THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES

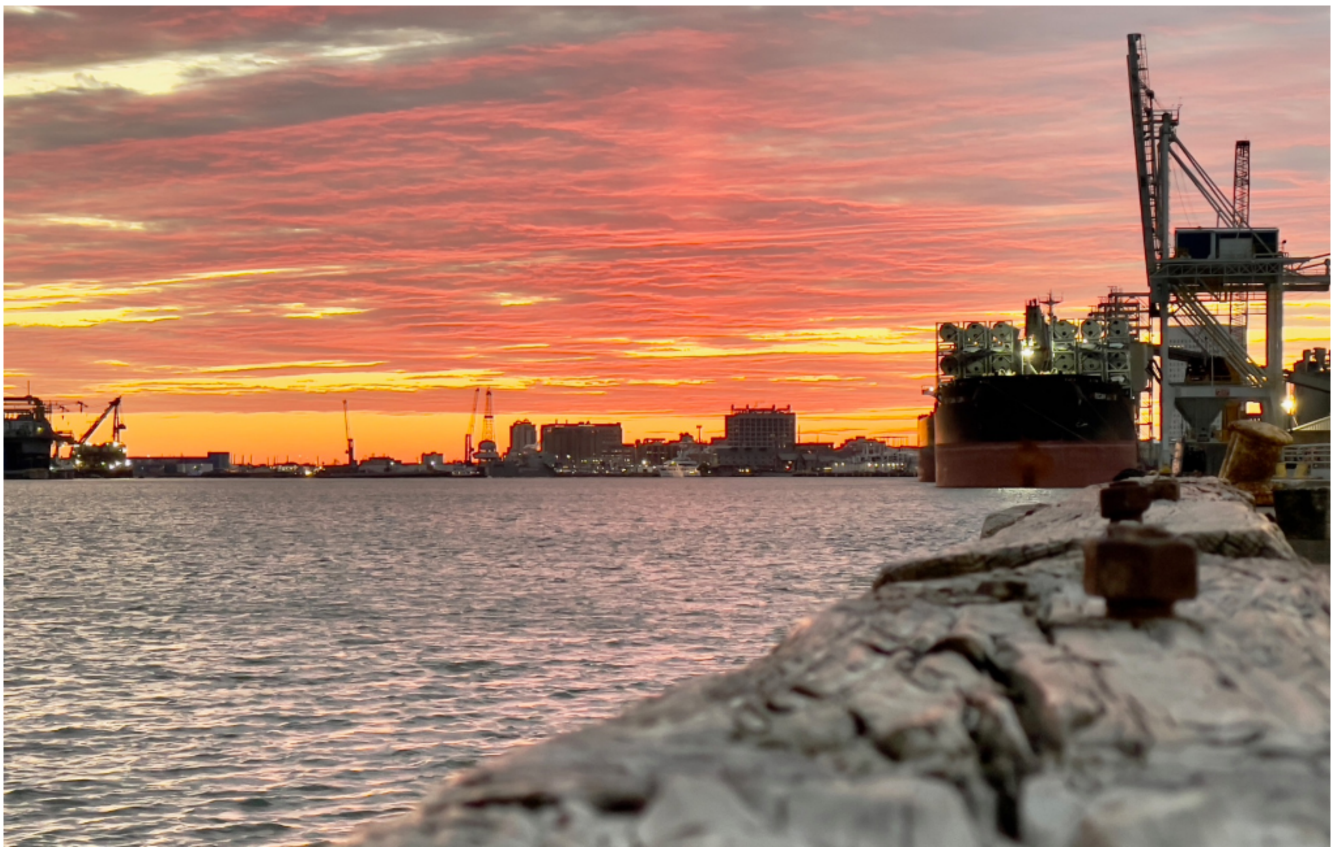
ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2023
GALVESTON, TEXAS

GALVESTON WHARVES

GALVESTON WHARVES

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
Annual Comprehensive Financial Report
For the Year Ended December 31, 2023



THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
Annual Comprehensive Financial Report
For the Year Ended December 31, 2023

Fiscal Year Ended
December 31, 2023

Prepared By:
Finance Department

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
Annual Comprehensive Financial Report
For the Year Ended December 31, 2023

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THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES

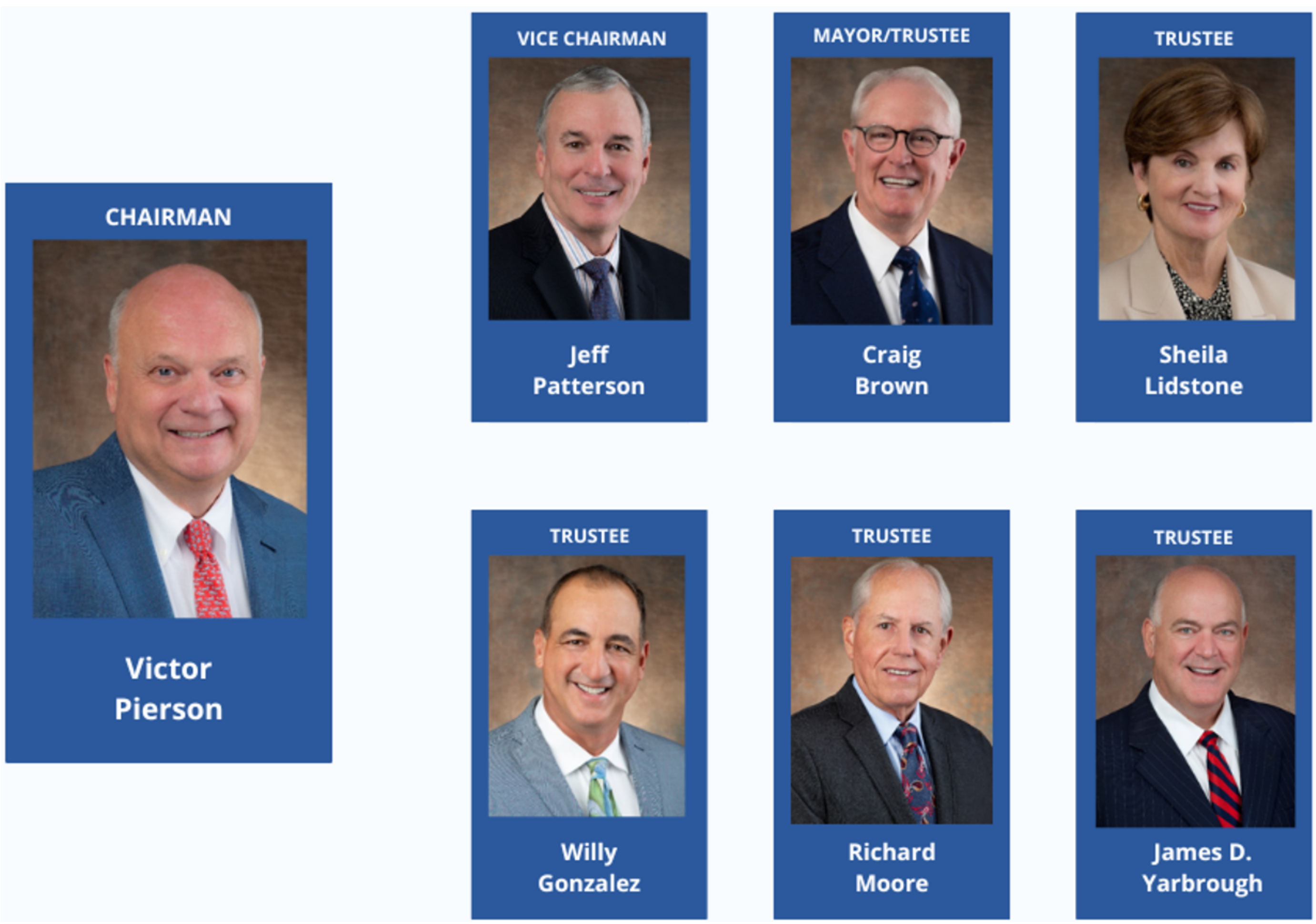
PART I

INTRODUCTORY SECTION

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
Annual Comprehensive Financial Report
For the Year Ended December 31, 2023

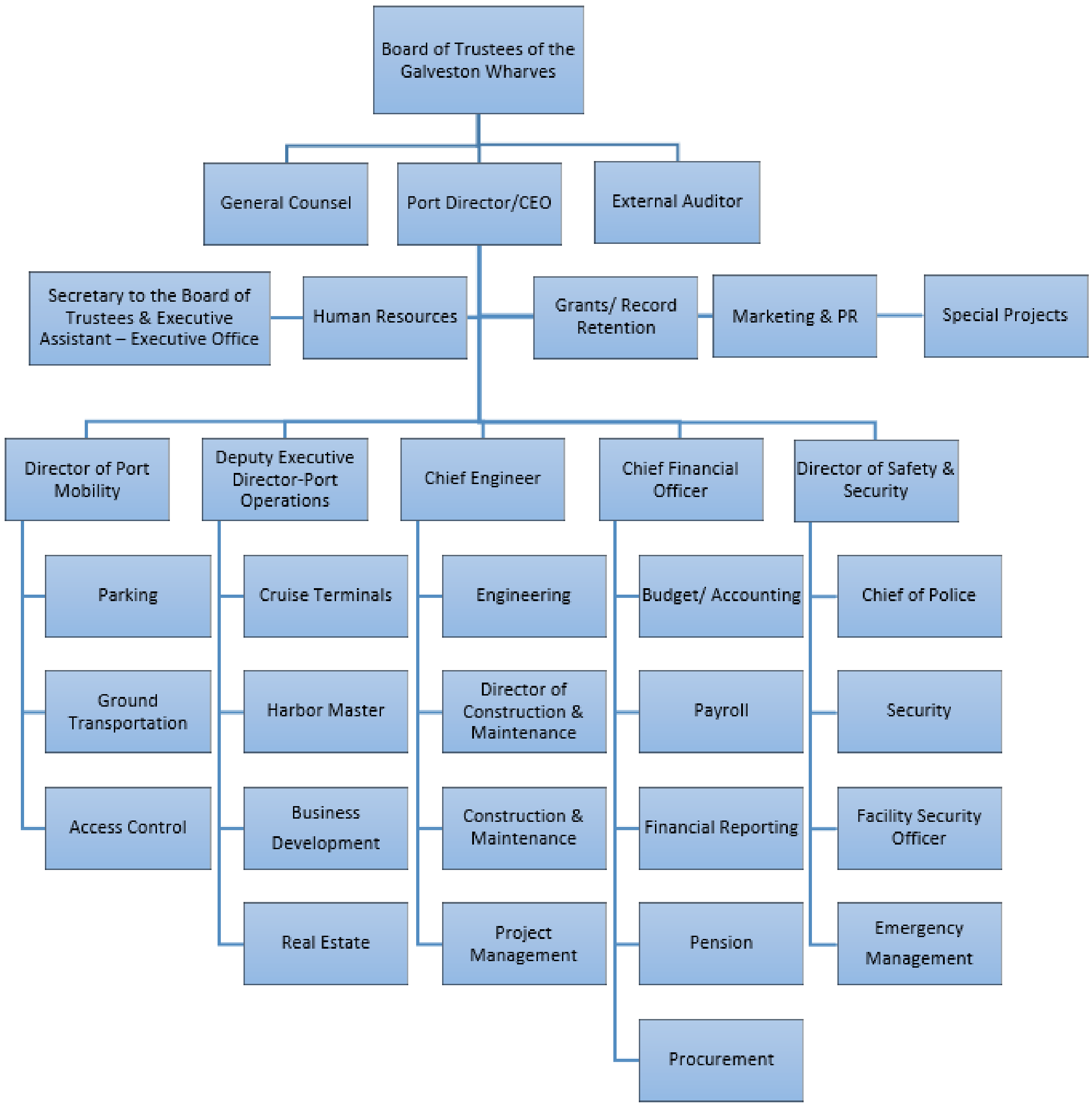
Directory of Officials

2023 Board of Trustees of the Galveston Wharves



Directory of Officials (continued)

Organizational Chart



Port Contact Information

Port of Galveston
123 25th Street, 8th Floor
Galveston, Texas 77550

Telephone: 409-765-9321
Telefax: 409-766-6107
Website: www.portofgalveston.com

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
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Norwegian Cruise Line (NCL) Prima at Port of Galveston, Texas

GALVESTON WHARVES
●123 25th Street 8th Floor, Galveston, Texas 77550
● Galveston (409) 765-9321 ● Houston (281) 286-2484
● Fax (409) 766-6171● Website: http://www.portofgalveston.com

Letter of Transmittal

April 26, 2024

To the Board of Trustees of the Galveston Wharves and
Citizens of the City of Galveston, Texas:

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the Board of Trustees of the Galveston Wharves (Port of Galveston or the Port) for the year ended December 31, 2023. Responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Port of Galveston. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the operations of the Port of Galveston. All disclosures necessary to enable the reader to gain an understanding of the Port of Galveston's financial activities have been included.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Independent Auditors selected by the Board of Trustees have audited the financial statements for the year ended December 31, 2023. The Independent Auditor's report is included in front of the financial section of this report.

The audit was designed to meet the requirements of generally accepted auditing standards. When the Port of Galveston meets the requirements of the Single Audit Act of 1984 and related Uniform Guidance, and/or the State of Texas Grants Management Standards and related guidance, the audit is designed to also meet these requirements. The Port met the requirements of a Federal Single Audit in 2023, and the report related to the Single Audit Act is included with the 2023 Annual Comprehensive Financial Report.

A copy of the Independent Auditor's reports may be obtained by contacting the Chief Financial Officer (CFO), 123 25th Street, 8th Floor, Galveston, TX 77550. An electronic copy of this report will be posted to the Port's website at www.portofgalveston.com.

Management's discussion and analysis (MD&A) immediately follows the Independent Auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with this letter.

Profile of the Government

The Port of Galveston was created by City Ordinance in 1940 as a separate utility of the City of Galveston to manage, maintain, operate, and control all existing port properties and all additions, improvements, or extensions to such properties. The Port operates as an enterprise organization under the direction of a Board of Trustees appointed by the Galveston City Council. An enterprise fund is used to account for activity in which the cost of providing goods and services is primarily recovered through the fees charged to the users of such goods and services. All Port of Galveston properties are located within the limits of the City of Galveston, Texas.

The City establishing the Port of Galveston provides that all city-owned wharf and terminal properties, and all income and revenue there from, are to be set aside and controlled, maintained, and operated by a "Board of Trustees of the Galveston Wharves." One member of the Board of Trustees is an ex-officio representative of the City Council and is elected by the Council from its own membership for a term contemporaneous with the term of the Council electing such member. The Council appoints the remaining six members of the Board of Trustees. The Charter provides that the Board of Trustees shall have those powers which are necessary or proper to the discharge of its responsibilities including, but not limited to, the employment of a general manager for the Port and such subordinate officers and employees as may be required for the proper conduct of the business of the Port, the preparation of budgets, the fixing of charges, the authorization of expenditures, the acquisition of properties, the determination of policies, and, in general, the complete management and control of the Port and the income and revenues, thereof, subject only to the special limitations provided in the Charter. The Port of Galveston is a self-sustaining City entity whose mission is to generate and reinvest Port revenues to benefit the Galveston community with economic growth and jobs.

The Port is located on the deep-water Galveston Harbor (Federal Channel) in the Gulf of Mexico, which is at the entrance to Galveston Bay and the Houston Ship Channel. The Port occupies 840 acres on Galveston and Pelican islands. Galveston is a barrier island two miles off the Texas coast and 50 miles south of Houston, the nation's fourth largest city. The Port is 45 minutes from the open sea and a 10-minute drive from Interstate Highway 45 (I-45).

Galveston Island is connected to the Texas mainland by two vehicular causeways, I-45 and a railroad bridge on the northwest side of the island, as well as a third highway bridge to the Texas mainland across the San Luis Pass at the southwestern tip of the island. On the island's eastern tip, a free state highway ferry service provides access to Bolivar Peninsula.

The Port complex is situated on the north side of the island, with property and facilities also located on adjacent Pelican Island located on the north side of the Federal Channel. The Federal Channel is a portion of the Galveston Navigation Harbor maintained by the U.S. Army Corps of Engineers. The Federal Channel is 22,571 feet in total length beginning at the entrance of the harbor and ending just before the Pelican Island Bridge. The width of the Federal Channel remains nearly constant at 1,200 feet wide. The Federal Channel depth is authorized to 46 feet throughout the entire length and includes one turning basin with widths up to 1,500 feet. The Alternate Route for the Gulf Intracoastal Waterway (ICWW) runs alongside the Port of Galveston.

As the fourth most popular cruise home port in North America, the Port had 354 sailings in 2023 with 2,979,275 passenger movements, which include passenger embarkations and debarkations. It is expected to have 388 sailings in 2024 and 401 sailings in 2025. The Port has three cruise terminals, including the Royal Caribbean International terminal which opened in November 2022. The Port also owns and operates 6,002 cruise parking spaces.

The Port leases and maintains a wide range of cargo facilities on the Federal Channel, which is ranked among the top 50 busiest U.S. cargo waterways. In 2023, the Port moved 3.6 million tons of cargo, including bulk, roll-on/roll-off and general cargoes. Cargo infrastructure includes an internal roadway, two Class 1 rails and one short-line rail. The Port has 13,000 linear feet of developed waterfront and 21 berths. More than 307 acres of Port-owned land are available for development.

Budgetary Process

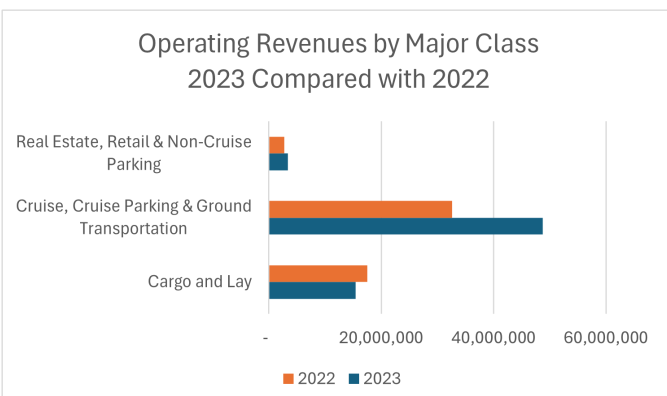
During the fourth quarter of each year, the Board of Trustees adopts an annual budget for the period beginning January 1 through December 31 of the following year. This budget is based on the Port's recommended tariff rates, projected revenues, operating expenses, debt service and capital improvement plans. Should a situation arise where actual results may vary significantly from budgeted results, the Board of Trustees may adopt an amended budget. There was no adoption of an amended budget in 2023.

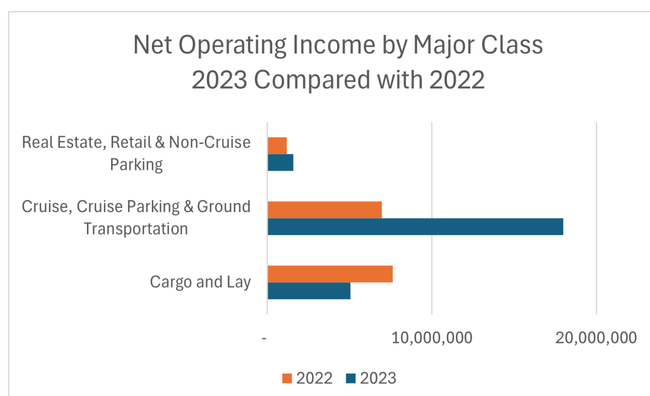
Results of operations are reviewed monthly by an operational and functional management team who is held responsible for the results. The actual vs. budgetary results are reported monthly to the Board of Trustees of the Port of Galveston, which also holds management accountable for actual results. Through management reporting, the Port is promulgating sound financial and management practices.

Local Economic Condition and Outlook

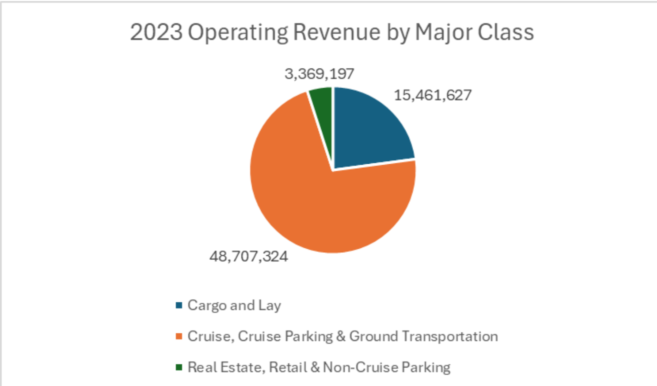
Revenues and Profits

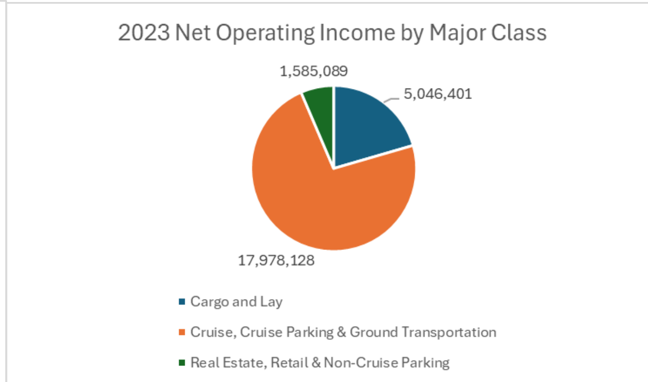
Operating revenue of $67.5 million was $14.6 million over 2022, operating expense of $42.9 was $6.0 million over 2022, operating income of $24.6 million was $8.7 million over 2022, and net income of $24.2 million was $3.9 million over 2022. Much of the favorable variance relates to a full year of cruise ship sailings from the third cruise terminal in 2023. The Port had 354 cruise ship sailings in 2023, and is expected to have 388 sailings in 2024 and 401 sailings in 2025. The following graphs show operating revenues and income by major class for 2023 compared with 2022:





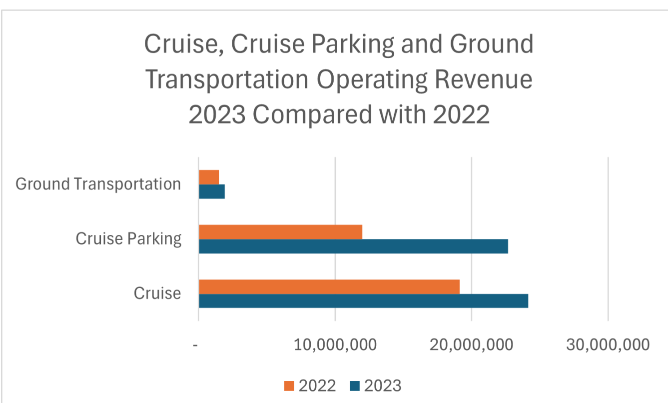
The following graphs show 2023 operating revenue and operating income by major class:

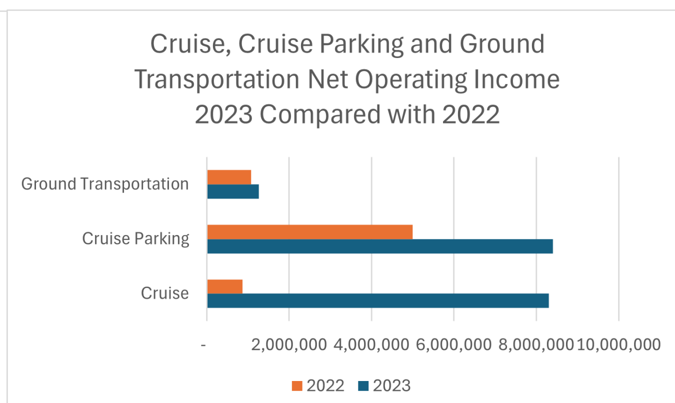




Cruise, Cruise Parking and Ground Transportation

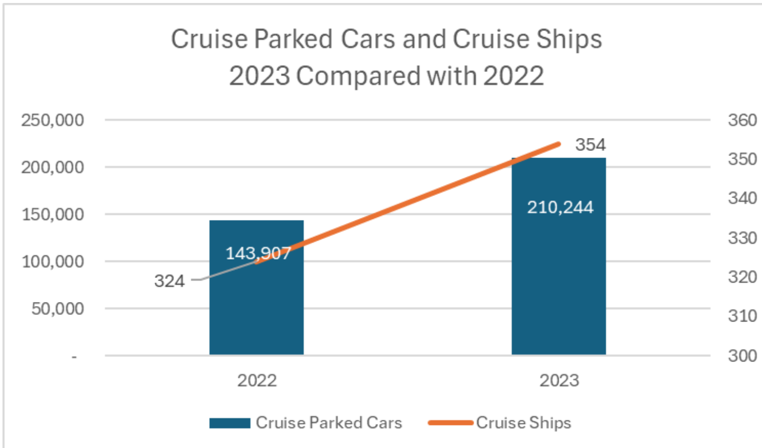
Overall, 2023 revenue from cruise was $24.1 million, cruise parking was $22.7 million, and ground transportation was $1.9 million, for total cruise-related revenue of $48.7 million. In comparison, 2022 cruise revenue was $19.1 million, cruise parking was $12.0 million and ground transportation was $1.5 million, for total cruise related revenue of $32.6 million. Year-over-year growth in cruise-related revenue was $16.1 million, or 49.4 percent, and operating income was $11.0 million, or 158.9 percent. The Port welcomed a record setting 354 cruise ships, 1,490,532 cruise passenger embarkations (2,979,275 movements), and 210,244 cruise cars parked. The following graphs show cruise, cruise parking and ground transportation operating revenue and net operating income for 2023 compared with 2022:





The Port of Galveston welcomed the Carnival Jubilee for her inaugural cruise on December 23, 2023. This state-of-the-art ship is the first newly built ship to homeport in Galveston since 2011 when the Carnival Magic made Galveston its first homeport. The Carnival Jubilee has a capacity of 6,500 passengers and more than 1,700 crew. A huge Texas star adorns the bow of the Jubilee to honor her new home port. To prepare for the new, larger ship, the Port invested more than $50 million in improvements to Cruise Terminal 25, which has been home to Carnival ships since 2000. Two passenger boarding bridges and a new configuration inside the terminal help make embarking and debarking more efficient.

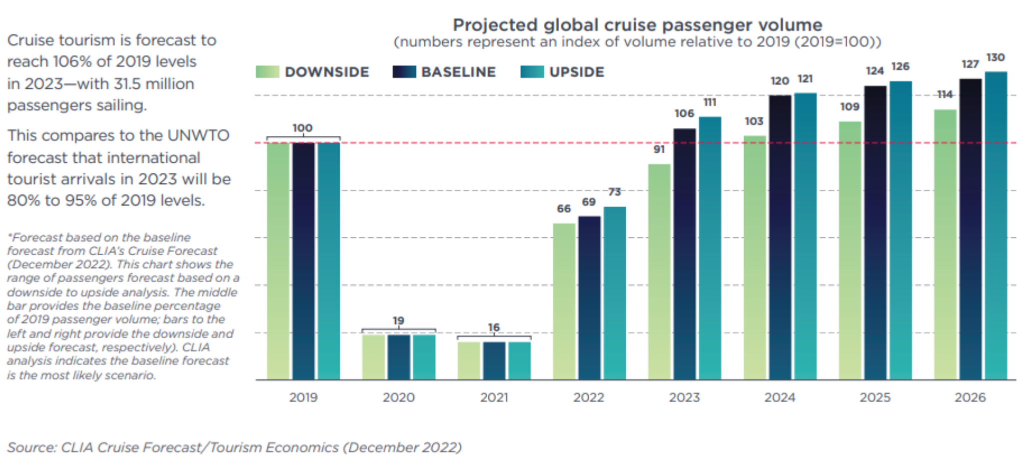
The following graph shows cruise parked cars and cruise ships for 2023 compared with 2022:



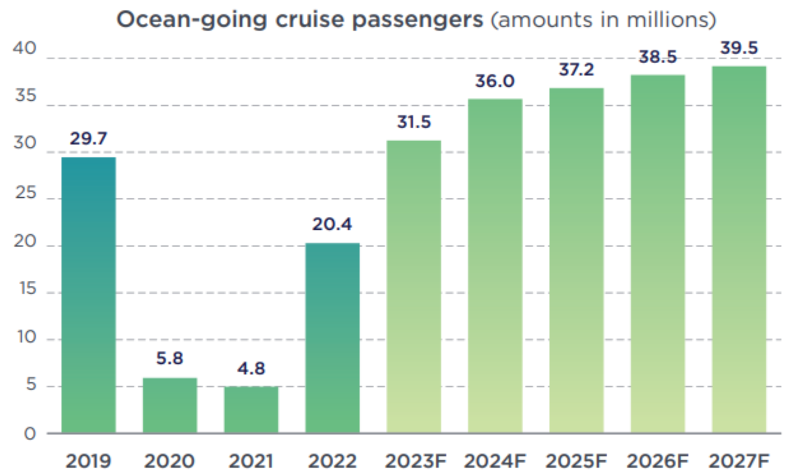
The Port has 6,002 parking spaces, of which 5,887, or 98.1, percent are for cruise parking. This includes 3,684 ground, express, and garage parking spaces primarily for cruise terminals 25 and 28, and 2,203 ground and express parking spaces for Cruise Terminal 10. In 2023, the Port added approximately 1,000 cruise parking spaces to meet growing customer demand. The Port also added 8 electrical vehicle charging stations to parking lots in 2023 partially funded through a Texas Volkswagen Environmental Mitigation Program (TxVEMP) grant, with an additional 20 charging stations to be added in 2024.

Interior roadways were expanded to aid in traffic control at the three cruise terminals in conjunction with Grant Riders 38 and 48 received from the Texas Department of Transportation (TxDOT) in 2018 and 2020. Final phases of the interior roadways, as outlined in the Port's strategic master plan, are planned for completion in the next few years.

According to the Cruise Lines International Association's (CLIA) *State of the Cruise Industry September 2023 Update,* 85 percent of travelers who have cruised will cruise again. "Cruise tourism is forecast to reach 106% of 2019 levels in 2023 - with 31.5 million passengers sailing."



As is shown in the following graph taken from the CLIA report, "cruise continues to be one of the fastest-growing sectors of tourism." Globally, cruise tourism's economic impact was $75 billion, supporting 848,000 jobs in 2021. Every 24 cruise passengers support one-full-time equivalent job, adding value before, during, and after sailing.



Source: CLIA Passenger Data, 2019 – 2021 and CLIA Cruise Forecast /Tourism Economics (December 2022)

According to the CLIA report, with passenger volume forecast to reach 33 million cruisers globally, contributing $155 billion to the global economy, 1.2 million jobs, and $50 billion in wages,"strong demand and forecast for passenger volume bodes well for future economic contributions from cruise."

Source: CLIA 2019 Economic Impact Study, Oxford Economics

Cargo and Lay

The Port is located on one of the busiest cargo waterways in the U.S. according to a report by the U.S. Army Corps of Engineers, *"The U.S. Coastal and Inland Navigation System 2021 Transportation Facts & Information."* Based on tonnage, the ranking rose from 46th to 43rd in the most recent annual report.

The Port moved 3.6 million tons of cargo in 2023, which is down 9% overall from 2022 due primarily to winding down the grain contract by June of 2023. Wind energy cargoes remain low due to the loss of government subsidies. Following is a comparative chart showing Short Tons by Major Product Line for 2023 compared with 2022:

2023 and 2022 Short Tons by Major Product Line

Product Line	2023	2022	Increase (Decrease) Tons	Increase/ Decrease %
Bulk Grain	261,808	729,203	(467,395)	-64%
Bulk Fertilizer	155,022	229,295	(74,273)	-32%
Liquid Bulk	2,016,087	1,965,982	50,105	3%
Bananas and Other Fruit	607,615	559,084	48,531	9%
RORO (Include BMW Vehicle Processing Center)	538,129	461,690	76,439	17%
Wind and General Cargoes	65,969	73,743	(7,774)	-11%
Total	**3,644,630**	**4,018,997**	**(374,367)**	**-9%**

Cargo operating revenue was $1.4 million below and net operating income was $1.7 million below 2022, with the largest factor being the winding down of grain operations which ceased in June of 2023. There were 27 fewer cargo ships in 2023 compared to 2022, of which 13 were grain ships. The total number of cargo ships in 2023 was 283 ships compared to 256 in 2022. Lay operating revenue was $0.7 million below and net operating income was $0.8 million below 2022. Lay ships were 25 above 2022, with 343 lay ships in 2023 and 318 ships in 2022. 2023 revenues were lower while ship count was higher because smaller ships called at the Port in 2023, as well as ships being berthed at the Port for shorter durations. Dockage rates are based on ship length.

Real Estate, Retail and Non-Cruise Parking

Real estate, retail and non-cruise parking operating revenues of $3.4 million were $0.6 million over 2022 due to Port tenant Gulf Copper. Per contract, when Gulf Copper's operating revenues exceed $25 million, Gulf Copper shares excess operating revenues between $25 million and $35 million at 3.0 percent and operating revenues between $35 million and $45 million at 4.0 percent with the Port in supplemental rent. Gulf Copper supplemental rent totaled $0.6 million.

Strategic Planning and Capital Investment

The Port of Galveston developed a 20-year Strategic Master Plan in 2019 with the assistance of Bermello Ajamil & Partners, Inc., to guide Port growth. The projects proposed in the master plan were approved in February of 2020. Based on one and one-half years of research, including meetings with stakeholders and the public, this comprehensive business-driven road map is guiding the Port in making business decisions, identifying opportunities, and prioritizing capital improvement projects. The strategic master plan is updated regularly as market demand, business strategies, and funding sources evolve. The Port updated the capital projects in the 20-year strategic master plan in 2023.

In 2023, the Port was full steam ahead again with strategic planning projects, which are funded with operating revenues, grants and bond funding. The Port is expanding the existing debt program for the purpose of future additions and improvements to its facilities beginning in 2024.

- **East Port Projects -** The East Port project related to Cruise Terminal 10 is a great example of a successful public-private partnership. The new terminal opened in November of 2022. Royal Caribbean built the $125-million 161,000-square-foot terminal, and the Port spent $26.7 million for pier repairs, site work, utilities, and additional cruise parking. Additionally, the Port spent $6.3 million for construction of the East End Cruise Corridor, which was partially funded through a TxDOT grant.

- **Mid Port Projects** - Mid Port projects included $51 million in renovations and improvements to accommodate larger ships at Cruise Terminal 25. In December 2023, the Port welcomed the *Carnival Jubilee*, a Carnival Cruise Line Excel-class cruise ship, which accommodates over 6,500 passengers. The Port received state funding of $2.6 million to complete a portion of interior roadway in its central commercial area, $3.8 million to restore a skywalk over Harborside Drive connecting a Port parking garage to Cruise Terminal 25, and $2.0 million for roadway improvements along the Wharf Road. In 2023, the Port began planning for a fourth cruise terminal located at Pier 16 to be developed in 2024 and 2025. The fourth cruise terminal was originally planned for development in 2030 and 2031 per the master plan. Additionally, the Port is making parking, pier, and interior roadway improvements that will begin in 2024 and 2025.

- **West Port Projects** - The Port received state funding to begin a $50.1 million project to rehabilitate pier structures between Piers 38 and 41 in and expand berth space in 2024 The Port is also planning to fill slips in this area to create more cargo areas with construction starting in 2024.

- **Other Grants -** The Port of Galveston also received approval for a $1.3 million federal port security grant related to video surveillance expansion and training. The Port will continue to pursue federal port security grants, TxDOT grants, and local Industrial Development Corporation (IDC) grants. These grants range from 100 percent funding to projects with a 25 percent or more Port cost share. Generally, port security grants have a 25-percent Port cost share.

City of Galveston Local Impact

The Port made payments to the City of Galveston, including apportioned sales taxes, totaling $1.7 million in 2023, which represents 3.6 percent of Port operating payments. The largest payments to the city include long-term parking fees of $0.7 million, local sales taxes of $0.4 million and cruise passenger charges of $0.3 million passed through from the cruise lines to the city. The Port made payments to other Galveston vendors of $21.3 million in 2023, which represents 24.8 percent of Port operating payments. Total payments to Galveston vendors were $23.0 million, or 26.6 percent of all operating payments. Payments to the City of Galveston will increase in 2024 since the parking fee began in July of 2023 and the City's cruise passenger surcharge was implemented during 2023. A full year will be recorded for both the parking fee and cruise passenger surcharge in 2024.

Green Marine Initiative

In 2019 the Port of Galveston joined and began seeking certification from Green Marine, a voluntary environmental certification program for the North American marine industry. Participants include ship owners, ports, terminals, and shipyards based in the United States and Canada. Green Marine certification is a part of the Port's long-term commitment to continuously improve its environmental performance and sustainability efforts. The Port was certified in May of 2021 and is only the second Texas port to gain this certification. The American Association of Port Authorities (AAPA) presented the Port of Galveston the Lighthouse Award of Distinction for its first Green Marine certification. Major environmental initiatives underway include shore power, liquified natural gas (LNG) barge bunkering operations, fleet transition to low emissions, phased approaches to 100-percent clean energy, and installation of electric vehicle charging stations.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Finance Reporting to The Board of Trustees of the Galveston Wharves for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended December 31, 2022. This was the 30th consecutive year that the Port of Galveston has achieved this prestigious award. In order to receive a Certificate of Achievement, candidates must publish an easily readable and efficiently organized ACFR. This report must satisfy both accounting principles accepted in the U.S. and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Port of Galveston staff believe that the 2023 ACFR continues to meet the Certificate of Achievement Program's requirements. The Port will submit the report to the GFOA to determine its eligibility for another certificate.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Board of Trustees of the Galveston Wharves
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morrill
Executive Director/CEO

Relevant Financial Policies

Grant proceeds are treated as contributions to capital and are not included in operating income. Capital grants and contributions are listed immediately following operating income and before contributions in the Port's Statement of Revenues, Expenses and Changes in Net Position. These items are included in the Financial Section of the Port's ACFR.

Acknowledgments

The preparation of this report could not have been accomplished in a timely manner without the dedicated efforts of the Port's staff, our management team, the Board of Trustees and other contributors. We request that you continue to assist us with your advice, efforts and loyalty.

The Port continues to be well positioned for cargo, cruise, and real estate rental growth. With strong cruise, cargo and lay dockage revenues, solid cash flows, and a strategic master plan to guide the way, the Port is well positioned for new opportunities and growth.

Respectfully submitted,

Mark R. Murchison

Chief Financial Officer

PART II

FINANCIAL SECTION

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
Annual Comprehensive Financial Report
For the Year Ended December 31, 2023

FORV/S

2700 Post Oak Boulevard, Suite 1500 / Houston, TX 77056
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forvis.com

Independent Auditor's Report

Board of Trustees
The Board of Trustees of the Galveston Wharves
Galveston, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the fiduciary activities of the Board of Trustees of the Galveston Wharves (Port), a component unit of the City of Galveston, Texas, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the fiduciary activities as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Port, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Port adopted Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, in fiscal year 2023. Our opinions are not modified with respect to this matter.

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 Port's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 Port'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 Port'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 and pension information 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2024, on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

FORVIS, LLP

Houston, Texas
April 26, 2024

GALVESTON WHARVES

Management's Discussion and Analysis

Financial Highlights

The Port saw record-setting revenues in 2023 attributable to 354 cruise ship calls or an increase of 30 cruise ship calls, increased cruise passenger embarkations of 449,125 and increased cruise related parking of 66,337 vehicles. Lay vessels of 343 represented an increase of 25 calls in 2023 over 2022. Overall, the Port posted operating revenues of $67.5 million, with $48.7 million, or 72% attributable to cruise, cruise parking, and cruise ground transportation, compared to 2022 revenues of $52.9 million which included $32.6 million attributable to cruise, cruise parking, and cruise ground transportation. Overall parking revenues of $23.1 million were $10.7 million over 2022. Operating income of $ 24.6 million increased from $16.0 million in 2022. The Port handled 3.6 million tons of cargo, down 0.4 million from 2022, primarily due to the termination of grain shipments from the Port. Cash used for the acquisition and construction of capital assets totaled $56.4 million and net cash provided by operations was $16.2 million in 2023, resulting in unrestricted cash available of $36.4 million as of December 31, 2023.

The Port implemented GASB 96, subscription-based information technology arrangements (*SBITA)*, in 2023, resulting in increased assets of $0.4 million, increased subscription liabilities of $0.3 million, and increased operating expenses of $0.1 million. 2022 comparative information presented herein was not restated for adoption of GASB 96. Impacts of implementation are described in more detail later in the MD&A section and in the Notes to the Financial Statements.

Overview of the Financial Statements

The management discussion and analysis is intended to serve as an introduction to the Port of Galveston's basic financial statements which consist of the following: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Net Position, 3) Statement of Cash Flows, 4) Statement of Fiduciary Net Position-Pension Trust Fund 5) Statement of Changes in Fiduciary Net Position- Pension Trust Fund and 6) Notes to Financial Statements and required Supplementary Information.

The proprietary fund financial statements presented herein include the operations of the Port using the approach as prescribed by Governmental Accounting Standards Board (GASB) in its publication *Codification of Governmental Accounting and Financial Reporting Standards*. The financial statements of the Port use the economic resources measurement focus using the accrual basis of accounting.

The Statement of Net Position presents, as of a specific date, information on the Port's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Increase or decrease in net position may serve as a useful indicator of whether the financial position of the Port is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Port'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 the related cash flows. Thus, some revenues and expenses reported in this statement result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

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

Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position-Pension Trust Fund

The fiduciary fund accounts for resources held by the Port in a trustee capacity or as an agent for the benefit of parties outside the Port. The fiduciary fund includes the Pension Trust Fund. The Pension Trust Fund statements allow the Port to present the employee benefit trust fund activities. While the fiduciary fund represents a trust responsibility, the assets are restricted in purpose and do not represent discretionary resources of the government. Therefore, these assets are not presented as part of the Port's financial statements.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements may be found beginning on page 29 of this report.

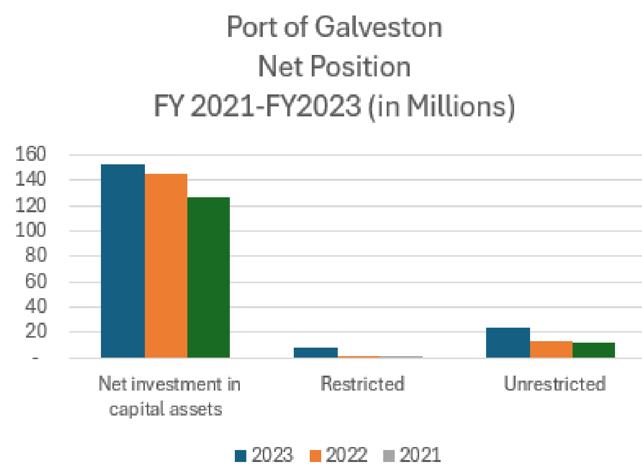
Other Information

In addition to the basic financial statements and accompanying notes, this report also presents Required Supplementary Information (RSI) immediately following the Basic Financial Statements and related notes section of this report. RSI provides trend information related to the Port's benefit plan. The statistical section follows RSI, followed by the Federal Single Audit section. The Port elected to include the Federal Single Audit section with the Annual Comprehensive Financial Report beginning in 2023, and will include the Federal and State Single Audit sections going forward when the Port meets the criteria for performance of these audits.

Financial Analysis of the Port

Net Position: The following financial information is derived from the Port's financial statements comparing the Port's current to prior year financial position (in 000's):

	2023	2022	Increase (Decrease) Over Prior Year
Current assets	$ 64,406	$ 45,052	43%
Capital assets	223,823	172,743	30%
Other noncurrent assets	247,232	202,394	22%
Total assets	535,461	420,189	27%
Deferred outflows of resources	2,152	400	438%
Current liabilities	45,652	36,416	25%
Long-term liabilities	60,503	16,967	257%
Net pension liability	3,399	-	100%
Total liabilities	109,554	53,383	105%
Deferred inflows of resources	244,401	207,791	18%
Net position:			
Net investment in capital assets	152,290	145,378	5%
Restricted for debt service	5,807	589	887%
Unrestricted	25,561	13,448	90%
Total net position	$ 183,658	$ 159,415	15%



Statement of Net Position: The Port's net position increased by $24.2 million between fiscal years 2022 and 2023, to $183.7 million. Net investment in Capital Assets increased from $145.4 million to $152.3 million, including right of use assets. Net Position restricted for debt service increased from $0.6 million to $5.8 million and Unrestricted Net Position increased from $13.4 million to $25.6 million.

Total assets and deferred outflows of resources increased by $117.0 million in 2023.

- **Current assets increased $19.3 million**.
  - Current unrestricted cash and cash equivalents increased $8.4 million.
  - Current receivables net of allowances decreased $1.1 million with a $0.8 million decrease attributable to cruise with the remaining $0.3 million decrease due to miscellaneous other receivables.
  - Current restricted cash and cash equivalents increased by $14.7 million due to the issuance of the Series 2023 Revenue Bonds. The debt reserve fund increased $4.3 million (funded from unrestricted cash and cash equivalents), related debt service fund increased $0.9 million, and there were $9.5 million of unspent bond proceeds remaining in restricted cash originating from the Series 2023 Revenue Bonds. The remaining unspent funds are expected to be fully utilized by the second quarter of 2024. The 2023 Revenue Bonds were issued primarily for improvements to Cruise Terminal 25 building, passenger loading bridges and related waterfront improvements.
  - Short term lease receivable decreased $2.7 million due to lease asset modifications/terminations.
- **Non-current assets increased $95.9 million.**
  - Capital assets, nondepreciable increased $0.3.
  - Capital assets including leased and software assets, net of depreciation, increased $50.8 million (see Note 4).
    - Additions to capital assets were $58.5 million primarily due to the modifications and improvements to Cruise Terminal 25 facilities.
    - Retirements from capital assets were $3.8 million.
    - Capital assets decreased $7.4 million due to normal depreciation and amortization of $10.7 million offset by retirements of $3.3 million.

    - Net lease and software assets beginning balances of $3.5 million were added related to GASB 87 and GASB 96 implementations.
  - A non-current lease receivable in the amount of $44.8 million was added to non-current assets primarily due to the Carnival cruise line contract amendment which extended the lease and increased the minimum annual guarantees.

Deferred outflows of resources pension items increased $1.8.

Total liabilities and deferred inflows of resources increased $92.8 million in 2023.

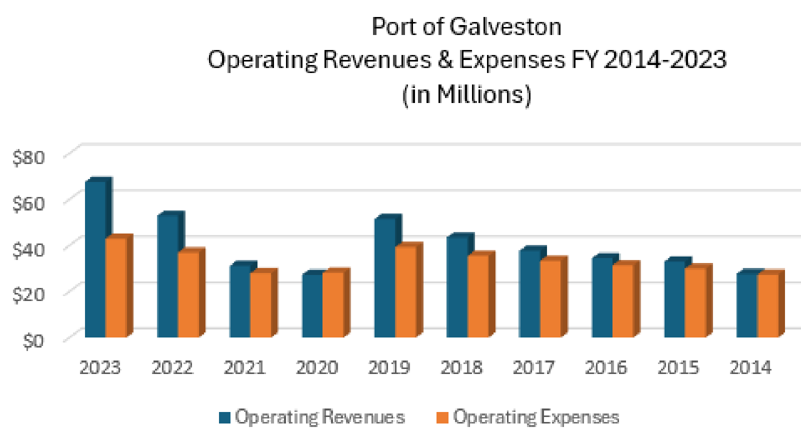
- **Current liabilities increased $9.3 million.**
  - Trade accounts payable and other accrued expenses increased $1.6 million due to capital and $1.2 million due to non-capital and trade related-payables.
  - Customer deposits and customer payables increased $1.5 million primarily due to the increase in prepaid parking of $1.2 million and other minor increases of $0.3 million.
  - Interest payable increased $0.5 million primarily due to the issuance of the Series 2023 Revenue Bonds.
  - Long term liabilities due within one year increased $4.3 million primarily due to the issuance of the Series 2023 Revenue Bonds.
  - Short-term lease liability increased $0.2 million due to the implementation of GASB 96.

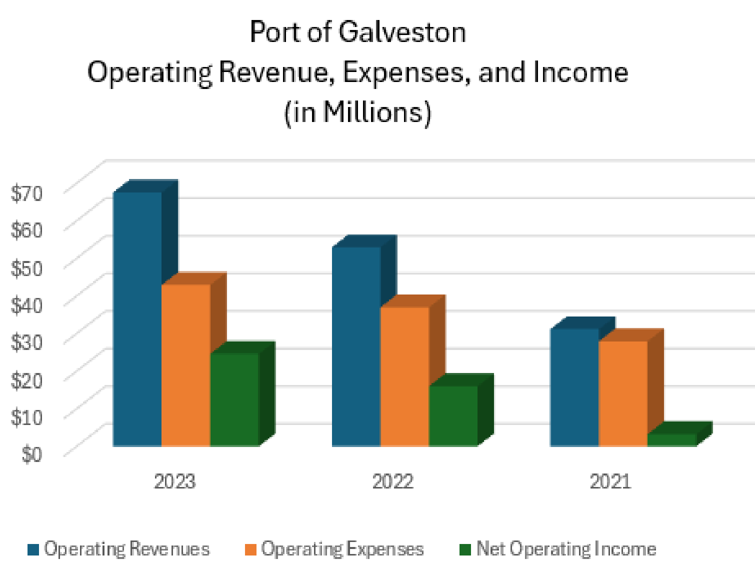
- **Long-term liabilities increased $46.9 million.**
  - Long-term debt increased by $43.5 million due to the issuance of the Series 2023 Revenue Bonds of $47.2 million net of short-term portion, the Series 2023 Revenue Bond gain on refunding of $1.2 million, a $4.6 million decrease due payments on the Series 2021 Refunding Bonds, and other small reductions of $0.1 million.
  - Net pension liability increased by $3.4 million primarily due to differences in expected and actual experience and changes in assumptions from the prior year to the current year.

- **Deferred inflows of resources increased in the amount of $36.6 million.**
  - Pension related deferred inflows decreased $2.0 million due to the difference between projected and actual earnings on pension plan investments.
  - Lease related inflows increased $38.6 million primarily due to the Carnival cruise line contract amendment which extended the lease and increased the minimum annual guarantees.

Changes in net position: The following financial information is derived from the Port's financial statements comparing the Port's current to prior year changes in financial position (in 000's):

	2023	2022	Increase (Decrease) Over Prior Year
Operating revenues:			
Vessels and cargo services	$ 27,330	$ 28,734	-5%
Building and facilities rental and fees	40,208	24,177	66%
Total operating revenues	67,538	52,911	28%
Operating expenses:			
Personnel services	14,470	9,927	46%
Maintenance and operations	12,907	14,179	-9%
Sales and office	4,860	4,959	-2%
Depreciation	10,692	7,889	36%
Total operating expenses	42,929	36,954	16%
Operating income	24,609	15,957	54%
Nonoperating revenues (expenses):			
Earnings on investment	1,546	511	202%
Other income	49	29	67%
Loss on sale of assets	(492)	(48)	923%
Loss on capital lease modifications/terminations	(105)	-	100%
Interest expense	(632)	(225)	180%
Costs of bond issuance	(1,172)	-	100%
Annual City payment	(195)	(198)	-2%
FEMA/TDEM Claims-IKE	(382)	(161)	137%
Total nonoperating revenues (expenses)	(1,383)	(92)	1401%
Income before capital grants and contributions	23,226	15,865	46%
Capital grants and contributions	1,017	4,483	-77%
Changes in net position	24,243	20,348	19%
Beginning net position	159,415	139,067	15%
Ending net position	$ 183,658	$ 159,415	15%

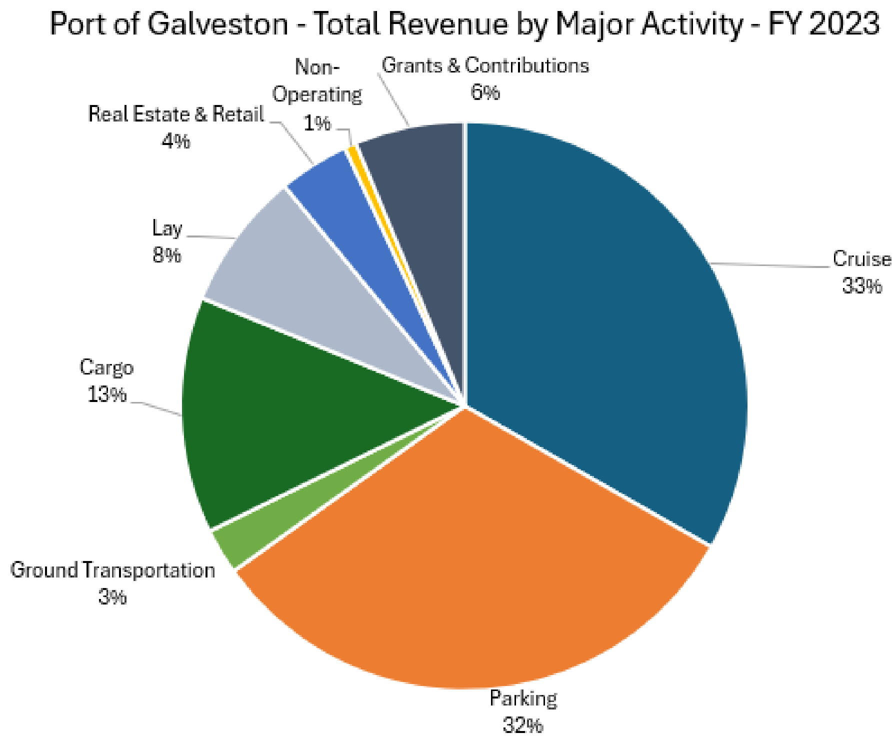




Total operating revenues increased by $14.6 million from $52.9 million in 2022 to $67.5 million in 2023. Total operating expenses increased by $6.0 million from $37.0 million in 2022 to $42.9 million in 2023. Net operating income increased by $8.6 million from $16.0 million in 2022 to $24.6 million in 2023.

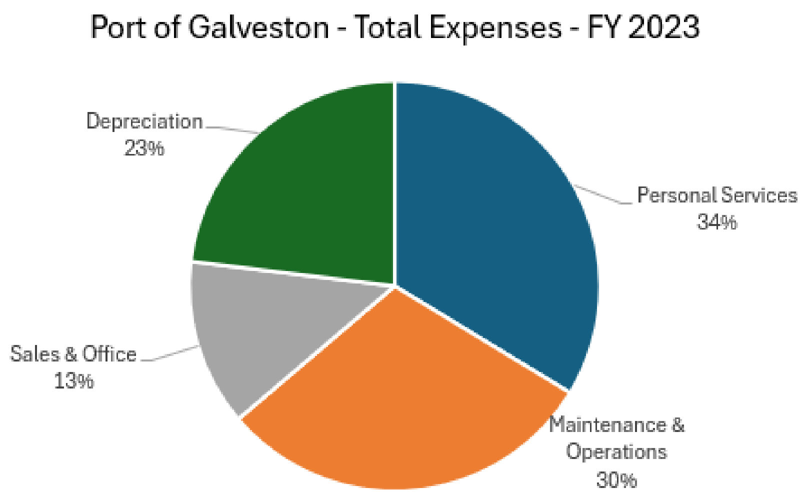
- Vessels and cargo services decreased 5%, or $1.4 million, from $28.7 million in 2022 to $27.3 million in 2023.
    - Passenger revenues increased $0.9 million from $15.9 million in 2022 to $16.8 million in 2023 due to a full year of cruise ship sailings from the third cruise terminal in 2023. The number of cruise ship calls increased from 324 in 2022 to 354 in 2023, and the number of cruise passengers increased from 1,041,407 in 2022 to 1,490,532 in 2023.
    - Dockage, including cruise-related dockage, and Lay dockage decreased $2.1 million. Dockage decreased by $1.4 million primarily due to grain shipments ending mid-year 2023. Lay ship calls increased by 25 ships from 2022 to 2023, but lay dockage decreased by $0.7 million due to smaller ships calling at the port for shorter durations.
    - Wharfage decreased $0.2 million led by the decrease in wind towers and blades of $0.2 million.

- Building and facilities rental and fees increased 66% or $16.0 million increase from $24.2 million in 2022 to $40.2 million in 2023.
    - Rail switching decreased $0.2 million or 45% from $0.5 million to $0.3 million due primarily to the decrease in grain shipments.
    - Parking revenues increased by $10.3 million from $12.4 million in 2022 to $22.7 million in 2023 due to a full year of cruise ship sailings from the third cruise terminal in 2023. The number of vehicles parked related to cruise increased from 143,907 in 2022 to 210,244 in 2023.
    - Real estate increased $5.5 million, or 86%, primarily due to the addition of leases under GASB 87 and GASB lease interest income of $4.9 million, and other various lease increases of $0.6 million.
    - Terminal access fees increased $0.4 million, or 28%, from $1.4 million in 2022 to $1.8 million in 2023 due to 30 additional cruise ship calls.



Operating expenses increased $6.0 million, or 16%, in 2023.

- Personnel Related Expenses increased $4.6 million, or 46%, due to an increase of $2.1 million in Salaries and Wages related to filled positions and salary adjustments to market in 2023, related increased payroll taxes, employee insurances and other employee benefits of $0.4 million, and contracted labor of $0.8 million due to a full year of cruise ship sailings from the third cruise terminal in 2023, and an increase in the defined benefit plan of $1.3 million due to differences between projected and actual earnings on pension plan investments.
- Maintenance and Operations Expenses decreased $1.3 million or 9%. due to the reclassification of cruise line incentives of $2.9 million now classified as an offset to revenue, offset by increase of utilities $0.4 million, insurances $0.8 million, and equipment repairs and building maintenance $0.4 million.
- Sales and Office Expenses, excluding salaries and related expenses, decreased $0.1 million, or 2% due to $0.3 million credit card fees due to a full year of cruise ship sailings from the third cruise terminal in 2023, offset by a $0.4 million decrease in bad debt expense.
- Depreciation/amortization expense increased $2.8 million, or 36%, when compared with 2022 due to increased depreciation of $2.0 million from capitalizing depreciable projects and adding lease and software amortization of $0.8 million.



Other non-operating revenues/expenses netted a revenue decrease of $1.3 million, or 1,401%, in 2023.

- Revenue increase of $1.1 million—Investment Income increased by $1.1 million due to increased cash balances related to unspent debt proceeds, as well as higher interest rates.
- Expense increase of $2.4 million—The increase is primarily due to bond interest and bond issuance expenses of $1.6 million from the issuance of the Series 2023 Revenue Bonds, equipment obsolescence of $0.5 million, and other small increases of $0.3 million.

2023 Tonnage, Passengers and Vehicles

- Cargo tonnage decreased 9% from 4.0 million tons to 3.6 million tons.
  - Grain shipments decreased by 64% from 0.7 million tons to 0.3 million tons due to Archer Midland Daniels (ADM) discontinuing operations in June of 2023.
  - Bulk fertilizer decreased 32% from 229,295 tons to 155,022 tons due to market conditions.
  - Liquid bulk remained consistent at 2.0 million tons as draft limitations in the Federal Channel were reduced.
  - Fresh Fruit and Vegetables increased 9% from 599,084 tons to 607,615 tons.
  - RoRo increased 17% from 461,690 tons to 538,129 tons due to the increase in production in foreign manufacturing.
  - Wind and General Cargoes decreased 11% from 73,743 tons to 65,969 tons.
  - Cruise passenger movements increased 43% from 1,041,407 to 1,490,532 due to a full year of cruise ship sailings from the third cruise terminal in 2023 resulting in 30 additional sailings.
  - Parking increased 46% from 143,907 vehicles to 210,244 vehicles due to a full year of cruise ship sailings from the third cruise terminal in 2023.

Fiduciary Fund

Fiduciary fund: The Galveston Wharves Pension Plan (the Plan) is sponsored by the Port. 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*.

Fiduciary Fund 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 increased by $1.5 million, or 138.2%, in 2023. This increase was primarily due to favorable market conditions in 2023 compared to 2022. Net investment income was $2.3 million in 2023 when compared to the investment loss of $2.9 million in 2022.
- Employer contributions totaled $505,000, compared with $399,996 in 2022, or an increase of 26.3%. The Plan's actuary prepares an annual valuation. As part of this valuation, the Plan actuary calculates the actuarial determined contribution, and the Plan sponsor contributes at a minimum in accordance with this calculation.
- The amount of benefits paid to participants during 2023 remained near 2022 benefit payments.
- The Plan's rate of return on investments for the year ended December 31, 2023, was 18.35%, which was higher than the return of -17.72% for 2022. The actuarial assumed rate of return in 2023 decreased from 7.25% in 2022 to 7.00% in 2023.

	2023	2022	Percentage Change
Assets			
Cash and cash equivalents	$ 645,657	$ 80,553	701.5%
Receivable benefits	24,116		
Prepaid benefits	107,150	106,975	0.2%
Investments	13,697,065	12,835,355	6.7%
Total assets and net position	14,473,988	13,022,883	11.1%
Additions:			
Employer contributions	505,000	399,996	26.3%
Net Investment income	2,291,256	-	0.0%
Total additions	2,796,256	399,996	599.1%
Deductions:			
Benefits paid to participants	1,282,081	1,283,191	-0.1%
Net investment loss	-	2,876,194	-100.0%
Administrative expenses	63,070	41,183	53.1%
Total deductions	1,345,151	4,200,568	-68.0%
Net increase/(decrease) in net position	$ 1,451,105	$ (3,800,572)	138.2%

Investments increased by $0.9 million, or 6.7%, from 2022 to 2023. This was primarily due to an increase in the fair value of investments.

Capital Assets and Debt Administration

Capital assets: As of December 31, 2023, capital assets before depreciation, which includes both depreciable and non-depreciable assets along with construction work in progress, totaled $352.4 million, an increase of $55.0 million over 2022. Accumulated depreciation as of year-end is $128.6 million, an increase of $7.4 million over 2022. The following is a comparison of capital assets for the years ended December 31 (in 000's):

		2023		2022
Land	$	18,221	$	18,184
Channel deepening		18,388		18,388
Construction in progress		5,261		4,994
Total capital assets, nondepreciable		41,870		41,566
Land leases		3,580		3,236
Railway facilities		2,305		3,491
Wharves, docks and buildings		282,521		232,371
Wharves, docks and building leases		508		474
Machinery and equipment		15,179		10,422
Machinery and equipment leases		133		153
Furniture and office equipment		4,759		4,723
Intangible assets		1,031		856
Software subscriptions		498		119
Total capital assets being depreciated/amortized		310,514		255,845
Less allowance for depreciation and amortization		(128,561)		(121,175)
Total assets being depreciated/amortized, net		181,953		134,670
Total capital assets, net	$	223,823	$	176,236

Non-depreciable capital assets of $41.9 million increased $0.3 million, primarily related to additions of $57.2 million, offset by transfers to depreciable capital of $56.9 million mainly related to Cruise Terminal 25 improvements and renovations. Total capital assets being depreciated/amortized, net, of $182.0 million increased $47.3 million, which is the net of an increase in capital assets being depreciated/amortized of $54.7 million and accumulated depreciation/amortization increase of $7.4 million.

More detailed information on capital assets may be found in Note 4 to the financial statements.

Bond ratings: The underlying ratings assigned to the Port's Series 2021A, Series 2021B (AMT), and Series 2023 Revenue Bonds issues are as follows:

- Standard and Poor's: A-/Stable
- Fitch Ratings: A-/Stable

The Port is the Local Sponsor for the Federal Channel. As the Local Sponsor it is responsible for the local cost share of the previous deepening of the federal channel. In addition to the cost share paid to the U.S. Army Corps of Engineers on previously constructed general navigation features, the Port is responsible for an additional 10 percent of the cost of the Federal Channel deepening to 45 mean lower low water. The estimated cost is $3.9 million payable over a period not to exceed 30 years. These costs are being capitalized and the liability is being accrued.

Issue	Balance at December 31, 2022	Increases	Decreases	Balance at December 31, 2023	Amounts Due Within One Year
Direct Placements	$ 14,652,364	$ -	$ (4,555,664)	$ 10,096,700	$ 4,624,035
Revenue Bonds	-	51,460,000	-	51,460,000	4,257,179
U.S. Corps of Engineers	3,401,817	-	(130,367)	3,271,450	130,409
	$ 3,401,817	$ 51,460,000	$ (130,367)	$ 54,731,450	$ 4,387,588

More detailed information on long-term debt may be found in Note 5 to the financial statements.

Economic Factors and Next Year's Rates

The Port of Galveston's mission is to manage the assets and resources under its stewardship for optimum economic benefit for the City of Galveston and the surrounding region. It is the intent of the Board to set its fees, leases and other charges at a level to recover the cost of its activities including renewal and replacement of its facilities and equipment.

The vision of The Port of Galveston is to be a premier port that is globally recognized, well capitalized with state-of-the-industry facilities and service and promote the movement of cruise passengers and a broad range of cargoes. Our passions are people, innovation, continuous improvement and service to industry and the community.

The mission of the Port of Galveston management and staff is to protect, preserve and enhance the assets of the City of Galveston's waterfront property by continuing to rebuild and improve facilities to grow opportunities for existing customers and attract new businesses that will promote jobs and economic prosperity for the Port and the community.

Port of Galveston management and staff fully recognize the value of Port property in a global economy and will continue to seek alternative sources of funding and development arrangements to expand and diversify the Port's commercial base with accountability and sensitivity to Port and community stakeholders and the environment.

The Port welcomed over 1 million cruise passengers for the third time in its history of modern cruising. The notable increase in revenue in 2023 was attributed to a full year of cruise ship sailings from the third cruise terminal. Cruise-related revenue alone amounted to $48.7 million, representing a significant growth of 49.4 percent year over year. Additionally, the Port experienced a record-setting year in cruise ship traffic, welcoming 354 cruise ships and 1,490,532 cruise passengers, including the inaugural cruise of the Carnival Jubilee. Projected 2024 cruise revenue of over $30 million is expected as the Port is on track to set new records with more than 380 cruise sailings scheduled in 2024, increased passenger counts due to larger ships, and increased rates. Parking recorded a record of 210,244 cars, or a 46% increase over the prior year. Parking revenues of $22.7 million were 84% over the prior year. Parking revenues are expected to remain strong with over $27 million in revenues expected in 2024. Cargo business remained strong. While cruise brought 30 more ships to the Port in 2023 as compared to 2022, or an increase of 10%, cargo showed an increase of 28 ships, or 3%, primarily due to the termination of grain operations mid-year 2023, for an overall tonnage decrease of 374,367.

In 2023, the Port of Galveston enhanced its sustainability efforts by installing 8 electric vehicle charging stations in parking lots with another 20 scheduled to come on line in 2024, partially funded through the Texas Volkswagen Environmental Mitigation Program. Additionally, the expansion of interior roadways at three cruise terminals was facilitated by grants from the Texas Department of Transportation received in 2018 and 2020. The Port's strategic master plan includes further development of interior roadways. The Port facilitated pier repairs, site work, utilities, and additional cruise parking. Various grants, including federal port security grants and TXDOT grants, continue to support infrastructure improvements, with the Port committed to pursuing additional funding opportunities. The construction of the third cruise terminal was completed in November of 2022, with a full year of cruise ship sailings from the third cruise terminal in 2023.

Contacting the Port’s Financial Management

This financial report is designed to provide our customers and creditors with a general overview of the Port’s finances and to demonstrate the Port’s accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Port of Galveston, 123 25th Street, 8th Floor, Galveston, Texas 77550.

Basic Financial Statements

The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston

Statement of Net Position
December 31, 2023

Assets

Current assets-unrestricted:	
Cash and cash equivalents	$ 36,383,556
Accounts receivable, net	6,053,541
Prepaid items	850,706
Short term lease receivables	5,809,358
Current assets-restricted	
Cash and cash equivalents	15,308,509
Total current assets	64,405,670
Noncurrent assets:	
Capital assets:	
Capital assets, nondepreciable	41,869,674
Capital assets, net of depreciation	178,488,429
Capital right of use assets, net of amortization	3,465,062
Total capital assets	223,823,165
Other assets:	
Lease receivables	247,232,390
Total other assets	247,232,390
Total noncurrent assets	471,055,555
Total assets	535,461,225
Deferred outflows of resources-pension items	2,152,040
Total assets and deferred outflows of resources	$ 537,613,265

(Continued)

The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston

Statement of Net Position (Continued)
December 31, 2023

Liabilities

Current liabilities:	
Accounts payable	$ 16,461,730
Accrued expenses	3,016,451
Payable to other governments	521,500
Accrued compensated absences	655,016
Unearned revenues and rents	3,609,861
Due to FEMA/TDEM-IKE	11,106,716
Interest payable	467,151
Long-term liabilities due within one year	801,836
Long-term liabilities due within one year (payable from restricted assets)	9,011,623
Total current liabilities	45,651,884
Noncurrent liabilities:	
Accrued compensated absences	861,502
Long-term liabilities due in more than one year	59,641,113
Net pension liability	3,399,295
Total noncurrent liabilities	63,901,910
Total liabilities	109,553,794
Deferred inflows of resources:	
Deferred inflows of resources - gain on refunding	50,058
Deferred inflows of resources - lease related	244,350,943
Total deferred inflows of resources	244,401,001
Total liabilities and deferred inflows of resources	353,954,795
Net Position:	
Net investment in capital assets	152,289,923
Restricted for debt service	5,807,149
Unrestricted	25,561,398
Total net position	183,658,470
Total liabilities, deferred inflows of resources and net position	$ 537,613,265

See accompanying notes to financial statements.

The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston

Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2023

Operating revenues:	
Charges for customers services:	
Vessels and cargo services	$ 27,329,579
Building and facilities rental and fees	40,208,569
Total operating revenues	67,538,148
Operating expenses:	
Personnel services	14,469,719
Maintenance and operations	12,906,875
Sales and office	4,860,390
Depreciation and amortization	10,691,546
Total operating expenses	42,928,530
Operating income	24,609,618
Nonoperating revenues (expenses):	
Investment income	1,546,368
Other income	49,050
Loss on disposal of capital assets	(492,311)
Loss on lease modifications/terminations	(105,079)
Interest expense	(631,643)
Costs of bond issuance	(1,171,544)
Annual city payment	(195,031)
FEMA/TDEM Claims-IKE	(382,446)
Total nonoperating revenues (expenses)	(1,382,636)
Income before capital grants and contributions	23,226,982
Capital grants and contributions	1,016,923
Change in net position	24,243,905
Net position at beginning of year	159,414,565
Net position at end of year	$ 183,658,470

See accompanying notes to financial statements

The Board of Trustees
A Component Unit of the City of Galveston

Statement of Cash Flows
Year Ended December 31, 2023

Cash flows from operating activities:	
Cash receipts from customers	$ 48,196,934
Cash payments to employees	(14,246,808)
Cash payments to suppliers for goods and services	(17,726,994)
Net cash provided by operating activities	16,223,132
Cash flows from noncapital financing activities:	
Annual city payment	(198,124)
Payments to FEMA/TDEM	(100,588)
Net cash used in noncapital financing activities	(298,712)
Cash flows from capital and related financing activities:	
Principal payments on revenue bonds, contracts payable and other long-term liabilities	(3,492,192)
Cost of bond issuance	(1,171,544)
Proceeds from issuance of revenue bonds	51,460,000
Principal and interest payments received on leases	15,205,923
Principal and interest payments on leases and SBITA arragements	(926,194)
Receipts from capital grants and contributions	1,112,996
Interest paid—long-term debt	(164,491)
Acquisition and construction of capital assets	(56,370,208)
Net cash provided by capital and related financing activities	5,654,290
Cash flows from investing activities:	
Receipts of interest	1,546,368
Net cash provided by investing activities	1,546,368
Net increase in cash and cash equivalents	23,125,078
Cash and cash equivalents at beginning of year	28,566,987
Cash and cash equivalents at end of year	$ 51,692,065
Cash and cash equivalents per statement of net position:	
Unrestricted	$ 36,383,556
Restricted	15,308,509
Cash and cash equivalents at end of year	$ 51,692,065

(Continued)

Statement of Cash Flows (Continued)
Year Ended December 31, 2023

Reconciliation of operating income to net cash provided by operating activities	
Operating Income	$ 24,609,618
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	10,691,546
Accrual for bad-debt expense	(63,393)
Lease expense	71,478
SBITA expense	4,116
Lease revenue	(22,292,468)
Changes in operating assets and liabilities:	
Decrease in accounts receivable	1,000,675
Increase in prepaid items	(39,847)
Decrease in accounts payable	(676,724)
Increase in accrued expenses	1,415,732
Increase in unearned revenues and rents	1,303,738
Increase in wages payable and accrued absences	473,809
Increase in deferred outflows—pension items	(1,649,183)
Decrease in deferred inflows—pension items	(2,025,260)
Increase in net pension liability	3,399,295
Net cash provided by operating activities	$ 16,223,132
Noncash investing, capital and financing activites:	
Payables that result in capital assets related to construction	$ 6,732,847
Retainage payable	$ 4,134,942

See accompanying notes to financial statements.

The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston

Statement of Fiduciary Net Position
December 31, 2023

	Pension Trust Fund
Assets	
Cash and cash equivalents	$ 645,657
Contributions receivable	24,116
Prepaid pension benefits	107,150
Investments at fair value:	
Fixed income securities	2,223,014
Common stock	6,497,099
Domestic equities - mid cap	1,899,443
Domestic equities - small cap	450,035
International equities	1,455,249
Real estate	501,947
Emerging markets	670,278
Total investments	13,697,065
Total assets	$ 14,473,988
Net position restricted for pension	$ 14,473,988

See accompanying notes to financial statements.

The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston

Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2023

	Pension Trust Fund
Additions:	
Employer contributions	$ 505,000
Net investment gain:	
Interest and dividends	362,557
Investment realized gains	83,756
Investment unrealized gains	1,909,520
Investment expenses- trustee fees	(64,577)
Total additions	2,796,256
Deductions:	
Benefits paid to participants and beneficiaries	1,282,082
Administrative expense	63,070
Total deductions	1,345,152
Net increase in fiduciary net position	1,451,105
Net position restricted for pension at beginning of year	13,022,883
Net position restricted for pension at end of year	$ 14,473,988

See accompanying notes to financial statements

Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of the Port of Galveston have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the Port's significant policies.

A. Reporting Entity

The Port was designated "a separate utility" in Article XII, Section 2 of the Charter of the City of Galveston (the City) (by ordinance adopted October 17, 1940). Article XII, Section 2 states "The Galveston Wharves and the income and revenues therefrom, shall be fully managed, controlled, maintained and operated by a Board of Trustees to be known as 'The Board of Trustees of the Galveston Wharves' (the Board)."

The Board consists of seven members; one member is the ex-officio representative of the City of Galveston City Council and is elected from the City Council (the Council) by council members. The Council appoints the six remaining members for three-year staggered terms. The Board has the powers which are necessary or proper to discharge their responsibilities which include, but are not limited to: the election of a chairman, the employment of a general manager and such other officers and employees as may be required for the proper conduct of the Port, the preparation of budgets, the fixing of charges, the authorization of expenditures, the acquisition of properties, the determination of policies, and in general, the complete management and control of the Port and the income and revenue thereof. The Board has no power to contract in the name of the City and no action or inaction by the Board of Trustees shall render the City liable for damages or shall be binding other than on the properties, income and revenues of the Port. Except for the annual payment of $195,031, a cruise passenger fee that the Port collects from each cruise line per contractual obligation with the cruise lines and passes the fee on to the City, and cruise parking fees pursuant to a Memorandum of Understanding between the Port and the City whereby an amount per parked car per night is passed through to the City, all net revenues of the Port shall be retained and used by the Port for the betterment and extension of the Port. For reporting purposes, the Port is considered a component unit of the City. As a local government, the Port is exempt from taxes.

As required by GAAP, these financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations or functions, as part of the Port's financial reporting entity. Based on these considerations, the following entity has been included in the Port's reporting entity as a fiduciary component unit.

Galveston Wharves Pension Plan: The Galveston Wharves Pension Plan (the Pension Plan) is sponsored by the Board of the Port. Based on the criteria of GASB Codification Section 2100 *Defining the Reporting Entity*, there are no other entities required to be combined with the Pension Plan; however, the Pension Plan is a component unit of the Port and is reported as a fiduciary pension trust fund in the basic financial statements in accordance with GASB Statement No. 84, *Fiduciary Activities*. The defined benefit plan was closed to new participants in 2010.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Port uses a single enterprise fund for the presentation of its financial statements. Proprietary fund (which includes enterprise funds) financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows.

Note 1. Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Port are charges to customers for services. Operating expenses include personnel services, maintenance and operations, sales and office, and depreciation/amortization of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Port reports the Pension Plan as a fiduciary pension trust fund. The Pension Plan is a defined benefit plan. The fiduciary pension trust fund financial statements are prepared using the accrual basis of accounting. Employer contributions to the Pension Plan are recognized when due. Benefit payments and expenses are recognized when due and payable in accordance with the terms of the Pension Plan.

C. Cash and Cash Equivalents

The Port's cash and cash equivalents, including restricted cash and cash equivalents, are considered to be cash on hand and include demand deposits, external investment pools and short-term investments with original maturities of three months or less from the date of acquisition, if any. Restricted cash and cash equivalents represent amounts restricted through debt covenants, the annual payment to the City, and restricted for net pension asset, if applicable. External investment pools are valued at amortized cost, as applicable.

D. Investments

The Pension 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 the year. The following is the Board accepted asset allocation mix as of December 31, 2023:

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%
Real estate	1.0%
Emerging markets	1.0%
Cash	5.0%
Total	100.0%

Note 1. Summary of Significant Accounting Policies (Continued)

E. Accounts Receivable

The Port considers most accounts receivable to be fully collectible; however, the Port has created an allowance, where based upon historical attempts at collection, it deems collection to be unlikely. It is the Port's practice to set a reserve of 30.0% for receivables over 90 days, 20.0% for receivables over 60 days and 2.5% for receivables under 60 days. The Port specifically reserves for other receivables that are deemed to be uncollectible from time to time.

F. Prepaid Items

Prepayments for services and insurance that will benefit periods beyond the current period are reflected as prepaid items for the Port.

G. Capital Assets

Land, Building, and Equipment Assets - Property constructed or acquired by purchase is stated at cost. The Port's policy is to capitalize all assets with historical costs over $10,000, movable equipment under $10,000, and equipment purchased with federal or state funds over $5,000. Donated capital assets, donated works of art and similar items and capital assets received in a service concession arrangement are reported at acquisition value on the date the asset is received (if the transaction is not subject to GASB 94 treatment), if any. Construction in progress is depreciated when placed in service.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The following estimated useful lives are used for depreciation purposes:

Railway facilities	5-25 years
Wharves, docks and buildings	5-75 years
Machinery and equipment	3-40 years
Furniture and office equipment	5-30 years

Leased Land, Building and Equipment Assets - At the commencement of a lease, the Port records a right-of-use (ROU) lease asset that is initially measured as the net present value of future lease payments adjusted for lease payments made at or before the lease commencement date. The Port calculates the present value of future lease payments by using its estimated incremental borrowing rate. Subsequently, the ROU asset is recognized as expense over the lesser of the life of the assets or the term of the lease. Remeasurement of a lease asset occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability.

Leased Subscription Assets - At the commencement of a Subscription-Based Information Technology Arrangement (SBITA or Subscription Asset), the Port records an ROU subscription asset that is initially measured as the net present value of future subscription payments adjusted for subscription payments made at or before the subscription commencement date. The Port calculates the present value of future subscription payments by using its estimated incremental borrowing rate. Subsequently, the ROU asset is recognized as expense over the lesser of the life of the assets or the term of the lease. Remeasurement of a subscription asset occurs when there is a change in the subscription term and/or other changes that are likely to have a significant impact on the subscription liability.

H. Compensated Absences

Compensated absences, which include unpaid accrued vacation and sick leave, are accumulated during employment. Employees of the Port earn annual vacation and sick leave time at the rate of one-twelfth of the annual days eligible for each month worked. Vacation time is accrued at the rate of

Note 1. Summary of Significant Accounting Policies (Continued)

H. Compensated Absences (Continued)

12.0 to 31.5 working days per year and may accumulate up to a maximum of 320 hours measured on employee's hire anniversary date. Full-time employees accumulate sick leave time at the rate of one day per month, not to exceed 960 hours. Upon termination, employees are paid for accumulated vacation time, as well as accumulated sick leave, with sick time being paid up to a maximum of 720 hours. Liabilities for compensated absences are recognized on the Port's financial statements as they accumulate based on employees' current rate of pay as of December 31, 2023.

I. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plan and additions to/deductions from the Pension Plan's net position have been determined on the same basis as they are reported by the Pension Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Use of Estimates

The financial statements prepared in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, deferred outflows (inflows) of resources 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. Significant estimates utilized in preparing the financial statements include depreciable lives of property and equipment, the allowance for doubtful accounts and actuarial assumptions relative to net pension liabilities (assets). Although not expected by management, actual results could differ from those estimates.

K. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The Port has the following that qualify for reporting in these categories:

- The Port reports deferred outflows and inflows of resources calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. They consist of actuarial gains and losses due to the difference between expected and actual experience, the effect of changes in actuarial assumptions and the net difference between actual and projected investment earnings. Deferred outflows of resources also include contributions to the Pension Plan subsequent to the measurement date.
- The Port reports deferred outflows and inflows on refunding when the carrying value of refunded debt was higher or lower than its reacquisition price. This difference is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- A deferred inflow of resources for leases results when the Port recognizes a lease receivable and a deferred inflow of resources which are initially measured as the amount of lease receivable and adjusted for lease payments received at or before the lease commencement date pursuant to GASB 87 guidance. Subsequently, the deferred inflows of resources are recognized as revenues over the life of the lease terms.

Note 1. Summary of Significant Accounting Policies (Continued)

L. Net Position

Net investment in capital assets: The net investment in capital assets component of net position consists of unspent bond proceeds, capital assets net of accumulated depreciation, lease assets net of accumulated amortization, subscription assets net of accumulated amortization, and deferred outflows related to debt, reduced by the outstanding balance of bonds, leases and subscription liabilities, deferred inflows related to debt, mortgages, notes or other borrowings that are attributable to the acquisition, and construction or improvements of those assets.

Restricted for Debt Service: Restricted for debt service represents those portions of net position segregated pursuant to the provisions of the 2021 direct placement revenue refunding bonds, wherein the Port transfers each month's payment at the end of the prior month, the 2023 revenue bonds whereby the Port transfers payments monthly for annual principal payments to be made on August 1, and interest payments to be made on August 1 and February 1 of each year, and the annual City payment made during the first quarter of each year.

Unrestricted: This is the residual component of net position. It consists of net position that does not meet the definition of restricted or net investment in capital assets.

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

M. Revenues and Expenses

Operating revenues and expenses: Operating revenues are recorded when earned and expenses are recorded when incurred. Revenues and expenses relating to the Port's vessel and cargo operations include cruise passenger fees, wharfage, dockage and lay dockage. Revenues and expenses relating to the Port's building and facilities rental operations include terminal access fees, real estate fees, switching fees, license fees and parking fees. All other revenues and expenses are classified as non-operating.

Capital grants and contributions: Grants restricted for capital acquisition and construction are recorded as capital contributions. Grant revenue that may be used for operating purposes, if any, is recognized when earned. Both are considered earned when all applicable eligibility requirements have been met by the Port.

Pension Plan's 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 is 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 or 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.

The Pension Plan's purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on an 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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

M. Revenues and Expenses (Continued)

Pension Plan's administrative expenses: All administrative expenses, unless paid by the Port at its discretion, are paid by the Pension Plan. Certain expenses incurred in connection with the general administration of the Pension 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 net appreciation (depreciation) in fair value of investments presented in the accompanying statement of changes in fiduciary net position.

N. Actuarial Valuation

The Pension 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, 2023.

O. Pension Plan Risk and Uncertainties

The Pension 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.

The Pension Plan's 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.

P. GASB Pronouncements:

Adopted Pronouncements:

The Port adopted GASB Statement No. 94, *Public-Private and Public-Public Partnerships (P3) and Availability Payment Arrangements* (APA), issued in March 2020, effective for the Port for fiscal year ending December 31, 2023. This statement provides guidance for P3 arrangements, including those that are outside of the scope of the GASB's existing literature for those transactions—namely GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, and GASB Statement No. 87, *Leases*. The statement also makes certain improvements to the guidance previously included in GASB Statement No. 60 and provides accounting and financial reporting guidance for APAs. This has been implemented and the Port determined there was no effect on the financial statements.

The Port adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA),* issued May 2020, effective for the Port for the fiscal year ending December 31, 2023. SBITA (or Subscription Assets) are recognized and measured using the facts and circumstances that existed at the beginning of the period of implementation. Under this statement, the Port recognizes: (1) a subscription liability, (2) an intangible asset representing the subscriber's right to use the subscription asset, (3) amortization expense for using the subscription asset over the shorter of the term of the lease or the useful life of the underlying asset, and (4) interest expense on the subscription liability. The Port also includes note disclosures about the SBITA asset in Note 4 and SBITA liability in Note 5. This statement provides exceptions if the subscription is considered short-term or transfers ownership of the underlying asset.

Note 1. Summary of Significant Accounting Policies (Continued)
P. GASB Pronouncements (Continued)

There was no impact to beginning net position as a result of the adoption of GASB Statement No. 96. The impact to 2023 statements includes an increase in capital ROU subscription assets of $401,406, an increase in subscription liabilities of $303,968, and decrease in expenses of $97,438 due to prepayments associated with ROU subscription assets.

The Port adopted GASB Statement No. 99, *Omnibus 2022*, issued April 2022, establishing or amending accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, P3s, SBITAs, the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP) (formerly, food stamps), nonmonetary transactions, pledges of future revenues, the focus of government-wide financial statements, and terminology. This has been implemented and the Port determined there was no effect on the financial statements.

Future GASB implementations:

GASB Statement No. 100, *Accounting Changes and Error Corrections*, an amendment of GASB Statement No. 62, issued June 2022, will be effective for the Port for fiscal year ending December 31, 2024. This Statement prescribes the accounting and financial reporting for (1) certain changes in accounting principles, (2) certain changes in accounting estimates, and (3) error corrections. This Statement requires that changes in accounting principles and error corrections be reported retroactively by restating prior periods, and changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in the absence of specific transition provisions in the pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position be displayed in the financial statements.

This statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

GASB Statement No. 101, *Compensated Absences*, issued June 2022, will be effective for the Port for fiscal year ending 2024. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences.

Note 1. Summary of Significant Accounting Policies (Continued)
P. GASB Pronouncements (Continued)

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

GASB Statement No. 102, *Certain Risk Disclosures,* issued December 2023, will be effective for the Port for the fiscal year ending 2025. This Statement requires that governments disclose essential risks related to vulnerabilities due to certain concentrations or constraints. Concentration is a lack of diversity related to an aspect of a significant inflow or outflow of resources, and constraint is a limitation imposed by an external party or by formal action of the government's highest level of decision-making authority.

Management is currently evaluating the impact, if any, these pronouncements will have on the Port's financial statements.

Note 2. Cash and Cash Equivalents and Investments

Cash and cash equivalents as of December 31, 2023, are classified in the accompanying financial statements as follows:

Unrestricted:		
Cash and cash equivalents	$	36,383,556
Restricted:		
Cash and cash equivalents		15,308,509
Pension trust fund—cash and cash equivalents		645,657
Total cash and cash equivalents	$	52,337,722

Cash and cash equivalents as of December 31, 2023, consist of the following:

Checking and time deposits:		
Cash on hand	$	1,000
Deposits with financial institutions:		
Cash on demand - Moody Bank		36,186,824
Cash in investment accounts		5,631,164
Pension Trust Fund - cash held with financial institution		645,657
		42,464,645
Investments:		
Local government investment pools		9,873,077
Total cash and cash equivalents	$	52,337,722

Deposits: State statutes and the Port's depository agreement require all deposits and investment balances in depository institutions be covered by federal depository insurance and/or to be collateralized at the lower of par or current fair value by the following:

- Obligations of the United States (U.S.) or its agencies and instrumentalities
- Direct obligations of the state of Texas or its agencies

Note 2. Cash and Cash Equivalents and Investments (Continued)

- Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the state of Texas
- Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent

Investments: The Port is required by Government Code Chapter 2256, the Public Funds Investment Act (PFIA), to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable instruments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities and (9) bid solicitation preferences for certificates of deposit (CDs). PFIA determines the types of investments which are allowable for the Port. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies and state of Texas; (2) CDs; (3) certain municipal securities; (4) money market savings accounts; (5) repurchase agreements; (6) bankers' acceptances; (7) mutual funds; (8) investment pools; (9) guaranteed investment contracts; and (10) common trust funds.

Public funds investment pools: Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of PFIA, Chapter 2256 of the Texas Government Code. In addition to other provisions of PFIA designed to promote liquidity and safety of principal, it requires Pools to (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, (2) maintain a continuous rating of no lower than AAA or AAAm or an equivalent rating by at least one nationally recognized rating service and (3) maintain the fair value of its underlying investment portfolio within one half of one percent of the value of its shares.

These two acts provide for the creation of public funds investment pools and authorize eligible governmental entities (Participants) to invest their public funds and funds under their control through the investment pools.

The Port invests in the Texas Short Term Asset Reserve Program (TexStar) which has been organized in accordance with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and PFIA. The fund seeks to maintain a constant dollar objective and fulfills all requirements of PFIA for local government investment pools. The portfolio is a government-repurchase agreement (REPO) pool, utilizing primarily U.S. Treasury securities, U.S. agency securities and REPO collateralized obligations, the principal and interest of which are unconditionally guaranteed or insured by the full faith and credit of the U.S. or its agencies or its instrumentalities. The Port’s investments managed through TexStar are valued and recorded at amortized cost in accordance with GASB Statement No.79, *Certain External Investment Pools and Pool Participants*.

As of December 31, 2023, the Port had the following investments:

Type	Amount	Weighted-Average Maturity Days	Percentage Invested	Fair Value Hierarchy	Credit Rating
Investments measured at amortized cost:					
TexStar investment pool	$ 9,873,077	45	100%	n/a	AAAm
Total investments	$ 9,873,077		100%		
Weighted-average maturity days		45			

Note 2. Cash and Cash Equivalents and Investments (Continued)

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Port has a formal investment policy with a maximum allowable stated maturity of investments of three years.

Credit risk: In accordance with state statutes, PFIA and the Port's investment policy, the Port's investments require at a minimum a rating of "A" by a nationally recognized rating agency. TexStar was rated AAAm by Standard and Poor's.

Concentration of credit risk: The Port is required to disclose investments in any one issuer that represent 5% or more of total investments. However, investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement. The Port's investment policy does not specifically address the concentration of credit risk, as this is accomplished through diversity of its holdings.

Custodial credit risk: The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Port will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Port's investment pools are not exposed to custodial credit risk. In the case of deposits, this is the risk that in the event of a bank failure, the Port's deposits may not be returned to it. The Port's deposits held at financial institutions were entirely covered by the Federal Deposit Insurance Corporation or were secured by collateral on December 31, 2023.

Restricted cash, cash equivalents and investments: Restricted cash, cash equivalents and investments at December 31, 2023, consist of the following:

Interest and sinking:	
Revenue Refunding Bonds Series 2021, Direct Placement	$ 391,596
Revenue Bonds Series 2023	14,721,882
City of Galveston franchise payment	195,031
	$ 15,308,509

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 and mutual funds are based on quoted market prices (Level 1). The fair value of United States (U.S.) government securities, municipal, corporate and foreign bonds are based on quotes from broker-dealers or 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 (Level 2).

Note 2. Cash and Cash Equivalents and Investments (Continued)

Fiduciary Fund – Pension Trust Fund

Investment Type	Level 1	Level 2	Level 3	Fair Value
	Fair Value Hierarchy			
Cash equivalents				
Money mkt funds taxable	$ 617,369	$ -	$ -	$ 617,369
Total cash equivalents	$ 617,369	$ -	$ -	$ 617,369
Fixed income				
U.S. government agency securities	$ -	$ 141,538	$ -	$ 141,538
Municipal bonds	-	95,465	-	95,465
Corporate bonds	-	1,790,439	-	1,790,439
Foreign bonds	-	195,572	-	195,572
Total fixed income	$ -	$ 2,223,014	$ -	$ 2,223,014
Equities				
Common stock - domestic	$ 6,100,207	$ -	$ -	$ 6,100,207
Common stock - international	396,892	-	-	396,892
Real estate investment trust (REIT)	501,947	-	-	501,947
Mutual Funds - eomestic	2,349,478	-	-	2,349,478
Mutual funds - international	2,125,527	-	-	2,125,527
Total equities	$ 11,474,051	$ -	$ -	$ 11,474,051
Total	$ 12,091,420	$ 2,223,014	$ -	$ 14,314,434

Credit risk: The following table lists Moody’s credit rating by investment type at fair value on December 31, 2023, that are subject to credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The investment policy does not specifically address the quality rating of the investments. The Board is responsible for determining the risks and commensurate returns of the portfolio. The following table lists Moody’s credit rating by investment type at fair value on December 31, 2023, that are subject to credit risk.

Moody's Quality Ratings	U.S. Government Agency Securities	Municipal Bonds	Corporate Bonds	Foreign Bonds	Fair Total
Aaa	$ 141,538	$ -	$ -	$ -	$ 141,538
Aa2	-	95,465	-	-	95,465
Aa3	-	-	120,458	-	120,458
A1	-	-	938,675	99,460	1,038,135
A2	-	-	336,544	96,112	432,656
A3	-	-	394,761	-	394,761
	$ 141,538	$ 95,465	$ 1,790,439	$ 195,572	$ 2,223,014

Note 2. Cash and Cash Equivalents and Investments (Continued)

Fiduciary Fund – Pension Trust Fund (Continued)

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the investments in a single issuer. The investment policy does not specifically address the concentration of credit risk. As of December 31, 2023, there were no concentrations of investments with individual institutions equaling or exceeding 5% of fiduciary net position.

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 investment policy does not specifically address foreign currency risk. The diversified selection of equity and fixed income securities encourages the investment advisors to employ diversification, asset allocation and quality strategies to minimize risks. Each participant is responsible for determining the risks and commensurate returns of his or her portfolio. The 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.

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Pension Plan does not have a formal policy regarding interest rate risk. The Board monitors credit exposure using segmented time distribution. The following is a listing of the fixed income investments and related maturity schedule (in years) as of December 31, 2023. The maturity schedule is based on the average maturity of the fund, as noted by the fund manager.

	Less Than 1 Year	1-5 Years	6-10 Years	Fair Value
U.S. government agency securities	$ -	$ 141,538	$ -	$ 141,538
Municipal bonds	-	95,465	-	95,465
Corporate bonds	99,149	1,233,419	457,871	1,790,439
Foreign bonds	99,460	96,112	-	195,572
	$ 198,609	$ 1,566,533	$ 457,871	$ 2,223,014

Note 3. Accounts Receivable

Trade accounts receivable are generated from general deep water port services and rental property and facilities. Accounts receivable and the associated allowance for doubtful accounts as of December 31, 2023, are as follows:

Accounts receivable—trade	$ 6,084,786
Pension trust fund - contributions receivable	24,116
Grants receivable	177,705
Less allowance for doubtful accounts	(208,950)
Net accounts receivable	$ 6,077,657

Note 4. Capital Assets

Subscription-Based Information Technology Arrangements (SBITA): For the year ended December 31, 2023, the financial statements include the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. The primary objective of this statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements. This statement defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset - an intangible capital asset - and a corresponding subscription liability, and provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Port has obtained software through long-term subscription arrangements comprised of financial, police equipment assistance, and parking equipment assistance.

Lease and Subscription Assets: The Port's 11 lease assets and 4 subscription assets have balances of $3,063,656 and $401,406, respectively in the statement of net position as of December 31, 2023. The lease/subscription asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the lease/subscription commencement date. Subsequently, the capital lease/subscription asset is recognized as an expense over the life of the lease/subscription term.

Key estimates and judgments include how the Port of Galveston determines (1) the discount rate it uses to discount the expected lease/subscription payments to present value, (2) lease/subscription term, and (3) lease/subscription payments.

- The Port of Galveston uses its estimated incremental borrowing rate as the discount rate for leases/subscriptions.
- The lease/subscription term includes the noncancelable period of the lease/subscription including any renewal clauses if the Port is reasonably certain to exercise the renewal option. Lease/subscription payments included in the measurement of the liability are comprised of fixed payments by the Port.

The Port of Galveston monitors changes in circumstances that would require a remeasurement of its leases/subscriptions and will remeasure the asset and liability if certain changes occur that are expected to significantly affect the amount of the lease/subscription liability.

Note 4. Capital Assets (Continued)

Changes in capital assets during the year ended December 31, 2023, are summarized as follows:

	Balance at January 1, 2023 (as restated)	Additions	Retirements	Transfers/ Reclassification	Balance at December 31, 2023
Capital assets not being depreciated/amortized:					
Land	$ 18,184,604	$ 36,150	$ -	$ -	$ 18,220,754
Channel deepening	18,387,690	-	-	-	18,387,690
Construction in progress	4,993,818	57,201,715	-	(56,934,303)	5,261,230
Total capital assets not being depreciated/amortized	41,566,112	57,237,865	-	(56,934,303)	41,869,674
Capital assets being depreciated/amortized:					
Land leases	3,236,310	343,862	-	-	3,580,172
Railway facilities	3,490,460	-	(1,185,922)	-	2,304,538
Wharves, docks and buildings	232,371,040	-	(1,147,743)	51,298,069	282,521,366
Wharves, docks and building leases	473,730	34,165	-	-	507,895
Machinery and equipment	10,422,050	748,215	(1,295,085)	5,303,623	15,178,803
Machinery and equipment leases	152,450	-	(19,530)	-	132,920
Furniture and office equipment	4,723,431	29,864	(152,432)	158,521	4,759,384
Intangible assets	856,490	-	-	174,090	1,030,580
Software subscriptions	118,731	379,597	-	-	498,328
Total capital assets being depreciated/amortized	255,844,692	1,535,703	(3,800,712)	56,934,303	310,513,986
Less accumulated depreciation/amortization for:					
Land leases	(276,472)	(446,798)	-	-	(723,270)
Railway facilities	(1,815,755)	(56,439)	1,018,150	-	(854,044)
Wharves, docks and buildings	(107,095,590)	(8,249,343)	817,554	-	(114,527,379)
Wharves, docks and building leases	(177,987)	(194,799)	-	-	(372,786)
Machinery and equipment	(8,469,529)	(996,864)	1,298,660	-	(8,167,733)
Machinery and equipment leases	(34,132)	(46,673)	19,530	-	(61,275)
Furniture and office equipment	(3,079,269)	(450,547)	152,432	-	(3,377,384)
Intangible assets	(226,541)	(153,161)	-	-	(379,702)
Software subscriptions	-	(96,922)	-	-	(96,922)
Total accumulated depreciation/amortization	(121,175,275)	(10,691,546)	3,306,326	-	(128,560,495)
Total capital assets, being depreciated/amortized, net	134,669,417	(9,155,843)	(494,386)	56,934,303	181,953,491
Capital assets, net	$ 176,235,529	$ 48,082,022	$ (494,386)	$ -	$ 223,823,165

Depreciation and amortization expense for the year ended December 31, 2023, totaled $ 10,691,546.

Note 4. Capital Assets (Continued)

Commitments relating to capital construction in progress as of December 31, 2023, are as follows:

	Project Authorization	Project Cost to Date	Remaining Commitment
Port security grant 2021 License Plate Reader	$ 682,000	$ 115,803	$ 566,197
Port security grant 2022 Video Surveillance & Cybersecurity	836,500	-	836,500
Galveston Harbor Channel Extension	1,904,972	-	1,904,972.00
Wharf Road Improvements	3,129,723	133,010	2,996,713
West End Port Redevelopment	2,850,570	2,329,543	521,027
CT 25 Improvements	56,662,219	51,265,449	5,396,770
CT 25 Walkway	491,224	-	491,224
CT 16 Construction	5,907,320	1,108,144	4,799,176
Parking Access Control System	1,523,276	1,449,355	73,921
Express Lot Expansion	2,800,000	695,759	2,104,241
Projects under $200,000	277,900	151,560	126,340
Totals	$ 77,065,704	$ 57,248,623	$ 19,817,081

The Port plans to finance construction commitments with the use of bond proceeds, grants and proceeds from operations.

Note 5. Long-Term Liabilities

During the year ended December 31, 2023, the following changes occurred in the Port's long-term liabilities:

Issue	Balance at January 1, 2023 (as restated)	Increases	Decreases	Balance at December 31, 2023	Amounts Due Within One Year
Bonds from Direct Placements	$ 14,652,364	$ -	$ (4,555,664)	$ 10,096,700	$ 4,624,035
Revenue Bonds	-	51,460,000	-	51,460,000	4,257,179
Revenue Bonds Premium	-	1,193,839	(12,396)	1,181,443	-
Other long-term liabilities:					
Lease Liability	3,408,340	390,343	(657,672)	3,141,011	606,900
Subscription Liability	53,715	347,175	(96,922)	303,968	194,936
U.S. Army Corps of Engineers	3,401,817	-	(130,367)	3,271,450	130,409
Compensated absences	1,292,460	884,099	(660,041)	1,516,518	655,016
Net pension liability	-	3,399,295	-	3,399,295	-
	$ 8,156,332	$ 57,674,751	$ (1,557,398)	$ 64,273,685	$ 5,844,440

Note 5. Long-Term Liabilities (Continued)

Long-term bonded debt on December 31, 2023, was comprised of the following issues:

Description	Original Issue	Interest Rates	Maturity Dates Beginning/ Ending	Interest Payment Dates
Bonds from Direct Placements:				
City of Galveston, Texas Wharves and Terminal			February 1,	
Revenue Refunding Bonds, Series 2021A and 2021B	$ 22,700,000	1.30%	2021/2026	Monthly
Revenue bonds:				
City of Galveston, Texas Wharves and Terminal			October 31,	
First Lien Revenue Bonds, Series 2023 (AMT)	$ 51,460,000	5.25%	2023/2043	Monthly

As of December 31, 2023, the annual debt service requirements for bonds from direct placements and revenue bonds until maturity are as follows:

	Bonds from Direct Placements		Revenue Bonds		
	Principal	Interest	Principal	Interest	Total
Years ending December 31:					
2024	$ 4,624,035	$ 103,766	$ 2,155,000	$ 2,102,179	$ 8,984,980
2025	4,689,303	43,263	1,575,000	2,679,425	8,986,991
2026	783,362	1,273	1,660,000	2,596,738	5,041,373
2027	-	-	1,745,000	2,509,588	4,254,588
2028	-	-	1,835,000	2,417,975	4,252,975
2029-2033	-	-	10,740,000	10,538,238	21,278,238
2034-2038	-	-	13,805,000	7,469,713	21,274,713
2039-2043	-	-	17,945,000	3,328,800	21,273,800
	$ 10,096,700	$ 148,302	$ 51,460,000	$ 33,642,656	$ 95,347,658

Bonds from Direct Placements: The Port issued $22,700,000 of Wharves and Terminal Revenue Refunding Bonds, Series 2021A and 2021B, dated August 26, 2021, to refund $22,654,699 of Series 2011 Wharves and Terminal Refunding Bonds and Series 2014 Revenue Notes (AMT). The Port reduced its total debt service payments over the next five years by $1,522,968 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of $1,764,585. The reacquisition price exceeded the net carrying amount of the old debt by $100,116. This amount is recorded as a deferred outflow and amortized over the life of the refunded debt. The balance was $50,058 as of December 31, 2023.

The Series 2021 bonds were used to finance the construction of cruise terminal improvements. Gross revenues are pledged for repayment of these bonds. The Series 2021 bonds bear interest at a fixed rate of 1.30% per annum. Payments are structured so that the Port makes four payments of $1.1 million from November 1, 2021, through February 1, 2022, followed by payments averaging $0.4 million per month beginning March 1, 2022, with final payment occurring February 1, 2026. The Series 2021 bonds are subject to redemption prior to their respective dates of maturity, at any time at the option of the Port, in whole or in part, at redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued interest to the redemption date. Commencing with the fiscal year beginning on January 1, 2022, and while the series 2021 bonds remaining outstanding, in any fiscal year, such fees, tolls and charges will be fixed, charged and collected in order that net revenues will equal an amount not less than 125% of the debt service on all parity obligations in such fiscal year.

Note 5. Long-Term Liabilities (Continued)

Bonds from Direct Placements (Continued)

The indentures require that for the duration of the period the series 2021 bonds are outstanding, the Port maintain at least one long term unenhanced credit rating above BBB or Baa2 or the senior lien parity obligations with either Moody's or Standard and Poor's.

Revenue Bonds: The Port issued $51,460,000 of City of Galveston Texas Wharves and Terminal First Lien Revenue Bonds, Series 2023 on October 31, 2023. The bonds were issued at an effective interest rate of 5.30 percent and the bonds mature in 20 years. The bonds were issued at a premium of $1,193,839, which will be amortized over the life of the debt. The premium balance was $1,181,443 as of December 31, 2023.

The Series 2023 Bonds were used to finance improvements to CT 25, and as of December 31, 2023, all but $9,501,359 was spent on the improvements. Bonds maturing on or after August 1, 2023, are subject to optional redemption, in whole or in part, prior to maturity by the Port at 100% of the principal plus accrued interest to the date fixed for redemption. The $14,745,000 Term Bond scheduled to mature on August 1, 2043 is, also subject to mandatory sinking fund redemption of $3,370,000 on August 1, 2040, $3,575,000 on August 1, 2041, $3,785,000 on March 1, 2042, and $4,015,000 on August 1, 2043. The indentures require that for the duration of the period the Series 2023 Bonds are outstanding, the Port's revenues will be at least equal to the greater of (a) all amounts required to be deposited in such fiscal year to the credit of the First Lien Debt Service Fund, the First Lien Debt Service Reserve Fund, the Second Lien Debt Service Fund, and the Second Lien Debt Service Reserve Fund, or (b) an amount not less than 110% of the annual debt service in such fiscal year on all outstanding first lien obligations and second lien obligations. The indentures also require a debt service reserve funding requirement of $4,257,563, which is restricted for debt service.

In 2023, the debt service coverage was 632%.

U.S. Army Corps of Engineers: The Port received billing from the U.S. Army Corps of Engineers for payback on previously constructed general navigation features. Based on the billing, the Port is responsible for an additional 10% of the cost of the Galveston Harbor Channel deepening to 45 mean lower low water. The estimated cost is $3,925,466 payable over a period not to exceed 30 years. These costs are being capitalized and the liability is being accrued. As of December 31, 2023, the balance is $3,271,450.

Lease and Subscription Liabilities: At the commencement of a lease/subscription arrangement, the Port of Galveston initially measures the lease/subscription liability at the present value of payments expected to be made during the lease/subscription term pursuant to GASB 87/96. Subsequently, the lease/subscription liability is reduced by the principal portion of lease/subscription payments made.

Key estimates and judgments include how the Port of Galveston determines (1) the discount rate it uses to discount the expected lease/subscription payments to present value, (2) lease/subscription term, and (3) lease/subscription payments.

- The Port of Galveston uses its estimated incremental borrowing rate as the discount rate for leases/subscriptions.
- The lease/subscription term includes the noncancelable period of the lease/subscription including any renewal clauses if the Port is reasonably certain to exercise the renewal option. Lease/subscription payments included in the measurement of the lease/subscription liability are composed of fixed payments by the Port.

The Port of Galveston monitors changes in circumstances that would require a remeasurement of its leases/subscriptions and will remeasure the lease/subscription liability and lease/subscription asset if certain changes occur that are expected to significantly affect the amount of the lease/subscription liability.

Note 5. Long-Term Liabilities (Continued)

Lease Liabilities: The Port leases property and equipment from third parties, the terms of which expire 2024 through 2061, and recognizes a lease liability in the statement of net position. The Port has 11 leases of this type with a lease liability balance of $3,141,010 as of December 31, 2023.

The payment, principal, and interest under the leases for 2023 are as follows:

Year Ending December 31,	Principal	Interest	Total Principal and Interest
2023	$ 688,269	$ 71,478	$ 759,747

The following is a schedule by year of principal, interest, and total payments for future years as of December 31, 2023:

Year Ending December 31,	Principal	Interest	Total Principal and Interest
2024	$ 606,900	$ 61,847	$ 668,747
2025	478,412	53,408	531,820
2026	460,609	45,772	506,381
2027	301,384	38,824	340,208
2028	127,089	34,798	161,887
2029 - 2033	658,425	121,429	779,854
2034 - 2038	274,147	45,975	320,122
2039 - 2043	37,782	34,792	72,574
2044 - 2048	44,417	28,158	72,575
2049 - 2053	52,216	20,358	72,574
2054 - 2058	61,386	11,189	72,575
2059 - 2061	38,243	1,673	39,916
Total	$ 3,141,010	$ 498,223	$ 3,639,233

Subscription Liabilities: The Port has obtained software through long-term subscription arrangements as described in more detail in Note 4. The Port has four subscription arrangements of this type, the terms of which expire 2024 - 2028, with a subscription liability balance of $303,968 as of December 31, 2023.

The payment, principal, and interest under the subscriptions for 2023 are as follows:

Year Ending December 31,	Principal	Interest	Total Principal and Interest
2023	$ 96,922	$ 4,116	$ 101,038

The following is a schedule by year of principal, interest, and total payments for future years as of December 31, 2023:

Year Ending December 31,	Principal	Interest	Total Principal and Interest
2024	$ 194,225	$ 6,248	$ 200,473
2025	40,230	2,361	42,591
2026	41,113	1,479	42,592
2027	13,916	812	14,728
2028	14,484	244	14,728
Grand Total	$ 303,968	$ 11,144	$ 315,112

Note 6. Lease Arrangements with the Port as Lessor

Lease Receivable: The Port of Galveston leases a portion of its property to various third parties, the terms of which expire 2024 through 2065, and recognizes a lease receivable and a deferred inflow of resources in the statement of net position pursuant to GASB 87. The Port has 24 leases of this type with a lease receivable balance of $117,439,244 and deferred inflow of resources balance of $114,251,526 as of December 31, 2023.

The Port also has contracts with customers that contain minimum annual guarantees (MAGs), the terms of which expire 2024 through 2045, and recognizes a lease receivable and a deferred inflow of resources in the statement of net position pursuant to GASB 87. The Port has five leases of this type with a lease receivable balance of $135,602,502 and deferred inflow of resources balance of $130,099,417 as of December 31, 2023.

The payment, principal, and interest under the leases/MAGS for 2023 is as follows:

Year Ending December 31,	Principal	Interest	Total Principal and Interest
2023	$ 12,481,796	$ 9,792,578	$ 22,274,374

The Port had customers with fixed and variable lease/MAG payments in 2023 as is shown on the below table:

Year Ending December 31,	Fixed Payments	Variable Payments	Total Payments
2023	$ 22,274,374	$ 10,341,217	$ 32,615,591

The following is a schedule by year of payment, principal, and interest under the leases/MAGs for future years as of December 31, 2023.

Year Ending December 31,	Principal	Interest	Total Principal and Interest
2024	$ 5,809,358	$ 9,573,497	$ 15,382,855
2025	6,129,810	9,426,083	15,555,893
2026	6,385,075	9,180,795	15,565,870
2027	6,603,912	8,950,839	15,554,751
2028	6,898,762	8,710,103	15,608,865
2029 - 2033	40,554,998	39,439,870	79,994,868
2034 - 2038	48,100,197	31,199,637	79,299,834
2039 - 2043	39,557,188	23,019,738	62,576,926
2044 - 2048	27,144,502	15,713,667	42,858,169
2049 - 2053	17,446,481	12,022,327	29,468,808
2054 - 2058	23,945,667	7,700,524	31,646,191
2059 - 2063	24,106,673	2,043,654	26,150,327
2064 - 2065	359,125	7,799	366,924
Total	$ 253,041,748	$ 176,988,533	$ 430,030,281

At the commencement of a lease, the Port of Galveston initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Note 6. Lease Arrangements with the Port as Lessor (Continued)

Key estimates and judgments include how the Port of Galveston determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Port of Galveston uses its estimated incremental borrowing rate as the discount rate for leases. The discount rate as of the implementation date of January 1, 2022, was used, and discount rates were adjusted for leases commencing post-implementation.
- The lease term includes the non-cancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessor.

Note 7. Pension Plan

Pension Plan description: The Port's Pension Plan is a single employer defined benefit pension plan created by the City Ordinance to provide retirement and incidental benefits to substantially all employees of the Port. The Plan was established January 1, 1965, restated January 1, 2008, and most recently amended effective January 1, 2013. On January 10, 2010, the Pension 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. The Pension 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. Beginning January 1, 2010, the Pension Plan is closed to new members.

Pension Plan administration: The Plan is administered by the Port. Frost Bank is the Trustee for the Plan.

Pension Plan fiduciary net position: Detailed information about the Pension Plan's fiduciary net position is available in a separately issued Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by requesting such report from the Board of Trustees of the Galveston Wharves, 123 25th Street, 8th Floor, Galveston Texas 77550 or may be viewed at https://www.portofgalveston.com/156/Reports.

Management of the Pension Plan: Management of the Pension Plan is vested in the Port's Board of Trustees. The Board has overall responsibility for the operation and administration of the Pension Plan. The Board determines the appropriateness of the Pension Plan investment offerings and monitors investment performance. The assets of the Pension Plan are held in a trust by a trustee. The trustee on behalf of the Pension Plan carries out an investment policy established by the Board, consistent with the purpose of the Pension Plan and the requirements of applicable laws and regulations.

Vesting: Participants become 100% vested upon completion of five years of service. Vesting service includes periods prior to the effective date of the Pension Plan computed as if the Pension Plan had been in effect. The Pension Plan also allows participants to recognize prior service (limited to five years) with a governmental entity or other entity related to the provision of public transportation services. For vesting purposes, service shall be credited based on elapsed time.

Normal retirement: Pension 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 Pension Plan as a participant. The normal retirement benefit under the Pension 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.

Note 7. Pension Plan (Continued)

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.

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 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 10 or more years of vesting service will be entitled to receive a monthly amount which will 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 Pension 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.

Note 7. Pension Plan (Continued)

Cash balance benefits: Prior to October 1, 2005, a cash balance account was established for each participant. 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 lump sum payment or 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 lump sum payment or 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: 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.

At the December 31, 2022, measurement date, the following employees were covered by the benefit terms:

Inactive plan members and beneficiaries currently receiving benefits	79
Inactive employees entitled to, but not yet receiving benefits	38
Active plan members	15
	132

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 Pension Plan. All contributions under the Pension Plan shall be paid or transferred into the Trust Fund to be held, managed, invested and distributed in accordance with the provisions of the Pension Plan. The Port reserves the right to reduce, suspend or discontinue contributions to the plan. Currently, the Port is making monthly contributions such that payments equal to the prior-year funding requirement are met. Contributions made after the measurement date of the net position liability but before the end of the reporting period will be recognized as a reduction of the net pension liability in the subsequent fiscal period rather than in the current fiscal period. In the event the funding requirement exceeds monthly contributions, an additional contribution is normally scheduled to fund the annual required contribution. The Port's contribution in 2023 was $480,884 and the Port funded an additional $24,116 in January of 2024 to reach the Board-approved 2023 contribution amount of $505,000. A receivable of $24,116 was recorded in the December 31, 2023, pension plan financial statements.

Net pension liability: The Port's net pension liability was measured as of December 31, 2022, and the pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions: The net pension liability was determined through an actuarial valuation performed as of December 31, 2022. The actuarial assumptions used are as follows:

Note 7. Pension Plan (Continued)

Valuation date	December 31, 2022
Actuarial cost method	Individual entry age cost method
Asset valuation method	Market value of assets
Interest rates	Discount rate 7.25% Expected long-term rate of return 7.25% Municipal bond rate N/A
Inflation	2.75%
Annual pay increases	3.00%
Mortality rates:	PubG-2010 Mortality Tables 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	An experience study was completed in 2017 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 the broad population trends.

The following changes in actuarial assumptions occurred since the last actuarial valuation:

- None

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

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 employer 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.

Long-term rate of return on assets: 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation.

Target allocation percentages and 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, 2022, are summarized in the following table:

Note 7. Pension Plan (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income equities securities	10%	3.25%
Common stock	60%	7.00%
Domestic equities—large cap	5%	7.10%
Domestic equities— mid cap	3%	7.10%
Domestic equities—small cap	5%	6.70%
International equities	10%	4.60%
Natural resources	1%	5.50%
Emerging markets	1%	5.10%
Cash	5%	2.50%

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:

	1.00% Decrease (6.25)%	Current Discount Rate (7.25)%	1.00% Increase (8.25)%
Net pension liability	$ 4,922,099	$ 3,399,295	$ 2,099,510

Changes in the net pension (asset) liability: The following presents the changes in net pension liability (asset) as of December 31, 2023.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balance at December 31, 2022	$ 16,610,319	$ 16,713,180	$ (102,861)
Changes for the year:			
Service cost	65,944	-	65,944
Interest	1,162,633	-	1,162,633
Difference between expected and actual experience	(243,803)	-	(243,803)
Contributions—employer	-	399,996	(399,996)
Net investment loss	-	(2,876,194)	2,876,194
Benefit payments, including refunds of employee contributions	(1,283,191)	(1,283,191)	-
Administrative expenses	-	(40,406)	40,406
Other changes	-	(778)	778
	(298,417)	(3,800,573)	3,502,156
Balance at December 31, 2023	$ 16,311,902	$ 12,912,607	$ 3,399,295

Note 7. Pension Plan (Continued)

Pension expense: For the year ended December 31, 2023, the Port recognized a decrease in pension expense of $275,148 due to GASB 67 & 68 adjustments.

Deferred outflows and deferred inflows of resources related to pension: At December 31, 2023. the port reported deferred outflows and inflows of resources related to pension from the following sources:

		Deferred Outflows of Resources
Contributions subsequent to the measurement date	$	399,996
Difference between projected and actual earnings on pension plan investments		1,752,044
	$	2,152,040

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $399,996 will be recognized as a reduction of the net pension liability for the year ending December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Years		Net Deferred Outflows (Inflows) of Resources
2024	$	373,500
2025		567,641
2026		810,903
	$	1,752,044

Deferred outflows related to the net difference between projected and actual earnings are amortized over a five-year period.

Note 8. Deferred Compensation Plan and Defined Contribution Plans

Deferred Compensation Plan—Section 457 Plan: The Port offers all full-time employees a deferred compensation plan created in accordance with section 457 of the Internal Revenue Code (IRC 457). The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseen emergency. Active plan members contributed $81,992 to the 457 Plan as of December 31, 2023.

Defined Contribution Plan—Employees Retirement Accumulation Plan:

A. Plan Description

The Employees Retirement Accumulation Plan, a defined contribution plan was established under Internal Revenue Service (IRS) section 401(a) and is administered by Mission Square Retirement (formerly International City/County Management Association (ICMA)) for the employees of the Port. The plan is employee-directed, whereby employees may choose from various investment options available to plan participants.

Note 8. Deferred Compensation Plan and Defined Contribution Plans (Continued)

The Port and employee contributions are immediately vested. Contributions required under the plan by both the employee and employer are established by the plan document.

Amounts in the defined contribution plan are available to participants in accordance with IRS guidelines for such plans.

B. Plan Funding Policy

Active plan members must contribute 7.65% of their earnings and the Port is required to contribute 5.42% of participant earnings. The plan members contributed $678,702 and the Port contributed $482,167 during the year ended December 31, 2023.

Defined Contribution Plan—Galveston Wharves 2010 Plan:

A. Plan Description

On January 1, 2010, the Port initiated the Galveston Wharves 2010 Plan (the 2010 Plan). Employees hired prior to January 1, 2010, were given the option to remain in the defined benefit plan or opt for the new plan. Employees hired after January 1, 2010, were automatically enrolled in the 2010 Plan. The 2010 Plan, a defined contribution plan was established under IRS section 401(a) and is administered by Mission Square Retirement (formerly ICMA) for the employees of the Port. The 2010 Plan is employee-directed, whereby employees may choose among various investment options available to participants.

Employees are vested in the plan after three years of service. Upon termination of employment, employees are eligible for the following benefits:

- Life annuity
- Lump-sum payment
- Rollover
- Combination of percentages direct payment and percentages rollover

B. Plan Funding Policy

The contributions made by the Port is a percentage of compensation based on years of service as follows:

0-4.99 years	3%
5-9.99 years	6%
10 plus years	9%

The Port contributed $323,063 during the year ended December 31, 2023. The employees do not have a required contribution rate.

Note 9. Commitments, Contingencies and Uncertainties

A substantial portion of the Port's facilities and operating assets are subject to federal, state and local regulations relating to the discharge of materials into the environment. Compliance with these provisions has not had, nor does management expect such compliance to have, any material effect upon the capital expenditures, net income, financial condition or competitive position of the Port. However, due to the nature of the industry in which it operates, the risk of possible fines, penalties and liability claims exists. Management believes its current practices and procedures for the control and disposition of waste comply with applicable federal and state requirements, and the Port is insured against claims arising from environmental hazards.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Port expects such amounts, if any, to be immaterial to the financial statements of the Port.

The Port is subject to claims and lawsuits arising from the normal course of business. The Port's legal counsel routinely evaluates such claims and management may make provisions for probable losses if deemed appropriate. There were no provisions recorded as of December 31, 2023.

Note 10. Risk Management

The Port is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions and natural disasters, for which the Port carries commercial insurance. The Port is also exposed to the risk of loss resulting from operation of equipment; general, professional and law enforcement liability and workers' liability for which it carries commercial insurance. For the amounts deductible from the loss coverage amounts, the Port is self-insured. The Port has not significantly reduced insurance coverage for the past two years or had settlements that exceeded coverage amounts for the past three fiscal years.

The Port also provides for losses ranging from $1 million to $50 million by carrying excess/umbrella liability insurance coverage.

The Port provides all active, regular full-time employees with group life, medical and dental insurance coverage and flexible benefit program. Medical, dental and flexible benefit plans are obtained through third-party insurance carriers.

Note 11. Concentration of Credit Risk

One customer generated operating revenues of $14.7 million and another customer generated $7.0 million, which comprised approximately 22% and 10% respectively of total operating revenues for the year ended December 31, 2023. In the normal course of business, the Port extends unsecured credit to its customers.

Note 12. Related Party

The Port made payments to the City of Galveston and affiliates in the ordinary course of business in the amount of $2,496,262 in 2023.

Subsequent to Moody National Bank becoming the Port's depository bank, the President and CEO of Moody National Bank was appointed a trustee of The Board of Trustees of the Galveston Wharves by the City of Galveston City Council. In the Fall of 2022, the Board of Trustees of the Galveston Wharves elected the President and CEO of Moody National Bank Chairman. As of December 31, 2023, deposits at Moody National Bank totaled $36,186,824.

Note 13. Arbitrage Compliance

Per section 148 of the Internal Revenue Code of 1986 as amended (the Code), the Port must meet certain criteria with regard to interest earnings on its proceeds from long-term debt issuances in order for the interest income paid on those obligations to be considered tax-exempt for the debt holders. Related U.S. Treasury regulations promulgated under that same Code section generally provide that the initial determination of the taxable or tax-exempt status of an obligation is made as of the date such obligation is issued, based on reasonable expectations regarding the use of the resulting proceeds.

Long-term debt that does not initially meet, and continue to meet, the minimum criteria of section 148 of the Code and the related Treasury regulations, and particularly the requirement to rebate certain arbitrage profits to the federal government, is considered “arbitrage bonds” and forfeits its tax-exempt status. The Port’s obligation to calculate and, if necessary, make rebate payments continues as long as proceeds of debt remain unexpended.

Arbitrage profits result when the interest rate earned on invested debt proceeds is materially greater than that paid to holders of that debt, as calculated beginning on the third anniversary of the debt’s issuance. Accordingly, any proceeds unexpended more than three years after debt issuance is subject to yield restriction. The yield restriction may be satisfied, if any, by making yield-reduction payments pursuant to Treasury Regulation Section 1.148-5(c).

Note 14. Due to FEMA/TDEM-IKE

Texas Hurricane IKE—Public Assistance Grant 1791

On January 10, 2022, the Port was issued notice from the Texas Department of Emergency Management (TDEM) of a FEMA Administrative Closeout on Grant Number 1791 (Texas Hurricane IKE). This notice is essentially a “call” of several Hurricane Ike disaster related projects that are still under FEMA review. In consultation with legal counsel, management of the Port believes it is allowed certain statutory rights under the Stafford Disaster Relief and Emergency Assistance Act and FEMA regulations promulgated thereunder. The Port recorded this liability in 2021. The notice from TDEM continues to proceed through FEMA review and final closeout.

The requested information has been provided to FEMA several times over the past 12 years in compliance with FEMA’s appeal and project closeout requirements. The Port consulted with its legal counsel and believes TDEM’s unilateral action prohibits its legal rights to pursue the FEMA appeal and project closeout process.

The Port has provided documentation related to these projects within the times specified in its regulations. These regulations outline FEMA’s review process. The TDEM demand notice requiring the Port replicate submittal documents in a period of less than 30 days circumvents the FEMA review process which gives the Port the right to complete the FEMA review process for these projects.

As of December of 2023, the Port has $14,028,299 in potential future claims against Grant Number 1791, including Direct Administrative Cost for Public Assistance Grant 1791 pending outcome of the appeal process totaling $1,973,854, the West End Erosion Alternate Project PW 15828 totaling $10,301,161, and Erosion Project Work at Piers 28, 34, and 35 Project PW 15835 totaling $1,753,284. Alternate Projects PW 15828 and PW 15835 have expected completion dates in 2025.

As of December 31, 2022, the Port showed a payable to FEMA/TDEM related to Ike in the amount of $10,745,473. TDEM issued a letter to the Port increasing the de-obligated amount by $686,960 and accepted and applied $325,717 from Alternate Project PW 15835 to Grant Number 1791 in 2023, resulting in the payable changing to $11,106,716 as of December 31, 2023. The initial $10,745,473 was recognized as a reduction to the non-operating income section of the Statement of Revenues, Expenses and Changes in Net Position and a short-term liability reflected in the State of Net Position in 2021. There was no change in 2022. The de-obligated amount of $686,960 with offsetting application of $325,717 to Grant Number 1791 was recognized in the same manner in 2023 as in 2021.

Note 15. Subsequent Events

The Port has evaluated subsequent events through April 26, 2024, the date the financial statements were available to be issued.

Cargo and pier infrastructure improvements are a major focus for the Port of Galveston. As part of the 20-Year Strategic Master Plan, the Port is planning to invest funds to improve and expand its West Port Cargo Complex.

Required Supplementary Information

The Board of Trustees of the Galveston Wharves

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

	2022	2021	2020	2019
Total pension liability:				
Service cost	$ 65,944	$ 71,422	$ 77,202	$ 101,967
Interest	1,162,633	1,189,715	1,148,818	1,145,698
Changes in benefit terms	-	-	-	206,256
Change in assumptions	-	34,009	762,991	(96,477)
Difference between expected and actual experience	(243,803)	(340,081)	(63,634)	-
Benefit payments, including refunds of employee contributions	(1,283,191)	(1,366,375)	(1,344,635)	(1,234,638)
Net change in total pension liability	(298,417)	(411,310)	580,742	122,806
Total pension liability at beginning of year	16,610,319	17,021,629	16,440,887	16,318,081
Total pension liability at end of year	$ 16,311,902	$ 16,610,319	$ 17,021,629	$ 16,440,887
Plan fiduciary net position:				
Contributions—employer	$ 399,996	$ 258,325	$ 365,585	$ 575,000
Net investment income	(2,876,194)	2,277,865	1,831,353	3,021,496
Benefit payments, including refunds of employee contributions	(1,283,191)	(1,366,375)	(1,344,635)	(1,234,638)
Administrative expense	(40,406)	(39,843)	(50,083)	(42,883)
Other changes	(778)	22,375	28,776	(769)
Net change in plan fiduciary net position	(3,800,573)	1,152,347	830,996	2,318,206
Plan fiduciary net position at beginning of year	16,713,180	15,560,833	14,729,837	12,411,631
Plan fiduciary net position at end of year	$ 12,912,607	$ 16,713,180	$ 15,560,833	$ 14,729,837
Plan net pension liability (asset) at end of year	$ 3,399,295	$ (102,861)	$ 1,460,796	$ 1,711,050
Fiduciary net position as a percentage of the total pension liability	79%	101%	91%	90%
Covered payroll	$ 1,041,242	$ 1,031,885	$ 1,144,464	$ 1,527,483
Plan net pension liability (asset) as a percentage of covered payroll	326%	-10%	128%	112%

Per GASB 68, until a 10-year trend is compiled, pension plans may present information for those years for which information is available; information is not available under the GASB 68 methodologies for the fiscal years prior to 2014.

The Board of Trustees of the Galveston Wharves

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

2018	2017	2016	2015	2014
$ 149,366	$ 138,712	$ 137,707	$ 169,079	$ 183,481
1,135,048	1,119,970	1,095,941	1,071,934	1,040,307
-	-	-	-	-
88,955	762,720	-	(239,557)	-
41,613	(134,857)	84,594	156,762	(56,421)
(1,206,729)	(1,141,887)	(855,811)	(757,719)	(704,816)
208,253	744,658	462,431	400,499	462,551
16,109,828	15,365,170	14,902,739	14,502,240	14,039,689
$ 16,318,081	$ 16,109,828	$ 15,365,170	$ 14,902,739	$ 14,502,240
$ 575,000	$ 562,160	$ 420,000	$ 400,000	$ 540,004
(560,928)	2,475,326	519,420	153,997	782,143
(1,206,729)	(1,141,887)	(855,811)	(757,719)	(704,816)
(62,705)	(69,370)	-	(65,437)	(89,122)
(368)	1,280	679	1,199	3,203
(1,255,730)	1,827,509	84,288	(267,960)	531,412
13,667,361	11,839,852	11,755,564	12,023,524	11,492,112
$ 12,411,631	$ 13,667,361	$ 11,839,852	$ 11,755,564	$ 12,023,524
$ 3,906,450	$ 2,442,467	$ 3,525,318	$ 3,147,175	$ 2,478,716
76%	85%	77%	79%	83%
$ 2,017,084	$ 2,659,786	$ 3,174,196	$ 3,289,226	$ 3,484,519
194%	92%	111%	96%	71%

The Board of Trustees of the Galveston Wharves

Schedule of Plan Pension Contributions
Last Ten Years
Required Supplementary Information (Unaudited)

	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 130,460	$ 242,382	$ 292,252	$ 515,856	$ 421,327
Contributions in relation to the actuarially determined contribution, including contribution receivable	399,996	255,702	365,585	575,000	575,000
Contribution excess	$ (269,536)	$ (13,320)	$ (73,333)	$ (59,144)	$ (153,673)
Covered payroll	$ 1,041,242	$ 1,031,885	$ 1,144,464	$ 1,527,483	$ 2,017,084
Contributions as a percentage of covered payroll	38.42%	24.78%	31.94%	37.64%	28.51%

	2017	2016	2015	2014	2013
Actuarially determined contribution	$ 562,160	$ 415,085	$ 377,727	$ 398,283	$ 540,004
Contributions in relation to the actuarially determined contribution	562,160	420,000	400,000	540,004	540,004
Contribution excess	$ -	$ (4,915)	$ (22,273)	$ (141,721)	$ -
Covered payroll	$ 2,659,786	$ 3,174,196	$ 3,289,226	$ 3,484,519	$ 3,627,781
Contributions as a percentage of covered payroll	21.14%	13.23%	12.16%	15.50%	14.89%

Methods and assumptions used to determine contribution for 2023:

Valuation date	December 31, 2022
Actuarial cost method	Individual entry age cost method
Amortization method	18-year level dollar (closed)
Asset valuation method	Market value of assets
Interest rates	Discount rate 7.25%, Expected Long Term Rate of Return 7.25%
Inflation	2.75%
Annual pay increases	3.00%
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
Mortality rates	Pub-G-2010 Mortality Table Projected Generationally from 2010 with the Mortality Improvement Scale MP-2021
Retirement rates	The latter of the attainment of age 65 or the completion of five years of vesting service

Per GASB 68, until a 10-year trend is compiled, pension plans may present information for those years for which information is available; information is not available under the GASB 68 methodologies for the fiscal years prior to 2014.

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES

PART III

STATISTICAL SECTION

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
Annual Comprehensive Financial Report
For the Year Ended December 31, 2023

Carnival Cruise Line's Jubilee featuring a Texas star on its bow. This star represents Carnival's commitment to the Port of Galveston and the community.

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
Annual Comprehensive Financial Report
For the Year Ended December 31, 2023

Statistical Section Categories

The Board of Trustees of the Galveston Wharves

Condensed Statement of Net Position
Last Ten Fiscal Years

Description	2023		2022		2021	2020
Assets						
Unrestricted current assets	$ 49,097,161		$ 44,360,293		$ 34,652,944	$ 30,012,668
Restricted current assets	15,308,509		691,398		8,358,880	15,327,609
Properties and facilities, net	223,823,165		172,742,900		145,554,303	142,291,681
Other assets	247,232,390		202,394,458		838,008	1,062,113
Total assets	535,461,225		420,189,049		189,404,135	188,694,071
Deferred outflows of resources	2,152,040		399,996		258,202	363,085
Liabilities						
Current liabilities—payable from nonrestricted assets	36,640,261	(b)	31,860,033	(b)	21,796,198 (b)	8,859,598
Current liabilities—payable from restricted assets	9,011,623		4,555,664		5,896,515	3,885,000
Long term debt, net of current portion	60,502,615		16,967,729		18,597,202	26,597,547
Unearned revenues	-		-		1,079,635	1,282,067
Net pension liability	3,399,295		-		1,460,796	1,711,050
Total liabilities	109,553,794		53,383,426		48,830,346	42,335,262
Deferred inflows of resources	244,401,001		207,791,054		1,765,404	1,427,451
Net position						
Net investment in capital assets	152,289,923		145,377,881		126,137,940	119,342,702
Restricted for debt service	5,807,149		588,537		1,279,821	6,487,326
Unrestricted	25,561,398		13,448,147		11,648,826	19,464,415
Total net position	$ 183,658,470		$ 159,414,565		$ 139,066,587	$ 145,294,443

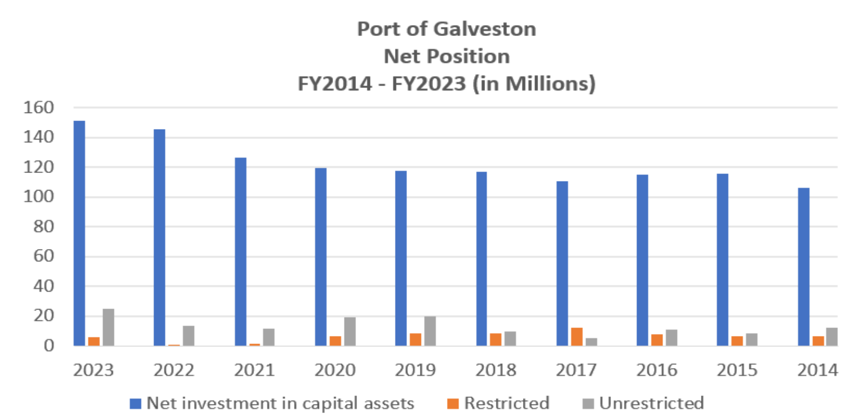
- Effective January 1, 2023, the Wharves implemented GASB Statement No. 96. Prior periods presented above were not restated.
- Effective January 1, 2022, the Wharves implemented GASB Statement No. 87. Prior periods presented above were not restated.
- Effective January 1, 2015, the Wharves implemented GASB Statements No. 68 and No. 71. The 2014 ending balance was restated for comparison purposes.

a. 2017 Restated
b. Beginning in 2021 liabilities include $10.7 million Demand Notice on Federal Public Assistance Grant 1791 (Hurricane IKE) received from TDEM under review by FEMA, which is reviewed and adjusted annually.

The Board of Trustees of the Galveston Wharves

Condensed Statement of Net Position
Last Ten Fiscal Years

2019	2018	2017		2016	2015	2014
$ 31,810,238	$ 19,731,195	$ 14,197,722	(a)	$ 18,183,941	$ 20,584,656	$ 21,289,662
17,400,813	17,099,839	18,642,035		19,900,725	27,796,300	34,491,857
145,631,402	149,793,852	147,820,443		152,026,032	147,901,820	136,548,043
1,261,259	1,460,406	1,659,552		1,858,698	2,057,844	2,256,990
196,103,712	188,085,292	182,319,752		191,969,396	198,340,620	194,586,552
1,177,383	984,558	1,409,876		1,146,128	451,726	540,004
10,219,523	8,688,028	8,865,980		5,414,459	10,558,641	7,900,565
6,773,387	4,971,216	4,823,336		4,420,000	4,250,000	4,115,000
28,948,200	35,535,886	36,505,594		43,709,763	48,638,548	52,707,229
1,484,498	1,686,930	2,075,676		2,337,245	2,522,265	2,665,129
3,906,450	2,442,467	3,525,318		3,147,175	2,478,716	2,547,577
51,332,058	53,324,527	55,795,904		59,028,642	68,448,170	69,935,500
-	846,633	83,707		228,612	133,961	142,594
117,664,207	116,705,066	110,603,904		115,231,634	115,312,854	106,323,197
8,563,972	8,408,718	11,995,924		7,869,709	6,704,602	6,321,160
19,720,858	9,784,906	5,250,189	(a)	10,756,927	8,192,759	12,404,105
$ 145,949,037	$ 134,898,690	$ 127,850,017		$ 133,858,270	$ 130,210,215	$ 125,048,462



The Board of Trustees of the Galveston Wharves

Condensed Statement of Changes in Net Position
Last Ten Fiscal Years

Description	2023	2022	2021	2020
Operating revenues	$ 67,538,148	$ 52,911,432	$ 31,172,106	$ 27,358,135
Operating expenses:				
Personnel services	14,469,719	9,926,696	9,600,288	8,650,301
Maintenance and operations	12,906,875	14,179,348	7,281,110	8,678,974
Sales and office	4,860,390	4,959,402	4,042,791	4,175,833
Depreciation and ammortization	10,691,546	7,889,262	7,011,940	6,677,873
Total operating expenses	42,928,530	36,954,708	27,936,129	28,182,981
Net operating income (loss)	24,609,618	15,956,724	3,235,977	(824,846)
Nonoperating revenue (expenses):				
Investment income	1,546,368	511,255	70,519	205,620
Other Income	49,050	29,330	319,089	45,917
Loss on lease modifications/terminations	(105,079)	-	-	-
Annual city payment (b)	(195,031)	(198,125)	(198,124)	(189,245)
Interest expense	(631,643)	(225,470)	(698,376)	(1,236,305)
Bond issuance costs	(1,171,544)	-	(269,754)	-
Other debt expense	-	-	-	-
Net gain (loss) on bad debts and disposal of equipment	(492,311)	(48,143)	(792,012)	(23,710)
U.S. Army COE-related expenses	-	-	-	-
Hurricane-related income (expenses) (c)	-	-	23,053	(63,359)
Other expenses	(382,446)	(160,668)	(10,745,473) (d)	-
Total nonoperating revenues (expenses)	(1,382,636)	(91,821)	(12,291,078)	(1,261,082)
Income (expense) before contributions	23,226,982	15,864,903	(9,055,101)	(2,085,928)
Capital grants and contributions	1,016,923	4,483,075	2,827,245	1,431,334
Changes in net position	$ 24,243,905	$ 20,347,978	$ (6,227,856)	$ (654,594)

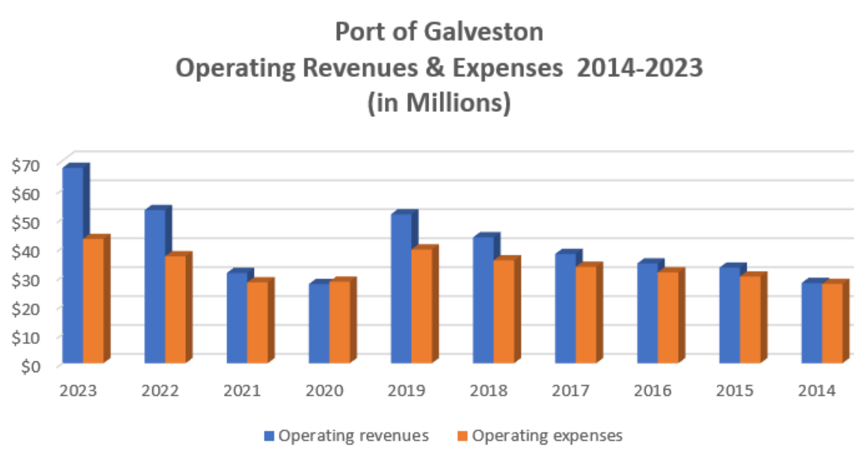
- Effective January 1, 2023, the Wharves implemented GASB Statement No. 96. Prior periods presented above were not restated.
- Effective January 1, 2022, the Wharves implemented GASB Statement No. 87. Prior periods presented above were not restated.
- Effective January 1, 2015, the Wharves implemented GASB Statements No. 68 and No. 71. The 2014 ending balance has been restated for comparison purposes.

a. Restated.
b. Effective in 2018, annual City payments for all years are being shown as nonoperating expenses rather than operating expenses. Only applies to PI Lot payment.
c. Effective in 2018, hurricane-related expenses for all years are classified as nonoperating expenses.
d. Includes $10.7 million Demand Notice on Federal Public Assistance Grant 1791 (Hurricane IKE) received from TDEM.

The Board of Trustees of the Galveston Wharves

Condensed Statement of Changes in Net Position
Last Ten Fiscal Years

2019	2018	2017	2016	2015	2014
$ 51,474,109	$ 43,514,516	$ 37,769,849	$ 34,488,872	$ 33,015,643	$ 27,711,092
9,494,870	8,281,310	7,972,059	8,462,458	8,891,974	8,858,156
15,019,177	12,773,845	11,772,312	10,987,938	9,005,438	8,911,837
8,413,703	7,935,356	6,865,712	5,412,002	6,046,520	3,804,123
6,370,852	6,546,854	6,705,570	6,549,259	6,005,248	5,837,831
39,298,602	35,537,365	33,315,653	31,411,657	29,949,180	27,411,947
12,175,507	7,977,151	4,454,196	3,077,215	3,066,463	299,145
519,163	280,987	347,353	288,856	232,073	225,801
18,011	-	-	-	-	-
-	-	-	-	-	-
(189,245)	(189,169)	(188,793)	(188,561)	(188,076)	(187,302)
(1,499,143)	(1,742,546)	(1,934,675)	(2,125,727)	(2,275,468)	(1,970,803)
-	-	-	-	-	-
-	-	-	-	-	(170,521)
(400,102)	-	-	-	3,279	-
-	(487,983)	-	-	-	-
(227,224)	(459,194)	(811,434) (a)	(552,828)	(569,808)	(1,963,657)
-	-	-	-	-	-
(1,778,540)	(2,597,905)	(2,587,549)	(2,578,260)	(2,798,000)	(4,066,482)
10,396,967	5,379,246	1,866,645	498,955	268,463	(3,767,337)
653,380	1,669,423	30,384	3,149,100	4,893,290	2,263,814
$ 11,050,347	$ 7,048,669	$ 1,897,029	$ 3,648,055	$ 5,161,753	$ (1,503,523)



The Board of Trustees of the Galveston Wharves

Operating Revenue Statement
Last Ten Fiscal Years

Description	2023	2022	2021	2020
Switching	$ 320,259	$ 577,768	$ 828,455	$ 961,886
*Wharfage	3,152,771	3,400,091	4,538,197	3,555,727
*Passenger charge	16,812,536	15,902,648	4,093,695	3,527,539
Parking fees	22,758,272	12,390,711	3,608,502	1,877,896
*Dockage	7,364,270	9,431,750	10,311,012	8,356,276
Ship service revenues	-	-	-	1,462,701
Revenue producing services	1,137,670	1,046,528	1,098,407	947,618
*Real Estate	11,884,646	6,384,155	4,728,063	4,827,199
Security cost recovery	1,964,353	2,249,296	1,485,559	1,214,248
Terminal access fees	1,848,961	1,444,449	447,079	254,700
Miscellaneous	294,410	84,035	33,137	372,345
Total operating revenues	$ 67,538,148	$ 52,911,432	$ 31,172,106	$ 27,358,135

- Effective January 1, 2022, the Wharves implemented GASB Statement No. 87, resulting in adjustments to wharfage, passenger charge, dockage, and real estate revenues (indicated by asterisks above).

The Board of Trustees of the Galveston Wharves

Operating Revenue Statement
Last Ten Fiscal Years

2019	2018	2017	2016	2015	2014
$ 724,899	$ 664,519	$ 556,646	$ 929,527	$ 1,067,920	$ 763,624
4,061,884	4,491,912	3,169,750	2,661,602	2,577,208	2,659,003
16,011,250	12,200,846	11,580,016	8,946,032	8,647,317	6,157,648
8,118,181	7,607,603	6,669,561	6,143,976	6,312,896	4,851,414
8,204,487	6,719,542	5,165,419	5,826,700	6,479,532	5,683,806
6,238,691	5,336,560	4,861,472	3,891,550	3,195,913	3,449,474
873,759	343,467	98,497	114,358	120,388	114,505
4,685,762	3,787,582	3,748,981	3,478,455	3,051,766	3,049,244
1,401,845	1,191,123	847,632	949,909	979,811	658,078
1,059,105	888,442	889,170	832,440	526,823	283,566
94,246	282,920	182,710	714,323	56,067	40,730
$ 51,474,109	$ 43,514,516	$ 37,769,854	$ 34,488,872	$ 33,015,641	$ 27,711,092

The Board of Trustees of the Galveston Wharves

Schedule of Ten Largest Revenue Generating Customers
Current Year and Nine Years Ago

	2023		
Rank	**Customer Name**	**Amount**	**Percent of Total Operating Revenues**
1	Carnival Cruise Lines	$ 14,650,665	22%
2	Royal Caribbean, Int'l.	7,031,737	10%
3	Disney Cruise Line	2,311,872	3%
4	Wallenius Wilhelmsen	2,144,420	3%
5	Metro Ports Suderman Contracting	1,457,053	2%
6	Gulf Copper	1,393,374	2%
7	Del Monte Fresh Produce	1,152,874	2%
8	ADM Grain Co.	1,033,581	2%
9	ISS Inchcape	731,496	1%
10	BIEHL Master	576,292	1%
	Total ten largest customers	32,483,364	48%
	Others	35,054,784	52%
	Total operating revenues	$ 67,538,148	100%

Source: Port of Galveston Records

The Board of Trustees of the Galveston Wharves

Schedule of Ten Largest Revenue Generating Customers
Current Year and Nine Years Ago

	2014		
Rank	Customer Name	Amount	Percent of Total Operating Revenues
1	Royal Caribbean, Int'l.	$ 4,911,490	18%
2	Carnival Cruise Lines	4,840,444	17%
3	ADM Grain Co.	1,510,864	5%
4	Del Monte Fresh Produce	1,314,187	5%
5	Wallenius Wilhelmsen	1,112,246	4%
6	Galveston Railroad	914,166	3%
7	Gulf Copper	904,433	3%
8	Agrilliance/CHS	858,643	3%
9	Pelican Island Storage Terminal Inc.	726,422	3%
10	Hoegh Autoliners Inc.	677,517	2%
	Total ten largest customers	17,770,410	64%
	Others	9,940,682	36%
	Total operating revenues	$ 27,711,092	100%

The Board of Trustees of the Galveston Wharves

Debt Service Schedule

Year Ending December 31	Revenue Bonds, Series 2023	Direct Placements, Series 2021	* US Army Corps of Engineers Debt	Total Principal and Interest Requirements
2024	$ 4,257,179	$ 4,727,801	$ 131,455	$ 9,116,435
2025	4,254,425	4,732,566	131,455	9,118,446
2026	4,256,738	784,635	131,455	5,172,828
2027	4,254,588	-	131,455	4,386,043
2028	4,252,975	-	131,455	4,384,430
2029-2033	21,278,238	-	657,275	21,935,513
2034-2038	21,274,713	-	657,275	21,931,988
2039-2043	21,273,800	-	657,275	21,931,075
2044-2048	-	-	655,972	655,972
	$ 85,102,654	$ 10,245,002	$ 3,285,072	$ 98,632,730

*Debt from the US Army Corps of Engineers represents 10% of the cost of previously constructed Galveston Harbor and Federal Channel Deepening to 45 mean lower low water. Estimated cost was $3,295,466 payable beginning in 2019 over a period not to exceed 30 years.

The Board of Trustees of the Galveston Wharves

Schedule of Long-Term Debt
Last Ten Fiscal Years

Fiscal Year	Revenue Bonds	Direct Placements	Contracts Payable	Notes Payable	Capital Leases	US Army Corps of Engineers Debt	Total	Percentage of Personal Income	Dollars Per Capita
2014	$ -	$ 23,726,023	$ 16,571,412	$ 14,339,294	$ 2,602,368	$ -	$ 57,239,097	4%	$ 2,167
2015	-	22,204,953	14,013,026	14,180,080	2,344,712	-	52,742,771	4%	2,016
2016	-	20,623,883	11,393,206	13,853,370	2,076,562	-	47,947,021	4%	1,798
2017	-	18,972,813	8,687,611	13,602,884	1,797,486	-	43,060,794	3%	1,574
2018	-	17,241,744	6,136,456	13,174,959	-	-	36,553,159	3%	1,295
2019	-	15,425,674	3,144,637	13,000,000	-	-	31,570,311	2%	1,062
2020	-	13,519,604	-	13,000,000	-	-	26,519,604	2%	872
2021	-	20,548,879	-	-	-	3,532,211	24,081,090	1%	642
2022	-	14,652,364	-	-	-	3,401,817	18,054,181	1%	481
2023	51,460,000	10,096,700	-	-	-	3,271,450	64,828,150	3%	1,638

The Board of Trustees of the Galveston Wharves

Pledged Net Revenue Coverage
Last Ten Fiscal Years

Description	2023	2022	2021	2020	2019
Operating revenues	$ 67,538,148	$ 52,911,432	$ 31,172,106	$ 27,358,135	$ 51,474,109
Operating expenses	42,928,530	36,954,708	27,936,129	28,182,981	39,298,602
Net operating income (loss)	24,609,618	15,956,724	3,235,977	(824,846)	12,175,507
Add:					
Miscellaneous income	49,050	29,330	342,142	45,917	18,011
Investment income	1,546,368	511,255	70,519	205,620	519,163
Depreciation and amortization	10,691,546	7,889,262	7,011,940	6,677,873	6,370,852
Subtract:					
Non-Cash portion of GASB 87 and 96	(7,066,083)	-	-	-	-
	(7,066,083)	-	-	-	-
Total net revenues	$ 29,830,499	$ 24,386,571	$ 10,660,578	$ 6,104,564	$ 19,083,533
Annual debt service	$ 4,719,066	$ 6,120,923	$ 5,470,772	$ 5,397,680	$ 6,459,743
Debt service coverage	6.32	3.98	1.95	1.13	2.95

- Effective January 1, 2023, the Wharves implemented GASB Statement No. 96. Prior periods presented above were not restated
- Effective January 1, 2022, the Wharves implemented GASB Statement No. 87. Prior periods presented above were not restated.
- Per GASB clarifications issued, the Port reduced net revenues for non-cash portions of GASB 87 and 96. The prior period was not restated.

The Board of Trustees of the Galveston Wharves

Pledged Net Revenue Coverage
Last Ten Fiscal Years

Description	2018	2017	2016	2015	2014
Operating revenues	$ 43,514,516	$ 37,769,849	$ 34,488,872	$ 33,015,643	$ 27,711,092
Operating expenses	35,537,365	33,504,448	31,600,218	30,137,256	27,599,249
Net operating income (loss)	7,977,151	4,265,401	2,888,654	2,878,387	111,843
Add:					
Miscellaneous income	-	-	-	-	-
Interest income	280,987	347,353	288,856	232,073	225,801
Depreciation	6,546,854	6,705,572	6,549,259	6,005,248	5,837,831
Subtract:					
Non-Cash portion of GASB 87 and 96	-	-	-	-	-
	-	-	-	-	-
Total net revenues	$ 14,804,992	$ 11,318,326	$ 9,726,769	$ 9,115,708	$ 6,175,475
Annual debt service	$ 6,549,453	$ 6,447,362	$ 6,444,562	$ 6,450,236	$ 5,513,294
Debt service coverage	2.26	1.76	1.51	1.41	1.12

The Board of Trustees of the Galveston Wharves

Demographic and Economic Statistics
Last Ten Years

Fiscal Year	Estimated Population (1)	Per Capita Personal Income (1)	Personal Income (in $000's) (1)	Median Age (1)	Education Level in Years of Formal Schooling (1)	School Enrollment (2)	Unemployment Rate (3)
2014	48,733	26,410	1,287,039	38.8	12	6,800	5.6%
2015	49,608	26,164	1,297,944	37.3	12	6,813	6.3%
2016	50,180	26,665	1,338,050	36.3	12	6,976	4.8%
2017	50,550	27,366	1,383,351	37.0	12	6,884	5.0%
2018	50,497	28,227	1,425,379	36.6	12	7,017	4.5%
2019	50,457	29,733	1,500,238	39.4	12	7,015	3.6%
2020	50,446	30,406	1,533,861	37.8	12	7,041	3.9%
2021	53,695	30,406	1,632,650	38.2	12	6,648	5.4%
2022	53,219	37,530	1,997,309	39.4	12	6,691	4.5%
2023	53,695	39,573	2,124,872	40.3	12	6,650	3.9%

Data Sources (all obtained from the City of Galveston and City-Data.com):

Source: (1) United States Census Bureau and City-Data.com
(2) Galveston Independent School District
(3) United States Census Bureau and Texas Workforce texaslmi.com

Note: Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average.

The Board of Trustees of the Galveston Wharves

Principal Employers in the City of Galveston
Current Year and Nine Years Ago

	2023			2014		
Employer	Employees	Rank	Percent of Total Employment	Employees	Rank	Percent of Total Employment
University of Texas Medical Branch	9,627	1	33.86%	11,534	1	50.47%
Landry's Resturants	1,980	2	6.96%	1,300	3	5.69%
Galveston Independent School District	1,218	3	4.29%	1,366	2	5.98%
Schlitterbahn - 3	1,035	4	3.64%	286	11	1.25%
Galveston County (on Island only)	991	5	3.49%	864	5	3.78%
American National Insurance Companyn - 1	934	6	3.29%	866	4	3.79%
Moody Gardens - 2	883	7	3.11%	810	6	3.54%
City of Galveston	812	8	2.86%	722	7	3.16%
Texas A&M University at Galveston	731	9	2.57%	423	9	1.85%
USACOE	415	10	1.46%	-		0.00%
Mitchell Historic Properties	-		0.00%	460	8	2.01%
Galveston College	-		0.00%	300	10	1.31%
All others	9,795		34.46%	-		0.00%
	28,421		100.00%	18,931		82.83%

Source: GEDP, City of Galveston research efforts.
1. Based on 2022 Data.
2. This includes peak employment totals. Year round employment is 753.
3. This includes peak employment totals.

The Board of Trustees of the Galveston Wharves

Tonnage Handled Through Facilities, Port Activity, Inward/Outward
Last Ten Fiscal Years

Description	2023	2022	2021	2020
Bulk grain	261,808	729,203	1,246,542	1,473,271
Bulk fertilizer	155,022	229,295	390,868	273,569
Bulk liquid	2,015,645	1,965,982	1,989,260	1,393,261
Other bulk cargoes	442	-	-	39,703
Bananas and other fruit	607,615	559,084	594,012	606,624
Other general and RoRo Cargo	601,197	533,041	622,701	479,335
Livestock	2,901	2,392	2,937	1,859
Total tons handled	3,644,630	4,018,997	4,846,320	4,267,622
Inward	3,099,005	2,995,253	3,246,009	2,444,617
Outward	545,625	1,023,744	1,600,311	1,823,005
Total inward and outward	3,644,630	4,018,997	4,846,320	4,267,622
Number of vessels, including ships and barges	953	925	943	813

The Board of Trustees of the Galveston Wharves

Tonnage Handled Through Facilities, Port Activity, Inward/Outward
Last Ten Fiscal Years

2019	2018	2017	2016	2015	2014
647,328	839,395	734,932	2,466,931	3,073,498	1,553,860
540,096	603,701	455,945	565,277	620,731	721,562
1,574,339	1,544,103	1,225,701	1,303,459	904,659	1,666,465
-	-	-	-	-	-
568,860	534,412	484,661	486,797	520,697	504,542
687,215	581,779	486,296	383,320	483,722	495,067
-	-	-	-	-	-
4,017,838	4,103,390	3,387,535	5,205,784	5,603,307	4,941,496
3,043,447	3,069,352	2,342,006	2,631,508	5,296,181	3,103,258
974,391	1,034,038	902,805	2,574,276	307,126	1,838,238
4,017,838	4,103,390	3,244,811	5,205,784	5,603,307	4,941,496
1,023	840	734	752	810	846

The Board of Trustees of the Galveston Wharves

Cruise Traffic
Last Ten Fiscal Years

Year	Cruise Ship Calls	Cruise Passengers	Vehicles Parked
2014	181	641,650	87,422
2015	232	834,616	112,363
2016	235	868,923	105,108
2017	255	938,198	116,211
2018	268	989,220	113,484
2019	297	1,091,622	114,042
2020*	63	225,643	21,115
2021*	127	282,545	37,679
2022	324	1,041,407	143,907
2023	354	1,490,532	210,244

* The cruise lines voluntarily suspended operations at the Port of Galveston due to the worldwide COVID-19 pandemic beginning on March 12, 2020, and did not resume until July of 2021

Source: Port of Galveston Records

The Board of Trustees of the Galveston Wharves

Number of Employees and Gross Wages Paid
Last Ten Fiscal Years

Year	Number of Employees (Maintenance)	Number of Employees (Security)	Number of Employees (Administration)	Average Number of Employees (a)	Gross Wages Paid (b)
2014	18	42	33	93	$ 5,266,610
2015	19	43	34	96	5,683,543
2016	21	43	40	104	5,956,898
2017	20	41	32	93	5,437,350
2018	20	33	33	86	5,322,593
2019	20	27	35	82	5,593,528
2020	23	28	38	89	5,654,513
2021	26	29	36	91	5,923,588
2022	25	34	37	96	6,821,426
2023	27	41	41	109	8,890,281

a. Based on quarterly Bureau of Labor Statistics reports.
b. Includes straight time and over time.

The Board of Trustees of the Galveston Wharves

Operating Facilities
December 31, 2023

Vehicle Processing Center (VPC)	VPC for BMW located on 19.7 acres in Foreign Trade Zone Number 36. The VPC services 42 BMW and Mini Cooper Dealers in the states of Texas, Oklahoma, Louisiana and Arkansas.
Cruise Terminal 10	Home port to Royal Caribbean International, including a new 120,000 square foot purpose built terminal building, and 10 acres of on-site ground parking with associated roadways, traffic signals, lighting, landscaping, shuttle system and pedestrian walkways. The terminal also features upgraded wharf and mooring equipment to support Oasis Class vessels.
Refrigerated Warehouse and Distribution Center/Terminal at Pier 16-18	Services importation of refrigerated bananas and other fruit and produce. Quick access to Interstate Hwy. 45. Phase I and Phase II expansion projects completed in 2009. Phase III expansion project was completed in 2011. Phase IV and V expansion projects completed in 2012. Pier 18 expansion (40 feet wide by 600 feet long) completed 2012. Pier 16 expansion (40 feet wide by 600 feet long) completed 2013. Uplands acreage expanded (2 acres) in 2015. Additional land added under lease in 2017.
Pier 21 Harborside Development	Retail/wholesale waterfront commercial development of outlets for the sale and provision of goods and services to the public: hotel, restaurants, residential rental units, offices, museums and a small boat basin for the docking of pleasure craft and recreational vessels, together with related offices, parking facilities and other facilities, incidental, or pertinent, to these operations.
Texas Cruise Ship Terminals On Galveston Island®	Home port to Carnival Cruise Line . Seasonal home port to Disney Cruise Line, Princess Cruise Line and Norweigan Cruise Line. Highest cruise passenger volume on the Gulf Coast. Fourth largest (by volume) cruise port in North America. Parking available for passengers on all cruises, including on-site parking. Ability to take on additional cruise lines and passengers. Expansion of mooring capabilities at Cruise Terminal 25 to accommodate the largest Carnival Cruise Line vessel was completed in early 2018. Expansion of Cruise Terminal 27 to accommodate larger cruise vessels completed in 2016. Expansion of Cruise Terminal 25 to accomodate up to 17,000 passengers was completed in December 2023.
Export Grain Elevator at Pier 30-32	Handles grain exports from U.S. Midwest and Southwest regions, serviced by BNSF Railway and Union Pacific Railroad. Storage capacity 3,200,000 bushels. Railcar unloading capacity of 1,600 MT per hour; Vessel loading capacity of 2,000 MT per hour. Facility rail expansion completed in 2012 to allow handling of three shuttle trains of 100 rail cars each. ADM ceased operations in July 2023, the lease was fully terminated on January 31, 2024. The Port stopped handling grain effective September 30th, 2023.

The Board of Trustees of the Galveston Wharves

Operating Facilities
December 31, 2023

Pier 34 Project and General Cargo Terminal	General cargo terminal facility with substantial adjacent open storage area, including unloading, loading and trans-shipping structural members and components for wind-powered electric generating windmills, containers and livestock, and 14 acres of FTZ-036 zone. Construction of specialized rail ladder track for the loading and unloading of rail cars with energy-related and over-dimensional cargo completed in 2012.
Pier 35 Bulk Cargo Terminal-Fertilizer	Operated by CHS, Inc. a major importer of bulk urea fertilizer. Facility has storage capacity of 70,000 short tons. Serviced by BNSF and Union Pacific Railroads. Facility rail track expansion to handle shuttle trains completed in 2012.
West End RoRo and General Cargo Piers 37-40	Services major RoRo cargo ship ocean lines. Major Roll-on/Roll-off (RO-RO) Hub Port on Gulf Coast. Totals 45 acres, including 7.26 acres for FTZ Zone 36, Caterpillar EPC, and LNG Export. Also transloading military household goods for ARC.
The Old Navy Dock on adjacent Pelican Island	Tenant offers a full range of maritime support services including salvage and emergency pollution response solutions for worldwide deployment.
Shipyard Operation on adjacent Pelican Island	Property is 110 acres plus docks, piers and dry-dock facility operated by a major Port tenant. Facility repairs oil rigs, ships, barges and research vessels.
Pelican Island Storage Terminal, Inc.	Liquid bulk terminal operated by Port tenant moving carbon black and heavy fuels. Tank storage capacity is 2.3 million barrels.

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
Annual Comprehensive Financial Report
For the Year Ended December 31, 2023

Cruise Terminal 10 was recognized with a Landmark Award from the Houston Business Journal on April 21st, 2023. The HBJ editorial staff nominated the project in the Special Projects category as a real estate project having a significant impact on the Houston area.

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES

PART IV

FEDERAL AND STATE SINGLE AUDIT SECTION

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
Annual Comprehensive Financial Report
For the Year Ended December 31, 2023

A State Single Audit was not required in 2023 due to the Port of Galveston not meeting the $750,000 threshold for a State Single Audit.

Wind Tower Parts at Port of Galveston, Texas

The Board of Trustees of the Galveston Wharves

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Pass-Through to Subrecipient	Expenditures
U. S. Department of Homeland Security				
Direct Programs				
Port Security Grant Program	97.056	EMW-2019-PU-00231-S02	$ -	$ 6,664
Port Security Grant Program	97.056	EMW-2020-PU-00396-S01	-	662,804
Port Security Grant Program	97.056	EMW-2020-PU-00396-S02	-	18,756
Port Security Grant Program	97.056	EMW-2021-PU-00502-S01	-	228,272
Port Security Grant Program	97.056	EMW-2022-PU-00217-S02	-	15,007
Total Direct Programs			-	931,503
Passed through Governor's Division of Emergency Management				
Disaster Grants - Public Assistance (Presidentally Declared Disasters)	97.036	329EM/1791DR	-	325,717
Total passed through Governor's Division of Emergency Management			-	325,717
Total U.S. Department of Homeland Security			-	1,257,220
U.S. Department of Housing and Urban Development				
Direct program				
Hazard Mitigation Plan	14.228	HMP 22-130-027-D983	-	44,640
Total Direct Program			-	44,640
Total U.S. Department of Housing and Urban Development			-	44,640
Total Expenditures of Federal Awards			$ -	$ 1,301,860

The accompanying notes are an integral part of this schedule

The Board of Trustees of the Galveston Wharves

Notes to Schedule of Expenditures of Federal Awards
December 31, 2023

Note 1: Basis of Presentation

The companying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal activity of The Board of Trustees of Galveston Wharves (the Port) under programs of the federal government for the year ended December 31, 2023. The information in the Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Port, it is not intended to and does not present the financial position, changes in net position or cash flows of the Port.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Port has elected not to use the 10-percent de minimis indirect cost rate, as allowed under the *Uniform Guidance* for the period ending December 31, 2023.

FORV/S

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
The Board of Trustees of the Galveston Wharves
Galveston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities and fiduciary activities of the Board of Trustees of the Galveston Wharves (the Port), a component unit of the City of Galveston, as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated April 26, 2024, which included an "Emphasis of Matter" paragraph for the adoption of a new accounting standard.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

FORVIS, LLP

Houston, Texas
April 26, 2024

FORVIS

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Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance

Independent Auditor's Report

Board of Trustees
The Board of Trustees of the Galveston Wharves
Galveston, Texas

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited The Board of Trustees of the Galveston Wharves' (Port) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Port's major federal program for the year ended December 31, 2023. The Port's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Port complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Port and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Port's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Port's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Port's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Port's compliance with the requirements of the major federal program as a whole.

- In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Port's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Port's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

FORVIS, LLP

Houston, Texas
April 26, 2024

The Board of Trustees of the Galveston Wharves

Federal Awards
Schedule of Findings and Questioned Costs
Year Ended December 31, 2023

Section I – Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:

   Material weakness identified? ☐ Yes ☒ No

   Significant deficiency identified? ☐ Yes ☒ None Reported

   Noncompliance material to the financial statements noted?

   ☐ Yes ☒ No

Federal Awards

3. Internal control over major awards programs:

   Material weakness identified? ☐ Yes ☒ No

   Significant deficiency identified? ☐ Yes ☒ None Reported

4. Type of auditor's report issued on compliance for major award programs:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

5. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

   ☐ Yes ☒ No

6. Identification of major federal programs:

   97.056 Port Security Grant Program

The Board of Trustees of the Galveston Wharves

Federal Awards
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2023

7. Dollar threshold used to distinguish between Type A and Type B programs:

Federal	$750,000

8. Auditee qualified as a low-risk auditee?

Federal	☐ Yes	☒ No

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

The Board of Trustees of the Galveston Wharves

Federal Awards
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2023

Summary Schedule of Prior Audit Findings

Reference Number	Summary of Finding	Status
2021-001	Accounting and Reporting for Contingent Liabilities	Resolved

GALVESTON WHARVES

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