Galveston Wharves Pension Plan

(A Component Unit of The Board of Trustees of the Galveston Wharves)

Financial Statements
December 31, 2022

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FORVIS

2700 Post Oak Boulevard, Suite 1500 / Houston, TX 77056
P 713.499.4600 / **F** 713.499.4699
forvis.com

Independent Auditor's Report

Board of Trustees
Galveston Wharves Pension Plan
Galveston, Texas

Opinion

We have audited the financial statements of the Galveston Wharves Pension Plan (the Plan), which Comprise the statement of fiduciary net position as of December 31, 2022 and the related statement of changes in fiduciary net position for the year then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the fiduciary net position of the Plan as of December 31, 2022 and the changes in fiduciary net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant Ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the Plan, and determining that the Plan's transactions that are presented and disclosed in the financial statements are in conformity with the Plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Board of Trustees
Galveston Wharves Pension Plan

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

FORVIS, LLP
Houston, Texas
May 25, 2023

Management's Discussion and Analysis (Unaudited)

This section of the financial statements of the Galveston Wharves Pension Plan (the Plan) offers a narrative overview and analysis of the financial activities as of and for the year ended December 31, 2022. The reader of this statement should take time to read and evaluate all sections of this report, including the notes and other required supplementary information that are provided in addition to this management's discussion and analysis (MD&A).

Financial Highlights and Analysis

- Net position restricted for pensions is available for payment of monthly retirement benefits and other qualified distributions to the Plan's participants. Net position restricted for pensions decreased by $3,800,572, or 22.59% in 2022. Net Investment loss was $2,876,194 in 2022 when compared to the investment income of $2,305,982 in 2021.

- Employer contributions totaled $399,996 and $255,702 in 2022 and 2021, respectively.

- The amount of benefits paid to participants decreased by $83,184, or 6.09% during 2022.

- The Plan's rate of return on investments for the year ended December 31, 2022, decreased to -17.72% in 2022, from the positive return of 15.37% for 2021. The actuarial assumed rate of return is 7.25%.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the Plan's financial statements. The financial statements are comprised of: (1) financial statements, (2) notes to financial statements and (3) required supplementary information.

The statement of fiduciary net position reports the Plan's assets and liabilities, with the difference between the two reported as net position restricted for pensions. This is a measure of financial position, which can indicate financial condition improvement or deterioration from year to year.

The statement of changes in fiduciary net position presents information showing how the Plan's net position changed during the year. It reflects contributions by the employer and investment income (loss), along with deductions for benefits paid to participants and administrative expenses.

The notes to financial statements provide additional information necessary to fully understand the data provided in the financial statements.

The required supplementary information includes the MD&A, schedule of changes in net pension liability and related ratios, schedule of contributions and schedule of investment returns and is required by the Governmental Accounting Standards Board.

Management's Discussion and Analysis (Unaudited)

Condensed Financial Information

Description	2022	2021	Percentage Change
Assets:			
Cash equivalents	$ 80,553	$ 652,013	**-87.65%**
Prepaid benefits	106,975	110,276	**-2.99%**
Investments	12,835,355	16,061,166	**-20.08%**
Total assets and net position	$ 13,022,883	$ 16,823,455	**-22.59%**
Additions:			
Employer contributions	$ 399,996	$ 255,702	**56.43%**
Net investment income	-	2,305,982	**-100.00%**
Total additions	$ 399,996	$ 2,561,684	**-84.39%**
Deductions:			
Benefits paid to participants and beneficiaries	1,283,191	1,366,375	**-6.09%**
Net investment loss	2,876,194	-	**100.00%**
Administrative expenses	41,183	39,843	**3.36%**
Total deductions:	4,200,568	1,406,218	**198.71%**
Total decrease in net position	$ (3,800,572)	$ 1,155,466	**-428.92%**

Analysis of Changes in Condensed Financial Information

Investments decreased by $3,225,811 or 20.08%, from 2021 to 2022. This was primarily due to the decrease in the fair value of investments.

Net position decreased by $3,800,572, or 428.92%, from 2021 to 2022. This decrease was primarily due to unfavorable market conditions in 2022 compared to 2021.

Employer contributions increased by $144,294 from 2021 to 2022. The Plan's actuary prepares an annual valuation. As part of this valuation, the Plan actuary calculates the annual required contribution, and the Plan sponsor contributes at a minimum in accordance with this calculation.

Current Environment

The number of Plan participants was 134 in 2021 and it decreased to 132 for December 31, 2022.

Future Outlook and Currently Known Facts

The Plan's actuary had developed a recommended contribution for year 2022 of $130,430; however, $399,996 was contributed to the Plan in 2022.

Request for Information

This financial report is designed to provide the Plan's patrons and other interested parties with a general overview of the finances to demonstrate the Plan's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer, Port of Galveston, 123 25th Street, 8th floor, Galveston, Texas 77550.

Galveston Wharves Pension Plan
A Component Unit of The Board of Trustees of the Galveston Wharves

Statement of Fiduciary Net Position
Year Ended December 31, 2022

Assets:	
Cash equivalents	$ 80,553
Prepaid benefits	106,975
Investments:	
Common stock—domestic	5,374,809
Common stock—international	330,249
Mutual funds—domestic	2,615,770
Mutual funds—international	1,990,235
U.S. government agency securities	138,594
Municipal bonds	93,350
Corporate bonds	2,099,658
Foreign bonds	192,690
Total investments	12,835,355
Total assets	$ 13,022,883
Net position restricted for pension	$ 13,022,883

The accompanying notes are an integral part of these statements.

Galveston Wharves Pension Plan
A Component Unit of The Board of Trustees of the Galveston Wharves

Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2022

Additions:	
Employer contributions	$ 399,996
Total additions	399,996
Deductions:	
Benefits paid to participants and beneficiaries	1,283,191
Net investment loss:	
Interest and Dividends	(371,788)
Investment Expenses-Trustee Fees	67,849
Investment Realized Losses	751,581
Investment Unrealized Losses	2,428,553
	2,876,194
Administrative expense	41,183
Total deductions	4,200,568
Net decrease in fiduciary net position	(3,800,572)
Net position restricted for pension at beginning of year	16,823,455
Net position restricted for pension at end of year	$ 13,022,883

The accompanying notes are an integral part of these statements.

Note 1. Description of Plan

The following brief description of the Galveston Wharves Pension Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

Reporting entity: The Plan is sponsored by The Board of Trustees of the Galveston Wharves (the Port). Based on the criteria of the Governmental Accounting Standards Board (GASB) Codification Section 2100, *Defining the Reporting Entity*, there are no other entities required to be combined with the Plan; however, the Plan is a component unit of the Port and is reported as a fiduciary pension trust fund in the basic financial statements of the Port in accordance with GASB No. 84, *Fiduciary Activities*.

Plan description: The Plan is a single employer defined benefit pension plan created by the City of Galveston, Texas, ordinance to provide retirement and incidental benefits to qualified retirees of the Port. The Plan has two pension benefits which consist of the traditional pension and the cash balance pension. The Plan was established January 1, 1965, restated January 1, 2008, amended January 1, 2013 and most recently amended effective January 1, 2020. 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 Port employees hired after January 1, 2010. Effective January 1, 2020, the Plan was amended to provide an ad-hoc benefit increase to all participants whose benefits commenced prior to January 1, 2019. The Port's seven-member Board of Trustees (the Board) governs the Plan, under which benefit and contribution terms are established or amended.

The Board has overall responsibility for the operation and administration of the Plan. The Board determines the appropriateness of the Plan's investment offerings and monitors investment performance. The assets of the Plan are held in a trust by Frost Bank, the trustee. The trustee on behalf of the Plan carries out an investment policy established by the Board, consistent with the purposes of the Plan and the requirements of applicable laws and regulations.

Plan membership: At December 31, 2022, the Plan's membership consisted of the following:

	Traditional Pension	Cash Balance Pension
Inactive plan members and beneficiaries currently receiving benefits	79	-
Inactive employees entitled to, but not yet receiving benefits	38	8
Active plan members	15	7
	132	15

Note 1. Description of Plan (Continued)

Pension benefits: Plan participants are eligible for their Plan benefits after terminating employment with vested rights. The 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 monthly 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.

Death benefits: If a participant who has not had a termination of employment and 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 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.

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 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):

Note 1. Description of Plan (Continued)

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 benefits: A participant who suffers a disability prior to termination of employment and who has completed 10 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.

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 6% 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

Note 1. Description of Plan (Continued)

treasury securities (with constant maturities) as specified by the commissioner of the Internal Revenue Service (IRS) 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 or her 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.

Special benefit enhancements: On 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:

Note 1. Description of Plan (Continued)

Benefit Commencement Year	Percentage Increase
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%

Contributions: The Port will pay contributions for a Plan year, as determined by the actuary, to fund plan benefits and at such times as the Port may decide. Employees do not make contributions under this Plan. All contributions under the Plan shall be paid or transferred into the trust to be held, managed, invested and distributed in accordance with the provisions of the Plan. The Port reserves the right to reduce, suspend or discontinue contributions to the Plan. Currently, the Port is making monthly contributions until payments equal to the prior-year funding requirement is met. In the event the funding requirement exceeds monthly contributions, an additional contribution is normally scheduled to fund the annual actuarial required contribution. Employer contributions totaled $399,996 as of December 31, 2022.

Actuarial valuation: The Plan has an actuarial valuation performed annually for financial reporting purposes in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans*, an *Amendment of GASB Statement No. 25*. The most recent actuarial valuation was performed as of December 31, 2022.

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for local governmental entities, as prescribed by GASB. The financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which employee services are performed. Benefits 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.

Note 2. Summary of Significant Accounting Policies (Continued)

Cash equivalents: For purposes of the statement of fiduciary net position, short-term, highly liquid investments are considered cash equivalents. Highly liquid investments are defined as investments with a maturity date of three months or less at time of purchase.

Investment valuation and income recognition: Investments are reported at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of common stocks are based on quoted market prices. The fair value of United States (U.S.) government securities, municipal, corporate and foreign bonds are based on quotes from broker-dealers are valued using interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and considering the counterparty rating. Shares of registered investment companies (mutual funds) are reported at fair value based on the quoted price per share of the fund. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold, as well as held during the year.

Use of estimates: The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and changes therein; disclosure of contingent assets and liabilities and the actuarial present value of accumulated plan benefits at the date of the financial statements and changes therein. Actual results could differ from those estimates.

Risk and uncertainties: The Plan may invest in various types of investment securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of fiduciary net position.

Plan employer contributions and the actuarial present value of accumulated plan benefits are determined based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions processes, it is at least reasonably possible that changes in these estimates and assumptions in the near-term would-be material to the financial statements.

Payment of benefits: Benefit payments are recognized as expenses when due and payable in accordance with the terms of the Plan.

Note 2. Summary of Significant Accounting Policies (Continued)

Administrative expenses: All administrative expenses, unless paid by the Port at its discretion, are paid by the Plan. Certain expenses incurred in connection with the general administration of the Plan that are paid by the Plan are recorded as deductions in the accompanying statement of changes in fiduciary net position. In addition, certain investment-related expenses are included in investment realized and unrealized losses presented in the accompanying statement of changes in fiduciary net position.

Subsequent events: The Plan has evaluated subsequent events through May 25, 2023, the date the financial statements were available to be issued.

Note 3. Investments

Investments at fair value as of December 31, 2022, are as follows:

Asset Class	Fair Value	Percentage of Portfolio
Equities:		
Common stock	$ 5,705,058	44%
Mutual funds	4,606,005	36%
Fixed Income:		
U.S. government agency securities	138,594	
Municipal bonds	93,350	
Corporate bonds	2,099,658	
Foreign bonds	192,690	
Total fixed income	2,524,292	20%
Total investments at fair value	$ 12,835,355	100%

Note 3. Investments Policies (Continued)

Investment policy: The Plan's investment policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. There were no significant modifications to the investment policy during 2022. The following is the Board's accepted asset allocation mix as of December 31, 2022:

Asset Class	Target Allocation
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%
	100.0%

The Plan uses various methods to measure the fair value of investments on a recurring basis. GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are as follows:

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3: Unobservable inputs for the asset, to the extent relevant observable inputs are not available, represent the Plan's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less

Note 3. Investments Policies (Continued)

observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The hierarchy of investments as of December 31, 2022, is as follows:

	Fair Value Hierarchy			
Investment Type	Level 1	Level 2	Level 3	Fair Value
Common stock—domestic	$ 5,374,809	$ -	$ -	$ 5,374,809
Common stock—international	330,249	-	-	330,249
Mutual funds—domestic	2,615,770	-	-	2,615,770
Mutual funds—international	1,990,235	-	-	1,990,235
U.S. government agency securities	-	138,594	-	138,594
Municipal bonds	-	93,350	-	93,350
Corporate bonds	-	2,099,658	-	2,099,658
Foreign bonds	-	192,690	-	192,690
	$ 10,311,063	$ 2,524,292	$ -	$ 12,835,355

Rate of return: For the year ended December 31, 2022, the annual money-weighted rate of return for the Plan's investments, net of pension plan investment expense, was -17.70%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Custodial credit risk: The Plan's investment policy does not specifically address custodial credit risk. Custodial credit risk is the risk that in the event of bank or investment failure, the Plan's deposits or investments may not be returned. At December 31, 2022, the Plan had no investments that were subject to custodial credit risk.

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan does not have a formal policy regarding interest rate risk. The Plan monitors credit exposure using segmented time distribution. The following is a listing of the Plan's fixed income investments and related maturity schedule (in years) as of December 31, 2022. The maturity schedule is based on the average maturity of the fund, as noted by the fund manager.

Note 3. Investments Policies (Continued)

	Less Than 1 Year	1-5 Years	6-10 Years	Fair Value
U.S. government agency securities	$ -	$ 138,594	-	$ 138,594
Municipal bonds	-	93,350	-	93,350
Corporate bonds	348,327	1,116,317	635,014	2,099,658
Foreign bonds	-	192,690	-	192,690
	$ 348,327	$ 1,540,952	$ 635,014	$ 2,524,292

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Plan. The Plan's investment policy does not specifically address the quality rating of the investments. The Board of Trustees is responsible for determining the risks and commensurate returns of its portfolio. The Plan's fixed income investment's ratings at December 31, 2022, are presented below:

Concentration risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investments in a single issuer. The Plan's investment policy does not specifically address concentration risk. As of December 31, 2022, the Plan had no concentrations of investments with individual organizations equaling or exceeding 5% of the Plan's fiduciary net position.

Moody's Quality Ratings	U.S. Government Agency Securities	Municipal Bonds	Corporate Bonds	Foreign Bonds	Fair Total
Aaa	$ 138,594	$ -	$ -	$ -	$ 138,594
Aa1	-	-	-	-	-
Aa2	-	93,350	-	-	93,350
Aa3	-	-	117,723	-	117,723
A1	-	-	635,413	98,627	734,040
A2	-	-	615,530	-	615,530
A3	-	-	481,771	94,063	575,834
Baa1	-	-	-	-	-
Baa2	-	-	249,220	-	249,220
	$ 138,594	$ 93,350	$ 2,099,658	$ 192,690	$ 2,524,292

Note 3. Investments Policies (Continued)

Foreign currency risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Plan's investment policy does not specifically address foreign currency risk. The Plan's diversified selection of equity and fixed income securities encourages the investment advisors to employ diversification, asset allocation and quality strategies to minimize risks. The Plan's investment in international equities does not require disclosure of the individual investment within the fund, as such fund balances are denominated in U.S. dollars.

Note 4. Net Pension Liability of the Port

The net pension liability is measured as the total pension liability, less the amount of the Plan's fiduciary net position as of December 31, 2022. In actuarial terms, this will be the accrued liability less the Plan's net position. The components of the Port's net pension liability as of December 31, 2022, are as follows:

Total pension liability	$	16,311,902
Plan fiduciary net position	$	13,022,883
Net pension liability	$	3,289,019
Plan fiduciary net position as a percentage of the total liability		79.84%

The schedule of changes in net pension liability and related ratios presents multi-year trend information, beginning with 2014, to illustrate changes in the plan fiduciary net position over time. In addition to the above, additional information is presented in the required supplementary information.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of December 31, 2022, using the following actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions used are as follows:

Note 4. Net Pension Liability of the Port (Continued)

Actuarial cost method	Individual entry age cost method
Asset method	Market value of assets
Interest rates	Discount rate 7.25% Expected long-term rate of return 7.25%
Inflation rate	2.75%
Annual pay increases	3%
Ad-hoc cost-of-living increases	None
Mortality rates	Pub-G-2010 Mortality Table Projected Generationally from 2010 with the Mortality Improvement Scale MP-2021
Retirement rates	The latter of attainment of age 65 or the completion of five years of vesting service.
Experience study	The most recent experience study was completed in 2017 for dates (2008-2013) to review the demographic assumption. There has not been a recent experience study to review the demographic assumptions. `As the Plan is not large enough to have the credible experience, demographic assumptions are based on the results of broad population trends.
Changes Since Prior Valuation	None

Long-term expected rate of return: The long-term rate of return on the pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return 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 Plan's target asset allocation as of December 31, 2022 (see the discussion of the Plan's investment policy), are summarized in the following table:

Note 4. Net Pension Liability of the Port (Continued)

Asset Class	Long-Term Expected Real Rate of Return
Fixed income equities securities	3.25%
Common stock	7.00%
Domestic equities—large cap	7.10%
Domestic equities—mid cap	7.10%
Domestic equities—small cap	6.70%
International equities	4.60%
Real estate	5.50%
Emerging markets	5.10%
Cash	2.50%

Discount rate: The discount rate used to measure the total pension liability was 7.25%. Professional judgement on future contributions has been applied in those cases where contribution patterns deviate from the actuarially determined contribution rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the 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.

S**ensitivity of the 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:

	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
Net Pension Liability	$ 4,762,422	$ 3,289,019	$ 2,031,400

Note 5. Plan Termination

Although the Port 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 or her years of service and average monthly compensation prior to the date of such termination, are fully vested and nonforfeitable to the extent then funded.

Note 6. 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 IRS stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (IRC) 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 IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Note 7. Commitments and Contingencies

As described in Note 1, eligible participants are entitled to a cash balance benefit upon termination. As of December 31, 2022, aggregate contributions plus interest was $232,168 for the cash balance benefit.

Required Supplementary Information

Galveston Wharves Pension Plan
A Component Unit of The Board of Trustees of the Galveston Wharves

Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited)
Last Nine Measurement Years Ended December 31

	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability:								
Service cost	$ 65,944	$ 71,422	$ 77,202	$ 101,967	$ 149,366	$ 138,712	$ 137,707	$ 169,079
Interest	1,162,633	1,189,715	1,148,818	$ 1,145,698	1,135,048	1,119,970	1,095,941	1,071,934
Changes in benefit terms	-	-	-	206,256	-	-	-	-
Change in assumptions	-	34,009	762,991	(96,477)	88,955	762,720	-	(239,557)
Difference between expected and actual experience	(243,803)	(340,081)	(63,634)	-	41,613	(134,857)	84,594	156,762
Benefit payments, including refunds of employee contributions	(1,283,191)	(1,366,375)	(1,344,635)	(1,234,638)	(1,206,729)	(1,141,887)	(855,811)	(757,719)
Net change in total pension liability	(298,417)	(411,310)	580,742	122,806	208,253	744,658	462,431	400,499
Total pension liability at beginning of year	16,610,319	17,021,629	16,440,887	16,318,081	16,109,828	15,365,170	14,902,739	14,502,240
Total pension liability at end of year	$ 16,311,902	$ 16,610,319	$ 17,021,629	$ 16,440,887	$ 16,318,081	$ 16,109,828	$ 15,365,170	$ 14,902,739
Plan fiduciary net position:								
Contributions—employer	$ 399,996	$ 255,702	$ 365,585	$ 575,000	$ 575,000	$ 562,160	$ 420,000	$ 400,000
Net investment income(loss)	(2,876,194)	2,305,982	1,860,739	3,023,018	(560,524)	2,478,382	519,420	153,997
Benefit payments, including refunds of employee contributions	(1,283,191)	(1,366,375)	(1,337,844)	(1,226,101)	(1,193,049)	(1,120,885)	(855,183)	(758,472)
Administrative expense	(41,183)	(39,843)	(50,158)	(42,935)	(64,481)	(71,146)	-	(63,966)
Net change in plan fiduciary net position	(3,800,572)	1,155,466	838,322	2,328,982	(1,243,054)	1,848,511	84,237	(268,441)
Plan fiduciary net position at beginning of year	16,823,455	15,667,989	14,829,667	12,500,685	13,743,739	11,895,228	11,810,195	12,078,636
Plan fiduciary net position at end of year	$ 13,022,883	$ 16,823,455	$ 15,667,989	$ 14,829,667	$ 12,500,685	$ 13,743,739	$ 11,894,432	$ 11,810,195
Plan net pension liability at end of year	$ 3,289,019	$ (213,136)	$ 1,353,640	$ 1,611,220	$ 3,817,396	$ 2,366,089	$ 3,470,738	$ 3,092,544
Fiduciary net position as a percentage of the total pension liability	80%	101%	92%	90%	77%	85%	77%	79%
Covered payroll	$ 1,041,242	$ 1,031,885	$ 1,144,464	$ 1,527,483	$ 2,017,084	$ 2,659,786	$ 3,174,196	$ 3,289,226
Plan net pension liability as a percentage of covered payroll	316%	-21%	118%	105%	189%	89%	109%	94%

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

Galveston Wharves Pension Plan
A Component Unit of The Board of Trustees of the Galveston Wharves

Schedule of Plan Pension Contributions (Unaudited)
Last Ten Years Ended December 31

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	$ 130,460	$ 242,382	$ 292,252	$ 515,856	$ 421,327	$ 562,160	$ 415,085	$ 377,727	$ 398,283	$ 540,004
Contributions in relation to the actuarially determined contribution	399,996	255,702	365,585	575,000	575,000	562,160	420,000	400,000	540,004	540,004
Contribution deficiency (excess)	**$ (269,536)**	**$ (13,320)**	**$ (73,333)**	**$ (59,144)**	**$ (153,673)**	**$ -**	**$ (4,915)**	**$ (22,273)**	**$ (141,721)**	**$ -**
Covered payroll	$ 1,041,242	$ 1,031,885	$ 1,144,464	$ 1,527,483	$ 2,017,084	$ 2,659,786	$ 3,174,196	$ 3,289,226	$ 3,484,519	$ 3,627,781
Contributions as a percentage of covered payroll	38.42%	24.78%	31.94%	37.64%	28.51%	21.14%	13.23%	12.16%	15.50%	14.89%

Methods and assumptions used to determine contribution rates

Actuarial cost method	Individual entry age cost method
Amortization method	18-year level dollar (closed)
Asset method	Market value of assets
Interest rates	Discount rate 7.25%, Expected Long Term Rate of Return 7.25%,
Inflation rate	2.75%
Annual pay increases	3%
Measurement Date	December 31, 2022
Ad-hoc Cost of living increases	None
Mortality Rates	Pub-G-2010 Mortality Table Projected Generationally from 2010 with the Mortality Improvement Scale MP-2021
Retirement rates	The latter of attainment of age 65 or the completion of five years of vesting service
All other assumptions	As described in the assumptions section of the actuarially determined contribution
Experience Study	The most recent experience study was completed in 2017 for dates (2008-2013) to review the interest rate and mortality assumption. There has not been a recent experience study to review the demographic assumptions. As the plan is not large enough to have credible experience, demographic assumptions are determined based on the results of broad population trends.
Final average pay load	A 7.5% load to the final average pay of active employees eligible to retire as of December 31, 2018, was added to anticipate the impact of accrued vacation and sick time pay
Change since prior valuation	None

Galveston Wharves Pension Plan
A Component Unit of The Board of Trustees of the Galveston Wharves

Schedule of Investment Returns
Last Ten Years Ended December 31

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	-17.70%	15.37%	13.09%	25.07%	-4.21%	21.51%	4.51%	1.32%	6.33%	7.50%