	-	26,621
Effect of assumptions changes or inputs	161,830	-	161,830
Refund of contributions	-	-	-
Benefit payments	(3,733)	(3,733)	-
Administrative expenses	-	(1,678)	1,678
Member contributions	-	64,725	(64,725)
Net investment income	-	200,625	(200,625)
Employer contributions	-	89,043	(89,043)
Other ⁽²⁾	-	4,631	(4,631)
	\$ 2,441,266	\$ 2,292,673	\$ 148,593
Balances as of December 31, 2020	<u>\$ 2,441,266</u>	<u>\$ 2,292,673</u>	<u>\$ 148,593</u>

⁽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.

Sensitivity Analysis -

The following presents the net pension liability of the county/district, calculated using the discount rate of 7.60%, as well as what the Jefferson County Sabine-Neches Navigation District net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Total pension liability	\$ 2,817,291	\$ 2,441,266	\$ 2,128,569
Fiduciary net position	2,292,673	2,292,673	2,292,673
Net pension liability/(asset)	<u>\$ 524,618</u>	<u>\$ 148,593</u>	<u>\$ (164,104)</u>

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 5 - RETIREMENT PLAN (Continued)

Pension Expense/Income -

	<i>January 1, 2020 to December 31, 2020</i>
Service cost	\$ 122,450
Interest on total pension liability ⁽¹⁾	168,947
Administrative expenses	1,678
Member contributions	(64,725)
Expected investment return net of investment expenses	(163,139)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	3,806
Recognition of assumption changes or inputs	22,266
Recognition of investment gains or losses	(15,044)
Other ⁽²⁾	(4,632)
Pension expense/income	<u>\$ 71,607</u>

⁽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, 2020, the deferred inflows and outflows of resources are as follows:

	<i>Deferred Inflows of Resources</i>		<i>Deferred Outflows of Resources</i>
Differences between expected and actual experience	\$ 29,795	\$	70,354
Changes of assumptions	-		147,569
Net difference between projected and actual earnings	58,838		-
Contributions made subsequent to measurement date	N/A		65,908

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 5 - RETIREMENT PLAN (Continued)

Deferred Outflows of Resources - (Continued)

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

Year ended December 31:

2021	\$	74,775
2022		21,837
2023		191
2024		21,863
2025		25,398
Thereafter ⁽¹⁾		51,134

⁽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.

	<u>Year ended</u> <u>December 31, 2020</u>
Covered Employees -	
Inactive employees currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	4
Active employees	9

NOTE 6 - LONG-TERM DEBT

Transactions for the year ended September 30, 2021 are summarized as follows -

	<u>Beginning</u> <u>Balance</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable	\$ 9,060,000	\$ 9,120,000	\$ (9,815,000)	\$ 8,365,000	\$ 880,000
OPEB obligation	1,052,268	155,088	-	1,207,356	-
Net pension liability	26,091	481,526	(359,024)	148,593	-
	<u>\$ 10,138,359</u>	<u>\$ 9,756,614</u>	<u>\$ (10,174,024)</u>	<u>\$ 9,720,949</u>	<u>\$ 880,000</u>

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 6 - LONG-TERM DEBT (Continued)

Advance Refunding/Defeasance of Debt -

On February 9, 2021 the board of directors passed a resolution to issue contract revenue bonds in the amount of \$9,120,000 to advance refund the "Refunded 2010-A Bonds" and the "Refunded 2011 Bonds" and to pay costs relating to the issuance of the bonds.

The 2010-A Bonds were issued for purposes of (a) financing the costs of capital expenditures for construction, maintenance, improvements, reconstruction, repair and replacement of a salt water barrier facility on Taylor's Bayou, including a control building, and control facility, the "2010-A Projects".

The 2011 Bonds were issued for purposes of (a) financing the cost of capital expenditures for the construction, improvement, repair, and maintenance of salt water barrier facilities and navigation locks and the purchase of land, the "2011 Projects".

The interest rate on the bonds is 1.44% with a final maturity of September 30, 2030. Debt service payments are scheduled semi-annually at amounts that range from \$7,056 to \$1,000,456. The net present value savings from this refunding is \$1,367,430. The difference in cash flow requirements to service the old debt of \$11,339,414 and the cash flow to service the new debt of \$9,783,787 is \$1,555,627.

The amount of debt associated with the refunding issues removed from liabilities of the District was \$9,060,000. As of September 30, 2021, \$8,365,000 of the defeased bonds remain outstanding, which includes bonds refunded during the current year.

The refunding bond proceeds were used as follows:

<u><i>Disposition</i></u>	<u><i>Amount</i></u>
Discharge of Refunded Bonds	\$ 9,060,000
Deposit to Debt Service Fund	2,380
Disbursed to pay costs of issuance	<u>57,620</u>
Total	<u>\$ 9,120,000</u>

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 6 - LONG-TERM DEBT (Continued)

Bonds payable at September 30, 2021, were comprised of the following -

Jefferson County Drainage District No. 6 issued contract revenue refunding bonds, Series 2021 in the amount of \$9,120,000 that were used to extinguish 2010A contract revenue bonds in the amount of \$3,470,000 and 2011 contract revenue bonds in the amount of \$5,590,000 along with fees and interest. Sabine Neches Navigation District is to pay Jefferson County Drainage District No. 6 the sum of all principal, interest, paying agent/registrar fees and expenses on the contract revenue bonds. Principal installments from \$755,000 to \$980,000 with an interest rate of 1.44% will be made from 2021 through 2030. The original bonds were issued for the District's 4-Gate and 11-Gate structure projects.

Debt service requirements to maturity at September 30, 2021, are as follows -

<i>Year Ending September 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2022	\$ 880,000	\$ 120,456	\$ 1,000,456
2023	890,000	107,784	997,784
2024	905,000	94,968	999,968
2025	915,000	81,936	996,936
2026	930,000	68,760	998,760
2027	945,000	55,368	1,000,368
2028 - 2030	2,900,000	83,880	2,983,880
	<u>\$ 8,365,000</u>	<u>\$ 613,152</u>	<u>\$ 8,978,152</u>

In the event of default, a board member or members proceed against the District for the purpose of protecting and enforcing the rights of the Owners under this Bond Resolution by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners hereunder or any combination of such remedies.

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS

The District 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 District. To be eligible for this benefit an employee must be at least 60 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.

Covered Benefits -

Pre-65 coverage (HSA Plan)

Deductible:	\$5,000 individual / \$10,000 family
Out of Pocket Maximum:	\$6,000 individual / \$12,000 family
Coinsurance:	100% after deductible
Pharmacy (Tiers 1/2/3/4 copay):	\$0/ \$25/ \$50/ \$100
No Out of Network coverage	Participant premium covered 100% / Spouse covered at 80%

Post-65 coverage Two Medicare options out of three covered:
Medicare Parts B, D, or supplement F/G premium paid fully by the Plan.
The Spouse Premium is covered 80%.

Service Years and months of service as covered participant.

At September 30, 2019, the following employees were covered by the benefit terms:

	<u>2019</u>
Inactive employees or beneficiaries currently receiving benefit payments	0
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	13

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 September 30, 2021, the cost of retiree health benefits, recorded on a pay-as-you-go basis was \$0.

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 District'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.

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions - (Continued)

The District's total OPEB liability for health care benefits was measured as of September 30, 2021, and was determined by an actuarial valuation as of October 1, 2019. The valuation includes all active employees and current retirees and their spouses who are currently receiving benefits under the retiree medical plan. Historical changes in the OPEB liability were used to roll forward the OPEB liability to the reporting date September 30, 2021.

The total OPEB liability in the September 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Economic Assumptions

Single Equivalent Interest Rate
(Discount Rate)

End of Measurement Period 2.41%

Beginning of Measurement Period 3.83%

Asset Return

Not applicable. No assets.

Medical Benefit Assumptions

Average annual per capita claims cost:	50	\$ 7,465
	55	\$ 9,223
	60	\$11,276
	65+	\$ 3,240

Healthcare cost trend rate

6.0% in Year 1 reducing 0.50% per year for 5 years, reaching 4.0% in Year 4 and after

Administrative expenses

Included in above per capita costs

Basis for Per Capita Claim Cost Assumptions

Best estimate assumptions developed based on current premium and projected prior claims cost.

Medical

Retiree claims cost were developed from this assuming aging curves.

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions - (Continued)

Demographic and Other Assumptions

Mortality	RP-2014 Mortality detrended to 2006 projected generationally using MP-2019
Termination	Representative rates varying by age: Age 22 - 22.5%, Age 32 - 10.8%, Age 42 - 6.5%, Age 52 - 4.3%, Age 62 and over - 0.0%
Retirement	Age 50 - 10.0%, Age 65 - 30.0% Age 55 - 11.0%, Age 70 - 22.0% Age 60 - 14.0%, Age 75 - 100.0% Age 62 - 25%
Percent married	80%
Spouse age	Wife two years younger than husband
Participation	Participant: 100% elect coverage Spouse: 80% elect coverage
Service cost and Benefit Obligation	Entry age normal level percent of salary
Funding Policy	Pay-as-you-go. No segregated assets.
Recognition of Deferred Outflows (Inflows)	Linear amortization of average expected future service to retirement
Inflation	2.10%
Salary Scale	3.00%
Single Equivalent Interest Rate	Based on Fidelity General Obligation 20 Year AA Rated Municipal Bond Index
Change in Assumption and Methods Since Prior Valuation	The discount rate was changed from 3.83% to 2.41%. The trend assumption was decreased to 6.0% in Year 1 reducing 0.50% per year, to an ultimate rate of 4.00%. Spouse election coverage was assumed at 80%. Participant election percentage remains at 100%.
Data Source	Hotchkiss Insurance designated by the Sabine-Neches Navigation District furnished participant data and plan information for the valuation year. Data was reviewed for reasonableness and consistency, but no audit was performed. We are not aware of any error or omissions in the data that would have a significant effect on the results of our calculations.

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

Changes in Total OPEB Liability -

	Total OPEB Liability
Balances as of September 30, 2020	\$ 1,052,268
Changes for the year:	
Service cost	126,676
Interest	28,412
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	-
Benefit payments	-
Administrative expense	-
Net Changes	155,088
Balances as of September 30, 2021	\$ 1,207,356

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 2.41%, as well as what the Sabine-Neches Navigation District, Jefferson County, Texas total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	1.41%	2.41%	3.41%
Total OPEB liability	\$ 1,480,990	\$ 1,207,356	\$ 999,738

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 keeping the discount rate at 2.41%, the impact of a 1% increase or decrease in healthcare cost trend rate would be as follows:

	1% Decrease	Current Discount Rate	1% Increase
	5.0%	6.0%	7.0%
Total OPEB liability	\$ 959,224	\$ 1,207,356	\$ 1,546,088

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

OPEB Expense

	<i>October 1, 2020 to September 30, 2021</i>
Service cost	\$ 126,676
Interest	28,413
Administrative expense	-
Recognition of difference between expected and actual experience	(20,536)
Recognition of changes in assumptions or other inputs	(3,942)
OPEB expense	<u>\$ 130,611</u>

Deferred Inflows and Outflows of Resources -

As of September 30, 2021, the deferred inflows and outflows of resources are as follows:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 123,834	\$ -
Changes of assumptions	26,120	26,224
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 September 30:

2022	\$	(24,478)
2023		(24,478)
2024		(24,478)
2025		(17,434)
2026		(16,187)
2027		(16,187)
2028		(488)

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 8 - OPERATING LEASES

On June 1, 2003, the District entered into two long term land lease agreements with Crain Lands, L.L.C. (lessor) and Crain Brothers Ranch (lessor) that are due to expire the last day of May 2053. The District is obligated to pay the lessor alternative annual additional rent amounts in the sum of \$7,600 and \$7,525, respectively, for the two properties for the duration of the lease agreement. The alternative additional rent amounts shall be adjusted as of the first day of each such five (5) year period of this lease ("Adjusted Index") compared to the Consumer Price Index last reported immediately preceding the beginning date of the lease of the beginning of the most immediately preceding five (5) year period whichever is applicable ("Beginning Index").

On October 9, 2006, the District entered into a long term spoil servitude agreement with BP American, Inc. The term of this servitude agreement shall commence on October 17, 2006 and continues until October 17, 2056. The tracts of land that makes up this agreement contain a combined total of 384.67 acres, more or less, said tracts of land being designated and considered as part of Disposal Area No. 5 on Corps of Engineers documents. During the fifty year primary term of this servitude, grantee shall pay to grantor the total minimum annual rental of \$19,233.50 for each year this servitude is in effect. This amount will be adjusted each five year period at 100% of the increase of the Consumer Price Index (CPI) from October 1, 2006.

Lease expenditures were \$21,357 (including taxes and insurance) for the year ended September 30, 2021.

Minimum future lease payments as of September 30, 2021 were as follows:

2022	\$	19,234
2023		19,234
2024		19,234
2025		19,234
2026		19,234
2027 - 2031		96,170
2032 - 2036		96,170
2037 - 2041		96,170
2042 - 2046		96,170
2047 - 2051		96,170
2052 - 2056		96,170
2057		19,234
		<u>19,234</u>
	\$	<u>692,424</u>

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 9 - FUND BALANCE/NET POSITION

Classification of fund balances for the governmental fund statements are summarized below.

A. Restricted for Promotion and Development -

A restriction of net position of \$142,984 will be used for District promotional and development efforts.

B. Restricted for Special Revenue -

This fund will be used for future waterway security expenses.

C. Assigned for Operating Reserve - (Governmental fund financials only)

An assignment of net position in the amount of 25% of the original, board-approved budget expenditures for the fiscal year will be used as an operating reserve for the operations of the Sabine-Neches Navigation District.

D. Assigned for Capital Projects - (Governmental fund financials only)

An assignment of net position in the capital projects fund will be used for the Deepening and Widening project of the Sabine-Neches Waterway District.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

In June of 2014, the President signed into law the Water Resources Reform and Development Act authorizing several projects across the country, including the Sabine-Neches Waterway Channel Improvement Project. This project will deepen the waterway to 48 feet allowing for increased capacity utilization of deep draft vessels into the Sabine-Neches Waterway.

With the 114th Congress' passage of the 2016 Water Resources Development Act, the local cost share for the project was effectively reduced by roughly \$100 million dollars. Subsequently, Congress provided \$557,000 in its 2021 Work Plan Fund to the United States Army Corps of Engineers to begin Preliminary Engineering and Design (PED).

Along with the District's cost share responsibility of the deepening project, the District is also responsible for 50% of the cost of all utility relocations necessary for the channel deepening, as well as providing lands and easements. The District is currently exploring avenues of raising funds for its portion, which is in excess of \$300 million of the \$1.28 billion dollar project, as well as advocating for the Federal Appropriations in order to begin the construction of the project.

The Fiscal Year 2019 Work Plan provided by the 115th Congress in November of 2018 appropriated \$18 million dollars to the United States Army Corps of Engineers to fund the new start construction of the project. Construction began the fourth quarter of fiscal year 2019.

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Most of these risks are protected by insurance. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

NOTE 12 - INTERFUND TRANSFERS

The District transferred funds from the General Fund to the Capital Projects Fund to reserve monies for capital outlay expenditures in the amount of \$16,217,815 and to the Debt Service Fund for 2021 debt service payments in the amount of \$1,051,386.

NOTE 13 - COVID-19

On March 11, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic has had a significant impact on global markets, supply chains, businesses, and communities. Specific to the District, COVID-19 has impacted various parts of its 2021 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams, and may continue into 2022. As a result of the COVID-19 pandemic, management believes it has taken appropriate actions to mitigate the negative impact to the District. As a result of the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). As a result of the CARES Act, various programs have been established to help organizations mitigate the negative impact to their operations and business.

NOTE 14 - WATERWAY USER FEES

The Sabine-Neches Navigation District (SNND) exercises jurisdiction over all vessels using the Sabine Neches Waterway (waterway). As the non-federal sponsor for the Sabine Neches Waterway Channel Improvement Project (project), SNND is authorized by 33 USC §2236 to levy fees to finance the non-Federal share of costs of the project.

SNND Board authorized that as of May 1, 2021, all vessels carrying cargo on the waterway whose design draft exceeds 20 feet will be subject to paying a user fee, the applicability of which is defined in the Federal Register notice published on January 28, 2021.

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 14 - WATERWAY USER FEES (Continued)

The User Fee Ordinance establishes an initial fee rate of \$0.20 per short ton for hydrocarbon cargo, and \$0.02 per short ton for non-hydrocarbon cargo. For the purposes of the user fee, hydrocarbon is defined as oil, gas, ethanol, methanol, a commodity or product made or manufactured - in whole or part - from oil or gas, and derivatives or byproducts or fractions of oil or gas all regardless of their physical form and including mixtures of any or all of the above. The fee rate will be reviewed by SNND at 12-month intervals and can be adjusted to a maximum fee rate of \$0.35 per short ton for hydrocarbon cargo, and \$0.035 per short ton for non-hydrocarbon cargo.

The user fee does not apply to:

- vessels owned, chartered, or operated by the United States government, a foreign country, a state, or a political subdivision of a country or state, unless engaged in commercial services
- vessels engaged in towing, dredging or channel maintenance activities
- vessels engaged in intra-port movements, or
- vessels with design drafts of 20 feet or less

The vessel and cargo owner are jointly responsible for the payment of user fees, which are due and payable upon the 15th of the month following the month in which the vessel and cargo used the waterway. User fee revenues were \$9,097,342 for the year ended September 30, 2021.

NOTE 15 - INTER-LOCAL AGREEMENT

Sabine Neches Navigation District (SNND), entered into an Inter-local agreement between the Port of Beaumont Navigation District of Jefferson County and the Port of Port Arthur Navigation District of Jefferson County.

SNND is the non-federal sponsor for the Sabine-Neches Waterway. As sponsor, the SNND receives the appropriated funds from the United States Army Corps of Engineers, Galveston District per Section 2106 of the Water Resources Reform and Development Act of 2014, subject to the availability of funds, to provide funds to donor ports to be used for certain purposes as defined in Section 210(f) of the Water Resources Development Act of 1986, as amended (33 U. S. C. 2238(f), or environmental remediation related to dredging of berths and federal navigation channels.

During the year ended September 30, 2021, SNND received \$1,237,590 from the United States Army Corps of Engineers, Galveston District under this agreement and transferred that amount to the Port of Port Arthur Navigation District.

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 16 - TAX ABATEMENT

Over the years, Sabine-Neches Navigation District has agreed to multiple tax abatements to provide incentive to owners of real property who propose a project to develop, redevelop, or improve eligible facilities. The incentives will consist of a limited special exemption from certain taxes provided the owner agrees to accept and abide by the policy and that the real property is located in a lawfully created reinvestment or enterprise zone. Most of the tax abatement agreements include provisions for default and recapture of abated tax. As a result of tax abatement agreements, the total value lost due to abatement for the year ended September 30, 2021 was \$4,174,230,257 with a reduction in tax revenues of \$3,774,589.

NOTE 17 - SUBSEQUENT EVENT

Events that occur after the statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statements of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the District through March 16, 2022 (the date the financial statements were available to be issued).

Sabine Neches Navigation District was named as the defendant in a law suit with two major energy companies for levying a fee against users of the Sabine Neches Waterway to fund construction improvements made to the Waterway, Plaintiffs contested this fee.

On February 24, 2022, the United States District Court for the Eastern District of Texas, Beaumont Division, reached a decision to grant the Defendant's Motion to Dismiss.

It further ordered that all counts of Plaintiffs' complaint, are hereby dismissed with Prejudice.

The Plaintiffs have the right to appeal this decision, but no appeal has been filed as of the date of the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND

For Year Ended September 30, 2021

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Positive (Negative)</i>
Revenues				
Current taxes	\$ 22,083,212	\$ 22,083,212	\$ 21,361,797	\$ (721,415)
Delinquent taxes	210,000	210,000	350,020	140,020
Chenier LNG	1,000,000	1,000,000	1,023,000	23,000
Interest from investments	500,000	500,000	143,449	(356,551)
Placement area usage	1,500,000	1,500,000	5,563,478	4,063,478
Other	10,000	10,000	9,610	(390)
Total Revenues	25,303,212	25,303,212	28,451,354	3,148,142
Expenditures				
Salaries and wages	1,969,940	1,969,940	1,026,596	943,344
Fringe benefits	537,200	537,200	542,467	(5,267)
Materials and supplies	35,800	65,800	50,132	15,668
Utilities and technology	52,900	52,900	53,890	(990)
Miscellaneous services	1,061,125	4,210,737	2,175,633	2,035,104
Repairs and maintenance	6,749,458	5,717,994	5,357,205	360,789
Capital outlay	365,961	365,961	318,941	47,020
Total Expenditures	10,772,384	12,920,532	9,524,864	3,395,668
Excess (Deficiency) of Revenues over Expenditures	14,530,828	12,382,680	18,926,490	6,543,810
Other Financing Sources (Uses)				
Operating transfers	(14,391,629)	(14,391,629)	(17,269,201)	(2,877,572)
Flow Through In - Corp of Engineers	-	-	1,237,590	1,237,590
Flow Through Out - Port of Port Arthur	-	-	(1,237,590)	(1,237,590)
Total Other Financing Sources (Uses)	(14,391,629)	(14,391,629)	(17,269,201)	(2,877,572)
Change in Fund Balance - budgetary basis	\$ 139,199	\$ (2,008,949)	1,657,289	\$ 3,666,238
Accounts payable			1,032,125	
Change in Net Position - GAAP Basis			\$ 2,689,414	

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

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

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

Year Ending December 31

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Total Pension Liability</i>			
Service cost	\$ 122,450	\$ 101,742	\$ 91,235
Interest on total pension liability	168,947	144,978	129,134
Effect of plan changes	-	-	-
Effect of assumption changes or inputs	161,830	-	-
Effect of economic/demographic (gains) or losses	26,621	32,228	(17,525)
Benefit payments/refunds of contributions	<u>(3,733)</u>	<u>(3,733)</u>	<u>(31,240)</u>
Net change in total pension liability	476,115	275,215	171,604
Total pension liability, beginning	<u>1,965,151</u>	<u>1,689,936</u>	<u>1,518,332</u>
Total pension liability, ending (a)	<u>\$ 2,441,266</u>	<u>\$ 1,965,151</u>	<u>\$ 1,689,936</u>
<i>Fiduciary Net Position</i>			
Employer contributions	89,043	81,387	71,689
Member contributions	64,725	59,844	51,719
Investment income net of investment expenses	200,625	253,507	(26,491)
Benefit payments/refunds of contributions	(3,733)	(3,733)	(31,240)
Administrative expenses	(1,678)	(1,478)	(1,241)
Other	<u>4,631</u>	<u>4,977</u>	<u>2,895</u>
Net change in fiduciary net position	<u>353,613</u>	<u>394,504</u>	<u>67,331</u>
Fiduciary net position, beginning	<u>1,939,060</u>	<u>1,544,556</u>	<u>1,477,225</u>
Fiduciary net position, ending (b)	<u>2,292,673</u>	<u>1,939,060</u>	<u>1,544,556</u>
Net pension liability/(asset), ending = (a) - (b)	<u>\$ 148,593</u>	<u>\$ 26,091</u>	<u>\$ 145,380</u>
Fiduciary net position as a % of a total pension liability	93.91%	98.67%	91.40%
Pensionable covered payroll	924,637	\$ 854,914	\$ 738,847
Net pension liability as a % of covered payroll	16.07%	3.05%	19.68%

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

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

Year Ending December 31

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 88,600	\$ 76,963	\$ 82,238	\$ 78,733	\$ N/A	\$ N/A	\$ N/A
111,535	92,148	85,532	72,603	N/A	N/A	N/A
-	-	(15,993)	-	N/A	N/A	N/A
7,571	-	8,726	-	N/A	N/A	N/A
24,148	23,102	(75,380)	17,246	N/A	N/A	N/A
<u>(3,733)</u>	<u>(3,733)</u>	<u>(5,075)</u>	<u>(9,096)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
228,121	188,480	80,048	159,486	N/A	N/A	N/A
<u>1,290,211</u>	<u>1,101,731</u>	<u>1,021,683</u>	<u>862,197</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>\$ 1,518,332</u>	<u>\$ 1,290,211</u>	<u>\$ 1,101,731</u>	<u>\$ 1,021,683</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
\$ 58,515	\$ 57,487	\$ 52,327	\$ 52,734	\$ N/A	\$ N/A	\$ N/A
45,012	42,093	38,314	38,134	N/A	N/A	N/A
176,804	76,066	(18,942)	57,431	N/A	N/A	N/A
(3,733)	(3,733)	(5,075)	(9,096)	N/A	N/A	N/A
(982)	(827)	(727)	(709)	N/A	N/A	N/A
<u>1,328</u>	<u>6,499</u>	<u>(29,793)</u>	<u>614</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>276,944</u>	<u>177,585</u>	<u>36,104</u>	<u>139,108</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>1,200,281</u>	<u>1,022,697</u>	<u>986,593</u>	<u>847,485</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>1,477,225</u>	<u>1,200,282</u>	<u>1,022,697</u>	<u>986,593</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>\$ 41,107</u>	<u>\$ 89,929</u>	<u>\$ 79,034</u>	<u>\$ 35,090</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
97.29%	93.03%	92.83%	96.57%	N/A	N/A	N/A
\$ 643,025	\$ 601,324	\$ 547,339	\$ 544,771	\$ N/A	\$ N/A	\$ N/A
6.39%	14.96%	14.44%	6.44%	N/A	N/A	N/A

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

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ending December 31

<i>Year Ending December 31</i>	<i>Actuarially Determined Contribution</i>	<i>Actual Employer Contribution</i>	<i>Contribution Deficiency (Excess)</i>	<i>Pensionable Covered Payroll ⁽¹⁾</i>	<i>Actual Contribution as a % of Covered Payroll</i>
2011	\$ 43,694	\$ 43,694	\$ -	\$ 457,531	9.6%
2012	47,598	47,687	(88)	499,982	9.5%
2013	50,603	50,603	-	520,611	9.7%
2014	52,734	52,734	-	544,771	9.7%
2015	52,326	52,326	-	547,339	9.6%
2016	57,487	57,487	-	601,324	9.6%
2017	58,515	58,515	-	643,025	9.1%
2018	71,689	71,689	-	738,847	9.7%
2019	81,387	81,387	-	854,914	9.5%
2020	89,043	89,043	-	924,637	9.6%

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

SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS

Year Ending September 30

<i>Total OPEB Liability</i>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Service cost	\$ 126,676	\$ 122,986	\$ 81,409
Interest	28,412	43,610	32,325
Administrative expense	-	8,743	-
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	(164,906)	-
Changes of assumptions or other inputs	-	34,922	-
Benefit payments	-	-	(2,280)
Net change in total OPEB liability	<u>155,088</u>	<u>45,355</u>	<u>111,454</u>
Total OPEB liability, beginning	<u>1,052,268</u>	<u>1,006,913</u>	<u>895,459</u>
Total OPEB liability, ending (a)	<u><u>\$ 1,207,356</u></u>	<u><u>\$ 1,052,268</u></u>	<u><u>\$ 1,006,913</u></u>
Covered payroll	\$ 924,637	\$ 796,836	\$ 738,847
Total OPEB liability as a % of covered payroll	131%	132%	136%

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS

Year Ending September 30

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 81,409	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
32,325	N/A	N/A	N/A	N/A	N/A	N/A
-	N/A	N/A	N/A	N/A	N/A	N/A
-	N/A	N/A	N/A	N/A	N/A	N/A
-	N/A	N/A	N/A	N/A	N/A	N/A
(59,284)	N/A	N/A	N/A	N/A	N/A	N/A
<u>(2,280)</u>						
52,170	N/A	N/A	N/A	N/A	N/A	N/A
<u>843,289</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>\$ 895,459</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
\$ 626,631	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
143%	N/A	N/A	N/A	N/A	N/A	N/A

No assets are accumulated in a trust that meets the criteria in GASB No. 75, paragraph 4, to pay related benefits.

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 75, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

TEXAS SUPPLEMENTARY INFORMATION

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

**TEXAS SUPPLEMENTARY INFORMATION
SERVICES AND RATES**
September 30, 2021

1. Services provided by the District:

<input type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input checked="" type="checkbox"/> Security
<input type="checkbox"/> Solid Waste/Garbage	<input checked="" type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency Interconnect)		
<input checked="" type="checkbox"/> Other (Specify): <u>Navigation Maintenance</u>		

2. Retail service provides N/A

a. Retail Rates for a on 5/8" meter (or equivalent):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons Over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ _____	_____	_____	\$ _____	_____ to _____
WASTEWATER:	\$ _____	_____	_____	\$ _____	_____ to _____
SURCHARGE:	\$ _____	_____	_____	\$ _____	_____ to _____

District employs winter averaging for wastewater usage? Yes _____ No _____

Total water and wastewater charges per 10,000 gallons usage (including surcharges).

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ 3/4"			x 1.0	
1"			x 2.5	
1 1/2"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total water				
Total wastewater				x 1.0

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

TEXAS SUPPLEMENTARY INFORMATION
SERVICES AND RATES
September 30, 2021

3. Total water consumption during the fiscal year (rounded to the nearest 1,000):

Gallons pumped into system: N/A
Gallons billed to customers: N/A

4. Standby Fees (authorized only under TWC Section 49.231): **Not applicable**

Does the District have Debt Service standby fees? Yes No

If yes, date of the most recent Commission Order: _____

Does the District have Operation and Maintenance standby fees? Yes No

If yes, date of the most recent Commission Order: _____

5. Location of District:

County in which District is located. Jefferson County, Texas

Is the District located entirely within one county? Yes No

Is the District located within a city? Entirely Partly Not at all

City in which District is located. Beaumont, China, Nome, Port Neches, Groves, Nederland and Port Arthur

Is the District located within a city's extra territorial jurisdiction (ETJ)? Entirely Partly Not at all

ETJs in which District is located. Beaumont, China, Nome, Port Neches, Groves, Bevil Oaks, Nederland and Port Arthur

Are Board members appointed by an office outside the District? Yes No

If yes, by whom? Jefferson County Commissioners Court

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

TEXAS SUPPLEMENTARY INFORMATION
GENERAL FUND EXPENDITURES
For Year Ended September 30, 2021

<i>Personnel expenditures (including benefits)*</i>	\$ 1,544,364
<i>Professional fees -</i>	
Auditing	11,500
Engineering	2,044,636
Legal	108,298
<i>Contracted services -</i>	
Accounting	31,850
Appraisal district	198,768
Tax collector	125,296
Other contracted services	594,439
<i>Utilities</i>	64,860
<i>Repairs and maintenance</i>	
Levee operations and maintenance	3,340,297
Other repairs and maintenance	225,296
<i>Administrative expenditures -</i>	
Directors' fees	23,600
Office supplies	56,575
Insurance	65,342
Other administrative expenditures	57,618
<i>Capital outlay -</i>	
Capitalized assets	-
Other capitalized outlay	-
Total Expenditures	\$ 8,492,739

**** Number of persons employed by the District***

<u>9</u>	Full-Time
<u>5</u>	Directors

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

TEXAS SUPPLEMENTARY INFORMATION
TAXES LEVIED AND RECEIVABLE
For Year Ended September 30, 2021

	<u>General Fund</u>			
<i>Taxes Receivable, Beginning of Year</i>	\$ 1,222,696			
2020 Original tax levy	21,703,018			
Adjustments	(187,055)			
Total to be Accounted For	<u>22,738,659</u>			
Tax collections -				
Current year	21,277,939			
Prior years, (net of refunds)	219,050			
Total Collections	<u>21,496,989</u>			
<i>Taxes Receivable, End of Year</i>	<u>\$ 1,241,670</u>			
<i>Taxes Receivable by Years</i>				
2020	\$ 312,236			
2019	216,092			
2018	159,557			
2017	126,387			
2016	107,085			
Before 2016	<u>320,313</u>			
<i>Taxes Receivable, End of Year</i>	<u>\$ 1,241,670</u>			
<i>Property Valuations</i>				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land and improvements	<u>\$ 23,986,023,973</u>	<u>\$ 23,852,138,766</u>	<u>\$ 22,686,839,287</u>	<u>\$ 21,926,704,272</u>
<i>Tax Rates Per \$100 Valuation</i>				
General Fund	<u>\$.090426</u>	<u>\$.092067</u>	<u>\$.092067</u>	<u>\$.092067</u>
<i>Original Levy</i>	<u>\$ 21,703,018</u>	<u>\$ 21,972,189</u>	<u>\$ 20,900,084</u>	<u>\$ 20,187,259</u>
<i>Percent of Taxes Collected to Taxes Levied</i>	<u>98.04%</u>	<u>97.88%</u>	<u>95.49%</u>	<u>98.06%</u>

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

TEXAS SUPPLEMENTARY INFORMATION
LONG-TERM DEBT SERVICE REQUIREMENTS
For Year Ended September 30, 2021

<u>Year Ending</u> <u>September 30,</u>	<u>Contract Revenue Refunding Bonds, Series 2021</u>		
	<u>Principal</u> <u>Due</u> <u>09/01</u>	<u>Interest</u> <u>Due</u> <u>3/01, 09/01</u>	<u>Total</u>
2022	\$ 880,000	\$ 120,456	\$ 1,000,456
2023	890,000	107,784	997,784
2024	905,000	94,968	999,968
2025	915,000	81,936	996,936
2026	930,000	68,760	998,760
2027	945,000	55,368	1,000,368
2028	955,000	41,760	996,760
2029	965,000	28,008	993,008
2030	980,000	14,112	994,112
	<u>\$ 8,365,000</u>	<u>\$ 613,152</u>	<u>\$ 8,978,152</u>

*This bond series was issued for advanced refunding of contract revenue bonds series 2010A and 2011.

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

TEXAS SUPPLEMENTARY INFORMATION
ANALYSIS OF CHANGES IN LONG-TERM DEBT
For Year Ended September 30, 2021

	<u><i>Bond Issue Series 2010A</i></u>	<u><i>Bond Issue Series 2011</i></u>	<u><i>Bond Issue Series 2021</i></u>	<u><i>Total</i></u>
Interest rates	1.94 - 5.24%	2.0 - 4.25%	1.44%	
Dates interest payable	Feb 1, Aug 1	Feb 1, Aug 1	Feb 1, Aug 1	
Maturity dates	Aug 1, 2012 to Aug 1, 2030	Aug 1, 2012 to Aug 1, 2031	Aug 1, 2021 to Aug 1, 2030	
Beginning bonds, outstanding	\$ 3,470,000	\$ 5,590,000	\$ -	\$ 9,060,000
Bonds sold during fiscal year	-	-	9,120,000	9,120,000
Bonds retired during fiscal year	(3,470,000)	(5,590,000)	(755,000)	(9,815,000)
Ending bonds, outstanding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,365,000</u>	<u>\$ 8,365,000</u>
Interest paid during fiscal year	\$ 85,158	\$ 111,813	\$ 93,855	\$ 290,826

Paying agent's name and city -

Series 2010A Wells Fargo Bank Texas, NA, - Houston, Texas
Series 2011 Wells Fargo Bank Texas, NA, - Houston, Texas
Series 2021 Wells Fargo Bank Texas, NA

Bond Authority:	<u><i>Tax Bonds</i></u>	<u><i>Other Bonds</i></u>	<u><i>Refunding Bonds</i></u>
Amount authorized by Board	4,855,000	1,350,011	9,120,000
Amount issued	4,855,000	1,350,011	9,120,000
Remaining to be issued	-	-	-

Includes all bonds secured with tax receipts. Bonds in this category may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and temporary investment balances as of September 30, 2021	\$ -
Average annual debt service payment (principal and interest) for remaining term of all debt	\$ 997,009

**TEXAS SUPPLEMENTARY INFORMATION
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND AND DEBT SERVICE FUND**

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

TEXAS SUPPLEMENTARY INFORMATION
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND AND DEBT SERVICE FUND

For Five Years Ended September 30,

	<i>Amounts</i>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
General Fund			
Revenues			
Property taxes	\$ 21,711,817	\$ 22,643,594	\$ 20,129,159
Interest	143,449	837,389	432,590
Placement area usage	5,563,478	3,621,057	4,916,369
Chenier LNG	1,023,000	786,000	957,000
Pipeline easement	-	-	-
Grant revenue	-	-	-
Other	9,610	2,465	13,531
Total Revenues	<u>28,451,354</u>	<u>27,890,505</u>	<u>26,448,649</u>
Expenditures			
Salaries and wages	1,025,900	983,021	869,231
Fringe benefits	541,368	513,431	498,531
Materials and supplies	90,844	67,822	79,836
Maintenance and repairs	176,027	240,300	500,023
Utilities	51,009	46,452	45,886
Miscellaneous services	904,876	702,734	764,538
Construction and maintenance	5,702,715	8,385,201	3,798,405
Total Expenditures	<u>8,492,739</u>	<u>10,938,961</u>	<u>6,556,450</u>
Excess Revenues (Expenditures)	19,958,615	16,951,544	19,892,199
Operating transfers	<u>(17,269,201)</u>	<u>(13,748,038)</u>	<u>(14,260,661)</u>
Excess Revenues (Expenditures)	<u>\$ 2,689,414</u>	<u>\$ 3,203,506</u>	<u>\$ 5,631,538</u>
Debt Service Fund			
Revenues			
Interest from investments	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Dept service -			
Principal	755,000	665,000	640,000
Interest and fees	356,386	421,987	443,074
Total Expenditures	<u>1,111,386</u>	<u>1,086,987</u>	<u>1,083,074</u>
Excess Revenues (Expenditures)	(1,111,386)	(1,086,987)	(1,083,074)
Operating transfers	1,051,386	1,086,987	1,083,074
Proceeds from debt refunding	9,120,000	-	-
Bond principal retirement	<u>(9,060,000)</u>	<u>-</u>	<u>-</u>
	<u>1,111,386</u>	<u>1,086,987</u>	<u>1,083,074</u>
Excess Revenues (Expenditures)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

TEXAS SUPPLEMENTARY INFORMATION
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND AND DEBT SERVICE FUND
For Five Years Ended September 30,

		<i>Percent of Funds Total Revenues</i>				
<u>2018</u>	<u>2017</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
\$ 20,117,772	\$ 19,532,487	76.31	81.19	76.10	87.38	93.89
43,213	13,694	.51	3.00	1.64	.18	.07
1,974,340	666,912	19.55	12.98	18.59	8.57	3.21
873,000	-	3.60	2.82	3.62	3.79	.00
-	87,814	.00	.00	.00	.00	.42
-	38,250	.00	.00	.00	.00	.18
14,810	464,794	.03	.01	.05	.08	2.23
<u>23,023,135</u>	<u>20,803,951</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>
738,151	659,632	3.61	3.52	3.29	3.20	3.17
479,662	391,687	1.90	1.84	1.88	2.08	1.88
66,443	50,616	.32	.24	.30	.29	.24
309,710	198,052	.62	.86	1.89	1.34	.95
55,705	48,992	.17	.17	.17	.24	.24
1,548,361	1,332,912	3.18	2.52	2.89	6.72	6.41
3,533,032	5,468,229	20.04	30.06	14.36	15.37	26.28
<u>6,731,064</u>	<u>8,150,120</u>	<u>29.84</u>	<u>39.21</u>	<u>24.78</u>	<u>29.24</u>	<u>39.17</u>
16,292,071	12,653,831	70.16	60.79	75.22	70.76	60.83
<u>(14,750,794)</u>	<u>(13,383,645)</u>	<u>60.70</u>	<u>49.29</u>	<u>53.92</u>	<u>64.07</u>	<u>64.33</u>
<u>\$ 1,541,277</u>	<u>\$ (729,814)</u>	<u>9.46</u>	<u>11.50</u>	<u>21.30</u>	<u>6.69</u>	<u>(3.50)</u>
25	51	100.00	100.00	100.00	100.00	100.00
<u>\$ 25</u>	<u>\$ 51</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>
625,000	600,000	N/A	N/A	N/A	N/A	N/A
460,174	476,181	N/A	N/A	N/A	N/A	N/A
<u>1,085,174</u>	<u>1,076,181</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
(1,085,149)	(1,076,130)	N/A	N/A	N/A	N/A	N/A
1,073,750	1,075,106	N/A	N/A	N/A	N/A	N/A
-	-	N/A	N/A	N/A	N/A	N/A
-	-	N/A	N/A	N/A	N/A	N/A
<u>1,073,750</u>	<u>1,075,106</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>\$ (11,399)</u>	<u>\$ (1,024)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

TEXAS SUPPLEMENTARY INFORMATION
BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
September 30, 2021

Complete District mailing address: 8180 Anchor Drive, Port Arthur, Texas 77642

District business telephone number: (409) 729-4588

<u>Name and Address</u>	<u>Term of Office Date Elected or Date Hired</u>	<u>Fee and Expense Reimbursements September 30, 2021</u>	<u>Title at Year End</u>	<u>Resident of District</u>
Board Members				
Kenneth Duhon 8174 N. Boyt Road Beaumont, Texas 77713	(Appointed) 01/21 - 01/23	\$ 4,800	Chairman	Yes
Joseph Johnson 5027 Lakeside Drive Port Arthur, Texas 77642	(Appointed) 01/21 - 01/23	\$ 4,800	Vice Chairman	Yes
Richard Lewis 3945 Chandelle Lane Port Arthur, Texas 77642	(Appointed) 01/21 - 01/23	\$ 4,815	Treasurer	Yes
Larry Grantham 6090 Natchez Trace Beaumont, Texas 77706	(Appointed) 05/20 - 05/22	\$ 4,800	Secretary	Yes
Sheri Arnold 1 Acadiana Ct Beaumont, Texas 77706	(Appointed) 02/21 - 02/23	\$ 3,200	Commissioner	Yes
Hugh Vernon Pierce 4885 Elmwood Lane Beaumont, Texas 77706	(Appointed) 01/19 - 01/21	\$ 1,200	Resigned	Yes

Note: No commissioner is disqualified from serving on this board under the Texas Water Code.

Key Personnel

Randall Reese 29 Bellchase Gardens Beaumont, Texas 77706	\$ 248,576	General Manager	Yes
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SABINE-NECHES NAVIGATION DISTRICT
Jefferson County, Texas

TEXAS SUPPLEMENTARY INFORMATION
BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
September 30, 2021

- Continued -

<i>Name and Address</i>	<i>Fee and Expense Reimbursements September 30, 2021</i>	<i>Title at Year End</i>
Consultants		
FMW, P.C. 1150 North Eleventh Street Beaumont, Texas 77702	\$ 54,710	Accounting/Collections
Charles Reed and Associates, P.C. 6850 Phelan Blvd. Beaumont, Texas 77706	\$ 11,500	Auditor
Hubert Oxford Benckenstein & Oxford, LLLP 3535 Calder Beaumont, Texas 77706	\$ 22,000	Consultant - Legal Counsel
Ben Barnes Group 98 San Jacinto Blvd., Suite 1400 Austin, Texas 78701	\$ 300,000	Consultant
Harris, Deville & Associates 521 Laurel Street Baton Rouge, Louisiana 70801	\$ 112,515	Consultant
Beatty, Navarre, Strama, P.C. 901 S. MoPac Expressway Building 1, Suite 200 Austin, Texas 78746	\$ 144,258	Consultant
Mabry Public Affairs 111 Congress Ave., Suite 2300 Austin, Texas 78701-4061	\$ 363,277	Consultant
David Miller & Associates 410 Pine Street, Suite 210 Vienna, Virginia 22180	\$ 1,552,500	Consultant
Burrow Global 350 Pine Street, Suite 1100 Beaumont, Texas 77701	\$ 171,503	Engineering Consultants