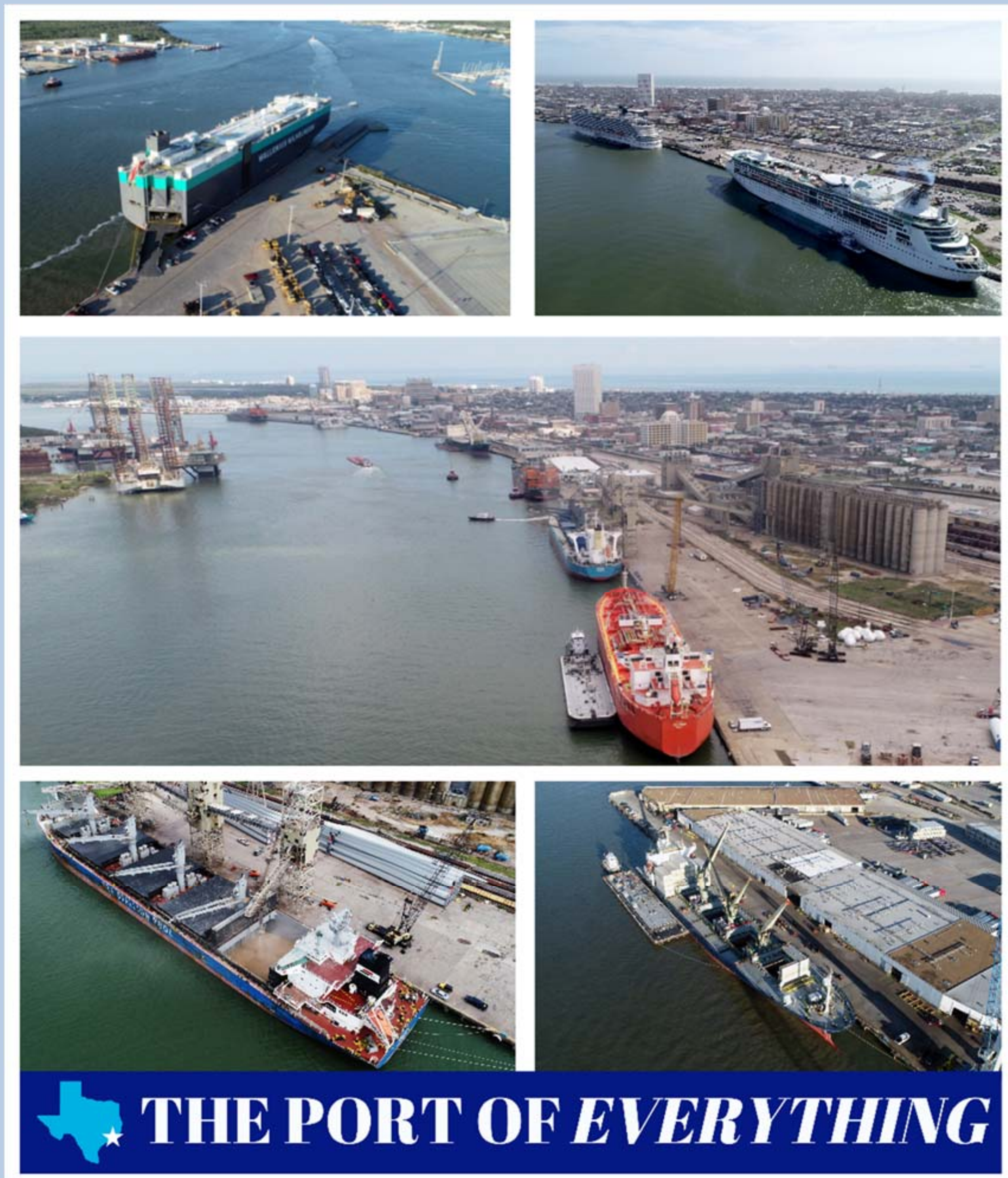
2020 ANNUAL COMPREHENSIVE FINANCIAL REPORT



The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas
Annual Comprehensive Financial Report
for the Year Ending December 31, 2020

PORT OF GALVESTON
Galveston, Texas

GALVESTON WHARVES

2020 ANNUAL COMPREHENSIVE FINANCIAL REPORT

2020 ANNUAL COMPREHENSIVE FINANCIAL REPORT

Year Ending December 31, 2020

Prepared by the Department of Finance Under the

Direction of the CFO and the Senior Financial Staff

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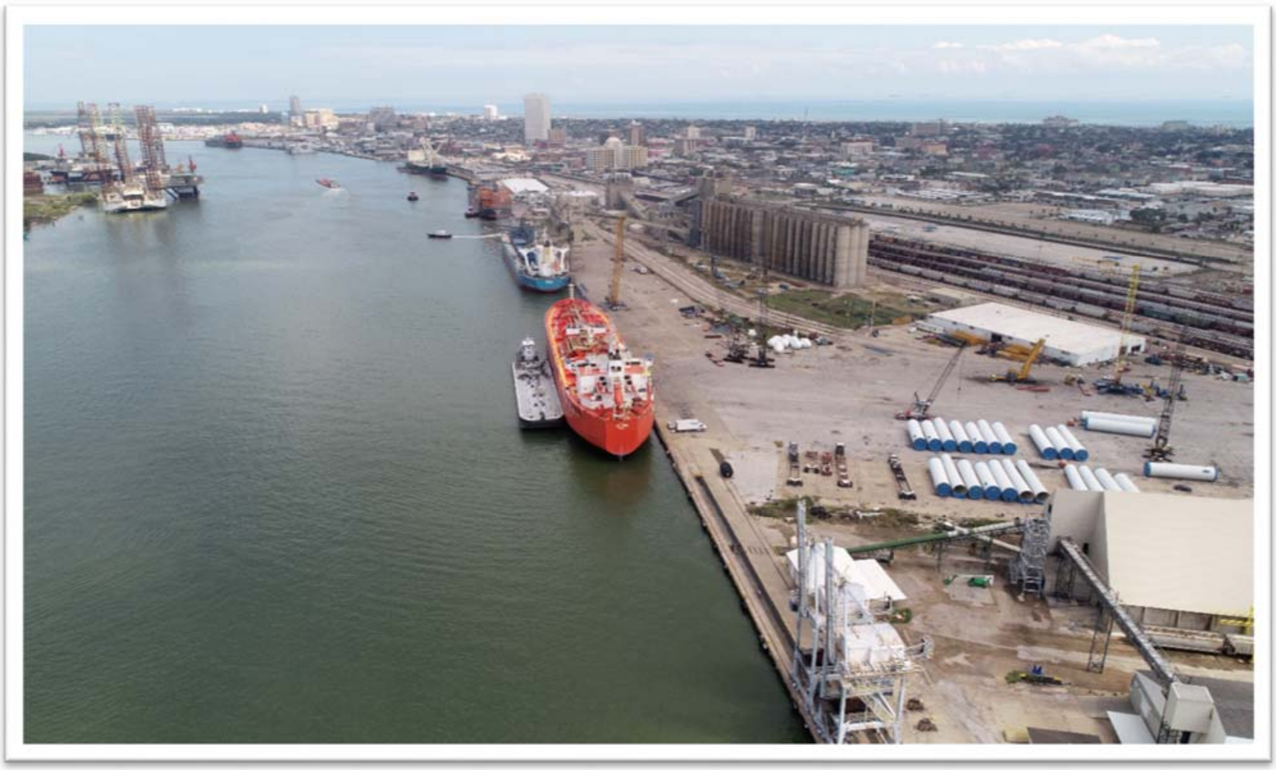


2020 ANNUAL COMPREHENSIVE FINANCIAL REPORT
Directory of Officials

2020 Board of Trustees, Port Director/CEO and CFO of the Galveston Wharves

ALBERT P. SHANNON CHAIRMAN	LEIGH ELIZABETH BEETON VICE CHAIRMAN	DR. CRAIG BROWN TRUSTEE
		
HARRY D. MAXWELL JR. TRUSTEE	E.L. “TED” O’ROURKE TRUSTEE	JEFF PATTERSON TRUSTEE
		
TODD P. SULLIVAN TRUSTEE	RODGER REES PORT DIRECTOR / CEO	MARK R. MURCHISON CFO
		

2020 ANNUAL COMPREHENSIVE FINANCIAL REPORT
Directory of Officials (continued)

Annual Comprehensive Financial Report
For the Year Ending December 31, 2020

BOARD OF TRUSTEES

Albert P. Shannon, Chairman
Leigh Elizabeth Beeton, Vice Chairman
Dr. Craig Brown, Trustee/Mayor
Harry D. Maxwell Jr., Trustee
E.L. “Ted” O’Rourke, Trustee
Jeff Patterson, Trustee
Todd P. Sullivan, Trustee

OFFICERS AND EXECUTIVE STAFF

Rodger Rees, Port Director / CEO
Brett Milutin, Executive Director – Port Operations
Angie Ramirez, Executive Assistant – Board of Trustees/Port Director
Mark R. Murchison, Chief Financial Officer
Kenneth Campbell, Director of Safety and Security
William Dell, Director of Cruise Operations
Cristina Galego, Public Relations Manager

GENERAL COUNSEL

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

BOND COUNSEL

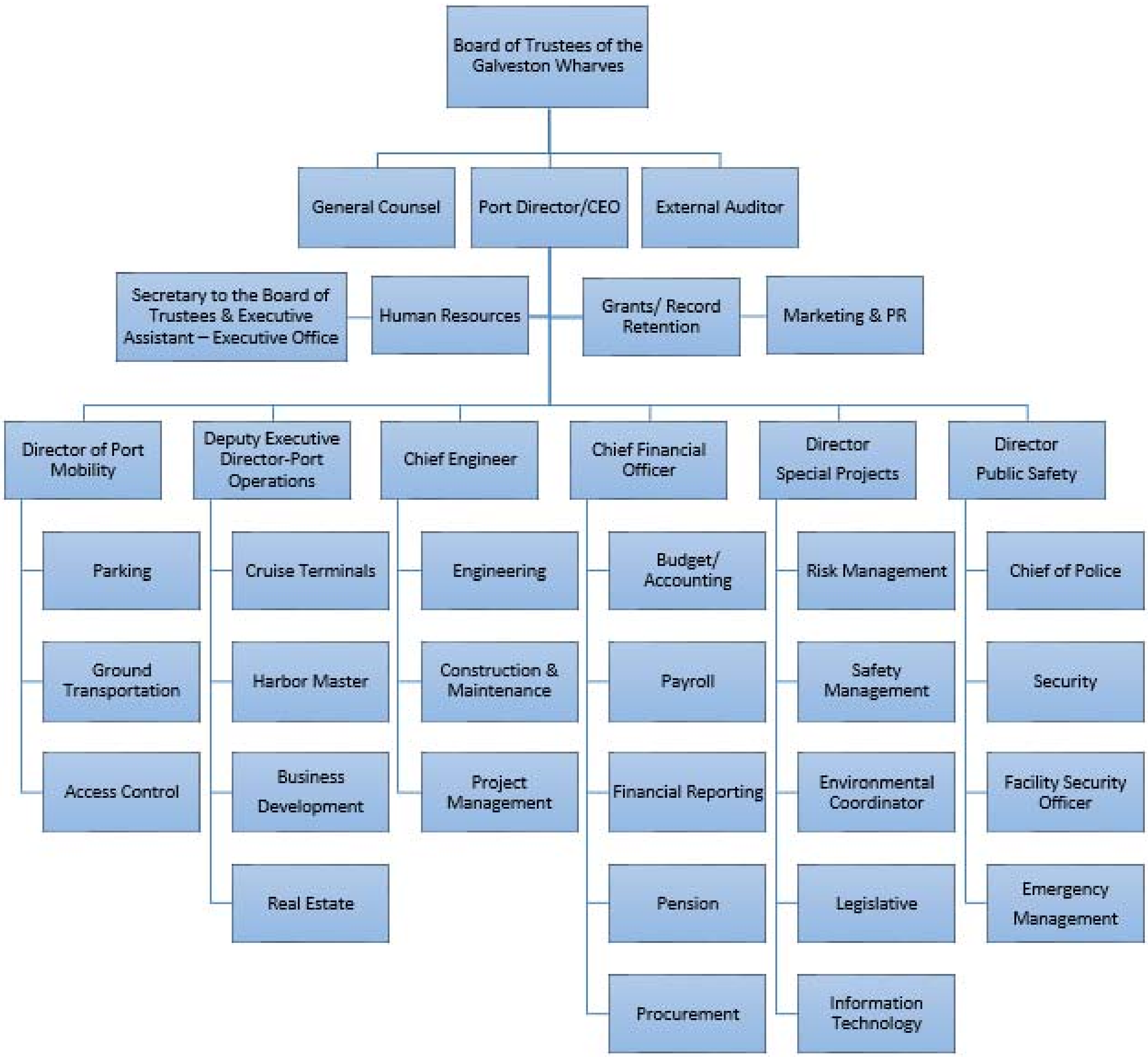
Bracewell & Giuliani, L.L.P.

AUDITORS

RSM US LLP

2020 ANNUAL COMPREHENSIVE FINANCIAL REPORT

Organization Chart



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Port Contact Information

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

Telephone: 409-765-9321
Telefax: 409-766-6109
Website: www.portofgalveston.com

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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 6, 2021
Board of Trustees of the Galveston Wharves
Galveston, Texas

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the Board of Trustees of the Galveston Wharves for the year ended December 31, 2020. Responsibility for both 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 it has 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, 2020. The Independent Auditors' 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 Federal Single Audit Act of 1984 and related Uniform Guidance, the audit is designed to also meet these requirements. The Port met these requirements in 2020, and therefore, an independent report related to the Single Audit Act is available for 2020.

A copy of the Independent Auditor's reports may be obtained by contacting the 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 within 15 days of acceptance of the report by the Board of Trustees of the Galveston Wharves.

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.

2020 ANNUAL COMPREHENSIVE FINANCIAL REPORT

Profile of the Government

The Galveston Wharves (Port of Galveston or Port) 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 are 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 Galveston Port Facilities Corporation (GPFC) was incorporated on June 17, 2002, under the provisions of the Texas nonprofit corporation act as a financing facility for the future financing of expansion and renovation of Port's facilities. GPFC provides services exclusively for the benefit of the Port. On September 27, 2019, the Board of Trustees approved a resolution to cease operations of GPFC effective December 31, 2019. Thus, 2020 was a wind-down year for GPFC and it is anticipated that all GPFC's operations will cease by the end of 2021.

The Port is a separate utility so designated by provision of the City Charter (the Charter). The Charter provides that all city-owned wharf and terminal properties, and all income and revenue there from, is 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.

Situated on Galveston Island two miles off the Texas coast on the Gulf of Mexico and approximately 50 miles south of Houston, the Port of Galveston is Texas' oldest port. Galveston was used for shipping as long ago as 1820, and on October 17, 1825 became a provisional port and customs entry port by Act of Congress in Mexico.

Galveston Island is connected to the Texas mainland by two vehicular causeways and a railroad bridge on the northwest side of the island, a third highway bridge to the Texas mainland across the San Luis Pass at the southwestern tip of the island, and, at the eastern tip of the island, an excellent free state highway ferry service to Bolivar Peninsula with mainland connections to the northeast.

The Port's facilities, located at the entrance to Galveston Bay, constitute a large portion of the greater port complex that surrounds Galveston Harbor. This complex is situated on the north side of the island city with property and facilities also located on adjacent Pelican Island. The Gulf Intracoastal Waterway (ICW) runs alongside the Port of Galveston. The 45 foot deep Galveston Channel provides deep water access to the open Gulf. The Galveston Channel includes two turning basins with 45 feet depth and widths up to 1,400 feet. Galveston port facilities are situated 9.3 miles from the open sea.

Budgetary Process

During the fourth quarter of each year, the Board of Trustees adopts an annual budget for the period beginning January 1 through December 31 of the following year. This budget is based on the Port's recommended tariff rates, projected revenues, operating expenses, debt service and capital improvement plans.

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

Local Economic Condition and Outlook

Revenues and Profits

As a self-supporting enterprise, the Port does not rely on any local tax dollars for operations, and thus must generate income to reinvest in much-needed waterfront improvements to grow the Port's business, support the growth of local jobs and boost the local economy. This is done by operating as a landlord port that facilitates the movement of a diverse mix of domestic and international cargoes through Port facilities and property totaling approximately 850 acres on Galveston Island and the adjacent Pelican Island.

The Port was well situated to exceed 2020 budget and 2019 actual revenues and net income until the COVID-19 pandemic temporarily shut down the cruise business in mid-March of 2020. The Port posted operating revenues of $27.4 million, down from $51.5 million in 2019, and a net loss of $655 thousand, down from net income of $11.1 million in 2019 due primarily to the temporary loss of cruise business for 9-1/2 months. The Board approved a revised budget for 2020 lowering the original profit of $10.8 million down to a loss of $3.9 million. The Port exceeded the revised loss by almost $3.3 million. While cruise business was down significantly, cargo tonnage was up over 6.2% over 2019 and lay vessels docking at the port increased by 22% over 2019. Despite the cruise business temporary shutdown, the Port ended 2020 with positive cash flows from operating activities of $9.7 million.

The Port focused on growing cargo and lay revenues, putting COVID-19 measures in place to prepare for the return of cruise business, cutting expenses, and preserving unrestricted cash flows. By doing so, the Port was able to keep its highly trained and motivated personnel in all areas of the Port, and no broad sweeping layoffs occurred during 2020.

Cargo Growth

One of the top 50 ports in the nation and one of the busiest in Texas, the Port moved 4.3 million tons of cargo in 2020, which is up 6.2% overall from 2019. Bulk Grain and Wind & General Cargoes led the Port with increases of 127.6% and 13.9%, respectively, while Bulk Fertilizer and Roll On Roll Off (RoRo) lagged with decreases of 49.3% and 36.1%, respectively. Following is a chart showing 2020 Short Tons by Major Product Line.

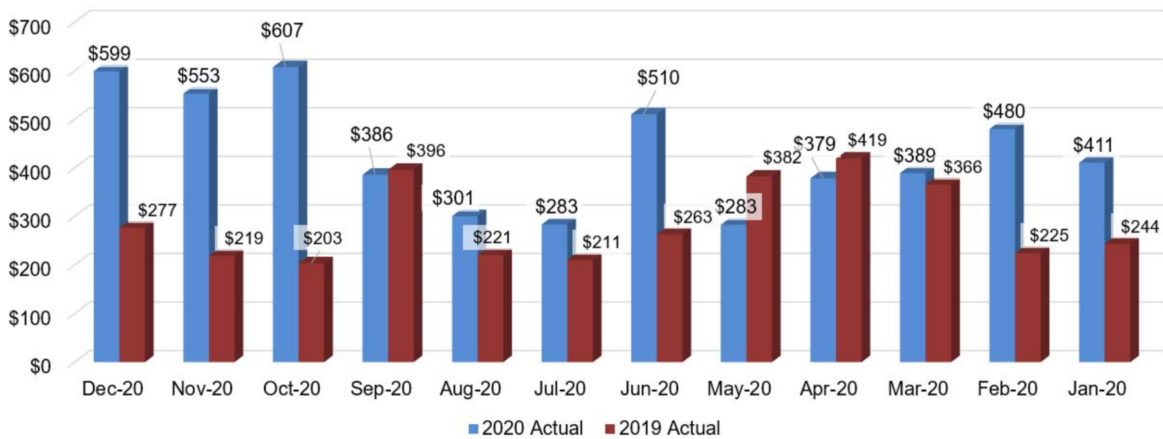
2020 and 2019 Short Tons By Major Product Line

Product Line	2020	2019	Increase/(Decrease) Tons	Increase/(Decrease) %
Bulk Grain	1,473,271	647,328	825,943	127.6%
Bulk Fertilizer	273,569	540,096	(266,527)	-49.3%
Liquid Bulk	1,393,261	1,574,339	(181,078)	-11.5%
Bananas and Other Fruit	606,624	568,860	37,764	6.6%
RoRo (includes BMW Vehicle Processing Center)	334,353	523,491	(189,138)	-36.1%
Wind and General Cargoes	186,544	163,724	22,820	13.9%
Total	**4,267,622**	**4,017,838**	**249,784**	**6.2%**

Lay Growth

Vessels lay-up at the Port of Galveston for a variety of reasons including obtaining vessel repairs and maintenance, gathering stores, and obtaining inspections. Lay dockage space is utilized only when there are no cargo-laden vessels available for berths. A record-setting 461 lay vessels called at the Port of Galveston in 2020 compared with 377 in 2019, or an increase of 22%, driving lay dockage revenue up from $3.4 million in 2019 to $5.2 million in 2020. Following is a graph of monthly lay dockage revenues for 2020 and 2019.

Monthly through December, 2020
(in thousands)



Cruise Growth

The Cruise Industry has a significant influence on the State of Texas, the local economies and the Port of Galveston. Cruise Lines International Association (CLIA) published a report in 2020 entitled "Contribution of the International Cruise Industry to the U.S. Economy in 2019" prepared by Business Research & Economic Advisors. Regarding embarkations, the report stated that Galveston increased by 10.9 percent to nearly 1.1 million in 2019 from 985 thousand in 2018 and remained the 4th U.S. cruise port overall.

Since global and local cruise information is published with a year's lag, the following information is presented for 2019 as published in 2020. The 2020 reports have not yet been published as of the completion of this ACFR.

Table ES-6 from the CLIA report shows overall growth in the number of cruise passenger embarkations from Galveston from 2012 to 2019.

Table ES-6 – U.S. Embarkations by Top 10 Ports, 2012 – 2019

						Growth			
Port	2012	2014	2016	2018	2019	2014	2016	2018	2019
Galveston	604,000	642,000	869,000	985,000	1,092,000	6.3%	35.4%	13.3%	10.9%

Source: U.S. Cruise Ports and BREA

Table 13 from the 2019 CLIA report shows cruise operations in Galveston drove $1.61 billion in direct expenditures in 2019. This accounted for 6.4 percent of the national direct expenditure impact. The cruise industry generated 26,872 jobs and $1.81 billion income through the Texas economy during 2019. These impacts accounted for 6.2 percent of national employment impact and 7.4 percent of the national wage impact.

Table 13 – Summary of 2019 Cruise Industry Impacts – Texas

Texas		Share of the U.S.
Passenger Embarkations	1,092,000	7.9%
Resident Cruise Passengers	1,364,000	9.6%
Total Passenger Visits & Crew Arrivals	1,556,000	5.3%
Total Passenger & Crew Onshore Visits	1,268,000	5.3%
Direct Expenditures ($ Millions)	$1,610	6.4%
Total Employment Impact	26,872	6.2%
Total Wage Impact ($ Millions)	$1,815	7.4%

Source: Cruise Lines International Association and Business Research and Economic Advisors

Table 65 from the 2019 CLIA report shows impact of Galveston cruise operations by economic sector.

Table 65 – Total Economic Impacts – Texas – 2019

Sector	Direct Purchases ($1,000)	Total Employment	Total Wages ($1,000)
Agriculture, Mining, Utilities & Construction	$ 19,452	2,606	$ 396,092
Manufacturing	$ 526,089	3,008	$ 275,551
Nondurable Goods	$ 315,449	2,109	$ 192,603
Durable Goods	$ 210,640	899	$ 82,948
Wholesale & Retail Trade	$ 85,191	1,665	$ 116,876
Transportation	$ 276,001	4,087	$ 227,894
Information Services	$ 12,070	331	$ 31,846
Finance, Insurance, Real Estate & Leasing	$ 49,896	2,379	$ 184,780
Services & Government	$ 640,811	12,796	$ 582,273
Total	**$ 1,609,511**	**26,872**	**$ 1,815,313**

Source: Business Research and Economic Advisors

As the Port of Galveston marked its 21st year as a cruise homeport, cruise business was stronger than ever until the final cruise ship of 2020 sailed on March 11, 2020 due to the COVID-19 global pandemic. Following a great year in 2019 with 2.2 million cruise passenger movements, the Port had 453 thousand passenger movements through March 11 when U.S. cruise operations temporarily ceased.

In a message from Kelly Craighead, President and CEO of CLIA in its “2021 State of the Cruise Industry Outlook,” our plans for 2020 were turned upside down at the emergence of the COVID-19 pandemic, culminating in the voluntary suspension of cruise operations worldwide in mid-March. In the months that followed, the industry, and Port of Galveston, wasted no time engaging leading experts and government authorities to strengthen already robust public health measures and to put people and communities first.

The Port of Galveston installed the following equipment in its cruise terminals: 24 poly-carbonite sneeze guards for U.S. Customs and Border Protection booths; 50 poly-carbonite mobile sneeze guards for check-in counters; 74 touchless faucets; 94 touchless flushometers for toilets and urinals; handrail sanitizers for three escalators; and NanoSeptic continuously self-cleaning sanitizers for elevator push buttons, door handles, and water faucet push bars.

According to the “2021 State of the Cruise Industry Outlook” CLIA report, there is reason for optimism in the cruise industry. Due to strict protocols and public health measures taken by the cruise industry in 2020, 74 percent of cruisers are likely to cruise in the next few years, 2 out of 3 cruisers are willing to cruise within a year, and 58 percent of international vacationers who have never cruised are likely to cruise in the next few years.

City of Galveston Local Impact

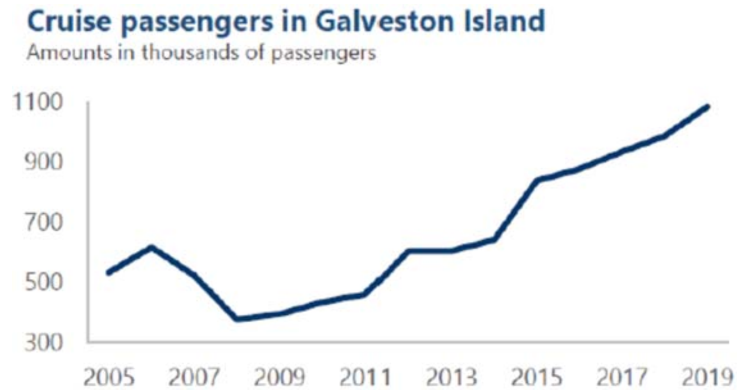
Tourism Economics prepared a report for the Galveston Island Convention & Visitor’s Bureau entitled “Economic Impact of Tourism on Galveston Island 2019.” According to the report, Galveston Island’s total visitor volume reached a new peak in 2019 at more than 7.3 million visitors. While overall Island visitor volume expanded 2.1 percent in 2019, cruise visitors made a significant contribution to the growth. The additional cruise visitors accounted for more than half of annual volume growth in 2019.

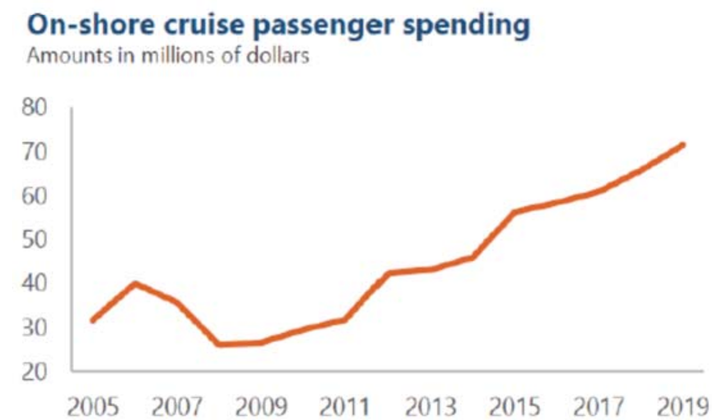
Visitor volume trends in Galveston Island

Amounts in thousands of passengers and percent change

	2015	2016	2017	2018	2019
Cruise passengers (thousands)	**837**	**877**	**934**	**985**	**1,083**
% change	30.5	4.7	6.5	5.5	9.9
Total visitors (thousands)	**6,409**	**6,466**	**6,998**	**7,190**	**7,344**
% change	6.4	0.9	8.2	2.7	2.1

The Tourism Economics study states that cruise activity generated $71.5 million in passenger on-shore spending, up from $65.7 million in 2018. The cruise industry generated another $23.4 million in services provided at the port in 2019, up from $19.3 million in 2018.





Since 2011, the Port has made direct payments in excess of $68.6 million to vendors located within the City of Galveston. This is an average annual expenditure of $6.9 million local spend over the past ten years. Removing non-operating payments like insurances, notes and bonds, 35.8 percent of the Port's 2020 annual expenditures were paid to local vendors, which is up from 30.5 percent in 2019 and 24.7 percent in 2018. Additionally, the Port operates cruise parking lots subject to sales tax through which the local government receives 2% of parking revenues, or $38 thousand in 2020.

Royal Caribbean Agreement for a Third Cruise Terminal

The Port of Galveston and Royal Caribbean signed an agreement in 2019 for the cruise line to invest in excess of $100 million in a third cruise terminal at Pier 10 in Galveston. The new Royal Caribbean terminal will be LEED (Leadership in Energy and Environmental Design) certified. LEED is a globally recognized set of green building standards. Due to the temporary suspension of cruises beginning in March of 2020 as a result of the worldwide COVID-19 pandemic, the Port of Galveston and Royal Caribbean signed a first amendment to the agreement extending the third cruise terminal property availability to 2021 and target completion to 2022.

Strategic Master Planning and Long-Term Funding

The Board of Trustees of the Galveston Wharves adopted a 20-year strategic master plan with the assistance of Bermello Ajamil & Partners, Inc., to guide Port growth. Based on one and one-half years of research, including meetings with stakeholders and the public, this comprehensive business-driven road map will guide the Port in making business decisions, identifying opportunities and prioritizing capital improvement projects. The strategic master plan will be updated regularly as market demand, business strategies, and funding sources evolve. Due to the COVID-19 global pandemic of 2020, most aspects of the Port's strategic master plan were effectively moved back a year.

The Port received approval of various Federal Port Security Grants and funding from the Texas Department of Transportation in 2020. The Port will continue to pursue Federal Port Security Grants, Texas Department of Transportation funding, and local Industrial Development Corporation grants (4B Sales Tax). These grants range from 100% funding of specific projects to projects with a 25% or more Port cost share. Generally, the grants received by the Port are 25% Port cost share consisting of in-kind or actual percentage cash contribution. Additionally, the Port continues to actively pursue public-private financing opportunities to fund improvements and additions to its facilities. Plans for financing future facilities include replacing or increasing bond indebtedness as existing issues are retired and as increased cash flow from operations permits.

A July 2019 study commissioned by the Port of Galveston in conjunction with the Strategic Master Plan performed by Martin Associates entitled “The Economic Impacts of Marine Cargo at the Port of Galveston, 2018” found that the Port generated 10,465 jobs, total personal income of $745.72 million, revenue/economic output of $1,573.88 million, and state and local taxes of $56.67 million.

The Economic Impacts of Marine Cargo at the Port of Galveston - Martin Associates

Summary of the Local and Regional Economic Impacts Generated
By the Port of Galveston

PORT OF GALVESTON	
JOBS	
Direct	2,577
Induced	3,347
Indirect	1,447
Related Users	3,094
TOTAL JOBS	**10,465**
PERSONAL INCOME ($ Millions)	
Direct	$146.59
Re-Spending/Local Consumption	$397.47
Indirect	$70.68
Related User Income	$130.97
TOTAL PERSONAL INCOME	**$745.72**
REVENUE/ECONOMIC OUTPUT ($ Millions)	
Direct Business Revenue	$556.63
Local Purchases	$126.45
Related Users Output	$890.80
TOTAL REVENUE	**$1,573.88**
STATE AND LOCAL TAXES ($ Millions)	
Direct	$11.14
Re-Spending/Local Consumption	$30.21
Indirect	$5.37
Related User Taxes	$9.95
TOTAL TAXES	**$56.67**

Green Marine Initiative

The Port of Galveston joined Green Marine in 2019 – a voluntary environmental certification program from the North American marine industry. Participants include ship owners, ports, terminals, and shipyards based in the United States and Canada. Green Marine certification is a part of the Port's long-term commitment to continuously improve its environmental performance. If granted, the Port of Galveston would be the second Texas port to gain this certification. The Port is undertaking its first Certification Criteria and Performance Evaluation on March 15, 2021, in an effort toward being Green Marine certified. Submissions will be validated by outside third parties.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to The Board of Trustees of the Galveston Wharves for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended December 31, 2019. This was the 27th 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 generally 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 believes that the 2020 ACFR continues to meet the Certificate of Achievement Program's requirements and the Port of Galveston will submit the report to the GFOA to determine its eligibility for another certificate.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Board of Trustees of the Galveston Wharves
Texas

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

Christopher P. Morrill
Executive Director/CEO

2020 Annual Comprehensive Financial Report

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-Business-Type Activities. These items are included in the Financial Section of the Port's ACFR.

COVID-19 Statement - "A smooth sea never made a skilled sailor." – President Franklin D. Roosevelt

The Port of Galveston is fortunate to have entered this challenging period from a position of strength. With strong Board leadership and staff performance, operations were streamlined and the Port capitalized on opportunities that resulted in increased revenues and build-up of unrestricted cash reserves. Unrestricted cash and cash equivalents grew from $12.7 million in 2018 to $20.3 million in 2019 and $23.6 million in 2020. This gives the Port cash reserves to draw on as needed.

The pandemic struck just as the port was beginning to implement its first-ever 20-Year Strategic Master Plan, and the Port Board and staff remain committed to implementing priority projects identified in this detailed road map. So, while the pandemic has affected project timelines in ways we still may not fully know, the port's infrastructure needs and growth opportunities remain. By using our internal Construction and Maintenance team and seeking millions of dollars in state and federal grants, the Port will follow plans to develop these projects in a fiscally responsible manner. The Port is confident that as the fourth most popular cruise port in America, Galveston will continue to be a top cruise port when sailings resume.

Acknowledgements

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

The Port continues to be well positioned for cargo, cruise, and real estate rental growth. With strong cargo and record-breaking 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,

Rodger Rees	Mark R. Murchison
Port Director, CEO	Chief Financial Officer

2020 Annual Comprehensive Financial Report

The Port of Galveston Celebrates 195 years

2020 Annual Comprehensive Financial Report

Port of Galveston Employee Oscar Rodriguez
Rotary Employee of the Year

GALVESTON WHARVES

2020 ANNUAL COMPREHENSIVE FINANCIAL REPORT

Financial Section

Port of Galveston
Galveston, Texas

GALVESTON WHARVES

RSM US LLP

Independent Auditor's Report

Board of Trustees
The Board of Trustees of the
Galveston Wharves

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of The Board of Trustees of the Galveston Wharves (the Port), a component unit of the City of Galveston, Texas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Port as of December 31, 2020, and the respective changes in its 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.

Emphasis of Matters

As discussed in Note 1 to the financial statements, effective January 1, 2020, the Port implemented Governmental Accounting Standards Board (GASB) Statement No. 84. *Fiduciary Activities.* As a result of the adoption of this new pronouncement, a restatement was required to report beginning net position of pension trust fund in accordance with GASB Statement No. 84. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios and the schedule of plan pension contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

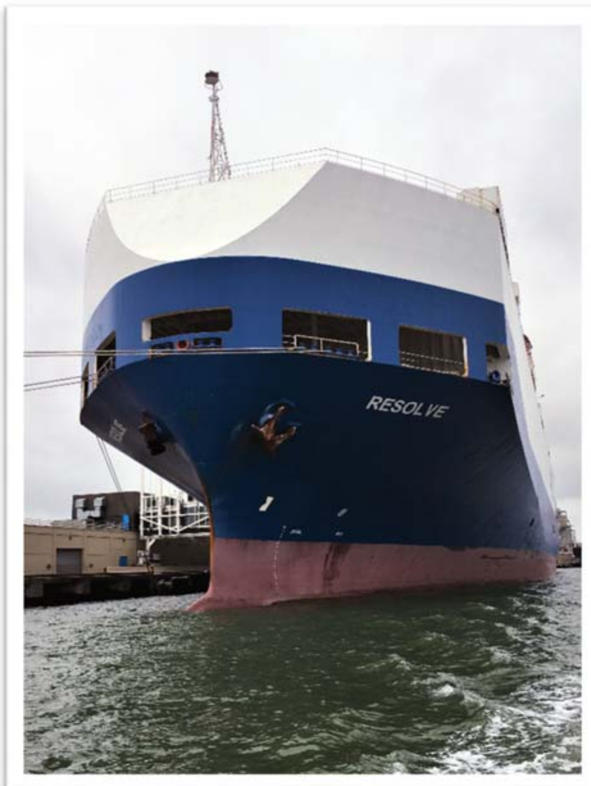
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port's basic financial statements. The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in these sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

RSM US LLP

San Antonio, Texas
April 6, 2021

2020 ANNUAL COMPREHENSIVE FINANCIAL REPORT

Management's Discussion and Analysis



Port of Galveston
Galveston, Texas

GALVESTON WHARVES

Financial Highlights

The Port was well situated to exceed 2020 budget and 2019 actual revenues and net income until the COVID-19 pandemic temporarily shut down the cruise business in mid-March of 2020. The Port posted revenues of $27.4 million, down from $51.5 million in 2019, and a net loss of $655 thousand, down from net income of $11.1 million in 2019 due primarily to the temporary loss of cruise business for 9-1/2 months. The Board approved a revised budget for 2020 lowering the original profit of $10.8 million down to a loss of $3.9 million. The Port exceeded the revised loss by almost $3.3 million. While cruise business was down significantly, cargo tonnage was up over 6.2% over 2019 and lay vessels docking at the port increased by 22% over 2019.

Overview of the Financial Statements

The Management discussion and analysis is intended to serve as an introduction to the Board of Trustees of the Galveston Wharves' (Port of Galveston or Port) basic financial statements which consist of the following: 1) statement of net position-business-type activities, 2) statement of revenues, expenses and changes in net position-business-type activities 3) statement of cash flows-business-type activities 4) statement of fiduciary net position-pension trust fund 5) statement of changes in fiduciary net position-pension trust fund and 6) notes to the financial statements. This report includes other supplementary information in addition to the basic financial statements.

<u>Business-Type Activities</u>
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*. They present the financial statements of the Port from 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, liabilities, and deferred inflows of resources with the difference between the four being reported as 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 results in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The basic financial statements include not only the Port (known as primary government), but also a legally separate blended component unit, the Galveston Port Facilities Corporation. Financial information for this component unit is reported in conjunction with the primary government.

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

Fiduciary Fund-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 allows the Port to present the employee benefit trust fund activities. While the 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 business-type activity financial statements. The Port is including the Fiduciary Fund (Pension Trust Fund) as promulgated under GASB Statement No. 84. Per this guidance, to include the beginning balance of a fiduciary fund that was not previously included in the financial statements, a restatement was required.

Notes to the 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 can be found beginning on page 29 of this report

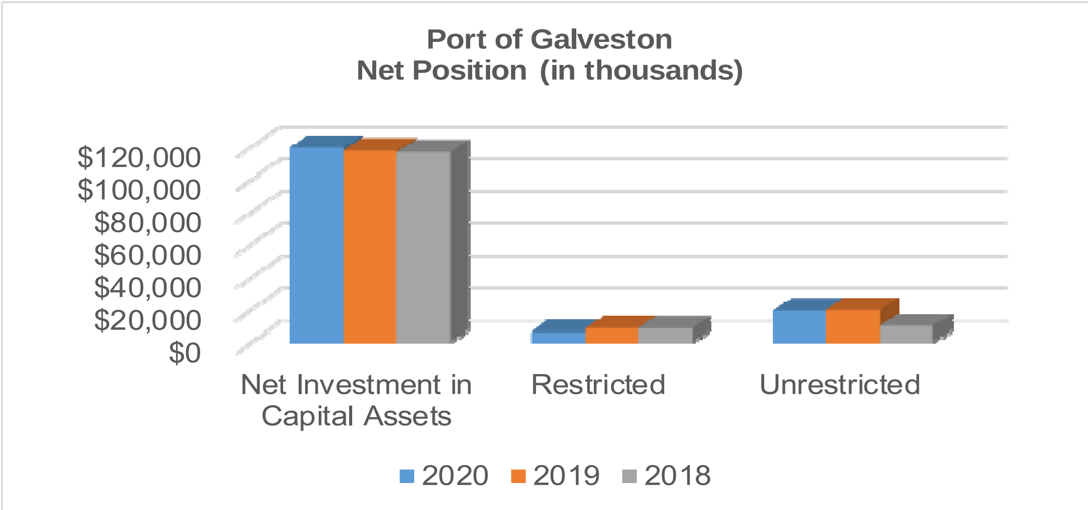
Other Information

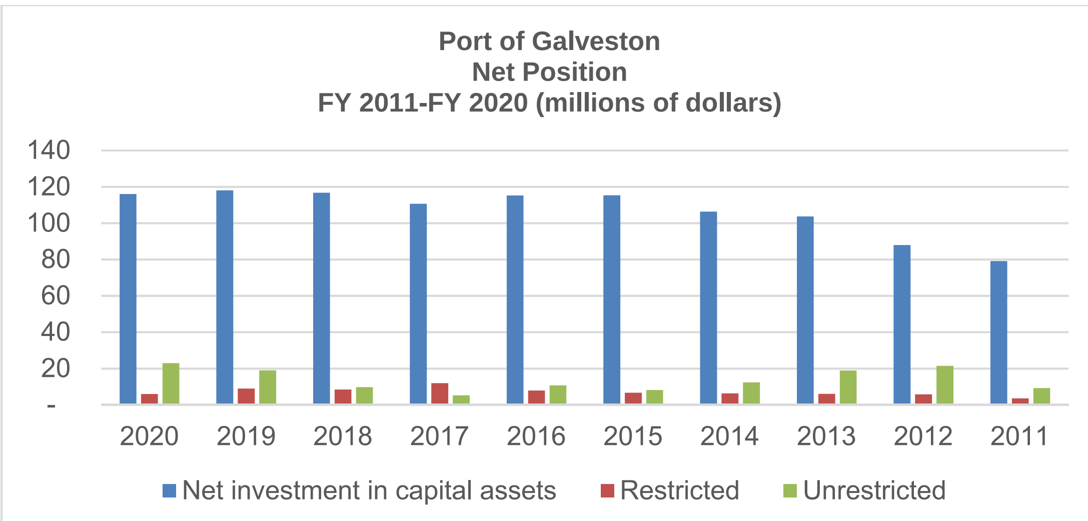
In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information (RSI) immediately following the basic financial statements and related notes section of this report. RSI provides trend information related to the Port's benefit plan.

Financial Analysis of the Port's Business-Type Activities

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):

	Business-Type Activities		Increase (Decrease)
	2020	**2019**	**Over Prior Year**
Current assets	$ 45,340	$ 49,211	(8%)
Capital assets	142,292	145,631	(2%)
Other noncurrent assets	1,062	1,261	(16%)
Total assets	188,694	196,103	(4%)
Deferred outflows of resources	363	1,177	(69%)
Current liabilities	12,745	16,992	(25%)
Long-term liabilities	27,880	30,433	(8%)
Net pension liability	1,711	3,907	(56%)
Total liabilities	42,336	51,332	(18%)
Deferred inflows of resources	1,427	-	100%
Net position:			
Net investment in capital assets	119,343	117,664	1%
Restricted	6,487	8,564	(24%)
Unrestricted	19,464	19,721	(1%)
Total net position	$ 145,294	$ 145,949	(0%)





Statement of net position: The Port's combined net position decreased by $0.7 million between fiscal years 2019 and 2020, to approximately $145.3 million. Net investment in Capital Assets increased from $117.7 million to $119.3 million. Restricted Net Position decreased from $8.6 million to $6.5 million and Unrestricted Net Position decreased from $19.7 million to $19.5 million.

Total assets decreased by $7.4 million in 2020.

- **Current assets decreased $3.9 million**.
  - Current unrestricted cash and cash equivalents increased $3.3 million attributable to an increased accumulation of unrestricted cash.
  - Current receivables net of allowances decreased $5.1 million with $4.9 million attributable to cruise accounts receivable and the remaining $0.2 million to miscellaneous other receivables.
  - Current restricted cash, cash equivalents and investments decreased by $2.1 million

- **Noncurrent assets decreased $3.5 million**
  - Capital assets, net of depreciation, decreased $3.3 million (see Note 4).
    - Additions to capital assets were $3.5 million
    - Retirements from capital assets were $5.6 million
    - Construction in progress transfers to expenses were $0.2 million
    - Accumulated depreciation increased by $1.0 million due to normal depreciation of $6.6 million less disposals of $5.6 million.
  - Net investment in direct financing lease decreased $0.2 million.

Deferred outflows related to pension decreased $0.8 million.

Total liabilities decreased $9.0 million in 2020.

- **Current liabilities decreased $4.2 million**
  - Trade accounts payable and other accrued expenses decreased $1.4 million; $0.3 million was due to the loss of cruise ship services and the remaining $1.1 million is largely due to normal fluctuations in timing.
  - Short-term liabilities increased $0.1 million due to a transfer between short term and long-term employee compensated absence eligibility.
  - Short-term portion of long term debt decreased by $2.9 million. The major driver is the pay-off of the Series 2004 A&B Certificates of Obligation which decreased by $1.4 million principal and $1.8 million interest, respectively.

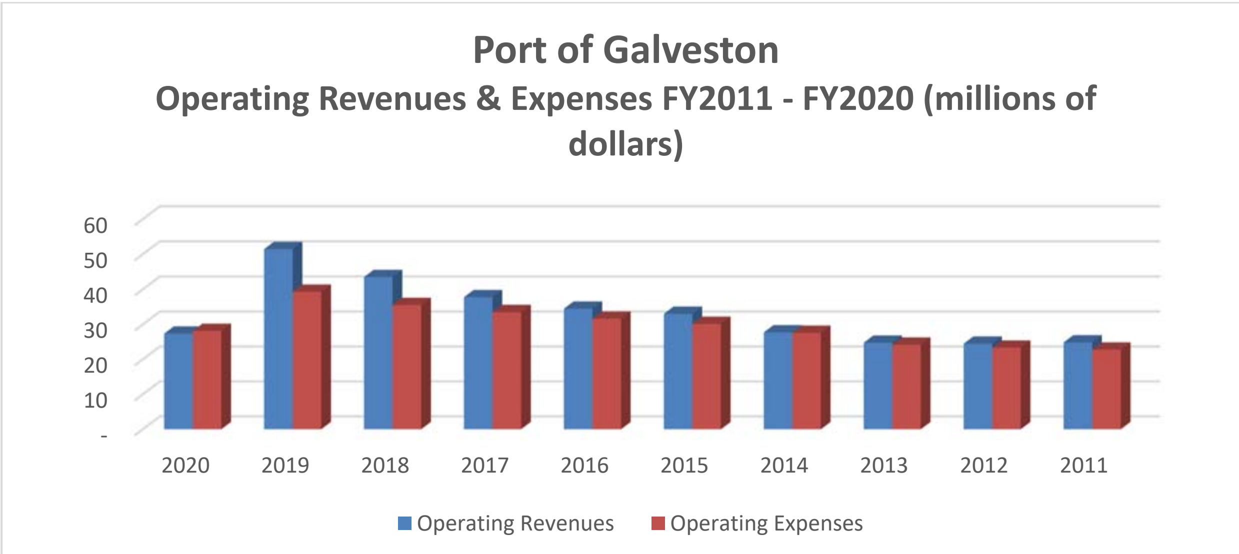
- **Long-term liabilities decreased $2.6 million**
  - Long-term debt due in more than one year decreased $2.3 million due primarily to paying down Series 2011 Refunding Bonds of $2 million.
  - Long-term deferred revenues decreased $0.2 million due to the 2020 recognition of ADM revenues.
  - Long-term employee paid time off decreased $0.1 million due to a transfer between long-term and short-term employee compensated absence eligibility.

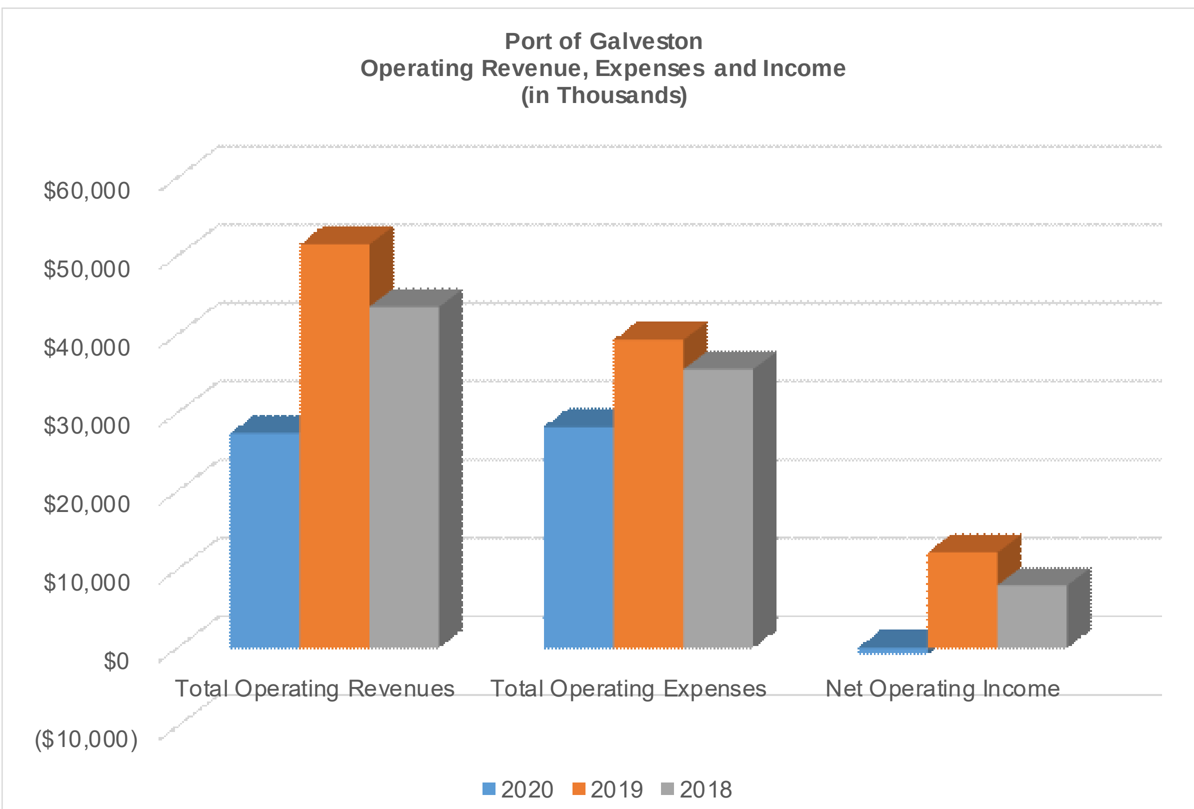
Net pension liabilities decreased $2.2 million based on the most recent actuarial study.

Deferred inflows of resources increased $1.4 million based on the most recent actuarial study.

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):

	Business-Type Activities		Increase (Decrease)
	2020	**2019**	**Over Prior Year**
Operating revenues:			
Vessels and cargo services	$ 16,902	$ 34,516	(51%)
Building and facilities rental and fees	10,456	16,958	(38%)
Total operating revenues	27,358	51,474	(47%)
Operating expenses:			
Personnel services	7,948	9,495	(16%)
Maintenance and operations	9,381	15,019	(38%)
Sales and office	4,176	8,414	(50%)
Depreciation	6,678	6,371	5%
Total operating expenses	28,183	39,299	(28%)
Net operating income (loss)	(825)	12,175	(107%)
Nonoperating revenue (expense):			
Earnings on investment	205	519	(61%)
Other income	46	18	156%
Annual City payment	(189)	(189)	0%
Hurricane-related income (expenses)	(63)	(227)	(72%)
Loss on sale of assets	(24)	(400)	(94%)
Interest expense	(1,236)	(1,499)	(18%)
Total nonoperating revenue (expenses)	(1,261)	(1,778)	(29%)
Income (loss) before capital grants and contributions	(2,086)	10,397	(120%)
Capital grants and contributions	1,431	653	119%
Changes in net position	(655)	11,050	(106%)
Beginning net position	145,949	134,899	8%
Ending net position	$ 145,294	$ 145,949	(0%)


Port of Galveston
Operating Revenues & Expenses FY2011 - FY2020 (millions of dollars)
60
50
40
30
20
10
-
2020
2019
2018
2017
2016
2015
2014
2013
2012
2011
Operating Revenues
Operating Expenses


Port of Galveston
Operating Revenue, Expenses and Income
(in Thousands)
$60,000
$50,000
$40,000
$30,000
$20,000
$10,000
$0
($10,000)
Total Operating Revenues
Total Operating Expenses
Net Operating Income
2020
2019
2018

Total operating revenues decreased by $24.1 million from $51.5 million in 2019 to $27.4 million in 2020. Total operating expenses decreased by $11.1 million from $39.3 million in 2019 to $28.2 million in 2020. Net operating income decreased by $13.0 million from income of $12.2 million in 2019 to loss of $0.8 million in 2020.

- Vessels and cargo services decreased 51%, or $17.6 million, from $34.5 million in 2019 to $16.9 million in 2020.

    - 2020 passenger revenues decreased $12.5 million from $16.0 million in 2019 to $3.5 million in 2020. There were no passenger embarkations or disembarkations due to the temporary loss of cruise services on March 11th.

    - Dockage decreased $1.6 million or 34% due to cruise dockage of $0.9 million and $0.7 related to other product lines.

    - Lay dockage increased $1.8 million, or 51%, due to 84 additional ship calls and ships docked at the Port longer than in 2019.

    - Wharfage decreased $0.5 million, or 12%, with RoRo contributing $0.3 million and Bulk Fertilizer contributing $0.2 million. Short tons decreased by 36.1% for RoRo and 49.3% for Bulk Fertilizer.

    - Ship services decreased $4.8 million directly related to the temporary loss of cruise on March 11th.

- Building, facilities rental and fees decreased 38% or $6.5 million from $17.0 million in 2019 to $10.5 million in 2020.

    - Rail switching increased $0.2 million or 33% from $0.7 million to $0.9 million.

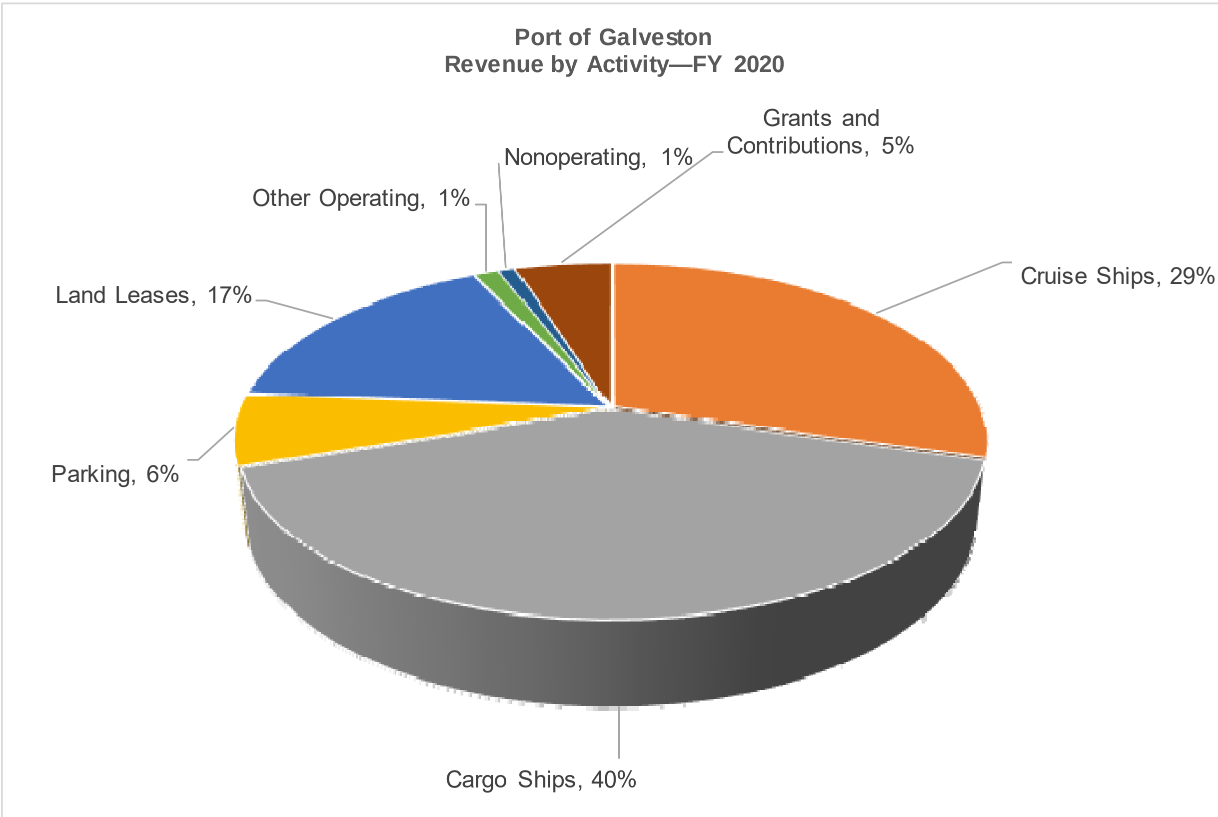
    - Parking revenues decreased by $6.2 million from $8.1 million in 2019, to $1.9 million in 2020 due to no cruise passengers parked due to the temporary loss of cruise business on March 11th.

    - Real estate increased $0.1 million or 3%, primarily due to an increase in ground rent.

    - Security cost recovery decreased $0.1 million, or 13%, due to temporary loss of cruise business on March 11th.

    - Terminal access fees decreased $0.8 million, or 76%, due to temporary loss of cruise business on March 11th.

    - Licenses, fees and miscellaneous increased $0.3 million or 295%, related primarily to $0.3 million tipping fees.



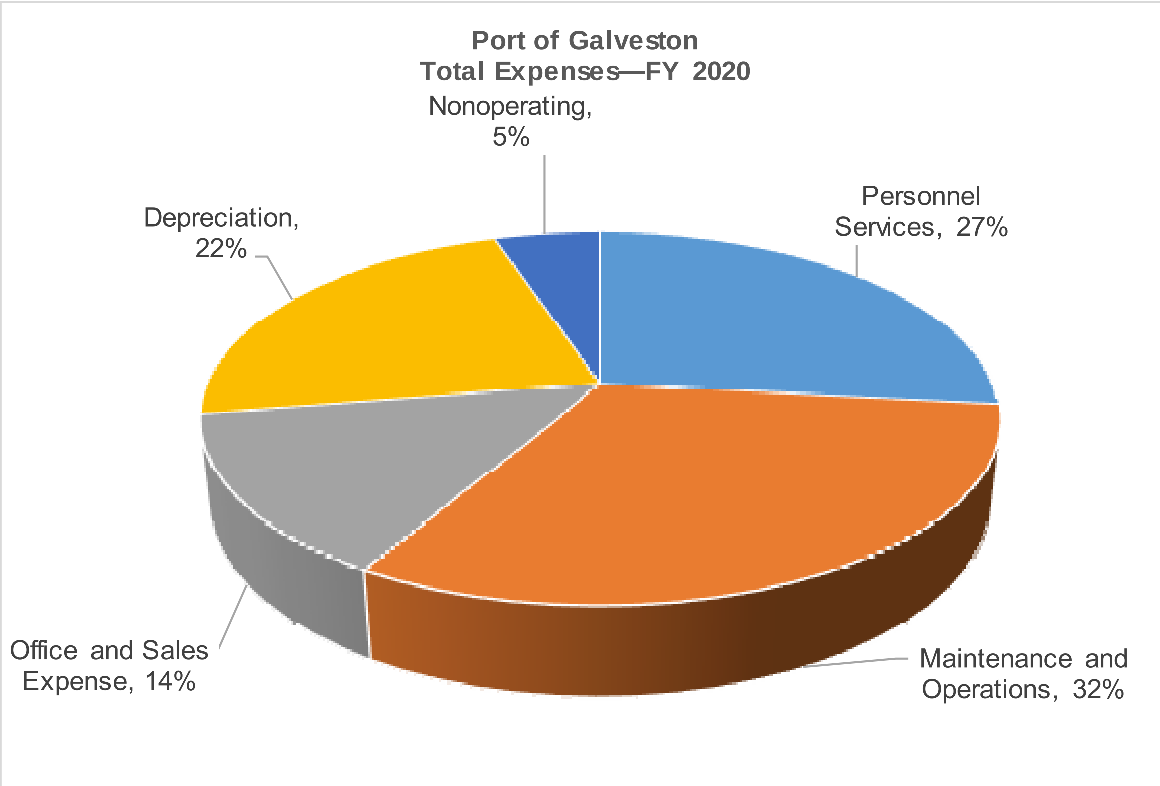
Operating expenses decreased $11.1 million, or 28%, in 2020

- Salaries and Related Expenses decreased $1.6 million, or 16.3%. Employee-related expenses decreased by $1.2 million due primarily to delayed or not hiring for vacant positions in the 2020 budget and for positions that were vacated during 2020. Contract Police/Security Expenses outside the cruise terminals decreased by $0.4 million because of the temporary loss of cruise business on March 11th.

- Maintenance and Operations expense decreased $5.6 million or 37.5%. Ship Services Expenses, including Stevedoring, Line Handling, Pilotage, Agency, Waste Disposal, Contract Security inside the cruise terminals, and Shuttle Services decreased by $5.7 million due to the temporary loss of cruise business on March 11th. Maintenance Dredging decreased by $0.7 million because of a delay in channel dredging by the US Army Corps of Engineers. All other categories combined increased $0.8 million.

- Sales and Office Expense, excluding salaries and related expense, decreased by $4.2 million, or 50.4%, of which $4.1 million is related to a drop in cruise line advertising expenses due to temporary loss of cruise business on March 11th. All other categories combined decreased $0.1 million.

- Depreciation expense increased $0.3 million, or 4.9%, when compared with 2019.



Other nonoperating revenues/expenses netted an expense decrease of $1.3 million or 117.4% in 2020.

- Revenue Increase of $0.5 million—Capital Grants and Contribution Income increased by $0.8 million, or 119.1%, partly offset by Interest/Investment income decrease due to lower rates of $0.3 million, or 60.4%.

- Expense Decrease of $0.8 million—Losses on retirements of capital assets decreased by $0.4 million, or 94.1%, interest expenses decreased by $0.2 million, or 17.5%, due to the payoff of the 2004 Certificates of Obligation and recovery restoration expenses decreased by $0.2 million, or 72.3%.

2020 Tonnage, Passengers and Vehicles

- 2020 Cargo tonnage increased 6.2% from 4.0 million tons in 2019 to 4.3 million tons in 2020
  - Grain shipments increased by 127.6% to 1.5 million tons from 647 thousand tons in 2019 largely due to lifting of some tariffs placed on grain imported to China.
  - Bulk fertilizer decreased 49.3% to 274 thousand tons from 540 thousand in 2019.
  - Liquid bulk decreased by 11.5% to 1.4 million tons from 1.6 million tons in 2019 due to draft limitations at the federal channel and the liquid bulk berth caused by significant silting rates.
  - Fresh Fruit and Vegetables increased 6.6% to 607 thousand tons from 569 thousand tons in 2019. More product is being moved by containers rather than breakbulk.

- o RoRo decreased 36.1% to 334 thousand tons from 523 thousand tons in 2019 primarily because production in foreign manufacturing countries decreased due to COVID-19, as well as decreased demand in the US.

- o Wind and General Cargoes increased 13.9% to 187 thousand tons up from 164 thousand tons in 2019 because of the temporary increase in wind lay-down space, addition of Vestas wind cargo, and the increase of cargo lightering.

- o Cruise passengers movements decreased 79.4% to 225,643 in 2020 down from 1,091,622 passengers in 2019 due to the temporary loss of cruise business on March 11th (a movement consists of an embarkation or disembarkation passenger).

- o Parking decreased to 21,115 vehicles in 2020, down from 114,042 in 2019 due to temporary loss of cruise business on March 11th.

Capital Assets and Debt Administration

Capital assets: As of December 31, 2020, capital assets before depreciation, which includes both depreciable and nondepreciable assets along with construction work in progress, totaled $254 million. This is a decrease of $2.3 million from 2019. Accumulated Depreciation as of year-end 2020 is $111.8 million, an increase of $1.0 million. The net change in Capital Assets was a $3.3 million decrease from 2019. The following is a comparison of capital assets for the years ended December 31, 2020 and 2019 (in 000's):

	Business-Type Activities	
	2020	**2019**
Land	$ 16,499	$ 16,499
Channel deepening	15,132	15,132
Construction in progress	2,930	3,128
Total capital assets, nondepreciable	34,561	34,759
Railway property and buildings	4,261	4,261
Wharves property and buildings	201,507	205,696
Operating equipment	9,428	8,290
Office equipment	3,504	3,324
Intangible assets	795	-
Total capital assets being depreciated	219,495	221,571
Less allowance for depreciation	(111,764)	(110,699)
Total assets being depreciated, net	107,731	110,872
Total capital assets, net	$ 142,292	$ 145,631

Nondepreciable capital assets decreased $0.2 million related to construction work in progress, while land and channel deepening remained the same. Depreciable assets decreased $3.1 million, which is the net of a decrease in capital assets being depreciated of $2.1 million and accumulated depreciation increase of $1.0 million.

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

Long-Term Debt
At year-end the Port had $13.5 million in bonds payable (including the unamortized premium) and $13.0 million in notes payable representing a $5.0 million, or 16%, decrease over prior year. Included in bonds payable is Series 2011 Refunding bonds of $13.5 million. The notes payable is a Series 2014 notes payable of $13.0 million. Changes in long-term debt for the year ended December 31, 2020 and 2019 are summarized below (in 000's):

Debt Category	2020	2019
Revenue bonds	$ 13,520	$ 15,426
Contracts payable	-	3,145
Loans and leases payable	13,000	13,000
Total	$ 26,520	$ 31,571

Bond ratings: The underlying ratings assigned to the Port's bond issues are as follows:

- Standard and Poor's: A-
- Moody's Investor's Services: Baa1-

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 Board of Trustees of the Galveston Wharves' 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.

During 2020, the Port of Galveston home ported three Carnival Cruise Line ships, two Royal Caribbean Cruise Line ships, and one Disney Cruise Line winter season ship until the COVID-19 pandemic temporarily shut down the cruise industry in mid-March. Cargo tonnage was up 6.2% overall from 2019 with grain (127.6%) and wind and general cargoes (13.9%) leading the way. The Port set a record with 461 lay vessels in 2020, driving lay dockage up from $3.4 million in 2019 to $5.2 million in 2020. With record setting lay businesses in 2018, 2019, and 2020, the Port expects this trend to continue into 2021. As a result, the Port anticipates increased cargo and lay activity in 2021, as we optimistically await the return of cruise business in 2021.

The Port received approval for a Federal Port Security Grantand a Texas Mobility Fund Grant from the Texas Department of Transportation in 2020. It has completed work on previously approved Port Security Grants and a Texas Mobility Fund Grant from the Texas Department of Transportation. Many projects identified in the Port of Galveston Strategic Master Plan finalized in 2019 have been delayed pending the return of cruise business. The third cruise terminal at Pier 10 in Galveston was also delayed by a year. Finally, work on the Green Marine initiative, a voluntary environmental certification program, continued during 2020.

Contacting the Port's Financial Management

This financial report is designed to provide our citizens, 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.

GALVESTON WHARVES

2020 Annual Comprehensive Financial Report

BASIC FINANCIAL STATEMENTS

Port of Galveston
Galveston, Texas

The Board of Trustees of the Galveston Wharves

Statement of Net Position—Business-Type Activities
December 31, 2020

Assets	
Current assets—unrestricted:	
Cash and cash equivalents	$ 23,627,197
Accounts receivable, net of allowance for doubtful accounts	5,519,795
Prepaid items	666,530
Current portion of investment in direct financing lease	199,146
Current assets—restricted:	
Cash and cash equivalents	14,145,650
Investments	1,181,959
Total current assets	45,340,277
Noncurrent assets:	
Capital assets:	
Capital assets, nondepreciable	34,561,024
Capital assets, net of depreciation	107,730,657
Total capital assets	142,291,681
Other assets:	
Net investment in direct financing lease, less current portion	1,062,113
Total noncurrent assets	1,062,113
Total assets	188,694,071
Deferred outflows of resources—pension items	363,085
Total assets and deferred outflows of resources	$ 189,057,156

(Continued)

The Board of Trustees of the Galveston Wharves

Statement of Net Position—Business-Type Activities (Continued)
December 31, 2020

Liabilities	
Current liabilities:	
Accounts payable	$ 3,386,550
Accrued expenses	3,717,620
Payable to other government	189,245
Interest payable	508,747
Accrued compensated absences	394,906
Unearned revenues and rents	531,681
Long-term liabilities due within one year	130,849
Long-term liabilities due within one year (payable from restricted assets)	3,885,000
Total current liabilities	12,744,598
Long-term liabilities:	
Accrued compensated absences	429,953
Unearned revenues and rents	1,282,067
Long-term debt due in more than one year	26,167,594
Net pension liability	1,711,050
Total long-term liabilities	29,590,664
Total liabilities	42,335,262
Deferred inflows of resources—pension items	1,427,451
Total liabilities and deferred inflows of resources	$ 43,762,713
Net position:	
Net investment in capital assets	119,342,702
Restricted for debt service	6,487,326
Unrestricted	19,464,415
Total net position	145,294,443
Total liabilities and net position	$ 189,057,156

See accompanying notes to financial statements.

The Board of Trustees of the Galveston Wharves

Statement of Revenues, Expenses and Changes in Net Position—Business-Type Activities
Year Ended December 31, 2020

Operating revenues:	
Charges for customers services:	
Vessels and cargo services	$ 16,902,241
Building and facilities rental and fees	10,455,894
Total operating revenues	27,358,135
Operating expenses:	
Personnel services	7,948,203
Maintenance and operations	9,381,072
Sales and office	4,175,833
Depreciation	6,677,873
Total operating expenses	28,182,981
Operating loss	(824,846)
Nonoperating revenues (expenses):	
Investment income	205,620
Other income	45,917
Loss on sale of assets	(23,710)
Interest expense	(1,236,305)
Annual city payment	(189,245)
Recovery, restoration and other nonoperating expenses	(63,359)
Total nonoperating revenues (expenses)	(1,261,082)
Loss before capital grants and contributions	(2,085,928)
Capital grants and contributions	1,431,334
Change in net position	(654,594)
Net position at beginning of year	145,949,037
Net position at end of year	$ 145,294,443

See accompanying notes to financial statements.

The Board of Trustees of the Galveston Wharves

Statement of Cash Flows—Business-Type Activities
Year Ended December 31, 2020

Cash flows from operating activities:	
Cash receipts from customers	$ 32,420,904
Cash payments to employees	(7,714,001)
Cash payments to suppliers for goods and services	(15,038,402)
Net cash provided by operating activities	9,668,501
Cash flows from noncapital financing activities:	
Annual city payment	(189,245)
Net cash used in noncapital financing activities	(189,245)
Cash flows from capital and related financing activities:	
Principal payments on revenue bonds, contracts payable and other long-term liabilities	(3,376,402)
Receipts from capital grants and contributions	1,390,056
Interest paid—long-term debt	(1,274,951)
Acquisition and construction of capital assets	(3,546,794)
Net cash used in capital and related financing activities	(6,808,091)
Cash flows from investing activities:	
Receipts of interest	36,106
Investment income	126,296
Purchase of investments	(9,520,112)
Proceeds from sale of investments	10,728,095
Payments made related to capital and direct financing lease	199,147
Net cash provided by investing activities	1,569,532
Net increase in cash and cash equivalents	4,240,697
Cash and cash equivalents at beginning of year	33,532,149
Cash and cash equivalents at end of year	$ 37,772,846
Cash and cash equivalents per statement of net position:	
Unrestricted	$ 23,627,197
Restricted	14,145,650
Cash and cash equivalents at end of year	$ 37,772,847

(Continued)

The Board of Trustees of the Galveston Wharves

Statement of Cash Flows—Business-Type Activities (Continued)
Year Ended December 31, 2020

Operating loss	$ (824,846)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	6,677,873
Accrual for bad-debt expense	53,293
Charge-off of prior-year construction expenses to operating expense	184,930
Changes in operating assets and liabilities:	
Decrease in accounts receivable	5,120,796
Increase in prepaid items	(8,630)
Decrease in accounts payable	(877,741)
Decrease in accrued expenses	(595,126)
Decrease in unearned revenues and rents	(196,608)
Increase in accrued compensated absences	88,210
Increase in payable to other government	1
Decrease in deferred outflows—pension items	814,298
Increase in deferred inflows—pension items	1,427,451
Decrease in net pension liability	(2,195,400)
Net cash provided by operating activities	$ 9,668,501
Supplemental disclosures of cash flow information:	
Payables that result in capital assets related to construction	$ 993,035
Retainage payable	$ 104,107

See accompanying notes to financial statements.

The Board of Trustees of the Galveston Wharves

Statement of Fiduciary Net Position
December 31, 2020

	Pension Trust Fund
Assets	
Cash and cash equivalents	$ 298,270
Prepaid pension benefits	107,159
Investments at fair value:	
Common stock—domestic	6,156,556
Common stock—international	453,428
Mutual funds—domestic	3,395,304
Mutual funds—international	2,406,416
U.S. government agency securities	162,188
Municipal bonds	113,254
Corporate bonds	2,352,350
Foreign bonds	223,064
Total investments	15,262,560
Total assets	$ 15,667,989
Net position restricted for pension	$ 15,667,989

See accompanying notes to financial statements.

The Board of Trustees of the Galveston Wharves

Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2020

	Pension Trust Fund
Additions:	
Employer contributions	$ 365,585
Investment income:	
Net increase in fair value of investments	1,616,687
Interest, dividends and other	309,710
Total investment earnings	1,926,397
Less investment costs:	
Investment activity costs	65,658
Net investment income	1,860,739
Total additions	2,226,324
Deductions:	
Benefits paid to participants andr beneficiaries	1,337,844
Administrative expense	50,158
Total deductions	1,388,002
Net increase in fiduciary net position	838,322
Net position restricted for pension at beginning of year, restated (see Note 1B)	14,829,667
Net position restricted for pension at end of year	$ 15,667,989

See accompanying notes to financial statements.

Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of The Board of Trustees of the Galveston Wharves (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 (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 of Trustees).

The Board of Trustees of the Port consist 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 of Trustees 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 of Trustees has no power to contract in the name of the City of Galveston and no action or inaction by the Board of Trustees shall render the City of Galveston liable for damages or shall be binding other than on the properties, income and revenues of the Port. Except for the annual payment of approximately $190,000 to the City of Galveston, 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 of Galveston.

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 blended component unit.

Galveston Port Facilities Corporation: The Galveston Port Facilities Corporation (the Corporation) was incorporated on June 17, 2002, under the provisions of the Texas nonprofit corporation act as a financing facility for the future financing of expansion and renovation of the Port's facilities. The Corporation provides services exclusively for the benefit of the Port. On September 27, 2019, the Board of Trustees approved a resolution to cease operations of the Corporation effective December 31, 2019. Thus, 2020 was a wind-down year for the Corporation and management anticipates that all Corporation operations will cease by the end of 2021.

Galveston Wharves Pension Plan: The Galveston Wharves Pension Plan (the Pension Plan) is sponsored by the Board of Trustees 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 No. 84, *Fiduciary Activities*.

Note 1. Summary of Significant Accounting Policies (Continued)

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

The Port is a special-purpose government entity engaged in business-type and fiduciary activities and uses a single enterprise fund for the presentation of its business-type activity 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.

Adoption of the Governmental Accounting Standards (GASB) Statement No. 84, *Fiduciary Activities*: Effective January 1, 2020, the Port adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement resulted in changing the presentation of the financial statements by presenting a statement of fiduciary net position and a statement of changes in fiduciary net position. These statements were not previously required. As a result of the adoption of GASB Statement No. 84, a restatement to the fiduciary fund was required to present beginning net position in the amount of $14,829,667.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating 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 and the annual payment to the City of Galveston. External investment pools are valued at amortized cost or net asset value (NAV), as applicable.

D. Investments

The Port's investments represent amounts restricted through debt covenants. The Port values its investments in treasury securities using a computerized pricing service utilizing a yield-based matrix system to arrive at the estimated fair value. Net change in the fair value of investments is recognized and reported as investment income in the financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Investments (Continued)

The Pension Plan's investment policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees by a majority vote of its members. It is the policy of the Board of Trustees 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 2020. The following is the Board of Trustees accepted asset allocation mix as of December 31, 2020:

Asset Class	Target Allocation
Fixed income equities securities	10.0%
Common stock	60.0%
Domestic equities—large cap	5.0%
Domestic equities—mid cap	3.0%
Domestic equities—small cap	5.0%
International equities	10.0%
Real estate	1.0%
Emerging markets	1.0%
Cash	5.0%
Total	100.0%

E. Accounts Receivables

The Port considers most accounts receivables to be fully collectible; however, the Port has created an allowance, where based upon historical attempts at collection, it deems collection to be unlikely. Parking lots in litigation with required court deposits are removed from the reserve calculation. It is the Port's practice to set a reserve of 40.0% for receivables over 90 days, 20.0% for receivables over 60 days and a 2.5% reserve on receivables under 60 days. The allowance for the year ended December 31, 2020, totaled approximately $280,000.

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

Property constructed or acquired by purchase is stated at cost. The Port's policy is to capitalize all capital assets with historical cost over $10,000 and moveable equipment under $10,000. 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 any. Construction in progress is depreciated when placed in service.

Note 1. Summary of Significant Accounting Policies (Continued)

G. Capital Assets (Continued)

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:

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

H. Compensated Absences

Compensated absences, which include unpaid accrued vacation and sick leave, are accumulated during employment and are accrued when incurred. 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 12.0 to 31.5 working days per year and may accumulate up to a maximum of 320 hours measured on employees 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.

I. Unearned Revenues and Rents

Unearned revenues and rents represent lease payments received that are to be recognized in future periods and provision for dredging slips and access channels. In 1977, the Port received approximately $10 million in the form of advanced rental on the dockside elevator facility. The advance rent is being recognized over the initial and optional terms of the lease that aggregate 50 years. At December 31, 2020, the amount that applies to future periods was approximately $1.3 million. This amount is presented as unearned revenues and rents as a long-term liability on the statement of net position for business-type activities.

J. Pensions

For purposes of measuring the net pension liability, 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.

K. 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 outflow (inflows) 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 pension benefit obligations. Although not expected by management, actual results could differ from those estimates.

Note 1. Summary of Significant Accounting Policies (Continued)

L. Deferred Outflows and Inflows of Resources

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

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

- The Port reports deferred outflows and inflows of resources calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. They consist of actuarial gains and losses due to the difference between expected and actual experience, the effect of changes in actuarial assumptions and the net difference between actual and projected investment earnings. Deferred outflows also includes contributions to the Pension Plan subsequent to the measurement date.

M. Net Position

Net investment in capital assets: The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.

Restricted: Restricted net position represents those portions of net position segregated pursuant to the provisions of the 2011 Revenue Refunding bonds and 2014 Subordinate Revenue Notes Series A and B, which require the Port to establish and maintain an interest and sinking fund and a debt service reserve fund.

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 as they are needed.

N. 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, ship service 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 nonoperating.

Capital grants and contributions: Grants restricted for capital acquisition and construction are recorded as capital contributions. Grant revenue that can 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.

Note 1. Summary of Significant Accounting Policies (Continued)

N. Revenues and Expenses (Continued)

The 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 are based on quoted market prices. The fair value of United States (U.S.) government securities, municipal, corporate, and foreign bonds are based on quotes from broker-dealers 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 the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold, as well as held during the year.

The 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 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.

O. Actuarial Valuation

The Pension Plan has an actuarial valuation performed annually for financial reporting purposes in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans, an Amendment of GASB Statement No. 25*. The most recent actuarial valuation was performed as of December 31, 2020.

P. 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.

Note 1. Summary of Significant Accounting Policies (Continued)

Q. GASB Pronouncements:

A. Adopted Pronouncements:

The Port adopted the requirements in (1) paragraph 4 of GASB Statement No.97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plan—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, as it applies to defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and other employee benefit plans and (2) paragraph 5 of this statement as they were effective immediately. The adoption did not have an impact on the Port's financial statements.

The Port adopted GASB Statement No. 90, *Majority Equity Interests—an Amendment of GASB Statements No. 14 and No. 61*, effective January 1, 2020. The adoption did not have an impact on the Port's financial statements.

B. Future GASB implementations:

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this statement was to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective was accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or were scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements were postponed by one year:

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (the Port early adopted during fiscal year 2018)
Statement No. 91, *Conduit Debt Obligations*
Statement No. 92, *Omnibus 2020*
Statement No. 93, *Replacement of Interbank Offered Rates*

The effective dates of the following pronouncement was postponed by 18 months:

Statement No. 87, *Leases*

The implementation dates reflected through the remainder of this section represent the postponed dates, as applicable.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, issued in March 2020, has provisions that will be effective for the Port for fiscal year ending December 31, 2021 and 2022. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of LIBOR. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87,

Note 1. Summary of Significant Accounting Policies (Continued)

Q. GASB Pronouncements (Continued)

Leases, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plan—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32,* issued in June 2020, will be effective for the Port (except for paragraphs 4 and 5 which are effective immediately, as described above) for fiscal year ending December 31, 2022. This statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that GASB Statement No. 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. This statement supersedes the remaining provisions of GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,* as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of *all* Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances.

GASB Statement No. 87, *Leases,* issued June 2017, will be effective for the Port for fiscal year ending December 31, 2022. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation. GASB Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability, (2) an intangible asset representing the lessee's right to use the leased asset, (3) report the amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (4) interest expense on the lease liability and (5) note disclosures about the lease. A lessor must recognize (1) a lease receivable (measured at the present value of lease payments expected to be received during the lease term), (2) deferred inflow of resources, (3) interest revenue on the lease receivable and (4) note disclosures of leasing arrangements and the total inflows of resources recognized from leases. This statement provides exceptions for leases of assets held as investments, certain regulated leases, short-term leases and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. This statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, nonlease components embedded in lease contracts (such as service agreements) and leases with related parties.

GASB Statement No. 92, *Omnibus 2020*, issued January 2020, will be effective for the Port for fiscal year ending December 31, 2022. This statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics and includes specific provision about the following:

- The effective date of GASB Statement No. 87, *Leases,* and Implementation Guide No. 2019-3, *Leases,* for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit OPEB plan

Note 1. Summary of Significant Accounting Policies (Continued)

Q. GASB Pronouncements (Continued)

- The applicability of GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* as amended, and GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of GASB Statement No. 84 to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

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

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020, will be effective for the Port for fiscal year ending December 31, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government-end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB Statement No. 87, *Leases,* as amended.

GASB Statement No. 91, *Conduit Debt Obligations*, issued May 2019, is effective for the Port for fiscal year ending December 31, 2022. The requirements of this statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations.

Management is currently evaluating the impact, if any, these pronouncements will have on the Port's financial statements. GASB Statement No. 87 will likely have a material impact on the Port's financial statements.

Note 2. Deposits and Investments

Cash and cash equivalents as of December 31, 2020, are classified in the accompanying financial statements as follows:

Unrestricted:		
Cash and cash equivalents	$	23,627,197
Restricted:		
Cash and cash equivalents		14,145,650
Pension trust fund—cash and cash equivalents		298,270
Total cash and cash equivalents	$	38,071,117

Cash and cash equivalents as of December 31, 2020, consist of the following:

Checking and time deposits:		
Cash on hand	$	1,000
Deposits with financial institutions:		
Cash on demand—Moody's		25,656,633
Cash in investment accounts		5,632,114
Pension Trust Fund—cash held with financial institution		298,270
		31,588,017
Investments:		
Local government investment pools		6,483,100
Total cash and cash equivalents	$	38,071,117

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;

Note 2. Deposits and Investments (Continued)

(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 TexasTerm which is an individual investment portfolio established by the TexasTerm Advisory Board pursuant to the TexasTerm Common Investment Contract that established the Pool. TexasTerm is a local government investment portfolio that allows governments to pool their funds for investment under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, the Texas PFIA and other similar cooperative statutes and under the statutes governing investment of funds by those local governments. TexasTerm is directed by an advisory board of experienced local government officials, finance directors and treasurers and is managed by a team of industry leaders that are focused on providing professional investment services to investors. The Port's investments managed through TexasTerm are valued and recorded at amortized cost in accordance with GASB Statement No.79, *Certain External Investment Pools and Pool Participants*.

The Port also invests in the Texas Short Term Asset Reserve Program (TexStar) which has been organized in accordance with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and PFIA. The fund seeks to maintain a constant dollar objective and fulfills all requirements of PFIA for local government investment pools. The portfolio is a government-repurchase agreement (REPO) pool, utilizing primarily U.S. Treasury securities, U.S. agency securities and REPO collateralized obligations, the principal and interest of which are unconditionally guaranteed or insured by the full faith and credit of the U.S. or its agencies or its instrumentalities. Consistent with the investment pool, the Port values and records these investments at NAV or its equivalent.

Treasury securities are bills, notes and bonds (collectively known as Treasuries) issued by the Treasury Department that represent direct obligations of the U.S. government. The Port's investments in Treasuries are reported at fair value using quoted market prices or other fair value techniques, as required by GASB Statement No. 72, *Fair Value Measurements*. Fair value is defined by GASB Statement No. 72, as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Categories within the fair value hierarchy include: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 are unobservable inputs. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Treasuries are backed by the full faith and credit of the U.S government. The Port's Treasuries are measured using Level 2 inputs and are valued using a computerized pricing service utilizing a yield-based matrix system to arrive at the estimated fair value.

Note 2. Deposits and Investments (Continued)

A. Business-Type Activities:

As of December 31, 2020, the Enterprise Fund had the following investments:

Type		Weighted-Average Maturity Days	Percentage Invested	Fair Value Hierarchy	Credit Rating
Investments measured at fair value:					
Treasuries	$ 1,181,959	28	15%	Level 2	No rating
Investments measured at amortized cost:					
TexasTerm investment fund	4,057,703	52	53%	n/a	AAAf
Investments measured at NAV:					
TexStar investment fund	2,425,397	106	32%	n/a	AAAm
Total investments	$ 7,665,059		100%		
Weighted-average maturity days		62			

The valuation method for investments measured at the NAV per share (or its equivalent) as of December 31, 2020, is presented in the following table.

Investments Valued at NAV	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
TexStar investment fund	$ 2,425,397	N/A	Daily	N/A

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. TexasTerm investment have been rated AAAf by Fitch and 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 at December 31, 2020.

Note 2. Deposits and Investments (Continued)

Restricted cash, cash equivalents and investments: In accordance with the terms of Article XII, Section 9, of the Charter of the City of Galveston, the Port is required to set aside funds for interest and sinking and debt service reserves; City of Galveston franchise payment; bond proceeds; and bulkhead improvements. Restricted cash, cash equivalents and investments at December 31, 2020, consist of the following:

Interest and sinking and debt service reserves:	
Revenue Refunding Bonds Series 2011	$ 2,604,000
Revenue Bonds Series 2011 Interest and Sinking Fund	2,190,309
Series 2014 Interest and Sinking Fund	2,019,764
City of Galveston franchise payment	182,000
Bond proceeds	6,117,027
Bulkhead improvements	2,214,509
	$ 15,327,609

B. Fiduciary Fund—Pension Trust Fund

As of December 31, 2020, the fiduciary pension trust fund had the following investments:

	Fair Value Hierarchy			
Investment Type	Level 1	Level 2	Level 3	Fair Value
Common stock—domestic	$ 6,156,556	$ -	$ -	$ 6,156,556
Common stock—international	453,428	-	-	453,428
Mutual funds—domestic	3,395,304	-	-	3,395,304
Mutual funds—international	2,406,416	-	-	2,406,416
U.S. government agency securities	-	162,188	-	162,188
Municipal bonds	-	113,254	-	113,254
Corporate bonds	-	2,352,350	-	2,352,350
Foreign bonds	-	223,064	-	223,064
	$ 12,411,704	$ 2,850,856	$ -	$ 15,262,560

Investments are reported at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of common stocks and mutual funds are based on quoted market prices (Level 1). The fair value of United States (U.S.) government securities, municipal, corporate and foreign bonds are based on quotes from broker-dealers or are valued using interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and considering the counterparty rating (Level 2).

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes gains and losses on investments bought and sold, as well as held during the year.

Note 2. Deposits and Investments (Continued)

B. 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 of Trustees 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 at December 31, 2020, that are subject to credit risk.

Moody's Quality Ratings	U.S. Government Agency Securities	Municipal Bonds	Corporate Bonds	Foreign Bonds	Fair Total
Aaa	$ 162,188	$ -	$ -	$ -	$ 162,188
Aa1	-	113,254	-	-	113,254
Aa2	-	-	102,165	-	102,165
Aa3	-	-	140,267	110,563	250,830
A1	-	-	332,401	-	332,401
A2	-	-	717,897	-	717,897
A3	-	-	719,903	112,501	832,404
Baa1	-	-	235,792	-	235,792
Baa2	-	-	103,925	-	103,925
	$ 162,188	$ 113,254	$ 2,352,350	$ 223,064	$ 2,850,856

Concentration 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 concentration risk. As of December 31, 2020, there were no concentrations of investments with individual organizations 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 of Trustees 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, 2020. The maturity schedule is based on the average maturity of the fund, as noted by the fund manager.

Note 2. Deposits and Investments (Continued)

B. Fiduciary Fund—Pension Trust Fund (Continued)

	Less Than 1 Year	1-5 Years	6-10 Years	Fair Value
U.S. government agency securities	$ -	$ -	$ 162,188	$ 162,188
Municipal bonds	-	-	113,254	113,254
Corporate bonds	-	686,784	1,665,566	2,352,350
Foreign bonds	-	110,563	112,501	223,064
	$ -	$ 797,347	$ 2,053,509	$ 2,850,856

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, 2020, are as follows:

Accounts receivable—trade	$ 5,671,963
Grants receivable	127,536
Less allowance for doubtful accounts	(279,704)
Net accounts receivable	$ 5,519,795

Note 4. Capital Assets

Changes in capital assets during the year ended December 31, 2020, are summarized as follows:

	Balance at December 31, 2019	Additions	Retirements	Transfers/ Reclassification	Balance at December 31, 2020
Capital assets not being depreciated/amortized:					
Land	$ 16,499,295	$ -	$ -	$ -	$ 16,499,295
Channel deepening	15,131,996	-	-	-	15,131,996
Construction in progress	3,128,149	3,546,794	(184,930)	(3,560,280)	2,929,733
Total capital assets not being depreciated/amortized	34,759,440	3,546,794	(184,930)	(3,560,280)	34,561,024
Capital assets being depreciated/amortized:					
Railway facilities	4,260,563	-	-	-	4,260,563
Wharves, docks and buildings	205,696,614	-	(5,504,119)	1,314,871	201,507,366
Machinery and equipment	8,289,994	-	(12,495)	1,150,296	9,427,795
Furniture and office equipment	3,324,106	-	(120,228)	300,223	3,504,101
Intangible assets	-	-	-	794,890	794,890
Total capital assets being depreciated/amortized	221,571,277	-	(5,636,842)	3,560,280	219,494,715
Less accumulated depreciation/amortization for:					
Railway facilities	(2,526,369)	(59,489)	-	-	(2,585,858)
Wharves, docks and buildings	(98,848,131)	(5,623,678)	5,492,902	-	(98,978,907)
Machinery and equipment	(6,943,557)	(426,390)	-	-	(7,369,947)
Furniture and office equipment	(2,381,258)	(528,572)	120,228	-	(2,789,602)
Intangible assets	-	(39,744)	-	-	(39,744)
Total accumulated depreciation/amortization	(110,699,315)	(6,677,873)	5,613,130	-	(111,764,058)
Total capital assets, being depreciated/amortized, net	110,871,962	(6,677,873)	(23,712)	3,560,280	107,730,657
Capital assets, net	$ 145,631,402	$ (3,131,079)	$ (208,642)	$ -	$ 142,291,681

Note 4. Capital Assets (Continued)

Depreciation expense for the year ended December 31, 2020, totaled $6,677,873.

During the course of the year and prior years, certain project expenditures in the amount of $184,930 were charged to the construction in progress account; upon completion of the projects, these were deemed to no longer be a viable capital project and were charged to an expense account rather than placed into service as capital assets.

Commitments relating to capital construction in progress as of December 31, 2020, are as follows:

	Total Commitment	Total Capitalized	Construction in Progress	Remaining Commitment
Port security grant 2018 EMW FEMA	$ 569,500	$ -	$ 119,787	$ 449,714
Port security grant 2019 EMW FEMA	684,500	-	-	684,500
Port security grant 2020 EMW FEMA	806,000	-	-	806,000
Port security grant 2020 Police Boat	495,600	-	-	495,600
Channel Deepening Extension	135,653	-	135,653	-
Walkway Elevator and Repairs	274,574	-	258,317	16,257
Cruise terminal 3	1,320,150	-	614,070	706,080
RoRo relocation	1,930,000	-	605,385	1,324,615
Old Port Industrial Road	2,801,738	-	751,833	2,049,905
East End Cruise Corridor	495,310	-	319,616	175,694
Projects under $200,000	236,578	-	125,072	111,506
Totals	$ 9,749,603	$ -	$ 2,929,733	$ 6,819,871

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

Note 5. Long-Term Liabilities

During the year ended December 31, 2020, the following changes occurred in the Port's long-term liabilities:

Issue	Balance at December 31, 2019	Increases	Decreases	Balance at December 31, 2020	Amounts Due Within One Year
Revenue bonds:					
Series 2011 Refunding	$ 15,115,000	$ -	$ (1,855,000)	$ 13,260,000	$ 1,950,000
Premium on Series 2011	310,674	-	(51,070)	259,604	-
Revenue notes payable:					
Series 2014 (AMT)	13,000,000	-	-	13,000,000	1,935,000
Contracts payable to the City of Galveston:					
Series 2004B	1,390,622	-	(1,390,622)	-	-
Accreted interest on capital appreciation bonds	1,754,016	-	(1,754,016)	-	-
Other long-term liabilities:					
U.S. Corps of Engineers	3,794,617	-	(130,780)	3,663,837	130,849
Compensated absences	824,859	306,333	(218,123)	824,859	394,906
Net pension liability	3,906,450	-	(2,195,400)	1,711,050	-
	$ 40,008,028	$ 306,333	$ (7,595,011)	$ 32,719,350	$ 4,410,755

Note 5. Long-Term Liabilities (Continued)

Long-term bonded debt at December 31, 2020, was comprised of the following issues:

Description	Original Issue	Interest Rates	Maturity Dates Beginning/ Ending	Interest Payment Dates
Revenue bonds:				
City of Galveston, Texas Wharves and Terminal Revenue Refunding Bonds Series 2011	$ 25,925,000	4.00%-5.00%	February 1, 2013/2026	February 1/ August 1
Revenue notes payable:				
City of Galveston, Texas Subordinate Lien Wharves and Terminal Revenue Note Series 2014 (AMT)	6,000,000	4.44%	February 1, 2015/2026	February 1/ August 1
City of Galveston, Texas Subordinate Lien Wharves and Terminal Revenue Note Series 2014 (AMT)	4,000,000	4.44%	February 1, 2015/2026	February 1/ August 1
City of Galveston, Texas Subordinate Lien Wharves and Terminal Revenue Note Series 2014 (AMT)	3,000,000	4.44%	February 1, 2015/2026	February 1/ August 1

As of December 31, 2020, the annual debt service requirements for revenue bonds and revenue notes payable until maturity are as follows:

	Revenue Bonds		
	Principal	Interest	Total
Years ending December 31:			
2021	$ 1,950,000	$ 595,044	$ 2,545,044
2022	2,055,000	494,919	2,549,919
2023	2,150,000	395,169	2,545,169
2024	2,255,000	294,647	2,549,647
2025	2,365,000	183,375	2,548,375
2026	2,485,000	62,125	2,547,125
	$ 13,260,000	$ 2,025,279	$ 15,285,279

	Revenue Notes Payable		
	Principal	Interest	Total
Years ending December 31:			
2021	$ 1,935,000	$ 534,243	$ 2,469,243
2022	2,020,000	446,442	2,466,442
2023	2,110,000	354,756	2,464,756
2024	2,210,000	258,852	2,468,852
2025	2,310,000	158,508	2,468,508
2026	2,415,000	53,613	2,468,613
	$ 13,000,000	$ 1,806,414	$ 14,806,414

Note 5. Long-Term Liabilities (Continued)

Revenue bonds: The indentures creating the Series 2011 Wharves and Terminal Refunding Bonds issued to the public on December 6, 2011, provide that after provision for payment of maintenance and operations and required deposits into the city payment fund annually by December 31 of approximately $190,000, the gross revenues of the Port are to be pledged for the payment of debt service on the bonds through February 1, 2026. Maintenance and operating expenses, for the purpose of determining funds available for debt service, do not include depreciation expense or interest on obligations or indebtedness issued by the Port or operating expense for use by lessees or others using the Port facilities. The indentures require that for the duration of the period the bonds are outstanding, the Port create and maintain a debt service reserve fund of $2,549,919 equal to at least 150% of the average annual debt service or 125% of the maximum annual debt service requirements on all parity obligations that will be outstanding after the issuance of the series of additional parity bonds then proposed to be issued; provided, however, that this requirement shall not apply to the issuance of refunding bonds that will have the effect of reducing the average annual debt service requirements on the parity obligations. These interest and sinking funds have been established at the Port's depository bank and are reported as restricted cash and cash equivalents in the financial statements. Management of the Port believes it is in compliance with all significant bond covenants.

Revenue notes payable: Revenue Notes Series 2014 (AMT) were issued through a direct placement on October 2, 2014. These notes are payable to Moody National Bank, NA ($6 million), Texas First ($4 million) and Home Town Bank, NA ($3 million). The notes issued are to finance certain improvements to Terminal 2 and related infrastructure to accommodate increased cruise ship activity and to pay the associated costs of issuance. The notes and the series are special obligations of the City of Galveston that are payable from and are secured by a lien on a pledge of the revenues (subordinate to the lien of the senior lien parity obligations) of the City of Galveston's port and harbor facilities remaining after deduction of operation and maintenance expenses and an annual payment required by the City of Galveston Charter (the net revenues), as defined and provided in the indenture, which net revenues are required to be set aside and pledged to the payment of the senior lien parity obligations and subordinate lien obligations, and all other obligations issued on a parity therewith in the parity bond interest and sinking fund (for the benefit of the owners of the senior lien parity obligations), subordinate lien interest and sinking fund (for the benefit of the owners of the Series 2014 notes), and the parity bond debt service reserve fund (for the benefit of the owners of the senior lien parity obligations) maintained for the payment of all such obligations, all as more fully described and provided for in the indenture.

Contracts payable to the City of Galveston: On January 13, 2004, the City of Galveston issued to the public Combination Tax and Revenue Certificates of Obligation (COs) Series 2004A and 2004B totaling $19,323,672 in favor of the Port. The proceeds of this issue were used to build out Cruise Terminal No. 2, demolish grain elevator B, construct warehousing, channel deepening and parking facilities. The CO's matured on February 1, 2020. As of December 31, 2020, the balance was paid in full.

U.S. Army Corps of Engineers: The Port received billing from the U.S. Army Corps of Engineers for payback on previously constructed general navigation features. Based on the billing, the Port is responsible for an additional 10% of the cost of the Galveston Harbor Channel deepening to 45 mean lower low water. The estimated cost is $3,925,466 payable over a period not to exceed 30 years. These costs are being capitalized and the liability is being accrued. As of December 31, 2020 the balance is $3,663,837.

Note 6. Lease Arrangements With the Port as the Lessor

Direct financing lease—dockside elevator: The Port acquired a dockside elevator in 1977 for $36,085,730. The acquisition was financed by the issuance of $26,000,000 special revenue bonds and $10,085,730 advance rental from the lessee. During 1982, the Port issued $27,420,000 special revenue bonds to finance additional improvements by the lessee that were redeemed on October 1, 1987.

Upon issuing Special Contract Refunding Revenue Bonds in the amount of $8,500,000 on April 15, 1998, the Port entered into an amended lease agreement with its present lessee to amend the terms of the lease extending the initial lease period to May 1, 2015, (17 years), with options to extend the lease for four additional successive terms of three years each. On February 13, 2015, the Port entered into an amended lease agreement with its present lessee, whereby lessee exercised all four extensions.

The Port had no obligation for the special revenue bonds beyond the resources provided by the direct financing lease. These special revenue bonds were retired in December 2011.

In 2015, the Port entered into a revised agreement with the lessee with a renewal term of the lease beginning May 1, 2015, and ending May 1, 2027, for the leasing of a facility tract. The lessee has the option to purchase the improvements situated on the facility tract at the end of the term for $1. The lessee covenants that during each calendar year the total of all renewal rental, dockage paid to the Port for ships and barges handling bulk commodities at the leased premises (Grain Dockage), and rail switching and other charges paid to the Port allocated to bulk commodities moved by rail to or from the leased premises (Switching Charges) will not be less than $2 million, the MAG (the minimum annual guarantee). As part of the revised agreement, the lessee will lease the facility tract for a total of $286,675 a year, pay the Port a share of dockage revenue generated from the grain vessel loadings by lessee and the Port's railcar switching revenues earned on the lessee's grain rail car activities. If, during any calendar year, the total renewal rental, grain dockage and switching charges, as set forth above, actually received by the Port exceeds $2.8 million (the threshold), the Port's share of grant dockage shall be immediately reduced to 18% from 36% for the remainder of the calendar year. Beginning on the third anniversary of the renewal effective date, both the MAG and the threshold will be adjusted on that date and on each anniversary of such date during the remainder of the term of the lease to reflect increases in the consumer price index. In 2020, the escalated facility tract lease amount was $289,960. The lessee hit the minimum annual guarantee of $2 million in 2020 due to high grain volumes, so no additional payment was due to the Port.

The Port accounts for the amended lease as a direct financing lease and reflects the following accounts at December 31, 2020:

Minimum lease rental payments receivable:	
Due within one year	$ 199,146
Due after one year	1,062,113
Net investment in direct financial lease	$ 1,261,259

The investment in direct financing lease is net of unearned income of $1,546,456. Unearned income is amortized and charged to operations over the initial and optional terms of the lease on a straight-line basis.

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

A schedule of net minimum lease payments receivable over the life of the lease is as follows:

Years ending December 31:		
2021	$	199,146
2022		199,146
2023		199,146
2024		199,146
2025		199,146
2026-2027		265,529
	$	1,261,259

Railroad facilities—operating lease: Following the favorable settlement in 2006 of a lawsuit filed by the Port over the interpretation of certain language in the lease covering rail facilities owned by the Port, the Port entered into a new lease agreement with the previous lessee covering the rail facilities effective August 1, 2006, through the period ending July 31, 2026. This new lease calls for annual base rent in the amount of $100,000 adjusted annually for a cost-of-living increase, and percentage rent of 20% of the lessee's total gross revenues. It also called for the relocation of certain rail track, the cost of which was split 50/50 between the Port and the lessee. The lease also provides for the establishment of an "Annual Track Fund." Under this section, the lessee will accrue $20,000 per month to be spent on maintaining and repairing the railroad track. If during the course of a year, lessee spends less than the annual $240,000 accrual, the balance remaining is to be split 50/50 between the lessee and the Port.

Other operating leases: The Port leases to others certain land and improvements. These leases are classified as operating leases and agreements. The minimum lease payments under these operating leases and agreements that have noncancelable lease terms in excess of one year are as follows:

Years ending December 31:		
2021	$	4,103,551
2022		4,099,639
2023		5,560,772
2024		6,733,375
2025		6,563,007
2026-2030		31,696,040
2031-2035		31,083,986
2036-2040		23,453,220
2041-2045		22,530,675
2046-2050		21,945,248
2051-2055		21,284,778
2056-2060		21,284,778
2061-2065		21,284,778
2066-2070		20,000,000
2071-2075		20,000,000
2076-2080		20,000,000
2081-2085		10,000,000
	$	291,623,847

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, Texas, ordinance to provide retirement and incidental benefits to substantially all employees of the Port. The Plan was established January 1, 1965, restated January 1, 2008, and most recently amended effective January 1, 2013. On January 10, 2010, the Pension Plan was amended to cease further accrual of benefits under the Plan for existing employees electing to participate in the Galveston Wharves 2010 Plan and for all Port employees hired after January 1, 2010. The Pension Plan has been designed as a "governmental plan" by the U.S. Department of Labor and, thus, is not subject to the provisions of Title I of the Employee Retirement Income Security Act of 1974. Beginning January 1, 2010, the Pension Plan is closed to new members.

Pension Plan administration: The Plan is administered by the Port. Frost 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 of Trustees has overall responsibility for the operation and administration of the Pension Plan. The Board of Trustees 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 of Trustees, 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 for 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.

Benefits provided:

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

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.

Note 7. Pension Plan (Continued)

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

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

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

Disability: A participant who suffers a disability prior to termination of employment and who has completed 10 or more years of vesting service will be entitled to receive a monthly amount which will computed in the same manner as his or her normal retirement benefit considering his or her average monthly compensation and years of benefit service as of the date of his or her disability. Such benefit shall commence at the time the participant is eligible or would have been eligible (if the participant was a full-time employee) for benefits under the employer's long-term disability plan and has met the definition of disability, as defined in the Pension Plan document.

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

Note 7. Pension Plan (Continued)

Cash balance benefits: Prior to October 1**,** 2005, a cash balance account was established for each participant. No further contribution credits will be credited to a participant's cash balance account on or after September 30, 2005. An employee who is eligible for normal or late retirement will receive a monthly amount equal to the actuarial equivalent of the balance of the participant's cash balance account as of the end of the month prior to the annuity starting date. The cash balance payable upon death will be determined as a single lump-sum amount equal to the participant's cash balance account as of the last day of the month coinciding with or preceding his or her date of death. However, at the option of the participant's beneficiary, such amount may be paid in the form of an actuarially equivalent benefit. The cash balance payable upon termination of employment will be payable to a participant who terminated prior to his or her normal retirement age and will be a monthly life annuity equal to the actuarial equivalent of the balance of the participant's cash balance account as of the end of the month preceding his or her annuity starting date (or alternatively, the actuarial equivalent of the annuity that could be provided at normal retirement age based upon an accumulation of the cash balance at the interest rate used to determine lump-sum benefits), but no less than the participant's cash balance account.

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

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

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

At the December 31, 2019, measurement date, the following employees were covered by the benefit terms:

Inactive plan members and beneficiaries currently receiving benefits	65
Inactive employees entitled to, but not yet receiving benefits	58
Active plan members	29
	152

Note 7. Pension Plan (Continued)

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 is 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 for 2020 was $365,585.

Net pension liability: The Port's net pension liability was measured as of December 31, 2019, and the pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions: The net pension liability was determined through an actuarial valuation performed as of December 31, 2019. The actuarial assumptions used are as follows:

Valuation date	December 31, 2019
Actuarial cost method	Individual entry age cost method
Asset valuation method	Fair value of assets
Interest rates	Discount rate 7.25% Expected long-term rate of return 7.25% Municipal bond rate N/A
Inflation	2.75%
Annual pay increases	3.00%
Mortality rates:	Pri-2012 Mortality Tables Projected Generationally from 2012 with the Mortality Improvement Scale MP-2019
Retirement rates	The latter of attainment of age 65 or the completion of five years of vesting service
Experience study	The most recent experience study was completed in 2017 to review the interest rate and mortality assumption. There has not been a recent experience study to review the demographic assumptions. As the Pension Plan is not large enough to have credible experience, demographic assumptions are determined based on the results of broad population trends.

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

- The mortality table has been updated from using a fully generational improvement scale based on assumptions developed from the 2017 Social Security Trustees report to the improvement scale based on assumptions developed from the 2018 Social Security Trustees Report.

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

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

Note 7. Pension Plan (Continued)

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 weighting 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, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income equities securities	10%	2.00%
Common stock	60%	6.28%
Domestic equities—large cap	5%	6.28%
Domestic equities— mid cap	3%	6.86%
Domestic equities—small cap	5%	7.35%
International equities	10%	5.89%
Natural resources	1%	3.94%
Emerging markets	1%	8.42%
Cash	5%	0.00%

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

	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
Net pension liability	$ 3,253,843	$ 1,711,050	$ 390,265

Note 7. Pension Plan (Continued)

Changes in the net pension liability: The following presents the changes in net pension liability as of December 31, 2020.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2019	$ 16,318,081	$ 12,411,631	$ 3,906,450
Changes for the year:			
Service cost	101,967	-	101,967
Interest	1,145,698	-	1,145,698
Change in benefit terms	206,256	-	206,256
Changes in assumptions	(96,477)	-	(96,477)
Contributions—employer	-	575,000	(575,000)
Net investment income	-	3,021,496	(3,021,496)
Benefit payments, including refunds of employee contributions	(1,234,638)	(1,234,638)	-
Administrative expenses	-	(42,883)	42,883
Other changes	-	(769)	769
	122,806	2,318,206	(2,195,400)
Balance at December 31, 2020	$ 16,440,887	$ 14,729,837	$ 1,711,050

Pension expense: For the year ended December 31, 2020, the Port recognized pension expense of $409,434.

Deferred outflows of resources and deferred inflows of resources related to pension: At December 31, 2020, the Port reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ -	$ (48,238)
Net difference between projected and actual earnings	-	(1,379,213)
Contributions subsequent to the measurement date	363,085	-
	$ 363,085	$ (1,427,451)

Note 7. Pension Plan (Continued)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability for the year ending December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Years	Net Deferred Outflows (Inflows) of Resources
2021	$ (426,269)
2022	(447,052)
2023	(124,402)
2024	(429,728)
	$ (1,427,451)

Deferred inflows and outflows of resources related to differences between expected and actual experience and changes in assumptions are amortized over the average expected remaining service life for all active, inactive and retired members. Deferred outflows related to the net difference between projected and actual earnings are amortized over a five-year period.

Note 8. Deferred Compensation Plan and Defined Contribution Plans

Deferred Compensation Plan—Section 457 Plan: The Port offers all full-time employees a deferred compensation plan created in accordance with section 457 of the Internal Revenue Code (IRC 457). The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseen emergency. Government entities relying upon third parties to manage IRC 457 assets are not required to report such assets on their balance sheets. The Port contributed $41,335 to the 457 Plan as of December 31, 2020.

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 International City/County Management Association (ICMA) for the employees' of the Port. The plan is employee-directed, whereby employees may choose among 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.

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

B. Plan Funding Policy

Active plan members must contribute 7.65% of his/her earnings and the Port is required to contribute 5.5% of participant earnings. The plan members contributed $426,956 and the Port contributed $306,962 during the year ended December 31, 2020.

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 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 $160,028 during the year ended December 31, 2020. The employees do not have a required contribution rate.

Note 9. Commitments, Contingencies and Uncertainties

A substantial portion of the Port's facilities and operating assets are subject to federal, state and local regulations relating to the discharge of materials into the environment. Compliance with these provisions has not had, nor does management expect such compliance to have, any material effect upon the capital expenditures, net income, financial condition or competitive position of the Port. However, due to the nature of the industry in which it operates, a 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.

Note 9. Commitments, Contingencies and Uncertainties (Continued)

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

The Port is subject to claims and lawsuits arising from the normal course of business. The Port's legal counsel routinely evaluates such claims and management may make provisions for probable losses if deemed appropriate. There were no provisions recorded as of December 31, 2020.

The Port is a defendant in a lawsuit filed by three of the private cruise parking lots. These parking lots are contesting the 2014 rate increase in private parking lot cruise terminal access fees. By order of the court, the defendants are required to remit the old rate to the Port and place the difference between the old rate and the new rate in escrow with the court until the matter is resolved.

With respect to litigation cases, it is the opinion of management that the estimated liability for unreserved claims and suits will not have a material impact on the financial statements of the Port.

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 $75 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. Coverage is obtained through the City of Galveston Medical Self Insured Plan. Dental and flexible benefit plans are obtained through third-party insurance carriers.

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.

Note 10. Risk Management (Continued)

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).

The Port presently has unexpended debt proceeds from certain debt issues, but will not be subject to yield restrictions until December 2023 and, therefore, does not anticipate associated noncompliance issues.

Note 11. Concentration of Credit Risk

One customer generated operating revenues of $3,178,549, which comprise approximately 11.6% of total operating revenues for the year ended December 31, 2020, and one customer had outstanding accounts receivable of $588,882, which comprise approximately 10.7% of outstanding trade accounts receivable as of December 31, 2020. In the normal course of business, the Port extends unsecured credit to its customers.

Note 12. Related Party

In the ordinary course of business, the Port has entered into a contracted service transaction with a vendor affiliated with a Trustee for an amount totaling approximately $1,151,052 for the year ended December 31, 2020.

Note 13. COVID-19 Impact

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. Any quarantines, labor shortages or other disruptions to the Port's operations, or that of its suppliers and vendors, may adversely affect the Port's revenues, ability to provide its services and operating results. In addition, a significant outbreak of an epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including the geographical area in which the Port operates, resulting in an economic downturn that has had an effect on demand for services for the Port during fiscal year 2020. Galveston is the fourth largest cruise port in America. As of the date of this report, while cruise ships have not commenced sailings in the United States, the Port anticipates sailings to resume in 2021. The Port continues to maintain a robust level of cargo activity. The extent to which COVID-19 may continue to affect the Port's operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information, which may emerge concerning the severity of COVID-19 and actions taken to contain COVID-19 or its impact, among others.

Note 14. Condensed Combining Information for the Port and the Corporation

As described in Note 1 to the financial statements, on September 27, 2019, the Board of Trustees approved a resolution to cease operations of the Corporation effective December 31, 2019. Thus, 2020 was a wind-down year for the Corporation and management anticipates that all Corporation operations will cease by the end of 2021.

	Primary Government	Corporation	Eliminations	Totals
Current assets	$ 44,842,625	$ 497,652	$ -	$ 45,340,277
Capital assets	142,291,681	-	-	142,291,681
Other noncurrent assets	1,062,113	-	-	1,062,113
Total assets	188,196,419	497,652	-	188,694,071
Deferred outflows of resources	363,085	-	-	363,085
Current liabilities	12,744,598	-	-	12,744,598
Long-term liabilities	29,590,664	-	-	29,590,664
Total liabilities	42,335,262	-	-	42,335,262
Deferred inflows of resources	1,427,451	-	-	1,427,451
Net position:				
Net investment in capital assets	119,342,702	-	-	119,342,702
Restricted	6,487,326	-	-	6,487,326
Unrestricted	18,966,763	497,652	-	19,464,415
Total net position	$ 144,796,791	$ 497,652	$ -	$ 145,294,443

Note 14. Condensed Combining Information for the Port and the Corporation (Continued)

	Primary Government	Corporation	Eliminations	Totals
Operating revenues:				
Charges for services:				
Vessels and cargo services	$ 16,902,241	$ -	$ -	$ 16,902,241
Building and facilities rental and fees	10,455,894	-	-	10,455,894
Total operating revenues	27,358,135	-	-	27,358,135
Operating expenses:				
Personnel services	7,948,203	-	-	7,948,203
Maintenance and operations	9,381,072	-	-	9,381,072
Sales and office	4,175,833	-	-	4,175,833
Depreciation	6,677,873	-	-	6,677,873
Total operating expenses	28,182,981	-	-	28,182,981
Operating loss	(824,846)	-	-	(824,846)
Nonoperating revenues (expenses):				
Investment income	205,620	-	-	205,620
Other income	45,917	-	-	45,917
Loss on sale of assets	(23,710)	-	-	(23,710)
Interest expense	(1,236,305)	-	-	(1,236,305)
Annual city payment	(189,245)	-	-	(189,245)
Recovery, restoration and other nonoperating expenses	(63,359)	-	-	(63,359)
Total nonoperating revenues (expenses)	(1,261,082)	-	-	(1,261,082)
Loss before capital grants and contributions	(2,085,928)	-	-	(2,085,928)
Capital grants and contributions	1,431,334	-	-	1,431,334
Change in net position	(654,594)	-	-	(654,594)
Net position at beginning of year	130,030,496	15,918,541	-	145,949,037
Transferred to the Port	15,420,889	(15,420,889)	-	-
Net position at end of year	$ 144,796,791	$ 497,652	$ -	$ 145,294,443

Note 14. Condensed Combining Information for the Port and the Corporation (Continued)

	Primary Government	Corporation	Total
Cash flows from operating activities:			
Cash receipts from customers	$ 32,420,904	$ -	$ 32,420,904
Cash payments to employees	(7,714,001)	-	(7,714,001)
Cash payments to suppliers for goods and services	(15,038,402)	-	(15,038,402)
Interfund transfers	4,922,157	(4,922,157)	-
Net cash provided by (used in) operating activities	14,590,658	(4,922,157)	9,668,501
Cash flows from noncapital financing activities:			
Annual city payment	(189,245)	-	(189,245)
Net cash used in noncapital financing activities	(189,245)	-	(189,245)
Cash flows from capital and related financing activities:			
Principal payments on revenue bonds, contracts payable and other long-term liabilities	(3,376,402)	-	(3,376,402)
Receipts from capital grants and contributions	1,390,056	-	1,390,056
Interest paid—long-term debt	(1,274,951)	-	(1,274,951)
Acquisition and construction of capital assets	(3,546,794)	-	(3,546,794)
Net cash used in capital and related financing activities	(6,808,091)	-	(6,808,091)
Cash flows from investing activities:			
Receipts of interest	36,106	-	36,106
Investment income	126,296	-	126,296
Purchase of investments	(9,520,112)	-	(9,520,112)
Proceeds from sale of investments	10,728,095	-	10,728,095
Payments made related to capital and direct financing lease	199,147	-	199,147
Net cash provided by investing activities	1,569,532	-	1,569,532
Net increase (decrease) in cash and cash equivalents	9,162,854	(4,922,157)	4,240,697
Cash and cash equivalents at beginning of year	28,112,340	5,419,809	33,532,149
Cash and cash equivalents at end of year	$ 37,275,194	$ 497,652	$ 37,772,846
Cash and cash equivalents per statement of net position:			
Unrestricted	$ 23,129,545	$ 497,652	$ 23,627,197
Restricted	14,145,650	-	14,145,650
Cash and cash equivalents at end of year	$ 37,275,195	$ 497,652	$ 37,772,847

(Continued)

Note 14. Condensed Combining Information for the Port and the Corporation (Continued)

	Primary Government	Corporation	Total
Operating loss	$ (824,846)	$ -	$ (824,846)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	6,677,873	-	6,677,873
Accrual for bad-debt expense	53,293	-	53,293
Charge-off of prior-year construction expenses to operating expense	184,930	-	184,930
Interfund transfers	4,922,157	(4,922,157)	-
Changes in operating assets and liabilities:			
Decrease in accounts receivable	5,120,796	-	5,120,796
Increase in prepaid items	(8,630)	-	(8,630)
Decrease in accounts payable	(877,741)	-	(877,741)
Decrease in accrued expenses	(595,126)	-	(595,126)
Decrease in unearned revenues and rents	(196,608)	-	(196,608)
Increase in accrued compensated absences	88,210	-	88,210
Increase in payable to other government	1	-	1
Decrease in deferred outflows—pension items	814,298	-	814,298
Increase in deferred inflows—pension items	1,427,451	-	1,427,451
Decrease in net pension liability	(2,195,400)	-	(2,195,400)
Net cash provided by (used in) operating activities	$ 14,590,658	$ (4,922,157)	$ 9,668,501
Supplemental disclosures of cash flow information:			
Construction payables	$ 993,035	$ -	$ 993,035
Retainage payable	$ 104,107	$ -	$ 104,107

2020 ANNUAL COMPREHENSIVE FINANCIAL REPORT

Required Supplemental Information

Port of Galveston
Galveston, Texas

The Board of Trustees of the Galveston Wharves

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

	2020	2019	2018	2017	2016	2015
Total pension liability:						
Service cost	$ 101,967	$ 149,366	$ 138,712	$ 137,707	$ 169,079	$ 183,481
Interest	1,145,698	1,135,048	1,119,970	1,095,941	1,071,934	1,040,307
Changes in benefit terms	206,256	-	-	-	-	-
Change in assumptions	(96,477)	88,955	762,720	-	(239,557)	-
Difference between expected and actual experience	-	41,613	(134,857)	84,594	156,762	(56,421)
Benefit payments, including refunds of employee contributions	(1,234,638)	(1,206,729)	(1,141,887)	(855,811)	(757,719)	(704,816)
Net change in total pension liability	122,806	208,253	744,658	462,431	400,499	462,551
Total pension liability at beginning of year	16,318,081	16,109,828	15,365,170	14,902,739	14,502,240	14,039,689
Total pension liability at end of year	$ 16,440,887	$ 16,318,081	$ 16,109,828	$ 15,365,170	$ 14,902,739	$ 14,502,240
Plan fiduciary net position:						
Contributions—employer	$ 575,000	$ 575,000	$ 562,160	$ 420,000	$ 400,000	$ 540,004
Net investment income	3,021,496	(560,928)	2,475,326	519,420	153,997	782,143
Benefit payments, including refunds of employee contributions	(1,234,638)	(1,206,729)	(1,141,887)	(855,811)	(757,719)	(704,816)
Administrative expense	(42,883)	(62,705)	(69,370)	-	(65,437)	(89,122)
Other changes	(769)	(368)	1,280	679	1,199	3,203
Net change in plan fiduciary net position	2,318,206	(1,255,730)	1,827,509	84,288	(267,960)	531,412
Plan fiduciary net position at beginning of year	12,411,631	13,667,361	11,839,852	11,755,564	12,023,524	11,492,112
Plan fiduciary net position at end of year	$ 14,729,837	$ 12,411,631	$ 13,667,361	$ 11,839,852	$ 11,755,564	$ 12,023,524
Plan net pension liability at end of year	$ 1,711,050	$ 3,906,450	$ 2,442,467	$ 3,525,318	$ 3,147,175	$ 2,478,716
Fiduciary net position as a percentage of the total pension liability	90%	76%	85%	77%	79%	83%
Covered payroll	$ 1,527,483	$ 2,017,084	$ 2,659,786	$ 3,174,196	$ 3,289,226	$ 3,484,519
Plan net pension liability as a percentage of covered payrol	112%	194%	92%	111%	96%	71%

Note: GASB Statement No. 68 was implemented in fiscal year 2015; therefore, information for prior years is not available.

The Board of Trustees of the Galveston Wharves

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

	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	$ (73,333)	$ (59,144)	$ (153,673)	$ -	$ (4,915)
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%

	2015	2014	2013	2012	2011
Actuarially determined contribution	$ 377,727	$ 398,283	$ 540,004	$ 669,776	$ 595,057
Contributions in relation to the actuarially determined contribution	400,000	540,004	540,004	669,776	595,057
Contribution excess	$ (22,273)	$ (141,721)	$ -	$ -	$ -
Covered payroll	$ 3,289,226	$ 3,484,519	$ 3,627,781	$ 3,921,729	$ 3,889,073
Contributions as a percentage of covered payroll	12.16%	15.50%	14.89%	17.08%	15.30%

Methods and assumptions used to determine contribution for 2020:

Valuation date	December 31, 2019
Actuarial cost method	Individual entry age cost method
Amortization method	21-year level dollar (closed)
Asset valuation method	Fair value of assets
Interest rates	7.25%, net of investment expenses, including inflation
Inflation	2.75%
Annual pay increases	3.00%
Final average pay load	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	RP 2014 Mortality Table projected from 2006 with the Social Security Generational Improvement Scale based on the 2018 Board of Trustees Report
Retirement rates	The latter of the attainment of age 65 or the completion of five years of vesting service

GALVESTON WHARVES

2020 Annual Comprehensive Financial Report

Statistical Section

The Port Arranges Texas A&M Galveston Student Tour

Port of Galveston
Galveston, Texas

The Port Participates in Maritime Day

2020 Annual Comprehensive Financial Report

Statistical Section Categories

The Board of Trustees of the Galveston Wharves

Condensed Statement of Net Position—Business-Type Activities
Last Ten Fiscal Years

Description	2020	2019	2018	2017	
Assets					
Unrestricted current assets	$ 30,012,668	$ 31,810,238	$ 19,731,195	$ 14,197,722	(a)
Restricted current assets	15,327,609	17,400,813	17,099,839	18,642,035	
Properties and facilities, net	142,291,681	145,631,402	149,793,852	147,820,443	
Other assets	1,062,113	1,261,259	1,460,406	1,659,552	
Total assets	188,694,071	196,103,712	188,085,292	182,319,752	
Deferred outflow of resources	363,085	1,177,383	984,558	1,409,876	
Liabilities					
Current liabilities—payable from nonrestricted assets	8,859,598	10,219,523	8,688,028	8,865,980	
Current liabilities—payable from restricted assets	3,885,000	6,773,387	4,971,216	4,823,336	
Long term debt, net of current portion	26,597,547	28,948,200	35,535,886	36,505,594	
Unearned revenues	1,282,067	1,484,498	1,686,930	2,075,676	
Net pension liability	1,711,050	3,906,450	2,442,467	3,525,318	
Total liabilities	42,335,262	51,332,058	53,324,527	55,795,904	
Deferred inflows of resources	1,427,451	-	846,633	83,707	
Net position					
Net investment in capital assets	119,342,702	117,664,207	116,705,066	110,603,904	
Restricted	6,487,326	8,563,972	8,408,718	11,995,924	
Unrestricted	19,464,415	19,720,858	9,784,906	5,250,189	(a)
Total net position	$ 145,294,443	$ 145,949,037	$ 134,898,690	$ 127,850,017	

- Effective January 1, 2015, the Wharves implemented GASB Statements No. 68 and No. 71. The 2014 ending balance has been restated for comparison purposes.

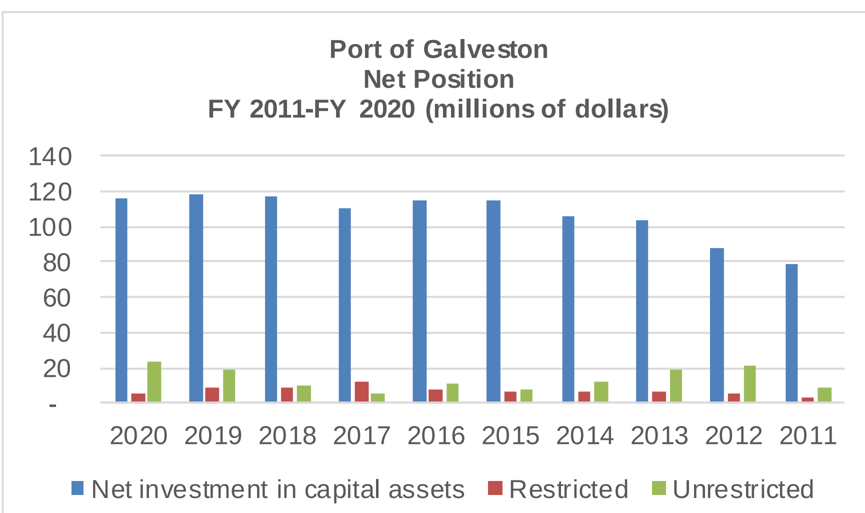
- Effective January 1, 2012, the Wharves implemented GASB Statements No. 63 and No. 65. Prior periods presented above have been restated to reflect the accounting methods dictated by these statements.

(a) Restated

The Board of Trustees of the Galveston Wharves

Condensed Statement of Net Position—Business-Type Activities
Last Ten Fiscal Years

2016	2015	2014	2013	2012	2011
$ 18,183,941	$ 20,584,656	$ 21,289,662	$ 23,855,430	$ 26,711,814	$ 15,432,593
19,900,725	27,796,300	34,491,857	21,643,798	22,538,833	22,812,482
152,026,032	147,901,820	136,548,043	137,638,530	127,239,959	118,050,502
1,858,698	2,057,844	2,256,990	2,456,136	2,655,282	2,904,883
191,969,396	198,340,620	194,586,552	185,593,894	179,145,888	159,200,460
1,146,128	451,726	540,004	-	-	-
5,414,459	10,558,641	7,900,565	5,109,981	5,836,253	8,789,144
4,420,000	4,250,000	4,115,000	5,324,294	3,780,000	1,355,000
43,709,763	48,638,548	52,707,229	43,566,405	51,255,689	52,359,120
2,337,245	2,522,265	2,665,129	2,844,814	3,149,585	4,842,624
3,147,175	2,478,716	2,547,577			
59,028,642	68,448,170	69,935,500	56,845,494	64,021,527	67,345,888
228,612	133,961	142,594	188,841	-	-
115,231,634	115,312,854	106,323,197	103,644,735	87,905,458	79,080,947
7,869,709	6,704,602	6,321,160	6,020,683	5,782,618	3,572,747
10,756,927	8,192,759	12,404,105	18,894,141	21,436,285	9,200,878
$ 133,858,270	$ 130,210,215	$ 125,048,462	$ 128,559,559	$ 115,124,361	$ 91,854,572



The Board of Trustees of the Galveston Wharves

Condensed Statement of Changes in Net Position—Business-Type Activities
Last Ten Fiscal Years

Description	2020	2019	2018	2017
Operating revenues	$ 27,358,135	$ 51,474,109	$ 43,514,516	$ 37,769,849
Operating expenses:				
Personnel services	7,948,203	9,494,870	8,281,310	7,972,059
Maintenance and operations	9,381,072	15,019,177	12,773,845	11,772,312
Sales and office	4,175,833	8,413,703	7,935,356	6,865,712
Depreciation	6,677,873	6,370,852	6,546,854	6,705,570
Total operating expenses	28,182,981	39,298,602	35,537,365	33,315,653
Net operating income (loss)	(824,846)	12,175,507	7,977,151	4,454,196
Nonoperating revenue (expenses):				
Direct financing lease	-	-	-	-
Investment income	205,620	519,163	280,987	347,353
Miscellaneous Income	45,917	18,011	-	-
Annual city payment (b)	(189,245)	(189,245)	(189,169)	(188,793)
Interest expense	(1,236,305)	(1,499,143)	(1,742,546)	(1,934,675)
Bond issuance costs	-	-	-	-
Other debt expense				
Net gain (loss) on disposal of equipment	(23,710)	(400,102)	-	-
Operating grants	-	-	-	-
U.S. Army COE-related expenses	-	-	(487,983)	-
Hurricane-related income (expenses) (c)	(63,359)	(227,224)	(459,194)	(811,434) (a)
Total nonoperating revenues (expenses)	(1,261,082)	(1,778,540)	(2,597,905)	(2,587,549)
Income (expense) before contributions	(2,085,928)	10,396,967	5,379,246	1,866,645
Capital grants and contributions	1,431,334	653,380	1,669,423	30,384
Changes in net position	$ (654,594)	$ 11,050,347	$ 7,048,669	$ 1,897,029

- Effective January 1, 2015, the Wharves implemented GASB Statements No. 68 and No. 71. The 2014 ending balance has been restated for comparison purposes.
- Effective January 1, 2012, the Wharves implemented GASB Statements No. 63 and No. 65. Prior periods presented above have been restated to reflect the accounting methods dictated by these statements.

(a) Restated.

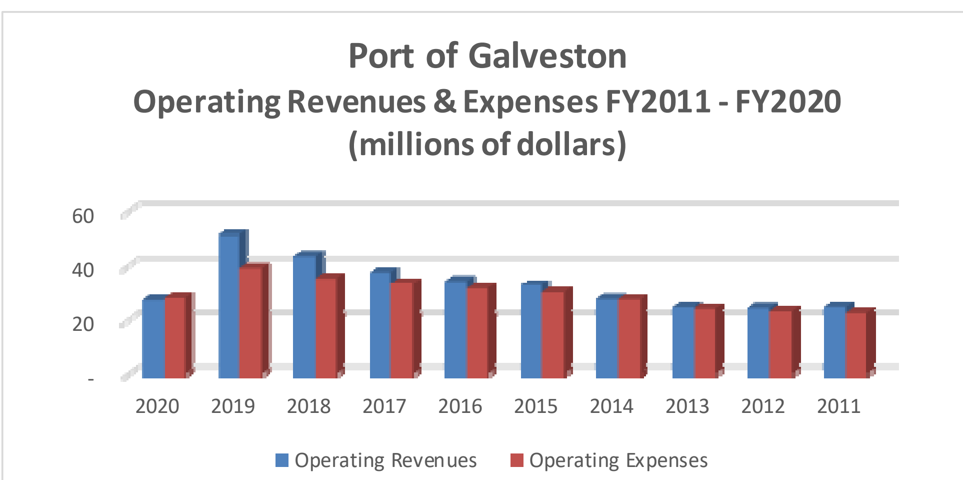
(b) Effective in 2018, annual City payments for all years are being shown as nonoperating expenses rather than operating expenses.

(c) Effective in 2018, hurricane-related expenses for all years are being shown as nonoperating expenses rather than extraordinary items.

The Board of Trustees of the Galveston Wharves

Condensed Statement of Changes in Net Position—Business-Type Activities
Last Ten Fiscal Years

2016	2015	2014	2013	2012	2011
$ 34,488,872	$ 33,015,643	$ 27,711,092	$ 24,767,493	$ 24,482,964	$ 24,843,317
8,462,458	8,891,974	8,858,156	8,845,314	8,819,701	8,281,209
10,987,938	9,005,438	8,911,837	7,105,943	6,990,167	7,329,099
5,412,002	6,046,520	3,804,123	2,428,240	2,333,548	2,869,070
6,549,259	6,005,248	5,837,831	5,640,607	4,999,706	4,112,167
31,411,657	29,949,180	27,411,947	24,020,104	23,143,122	22,591,545
3,077,215	3,066,463	299,145	747,389	1,339,842	2,251,772
-	-	-	-	-	428,542
288,856	232,073	225,801	201,126	122,618	81,193
-	-	-	-	-	-
(188,561)	(188,076)	(187,302)	(187,302)	(187,302)	(182,000)
(2,125,727)	(2,275,468)	(1,970,803)	(2,115,837)	(2,500,263)	(2,991,863)
-	-	-	-	-	(432,241)
		(170,521)	(225,146)		
-	3,279	-	1,840	-	(24,366)
-	-	-	-	-	1,962,345
-	-	-	-	-	-
(552,828)	(569,808)	(1,963,657)	(944,908)	13,340,200	(481,789)
(2,578,260)	(2,798,000)	(4,066,482)	(3,270,227)	10,775,253	(1,640,179)
498,955	268,463	(3,767,337)	(2,522,838)	12,115,095	611,593
3,149,100	4,893,290	2,263,814	15,958,039	11,154,694	716,170
$ 3,648,055	$ 5,161,753	$ (1,503,523)	$ 13,435,201	$ 23,269,789	$ 1,327,763



The Board of Trustees of the Galveston Wharves

Operating Revenue Statement—Business-Type Activities
Last Ten Fiscal Years

Description	2020	2019	2018	2017
Switching	$ 961,886	$ 724,899	$ 664,519	$ 556,646
Wharfage	3,555,727	4,061,884	4,491,912	3,169,750
Passenger charge	3,527,539	16,011,250	12,200,846	11,580,016
Parking fees	1,877,896	8,118,181	7,607,603	6,669,561
Dockage	8,356,276	8,204,487	6,719,542	5,165,419
Ship service revenues	1,462,701	6,238,691	5,336,560	4,861,472
Shed hire	-	-	-	-
Revenue producing services	947,618	873,759	343,467	98,497
Rentals	4,827,199	4,685,762	3,787,582	3,748,981
Security cost recovery	1,214,248	1,401,845	1,191,123	847,632
Terminal access fees	254,700	1,059,105	888,442	889,170
Miscellaneous	372,345	94,246	282,920	182,710
Total operating revenues	$ 27,358,135	$ 51,474,109	$ 43,514,516	$ 37,769,854

The Board of Trustees of the Galveston Wharves

Operating Revenue Statement—Business-Type Activities
Last Ten Fiscal Years

2016	2015	2014	2013	2012	2011
$ 929,527	$ 1,067,920	$ 763,624	$ 496,996	$ 629,707	$ 968,353
2,661,602	2,577,208	2,659,003	2,304,942	2,927,094	2,113,569
8,946,032	8,647,317	6,157,648	5,271,205	4,854,694	3,760,158
6,143,976	6,312,896	4,851,414	4,117,693	4,203,115	3,307,542
5,826,700	6,479,532	5,683,806	5,345,099	4,715,107	6,580,882
3,891,550	3,195,913	3,449,474	2,892,874	2,471,125	2,064,344
-	-	-	-	4,216	-
114,358	120,388	114,505	119,137	124,191	146,204
3,478,455	3,051,766	3,049,244	3,446,461	3,718,048	5,098,394
949,909	979,811	658,078	558,984	494,919	647,018
832,440	526,823	283,566	148,554	122,430	102,410
714,323	56,067	40,730	65,547	218,318	54,444
$ 34,488,872	$ 33,015,641	$ 27,711,092	$ 24,767,492	$ 24,482,964	$ 24,843,318

The Board of Trustees of the Galveston Wharves

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

		2020		
Rank	**Customer Name**		**Amount**	**Percent of Total Operating Revenues**
1.	Royal Caribbean, Int'l.	$	3,178,549	12%
2.	Carnival Cruise Lines		2,357,674	9%
3.	Metro Ports Suderman Contracting		2,044,235	7%
4.	ADM Grain Co.		1,564,729	6%
5.	Metro Ports Suderman Contracting		1,087,514	4%
6.	ARRC American Roll-on Roll-off Carrier		939,685	3%
7.	WWL Vehicle Services Americas		911,717	3%
8.	Norton Lilly Int'l.		880,267	3%
9.	DSV Air & Sea, Inc.		827,436	3%
10.	Gulf Copper		750,412	3%
	Total ten largest customers		14,542,218	53%
	Others		12,815,917	47%
	Total operating revenues	$	27,358,135	100%

Source: Port of Galveston Records

The Board of Trustees of the Galveston Wharves

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

2011			
Customer Name		**Amount**	**Percent of Total Operating Revenues**
Carnival Cruise Lines	$	3,239,318	13%
Royal Caribbean, Int'l.		2,774,247	11%
Gulf Copper		2,130,688	9%
ADM Grain		1,976,667	8%
Wallenius Wilhelmsen		1,143,703	5%
Galveston Railroad, L.P.		1,076,622	4%
Del Monte Fresh Fruit		1,051,098	4%
Pelican Island Storage Terminal Inc.		939,850	4%
Norton Lilly Int'l.		828,134	3%
Malin Int'l.		665,903	3%
Total ten largest customers		15,826,230	64%
Others		9,017,087	36%
Total operating revenues	$	24,843,317	100%

The Board of Trustees of the Galveston Wharves

Debt Service Schedule

Year Ending December 31	Revenue Bonds, Series 2011	Notes Payable	Total Principal and Interest Requirements
2021	$ 2,545,044	$ 2,469,243	$ 5,014,287
2022	2,549,919	2,466,442	5,016,361
2023	2,545,169	2,464,756	5,009,925
2024	2,549,647	2,468,852	5,018,499
2025	2,548,375	2,468,508	5,016,883
2026	2,547,123	2,468,613	5,015,736
	$ 15,285,277	$ 14,806,414	$ 30,091,691

The Board of Trustees of the Galveston Wharves

Schedule of Long-Term Debt
Last Ten Fiscal Years

Fiscal Year	Special Obligation Bonds	Revenue Bonds	Contracts Payable	Notes Payable	Capital Leases	Total	Percentage of Personal Income	Dollars Per Capita
2011	$ -	$ 25,925,000	$ 20,753,455	$ 6,626,054	$ 3,316,379	$ 56,620,888	5%	$ 2,401
2012	-	25,925,000	18,552,189	3,739,399	3,087,814	51,304,402	4%	2,176
2013	-	25,187,093	19,072,664	1,339,294	2,849,937	48,448,988	4%	1,952
2014	-	23,726,023	16,571,412	14,339,294	2,602,368	57,239,097	4%	2,167
2015	-	22,204,953	14,013,026	14,180,080	2,344,712	52,742,771	4%	2,016
2016	-	20,623,883	11,393,206	13,853,370	2,076,562	47,947,021	4%	1,798
2017	-	18,972,813	8,687,611	13,602,884	1,797,486	43,060,794	3%	1,574
2018	-	17,241,744	6,136,456	13,174,959	-	36,553,159	3%	1,295
2019	-	15,425,674	3,144,637	13,000,000	-	31,570,311	2%	1,062
2020	-	13,519,604	-	13,000,000	-	26,519,604	2%	872

The Board of Trustees of the Galveston Wharves

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
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

Pledged Net Revenue Coverage
Last Ten Fiscal Years

Description	2015	2014	2013	2012	2011
Operating revenues	$ 33,015,643	$ 27,711,092	$ 24,767,493	$ 24,482,964	$ 24,843,317
Operating expenses	30,137,256	27,599,249	24,207,406	23,330,424	22,773,545
Net operating income (loss)	2,878,387	111,843	560,087	1,152,540	2,069,772
Add:					
Miscellaneous income	-	-	-	-	-
Interest income	232,073	225,801	201,126	122,618	81,193
Depreciation	6,005,248	5,837,831	5,640,607	4,999,706	4,112,167
Total net revenues	$ 9,115,708	$ 6,175,475	$ 6,401,820	$ 6,274,864	$ 6,263,132
Annual debt service	$ 6,450,236	$ 5,513,294	$ 5,693,844	$ 2,521,208	$ 4,695,925
Debt service coverage	1.41	1.12	1.12	2.49	1.33

The Board of Trustees of the Galveston Wharves

Demographic and Economic Statistics

Fiscal Year	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)
2011	47,743	23,581	1,125,828	38.8	12	6,400	8.9%
2012	48,444	23,581	1,142,358	38.8	12	6,450	7.6%
2013	47,762	24,822	1,185,548	38.8	12	6,450	7.7%
2014	48,733	26,410	1,287,038	38.8	12	6,800	5.6%
2015	49,608	26,164	1,297,944	37.3	12	6,813	6.3%
2016	50,180	26,665	1,338,050	36.3	12	6,976	4.8%
2017	50,550	27,366	1,383,351	37.0	12	6,884	5.0%
2018	50,497	28,227	1,425,379	36.6	12	7,017	4.5%
2019	50,457	29,733	1,500,238	39.4	12	7,015	3.6%
2020	51,691	30,406	1,571,717	37.8	12	7,041	3.9%

Source: (1) U.S. Census Bureau
(2) Galveston Independent School District
(3) United States Census Bureau and Texas Workforce Commission

Note: Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

The Board of Trustees of the Galveston Wharves

Principal Employers in the City of Galveston
2019 and Nine Years Ago

	2019			2010		
Employer	Employees	Rank	Percent of Total Employment	Employees	Rank	Percent of Total Employment
University of Texas Medical Branch	8,324	1	28.34%	7,900	1	29.92%
Landry's Restaurants	1,930	2	6.57%	746	7	2.83%
Galveston County (on island only)	1,247	3	4.25%	1,210	2	4.58%
Galveston Independent School District	1,069	4	3.64%	1,044	3	3.95%
Moody Gardens	1,034	5	3.52%	783	5	2.97%
American National Insurance Company	950	6	3.23%	850	4	3.22%
City of Galveston	868	7	2.96%	748	6	2.83%
Schlitterbahn*	500	8	1.70%		-	0.00%
ILA (Local 20, 1665, 15048 and 1443)	500	9	1.70%		-	0.00%
Walmart	360	10	1.23%		-	0.00%
Mitchell Historic Properties	335	11	1.14%		-	0.00%
Texas A&M University at Galveston	319	12	1.09%	329	9	1.25%
Fertitta Hospitality	-		0.00%	743	8	2.81%
Galveston College	-		0.00%	140	10	0.53%
	17,436		59.37%	14,493		54.89%

*Employment increases by 45%—almost 600 additional jobs during the Summer.

Source: City of Galveston, Texas Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2019.
http://www.galvestontx.gov/Documentcenter/view/10610/comprehensive-annual-financial-report-FY-2019

2020 figures are not yet available

The Board of Trustees of the Galveston Wharves

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

Description	2020	2019	2018	2017
Bulk grain	1,473,271	647,328	839,395	734,932
Bulk fertilizer	273,569	540,096	603,701	455,945
Bulk liquid	1,393,261	1,574,339	1,544,103	1,225,701
Other bulk cargoes	39,703	-	-	-
Bananas and other fruit	606,624	568,860	534,412	484,661
Other general and Ro Ro Cargo	479,335	687,215	581,779	486,296
Livestock	1,859	-	-	-
Total tons handled	4,267,622	4,017,838	4,103,390	3,387,535
Inward	2,444,617	3,043,447	3,069,352	2,342,006
Outward	1,823,005	974,391	1,034,038	902,805
Total inward and outward	4,267,622	4,017,838	4,103,390	3,244,811
Number of vessels, including ships and barges	813	1,023	840	734

The Board of Trustees of the Galveston Wharves

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

2016	2015	2014	2013	2012	2011
2,466,931	3,073,498	1,553,860	914,099	1,088,386	3,592,228
565,277	620,731	721,562	542,121	700,104	413,890
1,303,459	904,659	1,666,465	2,127,632	2,080,702	2,518,378
-	-	-	-	10,818	20,362
486,797	520,697	504,542	439,178	337,912	369,234
383,320	483,722	495,067	429,382	548,476	439,734
-	-	-	11,897	20,178	5,043
5,205,784	5,603,307	4,941,496	4,464,309	4,786,576	7,358,869
2,631,508	5,296,181	3,103,258	3,314,967	3,404,705	3,493,545
2,574,276	307,126	1,838,238	1,149,342	1,381,871	3,865,324
5,205,784	5,603,307	4,941,496	4,464,309	4,786,576	7,358,869
752	810	846	912	803	774

The Board of Trustees of the Galveston Wharves

Cruise Traffic
Last Ten Fiscal Years

Year	Cruise Ship Calls	Cruise Passengers	Vehicles Parked
2011	152	459,448	59,466
2012	174	604,272	77,624
2013	179	604,994	73,395
2014	181	641,650	87,422
2015	232	834,616	112,363
2016	235	868,923	105,108
2017	255	938,198	116,211
2018	268	989,220	113,484
2019	297	1,091,622	114,042
2020	63	225,643	21,115

Source: Port of Galveston Records

The Board of Trustees of the Galveston Wharves

Number of Employees and Gross Wages Paid
Last Ten Fiscal Years

Year	Average Number of Employees (Maintenance)	Average Number of Employees (Security)	Average Number of Employees (Administration)	Total Average Number of Employees (a)	Gross Wages Paid (b)
2011	21	45	32	98	$ 5,027,568
2012	21	45	32	98	5,238,227
2013	18	44	33	95	5,213,368
2014	18	42	33	93	5,266,610
2015	19	43	34	96	5,683,543
2016	21	43	40	104	5,956,898
2017	20	41	32	93	5,437,350
2018	20	33	33	86	5,322,593
2019	20	27	35	82	5,593,528
2020	23	28	38	89	5,654,513

(a) Based on quarterly Bureau of Labor Statistics reports.
(b) Includes straight time and overtime.

Operating Facilities
December 31, 2020

East End Roll-On Roll-Off (RoRo) Cargo Terminal and Vehicle Processing Center (VPC) at Pier 9 15 (Pier 10 Terminal)	Services major RoRo cargo ship ocean lines. Major RO-RO Hub Port on Gulf Coast. Total 40.1 acres, including 19.7 acres leased in 2016 to an operator for a VPC for BMW. Additional 5.44 acres for Caterpillar EPC. Also transloading military household goods for ARC.
Vehicle Processing Center (Pier 10 Terminal)	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.
Refrigerated Warehouse and Distribution Center/Terminal at Pier 16-18	Services importation of refrigerated bananas and other fruit and produce. Quick access to Interstate Hwy. 45. Phase I and Phase II expansion projects completed in 2009. Phase III expansion project was completed in 2011. Phase IV and V expansion projects completed in 2012. Pier 18 expansion (40 feet wide by 600 feet long) completed 2012. Pier 16 expansion (40 feet wide by 600 feet long) completed 2013. Uplands acreage expanded (2 acres) in 2015. Additional land added under lease in August, 2017.
Pier 21 Harborside Development	Retail/wholesale waterfront commercial development of outlets for the sale and provision of goods and services to the public: hotel, restaurants, residential rental units, offices, museums and a small boat basin for the docking of pleasure craft and recreational vessels, together with related offices, parking facilities and other facilities, incidental, or pertinent, to these operations.
Texas Cruise Ship Terminals On Galveston Island®	Home port to Carnival Cruise Line and Royal Caribbean International. Seasonal home port to Disney 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. Ability to take on additional cruise ships and passengers. Expansion of Cruise Terminal No. One to handle higher volume cruise vessels completed in October 2011. Expansion of Cruise Terminal No. Two to accommodate larger cruise vessels completed in 2016. Expansion of mooring capabilities at Cruise Terminal No. One to accommodate the largest Carnival Cruise Line vessel was completed in early 2018.
Export Grain Elevator at Pier 30-32	Operated by ADM Grain Company. Handles grain exports from U.S. Midwest and Southwest regions, serviced by BNSF Railway and Union Pacific Railroad. Storage capacity 3,200,000 bushels. Railcar unloading capacity of 1,600 MT per hour; Vessel loading capacity of 2,000 MT per hour. Facility rail expansion completed in 2012 to allow handling of three shuttle trains of 100 rail cars each.

Operating Facilities
December 31, 2020

Pier 34 Project and General Cargo Terminal	General cargo terminal facility with substantial adjacent open storage area. Current primary use unloading, loading and trans-shipping structural members and components for wind-powered electric generating windmills. Construction of specialized rail ladder track for the loading and unloading of rail cars with energy-related and over-dimensional cargo completed March 2012.
Pier 35 Bulk Cargo Terminal-Fertilizer	Operated by CHS, Inc. a major importer of bulk urea fertilizer. Facility has storage capacity of 80,000 short tons. Serviced by BNSF and Union Pacific Railroads. Facility rail track expansion to handle shuttle trains completed in 2012.
West End RoRo and General Cargo Piers 37-40	Services two major RoRo cargo ocean shipping lines. Miscellaneous breakbulk, rolling stock, remarketed vehicles for export and IMO Class One cargoes. Piers also used for docking vessels for repairs.
Vessel Repair Facility at Pier 41	Open berth for vessel repairs and lay-ship activities.
The Old Navy Dock on adjacent Pelican Island	Tenant offers a full range of maritime support services including salvage and emergency pollution response solutions for worldwide deployment.
Shipyard Operation on adjacent Pelican Island	Property is 110 acres plus docks, piers and dry-dock facility operated by a major Port tenant. Facility repairs oil rigs, ships, barges and research vessels. Major local employer. Major source of rental income to Port.
Pelican Island Storage Terminal, Inc.	Liquid bulk terminal operated by Port tenant moving carbon black and heavy fuels. Tank storage capacity expanded 100%, completed in 2012. Further expansion of tankage and diversification of products is expected.


THE PORT OF EVERYTHING