



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2025

**THE BOARD OF TRUSTEES
OF THE GALVESTON WHARVES**

A Component Unit of the City of Galveston, Texas





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WHARVES

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
A Component Unit of the City of Galveston, Texas
Annual Comprehensive Financial Report
For the Year Ended December 31, 2025



Port of Galveston, Texas

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For the Year Ended December 31, 2025



Fiscal Year Ended
December 31, 2025

Prepared By:
Finance Department

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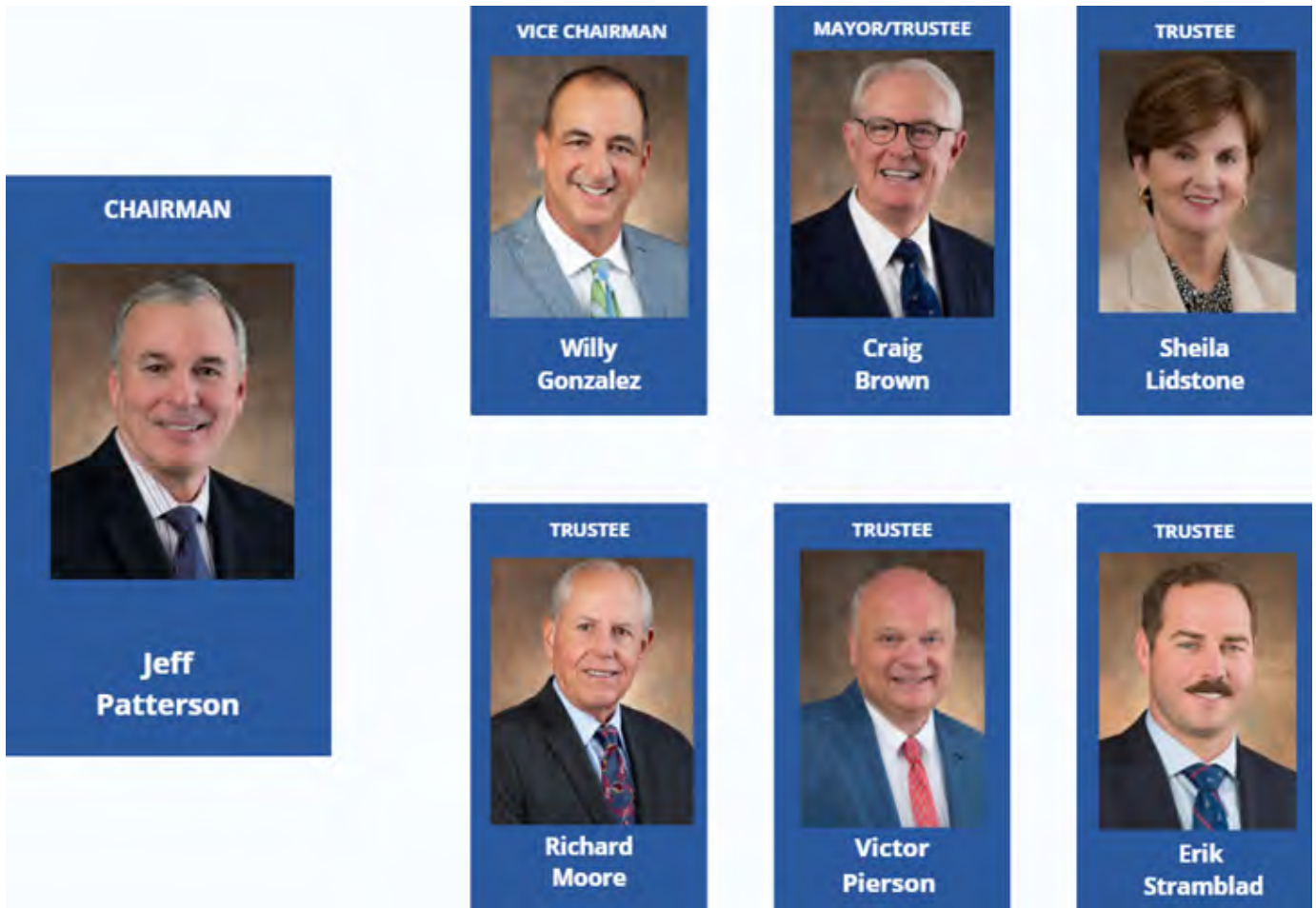
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INTRODUCTORY SECTION

Directory of Officials

2025 Board of Trustees of the Galveston Wharves



Directory of Officials (continued)

BOARD OF TRUSTEES

Jeff Patterson, Chairman
Willy Gonzalez, Vice Chairman
Dr. Craig Brown, Trustee/Mayor
Sheila S. Lidstone, Trustee
Richard Moore, Trustee
Victor Pierson, Chairman
Erick Stramblad, Trustee

OFFICERS AND EXECUTIVE STAFF

Rodger Rees, Port Director/CEO
Brett Milutin, Deputy Executive Director – Port Operations
Angie Anderson, Executive Assistant to Port Director/CEO – Secretary, Board of Trustees
Mark R. Murchison, Chief Financial Officer – Treasurer, Board of Trustees
Jeffrey Thomas, Chief Engineer
Julio DeLeon, Director of Port Mobility
Kenneth Brown, Chief of Police
Charles Varnado, Director of Security Management
William Dell, Director of Cruise Operations
Laura Camcioglu, Director of Special Projects
Brenda Lambright, Human Resource Manager

GENERAL COUNSEL

Anthony P. Brown
McLeod, Alexander, Powel & Apffel, P.C.

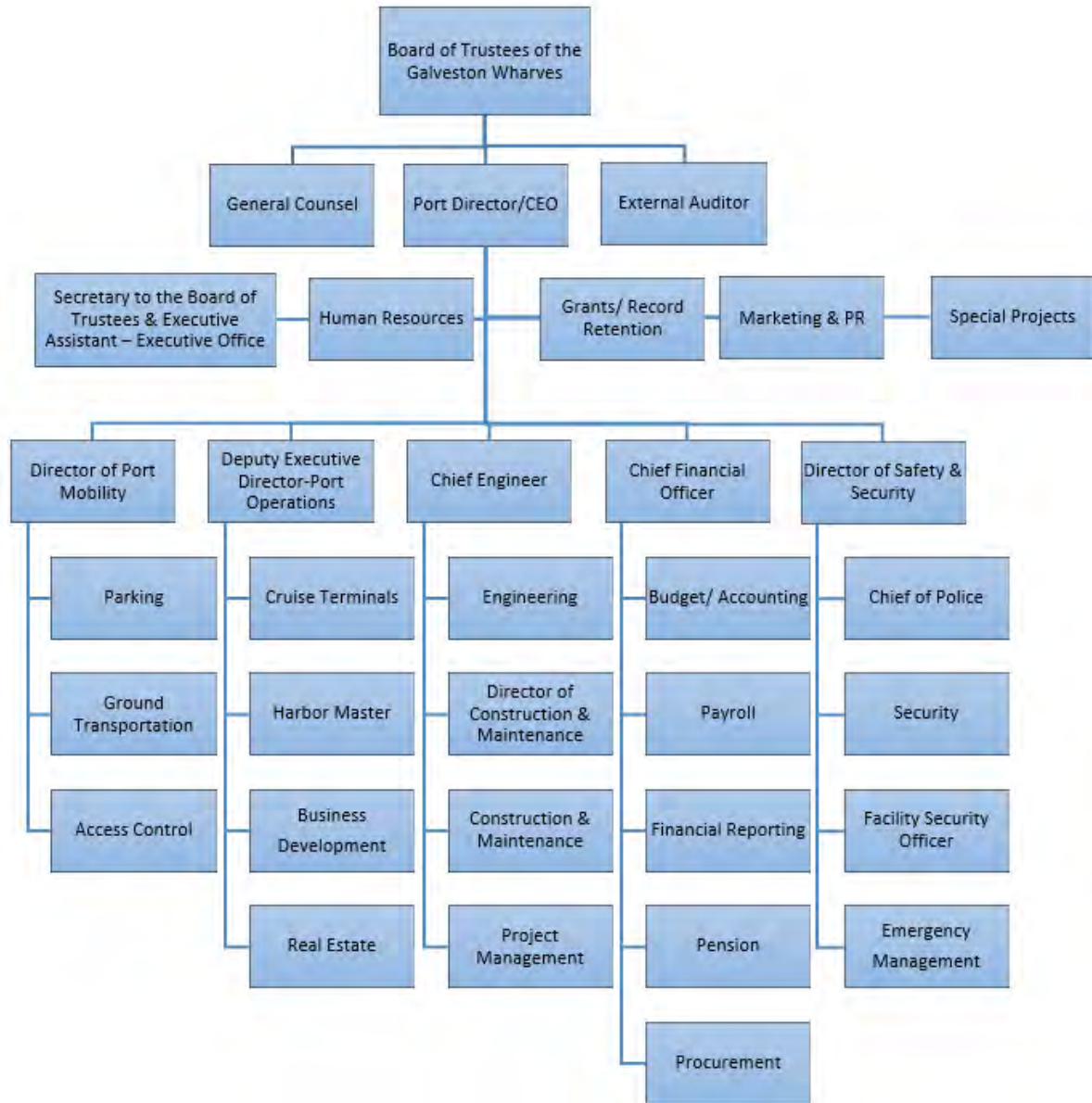
BOND COUNSEL

Bracewell & Giuliani, L.L.P.

AUDITORS

Forvis Mazars, LLP.

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

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MSC Seascope arrives in Port of Galveston, Texas, November 2025



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 21, 2026

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, 2025. 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, 2025. 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 and the State of Texas Single Audit in 2025. The report related to the Single Audit Act is included with the 2025 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

On October 17, 1825, the Port of Galveston was officially established by a proclamation issued by the Congress of Mexico, at a time when the region known as Texas, then called Tejas, still belonged to Mexico. As of 2025, the Port's history spans two full centuries. Its story is rich enough to fill a book, filled with tales of pirates, naval battles, prosperity, and resilience leading up to its bicentennial. Today, the Port of Galveston stands as the oldest port on the Gulf of America west of New Orleans.

The Port played a vital commercial and military role in the Texas Republic's battle for independence from Mexico. Its harbor was home to the Texas Navy, a squadron of four sailing vessels, which contributed to Sam Houston's success over General Antonio López de Santa Ana at the Battle of San Jacinto in 1836.

As the natural harbor grew in prominence, the City of Galveston, Texas founded in 1839, grew around the Port. By the 1870s, the Port of Galveston was a major U.S. commercial center with far-reaching maritime and rail connections. This fact helped Galveston win \$6.2 million in federal funding in 1890 to become a deepwater port. By 1899, the Port was the world's foremost cotton port.

In 1940, the citizens of Galveston voted to buy the privately held port properties to become a self-sustaining city entity, which it remains today.

Since then, the Port has marked several significant milestones, including the federal deepening of the harbor from 36 to 40 feet in 1976, the arrival of longtime tenant Wallenius Lines in 1995, and the 2000 debut of the *Carnival Celebration*, the first cruise ship to home port in Galveston.

Today, the 840-acre port is a thriving commercial center with infrastructure and assets to serve growing cruise, cargo, and commercial businesses. The Port is the fourth most popular cruise home port in the U.S., hosting five major cruise lines and more than 3.6 million cruise passenger movements a year.

The Board of Trustees of the Galveston Wharves (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 therefrom, 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 America, which is at the entrance to Galveston Bay and the Houston Ship Channel. The Port occupies 840 acres on Galveston and Pelican Island. 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. In 2025, the U.S. Army Corps of Engineers began the Galveston Harbor Channel Extension which will lengthen the channel 3,000 feet and bring the channel to full depth of 46 feet. The project will be completed in 2026. 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 416 sailings in 2025 with 3,561,353 passenger movements, which include passenger embarkations and debarkations. In 2026, 447 sailings are expected. The Port operates four cruise terminals: Cruise Terminal 25, which underwent major renovations in 2023 and primarily serves Carnival Cruise Line; Cruise Terminal 28; Cruise Terminal 10, opened in November 2022 to serve Royal Caribbean; and Cruise Terminal 16, opened November 7, 2025, to serve MSC and Norwegian cruise lines. The Port also owns and operates 8,800 cruise parking spaces to support all cruise operations.

The Port leases and maintains a wide range of cargo facilities on the Federal Channel, which is ranked among the top 40 busiest U.S. cargo waterways. In 2025, the Port moved 2.9 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 12,508 linear feet of developed waterfront and 17 berths. More than 307 acres of Port-owned land are available for development.

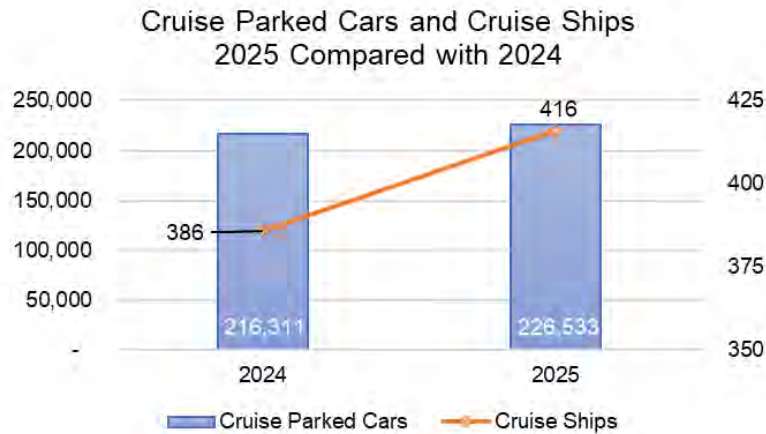
Budgetary Process

During the fourth quarter of each year, the Board of Trustees adopts an annual budget for the upcoming fiscal period, which runs from January 1 through December 31. This budget is developed using the Port's recommended tariff rates, projected revenues, operating expenses, debt service requirements, and capital improvement plans. If circumstances arise that cause actual results to differ significantly from the approved budget, the Board of Trustees may adopt an amended budget to reflect those changes. In June 2025, an amended budget was adopted by the Board of Trustees.

Results of operations are reviewed monthly by an operational and functional management team, which is held accountable for performance. Actual results compared with budgeted figures are also reported each month to the Port of Galveston's Board of Trustees, which provides additional oversight and holds management responsible for outcomes. Through this structured reporting process, the Port continues to promote sound financial stewardship and effective management practices.

Local Economic Condition and Outlook

The Port welcomed a record setting 416 cruise ships, 3,561,353 cruise passenger movements, and 226,533 cruise cars parked. The following graph shows cruise parked cars and cruise ships for 2025 compared with 2024:



The Port has 8,800 parking spaces, of which the majority is used for Cruise Parking Operations. This includes 3,928 Economy Lots, Express, and garage parking spaces used primarily for Cruise Terminal 25 and 28 operations along with the Cruise Terminal 16 parking garage. The Port also provides parking spaces to support the fishing charters, restaurant tenants, as well as The Strand retail and restaurant employees.

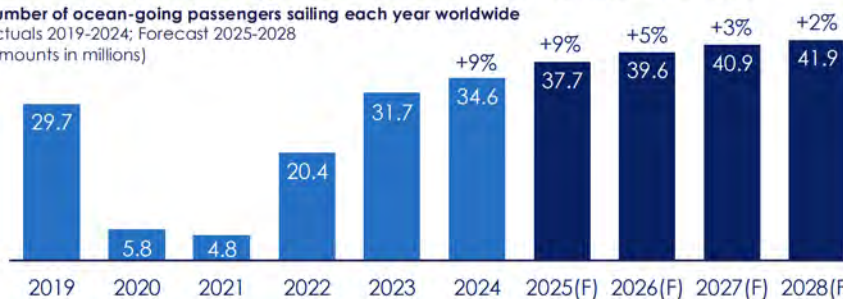
Interior roadways are being expanded to aid in traffic control at the four cruise terminals in conjunction with the grant received from the Texas Department of Transportation (TxDOT). The final 2 phases of the interior roadways adjacent to Port property, as outlined in the Port's strategic master plan, are underway and planned for completion in the next two years.

According to the Cruise Lines International Association's (CLIA) *State of the Cruise Industry May 2025*, the global cruise industry is strong and resilient with consistent and steady growth over the past 50 years. Cruise passengers increased from 31.7 million in 2023 to 34.6 million in 2024. CLIA forecasts continued expansion, with passenger volume projected to approach 42 million by 2028.

CRUISE OUTLOOK AND FORECAST

42 million passengers are forecast to sail in 2028

Number of ocean-going passengers sailing each year worldwide
Actuals 2019-2024; Forecast 2025-2028
(amounts in millions)



Very strong short-term forecast on the basis of new high-capacity ships deployed in popular destinations, with slightly shorter average durations for those high-capacity ships, during 2024 & 2025.

Forecast slows as current understanding of additions to global fleet capacity show tapering off in the future

Source: 2019-2024 CLIA, One reSource Passenger Database, April 2025;
Forecast Information via Tourism Economics Cruise Intelligence Platform

CRUISE LINES INTERNATIONAL ASSOCIATION |

According to CLIA, the cruise sector generated a global economic impact of \$169 billion in 2023, supporting 1.6 million jobs worldwide. Every 20 cruise passengers supports one-full-time equivalent job, adding value before, during, and after sailing. Locally, the Port of Galveston continues to benefit from being Texas' only cruise home port, driving tourism spending, job creation, and business activity throughout the region.

THE PRESENT AND FUTURE VALUE OF CRUISE TOURISM

2023 Global Economic Impact



Source: 2023 Global Cruise Economic Impact Study, January 2025

CRUISE LINES INTERNATIONAL ASSOCIATION |

Strategic Planning and Capital Investment

The Port of Galveston updated and approved its 20-year Master Plan with the assistance of Bermello Ajamil & Partners, Inc., to guide Port growth. Based on 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.

- **East Port Projects** - The Port completed its fourth cruise terminal complex in the Pier 16 area, placing Cruise Terminal 16 and its associated parking facilities into service in November 2025. Both MSC and Norwegian cruise lines now home port at this location. The complex includes a modern cruise terminal, a structured parking garage, and additional ground-level parking. Funding for Cruise Terminal 16 and the parking complex was secured through debt issued as part of a 2024 bond offering.
- **Mid Port Projects** - The Port began work on a section of interior roadway in its central commercial district, supported by a TxDOT grant. It also advanced the restoration of the skywalk over Harborside Drive, which connects a Port parking garage to the area just outside Cruise Terminal 25, funded through a separate TxDOT grant. In addition, the Port completed roadway upgrades along Wharf Road using its own cash reserves.
- **West Port Projects** - The Port broke ground in 2024 on a series of infrastructure projects to expand and enhance its West Port Cargo Complex. These five initiatives are designed to increase usable acreage for cargo operations and to construct a new berth. In 2025, the Port completed the demolition of a decommissioned grain elevator, clearing the way for further development. Additional ongoing work includes paving and roadway upgrades, enclosing two outdated slips, and filling another. These improvements are funded through a combination of a state grant and Port cash reserves, supported in large part by revenue from the Port's growing cruise business.
- **Other Grants** - The Port of Galveston also received approval for a Federal Port Security Grant to support the Cybersecurity enhancement for Port infrastructure and security system maintenance and sustainment. The Port will continue to pursue Federal Port Security Grants, TxDOT grants, and local Industrial

Development Corporation (IDC) grants to advance its security and infrastructure initiatives. These grants vary in structure, ranging from fully funded awards to those requiring a Port cost share of 25 percent or more. In most cases, Port Security Grants require a 25 percent Port match.

Port Economic Impact

Public and private terminals on Galveston Harbor had a combined \$7.3 billion total economic value and generate almost 24,000 cruise and cargo related jobs statewide in 2023, according to a study conducted by Martin Associates for the Texas Ports Association.

City of Galveston Local Impact

The Port made payments to the City of Galveston, Texas including apportioned sales taxes, totaling \$3.2 million in 2025. The largest payments to the city include long-term parking fees of \$1.3 million, local sales taxes of \$0.7 million and cruise passenger charges of \$0.9 million from the cruise lines to the City. The Port made payments to other Galveston vendors of \$39.4 million in 2025, which represents 18.8 percent of Port operating payments.

Green Marine Initiative

In 2019 the Port of Galveston joined and began seeking certification from Green Marine. The Green Marine journey took us to certification in the voluntary environmental program in 2021. With the commitment of our Board of Trustees and staff, we're identifying opportunities for environmental initiatives unimagined just a few years ago. Green Marine helps guide the Galveston Wharves and others in the North American maritime industry who want to reduce their environmental footprints in areas like air and water pollution, waste management, and community impacts. To maintain Green Marine certification, the Port must benchmark our annual environmental performance through Green Marine's self-evaluation guides and show improvement each year. The results are confirmed by an accredited external verifier and published by Green Marine. Notable accomplishments in 2025 include the following:

- **Shore power to improve air quality:** The Port has completed procurement for our state grant from TCEQ to fund a microgrid pilot project to bring shore power for cargo ships. Progress has been made on a final project cost estimate and contract negotiations to provide shore power to cruise ships while docked in Galveston.
- **Greenhouse gases study:** After establishing a baseline for measuring greenhouse gases at the port, we established performance targets and strategies to reduce emissions.
- **Water quality plans:** The Port developed a Storm Water Pollution Prevention Plan to prevent and/or reduce pollutants in stormwater discharges from waterfront construction sites.
- **Renewable energy:** The Port has transitioned to an electricity provider that sources 100-percent renewable energy.

In 2026, the Port will build on goals around air quality, clean energy, waste reduction and community leadership.

- **Air quality** objectives include continuing to measure greenhouse gases (GHGs), implement measures to reduce GHGs and establish performance measures.
- **Clean energy** targets support making progress on our shore power microgrid project, begin engineering, and complete contract negotiations for cruise ship shore power.
- **Waste reduction** goals involve expanding our port recycling program, finding ways to reduce how much goes to the landfill, and running a recycling pilot program within cruise terminals.
- **Community leadership** encourages partnerships with port tenants and community groups on environmental programs, such as an Arbor Day event.

These programs strengthen our relationships with our business partners and the community, while making positive, long-term environmental impacts.

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, 2024. This was the 31st 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 2025 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.

Relevant Financial Policies

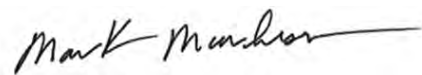
Grant proceeds are treated as contributions to capital and are not included in operating income. Capital grants and contributions are listed immediately following operating income and before contributions in the Port's Statement of Revenues, Expenses and Changes in Net Position. These items are included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

Acknowledgments

The preparation of the Bicentennial ACFR 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



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, 2024

Christopher P. Morrill

Executive Director/CEO

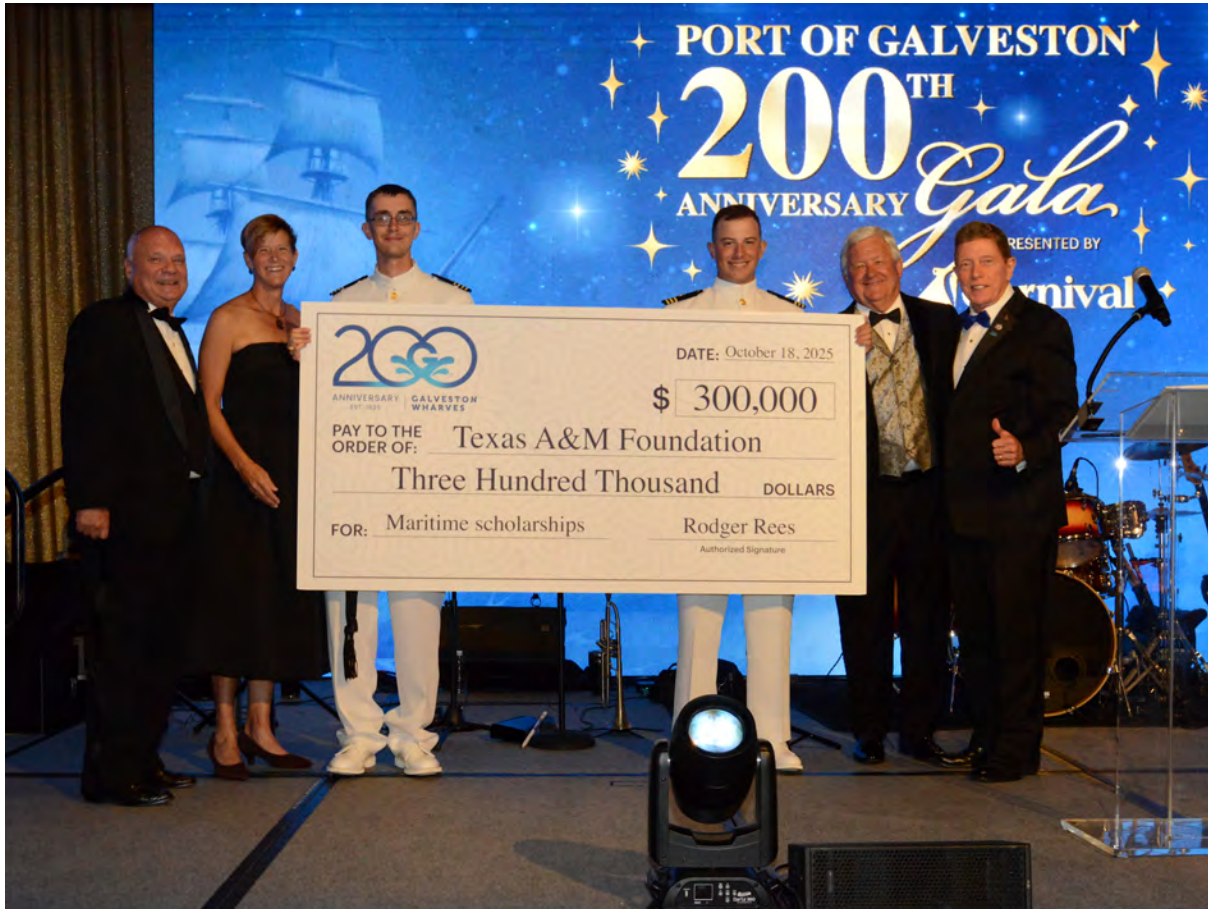


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FINANCIAL SECTION

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
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Annual Comprehensive Financial Report
For the Year Ended December 31, 2025



Port of Galveston donates 200th anniversary proceeds to student scholarships for College of Marine Sciences and Maritime Studies at Texas A&M University at Galveston

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, 2025, 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 of the Port, as of December 31, 2025, and the 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.

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 and the schedule of expenditures of state awards are presented for purposes of additional analysis and are 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, the schedule of expenditures of federal awards and the schedule of expenditures of state 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 21, 2026, 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 Mazars, LLP

Houston, Texas
April 21, 2026



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**GALVESTON
WHARVES**

Management's Discussion and Analysis

**Management's Discussion and Analysis (Unaudited)
December 31, 2025**

Financial Highlights

The Port saw record-setting revenues in 2025. Attributable to 416 cruise ship calls or an increase of 30 cruise ship calls, an increase of cruise passenger embarkations and debarkations of 159,898 to 3,561,353, and an increase of cruise related parking of 10,222 vehicles to 226,533. Lay vessels of 266 represented a decrease of 85 calls in 2025 over 2024 due to construction in the Port's West End that limited dock space. Overall, the Port posted operating revenues of \$87.3 million, with \$72.6 million, or 83% attributable to cruise, parking, and ground transportation, compared to 2024 revenues of \$79.3 million which included \$61.3 million or 77% attributable to cruise, parking, and ground transportation. Overall cruise revenues of \$39.2 million and parking revenues of \$31.2 million were \$6.7 million and \$4.4 million over 2024, respectively. Operating income of \$33.9 million increased from \$29.1 million in 2024. The Port handled 2.9 million tons of cargo, down 0.5 million from 2024. The decrease is primarily due to the termination of produce shipments from the Port, reduced liquid bulk tonnage and construction in the West Port Cargo Complex which reduced dock space for cargo. Cash used for the acquisition and construction of capital assets totaled \$166.8 million and net cash provided by operations was \$24.8 million in 2025, resulting in unrestricted cash available of \$36.2 million as of December 31, 2025.

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

**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

**Management's Discussion and Analysis (Unaudited)
December 31, 2025**

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 27 of this report.

Other Information

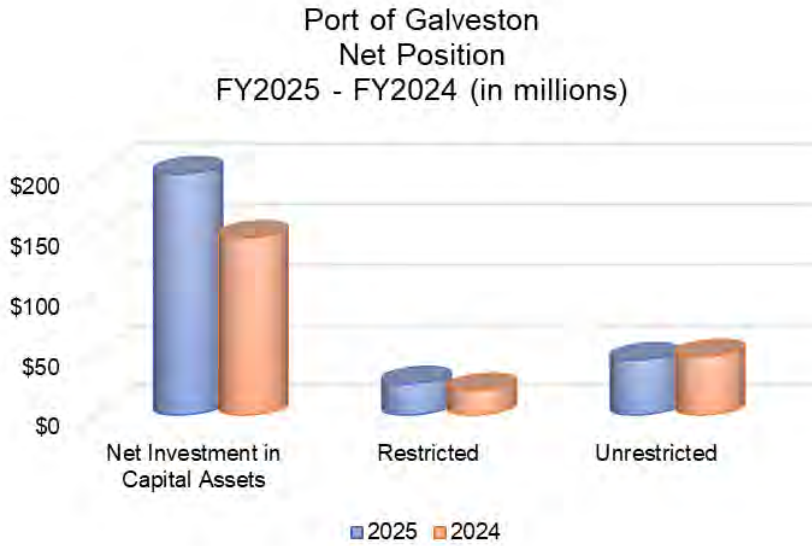
In addition to the basic financial statements and accompanying notes, this report also presents Required Supplementary Information (RSI) immediately following the Basic Financial Statements and related notes section of this report. RSI provides trend information related to the Port's pension benefit plan. The statistical section follows RSI, followed by the Federal and State Single Audit section. The Port elected to include the Federal and State 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):

	2025	2024	Increase (Decrease) Over Prior Year
Current assets	\$ 93,117	\$ 211,048	-56%
Capital assets	431,907	294,614	47%
Other noncurrent assets	478,331	242,555	97%
Net pension asset	697	-	100%
Total assets	<u>1,004,053</u>	<u>748,217</u>	34%
Current liabilities	49,538	71,692	-31%
Long-term liabilities	216,418	224,827	-4%
Net pension liability	-	1,138	-100%
Total liabilities	<u>265,956</u>	<u>297,658</u>	-11%
Deferred inflows of resources	461,302	234,894	96%
Net position:			
Net investment in capital assets	205,098	146,952	40%
Restricted for debt service	26,054	20,265	29%
Restricted for net pension asset	697	-	100%
Unrestricted	44,946	48,449	-7%
Total net position	<u>\$ 276,795</u>	<u>\$ 215,666</u>	28%

Management's Discussion and Analysis (Unaudited)
December 31, 2025



Statement of Net Position

The Port's net position increased by \$61.1 million to \$276.8 million during the fiscal year ended December 31, 2025. Net investment in Capital Assets increased from \$147.0 million to \$205.1 million, including right of use assets. The increase in net investment in capital assets from fiscal year 2024 to 2025 can be mostly attributed to the completion of capital projects in fiscal year 2025, as compared with fiscal year 2024. The restricted Net Position increased from \$20.3 million to \$26.8 million. This increase is primarily due from the debt service required for the Series 2024A (AMT) and Series 2024B (NON AMT) revenue bonds, and restriction for net pension asset of \$0.7 million. The unrestricted Net Position decreased from \$48.4 million to \$44.9 million.

**The Board of Trustees of the Galveston Wharves
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**Management's Discussion and Analysis (Unaudited)
December 31, 2025**

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):

	2025	2024	Increase (Decrease) Over Prior Year
Operating revenues:			
Vessels and cargo services	\$ 39,523	\$ 33,331	19%
Building and facilities rental and fees	47,787	45,936	4%
Total operating revenues	87,310	79,267	10%
Operating expenses:			
Personnel services	17,737	17,074	4%
Maintenance and operations	14,095	13,595	4%
Sales and office	6,198	5,924	5%
Depreciation	15,370	13,564	13%
Total operating expenses	53,401	50,157	6%
Operating income	33,908	29,108	16%
Nonoperating revenues (expenses):			
Earnings on investment	4,878	5,239	-7%
Other income	1,570	736	113%
Loss on sale of assets	(373)	(511)	-27%
Loss on lease modifications/terminations	-	(6)	-100%
Interest expense	(10,788)	(6,002)	80%
Costs of bond issuance	-	(1,962)	-100%
Annual City payment	(198)	(198)	0%
Recovery, restoration and other nonoperating revenues and expenses	44	(1,082)	100%
FEMA/TDEM Claims-IKE	7,037	(181)	-3978%
Total nonoperating revenues (expenses)	2,170	(3,967)	-155%
Income before capital grants and contributions	36,079	25,142	44%
Capital grants and contributions	25,050	6,865	265%
Changes in net position	61,129	32,007	91%
Beginning net position	215,666	183,659	17%
Ending net position	\$ 276,795	\$ 215,666	28%

Management's Discussion and Analysis (Unaudited)
December 31, 2025

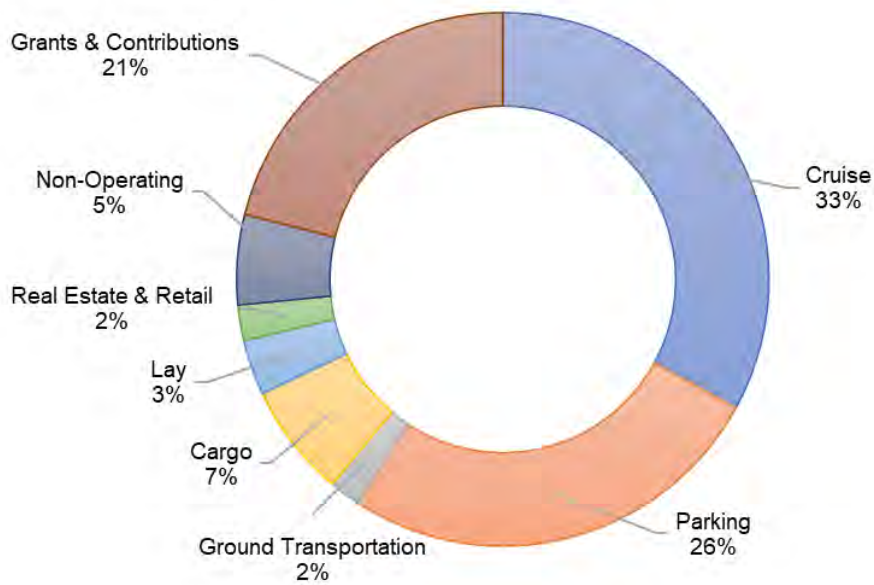
Port of Galveston
Operating Revenue, Expenses and Operating Income
(in millions)



Operating Revenue

Operating revenue increased \$8.0 million, or 10% in 2025 from the prior year. Vessel and cargo services increased \$6.2 million and can be attributed to increased cruise related revenue. Building and facilities rental and fees increased \$1.9 million due primarily to increased parking revenue. The increase in both cruise and parking revenue is due to increased cruise activity.

Port of Galveston - Total Revenue by Major Activity - FY 2025

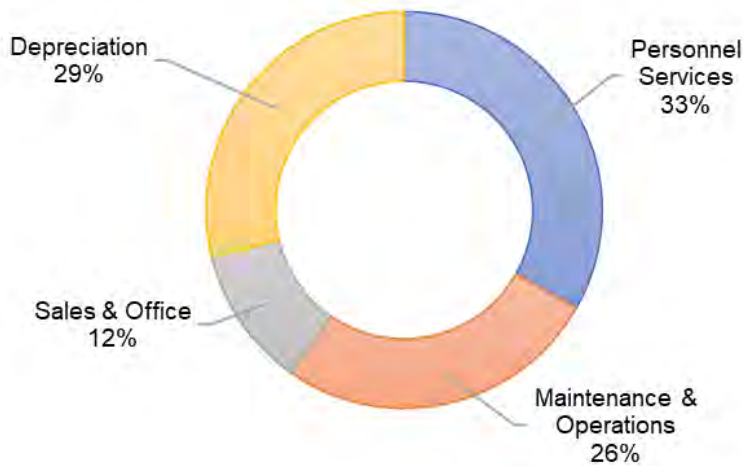


Management's Discussion and Analysis (Unaudited)
December 31, 2025

Operating Expenses

Operating expenses increased \$3.2 million or 6% in 2025. Personnel related expenses increased \$0.7 million due primarily to filled positions and salary adjustments. Maintenance and operations expenses increased \$0.5 million mostly related to increased insurance costs. Sales and office expenses increased \$0.3 million due primarily to higher cruise activity. Depreciation/amortization expenses increased \$1.8 million from capitalizing depreciable projects.

Port of Galveston - Total Expenses - FY 2025



Nonoperating Revenue and Nonoperating Expenses

Non-operating revenue increased \$0.5 million, or 8%. Other income increased \$0.8 million due to the amortization of bond premiums related to Series 2024A (AMT) and Series 2024B (NON AMT), offset by a decrease in investment income of \$0.4M due to decreased cash balances related to unspent bond proceeds.

Non-operating expenses decreased \$5.6 million, or 57%. Recovery restoration expenses primarily related to Hurricane Ike decreased \$8.3 million. Cost of bond issuance decreased \$2.0 million and is attributable to no bonds being issued in 2025. Loss on disposal of assets also decreased \$0.1 million. Bond interest expense increased \$4.8 million due to the Series 2023, Series 2024A (AMT) and Series 2024B (NON AMT) bonds.

Tonnage, Passengers and Vehicles

Cargo tonnage decreased 15% from 3.4 million tons to 2.9 million tons. The decrease was primarily due to the termination of produce shipments from the Port, reduced liquid bulk tonnage, and construction in the West Port Cargo Complex which reduced dock space for cargo. Liquid bulk and roll-on/roll-off cargo account for 90% of all tonnage.

Cruise passenger movements (embarkations/debarkations) increased 5% from 3,401,455 to 3,561,353 due to Cruise Terminal 16 opening in November resulting in 11 additional sailings and there were an additional 19 sailings throughout the year across all other cruise terminals.

Parking increased 5% from 216,311 vehicles to 226,533 vehicles primarily due to having 30 additional cruise sailings in 2025.

**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

**Management's Discussion and Analysis (Unaudited)
December 31, 2025**

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 pension is available for payment of monthly retirement benefits and other qualified distributions to the Plan's participants. Net position restricted for pension increased by \$1.2 million, or 8%, in 2025. Net investment income was \$2.1 million in 2025 compared to net investment income of \$2.0 million in 2024.
- Investments increased by \$1.3 million, or 8%, from 2024 to 2025. This was primarily due to an increase in the fair value of investments
- Employer contributions remained unchanged at \$505,000 from 2024 to 2025. 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 2025 remained near 2024 benefit payments.
- The Plan's rate of return on investments for the year ended December 31, 2025, was 14%. The actuarial assumed rate of return in 2025 was 7%.

	2025	2024	Percentage Change
Assets			
Cash and cash equivalents	\$ 382,288	\$ 422,195	-9.5%
Prepaid benefits	106,880	107,629	-0.7%
Investments	16,379,362	15,107,726	8.4%
Total assets and net position restricted for pension	16,868,530	15,637,550	7.9%
Additions:			
Employer contributions	505,000	505,000	0.0%
Net Investment income	2,132,981	1,979,559	7.8%
Other	-	3,295	-100.0%
Total additions	2,637,981	2,487,854	6.0%
Deductions:			
Benefits paid to participants	1,345,038	1,294,096	3.9%
Administrative expenses	58,605	30,196	94.1%
Other	3,358	-	100.0%
Total deductions	1,407,001	1,324,292	6.2%
Net increase in net position restricted for pension	\$ 1,230,980	\$ 1,163,562	5.8%

**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

**Management's Discussion and Analysis (Unaudited)
December 31, 2025**

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2025, capital assets before depreciation, which includes both depreciable and non-depreciable assets along with construction work in progress, totaled \$579.6 million, an increase of \$145.2 million over 2024. Accumulated depreciation as of year-end is \$148.9 million, an increase of \$9.1 million over 2024. The following is a comparison of capital assets for the years ended December 31 (in 000's):

	<u>2025</u>	<u>2024</u>
Land	\$ 18,221	\$ 18,221
Channel deepening	19,456	18,388
Construction in progress	70,276	78,233
Total capital assets, nondepreciable	<u>107,954</u>	<u>114,841</u>
Land leases	3,161	3,580
Railway facilities	2,305	2,305
Wharves, docks and buildings	432,675	288,187
Wharves, docks and building leases	826	4
Machinery and equipment	24,811	17,062
Machinery and equipment leases	129	133
Furniture and office equipment	4,308	4,982
Intangible assets	1,504	1,031
Software subscriptions	1,937	2,287
Total capital assets being depreciated/amortized	<u>471,656</u>	<u>319,568</u>
Less allowance for depreciation and amortization	<u>(148,931)</u>	<u>(139,797)</u>
Total assets being depreciated/amortized, net	<u>322,725</u>	<u>179,773</u>
Total capital assets, net	<u>\$ 430,679</u>	<u>\$ 294,614</u>

Non-depreciable capital assets of \$108.0 million decreased \$6.9 million, primarily related to work completed and transferred to respective capital asset categories. Total capital assets being depreciated/amortized, net, of \$322.7 million increased \$144.1 million, which is the net of an increase in capital assets being depreciated/amortized of \$152.1 million and accumulated depreciation/amortization increase of \$9.1 million.

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

Debt Administration

Bond ratings: The underlying ratings assigned to the Port's Series 2021A, Series 2021B (AMT), Series 2023, Series 2024A (AMT) and Series 2024B (NON AMT) Revenue Bonds issues are as follows:

Fitch Ratings: A/Positive

**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

**Management's Discussion and Analysis (Unaudited)
December 31, 2025**

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.

Issue	Balance at			Balance at	Amounts
	December 31,	Increases	Decreases		
	2024			2025	One Year
Direct Placements	\$ 5,472,665	\$ -	\$ (4,689,303)	\$ 783,362	\$ 783,362
Revenue Bonds	206,140,000	-	(1,575,000)	204,565,000	6,030,000
U.S. Corps of Engineers	3,271,450	-	(260,859)	3,010,591	130,492
	<u>\$ 214,884,115</u>	<u>\$ -</u>	<u>\$ (6,525,162)</u>	<u>\$ 208,358,953</u>	<u>\$ 6,943,854</u>

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.

Projected 2026 cruise revenue of over \$62 million is expected as the Port is on track to set new records with close to 450 cruise sailings scheduled in 2026. Parking revenues are expected to remain strong with over \$33 million in revenues expected in 2026.

In 2026, various grants, including federal port security grants and TxDOT grants, will continue to support infrastructure improvements within the Port and the Port is committed to pursuing additional funding opportunities.

**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

**Management's Discussion and Analysis (Unaudited)
December 31, 2025**

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.



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**GALVESTON
WHARVES**

Basic Financial Statements

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

Statement of Net Position
December 31, 2025

Assets

Current assets-unrestricted:	
Cash and cash equivalents	\$ 36,226,421
Accounts receivable, net	12,859,489
Prepaid items	802,217
Short term lease receivables	2,680,908
Current assets-restricted	
Cash and cash equivalents	<u>40,548,446</u>
Total current assets	<u>93,117,481</u>
Noncurrent assets:	
Capital assets:	
Capital assets, nondepreciable	107,953,568
Capital assets, net of depreciation	319,270,651
Capital right of use assets, net of amortization	<u>4,682,556</u>
Total capital assets	<u>431,906,775</u>
Other assets:	
Lease receivables	478,331,483
Net pension asset	<u>696,739</u>
Total other assets	<u>479,028,222</u>
Total noncurrent assets	<u>910,934,997</u>
Total assets	<u>\$ 1,004,052,478</u>

(Continued)

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

Statement of Net Position (Continued)
December 31, 2025

Liabilities

Current liabilities:

Accounts payable	\$ 21,021,045
Accrued expenses	3,662,440
Payable to other governments	726,615
Accrued compensated absences	934,080
Unearned revenues and rents	5,777,269
Due to FEMA/TDEM-IKE	3,316,010
Interest payable	4,481,078
Long-term liabilities due within one year	1,218,709
Long-term liabilities due within one year (payable from restricted assets)	<u>8,400,854</u>

Total current liabilities 49,538,100

Noncurrent liabilities:

Accrued compensated absences	1,291,803
Long-term liabilities due in more than one year	<u>215,126,053</u>

Total noncurrent liabilities 216,417,856

Total liabilities 265,955,956

Deferred inflows of resources:

Deferred inflows of resources - gain on refunding	1,925
Deferred inflows of resources - pension items	1,207,318
Deferred inflows of resources - lease related	<u>460,092,536</u>

Total deferred inflows of resources 461,301,779

Total liabilities and deferred inflows of resources 727,257,735

Net Position:

Net investment in capital assets	205,098,042
Restricted for debt service	26,054,086
Restricted for net pension asset	696,739
Unrestricted	<u>44,945,876</u>

Total net position 276,794,743

Total liabilities, deferred inflows of resources and net position \$ 1,004,052,478

See accompanying notes to financial statements.

**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

**Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2025**

Operating revenues:	
Charges for customer services:	
Vessels and cargo services	\$ 39,522,762
Building and facilities rental and fees	47,787,005
	<hr/>
Total operating revenues	87,309,767
	<hr/>
Operating expenses:	
Personnel services	17,737,265
Maintenance and operations	14,094,926
Sales and office	6,198,379
Depreciation and amortization	15,370,028
	<hr/>
Total operating expenses	53,400,598
	<hr/>
Operating income	33,909,169
	<hr/>
Nonoperating revenues (expenses):	
Investment income	4,877,598
Other income	1,569,724
Loss on disposal of capital assets	(373,229)
Interest expense	(10,787,685)
Annual city payment	(198,124)
Recovery, restoration and other nonoperating revenues and expenses	44,029
FEMA/TDEM Claims-IKE	7,037,344
	<hr/>
Total nonoperating revenues (expenses)	2,169,657
	<hr/>
Income before capital grants and contributions	36,078,826
	<hr/>
Capital grants and contributions	25,049,986
	<hr/>
Change in net position	61,128,812
	<hr/>
Net position at beginning of year	215,665,931
	<hr/>
Net position at end of year	<u>\$ 276,794,743</u>

See accompanying notes to financial statements

**The Board of Trustees
A Component Unit of the City of Galveston, Texas**

**Statement of Cash Flows
Year Ended December 31, 2025**

Cash flows from operating activities:	
Cash receipts from customers	\$ 64,954,629
Cash payments to employees, contract labor and related services	(18,374,583)
Cash payments to suppliers for goods and services	<u>(21,807,715)</u>
Net cash provided by operating activities	<u>24,772,331</u>
Cash flows from noncapital financing activities:	
Annual city payment	(198,124)
Payments to FEMA/TDEM	<u>(877,195)</u>
Net cash used in noncapital financing activities	<u>(1,075,319)</u>
Cash flows from capital and related financing activities:	
Principal payments on revenue bonds, contracts payable and other long-term liabilities	(6,525,162)
Principal and interest payments received on leases	16,590,772
Principal and interest payments on leases and SBITA arrangements	(1,299,103)
Receipts from capital grants and contributions	25,859,759
Interest paid—long-term debt	(10,557,845)
Acquisition and construction of capital assets	<u>(166,783,649)</u>
Net cash used in capital and related financing activities	<u>(142,715,228)</u>
Cash flows from investing activities:	
Receipts of interest	<u>4,877,598</u>
Net cash provided by investing activities	<u>4,877,598</u>
Net decrease in cash and cash equivalents	(114,140,618)
Cash and cash equivalents at beginning of year	<u>190,915,486</u>
Cash and cash equivalents at end of year	<u>\$ 76,774,867</u>
Cash and cash equivalents per statement of net position:	
Unrestricted	\$ 36,226,421
Restricted	<u>40,548,446</u>
Cash and cash equivalents at end of year	<u>\$ 76,774,867</u>

(Continued)

**The Board of Trustees
A Component Unit of the City of Galveston, Texas**

**Statement of Cash Flows (Continued)
Year Ended December 31, 2025**

Reconciliation of operating income to net cash provided by operating activities	
Operating Income	\$ 33,909,169
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	15,370,028
Accrual for bad-debt expense	7,162
Lease expense	87,350
SBITA expense	73,616
Lease revenue	(23,130,379)
Changes in operating assets and liabilities:	
Increase in accounts receivable	(683,466)
Decrease in prepaid items	14,992
Decrease in accounts payable	(2,999,349)
Increase in accrued expenses	1,368,245
Increase in unearned revenues and rents	1,455,501
Increase in wages payable and compensated absences	290,453
Decrease in deferred outflows—pension items	119,166
Increase in deferred inflows—pension items	138,359
Decrease in net pension liability	(1,248,516)
Net cash provided by operating activities	<u><u>\$ 24,772,331</u></u>
Noncash investing, capital and financing activities:	
Payables that result in capital assets related to construction	<u><u>\$ 5,628,171</u></u>
Retainage payable	<u><u>\$ 10,879,295</u></u>
Acquisition of subscription assets	<u><u>\$ 134,843</u></u>
Acquisition of leased assets	<u><u>\$ 1,142,683</u></u>

See accompanying notes to financial statements.

**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

**Statement of Fiduciary Net Position
December 31, 2025**

	Pension Trust Fund
Assets	
Cash and cash equivalents	\$ 382,288
Prepaid pension benefits	106,880
Investments at fair value:	
Fixed income securities	2,593,096
Common stock	8,589,773
Domestic equities - mid cap	1,626,710
Domestic equities - small cap	685,493
International equities	1,859,010
Real estate	150,891
Emerging markets	874,389
Total investments	<u>16,379,362</u>
Total assets	<u>\$ 16,868,530</u>
Net position restricted for pension	<u>\$ 16,868,530</u>

See accompanying notes to financial statements.

**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

**Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2025**

	Pension Trust Fund
Additions:	
Employer contributions	\$ 505,000
Net investment gain:	
Interest and dividends	381,587
Investment realized gains	46,115
Investment unrealized gains	1,779,218
Investment expenses- trustee fees	<u>(73,939)</u>
Total additions	<u>2,637,981</u>
Deductions:	
Benefits paid to participants and beneficiaries	1,345,038
Administrative expense	58,605
Other	<u>3,358</u>
Total deductions	<u>1,407,001</u>
Net increase in fiduciary net position	1,230,980
Net position restricted for pension at beginning of year	<u>15,637,550</u>
Net position restricted for pension at end of year	<u>\$ 16,868,530</u>

See accompanying notes to financial statements

**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of the Port of Galveston (the Port) 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 \$198,124, 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.

**The Board of Trustees of the Galveston Wharves
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Notes to Financial Statements

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. 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, 2025:

Asset Class	Target Allocation
Fixed income securities	15.0%
Common stock	0.0%
Domestic equities—large cap	52.0%
Domestic equities—mid cap	10.0%
Domestic equities—small cap	4.0%
International equities	11.0%
Real estate	0.0%
Emerging markets	5.0%
Cash	3.0%
Total	100.0%

**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

Notes to Financial Statements

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 20.0% for receivables over 90 days, 10.0% 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

Lease 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.

SBITA 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

**The Board of Trustees of the Galveston Wharves
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Notes to Financial Statements

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, 2025.

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.
- The Port reports deferred 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.

**The Board of Trustees of the Galveston Wharves
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Notes to Financial Statements

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 and 2024 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 when earned. 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.

**The Board of Trustees of the Galveston Wharves
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Notes to Financial Statements

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. 68, *Accounting and Financial Reporting for Pension Plans, an Amendment of GASB Statement No. 27*. The most recent actuarial valuation was performed as of December 31, 2025.

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. 102, *Certain Risk Disclosures*, issued December 2023, the Port determined there was no effect on the financial statements.

Future GASB implementations:

GASB Statement No. 103, *Financial Reporting Model Improvements*, April 2024, will be effective for the Port for the fiscal year ending 2026. This Statement requires that governments disclose key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as those other than nonoperating items. Nonoperating revenues and expenses are specifically defined to include (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and related expenses. The Port will evaluate the impact of implementation in fiscal year 2026. The Port will assess the impact of implementation in fiscal year ending 2026.

**The Board of Trustees of the Galveston Wharves
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Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

P. GASB Pronouncements (Continued)

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, issued September 2024, will be effective for the Port for the fiscal year ending 2026. The Statement requires governments to separately disclose specific categories of capital assets within the capital assets footnote, including lease assets (Statement No. 87), intangible right-to-use assets related to public-private and public-public partnerships and availability payment arrangements (Statement No. 94), subscription-based IT arrangement assets (Statement No. 96), and other intangible assets by major class. It also establishes new disclosure requirements for capital assets held for sale, defined as assets the government has decided to sell and for which it is probable the sale will be completed within one year of the financial statement date. These assets must be evaluated each reporting period, with disclosures including the ending balance by major class. The Port will assess the impact of implementation in fiscal year ending 2026.

GASB Statement No. 105, *Subsequent Events*, issued December 2025, will be effective for the Port for the fiscal year ending 2027. The Statement improves the consistency and usefulness of financial reporting for subsequent events. It defines subsequent events as those occurring after the financial statement date but before the statements are available to be issued, clarifies when financial statements are considered issued, and requires disclosure of the date through which subsequent events were evaluated. It also distinguishes between recognized and nonrecognized subsequent events and establishes disclosure requirements for nonrecognized events.

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

Note 2. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2025, are classified in the accompanying financial statements as follows:

Unrestricted:	
Cash and cash equivalents	\$ 36,226,421
Restricted:	
Cash and cash equivalents	40,548,446
Pension trust fund—cash and cash equivalents	<u>382,288</u>
Total cash and cash equivalents	<u>\$ 77,157,155</u>

Cash and cash equivalents as of December 31, 2025, consist of the following:

Checking and time deposits:	
Cash on hand	\$ 1,000
Deposits with financial institutions:	
Cash on demand - Moody Bank	34,990,526
Cash in investment accounts	34,440,158
Pension Trust Fund - cash held with financial institution	<u>382,288</u>
	69,813,972
Investments:	
Local government investment pools	<u>7,343,183</u>
Total cash and cash equivalents	<u>\$ 77,157,155</u>

**The Board of Trustees of the Galveston Wharves
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Notes to Financial Statements

Note 2. Cash and Cash Equivalents (Continued)

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
- 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. government 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*.

**The Board of Trustees of the Galveston Wharves
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Notes to Financial Statements

Note 2. Cash and Cash Equivalents (Continued)

As of December 31, 2025, 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	\$ 7,343,183	41	100%	n/a	AAAm
Total investments	<u>\$ 7,343,183</u>		<u>100%</u>		
Weighted-average maturity days		<u>41</u>			

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, 2025.

Restricted cash, and cash equivalents: Restricted cash and cash equivalents at December 31, 2025, consist of the following:

Restricted:

Revenue Refunding Bonds Series 2021, Direct Placement	\$ 392,523
Revenue Bonds Series 2023	6,221,747
Revenue Bonds Series 2024A	27,519,456
Revenue Bonds Series 2024B	6,140,646
City of Galveston franchise	198,124
Galveston Wharves 200th Anniversary	<u>75,951</u>
	<u>\$ 40,548,446</u>

**The Board of Trustees of the Galveston Wharves
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Notes to Financial Statements

Note 2. Cash and Cash Equivalents (Continued)

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, mutual funds, and corporate and foreign bonds are based on quoted market prices (Level 1). The fair value of U.S. government securities and municipal 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).

Fiduciary Fund – Pension Trust Fund

Investment Type	Fair Value Hierarchy			Fair Value
	Level 1	Level 2	Level 3	
Cash equivalents				
Money market funds taxable	\$ 354,287	\$ -	\$ -	\$ 354,287
Total cash equivalents	\$ 354,287	\$ -	\$ -	\$ 354,287
Fixed income				
U.S. government agency securities	\$ -	\$ 148,161	\$ -	\$ 148,161
Municipal bonds	-	99,012	-	99,012
Corporate bonds	2,145,331	-	-	2,145,331
Foreign bonds	200,592	-	-	200,592
Total fixed income	\$ 2,345,923	\$ 247,173	\$ -	\$ 2,593,096
Equities				
Common stock - domestic	\$ 7,986,031	\$ -	\$ -	\$ 7,986,031
Common stock - international	603,742	-	-	603,742
Real estate investment trust (REIT)	150,891	-	-	150,891
Mutual Funds - domestic	2,341,044	-	-	2,341,044
Mutual funds - international	2,704,557	-	-	2,704,557
Total equities	\$ 13,786,265	\$ -	\$ -	\$ 13,786,265
Total	\$ 16,486,475	\$ 247,173	\$ -	\$ 16,733,648

**The Board of Trustees of the Galveston Wharves
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Notes to Financial Statements

Note 2. Cash and Cash Equivalents (Continued)

Fiduciary Fund - Pension Trust Fund (Continued)

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, 2025, that are subject to credit risk.

Moody's Quality Ratings	U.S. Government Agency Securities	Municipal Bonds	Corporate Bonds	Foreign Bonds	Total
Aaa	\$ 148,161	\$ -	\$ -	\$ -	148,161
Aa2	-	99,012	100,001	-	199,013
Aa3	-	-	255,326	-	255,326
A1	-	-	1,392,553	99,234	1,491,787
A2	-	-	190,173	101,358	291,531
A3	-	-	207,278	-	207,278
	<u>\$ 148,161</u>	<u>\$ 99,012</u>	<u>\$ 2,145,331</u>	<u>\$ 200,592</u>	<u>\$ 2,593,096</u>

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, 2025, 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, 2025. The maturity schedule is based on the average maturity of the fund, as noted by the fund manager.

	Less Than			Fair Value
	1 Year	1-5 Years	6-10 Years	
U.S. government agency securities	\$ 148,161	\$ -	\$ -	148,161
Municipal bonds	-	99,012	-	99,012
Corporate bonds	99,818	1,322,256	723,258	2,145,332
Foreign bonds	-	200,592	-	200,592
	<u>\$ 247,979</u>	<u>\$ 1,621,860</u>	<u>\$ 723,258</u>	<u>\$ 2,593,096</u>

**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

Notes to Financial Statements

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, 2025, are as follows:

Accounts receivable—trade	\$	7,452,179
Grants receivable		5,585,432
Less allowance for doubtful accounts		<u>(178,122)</u>
Net accounts receivable	\$	<u>12,859,489</u>

Note 4. Capital Assets

Lease and Subscription Assets: The Port's 10 lease assets and 7 subscription assets have balances of \$2,099,531 and \$1,354,762, respectively in the statement of net position as of December 31, 2025. 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 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.

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

Notes to Financial Statements

Note 4. Capital Assets (Continued)

Changes in capital assets during the year ended December 31, 2025, are summarized as follows:

	Balance at January 1, 2025		Additions	Retirements	Transfers/ Reclassification	Balance at December 31, 2025
Capital assets not being depreciated/amortized:						
Land	\$ 18,220,754	\$ -	\$ -	\$ -	\$ -	\$ 18,220,754
Channel deepening	18,387,690	1,068,800	-	-	-	19,456,491
Construction in progress	78,232,543	150,649,102	-	(158,605,321)	-	70,276,323
Total capital assets not being depreciated/amortized	114,840,987	151,717,902	-	(158,605,321)	-	107,953,568
Capital assets being depreciated/amortized:						
Land leases	3,580,172	41,623	-	(460,854)	-	3,160,941
Railway facilities	2,304,538	-	-	-	-	2,304,538
Wharves, docks and buildings	288,186,766	-	(3,413,308)	147,901,789	-	432,675,248
Wharves, docks and building leases	3,695	1,096,960	-	(274,702)	-	825,952
Machinery and equipment	17,061,585	41,015	(2,118,030)	9,826,909	-	24,811,478
Machinery and equipment leases	132,920	4,100	-	(7,987)	-	129,033
Furniture and office equipment	4,981,684	-	(1,077,053)	403,623	-	4,308,254
Intangible assets	1,030,580	-	-	473,000	-	1,503,580
Software subscriptions	2,286,532	134,843	-	(484,720)	-	1,936,656
Total capital assets being depreciated/amortized	319,568,472	1,318,541	(6,608,390)	157,377,058	-	471,655,680
Less accumulated depreciation/amortization for:						
Land leases	(1,175,799)	(482,359)	-	-	-	(1,658,158)
Railway facilities	(900,435)	(46,391)	-	-	-	(946,826)
Wharves, docks and buildings	(123,776,834)	(11,897,166)	3,165,757	-	-	(132,508,241)
Wharves, docks and building leases	(2,440)	(229,326)	-	-	-	(231,766)
Machinery and equipment	(9,428,914)	(1,557,621)	2,118,030	-	-	(8,868,505)
Machinery and equipment leases	(94,404)	(32,067)	-	-	-	(126,471)
Furniture and office equipment	(3,786,937)	(455,899)	951,375	-	-	(3,291,461)
Intangible assets	(517,629)	(199,786)	-	-	-	(717,414)
Software subscriptions	(112,479)	(469,414)	-	-	-	(581,894)
Total accumulated depreciation/amortization	(139,795,871)	(15,370,028)	6,235,162	-	-	(148,930,736)
Total capital assets, being depreciated/amortized, net	179,772,601	(14,051,487)	(373,229)	157,377,058	-	322,724,944
Capital assets, net	\$ 294,613,588	\$ 137,666,415	\$ (373,229)	\$ (1,228,263)	\$ -	\$ 430,678,512

Depreciation and amortization expense for the year ended December 31, 2025, totaled \$ 15,370,028.

**The Board of Trustees of the Galveston Wharves
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Notes to Financial Statements

Note 4. Capital Assets (Continued)

Commitments relating to capital construction in progress as of December 31, 2025, are as follows:

	Project Authorization	Project Cost to Date	Remaining Commitment
Port Security Grant 2024 AIS Base Station & Video Surv.	1,202,500	58,002	1,144,498
Galveston Harbor Channel Extension	1,904,972	391,467	1,513,505
Wharf Road 20th to 23rd Street	4,356,827	1,238,358	3,118,469
West End Port Redevelopment	71,625,563	49,520,062	22,105,501
Cruise Terminal 16	158,939,683	155,015,704	3,923,979
Express Lot Expansion	2,800,000	1,553,908	1,246,092
Cruise Terminal 25 Walkway Engineering	608,049	440,660	167,389
ADM Grain Tower Demolition	3,303,820	3,212,594	91,226
Old Port Industrial Engineering 33rd to 41st Street	881,654	633,581	248,073
Transit Terminal Elevator	242,000	238,417	3,583
Parking Access Control System	515,733	359,209	156,524
Dredge Material Placement Area Engineering	211,900	154,631	57,269
Port Authority Studies and Pilot Projects Microgrid Services	1,000,000	-	1,000,000
Strategic Master Plan Update	490,181	463,824	26,357
Digital Signage 33rd Street and 37th Street	186,247	93,941	92,306
Amphibious Excavator	509,490	356,643	152,847
Hydraulic Cylinders	281,161	-	281,161
Totals	<u>\$ 249,059,780</u>	<u>\$ 213,731,001</u>	<u>\$ 35,328,779</u>

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

**The Board of Trustees of the Galveston Wharves
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Notes to Financial Statements

Note 5. Long-Term Liabilities

During the year ended December 31, 2025, the following changes occurred in the Port's long-term liabilities:

Issue	Balance at			Balance at		Amounts
	January 1,	Increases	Decreases	December 31,	2025	Due Within
	2025			2025		One Year
Bonds from Direct Placements	\$ 5,472,665	\$ -	\$ (4,689,303)	\$ 783,362	\$ 783,362	
Revenue Bonds	206,140,000	-	(1,575,000)	204,565,000	6,030,000	
Revenue Bonds Premium	13,167,546	-	(1,546,903)	11,620,643	1,457,000	
Other long-term liabilities:						
Lease Liability	2,534,110	1,142,683	(694,601)	2,982,192	746,728	
Subscription Liability	2,103,307	134,843	(482,188)	1,755,962	444,117	
U.S. Army Corps of Engineers	3,271,450	-	(260,859)	3,010,591	130,492	
Compensated absences	1,857,076	1,550,816	(1,182,009)	2,225,883	934,080	
Net pension liability	1,137,761	-	(1,137,761)	-	-	
	<u>\$ 235,683,915</u>	<u>\$ 2,828,342</u>	<u>\$ (11,568,624)</u>	<u>\$ 226,943,633</u>	<u>\$ 10,525,779</u>	

Long-term bonded debt on December 31, 2025, was comprised of the following issues:

Description	Original Issue	Interest Rates	Maturity Dates		Interest Payment Dates
			Beginning/Ending		
Bonds from Direct Placements:					
City of Galveston, Texas Wharves and Terminal Revenue Refunding Bonds, Series 2021A and 2021B	\$ 22,700,000	1.30%	February 1, 2021/2026		Monthly
Revenue bonds:					
City of Galveston, Texas Wharves and Terminal First Lien Revenue Bonds, Series 2023 (AMT)	\$ 51,460,000	5.25%	October 31, 2023/2043		Monthly
City of Galveston, Texas Wharves and Terminal First Lien Revenue Bonds, Series 2024A (AMT)	\$ 106,125,000	5.00%	August 15, 2024/2044		Monthly
City of Galveston, Texas Wharves and Terminal First Lien Revenue Bonds, Series 2024B (NON AMT)	\$ 50,710,000	5.00%	August 15, 2024/2044		Monthly

**The Board of Trustees of the Galveston Wharves
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Notes to Financial Statements

Note 5. Long-Term Liabilities (Continued)

As of December 31, 2025, the annual debt service requirements for bonds from direct placements and revenue bonds until maturity are as follows:

Years ending December 31:	Bonds from Direct Placements		Revenue Bonds		Total
	Principal	Interest	Principal	Interest	
2026	783,362	1,273	6,030,000	10,752,076	17,566,711
2027	-	-	7,125,000	10,446,426	17,571,426
2028	-	-	7,485,000	10,085,813	17,570,813
2029	-	-	7,865,000	9,706,976	17,571,976
2030 - 2034	-	-	45,725,000	42,143,829	87,868,829
2035 - 2039	-	-	58,590,000	29,274,505	87,864,505
2040 - 2044	-	-	71,745,000	11,869,652	83,614,652
	\$ 783,362	\$ 1,273	\$ 204,565,000	\$ 124,279,277	\$ 329,628,912

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 of resources and amortized over the life of the refunded debt. The balance was \$1,925 as of December 31, 2025.

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.

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 \$1,000,148 as of December 31, 2025.

**The Board of Trustees of the Galveston Wharves
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Notes to Financial Statements

Note 5. Long-Term Liabilities (Continued)

Revenue Bonds (Continued)

The Series 2023 Bonds were used to finance improvements to CT 25, and as of December 31, 2024, all proceeds had been spent on the improvements. Bonds maturing on or after August 1, 2033, 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.

On August 15, 2024, the Port issued \$106,125,000 of City of Galveston, Texas Wharves and Terminal First Lien Revenue Bonds, Series 2024A (AMT) and \$50,710,000 of City of Galveston, Texas Wharves and Terminal First Lien Revenue Bonds, Series 2024B (NON AMT). The bonds were issued at effective interest rates of 5.33% and 5.13%, respectively. The bonds mature in 20 years. Series 2024A (AMT) were issued at a premium of \$7,841,238 and Series 2024B (NON AMT) were issued at a premium of \$4,848,673. Both bond premiums will be amortized over the life of the debt. The premium balance at December 31, 2025, for Series 2024A (AMT) was \$6,579,092 and the premium balance for Series 2024B (NON AMT) was \$4,041,404.

The Series 2024A (AMT) bonds were used to finance the construction of CT 16, and as of December 31, 2025, there is \$14,414,083 remaining for construction. Bonds maturing on or after August 1, 2034, 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 indentures require that for the duration of the period the Series 2024A (AMT) 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 \$9,054,725, which is restricted for debt service.

The Series 2024B (NON AMT) bonds were used to finance the construction of a multistory parking garage, and as of December 31, 2025, there is \$4,327 remaining for construction. Bonds maturing on or after August 1, 2034, 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 indentures require that for the duration of the period the Series 2024B (NON AMT) 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 \$4,268,863, which is restricted for debt service.

In 2025, the debt service coverage was 292%.

**The Board of Trustees of the Galveston Wharves
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Notes to Financial Statements

Note 5. Long-Term Liabilities (Continued)

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.

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.

Lease Liabilities: The Port leases property and equipment from third parties, the terms of which expire 2026 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 \$2,982,192 as of December 31, 2025.

The payment, principal, and interest under the leases for 2025 are as follows:

Year Ending December 31,	Principal	Interest	Total Principal and Interest
2025	\$ 652,978	\$ 87,350	\$ 740,328

**The Board of Trustees of the Galveston Wharves
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Notes to Financial Statements

Note 5. Long-Term Liabilities (Continued)

The following is a schedule by year of principal, interest, and total payments for future years as of December 31, 2025:

Year Ending December 31,	Principal	Interest	Total Principal and Interest
2026	\$ 746,728	\$ 75,307	\$ 822,035
2027	590,904	57,565	648,469
2028	426,382	42,215	468,597
2029	176,111	31,508	207,619
2030 - 2034	676,770	103,084	779,854
2035 - 2039	138,329	40,337	178,666
2040 - 2044	39,024	33,550	72,574
2045 - 2049	45,877	26,697	72,574
2050 - 2054	53,933	18,641	72,574
2055 - 2059	63,404	9,170	72,574
2060 - 2061	24,730	673	25,403
Total	\$ 2,982,192	\$ 438,747	\$ 3,420,939

Subscription Liabilities: The Port has obtained software through long-term subscription arrangements as described in more detail in Note 4. The Port has seven subscription arrangements of this type, the terms of which expire 2026 - 2030, with a subscription liability balance of \$1,755,962 as of December 31, 2025.

The payment, principal, and interest under the subscriptions for 2025 are as follows:

Year Ending December 31,	Principal	Interest	Total Principal and Interest
2025	\$ 402,389	\$ 73,616	\$ 476,005

The following is a schedule by year of principal, interest, and total payments for future years as of December 31, 2025:

Year Ending December 31,	Principal	Interest	Total Principal and Interest
2026	\$ 442,611	\$ 58,767	\$ 501,378
2027	423,373	42,333	465,706
2028	442,790	25,359	468,149
2029	445,358	8,063	453,421
2030	1,830	31	1,861
Total	\$ 1,755,962	\$ 134,553	\$ 1,890,515

**The Board of Trustees of the Galveston Wharves
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Notes to Financial Statements

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 2026 through 2068, and recognizes a lease receivable and a deferred inflow of resources in the statement of net position pursuant to GASB 87. The Port has 22 leases of this type with a lease receivable balance of \$115,481,922 and deferred inflow of resources balance of \$107,594,648 as of December 31, 2025.

The Port also has contracts with customers that contain minimum annual guarantees (MAGs), the terms of which expire 2038 through 2070, and recognizes a lease receivable and a deferred inflow of resources in the statement of net position pursuant to GASB 87. The Port has 5 leases of this type with a lease receivable balance of \$365,530,469 and deferred inflow of resources balance of \$352,497,888 as of December 31, 2025.

The payment, principal, and interest under the leases/MAGS for 2025 is as follows:

Year Ending December 31,	Principal	Interest	Total Principal and Interest
2025	\$ 5,179,552	\$ 11,165,949	\$ 16,345,501

The Port had customers with fixed and variable lease/MAG payments in 2025 as is shown on the below table:

Year Ending December 31,	Fixed Payments	Variable Payments	Total Payments
2025	\$ 16,345,501	\$ 32,615,487	\$ 48,960,988

The following is a schedule by year of payment, principal, and interest under the leases/MAGs for future years as of December 31, 2025.

Year Ending December 31,	Principal	Interest	Total Principal and Interest
2026	\$ 2,680,908	\$ 19,554,997	\$ 22,235,905
2027	3,931,226	19,460,147	23,391,373
2028	4,059,972	19,344,943	23,404,915
2029	4,544,670	19,221,071	23,765,741
2030	5,060,402	19,080,531	24,140,933
2031 - 2035	33,838,458	92,564,941	126,403,399
2036 - 2040	37,321,033	86,080,187	123,401,220
2041 - 2045	44,243,020	78,786,765	123,029,785
2046 - 2050	26,665,532	71,670,948	98,336,480
2051 - 2055	46,740,647	63,965,714	110,706,361
2056 - 2060	74,682,991	51,067,564	125,750,555
2061 - 2065	88,470,431	32,744,408	121,214,839
2066 - 2070	108,773,101	11,887,899	120,661,000
Total	\$ 481,012,391	\$ 585,430,115	\$ 1,066,442,506

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.

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Notes to Financial Statements

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 of Galveston to provide retirement and incidental benefits to substantially all employees of the Port. The Plan was established January 1, 1965, restated January 1, 2008, amended January 1, 2013, and most recently amended effective January 1, 2020. On January 10, 2010, the Plan was amended to cease further accrual of benefits under the Plan for existing employees electing to participate in the Galveston Wharves 2010 Plan and for all Port employees hired after January 1, 2010. Effective January 1, 2020, the Plan was amended to provide an ad-hoc benefit increase to all participants whose benefits commenced prior to January 1, 2020. 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.

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Notes to Financial Statements

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 on average monthly compensation and years of benefit service as of his or her early retirement date, reduced in accordance with the following table (interpolated between whole ages to completed months):

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 be computed in the same manner as his or her normal retirement benefit considering his or her average monthly compensation and years of benefit service as of the date of his or her disability. Such benefit shall commence at the time the participant is eligible or would have been eligible (if the participant was a full-time employee) for benefits under the employer's long-term disability plan and has met the definition of disability, as defined in the 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.

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

Notes to Financial Statements

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: In 2020, the plan was amended to provide an ad-hoc benefit increase to all participants whose benefits commenced prior to January 1, 2020. The amendment provided an ad-hoc benefit increase of 2.00% to all eligible participants.

At the December 31, 2025, measurement date, the following employees were covered by the benefit terms:

Inactive plan members and beneficiaries currently receiving benefits	76
Inactive employees entitled to, but not yet receiving benefits	32
Active plan members	10
	<u>118</u>

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. 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 2025 was \$505,000.

Net pension asset: The Port's net pension asset was measured as of December 31, 2025, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

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

Notes to Financial Statements

Note 7. Pension Plan (Continued)

Actuarial assumptions: The net pension asset was determined through an actuarial valuation performed as of December 31, 2025. The actuarial assumptions used are as follows:

Valuation date	December 31, 2025, based on a roll-forward of January 1, 2025 valuation
Actuarial cost method	Individual entry age cost method
Asset valuation method	Fair value of assets
Interest rates	Discount rate 7.00%
	Expected long-term rate of return 7.00%
	Municipal bond rate N/A
Inflation	2.75%
Annual pay increases	5.00%
Mortality rates:	PubG-2010 Mortality Tables Projected Generationally from 2010 with the Mortality Improvement Scale MP-2021
Retirement rates	Age Rate
	60-64 10%
	65-69 50%
	70+ 100%
Experience study	An experience study was completed in March 2025.

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

- Annual salary increase assumption has been increased from 3.00% to 5.00%.
- Retirement rate assumption has been updated from the later of age 65 or the completion of 5 years of service to a graded retirement rate table.
- Administrative expense load has been updated from a flat \$60,000 per year to a rolling 3 -year average rounded to the nearest \$1,000.
- Asset valuation method changed from market value to a 5-year smoothed asset value within a corridor of 90% to 110% of the market value of assets.

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 7.00%. 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, 2025, are summarized in the following table:

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

Notes to Financial Statements

Note 7. Pension Plan (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income securities	15%	4.30%
Common stock	0%	7.50%
Domestic equities—large cap	52%	9.00%
Domestic equities— mid cap	10%	8.00%
Domestic equities—small cap	4%	7.25%
International equities	11%	6.00%
Real estate investment trust (REIT)	0%	5.50%
Emerging markets	5%	6.00%
Cash	3%	3.65%

Sensitivity of net pension asset to changes in the discount rate: The following presents the net pension liability (asset), calculated using the discount rate of 7.00%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.00%) or 1 percentage-point higher (8.00%) than the current rate:

	1.00% Decrease (6.00)%	Current Discount Rate (7.00)%	1.00% Increase (8.00)%
Net pension liability (asset)	\$ 1,109,210	\$ (696,739)	\$ (2,243,588)

Changes in the net pension liability (asset): The following presents the changes in net pension liability (asset) as of December 31, 2025 .

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at December 31, 2024	\$ 16,775,311	\$ 15,637,550	\$ 1,137,761
Changes for the year:			
Service cost	48,566	-	48,566
Interest	1,130,814	-	1,130,814
Difference between expected and actual experience	(498,435)	-	(498,435)
Changes of assumptions	60,573	-	60,573
Contributions—employer	-	505,000	(505,000)
Net investment gain	-	2,132,981	(2,132,981)
Benefit payments, including refunds of employee contributions	(1,345,038)	(1,345,038)	-
Administrative expenses	-	(58,605)	58,605
Other changes	-	(3,358)	3,358
Balance at December 31, 2025	\$ 16,171,791	\$ 16,868,530	\$ (696,739)

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

Notes to Financial Statements

Note 7. Pension Plan (Continued)

Pension expense: For the year ended December 31, 2025, the Port recognized a pension income of (\$381,349) due to GASB 67 & 68 adjustments.

Deferred outflows and deferred inflows of resources related to pension: At December 31, 2025, the Port reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 1,207,318

Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Years	Deferred Inflows of Resources
2026	\$ 117,432
2027	(693,471)
2028	(416,259)
2029	(215,020)
	\$ (1,207,318)

Deferred inflows related to the net difference between projected and actual earnings are amortized over a four-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 \$103,041 to the 457 Plan during the year ended December 31, 2025.

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.

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.

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

Notes to Financial Statements

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 \$935,794 and the Port contributed \$663,987 during the year ended December 31, 2025.

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 \$497,707 during the year ended December 31, 2025. The employees do not have a required contribution rate.

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

Notes to Financial Statements

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. As of December 31, 2025, the Port has accrued an amount related to a claim.

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 \$22.5 million and another customer generated \$6.6 million, which comprised approximately 26% and 8%, respectively of total operating revenues for the year ended December 31, 2025. 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 \$5,146,303 in 2025.

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. As of December 31, 2025, deposits at Moody National Bank totaled \$34,990,526.

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

Notes to Financial Statements

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). As of December 31, 2025, the Port has no arbitrage liability.

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 31, 2024, the Port showed a payable to FEMA/TDEM related to Ike in the amount of \$11,282,711. In 2025, TDEM offset \$7,045,477 related to grant number 1791 due to the Port’s work on the West End Erosion Alternative Project (PW15828). Additionally, the Port paid \$921,244 to TDEM in anticipation of grant number 1791 being settled in 2026. Both of these actions resulted in the payable being reduced to \$3,316,010 as of December 31, 2025. The TDEM offset of \$7,045,477 was recognized as a reduction in the non-operating section of the Statement of Revenues, Expenses and Changes in Net Position, and both amounts were recognized as a reduction in short-term liability reflected in the Statement of Net Position.

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

Notes to Financial Statements

Note 15. Subsequent Events

The Port has evaluated subsequent events through April 21, 2026, the date the financial statements were available to be issued.

In light of the February 20, 2026, United States Supreme Court ruling on tariffs, the Port is in the process of pursuing refunds on any tariffs paid.

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
A Component Unit of the City of Galveston, Texas
Annual Comprehensive Financial Report
For the Year Ended December 31, 2025



Port of Galveston, Texas



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Required Supplementary Information

**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

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

	2025	2024	2023	2022
Total pension liability:				
Service cost	\$ 48,566	\$ 76,950	\$ 72,585	\$ 65,944
Interest	1,130,814	1,121,341	1,141,633	1,162,633
Changes in benefit terms	-	-	-	-
Change in assumptions	60,573	-	357,525	-
Difference between expected and actual experience	(498,435)	284,980	(15,427)	(243,803)
Benefit payments, including refunds of employee contributions	(1,345,038)	(1,294,096)	(1,282,082)	(1,283,191)
Net change in total pension liability	(603,520)	189,175	274,234	(298,417)
Total pension liability at beginning of year	16,775,311	16,586,136	16,311,902	16,610,319
Total pension liability at end of year	<u>\$ 16,171,791</u>	<u>\$ 16,775,311</u>	<u>\$ 16,586,136</u>	<u>\$ 16,311,902</u>
Plan fiduciary net position:				
Contributions—employer	\$ 505,000	\$ 505,000	\$ 505,000	\$ 399,996
Net investment income	2,132,981	1,982,854	2,291,256	(2,876,194)
Benefit payments, including refunds of employee contributions	(1,345,038)	(1,294,096)	(1,282,082)	(1,283,191)
Administrative expense	(58,605)	(30,196)	(63,070)	(40,406)
Other changes	(3,358)		110,276	(778)
Net change in plan fiduciary net position	1,230,980	1,163,562	1,561,380	(3,800,573)
Plan fiduciary net position at beginning of year	15,637,550	14,473,988	12,912,607	16,713,180
Plan fiduciary net position at end of year	<u>\$ 16,868,530</u>	<u>\$ 15,637,550</u>	<u>\$ 14,473,988</u>	<u>\$ 12,912,607</u>
Plan net pension liability (asset) at end of year	<u>\$ (696,739)</u>	<u>\$ 1,137,761</u>	<u>\$ 2,112,148</u>	<u>\$ 3,399,295</u>
Fiduciary net position as a percentage of the total pension liability	104%	93%	87%	79%
Covered payroll	\$ 1,036,080	\$ 1,208,614	\$ 1,123,705	\$ 1,041,242
Plan net pension liability (asset) as a percentage of covered payroll	-67%	94%	188%	326%

- Beginning with the fiscal year ended December 31, 2024, the Port has changed its measurement date to align with the same fiscal year as its reporting period on a prospective basis.

**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

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

2021	2020	2019	2018	2017	2016
\$ 71,422	\$ 77,202	\$ 101,967	\$ 149,366	\$ 138,712	\$ 137,707
1,189,715	1,148,818	1,145,698	1,135,048	1,119,970	1,095,941
-	-	206,256	-	-	-
34,009	762,991	(96,477)	88,955	762,720	-
(340,081)	(63,634)	-	41,613	(134,857)	84,594
(1,366,375)	(1,344,635)	(1,234,638)	(1,206,729)	(1,141,887)	(855,811)
(411,310)	580,742	122,806	208,253	744,658	462,431
17,021,629	16,440,887	16,318,081	16,109,828	15,365,170	14,902,739
<u>\$ 16,610,319</u>	<u>\$ 17,021,629</u>	<u>\$ 16,440,887</u>	<u>\$ 16,318,081</u>	<u>\$ 16,109,828</u>	<u>\$ 15,365,170</u>
\$ 258,325	\$ 365,585	\$ 575,000	\$ 575,000	\$ 562,160	\$ 420,000
2,277,865	1,831,353	3,021,496	(560,928)	2,475,326	519,420
(1,366,375)	(1,344,635)	(1,234,638)	(1,206,729)	(1,141,887)	(855,811)
(39,843)	(50,083)	(42,883)	(62,705)	(69,370)	-
22,375	28,776	(769)	(368)	1,280	679
1,152,347	830,996	2,318,206	(1,255,730)	1,827,509	84,288
15,560,833	14,729,837	12,411,631	13,667,361	11,839,852	11,755,564
<u>\$ 16,713,180</u>	<u>\$ 15,560,833</u>	<u>\$ 14,729,837</u>	<u>\$ 12,411,631</u>	<u>\$ 13,667,361</u>	<u>\$ 11,839,852</u>
<u>\$ (102,861)</u>	<u>\$ 1,460,796</u>	<u>\$ 1,711,050</u>	<u>\$ 3,906,450</u>	<u>\$ 2,442,467</u>	<u>\$ 3,525,318</u>
101%	91%	90%	76%	85%	77%
\$ 1,031,885	\$ 1,144,464	\$ 1,527,483	\$ 2,017,084	\$ 2,659,786	\$ 3,174,196
-10%	128%	112%	194%	92%	111%

**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

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

	2025	2024	2022	2021	2020
Actuarially determined contribution	\$ 211,375	\$ 390,483	\$ 130,460	\$ 242,382	\$ 292,252
Contributions in relation to the actuarially determined contribution, including contribution receivable	505,000	505,000	399,996	255,702	365,585
Contribution excess	<u>\$ (293,625)</u>	<u>\$ (114,517)</u>	<u>\$ (269,536)</u>	<u>\$ (13,320)</u>	<u>\$ (73,333)</u>
Covered payroll	\$ 1,036,080	\$ 1,527,483	\$ 1,041,242	\$ 1,031,885	\$ 1,144,464
Contributions as a percentage of covered payroll	48.74%	33.06%	38.42%	24.78%	31.94%
	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 292,252	\$ 515,856	\$ 421,327	\$ 562,160	\$ 415,085
Contributions in relation to the actuarially determined contribution	365,585	575,000	575,000	562,160	420,000
Contribution excess	<u>\$ (73,333)</u>	<u>\$ (59,144)</u>	<u>\$ (153,673)</u>	<u>\$ -</u>	<u>\$ (4,915)</u>
Covered payroll	\$ 1,144,464	\$ 1,527,483	\$ 2,017,084	\$ 2,659,786	\$ 3,174,196
Contributions as a percentage of covered payroll	31.94%	37.64%	28.51%	21.14%	13.23%

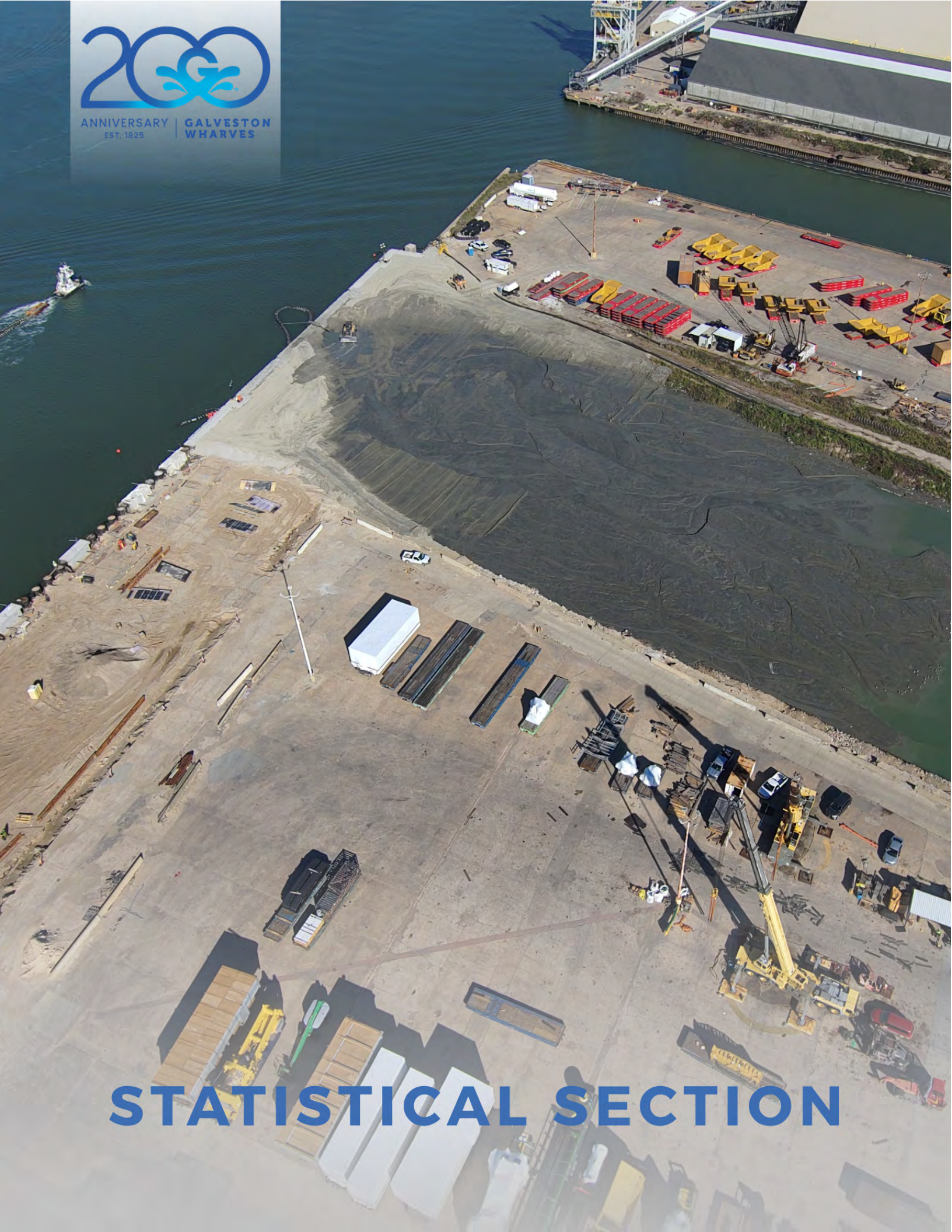
Methods and assumptions used to determine contribution for 2025:

Valuation date	December 31, 2025, based on roll-forward of January 1, 2025 valuation
Actuarial cost method	Individual entry age cost method
Amortization method	16-year level dollar (closed)
Asset valuation method	Fair value of assets
Interest rates	Discount rate 7.00%, Expected Long Term Rate of Return 7.00%
Inflation	2.75%
Annual pay increases	5.00%
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	Age Rate 60-64 10% 65-69 50% 70+ 100%

- Beginning with the fiscal year ended December 31, 2024, the Port has changed its measurement date to align with the same fiscal year as its reporting period on a prospective basis.



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STATISTICAL SECTION

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
A Component Unit of the City of Galveston, Texas
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Carnival Jubilee at Pier 21, Port of Galveston, Texas

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
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Statistical Section Categories

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Financial Trend	Page
<i>These schedules contain trend information to help the reader understand how the Port's financial performance and well-being have changed over time.</i>	
Condensed statement of net position	66-67
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**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

**Condensed Statement of Net Position
Last Ten Fiscal Years**

Description	2025	2024	2023	2022
Assets				
Unrestricted current assets	\$ 51,872,296	\$ 66,437,637	\$ 49,097,161	\$ 44,360,293
Restricted current assets	41,245,185	144,610,831	15,308,509	691,398
Properties and facilities, net	431,906,775	294,613,590	223,823,165	172,742,900
Other assets	479,028,222	242,555,098	247,232,390	202,394,458
Total assets	<u>1,004,052,478</u>	<u>748,217,156</u>	<u>535,461,225</u>	<u>420,189,049</u>
Deferred outflows of resources	-	-	2,152,040	399,996
Liabilities				
Current liabilities—payable from nonrestricted assets	41,137,246 (b)	63,619,752 (b)	36,640,261 (b)	31,860,033 (b)
Current liabilities—payable from restricted assets	8,400,854	8,072,065	9,011,623	4,555,664
Long term debt, net of current portion	216,417,856	224,827,985	60,502,615	16,967,729
Unearned revenues	-	-	-	-
Net pension liability	-	1,137,761	3,399,295	-
Total liabilities	<u>265,955,956</u>	<u>297,657,563</u>	<u>109,553,794</u>	<u>53,383,426</u>
Deferred inflows of resources	461,301,779	234,893,662	244,401,001	207,791,054
Net position				
Net investment in capital assets	205,098,042	146,951,723	152,289,923	145,377,881
Restricted for debt service	26,054,086	20,264,769	5,807,149	588,537
Restricted for net pension asset	696,739	-	-	-
Unrestricted	44,945,876	48,449,439	25,561,398	13,448,147
Total net position	<u>\$ 276,794,743</u>	<u>\$ 215,665,931</u>	<u>\$ 183,658,470</u>	<u>\$ 159,414,565</u>

- 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.
- 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
A Component Unit of the City of Galveston, Texas**

**Condensed Statement of Net Position
Last Ten Fiscal Years**

	2021	2020	2019	2018	2017	2016
\$	34,652,944	\$ 30,012,668	\$ 31,810,238	\$ 19,731,195	\$ 14,197,722 (a)	\$ 18,183,941
	8,358,880	15,327,609	17,400,813	17,099,839	18,642,035	19,900,725
	145,554,303	142,291,681	145,631,402	149,793,852	147,820,443	152,026,032
	838,008	1,062,113	1,261,259	1,460,406	1,659,552	1,858,698
	189,404,135	188,694,071	196,103,712	188,085,292	182,319,752	191,969,396
	258,202	363,085	1,177,383	984,558	1,409,876	1,146,128
	21,796,198	8,859,598	10,219,523	8,688,028	8,865,980	5,414,459
	5,896,515	3,885,000	6,773,387	4,971,216	4,823,336	4,420,000
	18,597,202	26,597,547	28,948,200	35,535,886	36,505,594	43,709,763
	1,079,635	1,282,067	1,484,498	1,686,930	2,075,676	2,337,245
	1,460,796	1,711,050	3,906,450	2,442,467	3,525,318	3,147,175
	48,830,346	42,335,262	51,332,058	53,324,527	55,795,904	59,028,642
	1,765,404	1,427,451	-	846,633	83,707	228,612
	126,137,940	119,342,702	117,664,207	116,705,066	110,603,904	115,231,634
	1,279,821	6,487,326	8,563,972	8,408,718	11,995,924	7,869,709
	-	-	-	-	-	-
	11,648,826	19,464,415	19,720,858	9,784,906	5,250,189 (a)	10,756,927
\$	139,066,587	\$ 145,294,443	\$ 145,949,037	\$ 134,898,690	\$ 127,850,017	\$ 133,858,270

**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

**Condensed Statement of Changes in Net Position
Last Ten Fiscal Years**

Description	2025	2024	2023	2022
Operating revenues	\$ 87,309,767	\$ 79,266,762	\$ 67,538,148	\$ 52,911,432
Operating expenses:				
Personnel services	17,737,265	17,074,347	14,469,719	9,926,696
Maintenance and operations	14,094,926	13,595,476	12,906,875	14,179,348
Sales and office	6,198,379	5,923,755	4,860,390	4,959,402
Depreciation and amortization	15,370,028	13,563,788	10,691,546	7,889,262
Total operating expenses	<u>53,400,598</u>	<u>50,157,366</u>	<u>42,928,530</u>	<u>36,954,708</u>
Net operating income (loss)	<u>33,909,169</u>	<u>29,109,396</u>	<u>24,609,618</u>	<u>15,956,724</u>
Nonoperating revenue (expenses):				
Investment income	4,877,598	5,238,995	1,546,368	511,255
Other income	1,569,724	736,195	49,050	29,330
Loss on lease modifications/terminations	-	(6,166)	(105,079)	-
Annual city payment (b)	(198,124)	(198,125)	(195,031)	(198,125)
Interest expense	(10,787,685)	(6,001,809)	(631,643)	(225,470)
Bond issuance costs	-	(1,962,370)	(1,171,544)	-
Net gain (loss) on bad debts and disposal of equipment	(373,229)	(510,846)	(492,311)	(48,143)
U.S. Army COE-related expenses	-	-	-	-
Hurricane-related income (expenses) (c)	44,029	(1,081,824)	-	-
FEMA/TDEM claims	7,037,344	(181,475)	(382,446)	(160,668)
Total nonoperating revenues (expenses)	<u>2,169,657</u>	<u>(3,967,425)</u>	<u>(1,382,636)</u>	<u>(91,821)</u>
Income (expense) before contributions	36,078,826	25,141,971	23,226,982	15,864,903
Capital grants and contributions	<u>25,049,986</u>	<u>6,865,490</u>	<u>1,016,923</u>	<u>4,483,075</u>
Changes in net position	<u>\$ 61,128,812</u>	<u>\$ 32,007,461</u>	<u>\$ 24,243,905</u>	<u>\$ 20,347,978</u>

- 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 payments to City of Galveston, Texas for all years are being shown as nonoperating expenses rather than operating expenses. Only applies to PILOT 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
A Component Unit of the City of Galveston, Texas**

**Condensed Statement of Changes in Net Position
Last Ten Fiscal Years**

2021	2020	2019	2018	2017	2016
\$ 31,172,106	\$ 27,358,135	\$ 51,474,109	\$ 43,514,516	\$ 37,769,849	\$ 34,488,872
9,600,288	8,650,301	9,494,870	8,281,310	7,972,059	8,462,458
7,281,110	8,678,974	15,019,177	12,773,845	11,772,312	10,987,938
4,042,791	4,175,833	8,413,703	7,935,356	6,865,712	5,412,002
7,011,940	6,677,873	6,370,852	6,546,854	6,705,570	6,549,259
<u>27,936,129</u>	<u>28,182,981</u>	<u>39,298,602</u>	<u>35,537,365</u>	<u>33,315,653</u>	<u>31,411,657</u>
3,235,977	(824,846)	12,175,507	7,977,151	4,454,196	3,077,215
70,519	205,620	519,163	280,987	347,353	288,856
319,089	45,917	18,011	-	-	-
-	-	-	-	-	-
(198,124)	(189,245)	(189,245)	(189,169)	(188,793)	(188,561)
(698,376)	(1,236,305)	(1,499,143)	(1,742,546)	(1,934,675)	(2,125,727)
(269,754)	-	-	-	-	-
(792,012)	(23,710)	(400,102)	-	-	-
-	-	-	(487,983)	-	-
23,053	(63,359)	(227,224)	(459,194)	(811,434)(a)	(552,828)
(10,745,473) (d)	-	-	-	-	-
<u>(12,291,078)</u>	<u>(1,261,082)</u>	<u>(1,778,540)</u>	<u>(2,597,905)</u>	<u>(2,587,549)</u>	<u>(2,578,260)</u>
(9,055,101)	(2,085,928)	10,396,967	5,379,246	1,866,645	498,955
<u>2,827,245</u>	<u>1,431,334</u>	<u>653,380</u>	<u>1,669,423</u>	<u>30,384</u>	<u>3,149,100</u>
<u>\$ (6,227,856)</u>	<u>\$ (654,594)</u>	<u>\$ 11,050,347</u>	<u>\$ 7,048,669</u>	<u>\$ 1,897,029</u>	<u>\$ 3,648,055</u>

**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

**Operating Revenue Statement
Last Ten Fiscal Years**

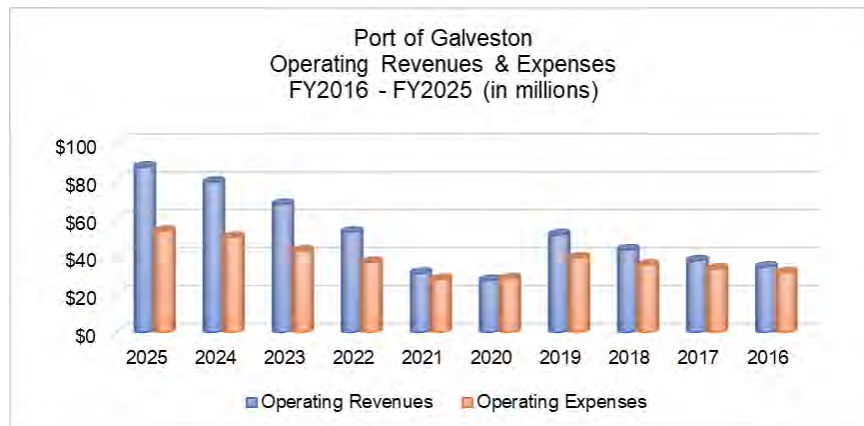
Description	2025	2024	2023	2022
Switching	\$ 156,492	\$ 405,928	\$ 320,259	\$ 577,768
*Wharfage	4,073,395	3,673,770	3,152,771	3,400,091
*Passenger charge	29,633,773	22,516,081	16,812,536	15,902,648
Parking fees	31,053,202	26,555,199	22,758,272	12,390,711
*Dockage	5,815,594	7,140,756	7,364,270	9,431,750
Ship service revenues	-	-	-	-
Revenue producing services	1,081,426	1,226,317	1,137,670	1,046,528
*Real Estate	10,157,331	11,370,993	11,884,646	6,384,155
Security cost recovery	2,893,277	3,557,105	1,964,353	2,249,296
Terminal access fees	2,170,736	1,959,810	1,848,961	1,444,449
Miscellaneous	274,542	860,803	294,410	84,035
Total operating revenues	<u>\$ 87,309,768</u>	<u>\$ 79,266,762</u>	<u>\$ 67,538,148</u>	<u>\$ 52,911,432</u>

- 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
A Component Unit of the City of Galveston, Texas**

**Operating Revenue Statement
Last Ten Fiscal Years**

2021	2020	2019	2018	2017	2016
\$ 828,455	\$ 961,886	\$ 724,899	\$ 664,519	\$ 556,646	\$ 929,527
4,538,197	3,555,727	4,061,884	4,491,912	3,169,750	2,661,602
4,093,695	3,527,539	16,011,250	12,200,846	11,580,016	8,946,032
3,608,502	1,877,896	8,118,181	7,607,603	6,669,561	6,143,976
10,311,012	8,356,276	8,204,487	6,719,542	5,165,419	5,826,700
-	1,462,701	6,238,691	5,336,560	4,861,472	3,891,550
1,098,407	947,618	873,759	343,467	98,497	114,358
4,728,063	4,827,199	4,685,762	3,787,582	3,748,981	3,478,455
1,485,559	1,214,248	1,401,845	1,191,123	847,632	949,909
447,079	254,700	1,059,105	888,442	889,170	832,440
33,137	372,345	94,246	282,920	182,710	714,323
\$ 31,172,106	\$ 27,358,135	\$ 51,474,109	\$ 43,514,516	\$ 37,769,854	\$ 34,488,872



**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

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

2025			
Rank	Customer Name	Amount	Percent of Total Operating Revenues
1	Carnival Cruise Lines	\$ 22,473,443	26%
2	Royal Caribbean, Int'l.	6,644,592	8%
3	Disney Cruise Line	3,430,823	4%
4	MSC Cruise Lines	3,034,264	3%
5	Norwegian Cruise Lines	2,361,380	3%
6	Wallenius Wilhelmsen	2,338,933	3%
7	Metro Ports Suderman Contracting	1,506,795	2%
8	Gulf Copper	1,176,433	1%
9	Landry's Corp	938,929	1%
10	ARRC American Roll-on Roll-off Carrier	914,175	1%
Total ten largest customers		44,819,767	51%
Others		42,490,000	49%
Total operating revenues		\$ 87,309,767	100%

Source: Port of Galveston Records

**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

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

2016				
Rank	Customer Name	Amount	Percent of Total Operating Revenues	
1	Carnival Cruise Lines	\$ 7,523,778	22%	
2	Royal Caribbean, Int'l.	5,344,416	15%	
3	ADM Grain Co.	2,163,959	6%	
4	Wallenius Wilhelmsen	1,321,302	4%	
5	Galveston Railroad	1,165,545	3%	
6	Del Monte Fresh Fruit	1,151,577	3%	
7	Disney Cruise Line	869,190	3%	
8	GE Energy	715,520	2%	
9	Malin Int'l.	614,580	2%	
10	Gulf Copper	607,566	2%	
Total ten largest customers		21,477,432	62%	
Others		13,011,440	38%	
Total operating revenues		\$ 34,488,872	100%	

**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

Debt Service Schedule

Year Ending December 31	Revenue Bonds, Series 2023	Revenue Bonds, Series 2024A (AMT)	Revenue Bonds, Series 2024B (NON AMT)	Direct Placements, Series 2021	* US Army Corps of Engineers Debt	Total Principal and Interest Requirements
2026	4,256,738	8,608,975	3,916,363	784,635	131,455	17,698,166
2027	4,254,588	9,052,225	4,264,613	-	131,455	17,702,881
2028	4,252,975	9,050,725	4,267,113	-	131,455	17,702,268
2029	4,256,638	9,050,225	4,265,113	-	131,455	17,703,431
2030 - 2034	21,274,388	45,257,875	21,336,565	-	657,275	88,526,103
2035 - 2039	21,274,625	45,259,813	21,330,065	-	657,275	88,521,778
2040 - 2044	17,021,100	45,260,775	21,332,777	-	657,275	84,271,927
2045 - 2048	-	-	-	-	524,509	524,509
	<u>\$ 76,591,052</u>	<u>\$ 171,540,613</u>	<u>\$ 80,712,609</u>	<u>\$ 784,635</u>	<u>\$ 3,022,154</u>	<u>\$ 332,651,063</u>

*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
A Component Unit of the City of Galveston, Texas**

**Schedule of Long-Term Debt
Last Ten Fiscal Years**

Fiscal Year	Revenue Bonds	Revenue					Contracts Payable	Notes Payable	US Army Corps of Engineers		Total	Percentage of Personal Income	Dollars Per Capita
		Direct Placements	Bond Premiums	Lease Liability	Subscription Liability	Capital Leases			Debt				
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%	792
2022	-	14,652,364	-	-	-	-	-	-	3,401,817	-	18,054,181	1%	594
2023	51,460,000	10,096,700	-	-	-	-	-	-	3,271,450	-	64,828,150	3%	1,638
2024	206,140,000	5,472,665	13,167,546	2,534,110	2,103,307	-	-	-	3,271,450	-	232,689,078	12%	6,211
2025	204,565,000	783,362	11,620,643	2,982,193	1,755,962	-	-	-	3,010,592	-	224,717,752	11%	5,634

**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

**Pledged Net Revenue Coverage
Last Ten Fiscal Years**

Description	2025	2024	2023	2022	2021
Operating revenues	\$ 87,309,767	\$ 79,266,762	\$ 67,538,148	\$ 52,911,432	\$ 31,172,106
Operating expenses	53,400,598	50,157,366	42,928,530	36,954,708	27,936,129
Net operating income (loss)	33,909,169	29,109,396	24,609,618	15,956,724	3,235,977
Add:					
Miscellaneous income	1,569,724	736,195	49,050	29,330	342,142
Investment income	4,877,598	5,238,995	1,546,368	511,255	70,519
Depreciation and amortization	15,370,028	13,563,788	10,691,546	7,889,262	7,011,940
Subtract:					
Non-Cash portion of GASB 87 and 96	(6,655,510)	(5,849,542)	(7,066,083)	-	-
	(6,655,510)	(5,849,542)	(7,066,083)	-	-
Total net revenues	\$ 49,071,009	\$ 42,798,832	\$ 29,830,499	\$ 24,386,571	\$ 10,660,578
Annual debt service	\$ 16,825,176	\$ 8,984,980	\$ 4,719,066	\$ 6,120,923	\$ 5,470,772
Debt service coverage	2.92	4.76	6.32	3.98	1.95

- 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
A Component Unit of the City of Galveston, Texas**

**Pledged Net Revenue Coverage
Last Ten Fiscal Years**

Description	2020	2019	2018	2017	2016
Operating revenues	\$ 27,358,135	\$ 51,474,109	\$ 43,514,516	\$ 37,769,849	\$ 34,488,872
Operating expenses	28,182,981	39,298,602	35,537,365	33,504,448	31,600,218
Net operating income (loss)	(824,846)	12,175,507	7,977,151	4,265,401	2,888,654
Add:					
Miscellaneous income	45,917	18,011	-	-	-
Interest income	205,620	519,163	280,987	347,353	288,856
Depreciation	6,677,873	6,370,852	6,546,854	6,705,572	6,549,259
Subtract:					
Non-Cash portion of GASB 87 and 96	-	-	-	-	-
Total net revenues	\$ 6,104,564	\$ 19,083,533	\$ 14,804,992	\$ 11,318,326	\$ 9,726,769
Annual debt service	\$ 5,397,680	\$ 6,459,743	\$ 6,549,453	\$ 6,447,362	\$ 6,444,562
Debt service coverage	1.13	2.95	2.26	1.76	1.51

**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

**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)
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%
2024	53,237	37,464	1,994,471	39.4	12	6,700	4.7%
2025	53,538	39,883	2,135,256	40.0	12	6,444	4.6%

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 Commission 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
A Component Unit of the City of Galveston, Texas**

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

Employer	2025			2016		
	Employees	Rank	Percent of Total Employment	Employees	Rank	Percent of Total Employment
University of Texas Medical Branch	10,690	1	58.44%	9,000	1	39.38%
Landry's Restaurants	2,400	2	13.11%	1,300	4	5.69%
Galveston Independent School District	1,366	3	7.47%	1,361	3	5.96%
City of Galveston	909	4	4.97%	700	6	3.06%
Moody Gardens	802	5	4.39%	922	5	4.03%
Galveston County (on Island only)	586	6	3.20%	460	9	2.01%
American National Insurance Company - 2	428	7	2.34%	1,600	2	7.00%
Texas A&M University at Galveston	426	8	2.33%	397	10	1.74%
Shriners	361	9	1.97%	-	-	
USACE	321	10	1.76%	-	-	
Fertitta Hospitality	-	-	0.00%	566	7	2.48%
Galveston College	-	-	0.00%	543	8	2.38%
U.S. Army Corps of Engineers	-	-	0.00%	390	11	1.71%
	<u>18,289</u>		<u>100.00%</u>	<u>17,239</u>		<u>75.43%</u>

Source: All Data obtained from the City of Galveston.

1. Based on 2024 peak season.
2. Based on 2023 data.

**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

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

Description	2025	2024	2023	2022
Bulk grain	-	-	261,808	729,203
Bulk fertilizer	151,341	204,751	155,022	229,295
Bulk liquid	2,101,937	2,309,074	2,015,645	1,965,982
Other bulk cargoes	30,091	38,119	442	-
Bananas and other fruit	-	264,200	607,615	559,084
Other general and RoRo Cargo	572,970	560,489	601,197	533,041
Livestock	-	2,956	2,901	2,392
Total tons handled	2,856,340	3,379,590	3,644,630	4,018,997
Inward	2,679,507	3,101,471	3,099,005	2,995,253
Outward	158,833	278,119	545,625	1,023,744
Total inward and outward	2,838,340	3,379,590	3,644,630	4,018,997
Number of vessels, including ships and barges	893	948	953	925

**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

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

2021	2020	2019	2018	2017	2016
1,246,542	1,473,271	647,328	839,395	734,932	2,466,931
390,868	273,569	540,096	603,701	455,945	565,277
1,989,260	1,393,261	1,574,339	1,544,103	1,225,701	1,303,459
-	39,703	-	-	-	-
594,012	606,624	568,860	534,412	484,661	486,797
622,701	479,335	687,215	581,779	486,296	383,320
2,937	1,859	-	-	-	-
4,846,320	4,267,622	4,017,838	4,103,390	3,387,535	5,205,784
3,246,009	2,444,617	3,043,447	3,069,352	2,342,006	2,631,508
1,600,311	1,823,005	974,391	1,034,038	902,805	2,574,276
4,846,320	4,267,622	4,017,838	4,103,390	3,244,811	5,205,784
943	813	1,023	840	734	752

**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

**Cruise Traffic
Last Ten Fiscal Years**

Year	Cruise Ship Calls	Cruise Passengers	Vehicles Parked
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
2024*	386	3,401,455	216,311
2025	416	3,561,353	226,533

- Effective 2024 on prospective basis, cruise passengers will be presented as passenger movements, which include embarkations and debarkations.
- 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
A Component Unit of the City of Galveston, Texas**

**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)
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
2024	30	43	47	120	10,507,224
2025	34	49	51	134	12,250,664

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

**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

**Operating Facilities
December 31, 2025**

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.
Cruise Terminal 16	Home port to MSC Cruise Lines and Norwegian Cruise Lines. Completed in 2025, the 165,000 square foot terminal includes state of the art passenger boarding bridges, 1,700 spot parking garage with additional surface parking and modernized landscaping throughout the complex.
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 Norwegian 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 accommodate up to 17,000 passengers was completed in December 2023.
Pier 30-32 RORO and General Cargo	RORO, and general cargo facility. Seven acres for staging of oversized farm equipment and breakbulk.

**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas**

**Operating Facilities
December 31, 2025**

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 Berths, 39, 39/40 TH, and 41 were taken out of service for rehabilitation/slip fill in November 2024.	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 new 1,400 foot berth construction will be completed in 2026. The slip 38/39 slip fill project will be completed in 2026 as well and will add 7 acres to the overall footprint for cargo laydown.
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.
Shipyards Operation on adjacent Pelican Island	In 2026, Davie Shipbuilding assumed the current leasehold with plans to construct icebreaker vessels for the U.S. Federal Government. 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
A Component Unit of the City of Galveston, Texas
Annual Comprehensive Financial Report
For the Year Ended December 31, 2025



Mosquito Fleet at Pier 19, Port of Galveston, Texas



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FEDERAL AND STATE SINGLE SECTION

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
A Component Unit of the City of Galveston, Texas
Annual Comprehensive Financial Report
For the Year Ended December 31, 2025



Cruise Terminal 16 ribbon-cutting and welcoming ceremony for MSC Seascope,
the first ship to homeport at the new terminal.
November 7th, 2025

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
A Component Unit of the City of Galveston, Texas

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2025

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Pass-Through to Subrecipients	Expenditures
U. S. Department of Homeland Security				
Direct Programs				
Port Security Grant Program	97.056		\$ -	\$ 215,420
Port Security Grant Program	97.056		-	868,886
Port Security Grant Program	97.056		-	53,568
Total Direct Programs			-	<u>1,137,874</u>
Passed through Governor's Division of Emergency Management				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1791DR	-	2,120,964
Total passed through Governor's Division of Emergency Management			-	<u>2,120,964</u>
Total U.S. Department of Homeland Security			-	<u>3,258,838</u>
U.S. Department of Housing and Urban Development				
Direct Programs				
Community Development Block Grant Mitigation	14.228	22-130-027-D983	-	3,360
Total Direct Program			-	<u>3,360</u>
Total U.S. Department of Housing and Urban Development			-	<u>3,360</u>
U.S. Department of Transportation				
Direct program				
Safe Streets And Roads For All	20.939		-	112,031
Total Direct Program			-	<u>112,031</u>
Total U.S. Department of Transportation			-	<u>112,031</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 3,374,229</u>

The accompanying notes are an integral part of this schedule

**THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
A Component Unit of the City of Galveston, Texas**

**Schedule of Expenditures of State Awards
Year Ended December 31, 2025**

State Grantor/Pass-through Grantor/Program Title	State Identifying Number	Pass-Through to Subrecipients	Expenditures
Texas Department of Transportation			
Direct Program			
Port Access Account Fund	9400-00-014	\$ -	\$ 23,156,820
Texas Mobility Fund	0912-73-225	-	<u>661,107</u>
Total Texas Department of Transportation		-	<u>23,817,927</u>
 Tax Allocation Section of State Comptroller's Office			
Direct Program			
LEOSE - Law Enforcement Officer	17410757524-003	-	4,190
Standards and Education			<u> </u>
Total Tax Allocation Section of State Comptroller's Office		-	<u>4,190</u>
 Total Expenditures of State Awards		 <u>\$ -</u>	 <u>\$ 23,822,117</u>

The accompanying notes are an integral part of this schedule

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
A Component Unit of the City of Galveston, Texas
Notes to Schedule of Expenditures of Federal Awards and
Schedule of Expenditures of State Awards
December 31, 2025

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and Schedule of Expenditures of State Awards (the Schedules) include the federal and state activity of The Board of Trustees of Galveston Wharves (the Port) under programs of the federal and state government for the year ended December 31, 2025. The information in the Schedules are 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) and the *Texas Comptroller of Public Accounts, Texas Grant Management Standards (TxGMS)*. Because the Schedules present only a selected portion of the operations of the Port, they are not intended to and do 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 Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance (for federal expenditures) and TxGMS (for state expenditures), 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 de minimis indirect cost rate, as allowed under the Uniform Guidance. In accordance with the TxGMS, the Port did not apply or use the indirect cost rate as defined by the TxGMS for the period ending December 31, 2025 .

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 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, 2025, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated April 21, 2026.

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 Mazars, LLP

**Houston, Texas
April 21, 2026**

Report on Compliance for Each Major Federal and State 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 Each Major Federal and State Program

Opinion on Each Major Federal and State 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* and *Texas Grants Management Standards* that could have a direct and material effect on each of the Port's major federal and state programs for the year ended December 31, 2025. The Port's major federal and state programs are 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 each of its major federal and state programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal and State 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*); 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); and the Texas Comptroller of Public Accounts, *Texas Grant Management Standards* (TxGMS). Our responsibilities under those standards, the Uniform Guidance, and the TxGMS 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 each major federal and state 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 and state 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*, the Uniform Guidance, and the TxGMS 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 each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and TxGMS, 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 and TxGMS, 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 or state 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 or state 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 or state 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 and TxGMS. Accordingly, this report is not suitable for any other purpose.

Forvis Mazars, LLP

**Houston, Texas
April 21, 2026**

The Board of Trustees of the Galveston Wharves
Federal and State Awards
Schedule of Findings and Questioned Costs
Year Ended December 31, 2025

6. Identification of major federal and state programs:

97.056 Port Security Grant Program

9400-00-014 Maritime Infrastructure Program

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

Federal	\$1,000,000
State of Texas	\$1,000,000

8. Auditee qualified as a low-risk auditee?

Federal	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
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Section II – Financial Statement Findings

No matters are reportable.

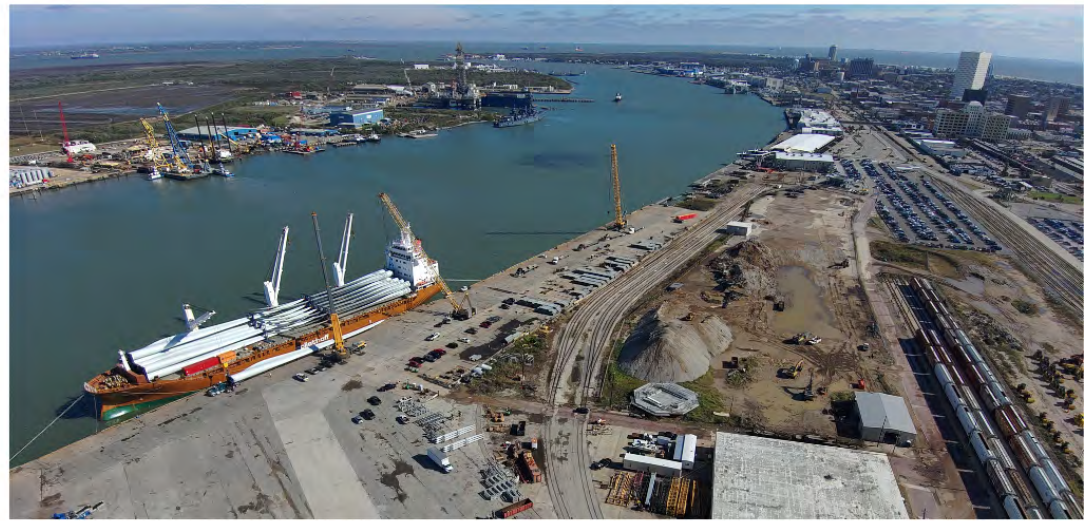
Section III – Federal and State Award Findings and Questioned Costs

No matters are reportable.



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