

GALVESTON WHARVES PENSION PLAN
ANNUAL FINANCIAL REPORT
AND REQUIRED SUPPLEMENTARY SCHEDULES

Year Ended December 31, 2017
with Report of Independent Auditors

GALVESTON WHARVES PENSION PLAN

ANNUAL FINANCIAL REPORT AND SUPPLEMENTARY SCHEDULES

Year Ended December 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Retirement Committee of the
Galveston Wharves Pension Plan
Galveston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the Galveston Wharves Pension Plan (the "Plan"), which comprise the statement of fiduciary net position as of December 31, 2017, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Plan'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 Plan'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.

To the Retirement Committee of the
Galveston Wharves Pension Plan

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Galveston Wharves Pension Plan, as of December 31, 2017, and changes in its 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 on page 3 and the required supplementary pension information on pages 18 through 21 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.

Whitley Penn LLP

Houston, Texas
April 24, 2018

GALVESTON WHARVES PENSION PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

As sponsor of the Galveston Wharves Pension Plan (the "Plan"), we offer readers of the Plan financial statements this narrative overview and analysis of the financial activities of the Plan for the year ended December 31, 2017.

Financial Highlights

The fiduciary net position of the Plan, at December 31, 2017, was \$13.7 million compared to \$11.9 million from the year before. This net position is restricted for the payment of future employee retirement benefits.

The Plan's net position increased by \$1,848,511 for the year ended December 31, 2017, compared to a \$85,033 decrease in the prior year due primarily due to an increase in net appreciation in the fair value of investments.

Net investment income on the Plan's assets was \$2,478,382 and \$520,216 for the years ended December 31, 2017 and 2016, respectively.

Contributions to the Plan are made solely through contributions from the sponsor. These contributions totaled \$562,160 for year the ended December 31, 2017 and \$420,000 for the year ended December 31, 2016.

Benefit payments are the primary expense of the Plan. Such payments were \$1,120,885 and \$855,183 for the years ended December 31, 2017 and 2016. Other expenses of the Plan include administrative expenses, which totaled \$71,146 and \$0 for the years ended December 31, 2017 and 2016.

GALVESTON WHARVES PENSION PLAN
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2017

Assets

Cash equivalents	\$ 374,055
Investments:	
Equity Mutual Funds	4,623,230
Corporate Bonds	1,653,943
Municipal Bonds	236,241
Foreign Bonds	106,034
Common Stock	6,428,204
Government and Agencies	245,651
Total Investments	<u>13,293,303</u>
Prepaid benefits	<u>76,381</u>
Total assets	<u>13,743,739</u>
Net position restricted for pension benefits	<u><u>\$ 13,743,739</u></u>

See notes to financial statements.

GALVESTON WHARVES PENSION PLAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year ended December 31, 2017

Additions

Contributions:

Employer	\$ 562,160
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Investment income:

Net appreciation in fair value of investments	2,231,005
Dividends and interest	303,695
Less investment expense	(56,318)
Net investment income	<u>2,478,382</u>

Total Additions

3,040,542

Deductions

Benefits paid to members and beneficiaries

1,120,885

Administrative expenses

71,146

Total Deductions

1,192,031

Change in net position

1,848,511

Net position - beginning of year

11,895,228

Net position - end of year

\$ 13,743,739

See notes to financial statements.

GALVESTON WHARVES PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

A. Description of the Plan

The following description of the Galveston Wharves Pension Plan (the "Plan") provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions.

The Galveston Wharves Pension Plan (the "Plan") is a single-employer defined benefit pension plan created by City of Galveston, Texas, ordinance to provide retirement and incidental benefits for employees of the Board of Trustees of the Galveston Wharves (the "Wharves"). The Plan was established January 1, 1965, restated January 1, 2008, and most recently amended effective January 1, 2013. On January 10, 2010, the plan was amended to cease further accrual of benefits under the Plan for existing employees electing to participate in the Galveston Wharves 2010 Plan and for all Wharves employees hired after January 1, 2010. The Plan has been designed as a "governmental plan" by the U.S. Department of Labor and, thus, is not subject to the provisions of Title I of the Employee Retirement Income Security Act of 1974 ("ERISA").

Plan Administration

The Plan is administered by the Wharves. Frost National Bank is the Trustee for the Plan.

Retirement Benefits

Traditional Pension Benefits

Normal Retirement

Plan participants are eligible for normal retirement upon attainment of age 65 and the fifth anniversary of the date that he or she entered the Plan as a participant. The normal retirement benefit under the Plan equals 1.5% of average monthly compensation multiplied by a participant's years of benefit service at retirement or earlier termination of employment. If a participant is married for at least one year at the time of his or her death, the surviving spouse will be paid 66 ²/₃% of the amount the participant was receiving at the time of his or her death. If the spouse is more than 10 years younger than the participant, the traditional pension benefit otherwise payable will be reduced on an actuarially equivalent basis to reflect that the spouse is exactly 10 years younger than the participant.

Death benefit

If a participant who has not had a termination of employment dies prior to commencement of benefits after achieving five years of vesting service, his or her surviving spouse will be entitled to receive 66 ²/₃% of the participant's accrued benefit determined under normal retirement, considering the employee's average monthly compensation and years of benefit service as of his or her date of death. If the spouse is more than 10 years younger than the participant, the traditional pension benefit otherwise payable will be reduced on an actuarially equivalent basis to reflect that the spouse is exactly 10 years younger than the participant. The last payment will be made as of the first day of the month preceding the spouse's date of death or remarriage, if earlier.

GALVESTON WHARVES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS (continued)

A. Description of the Plan - continued

Retirement Benefits - continued

Late retirement

If a participant elects to work beyond normal retirement age, the accrued benefit the participant is entitled to receive will be determined as of normal retirement age and will be recomputed on each annual anniversary thereof.

Early retirement

Early retirement is permitted on the first day of any month coinciding with or following the date as of which the participant completes at least 10 one-year periods of service and the sum of the participant's age and service equals 70. Upon reaching early retirement age prior to termination of employment, a participant may retire and elect to receive at any time up to the normal retirement date an amount equal to his or her accrued benefit payable under normal retirement but based only on an average monthly compensation and years of benefit service as of his or her early retirement date, reduced in accordance with the following table (interpolated between whole ages to completed months):

Attained Age	Percent of Benefits Paid
65	100%
64	95%
63	90%
62	85%
61	80%
60	75%
59	70%
58	65%
57	60%
56	55%
55	50%

Disability

A participant who suffers a disability prior to termination of employment and who has completed ten or more years of vesting service will be entitled to receive a monthly amount which will be computed in the same manner as his or her normal retirement benefit considering his or her average monthly compensation and years of benefit service as of the date of his or her disability. Such benefit shall commence at the time the participant is eligible or would have been eligible (if the participant was a full-time employee) for benefits under the employer's long-term disability plan and has met the definition of disability as defined in the Plan document.

GALVESTON WHARVES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS (continued)

A. Description of the Plan - continued

Retirement Benefits - continued

Termination

A terminated participant will be entitled to the vested portion of his or her accrued benefit, calculated under normal retirement, except that his or her benefit will be determined as of his or her termination of employment and will be payable to such participant at normal retirement date. If eligible, a participant may elect to have his or her vested accrued benefit commence at his or her early retirement date, in which event, it will be reduced to reflect such early commencement. A participant is 100% vested after five years of vesting service.

Cash Balance Pension Benefits

Prior to October 1, 2005, a cash balance account was established for each Participant. The cash balance account consisted of the accumulation of the contribution credits and interest credits. Contribution credits for a particular year equaled six percent of the Participant's compensation during the Plan year. Contribution credits were credited as of the end of each Plan year, except that in the case of a participant who terminated employment before the last day of the Plan year, the contribution credits were credited as of the date of such termination of employment. The interest credit was based on the interest rate used to value lump sum payments. However, for Plan years beginning prior to January 1, 2002, the interest rate credited for each year a Participant maintained a cash balance was 7%. For Plan years beginning on or after January 1, 2002, the interest crediting rate applied to the cash balance at the beginning of each year in the past was based on the annual interest rate on five-year treasury securities (with constant maturities) as specified by the commissioner of the Internal Revenue Service for the first calendar month preceding the first day of the Plan year. However, in no event was this rate in any year to be greater than 7%. The Plan was amended effective September 30, 2005, to cease benefit accruals under the cash balance feature. Contribution credits credited on or before September 30, 2005, will be intact until Participants make a withdrawal election. No further contribution credits will be credited to a participant's cash balance account on or after September 30, 2005.

An employee who is eligible for normal or late retirement will receive a monthly amount equal to the actuarial equivalent of the balance of the Participant's cash balance account as of the end of the month prior to the annuity starting date. The cash balance payable upon death will be determined as a single lump sum amount equal to the Participant's cash balance account as of the last day of the month coinciding with or preceding his or her date of death. However, at the option of the Participant's beneficiary, such amount may be paid in the form of an actuarially equivalent benefit.

The cash balance payable upon termination of employment will be payable to a Participant who terminated prior to his normal retirement age and will be a monthly life annuity equal to the actuarial equivalent of the balance of the Participant's cash balance account as of the end of the month preceding his or her annuity starting date (or alternatively, the actuarial equivalent of the annuity that could be provided at normal retirement age based upon an accumulation of the cash balance at the interest rate used to determine lump sum benefits), but no less than the Participant's cash balance account.

GALVESTON WHARVES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS (continued)

A. Description of the Plan - continued

Retirement Benefits - continued

Special Benefit Enhancements

Special early retirement window benefits have been offered several times in the past, the most recent of which was effective November 1, 1995. Employees who were at least age 60 with 10 years of service and who elected to retire were provided with enhanced benefits equal to their Normal Retirement assuming they stayed in service until their Normal Retirement Date and their compensation remained until such date. A special minimum enhancement of 10% was provided.

In addition, effective January 1, 2007, an ad-hoc increase in retiree benefits was provided to each retiree whose pension commenced prior to January 1, 2006. The increase was equal to a percentage of the monthly benefit payable at January 1, 2006, based on benefit commencement year, as follows:

<u>Benefit Commencement Year</u>	<u>Percentage Increase</u>
Before 1999	20.80%
1999	18.95%
2000	16.38%
2001	12.99%
2002	9.86%
2003	8.15%
2004	5.74%
2005	3.00%

Participation Summary Data

Below is a summary of the participant data for the Plan as of December 31, 2017, the date of the Plan's last actuarial valuation:

	<u>Traditional Pension</u>	<u>Cash Balance Pension</u>
Retirees and beneficiaries currently receiving payments	65	5
Terminated vested participants	52	22
Active employees	31	22
Total Participants	148	49

GALVESTON WHARVES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses for Plan administration are paid by the Plan from investment earnings.

Use of Estimates

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

C. Cash and Investments

Investments

Investments are reported at fair value in accordance with Government Accounting Standards Board (GASB) Statement 72, *Fair Value Measurement and Application*, which establishes a hierarchy of inputs to valuation techniques used to measure fair value. The hierarchy establishes three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. The Plan's Level 1 investments include U.S. government and agency securities and equity securities. Level 2 inputs are inputs – other than quoted prices – included within Level 1 that are observable for the asset or liability, either directly or indirectly. The Plan's investments in debt securities are considered Level 2 investments. Level 3 inputs are unobservable inputs. The Plan did not hold any investments that are considered Level 3 investments. The Plan's investments are held by a bank administered trust fund.

The Plan's investment strategy is to invest in equity and fixed income securities. Statutes of the State of Texas authorize the Plan to invest surplus funds in a manner provided by the Chapter 802, Subchapter C. The following was the Board's adopted asset allocation policy as of December 31, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic fixed income equities securities	10.0%	2.64%
Common Stock	60.0%	6.66%
Domestic equities - large cap	5.0%	6.66%
Domestic equities - mid cap	3.0%	7.25%
Domestic equities - small cap	5.0%	7.74%
International equities	10.0%	6.46%
Natural resources	1.0%	3.13%
Emerging Markets	1.0%	8.23%
Cash	5.0%	0.00%
Total	100.0%	

GALVESTON WHARVES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS (continued)

C. Cash and Investments - continued

Cash and Equivalents

The Plan considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents consist of money market funds. Cash balances were covered by federal depository insurance or by collateral held by the Plan's agent in the Plan's name.

Concentration of Credit Risk

The allocation of assets among various asset classes is set by the board in the investment policy. As of December 31, 2017, the Plan's assets were allocated in the following manner:

Plan Asset	Fair Value	Percentage of Portfolio
Cash Equivalents	\$ 374,055	3%
Equity Mutual Funds	4,623,230	33%
Corporate Bonds	1,653,943	12%
Municipal Bonds	236,241	2%
Foreign Bonds	106,034	1%
Common Stock	6,428,204	47%
Government and Agency	245,651	2%
	<u>\$ 13,667,358</u>	<u>100%</u>

As of December 31, 2017, the plan had no concentrations of investments with individual organizations equaling or exceeding 5 percent of the pension plan's fiduciary net position.

Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 21.51 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Interest Rate Risk

The Plan's investment policy does not address interest rate risk beyond the applicable investments above as defined by state statutes and provisions. Information about the exposure of the Plan's debt-type investments to this risk, using the segmented time distribution model is as follows:

Investment Type	Investment Maturities (in Years)			
	Fair Value	Less than 1	1 - 5	6 - 10
Municipal Bonds	\$ 236,241	\$ 137,953	\$ 508,712	\$ 98,288
Corporate Bonds	1,653,943	201,667	508,712	943,564
Foreign Bonds	106,034		106,034	
Government Agencies	245,651		104,255	141,396
	<u>\$ 2,241,869</u>	<u>\$ 339,620</u>	<u>\$ 719,001</u>	<u>\$ 1,183,248</u>

GALVESTON WHARVES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS (continued)

C. Cash and Investments - continued

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Plan and are held by either the counterparty or the counterparty's trust department or agent but not in the Plan's name. At December 31, 2017, the Plan had no investments that were subject to custodial credit risk.

Credit Risk

Generally, credit risk is the risk that an issuer of a debt-type instrument will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally-recognized rating organization (Moody's Investors Service). The Plan's debt investment's ratings at December 31, 2017, are presented below:

Quality Ratings	Fair Value				Total
	Municipal Bonds	Corporate Bonds	Municipal Bonds	Government Agencies	
Aaa	\$	\$	\$	\$ 245,651	\$ 245,651
Aa1	98,288		106,034		204,322
Aa2	102,377	99,898			202,275
Aa3		203,792			203,792
A1		223,727			223,727
A2	35,576	298,639			334,215
A3		618,684			618,684
Baa1		209,203			209,203
Total	<u>\$ 236,241</u>	<u>\$ 1,653,943</u>	<u>\$ 106,034</u>	<u>\$ 245,651</u>	<u>\$ 2,241,869</u>

D. Net Pension Liability of the Wharves

The components of the net pension liability of the Wharves at December 31, 2017 were as follows:

	<u>2017</u>
Total pension liability	\$ 16,109,828
Less plan fiduciary net position	<u>13,743,739</u>
Wharves net pension liability	<u>\$ 2,366,089</u>
Plan fiduciary net position as a percentage of the total pension liability	85.31%

GALVESTON WHARVES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS (continued)

D. Net Pension Liability – continued

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions:

Investment rate of return	7.25%, net of investment expenses, including inflation
Inflation	2.75%

RP2014 Combined Mortality Table, projected from 2006 with the Social Security Generational Improvement Scale based on the 2016 Trustees Report.

The most recent experience study was completed in 2015 to review the investment rate of return and the salary scale. There has not been a recent experience study to review the demographic assumptions.

The long-term rate of return on the pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2017 are summarized in the following table:

Asset Class	Target Allocation
Domestic fixed income equities securities	10.0%
Common Stock	60.0%
Domestic equities - large cap	5.0%
Domestic equities - mid cap	3.0%
Domestic equities - small cap	5.0%
International equities	10.0%
Natural resources	1.0%
Emerging Markets	1.0%
Cash	5.0%
Total	100.0%

GALVESTON WHARVES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS (continued)

D. Net Pension Liability – continued

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1 percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	\$ 3,948,074	\$ 2,366,089	\$ 925,563

E. Tax Status

The Plan obtained its latest determination letter dated January 10, 2003, as applicable for the amendment executed on February 25, 2002, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code Section 401(a) and that, therefore, the Plan is tax-exempt. The Plan has been amended since receiving the determination letter. However, the Plan administrator and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

F. Plan Termination

Although the Wharves has not expressed any intent to terminate the Plan, upon complete or partial termination of the Plan, each affected Member's accrued benefit, based on his years of Service and Average Monthly Compensation prior to the date of such termination, shall become fully vested and non-forfeitable to the extent then funded.

G. Commitments and Contingencies

As described in Note A, eligible participants are entitled to a cash balance benefit upon termination. As of December 31, 2017, aggregate contributions plus interest were approximately \$649,301.

GALVESTON WHARVES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS (continued)

H. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

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**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

GALVESTON WHARVES PENSION PLAN

REQUIRED SUPPLEMENTARY INFORMATION (unaudited)

Schedule of Changes in the Wharves' Net Pension Liability and Related Ratios

	2017	2016	2015	2014
Total pension liability				
Service costs	\$ 138,712	\$ 137,707	\$ 169,079	\$ 183,481
Interest	1,119,970	1,095,941	1,071,934	1,040,307
Differences between expected and actual experience	(134,857)	84,594	156,762	(56,421)
Changes of assumptions	762,720	-	(239,557)	-
Benefit payments, including refunds of member contributions	<u>(1,141,887)</u>	<u>(855,811)</u>	<u>(757,719)</u>	<u>(704,816)</u>
Net change in total pension liability	744,658	462,431	400,499	462,551
Total pension liability - beginning	<u>15,365,170</u>	<u>14,902,739</u>	<u>14,502,240</u>	<u>14,039,689</u>
Total pension liability - ending {a}	<u><u>\$ 16,109,828</u></u>	<u><u>\$ 15,365,170</u></u>	<u><u>\$ 14,902,739</u></u>	<u><u>\$ 14,502,240</u></u>
Plan fiduciary net position				
Contributions - employer	\$ 562,160	\$ 420,000	\$ 400,000	\$ 540,004
Net investment income	2,478,382	519,420	153,997	720,414
Benefit payments, including refunds of member contributions	(1,120,885)	(855,183)	(758,472)	(709,670)
Administrative expenses	<u>(71,146)</u>	<u>-</u>	<u>(63,966)</u>	<u>(24,329)</u>
Net change in plan fiduciary net position	1,848,511	84,237	(268,441)	526,419
Plan fiduciary net position - beginning	<u>11,895,228</u>	<u>11,810,195</u>	<u>12,078,636</u>	<u>11,552,217</u>
Plan fiduciary net position - ending {b}	<u><u>\$ 13,743,739</u></u>	<u><u>\$ 11,894,432</u></u>	<u><u>\$ 11,810,195</u></u>	<u><u>\$ 12,078,636</u></u>
Wharves net pension liability - ending {a} - {b}	<u><u>\$ 2,366,089</u></u>	<u><u>\$ 3,470,738</u></u>	<u><u>\$ 3,092,544</u></u>	<u><u>\$ 2,423,604</u></u>
 Fiduciary net position as a percentage of the total pension liability	 85%	 77%	 79%	 83%
Covered employee payroll	\$ 2,659,786	\$ 3,174,196	\$ 3,289,226	\$ 3,484,519
Wharves' net pension liability as a percentage of covered employee payroll	88.96%	109.34%	94.02%	69.55%

Note: GASB 67 was implemented in fiscal year 2014, therefore information for prior years is not available

GALVESTON WHARVES PENSION PLAN

REQUIRED SUPPLEMENTARY INFORMATION (unaudited)

Schedule of Wharves' Contributions Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 562,160	\$ 415,085	\$ 377,727	\$ 398,283	\$ 540,004
Contributions in relation to the actuarially determined contribution	<u>562,160</u>	<u>420,000</u>	<u>400,000</u>	<u>540,004</u>	<u>540,004</u>
Contribution deficiency (excess)	\$ -	\$ (4,915)	\$ (22,273)	\$ (141,721)	\$ -
Covered-employee payroll	2,659,786	3,174,196	3,470,195	3,270,305	3,429,909
Contributions as a percentage of covered-employee payroll	21.14%	13.23%	11.53%	16.51%	15.74%
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 669,776	\$ 593,171	\$ 595,057	\$ 541,408	\$ 319,782
Contributions in relation to the actuarially determined contribution	<u>669,776</u>	<u>593,171</u>	<u>595,057</u>	<u>541,408</u>	<u>319,782</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	3,921,729	3,889,073	3,990,184	4,146,487	4,096,280
Contributions as a percentage of covered-employee payroll	17.08%	15.25%	14.91%	13.06%	7.81%

GALVESTON WHARVES PENSION PLAN

REQUIRED SUPPLEMENTARY INFORMATION (unaudited)

Notes to Schedule of Wharves' Contributions

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

	<u>2017</u>	<u>2016</u>	<u>2015 - 2007</u>
Actuarial cost method	Individual entry age cost method	Individual entry age cost method	Individual entry age cost method
Amortization method	23-year level dollar (closed)	24-year level dollar (closed)	30-year level dollar (open)
Asset method	Market value of assets	Market value of assets	Market value of assets
Investment rate of return	7.25%, net of investment expenses, including inflation	7.5%, net of investment expenses, including inflation	7.5%, net of investment expenses, including inflation
Inflation	2.75%	3.50%	3.50%
Annual pay increases	3.0%	3.0%	4.60%
Ad-hoc cost of living increases	N/A	N/A	N/A
Mortality Rates:			
Healthy	RP2014 Combined Mortality Table, projected from 2006 with the Social Security Generational Improvement Scale based on the 2016 Trustees Report	RP2000 Combined Mortality Table, projected to 2016 with separate tables for males and females.	RP2000 Combined Mortality Table, with separate tables for males and females.
Disabled	1965 Railroad Board Ultimate Disabled Mortality Table (10th valuation)	1965 Railroad Board Ultimate Disabled Mortality Table (10th valuation)	1965 Railroad Board Ultimate Disabled Mortality Table (10th valuation)
Retirement Rates	The later of the attainment of age 65 or the completion of five years of vesting service.	The later of the attainment of age 65 or the completion of five years of vesting service.	The later of the attainment of age 65 or the completion of five years of vesting service.

GALVESTON WHARVES PENSION PLAN

REQUIRED SUPPLEMENTARY INFORMATION (unaudited)

Schedule of Investment Returns

Fiscal Years Ending:	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	21.51%	4.51%	1.32%	6.33%

Note: GASB 67 was implemented in fiscal year 2014, therefore information for prior years is not available.